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Despite a steep decline in the WPI compared to a 13-year peak last August, consumers continue to signal concern about high retail prices— points out the Consumer Confidence data from Boston Analytics for the month of April 2009

May 12, 2009: Headline inflation moderated to a near zero level in mid-April due to lower year-over-year inflation in basic commodities, especially minerals. However, inflation in the food group, which is important to consumers, continued to remain above 6% provoking a debate in the press about the important distinction between wholesale and retail price inflation. Our survey data reveals that the decline in the Wholesale Price Index (WPI) has been accompanied by an improvement in consumer sentiment related to the price levels of retail goods and services in general (fall in the number of respondents reporting an increase in the prices of goods and services in general – see Exhibit 1). However, it is important to note that sentiment levels pertaining to current prices of goods and services in general remain pessimistic, implying that consumers continue to believe that retail prices are still too high.

Exhibit 1

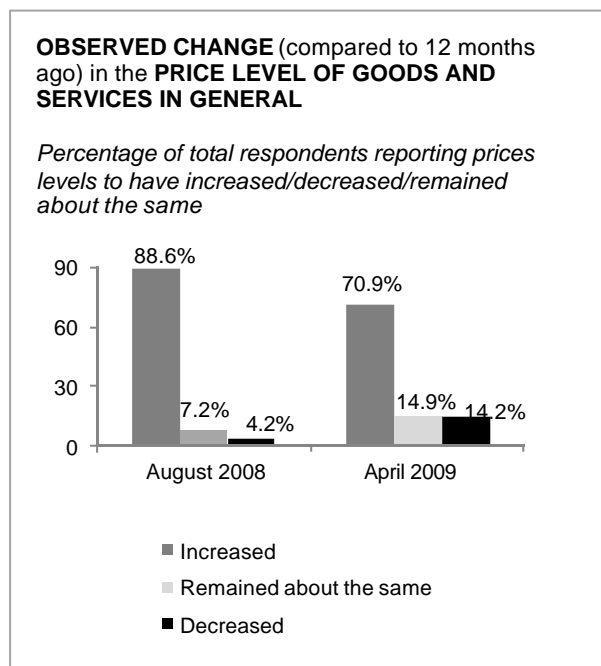
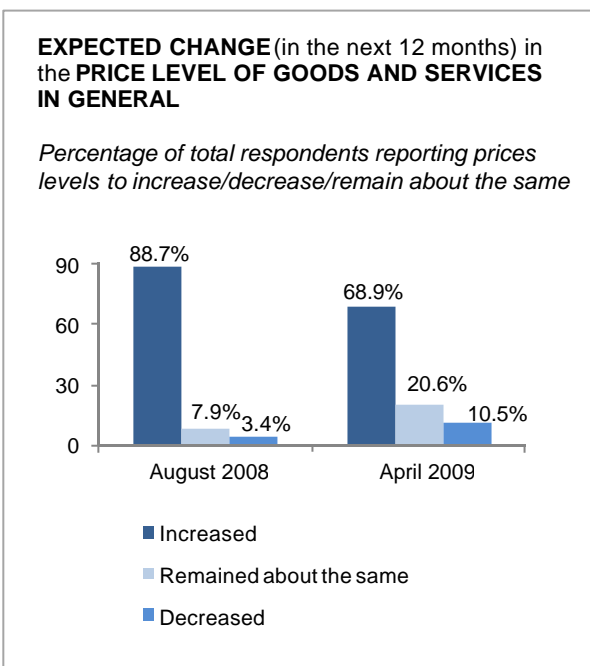


Exhibit 2



On the expectations front, inflation is likely to come down further based on expected improvement in agricultural output and further moderation in commodity prices. In response, sentiment related to expected change in prices of goods and services has improved considerably in the last year (see Exhibit 2 above), but these levels continue to be indicative of continuing concern about high prices.

Consumer sentiment data is derived from a survey of monthly survey targeting 10,000 respondents cross 15 cities across fifteen Indian cities—Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad, Chandigarh, Nagpur, Kochi, Jaipur, Lucknow, Bhubaneswar, Patna, and Vishakhapatnam. A stratified sampling process was adopted for this survey, with the strata based on the socio-economic conditions of the respondents in order to ensure a proper representation of the population. All data is collected via face-to-face interviews.