

# MINT

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

**Rupee vs dollar:** Amid falling Indian National Rupee (INR) against against the US dollar (USD), India's foreign exchange reserves have dipped by \$5 billion to \$588.314 billion during the week ending 1st July 2022, the latest Reserve Bank of India (RBI) data shows. In the previous week, India's foreign reserves had shot up \$2.734 billion to \$593.323 billion after logging correction in three successive weeks. India's gold reserves fell by \$504 million to \$40.422 billion after the week ending on 1st July 2022.

As per the latest RBI's data, [India's foreign exchange](#) assets, which are the biggest component of the forex reserves, declined by \$4.47 billion to \$524.745 billion during the latest week.

Further, India's gold asset fell by \$504 million to \$40.422 billion, SDR (special drawing rights) fell by \$77 million to \$18.133 billion, while India's reserve position with the International Monetary Fund (IMF) rose by \$44 million to \$5.01 billion.

The country's forex reserves had dropped for four out of fifth straight weeks, on account of RBI's likely intervention in the market to defend the depreciating rupee, which is persistently at an all-time low.

Typically, the central bank of India intervenes in the market through liquidity management, including through the selling of dollars, with a view to preventing a steep depreciation in the rupee.

In the last two monetary policy review meetings, RBI has increased interest rates, indicating that the Indian central bank is no exception to central banks across world when it comes to interest rate hike.

The US dollar is up over 6.7 per cent against rupee so far this year. So to limit the decline in the Indian rupee, the government has imposed a windfall tax on domestic crude producers, imposed new levies on the export of petrol, diesel, and aviation turbine fuel (ATF), and hiked import duty on gold.

"The Indian rupee is reeling under pressure on the back of a rise in the dollar index towards a multi-decade peak, incessant portfolio outflows, soaring crude oil prices, and a rising interest rate regime," said Sugandha Sachdeva, Vice President - Commodity and Currency Research, Religare Broking.

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