GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 1369
TO BE ANSWERED ON MONDAY, JULY 27, 2026

Impact of Geopolitical Developments in West Asia.

1369. Shri Utkarsh Verma Madhur:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has undertaken any assessment of the fiscal and macroeconomic implications of recent geopolitical developments in West Asia on India's crude oil import bill, if so, the details thereof;

(b) the estimated impact of different international crude oil price scenarios on India's crude oil import bill, current account balance and fiscal position;

(c) whether the Government has reviewed the likely impact of prolonged volatility in global crude oil prices on inflation, fuel subsidies and the growth projections for the current financial year, if so, the details thereof;

(d) the sectors identified as most vulnerable to energy price volatility and the broad assessment of its impact on production and logistics costs; and

(e) the contingency measures proposed by the Union Government to safeguard macroeconomic stability, contain inflationary pressures and minimise the impact of disruptions in the global energy market on the Indian economy?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a)-(c): The recent geopolitical developments in West Asia has adversely affected the countries globally, with major implications for crude-oil-importing emerging economies. According to the Reserve Bank of India's Financial Stability Report (June 2026), the recent geopolitical developments in West Asia led to an increase in international crude oil prices which has widened the crude oil import bill for India, with implications for current account deficit, similar to the experience during previous oil price shocks. However, the average Indian crude oil basket prices have eased significantly from USD 114.5 per barrel in April 2026 to USD 77.6 per barrel in July 2026 (up to 22nd July). The decline in crude oil prices, together with sustained growth in services exports and remittance receipts, is expected to support the external sector and mitigate pressures on the current account. Further, the recent measures announced by the Government and the Reserve Bank of India are expected to bolster capital inflows and help meet India's external financing requirements.

While global uncertainties remain elevated, the high-frequency indicators for the first quarter of 2026-27 point to sustained momentum in economic activity and domestic demand. Also the average Consumer Price Index (CPI) inflation has remained moderate at 3.9 per cent during April-June 2026, reflecting price stability. Consistent with these trends, the Reserve Bank of India has projected real GDP growth at 6.6 per cent and Consumer Price Index (CPI) inflation at 5.1 per cent for 2026-27. RBI has further noted that global commodity price movements and prolonged supply chain disruptions pose challenges to the growth and inflation outlook.

On the fiscal front, the Government has adopted a balanced fiscal strategy to ensure macroeconomic stability and resilience amidst the evolving situation. The Government continues to assess the implications of crude oil price volatility on the fiscal position, including fuel subsidies and revenue collections, and has undertaken appropriate fiscal measures, including calibrated revisions in the Special Additional Excise Duty on petrol and diesel and customs duties on select imports, to preserve fiscal space. The availability of fiscal buffers, including the Economic Stabilisation Fund, provides additional flexibility to respond to external shocks while maintaining the fiscal consolidation path.

(d) The energy price volatility in the recent months has implications on the prices of petrochemical feedstock and intermediate products and related downstream sectors including plastics, packaging, textiles, pharmaceuticals, chemicals, automotive components and other manufacturing industries. According to the data published by the Department for Promotion of Industry and Internal Trade (DPIIT), the increase in global energy prices has exerted some upward pressure on domestic producer prices, with Wholesale Price Index inflation increasing from 4.0 per cent in March 2026 to 9.9 per cent in June 2026. However, industrial activity has remained resilient during the period. Growth in the Index of Industrial Production improved from 3.0 per cent in March 2026 to 5.1 per cent in May 2026, while the growth in the Nine Core Industries also strengthened from 2.9 per cent in March 2026 to 5.0 per cent in June 2026, reflecting continued momentum in industrial activity despite higher input and logistics costs.

(e) The Government has undertaken a range of measures to ensure availability of critical industrial inputs including energy, ease input cost pressures, facilitate trade, support industrial activity and safeguard macroeconomic stability. Temporary customs duty exemption was provided on selected petrochemical feedstock. Further, the Bharat Maritime Insurance Pool RELIEF (Resilience & Logistics Intervention for Export Facilitation) Scheme were introduced to support businesses. RoDTEP (Remission of Duties and Taxes on Exported Products) benefits were restored to mitigate higher freight, insurance and war-risk costs. Liquidity support was also extended through the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. In addition, the Government is strengthening trade resilience by expanding its network of Free Trade Agreements and Comprehensive Economic Partnership/Cooperation Agreements.

In addition, energy security has been strengthened through diverse strategies such as diversification of crude oil import sources, expansion of strategic partnerships, augmentation of Strategic Petroleum Reserves, promotion of alternative fuels, domestic production of critical energy inputs, and implementation of Coal and Lignite Gasification Scheme. Demand-side initiatives, such as encouraging LPG consumers to shift to PNG, have also been undertaken to optimise energy use.

The Government has also ensured adequate availability of fertilisers and other essential agricultural inputs through assured gas supplies, diversification of import sources, advance procurement and maintenance of buffer stocks. These efforts are complemented by initiatives of the Reserve Bank of India to strengthen external sector resilience and support foreign exchange inflows through liberalisation of the External Commercial Borrowing (ECB) framework, measures to facilitate foreign investment, special swap facilities and promotion of local currency settlement with partner countries. Together, these coordinated measures strengthen India's macroeconomic stability, contain inflationary pressures and minimise the impact of disruptions in the global energy market on the Indian economy.

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