

The Potential Impact of COVID-19 on Indian Economy and Trade

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Abstract: The outbreak of the COVID-19 pandemic is an unheard of shock to the Indian economy and Trade. The virus that prompted a localized shock in China is now delivering a sizeable world shock. This learn simulates the possible have an impact of COVID-19 on gross home product and trade, the use of a fashionable world computable established equilibrium model. It fashions the shock as underutilization of labour and capital, expansion in worldwide exchange costs, a drop in tour services, and redirection of demand away from things to do that require proximity between people. The economy was already in a parlous nation earlier than COVID-19 struck. With the extended country-wide lockdown, global financial downturn and related disruption of demand and furnish chains, the financial system is likely to face a protracted length of slowdown. The magnitude of the financial effect will rely upon the length and severity of the fitness crisis, the length of the lockdown and how the situation unfolds as soon as the lockdown is lifted.

This workout is illustrative, due to the fact it is nevertheless too early to make a knowledgeable evaluation of the full have an impact of the pandemic. But it does deliver the probable extent of impending world financial pain, mainly for creating countries and their possible want for assistance. In this paper we describe the nation of the Indian economy in the pre-COVID-19 period, determine the plausible influence of the shock on some segments of the economy, analyse the insurance policies that have been introduced so some distance with the aid of the central authorities and the Reserve Bank of India to ameliorate the monetary shock and put ahead a set of policy recommendations for particular sectors.

Keywords: COVID-19, Indian economy.

I. INTRODUCTION

As the coronavirus emerged in China and unfold globally, authorities have acted to restrict its spread. Experience with comparable illnesses exhibits that whilst the human expenses are significant, the bulk of the economic fees are due to the preventive conduct of persons and the transmission manipulate insurance policies of governments (Brahmbhatt & Dutta, 2008). The current ride is no different. As the virus unfold internationally, many international locations have already taken or will ultimately take motion to restrict the spread, through social isolation policies, such as shutting academic institutions, limiting work and proscribing the mobility of people. The preventive moves have had an instantaneous and large have an impact on all economies, and thru change and tourism, on companion economies. Economic fashions can be used to mannequin the penalties of pandemics (Burns *et al.* (2006), Bloom *et al.* (2005), Lee & McKibbin (2004), McKibbin *et al.* (2006), Evans *et al.* (2014)). Building on preceding studies, this paper focuses on 4 channels - i) the direct effect of a discount in employment; ii) the increase in charges of worldwide transactions; iii) the sharp drop in travel and iv) the decline in demand for offerings that require proximity between people.

II. INDIAN ECONOMY IN THE PRE-COVID-19 PERIOD

The shock is enjoying out in nearly a comparable manner in all international locations of the world in phrases of demand and supply disruptions and the consequent financial slowdown. In the case of India on the other hand the trouble may be more acute and longer-lasting owing to the kingdom the economic system was once in, in the pre-COVID-19 period. By the time the first COVID-19 case was once suggested in India, the economic system had deteriorated notably after years of feeble performance.

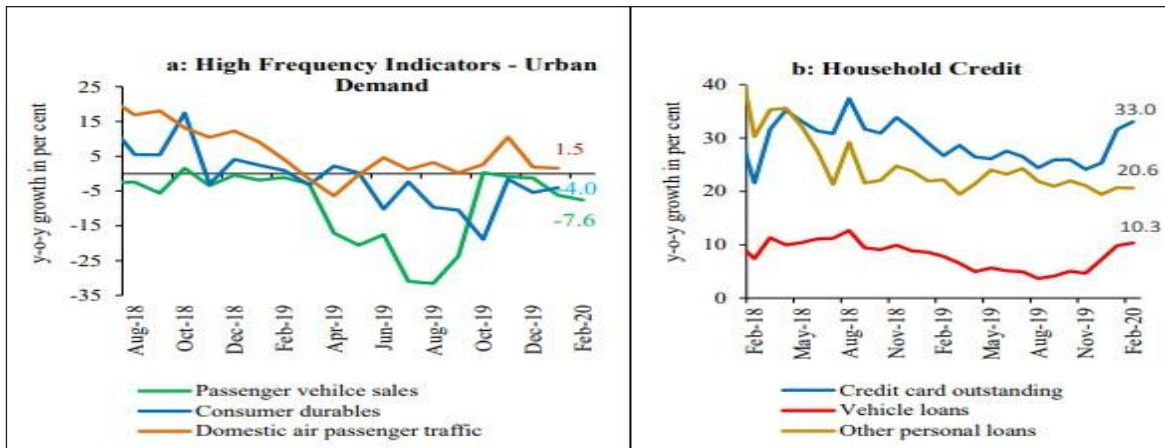


Fig. 1: High-Frequency Indicators: Consumption Demand

GDP (gross home product) boom charge has been on a downward trajectory seeing that 2015-16. According to the authentic statistics, GDP increase slowed down to 4.2% in 2019-20, the lowest stage on account that 2002-03. Industry, which debts for 30% of GDP, shrank via 0.58% in Q4, 2019-20. Unemployment reached a 45-year high.

A principal driver of the increase in any financial system is funding through the non-public company sector. In the pre-COVID-19 period, nominal values of personal zone funding have been declining. The whole outstanding funding tasks between 2015-16 and 2019-20 declined by way of 2.4%, whereas new initiatives announced fell by using 4%, as per records from the CMIE (Centre for Monitoring Indian Economy). Consumption expenditure had additionally been falling, for the first time in various decades.

High-frequency symptoms (Fig. 1) of city consumption demand exhibit that income of passenger motors, as well as purchaser durables, increase gotten smaller in February 2020. Overall, city consumption appears to have lost steam in Q4. Among the symptoms of rural consumption, bike income and the patron non-durable phase remained in contraction in February 2020, reflecting vulnerable rural demand. The lockdown would have dampened any threat of revival of consumption demand and personal investment.

III. OBJECTIVES OF THE STUDY

- To analyze the impact of COVID-19 on the Informal sector.
- To analyze the impact of COVID-19 the Banking and Corporate sectors.
- To analyze the impact of COVID-19 Agriculture and Rural Activities.
- To analyze the impact of COVID-19 Comparative Impact on USA, China, Japan & India.

IV. RESEARCH METHODOLOGY

This paper is primarily based on secondary data. This is a fantastic time to carry out a lookup on the secondary facts since humans are now not authorized to out from their homes. Secondary information has been amassed from quite several sources containing facts associated with the overall performance of The Potential Impact of COVID-19 on Indian Economy and Trade and different inflation throughout the lockdown. The secondary is accumulated from administration libraries, journals, newspapers and magazines. This paper describes in element the estimated loss/ income of the enterprise businesses throughout lockdown.

V. IMPACT OF COVID-19 ON INFORMAL SECTOR

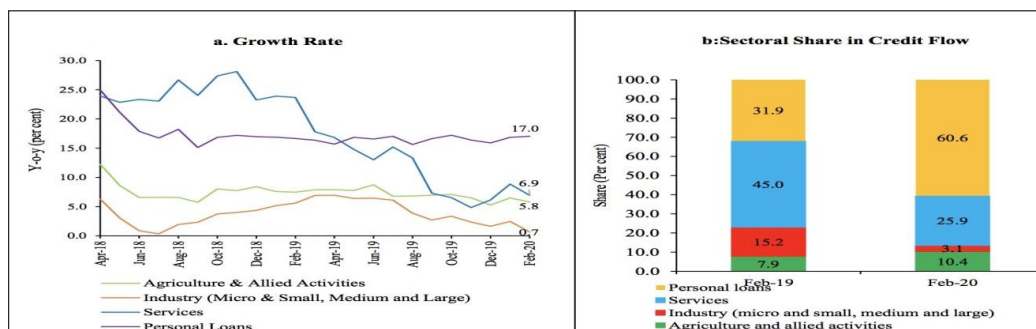
India has a sizeable casual sector, the biggest in the world, using shut to 90% of its working populace and contributing greater than 45% to its usual GDP. This region was once hit via two consecutive shocks in a quick period, from 2016 to 2019. The first shock was once Demonetisation in November 2016 when 86% of the money in the economic system grew to be unusable in a single day owing to an authorities decree, observed by using the haphazard introduction of the Goods and Services tax in 2017.

VI. IMPACT OF COVID-19 ON THE BANKING AND CORPORATE SECTORS

Post the IL&FS disaster savings spreads on company debt securities remained expanded and standard financial institution lending, after a preliminary spurt in the ultimate quarter of FY 2019 (mostly lending to NBFCs), tapered off. Commercial savings witnessed a sharp decline of nearly 90% in the first half of FY 2020. In February and March 2020, the near-demise of Yes bank, a massive non-public region bank, brought about the

danger of credit score squeeze for private region banks which would similarly curtail deposit growth 11. As a result, deposit off-take in the course of 2019-20 (up to March 13, 2020) used to be muted with non-food savings increase at 6.1% is much

less than half of the increase of 14.4% in the corresponding length of the preceding 12 months (Fig. 2). This used to be additionally the lowest increase charge of non-food financial institution credit score in almost six decades.



Source: RBI (2020).

Fig. 2: Sectoral Deployment of Credit

VII. IMPACT OF COVID-19 ON AGRICULTURE AND RURAL ACTIVITIES

The agriculture quarter is vital as a giant variety of people and the whole country’s populace are dependent on this sector. The overall performance of agriculture is additionally key to the nation of rural demand. In the pre-COVID-19 period, agricultural GDP skilled a common boom fee of 3.3% per 12 months in the six years 2014-15 to 2019-20 with intermittent fluctuations 22. The provisional estimates of the National Statistical Office (NSO) exhibit that the GDP increase in

agriculture has improved from 2.4% in FY19 to 4% in FY20. It used to be additionally notably higher at 3.5% in Q3 of FY20.

However, the phrases of exchange have moved towards agriculture throughout 2016-17 to 2018-19 due to bumper crop and horticultural manufacturing which precipitated a decline in meals prices. Terms of alternate for agriculture looks to have extended in 2019-20 as the nominal agricultural GDP increase was once 11.4% in contrast to an actual boom of 4%. Growth in rural wages used to be subdued in the pre-COVID-19 period, especially for agricultural labour in each nominal and actual term, partly due to the slowdown in the building sector.

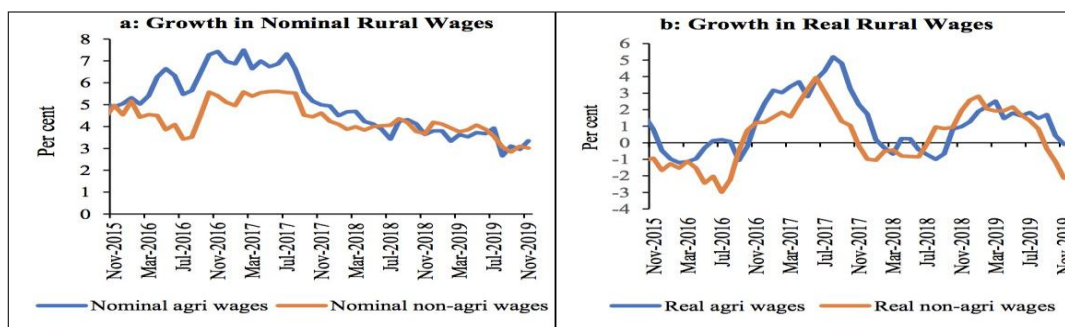


Fig. 3: Growth in Rural Wages

TABLE I: COMPARATIVE IMPACT

USA	CHINA	JAPAN	INDIA
Annual GDP (\$ billion)*: 20,544.34	Annual GDP (\$ billion)*: 13,608.15	Annual GDP (\$ billion)*: 4,971.32	Annual GDP (\$ billion)*: 2,718.73
GDP growth in 2019 (%)*: 2.30	GDP growth in 2019 (%)*: 6.00	GDP growth in 2019 (%)*: -0.70	GDP growth in 2019 (%)*: 4.70
Covid cases/Million [^] : 1,855	Covid cases/Million [^] : 57	Covid cases/Million [^] : 60	Covid cases/Million [^] : 8
Covid deaths/Million [^] : 79	Covid deaths/Million [^] : 2	Covid deaths/Million [^] : 1	Covid deaths/Million [^] : 0.30
Total Mcap (\$ BN)**: 29,149.41	Total Mcap (\$ BN)**: 7,199.67	Total Mcap (\$ BN)**: 5,237.09	Total Mcap (\$ BN)**: 1,570.84
Mcap/GDP**: 1.42	Mcap/GDP**: 0.53	Mcap/GDP**: 1.05	Mcap/GDP**: 0.58
Exp GDP Growth (JAN)#: 2.00	Exp GDP Growth (JAN)#: 6.00	Exp GDP Growth (JAN)#: 0.70	Exp GDP Growth (JAN)#: 5.80
Exp GDP Growth (APR)#: -5.90	Exp GDP Growth (APR)#: 1.20	Exp GDP Growth (APR)#: -5.20	Exp GDP Growth (APR)#: 1.90
Benchmark index PE**: 16.39	Benchmark index PE**: 13.13	Benchmark index PE**: 16.91	Benchmark index PE**: 18.78

VIII. CONCLUSION

COVID-19 has posed an extraordinary assignment for India. Given the giant measurement of the population, the precarious scenario of the economy, especially of the economic zone in the pre-COVID-19 period, and the economy's dependence on casual labour, lockdowns and different social distancing measures are turning out to be vastly disruptive. The central and national governments have identified the mission and have answered however this response ought to be simply the beginning. The eventual injury to the economic system is in all likelihood to be substantially worse than the cutting-edge estimates. On the demand side, the government wishes to stability the earnings assistance required with the want to make sure the fiscal scenario does no longer spin out of control. The stability struck so away looks to be a lifelike one however the authorities desire to locate a larger scope for aiding the incomes of the poor. Involvement of the kingdom and neighbourhood governments may additionally be critical in the nice implementation of similarly fiscal initiatives.

Policymakers want to be organized to scale up the response as the activities unfold to minimise the have an impact of the shock on each of the formal and casual sectors and pave the way for a sustained recovery. At the identical time, they have to make certain that the responses continue to be enshrined in a rules-based framework and restriction the workout of discretion to keep away from long-term harm to the economy.

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