

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:111

ANSWERED ON:17.10.2008

DEPRECIATION IN VALUE OF RUPEE

Rao Shri Errabelli Dayakar;Singh Shri Rajiv Ranjan (Lalan);Suman Shri Ramji Lal

Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a continuous depreciation in the value of rupee against US dollar during the last year and the current year;
- (b) if so, the details thereof;
- (c) whether the Indian rupee has depreciated against the currencies of countries like China, Singapore, Thailand, Philippines, Malaysia, Taiwan, Indonesia during the same period;
- (d) if so, the reasons behind the above depreciation; and
- (e) the steps taken by the Government in this regard?

Answer

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

(a) & (b) The exchange rate of the rupee against the US dollar has exhibited two-way movements in 2007-08 and 2008-09. Between end-March 2007 and end-March 2008, the rupee appreciated by 9.0 per cent against the US dollar. During 2008-09 (up to October 7, 2008), the Indian rupee has generally depreciated. The exchange rate reached a level of Rs.48.01 per US dollar as on October 7, 2008, i.e., a depreciation of 16.7 per cent over its level on March 31, 2008.

(c) Asian currencies including the Indian Rupee are usually quoted against the US dollar and as such the movement of the Indian Rupee against these Asian currencies generally reflects the relative movements of these currencies against the US dollar. The rupee generally depreciated against the currencies of China and Singapore in both 2007-08 and 2008-09 (April-September 2008). After generally appreciating in 2007-08, the rupee has generally depreciated against other currencies of countries like Thailand, Malaysia, Taiwan and Indonesia in the current year (April-September 2008).

(d) The earlier bout of depreciation in 2008-09 till August 2009 was primarily on account of large capital outflows by FIIs, increased demand for dollars by corporates and bearish stock market conditions. The depreciation has been sharper since September 2008 mainly on account of the unprecedented global financial crisis resulting in sharp fall in the equity indices, large demand for US dollars from domestic market participants and foreign institutional investors in the backdrop of inadequate supply.

(e) The exchange rate movements are closely monitored and intervention as deemed appropriate in the domestic foreign exchange markets are made by the RBI depending upon overall market conditions and in consonance with its overall exchange rate policy.