



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

**Growth in economic activity at
eight-month high 10.1% in October
2024, aided by festive demand**

NOVEMBER 2024





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ICRA Business Activity Monitor is a composite indicator that comprises:

- Auto production (2Ws and PVs)
- Vehicle registrations
- Output of Coal India Limited (CIL)
- Power generation
- Rail freight traffic
- Non-oil merchandise exports
- Cargo handled at major ports
- Consumption of petrol and diesel
- Finished steel consumption
- Generation of GST e-way bills
- Domestic airline passenger traffic
- Aggregate deposits and non-food credit of SCBs

The year-on-year (YoY) growth in economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, improved markedly to an eight-month high of 10.1% in October 2024 from 6.6% in September 2024, despite an unfavourable base. The strengthening in growth momentum was led by the favourable impact of the departure of monsoon on sectors like mining and electricity, healthy demand during the festive season that boosted vehicle registrations, fuel consumption and air travel, along with the early onset* of the same in 2024 vis-à-vis 2023, as well as the surge in India's exports. The early data for November 2024 appears upbeat, with a base-effect led rise in electricity demand growth and a continued festive boost in vehicle registrations. These trends reinforce ICRA's expectations of a pick-up in the GDP growth in Q3 FY2025 as compared to H1 FY2025.

- **Economic activity witnessed strong momentum in October 2024:** The YoY growth in the ICRA Business Activity Monitor improved to an eight-month high of 10.1% in October 2024 (+13.6% in October 2023) from 6.6% in September 2024 (+9.5% in September 2023), despite an adverse base. This was led by an improvement in 10 of the 16 indicators, reflecting the expected pick-up in electricity generation and mining activity as the monsoon-related disruptions dissipated, healthy demand during the festive season (vehicle registrations, consumption of petrol and diesel, airline passenger traffic) that saw an early onset* in 2024 vs. 2023, and the surge in India's exports.
- **Index registered a sequential growth of ~10%, highest since March 2023:** The Index surged by 9.9% month-on-month (MoM) in October 2024, higher than 6.5% growth seen in October 2023, partly led by an early onset of the festive season. This is the highest sequential growth in any month since March 2023 (+10.5%).
- **Early data for November 2024 upbeat:** As per the Vahan data, the average daily vehicle registrations jumped to 108.4k units during November 1-18, 2024, surpassing the full-month average of 96.4k units (previous peak) as well as 92.0k units, respectively, in November 2023 and October 2024. This was majorly boosted by the festive season demand, that ended on November 13, 2024; ICRA believes that the daily average registrations will normalise by the end of the month. Besides, electricity demand growth improved to 3.2% during November 1-17, 2024 from 1.1% in October 2024, partly supported by a favourable base.

*festive period: a) 2023 – from October 15, 2023 to November 25, 2023; b) 2024 – from October 3, 2024 to November 13, 2024.

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

ICRA Business Activity Monitor



**Auto
Production
(PV and 2W)
and vehicle
registrations**



**Coal India
Limited
output**



**Power
Generation**



**Rail Freight
Traffic**



**Non-oil
Merchandise
Exports**



**Cargo
handled at
Major Ports**



**Consumption
of Petrol and
Diesel**



**Finished
Steel
Consumption**



**Generation of
GST e-way
bills**



**Domestic
Airline
Passenger
Traffic**



**Aggregate
Deposits and
Non-food
credit of SCBs**

Note: We have clubbed the production of PVs, scooters and motorcycles together as a single indicator; SCB: Scheduled Commercial Banks; PV: Passenger Vehicles; 2W: Two-wheelers; Source: ICRA Research

YoY growth in ICRA Business Activity Monitor rose to an eight-month high of 10.1% in October 2024, aided by festive demand

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

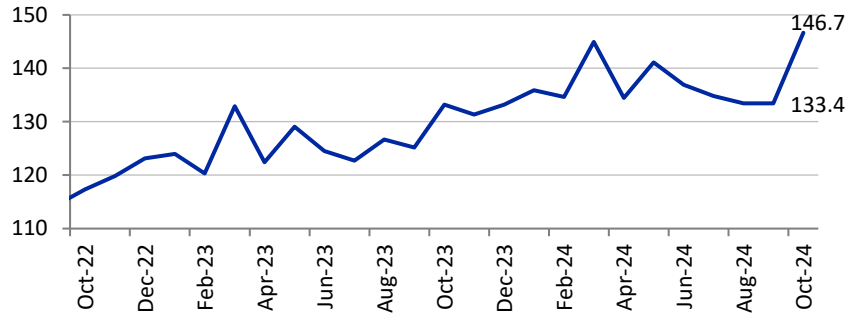
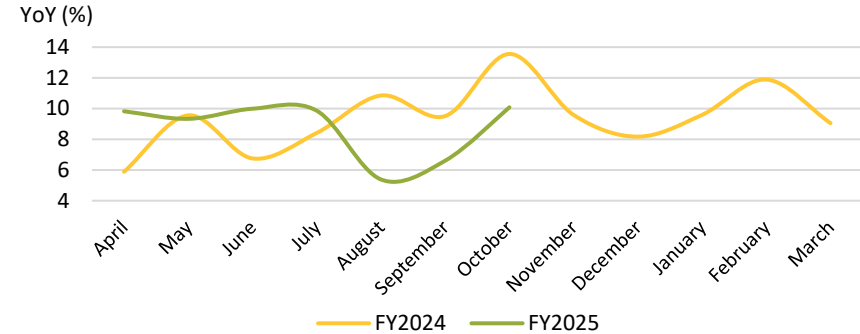


Exhibit: YoY growth of ICRA Business Activity Monitor



Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: ICRA Research.

- The YoY growth in the ICRA Business Activity Monitor rose to an eight-month high of 10.1% in October 2024 (+13.6% in October 2023) from 6.6% in September 2024 (+9.5% in September 2023), despite an adverse base. This largely reflects the expected pick-up in activity in sectors like mining and electricity generation after the end of the monsoon season, healthy demand during the festive season that saw an early onset in 2024 vs. 2023*, and the surge in India’s merchandise exports.
- The performance of most auto, mobility, and transport-related indicators including vehicle registrations (to +32.4% from -8.7%; strong 2W and PV registrations), petrol consumption (to +8.7% from +3.0%), domestic air passenger traffic (to +9.6% from +6.4%), 2W production (to +13.4% from +12.9%), rail freight (to +1.5% from -0.7%), and diesel consumption (to +0.1% from -1.9%) improved between these months, benefitting from the festive demand. Additionally, the growth in non-oil exports surged to 25.6% from 6.8% in September 2024, led by sectors such as electronic goods, engineering goods, chemicals and readymade garments.
- Among other indicators, the CIL’s output (to +2.3% from -1.0%), and electricity generation (to +0.2% from -1.6%) reverted to a YoY growth in October 2024 after contracting in September 2024. Although the pace of expansion in GST e-way bills (to +16.9% from +18.5%) and finished steel consumption (to +9.0% from +10.5%) moderated in October 2024 relative to September 2024, it remained strong. However, excess dealership inventory weighed on the PV output in October 2024 (-4.0%).

* festive period: a) 2023 – from October 15, 2023 to November 25, 2023; b) 2024 – from October 3, 2024 to November 13, 2024.

As many as 10 of the 16 high frequency indicators saw an improved YoY performance in October 2024 vis-à-vis September 2024

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

YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
Jul-24	1.2	41.1	12.8	14.7	2.4	7.0	3.2	6.0	-0.5	19.2	13.8	7.3	10.5	4.5	11.0	15.1
Aug-24	0.7	3.6	5.2	3.7	-11.9	-3.8	0.6	6.7	0.02	12.9	10.3	5.7	8.6	-2.5	11.3	15.0
Sep-24	-3.4	10.3	14.2	-8.7	-1.0	-1.6	6.8	5.9	-0.7	18.5	10.5	6.4	3.0	-1.9	12.0	14.4
Oct-24	-4.0	14.8	12.9	32.4	2.3	0.2	25.6	-3.4	1.5	16.9	9.0	9.6	8.7	0.1	12.1	12.8

YoY growth; sequential pick-up

YoY growth; sequential dip

YoY growth; no sequential change

YoY contraction; sequential pickup

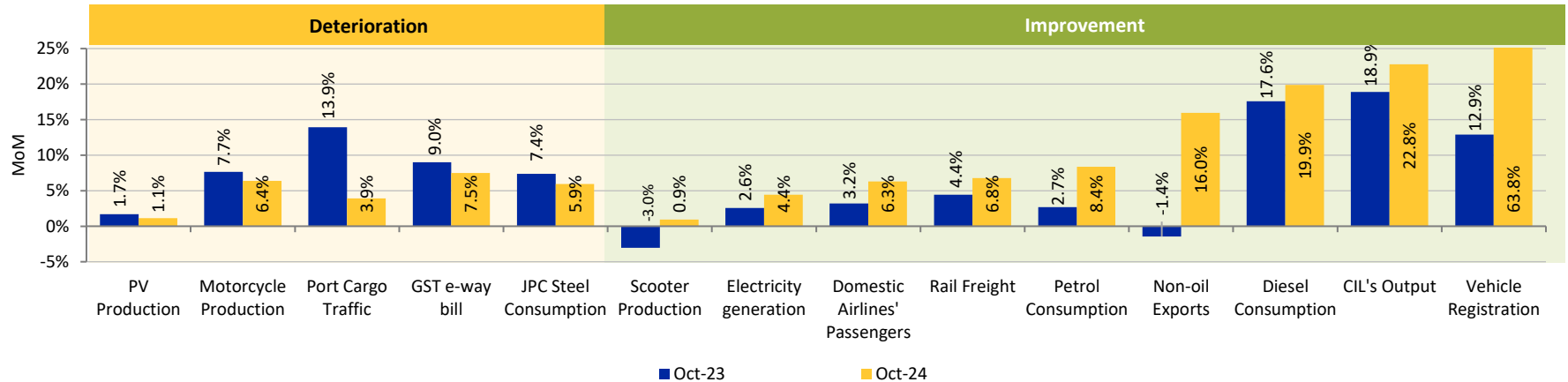
YoY contraction; sequential dip

Seven indicators reported a double-digit YoY growth in October 2024, up from six in September 2024. Additionally, the number of indicators reporting a contraction in October 2024 dropped to two from six in the previous month.

~excluding the impact of HDFC and HDFC bank merger to ensure comparability; *excluding renewable energy; SCBs; Scheduled Commercial Banks; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Passenger Vehicles (PV), scooter and motorcycle refers to growth in production volumes; CIL: Coal India Limited. Auto includes output of PV, two-wheelers and three-wheelers, CIL refers to growth in production volumes; electricity generation includes thermal, hydro, and nuclear electricity; petrol and diesel refer to growth in consumption volumes; bank deposits and bank credit refer to growth in O/S volumes; Data on finished steel consumption (non alloy and alloy/stainless) is taken from JPC; Source: Joint Plant Committee; CIL; CEA; Indian Ports Association; Ministry of Finance; Ministry of Commerce, GoI; Goods and Services Tax Network; Ministry of Petroleum & Natural Gas; Directorate General of Civil Aviation; PPAC; Indian Railways; Reserve Bank of India; Vahan Portal; Ministry of Road Transport and Highways; CMIE; CEIC; ICRA Research

Sequential expansion in the index was sharper in October 2024 compared to corresponding year-ago month

Exhibit: MoM performance of non-financial economic indicators

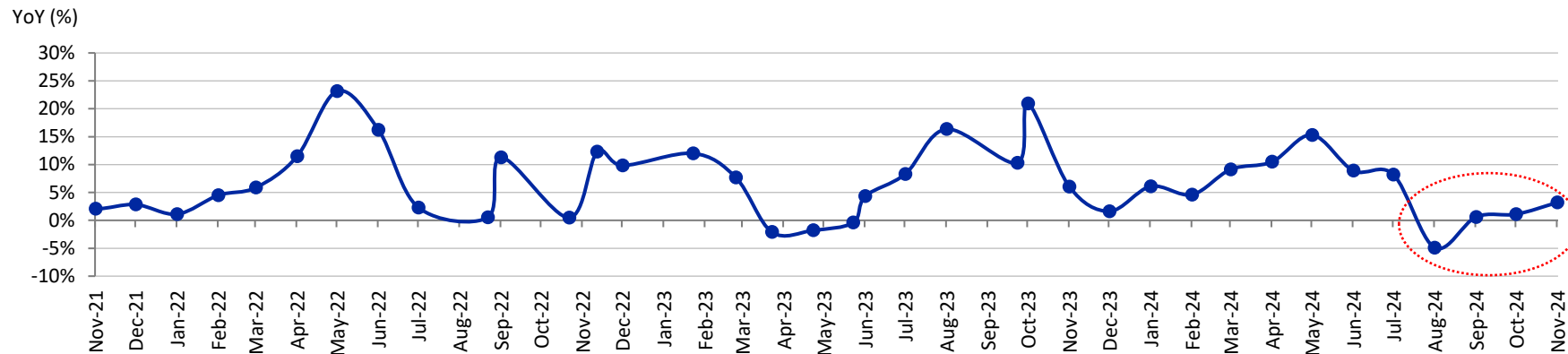


- On a sequential basis, the ICRA Business Activity Monitor expanded by a sharp 9.9% in October 2024 as against the MoM expansion of 6.5% seen in October 2023, although this was partly aided by an early onset of the festive season in 2024 as compared to the previous year. The sharper MoM uptick was driven by an improvement in nine of the 14 non-financial indicators, including auto and mobility-related indicators, such as vehicle registrations, scooter production, rail freight, domestic airlines' passenger traffic, and petrol and diesel consumption (supported by festival related travel). Furthermore, the output of Coal India Limited and electricity generation witnessed an improvement in their MoM performance in October 2024 vis-à-vis October 2023,
- In contrast, the performance of PV output, motorcycle output, port cargo traffic, GST e-way bill, and finished steel consumption exhibited weaker sequential trends in October 2024 vis-à-vis October 2023.

Data on electricity generation does not include renewable segment; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: CMIE; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research

YoY growth in electricity demand rose to four-month high of 3.2% in November 2024; favorable base to support growth until December 2024

Exhibit: Electricity Demand at all-India level



Data for November 2024 is till November 17, 2024; Source: POSOCO; ICRA Research

- After remaining lacklustre since August 2024, the YoY growth in the all-India electricity demand improved to 3.2% in November 2024 (until November 17, 2024) from 1.1% in October 2024. A favorable base (+21% in October 2023; +6% in November 2023; +1.6% December 2023) is expected to support growth in electricity demand in the ongoing month and the next month.
- The average electricity demand declined slightly to 4.2 BU/day in November 2024 (until November 17, 2024) from 4.5 BU/day in October 2024, amid the onset of winter season and a drop in temperatures across various parts of the country. Reflecting the moderation in demand, the average spot power tariffs in the day-ahead-market (DAM) moderated to Rs. 3.2/unit during November 1-18, 2024 from Rs. 3.9/unit in October 2024.

Auto retails displayed a strong growth in 2024 festive season, boosted by 2Ws

EXHIBIT: Daily average vehicle registrations at all-India level

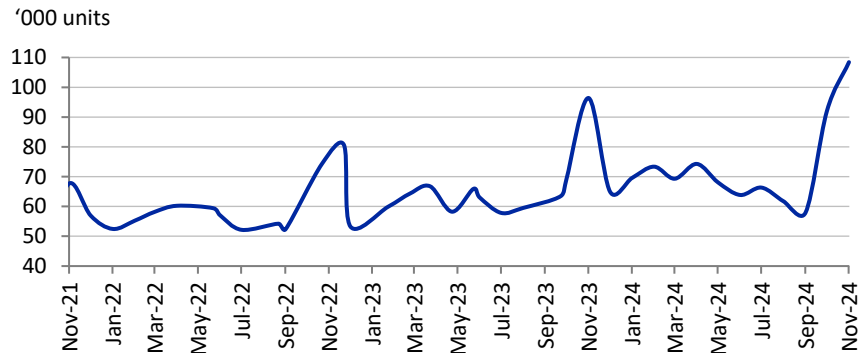
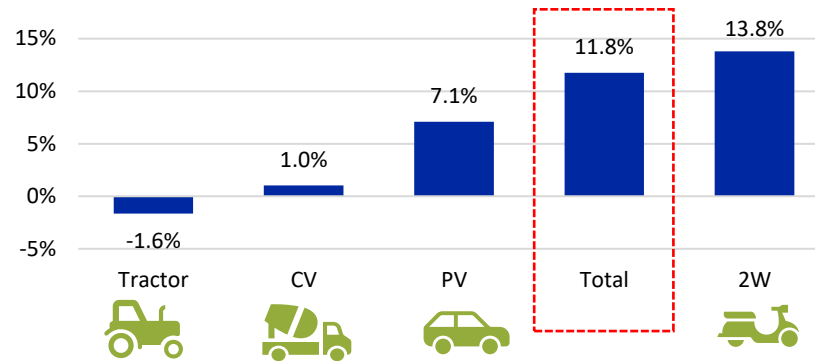


EXHIBIT: Auto retail sales during the 42-day festive period of 2024; YoY%



*Data for November 2024 is till Nov 18, 2024; 42-day Festive period for 2024: October 3- November 13, 2024, and for 2023: October 15-November 25, 2023; Source: Vahan, MoRTH; FADA; ICRA Research

- As per the data provided on the Vahan portal, the average daily vehicle registrations jumped to 108.4k units during November 1-18, 2024, surpassing the full-month average of 96.4k units (previous peak) as well as 92.0k units, respectively, in November 2023 and October 2024. This represents a growth of ~12% and ~18% in YoY and MoM terms, respectively, in November 2024 so far. Registrations were boosted by demand during the festive season, that ended on November 13, 2024, leading to an unusually high daily average registrations. We expect the daily average number to normalise in the second half of the month.
- The auto retail data released by FADA for the 42-day festive period revealed that aggregate retail volumes increased by a robust 11.8% in YoY terms during 2024 compared to the respective period in 2023. Notably, the growth for 2W retail sales was quite strong, at 13.8%, aided by the improvement in rural demand, while that for CVs was tepid at 1.0%. Although the retail volumes for PVs increased by a relatively moderate 7.1% YoY in the 2024 festive period, this was on the back of a high base, with purchases being supported by increased discounts and competitive financing rates.

{Refer to ICRA's [publication](#), Attractive discounts drive retail sales during the festive season, published in November 2024}.

The ICRA Business Activity Monitor - an Index of high frequency economic indicators, is a composite tool that gauges economic activity each month. While several high frequency indicators are released every month, each of these provides insights on the performance of a select segment of the economy. It is possible to appraise trends in each of these indicators and provide a qualitative assessment of the overall state of the economy. However, such an evaluation is fraught with challenges, especially when indicators display contradictory trends or point to multi-speed expansions/contractions. The Business Activity Monitor aims to overcome this contention by providing a summary measure of the state of the economy by integrating multiple high frequency indicators into a single index.

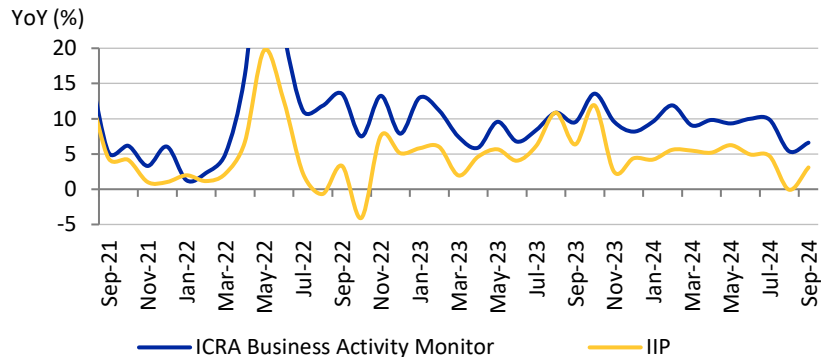
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight traffic, ports cargo traffic, non-food bank credit of scheduled commercial banks, bank deposits, vehicle registrations, generation of GST e-way bills, domestic airlines' passenger traffic, petrol consumption, diesel consumption and steel consumption. Each of these indicators are indexed in a way that the average index value for the base year FY2019 amounts to 100. The index is computed by taking the mean of the index values of these 14 indicators.

The ICRA Business Activity Monitor gives us the net direction of our 14 high frequency indicators and can be used to assess economic conditions across time periods. For instance, a rise in the value of the index to 6.6% in September 2024 from 5.4% in August 2024, signifies that the growth in economic activity picked-up in September 2024 vis-à-vis August 2024.

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 six weeks post the end of the month (Eg. IIP for September 2024 was released on November 12, 2024). However, 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 two weeks (E.g. Business Activity Monitor for September 2024 was available by mid-October 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

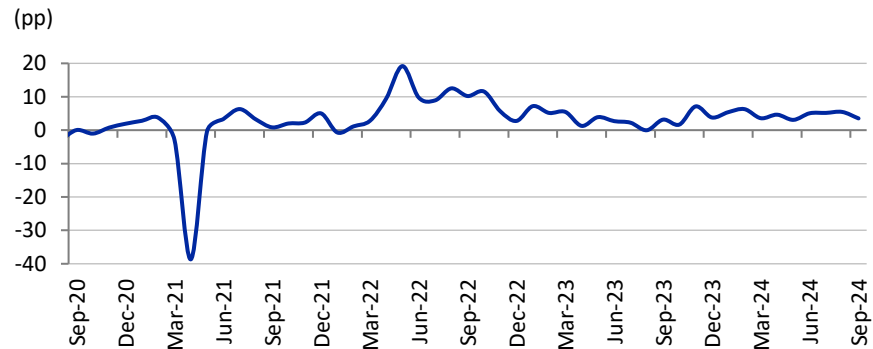
Annexure A.2: ICRA Business Activity Monitor

Exhibit: Correlation between YoY trends in ICRA Business Activity Monitor and IIP



Source: ICRA Research

Exhibit: Deviation in YoY growth between ICRA Business Activity Monitor and IIP



Source: ICRA Research

- The IIP is a measure of industrial activity and does not cover the agriculture and services sectors. The ICRA Business Activity Monitor is a broader measure than the IIP as it also covers some high frequency indicators related to the services sector (measures of mobility such as airlines passenger traffic and petrol consumption and financial services such as non-bank food credit and bank deposits).
- We have observed some degree of co-relation between the two (in both absolute and YoY growth terms). The deviation between the growth of the ICRA Business Activity Monitor and the IIP stood at +/-2% and +/-5% in 18 and 44, respectively, of the 66 months between April 2019 and September 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 50 of the 65 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 55/11 of the 66 months.

Annexure A.3: ICRA Business Activity Monitor

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

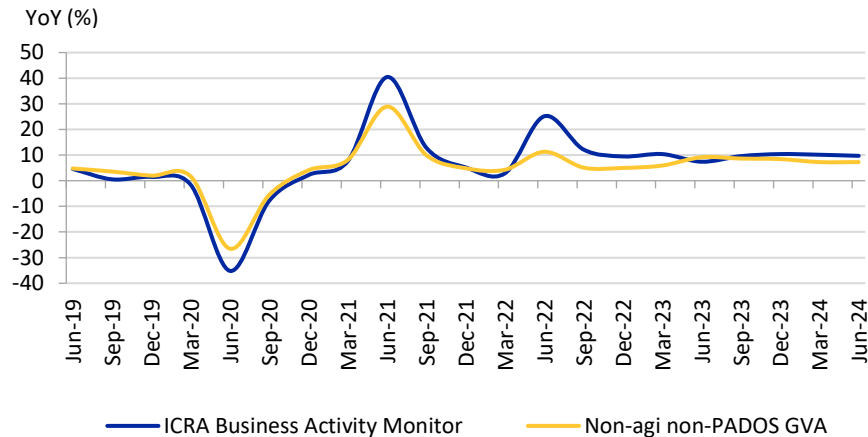
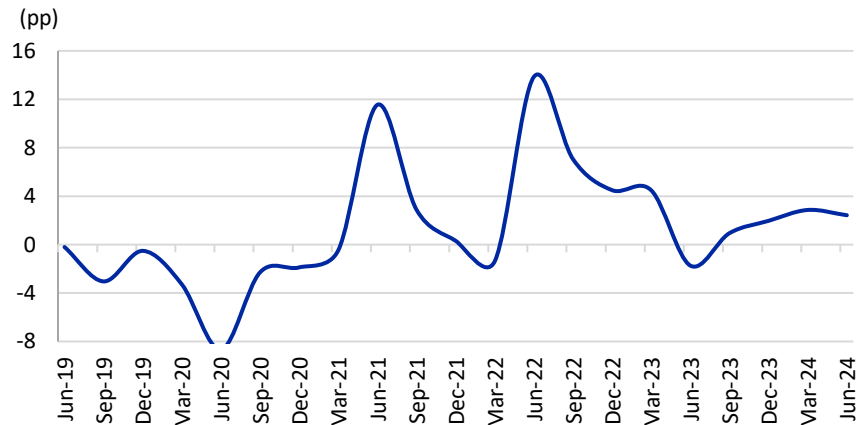


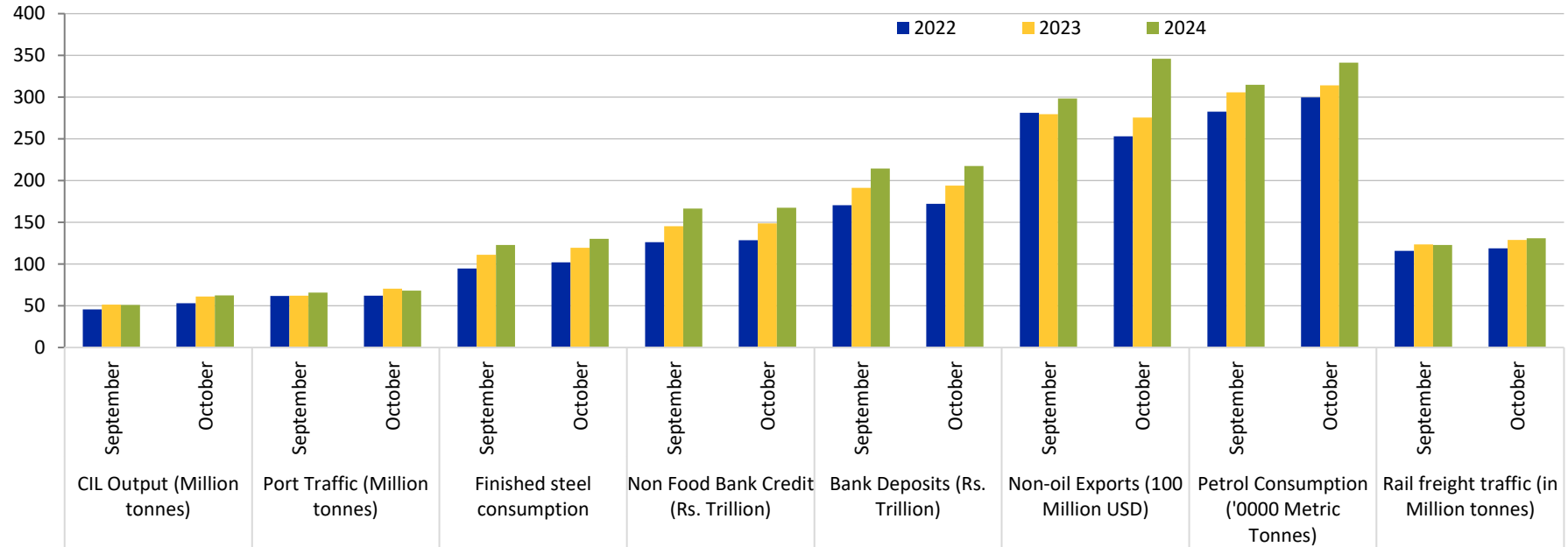
Exhibit: Deviation in YoY growth between ICRA Business Activity Monitor and non-agri non-PADOS GVA



- 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 21 quarters between Q4 FY2019 and Q1 FY2025.
- Interestingly, in the period when growth was slowing down (up to Q1 FY2021), there was a negative deviation between the ICRA Business Activity Monitor and the non-PADOS GVA growth, indicating that the former predicted the downturn but magnified its extent. The opposite is true for the period from Q4 FY2021 onwards.
- Since the GVA is a measure of value addition, this could lead to a difference in the magnitude and/or direction of changes between the growth in the GVA and the ICRA Business Activity Monitor, as the former would be affected by changes in margins of businesses following rising/falling commodity prices or cost cutting measures.

Annexure B.1: Volume of 14 of the 16 indicators rose in October 2024 vis-à-vis October 2023, barring PV output and port cargo traffic- I

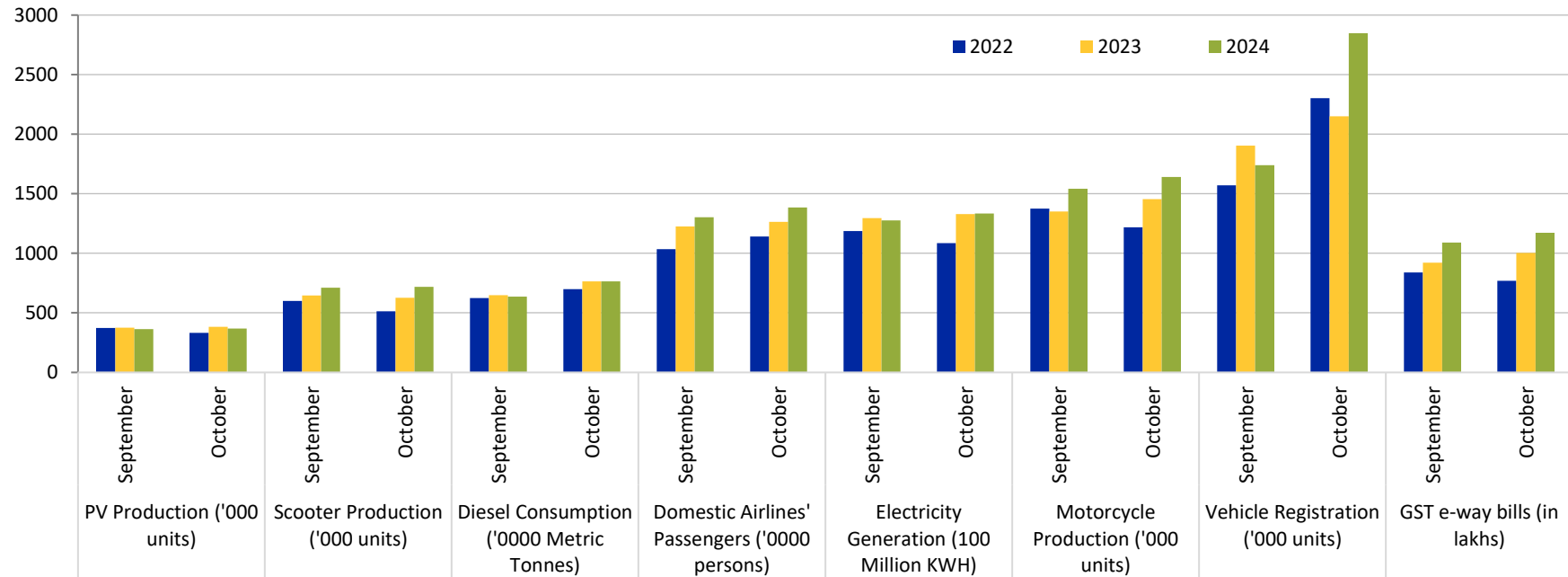
Exhibit: Trends in Volumes for Last Three Years in September and October (Part - I)



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

Annexure B.2: Volume of 14 of the 16 indicators rose in October 2024 vis-à-vis October 2023, barring PV output and port cargo traffic-II

Exhibit: Trends in Volumes for Last Three Years in September and October (Part - II)



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



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