



Plastics Industry



Bangladesh Investment
Development Authority

We Nurture Your Investment Dreams

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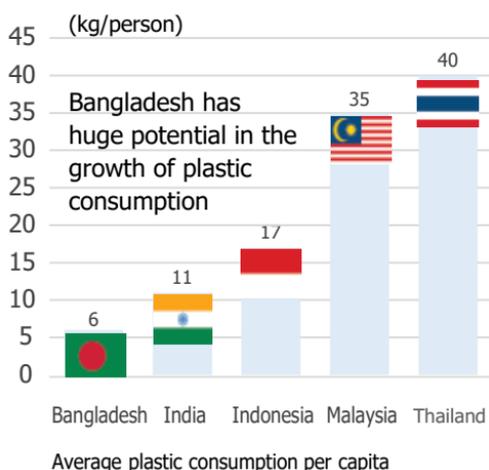
Plastics Industry and Market

Plastics is a key sector in Bangladesh making significant contribution to the national economy. Approximately 5,000 manufacturing units exist in Bangladesh of which almost 98% are SMEs and around 60% are located around Dhaka, employing about 1.2 million people, and producing a variety of products for domestic as well as export markets. Although the plastics industry has evolved as a key sector contributing to national industry diversification, the industry started as a supporting (backward linkage) industry for the export-oriented garment industry.

Bangladesh primarily produces plastics products of houseware, kitchenware, sanitaryware, toy, construction material, and packaging/ conveyance means for processed foods/ pharmaceutical/ fast-moving consumer goods (FMCG). Plastic is also processed as parts, accessories, or materials for other sectors such as garment, textile, pharmaceutical, medical equipment, electronics & electrical equipment, transport equipment. Large-scale manufacturers follow the "own account manufacturing" business where they market their products with their own brands, serving both domestic and overseas markets.

The size of the domestic market amounts to an annual value of over USD 2,500 million according to the industry association (BPMGEA), while direct export of plastics goods is valued at around USD 120 million in FY2018-19. Besides, deemed export consisting of accessories/ materials for the garment sector, in particular, earned around USD 900 million in 2018 according to BPMGEA.

Domestic demand for plastics has been growing steadily. Per-capita consumption amounts to 6-7 kg in Bangladesh but is still below the level of the surrounding countries, 11 kg in India, 17 kg in Indonesia, 35 kg in Malaysia, and 40 kg in Thai. This contrast indicates huge potential for further growth. In addition to the demand for consumer items, demand from local industries such as garment, pharma, motorcycle, and electronics industries is projected to achieve double-digit growth.



Source: Financial Express

Raw materials and molds: The unavailability of locally made synthetic resins has made the industry entirely dependent on imports for raw materials. Polyethylene terephthalate (PET), polypropylene (PP), and polyvinyl chloride (PVC) are the most utilized materials for local plastic processing. Molds for plastic injection are basically imported (from China and India) for the products requiring high-quality standards and procured locally (from light-engineering vendors) for the lower quality ones. Injection/ blow molding is a dominant method for local plastics industries. Accordingly, many factories possess injection/ blow molding machinery.



Export

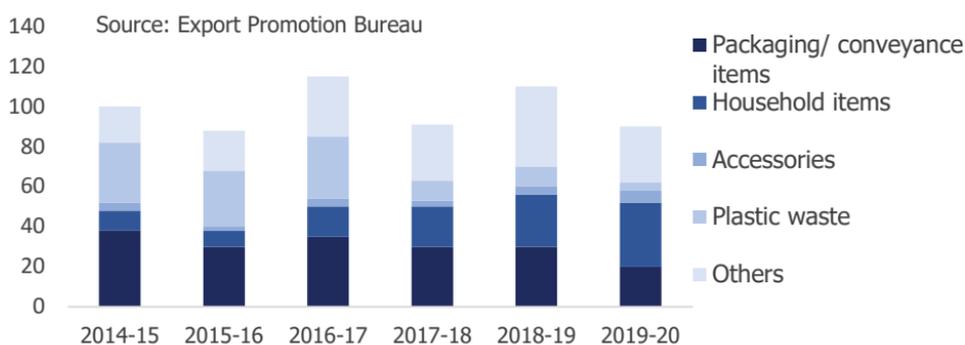
Plastics is the 12th largest export earning sector in Bangladesh where the export market is highly shared by large-scale manufacturers. Bangladeshi plastics export has been expanding at a rate of 4.5% per annum since 2014 and currently amounts to almost USD one billion, while the global market for plastics products is projected to steadily grow at an annual rate of 4% and reach a total size of USD 720 billion by 2025 (Grandview Research).

Bangladesh currently exports plastics products to over 68 countries

There are around 250 units of plastics manufacturers that are engaged in export. Bangladesh currently exports plastics products to over 68 countries and the primary destinations include the USA, Canada, EU, China, India, and Nepal.

Export from Bangladesh consists of both direct and indirect (deemed) exports. Direct export shares around 10% of total export value, where household plastics items like houseware, kitchenware account for the largest share, followed by toys, polythene sheet, PVC pipe, PET bottle. Household items have a global market size of USD 16 billion and has been growing by 3% every year.

Direct Export of Plastic Products (in USD million)



A dominant share of Bangladeshi plastics export is accounted for by deemed export items, which are largely represented by garment accessories (like hanger, button, clip, collar-bone/ chip, etc.) and packaging/ conveyance items (like sacks, bags, boxes, pallets). According to BPMGEA, export earnings in this segment are expected to increase three times during the next several years.

Plastic toys in Bangladesh have shown rapid growth both in export and domestic markets. The plastic toy has recently made entry in the national export basket, demonstrating tremendous growth in export value. The domestic market, as well has steadily grown to a USD one billion segment. The demand is being increasingly met by local industry owing to skills enhancement by local producers and reduced duty for imported materials. The key challenge for local industry is maintaining compliance with the safety standards upon exportation to the EU market.





Attractiveness and advantages of Bangladesh

Income growth with sizeable domestic market: Local demand for plastics products continues to grow as the country experiences steady economic growth with an increasing middle-income class. According to BCG Study, 30 to 40 million people will join the entry-level middle-income class by 2025, while another 34 million will see their income grow and move to a higher middle-income bracket, enabling them to reach a higher standard of living. In particular, domestic markets for plastic consumer items (such as houseware, kitchenware, sanitaryware, toys) and packaging materials for FMCG have been expanding at more than 20% of annual growth rates.

Bangladesh is expecting an increased application of plastic materials for construction purposes as well. Owing to the rising needs for housing/ building and increased public spending on infrastructure, vigorous construction works is expected to continue along with economic growth and urbanization. This would lead to increased demand for plastic-made construction materials.

Competitive workforce: Lower labor cost serves 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.

China's shift in industrial structure: China's gradual shift from labor-intensive manufacturing to high-tech one is expected to reduce its share in the global plastics product market and accelerate the relocation of its existing producers to cost-competitive locations. This shift may be further driven by the need to diversify supply-chain in response to the post-/with-COVID-19 period. Accordingly, there will be a high chance for Bangladesh to grab the global market share that have been held by its Chinese counterparts. For instance, local toy producers are seeking an alliance with their Chinese counterparts to optimize their production location.

Duty-free market access: Bangladesh has a duty-/ quota-free access to developed countries (Generalized System of Preferences) such as the EU, UK, Japan, Canada, Russia, and Australia, while Chinese plastics product, which is a major competitor, has to bear additional duties to access such markets, thus indicating the industry's potential to gain export competitiveness.

Key supporting institutions for plastics industry

Bangladesh Institute of Plastic Engineering Technology (BIPET):

Established in 1968 by BPGEMA to provide technical support, help skills development, and promote R&D on plastics industry. BIPET has modernized campus at Keraniganj, outskirts of Dhaka and runs specific curriculum on plastic processing and manufacturing.

Policies related to Plastics Industry

- Plastics Industry Development Policy 2020, aims to establish a competitive plastic/packaging hub in South Asia and internationally accepted brands.
- Plastics product is recognized as one of the priority sectors in the National Industry Policy 2016 and as one of the highest priority sectors in the Export Policy.



Investment Opportunities

Manufacture of various plastics products: Bangladesh offers an ideal location for a variety of plastics goods production both for domestic and export markets;

Consumer products and toys: Bangladesh provides a strong rationale for investors to locate manufacturing units of plastic household and toy items. Foreign investors are expected to establish a manufacturing base of high-value plastics items by availing reduced duty for imported materials and utilizing modern injection machinery. Investment in design service is welcome as well to help Bangladesh improve its capability of design/ product development for this segment. Plastic toy, in particular, receives the government attention as a special sector, and is increasingly attracting FDI.

Construction materials: Investors are expected to contribute to the Bangladeshi construction sector in meeting the needs of increased construction works through delivering quality, resilient, and safety-proven plastic materials such as pipes, sheets, pallets, and materials for wall/ exterior/ opening/ heat-insulation, etc.

Packaging materials: It is expected that in addition to the current dominant uses of plastic materials for packaging, other growing industries such as food processing, logistics, delivery will also increase the demand for application of plastic in packaging. Moreover, hygienic plastic pallet is one of the potential items in Bangladesh.

Motorcycle and electronics parts: During the last several years, motorcycle and electronics assembly have started to boom in Bangladesh with the presence of many foreign and local makers. For instance, motorcycle registration has been steadily rising, selling over 400,000 units in 2019. These assembly industries face increased competition and need to suppress or reduce production costs through local parts sourcing, plastic parts to begin with. Foreign suppliers of plastic parts are welcome to meet such untapped demands, preferably in partnership with local plastics industries.

Plastic recycling plant: Bangladeshi government intends to develop a plastic recycle base through reduced income tax measures. Bangladesh generates around 380 tons of plastic waste every day, about 30% of which are said to be recycled currently. Bangladesh at the same time imports a large volume of plastic/ PET resin. FDI is expected to help Bangladesh to augment plastic recycling plants with state-of-art and energy-efficient technologies.

Sector-specific Investment Incentives and Restriction

Incentive	<ul style="list-style-type: none"> - Reduced CIT for 5 to 10 years depending on location for newly established "plastic recycling business". - Import duty exemption on capital machineries. <p><u>For exporters:</u></p> <ul style="list-style-type: none"> - 50% tax exemption for income derived from export. - No VAT imposition on export goods. - 10% cash incentive on export value of plastics products, PET bottles.
Restriction	No specific restriction exist upon the entry of foreign investors.

Industry Associations

Plastic Goods Manufacturers & Exporters Association (BPGMEA)	A trade body to represent interests of local plastics goods producers (around 1,000 members) and provide services for their collective benefits; such as market development/ promotion, HRD, policy advocacy, and research.
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BIDA undertakes the functions of investment promotion and facilitation, and policy advocacy in accordance to the Industry Policy and provides inquiry/ consultation/ licensing facilitation services to the investors outside the jurisdiction of other investment authorities (BEZA, BEPZA, High-tech Park Authority). Those investors registering with BIDA for their investment projects are able to benefit from the following key incentives and privileges:

Category	Notes
Tax holiday	<ul style="list-style-type: none"> - Phased Corporate Income Tax (CIT) exemption for 32 designated sectors/ products (as per the Finance Act 2020), depending on location of factories - Phased CIT exemption for private IPPs (which construct powerhouse after June 2016) and full CIT/ capital gain tax exemption for PPP projects - Full CIT exemption for ICT/ software industry
Tax rebate	Applicable for manufacturing industries of which factories i) are located, ii) move, iii) have already operated, outside Dhaka City
Import duty exemp.	<ul style="list-style-type: none"> - On capital machinery/ spares - VAT exemption for imported capital machinery/ spares
Other tax exemption	<ul style="list-style-type: none"> - On interest payable on foreign loans - On royalty/ technical license fees obtained from foreign company/ expert - On personal income tax for foreign technician - One capital gain from the transfer of shares of listed public companies
Non-tax incentives	- Accelerated depreciation for newly established industries in lieu of tax holiday on their factory, machinery and plant

* The above may be subject to revision upon annually enacted Finance Act and individual regulations. Export-oriented industries regardless of their locations can benefit from additional privileges and facilities.

Bangladesh Economic Zones Authority "BEZA is a smart way for business in Bangladesh"



BEZA develops and manages economic zones (EZs) in view of generating more spillover effects of investment for industrialization. Currently a number of EZs are being developed throughout nation to cater for investment needs of both foreign and local investors, utilizing a variety of development schemes including BEZA's own initiative, private initiative, public-private-partnership and bilateral agreement with foreign government. The investors tenanted in EZs are able to benefit from the following key incentives/ privileges:

Fiscal incentive	<ul style="list-style-type: none"> - Phased Corporate Income Tax (CIT) exemption for 10 years - VAT exemption for imported machinery/ const. material, utility expense - Duty exemption for imported vehicle - Duty exemption for import/ export of goods/ materials with bonded warehouse facility - Personal Income Tax exemption for expatriate salary - Tax exemption for dividend/ royalty and technical license fees, etc. - Exemption of local government tax/ land development tax - Exemption from registration fee on land transfer/ loan document, stamp duty on loan document/ lease of land and space
Non-fiscal incentive	A variety of privileges and facilities are available. (see the website of BEZA: http://www.beza.gov.bd/)

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