



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

**Growth in economic activity picked up  
in July 2025; GST rationalisation may  
delay discretionary purchases ahead  
of festive season**

**AUGUST 2025**





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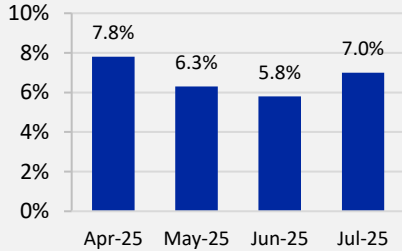
ICRA Business Activity Monitor is a composite indicator that comprises:

- 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

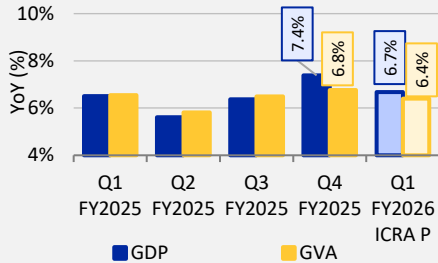
The year-on-year (YoY) growth in economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, rose to a three-month high of 7.1% in July 2025 from 6.2% in June 2025, led by a sizeable improvement in a small set of indicators, including non-oil exports, GST e-way bill generation and auto output. However, indicators pertaining to the mining and electricity sectors witnessed sustained weakness, partly on account of the healthy monsoon turnout, which also weighed on the growth in core output in July 2025, even as growth in construction-related indicators was strong in the month. The performance of indicators pertaining to financial conditions was mixed in July 2025 vis-à-vis June 2025, with six of the 12 indicators witnessing an easing and the other half worsening. On the employment front, rural India drove job gains in July 2025 vis-à-vis June 2025, although this was likely seasonal in nature, driven by a pick-up in kharif sowing activity, even as the unemployment rate in urban areas continued to climb higher. ICRA expects the Index of Industrial Production (IIP) to show a modest growth of ~2.0% in July 2025. The early trends in activity for August 2025 appear mixed so far. While the proposed rationalisation of GST slabs may lead to consumers pushing forward purchases until the tax cuts are implemented, this would shore up consumer sentiments ahead of the festive season.

- **Growth in ICRA Business Activity Monitor picked up in July 2025:** The YoY growth in the Index rose to 7.1% in July 2025 from 6.2% in June 2025, after easing in each of the last three months. However, the uptick was led by large improvements in a small set of indicators including non-oil exports (boosted by sustained growth in shipments to the US), GST e-way bill generation (aided by pre-festive stocking), and PV and 2W output.
- **Core output stood at a muted 2.0% in July 2025:** The YoY growth in core output eased slightly to 2.0% in July 2025 from the upward revised 2.2% in June 2025. The mining-related sectors and electricity remained weak, partly on account of the healthy monsoon turnout. Encouragingly, the output of cement and steel rose by a robust ~12-13% in July 2025, suggesting that construction activity was strong in the month. Given the subdued growth in core output, ICRA expects IIP growth to print at ~2.0% in July 2025 (+1.5% in June 2025).

**EXHIBIT: YoY growth of ICRA Business Activity Monitor**



**EXHIBIT: Quarterly growth in GDP and GVA growth (at constant 2011-12 prices)**



P: Projected; Source: RBI, NSO, ICRA Research

- Labour market conditions improved in July 2025:** The all-India Worker-Population Ratio (WPR) saw an uptick in July 2025 vis-à-vis June 2025, amid a larger uptick in rural areas vs. urban areas. However, this increase in rural jobs, was likely seasonal in nature, driven by a pick-up in kharif sowing activity. Overall, while the unemployment rate (UR) in rural India dipped in July 2025 compared to June 2025, that in urban areas rose for the third consecutive month.
- Mixed trend in financial indicators in July 2025, compared to June 2025:** The performance of indicators pertaining to financial conditions was mixed in July 2025 vis-à-vis June 2025, with six of the 12 indicators witnessing an easing and the other half worsening. Notably, conditions in the money (as measured by the spread of overnight rates over the policy repo rate, and banking system liquidity) and G-sec markets (yield curve level and slope) remained fairly comfortable, although indicators pertaining to the latter have witnessed some worsening in early-August 2025, amid an uptick in G-sec yields.
- Early data for August 2025 mixed:** The average daily vehicle registrations declined by 4.5% sequentially to 60.2k units/day during August 1-25, 2025, even as these were at par with the levels seen in the year ago period (-4.1% YoY in July 2025). Furthermore, the YoY growth in all-India electricity demand rose to a five-month high of 5.8% during August 1-19, 2025 (vs. +2.1% in July 2025), albeit led by a favourable base.
- GST cut could impact discretionary demand in immediate term, while shoring up sentiments ahead of festive season:** The Government of India has announced that it will bring Next Generation GST reforms by October 2025, i.e. before Diwali. The proposed rationalisation of the GST tax slabs would further aid consumption of household goods including daily essentials, packaged food items, apparel, footwear, consumer durables like ACs, TVs, and refrigerators as well as automobiles, especially in the entry level segment. However, this may partly delay consumption of discretionary items in the run up to the upcoming festive season, as consumers may push forward purchases until the tax cuts are implemented. Nevertheless, this would shore up consumer sentiments ahead of the festive season.

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

## ICRA Business Activity Monitor



*Note: Since the rail freight traffic data for the month of July 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 picked up to 7.1% in July 2025, after easing in each of the prior three months

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

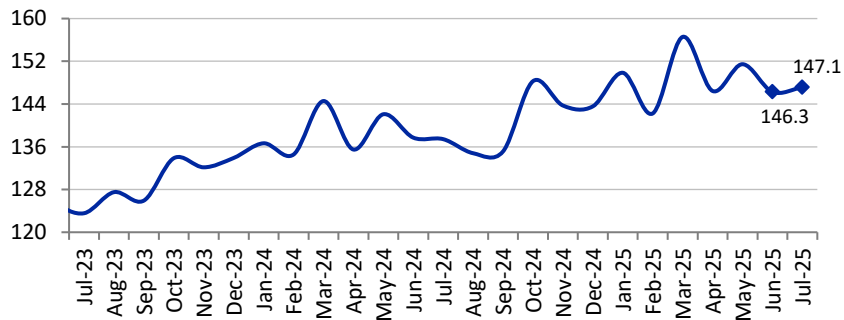
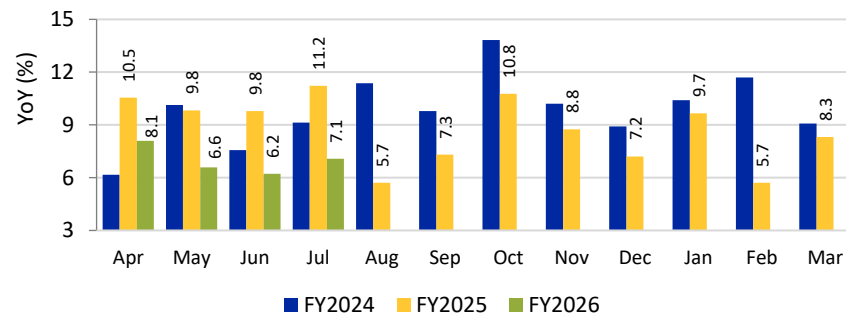


Exhibit: YoY growth of ICRA Business Activity Monitor



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 the ICRA Business Activity Monitor rose to 7.1% in July 2025 (+11.2% in July 2024) from a four-month low of 6.2% in June 2025 (+9.8% in June 2024), although only seven of the 15 constituent indicators reported an improvement in their growth performance between these months.
- The uptick was primarily driven by a sharp improvement in the YoY growth in non-oil exports (to +13.8% from +2.9%; amid sustained high growth in shipments to the US), and GST e-way bill generation (to +25.8% from +19.3%; benefitting from pre-festive stocking). Additionally, the auto-related indicators improved, with 2W production reporting a double-digit YoY growth (to +12.4% in July 2025 from +1.8% in June 2025), followed by a mild turnaround in PV production (to +0.1% from -1.8%). Together, these indicators pushed up the index by as much as 203 bps in July 2025 vis-à-vis June 2025. Besides, the YoY performance of electricity generation (to +0.5% from -1.2%), and diesel consumption (to +2.4% from +1.5%) also picked up between these months, while remaining tepid.
- In contrast, the performance of vehicle registrations (-4.1% in July 2025 vs. +5.6% in June 2025; partly on account of an unfavourable base weighing on 2W registrations), petrol consumption (+5.9% vs. +6.8%), coal output (-15.6% vs. -8.4%), domestic air passenger traffic (-1.1% vs. +3.0%), ports cargo traffic (+4.0% vs. +5.6%), and finished steel consumption (+6.6% vs. +9.2%) deteriorated in July 2025 vis-à-vis June 2025.

# YoY performance of 7 of the 15 constituent indicators improved in July 2025 compared to June 2025

Exhibit: Heatmap of high frequency indicators

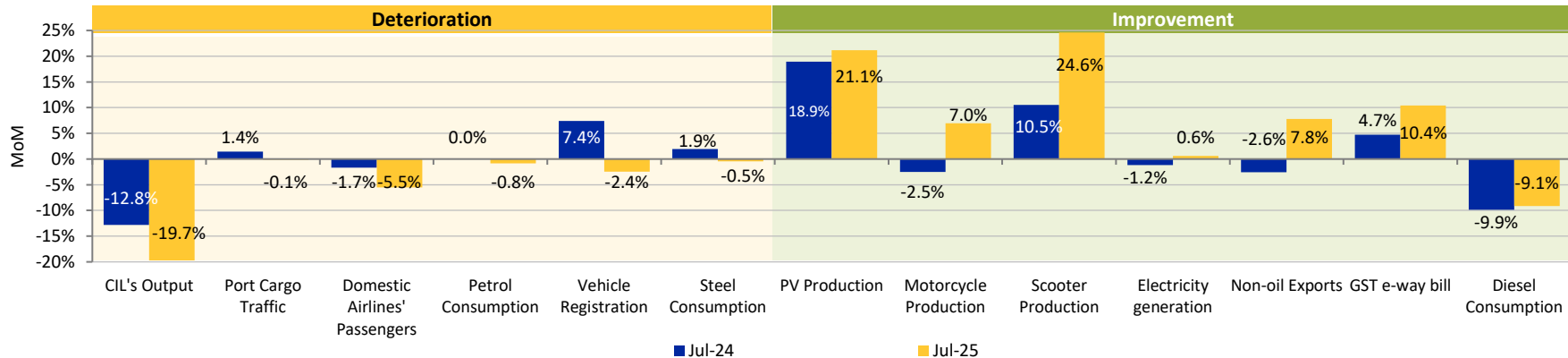
YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passengers	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output												
Apr-25	10.8	9.1	-10.1	4.0	0.5	1.7	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	5.9	-1.4	-4.7	4.4	4.3	18.9	8.3	1.9	9.2	2.1	10.1	9.8
Jun-25	-1.8	-3.7	4.3	5.6	-8.4	-1.2	2.9	5.6	19.3	9.2	5.0	6.8	1.5	10.3	10.2
Jul-25	0.1	8.6	14.4	-4.1	-15.6	0.5	13.8	4.0	25.8	6.6	-1.1	5.9	2.4	10.2#	9.9#
YoY growth; sequential pick-up			YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip			

**The uptick in the Index was led by large improvements in a small set of indicators (2W output, non-oil exports and GST e-way bill generation). Three of the 15 indicators saw a YoY contraction in July 2025, as against four in June 2025.**

# including the impact of merger; ~excluding the impact of HDFC and HDFC bank merger to ensure comparability; 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, renewable 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; 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

# Index reported a sequential uptick in July 2025 in contrast to the typical seasonal dip witnessed in the month

Exhibit: MoM performance of non-financial economic indicators



- The ICRA Business Activity Monitor reported a MoM uptick of 0.6% in July 2025 as compared to a contraction of 0.2% in July 2024. This also contrasts with the typical seasonal sequential dip that is witnessed in July every year.
- This was driven by an improvement in the MoM performance of seven of the 13 non-financial indicators, including auto production (including PV and 2W), electricity generation, non-oil exports, GST e-way bill generation, followed by a narrower dip in diesel consumption.
- On the other hand, the sequential contraction in CIL's output and domestic airline passenger traffic widened in July 2025 vis-à-vis July 2024, while the finished steel consumption, vehicle registrations, petrol consumption, and ports cargo traffic saw a decline as against an expansion in the year ago month.

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 eased slightly to 2.0% in July 2025, even as steel and cement output rose by a healthy 12-13% in the month

Exhibit: YoY trends in output of core sector

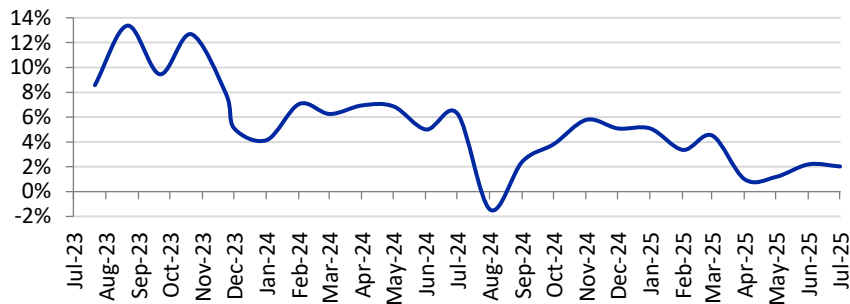
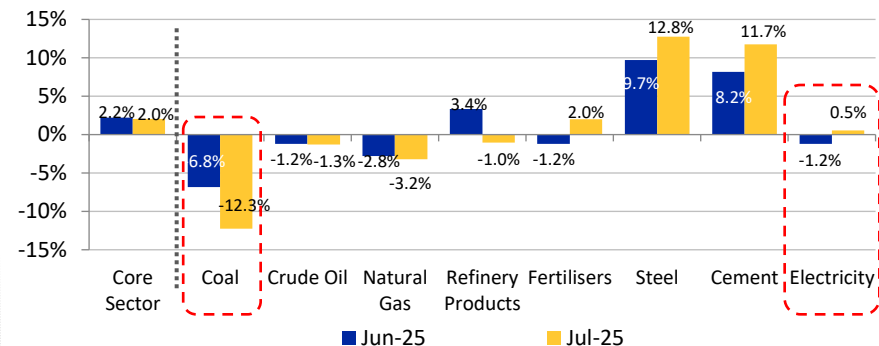


Exhibit: YoY performance of core sector and its sub-components

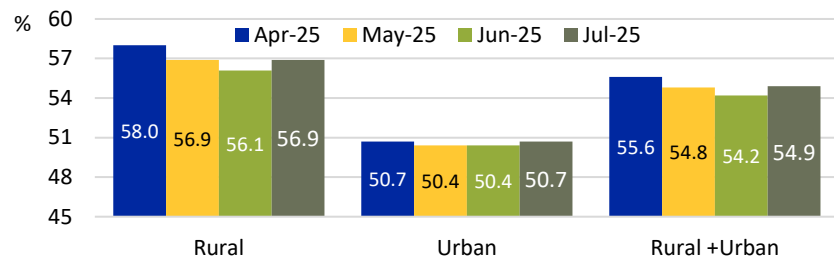


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in core output eased slightly to 2.0% in July 2025 from the upward revised 2.2% in June 2025, while remaining muted, amid a deterioration in the performance of the mining-related sectors such as coal (to -12.3% in July 2025 from -6.8% in June 2025; the steepest fall in over five years), crude oil (to -1.3% from -1.2%), natural gas (to -3.2% from -2.8%), and refinery products (to -1.0% from +3.4%). Notably, while the performance of electricity generation improved, posted a growth after a gap of two months, the extent of the same was muted at 0.5% (-1.2% in June 2025).
- Encouragingly, the output of the cement and steel sectors rose by an impressive 11.7% and 12.8%, respectively, in July 2025, suggesting that construction activity is likely to have remained strong in the month, partly supported by the slowdown in rainfall momentum in July 2025 (5% above normal) vs. June (33% above normal). Besides, the growth in the capex of the Gol and the states was quite robust in Q1 FY2026, which supported the demand for construction inputs.
- **Overall, given the trends in core output, ICRA expects the IIP growth to print at ~2.0% in July 2025.**

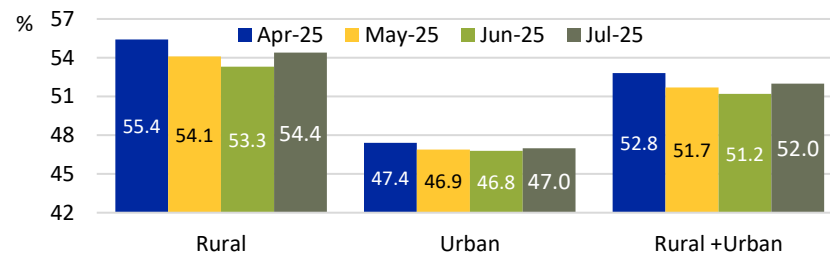
# Labour market conditions improved in July 2025, led by seasonal uptick in rural employment; urban unemployment rate continued to climb

**Exhibit: The Labour Force Participation Rate (LFPR) inched up slightly in July 2025 after two consecutive months of easing, largely led by rural areas**



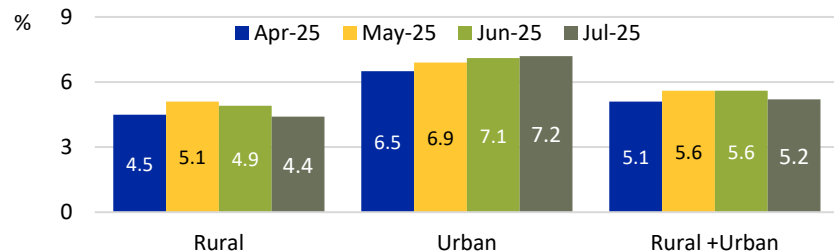
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.

**Exhibit: Similarly, the Worker-Population Ratio (WPR) also witnessed an uptick in July 2025, primarily supported by rural areas**



WPR is defined as the percentage of employed persons in the population.

**Exhibit: While the all-India Unemployment Rate (UR) dipped to 5.2% in July 2025, contrasting trends were witnessed in rural and urban areas**



UR is defined as the percentage of persons unemployed among the persons in the labour force.

- A greater uptick in WPR (+1.1 pp) vis-à-vis LFPR (+0.8 pp) in rural areas in July 2025 vs. June 2025, led to a sharp dip in rural UR (-0.5 pp). However, in the case of urban areas, a higher increase in LFPR (+0.3 pp) vis-à-vis WPR (+0.2 pp), led to a rise in urban UR (+0.1 pp) during the period.
- Overall, while rural India led to the increase in jobs in July 2025, this was driven by a pick-up in kharif sowing activity. As per the [PLFS press note](#), majority of rural workers are engaged in agriculture sector (~45% of men and 71% of women), while the tertiary sector was the largest source of employment in urban areas (~61% of men and 65% of women).
- The unavailability of month-wise year-ago data makes the analysis of labour market conditions a bit challenging.

# Performance of indicators pertaining to financial conditions was mixed in July 2025 vis-à-vis June 2025

Exhibit: Heatmap of high frequency indicators pertaining to financial conditions

Financial indicators*	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
WAMMR spread (bps)	-8	-10	-4	-14	-7	5	4	-3	-7	-22	-27	-30	-18
Net LAF/NDTL (%)	0.5	0.7	0.5	0.7	0.6	-0.3	-0.9	-0.7	-0.5	0.6	0.7	1.2	1.3
Yield curve level (%)	6.92	6.81	6.75	6.73	6.77	6.72	6.75	6.69	6.66	6.31	6.15	6.11	6.12
Yield curve slope (bps)	26	25	22	34	38	28	19	27	20	45	52	93	102
3Y AAA spread (bps)	102	111	117	101	93	103	108	106	111	102	109	101	95
5Y AAA spread (bps)	80	97	97	89	84	88	83	87	100	102	103	99	111
BSE Sensex return (%)	3.4	0.8	2.3	-5.8	0.5	-2.1	-0.8	-5.6	5.8	3.7	1.5	2.6	-2.9
PE level vs. 2YMA	102.1	99.1	102.4	99.3	94.7	96.2	92.9	89.4	88.3	91.4	96.5	98.5	100.8
India VIX	1,871	1,876	1,941	1,874	1,766	1,782	1,742	1,711	1,670	1,729	1,799	1,821	1,847
India-US yield differential (bps)	276	304	311	270	250	239	217	230	246	218	185	196	201
INR return (%)	-0.4	-0.2	0.1	-0.4	-0.6	-1.2	-1.1	-1.1	2.3	1.1	-1.1	-0.2	-2.1
1M forward premia (%/annum)	1.16	1.15	1.50	1.65	1.64	2.69	3.24	2.68	3.29	2.81	2.33	1.52	1.61

Easier financial conditions

Neutral

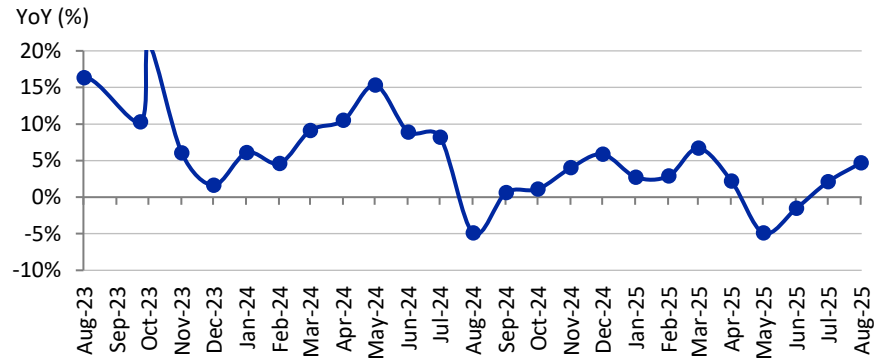
Tighter financial conditions

The performance of indicators pertaining to financial conditions was mixed in July 2025 vis-à-vis June 2025, with 6 of the 12 indicators witnessing an easing and the other half worsening. Notably, conditions in the money and G-sec markets remained fairly comfortable.

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

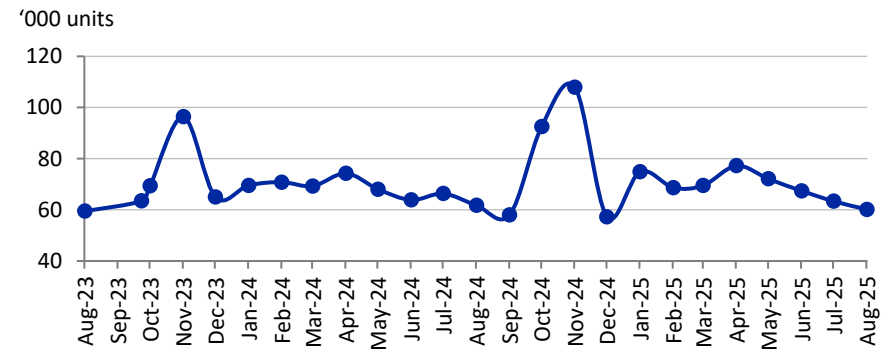
# Mixed trends in performance of electricity demand and auto retail volumes in August 2025 so far

**Exhibit: Electricity Demand at all-India level**



Data for August 2025 is till August 24 2025; Source: POSOCO; CEIC; ICRA Research

**Exhibit: Daily average vehicle registrations at all-India level**



Data for August 2025 is till August 25, 2025; Source: Vahan, MoRTH; CEIC; ICRA Research

- The YoY growth in all-India electricity demand rose to a five-month high of 4.7% during August 1-24, 2025 from 2.1% in July, 2025, albeit largely supported by a favorable base (July/August 2024: +8.2%/-4.9%). In fact, the average electricity demand moderated slightly to 4.9 BU/day during August 1-24, 2025 from 5.0 BU/day in July 2025, following which the average spot power tariffs in the day-ahead-market eased to Rs. 4.1/unit in August 2025 (until August 25) from Rs. 4.2/unit in July 2025. This also significantly lower than day-ahead market prices of Rs. 4.5/unit seen during corresponding year-ago period.
- As per the data provided on the Vahan portal, the average daily vehicle registrations declined by 4.5% sequentially to 60.2k units/day during August 1-25, 2025, even as these were at par with the levels seen in the year ago period (-4.1% YoY in July 2025). The upcoming GST rationalisation may delay purchases in the run up to the upcoming festive season, as consumers may push forward purchases until the tax cuts are implemented.

## 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.

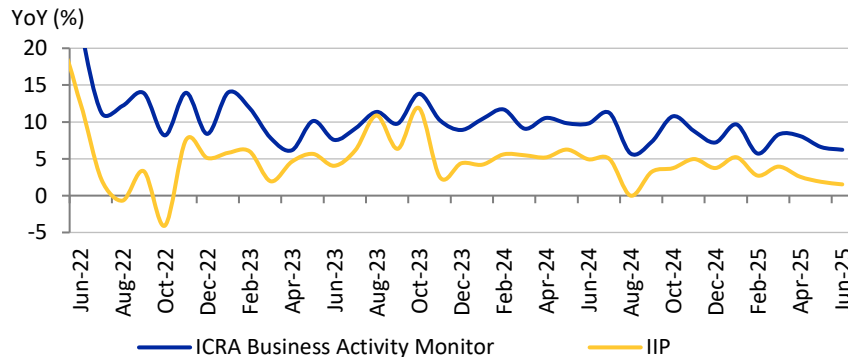
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 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 6.2% in June 2025 from 6.6% in May 2025, signifies that the momentum in economic activity declined in June 2025 vis-à-vis May 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 June 2025 was released on July 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 June 2025 was available by July 23, 2025), thereby enabling a faster assessment of economic activity in the immediately preceding month.

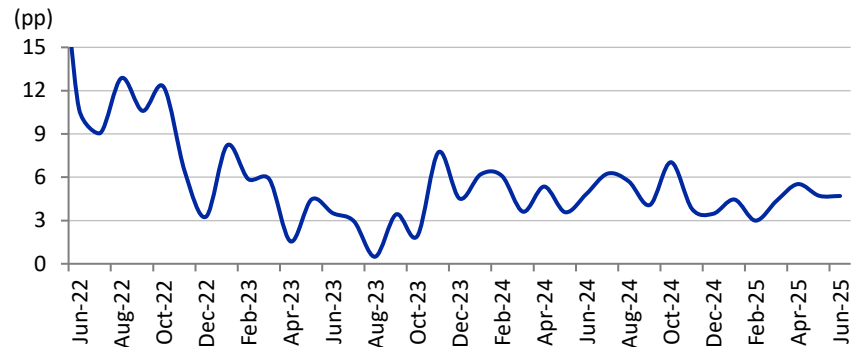
# Annexure A.2: ICRA Business Activity Monitor

**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**

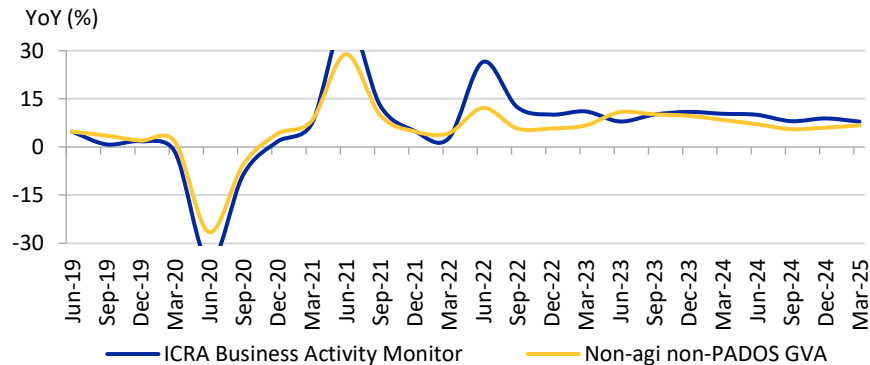


Source: ICRA Research

- 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 18 and 52, respectively, of the 75 months between April 2019 and June 2025.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 60 of the 75 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 64/11 of the 75 months.

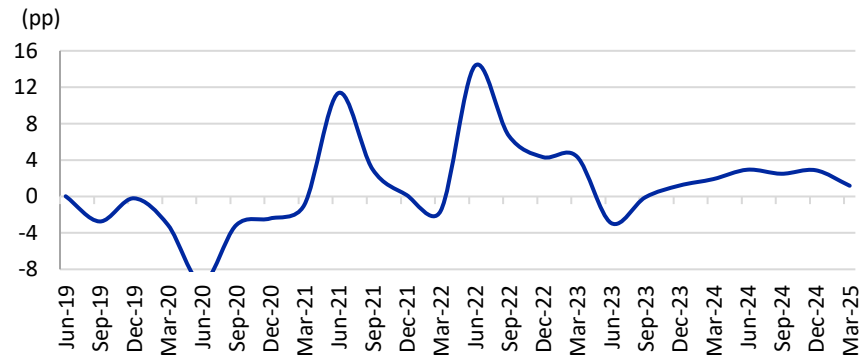
# Annexure A.3: ICRA Business Activity Monitor

**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**

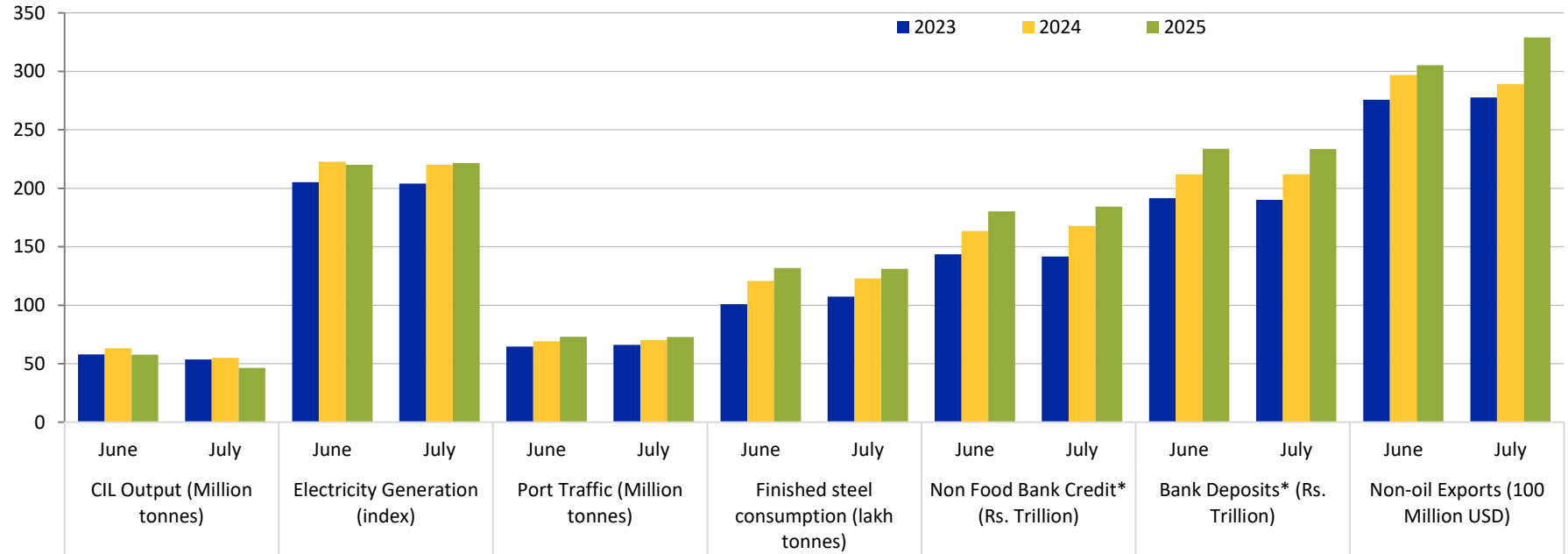


Source: ICRA Research

- 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 19 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: Volume of 7 of 15 indicators rose on a YoY basis in July 2025 vis-à-vis July 2024- I

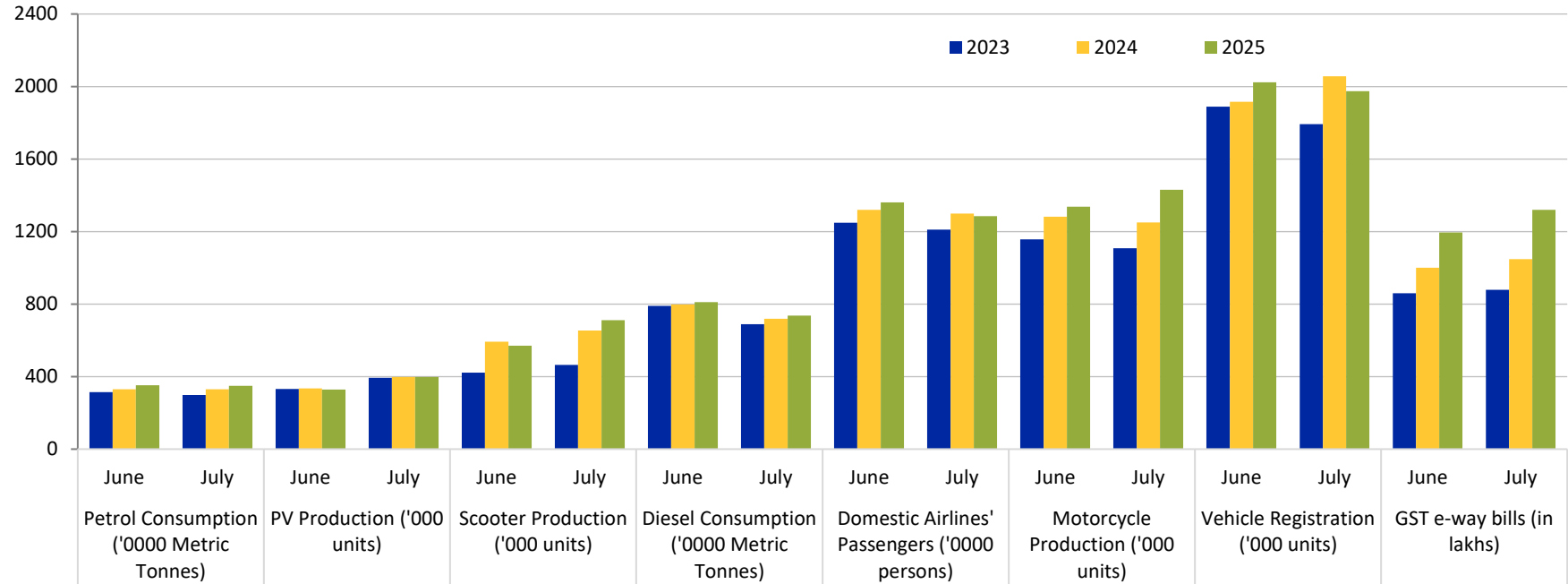
Exhibit: Trends in Volumes for Last Three Years in June and July (Part - I)



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

# Annexure B.2: Volume of 7 of 15 indicators rose on a YoY basis in July 2025 vis-à-vis July 2024- II

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



Source: CMIE; PPAC; 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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