

Rupee@100: Price of dollar overdependence

Dollar dominance that is so deeply embedded into international trade and finance that countries like India remain dependent on it while attempting to reduce that very dependence



Rupee slips past 95 against US dollar amid crude spike

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When the rupee crossed ₹80 to the dollar in 2022, it was seen as an extraordinary moment. As it now edges closer to ₹100, the explanations remain familiar still, suggesting rising oil prices, capital outflows, U.S. interest rate hikes, and geopolitical tension as potential causes. These are the immediate triggers behind the rupee's weakness. But the deeper issue lies elsewhere. The rupee's decline is a reflection of the extraordinary global dominance of the US dollar. A dominance that is so deeply embedded into international trade and finance that countries like India remain dependent on it while attempting to reduce that very dependence. The United States makes up approximately 15% of total global commodity trade but close to 54% of invoices for global trade are denominated in USD. Approximately 88% of all foreign exchange trades worldwide use USD at one point or another in those trades

and close to 58% of the world's total foreign exchange reserves are still held in USD investments.

Even when India trades with countries outside the United States, transactions often still pass through dollar settlement systems. The long-term pattern of the rupee illustrates just how significant the effects of the US dollar are on the rupee. Early 2011, the rupee was traded for approximately ₹44 to \$1. By the time of the taper tantrum in early 2013, it had traded near 60 to \$1. By the time of the pandemic, the rupee had traded in excess of ₹70 to \$1. By the year 2022, as a result of the Ukraine war, the rupee traded between ₹80 and ₹85 to \$1. Leading up to 2026, increased discussion in the offshore market about the rupee trading towards ₹100 to \$1 has become more frequent. This drop occurred despite the fact that India has close to \$700 billion worth of foreign exchange reserves - which is more than double what they had ten years ago.

Growth that deepens dollar dependence

In FY 25-26, India imported more than \$100 billion in electronics. Second only to crude oil as an import. Semiconductor imports are expected to exceed \$100 billion by 2030. We remain very dependent on imports to meet our needs for telecommunications infrastructure, industrial equipment/machinery, solar modules, lithium-ion batteries and advanced manufacturing inputs. This leads to a paradox that is seldomly recognized in conventional debates surrounding the rupee: as India grows, its demand for dollars structurally increases. This also calls into question one of the oldest tenets of macroeconomic theory: that a depreciating currency will automatically result in an increase in exports. A weaker rupee should theoretically result in lower prices for Indian goods outside the country, therefore increasing their competitiveness. However, this assumption appears to have been created at a time when globalization was at a much earlier stage.

The rupee depreciated against the dollar by over 50% from 2011 to 2026; however, India did not have a transformation of its exports like those of East Asian nations (China, South Korea, Vietnam). India continues to have narrow manufacturing exports and a continued structural merchandise trade deficit. In effect, depreciation increasingly transmits imported inflation faster than it generates competitiveness gains. This inflationary transmission

is especially significant in India because fuel prices permeate almost every sector of the economy.

However, currencies are influenced by more than trade. According to the Bank for International Settlements (BIS), non-U.S. borrowers outside the United States have a total of more than \$13 trillion in dollar-denominated debt, creating a "global dollar cycle", something that economists are increasingly talking about. When the U.S. Federal Reserve raises interest rates, money across the world starts flowing back to the U.S. in search of safer returns. As a result, currencies in emerging economies weaken and borrowing becomes more expensive globally. Because of this, we can say that the trajectory of the rupee is influenced as much by Washington as it is by Mumbai. That irony captures the asymmetry of the present international monetary order.

Can India escape the dollar system?

There have been several attempts aimed at reducing this dependence. India has since expanded rupee-based trade with countries such as Russia and the UAE, and the push for "de-dollarisation" gained momentum after Western sanctions on Russia revealed the immense geopolitical power embedded within global payment systems.

Yet the dollar's dominance endures because no other currency offers the same depth, trust, and global reach. A ₹100 exchange rate, therefore, would reflect a weaker rupee, and also a world where even fast-growing economies remain tied to the currency of another power. India, as a consequence, must reduce its dependence on imported energy, deepen its domestic manufacturing, strengthen its technological self-reliance, and widen its non-dollar trade networks for no nation can truly claim economic sovereignty while moving synonymously to the rhythm of another empire's currency.

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