MONTHLY UPDATE
FEBRUARY - MARCH 2019

Knight Frank

AN ERA OF SOFTER INTEREST RATES

GLOBAL UPDATE | INDIA UPDATE | ECONOMIC TRENDS | INDIA INFRASTRUCTURE & REALTY UPDATE

GLOBAL UPDATE

The world's most miserable and happy economy

This is certainly not a nice place to be, but the truth remains that if there is a topper, there must be someone at the end of the line. In a ranking done based on the Bloomberg Misery Index, the economy of Venezuela tops the tables, based on a survey across 62 economies. While the economy of the Latin American nation is in a very sorry state, the other top five countries in the misery index, albeit their index is much lower than that of Venezuela, include countries like Argentina, South Africa, Turkey and Greece. The rankings not only list the countries wherein their economies are in a very sorry state but also those economies which are in a happy place. It needs to be noted that the economy of Thailand is the happiest economy. As per the ranking, countries whose economies have scored the lowest points in the rankings, after Thailand, are that of Singapore, Japan, Switzerland, Denmark and Malaysia. The Bloomberg Misery Index is calculated as a sum of a country's inflation and unemployment rates.

Indians send USD 79 Billion back home

As per the latest study by The Wold Bank, India has retained the top spot as recipient of the highest remittances in 2018. According to The World Bank study, the Indian diaspora abroad sent USD 79 billion back home. The World Bank statement suggests that, the double-digit growth in remittances could be attributed to the flooding in Kerala. It needs to be noted that in 2017 the Indian diaspora sent USD 65.3 billion and a year before that the figure stood at USD 62.7 billion. China occupied the second spot. Remittances by the Chinese diaspora, in 2018, stood at USD 67 billion. Next in line was Mexico, which received USD 36 billion in remittances.

Dearth of skills in India

This is one issue which has been plaguing businesses, in India, for a long time. There has been reams of research also done on the matter wherein one of the many pain points among HR managers is their difficulty in finding the right resource with the right skills. The International Labour Organisation (ILO) in a recent study “Changing Business and Opportunities for Employers and Business Organisations,” stated the problem plaguing Indian businesses is now more of a global phenomenon. As per the study, globally businesses are looking for quite different skills in recruits compared to three years ago. As regards India, the report stated that 53% of the businesses surveyed were of the opinion that its becoming harder to recruit people with the right skills. The mismatch between the required skills and with what's available is largely to do with the education systems prevalent in the country, the report stated. The report also highlighted the point that there is considerable scope for automation but that will also have an effect on the nature of jobs and businesses.

Bangladesh growth rate to miss government's target: World Bank

The World Bank has predicted that the economy of Bangladesh is expected to grow at 7.3%, in the fiscal year that ends in June, which is lower than the forecast by the government at 8.13%. It must be noted that the Asian Development Bank has predicted a growth rate of 8% during the same period. The international lending agency is of the view that a possible slowdown in top markets in the West could hurt exports from Bangladesh, thereby paring down its growth rate. Its needs mention that Bangladesh is second only to China when it comes to garment exports. The importance of garment exports from the country can be gauged from the fact that for a country whose economy is USD 286 billion, garment exports amount to USD 30 billion.

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INDIA UPDATE

Policy rates reduced

The Monetary Policy Committee (MPC), in its First Bi-monthly Monetary Policy Statement 2019–20 reduced the policy rates by 25 bps. As result of this move, the repo rate now stands at 6%. Consequently, the reverse repo rate stands adjusted to 5.75% and the bank rate to 6.25%. It needs to be noted that this recent reduction in policy rates is the second consecutive rate cut by the banking regulator. The Reserve Bank of India (RBI) had reduced policy rates by 25 bps in its Sixth Bi-Monthly Policy Statement 2018–19. As regards the economic outlook, the banking regulator stated that retail inflation is expected to be 2.4% in Q4 2018–19, 2.9–3% in H1 2019 and 3.5–3.8% in H2 2019. Further, the banking regulator pared the economic growth from 7.4% to 7.2% in 2019–20. As regards the outlook, the RBI further stated that the rate of economic growth will be 6.8–7.1% in H1 2019–20 and 7.3–7.4% in H2 2019–20.

Home loan interest rates head south

With the banking regulator reducing policy rates in two consecutive monetary policy statements, decks were to a great extent cleared for financial institutions to start reducing rates. Days after the RBI reduced rates in the first week of April, the State Bank of India (SBI) reduced its home loans by 10 bps for home loans up to INR 30 lakh. Further, the country's largest bank also reduced its MCLR by 5 bps. As a result of this reduction, the interest rate on all loans linked to the MCLR stands reduced from 10 April 2019. With the country's largest financial institution taking the lead in reducing home loans, going forward it is expected that other financial institutions too will join the fray. Also, the recent reduction in home loan interest rates will give the much-needed fillip to the affordable housing sector.

Measures to improve ranking in Doing Business report

In the past two years, the country has made rapid strides in the Doing Business Report, published by The World Bank. In the 2019 edition of the report, India has jumped 23 places to stand at the 77th rank, among 190 countries. No doubt the progress made by the country, in such a ranking, improves the image of the nation, efforts are being made to further improve on the current standings.

It's in this regard, the Advisory Council in its recent meeting has been discussing on efforts that need to be taken to improve the ranking of the country in the Doing Business Report. As per a government statement, "the focus of discussion was on issues which can help in reduction of pending cases in courts as well as review the strategic initiatives which can speed up the delivery of justice besides making it affordable." Further, the Council also discussed ways which could be "adopted for accelerating reduction of pendency in the courts and use of IT in courts."

Guidelines for responsible business conduct

In March this year, the Ministry of Corporate Affairs formulated the National Guidelines on Responsible Business Conduct (NGRBC). These guidelines are a result of the revision of the National Voluntary Guidelines on Social, Environment and Economic Responsibilities of Business, 2011. As per the new guidelines, businesses should adhere to the following guidelines:

- Conduct and govern themselves with integrity in a manner that is ethical, transparent and accountable
- Provide goods and services in a manner that is sustainable and safe
- Respect and promote welfare of its employees
- Make efforts to protect and restore the environment
- Take care of human rights
- Promote inclusive growth and equitable development
- Provide value to consumers in a responsible manner
- Respect interests of and be responsive to stakeholders

Exports up 8%

India's overall exports (merchandise and services combined) between April–March 2019 has been estimated at USD 535.45 bn, which is close to 8% more (in value terms), compared to the same period the previous year. Overall imports on the other hand, between April–March 2019 is estimated at USD 631.29 bn, which is an 8.50% growth over the same period the previous year.

Linking of PAN with Aadhar extended by six months

In a recent announcement, the Central Board of Direct Taxes (CBDT) has extended the linking of the Permanent Account Number (PAN) with the Aadhar. As per the extension, the linking needs to be done by 30 September 2019, unless specifically exempted.

ECONOMIC UPDATE

Manufacturing PMI loses ground

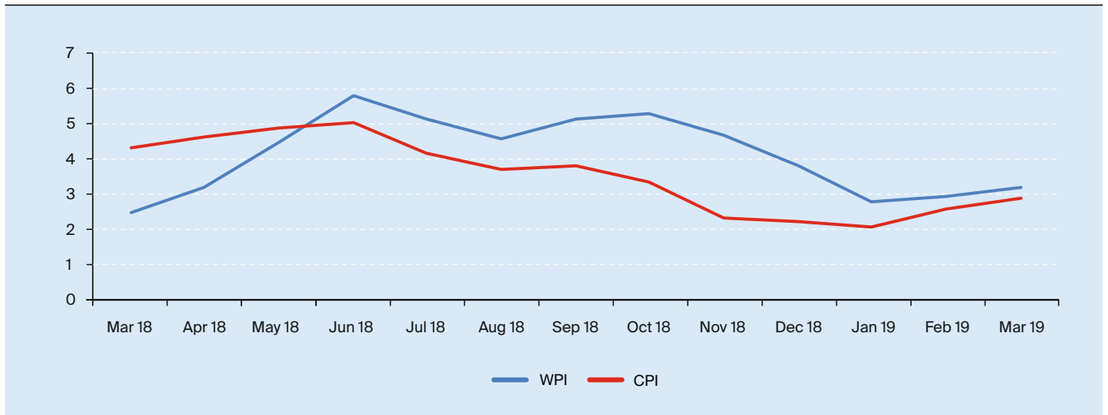
The Nikkei India Manufacturing Index, which had moved to 53.9 points in January, further moved up to 54.3 points in February. In March however, the index declined to 52.6 points, which is a six-month low. The findings indicated that the fall in the score was a result of widespread slowdown in growth. It is worth noting that while the index has hit a six-month low, in March 2019, and has fallen after moving up in two consecutive months (in January and February), it still remains in the positive zone. A score above 50 points towards economic expansion while a one lower than 50 is a sign of economic contraction.

Services PMI falls

The Nikkei India Services Business Activity Index, which stood at 53.2 in December 2018, slipped to 52.2 in January 2019. In February 2019 the index moved up slightly to 52.5 to finally settle at 52 points, in March 2019, which again is a six-month low. This fall in the index was a result of waning new business growth. As in the case of manufacturing PMI, even in case of the services PMI, a score above 50 points towards economic expansion, while one under 50 is an indication of economic contraction.

Both CPI and WPI inch up

INFLATION



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

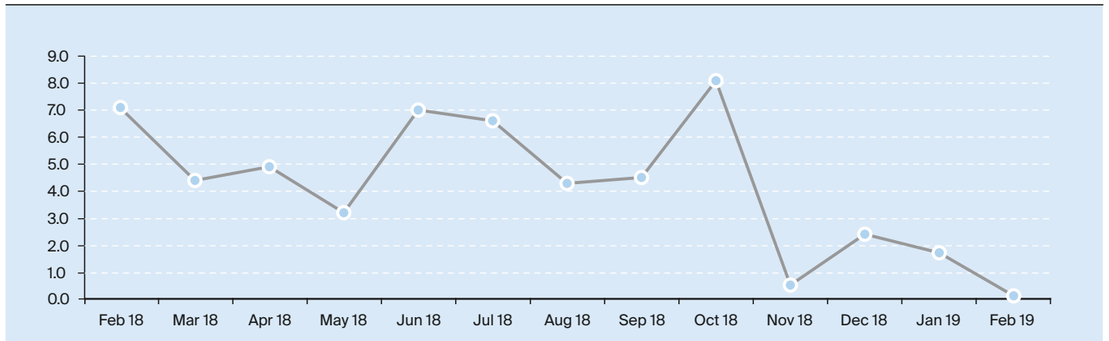
Retail inflation hit a 19-month low in January 2019, post that however, the CPI has been slowly inching up. The CPI stood at 2.05% in January 2019, 2.57% in February and 2.86% in March 2019. Interestingly in March 2019, CPI stood at a five-month high. The consumer food price index too has started to move up post January 2019, when it stood at -2.17%. In February 2019, the same figure stood at -0.66% and in March it stood at 0.30%. While the CPI has been gradually moving up there are certain product categories where the rate of inflation on a year-on-year (y-o-y) comparison has gone down in March 2019. Some of the product categories where prices have gone down in March 2019, compared to the same period last year, are sugar and confectionary (-6.12%), fruits (-5.88%), pulses and products (-2.25%) and vegetables (-1.49%). In other major product categories, however, prices have moved up in March 2019, compared to the same period last year. Prominent categories among the categories where prices have moved up include miscellaneous (5.65%), housing (4.93%), pan, tobacco and intoxicants (4.61%), fuel and light (2.42%) and food and beverages (0.66%).

Like the CPI, the WPI too has been moving up after it hit a 10-month low in January 2019. In fact the WPI was at a three-month high in March 2019. “The rate of food inflation based on WPI Food Index” consisting of Food Articles from Primary Articles and Food Product from

Manufactured Products group increased from 3.29% in February 2019 to 3.89% in March 2019. As regards the major product categories, the rate of inflation for primary articles stood at 5.07% in March 2019, up from 4.84% in the previous month. A point worth noting however, is that prices of vegetables went up by 28.13%, in March 2019, compared to the same period last year. Prices of onions however, fell by 31.34%, in March 2019, compared to the same period last year. Prices of fruits also fell by 7.62%, in March 2019, compared to the same period last year.

IIP almost comes to a standstill

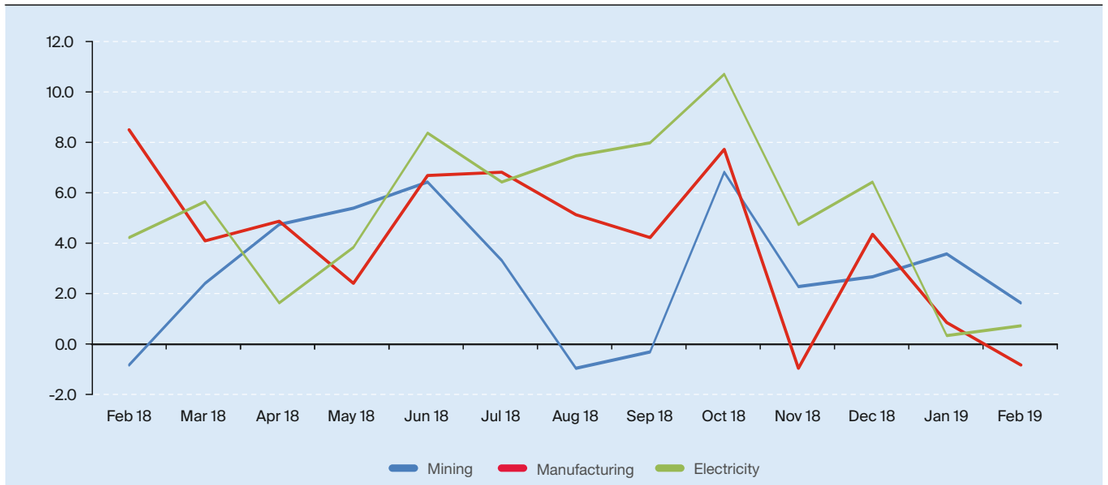
IIP (GENERAL INDEX)



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

The growth rate of the Index of Industrial Production (IIP) post October 2018 has been rather lacklustre. In fact, the growth rate of the IIP, in February 2019, has been one of the lowest in recent times. The growth rate of the IIP slowed to 0.1%. To give an idea as to how the growth rate of the IIP has moved in recent months, one only must take a look at the numbers. After posting a healthy 8.1%, in October 2018, the IIP has registered growth rates of 0.5%, 2.4%, 1.7% and 0.1% in the months of November 2018, December 2018, January 2019 and February 2019, respectively.

IIP (SECTOR WISE)

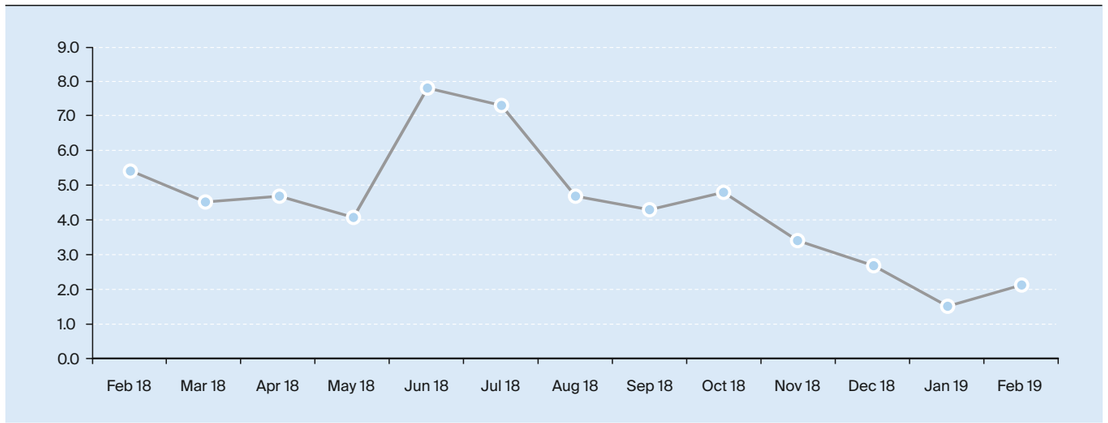


Source: Ministry of Statistics and Programme Implementation, Government of India

Except for the Electricity sector, the other two sectors have fared poorly, in February 2019, compared to the previous month. If the same comparison is made for the other two sectors—mining and manufacturing—the growth rate of both the sectors has gone down, in February 2019, compared to the previous month.

Core sector moves up marginally

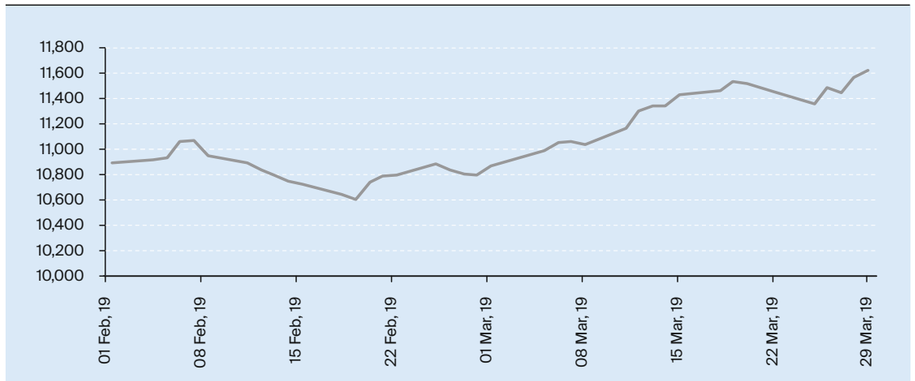
INDEX OF EIGHT CORE INDUSTRIES



Source: Ministry of Commerce and Industry, Government of India

Post November 2018, the fortunes of the core sector have certainly not been great. In November, the core sector recorded a growth rate of 3.4%, post that the growth rate has been sub 3%. In fact, in February 2019, it recorded a growth rate of 1.5%. However, there are certain sectors which need mention. Even though the growth rate of the core sector has not improved by much in February 2019, compared to the previous month, there are sectors which have still witnessed positive growth rates. Among such sectors, the coal sector leads the pack. The growth rate of the coal sector stood at 7.3% in February 2019 compared to 1.7%, the previous month. As regards other sectors like Natural Gas, Fertilizers, Steel, Cement and Electricity, while growth rates still remained positive in February 2019, they were lower than the growth rates recorded in January 2019. The growth rate of the Crude Oil sector further plunged in the red, in February 2019.

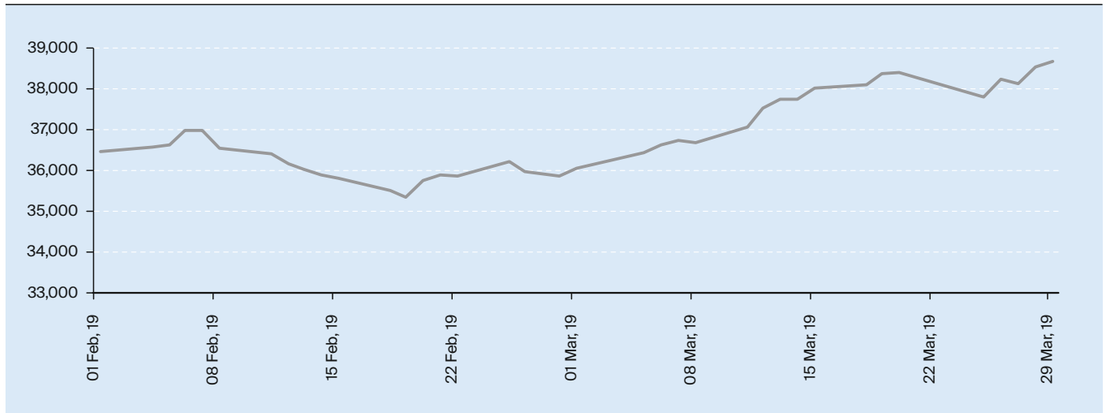
NIFTY 50



The NIFTY 50 gained 7% between 1 February 2019 and 31 March 2019. Interestingly, the NIFTY 50 closed at a high of 11,624 points on 31 March 2019.

Source: National Stock Exchange

S&P BSE SENSEX

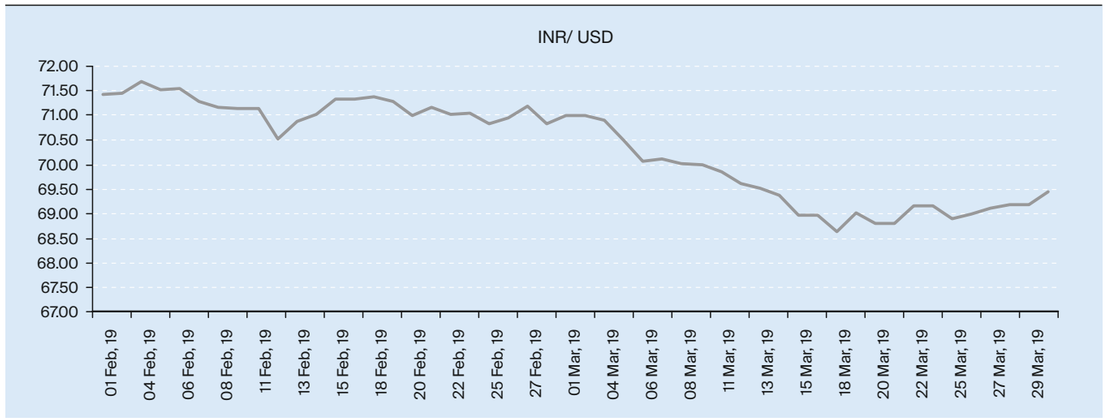


Source: Bombay Stock Exchange

The S&P BSE SENSEX gained 6% between 1 February 2019 and 31 March 2019 and closed at a high at the end of the month at 38,673 points on 31 March 2019

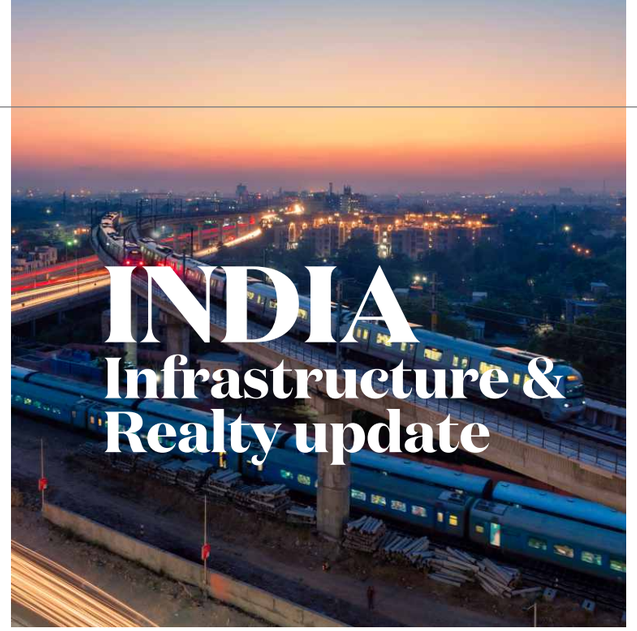
Currency

CURRENCY



Source: https://in.investing.com

The INR gained 3% against the USD between 1 February 2019–31 March 2019.



INDIA Infrastructure & Realty update

Face of Indian cities to change soon

If all goes as per plan, a massive urban transformation is waiting to happen. As per media reports, work with regards preparing the blueprint of a megacity, near Mumbai, is on its last leg. This new city is expected to be developed, on similar lines as Singapore. It has also been reported that the new city will have airport and sea connectivity. Further, it is expected that the city would accommodate half a million people and would also house business houses. Media reports further state that Reliance will not only develop the megacity but will also run its administration, after its completion.

Progress on Metro rail services

The emergence of metro rail services, in the urban landscape, has been one of the most defining transformations in India. While metro rail services are underway in certain urban centres, in other cases they are planned for the future. In urban centres where the metro services are already underway, it is also being expanded to other areas in the city. The following is an update on the introduction and expansion of metro rail services in urban centres.

It must be remembered that, a section of the Ahmedabad metro (between Vastral–Apparel Park) was flagged off by Narendra Modi, Prime Minister of India. It is estimated that Phase-1 of the metro rail services in the city will be completed by July 2020. In a recent development, the Union Cabinet, chaired by the Prime Minister, approved implementation of the second phase of the Ahmedabad Metro Rail Project. The second phase comprises of two corridors—Motera Stadium to Mahatma Mandir (22.84 km) and Gujarat National Law University (GNLU) to GIFT City (5.416 km).

In another development the Public Investment Board (PIB) has approved metro rail services for Surat. The project cost, of the said project, will be INR 12,114 crore. As per the DPR, the total length of the project will be 40 km and there will be two metro rail corridors—Sarthana to Dream City and Bhesan to Saroli.

Further, the Delhi Metro Rail Corporation (DMRC) has submitted a revised DPR for further extension of its Blue Line (from Noida Electronic City to Mohan Nagar, in Ghaziabad). Six stations are planned on this route and the total cost of the project is estimated to be INR 1,866 crore.

Rapid rail corridor between Delhi and Meerut

While travelling between Delhi and Meerut, in the present day is certainly not easy and fast, largely due to ongoing road widening work. A distance of close to 90 km will take you anywhere between 2 hours to 2.30 hours, depending on which time of the day you embark on your journey. Even if you take the train, it will take at least two hours to cover the distance. The good thing is that going forward, travelling between Delhi and Meerut is expected to be much faster and smoother. The Union Cabinet has approved the Delhi–Ghaziabad–Meerut rapid rail corridor. The project will be developed by the National Capital Region Transport Corporation (NCRTC). This corridor will start at Sarai Kale Khan in Delhi and end at Modipuram, in Meerut. The project is expected to be operational by 2024. Once complete, the journey between Delhi and Meerut will be covered in less than 55 minutes. It must be noted that the Delhi–Ghaziabad–Meerut is the first of three corridors planned for the future, the other two corridors are Delhi–Gurugram–Alwar and Delhi–Panipat.

Jewar airport to get metro connectivity

With the Allahabad High Court clearing the decks for the construction of the Jewar airport, work towards providing connectivity to the proposed airport is also underway. The DRMC has submitted a report to the Union Government to provide metro connectivity to the upcoming Jewar Airport. As per the report there will be 25 metro stations on this line. Of the 25 stations, eight will be under the purview of the Greater Noida Authority and rest will be under the jurisdiction of the Yamuna Expressway Authority. This metro rail project, providing connectivity to Jewar Airport, is expected to be completed by 2025.

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