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# India's Economic Headwinds — Oil at \$106, Rupee at 94.25, IT Sector Selloff

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CURATED &amp; WRITTEN BY

**Bharat Choudhary**

UPSC Educator &amp; Content Creator

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# India's Economic Headwinds — Oil at \$106, Rupee at 94.25, IT Sector Selloff

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## WHY IN NEWS

India's macroeconomic environment is under pressure from a convergence of external shocks: **Brent crude oil at \$106.20 per barrel** (up 17% week-on-week) due to ongoing Middle East conflict; the **Indian rupee at 94.25 per USD** — logging its steepest weekly loss since September 2022; and the **Sensex falling ~1.3%** as the IT sector shed 5%+ following earnings guidance cuts by Infosys and HCLTech. JP Morgan simultaneously downgraded Indian equities to 'neutral', citing high valuations and energy shock headwinds. These developments validate warnings in the World Bank's South Asia Economic Update (April 2026) about FY27 growth moderation.

## CRUDE OIL — THE CORE SHOCK

India imports **~85% of its crude oil** — making it acutely sensitive to global price movements. The current Brent crude surge is driven by:

FACTOR	DETAIL
Iran-related conflict	US-Iran tensions; shipping disruptions in Strait of Hormuz; insurance premium spikes
OPEC+ discipline	Production cuts maintained; supply tight globally
Weekly gain	Brent up ~17% week-on-week as of April 25
Current level	Brent: \$106.20/barrel; WTI: \$96.77/barrel

### Impact on India:

- Every \$10/barrel increase in crude adds **~₹0.7/litre to petrol pump prices** (before subsidy)
- Adds **~\$15-20 billion** to India's oil import bill annually
- Adds **~0.4%** to India's CPI (consumer price inflation)
- Widens the **Current Account Deficit (CAD)** — putting downward pressure on the rupee

## RUPEE UNDER PRESSURE — 94.25/USD

The Indian rupee fell to **94.25/USD** — its steepest weekly decline since September 2022. Drivers:

- 1 **Dollar strengthening** — safe-haven demand amid Middle East uncertainty
- 2 **FPI outflows** — foreign portfolio investors pulling money from Indian equities
- 3 **Oil import demand** — higher crude prices = higher USD demand from Indian refiners
- 4 **RBI limited intervention** — RBI has been allowing gradual rupee depreciation rather than exhausting forex reserves

**Context:** India's forex reserves stand at approximately **\$682 billion** (April 2026) — providing a significant buffer, but RBI has been judiciously deploying them.

## IT SECTOR — EARNINGS PRESSURE

India's IT sector — a major export earner (~\$250 billion annually) — is facing guidance pressure:

COMPANY	Q4 FY26 RESULT	GUIDANCE
Infosys	Revenue growth: 8.2% YoY	FY27 guidance: 4.5–6.5% (below expectations)
HCLTech	Revenue growth: 6.8% YoY	FY27 guidance: 4.5–5.5%

### Why guidance fell:

- US client discretionary spending cut — technology budgets squeezed as US firms manage tariff uncertainty
- BFSI (Banking, Financial Services) deals slowing — US banking sector cautious post-SVB shock legacy
- Currency headwind — stronger rupee (until recently) had eroded export revenues

The IT selloff triggered **Sensex to fall ~1.3%** on April 25 — IT stocks account for ~13% of Sensex weighting.

## JP MORGAN DOWNGRADE — WHAT IT SIGNALS

**JP Morgan downgraded Indian equities from 'Overweight' to 'Neutral'** — citing:

- High valuations (Nifty at ~22x one-year forward P/E vs historical average of 19x)
- Earnings growth under threat from energy shocks and global uncertainty
- FPI outflows likely to continue near-term

JP Morgan had upgraded India to Overweight in early 2023. This downgrade signals a maturing of the India bull case – the “premium for growth” narrative is being tested by simultaneous headwinds.

## CONNECTING THE DOTS — WORLD BANK PROJECTION VALIDATED

The **World Bank SAEU (April 2026)** projected India’s FY27 GDP growth at **6.6%** (down from 7.6% in FY26) – citing Middle East energy risk as the primary headwind. The week’s data confirms this trajectory:

INDICATOR	SIGNAL
Oil at \$106/bbl	Direct inflation and CAD pressure
Rupee at 94.25/USD	Import-driven currency weakness
IT guidance cuts	Export earnings slowdown
JP Morgan downgrade	Institutional investor risk reassessment
Sensex -1.3%	Market pricing in lower growth expectations

## UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	CAD; oil import dependence; rupee dynamics; RBI forex management
GS3 — Economy	IT sector; export earnings; global headwinds on services exports
GS2 — IR	Middle East conflict impact on India’s economy

**Mains Keywords:** Current Account Deficit, Brent crude, rupee depreciation, IT sector, FPI outflows, World Bank SAEU, Goldilocks moment, JP Morgan, forex reserves

### Facts Corner

ITEM	FACT
Brent crude (April 25)	\$106.20/barrel (+17% week-on-week)
WTI crude	\$96.77/barrel
Indian rupee	94.25/USD (steepest weekly loss since Sept 2022)
India forex reserves	~\$682 billion
Sensex change	Down ~1.3% (April 25)
Infosys stock drop	-7.1%
HCLTech stock drop	-5.8%
IT sector weight in Sensex	~13%
JP Morgan India stance	Downgraded to 'Neutral' from 'Overweight'
Crude import share	India imports ~85% of crude oil needs

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## Bharat Choudhary

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