



Press Release

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LMC Automotive Lowers India Light Vehicle Sales Outlook

The market sentiment in India has been very weak since the beginning of this year. The sudden decline in consumer and investor confidence, triggered by the government's decision last autumn to gradually reduce diesel subsidies, has resulted in six consecutive months of year-over-year decline in light vehicle sales.

At the same time, high inflation, high interest rates, and a weakening rupee are eroding consumers' purchasing power. The central bank has cut its benchmark repo rate three times this year to 7.25%, but that has not helped kick-start consumption and investment so far.

"Manufacturers are doing everything to push sales ranging from launching new variants to offering hefty discounts, but India's vast middle class burdened by macro-economic risks are simply not buying cars at the moment," said Ammar Master, senior market analyst for India at LMC Automotive.

Short Term Forecast

India's 2013 light vehicle sales forecast has been revised down to 3.01 million units, which is a decline of 8% from a year ago. The new sales outlook is 11% lower than our previous projection of 3.40 million units.

We also decided to reduce the 2014 sales outlook to 3.61 million units – 6% lower than the original forecast of 3.86 million units. Nonetheless, light vehicle sales are expected to climb 20% year-on-year in 2014, once India's economy starts to improve from the second half of this year.

Later this year, an expected global recovery should help boost India's exports and capital inflows. Also, the general elections next year should clear political uncertainty. These better conditions should then restore consumer confidence and revive vehicle sales.

Long Term Forecast

India's sales outlook between 2015 and 2020 has been lowered by 7% versus our previous projection. Despite the cut, light vehicle sales are still expected to grow at a CAGR of 16% during the five years.

One of the major factors driving growth is an emerging middle class with higher incomes. India's real GDP per capita reached \$1,000 (based on 2005 US\$) in 2011. Also, real GDP per capita on a PPP basis reached \$3,000 in 2010. For emerging markets, the income level of \$1,000 per capita (or \$3,000 per capita on a PPP basis) is said to be the start of strong vehicle sales growth.



Passenger vehicle density in India is still low at an estimated 24 units per 1,000 adults. Even with our optimistic forecast, this is projected to rise to 50 units per 1,000 adults by 2020 because of India's fast population growth.

In addition to rising income and low density, there are numerous factors that support strong sales growth in India, such as: the expansion of the highway systems over the past several years (Example: the completion of the Golden Quadrilateral project), strong investment by major OEMs, and rising affordability of new vehicles due to intensifying competition among automakers.

By 2020, light vehicle sales are forecast to reach 8.8 million units.



About LMC Automotive

LMC Automotive is a market leader in the provision of automotive intelligence and forecasts to an extensive client base of car and truck makers, component manufacturers and suppliers, financial, logistics and government institutions around the world and is widely respected for its extremely responsive customer support.

It offers forecasting services covering global sales and production for light vehicles and heavy trucks, as well as forecasts of engine and transmission supply and demand. In addition, LMC Automotive publishes special studies on subjects of topical interest to the automotive industry.

LMC Automotive is part of the LMC group. LMC is the global leader in economic and business consultancy for the agribusiness sector.

For Media Related Enquiries, contact:

Europe:	John McClure	+44 1865 791737	jmclure@lmc-auto.com
North America:	Jeff Schuster	+1 248 817 2101	jschuster@lmc-auto.com
Asia:	Ben Asher	+662 264 2050	basher@lmc-auto.com
China:	John Zeng	+8621 6103 7289	jzeng@lmc-auto.com

LMC Automotive Ltd, 4th Floor, Clarendon House, 52 Cornmarket Street, Oxford, OX1 3HJ

Phone: +44 1865 791737; Fax: +44 1865 791739

Email: media@lmc-auto.com