

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.

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.

Teresa John, CFA

Research Analyst (Economist)

teresa.john@nirmalbang.com

+91 22 6273 8114

	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	-29	-6	-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	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	39.98	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.

DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Teresa John, research analyst and the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

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