



## Oil Price Impact on South Asia

Crude oil prices typically fluctuate based on seasonal demand and supply. Global supply and prices are also affected greatly by geopolitical conflict and civil unrest. Most recently, the COVID-19 pandemic caused crude price changes through a drop in demand. While economic recovery is underway, oil prices continue to be affected by global uncertainties.

Oil prices are more volatile today due to many factors such as the Russia Invasion of Ukraine. Russia is the third-largest producer of liquid fuels and petroleum, so when the country invaded Ukraine in late February 2022, it had an immediate impact on crude oil futures prices. As the conflict continued, the prices of crude oil settled on an upward trajectory.

The increase in oil price also reflects supply limitations by the Organisation of the Petroleum Exporting Countries (OPEC) and OPEC partner countries. In 2020, OPEC reduce oil production due to decreased demand during the pandemic. It gradually increased oil output through 2021 and into 2022. Supply chain disruptions in late 2021 affected global trade as well.

In addition, countries in Asia have relied on coal to generate power, but recent shortages have turned them to natural gas. Higher temperatures in parts of Asia and Europe have led to high demand for natural gas to generate power. As a result, natural gas prices soared in 2021 and are expected to remain high in 2022, and affected countries have turned to gas-to-oil switching to reduce power generation costs.

As the price of crude oil is scaling new heights, South Asian economies are feeling the pressure. Therefore, this Occasional News Wrap (ONW) has reviewed and compiled various relevant articles in print and electronic media on the oil price impact on South Asian economies.

1.	<p>Nepal Oil jacks up fuel prices to record level</p> <p><b>The Kathmandu Post</b></p> <p>June 20, 2022</p>	<p>Nepal Oil Corporation has <a href="#">increased the prices</a> of petrol by a steep Rs 21 per litre and diesel and kerosene by Rs 27 per litre, as it has been facing an extreme financial crisis. This is the highest increment ever made by the oil monopoly. The oil monopoly said that it hiked the prices of petroleum products in line with the international market.</p>
2.	<p>Pakistan's weekly inflation rate increases by 3.38% after fuel price hike</p> <p><i>By ANI</i></p> <p><b>Business Standard</b></p> <p>June 19, 2022</p>	<p>Due to the increase in the petroleum prices, the <a href="#">inflation rate</a> measured by the Sensitive Price Index (SPI) in Pakistan increased by 3.38 per cent in comparison to the previous week. The data was released by the Pakistan Bureau of Statistics (PBS).</p>
3.	<p>Sri Lanka's economic activity grinds to a halt as fuel supplies run dry</p> <p><i>By Anusha Ondaatjie</i></p> <p><b>Business Standard</b></p> <p>June 17, 2022</p>	<p>Sri Lanka's economic activity is coming to a near standstill as the island nation, facing its worst <a href="#">financial crisis</a>, runs out of fuel for transport and there are little signs of fresh supplies coming in. The government declared Friday a holiday for public offices and schools to curtail vehicular movement, leaving many roads in and around the capital Colombo deserted.</p>
4.	<p>Oil Down, Weighs Down By Demand Concerns</p> <p><i>By Zhang Mengying</i></p> <p><b>Investing.com</b></p> <p>June 16, 2022</p>	<p>Oil was down in Asia, weighed down by demand concerns following <a href="#">global interest rate hikes</a>. The global central banks are adopting tight monetary policies. The tightening policies from central banks added to investors' concerns of an economic downturn.</p>
5.	<p>Global oil, LNG price hike impact Bangladesh: Momen</p> <p><b>UNB News</b></p> <p>June 12, 2022</p>	<p>Purchase of oil and LPG at increased price is putting negative impact on <a href="#">foreign exchange reserve</a> of the country. The amount of government subsidy is being increased so that people are not affected due to increase of price of fuel and LPG which is putting pressure on the overall budget.</p>
6.	<p>Asian stocks, Wall Street futures sapped by inflation worries amid higher oil price: Markets Wrap</p>	<p>Stocks slipped in Asia and bonds were again on the back foot, weighed down by the impact of high inflation. MSCI Inc.'s Asia-Pacific equity index declined as bourses in Japan, China and Hong Kong</p>

	<p><i>By Aakriti Bhalla</i></p> <p><b>The Financial Express</b></p> <p>June 09, 2022</p>	<p>struggled for traction. US futures dipped after Wall Street snapped a two-day rally. A <a href="#">climb in oil</a> past \$122 a barrel has stoked worries about rising costs and monetary tightening.</p>
7.	<p>Impact On Oil Companies Of Recent Developments</p> <p><i>By Soumeet Sarkar</i></p> <p><b>Times Now</b></p> <p>June 06, 2022</p>	<p>The recent developments in the oil space – Brent Crude above \$120/bbl, Singapore GRMs a little above \$25/bbl – new high and rising imports of crude from Russia at discounts – will have an impact on OMCs, RIL, MRPL, and Chennai Petroleum. Higher crude prices are <a href="#">negative for OMCs</a> as the same is not being passed on to consumers.</p>
8.	<p>Saudis raise oil prices more than expected amid Asia rebound</p> <p><i>By Alfred Cang and Anthony Di Paola</i></p> <p><b>Bloomberg</b></p> <p>June 05, 2022</p>	<p>As gasoline prices soar and the US considers invoking Cold War-era laws to boost production, there’s a massive pool of oil refining capacity on the <a href="#">other side of the Pacific Ocean</a> that’s sitting idle. Around a third of Chinese fuel-processing capacity is currently out of action as Asia’s largest economy struggles to put the coronavirus behind it. If tapped, the extra supply of diesel and gasoline could go a long way to cooling red-hot global fuel markets, but there’s little chance of that happening.</p>
9.	<p>Global oil price volatility: How can Sri Lanka cope?</p> <p><i>By Binura Seneviratne</i></p> <p><b>Daily Mirror</b></p> <p>June 02, 2022</p>	<p>The <a href="#">volatility of global oil prices</a> has worsened Sri Lanka’s economic woes. Higher global energy prices, the depreciation of the Sri Lankan rupee, and the trimming of fuel subsidies have contributed to a spike in local fuel prices, which will exacerbate the inflationary environment.</p>
10.	<p>South Asian nations should come together to solve food and energy security issues</p> <p><i>By Tashi Dema</i></p> <p><b>Kuensel</b></p> <p>June 02, 2022</p>	<p>The impact of the Ukraine-Russia war is being felt worldwide with South Asian countries faced with food and energy security issues, a result of the crisis. However, the ongoing issue also <a href="#">provides opportunities</a> for South Asian countries to find solutions to reduce our reliance on imported fuels and how to improve energy and food security.</p>