

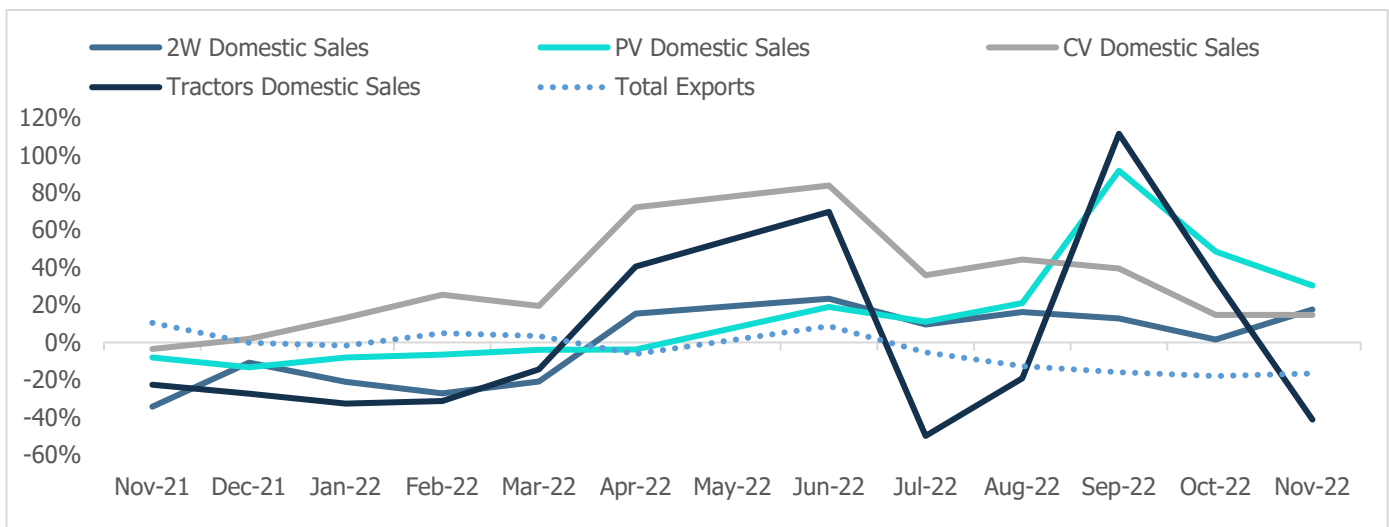
Auto Sales Grow 20% in Nov as Positive Sentiments, Low Base Aid

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Synopsis

- The domestic automobile sales volumes grew by 20% y-o-y in November 2022. The growth momentum continued due to the ongoing wedding season, lucrative offers, a low base last year due to the Omicron variant, and supply disruptions of semiconductor chips. However, domestic sales volume declined by 19% on a sequential basis which is attributable to seasonality on account of record festive season sales in October 2022. Exports in November 2022 declined by 16% on a y-o-y basis due to ongoing global headwinds and challenges in some export markets.
- Further, healthy double-digit sales momentum is expected to continue in December 2022, backed by continued healthy demand and discounts by OEMs to clear their year-end stocks. However, rising interest rates along with the increased cost of borrowing and ownership continue to be a concern that will further dampen consumer sentiment, especially in the two-wheelers and entry-level PV segment.
- "CareEdge Research expects the domestic automobile industry sales volumes to grow in the range of 17-19% in FY23. The PV segment will continue to grow with an increasing preference for premium vehicles. The CV segment is anticipated to see continued demand due to structural upcycle. The rural market demand is also expected to pick up at the onset of the harvesting season, thus increasing farm income which will further drive sales, especially in the two-wheeler and tractor segment," Tanvi Shah, Director, CareEdge Advisory & Research, said.
- On the other hand, exports are expected to decline by 12-15% in FY23 on account of ongoing geopolitical tension, globally high inflationary and interest rate environment.

Chart 1: India Automobile Industry Sales Volume



Source: CareEdge, SIAM (Society of Indian Automobile Manufacturers), TMA (Tractors Manufacturers Association), CMIE

* Note: Commercial Vehicle monthly data includes data for Tata Motors Ltd., Mahindra & Mahindra Ltd., Ashok Leyland Ltd., Maruti Suzuki India Ltd. & Eicher Motors Ltd.; Sales data does not include electric vehicle data; BMW, Mercedes, and Volvo Auto data is not available.

Trend Watch

Two-Wheelers (2W):

The 2W segment grew by 17% on a y-o-y basis during November 2022 amidst the ongoing wedding season and low base of last year. The motorcycles and scooters sub-segment grew by 13% and 30% on a y-o-y basis respectively. The exports for two-wheelers fell by 20% on a y-o-y basis due to the impact on the African market. However, the ASEAN market continued to perform well. Overall the exports in this segment are impacted by global inflationary pressure which is impacting sales.

Passenger Vehicles (PV):

Domestic sales in the PV segment showed strong growth of 30% on a y-o-y basis in November 2022. A series of new model launches, pick-up in rural demand, and demand for compact SUVs and higher variants continued to boost sales in the PV segment. The passenger car and utility vehicle sub-segment showed strong growth of 29% and 32% on a y-o-y basis respectively. The exports grew by 22% on a y-o-y basis with the easing of supply chain issues. Further, the passenger car and utility vehicle subsegments showed sales growth of 26% and 15% on a y-o-y basis respectively in the export market.

Commercial Vehicles (CV):

The CV segment grew by 15% on a y-o-y basis, supported by strong 56% growth in Medium and Heavy Commercial Vehicle (M&HCV), while Light Commercial Vehicle (LCV) subsegment growth remained subdued at 2% in the same period. CV segment continues to see strong traction supported by pent-up replacement demand, increasing construction and mining activities, improved freight availability, and growth in end-user industries. The CV segment exports declined by 41% on a y-o-y basis due to issues specifically in Sri Lanka and Nepal regions and global economic headwinds.

Tractors:

Domestic tractor volumes grew by 7% on a y-o-y basis on account of favourable rural sentiments led by improved Rabi sowing and healthy reservoir levels. Procurement of the Kharif crop has progressed well, which will increase farm income further supporting healthy demand for tractors in the coming months. Tractor exports declined by 8.4% on a y-o-y basis.

Three-Wheelers (3W):

The domestic 3W sales grew 102% on a y-o-y basis primarily on account of the low base of last year. This segment was witnessing low demand due to Covid-19-led restrictions last year. It is now witnessing the highest growth across all segments due to positive sentiments with the opening up of the economy which has increased public transportation and last-mile connectivity. The passenger carrier and goods carrier sub-segments grew by 125% and 47% respectively on a y-o-y basis. The export in the three-wheeler segment declined by 20% on a y-o-y basis due to the ongoing geopolitical tensions across various key international markets.

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