

Logistics overhang: Rupee fall unlikely to boost exports

Fall in value of other currencies to not give India competitive edge

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THE RUPEE'S depreciation against the US dollar may hold little upside for India as exports seem unlikely to benefit, amid global supply chain constraints and fall in currency values of competitors, even as imports are set to become more costlier.

The rupee has depreciated by 4.18 per cent since the beginning of the year and closed Friday's trading session at 77.44 against the greenback.

Experts said the depreciation in the value of the rupee was likely to add to India's burgeoning import bill but may not have the traditionally expected impact of making exports more competitive as high commodity prices and global supply chain issues are impacting global trade.

"Global supply chains are facing headwinds due to problems in China. All this is adding to pressures on the cost side, so I don't think we can expect an impact on exports because of the currency depreciation that is going on," said Biswajit Dhar, trade expert and professor at Jawaharlal Nehru University. Lockdowns in China aimed at containing the Covid spread have slowed operations at key ports and affected global supply chains.

"There is an acute shortage of containers and the supply chain is completely stretched," said Sumit Goyal, president of Kolkata-based Patton International, which exports engineering goods. Goyal added international buyers often included expected price reductions in line with currency depreciation in contracts. Inflation was also putting upward pressure on the cost of inputs, he noted.

Experts said since there was a secular strengthening of the dollar against most currencies, the depreciation would not offer an advantage to most exporters relative to competitor countries.

"It is not only the rupee that has depreciated, almost every currency including the pound and the euro have depreciated against the dollar. Most of our competing export nations are in South Asia or Southeast Asia and their curren-

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**Impact on
imports**

Imports are likely to be impacted significantly by the rupee's depreciation, with India's import requirements growing rapidly.

cies have also depreciated," said Sunil Kumar Sinha, principal economist at India Ratings, adding this may mean that exports do not become more competitive as a result of currency depreciation.

Imports, on the other hand, are likely to be impacted significantly by the rupee's depreciation, with India's import requirements growing rapidly — including increased demand for imported coal despite high international prices as thermal power plants are facing low coal inventories.

India's merchandise trade deficit hit an all-time high of \$192.4 billion in FY22 on the back of record high imports worth \$610.2 billion and exports worth \$417.8 billion. High growth in exports and imports has continued in this fiscal, with inbound shipments growing about 31 per cent year-on-year in April, boosted by high prices of commodities such as crude oil and coal.

The depreciation of the rupee is also set to make outward remittances, including those to students in the US, more expensive. Experts said the depreciation might impact the decision of students planning to study in the US going forward.

Experts noted that the rupee was unlikely to see further depreciation against the dollar for a sustained period in the first half of this fiscal. "As far as the rupee is concerned, we believe that with foreign exchange reserves still being large, it's unlikely to be a situation of disorderly depreciation. So, we now feel that for the rest of this half would be Rs 75-79 (against the dollar)," said Aditi Nayar, chief economist at Icra, adding that she expected that the rupee might fall below its recent low but was unlikely to remain there for a long period.