

Israel-Iran conflict to impact oil supply to India, increase export costs by 40-50%

Following the Israel-Iran conflict, global oil prices jumped about 8% in a single day, sparking fears that a sustained escalation could push inflation in India up, since it imports about 80% of its oil requirement

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Israel's attack on Iran and heightened tensions in the area pose significant risks to India in terms of curtailed supplies of oil and a 40-50% increase in the export costs, according to analysts and trade experts.

Early on Friday (June 13, 2025), Israel said it had struck “dozens” of nuclear and military targets in Iran, following which Iran reportedly retaliated with drone strikes of its own.

Following these developments, global oil prices jumped about 8% in a single day, sparking fears that a sustained escalation could push inflation in India up, since it

imports about 80% of its oil requirement.

Problems for India

“The ongoing Iran-Israel conflict is likely to pose risks to oil supply even though India does not directly import large volumes of oil from Iran,” Amit Kumar, Partner and Energy & Renewables Industry Leader at Grant Thornton Bharat told *The Hindu*.

“India imports more than 80% of its crude oil needs. Hence, even if direct imports from Iran are minimal, global price spikes due to conflict will raise crude oil import costs.”

Further, Mr. Kumar said that around 20% of global oil passes through the Strait of Hormuz, which is located between Iran to the north and the Arabian Peninsula to the south.

“Any disruption around the Strait of Hormuz may affect oil shipments coming from Iraq, Saudi Arabia, and the UAE who are key suppliers for India,” he added.

Disruptions in this area could also significantly hurt India’s exports in terms of time as well as costs, according to Pankaj Chadha, Chairman of the Engineering Exports Promotion Council of India.

“The escalation of the conflict in the Middle East once again closes access to the Suez Canal and the Red Sea, which will have a huge cost and time escalation for Indian exports by ship,” Mr. Chadda told *The Hindu*.

“Going around the Cape of Good Hope will add about 15-20 days per ship and \$500-1,000 per container, which effectively works out to a 40-50% increase in costs,” he added.

Impact on prices

While oil prices immediately surged following Israel’s attack, they are expected to settle back down, according to Norbert Rücker, Head of Economics and Next Generation Research at Julius Baer.

“Our best guess is that this latest conflict eruption follows the usual pattern, with prices rising temporarily before returning to previous levels,” Mr. Rücker said. “The oil market is very resilient today and supplies are unlikely at risk. Storage is ample, spare capacity plentiful, and exports grow outside of the Middle East.”

The price of gold, too, surged to above Rs 1 lakh per 10 grams following the attack as investors flocked to ‘safe haven’ assets.

“In times of conflict and uncertainty, gold remains the go-to hedge for both institutional and retail investors,” Amit Jain, co-founder of Ashika Global Family Office Services said. “What we’re witnessing isn’t just a knee-jerk reaction. It’s a continuation of a broader structural uptrend driven by central bank accumulation, weakening fiat confidence, and long-term inflationary concerns.”

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