MONTHLY UPDATE JUNE 2018





RESEARCH

GLOBAL UPDATE

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FED HIKES INTEREST RATES

The US Federal Reserve hiked policy rates by 25 basis points, from 1.75 to 2%. Interestingly this is the second hike by the US Central banker in 2018. Not only this, there were enough indications that there are more hikes in the offing, certainly a sign of growing optimism in the economy. It is however, worth mentioning that strong performance by the US economy, in recent months, has already put the ₹ under the pump. Also, it is worth noting that between January and June this year, the dollar has already gained 8% compared to the India rupee and any hike in interest rates, by the US Federal Reserve, will further put pressure on the rupee.

UPBEAT ABOUT THE ECONOMY; BANK OF JAPAN

In its regional quarterly report, Japan's Central Bank was upbeat about the economic condition in the country. The country's Central Bank governor, Haruhiko Kuroda, also expressed confidence that the inflation target of 2% will be met. In its report, Bank of Japan, maintained that all the 9 regions in the country are either recovering or expanding, largely on the back of robust demand from overseas markets and improving private consumption. Further, assessment of capital expenditure for the three regions was revised as companies, due to their inability to hire in a tight market, increased spending on plant and machinery, so that they could streamline their operations.

NEW STANDARDS FOR HARASSMENT AND VIOLENCE

Based on discussions at its 107th conference, the International Labour Organisation (ILO) will adopt new standards for harassment and violence at work. The conference, which was held at Geneva, Switzerland was attended by over 4,000 delegates. There were representations from governments, employers and trade unions. Once the ILO approves the new guidelines, member countries will ideally take note of the same and make the necessary changes in their existing laws. As per a discussion held by the ILO in November 2017, countries with the highest number of labour violations, in the Asia Pacific region, are Cambodia, Japan, Laos and Myanmar.

IMF TRIMS GERMANY'S GROWTH FORECAST FOR 2018

The International Monetary Fund (IMF) trimmed Germany's growth forecast from 2.5% to 2.2%. The international lending



agency also revised Germany's growth forecast for 2019 from 2.1% to 2%. With regard to the downward revision in the growth forecast for 2018, the IMF in its statement stated that short-term risks are substantial, as a significant rise in global protectionism, a hard Brexit, or a reassessment of sovereign risk in the euro area, leading to renewed financial stress, could affect the country's exports and investment.

BOLD REFORMS FOR INDIA'S AGRI SECTOR; OECD-ICRIER

The Organisation for Economic Co-operation and Development (OECD)-Indian Council for Research on International Economic Relations (ICRIER), in a recent report has stated that the government needs to launch a new bold policy for the agri-food sector, which is at a crucial juncture. The study further stated that the sector is facing multiple challenges and desperately requires an aggressive policy to increase agriculture output and thereby ensure better income for farmers. The study highlighted the fact that gross farm revenue went down by 6%, every year between 2014-2016. The report also provided certain suggestions with regards the road, the government should tread, when formulating a new policy. It stated that the government should not resort to putting curbs on imports, rather it should reduce restrictions and duties on imports. It further advocated for freezing up of budget subsidies and gradually withdrawing the same. The funds so saved, should be used for developing the necessary infrastructure, in the sector. The suggestions are no doubt bold and the government too has expressed willingness towards having detailed discussions on the matter. Let us hope that the policy so formulated, at the end of the day, gives the necessary push to the sector.



FOREX RESERVES DEPLETE BY \$1.76 BILLION

As per the latest statistical supplement of the Reserve Bank of India, for the week ending 22 June 2018, the country's forex reserves went down to \$406.05 billion from \$407.81 billion. Further, for the week under review, foreign currency assets, which is the largest component of forex reserves, decreased to \$380.71 billion, a fall of \$1.78 billion. Value of gold reserves however, went up by \$38 million to \$21.26 billion.

MORE RATE HIKES IN THE OFFING

The Reserve Bank of India (RBI) in its Second Bi-monthly Secretary, Department of Economic Affairs. Unlike most other Monetary Policy Statement, 2018–19 increased the policy multilateral development banks set up by advanced repo rate under the liquidity adjustment facility (LAF) by 25 economies, AIIB is the first major multilateral development basis points. This was the first instance, in four years, that bank where principal contributors are the borrowing the banking regulator made an upward revision in policy members themselves. rates. While this first upward revision in rates took a long time to come, the second upward revision may come much DATABASE TO TRACK CASHLESS sooner. The primary reason, why the banking regulator could TRANSACTIONS tread the path of pushing policy rates further north, is rising inflation. Both the Consumer Price Index (CPI) and Wholesale In a move to track black money and aid in investing cases Price Index (WPI) have been on their way up since January related to money laundering, the Central Government and the this year. In May 2018, CPI was at a four-month high and WPI Reserve Bank of India (RBI) are planning to set up a database hit the roof, touching a 14-month high. The primary reason to track non-cash transactions. As per the developments on for the spike in inflation is the rising prices of crude and the matter, RBI will put the necessary systems in place to commodities. Against this background, voices for a further track the transactions, which will be shared on a need-tohike in policy rates is gaining strength, a possibility that know basis. should not be too far away.

EXPORTS GROW BY 26%

Exports during May 2018 were valued at \$28.86 billion compared to \$24.01 billion, during the same period last year, thereby registering a growth of 20.18%. In rupee terms, however, exports grew by 26% in May 2018, compared to the same period last year. Non-petroleum and non-gems and jewellery exports during May 2018 were valued at \$19.94 billion, compared to \$17.51 billion during May 2017, thereby registering an increase of 13.85%. Imports during May 2018 were valued at \$43.48 billion, which was 14.85% higher in dollar terms, compared to the same period last year.

CONSUMER DURABLE LOAN ACCOUNTS **GROW BY 83%**

As per a TransUnion CIBIL report, in terms of sheer numbers, consumer durable loans witnessed the maximum growth, among all retail loans, between April 2017-March 2018, compared to the same period the previous year. During this period, the number of people availing of consumer durable loans went up by 83%. In comparison, the number of people

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opting for credit cards shot up by 28%, personal loans by 27%, auto loans by 21%, loans against property by 20% and home loans by 18%. The study further stated that credit scoring and analytics have been instrumental in financial institutions taking retail loans to new customers.

INDIA IS THE LARGEST BORROWER FROM ASIAN INFRASTRUCTURE INVESTMENT BANK

With the total project portfolios of \$4.4 billion, India has been the largest borrower of Asian Infrastructure Investment Bank (AIIB) lending since the time the bank started its operations. This information was shared by Subhash Chandra Gara.

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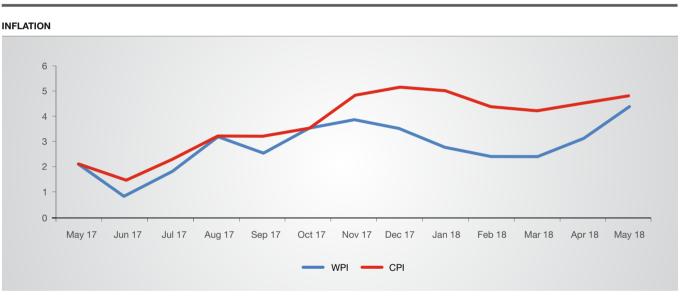
MANUFACTURING PMI IMPROVES IN JUNE

The Nikkei India manufacturing Purchasing Managers' IndexIargely on the back of a strong performance of the(PMI), which had revived in April 2018 and stood at 51.6, lostmanufacturing sector and new orders since December lastsome steam in May 2018. In May, the index stood at 51.2.year. A score above 50 points towards economic expansionThe index however, improved in June and stood at 53.1,while a score below 50 is a sign of economic contraction.

SERVICES PMI PICKS UP IN JUNE

The Nikkei India Services Business Activity Index, which stood at 51.4 in April 2018, contracted in May 2018. In fact, it went in the red and stood at 49.6. In June however, the index gained lost ground and stood at 52.6. The index recovered on the back of recovery in the activity of services firms along

CPI HITS A 4-MONTH HIGH; WPI ROCKETS TO A 14-MONTH HIGH



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

Retail inflation, which was at a 3-month high in April 2018, moved further north in May 2018 to end at a 4-month high. CPI stood at 4.87% in May 2018. The consumer food index too, which stood at 2.80% in April 2018, jumped to 3.10%. Of all the products that form the CPI, only prices of pulses and products and sugar and confectionary declined in May 2018, compared to the same period last year. The prices of pulses and products reduced by 11.57% and that of sugar and confectionary went down by 8.12%, in May 2018, compared to the same period last year. Prices of all other product categories went up in May 2018, compared to May 2017. Among the major product categories, prices of housing went up by 8.40%, followed closely by pan, tobacco and intoxicants, which witnessed an increase of 8%. Next in line is the fuel and light category, which witnessed an increase of

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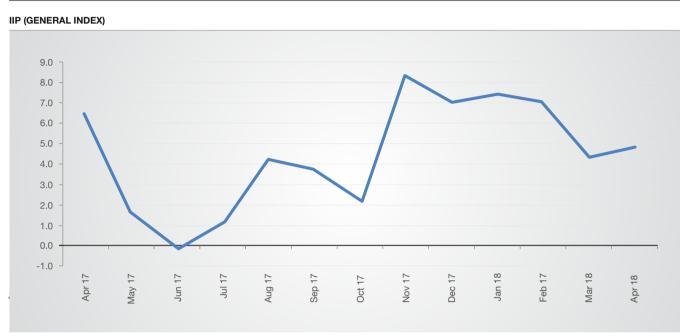


5.80%. Next to follow is the clothing and footwear category, which witnessed an increase of 5.47%, while food and beverages saw an increase of 3.37%. Among food products, the maximum increase was witnessed in fruits. Prices in this category, shot up by 12.33% in May 2018, compared to May 2017.

The WPI, which stood at 3.18% the previous month, skyrocketed to a 14-month high of 4.43% in May 2018. This massive hike in WPI was largely because of the spike in fuel. The Fuel & Power witnessed an increase of 11.22%. Within this category however, HSD witnessed an increase of 17.34%, while petrol saw an increase of 13.90% compared to the same period last year. Interestingly, prices of LPG on the other hand went down marginally by 0.74%. Vegetables was the other price category, which contributed to the spike in WPI. Prices of vegetables went up by 2.51%. Prices of potato, onion and fruits went up by double digits. While

prices of potato went up by 81.9%, that of fruits increased by 15.40% and onion prices went up by 13.20%

IIP RECOVERS MARGINALLY

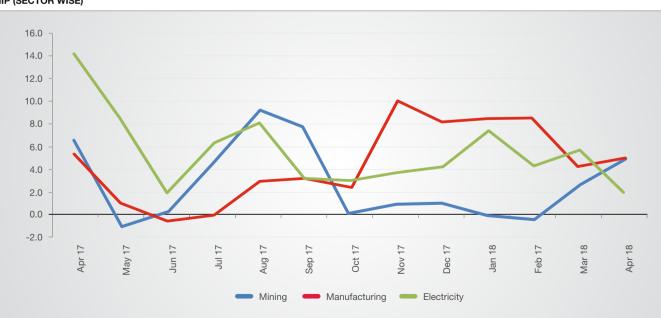


Source: Ministry of Statistics and Programme Implementation, Government of India

The impressive show that the Index of Industrial Production (IIP) recorded in November 2017 moderated slightly in the following months but its growth rate remained above 7%. In

March 2018, however, the growth rate of the IIP hit a 5-month low, recording a growth rate of 4.4%. In April 2018, the IIP recovered, albeit marginally, to record a growth rate of 4.9%.

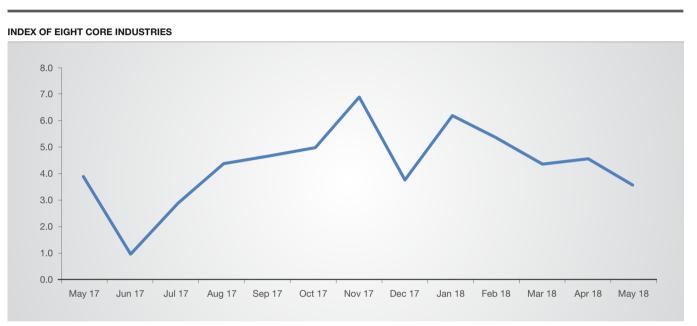




Source: Ministry of Statistics and Programme Implementation, Government of India

The sectors that comprise the IIP did not achieve anything significant, in terms of growth rates, but what they did manage to do is just about fare better than the previous month. This is the primary reason for the IIP fairing marginally better, in April 2018, compared to the previous month. The bright performer was the mining sector, which recorded a growth rate of 5.1%, compared to 2.8% in the previous

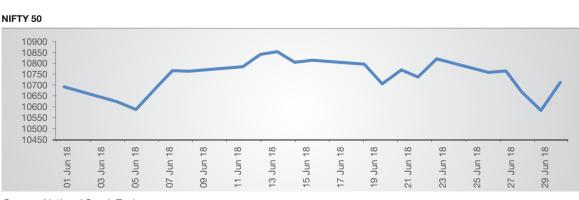
CORE SECTOR SLIPS TO A 10 MONTH LOW



Source: Ministry of Commerce and Industry, Government of India

After hitting a 3-month low, of 4.4% in March 2018, the core sector recovered some lost ground in April 2018, when it recorded a growth rate of 4.6%. In May 2018, however, the growth rate of the core sector slipped to a 10-month low. Of the 8 sectors, that from the core sector, 5 performed poorly compared to the previous month. The growth rate of the natural gas sector (-1.4%) went in the red, in April 2018, which was positive in the previous month. On the other hand,

NIFTY



Source: National Stock Exchange

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month. The manufacturing sector, too fared well recording a growth rate of 5.2%, in April 2018, compared to the previous month. The electricity sector, to a great extent, stifled the growth of IIP, in April. Among the three sectors, its growth rate, in April 2018, was only 2.1%, compared to 5.9%, in the previous month.

the performance of the crude oil sector (-2.9%), further deteriorated in May 2018. While the growth rates of sectors like cement (5.2%), coal (12.1%) and steel (0.5%) remained in the positive, in May, their growth rate was lower than what they had recorded in April 2018. The sectors that recorded healthier growth rates, compared to the previous month were refinery products (4.9%) and electricity (3.5%)

The NIFTY 50 gained 0.17% in June 2018.

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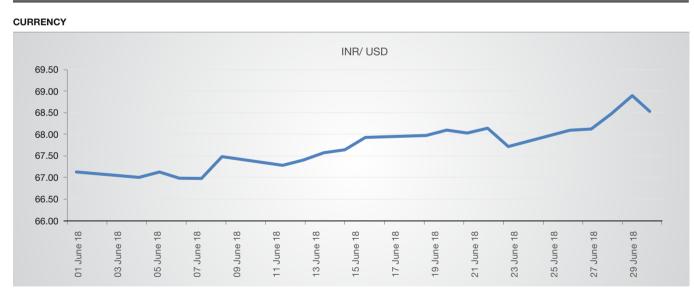
SENSEX



Source: Bombay Stock Exchange

The S&P BSE SENSEX gained 0.56% in June 2018.

CURRENCY



Source: Reserve Bank of India

The USD gained 2.1% compared to the INR in June 2018.



INDIA INFRASTRUCTURE & REALTY UPDATE



51 LAKH HOUSES APPROVED UNDER PMAY (URBAN)

In a recent move, the government came out with details clarifying the number houses approved under the Pradhan Mantri Awas Yojana (Urban). As per the government statement, so far more than 51 lakh dwelling units have been sanctioned. Out of over 51 lakh sanctioned houses, work on more than 28 lakhs units have started and they are in various stages of construction. Further, over 8 lakh houses have already been completed and nearly 8 lakh houses have been occupied by the beneficiaries. This clarification from the government was in response to an article in the media that had published incomplete figures for houses approved under PMAY.

METRO SERVICES START ON MUNDKA-BAHADURGARH LINE

After Gurugram and Faridabad, Bahadurgarh becomes the third touch point for the Delhi Metro in Haryana. Narendra Modi, Prime Minster of India, inaugurated the Mundka-Bahadugarh Line, in north-west Delhi. This line is an extension of the Green Line, which now has end points at Bahadurgarh, in Harvana and Inderlok and Kirti Nagar, in Delhi. The extended line will have 7 elevated stations -Mundka Industrial Area, Ghevra, Tikri Kalan, Tikri Border (Delhi), Modern Industrial Estate, Bus Stand and City Park (Haryana). The extension of Delhi Metro services to Bahadurgarh, will further aid the economic growth of the city. Bahadurgarh, is essentially an industrial town and the stretch till Mundka is fast emerging as a logistics and warehousing hub. Further, Bahadurgarh houses a number of educational institutes and the advent of metro services will further aid students travelling to Bahadurgarh, also known as the gateway to Haryana, for studies, from Delhi.

KANNUR AIRPORT TO BE OPERATIONAL BY SEPTEMBER

Suresh Prabhu, Minister for Civil Aviation, has stated that the government will take all possible steps to make the airport at Kannur, in Kerala, operational by September. After a meeting with Pinarayi Vijayan, Chief Minister of Kerala, the Civil Aviation Minister has directed the chairman of the Airports Authority of India and other officials from the ministry to take the necessary steps to make Kannur Airport as a point of call for foreign airlines. It must be remembered that the Government of India (Gol) granted in-principle approval to the state government in 2008 for the airport at Kannur. Over 1,200 acres of land was acquired for the said project. The airport was expected to be operational by mid-2017. The



airport at Kannur will be a boon for a large section of the people from Kerala who are employed in the Gulf Cooperation Council (GCC) countries. Further, the airport will also boost the travel potential in North Kerala.

ANOTHER FEATHER IN THE CAP FOR SURAT

Cities were felicitated by the government under the Indian Smart Cities Awards, launched by the government in June 2017. The city award was awarded to Surat for showing great momentum in implementation of projects, especially in the categories of urban environment, transport and mobility and sustainable integrated development. Joint winners in the Innovative Idea Award category were Bhopal for their Integrated Command and Control Centre (ICCC) and Ahmedabad for Safe and Secure Ahmedabad (SASA). The cities that received felicitation, under the Project awards category are Pune, Jabalpur, Bhopal, Jaipur, Coimbatore, Ahmedabad and Surat.

SHILLONG BECOMES THE 100TH SMART CITY; ICCC OF NAYA RAIPUR INAUGURATED

Shillong joins the list of smart cities. With this, it becomes the 100th city to be added to this elite list. Previously, 20 cities were selected in January 2016, 13 cities in May 2016, 27 cities in September 2016, 30 cities in June 2017 and 9 cities in January 2018. With the selection of Shillong, the total proposed investment in the finally selected 100 cities under the Smart Cities Mission would be INR 205,018 crores. Elsewhere, the Integrated Command and Control Centre (ICCC) of the Naya Raipur Smart City was inaugurated by the Prime Minister of India, Narendra Modi. With the inauguration of its ICCC, Naya Raipur becomes the tenth smart city to be operational in the country. The inauguration of the ICCC will help in better management of the city.



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