



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

**YoY growth in economic activity
eased slightly to 9.1% in May 2024
from 9.7% in April 2024**

June 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, moderated to 9.1% in May 2024 from a two-month high of 9.7% in April 2024. However, the easing was not broadbased, with as many as 11 of the 16 constituent indicators witnessing an improvement in their growth performance between these months. The Index rose by 4.8% on a sequential basis in May 2024, reflecting the seasonal trend of an improvement in activity in May over April, albeit shallower than the uptick seen in May 2023. The early data for June 2024 points to a slowdown in the growth momentum vis-à-vis May 2024, amid a lower, albeit healthy growth in electricity demand, and a YoY contraction in average daily vehicle registrations.

- **ICRA Business Activity Monitor rose by 9.1% in May 2024:** The YoY growth in the ICRA Business Activity Monitor eased slightly to 9.1% in May 2024 from 9.7% in April 2024, despite a majority of the constituent indicators reporting an improvement in their YoY performance between these months. The moderation was led by a sharp deceleration in some of the auto-related indicators including vehicle registrations, motorcycle output, and the PV output as extreme heat conditions impacted footfalls and walk-ins at the retail level, while elevated inventory levels constrained output. Additionally, the growth in petrol sales also eased sharply on account of an unfavourable base.
- **Sequential uptick in Index narrower than that seen in May 2023:** The Index expanded by 4.8% on a Month-on-Month (MoM) basis in May 2024, lower than the 5.4% sequential rise seen in May 2023. The weaker performance was driven by a relatively small number of indicators, largely pertaining to the auto sector including vehicle registration, motorcycle production, PV production and petrol consumption.
- **Data for early June 2024 points to a slowdown:** Bolstered by heatwave conditions and above normal temperatures in some regions, the YoY expansion in all-India electricity demand was robust at 8.1% during June 1-17, 2024, although it entails a moderation from 15.3% in May 2024 owing to the base effect. The daily average vehicle registrations of 45.7k units during June 1-19, 2024, is sharply lower than 57.6k reported in similar period of June 2023, as heatwave conditions across some parts of the country appear to have deferred sales.

ICRA Business Activity Monitor includes high frequency indicators related to industrial and service sectors

ICRA Business Activity Monitor



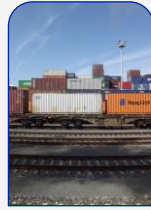
**Auto
Production
(PV and 2W)
and vehicle
registrations**



**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 eased slightly to 9.1% in May 2024 from 9.7% in April 2024, while remaining robust

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

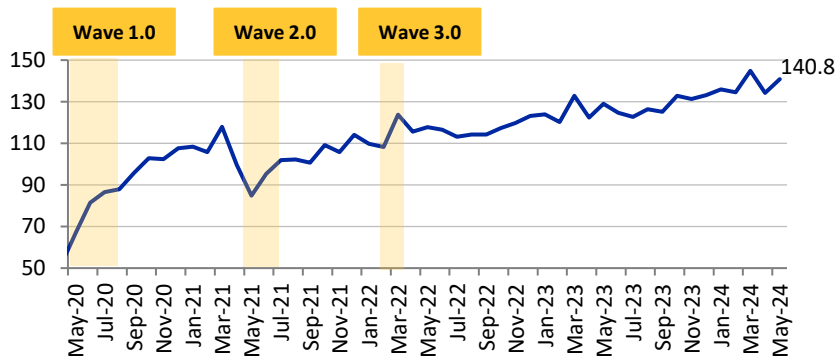
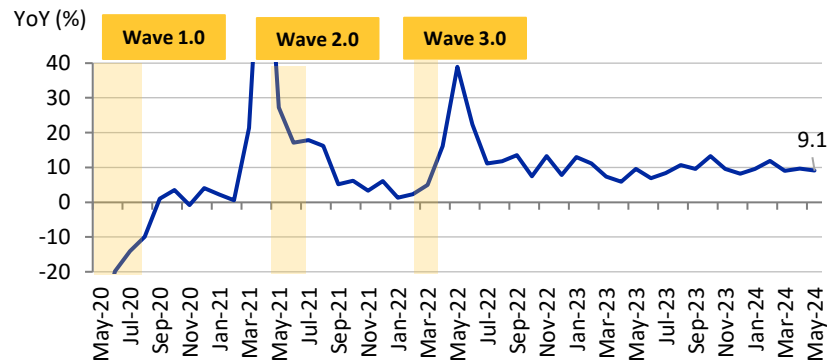


Exhibit: YoY growth of ICRA Business Activity Monitor



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 eased slightly to 9.1% in May 2024 (+9.6% in May 2023) from 9.7% in April 2024 (+5.9% in April 2023), despite as many as 11 of the 16-constituent indicators reporting an improvement in their YoY performance between these months.
- The moderation was entirely led by a sharp deceleration in some of the auto-related indicators including vehicle registrations (to +2.8% in May 2024 from +27.4% in April 2024), motorcycle output (to +15.8% from +24.1%), PV output (to +7.0% from +11.1%) as extreme heat conditions impacted footfalls and walk-ins at the retail level, while elevated inventory levels constrained output. Additionally, the growth in petrol sales (to +2.4% from +14.1%) eased sharply in May 2024 vis-à-vis April 2024 on account of an unfavourable base.
- Among the other indicators, electricity generation (to +14.1% in May 2024 from +10.0% in April 2024; aided by strong demand amid heatwave conditions), coal output (to +7.5% from +7.3%; buoyed by healthy demand from the power sector), non-oil exports (to +7.8% from +0.6%; driven by drugs and pharma, electronic goods, engineering goods and RMG of textiles) and GST e-way bills (to +17.0% from +14.5%) posted an uptick in growth in May 2024 vis-à-vis April 2024.

YoY performance of 11 of the 16 indicators improved in May 2024 vis-à-vis April 2024

Exhibit: Heatmap of high frequency indicators

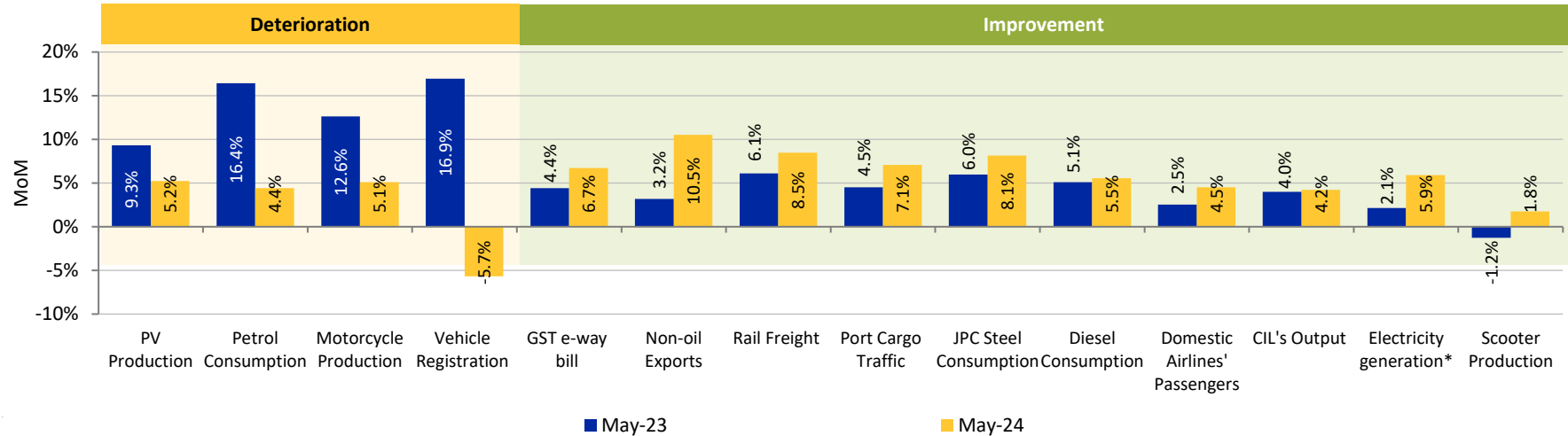
YoY (%)	Auto Output			Vehicle Registration	CIL output	Electricity Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
Feb-24	14.4	28.7	39.8	13.9	8.7	6.5	13.8	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	3.7	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	27.4	7.3	10.0	0.6	1.3	1.4	14.5	9.3	2.4	14.1	1.4	12.7	15.3
May-24	7.0	23.5	15.8	2.8	7.5	14.1	7.8	3.7	3.7	17.0	11.6	4.4	2.4	1.8	12.2	16.2
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 11 of the 16 indicators witnessed an improvement in their YoY growth performance in May 2024 vis-à-vis April 2024, the number of indicators reporting double-digit growth moderated to seven from nine in April 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 expansion in the Index in May 2024 narrower than that seen in 2023, despite better performance in majority of non-financial indicators

Exhibit: MoM performance of non-financial economic indicators

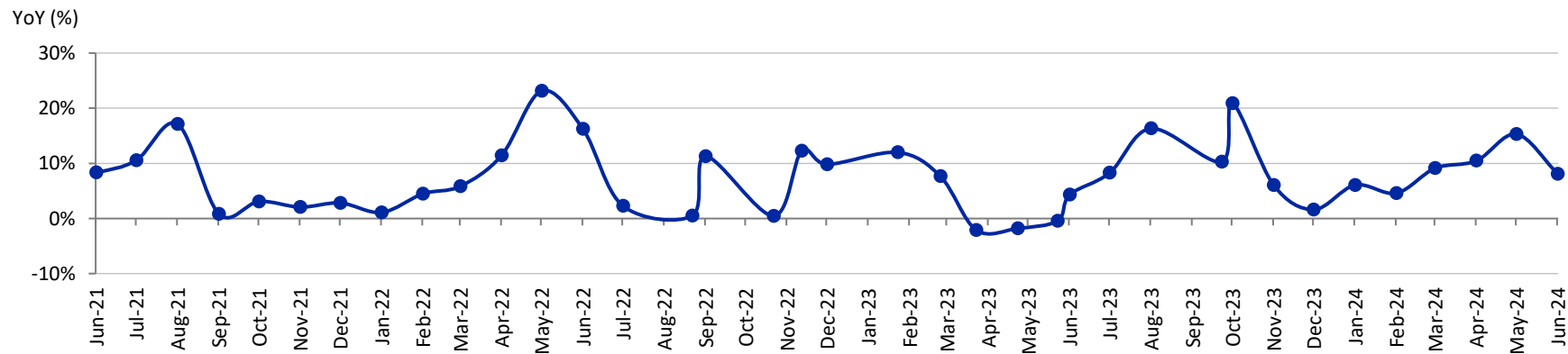


- The ICRA Business Activity Monitor expanded by 4.8% on a MoM basis in May 2024, lower than the 5.4% sequential rise seen in May 2023. The weaker performance was driven by a relatively small number of indicators, largely pertaining to the auto sector. This sub-set includes vehicle registration (-5.7% in May 2024 vs. +16.9% in May 2023), petrol consumption (+4.4% vs. +16.4%), motorcycle production (+5.1% vs. +12.6%) and PV production (+5.2% vs. +9.3%).
- As many as 10 of the 14 non-financial indicators witnessed a better MoM performance in May 2024 vis-à-vis May 2023 including non-oil exports, port cargo traffic, railway freight traffic, domestic airlines' passenger traffic, diesel consumption, electricity generation, CIL's output, JPC steel consumption, GST e-way bills and scooter production.

*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

Growth in electricity demand remained robust in June 2024 amid higher-than-normal temperatures in northern India

Exhibit: Electricity Demand at all-India level

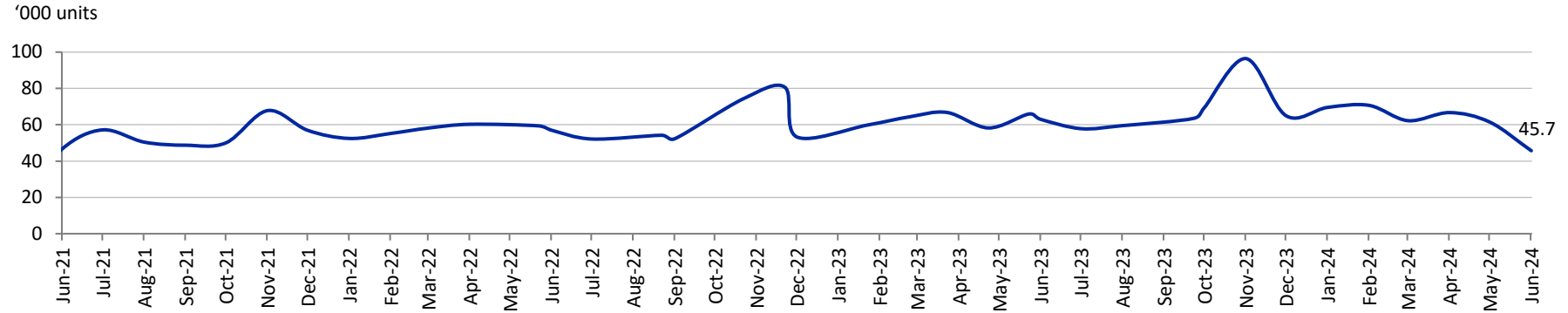


Data for June 2024 is till June 17, 2024; Source: POSOCO; ICRA Research

- The YoY growth in the all-India electricity demand moderated to 8.1% during June 1-17, 2024 from a seven-month high of 15.3% in May 2024 while remaining elevated amid high demand in North India (+25.9% YoY) owing to the heatwave-led higher-than-normal temperatures in the region during this period.
- Notably, the average demand levels rose to a record high of 5.1 BU/day in June 2024 (during June 1-17) from 5.0 BU/day in May 2024. Any delay in the advancement of Monsoon over Northern India and continued heatwave conditions are expected to keep the demand elevated.
- The average spot power tariffs in the day-ahead-market (DAM) remained elevated at Rs. 5.4/unit during June 1-19, 2024, even higher than Rs. 5.3/unit recorded during May 2024. Besides, the coal stock levels have stood at 16.5 days in mid-June 2024, unchanged from the levels seen in April 2024 and May 2024, while trailing the normative requirement of 24 days.

Daily average vehicle registration declined sharply in early June 2024

EXHIBIT: Daily average vehicle registrations at all-India level



Data for June 2024 is till June 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 45.7k units during June 1-19, 2024, significantly lower than the level recorded in the similar period of June 2023 (57.6k units). Heatwave conditions across some parts of the country are likely to have deferred sales.
- ICRA expects domestic PV wholesale sales volumes to grow by 3-6% in FY2025 (vs. +8% YoY 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.

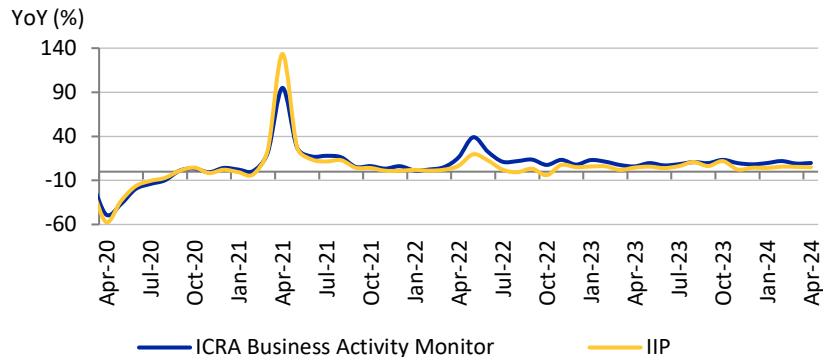
The ICRA Business Activity Monitor - an Index of high frequency economic indicators, is a composite tool that gauges economic activity each month. While several high frequency indicators are released every month, each of these provides insights on the performance of a select segment of the economy. It 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.

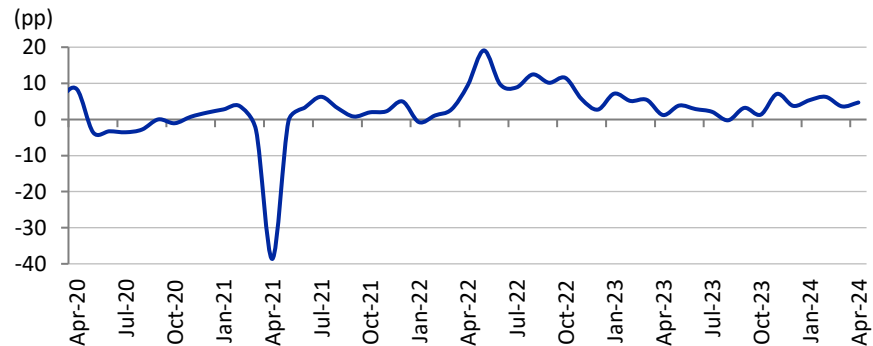
While summary measures of economic activity such as the GDP and the Index of Industrial Production (IIP) are released by the Government, these are available with relatively longer lags. The GDP data is available for a quarterly or higher frequency and is released with a lag of two months post the end 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 Jan 2024 is available by mid-Feb 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

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

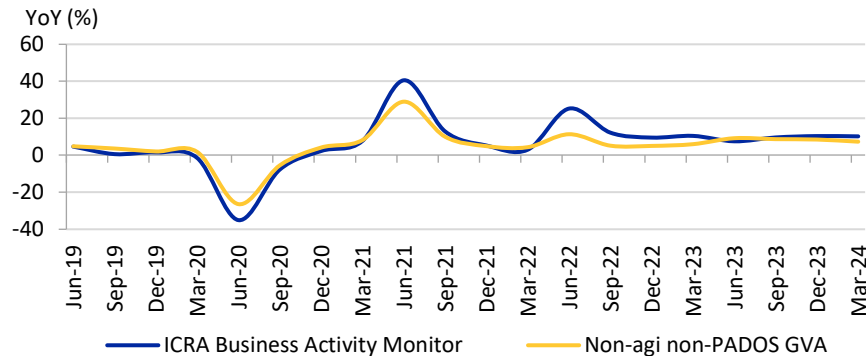


Source: ICRA Research

- 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 43, respectively, of the 61 months between April 2019 and April 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 49 of the 61 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 49/12 of the 61 months.

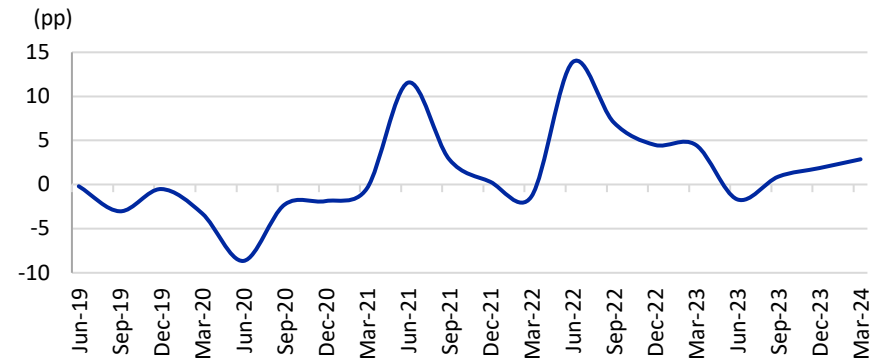
Annexure A.3: ICRA Business Activity Monitor

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

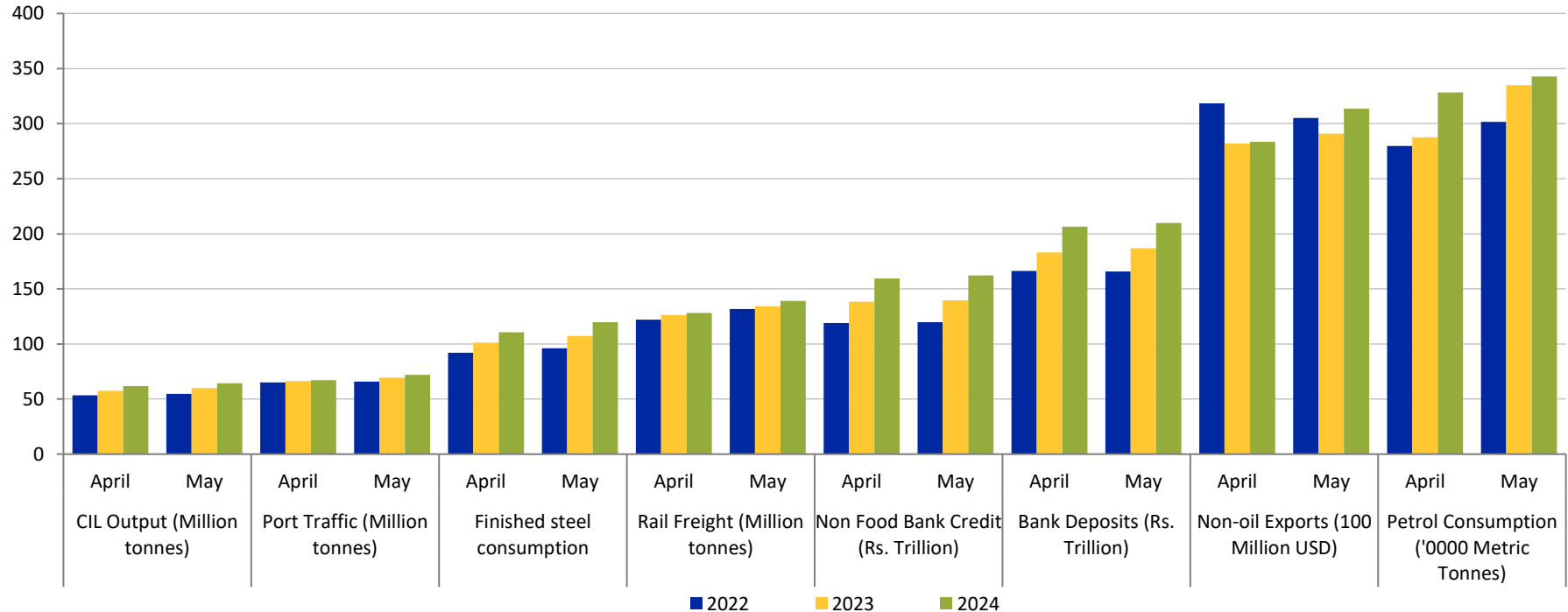


Source: ICRA Research

- 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 in May 2024 - I

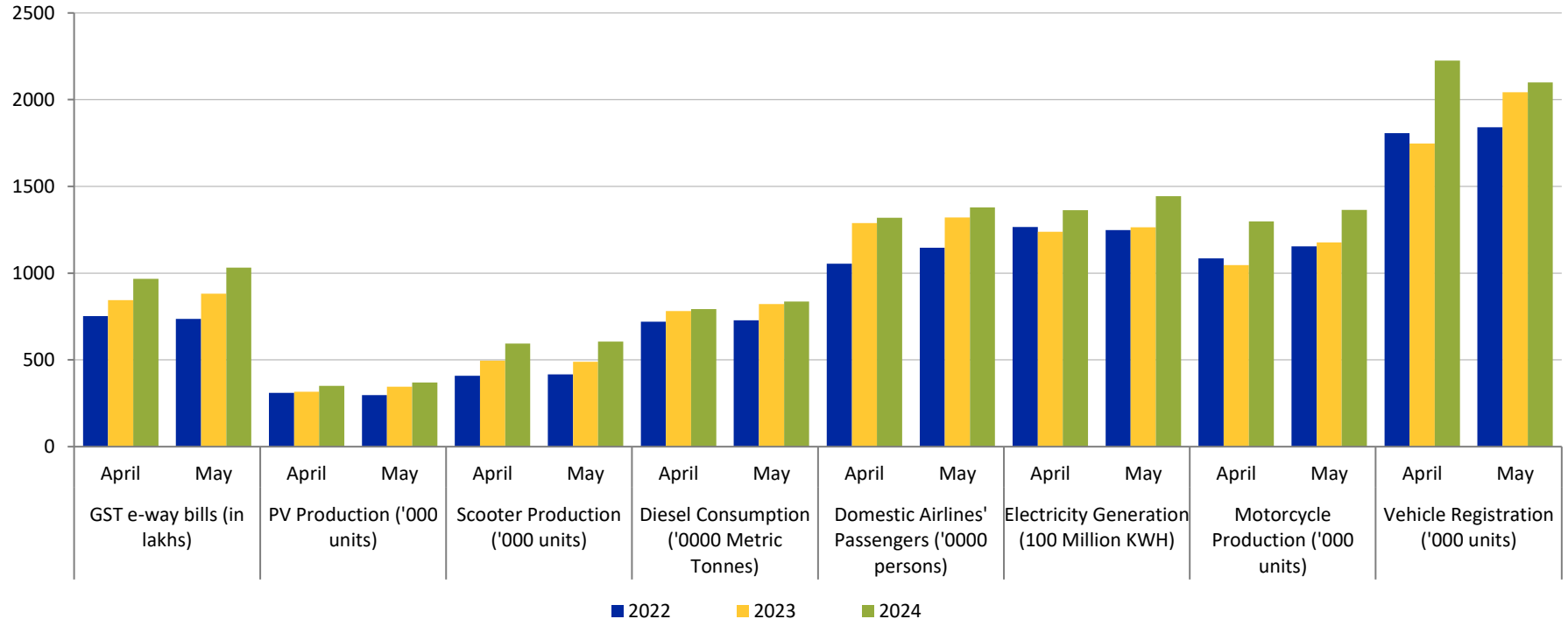
Exhibit: Trends in Volumes for Last Three Years in April and May (Part - I)



*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 in May 2024 - II

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



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



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