



UPSC &amp; STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

# India's Rupee Pressure — How 2026 Differs From 2013, and Why That Matters

BUSINESS STANDARD

2 May 2026 · GS3 · GS2

CURATED &amp; WRITTEN BY

**Bharat Choudhary**

UPSC Educator &amp; Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

ALSO FROM THE CREATOR

**BharatNotes**Free UPSC notes, MCQs, PYQ analysis. **100% Free.**[bharatnotes.com](http://bharatnotes.com) →

ADVERTISE

**Advertise with Ujiyari**

Reach thousands of UPSC aspirants daily.

[epicbharat@gmail.com](mailto:epicbharat@gmail.com)

# India's Rupee Pressure — How 2026 Differs From 2013, and Why That Matters

Business Standard

2 May 2026

GS3

GS2

BS Business Standard

3 tags

## THE EDITORIAL ARGUMENT

The rupee at **94.50/USD** has revived a comparison many Indians remember vividly: the 2013 “Fragile Five” crisis when the rupee fell from 53 to 68 against the dollar in a single summer. The comparison is intuitively compelling. Both periods feature foreign portfolio investor outflows, US Federal Reserve uncertainty, and high-priced crude oil. Both involve emerging market currencies under pressure simultaneously. Both have produced political pressure on the RBI.

But the comparison can mislead more than it illuminates. The 2026 dynamics share surface features with 2013 but differ in fundamental ways that matter for policy and forecasting.

## WHAT'S GENUINELY SIMILAR

Three structural similarities deserve recognition:

- 1. US monetary policy uncertainty driving capital flows.** In 2013, Bernanke’s “tapering” announcement triggered emerging market outflows. In 2026, the US Federal Reserve faces uncertainty about how to respond to tariff-driven inflation pressure — should rates rise, fall, or hold? This monetary policy uncertainty affects emerging market capital flows similarly to 2013, even if the specific policy stance differs.
- 2. Brent crude near \$100+/barrel.** In mid-2013, Brent was approximately \$104/barrel. In April-May 2026, Brent is near \$106/barrel. India’s 85% oil import dependence makes this a similar structural pressure point.
- 3. Synchronized emerging market pressure.** Indonesia, Brazil, South Africa, and Turkey are again facing currency depreciation. The 2013 “Fragile Five” framing captured a real synchronization that exists again.

## WHAT'S FUNDAMENTALLY DIFFERENT

The 2013 comparison overlooks four crucial differences:

**1. Forex reserves.** India's forex reserves stood at approximately \$275 billion in September 2013 — enough for 7-8 months of imports. As of April 2026, reserves are **\$682 billion** — covering approximately 11-12 months of imports. The reserve buffer is more than double, giving the RBI substantially more capacity to manage rupee volatility through measured intervention rather than emergency measures.

**2. Current Account Deficit.** In FY13, India's CAD was 4.7% of GDP — a level that was widely viewed as unsustainable. In FY26 estimates, the CAD is approximately 1.5-2% — a sustainable range. The vulnerability is qualitatively different.

**3. Inflation regime.** In mid-2013, CPI inflation was 9-10% — necessitating aggressive RBI rate hikes. In 2026, CPI inflation is approximately 4-5% — within the RBI's tolerance band of 2-6%. This gives the RBI room to hold rates neutral (currently 5.25%) without forcing a rate-hike cycle.

**4. The nature of capital outflows.** 2013 outflows were broad-based EM panic. 2026 outflows are more selective — driven by JP Morgan's downgrade of Indian equities (April 2026) related to specific concerns about valuations and US tariff risks. The capital flow stress is more manageable than 2013's systemic exit.

## WHAT'S GENUINELY NEW IN 2026

Some 2026 risk factors have no 2013 precedent:

**1. Reciprocal tariffs from the US.** The US imposed 26% reciprocal tariffs on most Indian goods in April 2025 (subsequently 90-day paused). This creates a structural risk to India's services and manufacturing exports that is independent of monetary policy dynamics. 2013 had no equivalent of weaponised tariff uncertainty.

**2. Middle East energy shock.** US-Iran tensions, Strait of Hormuz disruptions, and renewed conflict have driven Brent above \$106/barrel. The intensity and duration of this shock is unique to the 2024-2026 period.

**3. Supply chain inflation persistence.** Post-COVID supply chain disruptions remain partially unresolved. This creates structural inflation pressure independent of the demand-pull dynamics that drove 2013 inflation.

**4. China-Plus-One reversal risk.** From 2013-2024, India was a beneficiary of "China-Plus-One" diversification. Tariff uncertainty in 2025-2026 may reverse some of this advantage. India's manufacturing export competitiveness now faces headwinds that 2013 did not have.

## IMPLICATIONS FOR POLICY

Given this diagnostic, the appropriate RBI policy in 2026 differs from 2013:

**RBI did right.** Holding the repo rate at 5.25% in April 2026 with a neutral stance is appropriate given inflation comfort. Raising rates aggressively (as in 2013-14) would damage growth without significantly improving rupee dynamics, given the structural drivers.

**Forex intervention should remain calibrated.** India’s \$682 billion reserve buffer permits judicious intervention to smooth rupee volatility without exhausting capacity. The 2013 lesson — defending a specific exchange rate level depleted reserves and ultimately failed — should be remembered.

**Structural reforms matter more than monetary firepower.** India’s medium-term rupee resilience depends on:

- Reducing oil import dependence through accelerated renewables and EV adoption
- Diversifying export markets away from US-dependent sectors
- Strengthening the rupee invoicing of trade (already initiated with several countries)
- Resolving inter-state implementation of GST and labour code reforms to support manufacturing competitiveness

**Coordination with global partners.** India’s first SPR release (5 million barrels in November 2022, coordinated with US-Japan-UK) established a template. If Brent crosses \$120/barrel sustainably, similar coordination should be considered.

## WHY THE DISTINCTION MATTERS

If 2026 is treated as 2013-redux, the policy response will be over-aggressive — emergency rate hikes, capital control re-imposition, panic interventions. These would damage growth without solving the rupee problem.

If 2026 is correctly understood as a different macroeconomic environment, the policy response can be measured — leveraging stronger fundamentals to manage temporary stresses while addressing the new structural risks (tariff uncertainty, supply chain disruption, Middle East energy).

The RBI’s measured stance suggests the institution understands the distinction. The political pressure to respond more dramatically should be resisted. India’s macroeconomic resilience in 2026 is genuinely stronger than 2013 — and policy should reflect that strength rather than borrow from a different crisis’s playbook.

## UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	CAD; rupee dynamics; RBI forex management; emerging market vulnerability
GS2 — IR	US Fed policy; tariff uncertainty; Middle East energy security
GS3 — Economy	Comparative crisis analysis; macroeconomic fundamentals

**Mains Keywords:** Fragile Five 2013, Bernanke taper, rupee depreciation, \$682 billion forex reserves, Current Account Deficit, inflation targeting, JP Morgan downgrade, US reciprocal tariffs, China-Plus-One, SPR coordinated release

### Prelims Facts Corner

ITEM	FACT
2013 Fragile Five	Brazil, Indonesia, South Africa, India, Turkey
2013 trigger	Bernanke's tapering announcement (May 2013)
2013 rupee fall	53 → 68 (May-Aug 2013)
2013 CAD	4.7% of GDP (FY13)
2013 forex reserves	~\$275 billion
2026 rupee	~94.50/USD
2026 forex reserves	\$682 billion
2026 CAD estimate	1.5-2%
2026 inflation	~4-5% (within 2-6% tolerance band)
RBI repo rate	5.25% (held April 2026)
First SPR coordinated release	Nov 2022; 5 million barrels

#### PRACTICE TODAY'S QUIZ



[Take the 2 May 2026 Quiz →](#)

#### OLDER EDITORIAL →

India's Pre-Monsoon Becomes Bipolar — Heat in the West,...



CURATED &amp; WRITTEN BY

## Bharat Choudhary

UPSC Educator &amp; Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/editorials/2026/05/bs-rupee-fragile-five-2026-vs-2013/>

### ALSO FROM THE CREATOR

## BharatNotes

Free UPSC study platform — subject-wise notes across all 4 GS papers, Prelims MCQs, Mains answer frameworks, PYQ analysis & progress tracking. **100% Free • No Login Required.**

[Start Preparing → bharatnotes.com](http://bharatnotes.com)

### 📌 OPPORTUNITY

## Advertise with Ujiyari

Reach **thousands of serious UPSC & State PCS aspirants** daily through our PDFs, website, and social channels.

**Ideal for:** Coaching institutes • EdTech platforms • Book publishers • Exam prep apps

[✉ epicbharat@gmail.com](mailto:epicbharat@gmail.com)

Write to us for rates & media kit

Free UPSC & State PCS Current Affairs · [ujiyari.com](http://ujiyari.com) · [bharatnotes.com](http://bharatnotes.com)