

Indian Rupee Hits New Record Low Amid U.S. Tariffs and Geopolitical Pressures



The Indian Rupee concluded Thursday's trading session at an all-time closing low of 87.60 against the U.S. Dollar. The currency's depreciation, a drop of 0.2 percent from its previous close, marks its weakest performance on record and its worst monthly fall since September 2022. The sharp decline is primarily attributed to a late-night announcement by U.S. President Donald Trump, who declared that the U.S. would impose a 25 percent tariff on Indian exports beginning August 1. Additionally, the U.S. President also announced unspecified penalties against India for its continued arms and oil purchases from Russia.

This latest dip surpasses the rupee's previous record closing low of 87.58, which was set in February 2025. The depreciation was driven by a combination of factors, including dollar buying by importers and foreign portfolio investors, who are responding to the new trade uncertainties. While the rupee's intraday decline was reportedly curbed by intervention from the Reserve Bank of India (RBI) at the 87.75 level, analysts are anticipating continued pressure on the currency in the near term.

Economists and market analysts have pointed to the new tariffs as a key driver of the rupee's weakness. The 25% tariff on Indian exports is seen as a disadvantage for India compared to other Asian nations, such as Vietnam and Indonesia, which face lower tariffs. Sameer Narang, Head of Economics Research at ICICI Bank, noted that the currency is reacting to the relatively higher tariffs imposed on India. "This month alone, the rupee has depreciated by around 2.3 percent, and that's been a key driving force, along with the appreciation of the dollar index," he said.

The pressure on the rupee is not only stemming from new tariffs. Broader economic concerns, including a strengthening U.S. dollar and the persistent outflow of foreign portfolio investments from Indian markets, are also contributing factors. A poll conducted by Business Standard indicated that a majority of respondents expect the rupee to remain volatile, with a potential to weaken further toward the 88 per dollar mark. The market will be closely watching the developments in U.S.-India trade relations and the actions of the RBI, as they will be crucial in determining the future trajectory of the currency.