

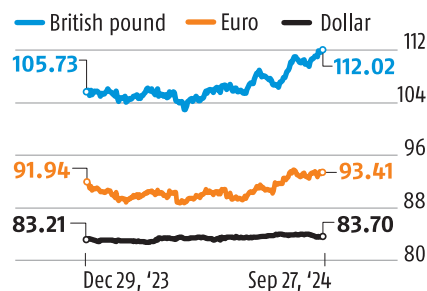
₹ steady against \$ in CY24, weakens vs euro, pound

Experts say RBI's action in \$ market may had an impact



CURRENCY SHIFT

Value against ₹



% CHANGE IN VALUE OF RUPEE IN CY24 AGAINST

British pound
5.6

Euro
1.6

Dollar
0.59

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Mumbai, 29 September

The rupee has remained largely stable against the US greenback in the current calendar year (CY 2024), depreciating by just 0.59 per cent so far. However, it has considerably weakened against the euro and pound.

The local currency has depreciated by 1.6 per cent against the euro and 5.6 per cent against the pound, as both currencies strengthened against the dollar during this period.

The euro appreciated by 1 per cent, while the pound strengthened by 5 per cent against the greenback in CY24.

"The underlying factor is that both currencies — the euro and pound — have appreciated against the dollar because the US Federal Reserve (Fed) is cutting rates and easing monetary policy faster than other central banks," said V R C Reddy, head of treasury at Karur Vysya Bank.

"This is the reason behind dollar depreciation. What we are seeing is that the dollar index is almost close to 100, down from earlier levels of nearly 105," Reddy added.

The dollar index, which measures the strength of the US dollar against a basket of currencies, has fallen by 0.94 per cent in CY24. On Friday, it settled at 100.38.

The greenback weakened after the Fed implemented its first interest rate cut since the onset of the pandemic, reducing rates by 50 basis points.

"The Reserve Bank of India's (RBI's) time-

ly intervention has kept the rupee stable against the dollar by containing volatility in that exchange rate. However, the central bank never intervenes against the euro and pound, which is also reflected here," said Amit Pabari, managing director at CR Forex. The local currency hit a record low of 83.99 against the dollar on September 5; however, the RBI's intervention in the foreign exchange market through dollar sales prevented the rupee from crossing the psychologically crucial mark of 84 per dollar.

The RBI primarily intervenes in the dollar-rupee foreign exchange market because most of India's trade and foreign exchange reserves are expressed in dollar terms. Interventions in euro-rupee and pound-rupee market are less frequent due to lower liquidity. Given the dollar's influence on global transactions, volatility in the exchange rate against the greenback has a more significant impact on the Indian economy.

The rupee was the third most stable Asian currency against the dollar in 2023-2024, following the Hong Kong dollar and Singapore dollar, primarily due to timely intervention by the RBI. The rupee depreciated by 1.5 per cent over the year, compared to a 7.8 per cent decline in the previous financial year (2022-23).

Additionally, in CY23, the local currency demonstrated remarkable stability against the dollar, experiencing the least volatility it had seen in nearly three decades. The Indian unit experienced a marginal depreciation of 0.5 per cent against the greenback.