

INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Healthy YoY retail and wholesale
volume growth in May 2026

JUNE 2026

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Wholesale and retail volumes grew at a strong pace in May 2026 on a YoY basis, with demand continuing to be supported by GST rate cuts, the low base of May 2025 and an extended summer wedding season.

ICRA expects industry volumes to expand by 4-6% in FY2027, led by the likelihood of sustained demand momentum. The moderation in growth factors in the elevated base of FY2026 and the weak monsoon outlook.



Wholesale volumes rose by 27% year-on-year (YoY) to 4.4 lakh units in May 2026, as original equipment manufacturers (OEMs) continued steady production to cater to the robust domestic demand. On a sequential basis, wholesale dispatches remained steady. Retail sales recorded a strong YoY growth of 33% in May 2026, supported by the consistent traction of newly launched models, extended summer wedding season and the sustained positive impact of the revised Goods and Services Tax (GST) rates. Volumes in May 2025 were impacted by heightened geopolitical tensions in Northern India.



Inventory levels remained modest around 31-33 days in May 2026 compared to 52-53 days in May 2025 and 60 days as of September 2025, as per the Federation of Automobile Dealers Association (FADA), aided by stronger retail offtake. In FY2026, utility vehicles (UVs) accounted for about 68% of the overall passenger vehicle (PV) volumes. While UVs continue to drive the majority of demand, figures in the mini, compact, and super-compact segments have shown a slight recovery after the GST rate cuts. The UV segment is likely to remain the key volume driver, though demand for passenger cars is also expected to increase.



Export volumes rose by a healthy 13% in May 2026 on sequential and YoY basis. The growth indicates the increasing supply push from Indian OEMs. The upward trend continued with Maruti Suzuki India Limited maintaining its lead as the top exporter (49% market share in exports), followed by Hyundai Motor India Limited in FY2026.



ICRA expects wholesale volume growth of 4-6% in FY2027 (~26% growth in 2M FY2027), amid an anticipated increase in fuel and commodity prices. Further, any delay in the monsoon could dampen rural sentiment and adversely impact volume growth in FY2027. Electric vehicle penetration has also increased to around 6% in 2M FY2027 as against 4.6% of FY2026, partly driven by rising fuel prices.



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