

MEET
BANGLADESH
THE RISING TIGER

LIGHT ENGINEERING



LIGHT ENGINEERING

Known as the mother of all industries, the light-engineering sector makes an important contribution to the industrial, agricultural, automobile, and construction sectors of the country. Bicycle, electrical goods & electronics, automobiles and battery are the segments of this sector. A recent International Finance Corporation (IFC) study showed this sector in Bangladesh employs 600,000 people in 50,000 micro-enterprises and 10,000 Small and Medium Enterprises.



KEY INDICATORS

8.2 BILLION USD
DOMESTIC MARKET
SIZE IN 2021



795.63 MILLION USD
EXPORT EARNINGS
IN FY2021-22(EPB)



GREW BY 50.4%
YOY TO REACH



600,000 PEOPLE EMPLOYED
BY 40,000 LE COMPANIES



34 LE CLUSTERS
ACROSS THE COUNTRY

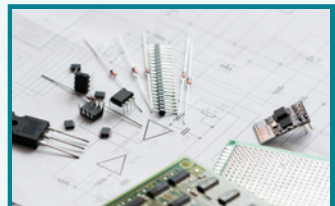
18
Districts

HUGE GROWTH POTENTIAL
IN THIS SEGMENT AS LOCAL
PRODUCTION ONLY MEETS
50% OF THE TOTAL DEMAND



PRODUCTS WE OFFER

Light Engineering Sector (LES) offers a wide and diversified array of products with proven quality and conformity standards. These includes bicycle, battery, automobiles, automobile spares, construction equipment, iron chain, stainless steel wares, optical lens etc. Electrical goods and electronics are essential LES products. A new generation of dynamic entrepreneurs have entered into this product segment and taking Bangladesh to a new height. Currently they are producing power transformer, switch gear, electric wires and cables, refrigerator, compressor, transistor, mobile-phone, TV, diode, energy saving bulbs, switch-socket, electric generators, water heater, humidifier and dehumidifier, all types of fans, fancy light fittings, IPS, voltage stabilizer, spare parts of lifts and escalators, remote control switch, microprocessor-based control system etc. Moreover, the sector offers manufacturing machinery and spare parts for various engineering and non-engineering.



EXPORT MARKET

According to the Export Promotion Bureau (EPB), the Bangladeshi small and medium scale manufacturers exported USD 795.63 million worth of engineering goods in the FY 2020–2021, posting an 50.4% growth year on year.



Sub-Sectors:

Bicycle: Bicycles are the largest export items in the Bangladeshi Light Engineering sector, amounting to USD 131 million in 2020–21 and rising to around USD 168 million in 2021–22. At least seven local manufacturers export nearly 900,000 units of bicycles annually. The size of the domestic bicycle market is estimated at USD 141 million (as in 2019), where some 1.5 million bikes are sold annually. In 2019, Bangladesh was the third largest non-EU exporter of bicycles to the EU (Eurostat). In fact, more than 90% of bicycle export goes to EU countries as local manufacturers enjoy duty-free access to the market. As several European governments are providing subsidies to encourage bicycle purchase, Bangladesh has the opportunity to expand the overseas market of bicycles, particularly in developed nations in addition to the EU.



Electrical goods & electronics: The Booming electronics market in Bangladesh provides potential investment opportunities for suppliers of electronics parts and components. At present, renowned local and international brands such as Samsung, LG, Walton, myone, vision and Singer locally assemble their brands of TVs, refrigerators, and other home appliances. Moreover, mobile-phone brands such as Samsung, Nokia, Oppo and Vivo are currently assembled in the country. Other international brands are expected to commence local production soon as well. While Bangladesh currently produces and exports transformers, transistors and semiconductor devices, this is currently on a smaller scale than the potential for these items. Since there is ample space for expanding local production for the growing domestic market as well as export market, foreign investors are also welcome to meet the demand of these markets with higher quality products.



Automobiles (Motorcycle): The motorcycle market has seen phenomenal growth since 2014 with an annual growth rate of 30% from 2014 to 2019. The registered number of motorcycles in Bangladesh has grown from less than 100,000 in 2014 to over 400,000 in 2019. While motorcycles contains around 1,500 parts, very few of those are locally sourced. Currently, many foreign and local manufacturers such as Honda, Suzuki, Runner and Yamaha are assembling motorcycles in the country leading to a growing untapped market for automobile parts and components. At present, the automotive spare parts market is around US\$ 600 million and comprises primarily imports, providing a potential market for motorcycle & parts manufacturers.



Battery: Driven by the automobile industry, the local battery market has been witnessing a significant growth rate of over 20% annually since 2013, reaching a market size of almost USD one billion in 2018. While the local battery industry primarily caters to two and three-wheeler vehicles, the increasing popularity of hybrid vehicles is expected to boost the demand for rechargeable batteries. In addition batteries are utilised in electronics devices such as smartphones, tablets, laptops and other devices that are increasingly popular in Bangladesh. This indicates a strong reason to choose Bangladesh as a location for producing these batteries.

COMPETITIVE ADVANTAGES



COMPETITIVE WORKFORCE

Bangladesh has duty free access to developed countries (under the Generalised System of Preferences) such as the EU, UK, Japan, Canada, Russia, and Australia. Few countries get this benefit when it comes to exporting Light Engineering products, thus indicating the industry's potential for export competitiveness.



DUTY-FREE MARKET ACCESS

Competitive labor costs serve as a strong competitive advantage for all the export-oriented industries of Bangladesh. Although China and ASEAN countries continue to be amongst the major competitors in the overseas market, competitive labor cost has and will continue to put the Bangladeshi plastics industry in a stronger position.



LOCALLY AVAILABLE RAW MATERIALS

Local availability of high-quality raw materials like steel, crude steel (billets) and other metals.

POLICY SUPPORT

FISCAL INCENTIVES



**5 TO
10 YEARS**

Reduced corporate income tax for 5 to 10 years depending on location for newly-established industries engaged in the production of automation and robotics design or manufacturing including components of automobiles, bicycles, electronics, boilers, compressors, electrical transformers, LED TVs, mobile phones, textile machinery and more



IMPORT

Import duty exemption on capital machineries



↓

Reduced import duties on brass wire and copper plate as inputs for mold fabrication



**↓
\$**

Reduced import duties on raw materials, tools, and equipment used for Light Engineering.



VAT

No VAT imposition on export goods



15% cash incentive on export value of light engineering goods, including batteries

NON-FISCAL

(SUPPORTIVE TRADE POLICY)



Recognized as one of the highest priority sectors in the Export Policy 2021-24



Light Engineering products were declared as Product of the Year by the Government of Bangladesh in 2020



Development of 10 additional light engineering industrial parks planned by the Ministry of Industries in districts of Dhaka, Narayanganj, Jashore, Bogra, Nilphamari and Narsingdi



Bonded warehousing facility for large imports of ingredients to be used for production

EXPORT COMPETITIVENESS FOR JOBS (EC4J) PROJECT

The Government of Bangladesh has made trade, investment, and sustainable development a top priority. Export diversification is a key agenda to continue to deliver on large-scale job creation in the tradable sectors. In line with this objective, the Ministry of Commerce is implementing the Export Competitiveness for Jobs (EC4J) project with support from the World Bank.

EC4J Project is supporting companies in four targeted sectors: (i) Leather and Leather Goods; (ii) Footwear; (iii) Light Engineering; and (iv) Plastics to address some of the key constraints they face in accessing export markets. Companies, especially SMEs that are in the export market or have the potential and are aspiring to access export markets will benefit from the Project.

LEADING COMPLIANCE AND COMPETITIVENESS ENHANCEMENT

1

Programs to create ENVIRONMENTAL, SOCIAL, AND QUALITY (ESQ) AWARENESS

2

Establish MARKET LINKAGE, and conduct SECTOR BRANDING initiatives

3

Sector-specific SPECIALIZED TRAINING on compliance, sustainability, and green growth transformation

4

EXPORT READINESS FUND (ERF) – a matching grant to directly assist firms to improve and upgrade ESQ standards

5

FOUR STATE-OF-THE-ART TECHNOLOGY CENTERS to enable to access modern technologies, advanced skills, and relevant business development services

6

COVID-19 ENTERPRISE RESPONSE FUND (CERF)— supporting rapid repurposing of capacity to produce Medical & Personal Protective Equipment (MPPE) products on a sustainable basis

E C
4 J

EXPORT COMPETITIVENESS
FOR JOBS (EC4J) PROJECT



Ministry of Commerce



MEET BANGLADESH

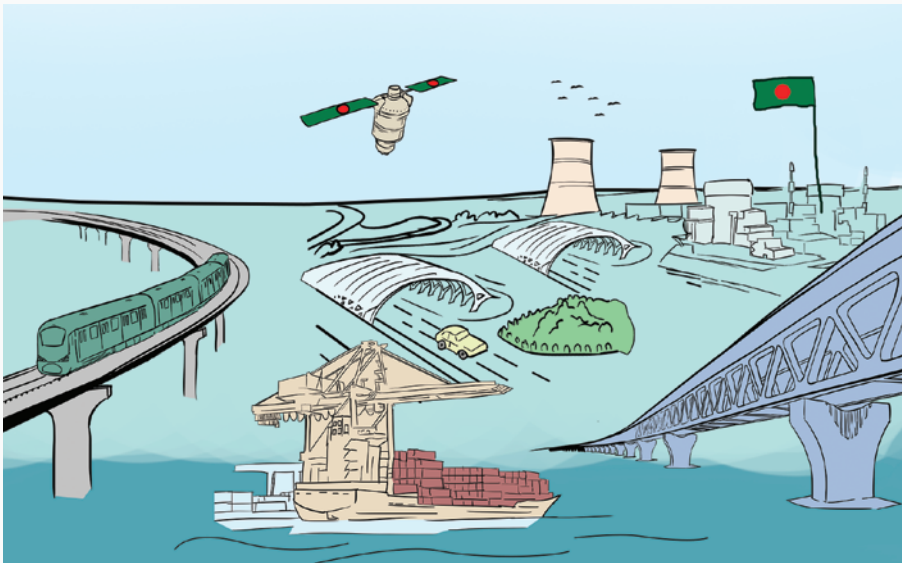
THE RISING TIGER



THE WORLD BANK



THE RISING TIGER



Only 50 years old, Bangladesh is one of the youngest countries in the world with an unparalleled success story. In particular, its growth and development over the last decade have meant that this Rising Tiger's roar has been heard across the world. A booming economy with remarkable improvements in almost all human development indicators are now coupled with major infrastructural developments, digitisation, climate change resilience building, ensuring food security and much more.



BOOMING BANGLADESH



Bangladesh has been growing rapidly for more than a decade. According to nominal GDP, it is the 41st largest economy in the world. The size of its GDP was USD 6.288 billion in 1972 which rose to USD 423.028 billion in 2022. For the last couple of decades, Bangladesh has been recognised as one of the most attractive hubs in Asia. It received record USD 21.031 billion remittance in 2021-22 and aspires to become a developed nation by 2041.



BANGLADESH ONE OF THE FASTEST- GROWING ECONOMIES




**"Fastest growing economy
in the Asia-Pacific region"**

Source: Asian Development
Outlook 2019, ADB



THE WORLD BANK

**"Bangladesh among world's
five fastest-
growing economies"**

Source: Bangladesh
Development Update
2019: Towards Regulatory
Predictability, WB



**"Bangladesh among the
Next 11"**

Source: Goldman Sachs



**"FDI in Bangladesh
jumps 68% in 2018"**

Source: World Investment
Report 2019, UNCTAD



**"Govt expected to
transform Bangladesh
into upper-middle-
income economy by 2021"**

Source: Economist
Intelligence Unit, 2019



**"Bangladesh holds hidden
gems for investors"**

Source: HSBC projects
Bangladesh to the
26th largest economy by
2030



7% average GDP
growth in last 5 years
(Pre-Covid 19) and
more than 5.5%
average GDP growth
Post-Covid 19 to till now



USD **2,824** per
capita **GNI** in
FY 2021-22

source: Bangladesh Bank



USD **21.031** billion
remittances,
3% of GDP
in FY 2021-22

source: Bangladesh Bank



USD **41.83** billion
forex reserve in
2022

source: Bangladesh Bank



6.15% inflation
in FY 2021-22

source: Bangladesh Bank



90% businesses
express high
confidence during
COVID-19: survey

source: Bangladesh Bank

DECADE OF DEVELOPMENT

PHYSICAL INFRASTRUCTURE

Massive investments in infrastructure development over the last decade have underpinned Bangladesh's successes. The country's electricity coverage has increased nationwide from 57% in 2009 to 100% in 2022. World class port infrastructure, airports, thousands of kilometers of rail networks, waterways, roads, and highways are being built, expanded or upgraded. To continue these investments in the future, in 2021 the Government launched Bangladesh Infrastructure Development Fund (BIDF), with an initial funding of USD 2 billion across the length and breadth of the nation.

SKILL DEVELOPMENT

Bangladesh has successfully created skilled human resources and achieving qualitative excellence in development sector since the last decade. The government has formulated the National Skill Development Policy 2011 and a 30-member Skill Development Authority (NSDA) governing body has been formed in 2020, headed by the Prime Minister to coordinate more skill development activities, training and employment. Moreover, a National Human Resource Development Fund (NHRDF) has been established for skill development activities and programs.

25.8% of total government development allocation for the development of transport and communication sector in FY 2021-22



Investment to GDP ratio to increase from **3.61%** to **5.0%** in last 9 year

Power Capacity **22,348 MW** in 2022 from **4,942 MW** in 2009



By 2040, **half of Bangladesh's** population will be living in urban areas



INFRASTRUCTURES TO ACCELERATE THE GROWTH OF INDUSTRIES AND TO TAKE FULL **ADVANTAGE** OF ITS STRATEGIC LOCATION

580 km coastline with 90% international trade done via Chittagong and Mongla ports



10 active land ports linking various states of India



Deep-sea ports - Matarbari and Payra ports to be completed by 2025



3 international and 5 domestic airports



22,418 km of highways and extensive network of quality roads



2,955 km of railways connecting all-over Bangladesh extensively



3 asian highways AH1, AH2 and AH41 and regional corridors like BRI, SASEC, BIMSTEC



93 economic zones have been approved so far





DIGITAL BANGLADESH

Since 2009, the national initiative 'Digital Bangladesh' has been substantial for Bangladesh's transformative growth. It aims to deliver citizen-centric services through technology, increase digital literacy, ensure e-governance and encourage e-commerce while protecting peoples' rights and ensuring accountability. A major achievement of the digital advancements in Bangladesh was the launch of the first satellite 'Bangabandhu satellite -1' – into space in 2018.



181.02

MILLION MOBILE
PHONE SUBSCRIBERS



123.82

MILLION ACCESS
THE INTERNET



45

MILLION ACTIVELY
USE SOCIAL MEDIA



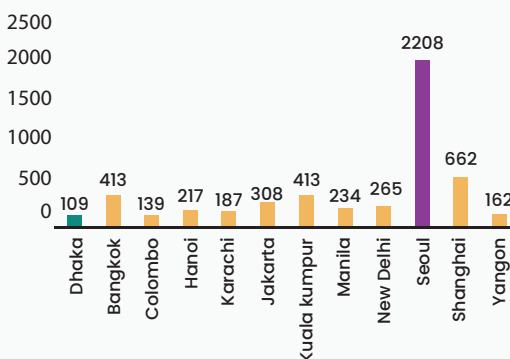


COMPETITIVE COST OF LABOUR

Bangladesh has the most competitive cost of labour compared to its competitors. The average monthly wage rate in Bangladesh is less than half compared to India, and less than one-third of the cost in China or Indonesia.

Bangladesh holds a bright prospect of becoming the “next China” due to the availability of skilled and abundant young workforce. By utilising this advantage, Bangladesh has been successful in growing export-oriented labour intensive manufacturing industries. Following the success of the apparel industry, the country is now poised to achieve a speedy growth in other export sectors such as plastics, footwear, leather goods, light engineering products and IT services.

MONTHLY WORKER WAGES IN USD



Source: JETRO Survey 2019

Monthly average wage rate in Bangladesh is less than half compared to India, and less than one-third of the cost in China or Indonesia.

Bangladesh, low cost and high return Manufacturing destination in Asia

Source: Japan External Trade Organization (JETRO)

JETRO

Bangladesh among top three countries in operating profit forecasts

Source: 2018 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

DEMOGRAPHIC DIVIDEND



Bangladesh's demographic dividend holds a working-age population of more than 60%. Each year, 2.3 million young, tech-savvy and adaptive youths join an ever-growing workforce.



Bangladesh literacy rate reaches all time high of 74.70%

Source: UNESCO
Institute for
Statistics



Female literacy rose remarkably from 43.74% in 2007 to 71.18% in 2021

Source: UNESCO
Institute for
Statistics



45% of its population is aged below 24 years

Source: UNESCO
Institute for
Statistics



70% is aged below 40

Source: UNESCO
Institute for
Statistics



2.3 million young professionals enter workforce every year

Source: UNESCO
Institute for
Statistics

MANUFACTURING PEDIGREE

Bangladesh has been a global manufacturing hub for more than a decade. It is the world's second-largest clothing manufacturer. "Made in Bangladesh" clothing is sold in practically every country on the planet. Bangladesh's sophisticated manufacturing infrastructure is now expanding to a new generation of world-class export industries like automobiles, bicycles, plastic products, electronics goods, footwear, leather goods, etc. Already manufacturing and exporting to varying degrees, these industries are set to receive big boosts from targeted government incentives and interventions to transform them into world-class sourcing destinations.

