

India Covid Recovery Tracker

17 August, 2021

Economy awaits festive cheer; mobility improves; vaccination loses some momentum

In the first fortnight of August'21, mobility improved across the board. However, the New Delhi traffic congestion index witnessed a modest dip. Mobility for essential services; retail & recreation; and use of public transport is now back at levels seen in Nov'20 and Dec'20 (when the first wave had ebbed). Active cases were down by ~5.8% from the previous fortnight. However, the pace of vaccination has lost some momentum, with some states reporting shortage of vaccines. Only 19.6mn people entered the fully vaccinated category in the first fortnight of August'21 as against 23.9mn in the previous fortnight. As of 17th August, 2021, 32.1% of the population has received at least one dose while 9.2% of the population has received two doses. Economic activity witnessed some signs of a plateau, although anecdotal evidence suggests that industry is positioning itself for a reasonably strong festive season. Rural and urban unemployment rose over the fortnight, with urban unemployment rising more than rural unemployment. On the rural front, anecdotal evidence suggests that demand has bounced back for staples with support from government schemes, including the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). Kharif sowing is also down by only 1.8% in August'21. Acreage under rice has decreased by 0.6% YoY and that under coarse cereals is down by 2.4% YoY. Area sown under pulses is up 1.5% YoY. Oilseeds area is down 2.9% YoY while area under cotton is down 7.4% YoY and that under sugarcane is down by 1.5% YoY. Bank credit growth moderated to 6.1% from 6.5% in the previous fortnight. Power demand was largely flat from the previous fortnight. But, India's power consumption grew by 9.3% YoY in the first week of August'21 to 28.08bn units (BU), according to Power Ministry data. This was also higher compared to the power consumption of 25.18 BU recorded from 1-7th August, 2019. The recovery in power demand is mainly due to improved economic activities after the easing of lockdown curbs by states. E-way bill generation improved from the previous fortnight, but was down when compared to the first fortnight of July'21. Diesel sales during the first half of August 2021 were up 18.5%YoY but were still 7.9% lower than the pre-pandemic levels of the first half of August 2019. Financial market volatility inched up modestly over the previous fortnight. FPIs and DILs were marginal buyers in Indian equities in the first fortnight of August'21.

Anecdotal evidence and commentary: The demand for work under the rural employment scheme, MGNREGS, remained at an elevated level in July'21, as per a report in the *Financial Express*. This indicates that the surge in economic activities has not created enough jobs in urban areas and that a section of migrant labourers, who returned to their rural homes, has chosen to stay put. In March'21, as many as 35.9mn persons demanded MGNREGS work, which rose to 40mn in April'21, 41.4mn in May'21 and further to 50mn in June'21. In July'21, 42.6mn persons demanded work under the job guarantee scheme. Consumption of daily groceries and essentials in villages outpaced cities in July'21. This reversed the trend of June'21, when urban growth was higher compared to rural areas for the first time in nearly two years. At the same time, according to LinkedIn's latest Labour Market Report for June'21, India's hiring rate was up ~42% compared to the pre-Covid levels in 2019, thereby highlighting a steady recovery in the recruitment activity. Although there was a drop in hiring in April'21, in view of the second covid wave, the same picked up pace in May-June'21. Sales of most categories of consumables recorded a steep rise, with several manufacturers reporting their best-ever sales in July'21 compared to the previous year. These included groceries, refrigerators, smartphones, cars, essential goods and discretionary products. The fast-moving consumer goods (FMCG) market grew by ~21.5%, consumer electronics by 20-50%, passenger vehicles by 48% etc. On a sequential basis, sales in July'21 also expanded in double digits from June'21, reported the *Economic Times*. The demand is expected to rise further ahead of the festive season, despite the Covid-19-induced curbs in several states, as per experts. Big food retailers and wholesale companies that supply and do packaging for retail outlets expect demand for staples (including pulses, rice, sugar, edible oils and ghee) to be robust in August'21 and September'21. According to Angshu Mallick, CEO of Adani Wilmar, demand in July'21 was higher by ~50% over June'21. The company expects consumption of staples to surely be better in August'21 and September'21. Staffing and recruitment firms Adecco, Randstad, Manpower, Queso, CIEL HR Services and TeamLease told the *Economic Times* that most companies in e-commerce, food-tech, logistics and retail segments are bullish about an uptick in festival-season demand, led by a rebound in consumer confidence after the ebbing of the second covid wave. According to them, hiring of temporary workers in these segments may rise by 20-35% in order to meet an expected surge in demand, driven by discounts and attractive offers. Data gathered by the *Financial Express* (FE) for 15 major states shows that their combined capex rose by 135% YoY to Rs.531bn during April-June'21. During April-June 2020, when a nationwide lockdown brought economic activities to a standstill, states' capex had declined by 58% YoY.

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	30-Jan-21	15-Feb-21	28-Feb-21	15-Mar-21	30-Mar-21	15-Apr-21	30-Apr-21	15-May-21	30-May-21	15-Jun-21	30-Jun-21	15-Jul-21	30-Jul-21	15-Aug-21
TomTom New delhi traffic index - congestion	30%	37%	34%	34%	32%	21%	8%	4%	8%	22%	26%	30%	34%	30%
Google mobility - supermarket and pharmacy	13	20	16	18	20	13	-9	-24	-8	10	13	25	21	37
Google mobility - retail and recreation	-27	-21	-23	-22	-22	-34	-52	-64	-50	-36	-33	-20	-22	-14
Google mobility - public transport	-13	-7	-6	-6	-7	-20	-38	-50	-40	-28	-17	-11	-13	-4
Google mobility - work places	-16	-16	-11	-11	-16	-39	-42	-52	-40	-32	-19	-22	-18	-14
CMIE unemployment urban rate -30 day ma (%)	8.1	7.8	7.0	7.3	7.2	8.5	9.5	10.5	14.9	14.3	10.1	8.5	8.2	9.1
CMIE unemployment rural rate - 30 day ma (%)	5.7	6.4	7.0	6.2	6.3	6.6	7.0	8.0	10.6	10.4	8.8	7.3	6.5	6.7
Bank credit growth (%YoY)	6.4	5.9	6.6	6.6	6.5	5.6	5.3	5.7	6.2	5.7	5.8	6.1	6.5	6.1
Electricity generation (mega units)	57777	54290	61263	57345	61342	58480	57044	53435	50530	51232	55135	59952	56394	56637
E-way bills generated (mn)	30.50	30.87	32.98	31.94	33.67	22.04	36.72	19.45	18.77	20.96	26.52	35.59	28.57	30.72
Active covid cases as on date	168784	139637	164511	219262	552566	1471877	3170228	3673802	2026092	913378	537064	432041	408920	385336
Incremental covid deaths	2356	1458	1319	1674	3612	10655	35207	57877	62893	47931	21423	13535	11821	7415
Incremental covid vaccinations (two doses)	-	0.02	2.43	3.00	3.61	5.3	12.4	14.3	3.46	4.34	10.0	19.0	23.9	19.6
FPI - equity (US\$bn)	-0.3	3.4	0.7	1.4	0.9	-0.4	-0.1	-0.4	0.2	1.6	-0.1	-0.5	-0.9	0.6
FPI - debt (US\$bn)	0.0	0.0	-0.9	-1.2	0.7	-0.3	0.0	0.2	0.0	-0.3	-0.3	0.1	-0.2	0.0
DIL flow (US\$bn)	0.0	-1.6	-0.7	-0.2	0.9	0.1	1.4	0.1	0.0	-0.3	0.1	0.6	1.9	0.2
India VIX (average)	23.4	23.2	23.7	23.2	20.8	20.7	22.7	21.3	19.1	15.5	14.4	12.6	12.6	12.9

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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