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# Is the Automobile Industry On A Path To Recovery – Post-COVID Lockdown

The Automobile Industry had a lot to cheer since September 2020 with volumes in the passenger vehicle, two-wheeler segments posting healthy numbers although volumes of commercial vehicles still remains a concern. The question in everybody's mind is whether this growth can be sustained.

Let us take a look at the numbers for the nine-month period - April 20 till December 20 and compare this with the figures of the same period last year:

Vehicle Segment	April 20 – December 20	April 19- December 19	% Decrease
Passenger Vehicles	17,77,874	21,17,920	-16.06
Commercial Vehicles (M&HCV)	80,154	1,75,888	-54.43
Commercial Vehicles (LCV)	2,78,049	3,94,806	-29.57
Three Wheelers	1,30,601	5,07,254	-74.25
Two Wheelers	1,07,65,788	1,39,13,795	-22.63

While the above numbers may seem depressing, there has been a cause to cheer for the industry especially since September 2020, when the automobile majors posted healthy numbers.

What was the driving factors for this growth?

- Good monsoon and growth in the agricultural sector

- Pent up demand
- New models introduced
- Fear to use public transport and desire to own a vehicle

The numbers may not reveal the entire story and what is sought in this article is to see how this industry will evolve.

The COVID experience has seen the following major shift:

- Work from home – this could continue over the next few years
- Online classes
- Reduced usage of public transport – may change if crowding is avoided
- Drop in car pooling
- Release of movies on the online platform

- Use of video conferencing as an alternative mode of communication as opposed to physical travel.

Whether these experiences would sustain or continue will depend on the reduction in fear factor, desire to socialise and the success of vaccination.

Given the above background, we shall try to examine what could be the future of the various segments of the automobile industry.

Among the passenger vehicle segment, the utility vehicles (mainly sub 4M category) have managed to hold itself together posting only a moderate decline of 6.69 percent indicating a preference among the affordable consumers to this category. This phenomenon is on account of the fact that many new models were introduced in this segment and changing preference of the consumer to buy a utility vehicle bearing in mind that usage post-COVID would be restricted for moving for work or within the city and the usage would be more for trips for recreational purposes and family get together. This segment will see more action in the ensuing months with more new models and price warfare.

The luxury segment of the passenger vehicle will see a decline and this trend is more likely to continue over the next couple of years.

The commercial vehicles segment is a barometer of economic growth and the decline in this sector is definitely a cause of worry.

A healthy growth in this segment indicates the movement of both goods and persons which augurs well for the economy.

The medium and heavy commercial vehicle segment requires the maximum support with a steep drop in the numbers although the numbers in December 2020 shows some revival. However, the segment can see growth only if there is a sustained policy of replacing old State Transport Undertaking and Defense Vehicles by setting up a dedicated corpus fund for this along with measures on the part of the Government to invest in infrastructure projects.

The average urban and rural consumer's purchasing habits have seen a change with a growing dependence on e-commerce portals to buy goods as opposed to physical travel. This trend is likely to see more traction and hence the movement of goods from larger hubs to smaller hubs will require smaller

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vehicles and hence there will be an uptick in demand for commercial vehicles, especially in less than five tonne carrying capacity.

The change in the consumer behavioural pattern coupled with usage of the services of food delivery and goods delivery apps and a good monsoon across India will see a sustained demand in the two-wheeler segment.

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Lastly, the following key factors will play a large role in the ensuing period to sustain the momentum:

- Introduction of new models
- Controlling the runaway fuel prices
- Price increase by OEM's and its effect on buying sentiments
- Implementation of the Performance Linked Incentive Scheme under the Atma Nirbhar Scheme
- Government investment in infrastructure projects
- Sorting out raw material shortages especially semiconductors and steel
- Putting Tier-2 and Tier-3 component manufacturers back on track
- The success of the vaccination programme.

Time will only reveal whether what has been stated in this article will actually pan out the way it has been predicted.

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