

‘Trade deal a positive, may push up energy cost’

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While the framework for the India-US interim trade agreement is broadly positive for the economy, it could push up India's energy import basket and affect metals, according to a report by investment bank SBI Capital Markets (SBICaps).

Several export-oriented sectors, including textiles, leather, plastics, rubber, organic chemicals, and seafood, are set to benefit from duty-free access for nearly half of India's exports to the US, the report said.

“While an overall positive for the economy, the impact of the deal on the cost of the Indian energy import basket, besides the impact of items in Section 232 (mainly metals), is yet to be fully felt,” the report said.

The concern comes amid US claims that India has committed to reducing purchases of Russian oil and would buy more from the US and Venezuela. Experts suggest that diversion from Russian oil may impact India's crude import cost as Russian oil is now available at a discount of \$8-12 per barrel.

Ratings agency Icra Ltd estimates that replacing Russian crude with market-priced oil would increase India's import bill by less than 2%.

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