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INDIA'S CURRENT ACCOUNT UNDER THREAT IF OIL SURGE CONTINUES: RBI

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MUMBAI: India's current account and fiscal deficit could take a hit if oil prices continue to rise after an attack on Saudi Arabian oil facilities over the weekend, the central bank chief said on Monday.

"We should allow a few more days to see how the situation plays out before taking a final view...depending on how long it persists it will have some impact on the current account deficit and further perhaps on the fiscal deficit if it lasts longer," Governor Shaktikanta Das told a news channel.

Das said it was important to see whether alternative sources of supply come up and how soon the installations take to resume operation.

U.S. officials blamed Iran for the attack, which damaged the world's biggest crude oil processing plant and led to a 19% surge in oil prices. Iran denied blame and said it was ready for "full-fledged war".

A jump in oil prices is a negative for emerging markets such as India, which is the world's third-biggest importer of oil.

The country's current account deficit in the March quarter narrowed on the back of the merchandise trade deficit contraction but a surge in crude prices could balloon the deficit and wreck havoc with the currency.

The partially convertible rupee dropped nearly 1% on Monday to 71.60 per dollar versus its previous close of 70.92.

India is also likely to miss its fiscal deficit target for the current financial year, despite receiving an additional dividend from the central bank, five government officials and advisers told Reuters earlier this month, as tax collections have sunk amid a sharp economic slowdown.

GROWTH FOCUS TO REMAIN

Das said the monetary policy committee would continue to focus on growth with inflation expected to stay within the medium term target.

Asia's third largest economy expanded just 5.0% year on year in the June quarter, its weakest pace since 2013, far below the median forecast of 5.7%.

"The numbers definitely look much worse. The number of 5% is a surprise. We are analysing why exactly it has happened," Das told CNBC TV18.

"Growth now is a matter of highest priority, especially with inflation remaining within 4%," he added.

The retail inflation rate rose to a 10-month high in August but stayed below the central bank's 4% medium-term target.

Analysts believe the slowdown could persist for two or three years while structural reforms are put in place.

A Reuters poll conducted after the last monetary policy decision in August predicted the RBI would cut rates by another 25 basis points at its October review and then by 15 basis points early next year.

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