

THE IRAN–US–ISRAEL WAR & YOUR WALLET

India's Complete Economic Picture — Updated June 2026

Straight Talk for Every Indian, Every Age

As of June 4, 2026 | Based on the latest ground reality

1. The Story So Far — A Quick Recap

On **February 28, 2026**, the United States and Israel launched joint military strikes on Iran, killing Supreme Leader Ali Khamenei and targeting Iran's nuclear programme. Iran hit back hard — attacking Gulf infrastructure, ships and energy facilities, and effectively choked the **Strait of Hormuz** — the narrow sea lane through which 20% of the world's oil travels every single day. The world's energy system shuddered.

Since then, a shaky **ceasefire** brokered by Pakistan has been in place since April 8, 2026, but it has been violated repeatedly by both sides. As of today (June 4), Iranian drones damaged Kuwait's airport just yesterday, killing one person. The Strait of Hormuz remains **largely obstructed**, with tanker traffic still 90% below pre-conflict levels.

2. Where Do the Peace Talks Stand Right Now?

This is the most critical question — because everything else (oil, inflation, your EMI) depends on it. Here is the honest ground reality as of June 4, 2026:

What Trump says:

President Trump told reporters that negotiations have gone '*very well — actually, very well*' and suggested a deal could happen '*over the weekend*.' He extended the ceasefire indefinitely on April 21, and maintains that the US-Iran truce is still technically intact despite ongoing strikes.

What Iran says:

Iran's Foreign Minister Araghchi says there has been 'no significant progress.' Iran has suspended communications with mediators, insisting that any final deal must also resolve the Lebanon war and ensure Israeli forces withdraw. This is a major sticking point.

The Lebanon Complication:

Iran insists Hezbollah and Lebanon must be part of any deal. Just yesterday (June 3), Israel and Lebanon agreed on a ceasefire — which is a positive step that could unlock broader Iran-US talks.

The Bottom Line:

The talks are like a sticky traffic signal — it keeps turning amber but never goes green. A deal is *possible* this weekend per Trump; Iran says otherwise. Until ink is on paper and the Strait actually reopens, the oil market — and your petrol pump — stay under pressure.

3. Where Will Crude Oil Settle? The ■ 1 Crore Question

Crude oil has been on a wild ride. Here's the journey:

- Pre-war (Feb 28): Brent crude at ~\$72/barrel
- Peak panic (March-April): Brent hit \$144/barrel at one point — a historic shock
- After ceasefire hope: Fell to around \$97/barrel
- Today (June 4): Back around \$105-110/barrel as ceasefire remains fragile

Cumulative supply losses from Gulf producers have already exceeded **1 billion barrels**. The IEA says global oil inventories are depleting at a **record pace**. Saudi Aramco's CEO has warned: *'If the Strait of Hormuz opens today, it will still take months for the market to rebalance — and if its opening is delayed further, normalization will last into 2027.'*

What experts forecast for the next 12 months:

- If a solid peace deal is signed and Hormuz fully reopens: Brent could fall to \$75-85/barrel by year-end (Goldman Sachs, EIA base case)
- If ceasefire stays fragile with partial Hormuz reopening: Oil stays in the \$90-100 range for 'at least the next couple of months' (ICMA)
- If talks collapse and war resumes: Brent could spike back above \$120+
- EIA's 2027 forecast: \$64/barrel — but only if peace holds

Even the optimistic scenario keeps oil above pre-war levels for the rest of 2026 because of damaged infrastructure, depleted inventories, and a 'risk premium' that has now become a permanent feature of oil pricing.

4. Your Petrol, Diesel & LPG — What to Expect

India imports over 85-90% of its oil. About 40-55% of that comes through the Strait of Hormuz. So we are directly in the firing line of every price move.

Current reality:

- Petrol in Delhi: crossed ■100/litre after 4 successive hikes since May 15
- Diesel: rose ■2.71/litre in the last single revision alone
- LPG cylinder (14.2 kg): hiked ■60 in May 2026 — more hikes likely
- Government cut petrol duty from ■13 to ■3/litre to cushion you — but that buffer is almost fully used up now

What happens next:

- If oil stays at \$100+: expect 1-2 more petrol/diesel hikes of ■2-4/litre each before year-end. LPG may see another ■50-75 hike
- If oil falls to \$80-85: prices likely stabilise; small rollback possible
- Commercial LPG (used by dhabas, restaurants) has nearly tripled — your food bills are not coming down anytime soon regardless

5. Inflation — Everything Getting Costlier, Here's the Maths

Think of inflation as a domino effect. Higher fuel → costlier transport → costlier vegetables, medicines, goods → everything costs more. This isn't abstract — it hits your monthly budget hard.

The hard numbers:

- Every \$10 rise in crude widens India's import bill by ~■1.08-1.17 lakh crore annually
- Every \$10 rise in crude widens the Current Account Deficit (CAD) by 0.3-0.4% of GDP
- Every \$10 rise in crude pushes inflation up by 20-30 basis points (0.2-0.3%)
- RBI's own projection: inflation at 4.6% for FY27, rising to 5.2% by Q3
- SBI Research expects CPI inflation to stay above 5% for the next 3 quarters

Remember — just 6 months ago, India's inflation was a comfortable 1.33%. The war has completely changed that story. The common man is feeling it at the vegetable market, the petrol pump, and the restaurant bill.

6. India's Import Bill & Current Account Deficit — The Hidden Danger

India's Chief Economic Adviser V. Anantha Nageswaran has officially warned: *'The trade deficit will rise significantly and will lead to widening of the current account deficit.'* This is serious.

Think of the Current Account Deficit (CAD) like a household spending more than it earns. When India pays more dollars for oil, it earns fewer dollars from exports, and the gap (CAD) widens. A wider CAD:

- Puts pressure on the rupee (makes it weaker)
- Reduces forex reserves
- Can lead to higher borrowing costs for the government
- Ultimately squeezes public spending on roads, hospitals, welfare

At crude of \$100+, India's annual oil import bill balloons to well over \$200 billion — a massive drain on our dollar savings. The government is walking a tightrope between protecting citizens from high prices and protecting the country's finances.

7. The Rupee & Forex Reserves — Under the Gun

The Indian rupee has been one of the biggest casualties of this war.

- Rupee has crashed to an all-time low of 96.28 to the US dollar
- Analysts at DBS Bank now see the rupee in the 95-100 range for rest of 2026
- Forex reserves fell from \$728 billion to \$698 billion in just 3 weeks
- RBI burned through \$40+ billion defending the rupee
- Emergency steps: gold import duty raised to 15%, speculative currency trading barred

A weaker rupee makes oil even more expensive in rupee terms — creating a vicious cycle. Even if global oil prices fall a bit, a weak rupee partially cancels out the benefit for Indian consumers.

8. Share Market — Fasten Your Seatbelt

The stock market has become a live barometer of every ceasefire tweet and every missile fired. Here's what's happened and what's likely next:

- Nifty 50 fell over 10% in March 2026 — one of the sharpest war-related falls
- FPIs (foreign investors) sold ■12.58 billion from Indian equities in March alone
- 21 out of 23 sectors were in the red during the worst phase
- Each ceasefire news bounce: Sensex surges 3-4%; each ceasefire violation: it falls sharply again

What to expect in the next 12 months:

The market will remain **headline-driven and volatile**. A genuine peace deal and Hormuz reopening could trigger a sharp 8-12% rally. Prolonged war could drag Nifty down another 5-8% from current levels. For long-term investors in SIPs and mutual funds: **stay the course, don't panic-sell**. For short-term traders: expect wild swings on every news update.

9. Sectors — Who Wins, Who Loses?

■ Sectors Under Serious Pressure:

- **Aviation** (IndiGo, Air India): Fuel is 30-40% of costs. Both saw 4-8% stock falls. Airspace disruptions also hit bookings. Partial recovery expected as normalcy returns
- **Oil Marketing Companies** (HPCL, BPCL, IOC): Caught between high crude and political pressure to limit retail price hikes. Margins badly squeezed
- **Paints** (Asian Paints, Berger): Crude derivatives are 20-25% of input costs. Margin pressure similar to Russia-Ukraine shock of 2022
- **Tyres & Chemicals**: Petroleum-based raw materials costlier; margin pressure building
- **Automobiles**: Input cost pressure plus demand slowdown as consumers feel the fuel price squeeze
- **Logistics & Transport**: Fuel is their biggest cost; passing it on to customers pushes inflation further
- **Hotels & Tourism**: Room booking cancellations in March-April 2026 due to Middle East flight disruptions; recovery expected Q1 FY27
- **Pharmaceuticals**: Middle East accounts for 5.7% (~\$1.75bn) of India's pharma exports; rerouting costs and delays are squeezing margins

■ Sectors Likely to Benefit or Remain Resilient:

- **IT & Software** (TCS, Infosys, Wipro, HCL): Earn in dollars, report in rupees — a weaker rupee actually boosts their profits. These are the relative safe havens right now
- **Pharma Exporters**: Dollar earnings benefit from rupee weakness; global demand for Indian generics remains strong
- **Defence** (HAL, BEL, Bharat Dynamics): War globally = higher defence budgets everywhere. India's own defence spending rising. These stocks have been outperformers
- **Renewable Energy**: The war is accelerating the global shift away from fossil fuels. Solar, wind, green hydrogen companies are long-term winners
- **Gold & Gold ETFs**: Classic safe haven in times of geopolitical stress. Gold has rallied strongly — those holding gold funds are smiling

- **Coal India:** As gas and LNG supplies tighten, coal demand spikes. Short-term beneficiary
- **Private Banks & NBFCs:** Mixed picture, but healthier balance sheets mean they can absorb the stress better than 2008 or 2013

10. GDP — Is India Heading Toward Recession?

Short answer: No recession, but a definite slowdown. Here's the full picture:

- Pre-war India (Feb 2026): growing at 8.2% — one of the world's fastest
- RBI's revised FY27 forecast: 6.9% GDP growth
- Bank of Baroda chief economist: likely to revise further down to 6.5%
- UBS forecast: 6.2% for FY27
- Goldman Sachs had already cut to 5.9% in the first shock phase

India is NOT heading into recession. Our economy is driven 60%+ by domestic consumption — people still need to eat, travel, shop and invest. But growing at 6.5% instead of 8% means millions fewer jobs created, less government revenue for welfare and infrastructure, and slower income growth for you.

India's Chief Economic Adviser has officially flagged 'considerable downside risk' to growth forecasts. The June MPC meeting, per analysts, will be a **'test of patience, credibility, and coordinated policy action.'**

11. RBI June 5 Decision — The Most Awaited Call of the Year

The RBI's Monetary Policy Committee meets June 3-5, with Governor Sanjay Malhotra announcing the rate decision on **June 5, 2026** — literally tomorrow. This is being called one of the toughest calls in recent memory.

The RBI's impossible dilemma:

- **Cut rates:** Would help growth and EMIs — but would weaken the rupee further, making oil imports even costlier, stoking inflation more
- **Hike rates:** Would stabilise the rupee and contain inflation — but would choke growth when the economy is already slowing
- **Hold rates:** The safest middle path — but markets want guidance

What the experts say:

- SBI Research: Status quo (hold at 5.25%) is most likely
- Bank of Baroda: No rate change; but RBI may raise inflation forecast to ~5% and cut GDP forecast to ~6.5%
- BofA Global Research: RBI faces 'dilemma of whether to respond to market pressures or incoming data'
- Goldman Sachs (minority view): Possibility of a 50 bps rate hike if rupee pressure intensifies

Our verdict: **Repo rate stays at 5.25%**. RBI will hold, revise inflation upward, revise GDP downward, and use its statement to signal that it is watching carefully and will act if needed. In plain language — your home loan EMI is unlikely to change tomorrow, but don't expect any rate cut relief this year either.

12. Recession Fear — Should You Be Worried?

Globally, yes — there are genuine fears. The Iran war has been compared by the International Energy Agency to **both 1970s oil shocks happening simultaneously**. The US, Europe and China are all under pressure.

For India specifically: the structural resilience is real — young population, domestic demand, government capex, improved bank balance sheets, and fresh trade agreements all provide a cushion. India will NOT go into recession.

But here's the honest truth for the common man: **not being in recession doesn't mean things feel good**. When inflation is 5%+ and your salary grows at 8%, you're still better off. But when fuel, food and transport all get costlier together, the *feeling* of a slowdown is very real, even if the GDP numbers don't show it.

13. Modi's Austerity Appeal — Alarming or Appropriate?

PM Modi made an unusual, rare appeal — urging citizens to cut petrol and diesel use, increase carpooling, work from home, reduce foreign travel and gold purchases. This followed similar calls by Philippines, Bangladesh and Sri Lanka earlier this year.

Why now?

India has only 25-50 days of crude oil reserves on hand. The forex drain from oil imports is enormous. The government's own subsidy bill is ballooning. Modi waited for key state elections to conclude before making this call — which is politically understandable but leaves him open to criticism.

Is it alarming?

Yes and no. Yes — because it reveals that the economic stress has reached the highest levels of government. No — because India is not Sri Lanka (2022) or Pakistan. We have \$698 billion in forex, a functioning tax system and a diversified economy. This is a call for shared sacrifice, not an SOS signal. Think of it as a sensible doctor advising lifestyle changes before the patient needs surgery.

14. The Next 12 Months — Three Scenarios

■ Scenario A — Peace Deal (Probability: 35-40%)

US and Iran sign a 60-day MoU this weekend as Trump hopes. Hormuz gradually reopens. Oil falls to \$80-85 by September. Petrol prices ease ■5-8/litre, LPG stabilises. Rupee recovers to 88-90. Nifty surges 10-12%. RBI cuts rates by year-end. GDP recovers to 7%+ in FY28.

■ Scenario B — Prolonged Fragile Ceasefire (Probability: 45-50%)

Ceasefire holds but Hormuz stays partially blocked. Oil remains \$90-105. 1-2 more fuel hikes likely by October. Inflation stays above 5%. Rupee at 93-97. Nifty range-bound with high volatility. RBI holds rates all year. GDP at 6.5-6.8% for FY27.

■ Scenario C — Renewed War (Probability: 15-20%)

Talks collapse. Fresh strikes resume. Hormuz fully blocked again. Oil spikes above \$120. Petrol crosses ■115-120/litre. LPG hits ■1,200+. Inflation above 6%. Rupee crashes toward 100. Nifty falls 15-20% from current levels. Government may impose war-time economic controls.

What should YOU do?

- Don't panic-sell your SIPs or long-term equity investments
- Avoid big-ticket loans right now — EMI relief is not coming soon
- Keep an emergency fund — 6 months of expenses in liquid savings
- Cut discretionary fuel use — it helps both your pocket and the nation
- Gold and IT sector mutual funds are reasonable hedges right now
- Watch the June 5 RBI announcement closely — it sets the tone for the year

"The world is negotiating at Hormuz. Your petrol pump, your kitchen gas, your EMI and your savings are all waiting for the outcome."

A blog by **SubbuS** | Retired Banker