

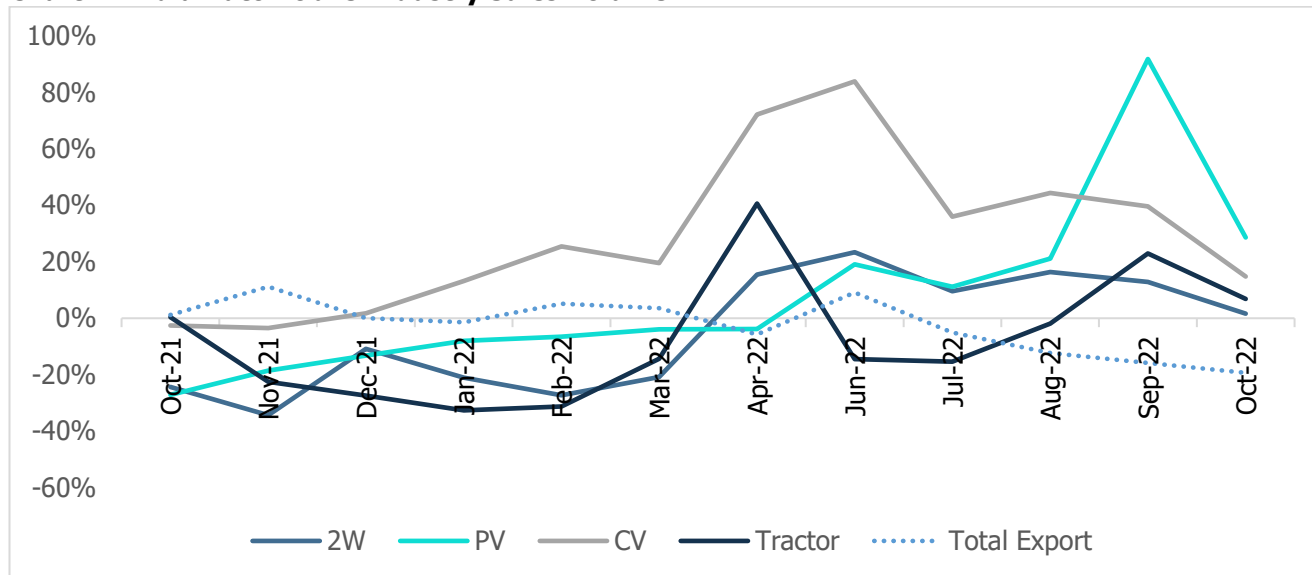
Oct Auto Sales Grow 7% on Healthy Demand, 2W Still in Recovery Mode

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Synopsis

- The domestic automobile sales volumes in October 2022 grew by 7% on a year-on-year (y-o-y) basis, on account of continued healthy demand, new model launches and semiconductor chip shortage issues easing off, as well as increasing private and public infrastructure spending. However, sales volume declined by 7.1% on a sequential basis due to the high base of September 2022 with wholesale dispatches for the festive season.
- The passenger vehicle (PV) segment has shown the highest growth, followed by commercial vehicles (CV). This was led by increasing demand for utility vehicles in the PV segment and commercial vehicles which benefitted from increased government spending on infrastructure projects.
- CareEdge Research expects the domestic automobile industry sales volume to grow in the range of 17-19% in FY23. The overall sentiment will also continue to show headwinds, especially in the two-wheeler (2W) rural and tractor segments as farmers will start receiving their crop realizations. 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 as well as increasing government spending on infrastructure projects going forward.
- Exports in October 2022 declined by 19.3% and 3.3% on a y-o-y and m-o-m basis, respectively. The exports are expected to decline by 22-25% in FY23 on account of geopolitical tensions, globally high inflation and interest rate environment, and high energy prices in key markets of the US and Europe. Also, with the announcement of job cuts, sentiments might dampen further in the key export destinations.

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:

The 2W segment marginally grew by 2% y-o-y on account of new model launches by the OEMs and good customer schemes, which helped in demand revival. The overall sentiment also showed some headwinds in the rural demand; however, sustenance of this demand for at least a quarter would be a key monitorable.

The exports for two-wheelers fell by 23% on an y-o-y basis and 3% on a m-o-m basis due to the evolving geopolitical tensions.

Passenger Vehicles:

Domestic sales in the PV segment showed strong growth of 29% on a y-o-y basis in October 2022. An uptick in vehicle production with the easing of semiconductor chip availability as well as a series of new model launches, the PV segment continues to outperform. The passenger cars and utility vehicles subsegment showed strong growth of 36% and 26%, respectively. The demand for premium vehicles especially for SUVs and compact SUVs is gaining traction and is relatively higher than in other segments. However, sales declined by 4% on a m-o-m basis on high base of September 2022.

The exports grew by 20% on a y-o-y basis which was attributed to growing demand in the passenger cars and utility vehicles subsegments, which showed sales growth of 24% and 15% respectively in the export market. However, exports declined by 7% on an m-o-m basis¹ on high base of September 2022.

Commercial Vehicles:

The CV segment grew by 15% on a y-o-y basis led by 33% and 8% growth in Medium and Heavy Commercial Vehicle (M&HCV) and Light Commercial Vehicle (LCV) subsegment respectively. With mining and infrastructure projects picking up across regions, demand continues to be robust in this segment. However, the sales declined by 6% on a m-o-m basis. The M&HCV and LCV sub-segment declined by 10.8% (m-o-m) and 4.1% (m-o-m) respectively. The CV segment exports declined by 19% on a y-o-y basis and 14% on an m-o-m basis due to rising geopolitical tensions and high inflationary environment across various exports market.

Tractors:

Domestic tractor volumes grew by 7% (y-o-y) and 9% (m-o-m). Demand remained strong during the month of October owing to the festive season, above-normal monsoon, and higher water reservoir levels. Further, the recent government announcement of higher MSPs for the Rabi crops resulted in a remarkable jump in individual farmers' agriculture loans. Due to the rising trend of small-scale organic farming among the urban population, mini tractors demand is also improving. Progress in the sowing of Rabi crops is expected to support healthy demand for tractors in the coming months. Tractor exports declined by 27% (y-o-y basis) and 22% (m-o-m basis).

Three-Wheelers:

The domestic 3W sales grew 68% (y-o-y) and 4% (m-o-m) owing to increased shared mobility in semi-urban and urban areas. The passenger carrier and goods carrier sub-segments grew by 93% and 14% respectively on a y-o-y basis and by 5% and 29% on an m-o-m basis. However, there was an impact due to permit issues across some regions. 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 and increased by 5% on an m-o-m basis with a s5% growth in the passenger carrier subsegment.

¹ PV sales growth figure does not include Tata Motors Limited data.

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