

DOWNWARD REVISION OF GROWTH OUTLOOK BY RBI

GLOBAL UPDATE

TIME TO SEIZE THIS GROWTH OPPORTUNITY, SAYS IMF CHIEF

As the much-awaited global recovery is taking root, the International Monetary Fund (IMF) chief, Christine Lagarde, recently called for seizing this opportunity to ensure a more inclusive economy that will benefit everyone. Lagarde stressed on the need for using this time to lift incomes, create jobs, invest in people's futures and foster inclusive growth.

UPWARD REVISION OF CHINA'S GROWTH RATE BY THE WORLD BANK

The World Bank has revised its growth forecast for China for 2017 and 2018. The international lending agency however, states that there are risks such as rising trade protectionism and geopolitical tensions. The World Bank now expects China to grow by 6.4% in 2017 and 6.2% in 2018. The earlier forecast was a growth rate of 6.2% in 2017 and 6.1% in 2018.

US TRADE DEFICIT NARROWS

The trade deficit of the United States of America narrowed to USD 42.4 billion in August, from USD 1.2 billion in July. This is largely the result of a strengthening global economy, which buoyed American exports, as well as the weakening of the dollar. For August, the exports were USD 195.3 billion, while imports amounted to USD 237.7 billion. The US trade deficits with China and the European Union too shrank in August.

INDIA UPDATE

RBI KEEPS POLICY RATES UNCHANGED; DOWNWARD REVISION OF GDP GROWTH RATE

In its Fourth Bi-monthly Monetary Policy Statement for 2017–18, the Reserve Bank of India (RBI), has kept the policy rates unchanged. The repo rate stands at 6%. The banking regulator has however, reduced the statutory liquidity ratio (SLR). Effective 14 October, the SLR will now be 19.5%. The most important step taken by the RBI in its Fourth Bi-monthly Monetary Policy Statement for 2017–18, however, has been that it has reduced the economic growth forecast for the current fiscal to 6.7%. The banking regulator had earlier projected the economy to grow at 7.3% in August 2017. The downward revision in growth forecast is in sync with the findings of the September 2017 round of the Consumer Confidence Survey (CCS) done by the RBI. The survey findings speak of declining consumer confidence, dipping business sentiment in manufacturing, sliding growth and rising. Many feel that job cuts could be one of the aftermaths of this increased pessimism. It is worth noting that IHS Markit has also downgraded India's real GDP growth to 6.8% in 2017–18. Even though The World Bank has stated that the slowdown in the economy is an aberration, many are of the view that rosy days will elude the Indian economy in the short

term. The downward revision of the growth outlook by the banking regulator will however, not work well for the real estate sector, which is largely sentiment driven. The downward revision will further make the homebuyers feel that there is still more time before they can make the important “buy” decision. For now, the homebuyers may continue to adopt a wait-and-watch mode until they see some positive numbers in the future.

STATUS REPORT ON INDIA'S EXTERNAL DEBT

In The Ministry of Finance recently released India's 'External Debt: A Status Report 2016–17.' Some of highlights of the report are as follows. India's external debt stock stood at USD 471.9 billion at end-March 2017, decreasing by 2.7% over the level at end-March 2016. The decline in external debt was due to the decrease in long-term debt, particularly NRI deposits and commercial borrowings. As on end-March 2017, long-term external debt was USD 383.9 billion, showing a decrease of 4.4% over the level at end-March 2016. Long-term external debt accounted for 81.4% of the total external debt at end-March 2017, as compared to 82.8% at end-March 2016. Short-term external debt increased by 5.5% to USD 88.0 billion as of end-March 2017. This is mainly due to the increase in trade-related credits, a

major component of short-term debt with a share of 98.3%. Government (sovereign) external debt increased from USD 93.4 billion at end-March 2016 to USD 95.8 billion at end-March 2017, and constituted 20.3% of the total external debt, as compared to 19.3% in the previous year.

AMENDMENTS TO INSOLVENCY REGULATION PROCESSES

The Insolvency and Bankruptcy Board of India (IBBI) has amended the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 and Insolvency and Bankruptcy Board of India (Fast Track Insolvency Resolution Process for Corporate Persons) Regulations, 2017. According to the amended regulations, a resolution plan shall include a statement as to how it has dealt with the interests of all stakeholders, including financial creditors and operational creditors, of the corporate debtor.

INDIA SLIPS ONE PLACE IN GLOBAL COMPETITIVENESS RANKINGS

In the World Economic Forum's global competitiveness index, India slipped one place and stood at 40th place in a ranking of 137 countries. Switzerland topped the table, followed by the United States and Singapore. Among countries in South Asia, India is the highest ranked country. In South Asia, India is followed by Bhutan (85th rank), Sri Lanka (85th rank), Nepal (88th rank), Bangladesh (99th rank) and Pakistan (115th rank).

REVISION IN THE GST RATE OF SELECT ITEMS

In a recent move, the Goods and Services Tax (GST) Council has revised the tax rates on select items. This revision was done after considering the demands from the industry. In some cases, the tax rate was reduced to 5% from a high of 12%. Some of the items on which such a reduction has been made include mango, khakhra, plain chapati, plastic and rubber waste. The tax rate of ayurvedic, unani, siddha homeopathy medicines, other than those bearing a big brand name, has also been reduced from 12% to 5%. In product categories, like modelling paste and poster colour, the tax rate has been reduced from 28% to 18%. In case of other items like synthetic filament yarn, artificial filament yarn and sewing thread of manmade staple fibres, for yarn of

manmade staple fibres the tax rate has been reduced from 18% to 12%.

EXCHANGE RATE OF FOREIGN CURRENCY FOR IMPORT AND EXPORT OF GOODS NOTIFIED

The Central Board of Excise and Customs has determined the rate of exchange of conversion of foreign currencies into Indian currency or vice versa. The rates so specified will be effective from 8 September 2017 relating to import and export goods.

INTEREST SUBSIDY SCHEME ON HOME LOANS FOR MIG EXTENDED BY ANOTHER 15 MONTHS

The benefit of interest subsidy of about ₹ 2.60 lakh on home loans under the Pradhan Mantri Awas Yojana (Urban) will now be available for beneficiaries belonging to the Middle Income Group (MIG) for fifteen more months beyond December this year. The subsidy of up to ₹ 2.60 lakh will now be available till March 2019.

OIL IMPORTS MOVE UP IN AUGUST 2017

Exports during August 2017 grew by 10.29% in dollar terms compared to August 2016. In rupee terms, the growth has been 5.39%. In dollar terms, imports during August 2017 were 15.65% higher than August 2016. Oil imports in August 2017 were 14.22% higher than in August 2016. It is however, worth noting that global Brent prices have moved up by 11.34% in August 2017 compared to August 2016.

11% GROWTH IN FOREIGN TOURIST ARRIVALS IN AUGUST 2017

The number of foreign tourist arrivals in August 2017 went up by 11% compared to August 2016. In August 2016 the number of foreign tourist arrivals had moved up 8% compared to August 2015. Interestingly, there was a 71.3% increase in foreign tourist arrivals on e-Tourist visa. The percentage share of the top 15 source countries availing e-Tourist visa facility during August 2017 are as follows: UK (12.6%), USA (9.6%), UAE (6.7%), Spain (6.3%), France (5.9%), Oman (5.9%), Italy (5.6%), China (4.1%), Germany (4%), Australia (3.4%), Canada (3.3%), Korea (3.1%), Singapore (2.9%), Israel (2.3%) and Malaysia (2%).

ECONOMIC TRENDS

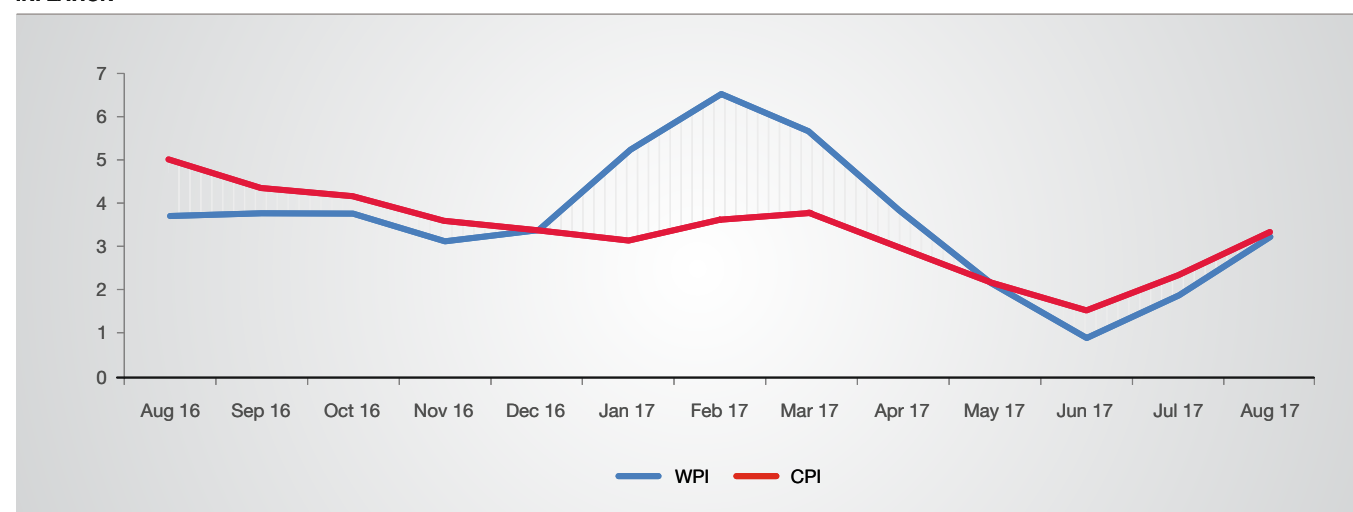
PMI REMAINS UNCHANGED IN SEPTEMBER

There was no change witnessed in the Nikkei India Purchasing Managers' Index for September compared to the previous month. The Index stood at 51.2, which is the same level as was witnessed in August. The fact that the PMI has

remained above 50 for two consecutive months is one of the bright sparks in an otherwise gloomy picture painted of the economy. A score above 50 indicates an expansion, while a score below 50 is a sign of contraction.

CPI AND WPI MOVE UP FURTHER

INFLATION



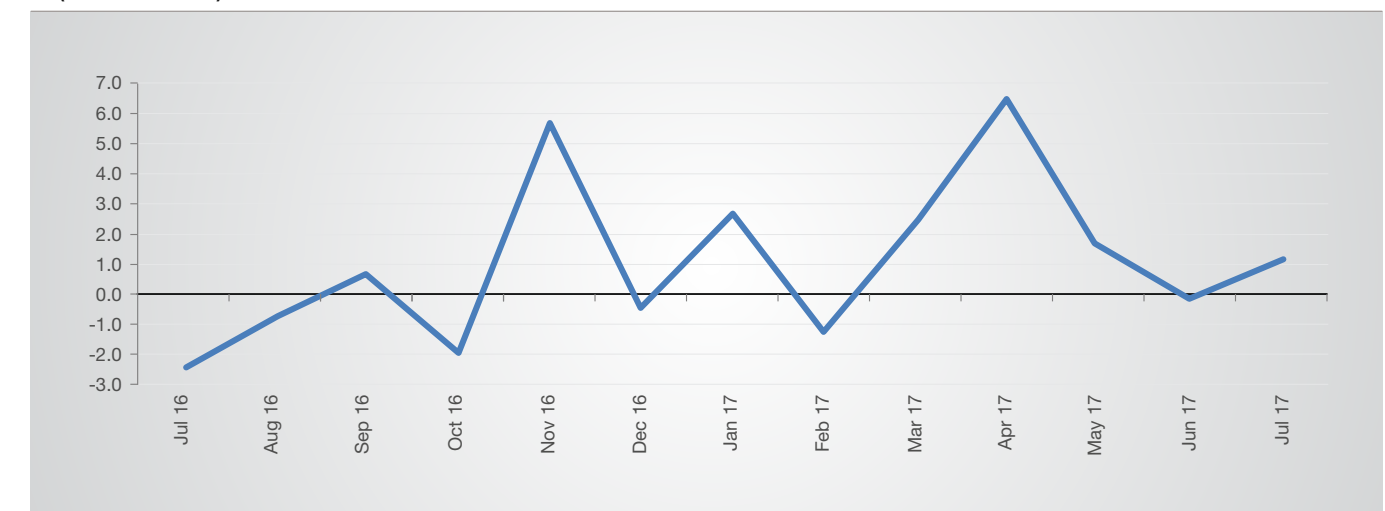
Source: Ministry of Commerce & Industry, Ministry of Statistics and Programme Implementation, Government of India

After their lowest during the past 12 months, in June 2017, the CPI and WPI moved up, in August 2017. The CPI stood at 3.24% in August 2017, compared to 1.88% in the previous month. On similar lines the WPI stood at 3.36% as against 2.36% in the previous month. All major product groups that were responsible in pushing up the CPI witnessed an

increase in prices. The general index was up by 3.35% and the consumer food price index was up 1.67%. Even in case of the WPI, inflation moved up across all major groups. The index of "primary articles" moved up by 1.9% while the index for "fuel & power" rose by 0.9% and the WPI food index increased to 4.41%.

IIP MOVES UP IN JULY

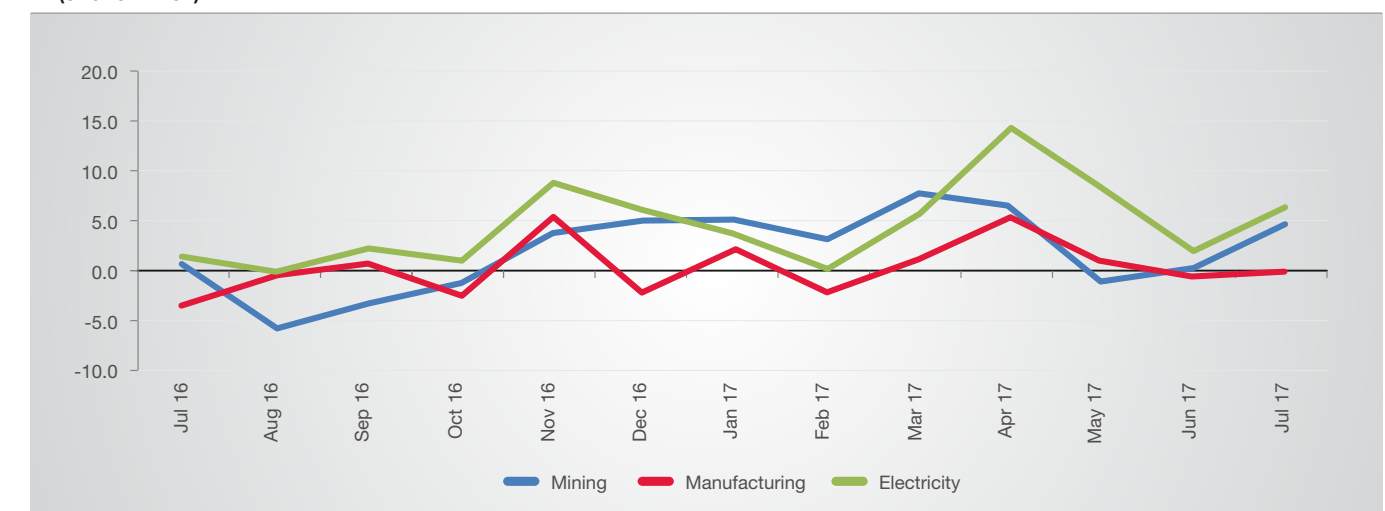
IIP (GENERAL INDEX)



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

After being in the red, the IIP turned positive in July 2017. The general index which grew at -0.1% in June 2017, moved up by 1.2% in July 2017.

IIP (SECTOR WISE)

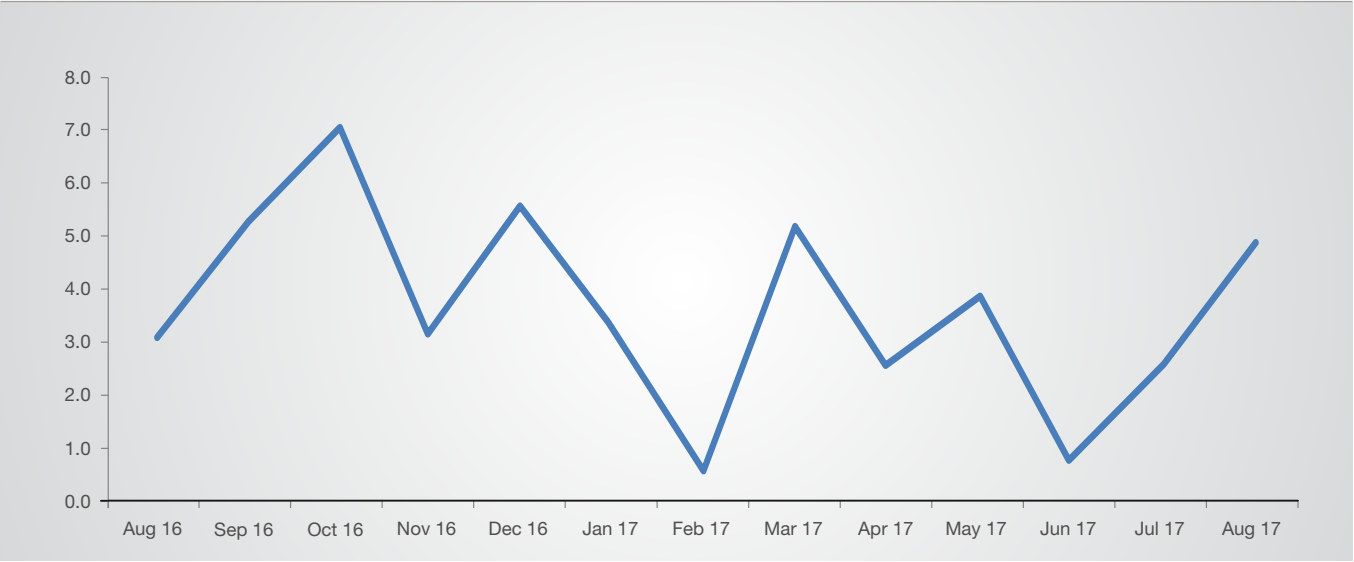


Source: Ministry of Statistics and Programme Implementation, Government of India

The growth rate across sectors has been positive in July 2017, which is a marked improvement over the growth rate in June 2017. In June 2017, the growth rate in mining was 0.4% and 2.1% in electricity. The growth rate in the manufacturing sector was however, in the red at -0.4% in June 2017. In July 2017, all sectors recorded a positive growth rate. The mining, manufacturing and electricity sectors grew by 4.8%, 0.1% and 6.5%, respectively

CORE SECTOR REGISTERS IMPRESSIVE GROWTH

INDEX OF EIGHT CORE INDUSTRIES

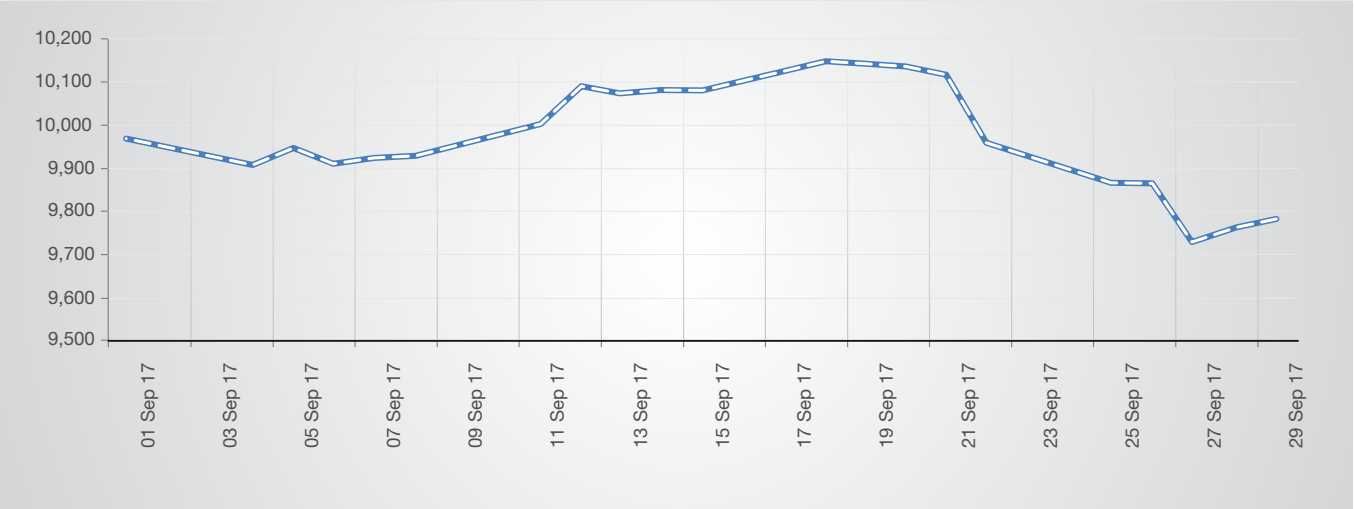


Source: Ministry of Commerce & Industry, Government of India

After hitting a low of 0.8% growth in Jun 2017, the core sector had started to move up from July 2017, where it recorded a growth 2.6%. In August 2017, the core sector recorded its highest growth in 5 months at 4.9%.

NIFTY

NIFTY 50

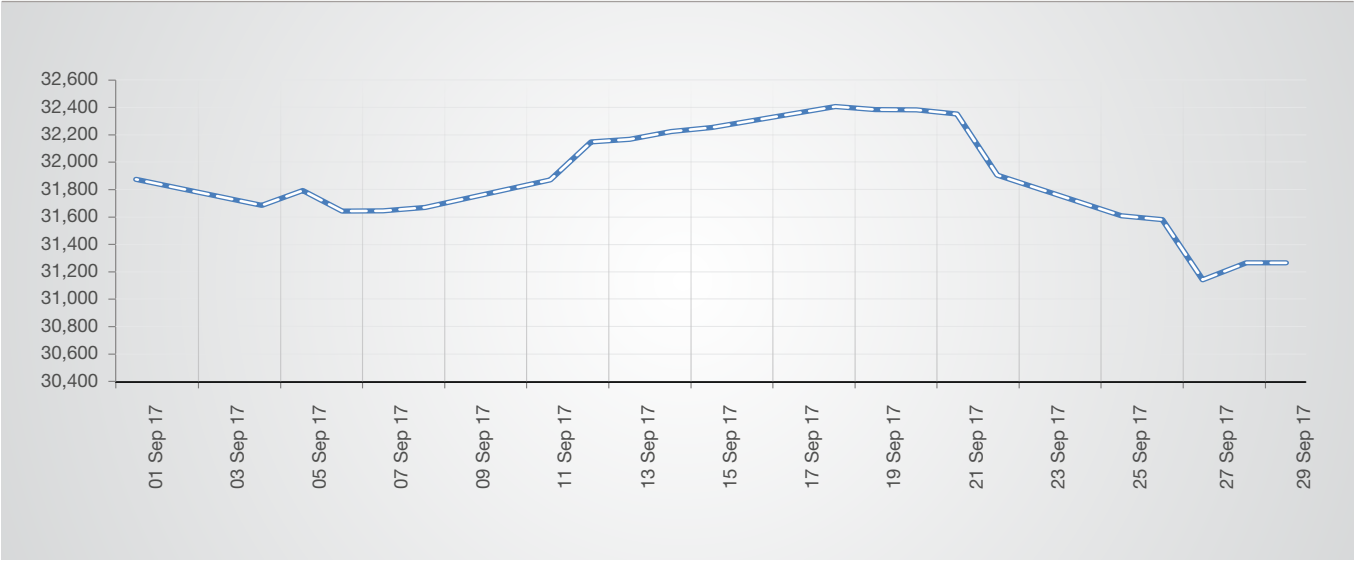


Source: National Stock Exchange

The Nifty 50 lost 1.86% in September 2017

SENSEX

S&P BSE SENSEX

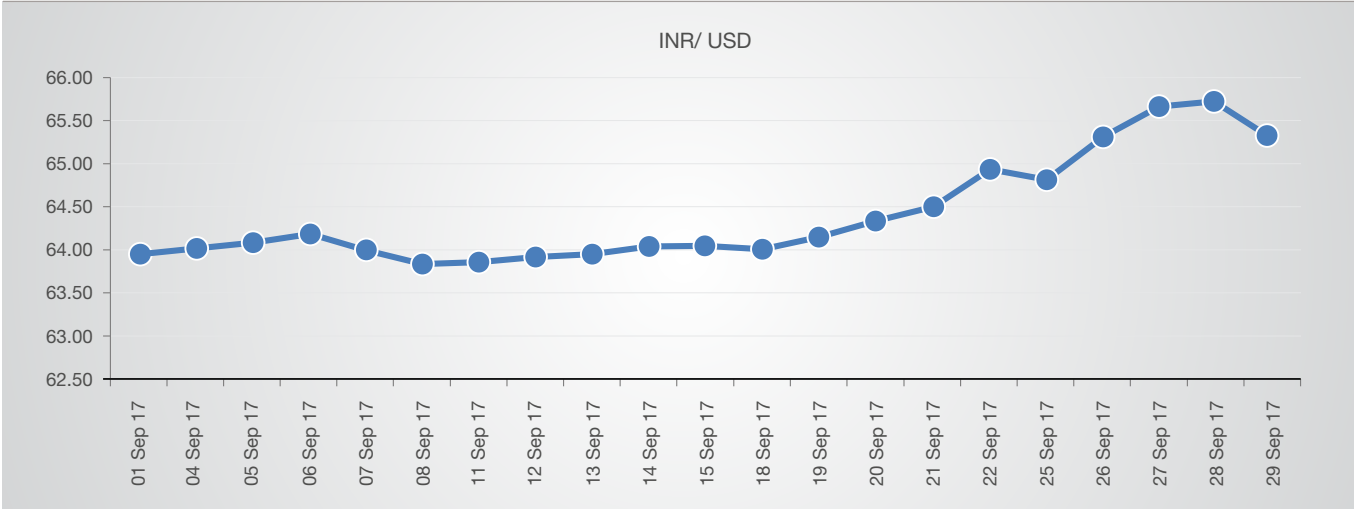


Source: Bombay Stock Exchange

The S&P BSE SENSEX lost 1.91% in September 2017

CURRENCY

CURRENCY



Source: Reserve Bank of India

The INR lost 2.15% to the USD in September 2017

INDIA INFRASTRUCTURE & REALTY UPDATE

PM MODI AND THE JAPANESE PM ABE LAY THE FOUNDATION STONE FOR INDIA'S FIRST HIGH-SPEED RAIL PROJECT

Prime Minister Narendra Modi and the Japanese Prime Minister Shinzo Abe jointly laid the foundation stone for India's first high-speed rail project between Mumbai and Ahmedabad on 14 September 2017. Modi stated that this high-speed railway would not only bring the two cities closer, but also bring the people living hundreds of kilometres away, closer to each other. He said a new economic system is being developed along the Mumbai-Ahmedabad corridor, and the entire area would become a single economic zone.

REVIEW OF FSI/FAR NORMS IN MEGA CITIES

Hardeep Puri, Minister of Housing and Urban Affairs, Government of India directed a review of FSI and FAR norms in mega cities to ensure better utilisation of scarce urban land resources in the context of rapid urbanisation in the country. Puri referred to the recommendation of NITI Ayog for relaxation of the floor space index (FSI) and floor area ratio (FAR) norms in urban areas to give a push to urban development. Ministry officials were asked to take up a time-bound review of these norms in all the 53 cities with a population of one million and above each. He also suggested a similar review for state capitals with a population of less than one million each in due course.

CENTRE ASKS STATES TO FOCUS ON IMPACTFUL AND PPP-BASED SMART CITY PROJECTS

The Central Government has asked the states to focus on early implementation of smart city projects that have a visible and transformative impact in the lives of citizens in the identified smart cities. Durga Shanker Mishra, Secretary (Housing & Urban Affairs), Government of India has urged the states and union territories (UTs) to ensure commencement of work, by November this year, on 261 impactful smart city projects in 60 cities that were announced during January–September 2016. These identified projects account for an investment of ₹ 31,112 crore. States and UTs have also been asked to speed up work on 370 PPP projects that involve an investment of ₹ 32,410 crore.

ANDHRA PRADESH TO CONSTRUCT OVER 5 LAKH AFFORDABLE HOUSES IN URBAN AREAS IN 15 MONTHS

The Andhra Pradesh government assured the Centre that over 5 lakh affordable houses will be built in the urban areas of the state, under the Pradhan Mantri Awas Yojana (PMAY) (Urban), in the next 15 months. The progress of PMAY (Urban) in the state was discussed in detail when the Andhra Pradesh Minister of Housing & Urban Development,

Dr P Narayana, met the Minister of Housing & Urban Affairs, Hardeep Singh Puri.

AAI TO TAKE UP DEVELOPMENT WORK AT LUCKNOW, DEOGHAR AND ALLAHABAD AIRPORTS

The Airports Authority of India (AAI) will undertake new development works at the Lucknow, Deoghar, Rajkot and Allahabad airports. The objective is to improve and develop airport infrastructure to meet growing traffic demands. Due to increased passenger traffic, a new integrated passenger terminal building has been planned at Lucknow. At Deoghar in Jharkhand, the AAI will develop the airport to facilitate joint use for civil operation up to Airbus-320 and DRDO operation up to C-130 type of aircraft. To meet the demand of increasing air travel in Allahabad, a new civil enclave will be developed. The new terminal is to be made operational before the 'Ardh Kumbh Mela' to be held in January 2019.

AAI TO DEVELOP A GREENFIELD AIRFIELD AT HIRASAR, RAJKOT

The AAI will also take up the work of development of a greenfield airport at Hirasar, Rajkot in Gujarat on a build, operate and maintain basis. The Government of Gujarat has provided the land free of cost and proposed the construction of the greenfield airport to meet the traffic potential of the

Saurashtra region, as indicated by its high level of economic growth.

KANDLA PORT REMAINED AS DEENDAYAL PORT

The Kandla Port, in Gujarat, has been renamed Deendayal Port. The Union Cabinet, chaired by Prime Minister Narendra Modi, has given its ex-post facto approval to the renaming of Kandla Port. Typically, ports in India are named after the city or town in which these are situated. However, the government, in special cases, after due consideration, have renamed ports after great leaders in the past.



COMMERCIAL BRIEFING

For the latest news, views and analysis
of the commercial property market, visit
knightfrankblog.com/commercial-briefing/

RESEARCH

Dr. Samantak Das

Chief Economist and
National Director, Research
samantak.das@in.knightfrank.com

Pankaj Toppo

Vice President, Research
pankaj.toppo@in.knightfrank.com



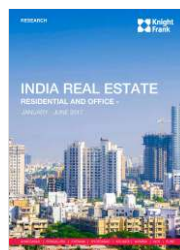
RECENT MARKET-LEADING RESEARCH PUBLICATIONS



ANALYSIS OF
INSTITUTIONAL FUNDING
IN REAL ESTATE



REIT-ABLE SPACE
IN INDIA 2017



INDIA REAL ESTATE
OUTLOOK
JAN TO JUN 2017



LOOKING BEYOND
BORDERS

© Knight Frank India Pvt. Ltd.

This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information analysis, views and projections presented in the report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document.

As a general report this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.

CIN No. – U74140MH1995PTC093179