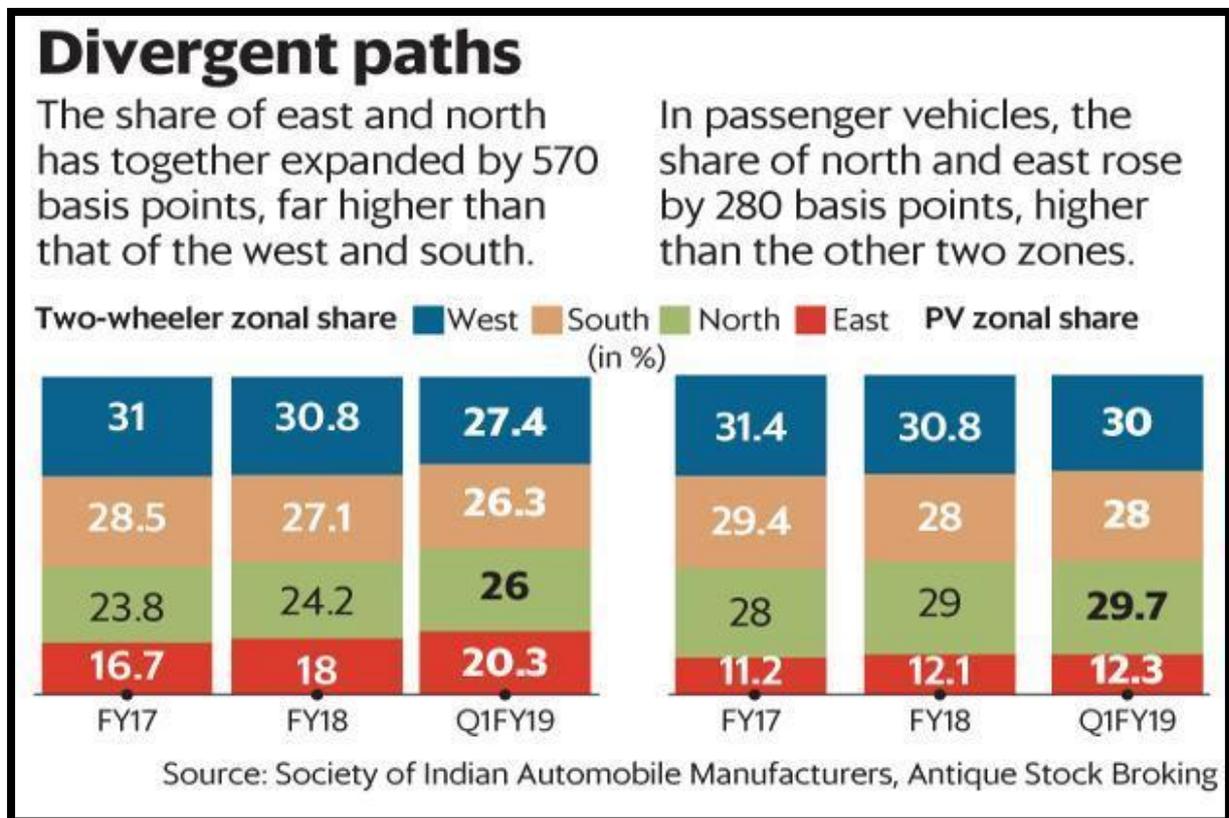


Growth of automobile market in rural India

Adapted from:- Rural growth rate overtakes urban in India automobile sales:

livemint, Thu, Aug 30 2018. 10 14 AM IST



For about two years, demand for two-wheelers and passenger cars in rural areas has outpaced that in urban areas. Graphic: Mint

The demand for two wheelers and passenger cars is escalating in recent years. It's not merely a blip, but a sustained trend. According to Antique Stock Broking Ltd, the share of eastern and northern regions has increased by 570 basis points for two-wheelers and 280 basis points for passenger vehicles, since fiscal year 2017 (*see chart*). During the period, the share of states in the south and west has declined. Hundred basis points make up one percentage point. Typically, these two geographic zones have a larger contribution from the rural population than the urban one. A more detailed analysis reveals that the states of Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal and Odisha have shown strong sales growth. However, Karnataka, Tamil Nadu and Maharashtra, which have a higher urban mix in population, have been lagging in growth.

Another feature supporting the rural growth story is that motorcycle sales growth in these two regions zoomed by 680 basis points, within overall two-wheelers. Even in passenger vehicles, growth is higher in cars compared to utility vehicles, which is driven largely by urban sales.

According to Antique Stock Broking, the regional difference in growth rates is “due to monsoon divergence, state-level developmental infrastructure push, growth moderation in highly urbanized states and improved organized finance penetration”.

All the above factors have pushed rural households to spend on such discretionary items as automobiles, even as disposable income increased on the back of a good monsoon for two years in a row.

On the whole, the demand outlook for FY19 is strong with analysts having pencilled in double-digit growth in passenger vehicles, two-wheelers and even commercial vehicles, mainly backed by healthy demand from rural areas.