



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

Growth in economic activity remained sluggish in June 2025; GDP growth set to moderate to 6.1-6.5% in Q1 FY2026 from 7.4% in Q4 FY2025

JULY 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, eased to a four-month low of 5.9% in June 2025 from 6.4% in May 2025, led by 7 of the 15 constituent indicators, amid excess rainfall in the latter part of the month. In quarterly terms, the growth in the Index eased to 6.7% in Q1 FY2026 from 7.7% in Q4 FY2025, particularly impacted by sluggish auto demand that weighed on output, and rainfall-led slump in mining and electricity, even as trade policy-related uncertainty and geopolitical tensions are also likely to have weighed on overall demand/activity. Besides, in June 2025, labor market conditions weakened in both rural and urban India relative to May 2025, although financial conditions improved, and core output growth inched up, albeit to a tepid 1.7%. Given the latter, ICRA expects the Index of Industrial Production (IIP) to show a modest growth of 1.5-2.5% in June 2025. Overall, ICRA expects the real GDP growth to dip to 6.1-6.5% in Q1 FY2026 from 7.4% seen in Q4 FY2025. Thereafter, the early trends in activity for July 2025 appear mixed so far.

- **Growth in ICRA Business Activity Monitor slowed in June 2025:** The YoY growth in the Index eased to 5.9% in June 2025 from 6.4% in May 2025, with 7 of the 15 indicators seeing a deceleration, partly weighed down by excess rains in the second half of the month, which led electricity generation and CIL output to post a YoY contraction. Further, the performance of most transport and mobility-related indicators deteriorated in June 2025 vs. May 2025.
- **Core output up by a muted 1.7% in June 2025:** While the YoY growth in the core sector output improved to 1.7% in June 2025 from 1.2% in May 2025, it remained tepid, with as many as five of the eight sub-sectors recording a YoY dip in their output in the month. Encouragingly, the output of cement and steel sectors rose by a robust 9.2-9.3% in June 2025, although this was supported by a favourable base in the case of the former. Given the subdued growth in core output, ICRA expects the IIP growth to print at 1.5-2.5% in June 2025 (+1.2% in May 2025).
- **Labour market conditions deteriorated in June 2025:** In rural India, the labour force participation rate (LFPR) and worker-population ratio (WPR) declined in June 2025 vis-à-vis May 2025, which along with the dip in the unemployment rate suggests that people dropped out of the labour force. This was likely influenced by seasonal

EXHIBIT: YoY growth of ICRA Business Activity Monitor

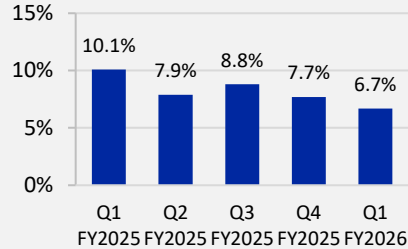
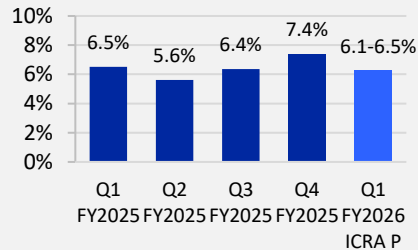


EXHIBIT: YoY GDP growth at constant 2011-12 prices



P: Projection; Source: ICRA Research

agricultural patterns and a shift of some unpaid helpers towards domestic chores. In urban India, a dip in the WPR along with an unchanged LFPR, led to an uptick in the UR in June 2025 over May 2025. Overall, while the all-India WPR eased to 51.2% in June 2025 from 51.7% in May 2025, the unemployment rate remained unchanged at 5.6%.

- Financial conditions eased further in June 2025:** Financial conditions improved in June 2025 relative to May 2025, as reflected in 10 of the 12 indicators. The easing was largely broad based, across the money, G-sec, equity and forex markets. Notably, conditions in the money and G-sec markets have improved materially in June 2025 as compared to March 2025, aided by the sizeable liquidity infusion measures by the RBI as well as cumulative policy rate cuts of 100 bps during February-June 2025.
- GDP growth to weaken to 6.1-6.5% in Q1 FY2026 from 7.4% in Q4 FY2025:** The YoY growth in the ICRA Business Activity Monitor eased to 6.7% in Q1 FY2026 from 7.7% in Q4 FY2025, with as many as 8 of the 13 non-financial indicators witnessing a deterioration in their growth rates between these quarters. While geopolitical conflicts and tariff-related uncertainty may have impacted demand, the early onset of monsoon in May 2025 followed by above-normal rainfall in June 2025 (9%), weighed down on activity in sectors such as mining (CIL's output), and electricity generation. Additionally, the YoY performance of the auto segment (2W+PV output; amid weak demand and supply side challenges), cargo traffic at major ports, and finished steel consumption eased during this period. Based on these trends, ICRA estimates the YoY real GDP growth to slow to 6.1-6.5% in Q1 FY2026.
- Early data for July 2025 points to mixed trends in economic activity:** The average daily vehicle registrations stood at 59.1k units/day during July 1-20, 2025, trending 11.8% lower on a YoY basis. In contrast, the all-India electricity demand grew by 2.7% during July 1-20, 2025 (vs. -1.5% in June 2025), following two consecutive months of contraction. Besides, sustained uncertainty around US tariff policies is likely to weigh on private sector investment activity and may adversely impact India's economic activity 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 June 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 eased in June 2025, amid excess rains in second half of the month

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

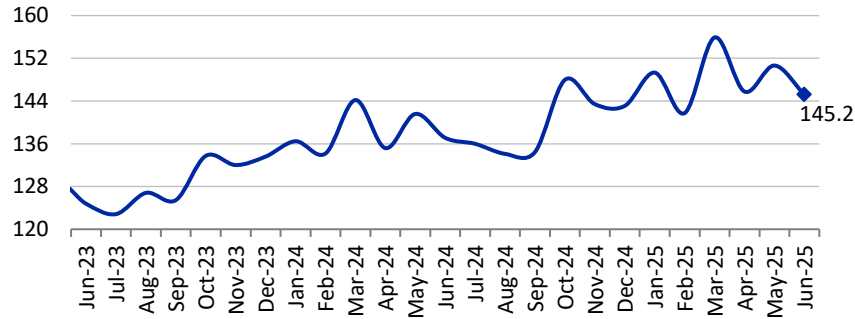
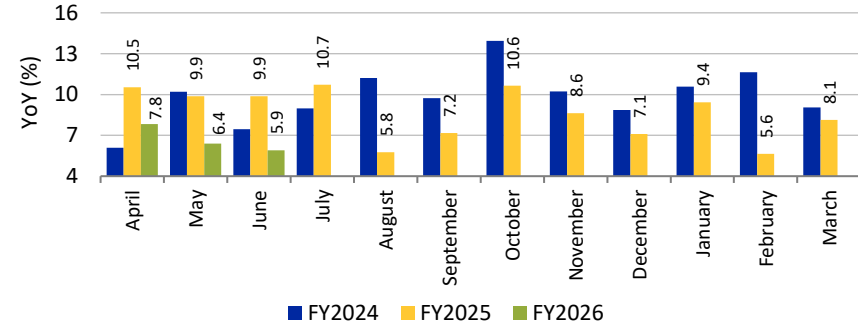


Exhibit: YoY growth of ICRA Business Activity Monitor



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 weakened for the fourth consecutive month to 5.9% in June 2025 (+9.9% in June 2024) from 6.4% in May 2025 (+9.9% in May 2024), amid a deterioration in the performance of 7 of the 15 constituent indicators. Notably, the excess rains in the second half of June 2025 (133% of long period average or LPA during June 15-30) likely weighed on coal output (-8.4% in June 2025 vs. -1.4% in May 2025), and electricity generation (-6.9% vs. -8.5%; although extent of contraction narrowed) in the month. Besides, the YoY growth in non-oil exports (to +2.9% from +5.1%) moderated in June 2025 compared to May 2025.
- The YoY performance of most transport and mobility-related indicators such as PV production (to -1.8% in June 2025 from +5.4% in May 2025), 2W production (to +1.8% from +4.9%), vehicle registrations (to +4.7% from +5.8%; heavy rains likely weighed on footfall and conversion), petrol consumption (to +6.8% from +9.2%), and diesel consumption (to +1.6% from +2.2%) deteriorated in June 2025 vis-à-vis May 2025.
- However, the growth in domestic air passenger traffic (to +5.0% from +1.9%), ports cargo traffic (to +5.6% from +4.3%; although it remained lower than +6.8% in June 2024 amid the West Asian conflict temporarily disrupting the trade route), and GST e-way bill generation (to +19.3% from +18.9%) improved in June 2025 vs. May 2025. Besides, the YoY growth in steel consumption (to +9.1% from +8.4%) also improved between these months.

YoY performance of 7 of the 15 constituent indicators deteriorated in June 2025 compared to May 2025

Exhibit: Heatmap of high frequency indicators

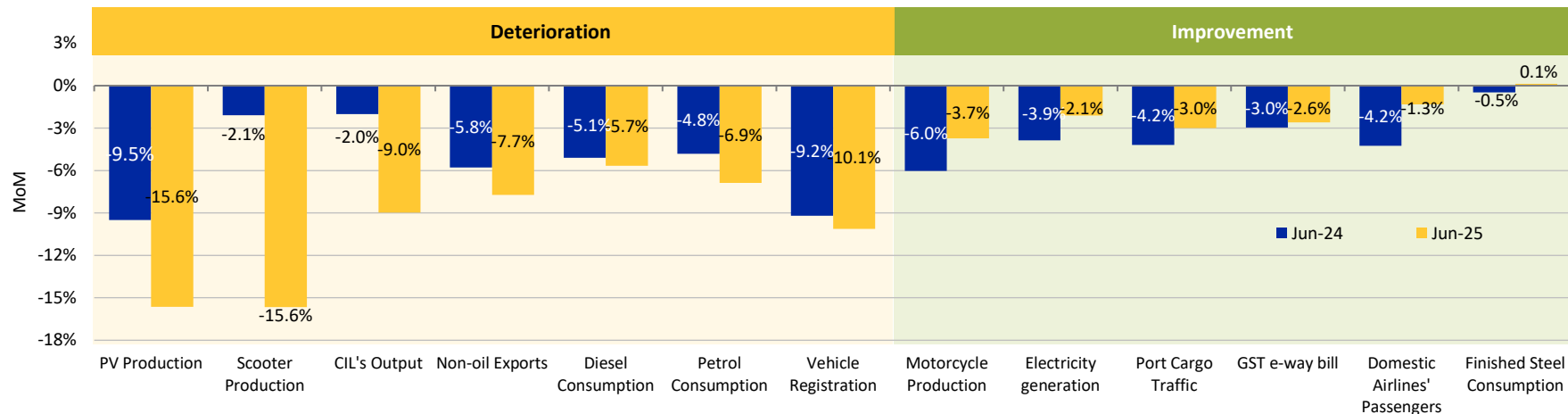
YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation*	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passengers	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output												
Mar-25	11.2	13.4	2.8	0.3	-3.2	4.8	2.2	13.3	20.2	14.2	8.8	5.7	0.5	10.5	12.0
Apr-25	10.8	9.1	-10.1	3.9	0.5	-1.9	10.3	7.0	23.4	6.0	8.5	5.0	4.2	10.4	11.2
May-25	5.4	11.8	1.8	5.8	-1.4	-8.5	5.1	4.3	18.9	8.4	1.9	9.2	2.2	10.1	9.8
Jun-25	-1.8	-3.7	4.3	4.7	-8.4	-6.9	2.9	5.6	19.3	9.1	5.0	6.8	1.6	10.3	10.2
YoY growth; sequential pick-up			YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip			

As many as four indicators reported a YoY contraction in June 2025 as against two in May 2025. However, the number of indicators reporting a double-digit YoY growth remained unchanged at three in both of these months.

~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 decline in Index in June 2025 larger than that seen in June 2024

Exhibit: MoM performance of non-financial economic indicators



- In line with the typical seasonal sequential dip witnessed in June, ICRA Business Activity Monitor reported a contraction of 3.6% in June 2025, although the extent of the same was slightly steeper than the 3.2% seen in the year-ago month.
- The weaker performance was driven by 7 of the 13 non-financial indicators, led by a particularly sharp deterioration in auto production (including PV and scooter), and CIL's output, followed by modest dip in non-oil exports, petrol and diesel consumption, and vehicle registration.
- Notably, all non-financial indicators, barring finished steel consumption (that rose by a mere 0.1%), reported a sequential moderation in June 2025.

**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 improved slightly to 1.7% in June 2025, even as steel and cement rose by healthy 9.2-9.3%

Exhibit: YoY trends in output of core sector

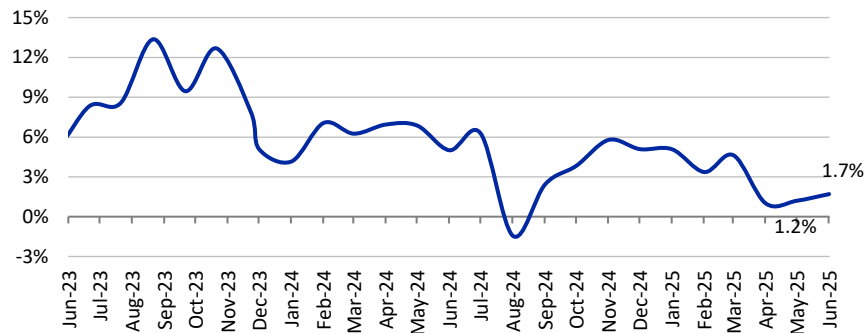
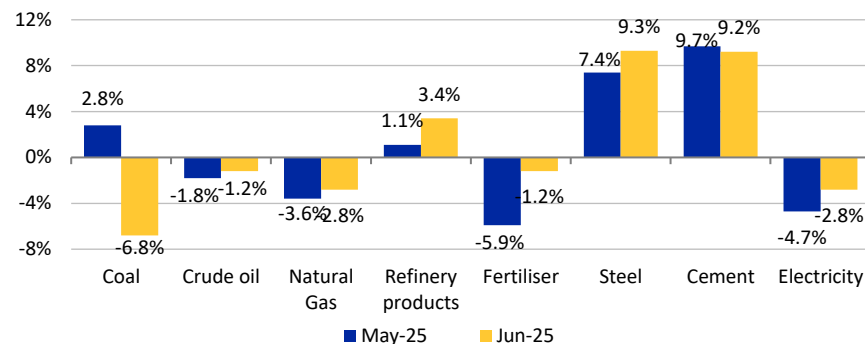


Exhibit: YoY performance of core sector and its sub-components

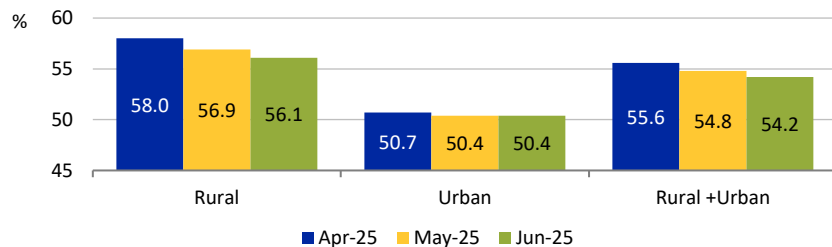


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- Although the YoY growth in core output improved slightly to 1.7% in June 2025 from 1.2% in May 2025, it remained tepid, with as many as five of the eight sectors recording a contraction in their output in the month. While an elevated base weighed upon coal output (-6.8% in June 2025 v. +2.8% in May 2025), excess rains in the latter part of June 2025 impacted electricity demand, and consequently, generation (at -2.8%, albeit narrower than -4.7% in May 2025).
- Encouragingly, the output of the cement and steel sectors rose by a robust 9.2-9.3% in June 2025, although this was supported by a favourable base in the case of the former. The growth in volumes of these segments has been quite healthy in Q1 FY2026 (steel: +7.0%; cement: +8.4%), which implies that the construction sector is poised to record a robust GVA growth in the quarter.
- Overall, given the subdued growth in core output, ICRA expects the IIP growth to print at a muted 1.5-2.5% in June 2025.**

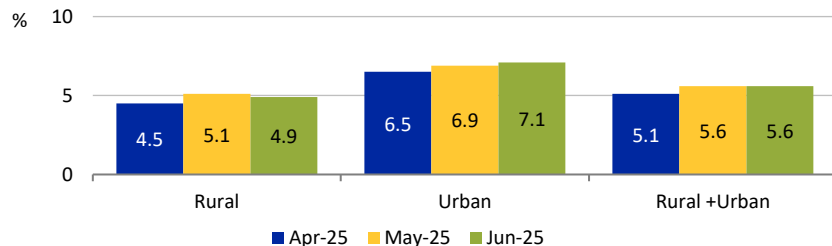
Labour market conditions deteriorated in June 2025

Exhibit: The Labour Force Participation Rate (LFPR) eased for the second consecutive month in June 2025, amid a fall in LFPR in rural areas



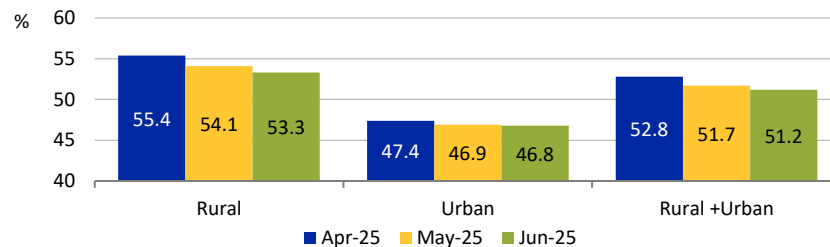
Based on CWS for persons of age 15 years and above; Source: PLFS-Monthly Bulletin, MOSPI; ICRA Research

Exhibit: Although the Unemployment Rate (UR) remained unchanged at 5.6% in June 2025, contrasting trends were witnessed in rural and urban areas



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

Exhibit: The Worker-Population Ratio (WPR) moderated further in June 2025 in both urban and rural areas



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

A dip in the LFPR and WPR in rural areas in June 2025 vs. May 2025 coupled with a decline in the UR, implies that people dropped out of labour force in rural India. As per the [PLFS press note](#), this was largely influenced by seasonal agricultural patterns and a shift of some unpaid helpers, particularly from higher-income rural households, towards domestic chores. In urban areas, a dip in the WPR along with an unchanged LFPR, led to an uptick in the UR in June 2025 vs. May 2025. The unavailability of month-wise year-ago data makes the analysis of labour market conditions a bit challenging.

Financial conditions eased further in June 2025, with 10 of the 12 indicators faring better than levels seen in May 2025

Exhibit: Heatmap of high frequency indicators pertaining to financial conditions

Financial indicators*	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
WAMMR spread (bps)	1	-8	-10	-4	-14	-7	5	4	-3	-7	-22	-27	-30
Net LAF/NDTL (%)	-0.3	0.5	0.7	0.5	0.7	0.6	-0.3	-0.9	-0.7	-0.5	0.6	0.7	1.2
Yield curve level (%)	6.99	6.92	6.81	6.75	6.73	6.77	6.72	6.75	6.69	6.66	6.31	6.15	6.11
Yield curve slope (bps)	16	26	25	22	34	38	28	19	27	20	45	52	93
3Y AAA spread (bps)	93	102	111	117	101	93	103	108	106	111	102	109	101
5Y AAA spread (bps)	89	80	97	97	89	84	88	83	87	100	102	103	99
BSE Sensex return (%)	0.0	3.4	0.8	2.3	-5.8	0.5	-2.1	-0.8	-5.6	5.8	3.7	1.5	2.6
PE level vs. 2YMA	98.0	102.1	99.1	102.4	99.3	94.7	96.2	92.9	89.4	88.3	91.4	96.5	98.5
India VIX	1,791	1,871	1,876	1,941	1,874	1,766	1,782	1,742	1,711	1,670	1,729	1,799	1,821
India-US yield differential (bps)	274	276	304	311	270	250	239	217	230	246	218	185	196
INR return (%)	0.0	-0.4	-0.2	0.1	-0.4	-0.6	-1.2	-1.1	-1.1	2.3	1.1	-1.1	-0.2
1M forward premia (%/annum)	1.20	1.16	1.15	1.50	1.65	1.64	2.69	3.24	2.68	3.29	2.81	2.33	1.52

Easier financial conditions

Neutral

Tighter financial conditions

The easing in financial conditions in June 2025 vis-à-vis May 2025 was broad based, across the money, G-sec, equity and forex markets. Notably, conditions in the money and G-sec markets have improved materially in June 2025, compared to March 2025.

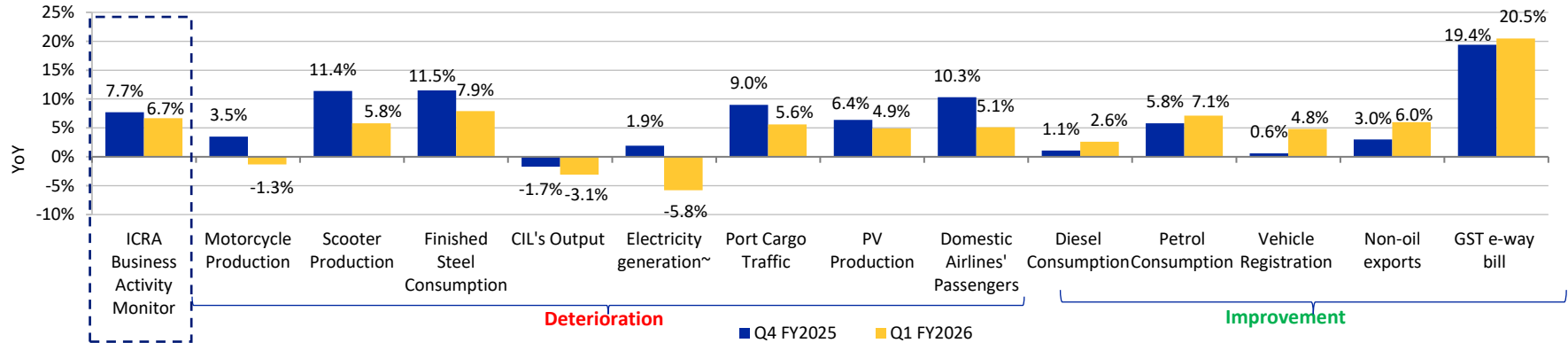
WAMMR: Weighted average money market rate; LAF: Liquidity adjustment facility, NDTL: Net Time and Demand Liabilities, VIX: Volatility Index; 2YMA: 2 Year Moving Average; PE: Price to earnings ratio; *Refer to [Annexure C](#) for the detailed explanation on indicators; Source: CMIE, RBI, BSE, CEIC, ICRA Research

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Growth in most high frequency indicators decelerated in Q1 FY2026; GDP expansion set to ease to 6.1-6.5% from 7.4% in Q4 FY2025

Exhibit: YoY performance of high frequency non-agri in Q4 FY2025 and Q1 FY2026

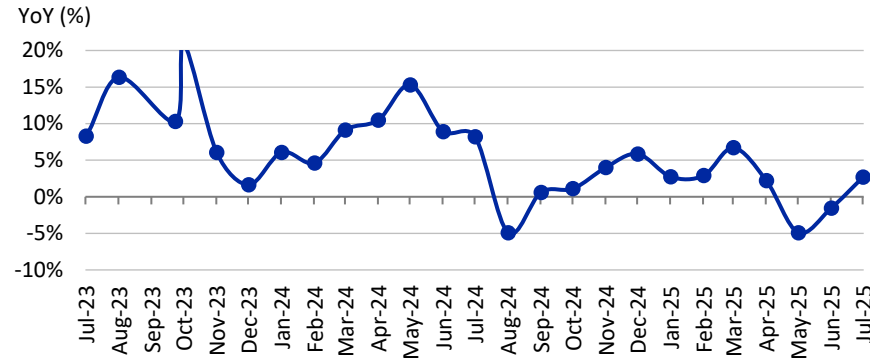


~excludes renewable energy; Source: ICRA Research

- The YoY growth in the ICRA Business Activity Monitor eased to 6.7% in Q1 FY2026 from 7.7% in Q4 FY2025, with as many as 8 of the 13 non-financial indicators witnessing a deterioration in their growth rates between these quarters. While geopolitical conflicts and tariff-related uncertainty may have impacted demand, the early onset of monsoon in May 2025 followed by above-normal rainfall in June 2025, weighed down on activity in sectors such as mining (CIL's output), and electricity generation.
- Additionally, the YoY performance of the auto segment (2W and PV output; amid weak demand and supply side challenges), cargo traffic at major ports, finished steel consumption (despite double-digit surge in Gol's capex during April-May 2025), and domestic airline passenger traffic (partly impacted by India-Pakistan border tensions in May 2025) dampened the growth in the Index in Q1 FY2026 compared to Q4 FY2025. However, the growth performance of non-oil exports, fuel consumption (diesel and petrol), vehicle registrations, and GST e-way bills improved during Q1 FY2026 vs. Q4 FY2025.
- Based on the deceleration seen across several high frequency indicators in Q1 FY2026 vis-à-vis Q4 FY2025, amid excess rainfall as well as escalation of geopolitical tensions during the quarter, **ICRA anticipates the GDP growth to decelerate to 6.1-6.5% in Q1 FY2026 (+6.5% in Q1 FY2025) from the high 7.4% in Q4 FY2025 (+8.4% in Q4 FY2024).**

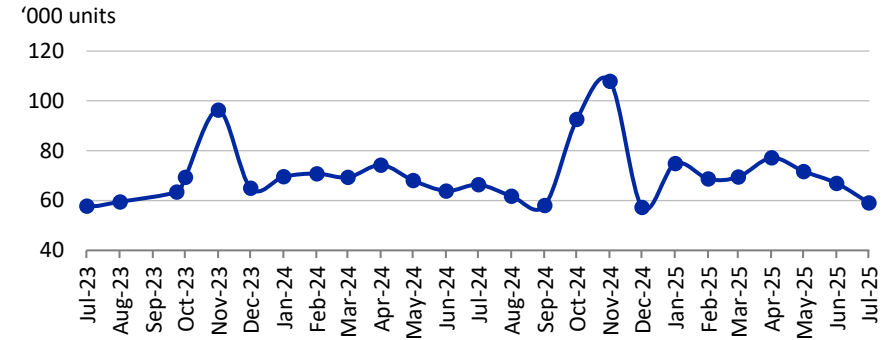
YoY performance of electricity demand improved while that of auto retail volumes deteriorated in July 2025 so far vs. June 2025

Exhibit: Electricity Demand at all-India level



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

Exhibit: Daily average vehicle registrations at all-India level



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

- The all-India electricity demand reported a YoY growth of 2.7% during July 1-20, 2025, after contracting in each of the previous two months (May 2025/June 2025: -4.9%/-1.5%). The average electricity demand improved slightly to 4.9 BU/day during July 1-20, 2025 from 4.8 BU/day in June 2025. Consequently, the average spot power tariffs in the day-ahead-market rose to Rs. 4.3/unit in July 2025 (until July 21) from Rs. 3.9/unit in June 2025, albeit remaining lower than Rs. 4.9/unit seen during July 1-21, 2024.
- As per the data provided on the Vahan portal, the average daily vehicle registrations declined by 3.1% MoM to 59.1k units/day during July 1-20, 2025 from 61.0k units/day during the similar period of June 2025 (until June 20). Additionally, on a YoY basis, such volumes were lower by 11.8% in July 2025 (up to July 20, 2025), following the 4.7% expansion seen in June 2025. **Overall, while healthy rural sentiments are expected to support 2W demand, surplus rainfall and high cost of ownership are likely impacting footfalls and conversions. Additionally, PV volumes are expected to be supported by steady model launches, although supply shortage of critical components like rare earth magnets may weigh on production of certain segments, especially for electric vehicles (EVs).**

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.

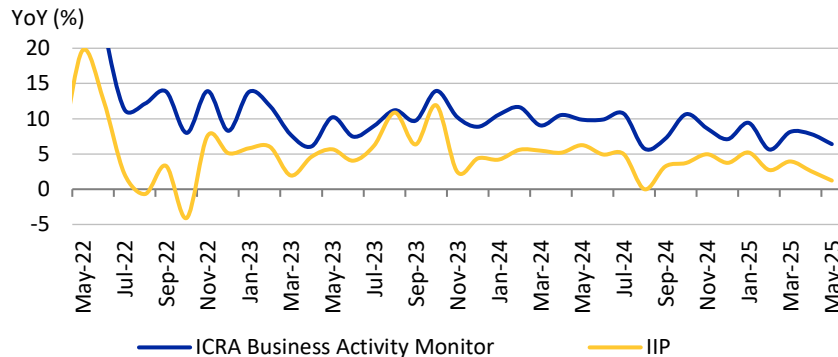
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 6.4% in May 2025 from 7.8% in April 2025, signifies that the momentum in economic activity declined in May 2025 vis-à-vis April 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 May 2025 was released on June 30, 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 June 2025 was available by June 23, 2025), thereby enabling a faster assessment of economic activity in the immediately preceding month.

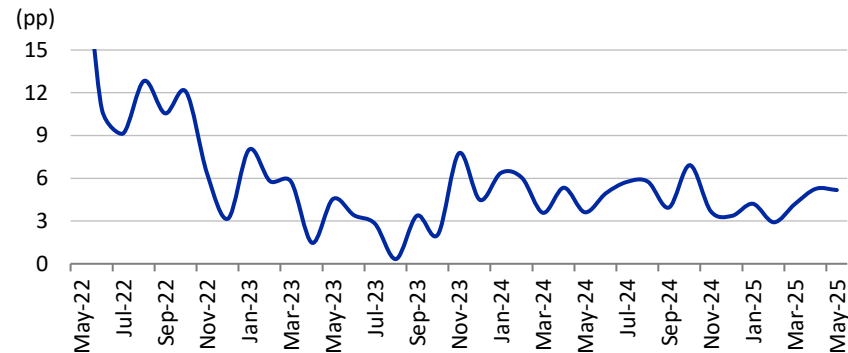
Annexure A.2: ICRA Business Activity Monitor

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

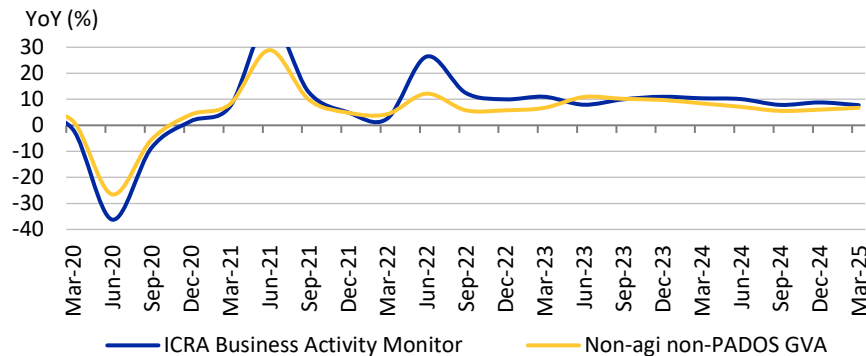


Source: ICRA Research

- 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 19 and 50, respectively, of the 74 months between April 2019 and May 2025.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 58 of the 74 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 63/11 of the 74 months.

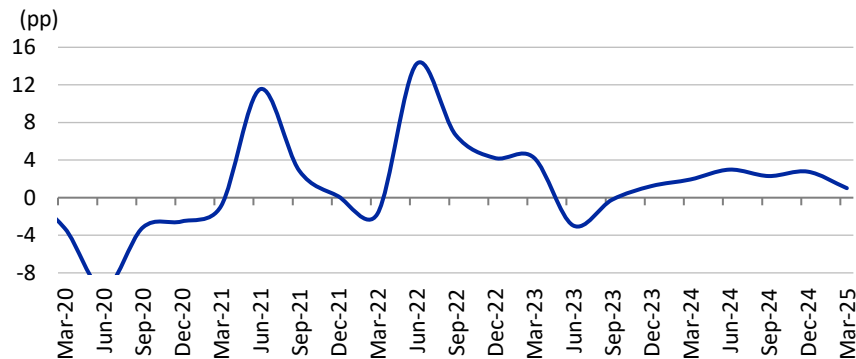
Annexure A.3: ICRA Business Activity Monitor

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

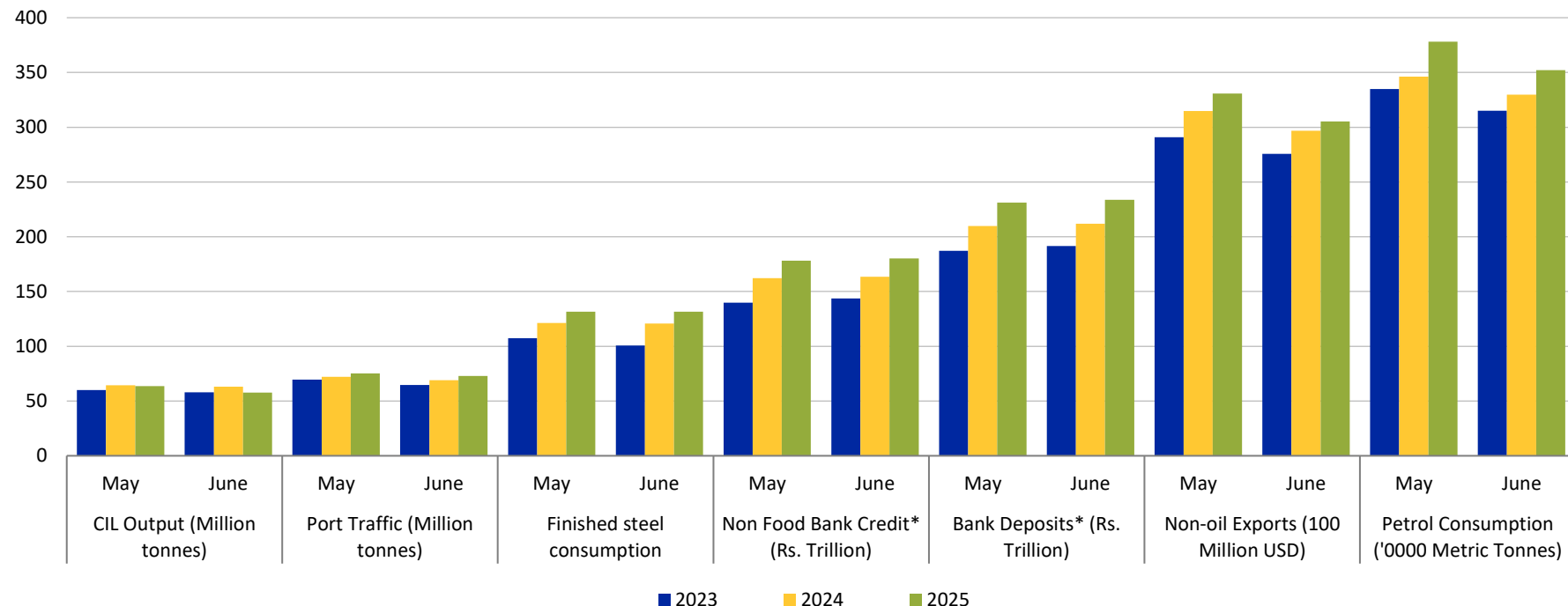


Source: ICRA Research

- 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 11 of 15 indicators rose on a YoY basis in June 2025 - I

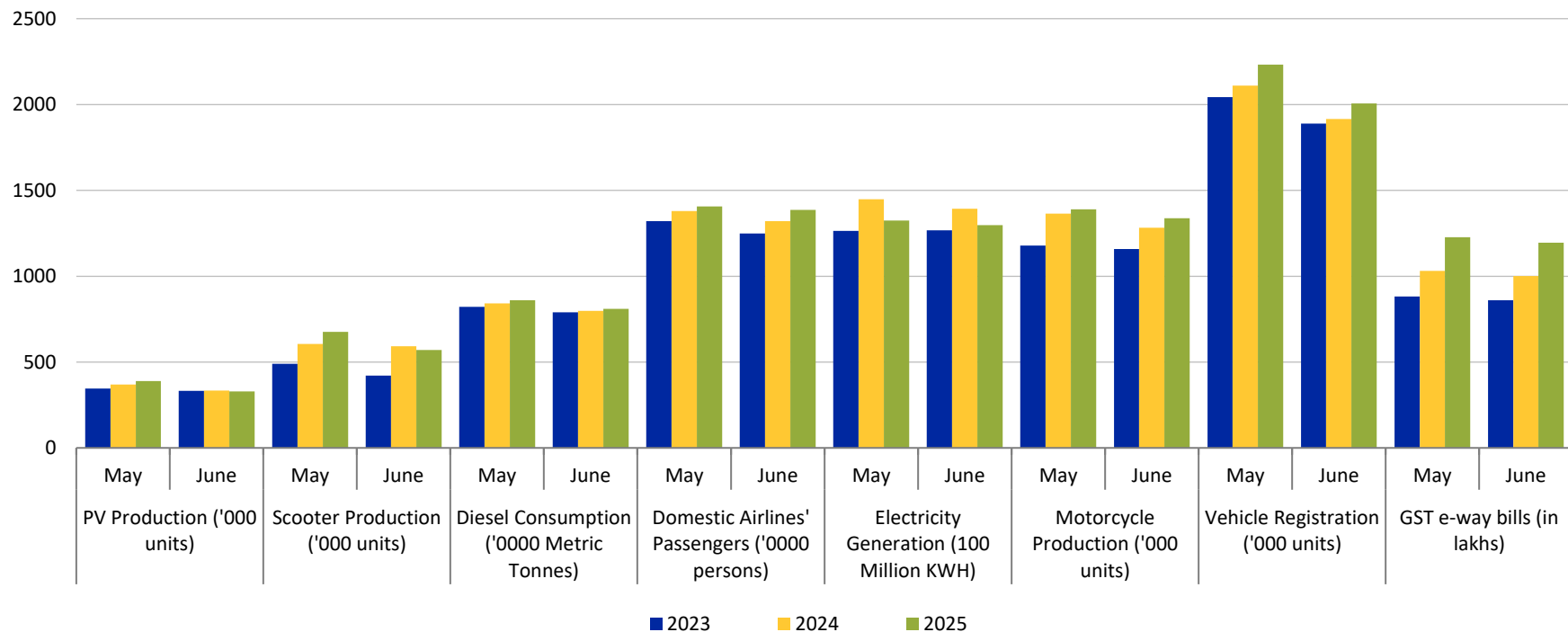
Exhibit: Trends in Volumes for Last Three Years in May and June (Part - I)



*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, Gol; Indian Ports Association; JPC; RBI; PPAC; CEIC; ICRA Research

Annexure B.2: Volumes of 11 of 15 indicators rose on a YoY basis in June 2025 - II

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



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

To gauge financial conditions in the Indian economy, ICRA has assessed the performance of 12 high frequency indicators across the money, G-sec, Corporate Bond, forex and equity markets. These include:

- **Weighted Average Money Market Rate (WAMMR) spread:** The WAMMR captures the cost of overnight funds for banks and non-banks. A higher (lower) spread between the WAMMR and the repo rate is typically associated with tighter (easier) financial conditions in the money market.
- **Net LAF/NDTL:** Liquidity conditions are determined by net balances under the liquidity adjustment facility (LAF) as a proportion of net demand and time liabilities (NDTL). A negative (positive) value depicts liquidity deficit (surplus) in the banking system, implying tighter (easier) financial conditions.
- **Yield curve level:** This is computed by averaging the yields of 91-day T-bill, and 3, 5, 10 and 30-year dated securities. A higher level of the yield curve is led by an increase in interest rates which implies an increase in financing costs, thus reflecting a tightening in financial conditions.
- **Yield curve slope:** It is the term spread, captured as the difference between the 10Y G-sec yield and 91-day T-bill yield. A higher slope largely reflects low short-term rates, hence, easier financial conditions.
- **3Y/5Y AAA bond spread:** It is the credit spread, computed as the difference between the AAA Corporate Bond yield and G-sec yield of same maturity. An increase (decrease) in the spread reflects tighter (easier) financial conditions.
- **BSE Sensex Return:** Higher returns attract greater FII inflows, which affect valuations and have a positive impact on market sentiment, implying easier financial conditions. The data at the last working day of the month vis-à-vis the previous month-end data is used to compute the monthly returns.
- **PE level vs. 2YMA:** It is the PE ratio relative to the 2-year moving average. A decline (rise) in this ratio is associated with tighter (easier) financial conditions.
- **India VIX:** The India Volatility Index measures the market's anticipation of volatility/fluctuations in near term. A higher (lower) value depicts more volatility and tighter (easier) financial conditions.
- **INR Return:** This is the MoM change in USD/INR rate [appreciation (+)/depreciation (-)]. A depreciation leads to an increase in debt servicing cost, thus leading to tighter financial conditions.
- **India-US yield differential:** An increase in yield differential reflects relatively higher domestic interest rate, and is associated with tighter financial conditions.
- **1M Forward Premia:** A forward premium in currency exchange occurs when the price of a currency for future delivery (forward rate) is higher than its current price (spot rate). Increase in 1M forward premia is usually linked to tighter financial conditions.



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