

Mounting toll

Covid-19 and its impact on economic activity in India

April 26, 2021

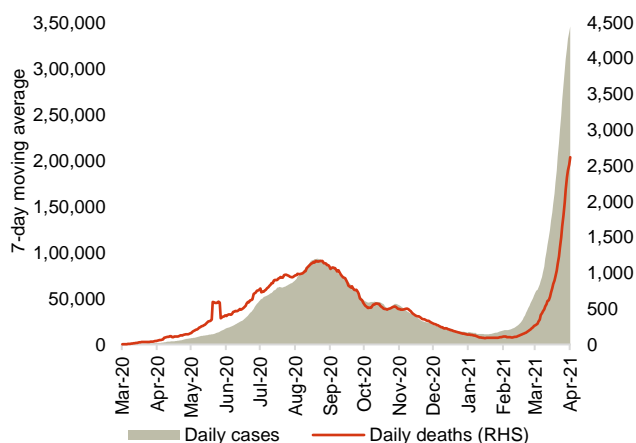
India's second Covid-19 wave has wreaked havoc, with daily cases crossing a staggering 3 lakh in the week through April 25. India's daily infections recorded the highest number of cases in a single day among countries worldwide in the last week, and daily deaths have crossed the peak of the first wave. Worryingly, their steep trajectory seems to be following that of daily cases.

Not only does the Herfindahl case concentration index ending April 25, shows dispersion of cases trending to the similar level as seen during peak of last year September 2020), but this time, the number of cases exceed the previous year's peak by 3x, thereby highlighting the increased burden of cases. 16 major states saw double-digit growth rate in cases in week April 19-25, compared to the week prior.

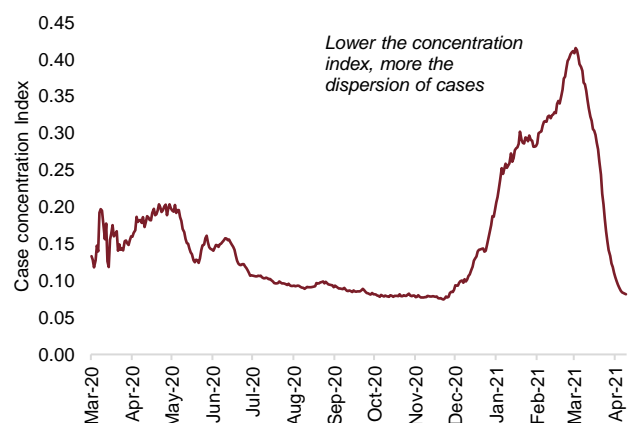
The pace of vaccinations in India and across some of the worst-hit states further slowed down for the second straight week ending April 25, because of low vaccine supplies.

The March 2020 nation-wide lockdown led to a massive migrant exodus. This time, even though there have been no nationwide restrictions, the increasing number of cases have prompted states to announce localised restrictions and curfews in different forms. The magnitude of flows, cannot be estimated because of lack of official data on migrants. Passenger rail travel through the unreserved mode, used as a proxy for data of migrant flows, indicates increased activity in April compared with March indicating reverse flow of migrants following the announcements of localised lockdowns. However, one may need to discount the element of seasonality in data as with the onset of summer, migrants typically tend to return to rural areas for farm-related works. However, similar to last year, announcements of restrictions are expected to have driven this number somewhat higher. Similar data seen for reserved tickets shows a decline suggesting the impact of travel restrictions. An on-year comparison is not possible because of unavailability of data.

Daily cases now more than thrice the peak of first wave



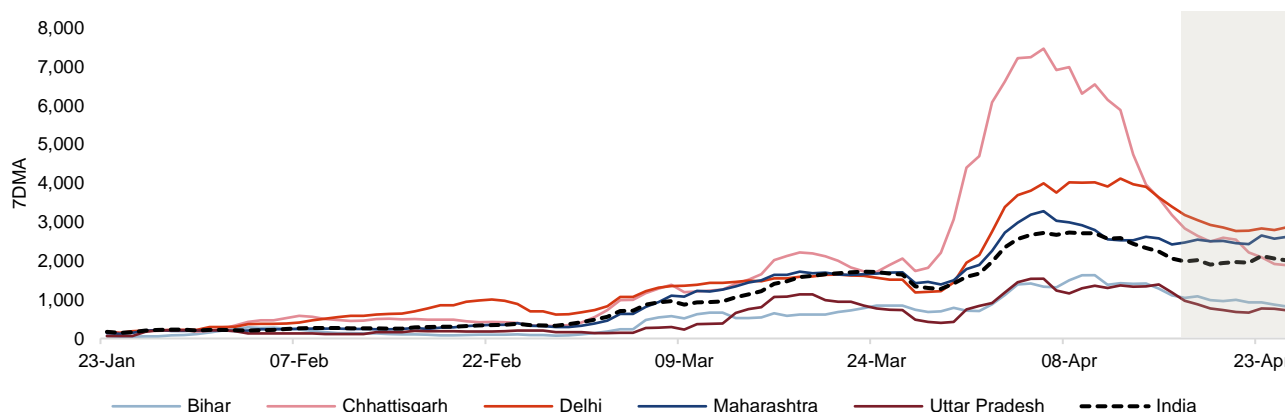
Cases now dispersed among more states



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

- Top 3 states which showed the highest weekly growth rate in cases were, Uttar Pradesh (27.6%), Bihar (24.5%), and Rajasthan (24.1%). The Herfindahl case concentration index ending April 25, at 0.08, shows dispersion of cases trending to the similar level as seen during peak of last year (0.1, in September 2020), but this time, the number of cases exceeded the previous year's peak by 3x, thereby highlighting the increased burden of cases.

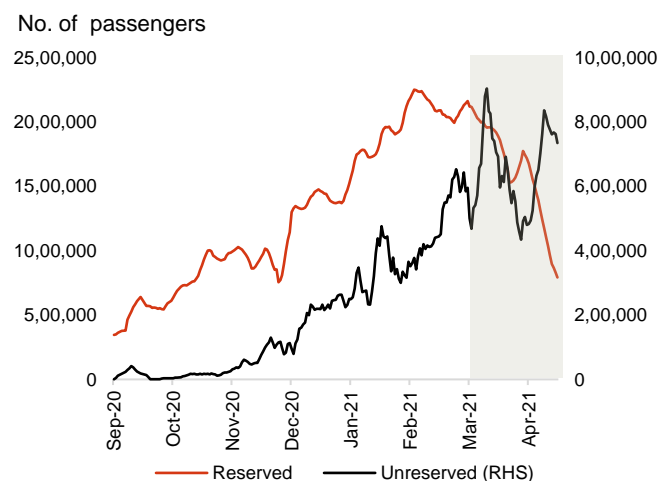
Daily vaccinations per million people slowed down for India and major states



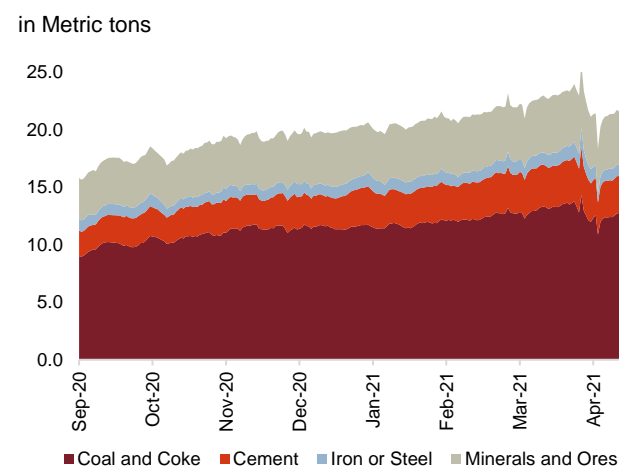
Source: MoHFW, CEIC

- Average vaccination in the week stood at 1992 per million, compared to 2408 in the week ending April 18. Worryingly, this all-India trend of slowing vaccination pace was also mirrored by some of the worst-Covid hit states where in fact daily cases are rising at a rapid pace.

Unreserved passenger travel increased in April, but reserved passenger travel slumped



Freight loading remained relatively steady



Note: Data for passenger rail travel during March-August 2020 was either not available or irregular because of no rail transport during the lockdown in April-May 2020 and limited train services in the months thereafter

Source: Rail Drishti, CEIC, CRISIL

- Using data from railways' non-suburban unreserved passenger ticketing system as proxy for migrant flows¹, we find that unreserved travel increased steeply in April, relative to its trend in the previous months.

¹The Economic Survey 2016-17 chapter titled 'India on the Move and Churning: New Evidence' had similarly used net annual flows of unreserved passenger travel as a proxy for migrant flow

In the previous week, average unreserved passengers were ~7 lakh compared with ~5.5 lakh in the first week of March. In contrast, reserved railway travel has declined drastically, possibly indicating that the relatively more affluent passengers have postponed/ cancelled travel in the wake of the pandemic-induced restrictions/ caution. To be sure, though, the data may also have an element of seasonality to it, as with the onset of summer, migrants tend to return to rural areas for farm-related works.

- Another indicator of economic activity — railway freight data- has moved in accordance with the past month's trend. Railway freight movement of major inputs, such as coal, iron, and steel, has remained relatively steady. It recorded a slight decline towards the beginning of April (an annual feature as year-end activities saw an increase in volumes in March, and then dip in April), but has recovered since then. This indicates that on an overall level, the impact of the second Covid-19 wave on industrial activities thus far remains small.

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