

India's Second COVID-19 Wave: a Hit to the Country's Economic Recovery



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Amidst fears of a third wave, India is beginning to reopen after the second wave of COVID-19 infections that wreaked havoc in the country in April and May 2021. The number of average daily cases has fallen to just over 50,000 in recent days, down from the peak of around 400,000 on May 9. In fact, previously India seemed to be successful in controlling the infection rate during the first wave in 2020. After the central government imposed a nationwide lockdown for 67 days from March 25 to May 31, 2020, the number of daily cases fell to under 20,000 from peaks of around 90,000 in September last year. By mid-February this year, India was counting an average of 11,000 COVID-19 cases a day. Besides, the seven-day rolling average of daily COVID-19 related deaths had fallen to below 100. Prime Minister Narendra Modi declared that COVID-19 had been defeated, and most places of public gathering opened as restrictions were lifted. Students were back in school, politicians were on the campaign trail, people were gathering in pubs and restaurants, and families were dancing at weddings. At the same time, the manufacturing plants reopened and exports resumed. India's economy was ready to bounce back under the famous *Atmanirbhar Bharat* (self-reliant India) spirit. Also,

India became one of the leading COVID-19 vaccine producers and launched the biggest nationwide vaccination drive on January 16. Indian people started to hope for normality.

However, nearly six months after the peak of the first wave in September 2020, COVID-19 cases in India once again started rising from the first week of March. This was a signal of the arrival of the second wave of the pandemic in the country. During the second wave, India broke all the records of the COVID-19 related scale compared to anything seen elsewhere during the pandemic. India set new records for daily COVID-19 cases, repeatedly exceeding the 300,000 tallies previously set by the U.S. and the peak was around 400,000. In addition, with this second wave, India's total confirmed cases became second only to that of the U.S.

Several factors are behind the second wave of the pandemic in India. Among many factors, election rallies and religious festivals were blamed for the second wave. Prime Minister Narendra Modi addressed large unmasked public gatherings during the election campaigns. Also, the large gathering for the Kumbh Mela, a Hindu festival, raised questions over its being the super-spreader event. The new variant (now called the Delta variant) was also said to be responsible for the second wave. The situation only got worse as India's health system collapsed during the second wave. There were shortages of hospital beds, medical oxygen, PPEs, antiviral drugs, and vaccines. The local governments' limited lockdowns to curb the infections, as the federal government was hesitant to impose nationwide lockdown again in the fear of another recession.

India was on a good track for economic recovery after a devastating loss in 2020. In January–March 2021, right before the second wave, India's annual economic growth rate was estimated at 1.6 percent, recording a slight pick-up compared with the previous three months. Also, GDP growth in the year 2021 was estimated to be in double digits initially. However, India's economic recovery will now be slowed down due to the economic damage from an enormous second COVID-19 wave, and further localized mobility restrictions since March 2021. Particularly, the country will face a slowdown in consumer spending due to the decline in household incomes and jobs, the main drivers of the Indian economy. According to the data from the Centre for Monitoring Indian Economy (CMIE), over 10 million Indians have lost their jobs because of the second wave of COVID-19. In addition, the manufacturing and construction sectors will slow down again. Indeed, many think tanks and financial research agencies including the World Bank and S&P Global Ratings have lowered their GDP forecasts for India after the second wave. The World Bank has slashed India's GDP forecast to 8.3 percent for 2021, as against its earlier estimate of 10.1 percent. S&P Global Ratings also cut India's growth forecast for the

current fiscal year to 9.5 percent from 11 percent earlier.

However, the second wave appears to be over with most of India's major cities easing restrictions and reopening the economy. We can expect India will be back on track for economic recovery as manufacturing and export restart. But this does not mean that India's economy can recover to the pre-pandemic level anytime soon. There is already talk about the next wave with medical experts making predictions of a possible third wave in September. The solution to the impending crisis and minimizing an additional economic hit from the third wave would be speeding up the vaccination programs. India has only fully vaccinated about 4 percent of its population and less than 20 percent of people have received at least one dose. This is far below the target of covering the entire population by December this year. We can hope the government's efforts, such as solving the supply and production issues and easing online registration requirements, will ease vaccine hesitancy and ramp up the vaccination. **KIEP**