

Unveil Economic Stimulus Package to Cushion Impact of 2nd Wave

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Vice Chairman Rajiv Kumar has done well to put deepening economic uncertainty on the national agenda. In an interview with PTI the other day, he urged the Nation to prepare for **"greater uncertainty"** both from the standpoint view of consumer and investor sentiments.

Asked whether the government is considering a fresh stimulus, Dr. Kumar rightly noted this issue has to be answered after the finance ministry analyses both the direct and indirect impact of the second Covid-19 wave.

He added:

"And as you have seen from RBI's response, the expansionary policy stance has been continued and I am sure the government will respond with necessary fiscal measures also as and when it is necessary".

Unfortunately, no one else in the Government has yet shared or articulated Dr. Kumar's concern for second wave's impact on the national economy.

Finance Minister Nirmala Sitharaman has so far avoided speaking straight on urgency for economic stimulus. She has no doubt sought inputs from various industry associations on management of covid situation.

A news story dated 19th April has quoted her tweet on this issue:

"Spoke on telephone with each of the following business/Chamber leaders. Took their inputs on industry/Association related matters. Informed them that Govt at various levels from @PMOIndia is responding to #Covid management. Working together with states for lives and livelihoods".

Similarly, Chief Economic Advisor Krishnamurthy Subramanian is unsure whether unfolding impact of second wave on economy would require fiscal package as antidote.

In an interview with moneycontrol.com on 14th April, Dr. Subramanian stated:

"At this point in time, I'm not sure that there is a need for another sort of revenue expenditure-based stimulus. As we speak, the situation is evolving. But I would say that, the government has been very clear in laying out a capital expenditure driven agenda. Capital expenditure, and we basically said construction activities bring jobs, and it's been demonstrated as well, and that's the way to go. I think there's enormous clarity both at the big picture and at the granular level for what should be done. I think we should continue focusing on that".

We would urge the Government to not waste too much time in analysing the impact of second wave and associated curbs of all hues. The curbs range from sealing border between two States to night curfews called covid curfews to total state-wide or district-wide lockdowns without using the dreaded word **"lockdown"**. Weekend curfews have become commonplace in the country.

Total State-wide lockdown, excluding very few exceptions, of varying duration have been rolled out. Maharashtra has already gone into total lockdown till month-end under the garb of curfew. Delhi has followed suit for six days with effect from midnight of 19/20th April.

What is making the lockdown scenario complex is the fact that the High Courts have started issuing orders to the States to impose lockdown in worst-hit cities and districts.

As State Governments get overawed by sight of unattended or neglected patients', they pick the easy option - lockdown. It is moot point whether lockdown or war-footing arrangement for expansion of healthcare should be chosen as the right option in such situation.

Coming to the core issue, there is no escape for the Centre and the States to loosen their purse to help all stakeholders cope with impact of curbs on economic activities. The impact of curbs is visible in different domains.

The unending queues of migrant workers at the public transport centres speaks volumes about uncertainty and its impact on growth, jobs and poverty, leave aside social and psychological damage on migrants. We wonder whether lockdown-loving authorities have factored in the grave risk of avoidable mass migration becoming a super-spreader event.

The impact of night curfew and weekend lockdowns on services sector especially retail, hospitality and unorganized sector is visible. Some sectors especially the ones that utilize industrial oxygen have been hit hard due to reservation of all oxygen for the hospital sector excluding specified exemptions.

As noted by rating major CRISIL,

"the impact of localised restrictions by states is now more visible. Retail mobility and traffic congestion, particularly for Maharashtra, is beginning to evaporate".

Hence, the time to analyse the impact is over. It is time to act. We presume Finance Ministry would first study the impact of phased economic stimuli unveiled during the first covid wave. This would help it decide the optimal mix of debt, fiscal and welfare components of the package for the second wave.

It is here apt to quote RaboBank's Economic Research's (RB-ER's) comparative study of economic stimuli investments made by G20 countries to offset impact of pandemic and lockdowns.

The study dated 12th April 2021 shows that India's total stimulus packages aggregated to less than 4% of GDP, as compared to highest stimulus of 17% of GDP by the United States. India's stimulus ranked 16th out of 21 nations' packages.

In its analysis dated 12th April 2021, RB-ER notes:

"Uncertainty remains as countries are still facing new waves of the virus. This logically leads to new questions like: what are the consequences of the large increases in government expenditures and how do these affect the fiscal headroom and flexibility of governments to further combat any negative developments? These developments will be very intriguing to monitor as 2021 progresses".

Apart from framing a wholesome package that truly benefits the most needed stakeholders in timely manner, the Centre should issue guidelines against localized curbs that hamper economic activities. A case in point is sealing of borders and by-roads/small roads connecting two States. Such cases have already been reported in the media from Tamil Nadu and Odisha.

In the name of checking entry of covid virus into its territory, a State or district administration should not disturb or break the supply chains ranging from transport of perishable food items to industrial inputs. Border sealings affect daily life of citizens living close to borders in both the States.

We urge the Centre to devote more time and energy in preventing transient harm to the great concept of one nation; one market during the second wave.