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Explained: Coronavirus impact on auto, aviation, tourism and other industries in India

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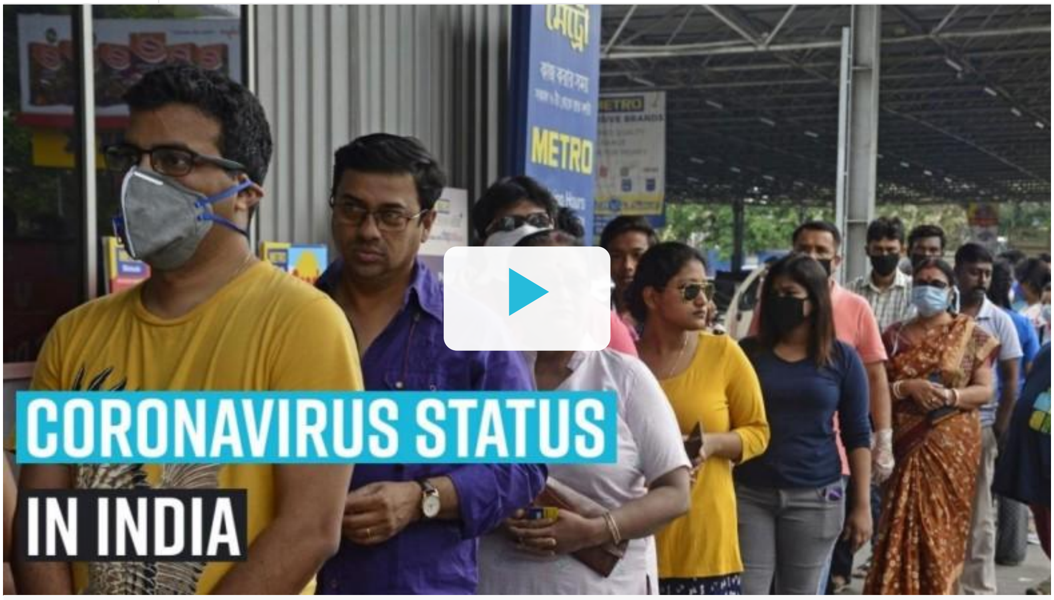
By : Shashi Sharma | Apr 2, 2020 21:41 IST



Coronavirus Status in India

The coronavirus pandemic has affected trade activities across the world, bringing several countries, including India, to a halt thus distorting their economic growth. The coronavirus infections, which causes COVID-19 disease, had escalated to almost every nation on the globe with the first case being reported in China's Wuhan in December last year. The severe spread of the highly-contagious virus has prompted several countries across the world to announce travel restrictions and complete lockdown to contain the outbreak.

The IMF has already announced that the world has slipped into a recession that may be severe than the 2009 financial crisis. The Indian economy is no alien to the impact of the COVID-19 pandemic. The growth in most sectors, including aviation, tourism, automobile and several others has seen a downward trend. The Moody's has changed the outlook of Indian banks to negative from stable and India Ratings has cut the country's GDP forecast to 3.6 per cent from 5.5 per cent for FY21. CARE Ratings, a leading credit rating agency,

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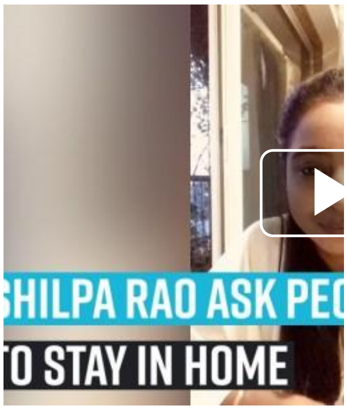

Shilpa Rao asks people to stay home

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has assessed the possible impact of the COVID-19 pandemic on various sectors in India.

Below is the sector-wise impact of COVID-19

Auto & auto ancillary: The Automobile industry in India has been facing a deep crisis even before the coronavirus pandemic hit the world. According to the CARE Ratings assessment report, "the industry is likely to suffer huge losses going forward. Also, the employment of the industry is at risk as the contractual workers account for about 50% of the workforce in the industry."

Even if the pandemic is curtailed, the consumer sentiments are expected to be unfavorable and demand is expected to remain muted during H1 FY21 led by fluctuating and uncertain economic
conditions.

Aviation: If there is one sector that has taken a lot of beating due to the coronavirus pandemic, it's aviation sector. Most countries have imposed travel restrictions and are going into complete lockdown. India too has suspended all air traffic, including domestic and international. The airlines are not likely to take off anytime soon as the government has imposed a 21-day lockdown which has restricted the passenger movement and banned air transport services for now.

global airlines

"Even as the macros of the Indian aviation industry may be in favour of propelling its growth, the industry may not fully recover any time soon post the effects of the pandemic which has affected business operations, travel and tourism and economies world over," the research published on March 30, 2020 said.

Hotels and tourism: The coronavirus pandemic has ravaged the hotels and tourism industry not just in India but across the world. With complete lockdown and ban on gatherings to contain the spread of COVID-19, hotels, and tourism industry has come down to its knees. India's total foreign tourist arrivals (FTA) stood at 10.9 million and the foreign exchange earnings (FEE) stood at Rs 210,971 crore during 2019 with Maharashtra, Tamil Nadu, Uttar Pradesh and Delhi accounting for about 60% of FTAs.

"Assuming the impact to be about 50% during January and February 2020, while the impact being higher at about 70% during March 2020 post the suspension of international flights and about 100% during Q2 2020 (April – June 2020) on the overall foreign travellers.... the industry is expected to book a revenue loss of Rs 125,550 crore, loss of over 40% y-o-y," the report said.

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