



Household Consumer Expenditure Survey - 2022-23

Highlights:

- ✓ ***The Household Consumer Expenditure Survey has been released to the public after a gap of 11 years and usually is a precursor to change in the CPI basket and weightages.***
- ✓ ***Since the last survey in 2011-12, rural consumption has grown faster at 164%, while urban consumption spending has grown by 146%.***
- ✓ ***Consumption patterns have undergone change as the Indian economy is spending more on non-food items as compared to food items.***

Much awaited Survey is released: The Household consumer Expenditure Survey compiled and published by the National Statistical Survey Office (NSSO) was to be released in the year 2019-20, but due to the pandemic it was postponed and was finally released in a factsheet in 2024, and the more comprehensive version of the same is yet to be released. The Survey aims to generate estimates of Monthly Per Capita Expenditure (MPCE) analyzed and classified into rural, urban, state-wise, union territory and across various socio-economic groups.

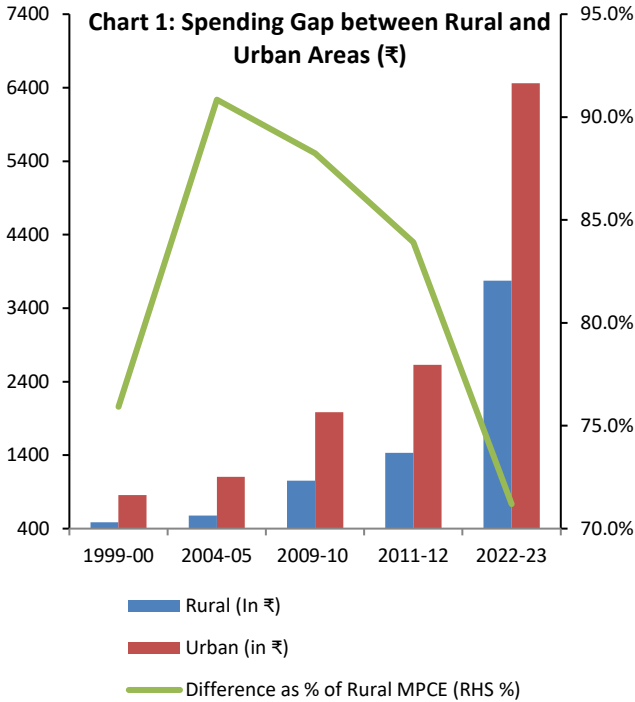
The survey is a precursor to, and used as an input in the designing of the weighing diagram in the Consumer Price Index (Combined) for any given base year. So, for example, the present weighing diagram for CPI-Combined is based on the 68th Round of Household Consumption Expenditure Survey conducted in 2010-11. So, this new survey has been released after a gap of 11 years and it indicates the changing data trends and consumer expenditure patterns.

The survey has been conducted on a total sample of 2, 62,746 households of which 59 per cent are rural households and 41 per cent are urban households. The survey is conducted using the method of imputation for values of figures for consumption out of:

1. home-grown/home produced stock
2. gifts, loans, free collection and goods received in exchange of goods and services etc.

And a second set of estimates is generated using an appropriate method of imputation for values of items for

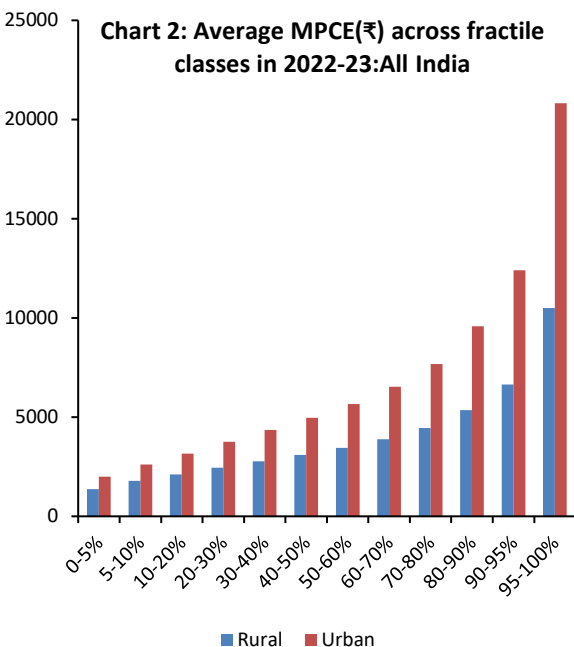
3. Goods received free of cost by households under various welfare programmes, which includes items such as:
 - I. Food items: Rice, Wheat/Atta, Jowar, Bajra, Maize, Ragi, Barley, Small Millets, Pulses, Gram, Salt, Sugar, Edible Oil,
 - II. Non-Food Items: Laptop/PC, Tablet, Mobile Handset, Bicycle, MotorCycle/Scooty, Clothing (School uniform), Foot wear (School Shoe etc.) received free of cost by households.



Source: MoSPI HCES-2022-23)

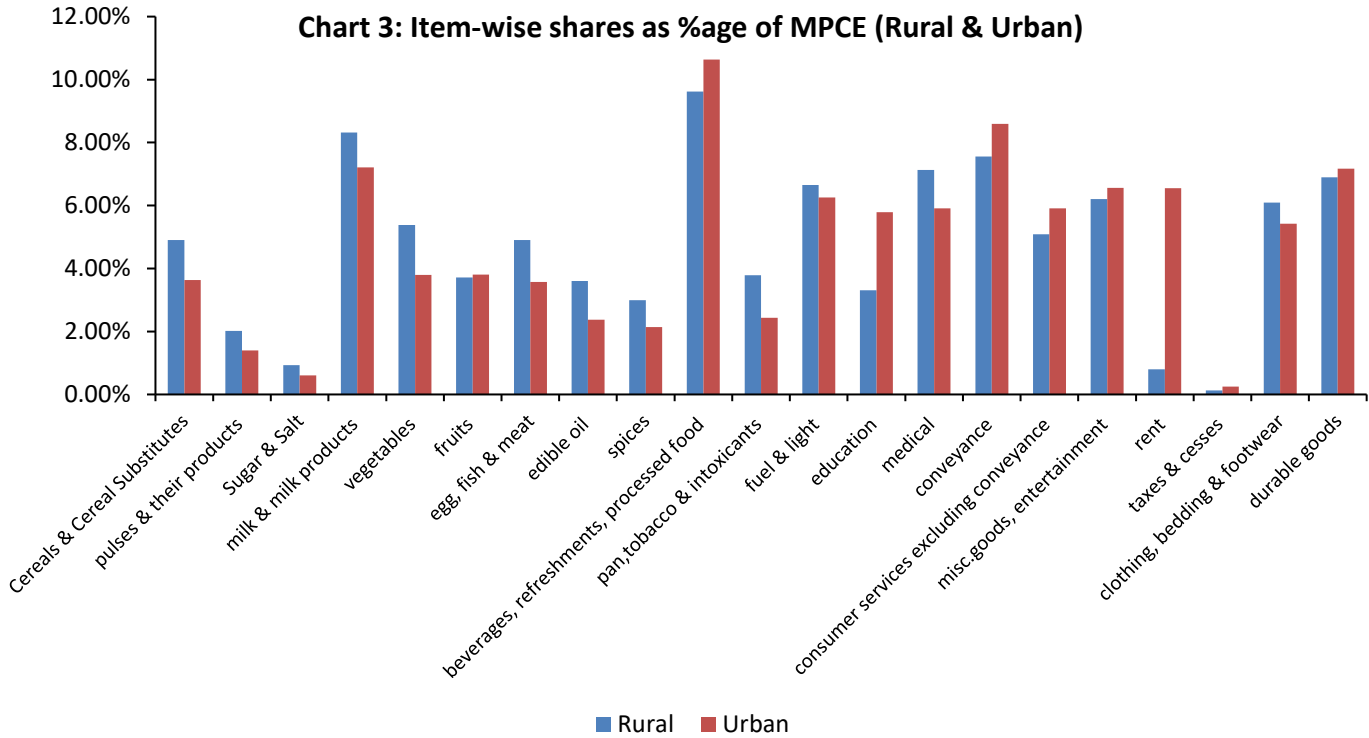
The spending gap seems to be narrowing: There is an issue of data compatibility between surveys taken pre-2010, which use a slightly different methodology of sampling and hence they are not comparable, although even since 2011-12 the spending gap as a percentage of the Rural MPCE has declined from 83.9 per cent in 2011-12 to 71.2 per cent in 2022-23. There are various points which data indicate in absolute terms, the gap on average appears to have declined, as the denominator has grown more on a low base as compared to its urban counterpart. For example, growth in rural spending over the past decade is ~164 per cent, the base of the ratio, while growth in urban spending is ~146 per cent, leading to a decline of the gap as a percentage of Rural MPCE. Though, if the gap was to be seen individually it has widened from 29 per cent to a significant 124 per cent from 2011-12 to 2022-23.

The most interesting facet is the fractile class of MPCE, which refers to where each fractile represents a proportion of population below a certain level of MPCE. In these data it is evident that the spending gap widens along with the increasing level of MPCE. So, the gap between the lowest rural and urban spending level is around 46 per cent, while the spending gap in the top most fractiles is close to 100 per cent in terms of average rural MPCE. So, the top 5 per cent of the population in rural areas spend on an average ₹ 10,501 in a month while the same cohort in urban areas spends around ₹ 20,824 in a month or ~98 per cent more than their rural counterparts.



Source: MoSPI HCES-2022-23)

Spending on Food has declined in both Rural & Urban geographies: On an average spending on food has declined as a percentage of MPCE, though spending on specific items such as processed food has increased over the decade, both in rural and urban centres. Item-wise consumption patterns indicate that as a percentage of MPCE, rural households tend to consume more of almost all the food items, and factoring in the variation of prices across rural and urban centers, the average low level of income in rural households would lead to percentage shares being more pronounced as compared to urban households. The times where urban households spend more on food are fruits and beverages, refreshments and processed foods which include prepared meals. Thus, consumption and spending on processed food has picked up in the last decade for both rural and urban areas.



Source: MoSPI HCES-2022-23)

Consumption Patterns: Over the decade since 2011-12, consumptions patterns have undergone vital changes like, the consumption of food has declined in both the rural as well urban geographies as per the survey and on average spending on food and beverages as a percentage of total monthly spending of a household as declined from 52.9 per cent in 2011-12 to 46.4 per cent in rural households, and from 42.6 per cent in 2011-12 to 39.2 per cent in urban households in 2022-23.

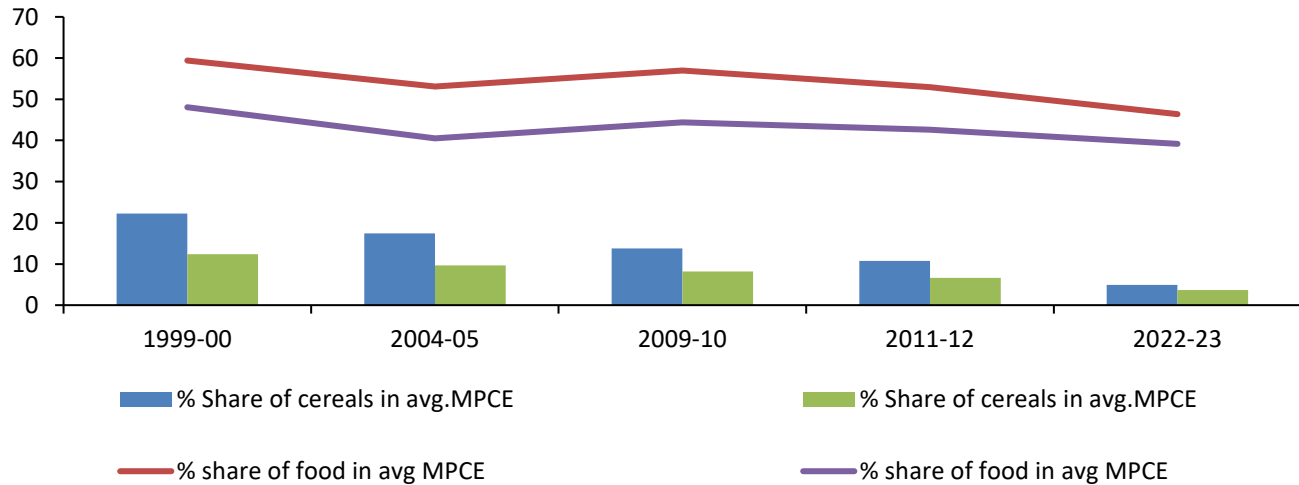
This has important ramifications for the weighing diagram in CPI-Combined, where now the base year should be 2022-23, and in this the weightage for food inflation should be lower than the current 45.9 per cent. Not only has overall spending on food declined as a percentage of total spending on important and sticky items like cereals too has come-off in the decade. In rural India the spending on cereals has declined from 10.8 per cent in 2011-12 to 4.9 per cent in 2022-23, and in comparison, the share of cereals in urban consumption has declined from 6.7 per cent to 3.6 per cent.

Will core inflation become dominant? As per the data in the survey the lowest expenditure by employment is for those who are self-employed in agriculture also signaling lowest incomes on average. Given that the Indian economy is growing at a pace of around 6.5-7 per cent in the next decade, incomes should grow along those lines and as the economy adjusts to newer technologies and shifts from agriculture to



industry and services, core inflation would likely be the more dominant strand in headline inflation for policy makers.

Chart 4 : Spending on Cereals & Food as a percentage of avg. MPCE (%)



Source: MoSPI HCES-2022-23

Non-food consumption: Non-food consumption has gone up from 47.1 per cent in rural households since 2011-12 to 53.6 per cent in 2022-23 and in urban households from 57.4 to 60.8 during the same period. Housing rent and conveyance indicate the balance in terms of spending which is highly skewed in data. Urban households spend close to 6.6 per cent of the MPCE on rent as compared to the rural counterparts who spend only 0.8 per cent of the MPCE, owing to the high rentals in urban blocks. Also, though rural areas see more spending on fuel, urban areas see higher spending on conveyance overall as a percentage of MPCE. While rural households spend 7.6 percent on conveyance, urban households spend 8.6 percent.

Outlook: The realignment of the weighing diagram in the new CPI series with the base year as 2022-23 should lead to comparatively stable headline inflation, though the movements in food will still be the deciding factor for the MPC as the weights should still be slightly above the 40 per cent level even in the new index series. Indian economy and the price dynamics have remained food-dependent since independence and apart from fuel, and imported items like crude oil and gold, very few variables have had a prominent place in the policy maker's mind. As the economy grows and even rural households slowly but surely change their consumption from more primary items to non-food items, core inflation shall gain more importance than currently seen, which will lead to different norms for policy making as the nature of inflation itself will undergo change with inflation becoming more stable and in fact more responsive to monetary policy.



STCI Primary Dealer Ltd.

CIN: U67110MH2006PLC165306

A/B1- 801, A Wing, 8th floor, Marathon Innova, Marathon Next Gen Compound,

Off. Ganpatrao Kadam Marg, Lower Parel (w), Mumbai 400013.

Dealing Room: (022) 66202217-20 • Settlements: (022)66202262-64, Fax (022) 66202288

Delhi Office: (011) 47676557-58 • Kolkata Office: (033) 40611435-36 • Bengaluru Office: (080) 42183166/1021

Please mail your feedback to stcipd@stcipd.com

- Website: <http://www.stcipd.com>
- Twitter: <https://twitter.com/stcipd>
- LinkedIn: <https://www.linkedin.com/company/stci-primary-dealer-ltd/>

THIS COMMUNICATION IS FOR INTENDED USERS ONLY. IT IS BASED UPON THE INFORMATION GENERALLY AVAILABLE TO PUBLIC AND CONSIDERED RELIABLE. THIS REPORT DOES NOT CONSTITUTE AN INVITATION OR OFFER TO SUBSCRIBE FOR OR PURCHASE OR SALE OF ANY SECURITY AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER WITH STCI PRIMARY DEALER LTD.