

# Retail Sales of Automobiles in August 2020

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## On-going festivities bring cheer to the automobile sector

(The data in this report refers to the sales made by automobile dealers to the consumers and is sourced from FADA)

The on-going festivities and upcoming wedding season brings a reason of joy to the automobile dealers as retail sales for August 2020 shows an uptick of 4% on a sequential basis. When compared with previous month, except for tractors, all other segments of automobiles (PV, CV, 2 & 3 wheelers) witnessed growth in consumer demand. Tractor retail sales declined by 11.5% sequentially in August 2020. 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. This year, July witnessed an uptick in tractors retail sales as the prior months witnessed lockdowns in large parts of the country.

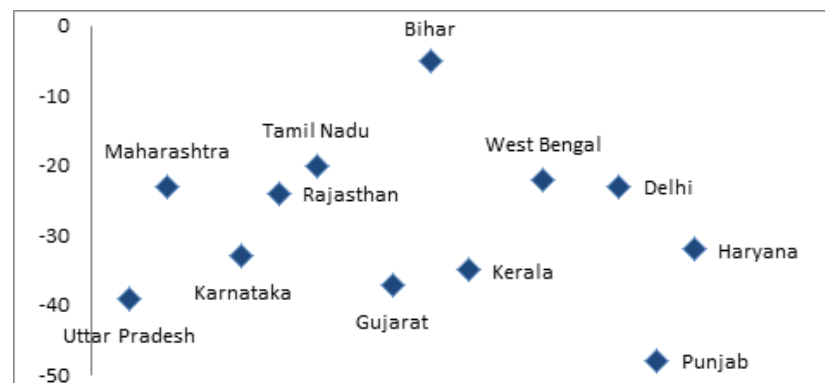
On a Y-o-Y basis, growth in automobiles retail sales is still in the negative category. The 2-wheeler segment de-grew -28.7%, 3-wheeler by -69.5%, commercial vehicle by -57.4% and passenger vehicle by -7.1%, while tractor sales grew 27.8% YoY. Overall retail sales are still at 70-75% levels despite the low base of last year.

Table 1: Retail sales of automobiles (in units)

Category	August 2020	Change	
		Y-o-Y	M-o-M
Two wheeler	8,98,775	-28.7%	2.8%
Three wheeler	16,857	-69.5%	11.4%
Commercial vehicle	26,536	-57.4%	37.5%
Passenger vehicle	1,78,513	-7.1%	13.4%
Tractor	67,406	27.8%	-11.5%
<b>Total</b>	<b>11,88,087</b>	<b>-26.8%</b>	<b>4%</b>

Source: FADA, CARE Ratings

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



Source: FADA

The chart on left reflects the geography wise retail sales of automobiles in large markets of India in August 2020. In absolute numbers, highest retail sales were recorded in Uttar Pradesh with 1.66 lakh vehicles, followed by Tamil Nadu with 1.28 lakh vehicles and Maharashtra with 1.2 lakh vehicles.

In terms of yearly growth, Punjab witnessed the highest fall in automobile retail sales of 47.8%, while the least fall was seen in Bihar of -4.6% in August 2020.

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### 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 (except some days of September due to the inauspicious Shraadh period, coupled with Adhik maas).
- The upcoming wedding and festive season - October 2020 onwards - will elevate demand, as this is the time of the year when consumers usually make purchases of large ticket size. Most automobile dealerships across the country have reopened their stores and there is least anticipation of another lockdown in future.
- In an attempt to revive the economy, the government is gradually allowing movement and gathering of people in larger numbers. Also, more number of employees are allowed to report to their office work stations and hence reduce the practice of working from home. This is expected to lead to a growing preference of commuting in personal vehicles rather than using public mode of transports and uplift demand for 2-wheelers and passenger vehicles.
- As macroeconomic numbers continue to disappoint, reaching pre-Covid level is unlikely in FY21. While volume pickup is expected in H2-FY21, full demand recovery is not expected until at least FY22. The 2-wheelers, passenger vehicles and tractor segments shall witness faster recovery than the rest.

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