

# Six Months After Unlock

**State Bank of India**

**08 December 2020**

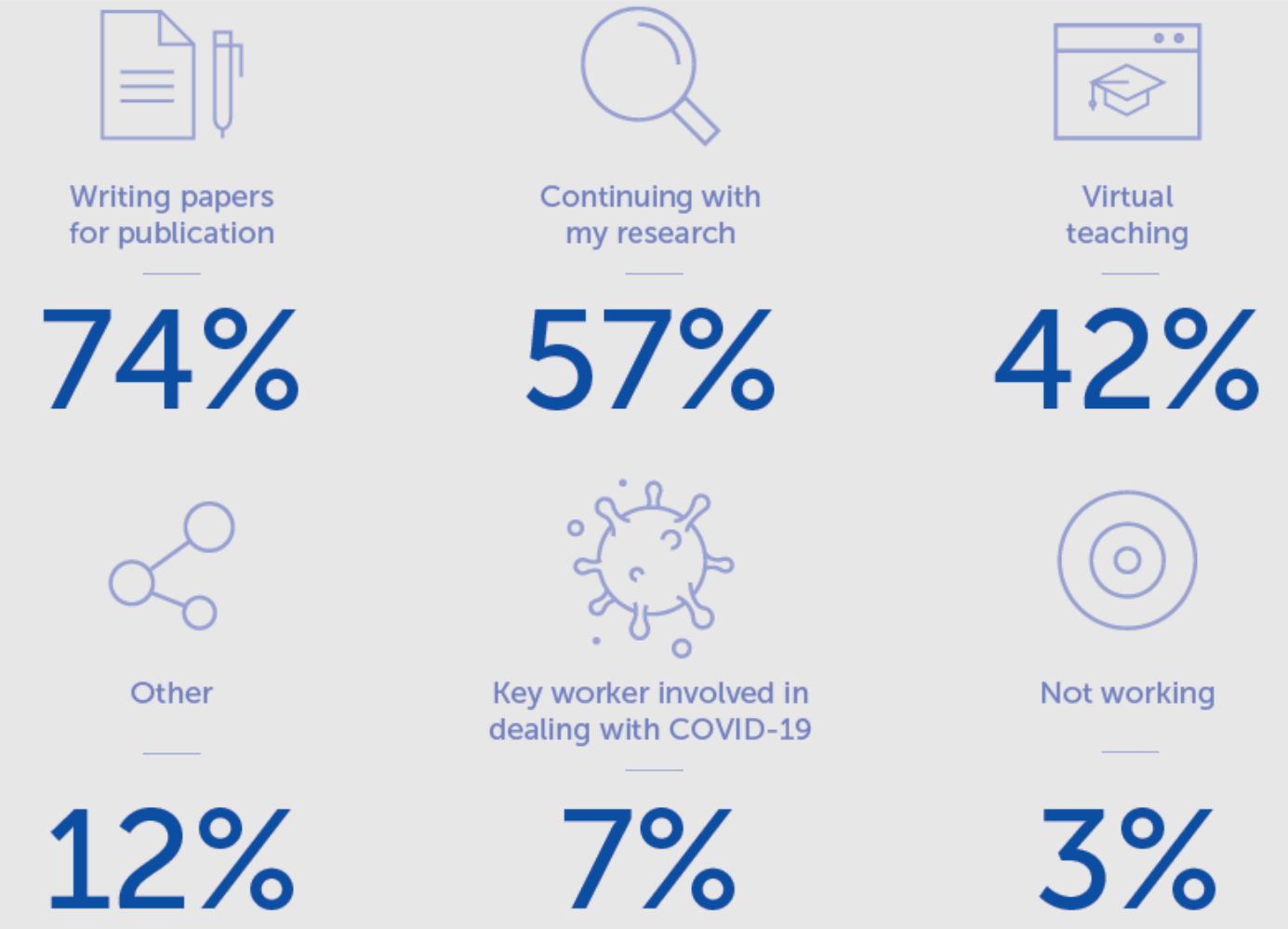
Author	Views at the Beginning of Pandemic	Current Situation
Olivier Blanchard	<ul style="list-style-type: none"> <li>Waves of Bankruptcies</li> </ul>	<ul style="list-style-type: none"> <li>Not Happened Yet</li> </ul>
	<ul style="list-style-type: none"> <li>Inefficient bankruptcies</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of low productivity firms in bankruptcies are low</li> </ul>
	<ul style="list-style-type: none"> <li>Second wave with more uncertainty &amp; Soft Lockdowns may not decrease infection rate</li> </ul>	<ul style="list-style-type: none"> <li>Higher infections in USA continue unabated even with soft lockdowns</li> </ul>
	<ul style="list-style-type: none"> <li>Fiscal Cost would be high in 2<sup>nd</sup> wave</li> </ul>	<ul style="list-style-type: none"> <li>Soft Lockdowns always cost less</li> </ul>
Raghuram Rajan	<ul style="list-style-type: none"> <li>Unprecedented rise in NPA levels in 6 months</li> <li>Avalanche of Bankruptcies post lockdown</li> </ul>	<ul style="list-style-type: none"> <li>Under control due to various policy measures by RBI: 8.0% in June 2020</li> </ul>
RBI (FSR)	<ul style="list-style-type: none"> <li>Gross NPA may touch 12.5% by March 2021 (8.5% in Mar'20), will lead to a drop in banking capital adequacy ratios</li> </ul>	<ul style="list-style-type: none"> <li>Banking Sector in India to witness most positive surprise in FY21</li> </ul>

# The Academic Response to COVID-19

- ❑ **Frontiers** designed a survey (in Oct'20) to capture the international academic response to, and effects of, the pandemic. In one of the largest academic surveys ever conducted, more than 25,000 members of our academic community participated, representing diverse countries, roles, and areas of research
- ❑ Major findings are:
  1. Despite the massive disruption, **researchers' day to day work has not been significantly affected** by COVID-19 at the time of the survey, with many able to continue their professional role throughout
  2. Many researchers expressed that **policy makers had not sufficiently taken scientific advice** into account to mitigate the pandemic
  3. Nearly half of the researchers surveyed fear that the **pandemic will have a long-lasting effect on funding**
  4. Researchers ask that **policy makers invest more funding into basic research**, and better ways for science to advise policy and decision making
  5. The pandemic has encouraged many to reconsider how they share their work with researchers **more likely to publish open access**, share their data and use preprint servers
  6. Most researchers **want to contribute to task forces**, primarily with research into the virus itself or through interdisciplinary knowledge-sharing
  7. There is **concern about future pandemics**, but researchers **are equally concerned about climate change**, which we can prepare for and mitigate with the help of science
  8. Researchers stress the **importance of learning from the COVID-19 pandemic**, allowing us to become more resilient in the future

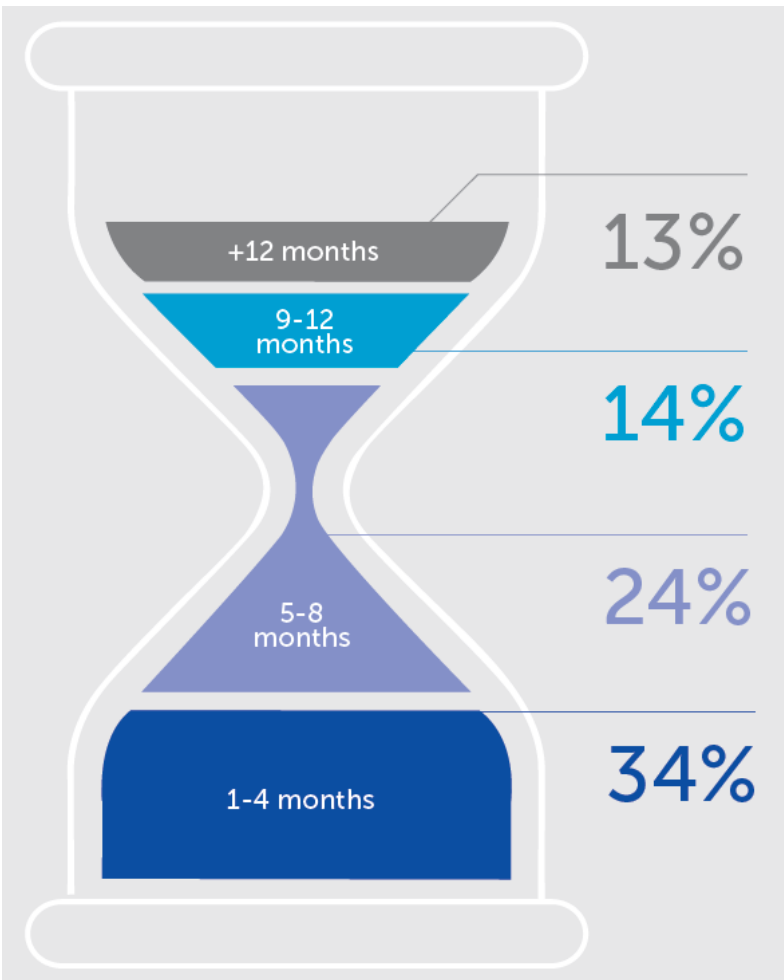
# What Researchers are currently working on?

- Writing papers for publication has been the most common task during the pandemic



# Time to become Normal.....Impact on Funding

- ❑ Researchers predict a return to normal working practices within a year after the pandemic is under control
- ❑ The immediate effects on funding are unclear, but very few researchers report an increase



## COVID-19 UPDATE

- ❑ In Nov'20 average Google Mobility declined in major European countries and US, but it increased in case of Brazil and India
- ❑ Our model shows that there is visible shift in trend in late October. Possible mild second wave in Jan-Feb 2021?
- ❑ A number of states including Haryana, Gujarat, Madhya Pradesh, Rajasthan, Himachal Pradesh witnessed rising daily new cases in Nov'20
- ❑ However, certain states including Kerala, West Bengal, Maharashtra, UP, Punjab have lower or almost same number of daily new cases in Nov'20
- ❑ North Eastern states show reduced daily tests, but new cases still remain higher
- ❑ The good thing is that in Nov'20 district wise analysis shows that share of top 15 districts and rural districts in new cases almost same as in Oct'20
- ❑ Our two-stage least square (2-SLS) panel model, where we first regressed the state-wise test data on population to gauge the exact number of tests that should have been done given the population difference across states and then in second stage the cases were regressed on such estimated test numbers arrived from equation 1, has been extended to Nov'20 and it reveals that for India the estimated confirmed cases number is 99.29 lakh which is in fact **4.66 lakh higher than the actual confirmed cases of 94.63 lakh, thus India has done a fairly good job on controlling the spread of the virus**

## STATE WISE RANKING

- ❑ We have ranked the states on the basis of performance on three broad categories, Covid management, macro parameters (fiscal and CPI) and performance of states on Central Government Schemes. All the indicators are normalised and then PCA analysis is done to rank the states for each of the three categories

## STATE WISE RANKING

- ❑ For Covid management, we used four indicators
  - First is the gap between the actual number of cases and estimated cases based on our 2 SLS results. States with lower number of actual cases compared to estimated cases are considered better than others
  - Second indicator is the estimated number of underreporting of cases considering peak recovery rate of 78% for each state. Lower the underreported cases the better the state
  - Recovery rate and death rate are also used for each state. Higher recovery rate and lower death rate are considered better
- ❑ In case of Covid management, North East tops the list followed by Bihar and Uttar Pradesh. While, Rajasthan, Maharashtra and Himachal Pradesh are at the bottom
- ❑ For Macro indicators, 2 fiscal parameters and state-wise CPI are taken
  - First, gap between the actual GST collection of states is taken from their budgeted estimate. The lower the gap the better
  - Second, market borrowing of States so far this fiscal is taken. Higher borrowing is considered worse for a State
  - CPI inflation is also considered in this and lower inflation rate is taken as better
- ❑ In case of macro indicators, North East, Himachal Pradesh and Madhya Pradesh have performed better, While, Bihar, Andhra Pradesh and West Bengal are at the bottom
- ❑ For performance in Central Government schemes, state-wise performance is taken for 5 schemes, One nation One Card, PM Svanidhi scheme, PM Kisan Samman Nidhi, Pradhan Mantri Awas Yojana and ECLGS. Ranking of States on the basis of Central Government schemes indicates Uttar Pradesh, Gujarat and Maharashtra are at the top while, Goa, West Bengal and Chhattisgarh are at the bottom
- ❑ **By combining the scores attained on each of the three parameters, states' ranking reveals that North Eastern States are at the top, followed by Uttar Pradesh and Madhya Pradesh. Chhattisgarh, West Bengal and Himachal Pradesh come at the bottom**



**ECONOMIC MOMENTUM**

- ❑ The recovery in GDP has been led by manufacturing and the largest component of the services sector — trade, hotels, transport and communication. This is quite obvious given the movement of freight traffic in Q2
- ❑ During Nov'20, business activity index shows persistent modest improvement in economic momentum
- ❑ In Nov'20, weekly food arrival data shows increase in arrival of cereals and vegetables to some extent
- ❑ However, pulses and fruits witnessed decline in arrival after a modest improvement in Oct'20
- ❑ Data consumption in India has witnessed exponential growth over the course of the past few years and in pandemic. The contribution of 3G and 4G data usage in total volume of wireless data usage was 4.47% and 94.82%, respectively in Sep'20
- ❑ Nov'20 GST revenue is 1.4% higher than the GST revenues in the same month last year. The positive trend which started from Sep'20 has sustained. State Market borrowings are 46% higher than in the same period last year, indicating the persisting stress in their revenues
- ❑ India's agri and metal exports have bucked the trend and have stayed upbeat. Pharma exports have also stayed positive. Meanwhile, imports have shown broad-based decline
- ❑ Even though Rupee has appreciated recently vis-à-vis US Dollar, it has been displaying weakness against Chinese Yuan and Euro. Does it indicate part of a larger strategy? We need to wait and watch!
- ❑ India has accumulated huge forex reserves. Excluding gold, now India has the 4th largest foreign currency reserves

**CORPORATE DATA SHOWS A JUMP IN REGISTRATION OF FOOD COMPANIES DURING PANDEMIC**

- ❑ Five states i.e. Maharashtra, Delhi, UP, Karnataka and Telangana accounted for more than 50% of the new registered companies. In Manufacturing, sectors such as Food, Metal & Chemicals and Machinery and Equipment reported major registrations
- ❑ ECB/FCCB loan registration halves as domestic rates soften/tepid demand

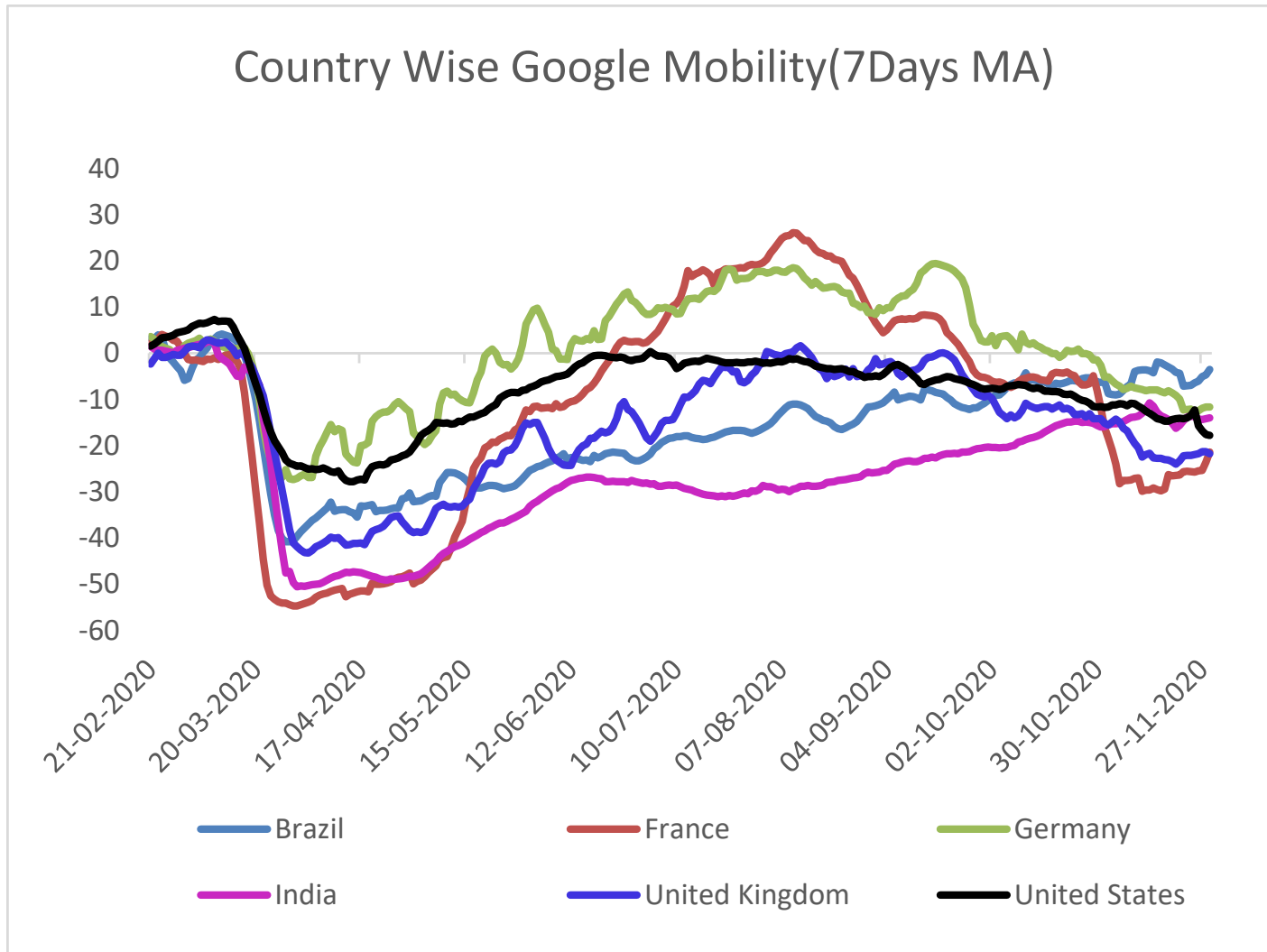
**BANKING AND FINANCE**

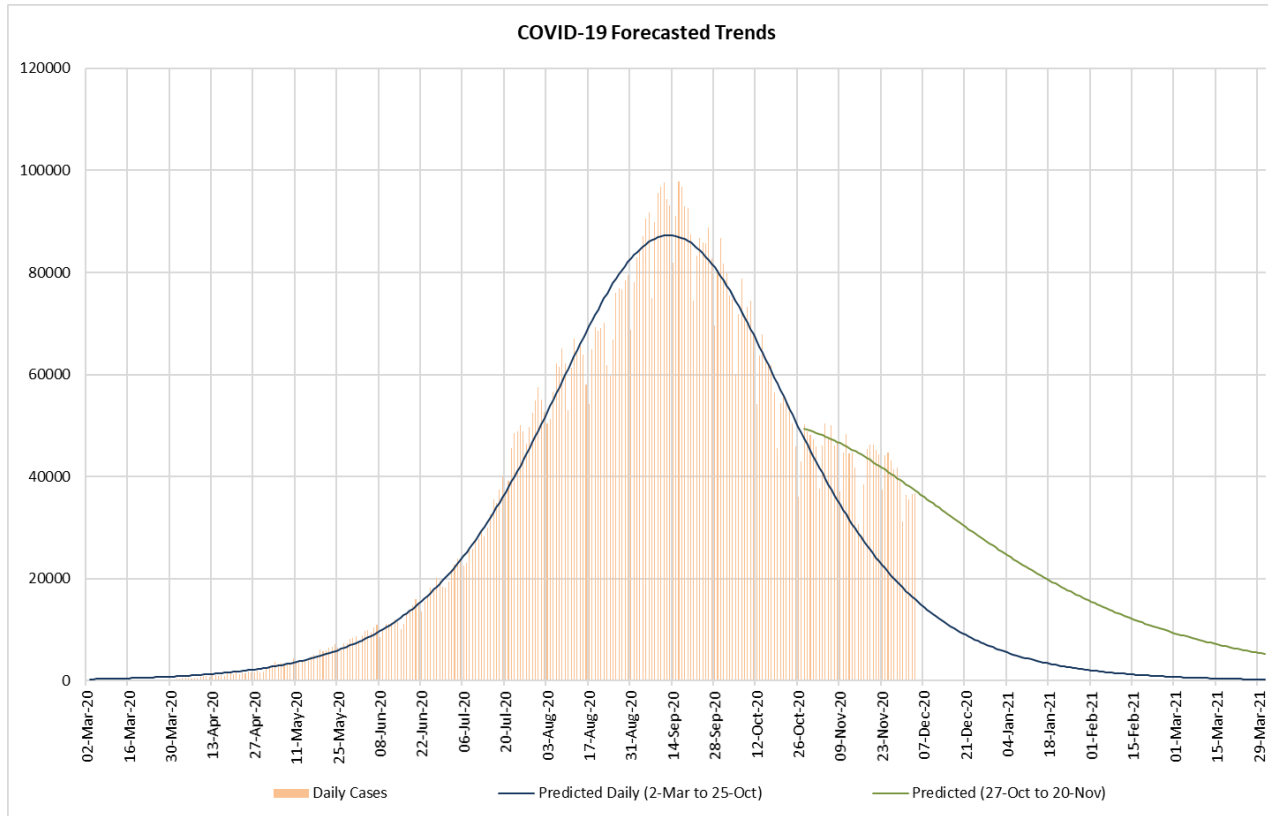
- ❑ **Much of the gloom about National Automated Clearing House / NACH is misplaced. In recent months, NACH % return (value) of total debits (recurring payments including EMI, insurance premium) has declined. In Oct'20 % return of debits has modestly increased to 32.3% from 31.7% in Sep'20. Also, the per transaction return value has declined to Rs 7495 in Oct'20 compared to Rs 8071 in Apr'20**
- ❑ After SC Judgement and following COVID-19 trading volumes in cryptocurrency have jumped by 85-100%. Average age of investor ranges between 25 and 40
- ❑ In the current FY so far, banking business is improving with renewed demand from retail segments
- ❑ ASCBs incremental credit growth has turned positive in Nov'20 and grew by 0.3% (YTD) as on 06 Nov'20, compared to 0.8% growth during the corresponding period of last year
- ❑ Aggregate deposits are also increasing continuously and touched 6.0% YTD growth compared to last year YTD growth of 3.4%
- ❑ Digital Transactions are increasing rapidly. UPI is already 1.8X of pre-Covid Levels
- ❑ Granger causality results show that change in % return in total debits causes change in retail NPA ratio with 1 quarter lag and the result is significant @5% level of confidence. Regression analysis shows that 1 percentage change in % return (value) leads to 0.46% change in retail NPA ratio
- ❑ Commercial paper issuances were almost flat in the month of Nov'20 at Rs 1.21 lakh crore as compared to Rs 1.23 lakh crore in Oct'20. Mutual Funds continue to withdraw from Equity Market
- ❑ There has been a modest improvement in credit ratio (upgrade to downgrades)
- ❑ After continuous improvement between May'20-Sep'20, our in-house Financial Stability Index shows a modest decline in stability in Oct'20, mainly due to significant decline in amount issued in CP market in Nov compared to Oct

**PENDING PAYMENTS TO MSMEs AND DISCOMS HOLDING BACK RECOVERY**

- ❑ Pending Amount of MSME receivables reveals wide disparity across Ministries and Department reveal Central and State PSUs are the worst culprit
- ❑ Discom payments overdue payments show a staggering jump

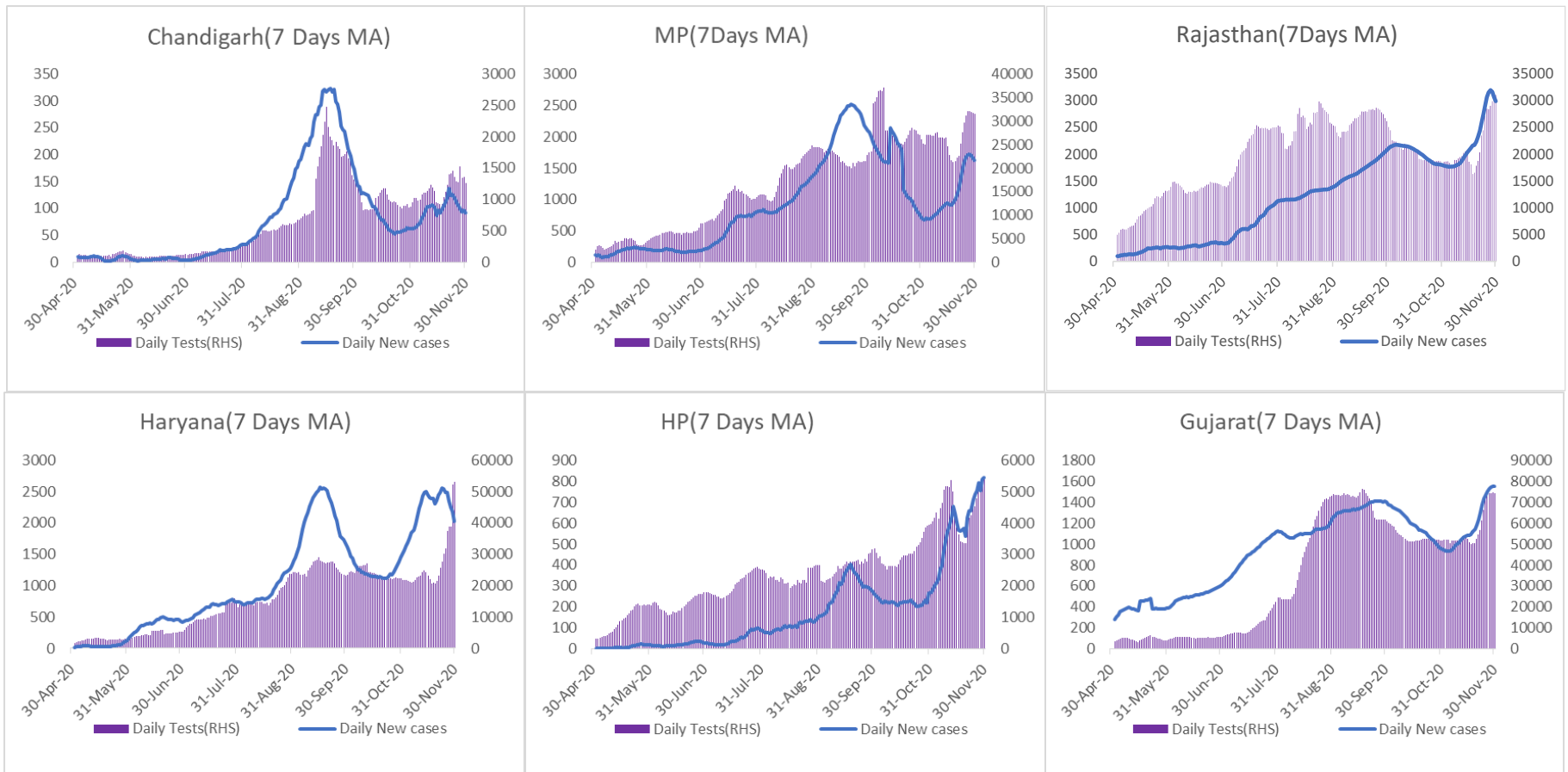
# COVID-19 Update



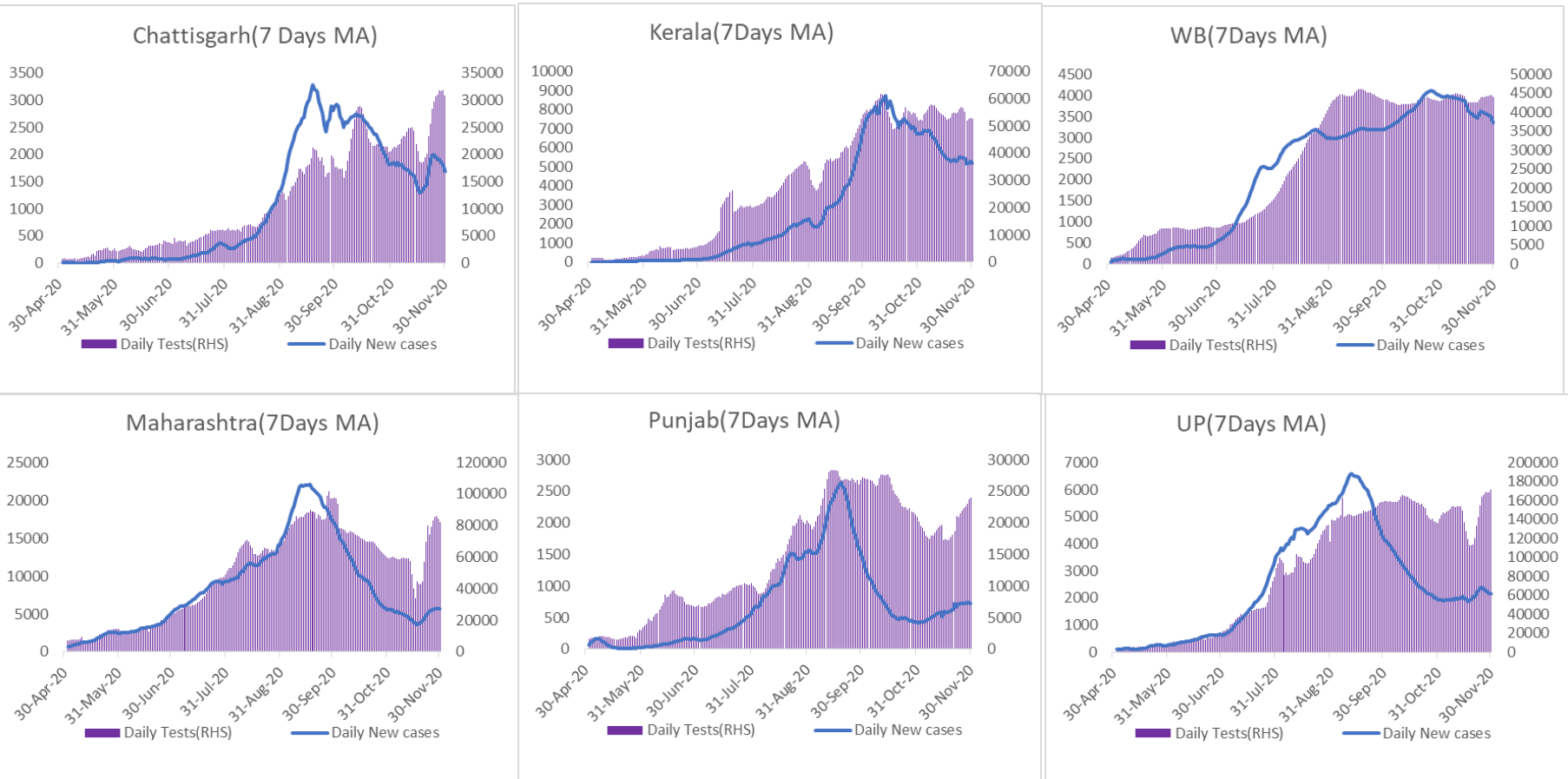


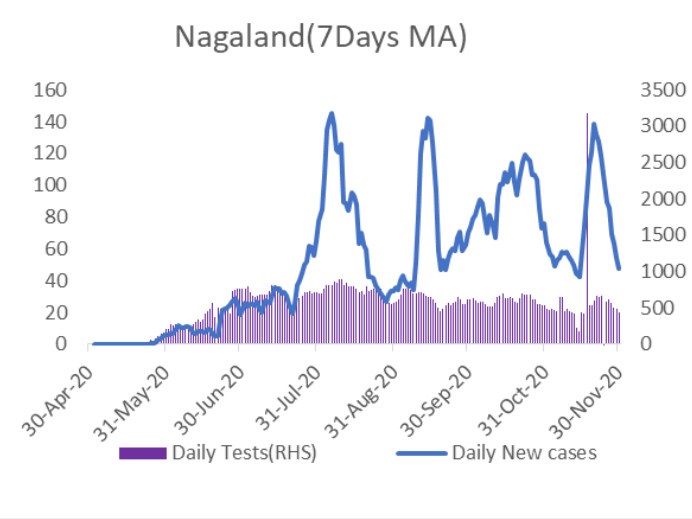
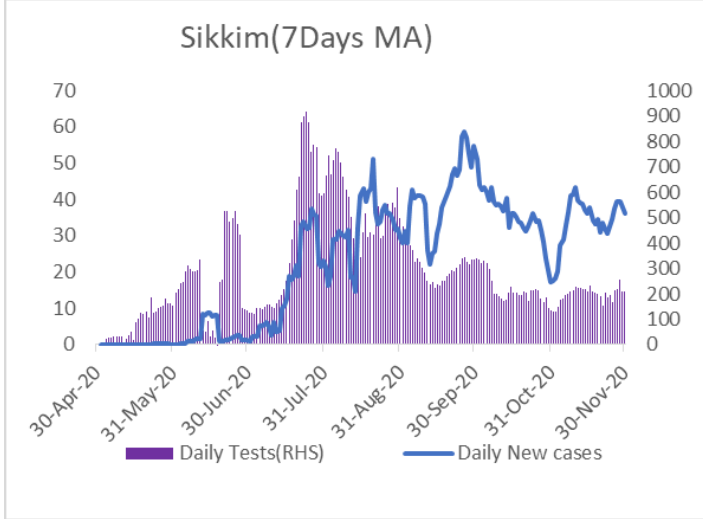
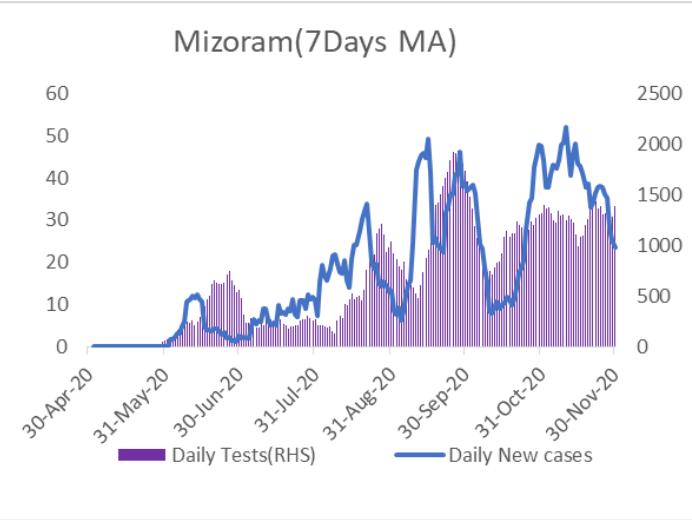
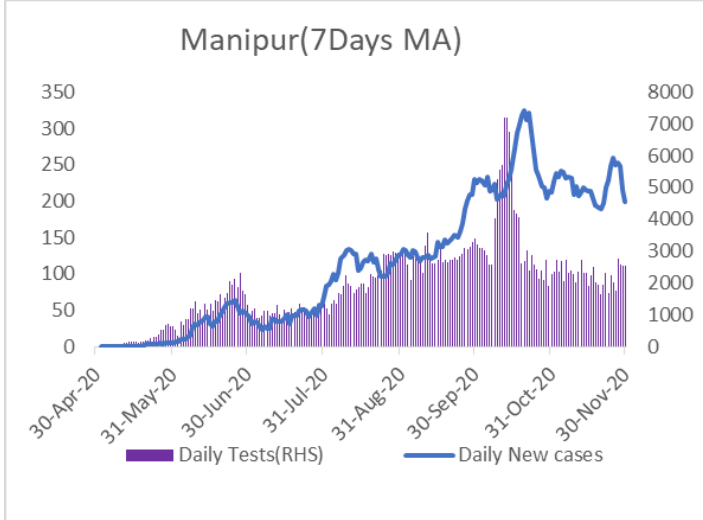
- ❑ Visible shift in trend after Unlock 6.0
- ❑ Trend break observed in late October
- ❑ Possible second wave in Jan-Feb 2021, though might of lower intensity

- A number of states including Haryana, Gujarat, Madhya Pradesh, Rajasthan, Himachal Pradesh witnessed rising new cases in Nov'20



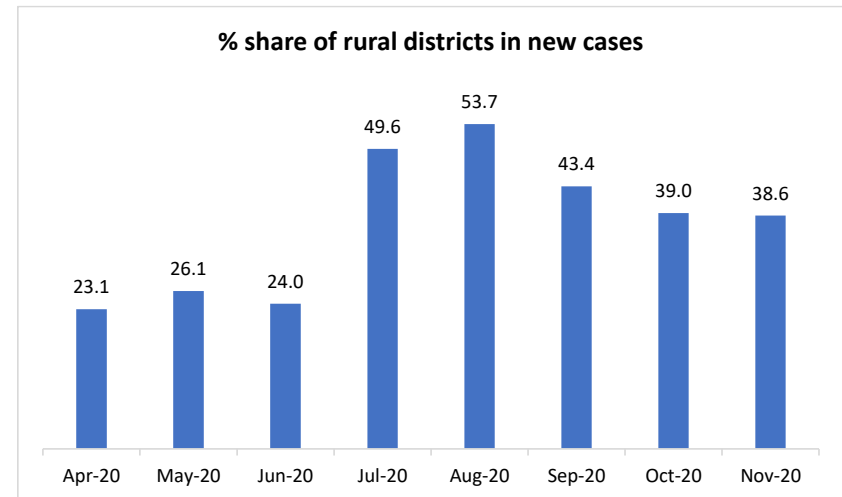
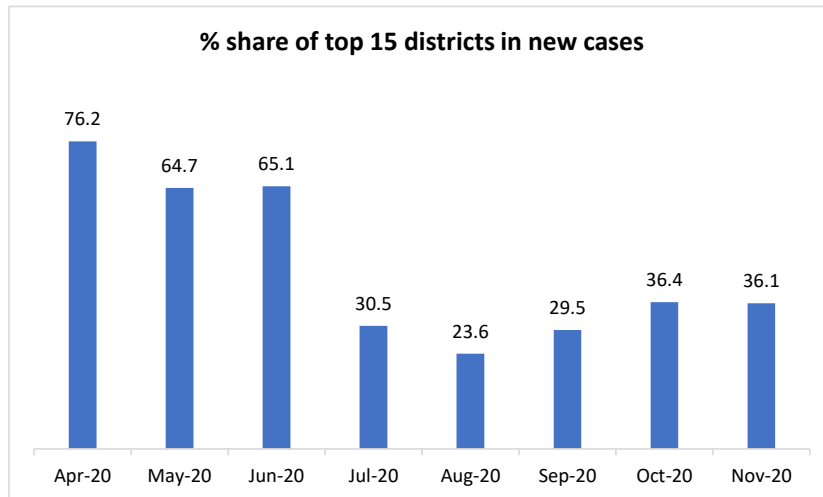
- However, certain states including Kerala, West Bengal, Maharashtra, UP, Punjab have lower or almost same number of daily new cases in Nov'20







- New cases in top 15 districts remain same in Nov'20 as it was in Oct'20
- At the same time when we look at the share of rural districts in new cases that has modestly decline in Nov'20 to 38.6% from 39.0% in Oct



- Our two-stage least square (2-SLS) panel model, where we first regressed the state-wise test data on population to gauge the exact number of tests that should have been done given the population difference across states and then in second stage the cases were regressed on such estimated test numbers arrived from equation 1, has been extended to Nov'20 and it reveals that for India the estimated confirmed cases number is 99.29 lakh which is in fact 4.66 lakh higher than the actual confirmed cases of 94.63 lakh, thus India has done a good job on controlling the spread of the virus

Our model

$$T = \alpha + \beta P \mu \dots (1)$$

$$C = \sigma + \rho T + \xi \dots (2)$$

Where, T=Number of Test, P=Population, C=Confirmed Cases

- However, state-wise performance varies

COVID-19 Cases: Actual vs Estimated			
	Actual Cases	Estimated Cases	Difference
Andhra Pradesh	868064	677263	190801
Bihar	235616	980524	-744908
Chhattisgarh	237322	183902	53420
<b>Delhi</b>	<b>570374</b>	<b>429091</b>	<b>141283</b>
Goa	47963	38102	9861
<b>Gujarat</b>	<b>209780</b>	<b>530311</b>	<b>-320531</b>
<b>Haryana</b>	<b>234126</b>	<b>250256</b>	<b>-16130</b>
Himachal Pradesh	40518	49983	-9465
Jammu and Kashmir	110224	213610	-103386
Jharkhand	109151	290241	-181090
Karnataka	884897	745977	138920
Kerala	602983	427406	175577
Madhya Pradesh	206128	262079	-55951
Maharashtra	1823896	729832	1094064
Odisha	318725	403844	-85119
<b>Punjab</b>	<b>152091</b>	<b>225347</b>	<b>-73256</b>
Rajasthan	268063	305553	-37490
Tamil Nadu	781915	809069	-27154
Telangana	269816	374147	-104331
Uttar Pradesh	543888	1287184	-743296
Uttarakhand	74795	103368	-28573
West Bengal	483484	401762	81722
North East	318606	488165	-169559

- : Well Managed '+': Badly Managed

# States Ranking – Covid Management

- ❑ We have ranked the States on the basis of performance on three broad categories, Covid management, macro parameters (fiscal and CPI) and performance of States on Central Government Schemes. Further, we have combined North East into one
- ❑ All the indicators are normalised and then PCA analysis is done to rank the States for each of the three categories
- ❑ For Covid management, we used four indicators
  - First is the gap between the actual number of cases and estimated cases based on our 2 SLS results. States with lower number of actual cases compared to estimated cases are considered better than others
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  - Recovery rate and death rate are also used for each state. Higher recovery rate and lower death rate are considered better
- ❑ In case of Covid management, North East tops the list followed by Bihar and Uttar Pradesh
- ❑ While, Rajasthan, Maharashtra and Himachal Pradesh are at the bottom

Ranking on Covid management	
North East	1
Bihar	2
Uttar Pradesh	3
Odisha	4
Jharkhand	5
Telangana	6
Tamil Nadu	7
Andhra Pradesh	8
Goa	9
Jammu & Kashmir	10
Karnataka	11
Gujarat	12
West Bengal	13
Punjab	14
Madhya Pradesh	15
Haryana	16
Uttarakhand	17
Kerala	18
Chhattishgarh	19
Rajasthan	20
Maharashtra	21
Himachal Pradesh	22

# States Ranking – Macro Parameters

- ❑ For Macro indicators, 2 fiscal parameters and state-wise CPI are taken
  - First, gap between the actual GST collection of states is taken from their budgeted estimate. The lower the gap the better
  - Second, market borrowing of States is taken so far this fiscal. Higher borrowing is considered worse for a State
  - CPI inflation is also considered in this and lower inflation rate is taken as better
  
- ❑ In case of macro indicators, North East, Himachal Pradesh and Madhya Pradesh have performed better
  
- ❑ While, Bihar, Andhra Pradesh and West Bengal are at the bottom

Ranking on Macro indicators	
North East	1
Himachal Pradesh	2
Madhya Pradesh	3
Rajasthan	4
Karnataka	5
Punjab	6
Haryana	7
Odisha	8
Uttarakhand	9
Jharkhand	10
Tamil Nadu	11
Maharashtra	12
Goa	13
Chhattishgarh	14
Uttar Pradesh	15
Gujarat	16
Telangana	17
Jammu & Kashmir	18
Kerala	19
Bihar	20
Andhra Pradesh	21
West Bengal	22

- ❑ For performance in Central Government schemes, state-wise performance is taken for 5 schemes
  - **One nation One card** - If the state has adopted the scheme it is taken as 1 and 0 otherwise. Assam, Chhattisgarh, Meghalaya and West Bengal are yet to join this
  - **PM Svanidhi scheme** - Total amount disbursed under the scheme is taken for each state
  - **PM Kisan Samman Nidhi** - State-wise total number of beneficiaries are considered
  - **Pradhan Mantri Awas Yojana (PMAY)** - Central Assistance released is taken for each state
  - **ECLGS** - Here share of each state is considered in overall disbursed amount based on SBI share
  
- ❑ Ranking of States on the basis of Central Government schemes indicate Uttar Pradesh, Gujarat and Maharashtra are at the top
  
- ❑ While, Goa, West Bengal and Chhattisgarh are at the bottom

Ranking on States performance on Central Schemes	
Uttar Pradesh	1
Gujarat	2
Maharashtra	3
Madhya Pradesh	4
Andhra Pradesh	5
Tamil Nadu	6
Telangana	7
Karnataka	8
Rajasthan	9
Kerala	10
Bihar	11
Odisha	12
Jharkhand	13
Haryana	14
Punjab	15
North East	16
Himachal Pradesh	17
Uttarakhand	18
Jammu & Kashmir	19
Goa	20
West Bengal	21
Chhattisgarh	22

# States Ranking – Combined

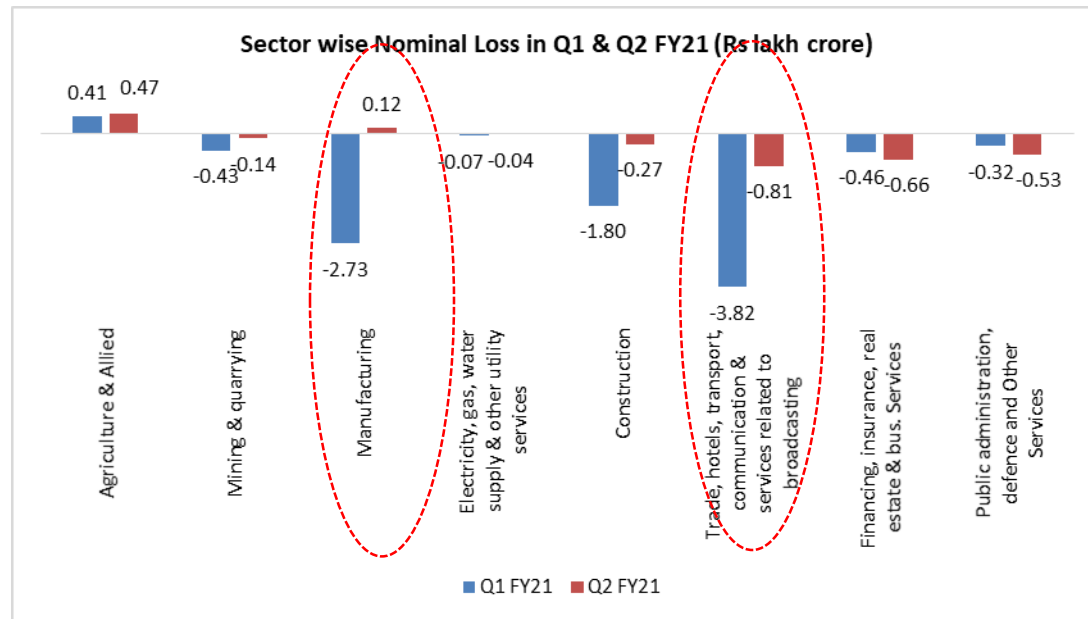
- ❑ By combining the scores attained on each of the three parameters, states ranking reveals that North Eastern States are at the top, followed by Uttar Pradesh and Madhya Pradesh
  
- ❑ Chhattisgarh, West Bengal and Himachal Pradesh come at the bottom when combined scores are considered on the three parameters

Combined ranking of States	
North East	1
Uttar Pradesh	2
Madhya Pradesh	3
Gujarat	4
Tamil Nadu	5
Andhra Pradesh	6
Karnataka	7
Telangana	8
Rajasthan	9
Maharashtra	10
Bihar	11
Odisha	12
Jharkhand	13
Punjab	14
Haryana	15
Kerala	16
Uttarakhand	17
Goa	18
Jammu & Kashmir	19
Chhattishgarh	20
West Bengal	21
Himachal Pradesh	22

# Economic Indicators

# Narrow Losses in GDP may be explained by Goods Freight Movement and surge in Communication and Broadcasting.....

- The nominal GDP loss narrowed down to Rs 2.0 lakh crore in Q2 FY21 from a staggering Rs 11.10 lakh crore in Q1. Manufacturing has minimised its losses by 91% from Q1. The services sector has reduced its losses by 43%, while the losses incurred by the trade sub-segment have fallen by a staggering 80%
- Clearly, the recovery has been led by manufacturing and also the largest component of the services sector — trade, hotels, transport and communication
- The recovery in both the above sectors is quite obvious given the movement of freight traffic in Q2



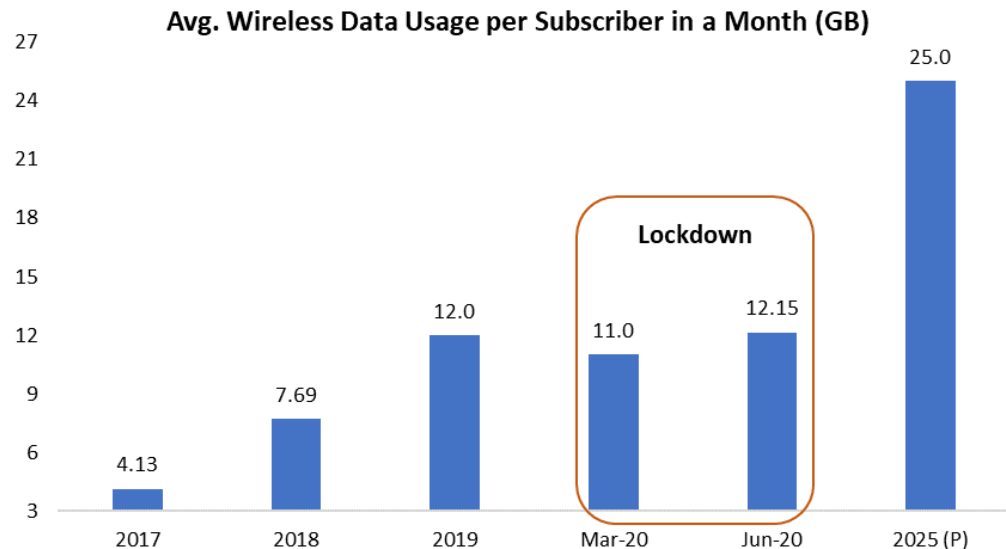
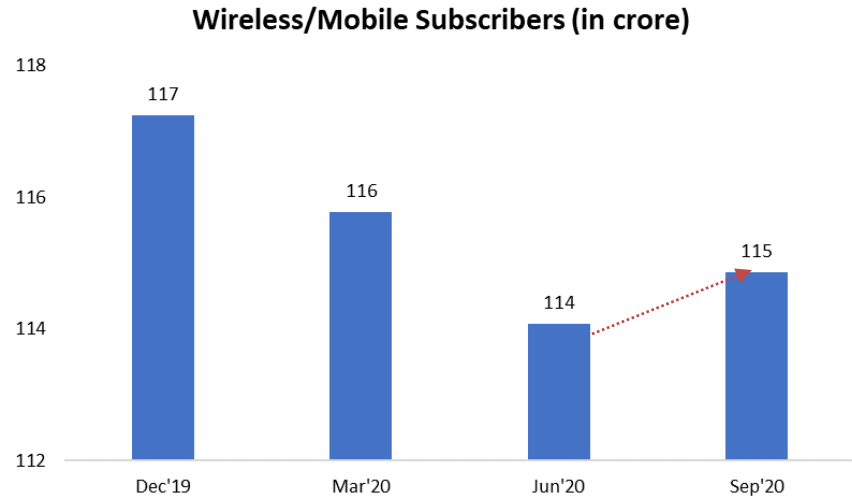
Freight Traffic						
	FY20		FY21		FY21 (% YoY)	
	Q1	Q2	Q1	Q2	Q1	Q2
Freight Traffic (KM Mn)	170607	157785	125224	162970	-26.6	3.3
Cargo Traffic (Tonne)	842326	866860	305090	635240	-63.8	-26.7
Port Cargo Traffic (Mn Tonne)	177	172	142	157	-19.7	-8.7

Source: SBI Research

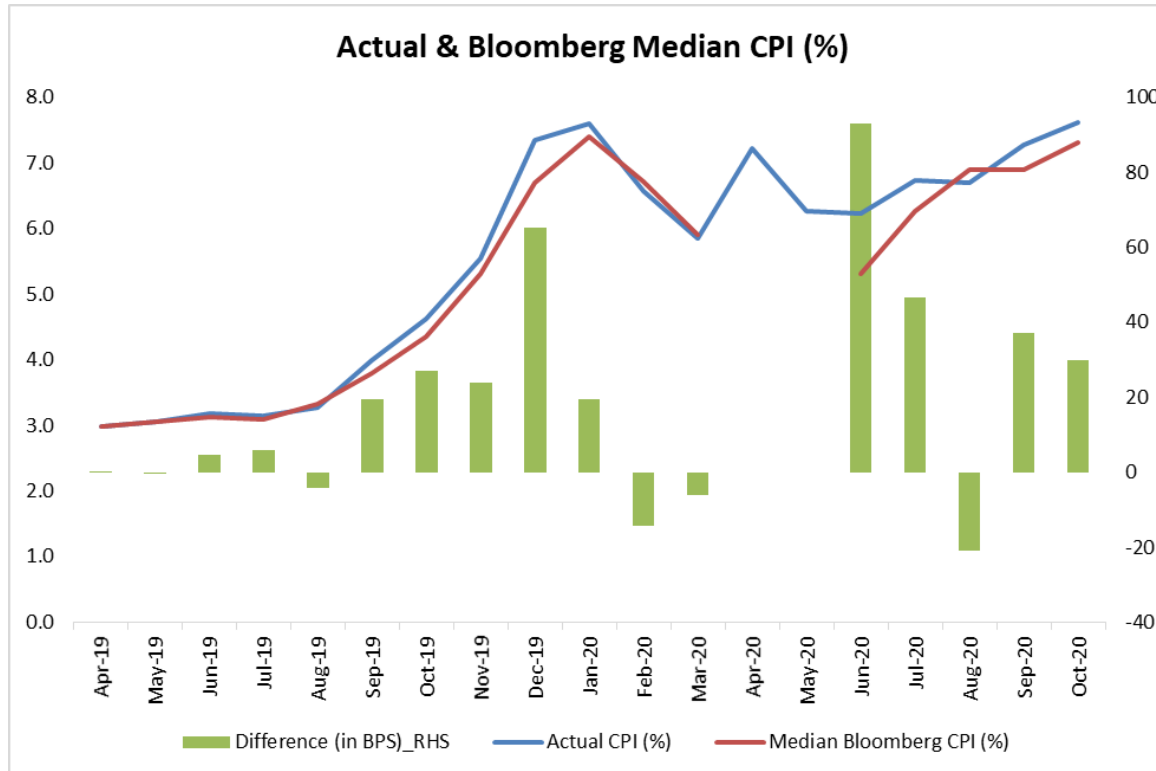


# .... As Growth in Data Consumption surges

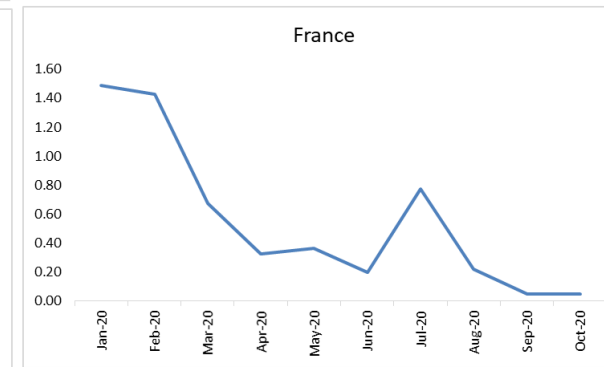
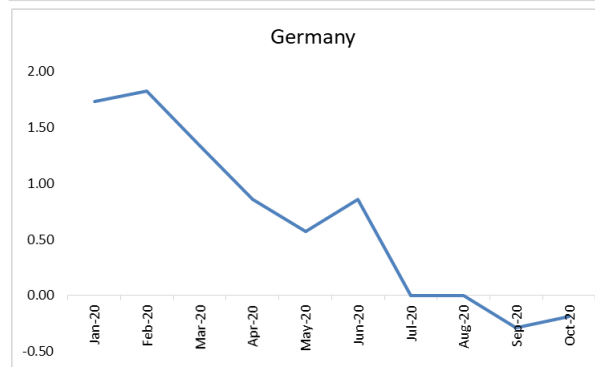
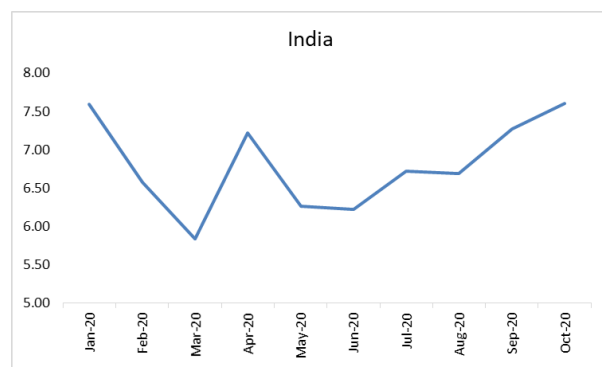
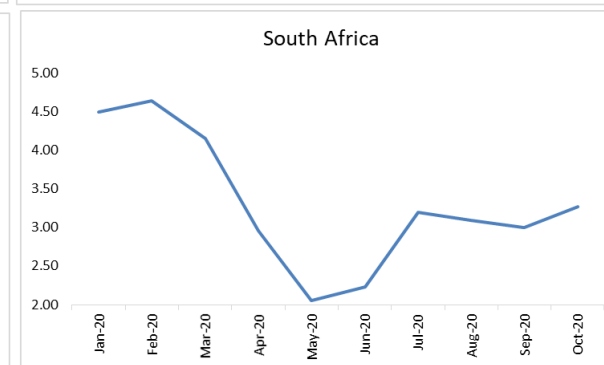
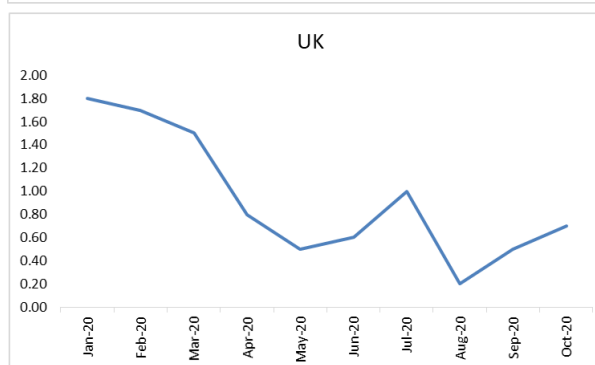
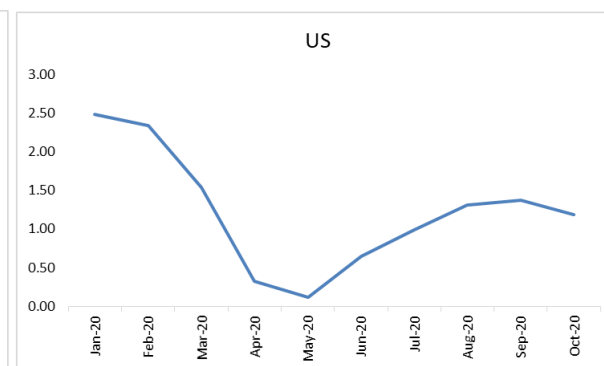
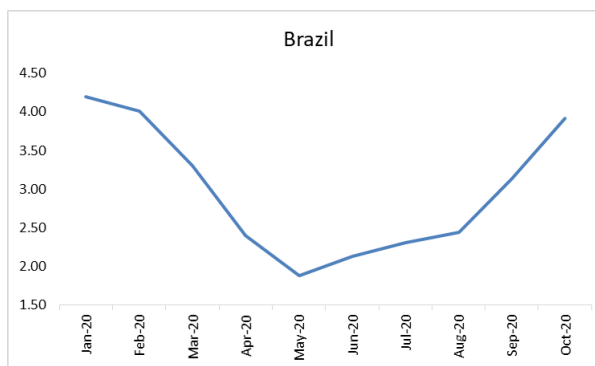
- ❑ India holds the distinction of being the largest consumer of mobile data globally. Data consumption in the country has witnessed exponential growth over the course of the past few years.
- ❑ The contribution of 3G and 4G data usage in total volume of wireless data usage was 4.47% and 94.82%, respectively in Sep'20
- ❑ The volume of average wireless data usage per wireless data subscriber per month has increased from 4.13 GB during the year 2017 to 7.69 GB during the year 2018 and 12.15 GB in June'20
- ❑ The data consumption in India is highest globally, and expected to rise even further to about 25 GB per month by 2025, driven by affordable mobile broadband services, changing video viewing habits and launch of 5G services



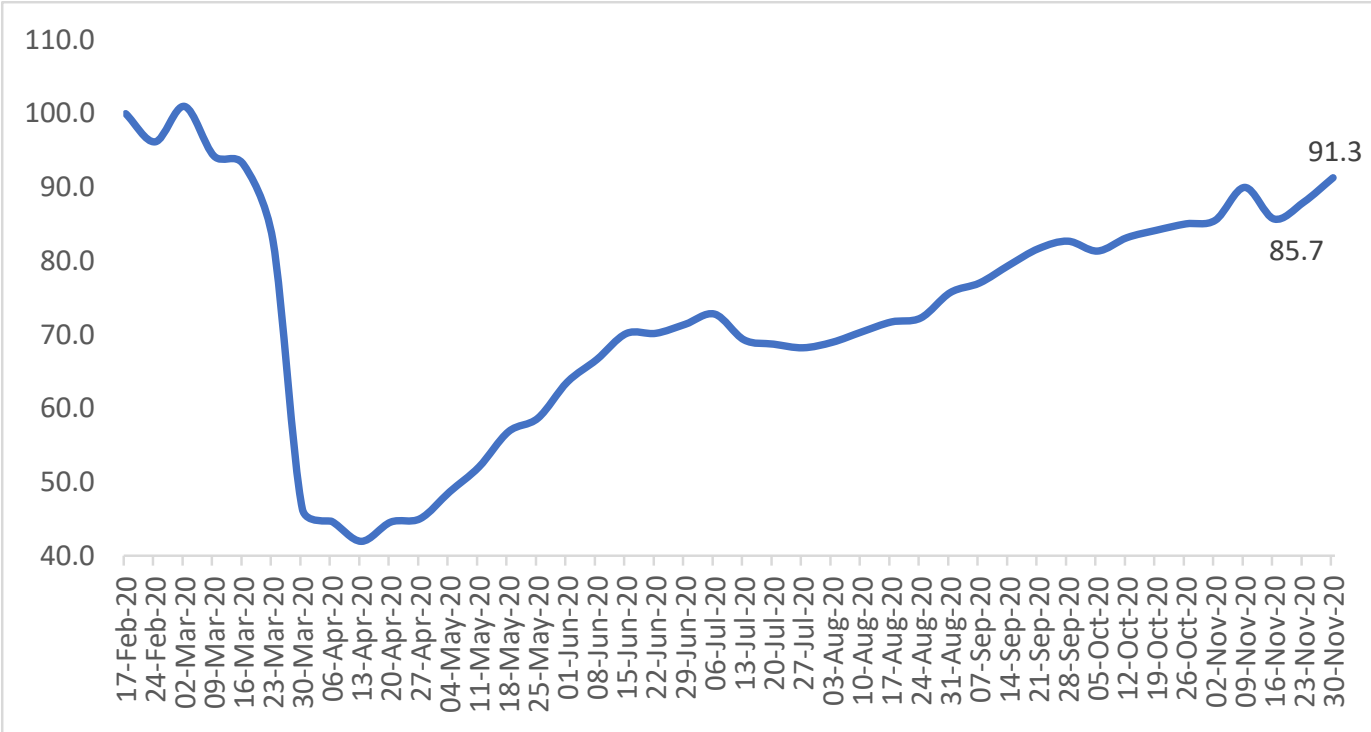
- During pre-Covid period (Apr-19 to Mar-20), the average difference between actual CPI and Bloomberg Median CPI projection was merely 12 bps
- But post-Covid, estimating CPI is becoming an erroneous task
- The average difference between actual CPI and Bloomberg Median CPI projection (during Jun-Oct'20) was 37 bps with the difference of as high as 93 bps in Jun'20
- This inaccuracy is primarily due to changing consumers spending behaviour during Covid-19



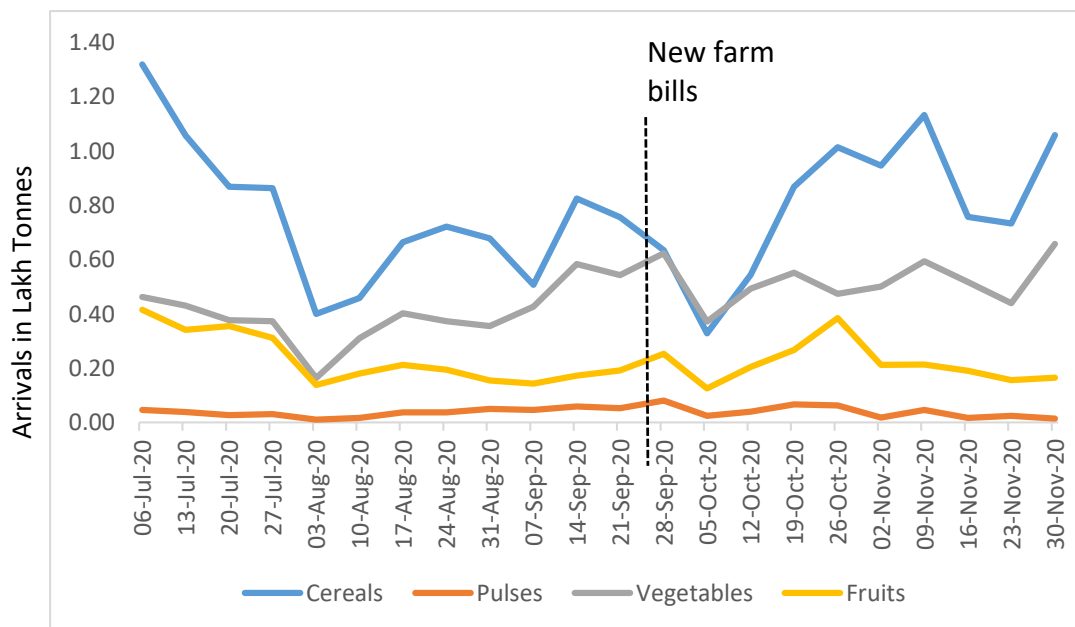
- In most of the economies, the CPI inflation falls in the lockdown months of Apr/May
- But in the case of India the inflation increase in Apr'20 due to methodological issues



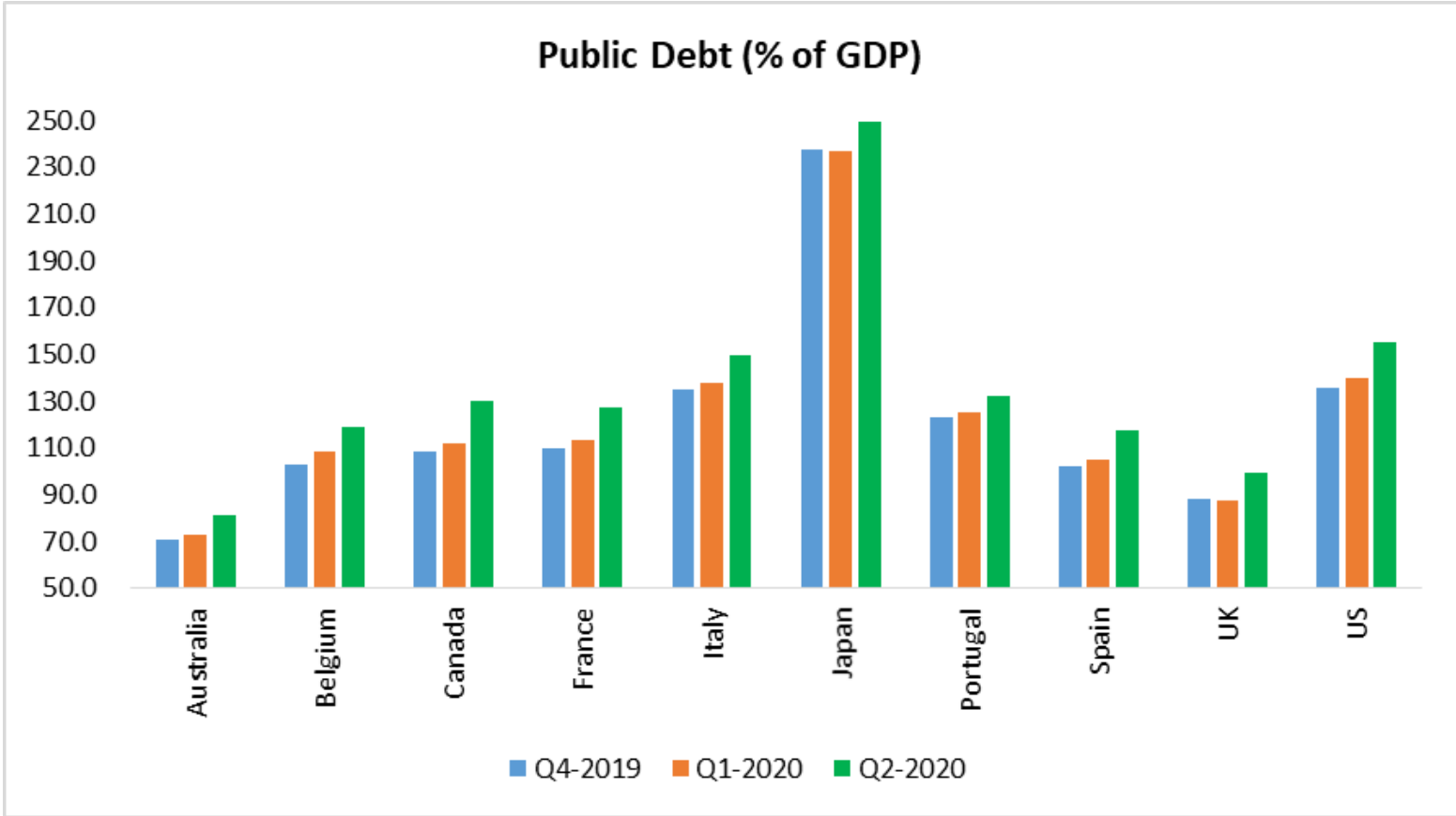
- During Nov'20, business activity index shows persistent modest improvement in economic momentum



- In Nov'20, weekly food arrival data shows increase in arrival of cereals and vegetables to some extent
- However, pulses and fruits witnessed decline in arrival after a modest improvement in Oct'20



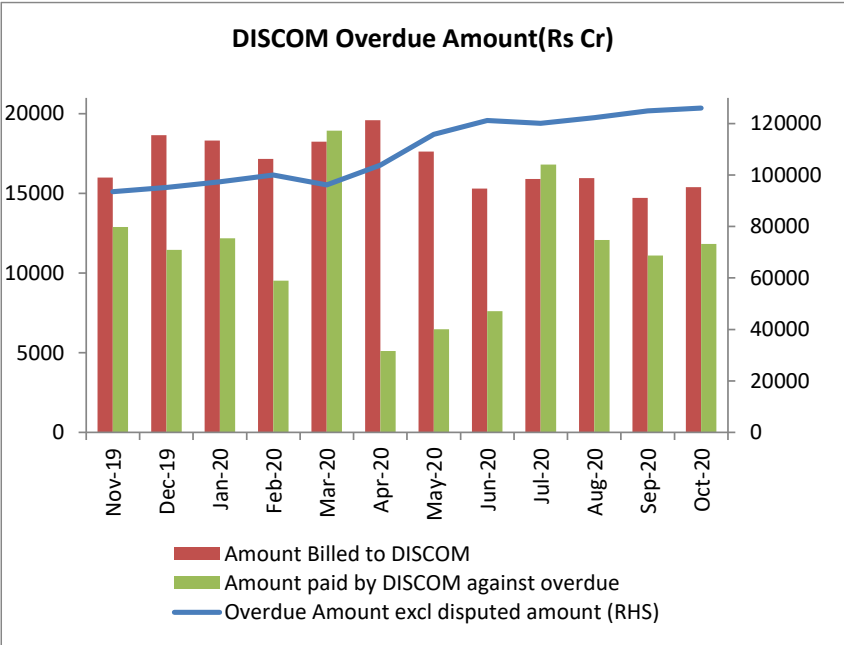
- Public debt (as % of GDP) increased significantly in Q2 2020 as compared to Q1 2020 in almost all major economies
- We believe that debt will increase further as countries provide stimulus



Source: OECD; SBI Research

- ❑ The Bihar election was the biggest voting exercise in the world (except US) held in the time of Covid-19 pandemic
- ❑ Out of 73.8 million registered voters, 42.1 million cast their ballot (this is almost equal to the population of Iraq and more than the population of Poland, Canada, etc.)
- ❑ The voting turnout of 57.1% was the highest in last 20 years
- ❑ The one noticeable thing about this election is the gap between male and female voters' participation, to the advantage of women. Of all registered women voters, 59.76% cast their vote, against 54.7% of all male voters
- ❑ This indicates that pandemic has not waned the spirit of Indian voters

# Overdue amount of Discoms jump to staggering levels



Top 10 DISCOM as on Oct 20-Overdue Amount in Rs Cr	
DISCOM	Overdue Amount (Excluding Disputed)
Tamil Nadu Generation and Distribution Corporation Ltd	20539
Jaipur Vidyut Vitran Nigam Ltd	14206
UP Power Corporation Ltd	13728
Jodhpur Vidyut Vitran Nigam Ltd	13649
Ajmer Vidyut Vitran Nigam Ltd	10121
Maharashtra State Electricity distribution Company Ltd	7495
J&K Power Development Department	5275
Jharkhand Bijli Vitran Nigam Ltd	5083
Telangana State Power Coordination Committee	4149
Hubli Electricity Supply Company Ltd	3772

Source: PRAAPTI



# Pending Amount of MSME reveals wide disparity across Ministries and Department: Central and State PSUs are the worst culprit

MSME Report Related to Pending Amount(Rs Cr)				
S.No.	Respondent Category	Total Pending Amount (Applications + Cases)	Total Pending (Application + Cases)	Total Pending Amount per case
<b>1</b>	<b>Central Ministries</b>	<b>170</b>	<b>422</b>	<b>0.40</b>
	Ministry of Railways	45	86	0.52
	Ministry of Electronics and Information Technology	16	44	0.36
<b>2</b>	<b>Central Department</b>	<b>361</b>	<b>763</b>	<b>0.47</b>
	Department of Defence/Ministry of Defence	204	216	0.94
	Department of Telecommunications/Ministry of Communications	30	122	0.25
<b>3</b>	<b>Central PSU</b>	<b>2218</b>	<b>2088</b>	<b>1.06</b>
	BHARAT SANCHAR NIGAM LTD./Department of Telecommunications/Ministry of Communications	854	1018	0.84
	BHARAT HEAVY ELECTRICALS LTD./Department of Heavy Industry/Ministry of Heavy Industries and Public Enterprises	29	78	0.38
<b>4</b>	<b>Railway Zone</b>	<b>111</b>	<b>320</b>	<b>0.35</b>
	South Eastern Railway Zone/Ministry of Railways	29	35	0.83
	Northern Railway Zone/Ministry of Railways	20	30	0.66
<b>5</b>	<b>Railway Division</b>	<b>46</b>	<b>253</b>	<b>0.18</b>
	Mumbai Division/Central Railway Zone/Ministry of Railways	2	15	0.15
	Chennai Division/Southern Railway Zone/Ministry of Railways	2	12	0.19
<b>6</b>	<b>Ordinance Factory</b>	<b>16</b>	<b>47</b>	<b>0.34</b>
	Ammunition Factory Khadki (AFK)/Ministry of Defence	3	5	0.58
	Ordinance Factory Chandrapur (OFCH)/Ministry of Defence	2	4	0.45
<b>7</b>	<b>State Govt.</b>	<b>2529</b>	<b>3717</b>	<b>0.68</b>
	Rajasthan	158	561	0.28
	Uttar Pradesh	225	447	0.50
<b>8</b>	<b>State PSU</b>	<b>1645</b>	<b>1392</b>	<b>1.18</b>
<b>9</b>	<b>MSME Unit</b>	<b>471</b>	<b>3099</b>	<b>0.15</b>
<b>10</b>	<b>Individual</b>	<b>111</b>	<b>1161</b>	<b>0.10</b>
<b>11</b>	<b>Proprietorship</b>	<b>903</b>	<b>7270</b>	<b>0.12</b>
<b>12</b>	<b>Other</b>	<b>4692</b>	<b>20134</b>	<b>0.23</b>
	<b>Grand Total</b>	<b>13274</b>	<b>40666</b>	<b>0.33</b>

Source: MSME SAMADHAAN – Pending Amount Report, Top 2 Respondents in each Category

- Nov'20 GST revenue is 1.4% higher than the GST revenues in the same month last year. The positive trend which started from Sep'20 has sustained
- The SGST collection for states is 18% lower at Rs 1,59,396 crore in Apr-Nov'20 vis-à-vis Apr-Nov'19 and the allocated IGST is 16% lower at Rs 1,08,068 crore. Meanwhile the cess collection is Rs 51,733 crore which is again 20% lower than last year
- The combined amount of SGST, Allocated IGST and Cess stands at Rs 3,19,198 crore, which is 17% lower than last year's collection in the same period and its is equal to 49% of the states' budgeted SGST which is Rs 6,48,527 crore
- However, the gap between last year and this year's cumulative revenue is narrowing as GST collections have improved. If the IGST allocation of GST which is still below 40%, rises to 50% by Mar'21 and GST collections keep the momentum, then state GST shortfall can narrow down to around Rs 50000 crore after taking into account the full compensation cess

YTD Cumulative % change in various components of State GST								
Component	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
GST	-67%	-54%	-39%	-33%	-29%	-24%	-20%	-17%
CGST	-76%	-60%	-40%	-33%	-29%	-23%	-19%	-17%
SGST	-79%	-65%	-46%	-38%	-33%	-28%	-23%	-18%
IGST	-63%	-50%	-39%	-33%	-29%	-24%	-19%	-16%
Cess	-93%	-64%	-46%	-38%	-32%	-28%	-23%	-20%
IGST to SGST Allocation	-89%	-65%	-50%	-37%	-32%	-26%	-17%	-16%
SGST+IGST Allocation+Cess	-84%	-65%	-47%	-38%	-33%	-27%	-21%	-17%

Source: SBI Research

- State Market borrowings are 46% higher than in the same period last year, indicating the persisting stress in their revenues
- All states and three Union Territories have picked the first of the two options to receive compensation on account of implementation of Goods and Services Tax (GST). Under the plan selected by states, the central government will borrow ₹ 1.10 lakh crore from the market, to meet the states' revenue shortfall
- Under the terms of Option-1, besides getting the facility of a special window for borrowings to meet the shortfall arising out of GST implementation, the States are also entitled to get unconditional permission to borrow the final instalment of 0.50% of Gross State Domestic Product (GSDP) out of the 2% additional borrowings permitted by the Government of India, under AtmaNirbhar Abhiyaan on 17th May, 2020. Till, 4<sup>th</sup> December out of the ₹ 106830 Additional borrowing of 0.50% allowed to States and 3 UTs have borrowed ₹ 30000.00 crore

Market Borrowing of States (Rs crore)			
States	FY21 Till 01 Dec	FY20 Till 03 Dec	% Change
Total	504206	344336	46%
Maharashtra	65000	22500	189%
Tamil Nadu	58000	38890	49%
Karnataka	47000	23400	101%
Andhra Pradesh	41250	28967	42%
Rajasthan	35711	26332	36%
Telangana	30534	21800	40%
Gujarat	29780	20400	46%
West Bengal	29500	28210	5%
Uttar Pradesh	25500	29000	-12%
Haryana	22500	16501	36%
Bihar	20000	16642	20%
Punjab	19716	18820	5%
Kerala	18566	14682	26%
Madhya Pradesh	18000	9000	100%
Assam	7800	6300	24%
Jammu and Kashmir	6910	4992	38%
Chhattisgarh	6000	2000	200%
Uttarakhand	3700	2100	76%
Jharkhand	3600	1500	140%
Himachal Pradesh	3400	2000	70%
Odisha	3000	4000	-25%
Goa	2000	1400	43%
Tripura	1113	1680	-34%
Nagaland	1064	400	166%
Meghalaya	1050	645	63%
Sikkim	927	451	106%
Manipur	880	403	118%
Mizoram	674	450	50%
UT of Puducherry	550	400	38%
Arunachal Pradesh	481	472	2%

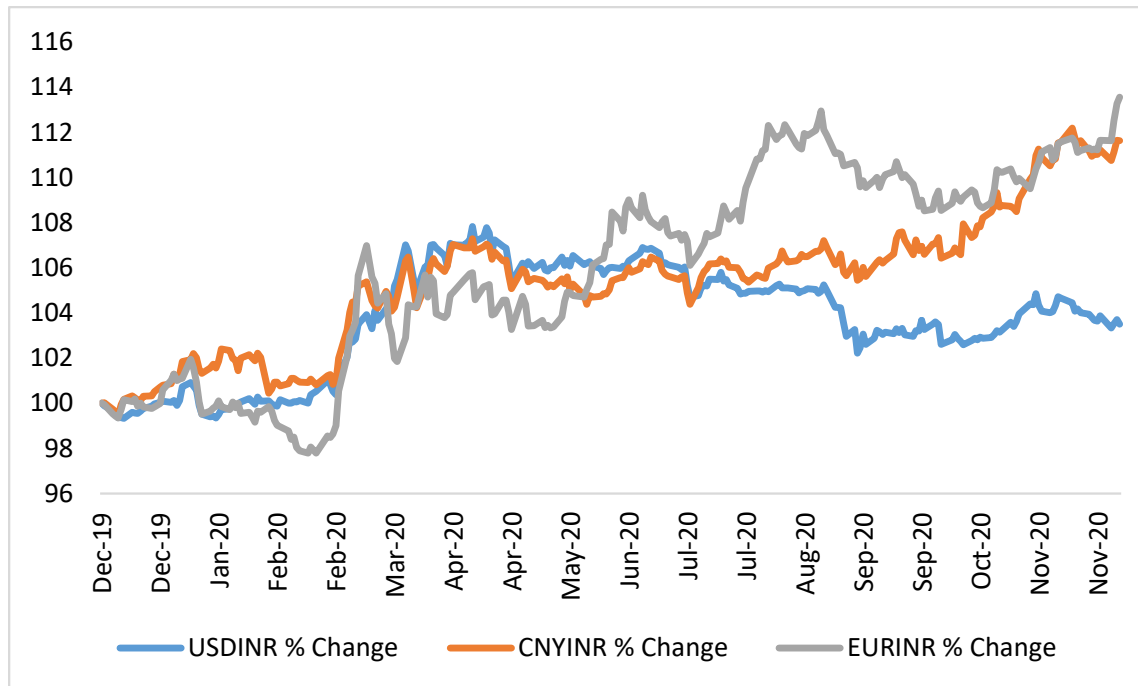
- India's agri and metal exports have bucked the trend and have stayed upbeat
- Pharma exports have also stayed positive. However, this was expected

Merchandise Exports(\$ Million)					
Rank	Commodity	Apr-Oct 2019	Apr-Oct 2020(P)	%Growth	%Share
1	S6 PETROLEUM PRODUCTS	24,693.71	13,816.64	-44.05	9.18
2	H8 DRUG FORMULATIONS, BIOLOGICALS	9,163.58	10,872.45	18.65	7.23
3	G5 PEARL, PRECS, SEMIPRECS STONES	13,493.20	7,737.65	-42.66	5.14
4	L3 IRON AND STEEL	5,561.34	6,994.69	25.77	4.65
5	N4 ELECTRIC MACHINERY AND EQUIPME	4,987.94	4,563.37	-8.51	3.03
6	I3 ORGANIC CHEMICALS	4,960.32	4,306.33	-13.18	2.86
7	E7 MARINE PRODUCTS	4,099.92	3,394.04	-17.22	2.26
8	Q6 RMG COTTON INCL ACCESSORIES	4,978.81	3,336.36	-32.99	2.22
9	L4 PRODUCTS OF IRON AND STEEL	4,064.10	3,322.84	-18.24	2.21
10	G9 GOLD AND OTH PRECS METL JWLRY	8,335.04	3,213.99	-61.44	2.14
11	L5 ALUMINIUM, PRODUCTS OF ALUMINM	2,889.99	3,155.18	9.18	2.1
12	I7 RESIDUL CHEMICAL AND ALLED PROD	3,324.23	3,150.02	-5.24	2.09
13	P8 COTTON FABRICS, MADEUPS ETC.	3,550.10	3,004.17	-15.38	2
14	O7 SHIP, BOAT AND FLOATING STRUCT	3,012.15	2,712.76	-9.94	1.8
15	N6 INDL. MACHNRY FOR DAIRY ETC	3,217.79	2,664.97	-17.18	1.77
16	H5 BULK DRUGS, DRUG INTERMEDIATES	2,289.91	2,516.53	9.9	1.67
17	E8 IRON ORE	1,531.31	2,471.35	61.39	1.64
18	O5 MOTOR VEHICLE/CARS	4,688.87	2,463.42	-47.46	1.64
19	A3 RICE -BASMOTI	2,225.49	2,429.80	9.18	1.61
20	A4 RICE(OTHER THAN BASMOTI)	1,149.21	2,332.79	102.99	1.55
21	B1 SPICES	2,235.61	2,240.96	0.24	1.49
22	M3 AUTO COMPONENTS/PARTS	3,180.49	2,225.42	-30.03	1.48
23	K8 PLASTIC RAW MATERIALS	2,089.48	2,160.27	3.39	1.44
24	H9 AGRO CHEMICALS	1,876.49	1,926.04	2.64	1.28
25	Q3 MANMADE YARN,FABRICS,MADEUPS	2,765.24	1,801.10	-34.87	1.2
	<b>Total</b>	<b>1,85,395.36</b>	<b>1,50,452.37</b>	<b>-18.85</b>	<b>100</b>

- Meanwhile, imports have shown broad-based decline
- Barring vegetable oils, fertilizers and bulk drugs and drug intermediaries all other top imports have declined

Merchandise Imports(\$ Million)					
Rank	Commodity	Apr-Oct 2019	Apr-Oct 2020(P)	%Growth	%Share
1	S5 PETROLEUM: CRUDE	59,055.93	26,693.44	-54.8	14.57
2	S6 PETROLEUM PRODUCTS	15,869.05	11,277.76	-28.93	6.16
3	G6 GOLD	17,643.32	9,276.26	-47.42	5.06
4	P4 TELECOM INSTRUMENTS	9,205.59	8,419.41	-8.54	4.6
5	F1 COAL,COKE AND BRIQUITTES ETC	13,831.74	8,208.94	-40.65	4.48
6	G5 PEARL, PRECS, SEMIPRECS STONES	12,947.81	7,499.12	-42.08	4.09
7	P2 ELECTRONICS COMPONENTS	10,457.20	7,301.88	-30.17	3.99
8	B8 VEGETABLE OILS	5,689.92	5,784.00	1.65	3.16
9	O9 COMPUTER HARDWARE, PERIPHERALS	5,841.52	5,747.22	-1.61	3.14
10	I3 ORGANIC CHEMICALS	7,702.37	5,421.57	-29.61	2.96
11	N6 INDL. MACHNRY FOR DAIRY ETC	7,308.41	4,987.08	-31.76	2.72
12	H3 FERTILEZERS MANUFACTURED	4,391.47	4,645.78	5.79	2.54
13	K8 PLASTIC RAW MATERIALS	6,402.89	4,404.25	-31.21	2.4
14	I7 RESIDUL CHEMICL AND ALLED PROD	4,567.16	4,109.72	-10.02	2.24
15	L3 IRON AND STEEL	7,289.73	4,009.34	-45	2.19
16	P3 ELECTRONICS INSTRUMENTS	4,760.47	3,764.89	-20.91	2.06
17	N4 ELECTRIC MACHINERY AND EQUIPME	6,816.24	3,404.60	-50.05	1.86
18	P1 CONSUMER ELECTRONICS	3,298.20	2,483.13	-24.71	1.36
19	I2 INORGANIC CHEMICALS	2,931.01	2,407.09	-17.88	1.31
20	ZZ OTHER COMMODITIES	3,248.23	2,289.47	-29.52	1.25
21	H5 BULK DRUGS, DRUG INTERMEDIATES	2,070.22	2,206.00	6.56	1.2
22	M8 MEDICAL AND SCIENTIFIC INSTRUM	2,702.92	2,149.58	-20.47	1.17
23	L6 COPPER AND PRDCTS MADE OF COPR	3,112.32	2,060.47	-33.8	1.12
24	L5 ALUMINIUM, PRODUCTS OF ALUMINM	2,785.29	1,844.50	-33.78	1.01
25	M3 AUTO COMPONENTS/PARTS	2,859.29	1,808.27	-36.76	0.99
	<b>Total</b>	<b>2,86,067.02</b>	<b>1,83,200.36</b>	<b>-35.96</b>	<b>100</b>

- Even though Rupee has appreciated recently vis-à-vis US Dollar, it has been displaying weakness against Chinese Yuan and Euro: Does it indicate a shift in policy?



- India has rapidly accumulated foreign exchange reserves after the pandemic hit
- Excluding gold, now India has the 4<sup>th</sup> largest foreign currency reserves

Foreign Exchange Reserves(\$ billion)					
	Jan-20	Aug-20	Sep-20	Oct-20	Nov-20
<b>China</b>	3115	3165	3143	3128	3178
<b>Japan</b>	1273	1316	1309	1304	1307
<b>Switzerland</b>	791	940	945	952	-
<b>India</b>	437	499	502	518	533
<b>Taiwan</b>	479	498	500	501	513
<b>Hong Kong SAR (China)</b>	446	450	453	475	486
<b>Saudi Arabia</b>	491	441	436	435	-
<b>Russian Federation</b>	436	438	433	432	-
<b>South Korea</b>	399	407	408	414	424
<b>Singapore</b>	276	325	325	335	350

Source: CEIC

## New companies registered during FY21 (April-Nov)

- Five states i.e. Maharashtra, Delhi, UP, Karnataka and Telangana accounted for more than 50% of the new registered companies
- Total 98675 Indian companies registered during last eight months as compared to 81697 in the same period previous year registering a growth of over 20%
- In Manufacturing, sectors such as Food, Metal & Chemicals and Machinery and Equipments reported major registrations

Activity wise no .of Companies registered during FY21 (April-Nov)	
Activity Description	No of Companies
<b>Manufacturing</b>	<b>21484</b>
Food stuffs	5611
Leather & products thereof	179
Machinery & Equipments	4371
Metals & Chemicals, and products thereof	6449
Others	1469
Paper & Paper products, Publishing etc.	1275
Textiles	1977
Wood Products	153
Business Services	28920
Community, personal & Social Services	12438
Construction	5849
Electricity, Gas & Water companies	1021
Finance	3126
Insurance	107
Mining & Quarrying	743
Real Estate and Renting	2711
Trading	12815
Transport, storage and Communications	2984
Agriculture and Allied Activities	6477
<b>Grand Total</b>	<b>98675</b>

Source: SBI; GOI

Statewise (top 20) no. of Companies registered during FY21 (April-Nov)		
State	No of Cos	Share
Maharashtra	17392	17.63%
Delhi	10643	10.79%
Uttar Pradesh	10333	10.47%
Karnataka	7919	8.03%
Telangana	6339	6.42%
Tamil Nadu	6048	6.13%
Gujarat	5065	5.13%
Haryana	4978	5.04%
West Bengal	4557	4.62%
Kerala	4073	4.13%
Rajasthan	3639	3.69%
Bihar	3582	3.63%
Madhya Pradesh	2671	2.71%
Andhra Pradesh	2135	2.16%
Orissa	2031	2.06%
Jharkhand	1354	1.37%
Punjab	1324	1.34%
Chattisgarh	910	0.92%
Uttarakhand	907	0.92%
Assam	748	0.76%
<b>Grand Total</b>	<b>98675</b>	<b>100.00%</b>

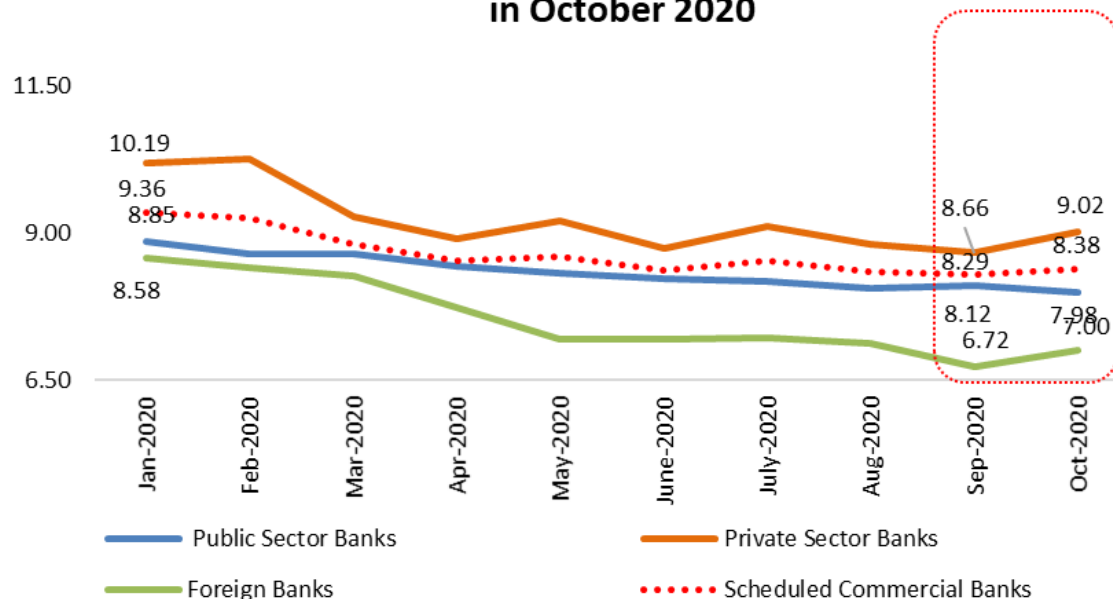
Source: SBI; GOI



# Banking & Financial Industry

- ❑ In the current FY so far, banking business is improving with renewed demand from corporates and retail segments
- ❑ ASCBs incremental credit growth has turned positive in Nov'20 and grew by 0.3% (YTD) as on 06 Nov'20, compared to 0.8% growth during the corresponding period of last year
- ❑ Aggregate deposits are also increasing continuously and touched 6.0% YTD growth compared to last year YTD growth of 3.4%
- ❑ In 2020, RBI has reduced the policy rate 115 bps and banks (across the groups) have also reduced their deposits and advances rates accordingly, for a better transmission. However, in October private and foreign banks have increased their lending rate on fresh loans (WALR) by 36 and 28 bps respectively, while PSBs have reduced 14 bps in October, compared to September

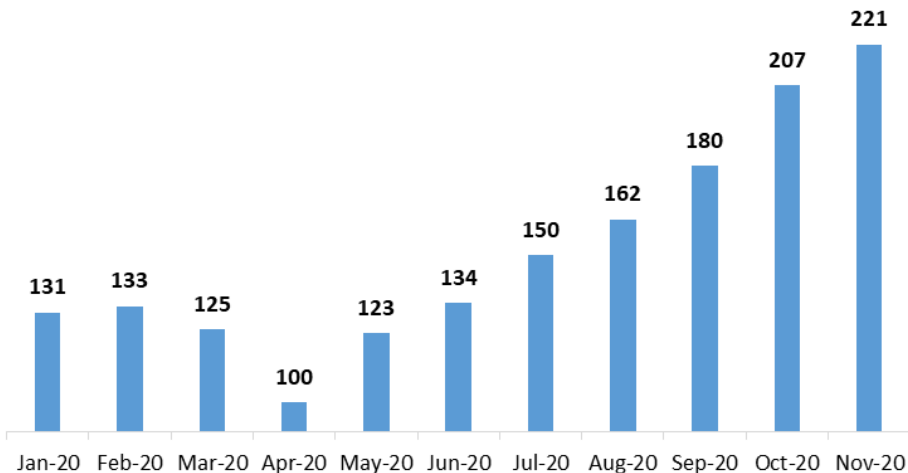
**Pvt. & Foreign Banks have Increased the Lending Rates in October 2020**



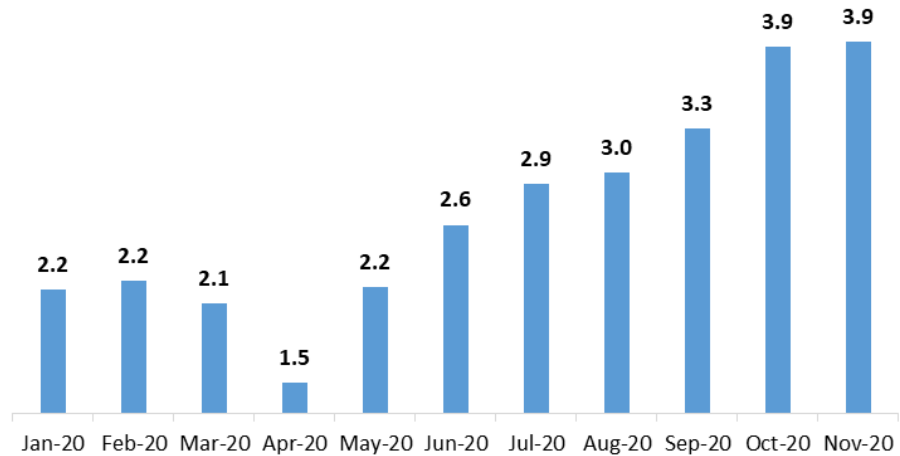
Per Credit and Debit Card Transaction						
Month	Credit Cards			Debit Cards		
	Number of Cards (Lakh)	Total Transaction (Rs Crore)	Per Card Transaction (Rs)	Number of Cards (Lakh)	Total Transaction (Rs Crore)	Per Card Transaction (Rs)
Nov-19	544	60130	11051	8308	77577	934
Dec-19	553	65736	11880	8053	83953	1042
Jan-20	561	66573	11863	8164	84575	1036
Feb-20	572	62148	10873	8230	80146	974
Mar-20	577	50574	8758	8286	65303	788
Apr-20	574	20765	3620	8294	29043	350
May-20	572	32225	5636	8353	48049	575
Jun-20	573	42773	7466	8454	62494	739
Jul-20	576	45558	7905	8524	66481	780
Aug-20	578	50311	8700	8587	71778	836
Sep-20	587	51134	8712	8654	75086	868

Source: RBI; SBI Research

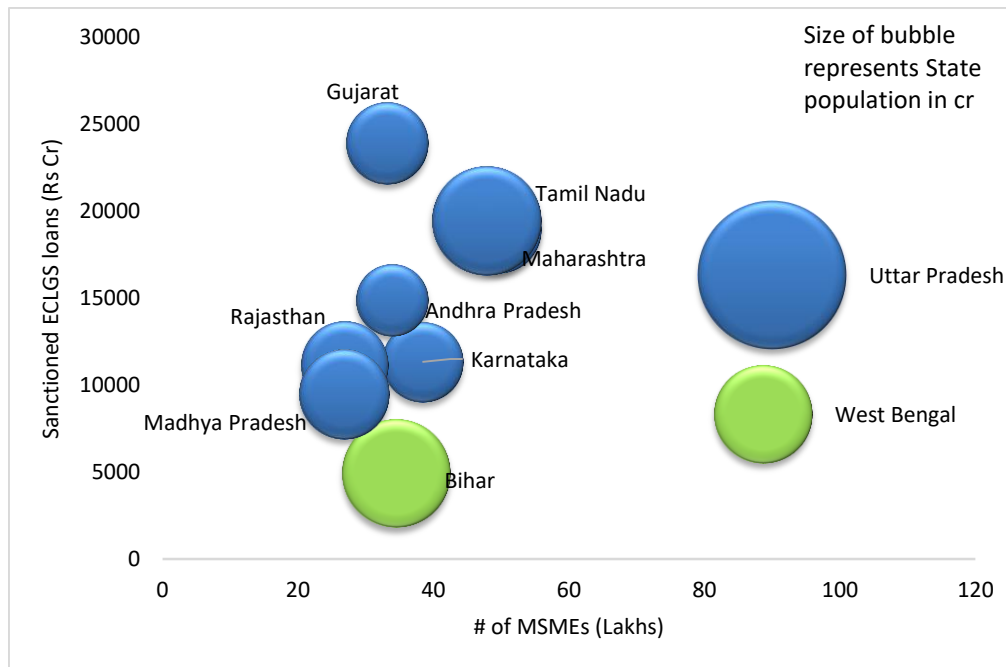
UPI: Volume (in Crore)



UPI: Value (Rs Lakh Crore)

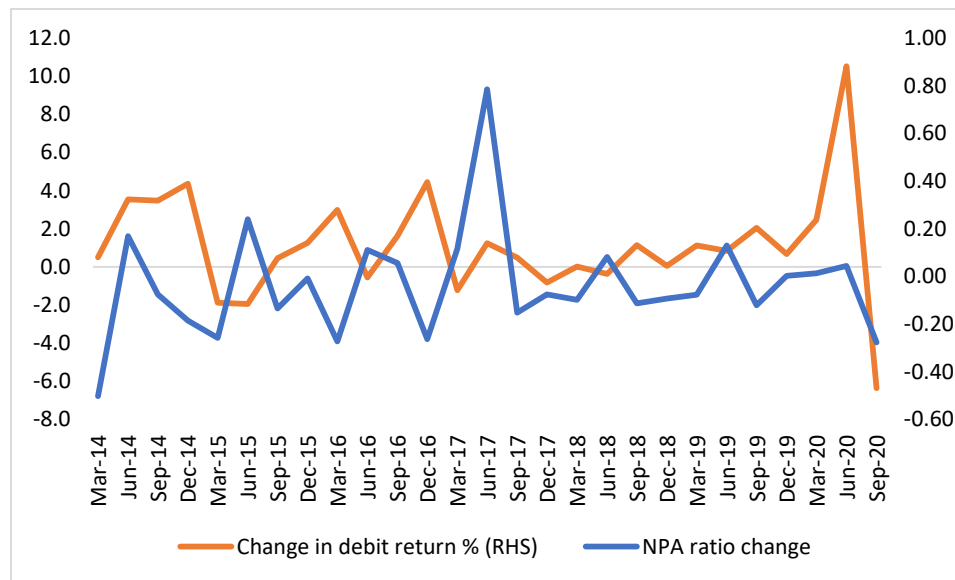


- ❑ The bubble graph shows the states with maximum number of MSMEs on the x axis and the sanctioned amount under the ECLGS scheme (based on SBI share) is taken on the y-axis. Further, the size of the bubble is taken to be the population of the state
- ❑ States (except Bihar and West Bengal) with maximum number of MSMEs are also the ones where maximum amount has been disbursed under the ECLGS scheme



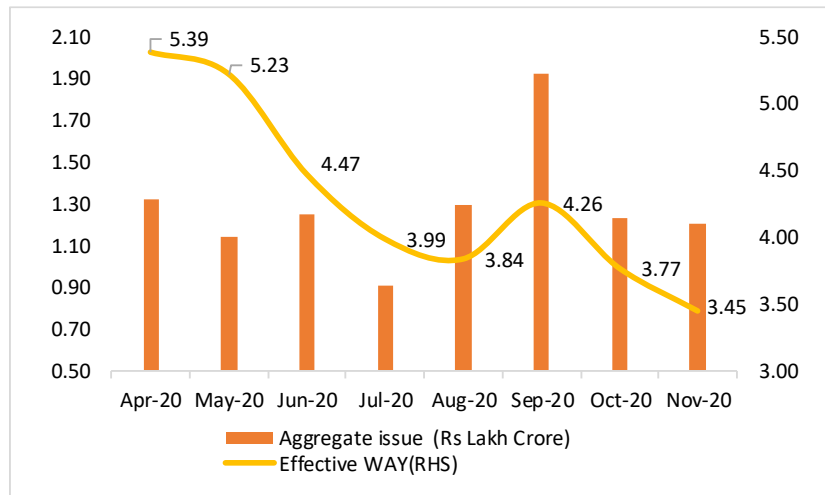
# Debit % Return causes change in retail NPA ratio with 1 quarter lag

- ❑ NACH % return (value) of total debits (recurring payments including EMI, insurance premium) has declined in recent months. In Oct'20 % return of debits has modestly increased to 32.3% from 31.7% in Sep'20
- ❑ Also, the per transaction return (value) has declined to Rs 7495 in Oct'20 compared to Rs 8071 in Apr'20
- ❑ When the change in % return of total debits is looked along with change in retail NPA ratio, the two are modestly positively correlated
- ❑ Granger causality results show that change in % return in total debits causes change in retail NPA ratio with 1 quarter lag and the result is significant @5% level of confidence

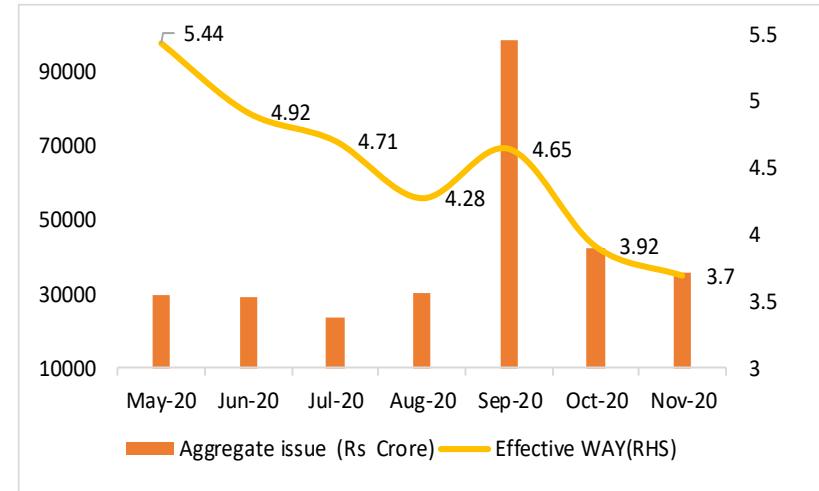


- Commercial paper issuances almost flat in the month of Nov'20 at Rs1.21 lakh crore as compared to Rs 1.23 lakh crore in Oct'20
- Effective Weighted Average Yield (EWAY) continue to decrease by 32 bps to 3.45% in Nov'20
- In NBFC space also decreased EWAY decreases by 22 bps to 3.7% in Nov'20 as compared to 3.92% in Oct'20 and 4.65% in Sept'20

### Month wise CP issuances



### CP issuances by NBFC sector



Source: CCIL, SEBI, RBI and SBI Research

Sectorwise Rating Upgrade and Downgrade (select sector)							
Sector	April to July 20			Aug-Nov20			Change in U/D (in bps)
	Rating Upgrades	Rating Downgrades	U/D ratio	Rating Upgrades	Rating Downgrades	U/D ratio	
Capital Goods-Non Electrical Equipment	77	1098	0.07	148	978	0.15	0.08
Construction & Engineering	44	523	0.08	70	461	0.15	0.07
Healthcare	43	160	0.27	49	144	0.34	0.07
Consumer Durables & Apparel	34	752	0.05	67	579	0.12	0.07
Textiles	27	522	0.05	43	414	0.10	0.05
Metals and Mining	13	279	0.05	48	218	0.22	0.17
Pharmaceuticals	23	80	0.29	26	81	0.32	0.03
Steel	12	232	0.05	39	178	0.22	0.17
Capital Goods - Electrical Equipment	9	131	0.07	15	91	0.16	0.10
IT	7	105	0.07	14	88	0.16	0.09
Sugar	11	20	0.55	8	16	0.50	-0.05
Auto Components and Ancillaries	7	134	0.05	8	90	0.09	0.04
Fertilizers & Agriculture chemicals	6	31	0.19	7	13	0.54	0.34
Cement	4	11	0.36	6	6	1.00	0.64
Energy	3	18	0.17	3	25	0.12	-0.05
Automobiles	-	8	-	1	5	0.20	0.20
Gems & Jewellery-Diamonds Polishing	1	26	0.04	1	16	0.06	0.02
Hotels Restaurants & Leisure	-	84	-	3	90	0.03	0.03
Tyres & Rubber	-	14	-	-	13	-	-
Gems & Jewellery-Diamonds jewellery retailing	-	14	-	4	17	0.24	0.24
Retailing	14	496	0.03	34	422	0.08	0.05

Source: Crisil; SBI Research; U/D - upgrade to downgrades

ECB/FCCB Month-wise Amount in USD MN			
Economic sector of borrower-Top 25	Oct'19 to Mar'20	Apr'20 to Oct'20	% Change
Financial service activities, except insurance and pension funding	8708	2299	-73.6
Manufacture of coke and refined petroleum products	3254	5893	81.1
Electricity, gas, steam and air conditioning supply	5067	735	-85.5
Warehousing and support activities for transportation	503	1461	190.6
Extraction of crude petroleum and natural gas	1525	-	-100.0
Manufacture of motor vehicles, trailers and semi-trailers	1014	471	-53.6
Manufacture of chemicals and chemical products	387	672	73.8
Telecommunications	1020	15	-98.5
Manufacture of computer, electronic and optical products	724	259	-64.3
Manufacture of basic metals	827	42	-95.0
Manufacture of machinery and equipment n.e.c.	503	200	-60.2
Retail trade, except of motor vehicles and motorcycles	579	28	-95.2
Manufacture of pharmaceuticals, medicinal chemical and botanical products	437	146	-66.5
Manufacture of food products	138	395	186.3
Manufacture of rubber and plastics products	235	261	10.7
Land transport and transport via pipelines	263	179	-31.9
Manufacture of electrical equipment	213	154	-27.7
Civil engineering	78	201	157.9
Wholesale trade, except of motor vehicles and motorcycles	172	94	-45.6
Air transport	240	3	-98.6
Manufacture of fabricated metal products, except machinery and equipment	76	133	75.2
Other manufacturing	91	93	2.6
Computer programming, consultancy and related activities	13	146	1031.7
Human health activities	118	26	-77.6
Manufacture of other non-metallic mineral products	95	40	-57.8
Grand Total	26866	14517	-46.0
Source: SBI Research; RBI; Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period			



- ❑ While FIIs have made net investment of Rs 1.56 lakh crore in equity so far this fiscal
- ❑ Mutual funds have withdrawn a net amount of Rs 69,800 crore during the same period

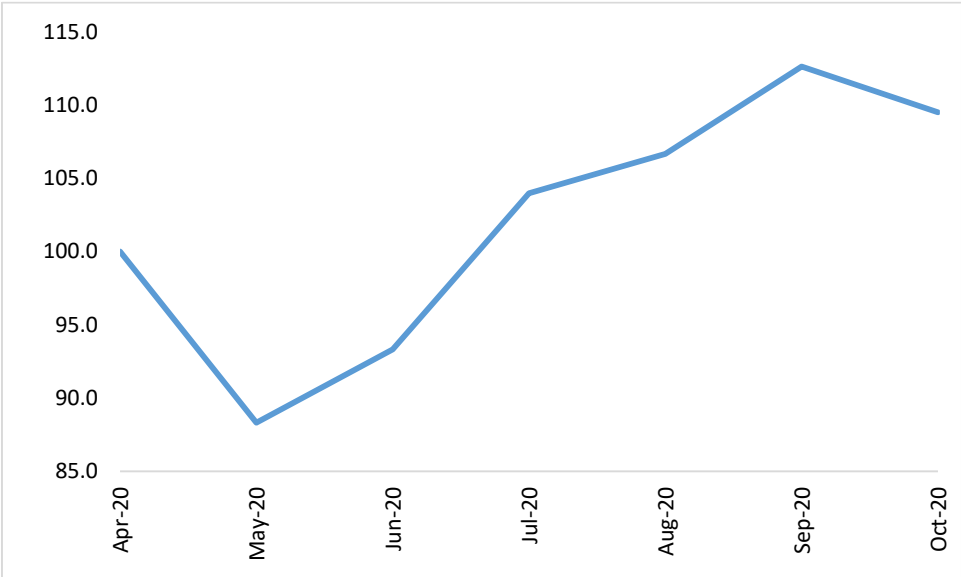
Net Investment in Equity (Rs crore)		
Months	FPI/FII	Mutual Fund
April	-6884	-7966
May	14569	6522
June	21832	-502
July	7563	-9195
August	47080	-9213
September	-7783	-4134
October	19541	-14492
November	60358	-30760
<b>Total</b>	<b>156276</b>	<b>-69739</b>
Source: SEBI, NSDL		

# Financial Stability Index shows a dip in Nov'20

- After continuous improvement between May'20-Sep'20, our in-house Financial Stability Index shows a modest decline in stability in Oct'20, mainly due to significant decline in amount issued in CP market in Nov compared to Oct

Financial Stability Index	
Indicator	Association with financial stability
Debt MF AUM	Positive
MF redemption	Negative
MF overall investment	Positive
% of MF Investment in Sovereign	Negative
AAA Corporate Bond spread	Negative
Amount issued by players who borrowed above average rate in CP market	Negative
Total Number of Trades in CP market	Positive
Total amount issued in CP Market	Positive
Monetary transmission	Positive
Govt G-sec & reverse repo spread gap from 2008 level	Positive
Source: The list is not exhaustive. SBI Research	

Financial Stability Index



- ❑ After SC Judgement and following COVID-19 trading volumes in cryptocurrency have jumped by 85-100%
- ❑ Average trading on Indian crypto exchange is roughly \$20 million per day
- ❑ Average age of investor ranges between 25 and 40
- ❑ With overpriced equity and fragility in mutual funds, trends towards investment in cryptocurrency will only accelerate



# Thank you

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