



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

**ICRA Business Activity Monitor
stood at 115.7 in April 2022, second-
highest level in 13 months; low base
exaggerated YoY growth to 16.1%**

MAY 2022





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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*
- *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*

*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 ICRA Business Activity Monitor - an index of high frequency economic indicators*- stood at 115.7 in April 2022, exceeding the performance in all the months of FY2022 barring March, highlighting that economic activity was robust in the just-concluded month. While a majority of its constituents recorded higher volumes in April 2022 relative to the pre-Covid level, auto output, diesel consumption and airline passenger traffic trailed their April 2019 levels, reinforcing that even as the recovery has gained traction, it remains incomplete. The year-on-year (YoY) growth in the ICRA Business Activity Monitor displayed a broad-based acceleration to 16.1% in April 2022 (+95.0% in April 2021) from 4.9% in March 2022 (+21.3% in March 2021), which largely reflects the low base related to the onset of second wave of Covid-19 in India and the associated state-wise restrictions.

Given the sequential decline that is typically witnessed in the month of April from the March highs, the ICRA Business Activity Monitor reported a modest 6.5% MoM decline in April 2022. However, this was better than the trends seen during April 2019 (-10.1%), indicating the momentum of activity remained intact, despite ongoing global headwinds, as was corroborated by near record-high generation of GST e-way bills. Moreover, FASTag collections touched all-time highs in April 2022, while the mobility for retail and recreation continued to improve.

The ICRA Business Activity Monitor revealed that the activity in April 2022 exceeded the pre-Covid level by a healthy 15.8%. This was driven by the GST e-way bills (partly reflecting better compliance), non-oil merchandise exports (partly on account of higher commodity prices), rail freight, electricity generation, steel consumption, etc.

The YoY growth of several indicators and the ICRA Business Activity Monitor is likely to rise further in May 2022, given the falling base associated with the growing restrictions in the year-ago period. For instance, vehicle registrations stood at 0.8 million in May 1-16, 2022, translating to a considerable 140% of the subdued year-ago level (and 46% of the April 2022 level). In addition, the YoY growth in electricity demand surged to 20.7% during May 1-15, 2022 from 11.5% in April 2022, boosted by the heatwave conditions prevailing over Northwest and Central India. However, with higher commodity prices seeping into inflation, demand growth may be constrained in the remainder of this quarter. This, in conjunction with a normalising base, could cause the YoY growth in the ICRA Business Activity Monitor to ease to single-digits by June 2022.

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**

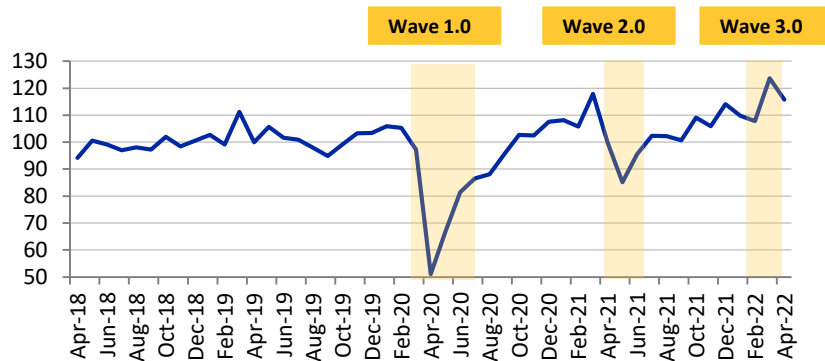


**Aggregate
Deposits and
Non-food
credit of SCBs**

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

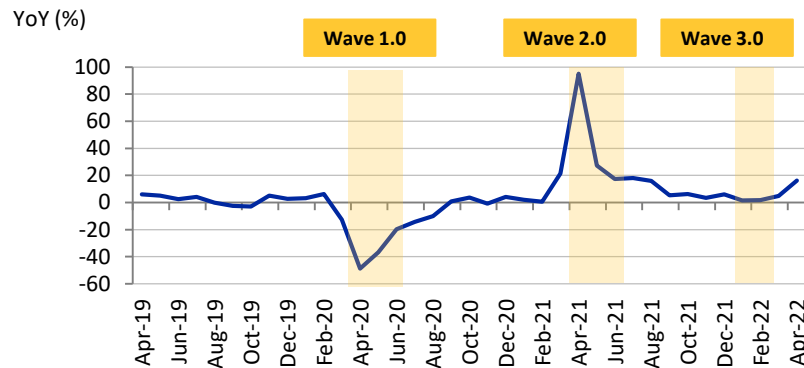
ICRA Business Activity Monitor stood at 115.7 in April 2022, second highest level in past 13 months

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



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

EXHIBIT: YoY growth of ICRA Business Activity Monitor



- The YoY growth in the ICRA Business Activity Monitor rose to 16.1% in Apr 2022 from 4.9% in Mar 2022, aided by low base of Apr 2021 during the second wave.
- The improvement was broad-based, with all 16 constituent high-frequency indicators witnessing an improvement in their YoY growth performance in April 2022 relative to March 2022.
- While the pick-up in the pace of growth may be attributed to the low base, the value of the index in Apr 2022 surpassed all the months of FY2022, barring March 2022, indicating that economic activity was robust in the just-concluded month.
- The ICRA Business Activity Monitor also indicated that activity in April 2022 was 15.8% higher than the pre-Covid level of April 2019.

YoY performance of all high frequency indicators improved in Apr'22 relative to Mar'22, on a low base related to Covid 2.0 in India and state-wise restrictions

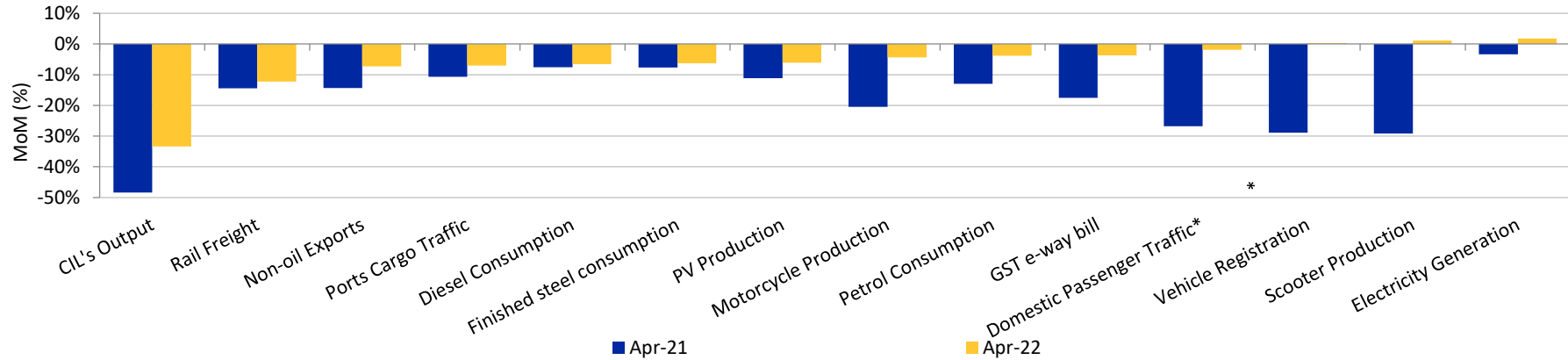
EXHIBIT: Heatmap of high frequency indicators

YoY Growth (%)	Auto Output			Vehicle Registration	CIL	Electricity Generation	Non-oil Export	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-22	2.1	-23.6	-17.2	-10.8	6.7	0.9	19.4	-2.8	7.7	9.5	0.5	-17.1	-5.3	-6.5	8.3	8.3
Feb-22	-3.0	-23.1	-23.2	-9.2	3.9	4.6	18.9	-4.5	6.6	8.3	-10.6	-1.7	3.5	-0.7	8.6	8.0
Mar-22	-4.9	-24.7	-17.8	-2.9	-1.1	4.9	8.9	1.2	7.2	9.7	-0.5	36.7	6.2	6.7	8.9	8.7
Apr-22	0.5	7.5	-1.2	37.2	27.6	10.5	17.7	5.5	9.4	28.0	1.0	~83*	17.3	7.9	9.8	11.3
YoY growth; sequential pick-up			YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip				

*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, renewable 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: SIAM; 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

All non-financial monthly indicators witnessed an improved MoM performance in April 2022 compared with April 2021

EXHIBIT: MoM performance of non-financial economic indicators in April 2021 and April 2022

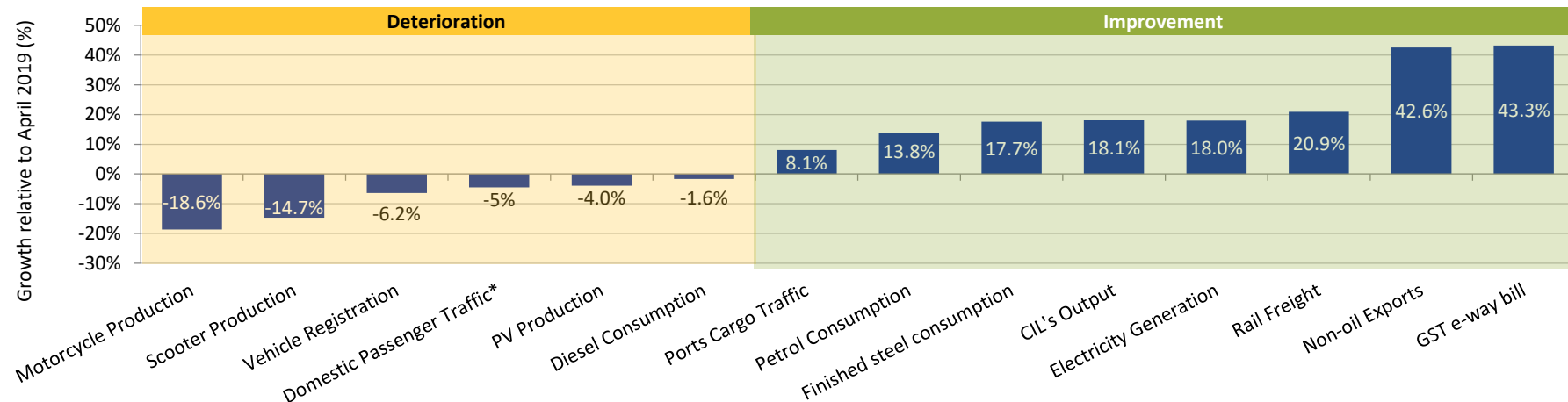


*Based on ICRA's estimates for Apr 2022; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: SIAM; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research

- As many as 11 out of 14 non-financial monthly indicators registered a sequential contraction in April 2022, partly owing to the high base of March 2022 due to typical fiscal year-end push to achieve targets.
- Regardless, all indicators reported a higher MoM growth or a lower MoM contraction in April 2022, when compared to April 2021 (which was affected by the onset of the second Covid-19 wave).

Majority of the non-financial indicators recorded higher volumes in April 2022 relative to April 2019

EXHIBIT: Performance of non-financial economic indicators in April 2022 relative to April 2019 (pre-Covid)

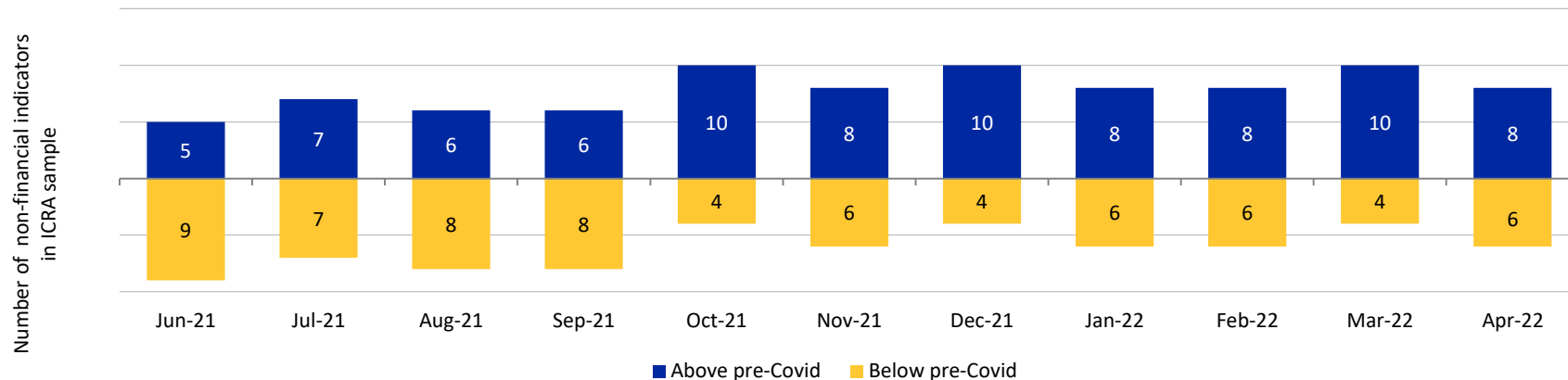


**Based on ICRA's estimates for Apr 2022; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: SIAM; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research*

- Eight of the 14 non-financial indicators recorded improved volumes in April 2022 relative to the pre-Covid level of April 2019.
- Motorcycle production (-18.6%), scooter production (-14.7%), vehicle registrations (-6.2%), domestic airline passenger traffic (-5%; as per ICRA's estimates), PV production (-4.0%) and diesel consumption (-1.6%) lagged their pre-pandemic volumes in April 2022, reflecting a combination of supply side issues for the auto sector, constrained demand amidst high fuel prices and a delayed recovery in the contact-intensive services.

Number of indicators surpassing pre-Covid volumes decreased to eight in April 2022 from 10 in March 2022, implying the recovery remains tentative

EXHIBIT: Number of non-financial economic indicators above and below pre-Covid levels

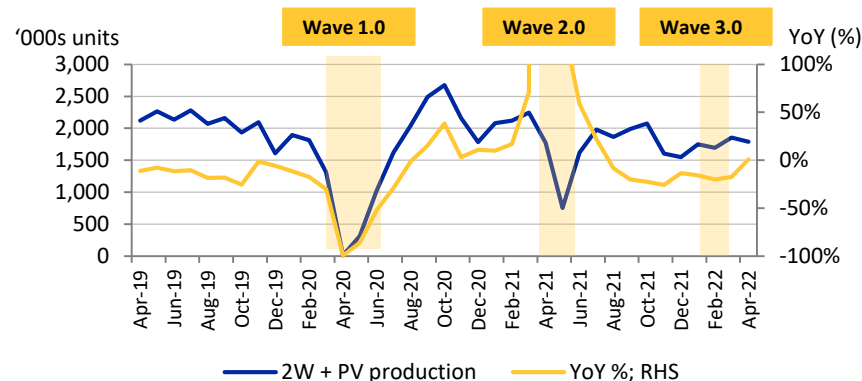


**Pre-Covid level for April 2022 has been taken as April 2019, due to first wave in April 2020, impacting the performance of some indicators in that month; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: ICRA Research*

- Out of the 14 non-financial monthly indicators, the number surpassing the corresponding pre-Covid volumes decreased to eight in April 2022 from 10 in March 2022.
- The output of scooters and diesel consumption reverted to below pre-Covid level in April 2022, from above pre-Covid level in March 2022.

Auto output eased sequentially, while registrations were steady in April 2022

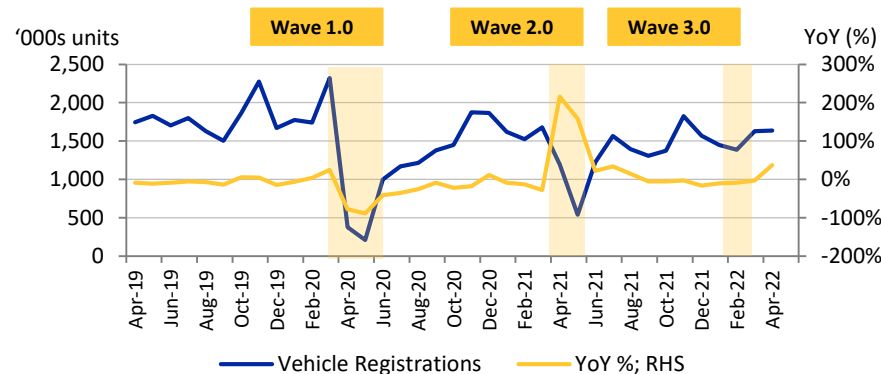
EXHIBIT: Trends in production of PV and two wheelers (2W)



The data on PV production provided by SIAM does not include that of Tata Motors Limited; Source: SIAM; CEIC; ICRA Research

- After having contracted by 17.4% in Mar 2022, aggregate output of PVs and 2Ws recorded a mild YoY growth of 0.9% in Apr 2022, on account of a subdued base related to the second wave and state-wise restrictions.
- Relative to pre-Covid volumes of Apr 2019, PV production saw a modest 4.0% decline in Apr 2022, while 2Ws lagged by a considerable 18.7%.
- The subdued 2W demand coupled with supply disruptions and rising raw material costs amid the geopolitical conflict and renewed lockdowns in China remain key headwinds for the industry.

EXHIBIT: Trends in vehicle registrations

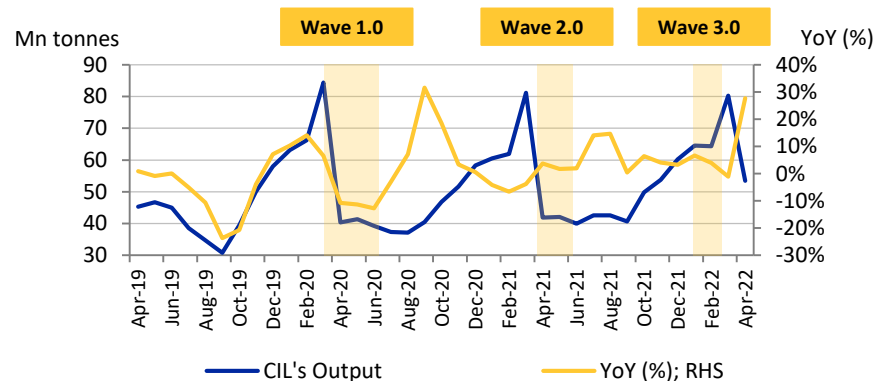


Vahan portal provided by the Ministry of Road Transport & Highways does not cover the vehicle registration data for Madhya Pradesh, Andhra Pradesh and Telangana; Source: Vahan, MoRTH; CEIC; ICRA Research

- Amidst steady volumes in Apr 2022, a low base resulted in a rebound in vehicle registrations to a YoY growth of 37.2% in the month from the mild 2.9% decline in Mar 2022.
- As per the data released by FADA, retail volumes of PVs (+11.9%) and tractors (+30.6%) in Apr 2022 exceeded their pre-Covid levels of Apr 2019, whereas there was a decline in the case of 2Ws (-10.8%), 3Ws (-13%) and CVs (-0.5%).

CIL output dipped to six-month low in Apr 2022, but exceeded the pre-Covid level; electricity generation growth surged amidst heatwave in parts of the country

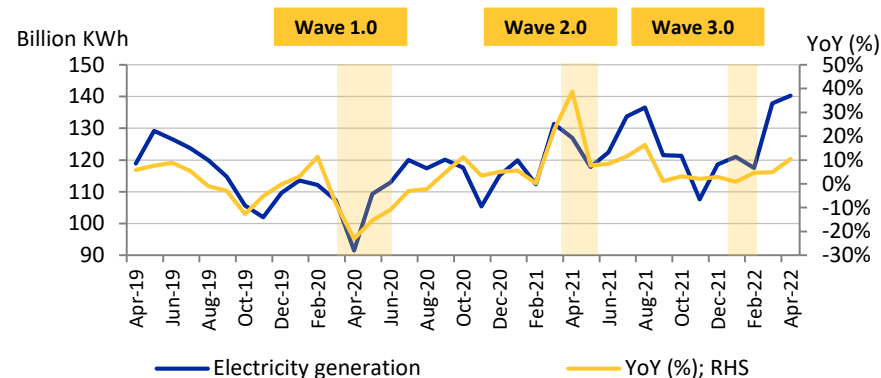
EXHIBIT: Trends in CIL's output



Source: CIL; ICRA Research

- The output of CIL dipped to a six-month low of 53.5 mn tonnes in Apr 2022; however, it recorded a base-effect led YoY growth of 27.6% in the month and exceeded the Apr 2019 level by 18.1%.
- All-India coal stock level in power plants remained low at eight days as on May 14, 2022, vs. the normative requirement of 24 days, owing to a healthy electricity demand, and decline in coal imports amid the elevated prices.

EXHIBIT: Trends in electricity generation

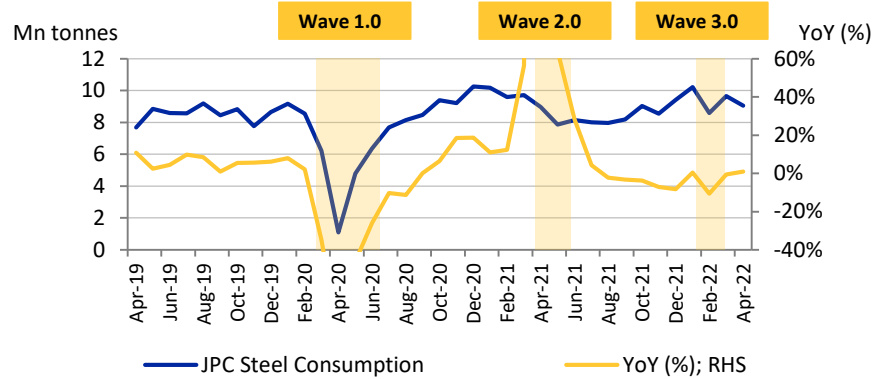


Electricity generation includes thermal, hydro, nuclear and renewable energy; Source: CEA; ICRA Research

- On a high base, the YoY growth in electricity generation rose to an eight-month high of 10.5% in Apr 2022 from 4.9% in Mar 2022. This was led by higher demand owing to the heat wave conditions that prevailed in Northwest, Central and East India during Apr 2022.
- The average spot power tariffs in day-ahead-market (DAM) eased from Rs. 10.1/unit in Apr 2022 to Rs. 7.8/unit during May 1-17, 2022, while staying elevated (Rs. 5.4/unit in Q4 FY2022).

Domestic steel consumption was healthy in Apr 2022; GST e-way bill generation remained near all-time highs in the month

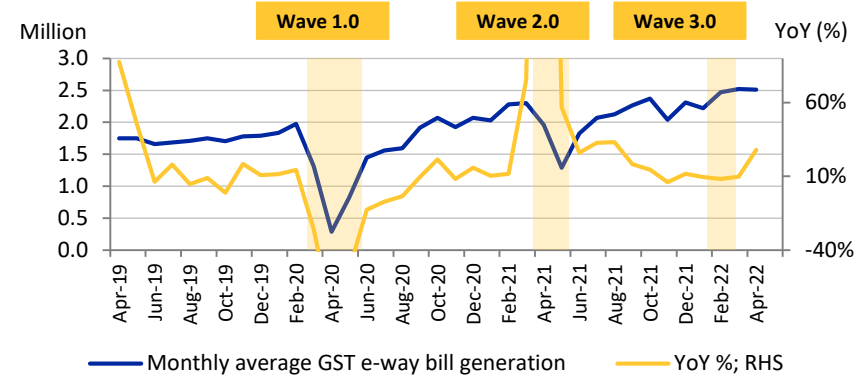
EXHIBIT: Trends in JPC steel consumption



Source: JPC; ICRA Research

- Domestic finished steel consumption (non-alloy, alloy and stainless) stood at 9.0 Mn tonnes in Apr 2022, a healthy 17.7% growth over the pre-Covid level of Apr 2019, while easing by a modest 6.3% in sequential terms.
- On a YoY basis, it reverted to a growth of 1.0% in Apr 2022, after having contracted in the previous two months (-0.5% in Mar 2022; -5.3% in Feb 2022), reflecting the trend for non-alloy items (+0.4%; -0.3%; -5.7%).

EXHIBIT: Trends in average monthly generation of GST e-way bills

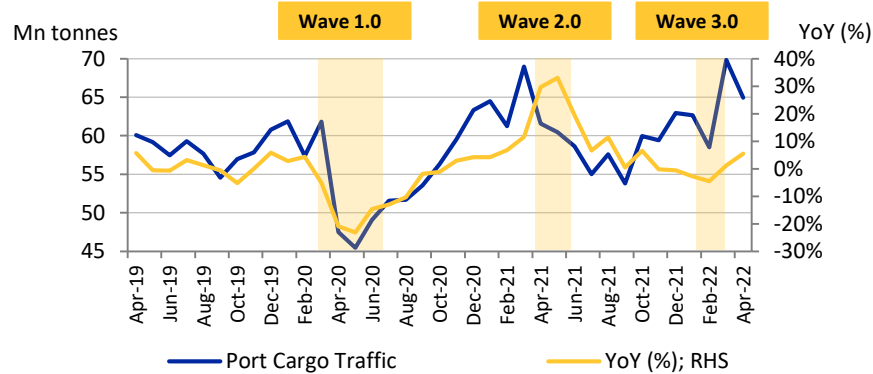


Source: GSTN; ICRA Research

- The average GST e-way bill generation stood at 2.51 million in Apr 2022, a shade below the all-time high of 2.52 million in Mar 2022, suggesting a continued healthy momentum of activity. In YoY terms, growth jumped to 28.0% in Apr 2022 from 9.7% in Mar 2022.
- After reaching a record-high Rs. 1.68 trillion in Apr 2022, GST collections are likely to have remained healthy in May 2022, benefitting from robust generation of bills and continuing tax evasion activities.

Ports cargo traffic and non-oil merchandise exports moderated sequentially in Apr 2022, while staying above pre-Covid levels

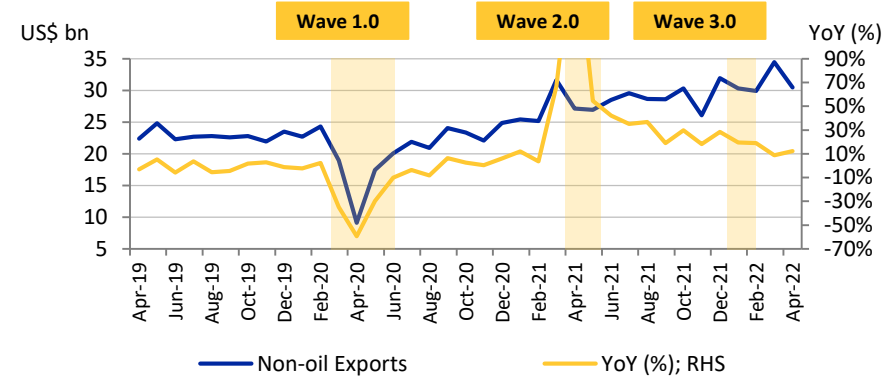
EXHIBIT: Trends in ports cargo traffic



Source: Indian Ports Association; ICRA Research

- While remaining healthy, cargo handled at major ports eased by 7.0% MoM to 65.0 Mn tonne in Apr 2022 from 69.8 Mn tonne in Mar 2022.
- However, the YoY growth in traffic improved to a six-month high of 5.5% in Apr 2022 from 1.2% in Mar 2022.
- Moreover, it exceeded the pre-Covid level of Apr 2019 by a healthy 8.1%, driven by the shipments of iron ore, containers, POL, and raw fertilisers.

EXHIBIT: Trends in non-oil merchandise exports

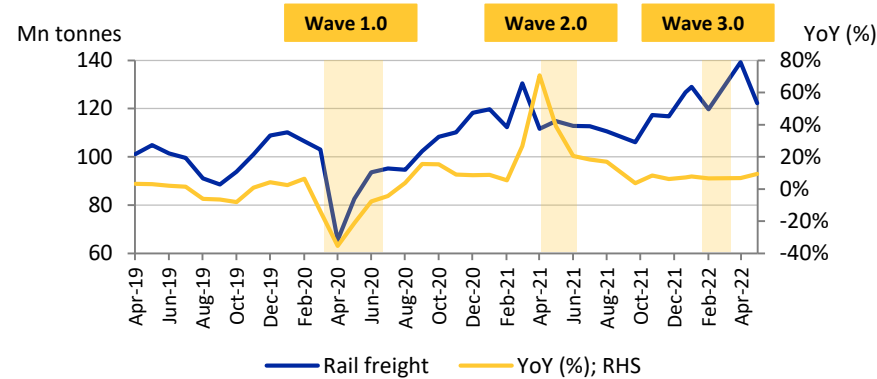


Source: Ministry of Commerce and Industry; ICRA Research

- Non-oil exports moderated by 7.3% MoM to US\$31.9 billion in Apr 2022. This translated to a YoY growth of 17.7% and exceeded the Apr 2019 level by a sharp 42.6%, boosted by higher commodity prices.
- On a high base, ICRA expects non-oil exports to rise by a modest 5% YoY to US\$370-375 billion in FY2023, amidst a weak growth in global trade due to the geopolitical conflict and China's lockdowns. This would be partly offset by elevated commodity inflation, rise in exports of certain goods to meet global supply shortage and the PLI support.

YoY growth in rail freight traffic rose in April 2022, following higher fuel costs; aviation sector posted a considerable YoY growth, boosted by a low base

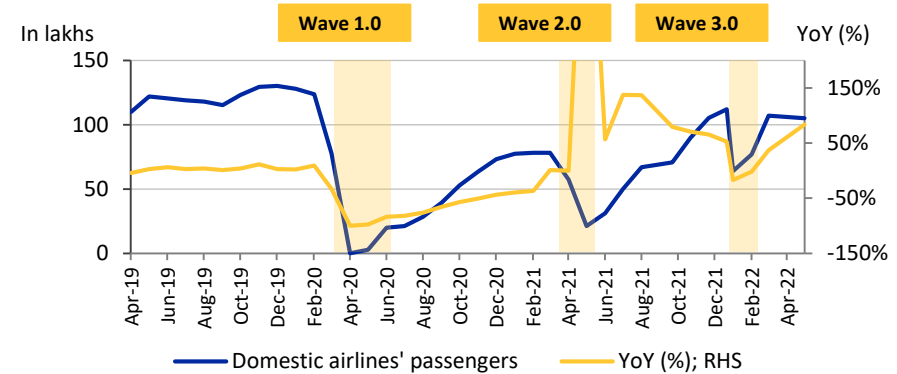
EXHIBIT: Trends in rail freight traffic



Source: Indian Railways, GoI; ICRA Research

- The YoY growth in rail freight traffic rose to an eight-month high 9.4% in Apr 2022 from 6.7% in Mar 2022, following the sharp increase in fuel costs.
- Additionally, rail freight exceeded the Apr 2019 level by a robust 20.9%, benefitting from the tariff and non-tariff measures that had been undertaken in Aug 2020 to boost the rail operations.
- Going forward, a further rise in fuel prices, could divert freight traffic towards railways, helping to further boost performance.

EXHIBIT: Trends in domestic airline passenger traffic

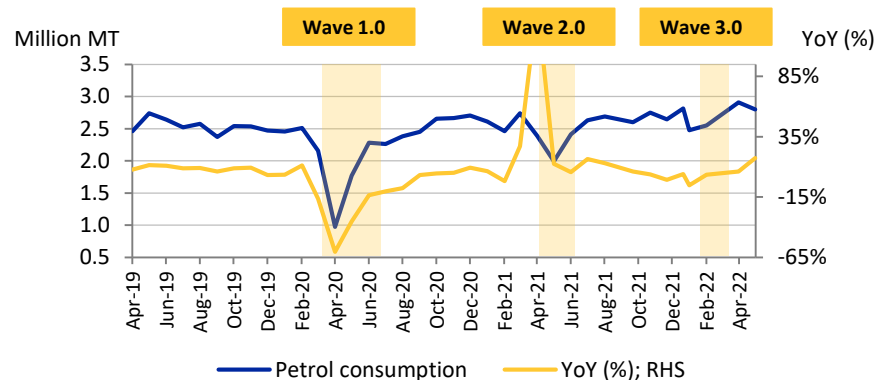


*Based on ICRA's estimates for April 2022; Source: DGCA; ICRA Research

- Given the lower number of operational days in Apr relative to the previous month, domestic airlines' passenger traffic reported a sequential decline of ~2% to 10.5 million in Apr 2022.
- This nevertheless translated to a YoY growth of ~83% in Apr; 2022, given that this sector was severely impacted during the second wave in Apr 2021.
- Traffic in Apr 2022 trailed the pre-Covid level of Apr 2019 (11.0 million) by a moderate ~5%.

Petrol & diesel consumption moderated in April 2022, amid elevated retail prices

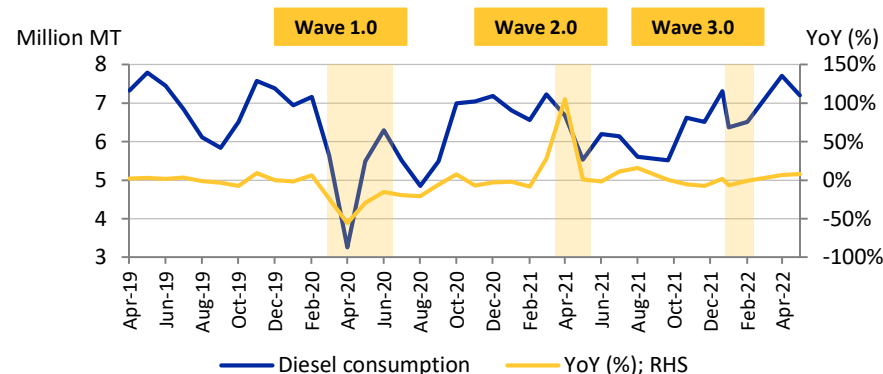
EXHIBIT: Trends in petrol consumption



Source: PPAC; ICRA Research

- The YoY growth in petrol consumption rose to 17.3% in Apr 2022 (+6.2% in Mar 2022), and was also 13.8% higher than the Apr 2019 level.
- However, volumes eased to 2.8 million MT in April 2022 from the all-time high 2.9 million MT in March (-3.8%), following the price hikes taken by the OMCs to pass-through elevated crude oil prices.
- A further rise in domestic fuel prices could constrain demand in the ongoing quarter.

EXHIBIT: Trends in diesel consumption

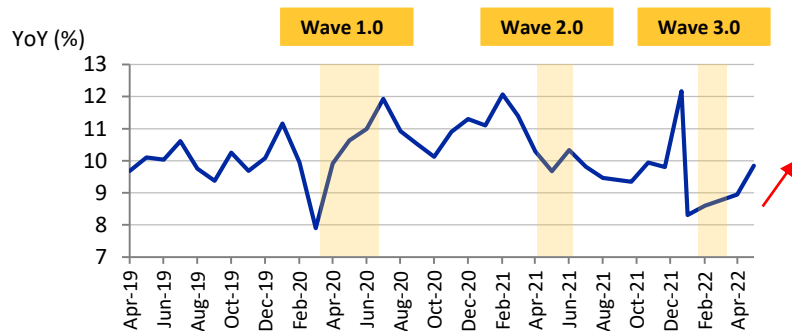


Source: PPAC; ICRA Research

- Similarly, while the YoY growth in diesel consumption reached an eight-month high of 7.9% in Apr 2022, consumption trailed the March 2022 level by a significant 6.5%, partly dampened by high prices.
- Moreover, on a dismal note, diesel consumption trailed the pre-Covid volume of Apr 2019 by 1.6% in Apr 2022.

YoY growth in bank deposits and non-food bank credit improved in Apr 2022, relative to Mar 2022

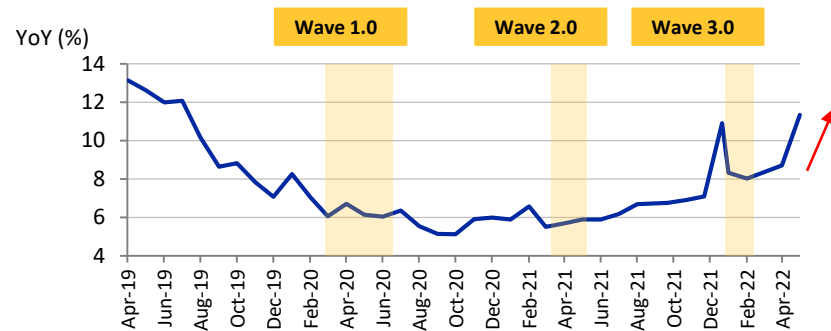
EXHIBIT: Trends in bank deposits



Source: RBI, ICRA Research

- While the YoY growth in outstanding bank deposits rose to 9.8% as on Apr 22, 2022 from 8.9% as on Mar 25, 2022, it was lower than the 10.3% expansion recorded on Apr 23, 2021.
- The value of deposits in the banking system stood at Rs. 166.2 trillion as on Apr 22, 2022, higher than Rs. 164.7 trillion as on Mar 25, 2022.

EXHIBIT: Trends in non-food bank credit

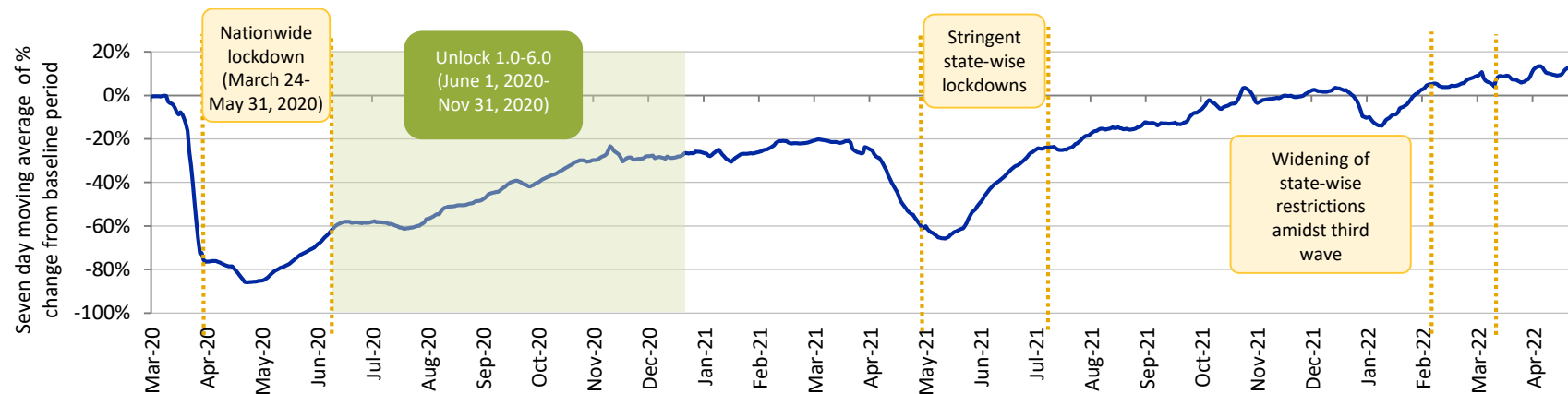


Source: RBI; ICRA Research

- Similarly, the YoY growth in non-food bank credit surged to a 33-month high 11.3% as on Apr 22, 2022 (+5.7% in Apr 2021) from 9.7% as on Mar 25, 2022.
- The outstanding non-food bank credit rose to Rs. 119.1 trillion as on Apr 22, 2022 from Rs. 118.4 trillion as on Mar 25, 2022.
- Going forward, high commodity prices as well as rising working capital requirements are likely to support growth in credit.

Mobility trends improved in April 2022, indicating a revival of confidence

EXHIBIT: Trends in mobility for retail and recreation

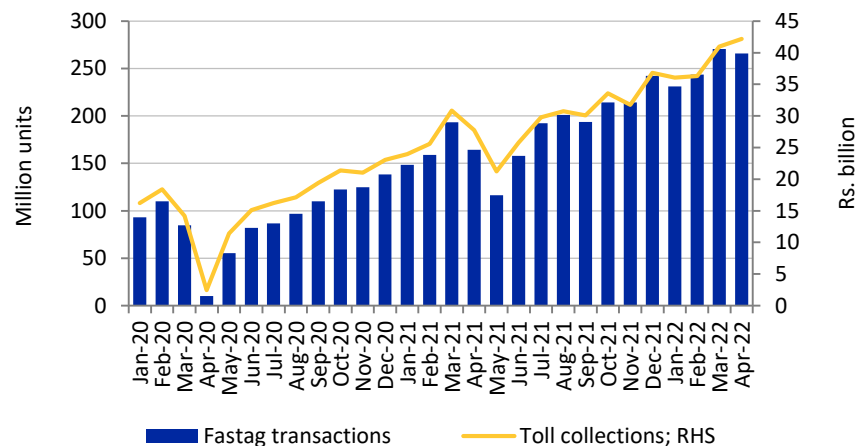


Data is available up to May 12, 2022; The percentage change is compared to a baseline value for the same day of the week, Baseline period: Jan 3, 2020- Feb 6, 2020; Source: CEIC; ICRA Research

- The mobility for retail and recreation surpassed the baseline level at end-March 2022 by 9.4% (seven-day moving average) indicating revival of confidence given the low cases of Covid-19. Subsequently, it has risen further to 11.6% as on May 12, 2022.

Toll collections and retail transactions touched all-time highs in April 2022

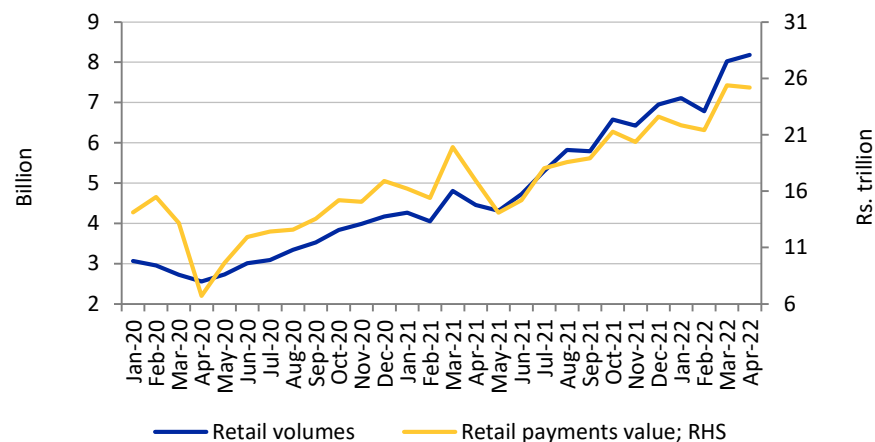
EXHIBIT: FASTag transactions (Volume and Value)



Source: National Payments Corporation of India; ICRA Research

- FASTag transactions eased slightly to 266.0 mn in Apr 2022 from an all-time high of 270.4 mn in Mar 2022.
- The toll collections reached a new all-time high of Rs. 42.2 bn in Apr 2022 from Rs. 41.0 bn in Mar 2022, following an increase in the toll prices from Apr 1, 2022.

EXHIBIT: Total Retail transactions and payments (Financial and Non-financial)

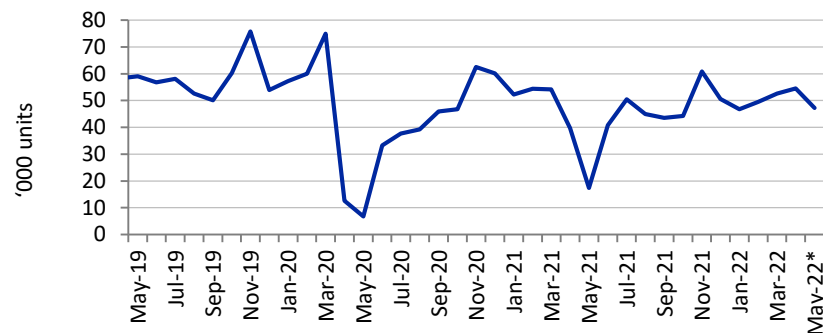


Source: National Payments Corporation of India; ICRA Research

- The volume of retail transactions increased to a new record high in Apr 2022, with a MoM growth of 2.0%.
- However, their value eased by 0.8% MoM in April 2022.

Early data for May 2022 is mixed in MoM terms...

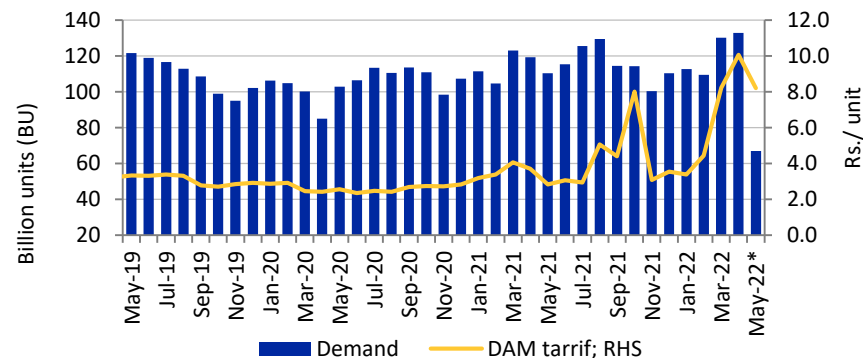
EXHIBIT: Daily average vehicle registrations at all-India level*



*Till May 17, 2022; Note: Vahan portal does not cover the vehicle registration data for Madhya Pradesh, Andhra Pradesh and Telangana; Source: Vahan, MoRTH; CEIC; ICRA Research

- The daily data provided on the Vahan portal reveals that the average daily vehicle registrations during May 1-17, 2022 stood at 47.2k units, well above the levels seen in May 2021 (17.4k units), but was 13.5% lower than the April 2022 levels (54.5k units).
- The adverse base related to stringent state-wise restrictions during the second wave of Covid-19 is likely to optically boost the YoY expansion in May 2022.

EXHIBIT: Electricity Demand at all-India level

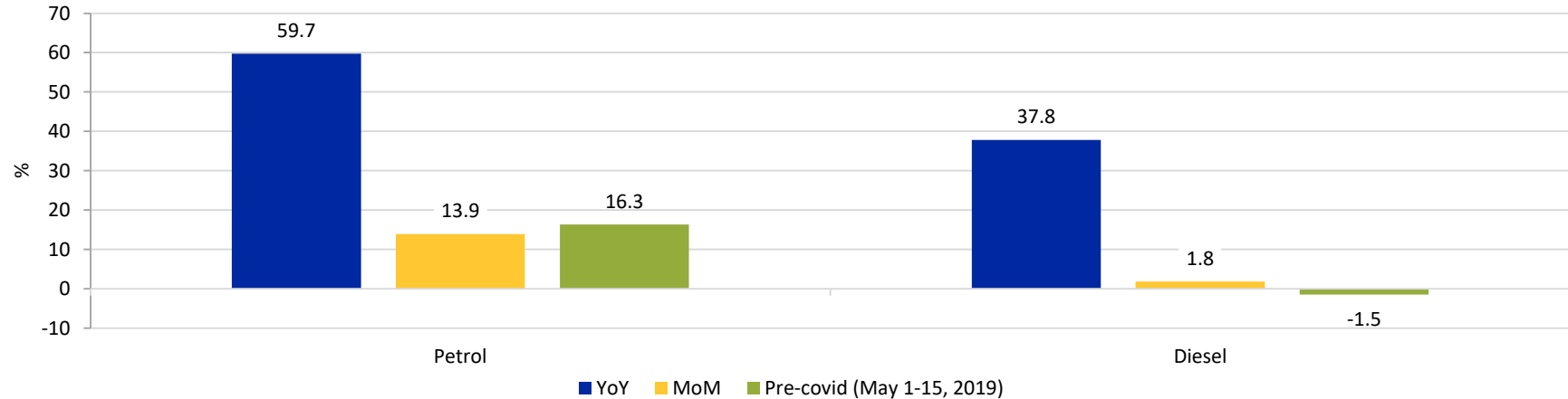


*Till May 15, 2022; Source: POSOCO; IEX; ICRA Research

- The YoY growth in electricity demand surged further to 20.7% during May 1-15, 2022 from 11.5% in April 2022, given the heatwave conditions in Northwest and Central India.

...nevertheless, low base would boost YoY growth performances of several indicators in May 2022

EXHIBIT: Sales of Petrol and Diesel during May 1-15, 2022 by state fuel refiners



Source: ICRA Research

- As per the preliminary data released by state refiners, petrol sales grew by ~14% MoM during May 1-15, 2022, with retail prices unchanged in the past few weeks. Owing to a low base of Covid 2.0, this translated to a sizeable YoY growth of 59.7% in this period (+17.3% in April 2022), and even exceeded the pre-Covid level of sales by 16.3%, reflecting the preference for social distancing in personal mobility.
- Diesel sales recorded a mild sequential pick-up of 1.8% in the first half of May 2022, amidst a base-effect boosted YoY expansion of 37.8% in this period (+7.9% in April 2022). However, the diesel sales were 1.5% lower than the pre-Covid period of May 1-15, 2019, reflecting the shift to rail freight.

The ICRA Business Activity Monitor- an index of high frequency economic indicators, is a composite indicator 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.

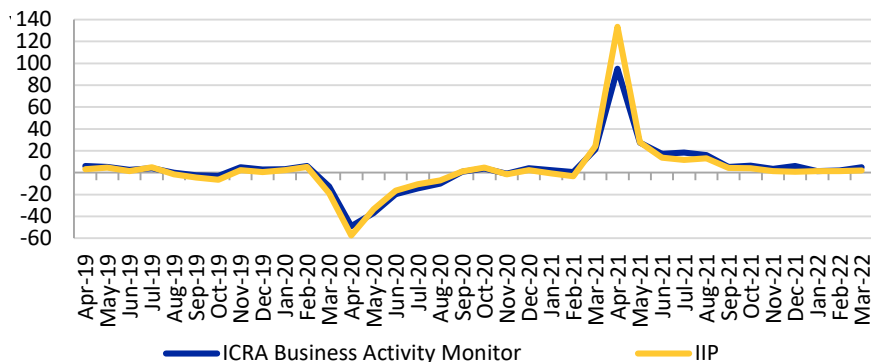
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 such that the average index value for the base year FY2019 amounts to 100. The ICRA Business Activity Monitor 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, an increase in the value of the index to 123.7 in March 2022 from 107.8 in February 2022, signifies that the economic activity has improved in March 2022 relative to February 2022, which is partly on account of higher days in the month. Moreover, the activity in March 2022 (123.7) is 11.3% higher than the pre-Covid level in March 2019 (111.2).

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 March 2022 was released on 12th May 2022). 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 March 2022 is available by mid-April 2022), thereby enabling a faster assessment of economic activity in the immediately preceding month.

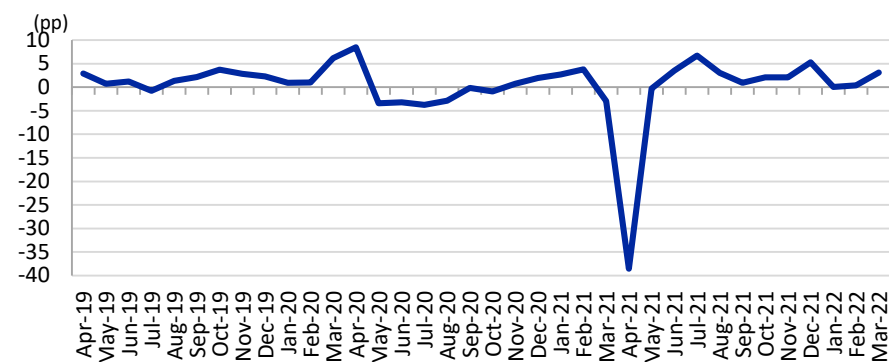
Annexure A.2: ICRA Business Activity Monitor

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

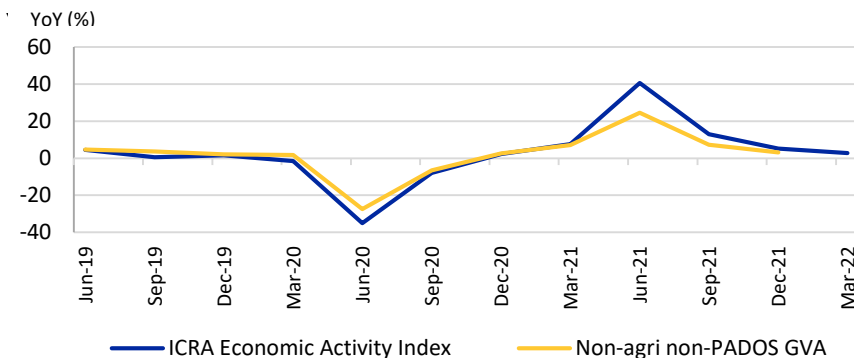


Source: ICRA Research

- 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 correlation 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 14 and 31, respectively, of the 36 months between April 2019 and March 2022.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 28 of the 35 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 21/15 of the 36 months.

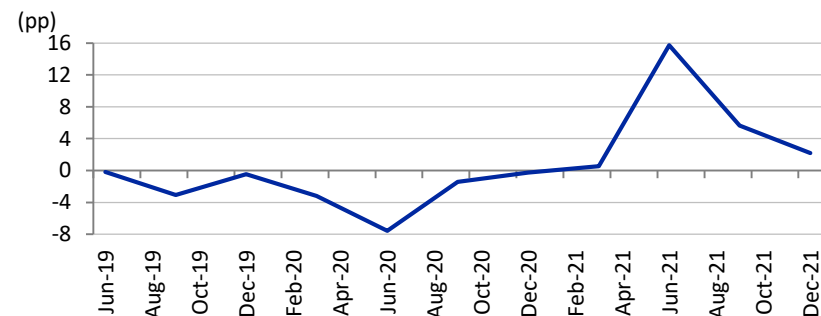
Annexure A.3: ICRA Business Activity Monitor

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

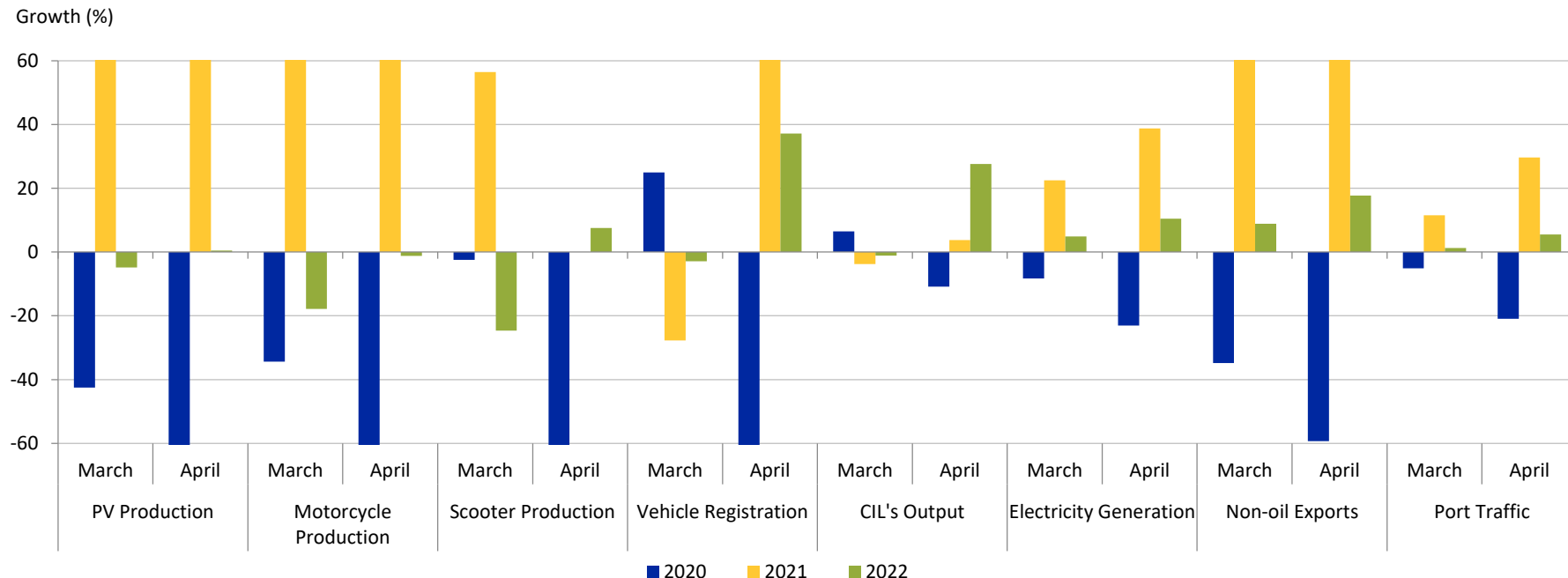


Source: ICRA Research

- 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 nine of the 13 quarters.
- 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: YoY growth of all indicators improved in Apr 2022, relative to Mar 2022 - I

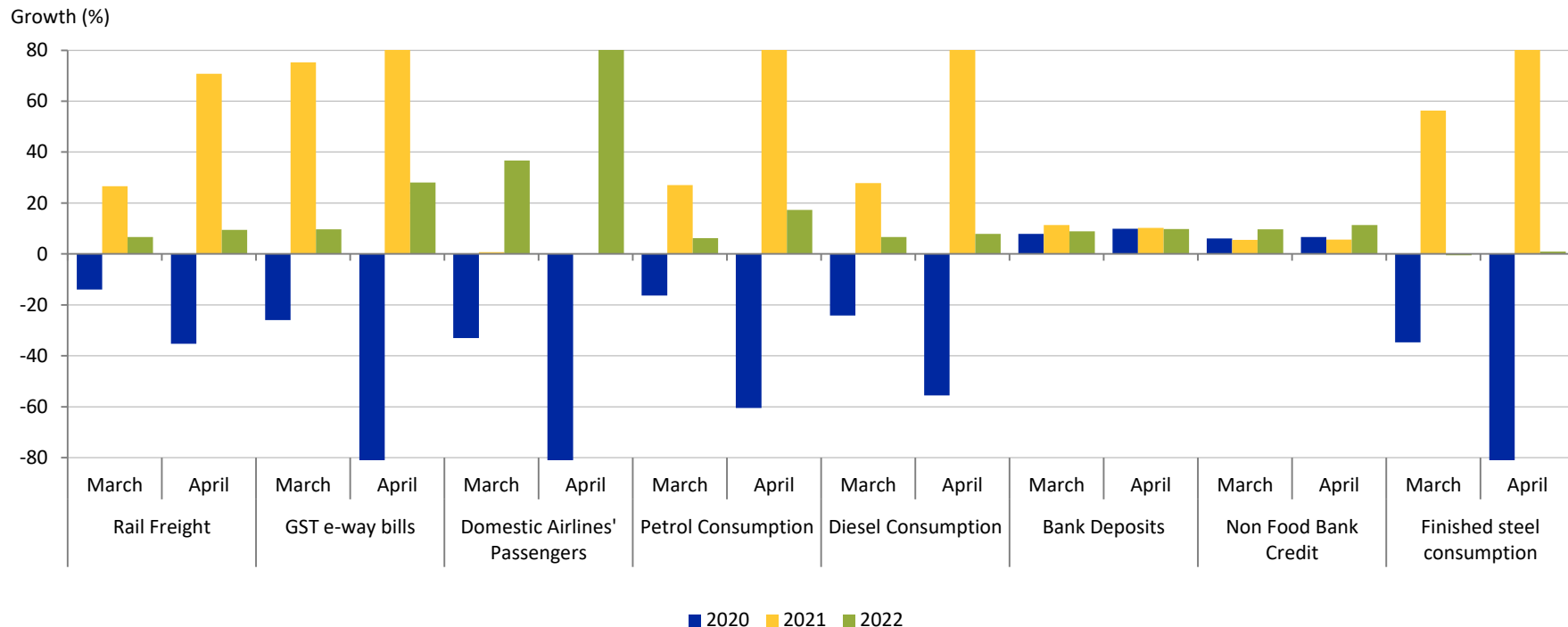
EXHIBIT: YoY Growth for Last Three Years in March and April (Part -I)



Auto production, vehicle registrations and non-oil exports recorded exceptionally high growth in Apr 2021, due to the low base of Apr 2020, when the nationwide lockdown was imposed; Source: MoRTH; SIAM; CIL; CEA; Indian Ports Association; Ministry of Commerce, GoI; CEIC; ICRA Research

Annexure B.2: YoY growth of all indicators improved in Apr 2022, relative to Mar 2022 - II

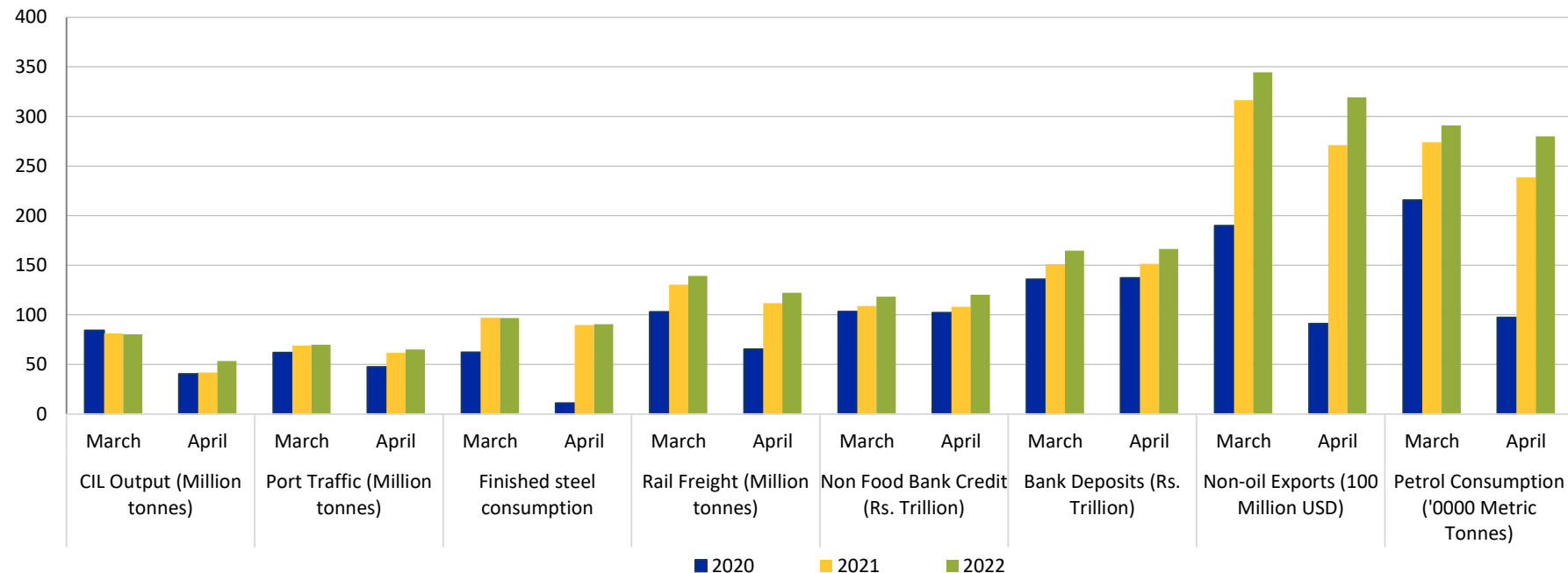
EXHIBIT: YoY Growth for Last Three Years in March and April (Part -II)



GST e-way bills, domestic airlines' passengers, diesel consumption, petrol consumption and finished steel consumption reported exceptionally high YoY growth in Apr 2021 due to the low base of Apr 2020, when the nationwide lockdown was imposed; Source: Indian Railways; GSTN; PPAC; DGCA; PPAC; RBI; JPC; CEIC; ICRA Research

Annexure B.3: Volumes of most indicators rose in April 2022 relative to April 2021 - I

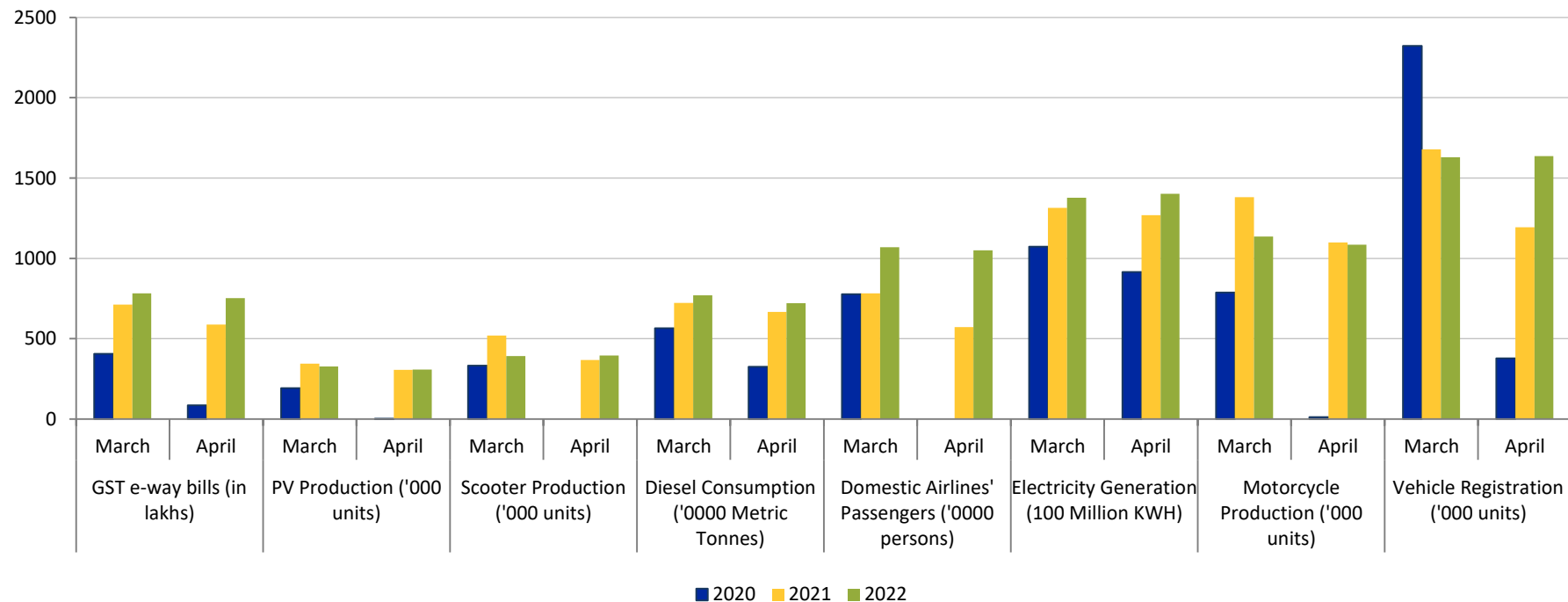
EXHIBIT: Trends in Volumes for Last Three Years in March and April (Part -I)



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

Annexure B.4: Volumes of most indicators rose in April 2022 relative to April 2021 - II

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



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



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ICRA

Contact Details



Aditi Nayar

Chief Economist

Rahul Agrawal

Senior Economist

Yash Panjra

Economist



aditin@icraindia.com

rahul.agrawal @icraindia.com

yash.panjra @icraindia.com



0124 4545 385

022 6169 3353

0124 4545 399





ICRA

Contact Details



Aarzoo Pahwa

Associate Economist

Tiasha Chakraborty

Associate Economist



aarzoo.pahwa@icraindia.com

tiasha.chakraborty@icraindia.com



0124 4545 835

0124 4545 848





ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





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