

Stronger rupee to add to your holiday budget

Gaining rupee against US dollar to make international holidays cheaper

Shaikh Zoab Saleem
zoab.s@livemint.com

It is that time of the year when the searing heat will soon start bothering you. With the mercury level rising and school vacations round the corner, a lot of you may be planning to take a break from the hustle-bustle of your daily routine. If you are planning to go abroad this time, the appreciating rupee may add those extra bucks to your holiday budget.

Other than visas and foreign bookings, Indians travelling abroad have to deal with the uncertainty on the exchange rate of the Indian rupee vis-a-vis popular currencies like the US dollar and the Euro. But there is good news this year as experts predict the rupee will remain strong in the first quarter of FY20. Although you still need to shell out more rupees (₹69) for a US dollar than you did last April when around ₹65 could get you a dollar, it is not as bad as the almost ₹75 to a dollar that was needed around September-October.

"We expect the Indian rupee to appreciate and remain strong in the first quarter of FY20," said Pritam Kumar Patnaik, head, commodities, Reliance Commodities Ltd, a brokerage firm. Strong inflow from foreign portfolio investors (FPI), range-bound oil prices with a weak demand outlook, trade deficit numbers below \$10 billion and foreign direct investment (FDI) of \$32 billion have contributed to the rise in the Indian rupee, he added.

Daniel D'Souza, president and country head, leisure, SOTC Travel Services Pvt. Ltd, a travel firm, said whenever the rupee appreciates, there is an increase in demand for foreign holidays from India. "The main reason is that this makes holiday packages cheaper in rupee terms. For a person taking a US tour worth about \$2,500, a ₹3-4 appreciation is a clear gain of ₹8,000-10,000, which is about 5-7% on a ₹2 lakh package," he said.

THE GAINERS

In this case, those who woke up for the party late may gain. If you didn't plan your trip six months ago and are looking to

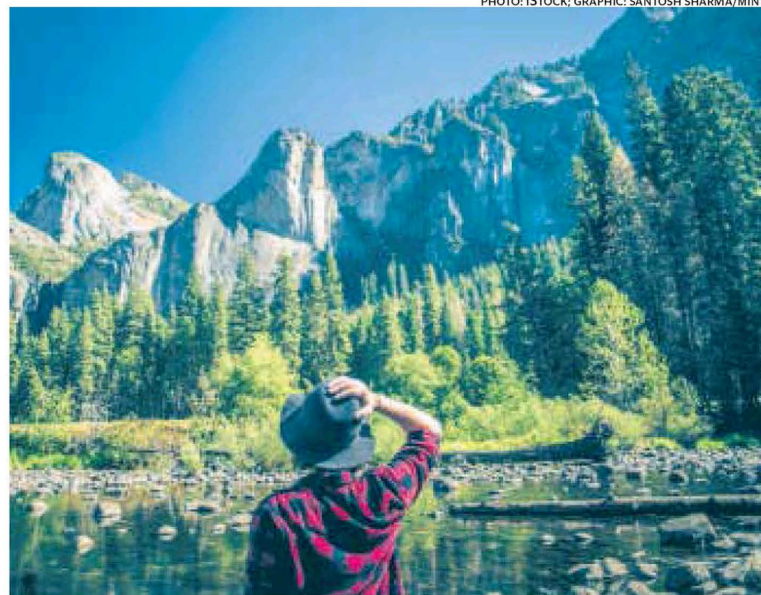
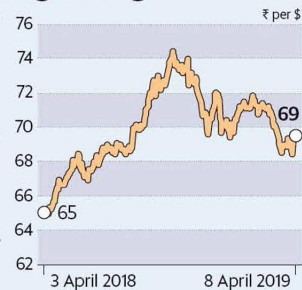


PHOTO: ISTOCK; GRAPHIC: SANTOSH SHARMA/MINT

Rupee on strong footing

Compared to a year ago, the Indian rupee is still weak against the US dollar. However, compared to the September-October 2018 period, when the Indian rupee was at its weakest against the US dollar, the rupee has appreciated close to 7%.



Source: Bloomberg

plan a holiday around the end of May, June or later, you will gain by the rupee appreciation.

Karan Anand, head, relationships, Cox & Kings Ltd, a travel firm, said a lot of people start planning in April for vacations they intend to take towards mid-to-end of May and early June, which is the school summer vacation period in North India.

"What was happening a few months back was that people who wanted to go abroad were trading down. So, for example, instead of a 4-star stay, they were booking a 3-star. But now with the rupee appreciating, Indian travellers will not need to trade down on their choices," said Anand.

Also, solo travellers or millennials planning to travel

after the school vacation period can gain significantly as they would get the benefit that comes with booking early as well as the stronger rupee. "Booking a vacation at this point could be attractive to solo travellers or double-income-no-kids families. These sets of people usually travel between late August to early October," said Anand.

THE PART GAINERS

Unfortunately, early birds may lose. If you planned your vacation in advance to get discounts on your bookings, you will lose out on the forex spend you have already made.

However, if you only part-paid for the bookings, you can still gain from rupee appreciation. D'Souza said that many operators allow travellers to

make the final payments as close as 30-45 days before the actual date of departure. So if you made your bookings for the May-June period around November-December and are slated to pay the balance now, you will still gain partly.

Also, if you had a holiday budget in place, there will be more money in your pocket to spend while on the move for expenses such as local commute, entertainment or shopping.

THE DESTINATIONS

The rupee has not appreciated only against the US dollar. The Indian rupee has also appreciated against the euro, pound, Turkish lira and Australian dollar, said Patnaik.

Moreover, there are several countries where you can exchange US dollars for the local currency. Anand said US dollars can be exchanged in countries, including Malaysia, Vietnam, Cambodia, Singapore, South Africa, Turkey and Egypt. "So even though the rupee appreciation is against the dollar, proportionately, people travelling to these places will also gain," he said.

Analysts we spoke to said there is limited scope for further appreciation of the rupee. So if you have been planning a trip abroad a few months down the line, this could be a good time to make your bookings.