

Revisiting Exchange Rate Pass-through at the Disaggregate Level

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Abstract: This study revisits exchange rate pass-through (ERPT) in India using aggregate and disaggregated price data to assess the influence of currency movements on inflation. Using a hybrid New Keynesian Phillips Curve and GMM estimation, the results show that ERPT to consumer prices is positive but modest, with wholesale prices exerting a stronger influence on retail inflation. Analysis of item-level CPI data reveals substantial heterogeneity, with higher pass-through for import-dependent commodities and muted effects for domestically supplied goods and services. Overall, aggregate ERPT remains limited, but item-specific sensitivities highlight important policy implications for inflation management.

Keywords: Exchange Rate Pass-through, Inflation Dynamics, Consumer Price Index, GMM Estimation, Import-Dependent Commodities

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