

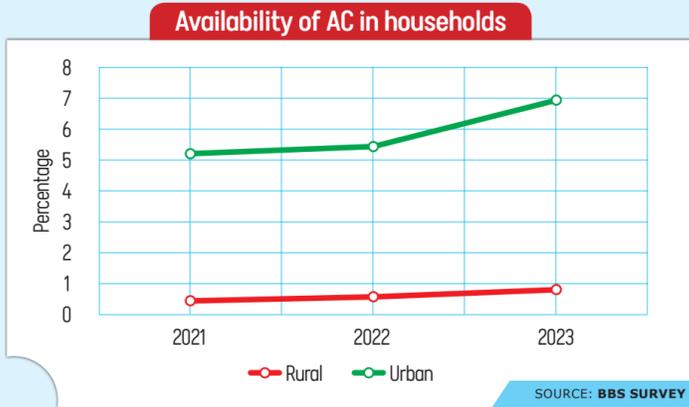
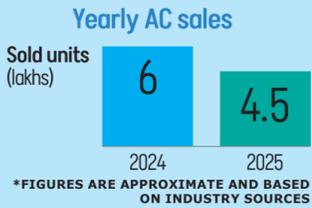
## The rising stakes of cooling

### AC INDUSTRY OVERVIEW

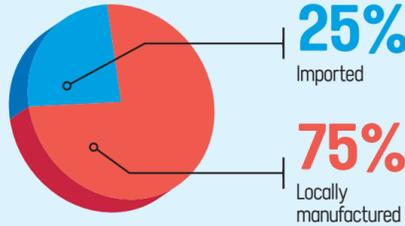
- 2.28% of households now have AC, compared to 1.6% in 2021
- Yearly demand for ACs was generally between 600,000 and 700,000 units before 2025

"Current import policies allow importers to pay only 1% tariff while local manufacturers pay 15% tariff and 15% VAT on raw materials, harming industrialisation and employment."

**-Md. Tanvir Rahman**  
Chief Business Officer, Walton



**Locally manufactured ACs thrive in the market**



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#### A MARKET GAINING MOMENTUM

The trajectory of the AC market reflects the broader economic growth of Bangladesh. According to data from the Bangladesh Bureau of Statistics (BBS) highlighted in recent reports, the penetration of ACs in households has seen a remarkable jump. A 2022-2023 survey revealed that the proportion of households using refrigerators and ACs has grown significantly as incomes rise. Specifically, AC usage, which stood at a mere 0.4% in 2013, has expanded to nearly 4.5% in 2023.

In terms of production, the "Made in Bangladesh" tag has become a dominant force. In 2023, local manufacturers and assemblers met nearly 80-90% of the domestic demand, a stark contrast

to a decade ago when the market was almost entirely import-dependent. However, the journey hasn't been without its cooling-off periods. But, last year saw a temporary dip in demand. Unprecedented rainfall and relatively mild temperatures during the peak summer months led to a "cooling off" of sales, with many retailers reporting stocks remaining on shelves longer than anticipated. However, 1-tonne unit now costs Tk 60,000 to Tk 65,000, up from Tk 50,000-Tk 55,000 a year ago, while in order to get premium brands one needs to count Tk 1.2 lakh. Despite this weather-induced fluctuation, the long-term outlook remains transparent, with annual demand estimated between 500,000 to 600,000 units in a standard year.

#### THE INVERTER EFFICIENCY EDGE

As electricity prices undergo periodic adjustments, the Bangladeshi consumer has become increasingly "energy-conscious." This shift has pushed inverter technology from being a premium feature to a market standard. The primary appeal of inverter ACs lies in their ability to regulate compressor speed based on the room's cooling requirements, rather than the "all-or-nothing" approach of non-inverter models.

According to technical insights from industry leaders like Haier, inverter technology can lead to substantial cost savings. By avoiding the high energy spikes associated with frequently starting and stopping the compressor, these units can reduce electricity

consumption by up to 60% to 70% compared to traditional fixed speed units. Over a three-to-five-year period, the savings on utility bills often exceed the initial price difference between an inverter and a non-inverter model.

Md Tanvir Rahman, Chief Business Officer at Walton, emphasises that while the future is undoubtedly inverter-driven, the market still maintains a niche for traditional models. "Inverter technology has quickly become the preferred choice due to its superior energy efficiency and long-term cost savings," says Rahman. "However, non-inverter air conditioners still have a place in the Bangladeshi market, particularly in specific commercial or temporary use scenarios. Small retail shops, temporary workspaces, and certain institutional environments often prioritise lower upfront investment rather than long-term electricity savings. That said, the overall market trend clearly indicates that inverter technology will dominate the market in the coming years."

#### AI-POWERED SMART COOLING

Beyond energy savings, the new frontier for the AC market in Bangladesh is Artificial Intelligence (AI) and health-centric features. As consumers spend more time indoors, the demand for "Smart ACs" that offer more than just cold air is rising.

Electromart, the marketer of the globally renowned Gree brand, has recently introduced features that take personalisation to a new level. The launch of the Gree 'Airy' inverter AC series marks a shift toward AI-driven climate control. Md. Nurul Afser, Deputy Managing Director of Electro Mart group explained that this series integrates AI-driven sensors that analyze room temperature, humidity levels, and occupancy patterns to optimise compressor performance automatically. This intelligence translates directly into the wallet; customers can expect an additional 10-15% energy savings compared to conventional inverter models by reducing unnecessary compressor loads.

Moreover, in a post-pandemic world, air quality has become a non-negotiable feature. The Airy series features a "Cold Plasma" sterilisation system. This technology helps neutralise airborne bacteria, viruses, and allergens by breaking down harmful particles at a molecular level. "In densely populated urban environments with dust and pollution concerns, this feature significantly improves indoor air quality," Afser noted. Laboratory testing

has shown that the system eliminates up to 93% of bacteria and viruses, making it a critical addition for households focused on health and hygiene.

#### POLICY HURDLES AND GROWTH

While the consumer side of the market is flourishing with smart tech, the manufacturing side faces structural challenges that could dictate the future of local industrialisation. Bangladeshi manufacturers have proven they can produce world-class appliances, but they are now calling for a more level playing field in terms of taxation and tariffs.

Walton, a pioneer in local AC manufacturing, has pointed out a significant discrepancy in the current policy framework. Md. Tanvir Rahman highlighted that while the government encourages local production, certain tariff structures favor importers of heavy industrial cooling systems over local makers.

"There are policy barriers for local manufacturers which need to be fixed urgently," he stated. "For example, importers can import VRF (Variable Refrigerant Flow) and Chiller paying only 1% customs tariff while manufacturers have to pay 15% customs tariff and additional 15% VAT on raw materials. This is heavily affecting local industrialization and employment along with raising the import cost."

Addressing these disparities is crucial for the next phase of the industry's growth. The transition from home cooling to large-scale industrial and commercial cooling solutions. If the tariff barriers are addressed, local manufacturers believe they can significantly reduce the country's reliance on imported heavy machinery, further boosting the economy and creating high-skill jobs.

The Bangladeshi AC market is at a crossroads of innovation and policy evolution. With the rise of AI-integrated and smart features, the massive energy savings offered by inverter technology, and a growing consumer base, the industry is poised for long-term expansion. However, the stability of this growth will depend on how well the industry navigates weather-related volatility and whether the government provides the necessary policy support to protect and promote local manufacturing. For the consumer, the message is clear: the modern AC is no longer just a box that blows cold air rather it is a smart, health-tracking, energy-saving investment for a more comfortable future.



**MD. TANVIR RAHMAN**  
Chief Business Officer  
WALTON AIR CONDITIONER

## AC market trends and future of COOLING

Walton

The days of panic-buying an AC during a heatwave are fading as more Bangladeshis shift toward proactive, pre-season purchasing. Md. Tanvir Rahman, Chief Business Officer of Walton Air Conditioner, discusses how this change in consumer habits is reshaping production planning and the industry's 2026 growth outlook.

**The Daily Star (TDS):** With temperatures hitting record highs, how has the demand forecast for 2026 changed?

**Md. Tanvir Rahman (MTR):** Bangladesh has been experiencing increasingly intense and prolonged summers, and this shift is having a noticeable impact on the AC market. For 2026, the demand forecast has been revised upward compared to earlier projections. Air conditioning is gradually transitioning from a luxury product to an essential household appliance.

**TDS:** Almost all new models focus on inverter technology. Is there still a future for non-inverter ACs in the Bangladeshi market?

**MTR:** Inverter technology has quickly become the preferred choice due to its superior energy efficiency and long-term cost savings. However, non-inverter air conditioners still have a place in the Bangladeshi market, particularly in specific commercial or temporary use scenarios. They often prioritise lower upfront investment rather than long-term electricity savings. In such cases, non-inverter models remain a practical option.

**TDS:** How are "Smart ACs" performing in terms of sales? Do consumers actually use the mobile app features?

**MTR:** Smart air conditioners equipped with IoT and Wi-Fi connectivity are gradually

gaining popularity in Bangladesh. Initially, many consumers perceived these features as premium add-ons. However, as smart home technology becomes more familiar, users are increasingly appreciating the practical benefits.

Younger consumers and tech-savvy families are actively using mobile applications to control their AC remotely, schedule cooling times, and monitor energy usage. At Walton, we have noticed a steady increase in interest in smart-enabled models, especially among urban homeowners.

**TDS:** Are you seeing an increase in AC sales from outside Dhaka and Chattogram?

**MTR:** Expansion of AC sales beyond major metropolitan cities is one of the most encouraging trends in the market. However, rural and semi-urban markets present unique challenges like, voltage fluctuations and infrastructure limitations. To address these challenges, Walton is focusing on wider distribution coverage, accessible after-sales service, and continuous consumer education across the country.

**TDS:** How is the industry managing rising costs of imported raw materials amid dollar fluctuations?

**MTR:** To counter dollar fluctuations and rising costs, Walton prioritises localization. However, policy imbalances—1% tariffs on imports versus 15% customs tariff and 15% VAT on raw materials—stifle domestic industrialisation and employment.

Interview conducted by Adrin Sarwar

At Walton, we are seeing consumers becoming more proactive. Instead of waiting for peak heatwaves, many customers are now purchasing ACs ahead of the summer season. This shift in consumer behavior has encouraged manufacturers to strengthen production planning, improve distribution coverage, and ensure sufficient inventory before the peak demand period begins.

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