

The tumbling rupee could be a big problem for Narendra Modi

India's prime minister knows the risks of a weak currency

4月 09, 2026 06:20 上午



THE INDIAN rupee has not had a good war. It was worth 90.95 to the dollar when America and Israel started bombing Iran on February 28th. By the end of March it had fallen by 4%, to 94.65. That came on top of its 5% decline last year, when Donald Trump's [punitive tariffs](#) and a weak domestic market helped make it Asia's worst-performing currency. Each week last month, and frequently last year, newspapers ran stories with the now-familiar words "record low".

That forced the central bank to intervene aggressively with rules that make it harder for traders to short the currency, leaving banks with big losses and the rupee hovering around a less painful level of around 92.5. The pay-off is not just economic but political.

Indians are unusually attentive to the value of their currency. Such vigilance is not uncommon in economically maladministered countries like Turkey. Even advanced economies' currencies can take on a political hue, as in post-Brexit Britain. But India has stable governance, modest inflation, ample foreign reserves and consistently high growth. The rupee's weakness is caused by many factors, only some of which have to do with domestic policy. Yet Indians tend to hold whoever is in power responsible for a weak currency. Why?

One reason is that [Narendra Modi](#) has trained them to think that way. The rupee lost nearly a fifth of its value in 2013, when the country's high inflation and wide current-account deficit left it particularly vulnerable to policy changes in America that spooked investors worldwide. Mr Modi, then a state leader with his eye on the top job, delivered fiery speeches denouncing the Congress Party-led government of the day for the collapse. "This is not just for economic reasons," he thundered in one outing, but "because of the corrupt politics of Delhi."

Mr Modi is an astute tactician who knew exactly what he was doing. Congress was deeply unpopular and beset by allegations of corruption. And India has fetishised the rupee ever since it took control of its own destiny at independence. A strong currency has long been seen as "a matter of international prestige", writes Srijan Shukla of the Observer Research Foundation, a think-tank. Mr Modi's insight was to see how he could gain by politicising the fixation. Opposition politicians relish the chance to give him a taste of his own medicine.

The event that first cemented in Indians' minds the connection between the rupee and the country's international standing came in 1991. When India's leaders opened up its economy that year they did so under duress. A balance-of-payments crisis, worsened by war in the Middle East and surging oil prices, left just enough foreign exchange to cover two weeks of imports. The government pledged nearly 50 tonnes of gold to help tide itself over. The national equivalent of pawning the family jewels, it was seen domestically as a collective loss of face. The currency was then devalued by 9% and, two days later, another 11%, heaping insult upon insult.

The reforms that followed the crisis of 1991 set India on the path to prosperity. Today it is a robust, resilient economy. The risk of another balance-of-payments crisis is low: India has some of the largest foreign reserves in the world, enough to cover nearly a year of imports. Yet the trauma of 1991 has scarred the national psyche, passing from one generation to the next. A sharply falling currency is, for many, inseparable from the shame of that period.

The current bout of depreciation will have real-world effects, affecting the prices of everything from energy to consumer goods to the government's subsidy bills (though it will also make India's exports cheaper). High oil prices and a weak rupee are a double whammy, bad news economically but survivable politically. India held retail fuel prices steady over the past six weeks even as they soared in other poor countries. The ceasefire announced this week will give it some fiscal breathing room.

This expensive balancing act can be achieved in the short term. But lingering high energy prices, coupled with the structural weakness of India's currency, will continue to put pressure on the rupee. A resumption of hostilities in the Middle East or another external shock could even see it flirt with the milestone level of 100. That should unnerve the government. Mr Modi understands better than anyone the passions aroused by a falling rupee. Fair or not, Indians would see a score of 100 as an indictment of the prime minister. ■