

Economy inching towards pre-Covid level

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NEW DELHI: The Nomura India Business Resumption Index (Nibri) has reached 95.7 in the week ending July 11, indicating a sharp recovery in economic activity; a value of 100 captures the pre-pandemic level. The latest Nibri value suggests that economic activity has seen a V-shaped recovery with the removal of restrictions which were put in place during the second wave of Covid-19.

India imposed a 68-day long hard lockdown beginning March 25, 2020 to prevent the spread of Covid-19 infections. By then, Covid-19 had taken a toll on activity – Nibri was 82.9 in the week ending March 22, 2020. The index touched an all-time low of 44.7 in the week ending April, 26, 2020 and then



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started a gradual recovery. It was only in December 2020 that Nibri crossed the 90-mark before reaching a post-first-wave peak of 99.3 in the week ending February 23. Thereafter, it started falling gradually as the infection curve reversed its trajectory again. As restrictions

were re-imposed to deal with the surge in cases in the second wave, Nibri fell to 60.3 in the week ending May 23. The second wave of Covid-19 infections peaked in India on May 9. The fact that Nibri has gained 35.4 points in the last seven weeks to reach 95.7 shows that economic activity has recovered sharply with the removal of restrictions.

“While data for June continue to largely confirm a sequential improvement, as we expected, early data for July is more mixed. With higher power demand amid a continued fall in railway freight revenues and lower GST E-way bills in the first week”, said a note by Nomura economists Sonal Varma and Aurodeep Nandi. “The pace of vaccination in July has so far struggled to pick up from the June average of ~3.8mn doses/day, although we expect vacci-

nations to rise at a faster pace from August. A key risk we are monitoring is whether the rapid rise in mobility increases the risk of a third wave, as new infection cases appear to be stabilising”, the note added.

To be sure, caution should be exercised to take the latest the surge in Nibri numbers as unambiguous proof of revival in economic activity. The Purchasing Managers’ Indices (PMI) for manufacturing and services fell in June compared to their May levels. The composite PMI fell from 48.1 in May 2021 to 43.1 in June. And PMI is a forward-looking measure (or what is called a lead indicator).

Inflation could act as another source of headwinds to restoration of demand as petrol-diesel prices and their cascading effects squeeze household budgets.