



ICRA BUSINESS ACTIVITY MONITOR - AN INDEX OF HIGH FREQUENCY ECONOMIC INDICATORS

Growth in economic activity rose to 10.7% in July 2024; early data for August 2024 points to a slowdown

August 2024





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ICRA Business Activity Monitor is a composite indicator that comprises:

- Auto production (2Ws and PVs)
- Vehicle registrations
- Output of Coal India Limited (CIL)
- Power generation
- Non-oil merchandise exports
- Cargo handled at major ports
- Consumption of petrol and diesel
- Finished steel consumption
- Generation of GST e-way bills
- Domestic airline passenger traffic
- Aggregate deposits and non-food credit of SCBs

The year-on-year (YoY) growth in economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, rose to a five-month high of 10.7% in July 2024 from 10.0% in June 2024. The uptick was broad based, with 10 of the 15 constituent indicators witnessing an improvement in their YoY growth performance between these months. The Index contracted by 0.9% on a sequential basis in July 2024, albeit lower than the month-on-month (MoM) dip of 1.6% seen in July 2023. However, the early data for August 2024 points to a slowdown in the growth momentum vis-à-vis July 2024, amid a contraction in the average daily vehicle registrations as well electricity demand compared to the year ago levels.

- **ICRA Business Activity Monitor improved to 10.7% in July 2024:** The YoY growth in the ICRA Business Activity Monitor rose to 10.7% in July 2024 (+9.0% in July 2023) from 10.0% in June 2024 (+7.5% in June 2023), with as many as 10 of the 15-constituent indicators reporting an improvement in their YoY performance between these months. Mobility-related indicators (including GST e-way bills, domestic airline passenger traffic, and petrol and diesel consumption) and auto-related indicators (vehicle registration, motorcycle, scooter and PV output) witnessed an improvement in July 2024 vis-à-vis June 2024.
- **Sequential contraction in Index narrower than that seen in July 2023:** The Index contracted by a milder 0.9% on a MoM basis in July 2024, as against the sequential contraction of 1.6% seen in July 2023. This was driven by eight of the 13 non-financial indicators, largely pertaining to the auto and mobility segments.
- **Trends for August 2024 appear muted:** As per the data provided on the Vahan portal, the average daily vehicle registrations stood ~8% lower than year ago levels during August 1-27, 2024, after rising by 13.7% in July 2024. Likewise, the all-India electricity demand contracted by 4.2% YoY during August 1-27, 2024, following an expansion of 8.2% in the previous month, reflecting the adverse base effect and heavy rainfall across parts of the country.

{Note: Since the rail freight data for July 2024 is not available, we have excluded this indicator from the computation of the ICRA Business Activity Monitor.}

ICRA Business Activity Monitor includes high frequency indicators related to industrial and service sectors

ICRA Business Activity Monitor



**Auto
Production
(PV and 2W)
and vehicle
registrations**



**Coal India
Limited
output**



**Power
Generation**



**Rail Freight
Traffic***



**Non-oil
Merchandise
Exports**



**Cargo
handled at
Major Ports**



**Consumption
of Petrol and
Diesel**



**Finished
Steel
Consumption**



**Generation of
GST e-way
bills**



**Domestic
Airline
Passenger
Traffic**



**Aggregate
Deposits and
Non-food
credit of SCBs**

**Note: Since the rail freight traffic data for July 2024 is not available, we have excluded this indicator from the computation of the ICRA Business Activity Monitor. We have clubbed the production of PVs, scooters and motorcycles together as a single indicator; SCB: Scheduled Commercial Banks; PV: Passenger Vehicles; 2W: Two-wheelers;
Source: ICRA Research*

YoY growth in ICRA Business Activity Monitor rose to a five-month high of 10.7% in July 2024 from 10.0% in June 2024

Exhibit: Level of ICRA Business Activity Monitor (FY2019=100)

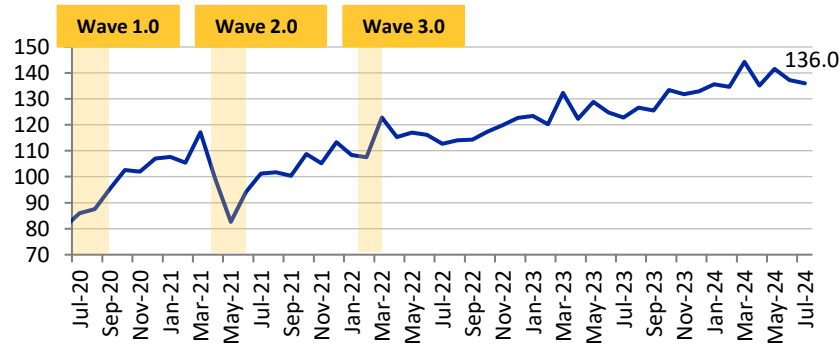
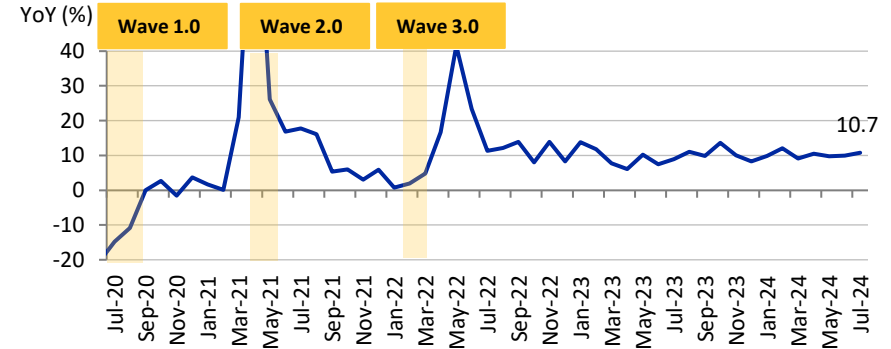


Exhibit: YoY growth of ICRA Business Activity Monitor



Note: Since the rail freight traffic data for July 2024 is not available, we have excluded this indicator from the computation of the ICRA Business Activity Monitor; We have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: ICRA Research.

- The YoY growth in the ICRA Business Activity Monitor improved to 10.7% in July 2024 (+9.0% in July 2023) from 10.0% in June 2024 (+7.5% in June 2023), with as many as 10 of the 15-constituent indicators reporting a pickup in their YoY performance between these months.
- Mobility-related indicators witnessed an improvement in July 2024 vis-à-vis June 2024, including GST e-way bills (to +19.2% in July 2024 from +16.3% in June 2024; led by pre-festive preparations by businesses), domestic airline passenger traffic (to +8.6% from +5.8%), and petrol (to +10.5% from +4.6%) and diesel consumption (to +4.5% from +1.0%).
- All the auto-related indicators also witnessed an improvement, with vehicle registration (to +13.7% from +1.3%), motorcycle output (to +12.8% from +10.8%) and scooter output (to +41.1% from +40.7%) reporting double-digit expansion, while the growth in PV output (to +1.2% from +0.8%) remained muted in July 2024.
- In contrast, the YoY growth in coal output (to a 28-month low of +2.4% from +8.8%), electricity generation (to a seven-month low +6.4% from +9.9%) and finished steel consumption (to +14.6% from 21.1%) moderated in July 2024 relative to June 2024, with the former two impacted by excess rainfall in the month.

YoY performance of 10 of the 15 indicators improved in July 2024 vis-à-vis June 2024

Exhibit: Heatmap of high frequency indicators

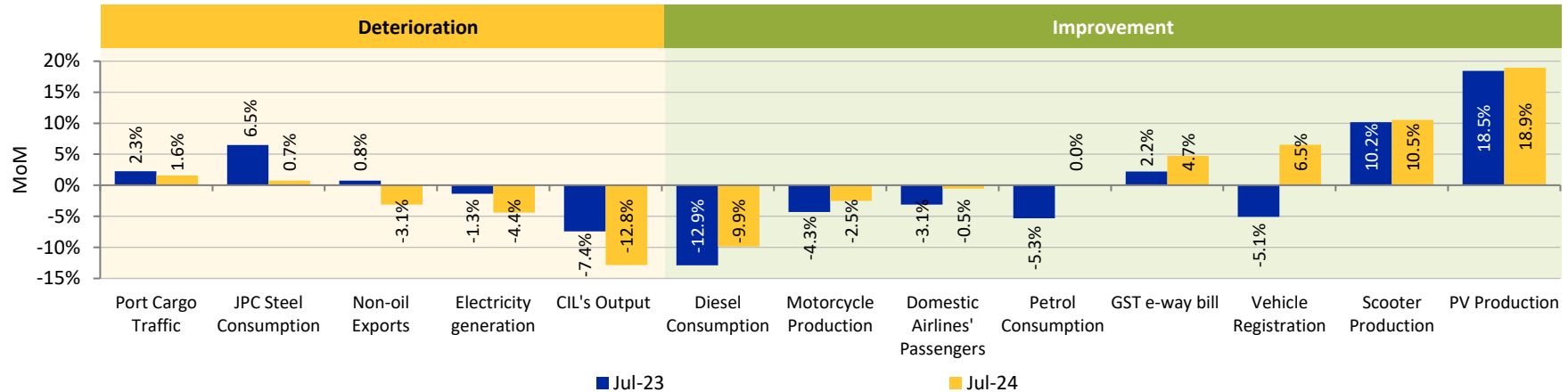
YoY (%)	Auto Output			Vehicle Registration	CIL output	Electricity Generation*	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output												
Apr-24	11.1	19.9	24.1	27.5	7.3	10.0	0.2	1.3	14.5	11.5	2.4	14.2	1.4	12.7	15.0
May-24	7.0	23.5	15.8	3.2	7.5	14.6	8.2	3.7	17.0	11.9	4.4	3.4	2.4	12.2	16.2
June-24	0.8	40.7	10.8	1.3	8.8	9.9	7.7	6.8	16.3	21.1	6.4	4.6	1.0	10.6	13.9
July-24	1.2	41.1	12.8	13.7	2.4	6.4	3.5	6.0	19.2	14.6	8.6	10.5	4.5	11.0	15.1
YoY growth; sequential pick-up				YoY growth; sequential dip		YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip			

With majority of the 15 indicators witnessing an improvement in their YoY growth performance in July 2024 vis-à-vis June 2024, the number of indicators reporting a double-digit YoY growth rose to eight in July 2024 from six in the previous month.

~excluding the impact of HDFC and HDFC bank merger to ensure comparability; *excluding renewable energy; SCBs; Scheduled Commercial Banks; Note: While the monthly data for 15 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Passenger Vehicles (PV), scooter and motorcycle refers to growth in production volumes; CIL: Coal India Limited. Auto includes output of PV, two-wheelers and three-wheelers, CIL refers to growth in production volumes; electricity generation includes thermal, hydro, and nuclear electricity; petrol and diesel refer to growth in consumption volumes; bank deposits and bank credit refer to growth in O/S volumes; Data on finished steel consumption (non alloy and alloy/stainless) is taken from JPC; Source: Joint Plant Committee; CIL; CEA; Indian Ports Association; Ministry of Finance; Ministry of Commerce, GoI; Goods and Services Tax Network; Ministry of Petroleum & Natural Gas; Directorate General of Civil Aviation; PPAC; Reserve Bank of India; Vahan Portal; Ministry of Road Transport and Highways; CMIE; CEIC; ICRA Research

Sequential contraction in the Index in July 2024 was narrower than that seen in July 2023

Exhibit: MoM performance of non-financial economic indicators

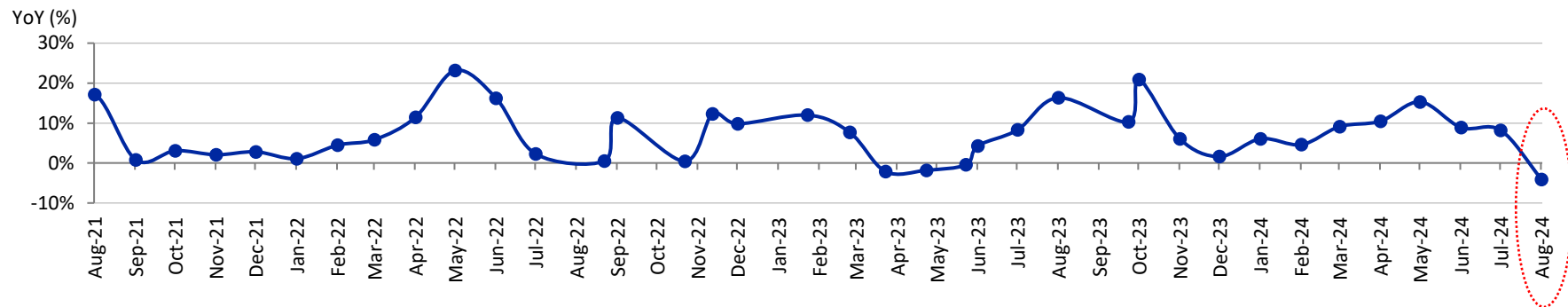


- The ICRA Business Activity Monitor contracted by a milder 0.9% on a MoM basis in July 2024, as against the sequential contraction of 1.6% seen in July 2023. The relatively better performance was partly driven by auto-related indicators, such as vehicle registrations, motorcycle production, PV production, and scooter production, and mobility-related indicators such as petrol and diesel consumption, domestic airlines' passenger traffic, and GST e-way bills.
- Five of the 13 non-financial indicators witnessed a deterioration in their MoM performance in July 2024 vis-à-vis July 2023 including CIL's output, electricity generation, port cargo traffic, non-oil exports and finished steel consumption.

**Data on electricity generation does not include renewable segment; Note: Since the rail freight traffic data for July 2024 is not available, we have excluded this indicator from the computation of the ICRA Business Activity Monitor; We have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: CMIE; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research*

Electricity demand contracted in August 2024, for the first time in 15 months

Exhibit: Electricity Demand at all-India level

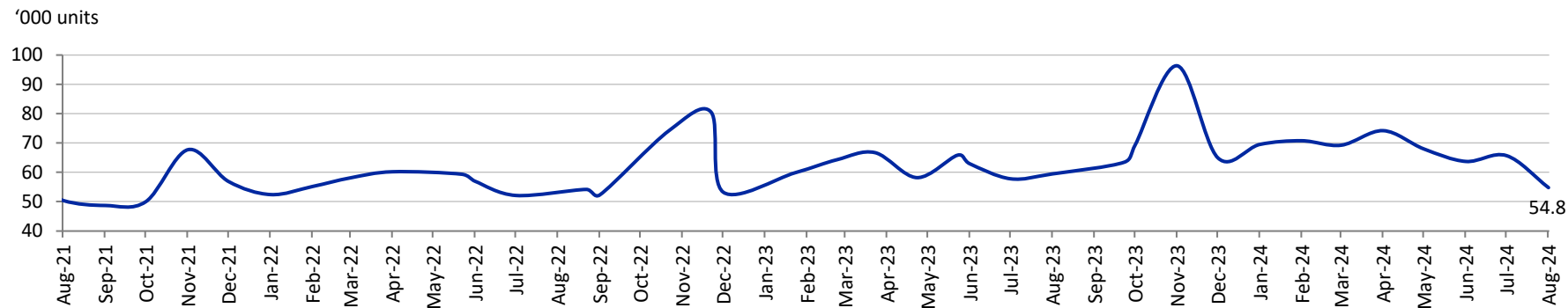


Data for August 2024 is till August 27, 2024; Source: POSOCO; ICRA Research

- The all-India electricity demand has contracted by 4.2% in August 2024 (until August 27, 2024) after rising by 8.2% in July 2024, on account of an adverse base effect (+16.3% in August 2023; +8.3% in July 2023) as well as heavy rainfall across parts of the country. This was the first instance of a contraction in 15 months. All regions, barring the eastern and north-eastern regions, witnessed a YoY contraction in their electricity demand in August 2024 (until August 27, 2024).
- The average electricity demand level moderated to 4.7 BU/day in August 2024 (during August 1-27) from 4.9 BU/day in July 2024 likely driven by falling demand from the household (lower temperatures) and agriculture (reduced irrigation demand) sectors.
- Reflecting the lower demand and pick up in hydro generation (+23.4% MoM until August 27, 2024), the average spot power tariffs in the day-ahead-market (DAM) of Indian Energy Exchange (IEX) moderated to Rs. 4.4/unit during August 1-27, 2024 from Rs 5.0/unit in July 2024.

Daily average vehicle registrations have declined sharply in August 2024 so far

EXHIBIT: Daily average vehicle registrations at all-India level



Data for August 2024 is till August 27, 2024; Source: Vahan, MoRTH; CEIC; ICRA Research

- As per the data provided on the Vahan portal, the average daily vehicle registrations stood at 54.8k units during August 1-27, 2024, trending ~8% lower than 59.5k units seen in August 2023. This contrasts with the 13.7% YoY growth seen in July 2024. Further, on a sequential basis, this is ~17% lower than 65.7k registrations in July 2024, possibly in anticipation of discounts during the upcoming festive season.
- ICRA expects domestic PV wholesale volumes to rise by a modest 3-6% in FY2025 (+8.0% in FY2024), aided by steady demand for utility vehicles, which is likely to bolster industry growth despite an elevated base and expectations of waning pent-up replacement demand. Nevertheless, dealership inventory levels have risen to all-time high of 67-72 days in July 2024, as per the Federation of Automobile Dealers Association (FADA), which is likely to pose a risk to the outlook.
- ICRA projects domestic 2W sales volumes to rise by a robust 7-10% in FY2025 (+13.3% in FY2024), amid a likely improvement in rural demand on the back of expectations of an above normal monsoon.

The ICRA Business Activity Monitor - an Index of high frequency economic indicators, is a composite tool that gauges economic activity each month. While several high frequency indicators are released every month, each of these provides insights on the performance of a select segment of the economy. It is possible to appraise trends in each of these indicators and provide a qualitative assessment of the overall state of the economy. However, such an evaluation is fraught with challenges, especially when indicators display contradictory trends or point to multi-speed expansions/contractions. The Business Activity Monitor aims to overcome this contention by providing a summary measure of the state of the economy by integrating multiple high frequency indicators into a single index.

The ICRA Business Activity Monitor* is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight traffic, ports cargo traffic, non-food bank credit of scheduled commercial banks, bank deposits, vehicle registrations, generation of GST e-way bills, domestic airlines' passenger traffic, petrol consumption, diesel consumption and steel consumption. Each of these indicators are indexed in a way that the average index value for the base year FY2019 amounts to 100. The index is computed by taking the mean of the index values of these 14 indicators.

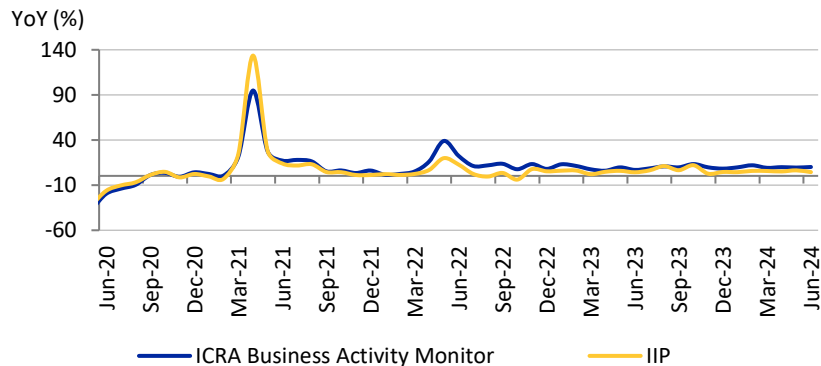
The ICRA Business Activity Monitor gives us the net direction of our 14 high frequency indicators and can be used to assess economic conditions across time periods. For instance, a fall in the value of the index to 136.7 in June 2024 from 141.2 in May 2024, signifies that economic activity has weakened in June 2024 vis-à-vis May 2024.

While summary measures of economic activity such as the GDP and the Index of Industrial Production (IIP) are released by the Government, these are available with relatively longer lags. The GDP data is available for a quarterly or higher frequency and is released with a lag of two months post the end of the quarter. Although IIP data is available on a monthly basis, it is released with a lag of around six weeks post the end of the month (Eg. IIP for June 2024 was released on 12th August 2024). However, the IIP by design excludes the services sector. Since the ICRA Business Activity Monitor is based on a variety of high frequency indicators, it is typically released with a lag of two weeks (Eg. Business Activity Monitor for June 2024 was available by mid-July 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

*Since the rail freight traffic data for July 2024 is not available, we have excluded this indicator from the computation of the ICRA Business Activity Monitor in this report.

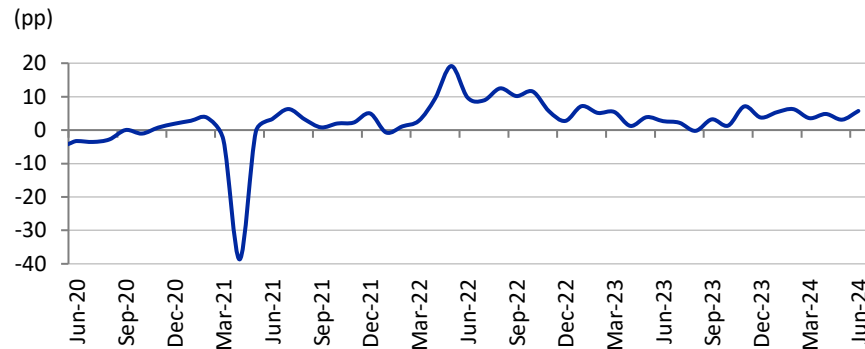
Annexure A.2: ICRA Business Activity Monitor

Exhibit: Correlation between YoY trends in ICRA Business Activity Monitor and IIP



Source: ICRA Research

Exhibit: Deviation in YoY growth between ICRA Business Activity Monitor and IIP

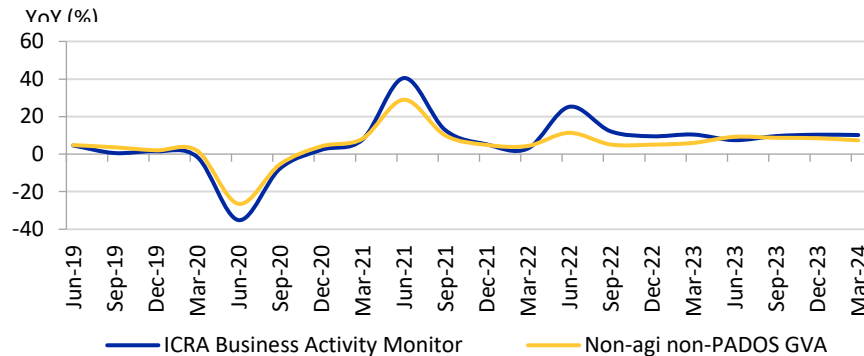


Source: ICRA Research

- The IIP is a measure of industrial activity and does not cover the agriculture and services sectors. The ICRA Business Activity Monitor is a broader measure than the IIP as it also covers some high frequency indicators related to the services sector (measures of mobility such as airlines passenger traffic and petrol consumption and financial services such as non-bank food credit and bank deposits).
- We have observed some degree of co-relation between the two (in both absolute and YoY growth terms). The deviation between the growth of the ICRA Business Activity Monitor and the IIP stood at +/-2% and +/-5% in 18 and 43, respectively, of the 63 months between April 2019 and June 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 47 of the 63 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 52/11 of the 63 months.

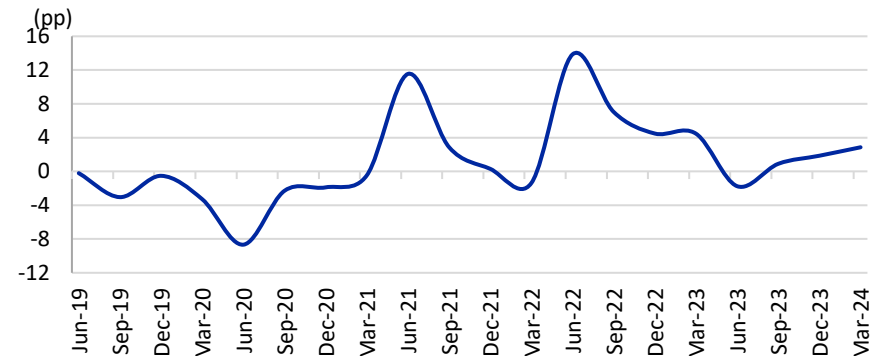
Annexure A.3: ICRA Business Activity Monitor

Exhibit: Correlation between YoY trends in ICRA Business Activity Monitor and non-agri non-PADOS GVA



Source: ICRA Research

Exhibit: Deviation in YoY growth between ICRA Business Activity Monitor and non-agri non-PADOS GVA

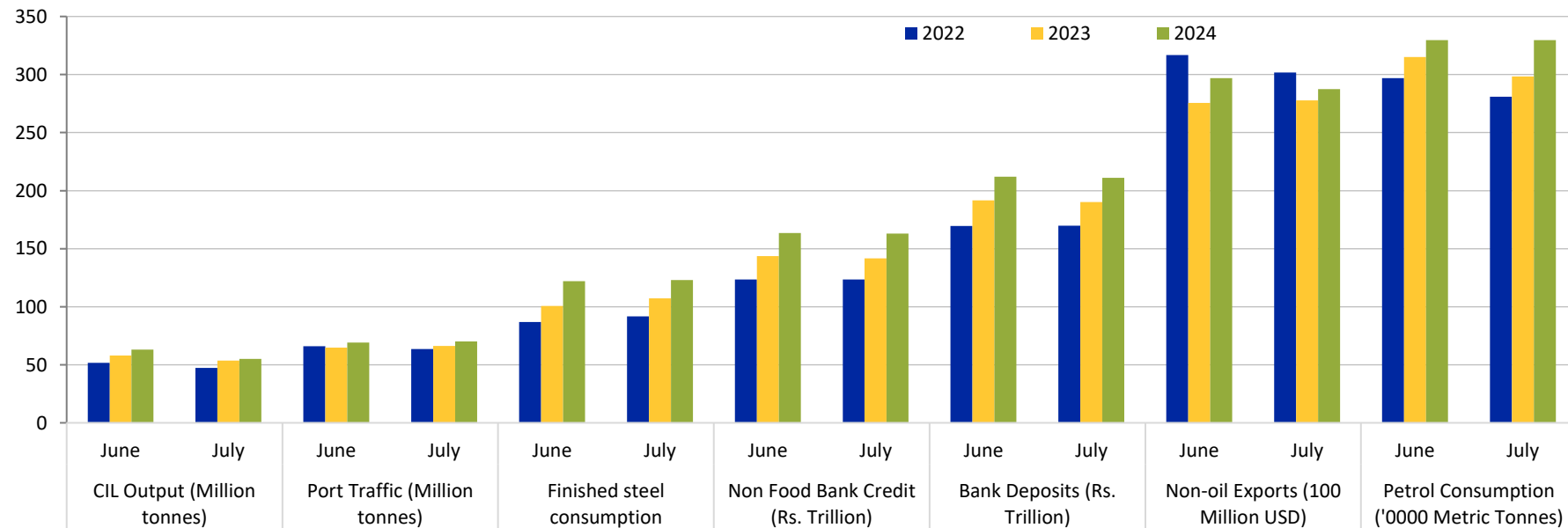


Source: ICRA Research

- On the other hand, notwithstanding some coverage of the services sector, the ICRA Business Activity Monitor is a relatively narrower measure of economic activity compared to the GDP or the Gross Value Added (GVA), which is much more comprehensive in its scope. While the ICRA Business Activity Monitor provides a good gauge of the direction of growth in non-agri non-public administration, defence and other services (PADOS) GVA, the deviation in the growth rates exceeded +/-1% in 15 of the 20 quarters between Q4 FY2019 and Q4 FY2024.
- Interestingly, in the period when growth was slowing down (up to Q1 FY2021), there was a negative deviation between the ICRA Business Activity Monitor and the non-PADOS GVA growth, indicating that the former predicted the downturn but magnified its extent. The opposite is true for the period from Q4 FY2021 onwards.
- Since the GVA is a measure of value addition, this could lead to a difference in the magnitude and/or direction of changes between the growth in the GVA and the ICRA Business Activity Monitor, as the former would be affected by changes in margins of businesses following rising/falling commodity prices or cost cutting measures.

Annexure B.1: Volumes of all indicators increased in July 2024 in YoY terms - I

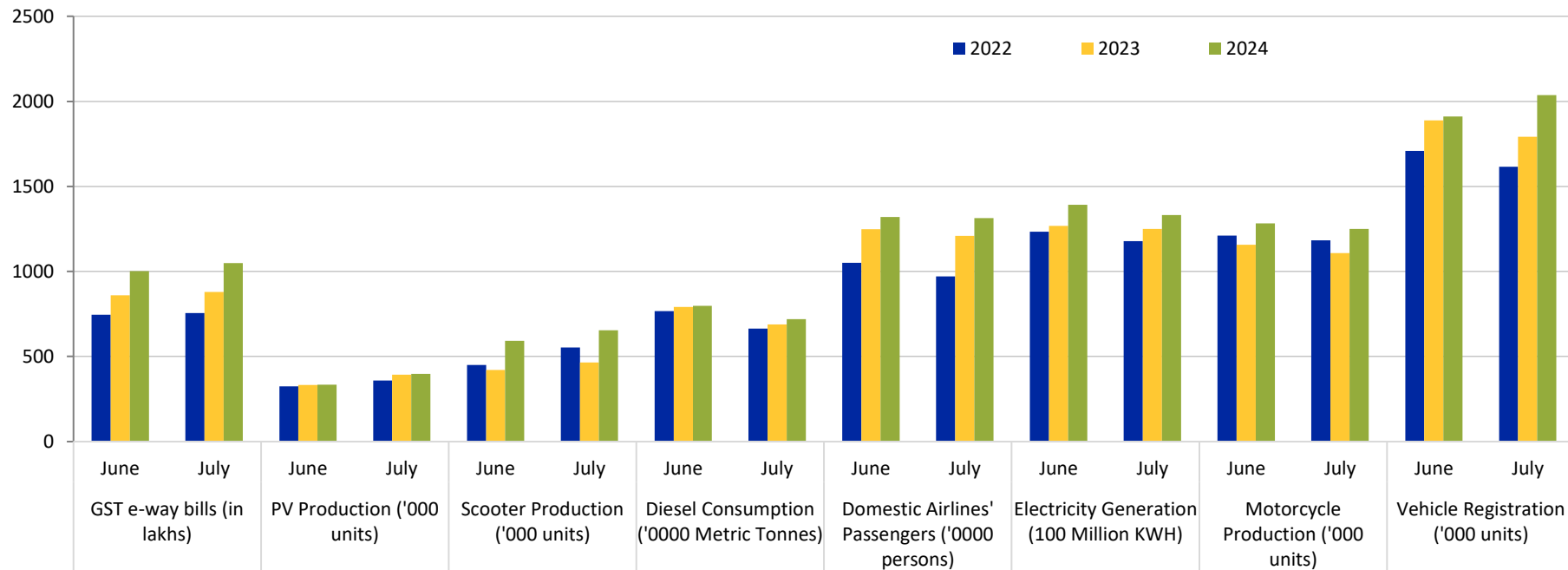
Exhibit: Trends in Volumes for Last Three Years in June and July (Part - I)



*Data for non-food bank credit and bank deposits is excluding the impact of HDFC and HDFC bank merger to ensure comparability; Source: CIL; Ministry of Commerce, GoI; Indian Ports Association; JPC; RBI; PPAC; CEIC; ICRA Research

Annexure B.2: Volumes of all indicators increased in July 2024 in YoY terms - II

Exhibit: Trends in Volumes for Last Three Years in June and July (Part - II)



Source: CMIE; PPAC; CEA; GSTN; DGCA; Ministry of Road Transport and Highways; CEIC; ICRA Research



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