

India Car Sales Down 19 Percent On Weak Demand

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NEW DELHI (AP) — Car sales in India plunged 19 percent in August, their first fall in 10 months as slowing demand adds to the economic woes of Asia's third-largest economy, industry data showed Monday.

The Society of Indian Automobile Manufacturers blamed high interest rates, a vehicle tax hike and rising fuel prices for dampening demand.

"Unless something is done to control the external environment, things will not improve," said Sugato Sen, senior director of the Society of Indian Automobile Manufacturers. He called on New Delhi to roll back a vehicle tax and resist pressure to further raise subsidized fuel prices.

The government, however, has been under intense pressure to reduce its fiscal deficit by cutting spending for subsidies, particularly on fuel. Sen also urged the central bank to lower interest rates, but the Reserve Bank of India continues to flag India's high inflation as a dominant concern.

Sales of two-wheeled vehicles, including scooters, which are ubiquitous in rural India, also fell by 4.5 percent in August, their first fall since January 2009. Rural demand, which has given India ballast against the slowing global economy, has been hit by a weak monsoon.

The industry group says it may have to cut back its car sales growth forecast for the fiscal year ending March, currently pegged at 11 to 13 percent.

A factory lockout at top carmaker Maruti Suzuki, which followed a violent strike in which one manager was killed and scores others hospitalized, also hurt sales, but Sen said that wasn't the primary driver of the dismal numbers.

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