ICRA

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

Growth in economic activity improved in September 2025; GST rate cut to further aid festive demand in October 2025

OCTOBER 2025

Highlights - I

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ICRA Business Activity Monitor is a composite indicator that comprises:

- *Auto production (2Ws and PVs)*
- *Vehicle registrations*
- *Mining output*
- *Power generation*
- *Cement output*
- *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 6-month high of 8.5% in September 2025 from 8.0% in August 2025, led by the early onset of the festive season and GST rationalisation. However, excess rains impacted mining and energy-related indicators, which halved the growth of core output to 3.0% in September from the 15-month high of 6.5% in August 2025. Given this, ICRA expects the IIP growth to dip to ~2.0% in the month from 4.0% in August 2025. In quarterly terms, the growth in the ICRA Business Activity Monitor improved to 8.2% in Q2 FY2026 from 7.2% in Q1 FY2026. However, owing to the likely moderation in growth in the Government of India's (GoI's) capex in Q2 vis-à-vis Q1, deferment of discretionary purchases until the GST rate cuts were implemented on September 22, 2025, and the adverse impact of excess rainfall across some sectors, ICRA anticipates India's GDP growth to decelerate to 6.0-6.5% in Q2 FY2026 from the elevated 7.8% in Q1 FY2026. The early data for October 2025 reveals a surge in daily average vehicle registrations, aided by the GST rate rationalisation and festive demand, even as unseasonal rainfall has dampened electricity demand in the month. We currently expect the GDP growth to print at 6.5% in FY2026, with upsides stemming from the healthy festive season turnout owing to the GST rate rationalisation and the materialisation of any potential India-US trade deal.

- **Growth in ICRA Business Activity Monitor at 6-month high in September 2025:** The YoY growth in the Index rose to a 6-month high of 8.5% in September 2025 (+7.7% in September 2024) from 8.0% in August 2025 (+5.8% in August 2024). However, this pickup was not broad based, with 7 of the 16 constituent indicators seeing an improvement including auto-related indicators, fuel consumption, and cargo traffic at major ports. The growth performance of construction-related indicators, mining output, and electricity generation deteriorated between these months.
- **Core output growth halved to 3.0% in September 2025 from 6.3% in August 2025:** As many as seven of the eight sectors (barring steel) reported a deterioration in their growth performance between these months, with the mining and electricity sectors weighed down by excess rains in the month. Given the trends in core output as well as an

Highlights – II

EXHIBIT: YoY growth of ICRA Business Activity Monitor

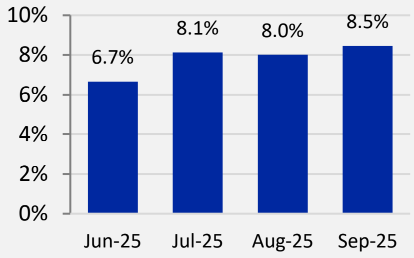
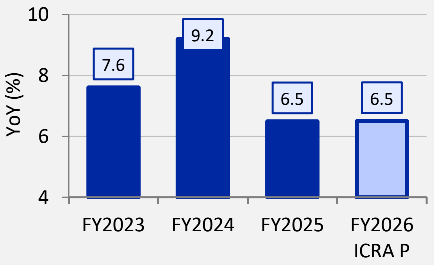


EXHIBIT: YoY trends in GDP growth (at constant 2011-12 prices)



P: Projected; Source: NSO; ICRA Research

adverse base, ICRA expects the IIP growth to halve to ~2.0% in September 2025 from 4.0% in August 2025.

- **Financial conditions tightened somewhat in September 2025:** As many as 10 of the 12 indicators pertaining to financial conditions saw some tightening in September 2025 vs. August 2025, while remaining benign relative to the levels seen in March 2025. Notably, the tightening in money market-related indicators (spread of overnight rates over the policy repo rate, and banking system liquidity) was seasonal, and conditions have improved in early-October 2025. Likewise, conditions in the G-sec and equity markets have improved in the ongoing month.
- **Growth performance across most non-financial indicators improved in Q2 FY2026:** The YoY growth in the ICRA Business Activity Monitor improved to 8.2% in Q2 FY2026 from 7.2% in Q1 FY2026, with as many as 9 of the 15 non-agri and non-financial indicators witnessing an uptick in their growth rates between these quarters. This was led by robust growth in 2W output, GST e-way bill generation, finished steel consumption, and CV production. However, above-normal rains (including concentrated periods of excess rains) weighed on mining, transport and travel activity in Q2 FY2026. Additionally, uncertainty around the timing of GST rate cut announced in mid-August 2025 resulted in deferment of purchases, thereby, impacting vehicle registrations and PV production during the quarter.
- **Early data for October 2025 reveals a spurt in vehicle registrations, fall in electricity demand:** The average daily vehicle registrations surged by ~35% YoY to 112.5k units/day during October 1-23, 2025, supported by lower GST rates across most categories, coupled with festive demand. However, the YoY growth in all-India electricity demand contracted by ~6% YoY during October 1-23, 2025 (+3.2% in September 2025). The combination of GST rate rationalisation, pent-up demand and the early festive onset appears to have boosted demand in September-October 2025. While the GST rationalisation may support demand for regular use/smaller ticket items post the festive season, the buoyancy in demand for big-ticket items remains to be seen.

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

Mining Output (Coal, Crude oil and Natural gas)

Power Generation

Cement Output

Finished Steel Consumption

Non-oil Merchandise Exports

Cargo handled at Major Ports

Consumption of Petrol and Diesel

Generation of GST e-way bills

Domestic Airline Passenger Traffic

Aggregate Deposits and Non-food credit of SCBs

SCB: Scheduled Commercial Banks; PV: Passenger Vehicles; 2W: Two-wheelers; Source: ICRA Research

YoY growth in economic activity accelerated to a 6-month high in September 2025, although uptick was not broad based

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

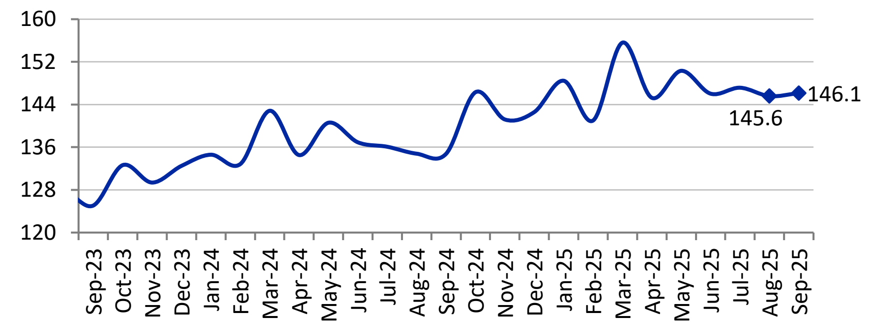
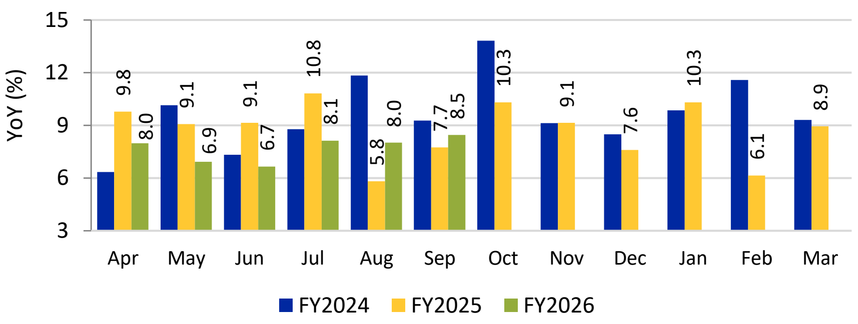


EXHIBIT: YoY growth of ICRA Business Activity Monitor



For details on the construction of the ICRA Business Activity Monitor, please refer to the [Annexure A.1](#); Source: ICRA Research.

- The YoY growth in the ICRA Business Activity Monitor rose to a 6-month high of 8.5% in September 2025 (+7.7% in September 2024) from 8.0% in August 2025 (+5.8% in August 2024), with an improvement in the YoY performance of seven of the 16 constituent indicators.
- The pickup was driven by the auto-related indicators including PV production (+16.1% in September 2025 vs. -4.1% in August 2025; surge in output to cater to festive demand amid GST rate rationalisation, as well as a favourable base) and vehicle registrations (+5.7% vs. +3.6%; spike in the last week of September 2025 supported by lower prices post GST rate rejig). Further, increased festive mobility also supported petrol (+8.0% vs. +5.5%) and diesel (+6.7% vs. +1.2%) consumption. Notably, ports cargo traffic (+11.5% vs. +2.5%; primarily led by coal and fertiliser shipments) rose sharply vis-à-vis August 2025, while the GST e-way bill generation (+21.0% vs. +22.4%; amid support from festive stocking) remained robust, notwithstanding the marginal slowdown in growth.
- The construction-related indicators such as steel consumption (+9.0% vs. +9.4%; albeit remaining healthy) and cement output (+5.3% vs. +5.4%) saw a marginal dip in their growth rates in September 2025 vis-à-vis August 2025. Besides, excess rains impacted the performance of mining output (-1.7% vs. +6.3%) and electricity generation (+2.1% vs. +4.1%), while domestic air passenger traffic reported the third consecutive month of contraction (unchanged at -1.4% relative to August 2025).

YoY performance of 7 of the 16 constituent indicators improved in September 2025 vs. August 2025

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EXHIBIT: Heatmap of high frequency indicators

YoY (%)	Auto Output			Vehicle Registration	Mining output	Power Generation	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Cement Output	Domestic Airline Passengers	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	*Scooter output*	*Motorcycle output*													
Jun-25	-1.8	-3.7	4.3	5.7	-4.9	-1.2	3.3	5.6	19.3	9.1	8.2	3.0	6.8	1.5	10.3	10.2
Jul-25	0.1	8.6	14.4	-3.6	-8.0	3.7	14.2	4.0	25.8	8.8	11.6	-2.9	5.9	2.4	10.17#	9.9#
Aug-25	-4.1	17.3	7.5	3.6	6.3	4.1	6.8	2.5	22.4	9.4	5.4	-1.4	5.5	1.2	10.22#	9.9#
Sep-25	16.1	10.4	9.6	5.7	-1.7	2.1	5.5	11.5	21.0	9.0	5.3	-1.4	8.0	6.7	9.5#	10.2

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

Eight indicators reported a deterioration in their YoY growth rates in September 2025 vis-à-vis August 2025, while the performance of one was unchanged. Two indicators witnessed a contraction in September 2025 (same as August 2025) while five saw a double-digit growth (vs. three in August 2025).

#including the impact of merger; ~excluding the impact of HDFC and HDFC bank merger to ensure comparability; SCBs; Scheduled Commercial Banks; 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; Mining output includes coal, crude oil and natural gas indices from core sector data; Source: Joint Plant Committee; Indian Ports Association; Ministry of Finance; Ministry of Commerce and Industry, 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 0.4% sequential uptick in September 2025, supported by early onset of festivities this year

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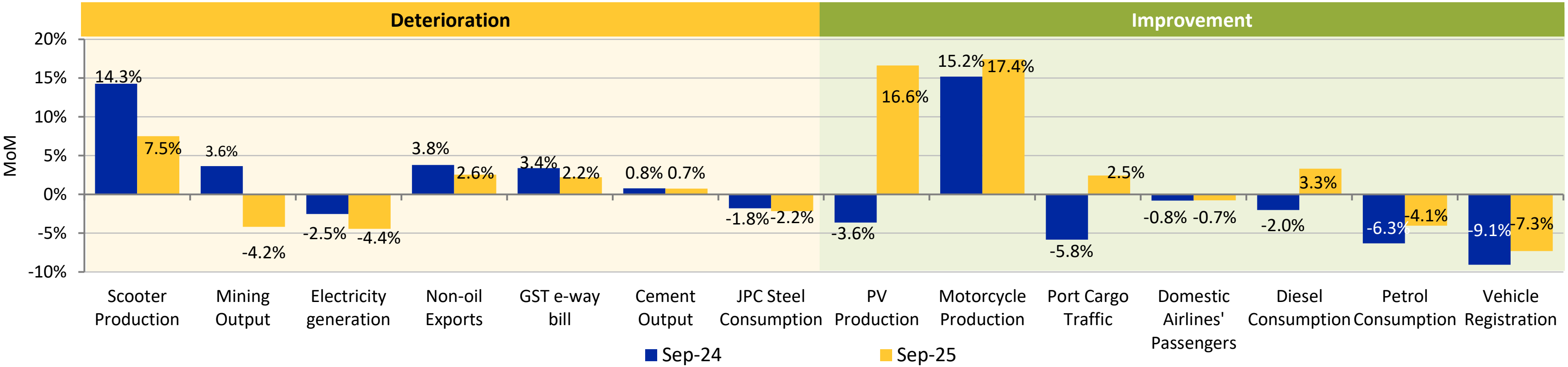
EXHIBIT: MoM performance of non-financial economic indicators



- On a sequential basis, the ICRA Business Activity Monitor reported an uptick of 0.4% MoM in September 2025 after remaining flat in the corresponding year-ago period and contracting by 1.8% in 2023, amid the early onset of the festive season in the ongoing fiscal*. However, this was marginally lower than the 0.5% MoM uptick seen in September 2022, when the festive season had begun around the similar time as in the current year.
- The improvement in the sequential performance in September 2025 vis-à-vis September 2024, was driven by half of the 14 non-financial indicators, which includes auto related indicators (like PV and motorcycle production and vehicle registrations; also aided by the onset of the GST rate cuts on September 22, 2025 apart from the advancement of the festive season), ports cargo traffic, and mobility-related indicators like (petrol and diesel consumption).
- Mining output and scooter production saw a steep deterioration in their sequential performance in September 2025 relative to the year ago month, with the former likely impacted by excess rains in the month (15% above normal in September 2025).

**festive period: a) 2022 – Sep 26, 2022 to Nov 6, 2022; b) 2023 – Oct 15, 2023 to Nov 25, 2023; c) 2024 – Oct 3 to Nov 15, 2024; d) 2025 – Sep 22, 2025 to Nov 2, 2025;*
Source: CEA; MoRTH; Ministry of Commerce and Industry, GoI; Indian Ports Association; GSTN; DGCA; PPAC; JPC; RBI; CEIC; CMIE ICRA Research

Core sector growth slowed to 3-month low of 3.0% in September 2025, amid a broad-based easing across 7 of the 8 sub-sectors

EXHIBIT: YoY trends in output of core sector

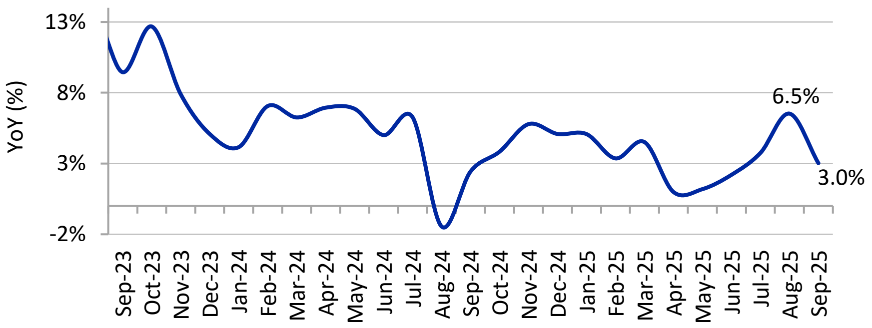
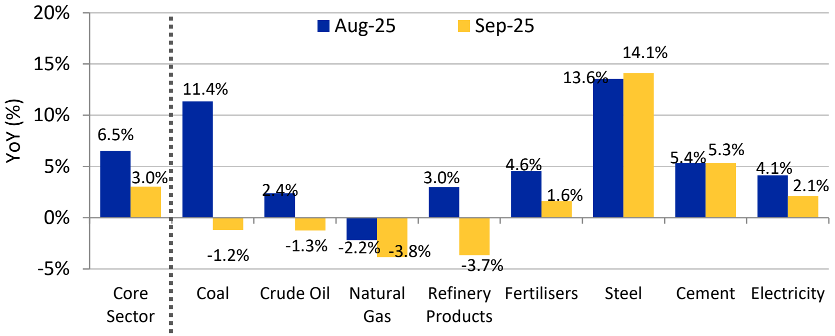


EXHIBIT: YoY performance of core sector and its sub-components



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

- Following a sharp surge to a 15-month high of 6.5% in August 2025, the YoY growth in core output slowed to 3.0% in September 2025, with seven of the eight sectors (barring steel) reporting a deterioration in their YoY performance between these months. This was particularly driven by mining and energy-related sectors, including coal (-1.2% in September 2025 vs. +11.4% in August 2025), crude oil (-1.3% vs. +2.4%), natural gas (contracting for the 15th consecutive month by -3.8% vs. -2.2%), refinery products (-3.7% vs. +3.0%), and electricity (+2.1% vs. +4.1%), likely weighed down by excess rains in September 2025.
- While the growth in steel output remained robust (+14.1% vs. +13.6%; likely aided by increased consumer durables output and lower steel imports in the month), that in cement output (+5.3% vs. +5.4%) moderated slightly in September 2025 vs. August 2025. **Given the trends in core output (which accounts for ~40% of IIP) as well as an adverse base, ICRA expects the IIP growth to decelerate to ~2.0% in September 2025 from 4.0% in August 2025.**

Unemployment rate rose in September 2025; urban female UR stood at 9.3%, highest level since monthly data availability

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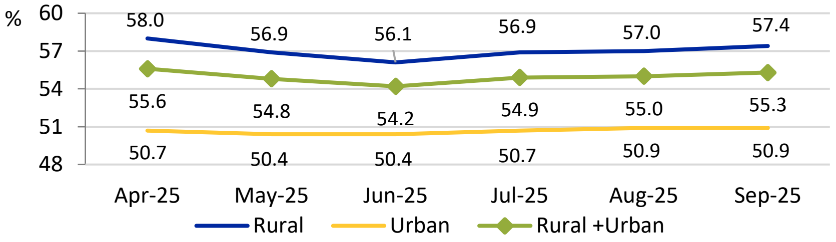
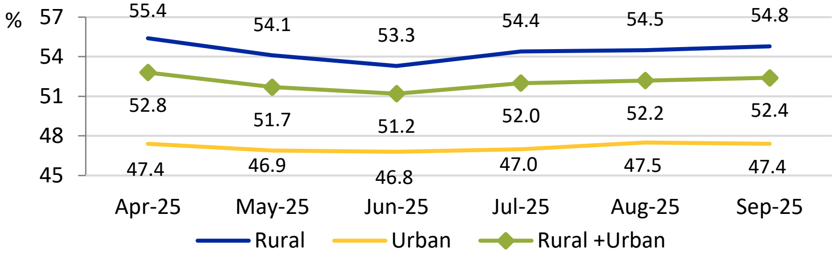
EXHIBIT: The all-India Labour Force Participation Rate (LFPR) inched up for the third consecutive month in September 2025, rising by 30 bps to 55.3%, led by rural areas (particularly rural females: +50 bps)



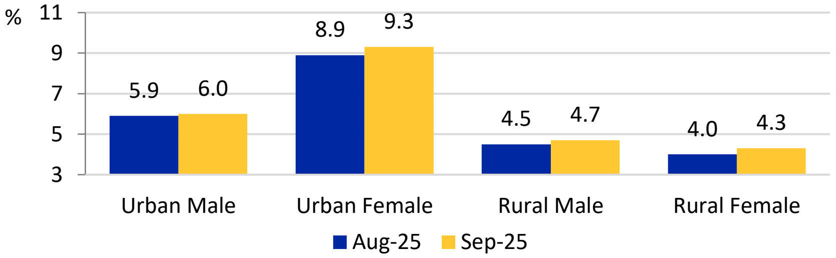
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.

EXHIBIT: The all-India Worker-Population Ratio (WPR) rose by 20 bps to 52.4% in September 2025 from 52.2% in August 2025, led by rural areas (on account of females) while urban WPR eased slightly between these months



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

EXHIBIT: Owing to larger uptick in LFPR vis-à-vis WPR, the Unemployment Rate (UR) inched up in September 2025 across the rural and urban India



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

- The all-India Unemployment Rate (UR) inched up to 5.2% in September 2025 from 5.1% in August 2025. In rural areas, the UR increased by 30 bps to 4.6% in September 2025 vis-à-vis August 2025, led by uptick in UR among both rural men (+20 bps to 4.7%) and female (+30 bps to 4.3%) amid sharper uptick in LFPR relative to WPR.
- In urban areas, the UR increased by a slightly lower 10 bps to 6.8% during the period, driven by sharp uptick in female UR (+40 bps to 9.3%; the highest level since the monthly data became available from April 2025, owing to a dip in WPR and unchanged LFPR).
- Notably, the unavailability of month-wise year-ago data makes the analysis of labour market conditions challenging.

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

Financial conditions tightened somewhat in September 2025

EXHIBIT: Heatmap of high frequency indicators pertaining to financial conditions

Financial Indicators*	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
WAMMR spread (bps)	-4	-14	-7	5	4	-3	-7	-22	-27	-30	-18	-17	-11
Net LAF/NDTL (%)	0.5	0.7	0.6	-0.3	-0.9	-0.7	-0.5	0.6	0.7	1.2	1.3	1.2	0.6
Yield curve level (%)	6.75	6.73	6.77	6.72	6.75	6.69	6.66	6.31	6.15	6.11	6.12	6.27	6.31
Yield curve slope (bps)	22	34	38	28	19	27	20	45	52	93	102	105	111
3Y AAA spread (bps)	117	101	93	103	108	106	111	102	109	101	95	80	91
5Y AAA spread (bps)	97	89	84	88	83	87	100	102	103	99	111	91	92
BSE Sensex return (%)	2.3	-5.8	0.5	-2.1	-0.8	-5.6	5.8	3.7	1.5	2.6	-2.9	-1.7	0.6
PE level vs. 2YMA	102.4	99.3	94.7	96.2	92.9	89.4	88.3	91.4	96.5	98.5	100.8	96.7	96.5
India VIX	1,941	1,874	1,766	1,782	1,742	1,711	1,670	1,729	1,799	1,821	1,847	1,809	1,834
India-US yield differential (bps)	311	270	250	239	217	230	246	218	185	196	201	232	251
INR return (%)	0.1	-0.4	-0.6	-1.2	-1.1	-1.1	2.3	1.1	-1.1	-0.2	-2.1	-0.7	-0.8
1M forward premia (%/annum)	1.50	1.65	1.64	2.69	3.24	2.68	3.29	2.81	2.33	1.52	1.61	1.72	1.97

Easier financial conditions **Neutral** **Tighter financial conditions**

As many as 10 of the 12 indicators pertaining to financial conditions saw some tightening in September 2025 vs. August 2025, while remaining benign relative to the levels seen in March 2025. The tightening in the money market-related indicators was seasonal and subsequently eased in early-October 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*

YoY growth performance of most high frequency indicators improved in Q2 vs. Q1 FY2026

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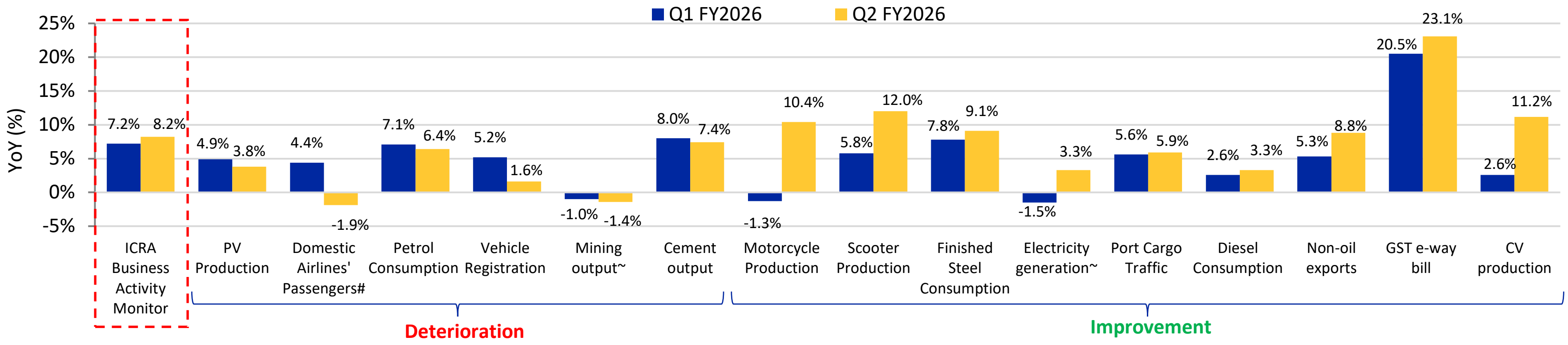
EXHIBIT: YoY performance of non-agri and non-financial high frequency indicators in Q1 and Q2 FY2026

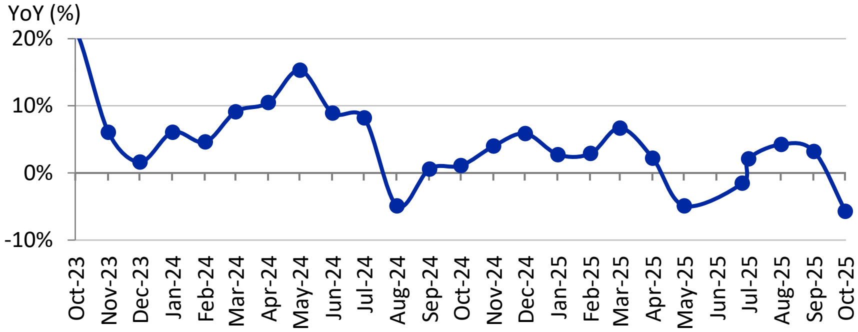


~ Computed using coal, crude oil, and natural gas data from core output data together; # Data for September 2025 is as per ICRA's estimate; Source: ICRA Research

- The YoY growth in the ICRA Business Activity Monitor improved to 8.2% in Q2 FY2026 (+8.1% in Q2 FY2025) from 7.2% in Q1 FY2026 (+9.3% in Q1 FY2025), with as many as nine of the 15 non-agri non-financial indicators witnessing an uptick in their growth rates between these quarters. This was primarily led by robust growth in 2W production (positive farm sentiments), GST e-way bill generation (ahead of the early onset of the festive season), finished steel consumption (likely led by demand from consumer durables), and CV production (led by a favourable base). Additionally, the YoY performance of cargo traffic at major ports, non-oil exports, diesel consumption, and electricity generation (amid improvement in electricity demand and a favorable base) improved during Q2 FY2026 vs. Q1 FY2026.
- Above-normal rains (including concentrated periods of excess rains) weighed on mining, transport and travel activity, with the YoY performance of mining output, petrol consumption, and domestic airline passenger traffic deteriorating in Q2 vs. Q1 FY2026. Additionally, uncertainty around the timing of GST rate cut announced in mid-August 2025 resulted in deferment of purchases, thereby, impacting vehicle registrations and PV production during the quarter.

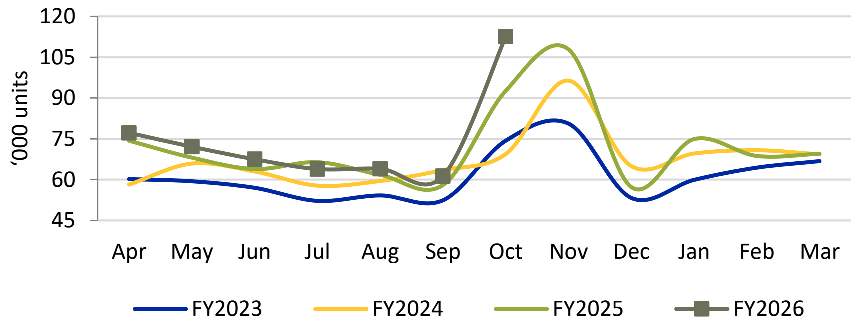
Vehicle registrations soared in October 2025 so far, aided by GST cuts and festive demand; electricity demand contracted amid unseasonal rains

EXHIBIT: YoY trends in electricity demand at all-India level



Data for October 2025 is till October 23; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level



Data for October 2025 is till October 23; Source: Vahan, MoRTH; ICRA Research

- The all-India electricity demand posted a YoY contraction of 5.7% to an average of 4.3 BU during October 1-23, 2025, following a moderate growth of 3.2% (average: 4.9 BU) in September 2025. Consequently, the average spot power tariffs in the day-ahead-market (DAM) declined sharply to Rs. 2.7/unit during October 1-24, 2025 from Rs. 3.6/unit in September 2025 and Rs. 4.2/unit observed in the corresponding year-ago period.
- As per the data provided on the Vahan portal, the average daily vehicle registrations rose sharply by ~35% YoY to 112.5k units/day during October 1-23, 2025. This is also up ~179% MoM (relative to September 1-22, 2025) as the surge in registrations took place in the last week of September 2025 following the rollout of GST 2.0 (effective September 22), which coincided with Navratri - further boosting demand.
- Additionally, the pan-India UPI transactions have increased by ~5% and ~10% in volume (145 billion) and value (Rs. 13.3 trillion) terms, respectively, during October 1-21, 2025, compared to September 1-21, 2025. On a YoY basis, there has been a 30% surge in UPI volumes and an 18% increase in the value in this month so far.
- **The combination of GST rate rejig, pent-up demand and the early festive onset appears to have boosted demand in September-October 2025. While the GST rationalisation may support demand for regular use/smaller ticket items post the festive season, the buoyancy in demand for big-ticket items remains to be seen.**

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.

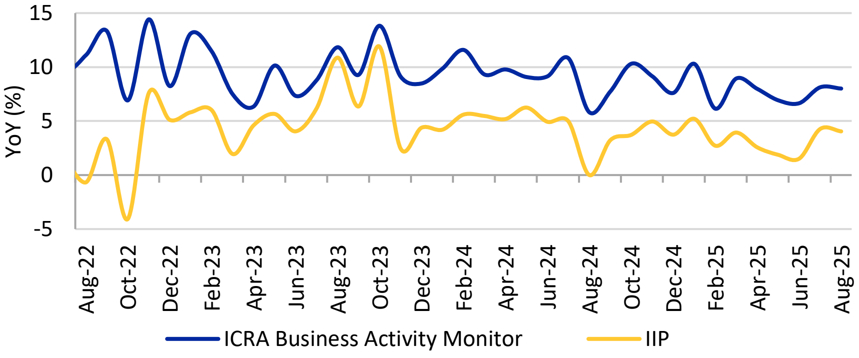
The ICRA Business Activity Monitor is constructed using 18 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production), mining output (weighted average of the coal, crude and natural gas indices based on the core output data), electricity generation, non-oil merchandise exports, 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, cement output and finished 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 indicators.

The ICRA Business Activity Monitor gives us the net direction of the 18 high frequency indicators and can be used to assess economic conditions across time periods. For instance, a dip in the YoY growth of the Index to 8.0% in August 2025 from 8.1% in July 2025, signifies that the momentum in economic activity eased slightly in August 2025 vis-à-vis July 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 August 2025 was released on September 29, 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 August 2025 was available by September 24, 2025), thereby enabling a faster assessment of economic activity in the immediately preceding month.

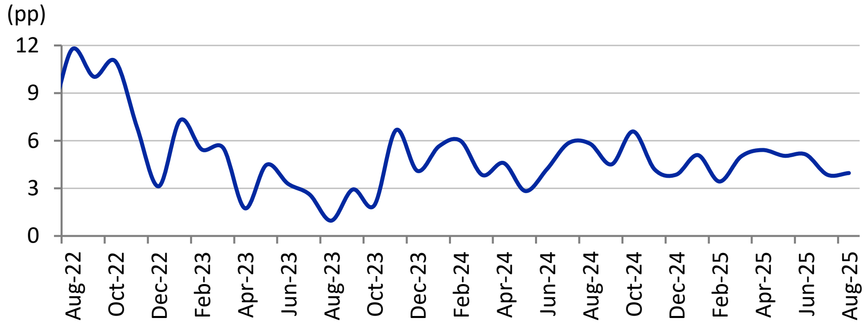
Annexure A.2: ICRA Business Activity Monitor

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

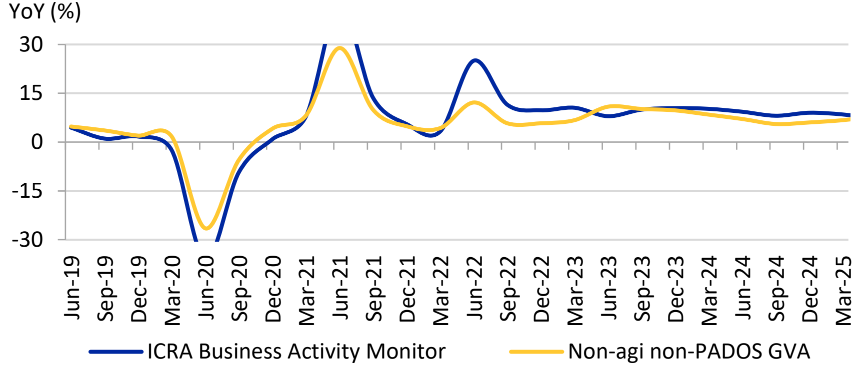


Source: ICRA Research

- 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 52, respectively, of the 77 months between April 2019 and August 2025.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 61 of the 77 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 65/12 of the 77 months.

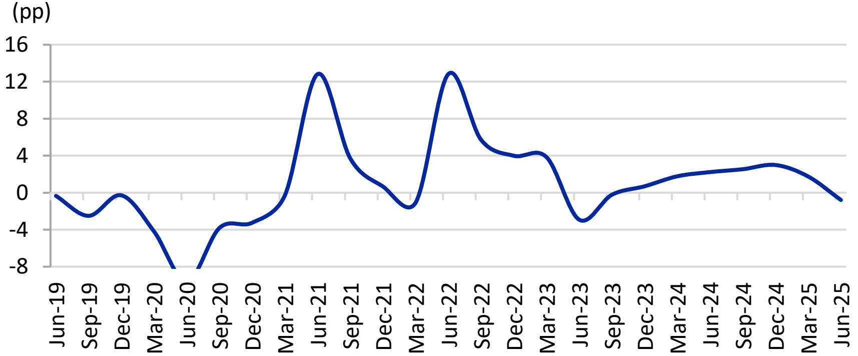
Annexure A.3: ICRA Business Activity Monitor

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

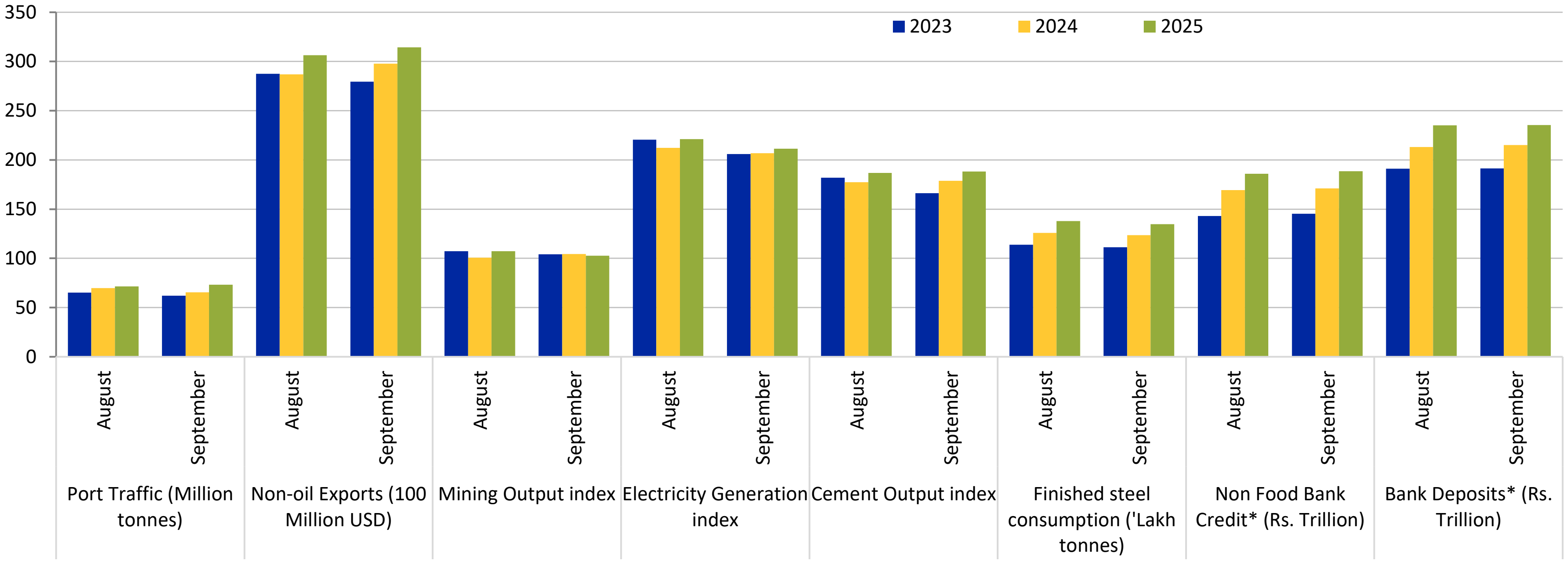


Source: ICRA Research

- 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 25 quarters between Q1 FY2020 and Q1 FY2026.
- 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 14 of 16 indicators rose in September 2025 vs. 2024 - I

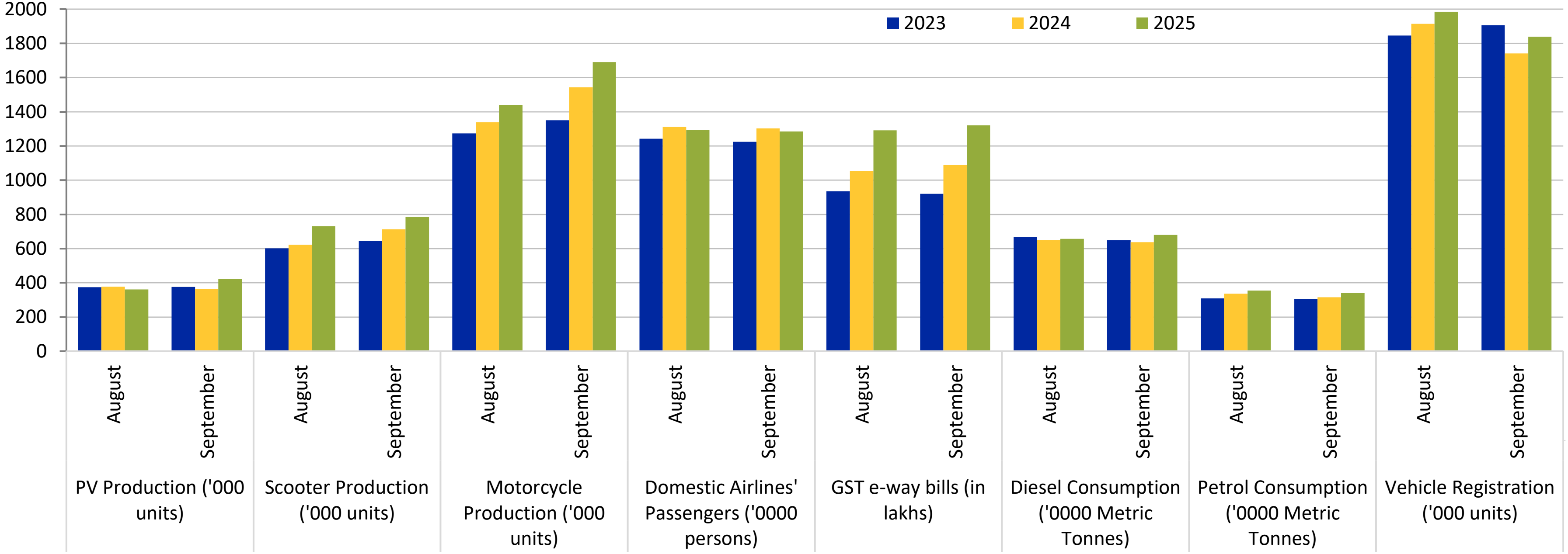
EXHIBIT: Trends in Volumes for Last Three Years in August and September (Part - I)



Source: Ministry of Commerce and Industry, GoI; Indian Ports Association; JPC; RBI; CEIC; CMIE; ICRA Research

Annexure B.2: Volume of 14 of 16 indicators rose in September 2025 vs. 2024 - II

EXHIBIT: Trends in Volumes for Last Three Years in August and September (Part - II)



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

Annexure C: Detailed explanation on financial indicators

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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Thank You!