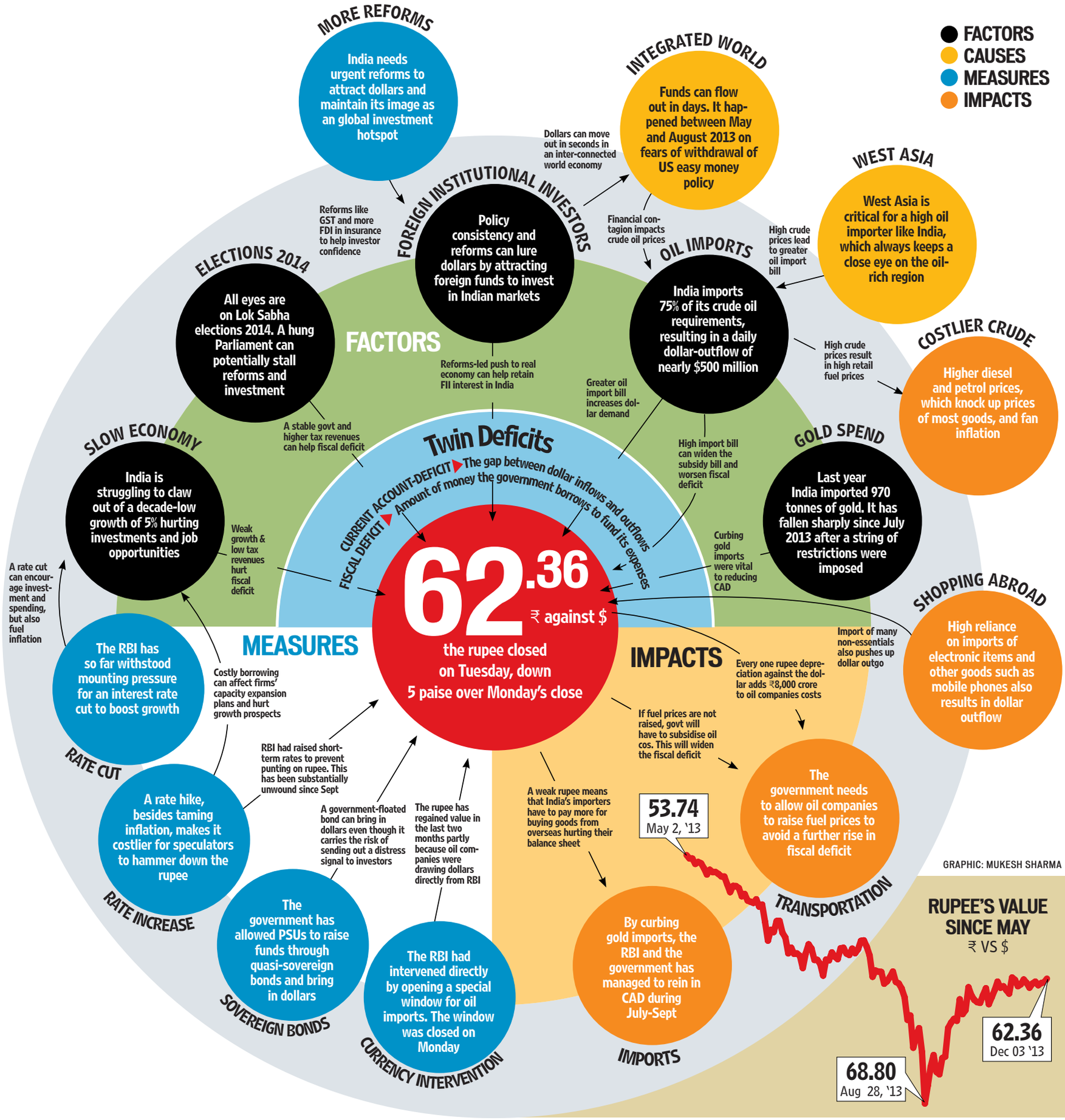
FACTORS
CAUSES
MEASURES
IMPACTS
MORE REFORMS
India needs urgent reforms to attract dollars and maintain its image as an global investment hotspot
INTEGRATED WORLD
Funds can flow out in days. It happened between May and August 2013 on fears of withdrawal of US easy money policy
Dollars can move out in seconds in an inter-connected world economy
WEST ASIA
West Asia is critical for a high oil importer like India, which always keeps a close eye on the oil-rich region
FOREIGN INSTITUTIONAL INVESTORS
Policy consistency and reforms can lure dollars by attracting foreign funds to invest in Indian markets
Reforms like GST and more FDI in insurance to help investor confidence
Financial contagion impacts crude oil prices
High crude prices lead to greater oil import bill
ELECTIONS 2014
All eyes are on Lok Sabha elections 2014. A hung Parliament can potentially stall reforms and investment
OIL IMPORTS
India imports 75% of its crude oil requirements, resulting in a daily dollar-outflow of nearly $500 million
High crude prices result in high retail fuel prices
COSTLIER CRUDE
Higher diesel and petrol prices, which knock up prices of most goods, and fan inflation
FACTORS
Reforms-led push to real economy can help retain FII interest in India
Greater oil import bill increases dollar demand
A stable govt and higher tax revenues can help fiscal deficit
High import bill can widen the subsidy bill and worsen fiscal deficit
SLOW ECONOMY
India is struggling to claw out of a decade-low growth of 5% hurting investments and job opportunities
GOLD SPEND
Last year India imported 970 tonnes of gold. It has fallen sharply since July 2013 after a string of restrictions were imposed
Twin Deficits
CURRENT ACCOUNT-DEFICIT ▶ The gap between dollar inflows and outflows
FISCAL DEFICIT ▶ Amount of money the government borrows to fund its expenses
Weak growth & low tax revenues hurt fiscal deficit
Curbing gold imports were vital to reducing CAD
62.36
₹ against $
the rupee closed on Tuesday, down 5 paise over Monday's close
A rate cut can encourage investment and spending, but also fuel inflation
SHOPPING ABROAD
High reliance on imports of electronic items and other goods such as mobile phones also results in dollar outflow
MEASURES
IMPACTS
Import of many non-essentials also pushes up dollar outgo
Every one rupee depreciation against the dollar adds ₹8,000 crore to oil companies costs
The RBI has so far withstood mounting pressure for an interest rate cut to boost growth
Costly borrowing can affect firms' capacity expansion plans and hurt growth prospects
If fuel prices are not raised, govt will have to subsidise oil cos. This will widen the fiscal deficit
RATE CUT
RBI had raised short-term rates to prevent punting on rupee. This has been substantially unwound since Sept
A rate hike, besides taming inflation, makes it costlier for speculators to hammer down the rupee
A government-floated bond can bring in dollars even though it carries the risk of sending out a distress signal to investors
The rupee has regained value in the last two months partly because oil companies were drawing dollars directly from RBI
A weak rupee means that India's importers have to pay more for buying goods from overseas hurting their balance sheet
The government needs to allow oil companies to raise fuel prices to avoid a further rise in fiscal deficit
TRANSPORTATION
RATE INCREASE
The government has allowed PSUs to raise funds through quasi-sovereign bonds and bring in dollars
SOVEREIGN BONDS
The RBI had intervened directly by opening a special window for oil imports. The window was closed on Monday
CURRENCY INTERVENTION
By curbing gold imports, the RBI and the government has managed to rein in CAD during July-Sept
IMPORTS
GRAPHIC: MUKESH SHARMA
RUPEE'S VALUE SINCE MAY
₹ VS $
53.74
May 2, '13
62.36
Dec 03 '13
68.80
Aug 28, '13