

PRESS RELEASE
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Festive season boosts most non-auto lead indicators in October 2021: ICRA

- **Early data for November 2021 reveals slackening of momentum**

ICRA highlighted that a majority of the high frequency indicators displayed a seasonal rise in month-on-month (MoM) terms, but more importantly, they bettered their pre-Covid performance in October 2021. Despite an unfavourable base, eight of the 15 indicators witnessed a year-on-year (YoY) improvement in October 2021, relative to September 2021.

According to **Ms. Aditi Nayar, Chief Economist, ICRA Ltd:** *“The imprint of the festive season was visible in most indicators of economic activity and mobility in October 2021, which also benefited from resilient external demand as well as growing confidence engendered by rising vaccine coverage. While the early data for November 2021 displays a slackening of momentum, a larger number of holidays in the early part of the month is concealing the signals related to the strength of demand after the surge seen during the festive period.”*

The YoY performance of eight of the 15 high-frequency indicators improved in October 2021 compared to September 2021, such as the output of Coal India Limited (CIL; in a bid to shore up the supplies of coal to power plants), electricity generation, non-oil merchandise exports, rail freight, ports cargo traffic, passenger vehicle (PV) production as well as bank deposits and non-food bank credit of scheduled commercial banks. While six indicators witnessed a worsening YoY performance in October 2021, relative to the previous month, such as the output of motorcycles and scooters, GST e-way bills, domestic airlines’ passenger traffic, as well as consumption of petrol and diesel, the deterioration recorded by five of these six indicators (except scooters’ output) was primarily on account of the base effect. Notably, the YoY contraction in retail demand for vehicles remained unchanged in October 2021 at the previous month’s level.

Encouragingly, as many as 11 of the 13 non-financial indicators posted a rise in MoM terms in October 2021, reflecting a combination of factors such as festive season pick-up (GST e-way bills, PV and motorcycle output, vehicle registrations, rail freight, fuel consumption), buoyant external demand (non-oil exports and ports cargo traffic), prioritising coal supply to power plants (CIL output), as well as rising vaccine-led confidence to travel (domestic airlines’ passenger traffic).

Moreover, the trend was favourable when compared to the pre-Covid volumes of October 2019, with nine of the 13 non-financial indicators (except domestic airlines’ passenger traffic, vehicle registrations, and output of PVs and scooters) recording an improvement in October 2021. In addition, FASTag toll collections and retail payments rose to all-time highs in October 2021, while the mobility for retail and recreation recorded a modest pick-up compared to the previous month.

“Festive season stocking as well as widening economic recovery resulted in generation of record-high GST e-way bills in October 2021, surpassing the March 2021 peak. Accordingly, the GST collections in November 2021 (for transactions that had happened in October 2021) are likely to exceed the prevailing highest collections recorded in April 2021 of Rs. 1.4 trillion, for transactions that had occurred in March 2021 before the second wave reared up,” **Ms. Nayar** said.

“Early data for November 2021 reveals that the daily average generation of the GST e-way bills declined to 1.9 million during November 1-21, 2021 from the record high 2.4 million in October 2021. In addition, the YoY growth in electricity demand eased to a muted 0.9% during November 1-22, 2021 from 3.1% in October 2021, and rail

freight growth moderated to 3.7% YoY during November 1-10, 2021 from 8.4% in October 2021. While the sales of state refiners in the first half of November 2021 of petrol grew in YoY and pre-Covid terms, that of diesel declined. While the early data for November 2021 is admittedly dull, it remains to be seen whether this reflects the satiation of pent-up demand, post the festive season or the higher number of holidays in early November 2021,” Ms. Nayar added.

The monthly indicators tracked by ICRA include the production of PVs, motorcycles, scooters, vehicle registrations, output of CIL, electricity generation, non-oil merchandise exports, ports cargo traffic, rail freight traffic, generation of GST e-way bills, domestic airlines’ passenger traffic, consumption of petrol and diesel, aggregate deposits and non-food credit of scheduled commercial banks.

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