

# Rains, cash support to spur rural demand

## Budget Likely To Focus On Reviving Rural Eco, Say Analysts | See Increase In Farm Output

TIMES NEWS NETWORK

**Mumbai/Chennai:** Rural consumption demand, which is yet to recover from the pandemic's blow, is expected to rise in this fiscal on the back of an 'above-normal' monsoon coupled with budgetary measures aimed at boosting rural spends. Increase in farm output along with populist measures aimed at supporting the lower-income groups will put more money in the hands of the rural poor.

Rural consumption is set to improve this year from last year's level when El Nino conditions hit output, said Tanvee Gupta Jain, chief India economist at UBS. "A good monsoon could lead to removal of restrictions on exports. Govt is also likely to use part of the bounty it has realised from RBI's (record) Rs 2.1 lakh crore dividend to support consumption among the lower strata of the society including rural segment," she said.

The arrival of timely monsoon should augur well for the FMCG industry that derives a considerable share of growth from the rural regions. Lagging rural consumption picked up pace in the March quarter, helped by a robust demand for home and personal care products, with rural outpacing urban demand for the first time in over two years.

"The prediction of an above-normal monsoon is heartening. We expect that to contribute significantly to the reviving rural demand. We expect lower double-digit growth coming in from rural this year given that last year, the demand was not up to the mark,"

said Mayank Shah, vice-president at Parle Products.

With an improvement in the disposable income in the hands of farmers, demand for motorcycles, especially entry level motorcycles, should see year on year improvement, said Shruti Saboo, director, India Ratings.

growth trajectory, said Aasif Malbari, CFO at Godrej Consumer Products. Improving macro indicators should translate into a positive consumer sentiment, potentially benefiting sectors like home care and personal wash, Malbari said.

"If monsoon is good, ag-

### From Motorcycles To Shampoo Sachets...

> **Rural consumption** is set to improve this year on back of an 'above-normal' monsoon, budgetary measures aimed at boosting rural spends and an increase in farm output

> Timely monsoon should augur well for **FMCG** and may lead to **removal of restrictions on exports**

> With govt likely to use part



of RBI's ₹2.1L cr dividend to support rural consumption, **farmers' disposable income** is also expected to improve

> **Demand for motorcycles** — which was impacted by lower agricultural growth and tepid rural wages — should see YoY improvement. It is also expected to **boost prospects of the tractor industry**

"Rural segment has historically contributed to around 50% of the overall demand of motorcycles, which was impacted amid lower agricultural growth and tepid rural wages. While it should also support demand of tractors, however, given the higher base and advancement of replacement demand post-Covid, incremental sales could still be limited," said Saboo.

IMD's forecast of volume of rainfall being 106% of long-period average indicates an above-normal monsoon, said Rohan Kanwar Gupta, VP, ICRA. "A healthy precipitation would aid farm cash flows and boost the prospects of the two-wheeler (rural demand) and tractor industry," said Kanwar.

Rural demand is pivotal to the FMCG industry's

agricultural crop will be good and there will be more money in the hands of consumers. And therefore, more shampoo sachets and more toothpaste and more hair oil consumption should happen," Mohit Malhotra, CEO at Dabur India in the company's earnings call presentation last month. Rural recovery will aid volume growth for the sector, analysts said.

India's top 75 cities with a population of 5 lakh and above contribute about 40% to FMCG industry revenues while the rest which it counts as rural India accounts for the remaining 60%, data from retail intelligence platform Bizom showed. Focus on rural economy is likely to be the centre stage of the upcoming Budget, said Renish Bhuvra of ICICI Securities.