



Outlook for Thailand's electric vehicle industry

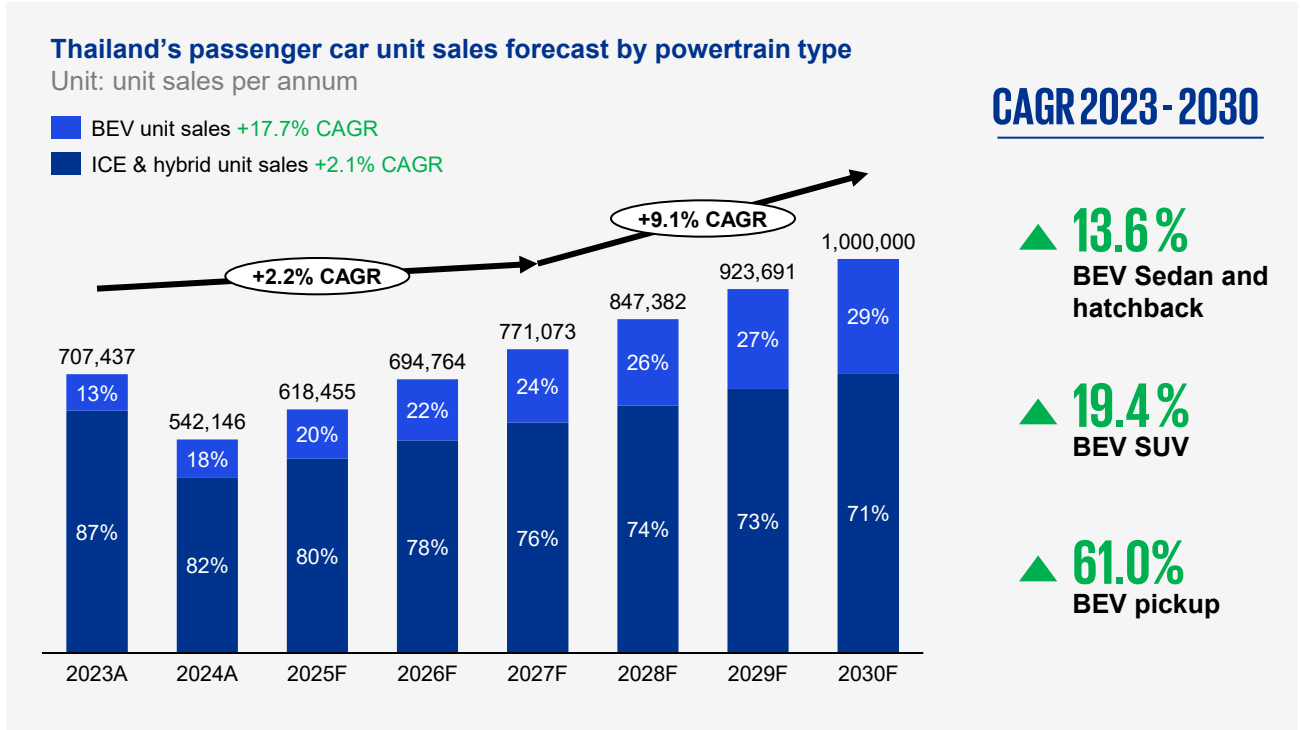
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Outlook for Thailand's electric vehicle industry

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Thailand's electric vehicle (EV) industry is expected to expand driven by supporting government policies, growing consumer demand, and increasing foreign investments, particularly from **Chinese Original Equipment Manufacturers (OEMs)**. As a major automotive hub in Southeast Asia, Thailand is positioning itself to become a **leader in the EV market** by leveraging its established automotive supply chain, cost-efficient labor, strategic geographic location for exports and supportive regulatory framework and business environment. Over the short term, the potential escalation of **international trade war** and **US reciprocal tariffs** are expected to create investment uncertainty but may not directly impact the industry's fundamentals.



It is expected that the number of battery electric vehicle (BEV) sales will grow at a compound annual growth rate (CAGR) of **17.7%**, **from 92,576 units in 2023 to 290,000 units by 2030**, representing around **29% of total car sales by 2030**. **Sport utility vehicles (SUVs)** are anticipated to be most popular due to their versatility in usage, popularity as primary family vehicles and their adaptability to Thailand's geographical terrain, followed by **sedan and hatchbacks**. Hatchbacks have also been growing in popularity among consumers due to their compact size and relatively lower entry price points.

Key growth drivers for Thailand's electric vehicle industry:

Supporting regulatory policies on EVs

The government has introduced cash subsidy programs for EV owners and tax benefits to support uptake.

Extensive automotive manufacturing ecosystem

Thailand has an established automotive ecosystem, including a wide network of parts suppliers and logistics.

Source: Federation of Thai Industries, publicly available information, industry expert interview and KPMG analysis

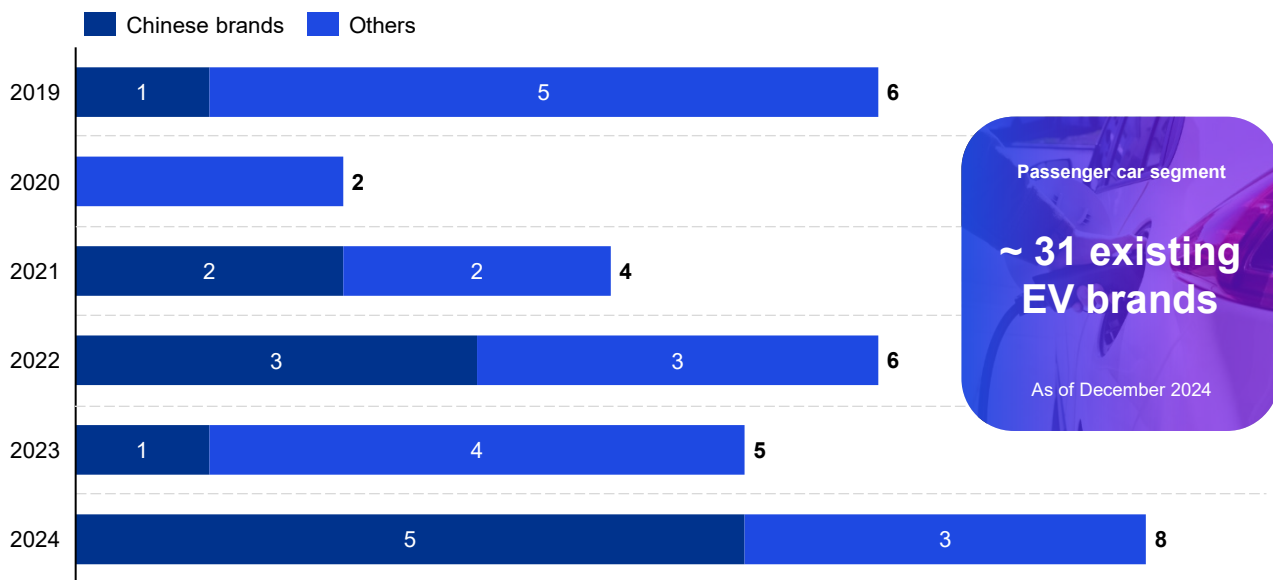
Overview of electric vehicle competitive landscape

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Since 2019, there has been an **influx of new electric vehicle players** entering the Thai market, posing a challenge to incumbent Japanese automakers. These new entrants include **Chinese OEMs** with a global market presence and advantages in **economies of scale** and **import duty exemptions**, making their imported Completely Built-Ups (CBUs) relatively more affordable than domestically produced vehicle counterparts without tax benefits. These factors, combined with their **value-for-money offerings**, have enabled them to quickly gain a foothold and establish a strong presence as leaders in Thailand's EV industry within a short period. The following graph summarizes the market entry timeline of **31 leading automotive brands** which have introduced EV models in Thailand.

Market entry timeline of EV brands in Thailand from 2019 to 2024

Unit: Accumulative number of EV brands



As indicated by the timeline above, there are approximately **12 Chinese automakers** among the **31 existing EV brands** in Thailand's EV segment. The primary reason Chinese players are drawn to the Thai market is due to the country's supportive regulatory environment, which offers systemic advantages for China-based automakers. **Except for China** and **ASEAN countries**, the absence of established Free Trade Agreements (FTAs) between Thailand and other major exporting markets, such as **the US, Japan, South Korea** and **Germany**, means that these markets do not benefit from **import duty exemption on CBUs**. This allows Chinese players to set their pricing competitively and subsequently appeal to Thailand's price-sensitive mass consumer market. Examples of key Chinese brands dominating the **value-for-money segment** in Thailand's EV market include BYD, GWM, MG, ZEEKR and NETA. In contrast, Western brands such as Tesla, Mercedes-Benz, and BMW primarily compete in the premium segment, appealing to consumers seeking higher-end offerings.

However, as the local production requirements of the EV 3.5 policy take effect, it is anticipated that the **cost structure** for Chinese automakers in Thailand **could become higher** compared to mass-produced CBUs from China. Under the requirements of the policy, manufacturers must produce at least two locally assembled vehicles for every imported unit by 2026 and increase to a three-to-one ratio by 2027. This shift to local assembly, combined with lower production volumes compared to China's large-scale operations to support global demand, **could reduce the cost advantages** that Chinese players currently enjoy. As a result, maintaining the competitive pricing that has driven their success in Thailand's value-for-money segment may become more challenging in the future.

Source: Publicly available information and KPMG analysis

Key trends to shape the electric vehicle industry

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Thailand's EV industry is on track for growth as the country strives to become a key regional hub for EV manufacturing. **Key trends** driving this growth include government policies promoting EV adoption, advancements in battery technology, declining EV ownership costs, and the expansion of supporting services. These factors are expected to create a **favorable environment** for both **consumers** and **manufacturers**.

Key trends

Promotion of EV 3.5 policy

Declining cost of ownership

Battery advancement

Growing demand for ancillary products and services

Key findings

- The **EV 3.5 policy** provides subsidies and incentives to encourage EV adoption and local manufacturing. Depending on the retail price, customers can receive **cash subsidies** of up to THB 100,000.
- For customers, these incentives make EVs a **cost-effective and environmentally sustainable choice**, while for manufacturers, the policy creates a supportive environment for foreign direct investment.
- The declining cost of EV ownership is supported by **advancements in battery efficiency**, **economies of scale** from higher production volumes, and a more **localized** and **integrated supply chain**.
- The lower operating costs of EVs, especially in terms of fuel and maintenance, offer an **advantage** compared to **internal combustion engine (ICE) vehicles**, enhancing their appeal to cost-conscious buyers.
- Battery advancements in EVs have led to EVs gradually becoming **more user friendly** and more **competitive** compared to ICE vehicles.
- Key improvements that we have observed may include areas such as **higher energy density**, **cost efficiency** in terms of cost per kilowatt-hour, **charging efficiency** and improvements in **battery lifespan** from solid-state and lithium-iron-phosphate (LFP) technologies.
- We anticipate expanding **business opportunities** for ancillary products and services within the **EV ecosystem**, including but not limited to charging infrastructure, battery recycling, rental services and after-sales.
- These services not only **enhance customer convenience** but also **address key adoption barriers**, such as charging accessibility, over the long-term.



As the transition to EVs accelerates and ownership costs decline, it is expected that there could be **growing business opportunities** across the **EV value chain** spanning from battery production to aftermarket services, and other related sectors along the growing number of EV owners, while **cost competitiveness** will be on-top of mind for consumers.

At KPMG, we bring **extensive experience** in assisting clients as they navigate the complexities of the automotive and EV industries in Thailand. We have helped clients across the automotive value chain in service areas such as commercial due diligence, feasibility studies, business plan reviews and market assessment to ensure that our clients gain understanding of their potential investments from **commercial** and **strategic viewpoints**, while identifying **key risks** associated with their contemplated investments.

Source: Publicly available information and KPMG analysis



Our service offerings at KPMG

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KPMG combines **global industry insights**, **extensive engagement experience** and **practical expertise** to help clients succeed in the dynamic automotive and EV markets in Thailand with the **following advisory services**:



Growth Strategy

“I want to achieve x% of revenue growth by 20xx.”

Advising clients on how to create a unique, sustainable competitive position

- New market entry strategy
- Value proposition development
- Go-to-market strategy
- Customer analysis
- Pricing and assortment strategy
- Channel optimization strategies
- New business ventures
- New products/services launch strategy



Deal Strategy

“I want to create an optimal investment option.”

Advising clients on strategic investment/divestment decisions in a range of transaction settings

Pre-deal support

- Strategic option analysis
- Asset/investment portfolio review
- Target search and screening
- Acquisition evaluation

In-deal support

- Buy-side commercial due diligence
- Sell-side commercial due diligence
- Business plan review
- Operational due diligence
- Value creation assessment

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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