

India Covid Recovery Tracker

18 December 2020

India's virus curve trending down, economic recovery curve flat

In the first fortnight of December'20, India's virus curve turned downward. The number of active cases declined by 24% during the fortnight. The number of deaths was down by 12.5%. The New Delhi traffic congestion index improved marginally while Google's mobility indices for workplace and public transport witnessed significant improvement. Movement for retail and recreation was flat. Movement for essential activities (grocery and pharmacy) remained flat but in positive territory. Both, urban and rural unemployment sustained the worsening trend from the previous fortnight. The urban unemployment rate stood at 8.33% while the rural unemployment rate stood at 7.95%. However, overall rural economic activities seem to be holding up. Kharif procurement of paddy is up 21% YoY while Rabi sowing is up 3.9% YoY. Bank credit growth has remained range-bound while E-way bill generation dipped vs. the previous fortnight and the same period a month ago. Power generation witnessed some pick-up from the previous fortnight. Financial markets are holding up well, powered by inflows from Foreign Portfolio Investors (FPI) into equities. FPI flows into equities stood at US\$4.76bn in the first fortnight of December'20, only marginally lower from US\$5.17bn in the previous fortnight. FPI inflows into debt turned positive and stood at US\$0.8bn in the first half of December'20. India VIX edged lower and stood at 18.99 on average in the first half of December'20 - the lowest level since March'20. However, domestic institutional investors remained net sellers in equities to the tune of US\$3.1bn in the first half of December'20.

Teresa John, CFA

Research Analyst (Economist)

teresa.john@nirmalbang.com

+91 22 6273 8114

Anecdotal evidence and commentary: Union Finance Minister Nirmala Sitharaman said recently, "I'm not going to allow the fiscal deficit number to worry me because there is a need, and a clear need, for me to spend the money." This suggests that government spending, which has been a drag on growth of late, may see a pick-up in the coming months. Petrol consumption was 9.5% higher in the first fortnight of December'20 compared to the first fortnight of December'19. Diesel demand was 5% lower. Diesel sales of oil PSUs were 1.6% higher in the first fortnight of December'20 compared to the same period of November'20. According to CII, the ongoing farm agitation is likely to affect economic recovery as the detours due to the blockade of highways have led to 50% more time and distance for movement of goods and ~8-10% increase in logistics costs. Around two-thirds of consignments in transit are taking 50% extra time to reach destination in Punjab, Haryana, Rajasthan and Delhi-NCR. Assocham has estimated the loss owing to the ongoing farmers' agitation and blockade of roads at ~Rs35bn per day. Amitabh Chaudhry, Managing Director and CEO of Axis Bank, sees an improvement in sentiment (QoQ) in most business segments, including corporate credit and small & medium enterprises (SMEs). According to him, working capital cycles are coming back, especially in manufacturing, creating fresh demand for credit. During the peak of the pandemic, funds were being used mainly for refinancing or managing liquidity crunch. Meanwhile, commodity prices are rising across the board. Aviation Turbine Fuel prices and non-subsidised LPG prices have been raised twice in December'20. NMDC has also increased iron ore prices twice this month. Rising commodity prices may be a spanner in the works for another rate cut by the RBI even as food inflation cools off. Rising commodity prices are also forcing companies to announce price hikes. Maruti and Hero MotoCorp are among the companies that have announced price hikes from January. Rising prices in turn could be a dampener for demand.

	29-Feb	15-Mar	30-Mar	15-Apr	30-Apr	15-May	30-May	15-Jun	30-Jun	15-Jul	30-Jul	15-Aug	30-Aug	15-Sep	30-Sep	15-Oct	30-Oct	15-Nov	30-Nov	15-Dec	
TomTom New delhi traffic index - congestion	37%	26%	5%	5%	7%	12%	16%	19%	19%	24%	27%	28%	34%	32%	29%	28%	30%	29%	26%	27%	
Google mobility - supermarket and pharmacy	-1	-1	-63	-51	-43	-22	-12	3	0	-9	-6	-4	-1	1	-28	4	9	40	4	4	
Google mobility - retail and recreation	-2	-11	-76	-78	-84	-76	-69	-56	-55	-59	-56	-47	-37	-26	-61	-35	-29	-15	-31	-31	
Google mobility - public transport	0	-7	-74	-66	-64	-52	-44	-37	-38	-41	-39	-35	-37	-36	-45	-24	-18	-8	-14	-6	
Google mobility - work places	8	2	-68	-64	-61	-48	-29	-33	-35	-34	-33	-29	-35	-36	-21	-27	-29	-6	-2	-2	
CMIE unemployment urban rate -30 day ma (%)	8.63	8.36	8.82	20.09	25.14	26	26.05	17.94	12.07	10.85	9.76	9.62	9.85	9.04	8.46	7.88	7.12	6.88	7.1	8.33	
CMIE unemployment rural rate - 30 day ma (%)	7.58	6.57	7.83	18.06	23.08	23.36	22.53	16.31	10.17	7.32	6.60	7.24	7.46	6.67	5.86	6.37	6.7	6.07	6.37	7.95	
Bank credit growth (%YoY)	6.1	6.1	6.1	7.2	6.7	6.5	6.3	6.2	6.2	6.1	5.8	5.5	5.5	5.5	5.3	5.1	5.7	5.1	5.7	5.8	
Electricity generation (mega units)	49246	49184	n.a.	n.a.	n.a.	n.a.	n.a.	44509	51977	51651	56982	51276	52792	55526	54118	53066	54359	49335	46327	48935	
E-way bills generated (mn)	-	-	-	2.35	4.4	0	10.83	14.66	18.75	24.67	17.25	31.12	12.31	35.11	23.37	26.92	20.53	29.54	28.94	26.45	25.40
Active covid cases as on date	-	95	1117	10197	24162	51401	89995	153106	215125	319840	545318	668220	781975	990061	940441	812390	582649	479216	446952	339820	
Incremental covid deaths	-	2	30	360	683	1574	2322	4549	7373	7416	11438	13289	15433	16307	16721	13769	10375	7994	7504	6570	
FPI - equity (US\$bn)	-1.50	-3.82	-4.07	-0.17	-0.37	1.60	0.12	2.58	-0.11	-0.38	1.54	3.59	2.51	0.5	-1.28	1.19	1.50	4.34	5.17	4.76	
FPI - debt (US\$bn)	-1.97	-2.48	-5.34	-1.14	-0.81	-2.06	-0.65	-0.30	0.08	0.11	-0.36	-0.05	-0.52	0.3	0.1	0.1	0.3	0.1	-0.50	0.8	
DII flow (US\$bn)	2.15	3.76	3.24	-0.08	0.45	0.14	1.36	-0.12	0.44	-0.49	-0.84	-0.87	-0.60	-0.58	0.6	-0.94	-1.41	-3.24	-3.78	-3.12	
India VIX (average)	16.64	30.87	70.19	54.34	39.	39.81	33.84	30.15	30.33	25.89	24.53	22.53	20.02	21.48	20.68	20.26	21.83	21.57	20.33	18.99	

Red- Negative, Amber-Watch, Blue-Neutral, Green-Positive;

Source: Nirmal Bang Institutional Equities Research, Google-mobility report, CMIE, Reserve Bank of India, Government of India, CEIC, Bloomberg.

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Team Details:			
Name	Email Id	Direct Line	
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
Nr. Peninsula Corporate Park,
Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010