

# FMCG firms to stay in the slow lane this year

Industry growth slipped into the negative zone in Jan-Jun, says Nielsen study

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**M**arket researcher Nielsen now projects India's packaged consumer goods sales to shrink or remain little changed from last year, slashing its rather optimistic 5-6% growth estimate made on 30 April on hopes that the sector would better withstand the fall-out from the coronavirus pandemic.

The fast-moving consumer goods (FMCG) sector, considered relatively immune to economic recessions, in India is now expected to shrink 1% in the worst-case scenario, Nielsen said on Thursday. At best, it will grow 1% in 2020 as the coronavirus lockdown has crimped demand and severely disrupted trade channels.

Nielsen expects the festive season to boost demand and help FMCG companies report better growth in the December quarter. But the outlook for these companies remains dim as widespread unemployment and a depressed economy may weaken consumer demand, it added.

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### WHAT'S IN STORE FOR THE SECTOR

**PACKAGED** consumer goods growth may shrink 1% in the worst-case scenario or, at best, grow 1% this year

**RESTRICTIONS** on manufacturing units and mobility of people and goods, among others, have severely affected the industry

**THE** festive season is, however, likely to boost demand and help FMCG firms report better growth in the December quarter

**BUT** the outlook for the sector remains bleak as widespread unemployment and a depressed economy may weaken demand

"The bellwether FMCG industry, which was trying to revive from a difficult 2019, had a significant hit in the April-June quarter, with a 17% decline in sales value as compared to the same quarter of 2019," Nielsen said in its FMCG Q2 report on Thursday.

"Severe and extended lockdowns, restrictions on manu-

facturing units and movement of people and goods, social distancing norms and store closures, among others, have had a significant impact on the FMCG industry, so much so that industry growth went to a negative zone in the first half of 2020 (6% decline in January-June period)," it added.

"Despite increased house-

hold consumption, even in the dairy sector, overall growth would remain flat for the year as out-of-home consumption including in hotels, restaurants and cafes remains nil," said R.S. Sodhi, managing director, Gujarat Co-operative Milk Marketing Federation, the owner of

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## FMCG growth may stay flat

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dairy brand Amul.

However, some early green shoots were visible in June when India eased lockdown restrictions. FMCG sales registered 4.5% year-on-year value growth in June, suggesting that shoppers stepped out to buy more goods.

Nielsen said an improvement in demand will hinge on how India tackles the surge in covid cases. "We are expecting some growth in the third quarter, but we are expecting faster growth in the fourth quarter as the festive season will fall more in the December quarter. I

wouldn't be surprised if the third quarter delivered similar growth to that seen in June," said Prasun Basu, South Asia zone president, Nielsen Global Connect.

India's largest packaged consumer goods firm Hindustan Unilever Ltd reported a 51% jump in its foods and refreshment business in the June quarter driven by demand.

"Looking at the way things were—food was definitely driving growth, unlock onwards

non-food FMCG has also bounced back. FMCG would grow at mid-high single digit," said Mayank Shah, senior category head, Parle Products.

In the three months to June, growth in rural markets and small towns outpaced that of metros.

Basu said rural will continue to outperform large cities driven by multiple factors, including government welfare schemes.

Gireesh Prasad contributed to this report.

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