

What is the UFI telling us?

For the week ending Jul 04, ICICI Bank's weekly UFI continued the trajectory of recovery in economic activity, with an index reading of 99.6 (vs. 93.5 in the previous week). Index performance was driven by the sequential improvement witnessed in all indicators, except labour force participation rate, which remained unchanged at the previous week's levels. Mobility improved further across categories, reflecting less stringent lockdowns across several states.

Among industrial indicators, peak power demand and E-way bill generations recorded a significant improvement over the previous week's levels. Industrial activity, which saw a far muted disruption this year, is now gaining traction with the unlocking of restrictions, as all three indicators recorded readings above pre-COVID levels, as compared to the previous week.

Vehicle registrations have been aided by pent-up demand, step up in sowing and proclivity for personal transportation. Going forward, the expectations around improving consumer sentiment on the back of the expectation of normal monsoon in July and increased pace of vaccination in the country will support the metric. However, reports have emerged indicating that major manufacturers may raise automobile prices to offset elevated input costs, while shortage of semiconductors is still a major issue for passenger vehicles. These may put pressure on the metric going ahead and will bear watching.

The overall unemployment dipped significantly, due to a sharp improvement seen in rural employment conditions. As more rural labours are absorbed into agriculture and related activities with the ongoing *kharif* sowing season, this improvement should continue.

As the normalisation in the economic activity picks up pace, we expect the UFI to continue to maintain the uptrend going forward, aided by the unlocking of the states, albeit at different paces. Reports have emerged that the country is expecting the supply from the global vaccine manufacturers in the coming months. This will enable the Centre to increase the supply of vaccines to the population, which will propel the growth recovery from Q2FY2022. The appearance of the new variants of concern for states like Maharashtra, Kerala and Tamil Nadu will remain important to watch from a recovery perspective, though a gradual improvement over the next few months is unlikely to get arrested.

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Sturdy agricultural employment and robust industrial activity guiding the recovery

- For the week ending Jul 04, the reading of the weekly UFI stood at 99.6, indicating that activity levels are at more than ~99% of that seen during pre-COVID times, continuing the uptrend in economic activity for the sixth consecutive week
- Index performance was guided by the improvement seen across all indicators except labour force participation rate, which remained unchanged at the previous week's levels
- The average mobility index continued the rise seen since early June, as the State Governments started relaxing restrictions at different rates. The metric recorded an index reading of 104 (vs. 97 in the previous week), mainly driven by a significant improvement recorded for the Apple Driving Index which remained above the pre-COVID level territory for the second consecutive week. Additionally, the continued improvement recorded in activity levels across categories such as retail stores, pharmacies, groceries, parks and transit stations, is encouraging
- Among industry indicators, peak power demand and E-way bill generations recorded a sharp sequential improvement compared to the previous week with the index readings of 111 (vs. 104) and 109 (vs. 104), respectively. Moreover, rail freight revenues also came back to the above 100-level mark territory, with an index reading of 101 (vs. 99). Thus, all industry indicators are showing robust momentum, indicating continued underlying strength
- Vehicle registrations continued to improve with an index reading of 74 (vs. 70), yet remaining relatively subdued. Going forward, the expectation of normal monsoon in July and increased pace of vaccination in the country may support the demand for automobiles. However, a continued shortage of semiconductors and elevated commodity prices may impact the metric going ahead
- The overall unemployment rate dipped compared to the previous week's readings with an index reading of 102 (vs. 86), mainly driven by the sharp improvement recorded for rural employment conditions. This could be as more rural labours have been absorbed into agriculture and related activities with the onset of the *kharif* sowing season. Moreover, improved labour demand from industrial and commercial units will also aid the urban labour market conditions going forward. The labour force participation rate remained unchanged at the previous week level, with an index reading of 92.



Source: CEIC, CMIE, POSOCO, Raildrishti, Vahan, GSTN, Google, Apple, ICICI Bank Research

Economic activity saw a rebound across all states in June on the back of easing of restrictions

State-wise heat map expectedly indicated a rebound in the economic activity across all states as compared to May, as restrictive norms were gradually removed since early June. However, the recovery seen across state is in a mixed bag, with states who have started to relax the norms earlier having performed better as compared to the states which are still seeing elevated cases of infections and hence have opted for the continuation of partial restrictive measures.

- The index for Maharashtra improved sharply, led by higher vehicle registrations and people mobility, as the state started to relax the lockdown norms since early June. Moreover, improved unemployment rate and higher rail freight revenues also aided the index reading, while declining peak power demand weighed
- The index for Delhi witnessed a stellar rebound after activities opened up meaningfully and struck the above pre-COVID level reading for the first time since Mar 2021, driven by a sharp improvement recorded for all indicators
- Index readings for states such as Tamil Nadu, Kerala and Karnataka remained muted in June. Elevated unemployment rates, muted vehicle registrations and subdued people mobility weighed on all three state indices, as elevated cases of infections forced the State Governments to extend the restrictive measures
- Gujarat's index reading improved significantly in June as compared to peer states, driven by lower unemployment rate, higher rail freight revenues, improved vehicle registrations and robust people mobility. The indices for Uttar Pradesh, Bihar and Punjab also improved in June and recorded the readings above pre-COVID levels, which bodes well for growth recovery going ahead.

States such as Uttar Pradesh, Gujarat and Delhi started unwinding lockdown measures in a phased manner starting from early June, which is reflecting in the index readings of the respective states. However, some eastern and southern states are still in the partial lockdown mode or have opted for the extension in lockdowns which have weighed on their index readings in June.

State-wise UFI heatmap

	India	Maharashtra	Uttar Pradesh	Tamil Nadu	Karnataka	Gujarat	West Bengal	Rajasthan	Kerala	Delhi	Bihar	Punjab	Odisha
Jan20-Feb20 (Base)	100	100	100	100	100	100	100	100	100	100	100	100	100
Mar-20	86.2	96.7	93.4	85.3	92.2	93.2	111.0	97.7	88.0	78.1	107.2	98.7	99.0
Apr-20	41.5	41.2	66.5	36.0	41.6	42.4	54.2	42.7	46.8	56.5	48.4	87.3	45.2
May-20	51.1	48.2	55.1	56.6	52.0	53.4	49.9	60.4	63.8	61.4	59.1	65.6	58.1
Jun-20	72.2	60.1	77.1	69.3	67.2	87.2	77.0	81.6	76.8	86.2	90.1	92.1	79.4
Jul-20	79.0	70.9	91.4	68.3	62.9	105.8	87.4	83.9	75.5	93.3	84.3	110.2	84.5
Aug-20	80.8	69.2	89.9	78.9	71.7	100.8	82.6	78.3	74.4	100.2	91.7	110.1	89.3
Sep-20	91.2	81.5	99.9	80.5	79.2	90.8	100.0	86.0	88.3	103.9	96.3	113.7	92.5
Oct-20	94.3	88.0	105.2	82.7	88.5	100.0	97.4	94.0	94.3	109.9	98.1	98.2	100.3
Nov-20	98.6	106.1	92.4	90.4	96.1	109.9	92.2	111.6	89.1	108.2	102.2	96.5	104.5
Dec-20	101.6	107.8	102.2	101.7	101.0	110.7	105.9	103.5	91.1	107.6	99.0	120.3	108.1
Jan-21	105.4	108.4	122.3	91.0	97.4	112.6	102.8	94.8	106.6	103.6	97.8	101.5	100.6
Feb-21	104.1	100.1	115.4	90.7	96.2	104.8	97.5	96.1	101.1	101.3	96.6	95.9	101.8
Mar-21	107.9	103.9	122.3	98.2	114.3	116.7	107.8	102.5	106.6	106.7	104.9	107.5	113.4
Apr-21	90.2	77.8	115.2	95.3	92.1	109.9	99.7	83.1	103.8	68.1	105.9	94.3	101.7
May-21	70.1	69.8	89.4	56.8	54.8	95.3	75.1	63.6	57.0	57.2	89.1	85.7	68.2
Jun-21	87.8	86.8	112.3	66.5	63.4	118.2	88.0	92.2	68.5	110.4	110.1	113.9	82.8
% contribution to GVA		13.4	8.6	8.5	7.8	7.6	6.0	5.1	4.1	3.9	3.0	2.7	2.5

State-wise UFI is updated monthly

Source: CEIC, CMIE, POSOCO, Raildrishti, Vahan, GSTN, Google, Apple, ICICI Bank Research

State-wise UFI charts

Maharashtra

(Index, 100 = Avg Jan-Feb 20)



Uttar Pradesh

(Index, 100 = Avg Jan-Feb 20)



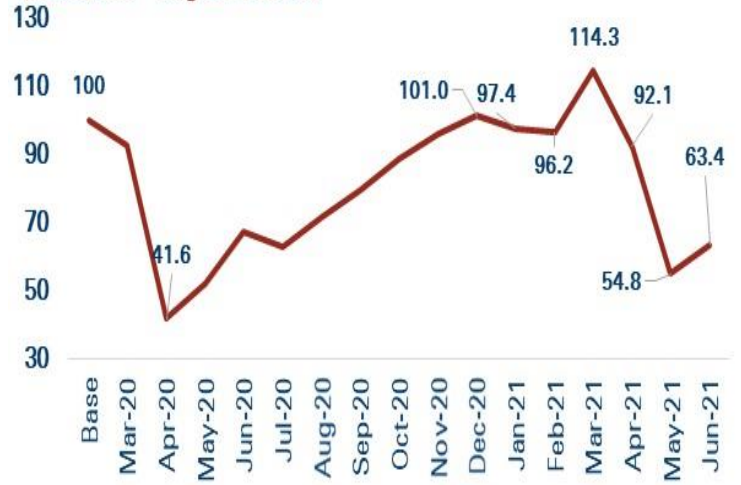
Tamil Nadu

(Index, 100 = Avg Jan-Feb 20)



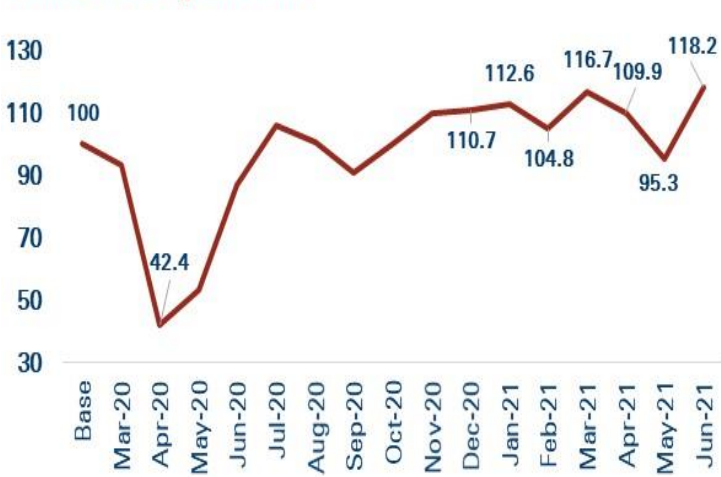
Karnataka

(Index, 100 = Avg Jan-Feb 20)



Gujarat

(Index, 100 = Avg Jan-Feb 20)



West Bengal

(Index, 100 = Avg Jan-Feb 20)



Rajasthan

(Index, 100 = Avg Jan-Feb 20)



Kerala

(Index, 100 = Avg Jan-Feb 20)



Delhi

(Index, 100 = Avg Jan-Feb 20)



Bihar

(Index, 100 = Avg Jan-Feb 20)



Punjab

(Index, 100 = Avg Jan-Feb 20)



Odisha

(Index, 100 = Avg Jan-Feb 20)



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