

RESEARCH**BOB ECONOMICS RESEARCH | MARKET MOVEMENT**

Towards New High: 2025

BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET

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BUILDING MATERIALS

Plastic pipe channel check reveals muted demand in Q3

SUMMARY**INDIA ECONOMICS: MARKET MOVEMENT**

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[Click here for the full report.](#)**INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET**

The year 2025 has begun on a note of heightened global uncertainties. From anticipation of President-elect Trump's economic policies to snap election in Germany and impact of stimulus on China's economy, market participants are awaiting for more cues. To add to this, US economy is giving mixed signals regarding growth. While labour market appears to be softening and manufacturing activity is weak, but retail sales, pending home sales and service sector seems to be doing well. Input prices for manufacturing are already creeping back up and if Trump administration announces global tariffs, risks to inflation will further increase. Markets thus keenly await transfer of Presidency, due later this month.

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BUILDING MATERIALS

- Plastic pipe demand environment remained weak on a YoY basis in Q3FY25 due to muted construction activity
- Plastic pipe average realisation to be down in the mid-single digit in Q3FY25 due to the decline in PVC resin prices (-8% QoQ)
- Pipe channel inventory is below normal level; SI continues to follow an aggressive pricing strategy to gain market share in retail segment

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MARKET MOVEMENT

02 January 2025

Towards New High: 2025

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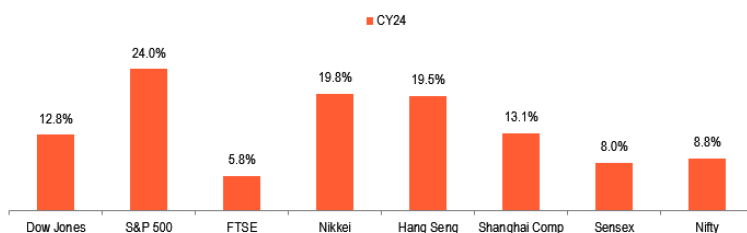
Jahnvi Prabhakar
Economist

Equity Market:

Global equity indices performed stupendously ending CY24 on a high with a rally noted across the board. In the US, major indices including S&P 500 and Dow Jones continued to clock double digit gains on an annual basis. Within S&P 500, sectors such as technology, communication services along with consumer discretionary registered biggest gains for the year. US markets are expected to strengthen further especially towards technology sectors and easing of rates by US Fed. Some uncertainty might prevail and investors might turn cautious as they will try and assess the impact of policies by President-elect Trump. Furthermore, both Hang Seng and Shanghai Comp rebounded sharply as they reversed their losing streak and advanced by 19.5% (-17% in CY23) and 13.1% (-5% in CY23) respectively in CY24.

Notably, on the domestic front both Sensex and Nifty 50 surged by 8.7% and 9% for the same period. Sensex touched an all-time high this year as it breached the mark of 85,500. Sectors including real estate, consumer durables and IT were amongst the best performing stocks in CY24. There has been some correction in the last few days however the analyst expect the indices to advance in the beginning of CY25 on the back of recovery expected in earnings, supported by boost to rural spending and pick up in government spending.

Figure 1: Movement of Global Equity in the last 1-year



Source: Bloomberg, Bank of Baroda Research



MONTHLY ECONOMIC BUFFET

02 January 2025

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Sonal Badhan
Economist

In Europe, manufacturing activity is unable to pick up pace so far, while service sector is regaining ground. Election results in Germany will determine future growth path. In China, while manufacturing sector is expanding slowly, lifting domestic consumption and reviving real estate sector is proving to be task for the administration. China announced stimulus measures towards the end of the year in CY24 and has vowed to announce more in CY25, to push growth beyond 5%. Domestically, India is in a much stronger position with high frequency indicators showing pick up in pace of growth in Q3FY25. GST collections, service PMI, air passenger growth, and vehicle registrations, all seeing notable improvement in Q3 versus Q2.

Global Central Banks: In Dec'24, in line with market expectations, major central banks (US Fed, ECB) lowered their policy rates. US Fed delivered a 25bps rate cut, but cautioned that rate cuts might be slower in CY25, depending upon evolving inflation conditions. Both GDP and inflation forecasts were revised upward by Fed for CY25. ECB also lowered its policy rate by 25bps—4th rate cut in CY24. This was in line with lower inflation projections and faltering growth scenario. Analysts expect continuous rate reduction by ECB till Jun'25. In contrast, BoE held policy rates unchanged, but the voting split widened, signalling more dovish stance of the central bank. However, given the sustained rise in wage inflation, sticky services inflation and risks to prices if US imposes tariffs, investors expect fewer rate cuts from BoE in CY25. In case of BoJ, while the central bank held policy rates unchanged, it signalled that stability in wage rise will be analysed by the central bank before it decided to hike rates again. As a result, next rate hike is not expected before Mar'25.

Key macro data releases: India's CAD narrowed to 1.2% of GDP in Q2FY25 from 1.3% of GDP in Q2 FY24. While the trade deficit was higher, buoyant services exports as well as continued strength in remittances underscored the lower CAD. Our year-end market analysis shows that both Sensex and Nifty 50 surged by 8.7% and 9% in CY24. Sensex touched an all-time high this year as it breached the mark of 85,500.



 **BUILDING MATERIALS**

02 January 2025

Plastic pipe channel check reveals muted demand in Q3

- Plastic pipe demand environment remained weak on a YoY basis in Q3FY25 due to muted construction activity
- Plastic pipe average realisation to be down in the mid-single digit in Q3FY25 due to the decline in PVC resin prices (-8% QoQ)
- Pipe channel inventory is below normal level; SI continues to follow an aggressive pricing strategy to gain market share in retail segment

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We recently interacted with 14 plastic pipe dealers pan-India (West: 5; North/Central: 4; South: 4; East: 1) to gauge plastic pipe demand and pricing scenarios in Q3FY25, near-term outlook and the industry-competitive landscape.

Demand: Our interaction with pipe dealers indicates that pipe demand was weak on a YoY basis in Q3FY25 due to muted construction activity, impact of state elections and heavy monsoon in few regions. Going ahead, dealers have guided for a mixed outlook as few dealers expect the demand environment to improve in the near term as construction activity generally picks up in Q4 whereas others expect real estate activity to remain weak in the near future.

Pricing: Plastic pipe prices were relatively stable in Q3 due to the marginal rise in PVC resin prices (+1%) over the end of Sep'24. However, we believe the plastic pipe realisation to be down in the mid-single digit on a QoQ basis in Q3FY25 due to the decline in domestic PVC resin price (-8% QoQ). Going ahead, we believe plastic pipe prices would harden in the case of recovery in global construction activity (as global PVC resin prices are trading well below historical average levels) and imposition of anti-dumping duty on PVC resin by the Indian government.

Channel inventory: Most dealers have indicated that their pipe inventories are below normal levels due to weak demand environment and volatile pipe prices.

Competitive landscape: As per our channel check, SI maintains its aggressive pricing strategy to gain market share (particularly in retail segment). Most pipe companies (except SI) hiked prices in the month of Oct'24, but they had to roll back their price hikes in Dec'24 due to weak demand environment and intense competition from SI. A few dealers indicated that ASTRA has reduced its pipe prices in Q3 in response to SI's aggressive pricing strategy, but still the company is selling its product at a premium to its major peers.



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