

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

Growth in economic activity slowed to four-month low of 6.5% in December 2024; GVA growth to rebound in Q3 FY2025 vis-à-vis Q2

JANUARY 2025





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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
- 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

The year-on-year (YoY) growth in economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, eased to 6.5% in December 2024 from 8.1% in November 2024. This could be partly attributed to some dip in the momentum of economic activity post the festive season and is also reflected in the subdued sequential uptick in the Index between these months. Nevertheless, the quarterly trends are positive, with the growth in the index rising to 8.2% in Q3 FY2025 from 7.2% in Q2 FY2025, buoyed by the festive season and the favourable impact of the withdrawal of monsoons on sectors like mining and electricity. Given these trends, ICRA expects the gross value added (GVA) growth to rebound to ~6.8% in Q3 FY2025 from the seven-quarter low of 5.6% in Q2 FY2025. The outlook for Q4 FY2025 appears mixed, with the threat of tariffs and exchange rate volatility souring sentiment. ICRA estimates the GDP growth to print at 6.5% in FY2025 and maintain that pace in FY2026.

- **Growth in ICRA Business Activity Monitor softened in December 2024:** The YoY growth in the ICRA Business Activity Monitor slowed to a four-month low of 6.5% in December 2024 from 8.1% in November 2024, amid some dip in the economic momentum post the festive season*. As many as nine of the 16 constituent indicators reported a slowdown in their YoY growth rates, including mobility, mining and infra-related indicators. On a sequential basis, the Index rose by a marginal 0.2% in December 2024, the lowest growth seen in December of the last four years.
- **GVA growth to pick up in Q3 FY2025:** The YoY growth in ICRA Business Activity Monitor improved to 8.2% in Q3 FY2025 from the 10-quarter low of 7.2% in Q2 FY2025, while trailing the 9.7% expansion in Q1 FY2025. As many as 10 of the constituent indicators saw an uptick in their YoY performance in Q3 FY2025 vis-à-vis Q2, amid the positive impact of the festive season on automobiles, fuel consumption, transport-related indicators, as well as the benefits of monsoon withdrawal on sectors like electricity and mining. Consequently, ICRA expects the GVA growth to improve to 6.8% in Q3 FY2025 from the seven-quarter low of 5.6% in Q2 FY2025.
- **Data for early-January 2025 mixed:** While the YoY growth in average daily vehicle registrations has turned positive during January 1-15, 2025 after the contraction seen in December 2024, that in electricity demand has eased between these months, owing to an adverse base. The outlook for Q4 FY2025 remains mixed.

*festive period: a) 2021 – Oct 7, 2021 to Nov 17, 2021; b) 2022 – Sep 26, 2022 to Nov 6, 2022; c) 2023 – Oct 15, 2023 to Nov 25, 2023; d) 2024 – Oct 3 to Nov 13, 2024.

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: 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 moderated for second consecutive month to 6.5% in December 2024

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

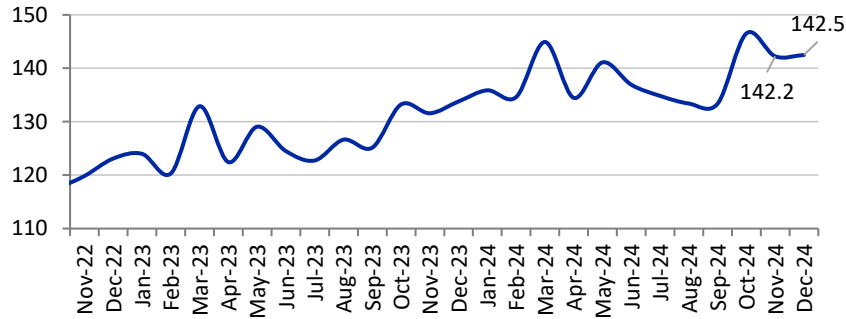
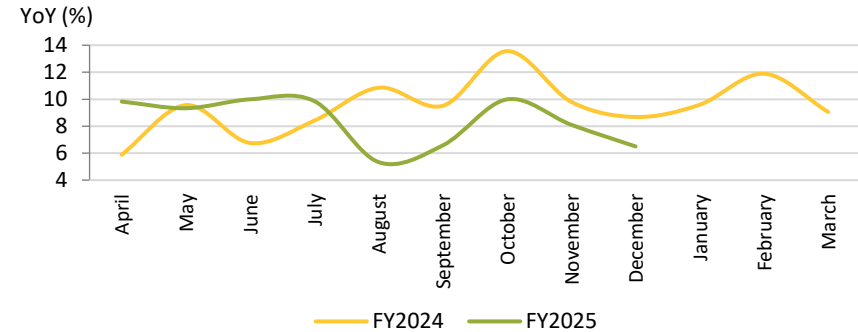


Exhibit: YoY growth of ICRA Business Activity Monitor



Note: While the monthly data for 16 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; Source: ICRA Research.

- The YoY growth in the ICRA Business Activity Monitor moderated for the second consecutive month to a four-month low of 6.5% in December 2024 (+8.7% in December 2023) from 8.1% in November 2024 (+9.8% in November 2023), amid some dip in the momentum of economic activity post the festive season*. As many as nine of the 16 constituent indicators reported a slowdown in their YoY growth rates in December 2024 vis-à-vis the previous month.
- The performance of vehicle registrations (to -12.3% in December 2024 from +11.8% in November 2024, on an elevated base), diesel consumption (to +5.9% from a 13-month high of +8.5%), 2W production (to -0.2% from +8.7%; first contraction in 17 months), domestic air passenger traffic (to +10.8% from +11.9%) deteriorated in December 2024 vis-à-vis November 2024. Additionally, the growth in CIL's output and steel consumption weakened between these months, despite a favorable base.
- In contrast, the performance of port cargo traffic (to +3.4% in December 2024 from -5.0% in November 2024; led by the POL and container shipments), GST e-way bills (to +17.6% from +16.3%), rail freight traffic (to +2.2% from +1.2%), petrol consumption (to +10.8% from +9.6%; partly supported by a favorable base), and PV production (to +9.2% from +6.5%; despite an unfavorable base owing to year-end discounts) improved in December 2024 vis-à-vis November 2024. Additionally, the rise in electricity generation improved (to +4.2% from +2.6%) between these months, mirroring the uptrend in power demand (to +5.9% from +4.0%).

*festive period: a) 2021 – Oct 7, 2021 to Nov 17, 2021; b) 2022 – Sep 26, 2022 to Nov 6, 2022; c) 2023 – Oct 15, 2023 to Nov 25, 2023; d) 2024 – Oct 3 to Nov 13, 2024.

YoY performance of most non-agri indicators deteriorated in December 2024 vis-à-vis November 2024

Exhibit: Heatmap of high frequency indicators

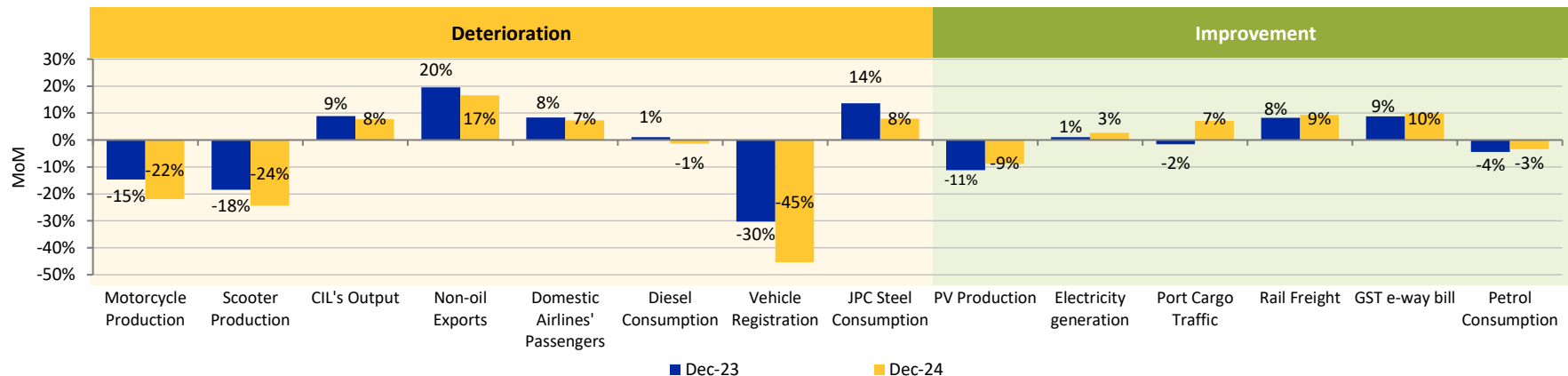
YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
Sep-24	-3.4	10.3	14.2	-8.6	-1.0	-1.6	5.9	5.9	-0.7	18.5	10.9	6.4	3.0	-1.9	12.0	14.4
Oct-24	-4.0	14.8	12.9	33.3	2.3	0.3	24.9	-3.4	1.5	16.9	8.8	8.1	8.7	0.1	12.1	12.8
Nov-24	6.5	13.9	6.4	11.8	1.8	2.6	7.7	-5.0	1.2	16.3	8.8	11.9	9.6	8.5	11.1	11.8
Dec-24	9.2	5.7	-2.7	-12.3	0.7	4.2	5.1	3.4	2.2	17.6	3.3	10.8	10.8	5.9	10.2	12.4
<div>YoY growth; sequential pick-up</div> <div>YoY growth; sequential dip</div> <div>YoY growth; no sequential change</div> <div>YoY contraction; sequential pickup</div> <div>YoY contraction; sequential dip</div>																

Five indicators reported a double-digit YoY expansion in December 2024, down from six in November 2024. Simultaneously, the number of indicators reporting a contraction rose to two in December 2024 from one 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 16 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; Indian Railways; Reserve Bank of India; Vahan Portal; Ministry of Road Transport and Highways; CMIE; CEIC; ICRA Research

MoM increase in ICRA Business Activity Monitor in December 2024 weakest since December 2019

Exhibit: MoM performance of non-financial economic indicators

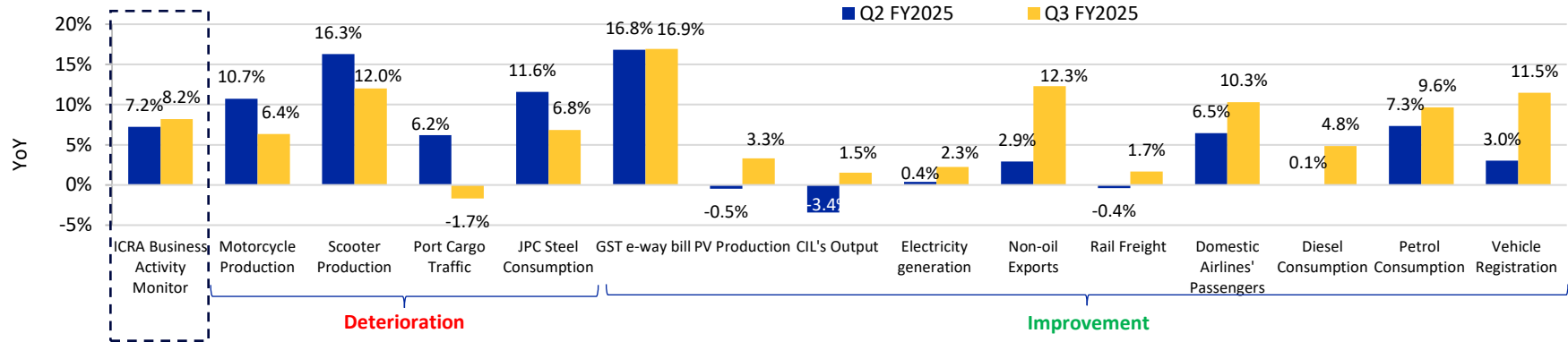


- On a sequential basis, the ICRA Business Activity Monitor rose by a marginal 0.2% in December 2024 (lowest growth in December of the last four years) against the 1.7% growth seen in December 2023, with eight of the 14 non-financial indicators reporting a weaker sequential performance. The auto-related segments such as motorcycle production, scooter production, and vehicle registrations witnessed a larger sequential contraction, which weighed on the performance of the Index in the month. Moreover, while diesel consumption flipped to a contraction, CIL's output, and steel consumption also witnessed a lower sequential uptick in December 2024 vis-à-vis December 2023.
- In contrast, the PV production, electricity generation and transport-related indicators such as port cargo traffic, railway freight, GST e-way bill, and petrol consumption, reported an improvement in December 2024 vis-à-vis December 2023.
- Interestingly, the MoM increase of 0.2% in December 2024 is much weaker than the growth momentum that is typically seen in December (ranged between 1.7% and 7.8% in December of FY2021-24), suggesting that the economic activity has evidently slowed down in December 2024.

Data on electricity generation does not include renewable segment; Note: While the monthly data for 16 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; Source: CMIE; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research

Growth in most non-agri indicators rose in Q3 FY2025 vs. Q2 FY2025, aided by festive demand and dissipation of monsoon-led disruptions

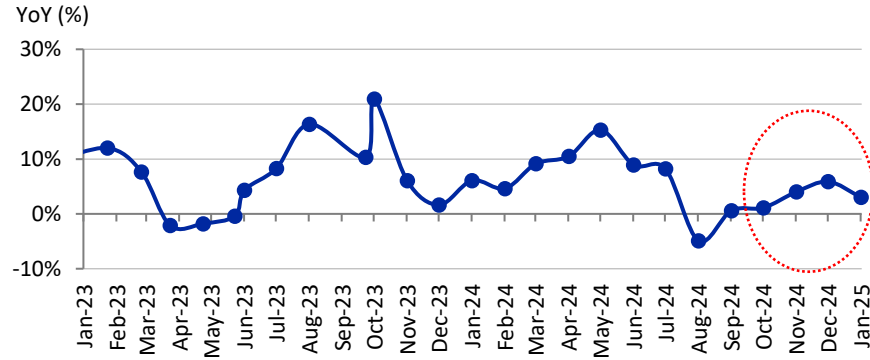
EXHIBIT: YoY performance of high frequency non-agri indicators in Q2 FY2025 and Q3 FY2025



- The YoY growth in the ICRA Business Activity Monitor improved to 8.2% in Q3 FY2025 (+10.6% in Q3 FY2024) from the 10-quarter low of 7.2% in Q2 FY2025 (+9.6% in Q2 FY2024), as economic activity gained momentum aided by the festive demand and the dissipation of monsoon-related disruptions.
- As many as 10 of the 14 constituent indicators saw an uptick in their YoY performance in Q3 FY2025 relative to Q2 FY2025, amid the positive impact of the festive season on automobiles (vehicle registrations, PV output), fuel consumption (petrol and diesel consumption), mobility and transport-related indicators (domestic airline passenger traffic, rail freight and GST e-way bills), as well as the benefits of monsoon withdrawal on sectors like electricity (generation) and mining (CIL's output) contributing to this improvement. Additionally, the growth in non-oil exports also improved materially between these quarters.
- In contrast, the YoY growth performance of ports cargo traffic, steel consumption, and 2W output deteriorated in Q3 FY2025 vs. Q2 FY2025. However, most indicators in this sub-set (other than ports cargo traffic) displayed a healthy growth in the quarter.

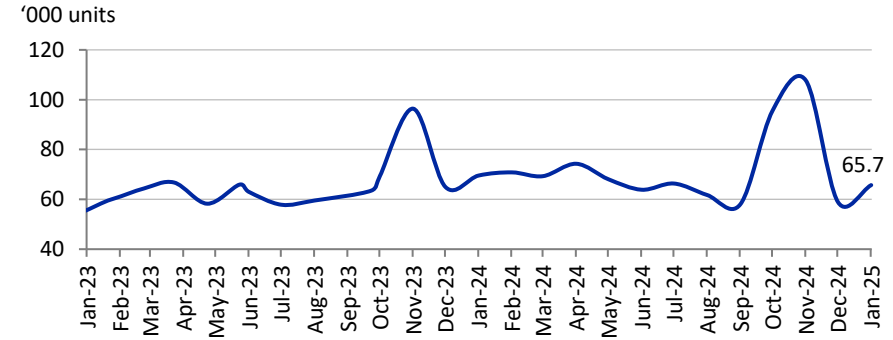
Electricity demand and auto retail volumes rose mildly on a YoY basis in first half of January 2025

Exhibit: Electricity Demand at all-India level



Data for January 2025 is till January 15, 2025; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Daily average vehicle registrations at all-India level



Data for January 2025 is till January 15, 2025; Source: Vahan, MoRTH; ICRA Research

- The YoY growth in all-India electricity demand stood at 3.0% in January 2025 (till January 15), albeit lower than 5.9% in December 2024, partly dampened by a high base (+6.1%/+1.6% in January 2024/ December 2023). However, the average demand increased to 4.4 BU/day during January 1-15, 2025 from 4.2 BU/day in the previous month, owing to heightened power demand for heating. Reflecting this, the average spot power tariffs in the day-ahead-market (DAM) rose sharply to Rs. 4.5/unit during January 1-16, 2025 from Rs. 3.9/unit in December 2024.
- As per the data provided on the Vahan portal, the average daily vehicle registrations picked up to 65.7k units/day during January 1-15, 2025, 3.7% higher than the levels recorded during the similar period of January 2024 (63.4 units/day), as against a YoY contraction in December 2024. Moreover, on a sequential basis, it rose by 14.1% vis-à-vis mid-December 2024 (57.6 units/day), despite the inauspicious *Kharmas* period (Dec 15, 2024 – Jan 14, 2025). The registrations during December 1-15, 2024 were muted on account of a normalisation post the sharp festive-led surge seen in November 2024.

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.

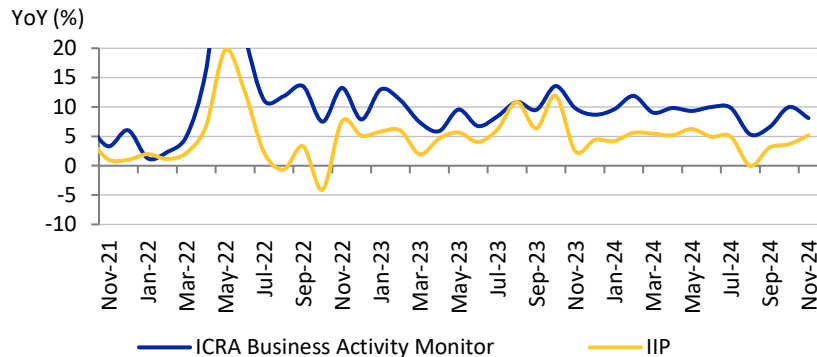
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 moderation in the YoY growth of the Index to 8.1% in November 2024 from 10.0% in October 2024, signifies that the growth in economic activity slowed down in November 2024 vis-à-vis October 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 November 2024 was released on January 10, 2025). 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 usually released with a lag of two weeks (Eg. Business Activity Monitor for November 2024 was available by mid-December 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

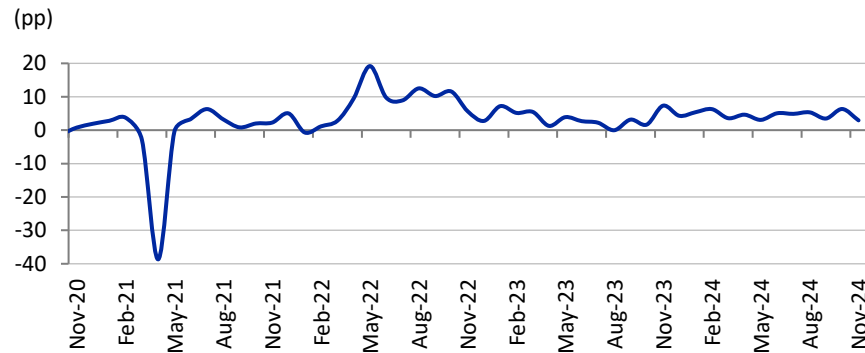
Annexure A.2: ICRA Business Activity Monitor

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

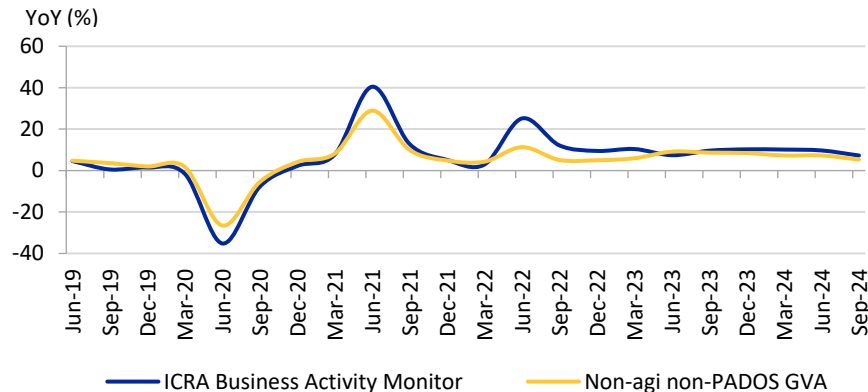


Source: ICRA Research

- 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 47, respectively, of the 68 months between April 2019 and November 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 50 of the 68 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 57/11 of the 68 months.

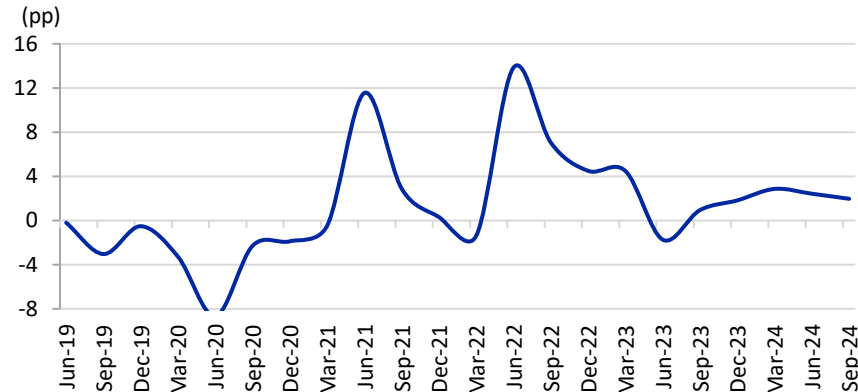
Annexure A.3: ICRA Business Activity Monitor

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

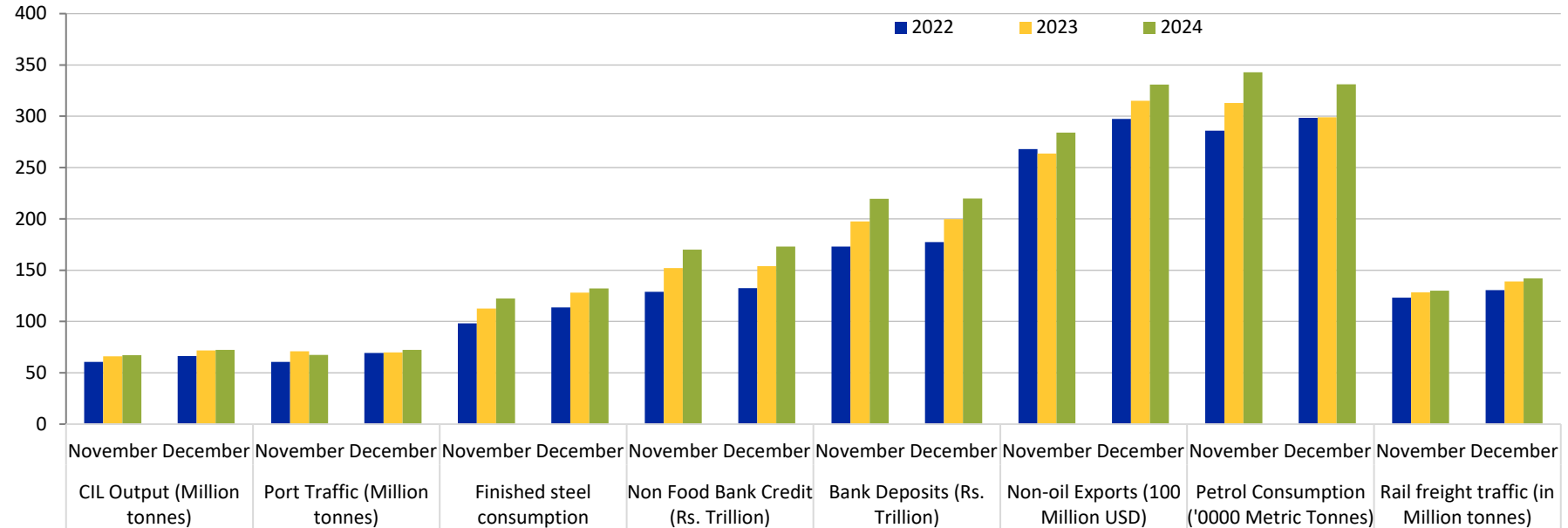


Source: ICRA Research

- 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 17 of the 22 quarters between Q4 FY2019 and Q2 FY2025.
- 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 14 of the 16 indicators rose in December 2024 vis-à-vis December 2023- I

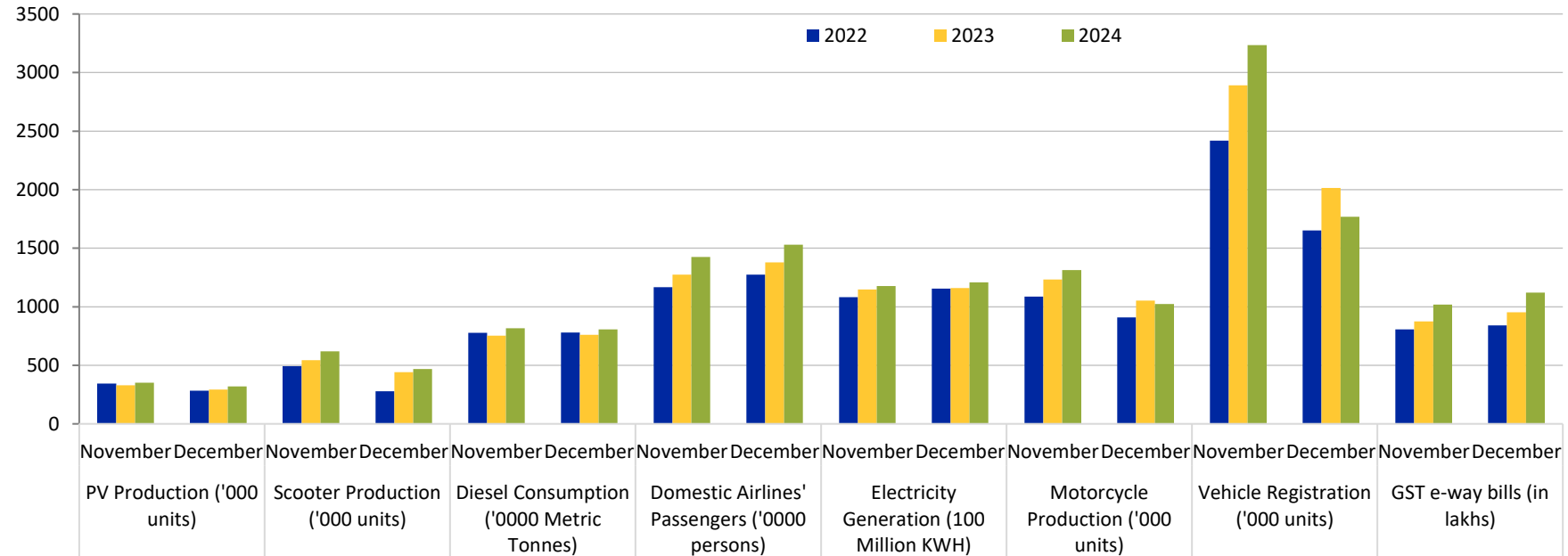
Exhibit: Trends in Volumes for Last Three Years in November and December 2024 (Part - I)



*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 Railways; Indian Ports Association; JPC; RBI; PPAC; CEIC; ICRA Research

Annexure B.2: Volumes of 14 of the 16 indicators rose in December 2024 vis-à-vis December 2023- II

Exhibit: Trends in Volumes for Last Three Years in November and December 2024 (Part - II)



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



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