

V. Money Supply

22. The following table compares the money supply for each month in 1951 with that for the corresponding month in 1950 :—

Money Supply

(In millions of rupees)

End of month	1950	1951	Per cent increase over corresponding month of previous year
January	663.1	965.2	45.6
February	668.0	1,029.7	54.1
March	673.8	1,027.6	52.5
April	676.1	1,033.7	52.9
May	694.1	1,033.3	48.9
June	699.8	1,025.2	46.5
July	720.9	1,014.9	40.8
August	766.7	998.4	30.2
September	805.2	999.6	24.1
October	819.9	1,001.3	22.1
November	849.8	1,007.5	18.6
December	910.7	1,006.1	10.5
Average	745.7	1,011.9	35.7

A sharp rise in the money supply, which was the dominant movement in 1950, continued until February, 1951, and then ended abruptly. Through the rest of 1951 and into the first months of 1952, the money supply was remarkably stable, though the average of end-of-month figures for 1951 was almost 36 per cent higher than that for 1950. The factors affecting the movements of the money supply are brought out clearly by Chart 2 and Table 2 on which the chart is based. By March, when export prices reached their post-Korea peak the banking system ceased to acquire additional external assets and instead lost such assets almost continuously from April until the end of the year. This loss was partially offset by a slow expansion of domestic credit by the commercial banks and by a small shift of rupee cash from Government to the public (in other words, by a drawing-down of Government cash balances) in the last months of the year. The table on page 9 summarises the factors affecting the money supply for the entire year, and gives the corresponding figures for 1950.

VI. Cost of Living

23. As in the 1950 Report, the Bank took the Colombo lower income cost-of-living index as the most representative index for measuring changes in consumers' prices. A detailed analysis was again made of the movements of various components of the index: the import group, the export group, and the domestic group. The results are tabulated on page 10.