

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 1145
TO BE ANSWERED ON 02.12.2024

FALL IN RUPEE AGAINST DOLLAR

†1145. **Shri Dinesh Chandra Yadav:**

Will the Minister of FINANCE be pleased to state:

- (a) the reason for the continuous fall in value of Rupee against Dollar;
- (b) whether it is a fact that the major factors such as rising prices of crude oil, lack of foreign investment as well as more withdrawals of foreign investors from share market attributes towards the fall in value of rupee;
- (c) whether decreasing value of rupee against U.S. dollar will increase the burden on general public; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b): The value of the Indian Rupee (INR) is market-determined, with no target or specific level or band. Various domestic and global factors influence the exchange rate of the INR, such as the movement of the Dollar Index, trend in capital flows, level of interest rates, movement in crude prices, current account deficit etc.

During the current calendar year (CY) 2024, the INR depreciated by 1.4% till November 19, 2024 against the US dollar (USD). One of the main reasons for this depreciation of INR has been broad-based strength of the USD. During CY 2024, Dollar Index has increased by about 4.8% till November 19, 2024. More recently, the Dollar Index touched 108.07 on November 22, 2024, its highest in more than a year, exerting pressure on emerging market currencies. Further, geopolitical tensions in the Middle East and uncertainty surrounding US elections results also added to the headwinds.

Despite this, INR remains one of the best-performing Asian currencies. In comparison, major Asian currencies like the Japanese Yen and South Korean Won declined by 8.8% and 7.5%, respectively, as on November 19, 2024. Notably, all G10 currencies, except the British Pound (GBP), depreciated by over 4.0% during CY 2024.

The relative stability of the INR bears testimony to India's sound and resilient economic fundamentals, macroeconomic and financial stability.

(c) & (d): The depreciation of currency is likely to enhance the export competitiveness, which in turns impacts the economy positively. On the other hand, depreciation may raise the prices of imported good. The overall impact of exchange rate depreciation on domestic prices, and consequently on citizens, depends on the extent of pass through of international commodity prices to the domestic market.