



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

**YoY growth in economic activity
slowed down in May 2025; IIP growth
likely to print at 1.5-2.5% in the month**

JUNE 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
- 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, slowed to 6.5% in May 2025 from 7.8% in April 2025, amid a deterioration across 10 of the 15 constituent indicators. Additionally, the growth in core sector output decelerated in May 2025, touching a 9-month low of 0.7%, led by four of the eight sectors, including a sharp 5.8% contraction in electricity generation amid excess rainfall in the month. Given these trends, the Index of Industrial Production (IIP) is likely to grow by a muted 1.5-2.5% in May 2025. Separately, as per the monthly Period Labour Force Survey (PLFS), the all-India unemployment rate rose to 5.6% in May 2025 from 5.1% in April 2025, although this uptick may partly be seasonal. The early trends for economic activity in June 2025 are mixed, with the YoY performance of electricity demand improving, while that for daily average vehicle registrations deteriorating compared to the previous month.

- **ICRA Business Activity Monitor rose by 6.5% YoY in May 2025:** This was lower than 7.8% growth in April 2025 (+9.9% in May 2024; +10.5% in April 2024), with as many as 10 of the 15 indicators seeing a deceleration, weighed down by excess rains (electricity generation, CIL output) and likely disruptions owing to war-related tensions in border states in early-May 2025.
- **Core output increased by a tepid 0.7% in May 2025:** The performance of the core sector remained lacklustre in May 2025, with the YoY growth printing at a 9-month low of 0.7%, slightly lower than the revised print of 1.0% for April 2025. Excess rains in the latter part of May 2025 weighed on electricity generation in the month, which pulled down the growth in overall core output. Besides, the YoY performance of the coal, fertilisers and natural gas segments also deteriorated in May 2025 vis-à-vis April 2025. Given the muted performance of the core sector and trends in other high frequency indicators, ICRA expects the IIP growth to print at a sluggish 1.5-2.5% in May 2025.
- **Unemployment rate inched up to 5.6% in May 2025:** As per the monthly PLFS, the unemployment rate rose to 5.6% in May 2025 from 5.1% in April 2025, amid a sharp uptick in rural areas with the end of rabi harvesting period. However, the unavailability of the year-ago data makes the analysis of labour market conditions a bit challenging.

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 May 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 economic activity slowed down in May 2025 amid excess rains

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

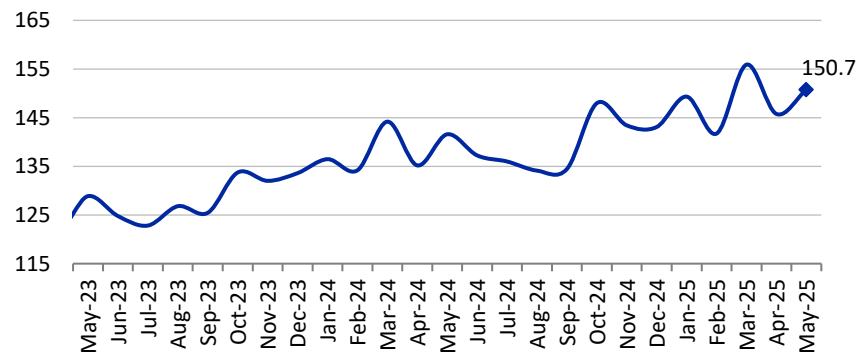
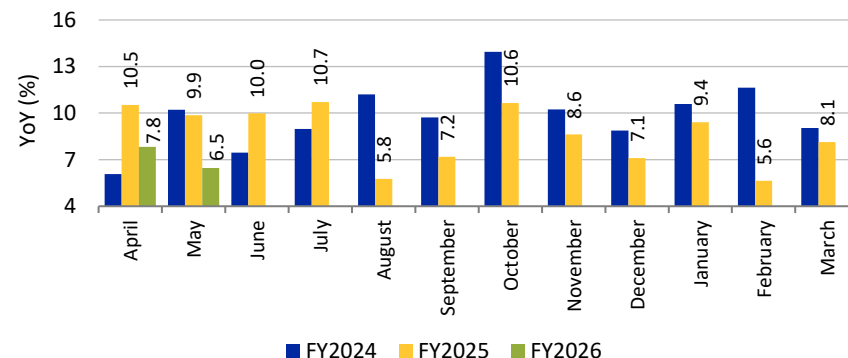


Exhibit: YoY growth of ICRA Business Activity Monitor



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.

- The YoY growth in ICRA Business Activity Monitor slowed to 6.5% in May 2025 (+9.9% in May 2024) from 7.8% in April 2025 (+10.5% in April 2024), amid a deterioration in the performance of as many as 10 of the 15 constituent indicators. Economic activity was weighed down by excess rainfall in the second half of the month, amid the early onset of monsoons. The impact of the same was particularly reflected in sectors such as electricity and mining, with the YoY contraction in electricity generation widening (to -8.6% in May 2025 from -1.9% in April 2025), and CIL's output (-1.4% vs. +0.5%) reverting to the contractionary zone after a gap of a month.
- The YoY performance of some transport and mobility-related indicators such as GST e-way bill generation (to +18.9% from +23.4%), domestic air passenger traffic (to +4.1% from +8.5%), and diesel consumption (to +2.2% from +4.3%) moderated during the period. Besides, the YoY growth in PV production (to +5.4% from +10.8%) and non-oil exports (to +5.1% from +10.3%) halved, with the latter also weighing on the performance of ports cargo traffic (to +4.3% from +7.0%).
- In contrast, the growth in 2W production (including scooter and motorcycle; to +4.9% from -4.1%), petrol consumption (to +9.2% from +5.0%; largely supported by a low base), vehicle registrations (to +5.4% from +3.8%), and steel consumption (to +7.8% from +6.0%) improved in May 2025 vis-à-vis April 2025.

YoY performance of 10 of the 15 constituent indicators deteriorated in May 2025 compared to April 2025

Exhibit: Heatmap of high frequency indicators

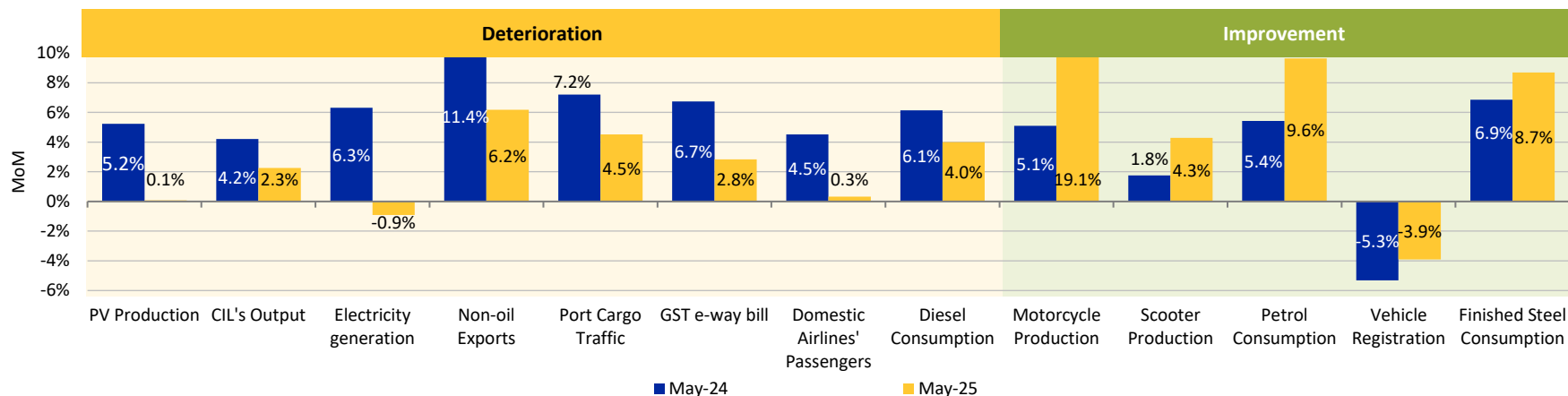
YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation*	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passengers	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output												
Feb-25	4.5	6.7	-0.9	-6.4	-0.9	2.3	-6.3	7.4	14.7	10.8	11.0	5.0	-1.2	10.60	11.97
Mar-25	11.2	13.4	2.8	0.3	-3.2	4.8	2.2	13.3	20.2	14.2	8.8	5.7	0.5	10.55	12.01
Apr-25	10.8	9.1	-10.1	3.8	0.5	-1.9	10.3	7.0	23.4	6.0	8.5	5.0	4.3	10.44	11.22
May-25	5.4	11.8	1.8	5.4	-1.4	-8.6	5.1	4.3	18.9	7.8	4.1	9.2	2.2	10.13	9.77
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 remained unchanged at two in May 2025 (CIL's output and power generation) vis-à-vis April 2025 (motorcycle output and power generation), while the number of indicators reporting a double-digit YoY growth dipped to three 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 rise in the Index in May 2025 was narrower than that seen in 2024

Exhibit: MoM performance of non-financial economic indicators



- The ICRA Business Activity Monitor rose by 3.4% on a MoM basis in May 2025, lower than the 4.7% sequential expansion seen in May 2024. The weaker performance was driven by eight of the 13 non-financial indicators, led by a particularly sharp deterioration in electricity generation, PV production, non-oil exports, and domestic airline passenger traffic.
- In contrast, the remaining five indicators, including the 2W production, petrol consumption, finished steel consumption, and vehicle registration witnessed an improvement in their MoM performance in May 2025 vis-à-vis May 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*

Core sector growth was muted at 0.7% in May 2025; IIP growth to ease to 1.5-2.5% in the month

EXHIBIT: YoY trends in output of core sector

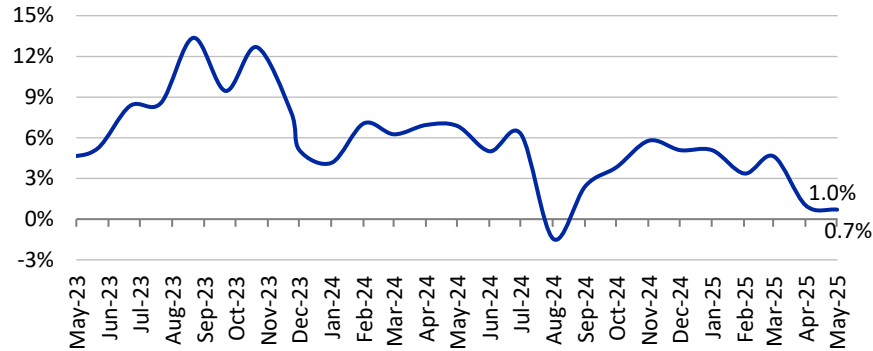
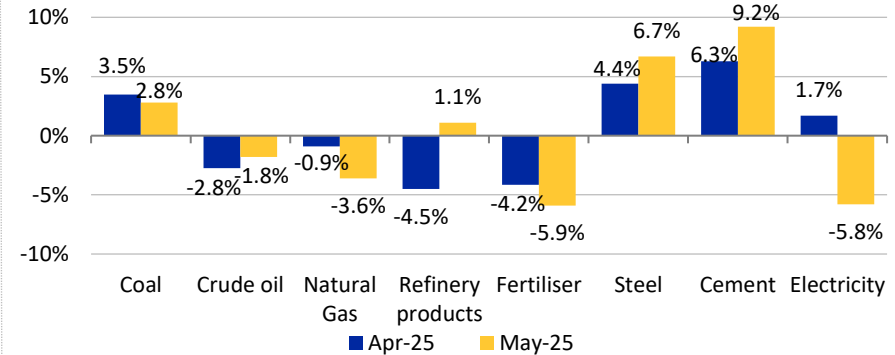


EXHIBIT: YoY performance of core sector and its sub-components

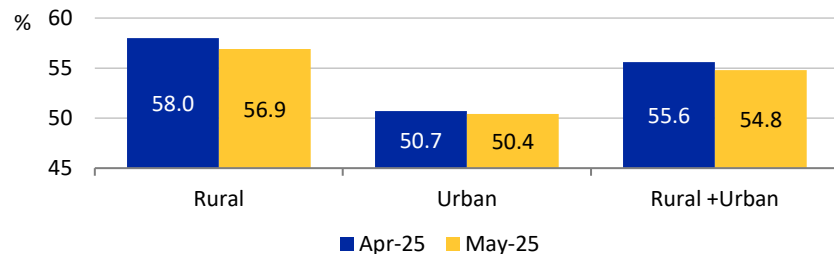


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The performance of the core sector remained lacklustre in May 2025, with the YoY growth printing at a 9-month low of 0.7% (+6.9% in May 2024), slightly lower than the revised print of 1.0% for April 2025 (+6.9% in April 2024). Excess rains in the latter part of May 2025, owing to the early onset of the monsoon, along with an elevated base, weighed on electricity generation (the YoY performance of which worsened to a 59-month low of -5.8% in May 2025 from +1.7% in April 2025) in the month. While the growth in coal output (to +2.8% from +3.5%; partly owing to an adverse base) decelerated, the output of fertilisers (to -5.9% from -4.2%) and natural gas (to -3.6% from -0.9%) witnessed a steeper contraction in May 2025 vis-à-vis April 2025.
- However, the YoY performance of the steel (to +6.7% from +4.4%), cement (to +9.2% from +6.3%), refinery products (to +1.1% from -4.2%) and crude oil (to -1.8% from -2.8%) sectors improved in May 2025 vis-à-vis April 2025, partly offsetting the deterioration in the performance of the other four sectors.
- **Given the muted performance of the core sector and trends in other high frequency indicators, ICRA expects the IIP growth to print at 1.5-2.5% in May 2025.**

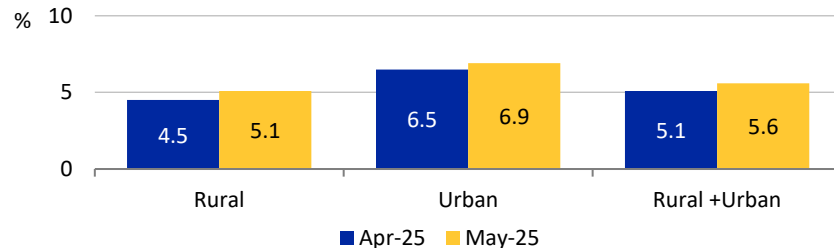
India's unemployment rate deteriorated in May 2025 vs. April 2025, partly owing to seasonality

Exhibit: The Labour Force Participation Rate (LFPR) declined in May 2025 vis-à-vis April 2025



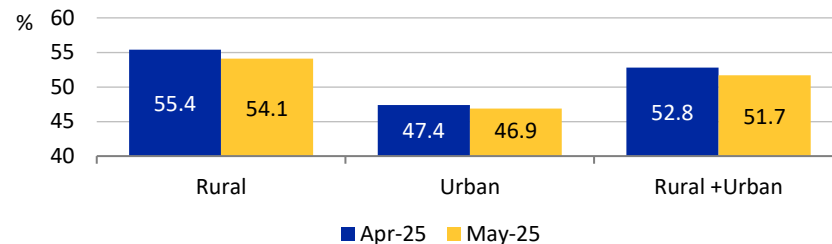
Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

Exhibit: The Unemployment Rate (UR) rose to 5.6% in May 2025 from 5.1% in April 2025, led by sharper up-move in rural vis-a-vis urban areas, owing to seasonality in the former segment, with the end of rabi harvesting period



Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

Exhibit: The Worker-Population Ratio (WPR) also dipped in May 2025 compared to April 2025, which along with the declining LFPR implies a dip in employment numbers (particularly in rural India)

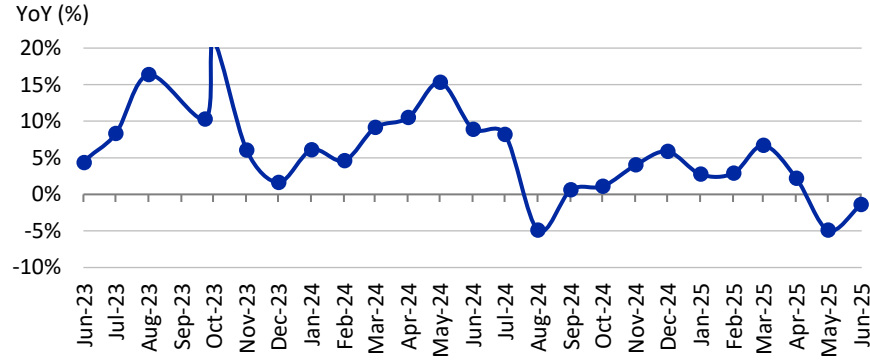


Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

The steeper dip in LFPR and WPR in rural areas relative to urban areas resulted in the sharper uptick in the rural UR vis-à-vis the urban UR in May 2025, due to seasonality with the end of rabi harvesting period. **Notably, the employment in rural areas shifted away from the agriculture sector (to 43.5% in May 2025 from 45.9% in April 2025, as per the PLFS press note) to secondary and services sectors - this trend may reverse from June 2025 onwards with the onset of kharif sowing season. Nevertheless, the unavailability of month-wise year-ago data makes the analysis of labour market conditions a bit challenging.**

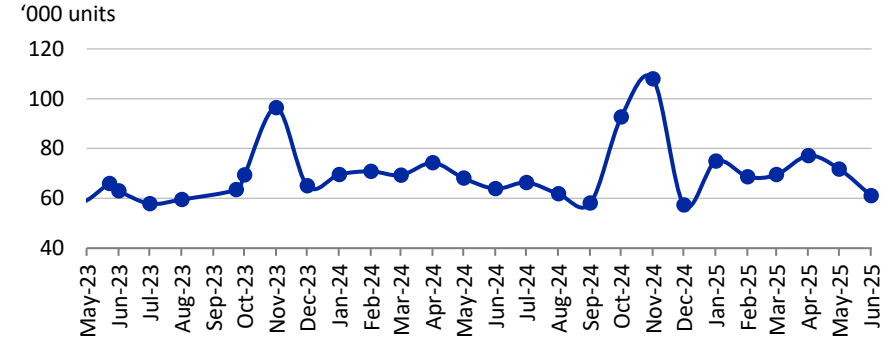
YoY performance of electricity demand improved while auto retail volumes deteriorated in June 2025 so far vs. May 2025

Exhibit: Electricity Demand at all-India level



Data for June 2025 is till June 19, 2025; Source: POSOCO; CEIC; ICRA Research

Exhibit: Daily average vehicle registrations at all-India level



Data for June 2025 is till June 21, 2025; Source: Vahan, MoRTH; ICRA Research

- The YoY contraction in the all-India electricity demand narrowed to 1.4% in June 2025 (until June 19) from 4.9% in May 2025, supported by a favourable base (+8.9%/+15.3% in June/May 2024). Besides the average electricity demand also improved to 5.1 BU/day during June 1-19, 2025 from 4.8 BU/day in May 2025, amid excess rainfall in the previous month followed by the tardy progression of the South-west monsoon in the first half of the ongoing month. Consequently, the average spot power tariffs in the day-ahead-market (DAM) inched up to Rs. 4.2/unit in June 2025 (until June 20) from Rs. 4.1/unit in May 2025.
- As per the data provided on the Vahan portal, the average daily vehicle registrations declined by 2.0% MoM to 61.0k units/day during June 1-21, 2025 from 62.3k units/day during the similar period of May 2025 (until May 21). Additionally, on a YoY basis, such volumes were lower by 0.8% in June 2025 (up to June 21, 2025), following the 5.4% expansion seen in May 2025. Going forward, rural sentiments appear strong, which should bolster demand for two-wheelers and tractors, while prospects for urban demand are favourable, aided by the income tax cut and lower borrowing costs, although product availability remains a challenge.

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.

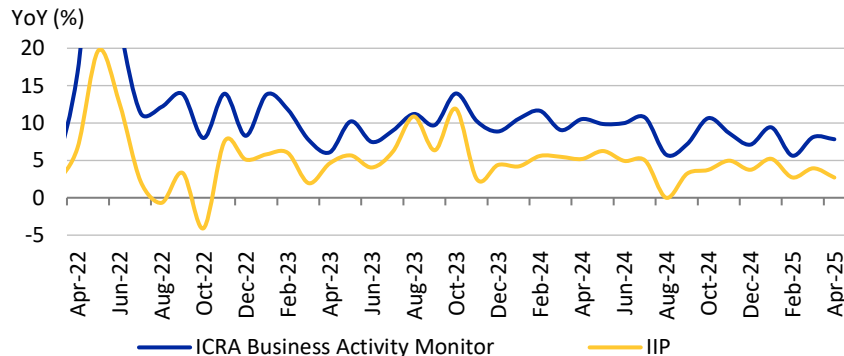
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 the 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 7.8% in April 2025 from 8.1% in March 2025, signifies that the momentum in economic activity declined in April 2025 vis-à-vis March 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 four weeks post the end of the month (Eg. IIP for April 2025 was released on May 28, 2025). Moreover, 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 three weeks (E.g. Business Activity Monitor for May 2025 was available by May 20, 2025), thereby enabling a faster assessment of economic activity in the immediately preceding month.

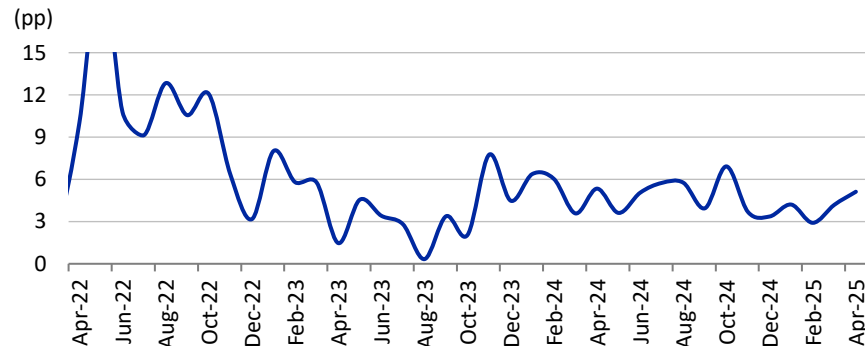
Annexure A.2: ICRA Business Activity Monitor

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

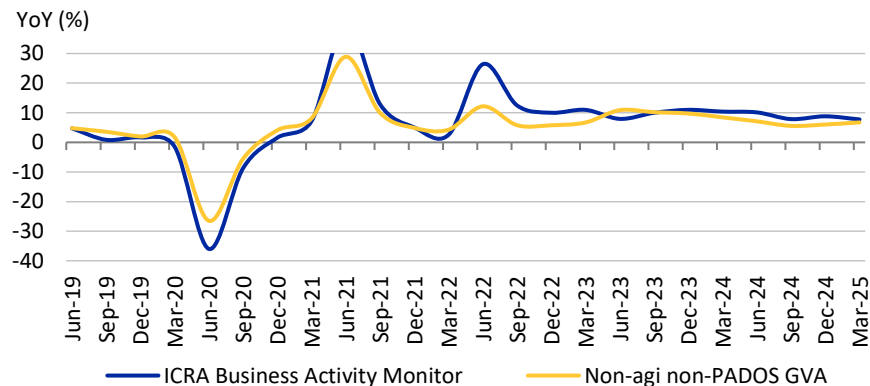


Source: ICRA Research

- 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 18 and 49, respectively, of the 73 months between April 2019 and April 2025.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 57 of the 73 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 62/11 of the 73 months.

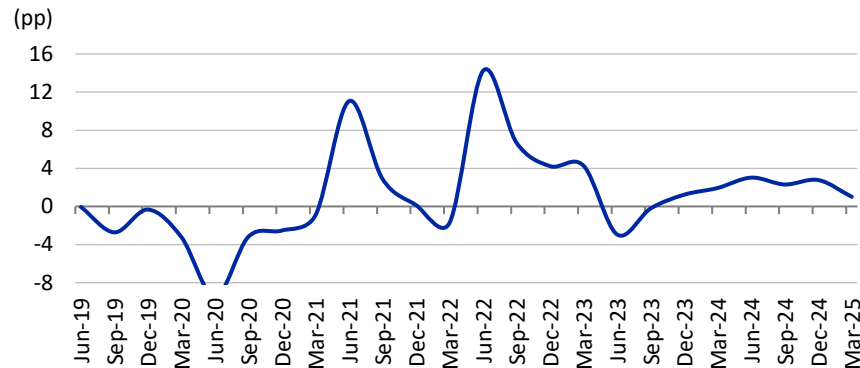
Annexure A.3: ICRA Business Activity Monitor

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

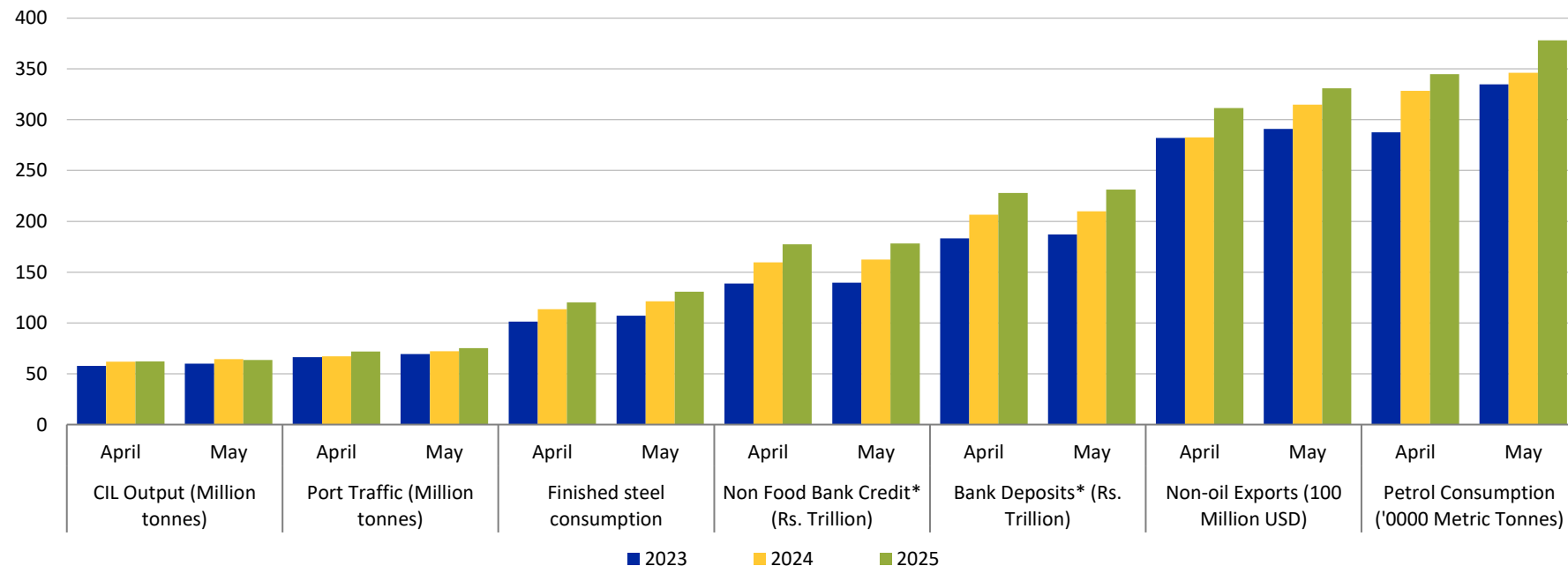


Source: ICRA Research

- 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 24 quarters between Q1 FY2020 and Q4 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 13 of the 15 indicators rose in May 2025 vs. May 2024 barring CIL's output and electricity generation - I

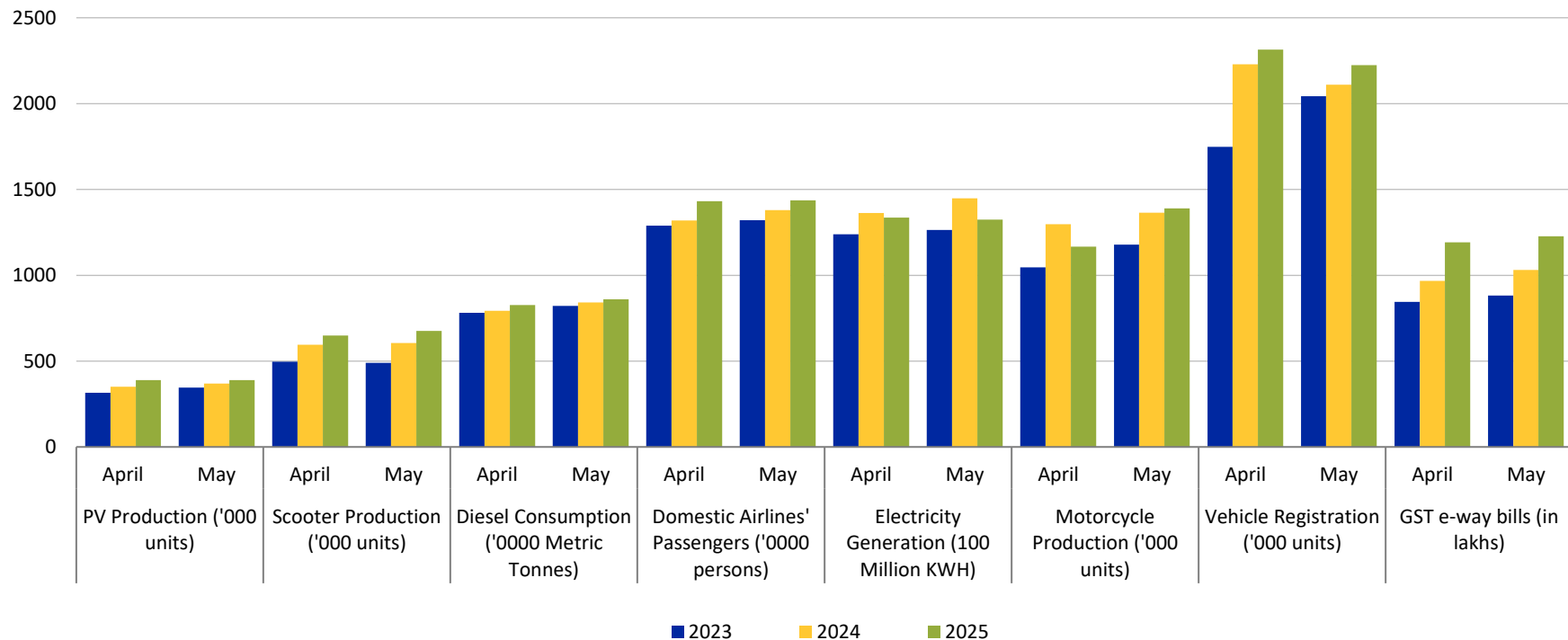
Exhibit: Trends in Volumes for Last Three Years in April and May (Part - I)



*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 13 of the 15 indicators rose in May 2025 vs. May 2024 barring CIL's output and electricity generation - II

Exhibit: Trends in Volumes for Last Three Years in April and May (Part - II)



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



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Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head- Research and Outreach	aditin@icraindia.com	0124- 4545 385
Rahul Agrawal	Senior Economist	rahul.agrawal@icraindia.com	022 – 6114 3425
Aarzoo Pahwa	Economist	aarzoo.pahwa@icraindia.com	0124 – 4545 835
Tiasha Chakraborty	Economist	tiasha.chakraborty@icraindia.com	0124- 4545 848
Isha Sinha	Associate Economist	isha.sinha@icraindia.com	022-6114 3445





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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