

Two Months After Unlock

State Bank of India

04 August 2020

- ❑ The current COVID pandemic has more similarity to 1968 flu

THE FLATTENING OF THE CURVE

- ❑ It may be interesting to compare India and Ethiopia's progress in COVID cases as both these countries have implemented a lockdown almost concurrently
- ❑ If we compare Stringency Index of India and Ethiopia it appears that India's Stringency Index is more volatile implying our exit from lockdown is not calibrated as we have been resorting to unplanned lockdowns that might be acting as a constraint on sustenance of economic activity

STATEWISE DIAGNOSIS

- ❑ Maharashtra consistently at the top
- ❑ The worrying part is many states are simultaneously showing a surge, including Andhra Pradesh, Bihar, Karnataka, Uttar Pradesh, Odisha and Kerala
- ❑ Maharashtra, Telangana, Gujarat, Bihar and West Bengal reveal the largest gap between test positivity and tests per million
- ❑ Gujarat and Maharashtra have much high fatality rates; Delhi and Madhya Pradesh follows in tandem
- ❑ Recovery rate highest in case of Delhi, followed by Haryana; Andhra Pradesh, Karnataka and Jharkhand have low recovery rates

RURAL INDIA NOW A BIGGER WORRY

- ❑ Among the top 50 worst affected districts in July, 26 are Rural: Rural areas in Andhra Pradesh worst hit: Bihar, Karnataka Odisha and Uttar Pradesh are showing marginal spread and hence must be contained immediately
- ❑ Tamil Nadu comes next with higher number of districts getting affected, though majority are urban districts

ECONOMY LOSING MOMENTUM - RURAL STILL A BRIGHT SPOT BUT MIGHT HAVE PEAKED

- ❑ Fertilizer sales and diesel consumption have surged in the recent months, though in July it is moderating
- ❑ Manifold jump in production and procurement of wheat, but prices of pulses still below MSPs
- ❑ SBI Business Disruption Index and SBI Composite Index show modest gains in July
- ❑ Google mobility index has remained more or less same in Jul'20 as in Jun'20. Interestingly, visit to Workplaces and Grocery and Pharmacy has worsened in July compared to June
- ❑ Labour participation rate RTO transactions, weekly food arrivals have all declined in Jul'20 compared to Jun'20
- ❑ Retail food prices have increased compared to their pre-lockdown values, with self imposed restrictions at state levels
- ❑ Meanwhile, monsoon rains till 3 Aug is still slightly below normal with Central and North West India witnessing deficit rainfall

BANKS

- ❑ Growth in Deposits declined during the unlock phase 1, however it increased again in July. Advances also increased in the Unlock phase 2 after declining in June
- ❑ Digital transactions are increasing with UPI transactions in both value and volume terms now higher than Feb'20 levels

FINANCIAL MARKETS WITNESS RETURN TO FINANCIAL STABILITY

- ❑ NBFC issued CP of around Rs 1 lakh crore in FY21, up to July 2020
- ❑ More than Rs 10000 crore additional NBFC's CP subscribed by MFs since April'20
- ❑ Small NBFC – Microfinance Companies are also now participating in CP market even with lower rating of A3+ in short term (long term BBB)
- ❑ Spread on NBFC long term papers also softened since last two three months post various measures taken by GOI/RBI
- ❑ Corporate results show sectors such as Pharma, FMCG, Fertilizers not only reported growth in revenue, operating profit but also reported improvement in margins. Some of the sectors like Cement, Cement Products, Mining etc. also reported margin improvement over Q1FY20, despite a decline in revenue

- ❑ Three worldwide (pandemic) outbreaks of influenza occurred in the 20th century: in 1918, 1957, and 1968
- ❑ After the influenza pandemic of 1918, influenza went back to its usual pattern of regional epidemics of lesser virulence in the 1930s, 1940s, and early 1950s
- ❑ 1957 saw the spread of category 2 flu of avian influenza. A vaccine for H2N2 was introduced in 1957, and the pandemic slowed down. There was a second wave in 1958, and H2N2 went on to become part of the regular wave of seasonal flu. In 1968, the H2N2 Asian flu disappeared from the human population and is believed to have gone extinct in the wild
- ❑ However, 1968 saw the Hong Kong Flu due to the H3N2 virus strain. Most excess deaths were in people 65 years and older, unlike the Spanish which had flu high mortality in healthy people, including those in the 20-40 year age group. The H3N2 virus continues to circulate worldwide as a seasonal influenza A virus. **In this sense current Covid pandemic has more similarity to 1968 flu**

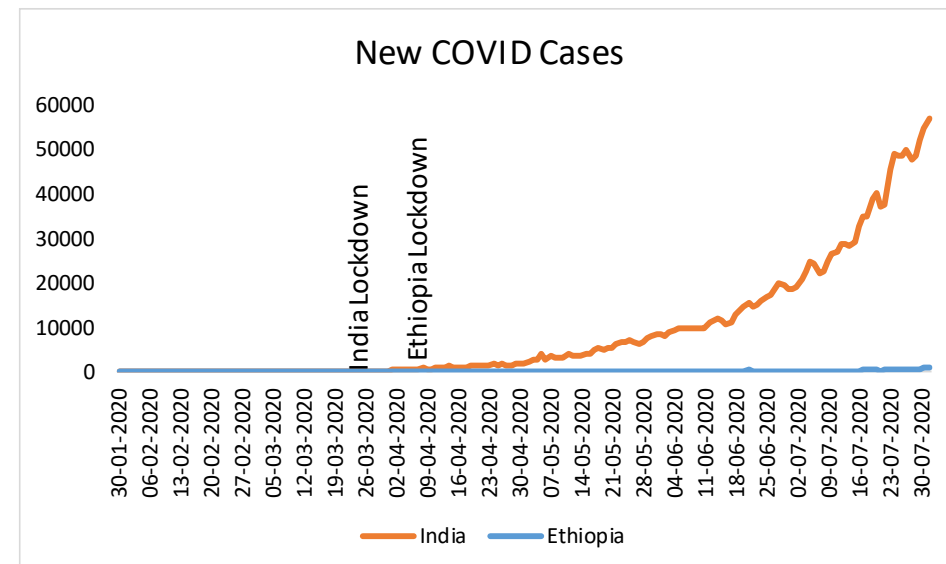
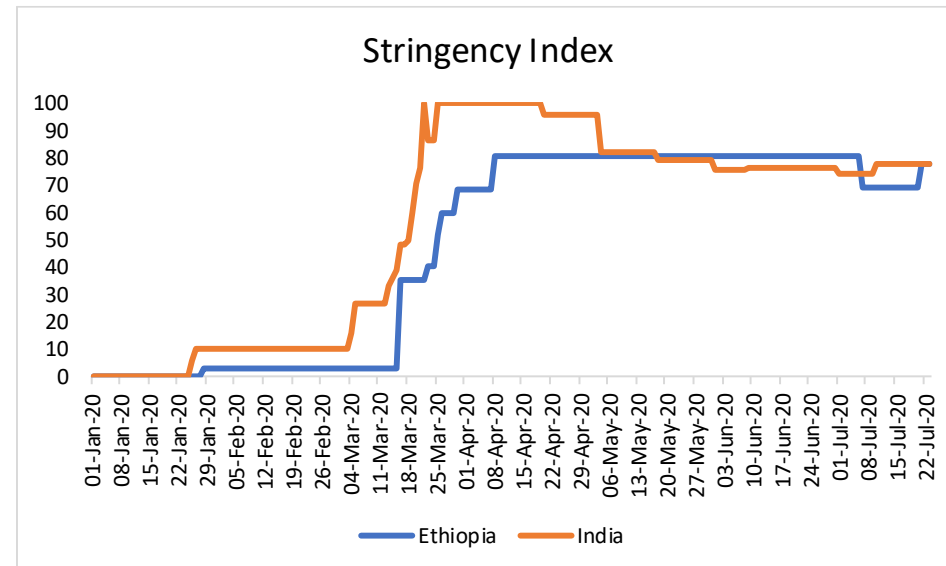
History of Pndemics				
Pandemic Year	Disease	Virus Strain	Place of origin	Number of deaths
1918-1919(Spanish Flu)	Influenza	H1N1 virus with genes of avian origin	Unclear	50 million
1957-1958(Asian Flu)	Influenza	H2N2 virus- three different genes from an H2N2 virus that originated from an avian influenza A virus, including the H2 hemagglutinin and the N2 neuraminidase genes	Singapore	1.1 million
1968(Hong Kong Flu)	Influenza	H3N2 virus comprised of two genes from an avian influenza A virus, including a new H3 hemagglutinin, but also contained the N2 neuraminidase from the 1957 H2N2 virus	China	1 million
2009(Swine Flu)	Influenza	Novel H1N1 pdm09 virus	United States	0.15-.575 million

- ❑ Instead of implementing a national lockdown Ethiopia initiated other essential measures in January. It introduced strict passenger-screening protocols at Addis Ababa's international airport. The Ministry of Health and local and regional governments jointly conducted house-to-house screenings of more than 11 million households containing 40 million people
- ❑ The Government then scaled up its response in mid-March, when the first COVID-19 case was reported in the country, and declared a lockdown only on April 8. Moreover, it encouraged production and other economic activities to continue during the crisis, thus considerably easing the pressure on vulnerable social groups and the informal sector. Diagnostic testing was scaled up from zero in early March to over 5,000 tests per day by May, though it continues to be a major challenge
- ❑ Public awareness and education were central to the Government's effort. The prime minister makes regular public announcements regarding COVID-19, while the health minister provides daily briefings. And, as part of a concerted media campaign to reach all citizens, state-owned telecoms monopoly Ethio Telecom uses cell-phone ring tones to remind people of the importance of hygiene measures
- ❑ The Government converted public universities' dormitories to increase the capacity of quarantine centers, established additional isolation centers and set up treatment centers. It also introduced more comprehensive life insurance coverage to protect front-line health workers
- ❑ The Ethiopian Government has been constrained by dwindling revenues and the need to reallocate budget expenditures to contain the pandemic. The Government's COVID-19 economic-support package is based on the principle of shared costs and sacrifices. For example, the employers' confederation, labor unions, and the Government has agreed on a tripartite protocol to prevent layoffs during the crisis. Government subsidies have enabled manufacturing exporters to benefit from zero-cost rail transport and lower export logistics costs. And the Government's new industrial-parks strategy envisages the establishment of manufacturing hubs to produce personal protective equipment for domestic and overseas markets

***Adopted from Professor Kaushik Basu, former Chief Economist to World Bank and Government of India presentation at IHD-ISLE, July 27**

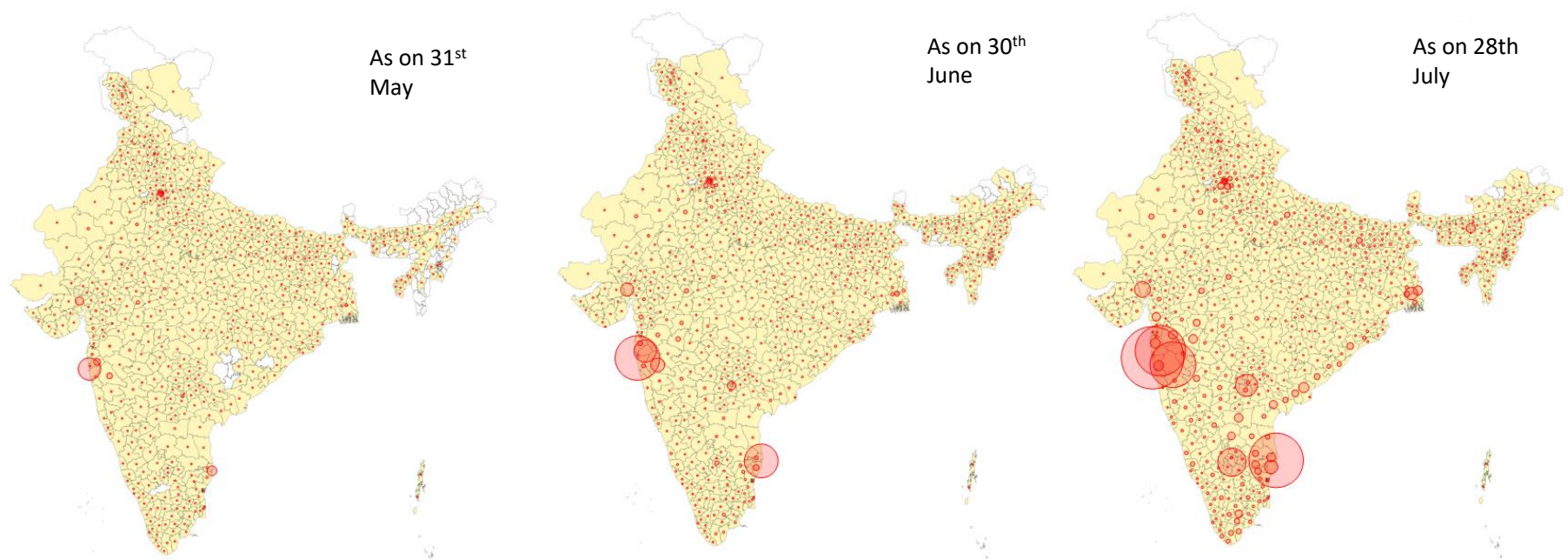
..Ethiopia has largely flattened the curve, but India yet to achieve

- ❑ If we compare Stringency Index of India and Ethiopia it appears that India Stringency Index is more volatile implying our exit from lockdown is not calibrated
- ❑ States in India has been resorting to unplanned and unsystematic lockdowns that might be acting as a constraint on sustenance of economic activity
- ❑ The Ethiopian Government has relied heavily on community mobilization and public-awareness campaigns, which have proved to be effective and cost-efficient. It has also relied on the country's prevention-based primary public health-care infrastructure built up during the last two decades
- ❑ The Government ensured a coherent response by maximizing coordination among public agencies at different levels. It also engaged in dialogue with the private sector to find workable solutions when global brands and buyers abandoned their suppliers in developing countries



COVID-19 Update

Cases have spread rapidly during July across the entire geographical spread of India!

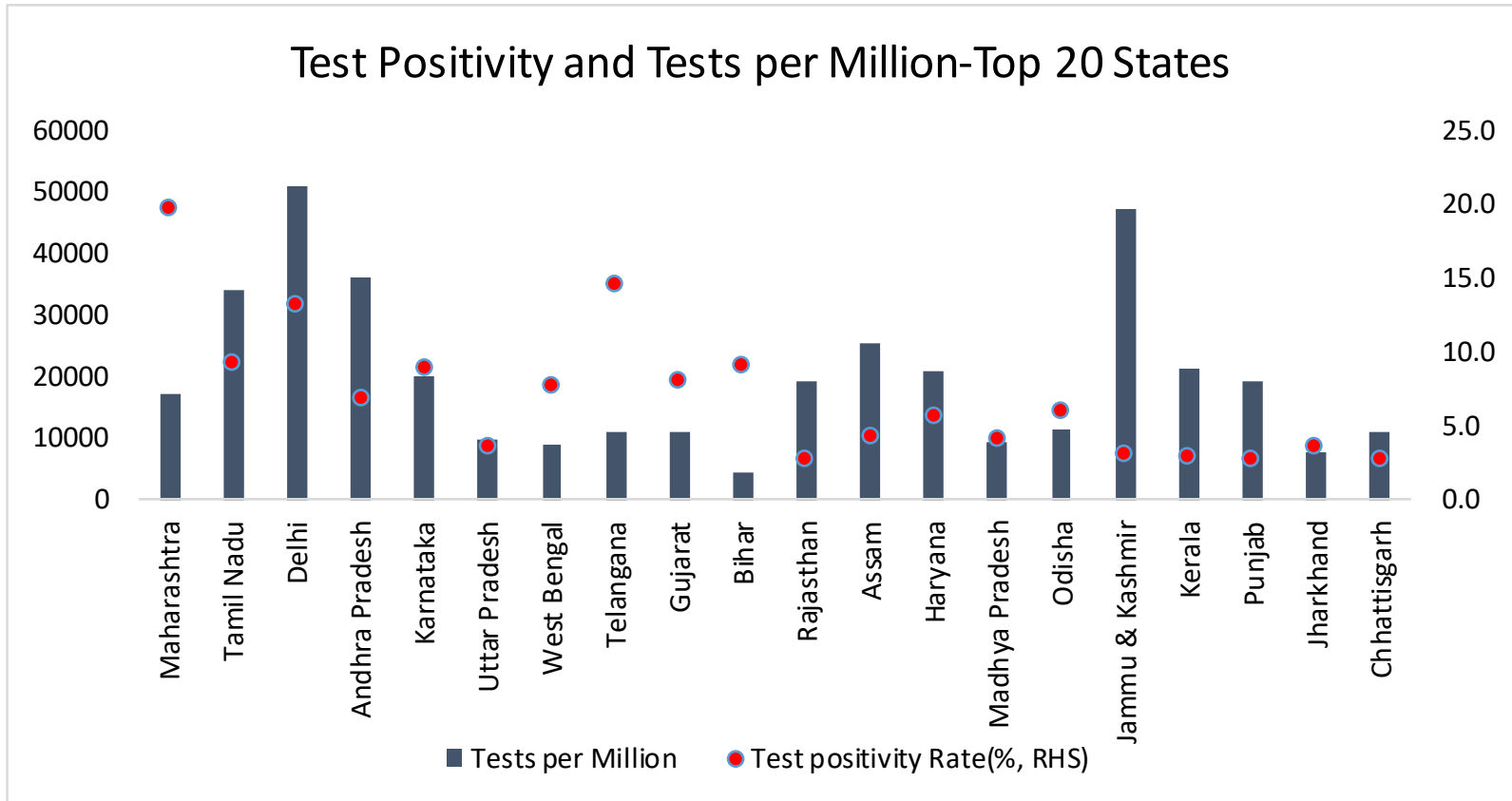


Size of bubble= no of cases

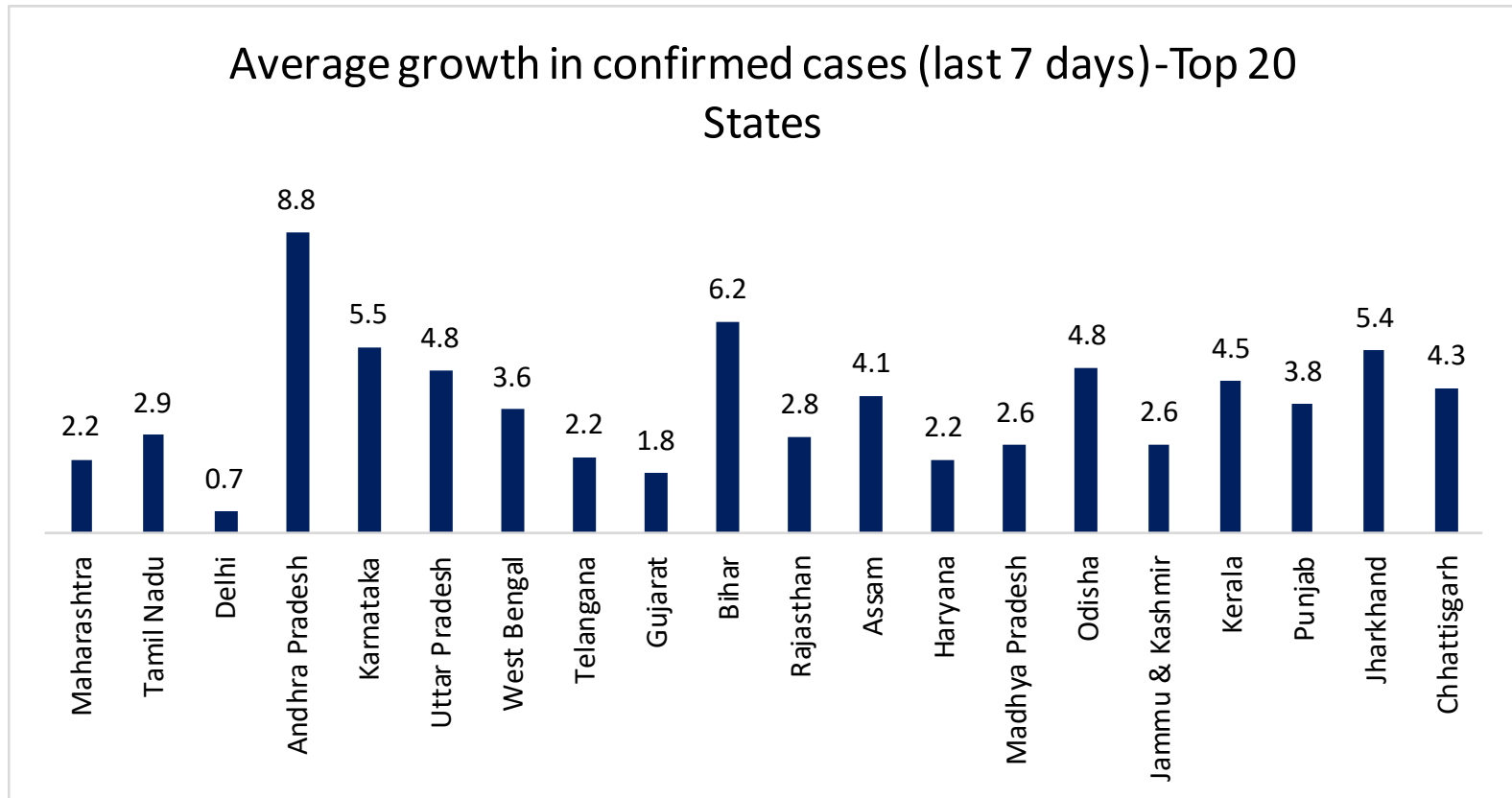
- Deaths per million which was 2 on 15 May has increased by over 13 times to 26 per million

Deaths Per Million in Asian countries					
Country	15.05.2020	31.05.2020	30.06.2020	31.07.2020	No of times increase
Pakistan	4	7	19	27	7.4
India	2	4	12	26	13.6
Bangladesh	2	4	11	19	11.1
Philippines	7	9	11	18	2.5
Indonesia	4	6	10	18	4.7
Cyprus	14	14	16	16	1.1
Yemen	0	3	10	16	36.8
Lebanon	4	4	5	8	2.1
Japan	0	0	0	8	77.8
Brunei	2	5	7	7	3.1
S. Korea	5	5	5	6	1.2
Tajikistan	4	5	5	6	1.4
Singapore	4	4	4	5	1.4
Malaysia	3	4	4	4	1.2
Georgia	3	3	4	4	1.3
Uzbekistan	0	0	1	4	12.2
China	3	3	3	3	0.9

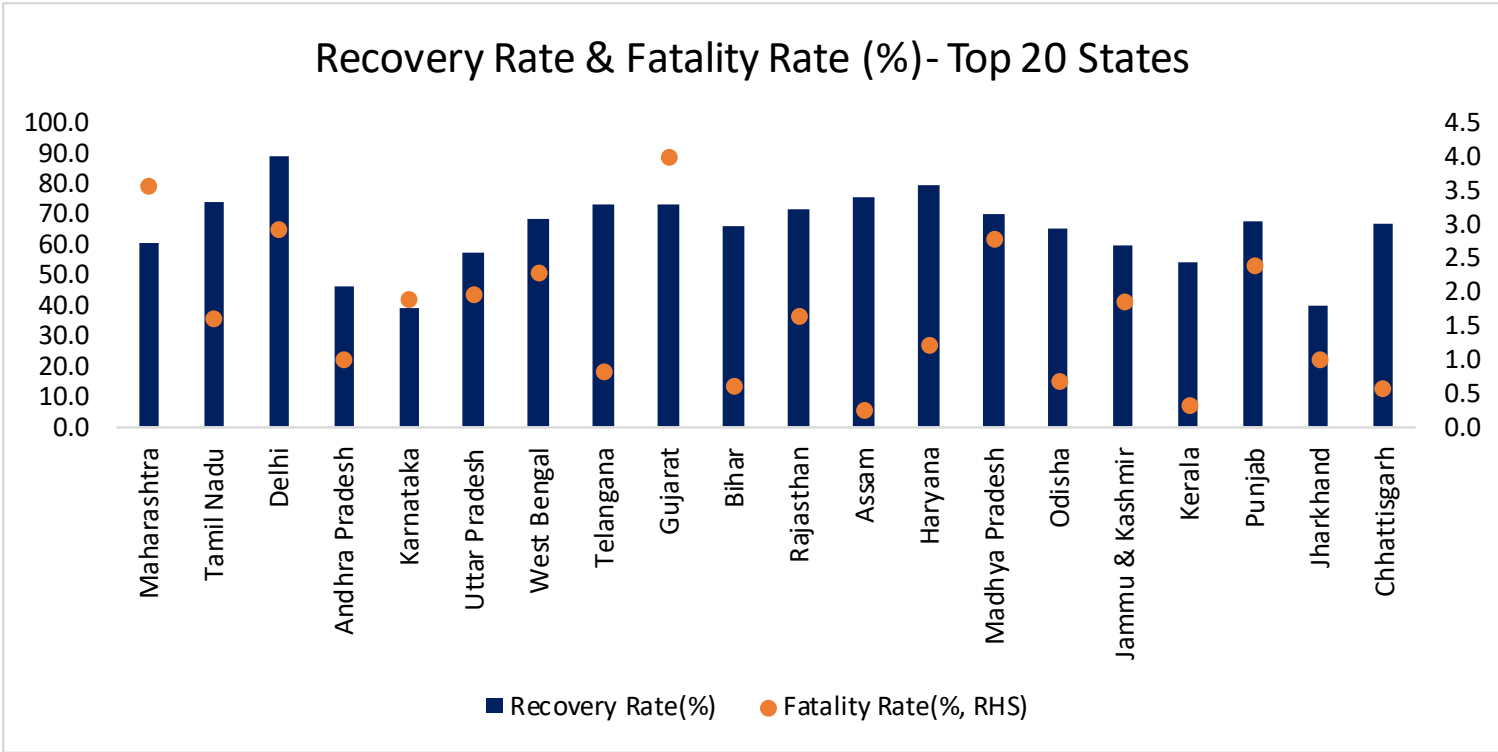
- ❑ Maharashtra, Telangana, Gujarat, Bihar and West Bengal and even Odisha (limited though) reveal the largest gap between test positivity and tests per million
- ❑ Delhi, Andhra Pradesh are doing more tests: Karnataka needs to ramp up a little more



- ❑ Andhra Pradesh has maximum growth in confirmed cases in the last week
- ❑ The worrying part is many other states are simultaneously showing a surge, including Bihar, Karnataka, Uttar Pradesh, Odisha and Kerala

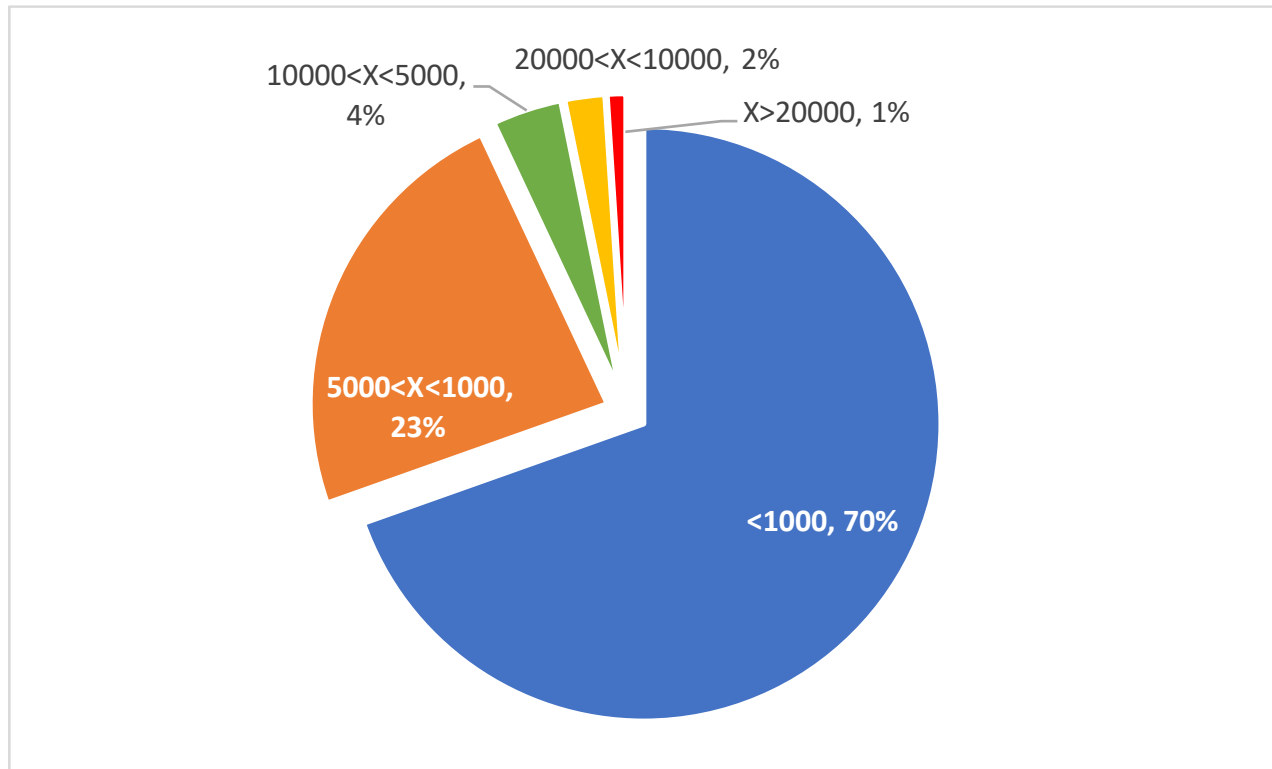


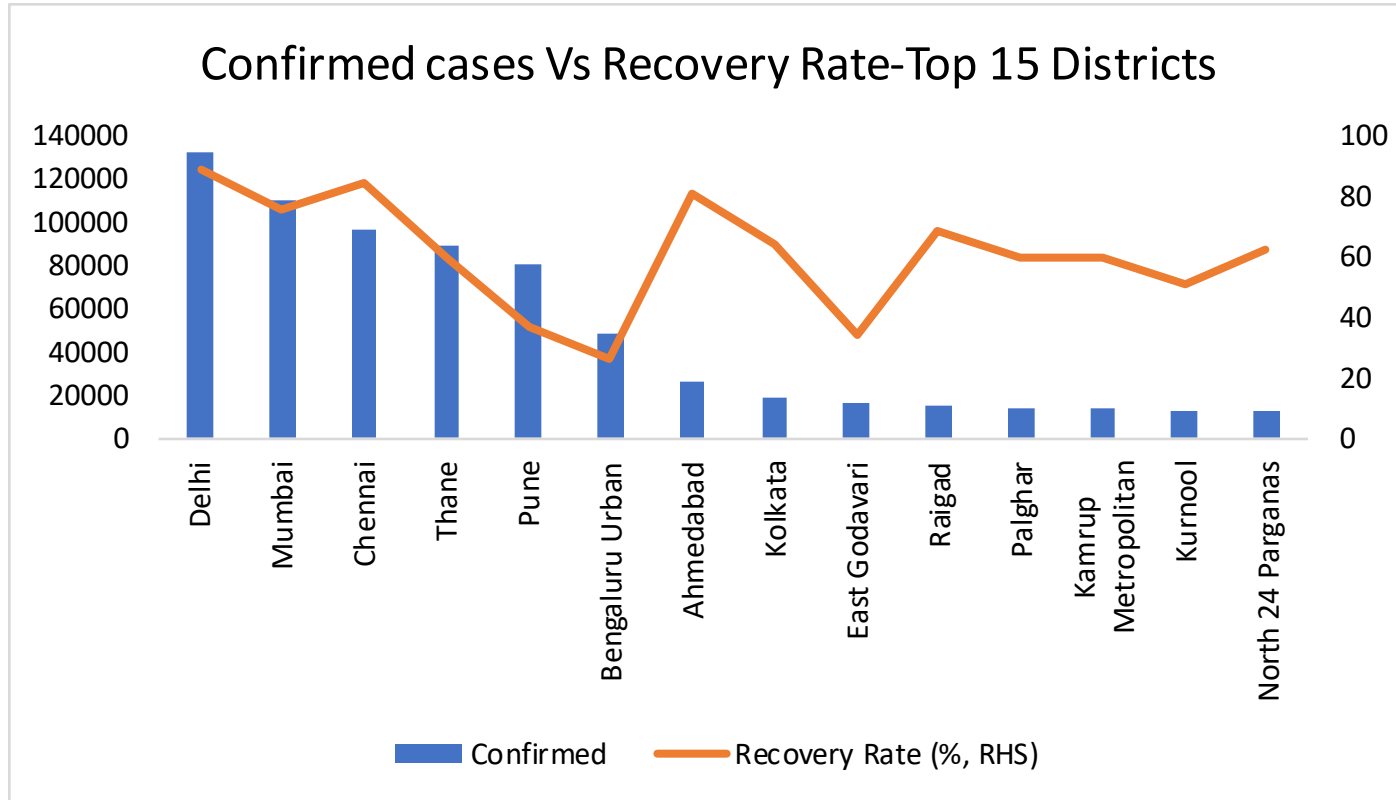
- Recovery rate highest in case of Delhi, followed by Haryana: Andhra Pradesh, Karnataka and Jharkhand have low recovery rates
- Gujarat and Maharashtra have much high fatality rates: Delhi and Madhya Pradesh follow in tandem

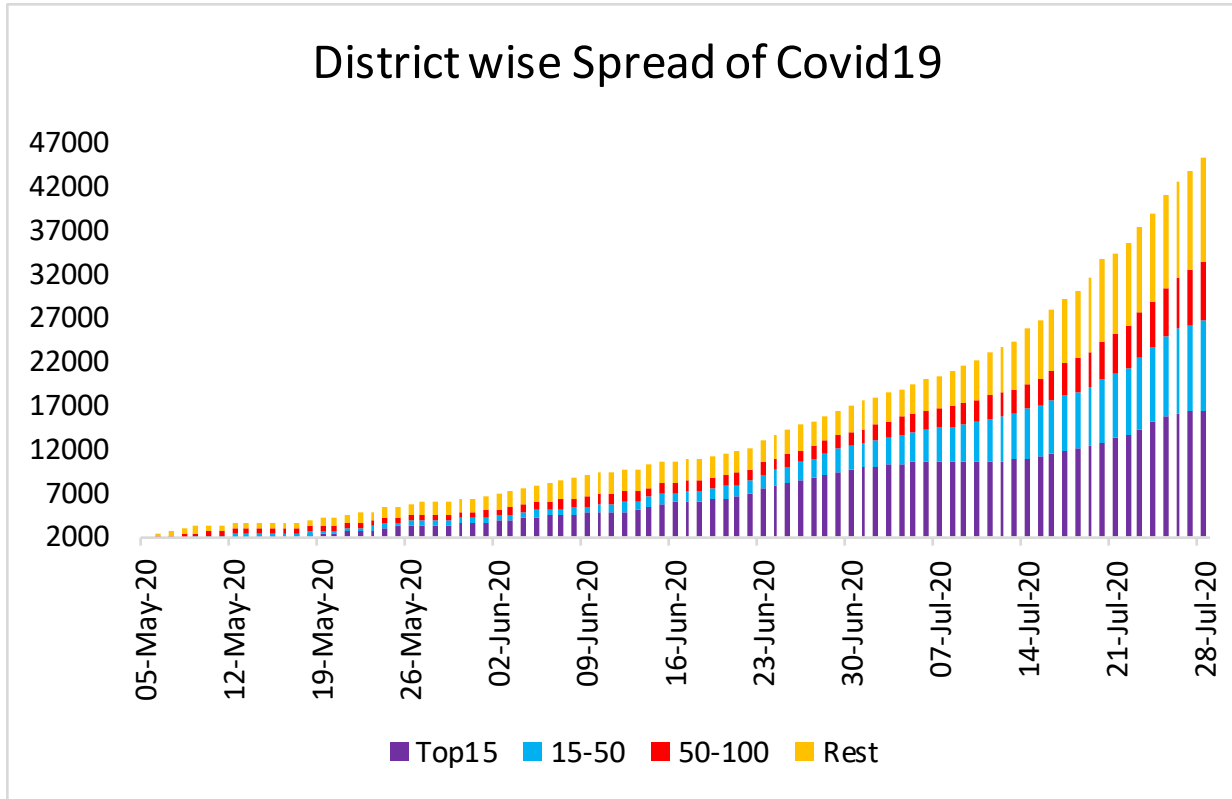


District-wise Analysis

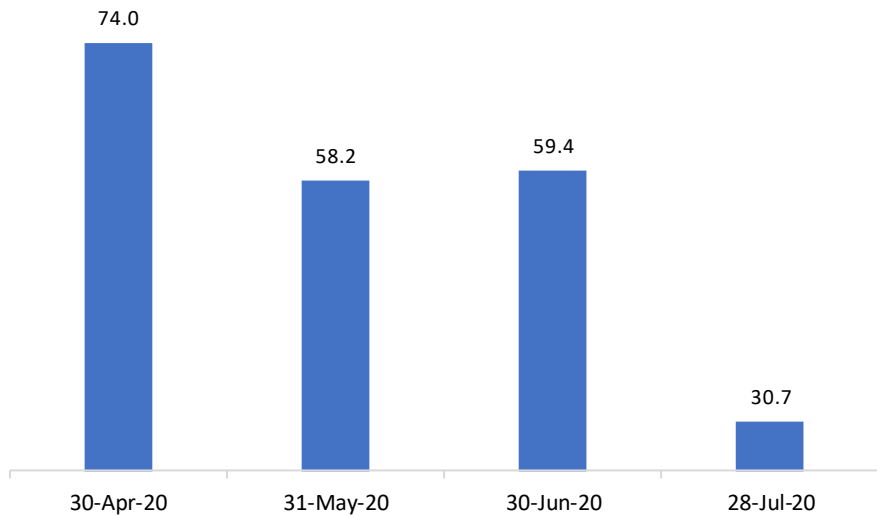
- ❑ Most of the districts have overall cases less than 1000 (around 70%)
- ❑ There are 3 districts with number of cases between 50000 and 1 lakh (namely, Pune, Chennai and Thane) and only 2 have cases above 1 lakh (Delhi and Mumbai)



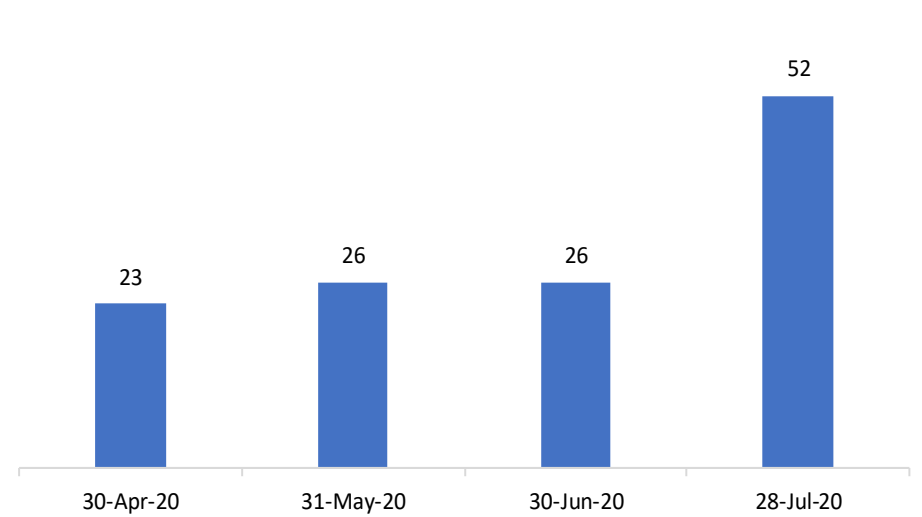




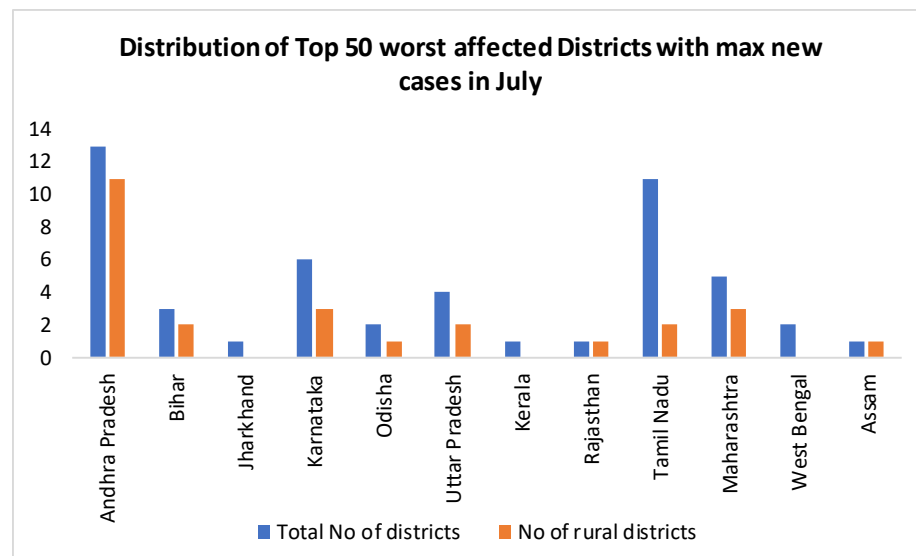
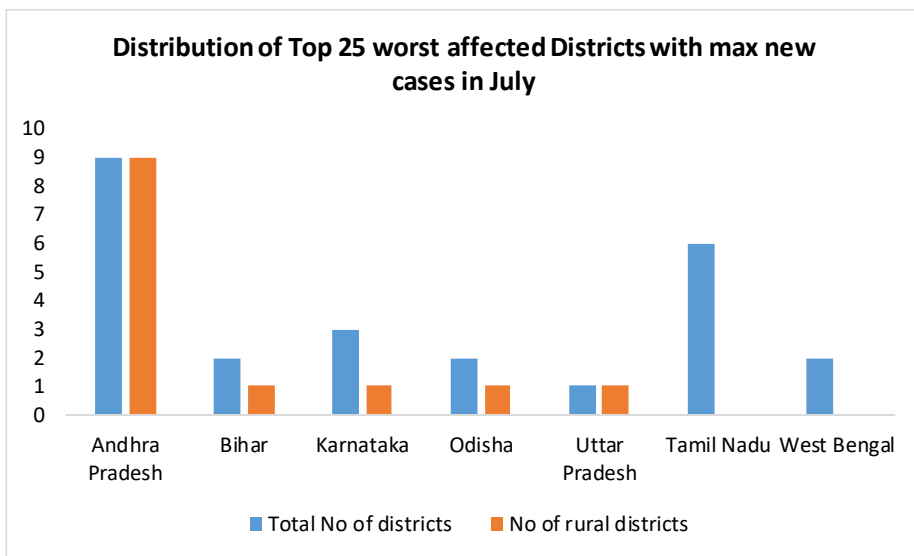
Top 15 Districts % Share to New cases



% of New cases in Rural Districts



- Among the top 50 worst affected districts in July, which are witnessing maximum number of new cases 26 are Rural
- Rural areas in Andhra Pradesh worst hit: Bihar, Karnataka Odisha and Uttar Pradesh are showing marginal spread and hence must be contained immediately
- Tamil Nadu comes next with higher number of districts getting affected, though majority are urban districts



Economic Momentum in Unlock 2

Daily indicators reveal in July we have lost much of the momentum

- ❑ Google mobility index has remained more or less same in Jul'20 as in Jun'20
- ❑ Interestingly, visit to Workplaces and Grocery and Pharmacy has worsened in July compared to June
- ❑ Labour participation rate RTO transactions, weekly food arrivals has all declined in Jul'20 compared to Jun'20
- ❑ Retail food prices have increased compared to their pre-lockdown values

Changes from Pre-Lockdown Peak						
Indicators	Lockdown 1	Lockdown 2	Lockdown 3	Lockdown 4	Unlock 1.0	Unlock 2.0
Google Mobility Index (%)						
Retail & recreation	-76	-85	-77	-70	-56	-56
Grocery & pharmacy	-67	-47	-26	-16	2	-4
Parks	-51	-61	-57	-59	-49	-49
Transit stations	-73	-64	-52	-44	-35	-38
Workplaces	-71	-64	-51	-32	-17	-23
Residential	28	28	22	16	16	17
Apple Mobility Index (%)						
Labour Participation Rate (Change in bps)	-343	-646	-380	-397	-66	-92
AQI (7 City Average)	-60	-61	-52	-45	-65	-76
No of Transactions at RTO('000)	-182	-292	-251	-219	-48	-97
Revenue Collections at RTO(Rs Cr)	-108	-183	-205	-184	-66	-116
Electricity (Daily max consumption, MW)	-38487	-35470	-19827	-3746	-5224	375
Weekly Food arrival in Tonnes						
Cereals	-149018	1009301	772254	412179	227119	-69797
Pulses	-1611	1362	2951	6683	5175	-370
Vegetables	-18252	-10348	-6037	-3432	1765	-7797
Fruits	-6543	4715	11685	19610	24773	24703
Retail Food Prices (Modal) (Rs/Kg)						
Vegetables	2.2	-0.4	-4.4	-1.8	-1.1	6.8
Cereals	-0.3	-3.5	-4.8	-0.4	-1.7	-3.0
Pulses	5.9	5.6	5.7	9.8	5.7	4.7
Oil & Fat	42.0	47.7	48.0	47.2	47.8	48.8

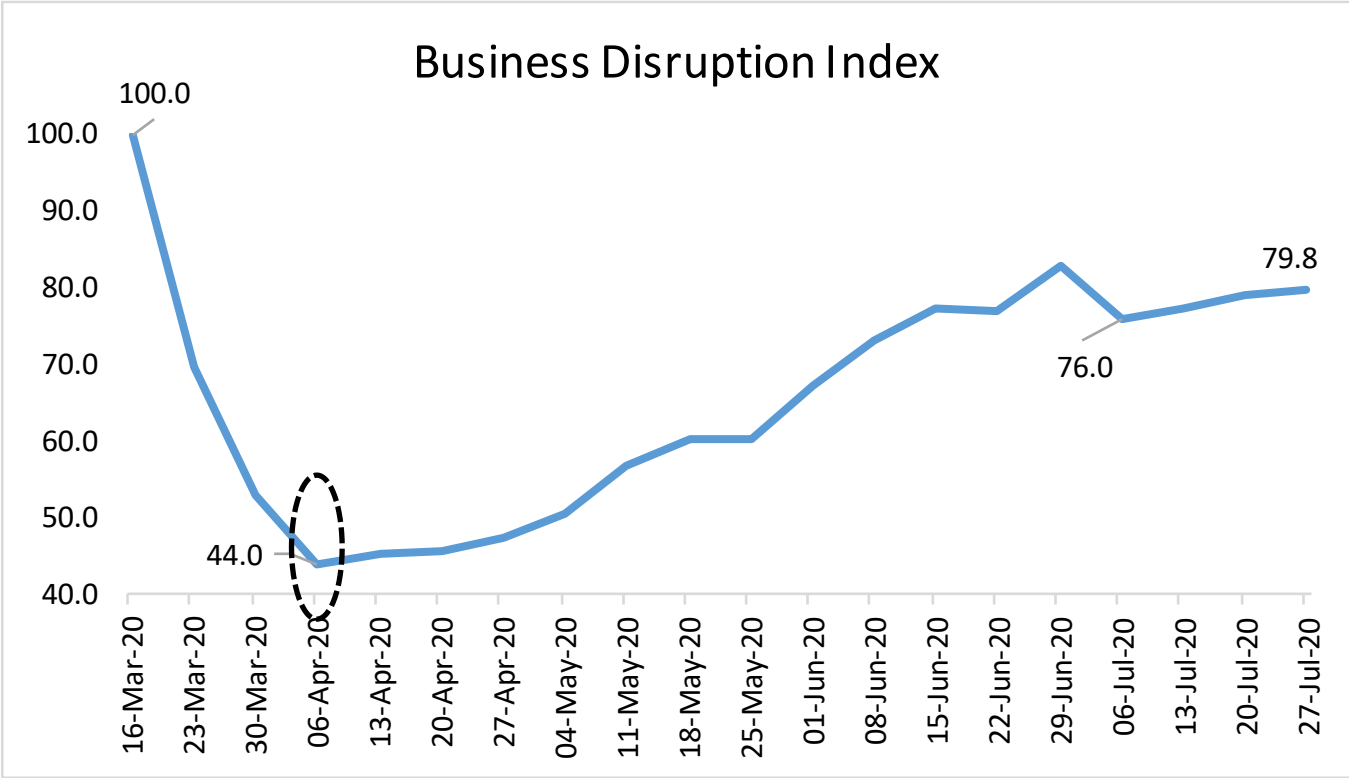
- ❑ All the indicators remain far away from the last year peak
- ❑ Week arrival of food at Mandis have worsened in July indicating emergence of supply side disruptions across states through frequent and extended lockdowns are manifesting in price increases

Changes from Peak Value during March 2019 to March 2020						
Indicators	Lockdown 1	Lockdown 2	Lockdown 3	Lockdown 4	Unlock 1.0	Unlock 2.0
Labour Participation Rate (Change in bps)	-474	-777	-511	-528	-197	-223
AQI(7 City Average)	-127	-128	-118	-112	-132	-143
No of Transactions at RTO('000)	-412	-522	-481	-450	-279	-328
Revenue Collections at RTO(Rs Cr)	-188	-262	-284	-264	-145	-196
Electricity Demand(MW)	-50927	-47910	-32267	-16186	-17664	-12065
Weekly Food arrival in Tonnes						
Cereals	-2573289	-1414971	-1652017	-2012092	-2197152	-2494069
Pulses	-9128	-6155	-4566	-834	-2342	-7887
Vegetables	-56658	-48754	-44442	-41838	-36641	-46203
Fruits	-53124	-41866	-34896	-26971	-21808	-21877
Retail Food Prices (Modal) (Rs/Kg)						
Vegetables	-33.8	-36.4	-40.5	-37.8	-37.1	-29.3
Cereals	-3.2	-6.4	-7.7	-3.3	-4.6	-5.9
Pulses	-3.0	-3.3	-3.2	0.9	-3.2	-4.2
Oil & Fat	39.0	44.7	44.9	44.2	44.8	45.7

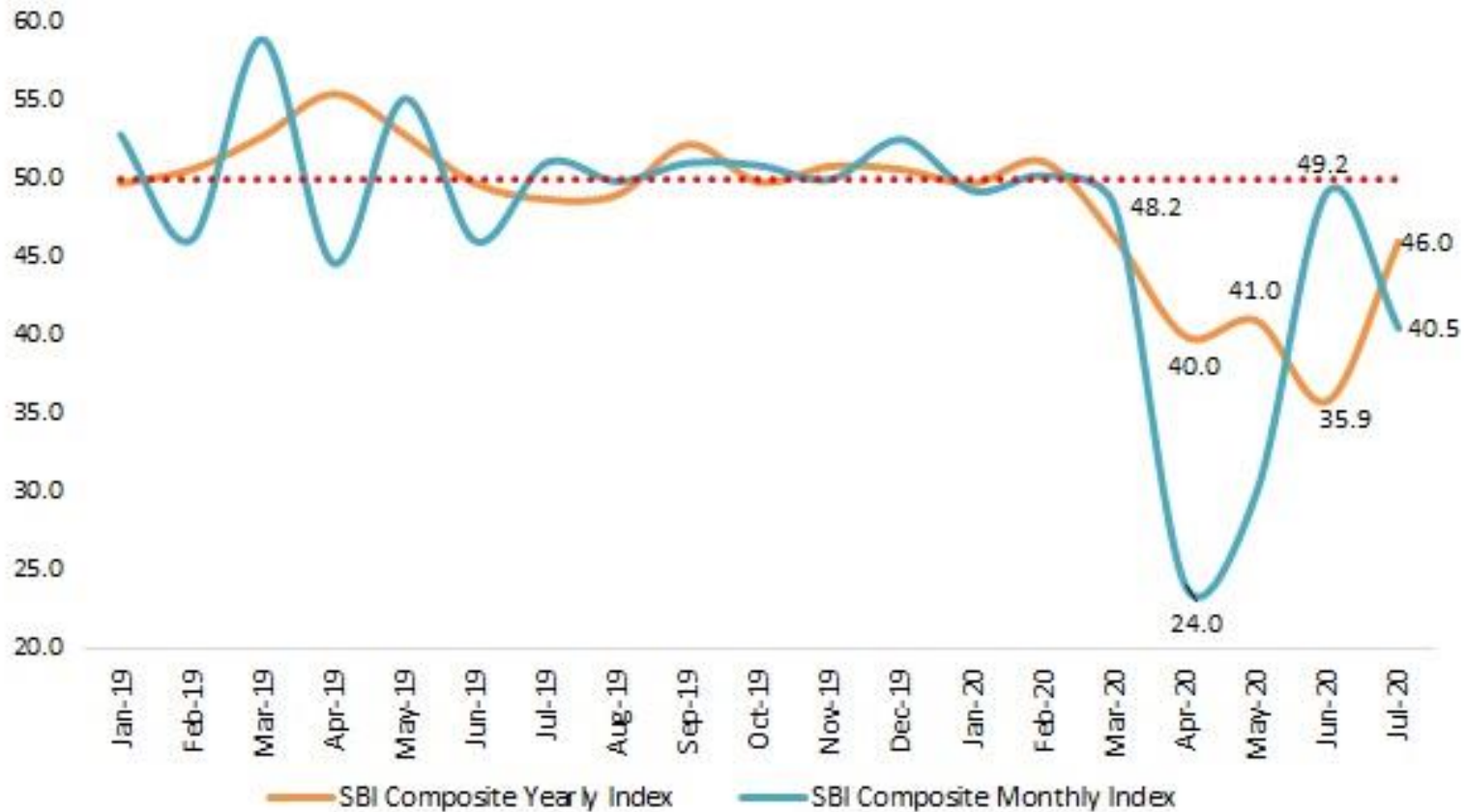
- Overall India's average reveals not much improvement in Workplace Mobility and in fact decline in mobility to Grocery and Pharmacy compared to Jun'20
- The Mobility Index reconfirms our fear of economy losing much of the momentum in July with restricted and self imposed mobility across states

Change in Google mobility index since lockdown							
States	Date	Retail & recreation	Grocery & pharmacy	Parks	Transit stations	Workplaces	Residential
India	24-03-2020	-68	-48	-44	-64	-65	25
	30-06-2020	-55	0	-48	-38	-35	14
	Change	13	48	-4	26	30	-11
	27-07-2020	-56	-6	-48	-39	-33	16
	Change	12	42	-4	25	32	-9
Maharashtra	24-03-2020	-76	-50	-58	-76	-77	34
	30-06-2020	-66	-15	-65	-55	-49	22
	Change	10	35	-7	21	28	-12
	27-07-2020	-67	-22	-64	-55	-48	23
	Change	9	28	-6	21	29	-11
Tamil Nadu	24-03-2020	-41	5	-17	-31	-48	17
	30-06-2020	-65	-22	-40	-44	-44	24
	Change	-24	-27	-23	-13	4	7
	27-07-2020	-53	-2	-37	-36	-33	19
	Change	-12	-7	-20	-5	15	2
Delhi	24-03-2020	-80	-66	-71	-82	-82	32
	30-06-2020	-61	-28	-83	-58	-48	19
	Change	19	38	-12	24	34	-13
	27-07-2020	-53	-19	-78	-52	-43	16
	Change	27	47	-7	30	39	-16
Andhra Pradesh	24-03-2020	-74	-58	-54	-65	-71	31
	30-06-2020	-54	-2	-48	-33	-21	15
	Change	20	56	6	32	50	-16
	27-07-2020	-62	-16	-49	-40	-29	20
	Change	12	42	5	25	42	-11
Karnataka	24-03-2020	-57	-41	-35	-65	-57	20
	30-06-2020	-52	-3	-63	-33	-41	17
	Change	5	38	-28	32	16	-3
	27-07-2020	-51	-2	-61	-32	-42	18
	Change	6	39	-26	33	15	-2

- Our disruption index based on certain high frequency indicators (labour participation rate, Google mobility index (workplace), Apple mobility Index, RTO revenue collection and electricity daily maximum consumption as variables), show marginal pick up



SBI Composite Yearly Index has Improved in July... IIP could still contract in July but in single digits



Rail Freight Earnings indicate increased freight movements in July as road movements continue to face disruption: Good for Railways



- ❑ Rail freight earnings have increased after unlock of the economy
- ❑ The momentum has continued in July in case of Cement, Chemical Manures, foodgrains, iron and steel and mineral ores

Rail Freight Earnings (% YoY)				
Commodity	30-Apr	31-May	30-Jun	28-Jul
COAL AND COKE	-50.0	-46.0	12.4	6.7
CEMENT AND CLINKER	-86.5	-24.9	-12.9	15.0
CHEMICAL MANURES	-46.7	-46.6	-34.1	-31.6
CONTAINER	-31.6	-28.9	-13.4	-15.2
FOODGRAINS, FLOURS AND PULSES	63.0	44.4	24.6	60.3
IRON OR STEEL	-62.5	-49.8	-33.8	-4.3
MINERALS AND ORES	-46.9	78.7	-0.8	7.0
OTHERS	-43.3	-19.7	26.5	18.7
PETROLEUM PRODUCTS AND GASES	-5.0	-39.2	-0.9	-3.7
Total	-43.8	-29.8	-17.1	-11.2

... But vehicle registration continues to flounder in July, though it improved for Tractors

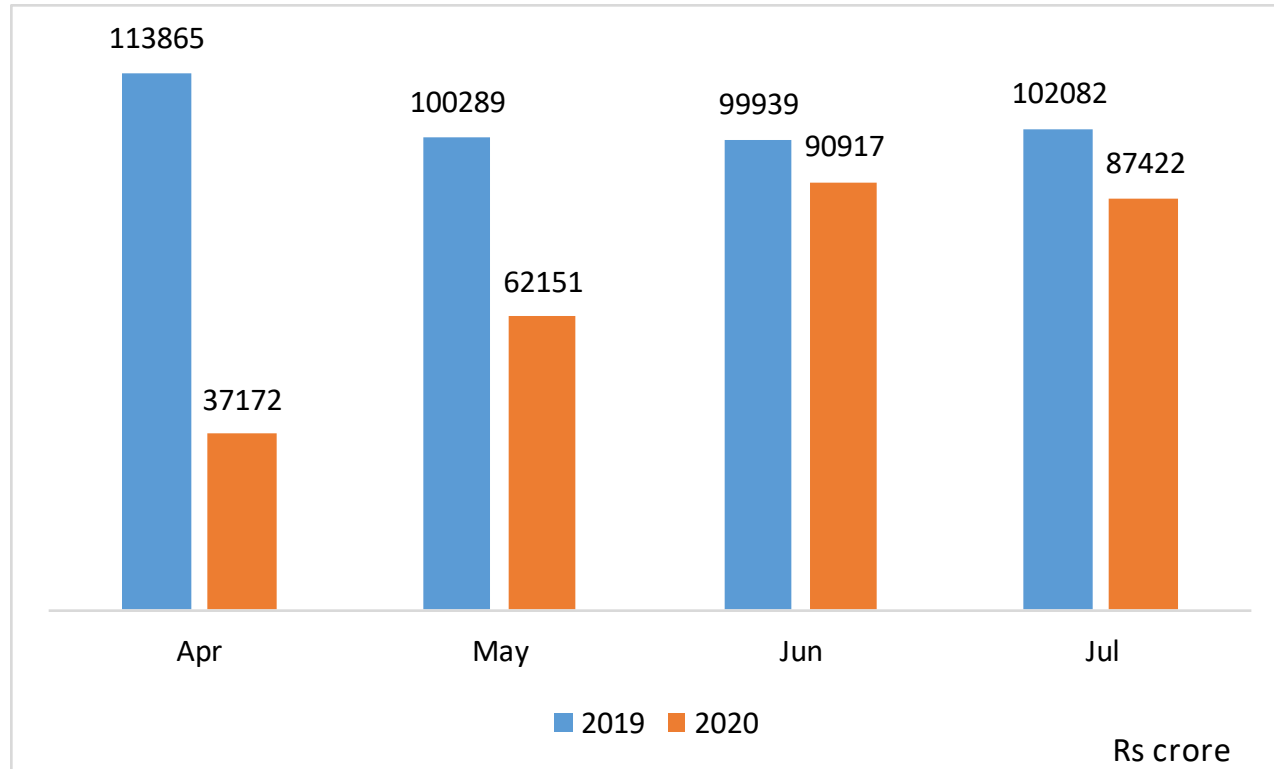
- Vehicle registration has also improved further during the Jul'20 with major improvement visible in Tractors followed by Passenger Vehicles

Vehicle Registration YoY%					
Category	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Two wheeler	30.4	-76.2	-88.7	-40.7	-38.2
Three Wheelers	35.8	-78.3	-96.3	-75.3	-74.5
PV(Light and Medium)	-6.6	-89.4	-85.1	-32.6	-16.7
Trucks	2.5	-87.8	-99.7	-96.7	-92.0
Bus	228.9	-18.7	-100.0	-99.8	-99.4
Tractors	9.5	-84.8	-74.1	11.7	34.5

Passenger Vehicle Sales increased in Jul'20 compared to Jun'20

- All companies have registered higher passenger vehicle sales in Jul'20 when compared to Jun'20
- However, when compared with a year ago levels, only a few companies have witnessed positive growth

Passenger Vehicle Sales					
	Jul'20	Jun'20	Jul'19	yoy%	mom%
Maruti Suzuki	97768	51274	96478	1.34	90.7
Hyundai	38200	21320	39010	-2.08	79.2
Tata	15000	11419	10482	43.10	31.4
Mahindra	11025	8075	16024	-31.20	36.5
Kia	8502	7200	-	-	18.1
Renault	6422	4634	3660	75.46	38.6
Toyota	5386	3866	10423	-48.33	39.3
Honda	5383	1398	10250	-47.48	285.1
Ford	3937	2639	6284	-37.35	49.2
MG	2105	2012	1508	39.59	4.6
Volkswagen	1887	1510	2521	-25.15	25.0
Skoda	922	790	1076	-14.31	16.7
Nissan	784	576	1304	-39.88	36.1
FCA	400	256	511	-21.72	56.3

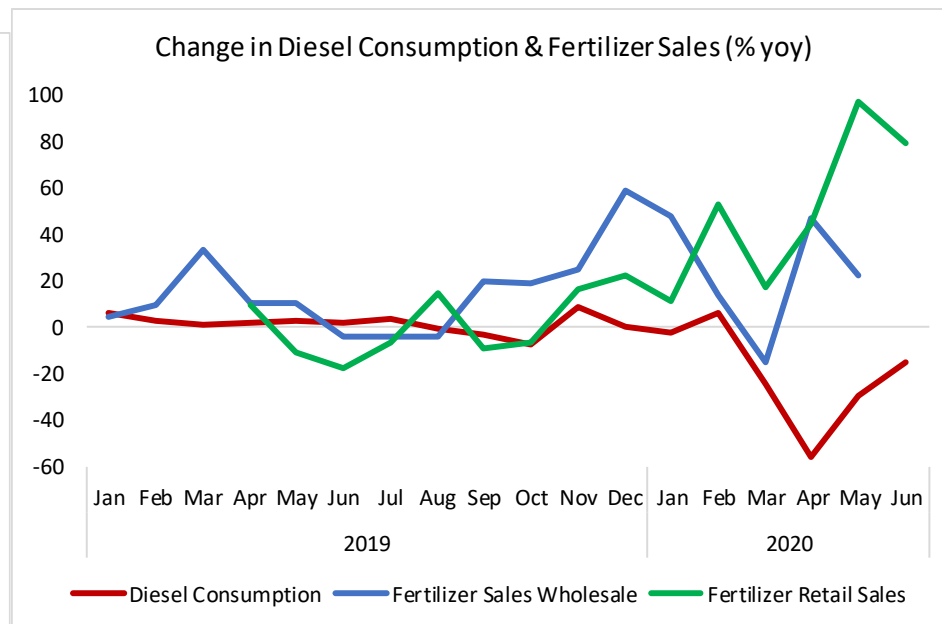
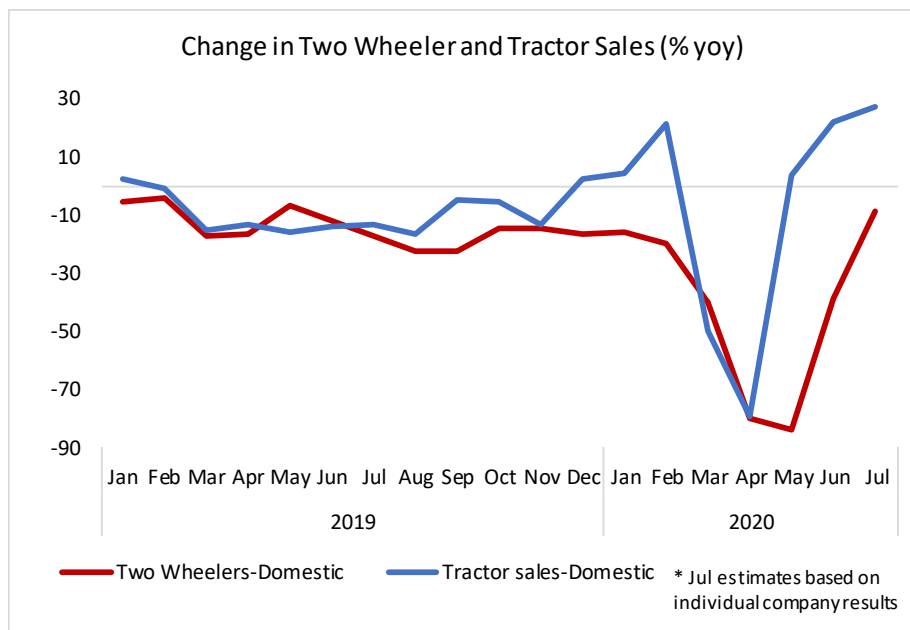


- ❑ Total borrowing of States has already increased by 64% till 28 July compared to the same period last year
- ❑ Karnataka, Maharashtra, Tamil Nadu are among the states having increased significantly the borrowings from the market

Market Borrowing of States (Rs crore)			
States	FY21 Till July 28	FY20 Till Jul30	% Change
Karnataka	12000	2000	500.0
Nagaland	350	100	250.0
Manipur	600	203	195.6
Maharashtra	31500	12500	152.0
Tamil Nadu	35500	15615	127.3
Sikkim	467	213	119.2
Assam	1000	500	100.0
Haryana	11000	5501	100.0
Mizoram	310	158	96.2
West Bengal	13500	7010	92.6
Madhya Pradesh	7000	4000	75.0
Uttar Pradesh	6500	4000	62.5
Telangana	15461	10300	50.1
Odisha	3000	2000	50.0
Rajasthan	20500	13882	47.7
Andhra Pradesh	19000	13078	45.3
Kerala	12930	9229	40.1
Goa	900	700	28.6
Bihar	4000	3600	11.1
Jammu & Kashmir	2500	2349	6.4
Meghalaya	200	200	0.0
Uttarakhand	1000	1000	0.0
Arunachal Pradesh	428	472	-9.3
Gujarat	9280	11000	-15.6
Punjab	5450	8620	-36.8
Himachal Pradesh	500	1100	-54.5
Total	214876	130829	64.2

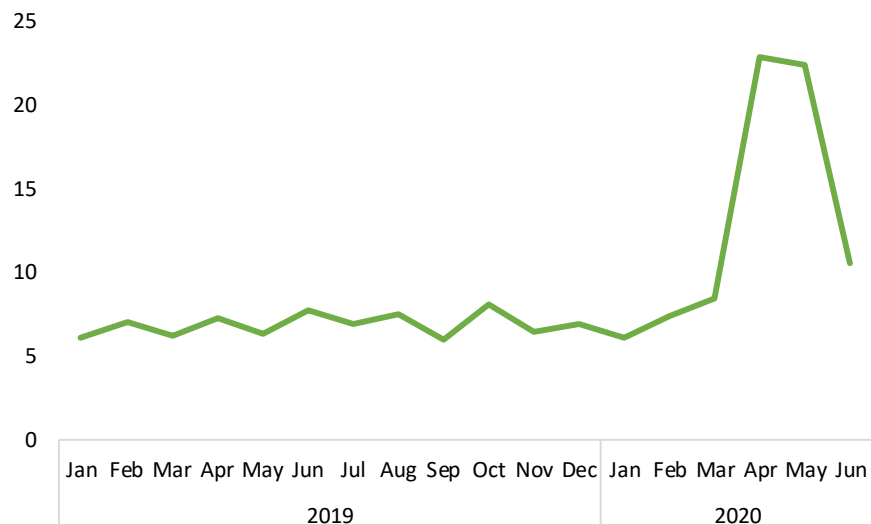
Rural Economy

- Tractor sales, two wheeler sales increased significantly in May and June
- Even fertilizer sales and diesel consumption have surged in the recent months, though in July it is moderating

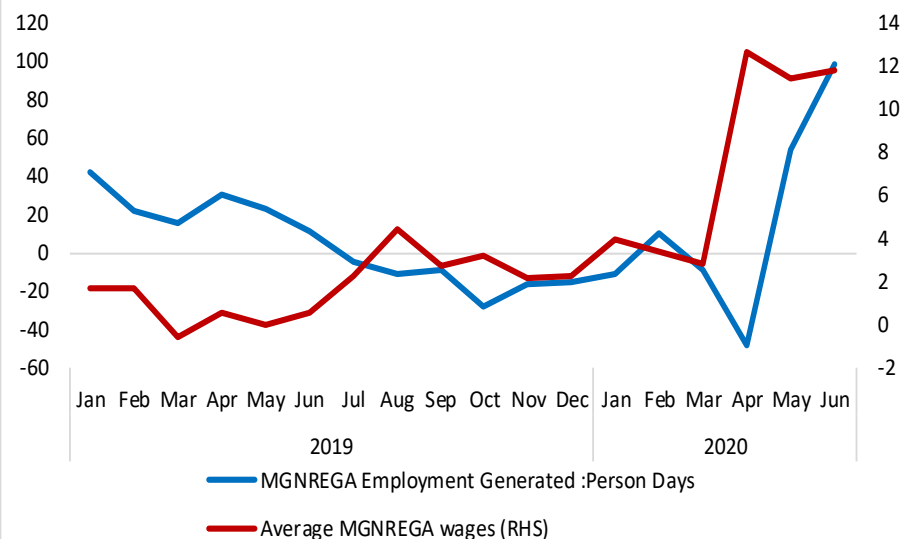


- Rural Unemployment rate has declined in June after peaking in April
- Employment created under MGNREGA as well as average wages has increased significantly pointing to positive economic momentum in rural economy: but moderating in July

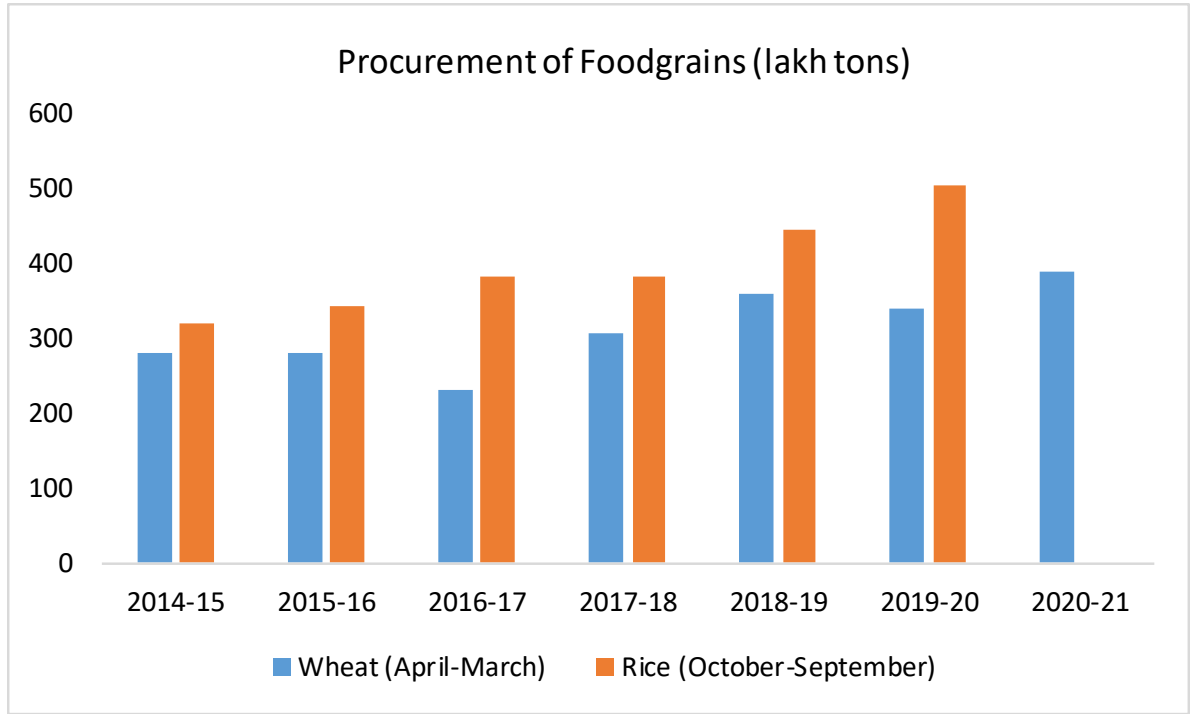
Rural Unemployment Rate(%)



Change in MGNREGA employment & average wages (%yoy)



- ❑ The procurement of wheat has so far increased to 389 tons in FY21 compared to 341 in FY20
- ❑ Meanwhile, monsoon rains till 3 Aug is still slightly below normal with Central and North West India witnessing deficit rainfall



State-wise production & procurement of Wheat shows a manifold jump

WHEAT PRODUCTION AND PROCUREMENT					
(In Lakh Tons)	2018-19		2019-20		2020-21*
	Proc. RMS	Prod.	Proc. RMS	Prod. \$	Proc
PUNJAB	127	183	129	179	127
HARYANA	88	126	93	119	74
UTTAR PRADESH	53	327	37	321	35
UTTRAKHAND	1	10	0	10	0
MADHYA PRADESH	73	165	67	180	129
GUJARAT	0	24	0	40	1
RAJASTHAN	15	101	14	111	22
BIHAR	0	65	0	62	0
JHARKHAND		3		4	
KARNATAKA		2		1	
JAMMU & KASHMIR		0		0	
MAHARASHTRA		12		16	
ODISHA		0		0	
HIMACHAL PRADESH	0	6	0	6	0
CHANDIGARH	0		0		0
WEST BENGAL		3		3	
CHHATISGARH		2		1	
ANDHRA PRADESH				0	
ASSAM		0		0	
TELANGANA		0		0	
Others		8		8	
All India	358	1036	341	1062	389

§ 2nd Advance Estimates, * as on 27 Jul'20

RICE PRODUCTION AND PROCUREMENT						
(In Lakh Tons)	2017-18		2018-19		2019-20	
	Prod.	Proc.	Prod.	Proc.	Prod \$	Proc.
ANDHRA PRADESH	82	40	82	48	81	53
TELANGANA	63	36	67	52	72	75
ASSAM	53	0	52	1	54	1
BIHAR	81	8	62	9	67	13
CHANDIGARH		0		0	0	0
CHHATISGARH	49	33	65	40	68	47
GUJARAT	19	0	19	0	21	0
HARYANA	45	40	45	39	43	43
HIMACHAL PRADESH	1		1		1	0
JHARKHAND	41	1	29	2	32	3
JAMMU & KASHMIR	5	0	0	0	0	0
KARNATAKA	30		34	1	35	0
KERALA	5	3	6	5	3	5
MADHYA PRADESH	41	11	45	14	43	17
MAHARASHTRA	27	2	33	6	36	11
ODISHA	66	33	77	44	79	47
PUNJAB	134	118	128	113	120	109
RAJASTHAN	5		5		5	0
TRIPURA				0	0	0
TAMIL NADU	66	10	61	13	63	19
UTTAR PRADESH	133	29	155	32	160	38
UTTRAKHAND	6	0	6	5	7	7
WEST BENGAL	150	17	162	20	157	16
Others	26		29		30	
ALL INDIA	1128	382	1165	444	1175	505

§2nd Advance Estimates

But gap between mandi price and MSP still higher for a number of crops: could have an impact on price realization

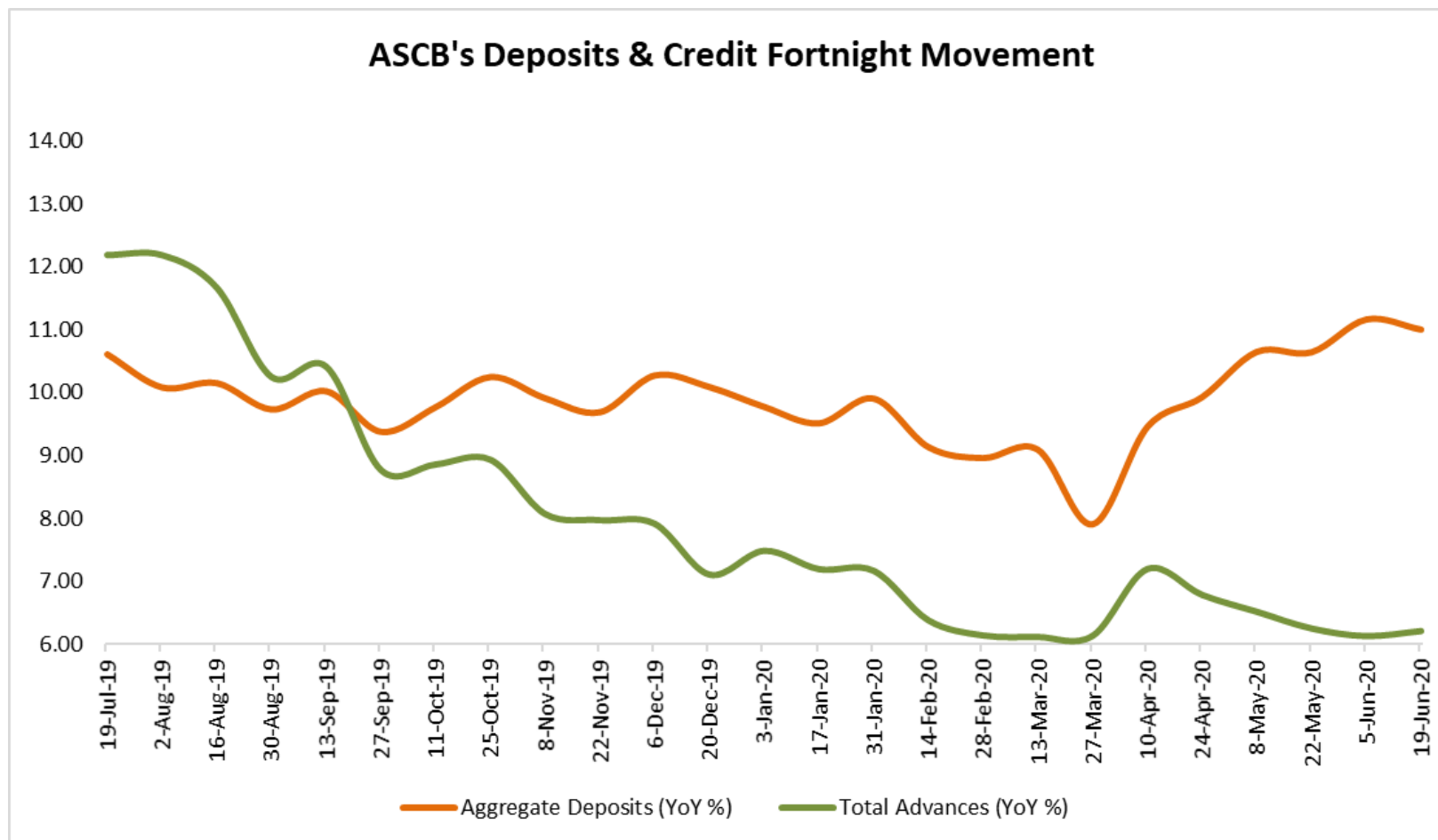
- ❑ Mandi price is still higher than MSP in case of moong, urad dal and paddy in case of Rabi crops
- ❑ For Kharif crops as well the gap is positive for masur, barley and wheat

Difference between MSP and Mandi prices			
Crops	Average Mandi Price (MP)	MSP	MP-MSP
Rabi Crops			
Jowar	2559	2640	-81
Bajra	1629	2150	-521
Maize	1467	1850	-383
Ragi	2717	3295	-578
Arhar	5606	6000	-394
Moong whole	7865	7196	669
Urad whole	6569	6000	569
Soyabean	3798	3880	-82
Paddy (Dhan)	2471	1868	603
Cotton	4648	5825	-1177
Kharif crops*			
Wheat	2017	1925	92
Barley	1642	1525	117
Gram whole	4681	4875	-194
Masur	7374	4800	2574
* MSP of FY20			

Banking & Financial Industry

- Growth in deposits declined during the unlock phase 1, however it increased again in July
- Advances also increased in the Unlock phase 2 after declining in June

Deposits and Advances - Sum of Daily Variation (Rs Cr)						
Products	Lockdown.1	Lockdown.2	Lockdown.3	Lockdown.4	Unlock.1	Unlock.2
Savings Bank	499606	244679	-89720	119898	-90915	45211
Current Account	-62757	24616	-53002	56909	64684	-3659
Term Deposits	175812	146583	22845	61061	27921	79864
TOTAL DEPOSITS	612661	415878	-119877	237868	1690	121416
CC, DL, Overdrafts etc.	-9190	-114170	-38735	67690	-74020	12510
Term Loans	62304	4565	-16440	53789	64584	77962
TOTAL ADVANCES	55503	-125491	-60588	126822	-6467	97818



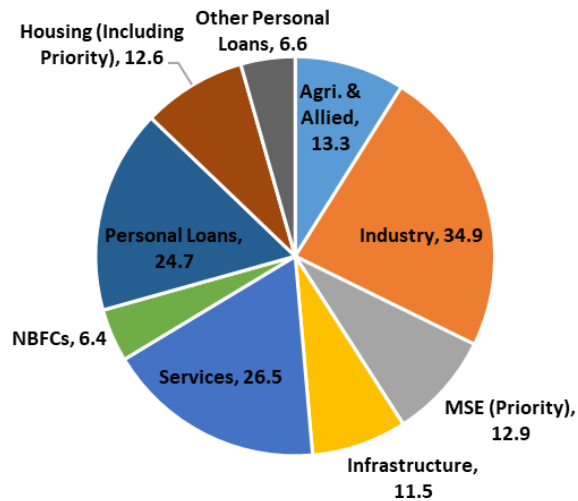
.... But Sector-Wise Credit Improved: April-June 2020

- In June 2020, credit to Services has declined but credit to all the major sectors improved
- Retail credit has jumped by Rs 11,500 crore, which is primarily loans disbursed to salaried people through digital platform
- However, credit has started to pick up in June with the unlocking of the economy

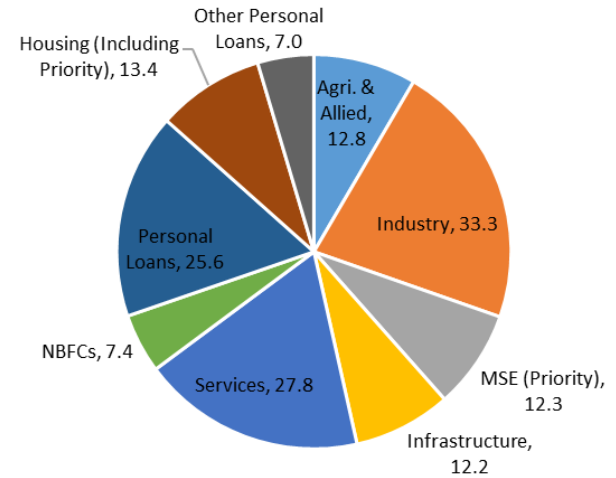
Sector-Wise Credit Flow (Rs bn): June 2020										
Sectors	YTD (Apr-Jun, FY20)		Monthly Growth (Rs bn)				YTD % (Apr-Jun, FY21)		% YoY	
	Rs bn	%	Mar'20	Apr'20	May'20	Jun-20	Rs bn	%	Jun'19	Jun'20
Agri. & Allied	145	1.3	18	-65	-51	67	-49	-0.4	8.7	2.4
Industry	-737	-2.6	1123	-208	-228	136	-299	-1.0	6.4	2.2
MSE (Priority)	-44	-0.4	542	-486	-231	46	-670	-5.8	11.0	1.8
Infrastructure	-294	-2.8	352	13	0	139	152	1.4	15.2	4.2
Services	-1309	-5.4	1611	-208	-311	-146	-665	-2.6	13.0	10.7
NBFCs	-61	-1.0	1037	50	-81	-58	-89	-1.1	37.6	25.7
Personal Loans	331	1.5	216	-629	-119	115	-633	-2.5	16.6	10.5
Housing (Including Priority)	269	2.3	100	-83	-16	68	-31	-0.2	18.9	12.5
Other Personal Loans	188	3.1	88	-269	10	9	-249	-3.4	23.2	12.1
Gross Bank Credit	-1273	-1.5	2830	-1100	-442	271	-1271	-1.4	11.1	6.9

Source: SBI Research

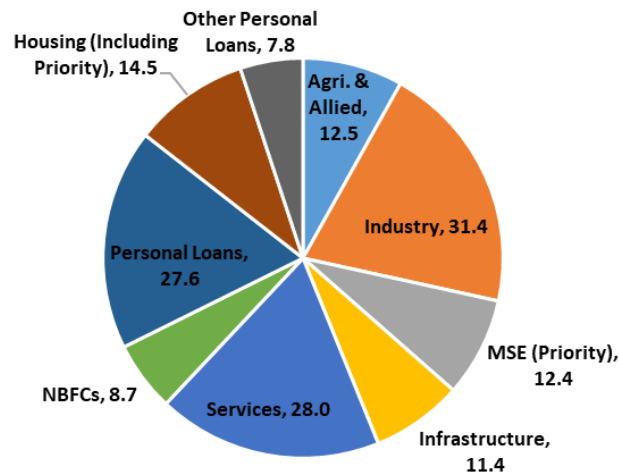
Sectoral Credit Distribution (%): FY18



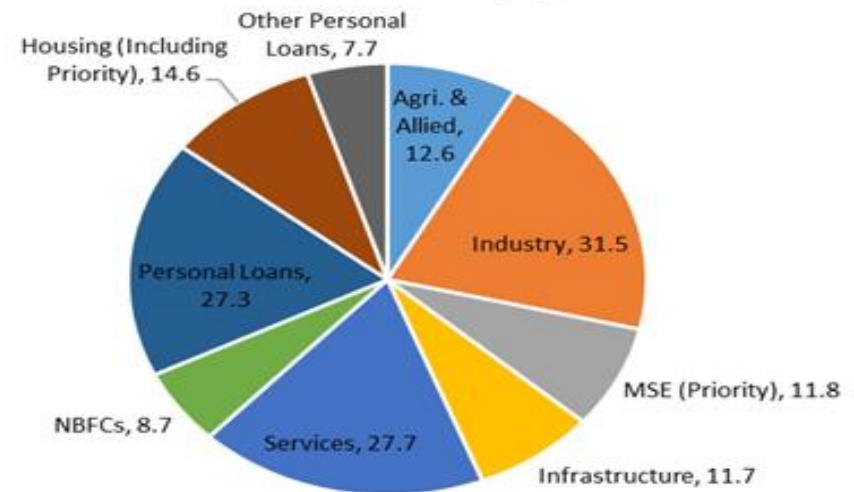
Sectoral Credit Distribution (%): FY19



Sectoral Credit Distribution (%): FY20



Sectoral Credit Distribution (%): June 2020



- The GNPA and NNPA ratios of ASCBs declined to 8.5% and 3.0% in March 2020, from 9.3% and 3.7% in September 2019. PCR) of ASCBs improved to 65.4% in March 2020 from 61.6% in September 2019

Bank Group wise Gross NPA Ratio and Net NPA Ratio (in percent)										
	All Banks		PSBs		PBs		FBs		NBFC	
	GNPA	NNPA	GNPA	NNPA	GNPA	NNPA	GNPA	NNPA	GNPA	NNPA
FY10	2.5	1.1	2.3	1.1	3	1	4.4	1.8	-	
FY11	2.4	1.0	2.3	1.1	2.5	0.6	2.6	0.7		
FY12	2.9	1.3	3.2	1.5	2.1	0.5	2.8	0.6		
FY13	3.2	1.7	3.6	2	1.8	0.5	3	1		
FY14	3.8	2.1	4.4	2.6	1.8	0.7	3.9	1.1		
FY15	4.3	2.4	5	2.9	2.1	0.9	3.2	0.5	4.1	2.5
FY16	7.5	4.4	9.3	5.7	2.8	1.4	4.2	0.8	4.5	2.5
FY17	9.3	5.3	11.7	6.9	4.1	2.2	4	0.6	6.1	4.4
FY18	11.2	6.0	14.6	8	4.7	2.4	3.8	0.4	5.8	3.8
FY19	9.3	3.8	12.6	5.2	3.7	1.6	3	0.5	6.1	3.3
FY20	8.5	3.0	11.3	4.1	4.2	1.4	2.3	0.5	6.4	3.2

Source: SBI Research

- NPA in services sector worsened in March 2020 and GNPA ratio of the retail loan sector also edged up

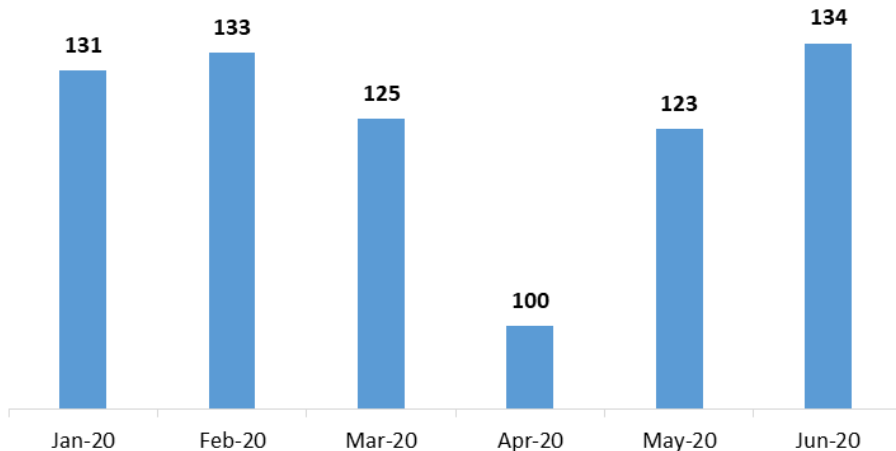
Sectoral GNPA				
Date	Agri	Industry	Service	Retail
Mar-16	6	11.9	5.8	1.8
Mar-17	5.4	17.7	6	2
Mar-18	7.0	22.8	6	2
Mar-19	8.5	17.5	5.7	1.8
Mar-20	10.1	14.1	7.2	2.0

- ❑ RBI's Macro-stress tests for credit risk indicate that under the baseline scenario, ASCBs GNPA ratio may increase from 12.5% (14.7% in a very severe stress scenario) by March 2021
- ❑ CRAR may fall from 14.6% in March 2020 to 13.3% (11.8% in a very severe stress scenario) by March 2021
- ❑ Banks' exposure to NBFCs/HFCs has increased. Contagion risks through financial networks have moderated due to higher capital buffers as also due to shrinking interbank market

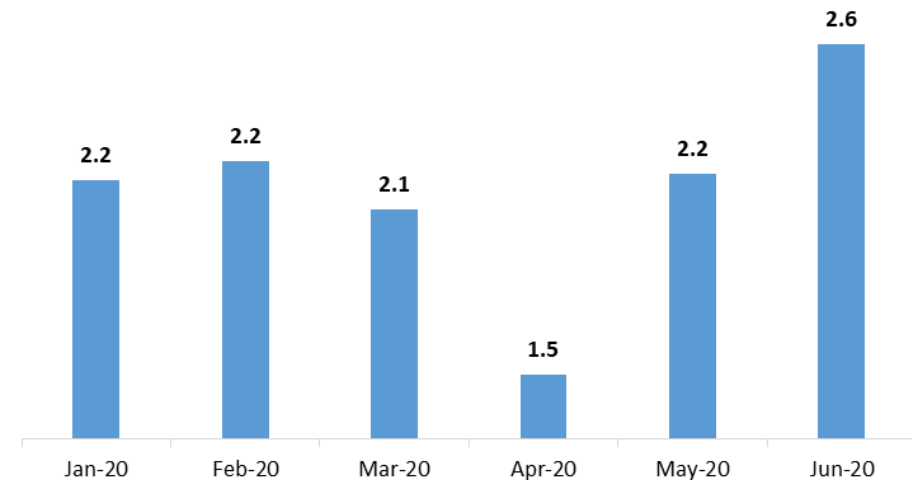
Per Credit and Debit Card Transaction						
Month	Credit Cards			Debit Cards		
	Number of Cards (Lakh)	Total Transaction (Rs Crore)	Per Card Transaction (Rs)	Number of Cards (Lakh)	Total Transaction (Rs Crore)	Per Card Transaction (Rs)
Nov-19	544	60130	11051	8308	77577	934
Dec-19	553	65736	11880	8053	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

Source: RBI; SBI Research

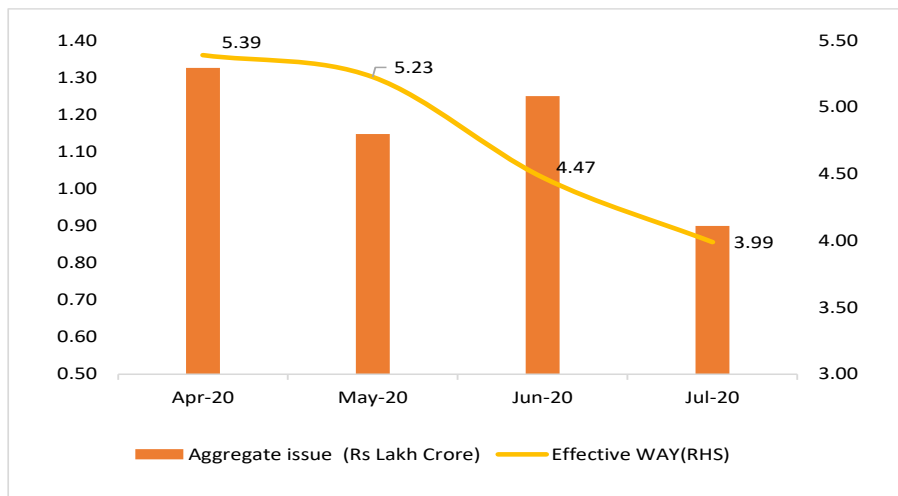
UPI: Volume (in Crore)



UPI: Value (Rs Lakh Crore)

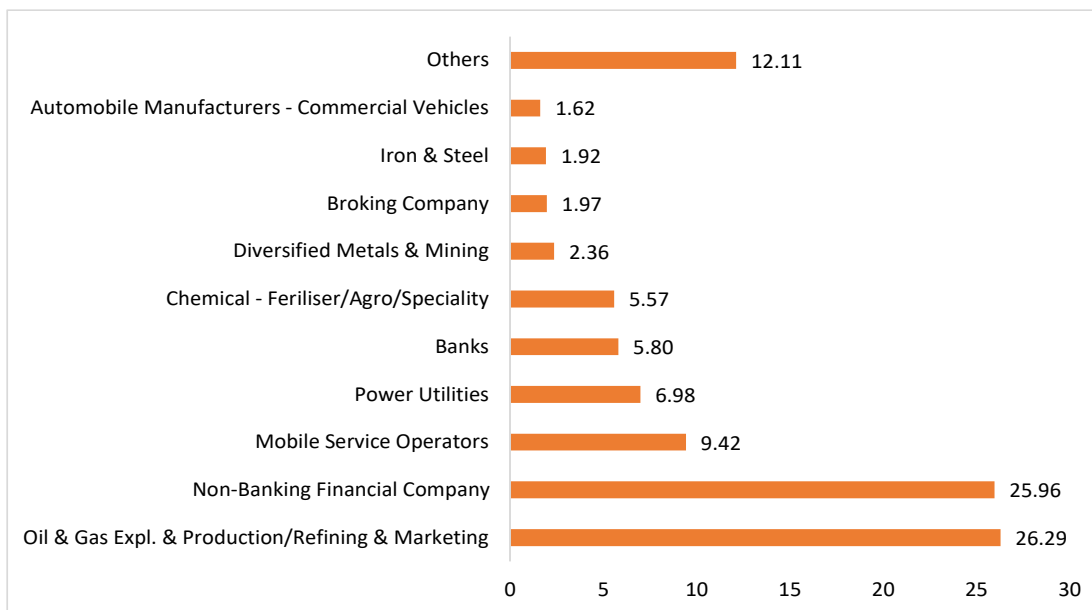


Month wise CP issuances



- ❑ CP worth Rs 4.62 lakh crore issued during last four month
- ❑ Effective weighted average yield decreased from 5.39% in April to 3.99% in July due to various liquidity/credit enhancement measures taken by GOI/RBI

Sector wise CP issuances

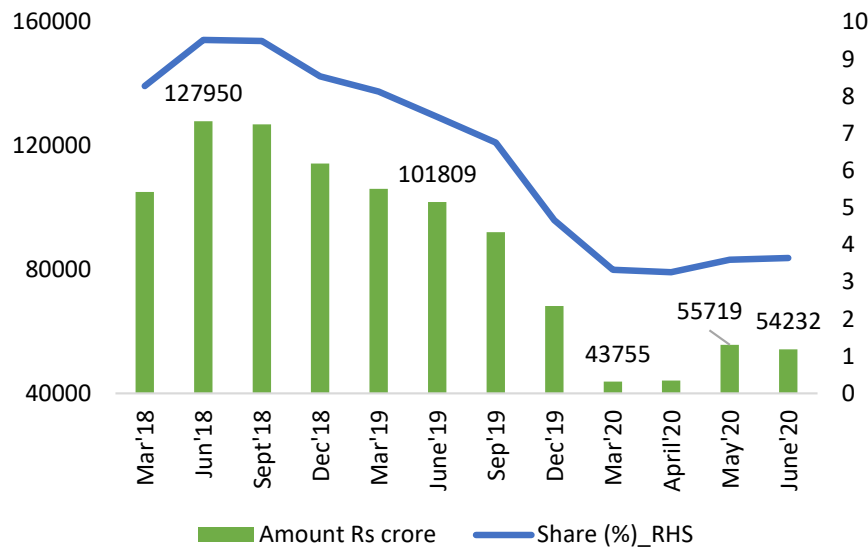


- ❑ Oil and Gas and NBFC sectors dominate the CP issuance market with combined share of more than 50%
- ❑ Other players include sectors such as Mobile Operator, Power, Banks, Chemicals etc

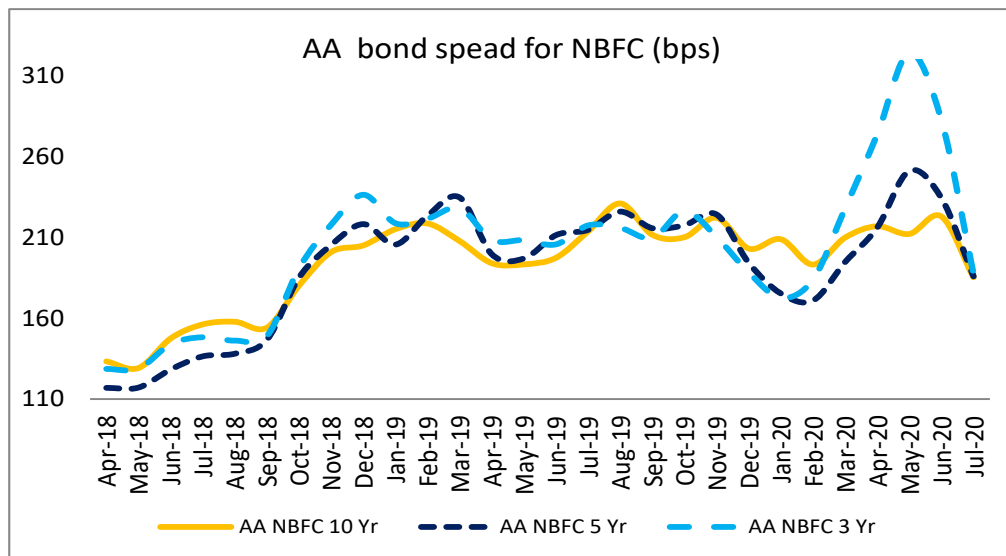
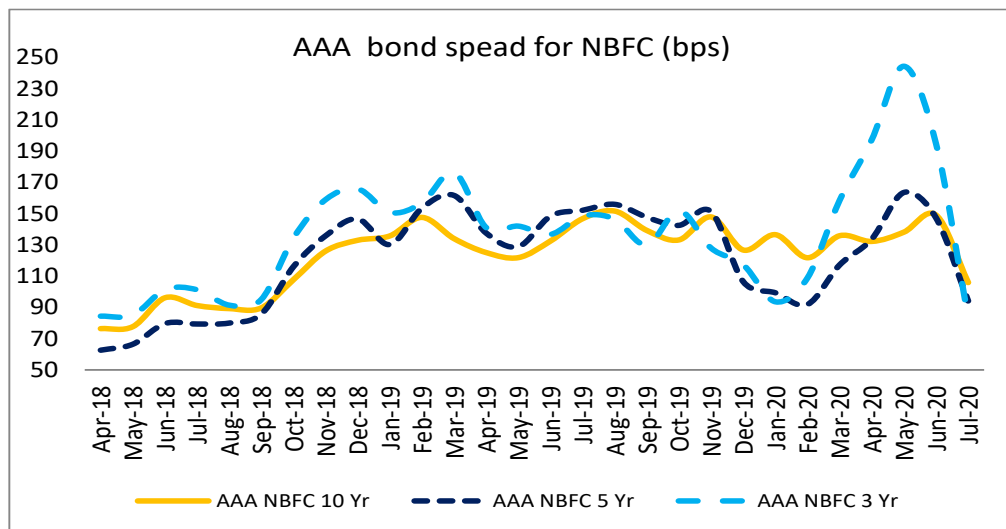
CP raised by NBFC Sector in FY2021 (Rs in crore)					
Month	Financial Institutions	Housing Finance Co.	NBFC	MFI	Total
April #	7275	4400	4275	-	15950
May	1000	6950	22033	-	29983
June	6000	5000	17963	5	28968
July *	2650	1775	19406	10	23841
Total	16925	18125	63677	15	98742

Source: SBI Research; CCIL; # April data may not be exhaustive; * for July upto 30th

Mutual Fund holding of NBFC CPs



- ❑ NBFC issued CP of around Rs 1 lakh crore in FY21, up to July 2020
- ❑ MF were earlier shying away from NBFCs, but the share which was in decreasing trend has increased post April 20
- ❑ More than Rs 10000 crore additional NBFC's CP subscribed by MFs since April'20



- ❑ Spread on NBFC long term papers also softened since last two three months post various measures taken by GOI/RBI
- ❑ AAA, 10 year paper spread decreased to 106 bps in July'20 from 138 bps in May'20
- ❑ Similarly AAA, 5 years and three years papers decreased to 97 bps and 84 bps in July'20 from 164 bps and 244 bps in May'20 respectively
- ❑ Spread of 3 years, AA paper decreased by 138 bps from May'20 to 187 bps in July'20

- ❑ It is pertinent to mention that small NBFC – Microfinance companies are also now participating in CP market even with lower rating of A3+ in short term (long term BBB)
 - ❑ For example SATYA MICROCAPITAL LIMITED rated A3 (BBB-) participated in June'20
 - ❑ VAYA FINSERV PRIVATE LIMITED rated A3+ (BBB) participated in July'20
- ❑ Other NBFC participated includes
 - ❑ SAMUNNATI FINANCIAL INTERMEDIATION AND SERVICES PRIVATE LIMITED (A2+, BBB+)
 - ❑ CAPFLOAT FINANCIAL SERVICES PRIVATE LIMITED (A3+, BBB)
 - ❑ OXYZO FINANCIAL SERVICES PRIVATE LIMITED (A2, BBB)
- ❑ More than Rs 10000 crore additional NBFC's CP subscribed by MFs since April'20

- As per initial trends in listed space, top line reported a degrowth of 23% while bottom line de-grew by 68%. Sector wise growth in key parameters as under: -

Q1FY21 Results - Sector wise growth in key parmeters							
Sector	No of Cos.	Q1FY21 (Rs Crore)			Growth over Q1FY20		
		Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
IT - Software	32	89937	23892	17091	3%	10%	-7%
FMCG	10	23395	5259	3857	2%	6%	18%
Steel	18	21813	3576	106	-32%	-43%	-94%
Telecomm-Service	3	16638	-4977	-16298	16%	-207%	Loss
Cement	10	14073	3393	1664	-34%	-31%	-30%
Pharmaceuticals	21	11978	3558	2441	12%	38%	52%
Tobacco Products	1	9436	2647	2343	-17%	-42%	-26%
Automobile	4	9119	-384	232	-72%	-110%	-92%
Infrastructure Developers & Operators	3	8339	544	276	-50%	-54%	-84%
Fertilizers	3	6549	1010	566	29%	56%	88%
Non Ferrous Metals	5	4263	1583	1353	-22%	-37%	-24%
Textiles	17	4068	505	-39	-44%	-63%	PTL
Retail	1	3833	109	50	-34%	-82%	-85%
Diversified	2	3578	202	63	2%	-52%	-76%
Capital Goods - Electrical Equipment	4	3572	262	157	-45%	-61%	-63%
Chemicals	18	2542	510	320	-46%	-50%	-44%
Paints/Varnish	2	2447	467	252	-44%	-57%	-61%
Edible Oil	4	2427	123	55	3%	25%	68%
Consumer Durables	3	1902	126	23	-34%	-71%	-90%
Miscellaneous	21	1739	106	17	-43%	-22%	LTP

Source: SBI Research; Cline; results of around 350 listed entities ex BFSI and refineries; top 20 sector by revenue

- ❑ Sectors such as Pharma, FMCG, Fertilizers not only reported growth in revenue, operating profit but also reported improvement in margins
- ❑ Some of the sectors like Cement, Cement Products, Mining etc. also reported margin improvement over Q1FY20, despite a decline in revenue

Q1FY21 Results - Margin improvement seen in few sectors						
Sector	No of entities	Growth in Q1FY21 vis a vis Q1FY20		Q1FY21	Q1FY20	Q1FY21 upon Q1FY20
		Net Sales	EBIDTA	EBIDTA Margin		Margin improvement
IT - Software	32	3%	10%	27%	25%	1.49%
FMCG	10	2%	6%	22%	22%	0.97%
Cement	10	-34%	-31%	24%	23%	1.01%
Pharmaceuticals	21	12%	38%	30%	24%	5.59%
Fertilizers	3	29%	56%	15%	13%	2.70%
Edible Oil	4	3%	25%	5%	4%	0.88%
Agro Chemicals	3	74%	387%	19%	7%	12.41%
Healthcare	4	63%	158%	27%	17%	10.06%
Cement - Products	2	-14%	16%	16%	12%	4.16%
Mining & Mineral products	3	-15%	8%	16%	12%	3.32%

Source: SBI Research; Cline; results of around 350 listed entities ex BFSI and refineries

Thank
you

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