iD80 INDEX

The Diffusion Index by ICICI Bank

ICICI Bank Global Markets

What is the iD80 Index telling us?

The pace of normalisation improved significantly in March as ICICI Bank's iD80 index recorded a reading of 79 for the month of March vs. 57 in February, meaning that 79% of the indicators improved in March, as compared to improvement seen in 57% of the indicators in February. However, it is likely to see some moderation over April on the back of restrictions put in place by the State Governments to curb the spread of the virus in the country.

- Improvement of the index in March 2021 was broad based, as indicators across sectors showed sequential improvement when compared to February
- Core sector output witnessed sequential improvement, with all sectors showing positive momentum, except for fertilizers
- Automobile sales improved sharply in March as compared to the performance in February. Original Equipment Manufacturers (OEMs) of Passenger Vehicles (PVs) reported good growth in March, reflecting increased consumer preference for personal travel. On a sequential basis, retail sales of PVs surged in double-digits, according to the Federation of Automobile Dealers Association (FADA). Two-wheelers' sales at the dealer level performed robustly, while undisrupted rural demand kept the tractor segment aloft. However, this indicator could be under some pressure going ahead due to higher vehicle prices, restricted mobility and COVID worries translating into lower discretionary spending. Maharashtra contributes ~10% of the automobile retail market, and prolonged restrictions imposed will impact spending in this category.
- The goods transportation witnessed positive momentum in March, with rail and port cargo traffic improving in month-on-month terms. This metric also is likely to see some moderation due to the demand side impact from industries which may not be operating at full capacity
- The trade sector saw an improvement with exports and non-oil imports growing sequentially, indicating strong international and domestic demand as compared to February. While exports are holding up well in April as well, import demand could see some moderation as domestic demand has taken a hit due to rising spread of the virus, while elevated global prices also weigh on import orders

Sumedha Dasgupta
sumedha.dasgupta@icicibank.com

Kaushal Aryan
kaushalkumar.aryan@icicibank.com

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- Non-food credit growth improved led by significant improvement recorded for infrastructure lending over March. Positive momentum seen for credit to industries, along with person loan growth have aided the index performance for the month of March.

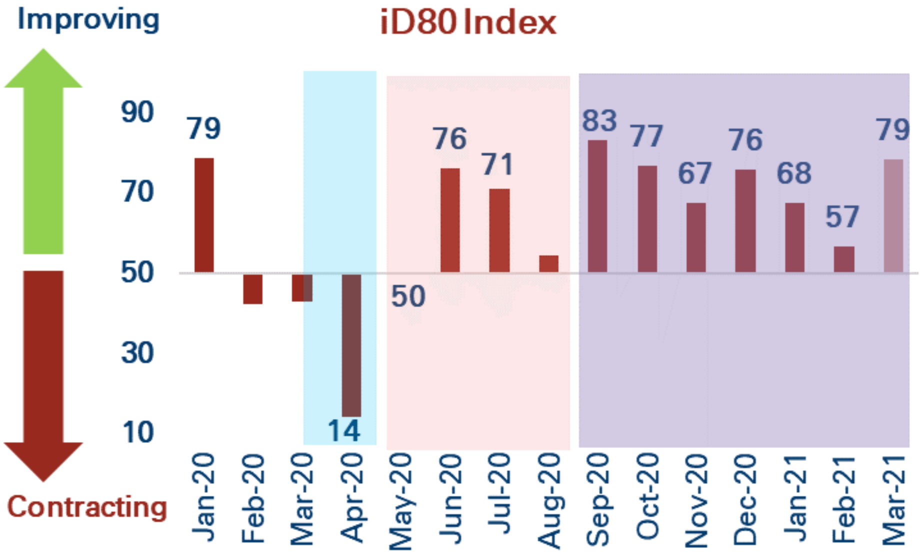
Going ahead, localised lockdown restrictions imposed by State Governments will affect the momentum seen in these indicators as evidenced by our weekly UFI index, which is showing economic activities have gone below pre-COVID levels in Apr 2021, with a reading of ~90 (90% of pre-COVID activity levels). The rising spread of infections will impart a downside to growth over Q1 FY2022, and the extent and longevity of disruption needs to be watched.

Normalisation continued in March, led by improvement seen across the sectors; rising infections to weigh on the index performance going forward

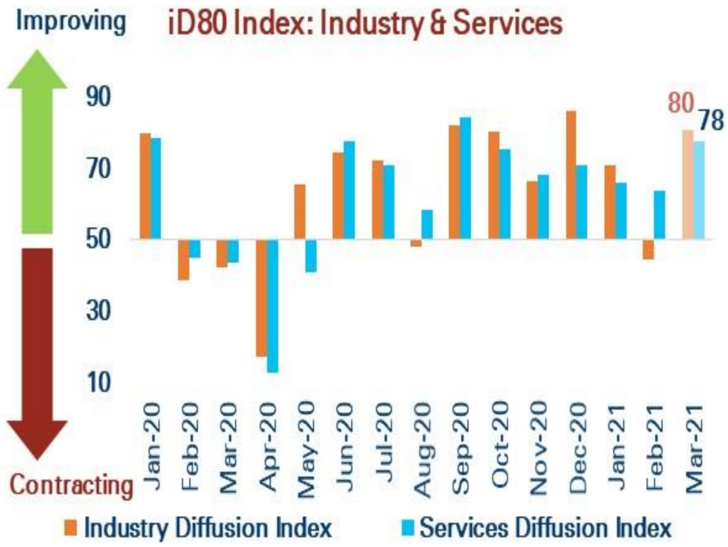
- iD80 index for March is showing a reading of 79, indicating 79% of the indicators improved, after an improvement of 57% seen in February
- Sequential improvement in core sector output, exports and non-oil imports, automobile sales, rail freight and cargo movement, and non-food credit led the expansion seen in the index reading
- All the sectors' indices improved in March, as the pace of expansion improved compared to February with industry and investment sectors leading the recovery as they witnessed faster expansion as compared to services and consumptions based indictors
- Industrial and investment indictors that showed improvement included core industry index, cement production and offtake, coal and crude steel production, electricity generation and demand, rail freight traffic, port cargo traffic and SCB credit to non-food sectors
- Improved automobile sales, increased petroleum consumption and a pickup in SCB credit and personal loans aided the recovery in services and consumption sectors. However, reduced people mobility amid imposed restrictions weighed on the index reading
- Going forward, we expect the index to see moderation as high contact manufacturing and services sectors will get affected the most due to the imposition of localised lockdown measures.

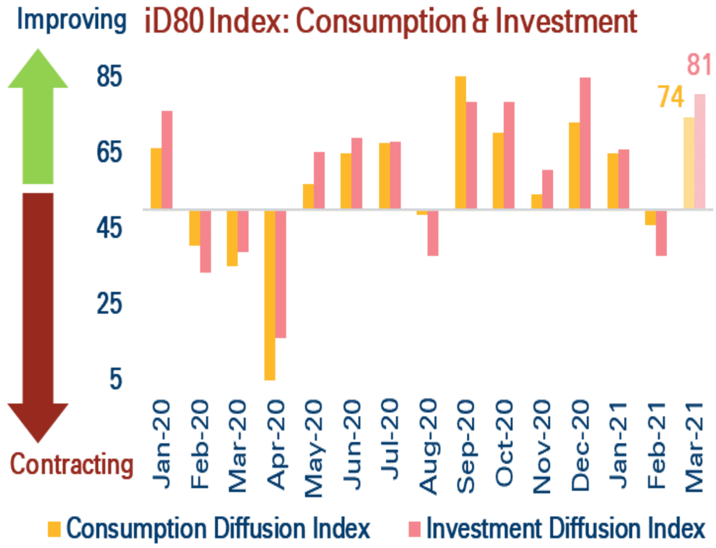
What is ICICI Bank's Proprietary iD80 Index?

ICICI Bank's iD80 index, is a breadth/width indicator of the 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 that the economic activity is growing at a faster pace, a reading of 52 followed by 51, will indicate that the 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.



Lockdown (March - April) | Opening-Up (May - August) | Nomalisation (September onwards)





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

ICICI Bank: ICICI Bank Towers, Bandra Kurla Complex, Mumbai- 400 051. Phone: (+91-22) 2653-1414

Economic Research Group		
Shivom Chakravarti	Senior Economist—Global Markets	shivom.chakravarti@icicibank.com
Sumedha Dasgupta	Economist	sumedha.dasgupta@icicibank.com
Kaushal Aryan	Research Analyst	kaushalkumar.aryan@icicibank.com
Aniket Gaikwad	Research Analyst	aniket.gaikwad@icicibank.com
Asha Sasikumar	Research Analyst	asha.sasikumar@icicibank.com
Jyoti Sharma	Research Analyst	sharma.jyoti@icicibank.com
Tanisha Ladha	Research Analyst	tanisha.ladha@icicibank.com
Nihal Kumar	Research Analyst	nihal.kumar@icicibank.com
Sarbartho Mukherjee	Research Analyst	sarbartho.mukherjee@icicibank.com

Treasury Desks			
Treasury Sales	(+91-22) 6188-5000	Currency Desk	(+91-22) 2652-3228-33
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