

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

Growth in economic activity improved in May 2026, even as disaggregated trends were mixed across indicators

JUNE 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, accelerated to a 3-month high of 8.7% in May 2026 from 8.3% in April 2026. However, the trend was mixed across the 16 constituent indicators, amid uneven recovery across sectors. Additionally, core output growth remained tepid, dipping to a 7-month low of 0.5% in May 2026, owing to a deterioration in the performance across five of the eight sectors relative to April 2026. Besides, labour market conditions worsened in May 2026, as reflected in the rise in the all-India unemployment rate to a 11-month high of 5.5%, while financial conditions also tightened in the month. Although early trends for June 2026 depict continued healthy growth momentum in power demand and vehicle registrations, financial conditions remain tight. Nevertheless, the better-than-expected performance in May 2026 and the recent cooling in crude oil prices, following the easing of tensions in West Asia, have improved the growth outlook for Q1 FY2027. However, the Southwest Monsoon has progressed at a tardy pace, with a sizeable deficit of 42% over the normal levels during June 1-23, 2026. Looking ahead, the timely progression and adequate distribution of rainfall remains key to support agricultural output and rural demand.

- **Growth in ICRA Business Activity Monitor rose to 3-month high 8.7% in May 2026:** After slowing down in March 2026 (+8.0%) and April 2026 (+8.3%), the growth in ICRA Business Activity Monitor rebounded slightly to a three-month high of 8.7% in May 2026. While the trend is mixed across 16 indicators, with eight showing YoY improvement in May 2026 over April 2026, only a handful of them, namely, domestic air passenger traffic (partly boosted by the low base), electricity generation, ports cargo traffic and non-oil exports contributed majorly to the acceleration in the growth in the Index between these months. Notably, automobile output and vehicle registrations saw some cooling in growth prints in May 2026, compared to the prior month, while remaining healthy.
- **Core output growth remained tepid in May 2026:** The YoY growth in core sector output slowed to a 7-month low of 0.5% in May 2026 from 1.8% in April 2026, while remaining subdued, amid a deterioration in the performance of five of the eight sectors between these months, including refinery products, coal, crude oil, natural gas, and steel output.

EXHIBIT: YoY growth of ICRA Business Activity Monitor

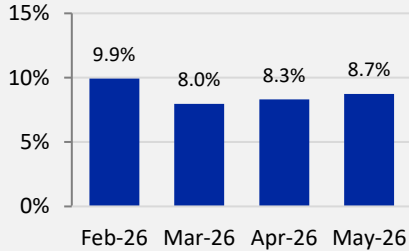
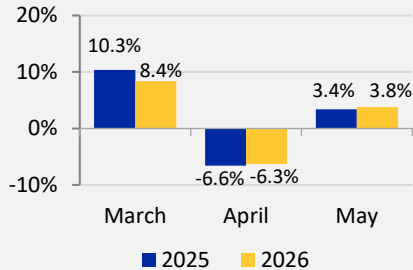


EXHIBIT: MoM trends in ICRA Business Activity Monitor



Source: ICRA Research

As many as five sectors reported a contraction in their output in May 2026, including refinery products, which witnessed the sharpest decline in 42 months, partly reflecting the fallout of the West Asia crisis. ICRA expects the growth in Index of Industrial Production to moderate to 2-3% in May 2026 from 4.9% in April 2026.

- Unemployment rate rose to 5.5% in May 2026:** Both, the Labour Force Participation Rate (LFPR) and the Worker Population Ratio (WPR) moderated to 11-month lows of 54.4% and 51.4%, respectively, in May 2026, amid continued softening in both rural and urban areas, albeit with a larger deterioration in the former vis-à-vis the latter. This may be partly attributed to the end of rabi harvesting cycle and above-normal temperatures and several heatwaves across the country impacting physical labour. Consequently, the all-India unemployment rate rose to an 11-month high of 5.5% in May 2026 from 5.2% in April 2026.
- Early data for June 2026 reflects positive trends:** The average daily vehicle registrations remained robust, rising by ~15% YoY to 79.4k/units during June 1-23, 2026, higher than the 9.3% expansion seen in the full month of May 2026. While the pace of YoY expansion in all-India electricity demand eased to 9.0% during June 1-22, 2026 from 11.0% in May 2026, it remained healthy supported by elevated temperatures.
- SW Monsoon rainfall witnessed a slow start; timely progression remains key:** India has received deficient rainfall at just 58% of the long period average (LPA) in the ongoing Southwest (SW) Monsoon season so far (till June 23, 2026), amid the development of El Nino conditions and the consequent delay in onset. This is much lower than the India Meteorological Department's (IMD's) forecast of <92% of LPA for June 2026. Sub-par rainfall has weighed on the kharif sowing (YoY: +1.7%) as well as reservoir storage levels (current: 28% vs. year ago: 32%) during June 1-19/18, 2026. Looking ahead, the timely progression and adequate distribution of rainfall remains key to support agricultural output and rural demand.

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 inched up to 8.7% in May 2026, amid uneven sectoral performance

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

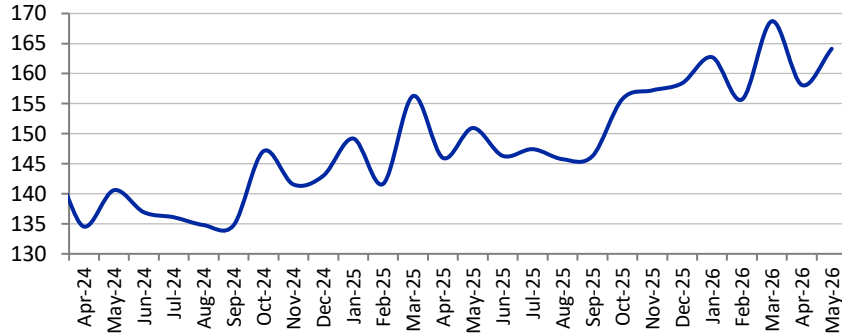
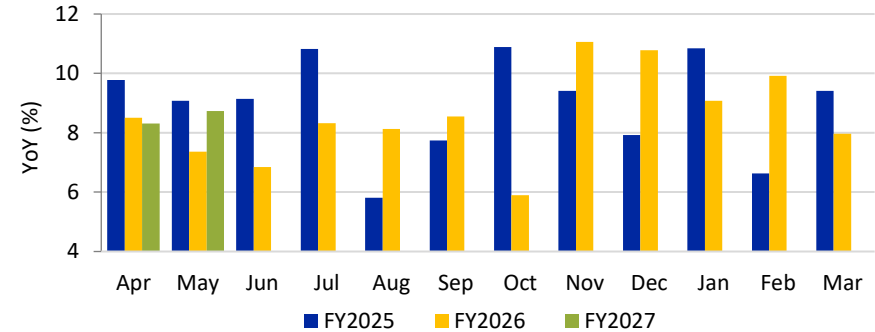


EXHIBIT: YoY growth of ICRA Business Activity Monitor



For details on the construction of the ICRA Business Activity Monitor, please refer to the [Annexure A.1](#); Source: ICRA Research

- While the YoY growth in the ICRA Business Activity Monitor rose slightly to 8.7% in May 2026 (+7.4% in May 2025) from 8.3% in April 2026 (+8.5% in April 2025), this was not broad based, with eight of the 16 constituent indicators witnessing an improvement between these months, and an equal number seeing a deterioration. After recording a strong 9-11% YoY growth during November 2025-February 2026, the YoY growth has moderated in March-May 2026, likely reflecting the economic fallout from the West Asia conflict.
- Domestic air passenger traffic (to +11.3% from -1.6%, partly on the back of a low base related to terror attacks impacting air travel in May 2025), ports cargo traffic (to +6.6% from +2.4%; amid a low base), non-oil exports (to +11.9% from +9.0%; benefitting from higher commodity prices), electricity generation (to +8.7% from +5.6%, driven by higher demand amid heatwaves), and diesel consumption (to +1.6% from +0.9%; while remaining tepid) saw a higher YoY expansion in May 2026 vis-à-vis April 2026. Further, finished steel consumption (to +9.2% from +8.2%), and cement output (+8.4% from +8.2%) also posted healthy growth in May 2026, suggesting that construction activity remained strong.
- In contrast, the YoY performance of petrol consumption (to +3.4% from +6.8%), GST e-way bill generation (to a 7-month low of +10.9% from +11.8%), and mining output (to -7.6% from -7.0%) deteriorated in May 2026 vis-à-vis April 2026, exerting a drag on the Index. While growth in the auto-related indicators, including PV output (to +10.9% from +12.8%), 2W output (to +12.7% from +28.4%), and vehicle registrations (to +9.3% from +13.5%) eased between these months, it remained healthy amid tailwinds from the sustained positive impact of the GST rate cuts as well as an extended marriage season.

Mixed trends in YoY performance across non-agri indicators in May 2026 compared to April 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													
Jan-26	5.6	25.5	12.2	18.1	0.2	5.2	-0.2	7.6	15.8	8.2	11.3	4.4	6.1	3.3	11.6	13.5
Feb-26	9.8	30.4	22.1	26.5	-0.2	2.3	6.4	3.8	18.8	7.9	8.9	0.2	6.1	4.3	12.1	14.3
Mar-26	9.0	29.6	18.3	26.1	-3.1	0.8	-9.2	0.7	12.9	14.0	4.7	-0.9	7.6	8.0	13.5	15.3
Apr-26	12.8	27.6	28.8	13.5	-7.0	5.6	9.0	2.4	11.8	8.2	8.2	-1.6	6.8	0.9	12.2	15.3
May-26	10.9	19.5	9.4	9.3	-7.6	8.7	11.9	6.6	10.9	9.2	8.4	11.3 \$	3.4	1.6	11.5	16.5

YoY growth; sequential pick-up

YoY growth; sequential dip

YoY growth; no sequential change

YoY contraction; sequential pickup

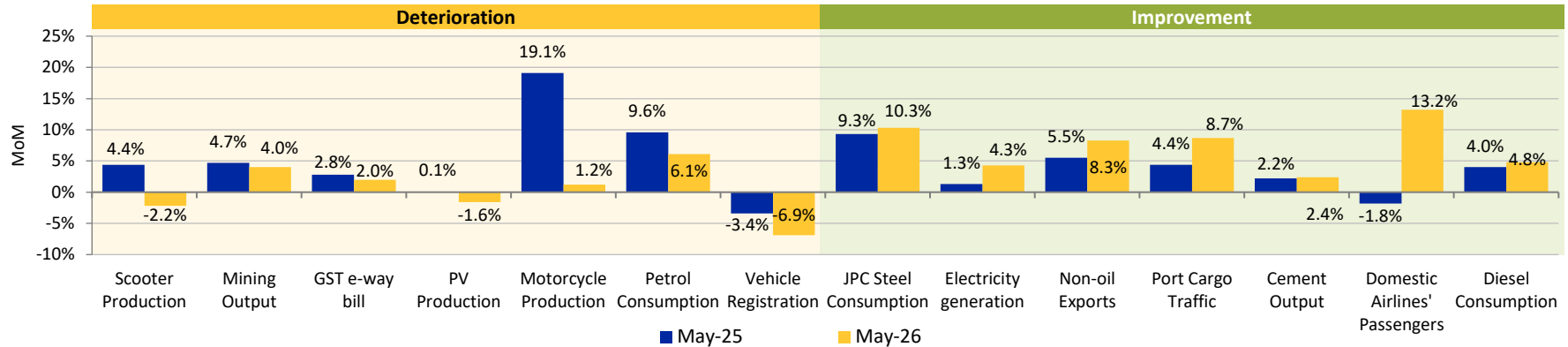
YoY contraction; sequential dip

Half of the 16 indicators saw deterioration in YoY performance in May 2026 vs. April 2026, including automobile output, vehicle registrations, mining output, GST e-way bills, etc. However, growth in power generation, air traffic and indicators related to trade and construction improved between these months.

\$ as 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 and data includes 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

MoM performance also showcased mixed trends

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



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

- The ICRA Business Activity Monitor rose by 3.8% in May 2026, echoing the typical seasonal trend of a MoM pick up in May after witnessing a contraction in April. This was slightly higher than the 3.4% rise in May 2025.
- However, the trend across indicators was mixed, with 7 of the 14 non-financial indicators reported a better MoM performance in May 2026 vis-à-vis May 2025, including finished steel consumption, electricity generation, non-oil exports (partly boosted by surge in commodity prices), ports cargo traffic, cement output, domestic air passenger traffic and diesel consumption.
- Notably, the output of both scooters and PVs contracted in May 2026, as against the uptick in year-ago month, while motorcycle production witnessed a slower sequential growth. Besides, the MoM performance of vehicle registrations, mining output, GST e-way bills and petrol consumption also weakened in May 2026.

Core output growth eased to a tepid 0.5% YoY in May 2026, amid weak trends in refinery and mining output

EXHIBIT: YoY trends in output of core sector

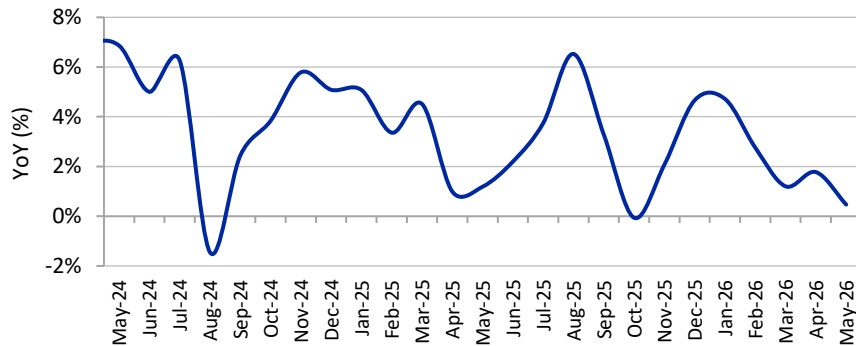
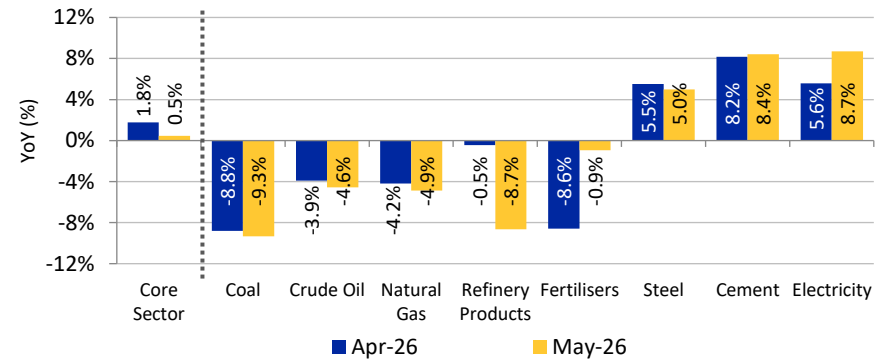


EXHIBIT: YoY performance of core sector and its sub-components

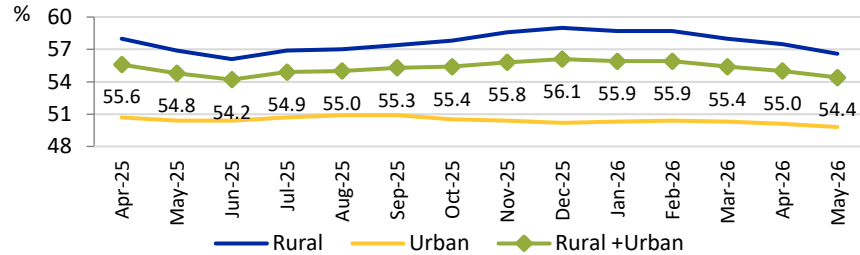


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in core sector output slowed to a 7-month low of 0.5% in May 2026 from 1.8% in April 2026, amid a deterioration in the performance of five of the eight sectors between these months, including refinery products, coal, crude oil, natural gas, and steel output.
- As many as five sectors reported a contraction in their output in May 2026, including refinery products, which witnessed the sharpest decline (-8.7%) in 42 months, partly reflecting the fallout of the West Asia crisis.
- The growth in electricity generation improved to a 24-month high of 8.7% in the month (-4.7% in May 2025; +1.7% in April 2025), aided by high temperatures as well as a favourable base. Besides, cement output reported an expansion of over 8% for the second consecutive month in May 2026, which along with improvement in electricity performance ensured that overall core output growth remained in the positive territory in the month.
- **Given the tepid performance of the core sector in May 2026, the YoY IIP growth is likely to weaken to 2-3% in the month from 4.9% in April 2026.**

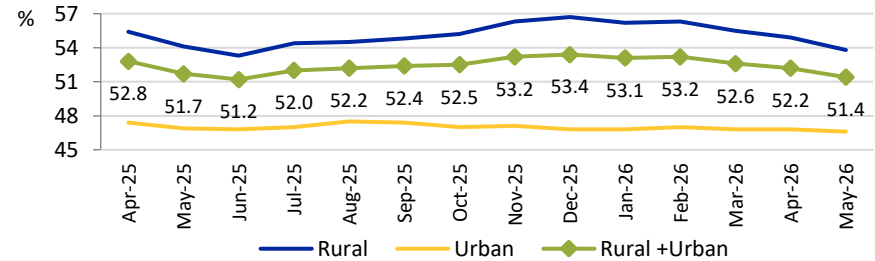
All-India unemployment rate rose to 11-month high of 5.5% in May 2026

EXHIBIT: The all-India Labour Force Participation Rate (LFPR) moderated to an 11-month low of 54.4% in May 2026 from 55.0% in April 2026, amid continued softening across rural and urban areas



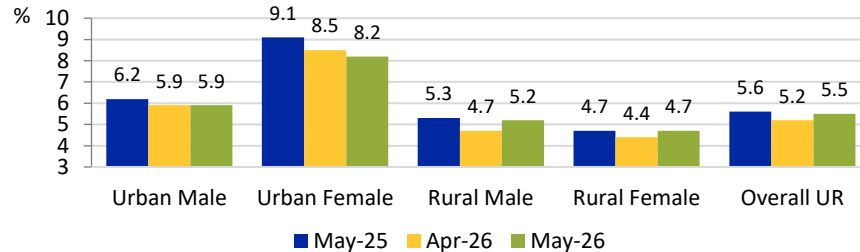
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population; Based on CWS for persons of age 15 years and above; Source: PLFS- Bulletin, MOSPI; ICRA Research

EXHIBIT: The all-India Worker-Population Ratio (WPR) also eased to an 11-month low of 51.4% in May 2026 from 52.2% in April 2026, led by a sharp decline in rural areas



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

EXHIBIT: The decline in LFPR and WPR led to an uptick in the unemployment rate to an 11-month high of 5.5% in May 2026 from 5.2% in April 2026, amid a sharp increase in rural areas

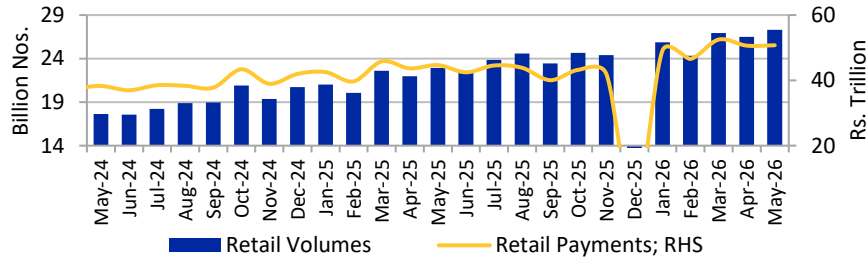


UR is defined as the percentage of persons unemployed among the persons in the labour force.

- Rural labour market conditions witnessed a pronounced sequential deterioration in May 2026, led by a sharp dip in the WPR (to 51.4% in May 2026 from 52.2% in April 2026), LFPR (to 54.4% from 55.0%), and a consequent rise in the UR (to a 12-month high 5.1% from 4.6%). This was partly driven by the conclusion of the rabi harvest cycle as well as severe heatwave conditions impacting physical labour in rural areas.
- In urban areas, a relatively steeper fall in the LFPR (-30 bps) vis-à-vis the WPR (-20 bps) led to a decline in the UR (-20 bps to 6.4% from 6.6%) in May 2026 compared to April 2026. Interestingly, the UR for urban females fell to a series low of 8.2% in May 2026 from 8.5% in the previous month, while remaining elevated.

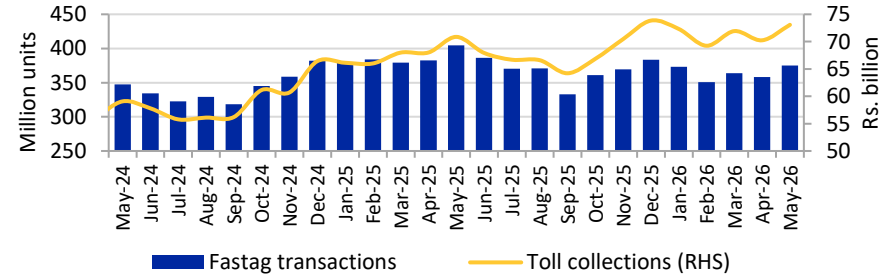
Payment data points to slower growth in retail activity in May 2026 over April 2026

EXHIBIT: The YoY growth in retail transactions slowed to a 7-month low of 19.0% in May 2026 from 20.5% in April 2026, while remaining healthy



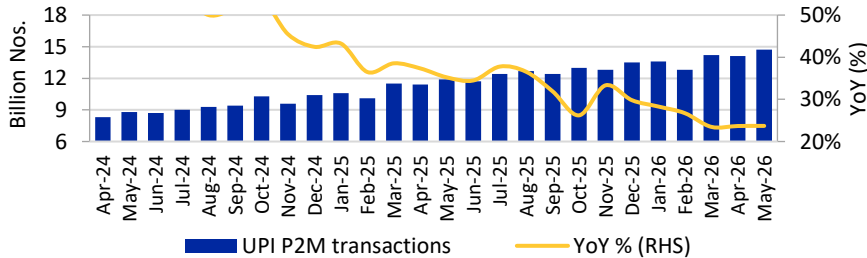
Data for Dec 2025 is unavailable; Source: National Payments Corporation of India (NPCI), ICRA Research

EXHIBIT: FASTag transactions contracted by 7.2% YoY in May 2026 following the 6.4% dip seen in April 2026; toll collections growth was quite muted at 3.1%, printing in single digits for the 5th straight month



Source: NPCI, ICRA Research

EXHIBIT: The UPI P2M transactions witnessed a strong YoY growth of 24% in May 2026, in line with April 2026 pace; grocery, fast food restaurants accounted for 48% of absolute rise in volumes, even as gas volumes eased



*P2M refers to Person to Merchant transactions; Source: NPCI; ICRA Research

- While retail transactions on the NPCI rose to an all-time high of 27.3 billion in May 2026, the pace of YoY expansion slowed to 19.0% from 20.5% in April 2026. In value terms, the growth printed at 13.6% in May 2026 (+15.9% in April 2026).
- FASTag transaction volumes and collections within the retail basket improved sequentially in May 2026, in line with seasonality. However, in YoY terms, toll collections increased by a muted 3.1% in May 2026, while transactions were down 7% in the month.
- The pan-India UPI transactions for P2M transactions rose by 4.4% MoM in May 2026, with the YoY growth staying unchanged at a robust 24% in the month, in line with the pace seen in April 2026. In terms of merchant category classification, grocery & supermarkets, and fast-food restaurants formed a sizeable 48% share in YoY uptick in volumes in May, while gas and utilities dipped by 17% YoY, likely owing to LPG supply constraints and rising use of alternatives like induction.

Flow of financial resources to commercial sector rose multifold on a YoY basis in 2M FY2027, led by non-food bank credit

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

Source (Rs. Billion)	FY2025	FY2026	2M FY2026	2M FY2027
1. Non-Food Bank Credit	18,080	29,192	-1,552	878
2. Non-Bank Sources (A+B)	18,154	17,693	1,898	1,940
A. Domestic Sources	14,907	12,663	1,271	800
Equity Issuances* ¹	3,812	3,623	418	73
Corporate Bond Issuances* ¹	1,978	3,221	269	-28
Hybrid Instruments (REITs/ InvITs)* ¹	314	301	-	37
Commercial Paper Issuances*	188	79	1,071	793
Credit by HFCs** ¹	1,279	131	-285	82
Credit by RBI-regulated AIFs ¹	995	877	-201	-156
Credit by NBFCs**	6,341	4,431	-	-
B. Foreign Sources	3,247	5,030	627	1,140
ECBs* ¹	191	227	195	8
Short-term Credit from Abroad ¹	589	1,210	5	66
FDI to India ¹	2,468	3,592	427	1,066
Total Flow of Resources (1+2)	36,235	46,884	346	2,817

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

- The flow of financial resources to the commercial sector surged by 29.4% YoY to Rs. 46.9 trillion in FY2026 from Rs. 36.2 trillion in FY2025. This Rs. 10.6 trillion expansion was largely led by non-food bank credit (+61.5%; +Rs. 11.1 trillion), which may have partly been 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).
- The flow of resources from non-bank sources, on the other hand, declined by 2.5% YoY or Rs. 0.5 trillion in FY2026, led by domestic sources (-15.1%; -Rs. 2.2 trillion; notwithstanding the surge in corporate bond issuances). Foreign sources, on the other hand, witnessed a healthy YoY expansion during this period (+54.9%; +Rs. 1.8 trillion; despite increased global volatility in the recent period), led by a sharp YoY jump in foreign direct investment (FDI) to India (+46%; +Rs. 1.1 trillion) and short-term credit from abroad (+106%; +Rs. 0.6 trillion).
- Subsequently, the flow of financial resources to the commercial sector surged to Rs. 2.8 trillion in 2M FY2027 from Rs. 0.3 trillion in 2M FY2026. This was largely driven by non-food bank credit, which expanded during this period as against a decline in the year-ago period. The uptick in corporate bond yields likely prompted a shift towards bank credit away from the bond markets in 2M FY2027.
- The incremental flow of resources from non-bank sources also increased, albeit relatively mildly by 2.2% to Rs. 1.94 trillion in 2M FY2027 from Rs. 1.90 trillion in 2M FY2026. This uptick was largely led by FDI to India, which more than doubled to Rs. 1.1 trillion from Rs. 0.4 trillion in the year ago period.

Financial conditions remained tight in early-June 2026

EXHIBIT: Heatmap of high frequency indicators pertaining to financial conditions

Financial Indicators*	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
WAMMR spread (bps)	-30	-18	-17	-11	-10	-23	-7	-4	-53	-14	-28	-12	-8
Net LAF/NDTL (%)	1.2	1.3	1.2	0.6	0.4	0.7	0.3	0.2	1.0	0.7	1.4	0.6	0.4
Yield curve level (%)	6.11	6.12	6.27	6.31	6.23	6.25	6.31	6.39	6.38	6.44	6.58	6.69	6.57
Yield curve slope (bps)	93	102	105	111	110	113	129	129	140	141	170	164	159
3Y AAA spread (bps)	101	95	80	91	100	100	103	111	109	118	106	122	120
5Y AAA spread (bps)	99	111	91	92	102	88	92	96	103	103	98	106	103
BSE Sensex return (%)	2.6	-2.9	-1.7	0.6	4.6	2.1	-0.6	-3.5	-1.2	-11.5	6.9	-2.8	2.7
PE level vs. 2YMA	98.5	100.8	96.7	96.5	98.6	99.5	101.0	100.1	99.7	92.0	93.5	91.5	91.1
India VIX	1,821	1,847	1,809	1,834	1,846	1,874	1,876	1,867	1,863	1,744	1,743	1,770	1,738
India-US yield differential (bps)	196	201	232	251	249	249	253	253	264	257	269	255	247
INR return (%)	-0.2	-2.1	-0.7	-0.8	0.1	-0.7	-0.6	-2.0	0.7	-3.5	-0.6	-0.1	0.7
1M forward premia (%/annum)	1.52	1.61	1.72	1.90	1.95	1.91	3.93	2.81	1.83	4.00	3.57	3.54	2.94

Easier financial conditions

Neutral

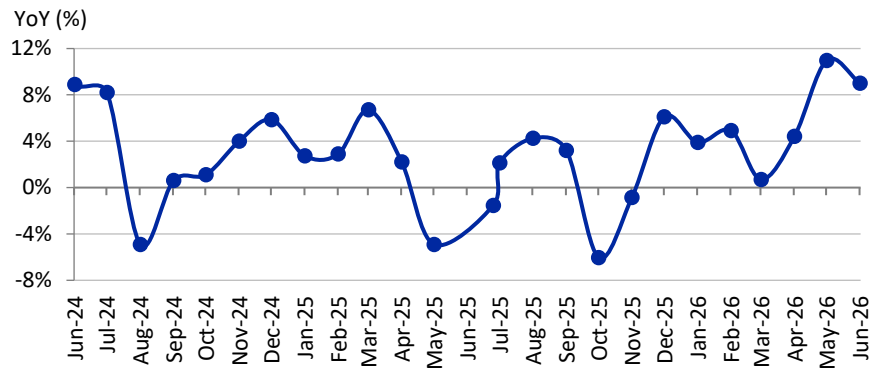
Tighter financial conditions

Tight financial conditions sustained in early-June 2026. While nine of the 12 indicators pertaining to financial sector improved during this period compared to May 2026, the extent of the same was not material for most indicators. Additionally, money market indicators weakened further in June 2026.

Data for June 2026 is up to June 19, 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

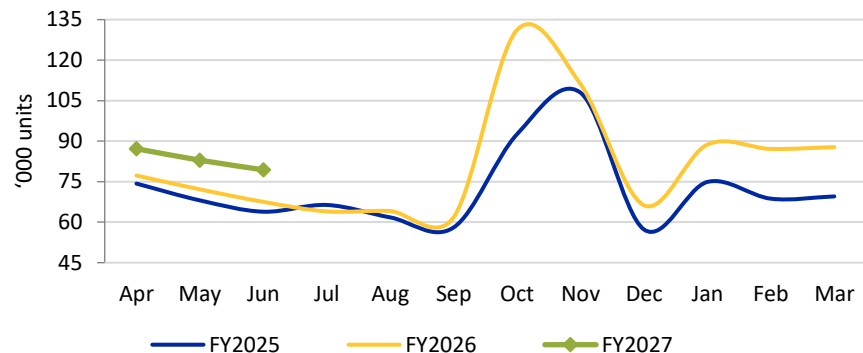
Healthy YoY growth recorded in electricity demand and vehicle registrations in June 2026 so far

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



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

EXHIBIT: Average daily vehicle registrations at all-India level



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

- The pace of YoY expansion in the all-India electricity demand eased to 9.0% during June 1-22, 2026 from 11.0% in May 2026, albeit remaining healthy supported by rising temperatures and delayed progression of monsoon rains (average electricity demand at 5.5 BU/day in June 2026 so far vs. 5.3 BU/day in May 2026). Moreover, the average spot power tariffs in the day-ahead-market (DAM) inched up to Rs. 5.0/unit during June 1-24, 2026 from Rs. 4.9/unit in May 2026, amid rising demand.
- The average daily vehicle registrations have remained robust in June 2026 so far (June 1-23), rising by ~15% YoY to 79.4k/units, higher than the growth of 9.3% YoY seen in May 2026. Moreover, these were a marginal ~1% higher relative to the levels seen during May 1-22, 2026. Overall, the YoY growth in vehicle registrations has remained strong since October 2025, primarily supported by the sustained demand boost following the GST rate reductions.

Rainfall deficit at a sizeable 42% in SW monsoon season so far; timely progression of monsoon key to support agri output and rural demand

EXHIBIT: Trends in cumulative and actual rainfall in SW monsoon (mm)

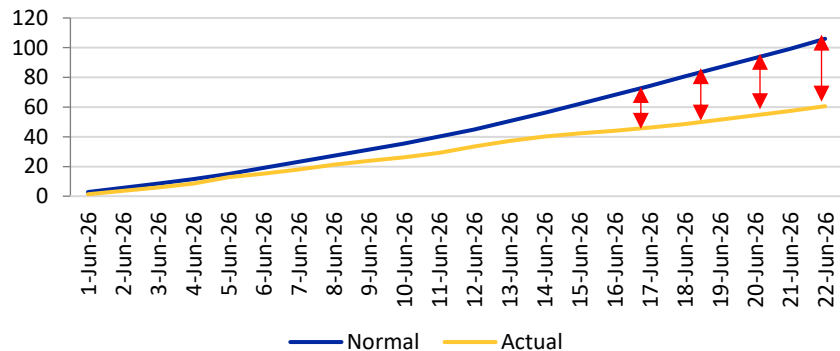
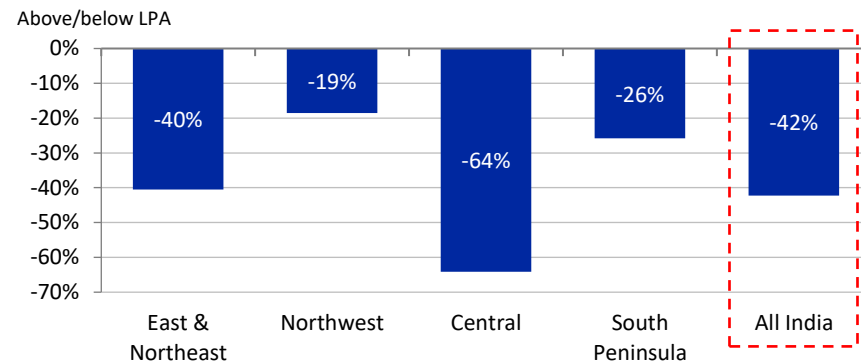


EXHIBIT: Region-wise rainfall during SW monsoon season during June 1-23



Source: IMD, ICRA Research

- India has witnessed delayed onset of the Southwest Monsoon season, owing to the development of El Nino conditions. Against the IMD’s forecast of sub-92% of long period average (LPA) for June 2026, cumulative rainfall at pan-India level stood at just 58% of LPA during June 1-23, 2026. This has stemmed from a large deficit of 64% from the normal levels in Central India, followed by weak precipitation in East & Northeast (-40%) as well as South Peninsula (-26%) regions.
- Sub-par rainfall has weighed on the sowing activity as well as replenishment of reservoir storage levels. Kharif sowing has increased by a tepid 1.7% on a YoY basis up to June 19, 2026, amid a YoY moderation in acreage of cotton and oilseeds. In addition, pan-India reservoir storage has been pegged at 28% of live capacity at full reservoir level (FRL) as on June 18, 2026, lower than the year-ago level of 32%, albeit printing slightly better than historical average of 24% over the last decade.
- The IMD expects further advancement of SW monsoon in some parts of Central, Eastern and Southern regions over the next few weeks. However, the timely progression and adequate distribution of rainfall remains key to support agricultural output and rural demand.**

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 18 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production), mining output (weighted average of the coal, crude and natural gas indices based on the core output data), electricity generation, non-oil merchandise exports, ports cargo traffic, non-food bank credit of scheduled commercial banks, bank deposits, vehicle registrations, generation of GST e-way bills, domestic airlines' passenger traffic, petrol consumption, diesel consumption, cement output and finished steel consumption. Each of these indicators are indexed in a way that the average index value for the base year FY2019 amounts to 100. The index is computed by taking the mean of the index values of these indicators.

The ICRA Business Activity Monitor gives us the net direction of the 18 high frequency indicators and can be used to assess economic conditions across time periods. For instance, an acceleration in the YoY growth of the Index to 8.3% in April 2026 from 8.0% in March 2026, signifies an improvement 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 April 2026 was released on June 1, 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. the ICRA Business Activity Monitor for April 2026 was available by May 22, 2026), 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

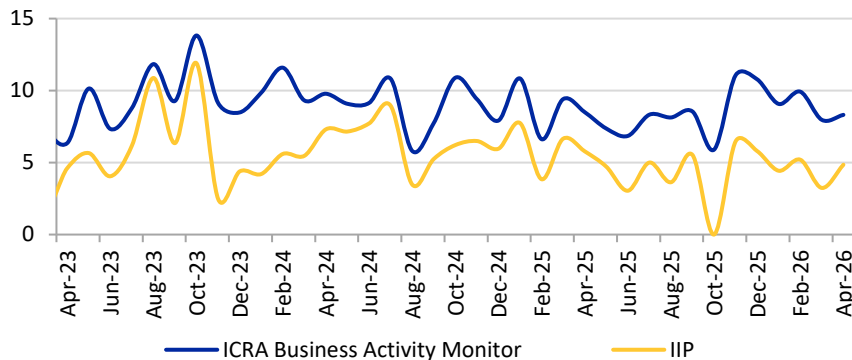
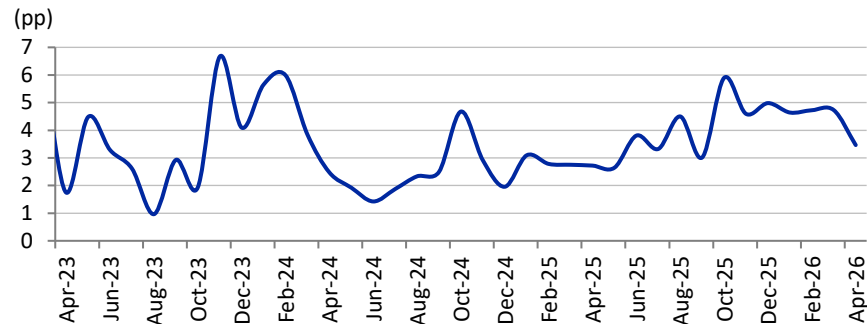


EXHIBIT: Deviation in YoY growth between ICRA Business Activity Monitor and IIP

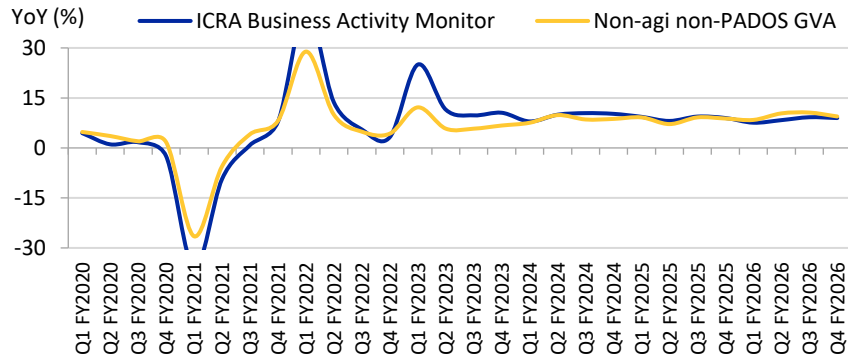


Data for IIP growth from April-23 to March-24 is as per the 2011-12 base year, and from April-24 onwards is as per the new 2022-23 base year; Source: ICRA Research

- 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 14 and 54, respectively, of the 85 months between April 2019 and April 2026.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 68 of the 85 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 74/11 of the 85 months.

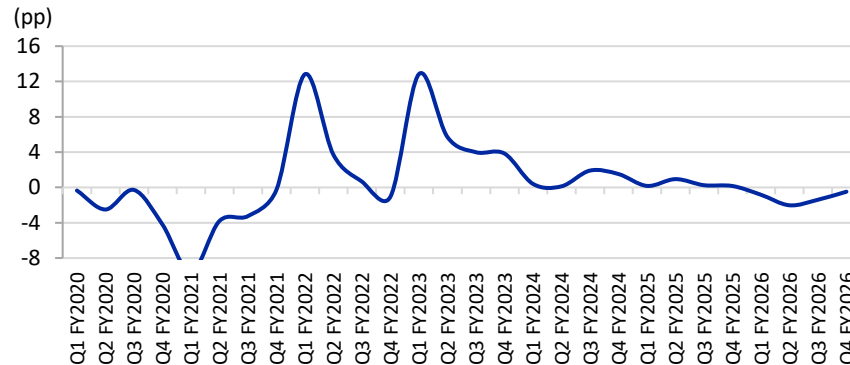
Annexure A.3: ICRA Business Activity Monitor

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

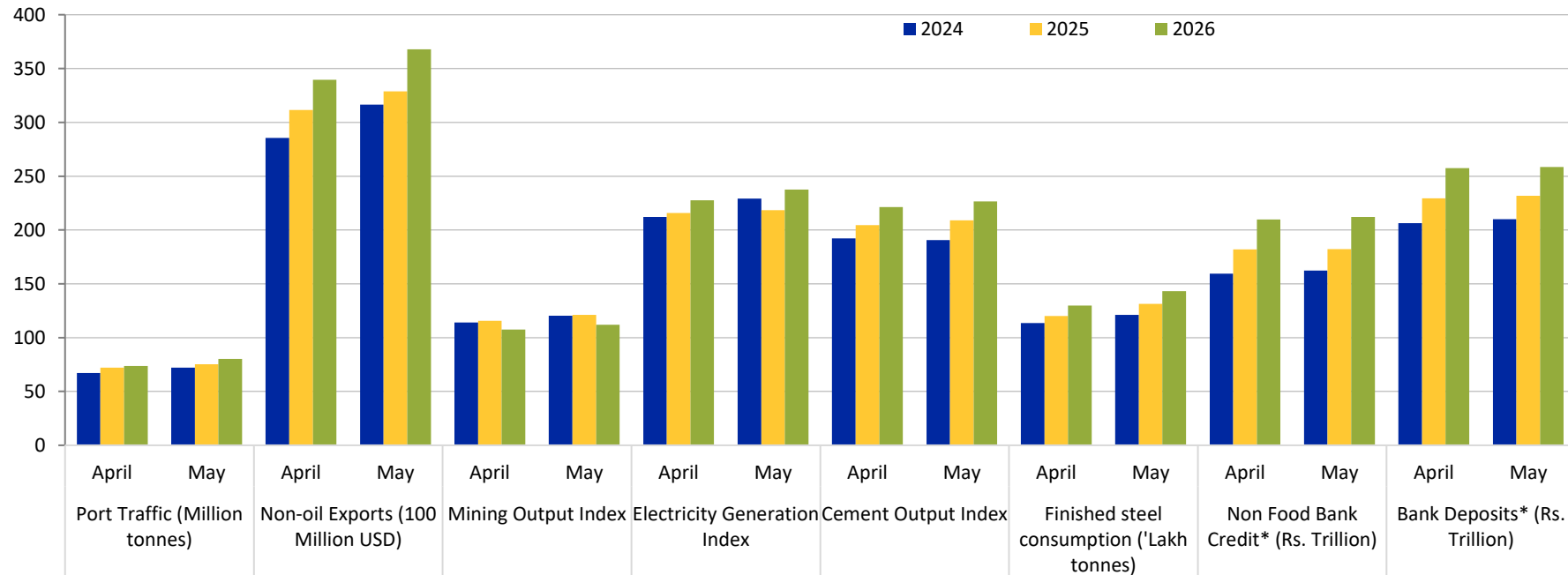


Source: ICRA Research

- 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 28 quarters between Q1 FY2020 and Q4 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 recorded YoY growth in May 2026, barring mining output

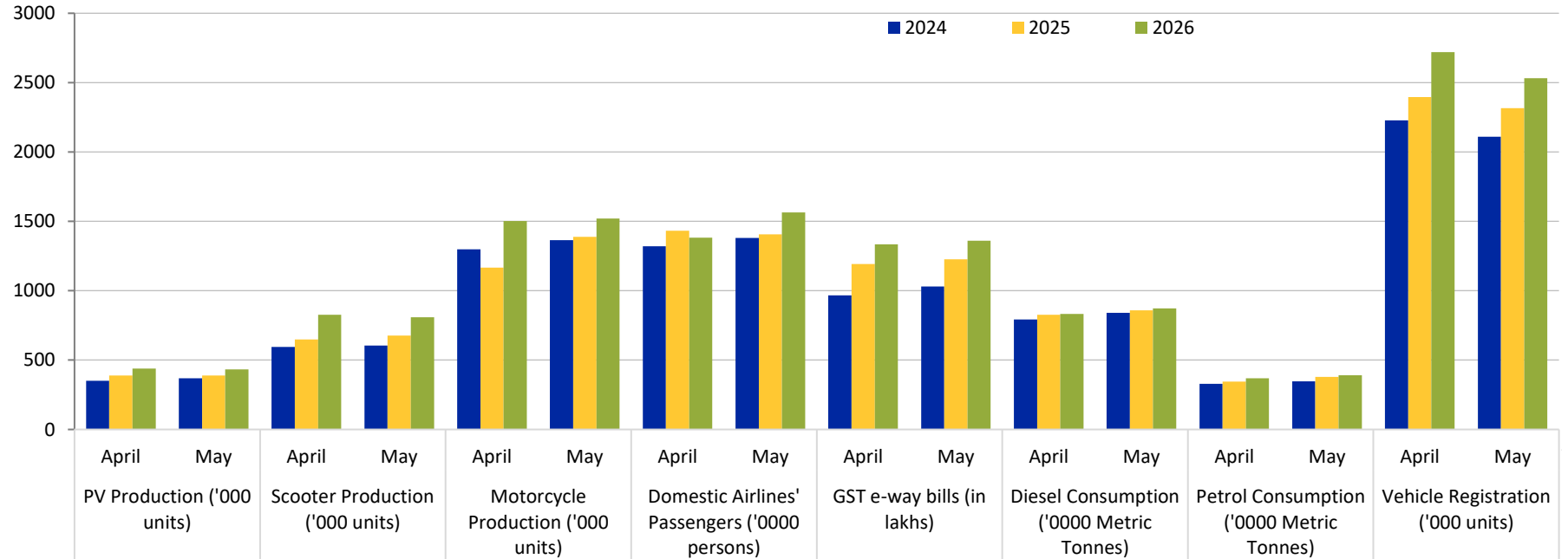
EXHIBIT: Trends in Volumes for Last Three Years in April and May (Part - I)



*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 April 2026 and May 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 recorded YoY growth in May 2026, barring mining output

EXHIBIT: Trends in Volumes for Last Three Years in April and May (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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