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DAILY CURRENT AFFAIRS DATED 14.04.2026

GS Paper II: International Relations

1. Impact of West Asia Crisis on India's Economy

a. Introduction: Interdependence in a Globalised Economy

India's economy is closely linked with global markets, especially for energy needs. A large share of India's crude oil, natural gas, and fertiliser inputs comes from West Asia. This makes the region extremely important for India's energy security and economic stability.

Whenever there is a crisis in West Asia—due to war, sanctions, or disruption of sea routes—the impact is quickly felt in India. It affects not just energy supply, but also inflation, trade, growth, and government finances.

Thus, a West Asia crisis acts as an external economic shock with wide domestic consequences.

b. Structural Context: Why West Asia Matters to India

High Import Dependence

- India imports ~85% of its crude oil needs
- Large share of imports comes from West Asia

Strategic Maritime Routes

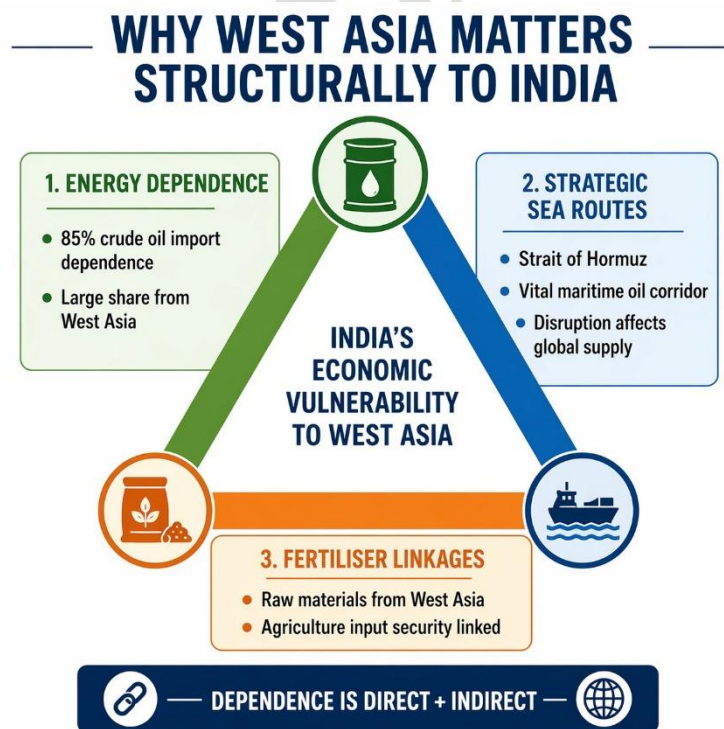
- Strait of Hormuz is a key oil supply route
- Any disruption here affects global oil supply

Fertiliser Linkages

- West Asia supplies raw materials for fertilisers
- Important for India's agricultural sector

Thus, India's dependence is both direct (oil imports) and indirect (fertilisers, logistics).

This structural dependence explains why crises in this region quickly translate into economic shocks.



c. Nature of the Shock: Disruption and Price Surge

A West Asia crisis typically creates two simultaneous effects:

Supply Disruption

- Conflict disrupts oil production or transportation
- Shipping delays and logistical bottlenecks

Price Increase

- Global oil prices rise due to uncertainty

- Speculative pressures increase volatility

Together, these create a strong external shock, which spreads through the Indian economy via multiple channels.

d. Transmission Channels: How the Impact Spreads

Supply Shock and Production Constraints

- Energy is a key input for industries — fertilisers, cement, chemicals
- Higher energy cost increases production cost
- Firms reduce output or raise prices

Result: slower industrial growth

Rising Logistics and Input Costs

- Higher fuel cost increases transport cost
- Higher storage and distribution costs

Result: prices rise across supply chains (cascading effect)

Impact on External Trade

- Global slowdown reduces demand for exports
- Higher costs reduce competitiveness

Result: exports decline

Exchange Rate Pressures

- More oil imports implies higher demand for dollars
- Global uncertainty leads to capital outflows

Result: rupee depreciates and imports become costlier

Decline in Remittances

- Many Indians work in West Asia
- Crisis reduces jobs/income

Result: lower remittances and weaker external balance

Widening Current Account Deficit (CAD)

- Import bill increases sharply
- Exports decline

Result: CAD widens

Inflationary Pressures

- Cost-push inflation spreads across sectors

Result: general rise in prices

Impact on Agriculture

- Fertiliser and transport cost increases

Result: higher input costs and risk to crop output

Fiscal Stress on Government

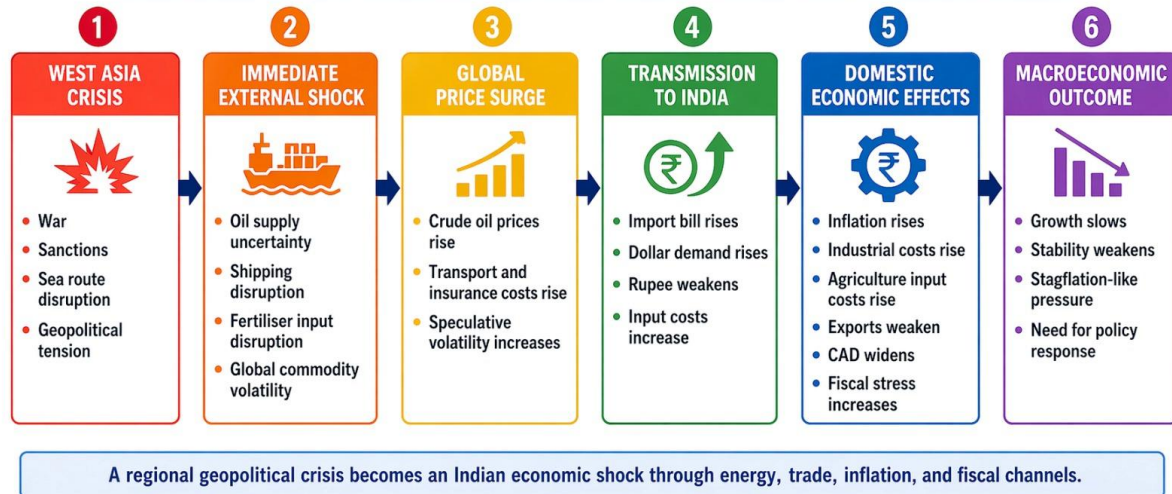
- Higher subsidies — fuel, fertilisers

- Possible tax cuts on fuel
- Lower revenue due to slowdown

Result: fiscal deficit increases

These channels together show how a regional crisis turns into a full economic chain reaction.

HOW A WEST ASIA CRISIS IMPACTS INDIA'S ECONOMY



e. Quantitative Perspective: Measuring the Impact

Growth Impact

- Rising oil prices reduce GDP growth
- Industries face higher costs

Inflation Impact

- Oil price increase directly raises inflation
- Indirect effects through logistics and production

Combined Effect

- Lower growth and higher inflation, thus “stagflation-like situation”
- Weakens macroeconomic stability

Thus, the Indian economy is highly sensitive to oil price shocks.

f. Overall Economic Impact: A Chain Reaction

The West Asia crisis triggers a series of interconnected effects:

- Growth slows due to rising production costs
- Inflation rises due to higher fuel prices
- External balance worsens — CAD increases, rupee weakens
- Fiscal stress increases due to subsidies and lower revenue

In simple terms:

One external shock leads to multiple domestic problems

This makes policy response crucial.

g. Policy Response: Building Resilience

Diversification of Energy Sources

- Import from multiple regions
- Reduce over-dependence on West Asia

Rational Pricing and Fiscal Management

- Gradual fuel price adjustment
- Avoid excessive subsidy burden

Energy Transition

- Promote renewable energy — solar, wind
- Develop alternatives like green hydrogen

Long-term solution to reduce oil dependence

Strategic Petroleum Reserves (SPR)

- Maintain emergency oil reserves
- Use during supply disruptions

Strengthening Domestic Capacity

- Increase domestic oil exploration
- Expand fertiliser production

These measures help reduce vulnerability to external shocks.

h. Way Forward: Towards Economic Resilience

Diversified Supply Chains

- Reduce dependence on single region
- Strengthen trade partnerships

Strong Macroeconomic Fundamentals

- Control inflation and fiscal deficit
- Maintain stable currency

Sustainable Energy Policy

- Align with climate goals
- Promote clean energy transition

Thus, resilience must be built both short-term (buffers) and long-term (structural change).

Conclusion

The West Asia crisis highlights how vulnerable India's economy is to global energy disruptions. Since oil is a critical input across sectors, any disruption creates a ripple effect across the entire economy.

In simple terms, a problem in West Asia quickly becomes a problem in India.

The way forward lies in reducing dependence, improving efficiency, and building a diversified and resilient economic system. Only then can India effectively manage such global uncertainties while sustaining growth and stability.

Reader's Note — About This Current Affairs Compilation

Dear Aspirant,

This document is part of the PrepAlpine Current Affairs Series — designed to bring clarity, structure, and precision to your daily UPSC learning.

While every effort has been made to balance depth with brevity, please keep the following in mind:

1. Orientation & Purpose

This compilation is curated primarily from the UPSC Mains perspective — with emphasis on conceptual clarity, analytical depth, and interlinkages across GS papers.

However, the PrepAlpine team is simultaneously developing a dedicated Prelims-focused Current Affairs Series, designed for:

- factual coverage
- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

2. Content Length

Some sections may feel shorter or longer depending on topic relevance and news density. To fit your personal preference, you may freely resize or summarize sections using any LLM tool (ChatGPT, Gemini, Claude, etc.) at your convenience.

3. Format Flexibility

The formatting combines:

- paragraphs
- lists
- tables
- visual cues

—all optimised for retention.

If you prefer a specific style (lists → paras, paras → tables, etc.), feel free to convert using any free LLM.

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The complete Monthly Current Affairs Module will be released soon, optimized to a compact 100–150 pages — comprehensive yet concise, exam-ready, and revision-efficient.

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