

June 20, 2011

Economic Weekly



Indian Economy

* **WPI primary articles inflation rises:** WPI Primary articles inflation rate rose to 12.86% YoY for the week ending June 4, 2011, compared with 11.52% a week ago. Primary articles inflation increased due to sharp increase in prices of both minerals and food articles over the week.

* **Money Supply increases while credit growth slows:** Money supply growth increased as time deposit growth improved to 20.78% YoY compared with 19.69% YoY a fortnight ago. SCBs' credit growth slowed to 20.9% YoY compared with 21.66% YoY earlier as non food credit growth came down to 20.5% YoY from 21.38% YoY previously.

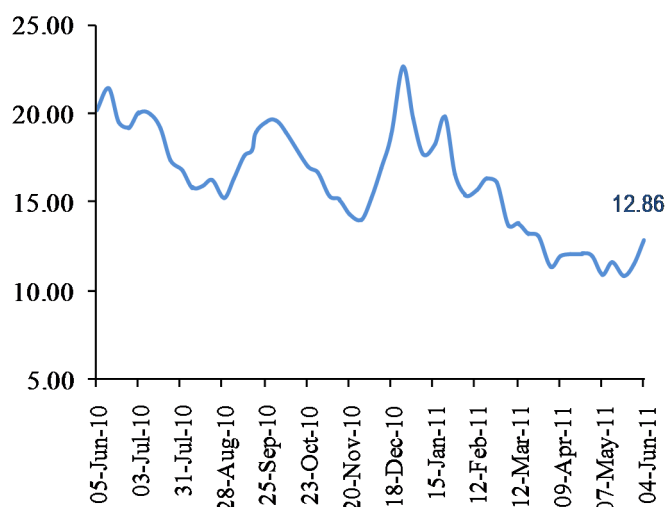
Forex reserves fall to \$310.5 billion: Forex reserves declined to \$310.5 billion in the week ending June 11, 2011, due to a decrease in foreign currency assets.

Table of Contents	
WPI Primary Articles Inflation	2
Money Supply and Credit Growth	4
Forex Reserves	5

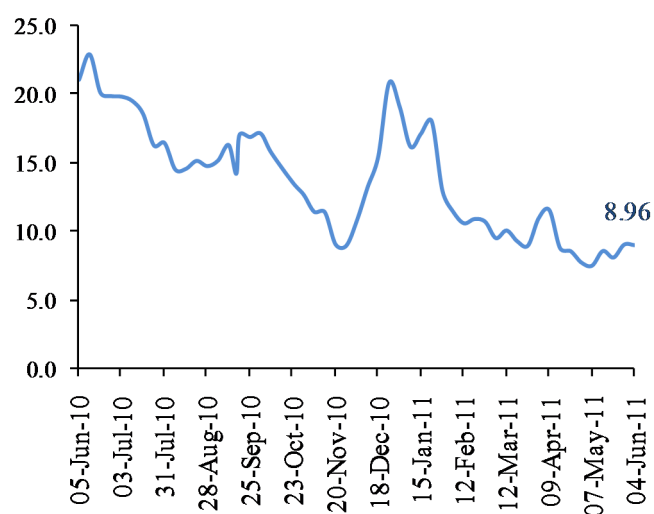
WPI Primary Articles Inflation Rose to 12.86% YoY

WPI Primary articles inflation rate jumped to 12.86% YoY for the week ending June 4, 2011, compared with 11.52% a week ago. Primary articles inflation increased due to a sharp increase in prices of minerals and food articles over the week.

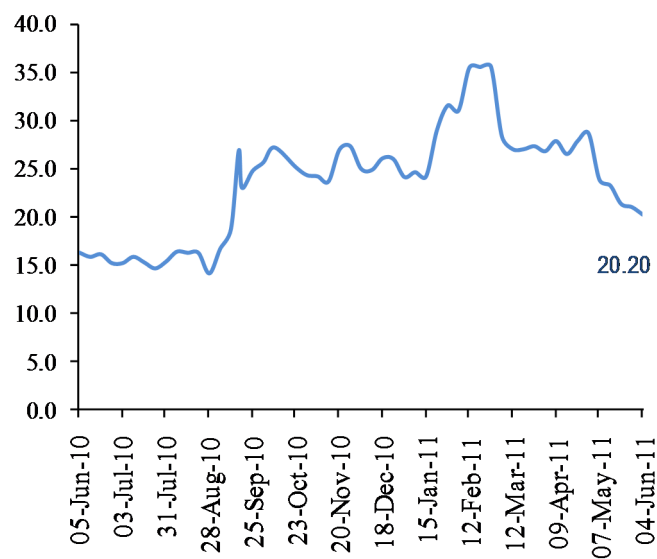
Primary Articles Inflation, % YoY



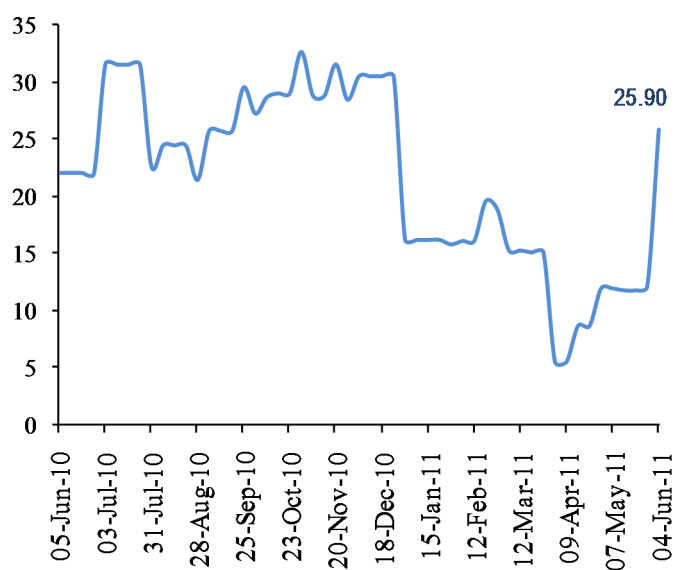
Food Inflation, % YoY



Non Food Inflation, % YoY



Mineral Inflation, % YoY



Trends in Primary Articles Constituents

- ◆ Food index increased by 0.50% over the week. However, inflation rate declined to 8.96% YoY compared with 9.01% YoY due to high base in the same period last year. Food index rose due to rise in higher prices of jowar (5%), egg and milk (2% each) and marine fish.
- ◆ Non-food articles inflation eased to 20.20% YoY compared with 20.97% YoY a week ago due to a decline in the index by 0.05% WoW .
- ◆ Minerals Index jumped sharply by 16.13% WoW which largely contributed to jump in primary articles inflation. The sharp increase was due to higher prices of crude petroleum (34%).

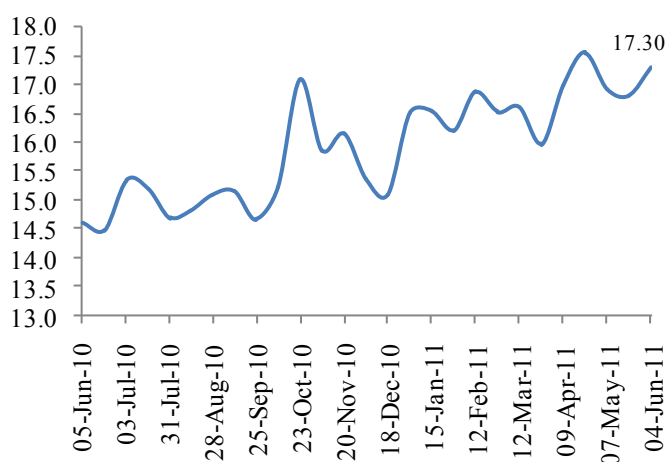
WPI Sub groups	Index	% YoY		% WoW	
		04-Jun-11	04-Jun-11	28-May-11	04-Jun-11
Primary articles	196.6	12.86	10.87	2.02	0.52
Food Articles	188.4	8.96	9.01	0.48	0.64
Non Food Articles	183.9	20.2	20.97	-0.05	0.38
Minerals	309.6	25.9	12.11	16.13	0.00
Fuel	159.9	12.84	12.46	-0.50	0.00

Fuel inflation stood at 12.84% YoY compared with 12.46% YoY a week ago. The index declined by 0.50% WoW due to lower prices of light diesel and aviation turbine fuel over the week.

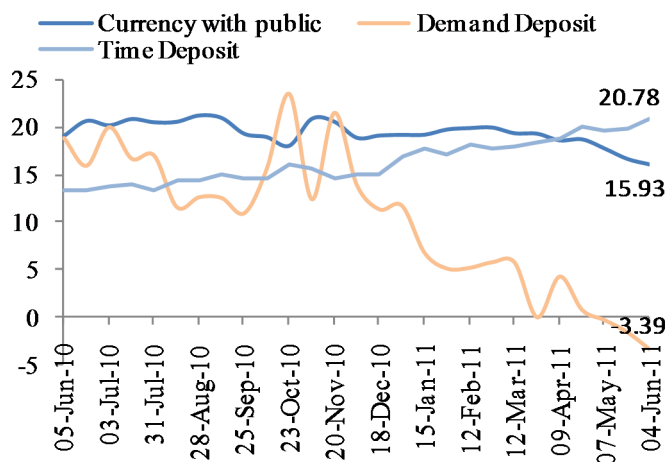
Money Supply and Credit Growth

- ◆ Money Supply increased to 17.3% YoY compared with 16.81% YoY a fortnight ago as time deposit growth improved to 20.78% YoY compared with 19.69% YoY before. Higher interest offered on term deposits is resulting in higher time deposits growth.
- ◆ Growth of the measure “currency with public” declined further to 15.93% YoY compared with 16.52% YoY earlier while demand deposits with public displayed a negative growth of 3.39% YoY during the fortnight.
- ◆ SCB credit growth displayed further moderation as it eased to 20.90% YoY from 21.66% YoY before as non-food credit growth eased.
- ◆ Non-food credit growth declined further to 20.56% YoY compared with 21.38% YoY before. The declining trend reflects higher cost of credit impacting credit off-take.

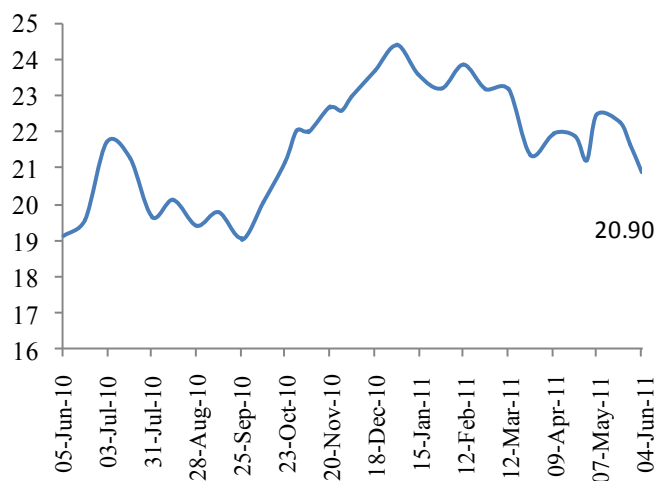
Money Supply (M3), % YoY



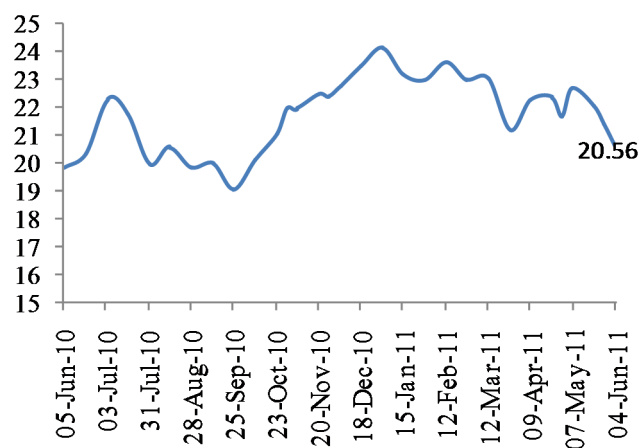
Time and Demand Deposits, % YoY



SCB Credit growth, % YoY



NoN Food Credit Growth, % YoY



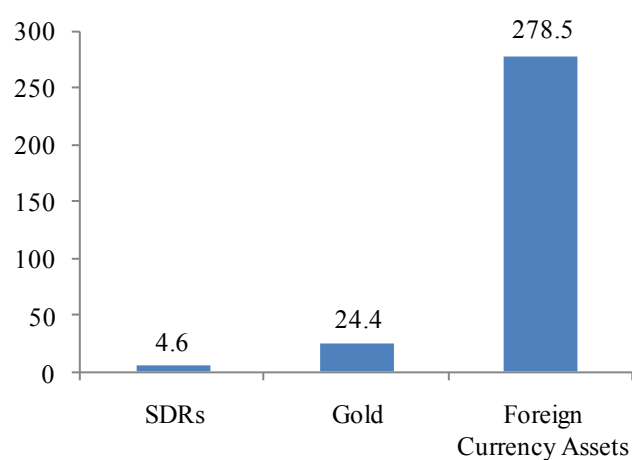
Forex Reserves Declined to \$310.5 billion

Forex reserves decreased to \$310.5 billion in the week ending June 11, 2011, largely due to decline in foreign currency assets due to valuation changes. Forex reserves in India are valued in US dollars.

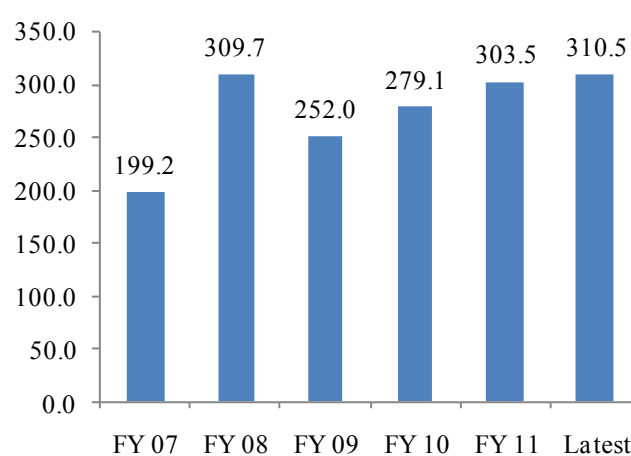
- ◆ Total forex reserves comprises foreign currency assets, SDRs and the central bank's position in gold, all of which are measured in US dollars.
- ◆ During the week ending June 11, 2011, foreign currency assets decreased by \$1.6 billion to \$278.5 billion due to revaluation changes which led to decline in the overall position in forex reserves.
- ◆ Positions in gold and SDRs remained unchanged over the week.

US\$ bn	Forex reserves	SDRs	Gold	Foreign currency assets
21-May-11	308.5	4.6	23.8	277.2
28-May-11	310.2	4.6	23.8	278.9
04-Jun-11	312.9	4.6	24.4	280.1
11-Jun-11	310.5	4.6	24.4	278.5

Forex Reserves Components (in \$ billion)



Forex Reserves Annual Trends (in \$ billion)





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