

## The Big Bang festival spending is here

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The Indian economy has performed well in Q1 with growth of 7.8%. For the year, notwithstanding the tariffs puzzle, it does look like growth will be around 6.8-7%. This optimism stems from the wide scale reforms in GST and a very good monsoon. Q3 of the year will be exciting as this is the festival season where it is expected that there will be a major revival. This is due to several factors which are working in this direction.

- First and foremost, there has been pent up demand which should materialize. In fact, a lot of spending was held back in the early part of September since the new structure of GST was to be applicable from 22nd of the month.
- Prices of a wide range of commodities have come down. With prices of several goods coming down by 10%, the equivalent savings in household budget will release funds for discretionary spending.
- Inflation in general is trending downwards which will increase real disposable income.
- Income tax relief given in the Budget should also help to prop up spending. While such benefits accrue over the year, savings in tax in the first 6 months should provide a boost in spending in the second half.

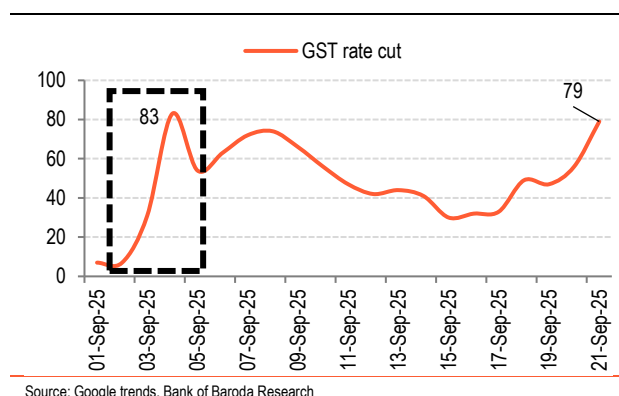
Against this backdrop, we have tried to provide an illustrative example of what could be the actual consumption in Q3. The list though comprehensive, is not exhaustive as certain items such as gold and alcohol being excluded from the analysis.

### Higher demand reflected in google trends

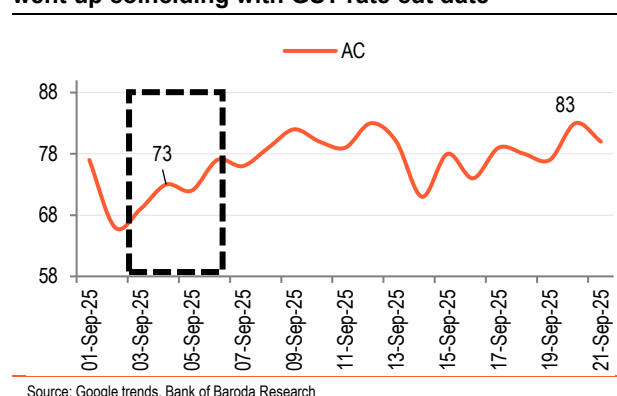
While we will have to wait for Q3 FY26 interim results to assess the impact of festive demand on sales of related products, major consumer durable companies have signaled higher frontloading of demand due to the double bonanza of tax benefit from lower GST rates and festival spending.

To assess this, we look at the google trends data which helps to get an understanding of demand based on searches on the google search engine, on a real time basis. Based on popularity of searches, some interesting results emerge. The google trend for items such as air conditioners (AC), LED/LCD TV and automobiles have reached its recent highs coinciding with period of announcement of GST rate cuts. Interestingly, within GST, automobile searches have been trending if we look at the past 7 days profile. These trends though not conclusive and might not materialize into actual sales data, however giving intentions of spending among majority of consumers. The 100 scale represents peak of popularity while 0 is least popular while reading the google trend data.

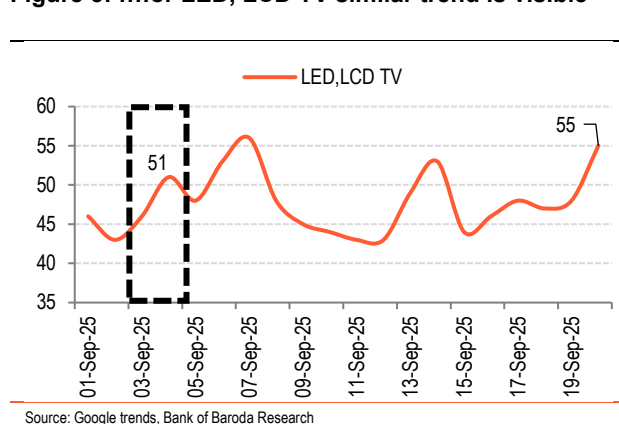
**Figure 1: GST rate cut has been trending**



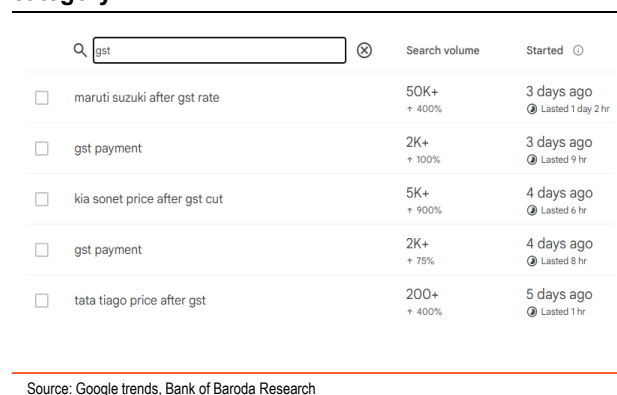
**Figure 2: ...for Air cooler the number of searches went up coinciding with GST rate cut date**



**Figure 3: ...for LED, LCD TV similar trend is visible**



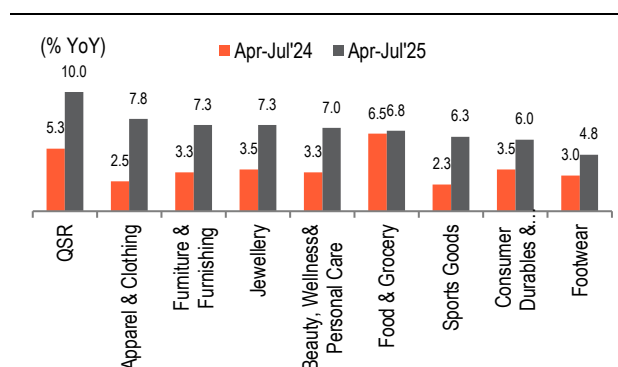
**Figure 4: ...Automobile searches trending in GST category**



## How have retail sales performed?

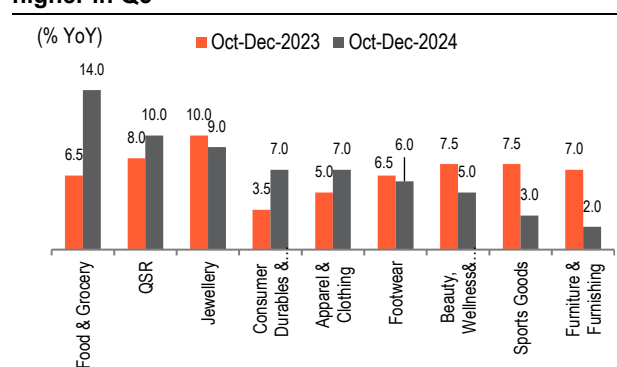
It will be important to assess how these trends actually materialize in actual sales. In this regard, the Figure below shows how retail sales have fared across different segments so far in FYTD 26 (Apr-Jul). There has been a broad-based revival with most notable improvement seen in QSR segments, apparel and clothing, furnishing and jewellery. It should be noted that in the past, these segments noticed a considerable seasonal jump in sales in the festive months. For example, in Oct-Dec of last year, the food and grocery segment noticed a double-digit sale of 14%, QSR at 10% and jewellery at 9%. Incidentally, these are the same segments where the focus of recent GST rate cut has been the maximum. Thus, we expect a robust offload of demand on account of increase in real purchasing power from lower inflation. This will contribute to higher sales; with sales of certain items likely to exhibit a strong double-digit momentum.

**Figure 5: Retail sales data across segments**



Source: Retailers Association of India, Bank of Baroda Research

**Figure 6: ...seasonal component drove retail sales higher in Q3**



Source: Retailers Association of India, Bank of Baroda Research

## Festive spending to propel growth in H2

Against this background, we have analyzed trends in spending in the last 5-6 years to ascertain patterns for various kinds of goods and services and made an estimate of what could be the aggregate amount of spending during the period October-December. This will also include the wedding season, which typically starts from November onwards. Major festivals include Dussehra, Diwali and Christmas among others. To arrive at the macro picture, we have looked at how specific industries are likely to witness consumption demand.

For this purpose, a combination of methodologies has been used. In case of household spending on certain goods or services, imputations are made based on income distribution across the country. India's population of 140 crores has been divided in roughly 350 crore families with an average family size of 4 members. Within this, the population has been stratified into three grades of spending : Top 10%, Middle 40% and balance 50%. Apart from this, for specific religious celebrations, Census data (2010-11) on population in various states and communities is considered. The individual products or services are clubbed under various broader heads.

*The analysis shows that total consumption spending related to festivals (including marriages) would be in the range of Rs. 12 lakh crores to Rs. 14 lakh crores. The various segments which will account for the bulk of this spending include clothing, marriages, electronics and auto. Daily consumption goods like food items and other FMCG products have also been kept outside the ambit of this exercise.*

## Segment analysis

### Clothing and footwear

Festivals are an integral part of India's culture and traditionally, consumers tend to buy new clothes for the festive celebrations. It must be mentioned that, in recent times, with the increase in online channels including e-commerce, the readymade garment business has grown rapidly in both urban as well as Tier-II and Tier-III cities, and this is also likely to translate into increased festive spending. At the same time, an increase in the proportion of working age population as well as an aspiring middle class is also likely to impact consumers' spending in the festive period. There is also a paradigm change in individuals' spending behavior from need-based to a lifestyle-driven approach, which has led to an increase in demand. Taking all this into consideration and using the income distribution and propensity to consume of households, we estimate a possible expenditure of Rs. 2,80,000 to Rs. 3,00,000 crores on clothing and footwear in the festive period.

**Table 1: Segment wise spending**

| Items                            | Estimated spending in Rs. crore |
|----------------------------------|---------------------------------|
| Clothes, footwear and furnishing | 2,80,000-3,00,000               |
| Automobile                       | 1,50,000-2,00,000               |
| Electronics                      | 1,00,000-1,20,000               |
| White goods                      | 35,000-40,000                   |
| Sweets                           | 40,000-45,000                   |
| Restaurant/Online orders         | 65,000-75,000                   |
| Travel                           | 60,000-70,000                   |
| Events and Corporate Gifting     | 15,000-20,000                   |
| Wedding                          | 4,50,000-5,00,000               |
| Miscellaneous                    | 5,000-10,000                    |
| <b>Total</b>                     | <b>12,00,000-14,00,000</b>      |

Source: Bank of Baroda Research

### *Automobiles*

On the back of the bumper announcement through the GST 2.0 reforms, automobile sector is expected to witness record sales in the festive season. Both PV and 2-wheeler are expected to drive sales in Q3 FY26. Under the revised structure, tax rates have been lowered down from 28% to 18% as well as the compensation cess of 1-3% have been removed. This revision is expected to reduce rates in the range of Rs 40,000 to Rs 1, 50,000. This will result in an estimated sale of Rs 1, 50,000 to Rs 2, 00,000 crores. The automakers and dealers have already announced the new prices incorporating lower rates. This coupled with festive demand is expected to accelerate auto sales further.

### *Electronics*

Even as the GST rates under the smartphone and laptop categories have been kept at default rate of 18%, the ongoing sale especially on the ecommerce platforms is expected to fuel sale of these commodities. There are announcements of new flagship items during this period and reduction in prices, aimed at luring more customers. This helps in incentivizing customers, who generally plan their purchases during this period. With this, we expect an estimated sale of Rs. 1, 00,000 - Rs 1, 20,000 crores.

### *White Goods*

White goods comprising televisions, washing machine, refrigerators and AC are also purchased by households during the festive period. Typically, these items are purchased for upgrades and households usually defer their purchases to the festive period due to traditions or beliefs. There is also a cost optimization consideration here as well. In order to maximize sales and to tap into the festive fervor, companies usually announce special festive deals and discounts during this period. Hence, there is usually a surge in demand during the festive period as consumers try to secure the best possible deals or discounts on these products. Based on past trends and market developments and using the IIP production to extrapolate the sales in each of these categories, and assuming that sales increased by 10% this year, we estimate that the sales of white goods would be in the range of Rs. 35,000-40,000 crores. It must be mentioned that we have assumed a conservative growth rate and

actual sales could be higher due to the impact of lower GST rates on these items. In fact, in just a few days since the new lower rates kicked in, dealers and companies are indicating strong consumer interest. As a result, companies are anticipating strong double-digit growth in sales during the festive period.

#### *Sweets*

As per news reports, while savories have year-round demand, sweets normally witness 70% of the sales during the festive/wedding season. In addition, 90% of the market is unorganized, and only 10% is occupied by major brands. In our analysis, we have accounted for sweets consumed by households only, and not for the purpose of corporate gifting (that is taken separately). This incorporates demand on account of all the festivals falling during the Oct-Dec'25 period, and also includes packaged mithai and confectionery items (chocolates, cookies, frozen desserts, cakes, healthier alternatives), apart from traditional mithais. Using the census data and income stratification, we believe that this year sweets could see sales of around Rs. 40,000-45,000 crores.

#### *Corporate gifting and events*

Another major head where significant amount of spending is noted in the festive season is under corporate gifting and events. Events under consideration include (but are not limited to) Navratri, Garba, Durga puja, Christmas, and New Year celebrations. Our calculation incorporates entry fees, and amount spent on local travel, food, and clothing (rental/buying new). In case of gifting, corporates account for a significant proportion of the total market share. This includes giving gifts to not only employees but also clients and senior executives. Our number here takes into account only formal employment, hence could be understating the actual spending, considering large number of informal employment which also exists. Hence, given limited information, we expect spending under this segment to range between Rs. 15,000-20,000 crores.

#### *Travel*

As festive season begins, travel through airlines, railways, and cabs also picks up momentum. Apart from regular travel for work or personal reasons, considerable number of people also travel to their hometowns to celebrate festivals. Within the city, usage of cabs increases for visiting relatives/friends/pandals. Some also use these holidays to plan their vacations, within or outside India. As a result, airlines and Indian railways benefit. For the purpose of our calculation, we estimated the sales of airlines and railways, which will account for majority of the spending on travel. Our projections indicate that travel will account for ~5% of the total spending, amounting to range between Rs. 60,000-70,000 crores. A bigger chunk of this (~66-67%) will be on account of air travel, primarily due to higher air fares. This is based on assumptions of baseline air fare and number of passengers flown in this period looking at the historical data. GST on air fares continues to remain in the lowest segment (5%), which means that festive demand will be sustained. In case of railways, revenue of Indian railways provided the basis for our calculations.

#### *Restaurant/Online orders*

The festive cheer is expected to drive the dine –in and online meal orders higher. The online quick commerce platforms also note a surge in orders during this period. This is especially true, since there are lot of gatherings and people celebrate festivals together with full fervor. Online platforms noted an increase in gross order value (GOV) for both its food delivery and going-out business in Q3 FY25 compared with last year. Even the adjusted revenue has been higher for both these components for

the same period. A similar trend has also been noted for other such platforms. This in turn, will result in an estimated sale of Rs. 65,000-75,000 crores across platforms.

### *Marriages*

The festive period in India also marks the start of the auspicious period of marriages which is another added boost to consumption. Estimates suggest that on an average, around 1 crore marriages take place in India every year. Around 60% of these marriages take place in the Oct-Dec period. Based on this, and assuming that different segments of the population spend different amount on wedding related expenditure, we estimate marriage segment to lead to an expenditure of Rs. 4.5 lakh crores to Rs. 5 lakh crores.

### *Miscellaneous*

In anticipation of higher demand during the festive period, the sales of various items such as lights, utensils, and flowers are also expected to increase. A similar sentiment, in terms of surge in sales is expected for firecrackers across the country. In addition to regular crackers, there is also high demand for eco-friendly and green crackers. An estimated sale of Rs. 5,000-10,000 crore is expected across all these items, during this period.

### ***Exceptions:***

It must be mentioned here that this is not an exhaustive list of items of consumption. For example, consumption of alcohol typically increases during both the festive and marriage period. In recent times, alcohol consumption in India has risen steadily due to urbanization, higher proportion of younger population and increased availability. Based on a very rudimentary estimation using the production and imports data, the consumption of alcohol comes out to be quite large. However, it must be mentioned that alcohol has been kept under the “sin” category under the new rationalized GST structure, attracting a GST rate of 40%. Hence, it might act as a kind of deterrent and therefore the actual consumption can be difficult to gauge, and therefore we have excluded it from our analysis at present.

Along similar lines, we have also not included gold and jewellery purchases in the foregoing analysis as some of it has been accounted for in the marriage-related expenditure. In saying so, we acknowledge that households also tend to buy during the festive period due to religious sentiments. However, higher prices of gold this year are likely to deter some households from making gold purchases either for consumption or as a safe-haven investment choice. Also, the fact that often old jewelry is exchanged when buying new ornaments could make it difficult to separate new purchases from those through such exchange. The value could be in the range of Rs 16,000-20,000 crore.

### **Conclusion:**

India remains on track to remain the fastest growing major economy in the world. While there are challenges on the external front due to tariff related uncertainties, India continues to remain a domestic consumption driven economy which insulates it from the external headwinds to a large extent. In this regard, the recent changes in the GST rate structure are a major positive for consumption growth, especially since these reforms have coincided with the festive period, along with the auspicious marriage dates. Based on our analysis, we estimate a significant boost to consumption in the range of Rs. 12 lakh crores to Rs. 14 lakh crores, with a major proportion of this spending being accounted for by wedding-related expenses. At the same time, consumers are also likely to spend generously on items such as clothing, auto, and electronics. FMCG and QSR sectors are also likely to

benefit from increased consumption by individuals as well as gifting purposes. Other sectors such as aviation and railways are also likely to see higher demand. It must be noted that these estimates denote actual consumption and would provide an impetus to growth and kickstart the much-needed revival in urban consumption as well as private sector investment.

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