

# ₹ hits new low as importers stock up \$ at month-end

Falls to 85.27 against greenback, depreciates 2.42% so far this calendar year

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The rupee fell to a new low of 85.27 a dollar due to a rise in the dollar index, coupled with importers' month-end demand for the American currency, according to dealers. The local currency had settled at 85.20 on Wednesday.

This calendar year the rupee depreciated 2.42 per cent. In December so far, it fell 0.91 per cent.

The dollar index rose to 108.15. It measures the strength of the greenback against a basket of six major currencies.

"After the markets closed, the rupee fell up to 85.40, and today (Thursday) before the markets opened the Reserve Bank of India brought it to the closing level," said a dealer at a state-owned bank.

The real effective exchange rate (Reer) of the rupee increased to 108.14 in November 2024 from 107.20 in October 2024, sustaining strong dollar demand from importers, foreign investors, and oil-related purchases, said market participants.

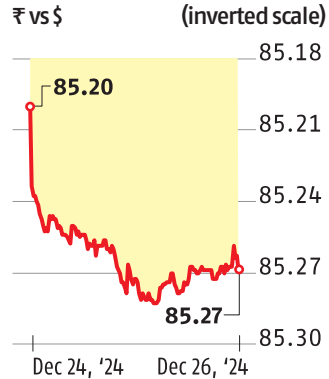
With the RBI having oversold dollars in October, market expectations suggest further accumulation of short positions in November and December. This sentiment has driven market positions toward dollar buying, anticipating continued rupee depreciation.

Reer, which represents the inflation-adjusted, trade-weighted average value of a currency against its trading partners, is often used as an indicator of external competitiveness.

"The markets are expecting that the position must have gone up further in the months of November and December 2024. Therefore, the markets have positioned themselves on the dollar buy side as they



## DOWNTREND



Source: Bloomberg

## 'Depreciation may push up import bill by \$15 bn'

The depreciation of Indian rupee against the US dollar is expected to push the country's import bill by about \$15 billion, think tank Global Trade Research Initiative (GTRI) said on Thursday. Compared to December last year, the rupee has depreciated 2.34 per cent against the US dollar, moving from 83.25 to 85.20, while the Chinese yuan has weakened by 0.06 per cent, GTRI said. "Overall India's import bill will increase by about \$15 billion due to the rupee depreciation impact," GTRI founder Ajay Srivastava said, adding that the most significant effect of the depreciation will be on India's \$100-billion worth of industrial goods imports from China.

expect the rupee to weaken further," said Anil Kumar Bhansali, head of treasury and executive director, Finrex Treasury Advisors.

Meanwhile, trade volumes remained low due to this time being the end of the year, said dealers.

The rupee has faced significant pressure this quarter due to several factors, including sluggish capital inflows, an expanding trade deficit, worries about slowing economic growth, and, most recently, the Federal Reserve's hawkish

stance on benchmark interest rates.

The Federal Reserve cut interest rates by 25 basis points while maintaining a hawkish stance, signalling expectations of rising inflation.

The central bank has projected a 50 basis point rate cut in 2025, followed by another in 2026. With a 100 basis point cut in 2024, the Fed is likely to pause rate adjustment until mid-2026, with future decisions contingent on conditions after Donald Trump takes office as US President on January 20.