

Consumption spurt to lift sentiment: Deutsche Bank

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India looks poised for a positive confidence shock with consumer discretionary and retail financiers benefitting the most, analysts at Deutsche Bank said in a note, adding that this should boost consumption and help buoy domestic aggregate demand for the rest of FY2017.

Deutsche Bank said demand for items such as white goods, electronics, two-wheelers and other high priced consumption products is likely to increase. Besides, the affordable housing segment, the banking system as a whole and NBFCs should do well. Bajaj Finserv BSE -4.05 %, GSK Consumer, Hero Motocorp BSE -0.64 %, LIC Housing Finance BSE -3.95 %, Titan BSE -4.04 % and Whirlpool India BSE 1.51 % are among its top stock picks.

"Consumers are likely to embark on a consumption overdrive," said Deutsche Bank research analysts Abhay Lajawala and Abhishek Saraf. "The market may still be underestimating the degree of the combined impact of all the above mentioned factors occurring simultaneously."

The report said that 7th pay commission payouts will be given out early September 2016, and it estimates that about 10 million central government employees and pensioners will receive an incremental Rs 38,960 crore at the end of the current month, including arrears. On an average, this implies an incremental pre-tax cash flow of about Rs 39,000 per central government employee and pensioner, Deutsche Bank said.

The brokerage also said that the higher pay commission awards should coincide with the festive season (Sept-Nov) induced consumption uptick and a likely record harvest for kharif season (autumn crop).

"Multiple drivers are falling in place to engineer a positive confidence-shock for Indian consumers," Lajawala and Saraf said. "A boost to per capita disposable income for central government employees, coupled with a good monsoon season, low interest rates and easing liquidity should provide a significant boost to aggregate demand in the second half of FY2017."