Reversal of Declining Food Expenditure Trends in 2023-24

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Why in News?

- The Household Consumption Expenditure Survey (**HCES**) 2023-24 provides crucial insights into consumption patterns, inequality, and regional variations.

- The report highlights **a significant reversal in the decade-long decline in the share of food expenditure in both rural and urban households.**
- India's average household consumption spending on a per capita basis rose about 3.5% in real terms through August 2023 to July 2024 from a year ago.

What is HCES?

- Released by the Ministry of Statistics and Programme Implementation (**MoSPI**),HCES is **designed to collect information on consumption and expenditure** of the households on **goods and services**.
- The survey provides data required to assess **trends in economic well-being** and to determine and update the basket of consumer goods and services and weights used for the calculation of the Consumer Price Index.
- Data collected in HCES is also used to **measure poverty, inequality, and social exclusion**.
- The Monthly Per Capita Consumption Expenditure (**MPCE**) compiled from HCES is the **primary indicator** used for most analytical purposes.
- The estimates of MPCE of 2023-24 are based on the data collected from 2,61,953 households (1,54,357 in rural areas and 1,07,596 in urban areas) in the central sample spread **over all States and UTs** in the country.

Highlights of the HCES 2023-24:

- **Rising food expenditure:**
  - **Rural households:** The share of food expenditure increased to 47.04% in 2023-24 from 46.38% in 2022-23.
  - **Urban households:** A slight rise to 39.68% in 2023-24 from 39.17% in the previous year.
  - **Significance of this trend:** This trend **reflects the impact of higher food prices**, as the figures are in nominal terms.
- **Urban-rural expenditure gap:**
  - The difference in average monthly consumption expenditure between rural and urban households **narrowed** to 69.7% in 2023-24 from 71.2% in 2022-23.
  - The gap has consistently reduced over the last decade, **indicating stronger growth in rural consumption spending.**
- **Average monthly consumption expenditure (MPCE):**
  - **Rural areas:** MPCE increased by 9.3% to Rs 4,122 in 2023-24 from Rs 3,773 in 2022-23.
  - **Urban areas:** MPCE rose to Rs 6,996, up from Rs 6,459 in the previous year.
  - **Historical context:** MPCE in 2011-12 was Rs 1,430 (rural) and Rs 2,630 (urban), showing significant growth over the years.
  - **Imputed consumption:** Including social welfare benefits, MPCE was Rs 4,247 (rural) and Rs 7,078 (urban) in 2023-24.

Income Distribution and Spending Trends:

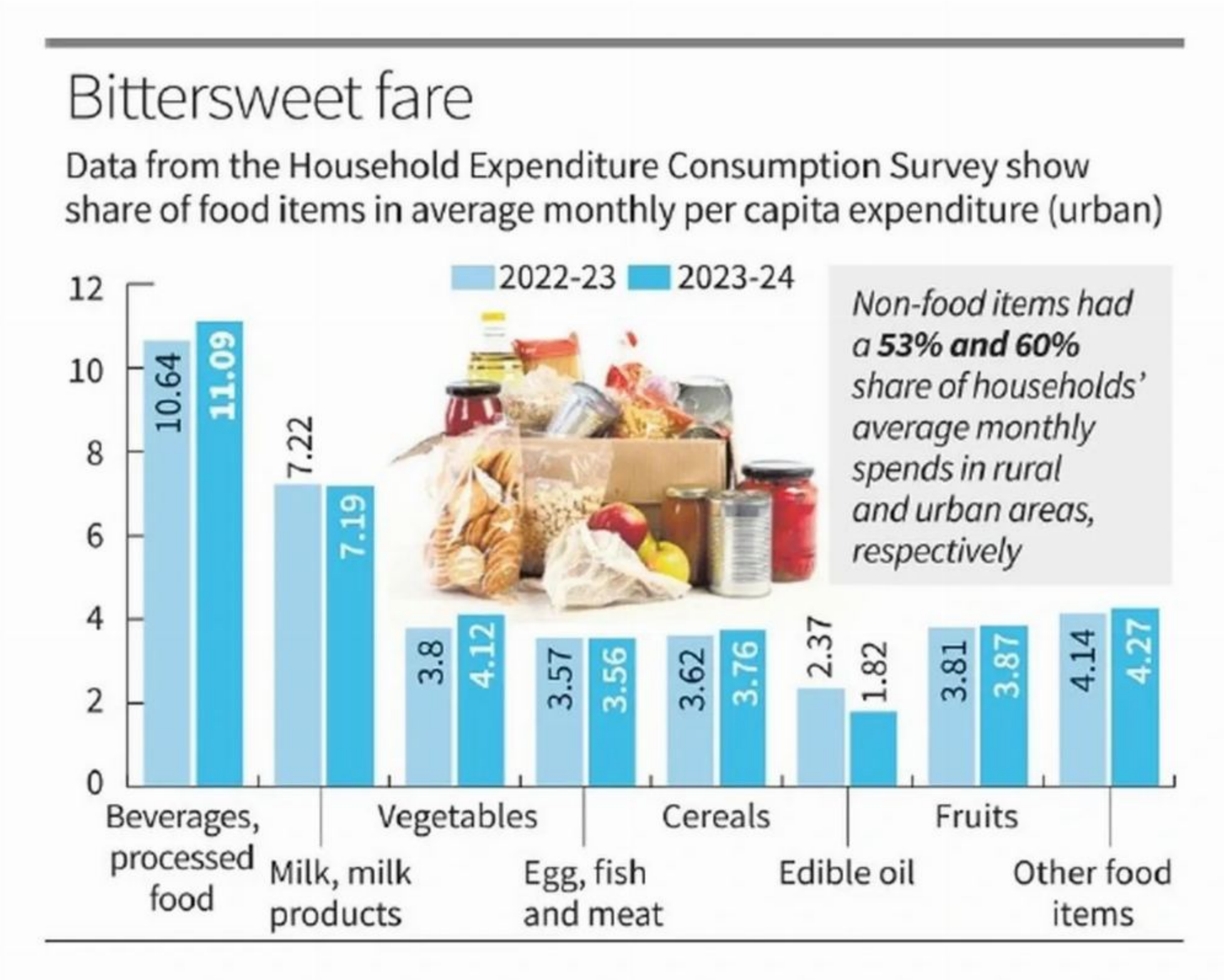
- **Trends:**

- **Top 5%:** Decline in MPCE for the top 5% of rural (Rs 10,137) and urban (Rs 20,310) households compared to 2022-23.
- **Bottom 5%:** Significant increase in MPCE for rural (Rs 1,677) and urban (Rs 2,376) households.
- **Bottom 20%:** Highest percentage growth in spending – 19.2% (rural) and 18% (urban).
- **Top 20%:** Marginal growth of 1.5% (rural) and 1.1% (urban).

- **Consumption inequality:** The **Gini coefficient,** a measure of inequality, declined:
    - **Rural areas:** From 0.266 in 2022-23 to 0.237 in 2023-24.
    - **Urban areas:** From 0.314 to 0.284.
    - This indicates **reduced consumption inequality** across both rural and urban households.

Sectoral and State-Wise Breakdown of Expenditure:

- **Sectoral:**
    - **Food items:**



- **Cereals:** Share increased slightly for both rural (4.99%) and urban (3.76%) households.
- **Beverages and processed foods:** Highest share at 9.84% (rural) and 11.09% (urban).
- **Non-food items:**
    - **Rural:** 52.96% of expenditure, driven by conveyance, medical expenses, and clothing.
    - **Urban:** 60.32%, primarily on rent, entertainment, and durable goods.
- **State-wise consumption patterns:**

    - **Higher spending states:** Maharashtra, Punjab, Tamil Nadu, Telangana, Kerala, Karnataka, Haryana, Gujarat, Andhra Pradesh.
    - **Lower spending states:** West Bengal, Bihar, Assam, Odisha, Uttar Pradesh, Madhya Pradesh, Jharkhand, Chhattisgarh.
    - **Rajasthan:** An exception with higher rural spending but lower urban spending compared to the national average.

Conclusion:

- The HCES 2023-24 reflects a notable shift in consumption trends, marked by increasing food expenditure, narrowing rural-urban disparities, and reduced consumption inequality.
- While most population segments experienced growth in spending, **the decline in top-tier expenditure and the methodological challenges in data collection warrant further analysis**.
- The full report, expected next year, will provide deeper insights.

Q.1. What is the significance of the Gini coefficient?

The Gini coefficient is a measure of inequality in a population, and it's a significant tool for economists and policymakers. The Gini coefficient is a number between 0 (perfect equality) and 1 (perfect inequality) that measures how unequal income is distributed across a population.

Q.2. What is the Pradhan Mantri Jan Aarogya Yojna (PM-JAY)?

PMJAY will provide a cover of up to Rs. 5 lakhs per family per year, for secondary and tertiary care hospitalisation.

Source: TH | IE