



Publication: Business Standard

Page no: 1 and 14

Date: Oct 11, 2016

# Consumer boom is back with a bang

Vehicles, air travel, consumer durables on an uptick; retail loans see robust growth

## THE GROWTH STORY

**BS REPORTERS**  
Mumbai/New Delhi, 10 October

Smiles are back on the faces of chief executive officers (CEOs) of Indian companies catering to the aspirational 400-million strong middle class. Indian consumers are spending liberally on automobiles, air tickets, mobile phones and other durables. Retail loans, too, are rising and this boom is likely to support the broader economic growth in the current financial year, say CEOs.

Passenger vehicle sales grew an impressive 17.8 per cent year-on-year (y-o-y) in the second quarter of FY17, while two-wheelers posted 20 per cent-plus growth in the same period. Passenger vehicles and two-wheelers grew at 7.3 per cent and three per cent, respectively, in FY16 over the previous year.

Airlines have reported a robust 23 per cent growth in passenger traffic between April and August this year on a 20 per cent y-o-y growth in calendar 2016. Air traffic growth stood at 10 per cent in 2015.

Pizza Hut and Kentucky Fried Chicken (KFC) reported robust same-store sales growth in the September 2016 quarter after 11 quarters of decline.

All these have brought optimism in the corner offices of India Inc. Festival season, Seventh Pay Commission, lower interest



**"WE ARE ON THE CUSP OF A HUGE BREAKOUT"**

**R C Bhargava**  
Chairman, Maruti Suzuki



**"WE EXPECT 15% TRAFFIC GROWTH PER ANNUM FOR THE NEXT THREE YEARS"**

**Dinesh Keskar**  
Senior VP (Asia-Pacific), Boeing

rates, One Rank One Pension, and revival in rural demand on the back of good monsoons are expected to boost consumption.

This consumption comes in the backdrop of lacklustre industrial production even as August index of Industrial production (IIP) declined 0.3 per cent y-o-y between April and August 2016 on a decline in manufacturing and weak growth in mining. Analysts, too, say that the consumption story should continue, going forward.

CRISIL expects rural incomes to push private consumption to 8.3 per cent in FY17,

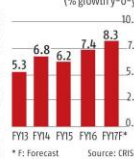
compared with 7.4 per cent in FY16. CRISIL expects the gross domestic product to grow at 7.9 per cent this financial year.

CRISIL economists, led by Dharmakriti Joshi, wrote in a report, "Urban consumption remains healthy and will benefit further from lower inflation, spillovers from robust agriculture activity in manufacturing and services, greater transmission of past interest rate cuts, and the Seventh Pay Commission and One Rank One Pension payouts." The report added there were indications of green shoots in the rural markets, which account for 54 per cent of private consumption, and the recovery was likely to gain strength in the coming months.

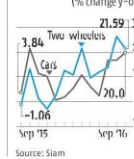
"We are on the cusp of a huge breakout," said R C Bhargava, chairman of Maruti Suzuki, India's largest carmaker. "If we look at the new jobs being created and salary hikes of Indians, we are in for a huge demand growth. China sells 22-23 million cars a year, while India sells 3.3 million a year. As our economy picks up, we're looking at a surge in demand."

In air traffic, experts expect growth rates to remain buoyant going forward. "We expect 15 per cent traffic growth per annum for the next three years," said Boeing's senior vice-president (Asia-Pacific) Dinesh Keskar.

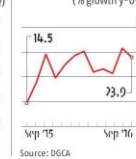
### Private consumption



### Domestic auto sales



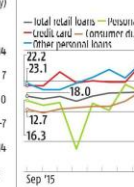
### Air traffic



### Consumer goods



### Retail loans



Years are calendar years; \* P: Projected. Source: Reserve Bank of India, Bloomberg, Consumer Electronics and Appliance Manufacturers Association. Compiled by BS Research Bureau.

Turn to Page 14



► FROM PAGE 1

## The great Indian consumer boom is...

In air traffic, experts expect growth rates to remain buoyant going forward. “We expect 15 per cent traffic growth per annum for the next three years,” said Boeing’s senior vice-president (Asia-Pacific) Dinesh Keskar.

It’s not transport alone. Indian banks and non-banking financial services

(NBFCs) are seeing a major increase in retail loans, especially those for vehicles, consumer durables and credit card spends, which have risen 18-30 per cent in the past three months. With the Reserve Bank of India signalling a rate cut, more consumers would be encouraged to take loans as banks woo

customers with new offers, say bankers.

“Under-leveraged retail balance sheets, better information through credit bureaus, better credit experience and rise of new lenders including NBFCs have led to lower rates, higher loan-to-value and, therefore, higher growth of retail books,” said Ajay

Srinivasan, chief executive-financial services at Aditya Birla Group.

The consumer surge is also witnessed in consumer durables, new mobile phone connections and expensive handsets. Reliance Industries announced it signed up a record 16-million customers for its mobile phone serv-

ices, Jio, within 26 days of launch. At the same time, taking advantage of the festive mood, consumers queued up to buy India’s most expensive Apple iPhone 7 handsets, as its sales touched the 100,000-mark in its first weekend sales. Sales of consumer durables such as televisions, refrigerators, air-conditioners