

## **RBI says, the resurgence of COVID-19 has dented but not debilitated economic activity**

The Reserve Bank of India (RBI) has in its May 2021 Bulletin stated that, “The ferocity of the COVID-19 second wave has overwhelmed India and the world. War efforts have been mounted to stop the second surge in its tracks. Real economy indicators moderated through April-May 2021. The biggest toll of the second wave is in terms of a demand shock - loss of mobility, discretionary spending and employment, besides inventory accumulation, while the aggregate supply is less impacted. The resurgence of COVID-19 has dented but not debilitated economic activity in the first half of Q1:2021-22. Although extremely tentative at this stage, the central tendency of available diagnosis is that the loss of momentum is not as severe as at this time a year ago.”

Explaining the impact of the crisis on various business sectors, the report says, “The impact of the new infections appears to be U-shaped. Each shoulder of the U represents sectors that are weathering the storm - agriculture at one end and IT on the other. On the slopes of the U are organised and automated manufacturing on one side and on the other, services that can be delivered remotely and do not require producers and consumers to move. These activities continue to function under pandemic protocols. In the well of the U are the most vulnerable - blue collar groups who have to risk exposure for a living and for rest of society to survive; doctors and healthcare workers; law and order; and municipal personnel; individuals eking out daily livelihood; small businesses, organised and unorganised - and they will warrant priority in policy interventions.”

The report suggests that, “Several successes are being studied for replication - the Kerala model of preventing vaccine wastage; the Mumbai model of decentralised war rooms for bed allotment; the Pune model of strict containment; the UP model of door to door testing to isolate hidden Covid cases; the Jammu and Kashmir model of Atmanirbharta on medical oxygen; a more muted migration; compassion as a business skill; and most importantly, the resolve and fortitude to stand together and support people and families.”

The RBI opines that, “Lockdowns have worked in controlling transmissibility. Localised lockdowns rather than nation-wide lockdowns have been preferred in order to balance the spread of infections versus the loss of economic activity but the jury is out on which works and where. The key lesson from the visitation of the second wave is vaccinate, vaccinate, vaccinate.”

### **Notifications**

#### **PIB**

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## **RBI**

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