



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

YoY expansion in economic activity witnessed a broad-based uptick to 9.8% in Jan 2024

FEBRUARY 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*

After sliding to a six-month low of 8.0% in Dec 2023, the year-on-year (YoY) growth in economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, rebounded to 9.8% in Jan 2024, led by an improvement in the growth performance across 10 of the 16 constituent indicators. Moreover, the index reported a stronger sequential uptick in Jan 2024, compared to Jan 2023, amid a broad-based increase across indicators, touching an all-time high of 136.2 in the month. The early trends for Feb 2024 point to a deceleration vis-à-vis the previous month, amid a dip in YoY growth in electricity generation and average daily vehicle registrations.

- **YoY growth of ICRA Business Activity Monitor at three-month high of 9.8% in Jan 2024:** After witnessing some transient moderation in Dec 2023 (six-month low +8.0%), economic activity strengthened in Jan 2024, with the YoY growth in the ICRA Business Activity Monitor improving to a three-month high of 9.8% in the month. This was attributable to an uptick in the growth for as many as 10 of the 16 constituent indicators, including GST e-way bills, electricity generation, ports cargo traffic, output of Coal India Limited, PVs and motorcycles, and consumption of petrol and diesel. Notably, the index reached an all-time high of 136.2 in Jan 2024.
- **Index reported a stronger MoM uptick in Jan 2024 vs. Jan 2023:** The ICRA Business Activity Monitor posted a sequential uptick of 2.4% in Jan 2024, much higher than the 0.7% rise seen in the year-ago month. The MoM growth was broad-based across indicators, barring domestic airlines passenger traffic, non-oil exports, scooter output and diesel consumption. The sequential dip in the former two indicators was in line with seasonal trends on the back of a surge that is typically seen in the month of December owing to the holiday season demand and year-end shipments.
- **Data for early-Feb 2024 points to a deceleration:** The average daily vehicle registrations (excluding Andhra Pradesh and Madhya Pradesh) stood at 55.3k units during Feb 1-19, 2024, a marginal 0.9% higher than the level recorded in the similar period of last year as against the 16.2% rise seen in Jan 2024. Additionally, the YoY growth in electricity demand eased to 5.3% in Feb 1-18, 2024 from 6.1% in Jan 2024, even as the daily demand remained elevated at 4.4 BU on an average in the current month (4.3 BU/day in Jan 2024 vs. 4.0 BU/day each in Nov-Dec 2023).

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

YoY growth in ICRA Business Activity Monitor rose to 9.8% in Jan 2024 from 8.0% in Dec 2023, amid broad-based improvement across constituent indicators

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

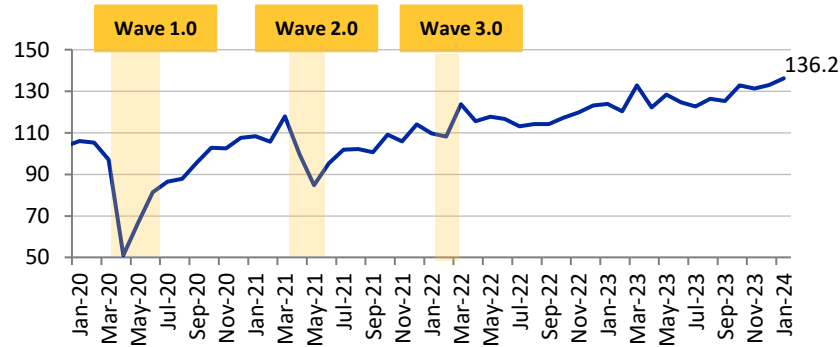
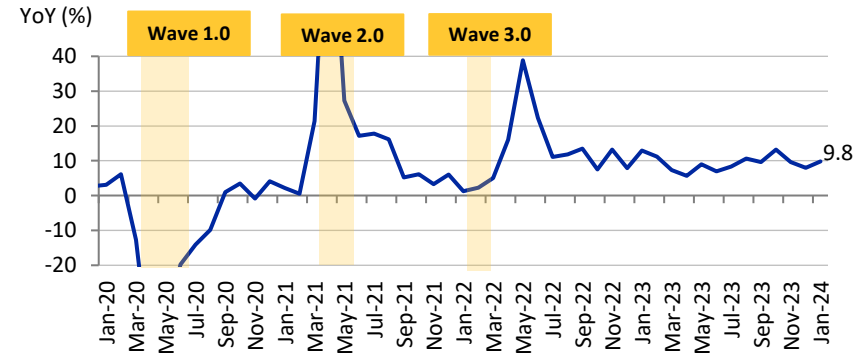


Exhibit: YoY growth of ICRA Business Activity Monitor



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

- The YoY growth in the ICRA Business Activity Monitor rose to 9.8% in January 2024 (+13.0% in Jan 2023) from a six-month low of 8.0% in December 2023 (+7.9% in Dec 2022), amid a broad-based improvement across 10 of the 16 constituent indicators. This was slightly lower than the average growth of 10.3% seen in Q3 FY2024. Notably, the Index touched an all-time high of 136.2 in January 2024, owing to a relatively stronger sequential uptick partly aided by a seasonal pick-up in activity.
- Among the sub-set of 10 indicators that witnessed an improvement in their YoY growth performance in January 2024 vis-à-vis December 2023, five witnessed a very sharp improvement, thereby pushing up the overall growth in the Index; these include PV output (to +9.8% in Jan 2024 from +3.6% in Dec 2023), motorcycle output (to +23.2% from +15.8%), electricity generation (to +7.8% from +0.4%), and petrol (to +9.7% from +0.2%) and diesel consumption (to +3.4% from -2.3%).
- Notably, six of the 16 indicators witnessed a double-digit YoY growth in January 2024 (similar to Dec 2023), while five witnessed a high single digit growth in the month (as against just two in Dec 2023). None of the indicators saw a YoY contraction in the month (as against one in Dec 2023).

YoY performance of 10 of the 16 indicators witnessed an uptick in Jan 2024 relative to Dec 2023

Exhibit: Heatmap of high frequency indicators

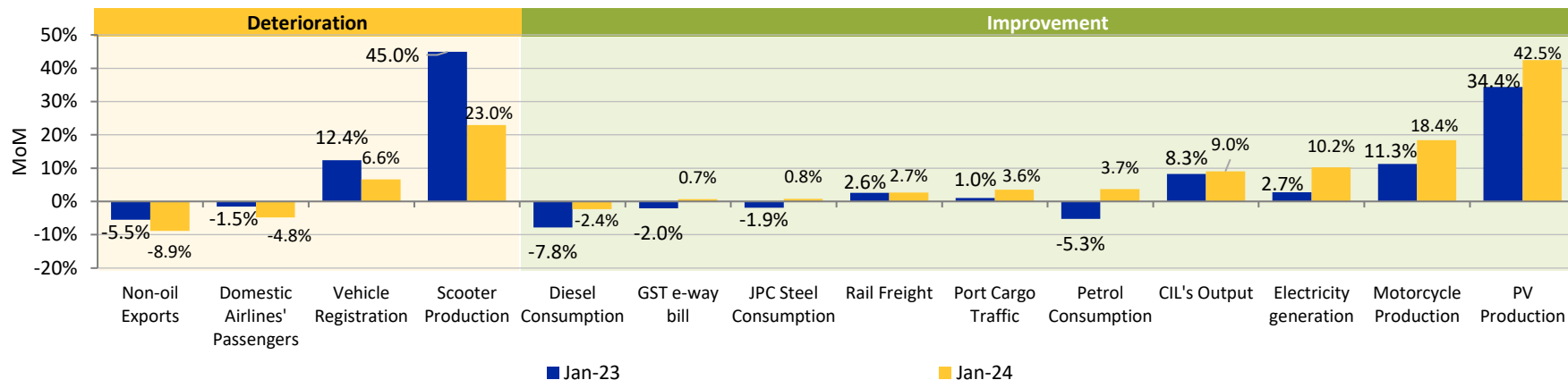
YoY (%)	Auto Output			Vehicle Registration	CIL output	Electricity Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
Oct-23	15.5	21.8	19.4	-6.7	15.4	22.5	9.0	13.8	8.5	30.5	13.6	10.8	4.8	9.3	12.6	15.3
Nov-23	-3.9	10.2	13.4	19.4	8.8	6.0	-1.2	17.0	4.3	8.5	15.4	9.1	9.4	-3.0	12.9	16.3
Dec-23	3.6	58.7	15.8	21.5	8.3	0.4	5.9	0.7	6.4	13.2	4.9	8.3	0.2	-2.3	12.6	15.8
Jan-24	9.8	34.6	23.2	15.2	9.0	7.8	2.2	3.2	6.4	16.3	7.8	4.7	9.7	3.4	12.5	16.2
YoY growth; sequential pick-up				YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip			

The performance of five indicators witnessed a deterioration in January 2024, relative to the prior month, while that of one indicator (rail freight traffic) remained unchanged. Notably, all indicators witnessed a YoY growth in January 2024.

~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 uptick in ICRA Business Activity Monitor was higher in Jan 2024 vs. 2023

Exhibit: MoM performance of non-financial economic indicators in January 2024

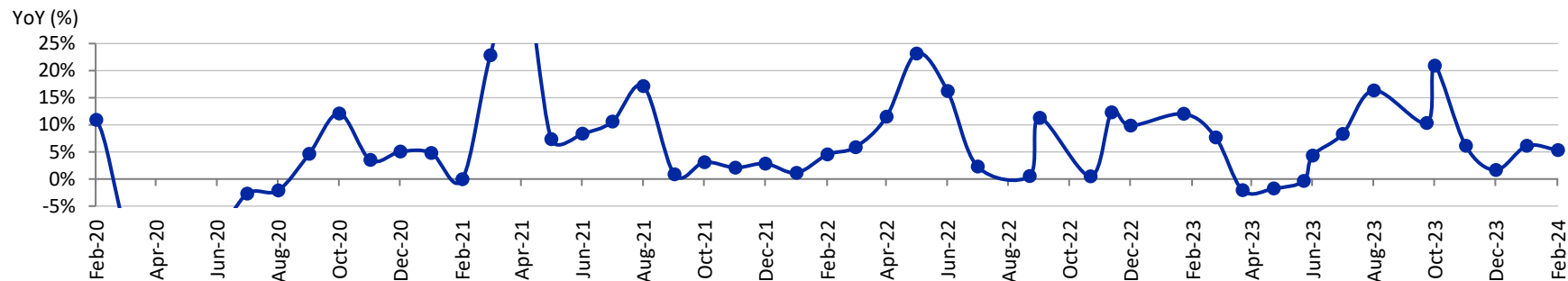


- The ICRA Business Activity Monitor witnessed a sequential uptick of 2.4% in January 2024, much higher than the 0.7% increase seen in January 2023. This was led by a better MoM performance for 10 of the 14 non-financial indicators in January 2024 vis-à-vis 2023, including the output of PVs and motorcycles (partly supported by introduction of new models), CIL's output, and non-renewable electricity generation (healthy MoM uptick in the range of 9-10%), followed by a relatively limited improvement in cargo traffic at major ports (surge in freight rates amid tensions in the Red Sea) and rail freight traffic. Moreover, generation of GST e-way bills, consumption of petrol and finished steel posted a sequential uptick in January 2024, as opposed to the decline seen in January 2023.
- In contrast, the remaining four indicators, namely non-oil merchandise exports (amidst conflict in the Red Sea region), scooter production, domestic airlines' passenger traffic, and vehicle registrations saw a weaker MoM performance in January 2024 vs. 2023.

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

Early trends for Feb 2024 point to a deceleration in electricity demand growth...

Exhibit: Electricity Demand at all-India level

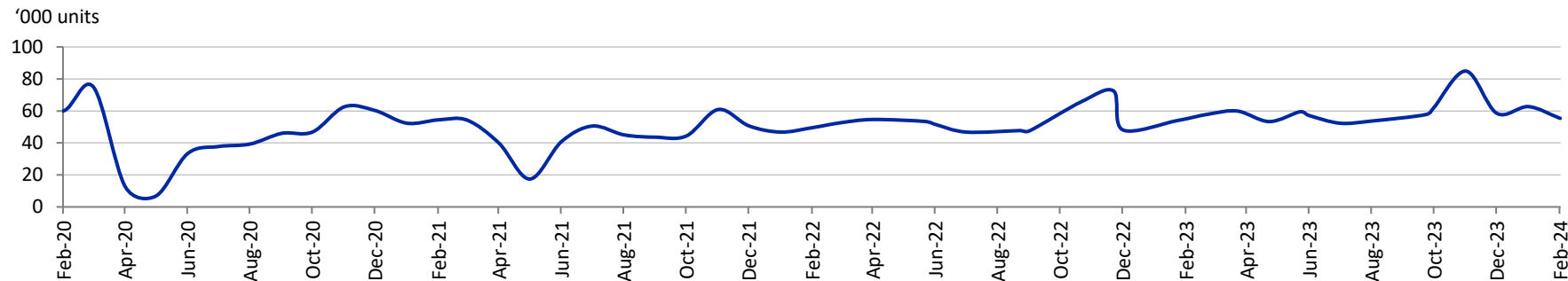


Data for Feb 2024 is available till Feb 18, 2024; Source: POSOCO; ICRA Research

- The all-India electricity demand has risen by 5.3% YoY during Feb 1-18, 2024, lower than the 6.1% growth seen in Jan 2024. Nevertheless, the average demand levels have remained elevated at 4.4 BU/day in Feb 2024, similar to 4.3 BU/day in Jan 2024, while remaining higher than 4.0 BU/day each recorded during Nov-Dec 2023.
- The average spot power tariffs in the day-ahead-market (DAM) eased to Rs. 5.2/unit in Feb 2024 so far, from Rs. 5.8/unit in Jan 2024, while remaining elevated. Although coal stock levels have improved to 14.6 days as on Feb 17, 2024, from 13.6 days at end-Jan 2024 and 12.3 days at end-Dec 2023, these continue to trail the normative levels.

... and in daily average vehicle registrations, compared to Jan 2024

EXHIBIT: Daily average vehicle registrations at all-India level



Data for Feb 2024 is available till Feb 19, 2024; We have removed data for Andhra Pradesh and Madhya Pradesh to ensure comparability across time periods; Source: Vahan, MoRTH; CEIC; ICRA Research

- As per the data provided on the Vahan portal, the average daily vehicle registrations stood at 55.3k units in Feb 2024 so far (up to Feb 19), a marginal 0.9% higher than the level recorded in the similar period of last year (54.8k units). This entails a sharp deceleration from the 16.2% YoY growth seen in Jan 2024. Additionally, these are also lower than the average daily vehicle registrations of 62.6k units seen in Jan 2024.
- The ongoing marriage season, farm cash inflows from crop procurement and new product launches are expected to support sales in the near term, as evinced in the rebound seen in daily average registrations in Jan 2024. Nevertheless, supply constraints for high end models, elevated PV inventory levels and uncertainty ahead of Parliamentary Elections remain key monitorables.

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.

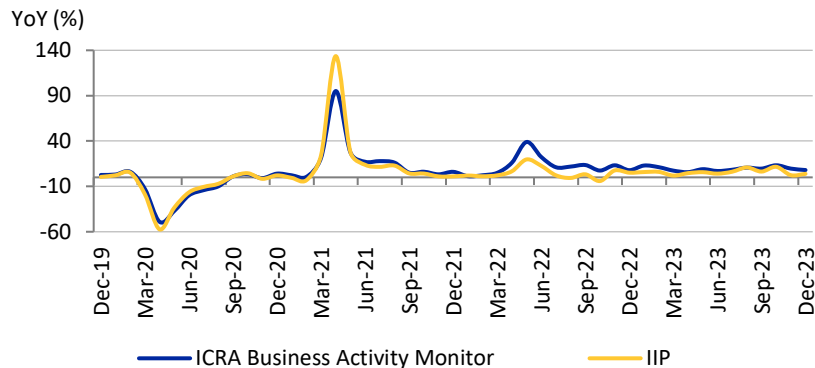
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 uptick in the value of the index to 133.0 in December 2023 from 131.3 in November 2023, signifies that economic activity has improved in December 2023 vis-à-vis November 2023.

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 Dec 2023 was released on 12th Feb 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 released with a lag of two weeks (Eg. Business Activity Monitor for Dec 2023 is available by mid-Jan 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

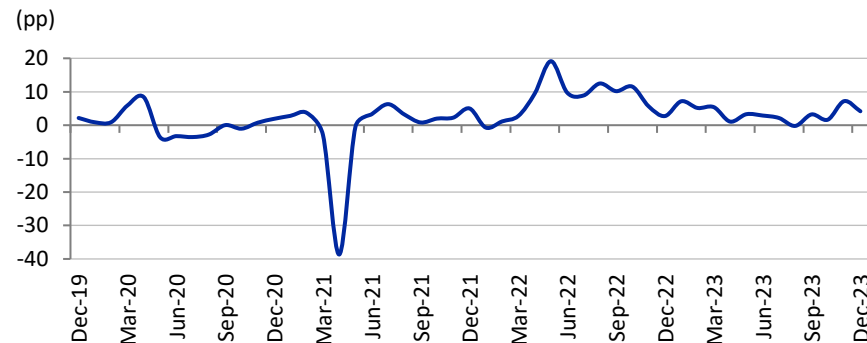
Annexure A.2: ICRA Business Activity Monitor

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

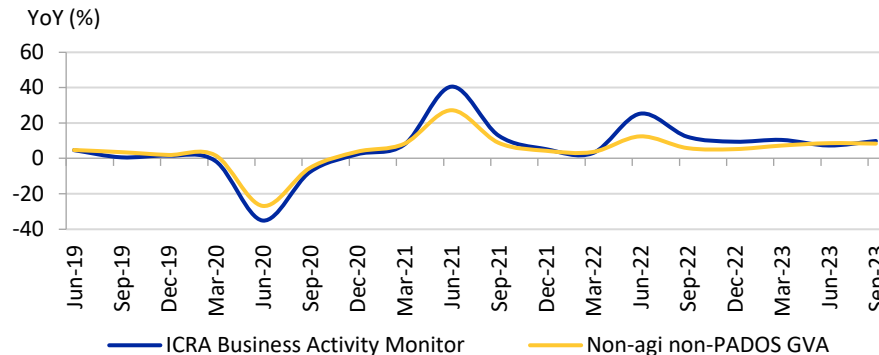


Source: ICRA Research

- 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 41, respectively, of the 57 months between April 2019 and December 2023.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 47 of the 57 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 47/10 of the 57 months.

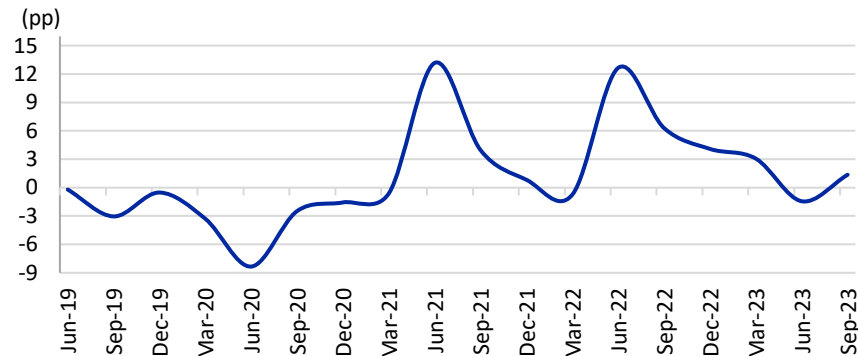
Annexure A.3: ICRA Business Activity Monitor

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

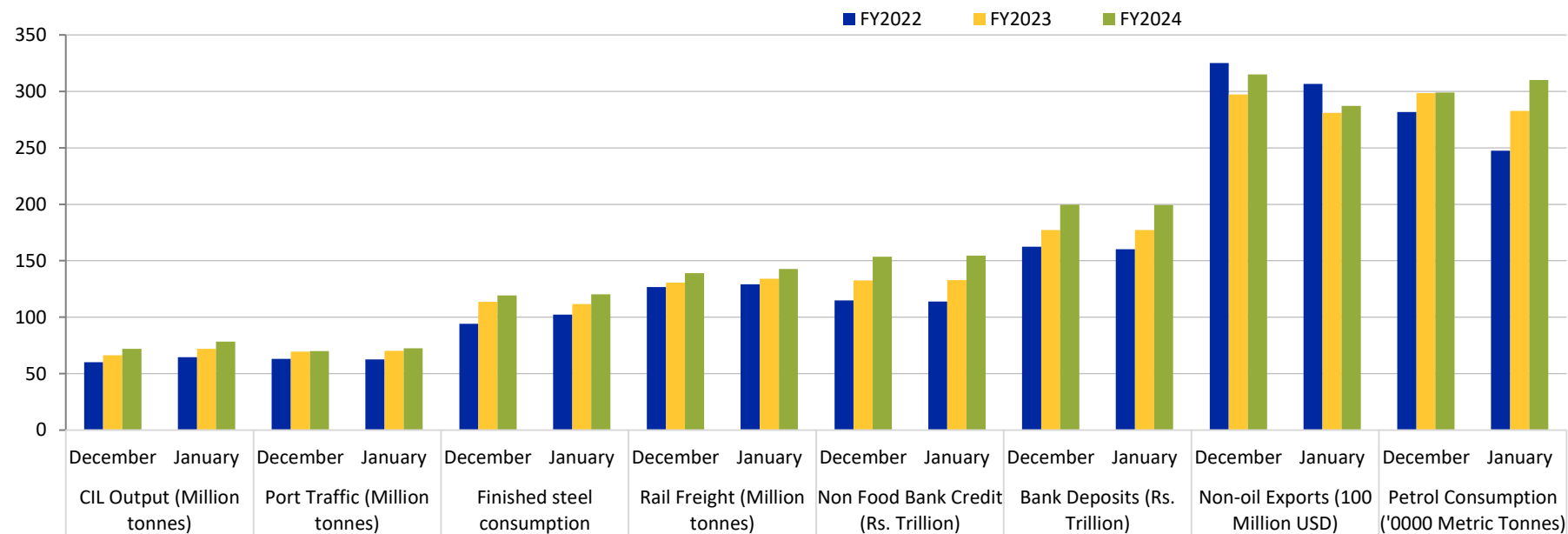


Source: ICRA Research

- 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 14 of the 18 quarters between Q4 FY2019 and Q2 FY2024.
- 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: Volumes of most indicators rose in January 2024 in YoY terms - I

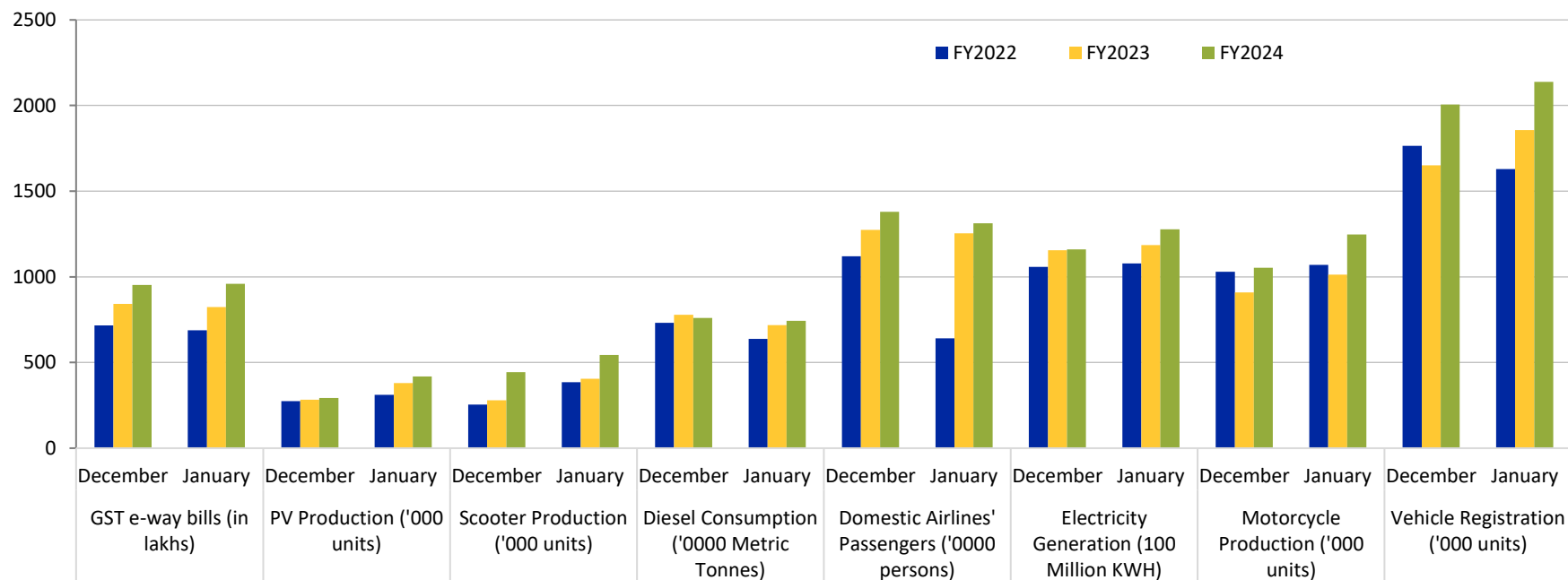
Exhibit: Trends in Volumes for Last Three Years in December and January (Part - I)



*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: Volumes of most indicators rose in January 2024 in YoY terms - II

Exhibit: Trends in Volumes for Last Three Years in December and January (Part - II)



Note: Data for electricity generation for Dec-Jan is excluding renewable energy since the data for Jan 2024 is not yet available; Source: CMIE; PPAC; CEA; GSTN; DGCA; Ministry of Road Transport and Highways; CEIC; ICRA Research



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