Retail sales of passenger cars and two-wheelers declined by 86.97 per cent and 88.80 per cent, respectively, in May, while the overall auto retail sales fell by 88.87 per cent. This came on the back of zero sales in April, the first such instance in history.

Dealers expect an uptick during the festive season, provided government announces more relief measures and auto-makers with high rural presence see a quick turnaround. According to the Federation of Automobile Dealers Associations (Fada), auto retail sales dropped to 202,697 units in May, from 1,821,650 units a year ago. Passenger vehicle sales dropped to 30,749 units from 235,933 units a year ago, two-wheeler sales fell to 159,039 from 1,319,842.

Commercial vehicles sales dropped by 96.63 per cent to 2,711 from 80,392 units, and three-wheeler sales declined 96.34 per cent to 1,881 units from 51,430 units a year ago. Tractor sales plummeted 76 per cent to 8,317 from 34,053 the previous year.

Auto dealerships opened in May, when the lockdown was eased gradually, after having been shut for about 40 days, and by the end of the month 60 per cent of showrooms and 80 per cent of workshops out of the total 26,500 outlets were operational across the country. Ashish Harsharaj Kale, Fada president, said the numbers in May were not indicative of the demand situation as the lockdown still continued in many parts.

Assuming there is no further lockdown and reopening continues at the current pace, there will be substantial pick up in auto retail sales, but the overall outlook remains grim with projected sales to contract by about 25 per cent year-on-year (YoY), he said.

Kale said the first 10 days of June witnessed extremely low demand despite most dealerships being open. “Definitely we are not happy with this kind of demand,” he said, adding that there is some traction in cities and towns that are dependent on agriculture.

“Accounting for 7.6 per cent of GDP, a workforce of several millions and a multiplier effect for many supporting sectors, the auto Industry can be the driving force in boosting consumer confidence, if supported with short-term stimulus to revive demand as a return to normalcy seems very difficult till the festive season,” says Kale.

**Outlook for June**

Urban demand will continue to face challenges, he said. On the flip side, the government’s push for infrastructure spending and the recent measures announced for the agriculture sector will help support rural demand. It is expected to further strengthen with the predicted normal spread of the monsoon.

“We are looking for some short-term measures till the economy revives. Without that we don’t see normalcy returning till the festive season. Even then, we need to see how the consumer sentiment is. That is when we can see demand returning to normalcy. Without government intervention we will continue to see double digit contraction even in June, July and August,” added Kale.