



Rupee hits 9-Month Low

Why in news?

Recently, rupee has been one of the weakest emerging market currencies and has lost 4.2% against the dollar since March.

How has it fallen when compared with other countries?

- From trading at a level of 72.38 to USD on March, the Rupee slipped to levels of 75.42.
- This is a decline of 4.2 per cent in a matter of three weeks and on Tuesday it lost 43 paise to a dollar, hitting a nine-month low.
- In the same period, only the Turkish New Lira has lost more than the rupee as it declined 4.36 per cent against the dollar.
- While Brazilian Real has lost 3.99 per cent in the same period, Russian Ruble has weakened by 3.25 per cent.
- Thai Baht and Indonesian Rupiah have lost 2.33 per cent and 1.5 per cent in the same period against the dollar.

What are the key reasons for the decline?

- Rising Covid numbers — over 1.6 lakh fresh daily cases — has emerged a key concern.
- Several states are now considering more stringent lockdown measures and market participants are concerned over delay in the recovery of the economy which was hit hard by the pandemic.
- Besides, the strengthening of dollar in line with expectations of better growth in the US economy has put pressure on the Rupee.
- While the Dollar was trading at 1.233 to a Euro in early January 2021, it is currently trading at 1.189 to a Euro and has gained over 3.5 per cent.
- Since March 1, 2021, the Dollar has gained close to 1.5 per cent against the Euro.
- Last week, RBI's announcement of G-SAP programme to infuse liquidity has put additional pressure on the Rupee.
- There is also diminishing support for the foreign portfolio investors who

pumped huge inflows into Indian equity markets between October and February.

- While the FPIs invested a net of Rs 1.94 lakh crore between October and February (in the Indian markets), in the month of April they have pulled out a net of Rs 2,263 crore (till date).

Will the weakness likely to continue?

- Market participants say the Rupee may hit levels of 77-78 over the next couple of months.
- This can be a cause of concern for importers or other individuals who have planned expenditure in foreign currency.
- With Covid numbers rising as of now, it continues to pose a threat to the pace of recovery.
- The apprehension about the economic activity and growth of the economy is slowing down the pace of FPI inflows which provides a strong support to Rupee.
- It is felt that RBI may not intervene to arrest the decline of the rupee if it is gradual since the country is looking to push manufacturing and exports.

Source: The Indian Express



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative