

## Industries

# India Cooking Gas Crunch Fuels Inflation Fear as Iran War Widens



People queue to buy liquefied petroleum gas cylinders for domestic use in Chennai on March 11. *Photographer: R. Satish Babu/AFP/Getty Images*

Tushar Dhadam, who runs a small restaurant in one of Mumbai's commercial hubs, was forced to raise the price of a vegetarian thali, a popular lunch dish on his menu, by 10% in the past week.

He paid a premium to buy a commercial cooking gas cylinder on the black market last week, as supply disruptions in the Middle East, where India sources most of its gas, created acute shortages in the formal market.

Dhadam said he paid more than 2,000 rupees (\$21.729) for a cylinder, against the usual price of 1,750 rupees. "I am ready to pay 3,000-3,500 rupees for the next, but there's none available," he added. He said he now faces the real possibility of shuttering his business temporarily when the cylinder runs out.

The squeeze is even more acute for nearby roadside stalls selling Indian breads, eggs and tea, many of which operate on daily profits of just a few hundred rupees. Unable to afford scarce blue-tinted commercial cylinders, some are illicitly using subsidized domestic cylinders, which come in brick-red color, hidden inside gunny bags. Many have held off on raising prices for fear of losing customers.

The gas crunch is rippling through the economy, raising fears about a spike in prices and a drop in output in some sectors. Data on Thursday will likely show a pick up in inflation even before the latest surge in global energy costs, a worrying outcome for policymakers.

Economists surveyed by Bloomberg predict inflation accelerated to 3.14% in February from 2.75% in the previous month. While still within the central bank's 2%-6% target band, economists are bracing for volatile fuel and cooking gas costs to filter through in the coming months, particularly if supply disruptions persist.

"The impact of elevated and volatile crude and gas prices will be reflected in the March CPI inflation numbers, underscoring their role as the single most important variable for India's price stability," said Rajeev Sharan, Head of Research at Brickwork Ratings