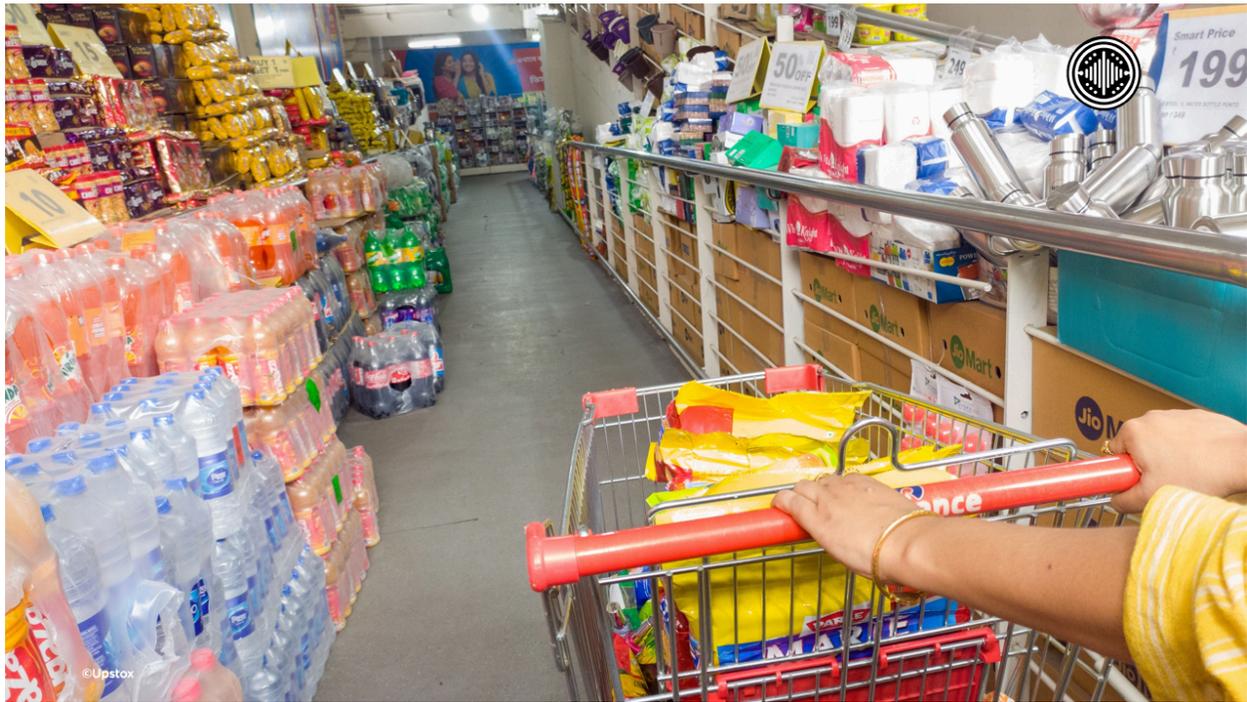Urban Demand Fuels Turnaround in FMCG Sector

 The Fast-Moving Consumer Goods (FMCG) sector in India appears to be turning a corner as urban demand shows encouraging signs of recovery. After a period of sluggishness, top companies are reporting an uptick in sales and volume growth, suggesting a potential shift in consumer sentiment. This revival is being driven by a combination of macroeconomic improvements, including easing inflation and supportive fiscal and monetary policies.

For some of the country's largest FMCG players, the recent quarterly results and outlooks reflect this positive trend. Hindustan Unilever (HUL), for instance, saw its revenue growth reach a two-year high, with a 4% increase in volume. While rural growth has been a key driver in recent quarters, HUL's managing director noted that urban demand has also shown a gradual but sustained uptick, particularly in smaller cities and towns. This trend is considered a bellwether for the broader consumer market, given HUL's significant presence.

Other companies are echoing this sentiment. ITC, a diversified conglomerate, reported a 5.5% growth in its non-cigarette FMCG business, with the company noting that early signs of urban consumption recovery were visible during the quarter. Similarly, Dabur India's CEO continues to see a sequential improvement in urban markets, though he acknowledges it still lags behind the strong growth seen in rural areas.

The recovery is attributed to several factors that are putting more money back into consumers' hands. Lower food inflation and reduced interest rates are giving urban consumers more spending power, while government policies are also playing a role. This comes as a welcome development for the sector, which had faced challenges from high input costs and muted urban

spending in recent times. While the recovery is described as gradual and not a "magical overnight change," the trend is pointing in a positive direction, with expectations of a sustained rebound in the coming quarters.