

Effects of Covid-19 on Indian Economy and Supply Chain: An Overview

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Abstract

The COVID-19 epidemic is causing serious health problems for the majority of the world's population in a way that has never been seen before. Lockdown has been a natural response to such a crisis, with people being advised to stay at home and acquire essentials through doorstep service, or venture out as little as possible with proper safety and social separation. The Indian government has announced a number of steps to address the problem, ranging from food security to additional funding for healthcare, as well as sector-specific incentives and tax deadline extensions. The economy is anticipated to experience a lengthy slowdown as a result of the country's long-term lockdown, the global economic crisis, and the resulting disruption of demand and supply networks.

Keywords: Covid-19, Population, Healthcare, Economy, Supply Networks.

Introduction

The Indian economy has been significantly weaker in the past few quarters. In the third quarter of this fiscal year, the economic growth rate was 4.7%, a six-year low. In the last quarter of the current budget, there is great hope for recovery. However, it is extremely difficult for the new corona virus epidemic to recover in the short to medium term. The epidemic has now brought new challenges to the Indian economy, and has caused serious and devastating effects on both the supply and demand sides, and may undermine India's growth story. According to a United Nations report, the impact of the corona virus epidemic on India's trade is estimated to be approximately US\$348 million. The country is one of the 15 worst-hit economies because China's slowing production disrupted world trade. According to data from the Asian Development Bank (ADB), although the outbreak of Covid 19 may cause the Indian economy to suffer personal consumption losses of between 387 billion and 29.9 billion U.S. dollars. For India, the impact of trade on chemicals is US\$129 million, textiles and clothing are US\$64 million, automobiles are US\$34 million, motors are US\$12 million, leather products are US\$13 million, and metals and metal products are US\$27 million. U.S. dollars and wood products and furniture are worth 15 million U.S. dollars. China's manufacturing purchasing managers' index (PMI) dropped sharply to 37.5, the lowest level since 2004. This decline means a 2% decline in annual production. This is a direct result of the spread of the corona virus (COVID19) (Hinduism). If we look at China's share of India's total imports, India's total imports of electronic products account for 45% of China's. About one-third of the machinery and nearly two-fifths of the organic chemicals that India purchases globally come from China? In terms of auto parts and fertilizers, China accounts for more than 25% of India's imports. Approximately 65% to 70% of active pharmaceutical ingredients and approximately 90% of certain mobile phones come from China.

The manufacturing industry plays an important role in national development by contributing to GDP. Manufacturing contributes the most to the global economy. At present, industries all over the world are paying attention to high-quality, high-profit products. Now, the production of low-margin, high-volume products has shifted to lower economies. The application of just-in-time and lean concepts helps reduce industry costs. Nevertheless, due to Covid19 issues, approximately 35% of manufacturers reported interruptions in their manufacturing practices. There is a great demand for many products focusing on face masks and medical products. The demand for these products has increased in the



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past two months. Due to the spread of Covid19, manufacturing facilities in most countries have been closed, and due to concerns about the spread of Covid19, most countries are facing labor shortages. The Indian government is now working to make India an alternative to China, producing for local and global markets. Due to the disruption of the supply chain between China's major trading partners, most countries have shifted production.

COVID-19 Effects on Indian Economy

After the Great Depression in 1930, the world economy faced its worst recession, and now it is facing the global pandemic of the corona virus, which has adversely affected all economic activities around the world. The sudden drop in economic activity due to the blockade is unexpected in Indian history. The great economist Keynes put forward the concept of the post-Great Depression trade business cycle. The four stages of the trade cycle are regarded as indicators for measuring growth rates and real GDP. The International Monetary Fund (IMF) forecasts a GDP growth rate of 1.9%, which indicates that India's fiscal year was the worst growth performance since the 1991 liberalization policy, as the corona virus disrupted the entire economy.

On the contrary, in its latest issue of the World Economic Report, the International Monetary Fund listed India as the fastest-growing economy in 2020. It is predicted that the global economy in 2020 will show a sharp contrast of 3%, which is much more serious than the financial crisis of 2008-09. In India, the impact on the real or projected economic sector is more severe than the 2008 crisis. The country is now facing challenges in the form of a financial crisis, a health crisis, and a sharp drop in raw material prices. Due to uncertainty and demand shocks caused by market freezes, the banking system has increased excess liquidity. Financial shocks have had a huge impact, including the crash of the stock market, the liquidity crisis in which the banking system began to flow out of the global market, and various changes in monetary policy. As dollar-denominated debt yields have fallen sharply, the dollar credit crunch has begun to disrupt the global economy. Because most companies that rely on international trade face great pressure. Global economic production is declining, and a large-scale recession is waiting for the entire economy. The global pandemic has hit the economy, and this challenges the goal of growing India's economy to US\$5 trillion or 7% of GDP by 2024. According to the latest estimates of the World Bank, India is expected to grow by 1.5% to 2.8%, and according to the International Monetary Fund, GDP will grow by 1.9% in 2020, and the goal of achieving the economy of 5 trillion US dollars within five years will increase. For a long period of time, 100% every year.

Effects of COVID-19 on Indian Industry

Chemical industry

In China, some chemical plants have been closed. Therefore, transportation/logistics will be restricted. It turned out that 20% of production was affected by the interruption in the supply of raw materials. China is a major supplier of indigo for denim. Indian business may be affected, so people can ensure their supply. However, this is an opportunity. The United States and the European Union will strive to achieve market diversification.

Automotive industry

The impact on Indian companies varies, depending on the volume of business with China. Chinese companies are undoubtedly affected. However, the current inventory seems to be sufficient to meet the needs of Indian industry. If China continues to stop production, Indian car production in 2020 will fall by 810%.

Electronics industry: The main electronics supplier is China because it is the final product or raw material used in the electronics industry. Due to the heavy reliance on direct or indirect supply of electronic components

and local manufacturing, India's electronics industry may face delivery interruptions, production and product price drops.

Foreign Trade

According to data from the Indian Economic Monitoring Center (CMIE) database, China has been India's largest source of imports since 200405. 201819 is the last period for which annual data is available, accounting for 13.7% of India's total imports. Any major disruption in the Chinese economy could disrupt these imports, thereby disrupting India's production process and the supply of consumer goods.

Tourism sector

The tourism sector is currently one of the sectors hardest hit by the COVID19 epidemic, affecting the supply and demand of tourism. As a direct consequence of COVID19, the World Travel and Tourism Council warned that 50 million jobs in the global travel and tourism sector may be at risk.

Poultry

Poultry industries across the country have been hit hard by rumors that eating chickens can spread the new corona virus, and prices have fallen sharply. Approximately 2 million people in the poultry industry have been affected nationwide. People avoid eating meat, fish, chicken, eggs, etc. Due to the decline in demand, the wholesale price of chicken has dropped by 70%.

Effects on Demand

Huge uncertainty and market decline have led to double commercial success disrupting the entire chain of production and demand cycles. It includes various facilities and services provided by the Indian government. Private sectors such as tourism, hotels, and aviation are the main sectors facing the greatest losses in the current crisis. Tourism, which accounts for 9% of GDP, may decline for at least the next 23 quarters. The aviation industry, which accounts for approximately 2.4% of GDP, has had a significant impact, and approximately 42.7 million people are employed in these sectors. Industries such as the automotive industry account for 10% of GDP and employ about 40 million people. However, marginal companies and other industries are forced to close due to declining demand, and these industries are declining steadily. The closure of movie theaters and the reduction of shopping in complex shopping malls have also had an impact on retail and consumer behavior of necessities and luxury goods. Consumers' consumption behavior is affected by falling income and unemployment, especially in day labor, and is declining. Business travelers who canceled conferences and seminars on such a large scale severely canceled hotel services.

Effects on Supply

Some supply-side target industries choose to close, they are marginal companies. India, as the largest exporter of raw materials and source of goods for intermediate products and final products, is currently suspended due to delayed delivery of Chinese goods. Various industries such as pharmaceuticals, automobiles, electronics, and chemicals are facing a shortage of required parts. Because China accounts for 27% of India's auto parts imports. About 85% of India's active pharmaceutical ingredients (API) are imported from China. Due to this factor, there may be a shortage of supply, so prices may rise. Due to the global pandemic, the business is hampering the production cycle, thereby further affecting investment. Approximately 55% of electronic products imported from China have fallen by a percentage.

Effects of COVID-19 on International Trade

According to the WTO, due to the COVID-19 pandemic disrupting normal economic activities, world trade is expected to fall by 13% to 32% in 2020. The share of Indian exports in total world exports is 3.5%, and the share of imports in world imports is 3.1% (2019). India's trade balance shows that the trade deficit in March 2020 was USD 9.8 billion. The unexpected decline in trade and production has had a negative impact on businesses and households. In terms of international trade, the government can seek countermeasures for domestic production and reduce its dependence on a single country. This will promote the production of domestic industries to a certain extent and reduce the trade deficit. China is India's largest foreign trade country and an important market for many Indian products such as seafood, gems and jewellery, petrochemical products. Due to the decline in exports, the fisheries sector lost 1.3 billion euros. In April/February, India's current fiscal exports fell 1.5% to 292.91 billion. According to UNCTAD, India's trade impact is US\$348 million. As China's production decline has disrupted the entire world trade pattern, India has become one of the 15 most severely hit economies. India will trade 129 million products at a price of 13 million U.S. dollars and wood products and furniture at a price of 15 million U.S. dollars. United Nations economists announced that global production and exports have fallen by US\$50 billion. India mainly exports 7,500 types of raw materials to 190 countries and imports about 6,000 types of raw materials from 140 countries. India shares a trade surplus with the United States, the United Arab Emirates and Bangladesh, and a trade deficit with China, Switzerland and Saudi Arabia.

Objective of the Study

1. To understand impact of Covid-19 on overall Indian Economy
2. To understand the impact of Covid-19 on different sectors.
3. To know the challenges of the supply chain.

Conclusion

The current study examines the impact of Covid-19 on the Indian economy and supply chain. The pandemic is affecting manufacturing companies and their supply chains around the world. COVID19 impacts our supply chains and manufacturing operations on a daily basis. The peak of the COVID19 virus has already hit the supply chain, forcing thousands of industries to slow down or temporarily close their assembly lines in the United States and Europe and developing countries such as India. As a result of measures taken to prevent the spread of the corona-virus disease (Covid19), including social distancing and containment, non-essential spending is being postponed. This is causing the collapse of aggregate demand across India. In addition to the decline in demand, there will also be widespread supply chain disruptions as some people stay at home, others return to their villages, imports are halted and travel abroad is halted. This will negatively affect production in almost all industries. Gradually, the shock will spread to industry, mining, agriculture, public administration, and construction all sectors of the economy. This will negatively impact investment, employment, income and consumption, slowing the overall growth rate of the economy.

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