



# Breathing space

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## **Breathing space-Fall in oil prices gives the rupee and the Indian economy a much-needed boost**

- After falling consistently against the U.S. dollar for most of this year, the rupee has managed to gain some ground over the last few weeks.
- The fortunes of the rupee, which even after the recent appreciation is down about 11% since the beginning of the year, have been tightly linked to the price of crude oil in the global markets.
- The value of the rupee tanked amid the uptrend in oil prices this year which lasted till early October.
- Since then, the rupee has gained against the dollar in tandem with the fall in global crude prices.
- Worries about a drop in global demand due to faltering growth in major economies like China may have also contributed to the fall in prices.
- The fall in global crude oil prices comes as a big relief to the Central government, which has faced increasing macroeconomic and political pressure due to rising prices.
- The Reserve Bank of India will be relieved as it will have to worry less about the rupee and oil-induced inflation.
- But amid rising global uncertainties, it may not be so easy to map what lies ahead for global crude oil prices and the rupee.
- India should capitalise on the relief offered by the fall in oil prices to improve its preparedness for any future jump in oil prices.

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