**A. Computing the Quarterly Effective Exchange Rate for the Indian Rupee.**

(1) The time series of exchange rate against the US dollars is first obtained.

(2) The entire series is divided by the average exchange rate of the Rupee in 2005, which is currently the base year for the benchmark currency basket(BCB), when the BCB is worth US$1.

(3) This time series is now divided by the time series of the Price of the BCB against the US dollar (downloaded from

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| [Quarterly Values of WCU2005 and Benchmark Currency Basket Since 1967](http://www.ln.edu.hk/cpps/wcu/file/Quarterly%20Values%20of%20WCU2005%20and%20Benchmark%20Currency%20Basket%20Since%201967.xls)) |

to obtain the Effective Exchange Rate Index for the Rupee.

**B. Computing the Quarterly Real Effective Exchange Rate for the Indian Rupee**

(1) Check out the "Implicit Price Index for Countries Represented in Basket", which is available as a quarterly data series since 1967 under the website

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| [Quarterly Values of WCU2005 and Benchmark Currency Basket Since 1967](http://www.ln.edu.hk/cpps/wcu/file/Quarterly%20Values%20of%20WCU2005%20and%20Benchmark%20Currency%20Basket%20Since%201967.xls) |
| (2) Obtain the quarterly time series of the consumer price index for India for the relevant time period, and rebase it so that in 2005 the average CPI is equal to unity.  (3) Divide the Price Index for India by the Implicit Price Index for Countries Represented in Basket.  (4) Multiply the Effective Exchange Rate Index for the Rupee under Step (3) in Section A with the Price Index Ratio obtained in Step (3) in Section B. |