

Economic impact of West Asia shock

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Analytical contacts:

Dharmakirti Joshi
Chief Economist
dharmakirti.joshi@crisil.com

Adhish Verma
Senior Economist
adhish.verma@crisil.com

Sharvari Rajadhyaksha
Junior Economist
sharvari.rajadhyaksha@crisil.com

Dipti Deshpande
Principal Economist
dipti.deshpande@crisil.com

Pankhuri Tandon
Senior Economist
pankhuri.tandon@crisil.com

Bhavi Shah
Junior Economist
bhavi.shah@crisil.com

The global economic outlook

The West Asia¹ conflict is expanding in scale, casting a growing shadow over shipping, energy supply, trade and economically critical infrastructure. This multidimensional crisis is taking its biggest toll on energy prices and supply. To be sure, this is the largest energy shock on record. Its ultimate economic impact will depend on the scale, intensity and duration of the conflict.

The energy supply shock

- Only selective passage allowed through the Strait of Hormuz, which transports 20% of global oil
- Oil production facilities shut in select locations in West Asia
- The world's largest liquefied natural gas (LNG) facility in Qatar has been partially destroyed and shut
 - S&P Global views this as the largest energy shock on record, beginning to constrain supplies. Global growth, which was facing upside risks pre-war, is now expected to slow to 3.2% in calendar year 2026 from 3.4% the previous year, according to S&P. This baseline assumes the conflict will persist into April. Risks to this forecast are decisively on the downside
 - In its base case, S&P Global expects² Brent to average \$92 per barrel (bbl) in the second quarter and about \$80/bbl in 2026, and hold at \$65/bbl in 2027. Upside risks to this forecast could arise if there is a significant structural damage to production or infrastructure, especially involving Iran's Kharg Island facilities, or the Strait remains closed for a prolonged period
 - S&P Global has raised its LNG price forecasts (for the Title Transfer Facility in North-West Europe) from \$13 per metric million British thermal unit (MMBtu) to \$18/MMBtu for 2026 and from \$9/MMBtu to \$12/MMBtu for 2027
 - Being net energy importers, Europe and Asia face a disproportionate hit to costs and economic growth
 - Asia-Pacific is the most exposed to the energy shock in West Asia. In Asia, while tech-driven export demand and resilient domestic activity support growth, the region faces intensifying pressure from the ongoing conflict in West Asia, rising energy prices and the shifting US tariff policy. Since many Asian countries are major net energy importers, relying heavily on supplies from West Asia, higher energy prices erode purchasing power and weaken domestic demand. The vulnerable ones include India, Indonesia, Japan, Malaysia and Thailand. Higher prices will force greater spending on subsidies and thereby strain fiscal positions. Higher energy prices will further dampen appetite for rate cuts, but widespread hikes remain unlikely. Central banks need to prevent energy price pressures from pushing core inflation higher. With inflation still modest across most Asia-Pacific economies, central banks can wait. Regional exchange rates may face depreciation pressure, especially in emerging markets and net energy importing countries. S&P Global expects Indonesia and the Philippines to moderately tighten policy in response to higher energy prices, weaker current accounts and depreciating currencies
 - According to S&P Global, the impact on the US is likely to be less severe because it is a net energy exporter
 - The EU is expected to see significant inflationary pressures from higher gas prices, which could hinder its growth recovery. S&P expects the European Central Bank to begin raising rates as early as the second quarter of 2026

¹ Comprises GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) and other West Asian countries (Iran, Iraq, Israel, Jordan, Lebanon, Syria and Yemen)

² March 24, 2026 S&P Global Ratings, "Economic Outlook Asia-Pacific Q2 2026: Geopolitical Strife Stalls The Momentum"



Transitioning towards the alternative scenario

Our assessment: Things seem rapidly transitioning towards our alternative case, which is predicated on the West Asia conflict continuing till April-end, and the destruction of energy infrastructure and consequent gas supply shortages slowing industrial production in India in the first quarter of this fiscal.

Brent crude oil is seen averaging \$82-\$87/bbl in this fiscal.

While the Strait of Hormuz is selectively open for tankers going to a few countries including India, shipping, insurance and energy costs have risen materially.

To boot, specific information on the exact damage to key energy assets in Iran, Qatar, the UAE, Kuwait, Bahrain, Oman and Saudi Arabia is not available. While risks are high, near-term shortages faced by India are seen improving gradually (except for liquefied petroleum gas) as the government rushes to secure supplies from other regions and routes. These transactions, however, have longer transit times³ and are facing tanker shortages. So, in addition to pricier crude oil, the logistics bill—comprising shipping, insurance and transit costs—will be higher, too.




Variable	Base case	Alternate case
 <p>Real GDP growth (%)</p>	<p>7.1</p> <ul style="list-style-type: none"> Healthy private consumption and steady investment growth (accompanied by rising private capex) are expected to support GDP growth Export growth is expected to be supported by lower US tariffs, but some drag is expected from disruptions to global trade flows from the West Asia conflict and slower global growth 	<p>6.8</p> <ul style="list-style-type: none"> Input cost pressures from crude, and reduced availability of gas are expected to impact growth, particularly in manufacturing, construction and services such as travel, transport and restaurants. Although some manufacturers switch to alternative fuels to compensate for natural gas shortages, cost pressures will persist Export growth is expected to slow due to disruptions in exports to West Asia, rising shipping costs and constraints and weakening global demand Government measures to cap retail fuel prices can support consumption amid tailwinds from existing fiscal support via tax cuts and cash transfers
 <p>Current account deficit (% of GDP)</p>	<p>1.5</p> <ul style="list-style-type: none"> Higher import bill due to an 8-9% on-year rise in crude price⁴ Lower US tariffs support exports, though growth momentum could moderate due to the West Asia disruption and slower global growth Healthy services trade surplus should keep CAD manageable 	<p>2.0</p> <ul style="list-style-type: none"> Higher petroleum import⁵ bill due to a 23% on-year rise in crude price. Gas import bill (4% of total imports in FY25) also eventually seen picking up as supplies gradually resume but at higher costs from other suppliers. Higher fertiliser prices will further add to the import bill Weakness in exports to widen the trade gap Some short-term impact on remittance inflows⁶ to widen CAD Healthy services trade surplus to remain a cushion

³ As ships would have to reroute through the Cape of Good Hope instead of the shorter Strait of Hormuz or Red Sea routes. S&P Global Energy: "Ships reroute, freight costs rise amid war in Middle East", 17 March 2026. An estimated journey extension of 19-33 days as ships reroute

⁴ India imports 88-90% of its crude oil requirements

⁵ Petroleum imports were 26% of total imports in FY25

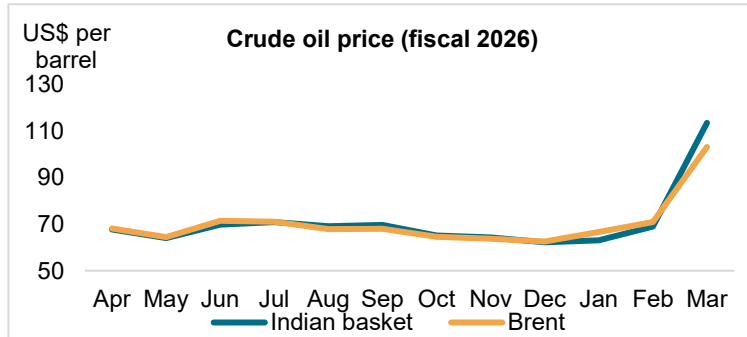
⁶ From the West Asia region, as it accounts for a substantial ~38% of India's remittance inflows

Variable	Base case	Alternate case
 <p>CPI inflation (%)</p>	4.5	4.7
	<ul style="list-style-type: none"> • Food inflation normalises from its current lows • Limited crude price impact on retail inflation assuming small impact retail petrol and diesel prices as government absorbs higher prices • Lower gold inflation (on a high base) to result in some moderation in core inflation • No further rate cuts, but adequate liquidity support by the Reserve Bank of India (RBI) 	<ul style="list-style-type: none"> • Food inflation normalises from its current lows • Crude price impact partially absorbed by the government and oil marketing companies (OMCs), with little direct pass-through to consumers • But the impact on core inflation will be felt via higher energy, trade and transportation costs, along with rising inflation expectations • Monetary policy space shrinks. But a rate hike is less likely if the supply shock is seen as transitory
 <p>10-year G-sec yield (%), March average</p>	6.6	6.9
	<ul style="list-style-type: none"> • Yields to remain sticky given a budgeted rise in the Centre's gross market borrowings in this fiscal • However, the government continues its efforts to reduce fiscal deficit, and monetary policy remains supportive • State borrowings, which surged in fiscal 2026, remain a monitorable 	<ul style="list-style-type: none"> • In addition to high market borrowings by the government, greater fiscal pressure due to absorption of higher energy and fertiliser prices • Higher inflation and reducing monetary policy space • Weaker foreign capital flows into debt (as global yields rise and capital chases safe-haven assets) could add upward pressure to yields
 <p>INR/USD (March average)</p>	91.2	92.5
	<ul style="list-style-type: none"> • Low CAD, coupled with conflict de-escalation, which reduces uncertainty, revives capital flows • The rupee reverts to its usual trend—as seen historically—once the shock subsides⁷ • That said, the rupee could see high volatility in the near term • Assumes the RBI employs tools to contain currency volatility 	<ul style="list-style-type: none"> • Upside to CAD to structurally pressure rupee • A prolonged conflict, rising global inflation and hawkish central bank commentaries, alongside rising US yields, could dampen capital flows and also increase volatility in the interim • High volatility implies the rupee's average value will be higher than year-end • Assumes the RBI employs tools to contain currency volatility

⁷ As seen during past periods of sharp currency depreciation

Impact on critical variables

Indian crude oil basket price surges past Brent



Source: Petroleum Planning & Analysis Cell, CEIC, Crisil

The conflict between the US-Israel and Iran has led to a hike in the prices of West Asian grades of crude oil, which formed the bulk of the Indian basket. In March, Brent crude prices rose 45% on-month and 42% on-year, whereas international natural gas prices measured by LNG Japan/Korea Marker (JKM) rose ~69% on-month and 35% on-year. Meanwhile, the freight cost for Baltic dirty tankers rose ~75% on-month and more than trebled on-year.

The Indian crude basket is a blend of Oman/Dubai crude oil (~79%) and Brent crude (~21%), and is thus more sensitive to price movements in the former. Immediately after the conflict began, both the Indian basket and Brent crude prices spiked, but the Indian basket rose sharper than Brent. Price of the Indian basket rose 64% on-month and 57% on-year in March. As supplies were constrained, prices of sour crude from West Asia shot up amid escalating shipping and insurance charges. An increase in costlier spot purchases of Brent to fill supply gaps also pushed up the price of the Indian basket. The gap, however, narrowed towards March-end after the Petroleum Planning & Analysis Cell rejigged the basket's representation, changing it to a combination of ~39% Oman/Dubai crude and ~61% Brent crude. The change captures India's quick diversification of crude sourcing pattern following the conflict.

Disruptions and buffers for India

Nature of shock	Energy shock	Trade shock	Freight shock	Remittance income shock
<ul style="list-style-type: none"> 45-50% of India's crude oil imported from West Asia 65% of LNG imported from Qatar 	<ul style="list-style-type: none"> 13% of India's exports go to West Asia These include engineering goods, gems and jewellery, food products, chemicals and construction materials 	<ul style="list-style-type: none"> Freight costs surged ~75% on-month in March Insurance costs surging Costs due to delayed shipping, longer transit routes 	<ul style="list-style-type: none"> Of the total remittance inflows annually, 38% are from West Asia 	
Economic impact	<p>Exports</p> <p>Input costs</p> <p>Capital flows</p> <p>Uncertainty</p>	<p>GDP ↓</p> <ul style="list-style-type: none"> Slower exports to West Asia, weaker global growth Slower gross value added growth as input costs rise Dampener for investments amid escalating uncertainties <p>CAD ↑</p> <ul style="list-style-type: none"> Slower exports Higher import bill (oil, gold, gas and fertiliser) Impact on remittances 	<p>Inflation ↑</p> <ul style="list-style-type: none"> Crude oil price impact absorbed by government, OMCs and consumers. Second-round impact felt in higher core retail inflation Input cost pressures for firms (oil, gas and fertilizer) <p>Rupee ↓</p> <ul style="list-style-type: none"> Higher CAD Volatile foreign portfolio investments flows Weaker foreign direct investment flows due to escalating uncertainties 	
Buffers	<p>Strategic petroleum reserves: 60 days of estimated stock cover available, including crude oil and products stock and the dedicated strategic storage in caverns</p> <p>Alternative sources of oil supply: 40-43% of oil imports do not pass through the Strait of Hormuz (Russia, US, Brazil and West Africa)</p> <p>Healthy corporate balance sheets: Despite some impact on margins, health revenue and balance sheets to provide cushion</p> <p>Available fiscal space: Available to absorb higher energy and related prices, proactive measures to manage energy and related supplies expected</p>			

Source: Crisil

Prolonged conflict can amplify economic impact

In a more adverse scenario, we assume the conflict to prolong beyond two months, causing sharper disruptions and a slower recovery in energy supplies from West Asia. After an initial spike, Brent is likely to average \$100/bbl in this fiscal, while the Strait of Hormuz remains partially operational for select countries, including India.

Over time, the situation will evolve from a price shock in oil and supply shock in gas to a major price shock, with input costs remaining elevated throughout the year, which will squeeze producer margins. Pricing power, too, is expected to get restricted amid rising inflation.

As a result, the downside risk to growth is expected to increase, slowing GDP to 6.5% for this fiscal.

Elevated input costs across crude oil, gas and their derived inputs, along with secondary effects on transportation and raw material prices such as packaging, will impact major production sectors. While manufacturers may switch to alternative fuels wherever feasible and diversify natural gas sourcing, the costs will remain high. Sectors heavily reliant on liquefied petroleum gas (LPG), with limited fuel flexibility, may face prolonged constraints.

The agriculture sector also faces risks. With limited fertiliser inventories being allocated to the kharif crop, additional procurement due to higher prices and therefore its availability for rabi could be strained, affecting food output.

Exports may weaken because of slower global growth and continued shipping constraints.

On the domestic front, consumption, which is the strongest driver of growth at present, could soften due to slower agricultural income growth and rising retail inflation. Consumer price inflation is seen averaging 5.4% in this fiscal, driven by higher fuel costs and second-round effects on core inflation. This will likely prompt tighter monetary policy.

The 10-year benchmark government bond yield is seen edging higher to 7.2%, higher inflation, tighter global financial conditions and expectation of fiscal slippage and higher government borrowing requirements.

A greater upside to the CAD due to weaker exports, rise in the import bill (particularly due to oil, gas and fertiliser imports) and softer remittance inflow (at least until rebuilding commences in West Asia) takes the CAD ratio to 2.5% of GDP. Persistent global uncertainties and tighter global monetary policies could further pressure the currency. We expect the rupee to average ~93 by March 2027, assuming the RBI employs tools to check currency volatility.

India's exposure to West Asia

Trade, remittance and investment dependence

The Indian economy has deep linkages to West Asia through trade, remittances and investments. The region accounts for 40-50% of India's oil imports, 13% of goods exports, 38% of remittance inflows and 8% of foreign direct investment (FDI) inflows.

1. Energy and input import dependence and vulnerabilities

West Asia is a crucial supplier of energy (including crude oil and petroleum products, and natural gas), fertilisers and industrial raw materials. In fiscal 2025, India imported goods worth \$122 billion from the Gulf Cooperation Council (GCC) region (17% of India's total goods imports) and West Asia (5% worth \$33 billion).

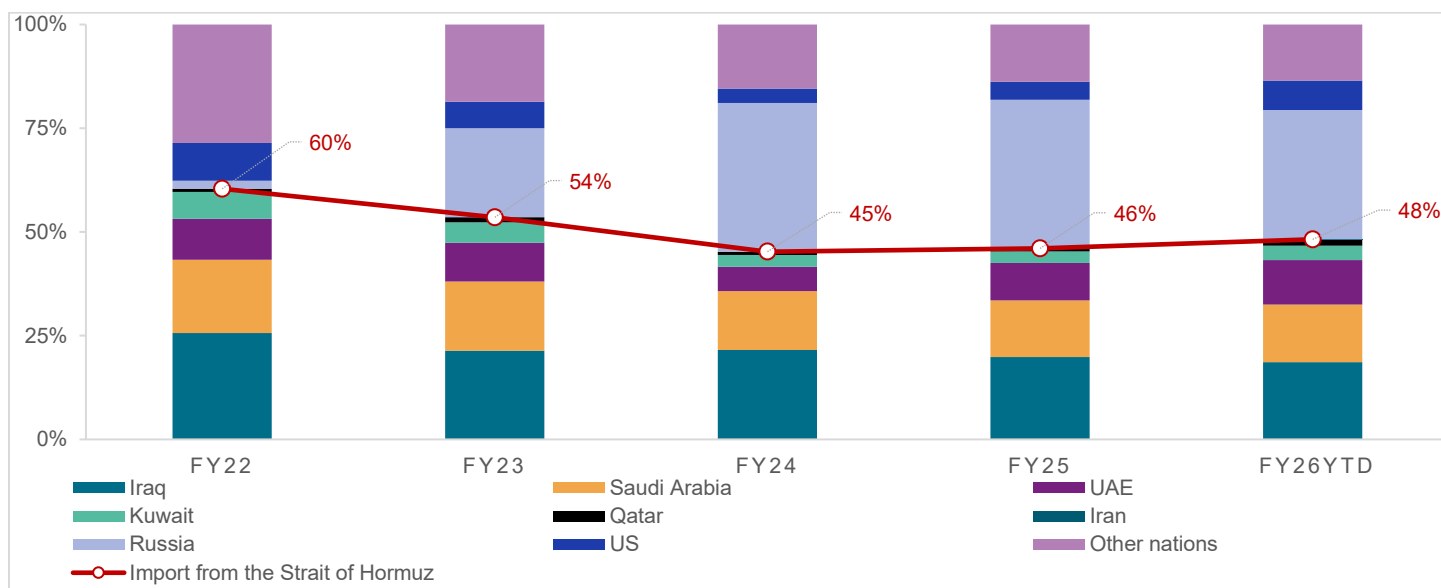
India's dependence on West Asia

Energy source	Domestic requirements imported in FY26*	Imports through the Strait of Hormuz in FY26	Strategic buffer*
Crude oil	88.7%	46%	60 days
LPG	66.4%	85-95%	
LNG	50.2%	56%	Terminal storage tanks cannot serve as national buffer

Note: Data on imports is for April-February 2026, strategic buffers is as on March 26, 2026

Source: Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, Crisil Intelligence

West Asia's share in India's oil basket dips but remains substantial amid rising Russian imports



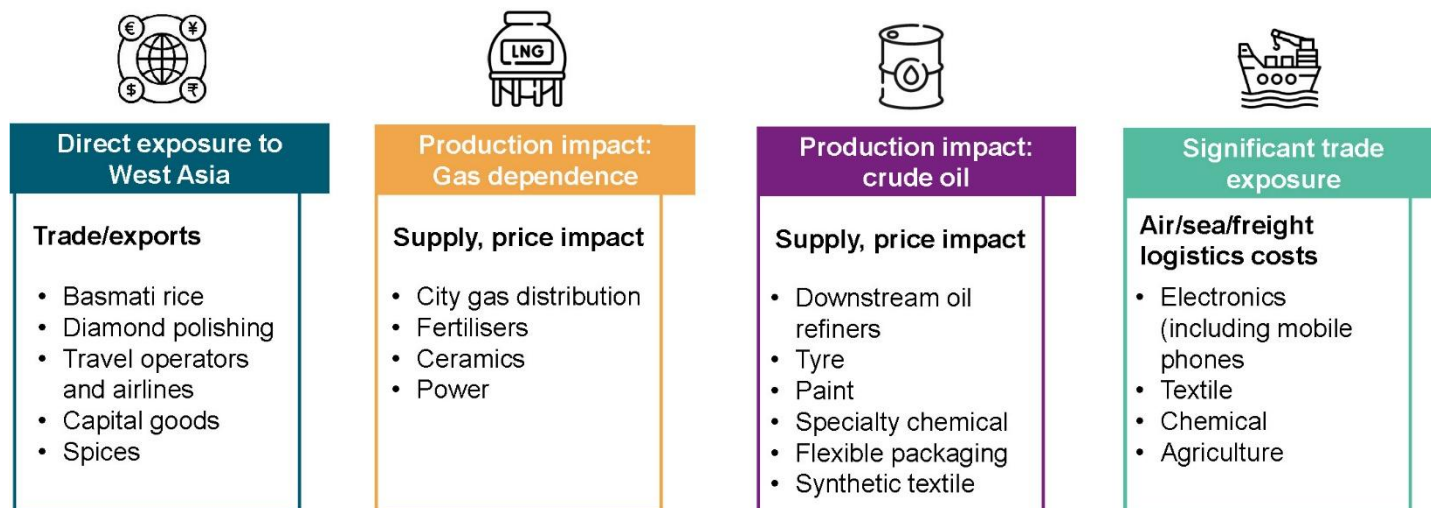
Note: YTD refers to April to February

Source: Directorate General of Foreign Trade, Crisil Intelligence

Disruptors and channels

- Crude oil is the second-largest energy source in India (29% of primary energy consumption) after coal (60%), according to official energy statistics. Though natural gas accounts for only 7%, it has been the fastest growing energy source in recent years
- LPG supply is the most vulnerable, given the sourcing of a high percentage of its imports via the Strait of Hormuz and insufficient national buffer
- The government is prioritising consumers in the supply of LPG and piped natural gas. The domestic production sectors are currently being prioritised lower (see page 12 for more details), and would bear the brunt of shortages due to a prolonged conflict in West Asia. Additionally, while the government has maintained retail petrol and diesel prices (standard variant), it has hiked industrial diesel prices
- The government is gradually restoring commercial LPG supply. Total commercial LPG allocation to states was 70%⁸ of pre-conflict level as on March 31. However, commercial LPG cylinder prices have increased twice compared with domestic LPG. Higher prices and some supply shortages are expected to hit production.
- The direct shortage in LNG supply can be attributed to the damage suffered by a key gas producer in Qatar. LNG and LPG are key inputs for several manufacturing processes (refer to chart below). Among industries, fertilisers constitute 31% of LNG consumption, followed by transport sector (26%) and power plants (14%)
- Other petroleum products are also highly consumed as feedstock by the petrochemicals and fertiliser industries

Risk transmission channels and vulnerable sectors



Source: Crisil

Impact on fertiliser availability

- **Lower imports:** West Asia accounted for 40-42% of India's fertiliser imports in fiscals 2025 and 2026. The highest dependence is on urea, with 64.8% of its shipments coming from West Asia in fiscal 2025. The region also accounts for over a third of diammonium phosphate (DAP) imports

⁸ Number includes conditional 10% allocation based on reforms for piped natural gas expansion

- **Shortage of inputs for domestic fertiliser production:** India relies heavily on West Asia for inputs used in fertiliser production, such as LNG (for urea) and chemicals (ammonia, sulphuric acid and rock phosphate for DAP). We believe that even a Priority II gas allocation could result in a shortage of urea production
- **Existing stock:** As of now⁹, government estimates that the current fertiliser stock is sufficient to cover the requirement for 2.5 months. The government too is moving to diversify the sourcing. A prolonged disruption leading to elevated prices could however, affect further procurement of fertilisers for the rabi crop, posing a risk for crop yields.

High dependence on imports raises the risk of fertiliser availability for food production.

Food security is made a priority under the PM Garib Kalyan Anna Yojana, with the provision of foodgrains¹⁰ (rice, wheat and coarse grain/millet) through fair price shops. Nevertheless, foodgrain stocks remain well above the buffer norms. As of February, the central pool of rice stock stood at 364.7 lakh tonne (compared with the buffer norm of 76.1 lakh tonne) and wheat stock at 236.2 lakh tonne (compared with the buffer norm of 138 lakh tonne).

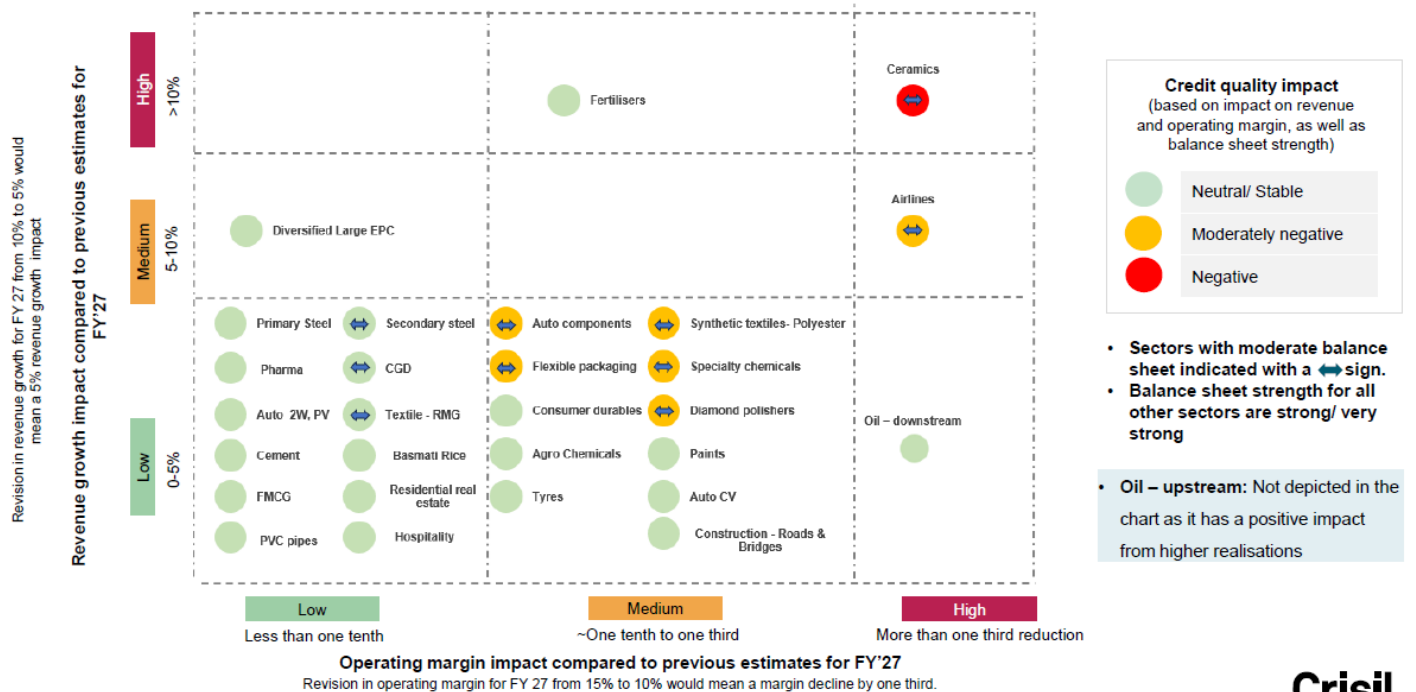
Other key inputs imported from West Asia

- **Pearls and precious stones:** Around 40% of India's rough diamond imports come from West Asia, which could have implications for the labour-intensive and export-oriented gems and jewellery sector
- **Sulphur:** Used in the fertiliser and chemical industries
- **Chemicals:** Several organic and inorganic chemicals used as inputs are imported from West Asia. For instance, 57% of helium imports, used in electronics and semiconductor manufacturing, comes from the region

⁹ March 30, 2026, "Ministry of Petroleum & Natural Gas (Press Information Bureau of India), March 30, 2026, 'Inter-Ministerial Briefing on Recent Developments in West Asia', <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2246951®=3&lang=2>

¹⁰ 35 kg per family under Antyodaya Anna Yojana and 5 kg per person under Priority Household

Potential impact of the West Asia conflict on sectoral revenue and profitability



Source: Crisil Ratings, Strain in the Strait, Ratings Round-Up, Second half, fiscal 2026, 1 April 2026, <https://www.crisilratings.com/en/home/our-analysis/reports/2026/04/strain-in-the-strait.html>

2. Drag on exports

Exports to West Asia have been impacted by logistical challenges and supply-chain realignments due to the conflict, though the implications could be mixed.

- In fiscal 2025, India exported goods worth \$57 billion to GCC countries (13% of India’s total goods exports) and \$9 billion (2%) to other West Asian countries
- For some products, the region holds greater prominence, accounting for over 70% of Basmati rice exports, 30% of boneless bovine meat, 25% of ceramic products, 15% of petroleum products, and 20% of gems and jewellery
- Exports to West Asia are getting impacted by logistical challenges and supply-chain realignment

3. Remittances

- GCC countries accounted for 38% of remittances to India in fiscal 2024, with more than 9.3 million¹¹ Indians employed in the region. A hit to their incomes can have implications for India’s CAD at a time when the trade deficit is already under pressure

4. FDI

- After the pandemic, FDI inflows from West Asia surged, averaging ~8% of total FDI inflows between fiscals 2021 and 2025 from 2% in the five years before the pandemic

¹¹ https://www.mea.gov.in/rajya-sabha.htm?dtl/38746/QUESTION_NO_1996_EXPATRIATES_IN_GCC_COUNTRIES

- Sectors¹² such as infrastructure (construction), computer software and hardware, power, trade and services accounted for majority FDI

Government and RBI measures aimed at mitigating the impact

- The government has approved an outlay of Rs 497 crore for the RELIEF (Resilience and Logistics Intervention for Export Facilitation) intervention to support Indian exporters impacted by issues stemming from the West Asia conflict:
 - For shipments sent between February 14 and March 15, exporters who already have credit insurance from ECGC (formerly Export Credit Guarantee Corporation of India Limited) will get up to 100% risk coverage above the existing cover
 - Eligible micro, small and medium enterprises who did not have ECGC insurance during this period will receive 50% coverage for extra freight and insurance costs due to the conflict (up to Rs 50 lakh per exporter)
 - For shipments between March 16 and June 15, exporters have been encouraged to obtain ECGC credit insurance and will get up to 95% risk coverage above the ECGC cover
- On March 8, the government directed refineries and petrochemical complexes to maximise LPG production by diverting propane, butane, propylene and butene streams to the LPG pool
- On March 9, it issued a control order to redirect natural gas to priority sectors:
 - **First priority:** Domestic piped natural gas, compressed natural gas for transport and LPG production (receiving 100% of their average consumption in the previous six months)
 - **Second priority:** The fertiliser sector (receiving 70% of its average consumption in the previous six months). Further on April 6 and on April 8, this allocation was raised to 90% and enhanced to 95% respectively
 - **Third priority:** The tea industry, manufacturing and other industrial consumers supplied by the national gas grid (receiving 80% of their average consumption in the previous six months)
 - **Fourth priority:** City gas distribution entities shall ensure that industrial and commercial consumers supplied through their networks receive 80% of their average gas consumption over the previous six months
- On March 26, the government imposed an export duty hike on diesel (Rs 21.5 per litre) and aviation turbine fuel (Rs 29.5 per litre) and cut the excise duty on petrol and diesel by Rs 10 each to Rs 3 and zero, respectively
- On March 27, the RBI tightened rules for the foreign exchange derivatives market by directing authorised dealer banks to stop offering non-deliverable contracts involving the rupee—a move seen as curbing currency speculation
- On March 31, the government further raised commercial LPG allocation to states, taking overall allocation to 70%. Priority will be given to restaurants, dhabas, hotels, government canteens and the food processing/dairy industries
- On March 31, the RBI extended the enhanced export credit period of 450 days (announced in November 2025) for disbursements up to June 30
- On April 2, the government exempted 40 critical petrochemical products from customs duty until June 30

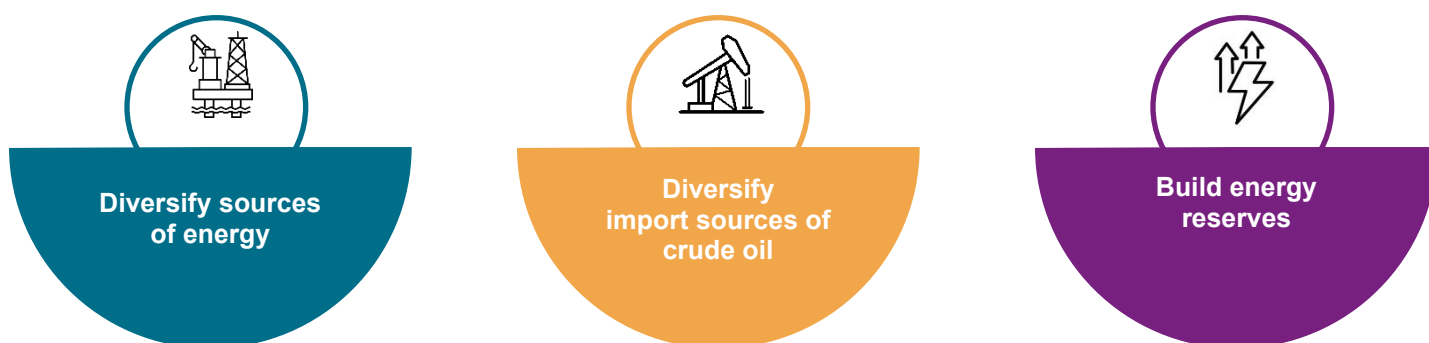
¹² <https://www.dpiit.gov.in/static/uploads/2025/12/112e0a896c5dc3c8edc0483ba17f873e.pdf>

Building structural resilience

Enhancing energy security

The West Asian crisis has come as a fresh reminder to strengthen domestic energy security. While the government is intervening to mitigate short-term impact, a structural de-risking approach is needed amid elevated geopolitical uncertainty.

Building structural resilience to oil shocks



Progress so far

- **Diversifying oil imports:** The government substantially diversified oil imports 2022 onwards, sourcing crude oil from Russia, which helped moderate the dependence on West Asia. It is expected to increase LNG imports from the US under the bilateral trade deal
- India's refineries are well-equipped to handle different kinds of crude oil, helping them adapt to new sources
- **Rising renewable energy capacity:** According to official energy statistics, installed renewable energy capacity grew 15% in fiscal 2025, even as coal remained the dominant energy source for power generation. Crisil Intelligence expects renewable energy investments to drive power capex over the next five years, which should boost consumption
- **Reducing reliance on crude:** The share of crude oil in domestic energy consumption has fallen to 29.8% in fiscal 2025 from 36.3% a decade ago. Coal has increased its dominance (59.2% from 57.4%), while the share of renewable energy remains small (3.8% vs 2.4%). Unlike crude oil, domestic coal meets over 70% of India's coal needs.

What more needs to be done

- **Shore up crude reserve capacity:** India's current strategic petroleum reserves need to be raised to the 90-day mandate of the International Energy Agency
- **Renewable energy sources:** Investments in renewable sources of energy such as wind and solar must continue. The adoption of nuclear technology must be fast-tracked to achieve the target of 20 GW capacity by 2030
- **Increase alternative energy adoption:** In the auto sector, in particular, efforts need to be accelerated to increase electric vehicle adoption. For meaningful adoption, investment in renewable energy storage infrastructure is critical

Increasing fertiliser security

- Building domestic fertiliser security is critical to ensuring food security, not only in the wake of the ongoing conflict in West Asia, but also as highlighted through events such as the conflict in Eastern Europe and China's export restriction on DAP
- A policy brief by the Indian Council for Research on International Economic Relations (ICRIER)¹³ in March highlighted that while India is the second largest producer of fertilisers globally with production increasing manifold over the past two decades (since fiscal 2001), demand has grown even faster, resulting in a widening shortfall being filled through imports
- Furthermore, even domestic production is significantly reliant on imported raw material. The above study highlighted that ~69% of India's fertiliser value chain is dependent on foreign sources, either for raw material or finished products. Imported feedstock itself represents ~44.5% of total value used in the manufacturing of fertilisers
- Achieving fertiliser security is of paramount importance to India, with a large population to feed, a sizeable free food programme, sensitivity of demand and inflation to food price shocks, and vulnerability of rural incomes to fluctuations in agricultural output

The study highlighted certain steps to derisk fertiliser supply chains and reduce concentration risk:

- **Strategic partnerships for long-term supply:** Long-term partnerships with a wide range of raw material providers can secure supplies, especially in times of volatility. Currently, the country has long-term agreements for rock phosphate from Morocco, Jordan, Togo and Mauritania; phosphoric acid from Morocco, Tunisia, and Senegal; and ammonia from Oman, Saudi Arabia, Japan and Malaysia¹⁴. Such partnerships should be expanded, especially in regions outside West Asia, as medium term disruptions remain plausible
- **Promoting a balanced use of fertilisers and developing non-urea production capacity domestically:** Urea is the most used fertiliser in India, accounting for 45% of average fertiliser consumption over fiscals 2021-2025, as per Crisil Ratings. However, ~20% of average consumption is imported while domestic production relies significantly on natural gas, which makes up ~80% of the raw material cost and is highly import dependent due to limited domestic reserves¹⁵
 - A mix of factors has led to overdependence on urea and underapplication of phosphatic and potassic nutrients. This leads not only to declining soil health but also an overreliance of the fertiliser sector on imported natural gas
 - Alternative fertilisers beyond urea (ammonium sulphate/chloride/ phosphates, etc.) should be promoted, wherein domestic production capacity can be built using green ammonia. This would help reduce dependence on both imported natural gas and ammonia. On this front, the Department of Fertilizers is taking steps under the ongoing National Green Hydrogen Mission to integrate green hydrogen derivatives into fertiliser value chains. Very recently, several Indian fertiliser companies entered into 10-year long-term agreements with producers of green ammonia for its supply at fixed rates. This should provide an impetus to the domestic manufacturing of phosphatic and potassic fertilisers¹⁶
- **Exploration of domestic resources:** The ICRIER study indicates that India has some deposits of phosphate and potash-bearing minerals that can be explored

¹³ Ritika Juneja, Sachchida Nand, Emil Thomas Johny, Ashok Gulati, ICRIER Policy Brief 66, March 2026, 'De-risking Fertiliser Supplies for India Amid Rising Geopolitical Risks'

¹⁴ Ministry of Chemicals and Fertilizers (Press Information Bureau of India), March 24, 2026,

'India Achieving Record Fertilizer Production; Indigenous Urea Capacity Surges to 283.74 LMTA Under Atmanirbhar Bharat Initiatives'

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2244621®=3&lang=2>

¹⁵ Crisil Ratings, March 26, 2026, 'Fertiliser production to dip 10-15% if Middle East issues persist'

¹⁶ Ministry of Chemicals and Fertilizers (Press Information Bureau of India), March 31, 2026,

'Decarbonizing India's Fertilizer Sector and Strengthening The Nation's Energy Security'

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2247329®=3&lang=2>

Efficiency gains, strong domestic demand shield growth during global shocks

Building resilience in the economy will be a crucial buffer against external shocks in the medium term.

Despite the repeated global shocks after the pandemic, including the uncertainties in Eastern Europe and the hike in US tariffs, the Indian economy has remained on a high growth path, expanding 7.3% on average per year between fiscals 2024 and 2026. This has been due to support from domestic factors led by public infrastructure spending.

The Economic Survey 2025-26 estimates potential growth at 7% compared with the earlier estimate of 6.5%. But given the frequency of global shocks in recent years, further progress is needed to raise growth levels.

In the medium term, it will be important to raise the contribution of efficiency to growth. Improvements in public digital infrastructure through the Unified Payments Interface (UPI) along with recent steps, including the rationalisation of goods and services tax rates and the simplification of labour codes, have started to move the needle. But additional measures, such as land reforms, will further improve ease of doing business and kindle growth.

Durably raising income levels by skilling the working population and creating high quality jobs will go a long way in strengthening demand and building domestic resilience.

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