

Rupee Weakening ...Whether a Policy Choice ?

CANARA BANK | ECONOMIC RESEARCH VERTICAL | HEAD OFFICE

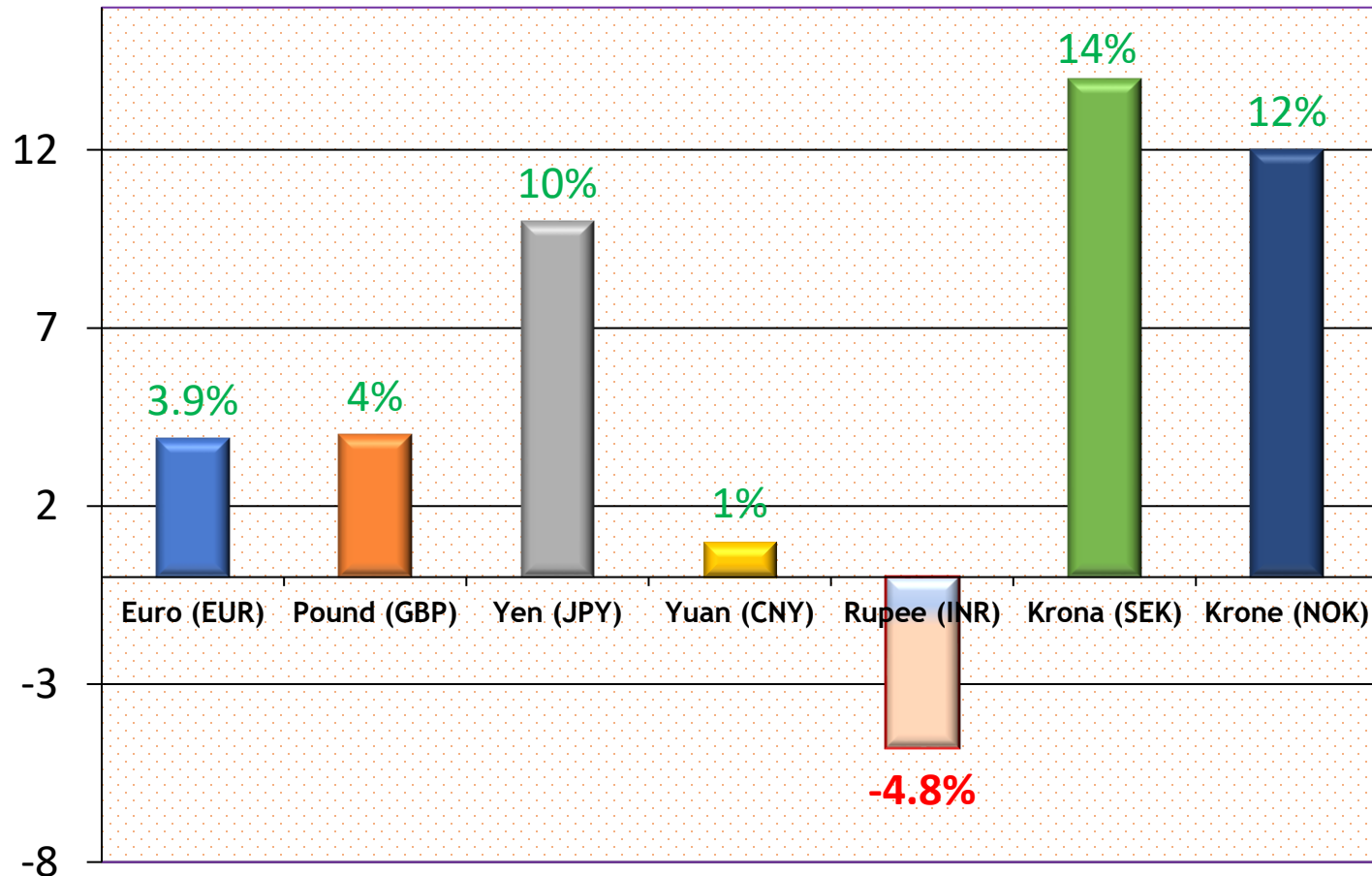
10.09.2025

Internal

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

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

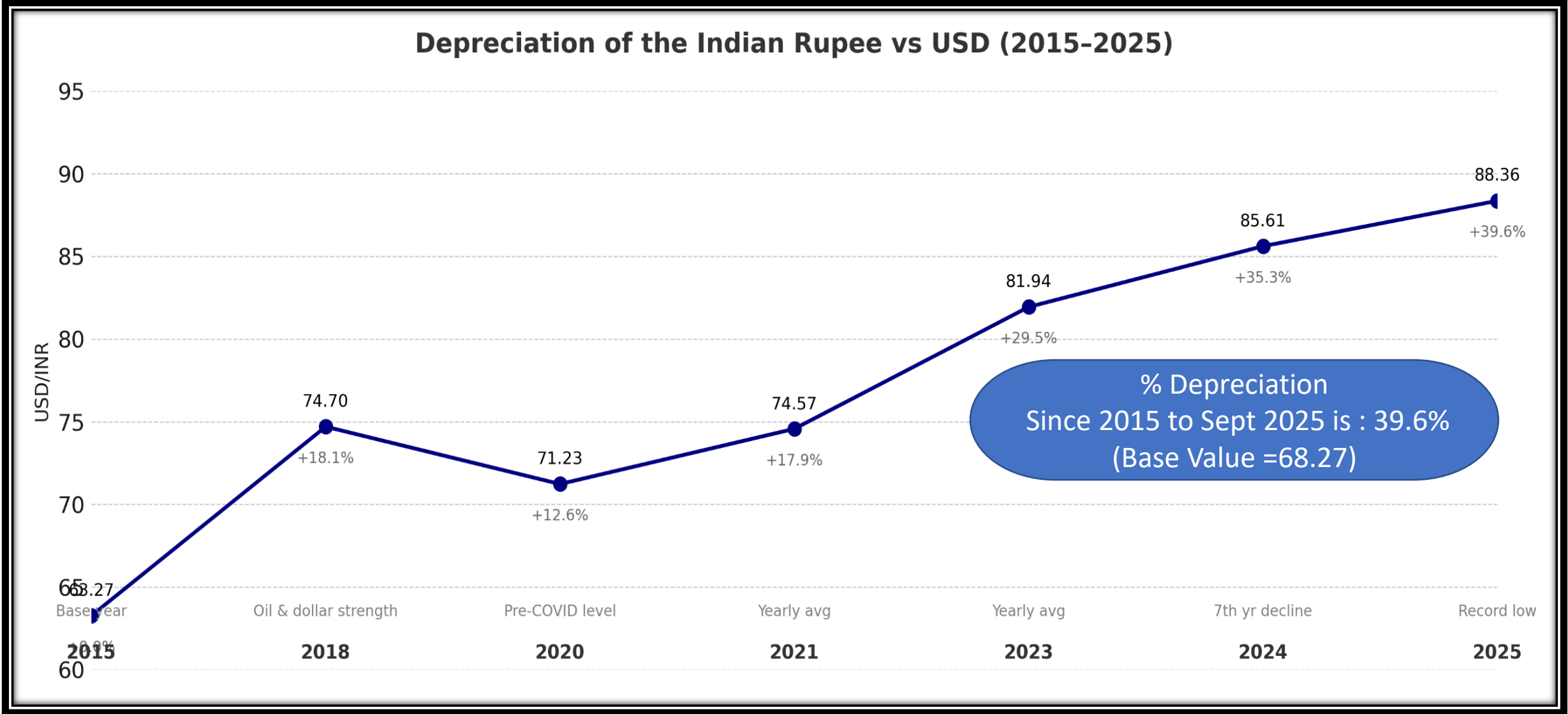
Currency Moves vs USD (Apr → Sep 2025)
Change %



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

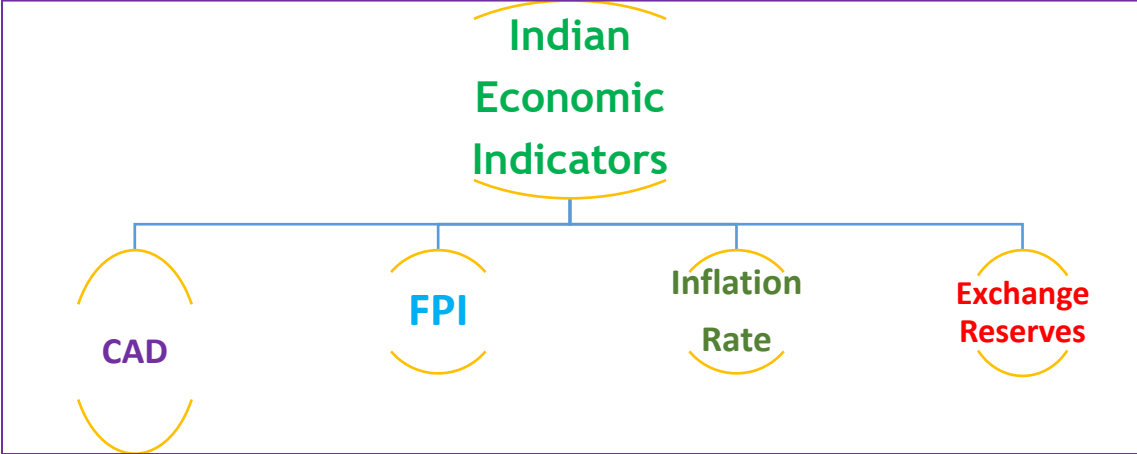
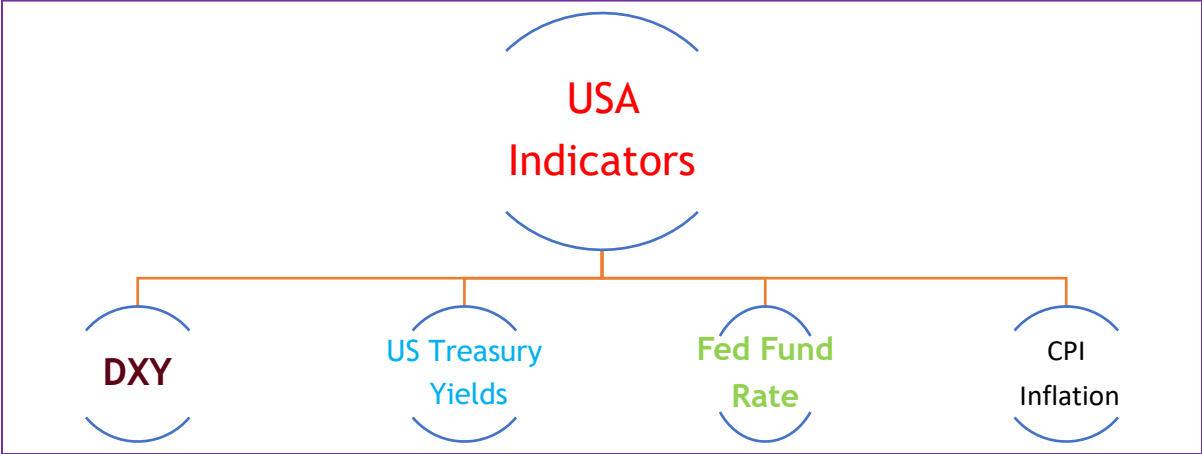
Lets Walk through History (... of Exchange Rate Depreciation)

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



What are the Reason of Weakening of Indian Rupees ?

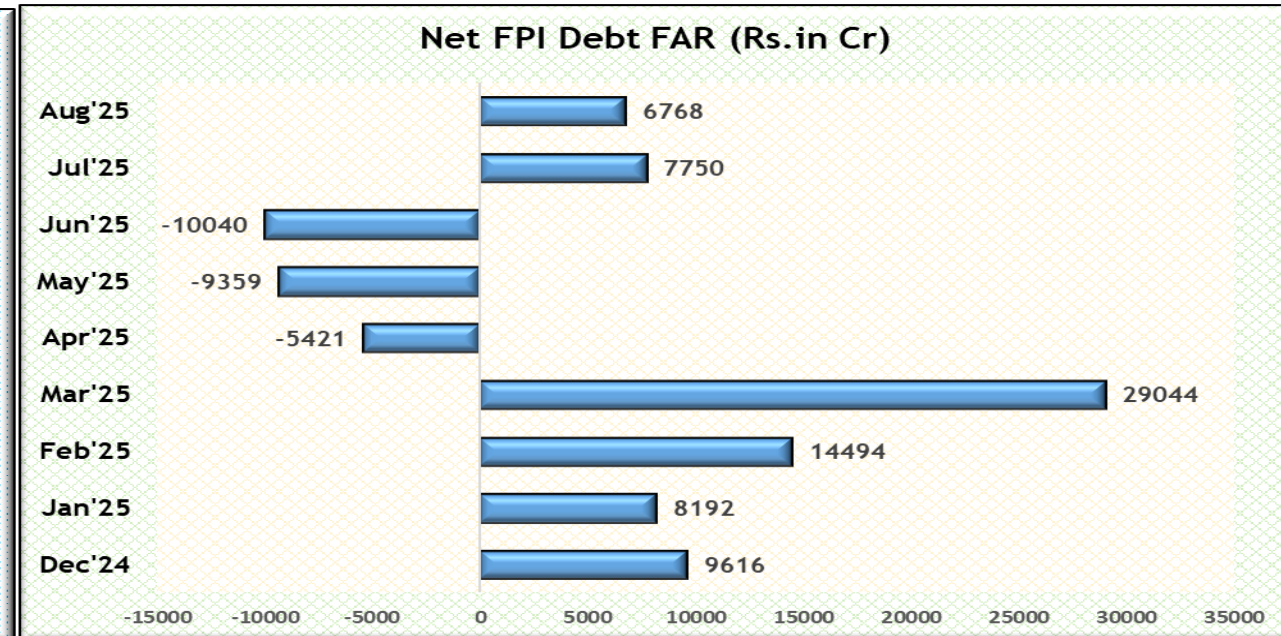
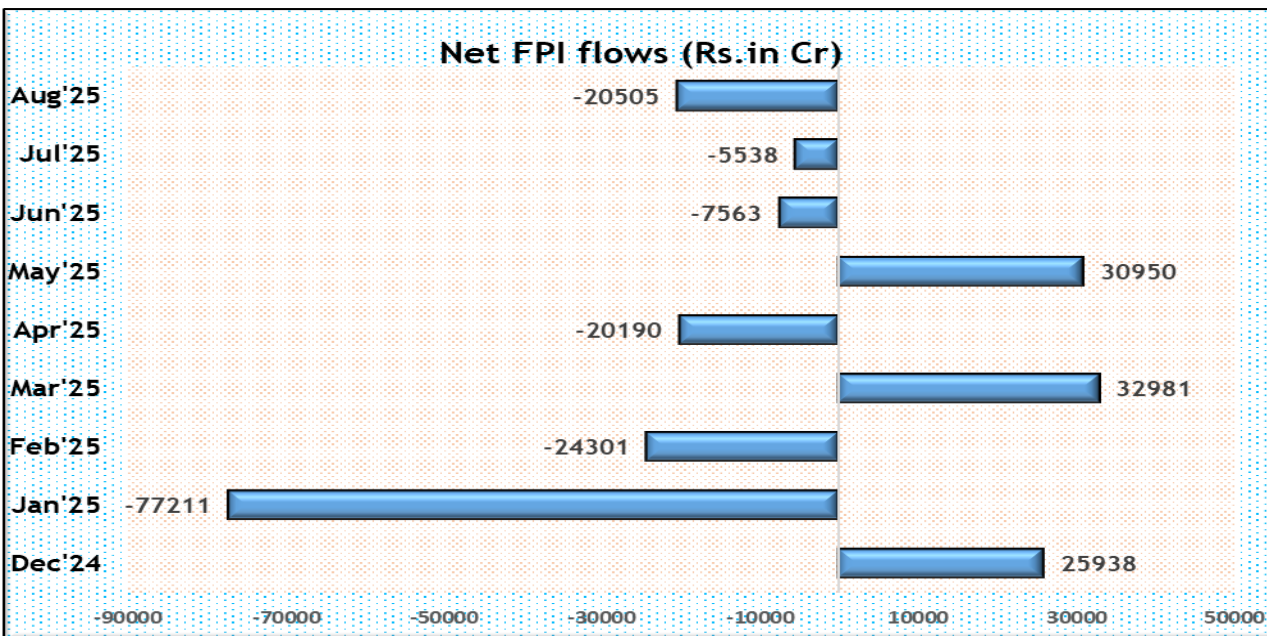
Important Economic Indicators to Be Watched



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

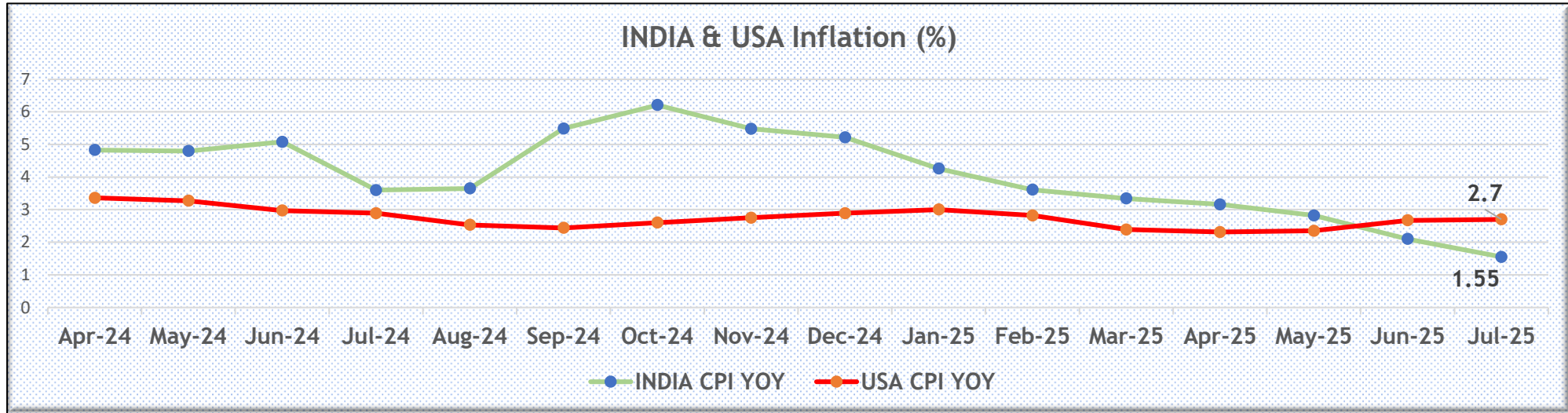
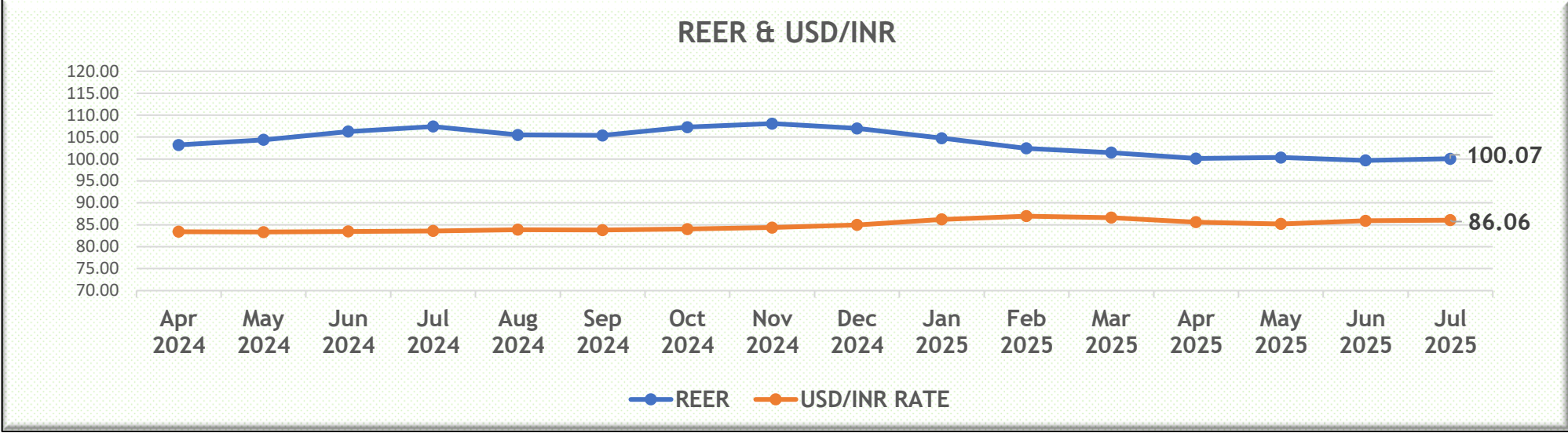
Short Run Analysis
(April, 2025 to August 2025)

Correlation Matrix
(After Tariff Tantrum)

	Dollor 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	

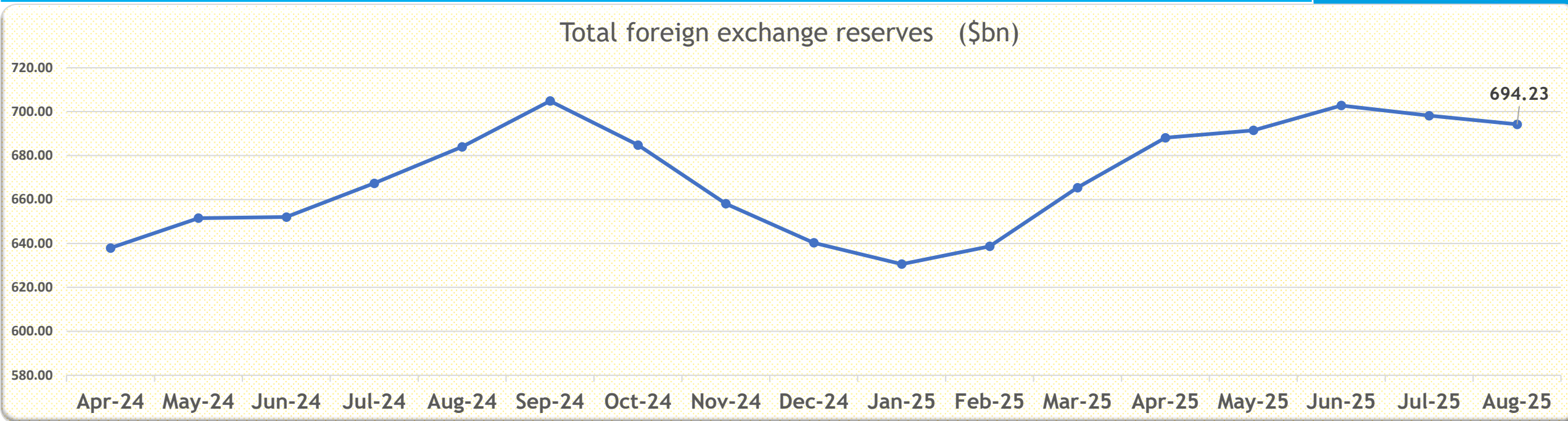
✓ Spread between Yield of US-10 Yr.& Indian G Sec 10 Yr. yield is highly correlated with Exchange rate ,followed by Net FPI & Dollor Index

40-Currency Basket	
	REER
Base: 2015-16 =100	
Jul 2025	100.07
Jun 2025	99.68
May 2025	100.34
Apr 2025	100.11
Mar 2025	101.47
Feb 2025	102.42
Jan 2025	104.75
Dec 2024	106.97
Nov 2024	108.06
Oct 2024	107.28
Sep 2024	105.37
Aug 2024	105.50
Jul 2024	107.42
Jun 2024	106.28
May 2024	104.38
Apr 2024	103.22



India CPI YOY	
Month	Growth
Jul-25	1.55
Jun-25	2.1
May-25	2.82
Apr-25	3.16
Mar-25	3.34
Feb-25	3.61
Jan-25	4.26
Dec-24	5.22
Nov-24	5.48
Oct-24	6.21
Sep-24	5.49
Aug-24	3.65
Jul-24	3.6
Jun-24	5.08
May-24	4.8
Apr-24	4.83

➤ INR is almost fairly Value as per REER



$$\begin{array}{c}
 \$ 60 \text{ bn} \\
 \text{(Average Monthly} \\
 \text{Import)}
 \end{array}
 \times
 \begin{array}{c}
 \text{(10 time reserve of} \\
 \text{Average Monthly} \\
 \text{Import)}
 \end{array}
 =
 \$ 600 \text{ bn}$$

- 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