

## India’s crude import-story so far

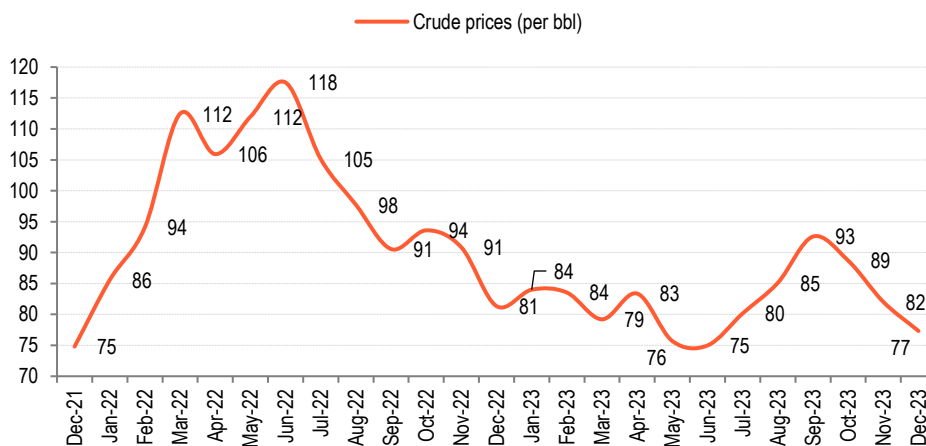
Russia meets a large portion of India’s ever growing demand for crude oil. Post the Russia-Ukraine conflict, Russia emerged as one of the top contributors to India’s oil import and its share in total imports has risen remarkably on the back of the discounts on oil prices. However, in the last few months some moderation has been noticed in terms of Russia’s supply of crude given the fall in international crude prices. Regardless of this dip, the demand for Russia’s crude oil has remained intact even as government is trying to lower its oil import bill and reducing its dependence on Russia as it continues to look for other better suited alternatives.

### Crude oil prices

India depends on other regions and countries to fulfil its growing demand for crude. Over 80% of India’s crude oil demand is met through imports. In Dec’23, India’s total oil import bill had fallen down by 25% on a YoY basis compared with an increase of 7.2% in Nov’23. This was on account of a steady fall in the crude oil prices, the average price was down by 4.9% in Dec’23 (US\$ 77.3/bbl from 81.3/bbl in Dec’22).

Before the beginning of the Russia-Ukraine conflict, the average international crude price was hovering below US\$ 100/bbl mark. Back in Dec’21, the average price was as low as US\$ 75/bbl. With the beginning of the conflict in Feb’22, the conflict added to ongoing geopolitical uncertainty, raising concerns over global economic outlook and the oil prices escalated to as high as US\$ 118/bbl during this period. However, since then the prices have gradually moderated and are trading near the US\$ 77/bbl mark.

**Figure 1: International Crude oil prices over the last 2-years**



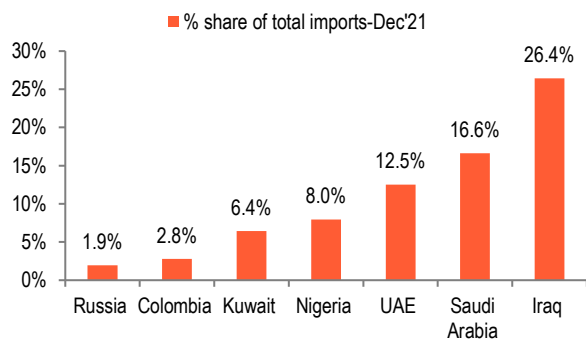
Source: Bloomberg, Bank of Baroda Research

### Import of Crude oil in the last 3-years

Across the globe, India remains one of the top importers of crude oil due to high demand. In Dec'21, India had imported over US\$ 3.1bn worth of crude oil from Iraq, much higher compared to other countries. By Mar'22, imports from Iraq was as high as US\$ 4.2bn and it was during this time the Russia-Ukraine conflict was on the rise and only US\$ 0.3bn of crude oil was imported from Russia. However, by May'23 the imports from Russia had soared to an all-time high of US\$ 4.5bn.

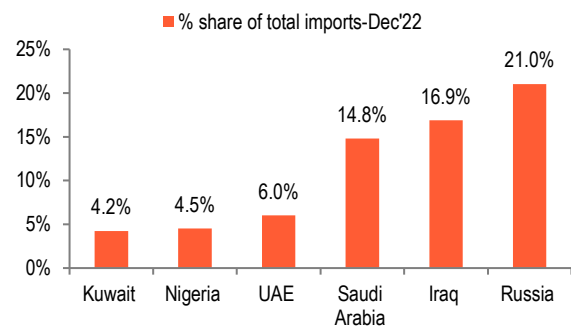
In terms of quantity (Fig 1), Iraq had commanding share in total crude oil imports (26.4%) in Dec'21. This was followed by Saudi Arabia (16.6%) and UAE (12.5%). On the other hand, the share of Russia in total imports was a meagre 1.9% during this period. After the Russia-Ukraine conflict, the situation changed with Russia gaining a significant advantage over Iraq as the top most contributor to India's oil imports and the most important source for import of crude oil. The share of Russia in total imports accelerated to as high as 21% followed by Iraq (16.9%) and Saudi Arabia (14.8%). One of the most significant reason for this jump was the cost advantage vis-à-vis other countries.

**Figure 2: India's imports across Regions-Dec'21**



Source: CMIE, Bank of Baroda

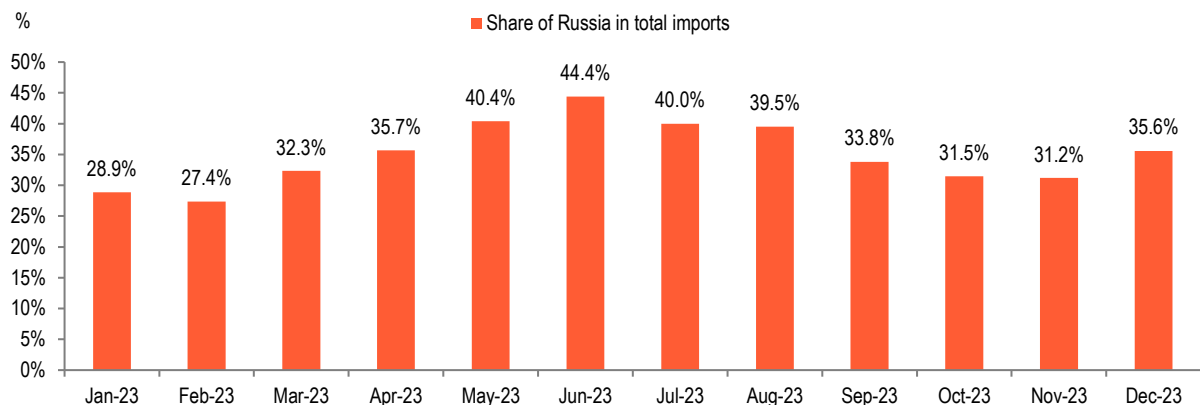
**Figure 3: Share of imports across regions-Dec'22**



Source: CMIE, Bank of Baroda

However, of late the share of Russia in total imports has seen some moderation. The share did reach an all-time high with more 44% of India's oil imports were met though Russia, but in the recent months this share has been dwindling down at a steady pace. Having said that, compared with other countries, Russia continues to remain one of the top contributor to India's crude oil imports.

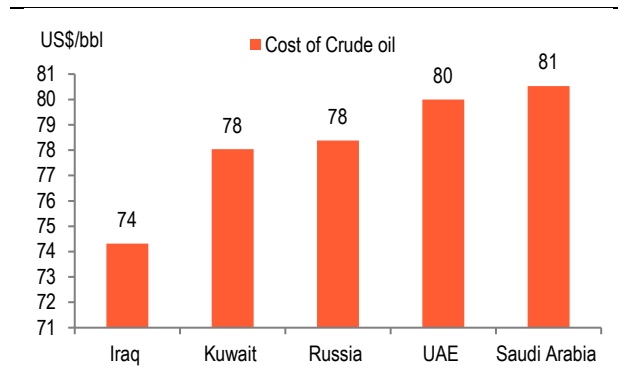
**Figure 4: Share of Russia in total oil imports-CY23**



Source: CMIE, Bank of Baroda Research

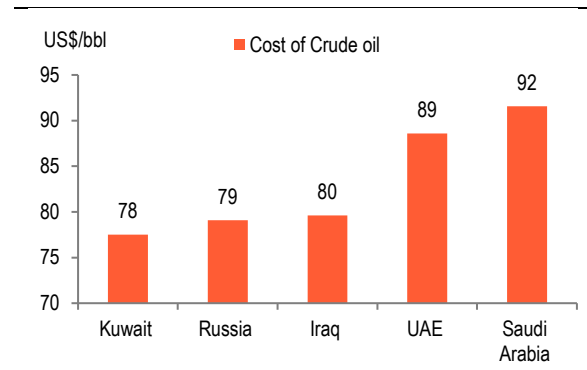
Amongst other countries, in Dec'23, India was importing crude oil at as high as US\$ 81/bbl from Saudi Arabia and Iraq was proving the same unit at a much cheaper rate at US\$ 74/bbl. In comparison to Dec'22 period, the crude oil was available at US\$ 79/bbl from Russia at a much discounted rate than US\$ 92/bbl from Saudi Arabia. Additionally, it was only in the month of Oct'23 that India paid the highest amount to Russian supplier with the average price of US\$ 86.3/bbl and breaching the US\$ 60/bbl mark as fixed by G-7 nations in Dec'22. Recently it has been noticed in Dec'23, Russia continues to remain a far better alternative than its global counterparts as it provide crude at much discounted rate at US\$ 78/bbl. Notably, average crude oil price have also registered significant dip during this period. The average international crude oil prices during this period was US\$ 77/bbl from US\$ 82/bbl in Nov'23. However, given the ongoing Red sea crisis, it is expected the oil prices will be more expensive due to higher freight costs as Russia will use longer route in order to avoid any conflict. Such an increase in price will force the country to look for other alternatives.

**Figure 5: Cost of Crude oil price-Dec'21**



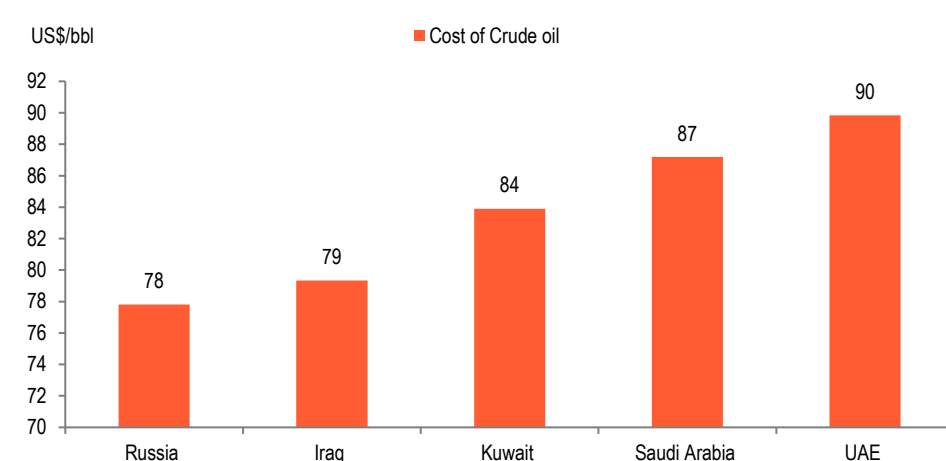
Source: CMIE, Bank of Baroda

**Figure 6: Price paid for crude in Dec'22**



Source: CMIE, Bank of Baroda

**Figure 7: Russia continues to provide cost advantage-Dec'23**



Source: CMIE, Bank of Baroda

Russia hence remains as the prime source of oil for India with the lowest cost though the differential with other nations may have come down to an extent. This will have a soothing effect on overall imports as well as CAD.

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### **For further details about this publication, please contact:**

Economics Research Department

Bank of Baroda

+91 22 6698 5143

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)

[jahnavi@bankofbaroda.com](mailto:jahnavi@bankofbaroda.com)