

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5087

ANSWERED ON:24.04.2015

VALUE OF RUPEE

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

- (a) whether there has been a fall in Indian rupee against dollar;
- (b) the value of Indian rupee against US dollar during each of the last three years and the current year;
- (c) the effect of the devaluation of the rupee in each of the economic sectors and on the credit rating of the country;
- (d) the reasons for the continuous slide in the value of the rupee; and
- (e) the steps taken/being taken by the Government to deal with the said situation?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b) The average annual exchange rate of the rupee depreciated sharply from Rs. 54.4 per US dollar in 2012-13 to Rs. 60.5 in 2013-14 and in 2014-15 was broadly stable at Rs. 61.1 per US dollar. Rupee had depreciated to its lowest level of Rs.68.4 per US dollar on August 28, 2013. The rupee gained strength gradually and stabilized in a narrow range subsequently on the impact of measures taken by the Government and the RBI to contain current account deficit and boost capital flows. In April, 2015 (till 22nd April), the average exchange rate of the rupee was Rs.62.4 per US dollar.

(c) & (d) In 2014-15, although the rupee declined in value against the dollar by 1.0 per cent, it has become stronger against other currencies. Indian rupee appreciated by 8.2 per cent and 4.7 per cent against Japanese yen and euro respectively in 2014-15. The reason is that although the rupee declined against the dollar, the dollar strengthened against all the major currencies because growth is stronger in the USA. Another important reason is that there has been a greater inflow of capital/financial flows since May 2014, reflecting the improved economic outlook and investor sentiment. To the extent these excess flows have been absorbed by RBI, there has been a modest depreciation of the rupee against US dollar and a simultaneous increase in foreign exchange reserves. In fact, from the perspective of how competitive the Indian economy, measured by the movement in the Real Effective Exchange Rate (REER), the rupee has become considerably stronger in 2014-15 by about 5.5 per cent against all our trading partners. When the rupee becomes stronger, Indian exports for some sectors become less competitive in international markets. Similarly, imports become cheaper putting pressure on domestic producers of manufacturing goods. Sovereign Credit Rating Agencies take into account a number of factors and India's rating has remained fairly consistent notwithstanding the elevated levels of the current account and fiscal deficits in 2011-12 and 2012-13. There has been some improvement in the outlook for the Indian economy by some agencies. India enjoys investment grade rating and recently FITCH has revised upwards the outlook for India.

(e) There has been a series of measures taken by Government and RBI since August 2013 aimed at containing the current account deficit and augmenting the supply of foreign exchange to stem the rupee depreciation. These inter alia, include administrative and fiscal measures to compress imports of non-essential imports, liberalization norms for foreign direct investment in select sectors, decontrol of diesel prices, measures for export promotion etc.