Insights into Import of Crude Oil and International Crude Oil prices

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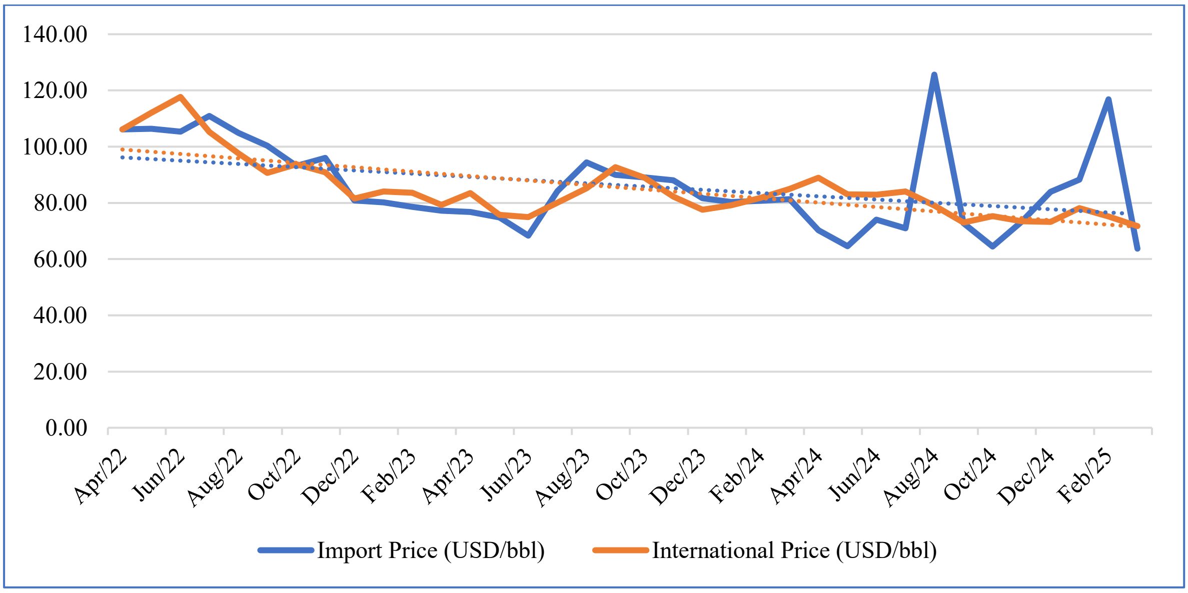
Crude oil has been the major source of primary energy, despite significant progress in renewable energy sector (IEA, 2019). It contributes 25% of India's primary energy supply and is the second largest energy source after coal (IEA, 2021).Though, the domestic production of crude oil in India has declined by 2.18% between April 2022 to March 2025, according to U.S. Energy Information Administration (EIA), India is currently the third largest consumer of crude oil in the world after the U.S. and China, with 4.8% share in the world's total consumption based on daily requirement. This reflects the position of India as a net importer of crude petroleum in the international oil market. In fact, according to Business Standard, India had imported approximately 235.8 million metric tonnes (MMT) of crude oil on an average between FY 2022-23 and FY 2024-25 from the rest of the world. The share of India in the global crude oil imports stood at roughly 12-13% in the FY 2024-25 (OPEC World Oil Outlook).According to a 2022 report of JM Baxi Group, approximately 85% of crude oil is processed into various petroleum products in India and are further being domestically consumed and exported to other major destinations. In fact, U.S. Energy Information Administration data had shown that India's refining capacity stood at around 256.8 million metric tons (MMT) as on March 2024, comprising 23 refineries. Refinery capacity utilization was 102.9% for the FY 2023-2024 (ET Energy World, 2024).Set at this backdrop, the foremost objective of the study is to observe the trends in the volumes of import and import prices of crude petroleum of India and to identify the potential reasons and implications for the movements in such trends. The study is likely to add valuable insights on the impact of such movements on domestic prices and henceforth, on inflation as changes in the volumes and import prices is expected to emanate to domestic prices through increase in the prices of final products which use crude petroleum as intermediate inputs in their production processes.

According to the DGCI&S monthly data for the period spanning from April 2022 to March 2025, the cumulative totals of crude oil imports in terms of quantities are found to be 235.52 MMT, 231.46 MMT and 244.5 MMT in the respective financial years of 2022-23, 2023-24 and 2024-25. The average monthly imports of crude are found to decline marginally from 19.63 MMT in the FY 2022-23 to 19.29 MMT in the FY 2023-24 followed by a subsequent rise in the next FY (2024-2025) to 20.38 MMT. Average monthly import of crude systematically declined from 17.86 MMT to 17.8 MMT, from 20.48 MMT to 16.42 MMT and from 21.73 MMT to 17 MMT from first to second quarter, followed by surges to 20.3 MMT, to 18.93 MMT and to 22.49 MMT from second to third quarter in each of the FYs 2022-23, 2023-24 and 2024-25.However, a decline in import of crude from 22.49 MMT to 22.41 MMT had been recorded from third to fourth quarter of FY 2024-25 only, unlike further surges to 22.53 MMT and 21.33 MMT observed from third to fourth quarter of FYs 2022-23 and FY 2023-24. These seasonal decreases in quantity of imports in two consecutive quarters of April-June and July-September is experienced on account of multitude of factors like slowing down of industrial and construction activities during Indian monsoons, scheduled maintenance shutdowns of many Indian refineries during the same period and higher energy requirements during peak summer months. The average monthly growth rates (AMGRs) in the quantity (in MMT) and value (in MUSD) of crude petroleum imports are witnessed to be 3.42% and 1.09% covering the three FYs. This reflects declining import price of crude petroleum for India, which has registered a negative growth rate of 0.34%. This fall is driven by the recent declining trend in international crude oil price. According to the Macro Trends data, the international price of brent crude had registered a decline of more than 6.5% between the last three FYs. In fact, the correlation between the monthly international price of brent crude, collected from IMF, and the monthly crude petroleum import price of India as computed from the DGCI&S data is found to be 0.56 which is considerably high (See Figure 1).

Figure 1: Co-movements of monthly import price and international price of crude petroleum between April 2022-23 and March 2024-25

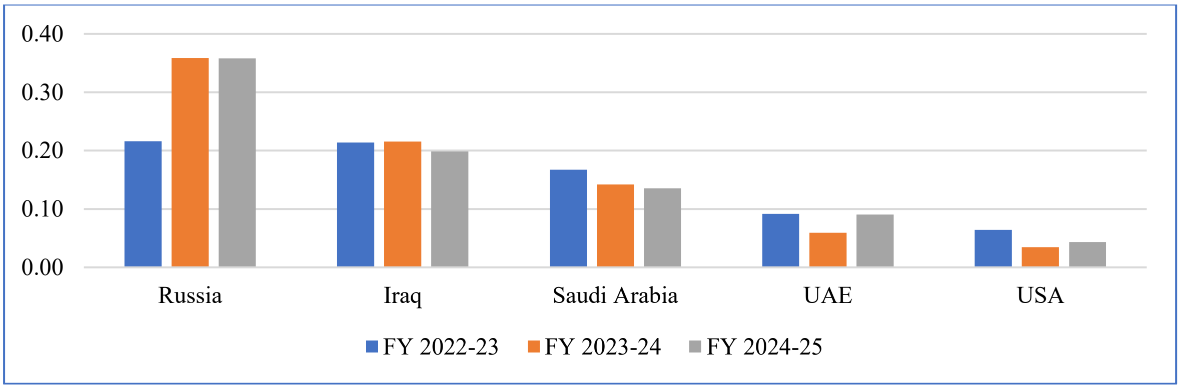


Source: DGCI&S data and Macro Trends website.

The declining international price of crude oil which triggered the observed fall in import price of crude petroleum of India had been driven by a combination of demand and supply side factors. In recent times, the global oil market had experienced a consistent fall in its demand, which had been primarily characterized by downturn of the Chinese economy. Burgeoning domestic sales of vehicles powered by increasing availability of alternative fuels along with slowing construction investment have dampened oil demand of China, whose consumption for crude oil in the global oil market accounts for approximately 13.2% on daily basis, followed by the U.S., according to Worldometer. Again, while OPEC countries had cut down oil production to limit the fall in oil price, this had been somewhat offsetted by the increase in production by non-OPEC countries like the U.S. and Brazil, thereby generating higher supply of oil amidst falling demand. Also, the strengthening value of USD due to hike in the interest rates as a result of tightening U.S. monetary policy stance also contributed to the resultant decline in international price of crude oil.

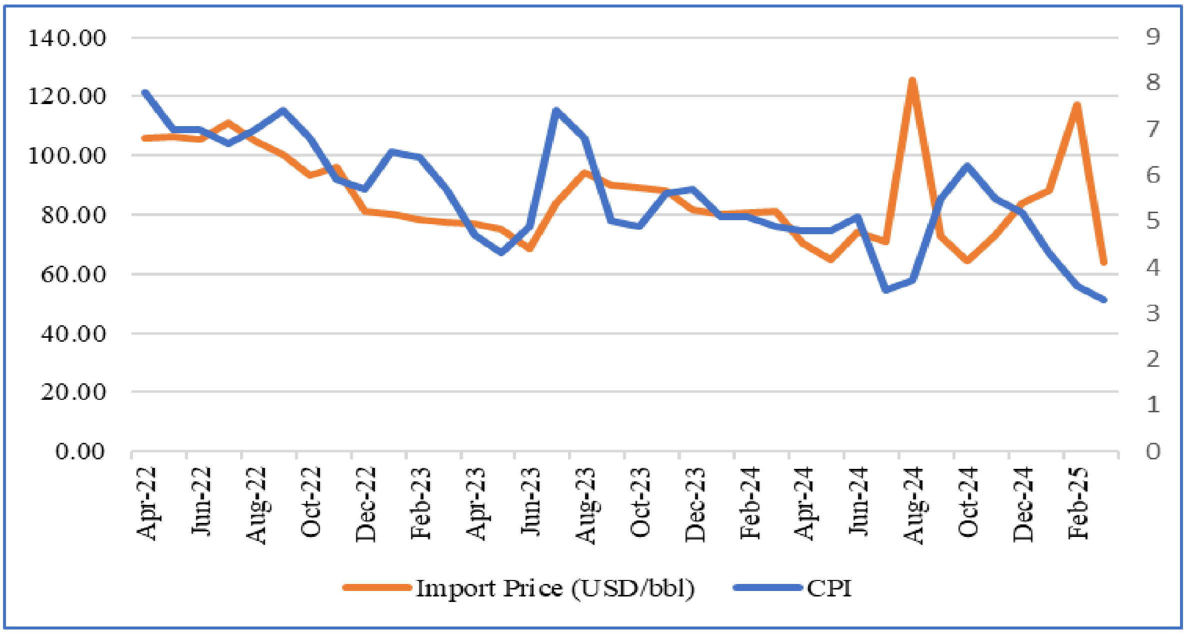
The top five major import sources of crude petroleum for India are observed to be Russia, Iraq, Saudi Arabia, UAE, and USA. The total share of these five countries in the quantity of imported crude oil is observed to have increased from 75.23% in FY 2022-2023, to 80.93% in FY 2023-2024 and subsequently to 82.57% in FY 2024-2025.The highest contributor in the share had been Russia for all the three FYs, whose share had increased significantly from 21.6% in FY 2022-2023 to 35.9% in FY 2023-2024 followed by a slight decline to 35.8% in FY 2024-2025. A plausible reason for such a considerable share of Russia in total imported crude oil of India can be attributed to cheaper prices of Russian Urals. The USD price per barrel of Russian Urals had declined from 79.41to 66.49 between April 2022 to March 2025. Also, the added advantage of well-suited refineries for processing Russian Urals also opened the route for Russian Urals' imports to India (Times of India, 2023).During this period of study, China had been the top importer of Russian crude oil with recorded 107.02 MMT import in FY 2023-24 which had marginally increased to 108.5 MMT in FY 2024-25 (Reuters Website) . However, the position of India as an importer of Russian Urals had strengthened during this period with steady increase from 50.85 MMT in FY 2022-23 to 83.02 MMT in FY 2023-24 and further to 87.54 MMT in FY 2024-25. While the share of import quantity from Russia had systematically increased from FY 2022-2023 to FY 2024-2025, the shares from other top four major sources, Iraq, Saudi Arabia, UAE and USA had declined marginally by 0.015%-point, 0.031%-point, 0.01%-point and 0.021%-point during the same period (See Figure 2).

Figure 2: Annual shares of import quantities of crude petroleum from top 5 import sources



Source: DGCI&S data.

Figure 3: Co-movements of monthly import price of crude petroleum and Consumer Price Index (CPI) between April 2022-23 and March 2024-25



Source: DGCI&S data and Trading Economics website.

Moderate level of pass-through effect of crude petroleum import prices of India computed from the DGCI&S data on the monthly Indian Consumer Price Index (CPI), which is the most suitable measure of inflation, is evident from their correlation value of 0.30 (See Figure 3). This observation on pass-through effect of import prices on inflation in India reveals a certain degree of vulnerability of the Indian economy in terms of inflation when there are fluctuations and volatility in the international crude oil prices. In this context, the decline in crude oil prices is likely to appear as a boon to the Indian economy. However, the positive effects are likely to be observed in the long run through spill over effects. In fact, according to ICRA report 2024, Indian Oil Marketing Companies (OMCs) has been observing sharp rise in profit margins and consumers are awaiting falls in petrol and diesel prices. Aviation sector companies and paint industries would expectedly also benefit from this decline through declining operational costs. Moreover, according to Economic Survey 2024-2025, Indian retail inflation has appeared to be moderated at4.9% in FY 2024-2025, which can be partly attributable to falling crude oil prices. The low rate of inflation is likely to boost consumer confidence on the part of RBI rates which are unexpected to increase in the phase of low inflation. In fact, currently, the Repo Rate has been cut further to 5.5% in June 2025 from its previous level of 6% in April 2025.