

Cross sectoral trends and outlook

Festive season trends indicate GST rate cut boosted volumes; durability of volume boost remains uncertain

NOVEMBER 2025





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Sector	GST rate change impact
Two-wheeler	↑
Passenger vehicle	↑
Tractor	↑
Commercial vehicle	↑
Fashion retail	↔
General insurance	↑
Life insurance	↑
Room Air Conditioner (RAC)	↑*
Hotels – Budget	↑
Cement	↑
Fertiliser	↑
Speciality chemicals	↑
Upstream oil and gas	↓

The rationalisation in Goods and Services Tax (GST) rates had commenced from September 22, 2025, in line with the onset of the festive season, which spanned till end-October 2025. In this report, ICRA evaluates the impact of these changes on volumes and demand so far for some key industries. GST rate cuts have eased the tax burden for consumers and businesses by lowering prices on essentials and improving affordability across key sectors. Festive season trends and early indicators validate these benefits, pointing to a rebound in demand, especially for consumer durables. However, sustaining the same will depend on broader economic conditions and industry-specific dynamics in the quarters ahead.

Since its rollout in 2017, India's GST has undergone several rate adjustments, culminating in a major restructuring in September 2025. The 56th GST Council meeting on September 3, 2025 introduced 'GST 2.0', featuring substantial rate cuts across a wide range of goods and services. This overhaul aims to make consumer prices more affordable, reduce operational costs for businesses, and stimulate demand across sectors such as essentials, housing materials, automobiles, and services.

Macro impact

- Boosted by stocking ahead of the GST-rationalisation fueled demand during the festive season, the expansion in manufacturing output accelerated in September 2025, with the production of consumer durables undergoing a prominent sequential and YoY uptick.
- The combination of GST rate rejig, pent-up demand and the early festive onset appears to have boosted demand in September-October 2025, which is expected to augur well for the growth in manufacturing output in October 2025 as well. Although the YoY growth in GST E-way bill generation eased to 8.2% in October 2025 from 21.0% in September 2025, this partly reflects the shift in festive calendar; a comparison of average October-November trends would be more appropriate.
- While the GST rationalisation may support demand for regular use/small-ticket items after the festive season, the sustenance of the buoyancy in demand for big-ticket items remains to be seen.
- The impact of the GST rate rejig on prices is also visible across several items in the CPI basket. Notably, the core-CPI, excluding gold, has remained flat on a sequential basis in October 2025 vs. the typical MoM uptick of ~0.4-0.5% seen in the month.

*Note: * A good part of the GST rate cut benefit is going to be neutralised by the star labeling requirements to be introduced from Jan 2026*



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