

The India Consumption Report 2005-2012

The logo for IMA (Indian Management Association) is a red square with the letters 'IMA' in white, serif font. The square is framed by two thin white horizontal lines, one above and one below the text.

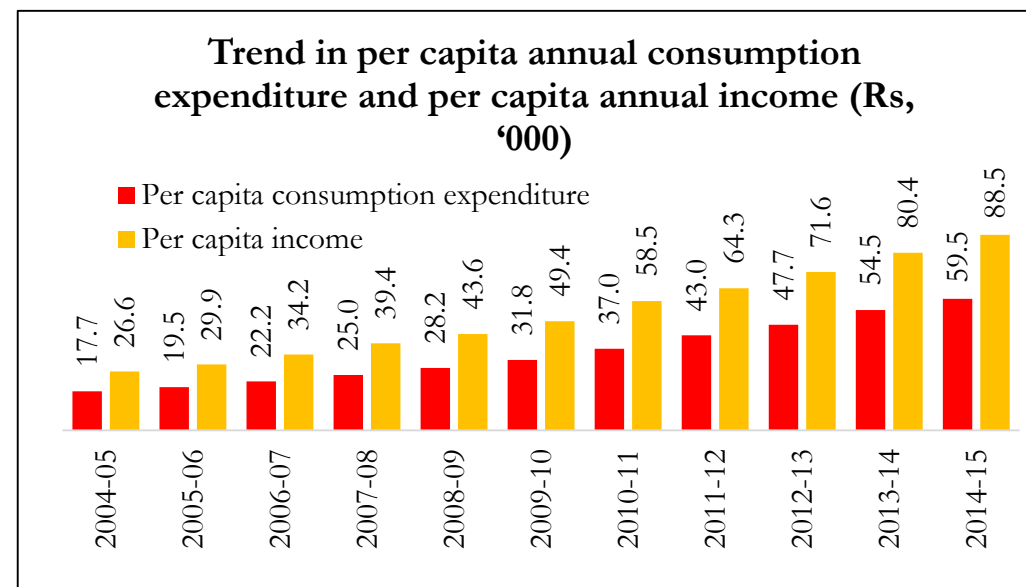
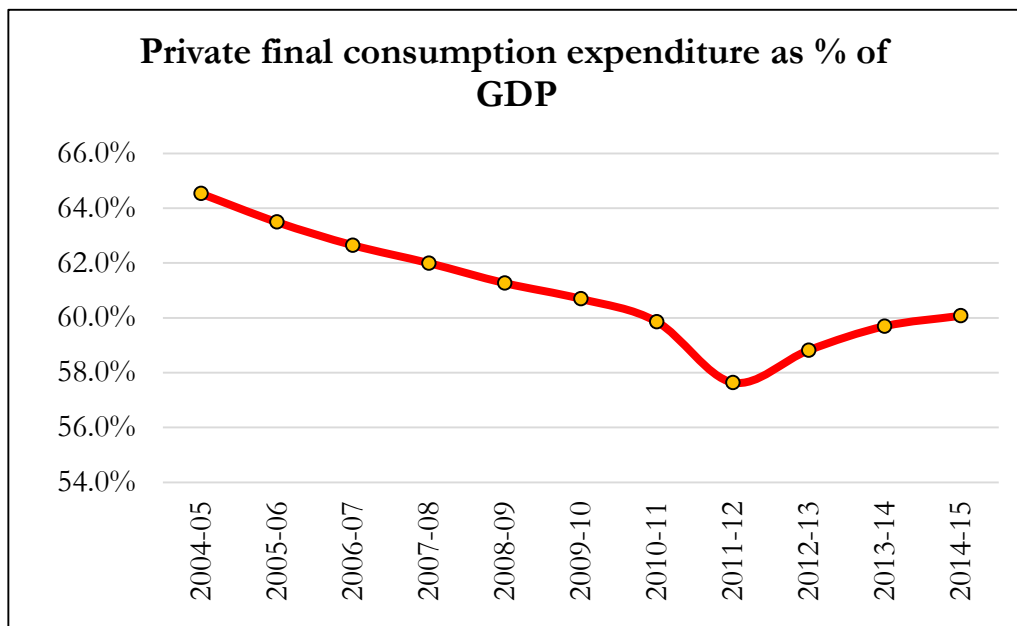
Extract

**March 2016
IMA India**

Consumption expenditure has increased, as has income

Per capita consumption expenditure stands at 60% of GDP and 68% of per capita income

Consumption expenditure has hovered around **60% of GDP** from 2009-10 to 2014-15, after sliding from 64.5% in 2004-05.



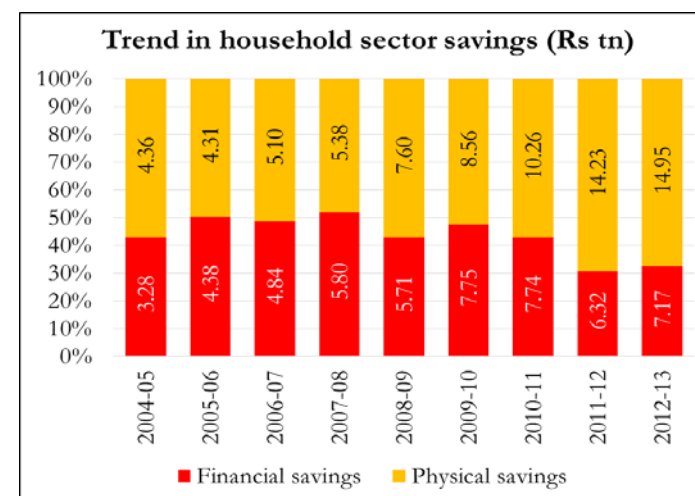
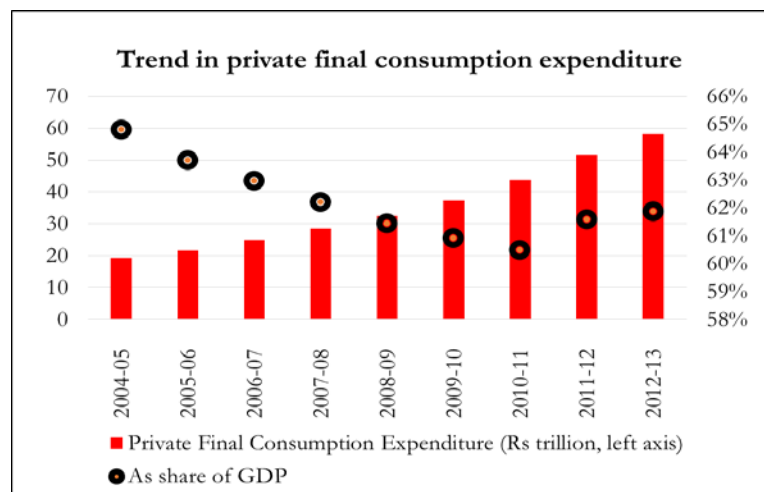
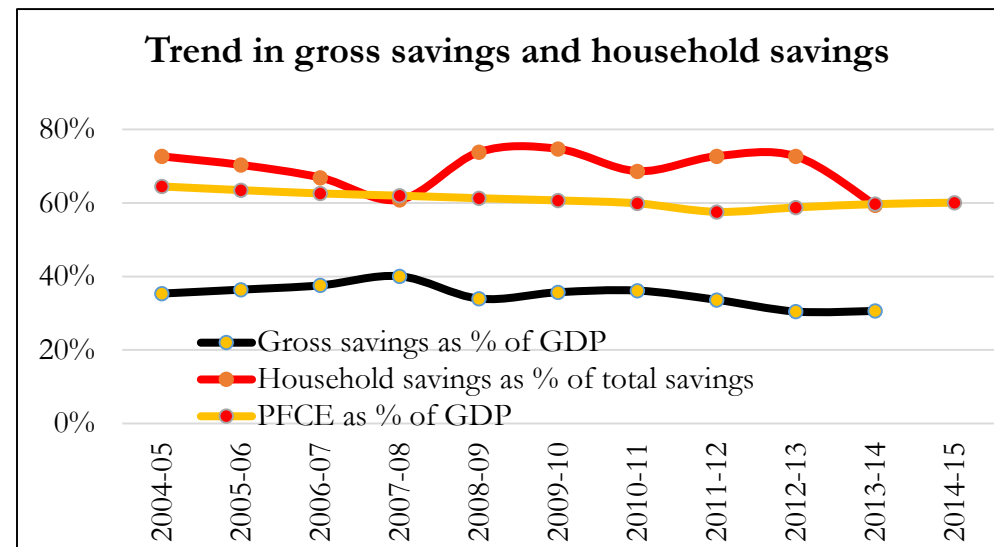
Consumption expenditure per person in India increased by over **threefold** between 2004-05 and 2014-15, as did **per capita income**

Share of physical savings has gone up

Between 2004-05 and 2013-14, gross domestic savings increased by 3.3 times against 3.8 times of the GDP. Consequently, the share of gross savings declined from 35% to 31%.

Household savings as a share of gross savings went through significant fluctuations during this period, registering occasional sharp decline.

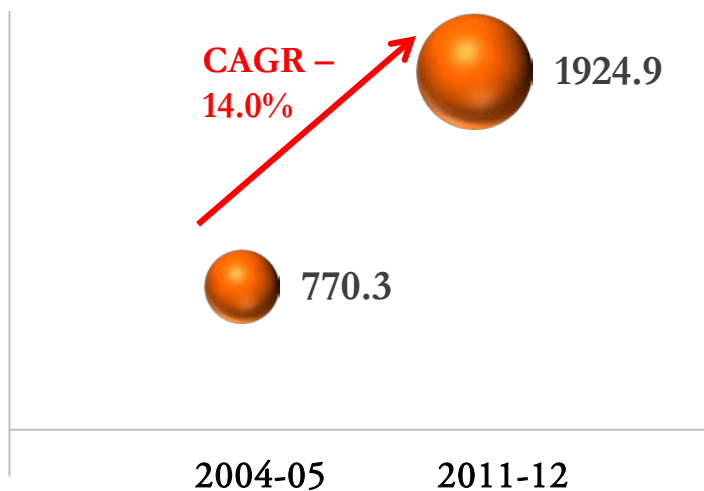
Consumption expenditure, however, increased marginally faster than household savings



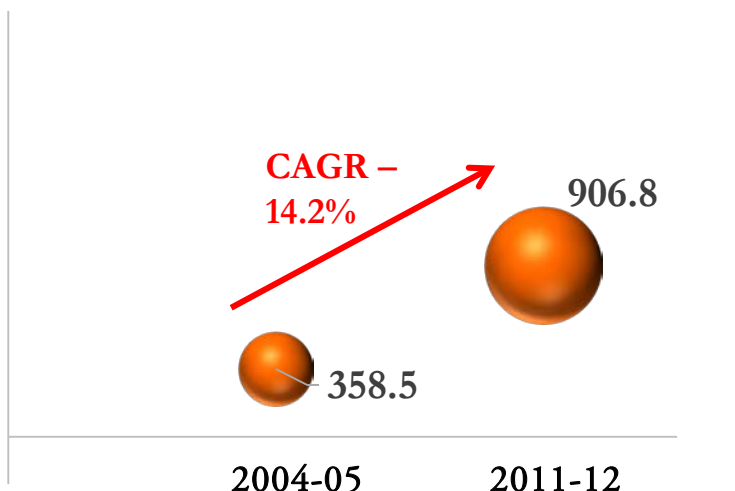
Per capita consumption expenditure in India increased by 2.5 times between 2004-05 and 2011-12

Expenditure on food, however, increased at a marginally higher rate than overall consumption expenditure as well as non-food expenditure

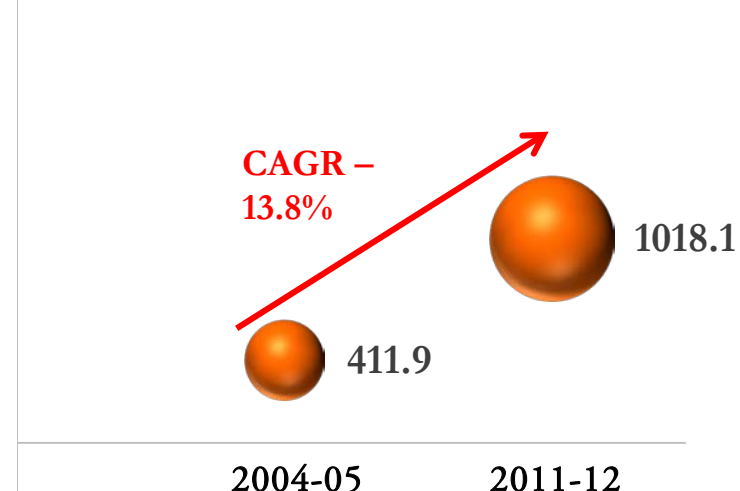
Trend in overall per capita monthly expenditure (Rs)



Trend in per capita monthly expenditure for food items (Rs)



Trend in per capita monthly expenditure for non-food items (Rs)



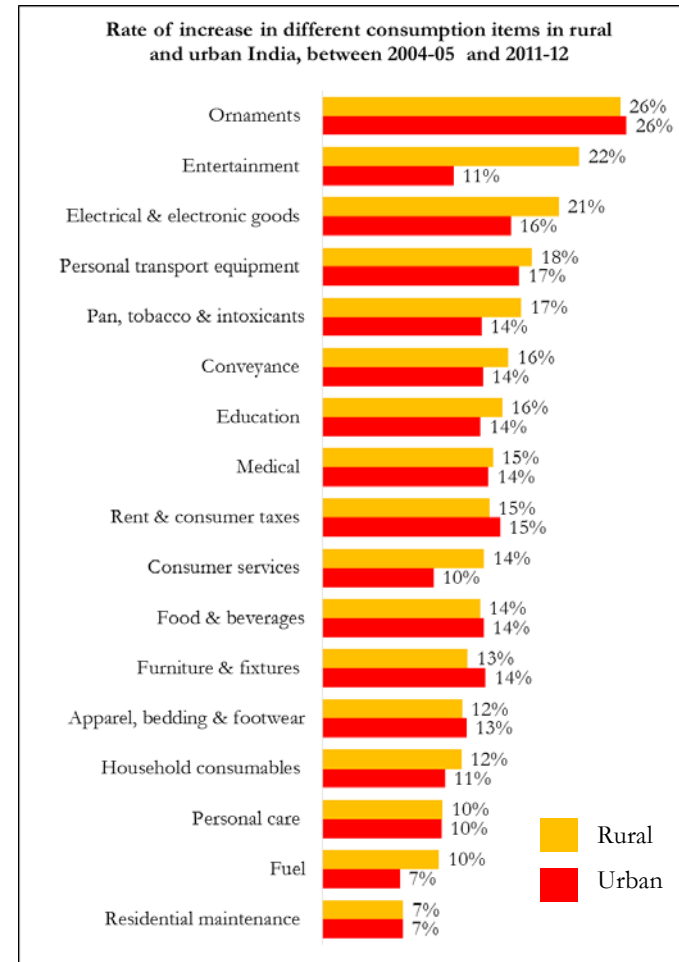
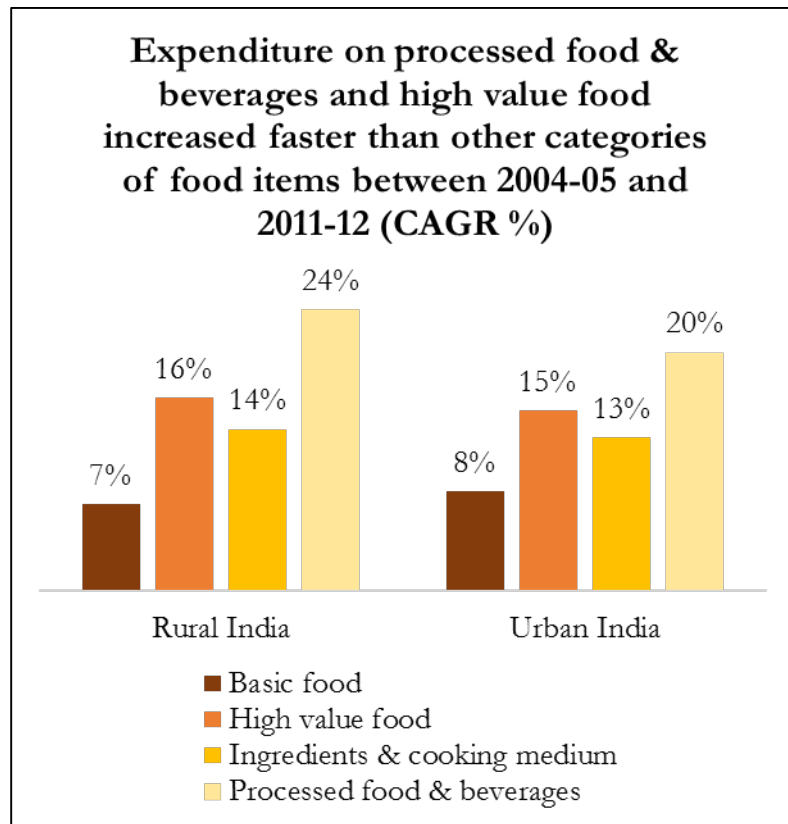
The consumption basket is evolving...

Consumption item	Monthly expenditure per person (Rs)			
	2004-05 (Rural)	2011-12 (Rural)	2004-05 (Urban)	2011-12 (Urban)
Food & beverages	308	756	447	1,121
Pan, tobacco & intoxicants	15	46	17	42
Fuel	45	89	56	89
Clothing, bedding & footwear	43	100	73	167
Education	18	50	74	182
Medical	36	96	58	149
Entertainment	3	14	20	42
Personal care	15	30	28	55
Household consumables	16	35	27	57
Consumer services	33	82	123	234
Conveyance	21	60	69	171
Rent & consumer taxes	4	10	68	186
Furniture & fixtures	1	3	2	5
Electrical & electronic goods	2	8	9	27
Personal transport equipment	6	18	17	51
Residential maintenance	8	13	10	18
Ornaments	4	19	6	33
Total	579	1,430	1,105	2,629

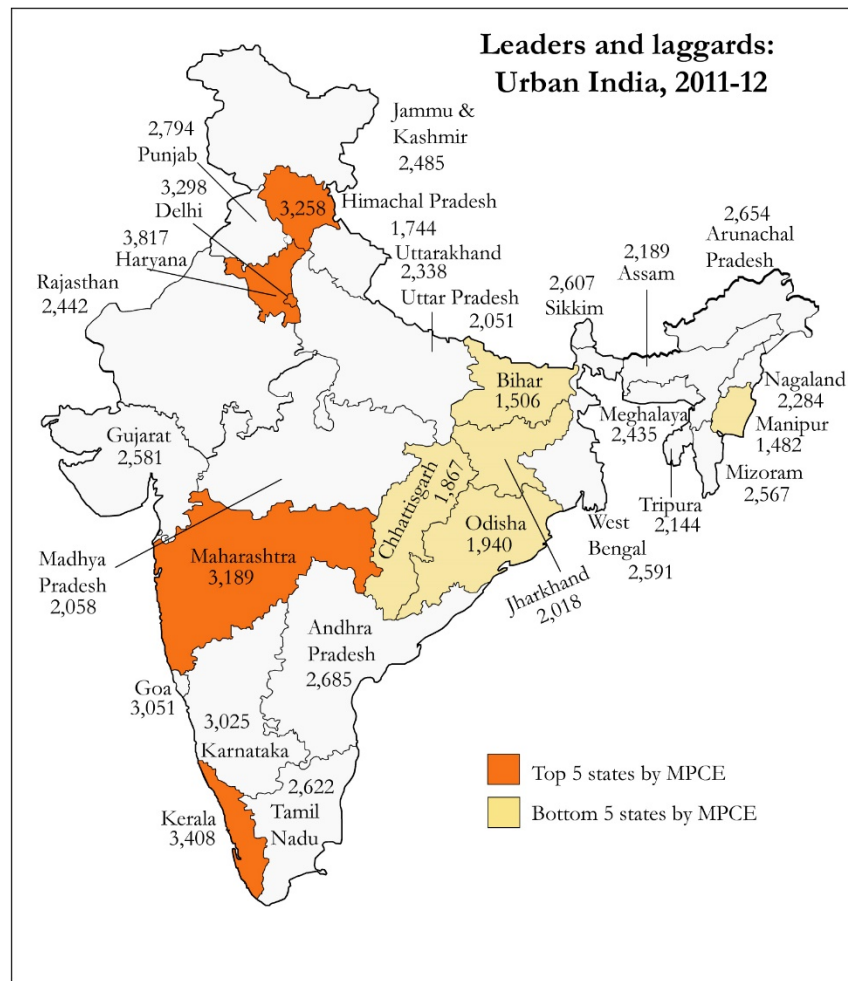
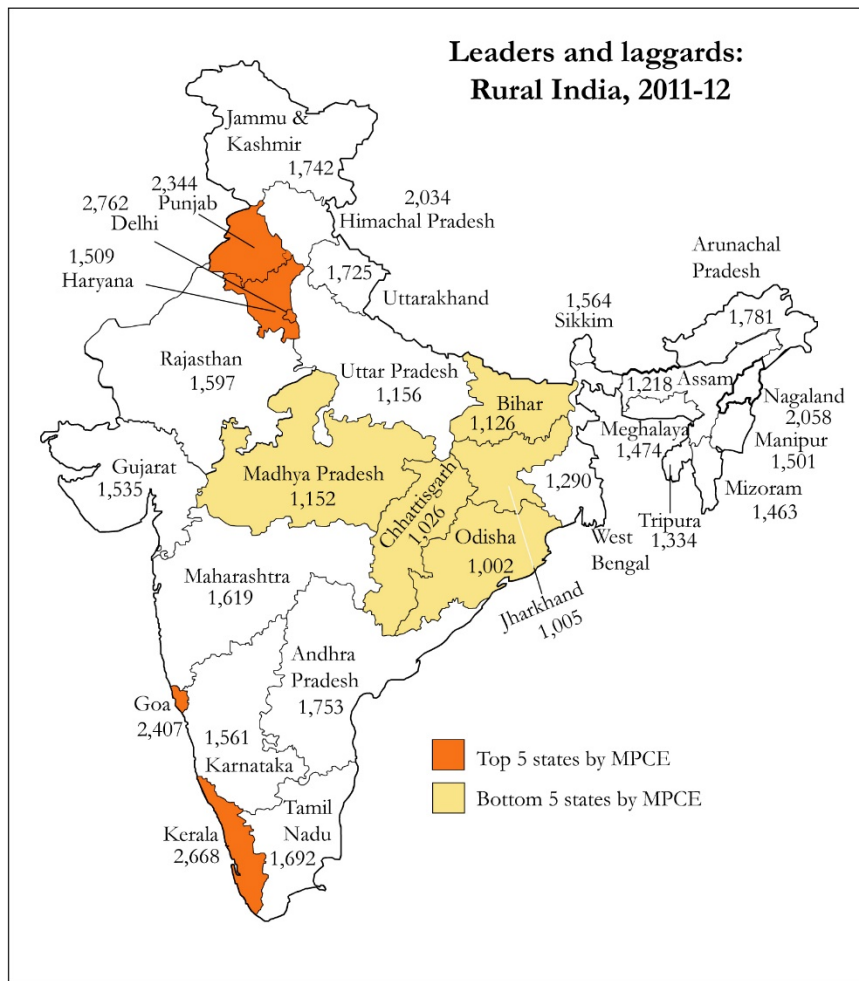
Share in total expenditure (%)			
2004-05 (Rural)	2011-12 (Rural)	2004-05 (Urban)	2011-12 (Urban)
53.2%	53.0%	40.5%	42.7%
2.6%	3.2%	1.5%	1.6%
7.8%	6.2%	5.1%	3.4%
7.5%	7.0%	6.6%	6.4%
3.1%	3.5%	6.7%	6.9%
6.3%	6.7%	5.3%	5.7%
0.6%	1.0%	1.8%	1.6%
2.6%	2.1%	2.5%	2.1%
2.7%	2.4%	2.5%	2.2%
5.7%	5.7%	11.1%	8.9%
3.6%	4.2%	6.2%	6.5%
0.7%	0.7%	6.2%	7.1%
0.2%	0.2%	0.2%	0.2%
0.3%	0.6%	0.8%	1.0%
1.0%	1.3%	1.5%	1.9%
1.3%	0.9%	0.9%	0.7%
0.6%	1.3%	0.6%	1.2%
100%	100%	100%	100%

The higher increase in consumption expenditure is marked by a gradual but steady shift towards higher value goods

While expenditure on high value food items such as fruits, vegetables, egg, fish and meat has increased faster than basic food items (cereals, pulses, etc.), amongst non-food items the items which registered higher rates of growth were ornaments, electronic goods and personal vehicles



The consumption story is marked by significant regional variations

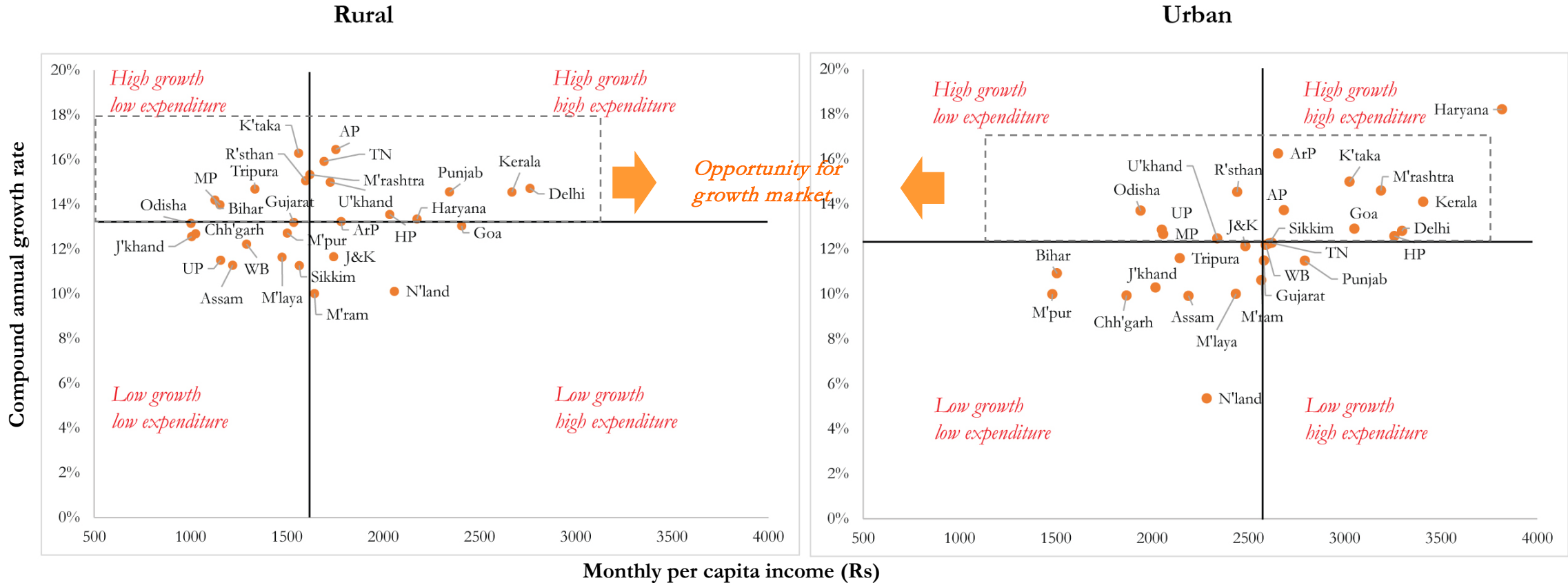


In terms of rural areas, consumption expenditure of the top state is 2.8 times higher than the lowest spending state; in terms of urban areas, the difference is 2.6 times.

The states of Bihar, Odisha, Jharkhand and Chhattisgarh are the lowest spenders in terms of both rural and urban areas. Haryana and Kerala, on the other hand, feature amongst the highest spending states for both rural and urban areas.

But rural expenditure in many states is growing fast...

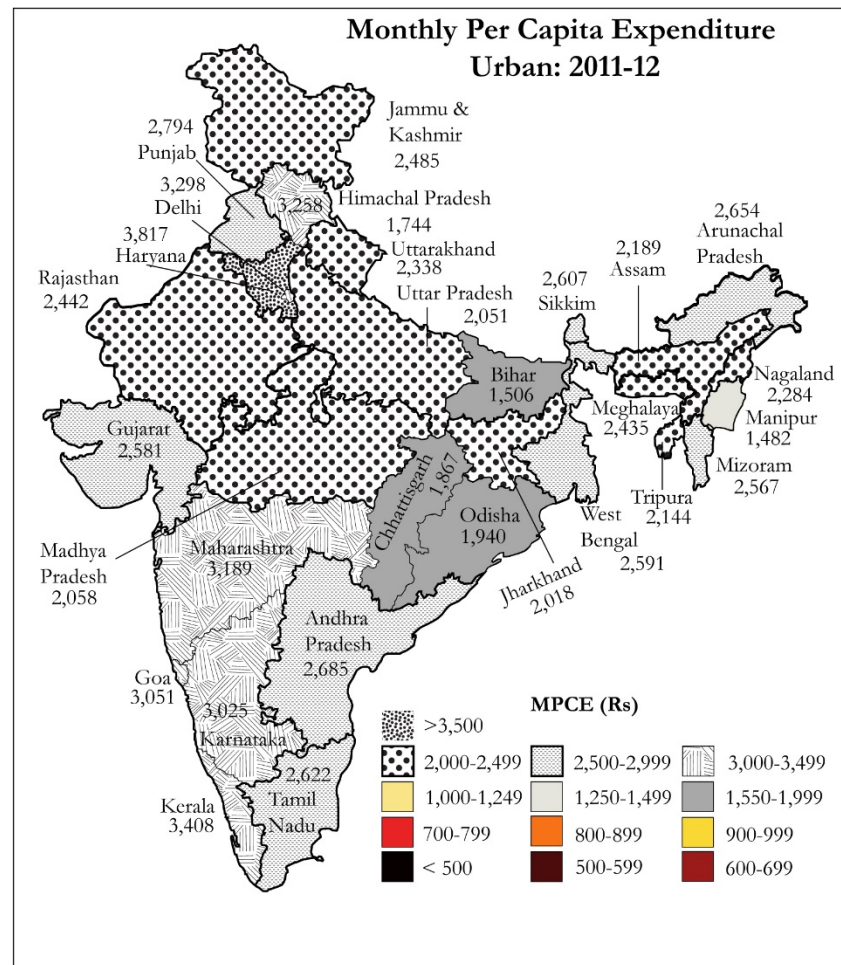
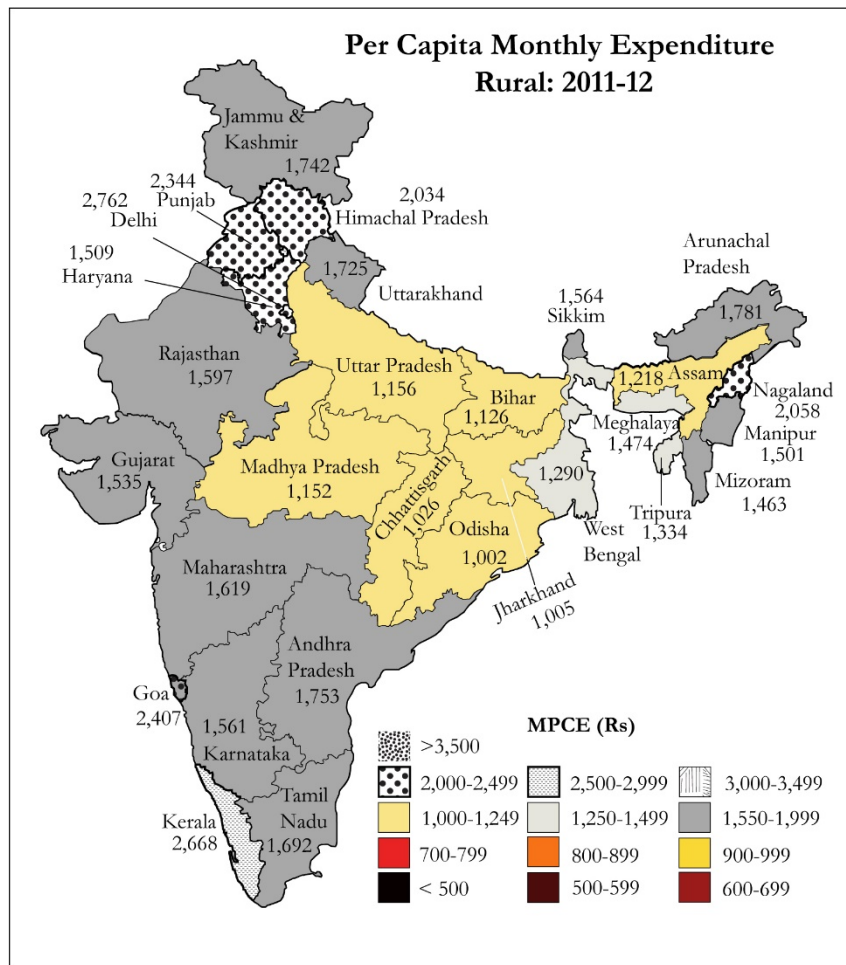
Distribution of states by per capita expenditure in 2011-12 and rate of growth between 2004-05 and 2011-12



Rural expenditures in 17 states have increased at the median or above rate, of which per capita expenditures in 6 states were lower than the median expenditure level. In terms of *urban expenditure*, *15 states grew faster than the median growth rate*, also with 6 states below the median expenditure level. If the current rate of growth sustains, these **high growth states present a big potential for scaling up the consumption ladder fast.**

The gap is as massive between rural and urban areas of the states...

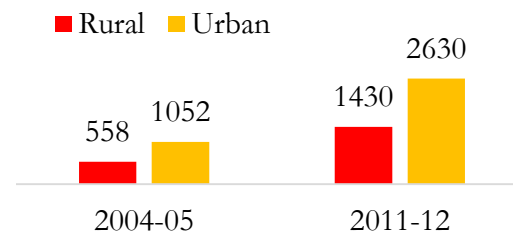
With urban centres clearly emerging as predominant centres of consumption expenditure



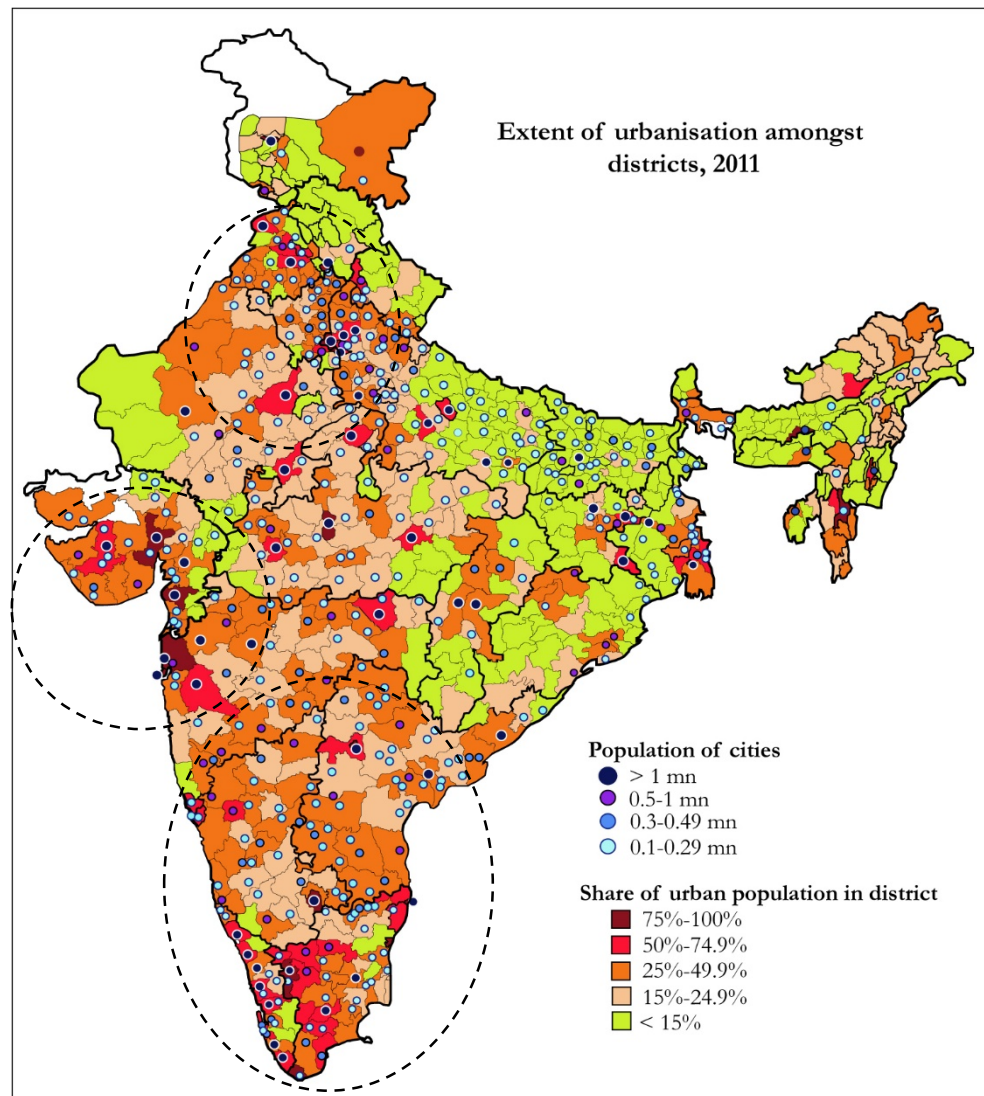
Expenditure levels in rural areas are in the range of **43%-85%** of urban expenditures. The scenario, however, is changing, due to the differential growth rates of the states and their changing economic structure.

Rural expenditures in 2011-12 stood at **50%-90%** of the urban expenditure levels..

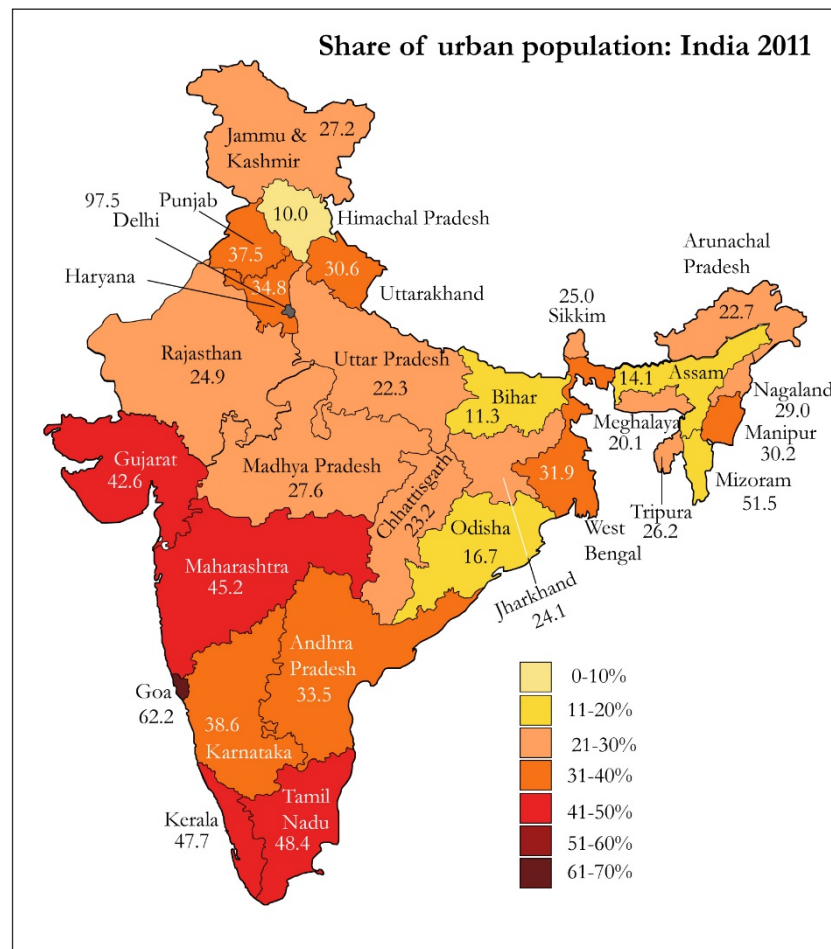
Rural and urban MPCE (Rs, national average)



Increasing urban concentration



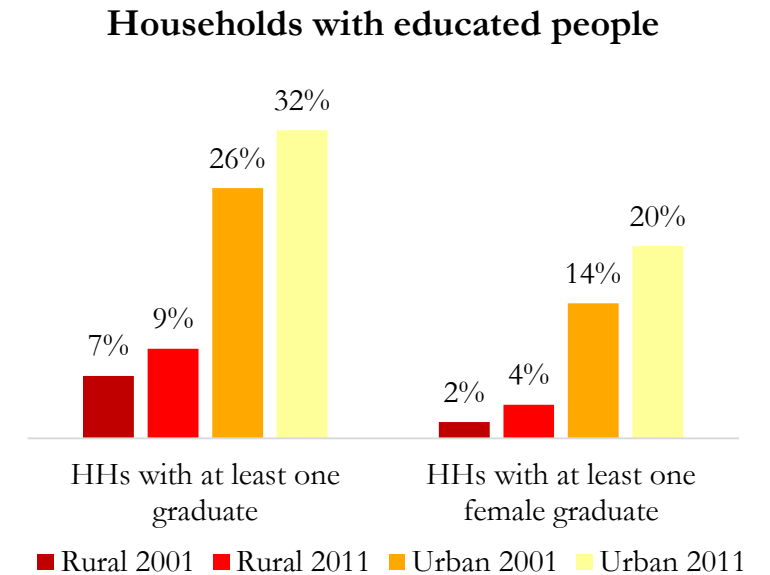
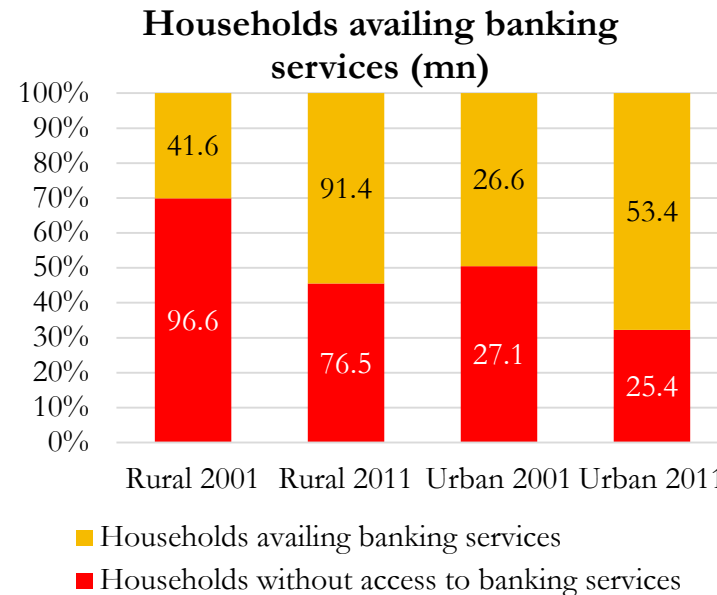
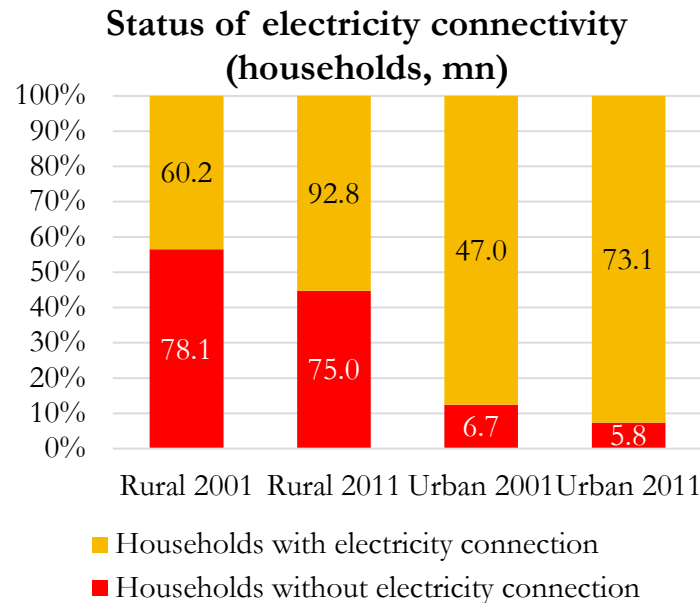
Urban population is distributed along patches, with megacities being surrounded by medium and small cities.



Districts of the northern, western and the southern parts of the country show much higher levels of urbanisation compared to the eastern and north-eastern parts.

Higher the level of urbanisation, higher the level of consumption expenditure

...which is in tune with the lack of amenities in rural areas



- 55% of rural households have access to electricity, compared to 88% of urban households
- 54% of rural households have access to banking services, compared to 68% of urban households
- Only 9% of rural households have a graduate member and 4% households one female graduate member; the share of urban households are 32% and 20% , respectively

A fast urbanising India implies steadily growing consumption expenditure

	Number of UAs/cities with population		Total population in UAs/cities with population of		Share of population in UAs/cities in total urban population	
	Over 1 mn	1 lakh - 1 mn	Over 1 mn	1 lakh - 1 mn	Over 1 mn	1 lakh - 1 mn
2001	35	359	108.3 mn	88.1 mn	38%	31%
2011	53	415	160.7 mn	104.2 mn	43%	28%

The most striking feature of urbanisation in India is its concentration in a few cities. Urban agglomerations and cities with over 1 lakh population accounted for 71% of all urban population in 2011.

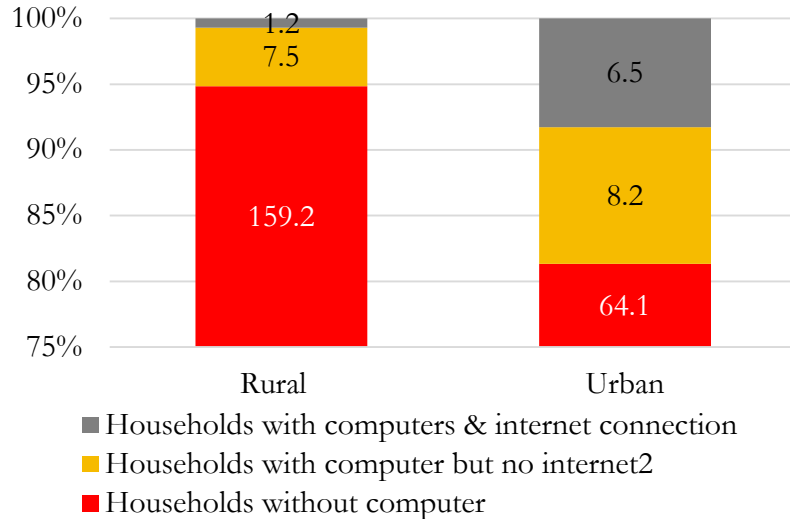
While the population in million plus cities increased by 48% between 2001 and 2011, this increase accounted for 58% of the increase in India's total urban population.

Rural India presents a contrasting picture, with 77% of rural population being spread across over half a million villages, each having less than 5,000 people.

It is projected that share of India's urban population will increase from the current X% to Y% in AABB

The future of internet is mobile

Status of computer ownership and internet connectivity (households, mn)

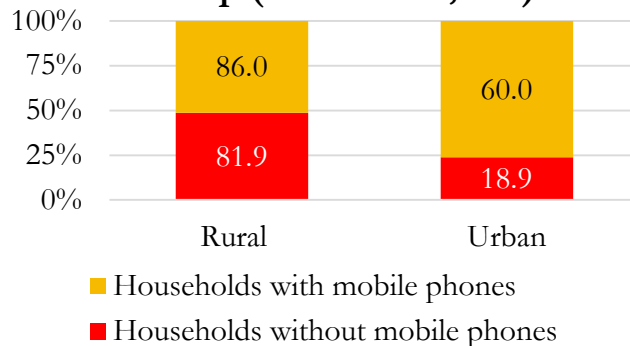


About 23 mn households in India (that is, 9% of all households) owned a personal computer or a laptop, of which only a third had internet connectivity.

The rural-urban divide also reflects a digital divide in that only 5% of rural households owned a computer in comparison to 19% of urban households. Whereas in rural areas only 16% of such families were connected to the internet, the corresponding figure in urban India stood at 79%.

The penetration of mobile phones, in comparison, presents a much better situation, with 59% of all households in 2011 (that is, 146 mn households) owning mobile phones. While the 51% of rural households owned a mobile phone, the share for urban households stood at 76%.

Status of mobile phone ownership (households, mn)



At the end of September 2015, India had 324.95 million Internet subscribers, of which 304.85 million (or 93.8 of total Internet subscribers) connected to internet through mobile phones. More than half of these subscribers are based in rural areas. According to one estimate, number of mobile Internet subscribers will be more than 300 mn by 2017.

As a result, share of e-commerce is estimated to increase from 1.70% of total retail sales in 2015 to 4.40% in 2019.

A young India is looking at the prospects of ageing

2011: 75% population was under the age of 40

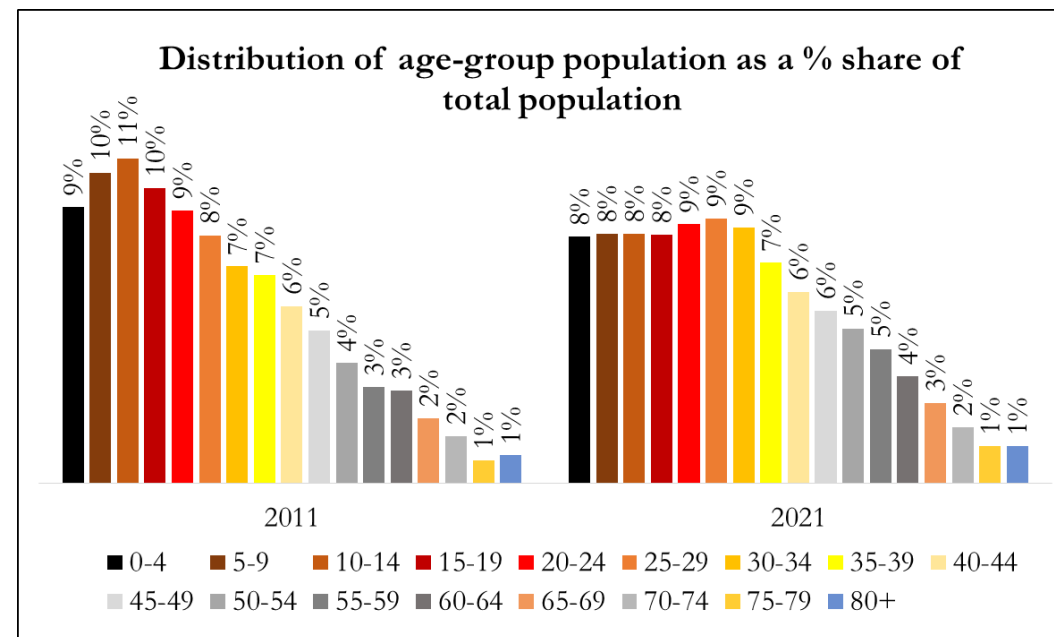
Between 2001 and 2011

- **100.2 mn** people were added in the age group between **20-49 years**, almost equally split between rural and urban areas
- **51.2 mn** people in the age group of **50 years and above** were added

In a marked shift of age profiles, the size of the age-group below 20 years is projected to decrease by about **44 mn**, in 2021, taking down the share of this age group in the total population from 40% in 2011 to 32%.

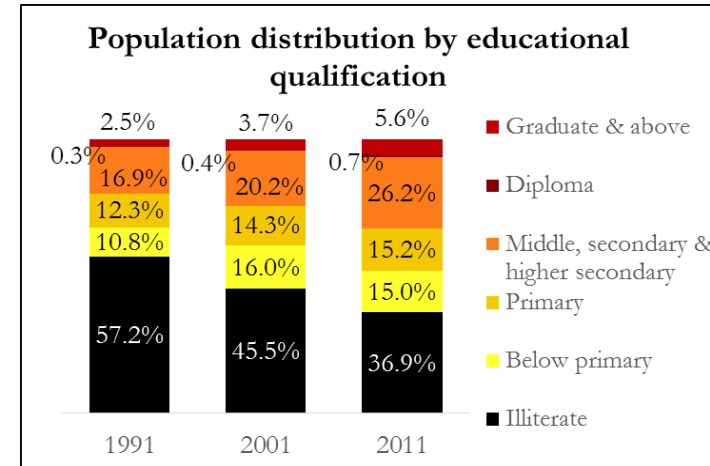
On the other end, the age-group **above 60 years** is set to **increase faster**, adding **39.4 mn** people by 2021 (in contrast to **27.2 mn** added during the previous decade).

In other words, **30% of population increase between 2011 and 2021 will be in the age group of 60+ years**

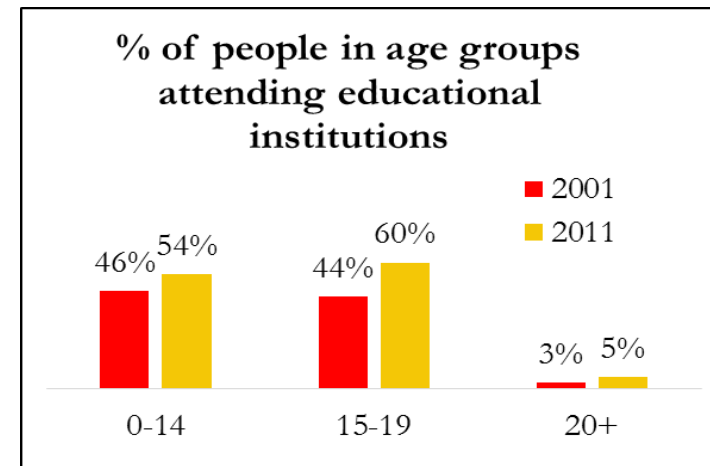


Education can be a game-changer

Even as half of India’s population remains illiterate or with levels of education below the primary level, 182.5 million more Indians had obtained an ‘above primary level’ of education by 2011 over 2001. There are 20 million lesser illiterates, and 40 million more Indians with higher secondary education qualifications.

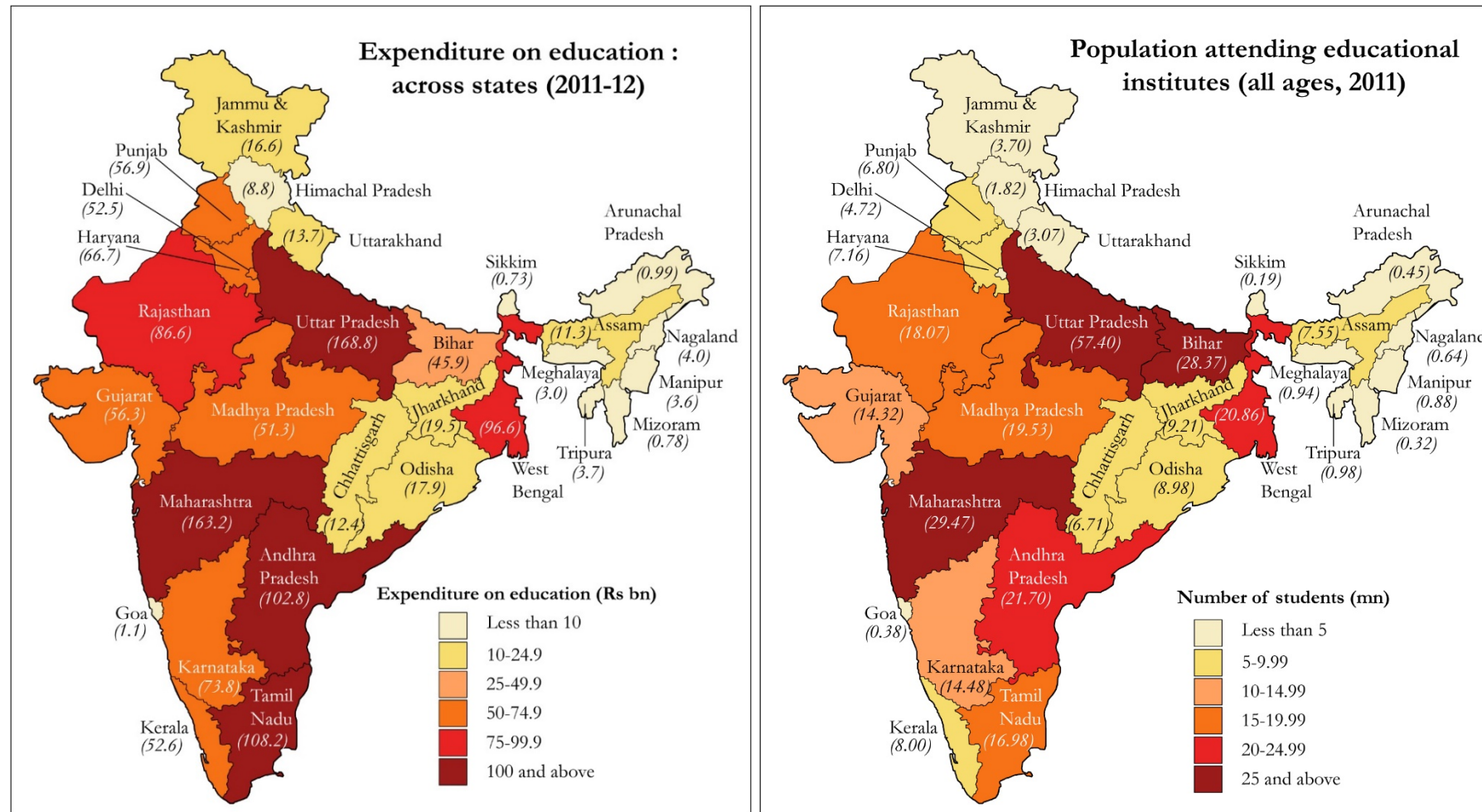


This significant improvement over a decade became possible simply because more children – in absolute numbers as well as in percentage share of population - are attending educational institutions. For the first time, more than half of the children and adolescents in the age groups of 0-14 years and 15-19 years went to school.



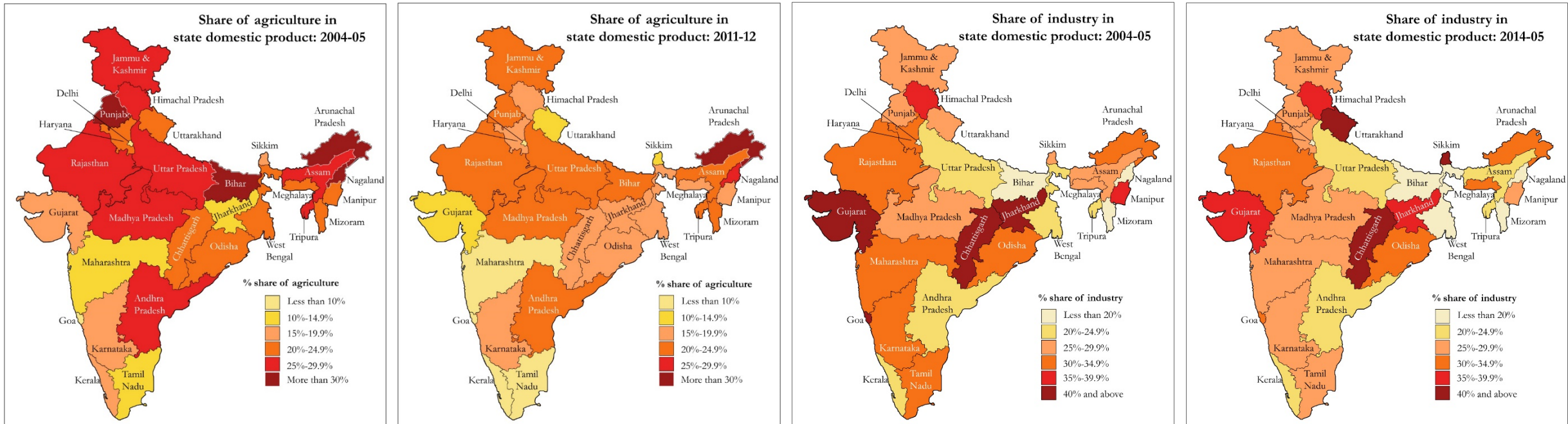
Expenditure on education

Expenditure on education is approximately proportional to the number of students attending educational institutions in a state



Total educational expenditure is higher in urban India, which also indicates that expenditure on a per person basis is significantly higher for an urban student compared to a rural student

A shift away from agriculture, and from industry too...

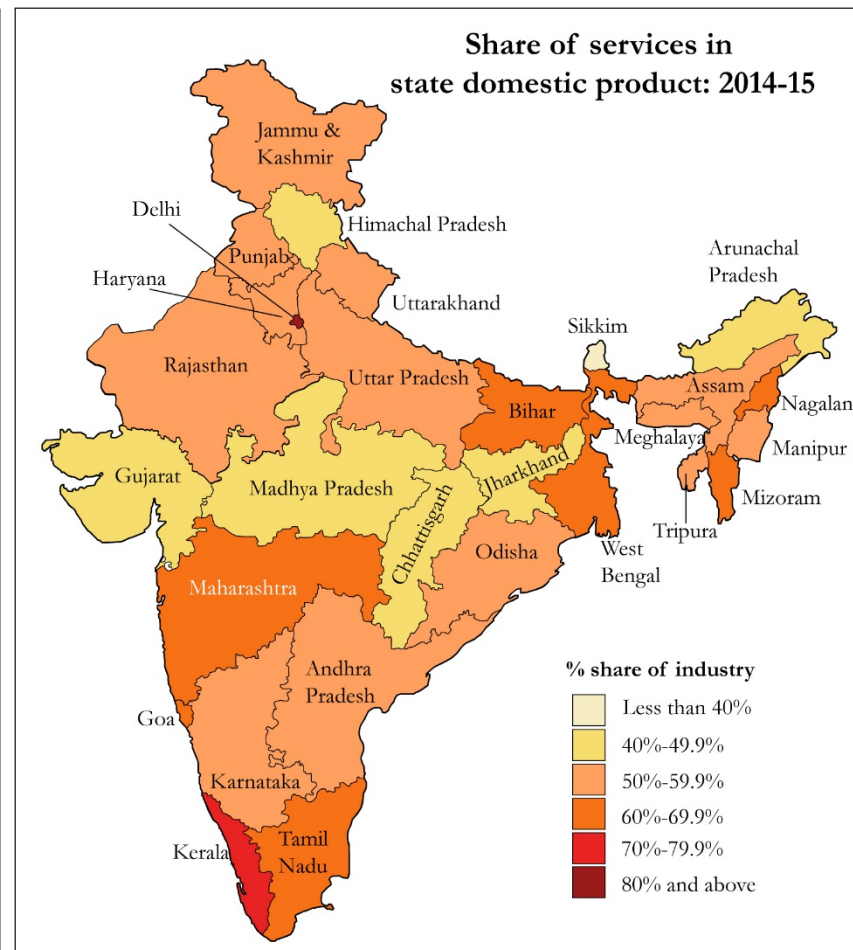
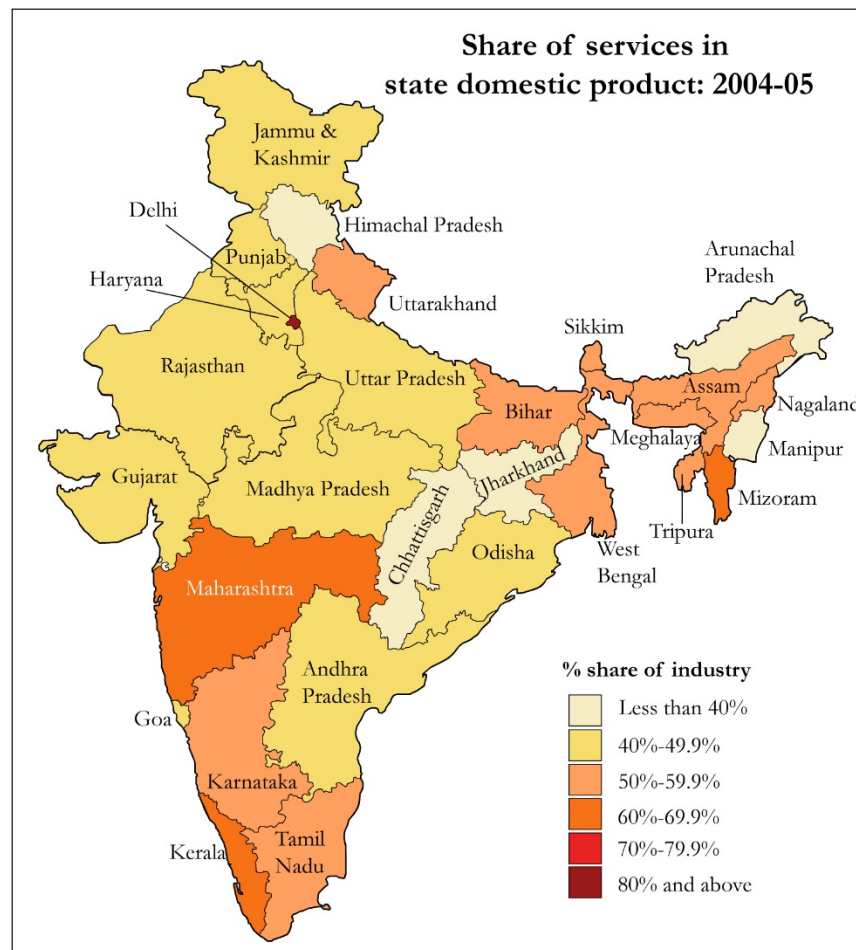


Contribution of agriculture to state economy has declined across states, but the share of industry has not seen a matching growth, as in most states the declining share of agriculture has shifted to the services sector.

The key states where the share of industry has gone up include Andhra Pradesh, Bihar, Himachal Pradesh, Madhya Pradesh, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim and Uttarakhand

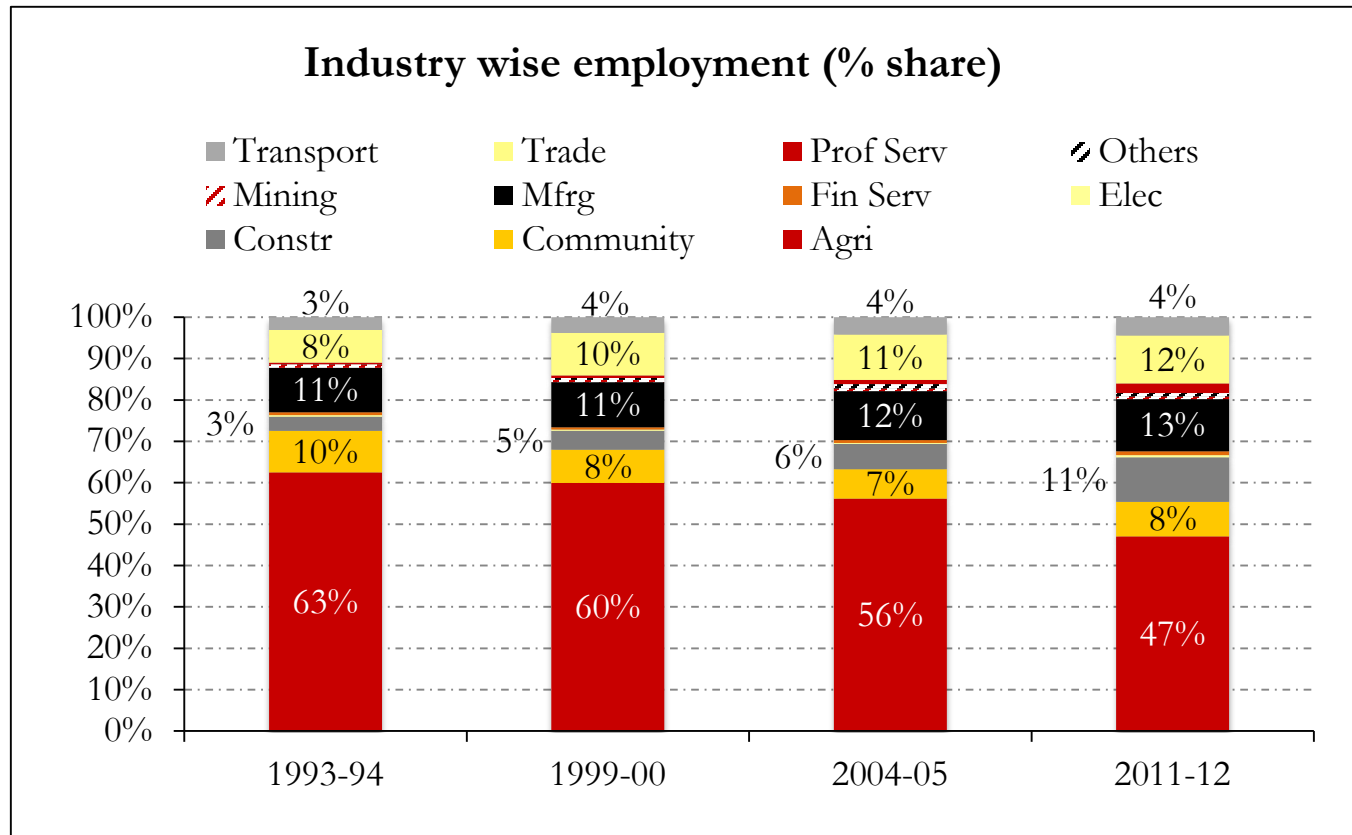
On the other hand, significant reduction in the share of industry has taken place in Assam, Goa, Haryana, Jharkhand, Karnataka and West Bengal

...to the growth of services



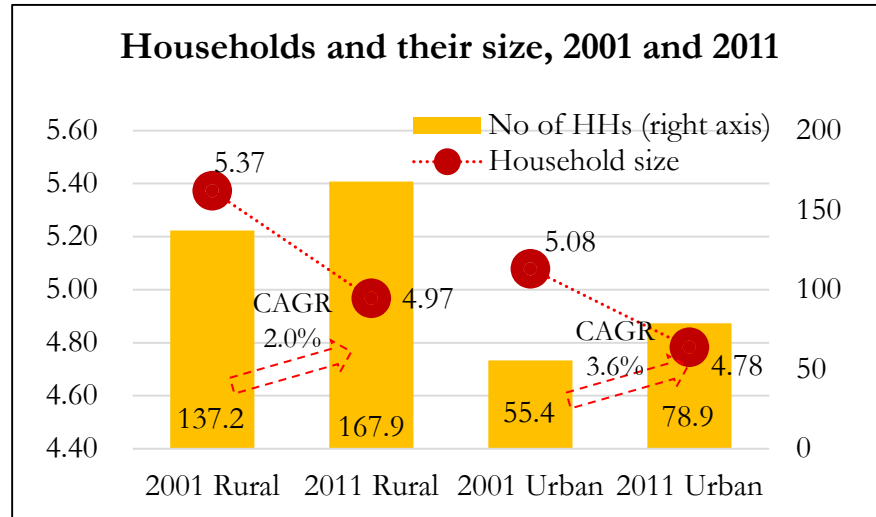
On the positive side, for the more qualified, this shift indicates higher pay, release of the entrepreneurial spirit, and graduation to higher non-food consumption; on the other hand, it also implies irregular and non-contractual employment, and susceptibility of consumption patterns to economic cycles

From agriculture to industry and trade



With the share of employment in agriculture steadily declining over the years, the construction and manufacturing sectors along with trade have absorbed greater share of workers.

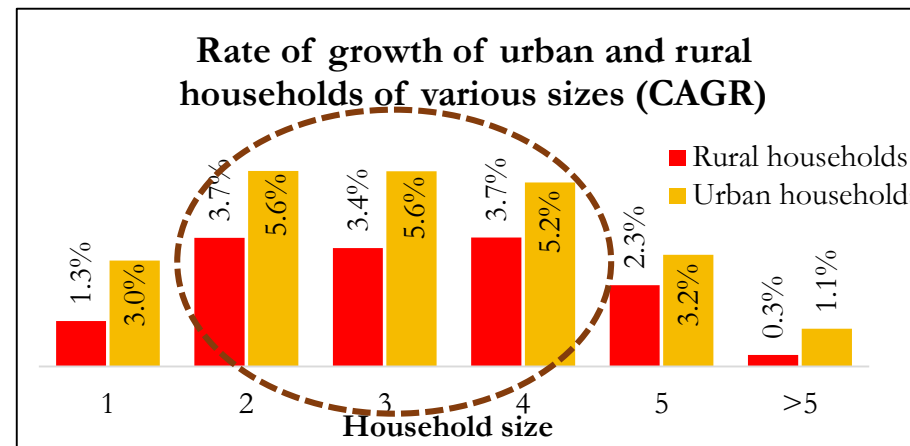
Households are getting smaller in size, but large families are still predominant



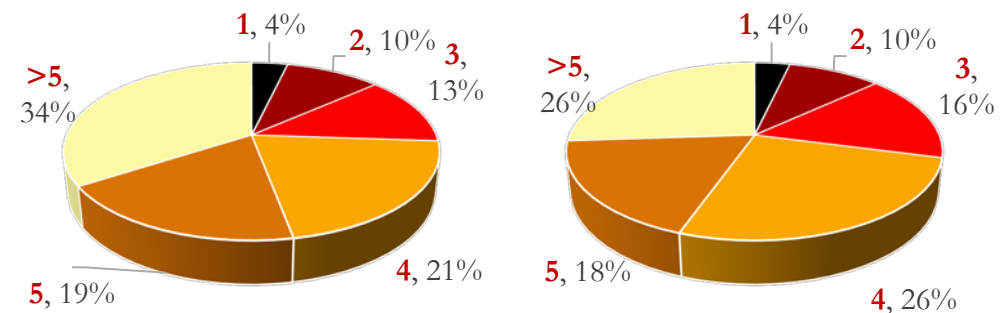
The average size of both urban and rural households declined, but families with 5 or more members still accounted for a large share of total households – 53% in rural areas and 45% in urban areas.

In urban areas, 4-member households accounted for over a quarter of all households; the corresponding share for rural areas is just over a fifth.

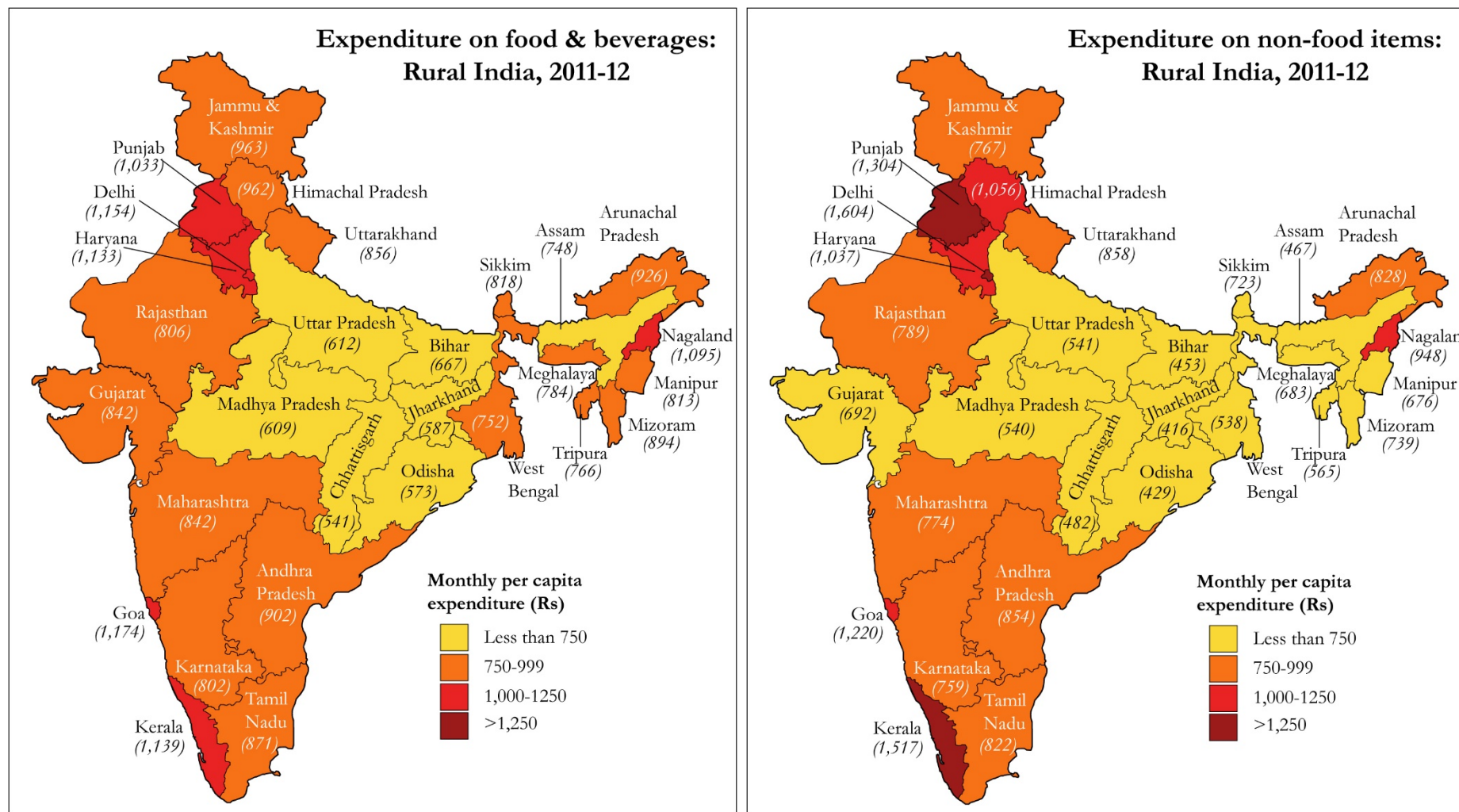
The number of households in India increased by about 55 mn between 2001 and 2011, of which nearly 60% were in rural areas. However, number of urban households increased at a faster pace than rural households.



Share of households, by size, 2011



Expenditure on food and non-food items in rural areas

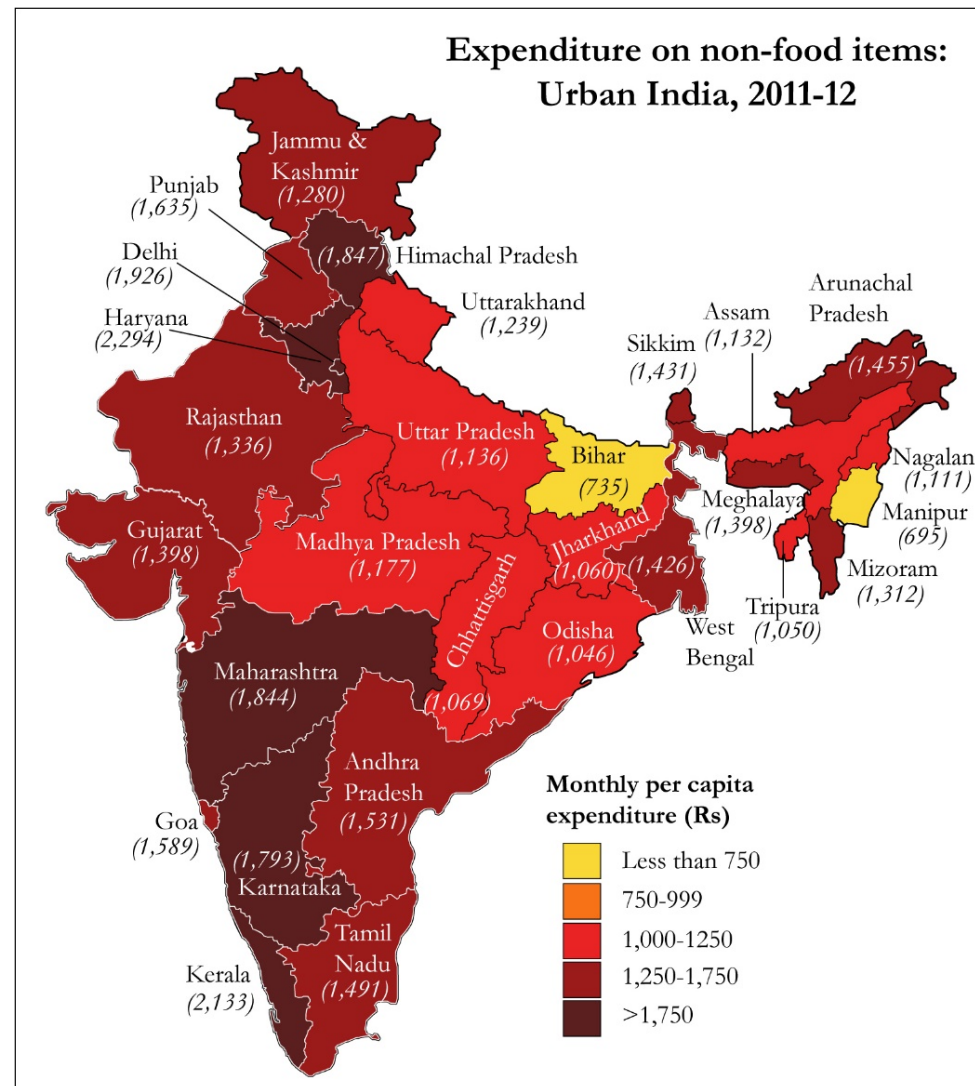
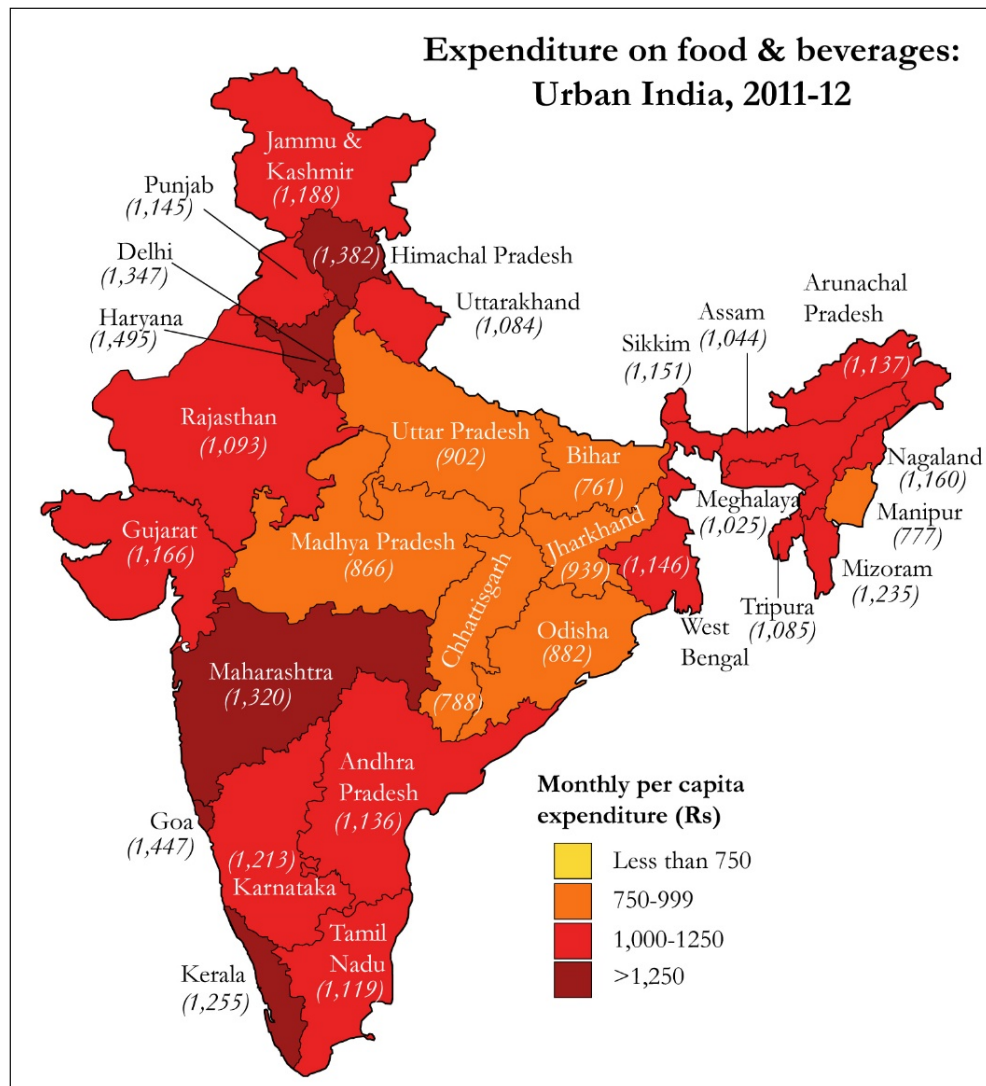


Delhi, Goa, Himachal Pradesh, Kerala, Punjab and Uttarakhand are the only states where a rural person spends more on non-food items than on food items

Rural consumers in **Delhi, Goa, Haryana, Kerala, Nagaland and Punjab** are the highest spenders on non-food items

Note: The ICR covers spends on 30 categories and over 300 items by district/state/rural-urban classifications

Expenditure on food and non-food items in urban areas



Bihar, Manipur, Nagaland and Tripura are the only states where an urban person spends more on food items than on non-food items

Urban consumers in **Andhra Pradesh, Delhi, Goa, Haryana, Karnataka, Kerala, Maharashtra, Nagaland and Punjab** are the highest spenders on non-food items

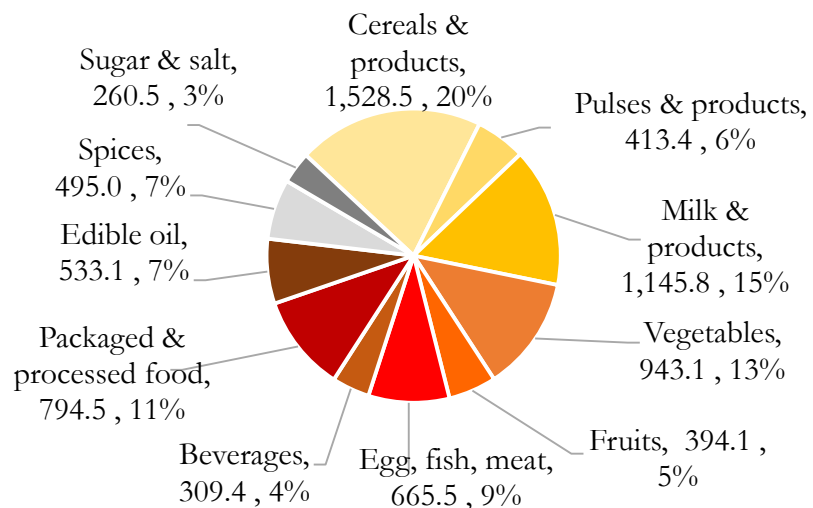
Note: The ICR covers spends on 30 categories and over 300 items by district/state/rural-urban classifications

Less than a third of the population in India, residing in urban areas, account for over two-thirds of total expenditure on food and beverages

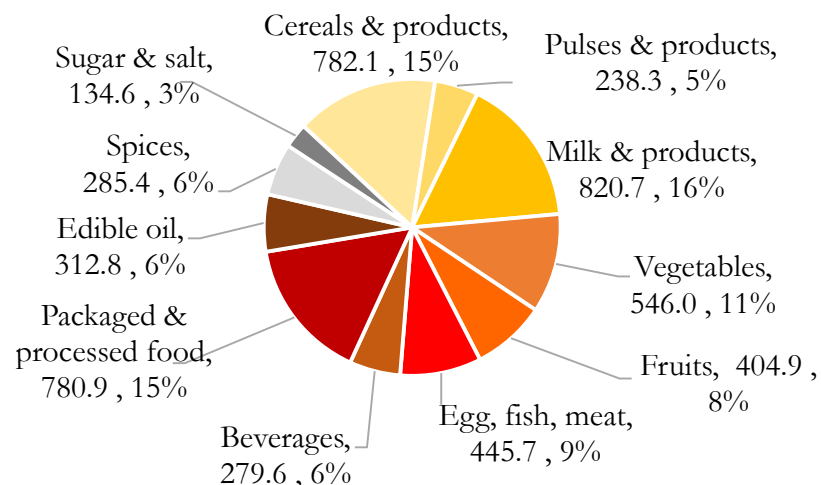
While the market size for most food items in urban areas are around half of that in rural areas, some items such as fruits, packaged and processed food, beverages, egg, fish and meat and milk have a higher proportion.

On a per capita basis, however, an urban consumer spends more than a rural consumer on all items

Distribution of food & beverages market in rural India, by total expenditure (Rs bn, % share): 2011-12



Distribution of food & beverages market in urban India, by total expenditure (Rs bn, % share): 2011-12

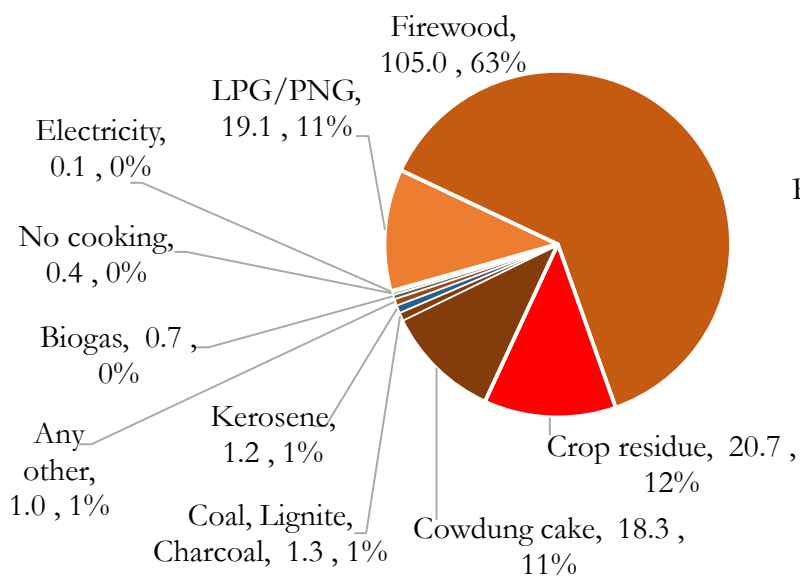


	Urban to rural ratio for	
	Total market size	Per capita expenditure
Cereals & cereal products	51%	114%
Pulses & pulses products	58%	125%
Milk & milk products	72%	154%
Vegetables	58%	129%
Fruits	103%	202%
Egg, fish & meat	67%	139%
Beverages	90%	178%
Packaged & processed food	98%	207%
Edible oil	59%	129%
Spices	58%	124%
Sugar & salt	52%	114%

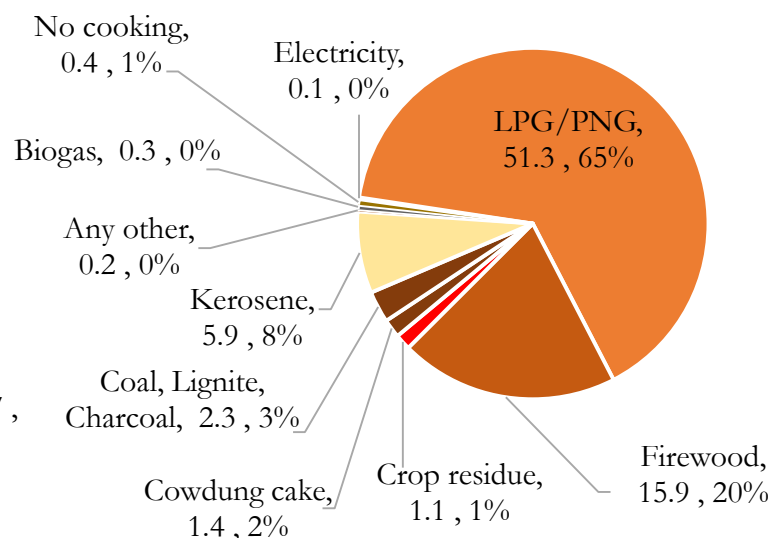
Three-quarters of rural families depend on firewood and crop residue for cooking; about two-thirds of urban households use LPG or piped natural gas

Nearly half the households in the country were using firewood as the cooking fuel in 2011, the share declining from 52.5% in 2001; only 28.5% households used LPG, increasing from 17.5% in 2001

Cooking fuel used by households in rural areas (No of HHs, % share): 2011

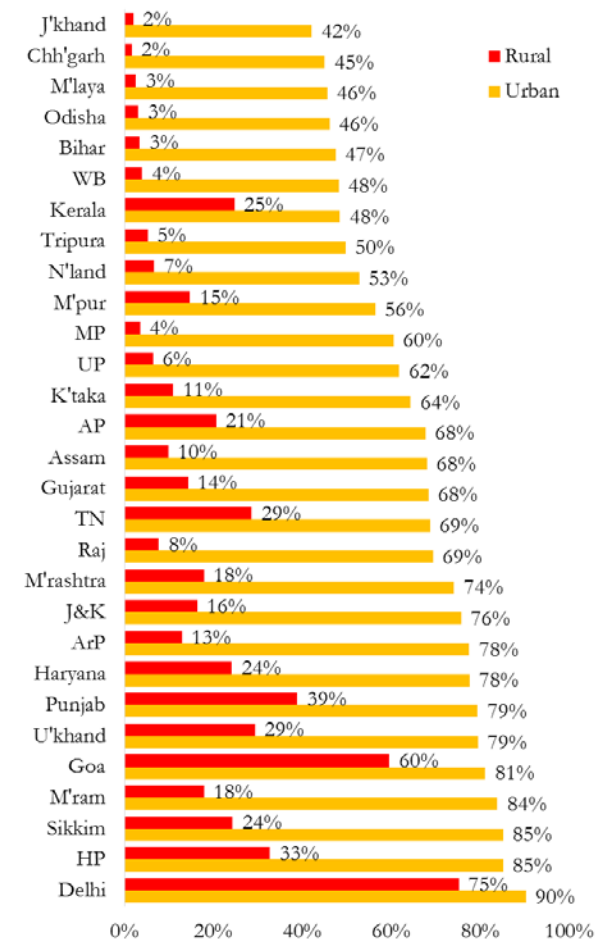


Cooking fuel used by households in urban areas (No of HHs, % share): 2011



Source: Census of India

Share of households using LPG and PNG as cooking fuel, 2011



Market size for hospital treatment is half that of other medical treatment

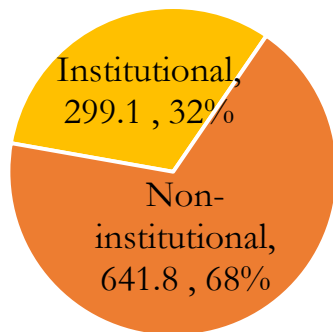
Top 5 markets for institutional medical treatment (Rs bn):

Maharashtra (87.3), Uttar Pradesh (82.6), Karnataka (45.8), Kerala (39.2), Tamil Nadu (38.9)

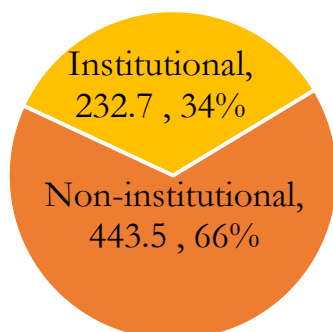
Top 5 spenders on non-institutional medical treatment (Rs bn):

Uttar Pradesh (183.5), Maharashtra (120.5), West Bengal (101.3), Andhra Pradesh (99.8), Tamil Nadu (69.2)

Total medical expenditure in rural areas (Rs bn, % share): 2011-12



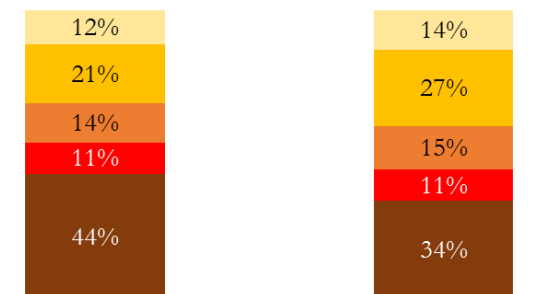
Total medical expenditure in urban areas (Rs bn, % share): 2011-12



Medicine costs have the highest share in medical expenditure in both rural and urban India – more in rural than in urban – for both institutional and non-institutional treatment.

Hospital and nursing home charges have a higher share among institutional medical costs compared to physicians' charges.

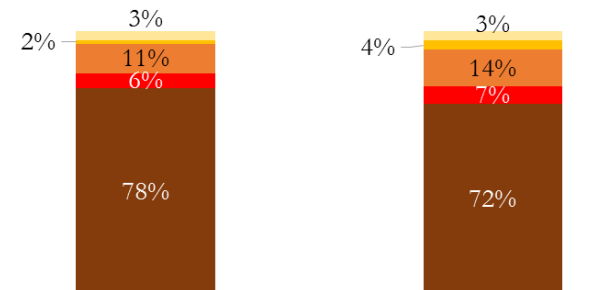
Composition of institutional medical expenses in rural and urban India, 2011-12



2011-12 Rural 2011-12 Urban

■ Medicine ■ Lab tests ■ Physician's fees
■ Hospital charges ■ Other expenses

Composition of non-institutional medical expenses in rural and urban India, 2011-12



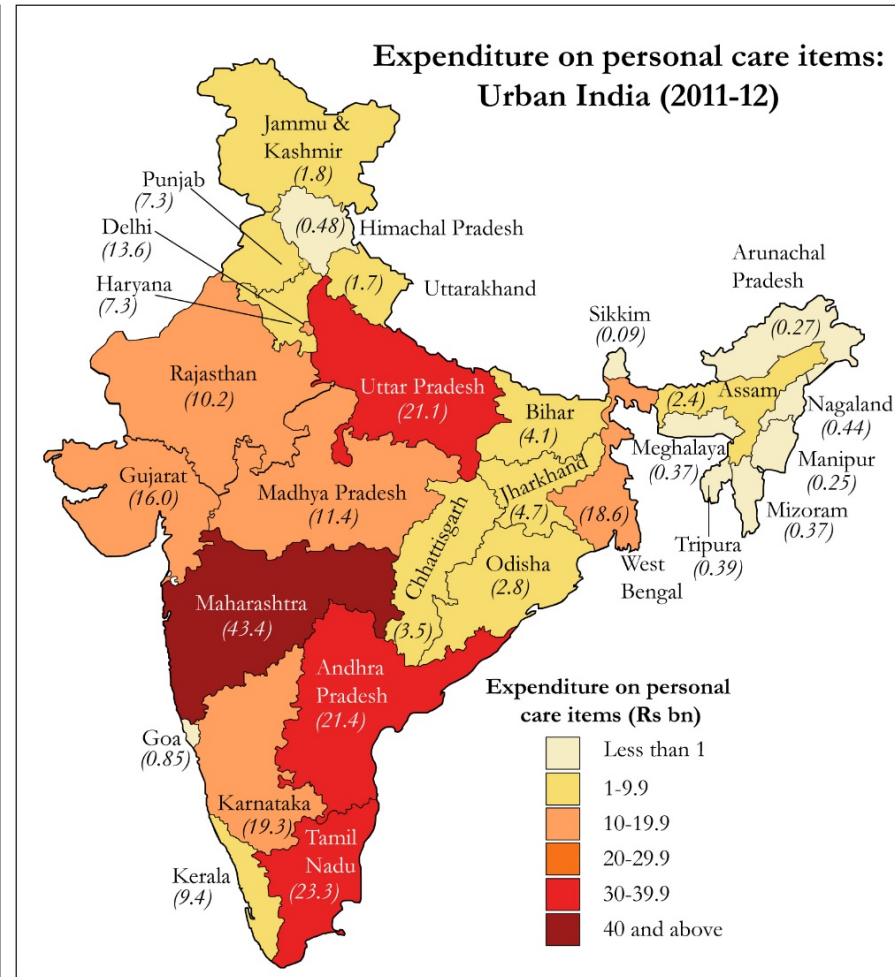
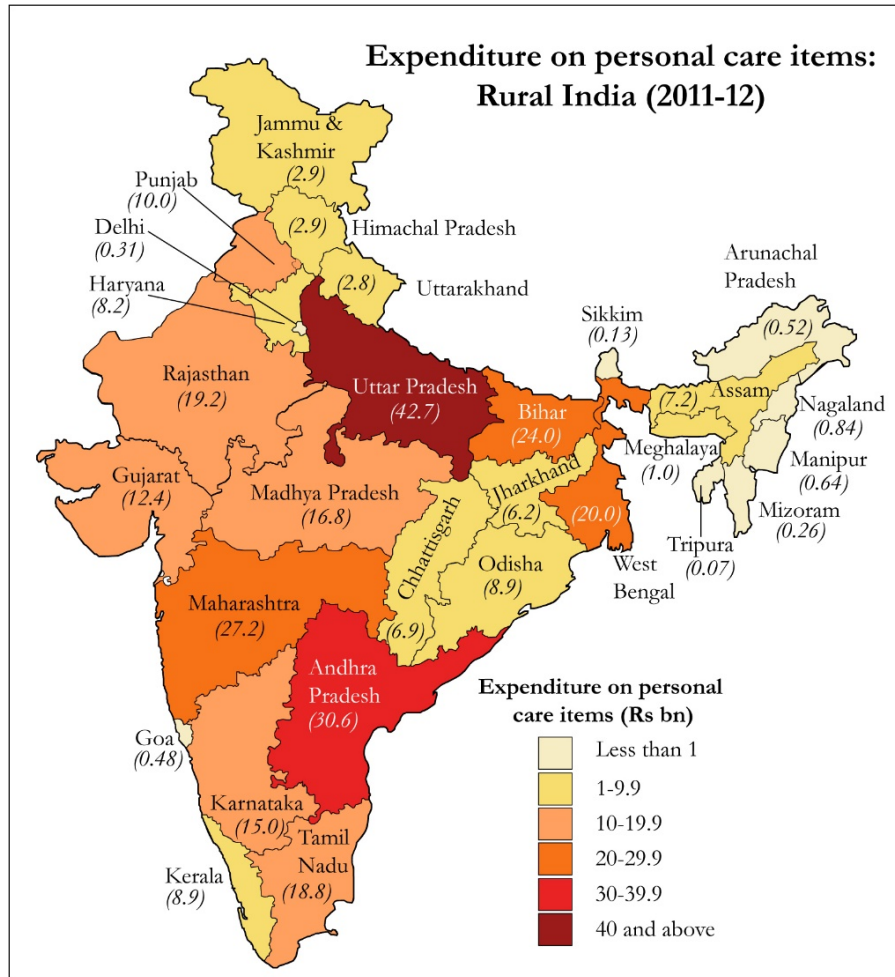
2011-12 Rural 2011-12 Urban

■ Medicine ■ Lab tests ■ Physician's fees
■ Medical equipment ■ Other expenses

Note: Institutional medical expenses – Expenses incurred on being admitted to a medical institution (private or public hospitals, nursing homes, etc.).

Non-institutional medical expenses – all other expenses on account of healthcare, including out-patient departments of hospitals/nursing homes & private clinics

Body care items, shaving items and sanitary napkin have a larger market in urban areas



Total expenditure on personal care (Rs bn)

	Rural	Urban
2004-05	138.1	105.8
2011-12	296.1	247.0
CAGR	12%	13%

Critical to understand the dynamics of consumption and demographics at the level of the states...

...which vary widely in their consumption patterns and are the key engines of the growth in regional markets.

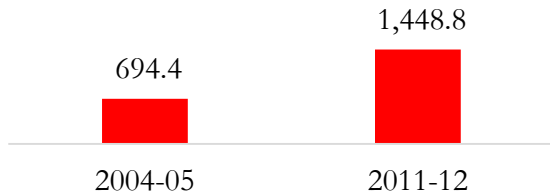
The ICR covers 29 states with insight on expenditure and demography. The succeeding slides on Assam are illustrative

Assam

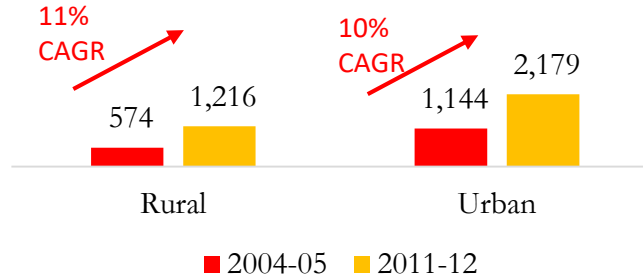
IMA

Consumption expenditure overview

Trend in per capita consumption expenditure (Rs)



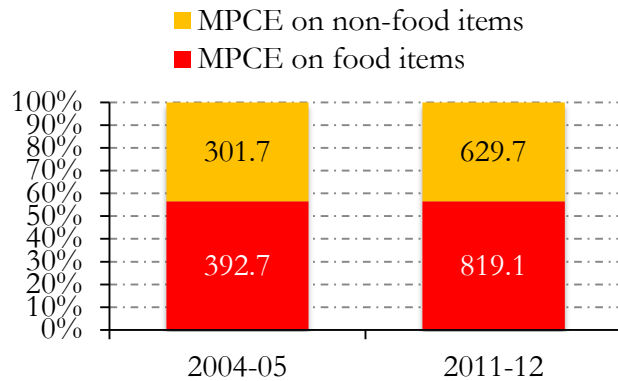
Trend in monthly per capita consumption expenditure in rural & urban areas (Rs)



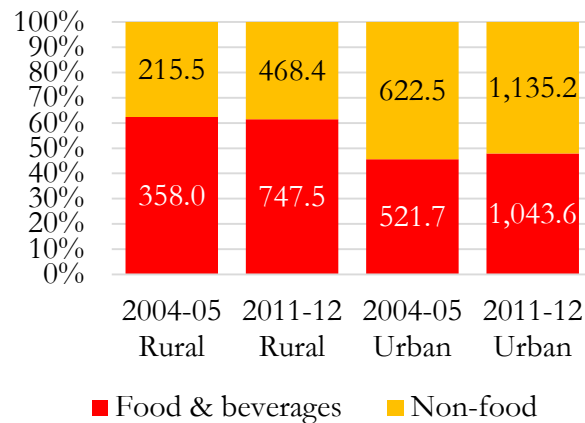
At a glance

- Assam ranks 14th in terms of population amongst all states in the country, with a total population of 31.2 mn, accounting for 2.6% of the country's population
- 25th in terms of both per capita expenditure and per capita income

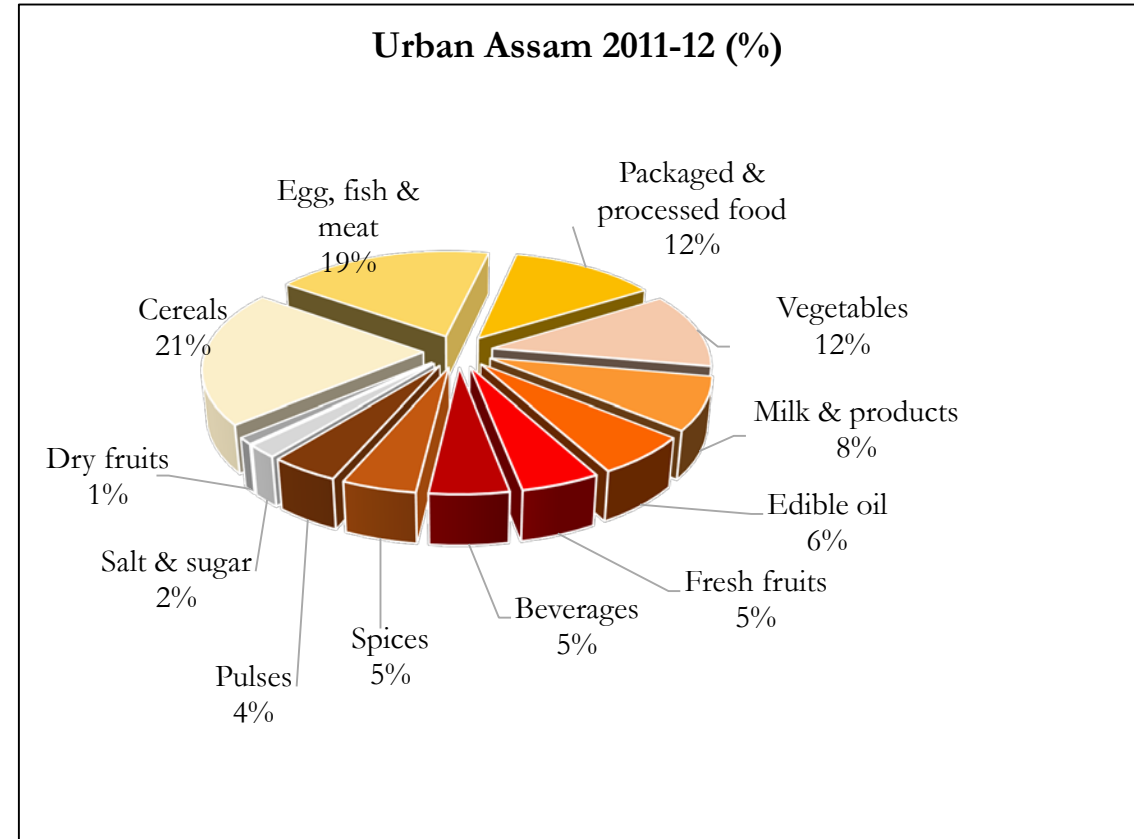
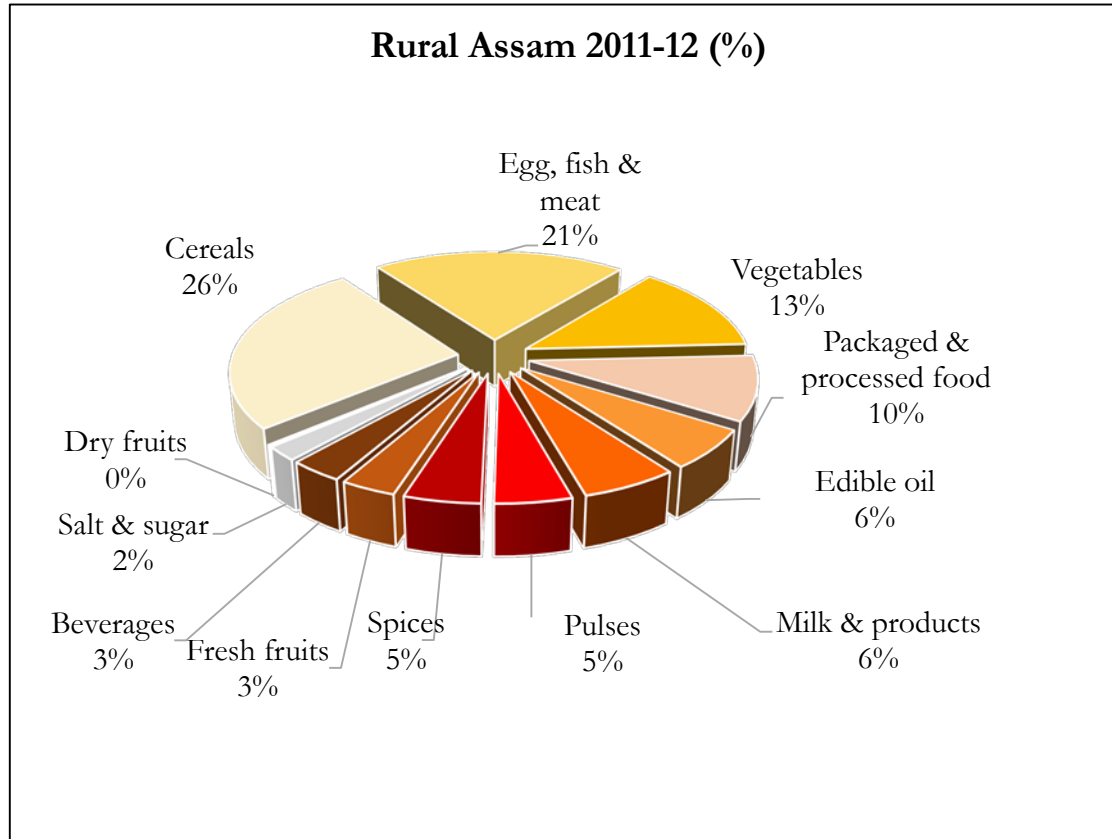
Trend in per capita consumption expenditure (Rs)



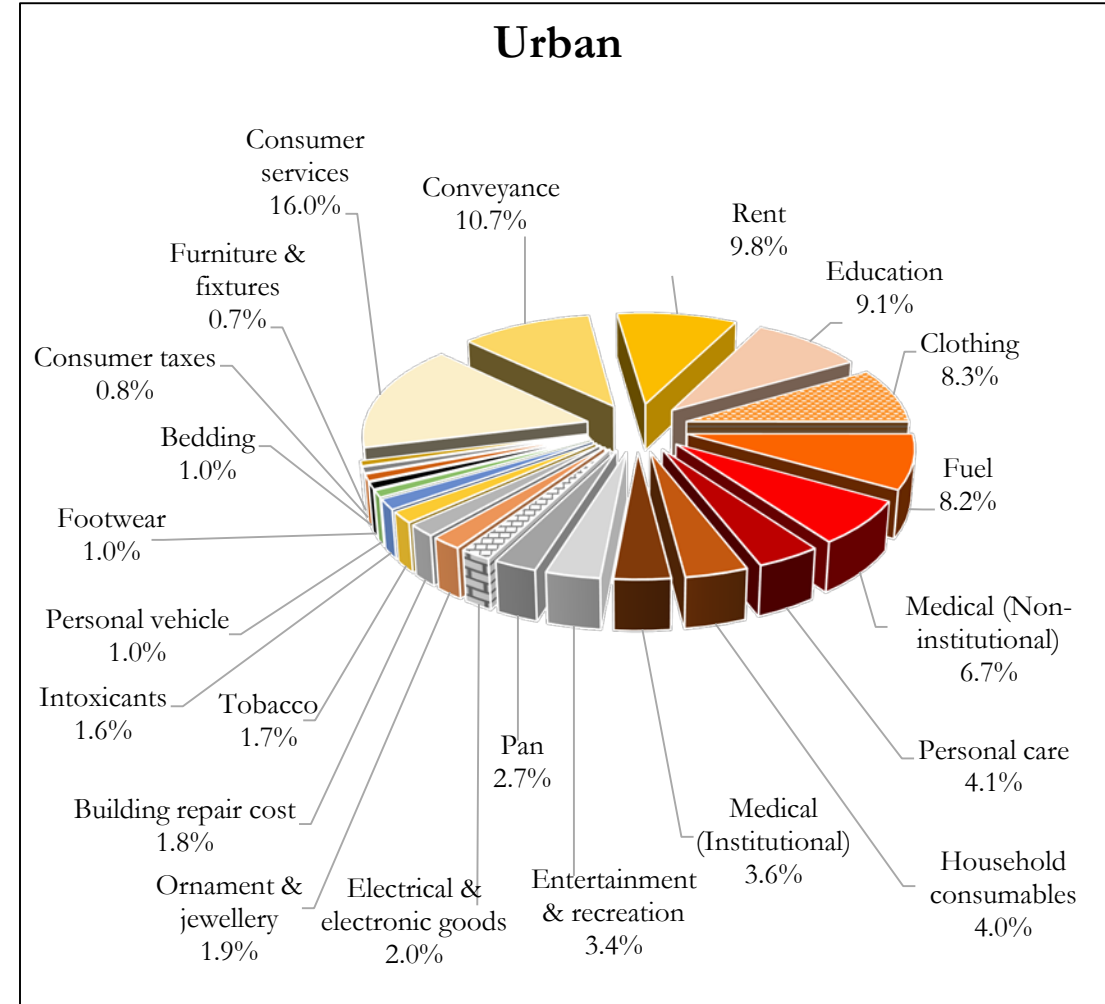
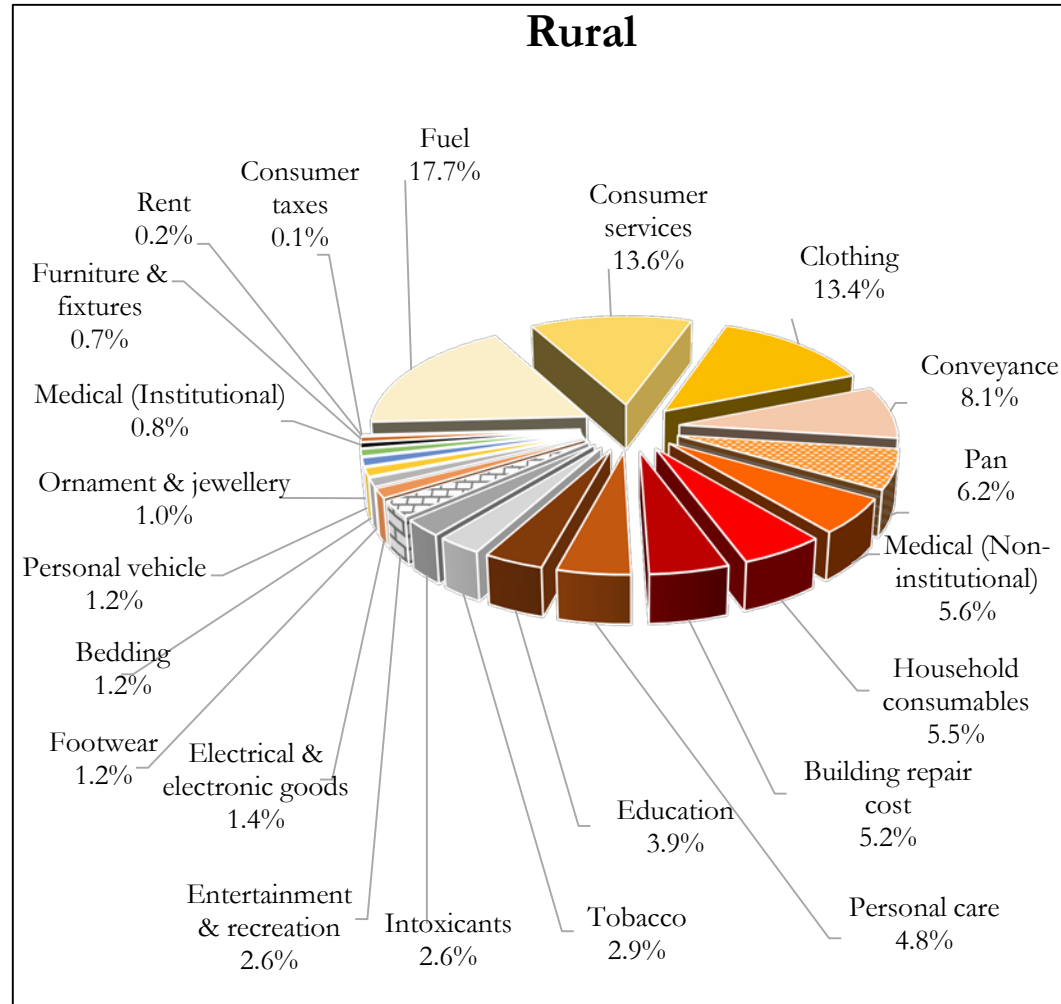
Trend in expenditure on food and non-food items (amount within brackets in Rs)



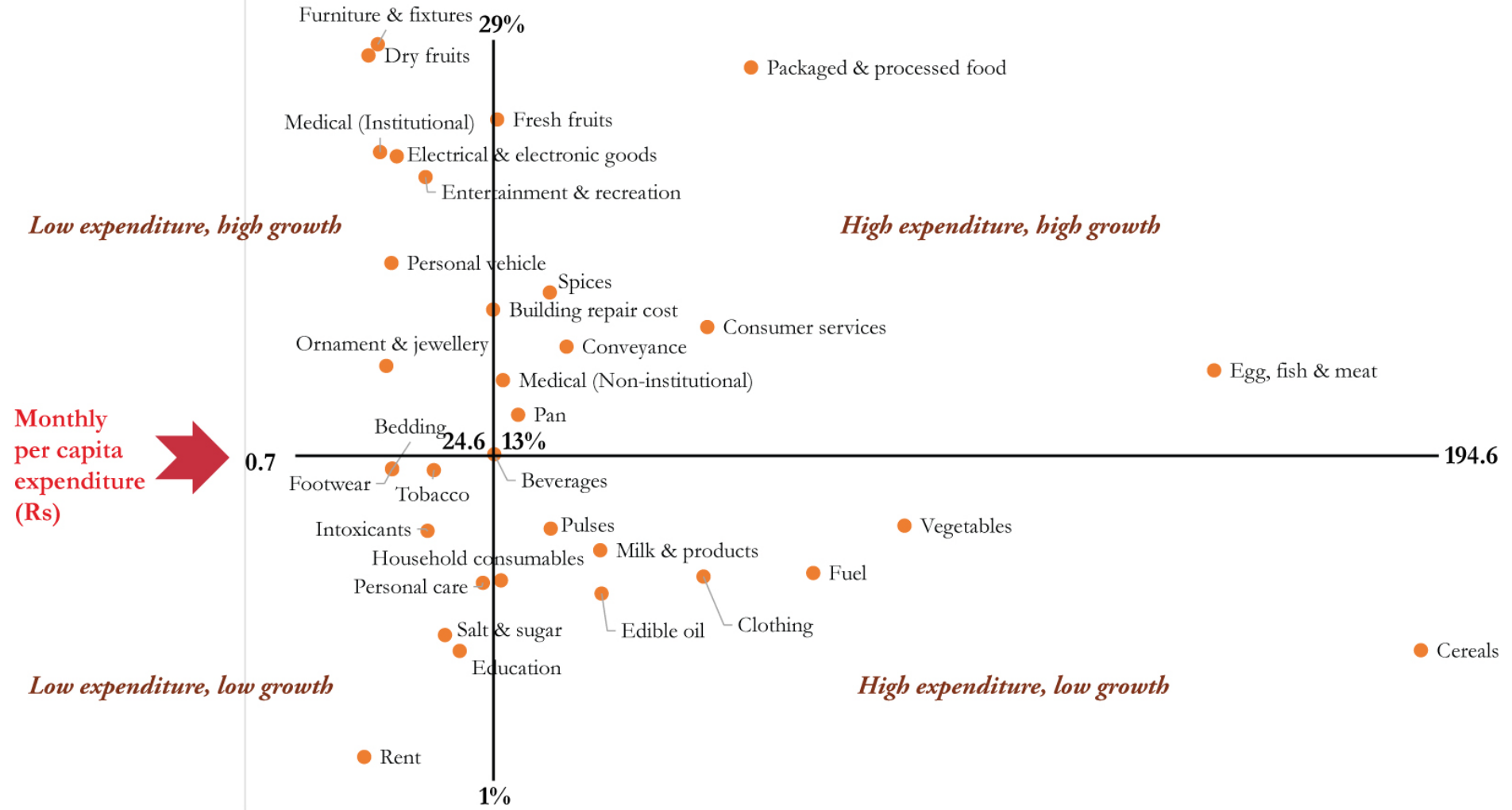
Expenditure pattern on food items: 2011-12



Expenditure pattern on non-food items: 2011-12

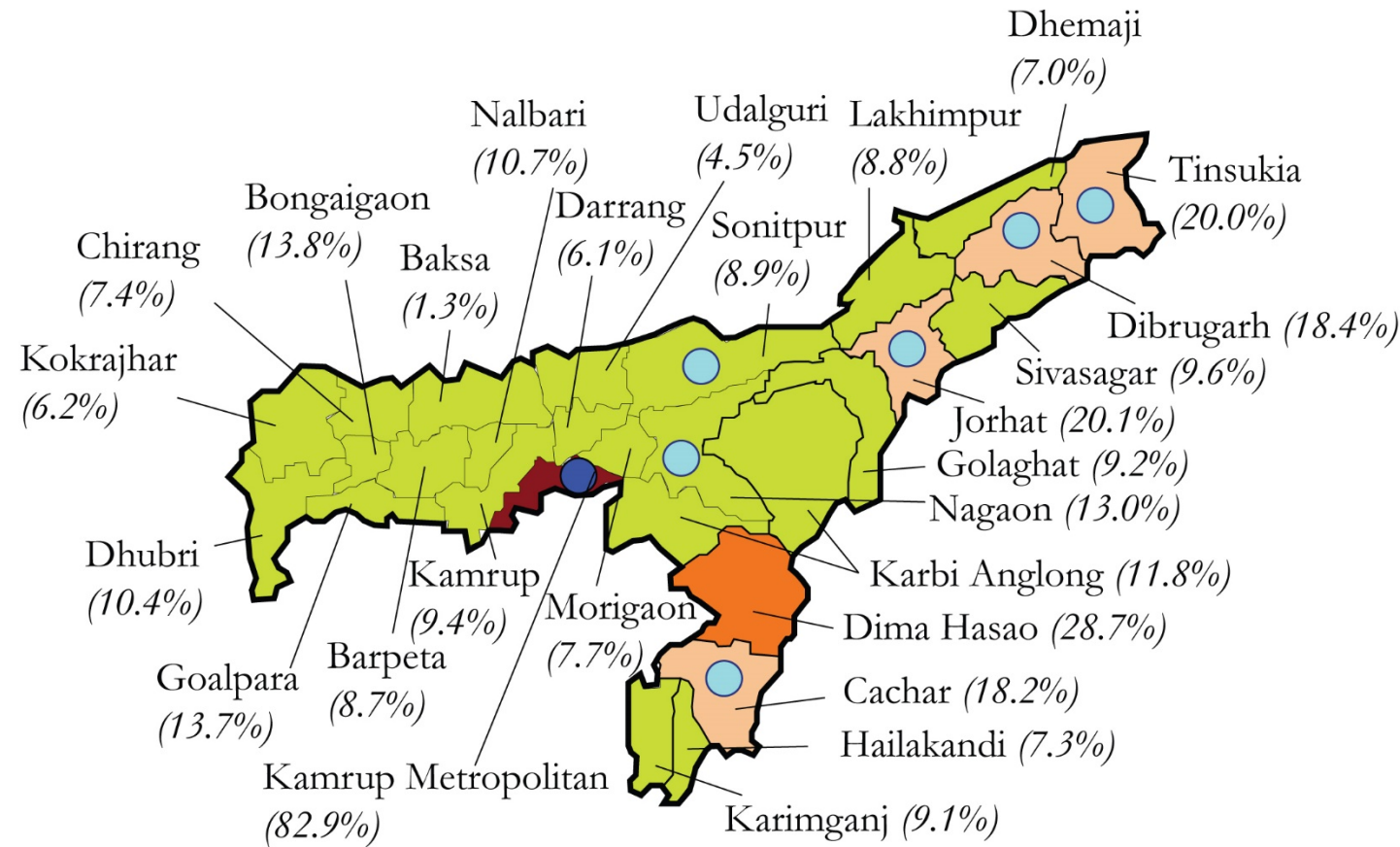


Rural Assam Monthly per capita expenditure on products and services (2011-12), and their growth rate (CAGR) between 2004-05 and 2011-12



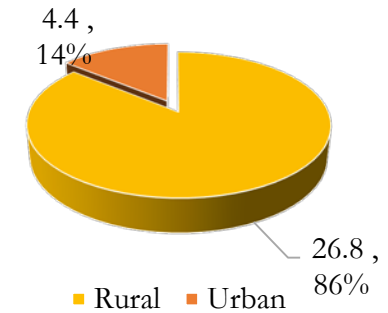
The two axes represent monthly per capita expenditure (Rs) and rate of growth between 2004-05 and 2011-12. The axes intersect at the median value of each parameter.

Extent of urbanisation



Assam has the 3rd lowest share of urban population amongst all states

State population: rural & urban (mn, 2011)



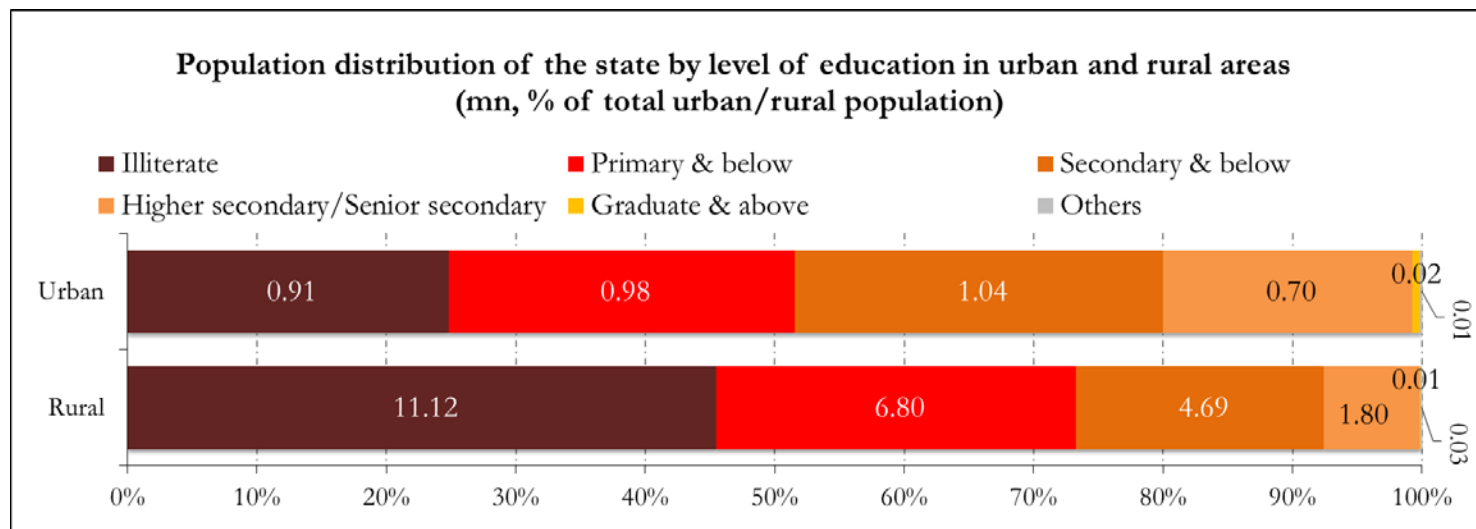
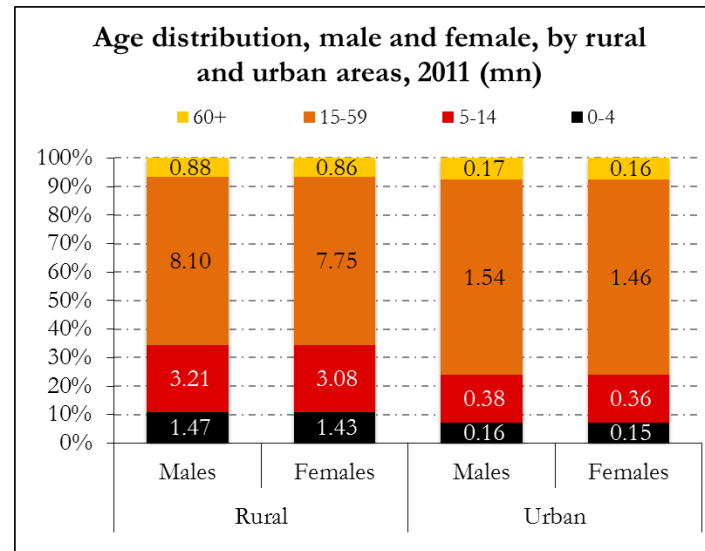
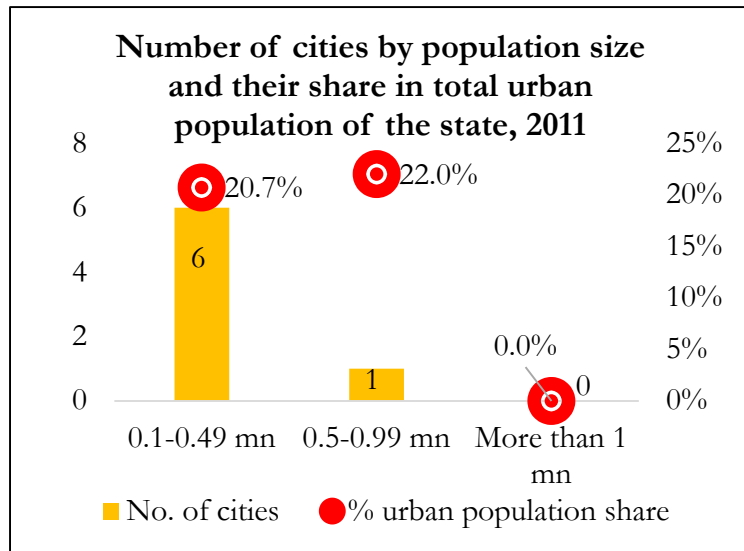
Population of cities

- > 1 mn
- 0.5-1 mn
- 0.3-0.49 mn
- 0.1-0.29 mn

Share of urban population in district

- 75%-100%
- 50%-74.9%
- 25%-49.9%
- 15%-24.9%
- < 15%

Demographic highlights



Contents of The India Consumption Report: For Ready Reference

	Section	Page number
1.	Overview	
2.	Trend in drivers of consumption	
3.	Changing economic structure, demographic changes, urbanisation, household characteristics	
4.	Consumption expenditure <i>Market size and monthly per capita expenditure at state levels; top 100 districts by MPCE; ranking of states by expenditure levels and growth</i>	
	Cereals	<i>Rice, wheat and other cereals</i>
	Pulses and pulse products	<i>Aggregate of different types of pulses</i>
	Milk & Milk products	<i>Liquid milk, ghee, butter, curd, etc.</i>
	Fruits & Vegetables	<i>Fresh fruits, dry fruits and vegetables</i>
	Egg, fish & meat	<i>Egg, fish, chicken, red meat</i>
	Spices	<i>Aggregate of different variety of spices</i>
	Edible oil	<i>Mustard oil, coconut oil, groundnut oil, refined oil</i>

Contents

Section	Page number
Packaged & processed food	<i>Served processed food (includes cooked meals & snacks purchased) and packaged processed food (includes sweets, cakes, pastry, biscuits etc.)</i>
Beverages	<i>Tea, coffee, cold drinks, fruit juice, etc.</i>
Alcohol	<i>Country liquor, foreign liquor, beer, toddy</i>
Tobacco	<i>Cigarettes, bidis, other tobacco products</i>
Fuel	<i>LPG, charcoal, coal, firewood, kerosene, diesel, petrol, etc.</i>
Education	<i>School & college tuition fees, private tuition & coaching fees, books, stationery, etc.</i>
Healthcare	<i>Medicine, physicians' fees, laboratory charges, hospitalisation cost etc.</i>
Clothing, bedding & footwear	<i>Traditional garments (sari, dhoti, lungi, etc.), readymade garments, clothes for stitching, bedding, footwear</i>
Consumer services	<i>Electricity, mobile and land phone charges, domestic help, internet costs, etc.</i>
Entertainment & recreation	<i>Movies, cable TV, sports goods & toys, recreational goods, etc.</i>

Contents

	Section		Page number
	Personal care	<i>Body care, hair care, dental care products</i>	
	Furniture & fixtures	<i>Bed, chair, table, almirah, bathroom & sanitary ware, etc.</i>	
	Household consumables	<i>Crockery & utensils, other miscellaneous household items</i>	
	Conveyance	<i>Bus fare, railways fare, taxi/auto fare, diesel and petrol costs, etc.</i>	
	Personal vehicles	<i>Two-wheelers, four wheelers, bicycles, etc.</i>	
	Electrical & electronic goods	<i>Television, personal computer, mobile phone, refrigerator, washing machine, DVD player, bulbs & tube light, inverter, plugs & switches, etc.</i>	
	House rent & consumer taxes	<i>House & garage rent, hotel lodging costs, etc.</i>	
	Ornament & jewellery	<i>Gold and silver ornaments, pearls & jewels, etc.</i>	
5.	State profiles	<i>District level urbanisation, consumption expenditure patterns in the state, growth potential of consumption items</i>	