

India car sales post steepest drop in decade

NEW DELHI, INDIA: India's car sales fell nearly five percent year-on-year in the first half of the financial year due to the weak economy. This is the steepest drop in a decade, according to data released on Tuesday (8 October).



The figures from the Society of Indian Automobile Manufacturers (SIAM) indicated the once-booming sector is on track for a second year of declining sales.

"We'll be lucky if we start coming close to zero growth in passenger car sales," SIAM president Vikram Kirloskar told reporters.

September car sales grew 0.7% year-on-year to 156,018 units. But sales for the six months since April fell by 4.67%, the sharpest drop since the first half of 2002/03 when sales shrank by 6.96%.

"Until we see good economic growth, people will be cautious and take fewer risks," Kirloskar said.

SIAM initially expected passenger car sales to grow by up to three percent this year but it has since revised that forecast and now says it expects negative growth.

Festivals may help sales rise

"Car manufacturers hope the religious festival season, swinging into high gear, may bring more buyers as it is seen as an auspicious time to purchase. They are ramping up special offers," said Kirloskar.

But analysts say even the festive season could produce disappointing results. Some analysts expect economic growth this year as low as 3.7%, down from 5% last year.

"Even if we have a good festive season I don't think the sector has bottomed out," Deepesh Rathore, director of Emerging Markets Automotive Advisors, told AFP.

"With the weak economy, high inflation and high interest rates, the car-buying customer does not think it's the right time to

buy," he said.

Car sales contracted for the first time in a decade last year, in contrast to previous years which posted annual growth of between 20% and 30%.

Those boom years prompted foreign car manufacturers to make a beeline for India as they sought to boost sales globally. Underscoring overall economic weakness, sales of medium and heavy commercial vehicle dropped by 25% in the first half of this year compared with a year earlier.

SIAM's Kirloskar estimated over-capacity in the passenger car and commercial vehicle sectors to be as high as 30%. India's rupee has tumbled against the dollar this year, a boost for car exporters, but the currency fall has piled extra costs onto an industry depending on many imported raw materials.

Kirloskar said manufacturers will probably press ahead with existing or announced investments but may hold back on any new investments until the economy recovers.

Source: AFP via I-Net Bridge

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