

India's Next Big Economic Stress Test. Beyond ₹90 Rupee/USD

Dr. Satya Prakash¹, Ish Kumar Kewat²

¹Assistant Professor, Guru Ghasidas Vishwavidyalaya, Koni, Dist.- Bilaspur (Chhattisgarh) 495009

²Research Scholar, Guru Ghasidas Vishwavidyalaya, Koni, Dist.- Bilaspur (Chhattisgarh) 495009

Abstract

Exchange rate depreciation is an important factor that influences macroeconomic performance in emerging countries. In the Indian context, a rupee falling beyond ₹90 per US dollar is an important threshold with macroeconomic, sectoral, and social implications. This fall can further accelerate the trend of imported inflation, especially in the case of crude oil, fertilizers, and electronic components, thereby widening the current account deficit, increasing fiscal stress, and making monetary policy decisions more complex. The impact on various sectors is not uniform, as some sectors like IT, pharmaceuticals, and engineering exports become more competitive, whereas energy, aviation, logistics, and electronics sectors incur rising costs of inputs and lower profitability. The social and employment effects are also not uniform, as the poor and middle classes are adversely affected by rising living costs, whereas the rich are benefited by exposure to foreign assets.

Keywords: INR depreciation, imported inflation, sectoral impacts, income inequality, macroeconomic policy.

1. Introduction

Exchange rate dynamics significantly influence macroeconomic outcomes in emerging market economies, which are characterized by high trade openness and exposure to global financial conditions. The rupee has depreciated persistently over the long term against the US dollar in India, reflecting structural current account pressures, inflation differentials, volatile capital flows, and periodic shifts in global monetary policy. While the gradual depreciation can help improve external competitiveness, sharp or sustained declines could heighten the macroeconomic vulnerabilities through higher imported inflation, widening balance sheet mismatches, and increasing external debt servicing costs.

It could be a psychological and economic turning point if the INR moves beyond the ₹90 per US dollar. Round-number exchange rates are familiar focal markers that concentrate market sentiment, speculative positioning, and policy expectations. The extent of depreciation at this level will also heighten cost-push inflation through higher prices of vital imports like energy, fertilizers, and intermediary goods, apart from influencing the pricing strategy and profit margins of export-oriented firms. Therefore, beyond the ₹90/USD level may be regime-relevant with broader macroeconomic importance.

The Indian context presents an equally fascinating example, and despite major work that has been undertaken on exchange rate pass-through, external sustainability, and monetary policy reactions, there has been scant attention given to the impact of major exchange rate changes on the levels of the sector and social groups in India. The shock impact will hit various industries unevenly, and while the cost core

involves increased costs due to imports, exports will experience gains due to competitiveness. Also, employment outcomes will vary (RBI, 2022; World Bank, 2023). This study will fill that gap and will specifically focus on the impact of INR depreciation beyond the level of ₹90/USD.

2. Conceptual and Analytical Background

A depreciation of the exchange rate influences macroeconomic outcomes through several channels that traverse the real as well as the nominal economy. In standard models of macroeconomic interlinkages for an open economy, the impact of an exchange rate change depends on certain structural characteristics, which include trade patterns, financial integration, and exchange rate pass-through (Obstfeld & Rogoff, 1996; Khundrakpam, 2007). Depreciation of the exchange rate changes relative prices and therefore affects macroeconomic stability.

A major transmission channel is through imports. Depreciation will enhance the price of consumption, and intermediate and capital goods in the domestic currency, thereby pressuring the cost of production and domestic prices to move upwards. This is more pertinent to the Indian economy since imports account for approximately 22-25 percent of the GDP, and major sectors like energy, fertilizer, and electronics have a high import dependence (RBI). There have been studies indicating that the exchange rate pass-through in the Indian economy is less but far from negligible, with higher values in fuels and manufactured products (Khundrakpam, 2007; Tiwari and Acharya, 2016).

Depreciation works through the export sector by enhancing price competitiveness. While reduced foreign exchange prices might increase exports and profits, this can be limited by global demands as well as the high import content of manufacturing exports (IMF, 2023a). In the financial sector, the exchange rate influences capital flow dynamics due to differences in returns and risk perceptions. Past instances of large depreciations are observed to be accompanied by outflows of portfolio investments and high levels of financial variability (RBI, 2022a).

Given its trade policy, use of imported intermediates, and exposure to fluctuations in capital flows, the depreciated currency results in asymmetric effects on different segments of society. This highlights the need for research that goes beyond simple aggregate macroeconomic variables (World Bank, 2023).

3. Research Design

An overall plan or framework that guides a study is called a plan of study. It includes a description of how data will be collected, measured, and analysed systematically and reliably to answer the research question(s).

3.1 Research Objectives:

1. To examine the macroeconomic impact of the Indian Rupee's depreciation beyond ₹90/USD, with special reference to inflation and the external sector.
2. To study the sectoral impact of currency depreciation on various key sectors in India.
3. To assess the socio-economic impact of rupee depreciation on various income groups in society.

3.2 Research Methodology

This paper adopts a descriptive-analytical mode of analysis, where the descriptive aspect will examine the trends of the Indian Rupee, among other macroeconomic indicators, while the analytical aspect evaluates the transmission channels of the depreciated Indian Rupee among the different sectors.

This research is based on the secondary data obtained from the Reserve Bank of India (RBI), International Monetary Fund (IMF), World Bank, and Government of India publications, which include "Handbook of

Statistics on the Indian Economy," "State of Economy," IMF country reports, World Bank databases, and "Economic Survey."

This approach is concerned with sectoral, as well as income group, impact analyses, covering the differential effects in main sectors identified depending on the level of imports and export vulnerability, and, through the altered level of prices, real incomes, and employment, primarily focusing on the low-income groups.

4. Macroeconomic Implications of ₹90/USD

An Indian Rupee falling beyond ₹90 against each US dollar would have macroeconomic repercussions in terms of inflation, the balance of payment, as well as overall macroeconomic management. Considering that the Indian economy depends on imports to a significant degree, a fall in the rupee would add to the pressure on the economy.

4.1 Inflation

Rupee depreciation's most visible impact is on imported inflation. This is especially true since India imports over 85 percent of its crude oil. This makes the country's energy sector highly receptive to changes in the exchange rate value (RBI, various years). Rupee depreciation pushes the cost of oil imports, fertilizers, and electronics, which mostly have a denominated value in dollars. Imports of fuel, fertilizers, and electronics combined form a major chunk of India's total imports, making it a major contributor to cost-push inflation.

These are not limited to tradable goods but extend into food and services inflation via pass-through. Increases in the prices of fertilizers and fuel will enhance the costs of agriculture inputs, pushing inflation in food prices, while any rise due to transportation costs will push inflation in the services sector. Although the value of exchange rate pass-through in India is known to be incomplete, any sustained depreciation will result in a push towards inflation (RBI, 2022a; IMF, 2023a).

4.2 External Sector

The depreciation of the rupee has implications for the external side, starting with the balance of trade effects. While the depreciation of the rupee would help the country's exports, the fact is that imports, especially of oil products, remain high. On the empirical side, the current deficit in the current account deficit (CAD) has been in the range of 1.5 percent to 3 percent of GDP in recent years, rising when the level of oil prices is high, along with the depreciation of the rupee (IMF, 2023a; World Bank, 2024).

4.3 Fiscal and Monetary Stress

A depreciation to the range beyond ₹90/USD further heightens fiscal difficulties, particularly by increasing spending on fuel and fertilizer subsidies in case prices are only partially shielded. This may put additional pressure on fiscal positions and limit room in the budget to spend on capital and social expenditures (RBI, 2022). Turning to the realm of monetary policy, a depreciation introduces a trade-off in managing inflation and supporting growth. A tighter monetary policy stance may be necessary to keep inflation and exchange rate Volatility in check (IMF, 2023a).

5. Sectoral Impact Analysis

Exchange rate depreciation does not affect sectors uniformly due to differences in import dependence, export exposure, and foreign-currency liabilities.

5.1 Beneficiary Sectors

Export-oriented industries usually benefit from a weak rupee. IT and software services would gain as their

dollar-denominated revenues will translate into more rupee earnings, while NASSCOM says it could result in higher rupee earnings. Pharmaceuticals also benefit from strong export demand and relatively lower import intensity in select segments. Export-oriented manufacturing, like textiles, chemicals, and engineering goods, improves competitiveness abroad, which could partly offset higher domestic costs (IMF, 2023a; NASSCOM, 2023).

5.2 Negatively Impacted Industries

Import-oriented industries suffer from increasing costs. Energy and oil marketing companies have to bear the pressure of rising crude import bills. Aviation and logistics face higher fuel costs, which, in turn, are often transferred to the end-consumer. Companies falling under the consumer electronics and capital goods categories bear cost pressures due to their dependence on imported components, hence constraining profitability and investments (RBI, 2022a).

5.3 Financial Markets

A depreciation of currency makes financial conditions more volatile. Companies exposed to foreign currency debt experience tougher loan repayment conditions, leading to wider credit risks (IMF, 2023a). The market conditions vary, with export-dependent stock levels normally improving but import-dependent stock levels depreciating, resulting in wider volatility for emerging nations such as India.

6. Socio-Economic Impact Across Income Groups

A depreciation of the exchange rate has an asymmetric effect on households, depending on income, consumption behavior, and access to tradable goods and services. In India, with extremely uneven vulnerability, a weaker rupee can have both short-term effects, like inflation, and long-term effects, such as poverty, savings, or inequality.

6.1 Lower-In

These effects are more prominently observed in lower-income families. These people's purchase baskets will be comprised mostly of essential goods like food, fuel, and fertilizer, which will be more expensive due to the fall in the value of the rupee. Additionally, agricultural or rural families will be further impacted due to increased imports from foreign countries because "fertilizers, diesel, and agricultural machinery will be more expensive because they will be bought using a more expensive rupee" (World Bank, 2023a). Informal sector labour in urban areas also tends to be vulnerable due to a lack of job and wage flexibility and due to inaccessibility to credit facilities and social protection.

6.2 Middle-In

Middle-class families have both negative and positive impacts. Although the price of imported products, education, healthcare, and traveling will go up, the income of families that work in export-oriented sectors like IT, pharma, and manufacturing might see a boost. However, it is observed that, despite increased incomes, the saving and spending capacity of most families is adversely affected by the rise in cost-of-living factors. (RBI, 2022a)

6.3 Upper-In

The upper classes are rather less vulnerable to inflation in the domestic economy and can reap because of a fall in the value of rupees. The foreign asset holders or foreign investors or those involved in exports are able to earn extra rupees because of enhancements in rupee returns on earnings in US dollars. (IMF, 2023a).

6.4 Inequality

On balance, the depreciation effect is generally regressive in distribution. Middle- and low-income house-

holds face a heavier burden with respect to essential spending, while higher-income households can enjoy greater economic gain. A weaker currency can further exacerbate disparities in income and wealth, making it imperative to support targeted subsidies, improved social protection, and progressive taxation to counter negative socio-economic effects (World Bank, 2023a; IMF, 2023a).

7. Implications for Employment and Growth

A depreciation can have complex effects within employment and economic growth, bringing about possibilities and pressures related to employment opportunities and employment conditions in various sectors and countries with differing degrees of exports, imports, and formal or informal employment.

7.1 Job Creation in Export Sectors

This helps to improve the competitiveness of IT, Pharma, Textile, and Engineering exports. The increased demand in the foreign market can result in spurring production, and this will result in job creation, mainly in the skilled category. The IT and software exports can result in increased recruitment based on improved dollar income, improving profits. The manufacturers will experience increased orders, thus helping to mitigate the slowdown in the economy (IMF, 2023a; NASSCOM, 2023).

7.2.1 Informal Sector Wage

On the contrary, the vulnerable group in this sector is people who work in the informal sector. Cost-push inflation resulting from higher import prices reduces real wages in transportation, construction, and small-scale industries. Being without contract jobs, social security benefits, and indexation of salaries, they are more vulnerable to price changes resulting from changes in currency value (RBI, 2022a; World Bank, 2023a).

7.3 Skill-based employment effect

Depreciation can provide an impetus to skill-biased sectoral changes in the labour market. Export-oriented industries like IT, biotech, and engineering require more skilled labour, and the demand for unskilled labour could decrease in import-oriented sectors owing to increased input prices. Thus, INR depreciation leads to employment opportunities in the tradable goods sectors while worsening conditions for the informal and low-skilled workforce. It is important to manage the economy and the labour market in a manner that addresses stability and protection.

8. Policy Implications

"The macroeconomic, sectoral, and societal implications of an unexpected depreciation beyond ₹90/USD emphasize the importance of policy synchronization for managing stability, growth, and equity."

8.1 Exchange Rate Management

Volatility that can be managed is necessary to keep the financial system less stressed. A proper intervention in the forex market, along with sound management of the country's reserves, can effectively stabilize volatile movements, according to the Reserve Bank of India. Effective communication, or forward guidance, is necessary to deepen market expectations, which works effectively, especially in the wake of volatile flows, according to the International Monetary Fund (RBI, 2022a; IMF, 2023a).

8.2 Inflation Control and Social Protection

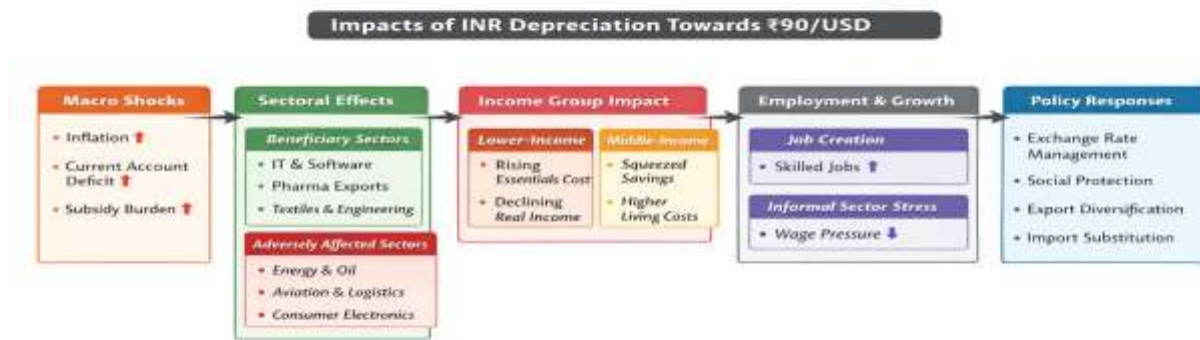
The negatively impacted groups under imported inflation are those belonging to the lower and middle classes. The policy prescription includes monetary policy constraint, optimal fuel and food subsidies, and improved social protection measures. The strengthening of direct transfer benefits (DBT) and safety nets

could soften the negative impact on real incomes and reduce the regressive effect of depreciation (World Bank, 2023a).

8.3 Export Diversification and Import Substitution

Diversifying exports to high-quality products that are less dependent on imported intermediates can make a country less vulnerable to exchange rate fluctuations. The growth of exports in pharmaceuticals, IT-enabled services, and engineering, as well as policies aimed at producing energy-intensive and electronic inputs domestically, can make a country less vulnerable to the external environment. Skill, technology, and supply chain improvements are complementary objectives (IMF, 2023a; World Bank, 2024).

Figure 1. Conceptual framework of INR depreciation impacts



Source- conceptualised by the author

Table 1: Consolidated Impacts of INR Depreciation Towards ₹90/USD

Dimension	Key Effects	Sectoral/Income Group Impact	Policy Response	References
Macro (Inflation & External Sector)	Imported inflation (oil, fertilizers, electronics); pass-through to food & services; potential widening of CAD	All households affected; higher costs for energy-intensive sectors	Exchange rate management via RBI interventions; monetary policy tightening	(RBI, 2022a; IMF, 2023a; World Bank, 2023a)
Fiscal & Monetary Stress	Increased subsidy burden; trade-off between growth & inflation	Government expenditure rises; indirect impact on low- & middle-income households	Targeted social protection; direct benefit transfers; careful fiscal planning	(RBI, 2022b; IMF, 2023a)
Beneficiary Sectors	Gains from increased export competitiveness	IT, software services, pharmaceuticals,	Promote export diversification,	(NASSCOM, 2023; IMF, 2023a)

		export-oriented manufacturing	skill development, and tech adoption	
Adversely Affected Sectors	Higher input costs, reduced profitability	Energy & oil marketing, aviation, logistics, consumer electronics, capital goods	Support domestic production (import substitution); sector-specific subsidies	(RBI, 2022a; IMF, 2023a)
Income Groups	Rising cost of essentials; regressive impact; wealth gains for upper-income households	Lower-income: higher vulnerability; Middle-income: squeezed consumption; Upper-income: gains from foreign assets & exports	Strengthen social protection; targeted subsidies; inflation control	(World Bank, 2023a; IMF, 2023a; RBI, 2022a)
Employment & Growth	Job creation in export sectors, wage stress in informal sectors, and skill-biased employment	Skilled labour gains; low-skilled workers face a real wage decline	Labour-market policies; skill development programs; support for the informal sector	(IMF, 2023a; NASSCOM, 2023; World Bank, 2023a)
Policy Implications	Exchange rate stability, inflation control, social protection, and export promotion	Across sectors and households	Exchange rate management, subsidies, DBT, export diversification, import substitution	(RBI, 2022a; IMF, 2023a; World Bank, 2023a, 2024)

Source- consolidated by author

9. Conclusion

This is reflected in the paper, emphasizing the broad ramifications that could ensue due to the depreciation of the Indian Rupee beyond ₹90 per US dollar. This translates to broad macroeconomic forces, including pass-through linked to global and local prices, balance-of-payment crises, and monetary-fiscal conflicts. The impacted economic groups range from benefiting to harmed, including, respectively, export-intensive sectors like IT, Pharma, and manufacturing, against which lie energy, aviation, and other imports. The socio-economic shifts entail harm to better-off groups regarding cost pass-through and inflation, with gains to the richer classes due to international asset links. There is uneven job market performance, preferred to struggling, including skilled workers in the tradable sector.

Therefore, the ₹90/USD level holds opportunities and threats at the same time. Inclusive policy approaches that include the management of exchange rates, regulation of inflation, provision of social protection,

diversification of exports, and import substitution would be important in exploring opportunities while managing threats.

References

1. Khundrakpam, J. K. (2007). *Exchange rate pass-through in India* (BIS Working Paper No. 225). Bank for International Settlements.
2. Obstfeld, M., & Rogoff, K. (1996). *Foundations of international macroeconomics*. MIT Press.
3. Tiwari, A., & Acharya, R. H. (2016). Exchange rate pass-through and inflation dynamics in India. *Journal of Finance and Economics*.
4. Government of India. (2023). *Economic Survey 2022–23*. Ministry of Finance.
5. International Monetary Fund (IMF). (2023a). *India: Staff report for the 2023 Article IV consultation* (IMF Country Report No. 23/458).
6. International Monetary Fund (IMF). (2023b). *World Economic Outlook 2023*.
7. International Monetary Fund (IMF). (2025). *India: Staff report for the 2025 Article IV consultation* (IMF Country Report No. 25/55).
8. National Association of Software and Services Companies (NASSCOM). (2023). *Indian IT-BPM industry performance report*.
9. Reserve Bank of India (RBI). (2022a). *State of the economy*. RBI Bulletin.
10. Reserve Bank of India (RBI). (2022b). *Annual report 2021–22*.
11. Reserve Bank of India (RBI). (Various years). *Handbook of statistics on the Indian economy*.
12. World Bank. (2023a). *Poverty and equity brief: India*.
13. World Bank. (2023b). *World Development Indicators*.
14. World Bank. (2024). *Global economic prospects: January 2024*.