How (not) to discuss consumption in 2025

This year has seen frenzied and obsessive discussions on the state of the health of Indian household consumption, with economists, stock market analysts, the media, and marketers all discussing it from their particular vantage points. Adding to the confusion, the available data sent conflicting signals — goods and services tax (GST) collections were up, revenue growth of listed fast-moving consumer goods (FMCG) companies was disappointing, health care and telecom not bad at all, two wheelers not much to complain about, second-hand sales did better than first hand in some categories, and the divergence between the performance of companies in the same sector made average industry growth numbers meaningless.

RAMA BIJAPURKAR

While answers to most questions about India are found by aggregating ground-up from fragmented details, the consumption discourse showed little patience for this. Nor has there been an honest examination of the elephants in the room, like, for example, whether private sector investment is truly slow on account of poor demand. Since it appears that we will need to continue discussing "what ails consumption" in 2025, here's a suggested list, in the spirit of New Year resolutions, of how to make it more meaningful.

●Switch discussion focus from consumption outcomes to consumption driver — household income — and its driver, the vibrancy of economic activity and investment. The corollary to this is to avoid asking the favourite question: Economic activity is slowing, but will consumption save the day? And if we must ask, and the answer is "yes," do not stop. Ask,"What is fuelling consumption growth that is higher than income growth?" and decide if that is good news or bad. Agreed, we do not have comprehensive and continuous data on household earnings, but we have enough data points to deduce what is going on — occupations and sectors that households are dependent on, the intensity of recent economic activity by these sectors, or employment data.

●If we must use sales data of companies to infer household consumption health, then let's move beyond the antiquated idea that the results of a few bellwether companies are enough. Either we use GST data, or build a more composite consumption health index, including more consumer-facing sectors and unlisted and second-hand players as well (industry associations often track this data).

●Let's accept that offerings from small companies have come of age, and their share of the consumption pie is growing. In the past, the so-called unorganised sector sales were dismissed in consumption discussions as irrelevant. They evaded taxes, sold poor-quality basic products at low prices to very low-income consumers with collectively low spend. Today, many of them have morphed into GST-paying, sophisticated "fast followers" of big companies, now able to access many of the ingredients of marketplace success, beyond their reach earlier. Their combined share is not insignificant in many categories, as shown by even the subset of companies that Nielsen / Kantar audits cover. Small town supermarkets and Amazon both stock, cheek by jowl, packs of an MNC brand kitchen wipe and an unlisted small company brand, cheaper by ₹136. Consumer ratings on Amazon are 4.4 for the MNC brand that sold 5,000 units last month and 4.1 for the small company brand that sold 4,000.

●Desist from elevating to the status of gospel statements of star chief executive officers explaining their company's performance. The Nestle India chairman's comment that "the middle class of the country seems to be shrinking" was in the context of explaining the strained performance of their portfolio, especially premium-priced packaged milk and chocolates. It got quoted even by eminent economists at seminars as evidence of dire problems in the economy. It would be more reassuring next year if CEOs quoted economists, rather than the other way round, to bolster their arguments.

● Researchers, please quit theorising about the size of the Indian "middle class". It does not change every quarter. There are clear sociological definitions of what the middle class is, given why it is important to economies. These include quality of occupation, possession of skills, surplus income after expenses, enabling resilience to not go under in hard times. Next year, let us agree on labelling everyone "middle class," except the super rich and super poor (that's 80 per cent of Indians) and then, with honesty, grade them into genuine middle class, and any number of other grades of middle class. So-called middle-class consumption falls off in bad times because non genuine middle-class households have fragile surplus income and should not have been called middle class to start with.

●Avoid wasting time and energy discussing surprise and confusion over changing urban and rural consumption growths relative to each other. The drivers of incomes are different, the purchasing power parity of food is different between the small farmer and the metro shop assistant, welfare schemes are different. In fact, the "artefact" of rural and urban as homogenous groups has had its sell-by date. Fragmented India is a fact and there are many mini Consumer Indias that march to the beat of different drums ,which drive their income and confidence.

● In addition, can the Reserve Bank of India Consumer Confidence Survey go beyond covering "19 major cities"? Rural households already account for over half of India's consumption expenditure and we know that what urban thinks today is not what rural areas will think tomorrow — sentiment doesn't trickle down. Also, please, give us more granular disaggregated GST data to move the consumption discussion to more solid ground.

The author is a business adviser in the area of customer-based business strategy, and a researcher on India's consumer economy