

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:452  
ANSWERED ON:08.08.2014  
APPRECIATION OF RUPEE  
Kumar Shri P.

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

- (a) whether rupee has appreciated against the US dollar in the recent months;
- (b) if so, the details thereof including the current value against the US dollar and the reasons therefor;
- (c) the steps taken by the Government to further strengthen rupee against dollar; and
- (d) the impact of appreciation of rupee on various sectors of economy?

**Answer**

FINANCE MINISTER (SHRI ARUN JAITLEY)

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

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 452 BY SHRI P. KUMAR REGARDING APPRECIATION OF RUPEE FOR ANSWER ON AUGUST 08, 2014

(a) and (b) After depreciating sharply in the period June 2013 to September 2013, the monthly average exchange rate of the rupee (RBI's reference rate) recovered in October 2013. It has exhibited two way movements subsequently, but has been relatively stable. The stability owed to a series of measures taken by the Government and the Reserve Bank of India (RBI) in August-September 2013 that aimed at containing the current account deficit and augmenting the supply of foreign exchange to stem the rupee depreciation. These inter alia included: compression in import of gold and silver and non-essential items including through hike in customs tariffs and other limits; liberalization of norms for foreign direct investment in select sectors, move to raise diesel prices periodically in small doses, RBI's liquidity tightening measures to stabilize currency market etc. The month wise movements in the average exchange rate of the rupee and appreciation/depreciation over previous month is detailed in the table below:

Table: Exchange Rate Movements

Month	Rs. per US dollar	Appreciation (+) / Depreciation (-) of rupee over the previous month in per cent
April 2013	54.4	0.03
May 2013	55.0	-1.1
June 2013	58.4	-5.8
July 2013	59.8	-2.3
August 2013	63.2	-5.4
September 2013	63.8	-0.9
October 2013	61.6	3.6
November 2013	62.6	-1.6
December 2013	61.9	1.1
January 2014	62.1	-0.3
February 2014	62.3	-0.3
March 2014	61.0	2.1
April 2014	60.4	1.0
May 2014	59.3	1.8
June 2014	59.7	-0.7
July 2014	60.1	-0.7

(c) Government and the RBI do not seek to target a specific level of exchange rate. In India, the exchange rate policy is guided by the broad principles of careful monitoring and management of exchange rates with flexibility, while allowing the underlying demand and supply conditions to determine the exchange rate movements over a period in an orderly manner. Subject to this predominant objective, RBI intervention in the foreign exchange market is guided by the objectives to reduce excess volatility, prevent the emergence of destabilizing speculative activities, maintain adequate level of reserves, and maintain orderly conditions in the foreign

exchange market.

(d) While the rupee has remained stable or appreciated in recent months relative to levels in the period August 2013 to February 2014, it has depreciated visvis the average annual exchange rates of 2011-12 and 2012-13. Theoretically, a sustained appreciation of the rupee can make exports costlier and imports cheaper, other things remaining the same. In India as the exchange rate of the rupee has remained bi-directional in a general depreciating trend and there are other factors affecting exports, there has been no direct relationship between the overall level of exports and the level of the rupee.