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How have India's imports of discounted Russian oil Influenced its trade balance, inflation rates, and fiscal stability under the current sanctions regime?

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ABSTRACT

This paper examines the impact of India's purchase of cheaper Russian oil, after certain sanctions on Russia by the western countries in 2022, on the country's trade balance, inflation, and government finances. Data from credible sources like the Reserve Bank of India, the Ministry of Commerce, the IMF, and the IEA has been used to review and analyse trends from 2018 to 2024. The findings show that buying discounted Russian oil helped in lowering India's import bill, reducing the trade deficit, and bringing down fuel and transport costs, which eased overall inflation. It also gave some relief to the fiscal budget by cutting subsidy expenses, though tax revenues stayed about the same. Still, these gains are short-term and depend heavily on global politics and how sanctions change over time. The study suggests that India should keep focusing on energy diversification, careful fiscal planning, and balanced diplomacy to stay stable in the long run. Future work could use data models to explore different global oil scenarios.

1. Introduction

In early 2022, when the Russia-Ukraine conflict began, Western countries came together and imposed a lot of economic sanctions against Russia to cut off the country from global trade and finance. Energy, specifically oil exports, was one of the most impacted sectors as historically, oil revenue made up a large part of the Russian economy. To continue selling its crude oil, Russia began selling crude at a severe discount to countries willing to purchase oil outside the Western-sponsored price cap system. One country willing to purchase the discounted Russian oil was India, indicating a shift in their import strategy amid the nation struggling to better meet its growing energy needs.

India imports approximately 85% of foreign oil and is highly reliant on crude oil imports. The

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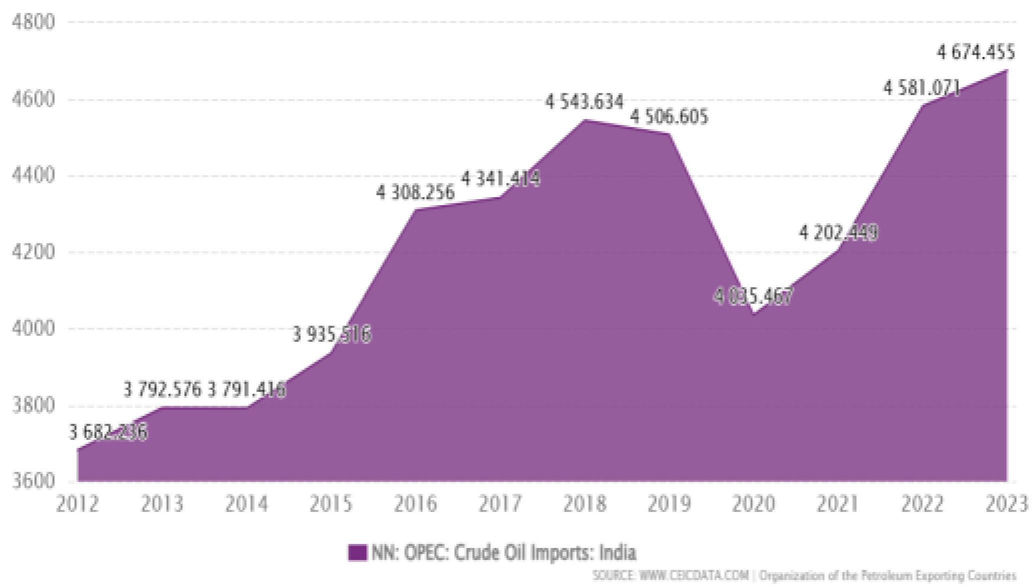
implication of that reliance is that any movement in international oil price has spillover effects throughout the economy, including the trade deficit, inflation and government expenditures. With access to reduced oil prices, domestic prices can be supported and there will be less strain on public finances.

India's Crude Oil: Imports from 2012 to 2023



Source: CEIC

Research Questions

The research addresses these main questions:

1. **How well have discounted Russian oil imports dealt with India's trade deficit?**
2. **How have they affected domestic inflation, mainly in fuel and transport?**
3. **Have discounted oil imports improved or harmed India's fiscal credibility?**

2. Methodology

The study employs a descriptive and comparative research design, depending on secondary data available from reputable and publicly accessible sources. Central to the impetus of this inquiry are secondary data published in official publications from the Reserve Bank of India (RBI), Ministry of Commerce and Industry, Ministry of Petroleum and Natural Gas and internationally-recognized organizations, such as the International Energy Agency (IEA), OPEC, IMF, and World Bank. Secondary data encircling the period 2018-2024 is used to track trends arising from

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either pre or post sanctions.

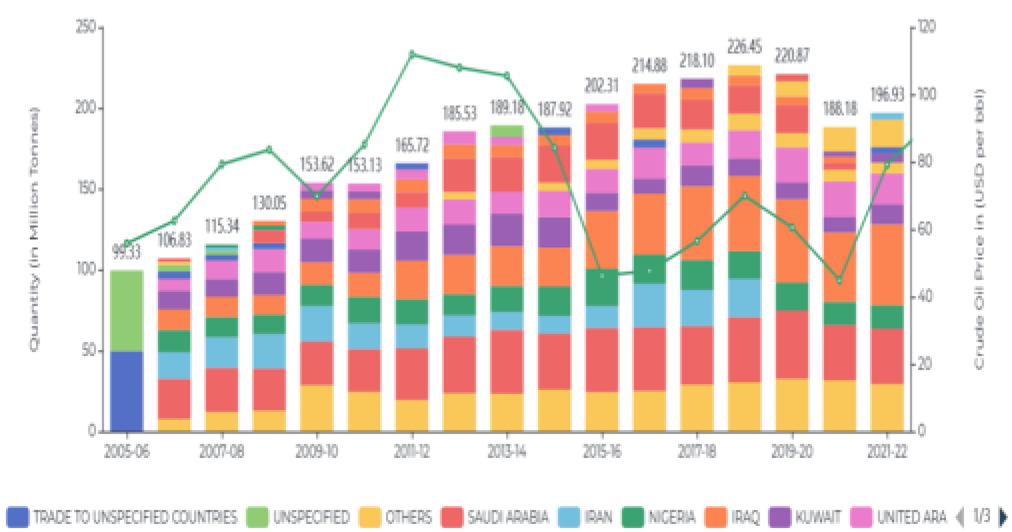
The method of analysis entails direct comparisons of key macroeconomic indicators, such as total oil import volumes and values, trade balance, inflation (CPI and WPI), and fiscal deficit before and after India's increased purchase of Russian oil, using secondary data from the above sources. Qualitative perspectives, from policy reports, media briefings, and economic surveys, are used; these methods clarify how discounted imports of various types of Russian oil have affected India's trade balance, inflation, and fiscal deficit stability in realtime.

3. Background and Literature Review

Pre-sanction trade pattern

Until 2022, the bulk of crude-oil imports to India was derived regionally from the Middle East, with most of the crude coming from Iraq, Saudi Arabia, and the UAE. There was also considerable trade with African and Latin American suppliers. India relied heavily on imports to satisfy domestic demand for oil; official estimates from the Petroleum Planning & Analysis Cell put India's reliance on imports at around 80–85% of its crude oil requirements. The dependence on oil supply shifts India's bargaining position, and supports the idea that its procurement strategy has been guided by long-term commercial relationships with either Gulf producers or OPEC producers.

Country-wise Crude oil prices vs Crude oil imports



Source: Niti Aayog

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Impact of sanctions on global oil flows

Subsequently following Russia's invasion of Ukraine in February of 2022, Western nations imposed sanctions and a coordinated price cap that are aimed at restricting Russian revenues earned from exported oil (Wachtmeister, Gars, & Spiro, 2022). Sanctions and the blocking of Western-based insurers and shipping companies disrupt all established trades and trading logistics in addition to encouraging larger amounts of seaborne Russian crude to be redirected to buyers in Asia. One modelling study suggests that the phenomenon of the forced discount on Russian oil may actually yield net gains to the importing nations because oil rents would shift away from Russia (Wachtmeister et al., 2022). And of course, information from more recent studies indicate the share of crude oil imports can be expected to increase, as observed in the case of India as noted in the (CNBC, 2025) news story on India and the redirection of flows from Russia.

India’s engagement with discounted Russian crude

Following 2022, Indian refiners increased their purchases of Russian crude, given the discounting and resulting price differentials improved refining margins, all while reducing the nominal import bill per barrel (Indian Express, 2025). Officials in India have indicated that these purchases contributed in stabilising availability of fuels in the domestic market and alleviating transmission of global price increases (Daily Excelsior, 2025). Meanwhile, industry commentary has identified new arrangements (including non-Western insurance networks, shipping alternatives) and India's increasing contribution to the international market as a refining hub, processing discounted crude (Economic Times Government, 2025).

India’s Imports in the Crosshairs

Country / Region	Crude Oil Imports Thousand b/d in 2024
RU Russia	1,754
IQ Iraq	1,005
SA Saudi Arabia	622
AE UAE	435
US U.S.	158
KW Kuwait	120
MX Mexico	62
CA Canada	8
West Africa	265
S. & Central America	178

Source: Visual Capital

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Existing academic and policy literature

There is an emerging body of literature, human capital and expertise that examines the economic impact of sanctions on international oil markets and oil trade flows. For example, (Li Yang, Li & Failler, 2021), found that geopolitical risk has a significant negative effect on trade in energy, among emerging economies. However, most rigorous quantitative studies focus on global price mechanisms or Russia's revenue loss rather than providing countrylevel macroeconomic assessments for importers like India. Institutional reports and policythink-tank papers discuss the logistical and geopolitical implications (e.g., Indian Express, 2025; Business Today, 2025) but often stop short of detailed econometric analysis of tradebalance and fiscal channels specific to India.

Gaps in the literature

1. There is a lack of peer-reviewed quantitative studies specific to India to quantify how discounted crude oil imports influenced trade balances or fiscal outcomes.

2. There is limited literature on the potential impacts that discounted Russian crude oil will have in transmitting inflation vis-a-vis the inflationary pressure through fuel use and transportation costs back into the Indian economy.

3. There is a lack of studies that look at trade-flows, inflationary outcomes, and fiscal channels, while also considering different alternative-enforcement scenarios of sanctions. This requires stitching together Indian data with international commodity markets and comparing the pre/ post (2022) sample periods.

4. India's Oil-Import Dynamics Post-Sanctions

Shift toward Russian crude

India altered its policies on the importation of crude oil as of February 2022. In 2021, India imported less than 2 percent of its crude oil from Russia. But Russia's share in India's crude oil imports increased significantly in the 2023-2024 period, with shipping and pricing data estimating imports at about a third, or 35-36 percent, of India's total crude oil imports value and volume due to cheap piracy rates into India refiners (Reuters, 2024; PPAC, 2024). Official government trade summaries and databases, such as Directorate General of Commercial Intelligence and Statistics (DGCI&S) have confirmed the high volume of crude oil imports from Eurasia from 2022 through 2024 years due to declines in volume from the Middle East due to the military conflict between Ukraine and Russia (PPAC, 2024; DGCI&S, 2025). In summary, India shifted from an importation model that incorporated majority Middle Eastern crude oil to a new

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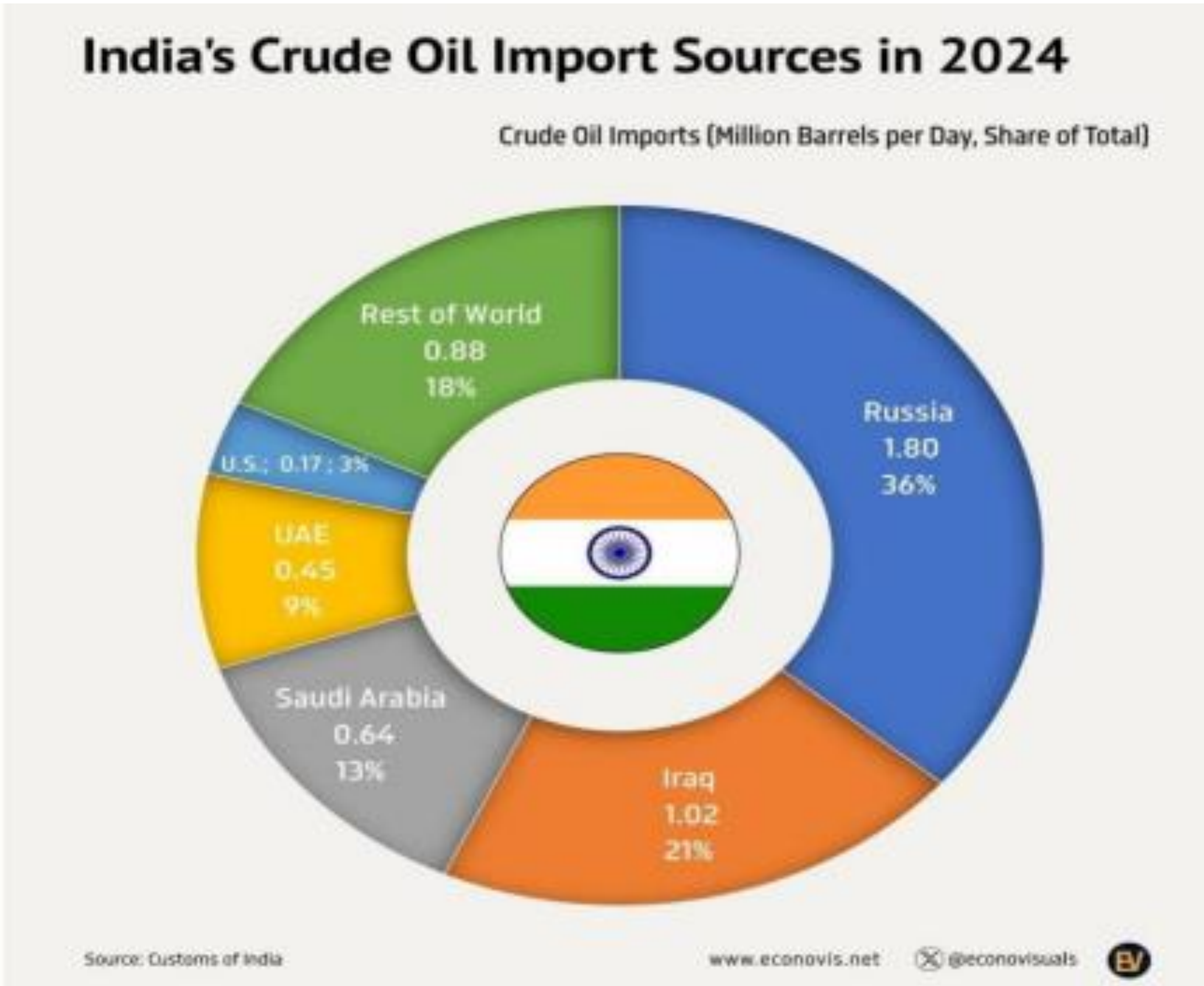
one diversified with Eurasian crude, specifically because of the price of Russian crude oil.



Discount magnitude

The motivating factor was the price incentive. After sanctions (the U.S. economic embargo) and G7 price cap arrangements, Russian grades — especially Urals and some ESPO/Sokol exports — traded at considerable discounts to global benchmarks. Estimates of the discount vary by date and assay, but multiple studies and market analysis indicate very large differentials for Russian crude in 2022–23 (double-digit dollars/bbl) and still substantial discounts for 2023–24. (Kilian, Rapson & Schipper, 2024) estimate that the embargo and price cap arrangements compelled Russia to offer very large discounts (their calibrated measures estimated discounts were tens of dollars/bbl at peak). Market reports and market assessments by the International Energy Agency record Urals trading at discounts greater than $15–20/bbl a times in 2022–23, risking fewer discounts in

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later months but remaining in either single- or low-double-digit discount days (IEA, 2024). By 2024–25 the average delivered discount to India varied by month and by grade, with market-intelligence and tracking firms reporting typical landed differentials in the low single digits to mid-teens depending on shipping costs and timing (IEA, 2024; Energy & Clean Air, 2025).

Payment mechanisms and trade logistics

Sanctions heightened apprehensions regarding dollar-related merchant payment obligations, insurance cover, and the ship services. New payments structures were developed- effective two-way trade in rubles and rupees, utilizing intermediary transaction currencies and traders located in the U.A.E., paying each other in dirhams or a non-Western currency entirely (Al Jazeera, 2022; Livemint, 2025). Logistics and insurance presented operational challenges. Growing "a shadow", or "dark" tanker fleet featuring older vessels of unknown ownership with regulated or very little ownership protection or insurance, has delivered a sizable share of sanctioned Russian crude to distant ports, raising important safety and regulatory issues (Atlantic Council, 2024; Reuters, 2024). Concurrently, reports show increasing use of Russian and non-Western insurers and classifying organisations for the cover required for voyage and cargo operations and delivery in India are experiencing some issues, although they are able to deliver but higher operational risk is present (Reuters,2024; Energy & Clean Air, 2025).

5. Impact on India's Trade Balance

Theoretical framework

Less expensive imported inputs reduce the value of a country's import bill, while improving the merchandise trade balance and, all else being equal, presumably also improve the current account balance. In open-economy macroeconomics, a decrease in the domestic currency price of an imported good (in this case, crude oil) reduces the import cost expressed in foreign currency and increases real incomes which may lead to increasing or decreasing demand for non-oil imports, depending on income elasticities. Cheaper imports also decrease the cost of production for downstream sectors (e.g. refining, transport, manufacturing) which may have positive implications for export prices and competitiveness. Ultimately, the net effect on the trade balance is contingent upon other factors that affect trade: (1) increased demand for non-oil imports, (2) movement in the exchange-rate that may change the rupee value of imports and exports, (3) changes in export performance and services receipts.

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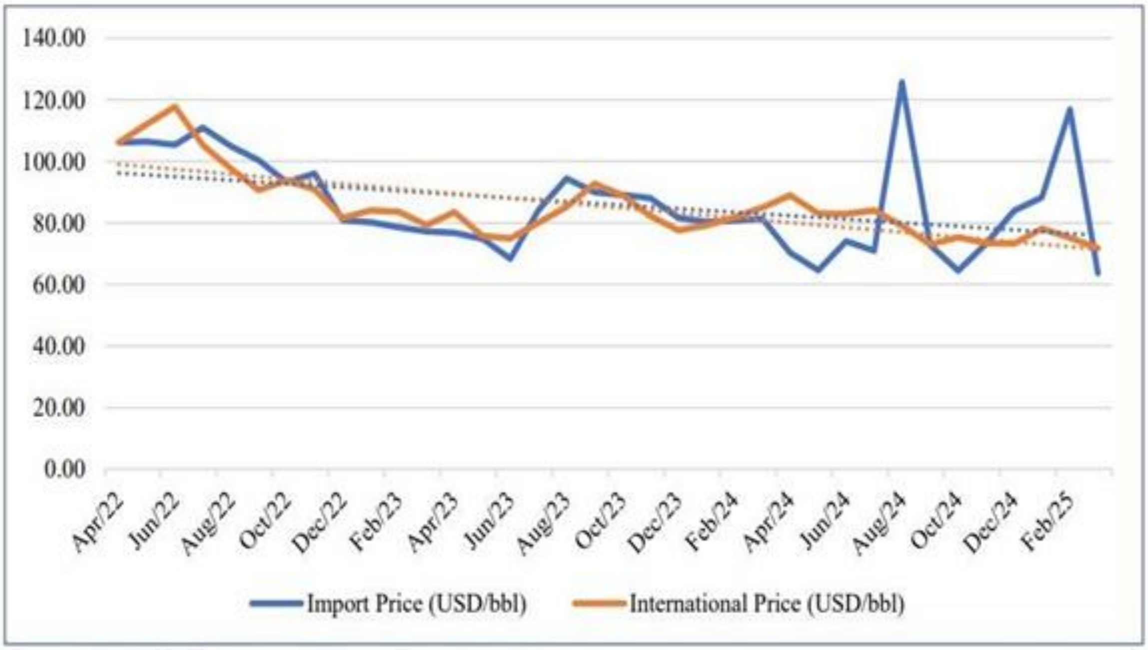
Co-movements of monthly import price and international price of crude petroleum between April 2022-23 and March 2024-25



Source: DGCI&S data and Macro Trends website.

Empirical trends (2018–2024): headline figures

Following 2022, there was a notable increase in India's oil import structure in favor of lower-priced Russian crude oil and oil products, while at the same time, the nominal oil import bill declined substantially. Official and journalism reports suggest that the crude- andproducts import bill declined from approximately USD 157.5 billion in FY2022–23 to about USD 132.4 billion in FY2023–24 (Economic Times, 2024). The narrow trade deficit also declined: India's overall trade deficit declined from about USD 121.6 billion in FY2022– 23 to USD 78.1 billion in FY2023–24 (Government of India/PIB, 2024). The Indian current account has also improved, resulting in India achieving a current account surplus by the ending of March 2024, and compared to previous years the FY2023–24 annual CAD narrowed significantly (Reuters, 2024).

To summarize in numbers: the decline in the oil import bill accounted for a significant share of the fall in the merchandise trade deficit bill between FY2022–23 and FY2023–24 and PPAC monthly reports showed consistent month-to-month declines in the net oil-and-gas import bill in 2023 relative to 2022 (PPAC, 2023–24). The timing coincided with a remarkable increase in purchases of discounted Russian barrels from Indian refiners and lower average landed costs of crude.

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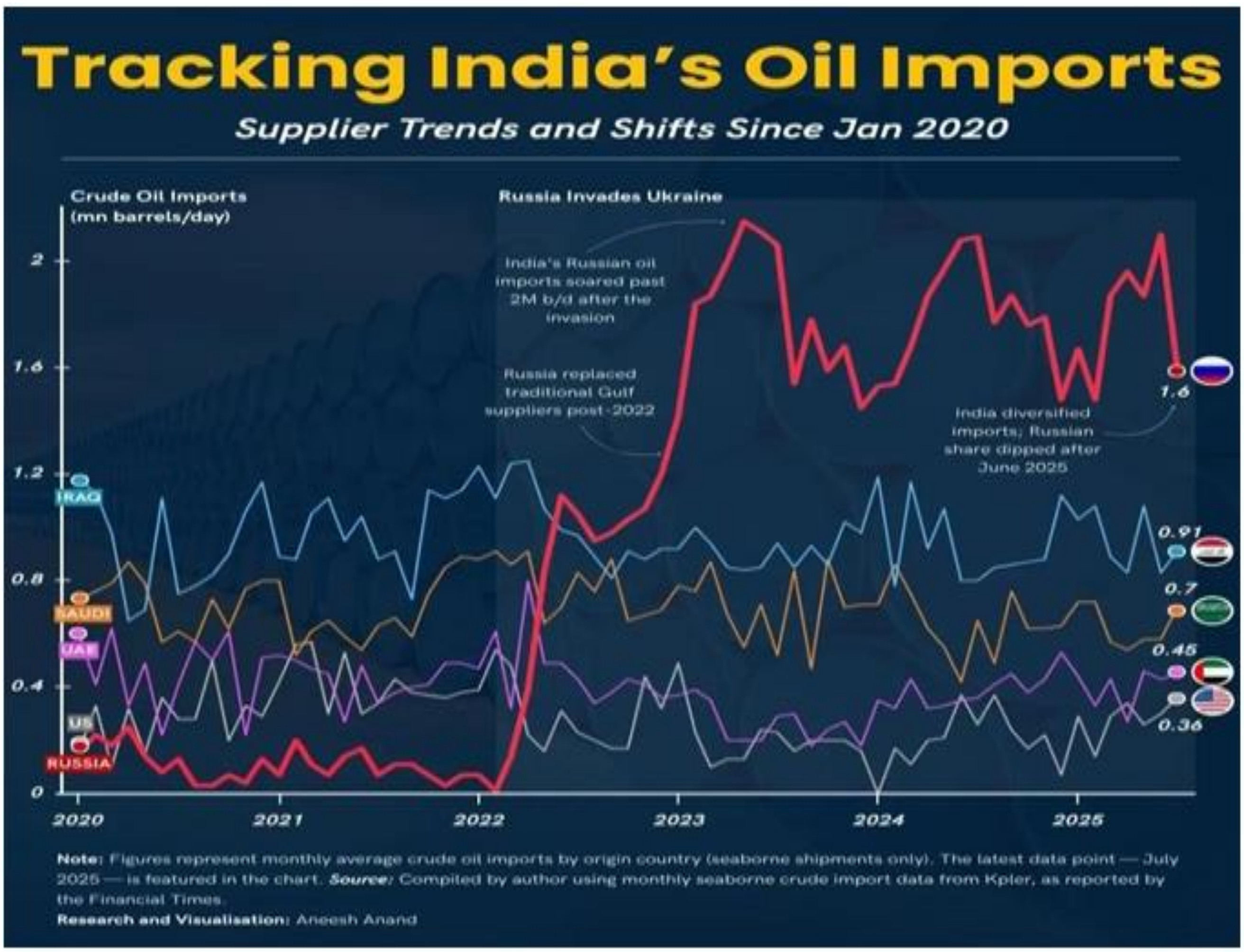
Comparing the trade deficit pre- and post-2022

Before 2022, the merchandise trade deficit and oil import bill of India were both high as global Brent prices shot up in 2021-22; the trade deficit grew in calendar year 2022 as commodity prices and freight rates increased (Macrotrends / national statistics). After 2022, the combination of (a) lower effective crude prices for India because of discounted barrels from Russia and (b) a moderation in global oil prices, resulted in a significantly lower oil import bill in FY2023-24. Accordingly, both the merchandise trade deficit and the headline trade balance significantly improved in FY2023-24 compared to FY2022-23 (PIB, 2024; Economic Times, 2024).



Source: [*Visual Capital*]

Counterbalancing effects and caveats

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Several offsetting changes prevented the complete translation of lower crude oil prices to a permanently narrowed trade deficit:

1. ***Non-oil imports**:* Strong capital goods, electronics, and intermediate input demand stimulated the Indian economy as domestic activity recovered; these non-oil imports rose in parts of 2023 and offset some of the oil-bill savings (NITI Aayog trade reports, 24). Thus, imported goods trade deficit is determined by both compositional shifts in imports and the oil price channel.

2. ***Harvested movement of exchange rates:*** The rupee has come under depreciation pressure at various angles since 2022, raising the local currency cost of imports even when dollar oil prices fall. However, investment and large service receipts and remittances stabilized the rupee in 2023-24 on the whole; and net effects on the bill varied month to month (Ideas for India; Trading Economics).

3. ***Non-oil export or services performance:*** India's strong services exports and record remittances in 2023-24 enhanced the current account on their own, independent of oil savings. Thus, the changes in the overall external position were not exclusively driven by lower oil import prices (Reuters, 2025).

4. ***Disparities in measurements and timing:*** The official customs data would include timing lags for valuation, freight, and insurance; although market-intelligence estimates of landed discounts (and ship-tracking datasets) do not always correlate with the customs aggregates. This creates an empirical challenge to providing precise attribution of changes in trade balance to discounted Russian crude (DGCI&S).

Result summary: did discounted oil narrow the trade deficit?

There is a robust preponderance of evidence that suggests discounted Russian crude materially contributed to the decline in India's oil import bill during FY2023-24, which was an important driver of improvement in the merchandise trade deficit and current account during that timeframe. The official data show a notable and substantial decline in the oil import bill, and a sharp contraction in the total trade deficit, between FY2022-23 and FY2023–24, which coincided with the timing of larger purchases of Russian crude (Economic Times, 2024).

Nonetheless, the discounted oil was not the only factor that was responsible for the improvement in the external position. The rise in non-oil imports, the exchange rate, and a strong services sector also drove developments in the external position. In summary, discounted Russian oil was an important—though not solely consequential—factor driving the improvement in trade balance; it reduced the oil import bill, improving short-term external pressures while factors

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related to the broader structural and cyclical forces (non-oil demand, services export demand, exchange rate conditions) determining the net impact.

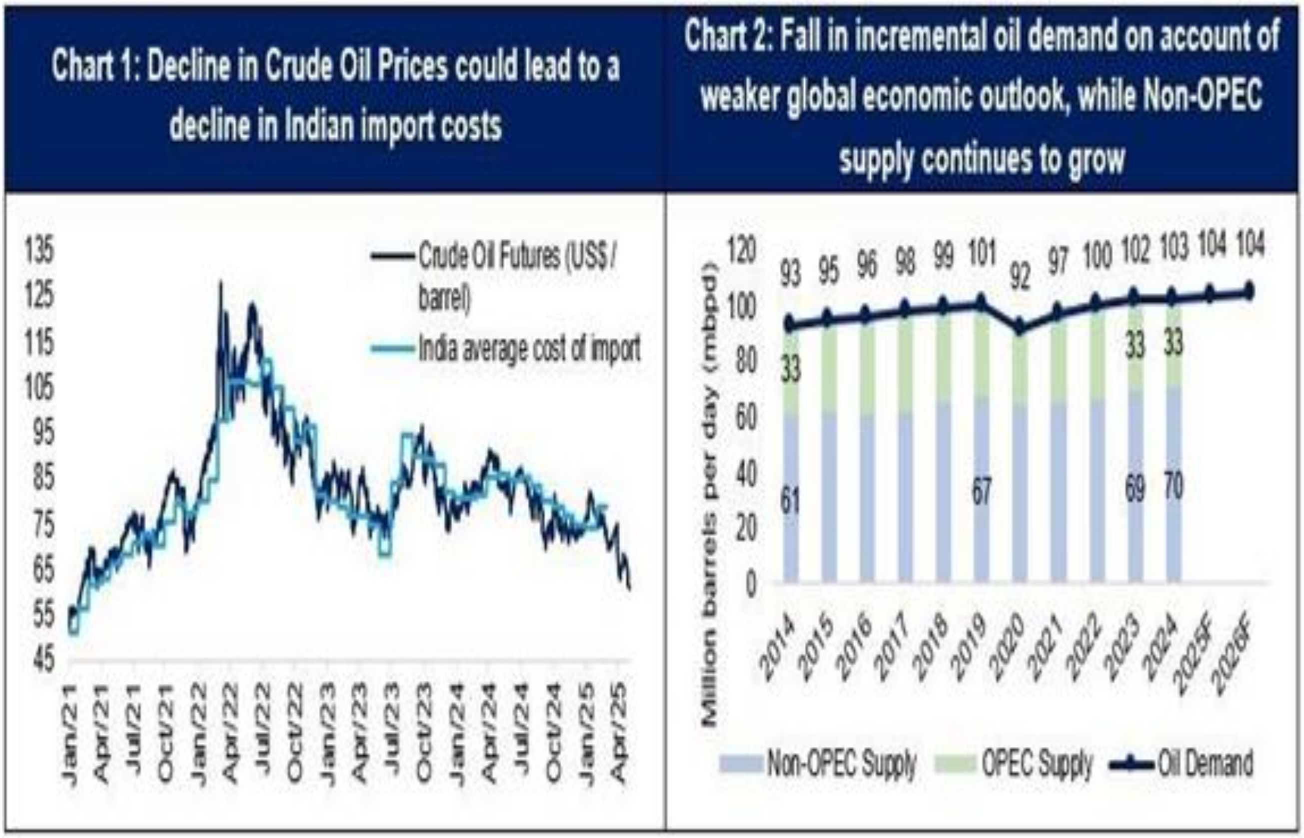

Chart 1: Decline in Crude Oil Prices could lead to a decline in Indian import costs

Chart 2: Fall in incremental oil demand on account of weaker global economic outlook, while Non-OPEC supply continues to grow

Source: [HDFC]

6. Impact on Inflation Rates

Energy prices and CPI — transmission mechanism

Decreases in world crude oil prices (in other words, reduced landed price of oil due to cheaper Russian oil) lower refiners' input costs and, all else equal, lower retail prices for petrol and diesel. Reduced retail fuel prices feed into the Consumer Price Index (CPI) directly via the transport and fuel components, and indirectly through reduced costs of production and distribution across a range of other goods and services. The potential transmission channels are: (1) direct pass-through into CPI and Wholesale Price Index (WPI) fuel components; (2) second-round effects through transport and distribution costs; and (3) indirect effects on inflation expectations and wage-price dynamics (Reserve Bank of India, 2024).

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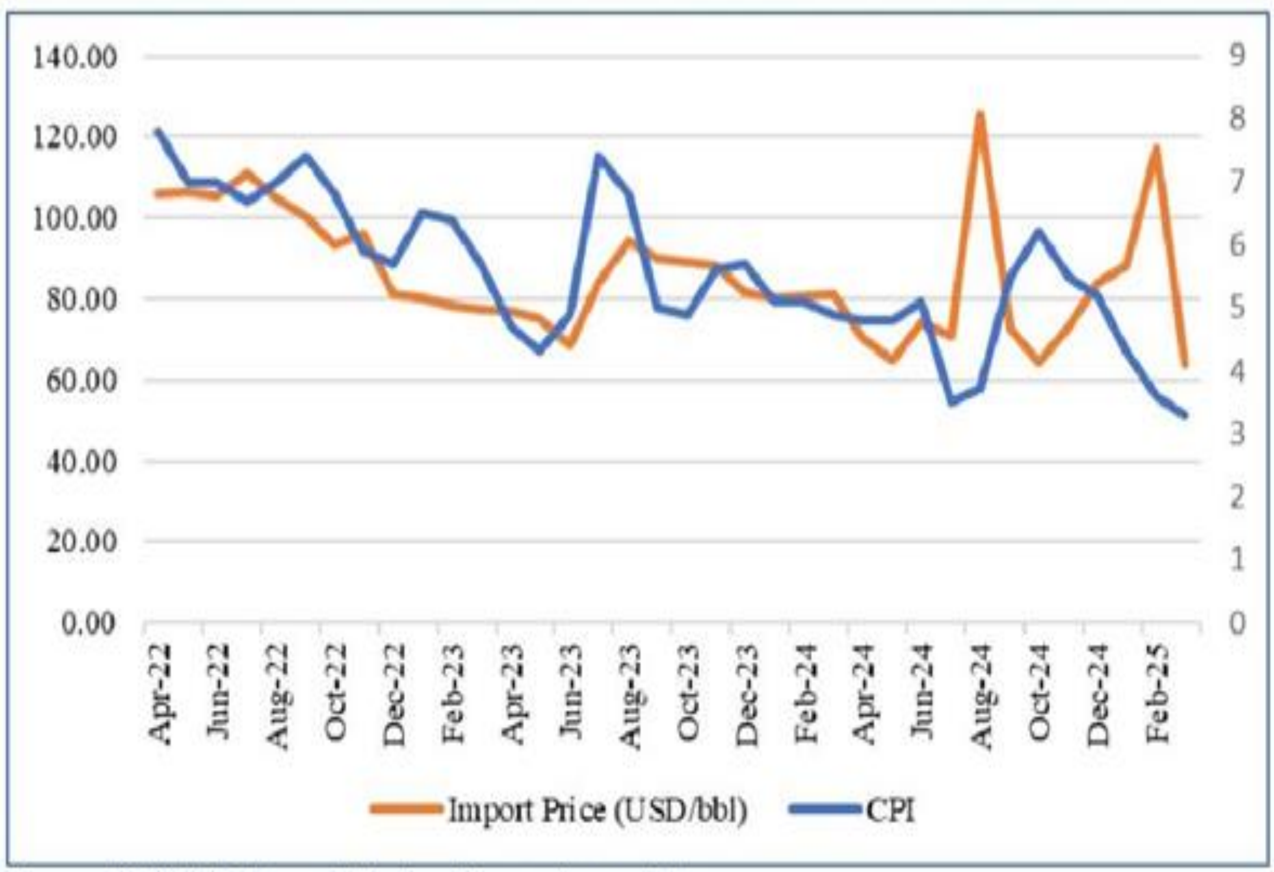
Co-movements of monthly import price of crude petroleum and Consumer Price Index (CPI) between April 2022-23 and March 2024-25



Source: DGCI&S data and Trading Economics website.

Quantitative trends (2021–2024)

Official data show that India's headline CPI inflation increased in 2021-22, following global commodity inflationary pressures, moderated during 2023, and was ultimately closer to the Reserve Bank of India's target range by 2024. Ministry of Statistics and Programme Implementation (MOSPI) releases show year-on-year CPI moderations from mid-2023 to March 2024 consistent with lower fuel price pressures (MOSPI, 2024). At the wholesale level, WPI inflation–which has a large fuel component–was significantly reduced during 2023-24 as international energy prices eased and as India imported discounted crude oil (Office of the Economic Adviser, 2024). These trends are evident in monthly CPI/WPI series showing clear easing of inflation on account of the transport and fuel subindices in particular, and at least from mid-2023 onwards.

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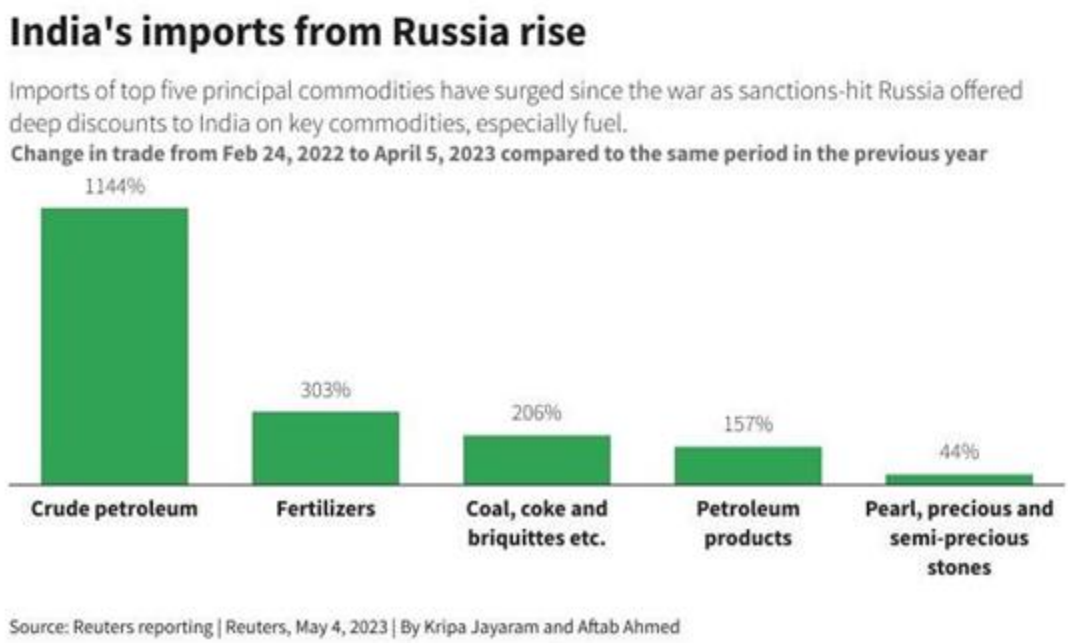

Secondary effects (transport, manufacturing, and passthrough timing)

When crude prices decline, logistics companies and energy-intensive manufacturers see a decrease in operating costs, which creates downward pressure on producer prices and, ultimately on consumer prices. The overall passthrough of crude price falls is not uniform in size or speed: for example, retail fuel prices in India are based on standard VAT in addition to central excise, which means a total international price decline from $80 to $50 does not necessarily provoke a similar adjustment for consumers. Importantly, firms also absorb prices or delay price changes, resulting in a gradual pass-through response on disinflationary effects to prices on non-fuel goods. Based on empirical evidence during 2023-24, we can see clear reductions in pressure on transport and input costs, but more lagged declines in core CPI.

Policy actions and their interaction with price effects

Decisions either by government taxation or policy have a direct effect on pass-through of lower crude onto consumer prices. For instance, the central government decreased central excise duties in two separate rounds during 2021-22. Other temporary pricing adjustments and costs charged by OMCs during 2023-24 have also helped to decline pump prices during periods of ease in crude costs (PIB, 2024). Alternatively, temporary windfall-type levies (lifted in 2022) and subsequent changes to excise rates or VAT may contradict or develop a new price point (Reuters, 2024). In summary, decisions around tax and subsidy by the government dictate how much international lowering passes through to end users.

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Short conclusion on inflation impact

The data for 2023-2024 suggests that affordable Russian oil, in fact, did drive down fuel-related inflationary pressures in India and contributed to easing WPI inflation, and, with lag, CPI inflation. The overall impact on headline inflation was, however, tempered by (a) fiscal-tax choices that modify retail pump prices, (b) lags in passthrough to core inflation, and (c) offsetting domestic demand dynamics in non-fuel, non-food sectors. Thus discounted imports were, indeed, a sizeable disinflationary factor, but not the only factor determining India's inflation trends during 2021-2024.

7. Impact on Fiscal Stability

Government revenue (excise collections and subsidy spending)

Petroleum products are significant revenue sources for both central and state exchequers. Central excise and other levies on fuels have accounted for a notable proportion of indirect tax receipts in the last few years; the petroleum sector as a whole has generated a considerable amount to the exchequer. When India paid relatively less for crude (due to discounted Russian barrels), refiners' input costs reduced, and the nominal oil import bill fell — but it did not automatically lead to reduced excise collections as excise is a statutory perlitre amount charge, not a percentage of the landed price. So, lower cost crude largely adds to fiscal space by reducing subsidy outlays, but can also reduce the government's contingent liabilities.

Public-finance balance: did cheaper oil reduce the fiscal deficit?

The decline in landed crude prices diminished the government's gross petrol/diesel subsidy risk and improved the overall oil import bill, relieving pressure on the fiscal balance in FY2023–24. The Economic Survey 2023–24 and associated commentary on the 2024 budget state that a net fiscal deficit reduction occurred between FY2022–23 and FY2023–24 on the back of stronger tax collection and lower commodity-related pressures, among other factors (Government of India, 2024). However, as noted in both the Economic Survey and Budget papers together, the key factors for narrowing the deficit were higher direct and indirect tax revenues and non-tax receipts, with the savings arising from oil providing a supportive relationship but not the sole factor impacting on the narrowing of the fiscal deficit (Economic Survey, 2024). In short, cheaper crude provided some fiscal room; the reported improvement in the fiscal target reflected a combination of factors affecting revenue and expenditure.

Exchange rate and external-debt effects (reserves and rupee stability)

Lower import costs for oil decreased the external outflows linked to the merchandise trade bill,

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and conversely, with supportive services receipts and capital flows, supported reserve accretion in 2023–24. India's foreign-exchange reserves rose to multi-month peaks at times during 2024, providing buffers that increased confidence and stabilised the rupee in the context of global volatility (Reuters, 2024). However, many factors affect prevailing exchange-rate dynamics (global dollar strength, portfolio flows, RBI FX intervention); all of which need to be considered when assessing the reserves position and its supportive impacts.

Risks and dependencies (long-term fiscal vulnerability)

Leveraging discounted Russian crude provides immediate fiscal benefits but exposes public finances to a number of risks: (a) policy and enforcement risk — a tighter sanctions regime or more rigorous enforcement could limit access to discounted volumes, or increase logistics / insurance costs; (b) price-reversal risk — in the event that discounts evaporate, or global prices rise significantly, the government could face import-bill pressures; (c) structural revenue dependence — the government remains reliant on revenue from petroleum excises for a major share of revenues, and thus selling unauthorized petroleum could shift existing revenue relationships due to global oil market fluctuations or domestic policy changes (e.g., towards fuel-price deregulation or green energy transition).

Short conclusion (policy implications)

While discounted Russian oil helped to reduce India's oil import bill and alleviated some of the contingent subsidy and external balance pressures — indirectly supporting lower fiscal deficits and better reserve positions in 2023–24 — excise revenues, as one of the major contributors, did not automatically decline with the crude price, thus fiscal consolidation came from improved tax receipts as well as some of the non-oil budget factors; Given the risks related to sanctions and adverse market conditions, the fiscally prudent response would be to treat the upside as temporary — using some of the headroom to build buffers like reserve accumulation and debt reduction for government stability, avoiding making permanent spending commitments based on the discounted imports alone, and switching more aggressively toward revenue and economic diversification to decrease risk factors.

8. Broader Geopolitical and Economic Implications

Strategic autonomy

New Delhi has framed its continuation of large purchases of discounted Russian crude as an issue of energy security and strategic autonomy — specifically the prerogative of deciding which suppliers are best positioned to supply energy security according to national needs (AP, 2025). For India, ensuring reasonably priced crude for the huge number of citizens and its industrializes

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base is a very short-term interest. Meanwhile, these purchases raise some complications with Western partners, who view the continuation of Indian purchases as indirectly propping up Russian export revenues. India's policy choice reflects a multi-aligned foreign policy: they seek to maintain a so-called "good" relationship with the West while hanging on to historic defence and energy ties with Russia (CSIS, 2025). While this balancing act serves to reduce short-term energy costs, it does raise a diplomatic cost, in the form of either trade friction, public condemnation or other types of conditionalities in different areas of cooperation (AP, 2025; CSIS, 2025).

Future risks (sanctions enforcement and secondary measures)

The system of sanctions and the intensity of enforcement are in continual flux.

Western people have modified the G7-led price cap and enforcement of sanctions against Russia to manage its export revenues in the past (European Commission, 2022). A discussion that policymakers in both Europe and the U.S. have conducted is targeting more vessels, more insurers, or the so-called "shadow fleet" is warranted to increase enforcement (The Guardian, 2024). Policymakers have even determined that seeking tight enforcement could focus on expanding the designating vessels, transporters, or insurers that help cargoes of oil being delivered (Energy & Clean Air analyses, 2025). If the enforcement becomes more significant or focused, for example, expanding the fines on transport vessels and their insurers that transport discounted Russian crude, Russian crude may become costly for importers or traders alike. China's landed costs may rise and cause disruptions in some of the supply routes and their advantageous discounting of the oil supply (Reuters, 2024; Energy & Clean Air) . More enforcement regarding secondary sanctions or trade penalties could also deter traders and shipping companies from respective actors engaging in servicing these cargoes and oil from Russia destined for India, while increasing their risk as well (Chatham House, 2025; Reuters, 2025).

Sustainability of current gains — structural or temporary?

To determine if benefits to India are indeed structural, it is necessary to delineate temporary market dislocations from contractual and geopolitical shifts that occur over periods of time.

- ***Discount dynamics:*** Price discounts to Russian grades were greatest when many Western buyers left the market and late-season logistics/insurance frictions were absent or low; as markets adjust, on subsequent occasions, discounts shrank (Reuters, 2025). If sanctions are relaxed, or if Russia successfully finds options for lower-cost logistics and broader purchases, discounts will shrink further.

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- ***Policy responses:*** Outside political pressure (e.g., tariffs, or negotiated quid-pro-quo as in trade talks) could raise the diplomatic cost of continued heavy purchases from Russia, and thus encourage diversification. These new rules of the game can change given that recent diplomatic engagement has shown—much like previous trade negotiations—political pressure can influence import mixtures.

- ***Market and operational risks:*** Reliance on opaque shipping arrangements with various entities for non-standard insurance increases reputational, compliance (to whomever enforce sanctions), and operational risks for Indian refiners and banks. These could become binding constraints, depending on how prohibition enforcers expand sanctions (The Guardian, 2025).

- ***At the same time, some structures could sustain some benefit:*** India's large refining capacity, commercial willingness to blend and refine heavier Russian grades, and established commercial ties with Russian suppliers means India can remain a more stable buyer than others even if price discounts are compressed. Furthermore, diversification of settlement mechanisms (e.g., rupee vs. dollar based) and growing trade linkages (as developed with Turkey) of non-Western intermediaries add additional channels that may be maintained.

9. Conclusion

This study evaluated how India's purchases of discounted Russian oil—within the context of the changing post-2022 sanctions regime—have affected the trade balance, inflation rates, and overall fiscal position. Overall, the analysis suggests that India's move towards Russian crude—a share of total imports that increased from less than 2% in 2021 to approximately 35-40% in 2023-24—has produced measurable macroeconomic effects. The trade balance improved as the oil import bill fell by nearly 15-20% from FY2022-23 to FY2023-24 and, as a result, the merchandise trade deficit narrowed. The fiscal position also indirectly benefitted from lower subsidies and lower import bills, while excise revenues were sustainable. Broadly speaking, discounted oil has provided India with an important source of short-term relief in respect to external and fiscal accounts and has provided some insulation from domestic inflation pressures.

India's gains from discounted industrial crude are, nonetheless, significant, but contingent on the larger geopolitical and market context. For energy security in the longer term, India needs to balance lower crude-import exposure with increased diversification into renewables, domestic exploration, and strategic reserves. Fiscal policymakers should treat the savings as temporary windfalls to strengthen fiscal buffers, reduce deficits, and finance investments in energy transition. Diplomatically, India has to continue to pursue its position of strategic autonomy and

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manage a balanced relationship with both its Western partners and Russia.

Future work should be conducted using quantitative models and scenario-based simulations to examine how changes in oil prices, sanctions, or supplier mixes affect trade, inflation, and fiscal outcomes and also analyze how the interlinkages among energy security, sustainability, and geopolitics contribute to India's long-term economic resilience.

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