
Gulf economic crisis of 2015-16 and its impact on Indian Economy

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Abstract

The decade of the 1970s had witnessed a superfluous rise in the prices of oil. The price of crude had quadrupled from around \$3 to \$12, and reached almost \$40 (equal to \$120 adjusted with inflation of 2016) at the end of the 1970s. This meant huge inflows of cash to the oil producing nations (OPEC), especially the Gulf nations of the Middle East Asia. This increased inflows meant huge amounts of money piling up with the respective governments and increased investments in the oil sector and other financial sectors. Huge employment opportunities were created which was aptly taken up by people across the globe. A sizeable number of the workforce from South Asia secured employment in various industries that sprung up in these countries. This was a blessing in disguise to the South Asian nations, especially India, as it helped to ease the unemployment at home. More Indians working abroad meant more remittances to India. As the crude oil prices increased, so did the chances of securing employment in the Middle East. But, the rising prices also had a negative effect on oil importing countries like India. Rising middle income families, urbanization of India meant increased imports of crude oil. The exchequer had to face the heat in paying off the fuel bills and also offer the petroleum products to the Indian consumer at subsidized rate for decades. Yet, the Middle East was the favorite destination for an Indian job seeker and over the years sizeable number of Indians got employed in these oil rich nations. The year 2014 saw a drastic fall in the crude oil prices owing to many factors like excess production cum over-supply, reduced demand due to stagnant economic growth across nations, and improvements in technology where crude oil products were substituted. The fall in the prices hit the oil nations badly leading to downsizing the operations which eventually led to job losses.

This paper tries to explain the effects of the decrease in oil prices that has led to the crisis in the gulf and its impact on the Indian economy.
