INDIAN ECONOMY 29 July 2026

High Crude Oil Prices Threaten India's Fiscal Health: Finance Ministry

Union Ministry of Finance released its July Monthly Economic Review warning of risks from rising crude oil prices.

An economic assessment of how global crude oil price surges impact India's fiscal deficit, current account deficit, and overall inflation.

KEY EXAM POINTS

- **Union Finance Ministry** released its **July Monthly Economic Review**, highlighting emerging risks to the Indian economy.
- A sustained surge in global **crude oil prices** poses threats to India's **fiscal deficit** and **current account balance**.
- Tensions in **West Asia** and shipping route disruptions in the **Strait of Hormuz** have raised energy import costs.
- The report noted India's external sector resilience is supported by robust remittances, service exports, and **forex reserves**.
- Ongoing conflicts in the **Gulf region** pose significant upside risks to India's domestic **retail inflation**.

STATICS & SYLLABUS FOCUS

India depends on imports for over **85%** of its **crude oil** requirements, making it vulnerable to global price fluctuations.

Strait of Hormuz connects the **Persian Gulf** with the **Gulf of Oman** and handles roughly 20% of global petroleum consumption.

Fiscal Deficit is the excess of **total government expenditure** over total receipts excluding borrowings during a financial year.

Current Account Deficit (CAD) occurs when a country's total imports of goods, services, and transfers exceed its total exports.

The Fiscal Responsibility and Budget Management (FRBM) Act was enacted in **2003** to institutionalize fiscal discipline.

NK Singh Committee was constituted in **2016** to review the working of the FRBM Act 2003.

Indian Strategic Petroleum Reserves Limited (**ISPRL**) manages underground crude oil storage facilities in **Visakhapatnam**, **Mangaluru**, and **Padur**.

REVISION FLASHCARD

High crude oil prices worsen India's Fiscal Deficit and Current Account Deficit (CAD) due to 85%+ import dependence.

Syllabus Relevance: Crucial for Group 1/2/4 Unit 6 (Indian Economy - Inflation, Taxation, Trade Balance & FRBM Act).

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