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

Economic activity posted strong expansion in June 2026; weak margins to compress GDP growth to 6.4-6.6% in Q1 FY2027

JULY 2026

#35YearsofUnwaveringCredibility

Highlights - I

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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, jumped to a 32-month high of 12.0% in June 2026 from 9.4% in May 2026. The uptick was broad based, with as many as 13 of the 16 constituent indicators seeing an acceleration in their YoY growth rates between these months. This likely reflects some favourable impact of the temporary ceasefire between the US and Iran on domestic activity, the large rainfall deficit of 40% in June 2026 (steepest in 12 years) that offered extended period for construction and mining activities, and a low base across some indicators. Given better-than-expected volume performance in June 2026 and Q1 FY2027 as a whole, ICRA currently projects the GDP to grow by a healthy 6.4-6.6% in Q1 FY2027. However, this is weaker than 7.7% in Q4 FY2026 and reflects the impact of high energy and commodity prices and limited availability of inputs on the margins of some sectors.

- **Growth in ICRA Business Activity Monitor at 32-month high 12.0% in June 2026:** After a gap of 3 months, economic activity, as measured by ICRA Business Activity Monitor displayed a double-digit YoY expansion of 12.0% in June 2026 (+9.4% in May 2026) – this is highest growth print in last 32 months. As many as 13 of the 16 constituent indicators saw an acceleration in their YoY performance in June 2026 compared to May 2026. This likely reflects some favourable impact of the temporary ceasefire between the US and Iran on domestic activity as well as the large rainfall deficit of 40% in June 2026 (steepest in 12 years) that offered an extended period for construction and mining activity (reflected in cement and mining output) and likely boosted footfalls for vehicle sales.
- **Newly-published core data revealed 5-month high growth of 5.0% in June 2026:** The Office of Economic Adviser, Government of India, recently published new data on the index of core industries with base year 2022-23, entailing inclusion of iron ore given its extensive use in the industrial sector. The combined weight of the 9 core industries is 32.9% of IIP with base 2022-23, as against 40.3% in the old IIP series. The YoY growth in core output rose to a 5-month high of 5.0% in June 2026 from 3.2% in May 2026, albeit led by just four of the nine sectors, including coal, iron ore, refinery and cement output. ICRA expects the IIP growth to print at 5-6% in June 2026 (+5.1% in May 2026).

Highlights – II

EXHIBIT: YoY growth (%) of ICRA Business Activity Monitor

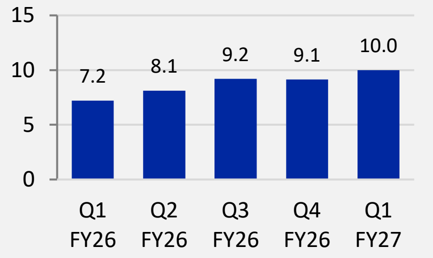
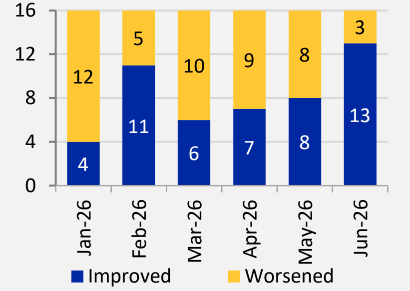


EXHIBIT: Number of indicators improved or deteriorated vs. previous month



Source: ICRA Research

- **All-India unemployment rate stood elevated at 5.5% in June 2026:** Rural labor market conditions stabilised after a sharp deterioration in May 2026, with the labour force participation rate (LFPR) and worker population ratio (WPR) unchanged at 56.6% and 53.8%, respectively, in June 2026 while the rural unemployment rate (UR) eased marginally to 5.0% from 5.1% in the previous month. However, it remained materially weaker than end-CY2025 levels and could face further downside amid sluggish kharif sowing progress this year so far. Meanwhile, in urban areas, a faster rise in LFPR vis-à-vis WPR led to a slight uptick in UR to 6.6% from 6.4% in May 2026, although the urban UR remains modestly lower than the corresponding year-ago and end-2025 levels.
- **India's GDP growth projected at 6.4-6.6% in Q1 FY2027:** The YoY growth in the ICRA Business Activity Monitor improved to a 10-quarter high of 10.0% in Q1 FY2027 from 9.1% in Q4 FY2026, led by an improvement in the YoY performance across 10 of the 17 non-agri indicators (including commercial vehicle output) between these quarters. These include automobile output (tailwinds from improved affordability post the GST rate cuts), mining output and electricity generation (owing to delayed monsoons), domestic airline passenger traffic, non-oil merchandise exports (partly boosted by high commodity prices), ports cargo traffic, cement output, and non-food bank credit. Notwithstanding healthy growth in volumes across several high frequency indicators, ICRA expects the YoY GDP growth to slow down to 6.4-6.6% in Q1 FY2027 from 7.7% in Q4 FY2026, amid a compression in margins owing to the surge in input costs, which is expected to weigh on the value-added growth across sectors.
- **Early data for July 2026 reflects mixed trends:** The pace of YoY expansion in the all-India electricity demand inched up to 12.2% during July 1-19, 2026 from 10.9% in June 2026, supported by higher temperatures amid deficient rains so far in the month. However, vehicle registrations have risen by 5% YoY during July 1-19, 2026, weaker than ~23% expansion in June 2026.

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

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 index surged to 32-month high of 12.0% in June 2026

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

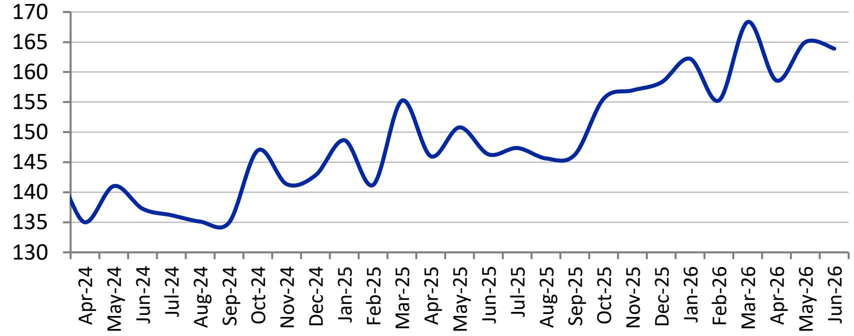
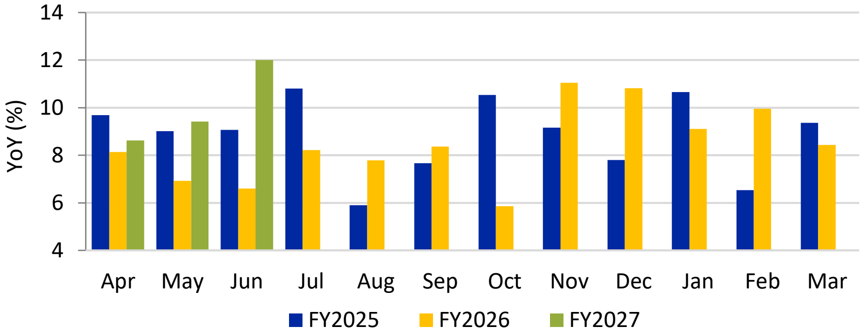


EXHIBIT: YoY growth of ICRA Business Activity Monitor



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 ICRA Business Activity Monitor (BAM) index accelerated to a 32-month high of 12.0% in June 2026 (+6.6% in June 2025) from 9.4% in May 2026 (+6.9% in May 2025), led by YoY improvement in as many as 13 of the 16 constituent indicators. This is likely on account of pick-up in economic activity post the temporary ceasefire between US and Iran from mid-June 2026 to early-July 2026. Further, the subdued rainfall in June 2026 (widest deficit in nearly 12 years) supported electricity generation and allowed an extended period for mining output and construction activity.
- The YoY performance of auto-related indicators like PV output (to +17.6% in June 2026 from +10.9% in May 2026), 2W output (to +28.1% from +12.7%), and vehicle registrations (to +23.2% from +11.2%) posted stronger expansion in June 2026, after witnessing a double-digit growth in May 2026. Additionally, ports cargo traffic (to +9.4% from +6.6%; benefiting from easing shipping disruption), non-oil exports (to +16.5% from +11.9%; partly boosted by commodity inflation and a low base), GST e-way bill generation (to +14.5% from +10.9%) saw a higher YoY expansion in June 2026 vis-à-vis May 2026. Moreover, financial indicators such as bank deposits and non-food credit, as well as fuel consumption including petrol (to +7.5% from +3.4%), and diesel (to +6.2% from +1.6%) reported a YoY improvement between these months, despite price hikes in the latter two.
- In contrast, the YoY performance of domestic air passenger traffic (to -1.0% from +9.5%), finished steel consumption (to +7.8% from +9.7%), and electricity generation (to +9.8% from +11.2%) deteriorated in June 2026 vis-à-vis May 2026, although the latter two remained quite healthy.

YoY performance across most non-agri indicators improved in June 2026 compared to May 2026

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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*													
Feb-26	9.8	30.4	22.1	26.5	0.5	2.3	6.4	3.8	18.8	7.9	9.1	0.2	6.1	4.3	12.1	14.3
Mar-26	9.0	29.6	18.3	26.2	4.0	0.8	-9.2	0.7	12.9	14.0	4.7	-0.9	7.6	8.0	13.5	15.3
Apr-26	12.8	27.6	28.8	13.7	-0.9	5.5	9.0	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	11.2	0.1	11.2	11.9	6.6	10.9	9.7	8.4	9.5	3.4	1.6	12.2	16.7
Jun-26	17.6	53.1	17.5	23.2	7.7	9.8	16.5	9.4	14.5	7.8	9.8	-1.0	7.5	6.2	12.7	17.8

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

Auto-related indicators (incl. PV and 2W output and vehicle registrations), GST e-way bill generations, mining output, and fuel consumption (petrol and diesel) accounted for the entire uptick in the YoY growth in the ICRA Business Activity Monitor in June 2026 vis-à-vis May 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 improved in June 2026 vs. June 2025

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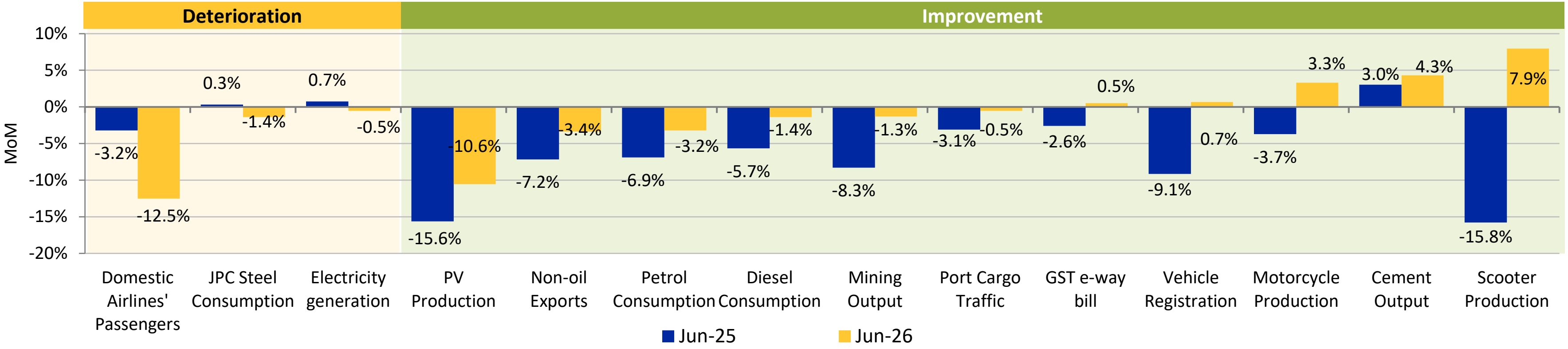
EXHIBIT: MoM performance of non-financial economic indicators in June 2025 and June 2026



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 0.7% in June 2026, echoing the typical seasonal trend of a MoM decline in June. Nevertheless, this was much narrower than the 3.0% dip seen in June 2025. Besides, this was the lowest MoM contraction seen in June in the past three years.
- Moreover, the trend was largely broad based across indicators, with 11 of the 14 non-financial indicators reporting a better MoM performance in June 2026 vis-à-vis June 2025, including auto output, non-oil exports (partly boosted by surge in commodity prices), ports cargo traffic, cement output, petrol and diesel consumption, GST e-way bills generation, vehicle registrations, and mining output.
- However, electricity generation, domestic airline passenger traffic (post peak summer season), and finished steel consumption recorded a weaker MoM performance in June 2026 vis-à-vis June 2025.

Newly-published core sector data revealed 5-month high growth of 5.0% in June 2026

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

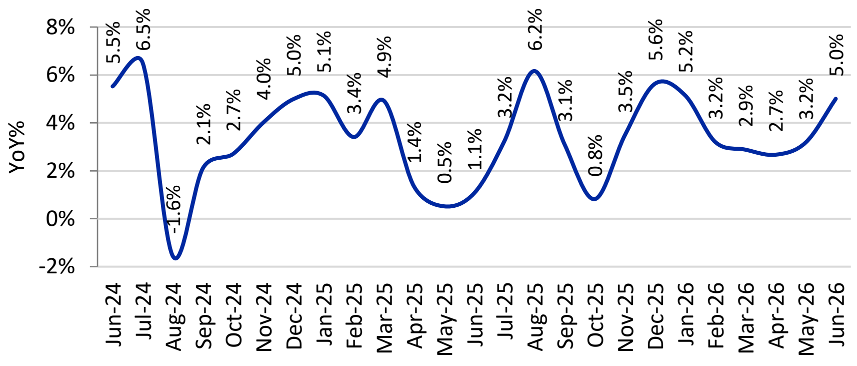
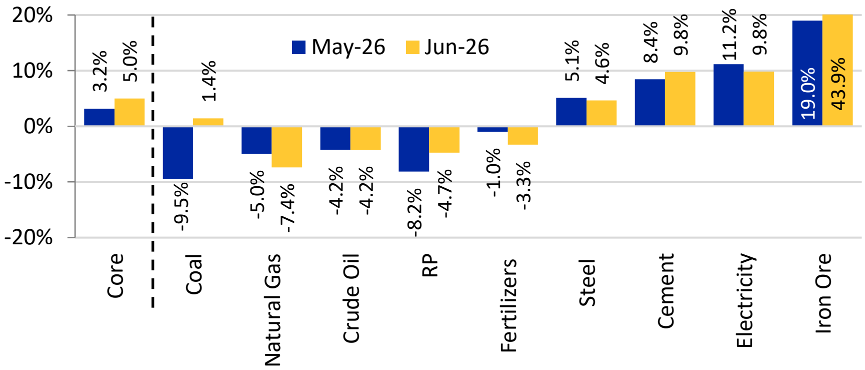


EXHIBIT: YoY performance of core sector and its sub-components



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

- The Office of Economic Adviser, GoI, recently published new data on the index of core industries with base year 2022-23, entailing increased number of coverage of sectors to 9 from 8 earlier in the 2011-12 series. The revised series include data on iron ore, given its extensive use in industrial production, while removing Coal Middling and Washed Coal from the coal index to avoid double counting. The combined weight of the nine core industries is 32.88% of IIP with base 2022-23, as against 40.27% in the old IIP series.
- As per the new series, the YoY growth in core output rose to a 5-month high of 5.0% in June 2026 from 3.2% in May 2026, although this was not broad based, led by an improvement in just four of the nine sectors between these months. Coal and iron ore output witnessed a marked improvement in their growth performance in June 2026 relative to May 2026, with the lull in rainfall in the month supporting mining activity. Growth in cement output also accelerated between these months, while the extent of the contraction in the output of refinery products narrowed sharply in June 2026 vis-à-vis May 2026.
- The steep rainfall deficit also augured well for electricity generation, which expanded by 9.8% in June 2026, only a tad slower than the previous month. Fertiliser output declined for the fourth straight month, likely reflecting the continued adverse impact of the West Asia tensions, while the growth in steel output slumped to a 21-month low of 4.6%.
- **Amid the uptick in core output growth in June 2026 relative to May 2026, ICRA expects the IIP growth to print at 5-6% in June 2026 (+5.1% in May 2026).**

All-India unemployment rate remained elevated at 5.5% in June 2026

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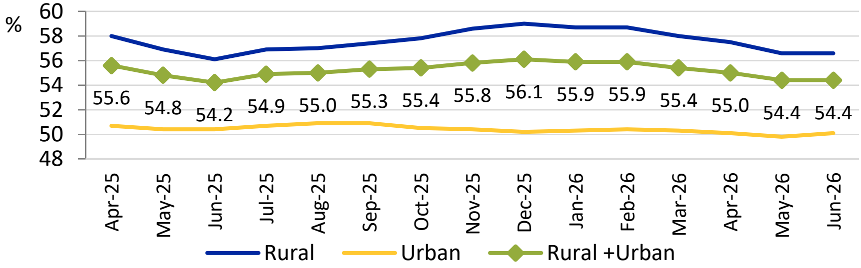
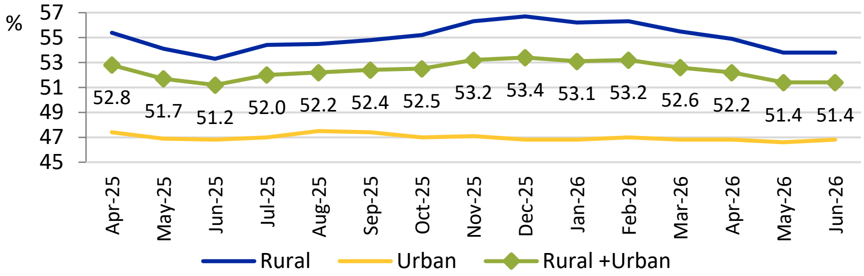
EXHIBIT: The all-India Labour Force Participation Rate (LFPR) remained stable at 54.4% in June 2026 relative to May 2026, though below the peak of 56.1% in December 2025, reflecting moderation in rural LFPR



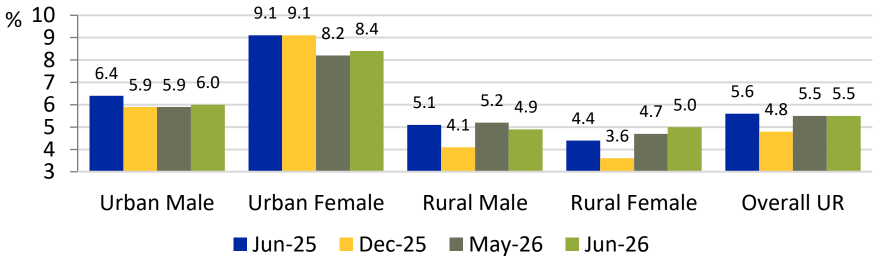
LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population; Based on CWS for persons of age 15 years and above; Source: PLFS- Bulletin, MOSPI; ICRA Research

EXHIBIT: Likewise, the all-India Worker-Population Ratio (WPR) remained unchanged at 51.4% in June 2026 vs. May 2026; although it stood significantly lower than 53.4% in December 2025, led by a sharp decline in rural areas.



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

EXHIBIT: The all-India unemployment rate (UR) edged-up from the lows seen in November-December 2025 to 5.5% in May-June 2026, although this was marginally below the year ago level (5.6% in June 2025)



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

- Following a pronounced deterioration in May 2026, rural labour market conditions remained broadly stable in June 2026, with the LFPR and WPR holding steady at 56.6% and 53.8%, respectively. While the rural UR eased marginally to 5.0% from a 12-month high 5.1% in May 2026, it remained above the levels recorded in Dec 2025 (3.9%) and June 2025 (4.9%).
- In urban areas, a relatively steeper increase in the LFPR (+30 bps to 50.1% in June 2026) vis-à-vis the WPR (+20 bps to 46.8%) led to a pick-up in the UR (+20 bps to 6.6% from 6.4%) in June 2026 compared to May 2026. Nevertheless, urban labor market conditions remained modestly better than December 2025 (UR: 6.7%) and June 2025 (7.1%).
- The UR for urban females remained elevated at 8.4% in June 2026, although this was lower than the 9.1% seen in the year ago month.

Growth in payment indicators remained healthy in June 2026

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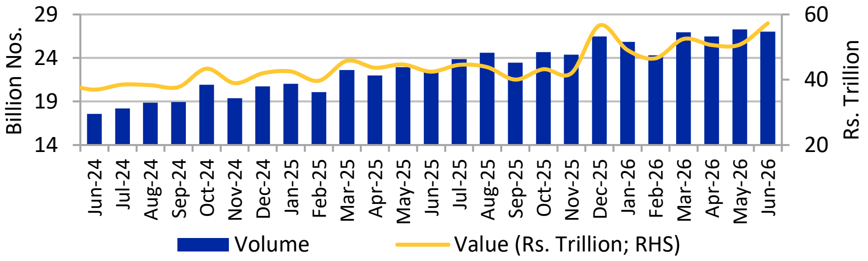
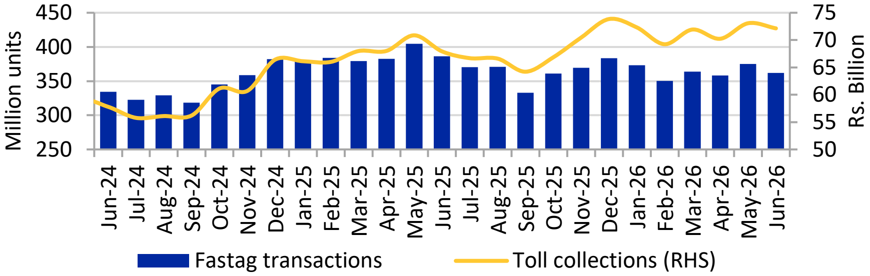
EXHIBIT: The YoY growth in retail transaction volume and value remained robust at 19.7% and 34.9%, respectively, in June 2026, improving from 19.0% and 13.6% in May 2026



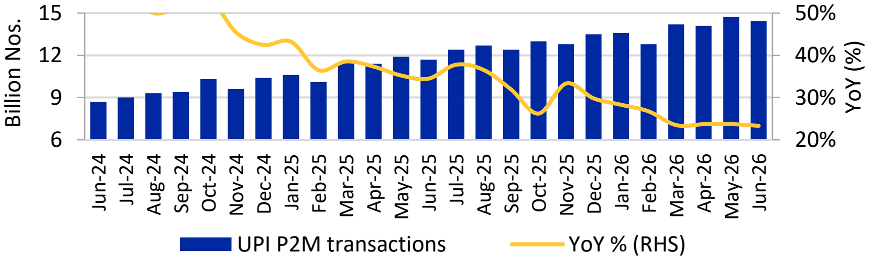
Source: National Payments Corporation of India (NPCI), ICRA Research

EXHIBIT: FASTag transaction volumes fell by 6.3% YoY in June 2026 (-7.2% in May 2026), the sixth consecutive month of contraction; toll collections saw a modest growth of 6.2% in the month (+3.1% in May 2026)



Source: NPCI, ICRA Research

EXHIBIT: The UPI P2M transactions saw a robust YoY growth of ~23% in June 2026, broadly in line with the growth seen in the last three months; groceries & fast food restaurants accounted for 44% of the expansion in volumes



**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 continued to contract on a YoY basis through January-June 2026, declining by 6.3% in June 2026 (vs. -7.2% in May 2026). However, toll collections expanded by 6.2% YoY in the month (vs. +3.1% in May 2026), reflecting higher toll realisation per transaction.
- Pan-India UPI P2M transaction volumes fell by 2.0% MoM in June 2026, although YoY growth remained robust at 23.2% (vs. +24.2% in May 2026). Grocery & supermarkets, and fast-food restaurants accounted for 44% of the YoY increase in volumes (down from 48% in May 2026), with the growth in these categories moderating. Meanwhile, transactions on gas and utilities fell by 15.8% YoY (-17.3% in May 2026), likely reflecting the impact of LPG price hikes.

Notwithstanding uptick in volume growth, GDP growth is set to moderate in Q1 FY2027 vis-à-vis Q4 as surge in input costs weighs on margins

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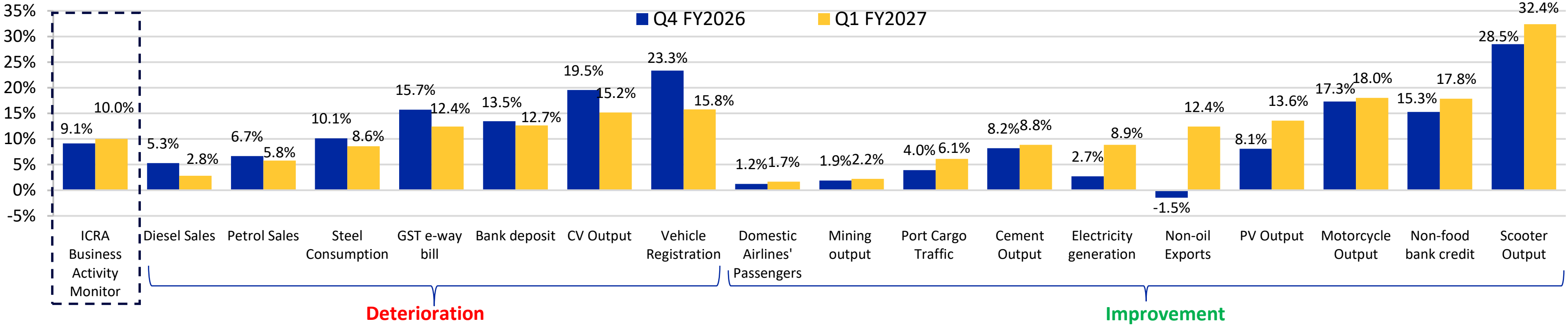
EXHIBIT: YoY performance of high frequency non-agri indicators in Q4 FY2026 and Q1 FY2027



Source: CIL; Ministry of Commerce, GoI; Indian Railways; Indian Ports Association; JPC; RBI; PPAC; CMIE; PPAC; CEA; GSTN; DGCA; Ministry of Road Transport and Highways; CEIC; ICRA Research

- The YoY growth in the ICRA Business Activity Monitor improved to a 10-quarter high of 10.0% in Q1 FY2027 (+7.2% in Q1 FY2026) from 9.1% in Q4 FY2026 (+8.9% in Q4 FY2025), led by an improvement in the YoY performance across 10 of the 17 non-agri indicators between these quarters, partly aided by a favourable base.
- The YoY growth in auto output (PV+2W) accelerated in Q1 FY2027 vis-à-vis Q4 FY2026, printing in double digits, amid tailwinds from improved affordability post the GST rate cuts. Additionally, the YoY growth in mining output, domestic airlines passenger traffic, electricity generation (owing to elevated temperatures amid delayed monsoon), non-oil exports (boosted by high commodity prices), ports cargo traffic, cement output, as well as non-food bank credit saw an uptick between these quarters, even as the improvement in most indicators was supported by a favourable base. However, some mobility-related indicators such as petrol and diesel consumption, GST e-way bills, vehicle registrations (albeit remaining healthy), CV output, as well as bank deposits moderated on a YoY basis in Q1 FY2027 compared to the previous quarter.
- **Notwithstanding healthy growth in volumes across several high frequency indicators, ICRA expects the YoY GDP growth to slow down to 6.4-6.6% in Q1 FY2027 from 7.7% in Q4 FY2026, amid a compression in margins owing to the surge in input costs, which is expected to weigh on the value added across sectors.**

Financial conditions eased somewhat in early-July 2026

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EXHIBIT: Heatmap of high frequency indicators pertaining to financial conditions

Financial Indicators*	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
WAMMR spread (bps)	-18	-17	-11	-10	-23	-7	-4	-53	-14	-28	-12	-5	-5
Net LAF/NDTL (%)	1.3	1.2	0.6	0.4	0.7	0.3	0.2	1.0	0.7	1.4	0.6	0.3	0.4
Yield curve level (%)	6.12	6.27	6.31	6.23	6.25	6.31	6.39	6.38	6.44	6.58	6.69	6.53	6.41
Yield curve slope (bps)	102	105	111	110	113	129	129	140	141	170	164	158	147
3Y AAA spread (bps)	95	80	91	100	100	103	111	109	118	106	122	116	114
5Y AAA spread (bps)	111	91	92	102	88	92	96	103	103	98	106	104	102
BSE Sensex return (%)	-2.9	-1.7	0.6	4.6	2.1	-0.6	-3.5	-1.2	-11.5	6.9	-2.8	2.3	2.2
PE level vs. 2YMA	100.8	96.7	96.5	98.6	99.5	101.0	100.1	99.7	92.0	93.5	91.5	91.9	94.7
India VIX	1,847	1,809	1,834	1,846	1,874	1,876	1,867	1,863	1,744	1,743	1,770	1,746	1,786
India-US yield differential (bps)	201	232	251	249	249	253	253	264	257	269	255	245	223
INR return (%)	-2.1	-0.7	-0.8	0.1	-0.7	-0.6	-2.0	0.7	-3.5	-0.6	-0.1	0.4	-1.7
1M forward premia (%/annum)	1.61	1.72	1.90	1.95	1.91	3.93	2.81	1.83	4.00	3.57	3.54	3.14	2.86

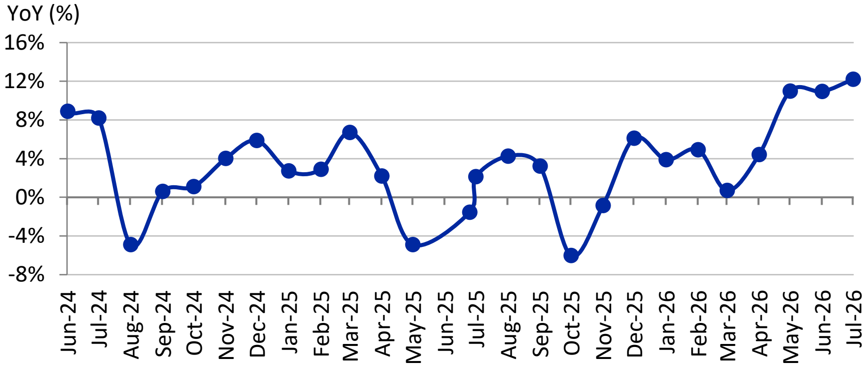
Easier financial conditions — **Neutral** — **Tighter financial conditions**

Financial conditions eased somewhat in early-July 2026, relative to June 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 credit spreads on corporate bonds, etc.

*Data for July 2026 is up to July 17, 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*

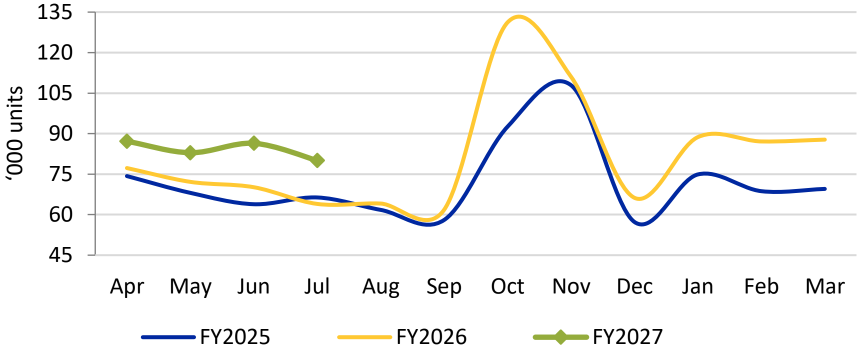
Healthy YoY growth recorded in electricity demand in July 2026 so far, even as that in vehicle registrations slowed

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



Data for July 2026 is till July 19; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level



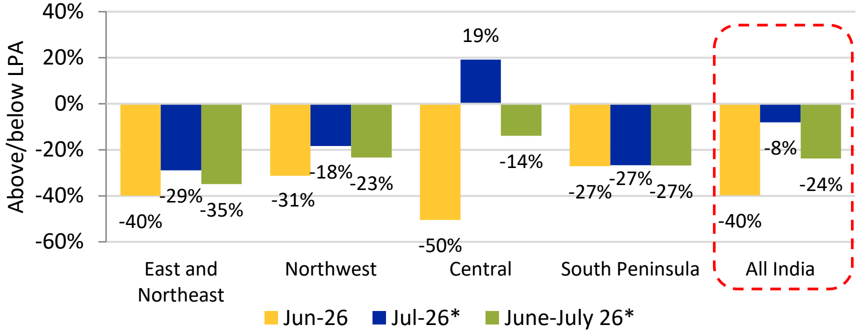
Data for July 2026 is till July 19; Source: Vahan, MoRTH; ICRA Research

- The pace of YoY expansion in the all-India electricity demand rose to 12.2% during July 1-19, 2026 from 10.9% in June 2026, supported by higher temperatures amid deficient rains so far in the month. Despite a pick up in SW rains in July 2026 so far vis-à-vis June 2026, the average electricity demand has remained elevated at 5.5 BU/day, similar to the levels seen in the previous month (albeit higher than 5.0 BU/day in July 2025).
- The average daily vehicle registrations have risen by ~5% YoY to 80.0k/units in July 2026 so far (July 1-19), significantly trailing the pace of YoY growth seen in June 2026 (+23.2%). Moreover, these were a sharp ~14% lower relative to the levels seen during June 1-19, 2026. Nevertheless, the YoY growth in vehicle registrations has remained quite strong since October 2025, primarily supported by the sustained demand boost following the GST rate cut. Looking ahead, even distribution and timely progress of monsoon rainfall remains a key monitorable.

Spatial and temporal distribution of monsoon in July-August 2026 key to support agri output and contain upswing in food prices

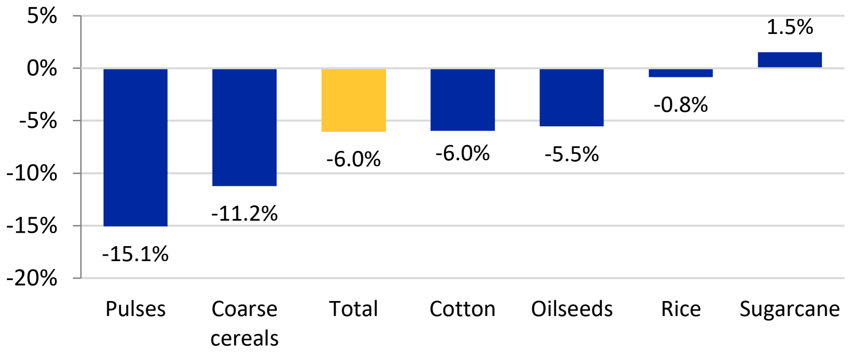
ICRA

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



**until July 19, 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 July 17, 2026



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

- Following a delayed onset, along with an intermittent rainfall and an extended dry spell in June 2026 (deficient at 60% of LPA), the SW Monsoon witnessed a transient pick up in July 2026 (92% of LPA during July 1-19, 2026).
- Following the heavy rains seen in the early part of July 2026 (49% above LPA during July 1-7), the rainfall momentum slowed down thereafter (40% below LPA during July 8-19), which led to a substantial jump in sowing activity in the recent week. As a result, the cumulative area sown under kharif crops stood at 65.8 million hectare as on July 17, 2026, a modest 6.0% lower than the year-ago level (vs. a YoY decline of 16.0% as on July 10, 2026 and ~21% as on July 5, 2026).
- India receives ~32% of its entire season rainfall in the month of July, followed by 29% in August. Further, ~55% of the total area sown in the kharif season, is typically covered in July, with this proportion being much higher for crops such as pulses (65%), oilseeds (66%) and coarse cereals (62%). This is important as 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 and its impact on the kharif crop output.
- **Overall, ICRA believes that adequate rainfall during the remainder of July and August remains crucial to support sowing and agricultural output, and limit food inflationary pressures in the fiscal.**

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 9.4% in May 2026 from 8.6% in April 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 May 2026 was released on June 29, 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 May 2026 was available by June 24, 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

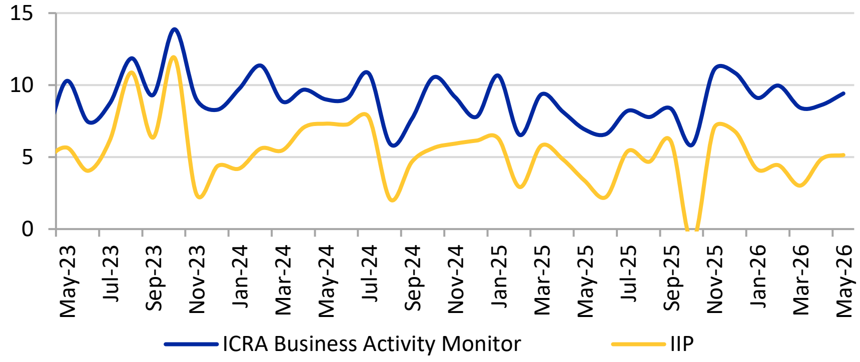
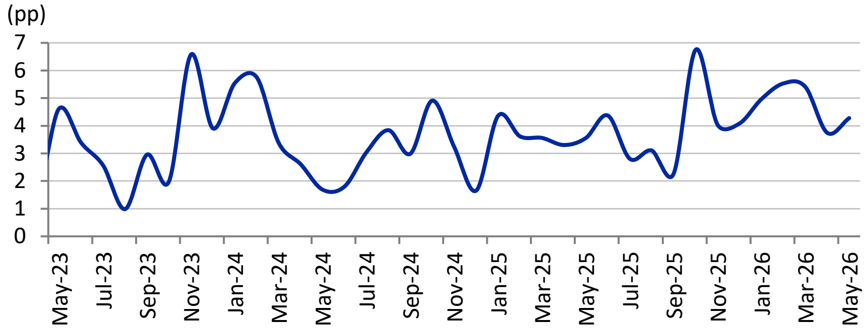


EXHIBIT: Deviation in YoY growth between ICRA Business Activity Monitor and IIP

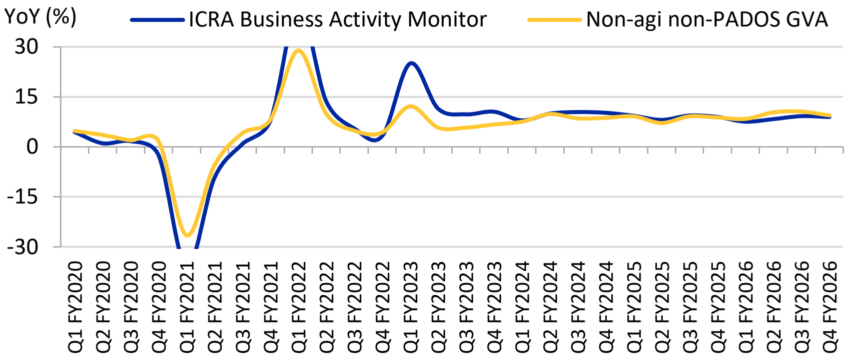


Data for IIP growth from April-23 to March-24 is as per the 2011-12 base year, and from April-24 onwards is as per the new 2022-23 base year; Source: ICRA Research

- 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 55, respectively, of the 86 months between April 2019 and May 2026.
- Further, the ICRA Business Activity Monitor correctly predicted the YoY growth accelerations and decelerations in the IIP on 69 of the 86 occasions during this period. The deviations in the YoY growth between the ICRA Business Activity Monitor and the IIP were positive/negative in 75/11 of the 86 months.

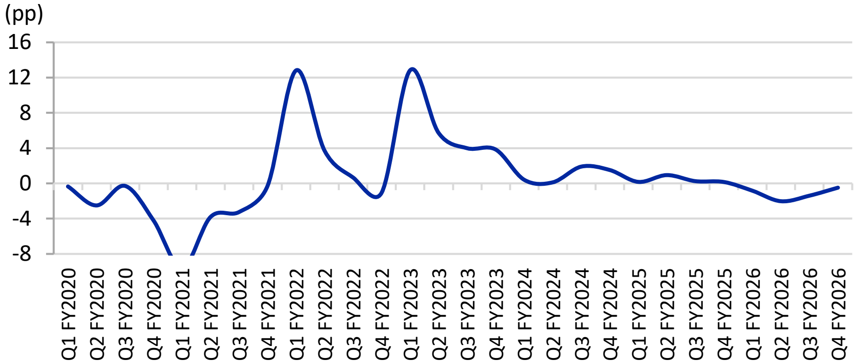
Annexure A.3: ICRA Business Activity Monitor

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



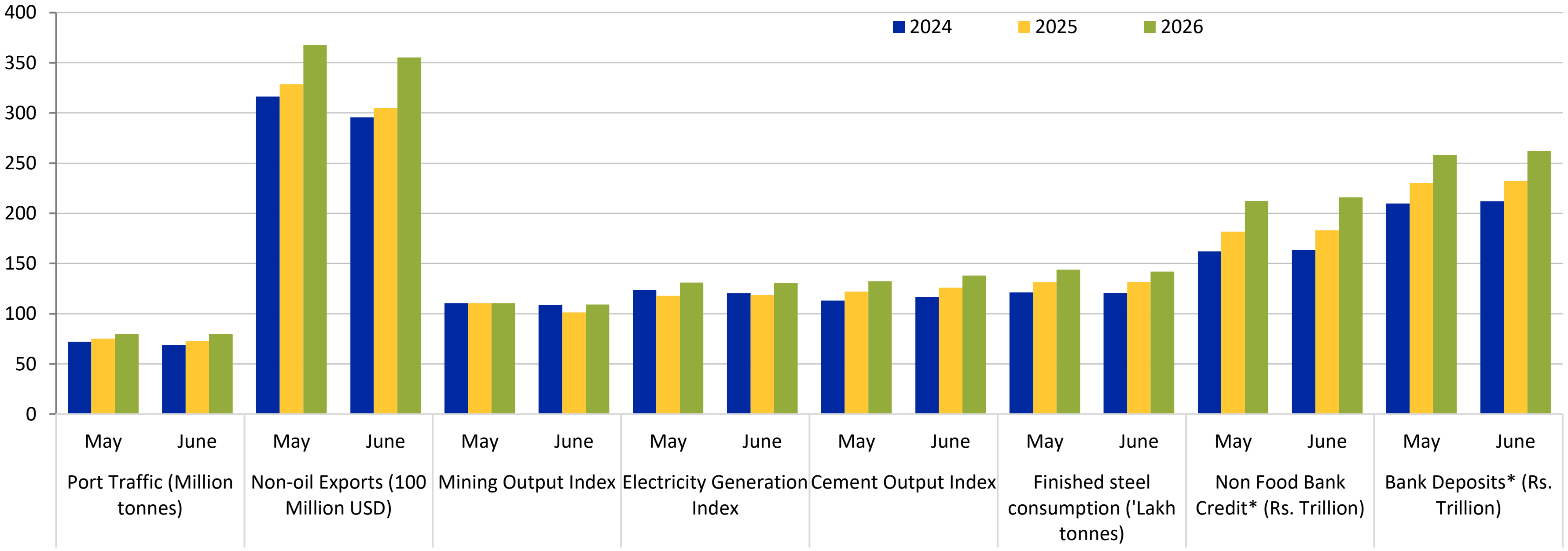
Source: ICRA Research

- 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 recorded a YoY growth in June 2026

ICRA

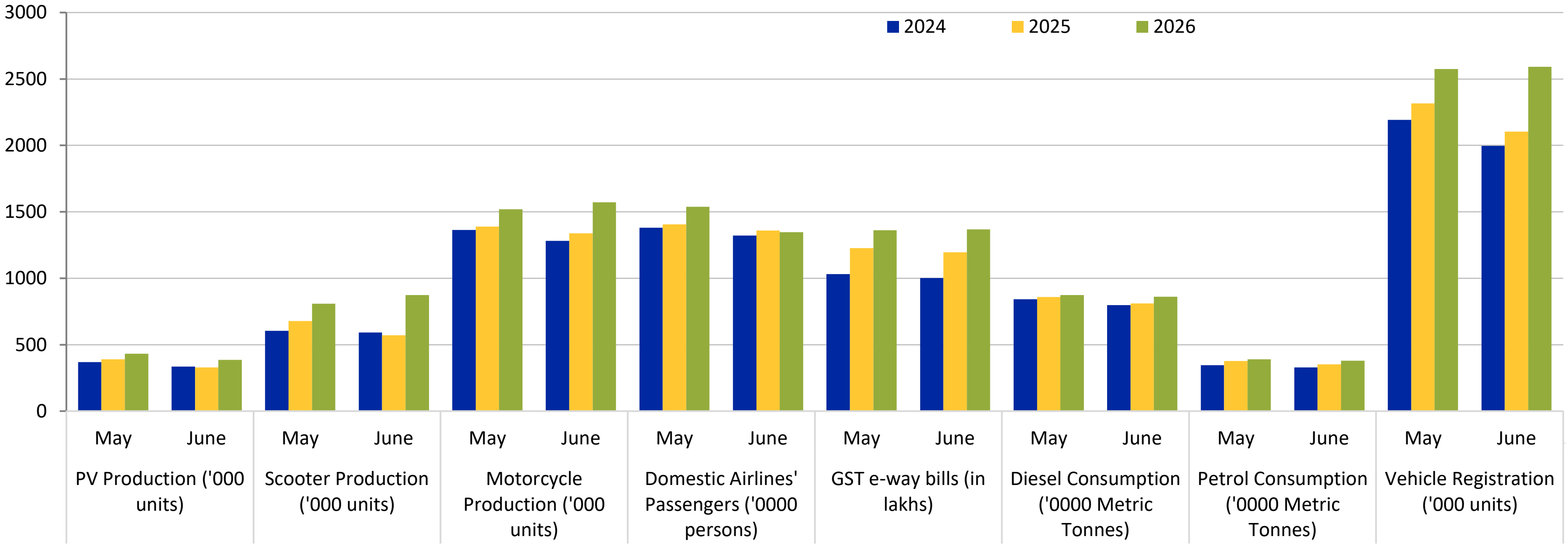
EXHIBIT: Trends in Volumes for Last Three Years in May and June (Part - I)



**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 May 2026 and June 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 recorded a YoY growth in June 2026

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



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

Annexure C: Detailed explanation on financial indicators

ICRA

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

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

Sector	Indicator	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Agri/Rural														
	Monsoon (deviation from normal)	8.9%	4.9%	5.5%	15.6%	48.8%	-42.8%	-68.6%	-31.6%	-81.1%	12.7%	-10.9%	1.8%	-39.8%
	2W registrations	5.0%	-6.4%	2.5%	6.6%	51.8%	-2.6%	10.6%	20.8%	25.3%	29.0%	13.6%	8.4%	21.7%
	Tractor registrations	8.1%	11.0%	31.6%	4.6%	13.9%	58.0%	15.4%	23.2%	37.1%	12.6%	25.3%	16.0%	31.1%
Industry														
Manufacturing	PMI-Mfg (Index)	57.8	58.7	59.3	57.8	60.3	56.1	54.1	54.8	57.2	54.6	53.9	56	53.6
Manufacturing	IIP-Manufacturing	2.4%	5.1%	3.6%	5.5%	-0.7%	8.8%	7.7%	4.6%	5.7%	4.0%	6.1%	5.5%	NA
Manufacturing	IIP-Consumer Durables	1.4%	3.9%	0.9%	4.6%	-6.0%	13.0%	7.4%	-0.2%	4.2%	2.4%	5.6%	7.2%	NA
Manufacturing	IIP-Consumer Non-durables	-2.0%	5.8%	0.1%	-0.5%	-9.4%	3.9%	5.9%	-1.2%	1.6%	-0.6%	0.2%	3.6%	NA
Manufacturing	IIP-Intermediate Goods	3.1%	3.5%	3.3%	6.4%	1.2%	8.2%	7.7%	5.6%	4.7%	6.0%	10.3%	5.8%	NA
Manufacturing	IIP-Capital Goods	3.4%	5.9%	6.0%	13.2%	5.4%	16.6%	12.9%	12.4%	16.5%	8.5%	12.0%	12.9%	NA
Manufacturing	PV output	-1.8%	0.1%	-4.1%	16.1%	9.8%	22.8%	23.1%	5.6%	9.8%	9.0%	12.8%	10.9%	17.6%
Manufacturing	2W Output	1.5%	12.3%	10.0%	9.8%	-5.6%	20.9%	39.9%	16.1%	24.4%	22.0%	28.1%	12.9%	28.3%
Manufacturing	3W Output	8.6%	24.0%	15.8%	15.9%	15.9%	55.4%	39.6%	33.2%	29.9%	34.0%	41.6%	32.9%	42.8%
Manufacturing	Tractor Output	9.8%	11.5%	9.4%	23.0%	13.0%	37.5%	57.9%	14.6%	80.0%	28.6%	18.1%	15.5%	10.2%
Manufacturing	Exports	-1.3%	13.3%	5.7%	6.0%	-12.5%	18.6%	1.1%	0.4%	-0.8%	-7.4%	14.2%	18.0%	15.5%
Manufacturing	Capital goods imports	-2.7%	13.1%	-4.1%	13.1%	12.6%	15.2%	19.5%	12.2%	13.1%	8.0%	11.2%	7.8%	NA
Mining	IIP-Mining	4.1%	10.7%	15.8%	15.7%	2.8%	3.3%	0.8%	-0.5%	-2.4%	-2.6%	-3.8%	-1.6%	NA
Mining	Metallic Minerals	-16.2%	-5.8%	6.1%	2.7%	8.9%	18.7%	21.2%	14.6%	10.2%	28.5%	12.4%	18.3%	NA
Mining	Non-metallic Minerals	33.4%	69.3%	67.2%	74.4%	12.4%	0.9%	-6.9%	-6.9%	-9.6%	-17.1%	-10.3%	-6.1%	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	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Industry														
Mining	Coal	-6.8%	-12.3%	10.8%	-1.1%	-8.4%	2.2%	3.7%	0.9%	1.4%	-4.0%	-9.0%	-9.5%	1.4%
Mining	Crude oil	-0.5%	-0.8%	-0.7%	-0.7%	-0.8%	-2.6%	-5.1%	-5.4%	-4.8%	-5.3%	-3.2%	-4.2%	-4.2%
Mining	Natural Gas	-3.0%	-3.3%	-2.2%	-3.7%	-5.2%	-2.5%	-4.4%	-4.9%	-5.0%	-3.7%	-4.2%	-5.0%	-7.4%
Electricity	Electricity demand	-1.5%	2.1%	4.3%	3.2%	-6.0%	-0.8%	6.1%	3.9%	4.9%	0.7%	4.4%	11.0%	10.9%
Electricity	Electricity generation	-1.2%	3.7%	4.2%	3.1%	-7.0%	-1.5%	6.2%	5.1%	2.3%	0.8%	5.5%	11.2%	9.8%
Construction	IIP-Other NMMP	4.4%	8.1%	1.8%	5.9%	2.3%	10.1%	10.9%	7.8%	7.8%	2.0%	3.3%	1.6%	NA
Construction	Finished steel consumption	9.1%	8.8%	8.5%	8.1%	2.1%	7.2%	4.5%	8.2%	7.9%	14.0%	8.1%	9.7%	7.8%
Construction	M&HCV (Trucks)	0.5%	-5.2%	-1.2%	-3.8%	2.0%	23.2%	27.3%	19.9%	38.8%	25.6%	14.7%	10.0%	15.2%
Construction	Infra Credit	0.8%	3.4%	3.5%	5.0%	4.6%	4.3%	7.2%	6.4%	7.9%	9.2%	10.1%	11.6%	NA
Construction	IIP-Infra/construction goods	6.6%	11.2%	9.2%	9.8%	5.1%	12.0%	12.3%	12.9%	10.1%	5.2%	6.0%	5.9%	NA
Construction	Cement output	7.9%	11.1%	5.4%	5.1%	5.2%	15.1%	14.0%	11.3%	9.1%	4.7%	8.3%	8.4%	9.8%
Construction	Steel output	10.2%	15.7%	15.3%	14.3%	9.5%	11.6%	11.1%	13.8%	9.9%	9.6%	4.7%	5.1%	4.6%
Construction	GoI's capex	43.7%	-10.5%	113.1%	30.9%	-28.3%	-13.8%	-24.5%	-24.5%	59.6%	-41.8%	18.8%	-0.6%	NA
Construction	States Capital outlay and net lending^	38.0%	-5.9%	5.7%	-6.0%	6.9%	26.5%	43.0%	16.2%	8.3%	-2.0%	-1.8%	6.8%	NA
Services														
	PMI-Services (Index)	60	59.3	63	61	60.2	60.3	58.2	59.1	59.6	58.1	57.7	59.1	56.6
THTCS	Port cargo traffic	5.5%	4.0%	2.5%	11.5%	11.9%	14.6%	12.8%	7.6%	3.8%	0.7%	2.4%	6.6%	9.4%
THTCS	GST e-way bill	19.3%	25.8%	22.4%	21.0%	8.2%	27.6%	23.5%	15.8%	18.8%	12.9%	11.8%	10.9%	14.5%

^includes data for 22 states excluding Arunachal Pradesh, Bihar, Goa, Manipur, Mizoram, and West Bengal; Source: CEIC, CMIE, ICRA Research

Annexure D.3: Monthly trends across high frequency indicators

ICRA

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

Sector	Indicator	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Services														
THTCS	Domestic air passenger traffic	3.0%	-2.9%	-1.4%	-2.9%	2.7%	6.9%	-4.1%	4.4%	0.2%	-0.9%	-3.5%	9.5%	-1.0%
THTCS	Domestic air freight traffic	2.6%	4.8%	7.1%	2.8%	-2.3%	20.5%	4.6%	8.7%	18.5%	10.8%	7.0%	10.7%	NA
THTCS	Rail freight traffic	0.9%	0.0%	8.5%	3.9%	2.3%	4.2%	3.2%	2.9%	4.0%	3.1%	-1.0%	1.4%	4.0%
THTCS	ATF consumption	3.3%	-2.3%	-2.9%	-0.8%	2.1%	5.4%	0.2%	5.5%	4.0%	0.7%	-0.1%	0.9%	0.0%
THTCS	Diesel consumption	1.5%	2.3%	1.2%	6.5%	-0.3%	4.8%	5.2%	3.3%	4.3%	8.0%	0.8%	1.6%	6.2%
THTCS	Petrol consumption	6.8%	5.9%	5.5%	8.0%	7.4%	2.6%	7.1%	6.1%	6.1%	7.6%	6.8%	3.4%	7.5%
THTCS	Telephone subscribers	0.4%	0.5%	1.1%	2.2%	2.6%	8.2%	8.5%	9.5%	9.6%	10.0%	10.4%	10.5%	NA
FRP	Services exports	12.0%	10.4%	2.8%	12.6%	2.2%	6.7%	13.0%	9.8%	9.7%	7.2%	12.7%	2.8%	2.9%
FRP	NFBC	12.1%	9.9%	9.9%	10.2%	11.1%	11.4%	12.6%	13.5%	14.3%	15.3%	15.3%	16.7%	17.8%
FRP	Bank Deposits	9.7%	10.2%	10.2%	9.5%	9.7%	10.2%	11.0%	11.6%	12.1%	13.5%	12.2%	12.2%	12.7%
FRP	CPs	-1.5%	45.5%	-17.3%	33.8%	-27.5%	17.7%	-7.9%	-37.7%	30.5%	-3.4%	-11.3%	6.1%	58.8%
FRP	Corporate Bonds	55.4%	-31.3%	-41.3%	-36.0%	9.9%	1.4%	-30.2%	-4.4%	-20.6%	-6.9%	-63.0%	-33.4%	35.7%
FRP	First-year premium of life insurers	-3.1%	22.4%	-5.2%	14.8%	12.1%	23.0%	39.5%	21.6%	18.1%	23.5%	39.1%	5.1%	13.1%
FRP	Gross premiums underwritten of non-life insurers	5.3%	2.6%	1.6%	13.0%	0.0%	24.2%	13.7%	15.0%	9.7%	8.7%	8.4%	8.6%	15.9%
PADOS	GoI's non-interest revex	9.0%	12.2%	-37.2%	-2.8%	-17.3%	18.8%	-5.5%	-10.7%	-0.4%	52.3%	29.8%	5.1%	NA
PADOS	Non-interest revex of States^	20.6%	7.8%	2.6%	6.0%	-18.0%	43.8%	7.0%	4.4%	26.7%	-1.7%	3.8%	-0.2%	NA

^includes data for 22 states excluding Arunachal Pradesh, Bihar, Goa, Manipur, Mizoram, and West Bengal; Source: CEIC, CMIE, ICRA Research

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