

India among the worst hit by West Asia crisis, says Gita Gopinath; oil, food and fertilisers all at risk

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India is one of the countries most directly and severely affected by the West Asia conflict, and the full economic impact is still unfolding. That is the assessment of Gita Gopinath, former Deputy Managing Director of the International Monetary Fund, speaking to ET Now as the blockade of the Strait of Hormuz continues.

"Among the countries in the world that are most directly impacted by the developments in Iran are India," Gopinath said, pointing to three distinct channels of exposure -- oil and gas imports, the Middle East's role as a supply chain hub for Indian exports, and remittances flowing back from Indian workers in the region.

Not just higher prices -- actual shortages

Gopinath drew an important distinction between this crisis and previous oil shocks: the problem is not only rising prices but physical supply unavailability. India is already seeing LPG cooking gas shortages because ships are simply not moving fuel out of the Middle East into the country.

Commodities affected go beyond oil and gas -- fertilisers, helium, and sulfur have all been disrupted. This, she said, makes the current situation different from the 2022 Russia-Ukraine shock, which primarily hit European natural gas markets. The

Strait of Hormuz blockade

affects a far broader range of goods and a much wider set of countries.

Why prices have not spiked as sharply as in 2022

Despite 20% of global crude passing through the Strait, oil prices have not surged as dramatically as some past shocks. Gopinath explained why. In 2022, a supply crunch coincided with a post-pandemic demand surge, amplifying price moves. This time, demand has not surged to the same degree, which is providing some cushion. Additionally, countries have diversified their energy sources since 2022 and many have accelerated their shift to renewables -- all of which is softening the blow.

India growth expected at 6.5% as country 'most directly impacted' by West Asia crisis: Gita Gopinath

That said, she was careful not to offer false comfort. The blockade remains in place, accidents could still escalate the crisis further, and the situation continues to evolve.

Food and fertiliser risk: the delayed threat

One of the less visible but more serious medium-term risks Gopinath flagged is the impact on agriculture. Fertiliser shortages, if they persist, will affect the sowing season and agricultural output months down the line. Price effects from existing long-term supply contracts have masked this so far, but food inflation typically arrives with a lag -- and could become visible later in the year if the conflict drags on.

India's growth estimate and a silver lining

The IMF currently expects India's economy to grow at around 6.5% this year, partly cushioned by the reduction of US tariffs on Indian goods from 50% down to 10%. Without that relief, the drag from the West Asia crisis would have been even sharper.

On a more constructive note, Gopinath praised India's growing on solar and renewable energy, calling it a genuine buffer against shocks of this kind. The crisis, she said, underscores the urgency of accelerating energy independence -- and India's solar build-out puts it in a better position than most to do so.

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