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## INDIAN ECONOMY: MONTH IN REVIEW OCTOBER 2021

**Festive season boosted most non-auto lead  
indicators in October 2021**

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### November 2021

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## HIGHLIGHTS



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*Eight of the 15 lead indicators recorded a YoY improvement in October 2021, relative to September 2021, with a high base dampening the performance of most of the others*

*Reflecting inventory building, the MoM performance of 11 of the 13 non-financial indicators improved in October 2021, while nine rose above their pre-Covid levels*

*While early data for November 2021 is dull, it remains to be seen whether this reflects the satiation of pent-up demand post the festive season or the higher number of holidays in early November 2021*

The imprint of the festive season was visible in most indicators of economic activity and mobility in October 2021, which also benefited from resilient external demand as well as growing confidence engendered by rising vaccine coverage. A majority of the high-frequency indicators displayed a seasonal rise in month-on-month (MoM) terms, but more importantly, they bettered their pre-Covid performance in October 2021. Regardless, the ongoing global semiconductor shortage and subdued demand for the entry-level two-wheeler segment, dampened the festive season auto sales in 2021. Despite an unfavourable base, eight of the 15 indicators witnessed a year-on-year (YoY) improvement in October 2021, relative to September 2021. While the early data for November 2021 displays a slackening of momentum, a larger number of holidays in the early part of the month is concealing the signals related to the strength of demand after the surge seen during the festive period.

The YoY performance of eight of the 15 high-frequency indicators improved in October 2021 compared to September 2021, such as the output of Coal India Limited (CIL; in a bid to shore up the supplies of coal to power plants), electricity generation, non-oil merchandise exports, rail freight, ports cargo traffic, passenger vehicle (PV) production as well as bank deposits and non-food bank credit of scheduled commercial banks (refer Exhibit 1). While six indicators witnessed a worsening YoY performance in October 2021, relative to the previous month, such as the output of motorcycles and scooters, GST e-way bills, domestic airlines' passenger traffic, as well as consumption of petrol and diesel, the deterioration recorded by five of these six indicators (except scooters' output) was primarily on account of the base effect. Notably, the YoY contraction in retail demand for vehicles remained unchanged in October 2021 at the previous month's level.

Encouragingly, as many as 11 of the 13 non-financial indicators posted a rise in MoM terms in October 2021 (refer Exhibit 2), reflecting a combination of factors such as festive season pick-up (GST e-way bills, PV and motorcycle output, vehicle registrations, rail freight, fuel consumption), buoyant external demand (non-oil merchandise exports and ports cargo traffic), prioritising coal supply to power plants (CIL output), as well as rising vaccine-led confidence to travel (domestic airlines' passenger traffic). Moreover, the trend was favourable when compared to the pre-Covid volumes of October 2019, with nine of the 13 non-financial indicators (except domestic airlines' passenger traffic, vehicle registrations, and output of PVs and scooters) recording an improvement in October 2021 (refer Exhibit 3). In addition, FASTag toll collections and retail payments rose to all-time highs in October 2021, while the mobility for retail and recreation recorded a modest pick-up compared to the previous month (refer Exhibit 4, 5 and 6).

Early data for November 2021 reveals that the daily average generation of the GST e-way bills declined to 1.9 million during November 1-21, 2021 from the record high 2.4 million in October 2021. In addition, the YoY growth in electricity demand eased to a muted 0.9% during November 1-22, 2021 from 3.1% in October 2021 (refer Exhibit 7), and rail freight growth moderated to 3.7% YoY during November 1-10, 2021 from 8.4% in October 2021. While the sales of state refiners in the first half of November 2021 of petrol grew in YoY and pre-Covid terms, that of diesel declined. While the early data for November 2021 is admittedly dull, it remains to be seen whether this reflects the satiation of pent-up demand, post the festive season or the higher number of holidays in early November 2021.

- The aggregate auto output (spanning passenger vehicles or PVs, two- and three-wheelers) recorded a YoY contraction for the third consecutive month, with the pace of the same deepening to 21.8% in October 2021 (+35.7% in October 2020) from 18.9% in September 2021 (+11.8% in September 2020), on account of an unfavourable base effect as well as a moderation in the demand for entry level two-wheelers. The YoY performance of scooters (to -24.4% from -9.5%) and motorcycles (to -21.3% from -20.6%) worsened in October 2021 relative to September 2021. While the output of PVs continued to contract for the second consecutive month led by the supply side challenges related to the semiconductor availability, the pace of the decline narrowed to 24.6% from 37.5%, respectively<sup>1</sup>. Amidst the festive season, auto output rose by a modest 4.2% in MoM terms in October 2021, with the sequential uptick in the output of PVs (+29.8%), motorcycles (+8.9%) and three-wheelers (+8.5%), partly offset by the sharp decline in scooter output (-15.3%). Overall, auto output in October 2021 exceeded the pre-Covid or October 2019 level by 6.2%, reflecting the trend for motorcycles (+15.4%), whereas PVs (-0.6%) and scooters (-7.2%) trailed their pre-Covid levels.
- Retail demand for vehicles displayed a YoY contraction of 5.33% in October 2021 (-22.5% in October 2020), similar to the 5.27% decline recorded in September 2021 (-8.7% in September 2020). As per the data released by FADA, PV volumes contracted by a sharp 11.4% on a YoY basis in October 2021, after having expanded by 16.3% in the previous month, given the ongoing supply chain disruptions related to semiconductor shortage. Relative to October 2019, overall retail demand was a sharp 26.6% lower in October 2021, driven by 2Ws (-30.0%), PVs (-16.6%), 3Ws (-38.0%) and light commercial vehicles (-15.8%), even as the registrations for tractors exceeded the pre-Covid level by a healthy 24.8%. Subsequently, the daily data provided in the Vahan portal reveals that vehicle registrations stood at 1.2 million during November 1-21, 2021, accounting for roughly 64% of the November 2020 level.
- As per the provisional data released by the Central Electricity Authority (CEA), the YoY growth in electricity generation (spanning thermal, hydro, nuclear and renewable energy) rose mildly to 2.7% in October 2021 (+11.2% in October 2020) from the seven-month low 1.1% in September 2021 (+4.7% in September 2020), as the extent of the surplus in rainfall moderated. In MoM terms, the electricity generation in October 2021 eased by 0.6%. Nevertheless, overall electricity generation in October 2021 exceeded the level in October 2019 by a healthy 14.2%. As per the data released by POSOCO, the YoY growth in electricity demand has eased to a muted 0.9% during November 1-22, 2021 from 3.1% in October 2021, with the holidays during the festive period constraining industrial demand.
- The YoY growth in the output of CIL rebounded to 6.4% in October 2021 (+18.7% in October 2020) from the six-month low 0.4% in September 2021 (+31.6% in September 2020), amidst a sharp-step up in offtake. In MoM terms, the output of CIL surged by 22.4% in October 2021. Moreover, relative to October 2019, the output in October 2021 was higher by a healthy 26.1%.
- The YoY expansion of non-oil merchandise exports (in US\$ terms) improved to nearly 30% in October 2021 (+2.5% in October 2020) from 18.9% in September 2021 (+6.4% in September 2020), boosted by elevated commodity prices and healthy demand from major export destinations. In absolute terms, commodities such as engineering goods, gems and jewellery, and organic and inorganic chemicals accounted for three-fourths of the YoY increase in total merchandise exports during October 2021. Additionally, non-oil merchandise exports rose sequentially by 6.1% in October 2021, and were a considerable 33% higher than the pre-Covid level of October 2019.
- Similarly, the YoY growth of cargo handled at major ports improved to 6.5% in October 2021 (-1.2% in October 2020) from the seven-month low 0.4% in September 2021 (-1.8% in September 2020), led by petroleum, oil and lubricants (POL), iron ore, and other cargo shipments. Additionally, the cargo traffic during October 2021 grew by a robust 11.5% in sequential terms. Notably, the increase in the cargo traffic in October 2021 compared to the pre-Covid level of October 2019 stood at 5.3%, significantly lower than the surge displayed

<sup>1</sup> The output for PVs provided by SIAM does not include that of Tata Motors Limited.

by merchandise exports (+36%) as well as merchandise imports (+46%), which suggests that the higher commodity prices have a large role to play in the relatively superior performance of the value of merchandise trade.

- Encouragingly, festive season stocking as well as widening economic recovery resulted in generation of record-high GST e-way bills in October 2021, surpassing the March 2021 peak, in line with our anticipation. Accordingly, the GST collections in November 2021 (for transactions that had happened in October 2021) are likely to exceed the prevailing highest collections recorded in April 2021 (Rs. 1.4 trillion; for transactions that had happened in March 2021). In terms of the daily average, e-way bills rose to an all-time high 2.4 million in October 2021, relative to 2.3 million each in September 2021 and March 2021. Regardless, the YoY expansion eased to 14.5% in October 2021 (+21.4% in October 2020) from 18.3% in September 2021 (+9.6% in September 2020), on the back of a high base. Subsequently, the daily average generation of GST e-way bills has moderated sharply to 1.9 million during November 1-21, 2021. It remains to be seen whether this reflects the satiation of pent-up demand post the festive season or the higher number of holidays in early November 2021.
- The YoY growth in rail freight traffic rose to 8.4% in October 2021 (+15.4% in October 2020) from the 14-month low 3.6% in September 2021 (+15.5% in September 2020). In sequential terms, it recorded a healthy increase of 10.7% or 11.4 mn tonnes in October 2021, with a majority of the absolute rise in freight concentrated in three of the 10 commodities, namely, coal (7.5 mn tonnes), iron ore (1.6 mn tonnes) and cement (1.5 mn tonnes). Moreover, it exceeded the October 2019 level by 25.1%, benefitting from the tariff and non-tariff measures undertaken last year to boost the rail operations. In the first 10 days of November 2021, rail freight growth has slowed to a modest 3.7% on a YoY basis, mirroring the deceleration in GST e-way bills.
- However, consumption of diesel witnessed a base-effect led YoY contraction of 5.5% in October 2021 (+7.5% in October 2020), after having displayed a rise of 0.4% in September 2021 (-5.9% in September 2020). Regardless, diesel consumption exceeded the pre-Covid level by 1.6% in October 2021, for the first time so far in FY2022, supported by the pick-up in transportation of goods during the festive season. On a sobering note, the preliminary data compiled by state refiners reveals that diesel sales have dipped by a sharp 15.3% on a YoY basis in the first half of November 2021, and trailed the pre-Covid level of November 1-15, 2019 by a sizeable 19.4%.
- Similarly, the YoY growth in petrol consumption eased to 3.6% in October 2021 (+4.5% in October 2020) from 6.1% in September 2021 (+3.3% in September 2020), on the back of normalising base. In MoM and pre-Covid terms, petrol consumption increased by 5.8% and 8.3%, respectively, in October 2021, with continued preference for social distancing in personal mobility. Subsequently, the preliminary data reveals that petrol sales in the first half of November 2021 rose by a muted 0.5% on a YoY basis and were 1.2% higher than the pre-Covid level. The recent tax cuts on petrol and diesel announced by the Centre and states in November 2021 are expected to boost the consumption in the near term.
- With rising vaccine coverage and the declining Covid-19 infection trajectory boosting confidence, domestic airlines' passenger traffic continued to improve in October 2021, with a sequential rise of 27.2% to ~9.0 million. However, the pace of YoY expansion moderated to 70.5% in October 2021 (-57.2% in October 2020) from 79.2% in September 2021 (-65.8% in September 2020), due to the base effect. In addition, traffic in October 2021 was 27.0% lower than the pre-Covid level of October 2019 (12.3 million).
- The YoY growth in outstanding non-food bank credit and bank deposits rose to 6.9% and 9.9%, respectively, on October 22, 2021 from 6.8% and 9.3%, respectively, on September 24, 2021. Subsequently, the non-food credit growth has risen to a healthy 7.3% for the fortnight ended November 5, 2021, reflecting the festive-related pick-up in the demand for credit. The incremental uptick in outstanding non-food bank credit stood at Rs. 2.4 trillion in the last four consecutive fortnights (during September 24, 2021-November 5, 2021), nearly 42% higher than the level recorded in corresponding period of last year (Rs. 1.7 trillion).



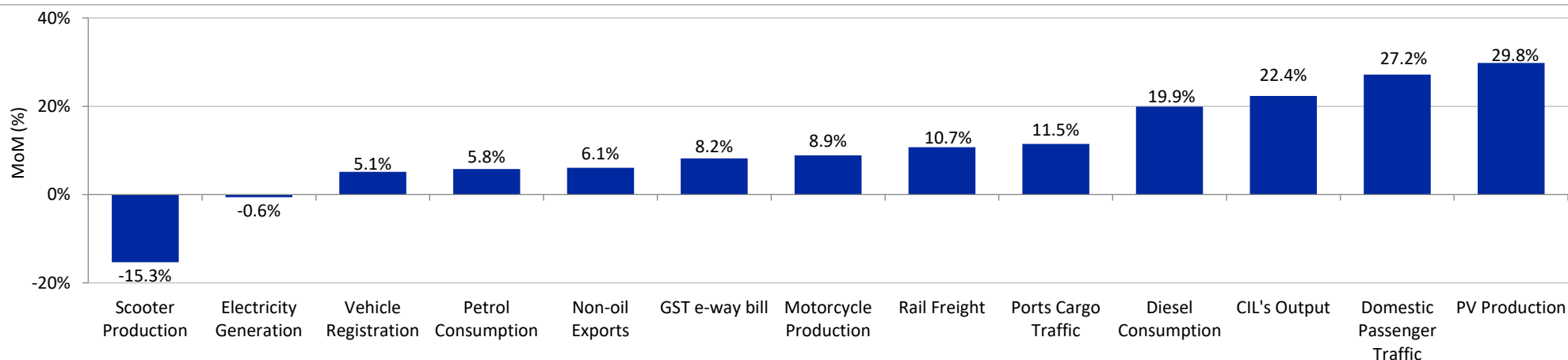
**EXHIBIT 1: Eight of the 15 lead indicators recorded an improved YoY performance in October 2021, relative to the previous month, such as output of CIL and PVs, electricity generation, non-oil exports, banks deposits and non-food bank credit; while the YoY contraction in vehicle registrations in October 2021 was similar to the previous month, the YoY performance of five out of the remaining six indicators (except scooters' output) worsened on account of a higher base**

YoY (%)	PV	Scooter	Motor Cycle	Vehicle registration	CIL Prod.	Electricity Gen.	Non-oil Exports	Ports Cargo traffic	GST e-way bill	Rail Freight	Petrol	Diesel	Domestic Airlines' Passenger	Bank Deposit	Non-Food Bank Credit
Aug-21	5.0	1.5	-14.8	14.5	14.6	16.4	36.8	11.4	33.3	16.9	13.1	15.6	136.6	9.5	6.7
Sep-21	-37.5	-9.5	-20.6	-5.3	0.4	1.1	18.9	0.4	18.3	3.6	6.1	0.4	79.2	9.3	6.8
Oct-21	-24.6	-24.4	-21.3	-5.3	6.4	2.7	29.8	6.5	14.5	8.4	3.6	-5.5	70.5	9.9	6.9

**Note:** The output for PVs provided by SIAM does not include that of Tata Motors Limited; ^Electricity generation comprises thermal, hydro, nuclear and renewable energy; **Source:** Society of Automobile Manufacturers (SIAM); CIL; Central Electricity Authority (CEA); Indian Ports Association; Ministry of Commerce, Government of India (GoI); Goods and Services Tax Network (GSTN); Federation of Automobile Dealers Associations of India (FADA); Ministry of Petroleum & Natural Gas; Directorate General of Civil Aviation (DGCA); Petroleum Planning and Analysis Cell (PPAC); Indian Railways; Reserve Bank of India (RBI); Ministry of Road Transport and Highways; ICRA Research

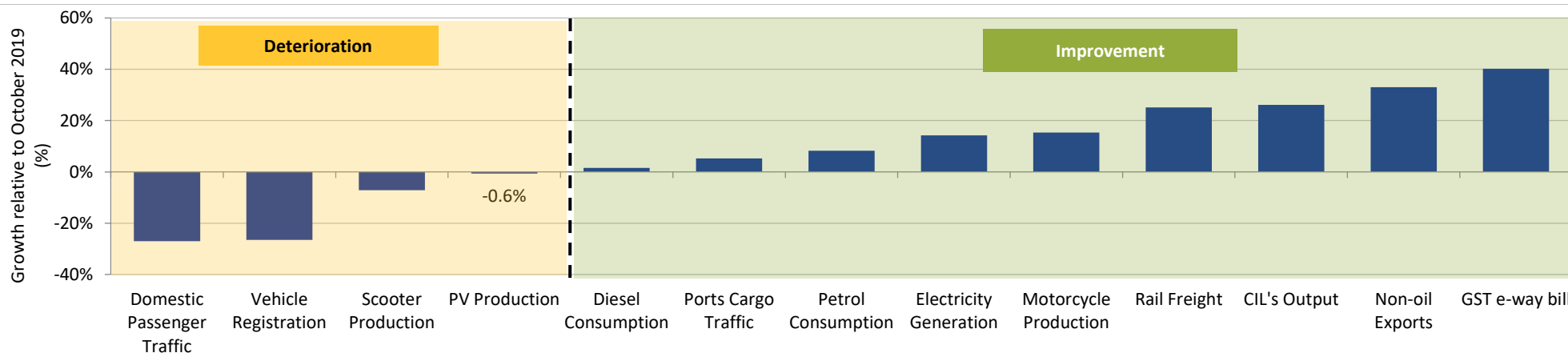
YoY growth; sequential pick-up	YoY growth; sequential dip	YoY growth/contraction; no sequential change	YoY contraction; sequential pick-up	YoY contraction; sequential dip
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**EXHIBIT 2: As many as 11 of the 13 non-financial indicators recorded an MoM rise in October 2021, with the improvement in indicators such as vehicle registration, output of PVs and motorcycles, fuel consumption, GST e-way bills and rail freight being driven by inventory building before the festive season; additionally, CIL's output grew sharply to prioritise coal supply to plants, and the uptick in non-oil exports and ports cargo traffic was led by sustained healthy external demand**



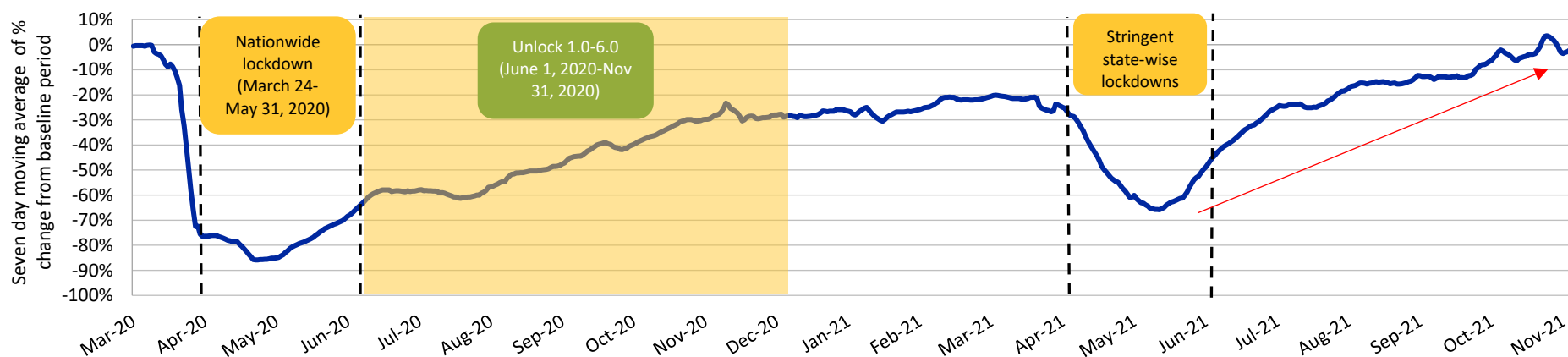
**Source:** SIAM; CIL; CEA; Ministry of Road Transport and Highways; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; RBI; CEIC; ICRA Research

**EXHIBIT 3: Relative to pre-Covid or October 2019 levels, the majority of non-financial indicators recorded higher volumes in October 2021; however, domestic airlines' passenger traffic, vehicle registrations, and output of PVs and scooters trailed their pre-Covid volumes in October 2021**



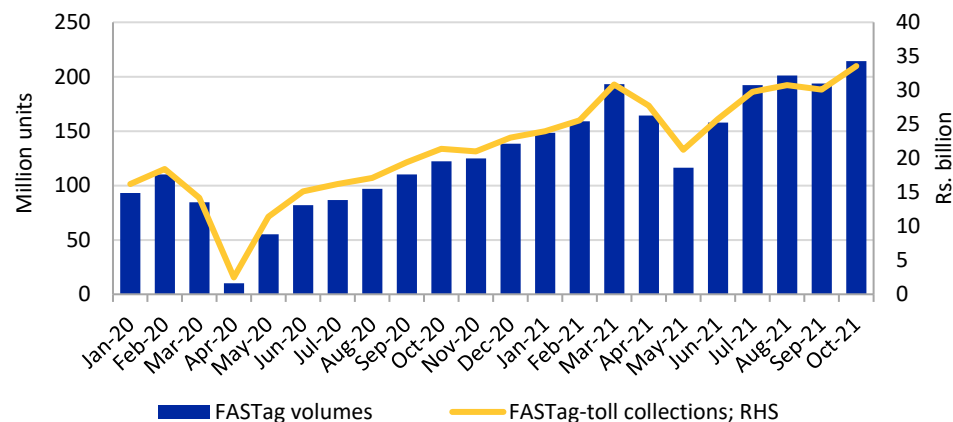
*Source: SIAM; CIL; CEA; Ministry of Road Transport and Highways; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; RBI; CEIC; ICRA Research*

**EXHIBIT 4: The mobility for retail and recreation had improved to just 2.3% below baseline by end-Oct 2021 from 13% below baseline by end-Sep 2021 (seven-day moving average); subsequently, it surpassed the baseline level for a brief period in the first week of Nov 2021 amid the Diwali festivities, before dipping below baseline in the second week**



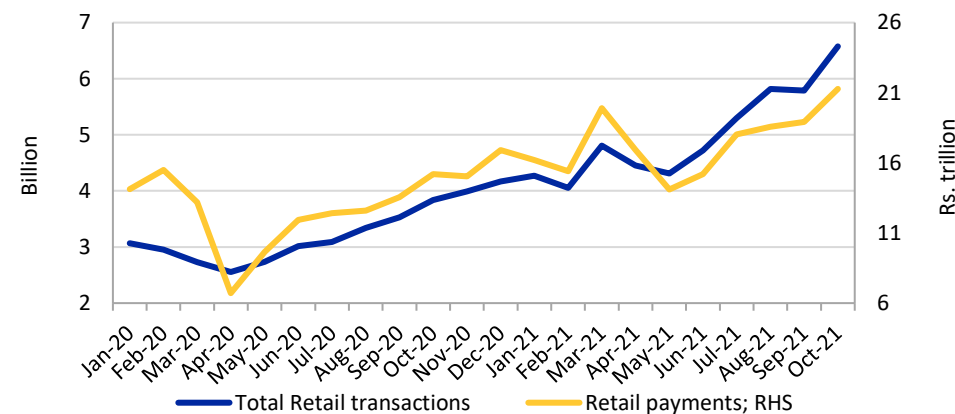
*Data is available up to November 18, 2021; The percentage change is compared to a baseline value for the same day of the week, Baseline period: Jan 3, 2020- Feb 6, 2020; Source: CEIC; ICRA Research*

**EXHIBIT 5: FASTag transactions and collections rose to all-time high 214.2 mn units and Rs. 33.6 bn, respectively, in Oct 2021, with the festive pick-up in carriage, mobility**



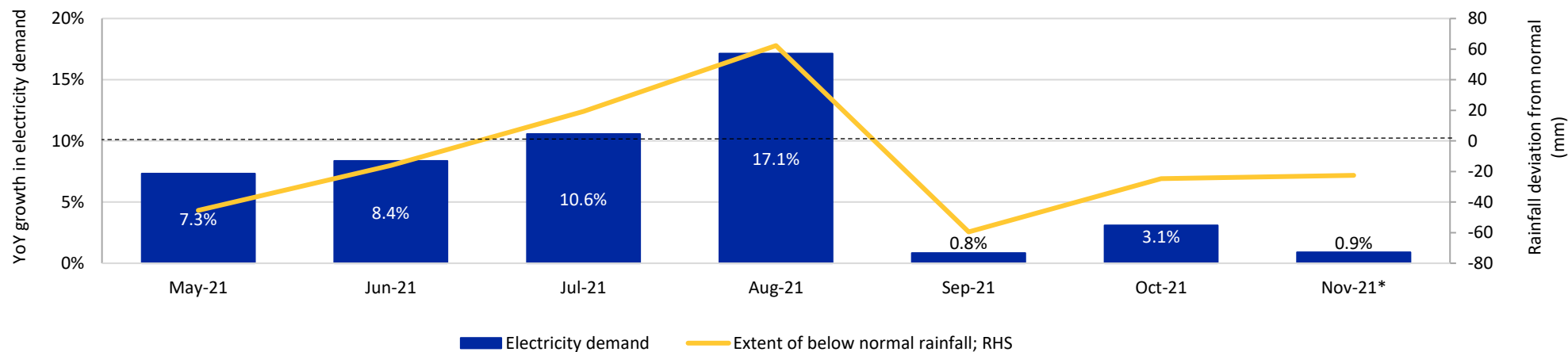
Source: National Payments Corporation of India; ICRA Research

**EXHIBIT 6: Similarly, retail transactions as well as payments surged to record highs in October 2021, with a sequential uptick of 13.6% and 12.4%, respectively**



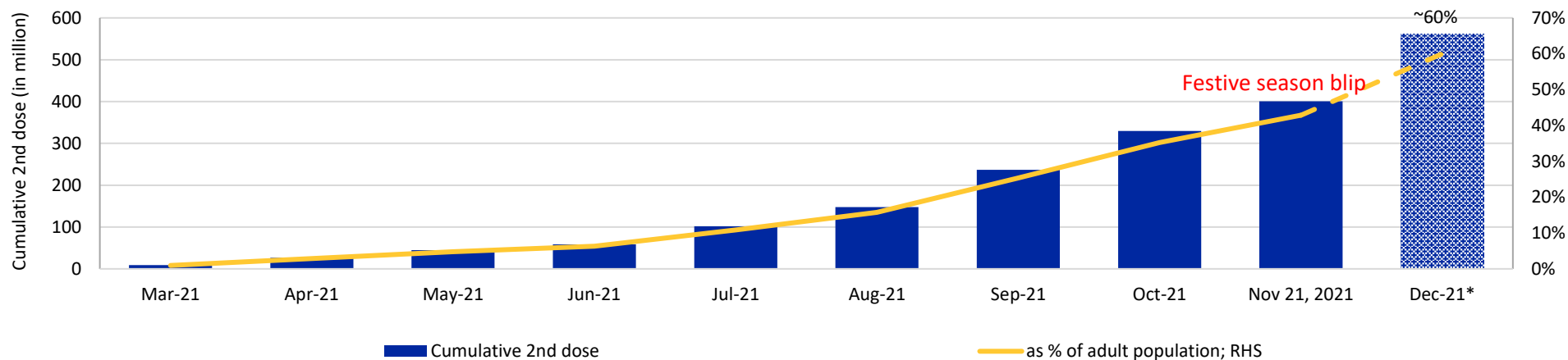
Source: National Payments Corporation of India; ICRA Research

**EXHIBIT 7: The electricity demand growth rose mildly to 3.1% in Oct 2021 from 0.8% in Sep 2021, with the narrowing surplus in rainfall; subsequently, the growth has declined to a muted 0.9% during Nov 1-22, 2021, reflecting the impact of holidays during the festive period on industrial demand**



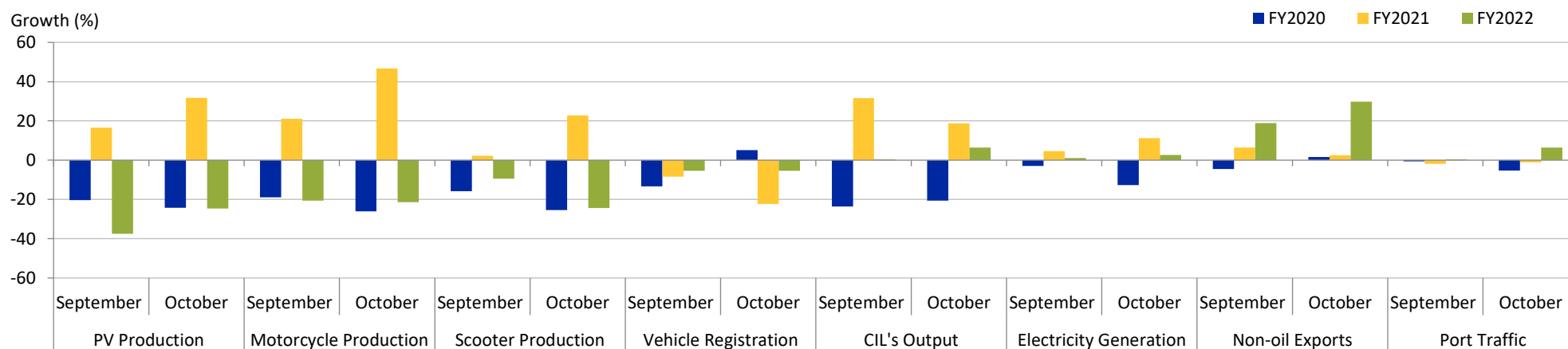
\*Till November 22, 2021; Source: IMD; POSOCO; CEIC; ICRA Research

**EXHIBIT 8: Based on the total number of first doses of Covid-19 vaccines administered by end-September 2021, the split between the different varieties and the relevant gaps between the two doses, we expect ~60% of Indian adults will be fully vaccinated by end-December 2021, a sharp step up from the current 43%**



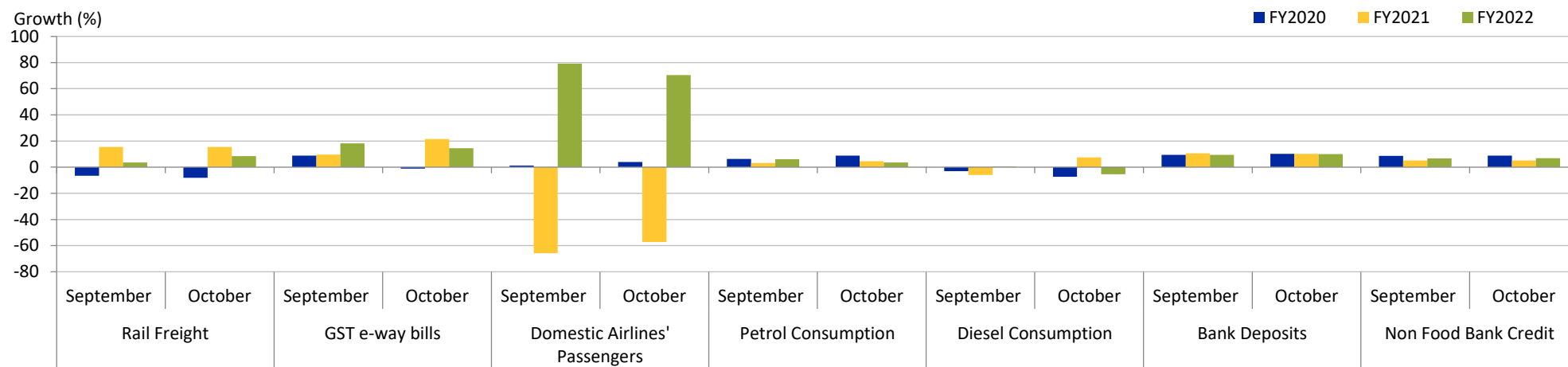
\*Based on ICRA's forecasts; **Source:** CEIC; ICRA Research

**EXHIBIT 9: YoY Growth for Last Three Years in September and October (Part -I)**

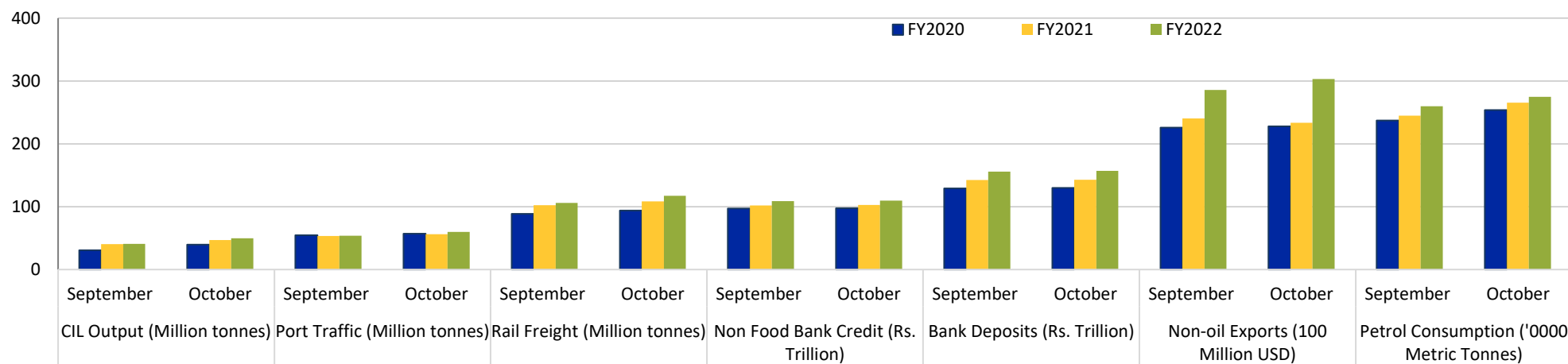


**Source:** MoRTH; SIAM; CIL; CEA; Indian Ports Association; Ministry of Commerce, GoI; CEIC; ICRA Research



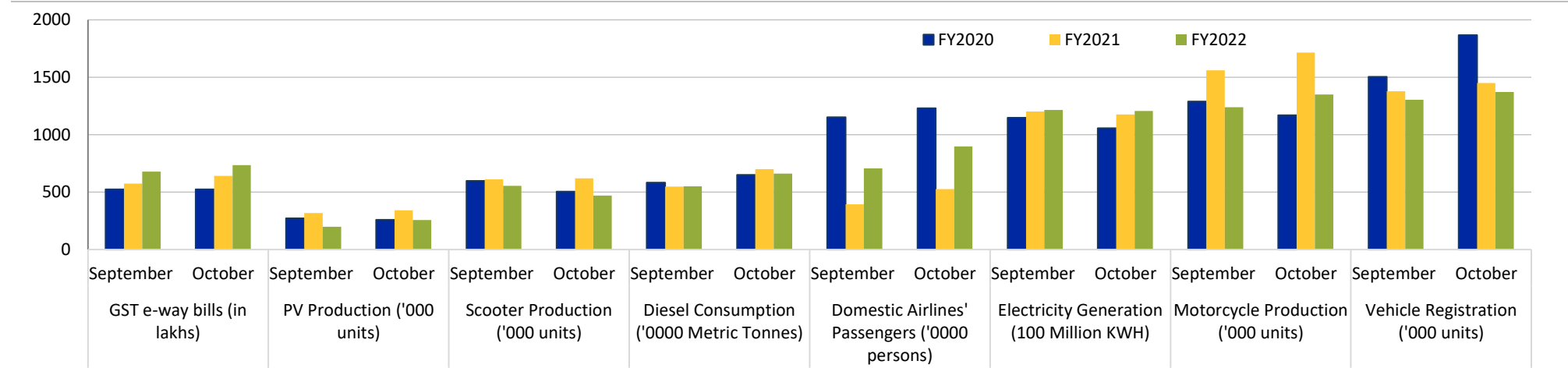
**EXHIBIT 10: YoY Growth for Last Three Years in September and October (Part -II)**


**Source:** Indian Railways; GSTN; PPAC; DGCA; PPAC; RBI; CEIC; ICRA Research

**EXHIBIT 11: Trends in Volumes for Last Three Years in September and October (Part -I)**


**Source:** CIL; Ministry of Commerce, GoI; Indian Railways; Indian Ports Association; RBI; PPAC; CEIC; ICRA Research

**EXHIBIT 12: Trends in Volumes for Last Three Years in September and October (Part -II)**



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



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- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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