

Rubber consumption slumps as auto demand hits skid row

CHENNAI: Natural rubber consumption, which scaled a 72-month high of 334664 tonne in January 2011 has seen a sharp slump since then with overall consumption falling consistently month-on-month since January this year. According to data compiled by CMIE, rubber consumption, a strong indicator of the demand in the tyre industry, has been flat to negative since April last year with occasional exceptions like the September 2011 tally of 279,550 tonne, a six month high. What followed was a sharp drop in October at 243,000 tonne though by January 2012 the industry had recovered somewhat to hit 267,000 tonne. Since then it's been downhill all the way with February clocking 244,000 tonne, March clocking 230,000, April doing 226,000 and May 222,000 tonne respectively. The tyre industry reflects the fate of the automobile industry which is its only consumer. The automobile industry has slumped with passenger car sales grinding to low single digit growth in 2012 as a combination of factors – excise duty hike, repeated fuel price increases, hardening interest rates and general sluggishness in the economic environment – have taken the vroom out of the car and utility vehicle demand. Car companies have, in recent times, announced production cuts to battle the demand slump and discounts and promotional packages are ruling the market to entice consumers into buying new cars. Tyre companies too have been hit hard by the plummeting rupee given the high import content that the industry has to be live with. The rupee's spectacular fall has pinched bottomlines across the tyre industry and auto experts say there is little chance that things would improve in a hurry this financial year.