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India's imports from Russia

Ever since the Russia-Ukraine war commenced there were distortions in global commodity prices with various punitive measures being invoked by the western powers on Russia. More importantly, there were embargos on trading with Russia. However, fuel products were exempted from these bans. India did leverage this opportunity to lock in imports from Russia at a much lower rate than what was prevailing in the market. This helped to save on costs. Besides, some part of the trade was reckoned in rupees as the concept of 'rupee trade' caught on with the RBI and Government working on internationalizing the currency. This analysis assesses the potential theoretical gains that were made on importing two products from Russia – crude oil and coal.

Russia became an important import partner for India from FY23 onwards. In FY24, out of total imports of \$ 675.5 bn, Russia had been sourced for \$ 61.4 bn. The share in total was hence 9.1%. This can be contrasted with 6.5% in FY23 and 1.6% in FY22. In FY24, Russia was the second largest source of imports coming after China which accounted for \$ 101.2 bn. The other countries in the pecking order were UAE with \$ 48 bn, USA with \$ 40.7 bn and Saudi Arabia and Iraq with \$ 30-31 bn each. China hence tops today with share of 15.1% in total imports.

The major gain made by India in the last two years is on import of crude oil. Table 1 below gives the imports of crude oil from Russia in value terms in the last 3 years.

India's imports of crude oil* and share of Russia (\$ bn and %)

\$ bn	FY22	FY23	FY24
Total imports	122.6	162.0	139.9
Imports from Russia	2.5	31.2	46.5
Russia's share in total	2.0	19.2	33.2

Source: CMIE

*: Excludes petro-products which were valued at around \$39 bn in FY24

As can be seen in the table, the share of Russia has risen to account for a third of total imports of crude oil highlighting hence the importance of this source for India. In quantitative terms India imported 232 mn tonnes of crude oil in FY24. Russia accounted for 83 mn tonnes which is about 35.7% of the total.

Table 2 provides an assessment of the gain for India by importing crude oil from Russia. The average world price on the basis of tonnage is compared with the average cost at which we imported from Russia in the last three years. The same is applied to the oil imported from Russia to arrive at the implicit gain for India. As can be seen in the table the gain has been around \$ 3.5 bn in both the years.

An alternative scenario is also presented where the cost from Russia is compared with the next lowest price which is from Iraq. Here the gains would be lower and would be \$ 2.4 bn and \$ 1.7 bn respectively in the last two years. The assumption here is that the quantity imported from Russia is procured from the lowest cost country during the year which is Iraq.

Interestingly in the first two months of FY25, Russia accounted for 35% of total imports of crude oil to India followed by Iraq with 23%. But the cost from Iraq was lower at \$ 606/tonne against \$ 615/tonnes from Russia.

India' import of crude oil from Russia: Cost and gain

	FY22	FY23	FY24
Total imports mn tonnes	220.0	236.7	232.3
Import from Russia mn tonnes	4.32	50.85	83.07
Average cost from Russia \$ /tonne	572.3	614.6	560.0
World cost \$/tonne	557.4	684.8	602.2
Gain (+) by importing from Russia (\$ mn)	-64	+3,570	+3,506
Cost of crude from lowest source: Iraq	538.4	661.0	580.3
Gain if imported from next cheapest source \$ mn	-146	+2,359	+1,686

Source: BoB Economic Research based on CMIE data

In case of coal, Russia accounted for 8.6% (23.3 mn tonnes of the total of 269 mn tonnes) of imports in FY24 compared with 3.9% in FY22. The cost per tonne amounted to \$ 161.3/tonne from Russia, while that from Australia (which accounted for 28% of imports of 269 mn tonnes) was \$ 242.7/tonnes (there would be variations in quality which is not captured here). The difference of around \$ 80/tonne would tantamount to a maximum potential of around \$ 1.8 bn assuming no quality differences.

There have hence been some perceptible gains by importing minerals like crude oil and coal from Russia. The gains tend to be higher when the global prices are moving in the upward direction. As price come down, the potential gains would also tend to reduce.

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