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India isn't one economy

There are many fascinating “GDP per capita threshold effects” where consumer behavior, politics, social expectations, and industry demand change non-linearly once countries cross certain income levels. These are not hard laws, but recurring patterns economists, consumer companies, and investors observe across countries. And this is particularly important when looking at India. Don't look at India as one country. Look at it as a world packaged into one country. India has households, cities and states operating at very different stages of the consumption cycle. National GDP per capita may be around the \$2,500- 3,000 level, while some urban consumers behave more like consumers in \$10,000-20,000+ economies.

1. When GDP per capita touches US\$500- US\$1000

At this stage, the country makes a move from Basic survival economy to first mass consumption. When this happens:

- Calories become stable- demand for basic food staples explodes- Basic FMCG
- Bicycle & 2-wheeler ownership rises sharply- Mass market 2 wheelers
- Mobile phone adoption begins- Telecom
- Cement consumption goes up- Cement & low-cost housing materials

Eg: India in 2000s.

2. When GDP per capita touches US\$2000- US\$3000

At this stage the country moves to the mass packaged consumption stage.

- Consumption of packaged goods explodes. Consumption of biscuits/ cookies, packaged foods, soft drinks, shampoos & also branded clothing explodes- Nestle, Unilever, Britannia,
- Refrigeration penetration jumps
- Families shift from unbranded to branded (higher quality goods)
- Air Travel starts becoming aspirational to middle class
- First time home ownership surges- small builders, lot of small project EPC companies

Eg: India is nationally at this stage, but individual cities, major urban sites are far ahead.

3. When GDP per capita touches US\$3000- US\$5000

- Automobile sales explode- Auto companies
- Urban congestion and traffic get worse
- Home loan market deepens- Home loan, consumer banks
- Mall Culture increases- Organized retail does well
- Protein consumption (meat based) goes up
- Consumer finance also does well- consumer lending, insurance

Eg: Indonesia & Vietnam.

4. When GDP per capita touches US\$7000- US\$10000

Now the region reaches a critical juncture. This is where the demand for quality of life begins. Citizens become intolerant of pollution, corruption, poor infrastructure, unsafe food/water etc. Environmental “activism” rises. This increases the call out for parks, heritage conservation, urban planning, public transport, safety. This is the stage where fertility rates begin collapsing.

This is the stage where the environmental Kuznets curve peaks i.e. pollution kept rising during industrialization and then societies started demanding cleaner environments.

Eg: China from 2004-2010.

5. When GDP per capita touches US\$10000- US\$15000

This is the most important step in development economics. This is the Middle-Income trap zone. The cheap labour advantage that allowed the country to export cheap goods disappears. Without innovation and meaningful knowledge-based R&D, manufacturing competitiveness weakens. Without innovation, countries often stagnate here. Handful of East Asian countries have managed to escape this. Usually at this stage, credit card usage accelerates.

Eg: Brazil, South Africa, Turkey are in this zone. Countries which managed to escape this- South Korea, Taiwan & Singapore in the 90s.

6. When GDP per capita touches US\$15000- US\$20000

This is the stage where manufacturing starts taking a back seat.

- Economy shifts from manufacturing to services



- Asset prices rise faster than wages
- Pension/ retirement industries boom
- Wealth management services come in demand, equity ownership rises
- Private banking, mutual funds, insurance, asset allocation become important.
- Fitness & Gym/ Yoga services are in demand.
- Pet services and spas are in good demand as pets are children substitutes. This is due to delayed marriages, fewer children, higher education spend per child.

Eg: Several Southern and Eastern European economies have moved through this stage, although the exact sequence varies substantially by country.

7. When GDP per capita touches US\$25000- US\$35000

- Birth rates have collapsed below replacement.
- Labour shortages are common and immigration which supported the society for decade is now debated due to changing demographics.
- Healthcare as a percent of GDP goes up
- Real estate demand is dicey.

The economy increasingly becomes a battle for productivity because the supply of labour is no longer expanding rapidly.

8. When GDP per capita crosses US\$40000+

This is the post material society. People optimize for meaning, wellness, sustainability and work life balance, Now, experience spending matters more than goods spending. Consumption shifts from less quantity to more premiumization. People spend a lot more on

- Fitness
- Travel
- Organic food
- Mental health
- Experiences

Eg: Parts of United States, Singapore, Switzerland, Australia and several Western European economies, although Japan, South Korea and Taiwan demonstrate that the transition does not occur at exactly the same nominal-income threshold.

To summarize the above theory, it is safe to say that:

At lower income levels, the winners are often:

Food → FMCG → Telecom → Two-wheelers → Cement → Basic housing

As incomes rise:

Cars → Housing finance → Consumer finance → Organized retail → Insurance → Travel

At higher income levels:

Healthcare → Wealth management → Financial assets → Wellness → Retirement → Experiences → Premiumization

It is understanding that economic development changes the composition of demand. A country can grow 5–7% every year while the underlying investment opportunity changes completely. And this is why India is particularly interesting. India is not moving through one income stage uniformly. Different parts of India are simultaneously living through different stages of economic development.

India isn't one \$3,000-per-capita economy. It is a \$1,000–\$40,000+ consumption spectrum existing simultaneously within the same country.

The India Consumption Map

Stage 1 — Mass/basic consumption

Bihar → Jharkhand → Chhattisgarh → eastern UP → rural MP → rural Rajasthan → rural Odisha → rural Assam

Typical opportunity:

FMCG → telecom → 2-wheelers → affordable housing → cement → basic financial inclusion

These are markets where getting the product into the household is still a bigger opportunity than premiumising the product.

Stage 2 — Emerging middle-class consumption



UP's larger cities → Jaipur → Lucknow → Indore → Bhopal → Nagpur → Raipur → Bhubaneswar → Patna → Ranchi → Guwahati → Coimbatore → Visakhapatnam → Vijayawada → Mysuru

Typical opportunity:

Cars → housing → mortgages → consumer finance → organized retail → insurance → domestic travel

This is probably the sweet spot for mass-market consumer businesses because households are moving rapidly from necessities toward discretionary consumption.

Stage 3 — Affluent consumption / financialization

Ahmedabad → Surat → Chandigarh → Kochi → Hyderabad → Chennai → Pune → Bengaluru → Delhi NCR

Typical opportunity:

Healthcare → financial assets → mutual funds → insurance → premium housing → international travel → wellness → education → wealth management

Here, the interesting transition is from "buying things" to "owning assets and buying services."

Stage 4 — Mature/high-income urban consumption

South Mumbai → Central/Western Mumbai → South Delhi → Gurgaon → Noida's affluent pockets → Bengaluru's affluent corridors → Pune's affluent pockets → Hyderabad's affluent pockets → Goa's affluent/tourist economy.

Typical opportunity:

Wealth management → private banking → premium real estate → healthcare → wellness → luxury travel → experiences → premiumization

This is where consumers increasingly care about quality, convenience, time, health and experiences, rather than simply acquiring more physical goods.

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