

# IMaCS Automobile Demand Outlook FY2019

The Automobile sector is often termed as the bellwether of India's economic growth. After few setbacks in FY2018, mainly due to macroeconomic headwinds of GST and demonetization, the sector is expected to bounce back in FY2019. According to the IMaCS AuDeO™ (Automobile Demand Outlook), the Indian Automobile sector is expected to grow at near-double digit rate in FY19.

## Passenger Vehicle segment

- Small cars are expected to continue the growth momentum - Cost of ownership expected to remain low while new launches/facelifts of popular models to keep interest alive
- Recovery for Sedans expected on the back of facelifts and new model launches.
- The momentum in the Utility Vehicle space is expected to continue, albeit at a slower pace.



## Two-wheeler segment

- Base effect to reduce growth rate for Scooters in FY18; however, we still expect scooters to continue growth momentum due to increasing penetration of scooters in rural in addition to continued urban demand.
- High base of FY18 to bring down growth rate in motorcycles. New model launches/facelifts to keep the momentum upbeat. Expectations for a normal monsoon to aid this segment.
- Mopeds expected to register growth on a low base; Competition from lower cc motorcycles and increased "scooterisation" of rural markets also might dampen the demand.

## Commercial Vehicle segment

- Expectation for higher economic growth (7% GVA) and improvement in manufacturing/ mining output to aid M&HCVs.
- The clear trend in development of Hub-and-Spoke model (apropos GST implementation) to support demand for Higher tonnage carriers for long hauls
- Redistribution demand for last mile delivery expected to support demand for ICVs/ SCVs.
- Spending in public transportation may revive bus demand after a dismal FY18. STU orders on less-polluting vehicles to create replacement demand.

## Automobile Exports Outlook FY19

- PV and CV exports are expected to pick up once the economic scenario improves in export markets and the GST glitches are rectified
- Increasing reach of Indian players in global market especially in the commercial vehicle segment will result in growth in exports in these sectors
- However, if implemented, the speculated raise in import duties by USA might negatively impact Indian PV exports. Moreover, this might also lead to other regions/countries increasing tariffs.

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## About IMaCS Automobile Demand Outlook

IMaCS AuDeO™ is India's only quarterly demand forecasting model for the Indian Automobile industry. It provides segment-wise demand forecast for four quarters (on a rolling four quarter basis) based on extensive research and quantitative modelling. Apart from demand forecast, AuDeO™ also provides historical data and analysis on the Automotive sector, such as - trends in macroeconomic parameters (20 trailing quarters), trends in domestic automobile industry (20 trailing quarters), segment-wise industry performance, rich insights from stakeholder interactions and forecast of macro-economic parameters. IMaCS AuDeO™ is based on a quantitative model which incorporates inputs that impact demand for automobiles in India, gathered from extensive primary and secondary research, to forecast future demand.

## About ICRA Management Consulting Services Limited (IMaCS)

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