

# Economic Alert iQ

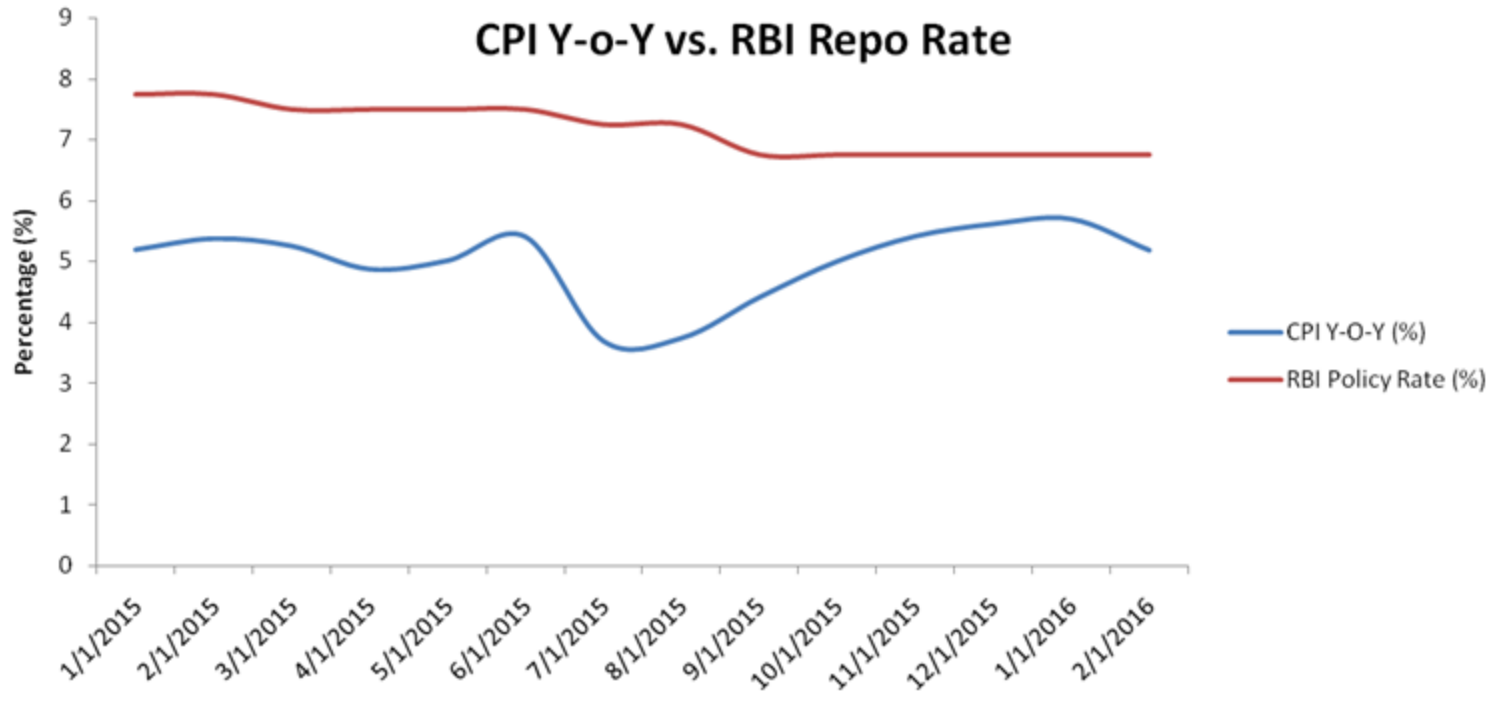


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International

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## India cuts interest rates to five-year low

- On 5<sup>th</sup> April, 2016, India's central bank cut its key interest rate for the first time this year. The country's central bank, Reserve Bank of India (RBI) reduced its repo rate to 6.5% from 6.75%.
- It is expected that inflation will decelerate modestly and remain around 5% through March 2017. This cut is expected to encourage investors and industrial producers to increase spending. India over the last year has been growing faster than its competitors, including China, but faces anxiety over the resilience of its economy.
- The central bank highlighted that the key inflation risks include monsoon, oil price, civil servant pay hike; downside pressures include tepid global demand, effective food management and fiscal consolidation.
- According the government estimates, retail inflation eased to a four-month low of 5.2% in February mainly attributable to a sharp drop in food inflation, while wholesale prices fell for the 16th straight month in February, driven down by falling oil prices.
- Domestic economic activity lost pace in the second half of 2015-16, slowed down by low levels of investment and a continued contraction in exports. While private consumption has been the crucial pillar in holding up the country's aggregate demand, it has largely been an urban phenomenon: indicators of rural growth have remained in negative territory.
- The global economic conditions makes it more conducive for India to cut rates. Moreover, with the U.S. Federal Reserve having scaled back expectations of the number of interest rate increases it expects to make this year, this will assist in helping steady Asian markets.



	Q2 15			Q3 15			Q4 15			Q1 16		
Indicator	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
National Accounts												
<b>Real GDP by Expenditure (yoy %)</b>			7.6	--		7.7			7.3	--	--	
Consumer Prices												
<b>CPI Combined (yoy %)</b>	4.9	5	5.4	3.7	3.7	4.4	5	5.4	5.6	5.7	5.2	
Producer Prices												
<b>Wholesale Price Index (yoy %)</b>	-2.4	-2.2	-2.1	-4	-5.1	-4.6	-3.7	-2	-1.1	-0.9	-0.9	
Economic Activity												
<b>Industrial Production (yoy %)</b>	3	2.5	4.2	4.3	6.3	3.7	9.9	-3.4	-1.2	-1.5		
<b>Manufacturing Production (yoy %)</b>	3.9	2.1	5.2	4.8	6.6	2.7	10.6	-4.7	-2.2	-2.8		
Business Conditions												
<b>Nikkei/Markit India Composite PMI (sa)</b>	52.5	51.2	49.2	52	52.6	51.5	52.6	50.2	51.6	53.3	51.2	
<b>Nikkei/Markit India Manufacturing PMI (sa)</b>	51.3	52.6	51.3	52.7	52.3	51.2	50.7	50.3	49.1	51.1	51.1	52.4
<b>Nikkei/Markit India Services PMI (sa)</b>	52.4	49.6	47.7	50.8	51.8	51.3	53.2	50.1	53.6	54.3	51.4	
Leading Indicators												
<b>OECD India Leading Indicator (index)</b>	135.2	136.1	137	137.8	138.7	139.5	140.4	141.2	142.1			
Retail Sector												
<b>Domestic Passenger Car Sales (000s)</b>	159.5	160.1	162.7	162	163.1	169.6	194.2	173.1	172.7	168.3	164.5	
Financial Sector												
<b>RBI Policy Rate (%)</b>	7.5	7.5	7.25	7.25	7.25	6.75	6.75	6.75	6.75	6.75	6.75	6.75
<b>RBI Reverse Repo Rate (%)</b>	6.5	6.5	6.25	6.25	6.25	5.75	5.75	5.75	5.75	5.75	5.75	5.75
<b>3-Month Deposit Rate (%)</b>	8	8	8	7.75	7.5	7.38	7	7.5	7.25	7.25	7.5	7.5

Source: Bloomberg



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