Auto parts makers see US, EU slowdown hurting exports

Sector's performance in H1 largely led by greater consumption in the domestic market

Alisha Sachdev
alisha.sachdev@livemint.com

India's auto component manufacturers expect export growth to be muted in the last quarter of the fiscal due to the recessionary environment in the US and the EU, while imports of auto parts, particularly electronic components, are expected to stay elevated as domestic demand rises.

In the first half of FY23, North America and Europe together accounted for over 63% of the sector's total exports. A resurgence of covid-19 in China and Japan does not threaten major supply chain disruptions, although the industry remains cautious in its outlook. "The auto component's industry's performance in the first half of this fiscal was largely led by greater consumption in the domestic market as compared to exports. Exports grew 8.6% compared to the first six months of the last financial year, but the growth in imports was sharper at 17.2%. Coincidentally, both export and import figures match exactly at $10.1 billion from H1FY22. We were at a trade surplus, and now we are at a neutral level in H1 of this fiscal. Our imports increased due to an uptick in the domestic market. There has been a moderation in exports, because of the early recessionary trends we are witnessing," Vinnie Mehta, director general, Automotive Components' Manufacturers' Association (ACMA) said.

Export growth to the European and North American markets slowed down to 4% and 12%, respectively, at over $3 billion for each of the two regions. Exports to the Baltics and CIS countries fell 66% to near zero, due to the war in Ukraine and sanctions imposed on Russia, ACMA said.

"We've come from being high net importers till before last year to being a high exporter last year. We hope we can maintain that. As localization programmes continue to fructify, we hope we will see more trade surplus scenarios as opposed to net imports", Sunjay Kapur, president, ACMA told *Mint*. "Auto electronics have a high import content. When we look at technology shifting from where we are to where we are going, that shift will occur with some amount of imports, but very soon we can localize that. With the kind of work happening in our and other industries, I am positive that localization of electronics will reduce a lot of our import dependence. All the PLI schemes are geared towards deep localization as well as exports. We hope we will see the benefits soon," Kapur added.

Export growth to the European and North American markets slowed down to 4% and 12%, respectively, at over $3 bn for each of these regions