GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 2143
TO BE ANSWERED ON 09.12.2024

DEPRECIATION IN THE VALUE OF INDIAN RUPEE

2143. Com. Selvaraj V:
Shri Subbarayan K:

Will the Minister of FINANCE be pleased to state:

(a) whether there has been a sharp depreciation in the value of rupee compared to dollar during the last ten years;
(b) if so, the details and reasons thereof; and
(c) the impact of such depreciation on the trade and inflation and the action taken by the RBI to smoothen the fluctuation in the value of Rupee?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) The exchange rate of the Indian Rupee (INR) against the US Dollar (USD) was ₹63.04/USD on December 31, 2014 and ₹84.70/USD on December 03, 2024. The calendar year-end values of the exchange rate from 2014 onwards are given in the table below:

Date	USD INR exchange rate	Annual Change (%)
31-Dec-14	63.04	
31-Dec-15	66.15	-4.70%
30-Dec-16	67.93	-2.62%
29-Dec-17	63.87	6.36%
31-Dec-18	69.77	-8.46%
31-Dec-19	71.38	-2.26%
31-Dec-20	73.07	-2.31%
31-Dec-21	74.34	-1.71%
30-Dec-22	82.74	-10.15%
29-Dec-23	83.21	-0.56%
3-Dec-24	84.70	-1.76%#
#till Dec 3, 2024		

(b) The value of the 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 2024, one of the main reasons for this depreciation of INR has been the broad-based strength of the USD, which has exerted pressure on emerging market currencies. Further, geopolitical tensions in the Middle East and uncertainty surrounding US election results also added to the headwinds.

(c) 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. However, the overall impact of exchange rate depreciation on domestic prices depends on the extent of pass through of international commodity prices to the domestic market. Furthermore, the imports in the economy also depends on various factors including the demand and supply of commodities in the international market, kind of tradeable (i.e. essential or luxury items), freight costs, availability of substitutes goods etc. Thus, the impact of movement of the exchange rate on the imports and domestic inflation cannot be isolated.

The RBI monitors key developments across the globe which may have an impact on USD-INR exchange rate. Among others, it includes monetary policy actions of the major Central Banks, major economic data releases across the globe and their impacts thereof, OPEC+ meeting decisions, tracking, and analysing geo-political events, daily movements in G-10 and EME currencies etc. 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 RBI has announced various measures in the last three years to diversify and expand the sources of forex funding to mitigate exchange rate volatility and dampen global spillovers. Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposit liabilities were exempt from the maintenance of CRR and SLR for deposits mobilised up to November 4, 2022. Fresh FCNR(B) and NRE deposits were exempted from the extant regulation on interest rates (interest rates shall not be higher than those offered by the banks on comparable domestic rupee term deposits) till October 31, 2022. Further, the regulatory regime relating to FPI investment in debt flows has been revised to encourage foreign investment in Indian debt instruments. The External Commercial Borrowing limit (under automatic route) was raised to $1.5 bn and the all-in-cost ceiling was raised by 100 bps in select cases up to December 31, 2022. AD Cat-I banks could utilise overseas foreign currency borrowing for lending in foreign currency to end use prescriptions as applicable to external commercial borrowings.

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