

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

Favourable base boosted growth in economic activity in February 2026; FY2027 GDP growth foreseen at 6.5% amid West Asia conflict

MARCH 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, rose to 10.0% in February 2026 from 8.9% in January 2026, partly on account of a favourable base. As many as 11 of the 16 constituent indicators reported a stronger YoY expansion in February 2026 vis-à-vis January 2026, including those pertaining to the auto, trade and transport/mobility, and financial sectors. However, core output growth halved to 2.3% in February 2026 from 4.7% in January 2026, which is likely to pull down the Index of Industrial Production (IIP) growth to ~4.0% from 4.8%, respectively. Growth in domestic economic activity is likely to ease in March 2026, owing to the adverse impact of the conflict in West Asia and the consequent surge in energy prices, supply disruptions, and financial market volatility. In ICRA's assessment, energy prices may not return to the February 2026 levels in the near term, even if there is a rapid de-escalation of the conflict in West Asia. Assuming an average crude oil price of \$85/barrel in FY2027, ICRA now projects GDP growth for the fiscal at 6.5% (vs. 7.5% estimated for FY2026). The longer that the crisis persists, resulting in higher fuel prices and tighter availability, the larger the downside would be for India's GDP growth in FY2027.

- **Growth in ICRA Business Activity Monitor picked up in February 2026:** The YoY growth in the Index improved to 10.0% in February 2026 from 8.9% in the previous month, partly owing to a favourable base (Jan/Feb 2025: +10.6%/+6.4%). This uptick was broad based, with as many as 11 of the 16 constituent indicators reporting a higher YoY growth rate between these months, including auto-related (PV and 2W output, vehicle registrations), most of the trade and transport-related (diesel and petrol consumption, GST e-way bill generation, and non-oil exports), and financial (bank deposits and non-food bank credit) indicators.
- **Core output growth weakened in February 2026 vis-à-vis January 2026:** Even before the start of the West Asian crisis, the YoY growth in core output halved to a 3-month low of 2.3% in February 2026 from 4.7% in January 2026, amid a broad-based slowdown across 7/8 sectors (barring crude oil). Notably, while the YoY growth in construction-related indicators (cement and steel output) eased in February 2026 relative to January 2026, it remained quite robust, suggesting that construction activity remained buoyant. ICRA expects the IIP growth to moderate to ~4.0% in

EXHIBIT: YoY growth of ICRA Business Activity Monitor

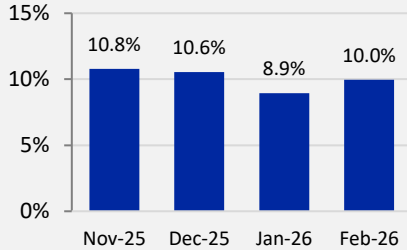
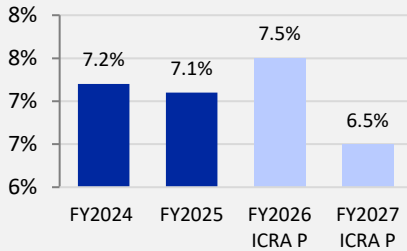


EXHIBIT: Annual growth trends in GDP (at constant 2022-23 prices)



P: Projected; Source: NSO; ICRA Research

February 2026 from 4.8% in January 2026.

- All-India unemployment rate eased marginally in February 2026:** Labour market conditions improved slightly in February 2026 following the deterioration in January 2026 (likely driven by seasonal slack). Notably, the all-India unemployment rate for females eased between these months, led by a sharp improvement in urban areas (to 8.7% in February 2026 from a series high of 9.8% in January 2026) as well a rural areas (to 4.0% from 4.3%)
- Financial conditions tightened in March 2026:** A majority of indicators pertaining to financial conditions saw a deterioration in March 2026 (up to March 19) as compared to February 2026, including those related to G-sec yield curve levels, corporate bond spreads, and equity and forex markets, amid geopolitical tensions in West Asia, and the associated rise in energy prices and risk aversion.
- Early data for March 2026 points to slowdown in growth in the month:** During March 1-23, 2026, the average daily vehicle registrations remained robust, rising by ~14% YoY to 76.0k/units, albeit slower than the 25.6% expansion seen in February 2026. Further, the pace of expansion in all-India electricity demand slowed sharply to 0.8% YoY during March 1-22, 2026 (vs. +4.9% in February 2026), amid an unfavourable base, even as the absolute average demand held steady at 4.8 BU/day, supported by the onset of summer season. Nevertheless, the ongoing shortage of commercial LPG cylinders is likely to lead to lower footfalls in restaurants and some moderation in consumption via food delivery platforms, thereby dampening the overall growth in activity in March 2026.
- GDP growth projected at 6.5% for FY2027:** In ICRA's assessment, energy prices may not return to the February 2026 levels in the near term, even if there is a rapid de-escalation of the conflict in West Asia. Assuming an average crude oil price of \$85/barrel in FY2027, ICRA now projects GDP growth for the fiscal at 6.5% (vs. 7.5% estimated for FY2026). The longer that the crisis persists, resulting in higher fuel prices and tighter availability, the larger the downside would be for India's GDP growth in FY2027.

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

ICRA Business Activity Monitor



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

YoY growth in ICRA Business Activity Monitor improved to 10.0% in February 2026, aided by a favourable base

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

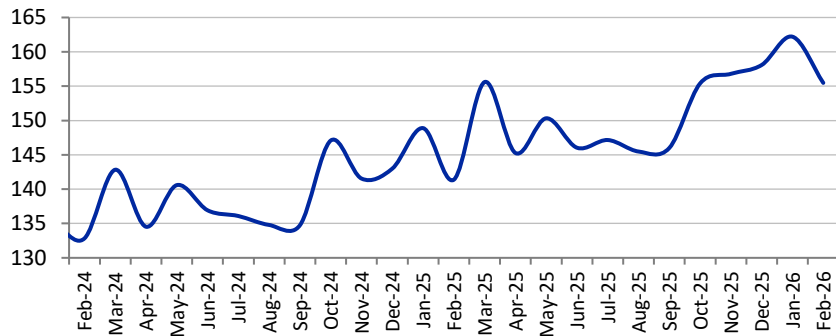
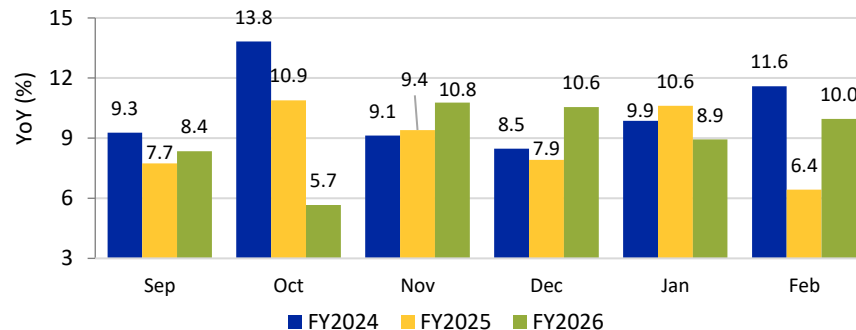


EXHIBIT: YoY growth of ICRA Business Activity Monitor



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 picked up to 10.0% in February 2026 (+6.4% in February 2025) from 8.9% in January 2026 (+10.6% in January 2025), partly supported by a favourable base. Notably, as many as 11 of the 16 constituent indicators saw an improvement in their YoY performance between these months.
- The auto-related indicators, including PV output (to +9.8% from +5.6%), 2W output (to +24.9% from +16.3%), and vehicle registrations (+25.6% from +18.2%), recorded an improvement in their YoY growth in February 2026 vis-à-vis January 2026, amid healthy booking pipelines supported by new model launches, advancement of purchases ahead of potential price revisions from FY2027, and improved affordability from GST rate rationalisation, as well as low base.
- Some trade and transport-related indicators also saw an uptick in their YoY growth between these months, including diesel consumption (+4.3% vs. +3.3%; amid a low base), GST e-way bill generation (+18.8% vs. +15.8%), and non-oil exports (+6.4% vs. -0.2%). Additionally, the growth in construction-related indicators (finished steel consumption and cement output) and financial indicators (bank deposits and non-food bank credit) remained robust during the period.
- In contrast, the YoY performance of electricity generation (+0.5% vs. +5.2%), mining output (-0.2% vs. +0.2%), port cargo traffic (+3.8% vs. +7.6%), domestic air passenger traffic (+1.5% vs. +4.4%) deteriorated in February 2026 vs. January 2026.

YoY performance of most high frequency indicators (11/16) improved in February 2026 compared to January 2026

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													
Nov-25	22.8	27.8	18.5	2.9	0.3	-1.5	20.3	14.6	27.6	7.2	14.6	6.9	2.6	4.8	10.2	11.4
Dec-25	23.1	47.3	36.6	15.6	0.5	6.3	3.0	12.8	23.5	4.5	13.7	-4.1	7.1	5.2	11.0^	12.6^
Jan-26	5.6	25.5	12.2	18.2	0.2	5.2	-0.2	7.6	15.8	6.7	11.3	4.4	6.1	3.3	11.6^	13.5^
Feb-26	9.8	30.4	22.1	25.6	-0.2	0.5	6.4	3.8	18.8	9.4	9.3	1.5\$	6.1	4.3	12.1^	14.3^

YoY growth; sequential pick-up

YoY growth; sequential dip

YoY growth; no sequential change

YoY contraction; sequential pickup

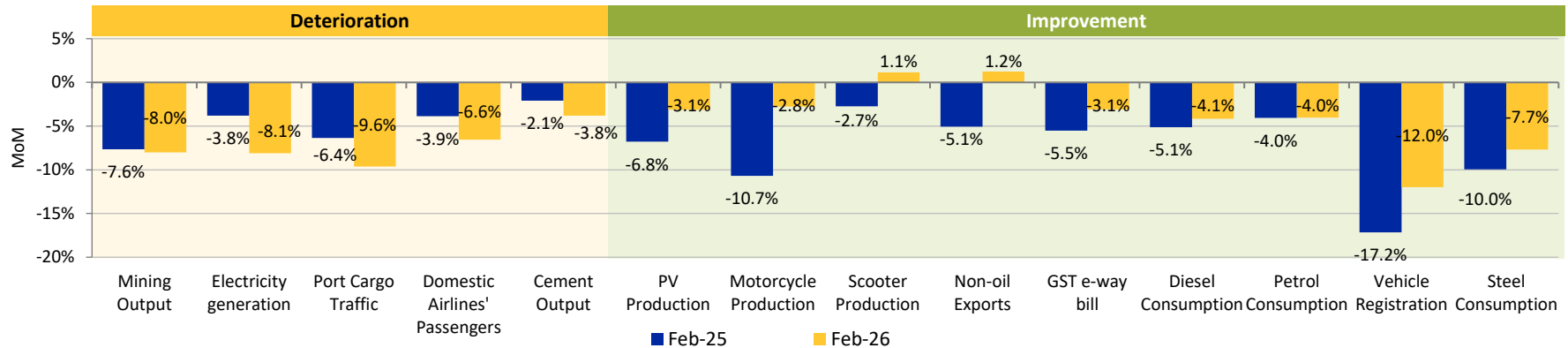
YoY contraction; sequential dip

Indicators pertaining to automobile, trade, transport, construction and financial sectors showed improvement/robust YoY growth trends in February 2026 vs. January 2026.

Sas per ICRA's estimate for the month; ^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 the month; #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

Index reported sequential contraction in February 2026, albeit milder than that seen in year-ago month

EXHIBIT: MoM performance of non-financial economic indicators in February 2025 and February 2026



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

- In line with the typical sequential dip seen in February, the ICRA Business Activity Monitor reported a MoM contraction of 4.1% in February 2026, slightly lower than the 5.0% fall seen in the corresponding year-ago period, as some indicators benefitted from the reduction in GST rates. Nevertheless, it remained higher than the average dip of 2.1% reported during February 2023-24.
- As many as nine of the 14 non-financial indicators witnessed a better MoM performance in February 2026 vis-à-vis February 2025, including automobile output (PV and 2W production, and vehicle registrations), followed by trade and transport-related indicators like non-oil merchandise exports, consumption of petrol and diesel, as well as generation of GST e-way bills.
- Notably, two indicators (scooter production and non-oil exports) reported a mild sequential uptick in February 2026 as against a decline seen in February 2025.

YoY growth in core output halved to 2.3% in February 2026 from 4.7% in January 2026; IIP growth to moderate to ~4.0% in the month

EXHIBIT: YoY trends in output of core sector

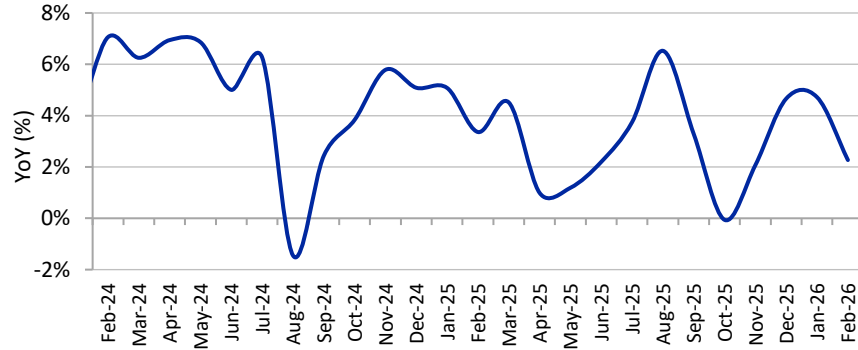
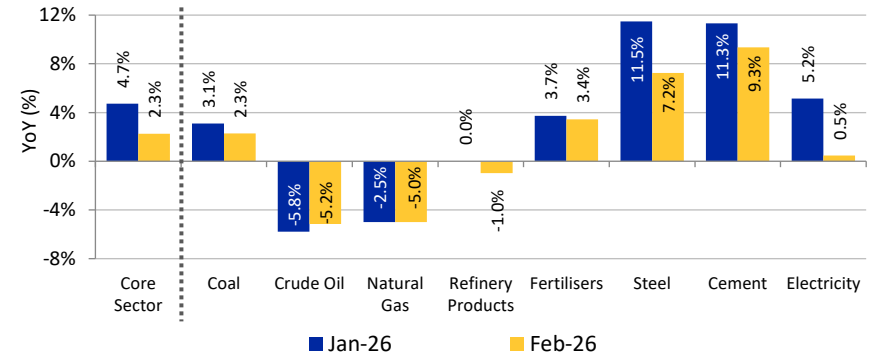


EXHIBIT: YoY performance of core sector and its sub-components

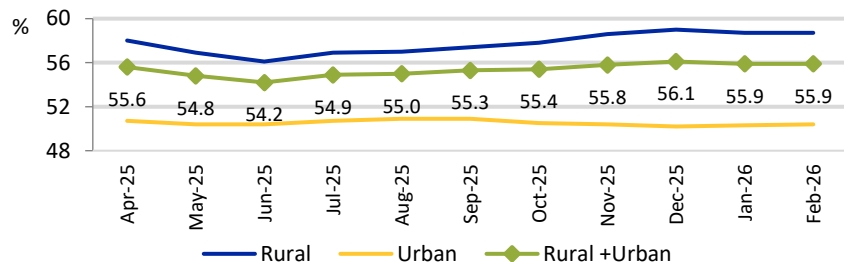


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The growth of the core sector output slowed to a three-month low of 2.3% in February 2026 from 4.7% in January 2026, despite a relatively favourable base (+5.1%/+3.4% in January/February 2025). The sequential halving in YoY growth was relatively broad based, with as many as seven of the eight sectors witnessing a YoY deterioration (barring crude oil: -5.2% in February 2026 vs. -5.8% in January 2026) between these months.
- Notably, even as YoY growth in the construction-related indicators (cement and steel output) eased in February 2026 relative to January 2026, it remained quite robust, printing at ~7-10% in the month, suggesting that construction activity is likely to have remained buoyant.
- Given the trends in core output, ICRA expects the IIP growth to moderate to ~4.0% in February 2026 from 4.8% in January 2026.

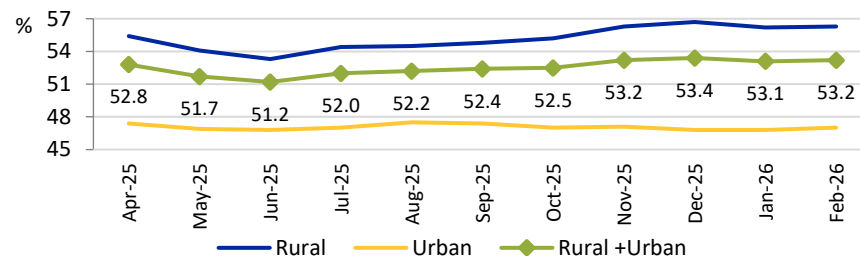
All-India unemployment rate eased marginally to 4.9% in February 2026

EXHIBIT: The all-India Labour Force Participation Rate (LFPR) was unchanged at 55.9% in February 2026 vis-à-vis January 2026, while remaining at the highest level since April 2025



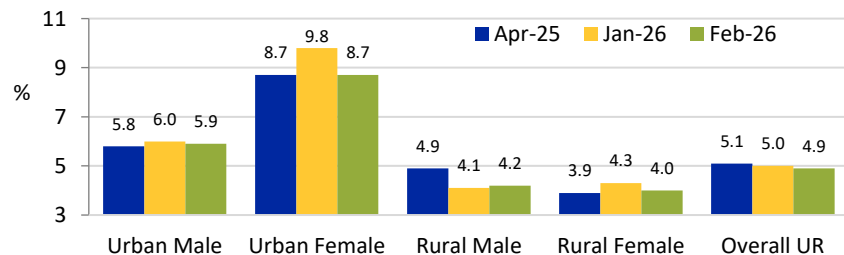
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.

EXHIBIT: The all-India Worker-Population Ratio (WPR) inched-up by 10 bps to 53.2% in February 2026 vs. January 2026, led by both rural (+10 bps) and urban (+20 bps) areas



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

EXHIBIT: The all-India Unemployment Rate (UR) eased to 4.9% in February 2026 from 5.0% in January 2026, and was also lower than the average of 5.2% seen during 10M FY2026



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

- In rural areas, while the LFPR remained steady in February 2026 vis-à-vis January 2026 (at 58.7%), the WPR inched up marginally (to 56.3% from 56.2%) between these months, keeping the UR unchanged (4.2%). However, contrasting trends were witnessed for females and males, with the LFPR and WPR for the former rising between these months, resulting in lower UR (at +4.0% in Feb 2026 vs. +4.3% in Jan 2026). However, the UR among rural males inched up by 10 bps to 4.2% in February 2026 from the previous month.
- In urban areas, the LFPR inched-up for the third consecutive month in February 2026 (to 50.4%), although this was accompanied by a pickup in WPR (at 47.0%). With this the urban UR dipped to a 3-month low of 6.6% from 7.0% in January 2026. This was largely driven by a sharp dip in the UR for urban females (to 8.7% in Feb 2026 from record high of 9.8% in Jan 2026).

Financial conditions deteriorated in March 2026 vis-à-vis February 2026, owing to adverse impact of the outbreak of tensions in West Asia

EXHIBIT: Heatmap of high frequency indicators pertaining to financial conditions

Financial Indicators*	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
WAMMR spread (bps)	-7	-22	-27	-30	-18	-17	-11	-10	-23	-7	-4	-53	-26
Net LAF/NDTL (%)	-0.5	0.6	0.7	1.2	1.3	1.2	0.6	0.4	0.7	0.3	0.2	1.0	0.7
Yield curve level (%)	6.66	6.31	6.15	6.11	6.12	6.27	6.31	6.23	6.25	6.31	6.39	6.38	6.39
Yield curve slope (bps)	20	45	52	93	102	105	111	110	113	129	129	140	138
3Y AAA spread (bps)	111	102	109	101	95	80	91	100	100	103	111	109	116
5Y AAA spread (bps)	100	102	103	99	111	91	92	102	88	92	96	103	105
BSE Sensex return (%)	5.8	3.7	1.5	2.6	-2.9	-1.7	0.6	4.6	2.1	-0.6	-3.5	-1.2	-10.6
PE level vs. 2YMA	88.3	91.4	96.5	98.5	100.8	96.7	96.5	98.6	99.5	101.0	100.1	99.7	92.5
India VIX	1,670	1,729	1,799	1,821	1,847	1,809	1,834	1,846	1,874	1,876	1,867	1,863	1,756
India-US yield differential (bps)	246	218	185	196	201	232	251	249	249	253	253	264	257
INR return (%)	2.3	1.1	-1.1	-0.2	-2.1	-0.7	-0.8	0.1	-0.7	-0.6	-2.0	0.7	-2.3
1M forward premia (%/annum)	3.29	2.81	2.33	1.52	1.61	1.72	1.90	1.95	1.91	3.93	2.81	2.18	4.67

Easier financial conditions

Neutral

Tighter financial conditions

As many as nine of the 12 indicators pertaining to financial market conditions recorded a deterioration in March 2026 vis-à-vis February 2026, reflecting the stress in global markets owing to the tensions in West Asia.

Data for March 2026 is up to March 23, 2026; 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

Flow of financial resources up by 33% YoY in 11M FY2026, although growth has eased in recent months

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

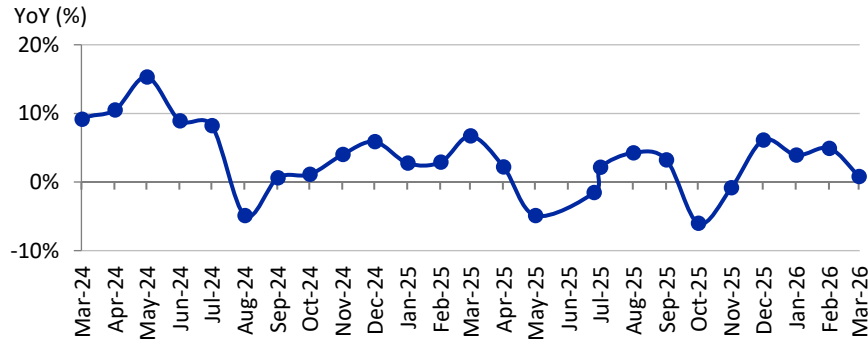
Source (Rs. Billion)	FY2024	FY2025	11M FY2025	11M FY2026
1. Non-Food Bank Credit	21,402	17,983	16,738	24,640
2. Non-Bank Sources (A+B)	12,637	17,103	12,718	14,585
A. Domestic Sources	10,203	13,856	9,705	10,309
Equity Issuances* ¹	1,350	3,812	3,515	3,373
Corporate Bond Issuances* ¹	1,674	1,978	1,250	2,730
Hybrid Instruments (REITs/ InvITs)* ¹	390	314	227	203
Commercial Paper Issuances*	197	188	477	443
Credit by HFCs** ¹	1,418	1,349	134	-1
Credit by RBI-regulated AIFs ¹	734	995	376	-67
Credit by NBFCs** ²	4,440	5,220	3,726	3,627
B. Foreign Sources	2,434	3,249	3,013	4,276
ECBs* ¹	279	191	135	334
Short-term Credit from Abroad ²	-67	589	970	1,358
FDI to India ¹	2,222	2,468	1,908	2,584
Total Flow of Resources (1+2)	34,040	35,088	29,455	39,225

¹data for 11M is up to January; ²data for 11M is up to December; *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 rose by 33.2% YoY to Rs. 39.2 trillion during 11M FY2026 from Rs. 29.5 trillion in 11M FY2025, while also exceeding the full-year FY2025 levels by 11.8%.
- This Rs. 9.8 trillion expansion was largely led by non-food bank credit (+47%; +Rs. 7.9 trillion), although this may have been partly 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).
- Flow of resources from the non-bank sources rose by a healthy 14.7% or Rs. 1.9 trillion in 11M FY2026 as compared to the year-ago levels, led by foreign sources (+41.9%; +Rs. 1.3 trillion; despite increased global volatility in the recent period). Domestic sources, on the other hand, witnessed a muted (+6.2%; +Rs. 0.6 trillion) expansion during this period.
- Among domestic sources, corporate bond issuances more-than-doubled to Rs. 2.7 trillion in 11M FY2026 from Rs. 1.3 trillion in 11M FY2025, led by the surge in the early part of the fiscal amid the faster transmission of rate cuts to market yields. All other non-bank domestic sources, including equity and CP issuances, and credit by NBFCs, HFCs, and AIFs saw a YoY deterioration in 11M FY2026.
- Overall, while the YoY expansion in flow of financial resources to the commercial sector was quite healthy during 11M FY2026 (aided by changes in reporting timelines for banks), the growth has tapered off in the last two months.

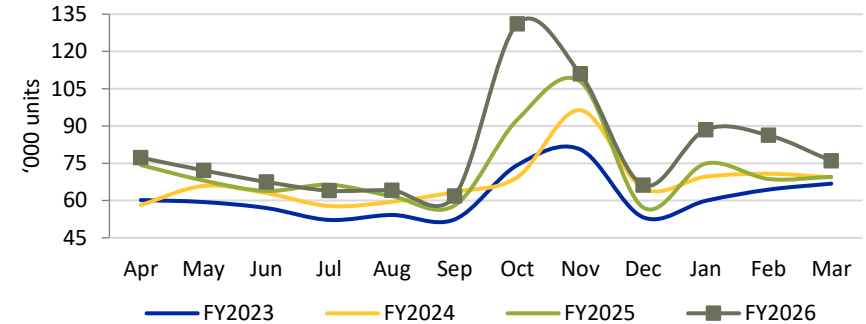
Early data for March 2026 reflects moderation in growth

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



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

EXHIBIT: Average daily vehicle registrations at all-India level



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

- The pace of YoY expansion in the all-India electricity demand has slowed to 0.8% during March 1-22, 2026 from 4.9% in February 2026, primarily led by an unfavourable base (+6.7%/+2.9% in March 2025/February 2025). However, the average electricity demand in the ongoing month so far has remained unchanged at 4.8 BU/day vis-à-vis February 2026, amid the onset of summer season (March-May), leading to a rise in average spot power tariffs in the day-ahead-market (DAM) to an eight-month high of Rs. 4.2/unit (during March 1-24) from Rs. 3.6/unit February 2026.
- The average daily vehicle registrations remained robust in March 2026 so far (March 1-23), rising by ~14% YoY to 76.0k/units, albeit lower than the 25.6% growth seen in February 2026. On a MoM basis, these were down by ~7% relative to the levels seen during corresponding period of February 2026. Overall, the YoY growth in vehicle registrations has been quite robust since October 2025, reflecting the favourable impact of the GST rate cuts on demand.
- The ongoing shortage of commercial LPG cylinders is likely to lead to lower footfalls in restaurants and some moderation in consumption via food delivery platforms, thereby dampening the overall growth in activity in March 2026.
- **ICRA now expects India's GDP growth to print at 6.5% in FY2027 (+7.5% in FY2026 P), owing to the adverse impact of elevated energy prices and concerns around energy availability amid the ongoing conflict in West Asia. The sustenance of the conflict for a prolonged period poses further downside risks to our estimates.**

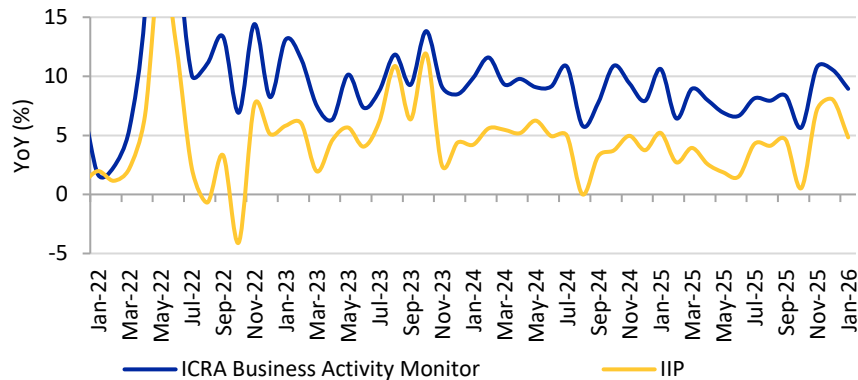
The ICRA Business Activity Monitor - an Index of high frequency economic indicators, is a composite tool that gauges economic activity each month. While several high frequency indicators are released every month, each of these provides insights on the performance of a select segment of the economy. It 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 deceleration in the YoY growth of the Index to 8.9% in January 2026 from 10.6% in December 2025, signifies a slowdown in economic activity momentum between these months.

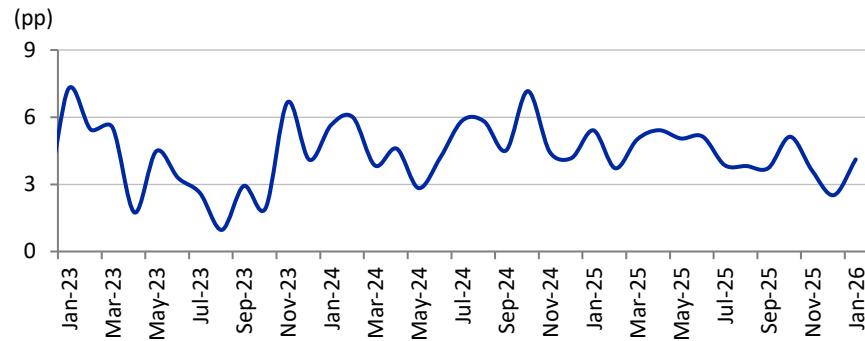
While summary measures of economic activity such as the GDP and the Index of Industrial Production (IIP) are released by the Government, these are available with relatively longer lags. The GDP data is available for a quarterly or higher frequency and is released with a lag of two months post the end 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 January 2026 was released on March 2, 2026). 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 January 2026 was available by February 24, 2026), thereby enabling a faster assessment of economic activity in the immediately preceding month.

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

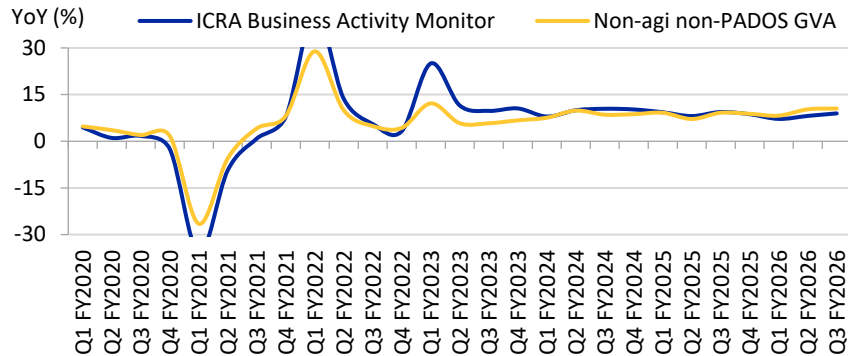


Source: ICRA Research

- 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 11 and 46, respectively, of the 82 months between April 2019 and January 2026.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 61 of the 82 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 71/11 of the 82 months.

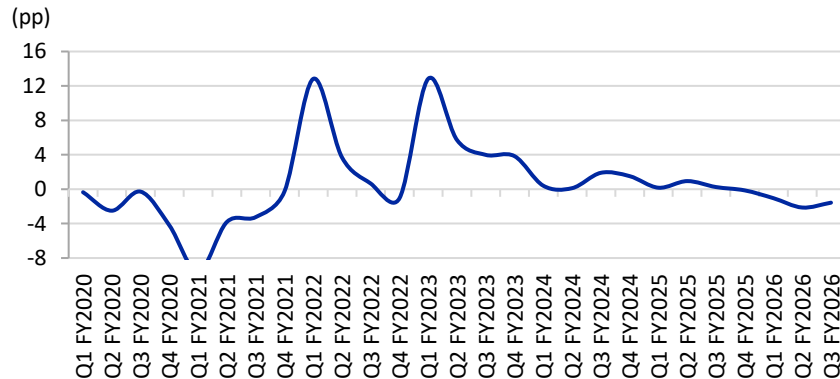
Annexure A.3: ICRA Business Activity Monitor

EXHIBIT: Correlation between YoY trends in ICRA Business Activity Monitor and non-agri non-PADOS GVA



Note: YoY growth for non-agri non-PADOS GVA from Q1 FY2024 onwards is as per the new GDP series (2022-23) Source: ICRA Research

EXHIBIT: Deviation in YoY growth between ICRA Business Activity Monitor and non-agri non-PADOS GVA

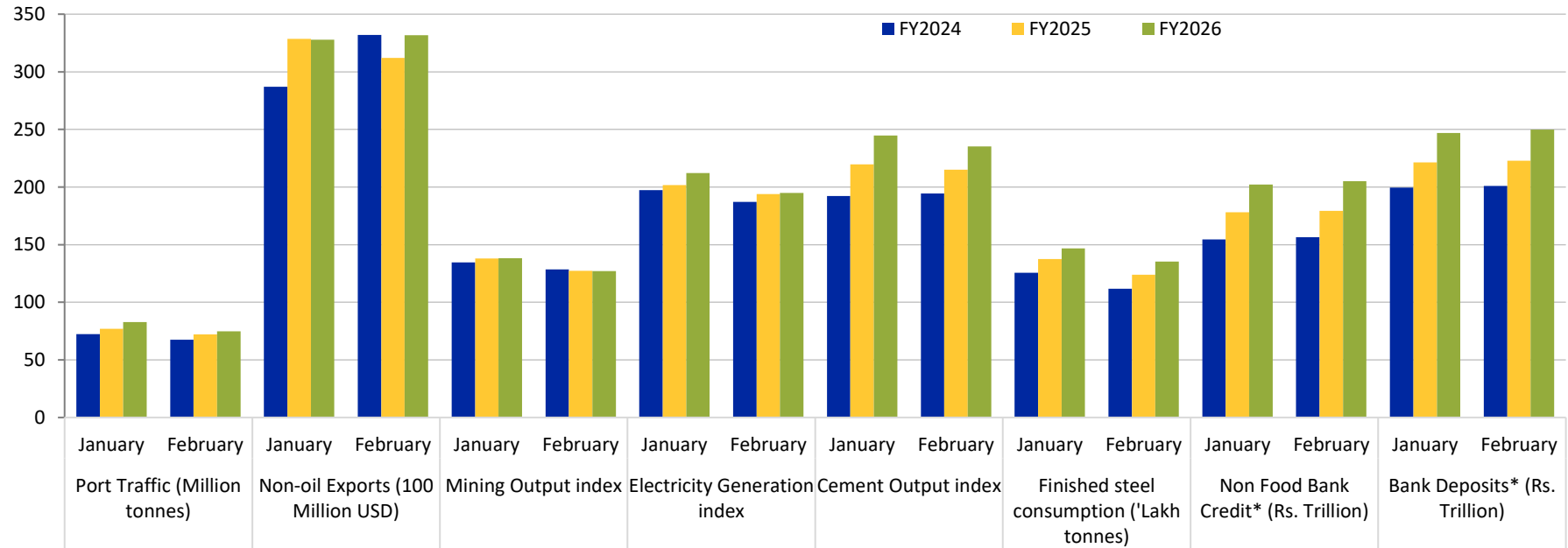


Source: ICRA Research

- 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 16 of the 27 quarters between Q1 FY2020 and Q3 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 the 16 indicators rose in February 2026 vs. February 2025, barring mining output

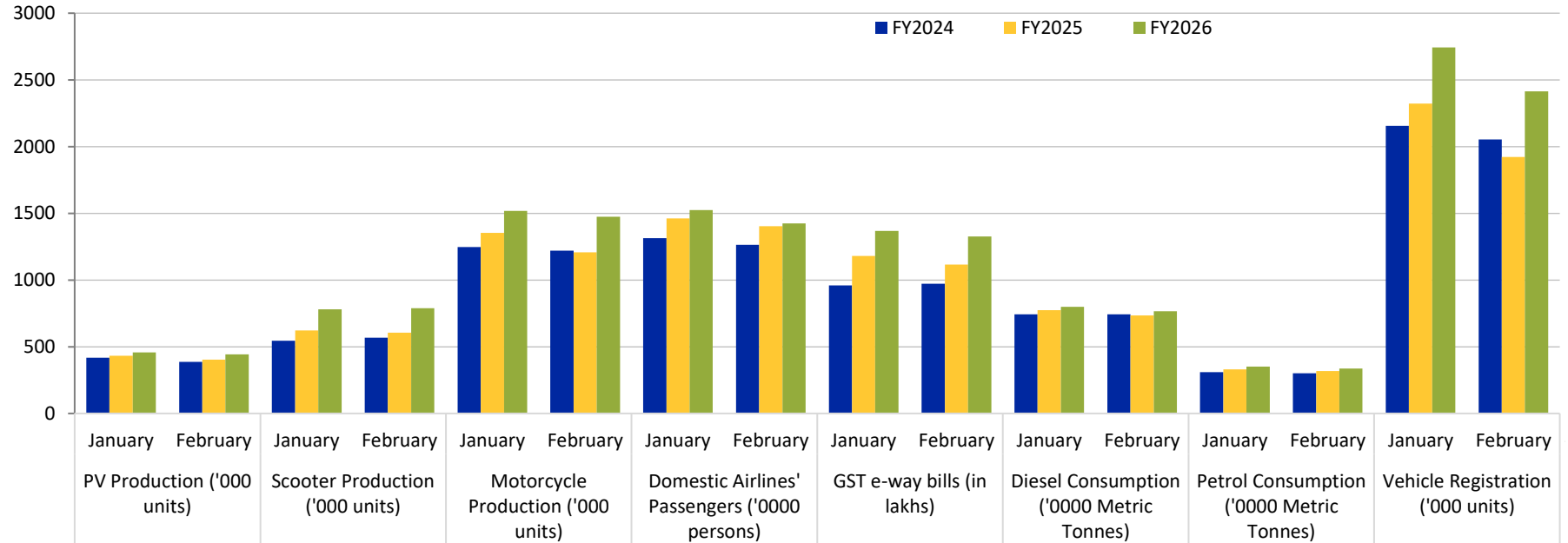
EXHIBIT: Trends in Volumes for Last Three Years in January and February (Part - I)



*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 January 2026 and February 2026; Source: Ministry of Commerce and Industry, GoI; Indian Ports Association; JPC; RBI; CEIC; CMIE; ICRA Research

Annexure B.2: Volume of 15 of the 16 indicators rose in February 2026 vs. February 2025, barring mining output

EXHIBIT: Trends in Volumes for Last Three Years in January and February (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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