EMERGING MARKETS COVID-19 IMPACT SERIES

India COVID-19 Impact Briefing

JULY 28, 2020

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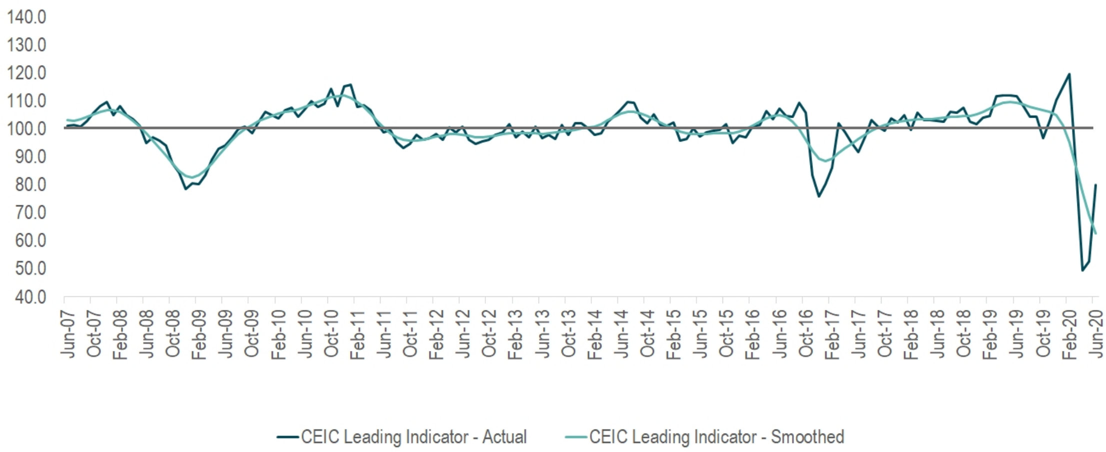
THE TURNING POINT THAT NEVER CAME

India's economy has been suffering from a slowdown since before the COVID-19 pandemic, due to sluggish household consumption and exports. Signs of improvement had surfaced consistently in the months since November 2019 with the CEIC Leading Indicator, a predictive measure of turning points in the economic cycle, reaching a 20-year high of 119.7 points in February 2020. Thanks to Reserve Bank of India's expansionary monetary policy, there was a chance to turn the slowing phase of the economic cycle around. Still, the smoothed CEIC Leading Indicator, presenting data after removal of the high-frequency noise, suggests that India's economy was growing below its potential. Adding to that the first shock of the COVID-19 outbreak in March 2020, the anticipated turning point never came.

A PERIOD OF HISTORIC LOWS

India recorded its first COVID-19 case on January 30, but it was only around mid-March when the number of cases started growing at an alarming pace. The government adopted a pan-India lockdown on March 25, which was later on extended until May 31. During this period, all economic activities remained closed except those classified as essential services, such as fresh food and grocery stores, hospitals, pharmacies, and media. Certain sectors such as agriculture and construction were allowed to operate, after a careful review by authorities. Even after some of the lockdown measures were eased after May 3, industries and offices were allowed to function only at one third of their capacity. For a country as densely populated as India, the national lockdown was an essential tool to manage the duress on healthcare facilities but the impact on the economy has been adverse. The CEIC Leading Indicator captured this impact, as it plunged to 86.2 points in March and to an all-time low of 49.5 points in April.

CEIC Leading Indicator for India



Source: CEIC

The CEIC Leading Indicator is a proprietary dataset designed by CEIC to detect early signals of imminent turning points in the economic cycle. The neutral point is 100. Observations below 100 can be interpreted as periods of contraction, while observations above 100 are periods of expansion. The smoothed CEIC Leading Indicator presents more accurately the long-term movement of the business cycle by removing high-frequency noise.

A LONG ROAD TO RECOVERY

The COVID-19 outbreak and the subsequent lockdown have caused demand, supply, and financial shocks to India's economy, all at once. The negative effects were partially mitigated by some prompt policy actions by the central bank and the government, and signs of recovery are already visible. The CEIC Leading Indicator rose to 52.7 points in May and to 80.1 points in June. However, for some industries, the pandemic has posed much larger challenges. There has been a direct implication on income and employment, as many small businesses have been forced to shut down permanently. Reduced capacities in industries and offices have forced companies to lay off employees, and in many cases, migrant workers have returned back to their hometowns as a result of fear of the disease and uncertainty of the future. More importantly, a large portion of the workforce in India is employed through informal channels, which makes the damage to the economy even more severe. Even though the actual CEIC Leading Indicator is on a recovery path, the trajectory for the smoothed indicator remains downward. The reasoning behind this phenomenon is that there is a severe economic damage and a more pronounced recovery is needed to get the economy back to its potential.

TIME FOR REFORMS

In some ways, the COVID-19 pandemic has urged the government to adopt reforms that were long overdue. Prime Minister Narendra Modi has reiterated multiple times the government's vision of India becoming more self-reliant. This was also confirmed by the economic stimulus package called "Atmanirbhar Bharat Abhiyaan" or "Self-Reliant India" launched in May 2020 with a value of INR 20tn, or 10% of the country's GDP. Some of the measures adopted by the government to alleviate the negative impact of COVID-19, such as collateral free loans to small businesses, loan moratoriums, working capital financing for farmers, and cash transfers to the low-income population are expected to have a short-term impact. Other reforms are more structural and are expected to provide long-term benefits. Among these are changes in corporate laws to improve the ease of doing business and a historic amendment of the Essential Commodities Act in June 2020, which put an end to government curbs on stocking of farm produce, thus allowing farmers to realise better sale prices. India now has the unique opportunity to start afresh with measures and public policies that are aimed to uplift the overall economy, and not just mitigate the impact of the COVID-19 pandemic. This would imply a reform of the labour laws to boost employment levels, an enhancement of the educational system and targeted measures to promote skill development and entrepreneurship.

THE INDUSTRY CHECK BOOK

The COVID-19 outbreak and the subsequent national lockdown have negatively affected the operations of all key industries of India, albeit with a different magnitude. Using the EMIS Trend Deviation Index (TDI), we measured the magnitude of the external shock experienced by each industry, and categorised three levels of impact from the pandemic, namely major, moderate and minor.

EMIS Trend Deviation Index (TDI): COVID-19 Impact on Key Industries in India

EMIS 14 Industries	2019									2020					
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Agriculture	97.9	101.6	95.1	101.4	99.8	104.0	102.0	103.0	104.6	103.1	108.2	79.8	74.1	98.4	104.5*
Food & Beverage	95.9	101.3	97.2	103.7	98.0	97.2	98.4	101.4	97.3	98.6	103.3	79.5	48.0	72.0	100.8*
Pharma & Healthcare	99.8	99.5	99.2	101.4	99.7	99.1	99.5	102.3	98.8	100.4	99.3	73.0	69.6	94.3	100.4*
Transportation	60.5	100.6	101.0	100.6	99.1	98.9	99.2	102.8	105.2	138.8	129.4	103.6	54.9	55.9	100.3*
Mining & Metals	99.8	102.6	99.6	100.8	98.6	90.1	92.6	96.2	94.8	99.0	99.2	89.5	60.0	97.4	99.6*
Banking & Insurance	99.4	102.5	111.8	93.5	101.5	94.9	97.0	107.9	100.6	99.4	96.6	74.1	77.2	82.7	94.7
Chemicals	105.2	99.6	97.0	103.8	98.6	98.8	99.9	102.6	95.8	98.9	102.8	72.9	55.9	81.5	91.7*
Energy	101.7	113.3	97.7	102.7	99.3	98.2	97.6	99.6	98.5	97.9	102.2	94.6	83.4	88.1	91.5*
Consumer Electronics	93.5	103.8	96.2	101.2	102.6	99.6	96.6	102.3	98.0	102.7	100.3	83.0	22.7	42.5	72.3*
Technology, Media & Telecoms	106.0	102.8	97.2	100.8	97.0	97.6	94.9	100.7	101.9	98.5	100.7	75.8	30.8	57.0	
Infrastructure & Construction	97.9	100.0	98.5	100.4	91.9	92.6	92.4	97.5	99.0	98.1	99.3	98.9	23.2	75.9	
Tourism & Leisure	98.2	98.4	101.0	99.9	98.5	98.5	99.2	103.2	105.6	117.0	146.6	108.5	11.3	16.5	
Consumer Goods & Retail	102.1	104.6	96.3	103.8	99.3	96.8	92.7	102.2	99.9	102.4	99.8	64.0	6.9	33.9	
Automotive	101.2	101.2	98.3	99.9	100.2	99.9	98.2	100.5	100.4	101.9	98.8	99.3	3.2	37.1	

Note: *Flash estimates
Source: EMIS

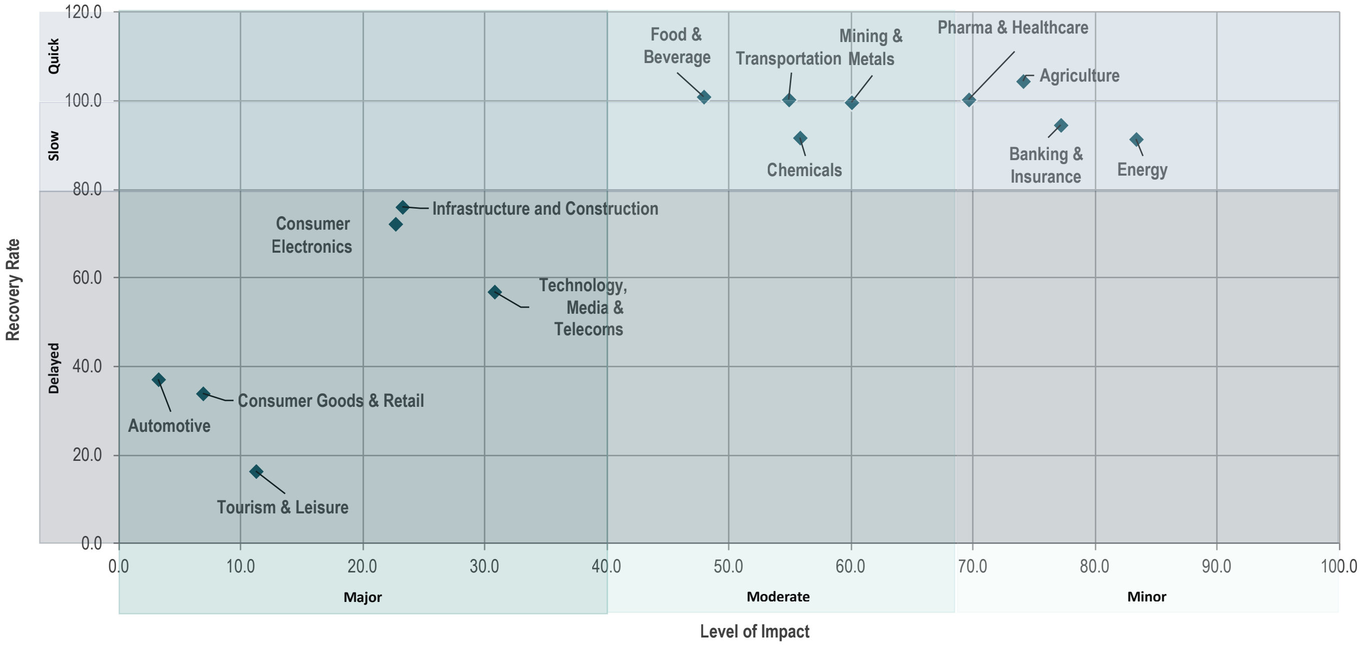
The EMIS Trend Deviation Index (TDI) is a proprietary EMIS dataset. It is a composite seasonally adjusted index measuring the deviation from the short-term trend in each industry. The index has a value of 100 when the impact of external shocks (e.g. COVID-19 pandemic) on key industry indicators, such as production, sales revenue and exports, is insignificant. Observations below and above 100 indicate negative and positive impact, respectively. In the case of the chemical industry, for example, the underlying indicators of the TDI are the production and the exports of chemical and chemical products in India. The seasonal adjustment and the calculation of the short-term trend are performed via the TRAMO-SEATS and ARIMA-X12 methods.

The national lockdown from end-March significantly distorted the operations of all key industries of India, data shows. Industries that rely mostly on on-site operations were the hardest hit ones in April. Among these were the automotive, consumer electronics, and tourism and leisure sectors. The consumer goods and retail sector also fell prey to the negative effects of the pandemic, due to the mandatory closure of stores selling non-essential goods and the halt on the sale of non-essential items through e-commerce platforms. On the other hand, industries that were classified as essential services or have a high share of digital operations, fared better. These include the agriculture, energy, and banking and insurance sectors, which recorded a minor negative impact from the COVID-19 pandemic in April.

Meanwhile, some industries recorded a moderate negative impact from the COVID-19 pandemic. In the case of the food and beverage industry, the vanishing demand from bars, restaurants and similar establishments was partially offset by higher sales through grocery stores. The operations of other industries, such as chemicals, and mining and metals, were impaired by disruptions in the global supply chains, the reduced demand from key institutional clients in India and a shortage of workers, as many migrant workers opted to return to their hometowns.

In May 2020, there is already evidence of improvement in the performance of all key industries in India. Nevertheless, the TDI scores suggest that some industries have taken the lead in recovery, as the government started to loosen lockdown restrictions, while others will need more time to return to their pre-pandemic performance. Our flash estimates for June confirm these trends. There are five industries – agriculture, food and beverage, pharma and healthcare, transportation, and mining and metals, which have virtually returned to their pre-COVID-19 levels. Three other industries – banking and insurance, chemicals, and energy, are on the track of a slow recovery, mainly due to sluggish domestic demand. Meanwhile, we expect a delayed recovery of the remaining six industries, as they continue to be impaired by the combination of government restrictions, depressed domestic and foreign demand, and intrinsic structural problems.

Level of Impact-Recovery Rate Matrix of Key Industries in India



Source: EMIS

TAKING THE LEAD IN RECOVERY

Some industries managed to quickly recover from the unprecedented shock caused by the COVID-19 pandemic as early as in June.

Agriculture

The national lockdown coincided with the period when farm activity in India is at its peak – between April and June the winter crops are harvested. Nevertheless, since agriculture and allied activities were allowed to function after March 28, the overall negative impact on the sector has been minor. Supply chain disruptions and the lack of farm workers as a result of reverse migration, however, caused some stress to the sector. Farm tractor sales witnessed a sharp fall, declining by 50.2% y/y in March and by an additional 80.1% y/y in April. After the easing of the lockdown, the agricultural activity in the country started to recover. This was also reflected by an increase in farm tractor sales by 0.5% y/y in May and by a further 20.2% y/y in June. Moreover, the agricultural sector remained a key focus of the government, with a designated share of INR 1.5tn (or 7.5%) in the overall economic stimulus package of INR 20tn. Among the key government measures were INR 300bn in emergency working capital loans for farmers and a new financing facility of INR 1tn for enhancement of agricultural infrastructure. Moreover, in June 2020, the government made a historic amendment of the Essential Commodities Act, which allowed farmers to realise better sales prices. Our flash estimates for June indicate that the sector is poised for a quick recovery. We expect a further improvement of the sector's performance in the coming months on the back of active government support initiatives.

20.2% y/y

Increase in Farm Tractor Sales in June 2020

9.9% y/y

Growth in Pharmaceutical Exports in June 2020

63.1% y/y

Surge in Iron Ore Exports in June 2020

Food & Beverage

The food and beverage sector felt a moderate negative impact from the COVID-19 pandemic. This was mainly thanks to the sector's essential services status that enabled it to operate through the whole period of national lockdown. Nevertheless, the industry suffered losses from the vanishing demand from bars, restaurants and similar establishments. This was only partially compensated by the higher sales of food items in grocery stores. As a result, food production fell by 14% y/y in March and by an additional 24.7% y/y in April. In terms of beverages, the decline in output was much sharper, by 8.7% y/y in March and by 93.9% y/y in April, due to a governmental ban on the sales of alcoholic drinks during the lockdown period. The easing of the lockdown measures and the removal of the ban on sales of alcoholic drinks in May prompted the recovery of the subsector. Our flash estimates indicate that the recovery of the sector continued at a quick pace in June, also supported by higher exports, especially of cereal preparations. We expect the positive performance of the sector to continue in the following months.

Pharma & Healthcare

The COVID-19 pandemic had a minor negative impact on the sector. On the one hand, the government raised public health spending in order to provide adequate medical treatment to every person infected with the virus. On the other hand, supply chain disruptions caused a decrease in the production of pharmaceutical and medicinal products in the months of March and April, by 22.5% y/y and 53.9% y/y, respectively. As supply chains began to normalise with the easing of lockdown measures in May, the production of the domestic pharmaceutical industry returned to growth, rising by 2.5% y/y. Our flash estimates indicate that the recovery of the industry continued at an accelerated pace in June. A major positive impact came from a 17.3% y/y surge in exports in May, followed by an additional 9.9% y/y growth in June, as the government lifted the restrictions on the exports of key active pharmaceutical ingredients and drugs (e.g. the anti-malarial drug Hydroxychloroquine). The sector also benefitted from a health advisory by the Ministry of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (AYUSH), which encouraged the demand for Indian herbs and Ayurveda-based medicines, as well as health supplements, and immunity boosters. We expect the sector's performance to continue to improve in the coming months, supported by strong foreign demand and growing domestic investments in the development of new medical therapies and potential vaccines for COVID-19. In July 2020, after securing the necessary government approvals, Indian biotech company Bharat Biotech started the first phase of human trials for Covaxin, India's first experimental vaccine for COVID-19.

Transportation

The COVID-19 pandemic had a moderate negative impact on the sector. During the national lockdown, the transportation of both passengers and cargo was allowed only for activities classified as essential services. Among all transportation modes, air transportation was the hardest-hit segment, registering a decline in passenger traffic by 99.7% y/y in April and by an additional 97.5% y/y in May. We foresee a partial recovery of the segment in June, as domestic air flights resumed on May 25. This is expected to give some respite to the segment, as international air flights remain suspended until July 31. We also estimate a recovery in rail passenger transportation. Notably, in the beginning of May, the state-run company Indian Railways launched the Shramik Special train services to transport migrant workers, tourists, students and pilgrims stranded at different places across India. Furthermore, taxis and auto-rickshaws, two of the most popular means of transport in cities, have been permitted to operate after May 3. Cargo movement was less impacted by the pandemic. In line with the easing of the national lockdown, cargo traffic across all modalities started to recover in May. Our flash estimates indicate that the cargo traffic has virtually returned to its pre-COVID-19 levels in June, supported by the resumption of the overall economic activity. This is likely to improve the overall performance of the sector, and mitigate to a certain extent the expected slower recovery in some passenger modalities.

Mining & Metals

Classified as an essential service at the end of March 2020, the mining and metals sector continued operations at a relatively normal pace during the lockdown period. Nevertheless, the sector fell prey to the negative effects of movement restrictions, shortage of workers, and a decreasing demand from key institutional buyers, such as the automotive and construction sectors. As a result, the output of mining products fell by 27% y/y in April and by an additional 21% y/y in May. Nevertheless, our flash estimates indicate a quick recovery of the sector in June, on the back of a surge in exports. Notably, India managed to benefit from the disruptions in the global supply chains and the shortage of price competitive low-grade iron ore. The country's exports of iron ore surged by 103% y/y in May and by an additional 63.1% y/y in June 2020, on the back of higher demand from China, Japan and South Korea. The continued strong performance of exports is expected to mitigate to a certain extent the sluggish domestic demand from key institutional buyers.

INDUSTRIES HEADED FOR A SLOW RECOVERY

Although some industries improved their performance in May and June, their recovery is dragged down by sluggish domestic demand.

Banking & Insurance

The COVID-19 pandemic and the national lockdown had a relatively minor impact on the banking and insurance sector. On the one hand, the prompt measures of the central bank to increase liquidity in the financial system (e.g. raising the marginal standing facility and lowering the benchmark repo rate from 5.15% in February 2020 to 4% in May) allowed banks to prepare for the higher demand for cash in the economy and the moratorium on all term loans, introduced at the end of March. Nevertheless, banks are expected to face new headwinds from the demand side, as the paralysis of the economic activity reduced the demand for new loans and is likely to worsen the quality of the credit portfolio. Insurance companies proved to be more vulnerable to the COVID-19 pandemic, as they have seen higher claims in the life and property insurance segments coupled with lower demand for insurance coverage from the hardest-hit sectors, such as automotive. A partial relief came from the rising demand for health insurance, as the pandemic highlighted the importance of this type of insurance. Overall, the banking and insurance sector is slated for a slow recovery.

Chemicals

Being at the beginning of the value chains of several other industries, the chemicals sector experienced a moderate negative impact from the COVID-19 pandemic. The sector felt the first negative effects in March, as lower demand from key domestic buyers pushed down the production of chemicals by 22.1% y/y. The negative trend intensified in April, with output plunging by 55% y/y, as a result of the paralysis of economic activity caused by the national lockdown. A partial relief came from the stable demand for chemical products from industries, classified as essential, such as the production of food and pharmaceuticals. In May, the rate of decline of production slowed down to 22.1% y/y, as a result of the easing of the lockdown and a rebound in exports. Our flash estimates indicate that the sector's performance continued to improve in June, mainly on the back of a robust foreign demand, which pushed up chemical exports by 19.1% y/y. Nevertheless, a major factor impeding the fast recovery of the sector is the sluggish rebound in the domestic demand.

Energy

India's energy sector – comprising electricity generation and oil and gas production – proved to be relatively resilient to the COVID-19 pandemic. As a result of the paralysis of economic activity, electric power generation fell by 25.3% y/y in April. Renewable energy generation has been largely unaffected, because of its must-run status, shifting the burden of the overall decline to thermal power plants. In an effort to support the subsector, the Ministry of Power infused INR 900bn to finance stressed power distribution companies under the "Atmanirbhar Bharat Abhiyan" programme. In line with the resumption of the overall economic activity, electricity generation in the country rose by 19.1% m/m in May and by an additional 3.2% m/m in June. Nevertheless, the recovery of the subsector is poised to be slow, as a result of the prospects for a slow increase in domestic electricity consumption and the existing financial difficulties of local power distribution companies. In terms of natural gas and petroleum products, output declined by 19.9% y/y and 24.2% y/y, respectively, in April. Output returned to growth in May, thanks to the easing of the lockdown. Nevertheless, the recovery of the subsector remains contingent on a reactivation of the domestic demand for gas and fuels.

HARDEST-HIT INDUSTRIES TO SEE A DELAYED RECOVERY

The recovery of several industries remains impaired by the combination of government restrictions, depressed domestic and foreign demand, and intrinsic structural problems.

Consumer Electronics

The COVID-19 outbreak had a negative impact on the consumer electronics sector in India. As early as in March 2020, the sector suffered from supply side disruptions and shortages of imported components, usually sourced from China. Moreover, since it was classified as non-essential, virtually all sector companies were forced to halt production during the first stage of the lockdown. As a result, the production of electrical equipment plunged by 32% y/y in March and by an additional 94.4% y/y in April. Meanwhile, the output of computers and electronic products declined by 42.8% y/y in March and by a further 93.5% y/y in April. A partial relief for the sector came from the easing of the lockdown measures – on May 4 sales of electronic goods were permitted across e-commerce platforms and in stores located in marketplaces.

Consumer Electronics (cont'd)

This triggered the pent-up demand for particular goods, such as air conditioners, refrigerators and TV sets. As a result, in May the rate of decline of production slowed down to 70.9% y/y in the case of electrical equipment and to 78.4% y/y in the case of computers and electronic products. Sector players are likely to remain cautious in returning production back to the pre-COVID-19 levels since there has been a considerable inventory pile up. Moreover, the domestic demand is expected to be sluggish, as a result of the rising unemployment and the falling disposable income of the population. An additional negative impact comes from the lower foreign demand – in June, for the fourth month in a row, the exports of consumer electronics fell at a double-digit annual rate.

Technology, Media & Telecoms

The sector met the first COVID-19 shock with mixed results. On the one hand, as a large portion of businesses shifted to work from home, the demand for telecom services, such as fixed broadband, increased during the lockdown period. This was accompanied by a growing demand for digital entertainment media services, including video games and over-the-top TV services, such as Netflix, and Amazon Prime. On the other hand, the domestic media industry, including the film and television industry, reported an abrupt contraction in activity in March and April, as the national lockdown caused delays and even cancellations of new projects. This, coupled with the prospects for a decrease in the discretionary spending of the population, outlines a prolonged recovery of the subsector. In terms of the IT services and business process outsourcing industries, the sudden lockdown announcement disrupted the operations of several companies that could not quickly shift to remote work. Moreover, these industries suffered from a contraction in the demand for certain IT and outsourced services. A partial relief came from an increase in the domestic demand from companies operating in the banking and insurance, healthcare, and retail sectors that accelerated their plans to digitalise operations.

93.5% y/y

Decrease in Computers and Electronic Products Output in April 2020

96% y/y

Decline in Production of Consumer Durables in April 2020

USD 2.3bn

Estimated Revenue Losses from Inbound Tourism per Month

Infrastructure & Construction

The infrastructure and construction sector was among the industries most affected by the COVID-19 pandemic. Although the government allowed the resumption of infrastructure and industrial construction activities in rural areas after April 15, the sector suffered from lockdown restrictions in urban areas and labour shortages, as migrant workers returned to their hometowns. This caused delays and even cancellations of projects, which translated into lower demand for construction and infrastructure goods. In April 2020, the production of construction and infrastructure goods collapsed by 84.7% y/y. The phased reopening of the economy gave some respite to the sector, with the rate of decline of production slowing down to 42% y/y in May. Nevertheless, we expect a prolonged recovery of the sector, due to three main factors. First, an increasing number of households are likely to postpone home-purchasing decisions due to the rising unemployment and heightened uncertainty about their future incomes. Second, as more and more companies shift to remote work, the demand for commercial real estate is expected to be subdued. Third, even before the COVID-19 outbreak, the sector was facing challenges related to the sluggish demand, caused by the demonetisation and the implementation of the Goods and Services Tax (GST), and to new government regulations such as the Real Estate (Regulation and Development) Act, which introduced new measures to protect home buyers.

Consumer Goods & Retail

Consumer goods and retail has been one of the hardest-hit sectors from the COVID-19 pandemic, as it suffered from both a supply and demand shock. On the supply side, in compliance with the lockdown rules, stores, malls, shopping complexes and marketplaces selling non-essential goods were forced to close doors on March 25. In line with the phased reopening of the economy that started after May 3, certain state governments allowed stores to reopen on an arbitrary basis. For example, the state of Delhi implemented an odd-even rule for shops to open on alternate days so that social distancing is maintained. On the demand side, the heightened uncertainty related to the labour market and the future incomes forced households to limit their spending to necessity items only. As a result of this double shock, the production of consumer durables collapsed by 96% y/y in April. Although the rate of decline narrowed to 68.5% y/y in May, the sector has a long way ahead to a full-fledged recovery. First, since the beginning of June, several state governments have introduced sporadic local lockdowns, which have caused disruptions across the supply chains and even temporary closure of stores selling non-essential goods. Second, there is unlikely to be any substantial pickup in sales, as consumer demand and sentiment remain depressed.

Tourism & Leisure

India's tourism and leisure sector was one of the hardest-hit by the COVID-19 pandemic, with major negative effects felt across the entire value chain starting from hotels and restaurants to travel agents, tourist guides and souvenir businesses. The sector started to feel the negative impact from the COVID-19 pandemic as early as in February 2020 in the form of cancellations of air flights and of hotel reservations by foreign tourists. The negative trends intensified in March, when the number of foreign tourists fell by 66.4% y/y, while international tourism receipts plunged by 66.3% y/y to USD 785mn. We expect international tourism receipts to be almost non-existent between April and July, as the ban on international air flights was extended until July 31. The revenue losses for India from inbound tourism alone are estimated at USD 2.3bn per month, based on the average international tourism receipts of the country in the period April-July 2019. Domestic tourism also underperformed, due to the imposed national lockdown that forced the population to stay home and cancel all travel plans. While the national government allowed hotels and restaurants to reopen from June 8, 2020, many state governments extended the local restrictions on tourist activities. Uttarakhand was the first state to reopen its borders for domestic tourists on June 8, followed by Goa on July 2, and Maharashtra on July 8. Nevertheless, this reopening was contingent on strict precautionary measures ranging from COVID-19 tests at entry checkpoints, a minimum quarantine of five days, and entry bans for domestic tourists originating from states with a high number of confirmed COVID-19 cases. A more pronounced recovery of the sector is expected only when the government restrictions on the movement of both domestic and foreign tourists are lifted.

Automotive

The automotive industry was the hardest-hit sector by the COVID-19 pandemic in India and the subsequent lockdown. Even before the COVID-19 outbreak, the sector had been struggling to cope with changes in demand, caused by the introduction of the Goods and Services Tax (GST) and the adoption of the more stringent emission standard Bharat Stage VI (BS-VI), which entered into force in April 2020. Moreover, as the automotive industry was classified as non-essential activity, it had to completely suspend operations between March 25 and May 3. Thus, the production and sales of vehicles fell by 33.6% y/y and 41.6% y/y, respectively, in March, and tended to zero in April. In line with the easing of the lockdown, local vehicle plants and car dealerships resumed operations gradually in the beginning of May. For the entire month, vehicle production and sales fell by 86.4% y/y and 82% y/y, respectively. The rate of decline narrowed in June – to 52.9% y/y in the case of production and to 42.2% y/y in the case of sales. Going forward, we foresee vehicle production to remain at low levels, since there has been a considerable inventory build-up. Furthermore, sales are also expected to remain subdued, as demand for non-essential goods stays curbed.

TIMELINE: GOVERNMENT-MANDATED MEASURES

Jan 30, 2020

First case of COVID-19 is reported in the state of Kerala.

Mar 11, 2020

Travel visas are suspended for all foreign citizens.

Mar 13, 2020

Maharashtra and Odisha state governments order closure of educational institutions, cinema halls, public swimming pools and gyms.

Mar 22, 2020

All international flights are suspended. The government imposes the Janata Curfew, requesting everyone to obey a curfew from 7 a.m. to 9 p.m., with exceptions for people of essential services, such as police, medical services, media and firefighters.

Mar 25, 2020

The government introduces a national lockdown, closing all non-essential services, with exceptions for grocery shops, pharmacies and banks. People are banned from venturing out of their homes. All non-essential public and private transport is suspended.

Mar 27, 2020

The Reserve Bank of India lowers the cash reserve ratio by 100 bps to 3% and raises the marginal standing facility to increase liquidity in the financial system. It also introduces a moratorium on all term loans.

Mar 28, 2020

Agriculture, mining and allied activities are exempted from the lockdown restrictions.

May 4, 2020

The national lockdown is extended until May 17, 2020, with some relaxations. States are entrusted with the responsibility to control restrictions, based on a three-colour zonal classification of districts indicating the spread of COVID-19.

May 12, 2020

The government announces an economic stimulus package worth INR 20tn, or 10% of the country's GDP, called "Atmanirbhar Bharat" ("Self-Reliant India") to support the low-income population and small businesses.

May 25, 2020

The government allows the resumption of domestic air travel in a phased manner.

May 31, 2020

The government ends the national lockdown. The Unlock 1.0 period envisages a phased resumption of non-essential activities in all zones not classified as containment zones. States are delegated with the authority to determine the activities that can be reopened under broad guidelines set out by the national government.

June 3, 2020

A historic amendment of the Essential Commodities Act puts an end to government curbs on stocking of farm produce, thus allowing farmers to realise better sale prices and promoting new investments in the sector.

June 8, 2020

Places of worship, hotels, restaurants, and shopping malls are allowed to reopen under strict social distancing rules.

June 29, 2020

The Unlock 2.0 period begins, opening up more activities in districts outside containment zones. Passenger trains are allowed to function in a calibrated manner. Educational institutions, cinema halls, gyms, swimming pools, entertainment parks, theatres, bars and assembly halls to remain closed. Large congregations still not permitted. Night curfew to remain in place from 10 p.m. to 5 a.m.

July 2, 2020

Goa state opens borders for domestic tourists under certain conditions.

July 8, 2020

Maharashtra state opens borders for domestic tourists under certain conditions.

July 15, 2020

Indian biotech company Bharat Biotech starts human trials for Covaxin, India's first COVID-19 vaccine.

See also:

India

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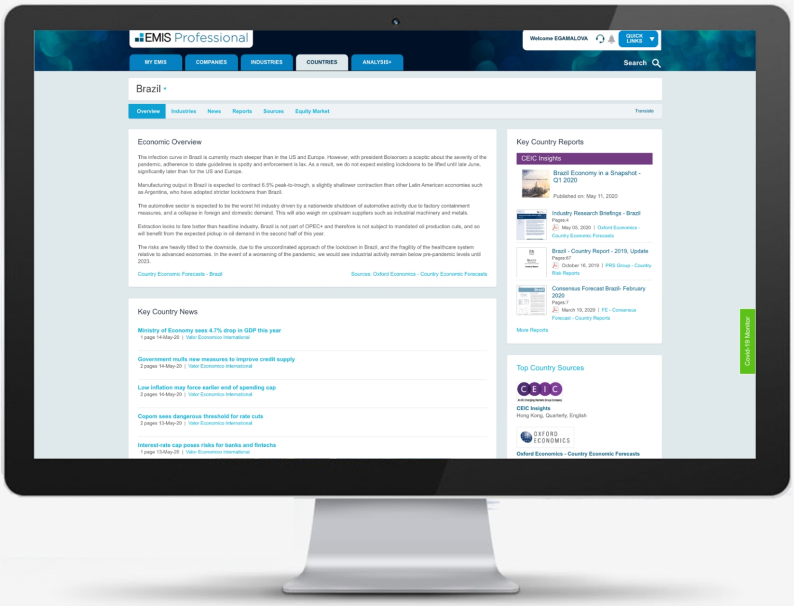

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