



Sinking rupee

Posted at: 29/06/2018

Highlights

- The rupee's troubles just do not seem to end. On Thursday, the currency weakened past 69 intraday against the U.S. dollar, an all-time low Emerging market currencies as a group have witnessed a sharp correction in their value against the dollar this year.
- The rise in international crude oil prices is one of the reasons behind the rupee's decline as importers have had to shell out more dollars to fund their purchases.
- India's current account deficit, which jumped to 1.9% of GDP in the fourth quarter of 2017-18 from just 0.6% a year earlier, is now expected to widen to 2.5% in FY 2019.
- These could spell even more trouble for the rupee as the demand for dollars could turn out to be overwhelming.
- The rise in global trade tensions amidst the ongoing trade war could be another factor behind the rout in emerging market currencies, but its impact on the rupee remains unclear as of now.
- The most important reason behind the fall in the rupee and other emerging market currencies is the tightening of U.S. monetary policy.
- American central bank expects to raise interest rates further this year suggests that more pain could be in store.

Source: The Hindu

