

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

Growth in economic activity eased slightly in December 2025; GDP growth pegged at 7.0% in Q3 FY2026

JANUARY 2026





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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, eased marginally to 10.3% in December 2025 from 10.7% in November 2025. However, this moderation was not broad based, with as many as 10 of the 16 constituent indicators reporting an improvement in their YoY performance between these months including auto output, electricity generation, fuel consumption, and vehicle registrations. Overall, the momentum in economic activity remained quite healthy in Q3 FY2026, with a majority of non-agri indicators witnessing an improvement in their YoY performance relative to Q2, aided by the GST rate cuts, which coincided with the festive season, even as export growth slowed between these quarters. At present, ICRA pegs the GDP growth in Q3 FY2026 (at constant 2011-12 prices) at a healthy 7.0%, albeit softer than the 8.0% seen in H1 FY2026, partly owing to an unfavourable base and moderation in the Centre's spending.

- **Growth in ICRA Business Activity Monitor eased in December 2025, albeit remained in double digits:** The YoY growth in the index slowed mildly to 10.3% in December 2025 from 10.7% in the previous month. This was not broad based, and was largely led by non-oil merchandise exports, domestic air passenger traffic, steel consumption, cement output, and GST e-way bill generation. As many as 10 of the 16 constituent indicators reported an improvement in their YoY growth rates, including auto production and vehicle registrations, aided by the GST rate cut, year-end offers, and advance buying ahead of expected price revisions in January 2026. Fuel consumption and electricity generation also supported the performance of the Index in December 2025.
- **Core output growth at 4-month high in December 2025:** The YoY growth in core output rose to a 4-month high of 3.7% in December 2025 from 2.1% in November 2025, although this was driven by only a handful of sectors, including coal, steel, and electricity, while the remaining five sectors witnessed a deterioration in their performance between these months. Given the trends in core output and other high frequency indicators, ICRA expects the IIP growth to ease somewhat to ~4.5-5.0% in December 2025 from 6.7% in November 2025.
- **Financial indicators showed a mixed trend in November 2025:** A majority of the indicators pertaining to financial conditions saw a deterioration in December 2025 compared to the previous month, including those pertaining to

EXHIBIT: YoY growth of ICRA Business Activity Monitor

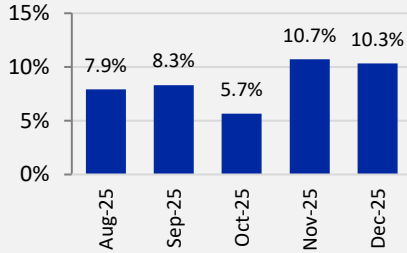
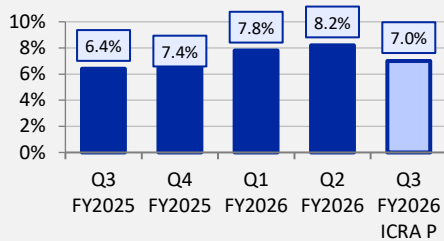


EXHIBIT: YoY trends in GDP growth (at constant 2011-12 prices)



P: Projected; Source: NSO; ICRA Research

the liquidity conditions, yield curve levels, and equity and forex markets. Labour market conditions remained steady in rural areas, with the unemployment rate (UR) printing at a low and stable 3.9% in December 2025. However, labour markets tightened in urban areas, as the Worker-Population Ratio (WPR) dipped slightly and the UR inched up to 6.7% in December 2025, with that for urban females remaining elevated at 9.1%.

- Festive demand, GST rate cuts bolstered growth in economic activity in Q3 FY2026:** Growth in the ICRA Business Activity Monitor inched up to 8.9% YoY Q3 FY2026 from 8.1% in Q2 FY2026, suggesting that the momentum in economic activity remained healthy. The performance of the auto indicators (PV and 2W output, vehicle registrations) and non-food bank credit was quite strong in the quarter, aided by the GST rate cuts, which coincided with the festive season. Besides, cargo traffic at major ports, cement output, domestic airline passenger traffic, and bank deposits also saw a better YoY performance. However, growth in non-oil exports moderated in Q3 compared to Q2 FY2026, partly reflecting the impact of the tariffs. Among the industrial sectors, electricity and mining output also saw a deterioration in their growth performance, partly impacted by excess rains in October 2025.
- GDP growth pegged at 7.0% for Q3 FY2026:** At present, ICRA pegs the GDP growth in Q3 FY2026 (at constant 2011-12 prices) at a healthy 7.0%, albeit softer than the 8.0% seen in H1 FY2026, partly owing to an unfavourable base. Moreover, the YoY moderation in GoI's capital expenditure (-21.4%) as well as non-interest non-subsidy revenue spending (-9.7%) in October-November 2025 is likely to weigh on GDP growth in Q3 FY2026, even as buoyant festive demand aided by GST rate rationalisation may have supported private consumption growth.
- Early data for January 2026 appears mixed:** The average daily vehicle registrations are up by ~15% YoY to 81k/units (+14.6% in Dec 2025) and ~22% MoM during January 1-23, 2025, aided by marriage season demand. Additionally, electricity demand has risen by 5.9% YoY in January 2026 so far (till Jan 22; +6.1% in Dec 2025), supported by elevated winter demand in the northern part of the country.

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 ICRA Business Activity Monitor eased to 10.3% in December 2025 from 10.7% in November 2025, while remaining healthy

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

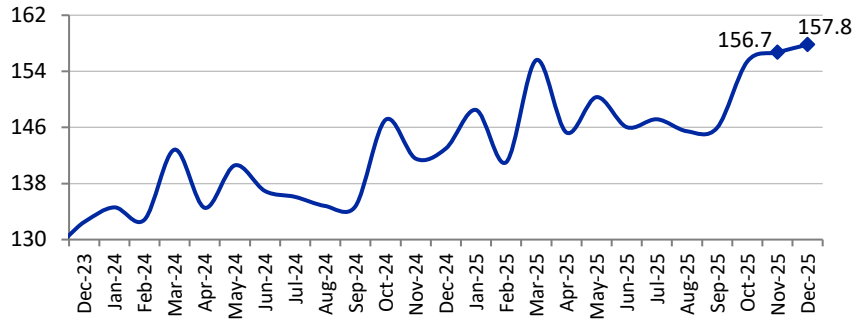
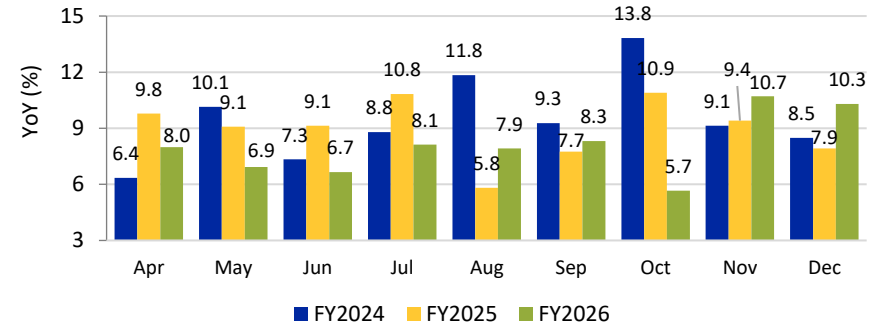


EXHIBIT: YoY growth of ICRA Business Activity Monitor



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 eased to 10.3% in December 2025 from 10.7% in November 2025, while remaining quite healthy. The deceleration was not broad based, with as many as 10 of the 16 constituent indicators reporting an improvement in their YoY performance between these months.
- Auto-related indicators continued to perform well in December 2025. While PV and 2W output expanded by double digits for the second consecutive month in December 2025, the growth in vehicle registrations (to +14.6% in Dec 2025 from +2.7% in Nov 2025; partly led by a favourable base) also picked up, aided by GST rate cuts, year-end offers, and advance buying ahead of expected price revisions in January 2026. Additionally, diesel (to +5.0% from +4.7%) and petrol (to +7.1% from +2.6%) consumption improved in December 2025 compared to November 2025, amid high travel demand during the festive and marriage seasons.
- While electricity generation (to +5.3% from -1.5%) expanded after a gap of two months in December 2025 aided by winter season demand, the growth in mining output (to +0.5% from +0.3%) also inched up. The growth in financial indicators (non-food bank credit and bank deposit) improved in December 2025 relative to November.
- In contrast, the YoY performance of some trade and transport-related indicators such as non-oil exports (to +3.1% from +20.3%), domestic air passenger traffic (to -3.9% from +6.9%; amid disruptions witnessed by Indigo), ports cargo traffic (to +12.8% from +14.6%), GST e-way bill generation (to +23.5% from +27.6%) moderated between these months, even as the latter two remained robust. The growth in construction-related indicators (cement output and finished steel consumption) also decelerated between these months.

YoY performance of 10 of the 16 constituent indicators improved in December 2025 compared to November 2025

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													
Sep-25	16.1	10.4	9.6	6.5	-1.7	3.1	4.9	11.5	21.0	8.1	5.0	-2.9	8.0	6.6	9.5	10.2
Oct-25	9.8	2.8	-8.6	41.6	-6.4	-6.9	-12.0	11.9	8.2	2.1	5.2	2.7	7.4	-0.3	9.7	11.1
Nov-25	22.8	27.8	18.5	2.7	0.3	-1.5	20.3	14.6	27.6	6.6	14.6	6.9	2.6	4.7	10.2	11.4
Dec-25	23.1	47.3	36.6	14.6	0.5	5.3	3.1	12.8	23.5	3.4	13.5	-3.9*	7.1	5.0	11.0^	12.6^

YoY growth; sequential pick-up

YoY growth; sequential dip

YoY growth; no sequential change

YoY contraction; sequential pickup

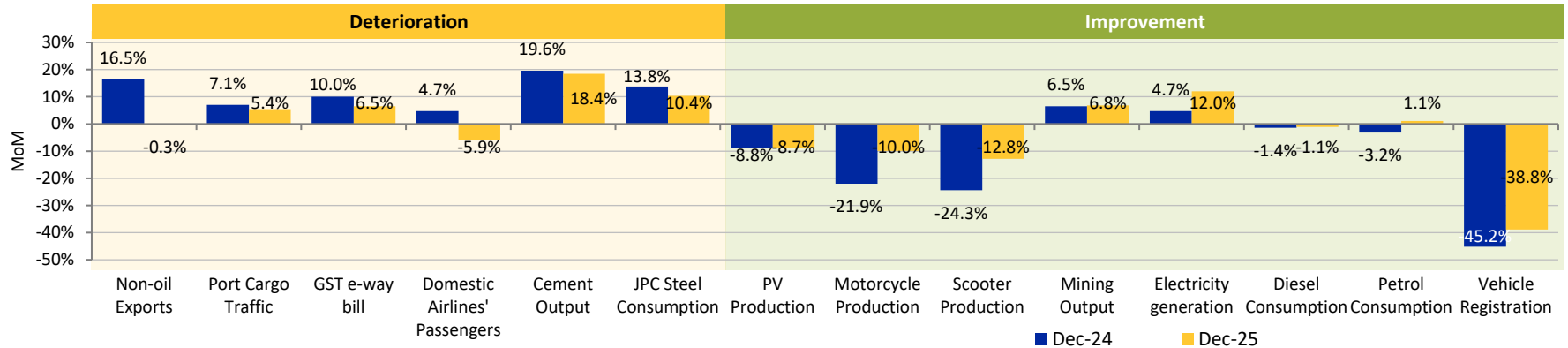
YoY contraction; sequential dip

The YoY growth in auto-related indicators (PV and 2W output, vehicle registrations), petrol and diesel consumption, mining and electricity output, and financial indicators (bank deposit and non-food bank credit) witnessed an improvement in December 2025 vis-à-vis November 2025.

**As per ICRA's estimates; ^Given the change in reporting dates to 15th and end of every month from earlier practice of alternate Fridays, we have taken the average outstanding non-food bank credit and deposits for the 15th and 31st of December 2025; #including the impact of merger of HDFC and HDFC bank; 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 the 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*

Sequential uptick in the index was lower in December 2025 vs. corresponding month of the last three years

EXHIBIT: MoM performance of non-financial economic indicators in December 2025 relative to 2024



Source: CEA; MoRTH; Ministry of Commerce and Industry, GoI; Indian Ports Association; GSTN; DGCA; PPAC; JPC; RBI; CEIC; CMIE ICRA Research

- The ICRA Business Activity Monitor reported a sequential uptick of 0.7% in December 2025, lower than the growth of 1.0% in December 2024 and average growth of 2.7% witnessed during corresponding month of 2022-23. However, a lower sequential uptick in December 2025 may be explained by the fact that activity has remained robust over the last few months, with GST rate cuts aiding growth performance in both October and November 2025 (hence a higher base), in contrast to a typical sequential slowdown in the month of November post the festive period.
- However, only six of the 14 non-financial indicators reported a deterioration in sequential performance in December 2025 vis-à-vis December 2024. In particular, domestic air passenger traffic (dampened by disruptions in Indigo flights) and non-oil exports witnessed a MoM decline in December 2025 as against the uptick seen in December 2024, exerting pressure on the overall Index.

YoY growth in core output rose to 4-month high of 3.7% in December 2025; IIP growth to print at 4.5-5.0% in the month

EXHIBIT: YoY trends in output of core sector

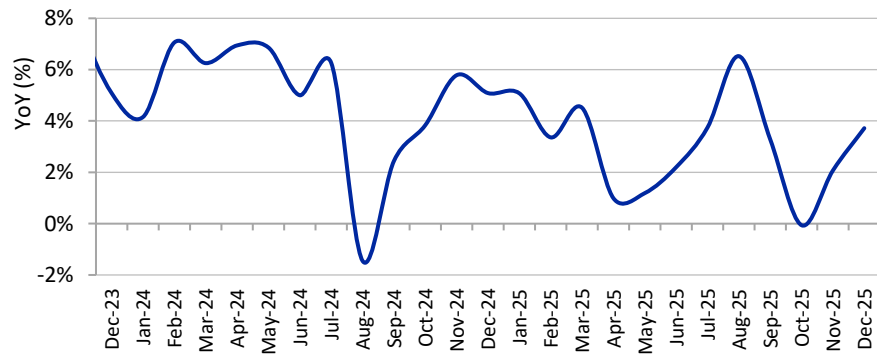
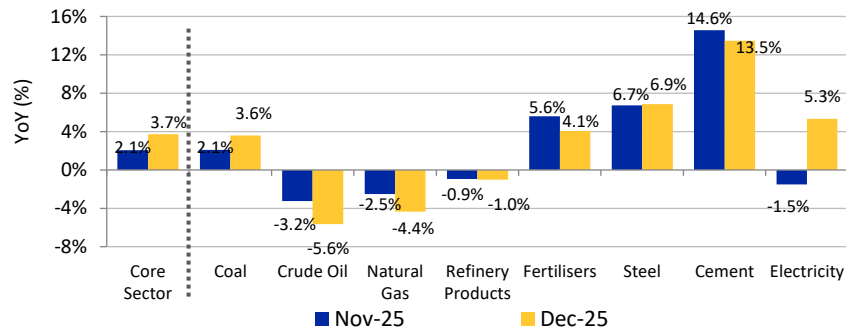


EXHIBIT: YoY performance of core sector and its sub-components

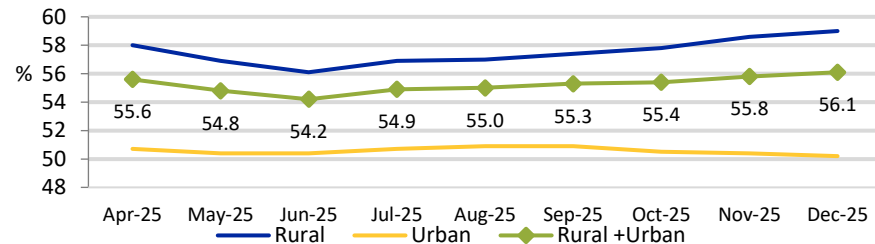


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in core output rose to a 4-month high of 3.7% in December 2025 (+5.1% in Dec 2024) from 2.1% in November 2025 (+5.8% in Nov 2024), although the uptick was not broad based with five of the eight sectors (barring coal, steel, and electricity), witnessing a deterioration in their YoY growth performance between these months.
- Notably, electricity generation witnessed a sharp turnaround, reporting a 9-month high growth of 5.3% YoY in December 2025, after contracting in each of the last two months, likely boosted by winter season demand. Coal output expanded by 3.6% in December 2025, higher than the 2.1% growth seen in the previous month.
- While growth in cement output decelerated to 13.5% in December 2025 from 14.6% in November 2025, it remained in double digits, which along with the healthy growth in steel output (to +6.9% in Dec 2025 from +6.7% in Nov 2025), suggests that construction activity likely remained robust in the month.
- **Based on the performance of core sector and other high frequency indicators in the month, ICRA expects the IIP growth to ease somewhat to ~4.5-5.0% in December 2025 from 6.7% in November 2025, with the likely slowdown in the manufacturing segment offsetting the sharp turnaround in the performance of the electricity sector.**

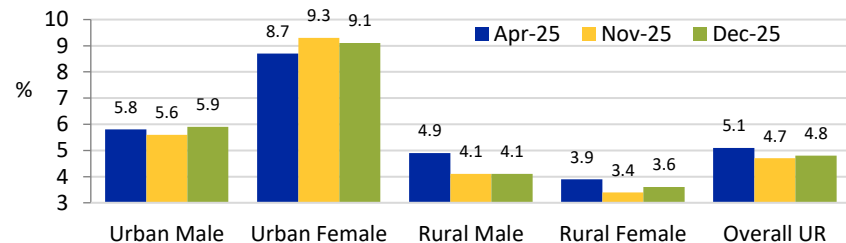
Unemployment rate in rural areas was muted at 3.9% in December 2025, even as that in urban areas remained quite elevated

EXHIBIT: The all-India Labour Force Participation Rate (LFPR) rose to 56.1% in December 2025, the highest level since April 2025, led by rural areas (59% in Dec 2025 vs. 58% in April 2025)



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

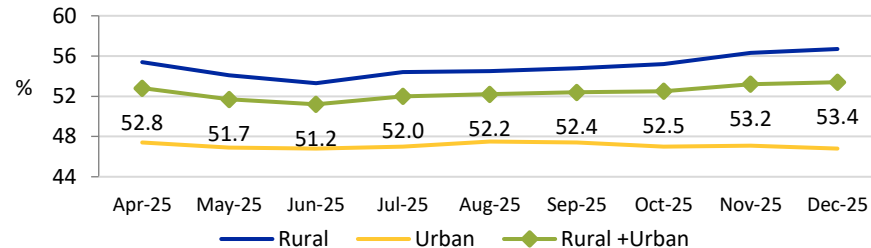
EXHIBIT: The all-India Unemployment Rate (UR) rose marginally to 4.8% in December 2025, led by urban areas (6.7% in Dec 2025 vs. 6.5% in Apr 2025) even as that in rural areas remained low and stable (at 3.9%)



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

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

EXHIBIT: The all-India Worker-Population Ratio (WPR) also rose to a high of 53.4% in December 2025; the rise in WPR (+60 bps) exceeded that in LFPR (+50 bps) between December 2025 and April 2025, pulling down the UR



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

- The all-India LFPR rose to 56.1% in December 2025, the highest level since the monthly data releases in April 2025. This was largely led by increase in LFPR among rural males (to 79.3% in Dec 2025 from 79.0% in Apr 2025) and rural females (to 40.1% from 38.2%), even as LFPR dipped across urban areas. Notably, LFPR of urban females remained muted at 25.3% in December 2025.
- The increase in LFPR in rural areas was accompanied by a rise in WPR (to 56.7% in Dec 2025 from 55.4% in Apr 2025), that led to a dip in rural UR (to 3.9% vs. 4.5%). In contrast, urban UR increased (to 6.7% from 6.5%), primarily led sharp rise in UR among urban females (to 9.1% vs. 8.7%).
- The unavailability of month-wise year-ago data makes the analysis of labour market conditions challenging.

Most financial indicators deteriorated in December 2025 vis-à-vis November

EXHIBIT: Heatmap of high frequency indicators pertaining to financial conditions

Financial Indicators*	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
WAMMR spread (bps)	5	4	-3	-7	-22	-27	-30	-18	-17	-11	-10	-23	-7
Net LAF/NDTL (%)	-0.3	-0.9	-0.7	-0.5	0.6	0.7	1.2	1.3	1.2	0.6	0.4	0.7	0.3
Yield curve level (%)	6.72	6.75	6.69	6.66	6.31	6.15	6.11	6.12	6.27	6.31	6.23	6.25	6.31
Yield curve slope (bps)	28	19	27	20	45	52	93	102	105	111	110	113	129
3Y AAA spread (bps)	103	108	106	111	102	109	101	95	80	91	100	100	103
5Y AAA spread (bps)	88	83	87	100	102	103	99	111	91	92	102	88	92
BSE Sensex return (%)	-2.1	-0.8	-5.6	5.8	3.7	1.5	2.6	-2.9	-1.7	0.6	4.6	2.1	-0.6
PE level vs. 2YMA	96.2	92.9	89.4	88.3	91.4	96.5	98.5	100.8	96.7	96.5	98.6	99.5	101.0
India VIX	1,782	1,742	1,711	1,670	1,729	1,799	1,821	1,847	1,809	1,834	1,846	1,874	1,876
India-US yield differential (bps)	239	217	230	246	218	185	196	201	232	251	249	249	253
INR return (%)	-1.2	-1.1	-1.1	2.3	1.1	-1.1	-0.2	-2.1	-0.7	-0.8	0.1	-0.7	-0.6
1M forward premia (%/annum)	2.69	3.24	2.68	3.29	2.81	2.33	1.52	1.61	1.72	1.90	1.95	1.91	3.93

Easier financial conditions

Neutral

Tighter financial conditions

A majority of indicators pertaining to financial market conditions witnessed a tightening in December vis-à-vis November 2025. While liquidity conditions deteriorated, the G-sec yield curve shifted upwards, and equity and forex markets also tightened in the month, compared to November 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

Healthy flow of financial resources in 9M FY2026 suggests that economic activity remains robust

EXHIBIT: Flow of Financial Resources to the Commercial Sector in India

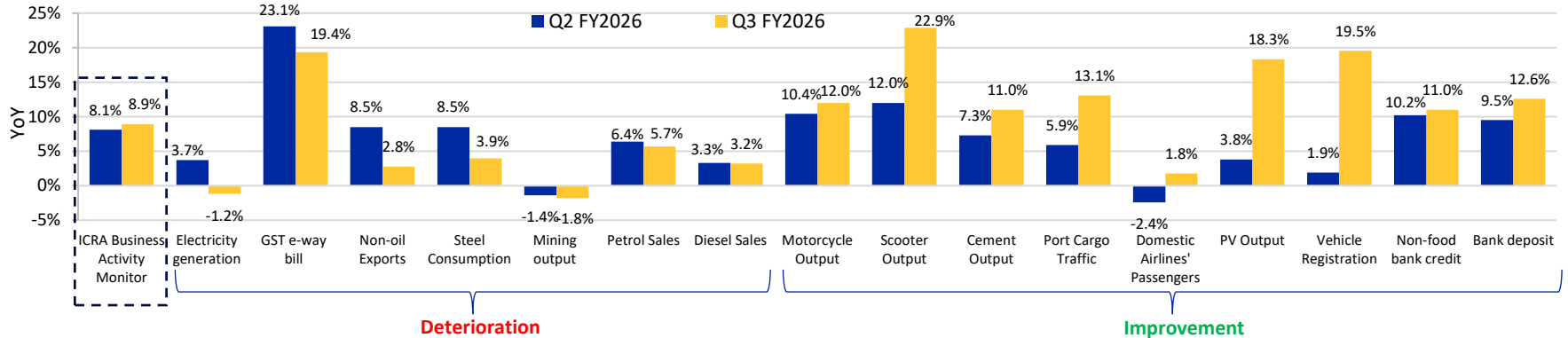
Source (Rs. Billion)	FY2024	FY2025	9M FY2025	9M FY2026
1. Non-Food Bank Credit	21,402	17,983	12,778	20,271
2. Non-Bank Sources (A+B)	12,637	17,105	8,547	10,578
A. Domestic Sources	10,203	13,856	6,430	7,656
Equity Issuances* ¹	1,350	3,812	2,700	2,270
Corporate Bond Issuances* ¹	1,674	1,978	742	2,697
Hybrid Instruments (REITs/ InvITs)* ¹	390	314	106	136
Commercial Paper Issuances*	197	188	492	285
Credit by HFCs** ¹	1,418	1,349	-89	12
Credit by RBI-regulated AIFs ¹	734	995	76	-268
Credit by NBFCs** ²	4,440	5,220	2,402	2,523
B. Foreign Sources	2,434	3,249	2,117	2,922
ECBs* ¹	279	192	50	277
Short-term Credit from Abroad ²	-67	589	632	250
FDI to India ¹	2,222	2,468	1,435	2,395
Total Flow of Resources (1+2)	34,040	35,088	21,325	30,849

¹data for 9M is up to November; ²data for 9M is up to September; *by Non-Financial Entities; **Net of Bank Borrowings; data pertaining to HDFC Ltd, which merged with HDFC Bank effective from July 1, 2023, is included under credit by HFCs prior to its merger while it is included under bank credit post-merger; Source: RBI, ICRA Research

- The flow of financial resources to the commercial sector surged by 44.7% YoY to Rs. 30.8 trillion during April-December 2025 from Rs. 21.3 trillion in the year ago period. This Rs. 9.5 trillion incremental uptick was largely led by non-food bank credit (+58.6%; +Rs. 7.5 trillion) followed by non-bank sources (+23.8%; +Rs. 2.0 trillion). Notably, incremental non-food bank credit in 9M FY2026 exceeded that for full-year FY2025.
- Incremental non-food bank credit has picked up quite sharply in December 2025, although this could partly be driven by the change in reporting timelines; as per the revised regulations, reporting is now required on the last day of the fortnight (i.e. the 15th and 31st) as against alternate Fridays. This limits the comparability of the data with the year ago period.
- On the non-bank front, corporate bond issuances have risen multi fold to Rs. 2.7 trillion in 9M FY2026 from Rs. 0.7 trillion in 9M FY2025, likely aided by the faster transmission of rate cuts to market yields in the early part of the fiscal. Among other non-bank domestic sources, equity and CP issuances dipped in 9M FY2026 compared to the year ago levels.
- Besides, financial resources from foreign sources rose by 38.0% YoY to Rs. 2.9 trillion, aided by healthy FDI inflows and ECBs.
- **Notwithstanding the deterioration in December 2025, the sizeable uptick in the flow of financial resources to the commercial sector in 9M FY2026 suggests that economic activity remained robust during this period.**

High frequency indicators reveal mixed trends in Q3 vis-à-vis Q2 FY2026

EXHIBIT: YoY performance of high frequency non-agri indicators in Q2 FY2026 and Q3 FY2026

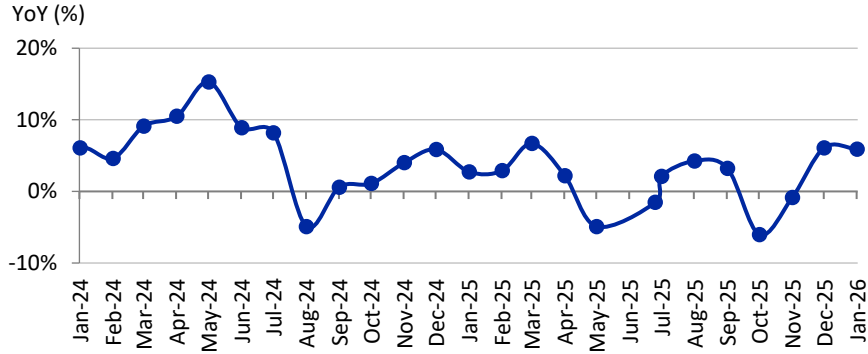


Source: CIL; Ministry of Commerce, GoI; Indian Railways; Indian Ports Association; JPC; RBI; PPAC; CMIE; PPAC; CEA; GSTN; DGCA; Ministry of Road Transport and Highways; CEIC; ICRA Research

- The YoY growth in the ICRA Business Activity Monitor inched up to 8.9% in Q3 FY2026 (vs. +9.4% in Q3 FY2025) from 8.1% in Q2 FY2026 (+8.1% in Q2 FY2025) despite an adverse base, suggesting that the momentum in economic activity remained healthy aided by the festive and wedding season demand, which was further boosted by GST rate cuts. The YoY performance of as many as nine of the 16 non-agri indicators witnessed an improvement in Q3 FY2026 vis-à-vis Q2.
- The YoY growth in PV and 2W output as well as vehicle registrations saw a sharp improvement in Q3 FY2026 vis-à-vis Q2, owing to the consumption boost post the GST rate cuts which coincided with the festive season. Additionally, cargo traffic at major ports, cement output, domestic air passenger traffic, non-food bank credit and bank deposits saw an improvement in their YoY performance between these quarters. In contrast, non-oil exports (tariff impact), and electricity and mining output (excess rains in October 2025) saw a moderation in the growth in Q3 compared to Q2 FY2026. Besides, growth in steel consumption, GST e-way bills and fuel consumption (on an adverse base) also weakened.
- **At present, ICRA pegs the GDP growth (at constant 2011-12 prices) in Q3 FY2026 at 7.0%, lower than 8.2% in Q2 FY2026, owing to an unfavourable base, weak exports and the YoY dip in the GoI's capex in October-November 2025, even as buoyant festive demand aided by GST rate cuts may have supported private consumption in the quarter.**

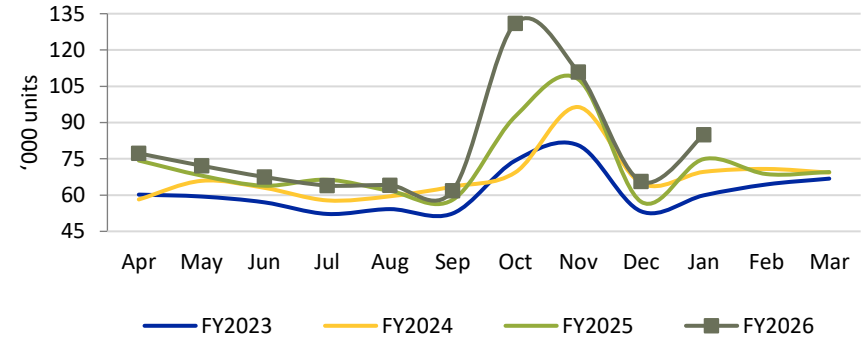
Early data for January 2026 is mixed

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



Data for January 2026 is till January 22; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level



Data for January 2026 is till January 23; Source: Vahan, MoRTH; ICRA Research

- The all-India electricity demand has remained robust in January 2026 so far, rising by 5.9% YoY (average of 4.6 BU) until January 22, 2026, marginally lower than the 6.1% growth recorded in the previous month (average of 4.5 BU). The uptick is primarily supported by winter demand in the northern part of the country, wherein January is typically the coldest month. Mirrored by the uptick in demand levels, the average spot power tariffs in the day-ahead-market (DAM) rose to Rs. 4.2/unit during January 1-23, 2026 from Rs. 3.9/unit December 2025.
- As per the data available on the Vahan portal, the average daily vehicle registrations are up by ~15% YoY to 81.3k/units during January 1-23, 2026 (+14.6% in Dec 2025), compared to ~70k/units during the similar period of last year. Besides, in line with seasonal trends of previous years, the registrations are up by ~22% relative to December 2025, aided by marriage season demand.

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.

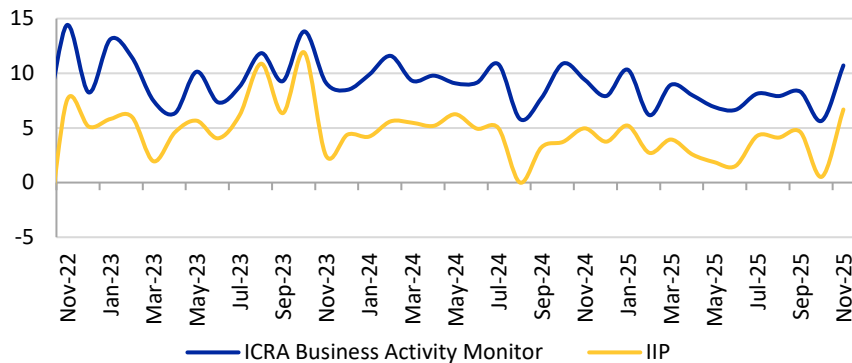
The ICRA Business Activity Monitor is constructed using 18 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production), mining output (weighted average of the coal, crude and natural gas indices based on the core output data), electricity generation, 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, an improvement in the YoY growth of the Index to 10.7% in November 2025 from 5.7% in October 2025, signifies a gain in economic activity momentum in November 2025 vis-à-vis October 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 November 2025 was released on December 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 around three weeks (E.g. Business Activity Monitor for November 2025 was available by December 24, 2025), thereby enabling a faster assessment of economic activity in the immediately preceding month.

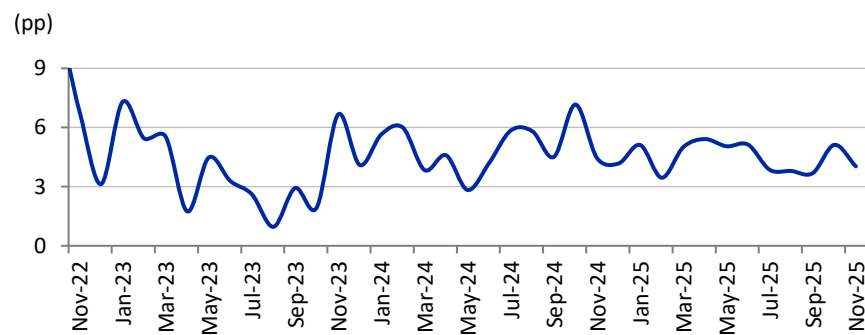
Annexure A.2: ICRA Business Activity Monitor

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

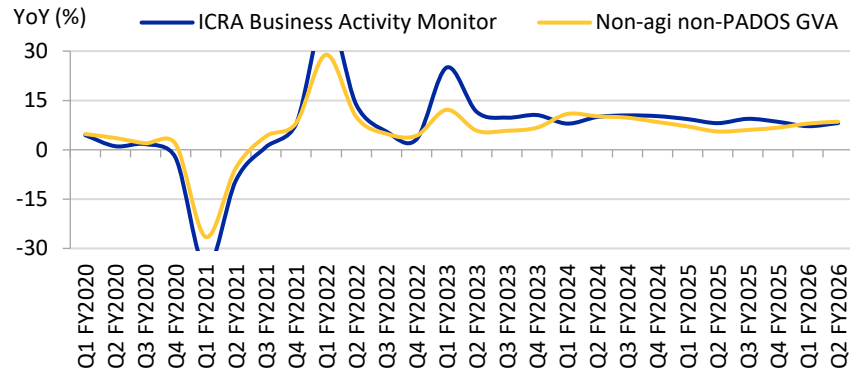


Source: ICRA Research

- 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 54, respectively, of the 80 months between April 2019 and November 2025.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 64 of the 80 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 68/12 of the 80 months.

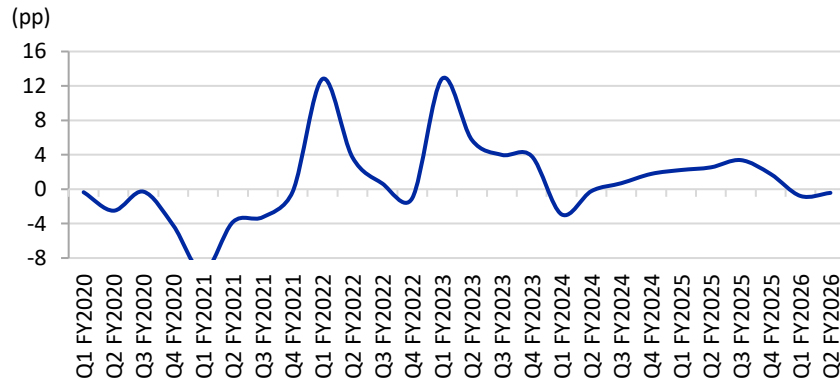
Annexure A.3: ICRA Business Activity Monitor

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

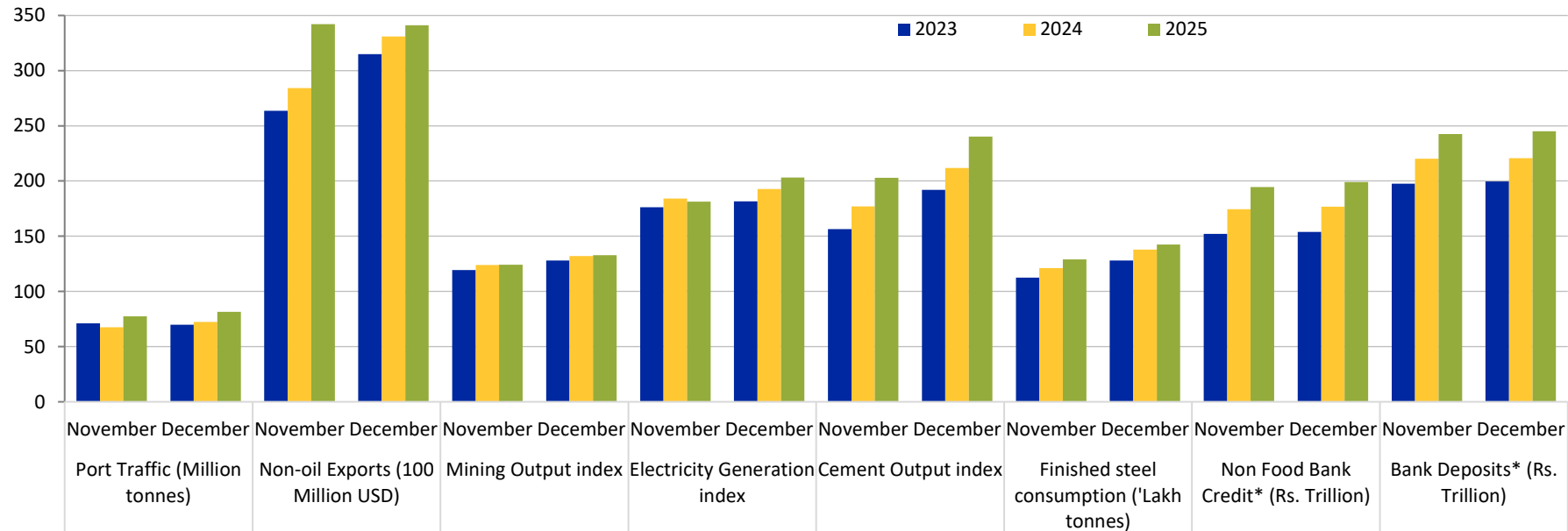


Source: ICRA Research

- 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 17 of the 26 quarters between Q1 FY2020 and Q2 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 15 of 16 indicators rose in December 2025 vs. 2024

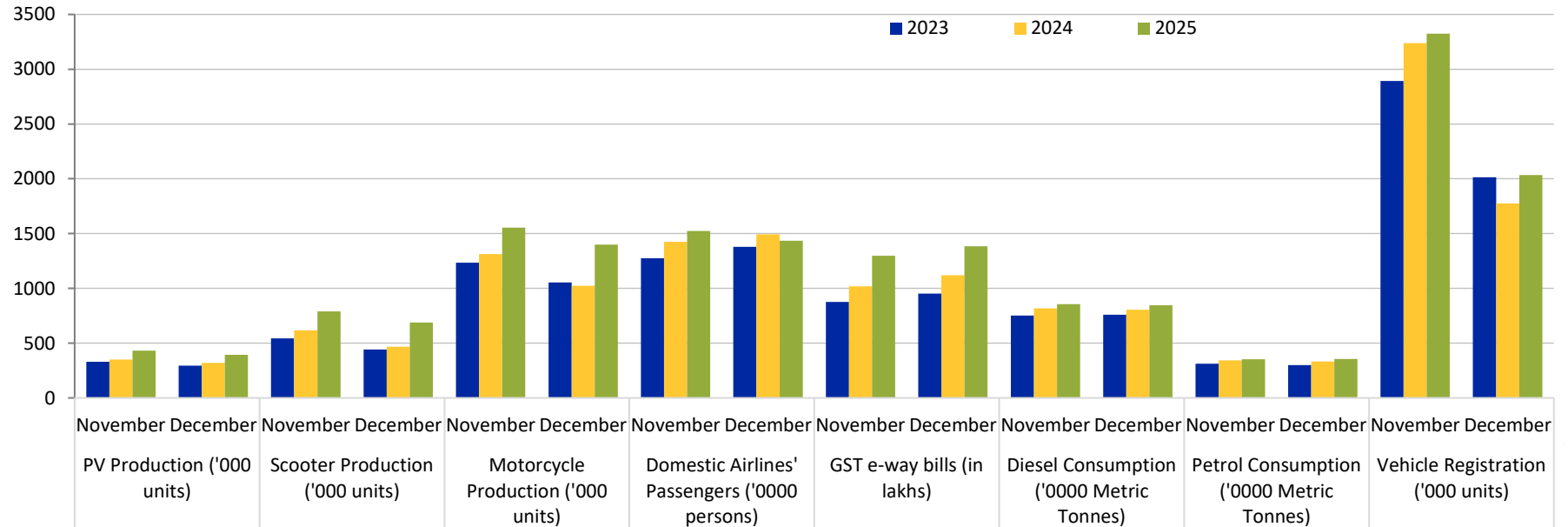
EXHIBIT: Trends in Volumes for Last Three Years in November and December (Part - I)



* Given the change in reporting dates to 15th and end of every month from earlier practice of alternate Fridays, we have taken the average outstanding non-food bank credit and deposits for the 15th and 31st of December 2025; Source: Ministry of Commerce and Industry, GoI; Indian Ports Association; JPC; RBI; CEIC; CMIE; ICRA Research

Annexure B.2: Volume of 15 of 16 indicators rose in December 2025 vs. 2024

EXHIBIT: Trends in Volumes for Last Three Years in November and December (Part - II)



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