



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

Notwithstanding a dip in YoY growth to 8.3% in November 2024, economic activity gained momentum in October-November vs. Q2 FY2025

DECEMBER 2024





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ICRA Business Activity Monitor is a composite indicator that comprises:

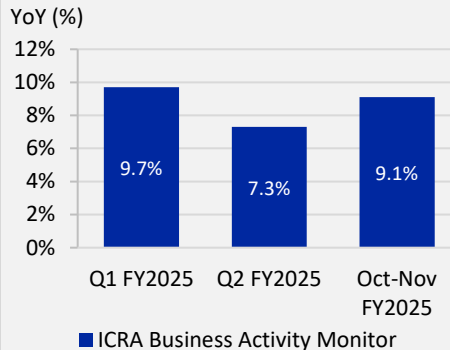
- Auto production (2Ws and PVs)
- Vehicle registrations
- Output of Coal India Limited (CIL)
- Power generation
- Rail freight traffic
- Non-oil merchandise exports
- Cargo handled at major ports
- Consumption of petrol and diesel
- Finished steel consumption
- Generation of GST e-way bills
- Domestic 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, eased to 8.3% in November 2024 from the four-month high of 9.9% in October 2024, partly impacted by the shift in the festive calendar* in 2024 vs. 2023. Since this tends to cloud the YoY comparisons in October and November, we have assessed the average YoY growth performance for these two months. This revealed that the growth in the Index accelerated to 9.1% in October-November FY2025 from 7.3% in Q2 FY2025, indicating that economic activity gained momentum in the first two months of this quarter, buoyed by the festive season and the favourable impact of the withdrawal of monsoons on sectors like mining and electricity. These trends are in line with ICRA's views that the gross value added (GVA) growth is likely to witness a rebound in Q3 FY2025 from 5.6% in Q2 FY2025, although a continued improvement in Government spending remains key to support growth. The early trends for December 2024 are mixed, with a rise in electricity demand growth on a favourable base and a sequential moderation in vehicle registrations amid normalising demand after the end of the festive period.

- **Growth in ICRA Business Activity Monitor eased to 8.3% YoY in November 2024:** The YoY growth in the ICRA Business Activity Monitor eased to 8.3% in November 2024 from 9.9% in October 2024, with only six of the 16 constituent indicators reporting an improvement in their YoY performances vis-à-vis the previous month. This mainly reflects the early onset of the festive season*. Therefore, we prefer to compare the YoY growth performance of the Index for October and November together to gauge the underlying growth momentum vis-à-vis Q2 FY2025.
- **YoY growth in the Index rebounded in October-November FY2025 compared to Q2 FY2025:** The YoY growth in ICRA Business Activity Monitor improved to 9.1% in October-November FY2025 (+11.7% in October-November FY2024) from the 10-quarter low of 7.3% in Q2 FY2025 (+9.6% in Q2 FY2024). As many as nine of the 14 constituent indicators saw an uptick in their YoY performances in October-November FY2025 compared to Q2 FY2025, amid the positive impact of the festive season on automobiles (vehicle registrations, PV output), fuel consumption (petrol and diesel consumption), air travel (domestic airline passenger traffic) and freight (rail freight loading), as well as the benefits of monsoon withdrawal on sectors like electricity (generation) and mining (CIL's output) contributing to this

*festive period: a) 2021 – Oct 7, 2021 to Nov 17, 2021; b) 2022 – Sep 26, 2022 to Nov 6, 2022; c) 2023 – Oct 15, 2023 to Nov 25, 2023; d) 2024 – Oct 3 to Nov 15, 2024.

EXHIBIT: YoY trends in ICRA Business Activity Monitor



Source: ICRA Research

improvement. These trends are in line with ICRA's views that the GVA growth is likely to witness a rebound in Q3 FY2025 from 5.6% in Q2 FY2025, although a continued pick up in Government spending remains to be seen, which will also support the growth in the quarter.

- **Sequential contraction in the Index in November 2024 narrower than that seen in November 2021:** The Index contracted by a sharper 2.7% on a month-on-month (MoM) basis in November 2024 as against 1.2% seen in November 2023. Additionally, in November 2021 when the festive season had begun around the similar time as in the current year, the Index declined by a slightly steeper 3.0%. Notably, half of the 14 non-financial indicators reported an improvement in November 2024 vis-à-vis November 2021, including some indicators relating to mobility such as the 2W production, petrol and diesel consumption, GST e-way bills, as well as electricity generation and finished steel consumption.
- **Data for early-December 2024 mixed:** The average daily vehicle registrations contracted by a steep ~46% in sequential terms to 57.6k units/day during December 1-17, 2024, as demand has normalised after the end of the festive period. On the other hand, the YoY growth in electricity demand rose to a six-month high of 8.3% during December 1-16, 2024, aided by a favorable base and drop in temperatures across 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**



**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 eased to 8.3% in November 2024 from 9.9% in October 2024

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

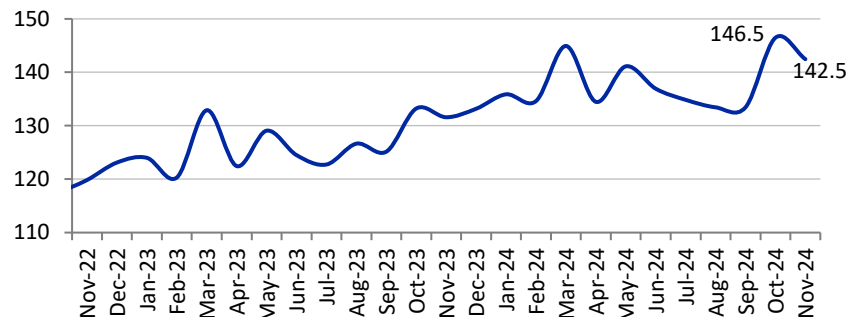
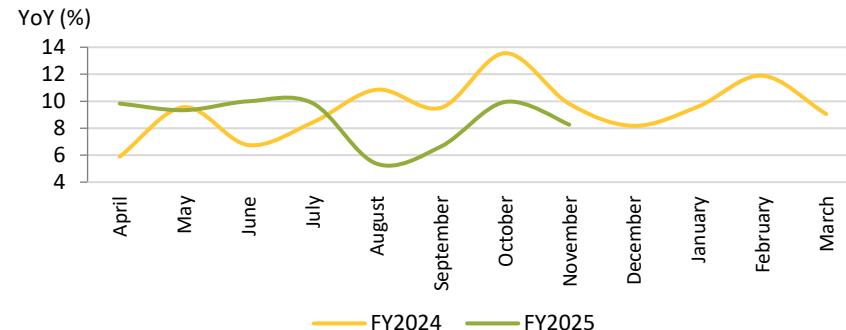


Exhibit: YoY growth of ICRA Business Activity Monitor



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 eased to 8.3% in November 2024 (+9.8% in November 2023) from 9.9% in October 2024 (+13.6% in October 2023), with as many as 10 of the 16 constituent indicators reporting a slowdown in their growth rates vis-à-vis the previous month.
- The performance of some of the mobility and transport-related indicators eased in November 2024 vis-à-vis October 2024, including vehicle registrations (to +11.3% in November 2024 from +33.1% in October 2024; lull post the festive-led uptick in October), 2W production (to +8.7% from +13.4%), ports cargo traffic (to -5.0% from -3.4%; led by coal), rail freight traffic (to +1.2% from +1.5%), and GST e-way bills (to +16.3% from +16.9%). Moreover, the growth in CIL's output (to +1.8% from +2.3%), non-oil exports (to +7.7% from +25.6%; led by gems and jewellery, engineering goods, etc.) also moderated between these months.
- The YoY growth in other mobility/transport-related indicators such as petrol consumption (to +9.6% in November 2024 from +8.7% in October 2024; despite an adverse base), and diesel consumption (to a 13-month high of +8.5% from +0.1%; aided by a favorable base) saw an uptick in November 2024 vis-à-vis October 2024. Additionally, the growth in PV production (to +6.5% from -4.0%, largely aided by a favorable base even as excess dealership inventory continued to weigh on output), steel consumption (to +10.0% from +7.9%), domestic airline passenger traffic (to +13.8% from +8.1%) and electricity generation (to +2.5% from +0.3%) improved between these months.

YoY performance of most non-agri indicators deteriorated in November 2024 vis-à-vis October 2024

Exhibit: Heatmap of high frequency indicators

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													
Aug-24	0.7	3.6	5.2	3.7	-11.9	-3.8	0.3	6.7	0.0	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	10.9	6.4	3.0	-1.9	12.0	14.4
Oct-24	-4.0	14.8	12.9	33.1	2.3	0.3	25.6	-3.4	1.5	16.9	7.9	8.1	8.7	0.1	12.1	12.8
Nov-24	6.5	13.9	6.4	11.3	1.8	2.5	7.7	-5.0	1.2	16.3	10.0	13.8	9.6	8.5	11.1	11.8

YoY growth; sequential pick-up

YoY growth; sequential dip

YoY growth; no sequential change

YoY contraction; sequential pickup

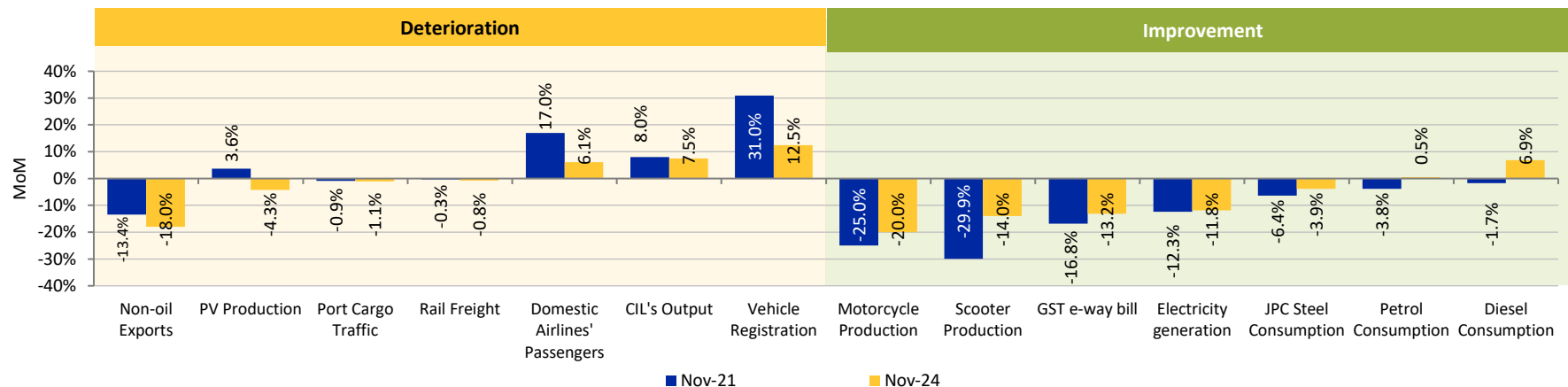
YoY contraction; sequential dip

Seven indicators reported a double-digit YoY expansion in November 2024, in line with the number seen in October 2024. Further, the number of indicators reporting a contraction dropped to just one in November 2024 from two 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

MoM dip in ICRA Business Activity Monitor in November 2024 narrower than that seen in November 2021, when festive season saw a similar onset

Exhibit: MoM performance of non-financial economic indicators

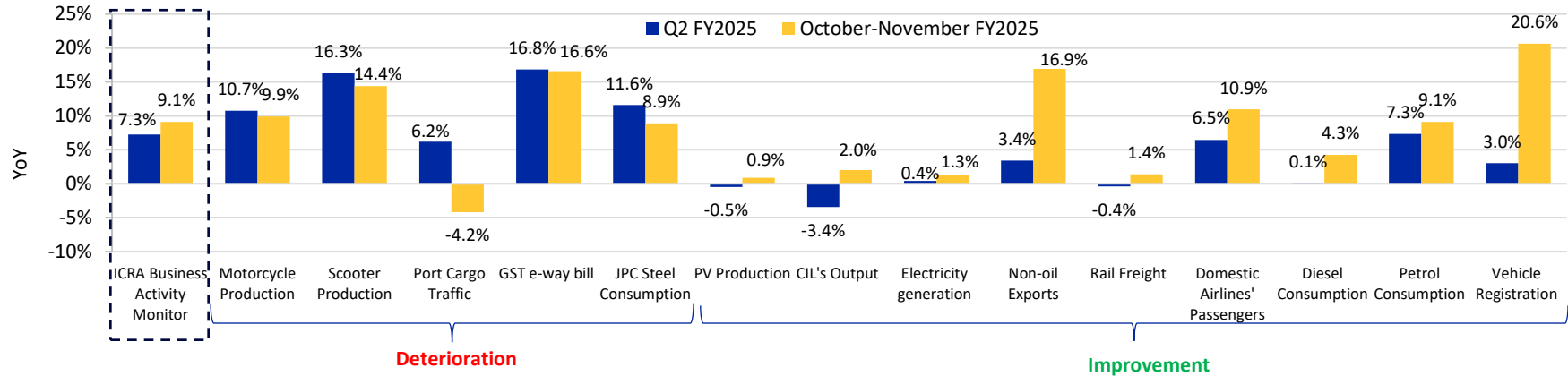


- On a sequential basis, the ICRA Business Activity Monitor contracted by a sharper 2.7% in November 2024 as against 1.2% seen in November 2023, although the MoM comparisons are muddled by the shift in the festive season* in 2024 vis-à-vis 2023.
- In November 2021, the Index had contracted by a slightly sharper 3.0% on a MoM basis, vis-à-vis the 2.7% decline seen November 2024, when the festive season had begun around the same time as in the current year. Moreover, seven of the 14 non-financial indicators witnessed an improvement in their sequential performance in November 2024 vis-à-vis November 2021, including some indicators relating to mobility such as the 2W production, petrol and diesel consumption, GST e-way bills and finished steel consumption as well as electricity generation.

*festive period: a) 2021 – Oct 7, 2021 to Nov 17, 2021; b) 2022 – Sep 26, 2022 to Nov 6, 2022; c) 2023 – Oct 15, 2023 to Nov 25, 2023; d) 2024 – Oct 3 to Nov 15, 2024; 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

Growth in most non-agri indicators rose in October-November FY2025 vs. Q2, aided by festive demand and dissipation of monsoon-led disruptions

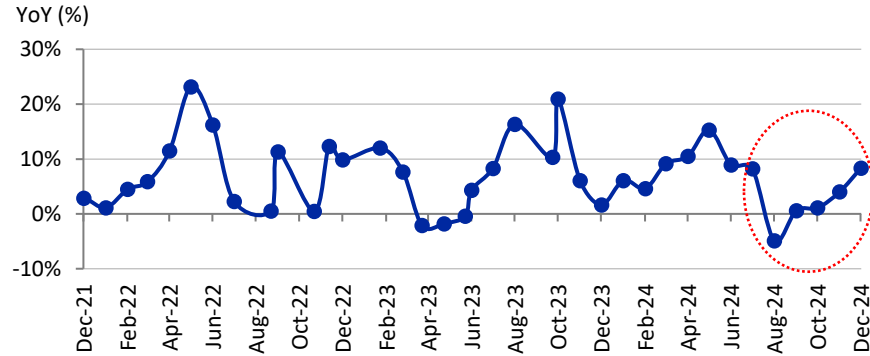
EXHIBIT: YoY performance of high frequency non-agri indicators in Q2 FY2025 and October-November FY2025



- The YoY growth in the ICRA Business Activity Monitor accelerated to 9.1% in October-November FY2025 (+11.7% in October-November FY2024) from 7.3% in Q2 FY2025 (+9.6% in Q2 FY2024), as economic activity gained momentum aided by the festive demand and the dissipation of monsoon-related disruptions.
- As many as nine of the 14 constituent indicators saw an uptick in their YoY performance in October-November FY2025 relative to Q2 FY2025, amid the positive impact of the festive season on automobiles (vehicle registrations, PV output), fuel consumption (petrol and diesel consumption), air travel (domestic passenger traffic) and freight (rail freight), as well as the benefits of monsoon withdrawal on sectors like electricity (generation) and mining (CIL's output) contributing to this improvement.
- Although the YoY growth performance of ports cargo traffic, JPC steel consumption, 2W output and GST e-way bills deteriorated in October-November FY2025 vs. Q2 FY2025, this was largely on account of unfavourable base effects. Moreover, most of this sub-set (other than ports cargo traffic) displayed healthy growth in this period.

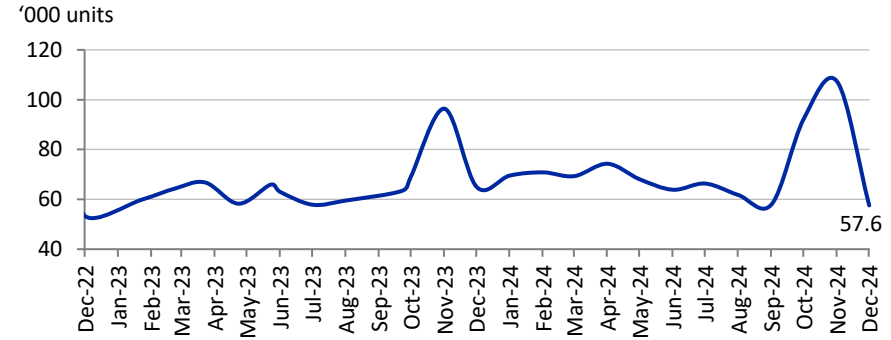
While YoY growth in electricity demand rose in first half of December 2024, vehicle registrations normalised post the end of festive season

Exhibit: Electricity Demand at all-India level



Data for December 2024 is till December 16, 2024; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Daily average vehicle registrations at all-India level



Data for December 2024 is till December 17, 2024; Source: Vahan, MoRTH; ICRA Research

- The YoY growth in all-India electricity demand rose to 8.3% in December 2024 (till December 16) from 4.0% in November 2024, aided by a low base (+1.6%/+6.1% in December/November 2023). While the average demand remained stable at 4.1 BU/day during December 1-16, 2024 vis-à-vis the prior month, the average spot power tariffs in the day-ahead-market (DAM) rose slightly to Rs. 3.6/unit during December 1-17 from Rs. 3.3/unit in November 2024.
- As per the data provided on the Vahan portal, the average daily vehicle registrations nearly halved to 57.6k units/day during December 1-17, 2024 from 107.3k units/day in November 2024, displaying a sharp sequential decline of 46%, while entailing a YoY growth of 12.4% over the similar period of December 2023. The registrations have normalised in the ongoing month after the festive-led spillover surge seen in the previous month. While the robust kharif harvest and the year-end offers would continue to support the 2W segment, high inventory levels at the dealership level for PVs continues to pose a concern for the industry.

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.

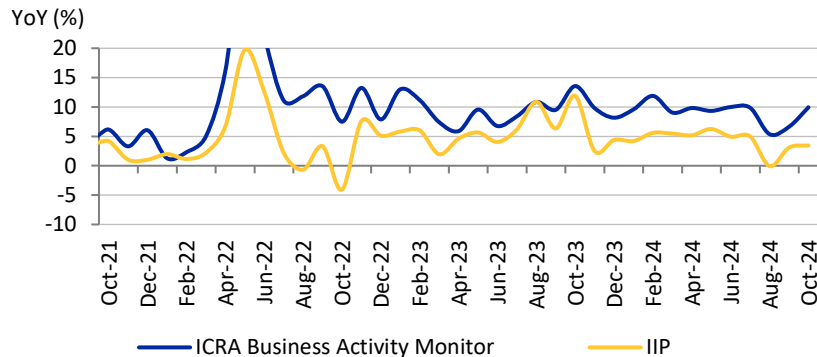
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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, an improvement in the YoY growth of the Index to 9.9% in October 2024 from 6.6% in September 2024, signifies that the growth in economic activity picked-up in October 2024 vis-à-vis September 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 October 2024 was released on December 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 (Eg. Business Activity Monitor for October 2024 was available by mid-November 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

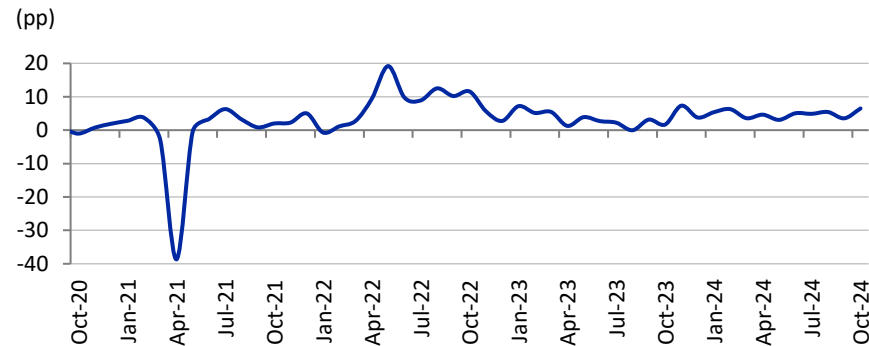
Annexure A.2: ICRA Business Activity Monitor

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

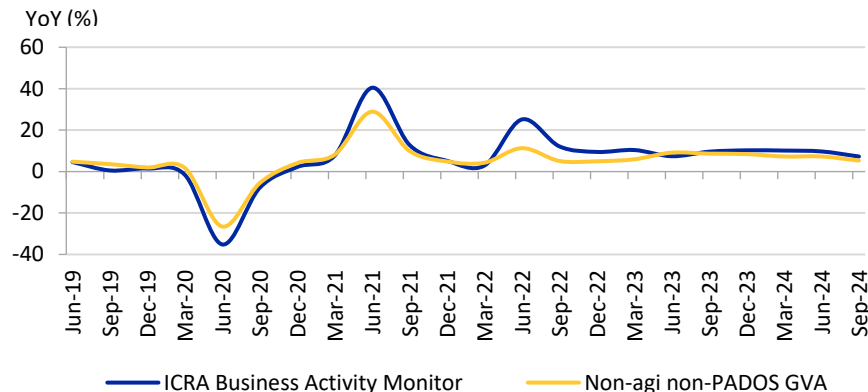


Source: ICRA Research

- 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 46, respectively, of the 67 months between April 2019 and October 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 50 of the 66 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 56/11 of the 67 months.

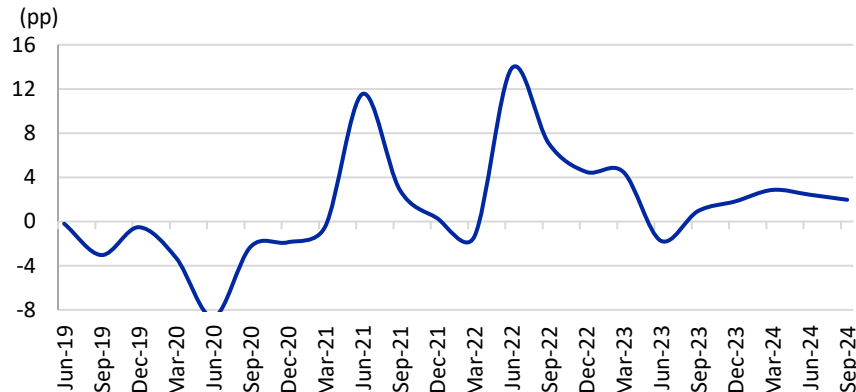
Annexure A.3: ICRA Business Activity Monitor

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

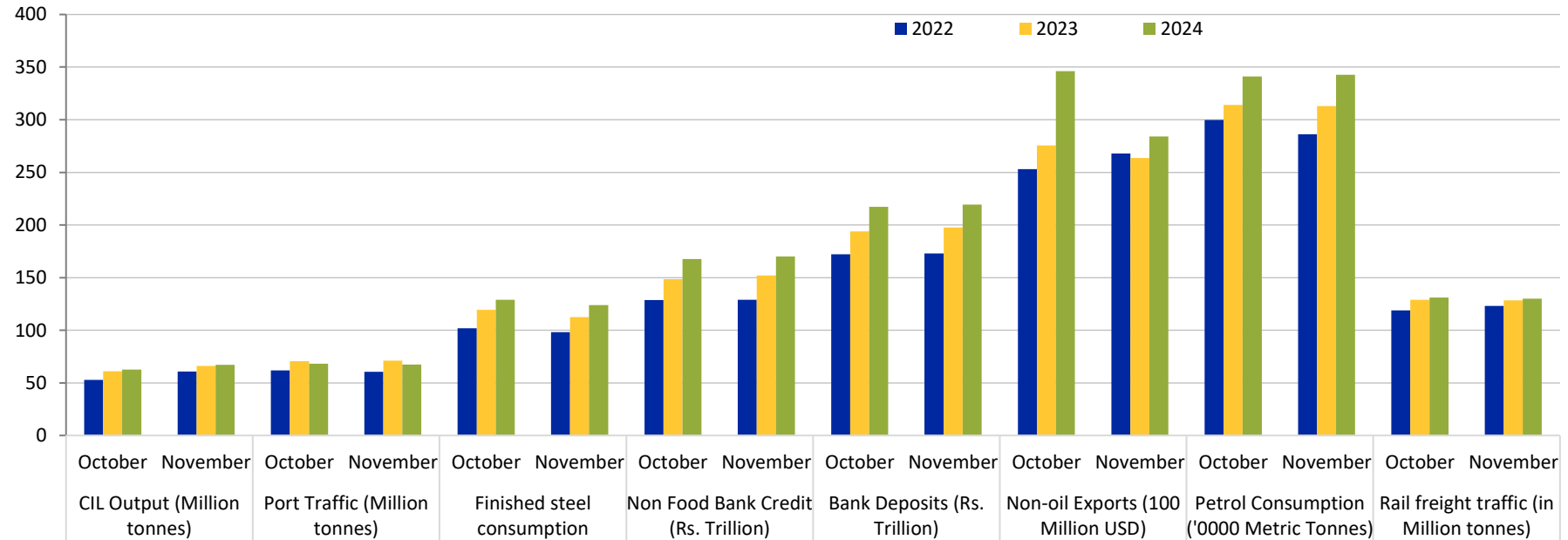


Source: ICRA Research

- 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 22 quarters between Q4 FY2019 and Q2 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 most indicators rose in October-November 2024 vis-à-vis October-November 2023 barring port cargo traffic- I

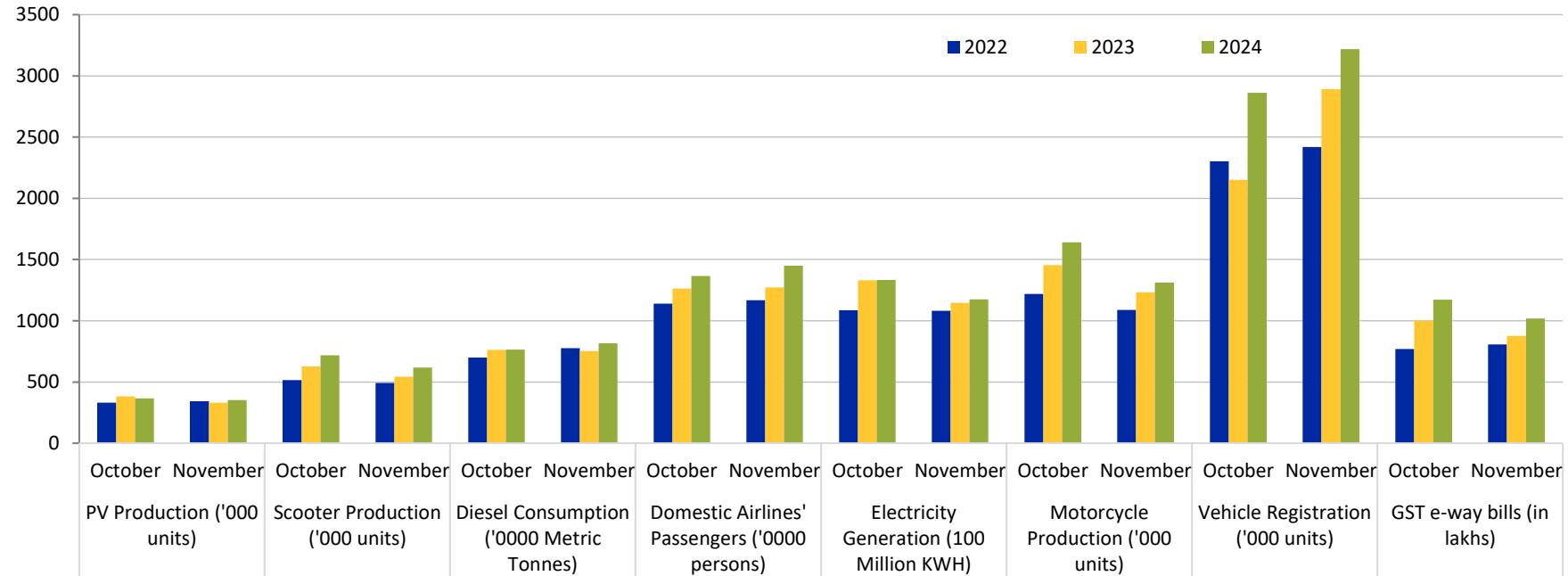
Exhibit: Trends in Volumes for Last Three Years in October and November (Part - I)



*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 most indicators rose in October-November 2024 vis-à-vis October-November 2023 barring port cargo traffic-II

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



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



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Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head- Research and Outreach	aditin@icraindia.com	0124- 4545 385
Rahul Agrawal	Senior Economist	rahul.agrawal@icraindia.com	022 – 6114 3425
Aarzo Pahwa	Economist	aarzo.pahwa@icraindia.com	0124 – 4545 835
Tiasha Chakraborty	Economist	tiasha.chakraborty@icraindia.com	0124- 4545 848
Isha Sinha	Associate Economist	isha.sinha@icraindia.com	022-6114 3445





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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