



buzz

GAIL (India) Limited Wins Afaqs! Marketers Excellence Award

GAIL (India) Limited announced that its flagship initiative, 'HAWA BADLO', was honoured with the prestigious Afaqs! Marketers Excellence Award in the 'Best Content Marketing Campaign – Content' category. This recognition is a testament to the powerful storytelling and impactful engagement achieved through the campaign, which has consistently championed the cause of clean air and environmental responsibility. The award ceremony took place in Mumbai.



NILANJAN BANIK

Tensions between Iran and Israel have long simmered beneath the surface of Middle Eastern geopolitics, but recent escalations have reignited fears of a broader regional war. At the heart of the economic fallout is the energy market.

Iran, a major oil producer and a member and rotating president of OPEC this year, plays a crucial role in the global energy supply chain. Any disruption in oil exports resulting from military action — particularly blockades in strategic chokepoints like the Strait of Hormuz — could trigger significant upheaval in global markets.

This vulnerability was evident in past confrontations, where tensions between Iran and the West led to volatility in global oil prices. In today's tightly interconnected energy markets, a sustained conflict could push oil prices above \$100 per barrel, reigniting inflationary pressures across the globe.

PRICE PRESSURES

In fact, following the recent attack, oil prices have already surged by approximately \$10 (around ₹870) per barrel, with a prolonged war likely to drive them even higher. There are 42 gallons in a barrel of oil, and a \$1 increase in the price of crude oil per barrel translates to an increase of approximately 2.4 cents per gallon.

According to a report by ClearView Energy Partners, in markets where fuel prices are not subsidised, a \$10 rise in crude oil typically leads to a 7-cent (approximately, ₹6) increase per litre of petrol at the pump.

In extreme cases, such as a blockage of the Strait of Hormuz, prices could surge by an additional 27 cents (approximately, ₹23). So far, shipping lanes through the Strait remain open and operational. However, that may change with Iran threatening to lay naval mines if the US joins the war.

While Iran accounts for less than 2 per cent of the global oil supply, a closure of the Strait of Hormuz would disrupt the flow of approximately 12 per cent of the world's oil, given that much of the Middle East's oil exports pass through this strategic chokepoint. This makes the Strait's security critical not just for the region, but for global energy markets as a whole.

Per data from UN COMTRADE, in 2024, Iran, exported \$13.26 billion around the world, the main destinations being: China (34.59 per cent), Turkey (16.45 per cent), and India (7.68 per cent). Valued at \$4.59 billion, China is the main export destination (by trade value) for Iran.

For energy-dependent nations — especially developing economies already

Economic impact of Israel-Iran war

OIL WORRIES. A blockade of the Strait of Hormuz would hit the flow of 12% of world oil supplies and will lead to a sharp spike in prices



REUTERS

burdened by debt and post-Covid recovery challenges — such price hikes could prove economically destabilising.

In fact, two of the largest economies, such as China and India, buy as much as 80 per cent of the oil which passes through the Strait of Hormuz. China will be more impacted than India, as it has become a major importer of Iranian oil following the US sanctions on Iran. Like Russia, Iran has also been using a “shadow fleet” to sell oil at discounted prices to China. A “shadow fleet” refers to oil tankers that operate outside standard regulations — often lacking mandatory insurance and disabling tracking systems — to evade sanctions or regulatory oversight.

A significant portion of formal oil trade relies on insured shipping, and since most major insurers are based in the EU and the US, Western-led sanctions can make regular oil transport increasingly difficult. The “shadow fleet” consists of old vessels that are not insured and often transfer oil at sea to other ships to conceal its origin and destination. China has been accessing Iranian oil at a discounted price of

between \$2 and \$3, a barrel. Iran also stands to lose, as this oil is paid for in Chinese renminbi, and disruptions caused by the war may limit Iran's access to Chinese goods.

ISRAEL ECONOMY

Israel, on the other hand, while not a major oil producer, is a key player in the global tech and defense sectors. The Israeli economy is heavily reliant on foreign investment and international trade, particularly in high-tech industries and cybersecurity. An extended conflict could scare off investors, disrupt operations, and hinder export performance. Already, signs of market nervousness are visible through currency fluctuations and risk-averse investor behaviour in the Tel Aviv Stock Exchange.

Beyond the borders of Iran and Israel, regional economic stability is also at stake. Gulf countries such as the United Arab Emirates, Saudi Arabia, and Qatar could face dual pressures: rising defense expenditures and investor hesitation. These nations, often viewed as relatively stable economic hubs, may find their markets rattled by perceived proximity to conflict zones.

For India, there is no short-term impact as long as the government continues to regulate oil prices. Petrol is still being sold at the same rate as before the war began. Consumer Price Inflation at 2.82 per cent remained under control,

along with Wholesale Price Index which stood at 0.39 per cent in May 2025. The promise of a good monsoon, along with the fact that domestic demand drives two-thirds of economic activity, is expected to shield India from external shocks.

However, a prolonged war combined with rising crude prices will impact India's Current Account Deficit (CAD). During the fiscal year 2024-25 (April-March), India imported approximately 242.4 million tonnes of crude oil, a 4.2 per cent increase from the previous year's 232.7 million tonnes.

According to a report by Union Bank of India, India's CAD for the fiscal year 2024-25 faces upward risk, as every \$10 per barrel increase in oil prices could widen the annual CAD by nearly \$15 billion. If the rise in petrol prices is passed on to the consumers, it could eventually lead to higher inflation and impact the common man. For now, at least, investors in the stock market are feeling the impact, with stocks like ONGC and Oil India — whose prices tend to rise with crude oil prices — likely to perform well.

On the other hand, companies like Reliance, GAIL, BPCL, HPCL, and Mahanagar Gas, etc., which rely on crude oil and natural gas as inputs, appear to be struggling.

The writer is Professor, School of Management, Mahindra University

For India, in the short term, there is likely to be limited impact. But if the war prolongs and oil prices rise then CAD can widen



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