



08-01-2025 NEWS

Indicators of Urbanization!

- ◆ Accurate statistical data is essential for effective administration. Conducting the Household Consumption Expenditure Survey, which was neglected for 11 years, continuously for the past two years is a commendable effort.
- ◆ Conducting a population census alongside this would have been even more beneficial. The National Statistical Office (NSO)'s Household Consumption Expenditure Survey provides insights into household income, consumption patterns, and other related factors.
- ◆ This survey, which was last conducted in 2011-12, was undertaken again in the financial years 2022-23 and 2023-24. It offers insights into how Indians allocate their income and the direction in which the economy is moving.
- ◆ The recently released 2023-24 survey report, prepared between August 2023 and July 2024, collected data from 2.6 lakh households. Notably, items received for free and benefits from welfare schemes were excluded from the household consumption calculations.

Key Findings from the Report:

- ◆ Household consumption increased marginally compared to the previous financial year.
- ◆ The average rural household consumption growth rate in 2023-24 is 3.5%, slightly higher than the 12-year average of 3.1%.
- ◆ Urban household consumption increased from 2.65% in the previous survey to 3.5% in the latest survey.

Comparing year-over-year data:

- ◆ Urban household consumption increased by 8.3%.
Rural household consumption increased by 9.2%.
- ◆ Monthly per capita consumption expenditure (MPCE):
Rural : '3,773 in 2022-23 '4,122 in 2023-24.
Urban : '6,459 in 2022-23 '6,996 in 2023-24.

Contributing Factors:

- ◆ Price inflation has likely played a significant role in the consumption increase. Even after accounting for inflation, average consumption rose by 3.5%. However, when compared to the 8.2% GDP growth, this increase appears relatively low.
- ◆ Rural households have started spending more than urban households. In 2011-12, the consumption gap between rural and urban households was 84%; by 2023-24, this gap had reduced to 70%.
- ◆ Significant portions of total spending in both rural and urban areas are allocated to food items, with increases observed in both regions:

Rural: 46.4% 47.04%

Urban: 39.17% 39.48%

Observations on Food Expenditure:

- ◆ Compared to 2011-12, the share of food expenditure in household budgets has declined:
Rural: 52.9% 50%
Urban: 42.62% 40%
- ◆ This reduction is a welcome shift over the long term, as it indicates increased spending on education, transportation, entertainment, and other needs.
However, data from the past two years shows rising food expenditure, attributed to food price inflation, which has affected non-food consumption. This trend is not conducive to economic growth.

Urban-Rural Gap and Economic Transition:**The survey highlights a significant change:**

- ◆ The consumption gap between rural and urban households has narrowed.
- ◆ Average monthly spending in rural areas has grown faster, reducing consumption inequality.
- ◆ Over the past decade, the urban-rural spending gap has decreased from 84% to 70%, possibly due to increased rural incomes, digital transactions, and the urbanization of rural areas.

Inter-State Disparities in Household Consumption:**States with lower urban MPCEs:**

Chhattisgarh : '4,927

Bihar : '5,080

Jharkhand : '5,393

Uttar Pradesh : '5,395

States with higher urban MPCEs:

Telangana : '8,978

Haryana : '8,428

Tamil Nadu : '8,175

Karnataka : '8,076

Urban MPCEs in underdeveloped states are 40-50% lower than in developed states.

Bridging the Economic Divide:

- ◆ The survey reveals significant disparities in household consumption expenditure between urban and rural areas in underdeveloped states.
- ◆ Planned interventions based on accurate data can ensure balanced development, reducing economic inequalities across states and between urban and rural areas.