

Business activity falls to Aug '20 levels

NIBRI saw its biggest week-on-week fall to reach 75.9 in the week ending April 25

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NEW DELHI: The raging second wave of Covid-19 infections in India continues to disrupt the economy. The Nomura India Business Resumption Index (NIBRI) suffered its biggest week-on-week fall to reach 75.9 in the week ending April 25.

The NIBRI is a weekly dashboard of ultra-high frequency data compiled by Nomura research; a value of 100 refers to pre-pandemic levels of economic activity. The NIBRI was last lower than 75.9 in the week ending August 30, 2020. It reached a value of 99.3 in the week ending February 23. That the NIBRI has fallen by almost 25 points in two months, captures the disruptive impact of the second wave of the pandemic on the economy.

As new infections continue to soar and more regions come



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under a lockdown or similar restrictions—Karnataka, Kerala and Assam, for instance, imposed tighter restrictions since April 26; Maharashtra is already under a lockdown as is Delhi—the NIBRI could fall further. This is bound to have an adverse effect on the economy.

“We also see signs of the economic pain spreading to the wider economy (power demand, GST e-way bills, railway freight), although the real economic impact still appears small compared to Covid’s first wave and other indicators (labour force participation rate) have

remained resilient. With more states extending restrictions, sequential momentum is likely to remain weak over the next month, hurting gross domestic product (GDP) growth in Q2 2020 (April-June 2020),” Nomura economists Sonal Varma and Aurodeep Nandi said in a

research note.

Vaccinations will play a crucial role in muting the economic impact of the second wave. “As the pace of vaccinations pick up (which we expect should be evident from June), there should be another return of pent-up demand, in addition to other tailwinds (strong global growth, lagged impact of easy financial conditions, and front-loaded fiscal spending). All of this suggests that the second wave should remain a short-term negative economic shock, localised to Q2 2021, while the medium-term growth outlook remains stable,” the note said, even as it acknowledged downside risks to the annual GDP growth in 2021-22. The firm’s reference is to the April-June quarter of the year.

The decline in the NIBRI is in keeping with expected deterioration on other important economic parameters. Mahesh Vyas, managing director and chief executive of the Centre for Monitoring Indian Economy (CMIE) said in a note that he expects the employment rate to fall for the third consecutive month in April. “April could be

the third consecutive month of deterioration in terms of the most important fast-frequency labour statistic, the employment rate. The employment rate reached its highest post-lockdown level of 37.97% in September 2020. Then, it fell for three consecutive months, but climbed back to 37.94% in January 2021. Then, it declined in February and March. Now, it looks like it will fall in April as well, to a sub-37% level.”

A CRISIL research note dated April 26 suggests that the second wave and curbs in urban centres could have triggered some amount of reverse migration, although not to the extent that was witnessed in the first lockdown. “Using data from railways’ non-suburban unreserved passenger ticketing system as a proxy for migrant flows, we find that unreserved travel increased steeply in April, relative to its trend in the previous months. In the previous week, average unreserved passengers were ~7 lakh compared with ~5.5 lakh in the first week of March. In contrast, reserved railway travel has declined drastically”.