



Housing Finance in Emerging Markets Shelter, Jobs and Growth

5th Global Housing Finance Conference

Washington, D C

May 30-31, 2012

National Housing Bank, India



“National development Plans and Policies need to incorporate a broader vision for the housing sector that goes beyond the traditional argument of social need and towards an enhanced contribution of housing to accelerated economic growth.”

Ban Ki-moon, Secretary-General, United Nations



Housing and Housing Finance

□ Housing

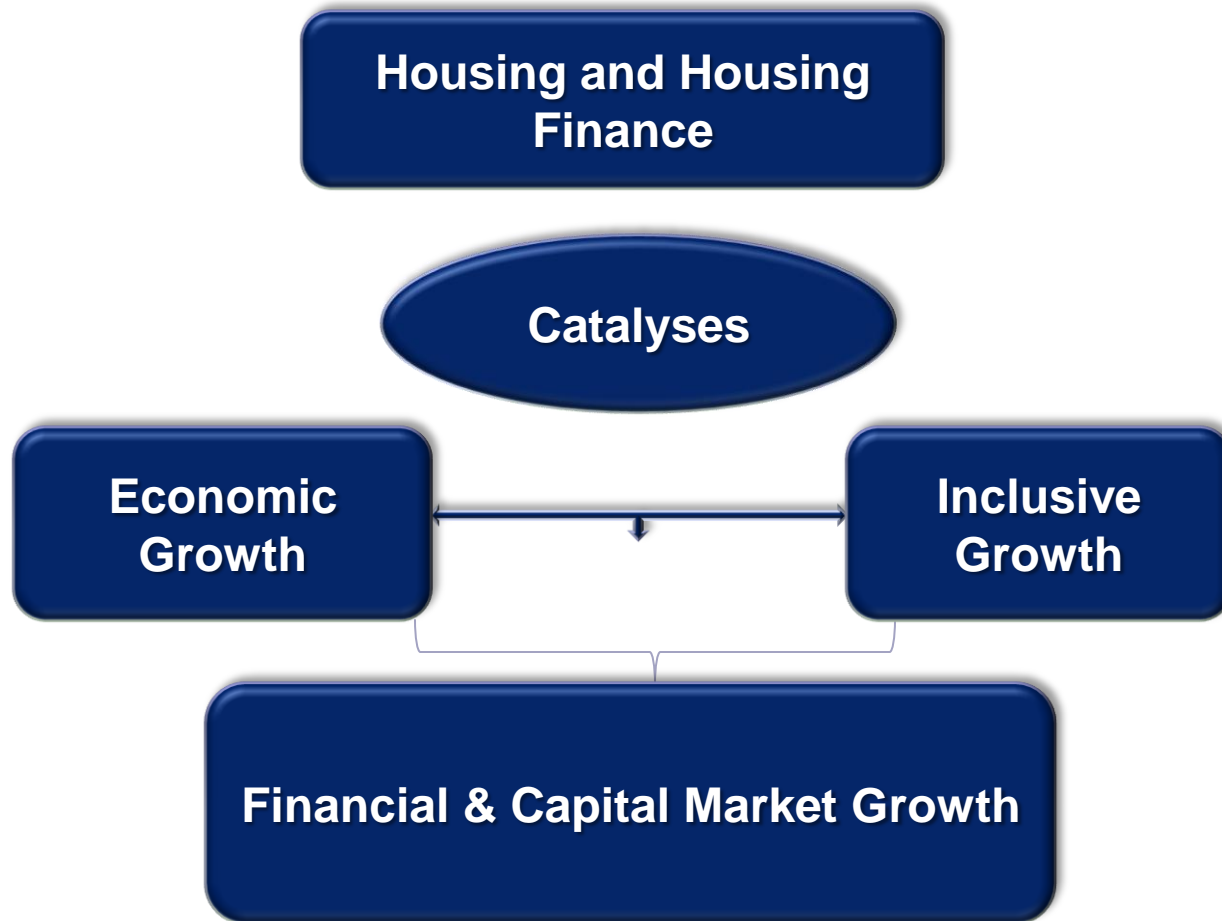
- Satisfies basic human need
- Contribution to GDP
- Employment Generation
- Multiplier effect
- Significant linkages – forward and backward

□ Housing Finance

- Productive for Borrowers
- Productive for Lenders
- Productive for Industry
- Will leverage construction sector
- Helps meet supply/ demand gap

Impact on Economic Growth - Income and Employment - fostering Inclusive Growth
Housing Investments – Growth Oriented - Procyclicality

Impact of Housing on Economies- Universal Phenomena





Indian Context

Government of India –
Housing Sector and
Financial Sector
Policies, Programs
and Schemes

Annual Retail Housing Loans
INR 1300 bn (USD 26 bn)
Outstanding INR 5750 bn
(USD 1150 bn)

3rd amongst 14 major
industries in terms of total
linkage effect .

Low Penetration of
Mortgage to GDP estimated
at 7% as compared to 2% in
2002.

11% of total FDI during
2010-11 in housing

Sector ranked 4th as per
Multiplier effect in terms of
income multiplier ahead of
agriculture and transport
sector

For every INR invested in
housing & construction Rs.
0.78 is added to GDP

Construction sector - 2nd largest
employment generator after
agriculture



Some Economic & Financial Indicators

	2007-08	2008-09	2009-10	2010-11	2011-12
GDP Growth rate	9.3%	6.7%	8.4%	8.4%	6.9%

- India's GDP growth in 2012-13 expected to be about 7.6 per cent
- Foreign exchange reserves ~Rs.15717 billion (~US\$ 293 billion)

Cash Reserve Ratio	4.75%
Bank Rate	9%
Repo Rate	8%
Reverse Repo Rate	7%
Annual Inflation Rate (April 2012)	7.23%



Impact of Housing Investments

- Investments in Housing – Impact on level & scale of economic activity
 - Can be countercyclical with appropriate Regulations

- Transmission through a number of circuits
 - Physical – Real Sector
 - Fiscal
 - Monetary and Credit Policy channels - Prudential Regulations & Guidelines for Lenders
 - Financial – Savings & credit



Housing & Real Estate

- Investment in housing as a stimulus to the economy;

- Stimulants for the Real and Housing Sector
 - Refinance Schemes of NHB

 - Risk Weights and Provisioning

 - Generating Demand – Subsidies and Interest subvention; Improved Affordability

 - Continued tax concessions and incentives for housing loans

Measures to counter slowdown in the economy and generate growth impulses

Housing Finance Market

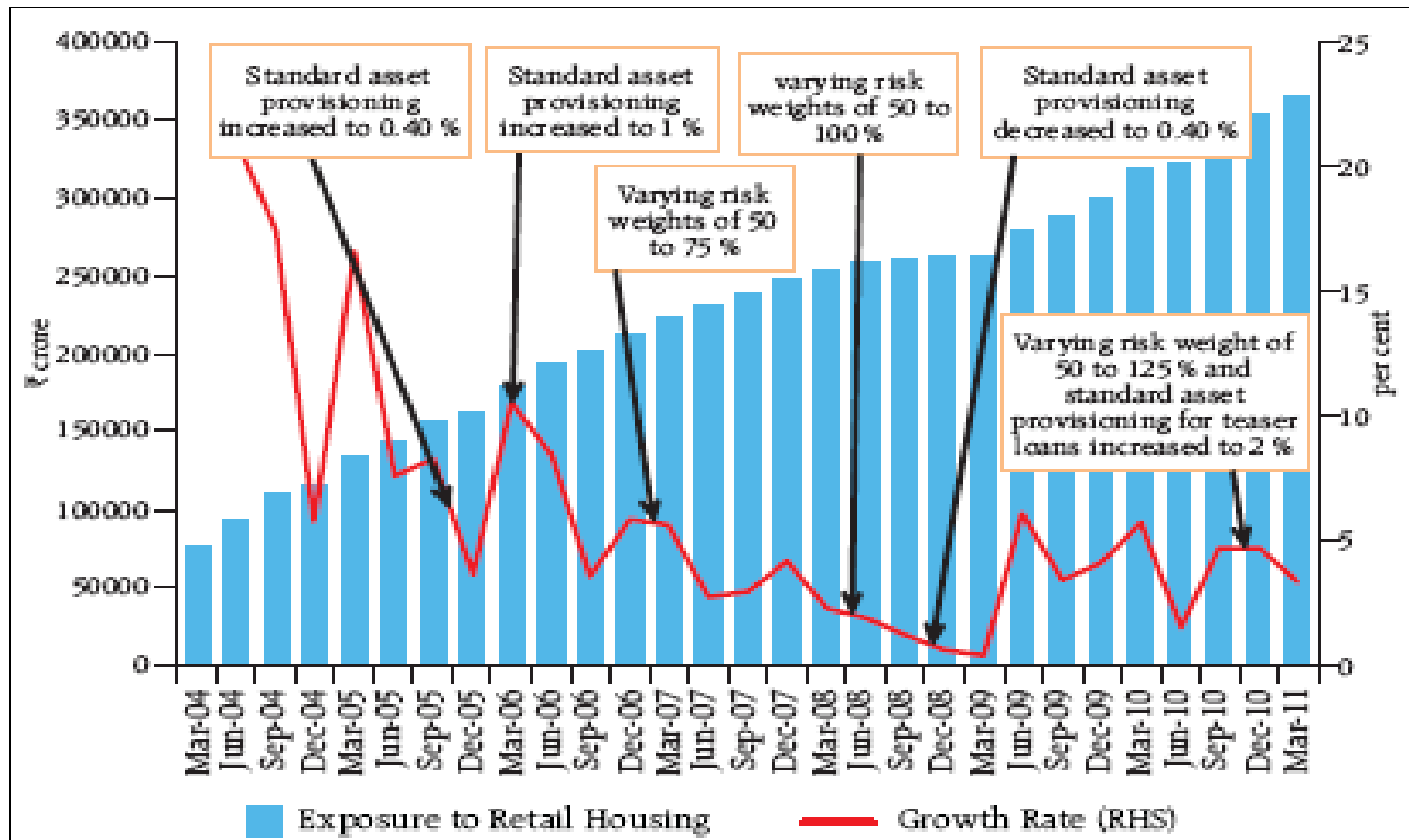
- Economic and Business Cycle
- Property Prices Cycle & Income Cycle
- Interest Rates Cycle
- Housing Loans outstanding 7% of GDP
- Supportive Regulatory/Fiscal Policies
- Supply Responses: Demand Driven

Demand led Growth

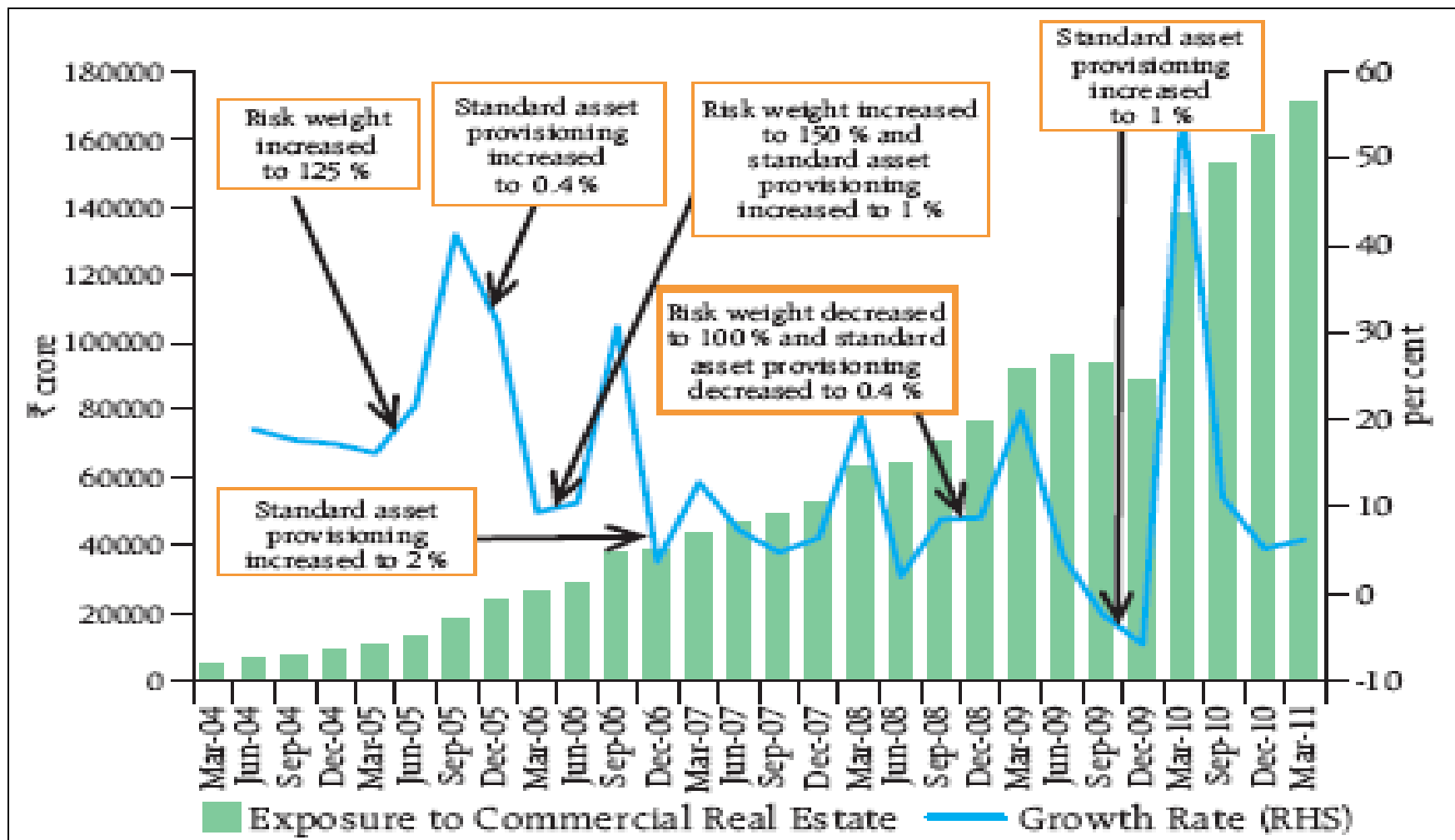
- Changing Demographics
- Increasing demand for housing
- Higher Disposable Income
- Early Home – ownership
- Fiscal benefits
- Aggressive lending
- Improvement in Affordability Ratio

DRIVES THE HOUSING DEMAND

Counter Cyclical Prudential Regulation: Retail Housing Loans

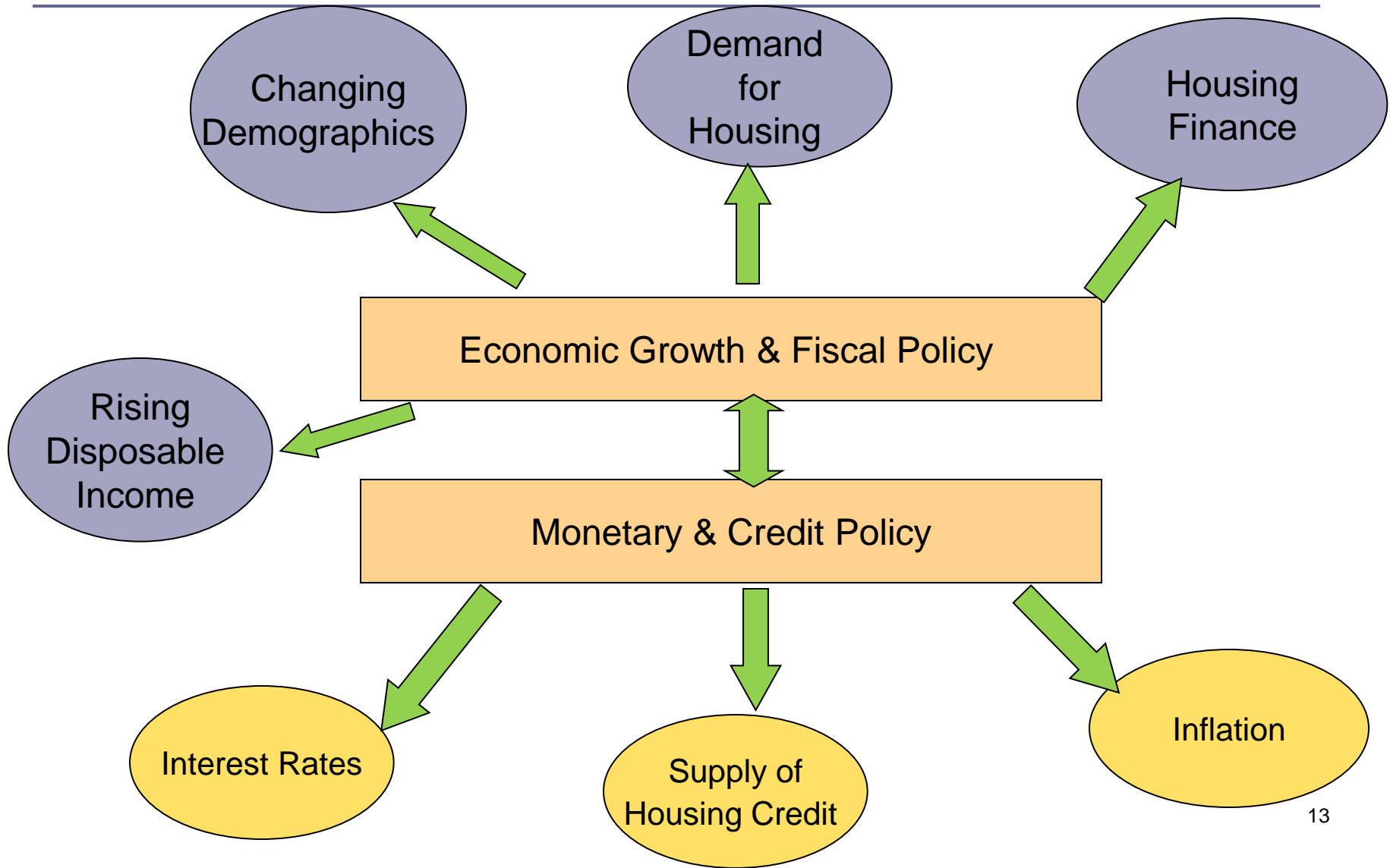


Counter Cyclical Prudential Regulation: Commercial Real Estate

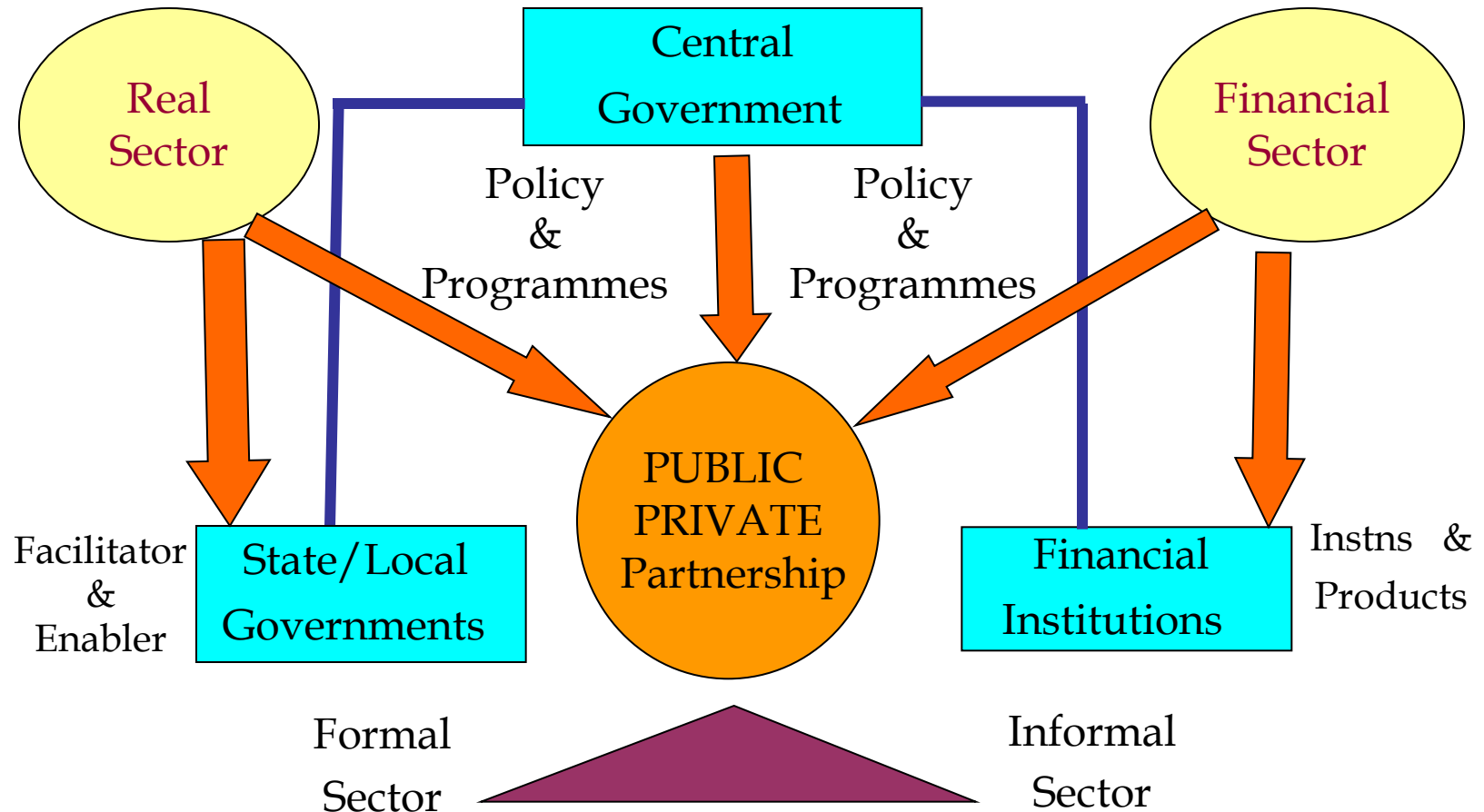


Source: Financial Stability Report, December 2011, RBI

Policy Dynamics



Sector Profile – Wide Stakeholding



**Affordable Housing for All and Financial Inclusion
-Mutually Consistent Themes**



Thank You