Automobile Sales Continue to be at Full Throttle in January 2023

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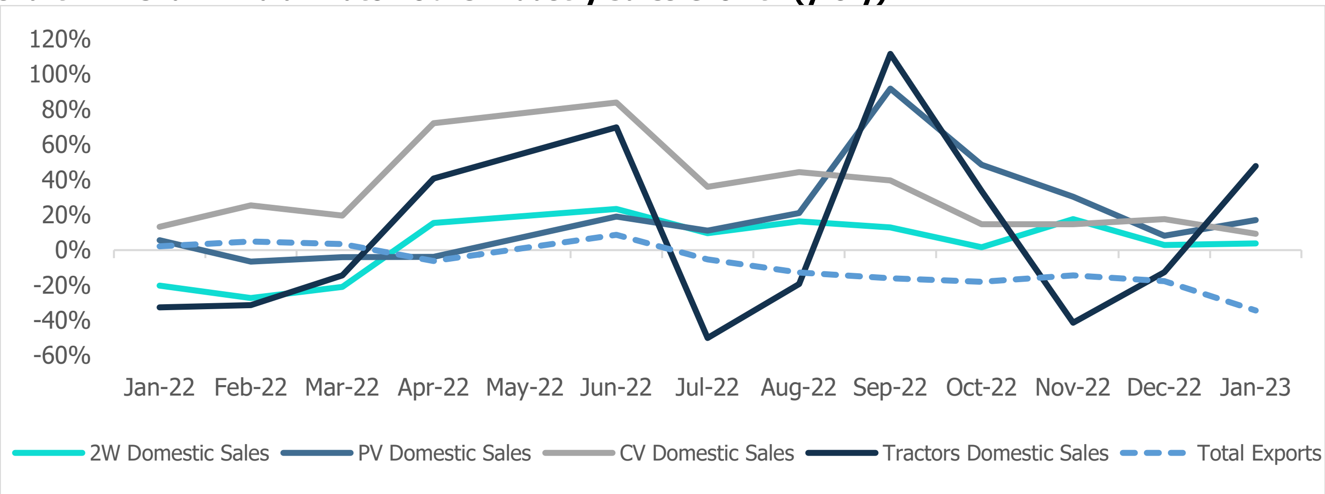
CareEdge RESEARCH

Synopsis

- The domestic automobile sales volumes grew by 9% y-o-y in January 2023 backed by new launches made by the OEMs across the segments and improved consumer sentiments. On a sequential basis, the domestic sales volume grew by 15% during the month.
- The commercial vehicle (CV) segment has been growing strongly, eventually crossing the FY19 peak. This has been aided by increased infra spends by the government, healthy replacement demand, last-mile connectivity demand propelling e-commerce and increased industrial activity. Profitability and margins of major commercial vehicle OEMs have also been aided by the uptick in volumes, improved product mix, and benefits of commodity price correction.
- The demand for entry-level two-wheelers (2W) and entry-level passenger vehicles (PV) is likely to accelerate due to enhanced income tax rebates. Apart from this, the capital outlay of Rs 10 lakh crore for infrastructure spending will also aid commercial vehicle sales going forward.
- Exports declined by 34% on a y-o-y basis in January 2023 due to ongoing global headwinds. Exports are likely to fall by 12-15% in FY23. However, with the opening up of China's economy, there will be an improvement in global supplies of parts and semiconductors, which will further streamline vehicle supplies and lower the waiting period going forward.
- "CareEdge Research expects the domestic automobile industry sales volume to grow by 20% in FY23. The recent announcements in Budget 2023-24 on vehicle scrappage policy and increased infrastructure spending will further aid growth in automobile sales. However, inflationary pressure along with the increased cost of ownership continues to be a concern which might have a bearing on the consumer sentiment," Tanvi Shah, Director, CareEdge Advisory & Research, said.

Chart 1: Trend in Indian Automobile Industry Sales Growth (y-o-y)



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

Domestic Sales Rise in 10MFY23

The overall domestic sales in 10MFY23 grew by 22% compared to 10MFY22. The growth has been primarily driven by the commercial vehicle and passenger vehicle segment, especially the utility vehicles sub-segment under PVs. Robust festival and wedding season and an increase in infrastructure spending led to growth in domestic sales during 10MFY23. However, exports declined by 12% y-o-y in 10MFY23 due to macroeconomic uncertainties in key international markets.

Table:1 Domestic Sales and Exports in 10MFY23

	Domestic Sales			Exports		
Categories	**10MFY23**	**10MFY22**	**Growth (in %)**	**10MFY23**	**10MFY22**	**Growth (in %)**
Two-Wheelers	1,34,41,873	1,13,21,104	18.7%	31,71,461	37,16,201	-14.7%
Passenger Vehicles	32,13,642	24,40,920	31.7%	5,46,588	4,64,778	17.6%
Commercial Vehicles	7,63,736	5,40,348	41.3%	65,084	72,713	-10.5%
Tractors	8,00,088	7,17,425	11.5%	1,07,445	1,06,957	0.5%
Three-Wheelers	3,60,154	1,93,181	86.4%	3,26,575	4,25,198	-23.2%
Total	**1,85,79,493**	**1,52,12,978**	**22.1%**	**42,17,153**	**47,85,847**	**-11.9%**

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

Trend Watch

Two-Wheelers:

The 2W segment grew by 4% on a y-o-y basis during January 2023. The scooter sub-segment grew by 4.1% and the motorcycle sub-segment grew by 3.7% on y-o-y basis due to improved consumer sentiments. However, the demand in the rural market continued to be modest due to the high cost of ownership. 2W demand is expected to increase led by the upcoming festive and marriage season. The exports for two-wheelers declined by 41.3% on a y-o-y basis.

Passenger Vehicles:

Domestic sales in the PV segment showed strong growth of 17.1% on a y-o-y basis in January 2023. The growth in this segment was backed by healthy bookings and improved supplies. The utility vehicle sub-segment showed a growth of 27.7% on a y-o-y basis with the increasing demand for sports utility vehicles. The passenger car sub-segment also grew by 8.1% y-o-y.[1] The demand in the PV segment will be further fuelled by the ease in the availability of semi-conductors with the opening up of China's economy. On the other hand, the exports grew by 36.2% on a y-o-y basis. The passenger car and utility vehicle subsegments showed sales growth of 22.9% and 58.2% on a y-o-y basis, respectively, in the export market.

Commercial Vehicles:

The CV segment grew by 9.3% on a y-o-y basis, supported by strong 33.2% growth in the Medium and Heavy Commercial Vehicle. The Light Commercial Vehicle segment witnessed a slight decline of 0.1% on y-o-y basis. An increase in replacement demand, growth in freight availability and the government's push for infrastructure projects and budget allocation on scrappage policy will further help the CV segment to grow going forward. The CV segment exports declined by 46.8% on a y-o-y basis. Though there are challenges persisting in the global macroeconomic situation, strong demand can be expected from the Middle Eastern countries in the export CV market.

[1] PV sub-segment sales growth figure does not include Tata Motors Limited data.

Tractors:

Domestic tractor volumes grew by 24.4% on a y-o-y basis, led by better Rabi sowing during the month. Retail demand across key geographies continued to be strong. The growth trends are expected to continue going forward on the back of positive customer sentiments led by finance availability. Continued government focus on the agriculture sector and favourable Minimum Support Prices (MSP) on crops will further lead to a growth in tractor demand. Tractor exports declined by 26% on a y-o-y basis.

Three-Wheelers:

The domestic three-wheelers sales grew robustly by 102% on a y-o-y basis in January 2023. The passenger carrier and goods carrier sub-segments grew by 123% and 42%, respectively, on a y-o-y basis. The OEMs are expanding their products in the CNG segment which is gaining traction. Going forward, the demand in the three-wheelers segment is expected to moderate. The export in the three-wheeler segment declined by 41% on a y-o-y basis due to the ongoing geopolitical tensions across various key international markets in January 2023. The passenger carrier and good carrier sub-segment exports declined by 39% and 93%, respectively, on a y-o-y basis.

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