



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

**Growth in economic activity dipped
to a 29-month low of 5.3% in August
2024; early data for September 2024
weak**

SEPTEMBER 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, declined to a 29-month low of 5.3% in August 2024 from 9.8% in July 2024, led by the deterioration in the performance of as many as 13 of the 16 constituent indicators between these months. Excess rains in August 2024 impacted mining activity, cooled off power demand, and likely weighed on retail footfalls in the month. Further, the Index contracted by 1.0% on a sequential basis in August 2024, in contrast with the expansion of 3.2% seen in August 2023. The early data for September 2024 remains tepid, amid a contraction in the average daily vehicle registrations, electricity demand, and fuel sales compared to the year ago levels.

- **Growth in ICRA Business Activity Monitor eased in August 2024:** The YoY growth in the ICRA Business Activity Monitor dipped to a 29-month low of 5.3% in August 2024 from 9.8% in July 2024, with as many as 13 of the 16 constituent indicators reporting a deterioration in their performance between these months. While mining activity and electricity generation were impacted by excess rainfall in August 2024, the auto-related indicators (vehicle registrations, and PV output) witnessed a steep deterioration in their YoY performance between these months.
- **Sequential contraction in the Index vs. expansion seen in August 2023:** The Index contracted by 1.0% on a Month-on-Month (MoM) basis in August 2024, in contrast with the sequential expansion of 3.2% seen in August 2023. This is partly attributable to the trends in rainfall in these months (16% surplus from the normal level in August 2024 vs. 36% deficit in August 2023).
- **Early data for September 2024 also weak:** As per the data provided on the Vahan portal, the average daily vehicle registrations stood ~12% YoY lower than year ago levels during September 1-16, 2024. Likewise, the all-India electricity demand contracted by 4.6% in September 2024 (until Sep 17, 2024) as heavy rainfall across parts of the country curtailed power demand. Moreover, the sales of petrol and diesel declined on a YoY basis during September 1-15, 2024.

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: 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

The YoY growth in ICRA Business Activity Monitor fell steeply to a 29-month low of 5.3% in August 2024 from 9.8% in July 2024

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

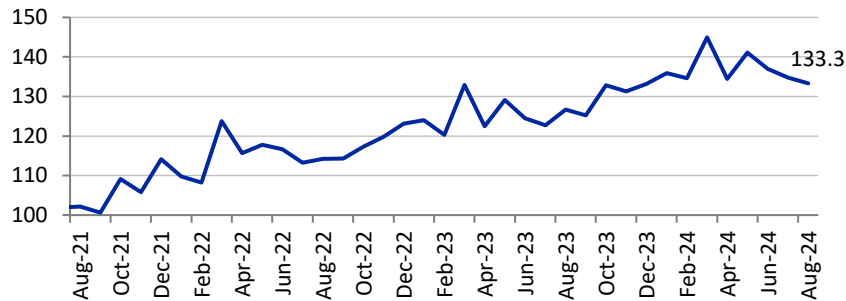
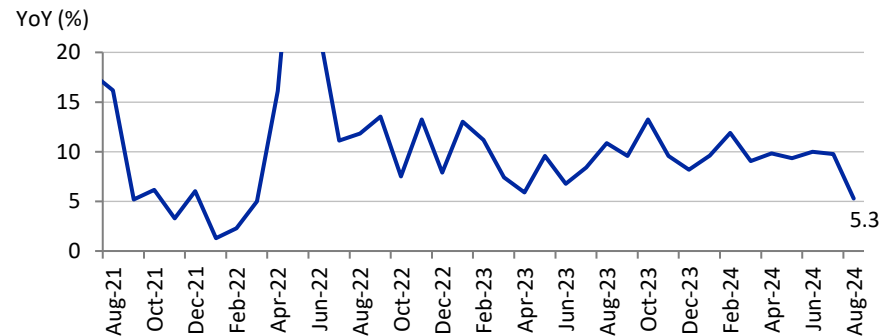


Exhibit: YoY growth of ICRA Business Activity Monitor



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 dropped significantly to a 29-month low of 5.3% YoY in August 2024 (+10.9% in August 2023) from 9.8% in July 2024 (+8.4% in July 2023), with as many as 13 of the 16 constituent indicators reporting a deterioration in their YoY performance between these months.
- The output of Coal India Limited (-11.9% in August 2024 vs. +2.4% in July 2024; at 46.1 million tonne, the lowest level since September 2022) and electricity generation (-4.0% vs. +7.0%; partly on account of an adverse base) contracted steeply in August 2024, with excess rainfall (16% surplus in Aug 2024 vs. 36% deficit in Aug 2023) affecting mining activity and power demand in the month. Together, these two accounted for 163 bps of the 449 bps decline in the YoY growth in the Index between July 2024 and August 2024.
- The auto-related indicators including vehicle registrations (to +3.2% from +14.6%), 2W output (to +4.7% from +21.2%; unfavorable base effect), and PV output (to +0.7% from +1.2%; curtailed dispatches from the wholesalers on account of high dealership inventory and moderation in retail volumes) also witnessed a steep deterioration in their performance, together dragging down the growth in the Index by 119 bps between these months.
- Additionally, the pace of expansion in the mobility-related indicators such as GST e-way bills (to +12.9% from +19.2%), petrol consumption (to +8.6% from +10.5%) and diesel consumption (to -2.5% from +4.5%) moderated in August 2024 vis-à-vis July 2024.

As many as 13 of the 16 high frequency indicators weakened in August 2024 relative to July 2024

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

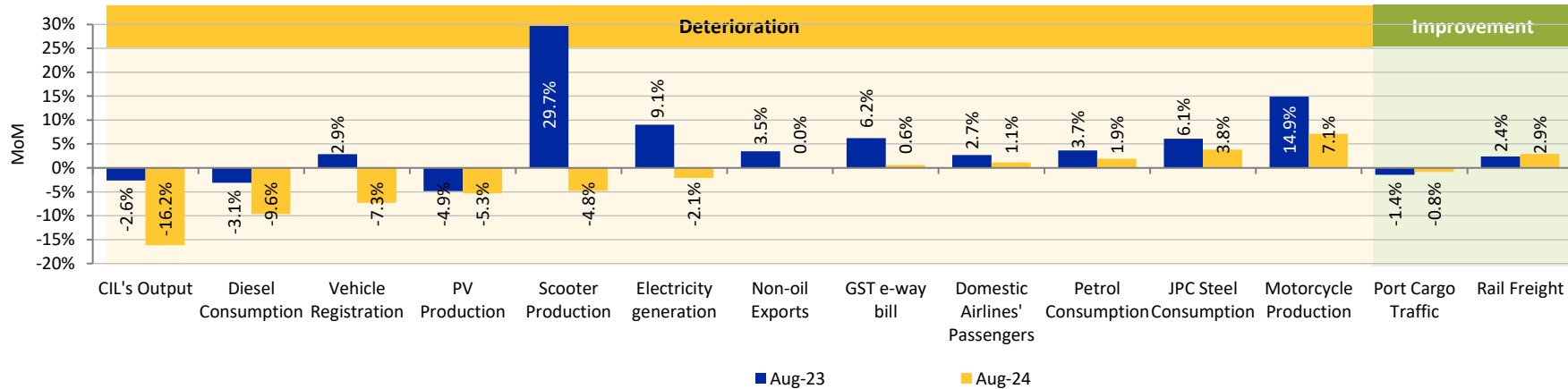
YoY (%)	Auto Output			Vehicle Registration	CIL output	Power Generation *	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
May-24	7.0	23.5	15.8	3.2	7.5	14.6	8.2	3.7	3.7	17.0	11.9	4.4	3.4	2.4	12.2	16.2
June-24	0.8	40.7	10.8	1.4	8.8	9.9	7.7	6.8	10.1	16.3	21.1	5.8	4.6	1.0	10.6	13.9
July-24	1.2	41.1	12.8	14.6	2.4	7.0	3.5	6.0	-0.5	19.2	12.4	7.3	10.5	4.5	11.0	15.1
Aug-24	0.7	3.6	5.2	3.2	-11.9	-4.0	0.05	6.7	0.02	12.9	10.0	5.7	8.6	-2.5	11.3	15.0
YoY growth; sequential pick-up			YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip				

Additionally, only four indicators reported a double-digit YoY growth in August 2024 as compared to eight in the previous month. Further, three indicators reported a contraction in August 2024 as against just one in 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

Index witnessed a 1.0% MoM contraction in August 2024 in contrast with the expansion of 3.2% in August 2023

Exhibit: MoM performance of non-financial economic indicators

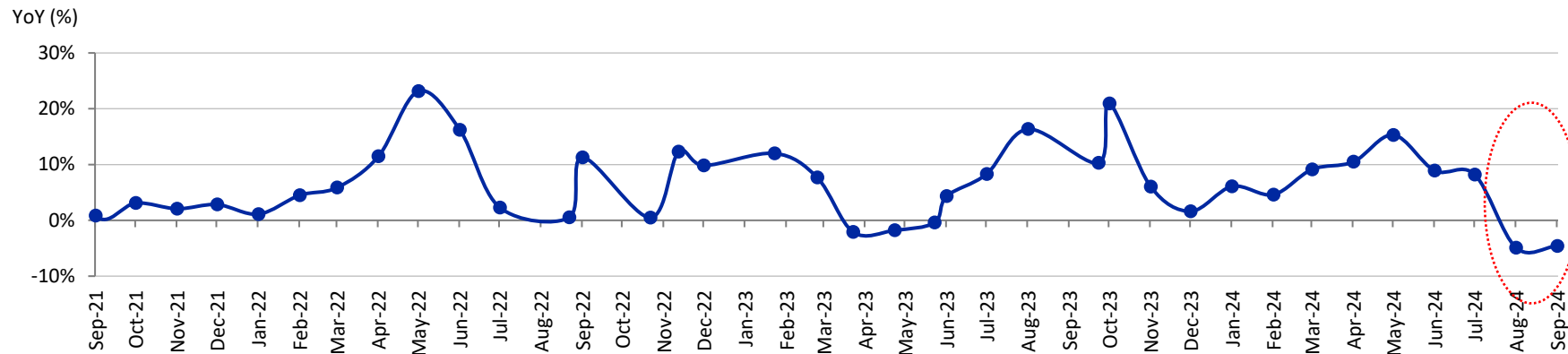


- The ICRA Business Activity Monitor contracted by 1.0% on a MoM basis in August 2024, as against the sequential growth of 3.2% seen in August 2023, driven by 12 of the 14 non-financial indicators. A sharper sequential contraction in CIL's output (-16.2% in August 2024 vs. -2.6% in August 2023) and a dip in electricity generation (-2.1% vs. +9.1%), both on account of excess rainfall (16% surplus in Aug 2024 vs. 36% deficit in Aug 2023), exerted a large drag on the MoM performance of the Index in August 2024.
- Additionally, the performance of the auto-related indicators (vehicle registrations, PV production, and 2W production), and mobility-related indicators (petrol and diesel consumption, domestic airlines' passenger traffic, and GST e-way bills) exhibited weaker sequential trends in August 2024 vis-à-vis August 2023.
- Only two of the 14 non-financial indicators, i.e. port cargo traffic and rail freight saw a better MoM performance in August 2024 vis-à-vis August 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

Electricity demand contracted for second consecutive month in September 2024

Exhibit: Electricity Demand at all-India level

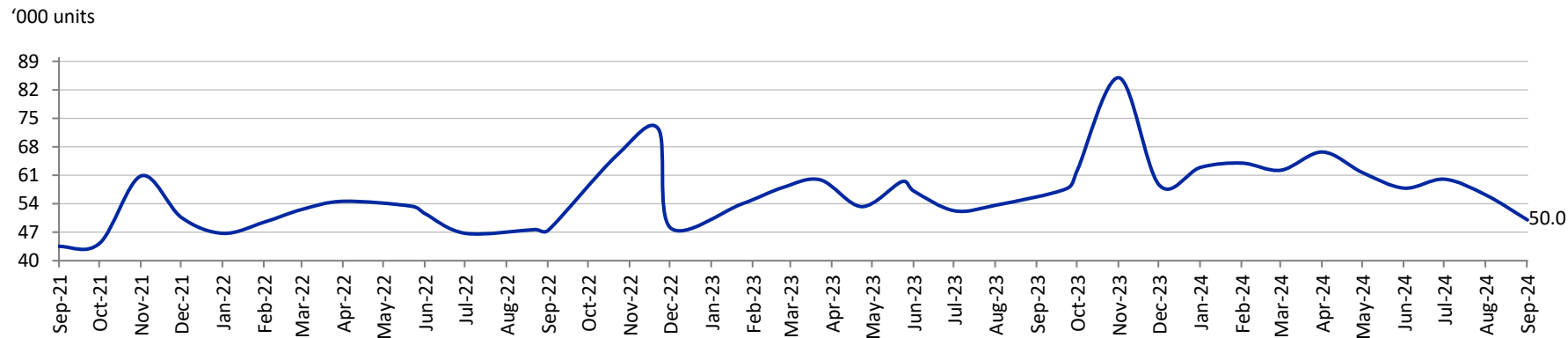


Data for September 2024 is till September 17, 2024; Source: POSOCO; ICRA Research

- The all-India electricity demand contracted by 4.6% YoY in September 2024 (until Sep 17, 2024) after declining by 4.9% in August 2024, as heavy rainfall cooled temperatures across the country. All regions have witnessed either muted growth or YoY contraction in their electricity demand in September 2024 so far.
- The average electricity demand level moderated slightly to 4.6 BU/day in September 2024 (during September 1-17) from 4.7 BU/day in August 2024 likely driven by lower demand from the household and agriculture sectors.
- Reflecting the lower demand and pick-up in wind (+9.7% MoM) and solar-generation (+23.2% MoM) until September 17, 2024, the average spot power tariffs in the day-ahead-market (DAM) moderated to Rs. 3.5/unit during September 1-18, 2024 from Rs. 4.3/unit in August 2024.

Daily average vehicle registrations declined on a YoY basis by mid-September 2024

Exhibit: Daily average vehicle registrations at all-India level



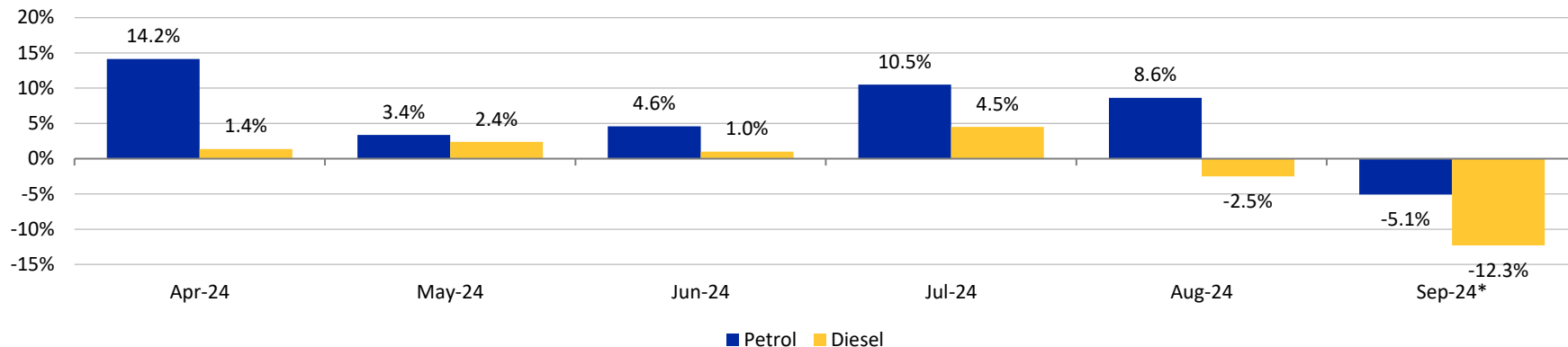
Data for September 2024 is till September 16, 2024; We have removed data for Andhra Pradesh and Madhya Pradesh to ensure comparability across time periods Source: Vahan, MoRTH; CEIC; ICRA Research

- As per the data provided on the Vahan portal, the average daily vehicle registrations stood at 50.0k units during September 1-16, 2024, ~12% lower than the 57.1k units seen in the corresponding year-ago period. However, in MoM terms, the average vehicle registrations stood 8.8% higher in mid-September 2024 vis-à-vis mid-August 2024 levels.
- The overall vehicle registrations are expected to remain muted in the ongoing month on account of the *Shraadh* period*. Further, improvement in rural demand during the upcoming festive season is a monitorable for the auto industry, even as high PV inventory at the dealership level remains a concern.

*Shraadh period in 2023: Sep 29-Oct 14, 2023; 2024: Sep 18-Oct 3, 2024

Petrol and diesel consumption also dipped in the first half of September 2024

Exhibit: YoY growth in sales of petrol and diesel



*As of September 15, 2024 compiled by three state fuel refiners which forms about 90% of the country's fuel consumption; Source: PPAC; ICRA Research

- As per the preliminary estimates released by state fuel refiners, sales of petrol and diesel contracted by 5.1% and 12.3%, respectively, in the first half of September 2024. This is weaker than the performance seen in August 2024 (+8.6% and -2.5%), as excess rains continue to dampen mobility, and agricultural and industrial demand, echoing the seasonal trend.
- Moreover, sales of diesel were down by ~4% in sequential terms during September 1-15, 2024, while those of petrol remained flat.
- As the monsoons start to withdraw from the country and winter season kicks in, the demand for fuel is anticipated to improve and normalise, going forward.

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.

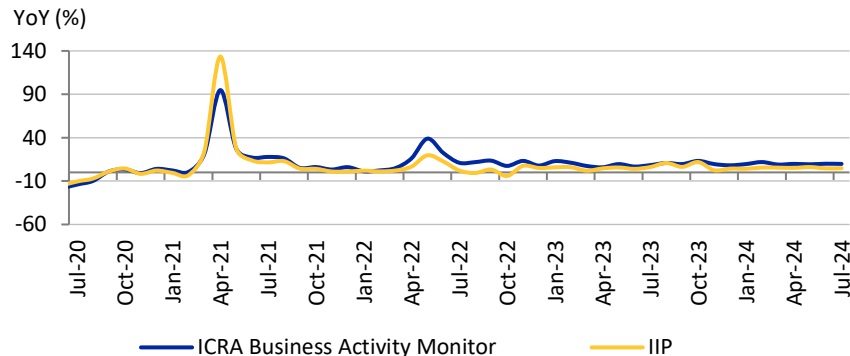
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 9.8% in July 2024 from 10.0% in June 2024, signifies that economic activity has weakened in July 2024 vis-à-vis June 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 July 2024 was released on 12th September 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 usually released with a lag of two weeks (Eg. Business Activity Monitor for July 2024 was available by mid-August 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

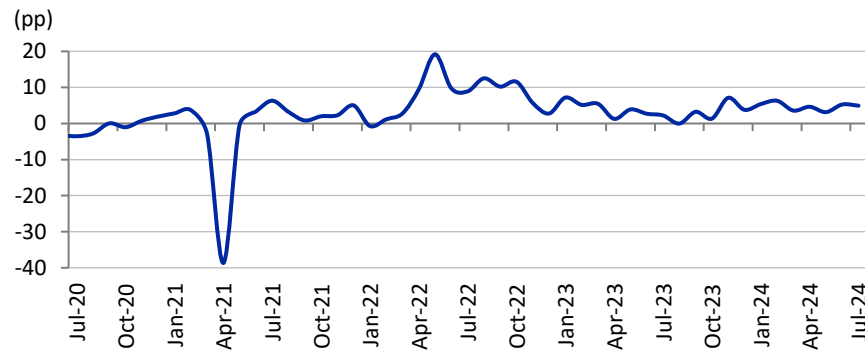
Annexure A.2: ICRA Business Activity Monitor

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

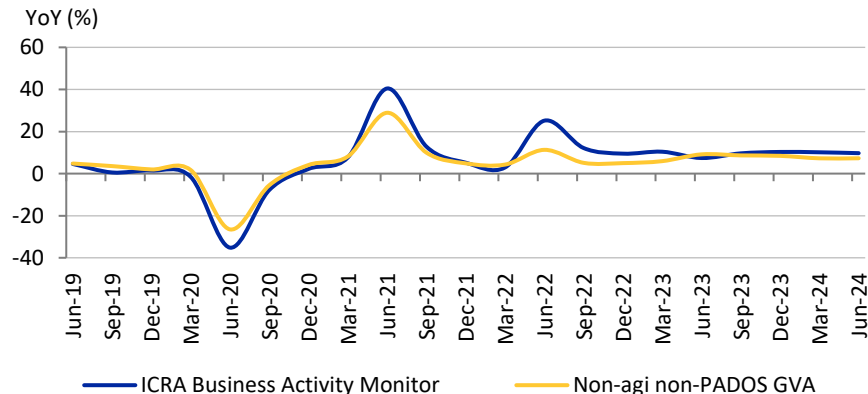


Source: ICRA Research

- 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 64 months between April 2019 and July 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 47 of the 63 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 53/11 of the 64 months.

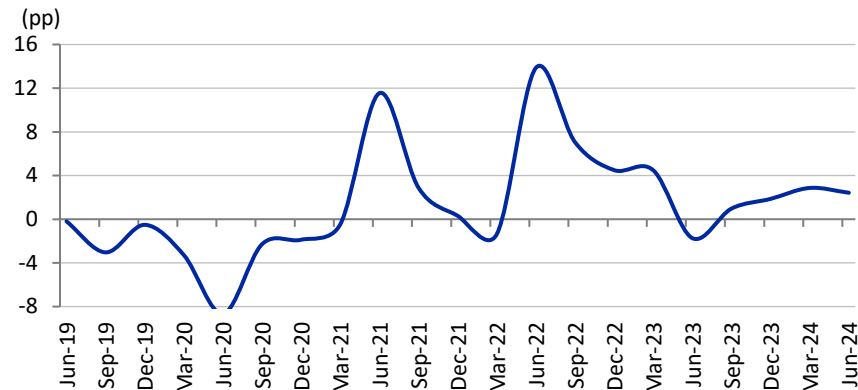
Annexure A.3: ICRA Business Activity Monitor

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

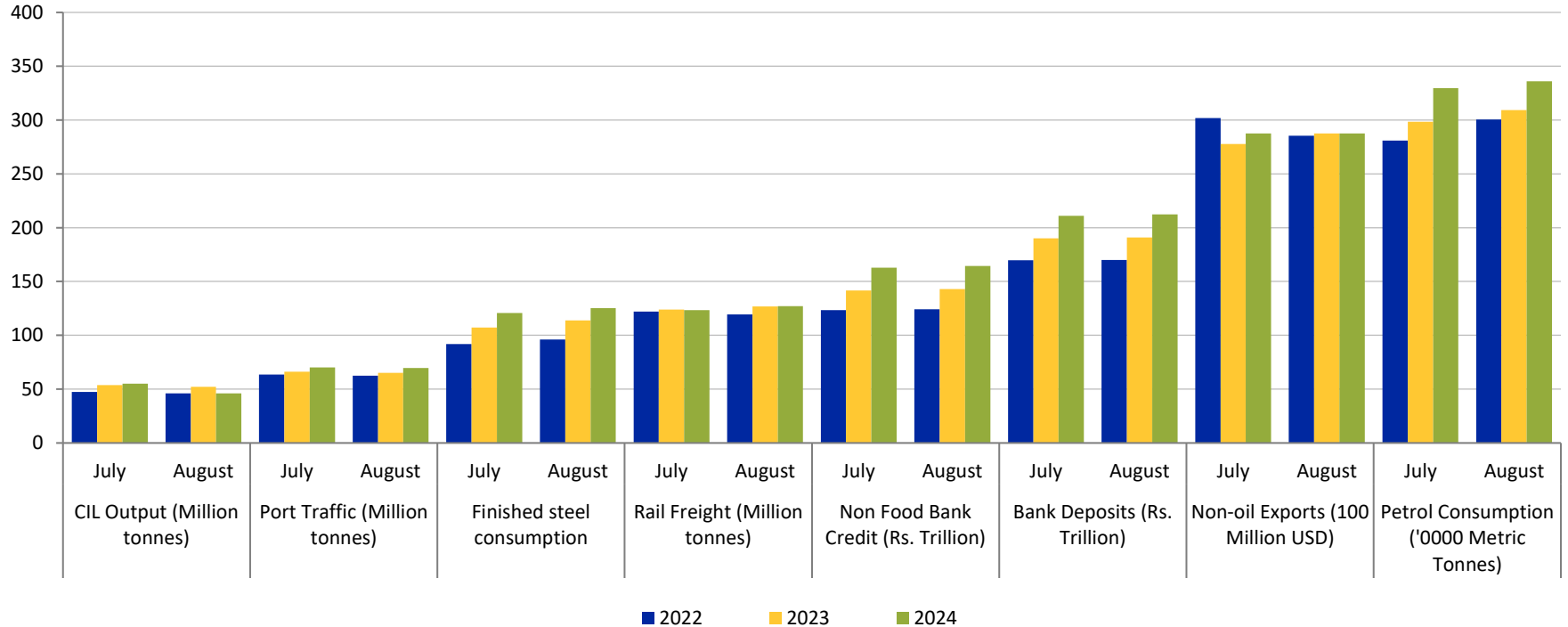


Source: ICRA Research

- 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 17 of the 21 quarters between Q4 FY2019 and Q1 FY2025.
- 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 13 of the 16 indicators rose in August 2024 vis-à-vis August 2023- I

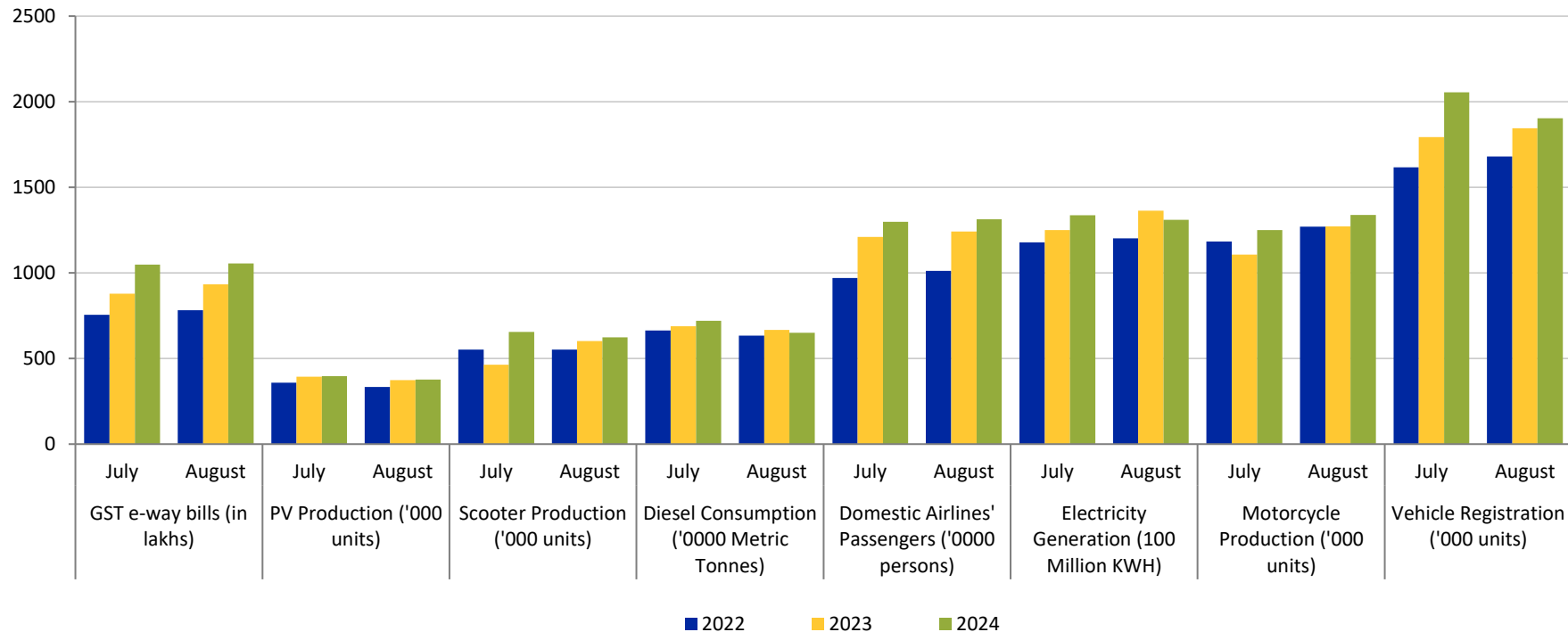
Exhibit: Trends in Volumes for Last Three Years in July and August (Part - I)



*Data for non-food bank credit and bank deposits is excluding the impact of HDFC and HDFC bank merger to ensure comparability; Source: CIL; Ministry of Commerce, GoI; Indian Railways; Indian Ports Association; JPC; RBI; PPAC; CEIC; ICRA Research

Annexure B.2: Volumes of 13 of the 16 indicators rose in August 2024 vis-à-vis August 2023- II

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



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



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