

10% Crude Oil Rise Could Push Inflation Up 30-40 Bps, Cut GDP Growth By 20 Bps: Analysts

Rising crude oil prices are exerting pressure on India's economy, potentially increasing inflation and household costs. The import bill has surged 48% in recent months, threatening GDP growth and increasing the current account deficit.



Brent Crude Oil Prices Continue to spike

A sustained rise in the crude oil prices could put pressure on household budgets by pushing up inflation, fuel costs and the prices of goods and services. Since India is a major oil importing country, and imports nearly 88% of its crude oil requirements, it remained particularly vulnerable to a prolonged increase in global oil prices led by the tensions in the Middle East region.

[Brent crude](#) remained near or above \$100 a barrel, the impact could eventually be felt by consumers through higher transportation costs, costlier goods and increased input costs for businesses.

Crude prices have remained above \$100 per barrel for over 10 days now.

According to data from the Petroleum Planning and Analysis Cell (PPAC), India's crude oil import bill surged 48 percent to \$74.8 billion during the April-August period on , higher global prices even as volumes remained largely unchanged.

Impact on inflation and GDP:

Sachin Sawrikar, Managing Partner, Artha Bharat Investment Managers IFSC LLP said, "India imports nearly 88% of its crude oil requirements, making the economy highly sensitive to sustained increases in energy prices. Estimates suggest that a 10% rise in oil prices can add roughly 30 to 40 basis points to inflation and reduce GDP growth by around 20 basis points. With Brent near or above \$100 a barrel, the key risks are a higher import bill, a wider current account deficit, less fiscal flexibility if the government cushions consumers, and tighter corporate margins."

Further on Rupee, he said the currency is another important transmission channel.

Higher crude increases [dollar demand](#) from refiners and oil marketing companies at a time when capital flows remain sensitive to elevated global yields. With USD/INR around 95.8, persistently high oil prices would maintain depreciation pressure, although RBI intervention and foreign inflows can moderate the pace. Volatility matters almost as much as the level because it complicates hedging and import planning.

"For equities, the impact varies by sector. Aviation, paints, tyres, chemicals, logistics and oil marketing companies face margin pressure, while upstream producers benefit. A weaker rupee also supports export-oriented sectors such as IT and pharmaceuticals," he added.

Rajeev Sharan, Head of Research, Brickwork Ratings on the crude oil prices said, "Crude has cooled off after last week's spike, with Brent easing from around USD 108 to near USD 102, its first weekly decline in three weeks. The main trigger is an easing of Saudi supply fears, as the kingdom has begun routing extra cargoes to Asian buyers through ship-to-ship transfers near the Strait of Hormuz, and higher loadings have calmed worries about a complete export halt after the pipeline attack. For India, a major importer, this is welcome relief."

"A softer crude bill eases pressure on the import bill, the rupee and imported inflation, and offers some breathing room on the current account. That said, this is relief rather than a reversal, as Brent is still above USD 100 and the geopolitical risk premium remains, so any fresh escalation could quickly undo the fall. The near-term inflation and growth picture improves modestly, but the external risk stays firmly on the radar."

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