

# FMCG industry growth may remain flat in 2020: Nielsen

**COVID SHOCK** Industry growth slipped into the negative zone in Jan-June, the study says

**Suneera Tandon**  
suneera.t@livemint.com

**NEW DELHI:** Market researcher Nielsen now projects India's packaged consumer goods sales to shrink or remain little-changed from last year, slashing its 5-6% growth estimate made on April 30 on optimism that the sector would better withstand the fallout from the Covid-19 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 Covid-19 lockdown has crimped demand and severely disrupted trade channels.

Nielsen expects the festive season to boost demand and help FMCG companies report 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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"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 manufacturing units and movement of people and goods, social distancing norms and store closures, among others, have had a significant impact on the Indian FMCG industry, so much so that indus-

try growth went to a negative zone in the first half of 2020 (6% decline in January-June period)," it added.

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 also hinge on how India tackles the surge in Covid-19 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.

In the quarter to June, growth in rural markets and small towns outpaced that of metros. In June, rural markets, which account for 36% of value sales of FMCG, grew three times faster than the pan-India growth, Nielsen said.

The pandemic was severe in Indian metros and urban centres, compared with rural areas. Industry sales continued to decline in bigger cities in June, Nielsen said. While all-India growth in June was pegged at 4.5%, rural markets saw value growth of 12.5%.

Basu said rural will continue to outperform large cities driven by multiple factors, including government welfare schemes, fewer positive cases and a relatively well spread out monsoon, which bodes well for the agrarian economy.