

Table 4.17 : Volume in Money market

Month	LAF Average of the month		(in ₹ billion)									
			Call money		Market Repo		CBLO		CP Out- standing (as on last day of the month)		CP Out- standing (as on last reporting friday)	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
January	-929	-1292	78	173	115	89	448	280	1018	1499	3776	3909
February	-786	-1405	104	142	132	122	423	331	1013	1618	4185	4029
March	-810	-1574	113	175	151	112	432	380	803	912	4247	4195
April	-188	-1029	134	250	144	143	562	377	1250	1310	4474	4448
May	-546	-986	110	185	159	151	409	339	1212	1498	4333	4394
June	-741	-913	116	152	167	180	413	376	1047	1258	4238	4252
July	-438	-481	115	146	117	173	410	382	1337	1732	4122	4155
August	-407	-462	113	129	148	183	391	459	1488	1879	4057	4030
September	-559	-517	138	143	139	185	451	502	1446	1706	3835	3572
October	-541	-671	129	150	132	218	416	436	1688	1941	3859	3531
November	-916	-941	110	141	133	207	329	368	1735	1994	3784	3066
December	-1167	-1231	149	142	99	147	265	398	1341	1818	4030	3031

Source : RBI

backed by moderation in the non food manufacturing sector. However, CPI inflation has shown a rising trend in the past couple of months mainly on account of higher food inflation leading to a higher gap between WPI and CPI. Unlike last year when the food price inflation was mainly driven by higher protein food items, this year the pressure has been mounting in cereals. On the other hand milk and other protein items have shown a welcome decline. The recent increase in onion prices in January 2012 and revision in diesel prices may put some pressure on headline inflation. However, with moderation in non food manufacturing sector and global commodity prices, the headline WPI inflation may decline to 6.2 to 6.6 per cent in March 2013.

4.55 Inflation has eased in almost all major advanced and emerging market economies in the current year. The positive effect of continuous policy easing by the major advanced and developing countries could pose a higher risk to inflation expectations and may be considered as an upside risk to inflation forecast. However, in the short run, given weak growth sentiments, the impact of policy easing may not lead to a surge in inflation and inflation expectations may remain anchored around current target inflation rates.

4.56 As per the World Bank's global economic prospects, January 2013, except for metals, most global commodity prices are expected to decline further in 2013 and 2014. The impact of benign inflationary expectations internationally will have a moderating impact on domestic prices. Given that India faces a number of constraints on the supply side, in the short run, curbing demand moderately to catch up with supply may be an effective tool. However, in the long run, measures to improve supply are the only way to have non-inflationary growth.

4.57 The RBI's monetary policy stance has continued to focus on the twin objectives of containing inflation and facilitating growth. Increasing risks to growth from external as well as domestic sources and tight monetary policy in face of persistent inflationary pressures have contributed to a sharper slowdown of the economy than anticipated. There has been some moderation in inflation in Q3 of 2012-13 and with the expected fiscal consolidation the current macroeconomic situation creates room for a more accommodative monetary policy. Further, with a significant part of inflation getting generated because of poor supply responses, a further shift in the policy stance of RBI, coupled with improving access to credit with moderation in its cost, would be desirable.