

# COVID-19 Impact on Indian Economy

Apart from serious implications on health and the healthcare services, COVID-19 has had a significant impact on businesses and the Indian economy. The nationwide lockdown brought all activities to a standstill with the manufacturing sector recording a PMI of 27.4; lowest since 2008

**1.9%**

GDP Growth % (For FY21)

**3.3%**

Inflation Rate % (for FY 21)

**3.5%**  
(Budgeted)

**7.4%**  
(Projected)

Fiscal Deficit % of GDP (FY 21)

**-0.59%**

Current Account Balance (% of GDP)

**27.4**  
(Apr 2020)

**51.8**  
(Mar 2020)

Purchasing Managers Index (PMI)

Source: IHS Markit

**27.4%**  
(Apr 2020)

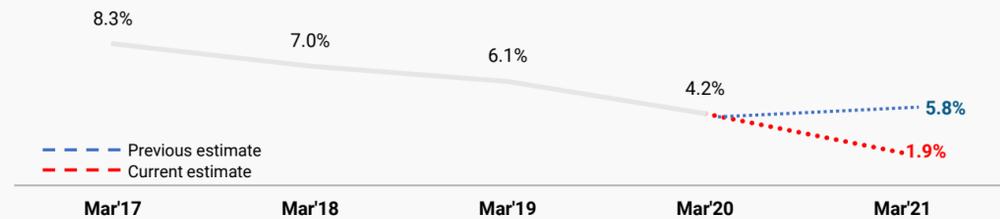
**8.74%**  
(Mar 2020)

Unemployment Rate

Source: CMIE

Note: Data for all indicators as reported in April 2020.  
Source of GDP, Inflation, Fiscal deficit, Current account balance : IMF

## Impact on Annual GDP Growth Rate



Source: IMF

- The Indian economy has been witnessing both supply and demand side disruptions. On the demand side, trade, transport, travel and tourism, hotels, sports and entertainment and the financial services sector are the key impacted sectors
- On the supply side, disruptions are through the supply chain breakdowns from nations such as China, South Korea, Italy, Spain, France, Germany, the UK and the USA. India has substantial trade relations through exports and imports with all of these nations.

## Key Government Measures...

~USD 265 Bn COVID-19 economic relief package to spur growth and support the economy impacted by the pandemic. This includes USD 22 Bn which aims at providing free food and cash transfers to support citizens below the poverty lines; an assistance to millions of poor people hit by a nationwide lockdown triggered by the coronavirus pandemic.

Covid-19 Emergency response and Health System Preparedness Package worth ~USD 2 Bn to build on the existing healthcare system. State governments are allowed to spend on buying personal protective equipment, setting up of laboratories, procurement of essential medical supplies, medicines and consumables for Covid-19 patients

Special refinance facility by RBI worth USD 6.5 Bn to NABARD, SIDBI and NHB who play an important role in meeting the long-term funding requirements of agriculture and the rural sector, small industries, housing finance companies, NBFCs and microfinance companies.

Relaxations on debt repayments by allowing lending institutions to allow a moratorium of three months on repayment of installments for term loans outstanding as on March 1, 2020

Revisions in FDI Guidelines to prevent opportunistic takeovers/acquisitions of Indian companies hit by the lockdown, the government amended FDI guidelines which now requires government approvals for investment from entities located in countries which share land border with India

NABARD – National Bank of Agriculture & Rural Development, SIDBI – Small Industries Development Bank Of India, NHB – National Housing Bank

Agriculture has been the only bright spot currently for the Indian economy; while the country is still trying to mitigate the risks and challenges brought in by the pandemic, the industrial sector offers greater hope post covid

## Impact on the Key Sectors Contributing to the Economy



**AGRICULTURE:** While most agricultural activities has been categorized as essential and thus excluded from the lockdown; the sector as a whole did witness a slowdown

- The sector has been impacted by the corona crisis owing to the disruptions in procurement of food grains by government agencies, disruptions in collection of farm items by private traders, shortage of workers for harvesting, transportation related disruptions, lockdowns resulting in closure or limited operations of APMC markets and so on
- Some of the key aids to the sector has been
  - RBI extending support to term loans and working capital facilities permitted a moratorium of three months for loans related to agriculture, retail and crops
  - Expected to aim at cutting down on archaic regulations, raising farm-gate prices, unifying domestic markets as well as integrating the farm economy into global value chains



**INDUSTRIAL:** Lockdown backed by low-consumer demand has adversely impacted the industrial sector in India.

- As of March 2020, the core industries which comprise 40.27% weightage in IIP witnessed an output decline of 6.5% as compared to March 2019
  - To support the MSME sector financially, RBI has provided a liquidity facility of USD 6.5 Bn to specialised lending institutions such as NABARD, NHB and SIDBI
- Experts anticipate that the sector may not be able to take off immediately post lockdown owing to the shortage of workers who returned to their home states during the lockdown
- However, India's role post-Covid-19 in the sector, is a subject of great interest, hope and speculation to the rest of the world. Many believe India will emerge as one of the preferred centers for manufactured products vis-a-vis China, if not the foremost choice. This is a sensible and reasonable aspiration to have as a nation

**Index of Industrial Production (IIP) Growth**

4.6% 4.4% 3.8% 2.0%

--- Current estimate

Mar'18 Mar'19 Mar'20 Mar'21

Source: Department For Promotion Of Industry And Internal Trade



**SERVICES:** Indian services sector witnessed a contraction in March 2020 since the pandemic reduced the demand. Particularly in the overseas market. business activities reduced in response to weaker demand

- With the COVID-19 pandemic outbreak reaching India and moves like lockdowns being deliberated upon, the USD 180 Bn IT sector facing a huge challenge for business continuity
- As per ICRA estimates, the Indian IT services is due to witness 3%-5% decline in the year ending March 2021. This is owing to the imposed travel restrictions, closure of work/offices at various offshore and onshore centres. Further, BFSI sector is witnessing challenges due to financial, operational and business continuity risk
  - The Ministry of Electronics and Information Technology announced waiving off payment of rentals for small IT/ITeS units housed in STPI premises for a four-month period between March 1,2020 and June 30, 2020,

MSME – Micro, Small & Medium Enterprise, IIP – Index of Industrial Production

For a more detailed assessment of the impact of COVID-19 on Indian Economy please reach out to [marketing@datamaticsbpm.com](mailto:marketing@datamaticsbpm.com).