



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

---

**ICRA Business Activity Monitor  
reveals tepid sequential momentum  
in May 2022**

**JUNE 2022**





## Click to Provide Feedback

*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 Indian economic activity appeared to lose some steam in May 2022, as the Russia-Ukraine conflict intensified and price pressures came to the fore. The ICRA Business Activity Monitor - an index of high frequency economic indicators\*- stood at 118.0 in May 2022, with the sequential rise being significantly weaker than the pre-Covid level. The Index was a tepid 1.7% higher than the April 2022 level, lower than the MoM increase of 5.8% in May 2019. As many as 11 non-financial indicators, other than passenger vehicle production, ports cargo traffic and rail freight traffic, witnessed a relatively weaker MoM performance in May 2022 vis-à-vis May 2019. In particular, the average daily generation of GST e-way bills declined to a four-month low of 2.37 million in May 2022 from 2.51 million in Apr 2022, pointing to some disruption caused by higher prices on household budgets, especially for discretionary purchases like consumer durables.

All of the constituent indicators, barring non-oil merchandise exports and bank deposits, witnessed an optically misleading improvement in their YoY growth in May 2022 relative to April 2022, reflecting the falling base of May 2021, when stringent state-wise restrictions had been imposed following the onset of the Covid 2.0 wave.

While FASTag collections touched new peaks in May 2022, partly benefitting from higher toll prices effective from April 2022 (linked to the WPI inflation, which has printed in double-digits from the past 14 months), indicators such as the mobility for retail and recreation were largely elevated but flattish in May 2022.

The ICRA Business Activity Monitor revealed that the activity in May 2022 exceeded the pre-Covid level by a healthy 11.6%. Regardless, six indicators lagged their pre-pandemic volumes in May 2022, including production and sales of automobiles (PV + 2W output: -17.5% and vehicle registrations: -10.0%; supply-side issues and constrained demand amidst high ownership costs), diesel consumption (-6.5%; some freight diversion to rail) and domestic airline passenger traffic (-7% as per ICRA's estimates; ongoing gradual recovery in contact-intensive services).

The early data for June 2022 is optimistic, with a YoY rise in electricity demand growth, daily average registration of vehicles, and sales of petrol and diesel. However, ICRA cautioned that the YoY growth for the entire month of June 2022 may taper down from the May 2022 levels, owing to base normalization in second half of the month, while remaining in double-digits.

# 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**

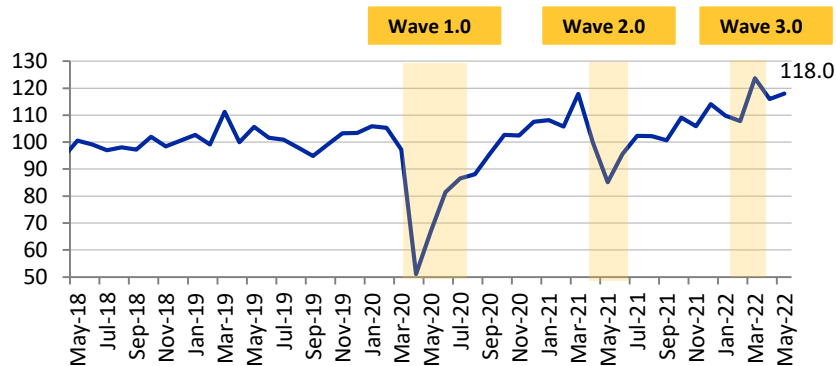


**Aggregate  
Deposits and  
Non-food  
credit of SCBs**

*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*

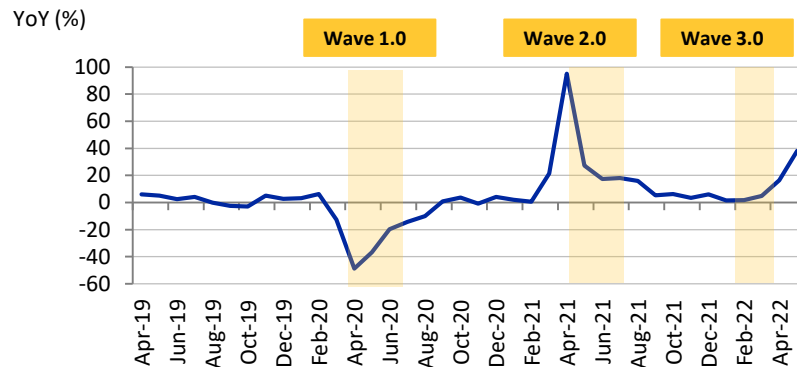
# Low base boosted YoY expansion in ICRA Business Activity Monitor to 38.7% in May 2022; however, MoM trends reveal tepid growth momentum

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 more-than-doubled to 38.7% in May 2022 from 16.4% in April 2022, reflecting the falling base of May 2021, when stringent state-wise restrictions were imposed following the onset of the Covid 2.0 wave.
- As many as 14 of the 16 constituent high-frequency indicators witnessed a base-effect led boost in their pace of YoY growth in May 2022 relative to April 2022, barring non-oil merchandise exports (to +12.6% from +17.7%) and bank deposits of SCBs (to +9.3% from +9.8%).
- However, in MoM terms, the ICRA Business Activity Monitor reported a tepid growth of 1.7% in May 2022, lower than the trends seen during the pre-pandemic period (MoM: +6.7% in May 2018; +5.8% in May 2019), implying a mild sequential momentum amidst the geopolitical tensions, rising commodity prices, tightening monetary policy across the world and elevated inflation levels.

# YoY growth of many high frequency indicators was optically high in May 2022 on a muted base of Covid 2.0

EXHIBIT: Heatmap of high frequency indicators

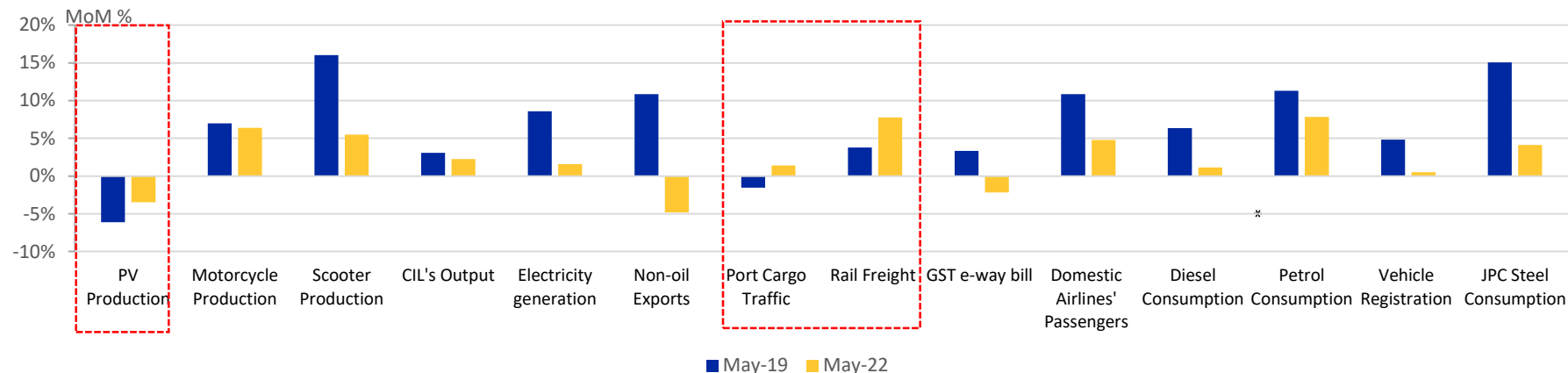
YoY Growth (%)	Auto Output			Vehicle Registration	CIL	Electricity Generation	Non-oil Export	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits	Non-Food Bank Credit
	PV output	Scooter output	Motorcycle output													
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	-5.3	-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	0.7	36.7	6.2	6.7	8.9	8.7
Apr-22	0.5	7.5	-1.2	37.2	27.6	11.6	17.7	5.5	9.4	28.0	1.2	90.0	17.3	7.9	9.8	11.3
May-22	131.5	411.3	111.2	205.9	30.0	22.3	12.6	8.9	14.6	84.1	20.2	439*	51.5	31.7	9.3	11.5
YoY growth; sequential pick-up			YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip				

The pace of YoY growth exceeded 100% for indicators related to the auto sector and domestic airline passenger traffic, and ranged between 30-100% for another four indicators (generation of GST e-way bills, consumption of petrol and diesel, and output of Coal India Limited) in May 2022, depending on the severity of the impact that the restrictions had on activity across different sectors in May 2021

\*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

# MoM performance of most indicators in May 2022 was weaker than May 2019

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

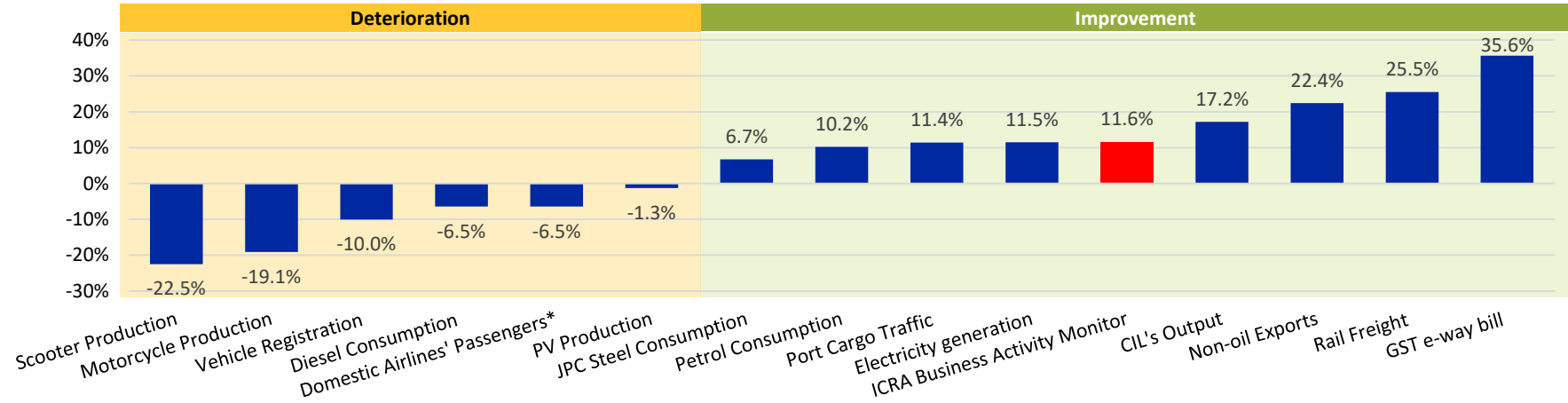


Domestic passenger traffic for May 2022 is based on ICRA's estimates; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: SIAM; CIL; CEA;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

- If we compare the MoM trends with the pre-Covid month (May 2019), as many as 11 out of the 14 non-financial monthly indicators, other than PV production (-3.5% in May 2022 vs. -6.1% in May 2019), ports cargo (+1.4% vs. -1.6%) and rail freight traffic (+7.8% vs. +3.8%), displayed a weaker performance in May 2022 vs. May 2019. This implies that the overall performance in May 2022 should be interpreted with caution.
- In particular, the average daily generation of GST e-way bills declined to a four-month low of 2.37 million in May 2022 from 2.51 million in Apr 2022, pointing to some disruption caused by higher prices on household budgets, especially for discretionary purchases like consumer durables.

# Nevertheless, volumes of eight non-financial indicators were higher in May 2022 vs. May 2019

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

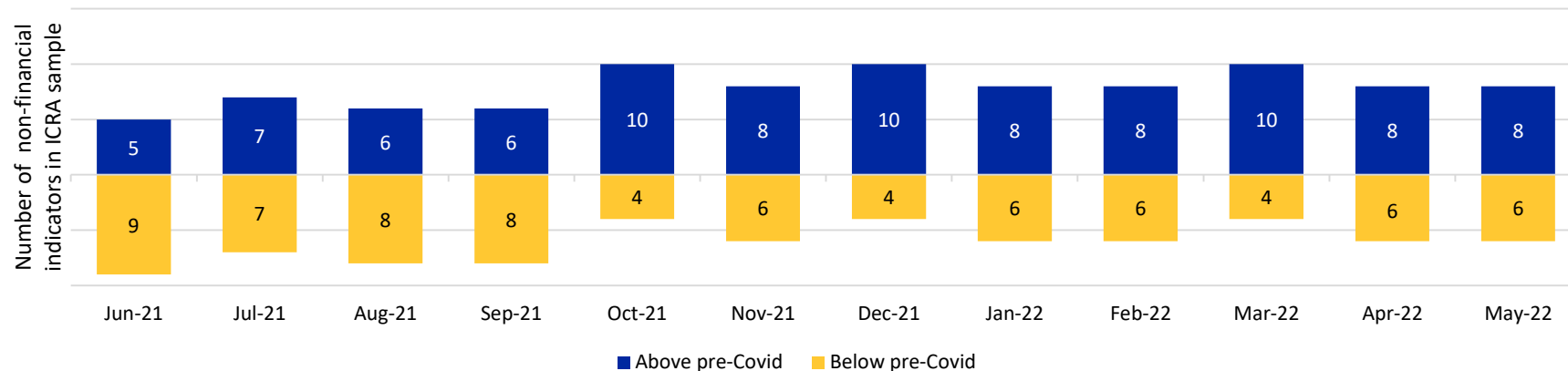


\*Based on ICRA's estimates for May 2022; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: SIAM; CIL; CEA; MoRTH; Ministry of Commerce,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

- The ICRA Business Activity Monitor indicates that aggregate activity in May 2022 was 11.6% higher than the pre-Covid level of May 2019, lagging the corresponding performance of April 2022 (+16.1%).
- Eight of the 14 non-financial indicators recorded improved volumes in May 2022 relative to the pre-Covid level of May 2019.
- However, six indicators lagged their pre-pandemic volumes in May 2022, including production and sales of automobiles (PV + 2W output: -17.5% and vehicle registrations: -10.0%; supply side issues and constrained demand amidst high ownership costs), diesel consumption (-6.5%; some freight diversion to rail) and domestic airline passenger traffic (-7% as per ICRA's estimates; ongoing gradual recovery in contact-intensive services).

# Number of indicators above and below pre-Covid volumes remained unchanged in May 2022, relative to April 2022

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



*\*Pre-Covid level for April-May 2022 has been taken as April-May 2019, due to onset of 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*

- The number of non-financial sectors registering above and below pre-Covid volumes remained unchanged at eight and six, respectively, in May 2022, in line with April 2022, indicating continued unevenness in the economic recovery.



## Near-term outlook for economic activity remains uneven

External demand is expected to be cautious following the ongoing geopolitical tensions, which could weigh upon the performance of the manufacturing sector

The surge in domestic inflation is expected to strain household budgets and compress discretionary consumption, particularly in the low-to-middle income segments

The consumption of contact-intensive services is likely to be prioritised, boosting the output in such sectors while simultaneously constraining the demand for consumer goods

However, some households are likely to have a better income visibility now, compared to the last two years, boosting their overall consumption levels

# Broad based pick-up in private capex to set in by end-2022 despite uptick in CU levels, expect H2 GDP growth to be better than the MPC's projections

EXHIBIT: Trends in Capacity Utilisation (CU)

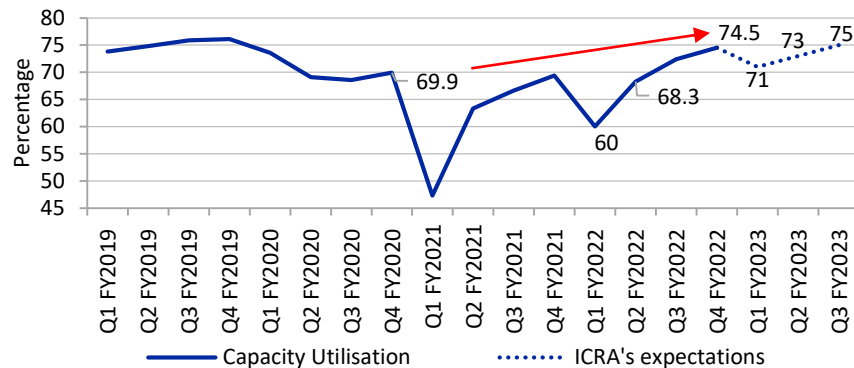
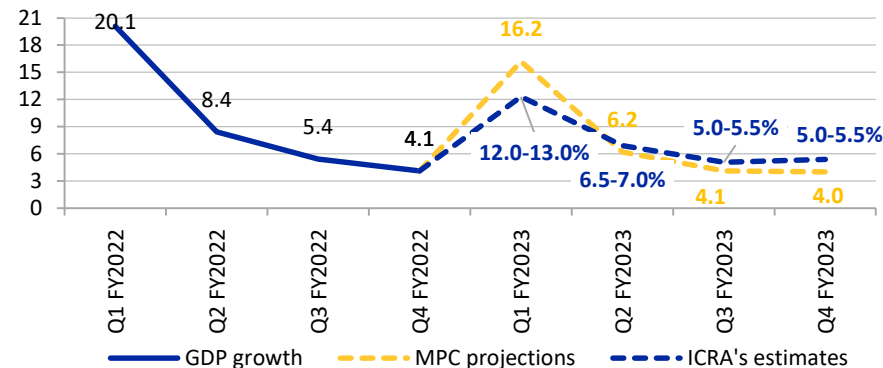


EXHIBIT: Real GDP growth (YoY %)

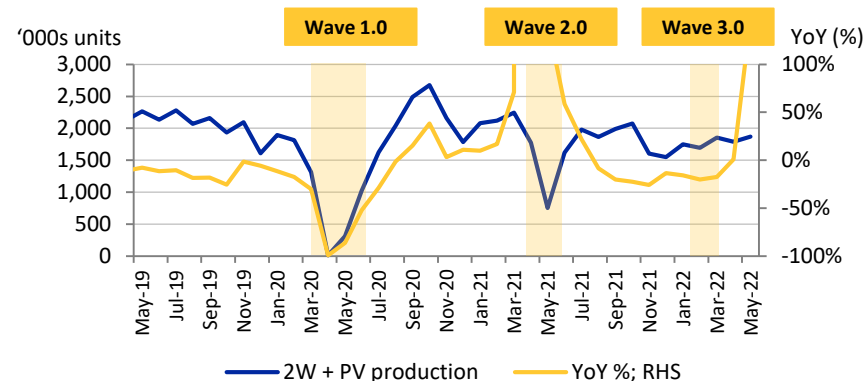


Source: RBI; ICRA Research

- ICRA foresees a broad-based pick-up in private sector capex to set in only by the end of 2022, notwithstanding the higher-than-expected capacity utilisation of 74.5% in Q4 FY2022.
- The MPC had placed its baseline projections for real GDP growth in Q1, Q2, Q3 and Q4 FY2023 at 16.2%, 6.2%, 4.1% and 4.0%, respectively, in the June 2022 review of Monetary Policy. ICRA estimates the same in a range of 12-13% in Q1 FY2023, 6.5-7.0% in Q2 FY2023 and 5.0-5.5% in Q3 and Q4 FY2023.
- This also leads us to expect real GDP growth to be somewhat higher relative to the Monetary Policy Committee's (MPC's) projections in H2 FY2023, and lower than the same in H1 FY2023, even as we concur that GDP will expand by 7.2% in FY2023.

# Auto output improved sequentially, while registrations were steady in May 2022

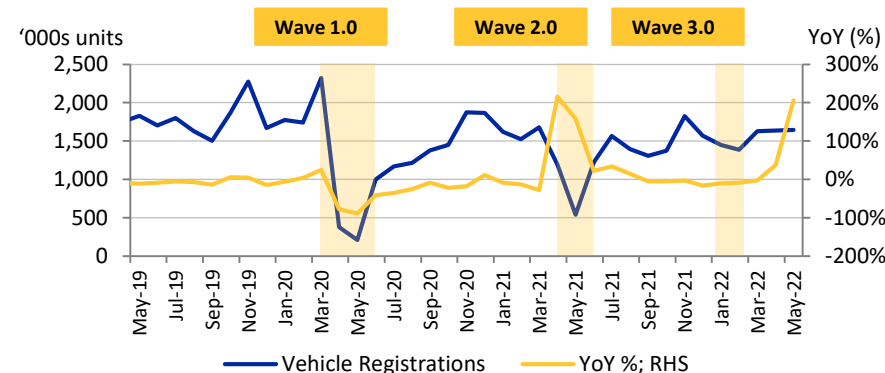
**EXHIBIT: Trends in production of PV and two wheelers (2W)**



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

- The YoY growth in the aggregate output of PVs and 2Ws increased to 147.0% in May 2022 from 0.9% in April 2022, reflecting a severely low base given stricter state wise restrictions in May 2021 related to Covid 2.0 wave.
- While the 2W output rose by 6.1% MoM in May 2022, in tune with emerging signs of demand recovery, PV output eased by 3.5% in the month with supply disruptions constraining production amidst healthy demand.
- Nevertheless, relative to pre-Covid volumes of May 2019, volumes of 2Ws trailed by a considerable 20.0%, while PVs trailed by a relatively muted 1.3% in May 2022.

**EXHIBIT: Trends in vehicle registrations**

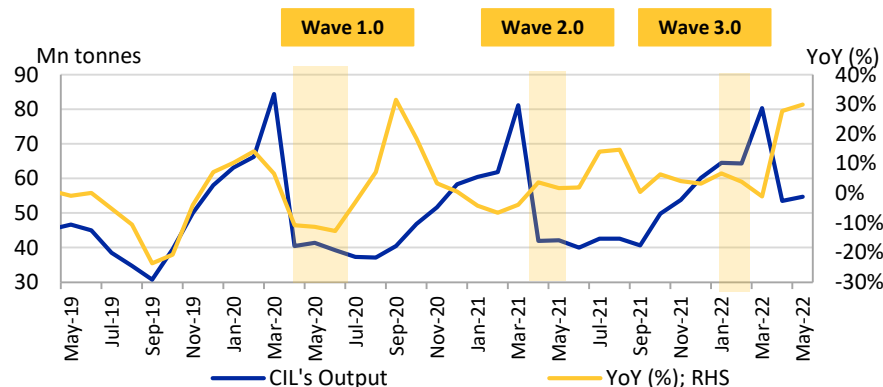


Vahan portal provided by the Ministry of Road Transport & Highways does not cover the vehicle registration data for Madhya Pradesh, Lakshadweep and Telangana; Data for Andhra Pradesh has now been migrated to Vahan in end-May 2022, it will get reflected from next month onwards; Source: Vahan, ICRA Research

- A low base related to Covid 2.0 and stringent state-wise lockdowns led to an optically high YoY growth of ~206% in vehicle registrations in May 2022 as compared to 37.2% in Apr 2022, even as volumes were largely steady.
- As per the data released by FADA, retail volumes of PVs (+11.4%; given preference for social distancing in personal mobility) and tractors (+33.1%; prior to the onset of kharif season) in May 2022 exceeded their pre-Covid levels of May 2019, whereas those of 2Ws (-13.9%), 3Ws (-19.3%) and CVs (-11.4%) continued to trail.

# Mild sequential uptick in CIL's output in May 2022, double-digit growth in electricity generation; monsoon arrival may ease power demand, supply concerns

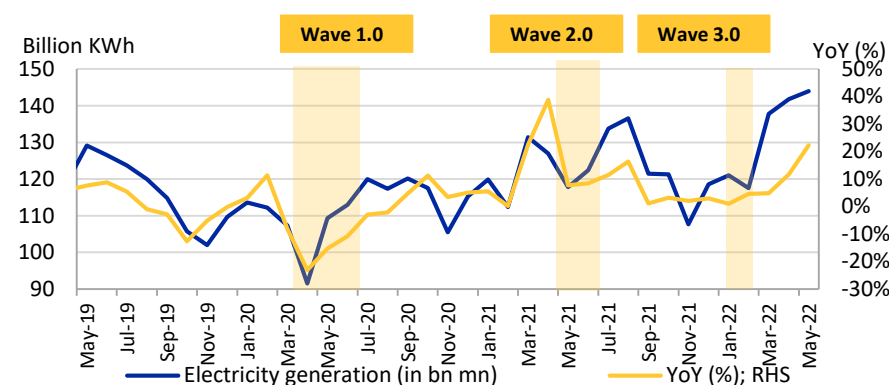
EXHIBIT: Trends in CIL's output



Source: CIL; ICRA Research ; MT: Million tonnes

- With a mild 2.2% MoM rise to 54.7 MT in May 2022, the YoY growth in CIL's output improved to 30.0% in the month, from 27.6% in Apr 2022. Moreover, it exceeded the level of May 2019 output by a robust 17.2%, mirrored by the corresponding growth in offtake levels (+17.5%).
- Against the normative requirement of 24 days, all-India coal stock level in power plants rose mildly to 8.7 days as on June 9, 2022 from 8.0-8.5 days in Apr-May 2022, with some improvement in supply.
- With CIL issuing tenders to import 2.4 MT of coal for Q2 FY2023 to meet electricity demand, supply is expected to further improve going forward.

EXHIBIT: Trends in electricity generation

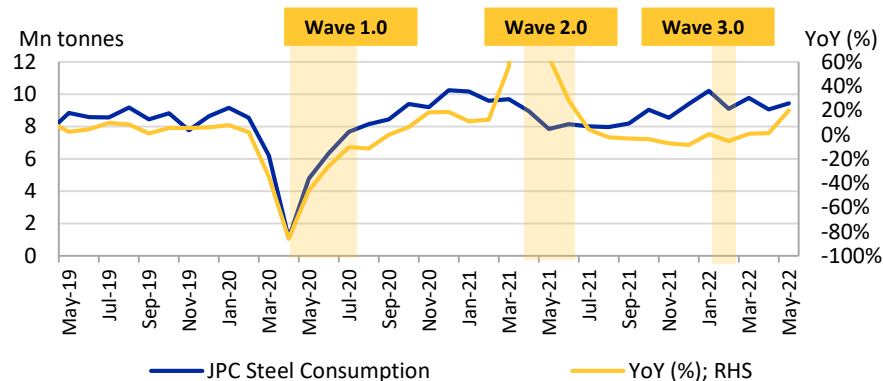


Electricity generation includes thermal, hydro, nuclear and renewable energy; Source: CEA; ICRA Research

- The YoY growth in electricity generation doubled to 22.3% in May 2022 from 11.6% in Apr 2022, echoing the rise in the demand stemming from heat wave conditions in parts of Northwest and Central India, as well as some pickup from commercial and industrial establishments.
- With the advancement of the monsoon, demand is likely to ease from the highs seen in Apr-May 2022 in the second half of June 2022.
- The average spot power tariffs in day-ahead-market (DAM) moderated from Rs. 10.1/unit in Apr 2022 to Rs. 6.8/unit in May 2022, benefitting from improvement in supply amidst elevated demand levels.

# Domestic steel consumption was healthy in May 2022; average GST e-way bill generation dipped to four month low

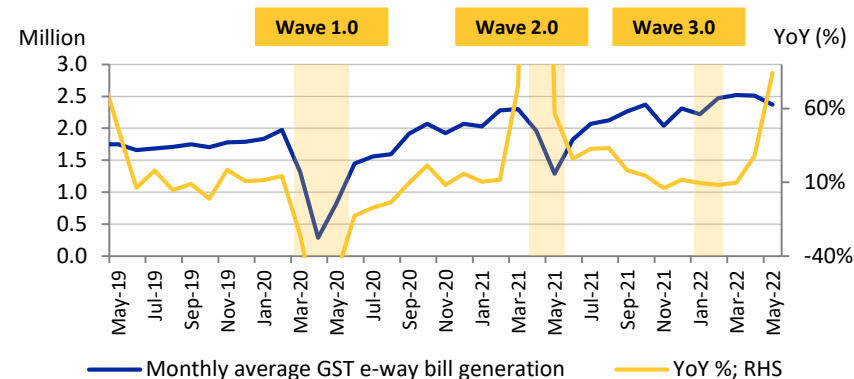
EXHIBIT: Trends in JPC steel consumption



Source: JPC; ICRA Research

- Domestic finished steel consumption (non-alloy, alloy and stainless) rose by 4.1% MoM to 9.4 MT in May 2022 and exceeded the pre-Covid output of May 2019 by 6.7%.
- On a YoY basis, it recorded a base-effect led jump in the growth to 20.1% in May 2022 from the mild 1.2% in Apr 2022 related to disruptions caused during the Covid 2.0 wave. This is mirrored by the trend in both non-alloy (+19.5%; +0.9%) as well as alloy (+29.5%; +6.0%) items.

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

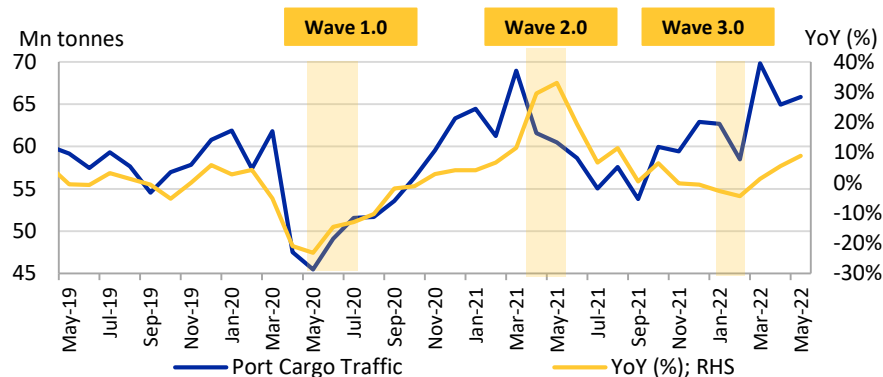


Source: GSTN; ICRA Research

- The average generation of GST e-way bills declined to a four-month low of 2.37 million in May 2022 from 2.51 million in Apr 2022.
- This might be an early indication of the disruption being caused by higher prices on household budgets, especially for discretionary purchases like consumer durables.
- Consequently, the GST collections in June 2022 may moderate in sequential terms, but are likely to be supported by the continuing impact of elevated commodity prices as well as tax anti-evasion activities.

# In contrast to the uptrend displayed by ports cargo traffic, non-oil merchandise exports (in US\$ terms) moderated sequentially in May 2022

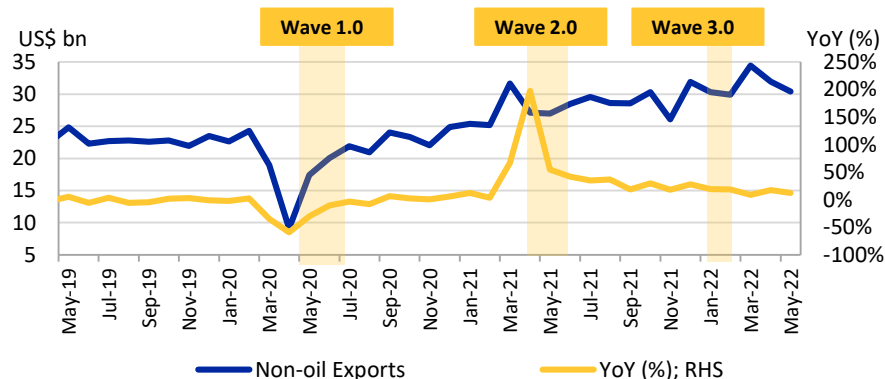
EXHIBIT: Trends in ports cargo traffic



Source: Indian Ports Association; ICRA Research

- Aided by a low base and a modest sequential rise of 1.4%, cargo handled at major ports recorded a nine-month high YoY growth of 8.9% in May 2022, relative 5.5% in Apr 2022.
- Moreover, traffic in May 2022 exceeded the pre-Covid volumes of May 2019 by a healthy 11.4%, with a broad-based trend across shipments of thermal and steam coal, containers, POL, iron ore and raw fertilisers.

EXHIBIT: Trends in non-oil merchandise exports

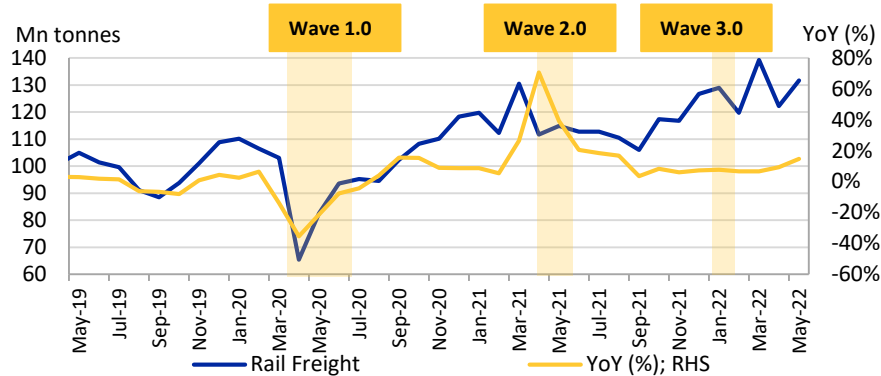


Source: Ministry of Commerce and Industry; ICRA Research

- On the contrary, non-oil exports declined by 4.8% MoM to a three-month low of US\$30.4 billion in May 2022. This was the only non-financial indicator in our set to have reported a moderation in the pace of YoY growth (to 12.6% from 17.7%) in May 2022, relative to the previous month.
- Nevertheless, such exports exceeded the May 2019 level by a healthy 22.4%, amidst higher commodity prices.
- In our view, merchandise exports in FY2023 are likely to be partly weighed down by the expected fallout of geopolitical tensions on the world trade volumes and output; nonetheless, elevated commodity inflation will continue to play an offsetting factor.

# Rail freight traffic remains healthy in May 2022; aviation sector improved further with domestic travel only 7% lower than pre-Covid levels

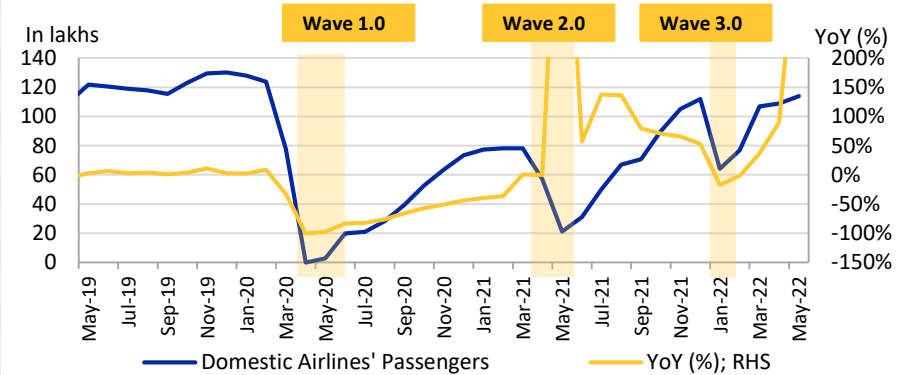
EXHIBIT: Trends in rail freight traffic



Source: Indian Railways, Gol; ICRA Research

- India witnessed the second-best rail freight traffic volumes in May 2022 (after March 2022), recording a higher YoY expansion of 14.7%, relative to 9.4% in Apr 2022.
- The MoM increase of 7.8% or 9.5 MT in overall freight volumes in May 2022 was dominated by coal (7.0 MT; to augment supplies to power plants to meet rising demand), followed by fertilizers (0.5 MT) and cement (0.4 MT).
- Regardless, freight in May 2022 exceeded the May 2019 volumes by a robust 25.5%, benefitting from the tariff and non-tariff measures that had been undertaken in Aug 2020 to boost the rail operations.

EXHIBIT: Trends in domestic airline passenger traffic

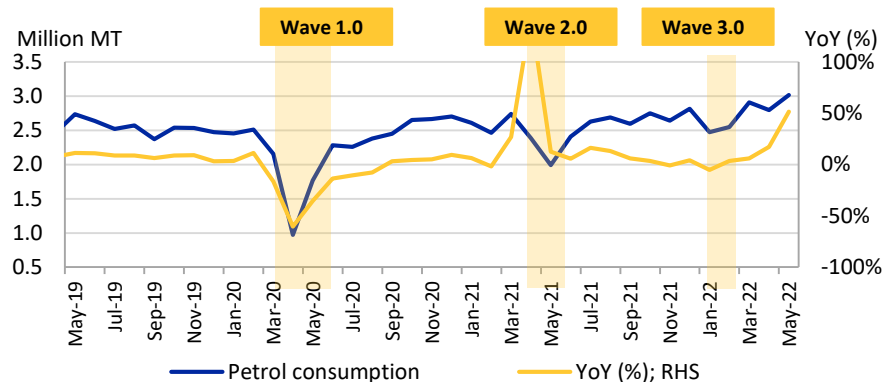


\*Based on ICRA's estimates for April 2022; Source: DGCA; ICRA Research

- Domestic airlines' passenger traffic recorded a sequential uptick of ~5% to 11.4 million in May 2022 (as per ICRA's estimates), although it trailed the May 2019 level (12.2 million) by ~7%.
- A muted base related to the severe impact of the Covid 2.0 wave and curbs on domestic air travel translated to an optically high YoY growth of 439% in May 2022 (+90% in Apr 2022).
- Recovery in corporate travel and steady demand from leisure traffic are likely to support passenger traffic in FY2023; nevertheless, any further Covid waves and a rise in air fares remain the key monitorables.

# With reduction in excise duties, petrol and diesel consumption improved sequentially in May 2022; nevertheless, diesel sales still trail pre-Covid levels

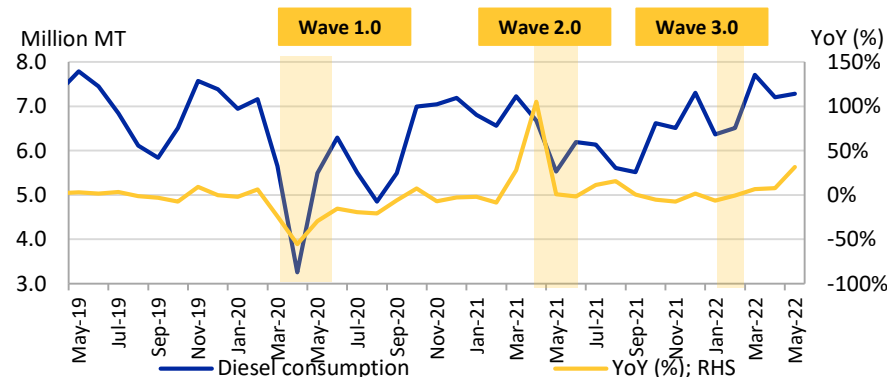
EXHIBIT: Trends in petrol consumption



Source: PPAC; ICRA Research

- With a healthy 7.8% MoM growth, petrol consumption touched all-time highs of 3.0 million MT in May 2022. Retail prices were unchanged in the earlier part of the month, before the Government reduced the excise duty on May 22, 2022, which aided consumption.
- Petrol sales rose by a considerable 51.5% on a YoY basis in May 2022 on a low base; volumes were a moderate 10.2% higher than pre-Covid sales of May 2019.
- Going forward, pass-through of the ongoing uptrend in international crude oil prices by the OMCs could constrain the demand for petrol.

EXHIBIT: Trends in diesel consumption



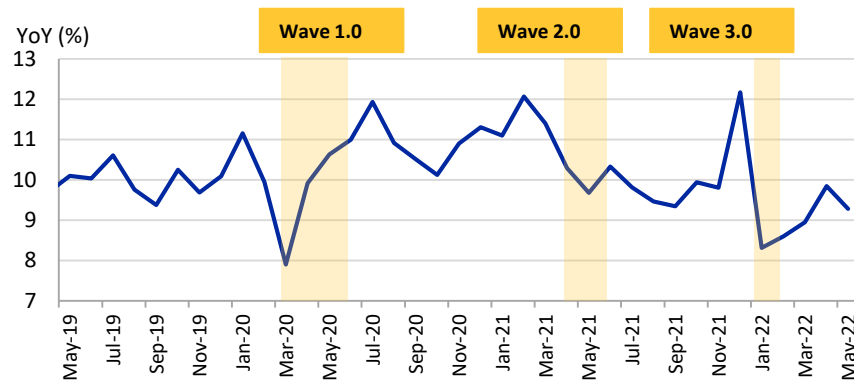
Source: PPAC; ICRA Research

- Similarly, while the YoY growth in diesel consumption rose to an optically high 31.7% in May 2022 (7.9% in Apr 2022) owing to subdued base of Covid 2.0 wave, consumption rose by a mild 1.1% in sequential terms to 7.3 million MT in the month, benefitting from the reduction in excise duty.
- However, consumption trailed the May 2022 volumes by a significant 6.5%, partly dampened by elevated prices and a likely diversion of freight to rail.



# YoY growth in bank deposits eased, whereas that of non-food bank credit improved further in May 2022, relative to Apr 2022

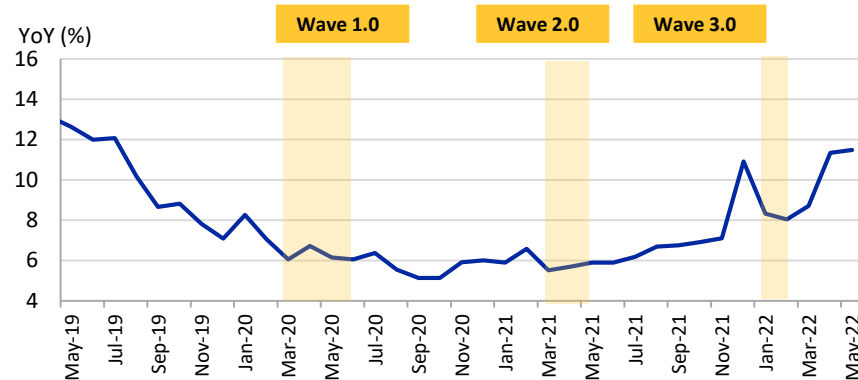
EXHIBIT: Trends in bank deposits



Source: RBI, ICRA Research

- The YoY growth in outstanding bank deposits moderated to 9.3% as on May 20, 2022 from 9.8% and 9.7%, respectively, as on Apr 22, 2022 and May 21, 2021.
- While the incremental deposits in FY2023 till date (as on May 20, 2022) of Rs. 1.1 trillion were twice as high as the year-ago level (Rs. 0.5 trillion as on May 21, 2021), they were considerably lower than the FY2021 levels when the nation-wide lockdown was in place (Rs. 2.6 trillion as on May 22, 2020).

EXHIBIT: Trends in non-food bank credit

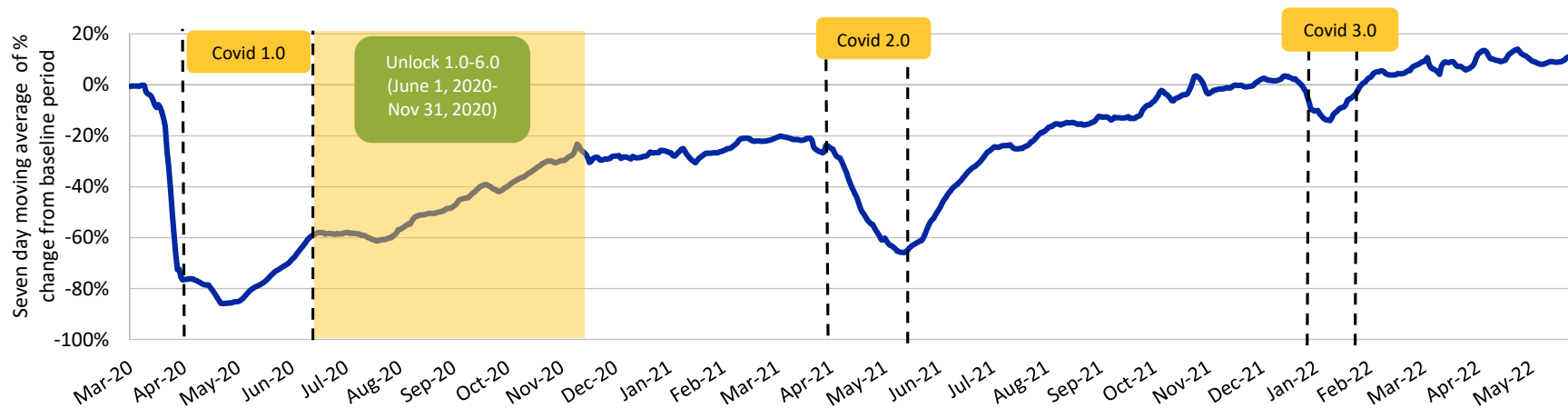


Source: RBI; ICRA Research

- On the contrary, the YoY growth in outstanding non-food bank credit rose to 11.5% as on May 20, 2022, the highest level since Aug 16, 2019 (+5.9% on May 21, 2021; +10.3% on Apr 22, 2022).
- Moreover, incremental credit in FY2023 so far (till May 20, 2022) stood at Rs. 1.4 trillion, in contrast with the typical negative trend seen during the same period in past 10 years (last time incremental credit was positive during this period was in FY2013: +Rs. 141.6 billion as on May 18, 2012).
- This is likely to have been partly supported by rising working capital requirements given the elevated commodity prices, and shift of corporate credit demand from bond markets to banks.

# Mobility for retail and recreation flattened in Apr-May 2022

EXHIBIT: Trends in mobility for retail and recreation

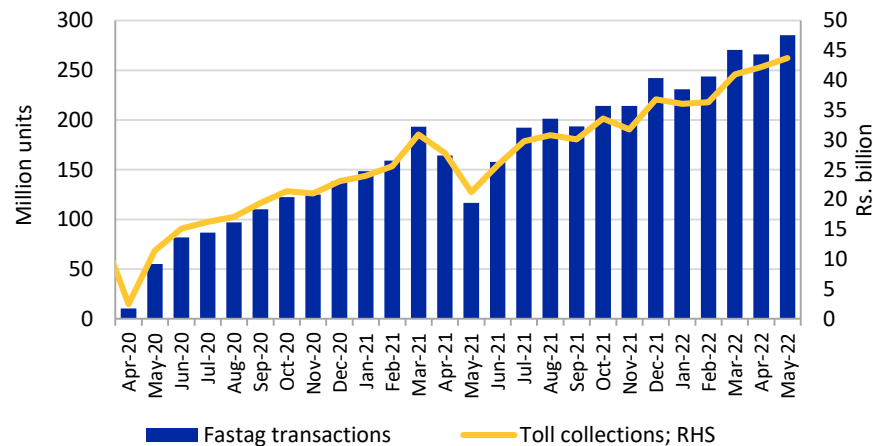


Data is available up to June 10, 2022; The percentage change is compared to a baseline value for the same day of the week, Baseline period: Jan 3, 2020- Feb 6, 2020; Source: CEIC; ICRA Research

- The mobility for retail and recreation was 8.9% above the baseline level at end-May 2022 (seven-day moving average), similar to the trends seen at end-April 2022 (+9.4%) as well as at end-March 2022 (+9.1%). Subsequently, it has risen modestly to 11.3% as on June 10, 2022.

# Toll collections scaled new all-time highs in May 2022 with higher toll prices; UPI transactions crossed the Rs. 10 trillion mark in that month

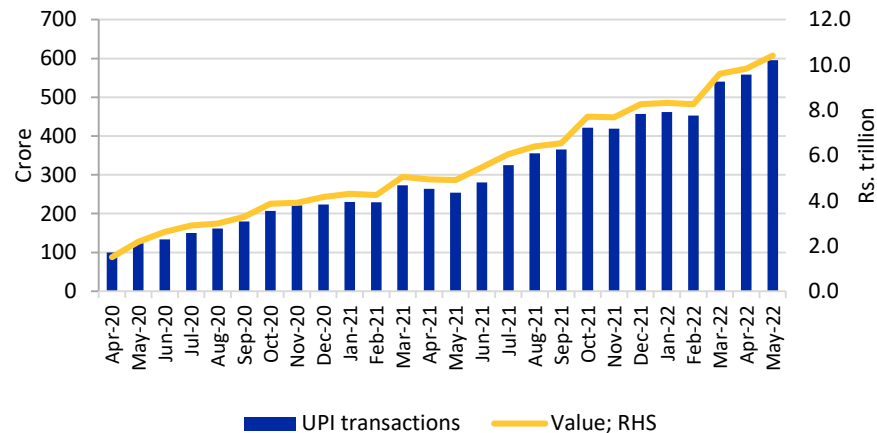
EXHIBIT: FASTag transactions (Volume and Value)



Source: National Payments Corporation of India; ICRA Research

- FASTag transactions reached new all-time high of 285.4 mn in May 2022, up 7.3% from 266.0 mn in Apr 2022.
- With this as well as higher toll prices w.e.f. Apr 1, 2022 (linked to the WPI inflation, which has printed in double-digits from the past 14 months), electronic toll collections scaled to record-high Rs. 43.7 bn in May 2022 from 42.2 bn in Apr 2022.

EXHIBIT: Total UPI transactions (volume and value)

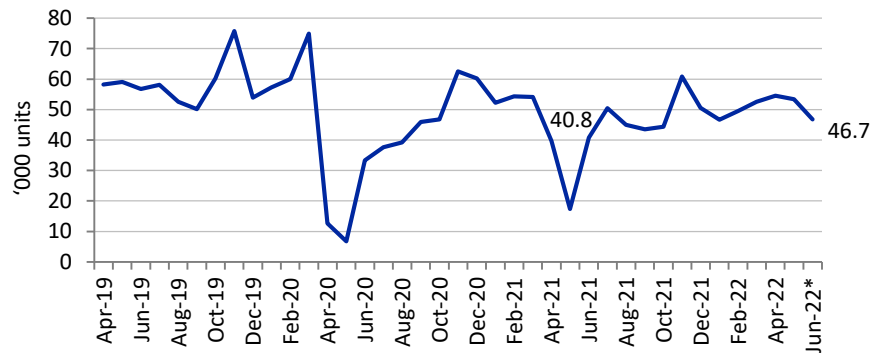


Source: National Payments Corporation of India; ICRA Research

- On a YoY basis, UPI transactions in both value and volume terms more than doubled in May 2022, while the MoM growth stood at 5.9% and 6.7%, respectively.
- The recent move of the RBI allowing the linking of RuPay credit cards with UPI platforms, can lead to a shift to credit cards. However, its market share in overall o/s credit for credit cards is unlikely to grow materially in the near term unless the enhancement in UPI linking is also extended to other card platform operators.

# While the data for some indicators in the first half of June 2022 shows a YoY pick-up relative to May 2022...

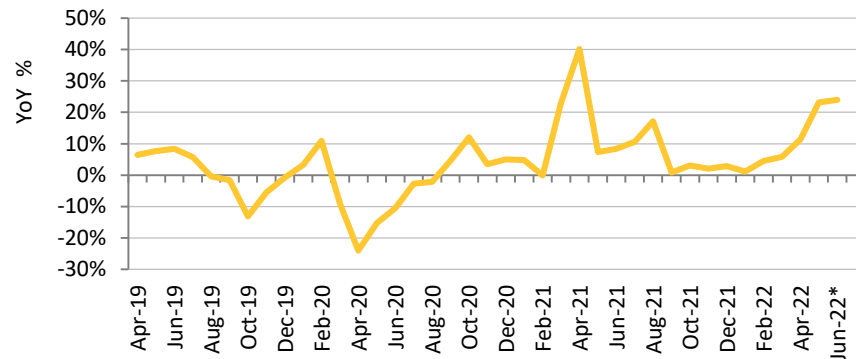
EXHIBIT: Daily average vehicle registrations at all-India level



\*Till June 15, 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 data provided on the Vahan portal reveals that the average daily vehicle registrations during June 1-15, 2022 stood at 46.7k units, well above the levels seen in June 2021 (40.8k units) but 12.4% lower than the May 2022 levels (53.3k units).

EXHIBIT: Electricity Demand at all-India level

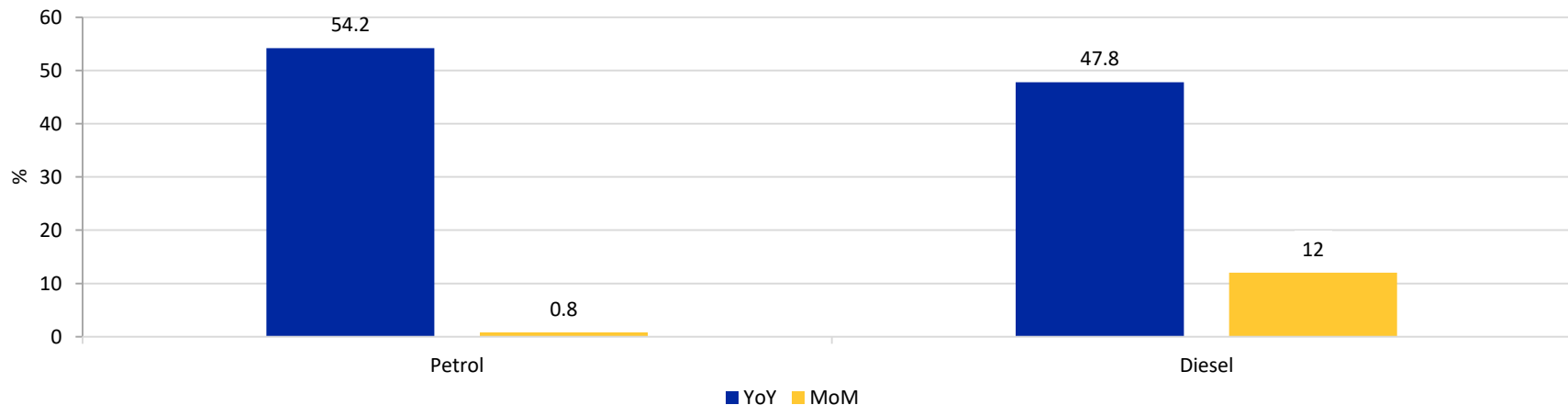


\*Till June 14, 2022; Source: POSOCO; IEX; ICRA Research

- The YoY growth in electricity demand was elevated at 24.0% during June 1-14, 2022, mildly higher than 23.2% recorded in May 2022, attributable to the ongoing heatwave conditions prevailing in isolated pockets over Northwest and Central India.
- Going forward, the arrival of Southwest monsoon in these regions is likely to assuage the heatwave conditions and ease the power demand growth from the current elevated levels.

## ...the YoY growth for entire month may taper down from May 2022 highs owing to a base normalization in second half of the month

EXHIBIT: Sales of Petrol and Diesel during June 1-14, 2022 by state fuel refiners



Source: ICRA Research

- Moreover, sales of petrol and diesel grew by a mild 0.8% and a healthy 12.0%, respectively, in June 1-14, 2022, over the corresponding period in May 2022, as per the preliminary data released by state refiners. This may partly be on account of a seasonal pick-up in agricultural demand as well as bulk buyers shifting their purchases to retail outlets.
- In YoY terms, sales of petrol and diesel recorded a higher YoY expansion of 54.2% and 47.8%, respectively, in the first two weeks of June 2022, relative to May 2022 levels (+51.5% and +31.7%, respectively).

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.

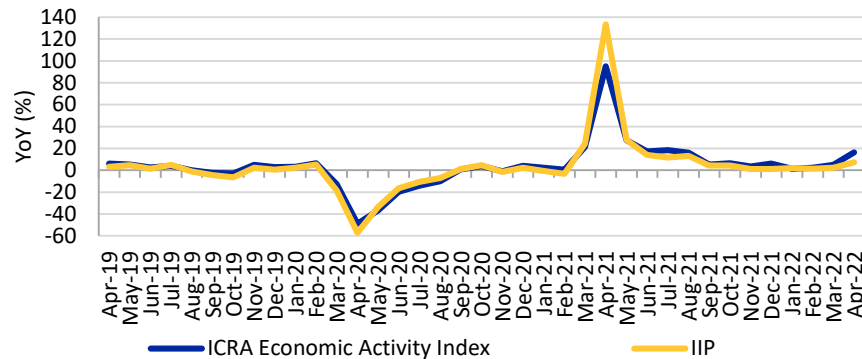
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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, a decrease in the value of the index to 116.0 in April 2022 from 123.8 in March 2022, signifies that the economic activity has deteriorated in April 2022 relative to March 2022. Moreover, the activity in April 2022 (116.0) is 16.1% higher than the pre-Covid level in April 2019 (99.9).

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 2022 was released on 10<sup>th</sup> June 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 April 2022 is available by mid-May 2022), thereby enabling a faster assessment of economic activity in the immediately preceding month.

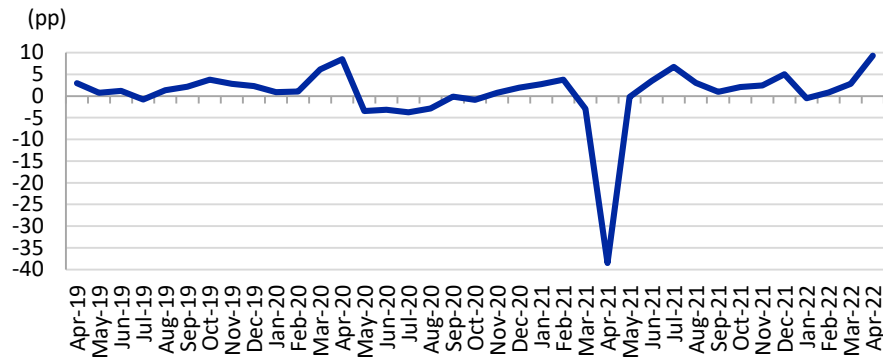
## Annexure A.2: ICRA Business Activity Monitor

**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**

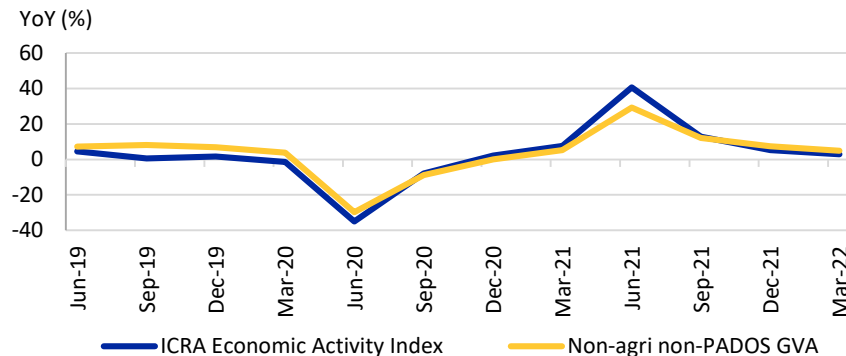


Source: ICRA Research

- 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 37 months between April 2019 and April 2022.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 29 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 22/15 of the 37 months.

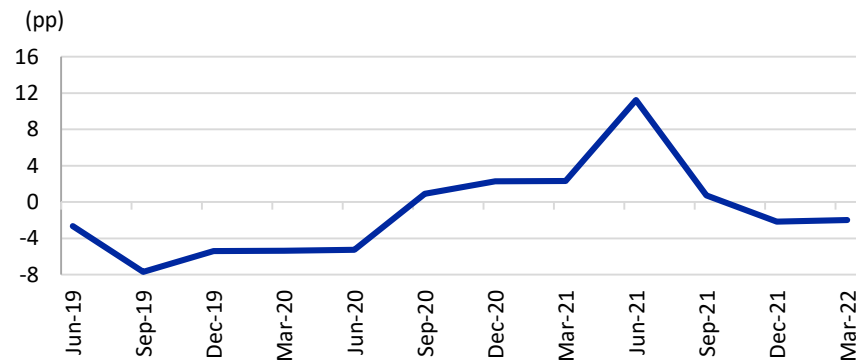
## Annexure A.3: ICRA Business Activity Monitor

**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**



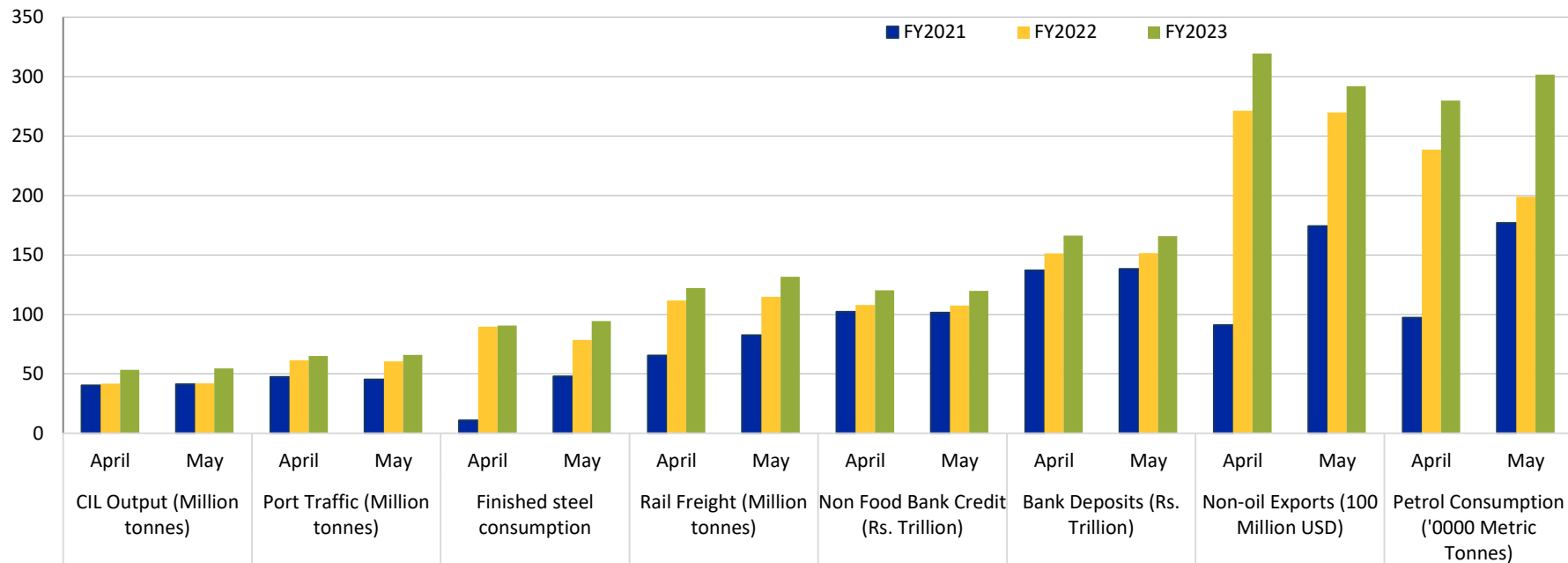
Source: ICRA Research

- 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 10 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: Volumes of all indicators rose in May 2022 relative to May 2021 - I

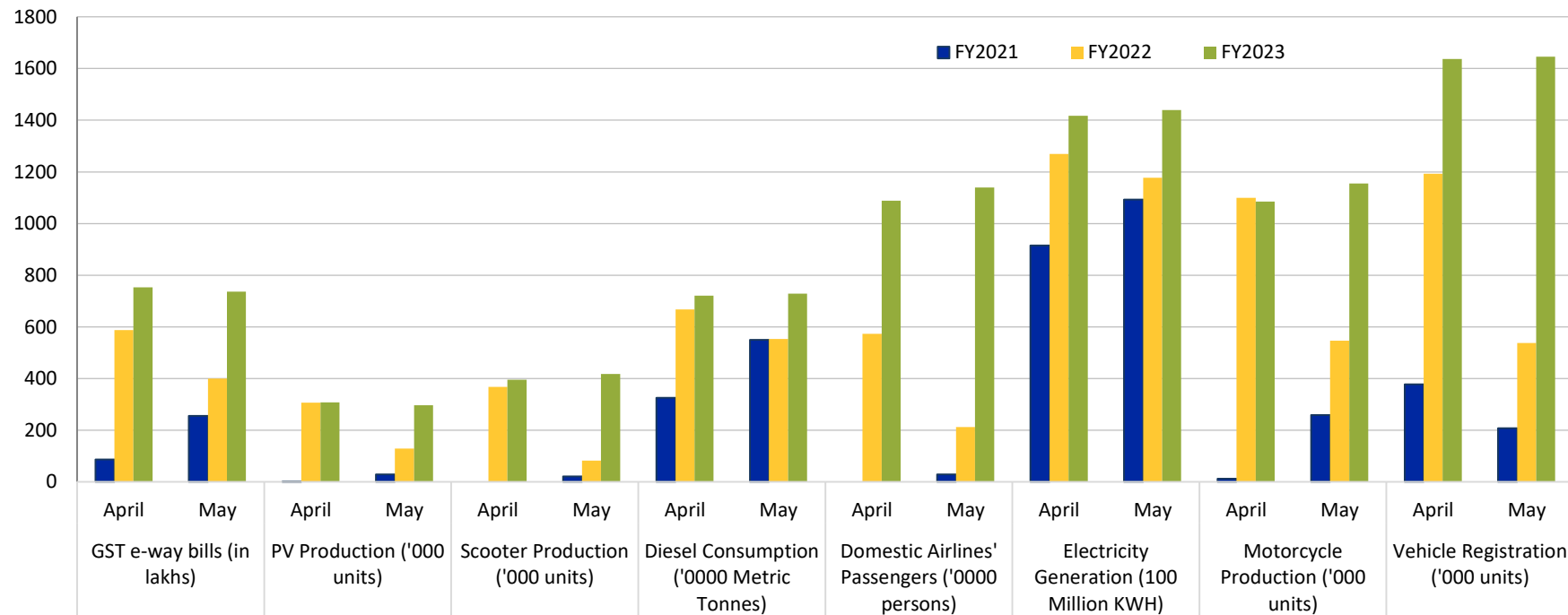
EXHIBIT: Trends in Volumes for Last Three Years in April and May (Part -I)



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 May 2022 relative to May 2021 - II

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



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



**Click to Provide Feedback**

---



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**

*Senior 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





***© Copyright, 2022 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Thank You!**