Recovering Auto Sector

Why in news?

Coming out of lockdown, the Indian automobile sector is seeing a recovery trend.

What is leading to the recovery in India?

- **Demand for compact small cars** mostly by first-time buyers is driving the car sales in India.
- The new realities of social distancing and scare of contracting the virus is driving more and more individuals to buy a car.
- While urban areas have been more impacted by Covid-19 and the lockdown, rural India is witnessing a faster recovery.
- Manufacturers are expecting the recovery trend to remain strong as the inquiries and booking are rising fast.

Which segment is seeing the demand?

- Mini and compact car segments together have seen the best recovery.
- The companies who do not have small cars in their portfolio have lagged in recovery in June 2020.

Is the recovery momentum expected to continue?

- The enquiries and bookings are on a steady rise in the auto sector.
- As demand is on the rise, the elimination of production and supply bottlenecks will only improve the sales efficiency going forward.
- The demand from the consumer side has achieved a 80-85% normalcy.
- But, the industry is still at around 50% normalcy when it comes to wholesale sales.
- However, that is improving with every passing week.

Why is auto sector important?

- Indian automotive industry accounts for over 7 % of the country's GDP.
- It accounts for 22% of the manufacturing GDP.
- The industry supports more than 3.7 crore employment.
- With GST collections of around Rs 1,50,000 crore, it accounts for nearly 15% of total GST collection of the country in a year.

- The sector is one of the biggest recipients of foreign direct investment.

What could hinder the revival momentum?

- A spike in Covid-19 cases in India both in rural and urban India may just derail the recovery momentum.
- This spike may force the centre and states to go slow on reopening the economy or to even close certain activities that have been permitted.
- It may also limit the movement of workers, derailing the production revamp process for the industry.
- As India reopens, it needs to closely monitor the case numbers and containment zones in order to avoid the community spread.

Source: The Indian Express

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