



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

Growth in economic activity picked up in August 2025; GST rate cuts to boost consumption during festive season

SEPTEMBER 2025





Click to Provide Feedback

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
- Non-oil merchandise exports
- Cargo handled at major ports
- Consumption of petrol and diesel
- Finished steel consumption
- Generation of GST e-way bills
- Domestic airline passenger traffic
- Aggregate deposits and non-food credit of SCBs

The year-on-year (YoY) growth in economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, rose to a 5-month high of 8.3% in August 2025 from 7.4% in July 2025, aided by a favorable base. The improvement was not broad based, but was led by small set of indicators, including a sharp turnaround in growth in Coal India Limited (CIL's) output following a double-digit fall in the prior month. The US penalties that came into effect at month-end, affected non-oil exports in August 2025 and the impact is set to intensify in September 2025. The performance of financial indicators was mixed in August 2025 vis-à-vis July 2025, although conditions in the money market remained comfortable. The strong growth in coal and steel output, coupled with a low base pushed up the growth in core output to a 15-month high of 6.3% in August 2025. Given these trends, ICRA expects the IIP growth to print at ~5.5% in August 2025. The early trends in activity for September 2025 appear mixed so far, with Southwest monsoon withdrawal supporting electricity demand, and the impending GST cuts stalling vehicle registrations.

- **Growth in ICRA Business Activity Monitor at 5-month high in August 2025:** The YoY growth in the ICRA Business Activity Monitor rose to a 5-month high of 8.3% in August 2025 (+6.1% in August 2024) from 7.4% in July 2025 (+11.2% in July 2024), aided by a favourable base. The uptick was not broad based; only 5 of the 15 constituent indicators saw an improved growth performance between these months. In particular, there was a sharp turnaround in CIL's output to a YoY expansion (+9.3% in August vs. -15.6% in July) that boosted the growth in the Index.
- **Core output improved to a 15-month high of 6.3% in August 2025:** The uptick was particularly driven by coal, which saw an expansion of 11.4% in the month, following a double-digit contraction in July 2025. The growth in output of the cement and steel sectors eased to 6.1% and 14.2%, respectively, in August 2025 (+11.6% and +16.6% in July 2025, respectively), albeit remaining healthy, as excess rains likely impacted construction activity. ICRA expects the IIP growth to print at ~5.5% in August 2025, particularly aided by a turnaround in the performance of mining output, which has seen a contraction in every month during April-July 2025.

EXHIBIT: YoY growth of ICRA Business Activity Monitor

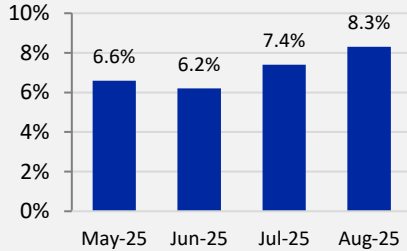
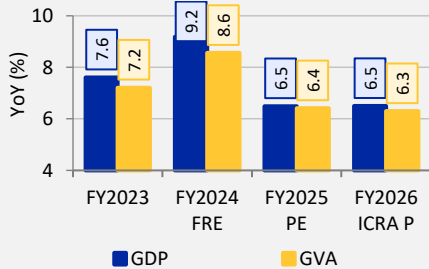


EXHIBIT: Growth in GDP and GVA growth (at constant 2011-12 prices)



P: Projected; Source: NSO, ICRA Research

- Labour market conditions improved in August 2025:** While the Labour Force Participation Rate (LFPR) and Worker Population Ratio (WPR) inched up in August 2025 vis-à-vis July 2025, the Unemployment Rate (UR) edged lower between these months. Notably, the 50 bps dip in the UR was largely driven by lower joblessness for urban males (-70 bps to +5.9%), even as the UR for females inched up in both urban and rural areas despite a rise in LFPR.
- Financial conditions were comfortable in August 2025:** The performance of financial indicators was mixed in August 2025 vs. July 2025, with six of the 12 indicators witnessing an easing, while the others worsened. Notably, while conditions in the money market (as measured by the spread of overnight rates over the policy repo rate, and banking system liquidity) remained quite comfortable, those in the G-sec, equity, and forex markets were mixed between these months.
- Early data for September 2025 mixed:** The average daily vehicle registrations plunged by ~33% sequentially and ~36% YoY to ~40.4k units/day during September 1-22, 2025, owing to the stalling of purchases in anticipation of GST rate cuts, as well as the inauspicious *Shraddh* period. However, the YoY growth in all-India electricity demand rose by ~3% YoY during September 1-22, 2025 (+4.3% in August 2025), aided by withdrawal of SW monsoon.
- GST rationalisation to boost consumption during festive season:** While the GST rate rationalisation creates modest fiscal implications for the Centre and the State governments, households will benefit through expenditure savings, which augurs well for boosting consumption, and would partly offset the sting owing to the US penalties on India's exports. ICRA expects the consumers to benefit to the extent of ~Rs. 2.0 trillion owing to the GST rationalisation, assuming full passthrough, which is much higher than the net revenue loss of ~Rs. 0.5 trillion indicated by the Government of India (GoI). Given the earlier-than-expected implementation of the GST rate cuts at the start of the consumption-heavy festive period, the moderate revenue likely to be foregone by the Government, and the stronger-than-expected Q1 FY2026 GDP print, ICRA assesses the FY2026 GDP growth at 6.5%.

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

ICRA Business Activity Monitor



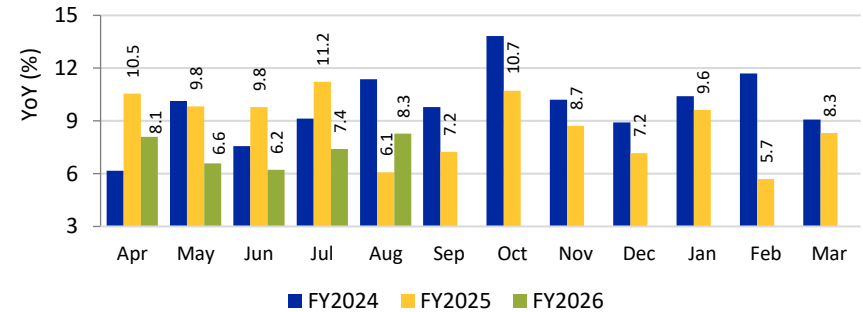
Note: Since the rail freight traffic data for the month of August 2025 is not available, we have excluded this indicator from the computation of the ICRA Business Activity Monitor. We have clubbed the production of PVs, scooters and motorcycles together as a single indicator; SCB: Scheduled Commercial Banks; PV: Passenger Vehicles; 2W: Two-wheelers; Source: ICRA Research

YoY growth in economic activity picked up to a 5-month high in August 2025, supported by a favourable base

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



EXHIBIT: YoY growth of ICRA Business Activity Monitor



Note: While the monthly data for 15 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 a 5-month high of 8.3% in August 2025 (+6.1% in August 2024) from 7.4% in July 2025 (+11.2% in July 2024), aided by a favourable base. The uptick was not broad based; only 5 of the 15 constituent indicators saw an improved growth performance between these months.
- The uptick was primarily driven by sharp turnaround in the YoY growth of CIL’s output (to +9.3% in August 2025 from -15.6% in July 2025; amid a pick-up in thermal electricity generation), followed by domestic air passenger traffic (to +0.3% from -2.9%; although it remained muted with heavy rainfall in July-August likely impacting travel), vehicle registrations (+2.7% vs. -3.8%; aided by a low base), followed by double-digit growth in scooter production (to +17.3% from +8.6%). Besides, the YoY growth in steel consumption (robust at +8.8%) and non-food bank credit (at +9.9%) remained unchanged between these months.
- On the other hand, partly impacted by US penalties that came into effect at month-end, the YoY growth in ports cargo traffic (+2.5% vs. +4.0%), non-oil exports (to +6.8% from +13.8%; amid a slowdown in export to the US), and GST e-way bill generation (+22.4% vs. +25.8%, albeit remaining healthy as pre-festive stocking continued to offer support) deteriorated in August 2025 vis-à-vis July 2025. Additionally, the performance of auto-related indicators also worsened, with PV production re-entering the negative territory following a mild uptick in the previous month (to -4.1% vs. +0.1%), and motorcycle production registering a sharp dip in growth (+7.5% vs.+14.4%).

The uptick was not broad based, with the YoY performance of just 5 of the 15 constituent indicators improving in August 2025 vs. July 2025

EXHIBIT: Heatmap of high frequency indicators

YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passengers	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output												
May-25	5.4	11.8	1.8	6.0	-1.4	-4.7	4.4	4.3	18.9	8.3	1.9	9.2	2.1	10.1	9.8
Jun-25	-1.8	-3.7	4.3	5.6	-8.4	-1.2	2.9	5.6	19.3	9.1	3.0	6.8	1.5	10.3	10.2
Jul-25	0.1	8.6	14.4	-3.8	-15.6	3.7	13.8	4.0	25.8	8.8	-2.9	5.9	2.4	10.17#	9.9#
Aug-25	-4.1	17.3	7.5	2.7	9.3	3.1	6.8	2.5	22.4	8.8	0.3	5.5	1.2	10.22#	9.9#

YoY growth; sequential pick-up

YoY growth; sequential dip

YoY growth; no sequential change

YoY contraction; sequential pickup

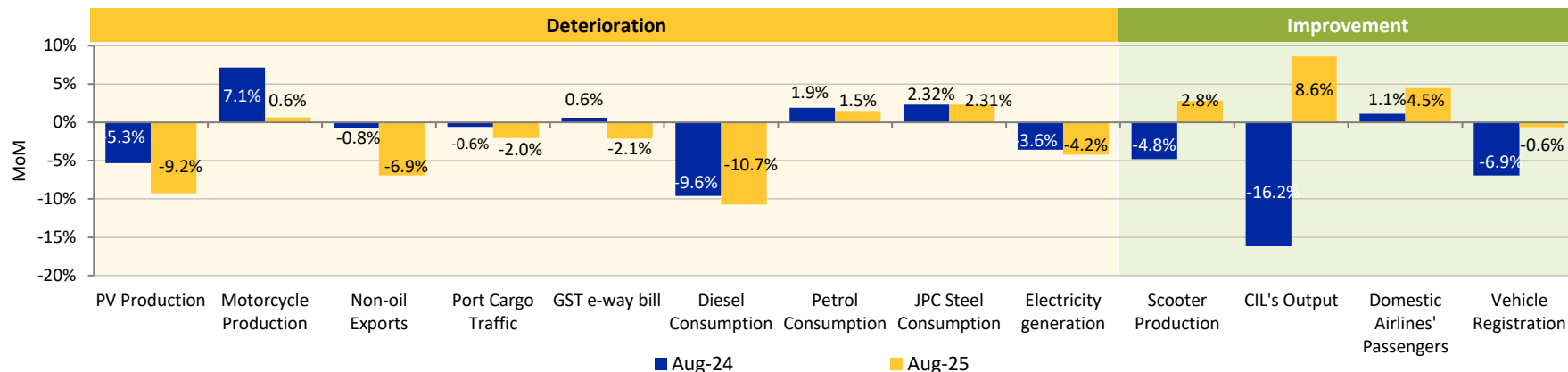
YoY contraction; sequential dip

The uptick in August 2025 vis-à-vis July 2025 was not broad based and was led by just five indicators, while the performance of as many as eight indicators deteriorated between these months. However, only one indicator saw a YoY contraction in August 2025, as against three in July 2025.

#including the impact of merger; ~excluding the impact of HDFC and HDFC bank merger to ensure comparability; SCBs; Scheduled Commercial Banks; Note: While the monthly data for 15 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, renewable 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; 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; Reserve Bank of India; Vahan Portal; Ministry of Road Transport and Highways; CMIE; CEIC; ICRA Research

Index reported narrower sequential dip in August 2025 vs. August 2024

EXHIBIT: MoM performance of non-financial economic indicators



- Although the ICRA Business Activity Monitor reported a lower MoM contraction of 0.8% in August 2025 as compared to 1.6% in August 2024, this was in contrast with the typical seasonal sequential uptick that is witnessed in the month.
- The improvement in the sequential performance in August 2025 vis-à-vis August 2024, was driven by only 4 of the 13 non-financial indicators, including domestic airline passenger traffic, vehicle registration, followed by a turnaround in scooter production, and CIL's output.
- Notably, most of the mobility and transport-related indicators saw a deterioration in their sequential performance in August 2025 relative to the year ago month.

Note: While the monthly data for 15 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; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research

Core sector growth improved to a 15-month high of 6.3% in August 2025, amid a favourable base

EXHIBIT: YoY trends in output of core sector

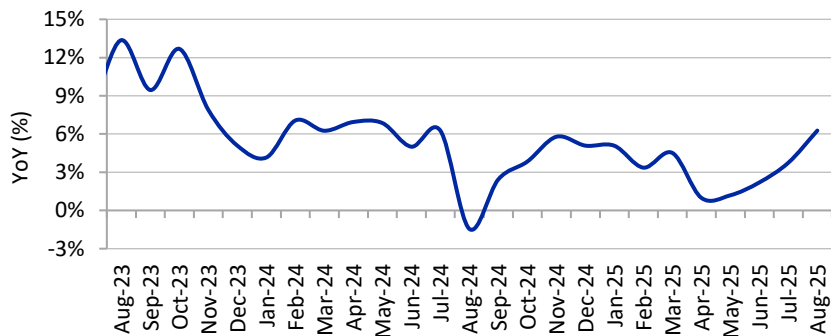
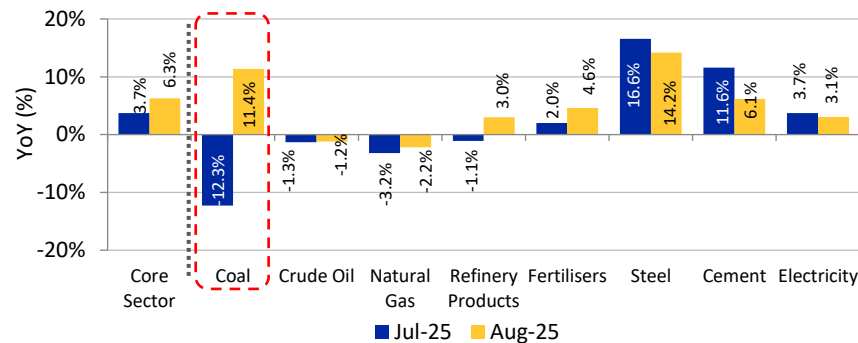


EXHIBIT: YoY performance of core sector and its sub-components

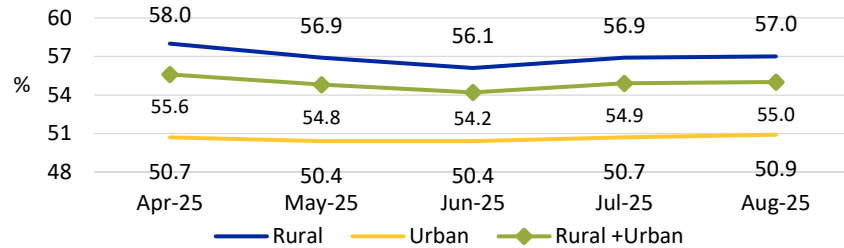


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- Aided by a favourable base, the YoY growth in core output rose to a 15-month high of 6.3% in August 2025 from the upward revised 3.7% in July 2025 (initial: +2.0%) with five of the eight sectors reporting an improvement in their growth performance between these months. This was particularly driven by coal output, which surged by 11.4%, following the double-digit contraction (-12.3%) in July 2025. Additionally, while refinery products (+3.0% vs. -1.1%) saw a turnaround, the growth in fertilisers (+4.6% vs. +2.0%) improved, followed by a narrower contraction in crude oil (-1.2% vs. -1.3%) and natural gas (-2.2% vs. -3.2%) in August 2025 vis-à-vis July 2025.
- The YoY expansion in the output of the cement and steel sectors eased to 6.1% and 14.2%, respectively, in August 2025 (+11.6% and +16.6% in July 2025, respectively), albeit remaining healthy, as excess rains in the month likely impacted construction activity, and an adverse base weighed on the former. **Going forward, the withdrawal of SW monsoon from mid-September 2025 is likely to augur well for the construction/infra sector.**
- Overall, given the trends in core output, ICRA expects the IIP growth to print at ~5.5% in August 2025, particularly aided by a turnaround in the performance of mining output, which has seen a contraction in every month during April-July 2025.**

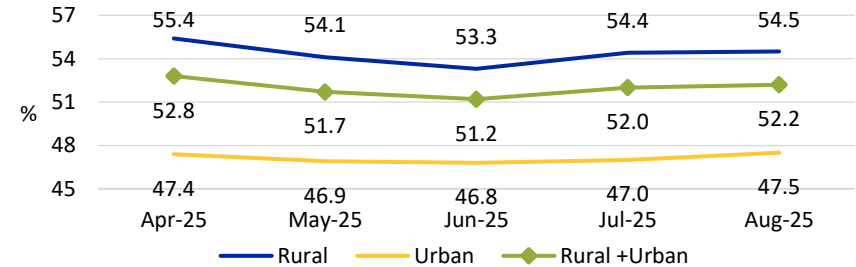
Labour market conditions improved in August 2025 vis-à-vis July 2025

EXHIBIT: The all-India Labour Force Participation Rate (LFPR) inched up for the second consecutive month in August 2025, led by both rural and urban areas



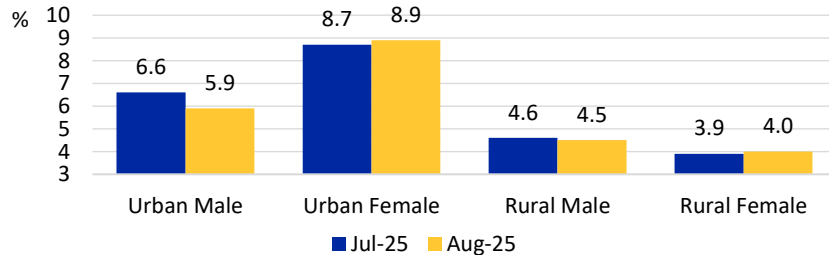
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.

EXHIBIT: The all-India Worker-Population Ratio (WPR) rose slightly in August 2025 vs. July 2025, primarily led by urban areas



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

EXHIBIT: The all-India Unemployment Rate (UR) eased to 5.1% in August 2025 from 5.2% in July 2025, largely led by lower joblessness among urban men



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

- In urban areas, the UR dipped by 50 bps to 6.7% in August 2025 vis-à-vis July 2025, amid sharp dip in male UR (-70 bps to 5.9%; led by sharper uptick in WPR relative to LFPR). UR for females inched up (+20 bps to 8.9%) between these months, while sharply exceeding UR for their male counterparts.
- The female LFPR increased for the second consecutive month in August 2025 across rural and urban areas. However, this stood at 37.4% in rural areas and 26.1% in urban areas in August 2025, less than half of the male LFPR at 77.9% and 75.4%, respectively.
- The unavailability of month-wise year-ago data makes the analysis of labour market conditions a bit challenging.

Financial conditions remained comfortable in August 2025

EXHIBIT: Heatmap of high frequency indicators pertaining to financial conditions

Financial Indicators*	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
WAMMR spread (bps)	-10	-4	-14	-7	5	4	-3	-7	-22	-27	-30	-18	-17
Net LAF/NDTL (%)	0.7	0.5	0.7	0.6	-0.3	-0.9	-0.7	-0.5	0.6	0.7	1.2	1.3	1.2
Yield curve level (%)	6.81	6.75	6.73	6.77	6.72	6.75	6.69	6.66	6.31	6.15	6.11	6.12	6.27
Yield curve slope (bps)	25	22	34	38	28	19	27	20	45	52	93	102	105
3Y AAA spread (bps)	111	117	101	93	103	108	106	111	102	109	101	95	80
5Y AAA spread (bps)	97	97	89	84	88	83	87	100	102	103	99	111	91
BSE Sensex return (%)	0.8	2.3	-5.8	0.5	-2.1	-0.8	-5.6	5.8	3.7	1.5	2.6	-2.9	-1.7
PE level vs. 2YMA	99.1	102.4	99.3	94.7	96.2	92.9	89.4	88.3	91.4	96.5	98.5	100.8	96.7
India VIX	1,876	1,941	1,874	1,766	1,782	1,742	1,711	1,670	1,729	1,799	1,821	1,847	1,809
India-US yield differential (bps)	304	311	270	250	239	217	230	246	218	185	196	201	232
INR return (%)	-0.2	0.1	-0.4	-0.6	-1.2	-1.1	-1.1	2.3	1.1	-1.1	-0.2	-2.1	-0.7
1M forward premia (%/annum)	1.15	1.50	1.65	1.64	2.69	3.24	2.68	3.29	2.81	2.33	1.52	1.61	1.72

Easier financial conditions

Neutral

Tighter financial conditions

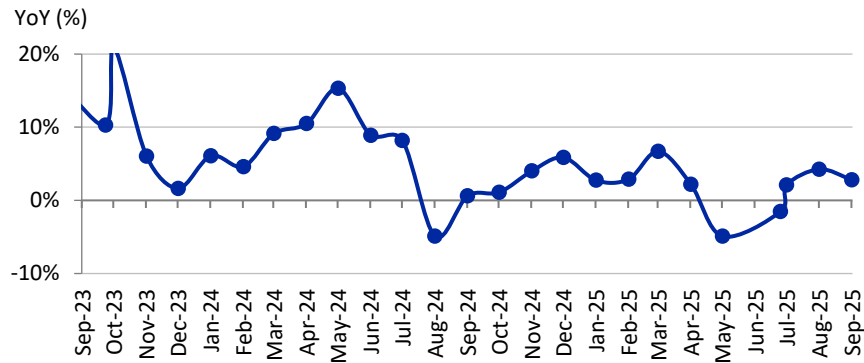
Six of the 12 indicators pertaining to financial conditions have registered an improvement in August 2025 compared to July 2025. While conditions in money market remained comfortable, those in the G-sec, equity and forex markets displayed mixed trends in August 2025 vs. the prior month.

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

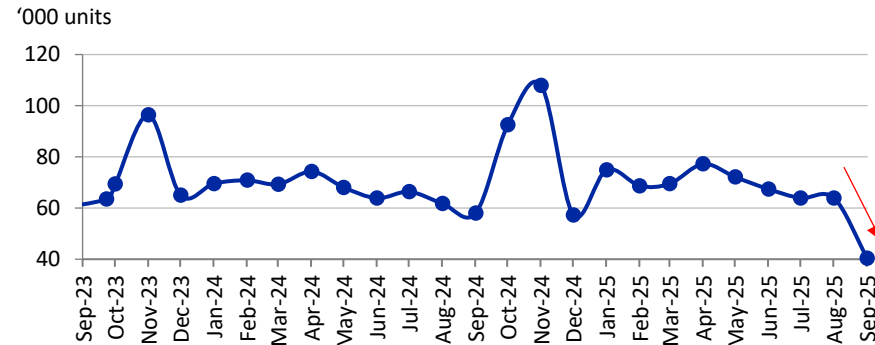
Electricity demand up by ~3% YoY in September 2025 so far; vehicle registrations plunged owing to deferred purchases amid GST cuts, *Shraddh* period

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



Data for September 2025 is till September 22; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Daily average vehicle registrations at all-India level



Data for September 2025 is till September 22; Source: Vahan, MoRTH; ICRA Research

- After contracting by 1.5% during the first week of September 2025, the all-India electricity demand reverted to a YoY expansion of 4.7% during September 8-22, 2025, amid the onset of monsoon withdrawal. Overall, the growth is pegged at 2.8% in the month, slightly lower than 4.3% seen in August 2025. The average spot power tariffs in the day-ahead-market (DAM) eased to Rs. 3.7/unit during September 1-23, 2025 from Rs. 4.0/unit in the previous month. **Going ahead, electricity demand is likely to improve further post the monsoon season.**
- As per the data provided on the Vahan portal, the average daily vehicle registrations fell sharply by ~33% sequentially to a 52-month low of 40.4k units/day during September 1-22, 2025, while trailing the year ago levels by ~36%, owing to the deferment of purchases until the GST tax cuts were implemented from September 22, as well as the inauspicious *Shraddh* period. **The vehicle registrations are expected to pick up in latter part of September 2025 and gain pace in October 2025, with lower GST rates across most categories, and the anticipation of demand revival during the festive season.**

Annexure A.1: ICRA Business Activity Monitor

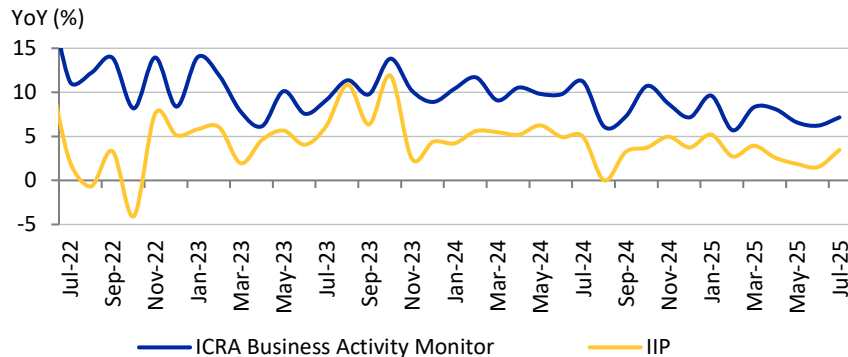
The ICRA Business Activity Monitor - an Index of high frequency economic indicators, is a composite tool that gauges economic activity each month. While several high frequency indicators are released every month, each of these provides insights on the performance of a select segment of the economy. It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

The ICRA Business Activity Monitor is constructed using 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 the 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 7.2% in July 2025 from 6.2% in June 2025, signifies that the momentum in economic activity picked-up in July 2025 vis-à-vis June 2025.

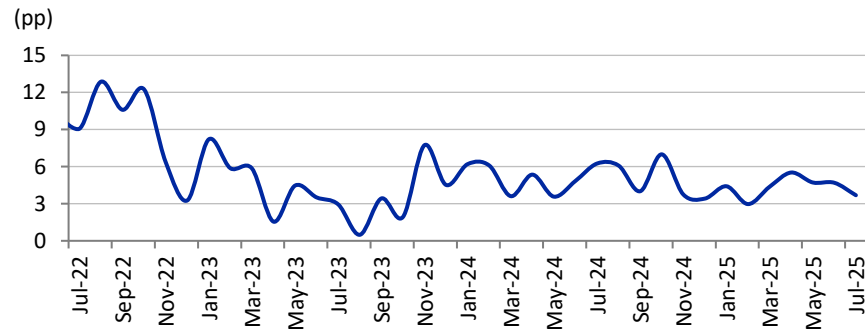
While summary measures of economic activity such as the GDP and the Index of Industrial Production (IIP) are released by the Government, these are available with relatively longer lags. The GDP data is available for a quarterly or higher frequency and is released with a lag of two months post the end 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 July 2025 was released on August 28, 2025). Moreover, the IIP by design excludes the services sector. Since the ICRA Business Activity Monitor is based on a variety of high frequency indicators, it is usually released with a lag of three weeks (E.g. Business Activity Monitor for July 2025 was available by August 26, 2025), 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

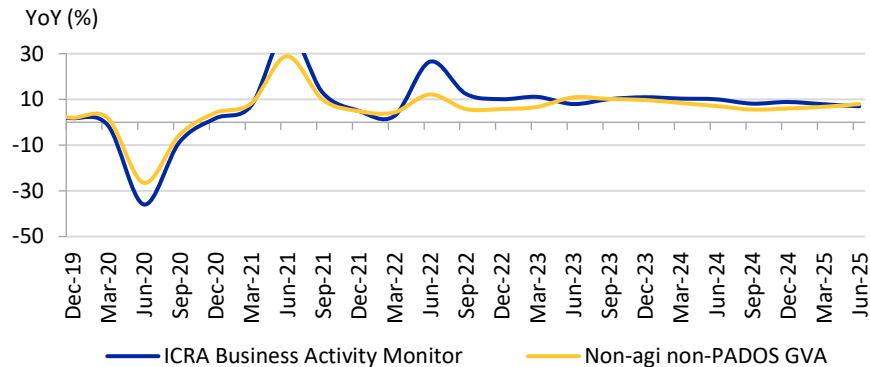


Source: ICRA Research

- 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 18 and 53, respectively, of the 76 months between April 2019 and July 2025.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 61 of the 76 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 65/11 of the 76 months.

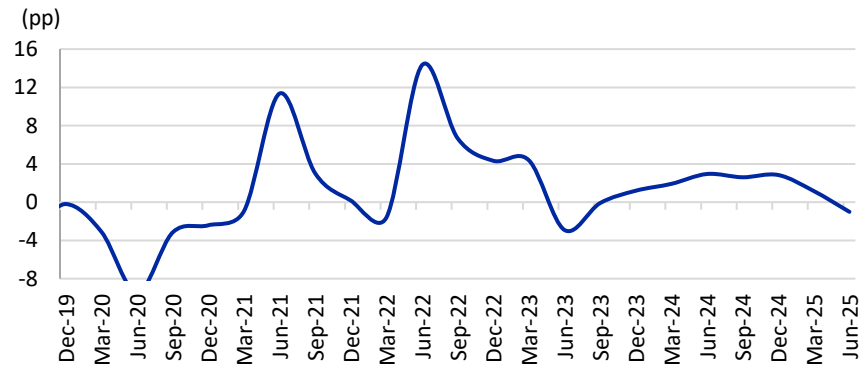
Annexure A.3: ICRA Business Activity Monitor

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

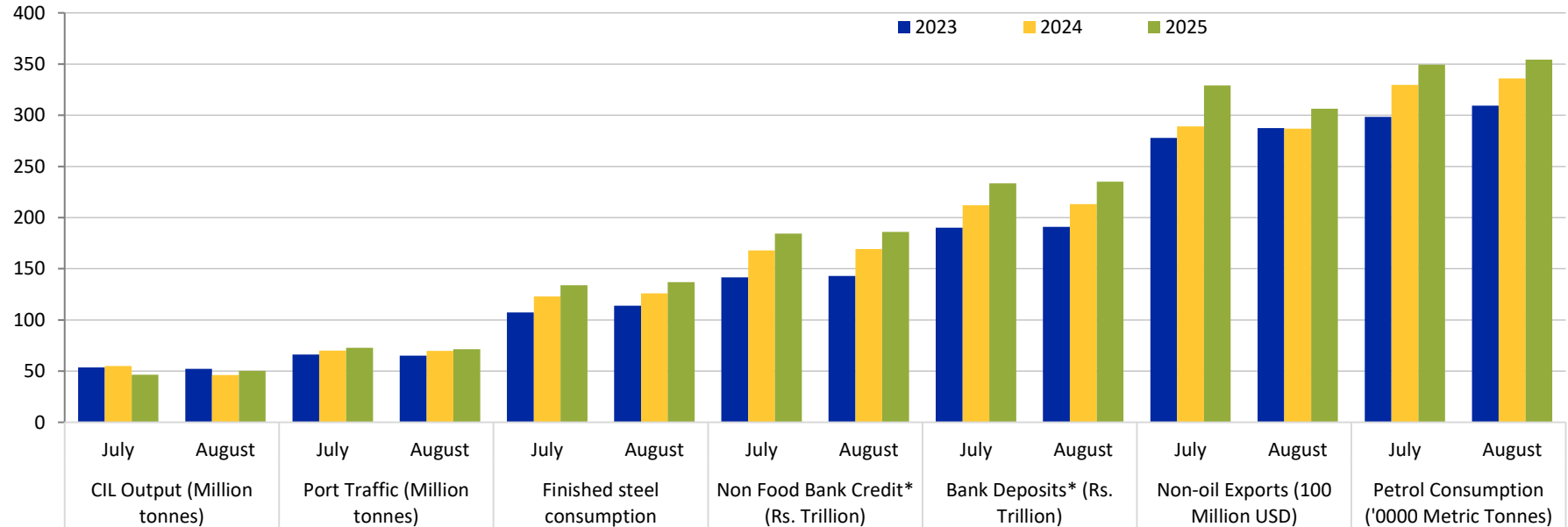


Source: ICRA Research

- 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 19 of the 25 quarters between Q1 FY2020 and Q1 FY2026.
- Interestingly, in the period when growth was slowing down (up to Q1 FY2021), there was a negative deviation between the ICRA Business Activity Monitor and the non-PADOS GVA growth, indicating that the former predicted the downturn but magnified its extent. The opposite is true for the period from Q4 FY2021 onwards.
- Since the GVA is a measure of value addition, this could lead to a difference in the magnitude and/or direction of changes between the growth in the GVA and the ICRA Business Activity Monitor, as the former would be affected by changes in margins of businesses following rising/falling commodity prices or cost cutting measures.

Annexure B.1: Volume of 14 of 15 indicators rose in August 2025 vis-à-vis August 2024

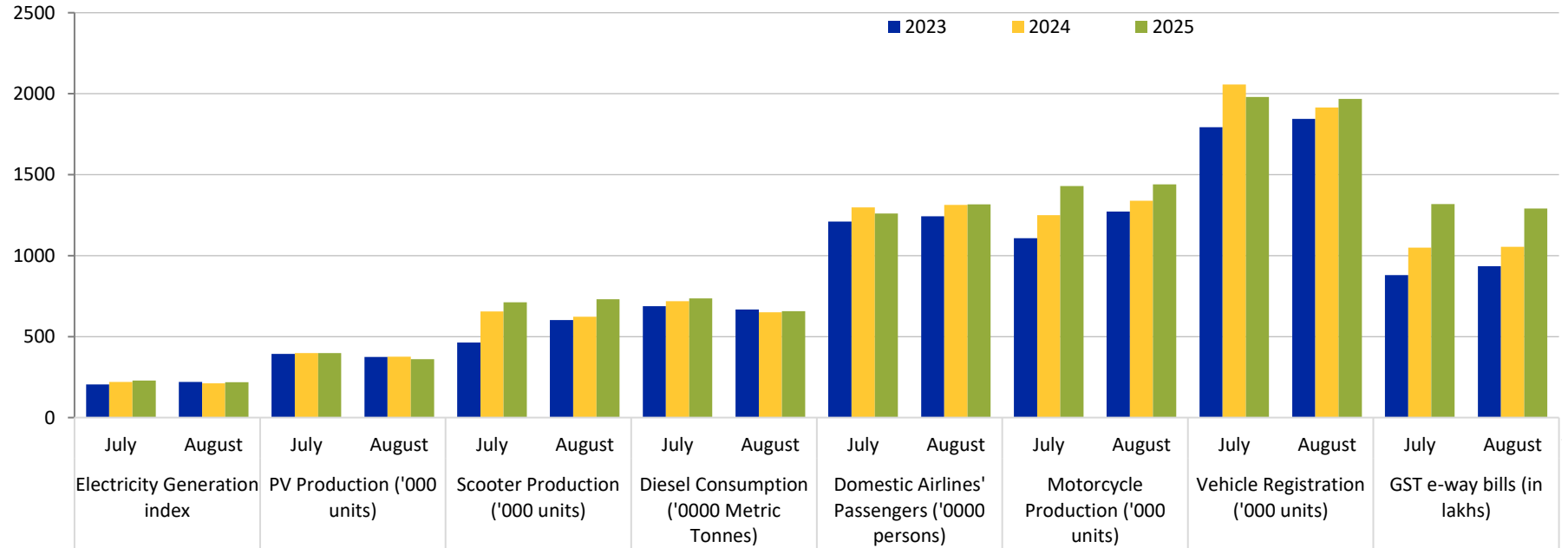
EXHIBIT: Trends in Volumes for Last Three Years in July and August (Part - I)



*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 Ports Association; JPC; RBI; PPAC; CEIC; Office of Economic Adviser, Ministry of Commerce and Industry; ICRA Research

Annexure B.2: Volume of 14 of 15 indicators rose in August 2025 vis-à-vis August 2024

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



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



[Click to Provide Feedback](#)



ICRA 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
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
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 – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2025 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!