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INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Retail volumes impacted by extreme heat and General Elections; wholesale volumes remain strong

JUNE 2024

Highlights

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Retail sales in May 2024 were impacted by extreme heat and General Elections across the country, which affected walk-ins; wholesale volumes remained strong.

Industry is expected to grow at a modest pace of 3-6% in FY2025 on an all-time high base of FY2024.

In May 2024, the domestic wholesale volumes remained strong at 3.5 lakh units, improving 4% on a sequential basis over April 2024. The supplies from original equipment manufacturers (OEMs) remained steady, which led to ~4% YoY growth in volumes.

Retail sales moderated in May 2024 on a sequential basis by 10% owing to extreme heat conditions impacting footfalls and walk-ins. This was further affected by the General Elections held in May 2024. Retail sales marginally improved on a YoY basis. Utility vehicles (UVs) continued to be the most preferred segment in the passenger vehicle (PV) industry, driving ~63-64% of the overall PV volumes. They are likely to remain key volume drivers in the near term.

Monthly export volumes remained stable, aided by steady demand across regions. Export volumes in May 2024 reported a healthy growth of ~9% on a YoY basis and ~1% sequentially. The trend needs to be monitored, since a shortage of Dollars in certain African markets and inflationary pressures may impact demand.

ICRA expects the industry to grow by 3-6% in FY2025 after 8% YoY growth in FY2024, aided by steady demand. The lower growth expectation for the current year partly stems from waning pent-up replacement demand and a high base.

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Thank You!