

₹ may fall to 83.5 per \$ by Aug-end

Under pressure from a weakening yuan, but seen to be largely stable in 2023

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The Indian rupee, which has depreciated 1.1 per cent so far in August, is expected to decline further on the back of a strengthening US dollar and a weakening Chinese yuan, according to a *Business Standard* poll of analysts.

The Indian rupee hit an all-time low last week, closing at 83.15 per dollar on Thursday.

Five of the 10 respondents said the Indian currency might touch 83.5 per dollar in August itself, while others said the worst could be over. The rupee closed at 83.11 on Friday.

“We don’t think any further depreciation will be there. Maximum, it can go up to 83.25 a dollar. From next month, it will improve and should stabilise around 82.80 per US dollar,” said Arun Bansal, executive director and head of treasury at IDBI Bank.

However, most of the participants see the local currency regaining ground against the greenback by the end of the current calendar year on the expectation that the US treasury bond yield and the dollar index might have topped out and could start moderating soon.

“In the near term, the global situation seems to have changed a little bit. The dollar index has been very firm, both because of safe-haven flows and given what is happening in China,” said Sakshi Gupta, principal economist at HDFC Bank.



**₹ VS \$:
THE
FORECAST**

	Aug-end	Dec-end
STCI Primary Dealer	83.00	84.00
ICICI Securities Primary Dealership	83-83.50	84.00
Kotak Securities	83.00	84.00
HDFC Bank	82.80-83.50	82-83
Shinhan Bank	82.70-83.60	82.20-83.20
Mecklai Financial Services	83.50	82.50
Finrex Treasury Advisors	83.20	82.60
IDBI Bank	82.80-83.25	NA
CR Forex	82.70-82.80	82.0
Karur Vysysa Bank	82.80	82-82.20

“I think the pressure should continue to remain alive till the end of August, and we could see this movement on the dollar-rupee there. However, by the end of 2023, the rupee could move again towards a range of 82-83 a dollar. It’s because there is likely some moderation to an extent, both for US yields as well as the dollar index.”

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BS poll...

Gupta said: "That should, along with domestic growth holding up broadly, see some appreciation pressures increasing."

The Indian unit was remarkably stable in the first half of 2023, following a turbulent 2022 due to the war in Europe and interest rate increases by the US Federal Reserve. In the current calendar year, the rupee has depreciated by 0.5 per cent, while it declined more than 10 per cent in 2022.

The rupee appreciated by almost 0.1 per cent in the first six months of the current calendar year on the back of strong foreign inflows.

The RBI's dollar-sale interventions might keep the rupee afloat and prevent it from hitting record lows. RBI Governor Shaktikanta Das said the central bank deployed foreign exchange reserves to contain volatility in the currency market. "With \$600 billion in reserves, I think we are in a far better place today to deal with any situation," Das had said.

Amit Pabari, managing director at CR Forex, said: "We hold the view that the rupee appears to be undervalued, and attributing a value close to its all-time low is challenging to rationalise. While certain global macroeconomic indicators have hinted at vulnerabilities, a valuation surpassing the 83 mark seems inconsistent with the underlying domestic economic fundamentals."

The weakening of the yuan is expected to be the primary reason for the fall in the rupee in August, prompted by the reduction in the interest rate differential between the yuan and the US dollar. The Chinese government aims to support its struggling economy by lowering interest rates. While many countries around the world are increasing interest rates to manage demand and combat high inflation, China stands out by decreasing rates. As a result, the Chinese currency's decline leads to a weakening of other Asian currencies as well.

"The current underper-

formance in China will continue for the next quarter, after which we expect the Chinese economy as well as equities to stabilise, coupled with a slowdown in the US economy. This will lead to a fall in US bond yields, leading to a decline in the US dollar against all currencies," said Ritesh Bhansali, vice-president at Mecklai Financial Services. "We think the fair value of the rupee should be around 80-81 a dollar," he said.

Tax regime...

"They are also willing to experiment to see if the new regime works for them. They always have the option to shift to the old regime in the next financial year," said the official. The exact number of those opting for the new tax regime would only be known by the next assessment year (2024-25), which would reflect the current financial year's earnings and tax dues.

According to the I-T department's data for FY23, 48.4 million taxpayers had a taxable income up to ₹5 lakh, over 11.2 million had a taxable income of in the range of ₹5 lakh-₹10 lakh, 4.7 million had a taxable income between a ₹10 lakh and ₹20 lakh. As many as 2 million fell in the income group category of ₹20 lakh-₹50 lakh, while 380,000 earned between ₹50 lakh and ₹1 crore. There were only 260,000 taxpayers in the above ₹1 crore category.

The number of income-tax returns (ITR) filed touched an all-time high of 67.7 million in AY 2023-24 — 16 per cent more than the total ITRs filed (58.3 crore) a year ago. The number of tax filing by the end of FY23, however, was 78 million. This financial year, too, the number of tax filing is expected to go up.

The department said that it received nearly 5.37 million ITRs from first-time filers.

Earlier, the 2023-24 Budget tweaked the optional exemption-free tax regime, which is available under Section 115BAC of the I-T Act. The revamped concessional tax regime was also made the default regime for an individual taxpayer.

Under the new tax regime,

