

# Thailand Motorcycle Industry Outlook

## I. Industry Overview

Thailand is known as one of the world's leading motorcycle manufacturing countries. The world's leading motorcycle assemblers, including Honda, Yamaha, Suzuki, Kawasaki, and so on, have their main production base here. Recently, there are 10 motorcycle manufacturers in Thailand with an annual capacity of exceed 3 million units.

Motorcycle Manufacturers	Brands	Annual Capacity
Thai Honda Manufacturing Co., Ltd.	Honda	1.7 million units
Thai Suzuki Motor Co., Ltd.	Suzuki	0.6 million units
Thai Yamaha Motor Co., Ltd.	Yamaha	0.45 million units
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Kawasaki	0.15 million units
Triumph Motorcycle (Thailand) Co., Ltd.	Triumph	60,000 units
Green Filter Co., Ltd.	Benelli, Keeway, SYM	60,000 units
ATV Panther Co., Ltd.	GPX Racing	40,000 units
Marin Engineering Co., Ltd.	Scomadi	20,000 units
Ducati Motor (Thailand) Co., Ltd.	Ducati	20,000 units
BMW Manufacturing (Thailand) Co., Ltd.	BMW	4,000 units

*Source: Combined from Thailand Automotive Institute, Board of Investment, and company announcement*

Motorcycle manufacturing can be categorized into Completely Built Unit (CBU) and Completely Knocked Down (CKD). CBUs, which contribute more than 70% of total production, are mainly sold domestically. Meanwhile, the output of CKD that accounted for a smaller share is only for export.



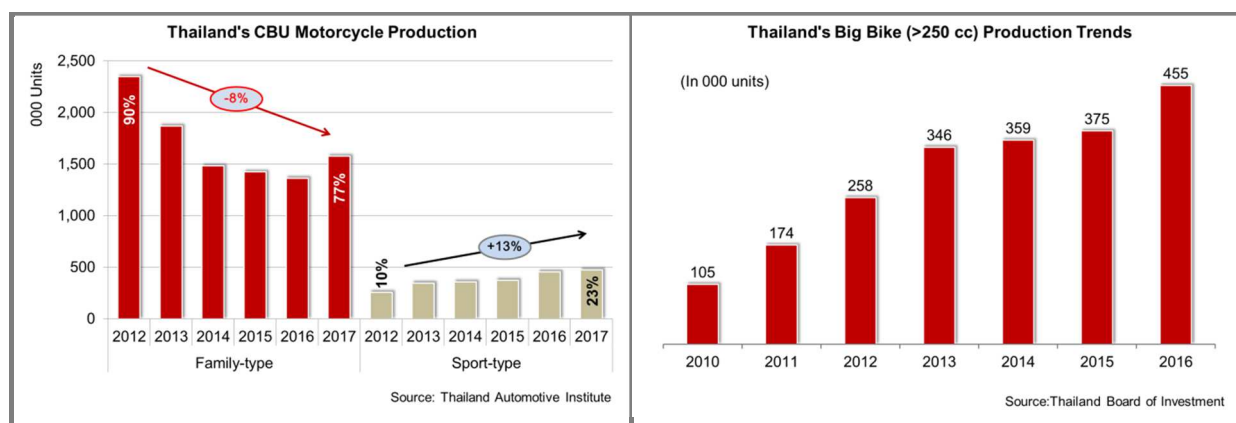
The motorcycle production exceeded 3 million units in 2012 due mainly to the increasing domestic demand for replacing the flood-damage bikes. However, the economic slowdown, the falling prices of agricultural products, and increasing household debts due to the delayed payment to farmers under the rice-pledging scheme impacted domestic sales of motorcycles, which pushed down the CBU production during 2013–2015.

Thailand's motorcycle industry showed some recovery sign since 2016. In 2017, the motorcycle production reached 2.5 million units, which grew by 4% y-o-y, thanks to the domestic market recovery.

Considering production by type, the family-type motorcycle's output had dramatically dropped from more than 2 million units in 2012 to 1.4 million units in 2016. On the contrary, the sport-type motorcycle output has grown at a double-digit rate over the same period. The rising popularity of sport-type and big bike and the competitive investment incentives offering to the manufacturers have contributed to sport-type motorcycle manufacturing growth.

The high investment incentives, which have been offering to the large-size motorcycle manufacturing since 2007, have attracted the leading global manufacturers to enter the country and keep expanding their production here to serve both domestic and export market.

According to BOI's data, the big bike output grew remarkably at a CAGR of 28% during 2010–2016. The new investment from Harley-Davidson and the assemblers' capacity expansion will drive the big bike production in the upcoming years.



### Recent Supporting Policies and Investment Incentives for Big Bike

The government has been supporting motorcycle manufacturing continuously. Like the automobile manufacturer, Thailand's Board of Investment (BOI) granted a high tax and non-tax incentives to promote domestic motorcycle production. In 2007, a maximum of eight-year CIT exemption was offered to manufacture motorcycles with an engine size of 500 cc. In 2012, the condition was amended to cover motorcycle production of a minimum engine of 248 cc. Lately, in the first quarter of 2017, BOI designated the 500 cc motorcycle as one of the targeted promoted industries in Eastern Economic Corridor (EEC)<sup>1</sup>. The 500 cc motorcycle assembly investment in EEC will receive a maximum CIT exemption of 5 years with an additional five-year 50% CIT reduction.

### Recent Movements in Thailand's Motorcycle Industry in 2017

<sup>1</sup> EEC covers three provinces located on the eastern coast of Thailand, which include Rayong, Chonburi, and Chachoengsao.

<b>Honda</b>	<ul style="list-style-type: none"> <li>➤ Plans to sell an electric motorcycle in Thailand by 2019 in line with the official policy of Japan-based Honda</li> <li>➤ All related parts of the electric motorcycle are scheduled to manufacture in Thailand (Samut Prakarn plant).</li> </ul>
<b>Yamaha</b>	<ul style="list-style-type: none"> <li>➤ Announces the plan to increase market share from 14% in 2016 to 21% in 2019 by continuous launching new models across all segments, concentration on digital marketing and sports marketing, dealers development, and investment in R&amp;D</li> </ul>
<b>Harley-Davidson</b>	<ul style="list-style-type: none"> <li>➤ Harley-Davidson is building the plant in Hemaraj Eastern Seaboard Industrial Estate in Rayong province to serve the growing Southeast Asian market and China. The plant will receive investment incentives from BOI and tax breaks when exporting to ASEAN.</li> <li>➤ The plant is the complete knockdown facility, which will import parts from US. It was expected to commence operation in late 2018.</li> </ul>
<b>Triumph</b>	<ul style="list-style-type: none"> <li>➤ Triumph plans to expand its big bike (&gt;500 cc) assembly plant in Amata Industrial Estate, Chonburi province, with the annual capacity of 120,000 units.</li> <li>➤ It also plans to expand its outlets and service centers from 11 to 14 outlets nationwide by the end of March 2018.</li> </ul>
<b>Scoradi</b>	<ul style="list-style-type: none"> <li>➤ Scoradi, the British luxury scooter, announced a move of production from China to a facility in Thailand. The manufacturer, named Marin Engineering Co., Ltd., is a joint venture between Scoradi, Frank Sanderson and Paul Melici, and Thai partners, Pimol Srivikorn Taya Teepsuwan. The production was commenced in April 2017 with the annual capacity of 20,000 units.</li> </ul>
<b>Ducati</b>	<ul style="list-style-type: none"> <li>➤ Experience slower sales growth in 2017 due to the increased competition in the big bike market</li> <li>➤ Plans to focusing more on introducing new models locally, reduce its delivery time, and offering more attractive pricing for spare parts</li> </ul>

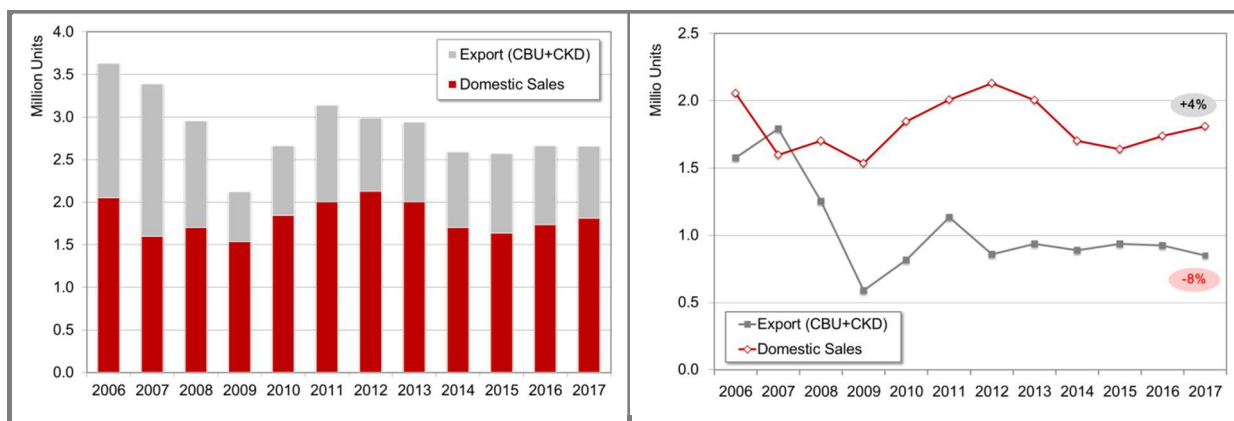
*Source: Summarized from BOI, published news reports and companies*

## II. Market Overview

### Thailand's Motorcycle Domestic Market Performance

Motorcycle manufacturers rely heavily on the domestic market. Domestic sales accounted for more than 60% of the total sales of overall motorcycle manufacturers since 2009. According to TAI, domestic motorcycle sales were around 1.8 million units in 2017, contributing to 68% of total motorcycle sales by the manufacturers in Thailand. In the meantime, the export share of total motorcycle sales was 32%.

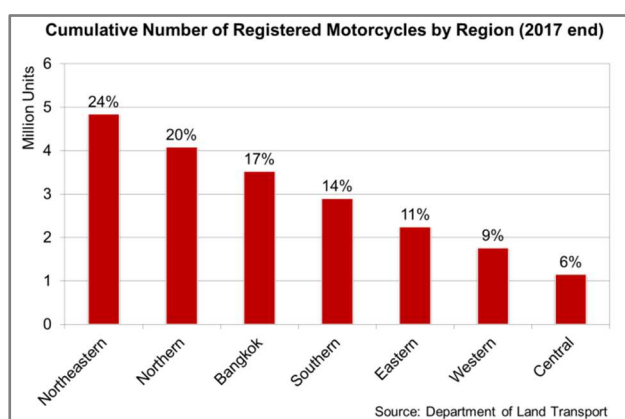
#### Thailand's Motorcycle Manufacturers Sales



Source: Thailand Automotive institute (TAI)

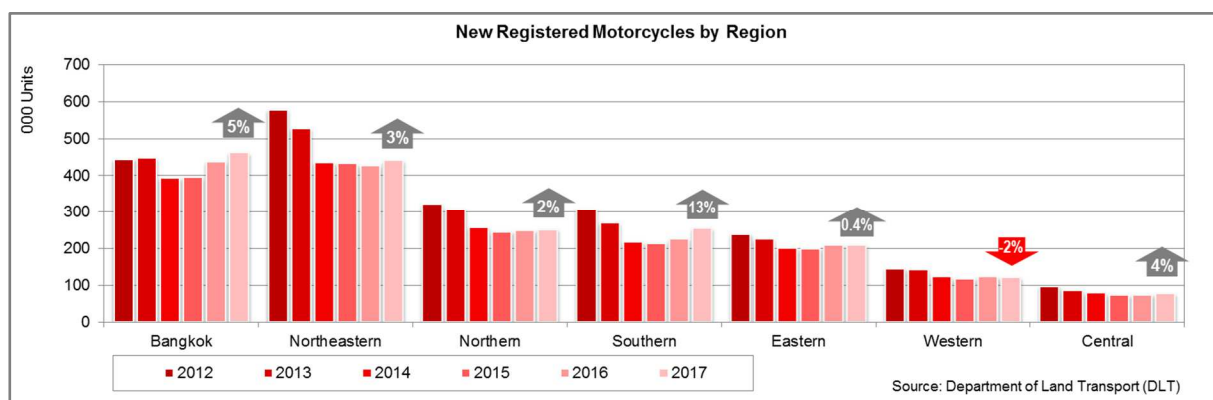
Regarding the data of the cumulative number of registered motorcycles<sup>2</sup> published by the Department of Land Transport (DLT), Northeastern region is the largest market of motorcycle in Thailand, followed by Northern, Bangkok, and Southern, respectively.

The drop in farm income and severe drought during 2013–2015 significantly impacted the upcountry motorcycle market. The motorcycle sales in Northeastern and Northern regions were affected by the high household debts due to the rice-pledging scheme's delayed payment. Meanwhile, the sales in Southern region were impacted by the rubber price slump.



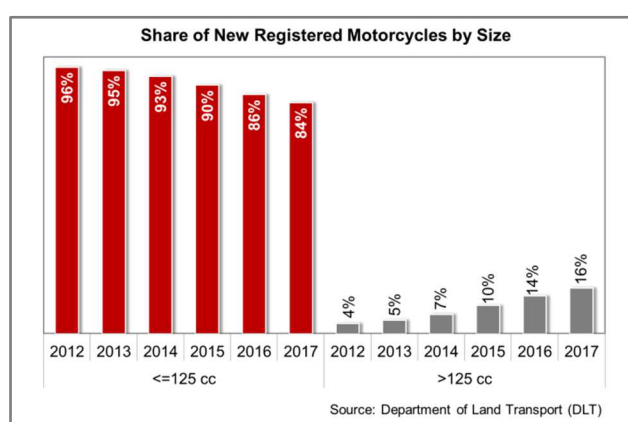
In 2016, the domestic market showed a sign of recovery with a sales growth of 5%, according to the data from TAI. Also, the market shows the same trend in 2017 due to improving farm prices that strengthen the purchasing power in the upcountry. As of end 2017, the number of newly registered motorcycles in primary markets, like Bangkok, Northeastern, and Northern regions, picked up slightly by 5%, 3%, and 2%, respectively. Meanwhile, it expanded significantly in the south with 13% y-o-y.

<sup>2</sup> Please be noted that the data of new registered motorcycle published by the Department of Land Transport exhibits the actual domestic sales of motorcycle, which include the local-assembly and the imported motorcycles. Meanwhile, the data of domestic sales provided by Thailand Automotive Institute (TAI) is the domestic sales of motorcycle produced by local manufacturers. However, there are only few different in number.



Considering sales by size, the small-size motorcycle remains the most popular type in Thai market due to the cost-effectiveness and fuel saving. However, the medium and large-sized motorcycles have gained more market share due mainly to the shifting consumer preferences to sport-type motorcycle and the lower import tariffs<sup>3</sup> of big bikes.

According to the DLT, the number of new registered motorcycles with engine size over 125 cc increased considerably from 4% in 2012 to 16% in 2017.



Meanwhile, the market share of big bike, a motorcycle with engine over 250 cc, grew from only 0.3% of Thailand's motorcycle market in 2012 to 2.8% in 2017.

The big bike market is less vulnerable to economic slump as the main customers are high-income earners. Therefore, over the last few years, despite the economic slowdown and the overall motorcycle domestic sales slump, the big bike market has grown four-fold, from 6,205 units in 2012 to exceed 50,000 units in 2017.

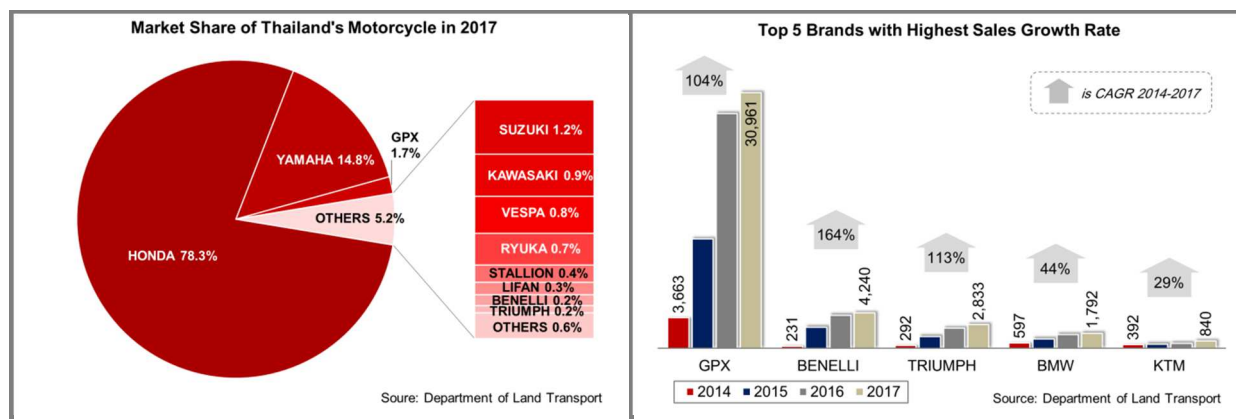


### Market Share of Motorcycle in Thailand

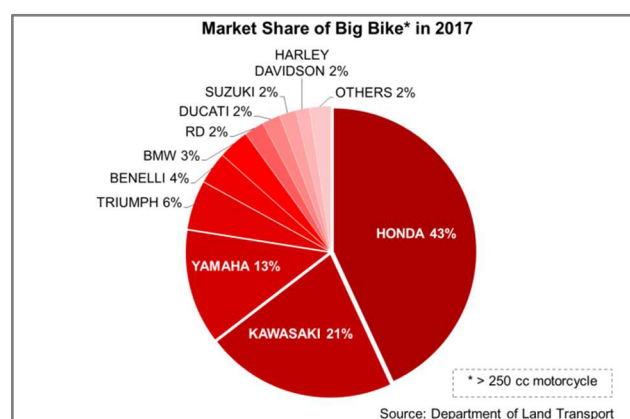
Honda dominates Thailand's motorcycle market with nearly one million units, which accounted for 78.2% of total new registered motorcycles in the first eight months of 2017, followed by Yamaha (14.9%), GPX (1.6%), Suzuki (1.2%), and Kawasaki (1%).

<sup>3</sup> The import tariffs of big bike under JTEPA were cut from 60.0% in 2013 to 5.45% in 2016. It has been eliminated since November 2017.

Interestingly, the sales of GPX, which is the only Thai-owned brand, has been growing noticeably to be in the top three motorcycle brands since 2016. It spent only 3 years to exceed other international leading brands. The main products are small to medium-sized sport motorcycle with engine lower than 200 cc. The price competitive and nationwide coverage of dealers and service centers are their key success factors. The western brands, such as Benelli, Triumph, and BMW, also enjoyed substantial growth over the past few years.



For the big bike segment, Japanese brands, including Honda, Kawasaki, and Yamaha, retain a strong market position with a combined share of 77% in 2017. Aside from strong brand recognition, the low import tariff's competitive price due to JTEPA is another key strength of the Japanese against the big western bikes.



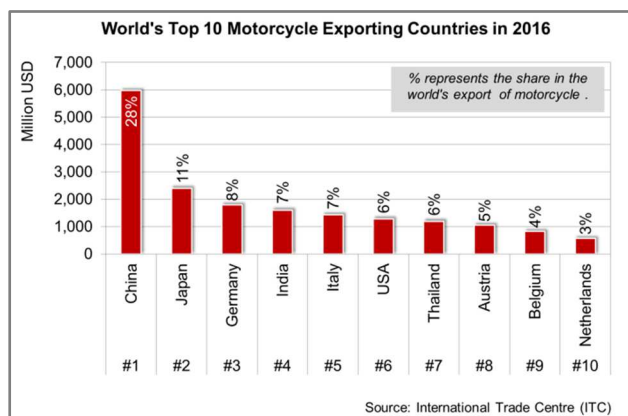
The leading Japanese brands face more intense competition now with several western brand assemblers into the country.

### Thailand's Motorcycle Export Performance

Thailand ranked as the 7<sup>th</sup> largest exporter of motorcycle and parts in the world. In 2016, the share of Thailand's export of motorcycle and parts to total world export was around 6%, according to the International Trade Centre database.

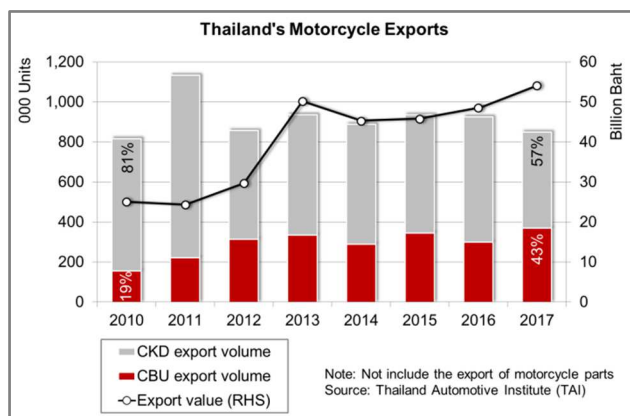
In the past, Thailand's export of motorcycle concentrated on CKD. Since 2012, the CBU motorcycle export has been rising

due mainly to global big bike manufacturers' using Thailand as their production base. The rising

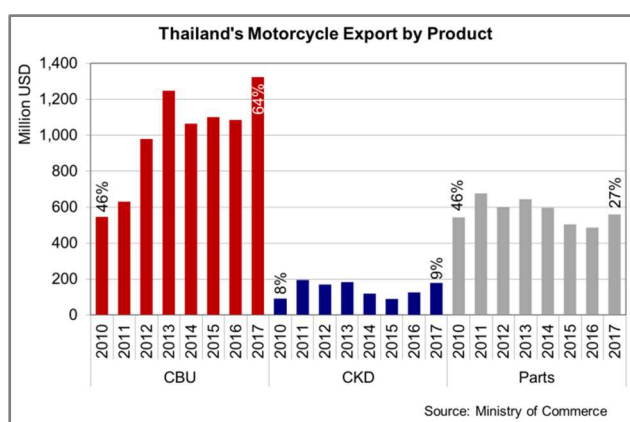


CBU export has brought the export value of motorcycle up considerably by 13% (CAGR 2012–2017).

According to TAI, Thailand's motorcycle export in 2017 concluded 0.85 million units, dropped 8% from the previous year. On the contrary, the export value expanded 11% thanks to the noticeably expanding CBU exports. In 2017, the CBU export was 0.37 million units, which grew by 23% y-o-y.



According to the trade database prepared by the Ministry of Commerce<sup>4</sup>, the total export of motorcycle, including parts valued at around USD 2 billion in 2017, grew considerably by 22% y-o-y. CBU export, which exceeded USD one billion, made the most significant contribution to motorcycle export growth.



ASEAN was the largest export destination with a share of 33%, followed by EU (28%), USA (14%), and Japan (7%).

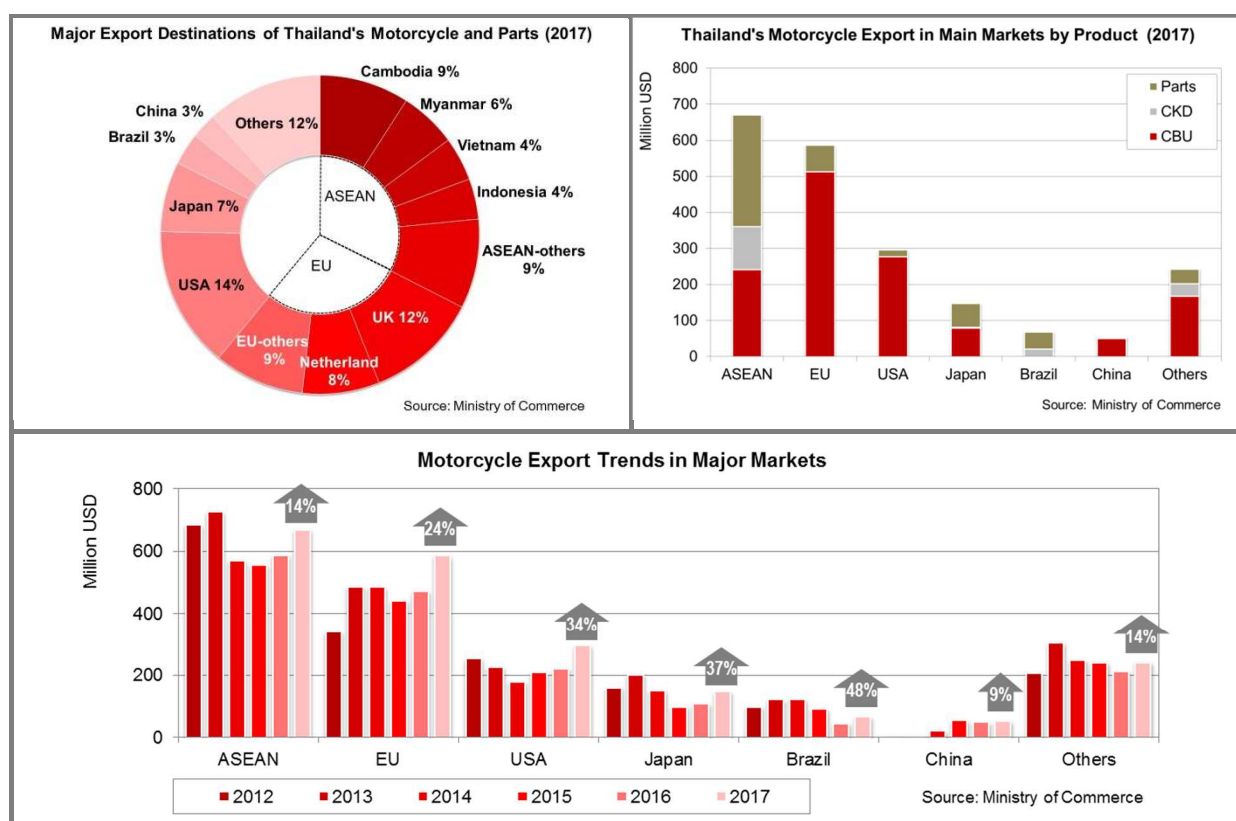
### Key Performances of Major Export Markets of Thailand's Motorcycle and Parts

- **ASEAN:** The export of motorcycle to ASEAN has shown a decreasing trend over the past 3–4 years due mainly to the rapid drop in export to Indonesia, which experienced slowing economic growth. On the contrary, motorcycle export to Cambodia and Myanmar has been on the rise.
- **EU:** The export of motorcycle to EU countries, especially the United Kingdom and the Netherlands, has been increasing considerably due to the big bike export from European motorcycle assembly plants in Thailand. In the first nine months of 2017, Thailand's motorcycle export to EU grew by 24%, mainly due to CBU big bike.
- **The United States:** The export of motorcycle from Thailand to US increased steadily since 2014 thanks to the increasing demand for a big bike, especially those with engine over 500 cc.
- **China:** Despite the small share of 3% to Thailand's export value of motorcycle in 2017, China's export growth is exponential with a CAGR 2013–2017 of 71%. The >800 cc big bike

<sup>4</sup> Please be noted that the export data from TAI and MOC are derived from different sources. The export data provided by TAI is collected from each motorcycle assemblers in Thailand, meanwhile the export data of MOC is compiled from Custom Department base on FOB price.



is the most popular exported motorcycle from Thailand.



### III. Concluding Remarks

In 2017, Thailand's motorcycle industry showed strong performance due to several supporting factors. The improvement in commodity price and farm income drive the domestic market demand. Meanwhile, the export sale was caused by the economic recovery of major trading partners.

With attractive investment incentives, good infrastructure, and strong supply chains of motorcycle parts, Thailand has become the production base of global leading motorcycle manufacturers.

The Thai motorcycle market is currently saturated with a high ownership rate. However, the gradual shift towards sport-type motorcycle and big bike will offer more rooms to grow for the domestic and export market. The import tariffs elimination since mid-Nov 2017 will be another factor to drive big bike domestic demand. In the meantime, this will create intense competition with western brands.

The future for Thailand's motorcycle export is bright. In 2017, there is strong growth in the export of motorcycle to all major export destinations. In the upcoming years, there will be a strong demand for small to medium-sized motorcycle from neighbouring countries, like Cambodia, Myanmar, and Laos. Europe, US, and China will be the promising markets for big bike.