

Take advantage of India's consumption wave



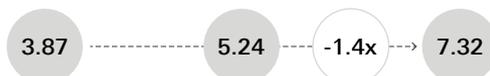
Recently, India has become the world's fifth-largest economy. With sharp growth in overall economy, India's per capita income has been growing at a healthy rate over the last many years and has crossed a pivotal mark of US\$2000 per capita recently. China and many other countries saw a massive increase in consumptions spends post attaining the per capita income level of US\$2000. India is expected to see similar strong consumption trends in the coming decade.

Population growth has always been an important driver of Emerging Market consumption. The United Nations (UN) estimates that by 2030 the global population will reach 8.5 bn. By 2030, the OECD expects 68.4% of India's population to be classified as one level higher to "middle class" – more than twice the level it was in 2019. That's more than a billion individuals representing 83.6% of the country's spending power. The large working population coupled with rapid urbanization, increasing income trends and aspirational outlook of young Indian will continue to drive strong growth in consumption themes in the country.

Increasing Middle-Class

Annual gross HH income ¹ (INR Lakhs p.a)	Number and % of Households (Mn) in different income brackets			Growth (19-30)
	2010	2019	2030	
Elite >20.0	3 (1%)	10 (3%)	23 (7%)	2.3x
Affluent 10.0 - 20.0	13 (5%)	26 (9%)	56 (16%)	2.1x
Aspirers 5.0 - 10.0	35 (15%)	50 (21%)	93 (26%)	1.6x
Next Billion 15 - 5.0	108 (45%)	130 (45%)	142 (40%)	1.1x
Strugglers <1.5	79 (33%)	64 (22%)	40 (11%)	0.6x

Average HH income¹ (Lakhs p.a)



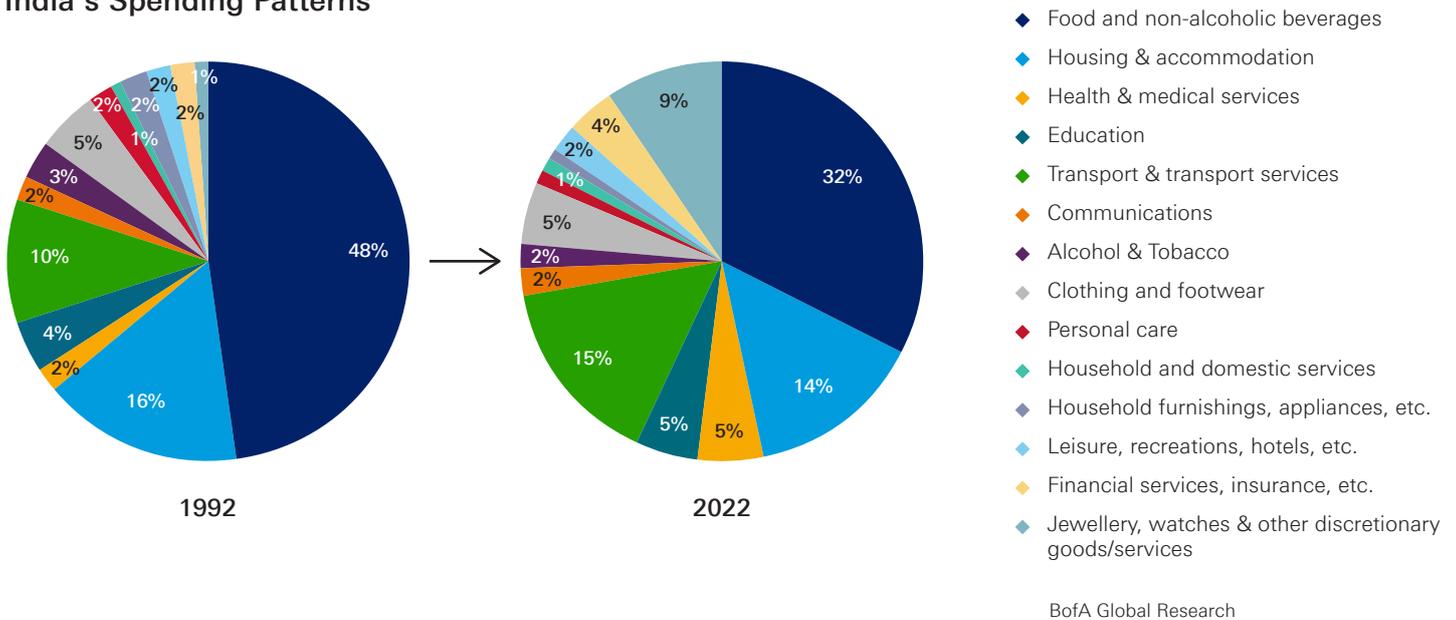
Number of HH (in Mn)



The strong GDP growth and demographic advantage has resulted in significantly higher per capita income over the last decade or so and is expected to continue to grow at a fast pace in the future. Higher income will improve lifestyles of average Indians, resulting in higher consumptions and change in spending pattern with higher discretionary spending.

As the economy grows, the purchasing power capacity of individuals also rises. This drives consumption demand for various goods and services. Domestic Consumption has been an important theme over the past decade in emerging markets. With technology enhancement, Indians today are keener than ever to stay ahead of the trends and spend money to fulfill their long-term aspirations. Information is rampantly available, and this has influenced the lifestyles of people, who are turning more aspirational. This has fueled growth in sectors such as Consumer durables, Retail, Auto healthcare, Telecom, Media & entertainment, Tourism, Paints, Consumer electrical, etc. apart from FMCG, indicating the scope for returns on consumption-based investing. The evolution of online retail has been one of the key themes in recent years. Increasing e-commerce usage has brought greater convenience, transparency and choice for consumers, and this is accelerating the pace of consumption growth. This trend has accelerated post COVID-19 as global lockdown measures have created a host of new e-consumers.

India's Spending Patterns



By 2030, India is expected to be the third largest consumer market in the world. India is a consumption-driven economy, as reflected by the 60% contribution by private consumption in the GDP. Despite facing some challenges due to the disruptions by COVID-19 and the increasing interest rates in recent times, India's consumption story remains one of the most compelling narratives in the global investing landscape.

India is now the world's most populous nation with 1.486 billion people which enjoys a demographic advantage with proportion of working age population over 50%, makes consumption a structural story for a long period.

Funds that invest in the India consumption story will be in focus over a long term and one should know more about them to take advantage.

Source: Bloomberg, BofA, HSBC Mutual Fund

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