(a) whether the Government is aware that rupee has collapsed to new recent low against the dollar and the highest foreign capital outflow from the country after the recent result of presidential election of United States of America (USA) and if so, the details thereof;

(b) whether the fall in rupee and foreign capital outflow have impacted the imports and equity market of the country; and

(c) if so, the details thereof and the steps taken/being taken by the Government thereon?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) to (c) The result of the US presidential election and improving prospects of the US economy has impacted the international financial markets. Consequently, there has been capital flows into US leading to hardening of US yields. This has resulted in bouts of volatility in the financial markets of Emerging Market Economies (EMEs) due to capital outflows leading to sharp depreciation in their currencies and fall in equity prices. In the Indian case, BSE Sensex fell only for 10 days from the high of 27,517.68 on November 10, 2016 to a low of 25,765.14 on November 21, 2016. However, it later bounced back and closed the month at 26,652.81 on November 30, 2016. The strengthening of the US dollar from late October 2016 intensified after the election results and triggered sizeable depreciations in currencies around the world, including Euro, Yen and most of the EME currencies including the Indian Rupee. However, the performance of the Indian Rupee has been relatively better *vis-à-vis* most of the EME currencies. The rupee which stood at 66.62 on November 8, 2016 touched an intra-day low of 68.86 per US dollar on November 24, 2016, a depreciation of 3.3 per cent. However the rupee has recovered since then and stood at 67.34 on December 8, 2016. The net foreign portfolio outflows from Indian equities and debt markets, which began in October 2016, has now stabilized. The fundamentals of the Indian economy continue to be strong though there could be some volatility in the short term. This is also reflected in the increase in the Net Foreign Direct Investment (FDI) inflows to the tune of US$ 16.7 billion during 2016-17 (up to September 2016) on top of US$ 36.0 billion during the fiscal year 2015-16, reflecting strong fundamentals and good growth prospects of the Indian economy. The Government continues to monitor the evolving situation on the exchange rate front and stands ready to take appropriate steps to bring stability to the forex market in case of excessive volatility in the forex market.

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