

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA UNSTARRED QUESTION NO. 367
DUE FOR ANSWERED ON 05.02.2024

FALLING OF RUPEE AGAINST US DOLLAR

367. SHRI THIRUMAAVALAVAN THOL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of the falling of rupee against United States of American Dollar (US Dollar);
- (b) if so, the details thereof;
- (c) whether the country is benefitted by the Dollar appreciation against Indian Rupee; and
- (d) if so, the details thereof along with the amount of exports and imports from India during the last three years?

ANSWER

MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) and (b): The Indian Rupee (INR) came under depreciation pressure against the US Dollar (USD) from March 2022 onwards as geo-political tensions worsened and US Federal Reserve began its monetary policy tightening. The factors that influence the exchange rate of INR include a host of domestic and global factors such as the movement in the Dollar index, trend in capital flows, level of interest rates, movement in crude prices, current account deficit etc. Additionally, other global events which have contributed to the depreciation of INR against the USD over the years are Covid-related disruptions in 2020 and geopolitical tensions.

The exchange rate of INR is market-determined, with no target of specific level or band. The Reserve Bank of India (RBI) regulates the foreign exchange market with a view to ensure its orderly functioning and development and intervenes only to curb undue volatility in the INR.

The details of movement of INR against the USD are presented in Table 1:

Table 1: Monthly average exchange rate of INR against USD

Month	Monthly average exchange rate of INR against USD
Mar-22	76.24
Jun-22	78.07
Sep-22	80.23
Dec-22	82.46
Mar-23	82.29
Jun-23	82.23
Sep-23	83.05
Dec-23	83.28
As of 30 th January 2024	83.12

Source: Reserve Bank of India

(c) The depreciation of currency is likely to enhance the competitiveness of its exports while making imports of goods costlier. However, the exchange rate is only one of the several factors which affect demand for exports and imports in an economy. These factors include the kind of tradeable (i.e. essential or luxury items), availability of substitutes, freight costs, income growth of export-demanding countries etc. Thus, the impact of depreciation of Indian Rupee (i.e. appreciation of USD against INR) on the economy cannot be isolated.

(d) The data on value of India's exports and imports during the last three years are presented below:

Table 2: India's Overall Trade (Merchandise and Services)
(In USD Billion)

Year	Exports	Imports
2020-21	497.90	511.96
2021-22	676.53	760.06
2022-23	776.40	898.01
2023-24 (April-December 2023 (QE))	565.04	634.39

Source: Department of Commerce.

QE: Quick Estimates
