

Impact of COVID-19 on Sectors in India

Assumptions*:

- The COVID-19 pandemic subsides in India from its peak level and all businesses resume operations from June 2020 onwards, although in a staggered manner.
- Businesses across the globe (excluding China) also resume operations from June 2020, although in a staggered manner.
- More businesses across China resume operations from April 2020 (over 60% of the companies in China have actually resumed in March 2020).

Sectors	Impact	Recovery period	Reasons
Drugs and pharmaceutical	Moderate	Short term	<ul style="list-style-type: none"> ➤ Production is expected to recover quickly as the government is extending support for essential commodities. ➤ Businesses have started resuming operation in China, which accounts for around 85% of India's active pharmaceutical ingredients imports. This alleviates the supply chain disruptions, though not by a great extent.
Livestock	Severe	Short term	<ul style="list-style-type: none"> ➤ Prices and demand may increase after the outbreak.
Retail (non-food items)	Severe	Short term	<ul style="list-style-type: none"> ➤ Sales of essential items may recover quickly, while sales of non-essential items might take slightly longer to recover. However, pent up demand will aid a fast recovery.
Wholesale (non-food items)	Severe	Short term	
Textiles	Moderate	Short term	<ul style="list-style-type: none"> ➤ Discretionary spending is expected to remain muted for at least one quarter. However, demand for essential commodities such as masks, cotton rolls, gauzes, etc. will not be negatively impacted. ➤ Even if demand for low-priced products starts reviving after a quarter, the uncertainty and slow growth or loss of income may impede a quick recovery for the next two quarters. ➤ Exporters will take longer to recover until recessionary pressures in the USA and European countries fade away.
Logistics	Severe	Medium term	<ul style="list-style-type: none"> ➤ Slowdown in the tourism sector will have knock-on effects on passenger traffic. Heightened risk aversion will prolong the recovery. ➤ Cargo traffic is expected to pick up once businesses start resuming operations across all countries. However, low consumption expenditure will delay the recovery.
Metals	Moderate	Medium term	<ul style="list-style-type: none"> ➤ The metal industry has strong forward linkages to many important sectors such as automotive, construction and infrastructure. Hence a slowdown in business activity in these sectors will inevitably drive down the demand for basic metals.
Automotive	High	Long term	<ul style="list-style-type: none"> ➤ Demand for cars is likely to be deferred or dropped given low consumer confidence, subdued economic activity, lower disposable income and higher prices. ➤ Demand for commercial vehicles will be dependent on growth in Gross Material Products (GMP), which is expected to be slower. ➤ Component dependency will create supply side disruption.
Entertainment	Severe	Long term	<ul style="list-style-type: none"> ➤ The biggest concern is the likely continuation of social distancing measures to avoid the risk of any relapses. ➤ Revenues from advertisements will be dependent on revival of the aggregate demand in the economy.

Sectors	Impact	Recovery period	Reasons
Banking	High	Long term	<ul style="list-style-type: none"> ➤ The Reserve Bank of India (RBI) estimated that Non-Performing Assets (NPAs) may increase to 10.2-10.5% by September 2020. With the outbreak of COVID-19, this figure is expected to increase. ➤ The phase to recovery will depend on the outcome of the measures that the RBI has initiated and is likely to take place in the following weeks.
Gems & Jewellery	Severe	Long term	<ul style="list-style-type: none"> ➤ Exports constitute a major portion of the net sales for domestic companies. With recessionary pressures across the globe, demand for gems and jewellery is expected to be severely impacted over the next couple of quarters.
Tourism	Severe	Long term	<ul style="list-style-type: none"> ➤ Even when the travel bans are lifted, both foreign tourist arrivals and domestic tourist movements are expected to remain very low because of heightened risk aversion, measures related to social distancing and lower disposable incomes.
Hospitality	Severe	Long term	<ul style="list-style-type: none"> ➤ Slowdown in the tourism sector will have knock-on effects on hospitality. Occupancy rates may remain very low until Q1 2021. ➤ In an effort to increase and improve the bottom lines, many businesses are expected to cut down travel and accommodation costs for their employees.
Electronics	High	Long term	<ul style="list-style-type: none"> ➤ Demand for white goods and other high-end consumer durables will remain impaired as consumers are expected to postpone their purchases because of lower disposable income, and uncertainty over growth prospects. ➤ About 50-60% of the products and 70-80% of the components are imported, and a shortage of components of electronic goods from China is likely to keep prices higher and hence will impact demand.
Micro, Small, and Medium Enterprises (MSMEs)	High	Long term	<ul style="list-style-type: none"> ➤ Recessionary pressures across the globe are expected to have a direct impact on the level of global exports. Given that MSMEs contribute to over 40% of India's exports, the impact will be severe and linger for a longer time. ➤ MSMEs are expected to experience severe liquidity problems due to delayed payments from their customers. ➤ The strain in the banking system is expected to increase the credit gap for MSMEs.

Note: *The assumptions are strictly not to be considered as Dun & Bradstreet's projections or estimates

Data Sources: Ministry of Commerce & Industry, Ministry of MSMEs, D&B Survey

Legend:

Impact	Moderate	High	Severe
Recovery period	Short term (Up to 6 months)	Medium term (7-12 months)	Long term (more than 12 months)