

THE BUZZ



IMPORT BILL

**OIL PRICE HIKE
COULD SPELL
TROUBLE**

FINANCE MINISTRY officials are feeling the heat and not just because of the summer. India imported 18.7 million tonne (MT) of crude oil in March at an average price of \$63.8 per barrel while it was \$63.54 per barrel in February. On April 26, the average price stood at \$70 per barrel. An internal calculation by the Ministry of Petroleum and Natural Gas predicted that the average crude oil price could be \$65 a barrel, meaning India would have to spend an

additional \$30 billion. India's demand for crude oil increased by 3 per cent in the last fiscal while domestic production dipped by 0.9 per cent. The Finance Ministry's preparations for the FY2018/19 budget were based on an assumption that the average crude oil price would remain around \$55/barrel. Last year, India spent \$87.56 billion to import 213.9 MT of crude oil, which was the bulkiest item on the country's import bill of \$417.57 billion. India has a trade deficit of \$13.7 billion and for every \$10 rise per barrel slows the country's growth by 0.2-0.3 percentage points and fuels WPI inflation by 1.7 per cent. Now the government must trim some fat from the hugely taxed sales of petrol and diesel to keep inflation under control. - Anilesh S. Mahajan