

CORE SECTOR GROWTH HITS A THREE MONTH LOW



GLOBAL UPDATE

OIL PRICES HIT A THREE YEAR HIGH

In a recent development US President Donald Trump pulled out of an international nuclear deal with Iran something which was already agreed upon in late 2015. This move cast an uncertainty over global oil supplies especially when the crude market is tight. As a result of this move crude price has hit USD 71.14 a barrel, a three year high. It is worth noting that in April 2018, the World Bank in its *Commodity Markets Outlook* had stated that oil prices could move up to USD 65 a barrel, on an average in 2018 compared to an average of USD 53 a barrel in 2017. This was largely owing to strong consumer demand and restraint by oil producing nations. The international lending agency has further stated that metal prices could move up by 9% in 2018. Further prices for energy commodities like oil, natural gas, and coal could move up 20% in 2018. Prices of agricultural commodities on the other hand are expected to increase by 2% in 2018. Weather disruptions in 2018 are also expected to be minimal.

INDIA IS THE LARGEST RECIPIENT OF REMITTANCES: WORLD BANK

The World Bank has stated that India has retained its top spot as recipient of the remittances from its diaspora overseas. Last year, Indians settled overseas sent approximately USD 69 billion back home. Despite maintaining the top spot, remittances sent last year were short of the 2014 figure of USD 70.4 billion. The other countries on the list comprise China (USD 64 billion), the Philippines (USD 33 billion), Mexico (USD 31 billion), Nigeria (USD 22 billion) and Egypt (USD 20 billion).

BELGIUM AND GERMANY HAVE THE HIGHEST TAX RATES AMONG RICH COUNTRIES: OECD

If you are planning to move to countries like Belgium and Germany for work, think twice. In a recent study titled, "Taxing Wages" the Organisation for Economic Co-operation and Development (OECD) assessed a country's tax burden based on the "net personal average tax rate" (NPATR). As per the study Belgium topped the tables with an NPATR of 40.5% followed by single earners in Germany (with no children) with an NPATR of 39.9%. On the other hand workers in Germany who did not have a working spouse had an NPATR of 21.7%. While Chile recorded the lowest NPATR (7%), the OECD average NPATR was 25.5%. Interestingly, the study added that

families with a single earning member, in Poland, had a negative NAPTR of -4.8%. In other words, they received money from the government.

FEDERAL RESERVE KEEPS INTEREST RATES UNCHANGED

The US Federal Reserve made no changes in the interest rates. The Central Bank also maintained that the recent rise in inflation was well within the bank's target and that the same would be sustained. The rate-setting committee was also of the view that economic activity and job growth was growing at a moderate rate but has gathered steam over the recent past. However, there have been ample indications of rate hikes in the offing. A strong performance by the US economy, in recent months, has already put the INR under the pump. It is worth noting that between January and April this year, the USD has already gained 5% compared to the INR and any hike in interest rates, by the US Federal Reserve, will further put pressure on the INR. According to market reports, till now, FIIs continue to be net sellers in Indian equities market.

BANK OF JAPAN MAINTAINS STATUS QUO ON RATES

The Bank of Japan maintained status quo on policy rates and also removed the time frame which it had set to achieve 2% inflation. The Bank of Japan maintained a pledge to guide short-term interest rates at -0.1% and the 10-year bond yield at around zero percent. As regards the quarterly review of its projections, the Central Bank did not tinker with its inflation forecast for the next financial year. Thus the inflation forecast for the next three months remains unchanged at 1.8%.

MORE NEEDS TO BE DONE IN INDIA: IMF

The policy reforms implemented in India, in the recent past, is bearing fruit but there is certainly a strong case for more, said the International Monetary Fund (IMF). The international lending agency is of the view that even though the implementation of the Goods and Services Tax (GST) has been bumpy it will be beneficial for the economy in the long run, especially with regards to strengthening the foundation of public finances. Mr David Lipton, First Deputy Managing Director, IMF on the sidelines of the Spring meeting of the IMF and the World Bank stated that there was room for more to be done but India is certainly seeing benefits from what it has done.

INDIA UPDATE



INDIA, THE FASTEST GROWING ECONOMY IN ASIA; ADB

As per the Asian Development Bank (ADB), the Indian economy will grow faster than most economies in Asia, in the coming years. It's *Asian Development Outlook*, showed that the Indian economy will grow at 7.3% this fiscal and 7.6% in the next financial growth. The Manila-based regional development bank added that the high growth rate was largely on the back of GST and banking reforms that have been implemented in the country.

DEPOSIT RATES MOVE NORTH

In the March issue of the Monthly update we had mentioned about the State Bank of India and the Indian Overseas Bank revising their deposit rates. In that issue we had clearly mentioned that with two large public sector banks hiking interest deposit rates, other financial institutions were expected to follow suit. Among major financial institutions HDFC Bank revised its deposit rates. The bank now offers a rate of 6.85%, as against 6.75% earlier, for deposits period of one year on amount less than ₹ 1 crore. Interest rates have been hiked from 6% to 7% for deposits with tenures between 2 to 5 years on amount less than ₹ 1 crore. It is worth noting that a hike in deposit rates

increases the cost of funds for the bank, which in turn leads to a hike in lending rates. Any hike in interest rates would aggravate the slowdown in India's residential markets.

NEW E-COMMERCE POLICY TO BE READY IN SIX MONTHS

India is expected to have a policy on e-commerce very soon. If all goes well the policy could be out in the next six months. The policy will look into issues like competition, regulation, data privacy, taxation and so on. A task force chaired by Suresh Prabhu, Union Minister for Commerce will be involved in formulation of the said policy. This task force will come up with a set of recommendations, in five months, which would be then presented to the thinktank, which will give its report in sixth month. The thinktank will comprise of officials from the ministries of commerce, finance, home affairs, corporate affairs and electronics & information technology. Further representatives from e-commerce companies like Bharti Enterprises, Reliance Jio Infocomm, Tata Consultancy Services, Wipro, Ola, Snapdeal, Makemytrip, Urban Clap, Justdial, PepperFry and Practo will also form part of this thinktank. A new e-commerce policy formulated after consultations with

stakeholders should bring about more discipline in the newest retail format.

WORLD BANK AID FOR "INNOVATE IN INDIA FOR INCLUSIVENESS PROJECT"

India has recently signed a loan agreement for USD 125 million for the "Inclusiveness Project" with the World Bank. The agreement was signed by Sameer Kumar Khare, Joint Secretary, Department of Economic Affairs on behalf of Government of India and Hisham Abdo, Acting Country Director, World Bank (India). As per the government press statement "the objectives of the project is to nurture indigenous innovation, foster local product development and accelerate commercialisation process by bridging critical skill and infrastructure gaps to promote affordable and innovative healthcare products generation for inclusive development and increasing competitiveness in India. The project would support consortia of public, private, and the academic institutions to overcome the key market failures currently holding back the development of an innovative biopharmaceutical and medical devices industry in India."

TOURIST ARRIVALS IN INDIA UP 13% IN MARCH

Foreign tourist arrivals, into India, in March 2018 registered 13.4% increase compared to March 2017. In the January-March 2018 period, tourist arrivals into India went up by 9.9% compared to the same period last year. The top countries from which tourist came to India in March 2018 were as follows:

Country	Share of Foreign Tourist Arrivals (FTA) into India (in%)
Bangladesh	19.59
United States of America	10.79
Russian Federation	3.89
Sri Lanka	3.72
Malaysia	3.36
Canada	3.35
China	2.67
Australia	2.62
France	2.58
Japan	2.11
Thailand	2.00
Singapore	1.64
Afghanistan	1.60

Source: Ministry of Tourism, Government of India

The top entry points into India used by foreign tourists are as follows:

Entry point into India used by foreign tourists	Percentage Share
Delhi Airport	30.68
Mumbai Airport	14.31
Haridaspur Land Check Post	9.12
Chennai Airport	6.53
Goa Airport	4.87
Kolkata Airport	4.66
Cochin Airport	3.29
Sonauli Airport	2.45
Hyderabad Airport	2.39
Gede Rail Land Check Post	2.20
Amritsar Airport	1.65
Ghojadanga Land Check Post	1.40
Ahmedabad Airport	1.37
Trivandrum Airport	1.21

Source: Ministry of Tourism, Government of India



ECONOMIC UPDATE

MANUFACTURING PMI IMPROVES IN APRIL

The Nikkei India Purchasing Managers' Index (PMI) which has been down, albeit in a growth zone since January, revived marginally in April 2018. The index which was placed at 52.4 in January, slipped to 52.1 in February and further contracted to 51 in March. In April however, the index revived and stood at 51.6. Improvement in the

manufacturing sector of the economy primarily drove the revival. A score above 50 points reflects economic expansion while a score below 50 is a sign of economic contraction.

SERVICES PMI GATHERS MORE STEAM

The Nikkei India Services Business Activity, which stood at 47.8 in February, bounced back to 50.3 in March. In April the Services PMI gathered more steam, largely on the back of greater inflows of new work. As per the study the

services sector in India continued to improve and was ably supported by growth in new orders. A score above 50 represents expansion while a score below 50 is an indication of contraction.

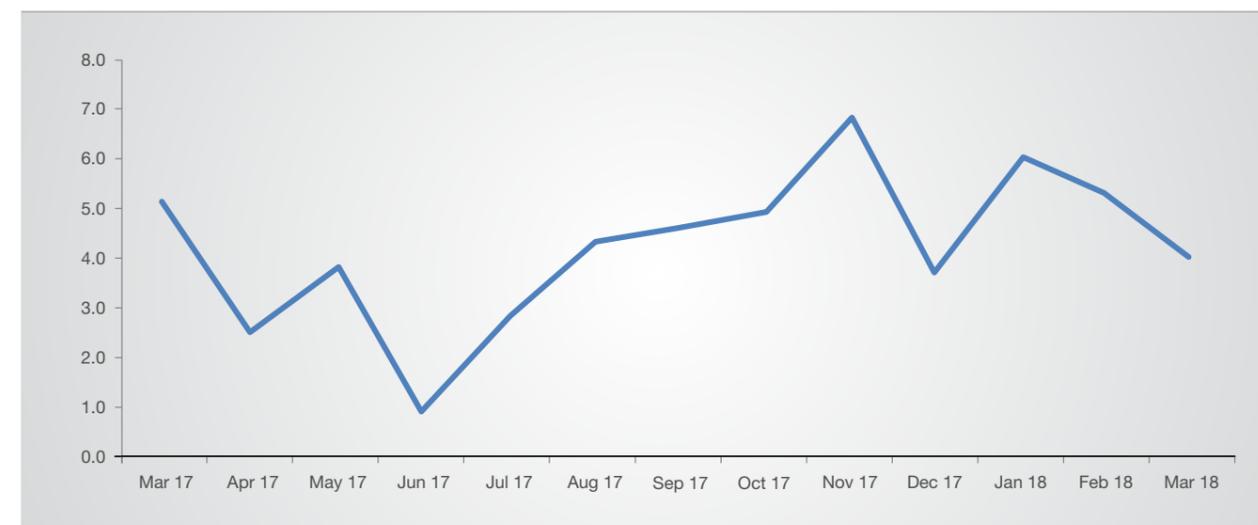
CORE SECTOR SLIPS TO A THREE MONTH LOW

After hitting a five-month low of 3.8% in December 2017, the growth rate of the index of eight core industries hit a new high in January 2018 when it recorded a rate of 6.1%. But the growth rate of the core sectors slipped to a three-month low at 4.1% in March 2018.

sector which was in a negative (-1.5%) in February, turned positive in March (1.3%). The remaining six sectors, recorded growth rates lower than the previous month. Of the six sectors which fared poorly compared to the previous month, the growth rate of crude oil sector continued to remain in the red, the growth rate of the remaining five sectors however, continued to remain positive.

Of the eight sectors, only two sectors recorded a growth rate higher than the previous month. The major gainer in March over the previous month was the coal sector, which recorded a growth rate of 9.1%, compared to 1.3% in February. Apart from the coal sector, the natural gas sector recorded a higher growth rate, in March, compared to the previous month. Further the growth rate of natural gas

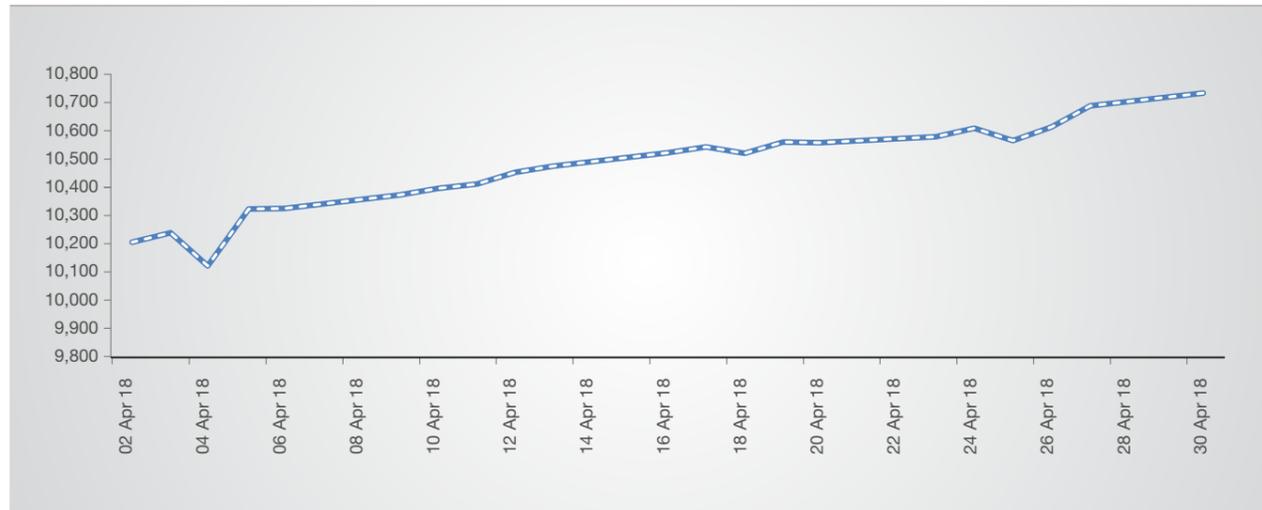
INDEX OF EIGHT CORE INDUSTRIES



Source: Ministry of Commerce & Industry, Government of India

NIFTY

NIFTY 50

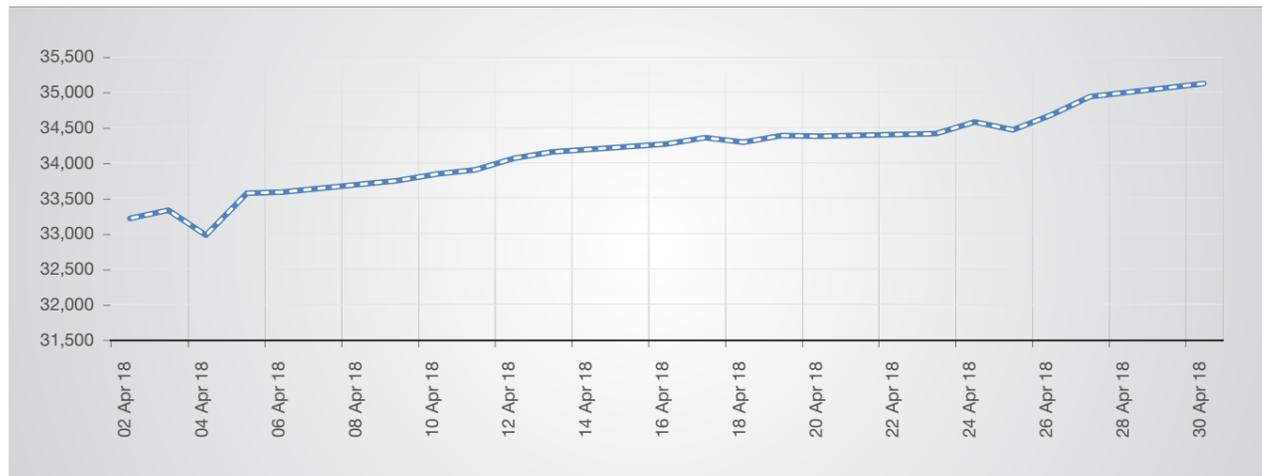


Source: National Stock Exchange

The NIFTY 50 gained 5% in April 2018. It is worth noting that the NIFTY 50 remained above the 10,000 mark during the entire month.

SENSEX

S&P BSE SENSEX

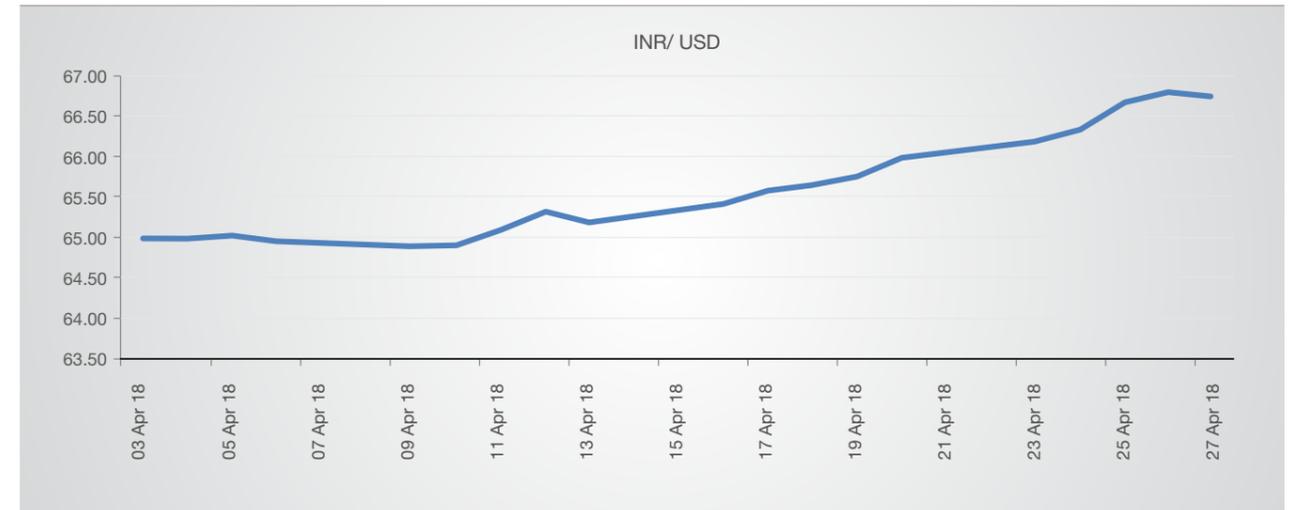


Source: Bombay Stock Exchange

The S&P BSE SENSEX gained 5% in April 2018. During the month the S&P BSE SENSEX gained over 1,900 points. The index opened the month at 33,255 and closed at 35,160 points.

CURRENCY

CURRENCY



Source: Reserve Bank of India

The USD gained 2.7% compared to the INR in April 2018. As already mentioned earlier the USD has gained 5% against the INR between January and April this year.



INDIA

INFRASTRUCTURE & REALTY UPDATE



MAHARASHTRA TO GET A NEW AIRPORT AT SINDHUDURG BY JUNE

Work on the new airport at Chipi-Parule, in Sindhudurg district, Maharashtra is expected to be completed by June this year. The new airport is being constructed on a design-built-finance-operate-transfer (DBFOT) by the IRB Sindhudurg Airport Pvt. Ltd. The new airport will have a runway of 2,500 metres, with room for future development. The airport is being built at a cost of ₹ 520 crore. During peak hours the new airport will be able to handle a total of 800 passengers. Even though the airport will serve domestic travellers it will be equipped with facilities to cater to international charter flights. As per a government statement a new airport at Sindhudurg was necessary to provide better connectivity to the Konkan region of Maharashtra, parts of Goa and North Karnataka.

WORLD BANK TO HELP IMPROVE RURAL ROAD NETWORK IN MADHYA PRADESH

The Madhya Pradesh Rural Connectivity Project will get a helping hand from the World Bank. As per an agreement between the Government of India, the Government of Madhya Pradesh and the World Bank, the international lending agency will give a loan of USD210 million for the Madhya Pradesh Rural Connectivity Project. The project falls under the Chief Minister's Gram Sadak Programme and will cover around 10.510 kilometres of rural roads in the state.

DIU FIRST SMART CITY TO RUN ON RENEWABLE ENERGY

The Diu Smart City is the first city in the country to run on 100% renewable energy, during daytime. Until last year, the city used to import 73% of its power from Gujarat. Under a two-pronged approach, now a 9 MW solar park spread over 50 hectares rocky barren land has been developed apart from installing solar panels on the roof tops on 79 government buildings thereby generating energy of 1.3 MW annually. To further increase its solar capacity, Diu offers its residents a subsidy of ₹ 10,000-50,000 for installing 1-5KW roof top solar panels.

GOA THE NEXT CARGO HUB AND RENOVATION OF GOA AIRPORT AT DABOLIM

Suresh Prabhu, Union Minister for Civil Aviation while addressing media persons at the Dabolim Airport stated that the central government in collaboration with the state government is working on a plan to promote Goa as a

cargo and tourism hub. The Union Minister was in Goa to inspect the ongoing renovation work at the Dabolim Airport. The new airport at Mopa is expected to start operations by September 2020. The Union Minister however, made it clear that the Dabolim Airport will continue to function along with the new airport at Mopa. As regards to the renovation work at the Dabolim Airport, a new multi-level parking complex will be ready by July this year.

NEW HIGHWAY ALIGNMENT BETWEEN DELHI AND MUMBAI

Shri Nitin Gadkari, Union Minister for Road Transport and Highways, Shipping, Water Resources, River Development and Ganga Rejuvenation has recently announced the development of a new highway alignment between Delhi and Mumbai. For the purposes of development of this highway a sum of ₹ 1 lakh crore will be spent. The minister further stated that the Chambal Expressway would be connected to this Delhi-Mumbai Expressway. A new highway between Delhi and Mumbai apart from decongesting the existing NH 48 will also help in bringing development in two most backward districts of the country – Mewat in Haryana and Dahod in Gujarat.

ADB AID TO UTTARAKHAND

The hill state of Uttarakhand will receive an aid of ₹ 1,700 crore from the Asian Development Bank (ADB) for development of infrastructure and creation of sewage treatment facilities in urban areas. The ADB has also expressed its willingness to run a programme to economically strengthen municipal corporations in the state and also help in better management of resources. Such efforts, if realised, will go a long way in bolstering the economy of the hill state.





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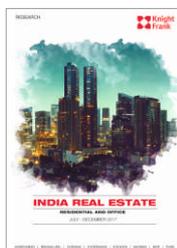
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