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GLOBAL GROUNDLINES



The Next 100 Days | India's Fiscal Reality

India's next 100 days will test whether it can protect growth, contain fiscal pressures, and turn a geopolitical energy shock into a catalyst for long-term resilience

The first 100 days of the West Asia crisis have revealed something important about India: its resilience is real, but not cost-free.

Despite disruption in one of the world's most critical energy corridors, India has kept retail fuel prices controlled, avoided supply shortages and protected farmers from the worst of imported inflation. But the conflict has entered a more dangerous phase. U.S. military action against Iran, threats around Iran's oil infrastructure and the death of three Indian sailors after a tanker incident off Oman have turned a distant geopolitical crisis into a direct Indian concern.

For overseas investors, the next 100 days will test whether India's growth story stays on course or takes a fiscal detour.

India imports nearly 90% of its crude oil, about half of its natural gas requirement through LNG, and roughly 60% of its LPG consumption. That makes West Asia not just a diplomatic concern, but a balance-sheet risk. Brent crude, which crossed the $100-per-barrel mark during the conflict, has eased to around $83–84 after signs of a U.S.-Iran peace understanding. Yet that relief is fragile. If shipping, insurance and energy supplies do not normalise quickly, the pressure will return through India's import bill, the rupee and subsidies.

The first layer of the cost is already visible. Reports indicate that India has provided about $12.6 billion in support to oil refiners and retailers to contain fuel prices. The fertiliser subsidy, budgeted at roughly $18 billion for FY27, may need to rise to nearly $36 billion if global prices and LNG-linked input costs remain elevated. The Centre's FY27 fiscal deficit was budgeted at about $179 billion, or 4.3% of GDP. Recent reports suggest policymakers may tolerate a wider gap, closer to 4.8% of GDP, if the shock persists.

This is where the next 100 days become critical.

India has three difficult choices: allow higher fuel prices, expand fiscal support, or sacrifice revenue through tax cuts. Each choice has a cost. Passing prices to consumers risks inflation and weaker demand. Expanding subsidies protects households and farmers but delays fiscal consolidation. Cutting fuel taxes offers immediate relief but reduces revenue when infrastructure spending remains central to growth.

The Reserve Bank of India will also have to walk a fine line. A weaker rupee near 95 to the dollar raises import costs, while persistent energy inflation reduces room for rate cuts. Bond markets will watch whether the government protects its roughly $129 billion capital expenditure programme or trims other spending to make room for subsidies.

And yet, the picture is not pessimistic.

India enters this phase with buffers that many emerging markets lack. Foreign exchange reserves, though off their February peak of about $728 billion, remain around $682 billion. Domestic consumption continues to anchor growth. Banks are better capitalised, corporate balance sheets are healthier, and domestic investors have helped Indian markets absorb global shocks. The latest rebound in equities, with the Nifty and Sensex rising sharply after the oil price retreat, shows that investors are not abandoning the India story; they are pricing in policy competence.

For overseas Indians, the crisis may reinforce the longer-term thesis. External shocks have repeatedly forced India to build internal capability. The pandemic strengthened digital infrastructure. Supply chain disruption accelerated manufacturing incentives. This crisis should hasten strategic petroleum reserves, renewable energy, domestic fertiliser capacity, green hydrogen and diversified energy partnerships.

Markets may remain volatile. Energy-intensive sectors could face margin pressure. The rupee may remain sensitive to oil. Bonds may react to every signal on subsidies and borrowing. But the bigger question is not whether India will face turbulence. It will.

The real question is who pays for protection in the next 100 days: the consumer, the exchequer, or corporate margins. India's answer will decide whether this crisis becomes a fiscal slippage story or a chapter in its ability to convert vulnerability into compounding strength.

TOP WATCH



INDIA–BANGLADESH | SECURITY COOPERATION AMID DIPLOMATIC FRICTION

Even as New Delhi and Dhaka continue to spar over allegations of undocumented migration and border pushbacks, the two countries have agreed to deepen cooperation through coordinated patrols and enhanced intelligence sharing along their 4,000-km frontier. The move reflects a pragmatic recognition that shared security challenges from trafficking and smuggling to illegal crossings require collaboration rather than confrontation. For investors and regional observers, the development signals that despite political rhetoric, both governments remain committed to preventing instability along one of South Asia's most economically significant borders.



NEPAL LOOKS SOUTH DESPITE BORDER NOISE

Recent diplomatic engagement between India and Nepal suggests that economic cooperation is taking precedence over political disagreements. During Foreign Minister Shishir Khanal's visit to New Delhi, both sides pushed forward initiatives on digital payments, connectivity and development projects while reaffirming the importance of their long-standing partnership. Although border issues remain unresolved, Kathmandu's emphasis on India as its "most important partner" highlights the reality that trade, energy and people-to-people ties continue to anchor the relationship, offering reassurance for businesses operating across the Himalayan corridor.



SRI LANKA'S RECOVERY MEETS A NEW TEST

Just as Sri Lanka appeared to be emerging from its worst economic crisis in decades, a fresh global shock has complicated the road ahead. The IMF has approved another **US$695 million** under its reform programme, acknowledging Colombo's progress on fiscal discipline and structural changes. Yet the Middle East conflict, rising oil prices and tourism uncertainties threaten to slow growth and reignite inflationary pressures. For South Asia, Sri Lanka's experience is a reminder that economic recovery is no longer determined by domestic reforms alone but by resilience to global disruptions. The island's next chapter will depend as much on geopolitics as governance.

HOW WE CAN SUPPORT

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- **Build strategic narratives and policy communication** – Shape clear, credible, and persuasive positions through message development, media strategy, thought leadership, issue campaigns, reputation support, and integrated communication that helps external stakeholders understand and engage with your policy agenda.
- **Drive stakeholder engagement and coalition management** – Initiate dialogue with the stakeholders that matter by building or aligning with coalitions, think tanks, civic groups, trade bodies, industry associations, civil society groups, community voices, experts, and local influencers.

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