

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 221
TO BE ANSWERED ON 04.02.205

DEPRECIATION OF RUPEE AGAINST US DOLLAR

221: SHRI RAMJI LAL SUMAN:
SHRI JAVED ALI KHAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether US dollar has appreciated to around ₹ 87/- per dollar during the month of January, 2025 and Rupee has declined to lowest level historically;
- (b) if so, the reasons therefor;
- (c) the reasons for unprecedented failure of Government to arrest the decline in value of Rupee against US dollar; and
- (d) the details of total loss of forex reserves during the last three months due to falling Indian currency?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): The exchange rate of the Indian Rupee (INR) against the US Dollar (USD) touched ₹86.70/USD on January 14, 2025, which is the lowest level.

(b) and (c): The value of the INR is market-determined, with no target or specific level or band. Various domestic and global factors influence the exchange rate of the INR, such as the movement of the Dollar Index, trend in capital flows, level of interest rates, movement in crude prices, current account deficit etc. Regarding the recent movement of the INR against the USD, the following are the details:

- Since the commencement of the last quarter of calendar year 2024, INR along with other Asian currencies depreciated against the USD amid uncertainties surrounding results of US elections. US Dollar Index rose 6.5% during October 1, 2024, to January 27, 2025, with all major Asian currencies depreciating against the USD. INR has depreciated 2.9% during this period, least among major Asian currencies barring Hong Kong Dollar. South Korean Won, Indonesian Rupiah and Malaysian Ringgit depreciated by 8.1%, 6.4% and 5.9% respectively in this period. Further, all G-10 currencies also depreciated during this period by more than 5.5% with Japanese Yen, British Pound and Euro depreciating by 7.0%, 6.6% and 5.8% respectively.

- INR was also under pressure owing to narrowing interest rate differential between US and India. The US 10-year yield rose 75 bps during the aforementioned period, while the Indian generic 10-year yield remained relatively stable.
- Foreign portfolio investments outflows of around USD 19.5 billion from Indian markets during October 1, 2024, to January 27, 2025, contributed to the depreciation of INR against the USD.
- The trade deficit of USD 31.8 billion for November 2024 also exerted pressure on INR.

The Reserve Bank of India (RBI) monitors key developments across the globe which may have an impact on USD-INR exchange rate. Among others, it includes monetary policy actions of the major Central Banks, major economic data releases across the globe and their impacts thereof, OPEC+ meeting decisions, tracking, and analysing geo-political events, daily movements in G-10 and EME currencies etc. RBI regulates the foreign exchange market with a view to ensure its orderly functioning and development and intervenes only to curb undue volatility in the INR.

(d) The forex exchange reserves with the RBI decreased from USD 705.78 billion as at end-September 2024 to USD 635.7 billion as at end-December, 2024, mainly due to sale of foreign exchange by the RBI and revaluation losses of assets.
