

## **Rupee depreciation less than inflation; currency over-valued: EEPC India**

Rupee depreciation has just been equal to the rate of Consumer Price Index (CPI) –measured inflation, giving absolutely no advantage to the exporters on exchange rate whereas the cost of production and transactions have risen, leaving Indian exports less competitive in the international market, according to EEPC India.

Indian exporters were also paying real interest rates much higher than the competitive peers like China, Malaysia, Argentina and Mexico.

The analysis of engineering exports done by the EEPC India shows that between July 2015 and July 2016 the rupee depreciation is just about the same as the CPI inflation. “ To the extent of rising cost of production, rupee inched up; but on the other hand, the pricing power of Indian exporters has not been improving in the tough global markets,” it noted.

Commenting on the currency play and its impact on the exports, the EEPC India Chairman Mr T S Bhasin said “ while the pace of decline in the exports has declined, the development has to be seen on a very base year-on-year since the drop in shipments had started some 20 months ago,”.

Indian rupee was trading around 67 to a dollar in July this year, against 63.38 to a dollar in July 2015, depreciating by less six per cent. The CPI inflation for July, this fiscal was above six per cent. “So, in a way, rupee is over-valued in real terms”, Mr Bhasin said.

While the real interest rate in India is about nine per cent, it is less than five per cent in China and Malaysia, below one per cent in Mexico and minus four per cent in Argentina. “ We are placed on disadvantage against our competitors”, the apex body of the engineering exporters’ said.

India's merchandise exports resumed the declining trend in July 2016 after rising marginally in June 2016 for the first time in nineteen months. Merchandise exports during July 2016 were valued at USD 21.69 billion which was 6.84 percent lower than USD 23.28 billion during July 2015. The cumulative value of exports during April-July 2016-17 was USD 87 billion as against USD 90.27 billion during the same period last year that declined by 3.62 percent .

After rising for the consecutive two months of May and June 2016, Indian engineering exports slipped yet again in July contracting by 12.11 percent as against a positive growth by 2.57 percent in the previous month.

Cumulative engineering exports continued to decline as engineering exports for the first four months of the current fiscal dropped by 5.82 percent to USD 20.27 billion in Apr-July 2016-17 from USD 21.53 billion during Apr - July 2015-16.