

## Important Vocab For the Editorial

1. **woe** (noun) – trouble, difficulty, problem.
2. **slump** (noun) – slide, decline, plummet/downturn.
3. **pervasive** (adjective) – prevalent, extensive, ubiquitous, omnipresent.
4. **snowball** (verb) – increase, rise, escalate rapidly.
5. **abate** (verb) – decline, reduce, decrease.
6. **leave alone** (phrase) – fail to look after, fail to care for, abandon or desert.
7. **slid** past & past participle of **slide** (verb) – sink, fall, drop, plunge/decline.
8. **steepest** (superlative adjective) of **steep** (adjective) – sharp, sudden, rapid.
9. **the wheels come off** (phrase) – things start to fail or go wrong after a period of success.
10. **slump** (verb) – decline, worsen, slide/fall.
11. **gloom** (noun) – depression, dejection, woe/unhappiness.
12. **dry up** (phrasal verb) – fade away, dwindle, wane/subside.
13. **contraction** (noun) – decline, decrease, reduction.
14. **toll** (noun) – suffering, loss, damage.
15. **lay-off** (noun) – dismissal, discharge, unemployment.
16. **lay off** (verb) – sack, fire, dismiss; give notice to, pay off.
17. **slowdown** (noun) – economic decline, recession, slump/depression.
18. **bear** (verb) – display, show, carry.
19. **testament** (noun) – witness/evidence, proof, testimony.
20. **mainstay** (noun) – central component, centrepiece, chief support, backbone.
21. **aggregate** (adjective) – total, combined, whole.
22. **sluggish** (adjective) – inactive, dull, slow.
23. **bedevil** (verb) – afflict, torment, trouble.
24. **liquidity crunch/crisis** (noun) – an acute shortage (or “drying up”) of liquidity. **liquidity** means liquid assets; cash; (liquid asset is an asset which can be easily sold/converted into cash without losing its value).
25. **non-banking financial company (NBFC)** (noun) – a company incorporated under the Companies Act 2013 or 1956 which is engaged in the business of loans and advances, acquisition of stocks, equities, debt etc issued by the government or any local authority. The main objective of this type of a company is to accept deposits under any scheme or manner.
26. **credit availability** (noun) – the amount of credit to which a borrower has access at a given time.
27. **up front** (phrase) – in advance, beforehand, ahead of time.
28. **set up** (phrasal verb) – arrange, organize, fix up.
29. **fossil fuel** (noun) – non renewable resources (or fossil fuels such as coal, oil and natural gas are formed from the buried /deposited organic materials).
30. **idle** (verb) – take out of use; run slowly (of engine), tick over.
31. **overlook** (verb) – miss, fail to notice; disregard, neglect/ignore.
32. **mushroom** (verb) – increase, expand, grow/develop rapidly
33. **choked** (adjective) – clogged, blocked, obstructed.
34. **incentivise** (verb) – encourage, motivate, galvanize.
35. **outlook** (noun) – prospects/expectations; forecast, projection.
36. **far from** (phrase) – not, not at all, nowhere near.
37. **respondent** (noun) – litigator, opponent, disputant.
38. **discretionary** (adjective) – optional, non-compulsory/non-mandatory, voluntary.

39. shrink (verb) – lessen, reduce, decrease.
40. onus (noun) – responsibility, duty, burden.
41. address (verb) – attend to, tackle, deal with.
42. contagion (noun) – the spreading of a bad and dangerous idea.

## Symptom as cause: On automobile industry woes

### The auto sales slump reflects a pervasive lack of demand

India's **automobile** industry is experiencing a snowballing crisis of demand that shows no signs of abating, leave alone reversing. Domestic sales across all vehicle categories slid 19% year-on-year in July, as passenger vehicle despatches plunged 31% to register the segment's steepest fall in almost 19 years. And with the wheels having come off both two-wheeler deliveries and commercial vehicle shipments, with the former contracting 17% and the latter slumping 26%, the picture is one of widespread gloom. The straightforward interpretation of the data is that demand has dried up in all corners and among all key consumer segments — urban, semi-urban and rural and personal and institutional. Nine straight months of contraction in passenger vehicle sales has also begun extracting a toll in terms of showroom closures and lay-offs at dealerships, component suppliers and vehicle makers themselves. While the Federation of Automobile Dealers Associations recently warned of more jobs being at risk, on top of about two lakh positions that have already been shed, the Society of Indian Automobile Manufacturers admitted that the industry had laid off at least about 15,000 contract workers in the last three months. That the broader economy is experiencing a serious slowdown has been evident for some time now and the latest data from the auto sector only bears testament to it. And as the RBI acknowledged last week "private consumption, the mainstay of aggregate demand" remains sluggish.

While some of the factors currently bedeviling demand in the auto sector are well established — the liquidity crunch in the NBFC industry and the resultant tightening of credit availability to finance vehicle purchases, an increase in up front insurance costs and the 28% GST charged on cars, motorcycles and scooters — the fact that manufacturers overestimated demand when setting up capacity, especially of fossil-fuel powered vehicles, has largely been overlooked. For example, Maruti Suzuki, India's largest car maker, has announced plans to stop selling diesel cars from April 1 as demand has slumped. In 2012,

the company decided to invest ₹ 1,700 crore in a new diesel engine plant in Gurugram, capacity that it now needs to repurpose or idle. Simultaneously, the ride-share industry has mushroomed in recent years, especially in urban areas where choked roads and lack of parking space have incentivised rapid adoption of app-based commuting. The outlook too, especially for the near term, looks far from hopeful. The RBI's July round of its Consumer Confidence Survey, which reflected a decline in consumer confidence in July, shows 63.8% of respondents expect discretionary spending will stay the same or shrink one year ahead. In June 2018, the comparable reading was 37.3%. The onus now lies on the government to urgently formulate policy interventions to address this sectoral crisis or risk wider contagion.