

# The Daily Star

www.thedailystar.net

REGD. No. DA 781

VOL. XXXI No. 307

AGRAHAYAN 13, 1428 BS

Your Right to Know

RABIU SANI 22, 1443 HJRI

20 PAGES PRICE : Tk12.00

## Realising the potential of Bangladesh automotive industry

JAGARAN CHAKMA

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



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



LankaBangla  
FINANCE

## DRIVE YOUR HAPPINESS

Buy your dream car today with exclusive offerings\* from LankaBangla Finance.

Tailoring financing to your needs!

\*Up to 90% Loan Facility \*Flexible Processing Fee

Talk to our Relationship Managers or Call 16325



## A welcome change from other SUVs

The all new GLS

Book Yours Now



Mercedes-Benz



RANCON

General Distributor of Mercedes-Benz AG in Bangladesh. Rancon Motors Limited | 246, Bir Uttam Mir Shawkat Sharak, Ground Floor, Tejgaon, Dhaka -1208. Hotline: 09617-703704, /mercedes.benz.bd