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Consumption through lens of production and sales

The consumption picture remained quite positive when looked at from the point of view of production and sales. For consumer durables (obtained from IIP disaggregated data), demand is holding strong. Other items of daily consumables are also maintaining momentum. The sequential pickup in Sep'25 is strong, albeit this month having a period of abstention, mainly due to the GST impact. The financial results of a handful of companies also reflect some buoyancy in net sales, especially in retailing, restaurants, hotels and auto. Majority of companies remained confident of demand outlook in Q3 as consumers broadly did go through a phase of postponement of buying decisions gauging the passthrough of GST rate cuts. This segment of demand curve is expected to be a bit steeper as buying decisions get translated into actual sales in Q3.

Background:

The Q1 GDP data has been quite an outperformer. To add to this, majority of reforms rolled out this year have been targeted towards stimulating consumption demand at a structural level. With the GST announcements, it became important to gauge the high frequency data indicators to track the buoyancy in consumption demand. For consumption GST collection is an indicative figure but can be impacted by the inflation numbers as it is a nominal data print. One way of looking at it is from the point of view of production and sales. The sub-indices of IIP give a holistic picture of performance of majority of consumer-oriented sectors.

Sep'25 data is specially looked at to get an idea of frontloading of production in anticipation of faster pace of pickup in demand emanating from tax reform and benign inflation. Sep-25 is expected to have generally fewer working days and some postponement of demand due to the abstention period during the month. Despite this, majority of white goods and items of daily consumables showed significant momentum. On a seasonally adjusted basis as well, these items showed pickup in production attributable to structural reforms and forward-looking expectations of clearing off inventory in the future.

The other aspects explored in the note are the retail sales data of auto sector. It clearly showed significant pickup in sales during the Navaratri period. More than 60% total auto sales were seen during this specific period, which itself speaks of the positive influence emanating from GST rate cuts targeted towards this sector, amongst others.

The last section looks at the preliminary corporate results of Q2FY26, which also expresses optimism over the recent government reforms aimed at improving disposable income of consumers. From a sample of handful of companies (sample size=43) which have announced their Q2 results, net sales of auto, FMCG, restaurant and retail have fared well. Profit indicators also remained buoyant. Consumer durables whose production is holding up well has expressed some transitory disruption due to postponement of buying decision awaiting full impact of GST pass through of prices. Majority of companies remained hopeful of significant momentum in demand in Q3.

Durable goods outshining:

The disaggregated production (IIP) data showed that demand for durable goods has been on a strong footing. This is supported by moderation in prices across broader segments. The recent GST 2.0 reforms would lead to further lowering of prices with major durable goods companies indicating pass-through of prices to consumers. Sep-25 print is meant to get a sense of frontloading of demand just before the festivals and incorporating some sentiment driven increase in production. To get a better idea focusing on this month, seasonally adjusted sequential momentum has also been looked at.

- Majority of white goods witnessed increase in production in Sep'25 compared to Sep'24. The production of TV and refrigerators has posted a strong double-digit number. For TV, the stronger 11.4% growth visible in Sep'25 also comes in the wake of an elevated base of 10.1%. It should be worth mentioning here, under the recent GST cut, this segment got a further boost by moving to a lower tax slab. This is further expected to boost production in the coming months.
- Refrigerators are posting a buoyant growth number. Of course, a part of it is attributable to a negative base of -2.7% seen in Sep'24. However, looking at the sequential picture even on a seasonally adjusted basis, the Sep'25 production number is buoyant at 14.7%.
- To go more elaborate on the seasonally adjusted sequential numbers, ACs have witnessed significant jump of 11.3%. Here the YoY growth is impacted due to a significantly high base of 37.9% growth seen in Sep'24
- These data points speak of the fact that discretionary spending of consumers held ground buoyed by favorable price effect and optimism surrounding the latest tax reform.

Table 1: Consumer durables holding up well

Electronics	Production-IIP, YoY		MoM	
	Sep-24	Sep-25	Unadjusted	Seasonally adjusted
Computers	-25.2	4.4	22.4	-17.6
Telephones and mobile instruments	-11.5	3.3	16.1	-5.4
TV	**10.1**	**11.4**	**1.8**	**1.7**
Air conditioners (ACs)	**37.9**	**-37.4**	**25.6**	**11.3**
Washing machines	**-2.7**	**4.4**	**6.8**	**3.8**
Refrigerators	**-2.3**	**15.8**	**27.7**	**14.7**

Source: CMIE, Bank of Baroda Research

'Moving out' momentum is maintained:

The precursor to festival months generally involves a lot of mobility coinciding with travel. Thus, we have segregated certain grooming and other products. The production of gold jewellery continued to maintain its strong double-digit pace in Sep'25, even though there was a sharp increase in price. In Sep'25, international gold price went up by 42.7%, on YoY basis and by 8.9% on MoM basis (Source: World Bank report). This recent surge is attributable to higher safe-haven demand amidst volatile global policy environment.

Several items showed impact of unfavourable base such as hosiery products and Shaving razors/ razor blades. Here also the sequential picture sheds better light about frontloading of production cycle ahead of festivals and anticipating higher demand from recent tax changes. For majority items the sequential increase is visible. Even on a seasonally adjusted basis, all hosiery products, travel goods, shaving instruments, jewellery witnessed considerable jump. Interestingly for footwear, even a negative -1.7% YoY print seen in Sep'25 is negated by a strong sequential pickup both in the unadjusted as well as seasonally adjusted series. Other items such as tyres for scooter/Motorcycle, bottled water also reflect the similar momentum of "moving out" phenomenon, where even on a sequential basis, pickup is visible.

Table 2: Certain goods production reflects economy is maintaining momentum

"Moving out products"	Production-IIP, YoY		MoM	
	Sep-24	Sep-24	Unadjusted	Seasonally adjusted
Hosiery products	**24.2**	**-10.8**	**14.7**	**5.3**
Travel goods, handbags, office bags, etc.	**-7.9**	**8.9**	**3.8**	**5**
Footwear -all types	**-0.5**	**-1.7**	**6.2**	**2.7**
Shaving razors/ razor blades	**15**	**-1.1**	**2.8**	**6.2**
Jewellery of gold (studded with stones or not)	**41.2**	**33.7**	**36.6**	**3.6**
Cut & Polished diamonds	**-11.2**	**18.1**	**15.3**	**15.3**
Sunglasses	-8.3	70.3	-11.1	-10.5
Hair dye	42.4	47.5	0	-3.3
Hair shampoo	-14.7	24.7	-2.8	6.6
Creams and lotions for topical application	-32.7	43.6	-6.7	-15.8
Tyres for Light Motor Vehicles (LMV)	**6.9**	**2.5**	**0.9**	**0.7**
Tyres for Scooter/ Motorcycle/ 3- wheelers	**9.9**	**2.8**	**5.1**	**3.7**
Bottled water	**-13.0**	**15.0**	**6.1**	**1.5**
Aerated drinks/ soft drinks (incl. soft drink concentrates)	-12.4	-14.3	-4.5	-4.4

Source: CMIE, Bank of Baroda Research

What do auto sales data reflect?

According to the FADA retail sales data, it has been noted the total auto sales has risen by 5.2% in Sep'25 after declining by 8.6% in Sep'24. A similar trend has been noted for PV (5.8% from -16.7%) and two-wheeler sales (6.5% from -8.2% in Sep'24), wherein higher growth has been registered for Sep'25 than for the same period of last year. This growth can partly be attributed to low base effect.

Table 1: Auto sales data is upbeat

Category	Sep'24	Sep-25
Total Auto sales	(8.6)	5.2
Passenger vehicles	(16.7)	5.8
Two-wheeler	(8.2)	6.5
Commercial Vehicles	(15.3)	2.7

Source: FADA, Bank of Baroda Research

Interestingly, it must be noted that GST rationalisation was implemented on 22 Sep, the onset of festive period which meant reduction in rates will be effective during this period. The same has been reflected from FADA data, during the Navaratri period, broad based growth was visible across all categories. Auto, PV and two-wheeler sales registered a healthy growth of above 30% mark on a YoY basis. Moreover, maximum sales were recorded during this period, as consumer would have pushed off their purchase to incorporate the GST rate reduction. More than 60% total auto sales were seen during this specific period. Even the share of PV and two-wheeler sales during this specific period to the total sales in Sep'25, was as high as 73% and 65% respectively.

What do the corporate results of consumer goods companies show?

The financial results available as of date for a handful of FMCG and consumer durable goods companies show broadly optimistic picture albeit some transitory structural changes. For FMCG companies, sales have picked up. Companies have attributed positive macro fundamentals for the same. Most of the FMCG companies also agreed that majority of their portfolio will benefit, especially in Q3 due to the GST reform. It will unlock new opportunities by increasing disposable income of consumers and more prospects towards premiumization. However, some cited transitory disruptions on account of clearing off old price inventory.

Consumer Durables companies are also confident on growth front. However, the current quarter showed some impact of postponement of buying decisions in anticipation of further clarity over pass through of GST rate cut. Thus, Q3 numbers are expected to show the full impact. Broadly, net sales showed improved momentum in Q3FY26 and PBDT remained upbeat.

Table 3: Q2 results of few consumer goods companies

Sectors	Count of companies	Net Sales		PBDT	
		Q2FY25	Q2FY26	Q2FY25	Q2FY26
Auto*	13	7.8	22.8	9.1	26.9
Consumer Durables	5	2.7	-6.2	56.4	53.6
FMCG	10	4.2	8.1	9.8	0.2
Footwear	2	1.8	-3.3	21.1	-20.0
Hotel and Resorts	**4**	**9.3**	**5.2**	**9.6**	**13.0**
Household & Personal Products	4	1.9	0.6	-0.7	-0.7
Restaurants	**1**	**8.5**	**15.6**	**10.9**	**9.6**
Retail	**4**	**13.3**	**14.6**	**9.3**	**9.1**

Source: Ace Equity, Bank of Baroda Research

To sum up:

- The production aspect of consumption shows significant sequential momentum in Sep'25 anticipating a better outlook supported by significant price reduction benefit offered to consumers by the government.
- Most of the durable goods demand held ground. The production of TV and refrigerators have been significant. For TV, it also comes against an unfavourable elevated base.
- The "moving out" phenomenon is also visible in the production data of IIP. Items such as hosiery products, travel goods, shaving instruments, jewellery, tyres for scooter/Motorcycle, bottled water witnessed considerable jump. For jewellery some price effect is also attributable to increased production.
- The financial results of a handful of companies also show similar trends. Here sales and PBDT have held up well for auto, hotels, restaurants and retailing. For consumer durables, some postponement of purchase decisions came into play surrounding price related uncertainties in the run up to the GST roll out.
- Going forward, we expect revival in demand conditions to have full effect. This will be supported by rural demand on the back of better sowing and good monsoon. Urban demand will also get support from the tax related reforms. Companies have also pointed out that the deferred buying decisions observed in Q2 will get materialized into sales in Q3. Apart from this, IMD's prediction of a strong winter also holds positive for certain consumer goods segment.

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