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Study on COVID-19 virus: Effect of Indian markets and Industries

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Abstract
In this paper the outbreak of the COVID-19 pandemic is an unheard of surprise to the Indian economic system. The Government of India has introduced loads of measures to address the situation, from meals protection and additional price range for healthcare, to quarter associated incentives and tax closing date extensions. With the extended country-huge lockdown, worldwide financial downturn and related disruption of call for and deliver chains, the economic system is in all likelihood to stand an extended length of slowdown. This observe discovered the capacity effect of the surprise on diverse sectors like manufacturing, economic offerings, banking, infrastructure, actual estate, and offerings and recommend a hard and fast of coverage guidelines for particular sectors.

Keywords: COVID-19 virus, markets and Industries, Indian economic system

Introduction
The outbreak of COVID-19 has impacted nations in an enormous way, especially the nationwide lockdowns which have brought social and economic life to a standstill. A world which forever buzzed with activities has fallen silent and all the resources have been diverted to meeting the never-experienced before crisis. There is a multi-sectoral impact of the virus as the economic activities of nations have slowed down. What is astonishing and worth noting is an alarm bell which was rung in 2019 by the World Health Organization (WHO) about the world's inability to fight a global pandemic. A 2019 joint report from the WHO and the World Bank estimated the impact of such a pandemic at 2.2 per cent to 4.8 per cent of global GDP. That prediction seems to have come true, as we see the world getting engulfed by this crisis.

In another report entitled 'COVID-19 and the world of work: Impact and policy responses' by International Labour Organization, it was explained that the crisis has already transformed into an economic and labour market shock, impacting not only supply (production of goods and services) but also demand (consumption and investment). International Monetary Fund's (IMF) chief said that, 'World is faced with extraordinary uncertainty about the depth and duration of this crisis, and it was the worst economic fallout since the Great Depression'. The IMF estimated the external financing needs for emerging markets and developing economies in trillions of dollars. India too is groaning under the yoke of the pandemic and as per news reports in Economic Times published on 23 March 2020, the economists are pegging the cost of the COVID-19 lockdown at US$120 billion or 4 per cent of the GDP (The Economist, 2020).

This COVID-19 pandemic affected the manufacturing and the services sector—hospitality, tours and travels, healthcare, retail, banks, hotels, real estate, education, health, IT, recreation, media and others. The economic stress has started and will grow rapidly. While lockdown and social distancing result in productivity loss on the one hand, they cause a sharp decline in demand for goods and services by the consumers in the market on the other, thus leading to a collapse in economic activity. However, lockdown and social distancing are the only cost-effective tools available to prevent the spread of COVID-19.

Governments are learning by doing, as it was in the case of success of containment strategy in Bhilwara district, Rajasthan, India, the economic risks of closing the economy remain nonetheless. Similarly, flattering the caseload curve is critical for economy at large, but it comes with an economic cost.

Material and Methods
Research studies done earlier to assess the economic impact of epidemics have been based on simulation models.

A study done by Martin Karlsson (2014) [2] to assess the impact of 1918 Spanish flu epidemic on Swedish economy is based on the neoclassical growth model; an extension of the standard difference-indifferences (DID) estimator was employed to exploit the differing flu mortality rates across Swedish regions. The policy brief issued by the Asian Development Bank to assess the economic impact of Avian Flu pandemic on Asian economies has been done through macroeconomic simulations based on Oxford Economic Forecasting (OEF) global model, which incorporates both the demand and supply sides and adjusts to a new equilibrium after a shock (Bloom *et al*., 2005) [3]. The empirical estimates of the economic effects of the Severe acute respiratory syndrome (SARS) epidemic are based on a global model called the G-Cubed (Asia-Pacific) model which was proposed by Lee and McKibbin (2004) [4]. Economic effects of epidemics are measured through economic costs deriving from disease-associated medical costs or forgone incomes as a result of the disease-related morbidity and mortality. In a global economy, the economic consequences of an epidemic in one country are transferred to other countries because of the integrated supply chains and capital markets. COVID-19 pandemic is caused by novel coronavirus infection, and scientific research is going on to study the impact of this infection on the human body and to find a possible cure for the infection. There are many variables in the epidemiological calculations done for this disease which are based on assumptions such as the cause of infection, the infection rate and the ratio of asymptomatic cases to symptomatic cases.

In the future, scientific research will unravel the mysteries of this disease and the disease spread. Economic projections or simulations are closely linked to epidemiological forecasting of the disease pattern. We decided not to use simulation models because of the uncertainties related to the disease. In this study, the focus is on assessing the damages caused by COVID-19 in the affected sectors, such as aviation, tourism and the retail, the overall productivity loss and the socio-economic impact of labour hours lost with an analysis of developmental policy and programme implications.

COVID-19 Pandemic in India

Impact on Tourism, Aviation and Retail

The tourism industry is the worst affected due to the COVID crisis, internationally. The World Tourism Organization (UNWTO) (2020) estimations depict a fall of 20–30 per cent in international tourist arrivals. These figures too are based on present circumstances and are likely to increase or decrease in future. Millions of people associated with industry are likely to lose their jobs. In India, the travel and tourism industry is flourishing and is contributing sizably to the economy.

The FICCI-Yes Bank report titled ‘India Inbound Tourism: Unlocking the Opportunities’ described India as a tourism powerhouse and the largest market in South Asia. Tourism in India accounted for 9.2 per cent of GDP and had generated US$247.3 billion in 2018, with the creation of 26.7 million jobs. Currently, it is the 8th largest country in terms of contribution to GDP (Jagan Mohan, 2020). According to the report, by 2029, the sector is expected to provide employment to nearly 53 million people. Foreign Tourist Arrivals (FTAs) crossed 10 million in 2017. However, the coronavirus pandemic has restricted international mobility and the revenues generated by this sector will take a major toll on the GDP growth rate. It may bring a downfall of 0.45 per cent in the growth rate of GDP.

The aviation sector in India currently contributes US$72 billion to India’s GDP. Foreign tourist arrival has been down in the first quarter. The lockdown will have a significant impact on arrivals in the second quarter. If we estimate a conservative 25 per cent decline in the contribution of the aviation sector, it will amount to 18 billion. Railways contributed US$27.13 billion in 2019 to GDP. A 21-day lockdown period will bring down the revenue by US$1.56 billion.

The Indian retail industry was worth US$790 billion in FY 2019. It accounts for over 10 per cent of the country’s GDP and around 8 per cent of employment. In the past few years, online retail has seen a very rapid growth and the market projections had indicated a 30 per cent growth in online retail in 2020 (National Investment Promotion and Facilitation Agency, 2020). A month-long shutdown for retail will affect the Quarter 2 revenues. In the retail sector, the suppressed demand has a tendency to revive very fast and this will enable the sector to recover the losses once the lockdown is lifted. Online retail was operational in some parts of the country during the lockdown period and this will help in offsetting some of the losses for the industry.

India’s Growth Projections Revised Down

Most multilateral agencies and credit rating agencies have therefore revised their 2020 and 2021 growth projections for India keeping in view the negative impact of coronavirus-induced travel restrictions, supply chain disruptions, subdued consumption and investment levels on the growth of both global and the Indian economy.

Fitch Ratings: Fitch has also cut its forecast for India’s economic growth to 4.9% for 2019-20 from 5.1% projected earlier.

Moodys: Moody's Investors Service has revised down its growth forecast for India to 5.3% for 2020 from its earlier estimate of 5.4% made in February.

S&P Global Ratings: S&P has lowered India's economic growth forecast to 5.2% for 2020 as against 5.7% projected earlier.

Barclays: Barclays has lowered India's economic growth forecast to 5.6% for 2020 as against 6.5% projected earlier.

The trade impact of the coronavirus epidemic for India is estimated to be about 348 million dollars and the country figures among the top 15 economies most affected as slowdown of manufacturing in China disrupts world trade, according to a UN report. Whereas according to Asian Development Bank (ADB) the Covid-19 outbreak could cost the Indian economy between $387 million and $29.9 billion in personal consumption losses (https://www.livemint.com/). A survey by FICCI (2020) found that most industry respondents did not foresee positive demand account during the entire fiscal year. Demand side impact on tourism, hospitality and aviation is among the worst affected sectors that are facing the maximum burnt of the present crisis. Consumption is also getting impacted due to job losses and decline in income levels of people particularly the daily wage earners due to slowing activity in several sectors including retail, construction, entertainment, etc. Some sectors like automobiles, pharmaceuticals, electronics, chemicals products etc. are facing an imminent raw material and component shortage.

CII identifies some policy/regulatory measures, which would help ease doing business in the wake of the outbreak of the COVID-19 pandemic and minimise the adverse effects on the health of the industry and economy.

1. Enhance Validity of licenses / approvals / NoCs
2. Easy & quick disbursal of pending dues
3. Provide speedy clearances
4. Relaxation / dispensation of labour law compliances
5. Contribution to PF & ESI funds
6. Facilitate ease of doing business for MSMEs
7. Facilitate trading across borders
8. Ease licensing requirement for production of Sanitizer

The objective of the Survey is to understand the opinion from the business fraternity regarding the downside risks to the Indian economy on the backdrop of outbreak and spreading of this virus. Pick up in retail inflation by June 2020. We are in the middle of a global pandemic, which is indicting two kinds of shocks on countries: a health shock and an economic shock. Right now, most of the policy focus is on the health shock, but soon it will become clear that the economy is also facing a serious problem. In this, India is not unique. All countries in the world will have to deal with the economic mess that the health shock will leave behind. But the mess may be particularly bad in India because the economy was in a weakened state when the shock hit us. And while the health shock will be temporary, the economic crisis it is triggering will affect us for a much longer period.

Objectives

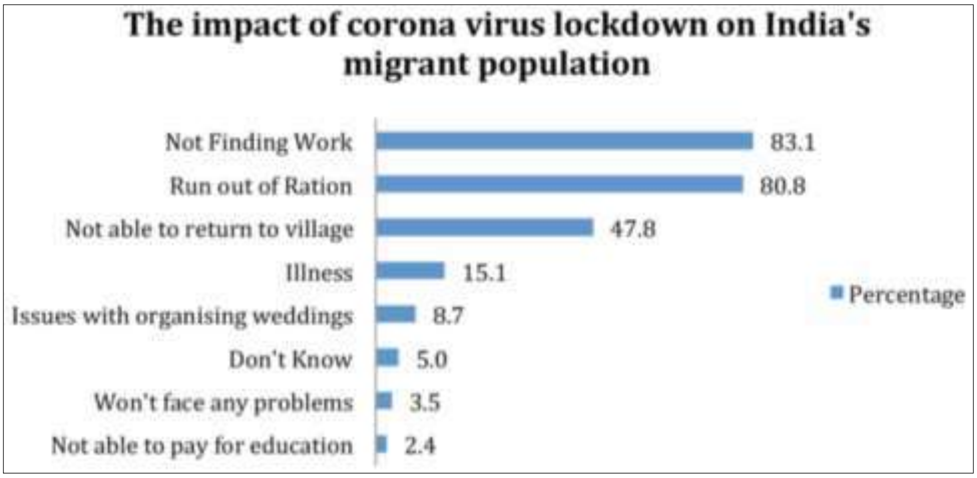
The major objectives of this study are:

1. To understand impact of Covid-19 on overall Indian Economy
2. To understand impact of Covid-19 on different sectors
3. To find out the challenges for different sectors in Indian economy

Impact on GDP Growth Rate

The nominal GDP is estimated at `204,400 billion in 2019–2020 with a growth of 7.5 per cent over the provisional estimates of GDP (`190,100 billion) for 2018–2019. (Economic Survey, 2020, p. 100) On 28 February 2020, the National Statistical Office announced revised estimates of GDP growth, from 8 per cent to 7.1 per cent in the first quarter, from 7 per cent to 6.2 per cent in the second quarter and from 6.6 per cent to 5.6 per cent in the third quarter. Goldman Sachs estimated the growth rate of GDP at 1.6 per cent, declining by 400 basis points because of 21-day lockdown (Goldman Sachs, 2020) [5]. In case of a quick retraction of COVID-19 pandemic across the globe by mid-May, KPMG India estimated India's GDP growth in the range of 5.3 per cent to 5.7 per cent. In second scenario where India controls the virus spread but there is a significant global recession, the growth may be between 4 per cent and 4.5 per cent.

Seasonal migration of labour for work is a pervasive reality in rural India. A migration of millions of people happens from rural areas to industries, urban markets and farms. Major migration corridors in India are from UP and Bihar, to Punjab, Haryana, Maharashtra and Gujarat. Newer corridors from Odisha, West Bengal and North East to Karnataka and Andhra Pradesh, from Rajasthan to Gujarat, from MP to Gujarat and Maharashtra and from Tamil Nadu to Kerala are also being created. These migrant workers are employed in the construction sector (40 million), domestic work (20 million), textile (11 million), brick kiln work (10 million), transportation, mining and agriculture (IIPS, 2001) [6]. During lockdown, 92.5 per cent of labourers have lost 1 to 4 weeks of work. A survey done by Jan Sahas, of 3196 migrant workers across northern and central India, between 27 March and 29 March, reveals that 80 per cent of migrant workers feared that they will run out of food before lockdown ends on 14 April and will not get their job back thereafter as shown in Figure 1. The survey revealed that 55 per cent of migrant workers get a daily wage between `200 and `400, and 39 per cent of the workers get it between `400 and `600, which is below minimum wage rate. Only 4 per cent of the workers get `600 and above, which is close to minimum wage rate. They work in exploitative conditions, are often under debt and have little savings of their own. About 49.2 per cent of these workers in the survey said that they did not have ration and 39.4 per cent said that they had ration which would last about 2 weeks.



Source: Jan Saahas Survey (2020) [7].

Fig 1: Impact of COVID-19 on Migrant Population

Implications on Capital Markets, Global Oil Market and its Impact on India Coronavirus fears have sent shock waves across global financial markets. Indian capital markets are envisaging a funds flow to Western capital markets, owing to rate cuts and fall in the stock markets the world over. As per the NSDL data, Foreign Portfolio Investors (FPIs) have withdrawn huge amounts from India—`247.76 billion from equity markets and `140.50 billion from debt markets in a short span of 13 days, that is, from 1 to 13 of March 2020. There will be a lot of volatility in the capital markets in the next 6 months, owing to rapid flow of capital from one market to another in the world.

Impact on Start-Ups and Micro, Small and Medium Enterprises

Micro, Small and Medium enterprises, which have created more than 90 per cent of the jobs in India, employing over 114 million people and contributing 30 per cent of the GDP (Radhika Pandey, 2020) [8], are at the risk of having a severe cash crunch if the lockdown is extended to 8 weeks. Many of these MSMEs have loan obligations and monthly EMIs to pay. Many of them might just disappear if their cash cycle is disturbed because of the lockdown, with fixed costs dangling over them in such a situation. They need a moratorium for loan repayments. RBI has released funds to non-banking financial corporations, some of whom provide finance to MSMEs. In addition to that, movement of perishable goods is hampered and thus, these businesses stare at huge losses. India cannot have a real and sustainable growth without having a thriving MSME sector. The COVID-19 crisis will also test the resilience of start-ups in India.

Start-ups have to rely on cross-border fund raising. Several founders are seeing their businesses grinding to a halt. Receivables are spiralling and they have to undertake painful cost-reduction measures in their ventures. Government will have to make funds available to this sector, as venture capital firms may take a little longer to come and support because of the restricted global capital flows.

Table 1: Consumption and Investment Demand in India

	2017-18 1st RE	2018-19 PE	2019-20 1st AE	Percentage Points Change in growth rate in 2019-20 over 2018-19 (Increase(+)/ Decrease(-))
Total Consumption	70.0	70.6	72.1	1.5
Government Consumption	11.0	11.2	11.9	0.7
Private Consumption	59.0	59.4	60.2	0.8
Gross Fixed Capital Formation	28.6	29.3	28.1	-1.2
Net Exports	-3.2	-3.9	-2.8	1.1
Exports of Goods and Services	18.8	19.7	18.4	-1.3
Imports of Goods and Services	22.0	23.6	21.2	-2.4

Discussion

A micro virus has eroded wealth and corroded investor confidence, slowed-down private consumption and investment, disrupted workplaces and distorted markets. Economic Survey 2019–2020 had laid out a plan to promote exports of network products, to integrate 'assemble in India for the world' into Make in India and to create 40 million jobs by realising the aspiration of a 5 trillion economy by 2025 (Economic Survey, 2020). The COVID-19 pandemic has forced us to rethink on these strategies. Integration with global supply chains also makes the nation susceptible to global supply shocks. The survey had mentioned, 'As no other country can match China in the abundance of its labour, we must grab the space getting vacated in labour-intensive sectors'. The COVID-19 pandemic posed a huge threat to the mainstay of global production because the mobility of Chinese migrant workers was restricted and the production activity had come to a halt. Half of the humanity at present is under lockdown, and if lockdown persists, in the rest of the world, lost sales in Chinese firms will result in layoffs, cuts in investment spending and a deep recession.

Conclusion

In India, this has not yet started in a systematic manner and needs to be prioritised alongside steps to deal with the health crisis. By rationalizing tax rates or providing tax relief curb the impact of COVID-19 on the Indian economy might know after implementation of measures. About necessary measures to combat the economic impact from the rapidly spreading coronavirus, the Government policymakers would need to implement a substantial targeted fiscal, broader monetary stimulus, and policy rate cuts to help normalize the economic situation. As the COVID-19 crisis continues to expand, manufacturers will likely face challenges on numerous fronts. Manufacturers will also need to look beyond their own economic viability. They will need to coordinate closely with the public sector to forge plans that are essential to both public safety and the solvency of their workforce, while keeping the lights on in their operations. Challenging climate. Some will be austere, but austerity measures should be tempered to preserve long-term objectives.

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