

## FEATURED INSIGHTS

DELIVERING CONSUMER CLARITY

# WILL IT RAIN GOOD NEWS IN THE HINTERLAND?

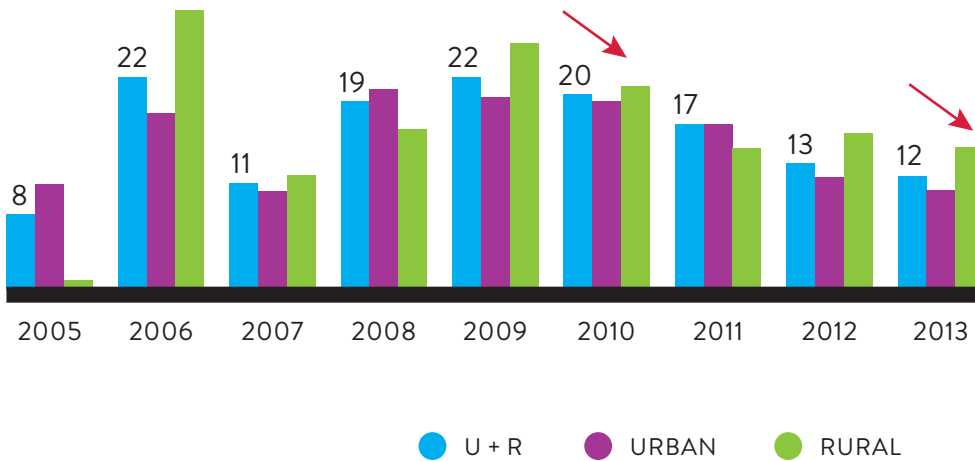
## A STUDY INTO THE LINK BETWEEN MONSOONS AND RURAL FMCG SALES

Each year, the rains bring Indians cheer and respite from the heat. And retailers and manufacturers should also feel refreshed when weather shifts. A recent study shows that monsoon season can influence FMCG sales in rural India.

The country's economy has been on a downward slope since 2010. But significantly, over the last two years, the rural regions' value growth rate is keeping the national sales growth average at double-digit figures.

### THE FMCG STORY

YOY - % VALUE GROWTH RATES



YTD JUNE % VALUE GROWTH RATES



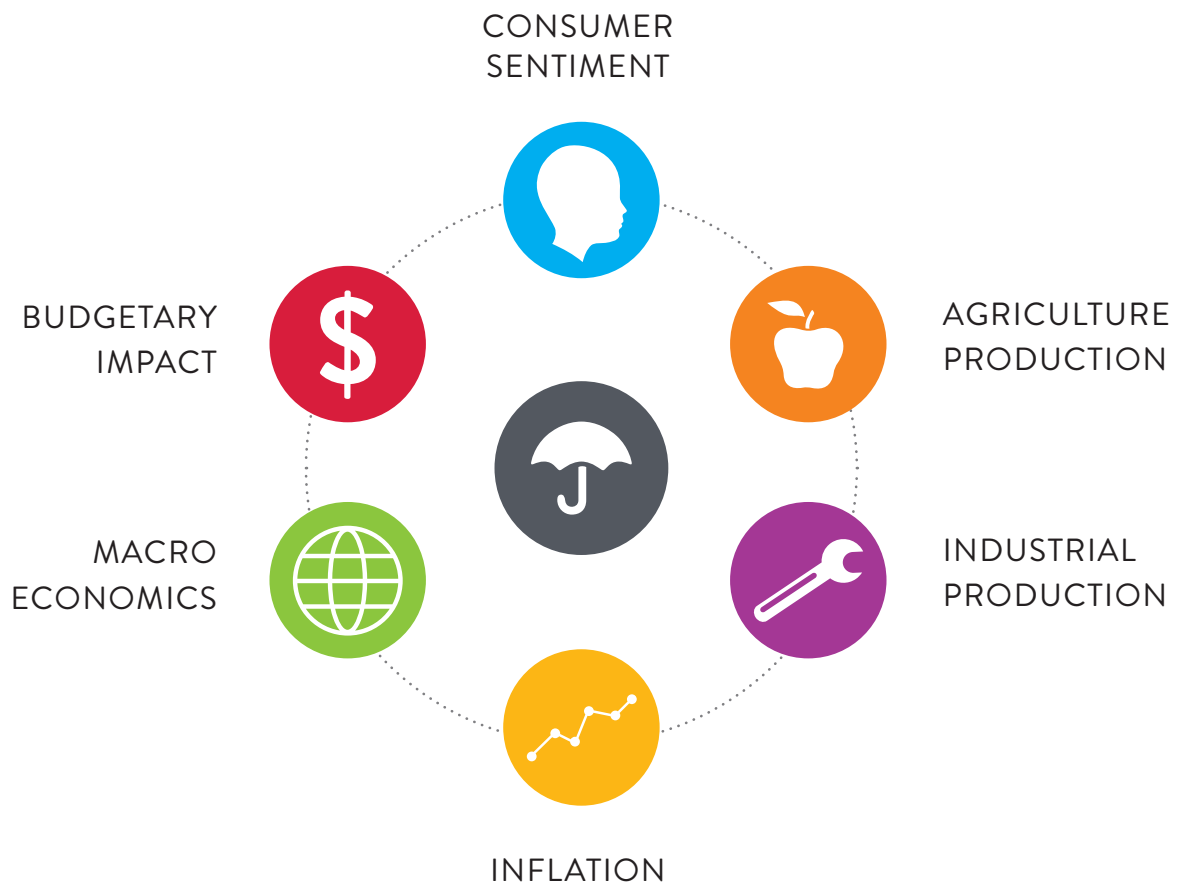
Figures in %

Source: Nielsen

## WHAT AFFECTS FMCG SALES IN THE HINTERLAND?

The usual suspects that drive FMCG sales patterns are consumer sentiment, agricultural production, industrial production, inflation, macroeconomics and the government's annual budget policies.

### VARIOUS FACTORS TO CONSIDER



Rainfall, however, also has a notable effect on rural FMCG sales. A poor monsoon lowers agricultural output and can lead to higher inflation. This in turn leads rural consumers to cut down on discretionary spending.

Consumers' current dependence on the monsoon season reflects the fact that nearly half the working population's livelihoods are linked to agricultural activities. Having said this, agriculture's effect on the country's GDP is far less today than a few decades ago. And rainfall does not seem to have as significant an effect on urban FMCG sales.

## THE MONSOON FACTOR

% IMPORTANT  
IN DRIVING  
RURAL SALES



RAINFALL  
ADEQUACY

- INDEX OF AGRICULTURAL PRODUCTION
- CONSUMER PRICE INDEX
- GOVT. FINAL CONSUMPTION EXPENDITURE
- CASH DEPOSIT RATES

### CURRENT RAINFALL LEVELS

1 <sup>ST</sup> JUNE - 6 <sup>TH</sup> AUGUST	RAINFALL LEVEL
ALL INDIA	82%

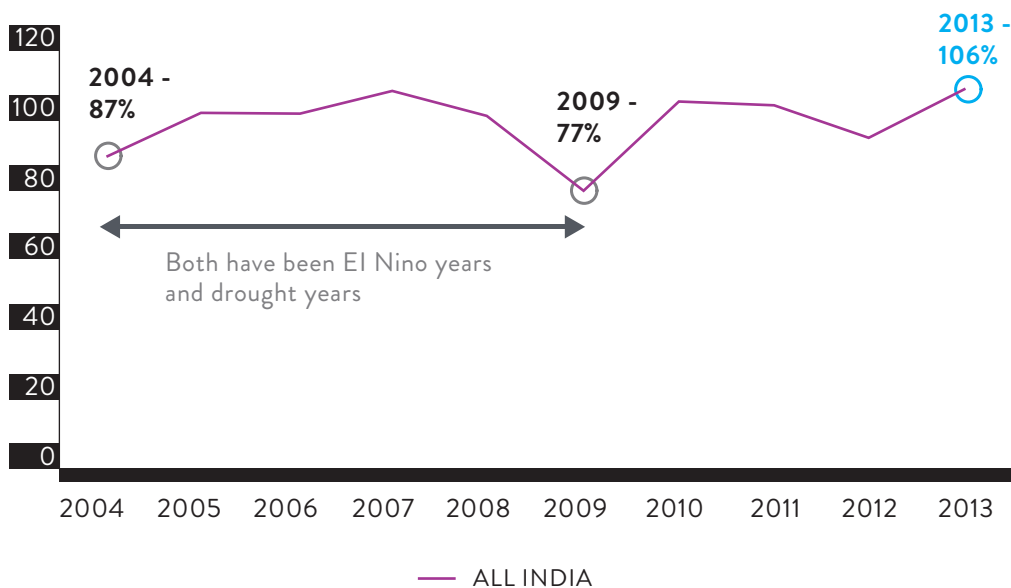
IMD IS PREDICTING 87%  
RAINFALL FOR THE YEAR  
(UPDATED FROM 93%)

Source: Nielsen

## IS IT RAINING YET?

2013 was a good year for rain, exceeding the annual rainfall expectation levels. The Indian Meteorological Department (IMD) defines expected rainfall as the average of last 50 years – long period average.

## DEFICIT VS. NORMAL



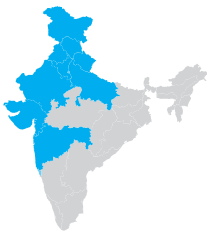
Source: IMD and IndiaStats, Normal rainfall - based on Long Period Average of 89 cm over 50 years

Rainfall this year has been significantly lower than in 2013 due to the El Nino effect, which can change weather patterns across Asia and the Americas. But there may be a silver lining on the clouds as India's weather has visibly improved over the last weeks. The IMD predicts a shortfall of 13% of annual rainfall levels as opposed to 18% deficit which is currently the case.

**INDIA RAINFALL: 1 JUNE - 27 AUG**



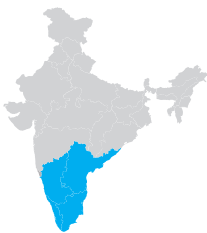
ALL INDIA  
 559  
 508  
 -18%



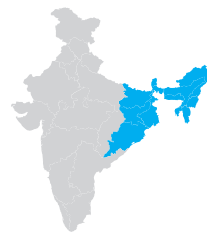
NORTHWEST INDIA  
 317  
 483  
 -34%



CENTRAL INDIA  
 632  
 757  
 -17%



SOUTH PENINSULA  
 478  
 539  
 -11%



EAST AND NE  
 972  
 1103  
 -12%

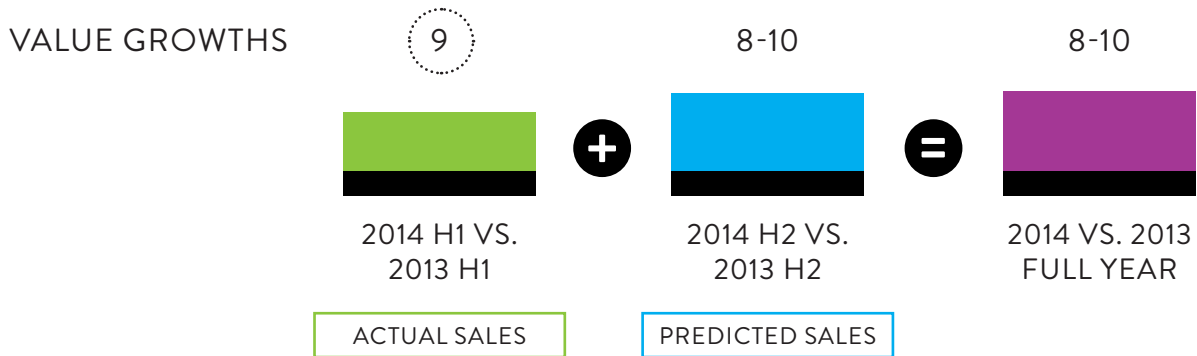
● ACTUAL RAINFALL (MM) ● NORMAL RAINFALL (MM) ● % DEPARTURE FROM LONG PERIOD AVG.

DEFICIT ACROSS THE BOARD OTHER THAN CENTRAL INDIA IMPROVEMENT OVER LAST 3 WEEKS THOUGH

**MET IS PREDICTING 87% RAINFALL FOR THE YEAR: A 13% DEFICIT**

If all macro variables like agricultural production, inflation etc., remain on track and rainfall reaches 87% of its annual potential as predicted by IMD, then FMCG sales growth in the second half of 2014 should be as high as the first half. While the sales growth rate is slower than 2013, rural India is likely to pull off 8%-10% value growth in 2014 versus a year ago.

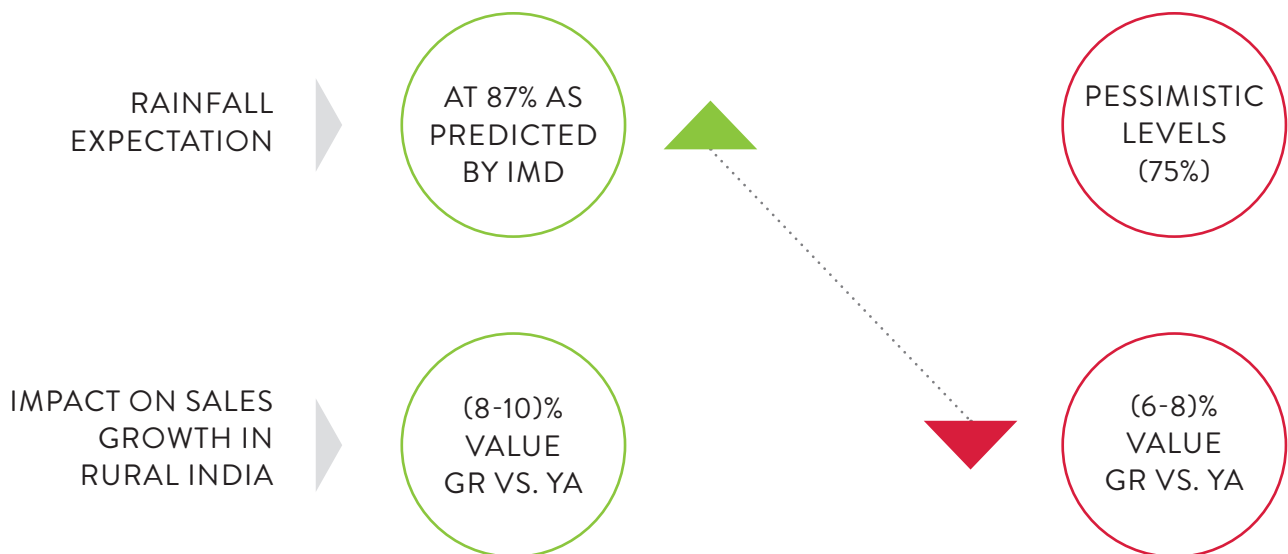
# PROJECTED FMCG RURAL SALES VALUE GROWTH FOR 2014



Figures in %

## A CONSERVATIVE ESTIMATE?

Though the IMD predicts 87% (revised downwards from 93%), the current rainfall levels are 82% of the expected level in 2014. The surge in rainfall over the last few weeks could ebb and keep rainfall levels below average. Whether we go by conservative rainfall level estimates or by the stronger rainfall predictions of the IMD, it is increasingly apparent that rainfall does influence FMCG sales fortunes in rural India. And the current predictive trends in rural India, including rainfall, seem to point to an upswing in the closing months of 2014.



## ABOUT THE AUTHORS



**VIJAY UDASI**  
EXECUTIVE DIRECTOR  
NIELSEN INDIA



**AJR VASU**  
DIRECTOR  
NIELSEN INDIA

Vidur Sarin from the Performance Management team contributed to this issue of Featured Insights.

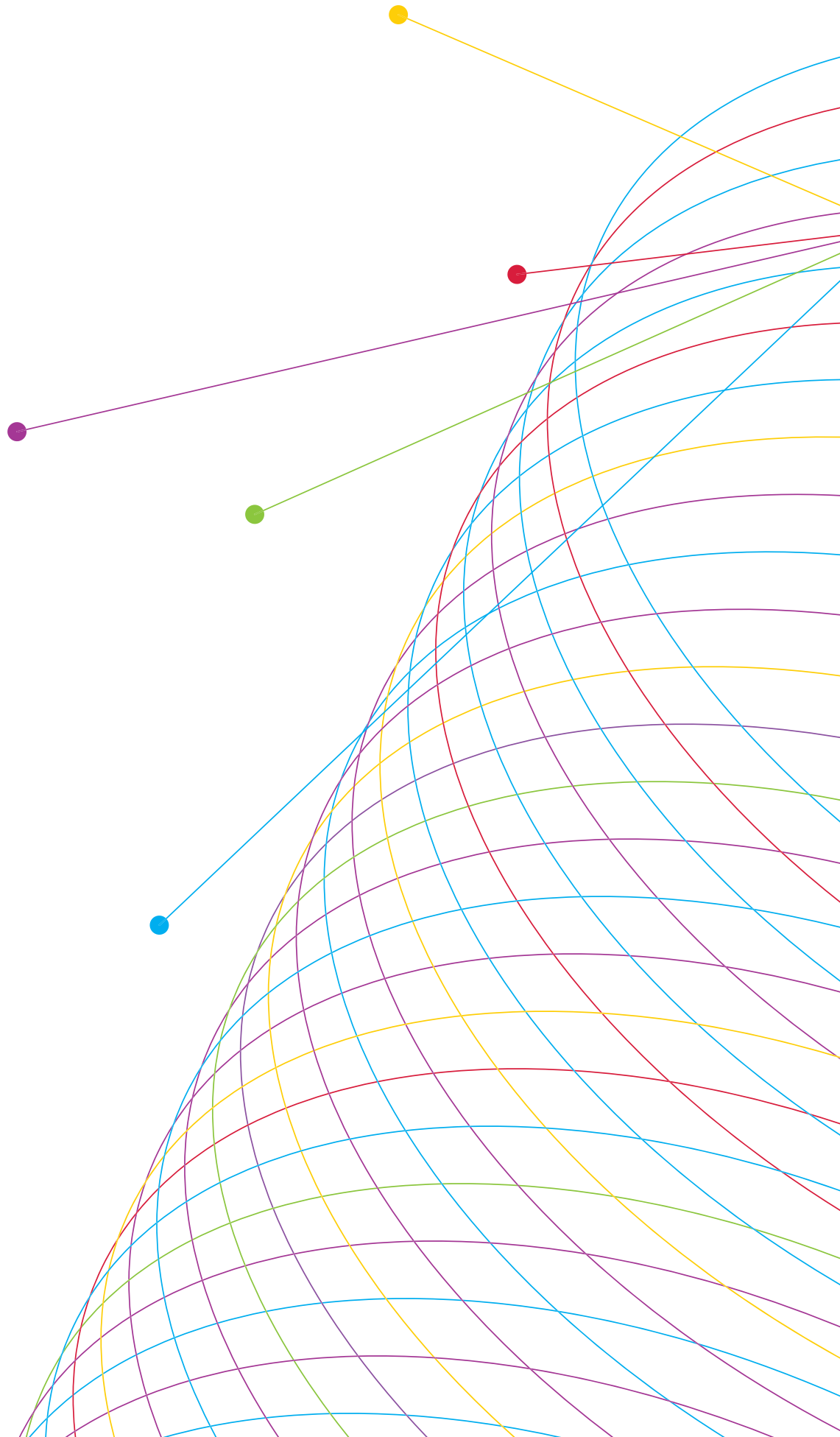
---

## ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

For more information, visit [www.nielsen.com](http://www.nielsen.com).

Copyright © 2014 The Nielsen Company. All rights reserved. Nielsen and the Nielsen logo are trademarks or registered trademarks of CZT/ACN Trademarks, L.L.C. Other product and service names are trademarks or registered trademarks of their respective companies.





nielsen

AN UNCOMMON SENSE  
OF THE CONSUMER™