

***Non-Linear, Asymmetric and  
Time-Varying Exchange Rate  
Pass-Through: Recent Evidence  
from India***

Exploring nonlinearities and time variations in exchange rate pass-through (ERPT) to consumer prices in India for the period from April 2005 to

March 2016, this paper finds ERPT is asymmetric with pass-through from small depreciations being the strongest. ERPT to consumer inflation has declined in recent years in an environment of low inflation and declining trade openness. A DSGE model calibrated for the Indian economy with open economy features suggests that non-linear and time-varying ERPT poses challenges for monetary policy in terms of imported inflation and policy transmission.