

Quote by Anurag Singh, advisor, Primus Partners

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2-wheeler industry eyes 6-9% growth in 2026 on GST-led affordability boost

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Electric two-wheelers are expected to add incremental volumes, with penetration continuing to rise steadily | Representative Image

India's two-wheeler industry is expected to see growth of 6 to 9 per cent in calendar year 2026, supported by improved affordability following the reduction in GST and steady demand across both rural and urban markets, analysts said.

The sector closed CY25 with retail sales exceeding 20 million units, signalling a broad-based recovery in volumes. Industry body Federation of Automobile Dealers Associations (FADA) reported two-wheeler retail sales of 20.30 million units for the year, with momentum strengthening in the second half.

The turnaround gathered pace after the GST rate on two-wheelers was cut from 28 per cent to 18 per cent, easing price pressures and lifting consumer sentiment. Rural markets, which account for nearly 55 to 60 per cent of total industry volumes, remained resilient, supported by expectations of a healthy rabi crop and improving farm incomes. Urban demand, however, outpaced rural growth, aided by improved affordability and replacement-led purchases.

“Two-wheelers have benefited significantly from the GST reduction, leading to a noticeable improvement in sales since October. Near-term demand drivers remain strong,” said Anurag Singh, advisor, Primus Partners. He added that urban demand has been particularly strong due to better affordability, and the industry could see growth of around 7 to 9 per cent in CY26 if current trends continue.

Analysts expect the recovery to sustain into the next calendar year, though at a measured pace. Improved affordability following the tax cut, easing input cost pressures, and steady availability of retail financing are expected to support demand across categories.

“The two-wheeler industry is anticipated to record moderate volume growth in CY26, supported by improved affordability and steady rural demand,” said Rohan Kanwar Gupta, vice-president and sector head, corporate ratings, ICRA. He added that easing input costs and a gradual improvement in consumer sentiment should aid replacement demand, helping the sector maintain its recovery momentum amid stable macroeconomic conditions.

Electric two-wheelers are expected to add incremental volumes, with penetration continuing to rise steadily. “We expect 6 to 8 per cent overall growth this year, with EVs continuing their steady expansion and penetration likely to reach around 7.5 per cent,” said Subhabrata Sengupta, partner, Avalon Consulting. However, he cautioned that risks such as ABS-induced price increases and weather-related uncertainties, including the impact of El Nino on rural demand, remain key watchpoints.

Overall, industry watchers believe that a combination of policy support, improving affordability, and stable macroeconomic conditions positions the two-wheeler sector for sustained, gradual growth through 2026