

## PRESS RELEASE

July 18, 2022

**Economic activity on fast track, more broad-based  
vis-à-vis pre-Covid levels in June 2022: ICRA**

ICRA highlighted that the momentum of Indian economic activity strengthened and became more broad-based in June 2022, relative to the previous month, when compared with the pre-Covid levels. The ratings agency pegged the YoY GDP growth for Q1 FY2023 at 12.5-13%, taking into account the low base as well as the impact of high commodity prices on demand and the margins of India Inc., and the relatively subdued rabi harvest of some crops. Looking ahead, robust demand for services and the recent fall in commodity prices suggest an upside to ICRA's GDP growth forecast of 6.5-7.0% for Q2 FY2023.

**Ms. Aditi Nayar, Chief Economist, ICRA Ltd** said: *"The ICRA Business Activity Monitor reported an encouraging month-on-month (MoM) and pre-Covid performance in June 2022. The Index dipped by 1.2% to 117.0 in June 2022 from 118.4 in May 2022, the decline being significantly lower than the 3.9% seen in June 2019, with as many as 10 of the 14 non-financial indicators reporting a better MoM performance. The performance, relative to pre-Covid levels, also improved with the ICRA Business Activity Monitor surpassing the June 2019 levels by 15.2% in June 2022 (+12.0% in May 2022). Moreover, 10 of the 14 non-financial indicators exceeded their pre-Covid volumes in June 2022, relative to eight each in Apr-May 2022, highlighting that the recovery broad-based in the just-concluded month."*

The year-on-year (YoY) expansion of the ICRA Business Activity Monitor - an index of high frequency economic indicators\*, expectedly moderated to 22.5% in June 2022 from 39.2% in May 2022 on account of the base normalisation related to lifting of state-wise restrictions post the Covid 2.0 wave. As many as 14 of the 16 indicators witnessed an easing in YoY growth in June 2022 relative to May 2022. In contrast, ports cargo traffic and non-food bank credit reported higher growth in June 2022, compared to May 2022.

The Index averaged at 117.2 in Q1 FY2023, a YoY expansion of 25.4% on the back of the low base. Encouragingly, it exceeded the pre-Covid activity of Q1 FY2020 by a healthy 14.5%, led by higher volumes of the CIL output, electricity generation, non-oil exports, rail freight, steel and petrol consumption. *"Notwithstanding higher pre-Covid volumes for a majority of the indicators in Q1 FY2023, the spike in global commodity prices following the escalation of the Russia-Ukraine conflict for a larger part of the quarter is expected to have compressed demand for goods as well as the margins of corporates, impacting value-added growth. Moreover, agricultural GVA growth is likely to have been subdued in Q1 FY2023, following the heatwave seen in several parts of the country. On balance, ICRA projects the YoY expansion in GDP in Q1 FY2023 at 12.5-13%, lower than the Monetary Policy Committee's forecast of 16.2%,"* **Ms. Nayar** added.

The early data for July 2022 is depicting a weak picture so far, with a YoY dip in electricity demand and daily average registration of vehicles, although they are partly dulled by the continued base normalisation. *"The demand for services has been strong in the recent period, as evinced by high frequency indicators such as air passenger traffic and hotel occupancy rates and is expected to drive GDP growth in FY2023. The recent correction in key commodity prices, including crude oil, amid fears of a global recession, is likely to ease the pressure on input costs and hence, margins of the India Inc. in the immediate term. If this downtrend sustains, we see a tangible upside to our estimate of the YoY GDP growth of 6.5-7.0% for Q2 FY2023,"* **Ms. Nayar** reiterated.

The ICRA Business Activity Monitor is a composite indicator that comprises auto production (two-wheelers and PVs), vehicle registrations, output of Coal India Limited, 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 scheduled commercial banks.

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[ICRA Business Activity Monitor implies Indian economic activity was robust, albeit uneven, in April 2022: ICRA](#)

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