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

Growth in economic activity improved in March 2025; GVA growth expected to rise slightly to 6.5% in Q4 FY2025, aided by low base, healthy agri output

APRIL 2025

Highlights - I

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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, improved to 7.0% in March 2025 from a 35-month low of 5.6% in February 2025, as the impact of the leap-year related base effect dissipated. In quarterly terms, the growth in the Index eased to 7.4% in Q4 FY2025 from 8.8% seen in Q3 FY2025, amid weak external demand (reflected in the slowdown in non-oil exports), subdued mining activity (Coal India Limited's output), slower growth in demand for the auto segment (vehicle registrations and 2W output), electricity demand, and fuel sales. Nevertheless, ICRA estimates the gross value added (GVA) growth to improve slightly to 6.5% in Q4 FY2025 (+7.3% in Q4 FY2024) from 6.2% in Q3 FY2025 (+8.0% in Q3 FY2024), aided by a favourable base, and reasonable growth in the output of most rabi crops. The early trends for April 2025 point to deterioration in economic activity. While the 90-day pause on reciprocal tariffs could lead to an upfronting of shipments to the US and augur well for India's exports, the sizeable tariffs on China may lead to a redirection of trade flows, resulting in higher imports and thereby impact India's manufacturing output. Besides, the tariff-related uncertainty is likely to weigh on investment activity and may adversely impact India's GDP growth in the near term.

- **ICRA Business Activity Monitor rose by 7.0% YoY in March 2025:** Following the base-effect induced slowdown in February 2025, momentum in economic activity picked up in March 2025. The YoY growth in the ICRA Business Activity Monitor improved to 7.0% in March 2025 from a 35-month low of 5.6% in February 2025, with as many as 12 of the 15 constituent indicators reporting an improvement in their growth rates between these months, including all mobility and transport related indicators (GST e-way bills, air passenger traffic, port cargo traffic, vehicle registrations, fuel sales), non-oil exports and electricity generation.
- **Sequential uptick in Index in March 2025 exceeded the level seen in 2024:** The Index rose by 8.9% on a sequential basis in March 2025, exceeding the 7.5% uptick seen in March 2024, with the activity in the year-ago month dampened by the implementation of the Model Code of Conduct related to the Parliamentary Elections. Besides, the

Highlights - II

EXHIBIT: YoY growth of ICRA Business Activity Monitor

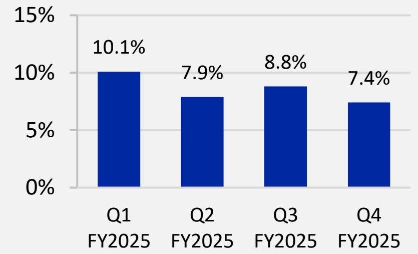
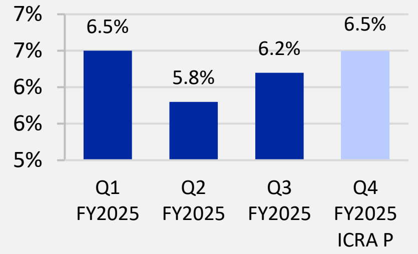


EXHIBIT: YoY GVA growth at constant 2011-12 prices



P: Projection; Source: ICRA Research

leap year effect of an additional day had also impacted the sequential growth in March 2024. Notably, as many as 11 of the 13 non-financial indicators witnessed a stronger MoM performance in March 2025 vs. March 2024, with a particularly sharp increase in non-oil exports, cargo traffic at major ports, generation of GST e-way bills, as well as vehicle registrations.

- **GVA growth to improve mildly to 6.5% in Q4 FY2025 from 6.2% in Q3 FY2025:** The YoY growth in ICRA Business Activity Monitor eased to a 12-quarter low of 7.4% in Q4 FY2025 from 8.8% in Q3 FY2025. As many as nine of the 13 non-financial indicators witnessed a deterioration in their growth rates in Q4 vs. Q3 FY2025, whereas the remaining four service sector-related indicators (ports cargo traffic, PV production, GST e-way bills and domestic airline passenger traffic) posted an improvement. Notwithstanding these volume growth trends, ICRA estimates the GVA growth to improve slightly to 6.5% in Q4 FY2025 (+7.3% in Q4 FY2024) from 6.2% in Q3 FY2025 (+8.0% in Q3 FY2024), aided by a favorable base, and the healthy increase in output of most rabi crops (barring oilseeds).
- **Trends for early-April 2025 point to a slowdown in economic activity:** As per early data, the average daily vehicle registrations stood at 71.5k units/day during April 1-20, 2025, trending 2.9% lower on a YoY basis. Additionally, the all-India electricity demand grew by a tepid 1.3% in April 2025 (till April 20), following an eight-month high growth of 6.7% in March 2025, partly dampened by an unfavourable base. While the 90-day pause on reciprocal tariffs could lead to an upfronting of shipments to the US and augur well for India’s exports, the sizeable tariffs on China could conversely result in a redirection of trade flows, resulting in higher imports and thereby impact India’s manufacturing output. Besides, the uncertainty owing to the tariff changes is likely to weigh on private sector investment activity and may adversely impact India’s GDP growth in the near term.

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 the month of March 2025 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 improved to 7.0% in March 2025 from 35-month low of 5.6% in February 2025

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

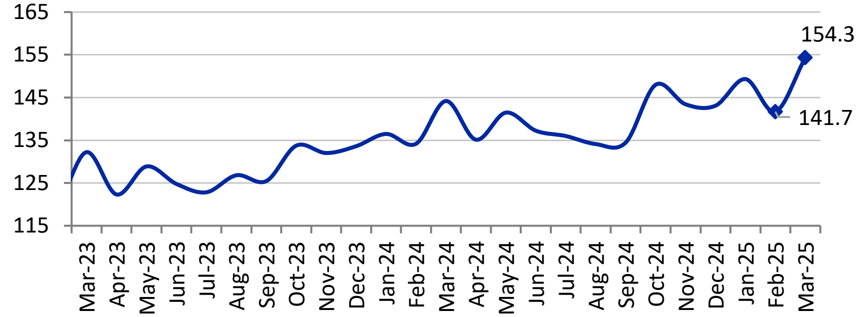
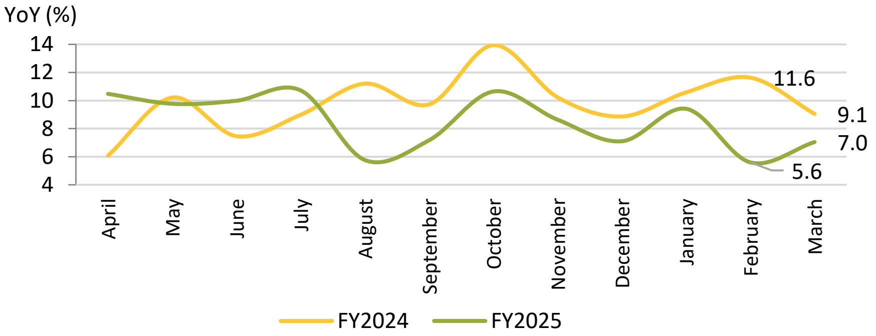


Exhibit: YoY growth of ICRA Business Activity Monitor



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; Source: ICRA Research.

- Following the base effect induced slowdown in February 2025, the momentum in economic activity picked up in March 2025; the YoY growth in the ICRA Business Activity Monitor rose to 7.0% in March 2025 (+9.1% in March 2024) from a 35-month low of 5.6% in February 2025 (+11.6% in February 2024). As many as 12 of the 15 constituent indicators reported an improvement during the period.
- All the mobility and transport-related indicators saw an improvement in their YoY growth in March 2025 relative to February 2025, including GST e-way bill generation (to +20.2% in March 2025 from +14.7% in February 2025, amid an uptick in the manufacturing PMI), domestic air passenger traffic (to +11.3% from +11.0%), ports cargo traffic (to a 16-month high of +13.3% from +7.4%; aided by preponement of shipments ahead of the tariff hikes in the US), diesel consumption (to +0.5% from -1.2%), petrol consumption (to +5.7% from +5.0%), vehicle registrations (to -0.3% from -6.5%; sales largely picked up in the last week of March 2025 amid increased festive demand owing to Navratri, Gudi Padwa, and Eid as well as year-end depreciation benefits), 2W production (+6.0% vs. +1.5%), and PV production (+11.2% vs. +4.5%).
- The growth in non-oil exports (to +2.2% from -6.3%; amid a surge in exports to the US) and electricity generation (to +4.6% from +2.3%) improved in March 2025 vs. February 2025, while that in CIL's output (to -3.2% from -0.9%) and steel consumption (to -0.5% from +10.5%; amid a high base) deteriorated between these months.

YoY performance of 12 of the 15 constituent indicators improved in March 2025 vis-à-vis February 2025

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Exhibit: Heatmap of high frequency indicators

YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation*	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passengers	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	*Scooter output*	*Motorcycle output*												
Dec-24	9.2	5.7	-2.7	-11.9	0.7	4.5	5.1	3.4	17.6	7.7	8.2	11.1	5.9	10.17	12.45
Jan-25	3.7	14.4	8.5	7.6	-0.8	-1.4	14.8	6.2	23.1	9.5	11.3	6.7	4.2	10.64	12.51
Feb-25	4.5	6.7	-0.9	-6.5	-0.9	2.3	-6.3	7.4	14.7	10.5	11.0	5.0	-1.2	10.60	11.97
Mar-25	11.2	13.4	2.8	-0.3	-3.2	4.6	2.2	13.3	20.2	-0.5	11.3	5.7	0.5	10.55	12.01

YoY growth; sequential pick-up	YoY growth; sequential dip	YoY growth; no sequential change	YoY contraction; sequential pickup	YoY contraction; sequential dip

The number of indicators reporting a YoY contraction reduced to three in March 2025 from five in the previous month. Besides, the number of indicators reporting a double-digit YoY expansion increased to seven from five.

*~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*

MoM uptick in the Index in March 2025 exceeded that seen in 2024, amid improved performance of 11 of the 13 non-financial indicators

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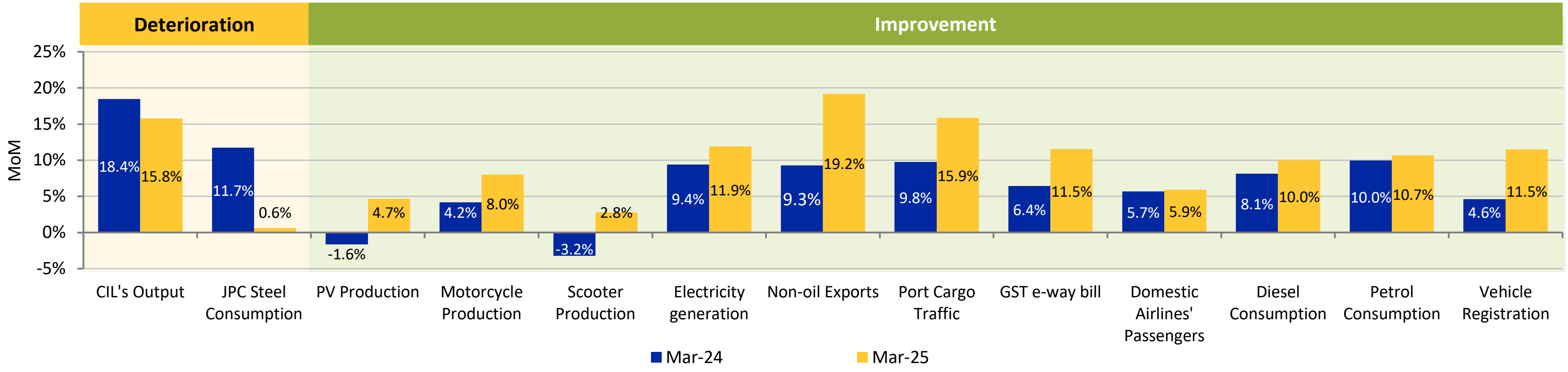
Exhibit: MoM performance of non-financial economic indicators



- The ICRA Business Activity Monitor rose by 8.9% on a MoM basis in March 2025, higher than the sequential uptick of 7.5% seen in March 2024, with enforcement of the Model Code of Conduct weighing on the economic activity in the year-ago month. Besides, the leap year effect of an additional day had also impacted the sequential growth in March 2024.
- Notably, as many as 11 of the 13 non-financial indicators witnessed a stronger MoM performance in March 2025 vis-à-vis March 2024, with a particularly sharp surge in non-oil exports, cargo traffic at major ports, generation of GST e-way bills, and vehicle registrations.
- In contrast, only two indicators, namely CIL's output and JPC steel consumption witnessed a lower MoM expansion in March 2025 vs. 2024.

**Data on electricity generation does not include renewable segment; 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; Source: CMIE; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research*

YoY growth in Index eased in Q4 FY2025 vis-à-vis Q3 FY2025

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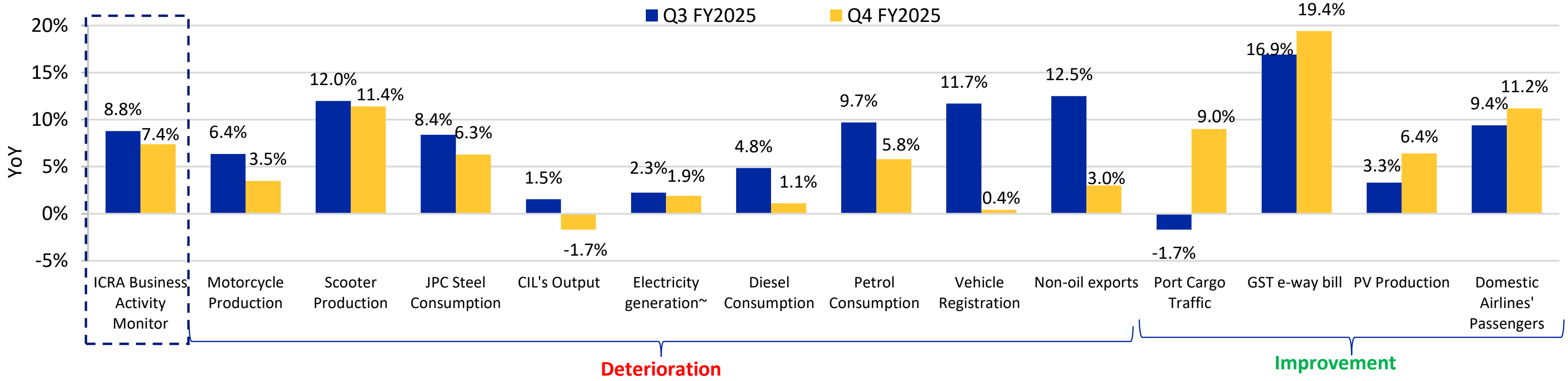
Exhibit: YoY performance of high frequency non-agri indicators in Q3 and Q4 FY2025

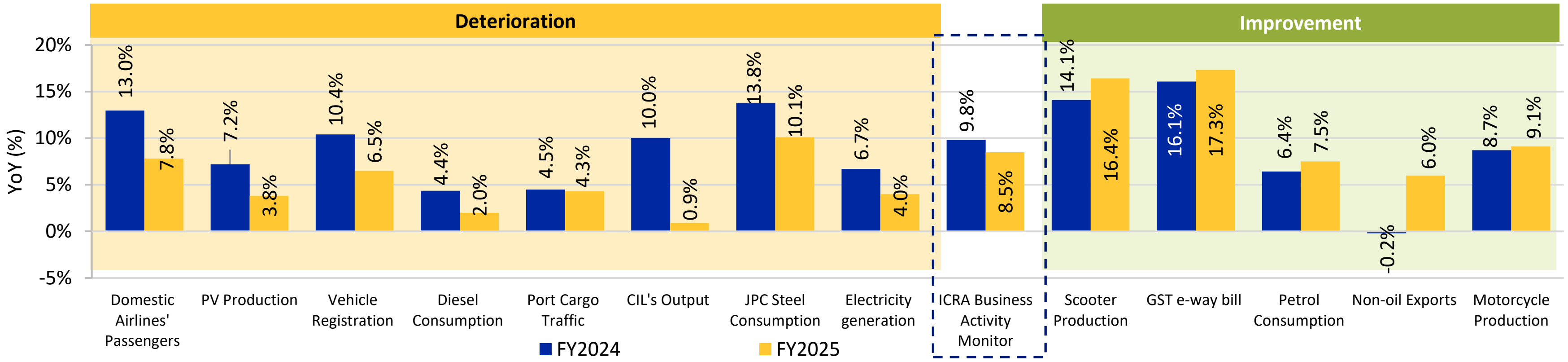


- The YoY growth in the ICRA Business Activity Monitor eased to 7.4% in Q4 FY2025 from 8.8% in Q3 FY2025, with as many as nine of the 13 non-financial indicators witnessing a deterioration in their growth rates between these quarters. Weak external demand (reflected in the slower growth in non-oil exports), subdued mining activity (CIL's output), slower growth in demand for the auto segment (vehicle registrations and 2W output), cooling in electricity demand growth, softening fuel sales growth (petrol and diesel) dampened the growth in activity in Q4 FY2025 as compared to Q3 FY2025.
- The set of indicators showing improvement during Q4 FY2025 includes ports cargo traffic, PV production, GST e-way bills, and domestic airline passenger traffic.
- **Notwithstanding these volume growth trends, ICRA estimates the GVA growth to improve slightly to 6.5% in Q4 FY2025 (+7.3% in Q4 FY2024) from 6.2% in Q3 FY2025 (+8.0% in Q3 FY2024), aided by a favorable base, and the reasonable growth in output of most rabi crops (barring oilseeds).**

~excludes renewable energy; Source: ICRA Research

YoY growth in ICRA Business Activity Monitor slowed to 8.5% in FY2025 from 9.8% in FY2024

Exhibit: Annual growth trends of non-financial indicators in FY2024 and FY2025



~excludes renewable energy; Source: ICRA Research

- The YoY expansion in the ICRA Business Activity Monitor slowed to 8.5% in FY2025 from 9.8% seen in FY2024. This has stemmed from moderation in growth momentum of as many as 8 of the 13 indicators, amid the implementation of Model Code of Conduct, and climatic disruption from heatwave and heavy rainfall that had impacted economic activity in H1 FY2025.
- The extent of moderation was particularly sharp for the CIL's output (following two consecutive years of double-digit growth), PV production (impacted by elevated inventory levels), domestic airline traffic (given the high base and lower passenger traffic in H1 FY2025, impacted by severe heatwave), electricity generation (partly owing to excess rains in some months), vehicle registrations, and finished steel consumption (amid tepid Government capex in H1 FY2025).
- Notably, the YoY growth improved for 2W production (led by improvement in rural demand on the back of healthy monsoon season), GST e-way bill generation, petrol consumption and non-oil exports.

YoY performance of electricity demand and auto retail volumes deteriorated in April 2025 vis-à-vis March 2025

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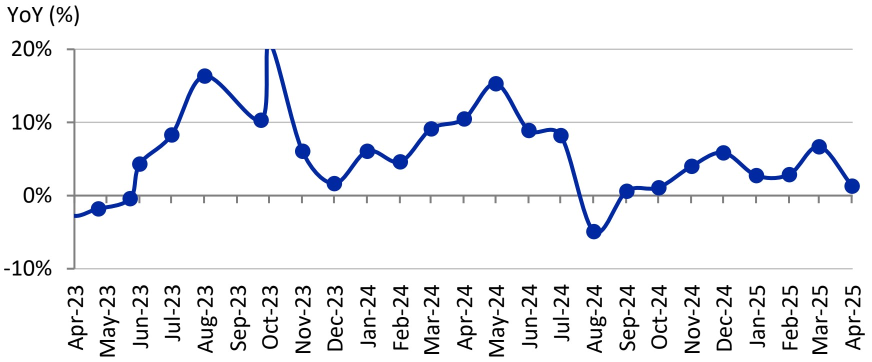
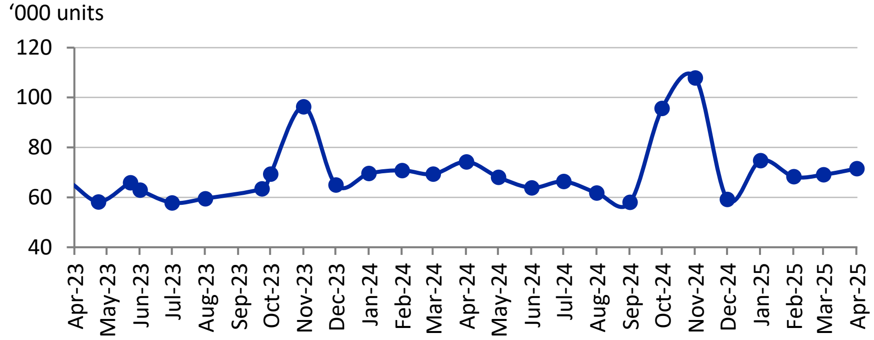
Exhibit: Electricity Demand at all-India level



Data for April 2025 is till April 20, 2025; Source: POSOCO; CEIC; ICRA Research

Exhibit: Daily average vehicle registrations at all-India level



Data for April 2025 is till April 20, 2025; Source: Vahan, MoRTH; ICRA Research

- The YoY growth in all-India electricity demand dipped to 1.3% in April 2025 (till April 20) from the eight-month high of 6.7% in March 2025, partly dampened by an unfavourable base (+10.5%/+9.1% in April/March 2024). Nevertheless, given warmer-than-usual temperatures in the ongoing summer season, the average electricity demand remained elevated at 4.8 BU/day during April 1-20, 2025, similar to the levels seen in the previous month. Consequently, the average spot power tariffs in the day-ahead-market (DAM) increased to Rs. 4.8/unit during April 1-21, 2025 from Rs. 4.5/unit in March 2025.
- As per the data provided on the Vahan portal, the average daily vehicle registrations improved sequentially by 43% to 71.5k units/day during April 1-20, 2025 from 49.9k units/day during the similar period of March 2025. However, on a YoY basis, the daily average volumes contracted by 2.9% YoY in April 2025 (up to April 20, 2025), following the marginal 0.3% decline seen in March 2025. While the festive and marriage seasons could offer a temporary boost in the remaining part of the ongoing month, higher-than-usual temperatures could impact retail footfalls.

Annexure A.1: ICRA Business Activity Monitor

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.

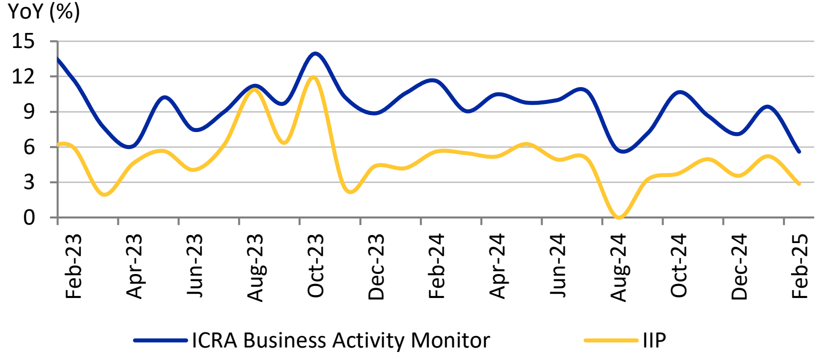
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 deterioration in the YoY growth of the Index to 5.6% in February 2025 from 9.4% in January 2025, signifies that the growth in economic activity slowed momentum in February 2025 vis-à-vis January 2025.

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 February 2025 was released on April 11, 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 February 2025 was available by mid-March 2025), thereby enabling a faster assessment of economic activity in the immediately preceding month.

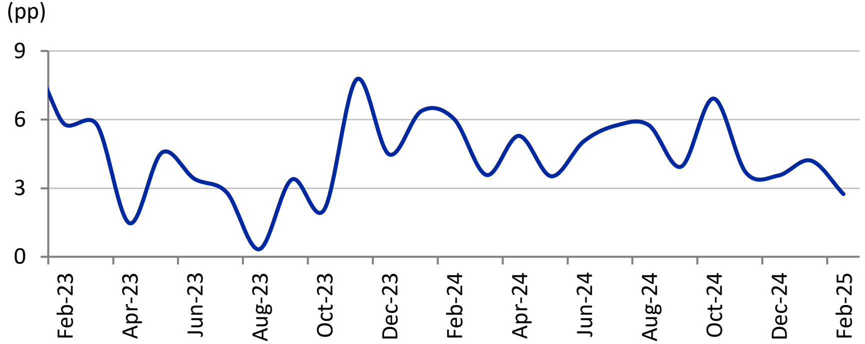
Annexure A.2: ICRA Business Activity Monitor

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

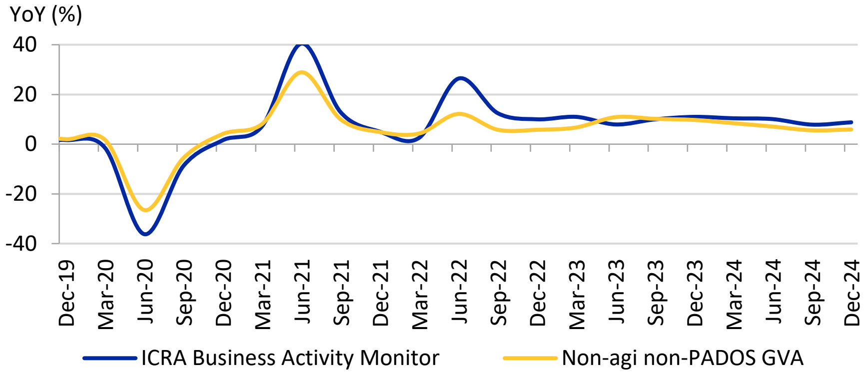


Source: ICRA Research

- 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 17 and 48, respectively, of the 71 months between April 2019 and February 2025.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 55 of the 71 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 60/11 of the 71 months.

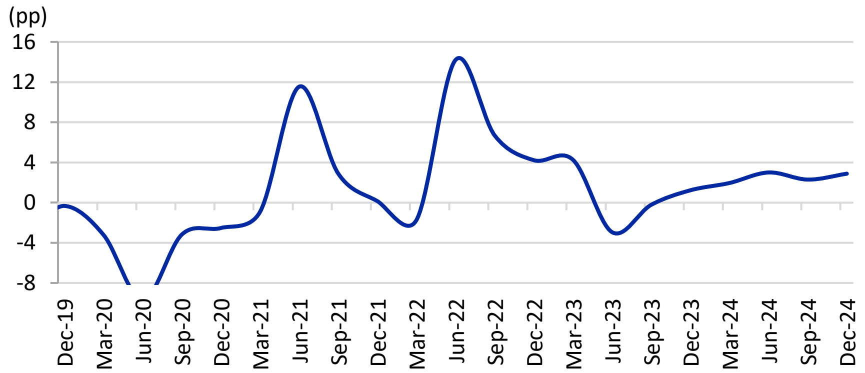
Annexure A.3: ICRA Business Activity Monitor

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

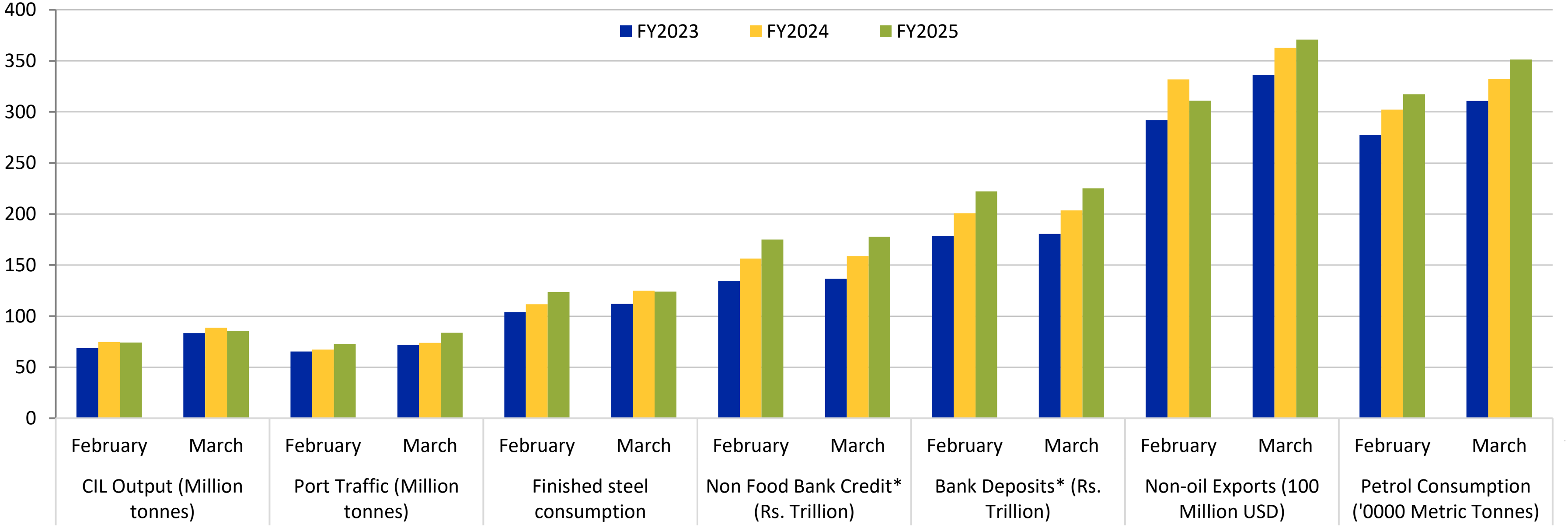


Source: ICRA Research

- 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 18 of the 23 quarters between Q4 FY2019 and Q3 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 12 of the 15 indicators rose in March 2025 vs. March 2024 - I

Exhibit: Trends in Volumes for Last Three Years in February and March (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 12 of the 15 indicators rose in March 2025 vs. March 2024 - II

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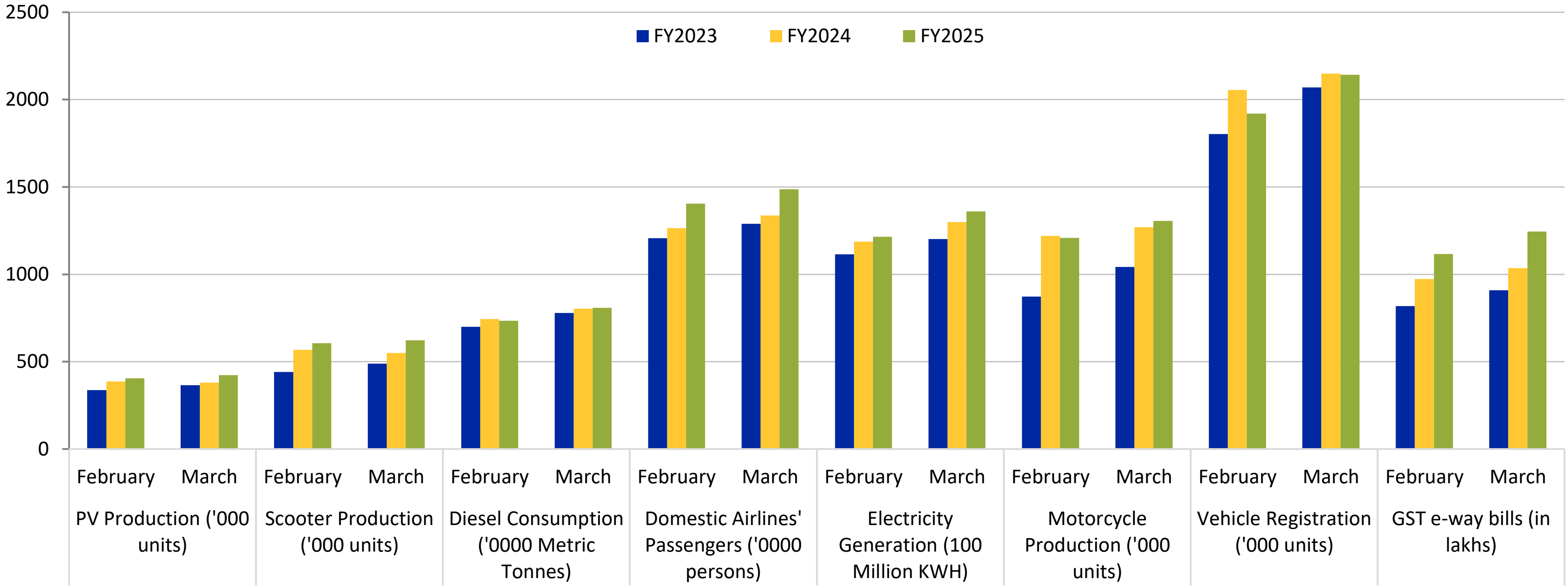
Exhibit: Trends in Volumes for Last Three Years in February and March (Part - II)



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

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Thank You!