GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:290
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VALUE OF RUPEE
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Will the Minister of FINANCE be pleased to state:

(a)the value of rupee vis-a-vis the US Dollar during the last 12 months along with action taken by the Union Government to prevent depreciation or stabilize the value of rupee;

(b) the impact of such depreciation on the overall economy of the country and also impact of the actions taken thereon during the same period, sector-wise; and

(c) the measures taken or proposed to be taken in the matter?

Answer

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

(a) The monthly average exchange rate value of rupee vis-a-vis US dollar during last twelve months is given below:

Month	Rupee per US dollar (month average)#
November 2012	54.78
December 2012	54.65
January 2013	54.32
February 2013	53.77
March 2013	54.40
April 2013	54.38
May 2013	55.01
June 2013	58.40
July 2013	59.78
August 2013	63.21
September 2013	63.75
October 2013	61.62
November 2013	62.63

#: RBI's reference rate

After remaining broadly stable in the range of Rs. 53-55 per US dollar, the rupee depreciated from June 2013 owing to outflows under the debt segment of net Foreign Institutional Investor investment flows due to indications of a tapering of the asset purchases by US Federal Reserve and a widening of the current account deficit in India. On August 12, 2013 after carefully monitoring the emerging developments, Government put in place measures to contain the current account deficit, augment capital flows and through appropriate intervention in the foreign exchange market by the RBI to stabilize the rupee.

(b) & (c) The impact of exchange rate depreciation on different sectors of Indian economy depends on a number of factors like elasticity of exports and imports, relative prices of domestic and global product etc. Theoretically, the depreciation of a currency should boost the country's domestic production and exports as goods produced by domestic companies become relatively cheaper. Therefore, while the rupee depreciation should benefit export oriented companies, though with a lag, the same makes the imports costly for import oriented companies. 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. Rupee depreciation also increases the burden of debt in rupee terms where borrowing is in foreign currency. In situations where the higher cost is passed on to the consumers, it would also contribute to inflationary pressures and general price rise. A number of measures have been taken by the Government to contain the current account deficit (CAD), boost capital flows in order to reduce volatility in the currency market and stabilize the rupee. These, inter alia, include compression in import of gold and silver and non essential items including hike in custom tariffs and administrative measures, public sector financial institutions to raise quasi-sovereign bonds to finance long term infrastructure, liberalizing ECB guidelines, PSU oil companies to raise additional funds through ECBs and trade finance, and liberalizing NRE/FCNR deposit schemes, RBI's intervention in the foreign exchange market, and liberalizing FDI. Besides, a number of export promotion schemes are in place to promote exports and certain additional features have been made like widening of Interest Subvention Scheme and raising the rate of subvention from 2 per cent to 3 per cent, broadening the scope of Focus Market Scheme, Focus Product Scheme and Incremental Export Incentivisation Scheme etc.. As a result of these measures CAD has come down significantly from US$ 21.8 billion in the first quarter of 2013-14 to a level of US$ 5.2 billion in the second quarter of 2013-14 and the exchange rate of the rupee has stabilized