

Car sales slump in India

NEW DELHI, INDIA: Car sales in India's once-booming passenger market plunged nearly 26% last month on an annual basis, their worst performance in 12 years, industry figures showed on Monday (11 March).



Car sales, seen as a key pointer to overall economic health, slid by 25.7% to 158,513 units in February from the same month in 2012, the Society of Indian Automobile Manufacturers (SIAM) said.

With one month left to report in the financial year, SIAM forecast annual sales would shrink for the first time since 2002-03. Sales have contracted by 4.64% in the April to February period from a year earlier.

"Discretionary spending on cars has pretty well come to a stop with the economy slowing - if people don't need a car, they are holding back," SIAM deputy director general Sugato Sen told reporters. "The weak economy, high inflation and high finance costs mean people at the bottom of the pyramid who buy the smaller cars, which are the biggest part of the market, are not buying," he added.

The car sales were the latest grim figures for India, Asia's third-largest economy, which is forecast to grow by just five percent in the current financial year to March - its weakest pace in a decade. The expected drop in annual car sales is a far cry from the 10% to 12% passenger car sales growth for the year that SIAM initially projected.

Car companies have been offering big discounts to lure buyers but have been unable to reverse the tailspin. March is usually a good period for car sales as companies dispose of inventories but Sen said that this year it was expected to be a weak month as well.

"I can't even see the passenger car market reaching zero growth this year," Sen said.

India's car sales grew sharply at an annual rate of between 20% and 30% in the previous decade, prompting foreign manufacturers such as Ford, GM and other firms to make a beeline for the country as they sought to boost sales globally.

But passenger sales growth in India, the sixth-largest car market worldwide, has been in decline over the the past couple of years with the weakening economy weighing on demand. Total sales of trucks and buses, another importer barometer of economic vitality, slumped by 35% in February to 21,498 units from a year ago.

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