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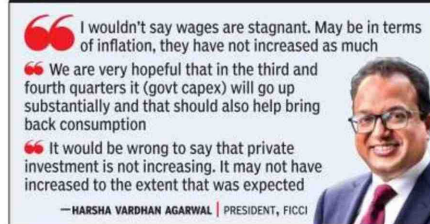
'Consumption to go up after inflation eases'

Sidhartha & Surojit Gupta | TNN

Harsha Vardhan Agarwal, vice chairman and managing director of Emami, has taken over as president of the Federation of Indian Chambers of Commerce and Industry (Ficci). In an interview, Agarwal tells TOI that it will take one or two quarters more for consumption to be "normal" and said the focus should be on moderating inflation as higher prices have dented consumption in urban areas. Excerpt.

Lower real income seems to have hit consumption. Is the industry feeling the effect of slowdown?

At a broader level, consumption has been impacted and that's why for many FMCG companies the second quarter results have not been the kind that one is used to, and one of the reasons is consumption. Discretionary spending is where it gets impacted. In India, of the average retail purchase, 75% goes towards food and grocery items and only 25% is for discretionary spend. Any impact of food prices has an adverse impact on discretionary spend. Since there are some challenges in terms of food prices, it has an impact. Coming to my company, it's a mixed bag because in rural areas we are seeing some uptick, premium products are



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— HARSHA VARDHAN AGARWAL | PRESIDENT, FICCI

doing well. It's the middle class and the lower middle class that is where the real impact is.

Was the slowdown in the Sept quarter just a blip? Have you seen sales improve during first two months of the quarter?

The Sept quarter was certainly not great. If you ask me whether in the next one or two quarters we go back to normalcy? I wouldn't say yes. But would you say things are improving? I would say we see the situation gradually improving.

Will a rate cut help?

That is the balance that RBI is trying to achieve by not cutting interest rates as it may have an impact on inflation. The idea is first to contain inflation because consumption will go up once inflation eases to an acceptable level.

There's a lot of commentary around stagnant wages. How much of that is contri-

buting to slowdown?

I wouldn't say wages are stagnant. May be in terms of inflation, they have not increased as much.

What would be your suggestion for fixing this consumption slowdown?

The solution is that inflation has to be brought down and right now that's where the govt's focus is. Once that is under control, consumption should come. The second is capital expenditure because in the last quarter govt capex was lower, primarily because of elections. We are very hopeful that in the third and fourth quarters it will go up substantially and that should also help bring back consumption.

What about private investment? Why is the private sector not rising?

It would be wrong to say that private investment is not increasing. It may not have increased to the extent that was expected.