

# India's car sales drop 12% in May

NEW DELHI, INDIA: Car sales in India slid by over 12% in May, data showed Tuesday (11 June), marking an unprecedented seventh month of decline as an industry body warned that layoffs now loomed in the once-booming sector.



Domestic passenger car sales, seen as a pointer to overall economic health, dropped 12.26% to 143,216 in May from the same month a year earlier, the Society of Indian Automobile Manufacturers (SIAM) said.

"These are worrying times for the automobile industry," SIAM director general Vishnu Mathur told reporters.

"This is the longest stretch of consecutive decline in car sales we have witnessed since SIAM started compiling figures 16 years ago," he added.

The downturn is in sharp contrast to the previous decade when car sales grew by a breakneck annual rate of between 20% and 30% - prompting foreign manufacturers from Ford to Volkswagen to make a beeline for the country as they sought to boost sales globally.

"Layoffs in the Indian automotive sector could start soon with parts suppliers likely to be among the first affected as buyers steer clear of showrooms," Mathur said.

Mathur blamed consumer worries over a sharp slowdown in the economy, which has been growing at a decade low of five percent, saying "discretionary spending is being hit".

"Production is already being cut back by some manufacturers by 10%, 15% and even 20%," Sugato Sen, SIAM senior director, told AFP, adding this would lead to job losses in the industry.

## Buy now, pay later schemes

The Indian car sales shrinkage comes as growth in China's car sales in May slowed to 9.9% year-on-year from a double-digit rise in April, amid waning consumer confidence. The European auto market is expected to shrink for a sixth year in a row.

Stuttering demand has forced Indian car manufacturers to introduce "buy now, pay later" schemes, interest-free repayments and double-digit discounts.

Sales of commercial vehicles such as trucks and buses, another key pointer to economic vitality, dropped by 10.6% to 55,458 from the the previous year, SIAM's figures showed.

A fall in India's currency to record lows against the dollar has cast doubt over hopes that the central bank will cut interest rates further to boost the economy.

The declining rupee has also raised the prospect of car price rises and steeper fuel costs that would deter buyers further, as the weaker currency pushes up import costs.

"Two months ago, we thought the industry was poised for a good recovery. Now it seems we will have to rethink these numbers," analyst Mahantesh Sabarad of Mumbai's Fortune Equity Brokers told AFP.

Domestic passenger car sales fell by 6.7% in the last financial year ending March to 1.89m from a year earlier - the first contraction for 10 years.

SIAM's Sen said the industry body was not yet revising its forecast that car sales will grow by three to five percent in the current financial year. It is hoping that sales will pick up later in the year.

Sabarad said one good sign is that the annual monsoon, vital for India's food output and economic growth, seems to be normal and that should drive up rural incomes and translate into better vehicle sales.

Source: AFP via I-Net Bridge

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