

# FMCG sector closely 'tracking El Nino impact on rural demand'

**WORRYING SIGNS.** A weak monsoon can hit discretionary spending, non-food segments

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The FMCG industry is closely monitoring the influence of El Nino conditions on monsoons as that will have an impact on rural consumption sentiment. Players and analysts pointed out that in the June quarter, demand trends were broadly steady, especially for the food sector.

Concerns about a below-normal monsoon come at a time when rural consumption has been outpacing urban consumption and fueling the growth of the FMCG industry for the past several quarters.

Mayank Shah, Chief Marketing Officer, Parle Products, said there are concerns around El Nino's impact on monsoon and on rural consumption sentiment.

"A weaker monsoon could have a more adverse impact on discretionary spending and non-food segments in rural regions, while the food and essentials segment may



**STABLE DEMAND.** Players and analysts pointed out that in the June quarter, demand trends were broadly steady, especially for the food sector

not see a huge impact," he added.

Ashwani Arora, Managing Director & Chief Executive Officer, LT Foods Ltd, said that currently the company is not witnessing any "significant softness" in consumer demand for its food portfolio. "While inflationary pressures continue to influence household budgets, consumers are increasingly prioritising trusted, high-quality food brands, particularly in urban markets where demand remains relatively resilient. Our focus on premium and value-added

offerings has helped us stay closely aligned with evolving consumer preferences. As far as the monsoon outlook and the possibility of El Niño-related disruptions, the situation warrants careful monitoring," he added.

## INFLATION RATES

Recently, the senior management at P&G Hygiene and Health Care Ltd, in an analyst call, noted that while rural consumption continued to be higher than urban, it is seeing a softening trend driven by an uptick in inflation rates.

The company also said delayed monsoons could have an impact on category growth rates.

## REGIONAL VARIATIONS

"Regional variations in terms of demand trends may arise depending on the distribution of rainfall and prevailing crop conditions. For categories such as spices, in the coming quarter, rural consumption is likely to face some pressure as lower disposable incomes may affect consumer spending. In such an environment, consumers could increasingly shift towards more affordable alternatives, leading to moving to lower-priced offerings," said Jyotiroop Barua, Business Head, Confectionery, DS GROUP.

A report by Anand Rathi Research on Tuesday said the FMCG sector saw healthy sectoral revenue growth in the June quarter on the back of premiumisation and price-led growth. However, rural recovery and monsoon are key monitorables for industry growth.