IMPACT OF COVID-19 ON INDIAN ECONOMY

CORONAVIRUS – AN OVERVIEW

Corona (COVID-19) is an infectious disease caused by a newly discovered coronavirus.

Most people infected with the COVID-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment. Older people, and those with underlying medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness.

The best way to prevent and slow down transmission is be well informed about the COVID-19 virus, the disease it causes and how it spreads. Protect yourself and others from infection by washing your hands or using an alcohol based sanitizer rub frequently and not touching your face.

The COVID-19 virus spreads primarily through droplets of saliva or discharge from the nose when an infected person cough or sneeze, so it's important that you also practice respiratory etiquette (for example, by coughing into a flexed elbow).

At this time, there are no specific vaccines or treatments for COVID-19. However, there are many ongoing clinical trials evaluating potential treatments. WHO will continue to provide updated information as soon as clinical findings become available.

The first case of the coronavirus in India was reported on 30 January 2020, originating from China. As of 16 April 2020, the **Ministry of Health and Family Welfare** have a confirmed a total cases, of 12380, cases , 1489 recoveries (including 1 migration) and 414 deaths in the country.

On 22nd March 2020, India observed a 14-hours voluntary public curfew **(JANTA CURFEW)** at the instance of PM Narendra Modi. Further on 24th March, the PM ordered a **NATIONWIDE LOCKDOWN** for 21 days, affecting the entire 1.3 billion population of India. On 14th April the PM extended the ongoing **NATIONWIDE LOCKDOWN** till 3 May.

Oxford Covid-19 Government Responses Tracker **(OxCGRT)** under the Oxford University in its report based on 73 countries said that the Indian Government is functioning better than any other countries in tackling the pandemic.

IMPACT ON INDIAN ECONOMY

Coronavirus will impact India's economic growth "severely", as the coronavirus lockdown is causing significant disruption across multiple sectors, including manufacturing, oil, financial, among others, says a report.

According to Dun & Bradstreet's latest Economy Forecast, the probability of countries entering into recession and companies going bankrupt has increased and India is not likely to "remain decoupled" from the global meltdown.

"As lockdowns are imposed in other global manufacturing hubs, besides China, the extent of impairment to global supply chain and global growth is likely to increase," said Arun Singh, Chief Economist Dun & Bradstreet India.

On India's economic growth, Singh said, "given the 21-day lockdown in India, India's GDP growth is expected to

moderate further from our earlier estimate of 5 per cent for FY20. And growth for FY21 remained highly uncertain."
As per the report, lockdowns and restrictions on commercial activities and people gatherings are likely to strongly impact global and domestic growth from March 2020 onwards.
Dun & Bradstreet expects the Index of Industrial Production (IIP) to remain subdued by 4-4.5 per cent during February 2020.

Singh further said accurate quantitative estimation of economic growth will vary and has a high probability of being revised as the severity and prevalence of the outbreak remains uncertain.

On the price scenario, slowdown in demand and production activities, a sharp fall in the global price of crude oil, and price decreases in other major commodities such as energy, base metals and fertilizers among others are expected to exert downward pressure on inflation.

D&B expects the CPI inflation to remain in the range of 6.5-6.7 per cent and WPI inflation in the range of 2.35-2.5 per cent during March 2020.

Segmental impact: Outlook of select segments with

Food & Beverage

- Development of **frozen & instant food** industry chain is likely to be promoted to ensure supplies during the pandemic.
- The lockdown situation has led to consumers **stocking essential products** at home to **grater demand** initally. Further **quick recovery for F&B products is expected** after this situation concludes.

Apparel & Footwear

- **Inventory & distrubtion challenges** amid the lockdown would imply that most enterprises survival is likely to be determind by **two quaters of destocking and withdrawl the funds,** promting reshuffles & integration
- Some brands might need to **temporarily shut down** or even close stores, providing an **opportunity for business** restructuring and store network reorganisations

Retail

- Non - contact demand during the pandemic is expected to **boost sales** at smaller stores that can host smaller crowds at a time. However, **supermarket chains have ensured supply of products** at regular prices .
- Due to pandemic's impact on consumer behavior & habits, **"ONLINE-SALES"** are expected to witness a **significant surge,** even after the industry recovers

On 2 March the **BSE SENSEX** witnessed a flash crash on the back of Union Health Ministry's announcement of two new confirmed cases. A UN report estimated a trade impact of US$348 million, on India due to the outbreak, making India one of the 15 worst affected economics across the world. On 9 March, The **BSE SENSEX** closed 1,942 points lower at 35,635 while the **NSE Nifty 50** was down by 538 points to 10,451. On 12 March, The BSE SENSEX dropped 8.18% or 2,919 points which was its lowest in 23 months while the NIFTY dropped 9% or 950 points.

Impact on Liquidity

LOW
Pharmaceuticals
Power

MEDIUM
Jewelry
Textiles
Automobiles

SERVER
Airlines
Hotels, Malls,
Poultry
Retailers

Demand –side impact

Private consumption

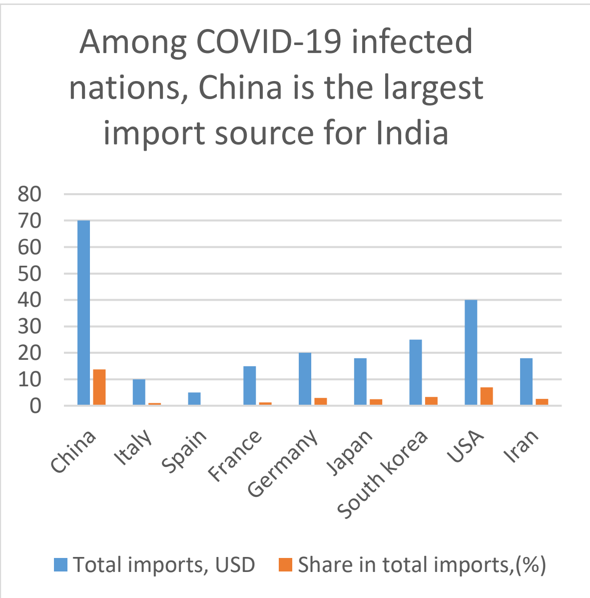
The lock-down is likely to have a sizeable impact on the economy, most significantly on consumption, which is biggest component.

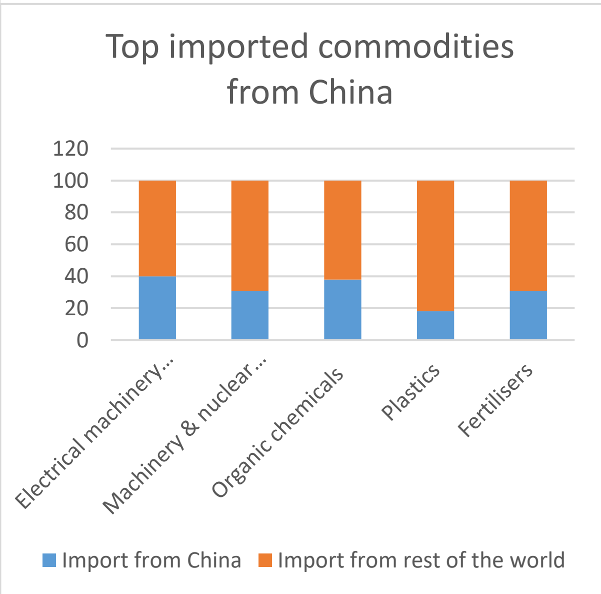
Private final consumption expenditure by purpose	Share (%)
Food & non-alcoholic beverages	26.3
Alcocholic beverages, tobacco & narcotics	1.9
Clothing & Footwear	5.8
Housing, Water, Electricity, Gas & other Fuels	13.7
Health	4.5
Transport	17.6
Communication	2.7

Source: First revised estimates of National Income, Consumption expenditure, saving & capital formation, Ministry of Statistics & Programme Implementation, 31 Jan 2020, accessed on 24 March 2020. Note: Share- as per cent of Private consumption in domestic Market.

Supply-side impact

Shutdown of factories and the resultant delay in supply of goods could result in a shortage of raw materials in China for companies largely importing from there





Source: Export Import Data Bank, Department of Commerce **Saurabh Jaiswal (CRO0603544) Asija Associate LLP**