



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

**Economic activity grew by a healthy
8.7% YoY in March 2024; surge in
commodity prices poses risks to
near-term outlook**

APRIL 2024





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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

Economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, grew by a healthy 8.7% on a year-on-year (YoY) basis in March 2024, although this was lower than 11.8% growth seen in February 2024, which was partly boosted by the leap year effect. In quarterly terms, the YoY growth in the Index remained robust at 10.0% in Q4 FY2024, albeit a tad lower than 10.3% in Q3 FY2024. Given the adverse base and the decline in the output of most rabi crops (barring wheat), ICRA estimates the gross value added (GVA) growth to moderate to 5.5%-6.0% in Q4 FY2024 (+6.0% in Q4 FY2023) from 6.5% in Q3 FY2024 (+4.8% in Q3 FY2023). While early trends for April 2024 are favourable, and the India Meteorological Department's (IMD's) prediction of an above normal monsoon augurs well for the agriculture sector, rising global commodity prices and supply disruptions amid the Iran-Israel conflict pose a risk to growth trajectory in the near term.

- **ICRA Business Activity Monitor rose by 8.7% YoY in Mar 2024:** The momentum in economic activity slowed in March 2024, with the YoY growth in the ICRA Business Activity Monitor easing to a three-month low of 8.7% from 11.8% in February 2024, although double-digit growth in the previous month was partly led by higher number of working days owing to the leap year effect. As many as 13 of the 16 constituent indicators reported a deterioration in their YoY growth in March 2024 relative to February 2024. Moreover, only five indicators witnessed a double-digit expansion in March 2024 as against 10 in the prior month.
- **Sequential uptick in Index in Mar 2024 trailed the level seen in 2023:** The ICRA Business Activity Monitor rose by 7.5% on a sequential basis in March 2024, trailing the 10.5% uptick seen in March 2023, partly owing to the higher number of days in February 2024 vis-à-vis February 2023. Notably, as many as 12 of the 14 non-financial indicators witnessed a weaker MoM performance in March 2024 vs. March 2023, with a particularly sharp deterioration in PV and 2Ws production, vehicle registrations, and finished steel consumption.
- **GVA growth to decelerate to 5.5-6.0% in Q4 FY2024 from 6.5% in Q3 FY2024:** The ICRA Business Activity Monitor reported a double-digit expansion for the second consecutive quarter in Q4 FY2024, although the pace of the same

EXHIBIT: YoY growth of ICRA Business Activity Monitor

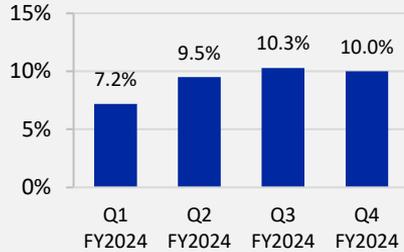
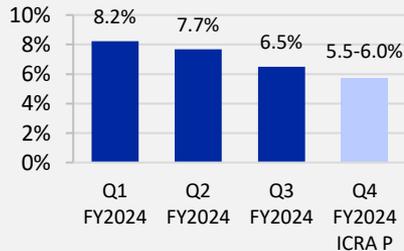


EXHIBIT: YoY GVA growth at constant 2011-12 prices



P: Projection; Source: ICRA Research

eased slightly to 10.0%, compared to three-quarter high of 10.3% seen in Q3 FY2024. As many as nine of the 15 indicators (including CV output) witnessed a deterioration in their growth rates in Q4 vs. Q3 FY2024, whereas the other six indicators posted an improvement. Given the adverse base and the decline in the output of most rabi crops (barring wheat), ICRA estimates the GVA growth to moderate slightly to 5.5%-6.0% in Q4 FY2024 (+6.0% in Q4 FY2023) from 6.5% in Q3 FY2024 (+4.8% in Q3 FY2023).

- Trends for early-April 2024 are favourable:** As per early data, the average daily vehicle registrations stood at 61.0k units in April 2024 so far (up to Apr 19), trending ~27% higher on a YoY basis for the similar period of April 2023 (47.9k units). Additionally, the all-India electricity demand has risen by 9.0% on a YoY basis during April 1-18, 2024, similar to the 9.1% growth seen in the previous month. In fact, the average demand levels have risen slightly to 4.7 BU/day in April 2024 from 4.5 BU/day in March 2024 given above-normal temperatures prevailing in some parts of the country. While early trends for Apr 2024 are favourable, and the IMD's prediction of an above normal monsoon augurs well for the agriculture sector, rising global commodity prices and supply disruptions amid the Iran-Israel conflict pose a risk to growth trajectory in the near term.

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 slowed to three-month low of 8.7% in Mar 2024 from 11.8% in Feb 2024

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

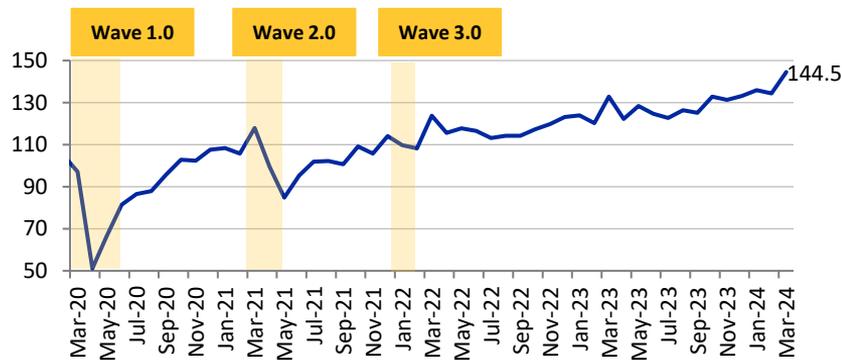
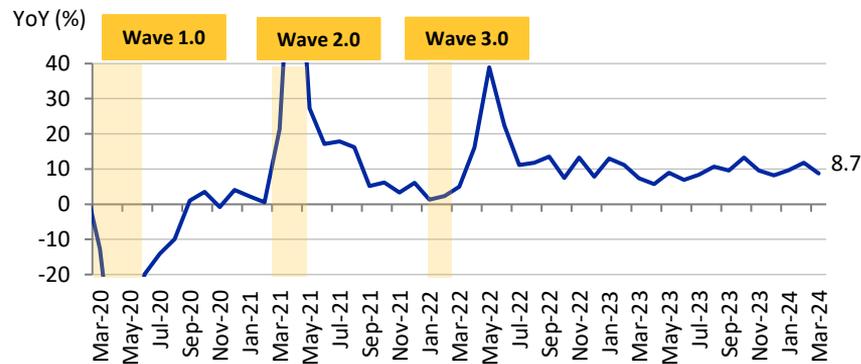


Exhibit: YoY growth of ICRA Business Activity Monitor



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

- Notably, the ICRA Business Activity Monitor touched an all-time high of 144.5 in March 2024. However, the YoY growth in the Index eased to a three-month low of 8.7% in March 2024 (+7.4% in Mar 2023). While the spike in growth to 11.8% in February 2024 (+11.2% in Feb 2023), partly reflects the higher number of working days owing to the leap year effect, the pace of expansion in March 2024 also trailed the level seen in Jan 2024 (%).
- As many as 13 of the 16 constituent indicators saw a deterioration in March 2024 relative to February 2024. Moreover, only five indicators saw a double-digit expansion in March 2024 as against 10 in February 2024. While the YoY growth in PV output dipped sharply to a muted 4.3% in March 2024 from 14.4% in Feb 2024 owing to an elevated base (+11.3% in Mar 2023), that for 2W output nearly halved to 18.9% from 36.1%, respectively. Among the other constituents that witnessed a moderation in their YoY growth, non-oil exports (to +8.0% in Mar 2024 from +13.6% in Feb 2024), vehicle registrations (to a five-month low +2.9% from +13.6%) and GST e-way bills (to +13.9% from +18.9%) saw a considerable deterioration. These three indicators, along with auto output, together accounted for 207 bps of the 305 bps dip in the growth of the ICRA Business Activity Monitor in March 2024 vis-à-vis February 2024.

YoY performance of 13 of the 16 indicators deteriorated in Mar 2024, vis-à-vis Feb 2024

Exhibit: Heatmap of high frequency indicators

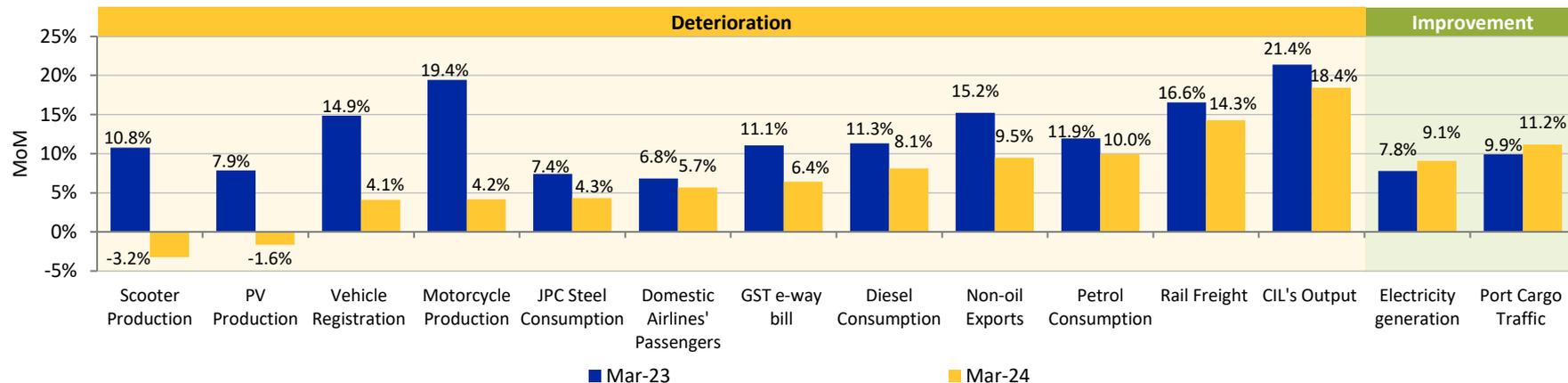
YoY (%)	Auto Output			Vehicle Registration	CIL output	Electricity Generation*	Non-oil Exports	Ports Cargo Traffic	Rail Freight	GST e-way bills	Finished Steel Consumption	Domestic Airlines Passenger	Petrol	Diesel	Bank Deposits~	Non-Food Bank Credit~
	PV output	Scooter output	Motorcycle output													
Dec-23	3.6	58.7	15.8	21.9	8.3	0.4	5.9	0.7	6.4	13.2	6.5	8.3	0.2	-2.3	12.6	15.8
Jan-24	9.8	34.6	23.2	16.0	9.0	7.9	3.7	3.2	6.4	16.4	3.8	4.7	9.6	3.4	12.5	16.2
Feb-24	14.4	28.7	39.8	13.6	8.7	6.5	13.6	2.4	10.1	18.9	11.7	4.8	8.9	6.2	12.5	16.5
Mar-24	4.3	12.4	22.0	2.9	6.1	7.7	8.0	3.6	8.0	13.9	8.5	3.7	6.9	3.1	12.9	16.3
YoY growth; sequential pick-up				YoY growth; sequential dip			YoY growth; no sequential change			YoY contraction; sequential pickup			YoY contraction; sequential dip			

YoY performance of only three indicators witnessed an improvement in March 2024, relative to the prior month; these include electricity generation, cargo traffic at major ports and bank deposits. Moreover, only five indicators reported a double-digit expansion in Mar 2024 vs. 10 in Feb 2024.

~excluding the impact of HDFC and HDFC bank merger to ensure comparability; *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: 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 uptick in ICRA Business Activity Monitor in March 2024 trailed that seen in 2023, amid weaker performance of 12 of the 14 non-financial indicators

Exhibit: MoM performance of non-financial economic indicators

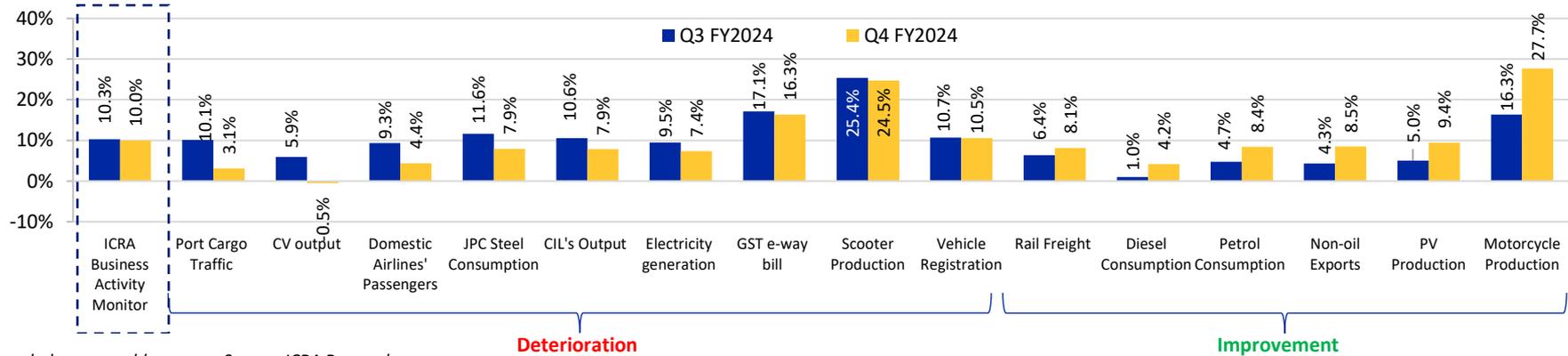


- The ICRA Business Activity Monitor rose by 7.5% on a MoM basis in March 2024, in line with the seasonal surge in volumes seen during the fiscal year-end as well as the higher number of working days in the month. However, the sequential uptick was lower than the 10.5% rise seen in March 2023, partly owing to the higher number of days in February 2024 vis-à-vis February 2023. Besides, the implementation of the model code of conduct ahead of the Parliamentary Elections may have also impacted the performance of some indicators, such as steel consumption, in March 2024.
- Notably, as many as 12 of the 14 non-financial indicators witnessed a weaker MoM performance in March 2024 vis-à-vis March 2023, with a particularly sharp deterioration in PV and 2Ws production, vehicle registrations, and finished steel consumption.
- In contrast, only two indicators, namely electricity generation (amid below-normal rainfall in Mar 2024 vs. excess in Mar 2023) and cargo traffic at major ports witnessed a higher MoM expansion in March 2024 vs. 2023.

**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: CMIE; CIL; CEA; MoRTH; Ministry of Commerce, GoI; Indian Ports Association; Indian Railways; GSTN; DGCA; PPAC; JPC; RBI; CEIC; ICRA Research*

YoY growth of ICRA Business Activity Monitor dipped in Q4 FY2024 relative to the Q3 FY2024 level; GVA growth likely to print between 5.5-6.0% in Q4 FY2024

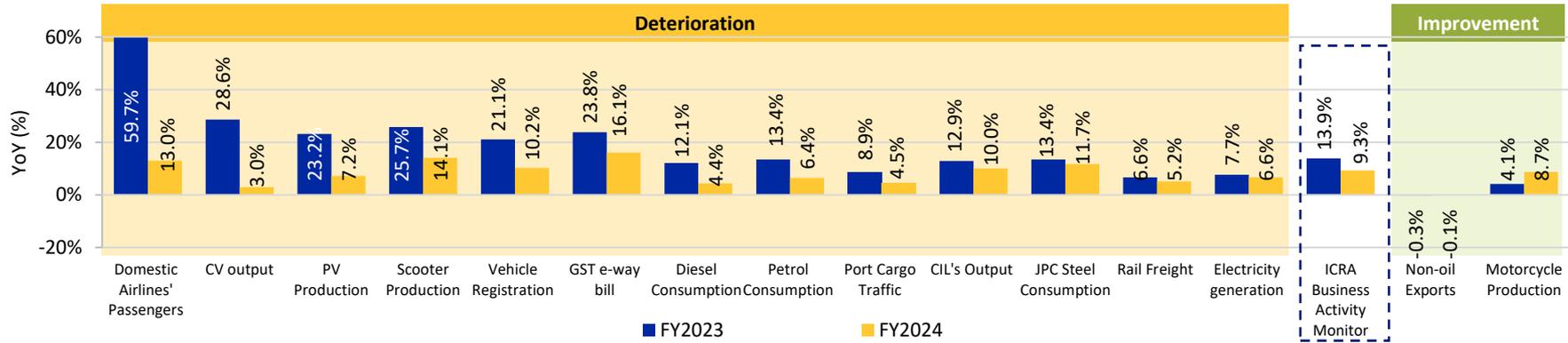
Exhibit: YoY performance of non-financial indicators in Q3 and Q4 of FY2024



- The ICRA Business Activity Monitor reported a double-digit expansion for the second consecutive quarter in Q4 FY2024, although the pace of the same eased slightly to 10.0%, compared to three-quarter high of 10.3% seen in Q3 FY2024. As many as nine of the 15 indicators (including commercial vehicle output) witnessed a deterioration in their growth rates in Q4 vs. Q3 FY2024, whereas the other six indicators posted an improvement.
- Within the set of nine indicators, three saw a slight moderation in growth in Q4 FY2024 over Q3, namely, scooter output, GST e-way bills and vehicle registrations, while remaining in double digits. However, ports cargo traffic, domestic airline passenger traffic, and CV output (likely led by a brief pause in infrastructure activity amid the model code of conduct) witnessed a sharper deterioration, sliding into a low single-digit growth or contraction in Q4 FY2024, partly dampened by an unfavourable base.
- **Given the adverse base and the decline in the crop output of most rabi crops (barring wheat), ICRA estimates the GVA growth to moderate to 5.5%-6.0% in Q4 FY2024 (+6.0% in Q4 FY2023) from 6.5% in Q3 FY2024 (+4.8% in Q3 FY2023).**

YoY growth in ICRA Business Activity Monitor slowed to 9.3% in FY2024 from 13.9% in FY2023

Exhibit: Annual growth trends of non-financial indicators in FY2023 and FY2024

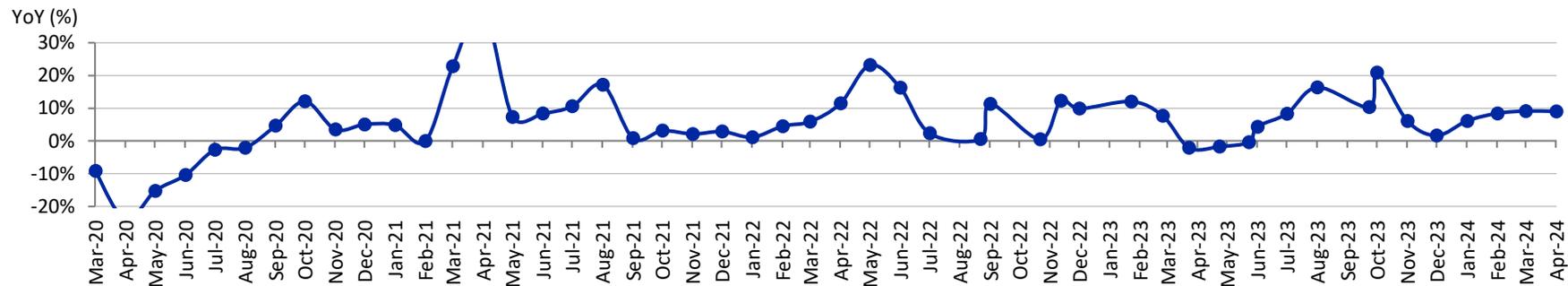


~excludes renewable energy; Source: ICRA Research

- The YoY expansion in the ICRA Business Activity Monitor slowed to 9.3% in FY2024 compared to the base-effect led surge of 13.9% seen in FY2023. This has stemmed from moderation in growth momentum of as many as 13 of the 15 indicators (barring non-oil exports and motorcycle production).
- The extent of moderation was much sharper in five indicators, including, domestic airline traffic (base normalisation), CV output (some cannibalisation by electric 3-wheelers, slowdown in e-commerce demand and unfavourable base), production of PVs (base effect) and scooters, and vehicle registrations (slow recovery in rural demand), compared to the other eight indicators that have witnessed a dip in their growth.
- Notably, seven indicators grew in a range of 3-7% in FY2024 (CV and PV output, diesel and petrol consumption, ports cargo and rail freight traffic, and electricity generation), while six indicators posted a double-digit expansion in the fiscal, compared to 10 seen in FY2023.

Electricity demand growth in early-Apr 2024 trending similar to Mar 2024 levels

Exhibit: Electricity Demand at all-India level

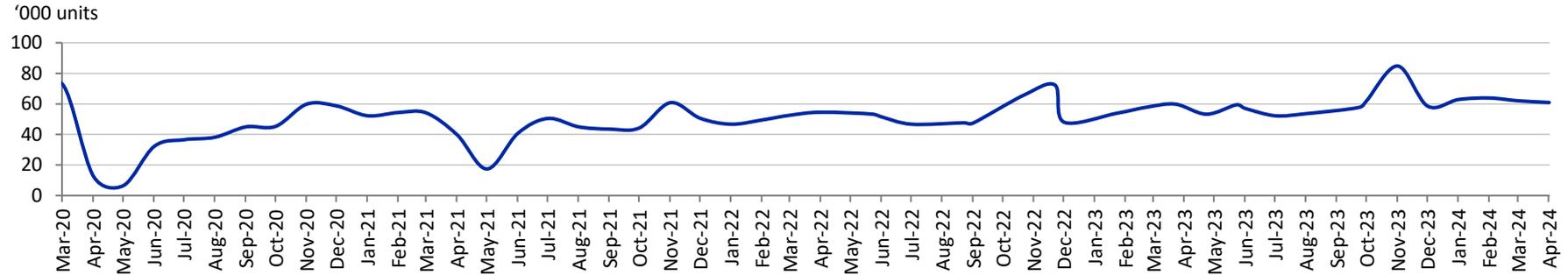


Data for Apr 2024 is available till Apr 18, 2024; Source: POSOCO; ICRA Research

- The all-India electricity demand has increased by 9.0% on a YoY basis during April 1-18, 2024, similar to the 9.1% growth seen in the previous month. In fact, the average demand levels have risen slightly to 4.7 BU/day in April 2024 from 4.5 BU/day in March 2024 given the above-normal temperatures prevailing in some parts of the country.
- Amid peak season demand, the average spot power tariffs in the day-ahead-market (DAM) rebounded to Rs. 4.9/unit in April 1-19, 2024 from 17-month low of Rs. 3.9/unit in March 2024. Besides, the coal stock levels have improved from the Oct 2023 lows (7.4 days), and stood at 17.3 days as on Apr 17, 2024, similar to 17.7 days at end-March 2024. Recently, the Government of India has decided to operationalise gas-based power plants to help meet high electricity demand in the country during the ongoing summer season.

YoY growth in daily average vehicle registration improves in early-Apr 2024, compared to Mar 2024

EXHIBIT: Daily average vehicle registrations at all-India level



Data for Apr 2024 is available till Apr 19, 2024; We have removed data for Andhra Pradesh and Madhya Pradesh to ensure comparability across time periods; Source: Vahan, MoRTH; CEIC; ICRA Research

- As per the data provided on the Vahan portal, the average daily vehicle registrations stood at 61.0k units in April 2024 so far (up to Apr 19), a robust ~27% higher than the level recorded in the similar period of April 2023 (47.9k units). This is much higher than the low single-digit growth seen in March 2024. Moreover, on a sequential basis, the number is trending ~3% higher than the average of 59.2k units seen in the similar period of March 2024.
- In ICRA's view, the ongoing Parliamentary elections could impart uncertainty to retail volumes in the immediate term. Nevertheless, expectations of above normal monsoon season and recovery in rural demand, improved supply chains, sustained demand for high-end models for PVs and 2Ws, and a likely uptick in demand for CVs post the Election period are likely to augur favourably for the auto sector's performance in FY2025.

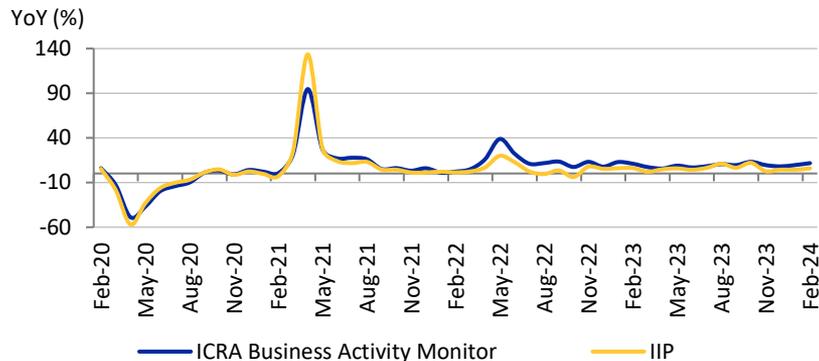
The ICRA Business Activity Monitor - an Index of high frequency economic indicators, is a composite tool that gauges economic activity each month. While several high frequency indicators are released every month, each of these provides insights on the performance of a select segment of the economy. It 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, a decline in the value of the index to 134.5 in February 2024 from 136.0 in January 2024, signifies that economic activity has deteriorated in February 2024 vis-à-vis January 2024.

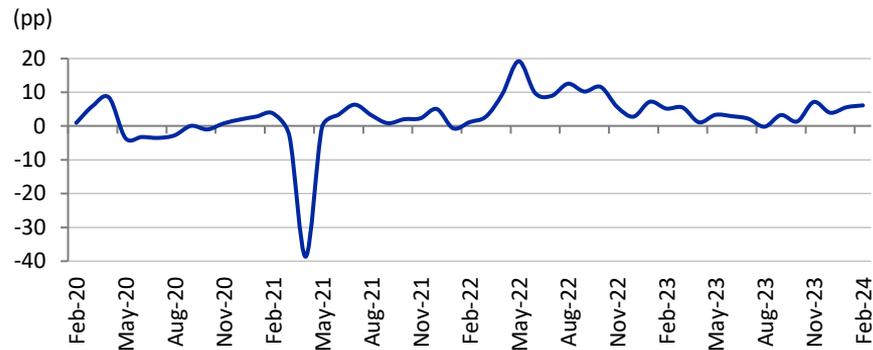
While summary measures of economic activity such as the GDP and the Index of Industrial Production (IIP) are released by the Government, these are available with relatively longer lags. The GDP data is available for a quarterly or higher frequency and is released with a lag of two months post the end 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 Feb 2024 was released on 12th Apr 2024). 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 Feb 2024 is available by mid-Mar 2024), thereby enabling a faster assessment of economic activity in the immediately preceding month.

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

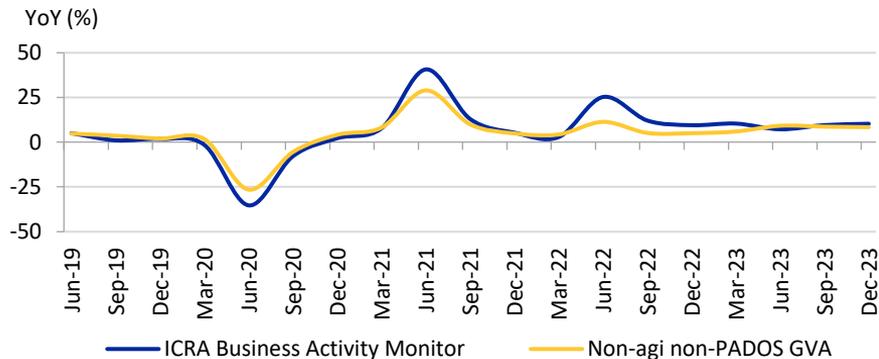


Source: ICRA Research

- 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 co-relation 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 18 and 41, respectively, of the 59 months between April 2019 and February 2024.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 48 of the 59 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 48/11 of the 59 months.

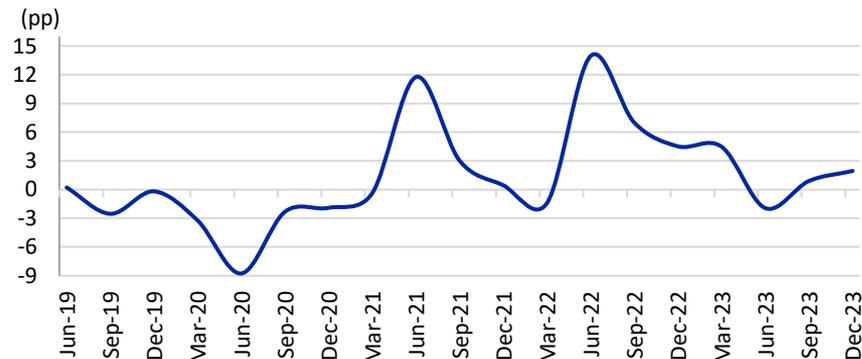
Annexure A.3: ICRA Business Activity Monitor

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

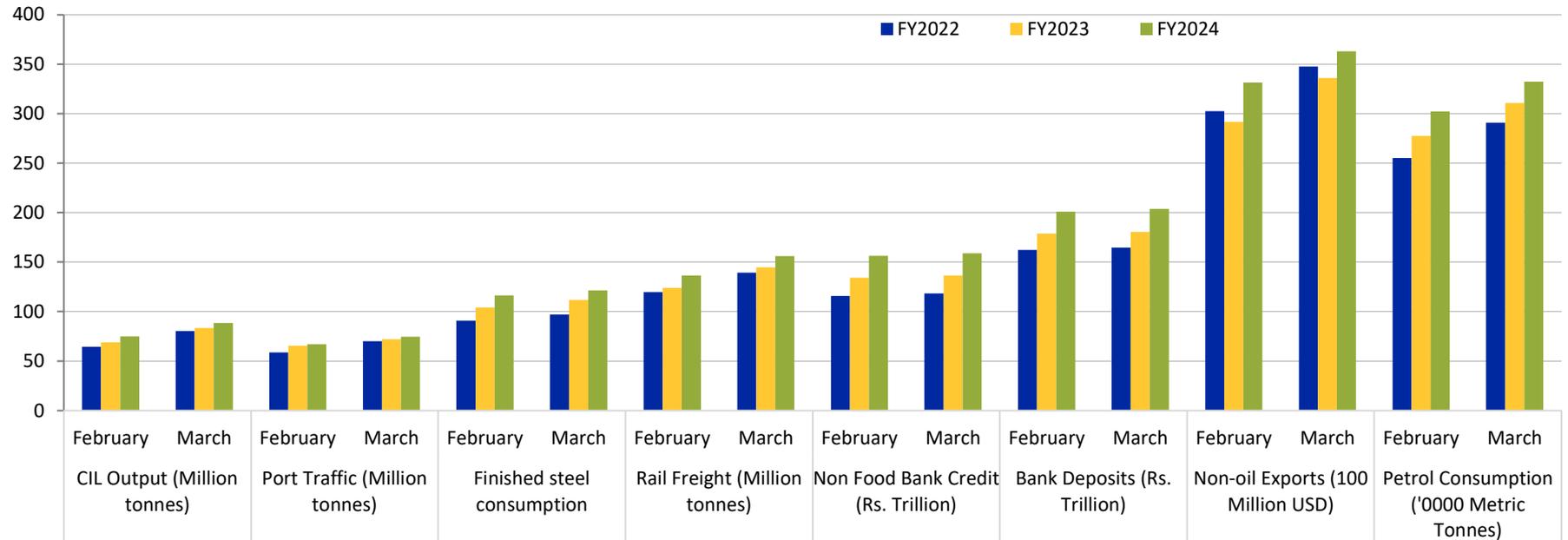


Source: ICRA Research

- 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 14 of the 19 quarters between Q4 FY2019 and Q3 FY2024.
- 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 March 2024 in YoY terms - I

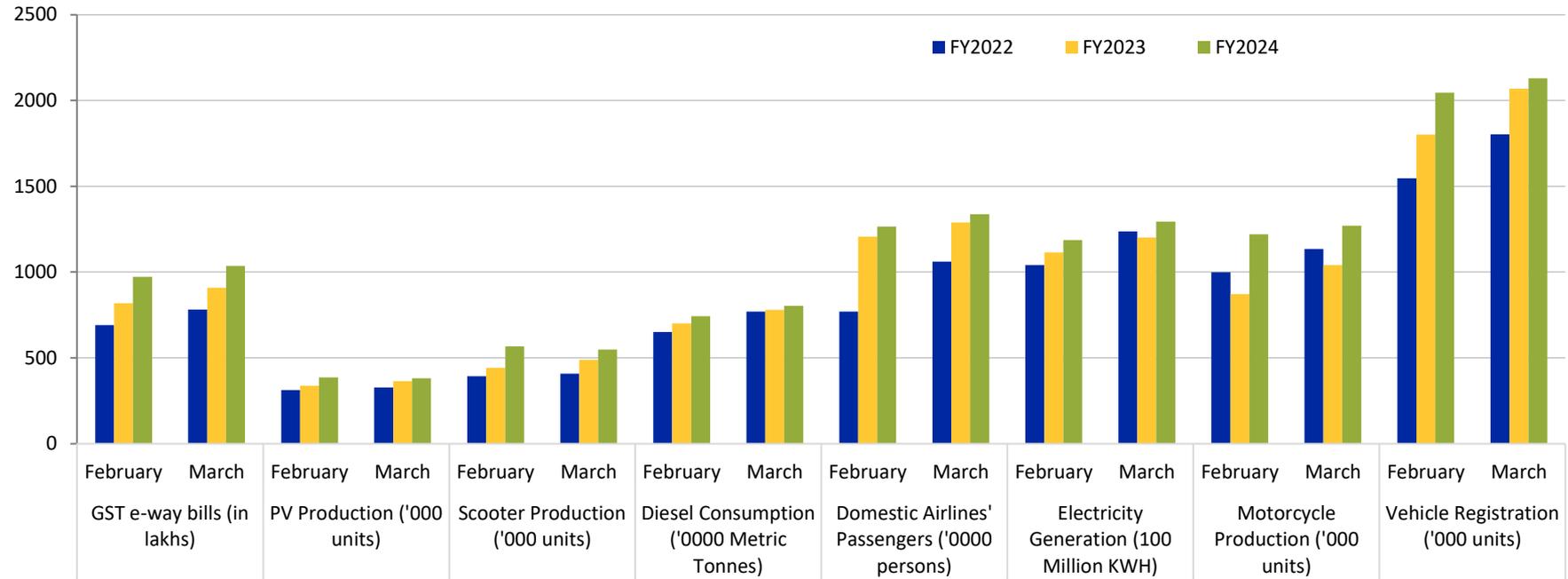
Exhibit: Trends in Volumes for Last Three Years in February and March (Part - I)



*Data for non-food bank credit and bank deposits is excluding the impact of HDFC and HDFC bank merger to ensure comparability; 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 March 2024 in YoY terms - II

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



Note: Data for electricity generation for Feb-Mar is excluding renewable energy since the data for Mar 2024 is not yet available; Source: CMIE; PPAC; CEA; GSTN; DGCA; Ministry of Road Transport and Highways; CEIC; ICRA Research



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