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Consumption on basic necessities remains intact in Apr`09: Boston Analytics

While urban consumers report spending an increasing amount on basic necessities, they remain cautious spending money on major purchases - points out the Consumer Confidence data from Boston Analytics for the month of April 2009

bostonANALYTICS

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The global meltdown has sparked a change in the behavior of urban Indian consumers. Job losses and uncertainty about the general state of the economy have driven the Indian consumer to become more conservative in their spending plans. While consumption sentiment related to basic necessities remains intact, consumption sentiment related to occasional discretionary purchases is much less optimistic. Despite several rounds of rate cuts by the central bank, both the demand for and supply of consumer finance remain limited. Indeed, data from the central bank shows that the pace of loan activity has slowed.

Time-series analysis of the data reveals the following interesting findings:

Expenditure on basic necessities: Despite a steep fall in inflation since a 13-year peak last August, the percentage of respondents reporting an increase in their expenditure on basic necessities remains considerably high. This may be attributable to higher food inflation

Discretionary spending: In this period of economic uncertainty and financial turmoil, surveyed respondents express an unwillingness and uncertainty to commit to big-ticket purchases such as durables/white goods, automobiles, homes, etc.

Time-series survey data reveals a significant drop in the percentage of respondents who report being likely to buy durables and automobiles

The survey findings, however, point to the fact that while demand in urban India may be dwindling, the lower tier cities and the rural market may drive growth for consumer goods and automobiles. Manufacturers aware of these new opportunities are helping them stay afloat in these troubled times.

Consumer sentiment data is derived from a survey of monthly survey targeting 10,000 respondents across 15 cities across fifteen Indian cities—Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad, Chandigarh, Nagpur, Kochi, Jaipur, Lucknow, Bhubaneswar, Patna, and Vishakhapatnam. A stratified sampling process was adopted for this survey, with the strata based on the socio-economic conditions of the respondents in order to ensure a proper representation of the population. All data is collected via face-to-face interviews.