

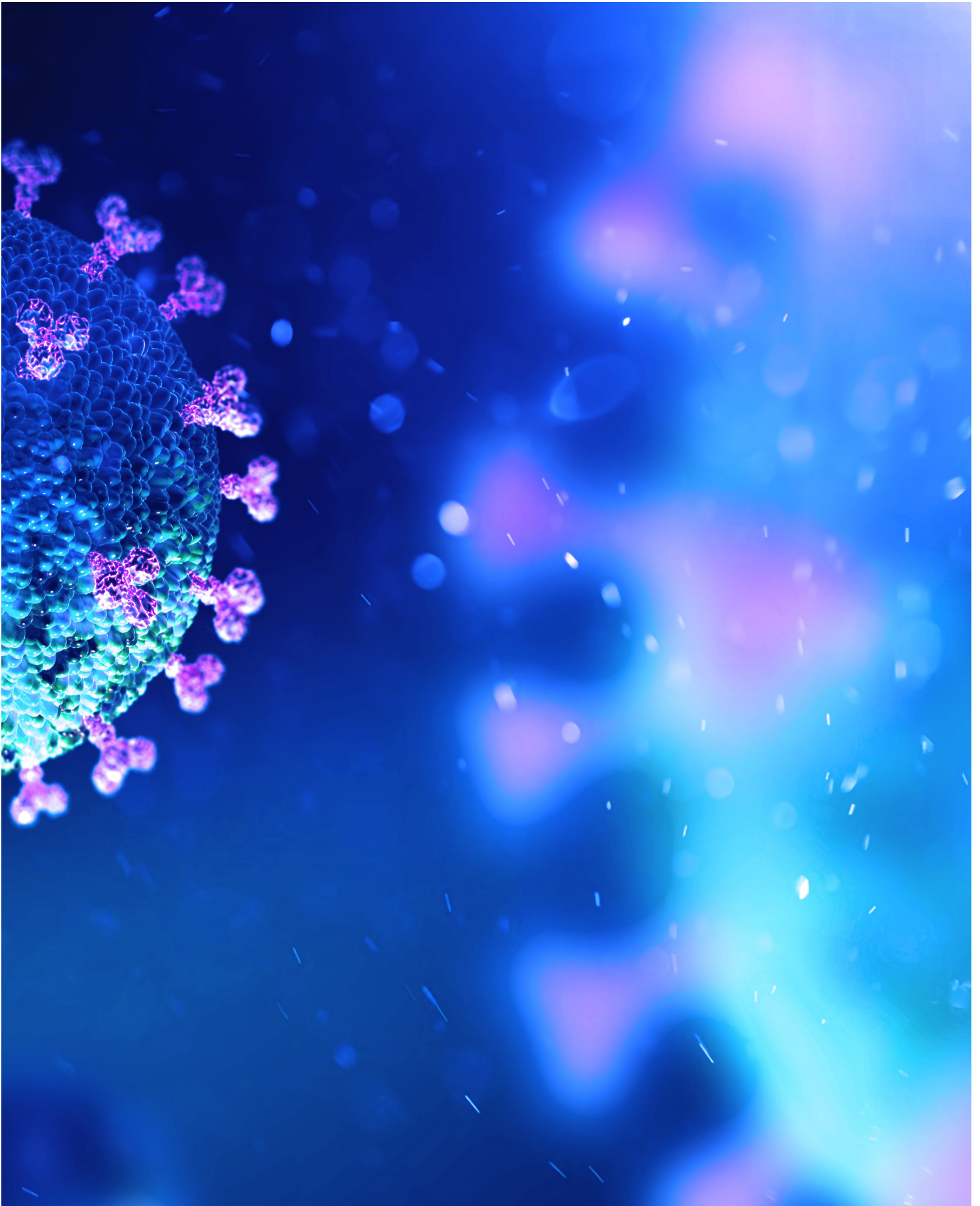
India - March 2020

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SPOTLIGHT
Savills Research

COVID-19: Pause Today, Bounce-Back Tomorrow



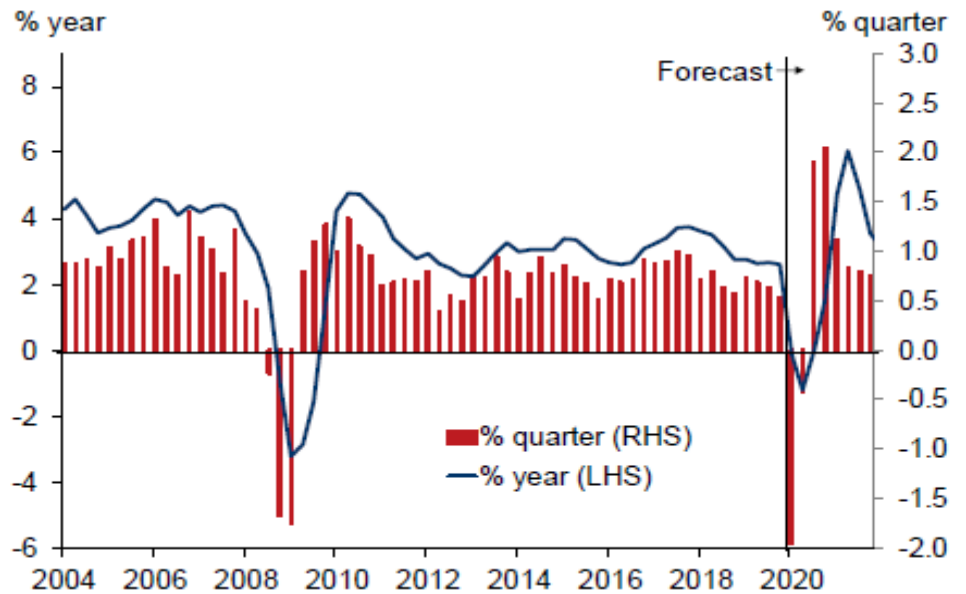
(Volume 1)



Illustrating A Repeat of History

- COVID-19: Comparable to GFC shock and bigger, but unlike GFC, is a socio-biological calamity-driven stress and has engulfed the entire world. Damage is physical and psychological.
- Global economic decline projected in upcoming quarters- loss of investor confidence, consumption slowdown, loss of jobs (World GDP growth could even fall to 0% in initial two quarters of 2020, on the lower side*).
- Post COVID-19, however, the world to witness large-scale transformation and business boost.
- AI, Machine learning, data analytics, e-commerce and IoTs to lead the new age growth

Largest quarterly contraction in global economy in living memory



Source: Oxford Economics/Haver Analytics

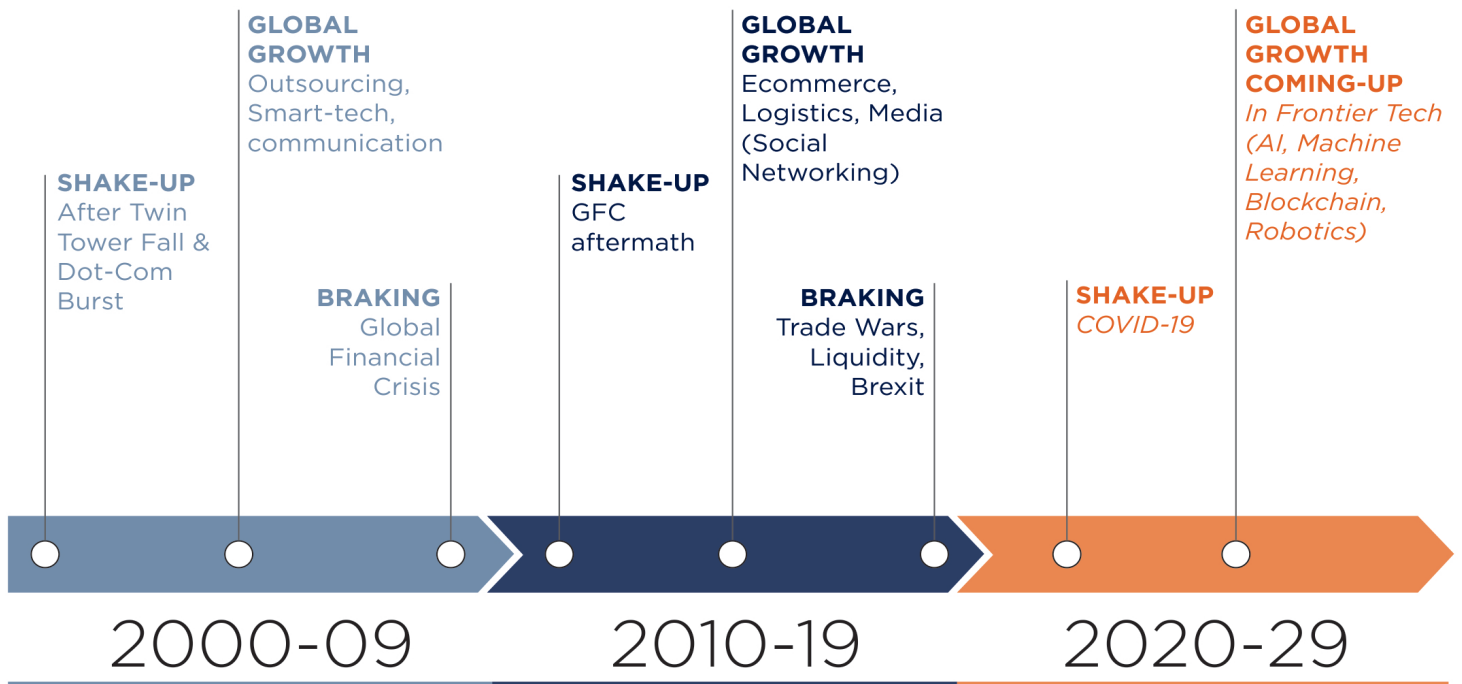
*Source: Oxford Economics

Intriguingly, there is a cycle of events we rarely notice:

The events around the world seem to move in an intriguing and repetitive cycle. Here are some unmistakable instances: The first decade of this century, began with a recovery in the aftermath of dot com burst and twin-tower attacks, which was followed by a phenomenal growth phase on the back of surge in global outsourcing and smart digital technology. The decade however, closed with the crash on account of the GFC. The second

decade recovered gradually from GFC after-effects and rose gradually but strongly as ecommerce and logistics built strengths around the world. The decade, yet again, closed with slowdowns in trade-wars and localised liquidity issues in the last couple of years. Similarly, the current decade, is expected to deal with the negative start of the pandemic. Undeniably, COVID-19 has been ravaging the globe right now, but being a biological & sociological crisis, the solutions will come from the scientific community. In due course, the

societies and economies will tide over it. Much like earlier, we will have a wave of drivers to power world businesses and economies. The leading role this time, is expected to be played by AI, Machine Learning, Big Data Analytics, Blockchain, Robotics, etc., in creating economic growth around the world, as the decade progresses. Technology is also expected to radically shape workplaces faster than anticipated and in a more holistic and seamless manner.



Equity Markets: The Bellwether Doesn't Lie! (... & Why Indices Worry)

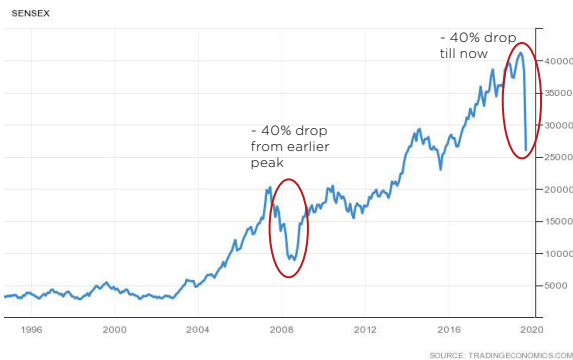
Market Indices: The earliest & most prominent manifestations of alarm...
BUT WHY IS IT WORRYING... WHAT CONSTITUTES THE CRISIS

Dow Jones- Inflation adjusted-log scale



- Though GFC & COVID-19 crisis are comparable, including the cascading effect, they are structurally different on various counts.
- COVID-19 damage has two parts:
 - Irrecoverable Portion (Deaths & such losses)
 - Recoverable Portions (jobs & consumption slowdown and economic activity decline).
- Global-scale shut-downs and supply chain disruptions
- None of these can be assessed or quantified right now
- Unknowns: Return of infections, efficacy of fiscal stimulus

BSE Sensex- Daily closing prices



	GFC	COVID-19 Pandemic
Cause	Subprime Mortgage Crisis	Viral Outbreak
Financial markets	Affected	Affected
Fatalities	No	Yes
Lockdown & Supply Chain disruption	No	Yes
Use of social Media & IoT	Nascent	High
Global cascading impact	Med	High
Fiscal stimulus	Yes	Yes
Recovery	2 years	Unknown



India: Pause Is Inevitable... But Bounce-back Undeniable!

- India too will witness a **SLOWDOWN** in the current and coming quarters.
 - Significant slowdown in government spending on large public infrastructure projects: Resources to be diverted for damage control.
 - Decline in discretionary spending due to explicit or latent job losses, uncertainty of income growth and liquidity crunch.
 - Supply likely to be adversely impacted due to curfews, lockdowns, factory closures and cautious lending.
 - **Shrinkage of Wealth** due to a decline in valuations across asset classes including real estate.
 - **Freeze** on construction and buying in Residential Real Estate.
 - **Panic Reversal of Migration:** Contagion led panic, takes back the workforce, which will return upon normalcy restoration.
- POST RECOVERY POSSIBILITIES**
- Global economies to start considering a “China Plus One” more seriously.
 - India stands to benefit the most.
 - Recent approvals to set up bulk DRUG PARKS and providing production linked incentives for medical devices and electronics to attract investments and generate employment in the long term.
 - A relief package of INR 1.7 trillion (USD ~22 billion) under the Gareeb Kalyan Scheme has been announced.

+ve Impact			-ve Impact							
										
Artificial intelligence, Machine Learning, Internet of Things	Pharma & Healthcare	Ecommerce	Retail	Construction/ Infra	Discretionary spending (Auto, FMCG, Apparel etc)	Credit growth	Tourism	Aviation	Hospitality	MSMEs

SECTORS





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