

MONTHLY UPDATE  
NOVEMBER 2017



# RBI MAINTAINS STATUS QUO ON POLICY RATES



# GLOBAL UPDATE



## S&P GLOBAL DOWNGRADES RATINGS OF SOUTH AFRICAN FINANCIAL INSTITUTIONS

S&P Global has lowered its rating for eight South African financial institutions following its decision to downgrade the country's long-term foreign currency sovereign credit rating. Since South Africa has been downgraded to BB from BB+, the agency said it could not keep financial institutions above the foreign currency sovereign ratings, given the direct and indirect impact that sovereign distress would have on domestic banks' operations—which includes their ability to service foreign currency obligations.

## EU BLACKLISTS 17 COUNTRIES AS TAX HAVENS

The European Union (EU) blacklisted 17 countries for not cooperating with the bloc in its crackdown on tax havens.

The first-ever such list by the EU includes Bahrain, Panama, Saint Lucia, Barbados and South Korea. It issued another "grey list" of 47 countries that have promised to bring in reforms to make their rules comply with EU standards. This includes Switzerland, Bermuda, Turkey and Hong Kong.

## WORLD BANK CUTS KENYA'S GROWTH OUTLOOK

The World Bank revised Kenya's growth outlook this year to 4.9% from 5.5%. The World Bank however, expects the economy to rebound in 2018 as headwinds such as drought, slowing credit access and politics, which hurt the country's economy this year would subside. In 2018, The World Bank expects the Kenyan economy to grow at 5.5% before accelerating to 5.9% in 2019.

## \$44.5 MILLION CREDIT FOR MADAGASCAR APPROVED BY IMF

The International Monetary Fund (IMF) has approved a \$44.5 million credit for Madagascar, as part of a drive to support the country's economic recovery. Madagascar, which has reserves of nickel, cobalt, gold, uranium and other minerals, is among the world's poorest countries. After the country witnessed a coup in 2009, most international donors cut aid payments to the island nation. Aid to Madagascar was however, resumed after a peaceful presidential vote in late 2013.

## UK HAS THE LOWEST STATE PENSION OF ANY DEVELOPED COUNTRY: OECD

According to a new study by OECD, UK has the lowest state

pension of any developed country. The Organisation for Economic Cooperation and Development (OECD) study calculated that a typical British worker will at retirement receive a state pension and other benefits worth around 29% of what they had previously been earning. That compares with an average of 63% in other OECD countries, and more than 80% in Italy and the Netherlands. The report said this expected "net replacement rate" will be the lowest of any OECD country.

# INDIA UPDATE

## RBI MAINTAINS STATUS QUO ON RATES

In its Fifth Bi-monthly Monetary Policy Statement, 2017–18, the Reserve Bank of India (RBI) has not tinkered with the key policy rates. As a result, the reverse repo rate under the liquidity adjustment facility (LAF) remains at 5.75%, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25%. While the RBI has maintained status quo on interest rates, the banking regulator has revised the inflation forecast for the remainder of the current financial year to 4.3–4.7%. A reduction in policy rates would have further pushed home loan rates to a new low, from their present level; however, the banking regulator's reluctance to reduce rates can be gauged from the fact that the central bank is directing its energies towards controlling inflation. Further, the RBI has retained the projection of real gross value added (GVA) growth for 2017–18 at 6.7%.

## GDP INCHES UP TO 6.3%; STOPS THE FIVE QUARTER SLIDE

The economic growth in the second quarter (July–September) of FY 2017–18 clocked 6.3% compared to 5.7% in the first quarter. On the impressive number registered by the economy, Union Finance Minister Arun

Jaitley has stated that the deceleration trend in the overall growth has been reversed. Acceleration in this quarter has been helped by the rapid growth in the manufacturing sector, which increased from 1.2% in the first quarter to 7% in the second quarter. Robust growth of 7.6% in electricity and other utilities and 9.9% in trade, transportation and communications also powered this acceleration.

## CHANGING FORTUNES WITH RATINGS

Interestingly, a few days after the Central Statistical Organisation (CSO) came out with the GDP figures for the second quarter of FY 2017–18, Fitch revised India's growth estimate for FY18 to 6.7% from 6.9%. The reason quoted by the ratings agency for downward revision of growth outlook was that rebound in the economy was "weaker than expected." In another move a few days before CSO came out with the GDP figures Moody's Investors Services (Moody's) upgraded the Government of India's local and currency issuer ratings to Baa2 from Baa3 and changed the outlook on the rating to stable from positive. India's rating has been upgraded after a period of 13 years. India's sovereign credit rating was last upgraded in January 2004 to Baa3 from Ba1.

## GST RATE BROUGHT DOWN ON 178 ITEMS FROM 28% TO 18%

In the 23rd meeting held on 10 November 2017, the GST Council had recommended major relief in GST rates on certain goods. These rate changes have been brought into effect from 15 November 2017. On 178 items, the GST rate has been brought down from 28% to 18%. With reduction of rate coming into effect, a consumer shall be charged the revised reduced rates of 18% on these items with effect from 15 November 2017. Some of these items include wires, cables, insulated conductors, electrical insulators, electrical plugs, switches, sockets, fuses, relays, electrical connectors, electrical boards, panels, consoles, cabinets, etc. for electric control or distribution, particle/fibre boards and plywood; articles of wood, wooden frame, paving block, furniture, mattress, bedding and similar furnishing.

## RELEASE OF MID-TERM REVIEW OF FOREIGN TRADE POLICY 2015–2020

Shri Suresh Prabhu, Minister of Commerce and Industry, released the Mid-Term Review of the Foreign Trade Policy (FTP) 2015–20. In his keynote address at the launch of the policy, Shri Prabhu stated that the revised FTP will help in making Indian exports more competitive and the government has made schemes for boosting manufacturing and exports. The issue of working capital blockage due to GST has also been resolved.

## RELEASE OF THE QUARTERLY REPORT ON PUBLIC DEBT MANAGEMENT FOR THE SECOND QUARTER (JULY–SEPTEMBER 2017)

The Public Debt (excluding liabilities under the 'Public Account') of the Central Government provisionally increased to ₹6,565,652 crore at end-Sep 2017 from ₹6,403,138 crore at end-June 2017. Internal debt constituted 93% of Public Debt as at end-Sept 2017, while marketable securities accounted for 82.6% of Public Debt. About 27.8% of outstanding stock has a residual maturity of up to 5 years at end-Sept 2017, which implies that over the next 5 years, on an average, around 5.56% of outstanding stock needs to be repaid every year.

## CHEQUEBOOK FACILITY TO STAY

Refuting rumors in the media that in a bid to boost digital transactions, cheque books will soon be a thing of the past, the government has come out with a clarification that there is no such move in the near future. A press statement in this regard stated that while the government is committed to transform India into a less cash economy and promote digital and electronic transactions, cheques are an integral part of the payments landscape and form the backbone of trade and commerce, being non-negotiable instruments, which often serve as the security for underlying trade transactions.

## INDIA IS THE SECOND LARGEST FISH PRODUCING COUNTRY IN THE WORLD

Overall fish production has registered an increase of about 18.86% in comparison to the last 3 years, whereas inland fish production has registered a growth of more than 26%. Combining the production of all types of fisheries (capture and culture), the total fish production in the country has reached at about 11.41 million tonnes in 2016–17. Further, about 1.5 crore people in the country are employed in the fisheries sector for their livelihood.

# ECONOMIC TRENDS



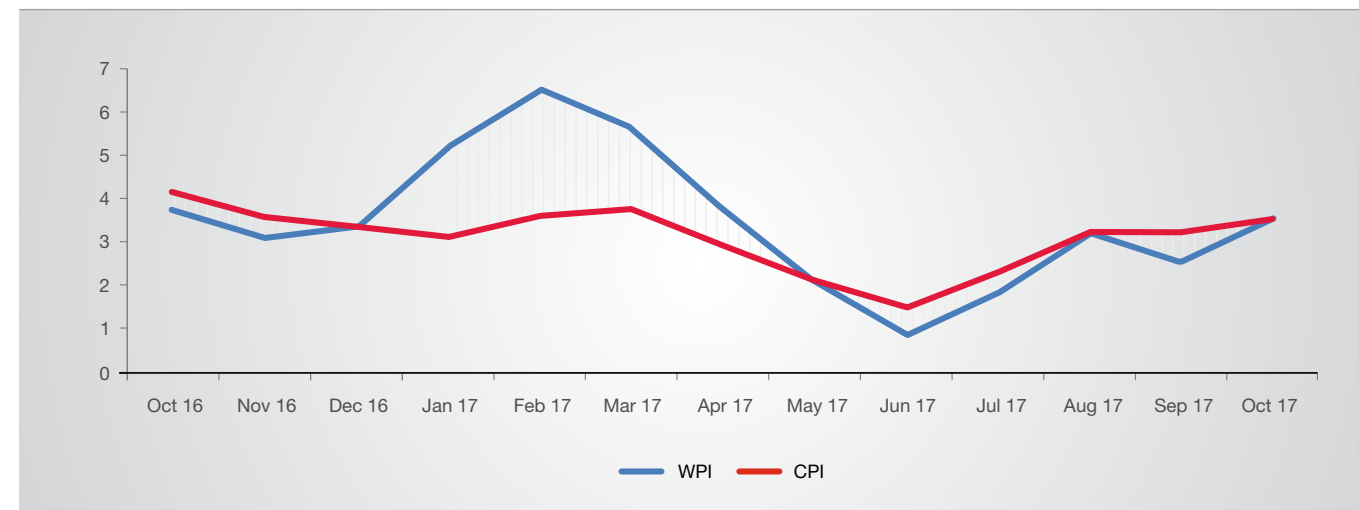
## PURCHASING MANAGERS' INDEX (PMI) SLIPS TO A FOUR MONTH LOW

The Nikkei India Purchasing Managers' Index , which had remained unchanged at 51.2 for August and September slipped to 50.3 in October. The downward movement further

intensified in November when it hit 48.5. PMI contracted largely on the back of sluggish demand and lower customer turnout due to GST.

## CPI AND WPI MOVE UP

### INFLATION



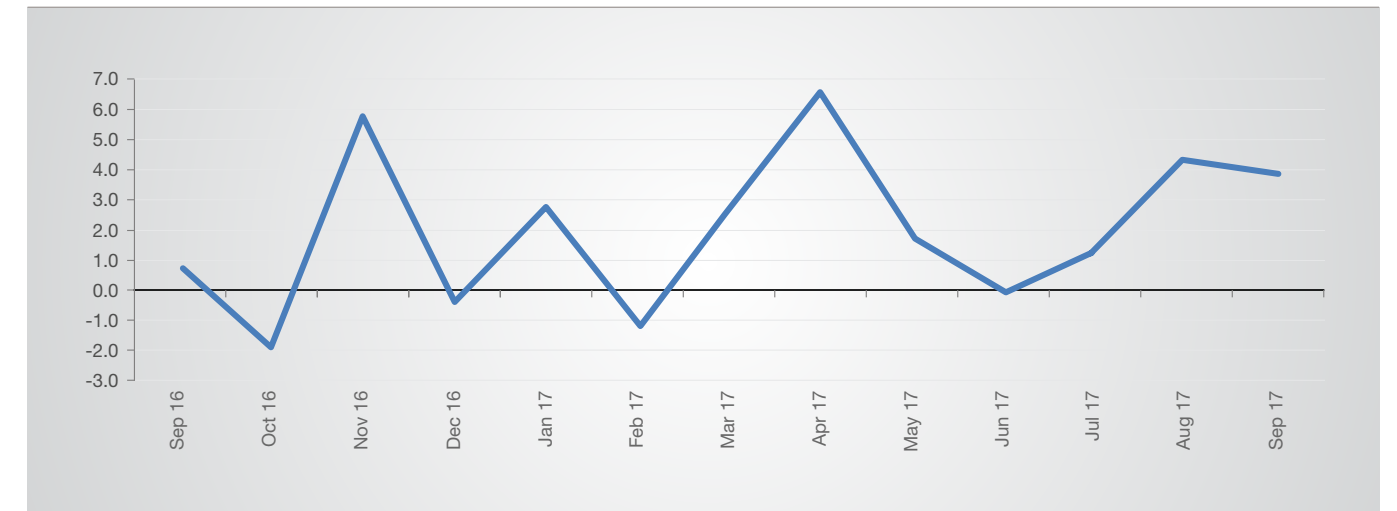
Source: Ministry of Commerce & Industry, Ministry of Statistics and Programme Implementation, Government of India

After hitting their lowest in June 2017, both the CPI and WPI have been steadily heading north. In October 2017, the CPI was at a seven-month high while the WPI was at a six-month high. While the CPI stood at 3.58%, the consumer food price index was at 1.90%. Among all product categories, housing saw the maximum price increase at 6.68% followed by fuel

and light at 6.36%. As regards the WPI, the index for primary articles rose by 2% and that of fuel and power went up by 3.1%. The rate of inflation based on the WPI Food Index consisting of food articles from primary articles group and food product from manufactured products group increased from 1.99% in September 2017 to 3.23% in October 2017.

## IIP SLOWS DOWN COMPARED TO AUGUST 2017

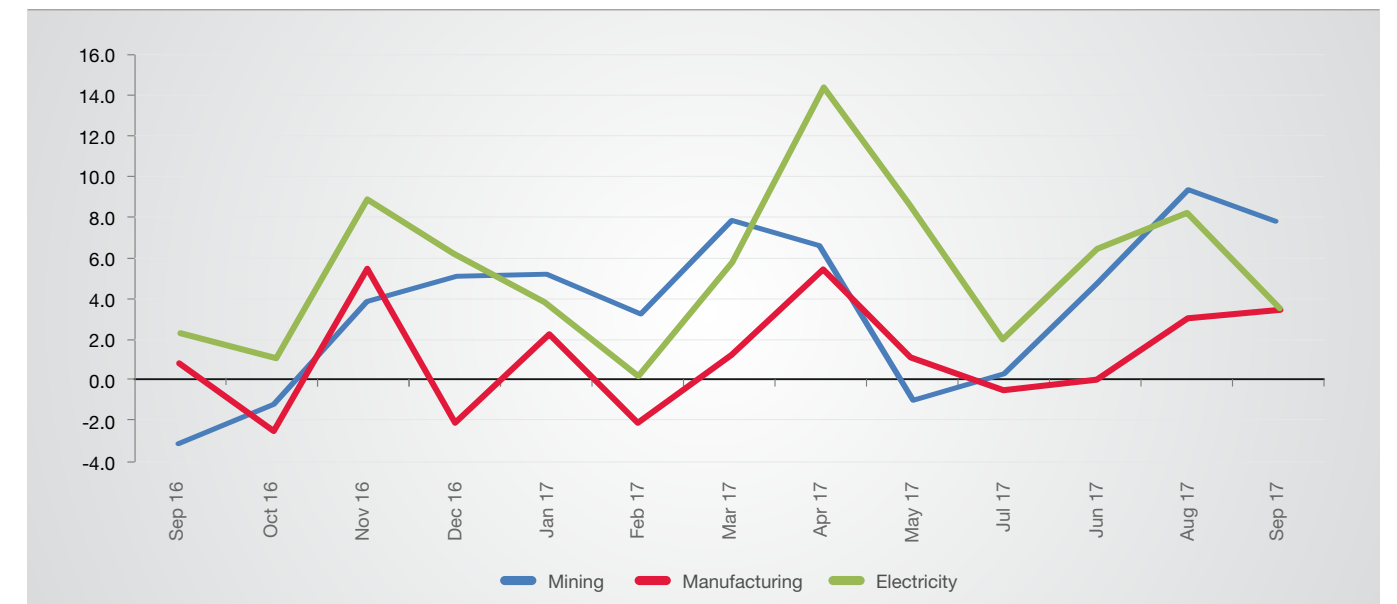
### IIP (GENERAL INDEX)



Source: Ministry of Statistics and Programme Implementation, Government of India

The IIP saw a moderated growth in September 2017, compared to August 2017, when it had hit a nine-month high.

### IIP (SECTOR WISE)



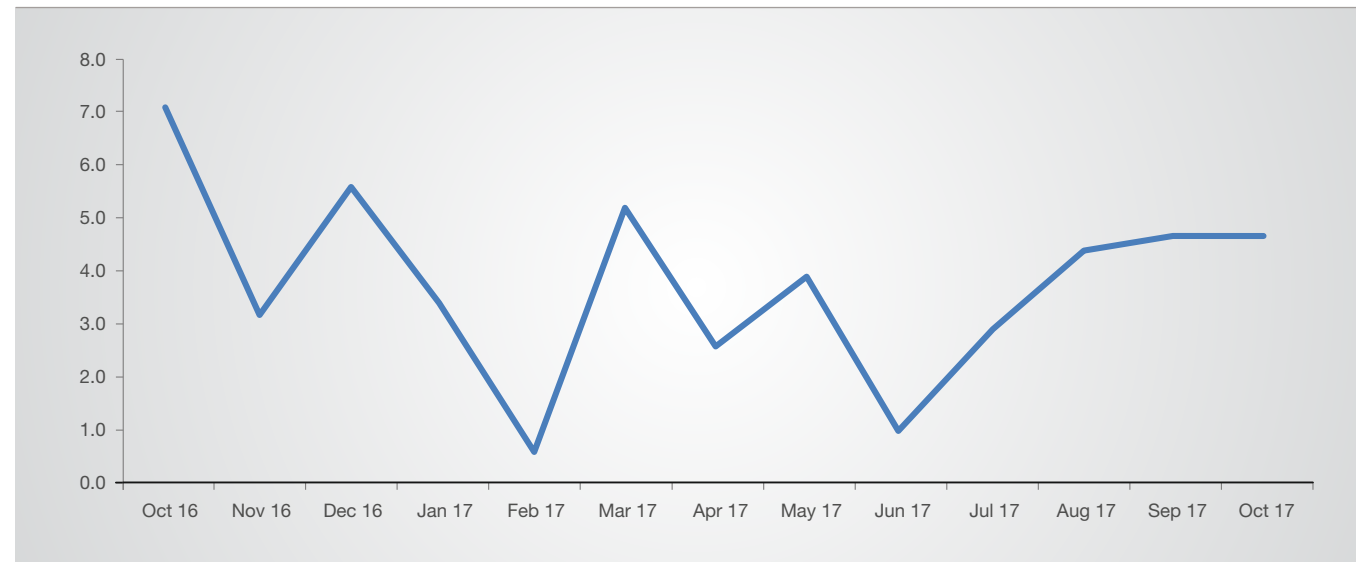
Source: Ministry of Statistics and Programme Implementation, Government of India

Even though the growth rate of the IIP moderated in September, it was still in the positive. Even in case of the indices, all three of them are in the positive but their growth rate has moderated. This moderation in growth rate has contributed to the shrinking growth rate of the general index. The growth rate of electricity shrunk from 8.3% in August

2017 to 3.4% in September 2017. Similarly, the growth rate for mining has gone down from 9.4% in August 2017 to 7.9% in September 2017. Manufacturing witnessed a marginal increase in growth from 3.1% in August 2017 to 3.4% in September 2017.

## CORE SECTOR HOLDS STEADY

INDEX OF EIGHT CORE INDUSTRIES

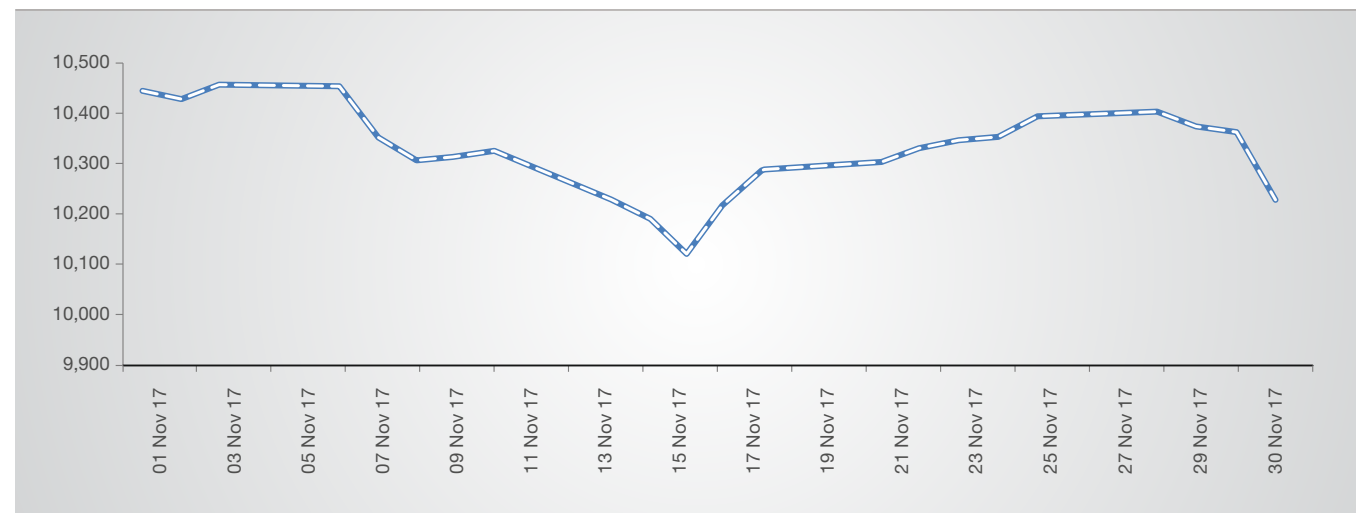


Source: Ministry of Commerce & Industry, Government of India

The core sector, which hit a low of 1% in June 2017, has been on its way up since then. The core sector has managed to hold on to its growth in October where it clocked 4.7%, which is the same rate it recorded in September 2017.

## NIFTY

NIFTY 50

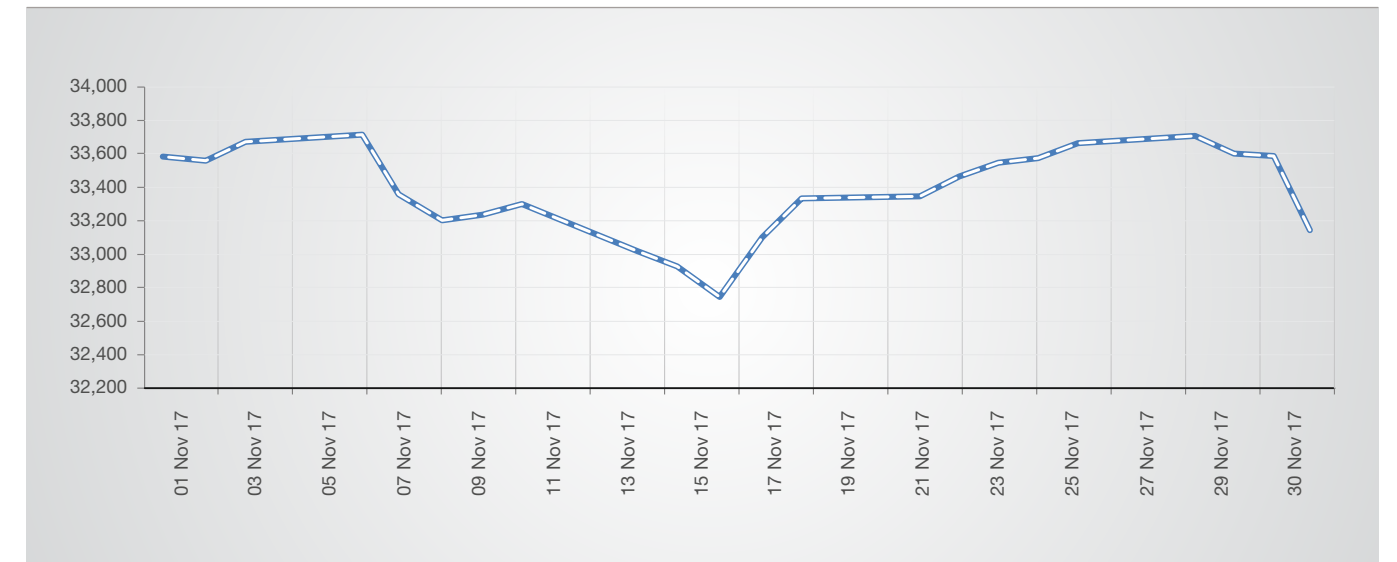


Source: National Stock Exchange

The NIFTY 50 lost 2% in October 2017.

## SENSEX

S&P BSE SENSEX

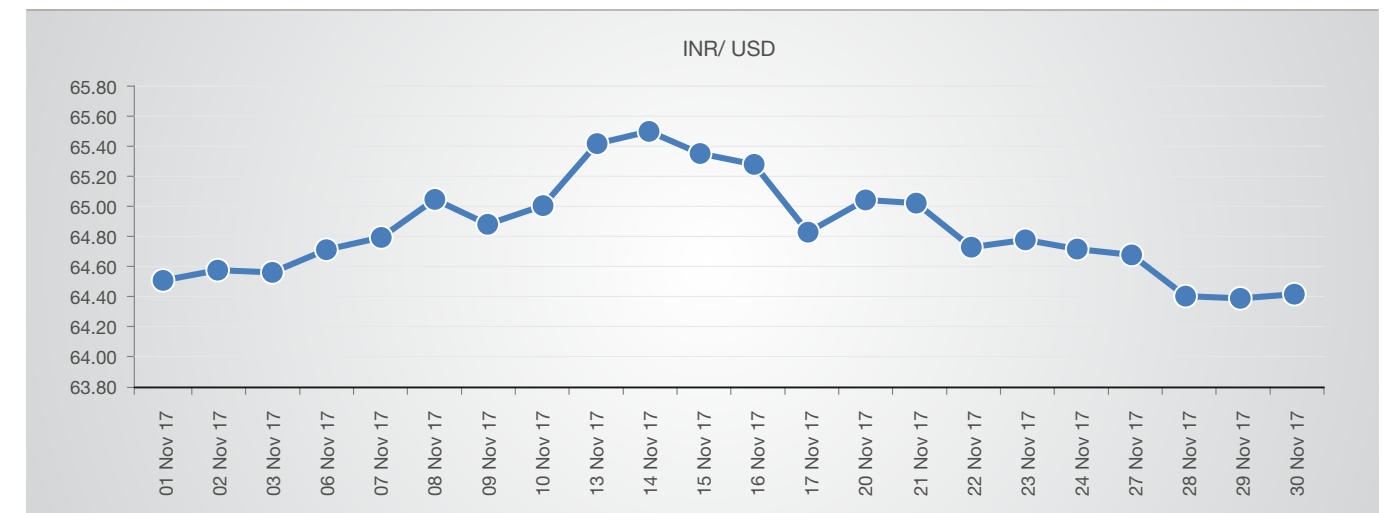


Source: Bombay Stock Exchange

The S&P Sensex lost 1.3% in November 2017.

## CURRENCY

CURRENCY



Source: Reserve Bank of India

The INR lost 0.1% to the USD in October 2017

# INDIA INFRASTRUCTURE & REALTY UPDATE

## INCREASE IN THE CARPET AREA OF HOUSES ELIGIBLE FOR INTEREST SUBSIDY UNDER THE CREDIT LINKED SUBSIDY SCHEME

The Union Cabinet, chaired by Prime Minister Shri Narendra Modi, has approved the increase in the carpet area of houses eligible for interest subsidy under the Credit Linked Subsidy Scheme (CLSS) for the Middle Income Group (MIG) under Pradhan Mantri Awas Yojana (Urban). To further enhance the scope, coverage and outreach of the Scheme, the Cabinet has approved the following: i) increasing the carpet area in the MIG I category of CLSS from the existing 90 square metre to "up to 120 square metre" and increasing the carpet area in respect of MIG II category of CLSS from the existing 110 square metre to "up to 150 square metre"; and ii) making the above change effective from 01.01.2017.

## HOUSING SHORTAGE DOWN TO 10 MN UNITS

The housing shortage in urban areas has been revised from 18.76 million (from a 2011 projection) to about 10 million units. Hardeep Singh Puri, Housing and Urban Affairs Minister, further promised to provide homes to all by 2022 through various government schemes. The minister further stated that if required, the government will use its surplus land to address the housing shortage in the country. The

minister also asked real estate firms to focus on affordable housing projects.

## 112,083 AFFORDABLE HOUSES SANCTIONED FOR URBAN POOR UNDER PMAY

Ministry of Housing and Urban Affairs has approved the construction of 112,083 more affordable houses for urban poor under the Pradhan Mantri Awas Yojana with an investment of ₹8,105 crore with central assistance of ₹1,681 crore. Madhya Pradesh has been sanctioned 34,680 houses in 25 cities and towns with an investment of ₹3,080 crore with central assistance of ₹520 crore. Haryana has been sanctioned 24,221 houses in 28 cities and towns with an investment of ₹1,721 crore and central assistance of ₹363 crore. Maharashtra has been sanctioned 11,523 affordable houses with an investment of ₹860 crore and central assistance of ₹173 crore. Jharkhand has been sanctioned 28,477 houses in 5 cities and towns with an investment of ₹2,080 crore with central assistance of ₹427 crore. Kerala has been sanctioned 9,836 houses in 49 cities and towns with an investment of ₹295 crore with central assistance of ₹147 crore. Mizoram has been sanctioned 3,270 houses in 7 cities and towns with an investment of ₹65 crore with central assistance of ₹49 crore. Further, 30.76 lakh houses have

been sanctioned so far under PMAY (U), of which 15.65 lakh houses are under various stages of construction.

## RERA APPLICABLE ON ONGOING PROJECTS: BOMBAY HIGH COURT

The Bombay High Court in a recent judgement ruled that RERA will be applicable on ongoing projects, a move that will bring cheer to homebuyers. The court, in its judgement, has also provided some relief to developers. The court has directed that additional time to complete a project can be given to developers only in exceptional cases.

## HIGHWAY AND SHIPPING PROJECTS WORTH MORE THAN ₹1 LAKH CRORE APPROVED FOR TAMIL NADU

The projects approved from the state will cover highways, shipping and port and for finding a permanent solution to the irrigation and drinking water requirements of the state. Some of the new projects that were approved for the state are the Tiruchi–Chidambaram highway and the upgradation of the Villupuram–Nagapattinam section. Other projects to be approved include the Chennai–TADA highway. Further six more projects are being taken up, which include Nagapattinam–Tuiticorin, Madurai–Kollam, Vellakoil–Natham,

Madurai–Theni and Musiri–Namakkal. Along with these, the ring road development will be taken up in Madurai, Tiruchi and Salem.



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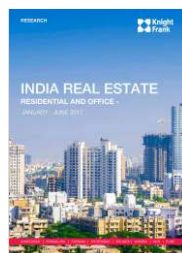
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