Indian economy continues to reel under the downturn. The GDP growth slowed to a nearly seven-year low of 4.7 per cent in the quarter ending December 2019. The slowing growth was on expected lines since manufacturing has remained weak and consumer demand and private investment have remained muted. For FY20, GDP is now estimated to grow by a decade’s low of 5%.

Automobile production in India is at an eleven-quarter low in view of slowdown in the economy, sluggish consumer demand, tightness in liquidity and subdued rural demand. Slowing economy and automobile demand has had its impact on tyre production too which is bearing the brunt of low offtake by Auto OEMs. Even tyre replacement demand has remained sluggish in view of low consumer confidence and tight financing environment. In the first 10 months of FY20, Truck & Bus tyre production is down 13%.

While India has been battling slowness in growth, the global spread of coronavirus has added a new layer of uncertainty to the world economy. According to The World Bank, the global growth is likely to fall short of 2.5% in the first half of the ongoing year that it had forecast earlier in view of coronavirus outbreak. Supply disruptions are a reality which will bring the global growth down. India being a large importer of Chinese products will also face the onslaught.

However, according to the Finance Ministry, the economic growth has bottomed out. The encouragement emanates from positive movement in the core sector which has witnessed growth during the Dec’19 and Jan’20. That augurs well for the manufacturing sector during the January-March quarter of FY20.

This edition of Traction has covered South Korean Auto Industry under the column Region Focus (Pg 6-9). S. Korea’s ambition is to become the most competitive country in ‘future’ automobile industry and is looking at 10% share in global electric/ hydrogen vehicles sales.

Auto Expo 2020 held last month witnessed a sharp focus on electric vehicles with a large array of launches. ATMA, assisted by its technical arm ITTAC brought the attention of the expo goers to Tyre Care & Safety through a safety gaming zone which witnessed large participation from the youth (Pg12-16).

Here is wishing you Happy Reading. Stay safe during these times of corona outbreak.
Industry Trends - Tyre

Tyre Production - India

Truck & Bus tyre production has inched upwards since touching a low in Sept’19. However YoY, the production still falls short of year-ago period.

Motorcycle tyre production has remained lower than previous year’s levels

Having remained in the negative zone in the first 7 months, Passenger Car tyre production turned positive in Nov’19 and continuous to be so.

Overall tyre production has remained below previous year’s levels though the gulf is narrowing.

Tyre Exports - India

Truck & Bus tyre exports have continued to remain higher than previous year’s levels.

Passenger Car tyre exports from India have been witnessing volatility. Cumulatively however tyre exports are in the positive zone.

In number terms, overall tyre exports went up by 10% in the Apr’19-Jan’20 period.

Note: Figs in brackets and indicate % change YoY
Vehicle Production - India
Apr'19-Feb'20 & YoY Comparison

**M&HCV** production continues to decline in double digits YoY with production in Feb’20 exactly half of Feb’19 levels.

- FY19 (Apr-Feb): 0.36
- FY20 (Apr-Feb): 0.18 (-50%)

**Passenger Vehicle** production is also witnessing a continuous decline though the rate of decline has reduced from double digits till Oct’19 to single digits in subsequent months.

- FY19 (Apr-Feb): 3.36
- FY20 (Apr-Feb): 3.04 (-9%)

**LCV** production that had gained momentum lately witnessed a sharp fall in the month of Feb’20.

- FY19 (Apr-Feb): 36.94
- FY20 (Apr-Feb): 32.27 (-13%)

**Motorcycle** production has been charting a sharp declining curve during the ongoing fiscal.

- FY19 (Apr-Feb): 152.99
- FY20 (Apr-Feb): 135.72 (-11%)

**Scooter (2/3 wheeler)** is amongst the worst affected categories with production in the negative zone.

- FY19 (Apr-Feb): 0.73
- FY20 (Apr-Feb): 0.68 (-7%)

**Tractor** production is witnessing consistent de-growth in production during the current fiscal year.

- FY19 (Apr-Jan): 7.80
- FY20 (Apr-Jan): 6.53 (-16%)

All Figs in Lakh Nos.

Note: Figs in brackets and indicate % change YoY

Unit(s): 1 Lakh = 100,000; 10 Lakhs = 1 Million; 100 Lakhs/10 Million = 1 Crore.
Industry Trends - NR India

Natural Rubber - INDIA

NR Production went up by 10% in Jan’20 as the peak season progressed. Overall in the first 10 months the production has gone up by 10%.

Growth in NR Consumption has eased in view of lower offtake of tyres by Auto sector. However the third quarter witnessed a pickup in demand and in Feb’20 consumption entered the positive zone.

NR Imports have sharply declined in the Aug’19-Jan’20 period as demand has declined. NR Exports continue to be modest.

NR Stock at the end of Jan’20 stood higher at 310000 tonnes.

Average NR prices have ruled higher in Apr’19-Jan’20 period YoY.

Note: Figs in brackets and indicate % change YoY

All Figs in MT

FY 19
FY 20

10%

-6%

1810
(22525%)

296000
43481
(-29%)

310000
30994
(5%)

135.12
124.70
(8%)

80
100
120
140
160

( /Kg)

20000 25000 30000 35000 40000 45000 50000 55000 60000 65000 70000

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

568000
627000
78000
86000

20000 25000 30000 35000 40000 45000 50000 55000 60000 65000 70000

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

1019940
955620
98000
102000

10000 15000 20000 25000 30000 35000 40000 45000 50000 55000 60000

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

124.70
135.12
120
140
160

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

Note: Figs in brackets and indicate % change YoY
Global NR Overview (ANRPC* Countries)

NR Production in ANRPC countries picked up momentum towards the end of the year and overall stood marginally lower than previous year’s level.

NR Consumption in 2019 stood at the same level as previous year with two curves nearly overlapping in the first half of the year.

NR consumption both in India and China declined in calendar 2019.

Note: Figs in brackets and indicate % change YoY
*ANRPC - Association of Natural Rubber Producing Countries
(Member countries: Cambodia, China, India, Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Sri Lanka, Thailand & Vietnam)
Region Focus: **South Korea**

### Top 10 largest Light Vehicle* manufacturing countries in the world

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2019E</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>26.61</td>
<td>24.67</td>
<td>-7.3</td>
</tr>
<tr>
<td>US</td>
<td>11.03</td>
<td>10.79</td>
<td>-2.2</td>
</tr>
<tr>
<td>Japan</td>
<td>9.23</td>
<td>9.28</td>
<td>0.5</td>
</tr>
<tr>
<td>Germany</td>
<td>5.29</td>
<td>5.00</td>
<td>-5.5</td>
</tr>
<tr>
<td>India</td>
<td>4.72</td>
<td>4.18</td>
<td>-11.4</td>
</tr>
<tr>
<td>South Korea</td>
<td>3.97</td>
<td>3.87</td>
<td>-2.5</td>
</tr>
<tr>
<td>Mexico</td>
<td>3.92</td>
<td>3.87</td>
<td>-1.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.78</td>
<td>2.94</td>
<td>5.8</td>
</tr>
<tr>
<td>Spain</td>
<td>2.81</td>
<td>2.77</td>
<td>-1.4</td>
</tr>
<tr>
<td>France</td>
<td>2.28</td>
<td>2.20</td>
<td>-3.5</td>
</tr>
</tbody>
</table>

*passenger vehicles plus small commercial vehicles of up to 6 tonnes capacity.

South Korea is the 6th largest Light vehicle manufacturer in the world.

### South Korea Automobile Industry

13% of manufacturing output
Generates 12% value added
12% of total employment

South Korea's automobile industry is the fifth largest producer of passenger cars in the world (CY2019)
South Korea Automobile Industry

Top 5 Auto OEMs

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyundai Motor</td>
<td>45.7%</td>
</tr>
<tr>
<td>Kia Motors</td>
<td>34.8%</td>
</tr>
<tr>
<td>GM Korea</td>
<td>7.0%</td>
</tr>
<tr>
<td>SsangYong Motors</td>
<td>6.8%</td>
</tr>
<tr>
<td>Renault Samsung</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

South Korea's car market is dominated by domestic OEMs

- Hyundai alone accounts for 46% market share in South Korea's car market (2018).
- Hyundai & Kia together account for 80% of the total car market in South Korea.
South Korea Automobile Industry

- Overall Vehicle production in South Korea has witnessed a declining trend since 2016.

- Passenger Vehicles account for >90% of total vehicle production in South Korea.

- Commercial Vehicles witnessed a slight increase in 2017 followed by a decline again in 2018.
South Korea Automobile Industry

Objective for 2030

S. Korea’s ambitions to become most competitive country in future automobile industry by 2030

South Korea global market share of electric/hydrogen vehicle sale

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2030F</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>4</td>
<td>10</td>
</tr>
</tbody>
</table>

Percentage of electric/hydrogen vehicles among new car sale

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2030F</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>2.6</td>
<td>33</td>
</tr>
</tbody>
</table>

Roadmap for Hydrogen vehicle charging stations worldwide

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2030F</th>
<th>2040F</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>171</td>
<td>660</td>
<td>1200</td>
</tr>
</tbody>
</table>

The South Korean government’s plan is to focus on pushing the accelerator in innovation growth in the area of future vehicles, including commercializing completely autonomous vehicles by 2027 and increasing the percentage of eco-friendly vehicles to 33% of all new cars sold in South Korea by 2030.

South Korea increases focus on E-Mobility and Car Sharing

- South Korean Government is planning to allocate KRW950 billion (USD821 million) towards electromobility activities in South Korea, which is a growth of 54% as compared to allocation in 2019.
- The South Korean government aims to produce 6.3 million FCEVs (Fuel Cell Electric Vehicles) and build 1,200 refueling stations across the country by 2040 to reduce greenhouse gas emissions and develop energy independence.
- Exports of eco-friendly cars from South Korea, including electric and hybrid models, reached 249,000 units in 2019, which is a growth of 25% year-on-year.
- Around 6.4 million South Koreans were using car sharing systems, as of March 2018.
The 2019 India Automotive Performance, Execution and Layout (APEAL) Study is based on responses from 6,051 new-vehicle owners who purchased their vehicle from October 2018 through October 2019. The study includes 66 models from 13 makes.

The study measures what factors satisfy owners in India regarding their new vehicle’s performance and design during the first two to six months of ownership. The study examines 79 attributes in 10 vehicle categories: exterior, interior, storage and space, audio/communication/entertainment/navigation, seats, heating, ventilation and air conditioning, driving dynamics, engine/transmission, visibility and driving safety, fuel economy.

### J.D Power 2019 India
Automotive Performance, Execution and Layout (APEAL) Study

Top three vehicles per segment (based on a 1,000-point scale)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Model</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compact Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tata Tiago</td>
<td>849</td>
</tr>
<tr>
<td></td>
<td>Maruti Celerio</td>
<td>840</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>836</td>
</tr>
<tr>
<td></td>
<td>Maruti Alto K10</td>
<td>835</td>
</tr>
<tr>
<td><strong>Premium Compact Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hyundai elite i20/Active</td>
<td>857</td>
</tr>
<tr>
<td></td>
<td>Maruti Swift</td>
<td>843</td>
</tr>
<tr>
<td></td>
<td>VW Polo/Cross Polo/Polo GT</td>
<td>843</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>843</td>
</tr>
<tr>
<td><strong>Entry Midsize Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Honda Amaze</td>
<td>847</td>
</tr>
<tr>
<td></td>
<td>Maruti Swift Dzire</td>
<td>841</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>838</td>
</tr>
<tr>
<td></td>
<td>Tata Tigor</td>
<td>832</td>
</tr>
<tr>
<td><strong>Midsize Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hyundai Verna</td>
<td>848</td>
</tr>
<tr>
<td></td>
<td>Honda City</td>
<td>840</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>830</td>
</tr>
<tr>
<td></td>
<td>Maruti Ciaz</td>
<td>811</td>
</tr>
<tr>
<td><strong>MUV/MPV Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Toyota Innova Crysta</td>
<td>867</td>
</tr>
<tr>
<td></td>
<td>Mahindra Bolero</td>
<td>858</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>851</td>
</tr>
<tr>
<td></td>
<td>Mahindra Marazzo</td>
<td>850</td>
</tr>
<tr>
<td><strong>Compact SUV Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mahindra XUV300</td>
<td>886</td>
</tr>
<tr>
<td></td>
<td>Ford EcoSport</td>
<td>852</td>
</tr>
<tr>
<td></td>
<td>Hyundai Venue</td>
<td>848</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>845</td>
</tr>
<tr>
<td><strong>SUV Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mahindra Scorpio</td>
<td>890</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>860</td>
</tr>
<tr>
<td></td>
<td>Mahindra XUV500</td>
<td>856</td>
</tr>
<tr>
<td></td>
<td>Hyundai Creta</td>
<td>853</td>
</tr>
</tbody>
</table>
## Segment Leaders

<table>
<thead>
<tr>
<th>Segment</th>
<th>Highest Ranking Vehicle Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compact</td>
<td>Tata Tiago</td>
</tr>
<tr>
<td>Premium Compact</td>
<td>Hyundai elite i20/Active</td>
</tr>
<tr>
<td>Entry Midsize</td>
<td>Honda Amaze</td>
</tr>
<tr>
<td>Midsize</td>
<td>Hyundai Verna</td>
</tr>
<tr>
<td>MUV/MPV</td>
<td>Toyota Innova Crysta</td>
</tr>
<tr>
<td>Compact SUV</td>
<td>Mahindra XUV300</td>
</tr>
<tr>
<td>SUV</td>
<td>Mahindra Scorpio</td>
</tr>
</tbody>
</table>

## Key Findings of the Study

- **Customer satisfaction declines across all vehicle segments (vs. 2018):** The most notable decline in overall satisfaction this year come from three key category areas: Audio/ Communication/ Entertainment/ Navigation (ACEN); fuel economy; and storage and space. The overall satisfaction index drops to 841 in 2019 from 850 in 2018. The study finds that customers are rating the usefulness of the in-vehicle applications lower this year, especially the navigation system. Satisfaction has also declined around key areas of the audio system.

- **Midsize segment declines the most in 2019:** Satisfaction among new buyers of midsize segments vehicles drop by 33 index points year-on-year to 830 in 2019, from 863 in 2018.

- **Branded audio systems scored higher:** The difference in satisfaction between those who recall having branded audio systems groups is higher than the satisfaction of those who do not (846 vs. 832). In total, 69% of car buyers recalled their audio system to be branded.

- **More new buyers are upgrading:** Nearly half (49%) of new buyers have upgraded their vehicle in terms of vehicle size and segment, compared to 45% in 2018.

> Car owners expect an easy to use in-car infotainment system, much like their smartphones. Interfaces that require users to make efforts in learning to operate the system typically scores lower. Additionally, in the interface design phase, manufactures need to validate that the design is intuitive and will be easy to operate in the real world.

**-Mr. Kaustav Roy,** Director and Country Head for India, J.D. Power
Amidst unveiling of new concepts and vehicles at the just concluded Auto Expo, a Tyre Safety Zone set up by Automotive Tyre Manufacturers’ Association (ATMA) made its presence felt amongst visitors to Asia’s biggest motor show. **Set up on the theme “Play your PARRT, Be Tyre Smart”, the tyre safety zone engaged the audience in gripping games woven around the theme of Tyre safety.**

PARRT is an acronym for Pressure, Alignment, Repair, Rotation and Tread. Sensitizing motorists on these five points is central to all tyre safety drives, states ATMA. Indian Tyre Technical Advisory Committee (ITTAC) the technical wing of ATMA led the initiative.
Be it Basketball, Carom or Dice, games were customized to sensitise visitors on five aspects of tyre safety. An animated tyre quiz on a large screen was another attraction that drew visitors in large numbers.

Significantly, a delegation from The Japan Automobile Tyre Manufacturers Association (JATMA) led by Mr. Kenji Kurata, Executive Director, JATMA visited the Tyre Safety Zone set up by ATMA/ITTAC at the Auto Expo and took keen interest in the tyre safety activities being undertaken.

ATMA has been spreading tyre safety for quite some time through tyre clinics and direct interface with motorists. This time, we integrated the concept of Tyre safety with few entertaining games and animated quizzes so as to spread the message in an entertaining format especially relevant for the youth.

- V K Misra, Chairman ITTAC

ATMA has been mandated by Ministry of Road Transport & Highways (MoRTH) for creating awareness on tyres to serve the larger purpose of road safety in India. In collaboration with MoRTH, ATMA has developed posters to spread awareness on the hazards of worn out tyres and the need to check Tread Wear Indicators (TWI). TWI are present in tyres as a visual indicator of the degree of tyre tread wear.

Worn out tyres require longer distance to stop which could lead to accidents.
The added advantage for creating awareness at Auto Expo is the fact that visitors are mentally receptive to learn more about cars, new automotive concepts and technologies. Tyre safety fits naturally in that mind space.

- Rajiv Budhraja, DG ATMA

ATMA members which have been participating in Tyre Safety campaigns include Apollo Tyres, Birla Tyres, Bridgestone India, CEAT, Continental India, Goodyear India, JK Tyre & Industries, Michelin, MRF, TVS Tyres and Yokohama.
India Rubber Meet 2020

ATMA Chairman Mr K M Mammen delivers inaugural address

The fifth edition of India Rubber Meet was held on 28 - 29 February 2020 at Mamallapuram Tamil Nadu with the theme ‘Rubber Resurgence Through Innovations’. Experts from across the world spoke on prospects of rubber industry and allied topics. Eminent technocrats and management professionals of all major rubber growing countries and rubber industry stakeholders led the panel discussions.

“India Rubber Meet is a unique attempt to bring together all the stakeholders of the rubber sector on a single platform at periodic intervals, has few parallels in the world

- Mr K M Mammen, Chairman, ATMA

(Chief Guest)
Delivering the inaugural address Mr Mammen said resilience was the very character of rubber and the sector was sure to regain its past glory, surviving the obstacles of the present recessionary trends as well as climatic variations.

Arrangements should be made to build up a strategic reserve of natural rubber that could meet about a month’s requirement, Mr Mammen added.
India Stats

India is now the 5th largest economy in the world

India became the world’s fifth largest economy in 2019, according to data from the IMF’s World Economic Outlook. When ranked by nominal GDP, the country leapfrogged France and the UK. India’s GDP growth has been among the highest in the world in the past decade – regularly achieving annual growth of between 6-7%. This rapid rise has been fueled by a number of factors, according to a McKinsey Global Institute report, including urbanization and technologies that have improved efficiency and productivity.

India's E-Commerce Market expected to grow to US$200bn by 2026

The e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion as of 2017. Much growth of the industry has been triggered by increasing internet and smartphone penetration. The ongoing digital transformation in the country is expected to increase India’s total internet user base to 829 million by 2021 from 636.73 million in FY19. India’s internet economy is expected to double from US$ 125 billion as of April 2017 to US$ 250 billion by 2020, majorly backed by ecommerce.
Digital payments have been increasing steadily in North America and Europe over the past decade. However, the growth in cashless payment resides in Asia (mainly China and India). Cashless payments in Asia are expected to grow from US$73 billion in 2016 to ~US$353 billion in 2022. Emerging markets (especially, China and India) are expected to dictate and shape the global payments landscape in terms of innovation, transaction capacity handling and industry trends.
I am delighted that both the leaders (Prime Minister Narendra Modi and US President Donald Trump) have decided to formally engage to move towards a free trade agreement (FTA) between the two big economies and my own sense is that America also will gain very significantly with this partnership. The FTA will see a similar kind of stakeholder consultation as you saw in the last year or so with different industry groups, different interest groups, on market access or opening up services, investment protocols, on areas of mutual interest...We’ll be engaging with industry and all stakeholders on both sides...I can assure you, whatever is done, will be done in the interest of both

-Mr. Piyush Goyal
Union Commerce & Industry Minister

It is very unfortunate that Tata Nano didn’t do very well. Indians weighing 65-70 kg use an entire 1,500 kg car to travel individually. We need to have personal transport that is more tuned to moving a single person. Automobiles at present contribute 7 per cent of the carbon dioxide and a fifth of particulate matter PM 2.5, and every effort should be made to reduce the impact rather than mounting efforts to say that it is only this much of an impact

-Dr. Pawan Goenka
MD, Mahindra & Mahindra

There is a momentum for electric cars in India and with a strong government push and I have reasons to be optimistic. The Indian government has been doing its bit for adoption of electric cars. The slashing of GST from 12 % to 5 % as well as the move to allow global vehicle manufacturers to bring 2,500 units annually to India without the need to get homologated are steps in the right direction

-Mr. Martin Schwenk
MD, Mercedes Benz – India

We have reached a stage where the policy makers need to take a view on whether cars should be a major driver of the growth of manufacturing and jobs, or should we (the country) rely on some other products for this. Because of high taxes, the last decade has seen the car industry growing at what about 7%, which is nothing. Manufacturing industry has not grown much faster either. The cost of cars went up a lot in the last few years because we have gradually been complying with these emission and safety standards, which are now at European levels. All of those have been added to costs… If you want the car industry to grow faster, to drive manufacturing, create employment… look at the elasticity of demand, purchasing power of people, look at the appropriate level of tax to get the kind of growth we should have. Single digits will not work for us

-Mr. RC Bhargava
Chairman, Maruti Suzuki India

The auto industry was disappointed as the much-awaited scrappage policy wasn’t announced, nor any relief on GST. Auto players felt the Budget lacked direct benefits to help boost demand, especially with the upcoming transition to BS-VI vehicles

-Mr. Rajan Wadhera
President, SIAM
Internationally, commercial vehicle sales have increased 20-25 per cent in the year ahead of the switchover to higher emission norms. In India, that has not happened. But what it assures us is, when demand comes back, consumers will buy vehicles, be it BS-IV or BS-VI. The market is still absorbing the extra capacity which came in from the change in axle load norms. Last few quarters, GDP growth has slowed down … It will take some time (for commercial vehicle sales to pick up).”

-Mr. Anuj Kathuria
Chief Operating Officer, Ashok Leyland

India’s automotive supply chain could get disrupted if the manufacturing activities in China continue to remain impacted owing to the coronavirus outbreak. The impact is estimated to be higher for high value-add and customised components, while commoditised products could shift to alternative suppliers. But the high investments and gestation period involved in developing tooling remains the key prohibitive factor for an immediate shift to new suppliers.

-Mr. Shamsher Dewan
VP – Corporate Sector Ratings, ICRA

I had held a meeting with all the industries concerned to address issues which are coming out of the challenge of the coronavirus and for them each department has been now spending a lot of time to see how best they can give relief from the challenges that they are facing. So we are seized of the matter and we are almost on a daily basis monitoring the situation.

-Mrs. Nirmala Sitharaman
Union Finance Minister

I’m not sure, the Indian government’s plan is officially announced or its an unofficial intelligence. Electrification is a step in the right direction, but OEM needs time to prepare for it, (if true) decision appears hasty. More clarity is needed for long term policy framework for right implementation.

-Mr. SS Kim
MD, Hyundai Motors India

For the last 18 months, the auto sector has been experiencing a downturn. When we got into the crisis 18 months ago, I had an internal conversation with my colleagues and also the other players in the industry. They all said, it is not going to be cyclic or structural and it could be a 3-6 months affair and we have seen it multiple times in the past. In the meanwhile, we know, it was neither 3 nor 6 months, it became 18 months. In my opinion, I do believe that the worst is behind us, but the best is yet not in front of us. We are going to get into a new reality.

-Mr. Guenter Butschek
MD & CEO, Tata Motors
Impact of Coronavirus on Indo-China Trade

With China under lockdown, India is expected to witness a major impact on imports and exports in various industries including pharmaceuticals, electronics, mobiles, and auto parts.

China is India’s second largest trading partner. China accounted for 13.7% of India’s total imports and 5.1% of India’s total Exports in FY19.

India’s reliance on China is spread across sectors

Indian pharma industry is dependent on Chinese imports to make medicines — the APIs (active pharma ingredients) come from China. The $30 billion domestic smartphone market will see major disruption as it is heavily dependent on imports. Solar power parks are dependent on Chinese imports.

A whopping 80% of solar cells and modules, which absorb sunlight to generate electricity, used in India are imported from China-based manufacturers, including Trina Solar, Jinko Solar and China Solar.

Apart from these, a whole lot of sectors such as toys, furniture, computers, cars and white goods are dependent on China.

A supply crunch in smartphones, TVs and electronics will impact ecommerce sales dearly. These items comprise about half of the gross merchandise value of $31 billion ecommerce sales.
China’s slowdown could impact key exports. India exports iron ore to China which could be impacted. Production fall in related industries could also be seen.

Global investment into China to stay on firm footing

"China remains capable of attracting global investment this year despite the temporary impact of the novel coronavirus epidemic, as it is largely a regional and short-term event."

- Executives of Global companies & Experts

As per the Ministry of Commerce, foreign direct investment (FDI) from nonfinancial sectors into the Chinese mainland grew 4 percent year-on-year to 87.57 billion yuan ($12.68 billion) in January. China had continued to see steady FDI growth momentum since last year.

Once the virus is contained, its impact on the national economy will gradually ease and be offset by the expected quick rebounding of post-epidemic economic activities.

A total of 3,485 new foreign-funded enterprises were established in China in January, while FDI from Singapore jumped by 40.6 percent, South Korea by 157.1 percent and Japan by 50.2 percent, according to the Ministry of Commerce.

Foreign firms including Tesla Inc, Sony Corp, Samsung Electronics Co and BMW resumed production across China.

Global capital flows into high-tech industries on the Chinese mainland jumped 27.9 percent year-on-year to 31.35 billion yuan in January, accounting for 35.8 percent of the nation’s total FDI for the month.

To minimize the impact caused by the epidemic, the Ministry of Commerce has already worked with other government branches to offer services to foreign-funded enterprises and help them better respond to the current situation.
China issues over 1,600 force majeure slips to coronavirus-hit companies

China has issued more than 1,600 force majeure certificates to shield companies from legal damages arising from the novel coronavirus disease (COVID-19) outbreak.

The China Council for the Promotion of International Trade (CCPIT) has issued 1,615 certificates for companies involving over 30 sectors, covering a total contract value of 109.9 billion yuan (about $15.7 billion).

The certificate exonerates companies from not performing or partially performing contractual duties by proving they are suffering from circumstances beyond their control.

The COVID-19 epidemic has delayed production for some companies as quarantine measures held back many workers from returning to their posts.

Some firms have presented the certificate to their clients and agreed on a later date to fulfill orders without facing legal liabilities, said the CCPIT.

A manufacturing company in eastern China’s Zhejiang province was the first to obtain the certificate on Feb 2 to excuse itself from breaching a 2.4-million-yuan overseas order that could incur 30 million yuan of compensation.

The CCPIT’s force majeure certificates are recognized by governments, customs, trade associations and enterprises of more than 200 countries and regions.

To minimize losses for foreign trade companies amid the outbreak, especially from contractual breaches, the Ministry of Commerce has instructed six trade associations in sectors like textile, mining, machinery and healthcare to help with legal counseling and applying for force majeure certificates.

Chinese authorities have also urged local officials to help foreign-funded companies with work resumption and operation, with eastern China’s Shandong province rolling out a raft of measures like tax relief and deferring social insurance payments.
Globe Watch
Japanese tech to decongest Bengaluru roads

Japan has pledged to provide India with a grant aid of over Rs 72.86 crore to fund a project, which is expected to cut the length of traffic congestion in Bengaluru by 30% over the next five years.

Directorate of Urban Land Transport (DULT) has issued work orders to install Que-Length measurement sensors (QMS) along major roads like MG Road, Old Madras Road, Hosur Road and other 29 junctions.

The road sensors based Japanese traffic system is expected to reduce traffic snarls at least by 30 per cent. The project will enable monitor real-time traffic signal timing with the help of QMS. The sensors will analyse the traffic density of the road and the automatic traffic counters will communicate the data with Bengaluru Traffic Information Centre (B-TIC), which will streamline the signals as per the traffic density.

The DULT will be a nodal agency for the project and identified about 29 critical locations - MG Road (12), Hosur Road (9) and Old Madras Road (8) - where QMS sensors will be installed at every 50, 100 and 150 meters of the stretch. They will analyse traffic density along the particular carriageway and share the real-time information with B-TIC and traffic police.

The technology has been in use in many cities of South-East Asian countries and Bengaluru will be the first city to have Management by Origin-Destination Related Adoption for Traffic Optimization (MODERATO) technology other than Japan. Besides the Queue Measurement Sensors (QMS) and Classifier sensors, the project also envisages installing Variable Message Signs (VMS) to provide real-time information to motorists about the traffic congestion ahead and other weather related information.

How vulnerable are smart cars to cyberattacks?

As vehicles become smarter and more connected to Wi-Fi networks, hackers will have more opportunities to breach vehicle systems, warns a study.

Connecting your smartphone through a USB port can give a hacker backdoor access to data from both your phone and your car. Additionally, Google Android users who can download apps from unverified sites are even more at risk.

The research, published in the Journal of Crime and Justice, applied a criminal justice theory to current forms of vehicle security and provided recommendations for manufacturers and owners to improve safety.

Say the car is compromised and a hacker alters certain alert systems that tell a driver when tyre pressure is low so the emergency brake sensory systems don’t kick in. That could lead to loss of life.

It comes as a surprise that there’s no one technically responsible for these vehicles’ central computer systems. The automotive and equipment manufacturers need to recognise that as it stands, they serve as the guardians in the space, and the onus is on them.

They need to take the lead in thinking more critically about data flows, software vendors and how to communicate security with dealerships.

in a traditional automotive context, an equipment failure would lead to a recall of the vehicle to fix the problem. However, cyber security is entirely different.

It’s critical to think beyond thresholds and recalls because cybersecurity isn’t a recoverable problem, but rather one that requires constant system patching updates, installations and new codes written.

Similar to how smartphone manufacturers release security updates, the only way to disrupt the current problem is to have guardians that are consistently, actively updating system software.
Niti Aayog has released the 'School Education Quality Index' (SEQI) report in 2019. This index based on the data of 2016-17 and it emphasizes the efforts of schools to increase the learning ability of students. In this index, the quality of school education of 20 states has been ranked by number. Kerala is in the first place, Rajasthan second while UP in the last.

Save the Children’s third annual End of Childhood Index compares the latest data for 176 countries. India ranks 113 of 176 countries. In India about 38% of children under five were stunted. Singapore, Sweden topped the list whereas Niger and Central African Republic are the bottom end.

India has slipped to the 112th spot from its 108th position in 2018 in the World Economic Forum’s Global Gender Gap Index 2020, which covered 153 economies. Among the 153 countries studied, India is the only country where the economic gender gap is larger than the political gender gap. Iceland remains the world’s most gender-equal country while Yemen bottomed the list.

The Global Terrorism Index is an annual ranking produced by the Institute for Economics and Peace. Afghanistan ranked first on the global terrorism index with a score of 9.6 points, making it the country most affected by terrorism on Earth while India is the 7th affected country.

Long-term strategies for reducing water consumption have made it possible to reduce water use per car produced by 44.1% between 2005 and 2018 as reported by European Automobile Manufacturers Association.

A Mint analysis of the consumption expenditure numbers reported by NSO (National Statistical Office) in a report suggests that rural poverty rose nearly 4 percentage points from FY 12 to 30% of FY 18 even as urban poverty fell 5 percentage point over the same period to 9%.
Global working age of the population will see 10% decrease by 2060. By 2060 there will be 9 seniors for every 10 working age person in South Korea. Japan, Finland and Italy are the countries with oldest population. Changing workforces may lead capital to flow away from rapidly aging countries to younger countries, shifting the global distribution of economic power. With a rapidly aging global population due to declining birth rates and increased life expectancy, a smaller workforce will slow down economies and raise healthcare costs.

China’s population surpassed 1.4 billion by the end of 2019, according to data released by the National Bureau of Statistics. Urban resident population reached 848.43 million people, meaning that China’s urbanization rate had surpassed 60%, reaching 60.6%. The country’s private car parc reached 207 million as of the end of 2019, growing at an average rate of 19.66 million units over the last five years.

The FBI report states that $3.5 billion was lost due to internet crime during CY2019, an increase of 30% YoY. In all, in just five years, cybercrime has cost individuals and businesses in the U.S. more than $10 billion (£7.7 billion.) 2019 saw both the most cybercrimes reported to date, an average of nearly 1,300 incidents every single day, and the biggest losses accrued by the victims.

With 200 million people aged between 15 and 24 (the youth bracket), Africa has the youngest population in the world. The current trend indicates that this figure will double by 2045. However, youth accounts for 60% of unemployment in Africa.

Unit(s): 1 Lakh = 100,000; 10 Lakhs = 1 Million; 100 Lakhs/10 Million = 1 Crore.
Global Automotive Outlook

by
Joe Praveen Vijayakumar, Senior Industry Analyst, Mobility Practice, Frost & Sullivan

The automotive industry had a challenging 2019 marked by falling sales, due in part to declining demand in key markets and general uncertainties caused by Brexit and the US-China tariff wars. Simultaneously, innovative technologies, new business models, and evolving customer expectations gave customer sentiment a boost, creating a springboard for a comeback in 2020.

Looking Back
In the US, vehicle affordability issues emerged due to rising interest rates, an increase in average transaction prices, and headwinds from an incoming flow of used vehicles, all of which combined to cause a small decline in sales. In the UK, economic uncertainty, worries over Brexit, and consumer confusion over the diesel policy led to a fall in sales in 2019.

BRIC countries faced a polarising year in 2019 in terms of light vehicle sales. Brazil recovered after years of sluggish performance, registering a growth of 7.6%. Sales in India and China plummeted, ending the year with a double-digit decline of 10.6% and 11.6%, respectively. This had a major bearing on the overall global sales performance of light vehicles in 2019. Russia also registered a drop in sales of about 4.3%.

The global electric vehicle (EV) market also slowed down, registering a year-on-year growth of 8.8%, which is the lowest percentage growth in almost a decade. Of overall EV sales, battery electric vehicles (BEVs) dominated the market and came out stronger in 2019 with a 74.2% share, followed by plug-in hybrid electric vehicles (PHEVs) that constituted around 25.5% and the remaining being made up of fuel cell electric vehicles (FCEVs).

Among auto manufacturers, the Volkswagen Group continued to maintain the pole position for light vehicle sales globally, followed by Toyota. Tesla maintained its market leadership in the EV segment, with its Model 3 emerging as the highest-selling EV globally.

Looking Forward
On the technology front, the buzz over Connected, Autonomous, Shared and Electric (CASE) is set to get louder. In the connected domain, expect Internet of Things (IoT) platforms and in-vehicle payments (IVP) for goods and services to make their way into cars. Disruption is on the cards across platform strategies, vehicle architectures, and feature enhancements, as autonomous development revs up a notch.

In the EV market, the price of vehicles is likely to be reduced by 10-15% due to volume production of lithium-ion batteries that will cater to the global demand for electric 2 wheelers, 3 wheelers, passenger cars, and commercial vehicles.

Collaborations between automotive manufacturers, mobility service providers, and autonomous technology companies will become more pronounced as they push the envelope on autonomous shared transportation. EVs will have a major role to play in the shared mobility space with more than 20 electric car-sharing programs having been launched globally over the last two years.

On the regulatory front, most countries around the globe will focus on developing regulations to test and validate autonomous vehicles. These tests will use teleoperations to evaluate the functioning of autonomous vehicles alongside traditional vehicles in real-world environments. Vehicle ownership paradigms will continue to transform as automotive manufacturers aggressively push vehicle subscription models. An equally dramatic change will play out as Mobility as a Service (MaaS) ushers in an era of sustainable, personalized mobility. The Demand Responsive Transit (DRT) market is expected to witness high growth with over 50 cities set to implement DRT solutions by 2020.
Looking forward, Frost & Sullivan expects sluggishness to continue and sales to decline by a marginal 1% across global automotive markets in 2020. It is likely to be a tough year for Europe, with OEMs dealing with the challenge of factoring in new CO₂ emission regulations. Sales in China are projected to decline further because of the on-going economic slowdown, aggravated by the effects of the Coronavirus outbreak. India’s automotive market is expected to recover marginally in 2020, exhibiting growth of 0.4%. The key growth markets for 2020 are expected to be Russia, Turkey, and Latin American countries such as Brazil and Argentina.
Infosheet is an attempt by ATMA Research to periodically bring out trends on macro-economic and sectoral issues.
About ATMA

Headquartered in New Delhi (India), Automotive Tyre Manufacturers’ Association (ATMA) is amongst the most active and well known national industry bodies in the country. Being a representative body of eleven large tyre companies in India accounting for over 90% of tyre production, ATMA has been accorded status as the true voice of the Indian tyre industry.

ATMA works towards promoting and safeguarding the interests of the tyre industry in India primarily by acting as conduit between the Government and the industry. The Association strives to be an active participant in policy making process and holds frequent meetings with the Government departments to discuss the challenges being faced by the industry in the ever-changing economic environment.

The Association acts as the industry’s interface with the media, opinion leaders, NGOs and other Industry associations around the world so as to present the perspective of Indian tyre industry on different issues.

ATMA Research

ATMA Research is a specialized in-house resource of Automotive Tyre Manufacturers’ Association that aims at compiling, and analyzing information on automotive tyres as well as upstream (Natural Rubber and other raw materials) and downstream (Automobile) sectors in India. The information for analysis is sourced from authentic and reliable sources including tyre majors, Government departments, regulatory bodies, other industry associations and apex industry chambers.

ATMA Research
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