

Retail Sales of Automobiles in July 2020

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Retail sales of automobiles show signs of recovery after rising for the 2nd consecutive month in July 2020

The months of April and May 2020 witnessed temporary closure of most automobiles dealership outlets across the country. In June and July, various state governments allowed gradual relaxations on lockdowns which led to automobile dealers reopening their showrooms. With this, automobile retail sales rose for the 2nd consecutive month in July 2020.

Table 1: Retail sales of automobiles (in units)

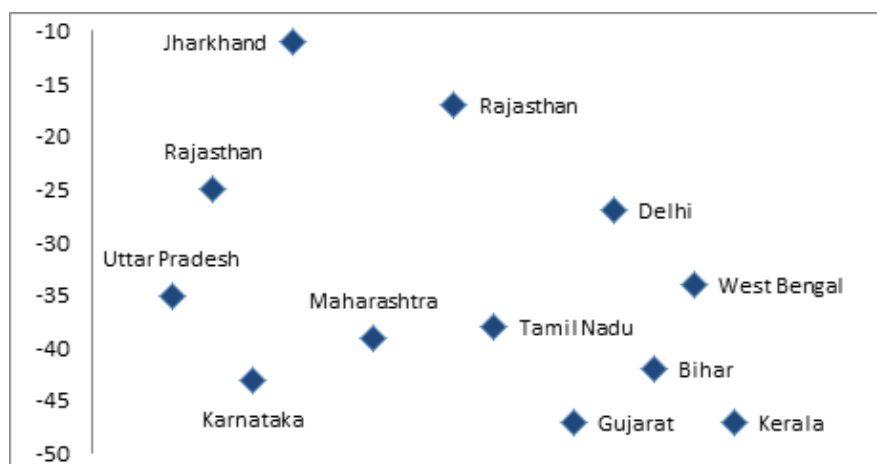
Category	July 2019	June 2020	July 2020	Growth in July 2020	
				Y-o-Y	M-o-M
Two wheeler	13,98,702	7,90,118	8,74,638	-37.5%	10.7%
Three wheeler	58,940	11,993	15,132	-74.3%	26.2%
Commercial vehicle	69,338	10,509	19,293	-72.2%	83.6%
Passenger vehicle	2,10,377	1,26,417	1,57,373	-25.2%	24.5%
Tractor	55,522	45,358	76,197	37.2%	68%
Total	17,92,879	9,84,395	11,42,633	-36.3%	16.1%

Source: FADA, CARE Ratings

During July 2020, automobile registrations stood at 11.4 lakh vehicles, a decline of 36.3% YoY. Tractors was the only segment which witnessed positive growth during the month. Of the remaining segments, commercial vehicles (CV) and 3-wheelers witnessed the sharpest fall of 74.3% and 72.2% YoY. However, comparison on a sequential basis brings a sigh of relief as both these segments witnessed healthy recovery in July 2020 – 3 wheelers grew by almost a quarter and

CV retail sales nearly doubled. This led to overall automobile retail sales growth of 16% M-o-M in July 2020.

Chart 1: State wise retail sales of automobiles in July 2020 (YoY growth)



Source: FADA

The chart on left reflects the geography wise retail sales of automobiles in large markets of India. In absolute numbers, highest retail sales were recorded in Uttar Pradesh with 2.01 lakh vehicles, followed by Tamil Nadu with 1.11 lakh vehicles and Maharashtra with 0.99 lakh vehicles.

In terms of yearly growth, Gujarat and Kerala witnessed the highest drop in automobile retail sales of 47% each, while the least fall was seen in Jharkhand and Rajasthan of 11% and 17% respectively in July 2020.

Concluding remarks and outlook

- The consumer demand which could not be met in April, May 2020 and initial days of June 2020 due to the nation-wide and various state lockdowns is expected to be spread across the next 6 months - from July to December 2020. Most automobile dealerships across the country have resumed operations now, which will help in clocking strong M-o-M growth in these months.
- The festive season is a crucial period for automobiles sector, as this is the time of the year when consumers usually make purchases of large ticket items, which are discretionary in nature. The festive season of this year will be even more pivotal for the automobile sector, as it has long been affected by bloomy consumer sentiments even before the pandemic started in the nation. The month of August 2020 marks the onset of festive season – Ganesh Chaturthi and Onam and retail sales are expected to improve sequentially.
- The assumption of no further lockdowns will uplift consumer sentiments. Also, employees may be asked to travel to office stations at frequent basis and reducing working from home. This may lead to a preference of commuting in personal vehicles rather than using public mode of transports.
- As macroeconomic numbers continue to disappoint, reaching pre-Covid level is unlikely in FY21. While volume pickup is expected from H2-FY21, full demand recovery is expected only in FY22. Tractors segment shall witness faster recovery driven by favourable monsoon and good crop output, followed by 2-wheelers and passenger vehicles segments. Commercial vehicles are expected to see a slower recovery hit by muted infrastructural activity.

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