



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

**Unseasonal rainfall, high base and
weak exports dampened growth of
economic activity to 13-month low of
5.5% in April 2023**

MAY 2023





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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 eased to a 13-month low of 5.5% in April 2023 (+16.1% in April 2022) from 7.2% in March 2023 (+5.0% in March 2022). This can partly be attributed to the impact of an optically high base and unseasonal rains across most parts of the country. Besides, a double-digit contraction in non-oil exports imparted a drag on the index in that month. Notably, the index witnessed a narrower month-on-month (MoM) dip in April 2023 vs. 2019 levels, and the growth over pre-Covid levels also improved to 22.0%, indicating that the momentum in economic activity remained healthy. The early trends for May 2023 are mixed, with a YoY dip in electricity demand and slight uptick in daily average vehicle registrations.

- **YoY growth of ICRA Business Activity Monitor dipped in April 2023, with mixed disaggregated trends:** Led by an unfavourable base effect, unseasonal rainfall across most parts of the country and a double-digit contraction in non-oil exports, the YoY growth in ICRA Business Activity Monitor eased to a 13-month low of 5.5% in April 2023 (+16.1% in April 2022) from 7.2% in March 2023 (+5.0% in March 2022). However, the disaggregated data revealed a mixed trend, with half of the 16 constituent indicators recording a deterioration in April 2023, relative to the prior month.
- **MoM dip was narrower in April 2023 vs. 2019, while growth over pre-Covid levels improved:** In line with the seasonal downtrend post a typical surge in March of every fiscal year, the ICRA Business Activity Monitor posted a sequential decline of 8.0% in April 2023; however, this was narrower the 10.1% fall seen in April 2019. Moreover, the growth of index over pre-Covid levels of 2019 improved to 22.0% in April 2023 from 19.2% in March 2023, even as the number of indicators reporting above pre-Covid volumes eased to 11 from 12, respectively.
- **Mixed trends for early-May 2023:** As per the early data, the daily average vehicle registrations stood at 59.4k units in May 2023 so far (till May 18), higher than the levels seen in April 2023 (57.9k units) and even exceeded the May 2022 levels by 0.4%. However, the YoY contraction in electricity demand widened to 4.5% during May 1-17, 2023 from 1.8% in April 2023, owing to the fall in temperate levels amid untimely rainfall across most regions.

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 13-month low of 5.5% in April 2023, decelerating for third consecutive month

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

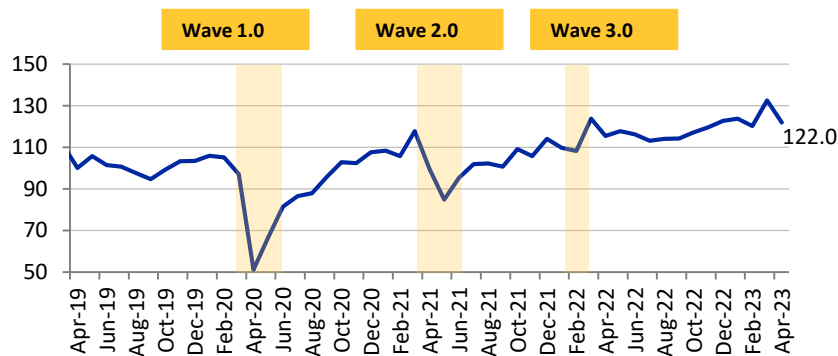
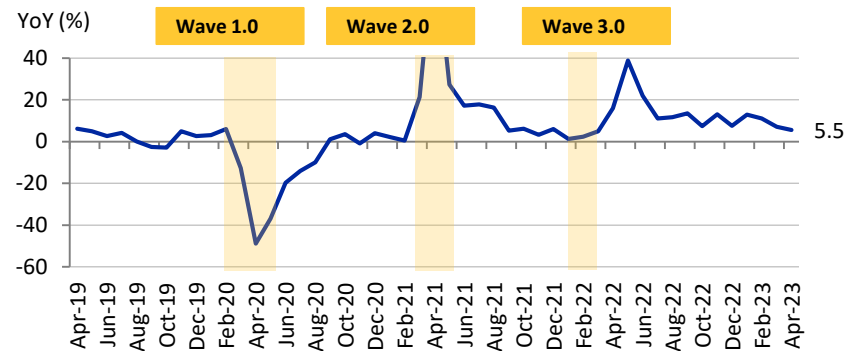


Exhibit: YoY growth of ICRA Business Activity Monitor



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

- Reflecting the impact of an unfavourable base effect, unseasonal rainfall across most regions of the country and a double-digit contraction in non-oil exports amid weakening external demand and lower global commodity prices, the YoY growth in ICRA Business Activity Monitor moderated to a 13-month low of 5.5% in April 2023 (+16.1% in April 2022) from 7.2% in March 2023 (+5.0% in March 2022). This was the third consecutive month of a moderation in the YoY growth.
- Even though the index reported a sharp MoM decline of 8.0% in April 2023, mirroring the seasonal downtick in activity after a typical surge in March of every fiscal year, the fall was relatively shallower when compared to the trends seen in April of 2019 (-10.1%; Covid-impacted years i.e. 2020: -47.3%, 2021: -15.5%). However, it was larger than the 6.6% decline recorded in April 2022.

Disaggregated data revealed mixed trends, with half of the 16 indicators worsening on a YoY basis in April 2023 relative to March 2023

Exhibit: Heatmap of high frequency indicators

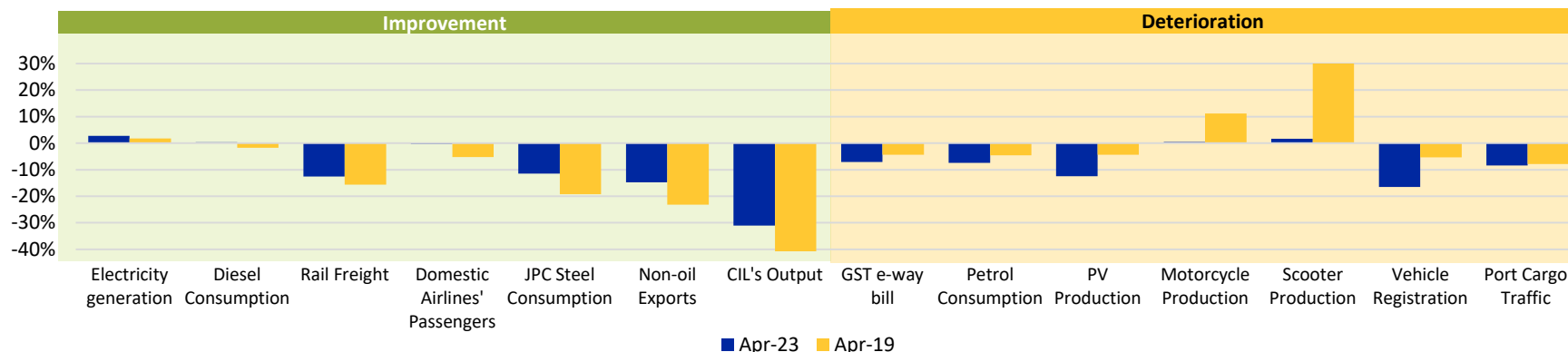
YoY (%)	Auto Output			Vehicle Registration	CIL output	Electricity Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits	Non-Food Bank Credit
	PV output	Scooter output	Motorcycle output													
Jan-23	21.1	5.1	-5.3	14.2	11.5	9.9	-8.3	12.2	3.9	19.7	7.7	95.7	14.3	12.7	10.5	16.7
Feb-23	7.9	12.0	-12.7	16.2	7.0	7.0	-3.3	12.0	3.6	18.4	14.6	56.8	8.8	7.4	10.1	15.9
Mar-23	10.2	19.9	-8.3	13.8	4.0	-2.9	-4.9	2.6	3.8	16.3	15.0	21.4	6.8	1.1	9.6	15.4
Apr-23	1.8	21.2	-3.7	-4.7	7.7	-2.5	-11.5	1.3	3.5	12.2	7.2	22~	2.9	8.6	10.2	16.1
YoY growth; sequential pick-up			YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip				

The YoY performance of two-wheeler output (marriage season demand), CIL's output (to aid thermal power plants amid summer season), electricity generation, diesel consumption, as well as aggregate deposits and non-food credit of SCBs improved in April 2023, relative to the prior month.

~As per ICRA's estimates for April 2023; *excluding renewable energy; SCBs; Scheduled Commercial Banks; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Passenger Vehicles (PV), scooter and motorcycle refers to growth in production volumes; CIL: Coal India Limited. Auto includes output of PV, two-wheelers and three-wheelers, CIL refers to growth in production volumes; electricity generation includes thermal, hydro, and nuclear electricity; petrol and diesel refer to growth in consumption volumes; bank deposits and bank credit refer to growth in O/S volumes; Data on finished steel consumption (non alloy and alloy/stainless) is taken from JPC; Source: 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

The index posted a narrower MoM decline in April 2023 vis-à-vis April 2019

Exhibit: MoM performance of non-financial economic indicators

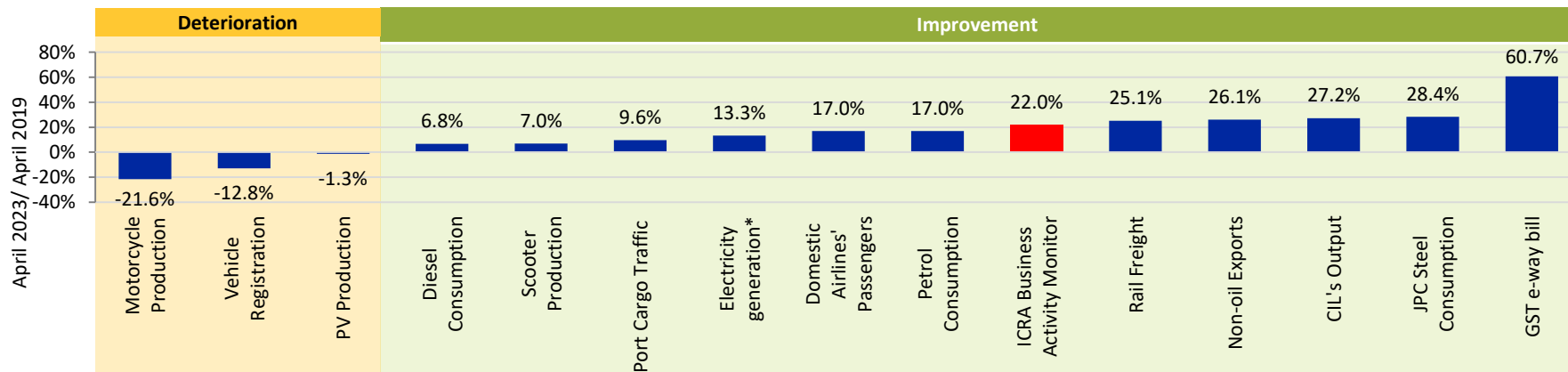


- When comparing the MoM trends vs. pre-Covid levels, the ICRA Business Activity Monitor declined by 8.0% in April 2023, narrower than the 10.1% fall seen in April 2019. This was attributed to a better MoM performance of seven of the 14 non-financial monthly indicators (including CIL's output, electricity generation, non-oil exports, rail freight, consumption of diesel and steel, and domestic airline passenger traffic) in April 2023.
- The MoM growth in the other seven indicators, namely production of PVs and 2Ws, ports cargo traffic, vehicle registrations, GST e-way bills, and petrol consumption was weaker in April 2023, relative to April 2019.

**Data on electricity generation does not include renewable segment; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: 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 22.0% higher than pre-Covid levels in April 2023

Exhibit: Performance of non-financial economic indicators in Apr 2023 vs Apr 2019 (pre-Covid)

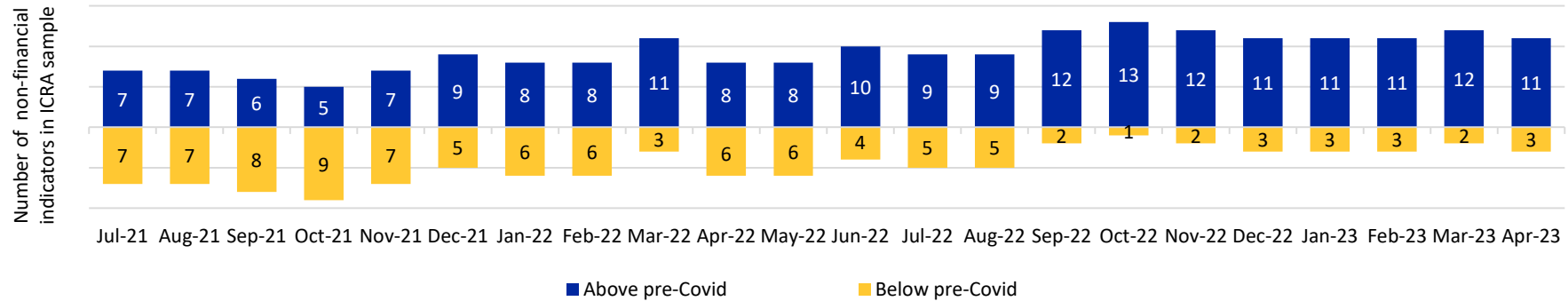


- The ICRA Business Activity Monitor indicates that activity in April 2023 exceeded the pre-Covid level of April 2019 by a healthy 22.0%; this is higher than the 19.2% expansion seen in March 2023 vis-à-vis March 2019.
- Majority of the non-financial indicators exceeded their respective pre-Covid volumes in April 2023, with their growth rates ranging from 6.8% (diesel consumption) to as high as 60.7% (GST e-way bills generation).

**Data on electricity generation does not include renewable segment; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: SIAM; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research*

Number of indicators above pre-Covid volumes declined to 11 in Apr 2023

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

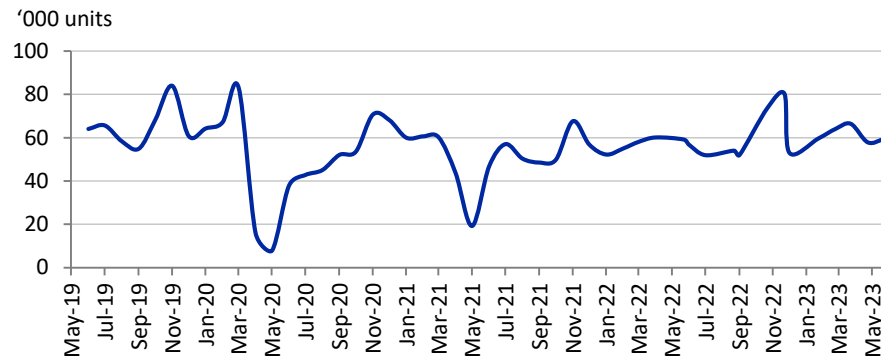


Note: Pre-Covid year has been taken as FY2019 for ensuring comparability across months; Note: While the monthly data for 16 indicators is available, for computation of ICRA Business Activity Monitor, we have clubbed the production of PVs, scooters and motorcycles together as a single indicator; Source: ICRA Research

- While the growth performance of the index relative to the pre-Covid levels improved mildly in April 2023 relative to March 2023, the number of non-financial indicators above pre-Covid volumes declined to 11 in April 2023 from 12 seen in the previous month.
- After exceeding the corresponding pre-Covid volumes in March 2023, PV production trailed the April 2019 levels in April 2023. Moreover, motorcycle production (weak sentiments owing to multiple price hikes, elevated ownership costs, and inflationary headwinds) and vehicle registrations continued to trail their respective pre-Covid volumes in April 2023.

Auto retail volumes marginally higher than year-ago levels in May 2023; deeper YoY decline in electricity demand owing to high base, heavy rains

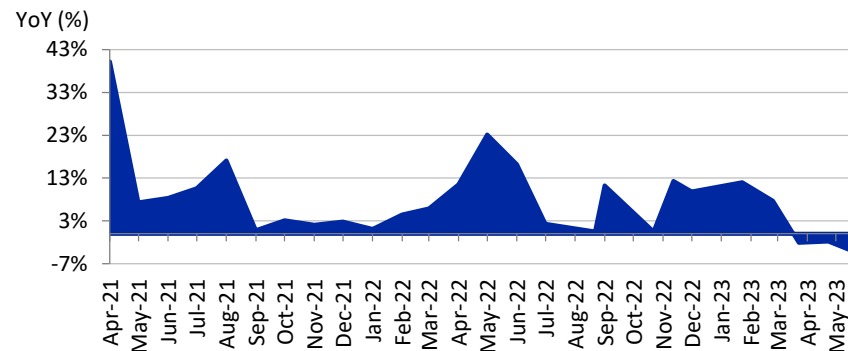
Exhibit: Daily average vehicle registrations at all-India level



Data for May 2023 is available till May 18, 2023; Source: Vahan, MoRTH; CEIC; ICRA Research

- As per the data provided on the Vahan portal, the average daily vehicle registrations recorded a marginal sequential increase of 2.7% during May 1-18, 2023 (-12.9% in April 2023). In absolute terms, they stood at 59.4k units during May 1-18, 2023 (57.9k in April 2023).
- Notably, the average daily registrations in May 2023 so far (till May 18, 2023) were a marginal 0.4% higher than the year-ago levels. However, they trailed the pre-Covid levels of May 2019 by ~11%.

Exhibit: Electricity Demand at all-India level



Data for May 2023 is available till May 17, 2023; Source: POSOCO; ICRA Research

- The YoY contraction in the all-India electricity demand widened to 4.5% during May 1-17, 2023 from 1.8% in April 2023, led by a slight moderation in temperatures amid untimely rains as well as an unfavourable base.
- Average spot power tariffs in the day-ahead-market (DAM) fell sharply to Rs. 4.6/unit in May 1-18, 2023 from Rs. 5.4/unit seen in April 2023, despite lower coal stock compared to the normative requirements.

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.

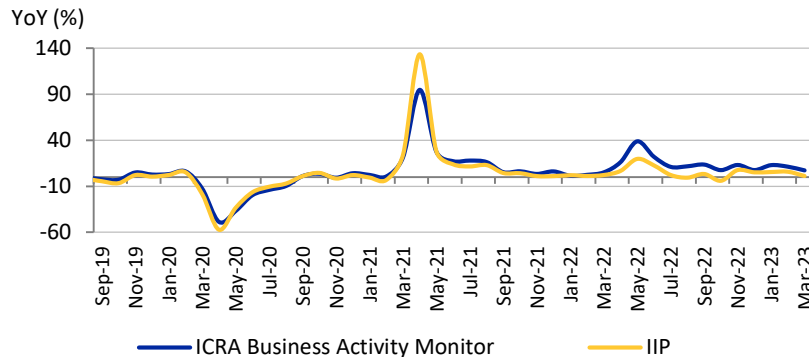
The ICRA Business Activity Monitor is constructed using 14 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production clubbed into a single indicator), output of Coal India Limited, electricity generation, non-oil merchandise exports, rail freight 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 132.5 in March 2023 from 120.3 in February 2023, signifies that the economic activity has improved in March 2023 relative to February 2023. Moreover, the activity in March 2023 (132.5) is 19.1% higher than the pre-Covid level in March 2019 (111.3).

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 February 2023 was released on 12th April 2023). 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 February 2023 is available by mid-March 2023), thereby enabling a faster assessment of economic activity in the immediately preceding month.

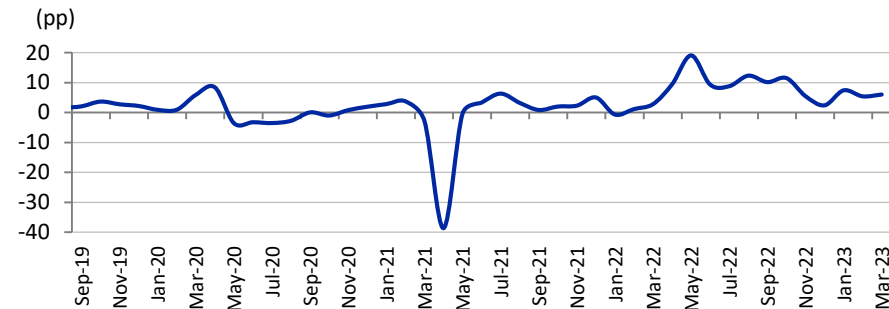
Annexure A.2: ICRA Business Activity Monitor

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

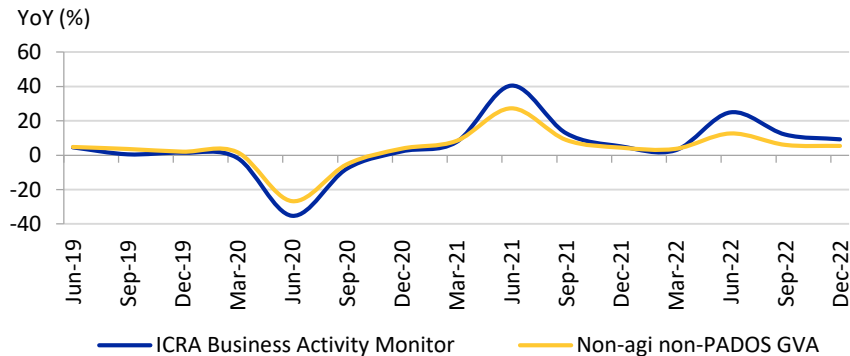


Source: ICRA Research

- 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 15 and 33, respectively, of the 48 months between April 2019 and March 2023.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 39 of the 48 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 32/16 of the 48 months.

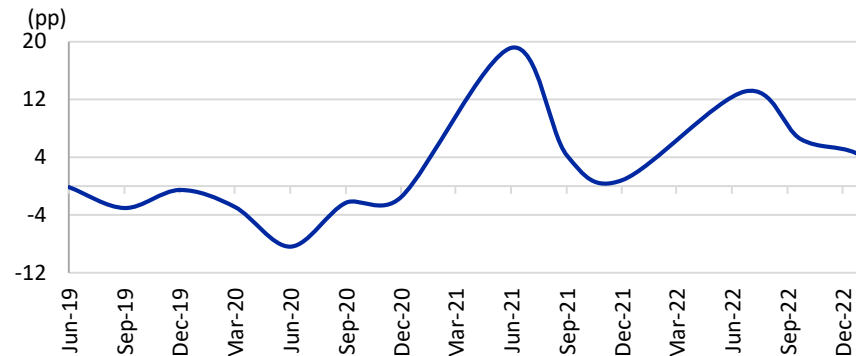
Annexure A.3: ICRA Business Activity Monitor

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

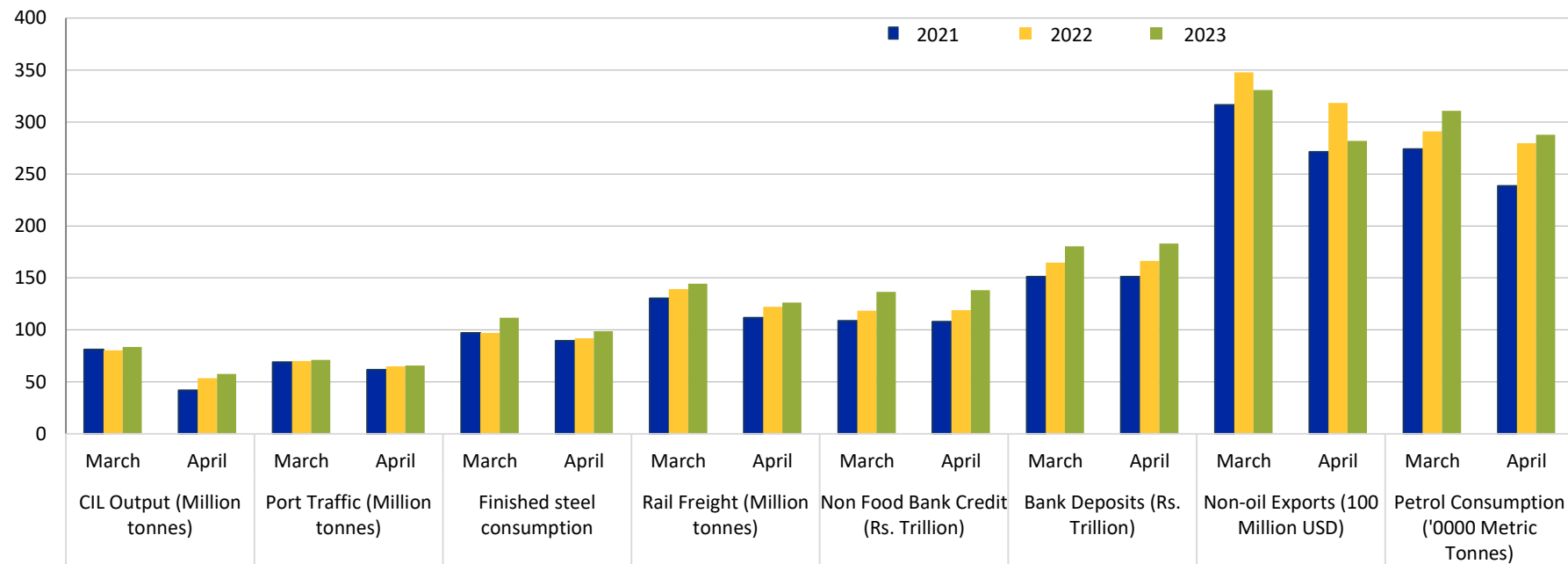


Source: ICRA Research

- 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 10 of the 15 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 Apr 2023 in YoY terms- I

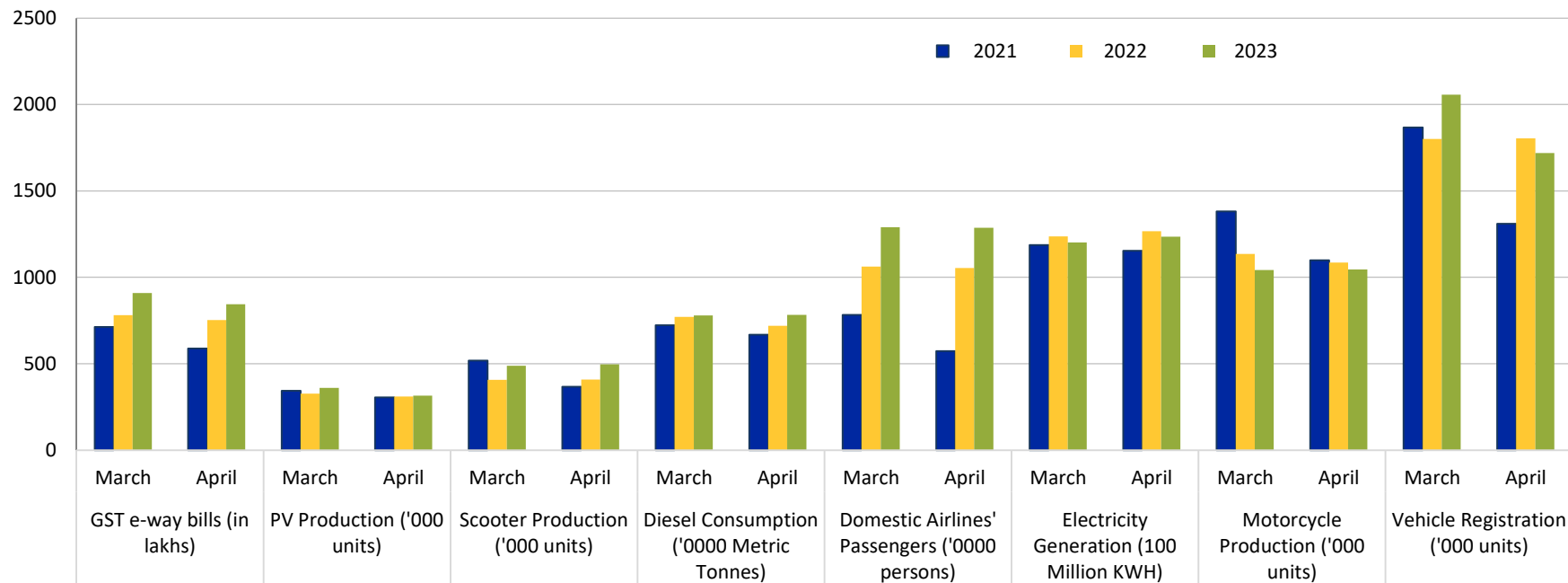
Exhibit: Trends in Volumes for Last Three Years in March and April (Part -I)



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

Annexure B.2: Volumes of most indicators rose in Apr 2023 in YoY terms- II

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



Note: Data for electricity generation for Mar-Apr is excluding renewable energy since the data for Apr 2023 is not yet available; Source: SIAM; PPAC; CEA; GSTN; DGCA; Ministry of Road Transport and Highways; CEIC; ICRA Research



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