States of distress

Covid-19 and its impact on economic activity in India

May 25, 2021

India's Covid-19 affliction curve continues to trend downward for the second week in a row, as daily cases declined 22% sequentially in the week ended May 23 (faster than the 15% fall the week before). Daily new cases now average 2.5 lakh, down from 3.3 lakh in the week ended May 16. While daily cases have dipped, testing continues to increase, growing 11% in the last week. Accordingly, test positivity rate (proportion of daily cases to samples tested) has dropped to 13.1% (from 18.8% a week earlier). Recovery rate improved to 88.7% as of May 23 from 84.8% the previous week. With cases falling and recoveries rising faster, active cases over the week have declined for the first time since the second wave began, falling 17% on-week.

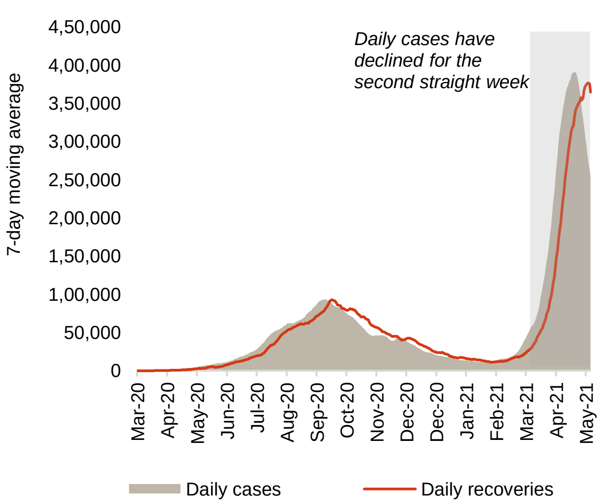
Taking together the decline in new cases, positivity rate and active cases, coupled with improving recovery rate, the country as a whole may have crossed the peak of the second wave on May 6, when 4.14 lakh cases were recorded. To be sure, some states such as Tamil Nadu, Odisha and Assam are still under a strong viral grip, with increase in cases over the week. On the other hand, Uttar Pradesh, Madhya Pradesh, Rajasthan have seen some of the sharpest declines in cases.

The economic impact of the second wave of the pandemic on states will be determined by the covid caseload, nature of lockdowns, structural composition of output (across sectors/regions) and pace of vaccination. States with higher dependency of output on contact-based services, and slower pace of vaccination coverage will remain more vulnerable.

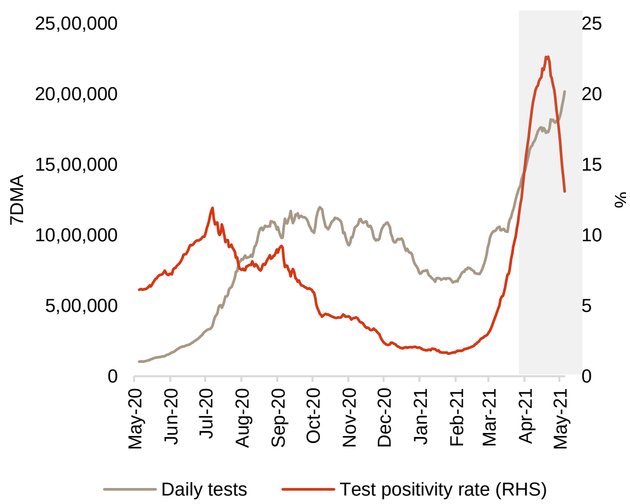
Vaccine availability remains a national bottleneck. As of May 23, daily vaccinations reduced to ~980 per million people from ~1,455 per million a week earlier. The world average is 3,564 per million.

Meanwhile, high-frequency indicators of the economy continued to soften the past week, except for railway freight, which increased moderately on-week.

Daily recoveries growing faster than daily cases



Test positivity rate declines



Source: Ministry of Health and Family Welfare (MoHFW), CEIC

- Like the first wave, the shock to output in states will be a function of the extent of Covid-19 infections, degree of lockdowns/restrictions announced, and structural composition of output. However, unlike the first wave, the shock to output will be lesser, given the lower intensity of restrictions (compared with the nation-wide lockdown last year) and adaptability of businesses and people to live with the virus. The duration of restrictions is likely to be longer as states will exercise caution after the lethal second wave. Also crucial are the pace of vaccination in states, the output/demand shock, and inflation trends in rural areas, where the second wave has been severe.

- Maharashtra, the state with the highest share in India's gross domestic product (GDP) and the most Covid-19 cases in the second wave, has still not seen a very sharp decline in mobility, despite being the first major state to announce 'lockdown'-style restrictions. However, its relatively higher share of contact-based services in its gross value added (GVA) makes it vulnerable to output shocks as restrictions continue.

- States/union territories such as Karnataka, Kerala, and Delhi, which are some of the most affected during the second wave and have also seen large declines in mobility during this period, have higher dependency on contact-based services in their output, making them more vulnerable.

- In Andhra Pradesh, Madhya Pradesh, Punjab, and Rajasthan, higher output share of agriculture may cushion the second wave shock.

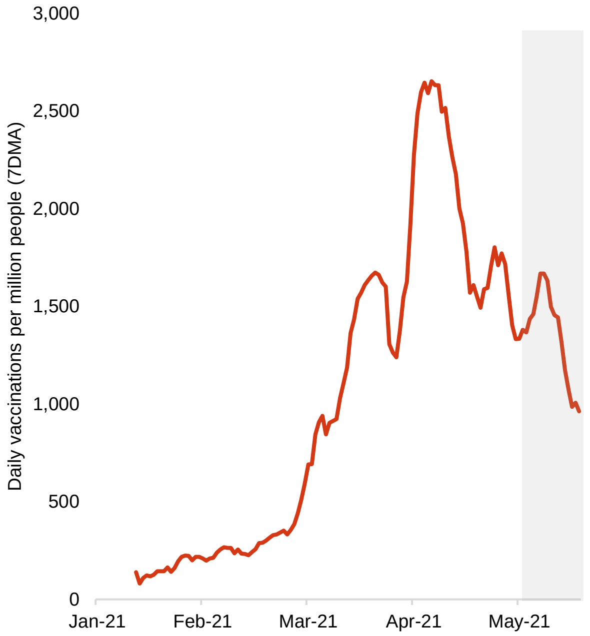
States' vulnerability matrix

State	Share in India's GDP	Share of cases in second wave#	Change in retail mobility since start of second wave^	Share in GSVA		
				Agriculture	Industry	Services*
Andhra Pradesh	4.6	4.4	-39.0	30.5	26.8	24.9
Assam	1.7	1.0	-54.0	16.1	43.3	26.1
Bihar	2.8	2.7	-42.0	18.7	21.1	41.4
Chhattisgarh	1.7	4.0	-33.0	16.6	48.3	22.1
Delhi	4.2	4.9	-42.0	0.4	16.9	50.7
Gujarat	8.7	3.3	-28.0	13.1	50.7	22.5
Haryana	3.8	3.0	-45.0	17.2	31.7	37.7
Jharkhand	1.6	1.3	-36.0	12.6	41.7	27.7
Karnataka	7.9	9.3	-49.0	9.7	25.8	49.9
Kerala	3.9	8.5	-57.0	8.0	28.7	47.5
Madhya Pradesh	4.0	3.2	-45.0	31.3	29.0	23.1
Maharashtra	14.6	22.2	-35.0	9.7	33.2	37.1
Odisha	2.7	2.3	-45.0	14.6	44.8	25.0
Punjab	2.8	2.3	-21.0	24.4	24.7	33.8
Rajasthan	4.7	3.8	-50.0	26.7	28.6	31.3
Tamil Nadu	9.0	6.3	-55.0	10.9	38.0	36.2
Telangana	4.5	1.6	-45.0	14.2	23.1	45.3
Uttar Pradesh	8.0	6.7	-43.0	20.6	29.2	30.2
West Bengal	5.4	4.4	-50.0	19.9	26.8	38.2
India	**100.0**	**100**	**-43**	**14.8**	**29.6**	**37.2**

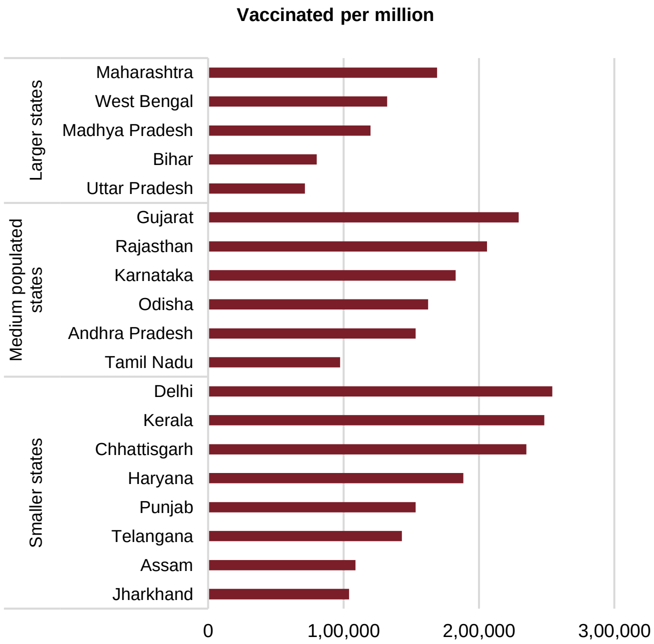
*#Second wave period: February 15- till date (May 23); ^Mobility to 'retail and recreation' spaces, in percentage points; *Contact-based services most vulnerable to lockdowns/restrictions: 'Hotels and restaurants, trade, repair', 'real estate', and 'other services', GDP and GSVA data for FY20*

Source: MoSPI, MoHFW, Google LLC, CEIC, CRISIL

Pace of vaccination declined further in May



Maharashtra, Gujarat, and Delhi have vaccinated the highest proportion of their population among the respective groups



Note: States categorised as 'small', 'medium' 'large' based on their population; data for states as of May 23

Source: MoHFW, CEIC

High-frequency indicators continue to soften

w-o-w %	08-Feb	15-Feb	22-Feb	01-Mar	08-Mar	15-Mar	22-Mar	29-Mar	05-Apr	12-Apr	19-Apr	26-Apr	03-May	10-May	17-May
Google Mobility*															
Retail and recreation	-25.1	-21.9	-21.7	-22.1	-20.9	-20.7	-21.7	-21.7	-26.4	-28.0	-36.7	-48.6	-54.9	-60.1	-65.3
Grocery and pharmacy	14.0	16.9	16.0	16.4	19.9	19.7	19.1	20.9	13.7	16.4	7.9	-6.3	-13.4	-20.7	-27.6
Transit stations	-9.9	-6.9	-5.0	-5.7	-5.1	-5.3	-5.1	-5.7	-12.4	-13.3	-22.7	-34.4	-41.1	-45.6	-52.0
Workplaces	-15.1	-15.4	-15.4	-13.4	-11.4	-14.9	-10.3	-11.7	-22.6	-19.0	-28.7	-37.0	-43.4	-45.7	-51.1
Electronic toll collections	1.7	4.1	15.5	7.1	-2.0	-5.7	13.2	-5.3	-11.1	3.7	-6.6	-7.8	-8.5	-9.4	-18.7
Power supply: energy met	0.3	0.1	-2.4	3.3	4.1	0.4	1.8	-0.7	-1.5	3.5	-3.3	-1.9	0.9	-4.2	-4.5
Railway freight	-0.2	-1.2	1.7	2.1	1.3	-1.6	2.9	2.0	-0.6	-11.2	3.6	-0.7	-2.1	-3.0	1.7
GST e-way bills	1.4	3.1	0.2	9.9	-7.5	0.0	3.6	3.5	-14.0	0.7	-6.2	-6.9	-13.7	NA	-14.0

*Note: *Mobility indicators data is % change from baseline (January-February 2020)*

Source: Google LLC, NETC, POSOCO, Ministry of Railways, GSTN

Analytical contacts

Dharmakirti Joshi
Chief Economist
dharmakirti.joshi@crisil.com

Dipti Deshpande
Principal Economist
dipti.deshpande@crisil.com

Amruta Ghare
Junior Economist
amruta.ghare@crisil.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions, with a strong track record of growth, culture of innovation and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

CRISIL Privacy

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com/privacy.