

IV. Monetary Conditions

During the first half of 2009-10, growth in both broad money (M3) and non-food credit decelerated. This reversed course during the second half reflecting the pull of economic recovery. While non-food credit, which had been decelerating since October 2008 reached its inflexion point in November 2009, money growth turned around in March 2010. By the end of the financial year, growth in both M3 and non-food credit exceeded the Reserve Bank's indicative projections of growth of 16.5 per cent and 16.0 per cent, respectively. During the year, there was a slowdown in the pace of deposit mobilisation by the banking system, mainly due to the gradual decline in interest rates on time deposits in lagged response to the lower policy rates. With the increasing demand for credit from the banking system, deposit mobilisation has begun to gain strength, and deposit rates have also moved up in the recent period. Even after the absorption of Rs.36,000 crore through the 75 basis points hike in CRR effected in February 2010, liquidity conditions have remained comfortable, as evident from the reverse repo operations under the LAF in the recent weeks.

IV.1 During the crisis, maintenance of ample liquidity and lower policy rates were used by the Reserve Bank as the key channels to stimulate private demand and thereby contain the pace of slowdown in economic activity. The interest rate transmission through lower lending rates started becoming visible with a lag. When the private demand for credit remained depressed and decelerated till the middle of Q3 of 2009-10, the flow of resources from the non-banking sources to the commercial sector increased. The recent upturn in monetary and credit aggregates provides

additional evidence that the recovery is taking hold.

IV.2 In 2009-10, growth in reserve money decelerated up to October and thereafter gradually rose back to the growth rate prevailing in September 2008, *i.e.*, before the onset of the global financial crisis. In contrast, reserve money adjusted for the first round impact of CRR change, exhibited less volatility and followed a mildly decelerating trend for the year.

IV.3 Growth in broad money (M_3) showed deceleration throughout the year, with a moderate turnaround seen in March 2010 (Chart IV.1 and Table IV.1). This was on account of deceleration in aggregate deposits on the components side of M_3 . On the sources side of M_3 , the deceleration was driven by the relatively weak demand for credit from the commercial sector during the first half of 2009-10, combined with moderation in banking system's credit to the Government during the second half of 2009-10. After a phase of deceleration, there has been a revival in the flow of bank credit

since November 2009, as a result of which the Reserve Bank's indicative target of 16.0 per cent credit growth for the year was exceeded by mid-March 2010. The improved flow of credit from the banking sector in conjunction with higher availability of resources from the non-banking sources (both domestic as well as foreign) led to a significant increase in total flow of financial resources to the commercial sector, thereby financing the activities underpinning the economic recovery that is underway.

Reserve Money

IV.4 In 2008-09, the deceleration in the growth rate of reserve money was primarily on account of decline in bankers' deposits with the Reserve Bank on the components side of reserve money (due to a net reduction in CRR by 250 basis points during the year) and decline in foreign currency assets (on account of capital outflows) on the sources side of reserve money. During 2009-10, the deceleration continued up to October. This was mainly due to decline in

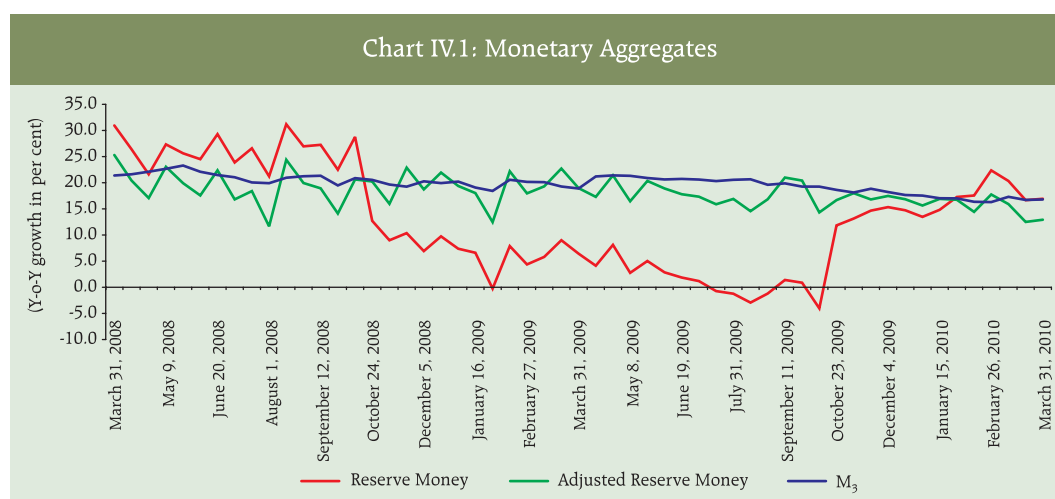


Table IV.1: Monetary Indicators

(Amount in Rupees crore)

Item	Outstanding as on March 31, 2010	Variation (y-o-y)			
		2008-09		2009-10	
		Absolute	Per cent	Absolute	Per cent
1	2	3	4	5	6
I. Reserve Money (Reserve Money adjusted for CRR changes)	11,55,281	59,698	6.4 (19.0)	1,67,281	16.9 (12.9)
II. Broad Money (M ₃)	55,79,567	7,59,186	18.9	8,02,498	16.8
III. Components of M ₃ (a + b + c)					
a) Currency with the Public	7,68,048	97,866	17.2	1,01,722	15.3
b) Aggregate Deposits (i+ii)	48,07,734	6,64,802	19.3	7,02,514	17.1
i) Demand Deposits	7,14,157	3,143	0.5	1,32,643	22.8
ii) Time Deposits	40,93,577	6,61,660	23.1	5,69,872	16.2
c) Other Deposits with RBI	3,785	-3,482	-38.5	-1,788	-32.1
IV. Sources of M ₃ (a + b + c + d - e)					
a) Net Bank Credit to the Government (i+ii)	16,68,258	3,78,207	42.0	3,90,534	30.6
i) Net Reserve Bank Credit to the Government <i>of which:</i> to the Centre	2,20,218	1,74,789	-	1,58,638	-
ii) Other Banks' Credit to the Government	2,19,836	1,76,397	-	1,58,074	-
ii) Other Banks' Credit to the Government	14,48,041	2,03,418	20.1	2,31,897	19.1
b) Bank Credit to the Commercial Sector	34,83,253	4,41,526	17.1	4,62,737	15.3
c) Net Foreign Exchange Assets of the Banking Sector	12,75,039	57,053	4.4	-77,145	-5.7
d) Government's Currency Liabilities to the Public	10,919	831	9.0	865	8.6
e) Net Non-Monetary Liabilities of the Banking Sector	8,57,902	1,18,430	15.5	-25,508	-2.9

Note: Data are provisional.

bankers' deposits (since growth in banks' aggregate deposits decelerated even as the CRR stayed unchanged at 5.0 per cent) on the components side of reserve money and decline in Reserve Bank's credit to the Centre, reflecting increased reverse repo operations¹ and increase in Centre's surplus on the sources side of reserve money. As the outstanding reverse repo balances and open market operations declined October 2009 onwards, net Reserve Bank credit to the Centre became the important driver of acceleration in reserve money growth.

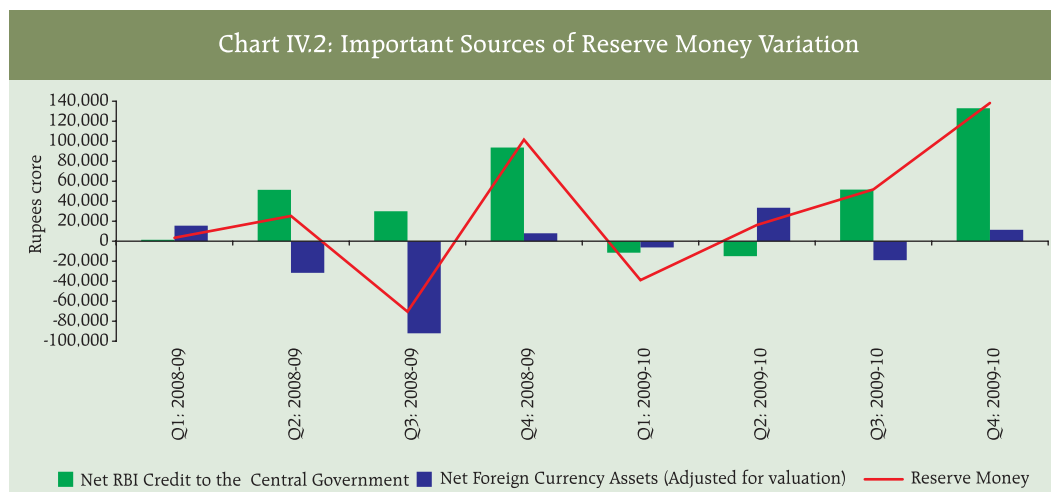
IV.5 For the entire financial year 2009-10, the decline in MSS balances by Rs.85,340

¹ The increased recourse to reverse repo offset to a large extent the increase in Reserve Bank credit to the Central Government stemming from unwinding of MSS balances and open market purchases during the first half of the year.

crore (through unwinding and de-sequestering of balances to the Government) was the largest source of increase in reserve money, accounting for more than 50 per cent of the Rs.1,67,281 crore increase in reserve money. The other major source was open market purchases. LAF operations and Centre's surplus with the Reserve Bank played a significant role in quarter to quarter movements in net Reserve Bank credit to the Centre and hence in reserve money.

IV.6 The foreign currency assets of the Reserve Bank (adjusted for valuation) were the dominant source of variations in reserve money in the past five years. During 2009-10, net accretion to foreign currency assets was the highest during the second quarter (Chart IV.2). In the last two quarters of 2009-10,

Chart IV.2: Important Sources of Reserve Money Variation



however, the expansion in reserve money was not affected much by the moderate contraction and the subsequent expansion in foreign currency assets of the Reserve Bank. The significant movement in the net non-monetary liabilities of the Reserve Bank was mainly on account of the movement in the valuation of foreign exchange assets of the Reserve Bank.

IV.7 During the fourth quarter of 2009-10, reserve money growth on the components side was led by the increase in bankers' deposits with the Reserve Bank. This was on account of the increase in CRR by 75 basis points in February 2010. Currency in circulation also increased in line with the increased economic activity in the country (Table IV.2). On the sources side, net Reserve Bank credit to the Centre accounted for nearly the entire increase in reserve money (Chart IV.2). The increase in net Reserve Bank credit to the Centre was mainly due to the reduction in the Government's cash surplus with the Reserve Bank. The other factor contributing to increase in net Reserve Bank credit to the Centre was

decline in outstanding reverse repo balances², which reflected the impact of the absorption of part of the excess liquidity in the system by the hike in the CRR as well as some tightening of the overall liquidity conditions resulting from the advance tax payments during the first fortnight of March 2010. There was also a reduction in MSS balances with the Reserve Bank due to unwinding (Rs.11,036 crore in the first week of January 2010) and de-sequestering (Rs.5,000 crore on March 11, 2010).

IV.8 Since bankers' deposits with the Reserve Bank, a key determinant of reserve money on the components side, change in response to variations in CRR effected by the Reserve Bank as part of its monetary policy actions, it is often useful to analyse the behaviour of reserve money adjusted for the policy induced part of the change in base

² The Reserve Bank's credit to the Centre is affected by LAF operations, OMO, MSS balances and Government's cash surplus with the Reserve Bank. Increase in repo/OMO purchases and decline in reverse repo/MSS balances/Government's surplus balances with Reserve Bank lead to increase in net Reserve Bank credit to the Centre, and *vice versa*.

Table IV.2: Reserve Money - Variations

Item	2008-09				2009-10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9
Reserve Money	3,416	25,218	-70,454	1,01,519	-38,932	16,219	51,786	1,38,208
Components (1+2+3)								
1. Currency in Circulation	36,859	-14,516	38,277	39,733	29,692	1,081	45,351	31,921
2. Bankers' Deposits with RBI	-29,333	39,219	-1,15,773	68,714	-72,664	20,680	5,456	1,07,552
3. 'Other' Deposits with the RBI	-4,110	514	7,042	-6,928	4,040	-5,542	980	-1,266
Sources (4+5+6+7-8)								
4. RBI's Net Credit to Government <i>of which: to Centre</i>	-13 1,430	51,360 51,379	30,230 29,932	93,212 93,657	-11,145 -11,497	-14,953 -14,968	51,428 51,597	1,33,308 1,32,943
5. RBI's Credit to Banks and Commercial Sector	-3,358	4,963	5,032	11,163	-9,623	-3,747	-5,926	-2,384
6. Net Foreign Assets of RBI <i>of which: Foreign Currency Assets, adjusted for valuation</i>	1,03,932 15,535	10,336 -31,641	-1,56,330 -92,102	86,048 7,900	-16,750 -6,245	50,120 33,441	-15,108 -18,985	-66,428 11,390
7. Governments' Currency Liabilities to the Public	225	206	186	213	254	302	218	91
8. Net Non-Monetary Liabilities of RBI	97,369	41,648	-50,428	89,117	1,668	15,503	-21,175	-73,621
<i>Memo:</i>								
LAF - Repo (+) / Reverse Repo (-)	-45,350	51,480	-62,170	4,205	-1,32,800	28,170	67,765	37,360
Net Open Market Sales *	-8,696	-10,535	-7,669	-67,649	-42,001	-31,591	-1,894	17
Centre's Surplus	-42,427	6,199	-32,830	8,691	-13,156	77,713	17,519	-80,112
MSS Balances	6,040	-628	-53,754	-31,973	-65,187	-4,117	0	-16,036
*: Excludes Treasury Bills.								
Note: 1. The sum of the memo items will not add up to the net Reserve Bank credit to the Centre as LAF and OMO transactions are at face value and also due to margin adjustment for LAF operations.								
2. Data are based on March 31 for Q4 and last reporting Friday for all other quarters.								
3. Data are provisional.								

money. Adjusting the reserve money series for injection/absorption through CRR changes gives the adjusted reserve money series. The reserve money growth for the last few fortnights of 2009-10 exceeds the adjusted reserve money growth, reflecting the impact of the hike in CRR in February 2010 that led to absorption of about Rs.36,000 crore of surplus liquidity from the system (Chart IV.3).

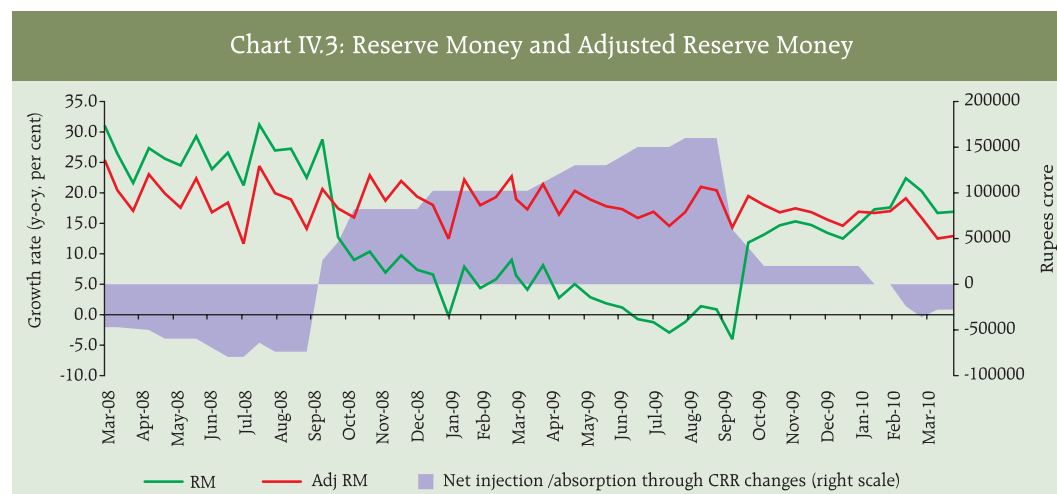
Money Supply

IV.9 Broad money growth followed the growth pattern of its largest component – aggregate deposits. Since there was gradual

deceleration in aggregate deposits, led primarily by time deposits, money growth decelerated during the year (Table IV.3). Due to the softening of interest rates, there was deceleration in the growth of time deposits through the year, with an erratic pattern in the closing fortnights of 2009-10 (Chart IV.4 a). Since April 2009, returns on small savings have remained higher than that of time deposits, leading to rising inflows since August 2009, after a period of 20 consecutive months of outflows. As the interest differentials over time deposits became more attractive, the rate of accretion into the small savings schemes increased in each

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successive month up to February 2010, *i.e.*, the latest period for which data are available (Chart IV.4 b).

IV.10 On the sources side, the main driver of M_3 has been the banking system's credit

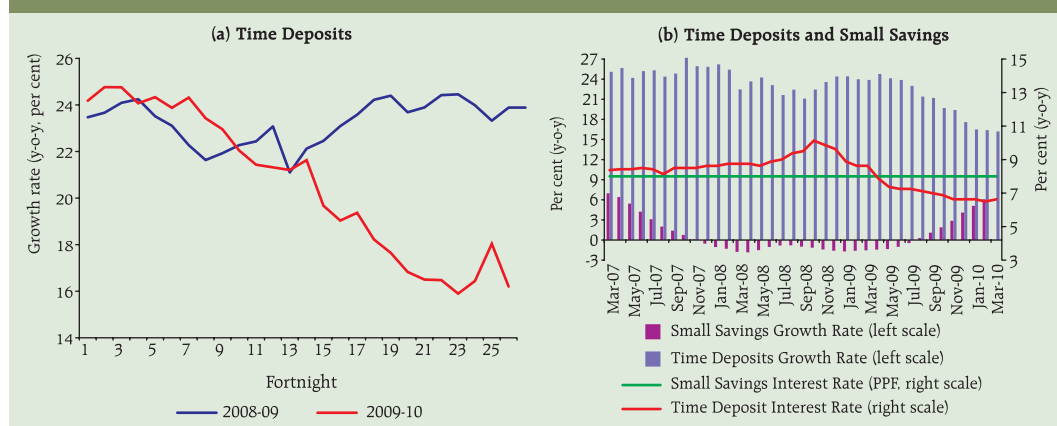
to the Government, while credit to the commercial sector also showed revival in the last quarter of 2009-10. A quarter-wise analysis reveals that incremental credit extended by scheduled commercial banks

Table IV.3: Monetary Aggregates - Variations

Item	2008-09				2009-10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9
M_3 (1+2+3 = 4+5+6+7-8)	89,283	1,76,379	1,60,486	3,33,039	1,81,527	1,49,994	1,19,907	3,51,070
Components								
1. Currency with the Public	35,772	-18,037	40,405	39,726	24,086	2,910	44,994	29,782
2. Aggregate Deposits with Banks	57,621	1,93,902	1,13,039	3,00,241	1,53,401	1,52,626	73,933	3,22,554
2.1 Demand Deposits with Banks	-79,325	52,771	-62,157	91,854	-33,738	65,288	-27,888	1,28,980
2.2 Time Deposits with Banks	1,36,946	1,41,131	1,75,195	2,08,389	1,87,139	87,339	1,01,821	1,93,573
3. 'Other' Deposits with RBI	-4,110	514	7,042	-6,928	4,040	-5,542	980	-1,266
Sources								
4. Net Bank Credit to Government	36,124	31,654	1,29,335	1,81,093	1,20,425	71,011	33,105	1,65,994
4.1 RBI's Net Credit to Government	-13	51,360	30,230	93,212	-11,145	-14,953	51,428	1,33,308
4.2 Other Banks' Credit to Government	36,137	-19,706	99,106	87,881	1,31,570	85,963	-18,323	32,686
5. Bank Credit to the Commercial Sector	30,811	1,63,138	90,616	1,56,962	-12,855	1,13,963	60,825	3,00,804
6. NFA of Banking Sector	66,858	7,271	-1,32,461	1,15,385	-37,923	47,908	-20,701	-66,428
7. Government's Currency Liabilities to the Public	225	206	186	213	254	302	218	91
8. Net Non-Monetary Liabilities of the Banking Sector	44,735	25,890	-72,809	1,20,614	-1,11,627	83,188	-46,460	49,390

Note: Data are provisional.

Chart IV.4: Time Deposits and Small Savings



(SCBs) in absolute terms in the fourth quarter of 2009-10 was the highest in last two years (Chart IV.5). After showing an absolute decline in the third quarter of 2009-10, SCBs' credit to the Government increased during the fourth quarter, when the Government's borrowing programme was completed.

IV.11 Reflecting the revival in flow of credit from the SCBs, the non-food credit growth was 16.9 per cent by end-March 2010 as against the Reserve Bank's indicative

trajectory of growth of 16 per cent (Chart IV.6 a). In the year up to October 2009, deceleration in non-food credit had continued and reached the low of 10.3 per cent. As the economic recovery is increasingly becoming more broad-based, with industrial output exhibiting particularly strong acceleration in recent months, there is a significant revival in credit demand since end-November 2009 and the incremental credit deposit ratio has also risen steadily in the second half of 2009-10 (Chart IV.6 b).

Chart IV.5: Scheduled Commercial Bank's Credit (Quarterly Variation)

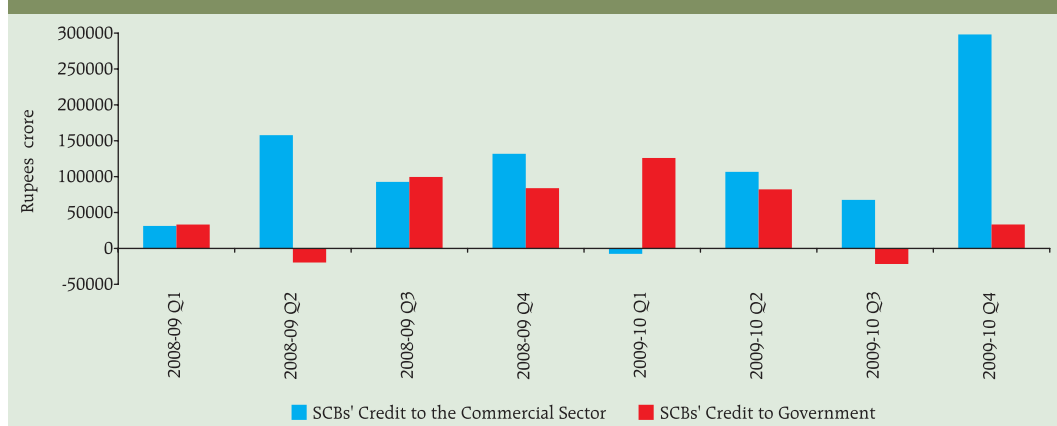
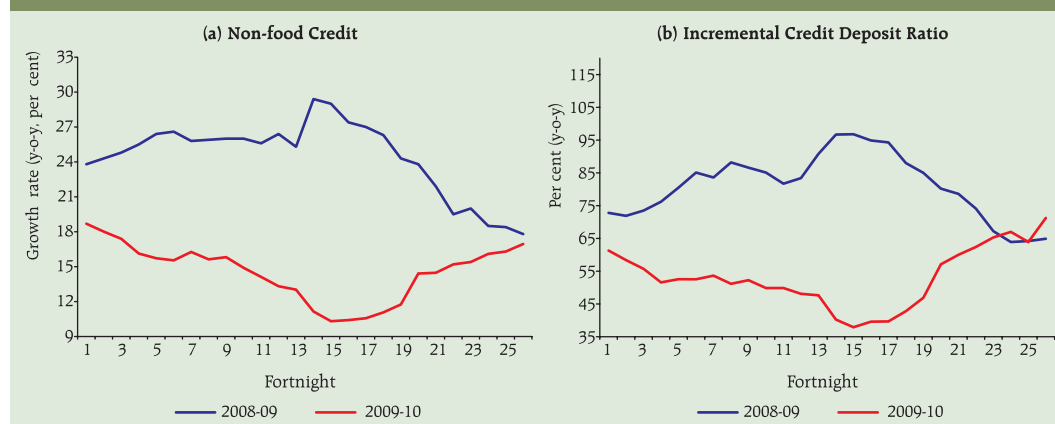


Chart IV.6: Scheduled Commercial Banks' Credit



IV.12 Due to the revival in credit demand for the banking system as a whole, the credit extended by private banks at end-March 2010 showed some improvement over last year. The loan portfolio of foreign banks, however, contracted (Table IV.4).

IV.13 Reflecting the revival in credit demand from the private sector, SCBs' investment in SLR securities increased at a lower rate of 18.5 per cent (y-o-y) as on March 26, 2010 as compared with 20.0 per cent a year ago. Commercial banks' holdings of such securities at 28.8 per cent of their net

demand and time liabilities (NDTL) were only marginally higher than 28.1 per cent at end-March 2009. Adjusted for LAF collateral securities on an outstanding basis, SCBs' holding of SLR securities amounted to 28.4 per cent of NDTL as on March 26, 2010. SCBs reduced their overseas foreign currency borrowings as well as their holding of foreign currency assets during the year (Table IV.5).

IV.14 Disaggregated data on sectoral deployment of gross bank credit show improvement in credit growth (y-o-y) to all major sectors such as agriculture, industry,

Table IV.4: Credit Flow from Scheduled Commercial Banks

(Amount in Rupees crore)

Item	Outstanding as on Mar. 26, 2010	Variation (Y-on-Y)			
		As on Mar. 27, 2009		As on Mar. 26, 2010	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
1. Public Sector Banks	24,12,508	3,48,562	20.9	3,93,797	19.5
2. Foreign Banks	1,66,839	6,467	4.0	-2,496	-1.5
3. Private Banks	5,84,703	52,013	11.0	61,211	11.7
4. All Scheduled Commercial Banks*	32,40,399	4,13,636	17.5	4,64,849	16.7

*: including Regional Rural Banks.

Note: Data are provisional.

Table IV.5.: Scheduled Commercial Banks - Sources and Uses of Funds

(Amount in Rupees crore)					
Item	Outstanding as on March 26, 2010	Variation (year-on-year)			
		As on March 27, 2009		As on March 26, 2010	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
Sources of Funds					
1. Aggregate Deposits	44,21,639	6,26,838	20.0	6,54,798	17.4
2. Call/Term Funding from Financial Institutions	1,04,501	7,432	7.0	-9,435	-8.3
3. Overseas Foreign Currency Borrowings	35,217	-3,047	-6.9	-6,187	-14.9
4. Capital	59,486	3,601	8.2	12,115	25.6
5. Reserves	3,26,870	56,221	24.6	41,797	14.7
Uses of Funds					
1. Bank Credit	32,40,399	4,13,636	17.5	4,64,849	16.7
<i>of which:</i> Non-food Credit	31,91,909	4,11,824	17.8	4,62,571	16.9
2. Investments in Government and Other Approved Securities	13,82,684	1,94,695	20.0	2,16,273	18.5
a) Investments in Government Securities	13,75,704	1,97,124	20.6	2,19,918	19.0
b) Investments in Other Approved Securities	6,980	-2,429	-18.6	-3,645	-34.3
3. Investments in non-SLR Securities	2,34,114	36,907	21.6	26,597	12.8
4. Foreign Currency Assets	43,788	24,123	77.3	-11,524	-20.8
5. Balances with the RBI	2,81,390	-18,927	-7.4	43,195	18.1

Note: Data are provisional.

services and personal loans from November 2009 onwards. Industry absorbed 52.6 per cent of incremental non-food credit (y-o-y) in February 2010 as compared with 55.8 per cent in the corresponding month of the previous year. This expansion was led by infrastructure and basic metals and metal products. The share of incremental non-food credit to services sector was 22.6 per cent in February 2010. Within services sector, credit growth (y-o-y) for transport operators, computer software, tourism, hotels and restaurants and trade accelerated in February 2010. Also, the share of incremental non-food credit to micro and small enterprises (industry as well as services) increased to 16.4 per cent in February 2010 as compared

with 12.4 per cent in February 2009. Credit to real estate decelerated sharply mainly on account of the definitional change to the concept of "lending to real estate sector" effected in September 2009. The agricultural sector absorbed 18.3 per cent of the incremental non-food bank credit in February 2010 (12.7 per cent last year). Share of personal loans in incremental non-food credit increased markedly to 6.5 per cent by February 2010, from (-) 0.2 per cent in October 2009. Within personal loans, while education loan and housing loan continued to grow over 30 per cent and 8 per cent, respectively, the contraction in credit to some sub-sectors such as consumer durables and advances against shares, bonds, *etc.*, moderated (Table IV.6).

Table IV.6: Deployment of Gross Bank Credit by Major Sectors

(Amount in Rupees crore)					
Sector	Outstanding as on February 26, 2010	Variation (year-on-year)			
		February 27, 2009		February 26, 2010	
		Absolute	Per cent	Absolute	Per cent
1	2	3	4	5	6
Non-Food Gross Bank Credit (1 to 4)	28,89,737	4,09,191	19.6	3,97,052	15.9
1. Agriculture and Allied Activities	3,70,407	52,126	21.2	72,654	24.4
2. Industry	12,48,507	2,28,286	28.1	2,08,686	20.1
3. Personal Loans	5,81,357	34,218	6.6	25,965	4.7
Housing	2,97,203	16,431	6.4	22,880	8.3
Advances against Fixed Deposits	46,529	2,927	6.8	750	1.6
Credit Card Outstanding	20,737	2,122	7.9	-8,189	-28.3
Education	36,522	7,033	33.8	8,690	31.2
Consumer Durables	8,102	-2,399	-22.6	-109	-1.3
4. Services	6,89,466	94,561	18.7	89,747	15.0
Transport Operators	46,165	5,616	17.0	7,527	19.5
Professional Services	12,599	1,686	22.4	3,399	36.9
Trade	1,65,046	17,379	14.4	26,859	19.4
Real Estate Loans	91,607	33,617	58.8	842	0.9
Non-Banking Financial Companies	1,13,834	24,469	37.0	23,313	25.8
<i>Memo:</i>					
Priority Sector	10,32,454	1,34,477	18.9	1,87,879	22.2
Small Enterprises	3,60,859	50,932	20.8	65,033	22.0
Industry	12,48,507	2,28,286	28.1	2,08,686	20.1
Food Processing	60,489	6,622	14.0	6,634	12.3
Textiles	1,16,926	11,555	12.5	13,194	12.7
Paper and Paper Products	18,626	3,295	25.0	2,135	12.9
Petroleum, Coal Products and Nuclear Fuels	65,626	31,739	77.4	-7,136	-9.8
Chemicals and Chemical Products	79,543	13,391	22.4	6,274	8.6
Rubber, Plastic and their Products	14,977	2,814	26.9	1,708	12.9
Iron and Steel	1,24,367	25,774	34.5	23,984	23.9
Other Metals and Metal Products	34,238	6,129	25.6	4,127	13.7
Engineering	71,637	14,614	28.0	4,769	7.1
Vehicles, Vehicle Parts and Transport Equipments	37,724	7,018	24.6	2,219	6.2
Gems and Jewellery	30,135	2,618	10.6	2,893	10.6
Construction	41,294	14,637	62.1	3,087	8.1
Infrastructure	3,65,617	65,711	34.4	1,08,757	42.3
Note: Data are provisional and relate to select banks. Data also include the effects of mergers of Bharat Overseas Bank with Indian Overseas Bank, American Express Bank with Standard Chartered Bank and State Bank of Saurashtra with State Bank of India.					

IV.15 In 2009-10, part of the impact of the deceleration in credit to the private sector was offset by higher availability of resources

from non-banking sources, particularly in the first three quarters. While non-banking domestic sources such as issuance of

Table IV.7: Flow of Financial Resources to the Commercial Sector

(Rupees crore)		
Item	April-March	
	2008-09	2009-10
1	2	3
A. Adjusted Non-food Bank Credit	4,21,091	4,73,819
i) Non-food Credit	4,11,824	4,62,571
ii) Non-SLR Investment by SCBs	9,267	11,248
B. Flow from Non-banks (B1 + B2)	4,12,864	4,96,937
B1. Domestic Sources	2,28,491	2,93,142
1. Public issues by non-financial entities	13,583	27,165 #
2. Gross private placements by non-financial entities	66,980	1,10,404 ^
3. Net issuance of CPs subscribed by non-banks	10,718	41,667 \$
4. Net credit from housing finance companies	17,627	16,051 #
5. Total gross accommodation by the four RBI regulated all India financial institutions - NABARD, NHB, SIDBI and EXIM bank	16,502	13,260 #
6. Systemically important non-deposit taking NBFCs (net of bank credit)	28,858	37,962 #
7. LIC's gross investment in corporate debt, infrastructure and social sector	74,223	46,633 #
B2. Foreign Sources	1,84,373	2,03,795
1. External commercial borrowings/foreign currency convertible bonds	35,277	12,699 #
2. ADR/GDR issues excluding banks and financial institutions	4,686	14,669 #
3. Short-term credit from abroad	-927	15,921 ##
4. FDI in India	1,45,337	1,60,506 ##
C. Total Flow of Resources (A+B)	8,33,955	9,70,756
<i>Memo Item:</i>		
Net resource mobilisation by mutual funds through debt (non-Gilt) schemes	30,214	2,61,065 #
\$: Up to March 15. # : April-February. ## : April-January. ^ : April-December.		

commercial papers (CPs), private placements and initial public offerings (IPOs) have shown significant increase; financing from foreign sources in the form of FDI and issuance of American Depository Receipts (ADRs)/Global Depository Receipts (GDRs) also improved (Table IV.7).

IV.16 The emerging trends in monetary and credit aggregates in recent months, thus, corroborate the momentum seen in real activities. While elevated headline inflation and the recovery in growth could increase

the demand for money, policy driven increase in CRR could contribute to containing the growth in broad money. Given the size of the Government's borrowing programme for 2010-11, if the recovery in demand for credit from the private sector firms up further and capital flows also increase, then monetary expansion could be driven by all three main factors on the sources side, *i.e.*, banking system's credit to the Government, credit to the commercial sector and increase in net foreign assets.