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## **Impact of corona virus on the Indian economy**

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### **Abstract**

COVID-19 is an acute respiratory diseases that caused by the virus called coronavirus and has gained worldwide attention in very short time. Coronavirus outbreak was first reported in Wuhan, China on 31 December, 2019.

WHO is working closely with global experts, governments, and other health organisations to provide advice to the countries about precautionary and preventive measures. The study regarding the nature and impact of virus on human body is still under progress. Along with health his virus have impacts on economy of world. In this review article the basic information regarding COVID-19 is explained in short. For determining the impact of COVID-19 on economy, it is a need to understand it in two parts. The first one will be impacts before declaring it as pandemic and second one will be after declaring it as pandemic. In this review article the sector wise impacts are also discussed.

**Keywords:** corona virus, indian economy, lockdown, pandemic etc.

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### **1. Introduction**

The outbreak of COVID-19 in China is expected to have a significant impact on the economy globally including economic slowdown, trade, supply chain disruption, commodities, and logistics. The GDP of China is expected to decelerate by 1-1.25 percentage points over 2020 because of less production. In China, various cities and provinces are in lockdown mode. China accounts for approximately 19.71% of global GDP at purchasing power parity and obviously it will impact the economy globally. Therefore, it is estimated that the global GDP will suffer an impact of around-0.5%.

The impact on china will be on overall world as china is one of the major player in import and export. As the virus is now not just limited to china the economic impacts are clearly visible in most of infected countries. In this review the impacts on Indian economy are explained.

### **2. About the virus**

Corona virus are the family of viruses that causes common cold to different fatal diseases, such as Middle East respiratory syndrome (MERS-COV) and severe acute respiratory syndrome (SARS-COV). Wuhan, Hubei province of China is epicenter of corona virus outbreak. They are zoonotic which implies that they are transmitted from animals to humans. The study found that SARS-COV was transmitted from civet cats to humans. The common symptoms of corona virus are fever, cough, shortness of breath, and breathing difficulties, and more severe condition are pneumonia, SARS, kidney failure which could leads to death. The severity of corona virus ranges from illness ranging from very mild to severe (including death) depending upon age of the person mainly in older adults.

### **3. Impact of corona virus on India before declaring it as pandemic**

The vision of Finance Minister Nirmala Sitharaman in Budget 2020 was to accelerate the Indian economy by increasing liquidity in the market and improving national infrastructure. She emphasized on to make 5 trillion dollar Indian economy. The aim of the budget was to reduce the trade deficit and improve the GDP of the nation which was on the lower end by promoting Make in India project. The dreams of rulings party of increasing Indian economy was been shatter by the outbreak of novel corona virus. India import from China accounts \$72 billion or 16.2 % of overall import. The spread of coronavirus in China resulted in banned of the trade between India and China. The effect of ban of trade between India and China resulted on Indian economy as follows-

#### **A) Pharmacy industry**

India accounts for total of 10 million dollars chemical buy from china, of which drug imported values \$2.5 billion as per a report by Haitong Securities. The total Indian pharmaceutical production in India is more than \$30 billion. As there is lockdown period in China, it would hamper the Indian pharmaceutical industry.

Top drugs imported are Antibiotics, NSAID's, ARV's, Adenine and Pen G. Major setback was seen in companies like Laurue, Granules India, Solara active pharma and Aurobindo pharma because import of antibiotic and ARV was majorly found.

#### **B) Supply chain disruption**

Global import accounts 11% of China and around 13% of global export. The outbreak of coronavirus in China caused lockdown

which resulted in closure of trade.

- Impact on Indian exports

With the ban of trade the major Indian exporters impacted are:-

- a. Cotton industry-16%
- b. Construction material-13%

Cotton and yarn prices fallen by 4% while rajma price have risen by 8% because rajma is mainly imported from China.

- Electronic output:- Indian electronic company have observed fall of 20-30%

Coronavirus resulted critical because of dependency on China for both demand and supply of inputs.

### C) Mention in electronic capabilities

As Indian companies do not have capabilities to manufacture various semi-conductors and other components in such limited time. The effect of coronavirus would hamper electronic industry in the large extent, Indian imports 67% of electronic component.

### D) Positive impact on health insurance companies

Due to outbreak of coronavirus there was increase in enquiry on health insurance policies 40% in India.

### E) Effect on Health care industries

The positive impact was majorly found in health care industries. The shares of 3M India (face masks, sanitizer and gloves making industry) have found exponential increase. 3M India manufactures over 8,000 products including personal healthcare and safety products.

Before WHO declaring coronavirus as pandemic, the prior statement of Shaktikanta Das emphasized on limited damage to Indian economy, RBI governor focused on disharmony only on limited industries like pharmaceutical and electronic industry, which have high dependency on China for inputs.

### 4. Impact of coronavirus on Indian economy after declaring it as pandemic

India is currently in stage 3 of coronavirus outbreak based upon ICMR DG reports of total on march-17th there were total 189,753 cases with total deaths 7,513 with total recovery 80,874. The pillars of Indian economy are- Agriculture sector, Manufacturing sector, Construction sector and Service sector.

On Wednesday, 12th march WHO declared coronavirus as pandemic. WHO defines pandemic as, the worldwide spread of a new disease. Due to increase in its worldwide case it would hamper world economy as well as Indian economy. Based on current report, Indian economy growth could take a hit of up to half percentage it is estimate that around 0.3-0.5% hit on GDP could be seen in next fiscal year. The global rating agency, Moody's Investors service on March 17, 2020 project GDP 5.3%. As per the report of UNCTAD the outbreak of coronavirus would cost USD 2 trillion. FPI withdraws rupees 37,975 crores from the market due to outbreak of virus.

### Impact on various sectors

1. Mouth mask, sanitizer and hygiene products are in high demand which have seen in rapid growth of health care industries with government and WHO advising to use mask and sanitizer, there is rapid increase in there demand which have resulted in high price.

2. Medicine and health care cost are expected to increase because of lock down in China. It is expected that there is increase in 40% price of paracetamol. India imports 69% of drugs in bulk from China.
3. The poultry industry in India has lost 100 crores based on reports of Business Today. There was found 30% fall in demand for chicken. Due to fall in demand, wholesale price of chicken had dropped by as much as 70%. Indian poultry industry has recorded 80% drop in sales.
4. Aviation sector and Transportation sector-Indian private carriers cancelled 93 international flights. According to report by active rating, the domestic air traffic will impact negatively by 50%. The Covid-19 will cause over 8,500 crore to aviation, travel and hotel segment. As of march 6, indigo had cancelled about 42 flights which is maximum, Indigo aviation had seen a down fall of 15-20% in week-on-week basis whereas Spice Jet had cancelled 23 flights. It is expected that, by the end of May -2020, most airlines in the world will be bankrupt. It was found that 76 trains were cancel as precaution and due to low occupancy. Due to cancellation in flights the Indian aviation is expecting the loss of rupees 8,200 crore.
5. Hospitality-The growth of the sector is majorly seasonal and fluctuations are majorly observed. Due to cancellation in Visas of foreign tourists and after declaring lock down is many districts of India, the loss projected is around rupees 30,000 crore. The National Restaurants Association of India has estimated loss in jobs of 10-20% people working in respective sector.
6. Hotel Industries of India are in worst phase in which loss of 4.2-4.7 billion dollars can be observed.
7. Tourism sector-The sector constitutes 10% of Indian GDP have seen worst phase due to outbreak of virus. With VISA restrictions and cancellation the sector has received major impact. As the sector majorly relies on tourists, but due to outbreak of coronavirus the entire Industry is been collapsed. Aviation, Hospitality and Tourism industry are interconnected. India annually earns around \$30 billion, due to which it is found that these industries are most adversely affected.
8. Automobile sector-As per the study it is found that there is downfall of 80% in the sales of vehicles. Based upon the report of ET Auto the sector can face the loss of rupees 13000-15000 crores due to outbreak of coronavirus. After declaring complete shut down the industries are closed for about 25 days which would worsen the situation more. The industry contribute to around 7.5% GDP of the nation and the respective losses would profoundly damage the economic stability of the nation.
9. Import and Export-Outbreak of coronavirus resulted in fall of import to 16 percent during period of March-1 to 19, due to decreased imports of precious & semi-precious stones, gold and sharp in fall of crude oil. During same period of time there was decline in Indian export by 8.2 per cent to \$16.3 billion. After declaration of lock down period there would be more decline in the total import-export share.

### Sectors which have remain un-scattered

1. **Telecom:** As, the government imposing stringent laws on preventing social gathering, people are advised to stay and

work from home which would result in Indian's consuming more data. In China, it was observed that during lockdown period there was increase in service to 1.5 per cent compared to last year. According to figures released by the ministry of Telecom industry and Information technology of the people's republic of China, it was observed that growth rate of first two months was maximum compared to previous years. The lockdown would boost the data usage by 10-15 per cent in the home broadband and mobile space.

2. **Healthcare:** The outbreak resulted in disruption in supply chain. So, to compensate it, India committed to disburse \$ 1.3 billion to encourage companies to manufacture pharmaceutical ingredients. Because of inventory there was limited impact on pharmaceutical industry.
3. **Insurance:** With the panic created due to outbreak of corona virus, the Insurance Regulatory Development Authority (IRDA) has asked insurers to cover Covid-19 cases. Due to which there was increase in 40 per cent insurance sales.
4. **Agriculture sector-** The Agriculture and allied sector are on positive state during the outbreak of the Covid-19. The food grain output at 282 billion tones was 2.4 per cent year higher than previous year output.

To control Coronavirus pandemic Prime Minister Narendra Modi announced that the nation would observe complete lockdown period for 21 days till 14 of April. Except the essential service provider all other Industries would observe complete lockdown.

#### 5. Expected losses during period of lockdown

1. Moody's Investors Service forecasted the cut down in Indian economy to 2.3% from 5.3% estimated growth.
2. Indian cinema is expecting losses up to rupees 1300 crore due to complete lockdown which has shifted many movies release date to April-May.
3. Handset manufacturing industries are expecting losses of rupees 15000 crore due to three week lockdown period. The present turnover of the company is around rupees 500-700 crore per day. So three weeks lockdown would result in approx. 15,000 crore loss.
4. Indian aviation industry is expecting loss of around \$3-3.2 billion in June quarter and domestic carriers are incurring loss of \$1.75 billion next quarter due to pandemic.
5. Based upon Care rating report, if 80 per cent production stops during 21-days lockdown period then the loss projected is around rupees 35,000-40,000 crore on daily basis. The cumulative loss of 21 days period would be approximately rupees 6.3-7.2 lakhs crore.
6. The impacts of lockdown would result in loss of 40-60% to cement industry because the shutdown has come during peak construction period which majorly impact cement industry.
7. FMCG sector is on bright side due to Coronavirus outbreak because of panic buying by the consumers due to lockdown and fear of shortage of supply for essential commodities. Shares of FMCG sector was seen hike of 8% on NSE after declaration of economy package to deal Coronavirus impact by Finance Minister Nirmala Sitharaman.
8. Barclays estimated the loss due to 21 days lockdown period would result in decrease in growth rate from 2.5 per cent to 4.5 per cent. As per the reports of Barclays cumulative shut down would result in loss of \$120 billion dollars which constitutes 4 per cent of GDP.

9. Bases on the report of National Sample Survey (NSS) and Periodic Labor Periodic Survey (PLPS) 136 million people jobs are on the risk.
10. HDFC securities estimated reduction in IT companies revenue by 2-7 per cent because of disharmony in other sectors due to 21-days lockdown period.

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