

The consumer goods industry in Q1-FY25

Production and price data gave an indicative picture of how consumption demand is faring. Broadly demand for white goods outperformed the previous quarter of last year. Heatwave conditions and warmer summer also contributed towards the same. But demand is not only concentrated in items such as AC and refrigerator, even production of TV, mobile phone also ramped up. The FMCG production data may look mixed at first sight; however item wise production data reflects change in consumer preferences, especially dietary preference and inclination towards travel, grooming products etc. This signals lifestyle changes and growing aspirations.

Durable goods outshining:

The GDP data showed some comfort in terms of private final consumption expenditure (PFCE) picking up by 12.4% in Q1FY25, that too at an elevated base of 8.1% in Q1FY24. Even in real terms, PFCE has grown by 7.4%, outpacing GDP growth. So, prima facie demand is gaining ground. We tried to gauge the same using the production and price data to see whether different pieces of the puzzle fit in or not. The disaggregated production (IIP) and price (CPI) data showed that demand for durable goods is on a strong footing. This is further supported by moderation in prices.

- Among major segments, sales of AC and refrigerators posted a strong double-digit number. This quarter also coincided with worsening heatwave conditions and a warmer summer. AC sales picked up by 37.8% in Q1FY25 compared to -17.5% in the same period of the previous year.
- Other white goods such as TV, mobile phone sales, have also picked up, which generally do not show the seasonal trend in Q1. A softer inflation rate for these items has also contributed to an increasing demand for these items. Inflation moderated for all these durable goods items except AC. Notably, production numbers also got a boost from a favourable low base.
- A continued momentum in discretionary spending of consumers coupled with favorable price effect speaks of consumption demand holding firmly.

Table 1: Consumer durables holding up well

Durable	Production-IIP		Price-CPI	
	Q1FY24	Q1FY25	Q1FY24	Q1FY25
Refrigerators	-6.2	12.1	3.6	1.1
Washing machines	2.4	4.5	6.6	4.3
Air conditioners	-17.5	37.8	1.4	1.9
TVs	0.9	8.3	-0.5	-0.7
Mobiles/telephones	-18.2	7.4	4.4	1.2

Source: CEIC, Bank of Baroda Research, Note: some items of CPI are used interchangeably

Non-Durables

- Certain segments of non-durables witnessed improvement in Q1FY25. These include items of daily consumption such as detergent powder, shampoo, instant food etc. However, some items are trailing behind. This may be due to a shift in consumption behaviour. For example, sales of biscuits and bread have been witnessing decline for quite a few episodes. This may be on account of consumers moving to healthier bites. For example, roasted and salted cashews during the same period has witnessed an increase of 43.1% compared to -19.8% in the same period of the previous year.
- Even for chocolates, cakes, pastries and muffins, some cut down is witnessed possibly reflecting change in dietary preference of consumers. This holds true for beverages such as Tea and coffee where sales have fallen. On the other hand, hot summers have shift preference towards aerated drinks and ice cream whose production registered a strong double-digit pace growth.
- The elevated base has kept production growth rate of hair oil and toothpaste at a muted level. Interestingly, barring coffee, the price of all FMCG commodities have been supportive. Thus, a continued fall in some items of FMCG goods may be indicative of some change in consumption pattern of household rather than weak demand, as these are also the items (Bread, biscuit, chocolates) in which moderation in inflation has been the sharpest.

Table 2: FMCG items production showed mixed performance

Non-Durables	Production-IIP		Price-CPI	
	Q1FY24	Q1FY25	Q1FY24	Q1FY25
Shampoo	-16.8	3.2	2.9	1.4
Hair dye	-8.6	-70.6	-	-
Detergent powder	-5.1	7.1	9.6	1.0
Biscuits	0.6	-5.2	9.9	0.9
Bread	1.7	-3.5	10.2	3.1
Cakes, pastries & muffins	-7.2	-17.9	7.4	2.7
Chocolates	0.8	-13.8	9.9	0.9
Tea	-1.9	-13.2	3.2	1.9
Coffee	8.6	-8.5	14.2	15.7
Ice cream	-16.2	15.3	8.6	4.3
Groundnut oil	-57.2	81.2	-2.3	-1.0
Hair oil	7.1	-24.3	2.9	1.4
Toothpaste	7.0	-2.2	5.8	2.9
Soft drinks	5.0	16.4	3.0	1.0
Instant foods	2.2	10.3	6.8	2.6

Source: CEIC, Bank of Baroda Research, Note: some items of CPI are used interchangeably

'Moving out' momentum is maintained:

Buoyant economic activity has resulted in strong demand for certain goods. Wedding dates in Q1 have resulted in higher production of gold jewellery. This is albeit higher domestic and international prices of gold. The higher production of gold jewellery also comes against an unfavourable base. Production of readymade garments, undergarments, creams, lotions, sunglasses, bottled water and tyres has increased considerably, partly due to lower base, favourable prices and indicative of 'outdoorsy' activity and travel. Production of sin goods also remains buoyant.

Table 3: Certain goods production reflect economy is maintaining momentum

Durable and non-durables mix	Production-IIP		Price-CPI	
	Q1FY24	Q1FY25	Q1FY24	Q1FY25
Jewellery of gold	24.6	34.3	16.0	18.6
Readymade Garments, knitted	-31.6	21.0	6.8	2.8
Undergarments	-41.9	39.9	7.0	1.2
Travel goods, handbags, office bags, etc.	0.0	0.6	4.2	0.7
Tyres for Scooter/ Motorcycle/ 3- wheelers	-2.0	5.9	3.8	1.3
Sunglasses	-4.9	22.3	-	-
Spirits (Distilled alcoholic liqueurs)- whisky, gin, rum, vodka, etc.	20.6	37.0	2.2	5.2
Bottled water	-9.2	7.0	1.1	0.2
Cigarettes	0.9	5.0	1.1	2.5
Creams and lotions for topical application	-38.2	46.8	6.1	2.7

Source: CEIC, Bank of Baroda Research

Data reflective of changing consumer preferences:

- Production and price numbers reflect a healthy pickup in consumption demand. Durable goods demand holds firmly and is attributable to good tailwinds from summer season which led to a healthy double-digit production of AC, refrigerators. Apart from this item, the demand for white goods have been broad based with production of TV, mobiles phones outpacing the same period of previous year.
- Certain segments of FMCG are showing lower production, albeit a favourable price advantage. However, a closer look at the data reveals that consumers may be undergoing a change in consumption behaviour spearheaded by healthier quality of living and accordingly smart adoption of food preferences. For example, from biscuits, cakes, migration is towards healthy nut-based snacks such as cashew. From normal shampoo whose production number is in single digits, medicated shampoos have seen a sharp double-digit increase in production.
- The 'lipstick effect' also continued, and the economy showed quite a bit of momentum with travel goods, lifestyle commodities production picking up sharply. For all these items, prices have been largely capped, albeit higher input cost, as pass on to consumers have not been significant.
- Going forward, the green shoot of rural demand is already visible. Monsoon is progressing well, so is sowing. Food inflation shows a downward correction in Aug'24, which will be reflected in the coming prints. This coupled with early arrival of festival will further provide consumption demand the desired impetus. The underlying rhetoric is quality living for consumers as reflected in the current data.

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