

June 6, 2011

Economic Weekly



Indian Economy

* **WPI primary articles inflation eases:** WPI Primary articles inflation rate moderated to 10.87% for the week ending May 21, 2011, compared with 11.60% a week ago. Primary articles inflation eased due to decline in food and non-food articles over the week. Fuel inflation rose to 12.54% YoY from 12.11% YoY before as the impact of the petrol prices hike was seen during the week.

* **Money Supply and credit growth of scheduled commercial banks (SCBs) declined:** Money supply declined to 16.81% YoY in the fortnight ending May 21, 2011, compared with 16.92 % in the previous week. SCB credit growth eased to 22.28% YoY compared with 22.5%YoY a fortnight ago.

* **Trade deficit expanded in April 2011:** Trade deficit expanded to \$9 billion as exports growth moderated after sharp expansion seen in March 2011.

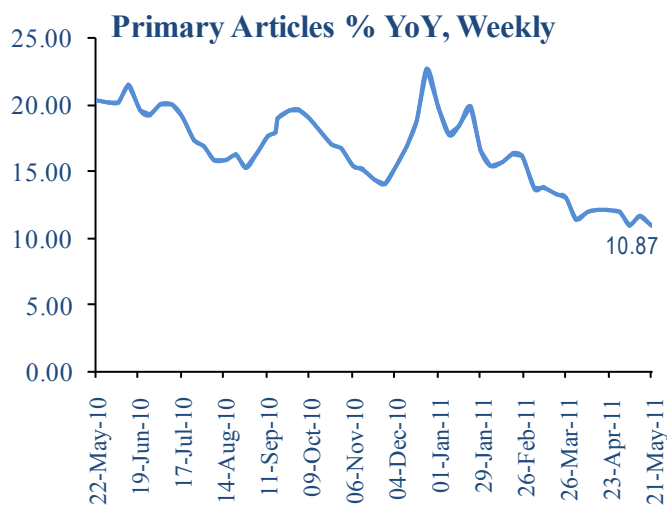
* **Forex reserves increased to \$310 billion:** Forex reserves rose to \$310.2 billion in the week ending May 28, 2011, as foreign currency assets increased by \$1.7 billion

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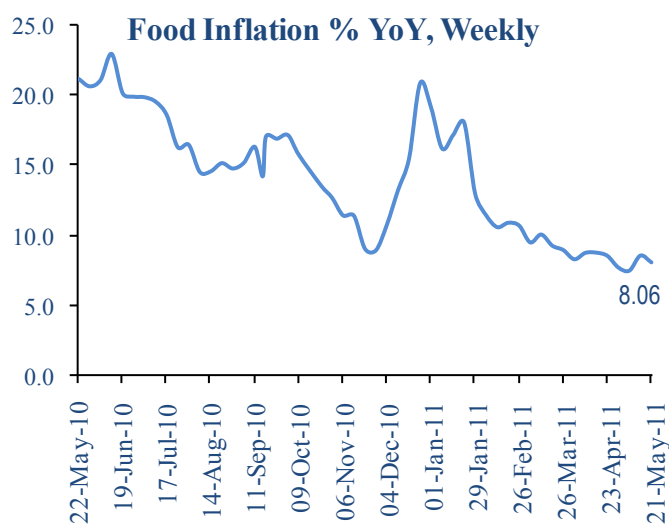
WPI Primary Articles inflation eased to 10.87% YoY

WPI Primary inflation moderated to 10.87% YoY in the week ending May 21, 2011, compared with 11.60% YoY a week ago. Primary articles inflation eased due to decline in both food and non-food articles prices over the week. Impact of recent hike in petrol prices was seen during the week which led to rise in fuel inflation to 12.54% YoY from 12.11% YoY a week ago.

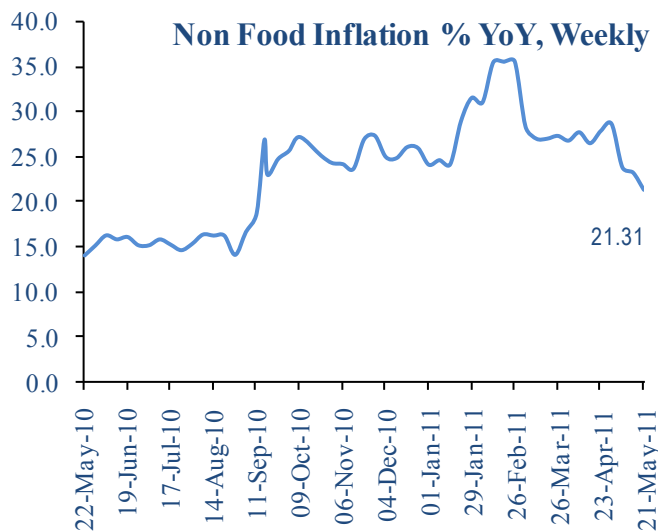
Primary Articles Inflation, % YoY



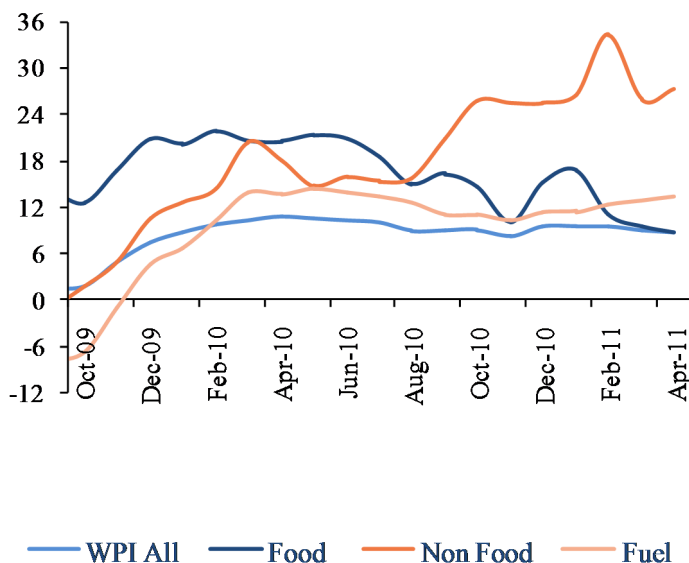
Food Inflation, % YoY



Non Food Inflation, % YoY



Monthly Trends, % YoY



Trends in Primary Articles Constituents

- ◆ Food inflation eased to 8.06% YoY compared with 8.55% YoY a week ago due to decline in the index by 0.21% over the week. This comes as a respite after sharp rise seen last week which had raised concerns of food prices spiraling again.
- ◆ Non-food articles inflation eased significantly to 21.31% YoY due to a 1.3% WoW decline in the index over the week. Decline in non-food articles prices has largely resulted in easing of primary articles inflation this week.
- ◆ Minerals inflation remained unchanged at 11.78% YoY from last week.

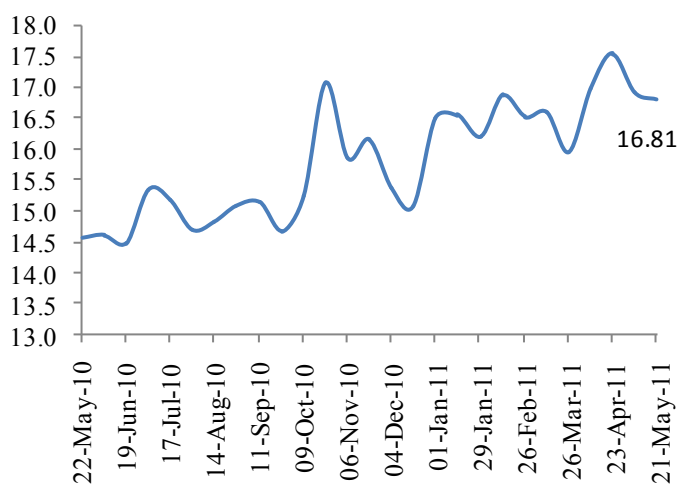
WPI Sub groups	Index	% YoY	% YoY	% WoW	% WoW
	21-May-11	21-May-11	14-May-11	21-May-11	14-May-11
Primary articles	191.7	10.87	11.60	-0.36	0.37
Food Articles	186.3	8.06	8.55	-0.21	0.65
Non Food Articles	183.3	21.31	23.22	-1.03	-0.22
Minerals	266.6	11.78	11.78	0.00	-0.15
Fuel	160.7	12.54	12.1	0.37	0.00

Fuel inflation rose to 12.54% YoY compared with 12.11%YoY a week ago as impact of recent increase of petrol prices by 9% materialised during the week. Fuel index increased by 0.37% over the week as state run oil companies nationwide increased petrol prices.

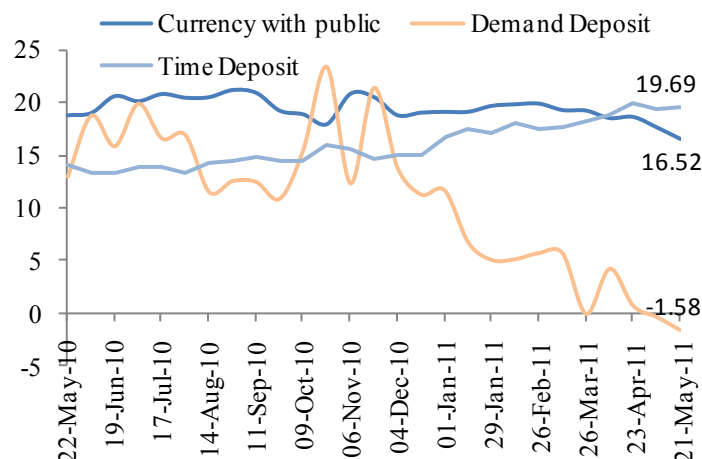
Money Supply and Credit Growth

- ◆ Money supply declined to 16.81% YoY for the week ending May 21, 2011, compared with 16.92% (YoY basis) a fortnight ago as demand deposits growth contracted and currency with public growth eased during the fortnight.
- ◆ Growth of the measure “currency with public” declined to 16.52% YoY from 17.62% YoY while demand deposits growth contracted further. Outstanding demand deposits amounted to ₹6,38,132 crore, which is 1.52% lower than ₹6,48,387 crore in the corresponding week last year.
- ◆ Time deposit growth improved during the fortnight to 19.69% YoY from 19.47% YoY before. The growth in time deposits — catalysed primarily by higher interest rates offered by banks — is probably the reason behind the decline in both “currency with public” as well as “demand deposits”.
- ◆ SCB credit growth eased to 22.28% YoY compared with 22.5% YoY a fortnight ago as non-food growth moderated to 22.08% YoY from 22.67% YoY a fortnight ago.

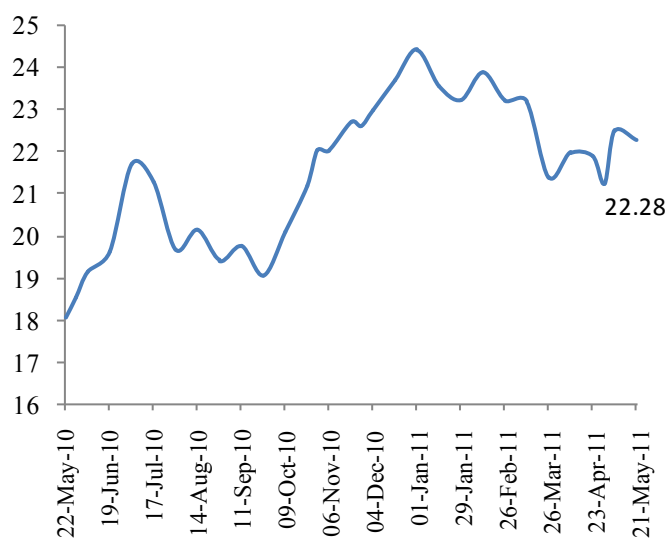
Money Supply (M3), % YoY



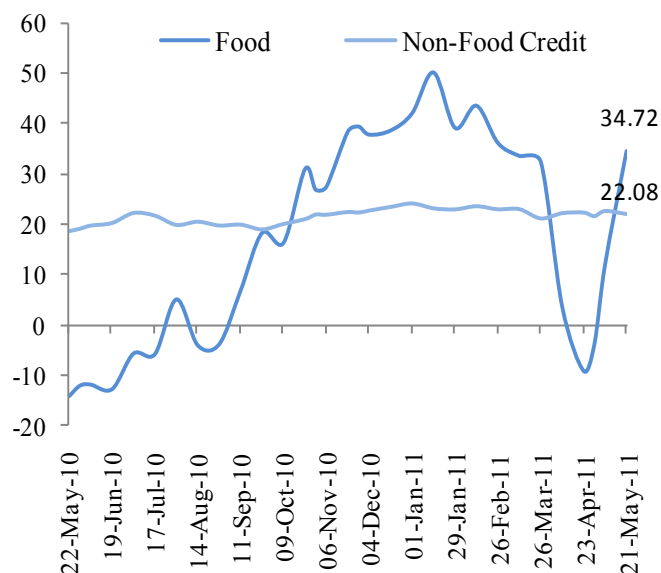
Time Deposit and Demand Deposit, % YoY



SCBs Credit Growth, % YoY



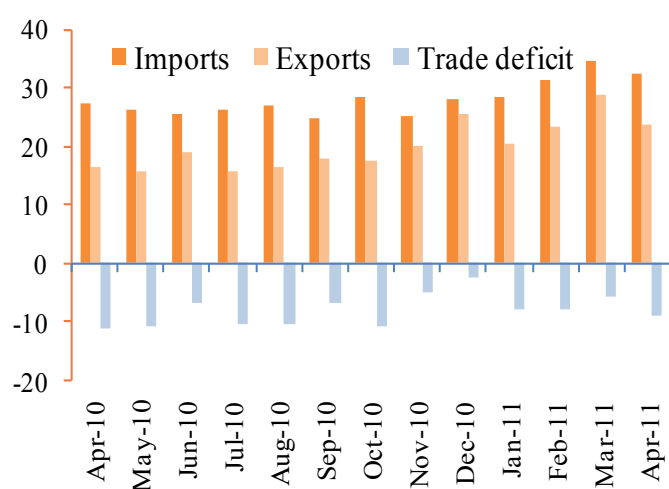
Time Deposit and Credit, % YoY



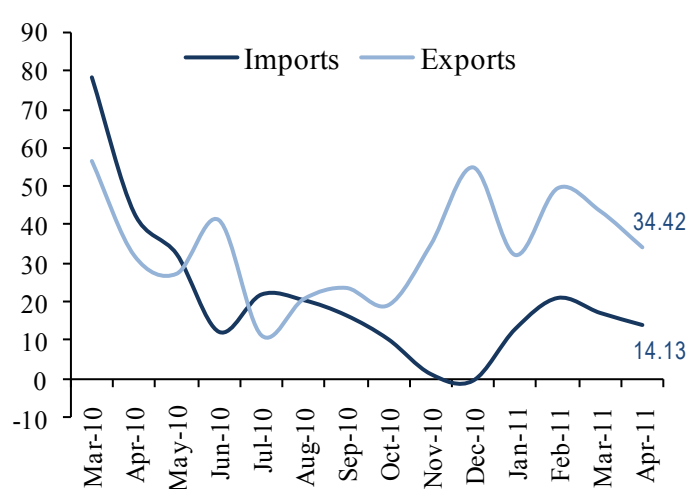
External Account: Trade Balance

- ◆ Trade deficit for April 2011 rose to \$9 billion as exports growth moderated after sharp expansion seen in March 2011. The trade deficit in March had narrowed to \$ 5.6 bn.
- ◆ Exports stood at \$23.8 billion in April 2011 compared with \$29.1 billion in March.. Exports growth came down to 34% YoY in April from 43% YoY in March.
- ◆ Imports stood at \$32.8 billion in April and registered a 14% YoY growth compared with 17% YoY growth in March.

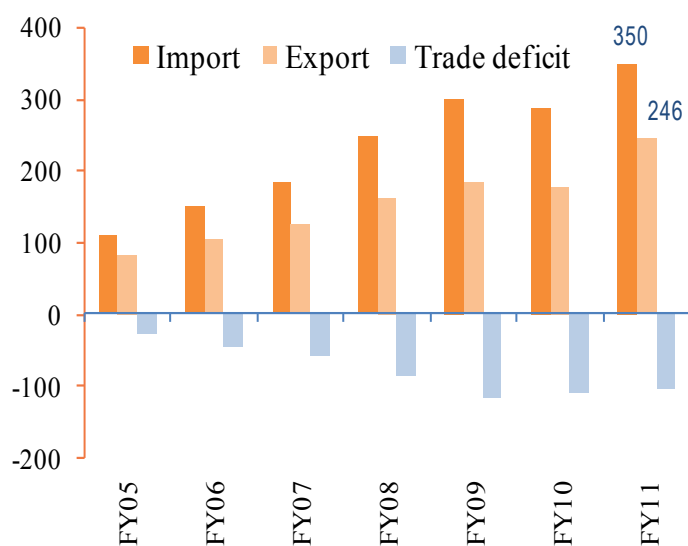
Trade Balance (in \$ billion)



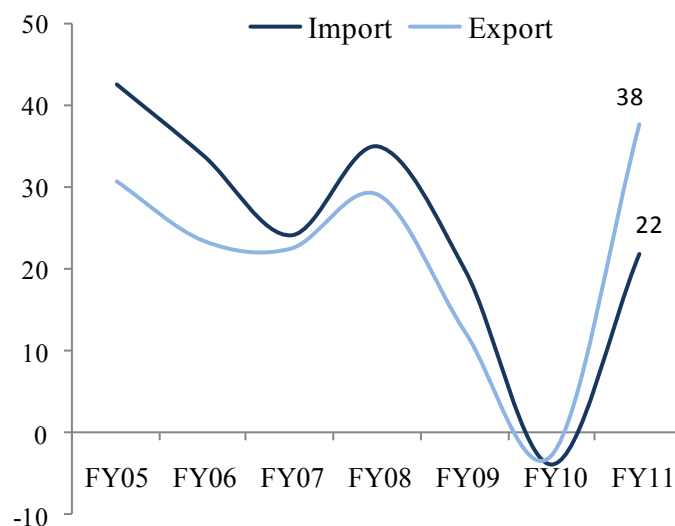
Export & Imports Growth Rates (% YoY)



Annual Trade Position (in \$ billion)



Annual Growth Rates (% YoY)



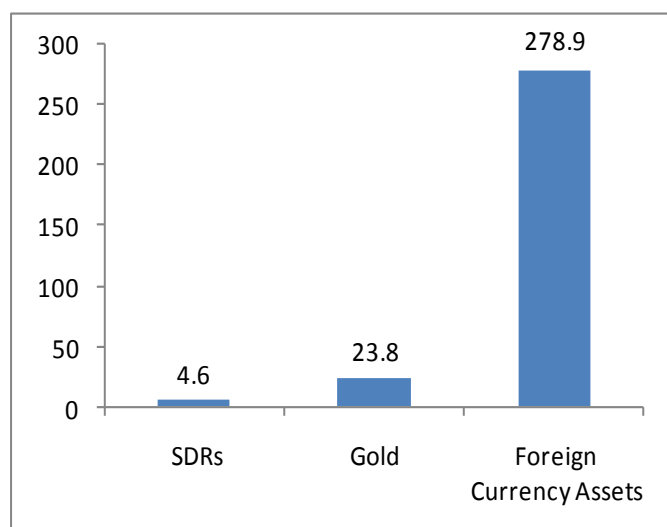
Forex reserves increased to \$310 billion

Forex reserves rose to \$310.2 billion in the week ending May 28, 2011, as foreign currency assets increased by \$1.7 billion. Forex reserves in India are valued in US dollars.

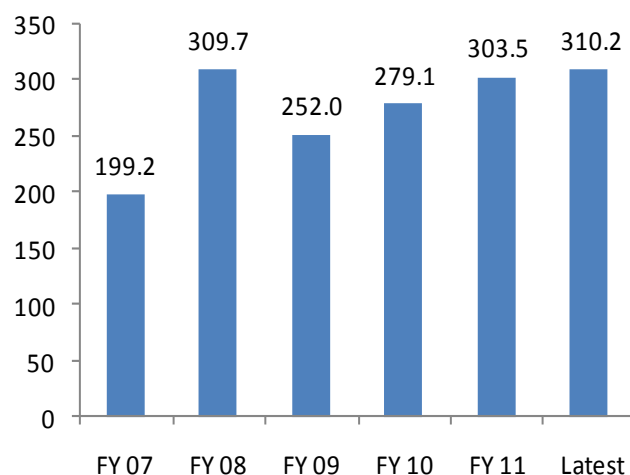
- ◆ Total Forex reserves comprise foreign currency assets, SDRs and central banks position in gold all of which is measured in US dollars.
- ◆ In the week ending May 28, 2011, foreign currency assets increased by \$1.7 billion to \$278.9 billion due to revaluation changes which led to increase in overall position in forex reserves.
- ◆ Positions in gold and SDRs remained unchanged over the week.

\$ billion	Forex Reserves	SDRs	Gold	Foreign Currency Assets
07-May-11	309.5	4.6	23.8	278.1
14-May-11	307.5	4.6	23.8	276.1
21-May-11	308.5	4.6	23.8	277.2
28-May-11	310.2	4.6	23.8	278.9

Forex Reserves Components (in \$ billion)



Forex Reserves Annual Trends (in \$ billion)





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