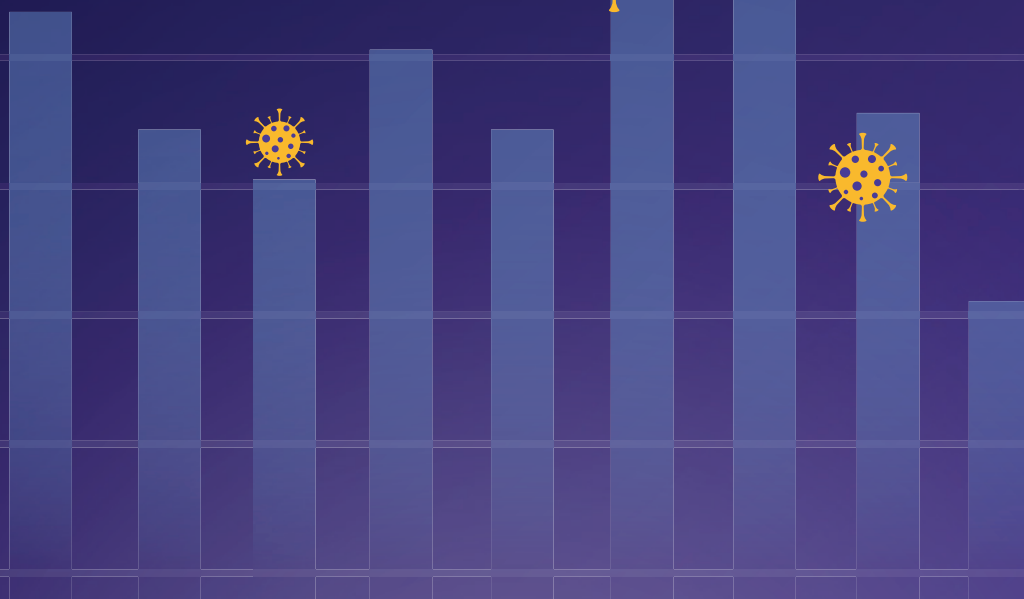


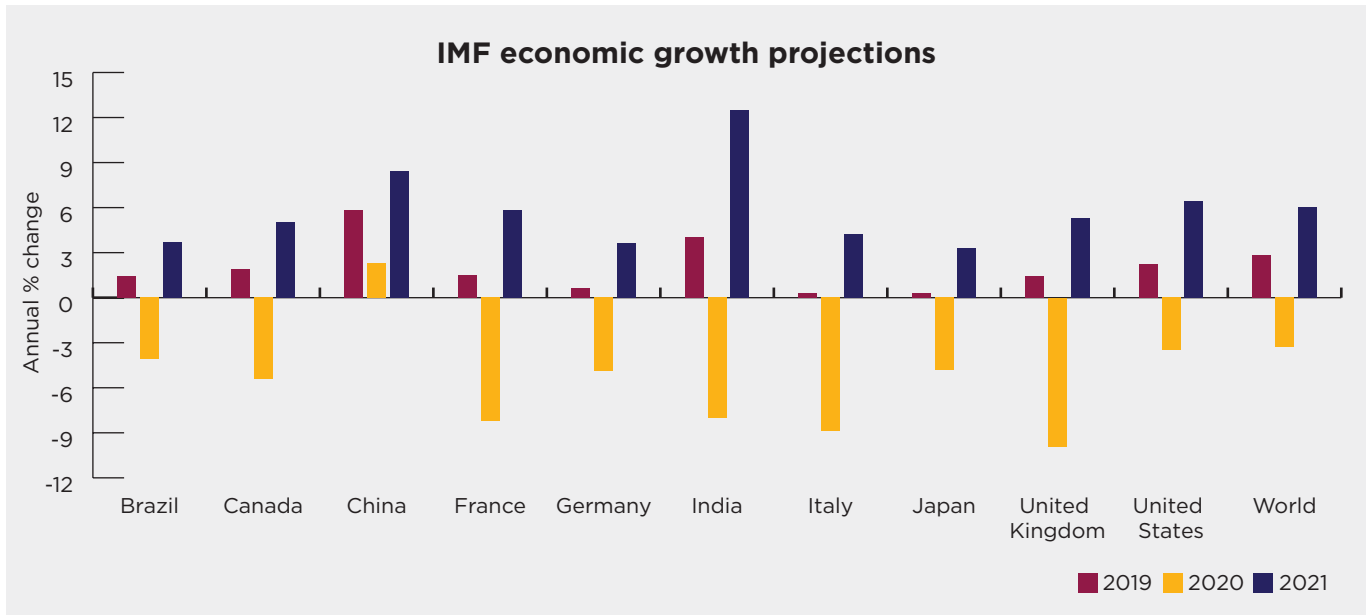
JUNE 2021

# EconoBeat

A comprehensive monthly dialogue on leading indicators



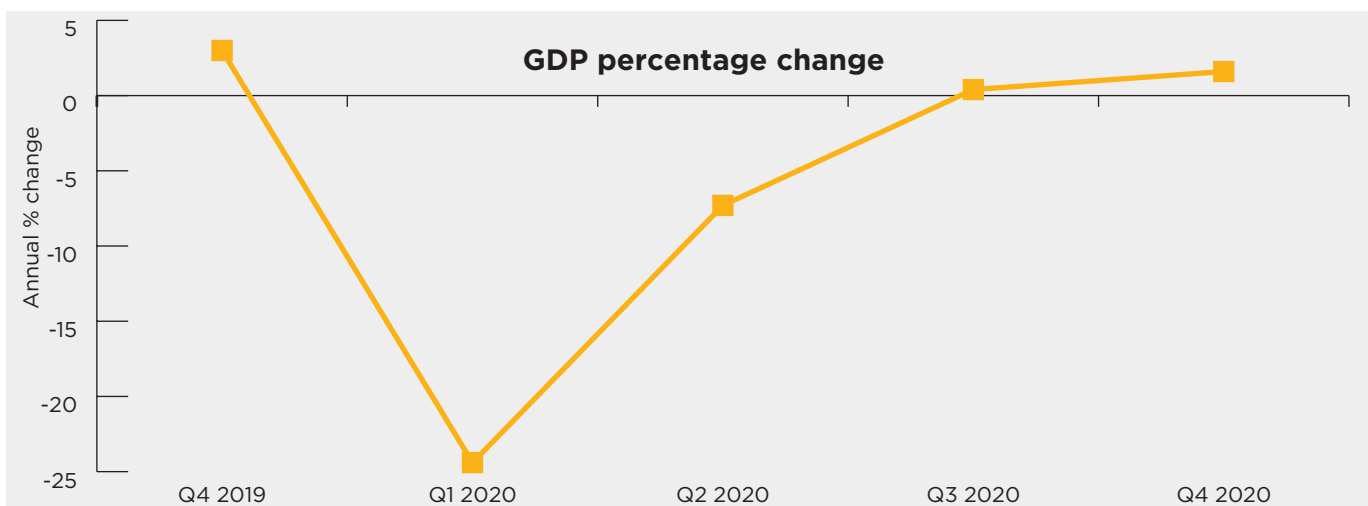
## Double-digit economic growth overshadowed by second wave



Source: International Monetary Fund, Housing Research

- IMF had projected an impressive double-digit (12.5 percent) economic growth for India in April 2021. China comes closest, forecasted to grow at 8.4 percent.
- The growth has been projected on the back of vaccine roll-out and the government's response in the form of several monetary and fiscal policies to cushion the impact of the COVID crisis.

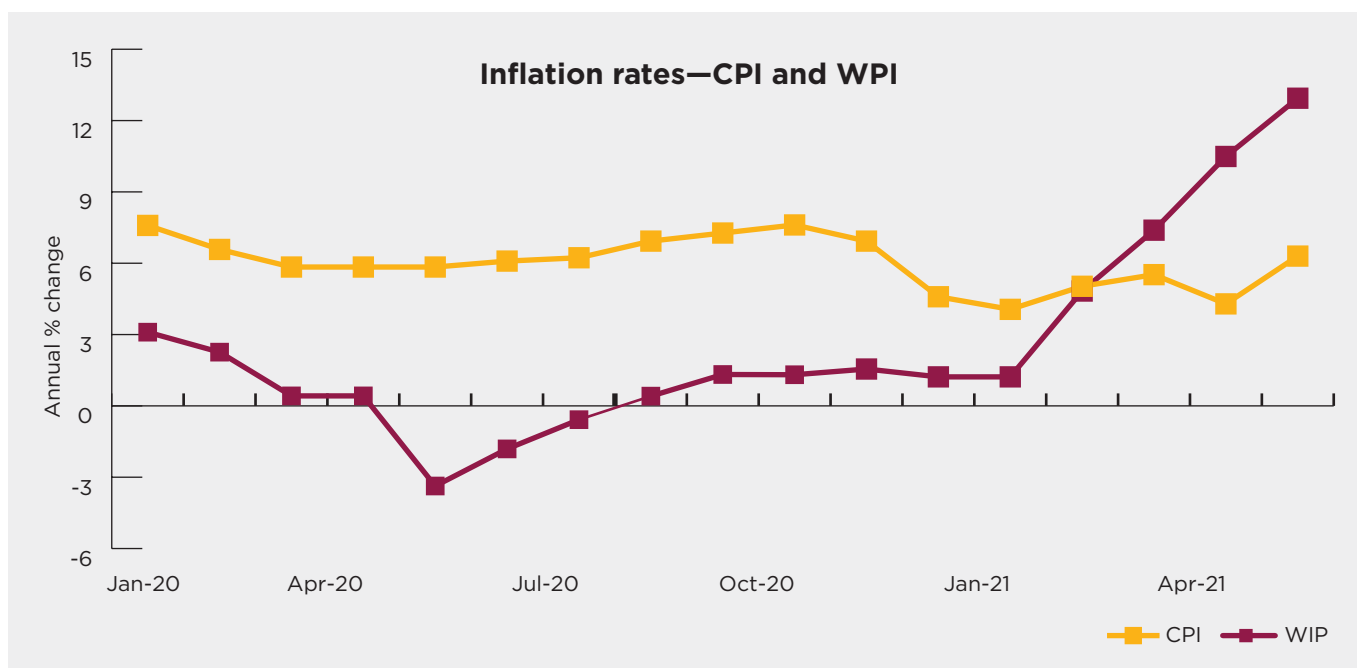
## GDP expands in Q4 FY2020; sees annual contraction of 7.3 percent



Source: Ministry of Statistics and Programme Implementation, Office of Economic Advisor, Housing Research

- The Gross Domestic Product (GDP) expanded by 1.6 percent in Q4 FY2021, compared to the same period in the previous year.
- The opening up of the economy has set the path of recovery for the manufacturing, construction and services sector backing the GDP.
- India's GDP growth is seeing a V-shaped recovery after contracting for the preceding quarters. Although, the pace of V-shaped recovery may be attenuated amid the second wave.
- For the entire FY2021, however, the Indian economy has contracted by 7.3 percent.

## CPI breaches RBI's upper threshold; WPI hits all-time high

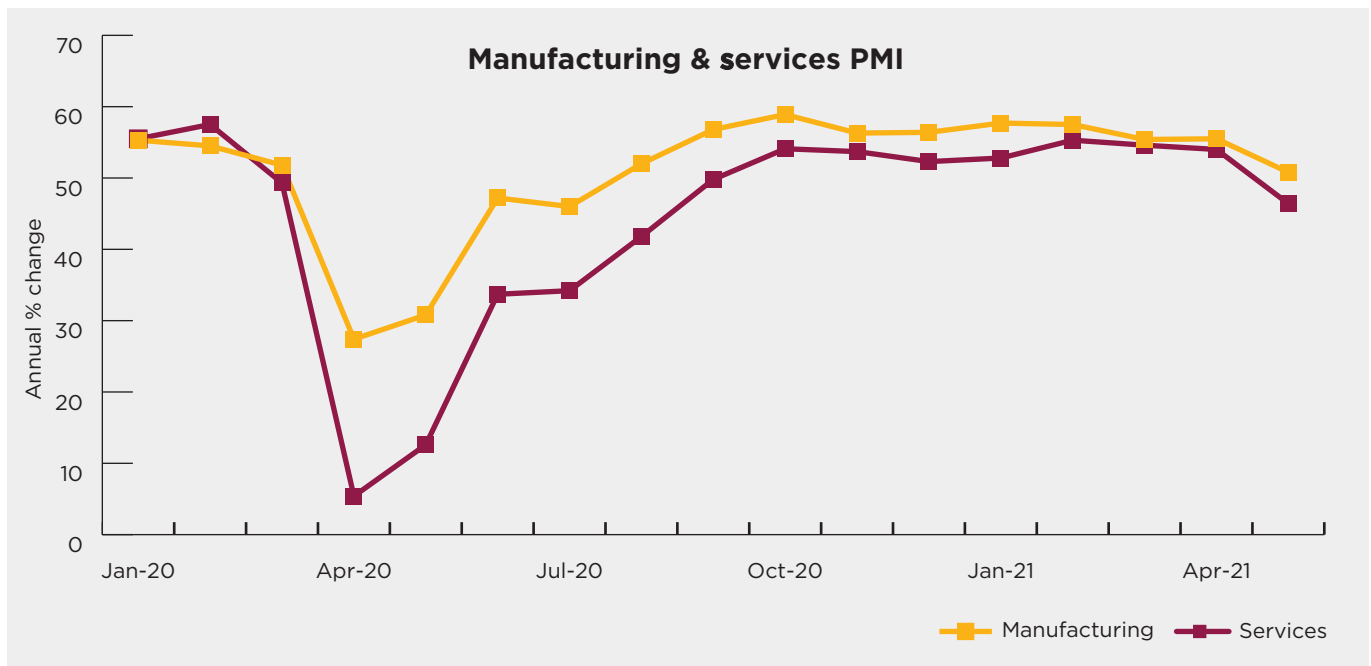


Source: Ministry of Statistics and Programme Implementation, Office of Economic Advisor, Housing Research

- The CPI inflation has continued to rise for the past four months and reached 6.3 percent in May 2021. Inflation has increased on the back of the sharp rise in food and fuel prices.
- The growth of inflation in urban areas is pegged at 6.0 percent in May 2021, higher than the 4.7 percent in the previous month.
- The inflation rate is higher than the Monetary Policy Department's target band of 2-6 percent.
- The rising cases, restrictions and supply bottlenecks, continue to put upward pressure on the prices.
- The WPI again recorded double-digit growth (12.9 percent) in May 2021, compared to the same period in the previous year.
- The inflation in wholesale prices has been on an uptick since the start of the year.
- The growth is registered mainly due to the rise in crude oil prices and manufactured products coupled with the low base in the previous year.

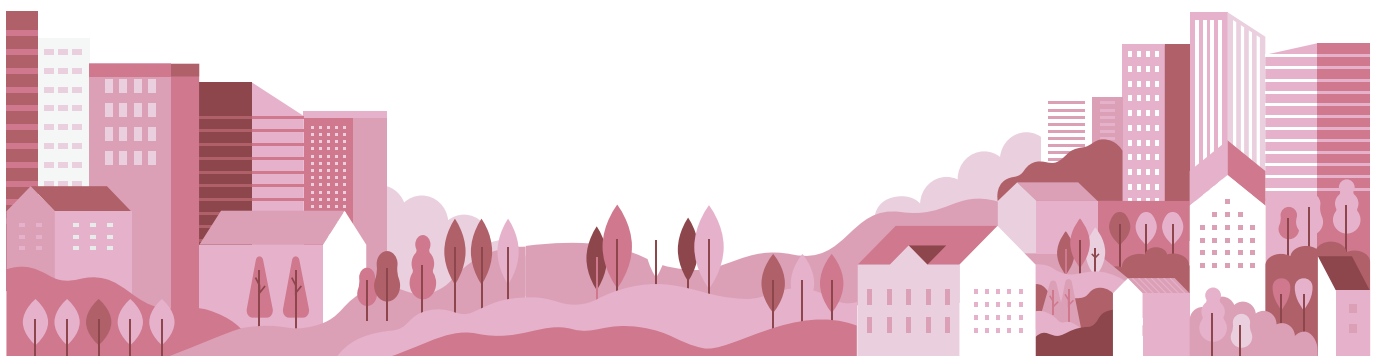


## Second wave trammels Manufacturing PMI in May 2021; services activity slows down

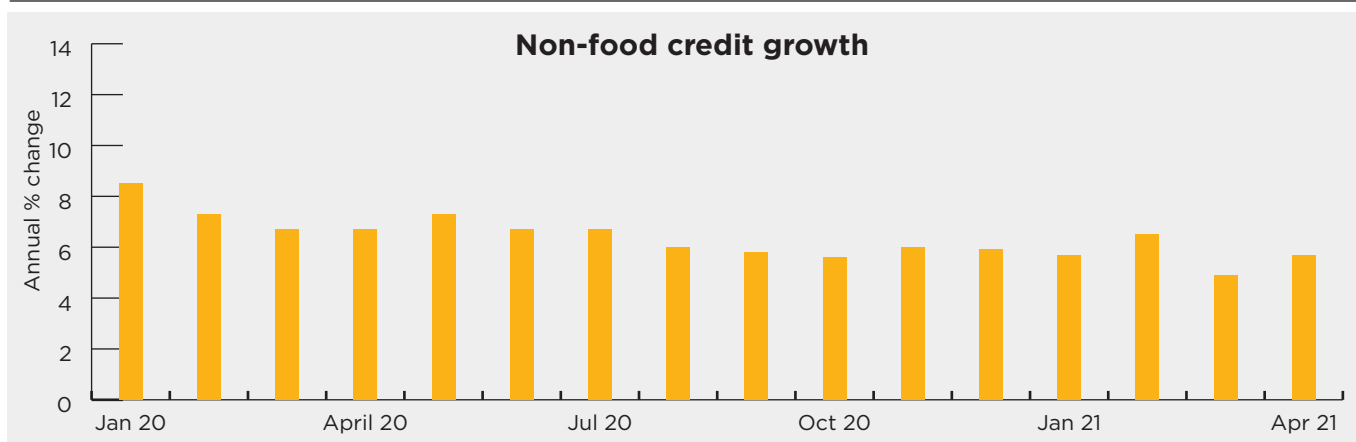


Source: IHS Markit, Housing Research

- The Manufacturing Purchasing Managers Index (PMI) was pegged at 50.8 in May 2021, 5 points lower than the 55.5 recorded in the previous month.
- After a growth spurt in the second half of 2020, the Manufacturing PMI has plunged downwards amid the intensification of the COVID-19 crisis and local lockdowns.
- The services PMI dipped to 46.4, contracting for the first time in eight months. Rising input cost, curbs on movement and increasing instances of local lockdowns slowed down the growth pace of the Services PMI as business sentiment dampened with the growing concerns surrounding the pandemic.
- It is to be noted that the services sector in India contributes 54 percent to India's GDP and nearly one-fifth of the foreign direct investment (FDI) inflows, as per Economic Survey 2020–2021.
- According to PMI parlance, a reading above 50 indicates expansion, while below 50 indicates contraction.



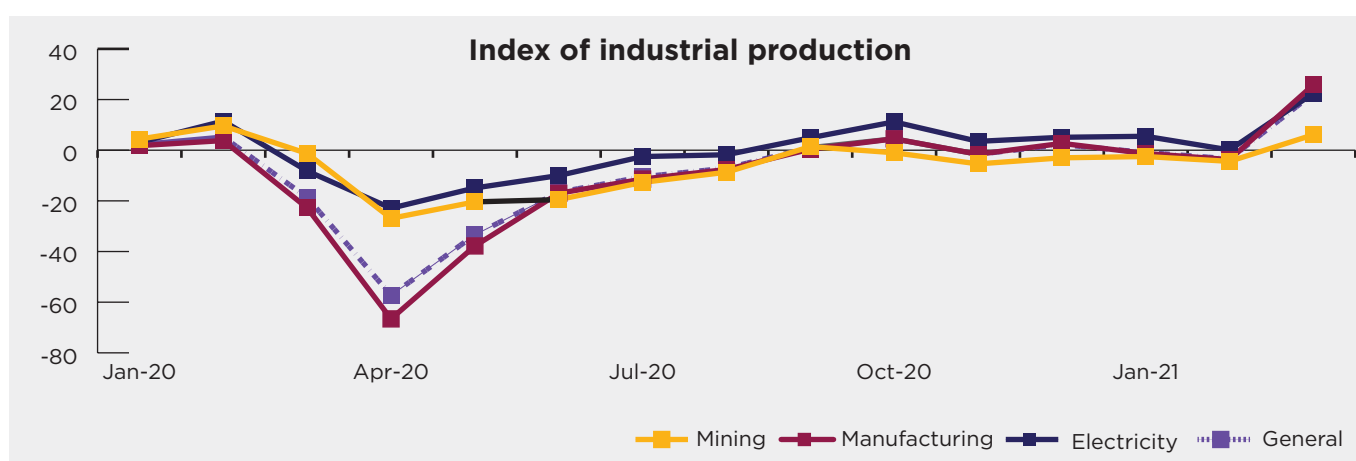
## Non-food credit growth eases in April 2021



Source: Reserve Bank of India, Housing Research

- The non-food credit growth eased to 5.7 percent YoY in April 2021, after the low of 4.9 percent in March 2021.
- While the credit in agriculture and allied services accelerated to 11.3 percent in April 2021, compared to 4.7 percent in the same period last year, the credit growth in the services sector slipped to 1.2 percent from 10.6 percent in the same period.
- The credit offtake in the services sector slackened due to deceleration in credit growth in NBFCs and contraction in credit to transport operators.
- The personal loans registered a growth of 12.6 percent in April, compared to 12.3 percent in the same period the previous year, on the back of loans against vehicle purchase, gold and credit card outstanding.

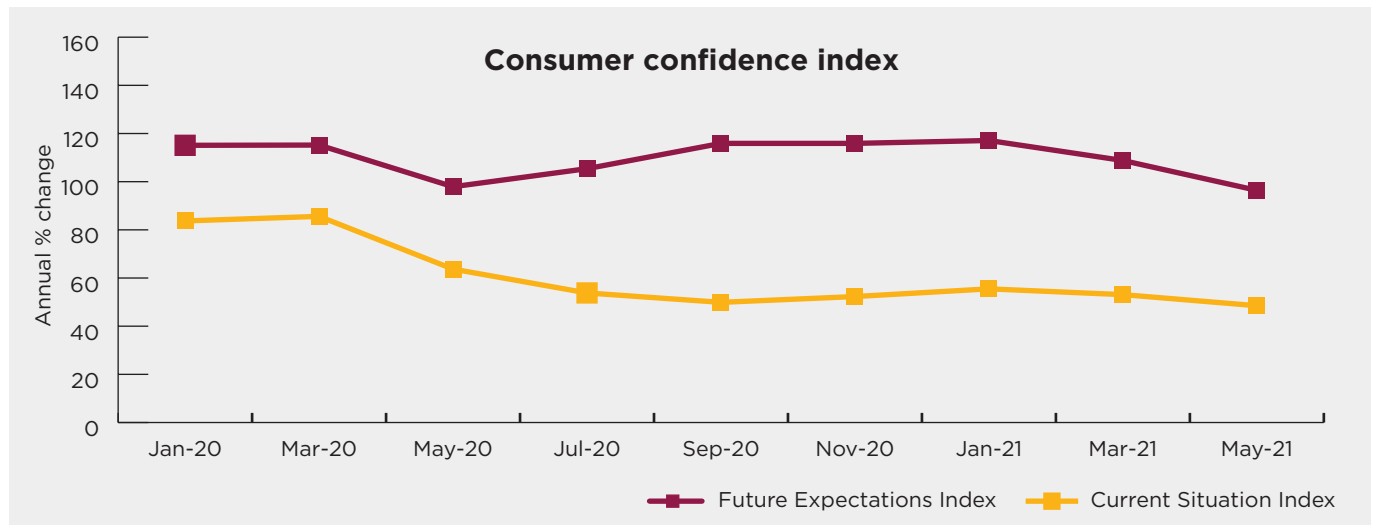
## IIP shoots up on the back of low base



Source: Ministry of Statistics and Programme Implementation, Housing Research

- Industrial production saw growth in March 2021 and reached 22.4 percent on the back of a low base, compared to 3.4 percent contraction in February 2021.
- Before the second wave, the IIP started to pick up a slow yet steady pace, post bottoming out in April last year.
- All sectors, except mining, saw double-digit growth in March 2021. However, it is to be noted that this is due to the low base effect.
- The IIP is likely to take a hit and get impacted due to the second wave. The lockdowns, restrictions on labour movement, and rising input costs will have a significant bearing on growth in the coming months.

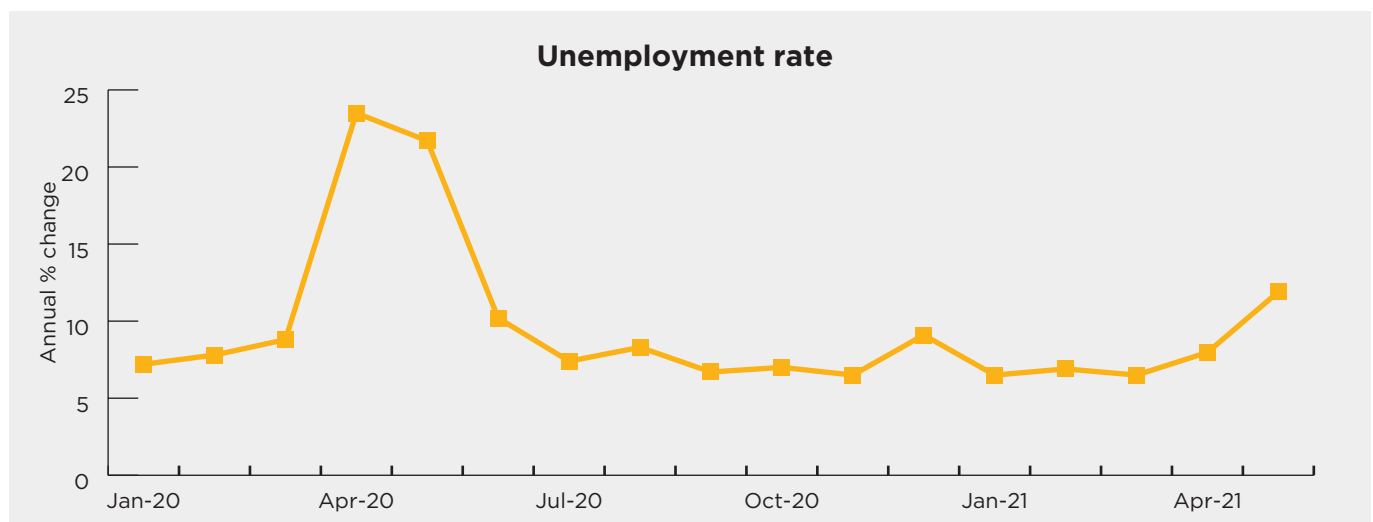
## Consumer confidence continues to remain low



Source: Reserve Bank of India, Housing Research

- Consumer confidence dipped to 48.5 in May 2021, compared to 53.1 in March 2021.
- While consumer confidence showed improvement since September last year, the sentiments have slackened due to the looming uncertainty of the second wave.
- The weakened sentiments are observed on the back of deteriorating sentiments on the economic situation, employment uncertainty, increase in prices, and declining income trends.
- The future expectations have also moved into the pessimistic territory, driven by the sharp fall in the general economic and employment scenario.

## Unemployment highest since last year's lockdown



Source: Centre for Monitoring Indian Economy, Housing Research

- Amid the rising cases and lockdowns imposed in states, the unemployment rate rose to 11.9 percent, the highest since the nation-wide imposed lockdown of last year.
- The impact of localised lockdowns has increased the unemployment rate in urban areas (14.7 percent) as compared to the rural areas (10.6 percent).
- The unemployment outlook remains weak amid dampened business sentiments and fresh curbs.



# KEY UPDATES

## DOMESTIC

### India fifth largest recipient of FDI inflows, receives USD 64 billion in 2020

- India received USD 64 billion in foreign direct investment (FDI) in 2020, making it the world's fifth largest recipient according to The World Investment Report 2021 by United Nations.
- India's FDI increased by 27 percent YoY backed mainly by the acquisitions in the information and communication technology (ICT) industry.

Source: The World Investment Report 2021 (UN), Housing Research

### Model Tenancy Act approved by Centre

- The Model Tenancy Act has got a nod from the Union Ministry, a move expected to overhaul the legal framework for rental housing across the country.
- The Act, when adopted by states and union territories, aims to protect the rights of tenants and owners, as well as speed up the dispute redressal by creating rent authorities.

Source: Ministry of Housing and Urban Affairs, Housing Research

### RBI keeps repo rate unchanged; lowers GDP forecast to 9.5 percent for FY22

- RBI's Monetary Policy Committee (MPC) kept the repo rate unchanged at 4 percent, maintained an accommodative stance.
- The central bank has projected the GDP to grow at 9.5 percent in FY2022, lower than its earlier forecast of 10.5 percent for the same period.

Source: Reserve Bank of India (June 4<sup>th</sup>, 2021), Housing Research

### World Bank, OECD and Moody's pare India's GDP growth estimates amid pandemic

- Global agencies such as the World Bank, OECD and Moody's have scaled-down India's growth to 8.3 percent, 9.9 percent and 9.3 percent, respectively, in FY2022 from the double-digit growths ranging between 11-13 percent, projected previously.
- The slashing of India's economic growth rate comes on the back of increased risk amid the second wave and uncertainty regarding the vaccine roll-out.

Source: Global Economic Prospects June 2021 (World Bank), OECD Economic Outlook May 2021, Macroeconomics - India June 2021 (Moody's), Housing Research

## Kerala retained top rank on NITI Aayog's SDG Index 2020-2021

- The SDG Index showed that the national score has increased to 66 in 2020, compared to 60 in 2019, backed by high performance in Goal 6 (clean water and sanitation) and Goal 7 (affordable and clean energy).
- Kerala, Himachal Pradesh and Tamil Nadu topped the charts, while Bihar, Assam and Jharkhand scored the lowest.

Source: NITI Aayog (June 3<sup>rd</sup>, 2021), Housing Research

## USD 500 million World Bank program to strengthen India's MSME

- After the USD 750 million MSME Emergency Response Program approved in July 2020, the World Bank has approved a USD 500 million Raising and Accelerating Micro, Small and Medium Enterprise (MSME) Performance (RAMP) Program to strengthen the performance of Indian MSMEs.
- It will support the Government of India in its efforts to increase productivity and finance the MSMEs in the economic recovery phase and resolve the long-standing financial issues in the sector.

Source: World Bank (June 4<sup>th</sup>, 2021), Housing Research

## Infrastructure status granted for convention centres

- The Finance Ministry has included exhibition-cum-convention centres in their Harmonised Master List of Infrastructure Sub-sectors, granting it infrastructure status.
- The move is expected to ease the banking finance of such projects. However, the benefits will be available for projects with minimum 1,00,000 square metres of built-up area.

Source: Department of Economic Affairs, Housing Research

## Real estate developers to provide free vaccination

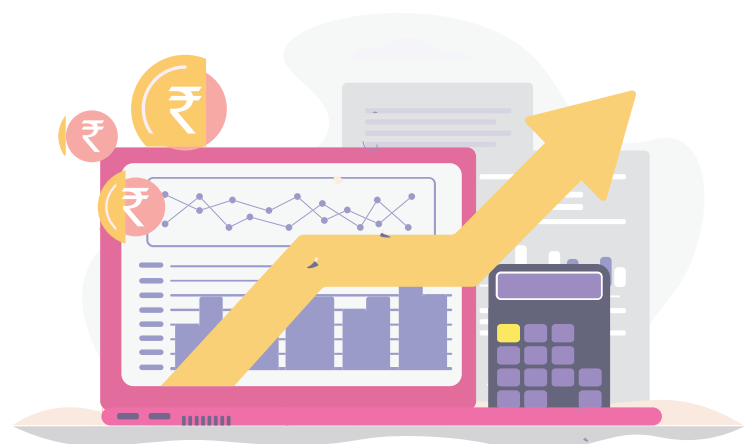
- The Confederation of Real Estate Developers' Association of India (CREDAI) has announced that it will provide free vaccination to nearly 2.5 crore construction workers at the sites of its over 13,000 developers.
- The move aims to propel the slow-paced construction activity and address the issue of reverse migration of labourers in between the resurgence of cases and local lockdowns.

Source: Industry sources, Housing Research

## India and European Union to jointly build global infrastructure projects

- The bilateral talks between India and the European Union concluded with both joining hands to build international infrastructure projects. The projects will be built across Africa, Central Asia and the Indo-Pacific.
- The talks have also revived the stalled trade negotiations and the need for closer cooperation to combat climate change.

Source: Ministry of External Affairs (May 8<sup>th</sup>, 2021), Housing Research





## INTERNATIONAL

### Virtual Real Estate Plot on ‘Decentraland’ sells for USD 1 million as NFT

- In a record virtual purchase, a blockchain-based company ‘Decentraland’ sold a plot of land for USD 1 million in the form of non-fungible tokens (NFTs).
- NFTs are a class of cryptocurrency assets used to represent ownership of unique items.

Source: Industry sources, Housing Research

### Fed rates to see potential hike by 2023 —US

- US is to see two possible hikes in interest rates by 2023, as per the recent Federal Open Market Committee (FOMC) meeting of the US Federal Reserve.
- While the current accommodative stance will be maintained for a while, the modifications in the policy are expected on the back of strong growth and inflation numbers.

Source: Federal Reserve Board—United States (June 16<sup>th</sup>, 2021), Housing Research

### G7 to launch a global infrastructure initiative called Build Back Better World (B3W)

- In the recently concluded G7 2021 summit, the group has agreed to launch Build Back Better World (B3W), a USD 40 trillion global infrastructure plan.
- It aims to finance infrastructure projects in Africa and Asia region to propel global green economic growth.

Source: G7 UK 2021 (June 12<sup>th</sup>, 2021), Housing Research

### Dubai’s real estate market transactions at four-year high

- In May 2021, Dubai real estate market recorded transactions of Dh 47.2 billion (~USD 12.9 billion) in value terms—highest in last four years, as per Mo’asher, Dubai’s official sales price index, launched by Dubai Land Department (DLD)
- Of the total sales transactions, 77 percent were for apartments and the remaining for villas/townhouses.

Source: Dubai Land Department (June 20<sup>th</sup>, 2021), Housing Research

### USD 200 million to accelerate digital transformation and inclusiveness in Uganda

- The World Bank approved USD 200 million financing to expand access to the internet, improve digital public service delivery efficiency, and strengthen digital inclusion in Uganda.
- The funds are granted under the Uganda Digital Acceleration Project-GovNet (UDAP-GovNet) program by the World Bank’s International Development Association (IDA).

Source: World Bank (June 2<sup>nd</sup>, 2021), Housing Research

### China’s first batch of REITs makes stock market debut

- China’s pilot launch of nine real estate investment trusts (REITs) got a warm response from the investors.
- The REITs are launched as instruments to channel private investments into public infrastructure projects and ease local governments’ burden in China.

Source: Industry sources, Housing Research

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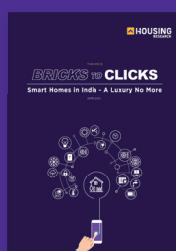
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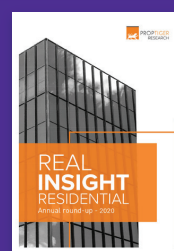
Real Insight  
(Residential) Q1 2021



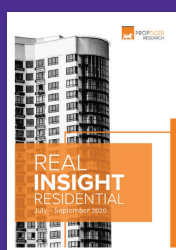
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PropTech: The future  
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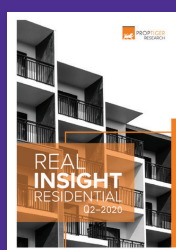
Real Insight  
(Residential) Q4 2020



Real Insight  
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Time for Internal  
Globalisation Small cities  
setting the tone for revival



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