



Dear Member,

It may be recalled that in the article entitled “Appreciation of Rupee And its Impact on Export” published in FAPCCI Review Vol.VII, Issue 32, dated 14.08.2007, it was indicated that from a level of Rs.45/- to an USD in October-November, 2006, rupee appreciated to slightly over Rs.40/- in July, 2007. From Rs.43.50 in April, 2007 the rupee moved to Rs.40.60 by June, 2007, an appreciation of 7% in less than 3 months. Such an appreciation of rupee against while making the imports cheaper, has adversely affected the country’s exports. In order to obviate further appreciation of rupee against US Dollar and to offset the losses to exporters, the Ministry of Commerce and Industry announced a package on 13.6.2007. On 13.7.2007, a 14,000 crore rupee relief export package was announced. The package was inadequate to contain the overriding influence of rupee which further appreciated to a level less than Rs.40/- to a Dollar.

According to a survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI), a good number of exporters hit by an appreciating rupee feel the export prospects in the days ahead at least for 6 months more are not going to be encouraging. A vast majority of exporters cited rupee appreciation as the principal factor adversely affecting export performance, the other factors indicated in order of priority being rising cost of raw-materials, increase in the oil prices, competitive environment, cost of credit, inadequate infrastructure, government procedures, government promotional schemes, tariff/non-tariff barriers, availability of credit, excess production capacity and weak demand in international market for Indian merchandise.

More and more reasons are surfacing for appreciations of rupee against US Dollar, the latest being the visible recessionary trends in the American economy. The exporting community may have to look at different options and directions instead of solely looking forward for more and more relief packages from the government. They include getting into more forward contacts, shifting to convertible currencies other than the US dollar, incorporating protective clauses in the sale-purchase contracts, exploring markets where transactions are in denominations other than the US Dollar such as Japan and South-East Asia.

The contribution of small and medium enterprises to exports is significant. Their share in the export production is 34%, the value of which in US \$ 27 billion. The Export promotional measures need to be directed at them rather than Fortune Companies. This could be one of the best ways to make exports competitive enough to absorb the adverse shocks of appreciating rupee.

Thanks for your cooperation



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