

## How high is the price of petrol in India?

*Rising fuel prices in India has led to considerable debate on which government, state or central, should be lowering their taxes to keep prices under control. The rise in fuel prices is mainly due to the global price of crude going up. Governments have acted differently in various countries on fuel pricing. Further, a stronger dollar has added to the cost of crude oil which is refined by the OMCs. Just how high are the prices in India compared to other countries?*

In the table below we have juxtaposed petrol prices as of May 9 in various countries with the per capita income. The latter would indicate further whether citizens get impacted more or less due to these high prices.

For a set of 106 countries for which data is available, the price in India at \$ 1.35/litre is 42<sup>nd</sup> in rank. Hence there are over 50 countries where the price is higher. This should provide some comfort that in absolute terms India is not an outlier. The median price was around \$ 1.22/litre.

The table provides prices for some major economies where Indian price can be meaningfully compared. Fuel prices in India are at par with those in Australia, Turkey, and South Korea. However, the price is very high in case of Hong Kong, Finland, Germany, Italy, Netherlands, Greece, France, Portugal and Norway where it above \$ 2/litre.

Amongst comparable countries (per capita wise), prices are much lower in Vietnam, Kenya, Ukraine, Bangladesh, Nepal, Pakistan, Sri Lanka, Venezuela. Countries that are major oil producers have much lower prices.

India's petrol price does not now look too much out of place. However, when juxtaposed with the per capita income, it can be seen that wherever prices are higher, the per capita income is much higher than in India. Therefore, the economic pain caused is much higher for countries with low per capita income as its direct and indirect effect on inflation is higher which in turn impacts the lower income groups the most. In the table, Philippines has comparable petrol price but has a per capita income higher than India by over 50%. Countries which have a lower per capita income like Kenya, Bangladesh, Nepal, Pakistan, and Venezuela have much lower price of petrol and hence are impacted less than India.

Therefore there is still a strong case for the government to consider lowering the taxes on fuel to protect the interest of the people.

**Table 1—Fuel prices across countries**

Country	Gasoline (1 litre, in USD)	GDP per capita (current prices, in USD)
Hong Kong	2.58	49,727
Finland	2.31	49,159
Germany	2.29	50,795
Italy	2.28	33,628
Netherlands	2.19	58,292
Greece	2.17	20,256
Portugal	2.11	24,264
France	2.07	44,853
Norway	2.07	89,090
Sweden	1.96	60,029
Israel	1.96	51,416
Czech Republic	1.93	22,942
Belgium	1.9	45,255
United Kingdom	1.87	43,121
Singapore	1.87	72,795
Switzerland	1.8	87,351
Austria	1.78	53,368
New Zealand	1.75	48,424
Spain	1.57	30,090
Luxembourg	1.45	1,17,063
Australia	1.36	52,848
India	1.35	2,283
Turkey	1.35	9,528
Philippines	1.33	3,572
South Korea	1.32	31,638
Brazil	1.3	8,914
South Africa	1.29	6,950
Hungary	1.29	15,948
Japan	1.25	39,340
Thailand	1.23	7,168
China	1.21	10,525
Chile	1.19	12,977
Canada	1.16	52,079
Vietnam	1.13	3,398
Kenya	1.13	2,111
Mexico	1.1	8,507
Ukraine	1.05	3,751
Bangladesh	1.05	1,962
Nepal	1.03	1,179
Taiwan	1.01	33,775
United States	0.98	69,231
Argentina	0.9	10,658
Indonesia	0.85	4,357
United Arab Emirates	0.82	38,661
Russia	0.79	12,198
Pakistan	0.77	1,562
Sri Lanka	0.67	3,681
Saudi Arabia	0.61	20,089
Venezuela	0.51	1,686
Malaysia	0.47	10,351

Source: NUMBEO, IMF WEO Apr'22, Bank of Baroda Research

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