

THE STORY OF THE RUPEE

EDITION
05

Look Beyond USD/INR: Add NEER and REER to See the Real Picture



A currency move has three layers. USD/INR tells you where the Rupee trades. NEER shows how it moves against our trading partners. REER tells you whether that level is competitive after adjusting for inflation.

THE HEADLINE CAN MISLEAD

USD/INR (Nominal)

~₹96.16/\$
24th Sept 2026

The rupee appears weak against the US Dollar

But that is only one lens.

ADD THE TRADE-WEIGHTED LENS

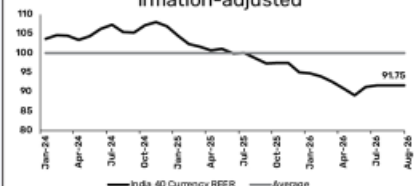
NEER - Nominal Effective Exchange Rate

77.97
July 2026

NEER compares the Rupee against the currencies of India's major trading partners, weighted by trade.

THEN, ADJUST FOR INFLATION: REER

REER - Real Effective Exchange Rate
40-currency, trade-weighted, inflation-adjusted



Above 100
Relatively expensive / overvalued

Below 100:
Relatively inexpensive / undervalued

100 = Broad Fair-Value Reference

REER adjusts NEER for inflation differentials. Above 100 suggests overvaluation; below 100 suggests undervaluation.

THE REAL INSIGHT: NOMINALLY WEAK, COMPETITIVELY CHEAPER

USD/INR

~13%

weaker YoY
Aug 2024 vs Aug 2026

REER

108.03 → 91.75

Nov 2024 to Aug 2026

INTERPRETATION



The Rupee has become materially cheaper in real, trade-weighted terms.

India's lower inflation through FY26 relative to higher inflation among trading partners amplified the competitiveness gain.

DID THAT COMPETITIVENESS SHOW UP IN TRADE?

The data says yes.

Merchandise Exports
Aug 2026

\$43.81 bn

+16.08% YoY



Goods + Services Exports Jul 2026

\$82.68 bn

+25.4% YoY



The real depreciation is translating into stronger exports - a key sign that competitiveness gains are real, not just on paper.

CHEAPER RUPEE: TWO SIDES OF THE SAME COIN

THE GAIN

Lower real exchange rate
↓
Indian goods become relatively cheaper overseas
↓
Export competitiveness improves
↓
Potential support for export-oriented earnings

THE COST

Weaker currency
↓
Oil and imports become costlier
↓
Imported inflation risk increases
↓
Margins and household purchasing power can come under pressure

The competitive gain is real; the import bill is the price. A competitive currency is an advantage.

AND THAT'S HOW IT REACHES YOUR PORTFOLIO	
Equity Market	Debt Market
Potential beneficiaries - Exporters / Dollar earners - IT, Pharma, Engineering - Other export-oriented businesses	Rupree weakness ↓ imported inflation risk ↓ RBI policy expectations can turn tighter ↓ bond yields face upward pressure.
Potential pressure - Import-intensive businesses - Oil users, Chemicals, Airlines - Some Consumer / Manufacturing businesses	
It's not simply "weak Rupee = bad equities". What matters is where a company's revenues come from versus its costs.	Key channel: Inflation + RBI policy + foreign flows determine yields.

THE BIG PICTURE				
 USD/INR What the Dollar costs	+	 NEER How broad the Rupee move is	+	 REER Whether India is actually competitive
			+	 TRADE DATA Whether that competitiveness is working
			=	 A SMARTER READ OF THE RUPEE
 A weaker rupee can make imports dearer and still make India more competitive. The real story lies in understanding all three layers.				

KEY TAKEAWAY
Don't read the Rupee through USD/INR alone. Price. Breadth. Competitiveness. Trade response. That's the complete picture.

Source: RBI Monthly Bulletin (REER series), PIB, Commerce Ministry (Aug 2026)