Wed, 01 May-24; Financial Express - Delhi; Size : 132 sq.cm.;
Circulation:85000; Page : 2

Icra: Oil import bill in FY25 may rise to $101-104 billion

CRUDE IMPACT

- The estimate assumes an average crude oil price of **$85 per barrel** in FY25
- A $10 per barrel increase in the average crude oil price could push up the net oil imports by **$12-13 billion**

ARUNIMA BHARADWAJ
New Delhi, April 30

INDIA'S NET CRUDE oil import bill could reach $101-104 billion in the current financial year from $96.1 billion in FY24 provided the discounts on Russian crude purchase remain at prevailing lower levels amid rising import dependency, Icra said in its latest report. The estimate assumes an average crude oil price of $85 per barrel in FY25.

Additionally, any escalation in the conflict between Iran and Israel and rise in global crude prices could impart an upward pressure on the value of net oil imports in FY25, the report said. As per the domestic rating agency's calculations, a $10 per barrel increase in the average crude oil price could push up the net oil imports by approximately $12-13 billion during the year, widening the country's current account deficit (CAD) by 0.3% of the GDP.

"If the average crude oil price rises to $95 per barrel in FY25, then the CAD is likely to widen to 1.5% of GDP from our current estimate of 1.2% of GDP for the fiscal (over 0.8% projected for FY24)," the report said.

Presently, the agency expects the CAD to widen to $44-46 billion in FY25 (-1.2% of GDP) from $29-30 billion in FY24 (-0.8% of GDP), albeit remaining at comfortable levels.

"Hardening of crude oil prices could potentially translate into higher retail selling prices of petrol, diesel and ATF, which could dampen mobility and consumption growth, and in turn, have a bearing on the GDP growth," said the report. "Additionally, elevated crude or commodity prices would impact corporate margins and, thereby, growth in gross value added (GVA)."

India imports almost 88% of its crude oil requirements with Russia emerging as the top supplier in the past few years owing to the healthy discounts it offered post its conflict with Ukraine. However, analysts say that the discounts which had earlier exceeded $30 a barrel are now seen narrowing to $5-6 per barrel.

According to Icra, discounts on Russian oil narrowed sharply to around 8% during September to February against 23% in the first five months of FY24. Consequently, the estimated savings on account of discounted Russian crude have reduced to $2 billion in the same period of FY24 from $5.8 billion in April-August. "Overall, the savings stood at $7.9 billion in the first eleven months of FY24, equivalent to 6.2% of India's crude petroleum imports during this period, thereby auguring well for India's CAD in that fiscal."