

Covid 19 corollaries

June 4, 2020

A viral deconstruction of state wherewithal

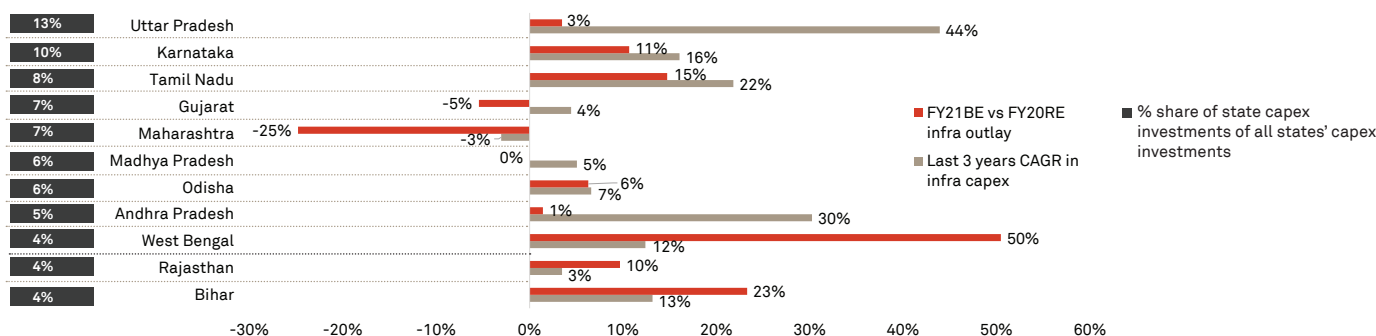
Construction activity across the country ground to a halt about two months back because of the lockdown induced by the Covid-19 pandemic.

States had accounted for 40-45% of the construction investments between fiscals 2015 and 2020, but their overall infrastructure spend was declining well before the pandemic set in.

Now, their wherewithal is set to decrease anew because the lockdown will cull receipts from direct and indirect taxes, and excise duties (no alcohol sales, and severely curtailed petrol and diesel sales). States also have to divert funds to meet healthcare and social emergencies spawned by the pandemic.

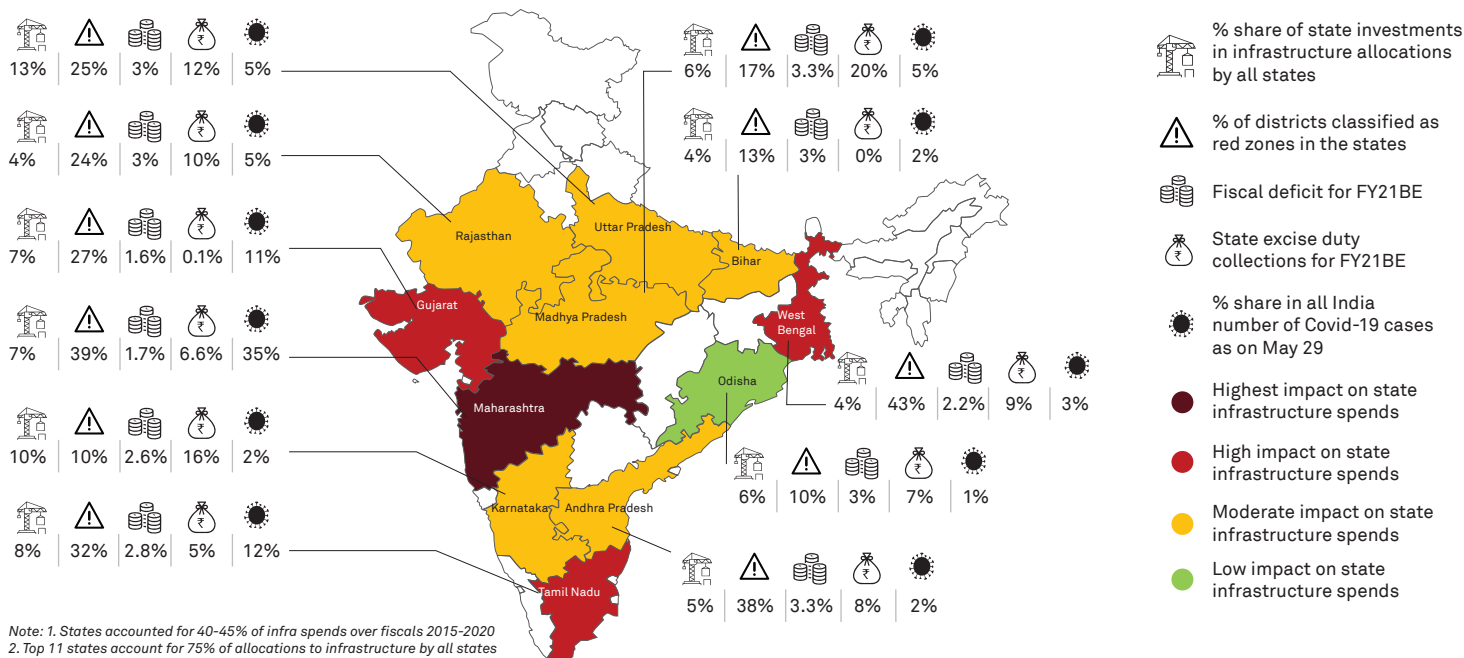
The upshot will be that states most affected by the pandemic – Maharashtra, Gujarat, Tamil Nadu and West Bengal – which together accounted for a fourth of infrastructure spending in the past five fiscals, may come up short on money for infrastructure build-out.

State budget allocations to construction-heavy sectors had fallen even before the pandemic



Note: 1. Transport, Urban Infrastructure, Irrigation and Water Supply systems are the sectors considered under infrastructure
2. States accounted for 40-45% of infra spends over fiscals 2015-2020
3. Top 11 states account for 75% of allocation to infrastructure by all states

Spending on infrastructure by Maharashtra, Tamil Nadu, Gujarat and West Bengal, which accounted for 25% of all state spends, is likely to be at high risk because of more Covid-19 cases, more red zone districts, wide fiscal deficits and material dependence on excise duty collections



Note: 1. States accounted for 40-45% of infra spends over fiscals 2015-2020
2. Top 11 states account for 75% of allocations to infrastructure by all states