



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

**Growth in economic activity
witnessed an uptick to 9.8% YoY in
June 2024**

JULY 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



ICRA Business Activity Monitor rose by 9.8% YoY in June 2024: The momentum in economic activity picked up slightly in June 2024, with the YoY growth in the ICRA Business Activity Monitor improving to 9.8% from 9.4% in May 2024. However, the uptick was not broad based, with as many as nine of the 16 constituent indicators reporting a deterioration in their YoY performance in June 2024 vis-à-vis May 2024.



Sequential contraction in Index in June 2024 narrower than the level seen in 2023: The ICRA Business Activity Monitor contracted by 3.2% on a MoM basis in June 2024, marginally lower than the sequential dip of 3.5% seen in June 2023. Notably, half of the 14 non-financial indicators witnessed a weaker MoM performance in June 2024 vs. June 2023, with a particularly sharp deterioration in the PV and motorcycle output, vehicle registrations, and electricity generation.



GVA growth to decelerate to 5.7% in Q1 FY2025 from 6.3% in Q4 FY2024: The YoY growth in the ICRA Business Activity Monitor edged lower to 9.7% in Q1 FY2025 from 10.1% in Q4 FY2024, driven by 12 of the 17 indicators (including CV output). Given the weaker volume growth across most high frequency indicators, dissipation of the benefit of deflation in global commodity prices, deficient and uneven rainfall in June 2024, and a slowdown in project execution and capital spending by the Government of India due to the General Elections, ICRA anticipates the GVA growth to moderate to 5.7% in Q1 FY2025 from 6.3% in Q4 FY2024. The extent of the slowdown in the GDP growth in Q1 FY2025 would depend on the growth in indirect taxes as well as the magnitude of subsidies booked by the Central and State Government in this quarter.



Trends for early-July 2024 appear mixed: As per the data provided on the Vahan portal, the average daily vehicle registrations stood at 55.5k units during July 1-16, 2024, trending ~5% higher on a YoY basis, compared to the 1.0% growth seen in June 2024. In contrast, the YoY growth in all-India electricity demand moderated to 7.3% on a YoY basis during July 1-15, 2024, from 8.9% in the previous month, as the monsoon gained momentum.

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**



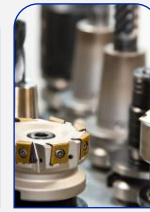
**Non-oil
Merchandise
Exports**



**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 inched up to 9.8% in June 2024 from 9.4% in May 2024

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

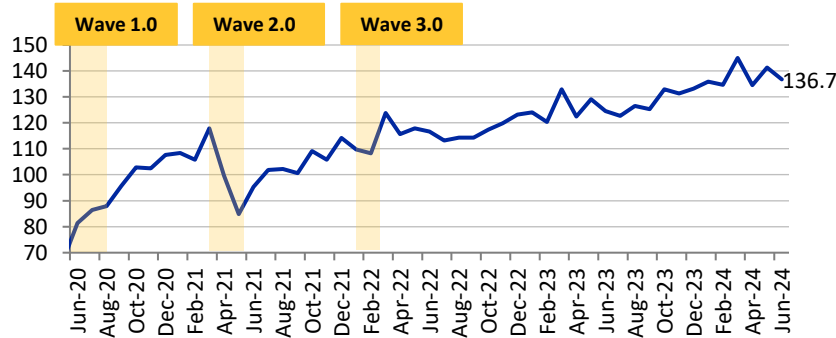
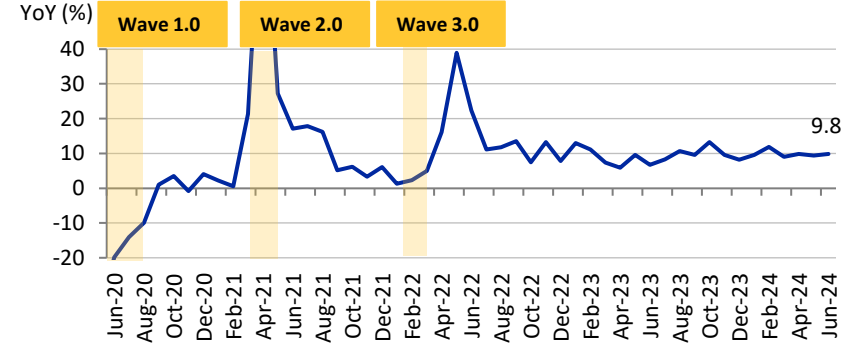


Exhibit: YoY growth of ICRA Business Activity Monitor



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 improved marginally to 9.8% in June 2024 (+6.8% in June 2023) from 9.4% in May 2024 (+9.6% in May 2023), despite as many as nine of the 16-constituent indicators reporting a deterioration in their YoY performance between these months.
- The moderation was led by some of the auto-related indicators including vehicle registrations (to eight-month low of +1.0% in June 2024 from +3.2% in May 2024, as heatwaves impacted walk-ins), motorcycle output (to nine-month low of +10.8% from +15.8%), PV output (to seven month low of +0.8% from +7.0%). Additionally, growth in electricity generation (to +9.4% in from +14.6%; on account of an adverse base), non-oil exports (to +7.7% from 8.2%), diesel sales (to +1.0% from +2.3%), non-food bank credit (to +13.9% from +16.2%) and bank deposits (to +10.6% from +12.2%) also eased in June 2024 vis-à-vis May 2024.
- Among the other indicators, steel consumption (to 18-month high of +19.1% from +13.1%), coal output (to +8.8% from +7.5%; to cater to elevated electricity demand), cargo traffic at major ports (to a seven-month high +6.8% from +3.7%, led by shipments of coal and containers), railway freight traffic (to a four-month high +10.1% from +3.7%, primarily led by coal), and domestic airline passenger traffic (to six-month high of +6.4% from +4.4%) posted an uptick in growth in June 2024 vis-à-vis May 2024.

YoY performance of nine of the 16 indicators deteriorated in June 2024 vis-à-vis May 2024

Exhibit: Heatmap of high frequency indicators

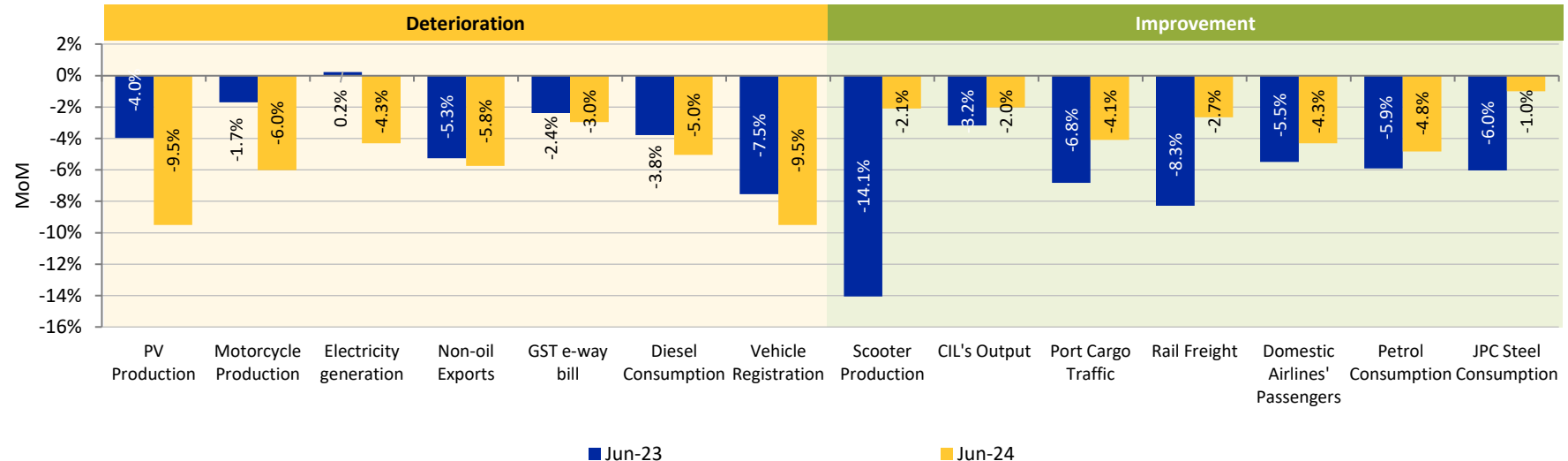
YoY (%)	Auto Output			Vehicle Registration	CIL output	Electricity Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
Mar-24	4.3	12.4	22.0	3.8	6.1	8.1	8.0	3.6	8.7	13.9	11.2	3.7	6.9	3.1	12.9	16.3
Apr-24	11.1	19.9	24.1	27.5	7.3	10.0	0.2	1.3	1.4	14.5	11.5	2.4	14.1	1.4	12.7	15.3
May-24	7.0	23.5	15.8	3.2	7.5	14.6	8.2	3.7	3.7	17.0	13.1	4.4	3.4	2.3	12.2	16.2
June-24	0.8	40.7	10.8	1.0	8.8	9.4	7.7	6.8	10.1	16.3	19.1	5.8	4.6	1.0	10.6	13.9
YoY growth; sequential pick-up				YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip			

While as many as nine of the 16 indicators witnessed a deterioration in their YoY growth performance in June 2024 vis-à-vis May 2024, the number of indicators reporting double-digit growth remained unchanged at seven in June 2024 in line with the previous month.

~excluding the impact of HDFC and HDFC bank merger to ensure comparability; *excluding renewable energy; SCBs; Scheduled Commercial Banks; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Passenger Vehicles (PV), scooter and motorcycle refers to growth in production volumes; CIL: Coal India Limited. Auto includes output of PV, two-wheelers and three-wheelers, CIL refers to growth in production volumes; electricity generation includes thermal, hydro, and nuclear electricity; petrol and diesel refer to growth in consumption volumes; bank deposits and bank credit refer to growth in O/S volumes; Data on finished steel consumption (non alloy and alloy/stainless) is taken from JPC; Source: Joint Plant Committee; CIL; CEA; Indian Ports Association; Ministry of Finance; Ministry of Commerce, GoI; Goods and Services Tax Network; Ministry of Petroleum & Natural Gas; Directorate General of Civil Aviation; PPAC; Indian Railways; Reserve Bank of India; Vahan Portal; Ministry of Road Transport and Highways; CMIE; CEIC; ICRA Research

Sequential contraction in the Index in June 2024 was narrower than that seen in June 2023

Exhibit: MoM performance of non-financial economic indicators

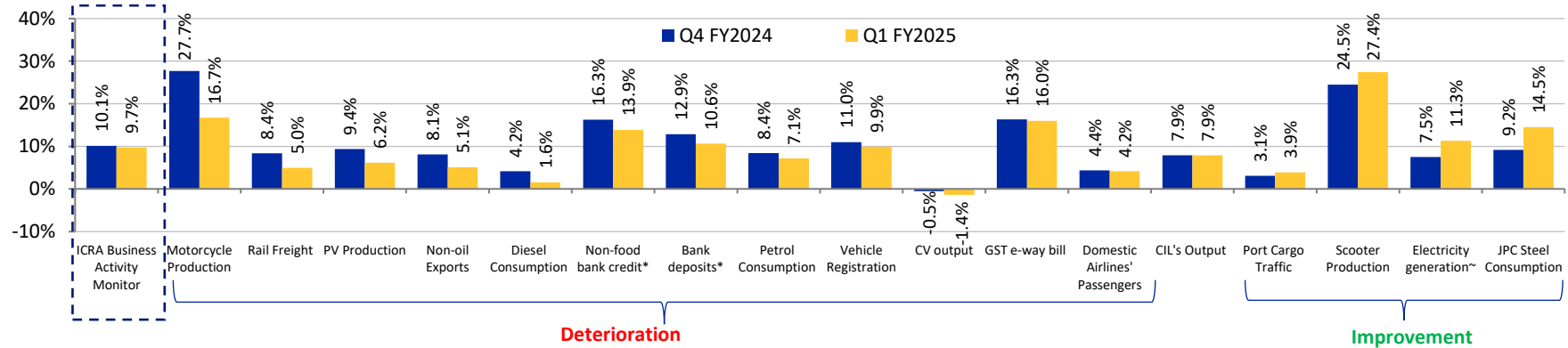


- The ICRA Business Activity Monitor contracted by 3.2% on a MoM basis in June 2024, as against the sequential contraction of 3.5% seen in June 2023. Half of the 14 non-financial indicators witnessed a better MoM performance in June 2024 vis-à-vis June 2023 including scooter production, CIL's output, port cargo traffic, railway freight traffic, domestic airlines' passenger traffic, petrol consumption, and JPC steel consumption.

**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*

YoY growth of ICRA Business Activity Monitor eased slightly in Q1 FY2025 vis-à-vis Q4 FY2024; GVA growth expected to moderate to 5.7% in Q1 FY2025

Exhibit: YoY performance of non-financial indicators in Q4 FY2024 and Q1 FY2025

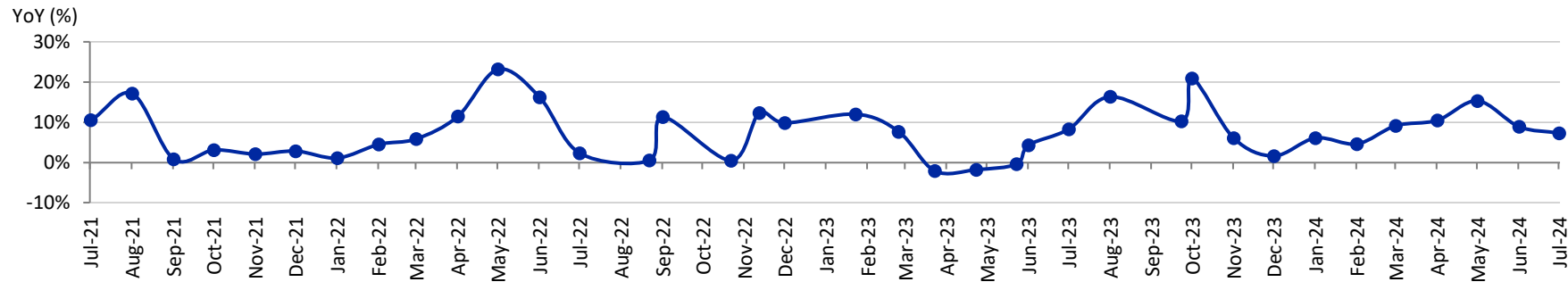


*data is for end-quarter; ~excludes renewable energy; Source: ICRA Research

- The YoY growth in the ICRA Business Activity Monitor eased marginally to 9.7% in Q1 FY2025 from 10.1% in Q4 FY2024, with as many as 12 of the 17 indicators (including CV output) witnessing a deterioration in their growth performance between these quarters. However, the extent of the moderation was rather limited across a majority of indicators in this subset.
- Only four of the 17 indicators witnessed an improvement in their YoY growth in Q1 FY2025 vis-à-vis Q4 FY2024, while the growth in CIL's output remained unchanged between these quarters.
- Given the weaker volume growth across most high frequency indicators, dissipation of the benefit of deflation in global commodity prices, deficient and uneven rainfall in June 2024, and a slowdown in project execution and capital spending by the GoI owing to the General Elections, ICRA anticipates the GVA growth to moderate to 5.7% in Q1 FY2025 from 6.3% in Q4 FY2024. The extent of the slowdown in the GDP growth in Q1 FY2025 would depend on the growth in indirect taxes as well as the magnitude of subsidies booked by the Central and State Government in this quarter.**

Growth in electricity demand tapered off in July 2024 as monsoon gained momentum

Exhibit: Electricity Demand at all-India level

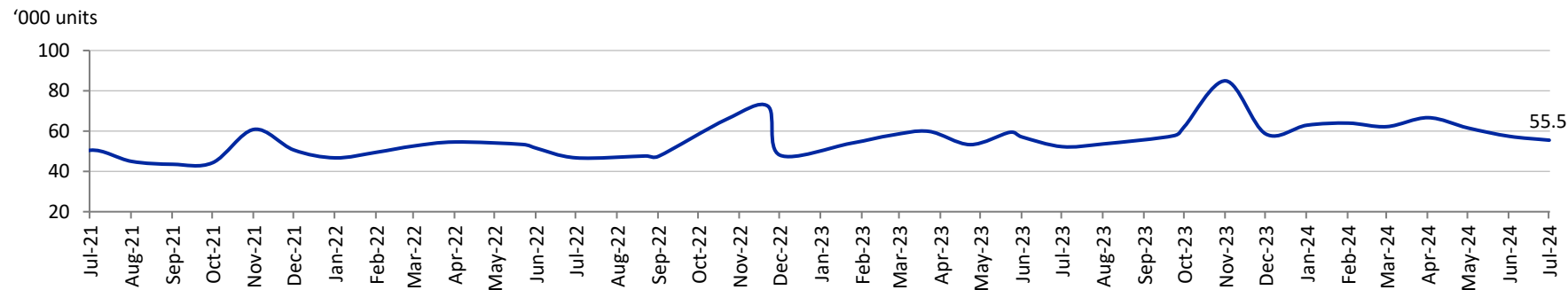


Data for July 2024 is till July 15, 2024; Source: POSOCO; ICRA Research

- The YoY growth in the all-India electricity demand moderated to 7.3% during July 1-15, 2024 from 8.9% in June 2024, as heavy downpour across various parts of the country in July 2024 cooled temperatures.
- Consequently, the average demand levels moderated to 4.8 BU/day in July 2024 (during July 1-15) from 5.1 BU/day in June 2024, both on account of falling household (lower temperatures) and agriculture demand (reduced irrigation demand).
- The average spot power tariffs in the day-ahead-market (DAM) moderated to Rs. 4.6/unit during July 1-16, 2024, significantly lower than Rs. 5.4/unit recorded during June 2024. Besides, the coal stock levels stood at 16.2 days in mid-July 2024, marginally better than the levels seen in June 2024 (16.0 days), while trailing the normative requirement of 24 days.

Daily average vehicle registration higher than year ago levels in early-July 2024

EXHIBIT: Daily average vehicle registrations at all-India level



Data for July 2024 is till July 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 55.5k units during July 1-16, 2024, trending ~5% higher than 52.7k units seen up to mid-July 2023. This implies an improvement in the growth performance vis-à-vis the 1.0% growth seen in June 2024.
- The outlook for the 2W segment appears favourable amid the healthy pick-up in monsoon rains in the ongoing month, kharif sowing trending higher than the year-ago levels and the YoY increase of 1.4-12.7% in the MSPs for kharif crops, which would augur well for the farm cash flows. Nevertheless, high vehicle prices continue to remain a hindrance for this segment. Besides, the heightened inventory levels for the PV segment remains a concern.
- ICRA expects the PV wholesale volumes to display a modest growth of 3-6% in FY2025 on an all-time high base of FY2024, while the 2W volumes are expected to grow by 7-10% in FY2025 on a compressed base.

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.

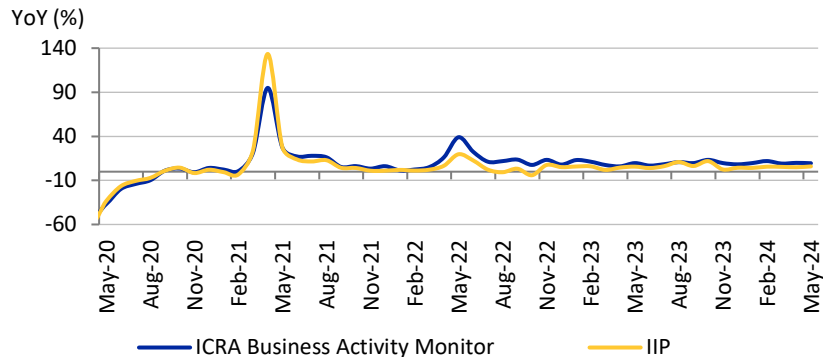
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 136.7 in June 2024 from 141.2 in May 2024, signifies that economic activity has weakened in June 2024 vis-à-vis May 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 May 2024 was released on 12th July 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 May 2024 was available by mid-June 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

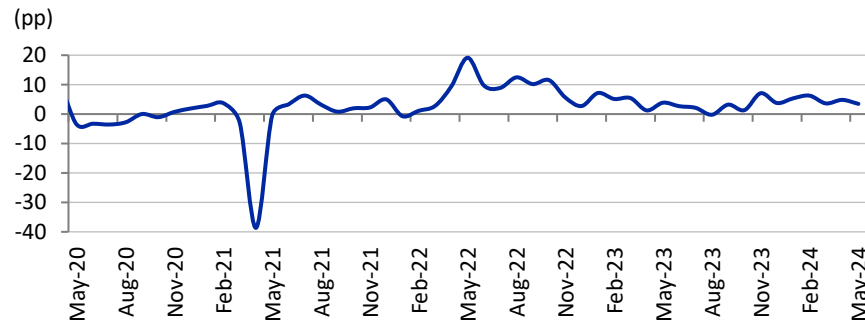
Annexure A.2: ICRA Business Activity Monitor

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

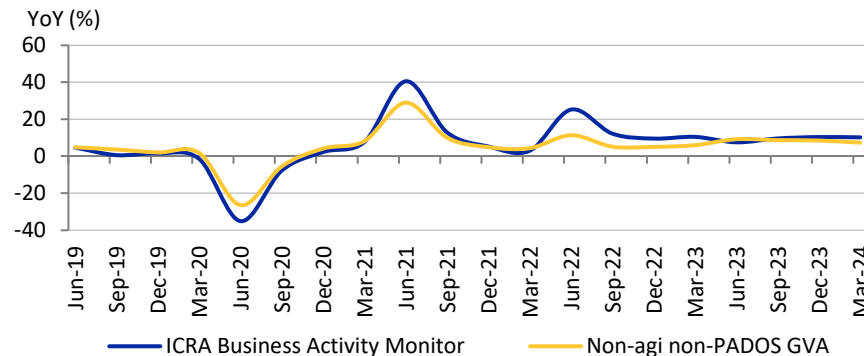


Source: ICRA Research

- 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 44, respectively, of the 62 months between April 2019 and May 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 49 of the 62 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 50/12 of the 62 months.

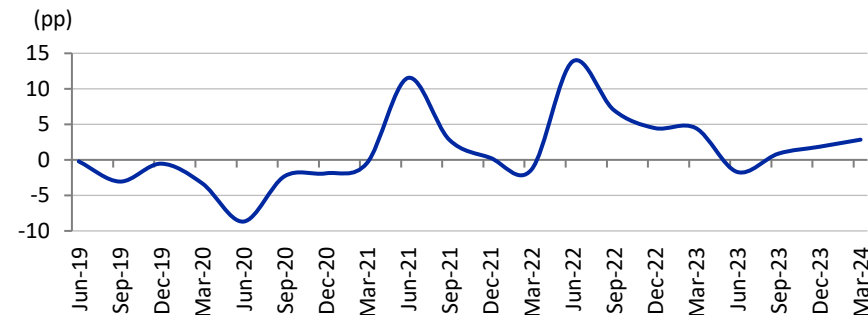
Annexure A.3: ICRA Business Activity Monitor

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

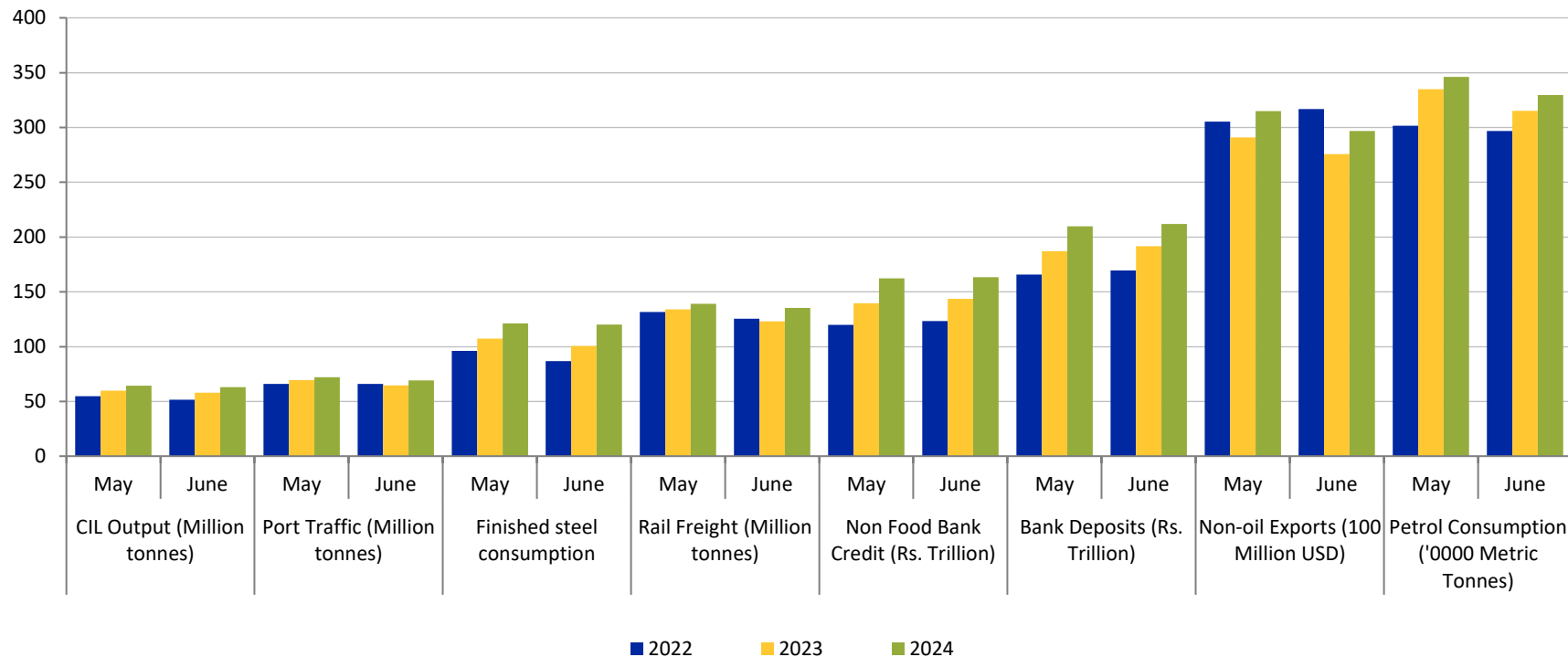


Source: ICRA Research

- 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 15 of the 20 quarters between Q4 FY2019 and Q4 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 all indicators rose in YoY terms - I

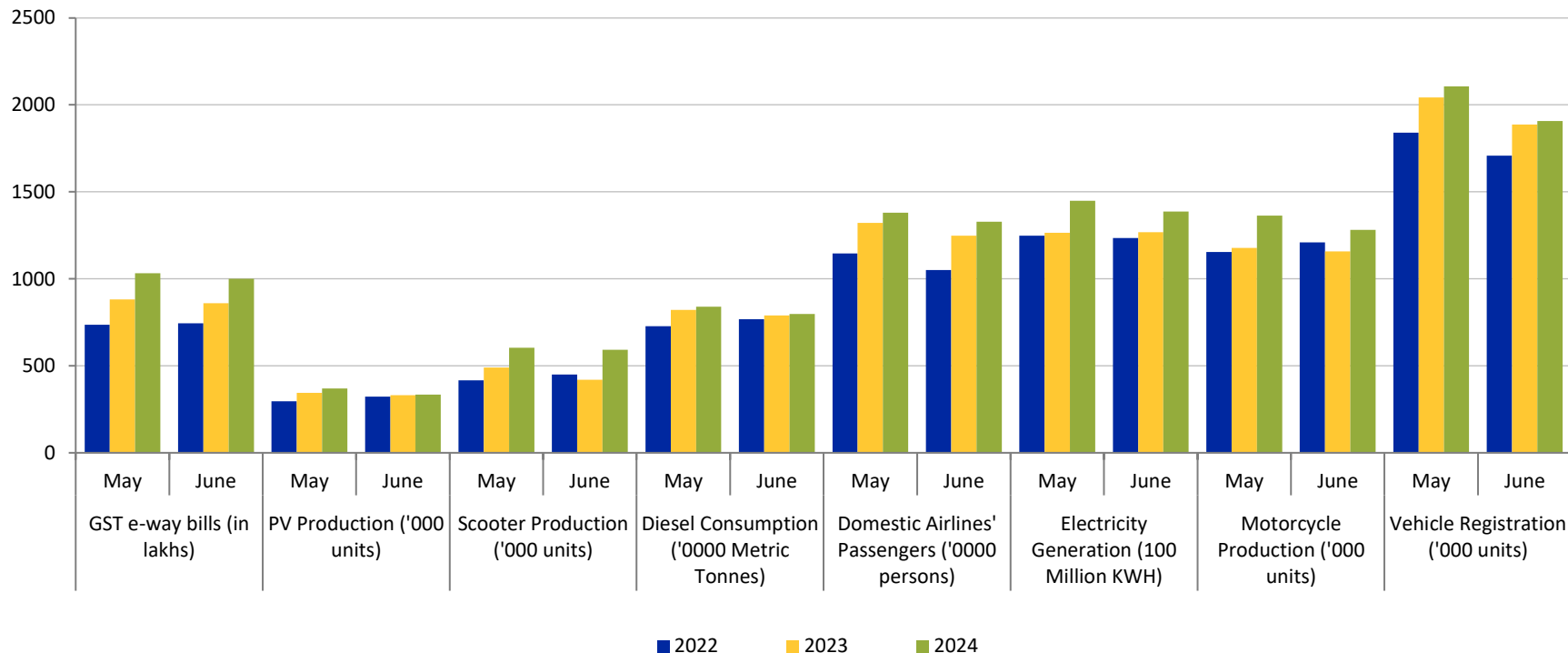
Exhibit: Trends in Volumes for Last Three Years in May and June (Part - I)



*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 all indicators rose in YoY terms - II

Exhibit: Trends in Volumes for Last Three Years in May and June (Part - II)



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



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