

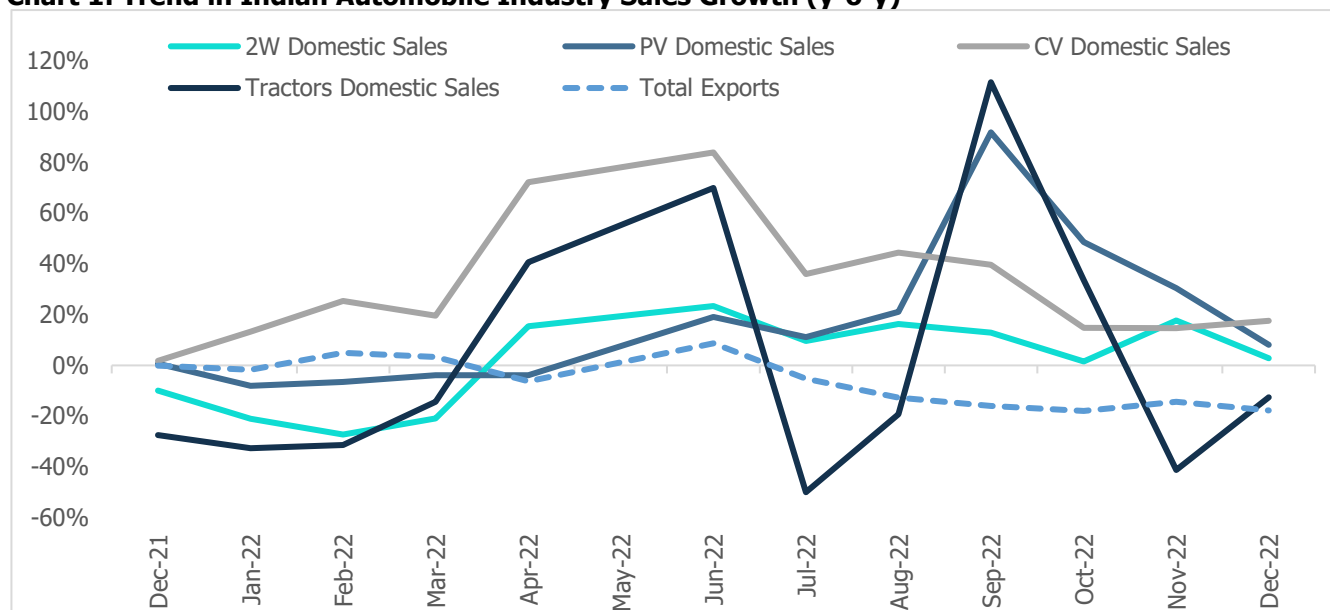
Auto: Demand Continues to Grow in Dec, Exports on Weak Footing

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Synopsis

- The domestic automobile sales volumes grew by 8.5% y-o-y in December 2022 backed by discounts from OEMs to clear their year-end stocks and continued healthy demand due to the wedding season. However, on a sequential basis, the domestic sales volume declined by 14% in December 2022. The rural demand remains subdued amid the high food inflation and increased finance cost of vehicles.
- Exports declined by 21% on a y-o-y basis in December 2022 due to ongoing global headwinds. The evolving geopolitical situation, heightened inflation, rising interest rates, and recessionary fears remain a concern for the export market going forward. Exports are likely to fall by 12-15% in FY23.
- "CareEdge Research expects the domestic automobile industry sales volume to grow in the range of 17-19% in FY23. The commercial vehicle segment is expected to show positive growth led by good replacement demand. However, rising interest rates along with the increased cost of ownership continue to be a concern which might have a bearing on the consumer sentiment, especially in the two-wheelers and entry-level passenger vehicle segment," Tanvi Shah, Director, CareEdge Advisory & Research, said.

Chart 1: Trend in Indian Automobile Industry Sales Growth (y-o-y)



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

Domestic Sales Rise in 9MFY23

The overall domestic sales in 9MFY23 grew by 12% compared to 9MFY22. The growth has been primarily driven by the commercial vehicle and passenger vehicle segment, especially the utility vehicles sub-segment under PVs. Continued healthy demand, new model launches, ease of semiconductor chip shortage, lucrative offers, and discounts, as well as increasing private and public infrastructure spending led to growth in 9MFY23. However,

exports declined by 7% y-o-y in 9MFY23 due to geopolitical tensions, globally high inflation, an interest rate environment, and high energy prices in key markets of the US and Europe.

Table:1 Domestic Sales and Exports in 9MFY23

Categories	Domestic Sales			Exports		
	9MFY23	9MFY22	Growth (in %)	Q3FY23	Q3FY22	Growth (in %)
Two-Wheelers	1,56,07,991	1,45,33,815	7.4%	40,53,254	44,46,912	-8.9%
Passenger Vehicles	37,92,356	30,82,421	23.0%	6,44,915	5,37,224	20.0%
Commercial Vehicles	9,33,116	6,77,116	37.8%	88,305	84,982	3.9%
Tractors	7,34,453	6,64,658	10.5%	99,681	96,467	3.3%
Three-Wheelers	3,97,965	2,57,481	54.6%	4,17,178	5,07,654	-17.8%
Total	2,14,65,881	1,92,15,491	11.7%	53,03,333	56,73,239	-6.5%

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

Trend Watch

Two-Wheelers (2W):

The 2W segment grew by 3% on a y-o-y basis during December 2022. The scooter sub-segment grew by 15% on a y-o-y basis. However, the motorcycle sub-segment declined marginally by 1% y-o-y, amidst rising inflation and increased cost of ownership. The exports for two-wheelers declined by 25% on a y-o-y basis due to global inflationary pressure which is impacting sales.

Passenger Vehicles (PV):

Domestic sales in the PV segment showed strong growth of 8% on a y-o-y basis in December 2022. Better product mix, ease in supply chain issues, as well as discounts and offers supported the sales volume in this segment. This segment has continued to show consistency in growth. The utility vehicle sub-segment showed a growth of 24% on a y-o-y basis with the increasing shift towards bigger-sized, feature-rich vehicles and utility vehicles. However, the passenger car sub-segment declined by 7% y-o-y. On the other hand, the exports grew by 24% on a y-o-y basis. The passenger car and utility vehicle subsegments showed sales growth of 17% and 47% on a y-o-y basis, respectively, in the export market.

Commercial Vehicles (CV):

The CV segment grew by 18% on a y-o-y basis, supported by strong 44% and 6% growth in the Medium and Heavy Commercial Vehicle (M&HCV) and Light Commercial Vehicle (LCV) subsegments. With the government's continued push for infrastructure development, there has been an uptick in demand for LCV, HCV, buses, and construction equipment which has kept the sales volume in this segment growing. Further, improving fleet utilization, pick up in road construction projects, and increase in cement consumption catalysed the demand recovery for MHCVs. The CV segment exports declined by 41% on a y-o-y basis due to the prevailing economic situation in most overseas markets.

Tractors:

Domestic tractor volumes grew by 26% on a y-o-y basis on account of favourable rural sentiments, good Kharif procurement, Rabi sowing, and better water level in reservoirs. Apart from this, improved cash flow with farmers, better MSP of crops, and the government's focus on better procurement and timely sowing of rabi crops also helped to continue this momentum. On the back of strong Rabi sowing, the sentiments continue to remain upbeat in the farming sector, leading to strong demand for tractors. However, tractor exports declined by 6% on a y-o-y basis.

Three-Wheelers (3W):

The domestic 3W sales grew 37% on a y-o-y basis. This segment has recovered well after Covid-19 and has narrowed its gap compared to pre-covid year FY19. The passenger carrier and goods carrier sub-segments grew by 41% and 11%, respectively, on a y-o-y basis. The export in the three-wheeler segment declined by 39% on a y-o-y basis due to the ongoing geopolitical tensions across various key international markets. The passenger carrier sub-segment exports declined by 40% y-o-y, while the goods carriers sub-segment grew by 3% y-o-y.

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