

12th August 2025

The oil economy for India

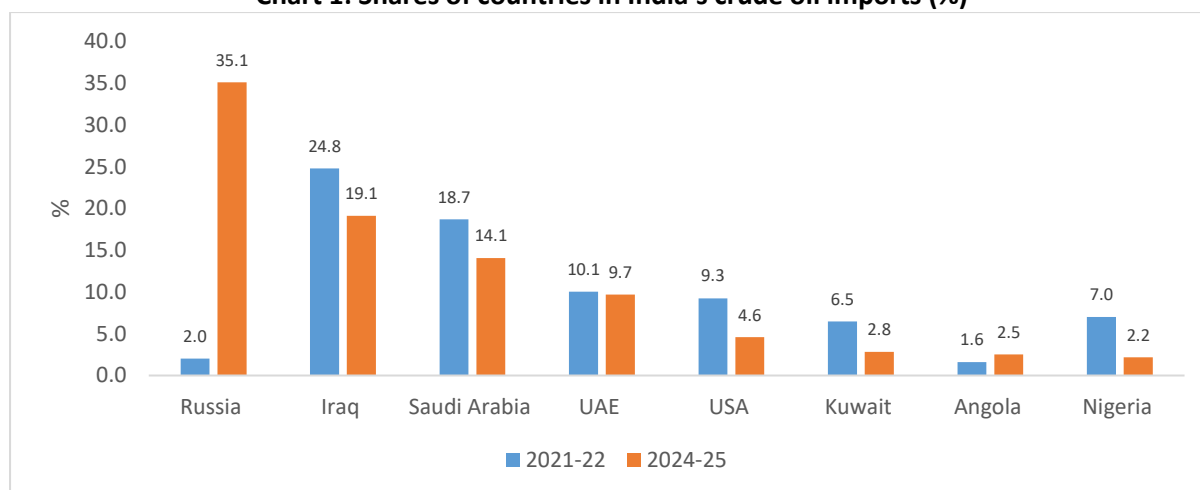
Overview

The recent announcement by the USA to levy higher tariff on India for importing oil from Russia has raised economic concerns of the fallout. The present oil environment is quite benign with global prices prevailing at prices between \$ 65-70/bbl. If imported price does increase there will be implications for import bill, trade deficit, current account deficit, fiscal outlays, inflation and currency. It is against this background that the overall import dynamics of crude oil is presented for India.

Sourcing of crude oil imports

The chart below gives the shares of various countries in our crude oil imports for two points of time. The first is 2021-22 which is before the Ukraine war began while 2024-25 is the last fiscal. As can be seen there has been a distinct shift in terms of sourcing of crude oil with Russia now becoming the major supplier.

Chart 1: Shares of countries in India's crude oil imports (%)



Source: CMIE

While Russia is the major source, it is interesting to note that Iraq is the second important source with share of 19% followed by Saudi Arabia with 14% and UAE with almost 10%. These four nations account for almost 80% of our imports in 2024-25. Interestingly, the share of USA was significant and peaked in 2021-22 even though it has been erratic in the last 10 years or so. It fell to 3.6% in 2023-24 before rising again in 2024-25.

The table below presents data on the average price of crude oil that was imported from the major suppliers over the last 6 years. It starts with pre-covid period and moves to 2024-25. The prices have been converted from \$/tonne to \$/barrel based on the conversion factor of 7.33. The idea is to capture what was the price that India paid for crude oil over the years and the variations in prices across suppliers. The landed price would include the cost of oil as well as insurance and freight and a part of the reason for differences in prices would be the logistics cost that tends to increase with the distance of procurement.

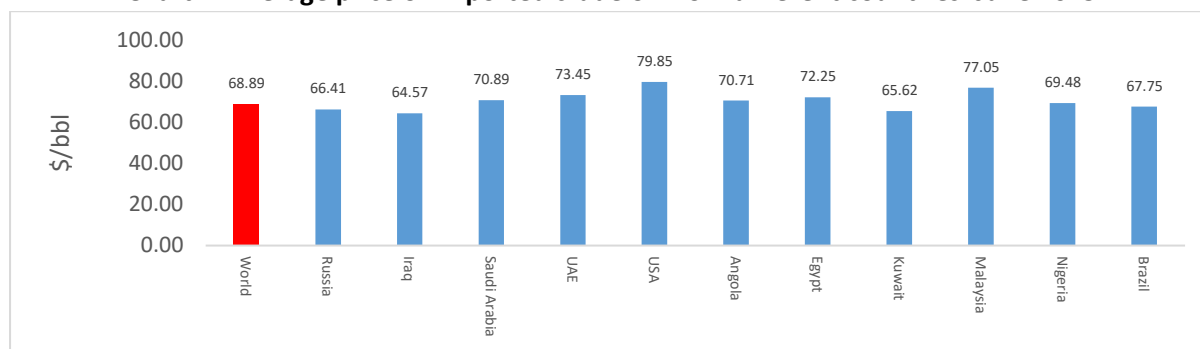
Table 1: Computed average price of imported oil from select countries \$/bbl

	World	Russia	Iraq	Saudi Arabia	UAE	USA	Kuwait	Angola	Nigeria
2019-20	63.45	66.78	60.23	65.77	68.50	69.54	64.26	67.48	70.89
2020-21	42.96	46.64	40.68	42.78	45.66	48.46	44.26	45.18	46.77
2021-22	76.04	78.08	73.45	80.42	77.60	77.48	76.28	80.34	78.28
2022-23	93.42	83.85	90.18	100.38	103.37	91.94	94.09	97.74	107.83
2023-24	82.13	76.40	79.15	90.22	89.32	86.28	89.14	86.23	91.11
2024-25	79.95	78.39	76.83	82.81	85.83	84.97	79.36	83.81	88.94

Source: CMIE for data and conversion factor of 7.33 used

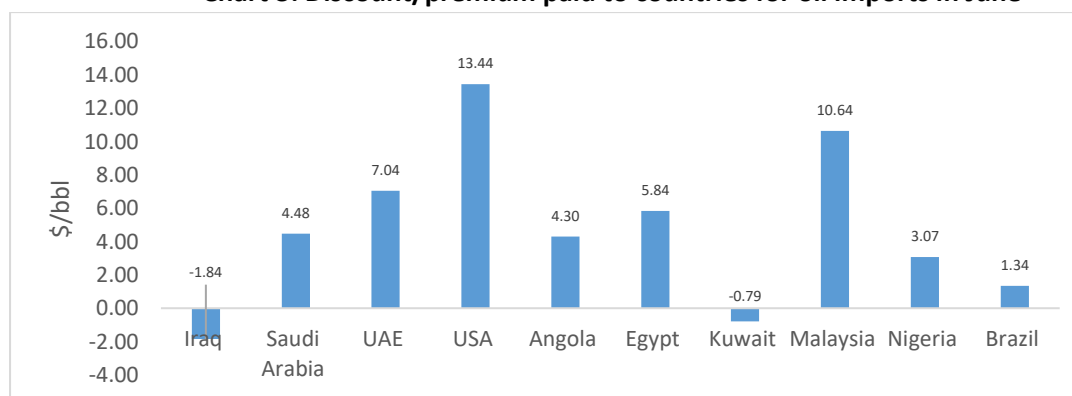
As can be seen there is considerable variation in the average price across countries. Besides logistics cost the price variation would be due to differences in quality, timing of purchase, reckoning of forward contracts etc. But the interesting point here is that in 2024-25 the lowest price came from Iraq followed by Russia. The Russian price came lower than our average price by around \$ 1.56/barrel.

Chart 2 below gives the more contemporary price of oil in June for India based on a similar calculation. The average price was around \$ 69/bbl with Russia, Iraq, Kuwait, Nigeria and Brazil selling at prices less than \$ 70/bbl. Therefore, the market has become competitive of late with prices being benign in general.

Chart 2: Average price of imported crude oil from different countries: June 2025

Source: CMIE

Chart 3 below gives a picture of the discount/premium that various countries provided to India for June relative to Russia.

Chart 3: Discount/premium paid to countries for oil imports in June

Source: CMIE

The chart shows that Russian oil was not the lowest in June and Kuwait and Iraq have provided the same at a lower cost.

In 2024-25, India imported 244 mn tonnes of oil from various countries which is approximately 1.8 bn barrels. In an unchanged global oil environment every increase of \$ 1 /barrel will increase imports by \$ 1.8 bn. In June our average price was roughly \$ 2.50 higher than the Russian price. The overall impact hence would not be more than \$ 4.5-5 bn on an annual basis. Given that overall imports of goods were \$ 720 bn, this would not be a significant increase which cannot be absorbed.

For the world economy there could be a greater problem if there is a full embargo on Russian oil exports as it contributes to around 10% of supplies and it may not be possible for other nations to immediately scale up output. This can push prices above the \$ 80 mark in the short term until the supplies come in.

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