



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

**Economic activity slowed on YoY basis
in Oct 2022 with preponement of
festive-holiday calendar vis-à-vis 2021**

NOVEMBER 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 (CIL)
- Power generation
- Rail freight traffic
- Non-oil merchandise exports
- Cargo handled at major ports
- Consumption of petrol and diesel
- Finished steel consumption
- Generation of GST e-way bills
- Domestic airline passenger traffic
- Aggregate deposits and non-food credit of SCBs

The year-on-year (YoY) growth in the ICRA Business Activity Monitor – an index of high frequency indicators*, stood at 7.4% in October 2022, reverting to single digits after a gap of six months. The moderation in the YoY growth from 13.6% in September 2022 was largely on account of the early onset of the festive season in 2022 vis-a-vis 2021, and the consequent shift in the holiday calendar. While the month-on-month (MoM) performance of the constituent indicators was mixed in October 2022, the index was 18.3% higher than the pre-Covid levels, indicating a continued broadening of the recovery. The early trends for November 2022 are healthy, although this partly reflects the subdued base owing to the impact of higher festive holidays in November 2021. Accordingly, the YoY growth in the ICRA Business Activity Monitor is likely to show an optical improvement in November 2022, relative to October 2022, and an average performance of these two months would provide a better gauge of the growth momentum.

- **YoY growth of economic indicators slowed in Oct 2022 amid early onset of festive holiday calendar:** With the early onset of the festive season in 2022 vis-à-vis 2021 leading to a higher number of holidays, the YoY growth in the ICRA Business Activity Monitor declined to a seven-month low of 7.4% in October 2022 from 13.6% in September 2022. The growth performance of 11 of the 16 high frequency indicators reported a sequential dip in this month.
- **MoM and pre-Covid performances point to widening economic momentum in Oct 2022:** Encouragingly, the index rose by 2.3% to 117.2 in October 2022 from 114.6 in September 2022, despite the higher number of holidays in the month. Further, eight of the 14 non-financial indicators witnessed a better MoM performance in October 2022 vis-à-vis October 2019, when the festive season had begun around the same time. Additionally, the ICRA Business Activity Monitor rose above the pre-Covid levels of 2019 by a considerable 18.3% in October 2022, with all the indicators (apart from domestic airlines' passenger traffic) exceeding their corresponding pre-Covid volumes.
- **Early data for Nov 2022 is healthy, boosted by a low base:** The average daily vehicle registrations have risen by 10.2% MoM during November 2022 so far, exceeding the year-ago levels by 19.0%. Moreover, the all-India electricity demand growth rose to 12.8% during November 1-16, 2022, led by a low base. In line with this, we expect the YoY performance of most economic indicators to improve in November 2022, led by a favourable base.

*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; ~festive period: a) 2022 – Sep 26, 2022 to Nov 6, 2022; b) 2021 – Oct 7, 2021 to Nov 17, 2021; Source: ICRA Research

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

ICRA Business Activity Monitor



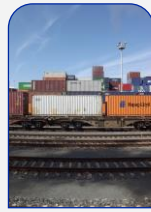
**Auto
Production
(PV and 2W)
and vehicle
registrations**



**Coal India
Limited
output**



**Power
Generation**



**Rail Freight
Traffic**



**Non-oil
Merchandise
Exports**



**Cargo
handled at
Major Ports**



**Consumption
of Petrol and
Diesel**



**Finished
Steel
Consumption**



**Generation of
GST e-way
bills**



**Domestic
Airline
Passenger
Traffic**



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

Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator ; SCB: Scheduled Commercial Banks; PV: Passenger Vehicles; 2W: Two-wheelers; Source: ICRA Research

YoY growth in ICRA Business Activity Monitor eased to seven-month low 7.4% in Oct 2022

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

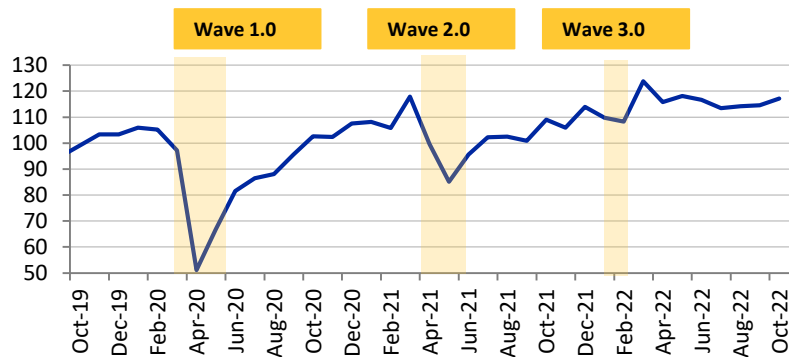
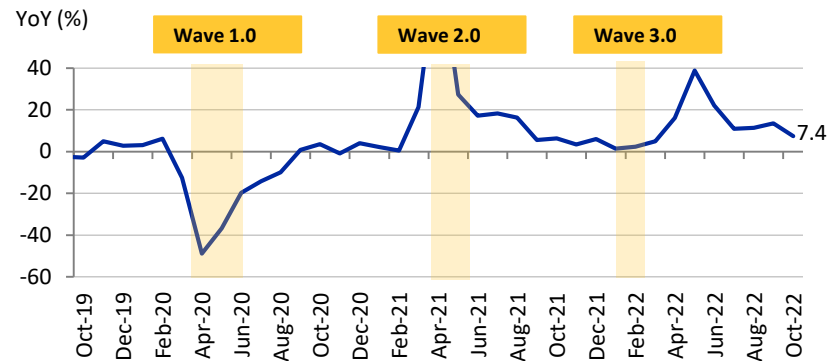


Exhibit: YoY growth of ICRA Business Activity Monitor



Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: ICRA Research

- Owing to the early onset of the festive season in 2022 vis-à-vis 2021, the YoY growth in the ICRA Business Activity Monitor declined to a seven-month low of 7.4% in October 2022 (+6.3% in October 2021) from 13.6% in September 2022 (+5.5% in September 2021). As many as 11 of the 16 high frequency indicators witnessed a deterioration in their growth performance in October 2022, relative to the previous month; these include the production of PVs and motorcycles, CIL's output, electricity generation, ports cargo traffic, rail freight traffic, non-oil merchandise exports, generation of GST e-way bills, diesel consumption, etc.
- Encouragingly, the index recorded a mild MoM uptick of 2.3% to 117.2 in October 2022 from 114.6 in September 2022, despite the higher number of holidays in the former month. While this trailed the MoM rise seen in October 2021 (+8.1%) on account of the shift in the festive season (leading to a higher number of holidays in October 2022 vis-à-vis October 2021), it was favourable relative to the 2.9% MoM decline seen in the November 2021.

YoY growth of most high frequency indicators moderated in Oct 2022, owing to earlier onset of festive season in 2022 vis-à-vis 2021

Exhibit: Heatmap of high frequency indicators

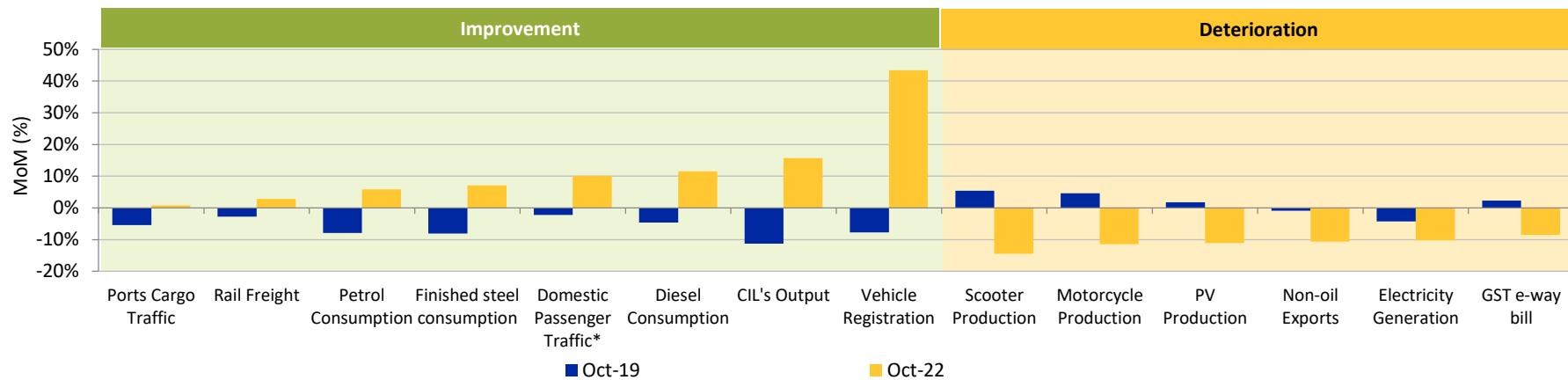
YoY Growth (%)	Auto Output			Vehicle Registration	CIL	Electricity Generation	Non-oil Export	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits	Non-Food Bank Credit
	PV output	Scooter output	Motorcycle output													
Jun-22	9.5	78.1	12.4	26.3	28.9	16.7	10.3	13.6	11.3	36.2	6.4	237.6	23.2	23.9	8.3	13.7
Jul-22	7.7	28.2	-3.3	-7.5	11.1	2.4	0.8	15.0	8.3	17.8	13.0	93.8	6.8	8.2	9.1	15.1
Aug-22	25.0	10.9	14.3	5.9	8.5	1.4	-1.8	8.0	7.9	18.7	14.3	51.0	11.6	13.0	9.5	16.0
Sep-22	88.0	6.4	11.0	9.1	12.3	11.7	-2.1	14.9	9.1	23.7	11.3	46.5	8.8	13.4	9.2	16.9
Oct-22	28.7	6.8	-9.7	48.2	6.3	0.4	-17.6	3.6	1.4	4.6	10.7	26*	8.8	5.5	9.5	18.3
YoY growth; sequential pick-up		YoY growth; sequential dip		YoY growth; no sequential change		YoY contraction; sequential pickup		YoY contraction; sequential dip								

Nevertheless, the YoY growth in scooter production, vehicle registrations, and bank deposits and non-food bank credit of scheduled commercial banks improved in Oct 2022, while that of petrol consumption remained similar to the level recorded in the previous month.

*As per ICRA's estimates, SCBs; Scheduled Commercial Banks; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Passenger Vehicles (PV), scooter and motorcycle refers to growth in production volumes; CIL: Coal India Limited. Auto includes output of PV, two-wheelers and three-wheelers, CIL refers to growth in production volumes; electricity generation includes thermal, hydro, 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 eight of the 14 indicators improved in Oct 2022 vis-à-vis Oct 2019

Exhibit: MoM performance of non-financial economic indicators

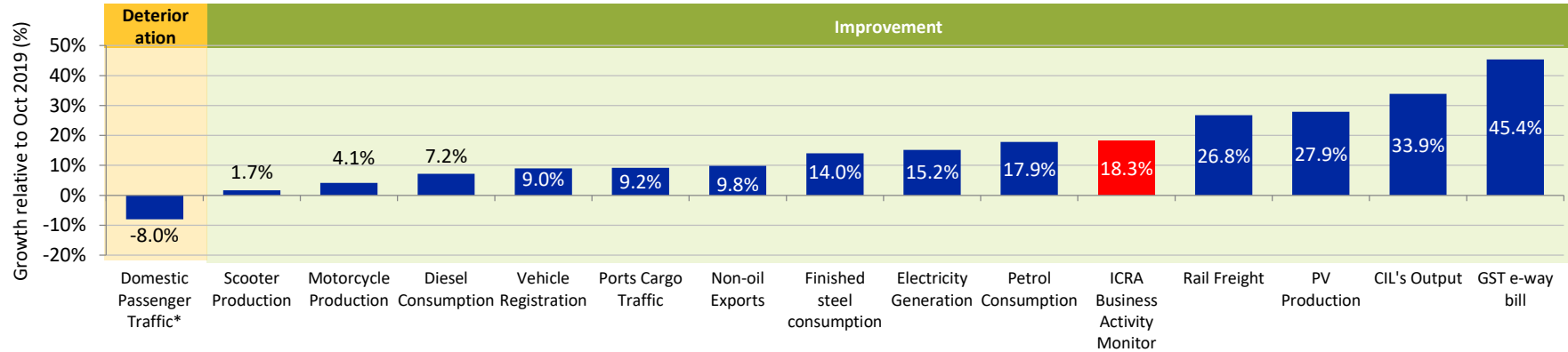


- We have compared the MoM trends in October 2022 with October 2019, when the festive season had begun around the same time as 2022: eight out of the 14 non-financial monthly indicators, apart from 2W production (-12.3% in October 2022 vs. -11.3% in October 2019), PV production (-11.1% vs. +1.8%), non-oil exports (-10.7% vs. -0.9%), electricity generation (-10.2% vs. -4.3%), and GST e-way bills generation (-8.5% vs. +2.3%) performed better in October 2022.
- Moreover, eight indicators reported a sequential uptick in October 2022 (as against four in October 2019), including vehicle registrations (+43.4%), CIL's output (+15.8%), diesel consumption (+11.6%), domestic airlines' passenger traffic (+10%; ICRA's estimates), finished steel consumption (+7.1%), etc.

*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

ICRA Business Activity Monitor was 18.3% above pre-Covid levels in Oct 2022

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

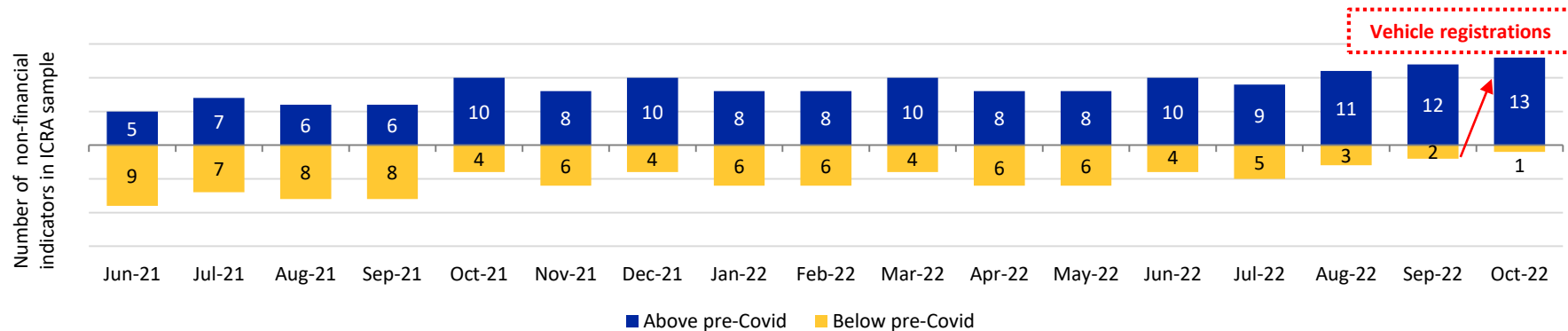


*Based on ICRA's estimates; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: SIAM; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian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

- The ICRA Business Activity Monitor indicates that activity in October 2022 exceeded the pre-Covid level of October 2019 by a healthy 18.3%, albeit slightly lower than the 20.8% expansion seen in September 2022 over September 2019.
- Encouragingly, all sectors, apart from domestic airlines' passenger traffic (indicating incomplete revival in demand for contact intensive services; -8%), exceeded their pre-Covid performance in October 2022.

Number of indicators above pre-Covid volumes improved to 13 in Oct 2022, highest since the onset of the pandemic

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

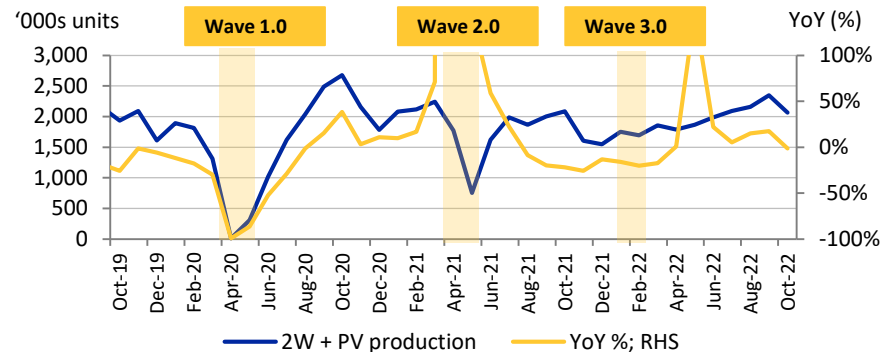


Note: Pre-Covid level for FY2023 onwards has been taken as FY2020; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: ICRA Research

- The number of non-financial indicators reporting above pre-Covid volumes rose to 13 in October 2022 from 12 in the previous month, the highest since the period of analysis after the onset of pandemic, implying a continued broadening of the recovery.
- Vehicle registrations turned positive relative to pre-Covid levels for the first time in October 2022, after lagging the same throughout Apr-Sep 2022.

While auto output witnessed a moderation in Oct 2022, retail volumes remained healthy, boosted by festive demand

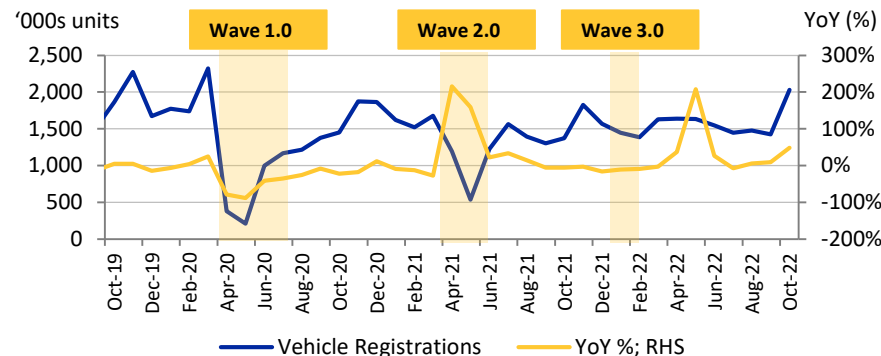
Exhibit: Trends in production of PV and two wheelers (2W)



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

- The aggregate output of PVs and 2Ws slipped into a contraction of 1.2% in Oct 2022 after expanding by 17.3% in Sep 2022, with the YoY contraction in 2Ws (-5.4% in Oct 2022), offsetting the 28.7% expansion in PV production.
- The output of PVs (-11.1%) and 2Ws (-12.3%) recorded a sequential decline in Oct 2022, post a ramp up in production by OEMs in Sep 2022, with a view of building up inventory ahead of the festive season.
- Relative to pre-Covid volumes of Oct 2019, PVs expanded by a robust 27.9% in Oct 2022, while the output of 2Ws recorded a subdued growth of 3.4%.

Exhibit: Trends in vehicle registrations

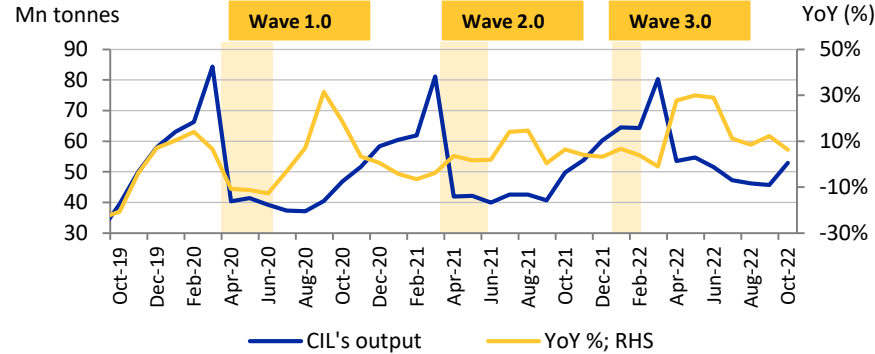


Note: For comparability analysis across different periods, we have removed newly issued data on Andhra Pradesh and Madhya Pradesh; Data on Lakshadweep and Telangana is not available; Source: Vahan, ICRA Research

- Vehicle registrations surged in Oct 2022, reporting the highest volumes since the onset of the pandemic, boosted by the festive season. Further, the YoY growth rose to a five-month high 48.2% in Oct 2022 (-5.3% in Oct 2021) from 9.1% in Sep 2022 (-5.3% in Sep 2021), which partly reflects the earlier onset of the festive season in 2022 as compared to 2021.
- Compared to the pre-Covid volumes of Oct 2019, retail volumes of PVs rose by 17.9% in Oct 2022, benefitting from better vehicle availability and new launches. This was followed by higher volumes of tractors (+47.1%), CVs (+12.9%), and 2Ws (+5.8%) in Oct 2022, amidst a lag in 3Ws (-0.6%).

YoY growth in CIL's output and electricity generation moderated sharply in Oct 2022, driven by an unfavourable base and excess rainfall

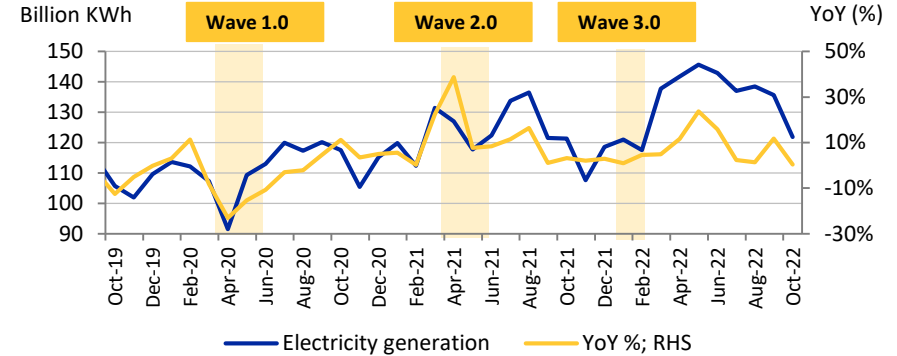
Exhibit: Trends in CIL's output



Source: CIL; ICRA Research; MT: Million tonnes

- CIL's output rose by 15.8% MoM to 52.9 mn tonnes in Oct 2022 from 45.7 mn tonnes in Sep 2022, while the YoY growth halved to 6.3% from 12.3%, respectively. Output exceeded the pre-Covid level by 33.9% in Oct 2022.
- Output averaged ~50 million tonne/month in 7M FY2023, 17.4% higher than 7M FY2022. To reach the annual target of 700 million tonne in FY2023, output needs to grow by ~8% YoY in Nov-March FY2023.
- The all-India coal stock in power plants rose to 10.1 days in Oct 2022 from 9.7 days in Sep 2022, while trailing the normative requirement of 19.5 days.

Exhibit: Trends in electricity generation

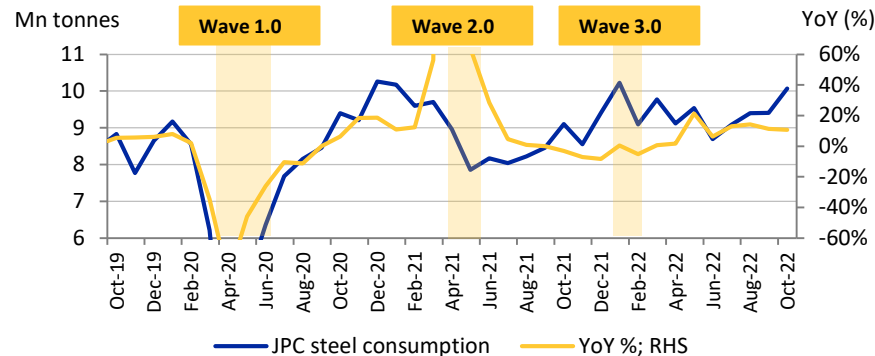


Electricity generation includes thermal, hydro, nuclear and renewable energy; Source: CEA; ICRA Research

- The YoY growth in electricity generation eased to a 20-month low of 0.4% in Oct 2022 (+3.2% in Oct 2021) from 11.7% in Sep 2022 (+1.1% in Sep 2021), owing to an unfavourable base and excess post-monsoon rainfall.
- This was driven by thermal electricity generation, which slipped into a YoY contraction of 2.2% in Oct 2022 (+9.3% in Sep 2022), while the YoY rise in hydro electricity dipped to 4.9% in Oct 2022 from 23.9% in Sep 2022.
- Mirroring the demand trend, the average spot power tariffs in the day-ahead-market (DAM) eased to Rs. 3.8/unit from Rs. 5.6/unit, respectively.

Domestic steel consumption rose sharply MoM in Oct 2022; GST e-way bill generation dipped in Oct 2022 but remained elevated

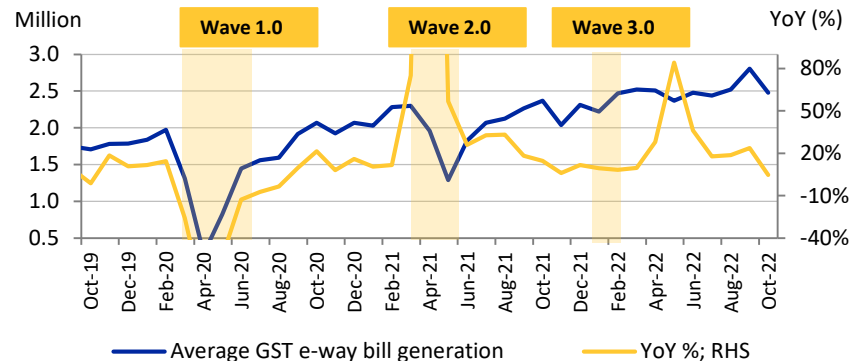
Exhibit: Trends in JPC steel consumption



Source: JPC; ICRA Research

- Domestic finished steel consumption (non-alloy, alloy and stainless) rose by 7.1% to a nine-month high of 10.1 MT in Oct 2022 from 9.4 MT in Sep 2022.
- The YoY growth for this sector eased to 10.7% in Oct 2022 from 11.3% in Sep 2022, while remaining in double-digits for the fourth month in Oct 2022. ICRA projects the steel consumption growth at ~7-8% in FY2023.
- Finished steel consumption in Oct 2022 was 14.0% higher than the level seen in Oct 2019, reflecting the trend for non-alloy items (+15.0%), while the expansion in consumption of alloy steel lagged (+2.4%).

Exhibit: Trends in average generation of GST e-way bills

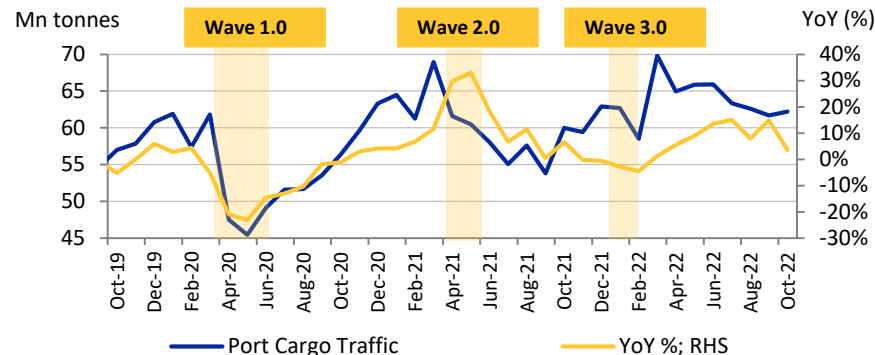


Source: GSTN; ICRA Research

- The average GST e-way bills generation declined to 2.5 million/day in Oct 2022 from an all-time high of 2.8 million/day in Sep 2022, owing to the larger number of holidays in the month.
- The YoY growth fell sharply to 4.6% in Oct 2022 from 23.7% in Sep 2022, given the base effect. With a low base owing to higher number of holidays in Nov 2021, the YoY growth in GST e-way bills may improve in Nov 2022 from 4.6% in Oct 2022. We continue to expect the CGST collections to exceed the FY2023 BE by Rs. 1.3-1.4 trillion.

YoY growth in ports cargo traffic and non-oil exports moderated in Oct 2022, led by slowing external demand as well as early onset of festive season

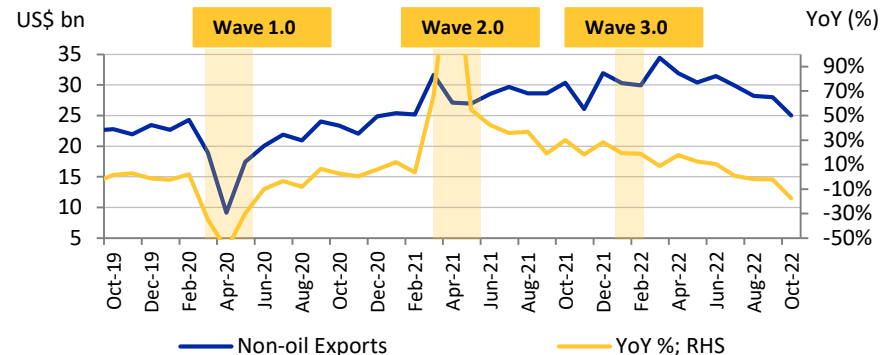
Exhibit: Trends in ports cargo traffic



Source: Indian Ports Association; ICRA Research

- Even as cargo handled at ports rose to 62.2 million tonnes in Oct 2022 from 61.7 million tonnes in Sep 2022, the YoY growth declined to a seven-month low 3.6% from 14.9% in Sep 2022, led by an unfavourable base.
- The mild MoM rise of 0.8% in Oct 2022 was largely led by thermal and steam coal (+11.9%), other cargo (+4.4%) and containers (+1.7%). This was the first instance of a sequential rise in coal volumes in three months.
- Cargo volumes in Oct 2022 exceeded the Oct 2019 level by 9.2%, mainly driven by coal (+52.3%) and containers (+12.1%).

Exhibit: Trends in non-oil merchandise exports

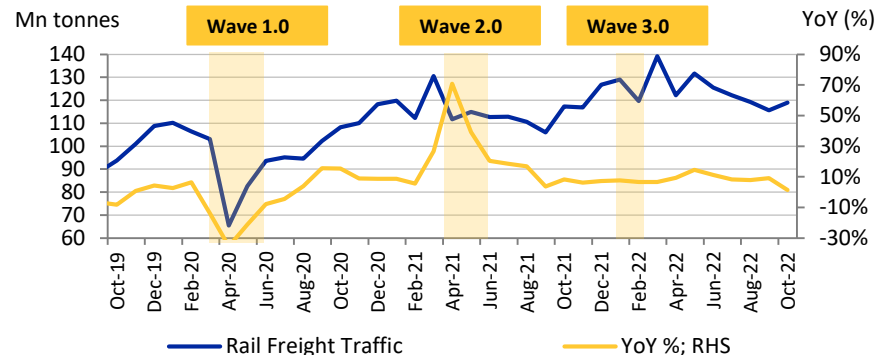


Source: Ministry of Commerce and Industry; ICRA Research

- Non-oil merchandise exports dipped by a sharp 10.7% MoM to a 22-month low of US\$25.0 billion in Oct 2022, reflecting the higher number of holidays in Oct 2022 vis-à-vis Oct 2021 as well as flagging external demand.
- In YoY terms, the pace of decline of such exports widened to 17.6% in Oct 2022 from 2.1% in Sep 2022, led by engineering goods, cotton, textiles etc.
- We expect some rebound in exports in Nov 2022 relative to Oct 2022, although it may not be as strong as the trend seen between November and December of 2021, given the global demand concerns.

Rail freight volumes rose sequentially in Oct 2022 after a gap of four months; domestic air passenger traffic improved in MoM terms in Oct 2022

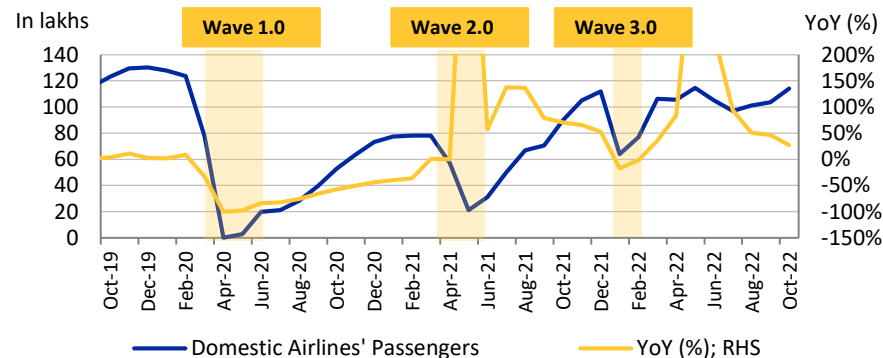
Exhibit: Trends in rail freight traffic



Source: Indian Railways, GoI; ICRA Research

- After easing continuously since May 2022 amidst a steady dip in coal volumes, rail freight traffic recorded a 2.8% MoM uptick in Oct 2022.
- Nevertheless, the YoY growth declined to 1.4% in Oct 2022 (+8.4% in Oct 2021) from 9.1% in Sep 2022 (+3.6% in Sep 2021), owing to the high base.
- Freight volumes in Oct 2022 were 26.8% (or 25.1 MT) higher than Oct 2019, benefitting from the tariff and non-tariff measures undertaken in Aug 2020. This was led by higher loading of coal (11.9 MT), followed by foodgrains (2.9 MT) and cement (2.2 MT) in Oct 2022 over Oct 2019.

Exhibit: Trends in domestic airline passenger traffic

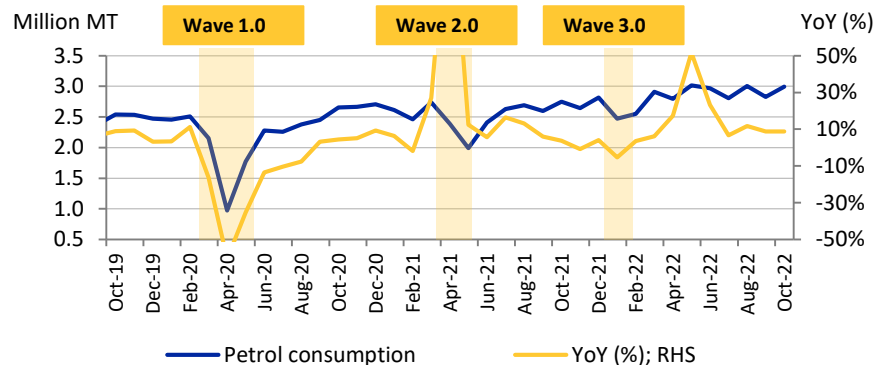


Source: DGCA; ICRA Research

- Domestic airlines' passenger traffic improved for the third consecutive month to 11.4 million in Oct 2022, a sequential uptick of ~10%, while translating to ~93% of the pre-Covid traffic seen in Oct 2019 (12.3 million).
- However, a normalising base further dampened the YoY growth in domestic air passenger traffic to ~26% in Oct 2022 from 46.5% in Sep 2022.
- The recovery in corporate travel and steady demand from leisure traffic are likely to continue to support domestic air passenger traffic in the remainder of FY2023, although any fresh Covid wave remains the key monitorable.

Consumption of petrol and diesel rose sequentially in Oct 2022

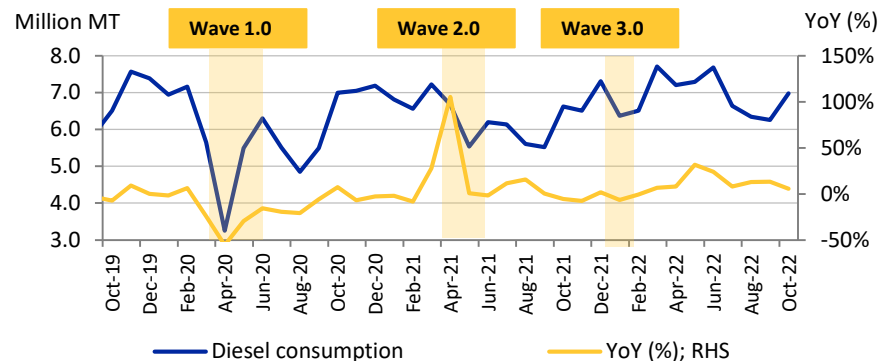
Exhibit: Trends in petrol consumption



Source: PPAC; ICRA Research

- Petrol consumption rose by 5.9% MoM to 3.0 million MT in Oct 2022, with the YoY growth remaining stable at the level recorded in Sep 2022 (+8.8%).
- Volumes in Oct 2022 were ~18% higher than the pre-Covid sales of Oct 2019, benefitting from the preference for personal mobility in spite of higher retail prices.

Exhibit: Trends in diesel consumption

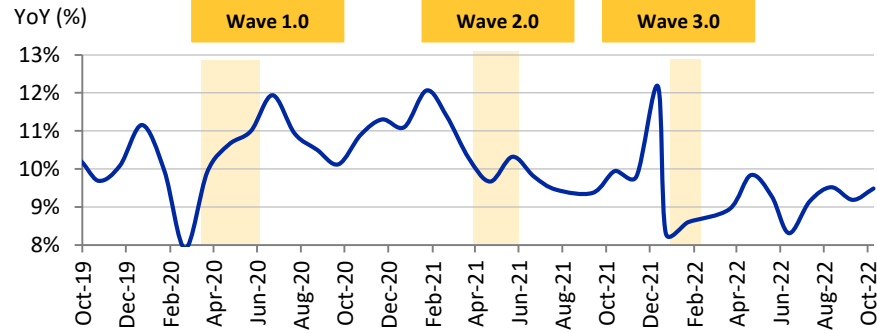


Source: PPAC; ICRA Research

- In addition, consumption of diesel rose to a four-month high of 7.0 million MT in Oct 2022, 11.6% higher than the level witnessed in the previous month (6.3 million MT in Sep 2022).
- However, the YoY growth moderated to 5.5% in Oct 2022 from 13.4% in Sep 2022 despite a favourable base, with the early onset of the festive season in 2022 vis-à-vis 2021. Besides, consumption was 7.2% higher than the pre-Covid sales of Oct 2019.

Non-food bank credit growth surged to eight-year high at end-Oct 2022, while deposit growth rose mildly

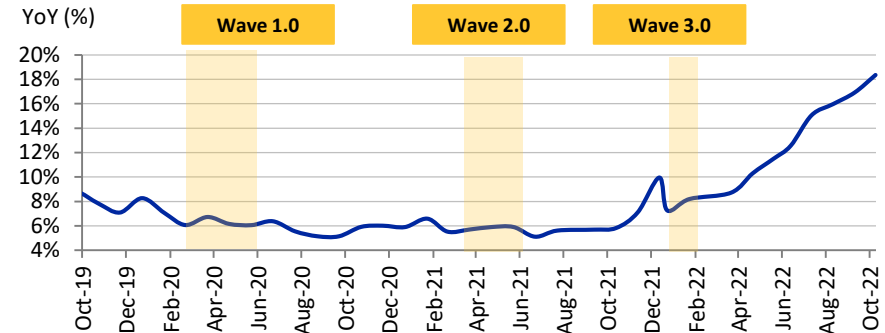
Exhibit: Trends in outstanding bank deposits



Source: RBI, ICRA Research

- The YoY growth in bank deposits outstanding rose to 9.5% as on Oct 21, 2022 from 9.2% as on Sep 23, 2022, while trailing the year-ago level (9.9% as on Oct 22, 2021).
- The incremental deposits in FY2023 till date (as on Oct 21, 2022) stood at Rs. 7.4 trillion, higher than the same in FY2022 (Rs. 6.0 trillion as on Oct 22, 2021), and FY2021 (Rs. 7.2 trillion as on Oct 23, 2020).
- We expect incremental deposits of Rs. 14.0-15.0 trillion in FY2023, implying a YoY growth of 8.5-9.1% in the stock of deposits (+8.9% in FY2022).

Exhibit: Trends in outstanding non-food bank credit

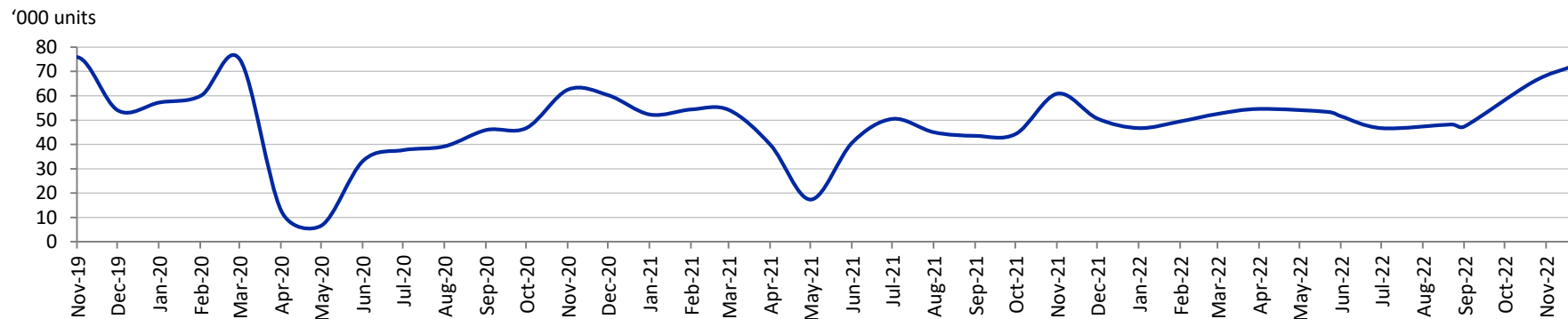


Source: RBI; ICRA Research

- The YoY growth in non-food bank credit outstanding surged to 18.3% as on Oct 21, 2022 (+16.9% as on Sep 23, 2022; +5.8% as on Oct 22, 2021), the highest since May 2014. Given the high base of December 2021, the credit growth is likely to ease going forward.
- Incremental credit in FY2023 so far (till Oct 21, 2022) stood at Rs. 10.3 trillion, vs. a low Rs. 943 billion in the year-ago period. We expect incremental credit to rise to Rs. 15.0-16.0 trillion in FY2023 (YoY in credit outstanding: +12.7-13.5%; Rs. 10.5 trillion; +9.7% in FY2022).

Early data for Nov 2022 reveals robust auto retail volumes

Exhibit: Daily average vehicle registrations at all-India level

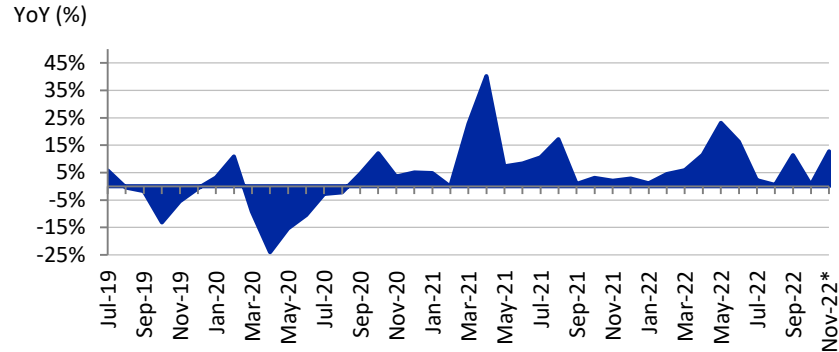


**Till Nov 17, 2022; Note: For comparability analysis across different periods, we have removed newly issued data on Andhra Pradesh and Madhya Pradesh; Source: Vahan, MoRTH; CEIC; ICRA Research*

- The data provided on the Vahan portal reveals that the average daily vehicle registrations during Nov 1-17, 2022 rose sharply to 72.4k units, exceeding such volumes for the full month in the past 35 months, in spite of the festive period having ended on Nov 6, 2022.
- Moreover, such registrations in Nov 2022 so far are a healthy 10.2% higher than the average of 65.7k units recorded in Oct 2022, while also displaying a robust YoY growth of 19.0%. However, when compared to the pre-Covid levels of Nov 2019, registrations are 4.4% lower in the current month so far.

Electricity demand growth surged sharply in early-Nov 2022, owing to a low base

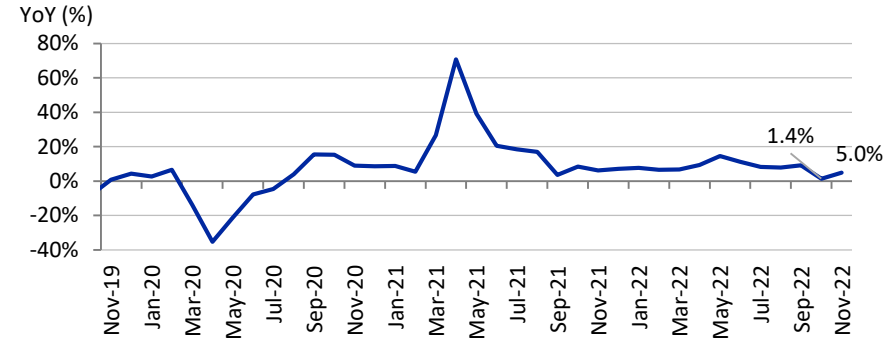
Exhibit: Electricity Demand at all-India level



Till Nov 16, 2022; Source: POSOCO; ICRA Research

- The all-India electricity demand growth surged to 12.8% in Nov 2022 (till Nov 16, 2022) from the muted 0.5% in Oct 2022, boosted by the low base. With the fading of the favourable base in the second half of the month, daily demand growth is likely to moderate mildly in this period.
- Average spot power tariffs in DAM have risen to Rs. 4.6/unit in Nov 2022 so far (till Nov 17, 2022) from Rs. 3.8/unit seen in Oct 2022, amidst elevated coal prices and lower-than-required domestic coal stock levels (10.7 days till Nov 15, 2022 vs. required 21).

Exhibit: YoY trends in rail freight traffic



*Data for Nov 2022 is available till Nov 10, 2022 only; Source: Indian Railways, Gol; CEIC; ICRA Research

- The YoY growth in rail freight traffic rose to 5.3% during the first 10 days of Nov 2022 (+3.7% in Nov 1-10, 2021) from 1.4% in Oct 2022, partly aided by a preponement in the festive period in 2022 relative to 2021.
- Moreover, it rose by a healthy 8.3% in Nov 1-10, 2022, relative to the corresponding period of Oct 2022.

The ICRA Business Activity Monitor - an index of high frequency economic indicators, is a composite tool that gauges economic activity each month. While several high frequency indicators are released every month, each of these provides insights on the performance of a select segment of the economy. It is possible to appraise trends in each of these indicators and provide a qualitative assessment of the overall state of the economy. However, such an evaluation is fraught with challenges, especially when indicators display contradictory trends or point to multi-speed expansions/contractions. The Business Activity Monitor aims to overcome this contention by providing a summary measure of the state of the economy by integrating multiple high frequency indicators into a single index.

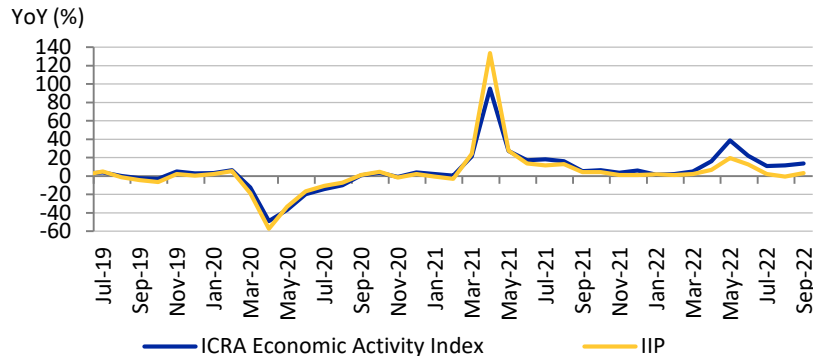
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight traffic, ports cargo traffic, non-food bank credit of scheduled commercial banks, bank deposits, vehicle registrations, generation of GST e-way bills, domestic airlines' passenger traffic, petrol consumption, diesel consumption and steel consumption. Each of these indicators are indexed in a way that the average index value for the base year FY2019 amounts to 100. The index is computed by taking the mean of the index values of these 14 indicators.

The ICRA Business Activity Monitor gives us the net direction of our 14 high frequency indicators and can be used to assess economic conditions across time periods. For instance, an increase in the value of the index to 114.6 in September 2022 from 114.2 in August 2022, signifies that the economic activity has improved in September 2022 relative to August 2022. Moreover, the activity in September 2022 (114.6) is 20.8% higher than the pre-Covid level in September 2019 (94.8).

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

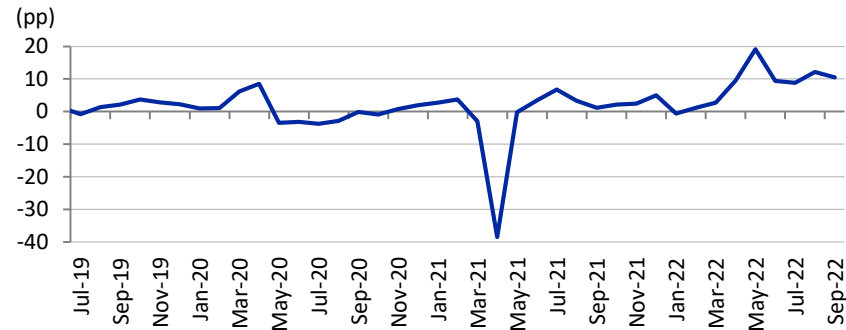
Annexure A.2: ICRA Business Activity Monitor

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

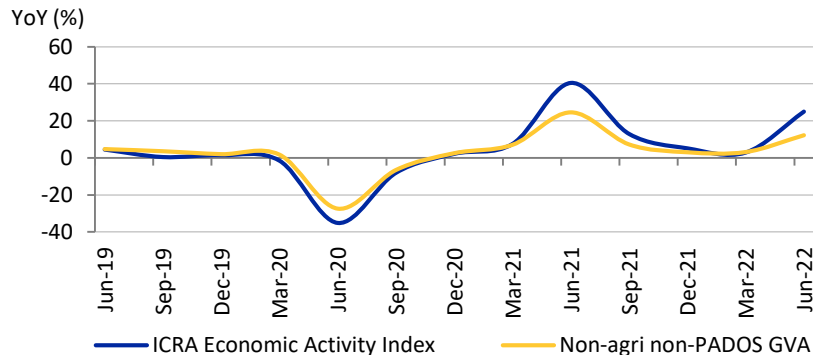


Source: ICRA Research

- 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 32, respectively, of the 42 months between April 2019 and September 2022.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 33 of the 42 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 27/15 of the 42 months.

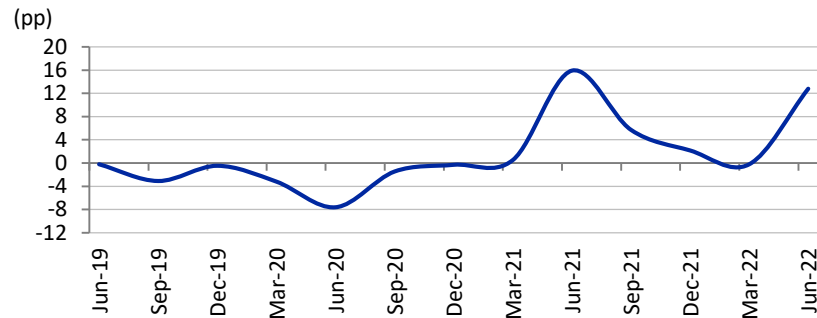
Annexure A.3: ICRA Business Activity Monitor

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

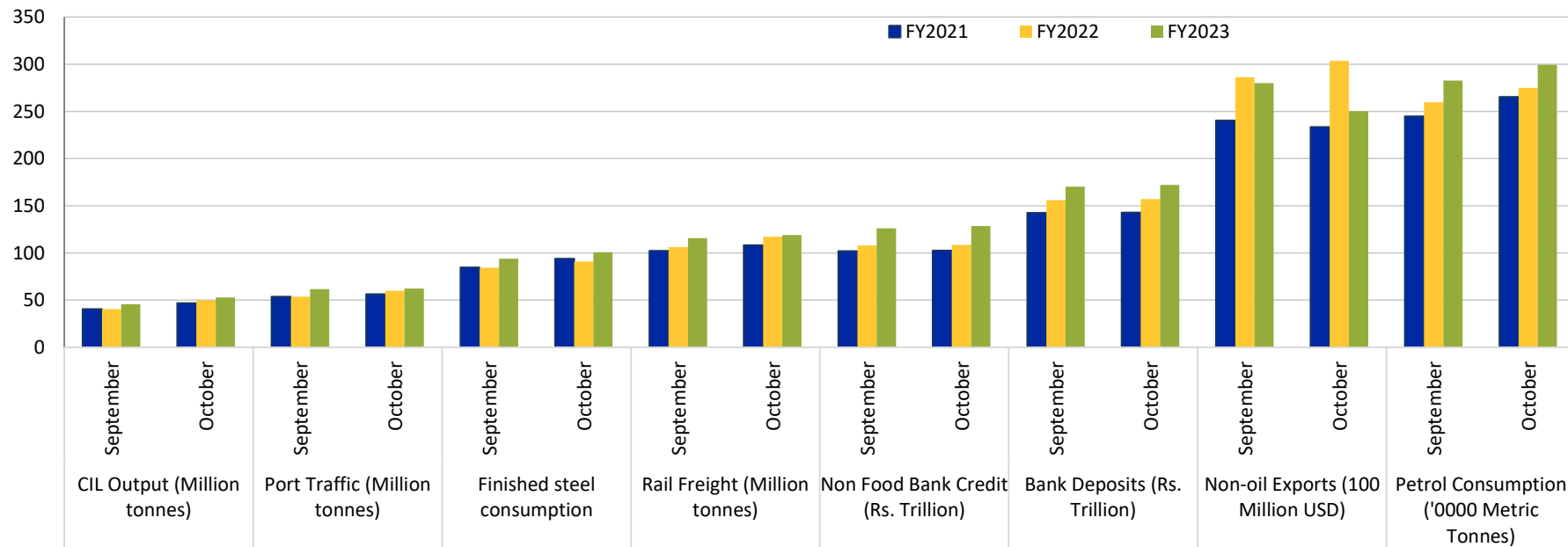


Source: ICRA Research

- 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 gauges 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 11 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 most indicators rose in Oct 2022 relative to Oct 2021 - I

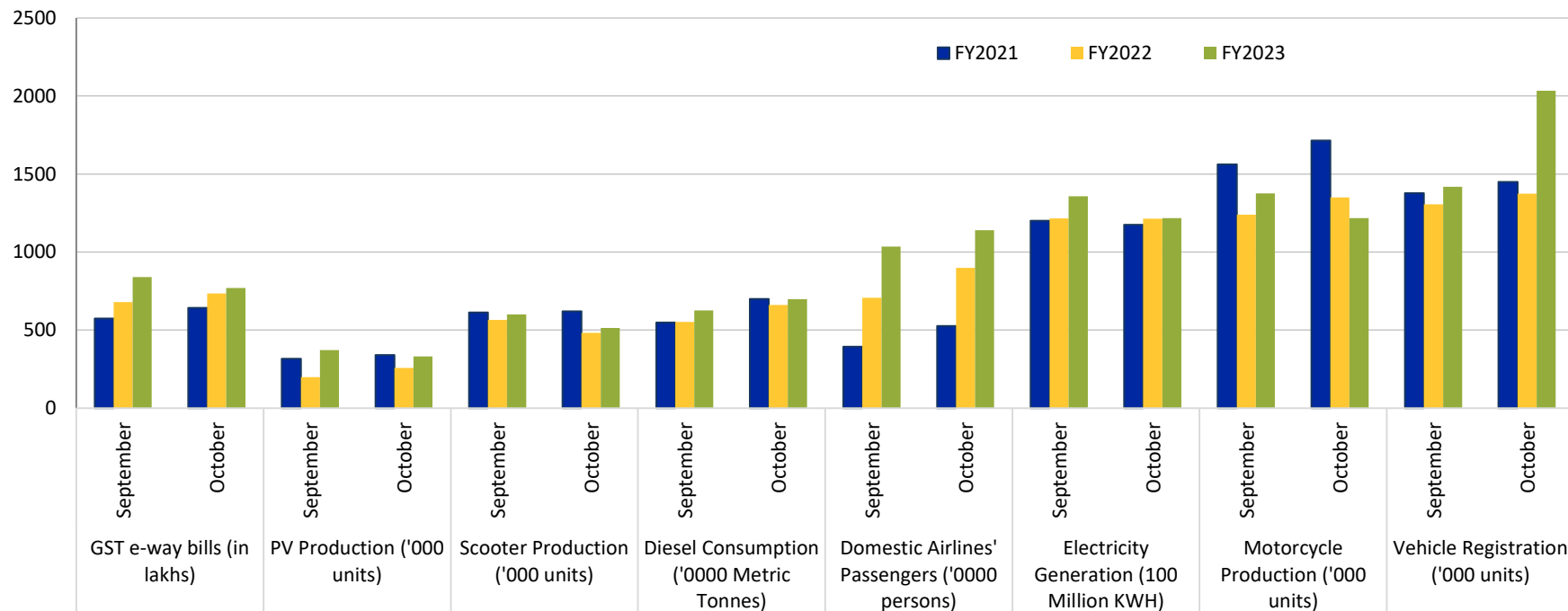
Exhibit: Trends in Volumes for Last Three Years in September and October (Part -I)



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

Annexure B.2: Volumes of most indicators rose in Oct 2022 relative to Oct 2021 - II

Exhibit: 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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