

Downbeat Indian consumers withhold spending amid pandemic, says RBI survey



Consumer sentiment in India stayed put near a record low in July, weighed down by lower income and higher cost of living, according to a Reserve Bank of India survey.

The current situation index was at 48.6 in July from 48.5 in May, showed the RBI's consumer confidence survey that covered 5,384 households across 13 cities. A score below 100 suggests a pessimistic view in terms of economic conditions, while anything above that denotes the opposite.

Although the future expectations index rose to 104 from 96.4, suggesting optimism about the year-ahead prospects, it's unlikely to result in higher [consumer spending](#).

"The sentiments on overall spending remained unchanged as higher spending on essential items were offset by a drop in non-essential expenditure with consumers

expecting further contraction in discretionary expenditure in the year ahead,” the [RBI](#) said.

The latest survey came as the RBI’s Monetary Policy Committee kept interest rates unchanged at a record-low to support an economy still struggling to recover from the impact of pandemic curbs.

With forecasters warning of a third wave, any new restrictions could spell more bad news for the country, where private consumption makes up some 60% of gross domestic product.

A separate survey pointed to inflation expectations getting well entrenched, adding to the challenge for policy makers who halted interest rate cuts more than a year ago because of gains in price-growth. Sticky underlying price pressures since then have kept the rate-setters from resuming the easing, with many in the market starting to price in some unwinding of the easy policy in the coming months.

Already, one of the MPC members, Jayanth Rama Varma, voted against the dovish monetary stance that allows policy makers to keep borrowing costs lower for longer to support a durable economic recovery.

Here are other findings of the inflation expectations survey, which covered 5,963 households in 18 cities:

Households' median inflation perception for the current period remained elevated in double digits at 10.3%

Inflation expectation for three months rose by 50 basis points to 11.3%

Median inflation expectations for one-year ahead rose 60 basis points to 11.5%

[Consumer Spending](#)