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

Growth in economic activity eased slightly in July 2026; deficient rainfall, rising inflation pose near term risks

AUGUST 2026

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Highlights

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ICRA Business Activity Monitor is a composite indicator that comprises:

- *Auto production (2Ws and PVs)*
- *Vehicle registrations*
- *Mining output*
- *Power generation*
- *Cement output*
- *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) expansion in economic activity, as measured by the ICRA Business Activity Monitor - an Index of high frequency indicators, eased to 11.4% in July 2026 from 12.1% in June 2026, while remaining quite strong. The slowdown was not broad based, with the YoY performance of half of the 16 constituent indicators seeing a deceleration between these months. Moreover, the YoY growth in the output of the core sector eased to 5.4% in July 2026, amid a moderation in the performance of five of the nine sub-sectors. Looking ahead, ICRA remains concerned around the potential impact of sub-par monsoon rainfall on crop yields, output and farm incomes, which could weigh on rural demand in H2 FY2027. Besides, retail inflation is set to edge up, which may constrain discretionary spending.

- **Growth in ICRA Business Activity Monitor eased to 11.4% in July 2026:** After rising continuously for the past three months, the YoY expansion in economic activity, as measured by the ICRA Business Activity Monitor, eased to 11.4% in July 2026 from 12.1% in June, while remaining robust. The YoY performance of eight of the 16 constituent indicators dipped in July 2026 compared to June 2026. The pickup in rainfall in July 2026 is likely to have weighed on the performance of electricity generation and mining output. This along with the deceleration in GST e-way bills generation and domestic airlines' passengers traffic led to the deterioration in the Index in July 2026 vs. June 2026.
- **All-India unemployment rate eased to 4-month low 5.1% in July 2026, led by rural areas:** Rural labor market conditions improved in July 2026, with the worker-population ratio (WPR) rising at a faster pace (+160 bps) vis-à-vis the labour force participation rate (LFPR; +140 bps). Consequently, the rural unemployment rate (UR) eased to 4.5% from 5.0% in June 2026. This was likely driven by a seasonal pick up in agricultural activity, particularly *kharif* sowing, as was seen in the year-ago period. However, the urban labor market conditions were steady in July 2026, with the rise in the LFPR outpacing that in the WPR, leading to a mild uptick in the UR to 6.7% in July 2026 from 6.6% in June.
- **Early data for August 2026 sluggish:** Vehicle registrations contracted by ~9% YoY during August 1-23, 2026, in contrast to the robust 11-28% YoY expansion seen during December 2025-July 2026. Additionally, the pace of YoY growth in the all-India electricity demand slowed somewhat to 10.2% during August 1-23, 2026 from 11.1% in July 2026, amid an unfavourable base, while remaining healthy.

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

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ICRA Business Activity Monitor

Auto Production (PV and 2W) and vehicle registrations

Mining Output (Coal, Crude oil, Natural gas, and Iron Ore)

Power Generation

Cement Output

Finished Steel Consumption

Non-oil Merchandise Exports

Cargo handled at Major Ports

Consumption of Petrol and Diesel

Generation of GST e-way bills

Domestic Airline Passenger Traffic

Aggregate Deposits and Non-food credit of SCBs

SCB: Scheduled Commercial Banks; PV: Passenger Vehicles; 2W: Two-wheelers; Source: ICRA Research

YoY growth in ICRA Business Activity Monitor eased to 11.4% in July 2026, while remaining robust

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

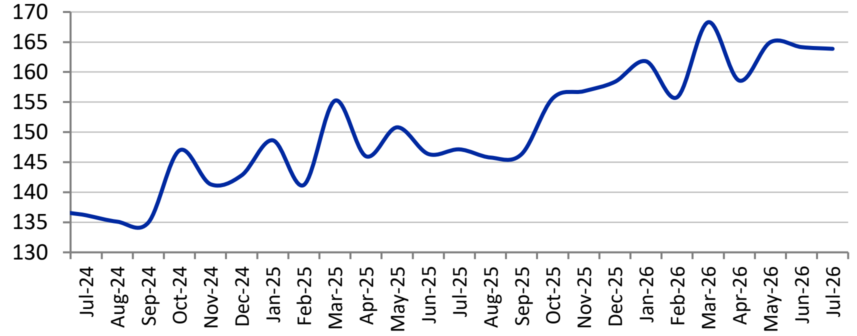
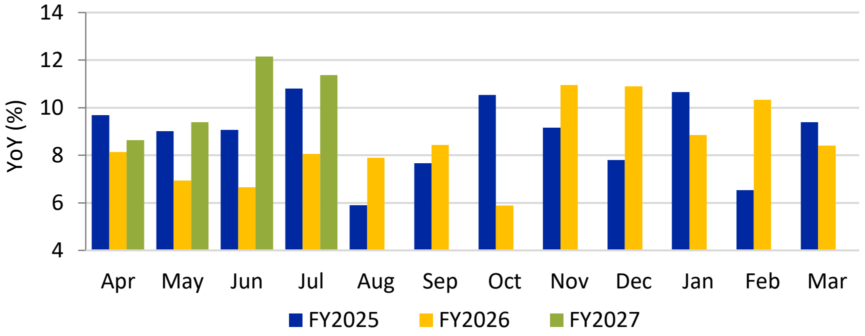


EXHIBIT: YoY growth of ICRA Business Activity Monitor



For details on the construction of the ICRA Business Activity Monitor, please refer to the Annexure A.1; Source: ICRA Research

- The YoY growth in the ICRA Business Activity Monitor eased to 11.4% in July 2026 (+8.1% in July 2025) from 12.1% in June 2026 (+6.7% in June 2025), while remaining quite strong, amid a moderation in growth across eight of the 16 constituent indicators.
- The surplus rainfall in July 2026 (103% of LPA) following the sizeable deficit seen in June 2026, likely weighed on growth in electricity generation (to +9.0% in July 2026 from +11.4% in June 2026) and mining output (to +4.9% from +8.3%) in the month. Besides, some trade and transport related indicators such as ports cargo traffic (to +8.8% from +9.2%), non-oil exports (to +13.6% from +16.5%; easing commodity inflation), GST e-way bill generation (to a 45-month low +6.0% from +14.5%; high base), and domestic airlines' passenger traffic (to a 54-month low -4.8% from -1.0%; amid a decline in load factor across most airlines) saw a weaker YoY performance in July 2026 vis-à-vis June 2026.
- Among the auto-related indicators, only 2W output (to +24.3% in July 2026 from +28.0% in June 2026, amid a high base) saw a weaker, albeit healthy, YoY performance in July 2026 vis-à-vis June 2026, while PV output (to a 44-month high +26.4% from +17.6%) and vehicle registrations (to +26.8% from +23.7%) posted stronger expansion. However, financial indicators such as bank deposits and non-food bank credit, as well as petrol (to a 19-month high +9.2% from +7.5%) and diesel (to a 38-month high +10.0% from +6.2%) consumption saw an improvement in their YoY performance between these months. Moreover, the inventory replenishment is likely to have supported the growth in cement output (to +13.1% from +9.9%) in July 2026.

YoY performance of non-agri indicators revealed mixed trends in July 2026, compared to prior month

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EXHIBIT: Heatmap of high frequency indicators

YoY (%)	Auto Output			Vehicle Registration	Mining output	Power generation	Non-oil Exports	Ports Cargo Traffic	GST e-way bills	Finished Steel Consumption	Cement Output	Domestic Airline Passengers	Petrol	Diesel	Bank Deposits#	Non-Food Bank Credit#
	PV output	*Scooter output*	*Motorcycle output*													
Mar-26	9.0	29.6	18.3	26.2	4.0	0.8	-9.2	0.7	12.9	13.7	4.7	-0.9	7.6	8.1	13.5	15.3
Apr-26	12.8	27.6	28.8	13.7	-0.9	5.5	9.1	2.4	11.8	8.1	8.3	-3.5	6.8	0.8	12.2	15.3
May-26	10.9	19.5	9.4	11.3	0.1	11.2	11.8	6.6	10.9	9.4	8.4	9.5	3.4	1.6	12.2	16.7
Jun-26	17.6	52.8	17.5	23.7	8.3	11.4	16.5	9.2	14.5	7.4	9.9	-1.0	7.5	6.2	12.7	17.8
Jul-26	26.4	39.1	16.9	26.8	4.9	9.0	13.6	8.8	6.0	9.6	13.1	-4.8	9.2	10.0	14.0	18.1

YoY growth; sequential pick-up	YoY growth; sequential dip	YoY growth; no sequential change	YoY contraction; sequential pickup	YoY contraction; sequential dip

Mining output, electricity generation, GST e-way bill generations, and domestic airlines' passengers traffic largely drove the deterioration in the YoY growth in the ICRA Business Activity Monitor in July 2026 vis-à-vis June 2026.

^Given the change in reporting dates to 15th and end of every month from earlier practice of alternate Fridays, we have taken the average outstanding non-food bank credit and deposits for the 15th and 31st of the month; Scheduled Commercial Banks; 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; Mining output includes coal, crude oil, natural gas and iron ore indices from the core sector data; Source: Joint Plant Committee; Indian Ports Association; Ministry of Finance; Ministry of Commerce and Industry, GoI; Goods and Services Tax Network; Ministry of Petroleum & Natural Gas; Directorate General of Civil Aviation; PPAC; Reserve Bank of India; Vahan Portal; Ministry of Road Transport and Highways; CMIE; CEIC; ICRA Research

MoM performance of most indicators weakened in July 2026 vs. July 2025

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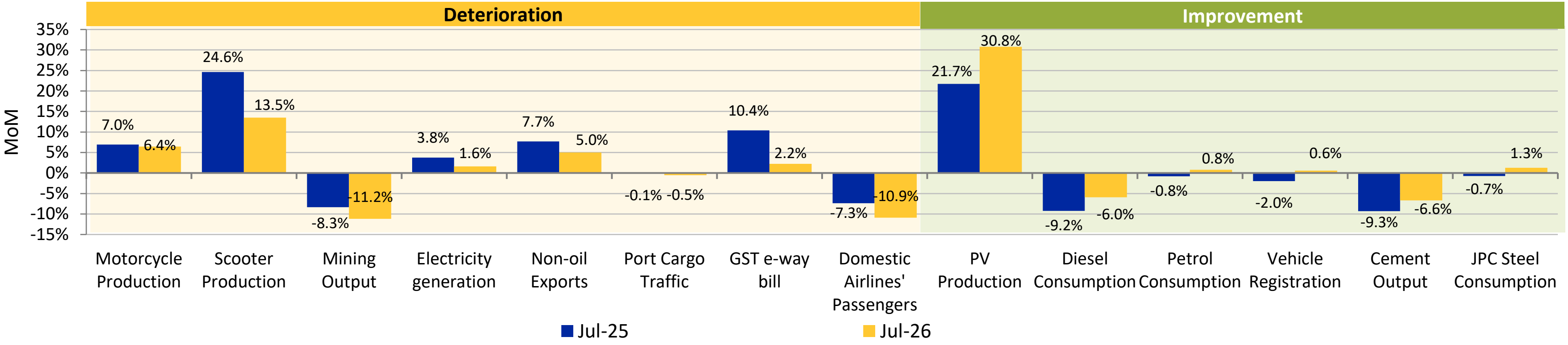
EXHIBIT: MoM performance of non-financial economic indicators



Source: CEA; MoRTH; Ministry of Commerce and Industry, GoI; Indian Ports Association; GSTN; DGCA; PPAC; JPC; RBI; CEIC; CMIE; ICRA Research

- The ICRA Business Activity Monitor declined by 0.2% in July 2026, consistent with the typical seasonal MoM dip observed in the month. However, this stood in contrast to the 0.5% MoM expansion seen in July 2025.
- As many as 8 of the 14 non-financial indicators reported a deterioration in MoM performance in July 2026 vis-à-vis July 2025; these include indicators that witnessed a steeper contraction such as mining output, port cargo traffic, and domestic air passenger traffic, as well as those that experienced a slower growth including 2W production (albeit remaining healthy), electricity generation, non-oil exports, and GST e-way bill generation.
- However, some auto-related indicators (PV production and vehicle registrations), mobility-related indicators (petrol and diesel consumption), and construction-related indicators (steel consumption and cement output), recorded a stronger MoM performance in July 2026 vis-à-vis July 2025.

YoY growth in core output eased slightly to 5.4% in July 2026 from 6.0% in June 2026, while remaining healthy

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EXHIBIT: YoY trends in output of core sector (Base year: 2022-23)

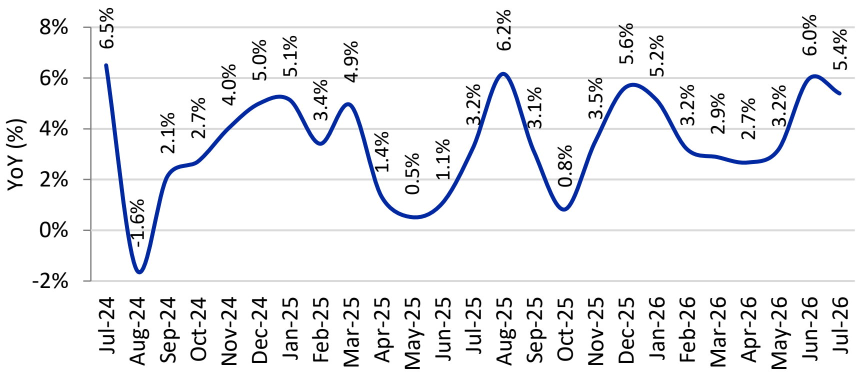
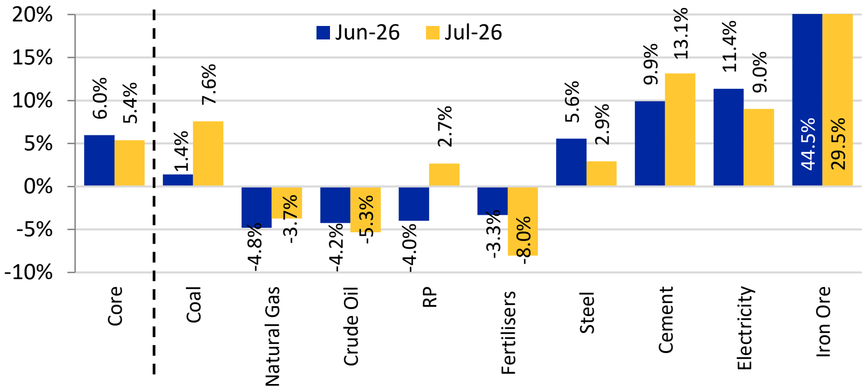


EXHIBIT: YoY performance of core sector and its sub-components

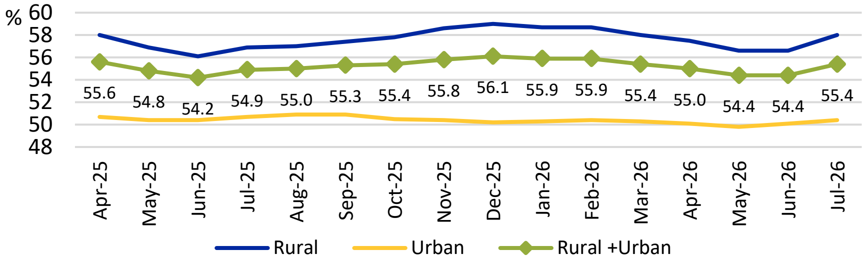


RP: Refinery Production; Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in core output eased slightly to 5.4% in July 2026 from the upward revised 6.0% in June 2026, amid a deterioration in the performance of five of the nine sectors between these months. The growth in iron ore output moderated sharply to 29.5% in July 2026 from 44.5% in June 2026, owing to an unfavourable base, while remaining quite strong. This alone exerted a downward pressure to the tune of 95 bps on the core output print in July relative to the previous month.
- Besides, electricity generation and steel output also witnessed a slower growth in July 2026 vis-à-vis June 2026, while fertiliser and crude oil output saw a steeper contraction. Fertiliser output has contracted for the fifth consecutive month, reflecting the impact of the West Asia conflict.
- Refinery products output expanded for the first time in four months in July 2026, although the pace of growth was muted at just 2.7%. While growth in coal output touched an 11-month high of 7.6% in July 2026, cement output rose to a 7-month high of 13.1%, suggesting that construction activity likely remained healthy. The replenishment of inventory after the extended period for construction activity in June owing to the sizeable monsoon deficit in the month, is likely to have supported cement output in July 2026.
- **Given the trends in core output, ICRA expects the YoY IIP growth to moderate to ~6.0-6.5% in July 2026 from 7.3% in June 2026.**

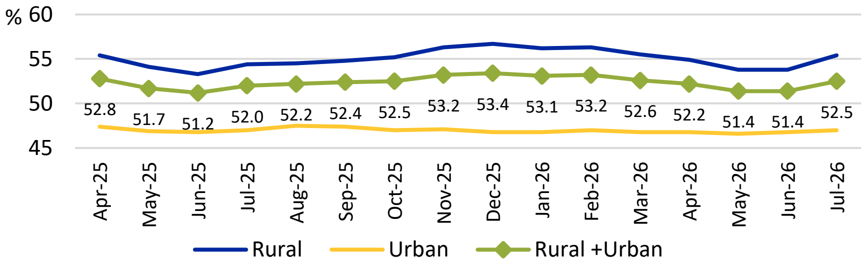
All-India unemployment rate declined to a 4-month low 5.1% in July 2026, amid seasonal improvement in rural labor market conditions

EXHIBIT: The all-India Labour Force Participation Rate (LFPR) improved to 55.4% in July 2026 - the highest level since March 2026, primarily led by recovery in rural participation



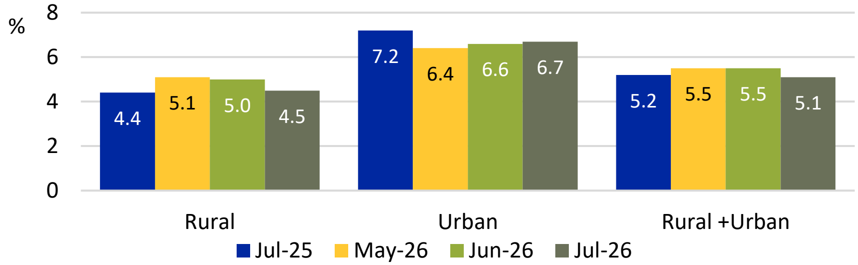
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population; Based on CWS for persons of age 15 years and above; Source: PLFS- Bulletin, MOSPI; ICRA Research

EXHIBIT: Likewise, the all-India Worker-Population Ratio (WPR) increased to 52.5% in July 2026, after declining between February 2026 and June 2026, reaching its highest level since March 2026, supported by a rise in rural WPR



WPR is defined as the percentage of employed persons in the population.

EXHIBIT: The all-India unemployment rate (UR) eased to a four-month low of 5.1% in July 2026 from 5.5% in May-June 2026 and 5.2% in July 2025, led by improvement in rural labor market conditions

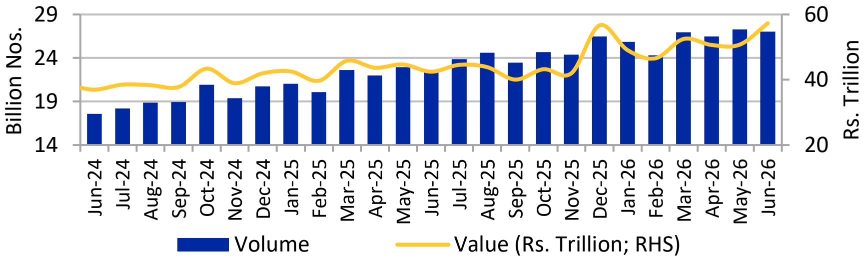


UR is defined as the percentage of persons unemployed among the persons in the labour force.

- Rural labor market conditions improved in July 2026, relative to June, with WPR rising at a faster pace (+160 bps to 52.5% in July 2026) vis-à-vis LFPR (+140 bps to 55.4%). Consequently, the rural UR moderated to a 3-month low of 4.5% from 5.0% in June 2026. This was likely driven by a seasonal pick-up in agricultural activity, particularly *kharif* sowing, as was also seen in the year-ago period (when UR eased to 4.4% in July 2025 from 4.9% in June 2025). However, the rural UR continued to remain above the lows of 3.9% recorded in November-December 2025.
- Urban labor market conditions remained largely steady in July 2026. The LFPR and WPR edged up to 50.4% and 47.0%, respectively, in the month from 50.1% and 46.8%, in June 2026, returning to the levels seen in February 2026. However, as the rise in LFPR slightly exceeded that in WPR, the urban UR inched-up slightly to 6.7% from 6.6% in June 2026. Despite the uptick, urban unemployment remained below the 7.2% recorded in July 2025.

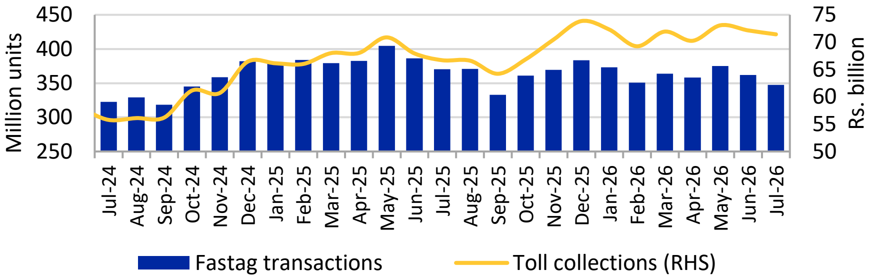
Growth in payment indicators eased slightly in July 2026

EXHIBIT: The YoY growth in retail transaction volume and value remained robust at 19.7% and 34.9%, respectively, in June 2026, improving from 19.0% and 13.6% in May 2026



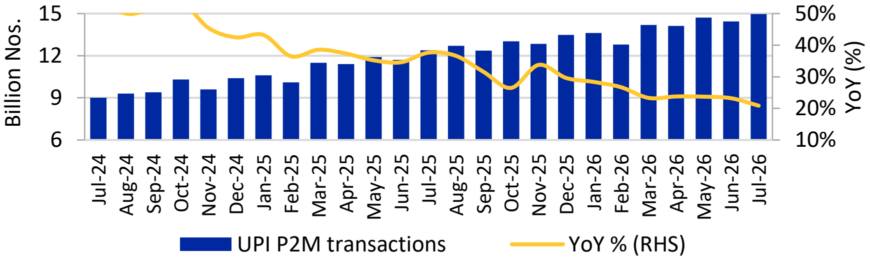
Note: Data for July 2026 is not available yet; Source: National Payments Corporation of India (NPCI), ICRA Research

EXHIBIT: FASTag transaction volumes fell by 6.3% YoY in July 2026 (-6.3% in June 2026) - the seventh consecutive month of contraction; toll collections saw a modest growth of 7.1% in the month (+6.2% in June 2026)



Source: NPCI, ICRA Research

EXHIBIT: The UPI P2M transactions saw a healthy double-digit YoY growth of ~21% in July 2026, although the pace moderated to the lowest recorded levels



**P2M refers to Person to Merchant transactions; Source: NPCI; ICRA Research*

- NPCI retail transactions remained buoyant at 27.0 billion in June 2026, close to the record high of 27.3 billion seen in May 2026. The pace of YoY expansion in transaction volumes edged up to 19.7% from 19.0% in May 2026, although growth in value of transactions surged to 34.9% from 13.6% between these months.
- FASTag transaction volumes have seen a sustained YoY contraction since January 2026, declining by 6.3% in July 2026, in line with the contraction seen in the prior month. However, toll collections expanded by 7.1% YoY in the month (vs. +6.2% in June 2026), reflecting higher toll realisation per transaction.
- Pan-India UPI P2M transaction volumes increased slightly by 3.8% MoM in July 2026. While the YoY growth remained in double-digits at 20.9%, this was slightly lower than that seen in the previous month (+23.2% in June 2026). Grocery & supermarkets, fast-food restaurants, and eating places and restaurants accounted for 46% of the YoY increase in volumes (down from 49% in June 2026 and 55% in February 2026), with the growth in these categories moderating.

Financial conditions eased slightly in early-August 2026

EXHIBIT: Heatmap of high frequency indicators pertaining to financial conditions

Financial Indicators*	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26*
WAMMR spread (bps)	-17	-11	-10	-23	-7	-4	-53	-14	-28	-12	-5	-5	-25
Net LAF/NDTL (%)	1.2	0.6	0.4	0.7	0.3	0.2	1.0	0.7	1.4	0.6	0.3	0.4	1.3
Yield curve level (%)	6.27	6.31	6.23	6.25	6.31	6.39	6.38	6.44	6.58	6.69	6.53	6.43	6.43
Yield curve slope (bps)	105	111	110	113	129	129	140	141	170	164	158	148	152
3Y AAA spread (bps)	80	91	100	100	103	111	109	118	106	122	116	118	114
5Y AAA spread (bps)	91	92	102	88	92	96	103	103	98	106	104	106	108
BSE Sensex return (%)	-1.7	0.6	4.6	2.1	-0.6	-3.5	-1.2	-11.5	6.9	-2.8	2.3	2.1	-1.5
PE level vs. 2YMA	96.7	96.5	98.6	99.5	101.0	100.1	99.7	92.0	93.5	91.5	91.9	94.2	94.1
India VIX	1,809	1,834	1,846	1,874	1,876	1,867	1,863	1,744	1,743	1,770	1,746	1,787	1,802
India-US yield differential (bps)	232	251	249	249	253	253	264	257	269	255	245	221	214
INR return (%)	-0.7	-0.8	0.1	-0.7	-0.6	-2.0	0.7	-3.5	-0.6	-0.1	0.4	-0.8	-0.4
1M forward premia (%/annum)	1.72	1.90	1.95	1.91	3.93	2.81	1.83	4.00	3.57	3.54	3.14	3.04	2.56

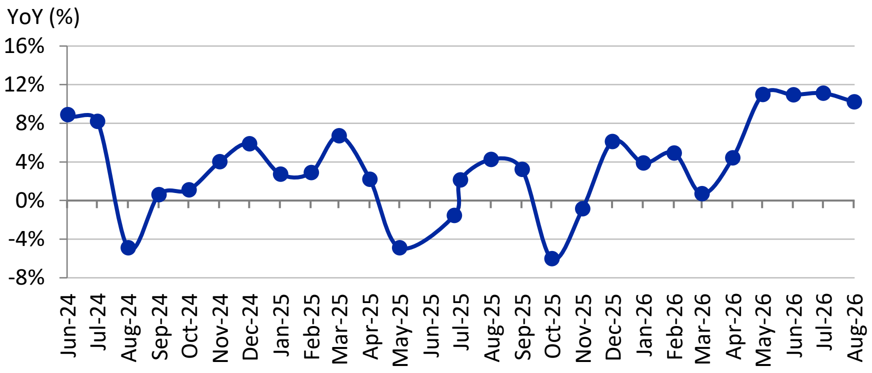
Easier financial conditions **Neutral** **Tighter financial conditions**

Financial conditions eased somewhat by mid-August 2026 relative to July 2026. This is reflected in an improvement across eight of the 12 indicators pertaining to the financial sector, including easing liquidity conditions, slight moderation in the G-sec yield curve level, narrower India-US yield spreads, etc.

**Data for August 2026 is up to August 19, 2026; WAMMR: Weighted average money market rate; LAF: Liquidity adjustment facility, NDTL: Net Time and Demand Liabilities, VIX: Volatility Index; 2YMA: 2 Year Moving Average; PE: Price to earnings ratio; *Refer to Annexure C for the detailed explanation on indicators; Source: CMIE, RBI, BSE, CEIC, ICRA Research*

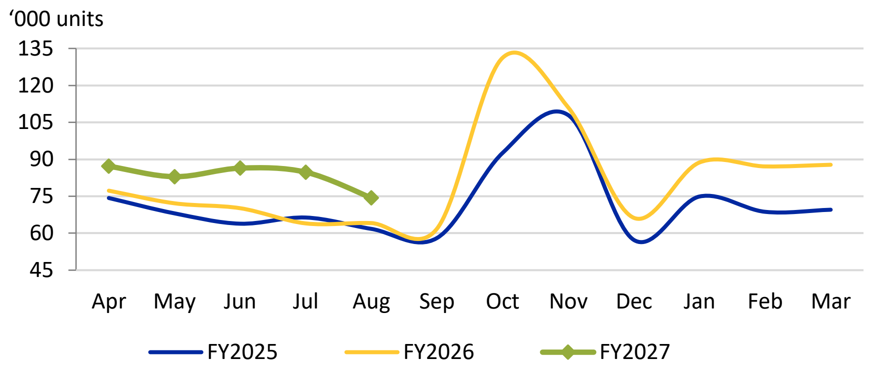
Early data for electricity demand and vehicle registrations point to weak trends in August 2026 so far

EXHIBIT: YoY trends in electricity demand at all-India level



Data for August 2026 is till August 23; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level

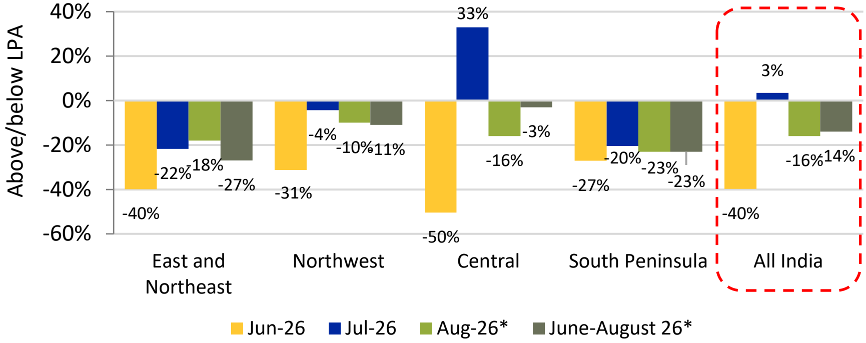


Data for August 2026 is till August 23; Source: Vahan, MoRTH; ICRA Research

- While an unfavourable base slightly curtailed the pace of YoY expansion in the all-India electricity demand to 10.2% during August 1-23, 2026 from 11.1% in July 2026 (July 2025/Aug 1-23, 2025: +2.1%/+5.2%), it remained healthy, amid deficient rainfall in the month so far (84% of LPA during August 1-23, 2026). The average electricity demand stayed elevated at 5.4 BU/day during August 1-23, 2026, albeit slightly lower than the levels seen in the previous month (5.5 BU/day in July 2026).
- Simultaneously, the average daily vehicle registrations contracted by ~9% YoY to 74.3k/units in August 2026 so far (August 1-23), in contrast with the robust 11-28% expansion seen between December 2025 and July 2026. Moreover, these were a sharp ~26% lower relative to the levels seen during July 1-24, 2026. Looking ahead, an even distribution and timely progress of the Southwest Monsoon rainfall in the rest of the season remains a key monitorable for the auto sector.

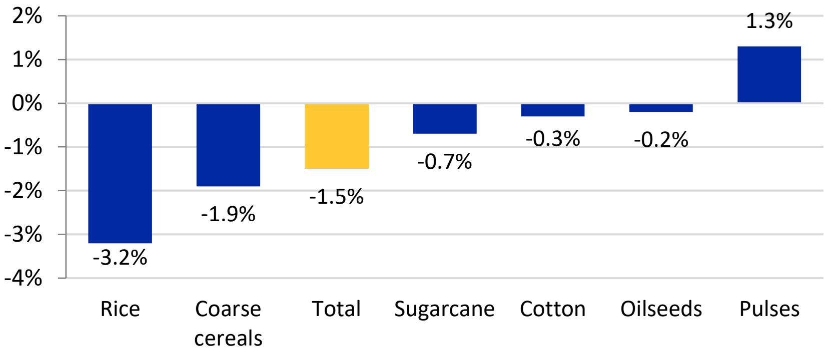
Deficient rainfall and uptick in inflation may weigh on demand in near term

EXHIBIT: Region-wise distribution of rainfall during SW Monsoon season



**until August 23, 2026; On a pan-India basis, rainfall between 96% and 104% of the LPA is considered to be normal. The other classifications are deficient (below 90% of LPA), below-normal (90-96% of LPA), above-normal (104-110% of LPA) and excess (more than 110% of LPA); Source: IMD; CEIC; ICRA Research*

EXHIBIT: YoY Trends in Kharif Sowing as on August 21, 2026



Source: Ministry of Agriculture and Farmers' Welfare; ICRA Research

- After the pickup in rainfall seen during July 2026 (above-normal at 103% of LPA), the SW Monsoon rainfall has turned deficient again in August 2026 so far (84% of LPA during August 1-23, 2026). On a cumulative basis, rainfall has been deficient at 86% of LPA in the ongoing Monsoon season so far.
- The cumulative area sown under kharif crops stood at 105.7 million hectare as on August 21, 2026, a mild 1.5% lower than the year-ago level (vs. -22.7% YoY as on June 25, 2026), driven by YoY moderation in sowing of all crops, barring pulses (+1.3%). The food inflation trajectory in the coming months will depend not only on the prevailing market dynamics but also on the distribution and intensity of the SW Monsoon in the remainder of the season and its impact on the kharif crop yields, output and prices.
- Based on the current SW Monsoon progress and expectations of below normal rains in August-September 2026 (IMD: <94% of LPA), reservoir replenishment may remain limited this year (59% of FRL as on August 13 vs. year-ago level: 74% of FRL), with potential implication for rabi crops, thereby posing risks to food prices, unless rainfall picks up materially over the latter part of the monsoon season.
- **ICRA remains circumspect around the potential impact of the sub-par monsoon rainfall on crop output and farm incomes, which could weigh on rural demand in the near term. Additionally, retail inflation is expected to edge up further over the next few months, which may constrain discretionary spending.**

Annexure A.1: ICRA Business Activity Monitor

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 19 monthly high frequency indicators – auto production (comprising passenger vehicle, motorcycle and scooter production), mining output (weighted average of the coal, crude, natural gas and iron ore indices from the core output data), electricity generation, non-oil merchandise exports, ports cargo traffic, non-food bank credit and bank deposits of scheduled commercial banks, vehicle registrations, generation of GST e-way bills, domestic airlines' passenger traffic, petrol and diesel consumption, cement output and finished 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 indicators.

The ICRA Business Activity Monitor gives us the net direction of the 19 high frequency indicators and can be used to assess economic conditions across time periods. For instance, an acceleration in the YoY growth of the Index to 12.1% in June 2026 from 9.4% in May 2026, signifies an improvement in economic activity momentum between these months.

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 four weeks post the end of the month (Eg. IIP for June 2026 was released on July 28, 2026). Moreover, 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 usually released with a lag of around three weeks (E.g. the ICRA Business Activity Monitor for June 2026 was available by July 22, 2026), thereby enabling a slightly 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

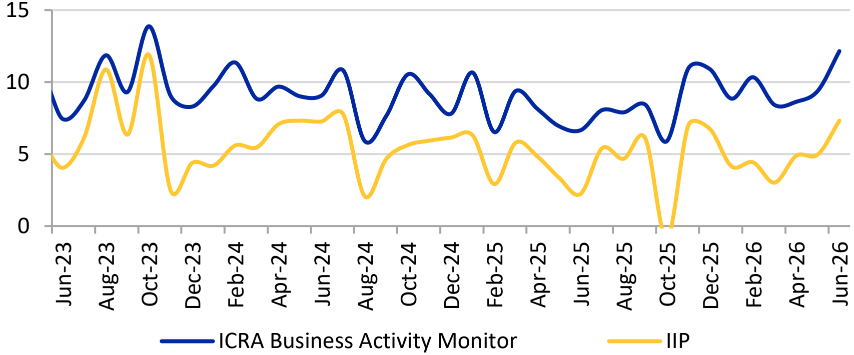
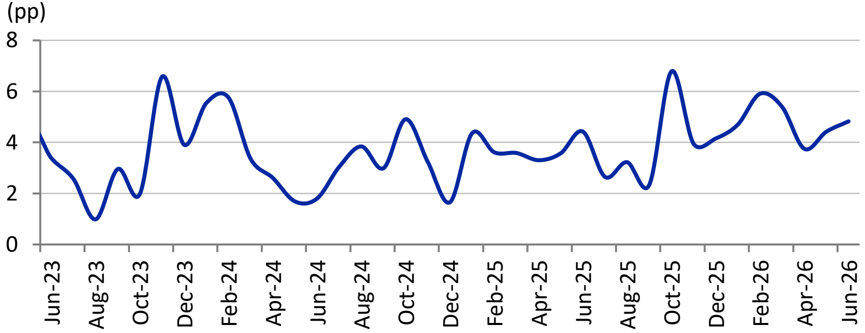


EXHIBIT: Deviation in YoY growth between ICRA Business Activity Monitor and IIP

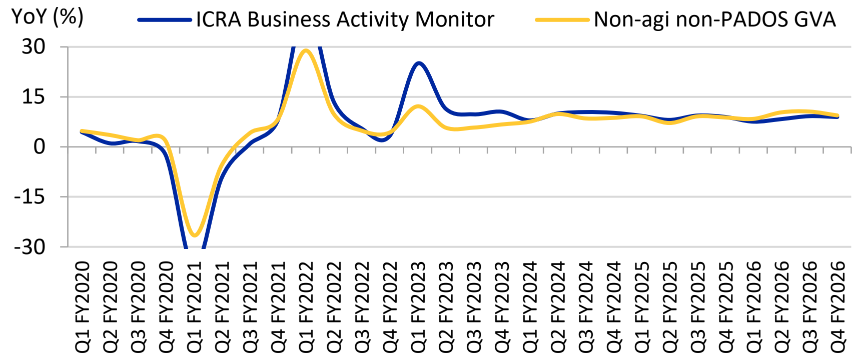


Data for IIP growth from April-23 to March-24 is as per the 2011-12 base year, and from April-24 onwards is as per the new 2022-23 base year; Source: ICRA Research

- 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 14 and 56, respectively, of the 87 months between April 2019 and June 2026.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 67 of the 87 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 76/11 of the 87 months.

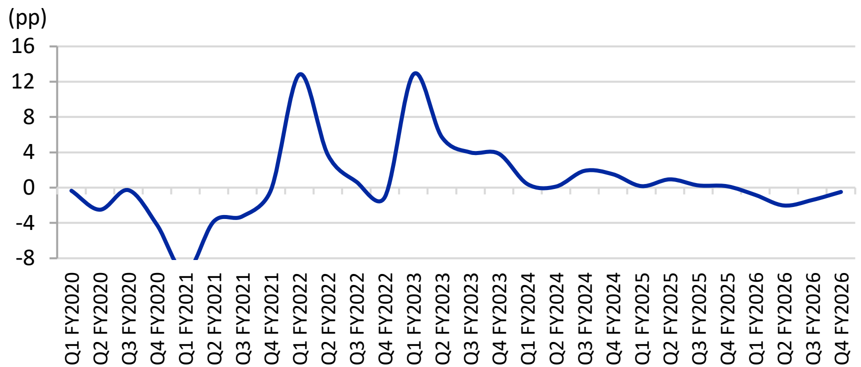
Annexure A.3: ICRA Business Activity Monitor

EXHIBIT: Correlation between YoY trends in ICRA Business Activity Monitor and non-agri non-PADOS GVA



Note: YoY growth for non-agri non-PADOS GVA from Q1 FY2024 onwards is as per the new GDP series (2022-23) Source: ICRA Research

EXHIBIT: Deviation in YoY growth between ICRA Business Activity Monitor and non-agri non-PADOS GVA

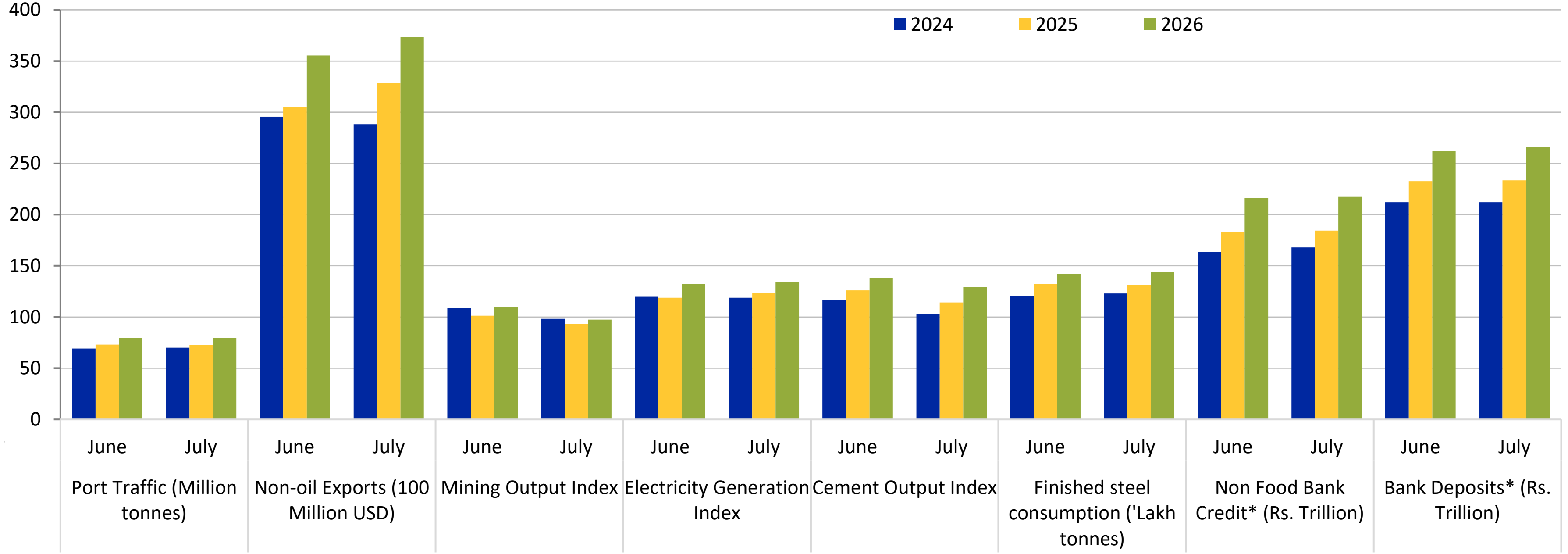


Source: ICRA Research

- 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 16 of the 28 quarters between Q1 FY2020 and Q4 FY2026.
- 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: Volume of 15 of the 16 indicators, barring domestic air passenger traffic, recorded a YoY growth in July 2026

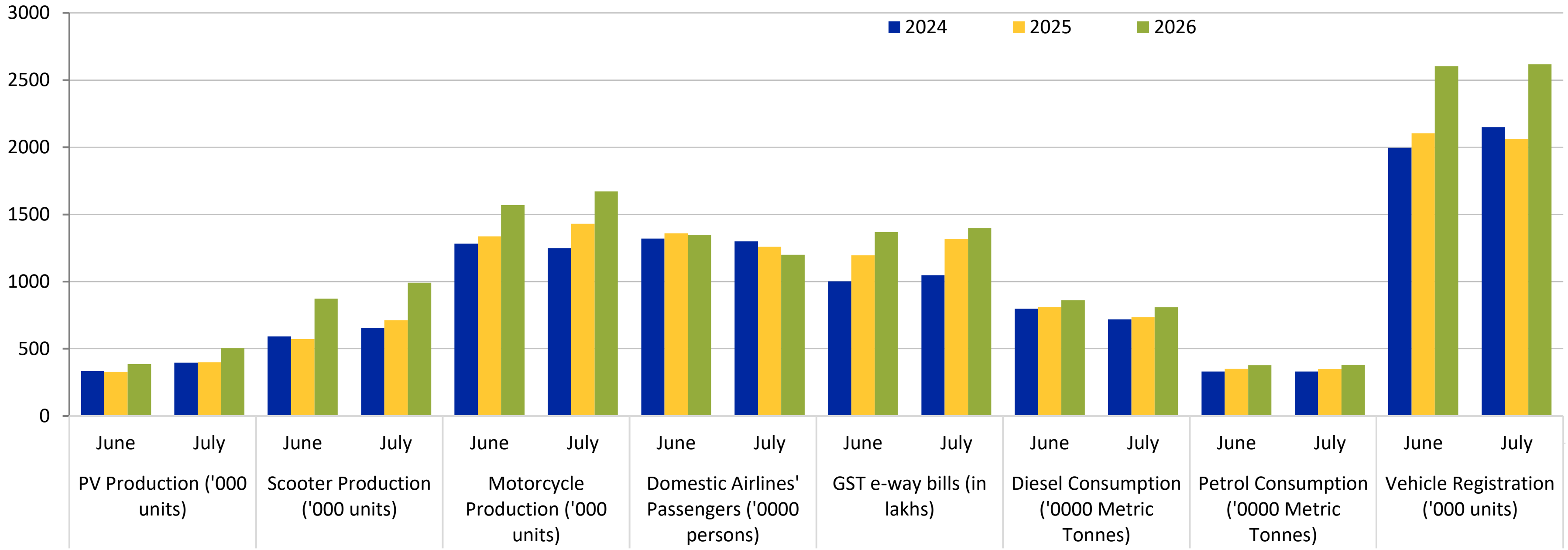
EXHIBIT: Trends in Volumes for Last Three Years in June and July (Part - I)



**Given the change in reporting dates to 15th and end of every month from earlier practice of alternate Fridays, we have taken the average outstanding non-food bank credit and deposits for the 15th and 31st of June 2026 and July 2026; Source: Ministry of Commerce and Industry, GoI; Indian Ports Association; JPC; RBI; CEIC; CMIE; ICRA Research*

Annexure B.2: Volume of 15 of the 16 indicators, barring domestic air passenger traffic, recorded a YoY growth in July 2026

EXHIBIT: Trends in Volumes for Last Three Years in June and July (Part - II)



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

Annexure C: Detailed explanation on financial indicators

To gauge financial conditions in the Indian economy, ICRA has assessed the performance of 12 high frequency indicators across the money, G-sec, Corporate Bond, forex and equity markets. These include:

- **Weighted Average Money Market Rate (WAMMR) spread:** The WAMMR captures the cost of overnight funds for banks and non-banks. A higher (lower) spread between the WAMMR and the repo rate is typically associated with tighter (easier) financial conditions in the money market.
- **Net LAF/NDTL:** Liquidity conditions are determined by net balances under the liquidity adjustment facility (LAF) as a proportion of net demand and time liabilities (NDTL). A negative (positive) value depicts liquidity deficit (surplus) in the banking system, implying tighter (easier) financial conditions.
- **Yield curve level:** This is computed by averaging the yields of 91-day T-bill, and 3, 5, 10 and 30-year dated securities. A higher level of the yield curve is led by an increase in interest rates which implies an increase in financing costs, thus reflecting a tightening in financial conditions.
- **Yield curve slope:** It is the term spread, captured as the difference between the 10Y G-sec yield and 91-day T-bill yield. A higher slope largely reflects low short-term rates, hence, easier financial conditions.
- **3Y/5Y AAA bond spread:** It is the credit spread, computed as the difference between the AAA Corporate Bond yield and G-sec yield of same maturity. An increase (decrease) in the spread reflects tighter (easier) financial conditions.
- **BSE Sensex Return:** Higher returns attract greater FII inflows, which affect valuations and have a positive impact on market sentiment, implying easier financial conditions. The data at the last working day of the month vis-à-vis the previous month-end data is used to compute the monthly returns.
- **PE level vs. 2YMA:** It is the PE ratio relative to the 2-year moving average. A decline (rise) in this ratio is associated with tighter (easier) financial conditions.
- **India VIX:** The India Volatility Index measures the market's anticipation of volatility/fluctuations in near term. A higher (lower) value depicts more volatility and tighter (easier) financial conditions.
- **INR Return:** This is the MoM change in USD/INR rate [appreciation (+)/depreciation (-)]. A depreciation leads to an increase in debt servicing cost, thus leading to tighter financial conditions.
- **India-US yield differential:** An increase in yield differential reflects relatively higher domestic interest rate, and is associated with tighter financial conditions.
- **1M Forward Premia:** A forward premium in currency exchange occurs when the price of a currency for future delivery (forward rate) is higher than its current price (spot rate). Increase in 1M forward premia is usually linked to tighter financial conditions.

Annexure D.1: Monthly trends across high frequency indicators

ICRA Insights that empower

EXHIBIT: Monthly trends across high frequency indicators (YoY %)

Sector	Indicator	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Agri/Rural														
	Monsoon (deviation from normal)	4.9%	5.2%	15.3%	48.8%	-42.8%	-69.2%	-31.6%	-81.5%	12.7%	-10.9%	-9.5%	-39.8%	3.5%
	2W registrations	-6.4%	2.5%	6.6%	51.8%	-2.6%	10.6%	20.8%	25.3%	29.0%	13.6%	8.4%	22.0%	28.6%
	Tractor registrations	11.0%	31.6%	4.6%	13.9%	57.9%	15.4%	23.2%	37.1%	12.6%	25.3%	16.0%	31.1%	32.7%
Industry														
Manufacturing	PMI-Mfg (Index)	58.7	59.3	57.8	60.3	56.1	54.1	54.8	57.2	54.6	53.9	56.0	53.6	53.5
Manufacturing	IIP-Manufacturing	5.1%	3.6%	5.5%	-0.7%	8.8%	7.7%	4.6%	5.7%	4.0%	6.1%	5.2%	7.8%	NA
Manufacturing	IIP-Consumer Durables	3.9%	0.9%	4.6%	-6.0%	13.0%	7.4%	-0.2%	4.2%	2.4%	5.6%	8.0%	7.7%	NA
Manufacturing	IIP-Consumer Non-durables	5.8%	0.1%	-0.5%	-9.4%	3.9%	5.9%	-1.2%	1.6%	-0.6%	0.2%	-0.4%	4.9%	NA
Manufacturing	IIP-Intermediate Goods	3.5%	3.3%	6.4%	1.2%	8.2%	7.7%	5.6%	4.7%	6.0%	10.3%	5.8%	9.3%	NA
Manufacturing	IIP-Capital Goods	5.9%	6.0%	13.2%	5.4%	16.6%	12.9%	12.4%	16.5%	8.5%	12.0%	15.5%	14.2%	NA
Manufacturing	PV output	0.5%	-4.1%	16.1%	9.8%	22.8%	23.1%	5.6%	9.8%	9.0%	12.8%	10.9%	17.6%	26.4%
Manufacturing	2W Output	12.5%	10.6%	9.8%	-5.1%	21.5%	40.0%	16.3%	24.9%	21.9%	28.4%	12.7%	28.0%	24.3%
Manufacturing	3W Output	24.0%	15.8%	15.9%	15.9%	55.4%	39.6%	33.2%	29.9%	34.0%	41.6%	32.9%	42.8%	30.0%
Manufacturing	Tractor Output	11.5%	9.4%	23.0%	13.0%	37.5%	57.9%	14.6%	80.0%	28.6%	18.1%	15.5%	10.2%	6.7%
Manufacturing	Exports	13.2%	5.7%	6.0%	-12.5%	18.6%	1.1%	0.4%	-0.8%	-7.4%	14.2%	17.9%	15.5%	19.6%
Manufacturing	Capital goods imports	13.1%	-4.1%	13.1%	12.6%	15.2%	19.5%	12.2%	13.1%	8.0%	11.2%	7.8%	23.3%	NA
Mining	IIP-Mining	10.7%	15.8%	15.7%	2.8%	3.3%	0.8%	-0.5%	-2.4%	-2.6%	-3.8%	-1.4%	1.0%	NA
Mining	Metallic Minerals	-5.8%	6.1%	2.7%	8.9%	18.7%	21.2%	14.6%	10.2%	28.5%	12.4%	18.3%	38.9%	NA
Mining	Non-metallic Minerals	69.3%	67.2%	74.4%	12.4%	0.9%	-6.9%	-6.9%	-9.6%	-17.1%	-10.3%	-6.1%	-13.4%	NA

Source: NSO; Ministry of Commerce and Industry; RBI; IMD; CEIC; ICRA Research

Annexure D.2: Monthly trends across high frequency indicators

EXHIBIT: Monthly trends across high frequency indicators (YoY %)

Sector	Indicator	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Industry														
Mining	Coal	-12.3%	10.8%	-1.1%	-8.4%	2.2%	3.7%	0.9%	1.4%	-4.0%	-9.0%	-9.5%	1.4%	7.6%
Mining	Crude oil	-0.8%	-0.7%	-0.7%	-0.8%	-2.6%	-5.1%	-5.4%	-4.8%	-5.3%	-3.2%	-4.2%	-4.2%	-5.3%
Mining	Natural Gas	-3.3%	-2.2%	-3.7%	-5.2%	-2.5%	-4.4%	-4.9%	-5.0%	-3.7%	-4.2%	-5.0%	-4.8%	-3.7%
Electricity	Electricity demand	2.1%	4.3%	3.2%	-6.0%	-0.8%	6.1%	3.9%	1.1%	0.7%	4.4%	11.0%	10.9%	11.1%
Electricity	Electricity generation	3.7%	4.2%	3.1%	-7.0%	-1.5%	6.2%	5.1%	2.3%	0.8%	5.5%	11.2%	11.4%	9.0%
Construction	IIP-Other NMMP	8.1%	1.8%	5.9%	2.3%	10.1%	10.9%	7.8%	7.8%	2.0%	3.3%	5.8%	12.9%	NA
Construction	Finished steel consumption	6.8%	10.0%	8.9%	2.4%	6.0%	5.4%	4.9%	12.8%	13.7%	8.1%	9.4%	7.4%	9.6%
Construction	M&HCV (Trucks)	-5.2%	-1.1%	-3.9%	2.0%	23.2%	27.3%	19.9%	38.8%	25.6%	14.7%	10.0%	15.2%	28.3%
Construction	Infra Credit	3.4%	3.5%	5.0%	4.6%	4.3%	7.2%	6.4%	7.9%	9.2%	10.1%	11.6%	10.9%	NA
Construction	IIP-Infra/construction goods	11.2%	9.2%	9.8%	5.1%	12.0%	12.3%	12.9%	10.1%	5.2%	6.0%	6.6%	7.5%	NA
Construction	Cement output	11.1%	5.4%	5.1%	5.2%	15.1%	14.0%	11.3%	9.1%	4.7%	8.3%	8.4%	9.9%	13.1%
Construction	Steel output	15.7%	15.3%	14.3%	9.5%	11.6%	11.1%	13.8%	9.9%	9.6%	4.7%	5.1%	5.6%	2.9%
Construction	GoI's capex	-10.5%	113.1%	30.9%	-28.3%	-13.8%	-24.5%	-24.5%	59.6%	-41.8%	18.8%	-0.6%	66.0%	NA
Construction	States Capital outlay and net lending^	-1.4%	9.1%	-9.2%	4.9%	23.7%	38.9%	23.2%	3.9%	-5.2%	-9.0%	2.4%	13.9%	NA
Services														
	PMI-Services (Index)	59.3	63.0	61.0	60.2	60.3	58.2	59.1	59.6	58.1	57.7	59.1	56.6	51.9
THTCS	Port cargo traffic	4.0%	2.4%	11.5%	12.0%	14.6%	12.8%	7.6%	3.8%	0.7%	2.4%	6.6%	9.2%	8.8%
THTCS	GST e-way bill	25.8%	22.4%	21.0%	8.2%	27.6%	23.5%	15.8%	18.8%	12.9%	11.8%	10.9%	14.5%	6.0%

^includes data for 24 states excluding Arunachal Pradesh, Goa, Manipur, Mizoram; Source: CEIC, CMIE, ICRA Research

Annexure D.3: Monthly trends across high frequency indicators

EXHIBIT: Monthly trends across high frequency indicators (YoY %)

Sector	Indicator	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Services														
THTCS	Domestic air passenger traffic	-2.9%	-1.4%	-2.9%	2.7%	6.9%	-4.1%	4.4%	0.2%	-0.9%	-3.5%	9.5%	-1.0%	-4.8%
THTCS	Domestic air freight traffic	4.8%	7.1%	2.8%	-2.3%	20.5%	4.6%	8.7%	18.5%	10.8%	7.0%	10.7%	9.4%	NA
THTCS	Rail freight traffic	0.0%	8.5%	3.9%	2.3%	4.2%	3.2%	2.9%	4.0%	3.1%	-1.0%	1.4%	4.0%	8.9%
THTCS	ATF consumption	-2.3%	-2.9%	-0.8%	2.1%	5.4%	0.2%	5.5%	4.0%	0.7%	-0.1%	0.9%	0.0%	-0.7%
THTCS	Diesel consumption	2.3%	1.2%	6.5%	-0.3%	4.8%	5.2%	3.3%	4.3%	8.1%	0.8%	1.6%	6.2%	10.0%
THTCS	Petrol consumption	5.9%	5.5%	8.0%	7.4%	2.6%	7.1%	6.1%	6.1%	7.6%	6.8%	3.4%	7.5%	9.2%
THTCS	Telephone subscribers	0.5%	1.1%	2.2%	2.6%	8.2%	8.5%	9.5%	9.6%	10.0%	10.4%	10.5%	9.9%	NA
FRP	Services exports	10.4%	2.8%	12.6%	2.2%	6.7%	13.0%	9.8%	9.7%	7.2%	12.7%	2.8%	13.3%	6.4%
FRP	NFBC	9.9%	9.9%	10.2%	11.1%	11.4%	12.6%	13.5%	14.3%	15.3%	15.3%	16.7%	17.8%	18.1%
FRP	Bank Deposits	10.2%	10.2%	9.5%	9.7%	10.2%	11.0%	11.6%	12.1%	13.5%	12.2%	12.2%	12.7%	14.0%
FRP	CPs	45.5%	-17.3%	33.8%	-27.5%	17.7%	-7.9%	-37.7%	30.5%	-3.4%	-11.3%	6.1%	58.8%	-20.7%
FRP	Corporate Bonds	-31.3%	-41.3%	-35.8%	9.8%	1.5%	-30.0%	-4.4%	-20.6%	-6.6%	-63.0%	-33.0%	11.6%	55.7%
FRP	First-year premium of life insurers	22.4%	-5.2%	14.8%	12.1%	23.0%	39.5%	21.6%	18.1%	23.5%	39.1%	5.1%	13.1%	20.7%
FRP	Gross premiums underwritten of non-life insurers	2.6%	1.6%	13.0%	0.0%	24.2%	13.7%	15.0%	9.7%	8.7%	8.4%	8.6%	15.9%	5.7%
PADOS	GoI's non-interest revex	12.2%	-37.2%	-2.8%	-17.3%	18.8%	-5.5%	-10.7%	-0.4%	52.3%	29.8%	5.1%	20.6%	NA
PADOS	Non-interest revex of States^	7.4%	3.4%	11.3%	-16.5%	37.1%	2.5%	11.3%	25.7%	-1.1%	5.7%	7.2%	-3.6%	NA

^includes data for 24 states excluding Arunachal Pradesh, Goa, Manipur, Mizoram; Source: CEIC, CMIE, ICRA Research

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