

# CRUDE OIL POSES KEY RISK TO FINANCIAL STABILITY: FM

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Free agents: It is for oil marketing companies to decide if they need to raise prices, says Sitharaman. SUSHIL KUMAR VERMA | Photo Credit: SUSHIL KUMAR VERMA

The government and regulators are keeping close tabs on the evolving Russia-Ukraine situation, high crude oil prices and the extreme volatility in financial markets, Finance Minister Nirmala Sitharaman said on Tuesday, ruling out any extraordinary or special measures to cope with the implications of these headwinds.

Ms. Sitharaman said she was studying the facts of the governance fiasco at the National Stock Exchange (NSE) to assess whether adequate regulatory action had been taken by the stock market regulator in the matter. She was also unfazed by the possibility of volatility in equity markets affecting the prospects for the listing of Life Insurance Corporation of India (LIC) shares before the end of the current financial year.

## 'Safeguarding trade'

India was hoping for a diplomatic resolution of the Ukraine crisis and the External Affairs ministry was in touch with all countries in the region so that Indian trade was not affected, Ms. Sitharaman told reporters after steering the 25th meeting of the Financial Stability and Development Council in Mumbai with the chiefs of financial sector regulators.

Runaway crude oil prices were identified as one of the major challenges for India's financial stability by the council, which also deliberated on 'the extreme volatility' in markets, 'headwinds' from the tightening of monetary policy by the U.S. Federal Reserve and other central banks and the 'worrisome international situation' in Ukraine, she indicated.

"It is very difficult to say on crude prices, it is obviously an important consideration... It's not just the rise in global prices that is a problem, but there's a supply challenge as well," she said.

On the outlook for local retail fuel prices, which are expected to rise in tandem with global prices after the ongoing Assembly polls conclude in March, Ms. Sitharaman said it was for oil marketing companies to decide.

## 'I cannot answer'

"But about why oil marketing companies, who actually play at a price... meaning they buy at some cost, they use a 15-day average based on which they put out a pump-level price; what the OMCs will have to do, why they have not done it for the last 7 days, 17 days, 27 days, I cannot answer," she added.

Emphasising that the volatility in the financial markets was due to triggers from overseas developments such as the Ukraine crisis, Ms. Sitharaman said the government was discussing the implications and 'pressures we may have to face due to what is happening there'. "We are keeping a watch and moving forwards," she added.

"On whether the market condition is conducive for LIC [listing], if it's good for LIC, it is good for

everybody else. If there are headwinds for LIC, it is headwinds for the rest as well. I can see there's a lot of buzz and interest in the market now that the draft red herring prospectus (DRHP) is out," Ms. Sitharaman said.

Dismissing queries on whether the listing process could spill over into the next financial year, the Minister said: "We will be going ahead with it... the DRHP is not issued two years in advance."

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