Virus-control needed to revive demand for consumer durables

While the Indian economy was expecting a V-shaped recovery from the COVID-induced crisis, buoyed by the rising demand during the festive season between October-December 2020, the same is waning off given the uncertainties led by the new COVID wave. The second-wave further risks widespread tapering of demand as this time it has hit even rural areas, which were earlier less-impacted by the pandemic.

Especially, in the case of white goods (air conditioners, refrigerators, washing machines etc.), a slowdown in urban areas in 2020, was compensated by rural demand as workers migrated to their hometowns during the lockdown and sought employment under the Mahatma Gandhi National Rural Employment Guarantee Scheme, as also were supported through other stimulus measures to protect their incomes.

However, this time around, the impact of the pandemic may be more pervasive. As suggested by Mr. Mahesh Vyas, MD and CEO, Centre for Monitoring Indian Economy, recently, “Demand for consumer durables seems to have shifted in favour of households with higher incomes. But, this market could be thin”.

Despite the low demand, consumer durable manufacturers are hiking prices owing to higher commodity prices of steel, copper, aluminium etc., which act as raw materials for white goods.

While rising inflation and slow growth may lead to a stagflation-like situation, especially in the consumer durables sector, availability of the COVID-19 vaccine raises hope that the slowdown may be a temporary phenomenon, and the economy will soon bounce back through revival in consumer sentiments and demand.

At a time when the Indian judiciary is taking a balanced view on protecting the interests of small borrowers as well as ascertaining the viability of banks, a quick-control over the spread of the virus may lead to demand-uptick from low-income households and have a multiplier effect on the economy.

Notifications

PIB

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Exchange Rate Notification