

India Watch

Consumption expenditure survey: share of food still high

Household consumption expenditure survey: methodology

Results of the latest household consumption expenditure survey (HCES) 2022-23 were released over the weekend. The NSSO and MOSPI together conducted this survey during Aug'22 to Jul'23. The key objective of this survey is to generate estimates of monthly per capita consumption expenditure (MPCE) of a household in both rural and urban areas. The distribution is separate for states, union territories and for different socio-economic groups. The survey collects information on consumption of goods and services by the households and demographic particulars of the households. As for its relevance for financial markets, this data is used for preparation of the weighting diagram for compilation of CPI. Information in the survey has been collected from 8,723 villages and 6,115 urban blocks, covering 2,61,746 households (1,55,014 in rural areas and 1,06,732 in urban areas). The consumption basket was divided into food items, consumables & services items and durable goods. A total of 405 items were covered in this survey. As during the duration of the survey a large part of total population was receiving free food grains (under the PM-JAY), a separate provision for collection of information on the quantity of consumption for a number of items, received and consumed by the households free of cost through various social welfare programs was made.

Per capita expenditure up for both rural & urban India

Prior to Jul'23 round of HCES, the last HCES was conducted during Jul'11 - Jun'12. Over the last 11 years, MPCE for urban areas is up by 35% and for rural areas by 44%. As per the latest round of HCES, MPCE for rural areas stands at INR 3860 and for urban areas at INR 6521 (Exhibit 2). As for share of spends in this total: 48% of MPCE in rural areas still goes to food (though down from 53% seen in last survey. For urban areas, 40% of MPCE goes to food, down from 42.6% seen in the last survey (Exhibit 3). Exhibit 4 shows sub-component wise share in MPCE for urban and rural areas. Processed foods have the highest share in the total food spends for both rural and urban areas. In the non-food total, conveyance has the single largest share.

Fractile data shows that the bottom 5% of India's rural population, ranked by MPCE, has an average MPCE of Rs 1441 while it is Rs 2087 in the urban areas. The top 5% of India's rural and urban population, has an average MPCE of Rs 10581 and Rs 20846, respectively

Implications for CPI: Weight of food to fall modestly

Exhibits 5 and 6 show change in % share of sub-components in MPCE for rural and urban areas over the last few HCES. For rural areas, the decline in share of food in total spends is largely driven by falling spends on cereals (this is adjusted for free-food grain program). The increase in non-food spends is led by higher spend share going to conveyance. As for urban areas, while the fall in spend share on cereal has driven the softening of total spend on food, the increase in non-food emanates from higher rent and conveyance spends, almost equally. In Exhibit 7, we assess what could weights for headline CPI look like when base year revision takes place. While all comparable data is not available, it is likely that weight of food in revised CPI could fall modestly to 42% from current 46%.

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CPI: Consumer Price Index

NSSO: National Sample Survey Office

MOSPI: Ministry of Statistics & Program

Implementation

PM JAY: Pradhan Mantri Jan Arogya Yojana

Consumption expenditure survey: share of food still high

Exhibit 1: Average MPCE (Rs.) and share of food and non-food

Rural India spends 47% of its monthly per capital expenditure on food vs 40% seen in urban India

Item Group	Rural India		Urban India	
	Average MPCE (Rs.)	Share in total MPCE (%)	Average MPCE (Rs.)	Share in total MPCE (%)
Food	1,832	47	2,589	40
Non-food	2,028	53	3,932	60

Source: MOSPI

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Exhibit 2: Average MPCE (Rs.) over different period

Nominally, monthly per capita expenditure in both rural & urban India has increased vs previous surveys, the gap b/w the 2 has narrowed too

Sector	1999-'00 NSS (55th round)	2004-05 NSS (61st round)	2009-10 NSS (66th round)	2011-12 NSS (68th round)	2022-23
Rural	486	579	1,054	1,430	3,860
Urban	855	1,105	1,984	2,630	6,521
Difference as % of Rural MPCE	75.9	90.8	88.2	83.9	68.9

Source: MOSPI

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Exhibit 3: Trend in share of consumption of cereals and food items

Over time, share of food in MPCE has steadily reduced for both rural & urban India

Period	Rural		Urban	
	% share of cereals in avg. MPCE	% share of food in avg. MPCE	% share of cereals in avg. MPCE	% share of food in avg. MPCE
1999-00	22.23	59.4	12.39	48.06
2004-05	17.45	53.11	9.63	40.51
2009-10	13.77	56.98	8.16	44.39
2011-12	10.75	52.9	6.66	42.62
2022-23	6.92	47.47	4.51	39.7

Source: MOSPI

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Exhibit 4: Absolute & % break-up of MPCE by item group in 2022-23

Processed food now has the highest share in total food expenditure by rural & urban India

Item group	MPCE (Rs.)		% share in total MPCE	
	Rural	Urban	Rural	Urban
cereals & cereal substitutes	267	294	6.92	4.51
pulses & their products*	76	90	1.97	1.38
sugar & salt	35	39	0.92	0.6
milk & milk products	314	466	8.14	7.15
vegetables	203	245	5.26	3.76
fruits	140	246	3.63	3.77
egg, fish & meat	185	231	4.8	3.54
edible oil	136	153	3.52	2.35
spices	113	138	2.92	2.11
beverages, refreshments, processed food#	363	687	9.41	10.53
food total	1,832	2,589	47.47	39.7
pan, tobacco & intoxicants	143	157	3.7	2.41
fuel and light	251	404	6.51	6.2
education	125	374	3.23	5.73
medical	269	382	6.96	5.85
conveyance	285	555	7.38	8.51
consumer services excluding conveyance	192	382	4.96	5.86
misc. goods, entertainment	234	424	6.07	6.5
rent	30	423	0.76	6.49
taxes and cesses	5	16	0.12	0.24
clothing, bedding & footwear	233	351	6.03	5.38
durable goods	262	465	6.79	7.13
non-food total	2,028	3,932	52.53	60.3
all items	3,860	6,521	100	100

Source: MOSPI

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Exhibit 5: Trend in percentage composition of MPCE since 1999-'00: Rural India (% share in total MPCE)

A sharp fall in share of cereals in total food expenditure is visible on one hand, a jump in conveyance expenditure increase in non-food total on the other

	1999-00 NSS (55th round)	2004-05 NSS (61st round)	2009-10 NSS (66th round)	2011-12 NSS (68th round)	2022-23
cereal	22.16	17.38	13.71	10.69	6.9
cereal substitutes	0.07	0.07	0.06	0.06	0.02
gram	0.13	0.13	0.13	0.14	0.24
pulses and pulse products*	3.81	2.97	3.19	2.76	1.73
sugar & salt	2.6	2.48	2.34	1.83	0.92
milk and milk products	8.75	8.17	7.64	8.04	8.14
vegetables	6.17	5.88	8.29	6.62	5.26
fruits (fresh)	1.42	1.46	1.93	2.25	2.48
fruits (dry)	0.3	0.34	0.49	0.58	1.15
egg, fish & meat	3.32	3.21	4.74	4.79	4.8
edible oil	3.74	4.44	3.69	3.74	3.52
spices	2.74	2.21	3.36	3.5	2.92
beverages, processed food#, etc.	4.19	4.38	7.4	7.9	9.41
food: total	59.4	53.11	56.98	52.9	47.47
pan, tobacco & intoxicants	2.87	2.6	2.95	3.21	3.7
fuel and light	7.52	9.81	8.03	7.98	6.51
toilet articles & other household consumables	4.73	4.83	4.02	4.01	5.01
education	1.93	3.12	3.59	3.49	3.23
medical (hospitalization)	1.37	1.62	1.65	2.15	2.31
medical (non-hospitalization)	4.72	4.65	3.75	4.5	4.66
conveyance	2.94	3.63	3.45	4.2	7.38
consumer services excluding conveyance	2.98	3.66	4.21	3.99	4.96
entertainment	0.42	0.6	0.79	0.99	1.06
rent	0.39	0.48	0.46	0.45	0.76
other taxes & cesses	0.16	0.19	0.21	0.25	0.12
clothing & bedding	6.85	6.74	5.3	5.99	5.18
footwear	1.1	1.01	0.92	1.02	0.85
durable goods	2.62	3.95	3.69	4.85	6.79
non-food: total	40.6	46.89	43.02	47.1	52.53
total expenditure	100	100	100	100	100

Source: MOSPI

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Exhibit 6: Trend in percentage composition of MPCE since 1999-'00: Urban India (% share in total MPCE)

Fall in spend share of cereals drove the overall decline in food spend. Increase in rent & conveyance pushed up non-food spend share

	1999-00 NSS (55th round)	2004-05 NSS (61st round)	2009-10 NSS (66th round)	2011-12 NSS (68th round)	2022-23
cereal	12.35	9.58	8.12	6.61	4.49
cereal substitutes	0.04	0.05	0.04	0.05	0.02
gram	0.11	0.1	0.1	0.11	0.18
pulses and pulse products*	2.84	2.04	2.37	1.93	1.2
sugar & salt	1.8	1.57	1.49	1.15	0.6
milk and milk products	8.68	7.54	6.9	7.01	7.15
vegetables	5.13	4.24	5.67	4.63	3.76
fruits (fresh)	1.95	1.68	2.54	2.64	2.48
fruits (dry)	0.47	0.46	0.63	0.78	1.29
egg, fish & meat	3.13	2.58	3.63	3.65	3.54
edible oil	3.14	3.29	2.66	2.66	2.35
spices	2.07	1.47	2.21	2.42	2.11
beverages, processed food#, etc.	6.35	5.91	8.03	8.98	10.53
food: total	48.06	40.51	44.39	42.62	39.7
pan, tobacco & intoxicants	1.9	1.54	1.53	1.61	2.41
fuel and light	7.75	9.47	6.94	6.69	6.2
toilet articles & other					
household consumables	5.5	4.65	3.88	3.88	4.93
education	4.33	6.67	8.09	6.9	5.73
medical (hospitalization)	1.44	1.44	1.83	1.96	1.89
medical (non-hospitalization)	3.62	3.76	3.16	3.58	3.96
conveyance	5.52	6.21	5.63	6.52	8.51
consumer services					
excluding conveyance	4.73	6.71	6.25	5.6	5.86
entertainment	1.16	1.79	1.6	1.61	1.57
rent	4.46	5.38	5.79	6.24	6.49
other taxes & cesses	0.69	0.77	0.79	0.82	0.24
clothing & bedding	6.05	5.6	4.85	5.37	4.62
footwear	1.18	1.03	0.96	1	0.76
durable goods	3.61	4.46	4.31	5.6	7.13
non-food: total	51.94	59.49	55.61	57.38	60.3
total expenditure	100	100	100	100	100

Source: MOSPI

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Exhibit 7: Sub-component wise share in MPCE as per latest HCES vs current weights in rural and urban CPI

While comparable weights for all sub-components of CPI is not available, the weight of food in headline CPI could potentially go lower with base year revision

	Current weight in CPI (2012=100)		Share in MPCE (2022-23 HCES)	
	Rural	Urban	Rural	Urban
Cereals and products	12.35	6.59	6.92	4.51
Egg, Meat and fish	4.87	3.09	4.8	3.5
Milk and products	7.72	5.33	8.14	7.15
Oils and fats	4.21	2.81	3.52	2.35
Fruits	2.88	2.9	3.63	3.77
Vegetables	7.46	4.41	5.26	3.76
Pulses and products	2.95	1.73	1.97	1.38
Sugar and confectionery	1.7	0.97	0.92	0.6
Spices	3.11	1.79	2.92	2.11
Beverages, refreshments	6.93	6.67	9.41	10.53
Food and beverages	54.18	36.29	47.47	39.7
Pan, tobacco and intoxicants	3.26	1.36	3.7	2.4
Clothing	6.32	4.72		
Footwear	1.04	0.85		
Clothing and footwear	7.36	5.57	6.03	5.38
Housing		21.67	0.76	6.49
Fuel and light	7.94	5.58	6.51	6.2
Household goods and services	3.75	3.87		
Health	6.83	4.81	6.96	5.85
Transport and communication	7.6	9.73	7.38	8.51

Exhibit 7: Sub-component wise share in MPCE as per latest HCES vs current weights in rural and urban CPI

While comparable weights for all sub-components of CPI is not available, the weight of food in headline CPI could potentially go lower with base year revision

	Current weight in CPI (2012=100)		Share in MPCE (2022-23 HCES)	
Recreation and amusement	1.37	2.04		
Education	3.46	5.62	3.23	5.73
Personal care and effects	4.25	3.47		
Miscellaneous	27.26	29.53		
General Index (All Groups)	100	100		

Source: MOSPI

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