

CONNECT

Issue 66 - 19th January, 2012



Vital Stats Rupee Slide

The rupee has been on a relentless slide vis-a-vis the dollar in the last couple of months of 2011, after staying in a band of Rs 44 to Rs 46 for most part of 2010 and 2011. It fell from Rs 45 in August 2011 to Rs 52. 1, in the second week of December 2011.

Cause and effect

A deteriorating economic environment in Europe is the prime factor causing this decline. Sell-off in equities and the dollar purchases by oil marketing companies have further added to the rupee's woes. Due to the deteriorating economic environment, money which foreign investors were to bring into India has since found its way into the US treasuries which is considered a safe haven.

Corrective measures

RBI has taken some policy initiatives such as hiking the ECB/Buyers Credit borrowing rate, removing the banks' swap cap from \$100 million earlier. Further, the Central Government has also started taking important policy decisions in the form of allowing 51 per cent FDI in multi-brand retail and 100 per cent FDI in single-brand retail.

[TOP](#)