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08 October 2025

RESEARCH

BOB ECONOMICS RESEARCH | FESTIVE SPENDING

The Big Bang festival spending is here

BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET

Economic Round-up: September 2025

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BM Q2FY26 Preview: soft demand persists

SUMMARY

INDIA ECONOMICS: FESTIVE SPENDING

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.

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INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET

Major economies across the globe are beginning to show signs of slowdown in economic activity. This trend is being led by US, Eurozone and China. In the US, labour market, manufacturing and services sector, all are pointing towards easing activity. However, retail sales and real estate sector continues to remain resilient. In case of Eurozone, manufacturing sector is impacted by slowdown in both Germany and France. Reforms in Germany are proving to be slower than expected, which is also denting the business optimism index. Services sector however remains steady so far. In France, political instability is a major cause of concern.

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BUILDING MATERIALS: Q2FY26 PREVIEW

- Our building materials universe's revenue is likely to grow at a muted pace for the eleventh consecutive quarter
- BM EBITDAM to improve on YoY basis in Q2 owing to weak base, but likely to remain well below normal due to intense competition
- Plastic pipe is likely to perform relatively better in Q2 on favourable product mix and bottoming of resin prices

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FESTIVE SPENDING

06 October 2025

The Big Bang festival spending is here

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Economist

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.

MONTHLY ECONOMIC BUFFET

07 October 2025

Economic Round-up: September 2025

Sonal Badhan
Economist

Major economies across the globe are beginning to show signs of slowdown in economic activity. This trend is being led by US, Eurozone and China. In the US, labour market, manufacturing and services sector, all are pointing towards easing activity. However, retail sales and real estate sector continues to remain resilient. In case of Eurozone, manufacturing sector is impacted by slowdown in both Germany and France. Reforms in Germany are proving to be slower than expected, which is also denting the business optimism index. Services sector however remains steady so far. In France, political instability is a major cause of concern.

China's manufacturing activity appears to be improving in Sep'25, but still remains in contraction, dragged by export orders. Domestic activity is also weak as reflected by moderation in retail sales and steep loss in momentum in fixed asset investments. Given weakening economic outlook in the US, Fed is expected to lower rates twice more in CY25. PBOC may also be pushed to provide monetary stimulus to support domestic activity. In India, RBI remains on hold so far but has signalled that there remains room for one more rate cut, following sharp decline in inflation expectations. In the ongoing quarter, GST rate cut, and festive spending is expected to provide major support to growth.

Global Central Banks: In Sep'25, in line with market expectations, US Fed lowered its policy rate by 25bps, while ECB and BoJ held rates steady. BoE lowered the policy rate by 25bps in view of slowing economic growth. As labour market in the US comes under pressure, Fed is expected to lower rates by 50bps (cumulatively) in the remainder of the year. ECB is expected to remain on pause even as growth appears to be faltering once again. BOE may lower rate once more, but the probability of that is slim as inflation remains elevated and sticky, notably above the 2% target mark. RBI will also cut rate once more as inflation has considerably weakened. Monetary stimulus is also expected from PBOC to support domestic growth.

Key macro data releases: CPI inflation reading came in at 2.1% in Aug'25, on YoY basis (in line with BoB forecast of 2%), compared to 3.7% inflation seen in Aug'24. The print is comforting even when this month did not have the advantage of a higher base. The fine prints showed that food index remained in deflation territory for 3rd consecutive month in a row, falling by (-) 0.7% in Aug'25 compared to 5.7% in Aug'24. **Core CPI** (excl. food and fuel) remained steady at 4.1%, on YoY basis. **RBI's MPC** unanimously decided to keep the repo rate unchanged at 5.5%, as it monitors the twin impact of tariff shock and GST rationalisation on growth. Stance of the monetary policy was kept at neutral.

BUILDING MATERIALS | Q2FY26 Preview | 07 October 2025

BM Q2FY26 Preview: soft demand persists

- **Our building materials universe's revenue is likely to grow at a muted pace for the eleventh consecutive quarter**
- **BM EBITDAM to improve on YoY basis in Q2 owing to weak base, but likely to remain well below normal due to intense competition**
- **Plastic pipe is likely to perform relatively better in Q2 on favourable product mix and bottoming of resin prices**

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Building Materials (BM): We expect our BM universe's revenue to grow at a muted pace (+4.5% YoY in Q2FY26) for the eleventh consecutive quarter, due to weak real estate activity. Our BM universe's EBITDA is projected to grow at 12.6% YoY in Q2FY26 in anticipation of margin expansion (+83bps YoY to 11.6%), owing to a weak base. However, operating margin is expected to remain well below the normal level, owing to intense competition in a soft demand environment.

Plastic Pipes: Our pipe universe volume is projected to grow at 7.6% YoY in Q2FY26 over a weak base (+2.3% YoY in Q2FY25). Pipe realisation is forecast to rise by 5.4% QoQ, on the back of favourable product mix due to low contribution of agri pipe volume in a monsoon affected quarter. However, pipe companies EBITDA are projected to decline by 4.0% YoY in Q2FY26 due to lower realisation, on the back of steep correction in resin prices (-12.4% YoY). SI is likely to post superior volume growth (+9% YoY) for the 15th straight quarter in Q2FY26, due to the benefit of aggressive pricing strategy and benefit of consolidation of the Wavin business.

Bathware: Our bathware universe revenue is projected to grow at a muted pace (+5.6% YoY) for the eighth straight quarter. Segment EBITDA margin is expected to be relatively flat (+6bps YoY to 12.5%) in Q2FY26 over a weak base due to continued high discounts offered to dealers in a weak demand environment.

Tiles: Our tiles universe volume is forecast to grow at a meagre 4.0% YoY in Q2FY26. Tiles realisation is expected to remain stable QoQ given the intense competition from Morbi players. However, tiles EBITDA margin is projected to improve by 88bps YoY to 12.6% in Q2FY26 due to benefit of cost savings initiatives implemented by Kajaria.

Wood Panel: Our wood panel universe revenue is projected to grow at 11.7% YoY in Q2FY26. MDF and particleboard prices were stable on QoQ basis, as the leading players target to quickly ramp up their new capacities in an oversupplied market. EBITDA margin is expected to improve (+55bps YoY to 10.4%), in Q2FY26 due to benefit of operating leverage and weak base effect.

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