



INTEREST RATES MOVE NORTH

GLOBAL UPDATE

BRITAIN'S ECONOMY PICKS UP IN FEBRUARY

As per a survey by financial information firm IHS Markit and the Chartered Institute for Procurement & Supply, the British economy, which had a subdued start to the year, picked up in February largely on the back of the services sector shoring up growth. The all sector purchasing managers index went up from 53.1 points in January to 54.2 points in February.

MUMBAI A FAVOURITE AMONG EXPATS

The financial and commercial capital of India is a favourite among expats, especially those looking for a fat salary. As per a study done by HSBC Bank International, foreigners moving into the commercial capital of India reported average annual earnings of USD 217,165, which is significantly higher than the global average annual earnings of expats of USD 99,903. Mumbai topped the rankings followed by San Francisco, Zurich, Shanghai and Geneva. Asian cities in the list apart from Mumbai are Shanghai, Jakarta and Hong Kong.

ADB TO FUND ALL-WEATHER ROADS IN 5 STATES IN INDIA

The Asian Development Bank (ADB), through a loan of USD 200 million, will fund all-weather roads across 5 states in India. The 6,254 kilometre road network will pass through the states of Assam, Chhattisgarh, Madhya Pradesh, Orissa and West Bengal. These all-weather roads will be constructed under the Prime Minister's Rural Roads Programme (PMGSY).

GHANA ON TRACK TO MEET REVIEW REQUIREMENTS: IMF

As per the International Monetary Fund (IMF), Ghana is on path to meet the requirements for the review that is due in April 2018. The international lending agency further stated that the African nation will implement the necessary measures for a successful review of its USD 918 million aid. Ghana is in the final year of the programme that was signed in April 2015. This aid was necessary to restore economic stability.

NEW PROGRAMME BY THE WORLD BANK FOR CASABLANCA

The World Bank has launched a programme "Casablanca Municipal Support Programme" to improve the investment capacity of Casablanca, Morocco's largest city. The project worth USD 200 million will fund the Greater Casablanca

Development Plan 2015–2020, which will require USD 500 million. The development plan will boost the economic competitiveness of the city. Interestingly, Casablanca houses approximately 12% of Morocco's population and contributes 20% of the national GDP.

SEVERE LEARNING CRISIS IN AFRICA: THE WORLD BANK

As per the latest study released by The World Bank, Africa is facing a severe learning crisis that has the potential to dent its economic growth and wellbeing of the citizens. The study states that learning levels across the region are very low. While the region has made considerable progress in promoting education (both primary and secondary) still approximately 50 million children remain out of school.



INDIA UPDATE

ECONOMY REBOUNDS IN Q3 FY 2018

The recently released Q3 FY 2018 numbers suggest that the Indian economy has finally come out of the after effects of the demonetisation and GST. As per the data released by the Central Statistical Organisation (CSO), the gross value added growth stood at 6.7% compared to a revised 6.2% growth in the previous quarter. Going forward too, the fortunes of the economy seem to be well placed. According to Moody's Investors Service, India will grow at 7.6% in the calendar year 2018 and 7.5% in 2019.

SBI HIKES INTEREST RATES ON DEPOSITS

Providing some relief to senior citizens, Arun Jaitley, the Union Finance Minister, in his 2018–19 budget speech had raised the exemption of interest income on deposits with banks and post offices from ₹10,000 to ₹50,000. Further, TDS shall not be required to be deducted on such income, under section 194A. In a recent move, the State Bank of India (SBI), the largest bank in the country, increased interest rates by 50–75 bps on retail and bulk deposits. With SBI taking the lead in increasing deposit rates, other players too should join in, in the near future. While such a move will be good news for senior citizens, the other side of the coin is that it increases the cost of funds, thereby making loans more expensive. Increase in the interest rate on deposits is also an indication that the era of softening of interest rates in the lending space is over.

HOME LOAN RATES MOVE NORTH

While an increase in deposit rates would be good news for those opting for low yielding but secure deposits, on the flip side a hike in deposit rates translates into higher cost of funds for the bank. This in turn leads to an increase in lending rates. Soon after SBI hiked its deposit rates, 3 banks including SBI hiked their lending rates as well. ICICI Bank and Punjab National Bank are the other 2 players to have hiked their lending rates. The 3 financial institutions have hiked their marginal cost of lending rate (MCLR) in the region of 10–25 bps. As a result of this rate hike home and auto loans will get dearer. With the 3 largest financial institutions in the country hiking lending rates, it is expected that others will soon toe the same line. Further, a hike in interest rates will not augur well for the economy as a whole and more so for the real estate sector. A hike in home loan interest rates will further make the cost of acquisition of a house more costly, for homebuyers, thereby denting chances of a recovery in the sector in the near future.

EPF RATE REDUCED TO 8.55%

The Employees' Provident Fund Organisation (EPFO) has reduced the interest rate on deposits for FY 2018 to 8.55%. In fact, the interest rate on the Employees' Provident Fund is being gradually reduced over the years. For example in FY 2016, the interest rate on deposits was 8.8%, this was reduced to 8.65% in FY 17. It is also worth noting that the

government had cut the interest rate of small saving instruments like Public Provident Fund (PPF), Kisan Vikas Patra (KVP) and National Savings Certificate (NSC) by 0.2 percentage points in December 2017.

INVESTING IN SMALL SAVINGS TO BECOME EASIER

Small saving instruments have always been a favourite among investors looking for stable returns. While the rate of interest on such instruments has been gradually being reduced, the government on its part is trying to make these instruments more investor friendly. Some of the key provisions, in the bill, aimed at making these instruments more investor friendly are as follows.

- In the present day, a PPF account cannot be closed prematurely before completion of 5 financial years, even in case of exigencies. Under the amended provision benefits of premature closure of Small Savings Schemes may now be introduced to deal with medical emergencies, higher education needs, etc.
- Earlier there was no clear provision regarding deposit by minors. This provision has now been made to promote a culture of savings among children.
- Now there are clear provisions for accounts to be operated in the name of physically infirm and differently-abled persons, something which was not the case

earlier.

- The right of nominees has now been more clearly defined.
- Provisions for nomination with regard to account opened in the name of minors have been incorporated. Further, the provision has been made that if the minor dies and there is no nomination, the balance shall be paid to the guardian.
- The amended Act allows the government to put in place a mechanism for redressal of grievances and for amicable and expeditious settlement of disputes relating to Small Savings.

CABINET APPROVES FUGITIVE ECONOMIC OFFENDERS BILL, 2018

The Union Cabinet has given its approval to the Fugitive Economic Offenders Bill, 2018. The Bill lays down measures to deter economic offenders from evading the Indian law by remaining outside the boundaries of Indian courts. Among other things, the bill speaks of attaching the property of the economic offender. Interestingly, the Bill speaks of confiscation of other property belonging to the offender in India and overseas. Further, the Bill also speaks of disqualification of the fugitive economic offender from defending any civil claim.

ECONOMIC TRENDS

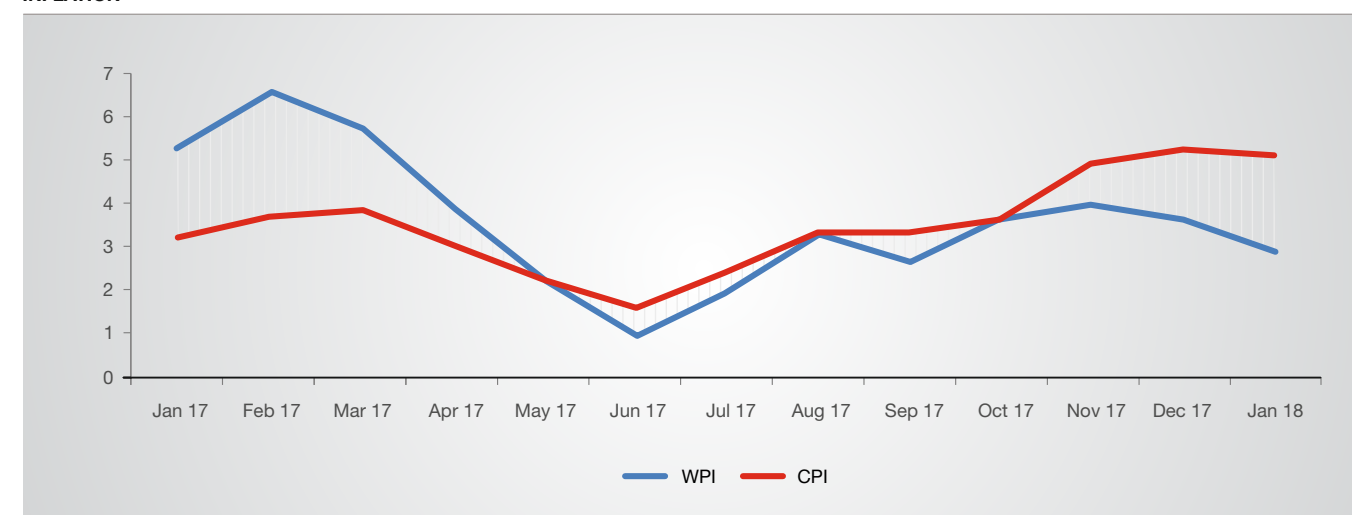


PMI SLIPS marginally IN FEBRUARY

Nikkei India Manufacturing Purchasing Managers' Index (PMI), which was placed at 52.4 in January slipped marginally to 52.1 in February. Even though the PMI has slipped marginally, it is still in the expansion zone. A score below 50 points towards economic contraction, while a score above 50 hints towards economic expansion. What is heartening, however, is the fact that the even though the PMI has slipped in February, India's manufacturing sector still remains in the growth zone.

INFLATION MODERATES

INFLATION



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

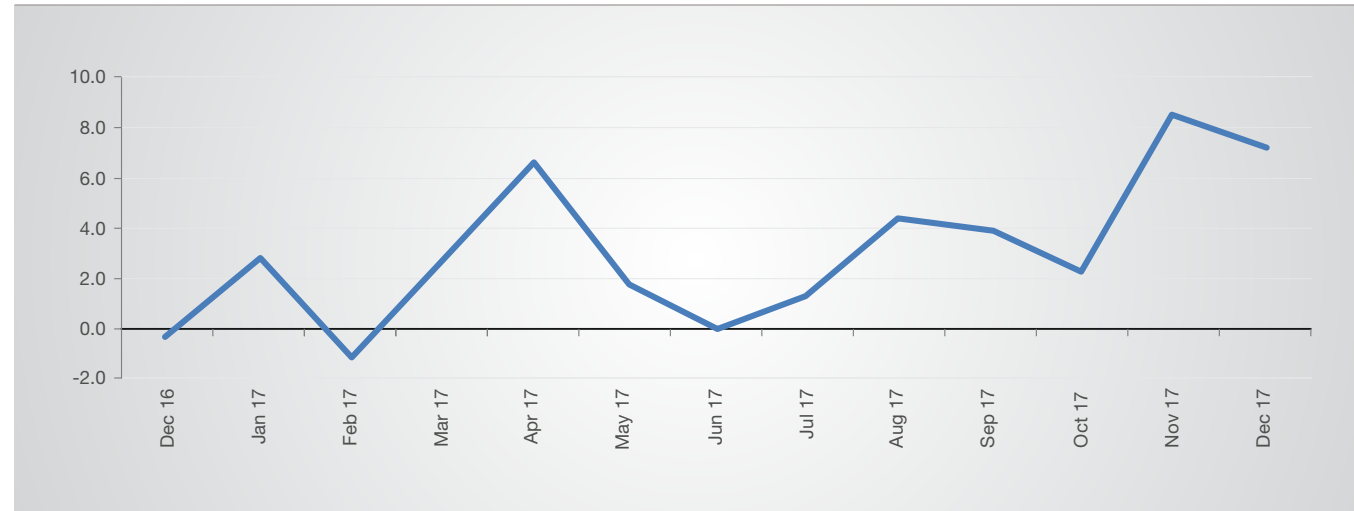
Inflation, especially retail inflation that hit a 17-month high of 5.21% in December 2017, moderated a bit in January 2018 to 5.07%. Compared to the previous month, the consumer price index (CPI) has no doubt slowed down, but compared to the same period last year, it is still higher. In January 2017, the CPI stood at 3.17%. The consumer food price index too went down in January 2018, compared to the previous month. In January 2018, consumer food price index stood at 4.70% compared to 4.96% in December 2017. Like in the case of December 2017, the rate of inflation across categories and sub categories has been positive, except in the case of pulses and products. Price growth has been in the negative zone for pulses and products for the past few months. In January 2018, rate of inflation in pulses and products was in the negative zone at -20.19% compared to the same period last year. The categories that witnessed the highest price growth in January 2018, compared to the same period last year, are urban housing (8.33%), fuel and light (7.73%), pan, tobacco and intoxicants (7.58%), clothing and footwear (4.94%) and food and beverages (4.58%).

The rate of growth of the Wholesale Price Index (WPI) however, was not as sharp as the CPI, especially in the past

6 months. After hitting a low of .90% in June 2017, the WPI had been gradually moving up to hit a high of 3.93% in November 2017. After that, the rate of growth of WPI has slowed down. In December 2017, the WPI stood at 3.58% and in January 2018 it reached 2.84%. The index for primary articles went down by 1.5% while that of fuel and power rose by 0.4%. On the other hand, the index for manufactured products went up by 0.6%. The WPI Food Index consisting of "food articles" from the primary articles group and "food product" from manufactured products decreased from 2.91% in December to 1.65% in January 2018.

IIP MODERATES SLIGHTLY

IIP (GENERAL INDEX)

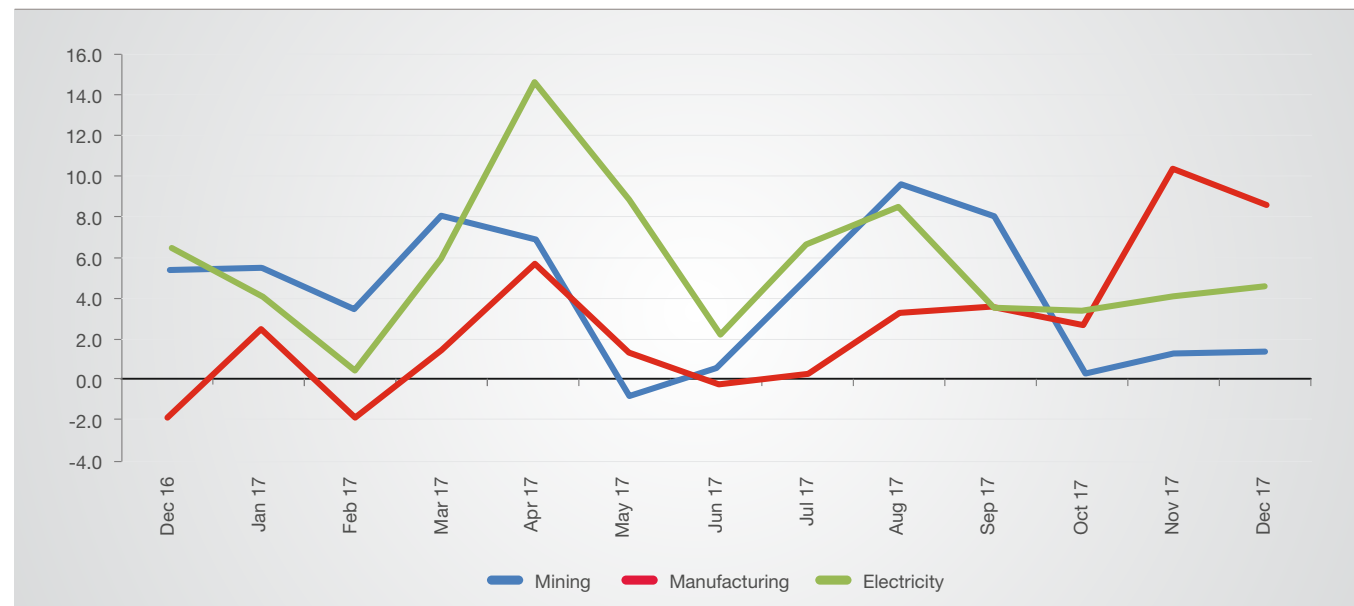


Source: Ministry of Statistics and Programme Implementation, Government of India

The impressive show of the IIP registered in November 2017 moderated a bit in December registering a growth of 7.1%. In November 2017 however, the IIP had registered an impressive growth of 8.4%, the highest in recent years. The

good show of the IIP was on the back of a strong performance by the manufacturing sector for the second month in a row.

IIP (SECTOR WISE)



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

Like in November 2017, the rate of growth of IIP was propelled by the manufacturing sector. In December 2017, the manufacturing sector recorded a growth of 8.4%, which is slightly lower than what the sector recorded in November.

The growth rate of the electricity sector improved from 3.9% in November to 4.4% in December 2017. Even the mining sector recorded a minor uptick. The sector grew from 1.2% in December 2017, compared to 1.1% in November

CORE SECTOR REBOUNDS

INDEX OF EIGHT CORE INDUSTRIES



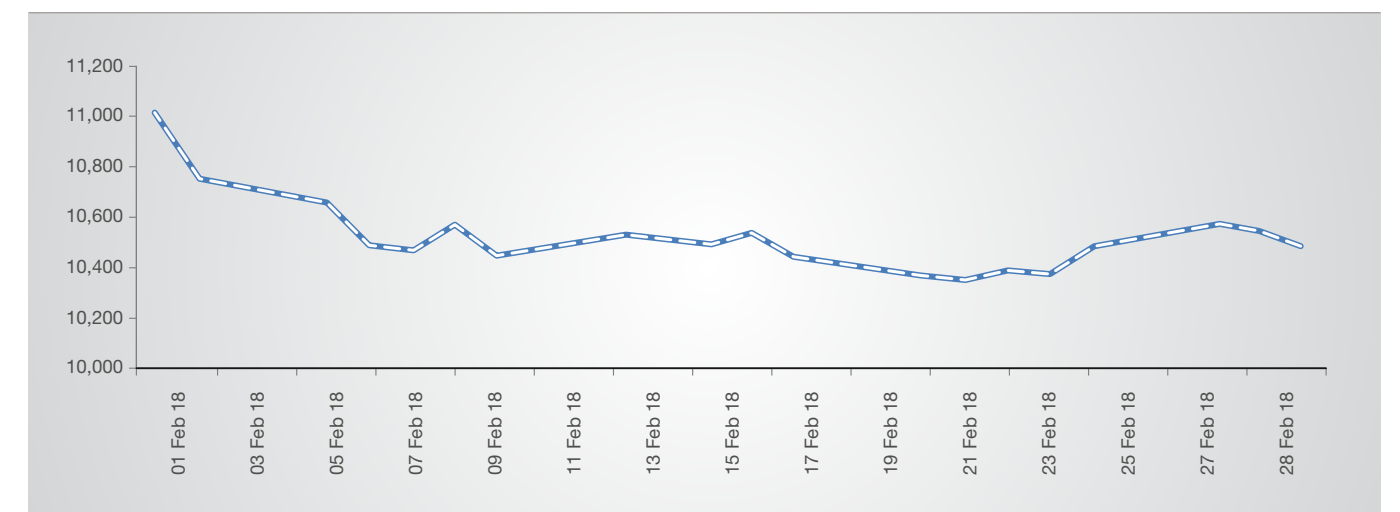
Source: Ministry of Commerce & Industry, Government of India

The growth rate of the core sector that touched a 4-month low of 4.2% in December 2017, bounced back in January to record a growth of 6.7%. Among the sectors that pulled up the core sector are cement (20.7%), refinery (11%), electricity

(8.2%), steel (3.7%) and coal (3%). Growth rate in some of the sectors are however, still in the negative zone. These include crude oil (-3.2%), fertilizers (-1.6%) and natural gas (-1%)

NIFTY

NIFTY 50



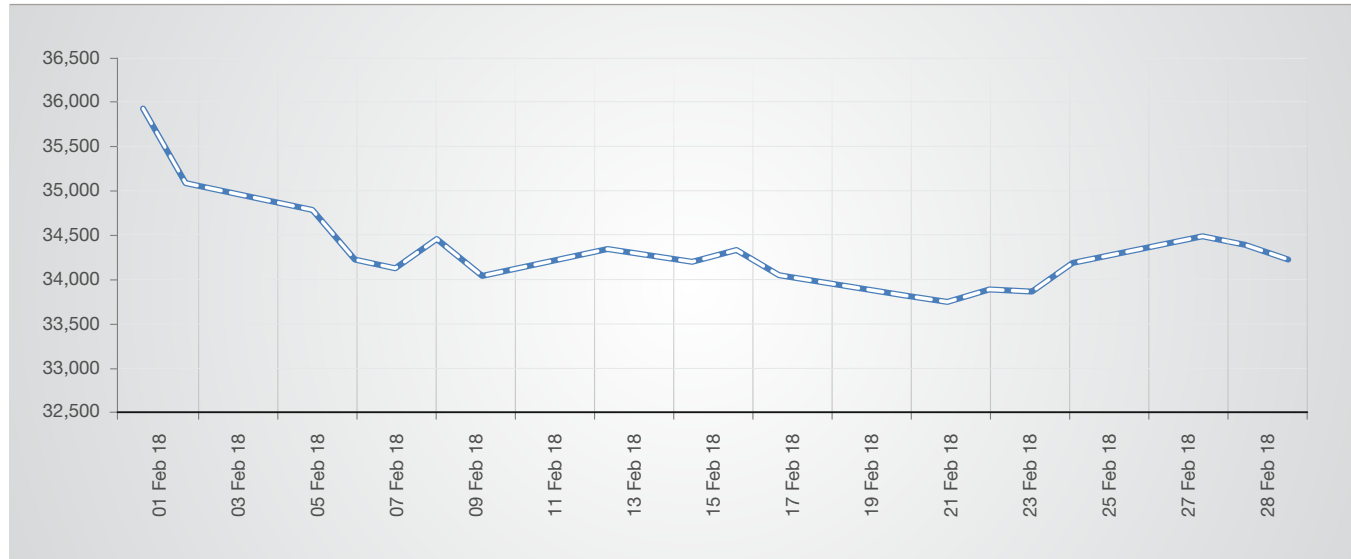
Source: National Stock Exchange

The NIFTY 50 lost 5% in February 2017. It is interesting to note that the NIFTY 50 that breached the 11,000 mark in

January 2018 settled at 10,493 points at the end of February 2018.

SENSEX

S&P BSE SENSEX

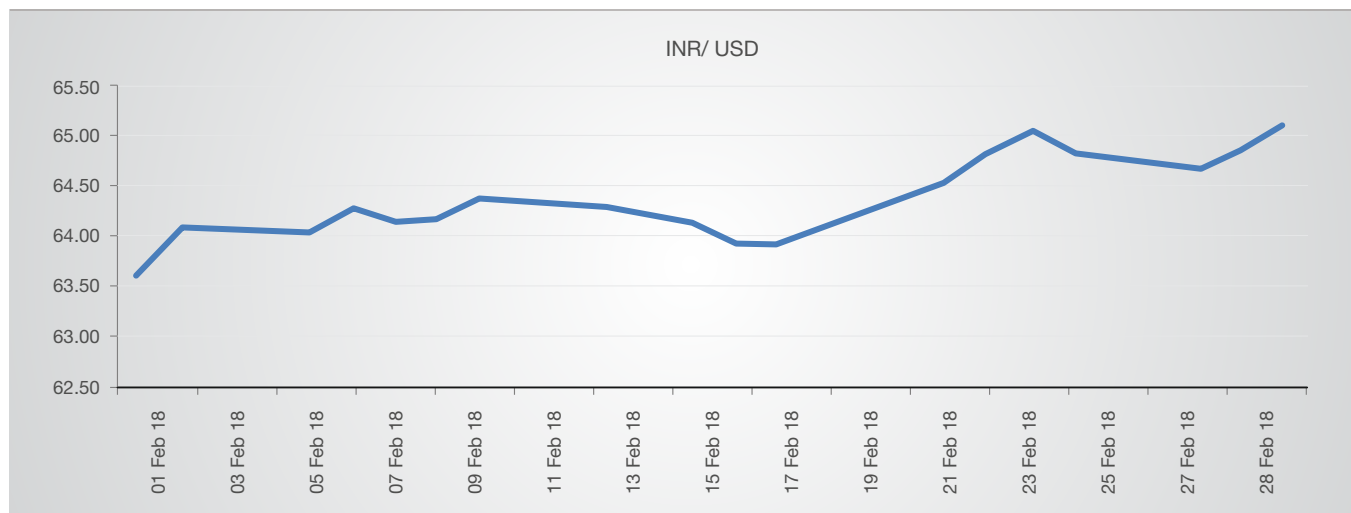


Source: Bombay Stock Exchange

The S&P BSE Sensex lost 5% in February 2018. The S&P BSE Sensex that opened above the 36,000 mark on 1 February 2018 closed at 34,180 points at the end of February 2018.

CURRENCY

CURRENCY



Source: Reserve Bank of India

The USD gained 2.3% compared to the INR in February 2018.



INDIA INFRASTRUCTURE & REALTY UPDATE



OVER 1.28 LAKH HOUSES SANCTIONED UNDER PMAY

The Ministry of Housing and Urban Affairs has approved construction of 128,509 more affordable houses for the urban poor under the Pradhan Mantri Awas Yojana (PMAY). For the same, an investment of ₹9,364 crore has been approved. Of the approved amount, assistance from the central government will be to the tune of ₹1,928 crore. The additional houses that have been sanctioned are spread across Chhattisgarh, Haryana, Uttar Pradesh and Puducherry. Haryana has been sanctioned 62,451 houses in 33 cities. Uttar Pradesh has received 36,056 houses in 95 cities, Chhattisgarh has been sanctioned 28,029 houses in 54 cities and Puducherry has received approval for 1,973 houses across 2 cities.

PM MODI LAYS FOUNDATION STONE OF THE NAVI MUMBAI INTERNATIONAL AIRPORT

Prime Minister Narendra Modi laid the foundation stone of the much delayed Navi Mumbai International Airport. Speaking at the foundation laying ceremony, PM Modi asserted that the Navi Mumbai International Airport will see its first flight next year.

CREATION OF NATIONAL HOUSING FUND

The Union Cabinet has given its approval for the creation of the National Urban Housing Fund (NUHF) for ₹60,000 crore. This fund will be situated in Building Materials and Technology Promotion Council (BMTPC), an autonomous body registered under the Societies Registration Act, 1860 under the Ministry of Housing and Urban Affairs. NUHF will facilitate raising the requisite funds in the next 4 years, so that flow of central assistance under different verticals, i.e. Beneficiary Linked Construction (BLC), Affordable Housing in Partnership (AHP), In-Situ Slum Redevelopment (ISSR) and Credit Linked Subsidy Scheme (CLSS) is sustained and construction of houses to address the gap in the Urban Sector progresses smoothly.

PINK LINE OF THE DELHI METRO TO BE OPERATIONAL

The Pink Line of the Delhi Metro between Majlis Park–Durgabhai Deshmukh South Campus will be operational in the very near future. This line will connect the north and north-west part of the city with South Delhi. This line, which will have 12 stations, will also have 4 interchange stations at Azadpur, Netaji Subhash Place, Rajouri Garden

and South Campus. The total length of this line is 20.6 kilometres.

INDIAN RAILWAYS ON A FAST TRACK

The Indian Railways has an ambitious plan of constructing high speed train corridors to the tune of 10,000 kilometres. This scheme will be implemented with an investment of ₹10 lakh crore. On these high speed train routes, trains will be able to run at 200 kilometres per hour.

NO COMMERCIAL ACTIVITY IN RESIDENTIAL AREAS IN DELHI

The tragedy at Kamla Mills has acted as a wake-up call for civic agencies involved in planning of urban centres. Delhi is a case in point. In the national capital there are many instances of commercial activities operating out of residential areas. That would no longer be the case going forward as per the amendments in the Master Plan for Delhi 2021. It is worth noting that these amendments have to be discussed in a meeting of the Delhi Development Authority to be chaired by the Lieutenant Governor of Delhi.

UTTAR PRADESH ON A FAST TRACK

Uttar Pradesh is truly on the fast track of infrastructure development. In the state budget for 2018–19, the Yogi Adityanath government presented an outlay of ₹1,700 crore budget for development of 4 expressways in the state. As per the budget proposals, the following amounts have been earmarked for the respective expressways.

The New Roads to Development	
Expressway	Budget allocation (in ₹ crore)
Bundelkhand Expressway	650
Gorakhpur Link Expressway project	550
Purvanchal Expressway	1,000
Agra Lucknow Expressway	500



COMMERCIAL BRIEFING

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