Ecowrap

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Q4FY20 GDP AT 1.2%:FY20 AT 4.2%, FY21 AT –6.8%: IMPORTANT TO LOOK INTO QUARTERWISE GDP TRENDS IN FY21 THAN HEADLINE GDP: LAST WEEK OF JUNE MIGHT SEE THE COVID PEAK

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With India entering a 4th phase of lockdown, it is now important to understand the impact on output. When India had first imposed a lockdown, our GDP estimate was 2.6% and since then it has been progressively reduced to a negative 4.7%, with nominal GDP witnessing a contraction. However, given that the States are now taking a staggered approach in terms of activities in red, green and orange zones, we believe that a bottom up approach estimation to growth could be more appropriate than an earlier top down approach. Subsequently we estimated the district-wise, zone wise loss in GSDP for each state and found that **total GSDP loss due to COVID-19 for states stands at Rs 30.3 lakh crore, which is 13.5% of total GSDP**. The loss is maximum (around 50%) in Red Zones and where almost all the big districts of India are located. **The combined loss of Orange + Red zone is around 90% of total loss. The loss in Green zone is the least as 80% of population in this zone is located in rural areas which is almost open for all activities.**

There are several important features of our GDP data.

First, Q4GDP numbers for FY20 could be below 1.5%. We estimate it at 1.2%, with FY20 GDP numbers at 4.2%.

Second, State-wise analysis indicates that top 10 states accounted for 75% of total GDP loss with Maharashtra contributing 15.6% of total loss, followed by Tamil Nadu (9.4%) and Gujarat (8.6%). These three states also have the largest number of confirmed COVID-19 cases in India.

Third, one interesting aspect of data is the difference between GDP and GVA. Normally the difference between GDP and GVA growth rate is not large, but this time due to huge losses in net indirect taxes the difference will be quite big. We estimate real GVA growth could be at –3.1% in FY21 and real GDP growth at –6.8% in FY21.

Fourth, we now believe that Q1GDP FY21 loss will be humongous and could even exceed 40%. However, Q2GDP numbers could witness a smart recovery and clock 7.1%, if we are able to sustain the demand. **Q3 and Q4 growth numbers could also look much better, with an average of 6%, but the Q2 bump could come down with the immediate bust in pent up demand in Q2 subsiding subsequently**. However, things could rapidly change as the income and job loss could again propel us towards a lower equilibrium after the initial bump up. We thus believe the Government might be looking at the data more closely to prevent such loss in momentum in Q3 and Q4 and even come up with another targeted package later in the year.

Meanwhile, based on the current 7-days moving average of new cases witnessed in India, we believe that new cases are likely to peak somewhere anytime in the last week of June, beginning June 20. Following that the new cases are expected to witness steep fall till the beginning of August after which it is expected to flatten by mid-September. However, these are purely based on an assessment of current trends that can rapidly change.

In India, when we compared the data during the period 22-March to 20 May 2020, the Google Mobility to 'Grocery and Pharmacy', 'Transit Stations' & in 'Residential Area' has increased in the recent period. This may be due to Government's effort to transit migrant labourers to their own states.

GDP ESTIMATION: BOTTOM UP APPROACH

- With India entering a 4th phase of lockdown, it is now important to understand the impact on output. When India had first imposed a lockdown, our GDP estimate was 2.6% and since then it has been progressively reduced to a negative 4.7%, with nominal GDP witnessing a contraction. However, given that the States are now taking a staggered approach in terms of activities in red, green and orange zone, we believe that a bottom up approach estimation to growth could be more appropriate than a pure top down approach.
- In the bottom up approach we estimated output loss in each states according to zone based level of activity and then cumulatively adding for the overall GDP loss. Since Government has categorized all the districts in each state in 3 zones (and further bifurcated red zone in two other zones) we have estimated the state wise loss in GSDP in each respective zone.
- To estimate the district-wise GSDP for statewide zones, we took into account the population share with both rural and urban distribution. Taking all these factors into account we have estimated the district wise nominal GSDP for FY21 with appropriate assumptions. To calculate the loss in each district due to lockdown we have first categorized districts into three zones (Green, Orange & Red) as per Government advisory. We estimated loss after carefully mapping the activities permitted.
- Subsequently we have calculated the district-wise, zone wise loss in GSDP for each state and found that **total GSDP loss due to COVID-19 for states stands at Rs 30.3 lakh crore, which is 13.5% of total GSDP**. The loss is maximum (around 50%) in red zone and where almost all the big districts of India are located. **The combined loss of Orange + Red zone is around 90% of total loss**. The loss in Green zone is the least as 80% of population in this zone is located in rural areas which is almost open for all activities. Hence as per our estimates, **FY21 GDP growth would be now around –6.8% and FY21 GVA growth would be around –3.1%**.

State-wise Zone-wise Loss in GSDP during FY21 (Rs Crore)						State Share in Total Loss
States	Green Zone	Orange Zone	Red Zone	Total Loss	Loss as % of GSDP	
Maharashtra	3.6%	29.3%	67.1%	472433	15.4%	15.6%
Tamil Nadu	1.1%	47.9%	51.0%	286357	14.9%	9.4%
Gujarat	3.3%	36.1%	60.5%	261386	15.0%	8.6%
Uttar Pradesh	10.7%	43.2%	46.1%	253259	13.1%	8.3%
Karnataka	22.0%	41.3%	36.7%	202407	11.4%	6.7%
West Bengal	8.2%	23.9%	67.9%	199069	14.6%	6.6%
Delhi	0.0%	0.0%	100.0%	169234	18.8%	5.6%
Rajasthan	5.2%	45.4%	49.4%	153733	14.1%	5.1%
Andhra Pradesh	2.1%	42.5%	55.4%	149289	14.9%	4.9%
Telangana	0.0%	56.8%	43.2%	145563	14.6%	4.8%
Kerala	6.1%	73.8%	20.1%	113785	12.6%	3.8%
Madhya Pradesh	22.3%	36.1%	41.6%	108012	11.5%	3.6%
Haryana	5.7%	75.1%	19.2%	106969	12.6%	3.5%
Punjab	4.4%	57.9%	37.7%	83035	13.6%	2.7%
Bihar	17.1%	57.4%	25.5%	74249	11.5%	2.4%
Odisha	41.7%	31.4%	26.8%	54033	9.4%	1.8%
Jharkhand	30.8%	52.6%	16.6%	35530	10.0%	1.2%
Chhattisgarh	58.1%	6.9%	35.0%	30790	8.5%	1.0%
Uttarakhand	33.6%	32.1%	34.3%	29137	10.2%	1.0%
Assam	77.7%	22.3%	0.0%	26387	7.0%	0.9%
Jammu & Kashmir	6.4%	59.8%	33.8%	23494	13.1%	0.8%
Himachal Pradesh	25.0%	75.0%	0.0%	17728	10.0%	0.6%
Chandigarh	0.0%	0.0%	100.0%	9383	18.8%	0.3%
Goa	100.0%	0.0%	0.0%	5580	6.3%	0.2%
Puducherry	13.5%	86.5%	0.0%	4672	11.0%	0.2%
Tripura	68.2%	31.8%	0.0%	4335	7.4%	0.1%
Meghalaya	56.4%	43.6%	0.0%	3181	8.0%	0.1%
Nagaland	100.0%	0.0%	0.0%	1974	6.3%	0.1%
Sikkim	100.0%	0.0%	0.0%	1938	6.3%	0.1%
Manipur	100.0%	0.0%	0.0%	1899	6.3%	0.1%
Arunachal Pradesh	100.0%	0.0%	0.0%	1780	6.3%	0.1%
Mizoram	100.0%	0.0%	0.0%	1609	6.3%	0.1%
A & N Islands	16.6%	0.0%	83.4%	1475	14.1%	0.0%
All India	**9.5%**	**39.8%**	**50.6%**	**3033704**	**13.5%**	**100.0%**

Source: SBI Research

- State-wise analysis indicates that top 10 states accounted for 75% of total GDP loss with Maharashtra contributing 15.6% of total loss followed by Tamil Nadu (9.4%) and Gujarat (8.6%). These three states also have the largest number of confirmed COVID-19 cases in India.
- One interesting aspect of data is the difference between GDP and GVA. Normally the difference between GDP and GVA growth rate is not large, but this time due to huge losses in net indirect taxes the difference will be quite big.
- For FY21 (before the impact of COVID-19), the difference between GDP and GVA is around Rs 21.9 lakh crore / net indirect taxes (tax – subsidy), i.e.,

  GDP at Market Prices = GVA at basic prices + net indirect taxes

  Rs 194.6 lakh crore = Rs 183.1 lakh crore + Rs 11.5 lakh crore
- **Hence, there is a loss of Rs 10.4 lakh crore in the form of net indirect taxes in FY21.**

Q4 FY20 GDP GROWTH WOULD BE AROUND 1.1%

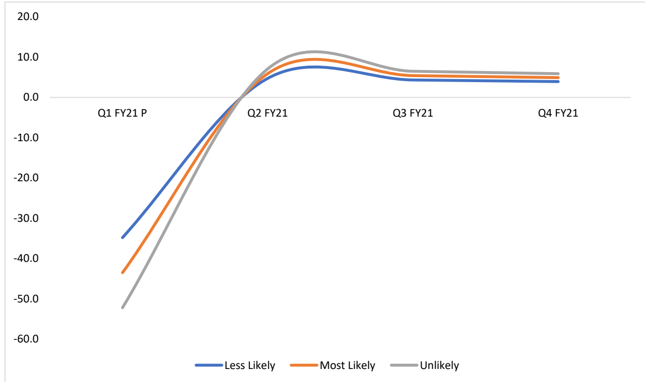
- The provisional estimate (PE) of Q4 FY20 is due on 29 May'20. We believe that Q4 GDP growth would be around 1.2% as the economic activity in the last 7 days of March month was completely suspended due to nation-wide lockdown. Due to this there was an estimated loss of at least Rs 1.4 lakh crore during those 7 days of lockdown. Subsequently, the annual FY20 GDP growth would be around 4.2% as compared to 5.0% as it was projected earlier.

COVID-19 CASES IN INDIA COULD PICK ANYTIME IN LAST WEEK OF JUNE (BEYOND JUNE 20) IF WE FOLLOW CURRENT TRENDS

- When 7-days moving average of the new Covid-19 cases is looked at, one finds that certain countries including New Zealand, Slovakia, Sweden, Greece and Luxembourg have been successful in containing additional number of cases. Meanwhile, new cases in South Korea, Australia and Austria reached a peak and then abated quite early. However, in case of India the cases are rising rapidly and have reached an alarming rate. The number of daily new cases started rising rapidly since mid May and this might continue for another month. **Based on the current 7-days moving average of new cases witnessed in India, we believe that new cases are likely to peak somewhere in the last week of June, beginning June 20. Following that the new cases are expected to witness steep fall till the beginning of August after which it is expected to gradually reduce to flatten by mid-September. However, these are purely based on an assessment of current trends that can quickly change given the cyclonic disaster in West Bengal and the continued return of migrant labourers .**
- Another interesting aspect is the time it takes for cases to increase from 100 to 1 lakh in various countries, India took 65 days only after Iran which took 70 days. On the other hand countries like the US, Spain and Germany where Covid-19 cases jumped from 100 to 1 lakh in only 25, 30 and 35 days respectively. The speed of testing could be one of the factors explaining the difference.
- So the question that comes up in one's mind is what could be the best strategy to deal with the current situation. Should countries take Sweden as a model that did not go for countrywide lockdown as done elsewhere and instead relied on personal responsibility and encouraged citizens to stay home when they're sick and maintain social distancing when in public, though gatherings of more than 50 people were banned in late March. However, the country has witnessed more deaths in exchange for trying to achieve group immunity more quickly and protecting its economy from lasting collapse.

The Summary for FY21 GDP growth is as follow:	
FY20 Nominal GDP (SBI)	Rs 202.3 lakh crore
FY21 Nominal GDP (BE)	Rs 224.9 lakh crore
Loss in Nominal GDP in FY21	**Rs 30.3 lakh crore**
Revised FY21 Nominal GDP	Rs 194.6 lakh crore
Revised FY21 Nominal GDP growth	**-3.8%**
Revised FY21 Nominal GVA growth	**-0.1%**
GDP/GVA Deflator	**3.0%**
Real GDP Growth for FY21	**-6.8%**
Real GVA Growth for FY21	**-3.1%**
Source: SBI Research	

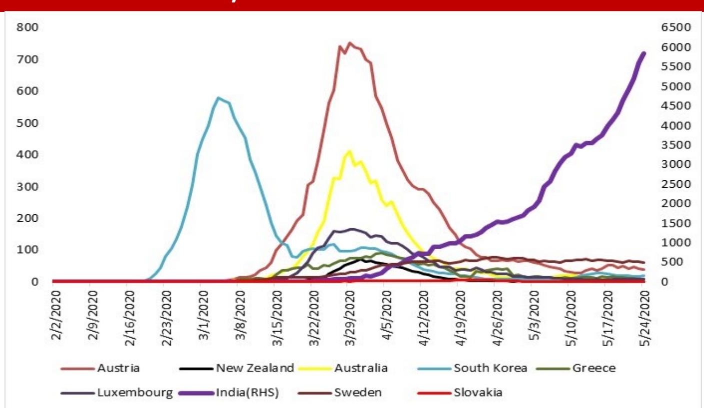
Quarterly Real GDP Growth Estimates for FY21 (%)



Source: SBI Research

Real GDP Quarterly Estimates (%)						
	Q1	Q2	Q3	Q4	Annual	Revision
2019-20	5.0	4.5	-	-	5.0	IAE
	5.6	5.1	4.7	-	5.0	2AE
	5.6	5.1	4.7	**1.1**	**4.1**	**PE***
2018-19	8.2	7.1	-	-	7.2	1AE
	8.0	7.0	6.6	-	7.0	2AE
	8.0	7.0	6.6	5.8	6.8	PE
	7.1	6.2	5.6	5.7	6.1	1RE
2017-18	5.7	6.3	-	-	6.5	IAE
	5.7	6.5	7.2	-	6.6	2AE
	5.6	6.3	7.0	7.7	6.7	PE
	6.0	6.8	7.7	8.1	7.2	1RE
	5.8	6.5	7.6	8.2	7.0	2RE
2016-17	7.1	7.3	-	-	7.1	IAE
	7.2	7.4	7.0	-	7.1	2AE
	7.9	7.5	7.0	6.1	7.1	PE
	8.1	7.6	6.8	6.1	7.1	1RE
	9.4	8.9	7.5	7.0	8.2	2RE
	8.7	9.7	8.6	6.3	8.3	3RE
Source: SBI Research; * SBI projections						

7 Days MA of New cases-COVID 19



Source: SBI Research

- Then there is another success story that of Slovakia where media and civil society has compensated for the weakness of public health institutions by forging a consensus to observe the necessary social norms. The authorities acted here very quickly and announced a lockdown within 10 days of identifying the first case. Slovakia was able to flatten its curve and the widespread adoption of face masks by all major public figures to set an example.
- But again we have other examples like in New York where the cases are rising even after the lockdown has been adopted. It has also been reported by some hinting towards the likelihood of airborne transmission, which means the virus can spread through the particles suspended in the air.

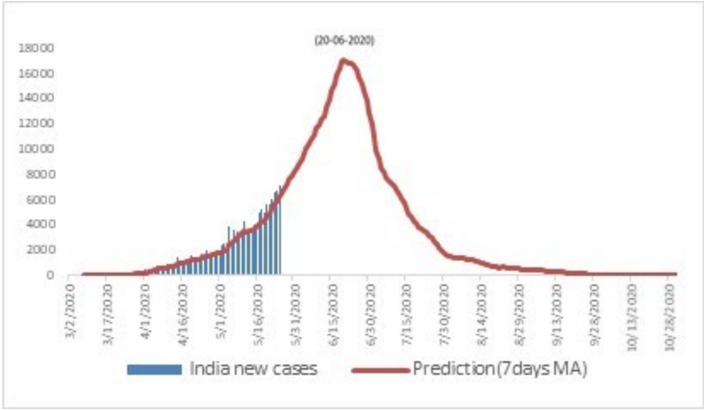
ECONOMIC ACTIVITY REMAIN DEPRESSED

- India's automobile sector has been reeling under pressure and the current lockdown has pushed the automobile sales (domestic) to 123 month low of 10.5 lakh units in Mar'2020. The yearly number indicates a 17.8% decline in automobile sales to 2.15 crore, compared to last year 2.62 crore in FY19. In March, there has been a m-o-m decline of 36% in domestic automobile sales, which is mostly due to the year-end lockdown to fight the COVID crisis. Further, if we look at the vehicle registration data at RTO indicates a significant decline and revenue collections also declined by 90%.

GOOGLE MOBILITY INDEX

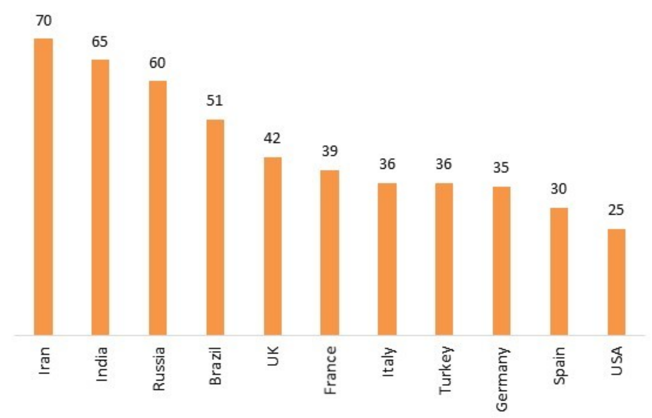
- Google has been publicly releasing the data, "Community Mobility Reports", it's already collecting about people's movements during the coronavirus pandemic, which showed the types of places people are visiting across 131 countries and regions, including India.
- **In India, we compared the data during the period 22-March to 16 May 2020, which indicates the mobility has improved in recent periods, with ease of lockdown. 'Transit Stations' & 'Work Places' movement has increased, but 'Retail & Creation' remain at the same level.**

Likely Peak for new Cases based on 7-day Moving Average in India



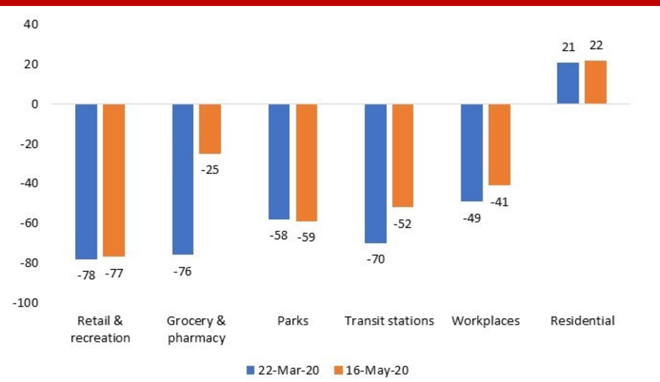
Source: SBI Research

Number of Days : 100 to 100000 cases



Source: Worldometers, SBI Research

Google Mobility Index



Source: SBI Research

Vehicle Registration Related Activities

Item	1 Month Pre Lock-down (YoY%)	Lock-down.1 (YoY%)	Lock-down.2 (YoY%)	Lock-down.3 (YoY%)	Lock-down.4 (YoY%)
No of Transac-tions	3.2	-91.1	-95.3	-84.9	-73.6
Revenue Collec-tions	28.1	-88.6	-90.7	-83.6	-69.5

Source: Vahan Dashboard, SBI Research

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