



" The Covid-19 Pandemic and the Indian Economy: An exploratory assessment of Production Sectors" .

NCAER

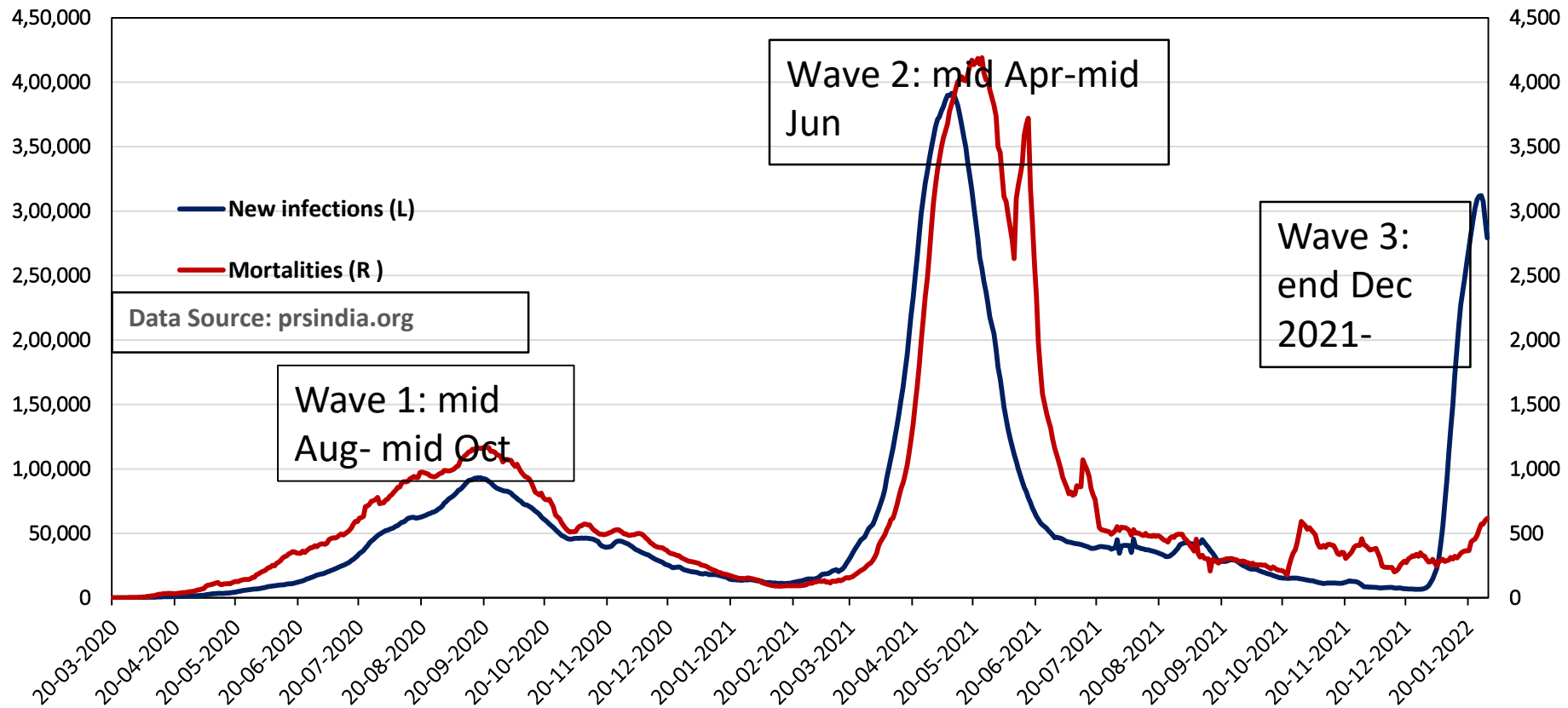
February 18, 2022

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Outline of the presentation

- Introduction: Covid and the Economy
- Channels of impact of the pandemic
- Mitigation efforts and the Recovery

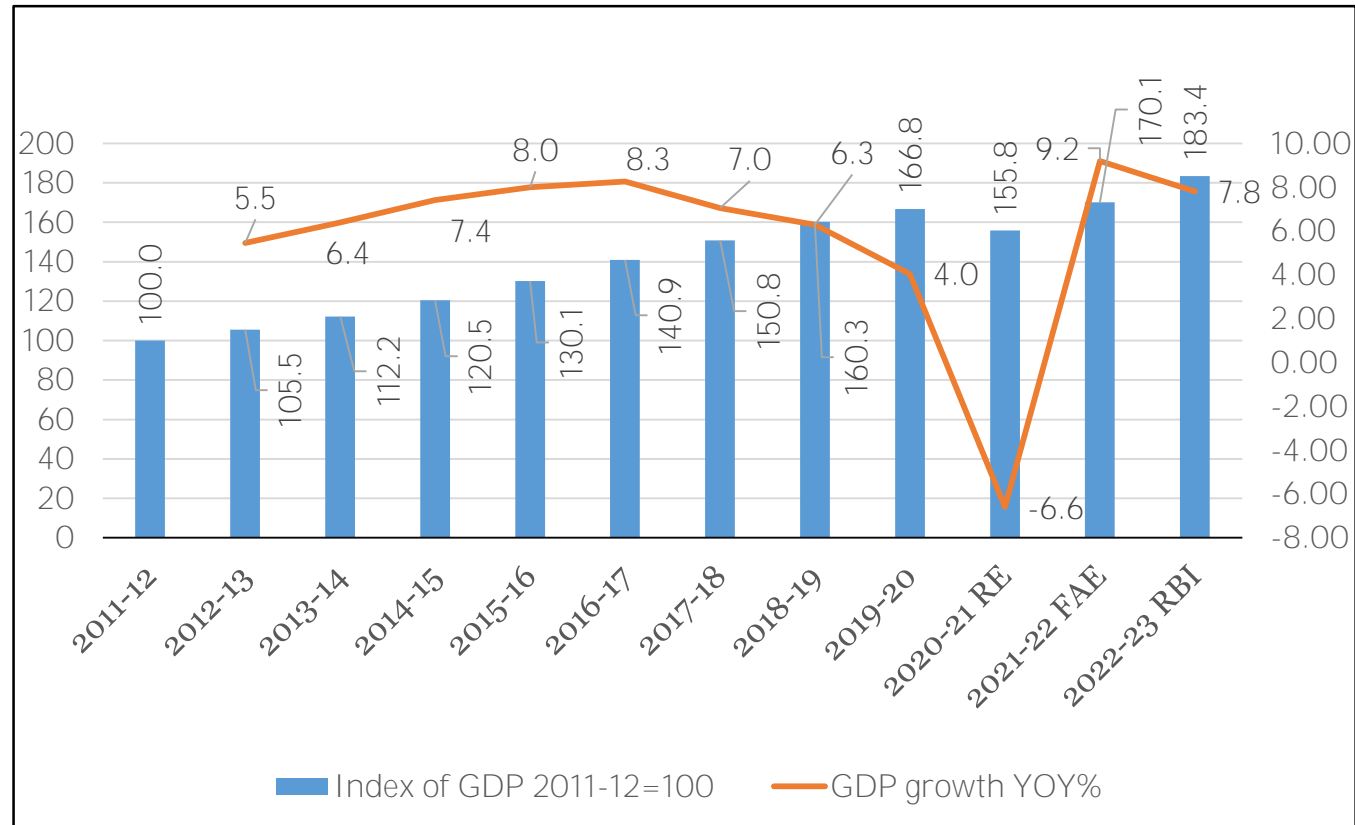
1. The Covid pandemic: 2020-21 and 2021-22: Covid-19 caseload and mortalities in India: 7-day moving average



2. Broad overview

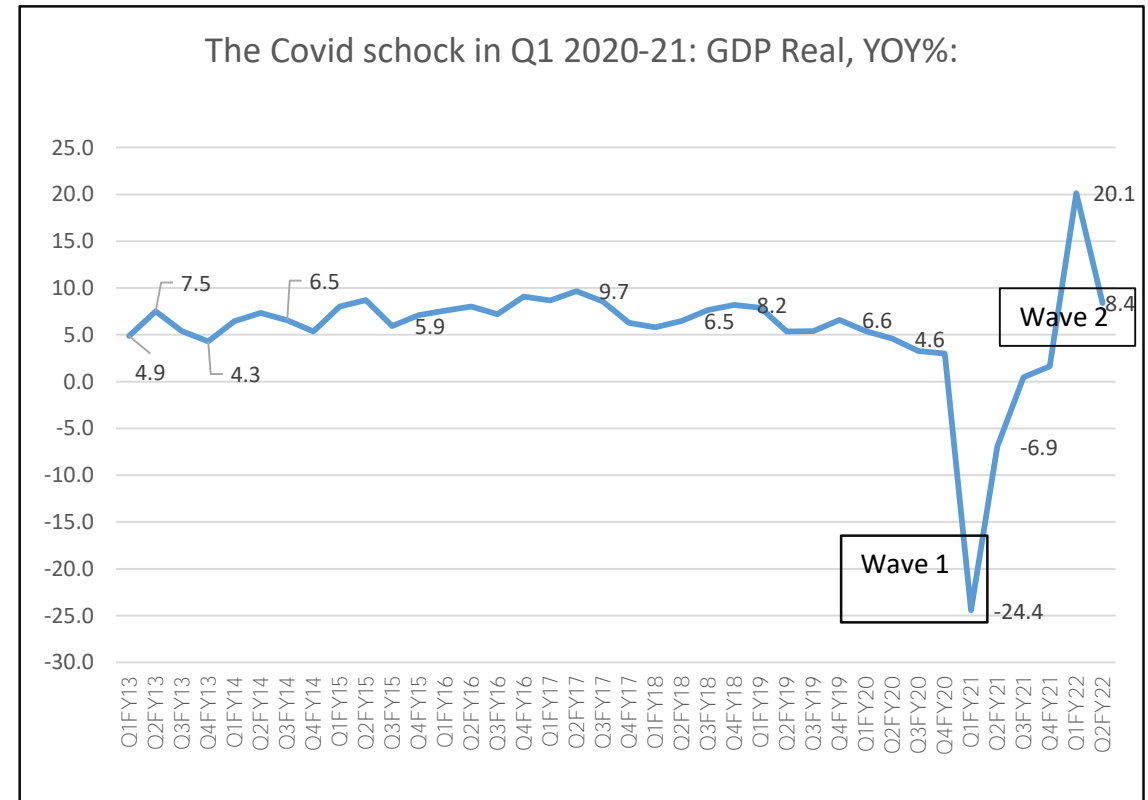
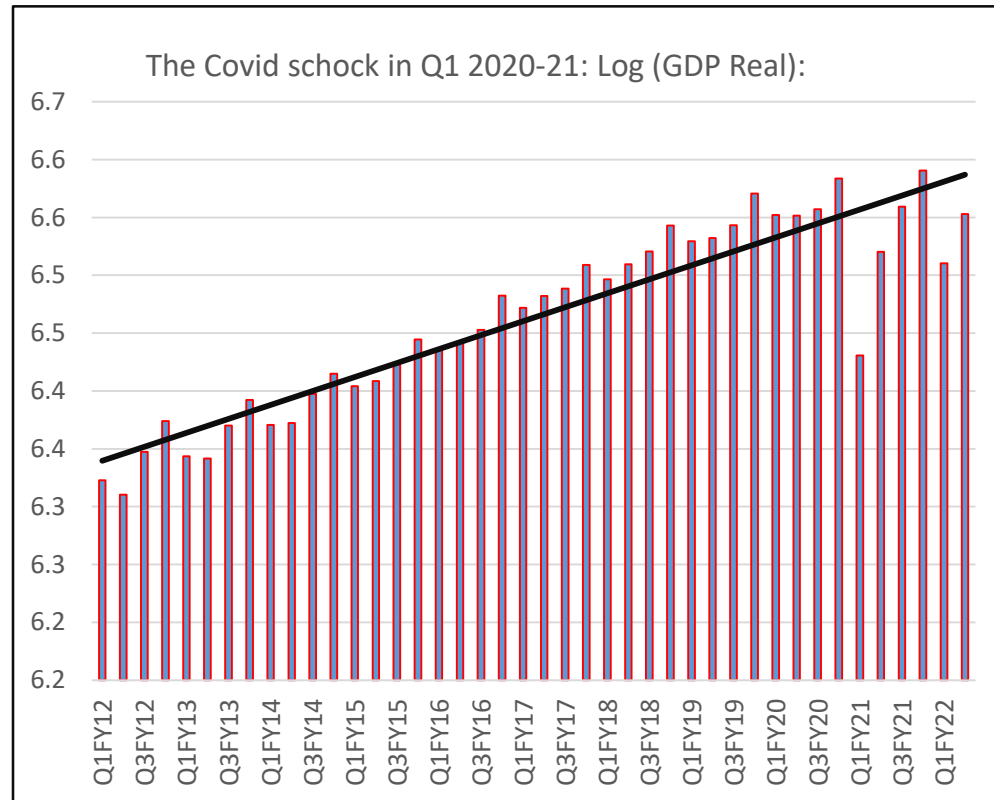
- The impact on economic growth and recovery
- Covid waves:
 - Q1 (April-June): 2020-21
 - Q1 (April-June): 2021-22
 - Q3: 2021-22- ?
- Substantial decline in output across sectors in 2020-21 and recovery; economic impact of the second wave less intense than Wave 1 despite huge impact on lives
- Price effects
- External sector presents both challenges and opportunities
- Key to recovery: vaccinations, continued precautions and policy support

3. Index of GDP in Constant Prices and Annual Growth rates (%)

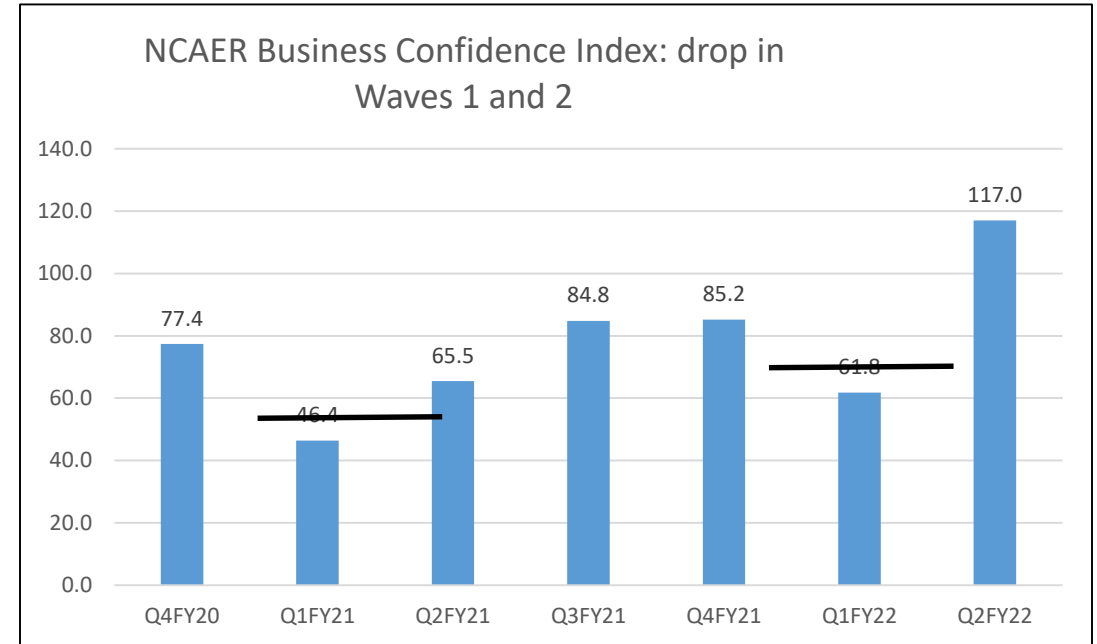
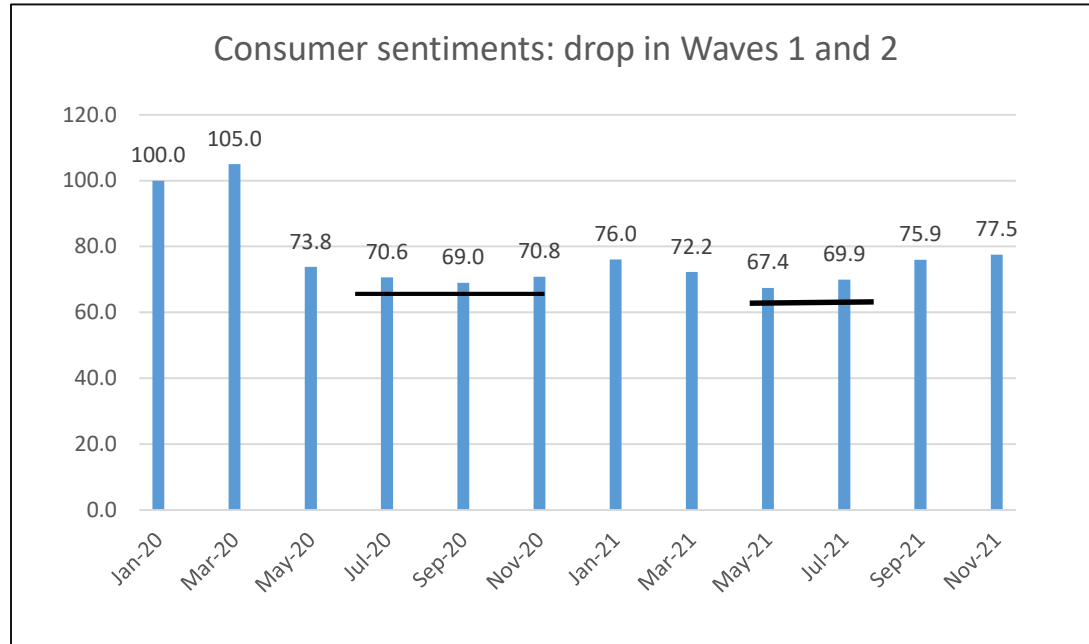


Notes: GDP is in constant prices; RE = Revised Estimates; FAE = First Advance Estimates; RBI = based on projected growth rates by RBI

4. The Covid Shock and the Economy: Quarterly GDP Real

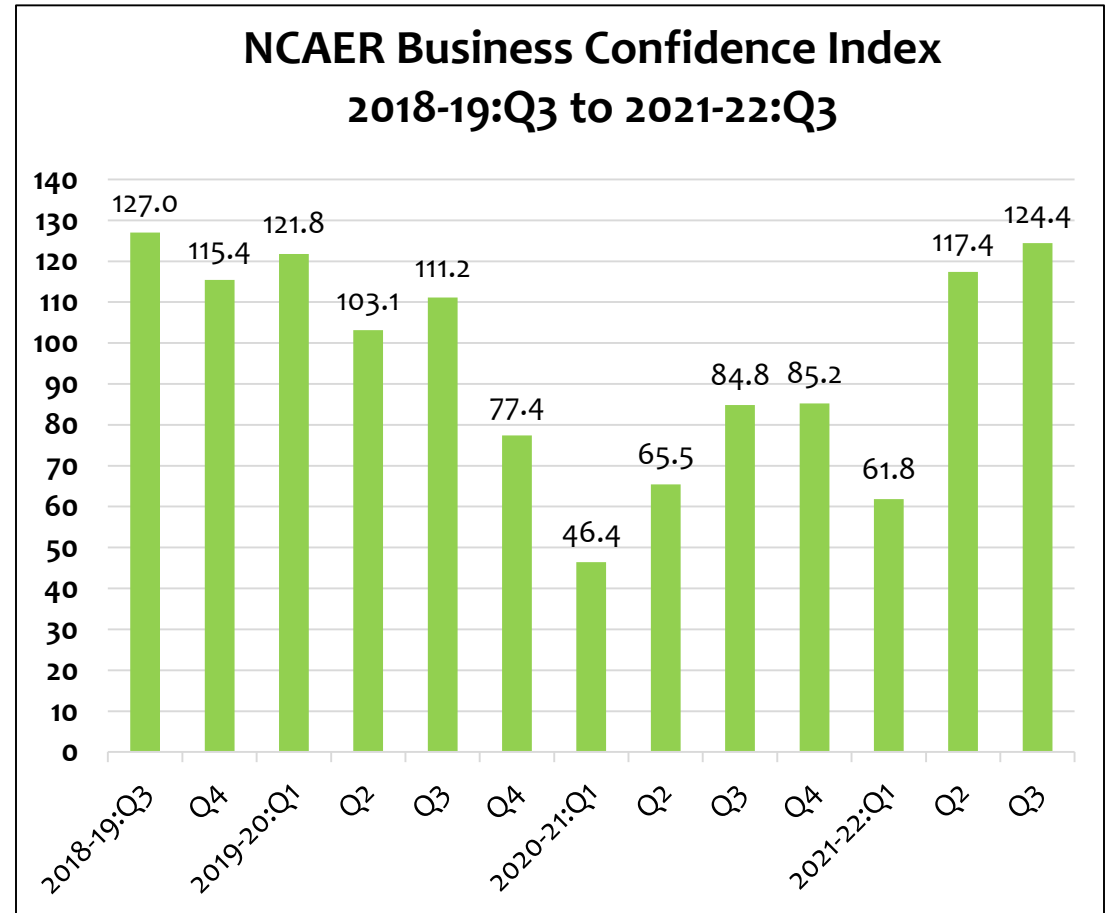
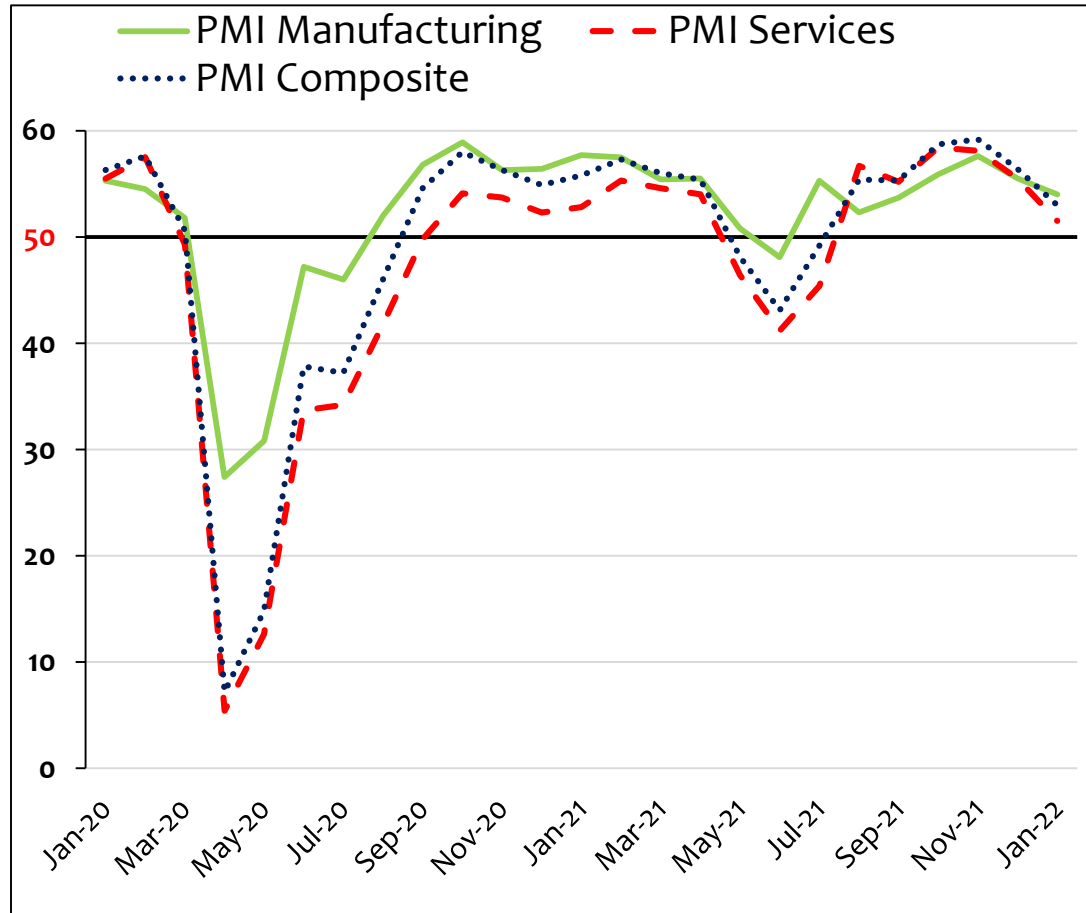


5. Covid Impact on Consumer Sentiments and Business Confidence: varying speed of recovery

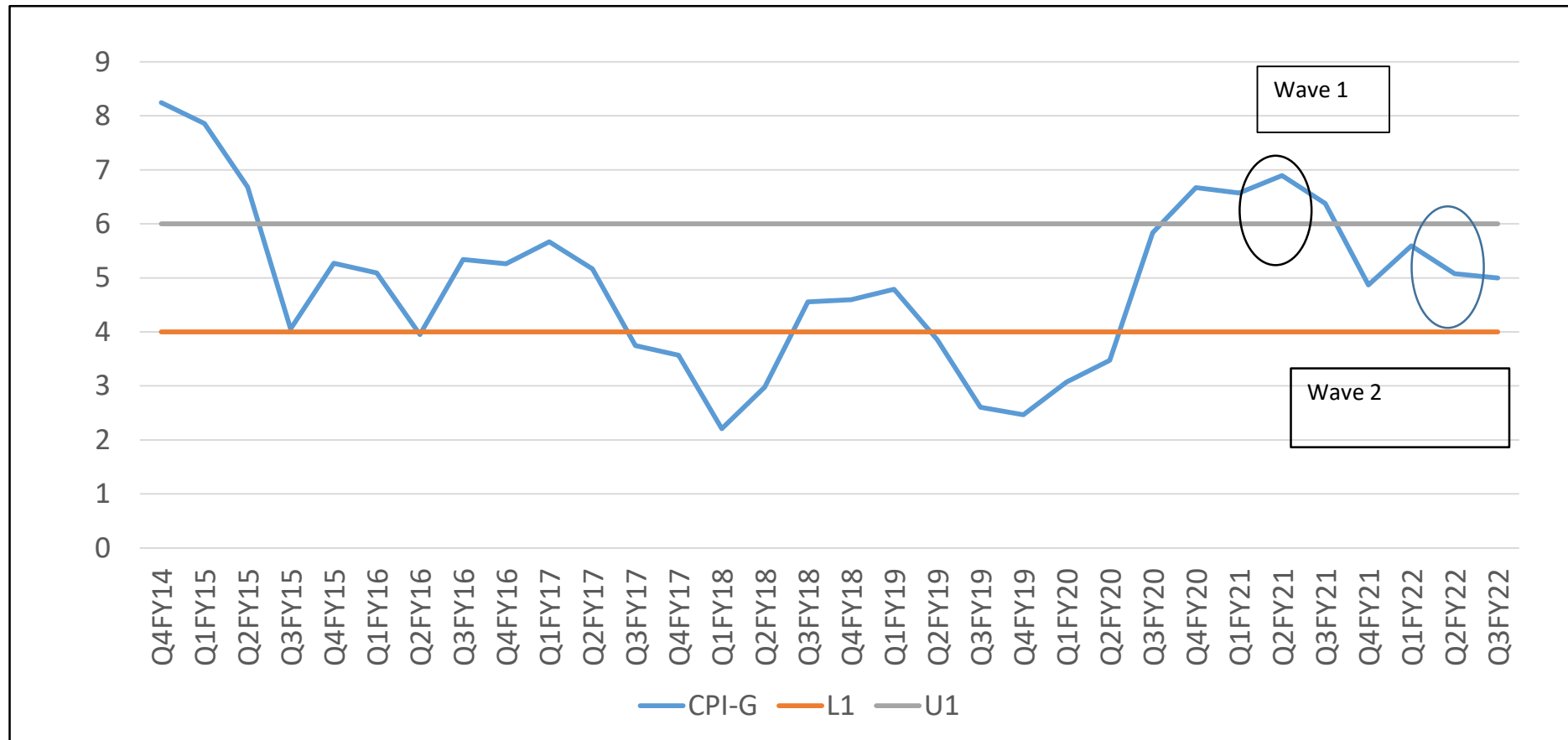


Note: Consumer sentiments based on RBI's bi-monthly Consumer Confidence Survey (inverse of % responses reporting perception of worsening General Economic Situation, with Jan 2020 responses =100. NCAER Business Confidence Index from NCAER's quarterly Business Expectations Survey.

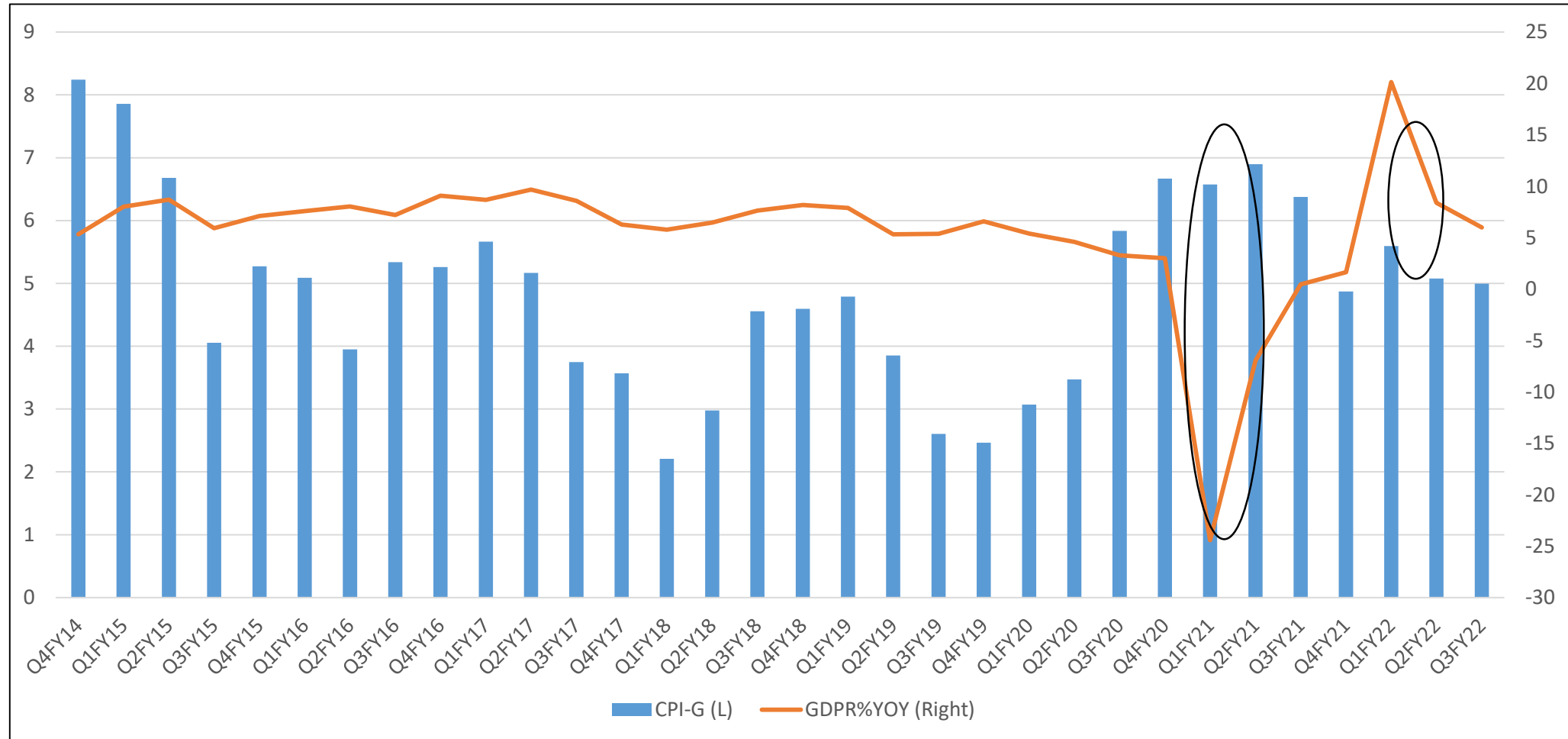
6. The impact, recovery: business activity and sentiments



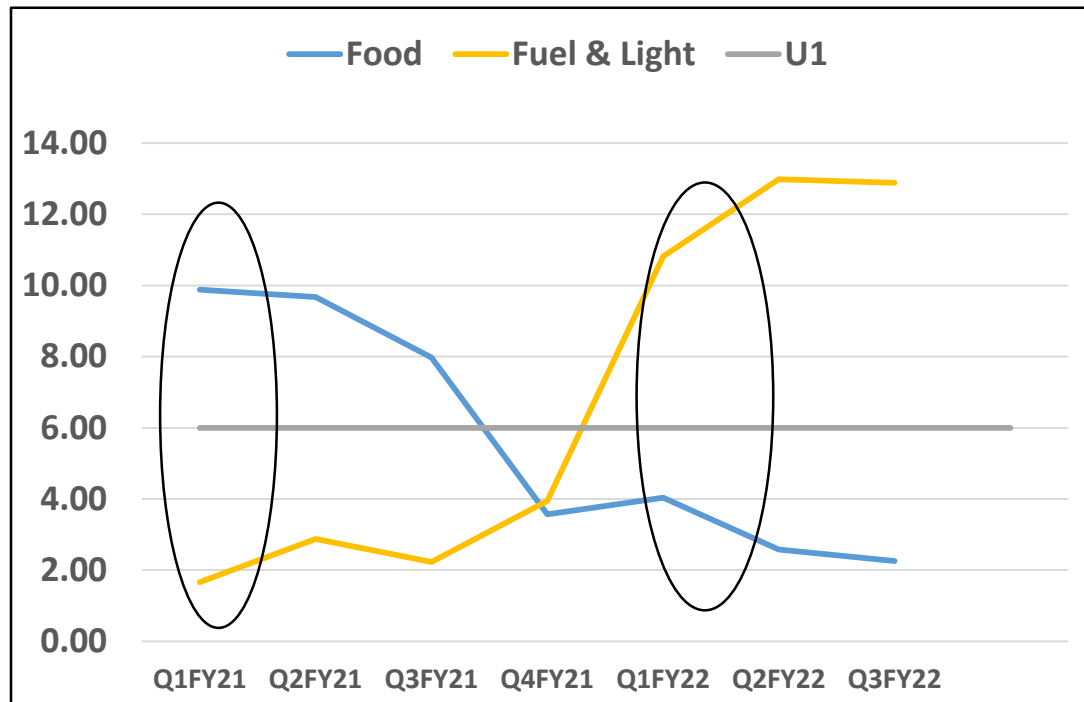
7. CPI (Rural + Urban): Average of Monthly YOY%



8. Inflation rate (CPI, YOY%) and GDP growth rate (YOY%)



9. The pandemic and prices: CPI components, YOY%



10. Channels of Covid impact on output

- To contain spread of the highly contagious virus, national level 'lockdown' with stringent restrictions on movement of goods and people imposed for a 3 week period on March 24, 2020. Further restrictions at regional and local level, partial or complete stoppage of production or other economic activities except the essential services, from time to time, curtailing economic activities in many ways.
- Movement restrictions, created their own chain-effects on related industries: access to inputs and market for output.
- Employment losses, migrants returning from employment centres, and in general uncertainty over economic activities led to drop in consumer and investment demand.
- Finding alternative ways of working and functioning of markets meant increase in costs.
- Business losses slipping over credit repayment and fresh credit concerns.
- But there were also new opportunities: pharma, health services, ecommerce, digital world.

11. Differentiated impact

- Significant Urban Vs. Rural differences in Wave 1
- Urban areas more affected but public welfare safety nets stronger in rural areas
- Informal sector affected more than formal sector
- Large Vs. small firms
- 'Contact intensive' sectors affected more than others
- Digitally connected cope better

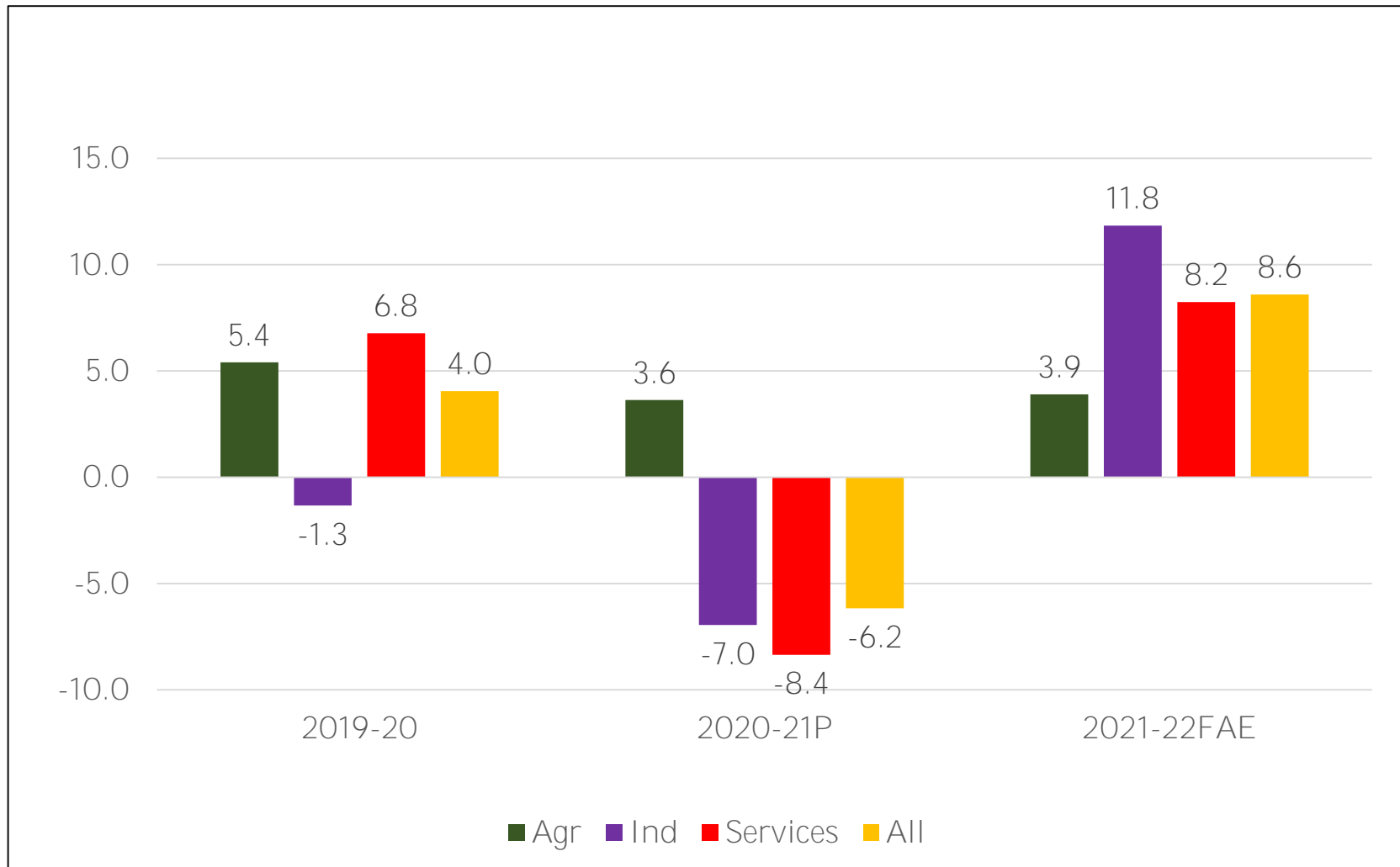
12. Mitigation of impact

- Covid protocols to reduce transmission, improve confidence to return to work, spending and business
- Financial support to businesses to tide over the crisis
- Fiscal support to the vulnerable: food, cash, employment guarantee program
- 'Atma Nirbhar' strategy to catalyse manufacturing
- Push to infrastructure development
- Vaccinations

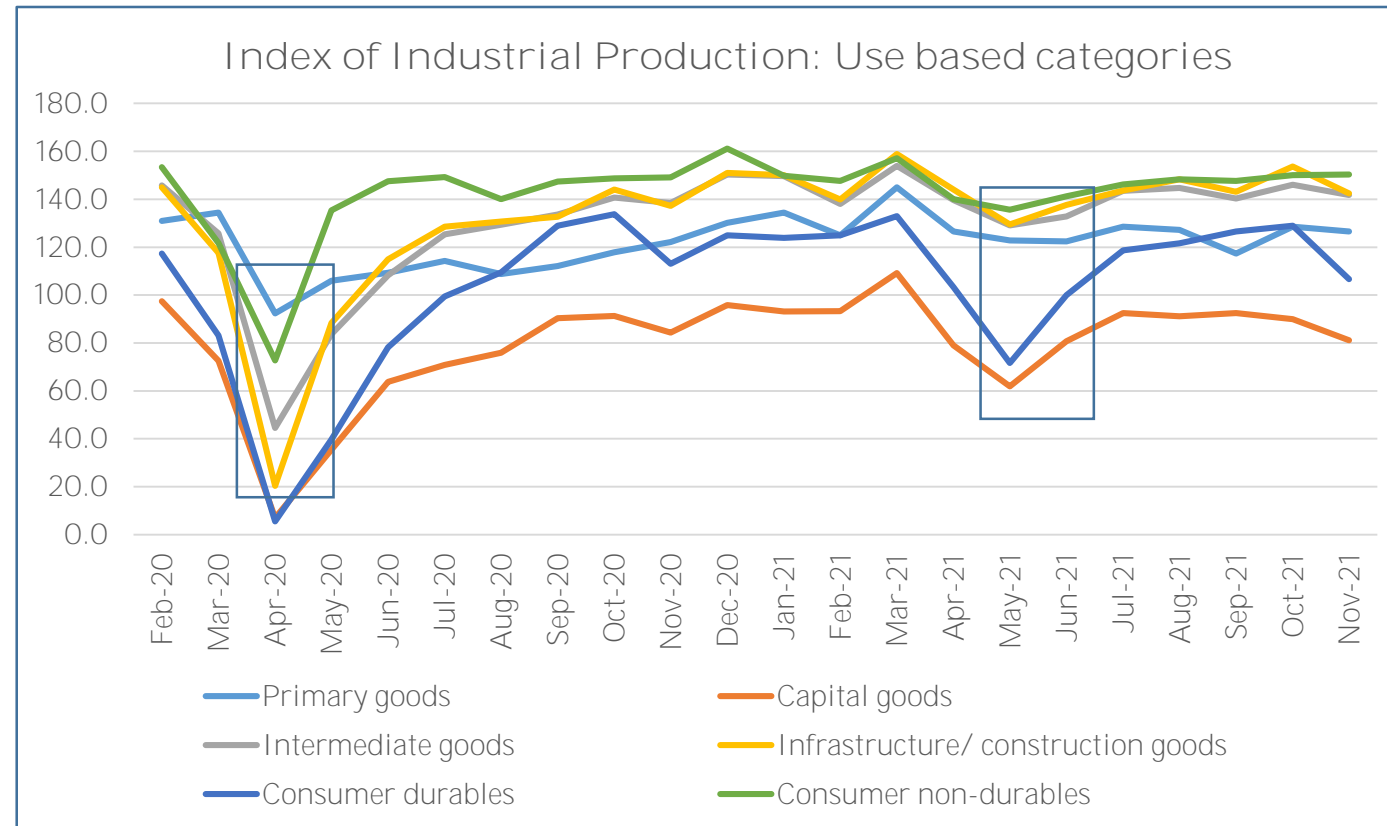
13. The pandemic shock, responses and sector level response

Price (level or change)	Output (level or change)	
	Decline	Accelerates
Decline	II. Weak demand conditions	I. Supportive public policies, productivity improvement, increased demand
Increase	III. Cost pressures raise supply curve, restrictions on input supplies, movement restrictions, operation of businesses	IV. Scenario similar to QIII but in addition, demand curve may shift outward or become more inelastic as the sector's output becomes critical.

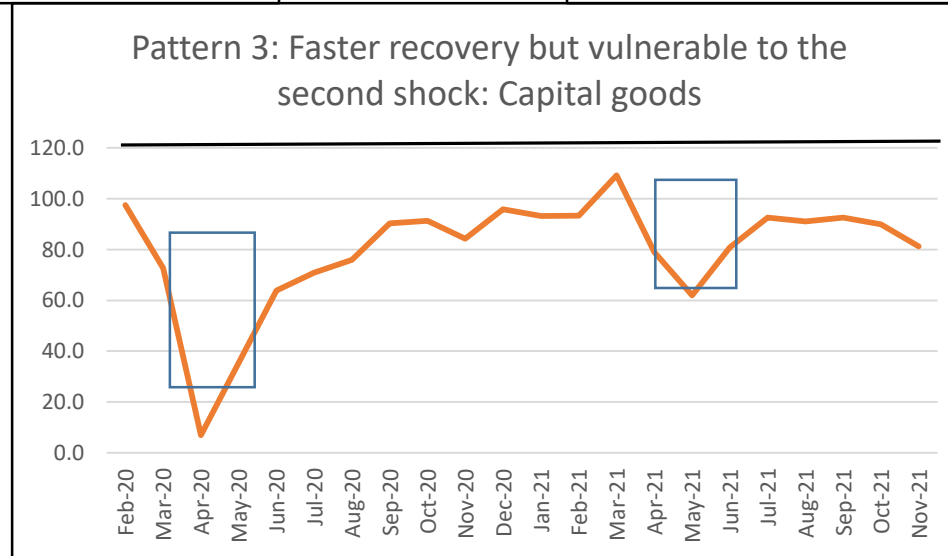
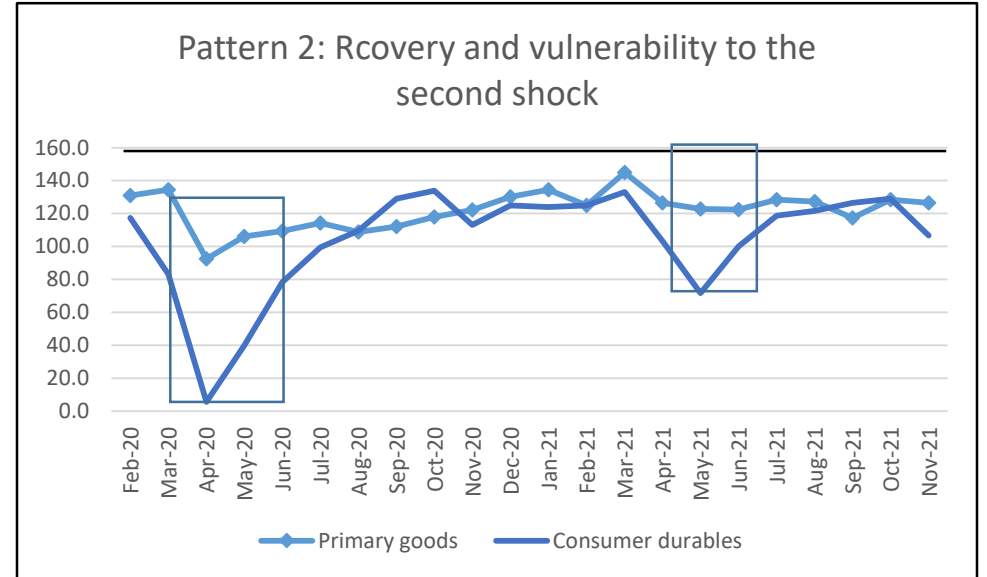
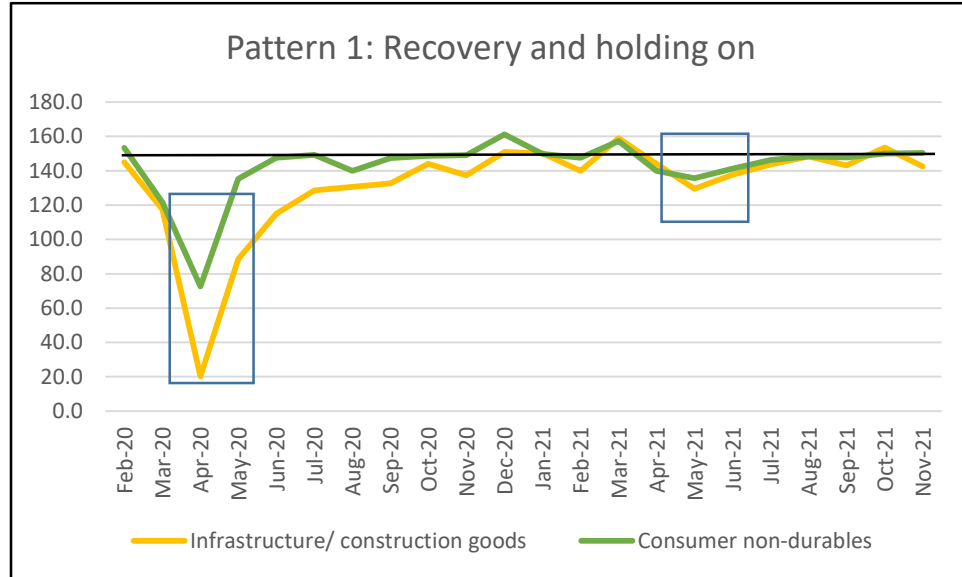
14. The Stable, Vulnerable and Resilient: GVA YOY%



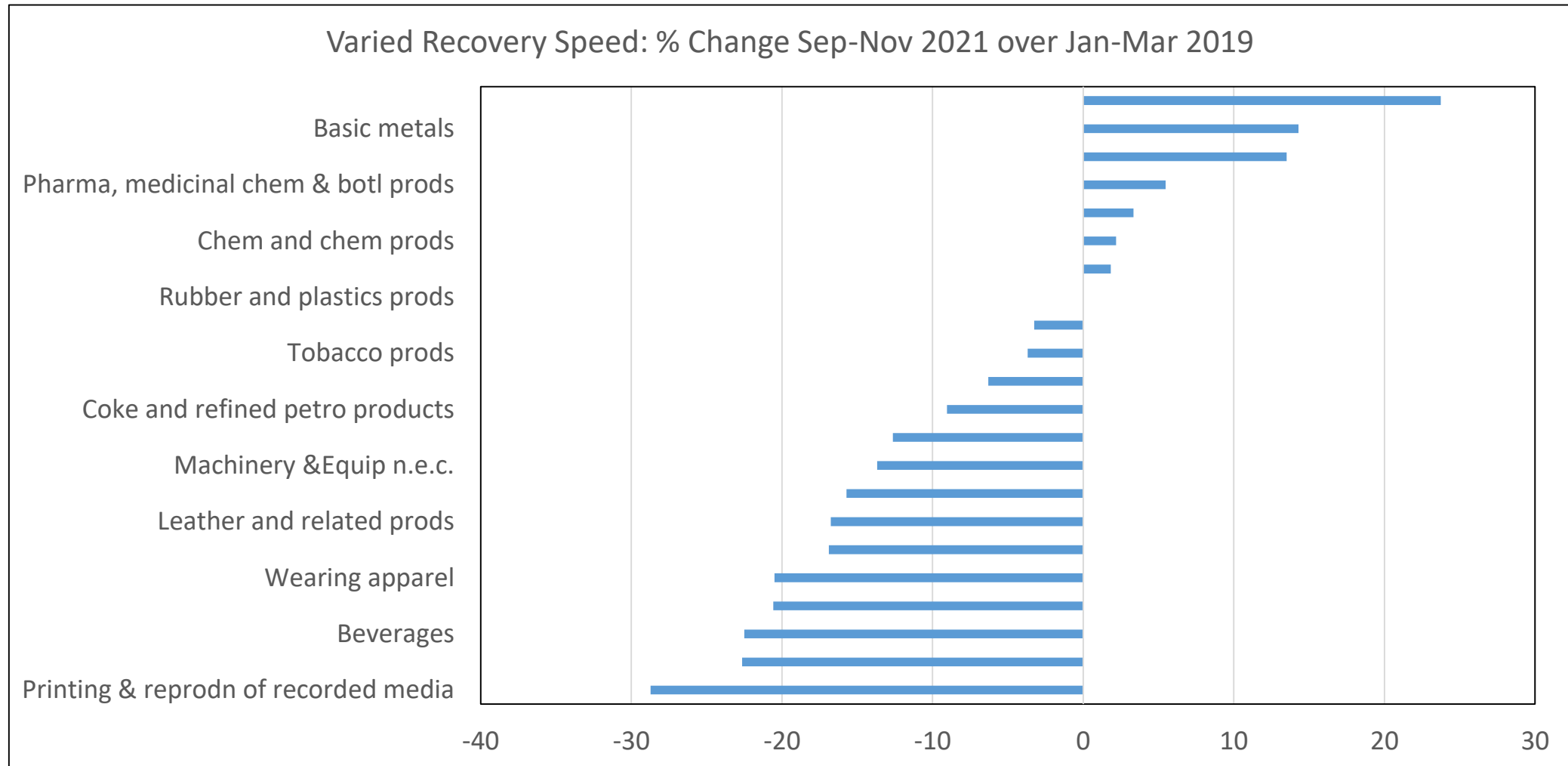
15. Industrial Production through the pandemic: Varied sectoral response (1)



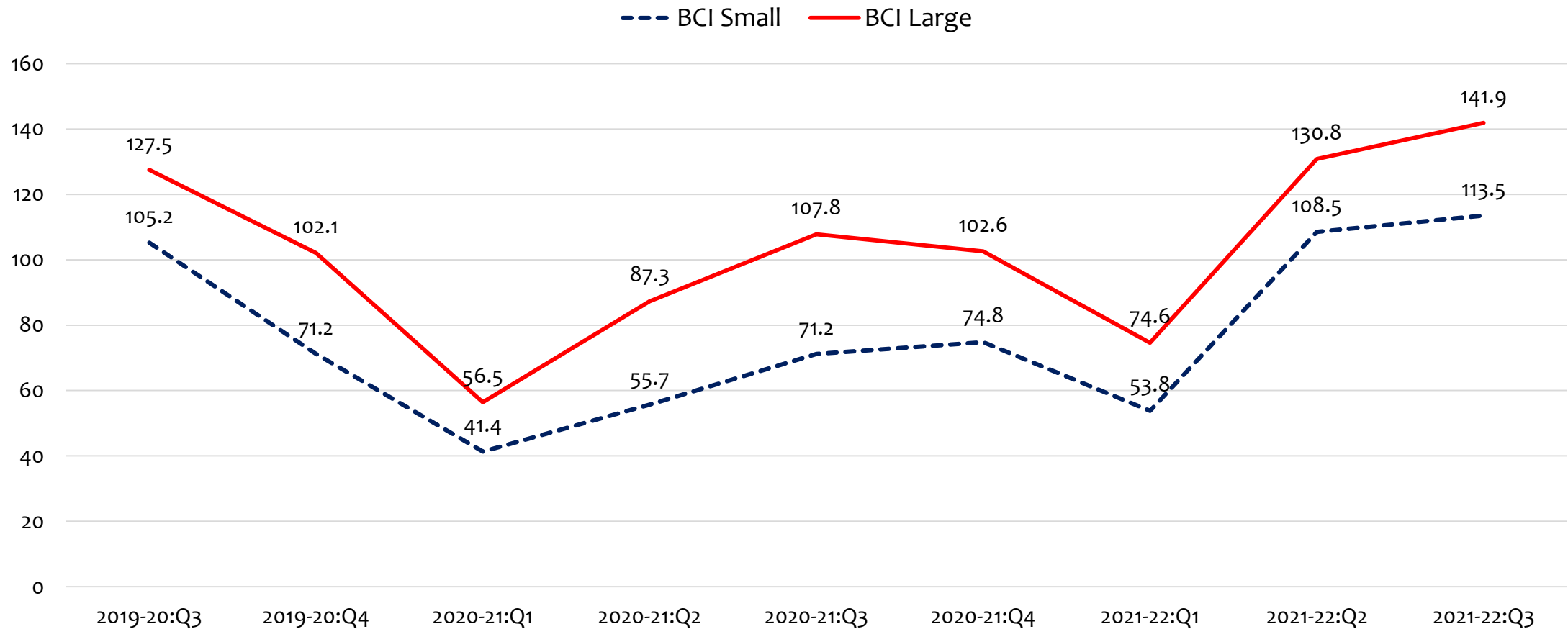
16. Industrial production through the pandemic (2)



17. Varied Speed of Recovery: IIP %Change Sep-Nov 2021 over pre-pandemic Jan-Mar 2019



18. Smaller firms bore the brunt of the shock and experienced a slower recovery in sentiments



Source: NCAER Business Expectations Survey

Note: Small firms are those with annual turnover with \leq Rs 100 crore and large firms are those with annual turnover $>$ Rs 100 crore

19. Summing up

- The pandemic has clearly had a very pervasive impact on the economy, but it also had differential impact across sectors
- Measures to contain the pandemic have had the impact of curtailing supply and liberalising restrictions led to recovery but raised the potential for subsequent waves of infection
- Vaccinations combined with Covid appropriate behavior appear to be the road to managing the way out of the pandemic
- New opportunities created by infrastructure development, digital technologies, push for health services development raise the potential for robust economic recovery

Thank You