

iD80 INDEX

The Diffusion Index by ICICI Bank



What is iD80 Index telling us?

Corroborating with on-ground real economic activity, the movement in ICICI Bank's iD80 index can be defined into three phases: Lockdown (March-April); Opening-up (May-August); Normalisation (September onwards). While the index plummeted during the lock-down phase, it has seen an uneven pace of recovery over the last few months (opening-up phase), as the economy tried to gain footing with lockdowns getting lifted, even as COVID infection spread continued. Traction seen in September due to commencement of the festival season continued in October aided by higher consumer demand, inventory replenishment and higher mobility due to festival season. This is also evidenced by our UFI index as well, which is showing resumption in activity to ~99% of pre-COVID levels in November. This trend towards normalisation of activity would need to be monitored going forward to assess the sustainability of demand post festive season.

Higher pace of expansion seen in services and consumption sectors

- iD80 index for October is showing a reading of 83, indicating 83% of the indicators improved compared to September
- The recovery is led by 1) improvement in services activity and 2) higher consumption demand due to the festival season
- While expansion (reading above 50) was seen across all sectors, services and consumption improved at a faster pace while rate of improvement in industry and investment sectors moderated. Expansion in the former sectors was on expected lines, given the commencement of the festival season
- Higher consumption demand, increased mobility and travel indicators has led to improvement in the consumption and services indices. This is reflected in auto sales, petroleum consumption, passenger travel, tractor sales and personal loans. This trend might continue over November, post which sustainability would need to be monitored as increasing new number of infections may pose downside risk to the recovery, especially in high-contact sectors
- Pace of expansion in industrial and investment sectors moderated in October compared to the previous month on account of deterioration in indicators such as credit to large industry, construction and infrastructure, electricity supply and peak power demand compared to September

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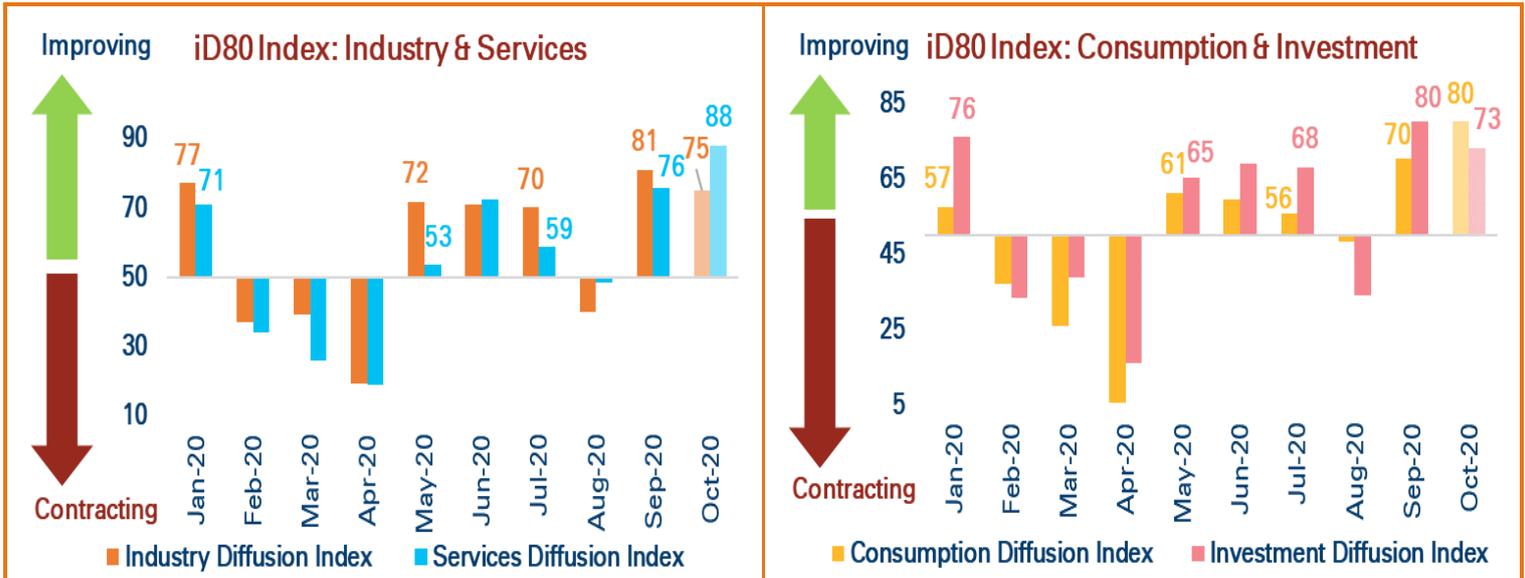
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- Going forward, we expect services & consumption sectors to outperform industry & investment sectors due to higher consumer spending and higher mobility going into the festival season in November

What is ICICI Bank's Proprietary iD80 Index?

ICICI Bank's iD80 index, is a breadth/width indicator of economic activity and captures the strength of the economy and directional change in momentum. It measures the proportion of economic high frequency indicators (combination of lead and co-incident data) that have improved or showing positive momentum, compared to the previous month. A reading above 50 indicates improving economic activity, while a reading below 50 indicates contracting activity. While a reading of 51 followed by a reading of 52, indicates economic activity is growing at a faster pace, a reading of 52 followed by 51, will indicate economic activity is still growing but at a slower pace, compared to last month. We use a list of more than 80 high frequency indicators to capture the sequential movements in growth. We also divide the indicators under industry and services sub-categories and demand and investment sub-categories to understand the underlying movements as per the GVA and GDP sub-classifications, respectively.





*September numbers are provisional
Source: CEIC, Bloomberg, ICICI Bank Research

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