

High energy prices may influence FY27 fiscal position: Icra

SUDHEER PAL SINGH

New Delhi, 26 March

Elevated global crude oil and natural gas prices amid ongoing developments in West Asia may influence the Government of India's fiscal position for 2026-27, ratings agency Icra said in a report today.

The recent increase in energy prices driven by geopolitical factors has led to volatility in global markets and could have implications for India's fiscal calculations, the report said. Even if the situation stabilises, energy prices are expected to remain higher than earlier budgeted assumptions, which may require fiscal adjustments.

Higher crude oil and natural gas prices may lead to an increase in subsidy requirements, particularly for fertilisers and liquefied petroleum gas (LPG). Additionally, elevated prices may have implications for government revenues, including potential moderation in excise collections and corporate tax inflows.

The report also highlighted that global supply disruptions and logistical challenges have contributed to the increase in energy prices, which could impact various sectors, including petroleum and fertilisers. These developments may have a bearing on expenditure requirements as well as revenue projections for the upcoming fiscal year.

The agency also said multiple buffers are available to manage the impact. The Economic Stabilisation Fund (ESF), along with expected expenditure savings and flexibility through supplementary demand for grants, could be utilised to absorb part of the revenue and expenditure pressures. The report also stated that expenditure savings observed in recent years and potential carry-forward of higher small savings collections may provide additional fiscal space. Lower redemptions and adjustments in market borrowings may also offer some support in managing fiscal requirements.