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Realising the potential of Bangladesh automotive industry

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Even though the affluent middle-class in Bangladesh is growing rapidly and increasing its purchasing power, the demand for passenger cars are still low compared to India and Thailand.

According to a LightCastle study, the size of the country's automobile industry, in particular the passenger vehicle segment, remains modest compared to other Asian peers with only 2.5 cars per 1,000 population.

The market has grown multifold over the years and has become an industry worth USD 1 billion.

However, the industry experts believe that the market size of passenger cars is not bigger than Tk 5000 crore.

According to the Bangladesh Road Transport Authority (BRTA), only 20,093 passenger vehicles were registered in 2020, covering a mere 5.3 percent of the automobile industry volume.

Passenger vehicles include sedans or private cars, sport utility vehicles (SUVs) or jeep, and microbus or multi-purpose vehicles (MPVs). Within the passenger vehicle segment, sedans (also referred to as private cars) accounted for almost 55 percent of vehicles, with 12,403 units registered in 2020.

The remainder of the passenger vehicles segment was captured by SUVs and minibuses with 4,911 units and 2,779 units respectively.

These numbers have also changed over the last few years, where SUVs and MPVs have mostly recorded a gradual increase in demand, while the registration of sedans have at times been stagnant or even decreased.

The automobile market in Bangladesh has seen significant growth in the last decade, especially between 2015 and 2017. At the peak of its trajectory, BRTA had reported 32,942 registered passenger vehicles in 2017 that has since been in decline. Between 2018 and 2020, the

TOTAL REGISTERED CARS
20,093 IN **2020**

TOTAL PASSENGER
CARS IN BANGLADESH
539,079 UNITS

AVERAGE ANNUAL
GROWTH **8%**

MARKET SIZE TK **5000**
CRORE



TOTAL **12,403** UNITS OF SEDAN
CARS REGISTERED IN **2020**

TOTAL **4,911** UNITS OF SPORTS UTILITY
CARS REGISTERED IN **2020**



TOTAL **2,779** MICROBUSES
REGISTERED IN **2020**

Major customers – higher middle
class, mid-level government officials,
corporate house and government
project

Expenditure to run a car—
fuel, driver salary, repairs and
maintenance, insurance, road
tax, fitness fee

number of registered passenger vehicles
has declined by almost 39 percent.

Moreover, the automobile industry is
still heavily import dependent.

Currently, Pragoti locally assembles
cars made by Japan's Mitsubishi Motors
while PHP Motors, a sister concern of
the PHP Family based in Chattogram,
assembles cars designed by Malaysia's
Proton Holdings Berhad.

Besides, Indian automotive giants
Tata Motors and Mahindra & Mahindra
recently showed interest in setting
up similar partnerships with local
manufacturers to grab a bigger slice of
the growing Bangladesh automobile
market.

At present, about 60 to 65 vehicles are
sold across the country each day.

When the market had just started to
take off in 2012, the daily figure was 29,
indicating a 117 percent increase in the
last eight years according to Bangladesh
Reconditioned Vehicles Importers and
Dealers Association (BARVIDA).

In 2019, car sales amounted to Tk
5,000 crore, which was more or less the
same the year before.

Bangladesh's thriving automobile
sector has grown 8 percent on average
annually since 2012, according to
industry insiders.

According to the Automobile Industry
Development Policy 2021, the local

automobile industry has been considered
a potentially major industrial sector for
the last two decades as it has registered
impressive annual compound growth
and contributes greatly to the national
economy.

Bangladesh will cut its over-reliance
on imported vehicles, switch to
electric modes of transportation and
become a regional hub for automobile
manufacturing by 2030 as the
government unveiled the country's first-
ever policy to develop the sector.

The policy promises to offer tax
and export incentives to encourage
entrepreneurs to establish automobile
plants in the country.

Opportunities for four-wheeler

The market is growing annually at a
rate of 8 percent with an increasing
purchasing capacity of the growing
middle class of the country. The middle
class are the main customers for
passenger cars.

As per the policy, investors will get the
opportunity to import capital machinery
and equipment to make cars at zero duty.

Besides, commercial vehicle
manufacturers will get duty-free access for
the import of auto parts for four years.

Investors will get concessional loans to
market locally manufactured commercial
vehicles, according to the policy issued by
the industry's ministry on Tuesday.

A 15 percent cash incentive will be
given for the exports of locally assembled
or CKD (completely knocked down) cars.

The local automobile industry
is nearing critical mass thanks to its
ability to adopt new technologies and
increased efficiency in human resource
management.

"Bangladesh's automobile industry
could even become a part of the global
supply chain in the future," the policy
states.

Growing demand for cars and
motorcycles is a result of the rise in
purchasing power among the general
public, it added.

The policy aims to provide a clear
roadmap on how to take the country's
evolving automotive ecosystem forward.

On the other hand, the policy
discourages the import of completely
built-up units of used vehicles as locally
assembled cars are more affordable than
the imported ones.

The government will attract both local
and foreign investment, the policy said.
The authorities will set standards for
locally manufactured vehicles in keeping
with global benchmarks, and help local
manufacturers to enter new markets.

SEE PAGE J2



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