ujiyari

UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

DAILY CURRENT AFFAIRS

IMF Cuts Global Growth to 3.1%: West Asia Conflict and India's 6.5% Outlook

16 April 2026 · ECONOMY IR · GS3 GS2

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

IMF Cuts Global Growth to 3.1%: West Asia Conflict and India's 6.5% Outlook

16 April 2026 · 4 min read · 2 tags ▾

WHY IN NEWS:

The IMF revised its 2026 global growth forecast downward to 3.1%, citing the West Asia conflict (including Strait of Hormuz disruptions) as a major risk that could trigger the largest energy crisis in modern times. India's growth was projected at 6.5% — resilient but below pre-conflict trajectory.

THE IMF'S REVISED FORECAST

The **International Monetary Fund (IMF)**, in its April 2026 *World Economic Outlook* update, cut its global growth projection by approximately 30 basis points:

SCENARIO	GLOBAL GDP GROWTH 2026	KEY DRIVER
Baseline	**3.1%**	West Asia conflict contained; oil at ~$85/barrel
Adverse scenario	**2.5%**	Oil escalates to $100/barrel
Worst case	**<2.0%**	Oil at $110 in 2026, $125 in 2027; supply chain rupture

For context, global growth below 2.5% is conventionally considered a "global recession" threshold.

WHY WEST ASIA? THE ENERGY SHOCK MECHANISM

The Strait of Hormuz Factor

The **Strait of Hormuz** is the world's most critical energy chokepoint:

- Width: ~33 km at narrowest point
- Daily oil flow: ~20–21 million barrels per day (mbpd) — approximately **21% of global oil trade**
- LNG traffic: ~30% of global LNG trade
- States bordering: Iran and Oman

Any disruption to Hormuz transit directly affects global energy prices. The Iran-Israel-US tensions of 2025–26 have kept Hormuz under sustained threat.

IMF's Concern: "Largest Modern Energy Crisis"

IMF's warning refers to a potential confluence of:

1. Hormuz blockade / transit disruptions
2. Saudi/Gulf production uncertainty (OPEC+ supply discipline)
3. Simultaneous demand surge as post-COVID industrial capacity tightens
4. Limited spare capacity in non-OPEC suppliers

This could mirror or exceed the 1973 OPEC oil embargo in price impact, though the global energy mix has shifted significantly (renewables ~35% of electricity now).

INDIA'S SPECIFIC VULNERABILITY

Oil Import Dependence

INDICATOR	VALUE
India's crude oil import dependence	~87–90% of consumption
Daily consumption	~4.7–5.0 million bpd
Key suppliers (by share)	Russia (~35%), Iraq (~20%), Saudi Arabia (~16%), UAE (~7%)
Hormuz-route exposure	~60–65% of India's crude imports transit Hormuz

A $20/barrel oil price increase adds approximately **₹1.5–2 lakh crore** to India's annual import bill — widening the Current Account Deficit (CAD) and pressuring the rupee.

Inflationary Transmission

- **WPI (Wholesale Price Index):** Fuel and power component rises directly with crude prices
- **CPI (Consumer Price Index):** Indirect pass-through via transport costs, fuel prices, fertiliser costs
- **Fertiliser subsidy burden:** India subsidises urea; gas/crude-linked feedstock costs rise with oil
- **Aviation and logistics:** ATF (Aviation Turbine Fuel) is directly crude-linked

---

INDIA'S GROWTH AT 6.5% — RESILIENT BUT CONSTRAINED

India's 6.5% growth projection reflects:

Positive factors:

- Strong domestic consumption (post-COVID household balance sheet recovery)

- Government capital expenditure (₹11.11 lakh crore capex FY26 budget)
- Renewables buffer reducing electricity-sector oil dependence
- Services export resilience (IT, GCC sector expansion)

Constraining factors:

- Oil import bill expansion widens CAD
- Inflationary pressure limits RBI's room to cut rates aggressively
- Export slowdown if global growth stalls
- West Asia tensions affecting Indian diaspora remittances (~$125 billion/year from Gulf)

Pre-conflict trajectory was 7.0–7.2%; the West Asia shock is estimated to shave ~50 basis points off India's growth.

THE IMF — INSTITUTIONAL BASICS

FEATURE	DETAIL
Established	1944, Bretton Woods Conference
Headquarters	Washington D.C.
Members	191 countries
Governance	Board of Governors; Executive Board (24 directors)
Key publications	World Economic Outlook (WEO), Global Financial Stability Report (GFSR), Fiscal Monitor
India's quota share	~2.75% (one of largest shareholders among emerging economies)
India's ED	Elected Executive Director representing a constituency
MD (2026)	Kristalina Georgieva (Bulgaria; second term)

INDIA'S POLICY RESPONSE OPTIONS

RBI Dilemma

- Rate cuts would support growth but risk inflation
- Rate hikes would control inflation but hurt growth
- Most likely: **extended pause** while monitoring oil price trajectory

Fiscal Tools

- Strategic Petroleum Reserve (SPR): India has ~9.5 million barrels capacity at 3 underground locations (Vishakhapatnam, Mangaluru, Padur)
- **SPR Phase 2** under development: adding ~6.5 million barrels
- Import diversification: Russia is now the largest supplier; further US, Guyana, Africa diversification

Currency Management

- RBI actively manages rupee volatility
- Foreign exchange reserves (~$650 billion) provide buffer for import payments

UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	IMF forecasts; oil shock transmission; CAD; RBI monetary policy; SPR
GS2 — IR	West Asia crisis; Strait of Hormuz; India-Gulf relations; IMF governance
GS3 — Environment	Energy security; renewables buffer for oil shocks
GS3 — Economy	India's growth drivers; CAPEX-led growth; WPI/CPI linkage
Mains Keywords	IMF World Economic Outlook, Strait of Hormuz, energy crisis, Current Account Deficit, Strategic Petroleum Reserve, WPI, CPI, RBI monetary policy, India-Gulf energy dependence

FACTS CORNER

ITEM	DETAIL
IMF baseline 2026 growth	3.1% global (India: 6.5%)
Adverse scenario	2.5% global (oil at $100/barrel)
Strait of Hormuz daily oil flow	~20–21 million barrels per day
Share of global oil trade	~21% through Hormuz
India's crude import dependence	~87–90%
India's largest crude supplier (2025–26)	Russia (~35% share)
India's SPR capacity (Phase 1)	~9.5 million barrels (3 locations)
India's foreign exchange reserves	~$650 billion (April 2026)
IMF MD	Kristalina Georgieva
IMF established	1944, Bretton Woods
India's oil demand	~4.7–5.0 mbpd
Global recession threshold	GDP growth below 2.5%

← NEWER ARTICLE
Lok Sabha Expansion to 850 Seats: Constitution (131st...

OLDER ARTICLE →
KABIL Gets Lithium Clearance in Argentina: India's Critical...

RELATED EDITORIALS

THE HINDU

[Dry Days Ahead: El Niño Threatens India's 2026 Monsoon]

16 Apr

BUSINESS STANDARD

[The Iran Crisis and the Indo-Pacific: India's Energy-Security Tightrope]

16 Apr

THE HINDU

[Devious Menace: Digital Lending Apps and the Regulatory Vacuum]

16 Apr

INDIAN EXPRESS

[Labour Codes: Bridging the Gap Between Reform Design and Ground Reality]

16 Apr

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

📖 Read Full Article on Ujiyari →

https://ujiyari.com/daily/2026/04/16/imf-global-growth-india-west-asia-energy-shock/