

## **Budget 2016 - Consumer Goods Industries – Better Times Ahead**

While it is easy for some to feel disappointed at the lack of theatrics and so-called big-bang reformist fireworks in the newest Union Budget, there is enough reason to feel optimistic about the nation's economy in general, and a noticeable boost in consumer spending in the quarters to come.

The current NDA Gov't has been consistent in its focus areas and these have been reiterated in the Budget speech once more through the 9 pillars of transformation of India to a more efficient country to do business in, and more inclusive for its 127 crore citizens. The hike in Gov't spending in various areas will steadily yield more visible results by way of better capacity utilization of core industries such as steel and cement and capital goods producers, higher job creation, and improving the rural economy in particular. In the last three years, the Indian economy has not only faced several global headwinds that have led to contraction in exports (with the only silver lining being benign crude prices) but also 3 highly deficient monsoons that have severely stressed the rural economy. With increasing public spending on rural infrastructure and other specific schemes directed towards rural population and more marginalized population, that only other boost the economy needs this year is a good monsoon that can then stimulate rural demand in a big way and in the process, provide impetus not only to companies having a direct exposure to rural sector but also consumer products companies in general who can benefit from higher consumer incomes in rural India.

A potential big change can also be the Government's decision to allow FDI in production and marketing of food products produced in India, and creating e-trading platform for farm goods for those states (currently 12) who have agreed to repeal the antediluvian APMC act. While it is too early to say if this finally means opening of India's (food) retail sector to foreign investment (DIPP should come out with a policy document shortly clarifying the FM's budget announcement), if food retail sector were to be opened up to a national (or nearly national) sourcing of farm goods and to global investment, this could benefit millions of farmers (by getting prices for their produce) and hundreds of millions of Indian consumers (by paying lower prices at retail).

In the Budget speech, the FM has also promised to come up with a new model Shops & Establishments Act that would, among other changes, provide all shopping areas and shops to remain open 7 days a week and theoretically, 24 hours a day (subject to appropriate labor protection regulations). While it is up to specific states to adopt this Act, directionally it is step that would be welcome both by millions of independent shopkeepers as well as shoppers across the country.

On the whole, therefore, India should see stronger growth in private consumption in the next 12 months.

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