

Retail Sales of Automobiles in December 2020

January 11, 2021

December 2020 marked the last month of festivities in CY2020 and hence witnessed good demand for automobiles from the consumers. Overall retail sales in December 2020 were similar with the previous month. However, demand on a YoY basis was higher by 11%, owing to the low base effect of December 2019 and preponement of purchase before the price hikes held in January 2021. It is noteworthy that after 9 consecutive months, retail sales witnessed a positive growth on a YoY basis.

Category	Units	Change	
		Y-o-Y	M-o-M
Two-wheelers	14,24,620	11.9%	0.8%
Three-wheelers	27,715	-52.8%	14.6%
Commercial vehicles	51,454	-13.5%	2.7%
Passenger vehicles	2,71,249	24%	-6.8%
Tractors	69,105	35.5%	40.1%
Total	18,44,143	11%	0.9%

Source: FADA, CARE Ratings

The following trends were witnessed in December 2020:

- Tractors continue to outshine all other segments, growing by 1/3rd over December 2019 to reach 69,000 units, which is at nearly same levels as the previous month. The positive momentum in the tractor segment reflects the healthy performance of the agricultural sector in India.
- Demand for passenger vehicles, as expected, continued their growth trajectory. Its retail sales were higher by nearly a quarter on a YoY basis and lower by 6.8% on a sequential basis. Due to its high demand, the inventory with dealers fell to lows of 15 to 20 days and hence the waiting period rose to 8 months.
- Retail sales of two wheelers were higher by 11.9% YoY and volumes sold were similar to November 2020.
- Demand for commercial vehicles was lower by 13.5% compared with December 2019. However, on a M-o-M basis, sales marginally grew 2.7%.
- Three wheelers, as anticipated, did not witness much traction during the month. Retail sales did not reach even 50% of previous year's levels. However, on a M-o-M basis, it grew by 14.6%.

Outlook and concluding remarks:

- Henceforth, it will be crucial for OEMs to restore the supply shortages at the dealer level, so as to take advantage of the existing high demand in the passenger vehicles segment.
- The price hikes by various OEMs in January 2021, could up to an extent, affect demand for automobiles in near future.
- Retail sales in December 2020 turned positive for the first time in FY21 (on a YoY basis). The elevated demand this month can be attributed to the festivities, the low base effect of December 2019 and preponement of purchase before the prices hikes in January 2021. As the low base effect plays a major role in 2021, we expect a positive growth in automobiles wholesales as well retail sales up to at least H1-FY22.

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