

# Robust kharif, rabi prospects augur well for private consumption: RBI Governor Das on demand weakness

By Ashish Pandey, ET Online • Last Updated: Dec 06, 2024, 02:07:00 PM IST

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## Synopsis

Market research firms have reported that urban FMCG consumption growth had slowed to nearly 2-3% in the first half of 2023, against 5-6% in the previous year.



India is expected to produce record kharif crops this year, according to the first advance estimates by the agriculture ministry earlier in November this year.

Reserve Bank of India (RBI) Governor Shaktikanta Das on Friday allayed concerns on muted consumer demand saying private consumption is expected to improve with good crop prospects.

“Looking ahead, robust kharif foodgrain production and good rabi prospects, coupled with an expected pickup in industrial activity and sustained buoyancy in services augur well for

private consumption,” said Das while presenting RBI’s fifth bi-monthly monetary policy of FY25.

It comes after FMCG companies in the past few months reported slowing urban demand, mainly in the lower half of the urban market, popular and mass segments.



Notably, India is expected to produce record kharif crops this year, according to the first advance estimates by the agriculture ministry earlier in November this year. The kharif foodgrain production for 2024-25 is projected at 1,647.05 lakh metric tonne (LMT), higher by 89.37 LMT against last year. It's 124.59 LMT higher than average kharif foodgrain production.

Market research firms have reported that urban FMCG consumption growth had slowed to nearly 2-3% in the first half of 2023, against 5-6% in the previous year. Factors contributing to this fall include rising inflation, which was nearly 6% in September 2023 — above the RBI target range of 2-6%.

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The inflationary pressure reduces consumers' disposable income and purchasing power; and economic uncertainties, such as job market instability and moderated GDP growth projections, have made consumers more cautious about discretionary spending, say experts. Consumer surveys conducted in mid-2023 have indicated a shift among urban consumers toward value-for-money products or opting for more affordable brands.

Das also said that food inflation is likely to soften in Q4 with seasonal easing of vegetables prices and kharif harvest arrivals and good soil moisture conditions along with comfortable reservoir levels auguring well for rabi production.

"We welcome this positive outlook, as India's strong agricultural prospects, highlighted by robust Kharif production at record 164.7 million tonnes in the current fiscal year and promising Rabi outcomes as expected to increase by 4% compared to last year, are set to bring much-needed balance to urban markets. Warehousing demand has already shown an uptick compared to H1, and we are confident that this robust growth in supply, coupled with government spending, will help ease food inflation. This, in turn, is likely to uplift consumption in the lower half of urban markets," said Sandeep Sabharwal, Group CEO, SLCM Group.

Similarly, Vivek Iyer, Partner, Grant Thornton Bharat, said, "The India story continues to be strong and the impending US election was also one of the reasons for slow down as industry wanted to prioritise investments post the election with more clarity. Given the US election outcome which doesn't have a negative impact on India, we believe that the demand pick up is a fair assessment."

However, Das also warned that adverse weather events and rise in international agricultural commodity prices pose upside risks to food inflation.

Headline [CPI inflation](#) surged above the upper tolerance level to 6.2 per cent in October from 5.5 per cent in September and sub-4.0 per cent prints in July-August, propelled by a sharp pickup in food inflation and an uptick in core (CPI excluding food and fuel) inflation.

Meanwhile, the [RBI MPC](#) had in October left its inflation forecast for this fiscal year unchanged at 4.5%. The central bank now sees inflation for Q3 and Q4 of this fiscal year at 5.7% and 4.5%, respectively. For FY26, the RBI projects inflation at 4.6% in Q1, up from 4.3% forecast in October policy, and 4% in Q2, with risks evenly balanced.

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