

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3825

ANSWERED ON:27.04.2012

WEAKENING RUPEE

Ajay Kumar SHRI ;Bapurao Shri Khatgaonkar Patil Bhaskarrao;Gaikwad Shri Eknath Mahadeo;Paranjpe Shri Anand Prakash

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the rupee has weakened day by day to its lowest level against the US dollar;
- (b) if so, the reasons therefor;
- (c) the sector which are badly affected due to weakening of rupee; and
- (d) the steps taken or proposed to be taken by the Union Government / Reserve Bank of India (RBI) to strengthen the rupee against the US dollar?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a) On point to point basis, Rupee reached a peak of 43.94 per US dollar on July 27, 2011, and lowest at ? 54.23 per US dollar on December 15, 2011, indicating depreciation of 19.0 per cent.
- (b) A sharp fall in value of Rupee may be explained by the supply- demand imbalance in the\_ domestic foreign exchange market on account of slowdown in FII inflows, strengthening of US dollar in the international market due to the safe haven status of US Treasuries, heightened risk aversion and deleveraging due to the euro area crisis that impacted financial markets across EMEs.
- (c) Theoretically, the depreciation in exchange rate could enhance the competitiveness of exports leading to beneficial impact on exports. However, exchange rate is one of the several factors that determine the competitiveness of exports. The other factors include productivity growth, technological innovations, price elasticity, import intensity of exports, demand and supply conditions in the global market.
- (d) The Government of India and Reserve Bank of India have taken a number of steps to augment supply of foreign exchange and to curb speculation in the foreign exchange market to stem Rupee decline. These, inter aliat include RBI's intervention in the foreign exchange market, increase in FIIs limits for investment in government securities and corporate bonds, upward revision of all-in-cost ceiling for external commercial borrowings limits, increase in interest rate on NR! deposits, allowing foreigners to invest directly in equities and measures to curb speculation in the foreign exchange market.