

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

**LOK SABHA**  
**STARRED QUESTION NO. 11**  
TO BE ANSWERED ON 03.02.2025

**DEVALUATION OF INDIAN RUPEE**

\*11. Shri Anto Antony:

Will the Minister of FINANCE be pleased to state:

- (a) the factors that have contributed to the recent sharp devaluation of the Indian Rupee;
- (b) the measures taken by the Government to mitigate the impact of this devaluation on inflation and the cost of living for the common citizen;
- (c) whether the Government plan to revisit the exchange rate policy framework adopted in 2010; and
- (d) if so, the details along with the proposed changes thereof?

**ANSWER**

THE MINISTER OF FINANCE  
(SMT NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED  
QUESTION NO. 11 RAISED BY SHRI ANTO ANTONY**

**FOR 3<sup>rd</sup> FEBRUARY 2025**

**ON**

**“DEVALUATION OF INDIAN RUPEE”**

(a) There has been no “devaluation” of the Indian Rupee (INR), which is a feature of a fixed-exchange rate regime. 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, trends in capital flows, level of interest rates, movement in crude prices, current account deficit etc.

Regarding the recent movement of the INR against the US Dollar (USD), the following are the details:

- Since the commencement of the last quarter of the calendar year 2024, INR, along with other Asian currencies, depreciated against the USD amid uncertainties surrounding the results of US elections. The US Dollar Index rose 6.5% from October 1, 2024, to January 27, 2025, with all major Asian currencies depreciating against the USD. INR has depreciated 2.9% during this period, least among major Asian currencies, barring the Hong Kong Dollar. South Korean Won, Indonesian Rupiah and Malaysian Ringgit depreciated by 8.1%, 6.4% and 5.9%, respectively, in this period. Further, all G-10 currencies also depreciated during this period by more than 5.5%, with the Japanese Yen, British Pound and Euro depreciating by 7.0%, 6.6% and 5.8%, respectively.
- INR was also under pressure owing to the narrowing interest rate differential between the US and India. The US 10-year yield rose 75 bps during the aforementioned period, while the Indian generic 10-year yield remained relatively stable.
- Foreign portfolio investments (FPI) outflows of around USD 19.5 billion from Indian markets from October 1, 2024, to January 27, 2025, contributed to the depreciation of INR against the USD.
- The trade deficit of USD 31.8 billion for November 2024 also exerted pressure on INR.

(b): The depreciation of currency is likely to enhance the export competitiveness, which in turn impacts the economy positively. On the other hand, depreciation may raise the prices of imported goods. However, the overall impact of exchange rate depreciation on domestic prices depends on the extent of the pass-through of international commodity prices to the domestic market. Furthermore, the imports in the economy also depend 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 substitute goods, etc. Thus, the impact of the movement of the exchange rate on the import cost and, hence, on domestic inflation and consumer cost of living cannot be isolated.

(c) and (d): The approach towards exchange rate management has remained consistent and well-articulated, in terms of which the value of the INR is market-determined, with no target or specific level or band.