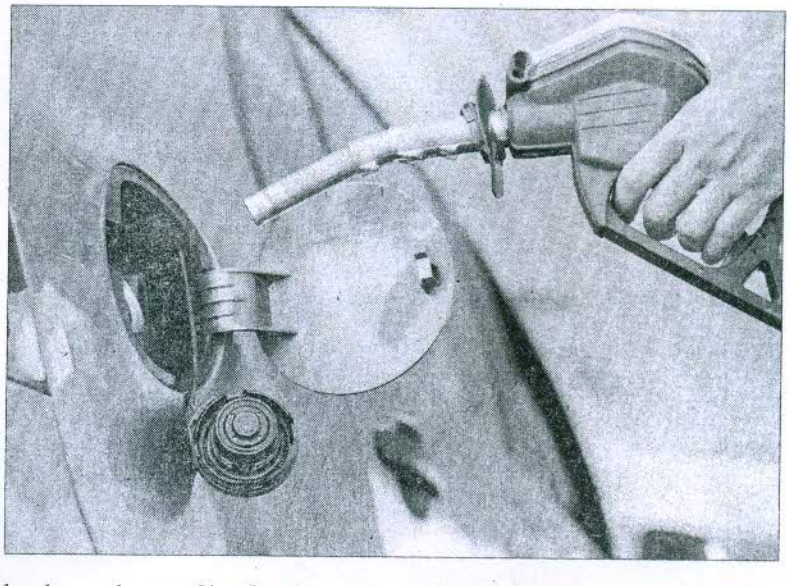
Financial Express 22 May, 2018

OIL TURMOIL

Industry seeks fuel excise duty cut as prices zoom

Brent crude oil prices went past the $80-per-barrel mark last week



PRESS TRUST OF INDIA
New Delhi, May 21

INDIA INC ON Monday urged the government to cut excise duty on petrol and diesel immediately, observing that rising oil prices pose a high risk to India's economic growth trajectory.

Industry bodies Ficci and Assocham also pitched for inclusion of automobile fuel under the ambit of GST as a long-term solution to rising prices, which coupled with a weakening rupee would increase the country's import bill significantly and have a cascading impact on inflation.

"With global oil prices once again spiralling upwards, the macro-economic risks of higher inflation, higher trade deficit and pressure on balance of payments with attended consequences for the rupee value have once again surfaced," Ficci president Rashesh Shah said.

He said the weakening rupee will further add pressure on the import bill, highlighting that there is also a risk of monetary policy turning hawkish, which would in turn have a bearing on growth of private investments.

"At a time when Indian economy is on a recovery path, rising oil prices are again posing high risk to India's economic growth trajectory," Shah said.

"Unless swift action is taken to address the situation, economic growth will again head towards a speed breaker. Amongst the most immediate actions that can be taken by the government is to bring down the excise duty on fuel," he added.

He said going forward, the Centre should also work with states to bring petrol products under the GST regime.

"While cut in excise duty on petrol and diesel may provide temporary relief to consumers, the sustainable solution lies in the automobile fuel coming under Goods and Services Tax, which can happen only after the Centre and states together reduce their dependence on the fuel considerably," Assocham secretary general D S Rawat said.

He said the rising crude prices coupled with weaker rupee with cascading impact on inflation pose a big challenge for the Indian macro picture and ironically, there is little that can be done in the short term.

In the long run, India needs to rework its energy security and ensure that petrol and diesel do not remain a huge revenue resource. Rather than being a revenue source for the government, the auto fuel should drive the economic growth, Assocham said.

Brent crude oil prices went past the $80 per barrel mark last week. On Monday, it touched $78.87 per barrel, up 0.5% from last close.

The Hindu Business Line 22 May, 2018

Industry seeks cut in fuel excise duty

PRESS TRUST OF INDIA

New Delhi, May 21

India Inc on Monday urged the government to cut excise duty on petrol and diesel immediately, observing that rising oil prices pose a high risk to India's economic growth trajectory.

Industry bodies FICCI and Assocham also pitched for inclusion of automobile fuel under the ambit of GST as a long-term solution to rising prices, which coupled with a weakening rupee would increase the country's import bill significantly and have a cascading impact on inflation. With global oil prices once again spiralling upwards, the macro-economic risks of higher inflation, higher trade deficit and pressure on balance of payments with attended consequences for the rupee value have once again surfaced, FICCI President Rashesh Shah said.

He said the weakening rupee will further add pressure on the import bill, highlighting that there is also a risk of monetary policy turning hawkish, which would in turn have a bearing on growth of private investments.

While cut in excise duty on petrol and diesel may provide temporary relief to consumers, the sustainable solution lies in the automobile fuel coming under Goods and Services Tax, which can happen only after the Centre and States together reduce their dependence on the fuel considerably, Assocham Secretary General DS Rawat said.

The Tribune **22 May, 2018**

Fuel prices up, India Inc wants excise cut

New Delhi: India Inc has urged the government to cut excise duty on petrol and diesel immediately, observing that rising oil prices pose a high risk to India's economic growth trajectory. Industry bodies Ficci and Assocham also pitched for inclusion of automobile fuel under the ambit of GST. PTI

Hindustan Times 22 May, 2018

As Oppn mounts pressure, govt hints at fuel duty cut

HT Correspondent
letters@hindustantimes.com

NEW DELHI: Record fuel prices have triggered a political row, with the Opposition attacking the NDA government for not taking steps to cut taxes on fuel so as to provide some relief to consumers, even as petroleum minister Dharmendra Pradhan said the government would work out a solution.

Petrol prices touched fresh highs in Delhi and Mumbai on Monday, at ₹76.57/litre and ₹84.40/litre respectively. Diesel prices in the two cities reached ₹67.82 and ₹72.21 per litre.

The Congress tweeted saying the Modi government was "fleecing" consumers. "The Modi Govt continues to fleece Indians on fuel prices. Petrol price in Mumbai has crossed ₹84/L. This is the highest ever price for petrol in India," the party said in a tweet.

PETROL PRICES TOUCHED FRESH HIGHS IN DELHI AND MUMBAI ON MONDAY, AT ₹76.57/ LITRE AND ₹84.40/ LITRE, RESPECTIVELY

"If the prime minister can control the price of petrol and diesel for his own interest ahead of the polls in Karnataka, why can't he do it now and all year around in public interest?" party spokesperson Jaiveer Shergill said. His reference is to fuel prices staying constant ahead of the state elections despite rising oil prices.

Speaking to ANI, Pradhan, the oil minister, said the central government has "taken the responsibility to reduce the net impact by ₹2.50 and ₹2.35", hinting at some cuts in duties or commissions.

"Just as the central government has taken responsibility, states should also take responsibility to reduce VAT, which directly goes into their account. The VAT on fuel goes up to 40%. States are the biggest beneficiaries of all collections. Even if they reduce VAT by 5%, consumers will benefit," he said.

CONTINUED ON P6

TEAR ALONG THE PERFORATION

Fuel prices

Petrol and diesel prices have surged in the country after a rally in international crude oil, which last week rose the highest since 2014 due to production cuts led by the Organization of the Petroleum Exporting Countries or Opec. Slamming the government, CPM leader Sitaram Yechury too questioned the Centre's decision to put on hold rise in oil prices in the run-up to Karnataka polls. "Oil firms resume daily price revision. The 19-day pre-Karnataka polls hikes were stalled. Why was it stopped then, and why resumed, we have no explanation for it. So just fool the people, speak of 'no govt regulation' of (oil) price, then only cynical manipulation till polls," he tweeted. "Skyrocketing oil prices has put great burden on the common man." Yechury said.

Opposition leader Sharad Yadav said the government's unwillingness to reduce taxes on oil prices made it "anti-people". He said when oil prices were trading low, the government was more interested in using the revenue from oil taxes to bridge its fiscal deficit instead of passing on the benefits of relatively low international crude price to consumers. Yadav said the government should bring petrol and diesel under the Goods and Services Tax. He said that would make their prices stable.

Industry lobbies, such as Ficci and Assocham, on Monday also appealed to the government to cut fuel excise duty. "Unless swift action is taken to address the situation, economic growth will again head towards a speed breaker. Among the most immediate actions that can be taken by the government is to bring down the excise duty on fuel," FICCI president Rashesh Shah said.

ASSOCHAM IN THE NEWS

The Asian Age **22 May, 2018**

OIL BOMB

Petrol price rise ends RBI's rate cut hopes

■ Analysts see rise in inflation, CAD and fall in growth rate

Mumbai, May 21: Rise in oil prices may lead to inflationary trends in the country, forcing the Reserve Bank of India (RBI) to hike rates by 0.25 per cent in the August policy review, foreign brokerages said on Monday.

The apex bank, however, may opt for a status quo in rates at the forthcoming review in June, they said.

"We now expect the RBI to embark on an earlier than expected rate hike cycle and expect the first hike in August of 0.25 per cent versus our earlier expectation of hikes to come in the first quarter of 2019," Australian brokerage Macquarie said.

The brokerage attributed the call to a change in "evolving external stability conditions", asserting that the underlying economic fundamentals are not weak.

The note, however, did not elaborate on the external conditions.

It can be noted that the recent times have been dominated by a surge in oil prices, widening of the current account deficit and a heavy depreciation in the rupee.

Quoting its proprietary indices, Japanese brokerage Nomura also said that the RBI may opt for a rate hike of 0.25 per cent each in August and October reviews after leaving the rates unchanged at the June 6 review.

"In our base case (55 per cent probability), we expect the RBI to leave the policy rate unchanged, but change its stance from 'neutral' to 'withdrawal of accommodation' on June 6, followed by 0.25 per cent rate hike in each of August and October," it said.

The brokerage said its policy signal index rose to 0.10 in May from 0.01 in April "implying a higher probability of tightening due to rising crude oil prices and higher core inflation.

It, however, said that at 0.1 per cent, the index is still in the no-change zone, but added that if the prices remain at the current levels, the threshold will be crossed.

Oil marketing companies hiked fuel prices for seven consecutive days till Sunday to record high, primarily on the jump in global crude prices. The Karnataka polls had also led to a deferment of the price hikes, according to reports.

The reports by Macquarie and Nomura come days after similar calls by its peers including HSBC, which expects two hikes, in August and October, respectively.

Even before the current spell of depreciation in the rupee and surge in oil prices, RBI deputy governor Viral Acharya had called for a change in stance of the policy at the April meeting of the rate-setting panel, according to minutes of monetary policy committee meeting.

According to an SBI report, rising crude oil prices may worsen the current account deficit (CAD) to 2.5 per cent of the GDP in the current financial year.

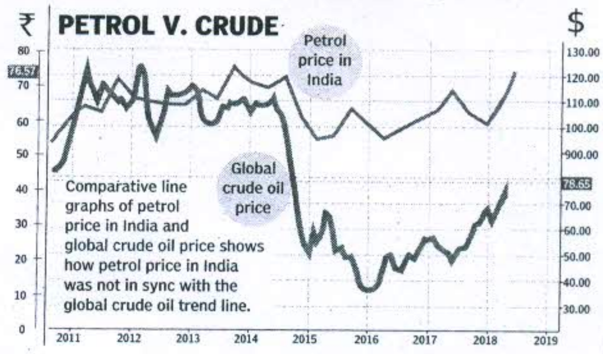
The CAD — difference between inflow and outflow of foreign exchange — is estimated at 1.9 per cent for 2017-18.

According to SBI Ecowrap, every $10/barrel increase in oil price results in additional import bill of $8 billion.

This in turn will decrease GDP by 0.16 per cent, increase fiscal deficit by 0.08 per cent, CAD by 0.27 per cent and inflation by 0.30 per cent, the research report said adding these are just model estimates and actuals could be much different.

"Crude prices are expected to impact imports. This will stretch the 2018-19 CAD to 2.5 per cent of GDP. The exports need further push so that the external metrics remain stable," the report said.

The SBI report further said for 2017-18, the exports grew at 9.78 per cent. — *PTI*



Oil minister hints at steps to keep fuel price rise in check

■ **Industry bodies Ficci and Assocham urged the government to cut excise duty on petrol and diesel immediately, observing that rising oil prices pose a high risk to India's economic growth.**

New Delhi, May 21: India is looking at ways to keep rising fuel prices in check, its oil minister said on Monday, with retail rates for diesel and petrol touching record highs in capital city New Delhi and financial hub Mumbai.

Prices at the pump have surged on the back of rallying international markets for crude oil, which last week hit their strongest since late-2014 amid ongoing production cuts led by the Organization of the Petroleum Exporting Countries (OPEC).

"Various alternatives are being looked at," Dharmendra Pradhan said in a televised speech, adding that he would "work out something soon". He did not give details.

Opposition leaders have criticised the government for failing to rein in rising fuel prices, a politically-sensitive issue in one of the world's biggest economies. India is particularly at risk from stronger global prices for crude oil as it is the No.3 importer of the commodity, buying about 80 per cent of its oil needs.

On Monday, industry lobby group FICCI called for an immediate cut in the excise duty on oil imports.

The cost of the growing thirst for oil around Asia will surpass $1 trillion this year, about twice as much as in 2015 and 2016, as oil prices touch $80 per barrel and continental demand hits a record. — *Reuters*