

# '\$130 crude over 2-3 quarters can trim India's GDP growth by 100 bps'

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If crude prices remain at \$130 a barrel for 2-3 quarters, GDP growth could be impacted by 100 bps, Chief Economic Advisor V Anantha Nageswaran has told a parliamentary panel. India can sustain its growth momentum if the prices are around \$90 a barrel, he added.

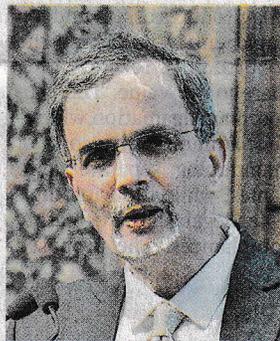
The CEA made these remarks when he appeared before the Standing Committee on Finance on March 2. The committee's report was tabled on Tuesday.

Giving details of his deposition, the report said the CEA was asked how the government plans to mitigate the "triple whammy" of surging crude prices, market volatility and maritime delays caused by the West Asia conflict. He was also quizzed about the government's strategy to protect domestic fuel prices.

## SCENARIO ANALYSIS

The CEA presented multiple scenarios. He shared with committee members the results of a stress-test, simulating how the macroeconomy would react to oil at \$90, \$110 and \$130 per barrel.

The CEA emphasised that the ultimate impact will depend on how long these prices remain relevant. If the shock is short-lived, then



Chief Economic Advisor  
V Anantha Nageswaran

even if it surges to \$130, it will not matter.

"By and large, the answers we get suggest that up to \$90 per barrel, the macroeconomic assumptions for 2026-27 of achieving 7-7.4 per cent real GDP growth, inflation remaining at or around 2 per cent, a current account deficit of 1-1.2 per cent and a fiscal deficit of 4.3-4.4 per cent will be feasible," he said. In other words, up to \$90, the macroeconomic impact is almost insignificant or not relevant.

## MACRO HIT

"At \$130 per barrel, if the price of oil remains at that level for about 2-3 quarters, then the macroeconomic impact will be fairly significant. CPI inflation will rise towards 5.5 per cent. Real GDP growth will decrease from 7.4 per cent to 6.4 per cent. The current account deficit will increase from 1.2 per

cent, where we currently are, to around 3.2 per cent. The fiscal deficit may rise from 4.4 per cent to 5.6 per cent," he said.

## GCC RISKS

Nageswaran also added that the analysis will be fine-tuned based on additional data and as clarity emerges regarding the war's objectives and its impact on oil prices. The Strait of Hormuz passage will not only be for oil but also for liquefied natural gas, LPG and other items.

He said there will be implications for remittances and other factors, considered in the current account deficit. For example, when oil reaches \$130, the fact that the current account deficit could reach 3.2 per cent also takes into account the possibility of further disturbances and impact within the GCC countries, given Iran's current trend of attacking them, he added.

In its observation, the Standing Committee noted with serious concern the potential for a "triple whammy" of surging crude prices, market volatility and maritime delays arising from the West Asia conflict. Accordingly, it recommended that the Department of Economic Affairs develop a strategic energy mitigation framework to protect the economy from oil price shocks exceeding \$90.