



INFLATION:	Jan.: 6.62% (-)	Dec. 7.18% (-)	Nov. 7.24% (-)	Oct. 7.32% (-)	Sept. 8.07% (+)	Aug. 8.01% (+)
IIP NUMBERS:		Dec. 0.60% (-)	Nov. -0.10% (-)	Oct. 8.30% (+)	Sept. -0.70% (-)	Aug. 2.70% (+)
G-SEC YIELDS:	Jan. 7.91% (-)	Dec. 8.05% (-)	Nov. 8.18% (-)	Oct. 8.21% (+)	Sept. 8.15% (-)	Aug. 8.24% (-)

INFLATION EASES TO 3-YEAR LOW OF 6.62%

The wholesale price index, the main inflation gauge, rose 6.62% from a year earlier in January, compared with the previous month's 7.18% increase.

India's inflation rate unexpectedly retreated to a more than three-year low last month, opening the door to more interest rates to revive a sharply slowing economy.

- Price increases in manufacturing items, which account for almost 65 percent of the WPI, slowed to 4.81 percent, down from 5.04 percent in December.
- However, food inflation rate increased to 11.88 percent from 11.16 percent and fuel and power inflation rate remained high at 7.06 percent.
- Fuel and power costs were up by 7.1 per cent, but that was down from 9.4 per cent in December.

NOVEMBER IIP: DE-GROWS BY 0.6 %:

India's industrial production growth saw a contraction of 0.6 per cent in December due to decline in nearly all sectors, dashing hopes of a revival of economic growth. This is second straight month that the industrial production has shrunk.

Sector Growth (YoY)

- Mining sector growth at -4.0% vs. -3.3%
- Manufacturing sector growth at -0.7% vs. -2.8%
- Electricity sector growth at 5.2% vs. 9.15%

Sectoral growth (use base classification) (YoY)

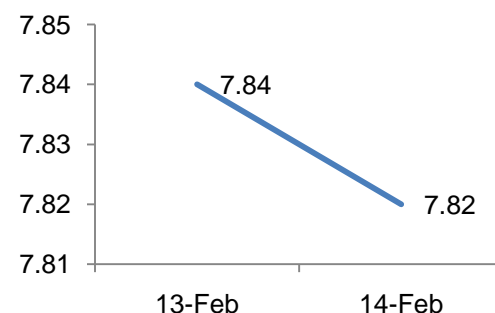
- Basic goods growth at 2.6% vs. 5.5%
- Capital sector goods contraction at -7.7% vs. 7.5%
- Intermediate goods growth at -0.1% vs. -1.5%
- Consumer goods growth at -4.2% vs 10.1%
- Consumer durables goods growth at -8.2% vs 5.1%
- Consumer non-durables goods growth at -1.4% vs. 13.8 %

EXPECTATION

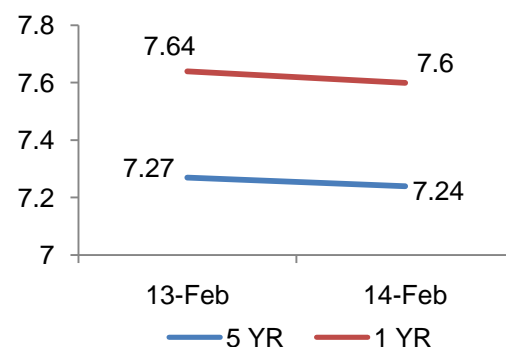
Decelerating wholesale price inflation, however, especially core inflation (i.e. 33 month's low of 4.1%), which is now closer to the Reserve Bank of India's comfort level of 4%, could provide the central bank the necessary margin for further reducing policy rates to support growth. Last month, RBI reduced policy rates by 25 bps, its first cut in nine months, to revive growth. Now we may expect more rate cuts for accelerating the sinking growth rate of economy.

Immediate Impact On Markets After Inflation Data Release

Benchmark G-Sec Yield (%)



5 Year & 1 Year OIS Rate (in %)



Currency (Rs/\$)

