IN A CHANGING WORLD, INDIA STEPS OUT FROM THE OLD TO THE NEW
Donald Trump has assumed the office of US President; with his accession the world is getting attuned to the changes that may come in inter-state politics and policies across the globe. That poses concerns over issues galore, those including trade policies, immigrant visas and employment for India and several other countries. While Europe is grappling with slow growth and still less than expected rise in inflation levels, the Chinese economy known to thrive on its exports faced the second yearly fall in a row in its exports, and this time it is the steepest downfall since 2009 following the global financial crisis. This once again underlines the prevailing sluggish global growth and demand.

Global institutions have lowered their forecasts of India’s growth for the current and the next fiscal citing demonetisation as a prime issue while the recent RBI business sentiment survey reaffirmed their readings by indicating dampened sentiments during the quarter ending December 2016. However, the Nikkei India Purchasing Managers’ Index indicated a pick-up in manufacturing in January 2017; hope the trajectory continues. There are other uptrends too while the effects of demonetisation vanish gradually. The economy seems to garner strength from the rising industrial and core sector growth. Also, while exports have displayed a continuous rise for the last four months, the consumer inflation too has stayed tepid.

At home, the government has in many ways stepped out from the old into the new. It has resolved the Centre–state differences over the tax administration in case of GST and announced July 2017 as the deadline for the rollout of this most significant fiscal reform ever in the country. The Economic Survey 2016–17 aptly highlights the need for fiscal discipline, it speaks on the mounting bad debt of the banks, the issues surrounding the federal set up, manufacturing, etc. And above all, it explores the idea of affordable housing, upholding the applicability to affordable housing but, in a bold step, has revised the definition of affordable housing, upholding the applicability of the concept of carpet area rather than the saleable area – another step out from the old to the new.

In its latest policy meet, the European Central Bank (ECB) left unchanged the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.40%, respectively. It suggested that the key ECB interest rates are expected to remain unchanged for some more time or move to lower levels, which may even surpass the horizon of the net asset purchases set to be until the end of December 2017. The Euro area inflation continues to stay below the targeted level of 2%, though approaching closer to the target, standing at 1.1% in December 2016 and moving to 1.8% by end January 2017.

The ECB also announced that it will continue to make purchases under the asset purchase programme (APP) at the current monthly pace of €80 billion until the end of March 2017 and that, from April 2017, at a monthly pace of €60 billion until the end of December 2017, or beyond. If necessary, the ECB will take into account the then improvement in inflation levels and may even increase the quantum of the asset purchases, if required.

In its policy review, the Reserve Bank of India (RBI) kept the repo rate unchanged at 6%. This is in line with the expectations set by market professionals. The new Developments in the global economy in 2017 coupled with the long-term effects of demonetisation possibly explain the Reserve Bank of India’s (RBI) decision to keep the repo rate unchanged at 6%. Inflation in India has also been within the targeted range of 4%. Inflation projected to be 4.8% in the medium term.

China, the largest trading economy with a reputation of being an ‘export economy’, faced the steepest decline in exports in 2016, whereby exports fell 7.7%. This is the second annual drop in a row and also the steepest since the global financial crisis. This can be attributed to sluggish global trade and a slowing import growth coupled with political and economic uncertainty.
GOVERNMENT ANNOUNCES GST ROLLOUT FROM JULY 2017

The government announced that the Goods and Services Tax (GST) rollout is likely to be from July 01, 2017 after resolving the issues arising out of the states’ concerns over the tax administration.

Clearing the concerns over dual taxation and other worries of the states, the Central Government announced that the Centre and the states would share the taxation base. The states would assess 90% of all taxpayers with a turnover of ₹1.5 cr or less, while the remaining 10% would be assessed by the Centre. Furthermore, the Centre and states would assess taxpayers with a turnover limit of above ₹1.5 crore in a ratio of 50:50.

In case of integrated GST (I-GST), which deals with interstate sales, the power to levy and collect the I-GST would lie with the Central Government but states will also be cross-empowered in the same ratio as indicated for GST, through a special provision in the law. The I-GST disputes among states will be resolved by the Centre.

On the area of taxation rights over the sea, states would collect tax on economic activity on territorial waters extending to 12 nautical miles, which actually fall under control of the Union Government.

The GST Council now requires to fine tune the GST laws and rules and Parliament and state assemblies need to approve the same. The Council also needs to fix the taxation rates for various individual goods and services.

WORLD BANK LOWERS GROWTH FORECAST FOR INDIA ON DEMONETISATION

The World Bank lowered its forecast for India for FY17 to 7% from the earlier estimate of 7.6%, citing demonetisation as one of the important pull backs. However, it still places India as the fastest growing economy and ahead of China, with the latter forecasted to grow at 6.7%.

The demonetisation drive of the Government of India adversely impacted the growth in the third quarter of FY17, while sluggish private investment played against growth as well. The Bank expects the demonetisation impact to continue in the fourth quarter of FY17 coupled with slower industrial production also to hit growth; however, in the medium term demonetisation may improve liquidity in the banking system and help lower the rates regime and economic activity.

IMF LOWERS GROWTH FORECAST FOR INDIA

The International Monetary Fund (IMF), in its World Economic Outlook, lowered the growth forecast for India for FY17 to 6.6% from the earlier estimate of 7.6%, again citing demonetisation and the cash crunch as the main factor. However, unlike the World Bank, the Fund sees India losing the tag of being the fastest growing economy to China, forecasted to grow at 6.7% in 2016.

India’s growth forecast for FY18 too has been reduced to 7.2% from 7.6%, while the forecast for FY19 stands unchanged at 7.7%. In 2017 and 2018, China’s growth is forecasted to slow down to 6.5% and 6%, respectively.

IMF forecasts global growth at 3.4% in 2017 against 3.1% in 2016 and sees a better growth pick-up in the emerging markets in 2017 and 2018. It deems uncertainty surrounding the new administration in the US as a major risk and expects global growth to pick up enough policy stimulus in the US and China.

GOVERNMENT REVISES UPWARDS GDP GROWTH FOR 2015–16 TO 7.9%

The government has revised the GDP growth upwards for 2015–16 from 7.6% estimated earlier. Increased investments, rise in the production of durable goods contributed to the upward revision. The growth for 2014–15, however, has stayed unchanged at 7.2% in the second revision of the national accounts.

The first revised estimates for 2015–16 indicate a rise in gross fixed capital formation (GFCF), a measure of investment activity in the economy, to 6.1% from 5.3% estimated earlier. Durable goods production grew at 24.3% in 2015–16 from 14.4% in 2014–15.

The gross value added (GVA) at constant (2011–12) basic prices grew at 7.8% in 2015–16 from 6.9% in 2014–15. In 2015–16, at constant prices, the growth of primary (agriculture, forestry, fishing, and mining and quarrying), secondary (manufacturing, electricity, gas, water supply; and other utility services and construction) and tertiary (services) sectors has been revised to 2.6%, 7.8% and 9.8% from the rates of 1.8%, 6.1% and 9.5%, respectively, in the previous year. Per capita net national income at current prices stands at ₹86,513 and ₹84,178, respectively, for 2014–15 and 2015–16.

Gross savings during 2015–16 are estimated to fall to 31.6% of GDP from 32.3% in 2014–15.

INDIRECT TAX COLLECTIONS RISE OVER 14% YOY IN DECEMBER

Indirect tax collections rose 14.4% Year-on-Year (YOY) in December 2016. The major contribution to this came from a robust 31.6% rise in excise duty collection. The rise in excise duty collection also indicates a pick-up in manufacturing. Advance tax collections in the quarter ending December grew 14.4% YOY to ₹2.82 lakh crore.

Indirect tax collections in the first three quarters of 2016–17 recorded an increase of 25% and direct taxes stood 12.01% higher YOY. It is expected that the FY 2016–17 tax collections would be higher than the budget estimate calculated at around ₹16.3 lakh crore.

Further, value added tax (VAT) collections of states too registered a rise in November, with 23 states reporting an 18.1% rise in VAT collections during the month, while 17 states in December reported an 8.9% increase in VAT collections.

In December, customs duty collections dipped 6.3%, while central excise and service tax rose 31.6% and 12.4% YOY, respectively. This is attributed to 46% YOY fall in gold imports during December 2016.

FDI GROWS 27% YOY DURING APRIL–OCTOBER 2016 TO $27.8 B

Foreign direct investment (FDI) in India rose 27% during the period April–October 2016 to $27.82 billion from $21.87 billion. In 2015–16, the FDI figure stood at $55.6 billion, rising 23% over the previous year.
During April–October 2016, a thumping 41.5% of the total equity inflows poured into the manufacturing sector; this can be attributed to the Make in India drive of the Government of India. Other sectors that attracted considerable portions of FDI are services, telecom, trading, computer hardware and software, and automobile.

**FPIS TAKE OUT $3 BILLION FROM INDIA IN 2016**

Foreign Portfolio Investors (FPIS) took out $3 billion from India, marking 2016 as the worst year in terms of outflows of foreign investments for India. Despite the outflows in equities, debt instruments displayed the largest fallout.

**RBI SURVEY INDICATES DAMPENED BUSINESS SENTIMENT IN THE MANUFACTURING SECTOR DURING THE QUARTER ENDING DECEMBER 2016, SIGNALS FURTHER DAMPING**

The RBI’s Industrial Outlook Survey based on the Business Expectation Index (BEI) indicates that business sentiment in the manufacturing sector stood dampened during October–December 2016 and that a further reduction is expected in the next quarter. The survey is a qualitative assessment of the business situation of companies in the manufacturing sector. The current survey elicited responses from 1,221 manufacturing companies. The nine parameters used in computation of the Business Expectation Index are overall business situation, production, order books, inventory of raw material, profit margin, employment, exports and capacity utilisation. The index ranges between 0 and 200; a reading above 100 indicates expansion. The survey did not have any responses on the impact of demonetisation. However, the respondents indicated positive sentiments on better export performance in the October–December quarter as compared to the previous quarter. Further, availability of bank credit and other sources of finance were indicated to have been worsened. However, there was an increased optimism about interest rates and the sentiment on profit margins remained unchanged.

**EXPORTS CONTINUE TO RISE FOR THE FOURTH STRAIGHT MONTH, RECORD HIGHEST GROWTH SINCE MARCH 2015**

Exports rose 5.7% YoY to $23.8 billion, the highest level since March 2015. The rise stands on a low-base effect as exports had declined 14.75% in December 2015. Eighteen out of the 30 export sectors registered growth in December 2016. Demonetisation did not have much of an impact on the exports, as the Christmas and New Year orders were placed well ahead of November.

The cumulative value of exports rose 0.75% during April–December 2016–17 to US$198.8 billion, against US$197.3 billion a year ago.

Imports rose 0.46% to US$34.25 billion. The cumulative value of imports during April–December 2016–17 dropped 7.42% to US$275.3 billion from US$297.4 billion a year ago.

During December 2016, non-oil, non-gold imports, an indicator of domestic demand, rose 4.4%. Oil imports rose 14.61% in December 2016, valuing US$7.645 billion against US$6.67 billion in December 2015. Gold imports dipped 48% to US$1.9 billion; demonetisation impacted the demand for gold.

Service exports during November 2016 stood at US$13.3 billion, rising 1.72% YoY, while service imports during November 2016 stood at US$8.3 billion rising 8.37% YoY.

The trade balance in services (i.e. net export of services) for November 2016 valued US$5 billion.

The merchandise trade deficit during April–December 2016–17 stood at US$77.548 billion, 23.51% lower YoY.

The net export of services during April–November 2016–17 valued US$42.806 billion against US$46.706 billion during April–November 2015–16.

The overall trade deficit (merchandise and services both) narrowed 36.78% during April–December 2016–17 to US$33.74 billion against US$53.37 billion during April–December 2015–16.

Trade data for the coming months may stay subdued as it may show the impact of demonetisation.

**INFLATION TREND MIXED, SUBSIDING CPI AND FIRMING WPI HEAD CLOSER TO EACH OTHER**

Retail inflation as measured by the consumer price index (CPI) stood at 3.41% YoY in December 2016 from a YoY rise of 3.63% last month. The monthly decline in retail inflation is majorly attributed to a fall of 14.59% YoY in the prices of vegetables from a rise of 10.29% in November. Prices of pulses saw a fall of 1.52% YoY from a rise of 0.23% last month. The prices of fruits ticked up to 4.74% YoY in December 2016 from 4.60% in November, while cereals and products’ prices rose 5.25% YoY from a rise of 4.86% in November.

The retail inflation of food cooled to 1.37% YoY during December 2016 from 2.03% in November and 6.40% last year.

India’s wholesale inflation, as measured by the wholesale price index (WPI), rose 3.39% YoY in December 2016 against 3.15% in November on rising prices of manufactured goods and a very low base (-1.06%).

During December 2016, inflation in the manufactured sector rose 3.8% from 3.2% in the previous month. Food inflation charted in the negative zone reaching -0.7% YoY during December 2016 from the level of 1.54% last month. Prices of manufactured food articles stood almost stable at 10.75% compared to the level during last month. Inflation in primary articles stood at 0.27% YoY from 1.25% during last month.

The development indicates an uptrend in WPI and a downtrend in CPI. WPI can be expected to rise over CPI in the coming months due to concerns in manufacturing activity and the firming up of global commodity prices. However, both CPI and WPI can be expected to stay subdued given the kharif harvest reaching the markets and on expectations of better coverage of rabi crop sowing. Yet, it may have a firming tendency, as the December reading for CPI may have an element of the demonetisation impact lingering through December, curbing purchasing and consumption by consumers.
India’s industrial sector displayed a higher than expected growth rate of 5.7% in November 2016 despite the demonetisation exercise undertaken by the government. Industrial output had fallen to -1.9% YOY in October 2016.

During November 2016, electricity generation recorded the major growth in output at 14.9% YoY, while refinery products showed a YoY growth of 6.4%. The output of electricity and coal rose 6% and 4.4% YoY, respectively.

The sectors that showed negative YoY growth during December 2016 are crude oil (-0.8%), natural gas (-0.01%), fertilizers (-4.7%) and cement (-8.7%). The fall in cement production is read as a result of demonetisation, impacting the real estate and infrastructure sector where cash transactions and cash payments to workers prevail.

The core sector is expected to show muted growth for some time due to the lingering impact of demonetisation coupled with slower manufacturing and investment.

The core sector, comprising of eight core industries, grew 5.6% in December 2016 against 0.9% a year ago. The core sector growth during the month is attributed to robust production of refinery products and steel. Cumulatively, the sector grew 5% in April–December 2016 against 2.6% growth in the same period last year.

Steel output rose 14.9% YoY, while refinery products showed a YoY growth of 6.4%. The output of electricity and coal rose 6% and 4.4% YoY, respectively.

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During November 2016, electricity generation recorded the major growth in output at 8.9% YoY. Mining output grew 3.9% YoY while manufacturing grew 5.5% YoY. Capital goods production rose a thumping 15%, followed by 4.7% rise in the production of basic goods and 2.7% rise in the output of intermediate goods during the month.

The rise in industrial production has to be taken with a pinch of salt, as the entire effect of demonetisation might not have been captured. Hence, the index is expected to stay stable in the coming months.
AUTO SALES DROP IN DECEMBER DUE TO DEMONETISATION

Auto sales fell more than 18% in December, the sharpest fall in the last 16 years. This has been attributed to the impact of demonetisation. Auto sales stood at 1,221,929 vehicles – passenger and commercial vehicles plus two and three-wheelers – in December 2016 in India, as per the data of the Society of Indian Automobile Manufacturers. This is against a 21.18% drop in December 2000. The only segment that posted a rise in sales during December 2016 is the light commercial vehicles, growing 1.15%.

The sales of passenger cars dropped 8.14%, while the overall sales of passenger vehicles fell 1.36% to 227,624 units. The sales of commercial vehicles, an indicator of the economic activity, fell 5% to 53,966 units. In the two-wheelers category, sales fell 22% to 910,235 units. The manufacturers indicate that currently there is an inventory of almost one month in the auto industry.

ECONOMIC SURVEY 2016–17 RELEASED, DRAWS ATTENTION TO CHALLENGES AND CHANGES REQUIRED

The Economic Survey released by the government, apart from surveying the growth and development of the country, draws attention to the challenges that the Indian economy currently faces and poses questions whether India needs to change so as to keep abreast of the times and whether it is in sync with the developments in the world. Touching on the pressing issues like mounting bad debt of the banks, fiscal challenges and the need for fiscal discipline, necessity of a simpler tax regime, the issues surrounding the federal set up, the survey also goes on to explain the demonetisation exercise and the fallout. It also introduces the idea of a universal basic income while also speaking about climate and women’s issues.

FINANCE MINISTER TABLES THE BUDGET 2017–18

The Budget 2017–18 proclaims the agenda for the year as ‘Transform, Energise and Clean India’ – TEC India. The Budget, without sounding populist, unfolds a bonanza for the agriculture and rural sector while also provides for several benefits on the demand and supply side for the infrastructure and real estate sector. It also makes specific provisions to enhance the ease of doing business and to usher in the GST regime, while also pleading for prudent fiscal management and digitalisation.

HIGHLIGHTS FROM THE ECONOMIC SURVEY 2016-17:

- GDP growth for 2016–17 to be 6.5% while that for the next fiscal estimated at 6.75–7.5%
- Growth to return to normal as new currency comes into circulation
- Demonetisation to pull down the growth rate 0.25–0.5%; however, would have long-term benefits
- GST and other structural reforms should help the growth rate to reach 8–10%, however, gains from GST would take some time to realise
- Agriculture to grow at 4.1% in 2016–17 against 1.2% last year, total area coverage under rabi crops as on 13-01-2017 for 2016–17 is 616.2 lakh hectares, up 5.9% from that in the corresponding week of last year.
- Growth rate of the industrial sector to be a moderate 5.2% this fiscal, from 7.4% last fiscal
- Universal Basic Income Scheme can be introduced to replace subsidies and help poverty alleviation
- Taxation reforms - Individual income tax rates and real estate stamp duties to be reduced, income tax base to be widened - Time table for cutting corporate tax should be accelerated - Tax administration could be improved to reduce discretion and improve accountability

- Efforts to collect taxes on disclosed and undisclosed wealth should not lead to tax harassment

CONTACT US

FARMERS

- Committed to double their income in five years
- Target for agricultural credit in 2017–18 has been fixed at a record level of ₹10 lakh crore
- Farmers will also benefit from the 60 days’ interest waiver announced on 31 Dec 2016
- Coverage under Fasal Bima Yojana scheme will be increased from 30% of cropped area in 2016–17 to 40% in 2017–18 and 50% in 2018–19, for which a budget provision of ₹9,000 crore has been made
- The Long Term Irrigation Fund already set up in NABARD to achieve ‘per drop more water should not lead to tax harassment’
- Coverage of National Agricultural Market (e-NAM) to be increased from 30% of cropped area in 2016–17 to 40% in 2017–18 and 50% in 2018–19, for which a budget provision of ₹9,000 crore has been made
- Coverage of National Agricultural Market (e-NAM) to be
- Government will put in place a revised mechanism and procedure to ensure time-bound listing of identified CPSEs on stock exchanges. The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.

- Propose to create an integrated public sector ‘oil major’ that will be able to match the performance of international and domestic private sector oil and gas companies

- A new ETF with diversified CPSE stocks and other government holdings will be launched in 2017–18.

- Lending target under Pradhan Mantri Mudra Yojana to be set at ₹2.44 lakh crore. Priority will be given to dalits, tribals, backward classes and women.

**RESEARCH MONTHLY UPDATE**

**FINANCIAL SECTOR**

- Total allocation for rural, agriculture and allied sectors is up to ₹75 lakh will be provided to every e-NAM.

- National Housing Bank will refinance individual housing loans of about ₹20,000 crore in 2017–18

- Against target of five lakh farm ponds under MGNREGA, 10 lakh farm ponds would be completed by March 2017. During 2017–18, another five lakh farm ponds will be taken up

- MGNREGA allocation to be the highest ever at ₹48,000 crore in 2017–18.

- Total allocation for rural, agriculture and allied sectors is ₹187,223 crore

- Stepped-up allocation for capital expenditure by 25.4% over the previous year

- Total resources being transferred to the states and the Union Territories with legislatures is ₹11.11 lakh crore, against ₹3.60 lakh crore in BE 2016–17

- For the first time, a consolidated Outcome Budget, covering all ministries and departments, is being laid along with the other budget documents

- FRBM Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and need for public investment. Fiscal deficit for 2017–18 is targeted at 3.2% of GDP and the government remains committed to achieve 3% in the following year.

**POOR AND THE UNDERPRIVILEGED**

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**RURAL POPULATION**

- Aim to bring one crore households out of poverty and to make 50,000 gram panchayats poverty free by 2019

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**EASE OF DOING BUSINESS**

- Scope of domestic transfer pricing restricted to only if one of the entities involved in related party transaction enjoys specified profit-linked deduction

- Threshold limit for audit of business entities who opt for presumptive income scheme increased from ₹1 crore to ₹2 crore. Similarly, the threshold for maintenance of books for individuals and HUF increased from turnover of ₹10 lakhs to ₹25 lakhs or income from ₹1.2 lakhs to ₹2.5 lakhs.

- Foreign Portfolio Investor (FPI) Category I and II exempted from indirect transfer provision. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India, which is chargeable to tax in India.

- Commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit

- Under scheme for presumptive taxation for professionals with receipt up to ₹50 lakh p.a. advance tax can be paid in one installment instead of four

- Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. Also the time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018–19 and further to 12 months for Assessment Year 2019–20 and thereafter.

**GOODS AND SERVICES TAX**

- The GST Council has finalised its recommendations on almost all the issues based on consensus on the basis of the nine meetings held.

- Preparation of the IT system for GST is also on schedule.

- The extensive reach-out efforts to trade and industry for GST will guarantee for the amount of the institutional loan.

**ECONOMIC SURVEY UNDERLINES RECORD GROWTH IN HIGHWAYS AND INFRASTRUCTURE CONSTRUCTION**

The Economic Survey indicates that the construction/widening of highways displayed about 10% growth in FY 2016–17, whereas power generation grew over 6% and rail freight traffic grew around 2%. Thermal power registered a
growth of 6.9% and helped the overall power generation, though hydro and nuclear power generation contracted marginally during April–September 2016.

The Survey states that the refinancing of the Infrastructure Scheme has gone a long way to help the revival of stressed assets in the infrastructure sectors and the eight core industry sectors. Most of the indicators of infrastructure related activities displayed positive growth during H1 2016–17.

BUDGET 2017-18 UNVEILS BONANZA FOR THE INFRASTRUCTURE AND REAL ESTATE SECTOR

Budget 2017–18 provides for several benefits to the sector, both on the demand and supply side. While lending infrastructure status to affordable housing, it has revised the definition of affordable housing as homes with carpet area of 30 sq m in metros and 60 sq m for others, instead of saleable area. The Budget also provides benefits to the home loan seekers and developers.

INFRASTRUCTURE

- 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 m will be counted.
- The 30 sq m limit will apply only in case of the municipal limits of four metropolitan cities, while for the rest of the country, including in the peripheral areas of metros, the limit of 60 sq m will apply.
- For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which the completion certificate is received.
- Reduction in the holding period for computing long-term capital gains (LTGC) from the transfer of immovable property from three years to two 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.
- For Joint Development Agreement signed for development of property, the liability to pay capital gains tax will arise in the year the project is completed.
- Exemption from capital gains tax for persons holding land on 2-6-2014, the date on which the State of Andhra Pradesh was reorganised, and whose land is being pooled for creation of capital city of Andhra Pradesh under the government scheme.

PROMOTING AFFORDABLE HOUSING AND THE REAL ESTATE SECTOR

by rationalising the existing laws to facilitate greater private participation and investment in construction and operation.
- In the road sector, the Budget allocation for highways increased from ₹57,976 crore in BE 2016-17 to ₹64,900 crore in 2017-18
- 2,000 km of coastal connectivity roads have been identified for construction and development
- Total length of roads, including those under PMGSY, built from 2014–15 till the current year is about 140,000 km, which is significantly higher than the previous three years
- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode.

RURAL POPULATION

- Allocation for Pradhan Mantri Awaas Yojana (PMAY)–Gramin increased from ₹15,000 crores in BE 2016-17 to ₹23,000 crores in 2017-18 with a target to complete 1 crore houses by 2019 for the houseless and those living in kutcha houses.

IMPLICATIONS OF BUDGET PROVISIONS

- Increased allocation of funds under PMAY strengthens the prospects of Housing for All to be a reality by 2020.
- The stress on prudence in fiscal discipline is welcome expected to prompt RBI usher in a lower interest rate regime.
- Changes in the taxation aspect of JDA are likely to encourage more land owners to partner with developers.
- Reduced tenure of LTCG tax from 3 years to 2 years is likely to help enhance marketability of real estate as an asset class. However, reduction from 3 years to 2 years in case of LTCG it is also likely to impact the interest of consumers in owning multiple houses.
## APPENDICES

### 1. INFLATION

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WPI Base Year = 2004–05, CPI Base: 2012 = 100

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

### 2. IIP

**INDEX OF INDUSTRIAL PRODUCTION – GROWTH RATE**

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

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Source: Ministry of Commerce & Industry
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