

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 1950
TO BE ANSWERED ON MARCH 13, 2023

DECLINE IN THE VALUE OF INDIAN CURRENCY AGAINST US DOLLARS AND EURO
1950. SHRI THIRUNAVUKKARASAR SU:

Will the Minister of FINANCE be pleased to state:

- (a) whether the value of Indian rupee has been declining continuously during the last six months and has come down to an all time low against US Dollar and Euro;
- (b) if so, the details thereof during each of the last six months and the reasons therefor; and
- (c) the fiscal measures taken by the Government to shore up the value of Indian rupee?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b): The Indian Rupee closed at ₹83.02 against US Dollar (USD) on 19th October, 2022. On 20th October, 2022 it touched an intraday low of ₹83.29/USD and closed at ₹82.76/USD. Further, the Indian Rupee touched an intraday low of ₹90.47 against the Euro on 2nd February, 2023 and closed the day at ₹90.39/Euro.

The average exchange rate of the Rupee against the USD and Euro for the last six months is presented in the table below.

Table: Average Exchange Rate of Indian Rupee against USD and Euro
₹/Unit of Currency

Month	US Dollar	Euro
Sep-2022	80.2316	79.4590
Oct-2022	82.3373	80.7624
Nov-2022	81.8105	83.4606
Dec-2022	82.4642	87.2945
Jan-2023	81.8996	88.2133
Feb-2023	82.4845	88.9539

Source: Reserve Bank of India.

The Rupee came under depreciation pressure from March 2022 onwards as geo-political tensions worsened and US Federal Reserve began its monetary policy tightening which led to a surge in crude oil prices and capital outflows from domestic financial markets as global financial market conditions tightened. The Dollar Index strengthened to a two-decade high on account of

US interest rate hikes (totalling 4.5 percentage points since March 2022) and is currently up by around 6.7% in 2022-23 (till February 28, 2023).

INR, which had earlier weakened by as much as 8.7% against the USD (till 19th October, 2022) on account of the factors mentioned above, has since pared some of the losses and its depreciation stands at about 8.3% in the current financial year (till 28th February, 2023). Further, it has performed better than many emerging market peer currencies, including South African Rand (which has depreciated against USD by 20.4% over the same period), Brazilian Real (9.5%), Chinese Renminbi (8.6%), South Korean Won (8.4%), etc.

(c): The value of Indian Rupee is market-determined. The Reserve Bank of India (RBI) closely monitors the foreign exchange markets and intervenes only to maintain orderly market conditions by containing excessive volatility in the exchange rate, without reference to any pre-determined target level or band. RBI has announced various measures in the recent period to diversify and expand the sources of forex funding to mitigate exchange rate volatility and dampen global spill overs. Some of these measures are:

- Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposit liabilities were exempted from the maintenance of cash reserve ratio (CRR) and statutory liquidity ratio (SLR) for deposits mobilized up to 4th November, 2022.
- Fresh FCNR(B) and NRE deposits were exempted from the extant regulation on interest rates (i.e. interest rates shall not be higher than those offered by the banks on comparable domestic rupee term deposits) till 31st October, 2022.
- The regulatory regime relating to foreign portfolio investments in debt flows has been revised to encourage foreign investment in Indian debt instruments.
- The external commercial borrowing limit (under automatic route) has been raised to US\$1.5 bn and the all-in-cost ceiling has been raised by 100 basis points in select cases up to 31st December, 2022.
- Authorized dealer Category 1 Banks can utilize overseas foreign currency borrowing for lending in foreign currency to end use prescriptions as applicable to external commercial borrowings.
- In order to promote the growth of exports from India and to support the increasing interest of the global trading community in the Indian Rupee, RBI has put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in INR on 11th July, 2022.
