

India Inc. takes predictions about the advent of the COVID-19 third wave in its stride, bring it on, it says.

Anushruti Singh | June 5, 2021

The outbreak of the pandemic has not been an easy time for the industrial sector in India. The second wave of COVID-19 has only added to its woes, taking a heavy toll on it, not just economically but emotionally as well. However, as of now India Inc. has learnt many valuable lessons and is transforming and adapting itself to survive. Now experts are predicting the advent of an inevitable third wave. Is India Inc. ready for it? We spoke to some insiders for some insights into this predicament.

“We should prepare for the new (third) wave,” alerted K. Vijay Raghavan, the Principal Scientific Advisor to the government earlier in the first week of May. As a vigilante of the current pandemic situation, he forewarned that the third wave is inevitable, though he did not elaborate on its proposed timeline.

Likewise, epidemiologist and VP (Research & Policy) at the Public Health Foundation of India, Prof D. Prabhakaran stresses on the need for the country to be prepared for the third wave, in terms of buffer drug stock, medical infrastructure and volunteers and training the local communities to manage the situation.

All this as we continue to deal with an unabating number of daily COVID infections, with the number of new cases yet to go below 1.7 lakh per day.

There are chances that the third wave might come in the next 6-8 months, as predicted by Prof M. Vidyasagar, Scientist and head of the National COVID-19 Supermodel Committee. “If the vaccination drive against the coronavirus is not ramped up and COVID-19 appropriate behaviour is not maintained, there is a possibility of a third wave of the pandemic striking us all,” he stated recently, citing an Italian research paper.

These statements from experts are a dire warning at a time when the second wave has already brought India to its knees.

The disruption wreaked by the pandemic has not only been economic but has been an emotional rollercoaster for all Indians as well.

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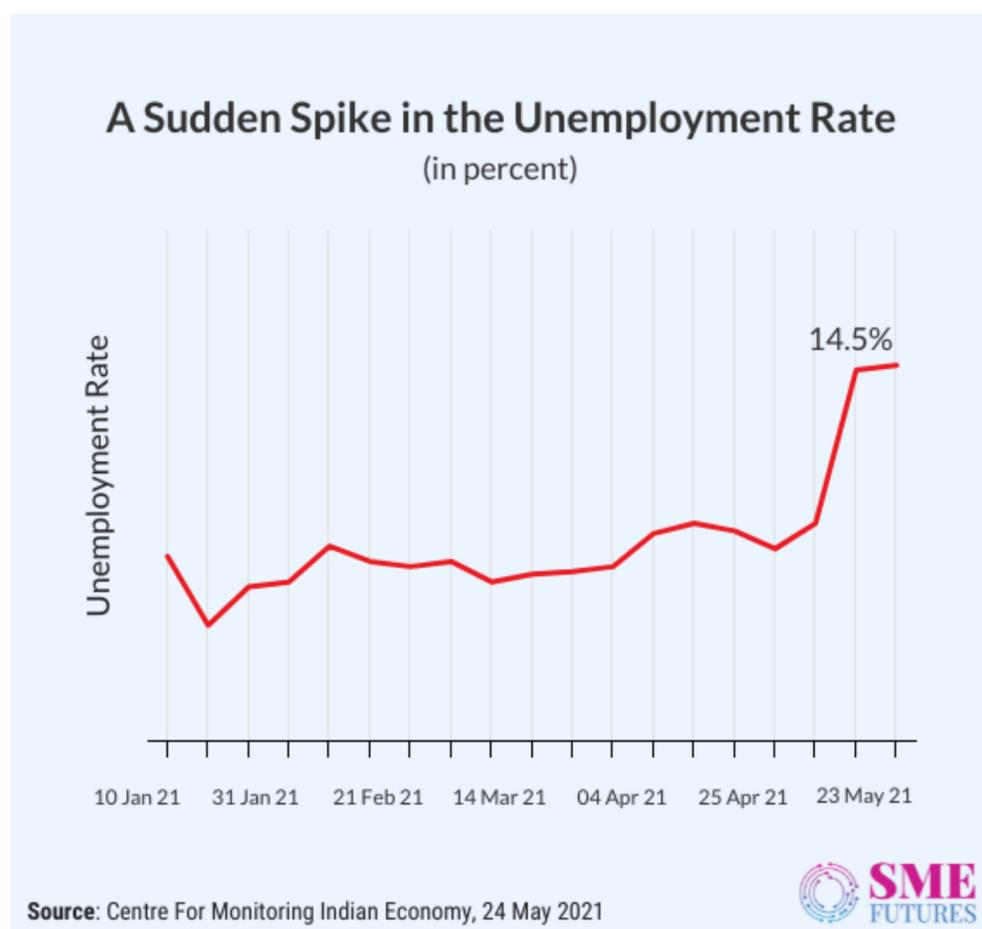
“The country let its guard down in early 2021 with everyone announcing India’s victory over COVID and that the economy will see a V shaped recovery in 2021. Then the second wave brought forth the heart-rending scenes meted out by a failing health infrastructure riddled with shortages of hospital beds, oxygen cylinders and medicines,”

says Vipula Sharma, Director – Ratings and Head – Infrastructure Ratings at Brickwork Ratings India Pvt Limited.

After an unprecedented economic downturn in 2020, people and industries were hoping for a reopening of the markets this year but are now once again facing the same challenges as last year, leading to a massive loss of revenue and livelihoods. The seriousness and scale of this loss can be gauged by the fact that poverty is on the rise in India, while the middle class is shrinking. As per the Pew Research Center, the first wave pushed around 75 million Indians into poverty.

Not surprisingly, the unemployment rate has moved into double digits.

Centre for Monitoring Indian Economy (CMIE) data suggests that the unemployment rate spiked suddenly on the 2nd and 3rd week of May. On May 16th, the unemployment rate was 14.5 per cent; in the third week ending on May 23rd, it went up to 14.7 per cent. Earlier, in the week ending on May 9th, it was 8.7 per cent.



Mahesh Vyas, MD and CEO of CMIE writes that this is not normal for India. “The only time the unemployment rate lurched into double-digits was when India was shut down by a stringent nationwide lockdown during April and May 2020. There is no similarly draconian lockdown now although there are several local restrictions that restrain mobility in varying but distinctly milder degrees. The double-digit unemployment rate seen in recent times indicates that even these restrictions are taking a toll on the economy,” he states in his blog.

So, what does this mean for the economic growth of India?

Even if there is no national lockdown, localised restrictions and mini lockdowns have had a huge impact on business continuity. As per the Dun & Bradstreet COVID-19 business disruption tracker, 47 per cent of businesses were disrupted in the first week of May, with 52 per cent of estimated sales revenues and 56 per cent of employees of associated firms being impacted as a result.

Economic experts, global agencies and institutions have already made downward revisions to India's economic growth.

Moody's Investor services cut down the growth forecast for the current financial year to 9.3 per cent from previous estimates of 13.7 per cent. Brickwork Ratings too slashed the GDP growth projection to 9 per cent from an earlier estimate of 11 per cent.

Similarly Dun & Bradstreet in its analysis finds it onerous for India's growth prospects to return to pre-pandemic levels. The curtailment of investment activity as the government prioritises managing the pandemic is likely to delay the revival of industrial activity. Dun & Bradstreet, thus expects the Index of Industrial Production (IIP) to have grown by more than 100 per cent during April 2021.

Owing to the intensifying nature of the pandemic and it spreading to rural areas, Dr. Arun Singh, Global Chief Economist at D&B, expects bleak prospects for FY22. "Mounting healthcare expenses, a weak labour market, input price pressures, the increasing debt levels of households, firms and the government, and more importantly, the spread of the infection to rural areas have severely undermined the growth prospects of the Indian economy. We have revised India's growth down as compared to our earlier estimates. If the 3rd wave were to occur, it would further delay the return to pre-pandemic levels," he said.

"This has not been easy. All businesses have seen slowdowns like never before," remarks Brickwork's Sharma, after taking stock of the pandemic's impact so far. "The larger businesses in the service and manufacturing sectors have been able to weather the slowdown. However, several small and medium sector enterprises have not been able to do the same," she says.

The key affected sectors like hospitality, travel and tourism, aviation, automobile, and real estate would require a lot of hand holding and support to come out of this complete shutdown. Bankruptcy, job losses and unemployment in these sectors are further adding to its woes. The challenges of the lack of international and domestic demand, logistic hurdles, supply woes and unavailability of key services have affected practically every sector. Loss of key employees to the pandemic has been another big challenge.

Recovery depends upon resilience

The Reserve Bank of India notes that even if economic activity in the first half of the first quarter of 2021-22 is dented, it is not debilitated.

The biggest toll of the second wave has been in terms of demand shock—loss of mobility, discretionary spending, and employment, besides inventory accumulation. While the aggregate supply is less impacted according to an RBI analysis.

"The impact of the second wave on the real economy seems to be limited so far in comparison with the first wave," RBI states in the State of the Economy Report.

Evidently, the localised nature of the lockdowns, better adaptation of people to work-from-home protocols, online delivery models, e-commerce, and digital payments, have worked in favour of the economy, thus limiting the momentum of economic loss.

According to the central bank, India's growth chances majorly depend on how fast it can arrest the second wave of the COVID-19 pandemic, where faster vaccinations are the key. But the real question is about the survival and recovery of the industries if the third wave comes.

Impact of COVID-19 in India

344,101

Total deaths due to coronavirus

Worldometer.info





In the pandemic, India's middle class shrinks and poverty spreads

Estimated change in the number of people in each income tier due to the global recession in 2020 (in millions)

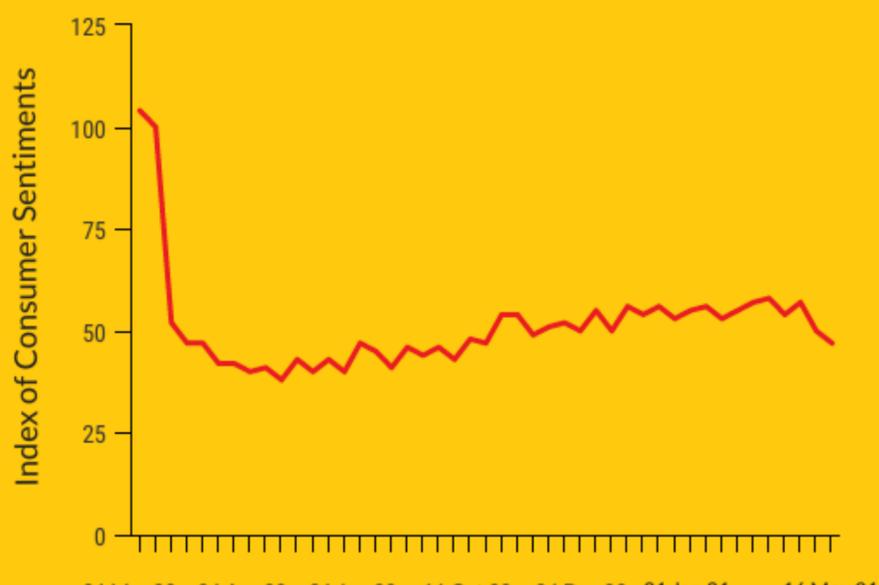
	India	China
High income	-1	-3
Upper-middle	-7	-18
Middle income	-32	-10
Low income	-35	+30
Poor	+75	+1

Pew Research Center

Economy

contracted by 24.4% y-o-y in the first wave

Consumer sentiments slide in the first and second wave



Centre for Monitoring Indian Economy



Is India inc. ready for the third wave?

The first wave was a shock to the economy, where it contracted by 24.4 per cent y-o-y, the biggest downturn amongst G20 countries. The second wave has been more unrelenting, especially for MSMEs. However, several activity indicators such as GST, manufacturing, and service production, even in the face of restrictions, maintained their own.

Which only points towards the resilience and preparedness of the industrial sector to weather all storms.

“This seems to have shocked the urban powers to be out of their stupor,” says Sharma of Brickworks Ratings, talking about their preparedness. In her opinion, this is how we are learning to survive with the aid of best practices.

“Now the key metros of the country seem to have at least recognised their inadequacies and have set up a system to cope. While the third-tier towns and rural centres will have some catching up to do, we are better prepared than we were a few months back,” she feels.

Primarily, after the arrival of the third wave, the readiness and probability of faster revival solely depends on how fast the sector transforms itself. Dun & Bradstreet’s survey, conducted before the onset of the second wave revealed that firms were optimistic regarding their performance in the future. This was on account of the faster upgradation and adoption of digital strategies.

“We believe that the optimism levels of India Inc. have been higher as they are likely to have learnt to adapt to the new normal and the proliferation of digitisation is supporting business continuity. While business continuity during the second wave seems to be less impacted as compared to last year, the overall growth prospects have deteriorated from the levels perceived during the beginning of 2021,” Dr. Singh says.

Where there is a will there is way

Moving along, various industry mavens from different sectors unanimously think that India Inc. has learnt many lessons from the pandemic, and it can certainly handle the challenges if the third wave arrives in the near future. They spoke to SME Futures about their preparedness to deal with this eventuality.

The manufacturing sector, which took a massive hit and witnessed the mass exodus of skilled workers due to the pandemic, has been adopting SoPs and contingency plans along with making allowances for other aspects as well.

For instance, the Indian Agarbathi sector, which has a majorly female workforce, has regained nearly 90 per cent of its pre-COVID sales, attributing it to the fact that consumers have continued to use agarbathis for worship, wellbeing, and fragrance purposes.