

Automobile Update: July Sees Split Recovery in Volumes across Segments

August 30, 2022 | Industry Insights

Uptick in Two-wheelers and PVs Assist Domestic Sales Recovery

The timely arrival of monsoons, new model launches by the OEMs along with improvement in the availability of semiconductors helped sustain the demand in July. On a year-on-year (y-o-y) basis, the domestic sales growth stood at 11%, with 2.9% growth on a month-on-month (m-o-m) basis. With the upcoming festive season, the OEMs are focusing on building up channel inventory in anticipation of higher demand.

Table 1: Automobile Industry Domestic Sales

Categories	Domestic Sales			Change (%)	
	July-22 units	Jun-22 units	July-21 Units	m-o-m	y-o-y
Two-Wheelers	13,81,303	13,08,764	12,60,140	5.5%	9.6%
Passenger Vehicles (PV)	3,37,348	3,17,478	2,94,023	6.3%	14.7%
Commercial Vehicles* (CV)	73,310	76,918	53,912	-4.7%	36.0%
Tractors	55,211	94,477	65,216	-41.6%	-15.3%
Three-Wheelers	29,090	24,984	17,743	16.4%	64.0%
Total	18,76,262	18,22,621	16,91,034	2.9%	11.0%

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

* 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 domestic sales in the two-wheeler segment registered a growth of 5.5% m-o-m in July 2022, with the scooters subsegment growing strongly by 14% while the motorcycles sub-segment grew marginally by 2%. Normal monsoons in most parts of the country resulting in a decent agricultural harvest kept the demand sentiment positive. The average inventory days for the two-wheelers segment stood in the range of 20-23 days in July 2022. The exports for two-wheelers fell 9.6% on an m-o-m basis with declining export sales of 15% m-o-m in the motorcycles sub-segment. The international markets are facing some headwinds due to rising inflation, geopolitical tensions, and adverse economic conditions in Sri Lanka and Nepal.

Passenger Vehicles:

The passenger vehicle segment domestic sales showed an improvement in sales of 6.3% on an m-o-m basis during July 2022. The passenger cars and utility vehicles subsegments grew by 8% and 3%, respectively, on an m-o-m basis.¹ The OEMs are continuously launching new models, especially in the compact SUV segment which will further help to sustain the demand in the festive season. With the improving availability of semiconductor chips, there is an expectation of a lower waiting period in the coming months. The average inventory days, as per a FADA report, stood at 20-25 days for July 2022. The exports increased by 3.4% y-o-y due to increasing demand in the passenger

¹ Passenger Vehicles sub-segments (Passenger cars and Utility vehicle) sales growth figure does not include Tata Motors Limited data.

cars and utility vehicles sub-segment, which showed a growth in sales by 2% and 5%, respectively, in the export market.

Commercial Vehicles:

The commercial vehicle domestic sales declined by 4.7% m-o-m in July 2022. This decline in sales was on account of a slowdown in construction activities due to the onset of rainfalls. The Medium and Heavy Commercial Vehicle and Light Commercial Vehicle sub-segments domestic sales declined by 8.5% and 3.1%, respectively. On a year-on-year basis, the commercial vehicle segment sales increased by 36% on account of the low base last year. The exports for this segment also declined by 4.6% due to rising global uncertainties across various exports market.

Tractors:

July being a lean month, saw a 41.6% m-o-m decline in sales during July 2022 due to the high base of June 22, led by the advancement of the monsoons and pent-up demand. The exports mimicked this trend with a 7.9% decline on an m-o-m basis.

Three-Wheelers:

The three-wheeler segment domestic sales grew 16.4% m-o-m during July 2022 owing to a recovery in demand in the passenger carrier subsegment which grew by 25% m-o-m. The three-wheelers segment has witnessed degrowth in sales for the last 3 years. With the opening up of the economy, there has been traction in the passenger movement, which has improved the demand in this segment. However, the goods carrier subsegment sales declined by 5% on an m-o-m basis. The export in the three-wheeler segment improved by 12.1% on an m-o-m basis with growth in exports of 12% and 42% in the passenger carriers and goods carriers sub-segments, respectively.

CareEdge Outlook:

CareEdge Research expects that adequate rainfall across the country along with the upcoming festive season from the later half of August will keep the demand sentiment positive and help keep the momentum going. OEMs are also increasing their production and building up inventory ahead of the festival season. However, the third hike in repo rates by the Reserve Bank of India to restrain high inflation will make auto loans costlier. This may restrict the growth, especially in entry-level vehicle segments which have price-sensitive customers. Auto sector recovery could also face risks amid global inflationary pressure and a possible semi-conductor shortage due to Taiwan-China tensions.

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