

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1332
ANSWERED ON:18.07.2014
IMPACT OF IRAQ TURMOIL
Somaiya Dr. Kirit

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has assessed the possible impact of Iraq turmoil on the Indian economy; and
- (b) if so, the details thereof and the corrective measures taken/being taken by the Government in this regard?

Answer

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a) and (b): The turmoil in Iraq has the potential to have an impact on international prices of oil. If oil prices rise significantly and remain persistent at higher levels, India's import bill of petroleum, oil and lubricants (POL) and the current account deficit may be impacted. Higher international oil prices can also have implications for domestic inflation and fiscal deficit, depending on the pass-through of higher international oil prices to the domestic economy and the rise in energy cost. Further, business sentiments can be affected by such uncertainties. The problems in Iraq had pushed up the international crude oil prices in the second and third week of June 2014, which, however, declined subsequently. Hardening of international oil prices and market expectations on the same could be the main reason that led to the depreciation of the rupee in the immediate aftermath of the Iraq crisis.

The Government closely monitors the emerging situation and calibrates appropriate policy responses to cope with it. India's exchange rate policy is guided by the broad principles of careful monitoring and management of exchange rates with flexibility, while allowing the underlying demand and supply conditions to determine the exchange rate movements over a period in an orderly manner.