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Urban Indian spending changing: Survey

MUMBAI: The Consumer Confidence data from Boston Analytics for April 2009 says that 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.

The survey covered 10,000 respondents from 15 cities, said a Boston Analytics press statement.

While consumption sentiment related to basic necessities remains intact, consumption sentiment on occasional discretionary purchases is much less optimistic.

Despite several rounds of rate cuts by the Reserve Bank of India (RBI), both the demand for and supply of consumer finance remain limited.

Indeed, RBI data shows that the pace of loan activity has also 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.

The survey found that 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 are aware of these new opportunities that are helping them stay afloat in these troubled times.

The 15 cities covered were Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad, Chandigarh, Nagpur, Kochi, Jaipur, Lucknow, Bhubaneswar, Patna, and Vishakhapatnam.