

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3199

ANSWERED ON:07.12.2007

APPRECIATION OF RUPEE

Owaisi Shri Asaduddin;Patel Shri Kishanbhai Vestabhai;Singh Shri Mohan;Subbarayan Shri K.;Vallabhaneni Shri Balashowry

Will the Minister of FINANCE be pleased to state:

- (a) whether Indian rupee has appreciated much against the dollar;
- (b) if so, the details thereof;
- (c) whether the Minister of Finance had a meeting with the representatives of Federation of Indian Export Promotion Council in this regard recently;
- (d) if so, the outcome thereof;
- (e) the implications of appreciation of rupee against US dollar on import and export in various sectors including textile;
- (f) whether the Government is aware that job opportunities are decreasing as a result thereof; and
- (g) the remedial measures taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) Rupee appreciated by 6.67 percent against U.S.Dollar from April 2007 to October 2007.

(c) & (d) Yes Sir, the Finance Minister had a meeting with representatives of the Textiles and handicrafts export associations on 15th November 2007. Subsequent to the meeting, Government announced additional measures which includes, among others, additional subvention of 2% (in addition to the 2% already offered earlier) in pre-shipment and post-shipment credit to all categories of textiles under the existing scheme including RMG and carpets but excluding man made fibre, Leather and Leather Manufactures, Marine products and Handicrafts sectors. Basic customs duty was reduced on many items relating to textile sector and the number of services for refund of service tax paid by exporters on taxable services linked to exports has been increased.

(e) to (g) There is no one to one relationship between appreciation and exports as exports depend on many other factors as well. Despite the appreciation of the Rupee, exports in April-October 2007, grew by 20.9% in dollar terms over the corresponding period of the previous year. In October 2007 export growth rate was 35.6% in dollar terms over October 2006.

Import growth in April-October 2007 in dollar terms was 25.3% over corresponding period of previous year. While appreciation of the Rupee makes imports cheaper, even the effect of appreciation on exports depends on the import intensity of exports. While sectors like Gems and Jewellery, Engineering goods, POL products have registered growth rates of 20 percent and above, sectors like Textiles, Handicrafts, Carpets etc, have registered low or negative growth in April-June 2007 over corresponding period.

As there was widespread concern on possible lagged adverse impact of rupee appreciation on export growth and employment in export sector, Government has announced relief packages to exporters comprising of reduction in Export Credit Guarantee Corporation (ECGC) premium, release of Rs. 600 crore for clearing all arrears of terminal excise duties, Central Sales Tax reimbursement, enhancement of Duty Drawback Rates, enhanced Duty Entitlement Passbook (DEPB) rates for 9 sectors which include labour intensive sectors, reduction in interest rates on pre and post shipment credit for the 9 sectors and to all exporters from the small and medium enterprises sector, etc.