



# MACRO SCAN



**October-December, 2016**  
**(Including Union Budget 2017-18)**

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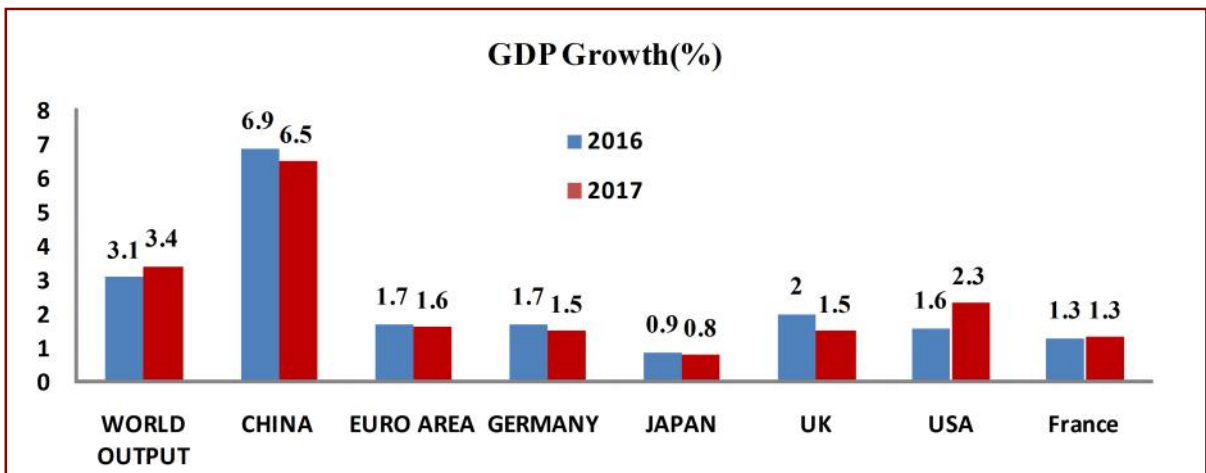
## MACROSCAN

### 1. GLOBAL DEVELOPMENT

#### 1.1 Global Growth outlook

According to recent IMF outlook, global economic activity will pick up pace in 2017 and 2018 especially in emerging market and developing economies. However, there is a possibility of wide variation in the projections due to the uncertainty stemming from the policy stance of new US administration and its global ramifications. The outlook for advanced economies has improved for 2017–18 while the same for emerging market and developing economies have marginally worsened.

**Chart-1: Global Growth Projections**



Source: IMF, World Economic Outlook

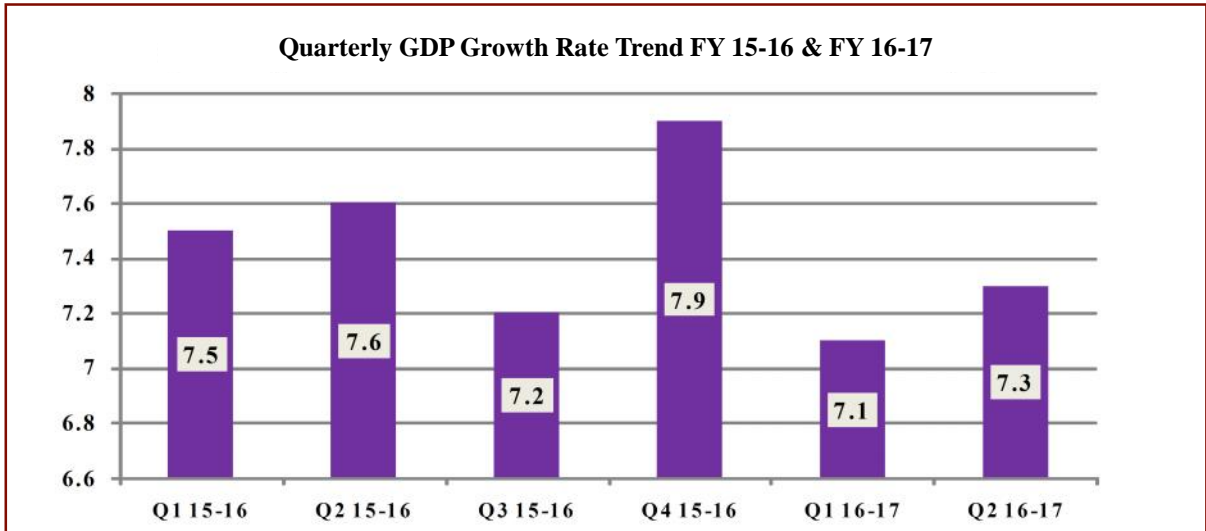
### 2. DOMESTIC ECONOMY

#### 2.1 Growth Performances

As per the latest estimates of Gross Domestic Product (GDP) for the 2nd quarter (July-Sept) of 2016-17 released by the Central Statistics Office (CSO) on 30<sup>th</sup> November, 2016, the growth rate of GDP in Q2 of 2016-17 was 7.3% as compared to the growth of 7.6% in Q2 of 2015-16 and 7.1% in Q1 of 2016-17. The lower growth in the first half of the fiscal compared to last year will create further pressure on the overall GDP growth expectations for FY 2016-17 owing to the anticipated moderation in economic activity in the next 2 quarters on account of demonetization related impact.

Industrial output measured in terms of Index of Industrial Production (IIP) for November'16 recorded a growth of 5.7% which is an improvement over the October 2016 growth rate which had recorded a *contraction* of 1.9%. With this, the cumulative growth in IIP during April-November 2016 stands at 0.4% compared to 3.8% during the same period last fiscal. Therefore, industrial activity in the current FY remains subdued so far compared to last FY.

**Chart-2: Quarterly GDP Growth Trend (Y-O-Y, Percent)**

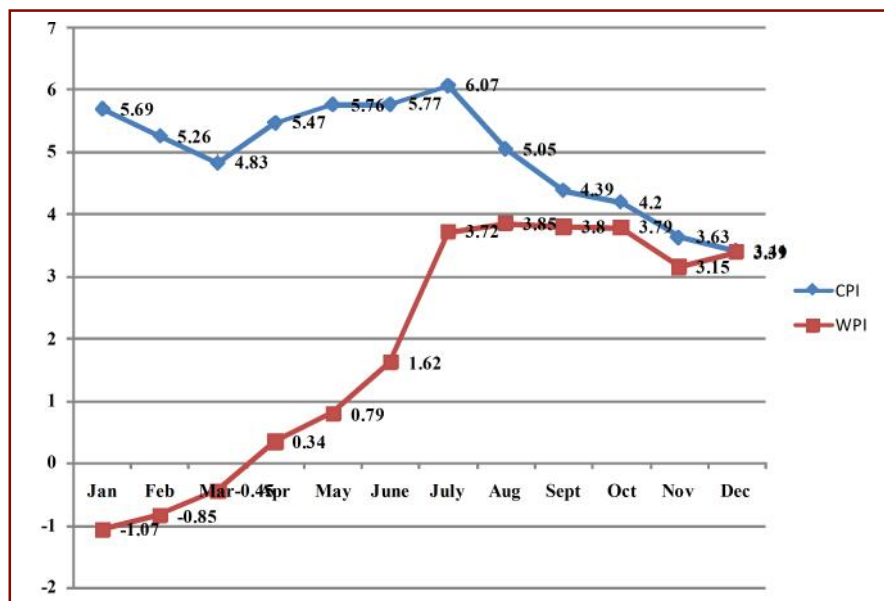


Source: CSO

## 2.2. Inflation

The Consumer Price Index (CPI) based inflation or retail inflation fell to 3.41% in December 2016 from 3.63% in November 2016. This was the fifth consecutive month in which CPI has declined. The fall was led by fall in prices of vegetables and pulses. The decline in CPI inflation in November and December is also attributed to the lesser purchasing power of the consumers on account of demonitisation. Retail inflation had reached its peak in July 2016. Thereafter in it has been moderating. The wholesale price index (WPI) based inflation rate for the month of December 2016 recorded at 3.39% compared to 3.15% in the November 2016. The marginal rise in WPI inflation has come from increased non-food articles, fuel and power and manufactured products.

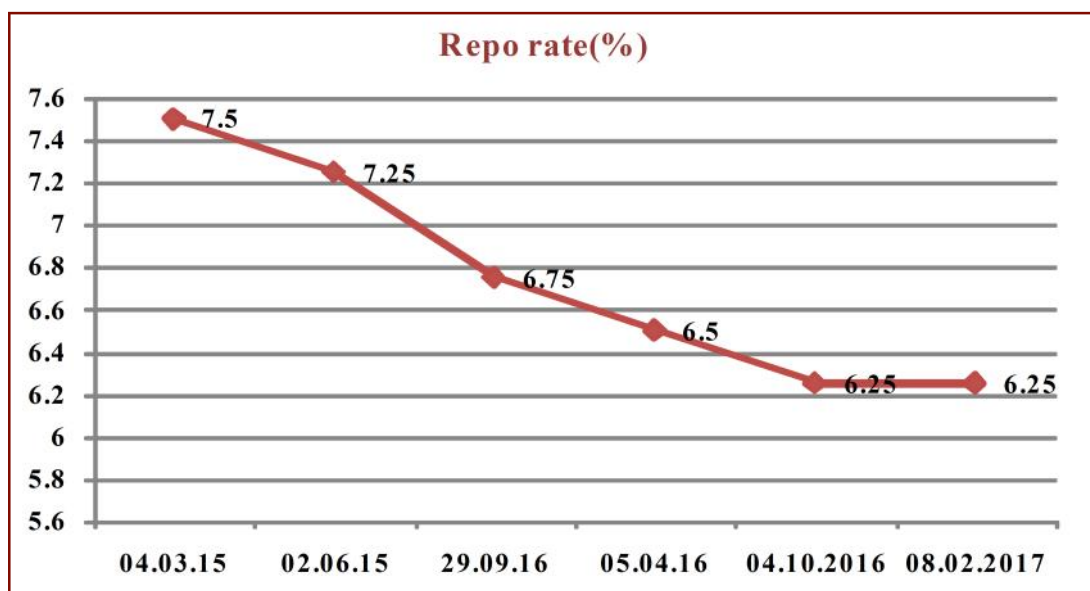
**Chart-3: CPI & WPI Inflation trajectory 2016 (Y-O-Y, Percent)**



### 2.3 Monetary Policy Stance

The Reserve Bank of India (RBI) in its latest monetary policy statement on February 8, 2017 has kept the repo rate by unchanged at 6.25%. Consequently the reverse repo rate also remains unchanged at 5.75% - 50bps lower than the repo rate. The Monetary Policy Committee of the RBI, decided to change the monetary policy stance from accommodative to neutral while keeping the policy rate on hold to assess how the effects of demonetisation on inflation and output plays out in future. The Committee remains committed to bringing headline inflation closer to 4% on a durable basis and in a calibrated manner.

**Chart-4: Movement in Repo rate (%)**



### 2.4 Foreign trade

Merchandise exports and imports increased by 2.3 % and 10.4 % respectively in US dollar terms in November 2016 over November 2015. With this, during April-November 2016, merchandise exports increased by 0.1 %, while imports declined by 8.4%. India's balance of payments situation was benign and comfortable since 2013-14 and this continued through the first half (H1) of 2016-17. The current account deficit (CAD) was lower at US\$ 3.7 billion (0.3% of GDP) in H1 of 2016-17, as compared to US\$ 14.7 billion (1.5 % of GDP) in H1 of 2015-16. Foreign exchange reserves stood at US\$ 361.1 billion as on end November 2016, as compared to US\$ 360.2 billion at end March 2016.

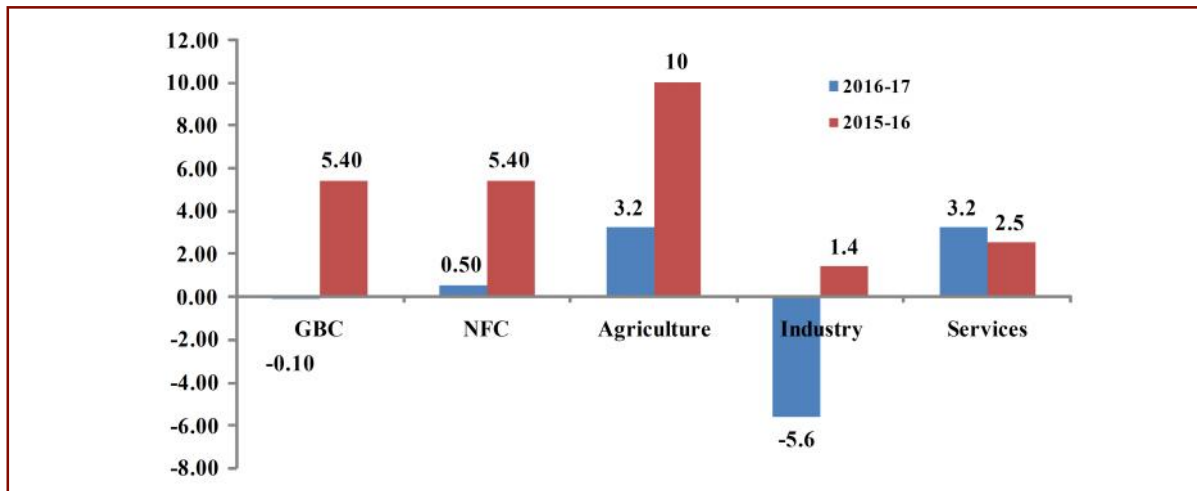
### 2.5 Credit Flows

The RBI data on sectoral deployment of bank credit depicts the variation in outstanding credit of banks to various sectors of the economy or deployment of gross bank credit by major sectors. The data for the month of December 2016 reveals the following facts:

- Outstanding **Gross Bank Credit (GBC)** decreased by -0.1% per cent during April-December 2016 compared to an increase of 5.4% during the same period last fiscal.
- Outstanding **Non-Food Credit (NFC)** increased by 0.5% per cent during April-December 2016 compared to an increase of 5.4% during the same period last fiscal.
- Outstanding credit to **agriculture & allied activities** increased by 3.2% per cent during April-December 2016 compared to an increase of 10% during the same period last fiscal.

- Outstanding credit to **Industry** *decreased* by 5.6% per cent during April-December 2016 compared to an increase of 1.4% during the same period last fiscal
- Outstanding credit to **Services** increased by 3.2% per cent during April-December 2016 compared to a increase of 2.5% during the same period last fiscal.

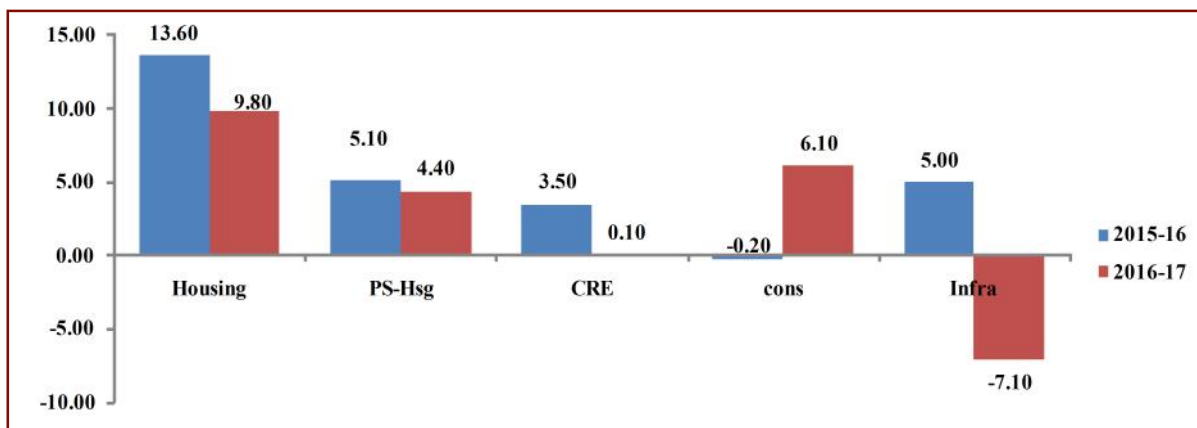
**Chart-5: Variation in outstanding bank credit upto Q3 of Current & Previous FY: Broad Heads (%)**



It is clear from above that growth in outstanding credit has generally decreased upto Q3 of FY 2016-17 compared to upto Q3 of FY 2015-16, barring services sector where there has been a growth to the extent of 3.2% in 2016-17. Services sector has recorded 3.2% growth upto Q3 of 2016-17. Further, the data related to sectoral deployment of bank credit to the sub-sectors like **housing, commercial real estate, construction and infrastructure** reveal the following facts:

- Outstanding credit of **retail housing sector including priority sector (Housing)** increased by 9.8% upto December 2016 in the current FY compared to 13.6% increase in the same period last fiscal.
- Outstanding credit of **Commercial Real Estate (CRE)** *increased* by 0.1% upto December 2016 in the current FY compared to 3.5% increase in the same period last fiscal.
- Outstanding credit of **Construction** sector increased by 6.1% upto December 2016 in the current FY compared to a *decrease* of 0.2% in the same period last fiscal.
- Outstanding credit of **Infrastructure (power, telecom, roads & other infrastructure)** *decreased* by 7.1% upto December 2016 in the current FY compared to an *increase* of 5% in the same period last fiscal.

**Chart-6: Variation in outstanding bank credit upto Q3 –Select sectors(%)**



*The above data on subsectors upto December 2016 reveals that both retail housing sector and infrastructure sector have witnessed lower growth in outstanding credit compared to same period last fiscal. The infrastructure sector actually recorded a negative growth to the tune of 7.10% in outstanding credit and on the contrary construction sector recorded a 6.10% growth in outstanding credit compared to a 0.2% negative growth in the same period previous fiscal.*

### **3. Demonetisation**

On November 8, 2016, the Government announced the demonetisation of all ₹ 500 and ₹ 1,000 banknotes. The move was aimed to curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism. The total amount of high denomination currency circulating in the system prior to demonetisation announcement was worth Rs 15.44 lakh crore. The sudden withdrawal of high denomination notes and resultant cash shortages led to various ramifications. On economic front business activities dwindled with a projected fall in GDP growth in the current FY. The growth in GDP during 2016-17 is now estimated at 7.1 per cent as compared to the growth rate of 7.6 per cent in 2015-16.

### **4. Housing Sector**

#### **4.1 Proposals related to Housing sector Union Budget -2017-18**

- i) Affordable Housing has been granted an 'Infrastructure status'. With the infrastructure status, affordable housing developers will now be eligible for several government incentives, subsidies, tax benefits, and most importantly, institutional funding. The status could also mean that the government may release land specifically for affordable housing development in central locations of major urban centres in India. On the whole it will facilitate higher investment in affordable housing.
- ii) Under PMAY (Pradhan Mantri Awaas Yojana – Gramin) Rs.23000 crore has been allocated for building 1 crore houses for poor living in Kutcha houses by 2019.
- iii) For constructed buildings which are stock-in-trade and are unoccupied, will be subject to tax on notional rental income only after one year of the end of the year in which completion certificate is received by developer. This will provide breathing time to real estate developers in-order to liquidate their inventory.
- iv) Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq.mtr. will be counted. The 30 Sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq.mtr. will apply. The time period for completion of this scheme has been extended to the period of 5 years from 3 years earlier. This Change of area statement is a good move in favour of consumers and will boost the affordable housing scheme. Extension of period will boost the confidence of the real estate developers.
- v) The holding period for considering long term capital gain(LTCG) Tax from immovable property have been reduced from 3 to 2 years. Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property. This move will reduce the capital gain tax liability on the sale of properties.
- vi) The National Housing Bank will refinance to HFIs for individual housing loans to customers about Rs. 20,000 crore in 2017-18.

#### **4.2 HUPA grants Rs 160 crore to Uttar Pradesh for urban housing**

The Ministry of Housing and Urban Poverty Alleviation (HUPA) has granted Rs 160 crore to Uttar Pradesh in order to construct houses for its urban poor. The UP government had proposed to construct 11,286 houses for the urban poor living in its 34 towns. Total investment involved in the construction of these houses is Rs 384 crore and the Ministry has approved central assistance of Rs 160 crore in this regard. The state government has proposed the construction of these houses under the beneficiary led construction component of PradhanMantriAwasYojana-Housing for All (Urban).

#### **4.3 MoUD finalises Real Estate Rules for Delhi**

Ministry of Urban Development has finalised the Real Estate General Rules and Rules for Agreement for Sale for the National Capital Territory of Delhi as required under the Real Estate (Regulation & Development) Act, 2016. These Rules have been formulated after consultations with the Delhi Government, New Delhi Municipal Council, three Municipal Corporations of Delhi, Delhi Development Authority and other stakeholders.

#### **4.4 Over 12 lakh houses sanctioned for urban poor under PMAY**

Under Pradhan Mantri Awas Yojana (PMAY) a total of 12,27,088 affordable houses for Economically Weaker Sections (EWS) in urban areas have been approved as on 16<sup>th</sup> November 2016 with a total central assistance commitment of Rs 19,682 crore of which Rs 6,172 crore has already been released. Construction of 2,21,373 houses has started of which 48,236 have been built.

#### **4.5 Uttarakhand amends its housing bye-laws**

Uttarakhand government has amended the 'Buildings and Development Regulations Bye-Laws 2011,' by exempting people who are not residing in areas covered under the master plan from getting the layout map of their construction sites passed by authorities. As per the amendment, single residential buildings, retail stores and public sector constructions that are below the area of 1,000 sq m would not need to get the layout map passed by the authorities concerned. The new rules would apply to regulated areas that are not covered under any master plan.

#### **4.6 Cabinet approves MoU between India and Kenya on cooperation in housing policy**

The Union Cabinet has given its ex-post facto approval for the Memorandum of Understanding (MoU) between India and Kenya on cooperation in the field of National Housing Policy Development and Management (NHPDM). The MoU was signed at Nairobi during the visit of the Prime Minister of India. Under the MoU, both the sides would collaborate on all matters relating to housing and human settlements through various strategies including training of personnel, exchange visits, expos/exhibitions, conferences and workshops. The cooperation between the two countries would focus on upscaling slum upgradation and prevention initiatives based on the experience and implementation process of each country. They would collaborate on development and sharing of information on housing and real estate database including market trends, best practices and investment opportunities. It would encourage technical cooperation in facilitating access to affordable housing from locally available building materials and encourage technical cooperation in the development of Government/Public employee facilitated housing.

#### **4.7 DDA to develop integrated townships at Dwarka, Rohini and Narela**

Delhi Development Authority (DDA) is planning to develop integrated townships at Dwarka, Rohini and Narela. A proposal to hire consultants for this project has already passed by the authority. The consultant will prepare the plan and would also advise the agency on how to

implement the project. The agency plans to develop these townships as high-density mixed-use areas which would have residential, commercial and economic hubs. The total land which would be developed in Dwarka, Rohini and Narela is 154 hectare, 259 hectare and 218 hectare respectively. DDA has already floated a request for proposal (RFP) for Dwarka.

#### **4.8 Uttarakhand Government plans new township in selaqui**

The Uttarakhand Housing & Urban Development Authority (UHUDA) has given its approval for a proposal to build a residential complex in a 15-acre plot in Selaqui area on the outskirts of Dehradun to provide housing for low, middle and high-income groups. The project would also allow for the construction of a working women's hostel and an indoor stadium on the land. The land, which is owned by a private firm in Selaqui, has been offered to the government under the land pooling policy (LPP). Under LPP, land owners can surrender their land holding to form a central pool and be a stakeholder in the development of the proposed land. A similar project would also be developed in Nainital and would house a township for around 361 families. Under LPP, UHUDA would pay only 50% of the land price according to the circle rate over a period of three years. The project is expected to be completed within two years.

### **5. Urban Sector**

#### **5.1. Better Planned urbanization can add up to 6% of GDP**

According to the latest research from the New Climate Economy, a flagship project of the Global Commission on the Economy and Climate, better and smarter urban growth could be an economic opportunity for India worth up to 6% of the gross domestic product (GDP) by 2050. Global Commission on the Economy and Climate is an international initiative overseen by a Global Commission comprising former heads of government and finance ministers and leaders in the fields of economics, business and finance. The report estimates that a continuation of poorly planned, sprawling, unconnected pattern of urbanisation could impose significant costs on India's development, amounting to an estimated \$330 billion to \$1.8 trillion per year by 2050, or 1.2%–6.3% of GDP. There are a number of negative impacts or costs associated with India's current urbanisation model, ranging from increased costs of providing public infrastructure and services, transportation costs, traffic casualties, traffic congestion, air pollution, and health risks, among other considerations, according to the report.

#### **5.2. Maharashtra, Canada signed Joint Action Plan for Urban Infrastructure**

The Maharashtra government has signed an agreement with Canada to implement a Joint Action Plan on urban infrastructure development in the state. The target areas for collaboration under the Action plan include affordable housing, urban infrastructure including smart cities, project financing, training and skills development.

#### **5.3. SMART Cities**

##### **5.3.1 Germany, UK to provide Solutions for Smart Cities Projects**

The German SMART CITY Solutions firms shall provide their support, services, and products to develop Hyderabad, Bhubaneswar, Kochi and Coimbatore as SMART cities. The German Companies have over 40 years of experience in providing clean energy, water treatment, waste water treatment, solid waste management as well as urban mobility solutions. U.K's top 20 innovative companies will offer smart city solutions for Kochi by offering the development of autonomous vehicles, intelligent transport systems, data analytics and smart energy.



### **5.3.2 Bihar Government to develop ‘Smart Villages’ for Bihar citizens**

The state government of Bihar has launched several programs to make ‘Smart Villages’ in the state so that the people of the village do not need to move to the cities. The government’s main target is to create smart villages by implementing “seven resolves” under which, free electricity connection, toilets, drinking water, and sewage connection will be provided to all areas.

### **5.3.3 Andhra Pradesh (AP) Government to Include 6 Municipal Towns into Smart Cities**

The government of AP has given green signal to transform Srikakulam, Eluru, Ongole, Nellore, Kurnool and Anantapur into smart cities. The government will prepare special purpose vehicles (SPVs) for arranging fund for these new smart cities.

### **5.3.4 Ghaziabad Municipal Corporation to prepare new proposal for developing Ghaziabad Smart City**

The Municipal Corporation of Ghaziabad will prepare a new proposal for developing Ghaziabad as a smart city. The new plan will focus on various aspects pertaining to sanitation in the city. A big public outreach program will be conducted in the city through mobile vans, distribution of pamphlets, meetings with social organizations and RWAs and organization of street plays.

#### **Status of the Smart City Mission**

- ☞ 186 projects costing Rs.11,749 crore have been awarded for execution.
- ☞ 114 projects worth Rs.1,582 crore would be completed by June 2017.
- ☞ 210 projects worth Rs.7,336 crore to be awarded soon.
- ☞ A total of 510 projects with Rs.20,669 crore investment would take off the ground amounting to 50% of the total investment proposed.

### **5.3.5 Kerala Government likely to complete Kochi Smart City Project within three years**

Kerala government is expecting to complete Kochi Smart City project within three years. The construction of the 55.5 lakh square feet buildings would be completed by 2020. The development of Smart City would be designed so as to create one lakh new job opportunities.

### **5.3.6 Bhubaneswar city selected for World Smart City Awards at Barcelona**

After the competitive challenge of Smart City, the Bhubaneswar city has been selected to compete for the World Smart City Awards at Barcelona. The Bhubaneswar city had topped the list of 20 cities which were selected under the Government’s 100 Smart City Mission to develop as Smart City. Developing 100 smart cities is a big task and recognition of the efforts being made by Indian cities at the global level will encourage other cities to do better.

### **5.3.7 Credit Ratings of cities**

Credit rating of ULBs is a key reform envisaged under the AMRUT Mission of the Government. Under the initiative of Credit Rating of Urban Local Bodies, 85 cities had launched the process. A total of 44 cities, including 25 AMRUT cities have so far, got credit ratings. Eight cities viz., Ahmedabad, Bhopal, Indore, Jaipur, Kakinada, Pune, Rajkot and Visakhapatnam have already appointed Transactional Advisors for issuing municipal bonds. Agencies like ICRA, Brickworks Ratings India Private Limited are the rating agencies.

### Details of 41 SMART & AMRUT Cities and Credit Ratings

Smart cities	Credit rating	AMRUT cities	Credit rating
1. Ahmedabad	AA minus	1. Bharatpur	BBB minus
2. Bhopal	A minus	2. Bikaner	BBB minus
3. Bhubaneswar	BBB	3. Sriganganagar	BBB minus
4. Indore	A Plus	4. Hanumangarh	BBB minus
5. Jaipur	A minus	5. Dholpur	BB plus
6. Kakinada	BBB	6. Gangapur city	BB plus
7. New Delhi Municipal Council	AA minus	7. Swai Madhopur	BB plus
8. Pune	AA plus	8. Churu	BB
9. Udaipur	BBB plus	9. Sujangarh	BB
10. Visakhapatnam	A	10. Hindan	BB
11. Ajmer	BBB plus	11. Kishangarh	A plus
12. Kota	BBB plus	12. Jhunjhunu	A
13. Nagpur	AB plus	13. Bhiwadi	A minus
14. Nashik	AA minus	14. Alwar	BBB plus
15. Navi Mumbai	AA plus	15. Tonk	BBB
16. Rourkela	BB plus	16. Pali	BB plus
17. Thane	AA minus	17. Jodhpur	BB
		18. Bhilwara	BBB plus
		19. Bundi	BB
		20. Chittorgarh	BB
		21. Jhalawar	BB minus
		22. Baran	BB minus
		23. Sikar	BB plus
		24. Beawar	BBB plus

#### 5.3.8 New Delhi Smart City project will be implemented by June 2018

As per the latest news, the Rs 1,900-crore New Delhi Municipal Council (NDMC) “Smart City” project should be implemented by June 2018 and the efforts should be visible by next June. The New Delhi Municipal Council (NDMC) is expected to become a benchmark for other cities to develop as a smart city. The Digital screens should be set up at all major NDMC locations to display useful information such as weather, traffic flow, suggested traffic diversions and pollutions. This kind of information should be provided on a continuous basis through the FM and community radio stations. Besides this, the whole NDMC area should be connected with the Wi-Fi facility.

#### 5.3.9 Ministries of Urban Development and Railways to jointly develop smart railway stations

Urban Development and Railways Ministries have signed a memorandum of understanding on to redevelop railway stations at the identified smart cities. Initially, ten cities’ location will be taken up for the proposed redevelopment by National Buildings Construction Corp. Ltd. These locations include Sarai Rohilla (Delhi), Bhubaneswar, Lucknow, Varanasi, Jaipur, Kota, Thane, Margao (Goa), Tirupati and Puducherry. These will be developed to enhance passenger amenities, easy access to stations, and allowing optimal utilisation of land at railway stations.

#### **5.4 Progress on Delhi-Mumbai Industrial Corridor project**

The \$100 billion project - Delhi Mumbai Industrial Corridor (DMIC) to develop an industrial corridor between Delhi and Mumbai, spanning across six states was conceptualised in 1998 but a memorandum of understanding (MoU) was signed with the Japan government eight years later in 2016. DMIC project involves building eight industrial cities, 24 investment regions and a 1,504km freight corridor at an estimated cost of \$100 billion by 2040. Construction work has started in four places—Shendra in Maharashtra covering 8.5 sq. km, Dholera in Gujarat covering 22.5 sq. km, a 747-acre integrated industrial township in Greater Noida and another 1,100-acre project in Vikram Udyogpuri near Ujjain, Madhya Pradesh. Construction of trunk infrastructure such as roads and underground utilities such as drainage, sewage are underway in these locations. The Greater Noida and Ujjain projects will be delivered by 2018, and Shendra and Dholera by mid-2019.

#### **5.5 Nagpur Metro gets a €130 million credit line from French Development Agency**

Nagpur Metro Rail Corp. Ltd (NMRCL) has received a credit guarantee of €130 million (around Rs.940 crore) for a period of 20 years, including a moratorium of five years, from the French Development Agency (AFD), a financial institution. In April 2016, NMRCL had also signed a loan agreement with KfW Germany, a development bank for €500 million.