How does India manage during this uncompromising oil price shifts?

The rapidly transitioning oil prices will further weaken India’s economic progress due to its excessive reliance on imports. To meet 88.1% of all its domestic exigencies pertaining to crude oil, India imports a large share, and higher prices charged by oil producers coupled with reduced supply will lead to a drain of its forex reserves, reduce the value of its overall net exports and lastly brings down the value of the Indian rupee against global currencies. The concerns regarding a rise in inflationary levels cannot be ruled out either. It is expected that between the months of October 2023 and January 2024 will witness higher operating costs for India’s state-owned oil marketing firms. This will also lead to lower net incomes and reduced funds for optional expenses.

The upward movement of prices will deal a blow for these firms that vouch for a market-linked pricing system in favor of commonly used transportation fuels like petrol and diesel. Due to advisories issued by the Ministry of Petroleum and Natural Gas, top oil marketing firms like HPCL, IOC, and BPCL continued with the same price quotes as of April 2022. Their non-hike in charges benefitted consumers and other sections of the economy in combating massive price irregularities generated by the Russia-Ukraine war. However, these firms suffered huge losses during this period. Up until recently, the firms and the Union government were under the strong belief that oil prices could revert back to their normal rates.

The contemporaneous surge in prices will force India to rethink its existing plans and will probably give the green signal for India’s oil marketing firms to alter their price lists based on the current trends. Failing to implement that decision would see these firms incurring debt up to four times their original value and would have to be called sick.

ECONOMICSTAAN
— Economics Aboard —