

# Rupee Weakening ....Whether a Policy Choice ?

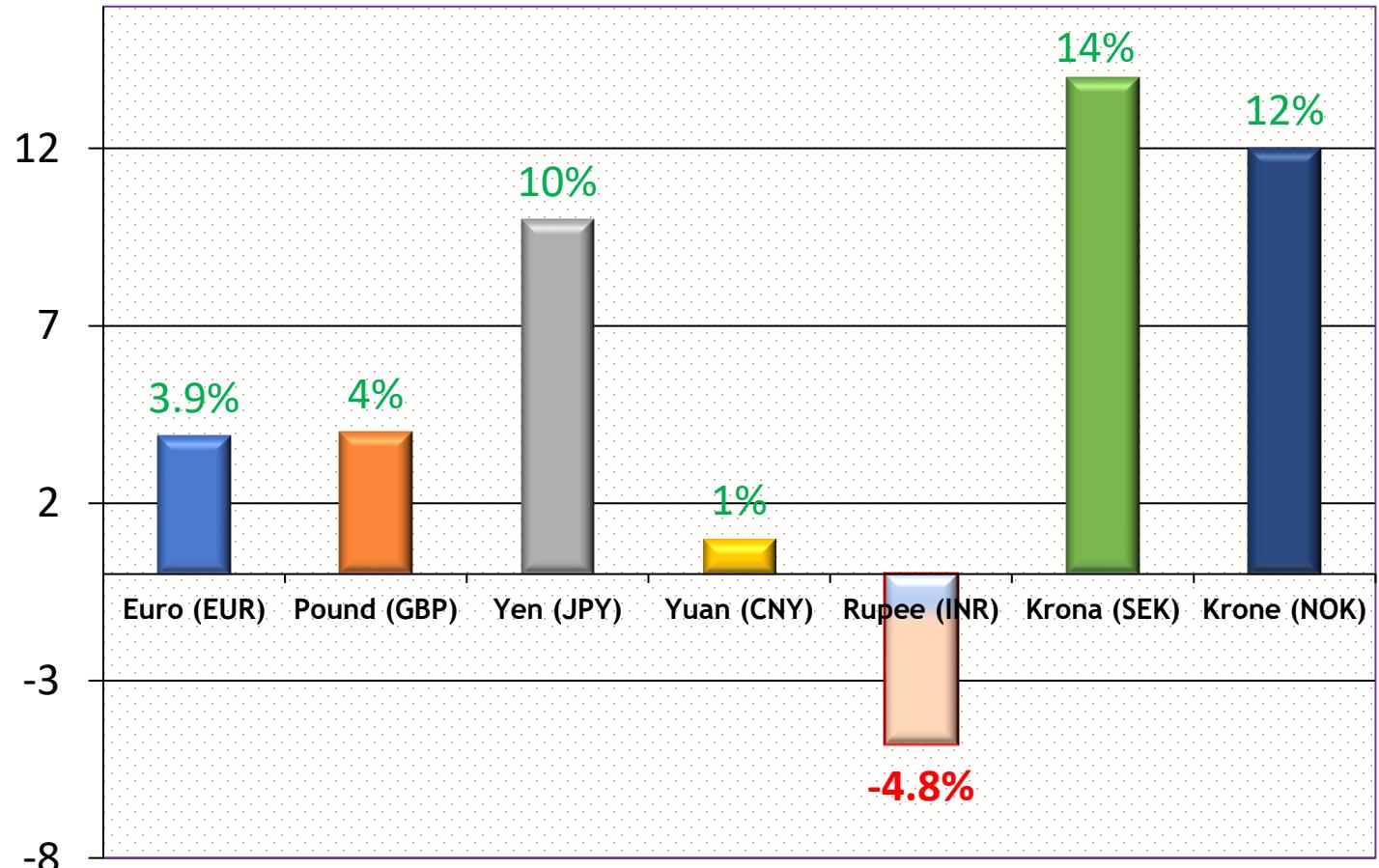
CANARA BANK | ECONOMIC RESEARCH VERTICAL | HEAD OFFICE

10.09.2025

# What Statistics Say (1) ... About International Scenario

Movement of Other Currencies Vis-a Vis Dollar ( Since April,25 to Sept,2025)

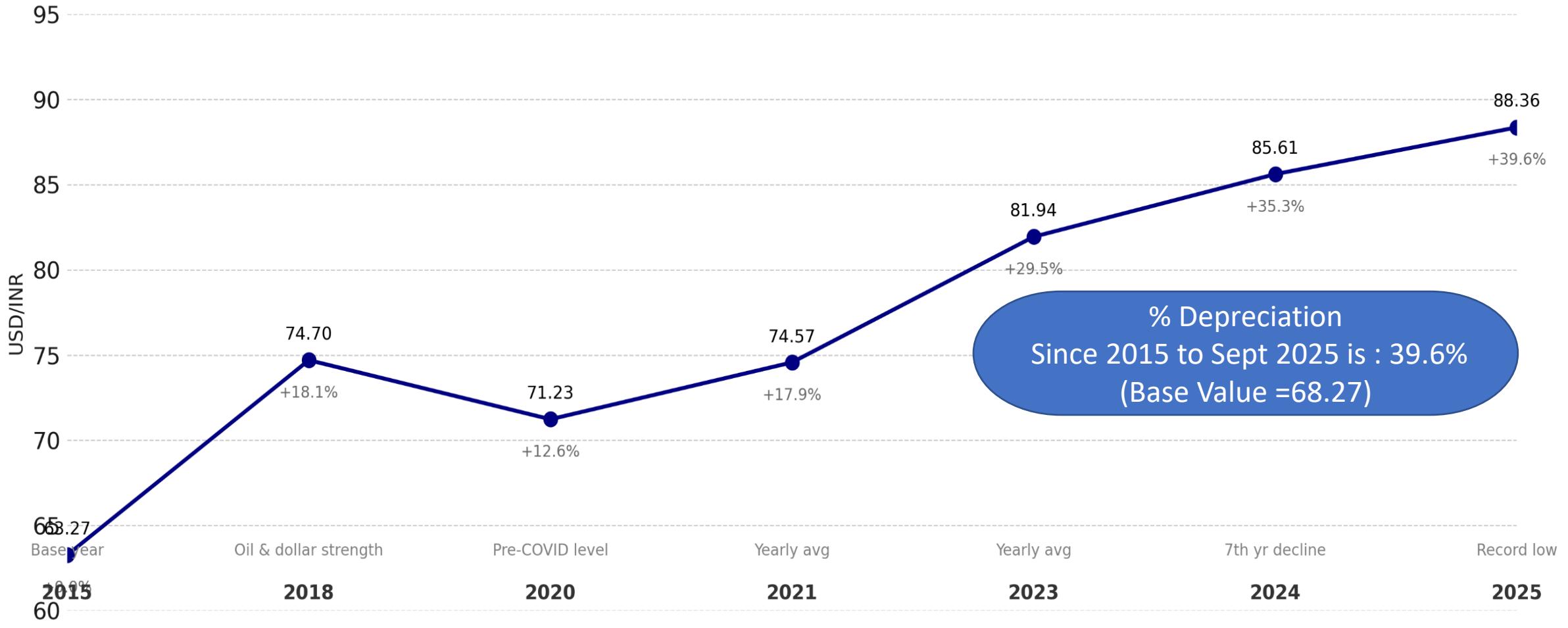
## Currency Moves vs USD (Apr → Sep 2025) Change %



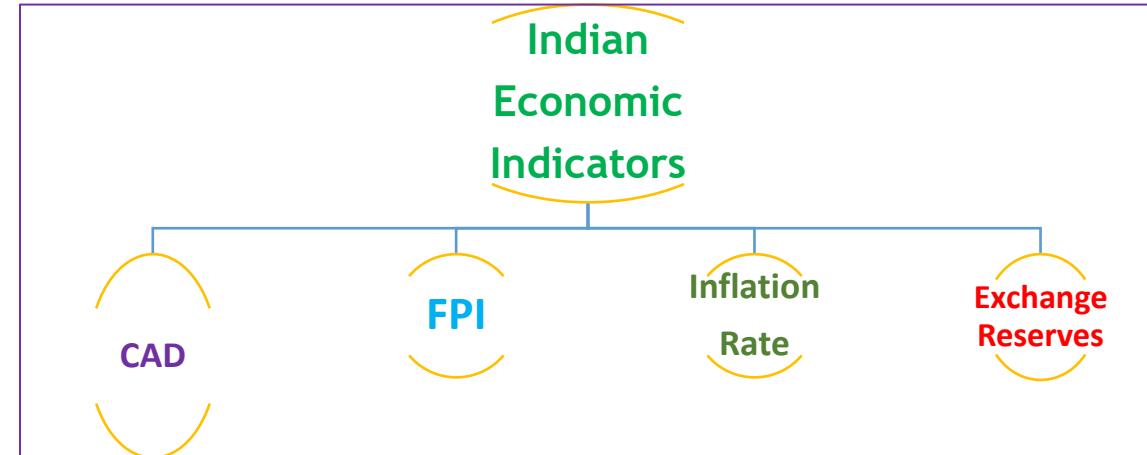
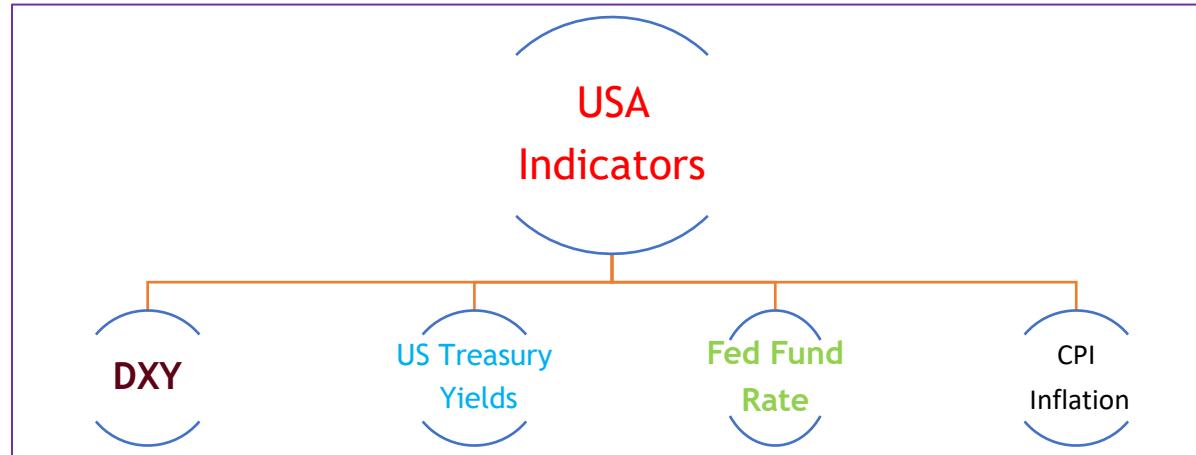
Currency	Move vs USD	Key Point
Euro (EUR)	+3.9%	Stronger exports; euro gained
Pound (GBP)	+4.0%	Hit 11-month high, slight dip later
Yen (JPY)	+10%	Big rebound; strongest in G10
Yuan (CNY)	+1.0%	Managed appreciation, stable
Rupee (INR)	-4.8%	Record lows, under pressure
Swedish Krona (SEK)	+14%	Best performer; Nordic rebound
Norwegian Krone (NOK)	+12%	Oil strength & rate policy

## Lets Walk through History ( ... of Exchange Rate Depreciation )

### Depreciation of the Indian Rupee vs USD (2015-2025)



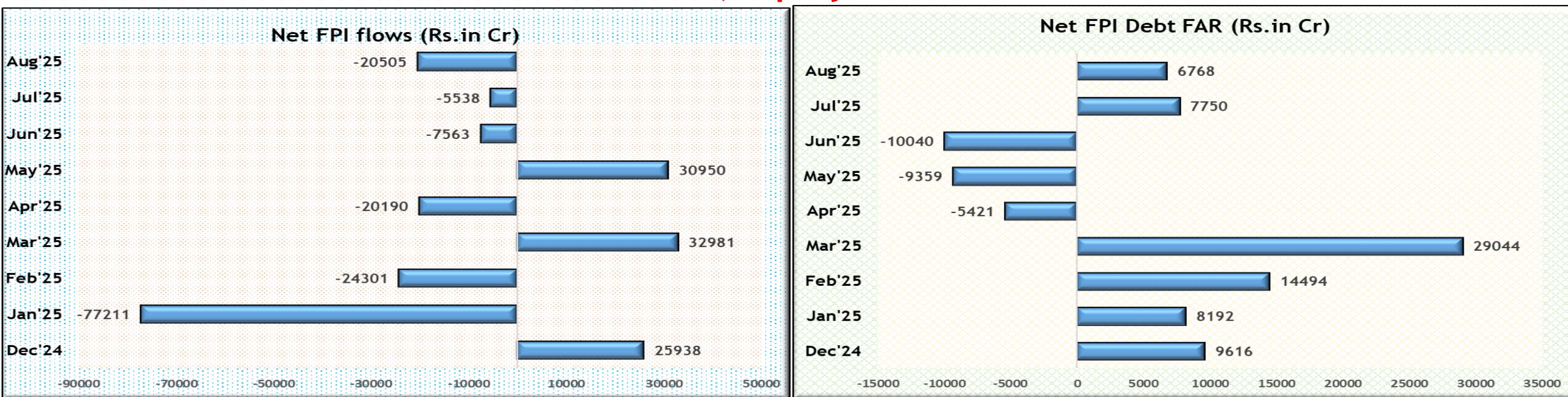
## Important Economic Indicators to Be Watched ....



Metric	April 2025	July 2025	September 2025	Contribution to Weakening?	Key Reason
US Dollar Index (DXY)	-99.5 (↓4.9% in Apr)	-98.1 (↓10% YTD)	97.7710 (↓0.59% MoM)	Limited/ Indirect	Offset by tariffs; recent stability adds mild pressure.
10-Year Treasury Yield	-4.5% (↑ from <4%)	-4.26% (↓6 bps in Aug)	-4.2-4.4% (est.)	Minimal/ Mitigating	Initial spikes contributed, but declines help INR.
Federal Funds Rate	4.25-4.50% (unchanged)	4.25-4.50% (unchanged)	4.0-4.25% (projected)	Moderate/ Yes	Delays cuts, supports USD resilience.
CPI Inflation (YoY)	-2.8% (core PCE)	2.7%	-2.5-2.8% (est.)	Moderate/ Yes	Tariff jitters hoist USD, pressuring INR.

Indicator	April 2025	July-August 2025	September 2025	Trend	Contribution to INR Weakening
CAD	\$2.4B (0.2% GDP, Q1)	Trade deficit \$27.35B (Jul)	-\$25-27B (est.)	Widening	High
FPI Outflows	-₹1.14L Cr (\$13.7B, Q1)	\$4B (Aug)	\$1.3B (early Sep)	Rising	High
Inflation Rate	~4.5% (CPI)	1.55% (Jul)	~1.6-2.0% (est.)	Falling	Moderate
Fiscal Deficit	₹13,163 Cr (Apr-May)	4.8% GDP (FY25)	~4.4% (proj.)	Stable	Moderate
Forex Reserves	~\$670B	\$694.23B (Aug)	Stable (est.)	Rising	Low (Supportive)

## Net FPI Flows, Equity & FAR



### Total FPI Contribution (Jan Aug,2025)

Assets Class	% Outflow	Amt(Cr.)
Equities	89-92%	Approx 90000-100000
Debt (Including VRR)	7-9%	8000-10000/-
Hybrid & Other	1-2%	1000-2000

### Top Sectors (Outflow & Inflow )

Outflow (H1& Q3)	Inflow (Jan -June 2025)
IT (32-35%)	Telecom
FMCG (19-21%)	Financial Services
Power & Utilities (16-18%)	Service

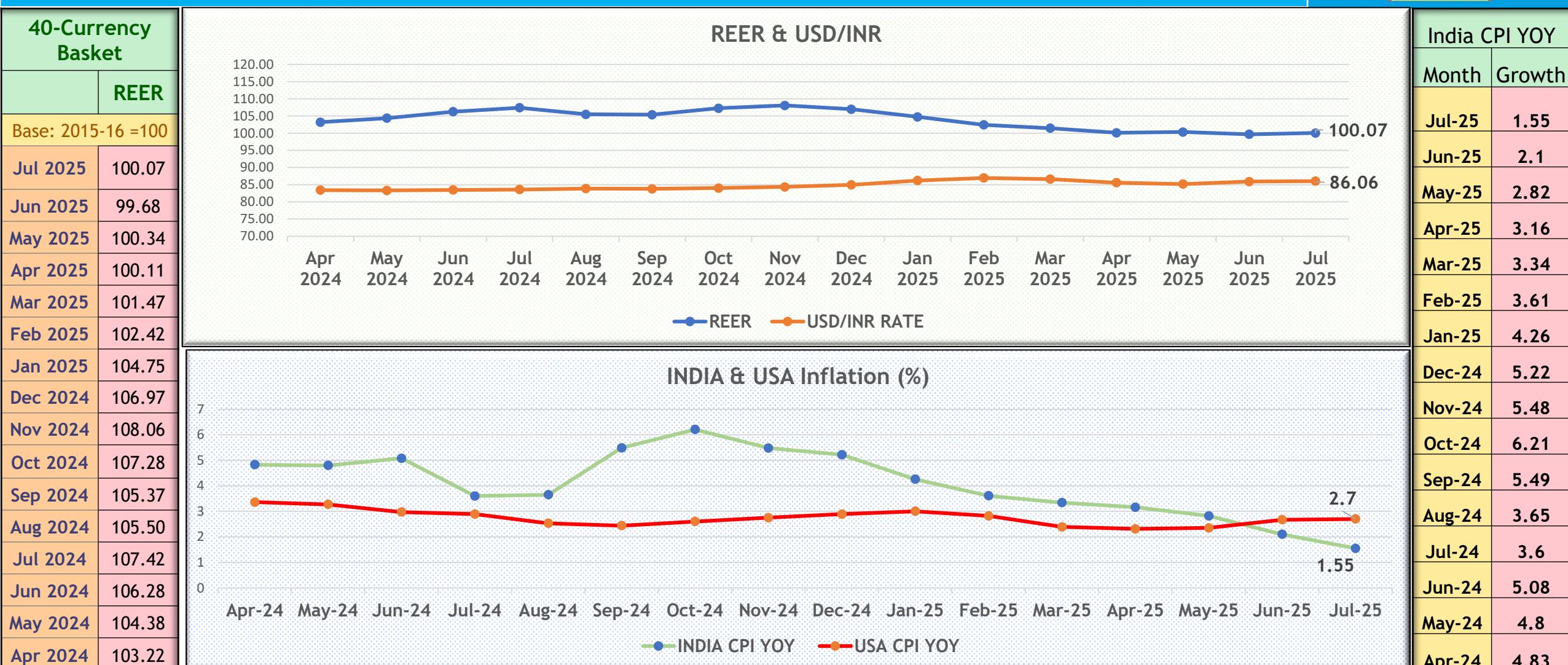
Short Run Analysis  
(April, 2025 to August 2025)

Correlation Matrix  
(After Tariff Tantrum)

	Dollar Index	US 10Y Treasury Yield	Spread Of Treasury Yield (INR-USA)	Brent Crude	Net FPI	CAD
USD/INR	-0.44	-0.51	-0.78	0.27	-0.78	

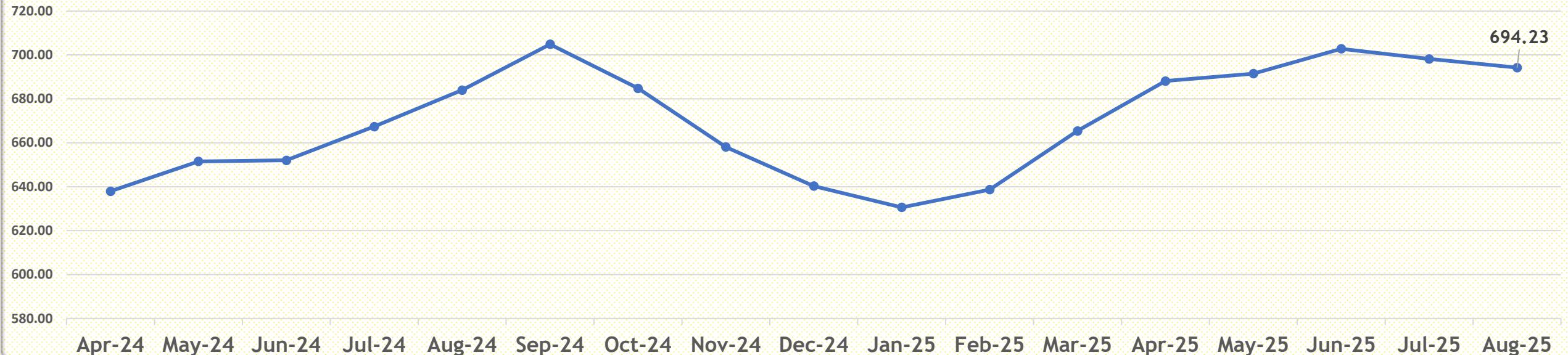
- ✓ Spread between Yield of US-10 Yr. & Indian G Sec 10 Yr. yield is highly correlated with Exchange rate ,followed by Net FPI & Dollar Index

# Tracking the Indian Rupee through REER & INFLATION



➤ INR is almost fairly Value as per REER

Total foreign exchange reserves (\$bn)



\$ 60 bn  
(Average Monthly Import)



(10 time reserve of Average Monthly Import)



\$ 600 bn

- RBI has sufficient forex reserves (\$ 35 bn approx. after forward commitments ) and can intervene by selling dollars.
- As per reports, RBI net sold approx. \$1.6bn (Feb-25), \$14.36bn (Mar-25), \$1.66bn (Apr-25), \$3.6 bn (Jun-25) and \$5 bn in August 2025.

# THANK YOU