

Tariff for Oil: Whether Justified ?



CANARA BANK | ECONOMIC RESEARCH VERTICAL | HEAD OFFICE

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A. The decision to continue buying Crude oil from Russia requires weighing a modest aggregate economic gain (est. at a few billion USD) against potentially larger and longer-run costs from U.S. tariffs, loss of U.S. market access for exporters, and diplomatic fallout.

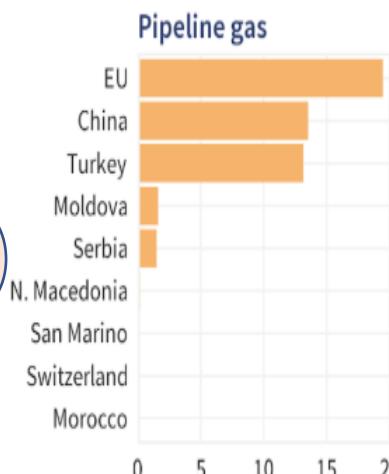
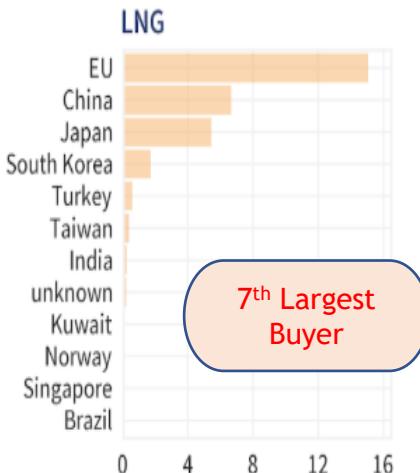
B. With the assumption of continuation of purchase of 2 mbpd from Russia by India , a discount within the range of (1.6 -15)\$ per barrel), may fetch saving within a range of (0.87 -6.54) \$Bn respectively.

C. However, an imposition of Tariff @50% by USA , with an assumption of Export contraction by (10%-50%) may result into trade loss between (10.87- 38.04) \$Bn respectively

D. Consequently, there would be a minimum loss of (-)4.6 \$Bn (if Contraction in Export @ 10% & Discount @ 2 \$/Barrel) and Maximum of Rs (-)31.5\$Bn (if contraction in export @70% & discount @15\$/Barrel)

E. Minimum Contraction in GDP may be by -0.11% and maximum may be by (-)0.86 %

Shipments arriving since EU oil bans until end of January 2025



Source: CREA analysis based on Kpler, Marine Traffic, ENTSOG and customs data.



Internal

Coal: From 5 December 2022 until the end of January 2025, China purchased 45% of all Russia's coal exports. India (18%), Turkey (10%), South Korea (9%), and Taiwan (5%) round off the top five buyers list.

Crude oil: China has bought 47% of Russia's crude exports, followed by India (37%), the EU (6%), and Turkey (6%).

Oil products: Turkey, the largest buyer, has purchased 25% of Russia's oil product exports, followed by China (11%), and Brazil (11%).

LNG: The EU was the largest buyer, purchasing 49% of Russia's LNG exports, followed by China (22%), and Japan (18%).

Pipeline gas: The EU was the largest buyer, purchasing 39% of Russia's pipeline gas, followed by China (27%), and Turkey (27%).

A. Projected Saving Out of Imported Oil From Russia

Saving out of import of Crude Oil From Russia (since 27th August)		
	Description	Value
a.	Average Import per Day (mbpd)	2
b.	No of Days (27 August to 31, March 2026)	218
c.	Expected Volume of oil Imported in million barrel (Between 27-08-2025 to 31-03-2026)	436
d.	Discount per Barrel (\$ per Barrel)	6
e	Total Saving (in \$ Billion)	2.6
f	% Share in India's Total Oil Import Bill (\$150bn) for Remaining 7 Months	3.0
g	% of Current Account Deficit	11.4
h	Decline in CAD (% of GDP)	0.06
k	Savings as % of estimated Oil subsidy FY26 (\$3.5bn)	74.7%
l	Savings as % of estimated Total subsidy FY26 (\$47.5 bn)	5.5%



Scenario Analysis (Different Discounts (In Past) given by Russia on Crude Oil Import)					
Discount Given in Past (\$ per Barrel)	Previous Time Period of Discount	Saving (\$ Bn)	Saving as % of CAD	Saving as % of GDP	
2	Current Year	0.87	0.04	0.02	
4	Expected this Year	1.74	0.08	0.05	
6	FY 2024	2.6	0.11	0.07	
3	Mid 2023	1.31	0.06	0.04	
12.2	FY23 (Apr 2022-Mar 2023)	5.32	0.23	0.15	
15	Late 2022 (Dec)	6.54	0.28	0.18	

B. Projected Trade Loss Due to Tariff @50%

Loss Due to Imposition of 50% Tariff by USA			
II	Sr.	Description	Value
a.		India's Total Export to US(2024 Base Line) (\$Bn)	87
b.		Share of Sectors that is affected from Tariff	62.4%
c.		Affected Value of Export to USA (\$Bn)	54.3
		✓ If Export Shrinks by 20% , Trade Loss (In \$ Bn)	10.87
		✓ If Export Shrinks by 30% , Trade Loss (In \$ Bn)	16.30
		✓ If Export Shrinks by 50% , Trade Loss (In \$ Bn)	27.17
		✓ If Export Shrinks by 70% , Trade Loss (In \$ Bn)	38.04

INDIA'S EXPORTS TO USA IN FY 25 AND TARIFF STATUS			
ITEM	APR-MAR 2024-25 US\$ MN	US\$ BN	TARIFF
Electrical & Electronic Equipment	15,899.61	15.90	WAIVED
PHARMACEUTICAL PRODUCTS	9,783.86	9.78	WAIVED
Petroleum & Mineral Fuels	4,204.74	4.20	WAIVED
Motor Vehicles & Parts	2590.40	2.59	50%
ALUMINIUM AND ARTICLES THEREOF.	859.98	0.86	50%
COPPER AND ARTICLES THEREOF.	360.00	0.36	50%
Gems & Jewellery	9,973.78	9.97	50%
MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.	6,692.43	6.69	50%
ARTICLES OF IRON OR STEEL	3,115.81	3.12	50%
Made-up Textiles & Worn Clothing	2,952.60	2.95	50%
Woven Apparel & Accessories	2,674.54	2.67	50%
ORGANIC CHEMICALS	2,659.76	2.66	50%
Knitted Apparel & Accessories	2,658.88	2.66	50%
SHRIMPS AND AQUATIC PRODUCTS	2,042.74	2.04	50%
PLASTIC AND ARTICLES THEREOF.	1,672.64	1.67	50%
CARPETS AND OTHER TEXTILE FLOOR COVERINGS.	1,229.51	1.23	50%
MISCELLANEOUS CHEMICAL PRODUCTS.	1,204.29	1.20	50%
Furniture, Bedding & Lighting	1,146.73	1.15	50%
Stone, Cement & Plaster Articles	953.31	0.95	50%
Medical, Optical & Precision Instruments	949.09	0.95	50%
OTHERS	12,886.11	12.89	50%
TOTAL	86510.82	86.51	100%
TARIFF WAIVED		29.89	34.5%
TARIFFED		54.03	62.4

Sub Scenario	
Losses from US Tariff on India (Micro Analysis)	
Affected Value of Export to USA (\$Bn)	54.3
If Govt subsidies the 10% of this Shock to Exporter(\$Bn)	48.9
If Exporter absorbs 15% of this Contraction (in \$Bn)	41.6
If Importer absorbs 15% of this Contraction (In \$ Bn)	35.3
Final Contracted Value of Export in \$ Bn (Assuming 50% Decrease in Demand by USA Consumer)	17.7
% of GDP (Annual)	0.41
% of GDP (Halfy Year)	0.21

\$5.4 bn
Burden
of Subsidy

C. Projected Trade Loss/Profit (In Value,\$Bn) & Contraction of GDP (In %)

III.

Matrix of Trade Loss /Profit (In \$Bn) for Different Scenario

Discount (\$ per Barrel) on Imported Oil From Russia

Expected Shrink in Export (%)

	2	4	6	12.2	15
10%	-4.6	-3.7	-2.8	-0.1	1.1
20%	-10.0	-9.1	-8.3	-5.5	-4.3
30%	-15.4	-14.6	-13.7	-11.0	-9.8
40%	-20.9	-20.0	-19.1	-16.4	-15.2
50%	-26.3	-25.4	-24.6	-21.9	-20.6
60%	-31.7	-30.9	-30.0	-27.3	-26.1
70%	-37.2	-36.3	-35.4	-32.7	-31.5

IV. Matrix of Contraction in GDP (%) for Different Scenario

Discount (\$ per Barrel) on Imported Oil From Russia

Expected Shrink in Export (%)

	2	4	6	12.2	15
10%	-0.11	-0.09	-0.07	0.00	0.03
20%	-0.23	-0.21	-0.19	-0.13	-0.10
30%	-0.36	-0.34	-0.32	-0.26	-0.23
40%	-0.49	-0.46	-0.44	-0.38	-0.35
50%	-0.61	-0.59	-0.57	-0.51	-0.48
60%	-0.74	-0.72	-0.70	-0.63	-0.61
70%	-0.86	-0.84	-0.82	-0.76	-0.73

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