

# Second shock amid clawback

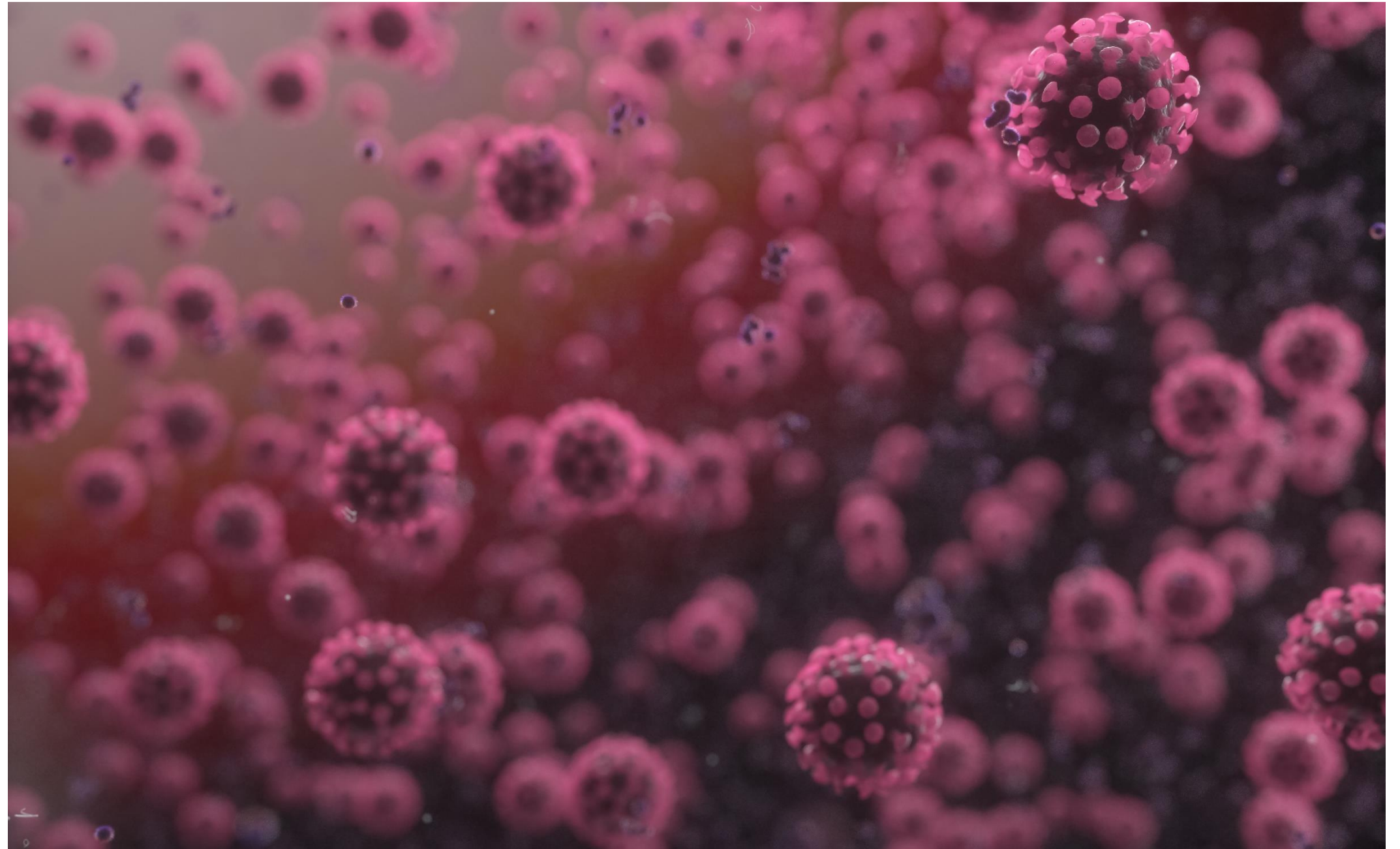
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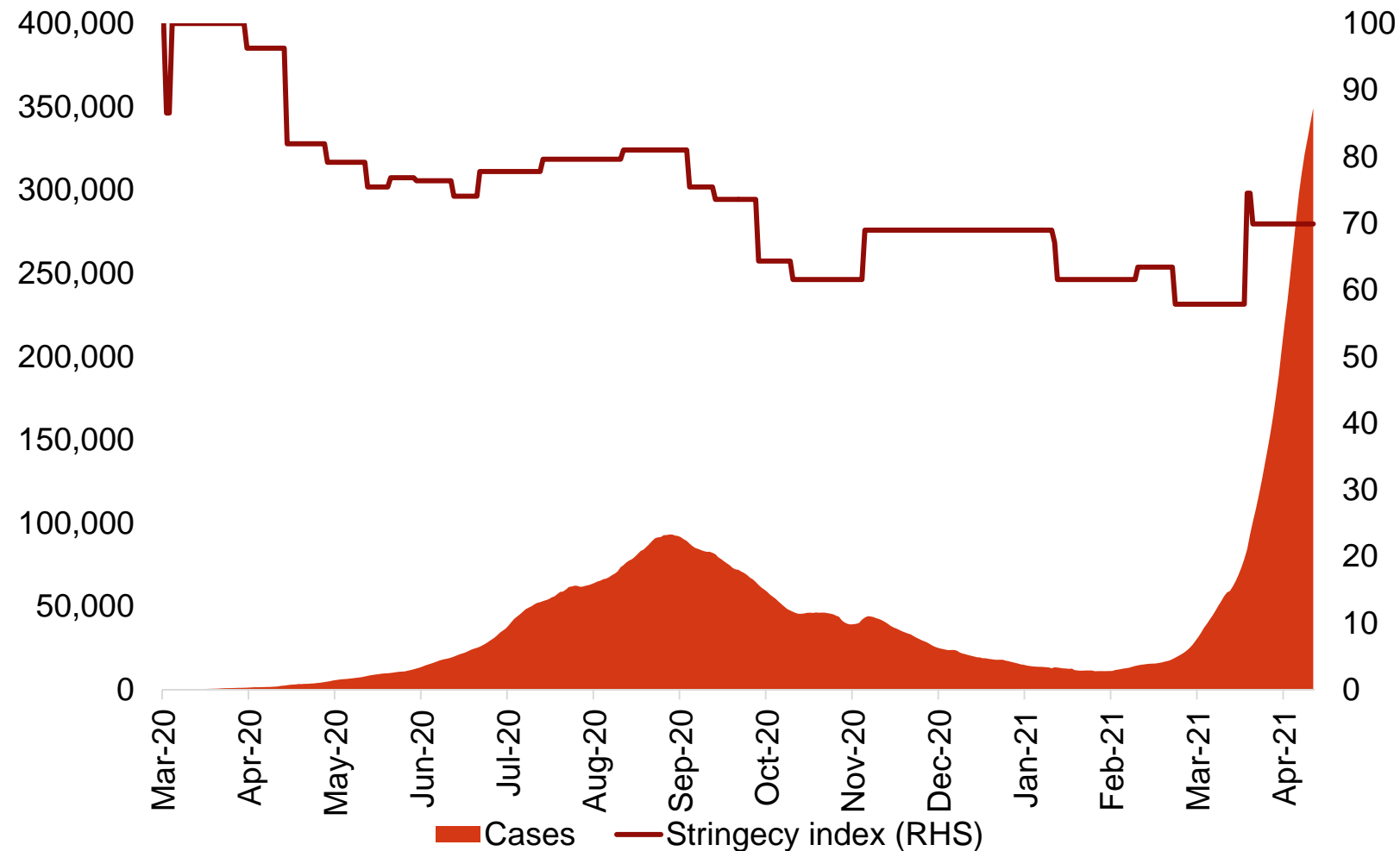
# Pandemic's second wave threatens growth

- **India's second wave – a healthcare and an economic challenge**
- **Base GDP growth forecast for fiscal 2022 at 11%, with risk firmly tilted downwards**
  - Scenario 1 – Moderate downside: GDP growth drops to 9.8%, assuming second wave peaks by May-end
  - Scenario 2 – Severe downside: GDP growth drops to 8.2%, assuming second wave peaks by June-end
- **Lockdowns / restrictions less restrictive for economic activity, but increasing in number**
  - Caseloads spreading to rural areas where healthcare infrastructure is weak
  - High frequency indicators show softening
  - Global waves suggest impact on manufacturing activity is less devastating as vaccination rollout gathers pace and people 'learn to live with the virus';
  - External demand to support India's merchandise exports
- **India Inc's revenue growth projected at 15% for fiscal 2022 on a low base of two years in base case and moderate scenario; in alternate severe scenario, pegged at 10-12%**
- **Rising costs could pose headwinds to companies as they recover in specific sectors**

# Second wave threatens growth

# Infections rocket, but lockdowns less restrictive

As infections rocket, so do restrictions

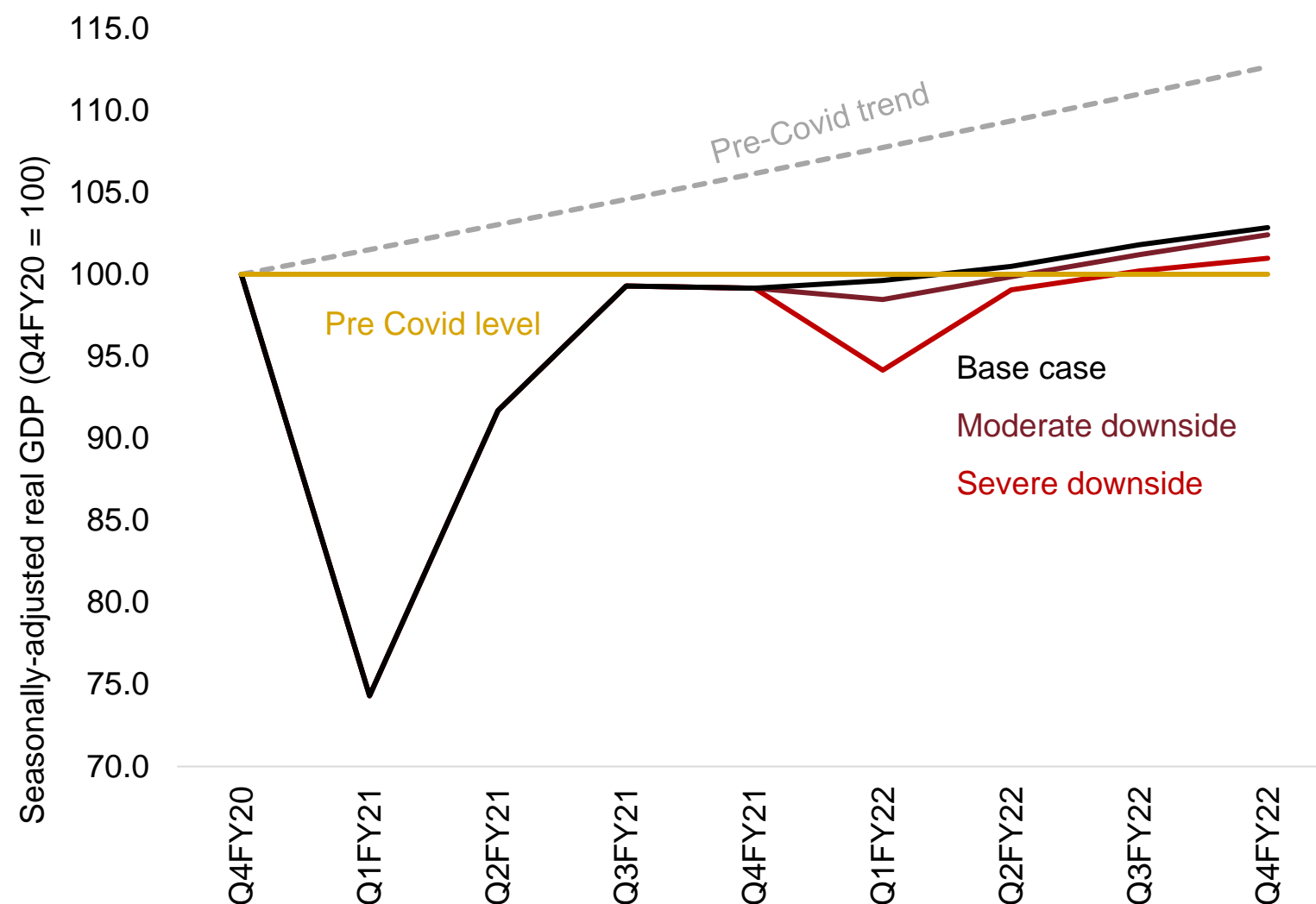


- The intensity of the second wave of Covid-19 infections in India has come as a surprise, and is haemorrhaging the country's healthcare infrastructure. That has made lockdowns and restrictions inevitable
  - Restrictions on people movement and commerce are less stringent vis-à-vis the first wave, though; but are increasing across the country
- Dispersion of cases across states now mirrors the September 2020 peak. Worryingly, the number of cases has exceeded the peak by over 3x, highlighting the increased burden on healthcare services

Source: Ministry of Health and Family Welfare (MoHFW), Government of India, Blavatnik School of Government, University of Oxford, CEIC, CRISIL

# Base-case GDP growth at 11%, with risks firmly tilted downwards

## Recovery to pre-Covid-19 level in each scenario



Note: The flat line refers to the indexed level of GDP in Q4FY20

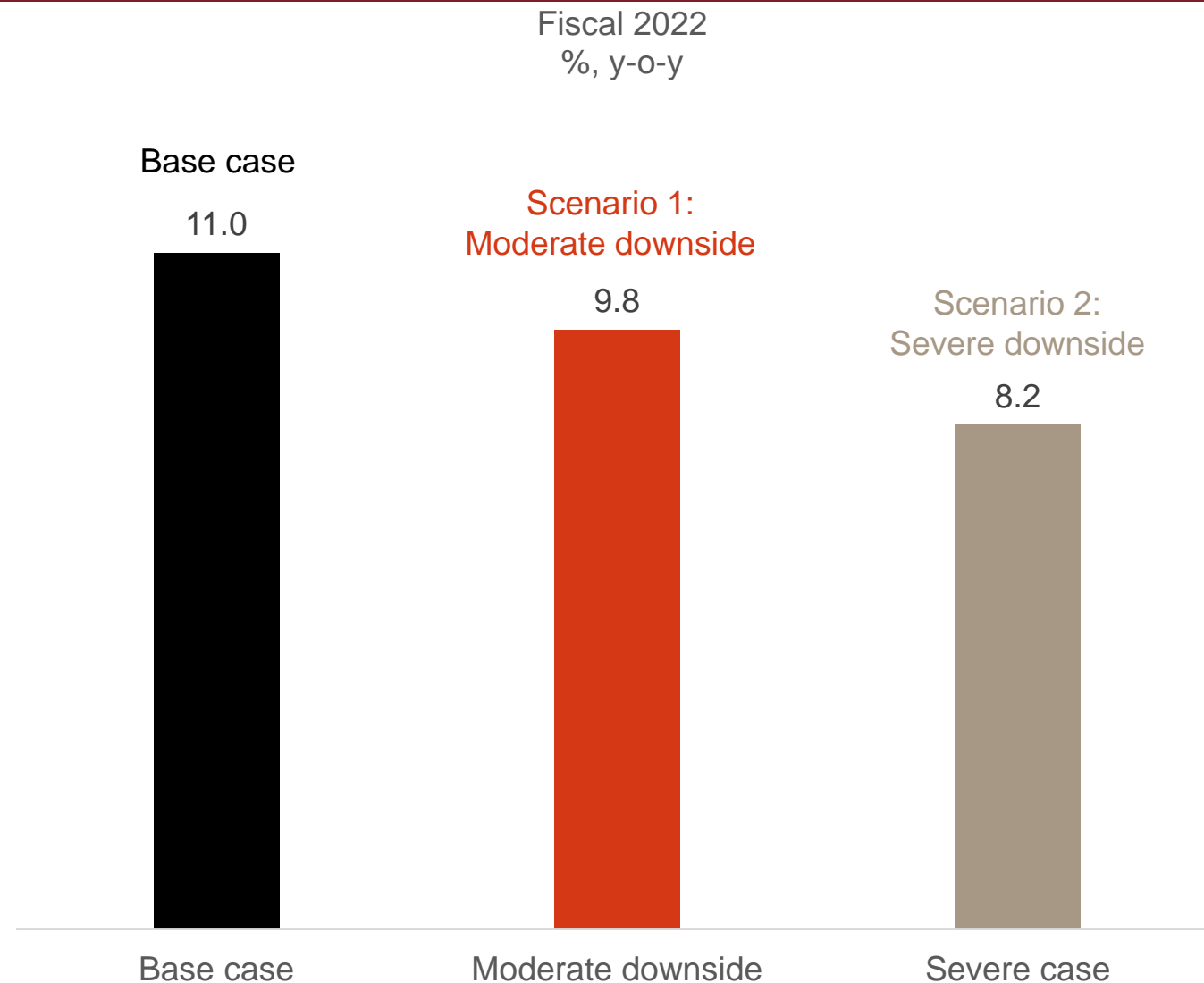
Source: Ministry of Statistics and Programme Implementation (MoSPI), CEIC, CRISIL

- Restrictions, in terms of number of days, is less compared with fiscal 2021 so far, though still evolving
- Lockdowns are less restrictive for economic activity, and are concentrated in the most-hit states; agriculture, construction, manufacturing, and other essential activities permitted to continue
- Fiscal 2022 to be a story of two halves:
  - H1 to be supported by a base effect, but clouded by the pandemic's spread; recent surge in Covid-19 cases has led to high-frequency indicators showing some softening
  - H2 to be led by better-spread economic growth, owing to increased inoculations and better adaptability to the pandemic, which would support sectors that are lagging. Also, H2 should see stronger global growth, supporting India's exports to an extent



# Downside growth scenarios

## GDP growth scenarios based on assumption of case peak











Source: S&P Global Ratings, "Second COVID Wave May Derail India's Budding Recovery", May 5, 2021

- **Base case of 11.0% GDP growth** assumes case surge and lockdowns peak by mid-May. In this scenario, the economy returns to pre-pandemic level by September 2021 quarter
- **Scenario 1: Moderate downside of 9.8% GDP growth** assumes case surge and consequent lockdowns peak by May-end
- **Scenario 2: Severe downside of 8.2% GDP growth** assumes peak is pushed to June-end
- In scenarios of Moderate Case and Severe case:
  - Catch-up to pre-Covid-19 GDP level is pushed beyond September quarter
  - Permanent loss to GDP over the medium term rises to ~12% from 11% in the base case

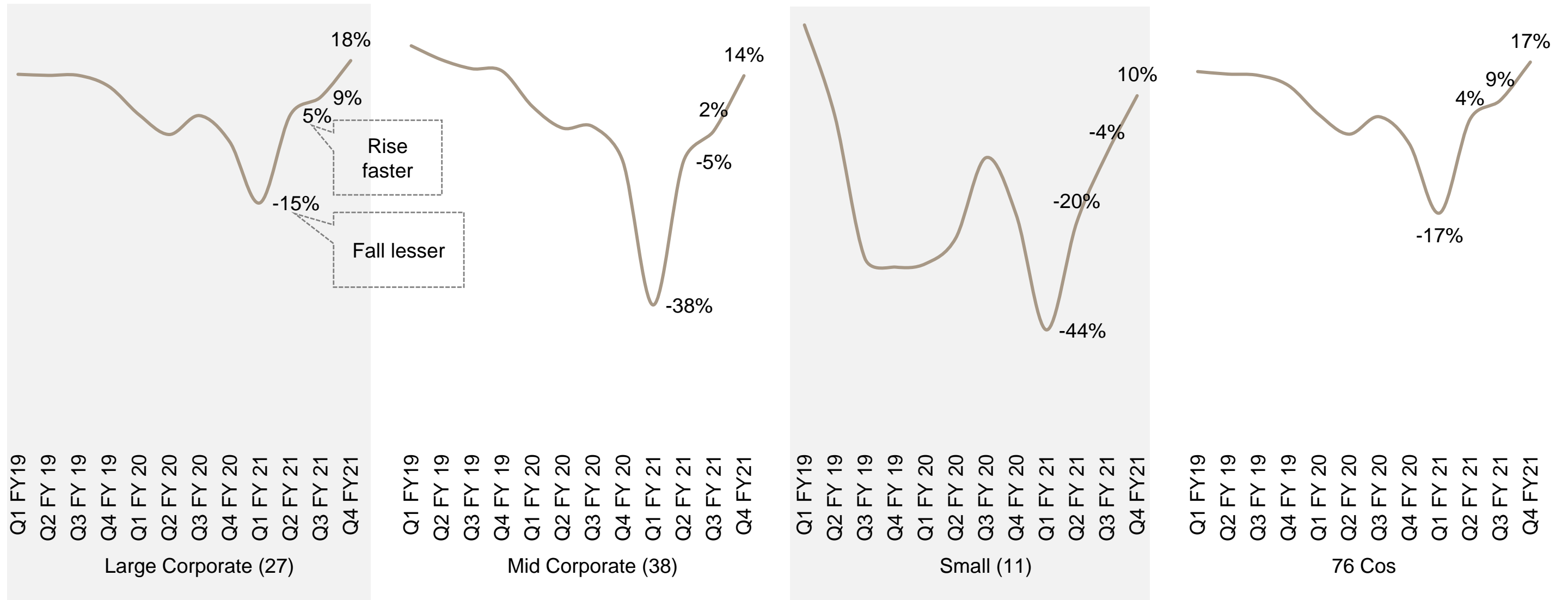
# Corporate revenue growth forecast stays at 15% for now

Demand impact most pronounced for the services sector, followed by discretionary

Sector	Size as on FY20 (Rs bn)	Growth in FY21	Growth in FY22	Comments
<b>Consumer Discretionary Services</b>				
 '-----Airlines	976	(57%)	40-45%	A number of countries suspend flights. Domestic flights reduce sharply. Top 6 routes account for nearly 20% of total traffic.
 '-----Hotels	307	(60%)	40-45%	Large cities – top 5 – 65% of capacity to suffer setback for 2 months.
 '-----Media	1436	(23%)	18-20%	Segments like radio, multiplexes and outdoor to be impacted sharply. Slower advertising momentum in television, newspapers for 6-8 weeks.
 '-----Organised retail	7401	(20%)	15-18%	Mall closures in many of top 10 cities to result in lower recovery.
<b>Consumer Discretionary Products</b>				
 '-----Cars	1506	(12%)	25-28%	Marginal impact on recovery. Top 10 pandemic-impacted districts account for ~13% of PV sales.
 '-----Two wheelers	882	(3%)	14-16%	Marginal impact on recovery with wider spread of virus. Top 10 pandemic-impacted districts account for ~10% of PV sales.
<b>Industrials</b>				
 '-----CVs	851	(15%)	37-42%	Ability to improve freight rates and utilisation to be impacted for 6-8 weeks.
 '-----Construction	5294	(10%)	18%	Availability of labour, work momentum impacted.
<b>Corporate India</b>		<b>(8%)</b>	<b>15%</b>	<b>Base case and Moderate scenario may see growth rates at 15%, severe case could see growth in revenues moderate to 10-12%</b>

# Large players more resilient...

Quarterly revenue of ~80 listed players, by size indicates recovery continues – large players more resilient



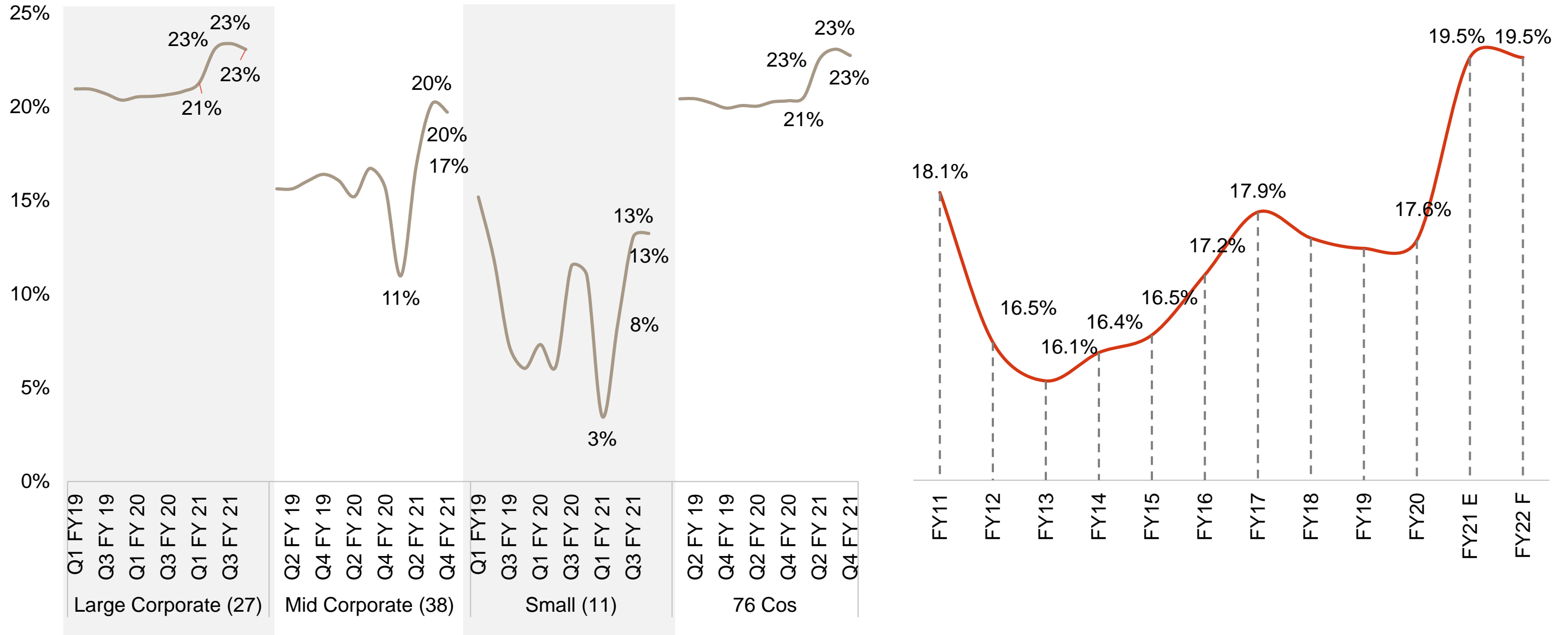
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Note: Large players are defined as those with an annual revenue of over Rs 5,000 crore, mid-sized are those with annual revenue between Rs 500- 5,000 crore, and small players are those with annual revenue below Rs 500 crore, as of fiscal 2020



# Ebitda margin shows superior bargaining power of large players

Quarterly margins of ~80 listed players, by size indicates margin recovery may not sustain

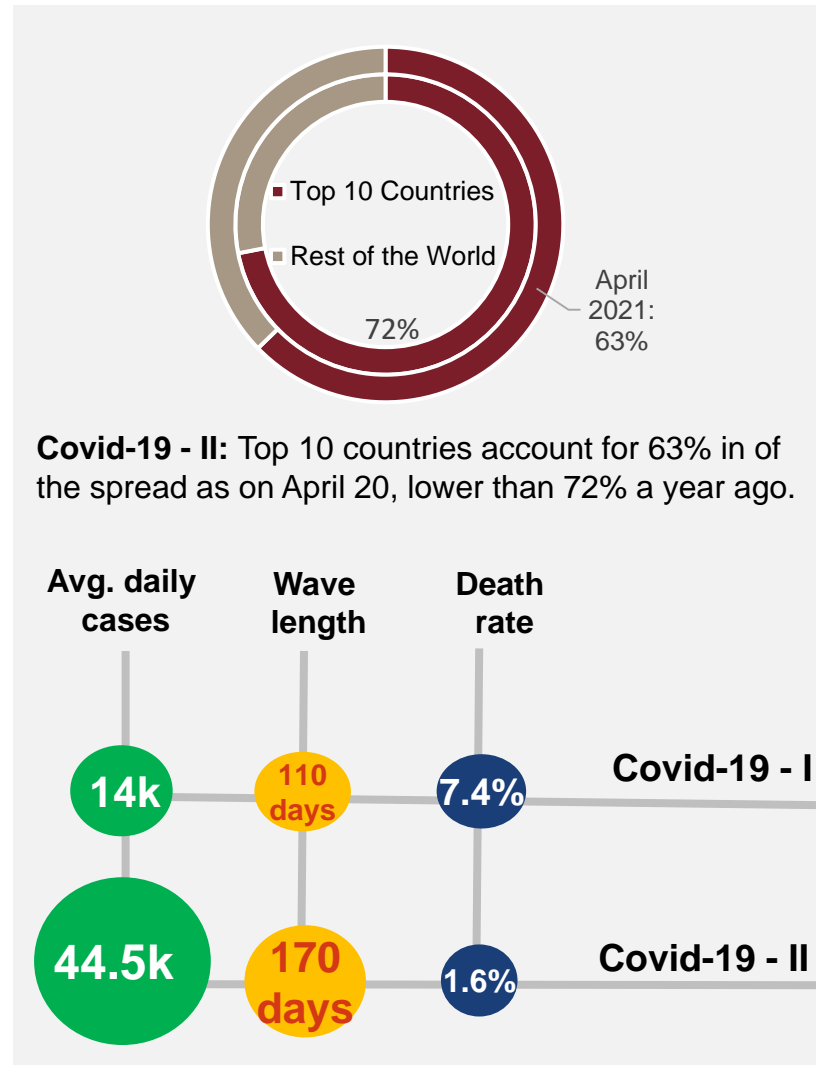


Note: Large players are defined as those with annual revenue of more than Rs 5,000 crore, mid-sized are those between Rs 500- 5,000 crore, and small are those with revenue below Rs 500 crore, as on fiscal 2020

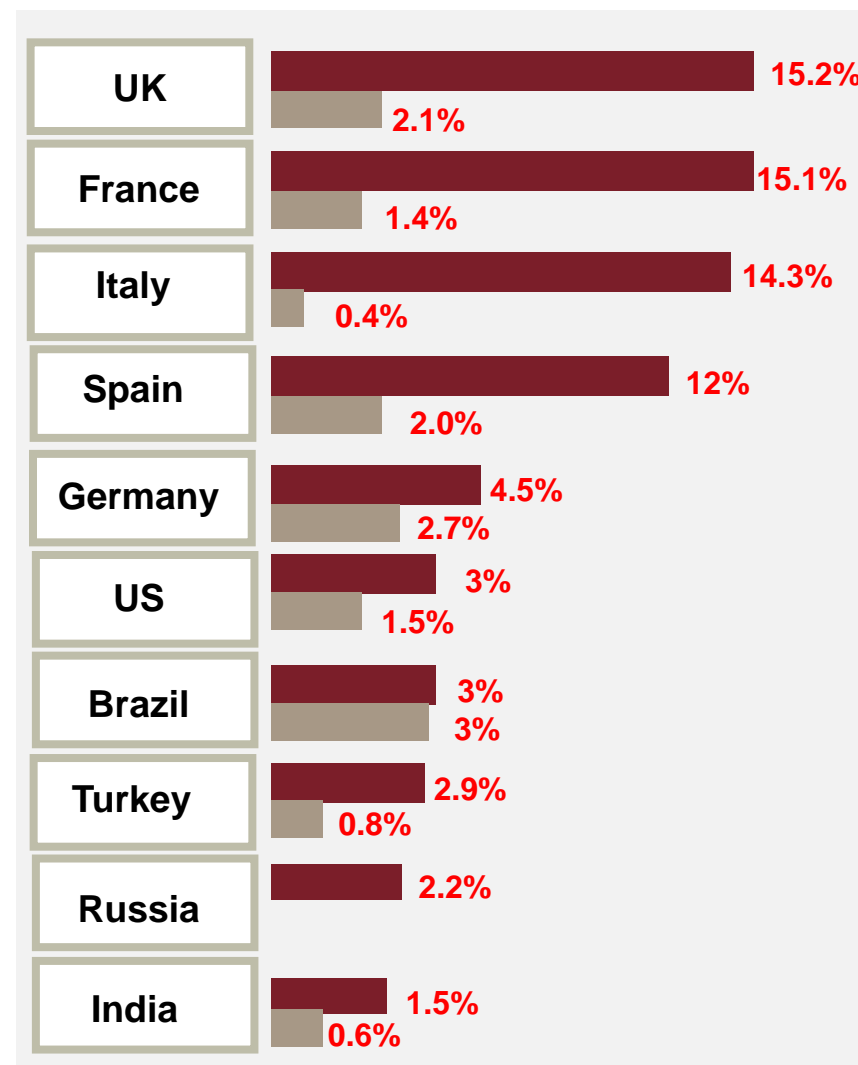
# Two gigantic challenges

# Wave theory: a throbbing pain the second time around

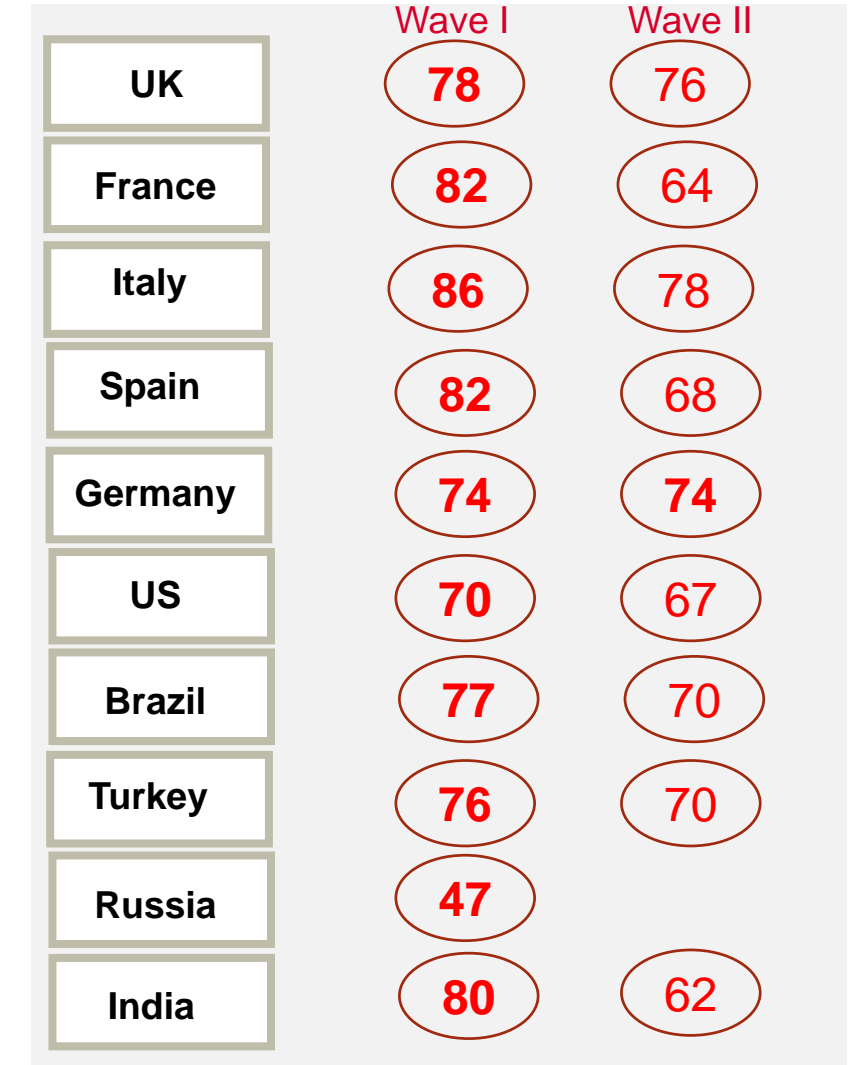
Second waves super spreaders, longer for top 10 countries



Mortality rates have dropped between the two waves



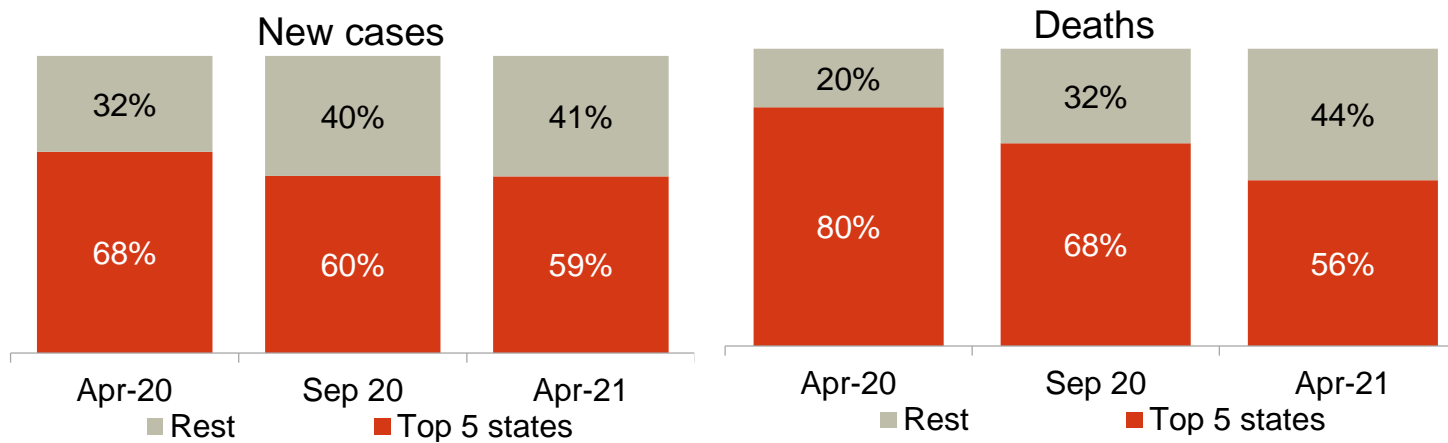
Government stringency indices have come down, too



Note: Worldometers, John Hopkins University . Stringency index is calculated by John Hopkins University using multiple factors  
 Average stringency index during a wave is simple average for the length of the wave of that country  
 Wave length are calculated for separate periods for each country looking at movement in stringency indexes and doubling rates of each country

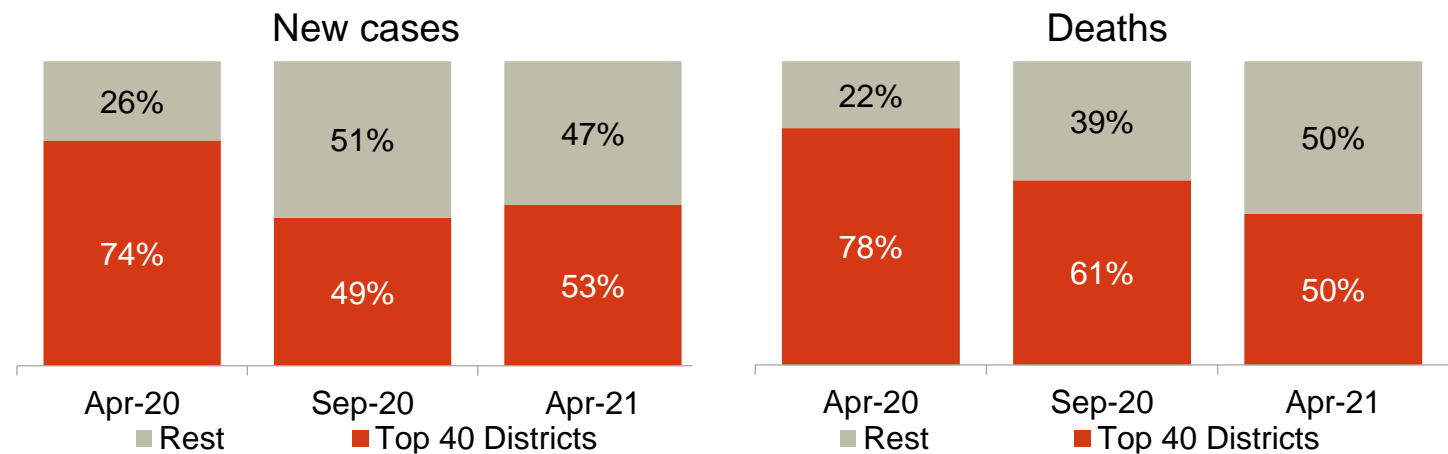
# Wave theory: infection rates surge in India, but death rates fall

Waves more spread out in terms of both, live cases and deaths in states

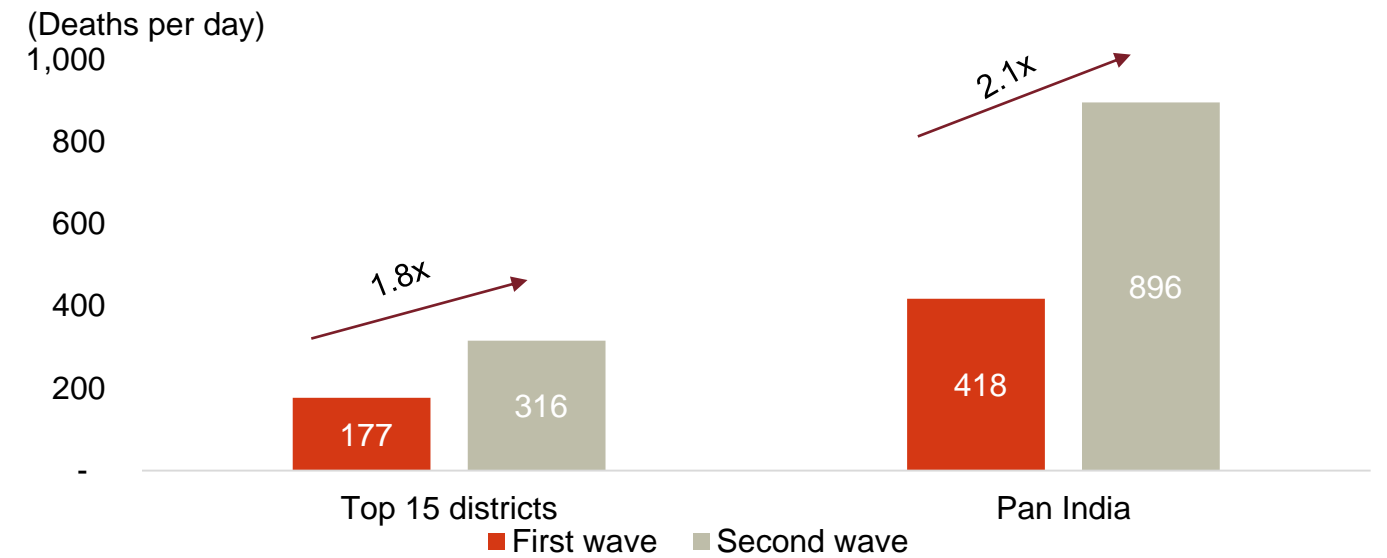
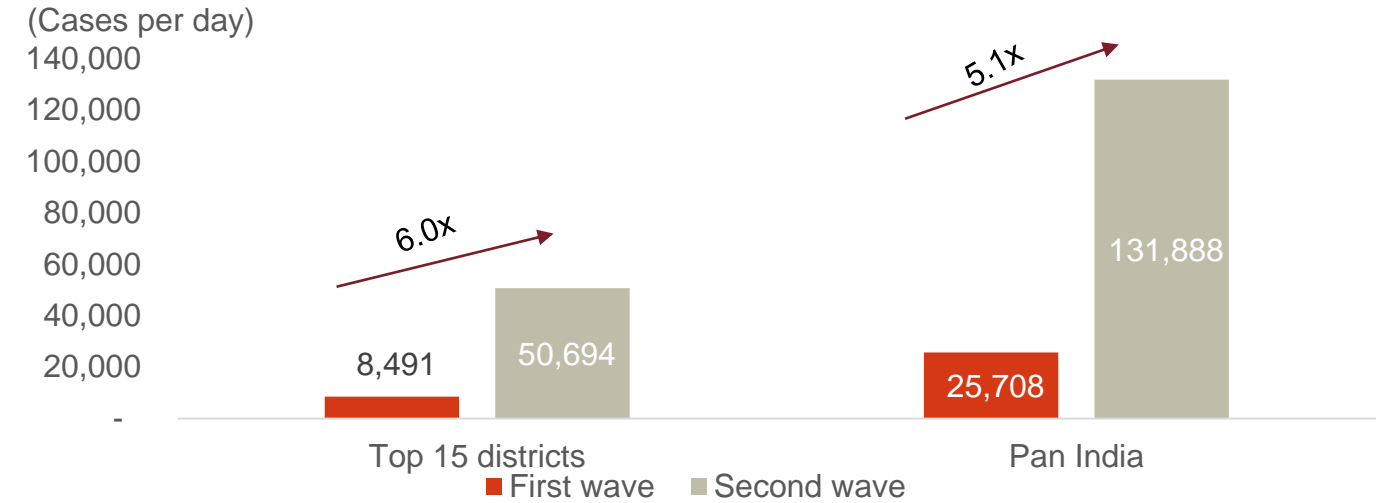


**April 2020**  
40 districts accounted for ~70% of the spread

**April 2021**  
Nearly 150 districts account for two-thirds of the spread

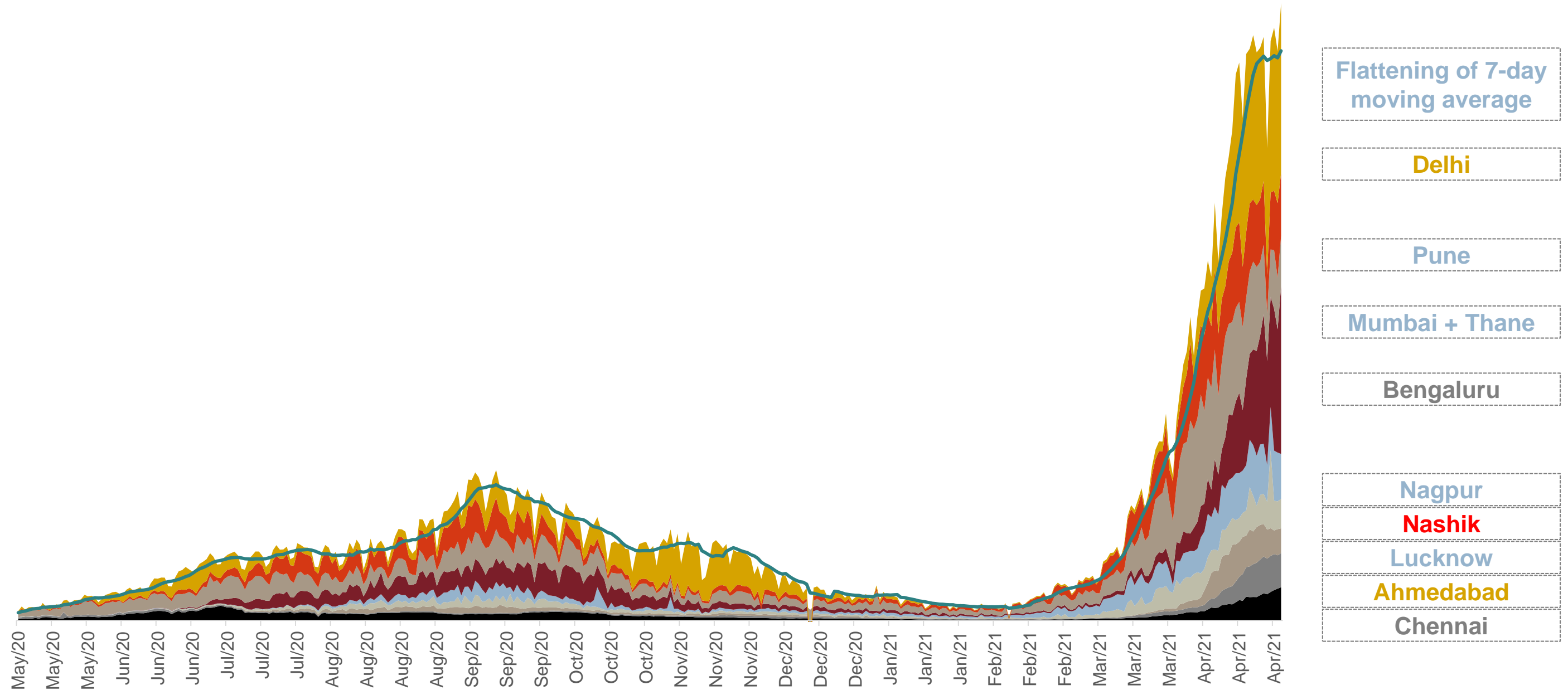


Average daily cases nearly 5 times the first wave, average daily deaths twice as much



Note: All-India district-level data collected from Indian government website. September 2020 was the peak of the first wave in India

# Ray of hope? The top 10 districts, with 25% share of daily cases, indicate flattening curve



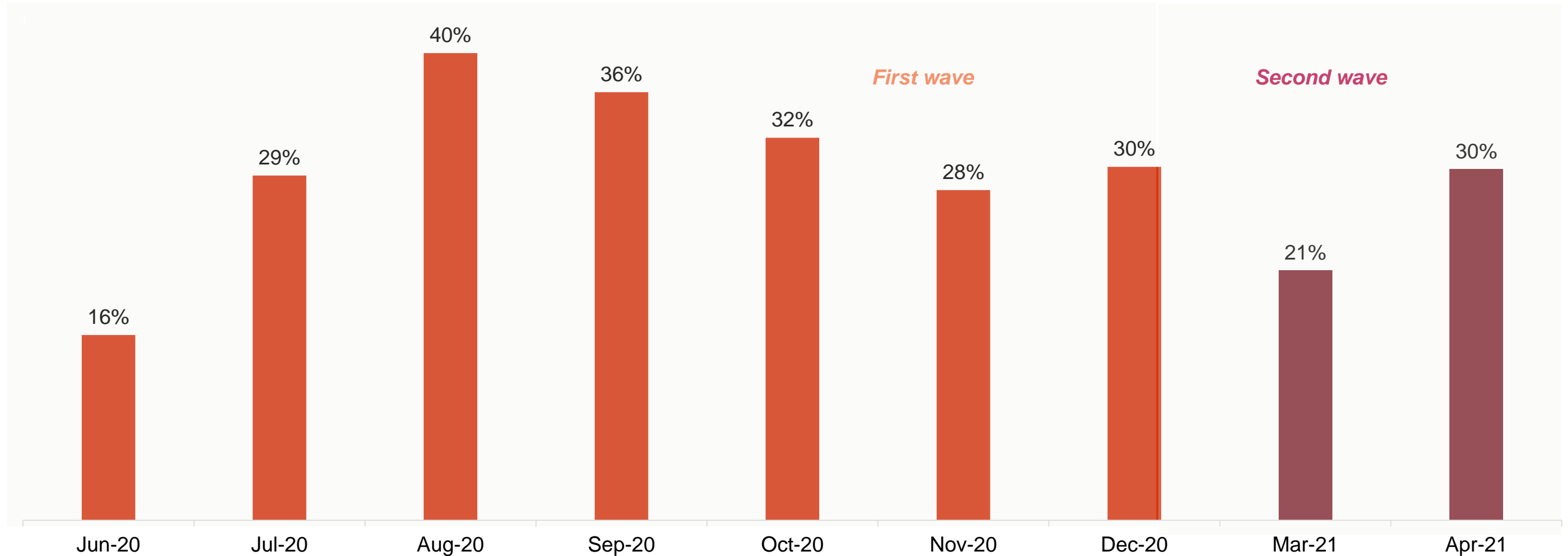
Source: GOI

Note: Cities named in blue have the 7 day moving average reducing, orange is flat, grey is stable and red in increasing.

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# Rural case spreads rising, but below previous peak so far

Share of rural districts in new cases (%)



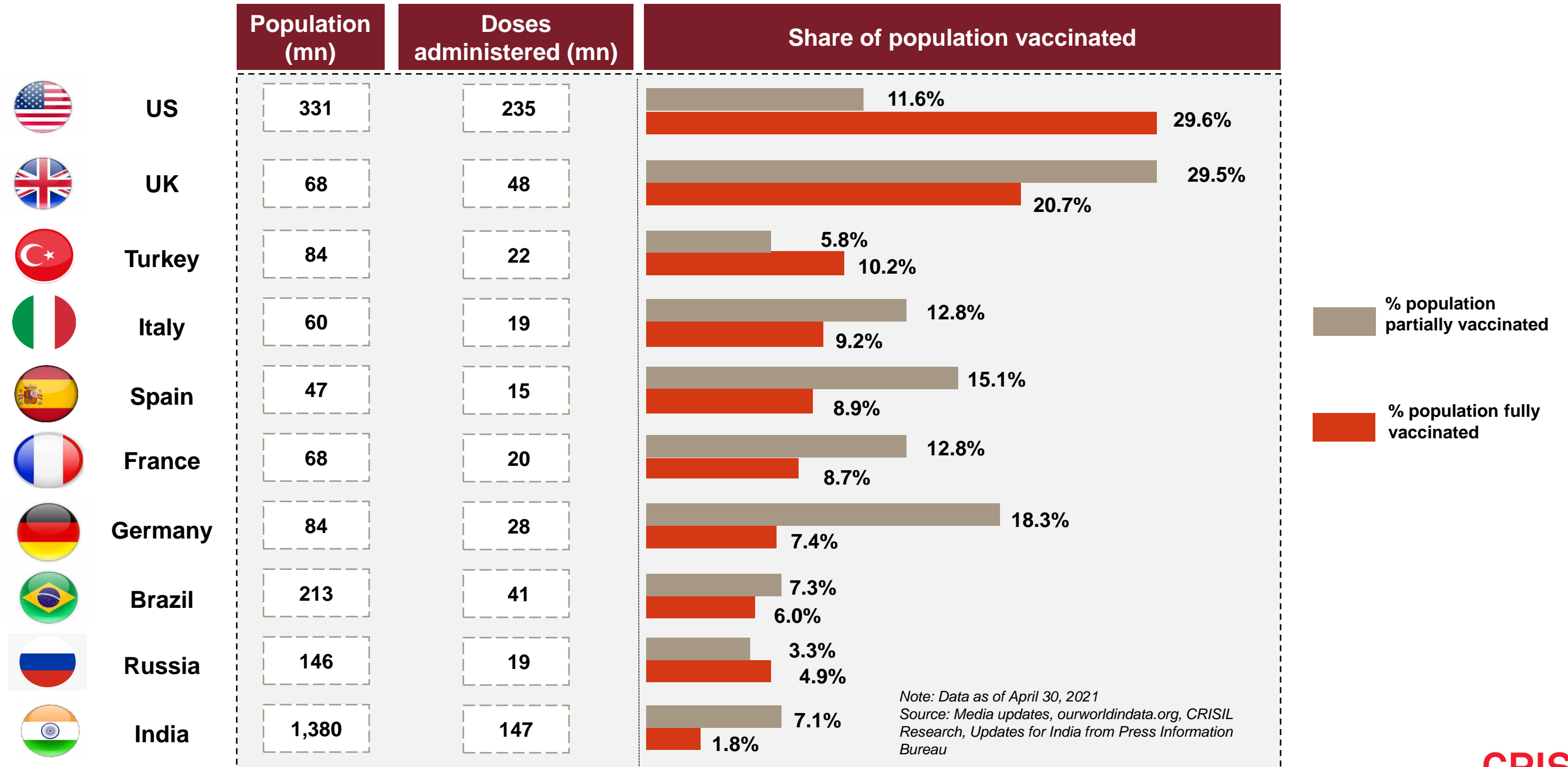
Note: Rural districts defined as those with at least 70% of their population categorised as 'rural' in Census 2011

Source: MoHFW, covid19india.org, Census of India, CEIC, CRISIL

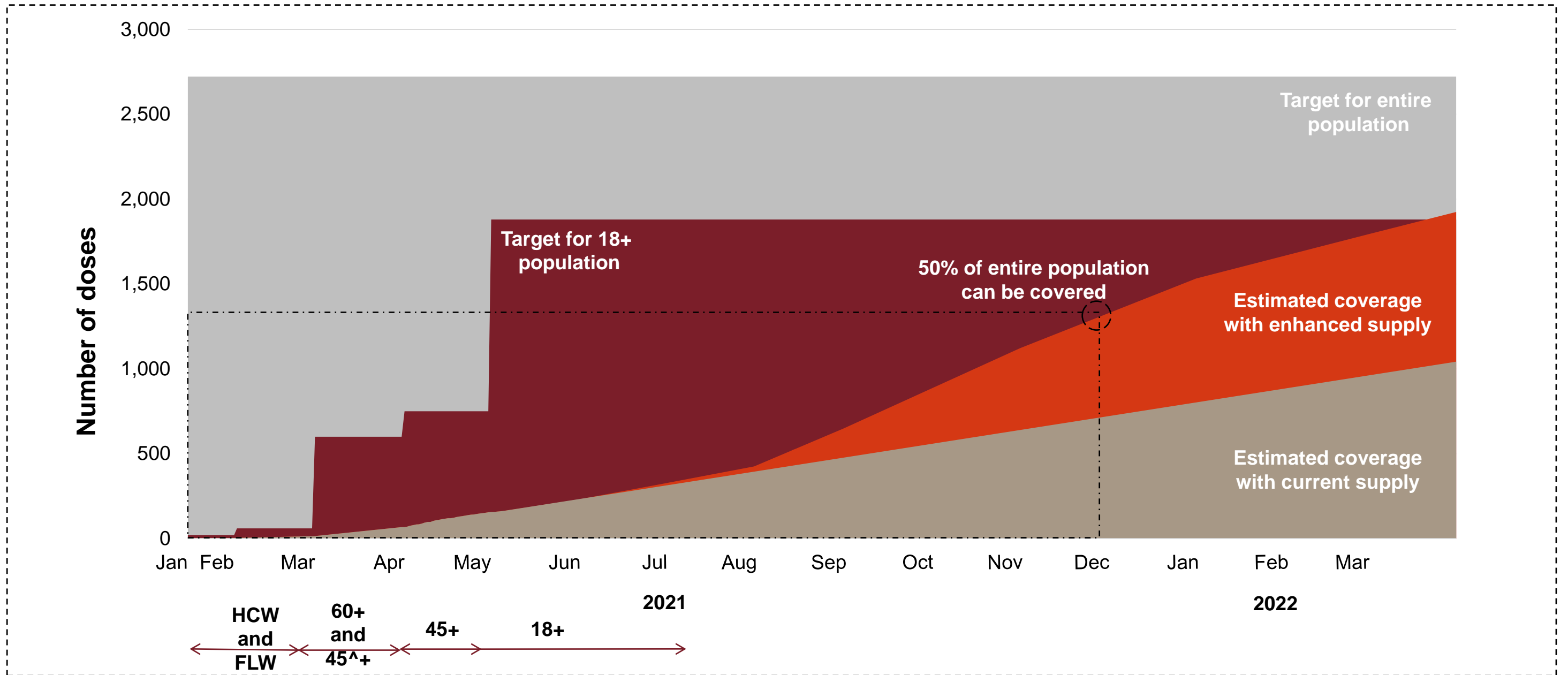
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# India ranks lowest in terms of fully vaccinated population



# 50% targeted vaccination by festive season can change sentiment



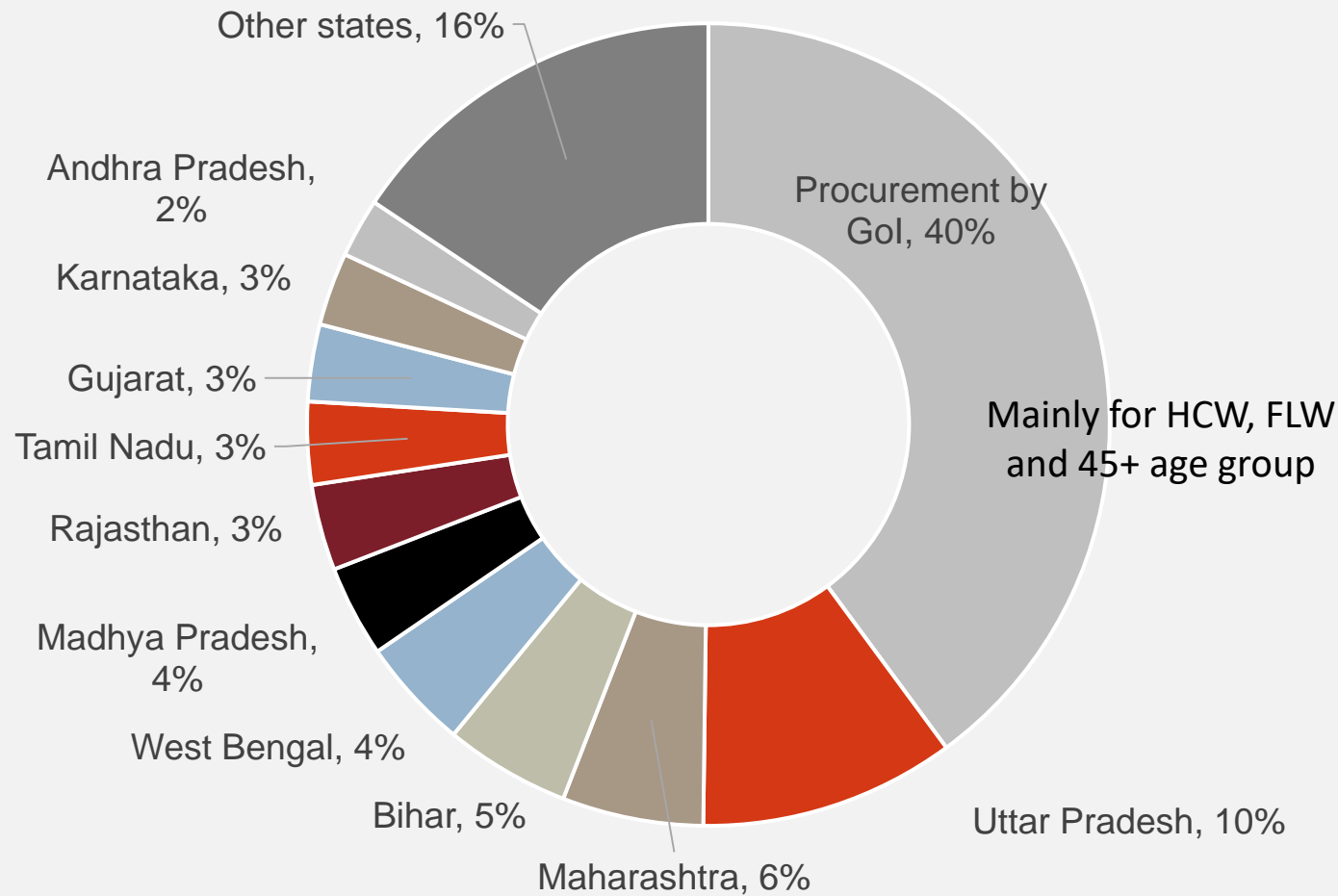
Note: HCW = Healthcare workers, FLW – Frontline workers, 45^+ includes people aged above 45 with co-morbid conditions; scenarios assume two dosages per person; enhanced supply scenario takes into account ramp up of manufacturing capacities as announced by Serum Institute of India and Bharat Biotech, in addition to gradual increase in imports of Sputnik V and local manufacturing of Sputnik V. Additional off patent and copyright linked supply is not factored in.

Source: Media updates, CRISIL Research, updates for India from Press Information Bureau

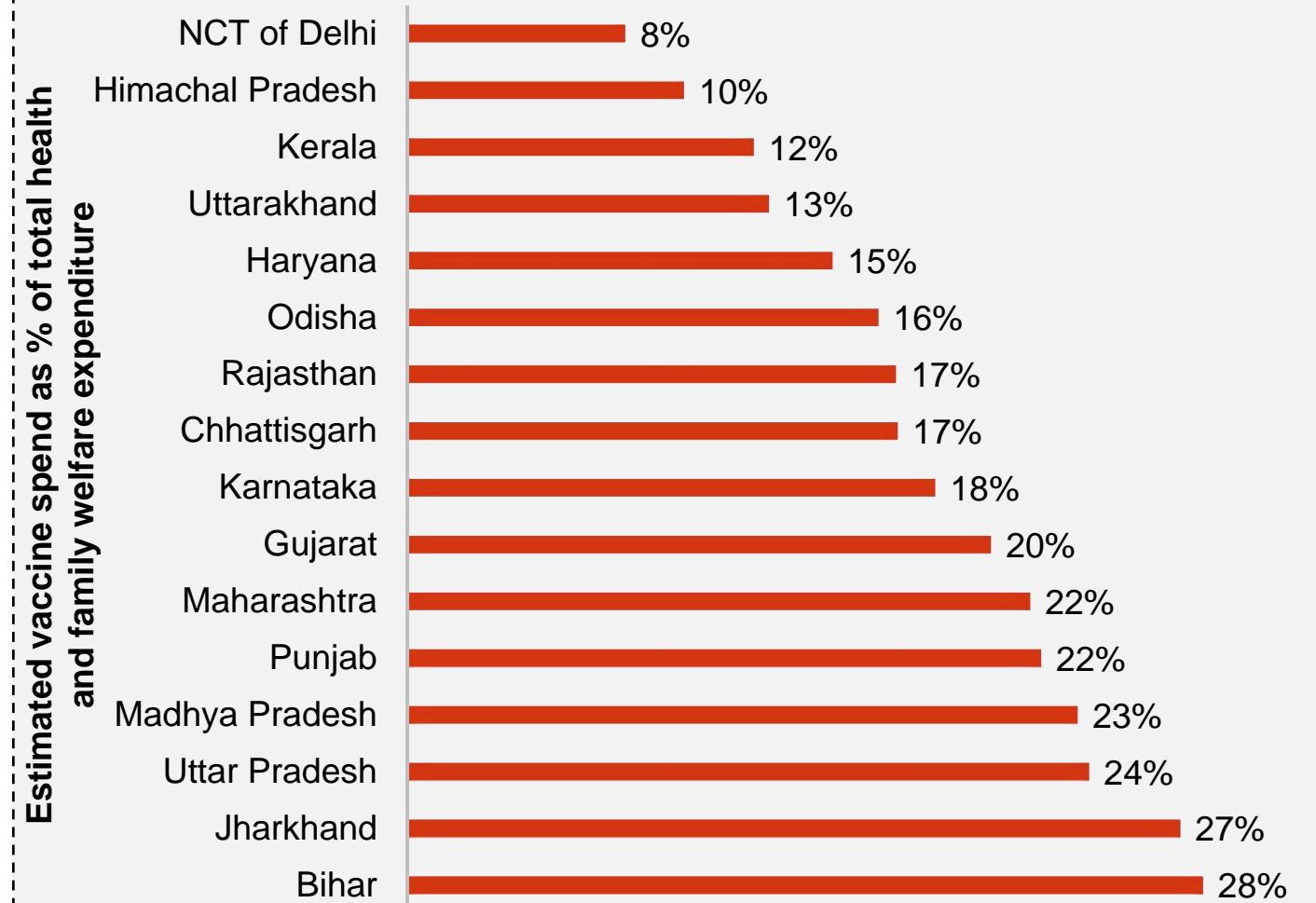
# From May 1, states are playing a key role in ensuring faster vaccination...

# ... with Rs 55,000-60,000 crore to be spent on vaccine procurement

**Dosage need for 18+: 1,850-1,950 million**



**Budget is manageable at 15-20% of healthcare expenditure for key infected states**



Note: HCW – Healthcare workers, FLW – Frontline workers; Based on population estimates as per the 2019 report of technical group; Above graph highlights population split for 18+ population  
Source: Media updates, CRISIL Research, updates for India from Press Information Bureau

Note: Budgeted expenditure on the basis of fiscal 2022 estimates; estimates are based on state wise health and family welfare spend; Above graph highlights impact of vaccinating population of 18+ age group  
Source: Media updates, state budgets for 2021-22, CRISIL Research

# Meanwhile, impact of second wave on key indicators evident

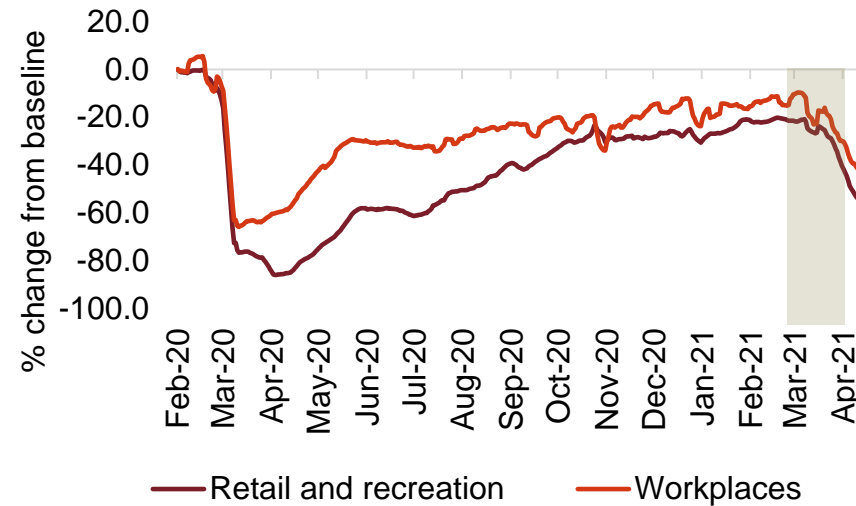
		Nationwide lockdown			Lockdown lifted			Regional lockdown			Regional curfew		Regional lockdown		
		Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Urban	Car retail sales index	100	10	14	57	72	82	91	118	135	125	129	116	133	98
	Air passengers	-33%	-100%	-98%	-84%	-82%	-76%	-66%	-57%	-51%	-44%	-39%	-37%	0%	-49%*
Rural	Tractors Thousand units	35.2	11.8	60.4	92.9	63.1	64.7	108.6	115.2	82.3	61.2	78.3	75.6	85.1	67.1
	Motorcycle wholesale Lakh units	5.7	0.0	2.0	7.0	8.9	10.3	12.2	13.8	10.3	7.4	9.2	9.1	9.9	6.5
	Toll traffic Rs crore	9	1	6	8	9	10	11	12	12.5	14	15	16	19	16
Economic activity	Diesel Lakh metric tonne	5.6	3.2	5.4	6.2	5.5	4.8	5.4	6.9	7.0	7.1	6.8	6.5	7.2	5.9
	Merchandise exports \$ bn	21.4	10.2	19.1	21.9	23.6	22.7	27.6	24.8	23.5	27.2	27.5	27.9	34.4	30.2
	Roads Km	1452	210	637	976	787	571	770	1005	1251	1560	1362	2009	2189	-
Industrial activity	Power consumption Bn units	99.4	85.0	102.6	105.5	112.2	109.2	112	109	97	106	110	104	122	119
	Steel production Mn tonne	6.7	1.1	4.6	6.2	7.0	7.5	8.0	9.0	8.7	9.6	9.7	9.3	9.1	> 8.5
	Cement demand Mn tonne	24.8	4.3	22.4	26.4	24.2	20.9	24.2	27.0	25.3	28.3	29.6	29.0	32.9	24.0

Note: \* Growth rates over April 2019, , Automobile wholesale data for April 2021 are estimated as reported by listed players

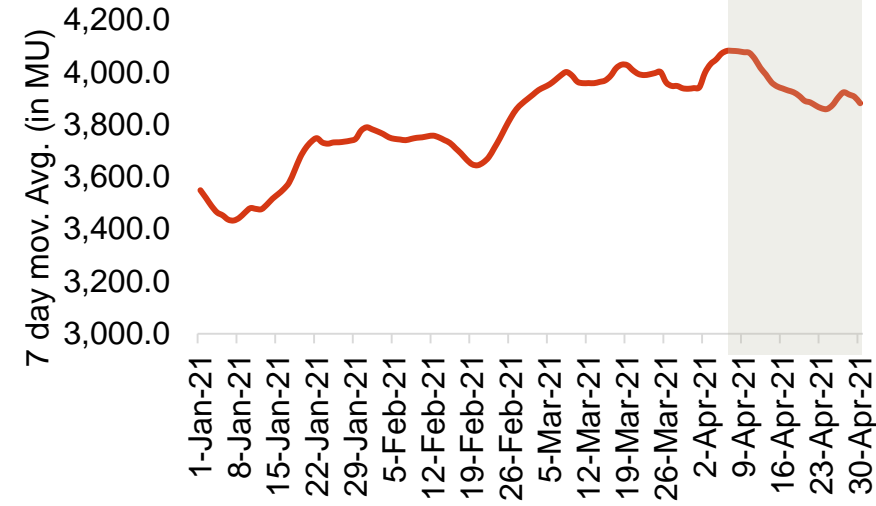
# High-frequency indicators show slowing momentum

## But depict resilience compared with the first wave

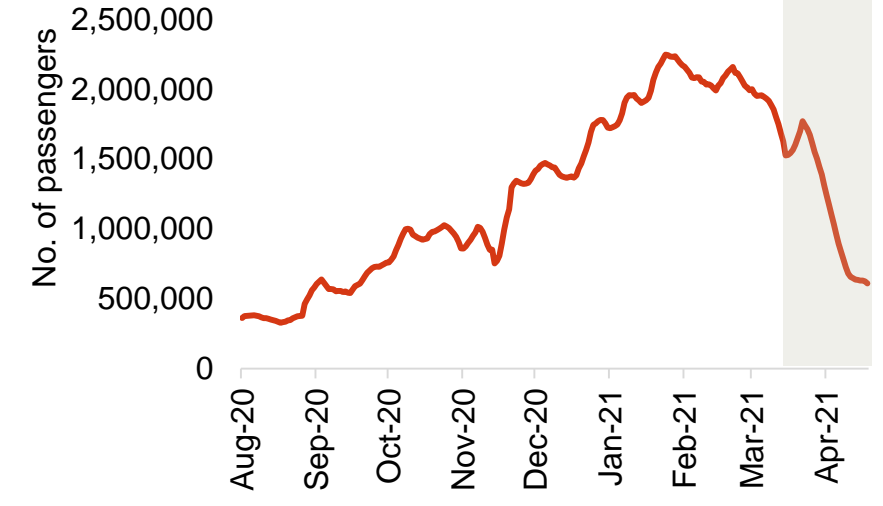
Google mobility



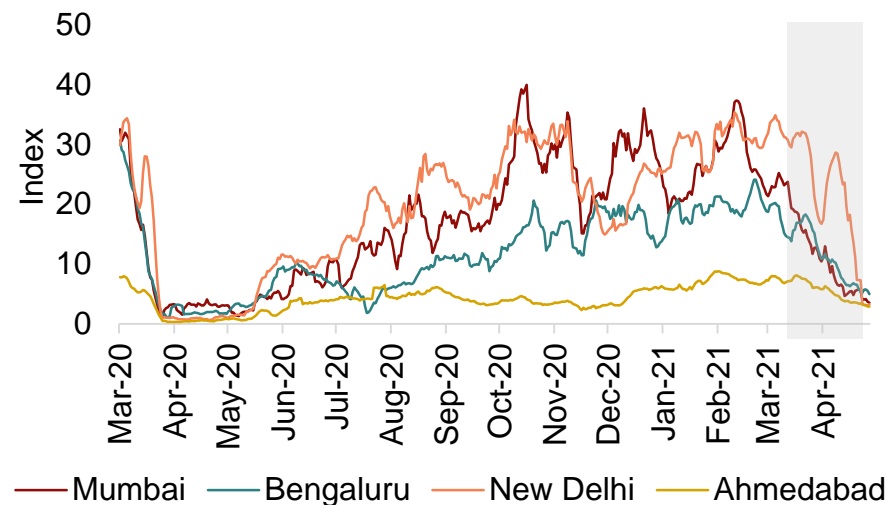
Electricity consumption



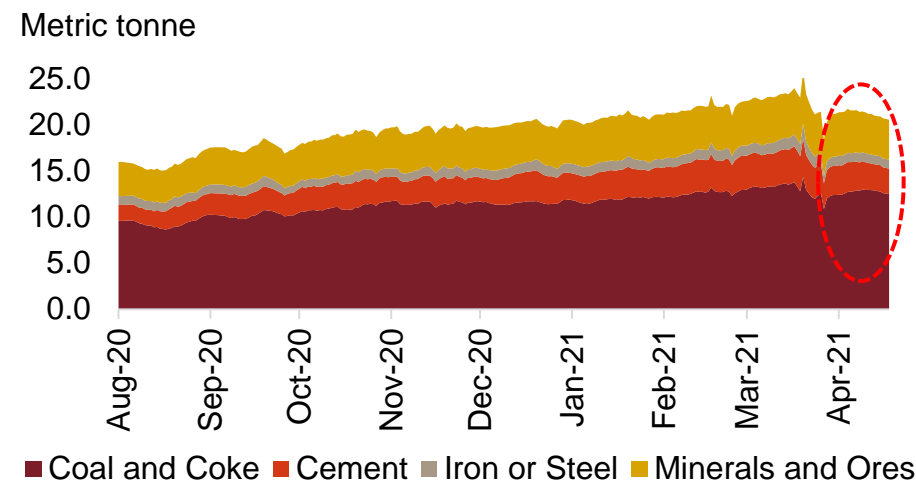
Reserved railway travel



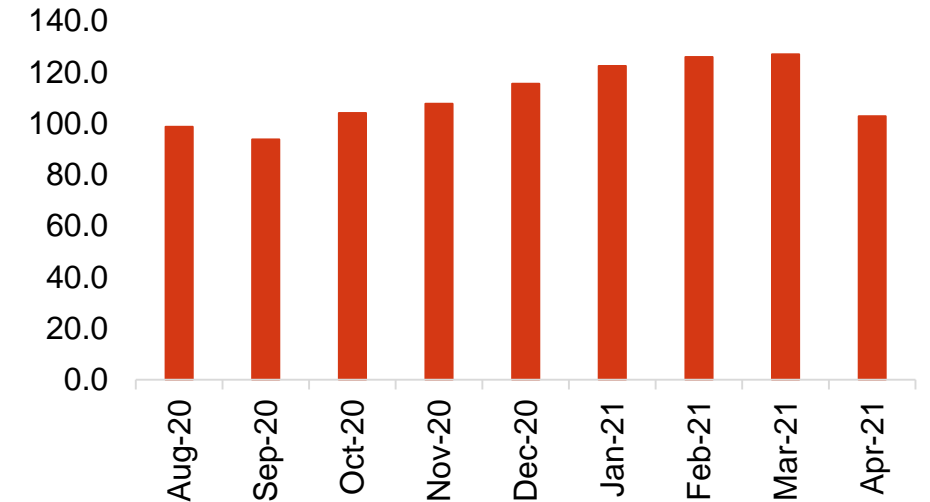
Traffic congestion



Railway freight



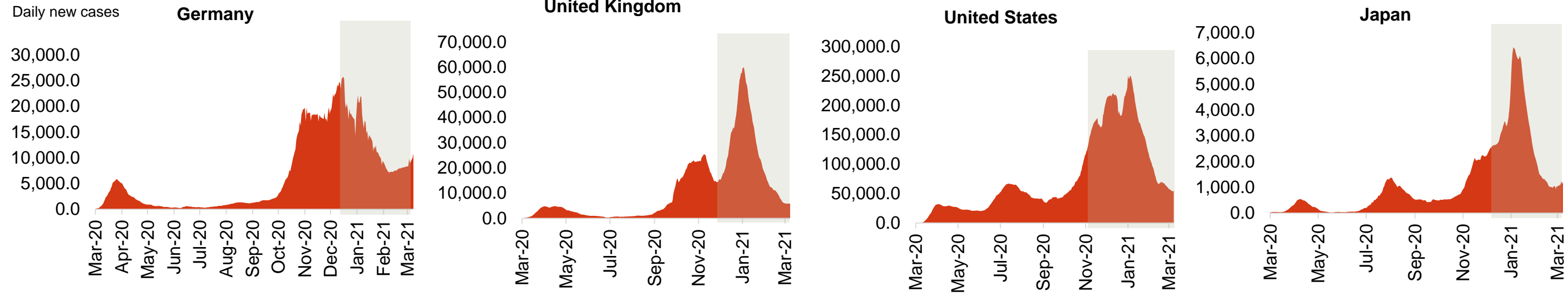
Road freight rate index



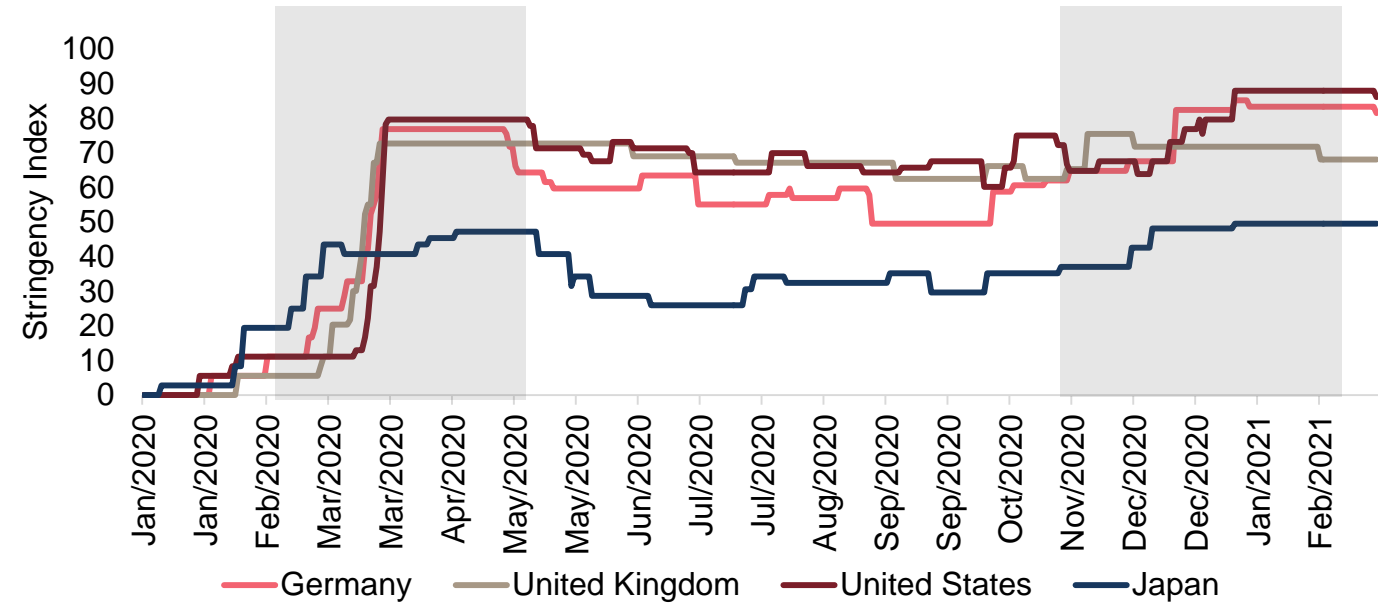
Source: CEIC, Covid-19 Community Mobility Reports, Google; Goods And Services Tax Network; Power System Operation Corporation Ltd (POSOCO)

# Lessons from the second global wave

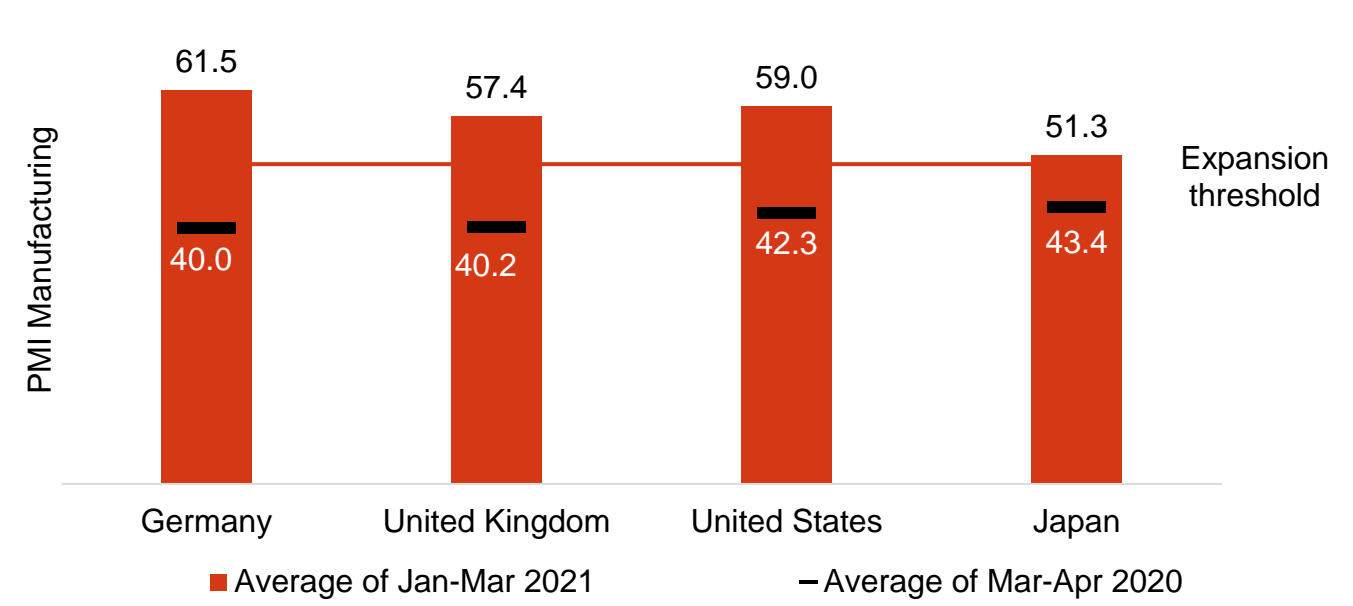
## Key advanced economies saw resurgence of a second or third wave of Covid-19...



## ... leading to higher stringency/restrictions...



## ... but economic activity was less hurt

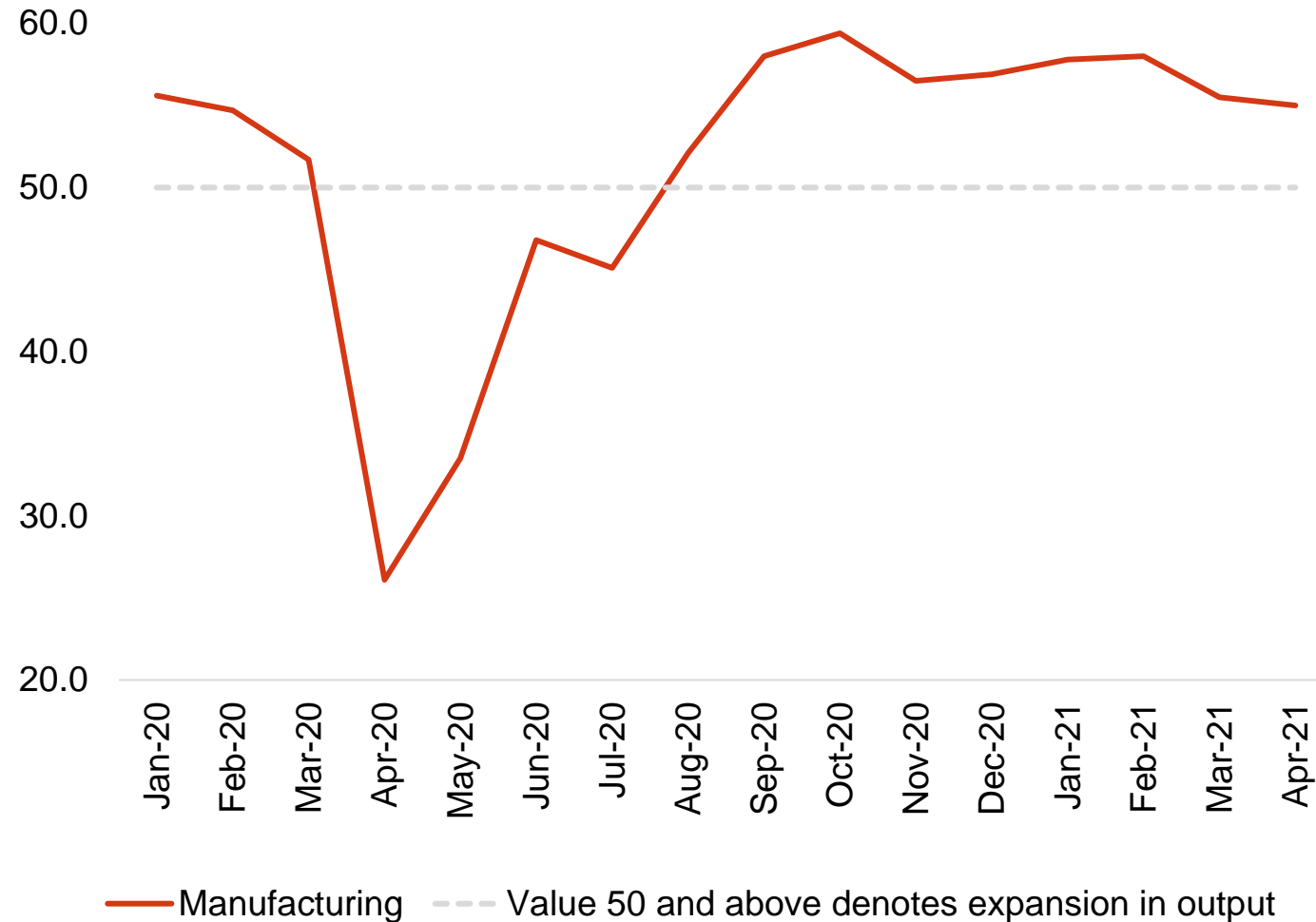


Source: World Health Organization, Blavatnik School of Government, University of Oxford, Google LLC



# In India, too, manufacturing has shown resilience

## Purchase Managers' Index for manufacturing

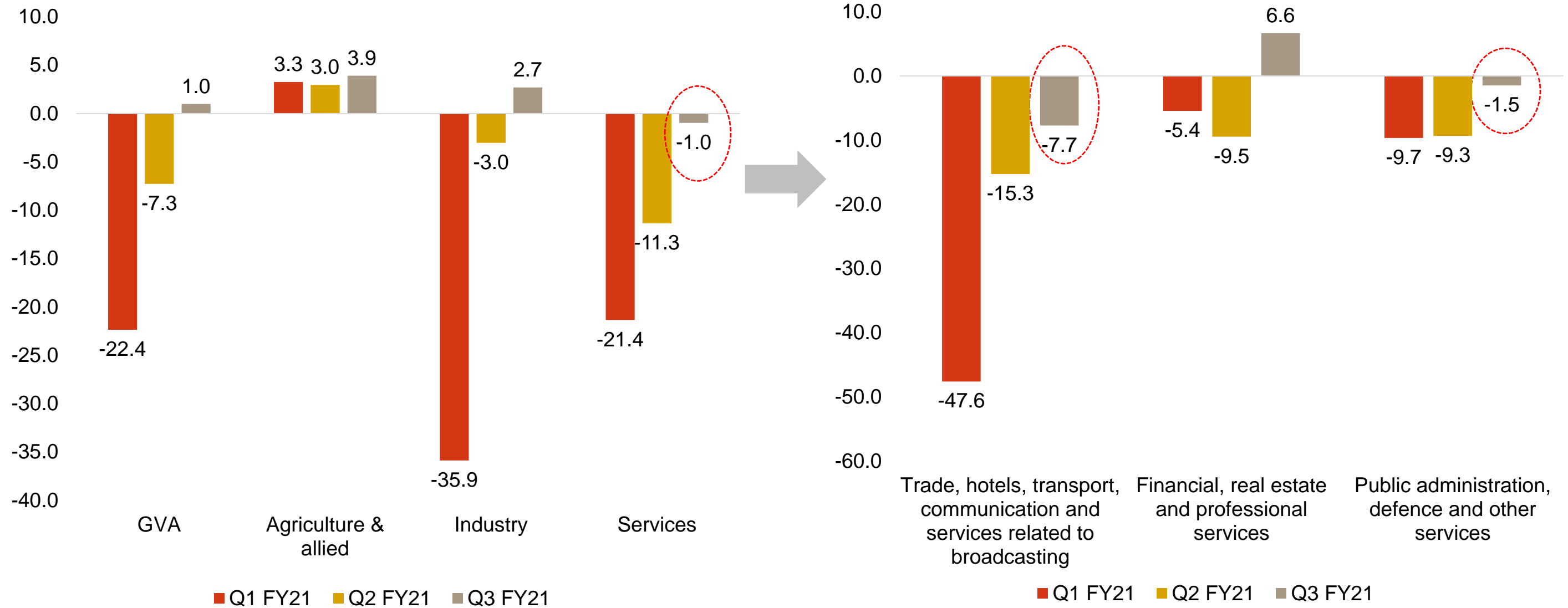


- The manufacturing sector has remained above the 50 expansion mark despite recent regional lockdowns and restrictions
  - About half of India's manufacturing output comes from rural areas, where the virus spread and restrictions remain lower than the previous peak
  - Manufacturing is permitted in the current phase of the lockdown
  - Importantly, a large part of the resilience may be attributed to strong external demand

Source: CEIC, CRISIL

# Services, largely contact-based, more vulnerable to a double-dip

Gross value-added growth (% , y-o-y)



Source: Ministry of Statistics and Programme Implementation (MoSPI), CEIC, CRISIL

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# About 10% of GDP and workforce most vulnerable

Serial no	Sectors	Share in GVA (%), 2019-20	Share in workforce (%), 2011-12
1	Agriculture, forestry and fishing	14.8	48.89
2	Mining and quarrying	2.4	0.54
3	Manufacturing	17.1	10.67
4	Electricity, gas, water supply & other utility services	2.3	0.51
5	Construction	7.8	10.60
6	Trade, repair, hotels and restaurants	13.8	11.58
6.1	Trade & repair services	12.6	9.94
6.2	Hotels and restaurants	1.2	1.64
7	Transport, storage, communication & services related to broadcasting	6.6	4.40
7.1	Railways	0.7	0.22
7.2	Road transport	3.3	3.47
7.3	Water transport	0.1	0.03
7.4	Air transport	0.1	0.02
7.5	Services incidental to transport	0.7	0.15
7.6	Storage	0.1	0.05
7.7	Communication & services related to broadcasting	1.6	0.46
8	Financial services	6.0	0.90
9	Real estate, ownership of dwelling & professional services	16.0	1.85
10	Public administration and defence	5.8	1.67
11	Other services	7.4	8.40
12	<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Ministry of Statistics and Programme Implementation (MoSPI), CEIC, CRISIL

- Contact-based services are most vulnerable as they continue to be impacted by the second wave
  - Their share in the economy or GVA is ~10%
  - These sectors employ ~10% of the workforce
- Rise in reverse migration could impact construction activity, which has a substantial share in both GVA and workforce
- Construction is a highly labour-intensive sector and will remain a key monitorable from employment perspective

# Second blow could be less severe on employment

## How did lockdown 1.0 impact employment?

- According to Periodic Labour Force Survey, the urban unemployment rate jumped to 20.8% in April-June from 8.8% in the same quarter of the previous year
- Unemployment rose despite urban labour force participation dropping to 45.9% from 46.5%, because of reverse migration
- Share of casual workers among working persons in urban areas halved to 6.3% from 12.3%

## Current lockdown intensity lower, though services hurt most

- Most states have implemented night curfews and restrictions on mass gatherings. This will hit contact-based services the most
- Restrictions on manufacturing have been minimal so far, unlike last year during the nation-wide lockdown
- Agriculture remains unaffected by lockdown restrictions, as last year

# Service-dominated states more vulnerable to employment loss

States ranked by share of workforce in the worst-hit services				
Rank	Food & accommodation	Real estate services	Education	Arts, entertainment & recreation
1	Goa	Haryana	Goa	NCT Delhi
2	NCT Delhi	Telangana	Haryana	Goa
3	Kerala	NCT Delhi	Punjab	Kerala
4	Tamil Nadu	Karnataka	Kerala	Telangana
5	Andhra Pradesh	Punjab	West Bengal	Tamil Nadu
6	Karnataka	Andhra Pradesh	NCT Delhi	Punjab
7	Punjab	Tamil Nadu	Rajasthan	Rajasthan
8	Maharashtra	Maharashtra	Jharkhand	Maharashtra
9	West Bengal	Rajasthan	Tamil Nadu	West Bengal
10	Bihar	Jharkhand	Karnataka	Uttar Pradesh

- The table compares states\* in terms of proportion of their respective workforce in some of the worst-hit services
- Goa, Haryana, Delhi, Kerala, and Punjab are more vulnerable to employment loss as a result of surge in Covid cases and rising restrictions

Note: \*Data for 18 non-special states (as per the RBI's categorisation) and National Capital Territory of Delhi has been considered. The rank is based on the share of the given service sector in the state's workforce. States with higher share of their workforce in the sector are ranked higher  
Source: Annual PLFS survey, 2018-19

# Meanwhile, exports have clawed back...

Merchandise exports to major trading partners have picked up				
Share in India's merchandise exports (%), FY20	Region/ country	% change above pre-pandemic level*	Y-o-y growth rate (%), 3 months to Feb 2021	Growth forecast for CY21 (%)
5.3	China	59.6	21.4	8.0
1.6	Vietnam	51.2	22.4	8.5
3.5	Hong Kong	30.9	24.2	4.2
1.4	Thailand	22.7	20.5	4.2
14.4	European Union	13.3	6.1	4.4
16.9	United States	2.3	6.2	6.5
2.8	Singapore	2.3	18.4	5.8
2.8	United Kingdom	-12.8	-4.0	4.3
2	Malaysia	-40.6	-15.3	6.2
9.2	UAE	-43.5	-34.6	3.1

Note: \*Pre-pandemic level: February 2020, data as of February 2021

Source: Ministry of Commerce and Industry, Our world in data, S&P Global (April, March 2021), IMF WEO (April 2021), CEIC, CRISIL

- Exports to major trading partners, including Asia and advanced economies, have recovered to pre-pandemic levels; growth momentum has been positive for the past 3 months
- Exports are above their pre-pandemic level and the momentum remains strong in April as well
- Faster recovery in advanced economies to spur global demand in the second half of 2021, thereby supporting India's exports
- Rise in Covid-19 cases in Asia (ex-China) continues to pose a risk



# ... across principal commodities

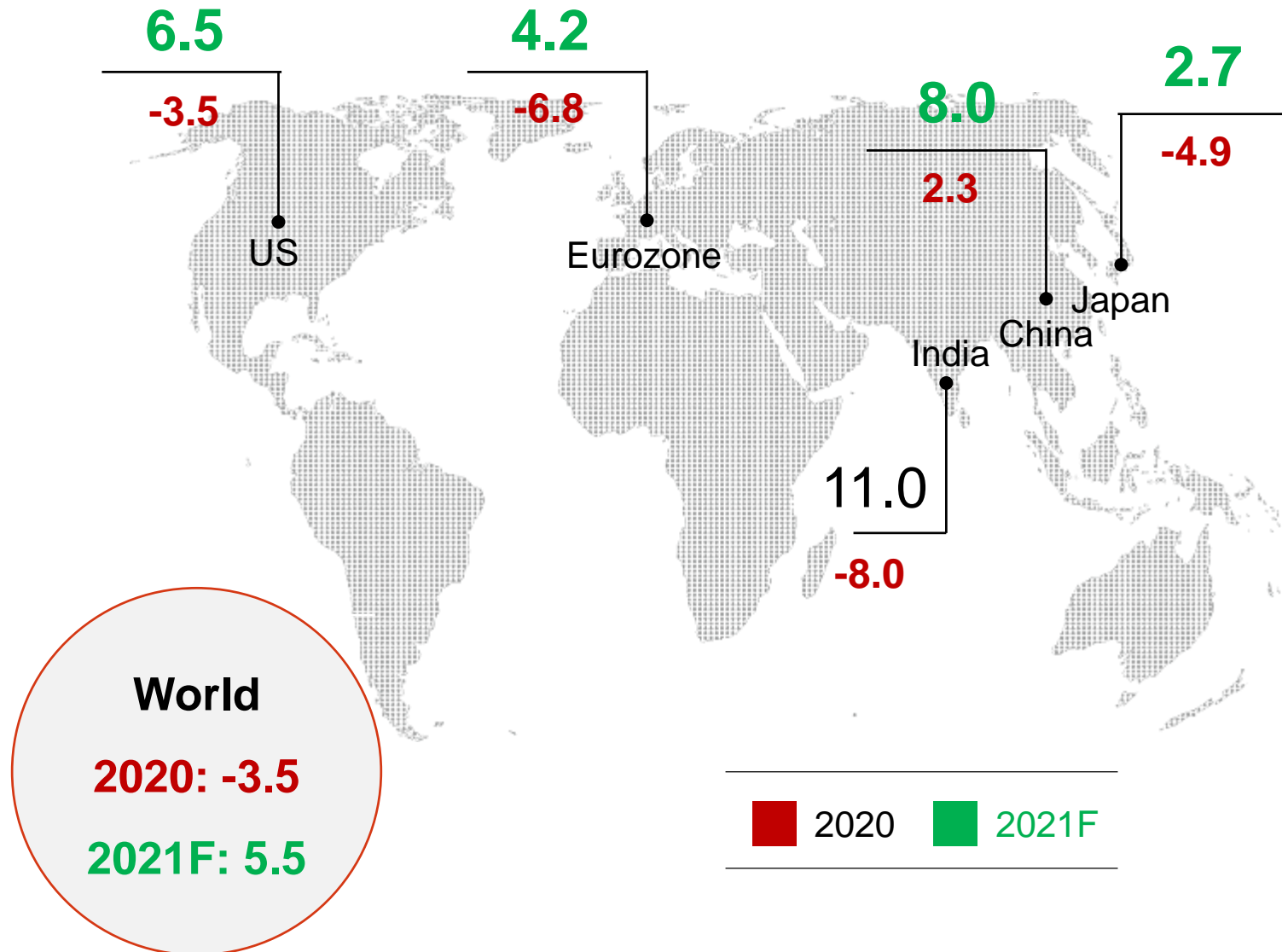
Most commodity export categories have recovered to pre-pandemic levels				
Type of exports	Commodity	Share in merchandise exports (%), FY20	% change above pre-pandemic level*	Y-o-y growth rate (%), 3-month to Feb 2021
Industry and Investment	Engineering goods	25.1	28.7	5.0
	Petroleum products	13.4	-0.9	-29.5
	Gems and jewellery	11.4	19.6	-2.5
	Organic and inorganic chemicals	7.1	13.9	4.8
	Electronic goods	3.7	19.5	8.4
	Cotton yarn, fabrics, etc	3.2	27.5	8.9
	Plastic and linoleum	2.4	17.6	1.9
Consumption	Drugs and pharmaceuticals	6.6	31.5	16.2
	Ready-made garments	4.9	-3.3	-11.4
	Marine products	2.1	25.7	-6.7

- Exports of major commodities (industry/ investment-related and consumption) have recovered to pre-pandemic levels
- Exports exhibit healthy momentum in growth rate
- Labour intensive sectors such as gems and jewellery and ready-made garments are witnessing a slowdown
- The second wave and consequent restrictions on non-essential domestic manufacturing could adversely affect exports

Note: \*Pre-pandemic level: February 2020; y-o-y growth rate till February considered to avoid distortion from March 2021 data  
Source: Ministry of Commerce and Industry, CEIC, CRISIL

# Global tide supportive for exports

GDP growth (%)



- Economic recovery set to accelerate in mid-2021, particularly in the US, due to a massive fiscal stimulus plan
- A high degree of unevenness and uncertainty persists
- But accelerating vaccination rates allow for opening of the sectors hardest hit from the social-distancing restrictions and should propel some degree of convergence
- Policy settings expected to remain generally accommodative, as economic activity in many countries remains below pre-Covid-19 levels

# **Financial conditions to stay accommodative despite inflationary pressures**

# Impact on inflation limited so far, but upside risks remain

## Rising input costs threaten to enter consumer price inflation

- Rising crude oil prices not only raise fuel inflation, but can also keep core inflation high through rising transportation costs
- These, along with other input prices, bring in cost-push inflationary pressures

## High fuel and food inflation have been the pain points for Indian consumers

- Cumulatively account for ~46% of Indian consumer basket

## Announced lockdowns have not visibly moved retail food prices yet

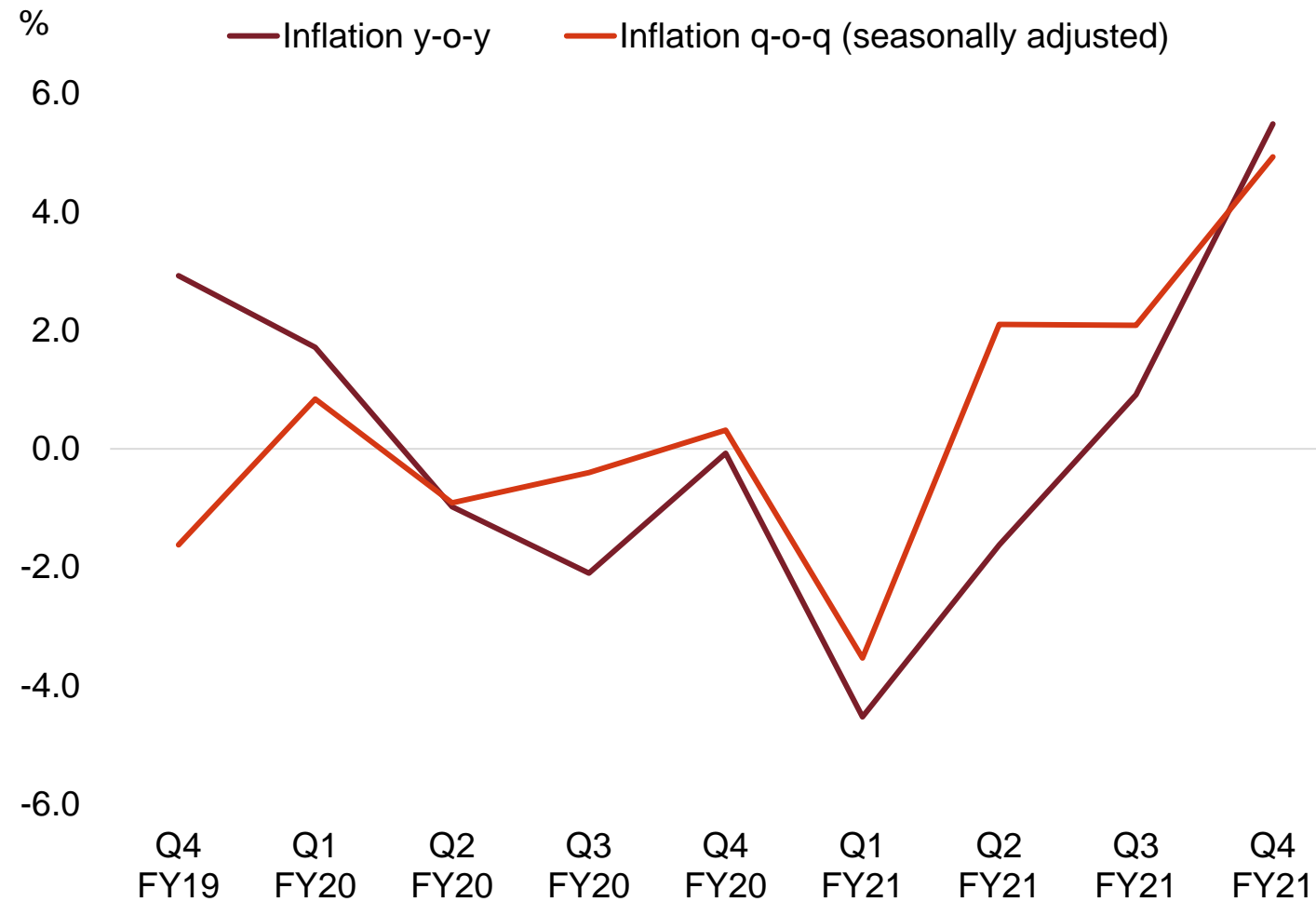
- High-frequency data\* for April (when restrictions rose) indicates retail prices fell on-month for cereals and vegetables, and rose for pulses and edible oils. Similar trends were also seen in March. Last year, even though there was a bumper crop, food CPI had jumped 11.7%^ after the nationwide lockdown. Supply-side issues persisted during the year finally, pushing the fiscal 2021 retail food inflation to 7.7%.
- Sales of essential goods is permitted across states, which has mitigated the impact of restrictions on food prices
- A normal monsoon is expected this year, auguring well for food inflation

## Monetary policy to remain accommodative, helped by food-led moderation of headline CPI inflation

\*daily retail price data from Department of Consumer Affairs, ^based on imputed value for April 2020

# Rising costs a headwind to firms, threaten household inflation...

## Non-food wholesale price inflation (WPI)



These can cause hiccups as firms dodge weak demand and the hit from restrictions and lockdowns


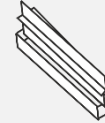
























- Global crude prices are more than double the levels seen last year and are expected to stay firm in 2021.
- International prices have also risen sharply for metals and edible oils. This is raising the cost of manufacturing, as evident in surging WPI inflation.

Source: Office of Economic Advisor, CEIC, CRISIL

# ...as several sectors look at passing on rising raw material prices

## Overall trend in raw material cost for the sector

Ability to pass change in raw material prices

FY22P		Sharply downward	Moderately downward	Stable	Moderately upward	Sharply upward
Very easily				Telecom 	Aluminium 	Cars and utility vehicles 
Somewhat easily					Pharmaceuticals  Specialty chemicals  Pesticides  Roads – HAM  IT services  Cotton yarn 	Two-wheelers  Tractors  Commercial vehicles  Steel products  Consumer durables 
Neutral				Organised retail 	Fertilisers  Commodity chemical  Power – Generation  RMG 	Auto components  Housing and commercial real estate 
With some difficulty				Hotels 	Transporters 	Oil & marketing companies 
Not easily					Power – distributors  Airline services 	

**Colour code:**

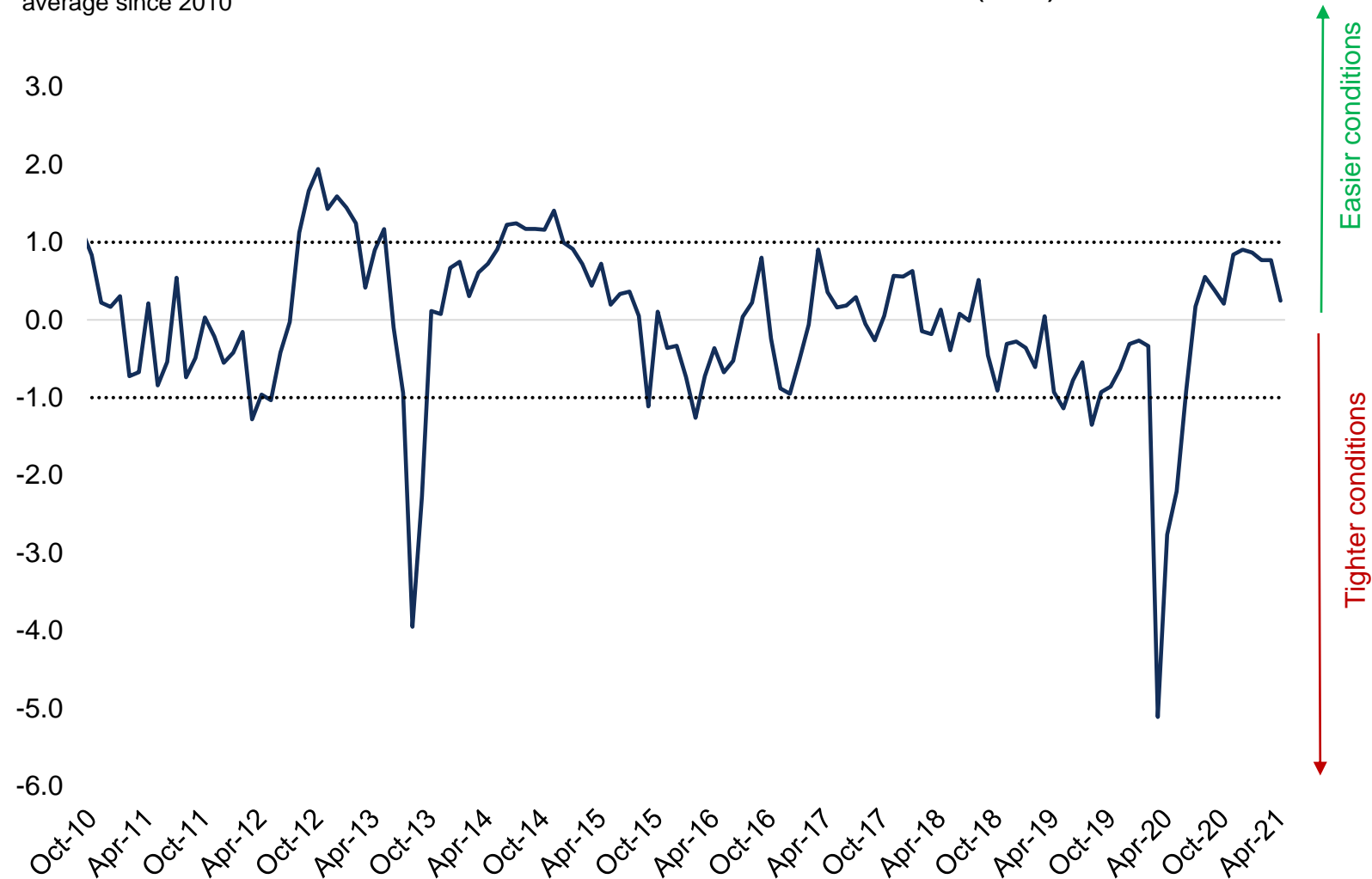
- Regulated
- Commodity-linked
- Labour-linked
- Commodity, labour or rental – one or more with high intensity



# Financial conditions comfortable, watch for external headwinds

Standard deviation from average since 2010

CRISIL's Financial conditions index (FCI)



Note: CRISIL's FCI is a monthly tracker that combines 15 key parameters across equity, debt, money and forex markets along with policy and lending conditions. A positive index value implies easier conditions and a negative index, tighter conditions relative to long term average since 2010

G-SAP: G-sec acquisition programme

Source: CRISIL

- Financial conditions remain easier than same period last year, CRISIL's FCI shows
- Monetary policy remains accommodative, with new instruments such as G-SAP\* added to ease bond yields.
- Interest rates remain lower than the same period last year across most market segments.
- However, credit growth to broader economy remain below pre-pandemic rates
- External headwinds have increased with faster recovery in US and China, and rising commodity prices. This is impacting capital flows to emerging markets
- Impact of second wave on India's economic recovery could further hit capital inflows

# Financial conditions easy across most segments

		Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
<b>Policy rate</b>	Repo rate (%)	4.4	4.4	4	4	4	4	4	4	4	4	4	4	4	4
	Repo rate, inflation-adjusted (%)	-1.4	-2.8	-2.3	-2.2	-2.7	-2.7	-3.3	-3.6	-2.9	-0.6	-0.1	-1.0	-1.5	N/A
<b>Liquidity conditions</b>	Net absorption(-)/injection(+) under LAF (Rs bn)	-2966	-4752	-5115	-3770	-3599	-3683	-3308	-4097	-5290	-5568	-5440	-6054	-5160	-5508
<b>Money market</b>	Call money rate (%)	4.9	4.0	3.6	3.5	3.4	3.4	3.4	3.3	3.2	3.1	3.2	3.2	3.2	3.2
	CP 6-month spread^ (%)	2.3	1.9	1.5	0.6	0.0	0.0	0.0	0.2	-0.2	-0.2	0.1	0.4	0.2	0.1
	91 day T-bill (%)	4.8	3.9	3.4	3.3	3.2	3.3	3.3	3.2	3.1	3.1	3.2	3.3	3.3	3.3
<b>Debt market</b>	10-year G-Sec (%)	6.2	6.3	5.8	5.8	5.8	6.0	6.0	5.9	5.9	5.9	5.9	6.1	6.2	6.1
	Term premium (%)	1.8	1.9	1.8	1.8	1.8	2.0	2.0	1.9	1.9	1.9	1.9	2.1	2.2	2.1
	AAA bond spread' (%)	1.0	0.9	1.0	0.8	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.8	0.7	0.6
	AA bond spread" (%)	4.6	4.9	4.9	4.5	3.1	2.7	2.5	4.3	4.1	4.1	2.8	2.7	2.1	2.4
<b>Lending rates</b>	MCLR (6 month) (%)	8.0	8.0	7.8	7.6	7.5	7.4	7.3	7.3	7.2	7.2	7.2	7.2	7.2	7.2
	Housing loan rate (%)	8.4	7.9	7.8	7.6	7.4	7.4	7.4	7.4	7.4	7.4	7.3	7.3	7.3	7.3
	Auto loan rate (%)	8.8	8.4	8.3	8.1	8.1	8.1	8.1	8.0	8.0	8.0	6.8	6.8	6.8	6.8
<b>Credit availability</b>	Bank credit growth (y-o-y,%)	6.8	7.4	7.0	6.9	6.9	6.0	5.8	5.5	6.0	5.9	5.8	6.6	5.0	5.7
<b>Money supply</b>	M3 growth (y-o-y %)	8.9	10.8	11.7	12.3	13.2	12.6	12.2	11.6	12.5	12.4	12.1	12.8	11.7	10.6
<b>Equity market</b>	Sensex (%*)	-13.7	-16.8	-15.6	-7.5	-0.1	3.4	3.4	7.4	14.2	21.3	25.8	29.4	26.0	21.7
	NSE VIX	53.1	45.0	37.0	30.3	25.2	21.2	21.1	21.6	21.0	19.8	22.4	23.5	21.9	21.8
<b>Forex market</b>	Rs/USD (m-o-m %)	4.0	2.5	-0.8	0.1	-1.0	-0.4	-1.6	0.0	1.0	-0.8	-0.7	-0.5	0.0	2.4
<b>Foreign capital</b>	Net FPI (USD bn)	-15.9	-2.0	-1.0	3.4	0.5	6.7	-0.2	3.0	8.5	9.6	2.0	3.3	2.3	-1.2
<b>Global conditions</b>	S&P500 (%*)	-4.2	-5.6	-1.9	10.2	9.5	16.8	11.8	18.2	15.1	21.1	23.5	26.2	26.7	24.7
	US 10Y Treasury yield (%)	0.9	0.7	0.7	0.7	0.6	0.7	0.7	0.8	0.9	0.9	1.1	1.3	1.6	1.6
	Brent (\$/barrel)	33.0	23.3	31.0	39.9	42.8	44.3	41.1	40.5	43.2	49.9	54.6	62.0	65.2	64.8

■ Favourable
 ■ Adverse
 ■ Neutral

Note: LAF is liquidity adjustment facility, ^spread over repo rate; Term premium is 10 year G-Sec's spread over repo rate; 'spread over 10-year G-Sec; "spread over 5-year G-Sec; \*% change with respect to 2-year moving average, a positive % rupee change implies depreciation against US\$ and vice-versa; data for bank credit and money supply until April 23, 2021

Source: RBI, National Securities Depository Ltd (NSDL), US Treasury department, CEIC, CRISIL

# Policy response and expectations

## Monetary policy

- RBI rightly adopted a targeted approach to help the most impacted segments and for boosting liquidity to segments at the forefront of fight against covid-19 which covered
  - Liquidity for healthcare sector
  - Liquidity support to small finance banks to on lend to MFI
  - Facilitating lending to SMEs

## Fiscal policy

- As lockdowns become stringent, fiscal policy will need to be deployed to help urban poor and the services sector
- Allocation to MNREGA will need to be increased as virus is spreading to rural areas
- Additional funds for ramping up rural health infrastructure

# Macroeconomic outlook for fiscal 2022

		FY16	FY17	FY18	FY19	FY20	FY21F	FY22F
1	GDP growth (%)	8.0	8.3	6.8	6.5	4.0	-8.0*	11.0
2	Consumer price inflation (%)	5.0	4.5	3.6	3.4	4.8	6.2	5.0
3	Current account deficit (CAD) / GDP (%)	1.1	0.6	1.8	2.1	0.9	-1.5	1.4
4	Exchange rate (Rs/\$, March)	67.0	65.9	65.0	69.5	74.4	72.8	75.0
5	Fiscal deficit / GDP (%)	3.9	3.5	3.5	3.4	4.6	9.5^	6.8^^
6	10-year G-sec yield (March-end)	7.5	6.8	7.6	7.5	6.2	6.2	6.5

F=Forecast; \*NSO advance estimate, ^Revised estimates ^^Budget estimates  
Source: MOSPI, RBI and CRISIL

# Risks to our forecasts

- **Not out of the woods yet**

- The second wave can have a moderate to severe impact on growth depending on how long it lasts
- Pandemic will leave scars that will take time to erase

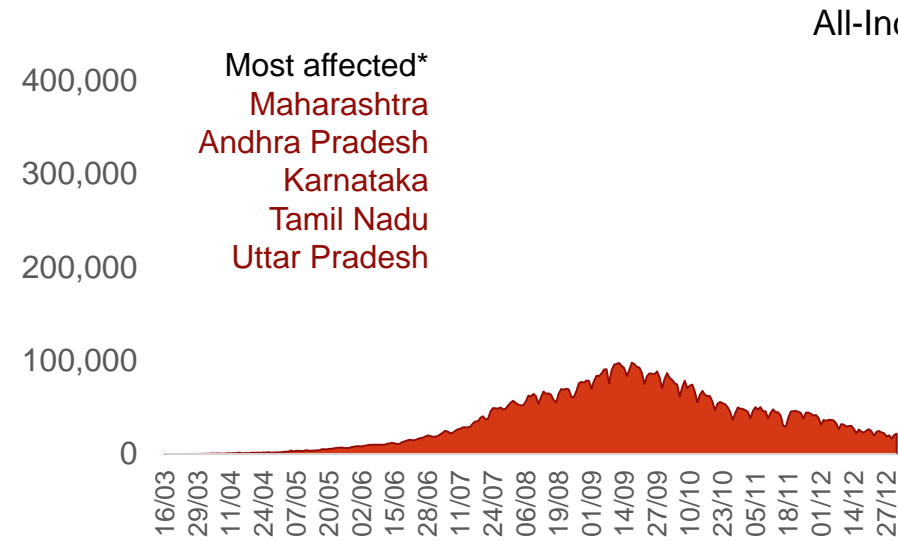
- **Other risks to our forecasts**

- Premature policy-support withdrawal globally
- A worsening of stress in the financial sector or a deterioration in financial conditions
- Monsoon

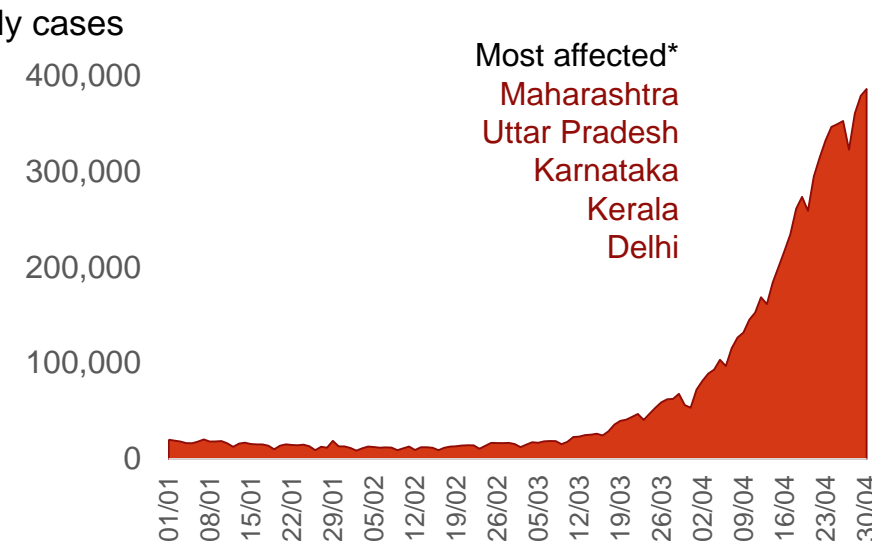
# Annexures

# Comparing the two waves

## First wave (Jun-Sep 2020)



## Second wave (Feb to now)



- Maharashtra, Karnataka and Uttar Pradesh – the most affected\* states during both waves
- States most-hit during the second wave so far contribute lesser to GDP. Additionally, stringency is less restrictive of economic activity

58.5% of all-India caseloads

44.1% of all-India GDP

46.2% of all-India industry GDP

42.5% of all-India services GDP

59.1% of all-India caseloads

38.6% of all-India GDP

36.7% of all-India industry GDP

41.2% of all-India services GDP

Caseloads in most affected\* states

Share in GDP (most affected\* states)

Share in industry (most affected\* states)

Share in services (most affected\* states)

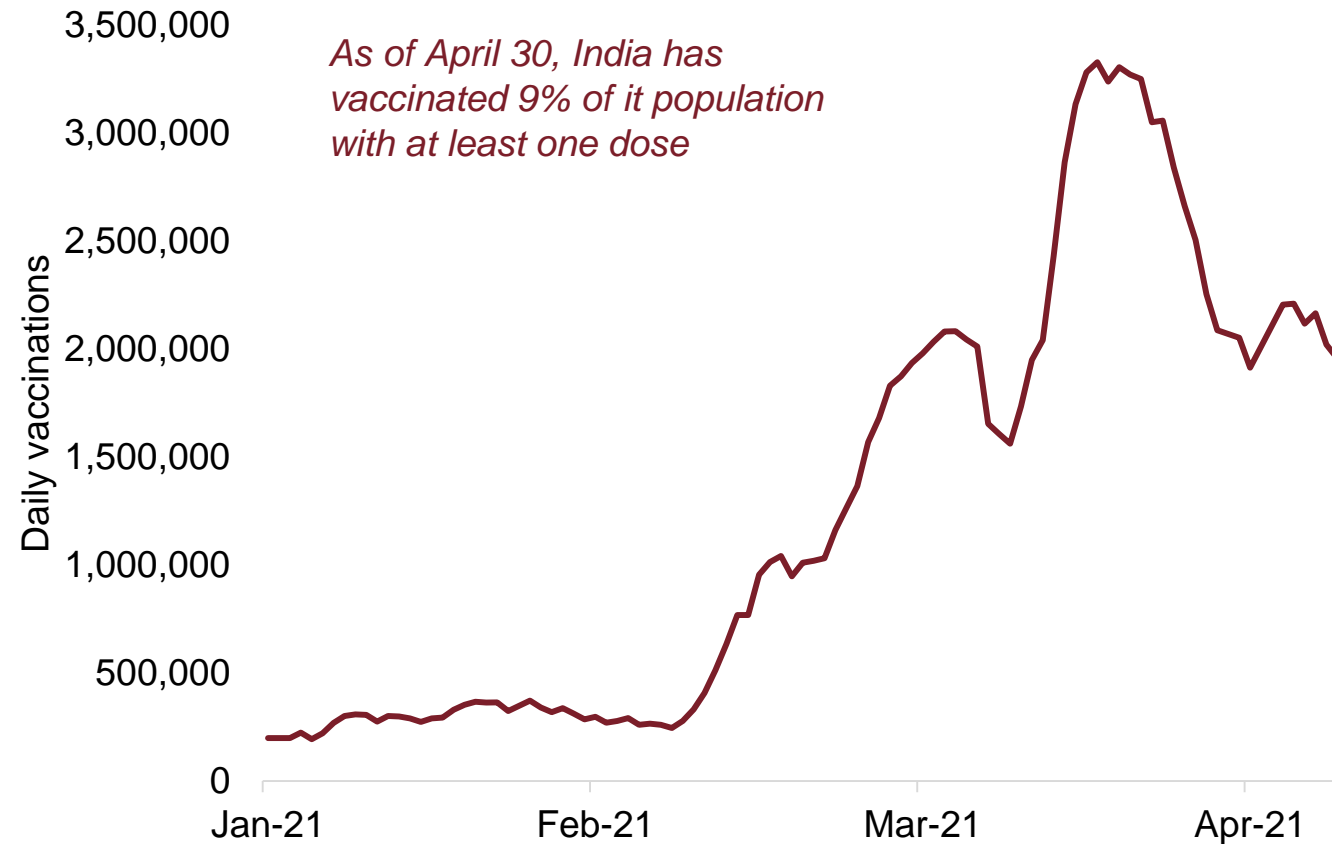
Note: \*Top five states with highest share in All-India new cases

Source: MoHFW, CEIC, CRISIL



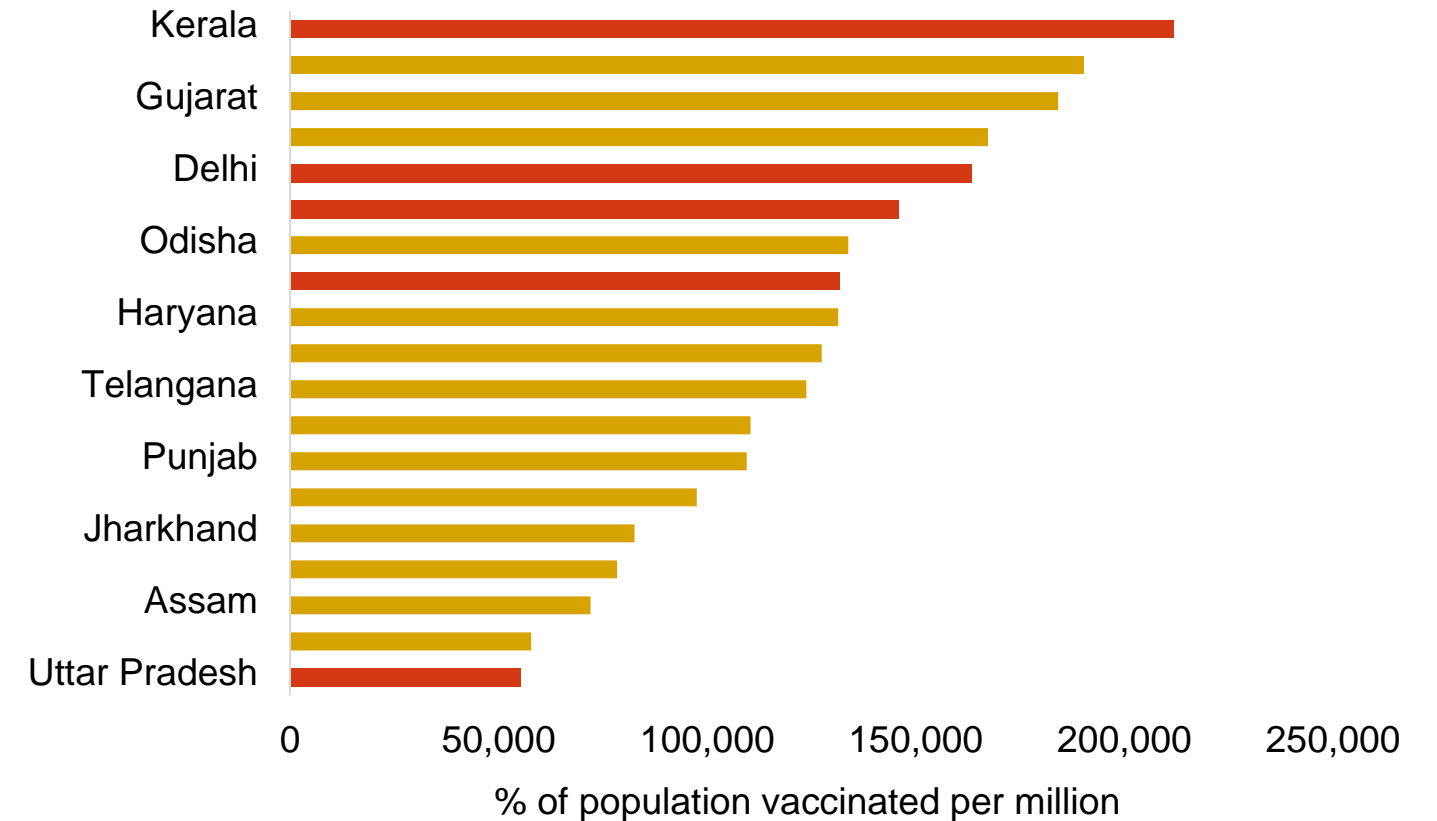
# India's vaccination progress

## Pace of daily vaccinations slowed down in April



Note: Data as of April 30; Top 5 states with highest share in all-India cases in April highlighted  
 Source: MoHFW, Cowin, CEIC, CRISIL

## Majority of the more Covid-affected states have vaccinated higher proportion of their population

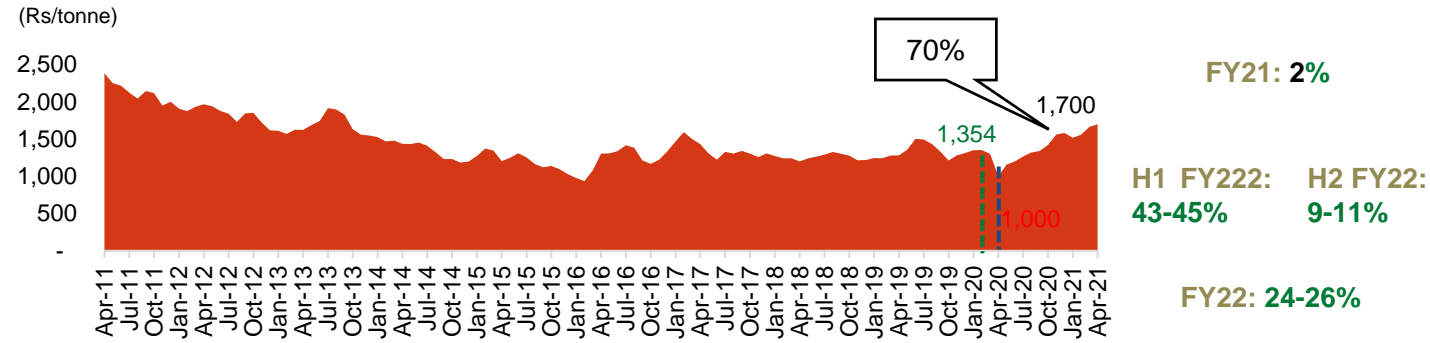


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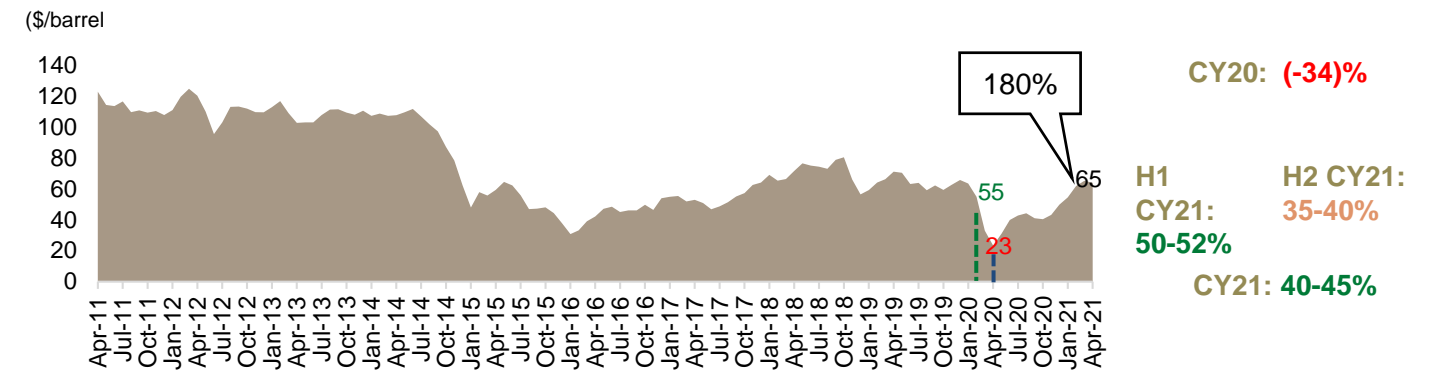
- Amid the exponential rise in Covid-19 cases, vaccination efforts slowed in April, due to shortage of vaccine supplies
- Some of the more-affected states during the second wave – Kerala, Delhi, Karnataka, Maharashtra – are among the top 10 states with larger population vaccinated with at least one dose

# Prices of most commodities rise again amid uncertainty

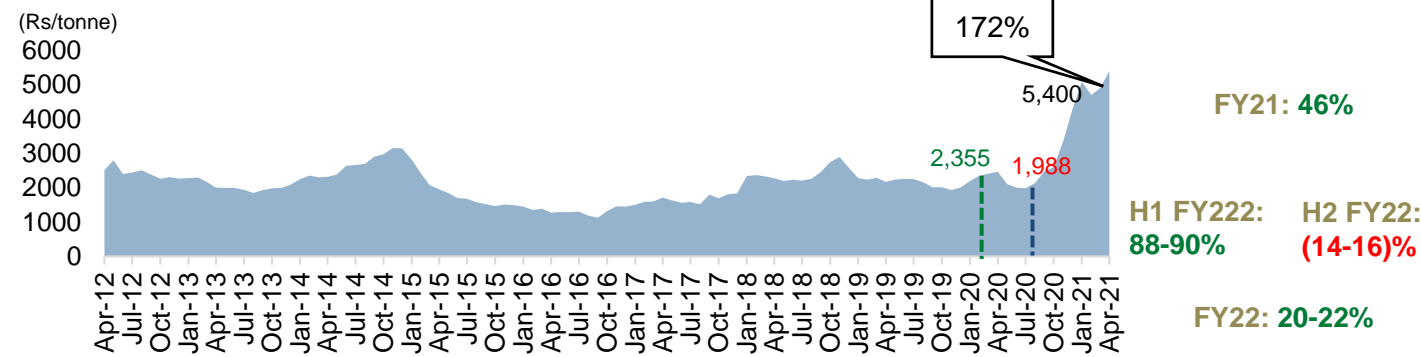
Supply constraints and higher expected global prices to lift rubber prices in H1 FY22



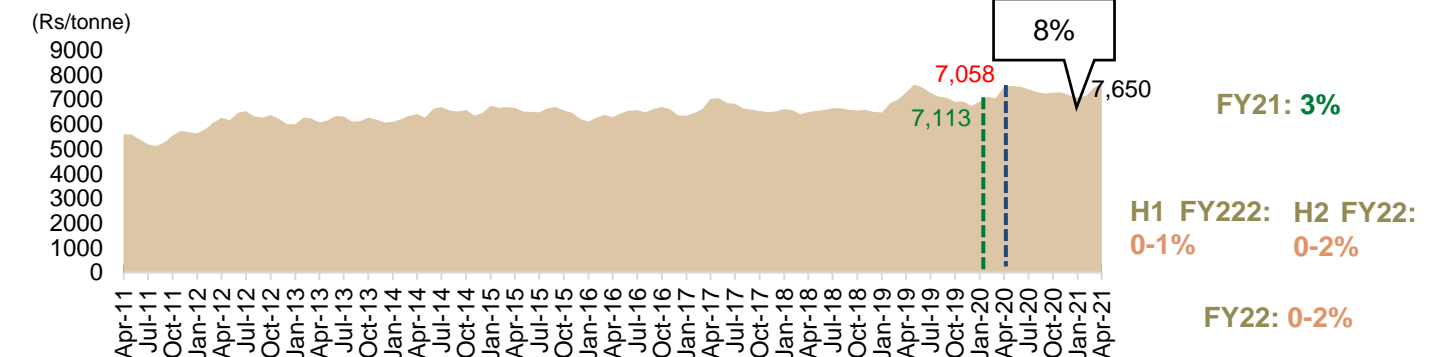
Demand recovery and larger-than-anticipated production cuts to boost crude oil prices in 2021



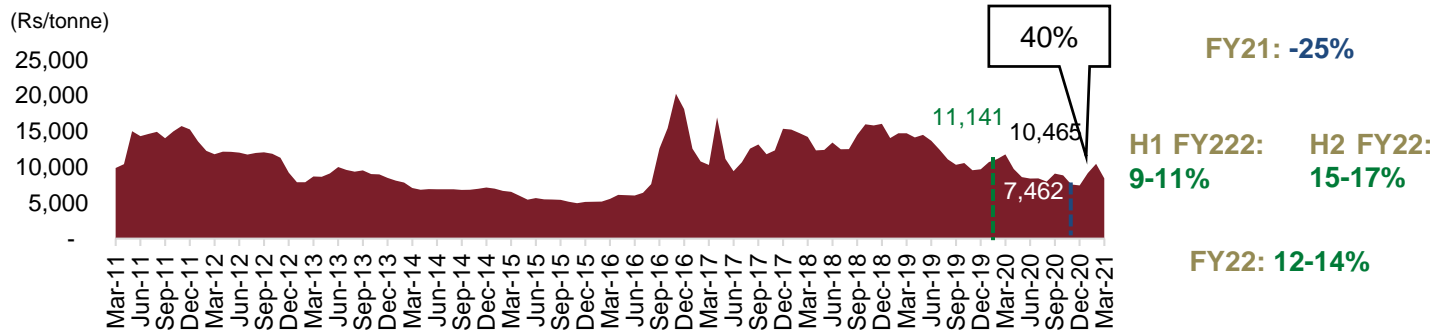
Domestic iron ore prices rise due to supply crunch because of delays in operation of auctioned mines



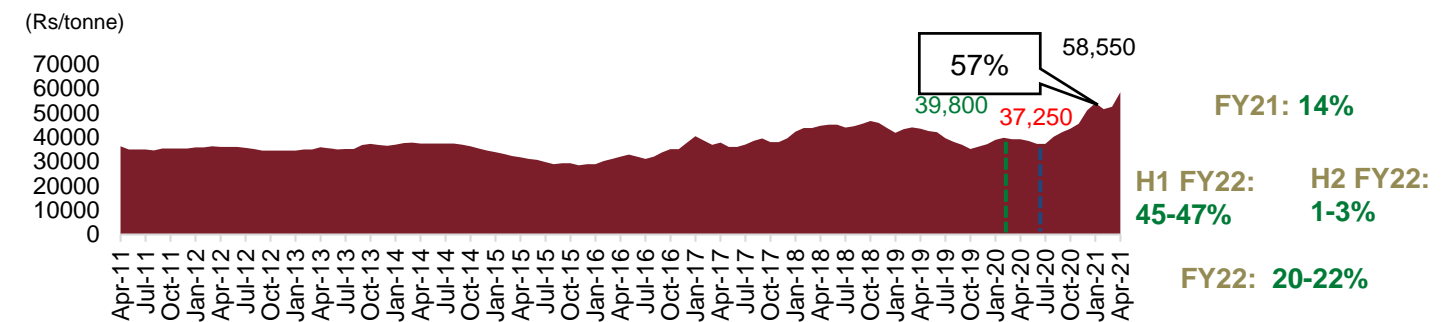
Cement prices' upward trajectory in FY21 to offset sluggish demand



Economic recovery to spur coking-coal prices in FY22; China's ban on Australian imports a monitorable



Steel prices to continue to soar on improved demand prospects, cost push from iron ore



Source: Industry

xx%

Rise from Covid-19 trough

Feb-20 price

Bottom price during pandemic

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