

Coronavirus (Covid-19): Another Death Blow to the Global Economy?



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Introduction

The 2019–20 coronavirus pandemic¹ is an ongoing pandemic of coronavirus disease 2019 (COVID-19), caused by severe acute respiratory syndrome. The outbreak was first identified in Wuhan, Hubei, China, in December 2019, and was recognized as a pandemic by the World Health Organization (WHO) on 11 March 2020. According to the World Health Organisation (WHO), as of 29 March 2020, there are 575,444 confirmed cases with 26,654 deaths affecting 202 countries, areas, and territories with such case.² However, according to Johns Hopkins University data, total confirmed cases as on 29 March 2020 is 678,720 whereas total deaths are 31,700 and total recovery is 145,609.³

From where and how Coronavirus is originated?

Many health experts believe that the new strain of coronavirus likely originated in bats or pangolins. The first transmission to humans was in Wuhan, China. Since then, the virus has mostly spread through person-to-person contact. Coronaviruses

¹ A pandemic describes an infectious disease where significant and ongoing person-to-person spread in multiple countries around the world at the same time is observed. The last time a pandemic occurred was in 2009 with swine flu, which experts think killed hundreds of thousands of people. Pandemics are more likely if a virus is brand new, able to infect people easily and can spread from person-to-person in an efficient and sustained manner. With no vaccine or treatment that can prevent it yet, containing its spread is vital.

² <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

³ <https://coronavirus.jhu.edu/map.html>

are common in certain species of animals, such as cattle and camels. Although the transmission of coronaviruses from animals to humans is rare, this new strain likely came from bats, though some suggested pangolins may be the origin. However, it remains unclear exactly how the virus first spread to humans. Some reports trace the earliest cases back to a seafood and animal market in Wuhan. It may have been from here that SARS-CoV-2 started to spread to humans.⁴

Conspiracy theories and rumors regarding Coronavirus

In some right-wing news outlets and on social media, a conspiracy theory about the origin of the virus has emerged, as according to a piece by *Vox.com*, written by *Eliza Barclay*,⁵ there are two main versions of the buzz, and they have one common cord: that the coronavirus, SARS-CoV-2, originated in a level 4 (the highest biosafety level) research laboratory in Wuhan. In one version of the rumor, the virus was engineered in the lab by humans as a bioweapon. In another version, the virus was being studied in the lab (after being isolated from animals) and then “escaped” or “leaked” because of poor safety protocol. As the *Washington Post* reported, the rumor that the virus came from a Chinese lab is one reason residents of one Alabama county are currently unnerved and distrustful of the response to Covid-19 in their state.⁶ On the other hand, Gerald Keusch, a professor of medicine and international health and associate director of Boston University’s National Emerging Infectious Diseases Laboratories, told *Vox* the following:

“Conspiracy theories about manmade viruses are not new. We saw this with HIV — the rumor that the US made it and introduced it into Africa. But they are really dangerous kinds of things to get spread around.”⁷

The article however debunking the conspiracy theory, stated that soon after the Chinese government acknowledged there was an eruption of a mysterious new

⁴ ‘Coronavirus cause: Origin and how it spreads’ Medical News Today
<https://www.medicalnewstoday.com/articles/coronavirus-causes>

⁵ The conspiracy theories about the origins of the coronavirus, debunked’(12 March 2020)
<https://www.vox.com/2020/3/4/21156607/how-did-the-coronavirus-get-started-china-wuhan-lab>

⁶ ‘Coronavirus rumors and chaos in Alabama point to big problems as U.S. seeks to contain virus’(1 March 2020)
<https://www.washingtonpost.com/business/2020/03/01/quarantine-alabama-conspiracy-chaos-coronavirus/>

⁷ ‘The conspiracy theories about the origins of the coronavirus, debunked’(12 March 2020)
<https://www.vox.com/2020/3/4/21156607/how-did-the-coronavirus-get-started-china-wuhan-lab>

virus in late December in Wuhan, scientists raced to sequence its genome. Soon after that, scientists saw that the virus closely resembled viruses that circulate in bats. “If you look at the genetic sequence of the virus, it’s closely related to a bat virus, about 96 percent the same,” *Jim LeDuc, head of the Galveston National Laboratory, a level 4 biosafety lab in Texas*, told Vox. “There’s been talk about a pangolin intermediate host; that’s probably not true.”⁸

Chinese officials also reported that quite a few of the first cluster of cases had ties to a live animal market where both seafood and other wildlife were sold as food. (The market has since been closed.) The market soon became the leading hypothesis for how the virus made the leap into humans, where it’s been able to spread efficiently ever since. According to LeDuc, the animal market played a role in the virus jumping to humans.

A Timeline of Historical Pandemics

Disease and illnesses have plagued humanity since the earliest days. Widespread trade and business created new opportunities for human and animal interactions that sped up such epidemics. Malaria, tuberculosis, leprosy, influenza, smallpox, and others first appeared during these early years. The more civilized humans became – with larger cities, more exotic trade routes, and increased contact with different populations of people, animals, and ecosystems – the more likely pandemics would occur.

Here are some of the major pandemics that have occurred over time:

Name	Time period	Type / Pre-human host	Death toll(M=Million)
Antonine Plague	165-180	Believed to be either smallpox or measles	5M
Japanese smallpox epidemic	735-737	Variola major virus	1M
Plague of Justinian	541-542	Yersinia pestis bacteria / Rats, fleas	30-50M

⁸ Ibid.

Name	Time period	Type / Pre-human host	Death toll(M=Million)
Black Death	1347-1351	Yersinia pestis bacteria / Rats, fleas	200M
New World Smallpox Outbreak	1520 – onwards	Variola major virus	56M
Great Plague of London	1665	Yersinia pestis bacteria / Rats, fleas	100,000
Italian plague	1629-1631	Yersinia pestis bacteria / Rats, fleas	1M
Cholera Pandemics 1-6	1817-1923	V. cholerae bacteria	1M+
Third Plague	1885	Yersinia pestis bacteria / Rats, fleas	12M (China and India)
Yellow Fever	Late 1800s	Virus / Mosquitoes	100,000-150,000 (U.S.)
Russian Flu	1889-1890	Believed to be H2N2 (avian origin)	1M
Spanish Flu	1918-1919	H1N1 virus / Pigs	40-50M
Asian Flu	1957-1958	H2N2 virus	1.1M
Hong Kong Flu	1968-1970	H3N2 virus	1M
HIV/AIDS	1981-present	Virus / Chimpanzees	25-35M
Swine Flu	2009-2010	H1N1 virus / Pigs	200,000
SARS	2002-2003	Coronavirus / Bats, Civets	770
Ebola	2014-2016	Ebolavirus / Wild animals	11,000
MERS	2015-Present	Coronavirus / Bats, camels	850
COVID-19	2019-Present	Coronavirus – Unknown (possibly pangolins)	27,000 (Johns Hopkins University estimate as of 3:00pm PT, Mar 27, 2020)

Source: <https://www.visualcapitalist.com/history-of-pandemics-deadliest/>

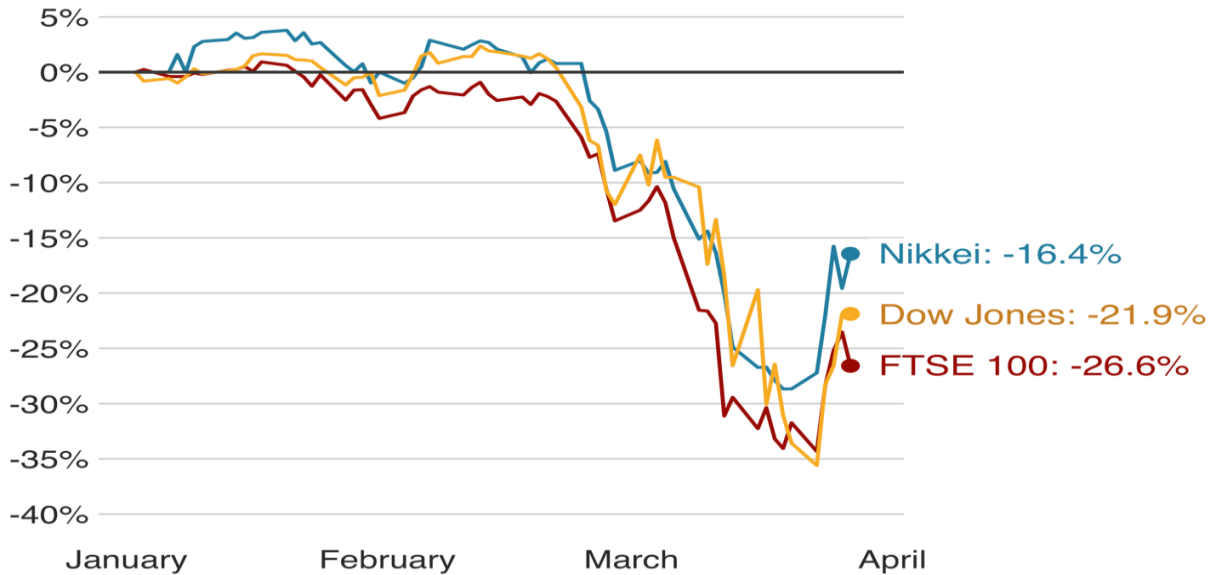
Global Economic Impact of the Covid-19 Epidemic

According to a UNCTAD report, China Manufacturing Purchasing Manager's Index (PMI), a critical production index, fell by about 22 points in February 2020.⁹ A decline in Chinese supply of intermediate inputs affects the productive capacity and exports of various countries depending on its industries dependence on Chinese suppliers. For example, some European auto manufacturers may face the shortage of critical components for their operations, companies in Japan finds difficult to obtain parts necessary for the assembly of digital cameras. The most impacted economies are the European Union (machinery, automotive, and chemicals), the United States (machinery, automotive, and precision instruments), Japan (machinery and automotive), the Republic of Korea (machinery and communication equipment), Taiwan Province of China (communication equipment and office machinery) and Viet Nam (communication equipment).

According to BBC news, The FTSE, Dow Jones Industrial Average and the Nikkei have all seen huge falls since the outbreak began on 31 December 2019. The Dow and the FTSE saw their biggest one day declines since 1987.

⁹ 'Global Trade Impact of the coronavirus (Covid-19) epidemic' (4 March 2020) UNCTAD
<https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf>

The impact of coronavirus on stock markets since the start of the outbreak

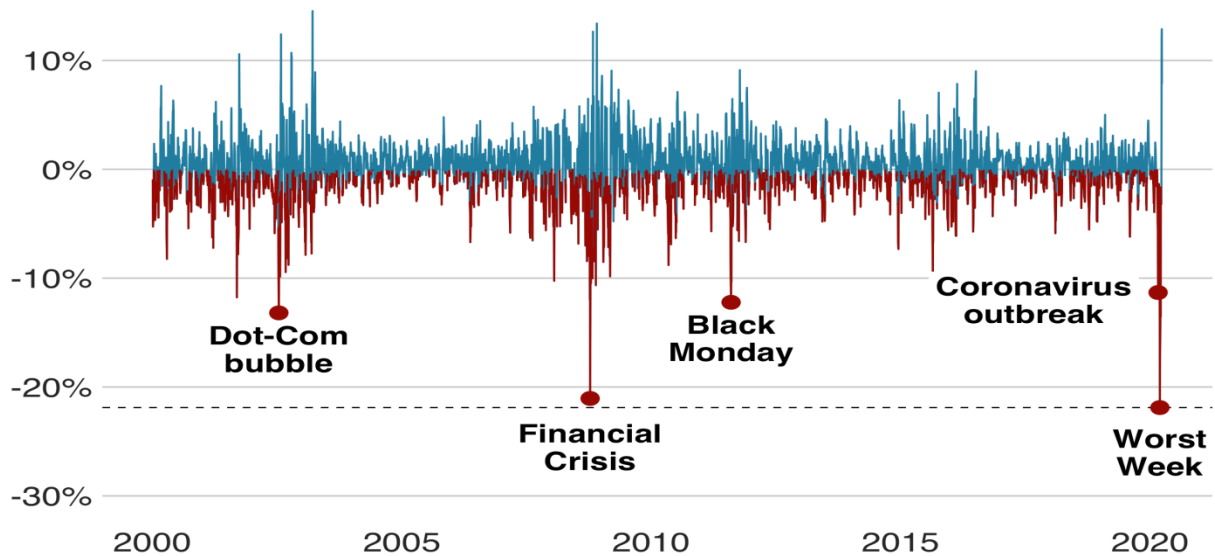


Source: Bloomberg, 27 March 2020, 13:00 GMT



FTSE 100 plunges on coronavirus fears

Week-on-week percentage change



Source: Bloomberg, 27 March 2020, 13:00 GMT



The global economy is facing a devastating impact due to the coronavirus pandemic and has entered a recession according to the IMF, with a projection of recovery next year. IMF Managing Director *Kristalina Georgieva* told reporters at a news conference the following:

"We have reassessed the prospects for growth for 2020 and 2021. It is now clear that we have entered a recession as bad or worse than in 2009. We do project recovery in 2021."¹⁰

According to her, the key to recovery in 2021 is only if the international community succeeds in containing the virus universally and prevents liquidity problems from becoming a solvency issue. The IMF chief said 81 emergency financing requests, including 50 from lower-income countries, have been received. She said current estimate for the overall financial needs of emerging markets is 2.5 trillion dollars.¹¹

According to UNCTAD, the speed at which the economic shockwaves from the pandemic has hit developing countries is dramatic, even in comparison to the 2008 global financial crisis. It further stated that in two months since the virus began spreading beyond China, developing countries have taken an enormous hit in terms

¹⁰ 'IMF chief Kristalina Georgieva: We have entered recession'(28 March 2020) Economic Times
<https://economictimes.indiatimes.com/news/international/business/imf-chief-kristalina-georgieva-we-have-entered-recession/articleshow/74852225.cms>

¹¹ 'IMF chief Kristalina Georgieva: We have entered recession'(28 March 2020) Economic Times
<https://economictimes.indiatimes.com/news/international/business/imf-chief-kristalina-georgieva-we-have-entered-recession/articleshow/74852225.cms>

of capital outflows, growing bond spreads, currency depreciations and lost export earnings, including from falling commodity prices and declining tourist revenues.¹²

In Europe's major economies, nonessential services closed by government decree account for about one-third of output. This means that each month these sectors remain closed translates into a 3 percent drop in annual GDP, and that's before other disruptions and spillovers to the rest of the economy are taken into account. The IMF has established a website¹³ that provides information on how individual countries are dealing with the practical problems they are encountering, helping distil emerging international best practice.¹⁴

Travel industry among hardest hit

The travel industry has been shoddily smashed, with airlines cutting flights and tourists cancelling business trips and holidays. Governments around the world have introduced travel restrictions to try to contain the virus. The EU banned travellers from outside the bloc for 30 days in an unprecedented move to seal its borders because of the coronavirus crisis. In the US, the Trump administration has banned travellers from European airports from entering the US. UK travel industry experts have also expressed concerns about Chinese tourists being kept at home. There were 415,000 visits from China to the UK in the 12 months to September 2019, according to VisitBritain. Chinese travellers also spend three times more on an average visit to the UK at £1,680 each.¹⁵

Data from the flight tracking service Flight Radar 24 shows that the number of commercial flights globally has taken a huge hit.

¹² 'World economy will go into recession with likely exception of India, China: UN' (31 March 2020) The Hindu BusinessLine https://www.thehindubusinessline.com/economy/world-economy-will-go-into-recession-with-likely-exception-of-india-china-un/article31214695.ece?utm_source=pushnotifications&utm_campaign=pushnotifications&utm_medium=ALL_US_ER#

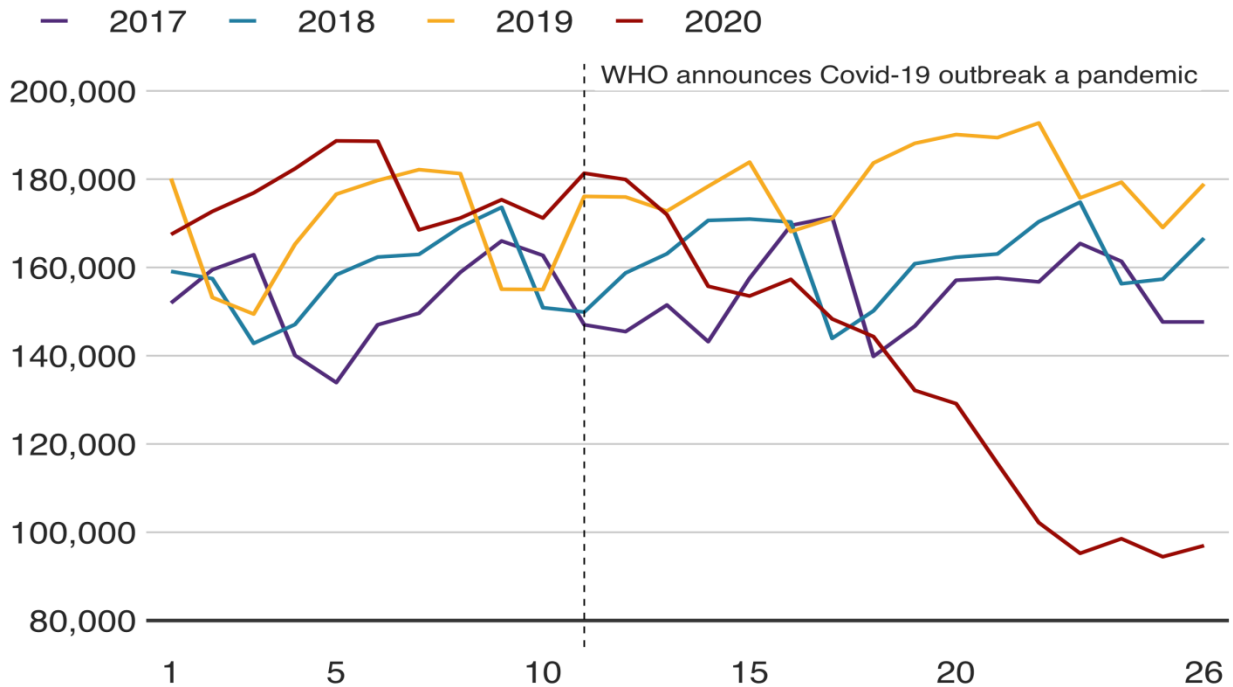
¹³ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

¹⁴ https://blogs.imf.org/2020/03/30/europes-covid-19-crisis-and-the-funds-response/?utm_medium=email&utm_source=govdelivery

¹⁵ BBC News (28 March 2020) <https://www.bbc.com/news/business-51706225>

Far fewer commercial flights

Number of daily flights in March



Source: Flightradar24, 27 March 2020, 13:00 GMT

BBC

The financial services sector is presently facing challenges on multiple fronts: banks have reduced their opening hours and in many cases can only serve a few customers at a time due to social distancing rules, putting additional strain on channels like telephone service, online banking and social media. At the same time, record numbers of consumers are frantically trying to contact their bank with questions, concerns or to request special measures as their finances have been impacted by the fallout from the coronavirus. In the UK, many banks have been offering their customers three-month “mortgage holidays” if they think they will be unable to make payments on their mortgage due to the coronavirus crisis. However, the demand has been such that banks have been unable to respond to customers in a timely fashion as phone lines are overloaded with callers desperately seeking to confirm whether they are eligible, or find out how the measures will work. Lloyd’s, Natwest, Barclays and Santander are among the banks that have begun

enabling customers to make an application via an online form to ease the strain on their phone networks.¹⁶

Country Measures/Announcements amid Coronavirus Outbreak

The US Senate passed a \$2 trillion coronavirus aid bill to help workers and businesses on 27 March 2020 that promises to deliver a tidal wave of cash to individual Americans, businesses and health care faculties. The legislation among other things provides \$3,400 for most of the American families of four, and billions of dollars worth of financial assistance to small and medium businesses and big corporations like Boeing. USD 100 billion will be used for healthcare providers, including hospitals on the front lines of the Covid-19 pandemic and USD 27 billion will go to bolstering life-saving capabilities, including developing vaccines and the development, purchase and distribution of critical supplies. USD 45 billion will go to the Federal Emergency Management Agency Disaster Relief Fund, more than doubling the amount available to support the President's Emergency and Disaster Declaration to empower state, local and tribal leaders to effectively respond.

According to UNCTAD, advanced economies and China have put together massive government packages which, according to the Group of 20 leading economies (G20), will extend a USD 5 trillion lifeline to their economies. It added that while the full details of these stimulus packages are yet to be unpacked, an initial assessment by the UNCTAD estimates that they will translate to a USD 1 trillion to USD 2 trillion injection of demand into the major G20 economies.¹⁷ The UNCTAD estimates a USD 2 trillion to USD 3 trillion financing gap facing developing countries over the next two years. The UNCTAD proposes certain

¹⁶ 'How is coronavirus impacting the financial sector – and how are brands responding?' (26 March 2020) EConsultancy <https://econsultancy.com/how-coronavirus-impacting-financial-sector-payments-banking-fintech-brand-response/>

¹⁷ World economy will go into recession with likely exception of India, China: UN' (31 March 2020) The Hindu BusinessLine https://www.thehindubusinessline.com/economy/world-economy-will-go-into-recession-with-likely-exception-of-india-china-un/article31214695.ece?utm_source=pushnotifications&utm_campaign=pushnotifications&utm_medium=ALL_USER#

strategies that could begin to translate expressions of international solidarity into concrete action. This includes a USD 1 trillion liquidity injection for those being left behind through reallocating existing special drawing rights at the International Monetary Fund; a debt jubilee for distressed economies under which another one trillion dollars of debts owed by developing countries should be cancelled this year and a 500 billion dollars Marshall Plan for a health recovery funded from some of the missing official development assistance (ODA) long promised but not delivered by development partners.

World economy will go into recession with likely exception of India, China: United Nations

The world economy will go into recession this year with a predicted loss of trillions of dollars of global income due to the coronavirus pandemic, spelling serious trouble for developing countries with the likely exception of India and China. With two-thirds of the world's population living in developing countries facing unprecedented economic damage from the coronavirus crisis, the UN is calling for a USD 2.5 trillion rescue package for these nations. UNCTAD believes that part of the problem for many developing countries is that informal workers form the backbone of their emerging economies, which amplifies their difficulties in responding to the crisis.

Four-point recovery plan

- UNCTAD's four-pronged strategy initially calls for a \$1 trillion investment injection for weaker economies. This would come from so-called "special drawing rights" governed by the International Monetary Fund which would need to "go considerably beyond" the 2009 allocation made in response to the global financial crisis.
- Debt freeze for distressed economies, involving an immediate standstill on sovereign debt payments, followed by significant debt relief. By way of example, UNCTAD cites how half of Germany's debt after World War Two, was cancelled. Based on this precedent, around \$1 trillion in debt should be cancelled this year, overseen by an independently created body, the UN agency maintains.
- The third measure targets \$500 billion investment in poorer countries' emergency health services and related social relief programmes.
- Finally, UNCTAD urges the implementation of State-led capital controls to curtail already surging capital outflows from these developing countries.

Source: '\$2.5 trillion COVID-19 rescue package needed for world's emerging economies' (30 March 2020) UNCTAD <https://news.un.org/en/story/2020/03/1060612>

The effects of lockdowns are visible

In order to stop the spread of the Covid-19 outbreak, many countries across the world have started implementing very tough measures. Countries and world capital have been put under strict lockdown, bringing a total halt to major industrial production chains.

The Lockdown Impact in India

The Indian government has announced a nationwide lockdown for 21 days from the 25th March 2020 till 14 April 2020. Due to this, the operations in many companies' manufacturing, distribution centers, warehouses and extended supply chain partner locations have been disrupted. Manufacturing of essential items like atta, noodles, biscuits, snacks, soaps and sanitisers are operating partially with limited workforce. Though such measures are imperative in such a crisis situation, the timing is especially bad, as the growth rate was already low and unemployment the highest in decades.

Coronavirus Impact on various Sectors of the Indian Economy

Construction Sector: Typically, the January-March quarter is crucial for most construction companies as it accounts for 30-40% of their annual revenue.¹⁸ It is also the time when bulks of orders are finalized. The concern for the sector is that most of it has already been facing financial stress, shrinking orders and tight working capital. In addition to this, with the disruption in work, movement of labour and breakdown of the supply chain, recovery would be a challenge. The concern for the sector is that most of it has already been facing financial stress, shrinking orders and tight working capital. Now with the disruption in work,

¹⁸ 'COVID-19: Construction disruption across India in Q4 may hurt companies' (27 March 2020) Economic Times <https://economictimes.indiatimes.com/industry/services/property/-/cstruction/covid-19-construction-halt-may-hurt-companies/articleshow/74836731.cms?from=mdr>

movement of labour and breakdown of the supply chain, recovery would be a challenge. Major concerns are muted order inflows, exposure to certain states, and concerns that loan disbursements and sanction of additional limits to construction companies would be sluggish due to funding woes of the banking sector and the overall fragile economic scenario. Any extensive spreading of the pandemic in the country for a longer period can have a significant bearing on the credit profiles of the companies operating in the sector.

Migrant, daily wage labourers: Thousands of migrant workers across the country are stranded or have set out walking on foot to reach home in states like Uttar Pradesh, Bihar, Jharkhand, Rajasthan and Gujarat. Even before the nationwide lockdown was announced, workers had thronged bus and railway stations to find a place in jam-packed buses or trains before they got cancelled. But it would be a long way home for those who made the journey on foot. Some migrant workers are still stranded far from home. The suspension of public transport meant many old workers had to stay and could not move. A contract worker Jagdish (22 year age) from Madhya Pradesh is worried that even if the contractor gives money that would be a loan not relief. He said that “Who sob to karz hoga na? Sarkar ne to kuch nehi diya hai. Hum logoke pass kuch din ka ration bacha hai, uske bad keya hoga?”¹⁹ Ironically, just two years ago, on 19 March 2018, a Supreme Court bench comprising Justice Madan Lokur Deepak Gupta had made a strong statement on paying migrant construction workers their due.

“We have been informed that under the Cess Act, more than INR 37,400 crore has been collected for the benefit of construction workers but only INR 9500 crore has been used. What is being done with the remaining INR 28,000 crore? Why is it that construction workers across the country are being denied the benefit of this enormous amount?”²⁰

Moreover, those who managed to flee to their original villages and towns a few days back anticipating the lockdown underwent harrowing journeys in overcrowded trains and buses spent huge sums on last-mile journeys possibly infecting countless others or getting infected in the way.

¹⁹ Indian Express (26 March 2020).

²⁰ Ibid.

Farm Sector faces Lockdown hit: For farmers, who are in the midst of harvesting wheat, gram and mustard in Madhya Pradesh, Rajasthan, Uttar Pradesh and Gujarat, the flight of migrant labourers back home has spelt hardship. Marketing of the produce is also becoming a challenge. In Punjab and Haryana, wheat harvest is expected to begin in mid-April. For farmers who have grown potatoes, the labour shortage could spell harvest troubles. Gujarat, which hosts a large number of migrant farm labourers from neighbouring States, is also witnessing their mass exodus. Farmers are also finding it impossible to take the harvested produce to the mandis because of the lockdown. The States are realising that if the harvesting of fruits and vegetables is affected, it will lead to a sudden surge in prices. In Telangana, the Covid-19 crisis has shattered the dreams of the farmers who have grown paddy, maize and chillis. Their acreages were higher this year. Paddy acreage had more than doubled to 39 lakh acres against a normal of 17 lakh acres, while the maize area increased to 5.84 lakh acres against the normal 3.72 lakh acres. Two weeks into the harvest season, farmers are at a loss as to how to complete the job as the government has imposed restrictions on vehicular movement and is asking people to stay home.²¹

Aviation Industry: Aviation consultancy the Centre for Asia Pacific Aviation (CAPA)²² projected initial losses of \$3.3-3.6 billion for the Indian aviation industry in the first quarter of FY 2021 in the eventuality of all air services, including domestic, remaining shut until June due to the Covid-19 pandemic. The pandemic has had a significant impact on the aviation industry due to stringent border controls by a host of countries and imposition of travel ban on people of other nationalities. The CAPA has sought “urgent” government intervention and coordinated industry response.²³

Travel/Tourism Industry: Foreign tourist arrivals (FTA) in February 2020 dropped 9.3 per cent month-on-month and 7 per cent year-on-year. In February 2020, there were 10.15 lakh FTAs, against 10.87 lakh in February 2019 and 11.18

²¹ ‘Farm sector faces lockdown heat’(25 March 2020) HinduBusinessLine.

²² CAPA - Centre for Aviation, part of the Aviation Week Network, is one of the world’s most trusted sources of market intelligence for the aviation and travel industry.

²³ <https://www.tribuneindia.com/news/aviation-industry-stares-at-losses-up-to-3-6-bn-61165>

lakh in January 2020. According to the Centre for Asia Pacific Aviation India (CAPA India), the Indian aviation industry, excluding Air India, would incur losses of \$500-600 million in Q4 of FY20. CAPA warned that if the government did not intervene, several Indian airlines would shut operations by May or June due to a cash crunch.²⁴ For the Indian tourism industry, summer is the prime season for both domestic and international tourists. With the total number of coronavirus positive cases crossing over three lakh worldwide, summer looks grim for the industry. According to the Federation of Associations in Indian Tourism & Hospitality, the tourism industry is looking at bankruptcies, closure of businesses and mass unemployment.

MSME Industry: SBI, in a circular dated 20.03.2020, directed that a maximum loan amount of up to INR 200 crore or 10 per cent of the existing fund-based working capital limits can be availed under this emergency line. The facility will be available till end of June 2020 and for specifically MSME borrowers. This loan will be given at a flat rate of 7.25%. All standard accounts which have not been classified under the category of special mention accounts 1 or 2²⁵ as on March 16 2020 will be eligible. Existing SBI customers who have availed special loan products under the MSME category can also avail this facility. The borrowers will be able to avail the entire amount in one go and will be repayable in six installments after a moratorium period of six months from the date of disbursement of the loan.²⁶

²⁴ However, Diageo announced that it will support the hospitality sector with a Rs 3 crore healthcare cover to bartenders and donate approximately 150,000 masks to five state's public health departments.

²⁵ The Special Mention Accounts are usually categorized in terms of duration. For example, in the case of SMA -1, the overdue period is between 31 to 60 days. On the other hand, an overdue between 61 to 90 days will make an asset SMA -2.

²⁶ 'SBI announces emergency credit line in light of COVID-19'(20 March 2020) Economic Times

Entertainment Industry: It is hard to quantify exactly how much money is at stake but theatres in Delhi alone may incur a loss of Rs 2 lakh to 10 lakh in the coming ten days. Box office revenues of Indian films will no doubt shrink, thanks to ‘social distancing’, says Kishore Lulla, chairman and chief executive officer (CEO) of Eros International. The last couple of years have seen consolidation in the cinema-theatre trade with top four players — PVR, INOX, Carnival Cinemas and Cinapolis —dominating the multiplex screens in India. The largest one, PVR, has a total count of 706 screens across 152 properties in 60 cities. All these have been shut for an indefinite period. No one would step out into the theatres for a long time and when they did it would be a changed habit and footfalls would have fallen. Box office sales is likely to decline sharply in the near future. At least 40 to 50 per cent of the business will be affected but maybe more. In Delhi, Kerala and Jammu and Kashmir cinemas are shut. Big films are postponed.²⁷

FMCG Industry: India’s major consumer goods companies are ramping up production to meet the steep rise in demand with people rushing to stock up on essentials and groceries in bulk amid fears of a lockdown due to the coronavirus outbreak as several states imposed stringent curbs on movement. This scenario is a reversal of last year’s fortunes when companies cut production because of weak consumption across segments. However, the surge may be temporary and not make up for slowing sales in the past two months in this quarter. The Centre as well as many states have asked companies to shut manufacturing units to curb the spread of Covid-19. Manufacturers of groceries and essential products, especially in the food, hygiene and pharmaceutical segments, are exempted but will have to stagger shifts besides adopting other safety protocols. FMCG companies including Hindustan Unilever, ITC, Parle, Amul, Godrej said production has been hiked to combat any shortages amid panic buying.²⁸ However, many companies are yet to

²⁷ ‘Indian entertainment industry stares at losses due to coronavirus effect’(13 March 2020) Economic Times <https://economictimes.indiatimes.com/industry/media/entertainment/coronavirus-indian-entertainment-industry-stares-at-losses/articleshow/74615854.cms?from=mdr>

²⁸ ‘Coronavirus impact: FMCG firms moving fast to restock stores’(23 March 2020) Economic Times <https://economictimes.indiatimes.com/industry/cons-products/fmcg/fmcg-firms-moving-fast-to-restock->

return to normal production with the nationwide lockdown still hampering movement of factory workers and trucks. Pulse and cereal prices have started to move up due to truckers charging a premium and warned that staple stock situation is fast depleting. On the other hand, there is heavy-buying of staple food categories, such as, packaged wheat flour (atta) and packaged pulses. There was a huge surge in consumer pickup witnessed for precautionary products like cough syrup, cleaning products, grocery essentials, fruits and vegetables, personal care, biscuits and chocolates, medicines etc.²⁹

Retail Industry: Domestic retailers are likely to experience subdued sales in the wake of the lockdown and the recovery is likely to be gradual as it will depend on consumers' income. The retailers would have to cut back their discretionary spends and expansion plans, which include store additions in the near term. The recent rise in Covid cases could impact retail consumption as people avoid crowded areas, especially food and beverage areas, entertainment centres, shopping malls, amongst others. Compared to small retail stores, malls are taking a bigger hit. Economic crisis due to Covid could affect the retail sector severely. According to the Retailers Association of India (RAI), if the lockdown stays until June 2020, 30% retail stores would be shut down and 18 lakh jobs will be lost by the industry.³⁰ RAI has sought all the State governments to allow food and grocery stores within malls or outside, air-conditioned or not air-conditioned, small or large stores and online or offline to stay open during the lockdown period. RAI said that most of the State governments have agreed with its view that shutting of stores selling essential daily need items will cause inconvenience to citizens and may set off panic buying of daily need items, thereby creating a shortage for the needy. RAI has also sought an immediate economic stimulus to ensure continuity of retail

[stores/articleshow/74765042.cms?from=mdr](https://www.infomerics.co/stores/articleshow/74765042.cms?from=mdr)

²⁹ 'Panic-buying boosts struggling FMCG companies'(27 March 2020) Times of India <https://timesofindia.indiatimes.com/business/india-business/panic-buying-boosts-struggling-fmcg-cos/articleshow/74838429.cms>

³⁰ 'Coronavirus blow: 18 lakh jobs at stake; one in every three retail outlets stare at shutdown'(28 March 2020)Financial Express <https://www.financialexpress.com/industry/coronavirus-blow-18-lakh-jobs-at-stake-one-in-every-third-retail-outlets-stare-at-shutdown/1911987/>

businesses and consumption in India and fiscal supports such as moratorium of 120 days for payment of installments and the interest of term loans, short-term loans, corporate loans, securitized loans, bonds, mortgages, debentures and general-purpose loans. It has also requested for wage subsidy and subsidy on utility bills.³¹

Real Estate Industry: The eruption of Coronavirus is expected to further worsen the 'Achilles' heel' of residential real estate sector that has been reeling from the adverse impact of the prevailing liquidity crisis, a high inventory build-up and subdued demand conditions. The effectiveness of the three-month moratorium on term loan installments announced by the RBI will depend on future cash flows which does not look very promising. Reduced labour force presence and raw material supply chain disruptions attributable to lock-downs on non-essential services and contagion fears are expected to result in some slow-down in construction activity.

Health/Medical Device: the Andhra Pradesh MedTech Zone (AMTZ), an Andhra government initiative, is likely to provide financial assistance to the tune of Rs 40 crore for large-scale manufacturing of ventilators. Regarding ventilators, Association of Indian Medical Device Industry (AIMED) has contacted seven of the nine major manufacturers, who have confirmed that the current production capacity is 5,500-5,750 pieces per month. In case of Covid-19, reports confirm that one-third of patients develop acute respiratory distress syndrome.³² A ventilator is used when lungs are filled with fluid. Such patients find it very difficult to be oxygenated in a normal way. The only way to manage is to put the patient on ventilator assistance. India has also decided to encourage vaccine trials to develop any vaccine an immune booster or a preventive one to arrest infections caused by Covid-19.

Liquor Industry: Diageo-controlled liquor maker United Spirits has shut down its manufacturing units amidst the coronavirus lockdown. According to the company,

³¹ 'Retail industry to face financial crisis: Experts'(26 March 2020) Telangana Today <https://telanganatoday.com/retail-industry-to-face-financial-crisis-experts>

³² 'India has 40,000 ventilators but could need many, many more in 'worst-case scenario''(27 March 2020) The Print <https://theprint.in/health/india-has-40000-ventilators-but-could-need-many-many-more-in-worst-case-scenario/388874/>

this shutdown will stay in effect until April 14, 2020, subject to further directives issued by the respective government authorities and the company's assessment of the prevailing situation. Diageo had announced earlier to produce around 300,000 litres of bulk hand sanitiser across 15 manufacturing units for use by public healthcare workers and donate 500,000 litres Extra Neutral Alcohol (ENA) to the sanitiser industry to enable the production of more than two million units (250 ml each) of hand sanitisers.³³ Other distillers in India such as Amrut Distilleries, Radico Khaitan and John Distilleries are also seeking fast track approvals from drug controllers to manufacture hand sanitisers in the wake of novel corona virus outbreak.

Information Technology (IT) Industry: With India's IT sectors being utilised around the world, it would be easy to assume that companies would simply shift these coders and developers to a work from home model during the COVID-19 pandemic. But it's turned out to be much more complicated than that, however. Moving millions of desktops to employees' homes, configuring software to allow for slower bandwidth and ensuring cybersecurity -- it's a mind-boggling physical and logistical exercise for some companies. Many of the companies that provide business services such as call centres, information technology services and business process automation were not prepared for work-for-home arrangements. On the other hand, while market share gains helped firms, such as TCS, report higher incremental revenues, the sector did face headwinds, including price resets and a greater shift towards insourcing, soon after the crisis. If more and more clients are affected by lockdowns and social distancing, and their impact on the

³³ 'United Spirits shuts down manufacturing operations in India amid lockdown'(26 March 2020) Economic Times
United Spirits shuts down manufacturing operations in India amid lockdown

Read more at:

https://economictimes.indiatimes.com/industry/cons-products/liquor/united-spirits-shuts-down-manufacturing-operations-in-india-amid-lockdown/articleshow/74833416.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

global economy, Indian IT firms would soon witness another round of price resets. The impact would depend on the extent of the duration of the Covid-19 spread in Western geographies, especially the US, which contributes ~55-60% of revenues for Indian IT; and extent of spread in India, which can further disrupt service delivery for clients.

Mobile/smartphone & Electronics Industry: For smart phone companies, many shut down their production lines. India imports around 87 per cent of components used in mobile phones, of which 75-78 per cent are from China. Hence, Supply chain disruptions, delays in new product launches can be expected if current situation in China persists. Around 85-90 per cent of the mobile phone display component and 70-80 per cent of the semi-knocked down (SKD) kits are imported from China. Though the number of manufacturing units for mobile handsets and allied industries has increased from three in 2014 to 268 in 2018, only 12 per cent of the components are indigenous.³⁴ China accounts for 75% of total value of components used in TVs and almost 85% in case of smartphones. All critical components like mobile displays, open cell TV panels, printed circuit boards, capacitors, memory and LED chips are imported from China. Air conditioner compressors and washing machine motors are also among sourced from that country. To tackle this slowdown, companies can look to source components from outside China. India imports 10-13 per cent components from countries outside China, including Korea and Vietnam. Of late, Vietnam has also been emerging as a prime manufacturing hub in Asia. Battery and some camera modules are made in Vietnam, while displays and connectors are majorly made in China. Chips are made in Taiwan but are sent to China for the final build-up. Feature phone sales are set to take a massive hit since the key printed circuit board (PCB) component is imported from China.

Textiles Industry: With the epidemic in China, many textile factories there have halted operations, disrupting export of both textiles and raw material. Around 10

³⁴ 'Coronavirus keeps Indian mobile phone industry on tenterhooks'(20 February 2020) HinduBusinessLine.

per cent of fabric and 20 per cent of accessories comes from China to India.³⁵ The Association estimates Rs 1,000 crore of accessories (buttons, zips, hangers, needles, etc) are imported by garment units in the country from China, being 40-50 per cent cheaper than sourcing domestically or from other countries. Local manufacturers will now need to scout for alternatives amid a shortage of Chinese raw material. India exports 20-25 million kg of cotton yarn every month to China, but a partial closure in manufacturing units there has led to a drop in demand for cotton yarn. This, in turn, has led to a 3-4% drop in cotton yarn prices in the domestic market, as traders anticipated a fall in demand from China. If the coronavirus contagion continues unabated, China's imports of cotton yarn could decline further and, hence, impact the cotton yarn export business of India.³⁶

On the one hand the sector is struggling to continue with its production schedule as offtake has taken a setback due to COVID-19 crisis; on the other the pressure to repay its dues to banks is forcing the industry to appeal to the government for a one-year moratorium on repayment of principal and interest on loan. The situation is becoming worse due to closure of malls and retail showrooms. Meanwhile, the knitwear garment exporting community in Tirupur, has been facing difficulty; according to Tirupur Exporters' Association President Raja Shanmugham "European buyers, particularly from Italy and Spain, have asked us to defer shipments till the situation gets back to normal. Some have cancelled their

³⁵ 'Coronavirus outbreak: Apparel enquiries diverted from China to India'(10 February 2020)Business Standard https://www.business-standard.com/article/economy-policy/coronavirus-outbreak-apparel-enquiries-diverted-from-china-to-india-120021001181_1.html

³⁶ Textile lobby warns of hurdles if coronavirus contagion continues'(20 February 2020) Livemint <https://www.livemint.com/industry/manufacturing/coronavirus-may-impact-indian-textile-industry-warns-cmai-11582194577747.html>

commitments, deferring payments on goods sent or not lifting the goods. Production plans have gone topsy-turvy and since a majority of the units are small enterprises, we fear that due to non-clearance of dues, the banks may classifying the units as NPAs. In addition to this, prices of dyes and chemicals have gone up by about 30 per cent, impacting production.”³⁷

Automobile Industry: A study by Mckinsey using a global economic model Global Trade Analysis Project (GTAP), developed in Purdue University shows that there may be a production loss of Rs 1.23 lakh crores in this period of shut down for the automobile industry.³⁸ India's maximum dependence on imports especially for the two wheeler and passenger vehicle industry component wise is in steering and braking systems, engine parts, alloy wheels and lighting systems. A reduction of about Rs 4,600 crore in imported inputs is likely by the auto industry of these particular types of inputs, clearly mapping back to the disruptions caused by China’s prolonged shut down. Another issue is regarding the Supreme Court order in 24th October 2018 that no BS-IV vehicle can be sold after 1st April 2020. Though The Supreme Court on 27 March 2020 permitted vehicle retailers to sell 10% of unsold Bharat Stage-IV compliant inventory within 10 days of the current lockdown getting over (except in the National Capital Region), but the Federation of Automobile Dealers Association (FADA) has once again approached the Apex Body with a Request for permission of sale and registration of BS-IV vehicles till

³⁷ Coronavirus pushes textile industry into a corner’(18 March 2020)HinduBusinessLine
<https://www.thehindubusinessline.com/economy/coronavirus-pushes-textile-industry-into-a-corner/article31096885.ece#>

³⁸ ‘Opinion: Covid-19 impact on Indian economy and the auto industry - What’s ahead of us?’(28 March 2020)
<https://auto.economictimes.indiatimes.com/news/industry/opinion-covid-19-impact-on-indian-economy-and-the-auto-industry-whats-ahead-of-us/74862940>

31st May 2020 due to the lockdown challenges that happened following Covid-19 outbreak.³⁹ However, a bench of justices Arun Mishra and Deepak Gupta heard the plea through videoconferencing on 27 March 2020 and stated the following:

“There is no justification to extend the time which was fixed a long time ago. This is not something new which has occurred, it would be further injurious and further burden on human health to be caused by pollution of BS-IV vehicles when BS-VI vehicles are supposed to be produced by the manufacturers well in advance considering the deadline of 31st March 2020.”⁴⁰

The dealers’ counsel told the court that there were 1,05,000 two-wheelers, 2,250 passenger cars and 2,000 commercial vehicles which were sold but not registered. Dealers said the sale of some more vehicles could be concluded before the deadline, through online payment. The road tax and insurance premium for these can be paid online too.

Auto industry is hit from multiple fronts: demand slump both domestically and exports, as well as negative global and domestic supply chain disruptions involving both forward and backward linkages. In a scenario of disruption in the supply of key components, the industry could look at sourcing them either locally or from other countries such as Germany, South Korea, Japan and Thailand, who currently account for around 33% of the total imports.⁴¹ However, the change in procurement channels could be costlier and the supply could be insufficient to

³⁹ Auto dealers had approached the apex court to extend the deadline for transition to the Bharat Stage 6 (BS VI) emission norms from 1st April, as sales crashed in March in wake of the outbreak of covid-19. FADA Press Release <http://www.fadaindia.org/images/FADA%20Once%20Again%20Knocks%20SCs%20Door%20in%20BS%20VI%20transition.pdf>

⁴⁰ ‘Supreme court allows dealers to sell only 10% of BS-IV vehicles stock after deadline’(28 March 2020) Economic Times <https://economictimes.indiatimes.com/industry/auto/auto-news/sc-allows-automakers-to-sell-10-of-unsold-bsiv-stock/articleshow/74847588.cms?from=mdr>

⁴¹ ‘COVID-19 spread to add to woes of auto ancillaries and OEMs: Survey’(19 March 2020) Financial Express <https://www.financialexpress.com/industry/covid-19-spread-to-add-to-woes-of-auto-ancillaries-and-oems-survey/1902495/>

meet the demand. The SARS outbreak, which also originated in China during FY03, led to around 100 basis point margin reduction among Indian auto parts manufacturers. However, the intensity of COVID-19 is much greater than that of SARS and China's position in the global automobile market has also become more prominent now compared to FY03. Hence, if the containment of the spread remains elusive, then the margin impact could be much more in Q4FY20-Q1FY21.

Gems & Jewellery Industry: Gems and jewellery industry in India is dithering for a long time and now the coronavirus-effect has further worsened the situation. The gem and jewellery industry heavily depends on trade and a severe fall in exports has brought the industry to a standstill. The industry has witnessed a continuous decline in exports in all of the 11 months of FY20, with February 2020 being a major disappointment. While Gudi Padwa could not bring any cheer to the gold and silver market, the upcoming festival of Akshay Tritiya is also not expected to bring back the market's lost charm as jewellery demand is expected to remain muted in the short-term. Amid Coronavirus pandemic and lockdown, both De Beers and ALROSA reported sharp falls in sales in February 2020, according to the Gems & Jewellery Export Promotion Council (GJEPC). In Antwerp, there was 40% fall in polished exports year-on-year (Y-o-Y) during February 2020.⁴² A 41 per cent annual decline in cut and polished diamond exports led to a cumulative exports fall of 19 per cent year-on-year for the overall gems and jewellery industry in February 2020. The gems and jewellery industry continued to face hurdles due to continuous plunge in exports and restrictions on the availability of bank credit and because of the recent outbreak of Covid-19 in top consuming markets including USA, Europe, China, Hong Kong and other south-east Asian nations. There could be heavy loss for domestic jewellery retailers as well, who were already distressed with lax demand due to escalated gold prices in the last few months and have now temporarily shut their stores due to the lockdown imposed in the country.

Consumer Durable Industry: Prices of consumer durables products as air conditioners, televisions and refrigerators, are being revised by the manufacturers

⁴² https://gjepec.org/emails_gjepec/newsletter/16.03.2020/Editorial.html

due to supply constraints. Though factories in China have started operating but they are still operating at around half of their capacity. The coronavirus attack had a negative impact on consumer durables sector due to its dependency on imports from China both for finished goods or components. A lockdown in the badly-hit southern state has severely impacted sales this year.

Steel Industry: The outbreak of COVID-19 and a lockdown to prevent the spread are threatening to impact production of steel companies. Tata Steel is closing down its downstream standalone units in Maharashtra and Uttar Pradesh in line with guidance from respective states. The main sites at Jamshedpur, Kaliganagar and Angul, however, are operational, as they are process plants and hence have permission from local authorities. The Covid-19 issue is also likely to impact other major steel companies like ArcelorMittal Nippon Steel India (AM/NS India), Jindal Steel & Power (JSPL) etc. A major issue emerges from the lockdown is that trucks are not moving which is impacting despatches. At one end, steel companies were facing logistics issues, at the other, demand was lower as most of the user industries were reeling from the impact of the lockdown. Many automakers had suspended production indefinitely in the wake of the virus outbreak. Construction, too, had come to a standstill.⁴³

Petrochemical Industry: The impact of the coronavirus epidemic in China on the chemicals sector could be far reaching, depending on the extent of epidemic reach, the period of plant shutdown in China and restrictions on shipments/logistics. In chemicals, the impact would be felt across the value chain – from key basic chemicals to various value added chemicals having applications for a large number of end-markets. India's private-sector Haldia Petrochemicals (HPL) declared force majeure on supplies on 23 March 2020, a day before the lockdown announcement. Its cracker complex is expected to close soon, and it is unclear when operations will resume. HPL's sister firm, purified terephthalic acid producer MCPI in West Bengal, has also declared force majeure and is expected to completely shut down operations. Supreme Petrochem, a polystyrene (PS) and expandable polystyrene

⁴³ 'Coronavirus outbreak and lockdown impact weighs on steel industry'(23 March 2020) Business Standard https://www.business-standard.com/article/companies/coronavirus-outbreak-and-lockdown-impact-weighs-on-steel-industry-120032301650_1.html

(EPS) producer in India, intends to impose force majeure on supplies as a result of the lockdown.⁴⁴ India's ONGC Petro Additions (Opal) has yet to make any force majeure declaration, but its operations are also likely to be severely affected.⁴⁵

Power Sector: Though the power demand was rising in the first two months of 2020, the lockdown as a result of the Covid-19 outbreak has reversed the trend. Energy consumption has declined by 21-22 per cent to 2,628 GWh since the second week of March, when the lockdown was announced. A prolonged lockdown could lead to the temporary shutting down of factories, which will be reflected in electricity consumption. Capacity addition, which stood at 12.7 GW till December 2019 (year-to-date) slowed down in January and February, with only 600 MW being added in those months.⁴⁶ Decline in electricity demand, cash flows for discoms and payment delays for power generation and transmission companies are likely outcomes of the Covid-19 breakout.

Logistics: One of the major problems that the novel virus has caused the resulting inefficiencies across the country's already overburdened logistics landscape. According to the representative of the logistics platform, in Pune, there are 31 pin codes that have been blocked by most of the logistics companies. Indian logistics is largely an unorganised sector.⁴⁷ Thus, the sector is severely hit as most of the industry players do not have any backup, recovery plan or intermittent operation plan. From the factory gate to the warehouse, or from the warehouse to the end

⁴⁴ Supreme is the largest styrene monomer importer in India and operates 272,000 t/yr PS and 80,000 t/yr EPS units.

⁴⁵ 'India's petrochemical producers declare force majeure'(25 March 2020) Argus Media <https://www.argusmedia.com/en/news/2090241-indias-petrochemical-producers-declare-force-majeure>

⁴⁶ 'Covid-19: Lockdown leads to fall in power demand'(31 March 2020) BusinessLine https://www.thehindubusinessline.com/economy/covid-19-lockdown-leads-to-fall-in-power-demand/article31214299.ece?utm_source=pushnotifications&utm_campaign=pushnotifications&utm_medium=ALL_USER

⁴⁷ 'Hit by a virus and lockdown, the wheels are coming off the Indian logistics industry'(30 March 2020) Economic Times <https://economictimes.indiatimes.com/small-biz/sme-sector/hit-by-a-virus-and-lockdown-the-wheels-are-coming-off-the-indian-logistics-industry/articleshow/74882675.cms>

users, the entire supply chain is heavily damaged. With countries across the world locking down, there are minimum export-import movements, and this has aggravated the crisis in the logistics space. the 21-day lockdown will see logistics players' supply chain cost going up, and their global supply chain will be severely impacted since sourcing of inputs will become more challenging now. Further, across the country, the lockdown has resulted in labour shortages, which in turn has added to the limited availability of transportation facilities. It was easy in China for logistics companies to support SMEs as there are regional or provenance specialised companies that reach to interiors to provide logistics support at the lowest cost. In India, capabilities need to be built of regional logistics companies to change with the change in demand at a short interval of time.

Cement Industry: Cement companies have shut down capacities due to local restrictions. UltraTech and Ambuja Cements are two such companies which have shut plants at multiple locations. Construction activity in several districts is also facing a ban owing to COVID-19, which has dragged down demand for the product. There are certain labour disruptions as well, for instance, construction workers employed at the site of Ramco Cement's Haridaspur, Odisha, grinding plant, which has been under construction since early 2018, have protested over an alleged lack of food being supplied to the plant, where they are currently residing. The coronavirus lockdown prevented the 400 workers, from Bihar, Jharkhand and West Bengal, from returning home, leading them to take up residence in the Haridaspur plant.⁴⁸ Subsequent to the lockdown, Dalmia Bharat has suspended operations across its entire integrated cement production apparatus, equalling 26.5Mt/yr capacity, as of 26 March 2020.⁴⁹ ACC has temporarily suspended its operations at various locations till March 31, 2020. Ramco Cements said the Government of West Bengal has issued directions for closure of all factories in the State to contain Covid-19. Accordingly, its grinding units have been closed with

⁴⁸ 'Ramco Cements employees take up residence in Haridaspur grinding plant'(30 March 2020) Global Cement <https://www.globalcement.com/news/item/10650-ramco-cements-employees-take-up-residence-in-haridaspur-grinding-plant>

⁴⁹ 'Dalmia closes 26.5Mt/yr of production capacity overnight'(27 March 2020) Global Cement <https://www.globalcement.com/news/item/10649-dalmia-closes-26-5mt-yr-of-production-capacity-overnight>

effect from March 23. The duration of the shutdown will depend on the improvement of the situation in the respective places/Governmental directions.⁵⁰

Port: The shortage of truck drivers has increased dwell times for cargoes in all the ports in India amid the country's 21-day lockdown to combat its coronavirus outbreak. India's Ministry of Shipping advised ports they may consider the Covid-19 pandemic as grounds for invoking *force majeure*, a clause absolving companies from meeting their contractual commitments for reasons beyond their control. Several ports and terminals have done so already, while also saying they aim to maintain operations as the government deemed shipping an "essential service."⁵¹ The declarations set off a wave of confusion, with traders and shipbrokers trying to assess whether the measures would halt operations at ports, which include some of the country's biggest handlers of oil, liquefied natural gas and shipping containers. Operations have slowed because several staff may be reluctant to come to work fearing health issues. Adani Group, declared force majeure at its facilities in Mundra, Tuna and Dhamra as of 22 March 2020.⁵²

Shipping Industry: Due to the lockdown in India following the coronavirus pandemic, the shipping industry, too, has taken a hit. Shipy, a Gurugram-based company that connects exporters and importers with shipping companies and helps manage the logistics through a digital platform, said bookings were down by more than 25%. With all major cities locked down, the export business could take a bigger hit. Another player in the shipping space, Freightwalla, which manages cargo movement for exporters, said the entire industry was facing multiple challenges and the situation was changing dynamically. With labour being asked to

⁵⁰ 'Covid-19: Cement makers shut down factories across India'(24 March 2020)BusinessLine
<https://www.thehindubusinessline.com/economy/covid-19-cement-makers-shut-down-factories-across-india/article31150233.ece>

⁵¹ 'India's ports in chaos as coronavirus lockdown hits operations'(25 March 2020) Economic Times
<https://economictimes.indiatimes.com/industry/transportation/shipping/-transport/indias-ports-in-chaos-as-coronavirus-lockdown-hits-operations/articleshow/74811236.cms?from=mdr>

⁵² 'Adani Ports declares force majeure at Mundra and Dhamra Ports'(25 March 2020) BusinessLine
<https://www.thehindubusinessline.com/economy/logistics/adani-ports-declare-force-majeure-at-mundra-and-dhamra-ports/article31166739.ece>

stay at home and many fleeing to their hometowns, industrial production had been hit, in turn, affecting the export sector. According to the company, if the situation does not improve in near future, demand in Europe and North America is expected to fall significantly. Initially, containers were not moving out of China, as there was no one to unload them at the docks which led to a pile-up of demand for containers from Indian exporters. Now when China is showing signs of revival, Indian ports are facing a lockdown. Therefore, loading of cargo continues to be a problem. Shipy pointed out that ports were clogged in many parts of the world. Containers that would get emptied and reloaded in three days were taking more than two weeks to turn around, causing an acute shortage in India. There are demand issues as well, consumers are only buying must-haves, discretionary spends are going down, hence even while manufacturing in China is coming back to normal, the overall situation remains grim.⁵³

The role of financial packages

The world over, financial packages have already been announced by nations in a bid to restore their economies amid the Coronavirus pandemic gripping countries across the globe. The US, for instance, is looking at a Senate vote to rollout a \$2 trillion package, touted as one of the largest rescue packages in American history. One of the most widely impacted by the crisis, Italy, came up with an emergency plan of \$28 billion that could help them inch slowly towards normalcy.

India's relief measures

Before getting into what can be done, it is important to understand the country's economic capacity to provide a bailout. Does India have the fiscal and monetary headroom to come up with a bailout package of such proportions? Economists shove off this thought, saying that every crisis results in a fall in GDP and revenue growth leading automatically to expansion of the fiscal deficit. The package needs to be directed towards the small scale sector and should also include those not necessarily directly employed in SMEs such as the farmers.

⁵³ 'Coronavirus pandemic | Cargo shipping hit globally, Indian logistics startups losing business' (24 March 2020) Moneycontrol <https://www.moneycontrol.com/news/business/startup/coronavirus-pandemic-cargo-shipping-hit-globally-indian-logistic-startups-losing-business-5066021.html>

Finance Minister Nirmala Sitharaman announced an INR 1.7 lakh crore Covid-19 mitigation economic relief package under the PM Garib Kalyan Yojana (PMGKY). For the next three months, the package offers the following: additional 15 kg grain (rice or wheat) and 3 kg of dal free to 80 crore poor Indians; ex gratia INR1,500 (INR 500 over the next three months) to 20 crore Jan Dhan account-holding women; free liquefied petroleum gas (LPG) to 8.64 crore Ujjwala beneficiaries; addition support of an extra one-time INR 1,000 to the three crore senior citizens, widows and divyangs (differently abled). Besides, the five crore families of MGNREGA workers will receive increased wage support of up to INR 2,000.

The government will expedite payment of the first instalment (INR 2,000) due in 2020-21 in April itself under the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN). For the organised sector worker, GoI will pay the Employees' Provident Fund (EPF) contributions of both sides for 80 lakh employees of small companies who earn up to INR 15,000 a month.

The RBI unleashed INR 3.74 lakh crore of liquidity on the Indian banking system by taking a bouquet of measures like slashing (CRR) to 3.0 % from 4.0%, which would release primary liquidity INR 1.37 lakh crore across the banking system; also reduced the requirement of minimum daily CRR balance maintenance from 90 per cent to 80 per cent. RBI will further conduct auctions of targeted term repos of up to three years tenor of appropriate sizes for a total amount of up to INR 1 lakh crore at a floating rate linked to the policy repo rate. RBI also has decided to increase the borrowing limit of banks under the Marginal Standing Facility Rate (MSF) to 3 per cent from earlier 2 per cent which will be applicable up to June 30, 2020. This is intended to provide comfort to the banking system by allowing it to avail an additional INR 1.37 lakh crore of liquidity under the LAF window in times of stress. Further, all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) ("lending institutions") are being permitted to allow a moratorium of three months on payment of installments in respect of all term loans outstanding as on March 1, 2020.

RBI Measures on 27 March 2020 to combat Covid-19 crisis

1. **Reduction in Repo rate:** RBI reduces repo rate by 75 basis points from 5.15% to 4.40% on 27 March 2020 amid Covid-19 crisis.
2. **Widening of the Monetary Policy rate Corridor:** In view of persistent excess liquidity, it has been decided to widen the existing policy rate corridor from 50 bps to 65 bps. Under the new corridor, the reverse repo rate under the liquidity adjustment facility (LAF) would be 40 bps lower than the policy repo rate. The marginal standing facility (MSF) rate would continue to be 25 bps above the policy repo rate.
3. **Reduction in Cash Reserve Ratio (CRR):** Reduce cash reserve ratio (CRR) to 3.0 % from 4.0%, which would release primary liquidity INR 137000 crore across the banking system and *this dispensation will be available for a period of one year ending on 26 March 2021*. RBI further decided to reduce the requirement of minimum daily CRR balance maintenance from *90 per cent to 80 per cent effective from the first day of the reporting fortnight beginning March 28, 2020*. This is a one-time dispensation available up to June 26, 2020 to reduce hardship of banks amid social distancing due to Covid-19 crisis.
4. **Targeted Long Term Repos Operations (TLTROs):** In order to mitigate their adverse effects on economic activity leading to pressures on cash flows, it has been decided that the Reserve Bank will conduct auctions of targeted term repos of up to three years tenor of appropriate sizes for a total amount of up to INR 1,00,000 crore at a floating rate linked to the policy repo rate. Liquidity availed under the scheme by banks has to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of their investments *in these bonds as on March 27, 2020*.⁵⁴ The first TLTRO auction will be held today (March 27,2020). Following a review of the outcome of this auction, the subsequent TLTRO auctions will be announced.
5. **Increasing Borrowing limit under Marginal Standing Facility (MSF):** RBI also has decided to increase the borrowing limit of banks under the Marginal Standing Facility Rate (MSF) to 3 per cent from earlier 2 per cent

⁵⁴ Banks shall be required to acquire up to fifty per cent of their incremental holdings of eligible instruments from primary market issuances and the remaining fifty per cent from the secondary market, including from mutual funds and non-banking finance companies. Investments made by banks under this facility will be classified as held to maturity (HTM) even in excess of 25 per cent of total investment permitted to be included in the HTM portfolio. Exposures under this facility will also not be reckoned under the large exposure framework.

which will be applicable up to June 30, 2020. This is intended to provide comfort to the banking system by allowing it to avail an additional INR 1,37,000 crore of liquidity under the LAF window in times of stress.

6. **According to RBI, these measures will inject a total liquidity of INR 3.74 lakh crore to the system.**
7. **Moratorium on Term Loans:** All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) (“lending institutions”) are being permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by three months.
8. **Deferment of Interest on Working Capital Facilities:** In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are being permitted to allow a deferment of three months on payment of interest in respect of all such facilities outstanding as on March 1, 2020. The accumulated interest for the period will be paid after the expiry of the deferment period.

However, according to RBI, regarding 7 and 8, the moratorium/deferment is being provided specifically to enable the borrowers to tide over the economic fallout from COVID-19. Hence, the same will not be treated as change in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade. The lending institutions may accordingly put in place a Board approved policy in this regard.

9. **Easing of Working Capital Financing:** In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions may recalculate drawing power by reducing margins and/or by reassessing the working capital cycle for the borrowers. Such changes in credit terms permitted to the borrowers to specifically tide over the economic fallout from COVID-19 will not be treated as concessions granted due to financial difficulties of the borrower, and consequently, will not result in asset classification downgrade.

According to RBI, with respect of 7, 8, 9, the rescheduling of payments will not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies (CICs) by the lending

institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

10. Deferment of Implementation of Net Stable Funding Ratio (NSFR): As part of reforms undertaken in the years following the global financial crisis, the Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) which reduces funding risk by requiring banks to fund their activities with sufficiently stable sources of funding over a time horizon of a year in order to mitigate the risk of future funding stress. As per the prescribed timeline, banks in India were required to maintain NSFR of 100 per cent from April 1, 2020. It has now been decided to defer the implementation of NSFR by six months from April 1, 2020 to October 1, 2020.

11. Deferment of Last Tranche of Capital Conservation Buffer: The capital conservation buffer (CCB) is designed to ensure that banks build up capital buffers during normal times (i.e., outside periods of stress) which can be drawn down as losses are incurred during a stressed period. Considering the potential stress on account of COVID-19, it has been decided to further defer the implementation of the last tranche of 0.625 per cent of the CCB from March 31, 2020 to September 30, 2020.

12. Permitting Banks to Deal in Offshore Non-deliverable Rupee derivative Markets (Offshore Rupee NDF Markets): The offshore Indian Rupee (INR) derivative market - the Non-Deliverable Forward (NDF) market - has been growing rapidly in recent times; though at present, Indian banks are not permitted to participate in this market, (although the benefits of their participation in the NDF market have been substantial). The time is appropriate to improve effectiveness of price discovery. Therefore, RBI allowed Indian Banks which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in the NDF market with effect from June 1, 2020.

Since the last MPC meeting of February 2020, the Reserve Bank has injected liquidity of INR 2.8 lakh crore through various instruments, equivalent to 1.4 per cent of India's GDP. Together with the measures announced today, RBI's liquidity injection works out to about 3.2 per cent of GDP.

The Way Forward

The coronavirus crisis would be remembered as another major blow in the history of human crisis putting the entire world into a humongous insecurity. The helplessness of the entire world is exhibited in day to day rising cases and human deaths. Besides, many countries announcing relief measures and support, UNCTAD also announced a four pronged measures. In India, the Finance ministry announced an INR 1.7 lakh crore Covid-19 mitigation economic relief package; while RBI unleashed INR 3.74 lakh crore of liquidity on the Indian banking system by taking a bouquet of measures. The moratorium should be applied in line with the underlying purpose, otherwise it would result massive NPAs and bad assets for banks and other financial institutions. This huge liquidity with banks resulted due to reduction of CRR and other measures should not be used to fund government deficit or not to be invested in government securities but in lending and supporting the beleaguered sectors. As some banks have initiated, other banks need to pass the reduction in rate cuts to the stressed sectors in this difficult time. It is worth remembering RBI governor's statement saying "Life in the time of Covid-19 has been one of unprecedented loss and isolation. *Yet, it is worthwhile to remember that tough times never last; only tough people and tough institutions do.*" Right policy mix should overrule politics. Let's believe in inner human power, to remember certain quotes in times of human crisis like "*Crises and deadlocks when they occur have at least this advantage that they force us to think*" by Jawaharlal Nehru⁵⁵, so it might enable to create antidote of such novel disease for future. Despite that this is most difficult time human civilization is passing through; but as after each night, morning arises, this dark time will pass too.

⁵⁵ <https://www.inc.com/geoffrey-james/33-encouraging-quotes-for-times-of-crisis.html>