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It will take years for India to recover from rupee fall

RBI's desperate measures hampering market sentiment.

RAJIT SENGUPTA New Delhi | 24th Aug 2013

The economy will take at least two to three years to bounce back from the ongoing rupee devaluation, as the government will take at least a couple of months to first arrest the free fall and a few years to bring back the rupee value.

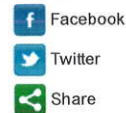
"The current situation has happened due poor fundamentals and perception. During the boom period, the government did very little policy changes for the market which led to policy paralysis. Also, most of the initiatives such as the introduction of FDI in retail did not materialise. I believe it will take at least two years before foreign investments start coming in to the country," said Ashwajit Singh, chairman & MD of IPE Global.

Market experts also said that instead of trying to immediately arrest the downfall through desperate measures, which is hampering the market sentiment, the government should look at a more realistic six-month plan to arrest the downfall and then chalk out a long term plan to improve investor sentiment.

"As the US economy gets strengthened further, the dollar will grow stronger against the rupee. Policymakers should try to pace this fall evenly as opposed to the present situation of a free fall. This will give the market players time to get ready and give the policymakers a breathing space to make effective long-term plans," said Arvind Narayanan, ED and head, sales, treasury and markets at DBS India bank.

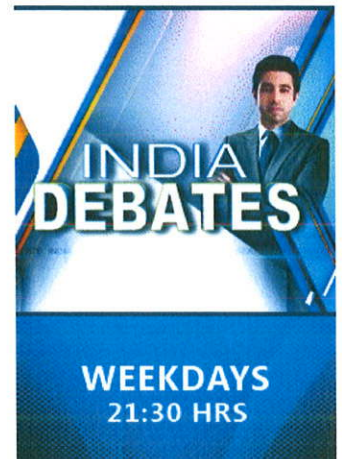
The MD of Amplus Consulting Praveen Nigam said that the market fell by over 700 points when the government last recently announced efforts to address rupee fall. "Instead on increasing duties to curtail imports, which will in turn increase black marketing as the demand is inelastic, the government should come out with plans to increase the inflow of dollar in the country," he said. Nigam added that if the government did not take some major corrective steps to increase the inflow of dollars in the next one month, the rupee will cross the Rs 70 mark.

Vivek Gupta, who is the director research at CapitalVia Global Research Limited, said that while all emerging markets are feeling the pinch due to a strengthening US economy, India is the worst affected due to the political uncertainty and scams.



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