

# Wall of worry

## Covid-19 and its impact on economic activity in India

May 03, 2021

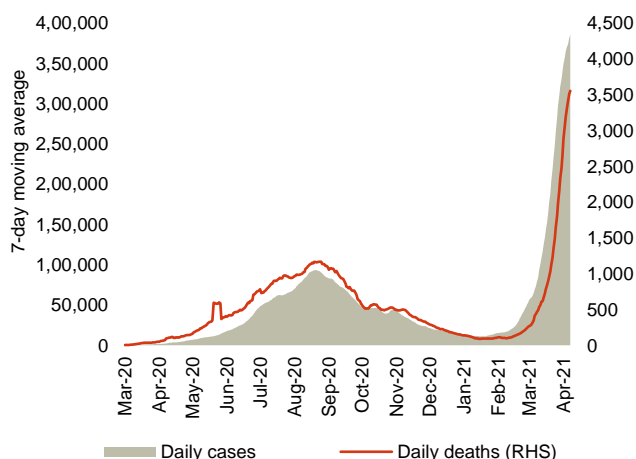
India's crushing second Covid-19 wave continues to make new peaks with every passing day, **as daily cases near the 4 lakh+ level**. If it was any consolation amid the steep rise in daily cases and deaths, **growth in recoveries, which lagged cases till last week, grew faster** by 57% in the week April 26 - May 2. That compared with 16% growth in cases. Growth in daily cases in major affected states, such as Maharashtra, Madhya Pradesh, Chhattisgarh, Uttar Pradesh too slowed down, compared with the week ending April 25. But recovery rate has declined to ~82% as of May 2, due to the high base of confirmed cases.

More worrying signs. Hitherto considered an urban phenomenon, **the second wave is closing in on rural India**. The share of predominantly rural districts in new cases in April was 30%, up from 21% in March. This **is still lower than the peak reached in the first wave** (at 40% in August 2020).

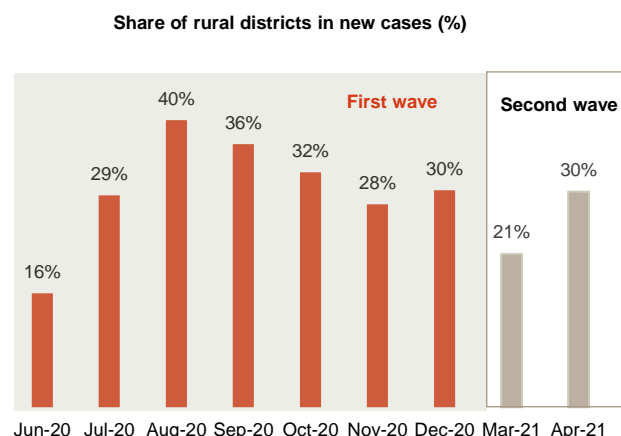
Further, **daily vaccinations are slowing as vaccine supplies are choked**. They dropped from 1992 per million in the week prior, to 1585 per million on average, in the week ending May 02. This is the third straight week that daily vaccinations have declined. Cumulatively, India has administered 15.4 crore doses. Even as India has announced its third phase of vaccination starting May 1, opening it up for those from 18 years upwards, several states have expressed inability to begin the drive owing to shortage of supplies.

High frequency indicators are now clearly showing the impact of state-announced restrictions as they softened for the second consecutive week

**Daily cases now more than 3.5x the peak of first wave**



**Cases mostly in urban areas, but rural, too, rising**

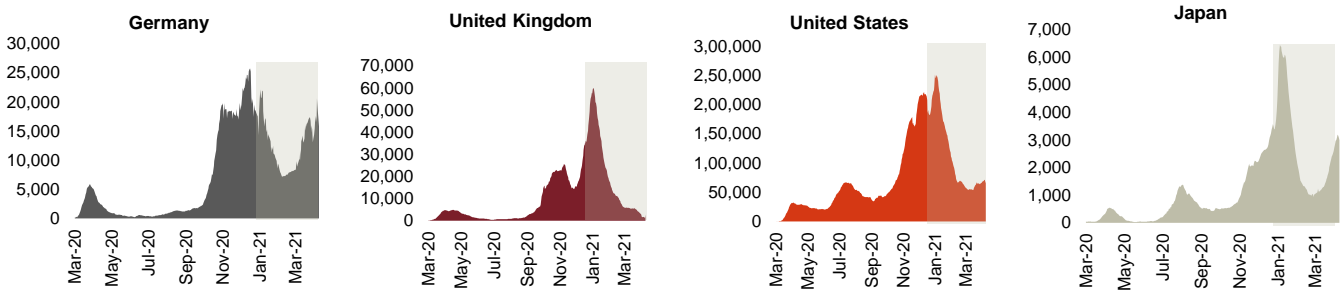


Note: Rural districts defined as those with more than 70% of population categorized as 'Rural' as per Census 2011  
Source: Ministry of Health and Family Welfare (MoHFW), 2011 Census data, CEIC

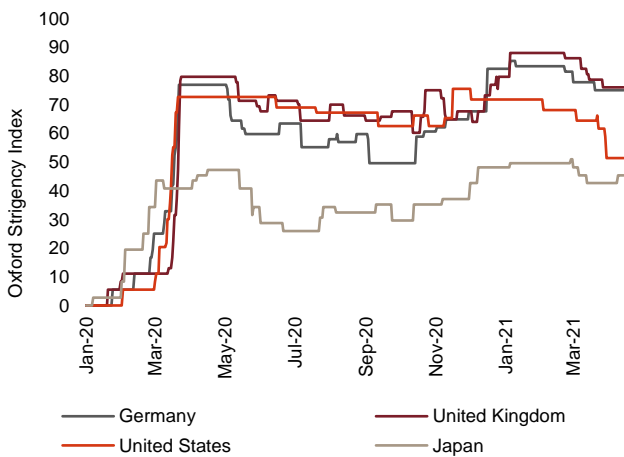
What lessons can India learn from other countries globally that have been through second and third waves?

Many advanced economies that saw a resurgence in late 2020/early 2021 clamped down with renewed restrictions, some more stringent than the first time around (e.g., Germany, United Kingdom). However, as people and businesses learned to live with the virus, economic activity was less impacted. Additionally, economic stimulus pumped into the economies during the second and third quarters of 2020 somewhat cushioned the impact from the subsequent waves. Manufacturing activity continued to expand on average globally in the first quarter of calendar 2021. Further, as countries vaccinate more, behavioural changes in the form of increased mobility are expected to set in. This is already being seen in the United States (US) and the United Kingdom (UK), which have managed to vaccinate a significant proportion (>40%) of their population and are seeing improvement in people mobility.

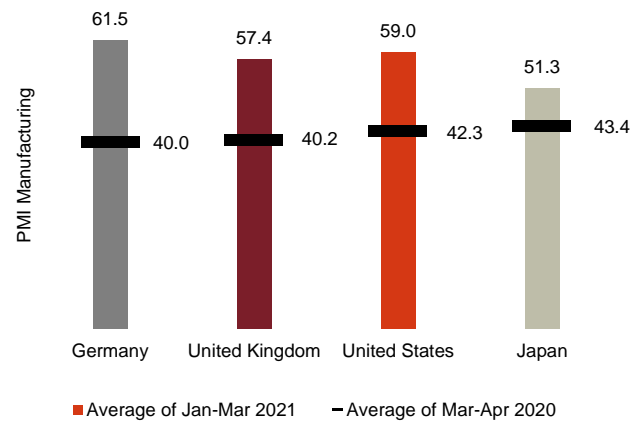
**Major advanced economies saw resurgence of a second or third Covid-19 wave in 2021...**



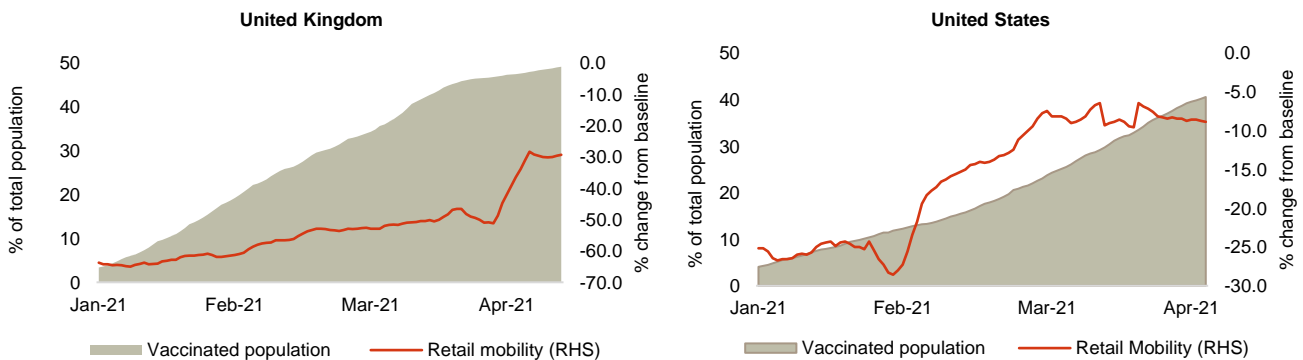
**...leading to renewed restrictions...**



**...but they hurt economic activity less**



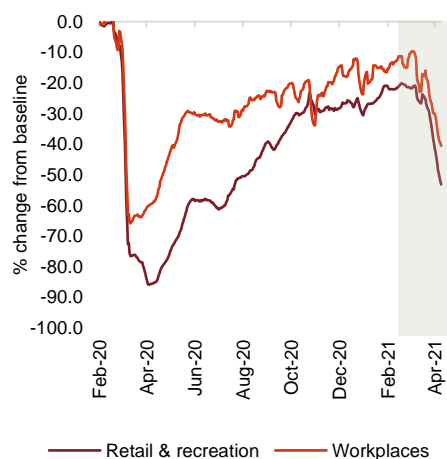
**Vaccination has helped mobility too, particularly for countries that have covered a large proportion of population**



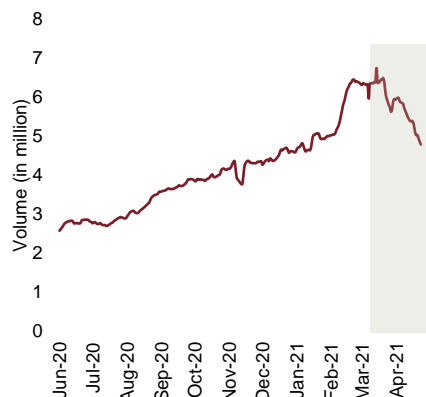
Source: World Health Organization, Blavatnik School of Government, University of Oxford, Google LLC, Our World in Data, IHS Markit, CEIC, CRISIL

**High frequency indicators show softening of economic activity**

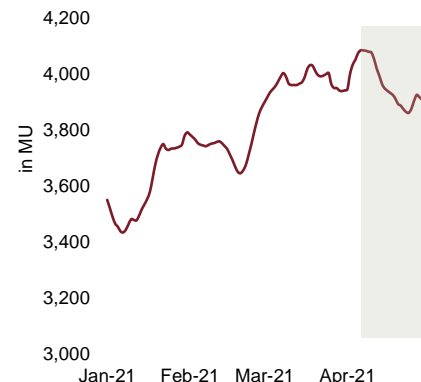
**Retail and workplaces mobility**



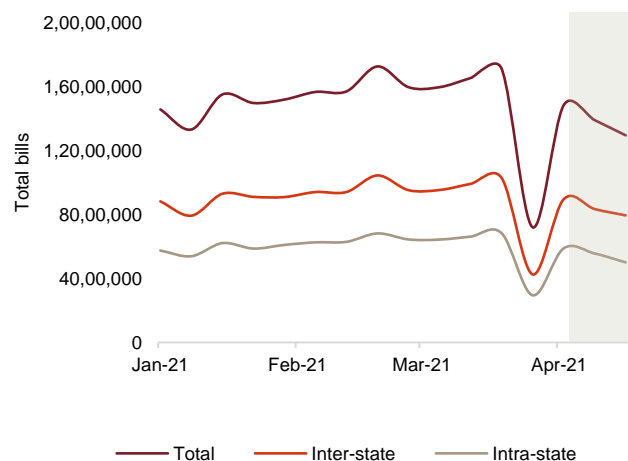
**Toll collection**



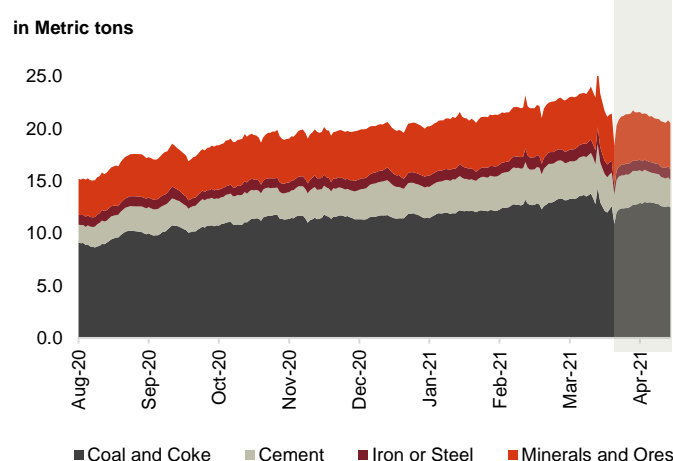
**Power supply: energy met**



**GST e-way bills collection**



**Railway freight loading**



Source: Google LLC, NPCI, POSOCO, GSTN, Rail Drishti, CEIC, CRISIL

- In India, the impact of state-announced restrictions are more clearly showing up across high frequency indicators – they all trended down for the second consecutive week:
  - Retail mobility fell 8.2 pp on average in the week ending May 02 (vs 11.4 pp decline in the week prior (ending April 25)), while workplace mobility slowed 7.1 pp (7.9pp decline a week ago)
  - Toll collection (through electronic mode) declined 2%, on-week (compared to -8% in the week prior)
  - Power supply grew by a marginal 0.9% on-week (compared to 1.9% contraction a week ago)
  - Goods and Services Tax e-way bill collection (volume) declined 6.9% on-week for week ending April 25 (vs -6.2%, week ending April 18)
  - Railway freight loading fell by 2.1% on-week (week ending May 02) (-0.7% a week earlier)

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