

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:159

ANSWERED ON:23.03.2012

DEPRECIATION OF RUPEE

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

(a) the details of the depreciation of the value of the Indian rupee vis-a-vis major international currencies during each week of last three months and current month till date alongwith the reasons therefor;

(b) whether this has impacted inflation and if so, the details thereof and the reaction of the Government thereto; and

(c) whether the measures taken by the Government to stabilize the rupee value have proved unsuccessful and if so, the reaction of the Government thereto?

**Answer**

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a)to(c): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 159 BY SHRI BHUDEO CHOUDHARY AND SHRIMATI MEENA SINGH REGARDING DEPRECIATION OF RUPEE FOR ANSWER ON MARCH 23, 2012

(a) The details of the weekly exchange rate of Indian rupee vis-a-vis other major international currencies (US dollar, pound sterling, euro and Japanese yen) during each week of the last three months and current month is given in the table below.

The fluctuation in rupee exchange rate has been due to changing supply-demand balance in the domestic foreign exchange market. The main reason for depreciation of rupee against US dollar is uncertain global economic environment, particularly unfolding of euro zone sovereign debt crisis, which has impacted the level of foreign institutional investment (FII) flows in the foreign exchange market, strengthening of US dollar in the international market due to the safe haven status of US Treasuries and heightened risk aversion on account of the euro area sovereign debt crisis.

(b) The rupee decline makes imports more expensive. In situations where the higher cost is passed on to the consumers, it would contribute to inflationary pressures and general price rise.

(c) A number of steps have been taken to augment supply of foreign exchange to stem rupee decline. These, inter alia, include increase in FIs 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 NRI deposits and measures to curb speculation in the foreign exchange market. As a result of this, rupee has stabilized in recent months as indicated in the table given below.

Table: Weekly / Monthly Average Exchange Rates ( Rupee per Foreign Currency)

Month on	Week ending	US Dollar Sterling	Pound	Euro	Japanese Yen
1	2	3	4	5	6
December 2011	December 02	51.51 (1.4)	80.81 (0.8)	69.35 (1.0)	66.27 (2.1)
	December 09	51.71 (-0.4)	80.85 (-0.1)	69.28 (0.1)	66.53 (-0.4)
	December 16	53.32 (-3.0)	82.85 (-2.4)	69.95 (-1.0)	68.45 (-2.8)
	December 23	52.78 (1.0)	82.48 (0.5)	68.88 (1.6)	67.58 (1.3)
	December 30	53.11 (-0.6)	82.42 (0.1)	69.02 (-0.2)	68.27 (-1.0)
Full	December	52.68 (-3.5)	82.13 (-2.3)	69.29 (-0.6)	67.63 (-3.0)
January 2012	January 06	53.04 (0.1)	82.53 (-0.1)	68.58 (0.6)	69.00 (-1.1)
	January 13	51.98 (2.0)	80.02 (3.1)	66.27 (3.5)	67.43 (2.3)
	January 20	50.79 (2.3)	78.17 (2.4)	64.91 (2.1)	66.12 (2.0)

January 27	49.97	(1.7)	77.93	(0.3)	65.01	(-0.2)	64.68	(2.2)
Full								
January	51.34	(2.6)	79.59	(3.2)	66.17	(4.7)	66.72	(1.4)
February 03	49.22	(1.5)	77.61	(0.4)	64.62	(0.6)	64.61	(0.1)
2012 February 10	49.13	(0.2)	77.73	(-0.2)	64.86	(-0.4)	63.75	(1.3)
February 17	49.28	(-0.3)	77.62	(0.1)	64.91	(-0.1)	62.94	(1.3)
February 24	49.16	(0.2)	77.49	(0.2)	65.30	(-0.6)	61.23	(2.8)
Full								
February	49.17	(4.4)	77.66	(2.5)	65.10	(1.6)	62.71	(6.4)
March 02	49.25	(-0.2)	78.48	(-1.3)	65.62	(-0.5)	60.62	(1.0)
2012 March 09	50.10	(-1.7)	79.18	(-0.9)	65.99	(-0.6)	61.63	(-1.6)
March 16	50.06	(0.1)	78.45	(0.9)	65.52	(0.7)	60.30	(2.2)

Weekly/monthly average of buying and selling rates of Foreign Exchange Dealers Association of India (FEDA); Per 100 Yen; Figures in parentheses indicate appreciation (+) and depreciation (-) over the previous week / month; Some percentage figures may not tally due to rounding off. Source: RBI.