

RBI may spend \$100 bn more to defend rupee

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The Reserve Bank of India (RBI) is prepared to sell a sixth of its foreign exchange reserves to defend the rupee against a rapid depreciation after it plumbed record lows in recent weeks, a senior source aware of the central bank's thinking told *Reuters*.

The rupee has lost over 7 per cent of its value in 2022 and weakened past the psychological level of 80 per US dollar on Tuesday, but the source said the fall would have been far bigger if the RBI had not stepped in to stem the decline.

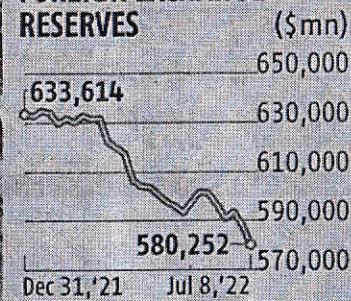
The RBI's currency reserves have fallen by more than \$60 billion from its peak of \$642.450 billion in early September, in part due to valuation changes, but largely on the back of dollar selling intervention.

Despite the drawdown, the RBI's reserves of \$580 billion remain the fifth largest in the world, giving the RBI's confidence in its ability to prevent any sharp, jerky depreciation of the currency.

"They have shown that they will use reserves at will to prevent volatility in the rupee. They have the wherewithal and have demonstrated the willingness to use

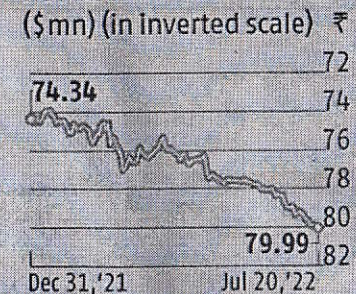


FOREIGN EXCHANGE RESERVES



Compiled by BS Research Bureau

RUPEE SPOT



Source: Bloomberg, RBI

it," the source said.

"The RBI can afford to spend even \$100 billion more if required to defend the rupee," the source added.

The source said the RBI, as per its stated stance, does not try to protect the rupee or hold it at a certain level but will act to avoid any runaway depreciation in the currency.

The RBI did not immediately respond to a query.

The rupee's fall is in line with what is happening globally — a broad and persistent US dollar rally driven by the Federal Reserve's aggressive monetary tightening and the resultant scramble by investors to dump riskier assets in favour of dollars.

Rupee closes short of 80/\$, exporters sell dollars

The rupee settled just below 80 per US dollar on Wednesday as market interventions by the Reserve Bank of India (RBI) and dollar sales by banks on behalf of exporters reined in depreciation in the domestic currency, said dealers. The rupee settled at 79.99 per dollar on Wednesday — a fresh closing low for the Indian unit versus the greenback.

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