

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 3852
TO BE ANSWERED ON 24.03.2025

IMPACT OF DEPRECIATION OF RUPEE ON INFLATION AND ESSENTIAL IMPORTS

3852. Shri Kalyan Banerjee:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any taken any steps to control the impact of depreciation of the Rupee on inflation and essential imports;
- (b) if so, the measures that are being taken by the Government to support industries that will be affected by U.S. Tariffs; and
- (c) the long-term plans of the Government to strengthen the value of rupee against Dollar and to shield the economy from the external shock?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

- (a) The depreciation of the Rupee 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. The industries reliant on imported inputs may face cost pressures. 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, besides exchange rate movements, imports are determined by several other factors, including global supply-demand conditions, geopolitical developments, domestic demand, and factors such as Global Value Chain integration necessitating imports of intermediate goods for production and exports. Thus, the impact of movement of the exchange rate on the level of imports, the import cost and hence on domestic inflation cannot be isolated.

(b) As on date, reciprocal tariffs have not been applied by U.S. on India. The Government of India continues to engage with the Government of U.S. to achieve enhancement and broadening of bilateral trade ties in a mutually beneficial and fair manner. Both nations released a joint statement on February 13, 2025, reaffirming their commitment to deepening economic ties. Under the ambitious "Mission 500", both countries aim to more than double US-India trade to USD 500 billion by 2030 to be achieved by deepening the trade relationship across multiple sectors. Both countries plan to negotiate a mutually beneficial, multi-sector Bilateral Trade Agreement. Both countries would focus on increasing market access, reducing tariff and non-tariff barriers, and enhancing supply chain integration.

(c) The exchange rate of Indian Rupee is market-determined, with no target or 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 RBI monitors key developments across the globe which may have an impact on USD-Rupee 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.