

Automobiles sector update for July 2020

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Passenger vehicles segment witnesses fastest recovery in July 2020, followed by two & three wheelers

After a gloomy 1st quarter in the on-going fiscal, the 2nd quarter began on a good note as July 2020 witnessed positive growth (M-o-M) in production, domestic sales and exports of automobiles. Passenger vehicles, tractors and 2&3 wheelers segments have shown good momentum during the month on a sequential basis, which gives us hope for recovery in the forthcoming future. The below chart depicts production, sales and exports for automobiles in July 2020.

Chart 1: Production, sales and exports of automobiles in July 2020

Passenger Vehicles	Two-wheelers	Three-wheelers	Tractors
Production: 218,486 units (-26.6% YoY)	Production: 14,63,561 units (-28.1% YoY)	Production: 33,467 units (-65.1% YoY)	Production: 79,789 units (14.4% YoY)
Domestic sales: 182,779 units (-3.9% YoY)	Domestic sales: 12,81,354 units (-15.2% YoY)	Domestic sales: 12,728 units (-77.2% YoY)	Sales (including exports): 70,645 units (35.9% YoY)
Exports: 34,285 units (-44.3% YoY)	Exports: 1,81,021 units (-41% YoY)	Exports: 19,895 units (-50.7% YoY)	Exports: 7,508 units (17.2% YoY)

Source: CMIE, Tractor Manufacturers Association

On M-o-M basis, passenger vehicles segment has shown the highest recovery in domestic sales of 73%, followed by 2 wheelers of 26% and 3-wheelers with 24%. Alongside, comparison on a YoY basis still depicts decline of 3.9%, 15.2% and 77.2% in passenger vehicles, 2&3 wheelers respectively.

Tractor purchases usually start in the month of March to last up to June, which are the months prior to and start of monsoon and includes Kharif sowing season. September and October again witnesses a spike in consumer demand aided by festive season, harvest of Kharif crops and sowing of Rabi crops. In FY21, tractor purchases remained low in March and April due to lockdown-induced supply constraints, but witnessed a good momentum in May and June due to pent up demand, followed by a dent in July. Tractor sales (including exports) in July 2020 de-grew by 28.4% M-o-M, but witnessed a positive growth of 35.9% on Y-o-Y basis.


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Overseas shipments of automobiles have recovered in July 2020, which was dampened during the lockdown period primarily due to low demand from neighbouring nations on account of border closures and restrictions on imports of non-essential items.

Concluding remarks and outlook

- In the on-going pandemic, the agricultural sector is performing relatively better than most other sectors, aided by inelastic demand for food products, a timely and normal monsoon and continued higher rural spending by the government. This will favour tractor demand to remain buoyant in the forthcoming months.
- Consumer demand for passenger vehicles, 2 & 3 wheelers for near future will depend on the pace of macro-economic activity in the country. A lot shall depend on how quickly the number of covid-19 cases recedes in the country which will help in complete opening up of the economy and lead to positive consumer sentiments - aiding automobile purchases.

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