

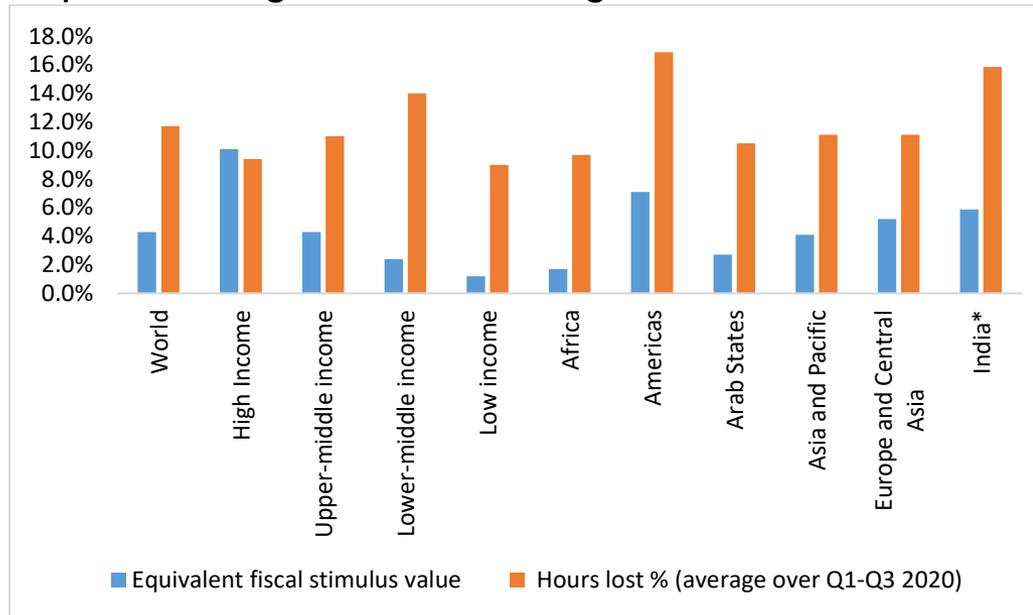
Five Months After Unlock

State Bank of India

09 November 2020

Working hours lost & equivalent fiscal stimulus value for India show a gap of 3-5% of GDP: scaling up fiscal support is important

- ILO has come up with estimates for the working hours lost (% of total, average over first three quarters of 2020) and equivalent fiscal stimulus value for country groups to directly compare the size of fiscal stimulus with the labour market damage due to COVID-19. For the lower-middle income group the announced fiscal stimulus measures equate to 2.4% of total working hours, while estimated working-hour losses averaged 14%, thus showing a gap of 11.6%
- We conducted a similar exercise for India using a slightly different methodology which yielded a gap of around 10% for India. The government might thus need to give a further direct fiscal stimulus of the size of 3-5% of GDP to offset gap between the equivalent fiscal stimulus and the labour market disruption through loss of working hours



* Estimates for India : Source SBI

India has handled Covid much better considering its population: Actual cases are lower by 2.65 lakh from our 2SLS Panel Model

- To see statistically the state-wise infections, we tested a two stage least square (2-SLS) panel model with 20-major states considering the monthly data from April to October 2020. First, we regressed the state-wise test data on population from Apr'20 to Oct'20 to gauge the exact number of tests that should have been done given the population difference across states. Then the cases were regressed on such estimated test numbers arrived from equation 1

$$T = \alpha + \beta P \mu \dots(1)$$

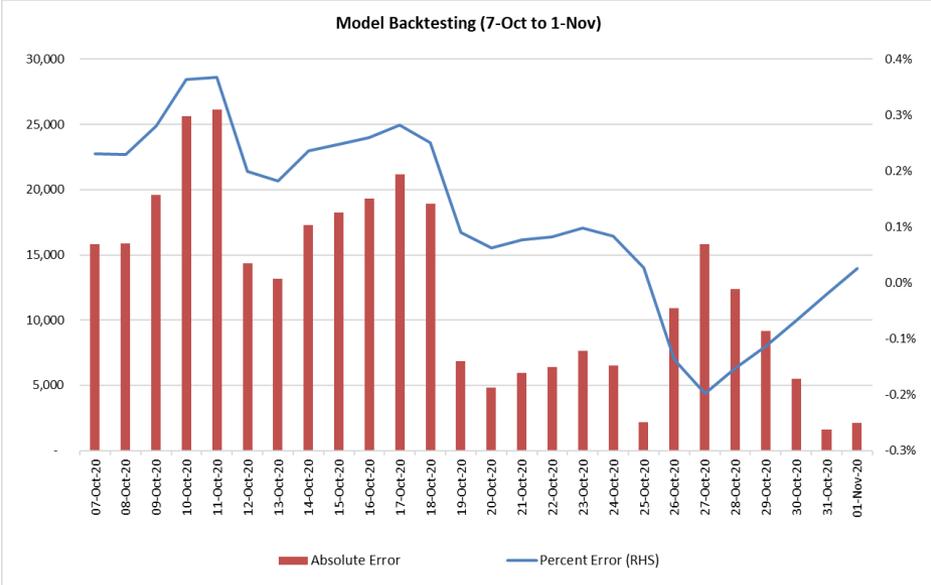
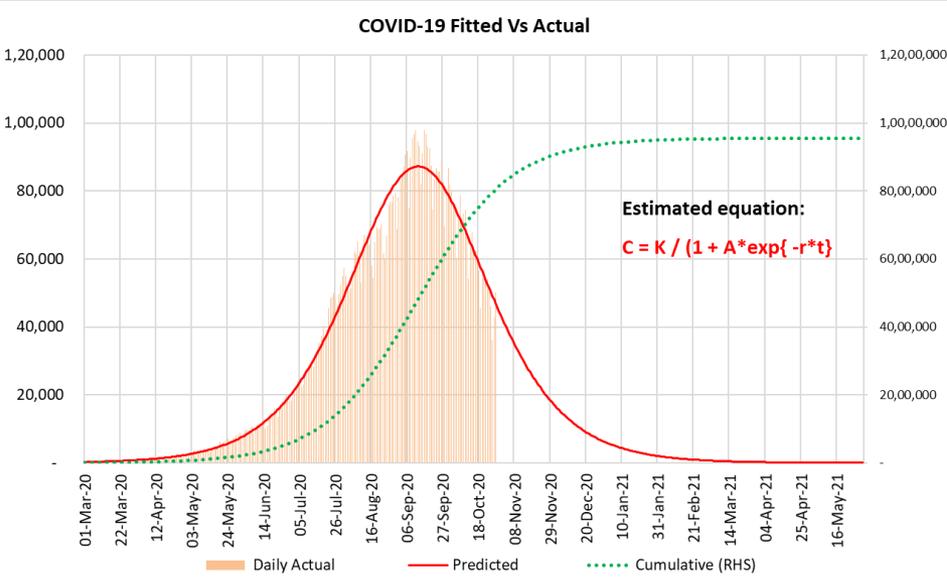
$$C = \sigma + \rho T + \epsilon \dots(2)$$

Where, T = Number of Test, P= Population, C = Confirmed Cases

- Both the estimated models are significant at 5% level and results indicate that for India the estimated confirmed cases number is 84.49 lakh which is in fact 2.65 lakh higher than the actual confirmed cases of 81.8 lakh, thus India has done a good job on controlling the spread of the virus. However, state-wise numbers varies
- States including Maharashtra, Karnataka, Andhra Pradesh, Kerala, Chhattisgarh, West Bengal, Delhi and Tamil Nadu have done badly in managing the pandemic, with estimated cases lower than the actual cases
- Meanwhile, Uttar Pradesh, Bihar, Gujarat and Jharkhand among others have managed the situation quite well with estimated model cases more than actual cases

COVID-19 Cases: Actual vs Estimated			
	Actual Cases	Estimated Cases	Difference
Andhra Pradesh	823348	582707	240641
Assam	206351	339653	-133302
Bihar	216764	791373	-574609
Chhattisgarh	187270	134284	52986
Delhi	386706	341301	45405
Gujarat	172944	440305	-267361
Haryana	166712	195649	-28937
Himachal Pradesh	22059	32194	-10135
Jammu and Kashmir	94785	169938	-75153
Jharkhand	101761	246252	-144491
Karnataka	823412	573836	249576
Kerala	433106	338731	94375
Madhya Pradesh	171359	215387	-44028
Maharashtra	1678406	650373	1028033
Odisha	290116	332297	-42181
Punjab	133658	191586	-57928
Rajasthan	196993	272964	-75971
Tamil Nadu	724522	721666	2856
Uttar Pradesh	481863	1075473	-593610
West Bengal	373664	332341	41323
India	8183394	8449029	-265635

- : Well Managed '+': Badly Managed



- ❑ Equation estimated using non-linear least square on data from 1-Mar to 6-Oct
- ❑ Key assumption - no major second wave
- ❑ Expected time of COVID-19 subsiding around 19-Feb

- During the lockdown months of April and May, food arrival and procurement by FCI has increased significantly and declined thereafter
- Interestingly, market arrivals of cereals have risen though marginally in last couple of months including October indicating that the new Agri bills might be prompting farmers for a better price discovery outside procurement!

Food arrival and Procurement (lakh tons)				
	Monthly Market arrival		FCI Procurement	
	Wheat	Rice	Wheat	Rice
Apr-20	37.3	2.6	129.5	32.8
May-20	73.7	2.9	229.5	47.4
Lockdown	111.0	5.5	359.1	80.2
Jun-20	23.4	2.7	29.8	27.2
Jul-20	8.2	2.1	1.0	4.2
Aug-20	4.6	1.7	0.1	4.9
Sep-20	4.8	1.7	0.1	3.6
Oct-20	4.9	1.9	-	-

Corporate Rating upgrades to downgrade ratio, though much below 1, has shown signs of improvement from Q1 (April-June) level

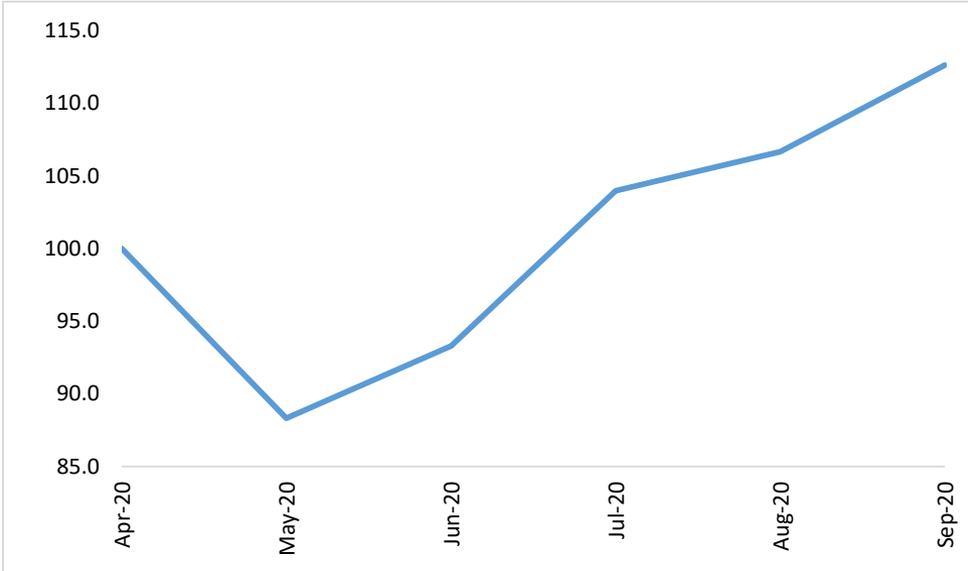
Sectorwise Rating Upgrade and Downgrade (select sector)							
Sector	April-June'20			July-Oct'20			Change in U/D ratio (in bps)
	Rating Upgrades	Rating Downgrades	U/D ratio	Rating Upgrades	Rating Downgrades	U/D ratio	
Capital Goods-Non Electrical Equipment	47	827	0.06	136	1006	0.14	0.08
Consumer Durables & Apparel	17	560	0.03	68	645	0.11	0.08
Construction & Engineering	24	393	0.06	74	477	0.16	0.09
Retailing	6	373	0.02	33	425	0.08	0.06
Textiles	15	390	0.04	43	453	0.09	0.06
Metals and Mining	9	192	0.05	42	252	0.17	0.12
Steel	8	158	0.05	36	211	0.17	0.12
Healthcare	23	116	0.20	62	140	0.44	0.24
Hotels Restaurants & Leisure	0	59	0.00	2	94	0.02	0.02
IT	5	71	0.07	13	104	0.13	0.05
Financials	4	71	0.06	22	79	0.28	0.22
Capital Goods - Electrical Equipment	5	106	0.05	13	103	0.13	0.08
Pharmaceuticals	12	58	0.21	35	77	0.45	0.25
Auto Components and Ancillaries	5	100	0.05	10	102	0.10	0.05
NBFC	0	37	0.00	4	34	0.12	0.12
Gems & Jewellery-Diamonds Polishing	0	19	0.00	1	21	0.05	0.05
Energy	1	12	0.08	5	26	0.19	0.11
Gems & Jewellery-Diamonds jewellery retailing	0	12	0.00	2	17	0.12	0.12
Fertilizers & Agriculture chemicals	4	25	0.16	6	16	0.38	0.22
Sugar	5	14	0.36	13	20	0.65	0.29

Source: Crisil; SBI Research; U/D - upgrade to downgrades

SBI Financial Stability Index continues to improve..

- SBI Financial Stability Index (based on 10 indicators, namely AUM of Debt Mutual Fund, investment by Mutual Funds, number of trades in CP market, amount issued in CP market, monetary transmission, G-sec 10-year and reverse repo spread normalized with 2008 spread, AAA corporate bond spread, mutual fund redemption, share of mutual fund investment in sovereign and amount issued by players in CP market above the average rate with respect to April as the base) continues to improve

Financial Stability Index



Financial Stability Index	
Indicator	Association with financial stability
Debt MF AUM	Positive
MF redemption	Negative
MF overall investment	Positive
% of MF Investment in Sovereign	Negative
AAA Corporate Bond spread	Negative
Amount issued by players who borrowed above average rate in CP market	Negative
Total Number of Trades in CP market	Positive
Total amount issued in CP Market	Positive
Monetary transmission	Positive
Govt G-sec & reverse repo spread gap from 2008 level	Positive

Source: The list is not exhaustive. SBI Research

- ❑ Based on the final outcome of the US election the economic impact is equally balanced
- ❑ The economic and strategic partnership as it is taking shape will continue and the US adjustment to Indo-Pacific will continue
- ❑ There may be some relook at policy of onshoring and free trade
- ❑ The size of the next fiscal stimulus, taxation and Federal Reserves stance in response to the fiscal policy needs to be watched out
- ❑ DXY should ideally get stronger against other Developed Market currencies, but weaker against Emerging Market?.....
 - Rupee could have an appreciative bias making RBI liquidity management more challenging... Watch out....

- ❑ Widespread debate about relevance of Mainstream economics being taught in addressing the contemporary economic challenges
- ❑ A survey conducted among 920 economics students across the world shows that current curriculum is silent about alternatives to market mechanisms for the delivery of essential goods and services during a pandemic, or the role of labour market interventions like furlough schemes. During the current pandemic, it has been widely accepted that price mechanism is not the best way of allocating resources
- ❑ Economics must recognise the role of political bias in economists' policy proposals. Only 7 pages of Mankiw's bestselling textbook (Mankiw, 2008) are dedicated to discrimination whilst in the top five economics journals between 1990 and 2018, only 49 out of 7567 papers (0.65%) explicitly addressed discrimination (Bohren et. al, 2020)
- ❑ Furthermore, the results show that "mainstream economists' papers and proposals are to be presented in a way that is open and transparent about their inherent biases"
- ❑ Global Financial crisis provided a turning point in how Economics as a subject is taught. Economists of the future should receive a training that is critical, pluralist, interdisciplinary and applicable to real world problems. Also, economics degrees should draw on literature from different schools of thought, such as stratification to formulate a more complete, interdisciplinary understanding of how and why discrimination persists

INDIA AND THE WORLD

- ❑ European countries are witnessing lockdown again as the new cases continue to rise steeply
- ❑ 2 stage least squares panel model estimate shows India handled Covid better significantly considering its population. **Karnataka, Andhra Pradesh, Maharashtra, Kerala, Chhattisgarh, West Bengal, Delhi and Tamil Nadu have done badly in** managing the pandemic, with estimated cases lower than the actual cases. Meanwhile, **Uttar Pradesh, Bihar, Gujarat and Jharkhand among others have managed the situation** well with estimated cases more than their actual cases
- ❑ New cases continue to rise in top 15 districts which are mostly urban. The good thing is that it is not spreading to other areas and the fatality rate in top 15 districts is actually declining: **Does that mean that India has now developed a sense of herd immunity?**
- ❑ The share of rural districts in new cases that has declined further to 39% in Oct'20 compared to 43.4% in Sep'20
- ❑ **Assuming no major second wave, our non-linear least square model on data from 1-Mar to 6-Oct shows COVID-19 is likely to subside around 19-Feb**

STATEWISE DIAGNOSIS

- ❑ India has achieved its national peak in terms of daily new cases, condition of Delhi, Kerala, Odisha and West Bengal deteriorated, with rising daily new cases and daily deaths
- ❑ While Delhi and Kerala increasing daily cases and test positivity show an expected increasing association, but for West Bengal increasing daily cases are not associated with higher test positivity
- ❑ Considering peak recovery rate of 78% and taking the confirmed and current recovered cases data, Delhi seems to be still underreporting the Covid cases by 60,000 followed by West Bengal, Rajasthan and Kerala

ECONOMY PICKED UP MOMENTUM IN OCT

- ❑ **Corporate results for Q2 FY21 show that companies producing essential goods have mostly witnessed strong results while those producing non-essential goods/services have mostly shown weaker results. Moreover, rating upgrades to downgrade ratio, though much below 1, has shown sign of improvement from Q1 (April-June) level**
- ❑ SBI Business Activity Index as well SBI Index continues to improve in Oct
- ❑ Apple Mobility, RTO transactions, PMI manufacturing, GST e-way bills, petrol consumption, vehicle sales, SBI index, food arrival and prices and Air quality all show improved economic activity in Oct. The numbers have also crossed the peak reached in last 1 year for some indicators including manufacturing index, GST e-way bills, vehicle sales (from the positive level reached 2 years ago)
- ❑ Rail freight earnings continues to increase across segments, except for foodgrain, flours and pulses in Oct'20 compared to Sep'20
- ❑ increase in Vehicle Sales persisted in Oct across companies, however, retail sales as % of wholesale sales has declined in case of 2-wheelers and Passenger vehicles this fiscal, indicating increase in inventory with the dealers
- ❑ Power consumption data shows improvement in many states in Oct compared to previous month
- ❑ Oct'20 GST revenue is 10% higher than the GST revenues in the same month last year. The positive trend which started from Sep'20 has sustained. E-way bills which hit a record high of 5.74 crore in Sep'20 have further grown in Oct'20 to 6.42 crore
- ❑ Employment demanded under MGNREGA has declined but yoy growth continues to improve

ECONOMY PICKED UP MOMENTUM IN OCT

- ❑ China is giving push to infrastructure to counter the impact of COVID-19. China's steel demand is expected to increase by 8% in 2020, aided by government infrastructure stimulus and a strong property market
- ❑ The Chinese revival only has limited upside for Indian Steel Industry. Domestic Steel demand improved by 8% M-o-M in Aug'20, as Indian Economy is gradually opening up under the Unlock 5.0. Steel Export from India declined by 25% M-o-M during Aug'20, as both domestic demand and realisations improved in the month of August, prompting Steelmakers to lower exports

BEHAVIOURAL CHANGES DURING PANDEMIC

- ❑ There is similarity in behavioural changes during the current pandemic and 1665 London plague. Various aspects of individual, society and the government support the same, including concept of kitchen garden, more of home cooked food, (less of food deliveries in current pandemic), Shortage of certain essentials, Rise of quacks, beliefs in miraculous cure, People become more religious and altruistic, Communities not taking it seriously until it arrives in their midst, Authorities imposing local restrictions initially, doing Contact tracing and isolation, Identification of essential services among others

BANKS

- ❑ In September credit has picked-up but not able to keep the momentum in October. ASCBs data for the fortnight ended 23 Oct'20 indicates that credit grew by 5.1% YoY compared to last year growth of 8.9%. While, on YTD basis credit growth contracted by 0.3% compared to last year YTD growth of 0.7%
- ❑ UPI transactions continues to grow in both value and volume terms with current values 1.7 times the pre-COVID levels
- ❑ There has been an improvement in collective efficiency in Q2 FY21 after the end of moratorium period. Even Micro finance institutions have witnessed an improvement

FINANCIAL MARKETS

- ❑ Mutual Fund witnessed decline in AUM, increase in redemptions & net outflows in Sep'20, indicating a troublesome month for the industry
- ❑ Commercial paper issuances decreased by 48% in Oct'20 to Rs 1.02 lakh crore as compared to Rs 1.93 lakh crore in Sep'20
- ❑ Mutual fund holding in NBFC paper (CP) decreased by Rs 6554 crore from June'20 to Rs 47678 crore in Sep'20
- ❑ But overall SBI Financial Stability Index also continues to improve

COVID-19 Update

- European countries are witnessing lockdown again as the new cases continue to rise steeply
- Based on the number of days it took for the new cases to rise again after declining from its first peak, India may witness a second wave with new cases started rising sometimes in end of 1st week of Dec or 2nd week of Dec
- Celebration of Diwali and Election could add to the spread of infection if people do not take sufficient care

No of Days to reach Peak & Recover				
Country	Date when 1st peak is reached	No of days to reach Peak from 100 daily new cases	Peak time Daily Cases	No of days from first Peak after which new cases started rising again
Italy	21-03-2020	27	6557	83
Germany	28-03-2020	22	6294	79
France	01-04-2020	27	7500	40
United Kingdom	10-04-2020	30	7860	87
Belgium	15-04-2020	39	2454	49
Spain	26-03-2020	19	8271	79
Canada	03-05-2020	49	2760	59
Russia	11-05-2020	49	11656	106
Sweden	24-06-2020	106	1804	32
United States	24-07-2020	137	79042	45
India	16-09-2020	173	97860	-

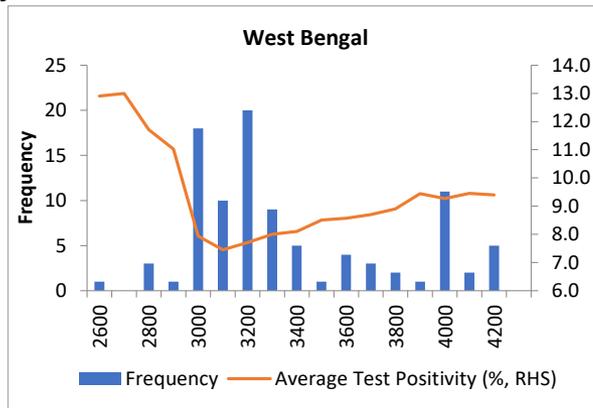
Daily new cases and deaths are still rising rise in Delhi, Kerala, Odisha and West Bengal one month after National peak achieved

- ❑ Even though India has achieved its national peak in terms of daily new cases, condition of Delhi, Kerala, Odisha and West Bengal has deteriorated
- ❑ Each of these witnessed rising daily new cases and daily deaths
- ❑ Meanwhile, test positivity has increased significantly in Rajasthan and Kerala

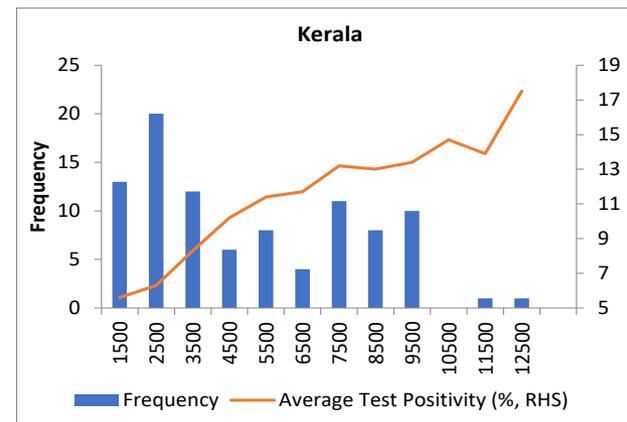
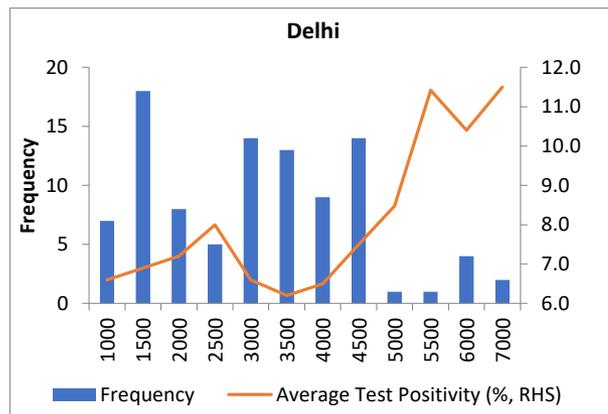
Testing Status One month after and before National Peak								
States	Average Daily Test		Average Daily New cases		Average Daily Test Positivity %		Average Daily Deaths	
	Before Peak	After Peak	Before Peak	After Peak	Before Peak	After Peak	Before Peak	After Peak
Delhi	27166	52548	2014	3327	7.39	6.36	19	37
Karnataka	56074	86049	7678	7805	14.06	9.57	111	84
Kerala	31253	53133	2005	6991	6.47	13.14	9	22
Maharashtra	71757	76914	14875	12382	20.62	16.54	338	290
Odisha	43685	44179	2788	2827	7.03	6.47	11	15
Punjab	18824	25265	1512	1033	8.38	4.14	47	36
Rajasthan	25776	22099	1396	1985	6.06	10.19	13	14
Tamil Nadu	73942	85702	5830	4688	7.98	5.44	98	59
West Bengal	36492	43286	3025	3584	8.75	8.23	54	57
India	876746	1096035	72741	68156	8.53	6.53	993	865

Source: Covid 19India.org,SBI Research

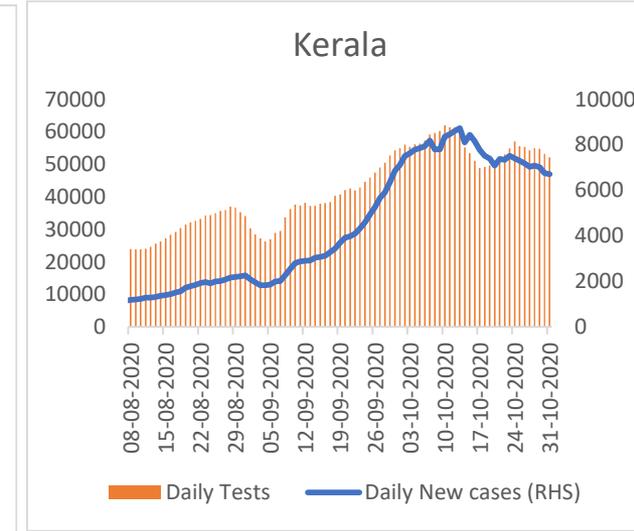
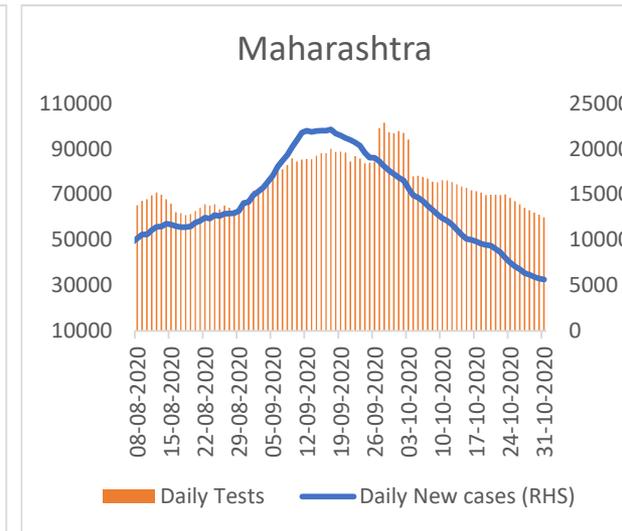
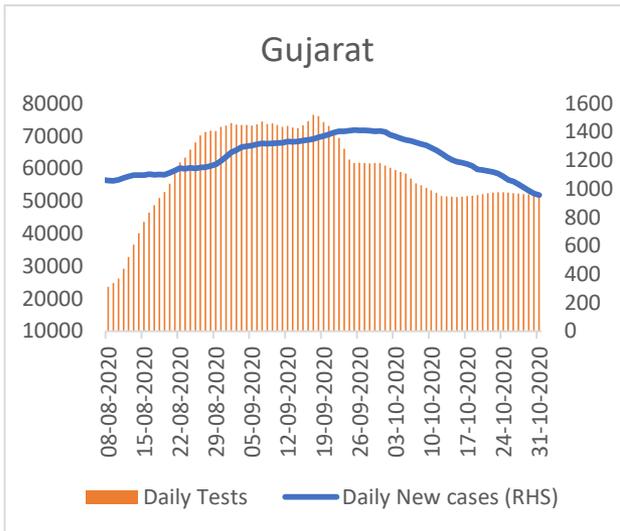
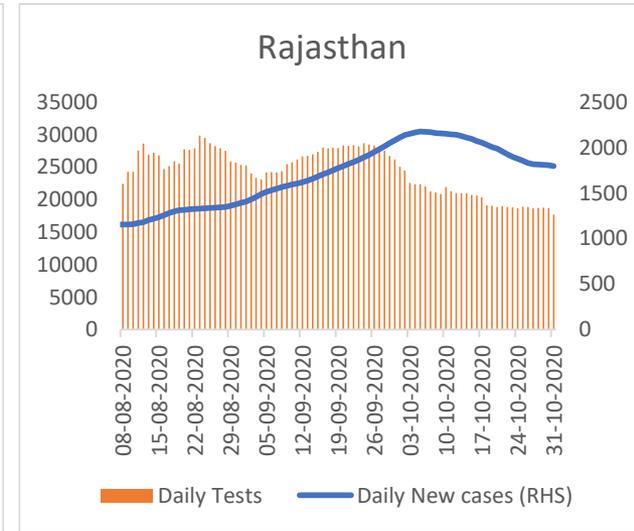
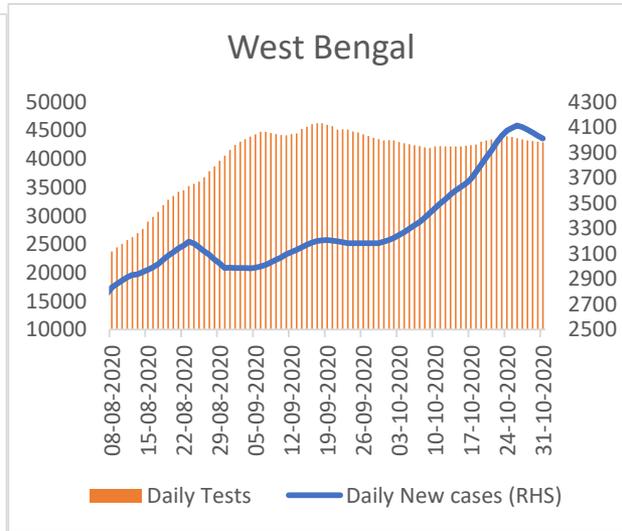
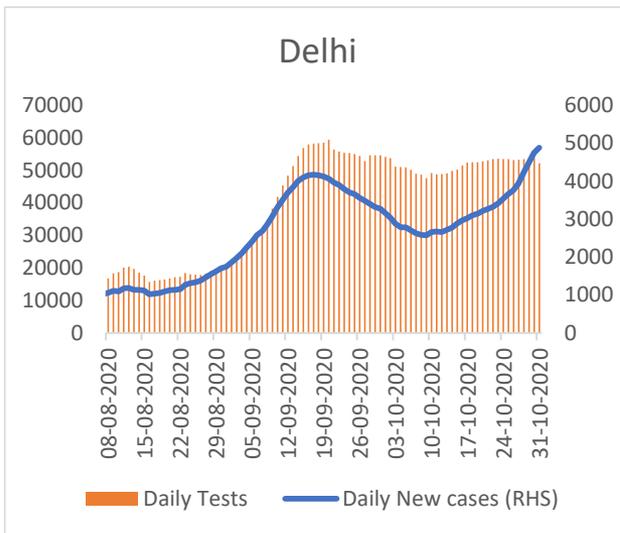
- Statistics for daily new cases for the last 3 months indicate range bound cases for new infections in Gujarat, West Bengal, Rajasthan and Tamil Nadu
- While Delhi and Kerala increasing daily cases and test positivity show an expected increasing association, but for West Bengal increasing daily cases are not associated with higher test positivity



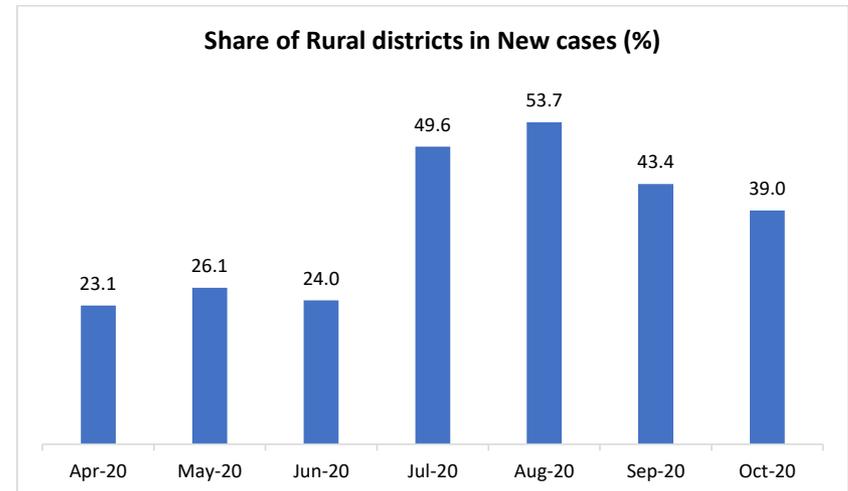
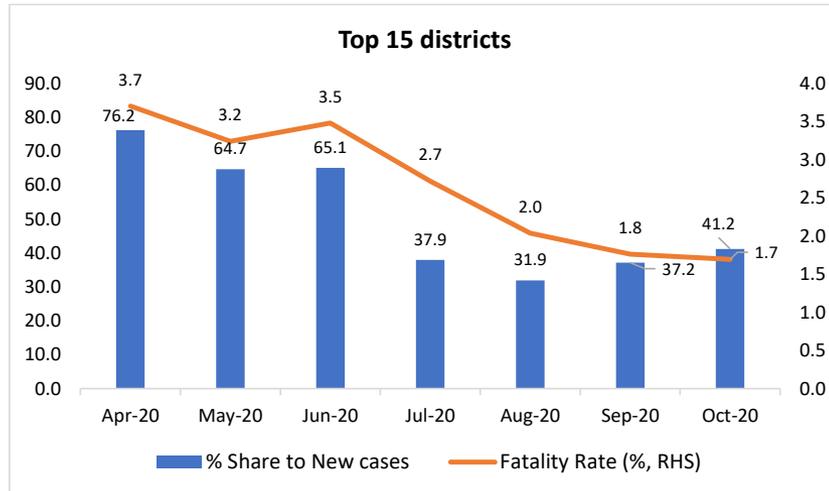
Daily New cases for last 3 Months			
State	Mean	SD	CV
Andhra Pradesh	7418	2688	36
Delhi	2729	1302	48
Gujarat	1212	143	12
Karnataka	7601	1956	26
Kerala	4451	2894	65
Maharashtra	13655	5250	38
Odisha	2807	948	34
Punjab	1278	672	53
Rajasthan	1684	341	20
Tamil Nadu	5203	1055	20
West Bengal	3299	392	12



Delhi, West Bengal register larger number of cases; Rajasthan has reduced daily tests but new cases still higher



- New cases continue to rise in top 15 districts which are mostly urban. The good thing is that it is not spreading to other areas, while the bad is that it is concentrated and we are not able to control the situation at top areas affected by the virus, which might be hotspots for potential second wave
- However, fatality rate in top 15 districts is falling, does that mean that India has developed a sense of immunity?
- At the same time when we look at the share of rural districts in new cases that has declined further to 39% in Oct'20 compared to 43.4% in Sep'20



**Behavioural changes amidst
current COVID reveal remarkable
resemblance from 1665 London
Plague**

Behavioural Changes in current COVID and London Plague in 1665 has remarkable similarity

- Change in behaviour is visible during pandemics and we see similarity in behavioural changes during the current pandemic and 1665 London plague
 - **Human civilisation may have advanced in science but not in psyche in 355 years!**

Change in Behaviour during Pandemic			
Entity	Behavioural aspect	London 1665 Plague	Current Pandemic
Individual	Lack of knowledge about virus led to initial spread	✓	✓
	Concept of kitchen garden, more of home cooked food, (less of food deliveries in current pandemic)	✓	✓
	Shortage of certain essentials	✓	✓
	Rise of quacks, beliefs in miraculous cure	✓	✓
	Increase in opportunity to make money, innovations	✓	✓
Social	People hide about infection to avoid being shunned out	✓	✓
	Communities do not take it seriously until it arrives in their midst	✓	✓
	People become more religious and altruistic	✓	✓
Governance & policy related	Authorities impose local restrictions initially	✓	✓
	Contact tracing and isolation	✓	✓
	Identification of essential services	✓	✓
	Maintain supply of essentials & controlling their prices	✓	✓
	Manipulation of statistics, number of cases and deaths	✓	✓
	Isolation Centres	✗	✓

Adopted from 'Persistent Patterns of Behavior: Two Infectious Disease Outbreaks 350 Years Apart ' by Utteeyo Dasgupta, Jha and Sudipta Sarangi

Essential Services



People are more Religious!

Empty racks indicating shortfall of certain essentials as people hoard amidst supply disruptions

Local Restrictions



Contact Tracing

People turned more altruistic

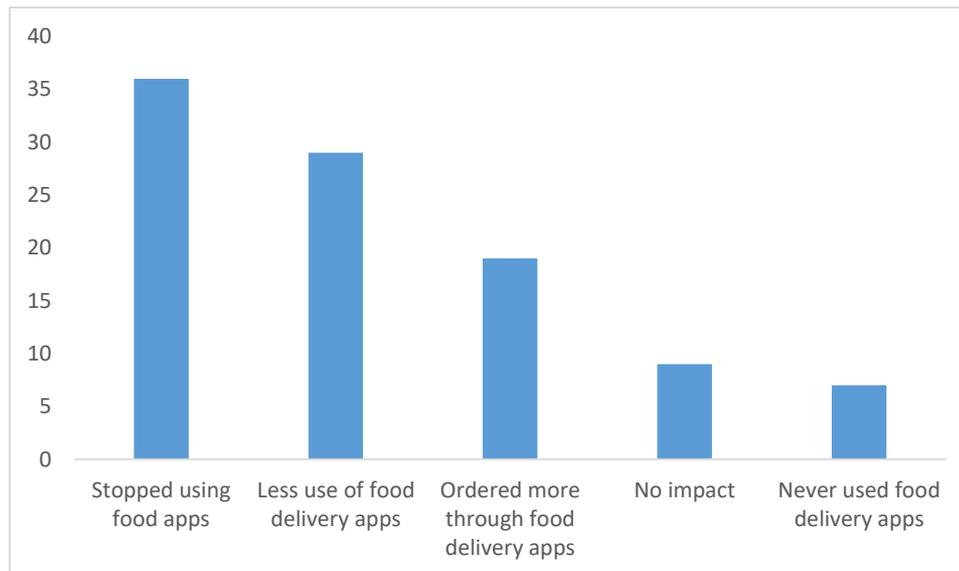
Communities do not take it seriously until it arrives in their midst

- ❑ **Rise of quacks:** Whenever a global epidemic disease occurs and medical science has no cure for such afflictions, then quacks come on the scene claiming to offer sure cure of the dreaded diseases. Their way of treatment works by fluke. With vaccine yet to be come, desperate patients are going to quacks and spiritual healers in large numbers to get their health restored

- ❑ A number of instances have occurred in various states in current COVID
 - ❑ Recent news about quacks manufacturing Ayurveda and siddha medicines in Tamil Nadu through without licensing using social media
 - ❑ In Ganjam district of Odisha people are resorting to quacks instead of going to hospitals in fear of contracting Covid. They approach hospital only when they are extremely sick
 - ❑ In West Bengal where untrained people are providing generic medicines for minor ailments. During the current pandemic also, advise is being given by such people providing masks, sanitisers and telling them how to be safe

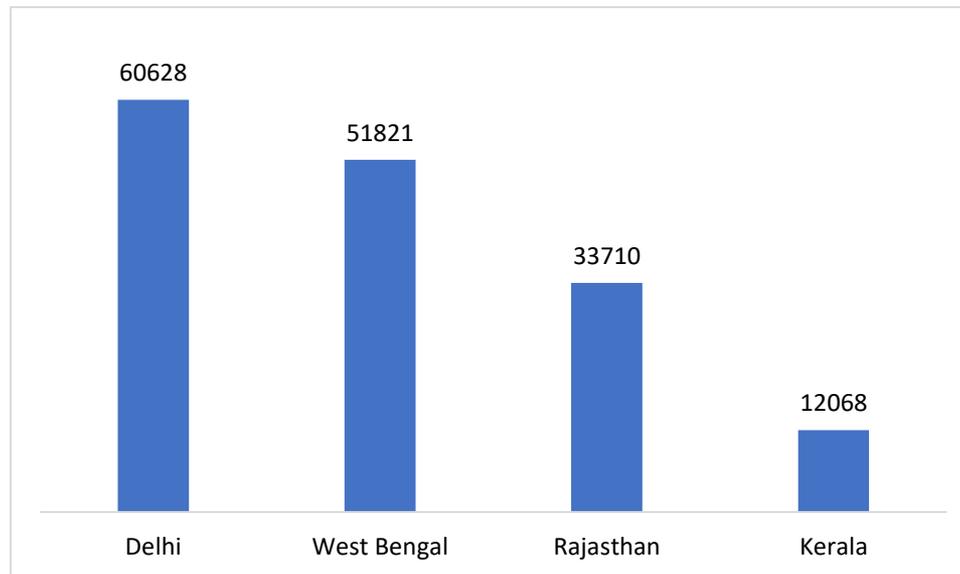
More of home cooked food

- ❑ Less use of food delivery apps – A global survey was done by Rakuten Insights which shows that less people used food delivery apps during the pandemic in the early days
- ❑ YouGov, an Internet-based market research and data analytics firm, showed that between 15 March -16 April this year, Zomato witnessed a weakening customer base from 46.3 to 41.7 whereas for Swiggy, the scores were from 48.8 to 42.4
- ❑ Also, people have been increasingly posting pics of their cooked food online further indicating their preference of home cooked meals

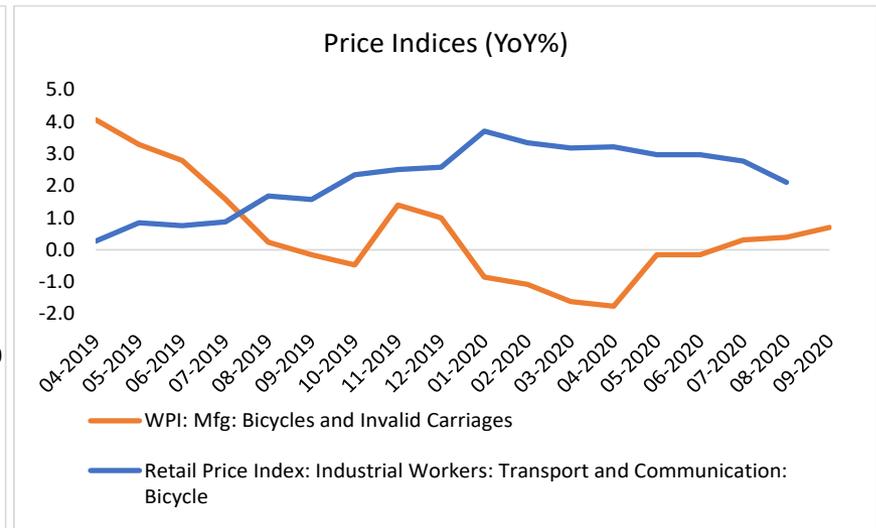
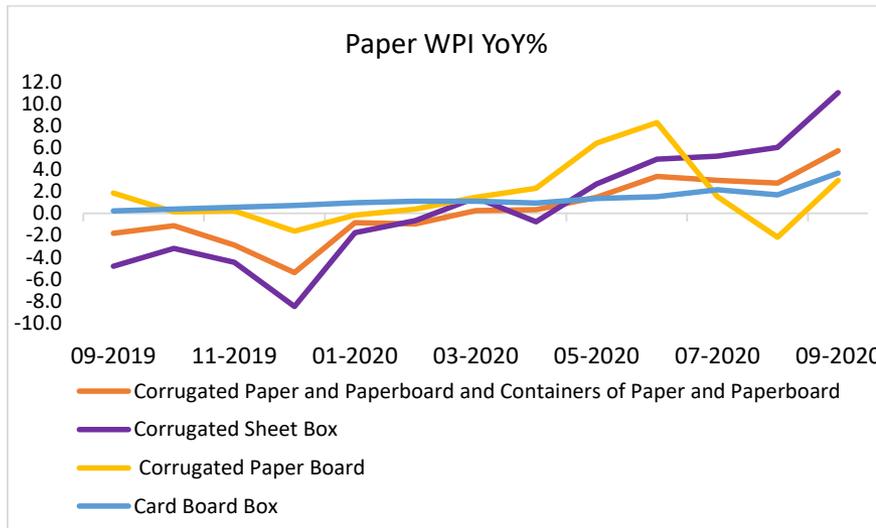


As of June, done by Rakuten Insights

- Delhi, West Bengal, Rajasthan and Kerala have large number of cases but declining daily tests conducted, does that indicate that total cases in these states may be higher than reported?
- Considering peak recovery rate of 78% and taking the confirmed and current recovered cases data, Delhi, West Bengal and Rajasthan may have unreported cases



- Increasing demand of Bicycles & Paper is evident
- Price of bicycles (retail) and paper including cardboard have increased post Covid as people are getting things delivered in cardboard boxes at home and cycling to avoid contact

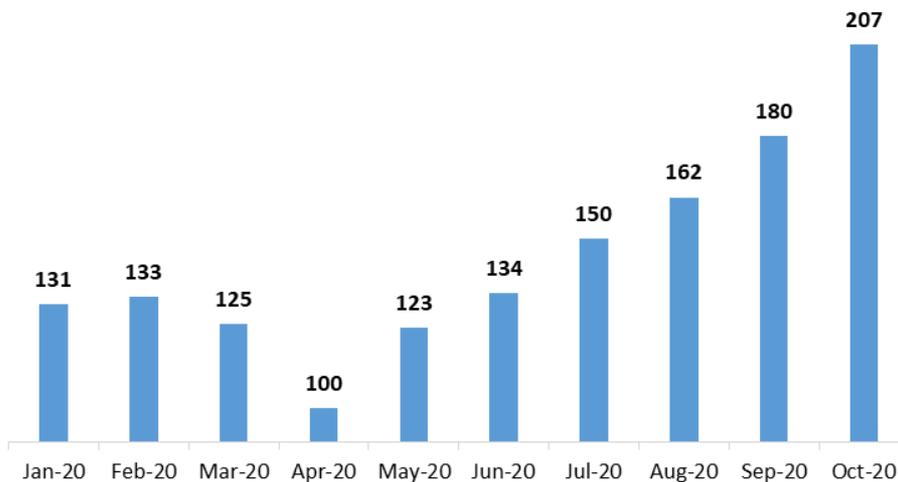


Economic Momentum in October

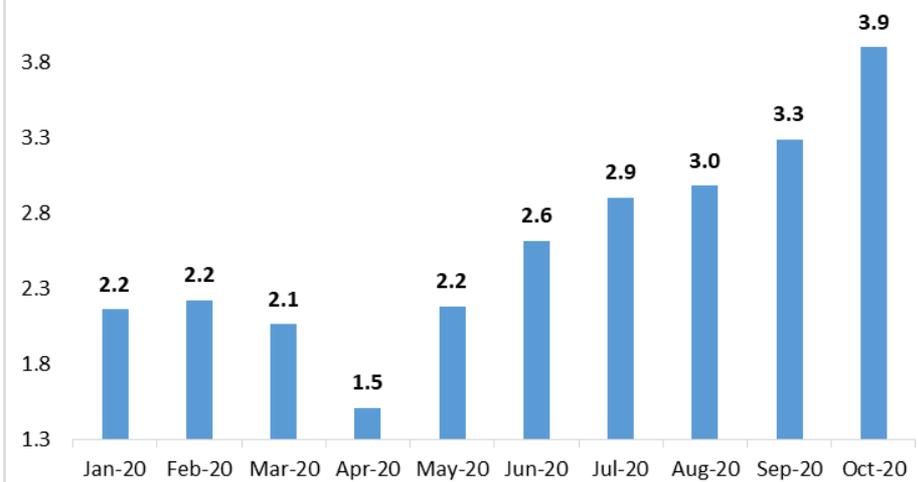
Per Credit and Debit Card Transaction						
Month	Credit Cards			Debit Cards		
	Number of Cards (Lakh)	Total Transaction (Rs Crore)	Per Card Transaction (Rs)	Number of Cards (Lakh)	Total Transaction (Rs Crore)	Per Card Transaction (Rs)
Nov-19	544	60130	11051	8308	77577	934
Dec-19	553	65736	11880	8053	83953	1042
Jan-20	561	66573	11863	8164	84575	1036
Feb-20	572	62148	10873	8230	80146	974
Mar-20	577	50574	8758	8286	65303	788
Apr-20	574	20765	3620	8294	29043	350
May-20	572	32225	5636	8353	48049	575
Jun-20	573	42773	7466	8454	62494	739
Jul-20	576	45558	7905	8524	66481	780
Aug-20	578	50311	8700	8587	71778	836

Source: RBI; SBI Research

UPI: Volume (in Crore)



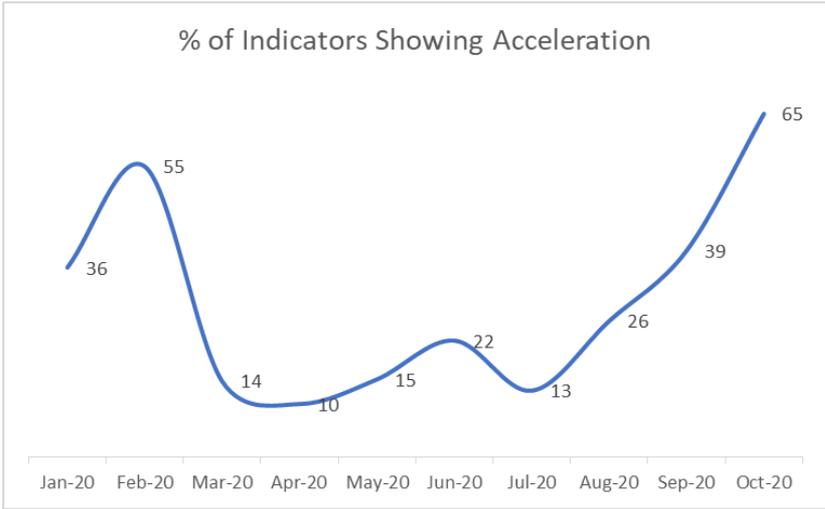
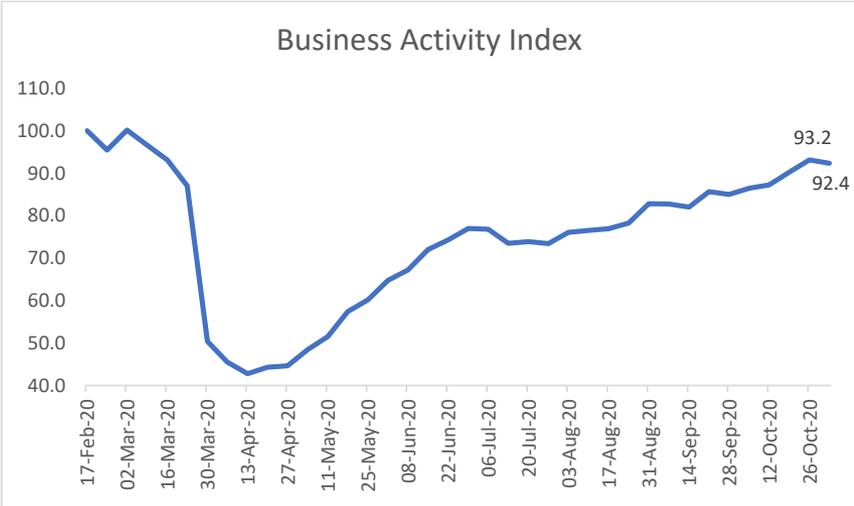
UPI: Value (Rs Lakh Crore)



- ❑ Apple Mobility, RTO transactions, PMI manufacturing, GST e-way bills, petrol consumption, vehicle sales, SBI index, food arrival and prices and Air quality all show improved economic activity in Oct
- ❑ The numbers have become positive when compared to the pre-Covid levels, and they have also crossed the peak reached in last 1 year for some including manufacturing index, GST e-way bills, vehicle sales (from the positive level reached 2 years ago)
- ❑ However, RTO revenue collection, power consumption, freight traffic revenue, food arrivals, petrol and diesel consumption are all still below the pre-Covid peak level

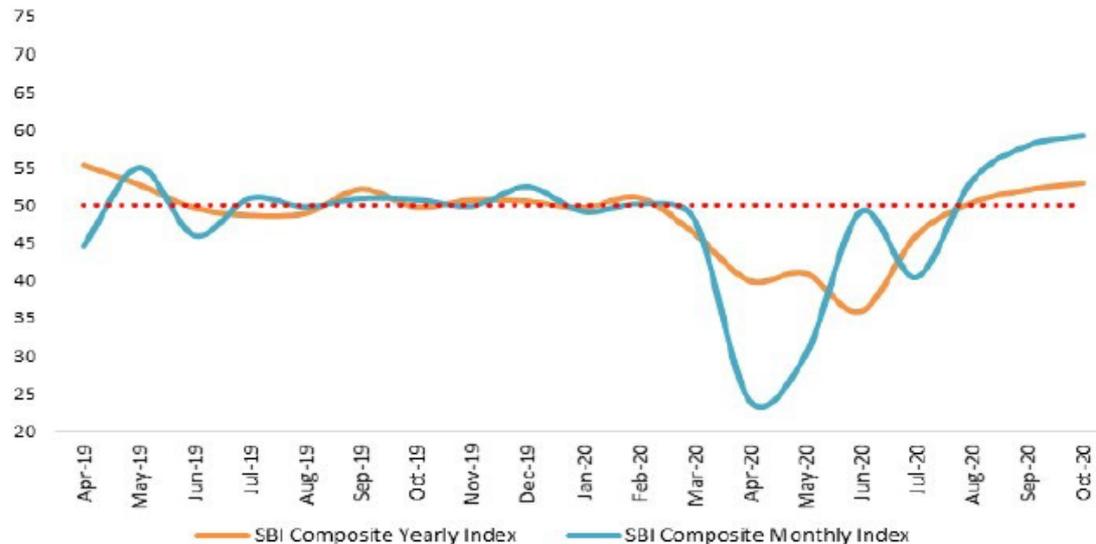
Leading Indicators showing recovery in October 20			
Indicators	% Change From Pre covid Peak	% Change from Pre Covid Level (Feb-20)	MoM%
Google Mobility Index #			
Retail and Recreation	-	-27	10
Grocery and Pharmacy	-	10	8
Parks	-	-36	8
Transit stations	-	-18	6
Residential	-	10	-4
Apple Mobility Index#	-	1	31
PMI Manufacturing#	4	4	2
SBI Yearly Index#	-2	2	1
SBI Monthly Index#	4	9	1
AQI (7 City Average)	-47.4	-20.5	66.2
No of Transactions at RTO('000)	-16.5	-3.8	12.3
Revenue Collections at RTO(Rs Cr)	-8.1	11.3	41.4
GST E way Bills Generated	12.2	12.2	11.7
Electricity Daily max consumption(MW)	-8.7	10.7	-2.3
Revenue Earning Freight Traffic of Major Commodities (Rs Cr)	-6.6	-2.8	5.3
Tractor Sale Domestic*	2.5	89.8	0.9
Domestic Passenger Vehicle Sale*	\$17.3	32.6	25.2
Domestic Two Wheelers Sale*	\$2.7	62.9	27.4
Weekly Food arrival inTonnes-Average			
	-96.9	-27.1	32.5
Pulses	-54.3	88.3	7.9
Fruits	-66.5	146.5	61.1
Retail Food Prices (Modal) (Rs/Kg)			
Vegetables	-25.2	90.3	19.7
Pulses	0.0	10.9	6.3
Oil & Fat	66.0	81.3	1.9
Overdue amount to all Generators by Discom in Rs Cr (Excluding Disputed amount)**	27.1	27.1	3.7
Petrol Consumption('000 MT)**	-10.5	-2.4	2.9
Diesel Consumption('000 MT)**	-29.5	-23.3	13.2
#Difference,* Estimated from Company sale Data, **Aug 20 and Sep 20, \$ - % Change from Pre-Covid level when it shows a positive YoY			

- ❑ SBI business activity index shows increase in economic activity with the current level already around the level achieved in mid-March, though the latest week figure for 2 Nov'20 shows a modest dip
- ❑ Increase in % of leading indicators showing acceleration also strengthens improvement in economic recovery



- The yearly SBI Composite Index has gone above the psychological level of 50 and stood at 53.0 (Moderate Growth) in Oct'20, compared to 52.1 (Low Growth) in Sep'20 and 49.8 (Low Decline) in Oct'19
- The monthly index also increased to 59.3 (High Growth) in Oct'20, compared to 58.0 (High Growth) in Sep'20 and 50.83 (Low Growth) in Oct'19

SBI Yearly and Monthly Composite Index Trend



- ❑ Rail freight earnings continues to increase across segments, except for foodgrain, flours and pulses in Oct'20 compared to Sep'20
- ❑ However, in H1 FY21 only foodgrains, flours and pulses show significant positive yoy growth
- ❑ Freight Earnings account for around 65% of the gross traffic receipts of Railways with passenger freight accounting for the remaining, thus improving dynamics is good for Railways

Rail Freight Earnings (Rs Cr)						
Commodity	H1FY21	H1FY20	Change in H1FY21 Over H1FY20 (%)	Sep-20	Oct-20	MoM%
CEMENT AND CLINKER	3,821.8	4,430.1	-13.7	822.3	942.7	14.6
CHEMICAL MANURES	3,275.5	3,271.9	0.1	677.2	725.8	7.2
COAL AND COKE	20,459.9	29,957.9	-31.7	4,011.3	4,339.0	8.2
CONTAINER	2,491.0	3,035.2	-17.9	479.6	499.2	4.1
FOODGRAINS, FLOURS AND PULSES	5,374.2	3,374.9	59.2	979.5	688.6	-29.7
IRON OR STEEL	2,805.3	3,657.2	-23.3	624.4	635.5	1.8
MINERALS AND ORES	6,503.6	6,929.2	-6.1	1,274.5	1,511.0	18.6
OTHERS*	2,814.7	2,804.5	0.4	572.1	543.8	-4.9
PETROLEUM PRODUCTS AND GASES	2,602.8	2,868.3	-9.3	460.0	545.7	18.6
Total	50,148.8	60,329.2	-16.9	9,900.9	10,431.1	5.4

Source: Rail Dhrishti, *Bricks & stones ,sugar,salt,metal scrap & pig iron, hydrogenated & edible oil and other miscellaneous commodities

Vehicle Sales continue to increase in Oct across companies; registration of Passenger vehicles and trucks positive in Oct

- Auto sales data reveal higher growth in Oct compared to last month. Even yoy growth remained robust for key players
- Compact segment continues to show robust growth
- Vehicle registration data shows positive yoy growth for tractors only in H1 FY21, mom shows increase in Passenger Vehicle and Trucks

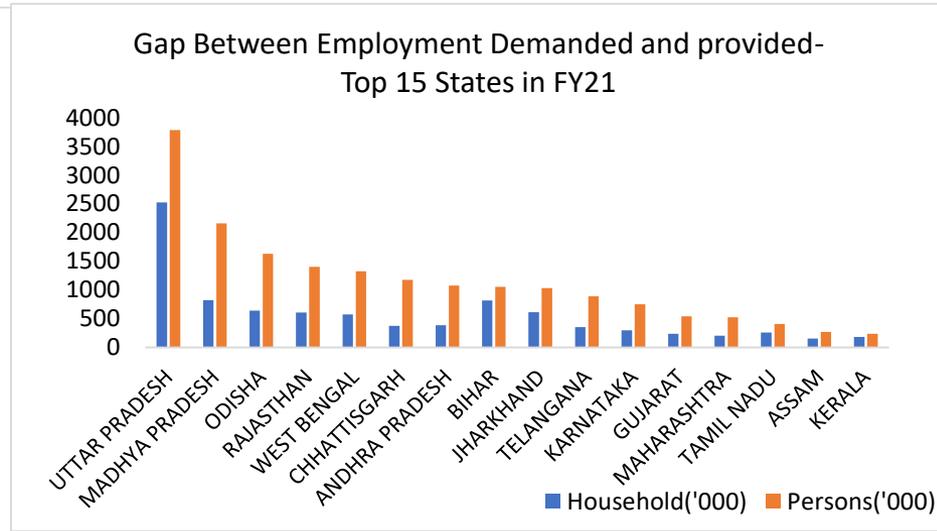
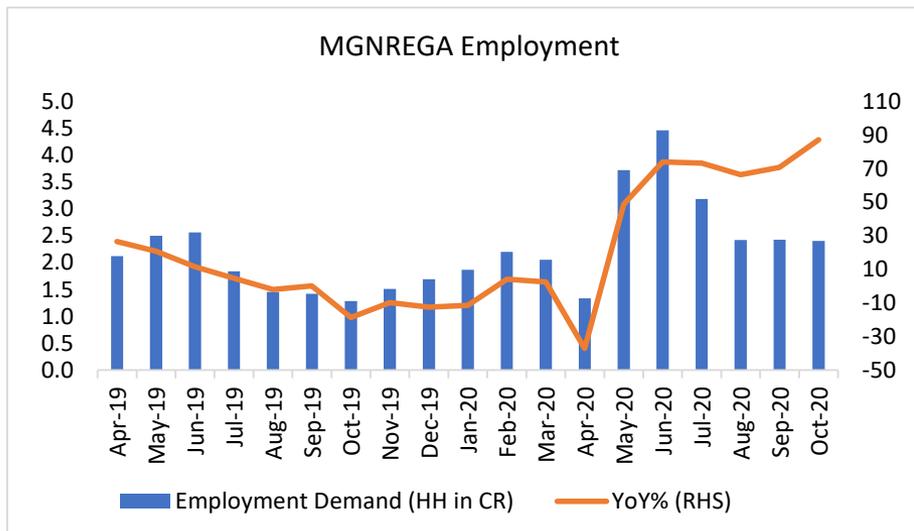
Auto Sale in October					
Manufacturer	Oct-20	Oct-19	Sep-20	MoM%	YoY%
Maruti Suzuki	163656	139121	147900	10.7	17.6
Hyundai	56605	50010	50200	12.8	13.2
Tata Motors	23600	13169	21200	11.3	79.2
Kia Motors India	21021	12854	18676	12.6	63.5
Mahindra	18622	18460	14800	25.8	0.9
Toyota	12373	11866	8116	52.5	4.3
Renault	11005	11516	8805	25.0	-4.4
Honda	10836	10010	10199	6.2	8.3
Ford	7084	7017	5765	22.9	1.0
MG Motor India	3750	3536	2537	47.8	6.1
Volkswagen India	2054	3213	2050	0.2	-36.1
Skoda Auto India	1421	1378	1312	8.3	3.1
Nissan India	983	1581	780	26.0	-37.8
Fiat	832	854	554	50.2	-2.6

Maruti Suzuki: October2020 Sales					
Category Segments	Sep-20	Oct-20	Oct-19	% YoY	% MoM
Mini (Alto, S-Presso, Old WagonR)	27,246	28,462	28537	-0.3	4.5
Compact (Swift, Celerio, Dzire, Baleno, Ignis, new Wagon R)	84213	95067	75094	26.6	12.9
Mid-size (Ciaz)	1,534	1,422	2371	-40.0	-7.3
UVs (Gypsy, Ertiga, S- Cross, Vitara Brezza, XL6)	23699	25396	23108	9.9	7.2
Vans (Omni, Eeco)	11,220	13,309	10011	32.9	18.6
Total Domestic Passenger Vehicle Sale	147912	163656	139121	17.6	10.6
LCV (Super Carry)	2128	3169	2429	30.5	48.9
Domestic Sales (Maruti Suzuki)	1,50,040	1,66,825	1,41,550	17.9	11.2
Sales to other OEM: Compact	2568	6037	2727	121.4	135.1
Total domestic sales	1,52,608	1,72,862	144277	19.8	13.3
Exports	7834	9586	9158	4.7	22.4
Overall Sales	1,60,442	1,82,448	153435	18.9	13.7

Vehicle Registration						
Category	H1FY21	H1FY20	H1FY21 Over H1FY20 (%)	Sep-20	Oct-20	MoM%
Two wheeler	40,58,836	79,13,956	-48.7	10,20,258	10,11,484	-0.9
Three Wheelers	80,437	3,20,760	-74.9	24,088	22,039	-8.5
PV(Light and Medium)	9,64,751	15,30,541	-37.0	2,60,534	2,91,717	12.0
Trucks	12,914	1,12,368	-88.5	5,247	7,166	36.6
Bus	2,265	13,091	-82.7	197	168	-14.7
Tractors	2,71,057	2,61,422	3.7	68,351	52,961	-22.5

Source: CMIE, Vahan Dashboard

- ❑ MGNREGA employment demanded has declined in recent months after witnessing a steep jump in May and Jun when labour migrated back to their native places, but recent months show a decline possibly due to labour coming back to urban areas for work
- ❑ State-wise data shows huge gap still exists between employment demanded and provided in case of Uttar Pradesh, Madhya Pradesh followed by Odisha



- Growth in power consumption remains negative in H1 FY21, however, it has increased in September and October
- Power generation data shows that only hydro power growth was positive in H1FY21 compared to H1FY20, mom growth in October is declining across all sectors

All India Power Consumption (MU)			
Period	CY20	CY19	YoY%
March	100203	110329	-9.2
April	85057	111985	-24.0
May	103029	121557	-15.2
June	106485	114392	-6.9
July	113480	116676	-2.7
August	110572	112976	-2.1
September	113549	108774	4.4
H1FY21	632172	686360	-7.9
October	110944	98974	12.1

Source:Posoco

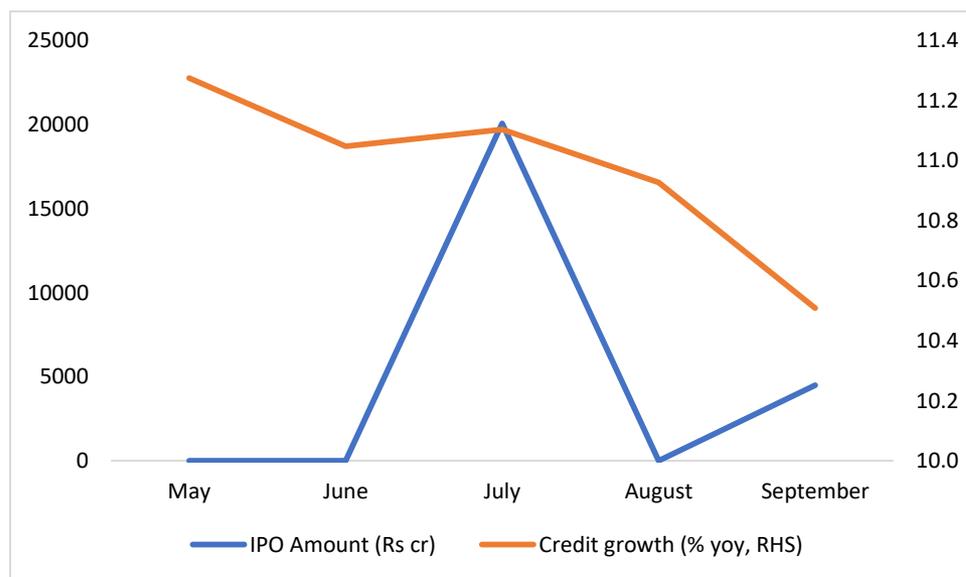
All India Power Generation (MU)						
Source	H1FY21	H1FY20	H1FY21/ H1FY20(%)	Sep-20	Oct-20	MoM%
Thermal	472908	534855	-11.6	88756	85800	-3.3
Hydro	96975	95994	1.0	16832	14462	-14.1
Nuclear	22169	24026	-7.7	4010	3580	-10.7
RES*	72451	74260	-2.4	10213	9688	-5.1

Source: CEA, *Wind, Solar, Biomass & Others (POSOCO), SBI Research

- Though only a few states, including Jharkhand, Sikkim, Bihar, Manipur and Nagaland have positive growth in power consumption in H1 FY21 over H1FY20, many states have shown improvement in power consumption in Oct compared to previous month
- UP, Haryana, Delhi, Uttarakhand and West Bengal show decline in mom growth in power consumption in Oct'20

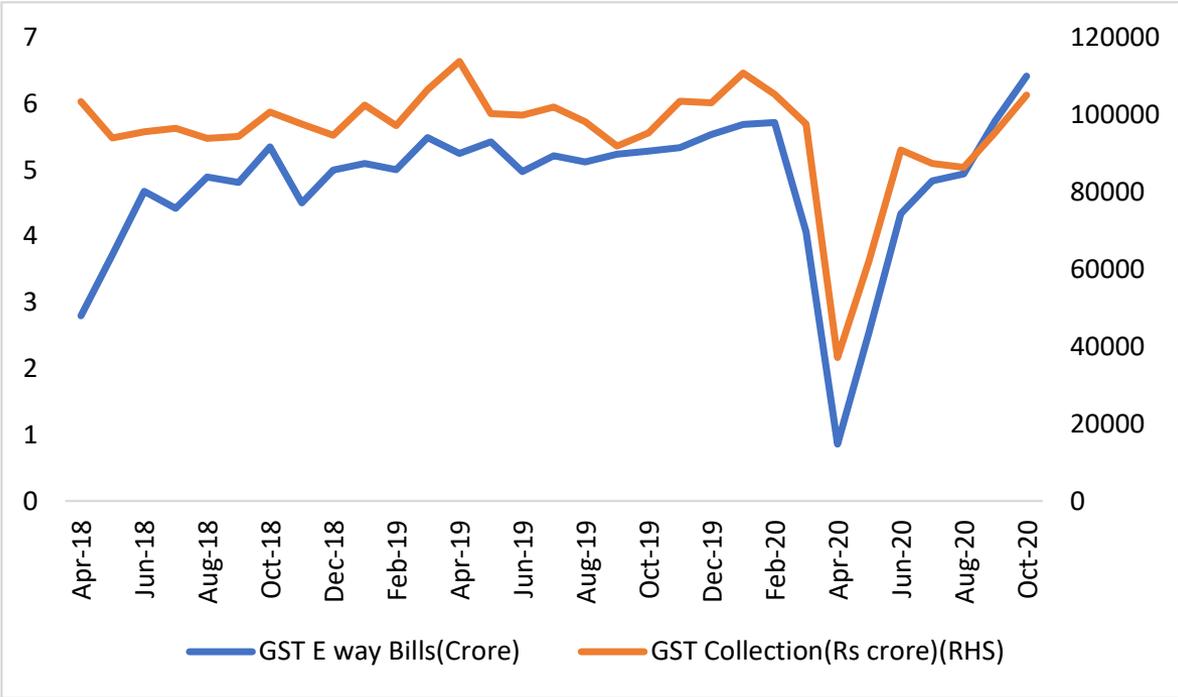
State wise Power consumption (MU)						
States	H1FY21	H1FY20	H1FY21/ H1FY20(%)	Sep-20	Oct-20	MoM%
Andhra Pradesh	30099	33001	-8.79	4982	4973	-0.18
Arunachal Pradesh	340	400	-15.08	65	66	1.85
Assam	5102	5354	-4.70	991	992	0.14
Bihar	17907	17829	0.44	3294	3276	-0.55
Chandigarh	876	967	-9.46	169	113	-33.08
Chhattisgarh	15186	16866	-9.96	2750	2564	-6.78
DD	880	1325	-33.59	209	223	7.00
Delhi	16902	20633	-18.08	3375	2484	-26.40
DNH	2073	3326	-37.66	526	557	5.86
DVC	9965	11859	-15.97	1934	1994	3.12
Goa	1613	2116	-23.79	276	295	6.69
Gujarat	52554	61996	-15.23	9341	11127	19.11
Haryana	29022	32279	-10.09	6002	4812	-19.83
HP	4559	5185	-12.08	942	905	-3.96
J&K(UT) & Ladakh(UT)	7794	7830	-0.46	1384	1454	5.05
Jharkhand	4636	4499	3.05	853	878	3.03
Karnataka	31692	35592	-10.96	4624	4836	4.60
Kerala	11898	13222	-10.01	1914	2088	9.13
Maharashtra	70230	80609	-12.88	11890	12904	8.53
Manipur	456	447	1.95	79	83	4.68
Meghalaya	915	1011	-9.54	168	179	6.44
Mizoram	291	313	-7.07	50	49	-2.02
MP	35281	35606	-0.91	6375	7393	15.96
Nagaland	403	403	0.07	70	76	7.99
Odisha	15013	16642	-9.78	2755	2793	1.39
Puducherry	1298	1518	-14.47	233	232	-0.26
Punjab	35348	36320	-2.68	7286	4725	-35.15
Rajasthan	40252	41156	-2.20	7093	7511	5.89
Sikkim	208	193	7.66	34	37	8.96
Tamil Nadu	50492	58599	-13.83	8435	9185	8.89
Telangana	30613	32538	-5.92	5215	4701	-9.84
Tripura	796	871	-8.61	147	153	4.00
UP	68306	70960	-3.74	13321	10775	-19.12
Uttarakhand	6338	7547	-16.02	1248	1133	-9.28
West Bengal	26651	30901	-13.75	5002	4835	-3.34

- There have been an increase in IPOs this fiscal, with Rs 27,738 crore during Apr-Oct'20, majorly in banks, real estate, finance, IT software and chemicals
- Though credit growth and amount raised through IPO are not directly related, but some sectors like commercial real estate, computer software, plastic have higher credit growth during this period



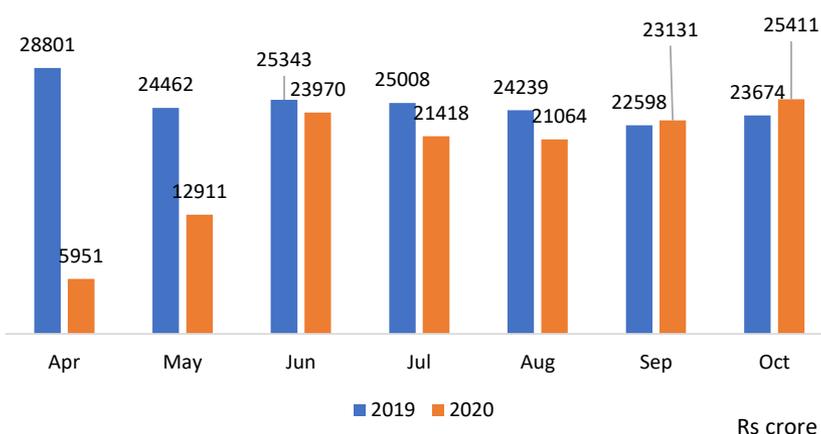
Sector wise IPO during Apr-Oct'20	
Sector	Amount (Rs cr)
Banks	15518
Real Estate Investment Trusts	4500
Realty	7
Finance	2760
Miscellaneous	2242
IT - Software	1336
Chemicals	814
Ship Building	444
Infrastructure Developers & Operators	79
Steel	11
Plastic products	8
Construction	5
E-Commerce/App based Aggregator	5
Auto Ancillaries	5
Entertainment	4
Textiles	2

- Oct'20 GST revenue is 10% higher than the GST revenues in the same month last year. The positive trend which started from Sep'20 has sustained. E-way bills which hit a record high of 5.74 crore in Sep'20 have further grown in Oct'20 to 6.42 crore
- Although GST collections look promising, but when the GDP data comes, the extent of recovery can be gauged looking at the inventory figures with dealers, particularly auto

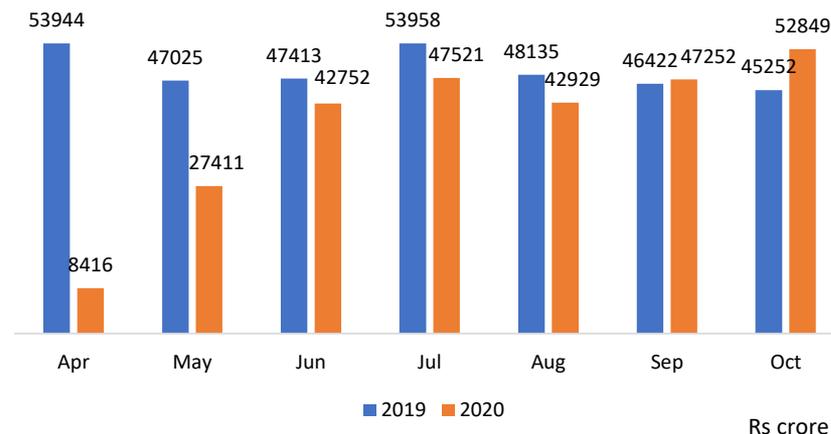


- The SGST collection for states is 23% lower at Rs 1,33,856 crore in Apr-Oct'20 and the allocated IGST is 17% lower at Rs 91,782 crore. Meanwhile the cess collection is Rs43,491 crore which is again 23% lower than last year
- The combined amount of SGST, Allocated IGST and Cess stands at Rs 2,69,130 crore, which is 21% lower than last year's collection in the same period and its is equal to 41% of the states' budgeted SGST which is Rs 6,48,527 crore. In Apr-Oct'20 this was 60% of the FY20 RE SGST. If we purely go by this number and assume that states had collected 60% this year as well, then the states are still short of around Rs 1,22,665 crore in the GST component

SGST Collection



SGST+IGST Allocation+Cess



- However, the gap between last year and this year's cumulative revenue is narrowing as GST collections have improved
- If the IGST allocation of GST which is still below 40%, rises even up to 45% by Mar'21 and GST collections keep the momentum, then state GST shortfall can narrow down to around Rs 50,000 crore after taking into account the full compensation cess and better IGST allocation. However, as shortfall will be definitely there, state borrowings are expected to be higher

YTD Cumulative % change in various components of State GST

Component	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
GST	-67%	-54%	-39%	-33%	-29%	-24%	-20%
CGST	-76%	-60%	-40%	-33%	-29%	-23%	-19%
SGST	-79%	-65%	-46%	-38%	-33%	-28%	-23%
IGST	-63%	-50%	-39%	-33%	-29%	-24%	-19%
Cess	-93%	-64%	-46%	-38%	-32%	-28%	-23%
IGST to SGST Allocation	-89%	-65%	-50%	-37%	-32%	-26%	-17%
SGST+IGST Allocation+Cess	-84%	-65%	-47%	-38%	-33%	-27%	-21%

Source: SBI Research

- State borrowings have risen by more than 50% y-o-y till 03 Nov
- States marked in yellow have shown greater % y-o-y increase in period till 03 Nov as compared to period till 28 Sep

Market Borrowing of States (Rs crore)			
States	FY21 Till 03 Nov	FY20 Till 05 Nov	% Change
Maharashtra	62000	22500	176%
Tamil Nadu	55000	29390	87%
Andhra Pradesh	39250	25898	52%
Karnataka	39000	15200	157%
Rajasthan	31450	24582	28%
West Bengal	27500	21510	28%
Telangana	26961	18800	43%
Gujarat	24780	19400	28%
Uttar Pradesh	22500	26000	-13%
Haryana	20500	14501	41%
Punjab	16895	16520	2%
Kerala	16566	13682	21%
Bihar	16000	14642	9%
Madhya Pradesh	15000	7000	114%
Assam	5800	4200	38%
Jammu and Kashmir	5405	4383	23%
Chhattisgarh	5000	2000	150%
Uttarakhand	3700	1600	131%
Odisha	3000	3000	0%
Jharkhand	2600	1500	73%
Himachal Pradesh	2400	2000	20%
Goa	1700	1200	42%
Nagaland	1064	250	326%
Meghalaya	1050	450	133%
Manipur	700	403	74%
Tripura	700	1065	-34%
Sikkim	615	451	36%
UT of Puducherry	550	200	175%
Mizoram	542	358	51%
Arunachal Pradesh	428	472	-9%
Total	448656	293156	53%

- Corporate results for Q2 FY21 show that companies producing essential goods have mostly witnessed strong results while those producing non-essential goods/services have mostly shown weaker results

Growth in Key Parameters Q2FY21 vis-à-vis Q2FY20						
Sector	No of Cos.	Net Sales	Material cost	Employee Expenses	EBIDTA	PAT
Edible Oil	7	34	34	25	60	134
Engineering	4	28	44	-4	17	62
Steel	31	13	5	3	76	58
Healthcare	6	12	23	-2	34	74
FMCG	21	11	10	16	21	8
Tyres	3	9	3	10	54	31
Cement	12	5	12	-7	41	76
Pharmaceuticals	50	4	6	7	4	-28
IT - Software	56	4	-29	5	10	10
Packaging	7	3	-4	14	31	56
Plastic products	18	3	-1	-1	42	18
Consumer Durables	14	2	4	-7	33	7
Chemicals	37	1	0.5	1	11	15
Sugar	5	40	55	13	2	-11
Non Ferrous Metals	4	21	33	-13	39	-7
Agro Chemicals	8	14	7	11	38	-26
Telecomm-Service	5	12	NA	-7	-120	-90
Automobile	6	7	8	0	34	-1
Readymade Garments/ Apparells	3	3	8	-12	8	-5
Capital Goods - Electrical Equipment	12	2	-5	-5	LTP	LTP
Petrochemicals	7	-1	-9	9	76	82
Auto Ancillaries	28	-2	-2	-7	27	7
Fertilizers	6	-7	-15	11	30	38
Gas Distribution	1	-12	-44	-5	47	13
Realty	18	20	NA	-6	65	-76
Capital Goods-Non Electrical Equipment	23	-5	-7	-8	16	-8
Alcoholic Beverages	6	-7	-6	-1	-24	-33
Textiles	51	-10	-11	-9	-9	-31
Diamond, Gems and Jewellery	4	-11	-7	-20	-31	-22
Retail	2	-19	-16	-5	-57	-67
Construction	13	-20	-32	-16	-66	-321
Paper	9	-25	-23	-13	-43	-74
Entertainment	13	-33	-67	-24	-48	-62
Hotels & Restaurants	11	-66	-73	-28	-220	-244
Air Transport Service	1	-66	NA	-40	-1138	12
LTP= loss to profit		Strong		Moderate		Weak

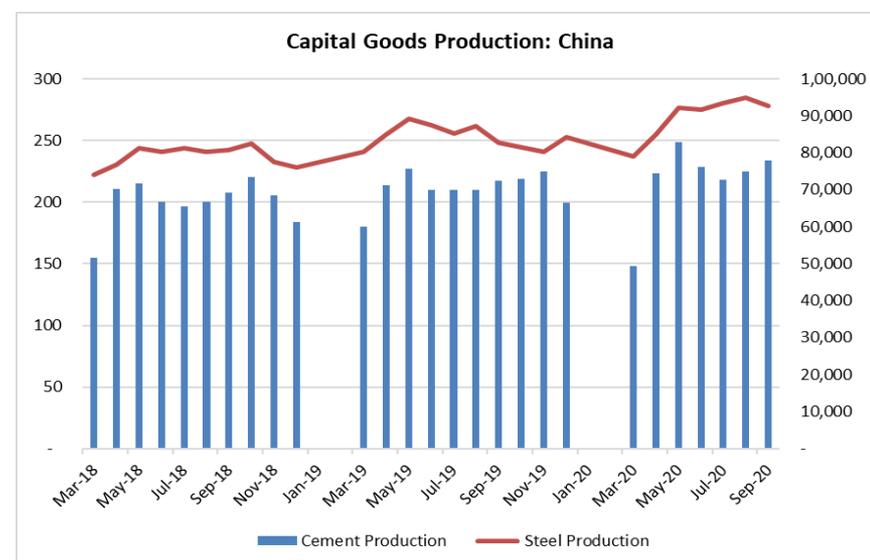
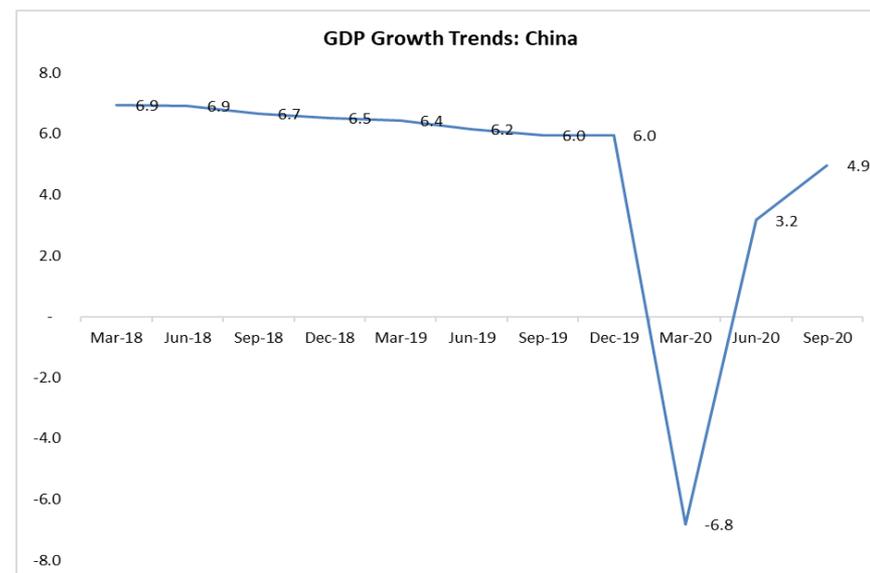
Source: Cline; SBI Research; Material cost includes raw material consumed, stock adjustment and purchased of finished goods

Push to infrastructure to counter the impact of COVID-19

- China's steel demand is expected to increase by 8% in 2020, aided by government infrastructure stimulus and a strong property market
- Steel demand to taper off in 2021

The Chinese revival only has limited upside for Indian Steel Industry

- Domestic Steel demand improved by 8% M-o-M in Aug'20, as Indian Economy is gradually opening up under the Unlock 5.0
- Steel Export from India declined by 25% M-o-M during Aug'20, as both domestic demand and realisations improved in the month of August, prompting Steelmakers to lower exports
- The capacity utilisation to improve from 47%

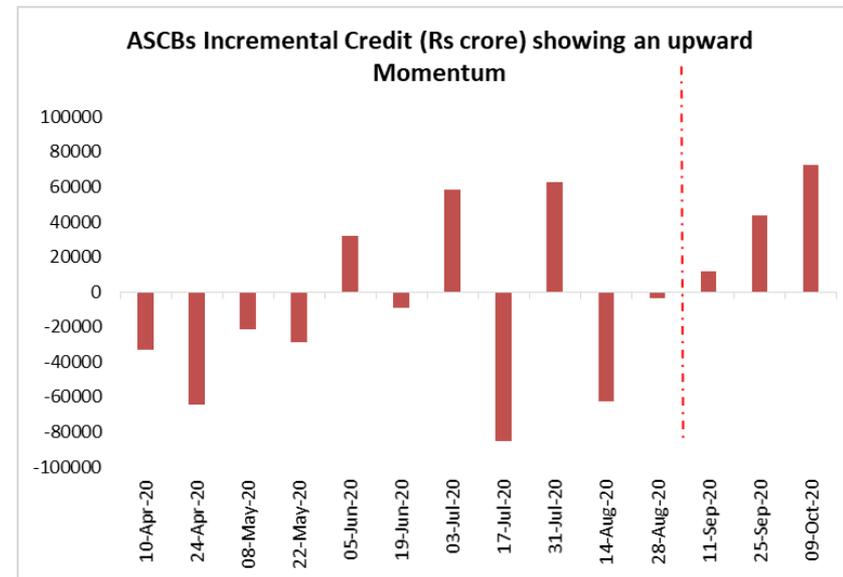
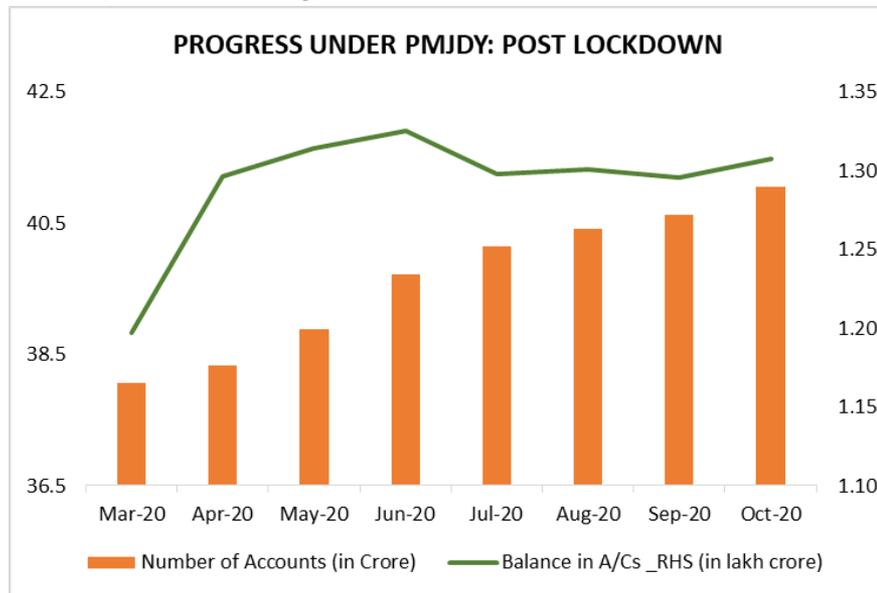
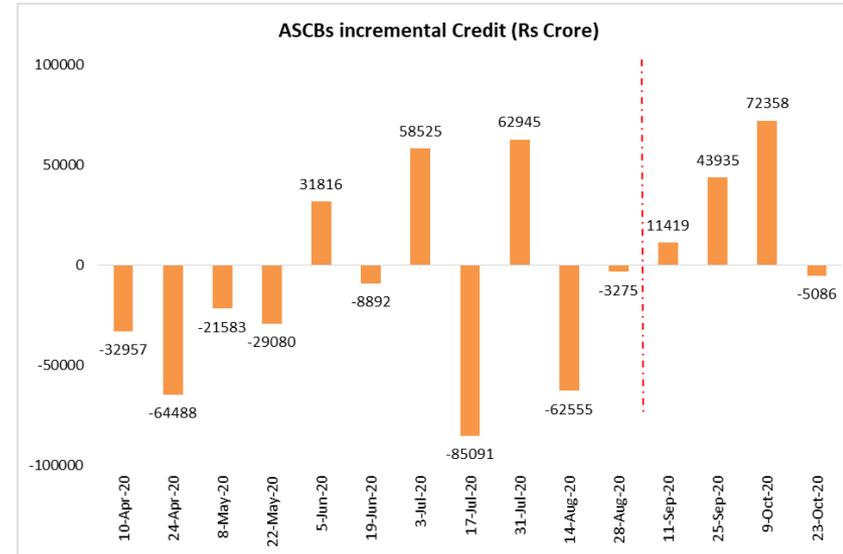


- ❑ Gold had a remarkable performance in the first half of 2020, increasing by 16.8% in US-dollar terms and significantly outperforming all other major asset classes
- ❑ Given that there is no consensus of shape of recovery the uncertainty will keep the demand for gold high
- ❑ Central banks are net purchaser of gold in 2020 given the high economic uncertainty
- ❑ **In India**
 - Gold prices have rallied, widening the onshore and offshore price differential
 - High gold price have revived the gold recycling market

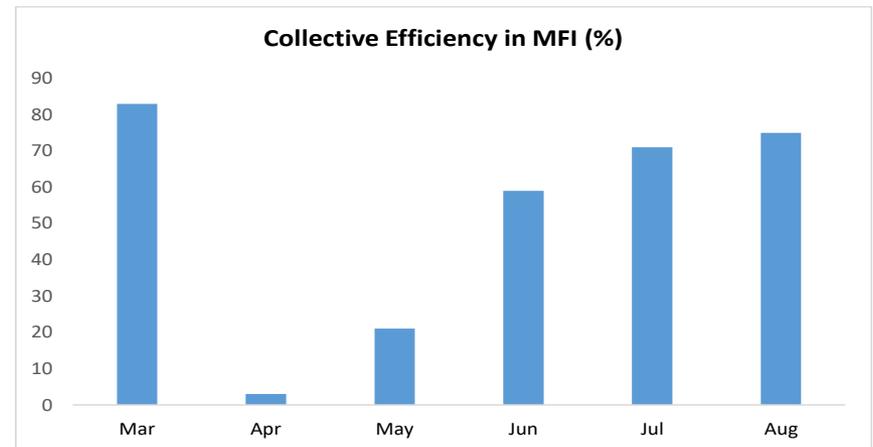
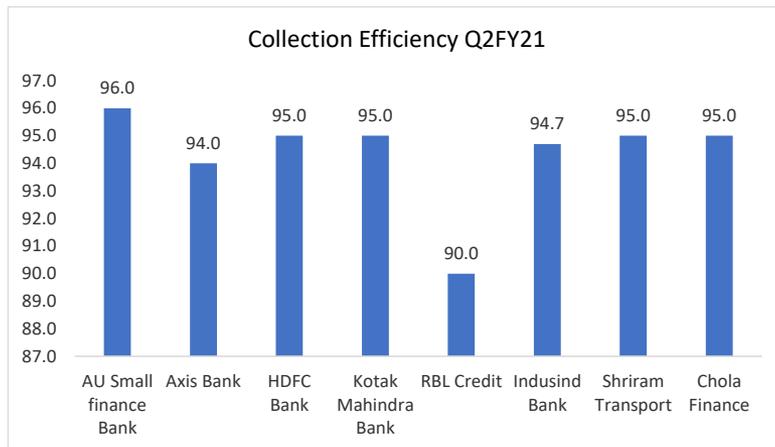


Banking & Financial Markets

- ❑ In the current year (till Aug'20), bank credit offtake was anemic, reflecting weak demand and uncertainty in the wake of the pandemic
- ❑ However, in September credit has picked-up but not able to keep the momentum in October. ASCBs data for the fortnight ended 23 Oct'20 indicates that credit grew by 5.1% YoY compared to last year growth of 8.9%. While, on YTD basis credit growth contracted by 0.3% compared to last year YTD growth of 0.7%

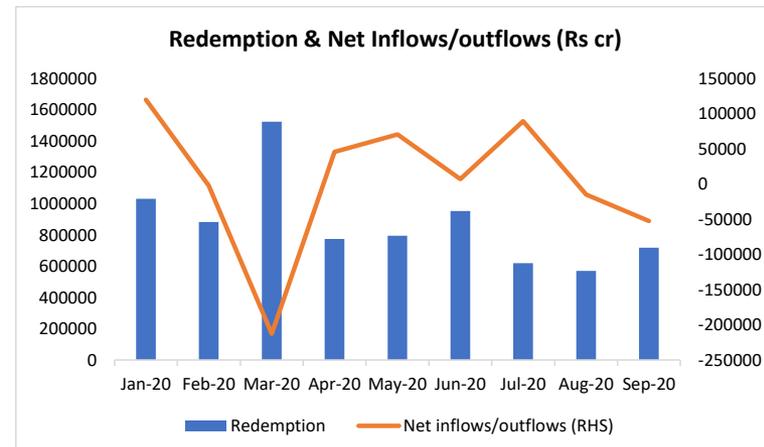
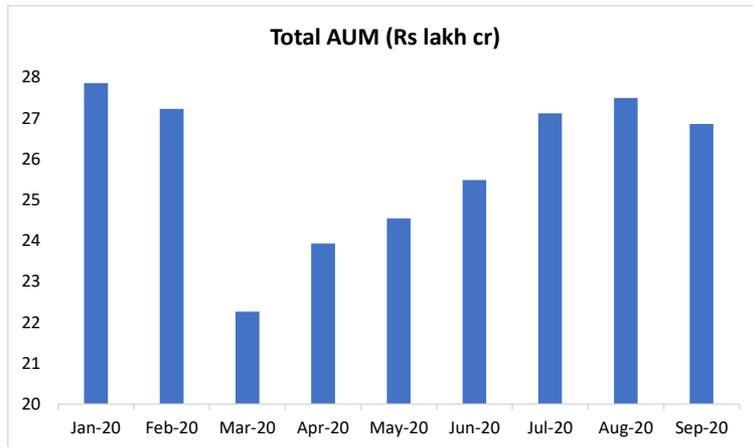


- ❑ There has been an improvement in collective efficiency in Q2 FY21 after the end of moratorium period
- ❑ Even Micro finance institutions have witnessed an improvement



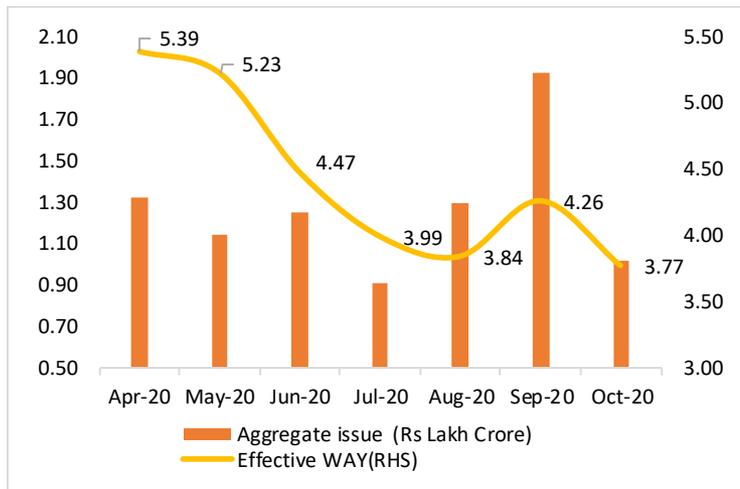
Source: ICRA

- ❑ Total AUM declined in Sep'20 after increasing continuously since Apr'20, meanwhile, the redemptions increased in Sep'20 after declining for two months
- ❑ Moreover, net outflows were registered for the second straight month in Sep'20,
- ❑ Liquid Funds amongst Debt Mutual Funds witnessed significant withdrawal in Sep'20, possibly to pay taxes
- ❑ Rating wise distribution of MF investment shows increase in BBB category in Sep'20, with maximum change in 1-5 year maturity bracket, followed by 6months-1 year bracket
- ❑ There has been a decline in investment in Sovereign for the first time since Apr'20

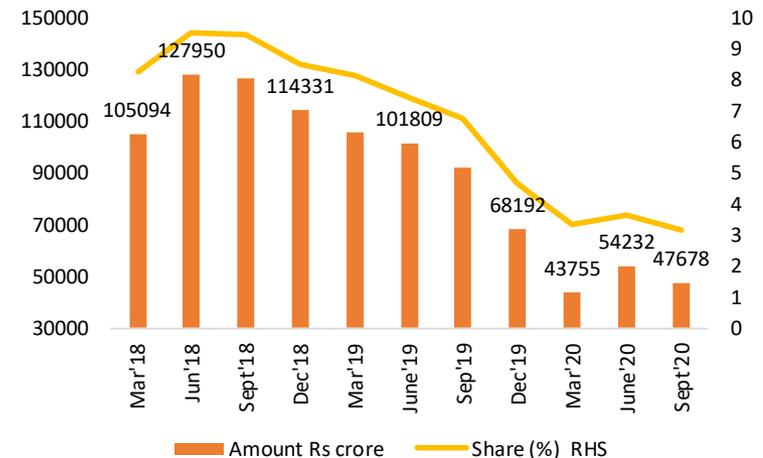


- Commercial paper issuances decreased by 48% in Oct'20 to Rs 1.02 lakh crore as compared to Rs 1.93 lakh crore in Sep'20
- Effective Weighted Average Yield decrease by 49 bps to 3.77% in Oct'20
- Mutual fund holding in NBFC paper (CP) decreased by Rs 6554 crore from June'20 to Rs 47678 crore in Sep'20

Month wise CP issuances



Mutual Fund holdings of NBFC Paper



Source: CCIL, SEBI, RBI and SBI Research



Thank you

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