

Our Correspondent

Car sales fall to lowest level since FY09

The automobile sector endured a turbulent year, marked by high borrowing costs, slowdown in economic activity and Covid-19 outbreak in the final quarter. As a result, the performance of the sector remained dismal in the entire financial year 2019-20 and car sales fell 53% compared to the previous year.

According to data released by the Pakistan Automotive Manufacturers Association (Pama), carmakers sold 110,583 vehicles in 2019-20 compared to 235,229 units in 2018-19.

According to Topline Securities' analyst Hammad Akram, car sales in FY20 fell to their lowest level since fiscal year 2008-09.

"The year remained turbulent for the car assemblers as slow economic activity and high interest rates affected demand at the start of the year while in the last quarter, sales were severely impacted by the Covid-19 outbreak," he said.

The situation remained dismal for all the three automobile manufacturers as they posted considerable year-on-year decline in sales.

Honda Atlas Cars remained the major laggard with a 63% drop in sales. The company managed to sell only 16,390 units in FY20 compared to 44,234 units in the previous fiscal year. Indus Motor Company fared no better with a 53% contraction in sales as it sold 28,378 units compared to 60,993 units last year.

Sales of Pak Suzuki Motor Company stood at 65,815 units in FY20 compared to 130,002 in FY19, a decline of 49%.

In June, car sales declined 52% on a year-on-year basis due to compressed demand and slowdown in economic activity.

"During the month, more than 1,000 units were expected to have been sold by unregistered car assemblers," Akram said. Automobile manufacturers sold 8,446 cars in June 2020 compared to 17,468 cars in June 2019, the data revealed.

Month-on-month data

However, on a month-on-month basis, car sales soared 77% as lockdown restrictions were lifted and companies produced at full capacity while retail activity experienced revival as well.

"Sales increased on a month-on-month basis as car dealerships became operational after the lifting of Covid-19-related lockdowns/restrictions," said Akram. "Honda and Indus Motor recorded 514% and 199% growth, respectively."

Pak Suzuki Motor Company witnessed growth of only 9% during the period.

Moving on to two-wheelers, the analyst said Atlas Honda recorded a 644% growth in sales on a month-on-month basis. The company sold 90,039 units in June 2020.

"In FY20, Atlas Honda recorded a decline of 22% in year-on-year sales, which were the lowest since FY16," he said.

Tractor sales in June 2020 were up 46% year-on-year and 187% month-on-month, he said. On a year-on-year basis, sales of Al-Ghazi Tractors and Millat Tractors rose 121% and 23% respectively.

"We believe the uncertainty regarding tractor subsidy of Rs2.5 billion ended when it was not included in the budget for fiscal year 2020-21," he said. "As a result, farmers, who were holding back their buying decisions to avail the subsidy, made purchases in June 2020."