



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

**YoY growth in economic activity
accelerated to 9.7% in April 2024 from
three-month low 8.9% in March 2024**

MAY 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, accelerated to 9.7% in April 2024 from a three-month low of 8.9% in March 2024, driven by an uptick in half of the 16 indicators. In line with the seasonal trends of a deceleration in the momentum of activity in April over March, the Index dipped sequentially by 7.2% in April 2024, albeit narrower than the levels seen in April 2023, partly supported by the later onset of the Navratri* season in 2024 vis-à-vis 2023. The early trends for May 2024 are mixed, amid a YoY surge in electricity demand owing to the heatwave-led higher-than-usual temperatures, while the growth in average daily vehicle registrations has trended lower.

- **ICRA Business Activity Monitor rose by 9.7% YoY in Apr 2024:** The YoY growth in the ICRA Business Activity Monitor rose to 9.7% in April 2024 after falling to a three-month low of 8.9% in March 2024. While there has been a mixed trend in the disaggregated data (eight of the 16 indicators showing YoY improvement while the other eight indicators have worsened), the acceleration in the YoY Index growth in April 2024 over March 2024 was mainly led by auto-related indicators (output of PVs and 2Ws, and vehicle registrations), petrol consumption (owing to increased movement during the General Elections) and electricity generation (amid rise in temperature levels). This was partially dragged down by weak performance of non-oil exports, rail freight (owing to coal) and diesel sales.
- **MoM fall in Index was narrower than that seen in April 2023:** In line with the seasonal trends of a deceleration in the momentum of activity in April after a typical ramp up in March, the Index declined by 7.2% in month-on-month (MoM) terms in April 2024. However, this is narrower than the MoM fall seen in April of 2023 (-7.9%), partly supported by the late onset of the Navratri season[^] in 2024 vis-à-vis 2023.
- **Data for early-May 2024 is mixed:** Bolstered by heatwave conditions and above normal temperatures in some regions, and a low base, the YoY expansion in all-India electricity demand improved to a robust 17.4% during May 1-15, 2024, from 10.5% in April 2024. While the daily average vehicle registrations of 59.9k units during May 1-16, 2024 rose by a marginal 0.8% on a YoY basis, they have declined significantly in sequential terms.

*Navratri period: 2024 - April 9th to 17th; 2023 - March 22nd to 30th

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 9.7% in April 2024 from 8.9% in March 2024

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

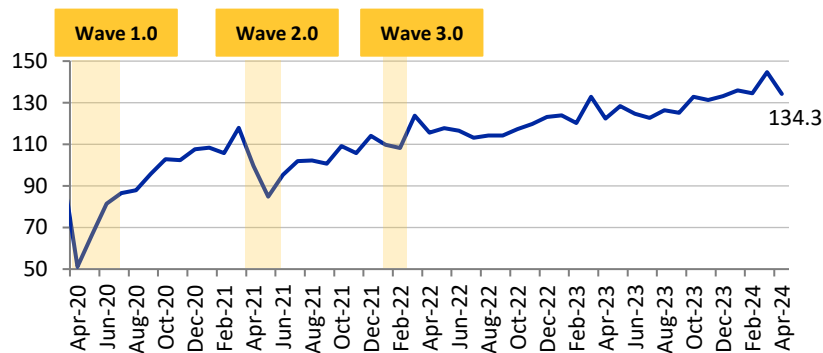
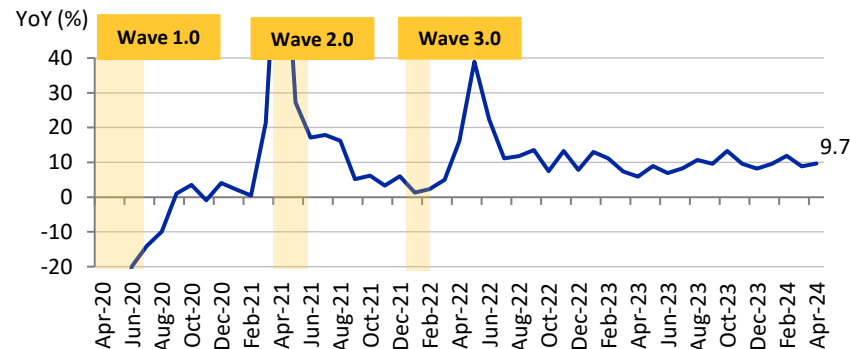


Exhibit: YoY growth of ICRA Business Activity Monitor



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 rose to 9.7% in April 2024 (+5.9% in April 2023) from 8.9% in March 2024 (+7.4% in March 2023), partly supported by a favourable base. Half of the 16 constituent indicators reported an improvement their YoY performance in April 2024, as compared to March 2024. Besides, as many as eight indicators witnessed a double-digit expansion in April 2024 as against five in the previous month.
- The robust expansion in PV (+11.1%) and 2Ws (+22.7%) in April 2024 was supported by favourable market sentiments, amidst healthy festive demand during Navratri[^] and Eid. Among the other constituents that posted a better performance in April 2024 vis-à-vis March 2024, petrol sales (to a 15-month high +14.1% in April 2024 from +6.9% in March 2024; partly owing to increased movement in the run-up to General Elections), vehicle registrations (to an 18-month high +26.8% from +3.6%), and GST e-way bills (to +14.5% from +13.9%) saw a sharp YoY expansion.
- Overall, the uptick of 84 bps in the growth of the ICRA Business Activity Monitor in April 2024 vis-à-vis March 2024 was largely driven by PV and 2W output, petrol sales, and vehicle registrations (+189 bps), which was partly offset by the decline of 122 bps seen in non-oil exports, cargo traffic at major ports, and rail freight traffic.

[^]Navratri period: 2024 - April 9th to 17th; 2023 - March 22nd to 30th

YoY performance of half of the 16 indicators improved in April 2024 vis-à-vis March 2024

Exhibit: Heatmap of high frequency indicators

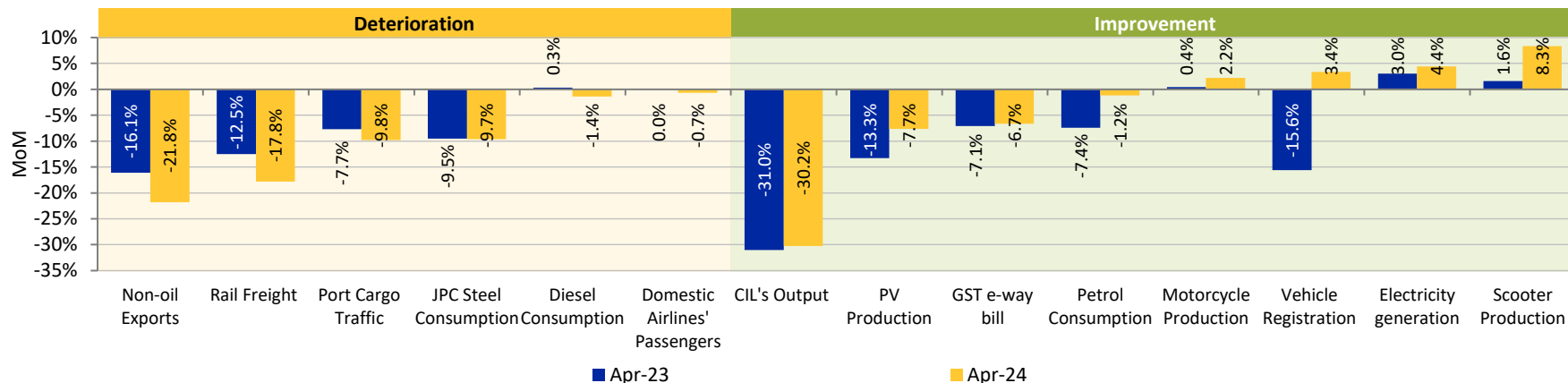
YoY (%)	Auto Output			Vehicle Registration	CIL output	Electricity Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
Jan-24	9.8	34.6	23.2	16.1	9.0	7.9	2.2	3.2	6.4	16.4	3.8	4.7	9.6	3.4	12.5	16.2
Feb-24	14.4	28.7	39.8	13.7	8.7	6.5	13.7	2.4	10.1	18.9	12.7	4.8	8.9	6.2	12.5	16.6
Mar-24	4.3	12.4	22.0	3.6	6.1	8.1	8.0	3.6	8.0	13.9	9.6	3.7	6.9	3.1	12.9	16.3
Apr-24	11.1	19.9	24.1	26.8	7.3	9.6	0.6	1.3	1.4	14.5	9.4	3.0^	14.1	1.4	12.7	15.3
YoY growth; sequential pick-up				YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip			

Eight indicators witnessed a deterioration in their YoY performance in Apr 2024 vs. Mar 2024. The YoY growth in non-oil exports slid to a five-month low in Apr 2024, followed by a muted expansion in ports and railway freight traffic, and diesel sales.

~excluding the impact of HDFC and HDFC bank merger to ensure comparability; *excluding renewable energy; SCBs; Scheduled Commercial Banks; ^Based on ICRA's estimates; 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 decline in ICRA Business Activity Monitor in April 2024 narrower than that seen in 2023, amid better performance of eight of the 14 non-financial indicators

Exhibit: MoM performance of non-financial economic indicators

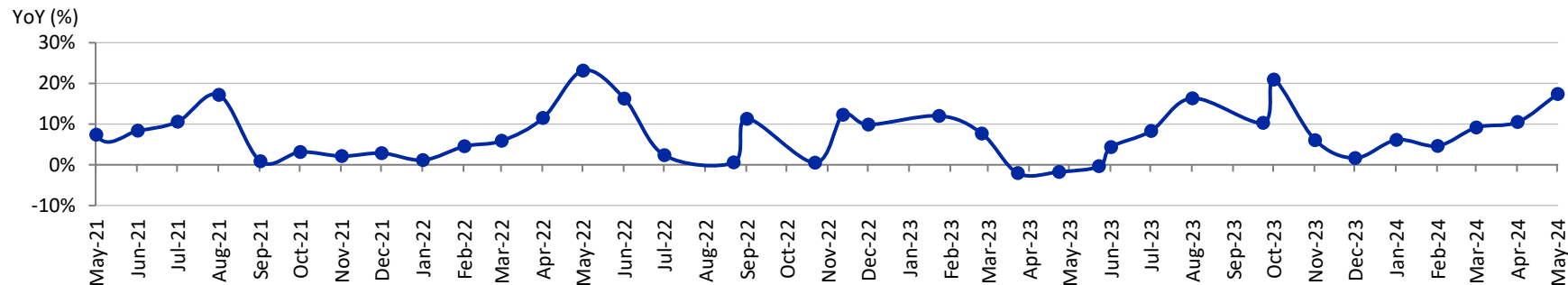


- The ICRA Business Activity Monitor declined by 7.2% on a MoM basis in April 2024, slightly narrower than the contraction of 7.9% seen in April 2023. As many as eight of the 14 non-financial indicators witnessed a better MoM performance in April 2024 vis-à-vis April 2023, with a particularly sharp improvement in vehicle registrations and 2W output, partly supported by the late onset of the Navratri season[^] in 2024 vis-à-vis 2023.
- In contrast, the remaining six indicators witnessed a weaker MoM performance in April 2024 vs. 2023, including non-oil exports, cargo traffic at major ports, railway freight traffic, domestic airlines' passenger traffic, diesel sales, and finished steel consumption. Notably, the implementation of the Model Code of Conduct ahead of the Parliamentary Elections may have impacted the performance of some indicators, such as steel consumption, in April 2024.

**Data on electricity generation does not include renewable segment; [^]2024 - April 9th to 17th; 2023 - March 22nd to 30th; 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 electricity demand surged in May 2024 amid low base and higher-than-normal temperatures

Exhibit: Electricity Demand at all-India level

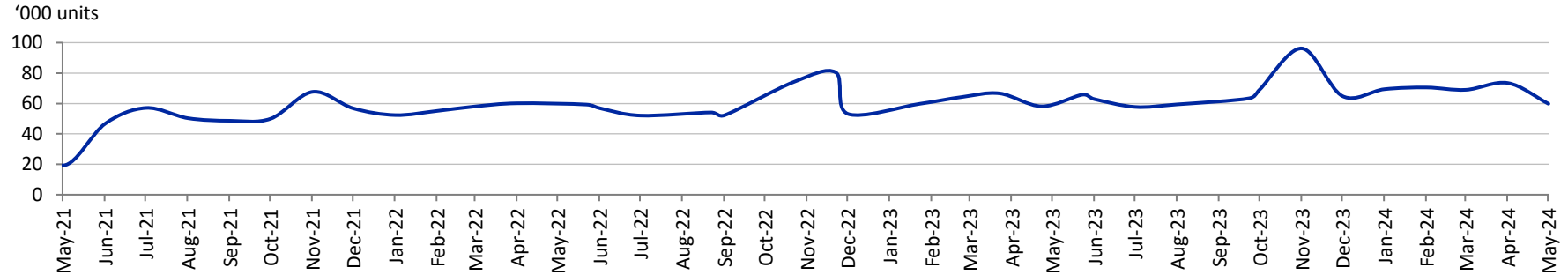


Data for May 2024 is available till May 15, 2024; Source: POSOCO; ICRA Research

- The all-India electricity demand surged by 17.4% on a YoY basis during May 1-15, 2024 after rising by 10.5% in April 2024, aided by a low base (-5.8% during May 1-15, 2023) as well as the heatwave-led higher-than-normal temperatures during this period. The average demand levels rose slightly to touch a record high of 4.9 BU/day during May 1-15, 2024 from 4.8 BU/day in April 2024.
- Amid peak season demand, the average spot power tariffs in the day-ahead-market (DAM) remained elevated at Rs. 5.1/unit during May 1-15, 2024, albeit unchanged vis-à-vis the levels seen in April 2024. Besides, the coal stock levels stood at 16.2 days at mid-May 2024 as against the normative requirement of 24 days and were also slightly lower than the levels seen at end-March 2024 (17.7 days).
- The GoI has undertaken various measures to meet summer electricity demand, including issuing directions to imported-coal-based power plants and gas-based power plants to make full capacity available for generation, shifting planned maintenance of thermal power plants to the monsoon season, optimising hydro-power generation, etc.

YoY growth in daily average vehicle registration decelerates sharply in early-May 2024

Exhibit: Daily average vehicle registrations at all-India level



Data for May 2024 is available till May 16, 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 59.9k units during May 1-16, 2024, a marginal 0.8% higher than the level recorded in the similar period of May 2023 (59.4k units). This is significantly lower than the 26.4% YoY growth seen in April 2024, which was partly aided by a low base.
- ICRA expects domestic PV wholesale sales volumes to grow by 3-6% in FY2025 (+8.7% in FY2024), aided by steady demand for utility vehicles, which is likely to bolster industry growth despite an elevated base and expectations of waning pent-up replacement demand.
- Domestic 2W sales volumes are expected to rise by a robust 7-10% in FY2025 (+13.3% in FY2024), amid a likely improvement in rural demand on the back of expectations of an above normal monsoon.

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

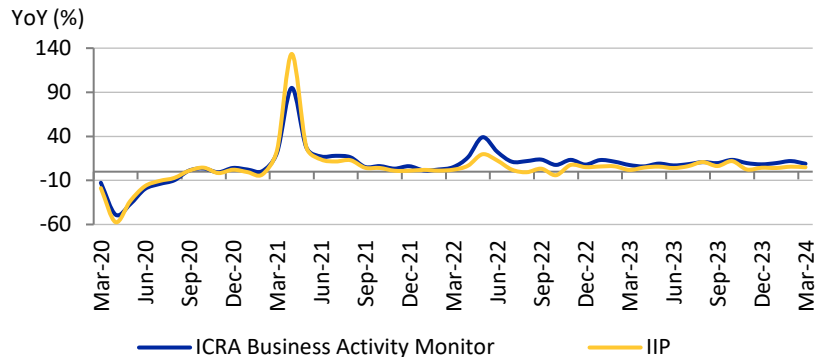
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight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

The ICRA Business Activity Monitor gives us the net direction of our 14 high frequency indicators and can be used to assess economic conditions across time periods. For instance, a fall in the value of the index to 134.3 in April 2024 from 144.7 in March 2024, signifies that economic activity has weakened in April 2024 vis-à-vis March 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 April 2024 will be released on 12th June 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 April 2024 is available by mid-May 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

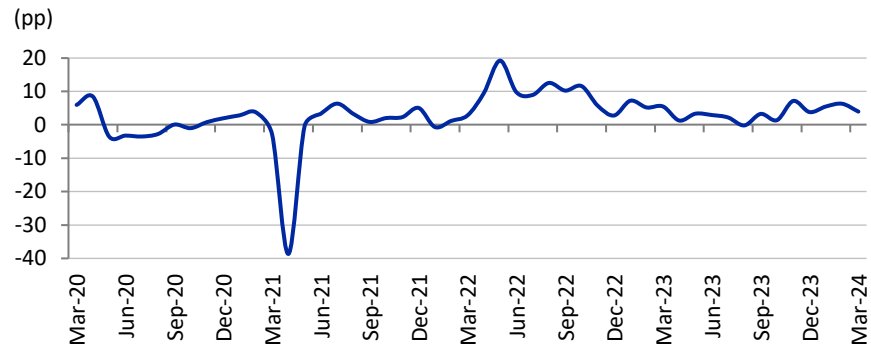
Annexure A.2: ICRA Business Activity Monitor

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

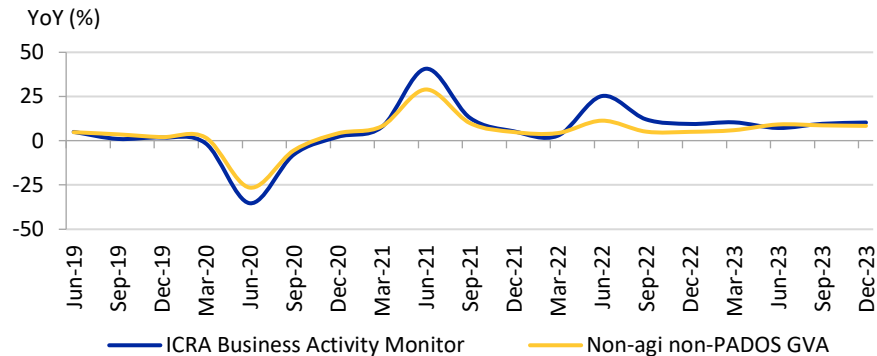


Source: ICRA Research

- 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 42, respectively, of the 60 months between April 2019 and March 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 49 of the 60 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 49/11 of the 60 months.

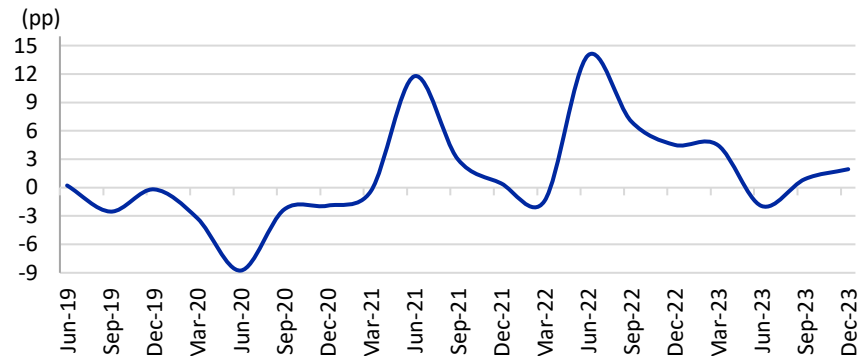
Annexure A.3: ICRA Business Activity Monitor

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

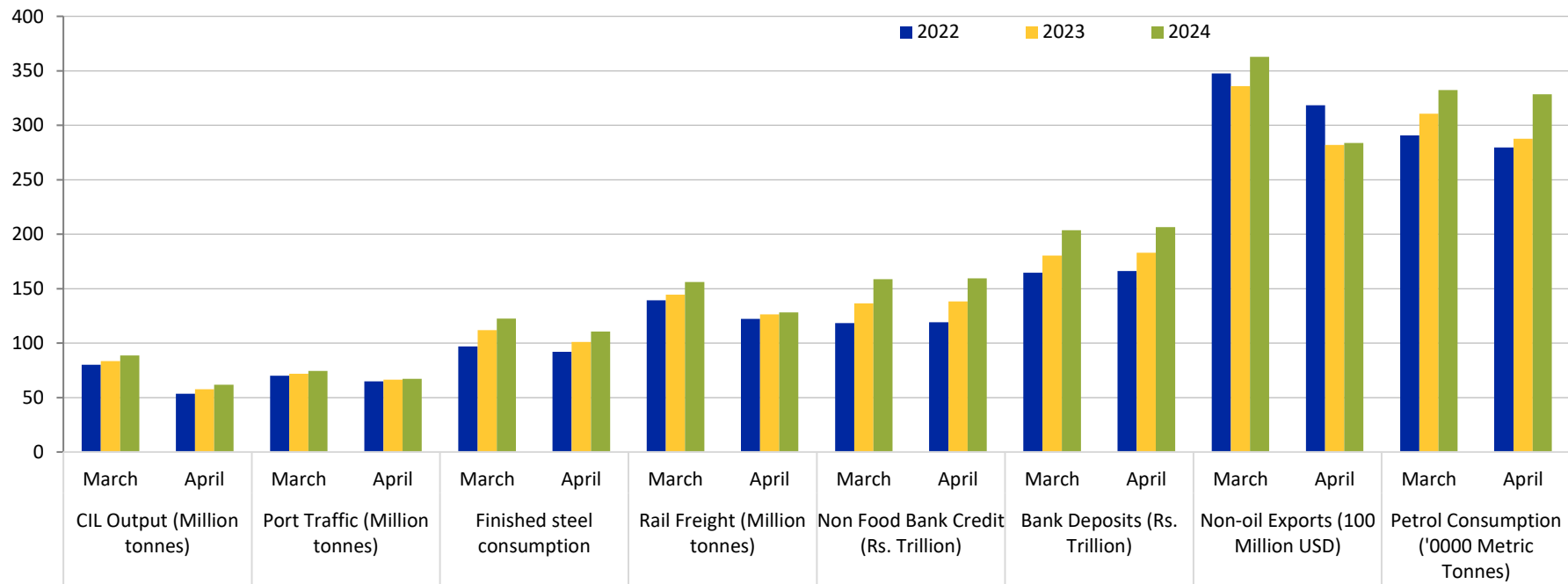


Source: ICRA Research

- 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 19 quarters between Q4 FY2019 and Q3 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: Notwithstanding sequential fall in April 2024 owing to seasonality, volumes of most indicators rose in YoY terms - I

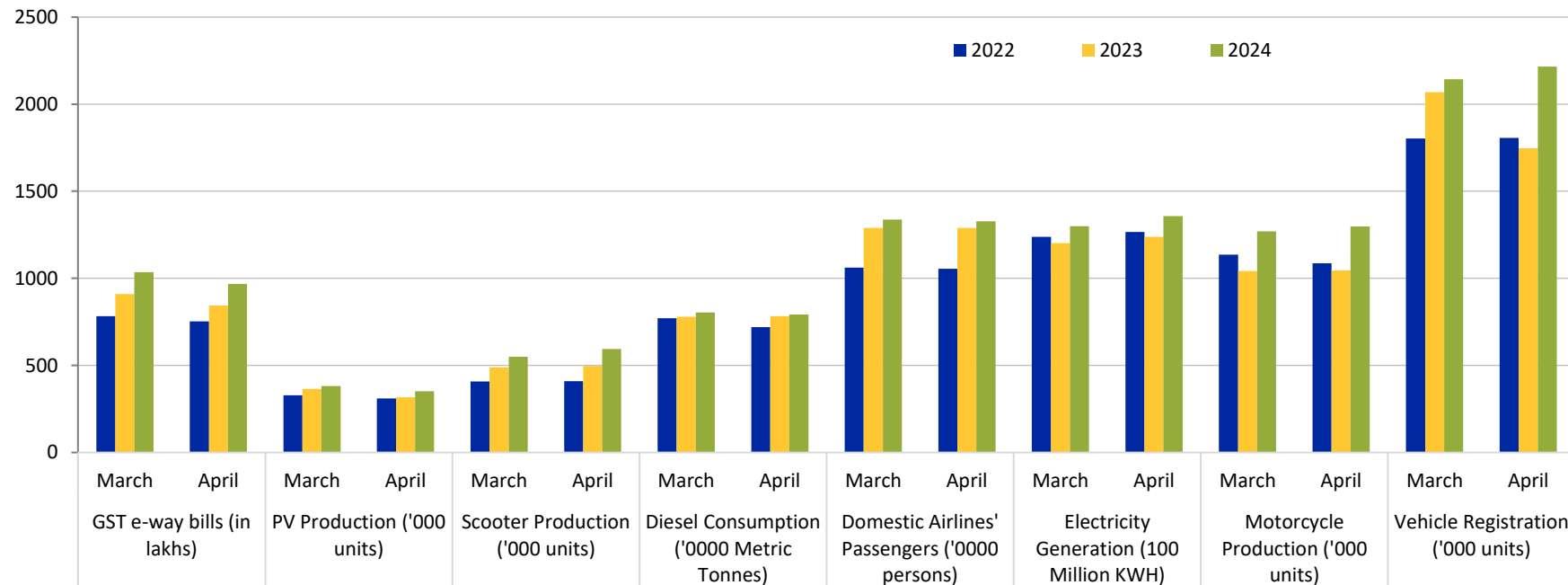
Exhibit: Trends in Volumes for Last Three Years in March and April (Part - I)



*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: Notwithstanding sequential fall in April 2024 owing to seasonality, volumes of most indicators rose in YoY terms - II

Exhibit: Trends in Volumes for Last Three Years in March and April (Part - II)



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



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