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India Profiles

Consumer Incomes & Spending Patterns

In this era of globalization, the income and spending habits of the Indian Consumer is evolving. This document gives a perspective on this fast-changing trend.

Income levels are rising, with the strongest growth seen at the top end of the earning band.

An income-based classification identifies households belonging to eight income categories, ranging from those families earning less than Rs 90,000 per year (US \$ 1,957) to those earning over Rs 10 million (US \$ 217,391)

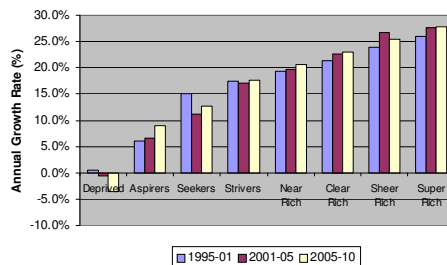
Over 110 million persons, from households earning Rs 90,000 - 1,000,000 (US \$ 1,957-21,739) annually, form the Indian middle class. By 2009-10, this group is expected to number 103 million, (which reflects a growth of around 41 percent annually), and will comprise over 48 percent of the population.

Category	Annual Income INR '000	Households			
		1995-96	2001-02	2005-06e	2009-10e
Deprived	Less than 90	131,176	135,378	132,250	114,394
Aspirers	90 to 200	28,901	41,262	53,276	75,304
Seekers	200 to 500	3,881	9,034	13,813	22,268
Strivers	500 to 1000	651	1,712	3,212	6,173
Near Rich	1000 to 2000	189	546	1,122	2,373
Clear Rich	2000 to 5000	63	201	454	1,037
Sheer Rich	5000 to 10000	11	40	103	255
Super Rich	Above 10000	5	20	53	141
		164,877	188,193	204,283	221,945

More people will be in the high-income segment in the coming years.

The upper income segments are experiencing the highest growth rates. Growth rates of income classes will accelerate over the next decade except at the bottom where the total number will decline, and at the top end where it will stabilize. As a result, the proportion of lower-income households will drop steeply.

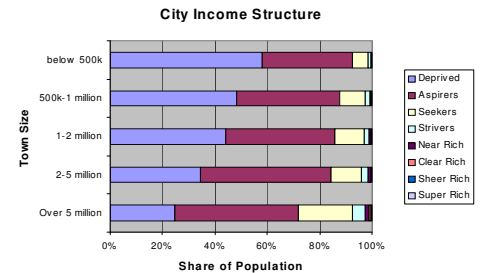
Income Category Growth Rates



Wealthy people live mainly in big cities.

The larger towns (population 5 million+) hold most of the urban wealthy, accounting for 51 percent of rich households (annual income Rs 500,000-10,000,000 or US \$ 10,870-217,391) and 61 percent of super-rich households (those with incomes over Rs 10,000,000).

However, prosperity spreads beyond the large towns. A significant share of these income categories (18 percent and 17 percent respectively) reside in towns of less than 500,000 people.

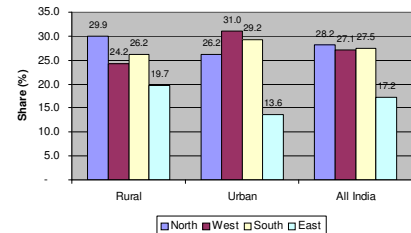


The northern and western regions are the wealthiest in terms of income share and income density.

The northern region has the highest share of income, followed by the south.

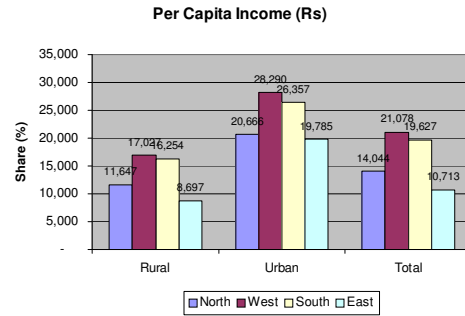
The west accounts for the largest share of super-rich households, while the north has the largest share of all other upper-income categories.

Share of Income



In per capita terms, the west has the highest per capita income level (Rs. 21078 or US \$ 458) followed by the south (Rs 19627 or US \$ 427).

The western states also have the most high-income earners per million households.



Across all the middle and high income classes, except the super-rich, growth has been highest in the southern states. The southern states have also seen the largest decline in poor/low income households.

There are clear differences in prosperity at a state level.

While Uttar Pradesh is most populated state, the wealthiest state is Maharashtra.

Other key states are West Bengal, Tamil Nadu and Andhra Pradesh.

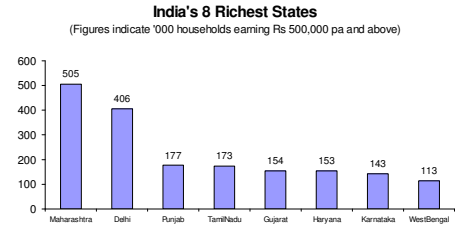
There is a regional bias in income growth with the north and west being the richest regions

Western states hold the largest number of high-income households, have the highest per capita income (Rs. 21078 US \$ 458) in 2001-02), the highest number of super-rich households and the highest density of rich households per million households.

In terms of density, the north dominates, with Delhi and Chandigarh having the largest proportion of richest households (1904 and 1045 per million households respectively).

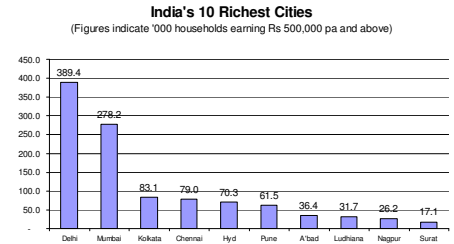
The largest growth in prosperity has been in the south, where the high-income households have grown the fastest.

About 70 percent of India’s rich live in eight states: Maharashtra, Delhi, Punjab, Gujarat, Tamil Nadu, Haryana, Karnataka and West Bengal.



Specific urban clusters show far higher than average income levels and growth rates.

There are 67 key cities identified as being rich and having a population of over 500,000. Two-thirds of the super-rich live in just two cities – Delhi and Mumbai.



However, services-driven and export-led growth have increased prosperity in places such as Class 2 towns (those with populations between 50,000 and 100,000 e.g. Pune), and industrial clusters (e.g. Tirupur) among the top 67 cities.

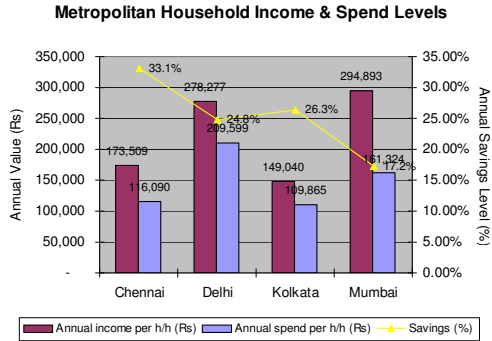
Spending patterns are affected by local culture as well as opportunities.

An indication of the regional differences in spending can be derived from an examination of the key metropolitan cities of Mumbai, Delhi, Chennai and Kolkata.

Income and Spending Levels

Household income in Mumbai is the highest, while spending is the highest in Delhi. In fact, Delhi spending is higher than entire income of households in either Chennai or Kolkata.

The highest savings rate is seen in the south (reflecting cultural preferences), with the lowest in the west (reflecting expense levels rather than profligacy).



Spending Structure

There are significant variations across cities. While the single largest expense across all locations is food, Chennai spends the highest proportion on education and Delhi spends the highest on personal transport.

Spend (% of monthly spend)	Chennai	Delhi	Kolkata	Mumbai
Clothes	1.6	1.1	0.8	1.8
Consumer durables	1.7	1.7	5.1	1.7
Education	19.3	9.8	6.0	9.5
Entertainment	2.0	1.0	0.7	1.3
Food - Outside eating	3.5	4.0	3.8	4.5
Food items	32.8	27.6	39.4	34.5
Fuel & Lighting	7.0	9.6	6.9	7.8
Health	5.0	6.2	4.4	4.2
Housing	6.0	4.3	6.0	3.7
Others/Misc	1.5	1.9	5.7	1.6
Outdoor Entertainment	1.9	2.5	3.8	3.1
Personal transport	5.1	11.6	3.0	9.7
Readymade clothes	5.6	4.4	5.6	4.9
Telecomm	6.2	7.0	5.8	6.3
Transport	1.0	7.3	3.1	5.3

Summary

There is a tremendous boost in prosperity, both nationally and at regional levels. However, the increase in income has to be examined at a city level, rather than as a homogenous trend. Distinct regional and city-specific variations in spending habits, consumption baskets and eating preferences are observed across the country.

About the Author

Atul Vaid has extensive experience in new strategic initiatives, industry assessment and market-entry consulting. With over 15 years of consulting and corporate experience, he has handled a large number of cross-border assignments involving marquee clients in India and the Middle East.

Sources

This document is based on information provided by NCAER, New Delhi.

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