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Google mobility, opening up and GDP forecasts for FY22

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Google mobility indicators are a good signal of how communities are opening up. Google tracks movement of people in different zones: retail and recreation, grocery and pharma, parks, transit stations, workplace and residence. The base scenario is taken to be the median of the period before the pandemic struck and is January 3 to February 6th of 2020. Deviations from this baseline is reckoned on a daily basis for all countries; and within these nations often a state wise picture is also provided.

As we hear of different countries opening up, it is interesting to see what these mobility indicators look like. Lockdowns essentially seek to stop people from moving out and while something like 'workplace mobility' can be a decision taken by companies within any jurisdiction, 'recreation and retail' and parks are probably the best indicators of opening up. If people can go for recreation or for walks in public spaces, then it means that the system is more liberal and that the infection levels are low or under control. Grocery and pharmacy would normally tend to be populated given that they deal with essentials. In case of transit stations, which captures movements at public transport systems, there are both pull and push factors. If most establishments follow work from home, there would less people moving around. If most recreation areas are shut, there will be less mobility here again. Last, residence is an indicator of both the push from the government as well as change in culture where WFH has become the rule.

The following table captures the deviations from normal for a select set of nations as of July 12th. To better interpret the mobility indicators the 7-day moving average (7-DMA) of new infections as of 15-16th July has also been put alongside so that one can gauge the mood of the government. The impressionistic view is that the western world has been more open to moving away from restrictions with countries like UK having withdrawn the use of mask in public spaces from July 19th. The pace of vaccination has caught on in several countries which has made them open up to people movement and the green pass system in the EU is a manifestation of these intentions.

Mobility indicators across countries as of 12th July: Deviation from pre-pandemic normal (3 Jan-6 Feb'20)

Country	7-DMA of New Infections	R & R	G & P	Parks	Stations	WP	Residence
Singapore	26	-19	2	-30	-26	-20	17
Switzerland	391	-8	9	103	-13	-25	4
Ireland	668	-2	22	115	-41	-41	7
Germany	910	1	12	131	-15	-20	4
Italy	1,602	3	12	119	-13	-23	0
Japan	2,294	-13	3	-15	-20	-9	6
France	4,890	6	27	144	-8	-33	5
Netherlands	9,170	6	13	132	-35	-32	6
South Africa	16,857	-36	-16	-27	-47	-43	30
Russia	25,293	1	14	72	4	-32	-3
USA	28,704	-5	2	34	-22	-33	7
UK	37,033	-16	0	56	-37	-38	10
India	40,827	-21	26	-9	-11	-25	11
Brazil	42,819	-11	37	-15	-6	7	6

7-DMA: 7 days moving average ending 15th – 16th July
R & R: Retail and recreation G & P: grocery and pharmacy WP: workplace
Source: Google mobility and Worldometer

It can be seen that countries which have a lower number of infections tend to be more open when it comes to R & R. The number of infections should however be looked at from the point of view of their population. India has a high population and hence has a favourable ratio while the others have much smaller population numbers and would be wary of even small infection numbers like Singapore.

India has almost the same number of infections compared with Brazil but has witnessed a sharper negative deviation here. UK has above 37,000 infections and while they are fully opening up, there are more footfalls in parks which has increased even while it is -16% for R & R. This can be attributed more to people being cautious rather than there being rules put to stop movement.

South Africa has around 17,000 infections but has been very strict in all areas. It is the only country in this set which has negative deviation for G & P, which means that conditions are restrictive even for essential shopping. India does very well on this score as the government has always kept essential goods out of the purview of a lockdown and people have been allowed to shop within limited timings during the lockdown in the second wave.

Japan has been restrictive in terms of both the openness parameters which is surprising considering that it is hosting the Olympics.

In terms of workplaces all countries are witnessing negative deviations meaning thereby that all of them have either chosen not to populate their offices or there are restrictions of the government. It is more likely that after the first wave business is not working fully and most corporate offices are only partly functional. Brazil is the exception here where there has been an increase in mobility. As a mirror image, the deviations in residence mobility is positive across the board indicating people being more at home than outside.

The message for India is the following:

a. The number of infections has to come down sharply to allow for further opening of the economy.

b. The services sector which has taken a major hit will continue to witness lower footfalls and hence the R & R factor will continue to be restricted for a longer period of time.

c. This also means that employment in this sector- retail and recreations related (which includes tourism, hotels, travel) will be under pressure. A pre-requisite for a recovery in this segment has to be denoted in this number turning positive for the country.

d. Therefore, growth momentum this year has to come from agriculture and manufacturing as services beyond the government and financial services would tend to be subdued for the second successive year. Given that India is a services-driven economy, it is significant.

What is the state level picture?
The table below gives the google mobility deviations for various states on 12th of July while the active cases is for 15th. The table shows that the northern and central states have in general tended to be more open when it comes to mobility with Uttarakhand being the only one to have positive deviation in R & R. Uttar Pradesh is the only large state in terms of GSDP which has greater mobility relative to others. The 4 large states in terms of GSDP are Maharashtra, Gujarat, Karnataka and Tamil Nadu have had generally higher negative deviations compared with the national average. Smaller states again have been relatively more open.

Mobility in different states as of 12th July.

Active cases 15/7	State	R & R	G & P	Parks	Stations	WP	Residence
1,399	Uttarakhand	2	49	14	32	-14	8
692	Uttar Pradesh	-1	60	11	2	-15	9
2,322	Sikkim	-2	-23	-35	-31	-16	16
797	Bihar	-4	46	18	9	-8	8
838	Haryana	-9	27	-13	-13	-21	7
1,150	Himachal Pradesh	-10	20	31	18	-15	11
336	Jharkhand	-10	52	10	4	-23	11
4,016	Chhattisgarh	-11	35	11	-4	-15	9
253	Madhya Pradesh	-11	30	-3	2	-18	10
1,307	Puducherry	-13	23	3	-16	-20	11
522	Rajasthan	-13	32	-8	7	-16	8
1,332	Punjab	-14	24	-10	-14	-16	2
29,950	Tamil Nadu	-17	38	-1	-8	-25	12
25,526	Andhra Pradesh	-19	32	-11	-10	-18	9
1,19,513	Kerala	-19	49	13	-17	-22	14
22	Dadra and Nagar Haveli	-23	24	-27	27	-5	9
637	Gujarat	-23	11	-25	-8	-21	9
13,637	West Bengal	-24	17	-9	-21	-31	14
67	Chandigarh	-26	-5	-34	0	-23	6
671	Delhi	-26	6	-30	-21	-36	9
10,101	Telangana	-27	19	-18	-10	-32	12
32,406	Karnataka	-28	19	-24	-14	-43	14
19,789	Odisha	-29	11	4	-32	-43	19
4,177	Arunachal Pradesh	-33	5	18	-42	-25	13
4,683	Tripura	-33	11	10	-34	-21	15
1,10,505	Maharashtra	-34	16	-29	-19	-30	15
1,050	Nagaland	-36	-37	-29	-43	-37	13
3,994	Meghalaya	-43	-32	-15	-26	-31	22
20,467	Assam	-45	-20	-15	-37	-27	21
1,779	Goa	-48	-12	-64	-37	-24	16
8,558	Manipur	-52	-42	-13	-35	-54	20
5,612	Mizoram	-57	-44	-21	-51	-55	13
4,30,422	India	-21	26	-9	-11	-25	11

Source: PRS

States have shown different patterns on mobility when it comes to moving in open spaces and 11 states have witnessed an increase in movement here. Similarly, 6 states have witnessed an increase in mobility at transit stations with UP and MP being among them.

The north-eastern states have been closed even for grocery where the mobility indicators are in the negative zone. Tripura and Arunachal Pradesh were exceptions here.

The 4 states which are in the top 5 in terms of GSDP have been more restrictive but are also the leading industrial hubs. Therefore, the impact on GVA-manufacturing would be limited. It would be the services sector that would tend to be affected more with the mobility being restricted.

The states with high negative mobility in R & R also witnessed higher than average positive mobility in residence which is to be expected. The impact of restrictions on mobility by states was also revealed in the movement in workplace. Those states which had high declines in mobility on other counts got manifested in higher negative mobility in the workplace parameter.

How should we view these indicators going forward?
Based on country-wide experiences it is fair to conclude that the caseload has to come down for the government to ease restrictions. The absolute number is still one of the highest for India even though there has been substantial improvement in the last 3 months. Having 40,000 cases now is only matched by Brazil. Therefore, we need to be careful of opening up the economy. Given the approach of various states, we believe it will take some time – maybe 3 months before we would come anywhere near normal assuming there is no third wave.

The second takeaway is that while all the restrictions put this time were by states and not the centre, they have judiciously calibrated the opening up of their economies to the state of infection. These are lessons learnt from the second wave which ensure that there is no reckless hurry to open movement of people in high-risk areas.

Third, as a corollary, economic growth will also be slow, and the pace of recovery will be gradual. We believe that our earlier forecast of 8.8-9% growth in GDP will hold with momentum being witnessed only in the third quarter. The second quarter will be less buoyant on account of the services sector still being restricted to a large extent. Statistically however, growth would be high in the second quarter.

How do we see growth during the year?
There are two sets of forces operating during the year. The first is the lockdown phase which has disrupted the economy in May and June in particular. On the other side there is the base effect which will prop up growth numbers for sure through the quarters. This will exert both upward thrust in Q1 and Q2 and downward thrust in Q3 and Q4.

The growth in the four quarters for GVA is estimated as shown in the table below.

Quarter	Growth
Jun-21	13.1
Sep-21	7.3
Dec-21	6.4
Mar-22	5.6
Full year	7.8

The tapering of growth rates will be due to the combination of dwindling of base effect as well as limited pick-up in demand- both consumption and investment. We do not foresee any significant additional expenditure by the government during the year beyond what has been announced and hence a fiscal stimulus has been kept aside in this analysis.

Aggregate GVA growth is to be 7.8% with GDP growth being 8.8-9%.

Sector-wise GVA forecast for the year (%)

	FY21	FY22
Agriculture	3.6	3.4
Industry (including construction)	-7.0	9.4
Services	-8.4	8.2
Total GVA	-6.2	7.8

Source: CARE Ratings

Agriculture is expected to retain the growth trajectory of last year on the assumption of normal monsoon and steady kharif crop. Within industry, manufacturing is to grow by 10.4% which is the highest in this sector. Mining, electricity and construction would be growing by 9.5%, 4.3% and 8.5% respectively.

In services trade, transport, hotels etc, would be the leading sector with growth of 13% in GVA which comes over negative 18.2% growth of last year. Financial services and public administration etc. would be growing by 5.6% and 6.4% respectively.

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