



MACRO ECONOMICS

The rupee: what moves it

How to read USD/INR, the forces behind it, and who is affected when it moves

Reference rate as on 31 August 2026; effective exchange rate indices for August 2026

For training and education only. Not investment advice.

An exchange rate is a price: the number of rupees it takes to buy one unit of another currency.

Like any price, it moves with demand and supply. This deck explains what drives both. It does not forecast the rupee.

Reading USD /INR

95.45



The quote

USD/INR 95.4509 means one US dollar cost ₹95.4509. That was the reference rate at 1 pm on 31 August 2026.

Up



A higher number

A dollar costs more rupees. The rupee has weakened against the dollar. The formal word is depreciated.

Down



A lower number

A dollar costs fewer rupees. The rupee has strengthened against the dollar. The formal word is appreciated.

Each currency has its own rate: ₹110.61 for one euro and ₹129.29 for one pound on the same day.

Source: FBIL (Financial Benchmarks India), reference rates as at 1.00 pm on 31 August 2026.

What a move in the rate does

THE SET-UP (ASSUMED)

Assume the dollar moves from ₹90 to ₹96.

An importer has a bill of US\$ 10,000 to pay.

An exporter is due to receive US\$ 10,000.

- 1 The importer paid $10,000 \times 90 = ₹9,00,000$ before. Now it pays $10,000 \times 96 = ₹9,60,000$, which is ₹60,000 more.
- 2 The exporter received ₹9,00,000 before. Now it receives ₹9,60,000, which is ₹60,000 more.
- 3 The dollar costs $96 \div 90 - 1 = 6.67\%$ more in rupees.
- 4 One rupee bought $1 \div 90 = \text{US\$ } 0.011111$. Now it buys $1 \div 96 = \text{US\$ } 0.010417$, which is 6.25% less.

One move, two ways to say it: the dollar is up 6.67%, and the rupee is down 6.25%.

Illustration with assumed figures. Not a forecast.

What moves it: flows of money



Current account

Importers buy dollars. Exporters and remittances bring dollars in. A current account deficit means net demand for dollars. India's was 0.5% of GDP in April-June 2026.



Capital flows

Foreign investors bring dollars in when they buy Indian assets and take dollars out when they sell. Portfolio investors took out a net US\$ 10.3 billion from April to 5 October 2026.



The dollar itself

USD/INR has two sides. When the dollar rises against most currencies, the rupee usually falls against it too, even if nothing has changed in India.

Sources: RBI balance of payments press release, 1 Sep 2026 (April-June 2026); RBI Governor's Statement, 7 Oct 2026 (portfolio flows).

What moves it: gaps and RBI



Interest-rate gap

Money tends to move towards higher interest rates, after allowing for risk. RBI's repo rate is 5.50%. The US Federal Reserve's target range is 3.75% to 4.00%.



Inflation gap

If prices rise faster in India than abroad for many years, the rupee tends to lose value over that time. India's consumer price inflation was 4.82% in August 2026.

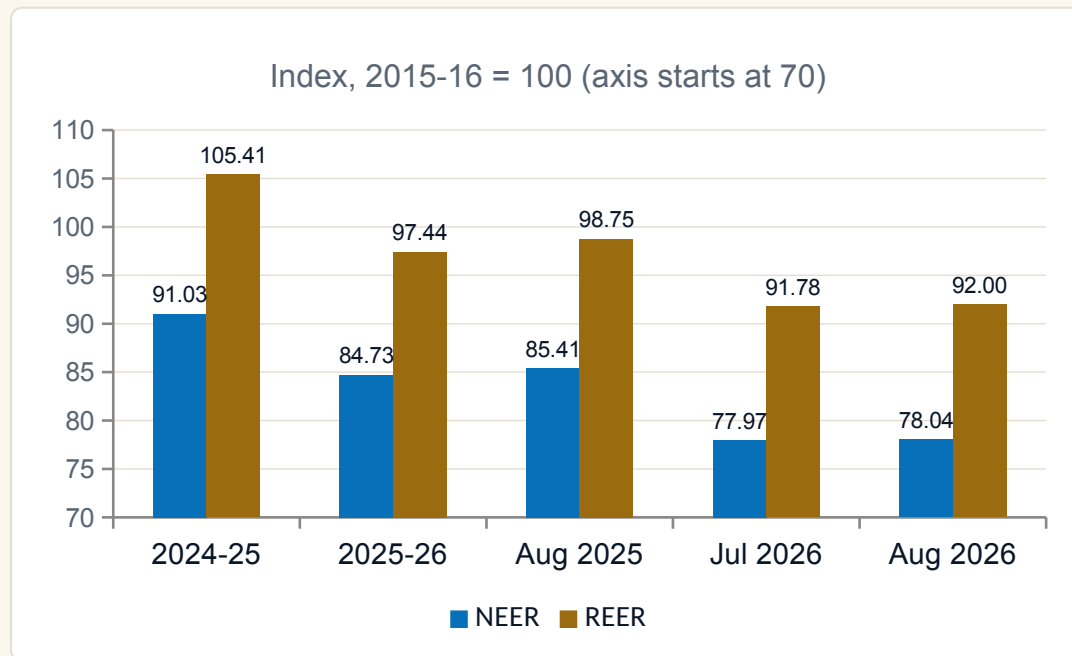


RBI intervention

RBI can sell dollars from its reserves or buy dollars. Its stated aim is orderly adjustment of the exchange rate and curbing excessive volatility.

Sources: RBI Monetary Policy and Governor's Statements, 7 Oct 2026; US Federal Reserve open market operations table; MoSPI CPI release, 14 Sep 2026.

Nominal and real effective rates



Read the chart

- NEER: the rupee's average rate against 40 currencies, weighted by trade.
- REER: the NEER adjusted for the inflation gap between India and those countries.
- A fall in either index means the rupee weakened.
- August 2025 to August 2026: NEER 85.41 to 78.04, down 8.6%. REER 98.75 to 92.00, down 6.8%.

Source: RBI Bulletin, Current Statistics, Table 37 (40-currency basket, trade-weighted), published 25 Sep 2026. Data for 2025-26 onwards are provisional.

When the rupee weakens: who is affected

Who	What changes	Effect
Importers	The same dollar bill takes more rupees. Imported fuel, parts and goods cost more in rupees.	Pay more
Exporters	The same dollar invoice converts into more rupees. Exporters who import their inputs gain less.	Receive more
People paying foreign fees	A fee or living cost fixed in a foreign currency takes more rupees. So does travel abroad.	Pay more
Holders of international funds	The fund's foreign assets convert into more rupees. The assets' own prices can still rise or fall.	Can lift NAV

Other things equal. Hedging and price changes can soften each effect. A stronger rupee reverses them.

Purchasing power parity in one slide

THE IDEA (ASSUMED)

PPP says a basket of goods should cost the same in two countries once prices are converted at the exchange rate.

Assume the basket costs ₹2,400 in India and US\$ 100 in the US.

- 1 PPP rate = $2,400 \div 100 = ₹24$ per dollar. At that rate the basket costs the same in both countries.
- 2 Assume the market rate is ₹96. Then ₹2,400 converts to $2,400 \div 96 =$ US\$ 25, a quarter of the US price.
- 3 Next year prices rise 5% in India and 2% in the US: ₹2,520 and US\$ 102. PPP rate = $2,520 \div 102 = ₹24.71$.
- 4 So PPP points to the higher-inflation currency losing value over time. Market rates can stay far from PPP for years.

PPP is a long-run yardstick for comparing price levels. It does not predict next year's rate.

Illustration with assumed figures. Not a forecast.

Where things stand

Policy rates are as of 7 Oct 2026 (Fed: 17 Sep). Other figures carry their dates.

USD/INR REFERENCE RATE

95.4509

FBIL reference rate, 1 pm, 31 August 2026.

REER, 40 CURRENCIES

92.00

Aug 2026; 2015-16 = 100. Aug 2025: 98.75.

RBI REPO RATE

5.50%

US Federal Reserve range: 3.75% to 4.00%.

RESERVES

\$734.6bn

Forex reserves on 2 October 2026.

We do not forecast the rupee. These are published figures, not a view on where it is heading.

Sources: FBIL reference rates, 31 Aug 2026; RBI Bulletin Table 37, 25 Sep 2026; RBI Monetary Policy Statement, 7 Oct 2026; US Federal Reserve; RBI Weekly Statistical Supplement, 9 Oct 2026.

Four things people get wrong



'A dollar costs about ₹50.'

Examples written years ago often use ₹40 or ₹50. The reference rate on 31 August 2026 was ₹95.45. Check the date of any rate.



'A falling rupee means a failing economy.'

The rate reflects demand and supply for dollars. It also moves when the dollar itself rises against most currencies.



'RBI fixes the rupee's value.'

Demand and supply move it; RBI can buy or sell dollars. Its aim: orderly adjustment, curbing excessive volatility.



'We can tell clients where it is heading.'

We cannot, and we do not. Trustner does not forecast the rupee. Explain the drivers and the latest published figures, and stop there.

Check yourself

Q1

USD/INR moves from 90 to 99 (assumed). By what percentage has the dollar risen against the rupee, and what does a US\$ 2,000 bill now cost in rupees?

Q2

What is the difference between the NEER and the REER?

Q3

A client asks where the rupee will be a year from now. What do we say?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- USD/INR 95.4509, euro 110.6079, pound 129.2873, 100 yen 59.7200: FBIL reference rates, 1.00 pm, 31 Aug 2026, FBIL reference rate archive.
- NEER and REER (40 currencies, trade-weighted, 2015-16 = 100): RBI Bulletin, Current Statistics, Table 37, 25 Sep 2026.
- Repo rate, exchange rate aim, portfolio flows: RBI Monetary Policy Statement and Governor's Statement, 7 Oct 2026.
- US federal funds target range 3.75% to 4.00% from 17 Sep 2026: Federal Reserve Board, open market operations table.
- Current account deficit: RBI balance of payments press releases, 1 Sep 2026, 8 Jun 2026 and 27 Jun 2013.
- Reserves on 2 Oct 2026: RBI Weekly Statistical Supplement, 9 Oct 2026. CPI for August 2026: MoSPI, 14 Sep 2026.

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