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Quickonomics

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Oil's not well

India's oil trade deficit is set to balloon anew this fiscal

India's crude oil trade deficit has been under the pump historically because of having to meet over 85% of its annual requirement from imports.

Over the years, while the volume of imports have trended up, exports of refined petroleum products have been flattish barring the surge after the Covid-19 pandemic (Chart 1).

From fiscal 2024, the pressure on oil trade deficit exacerbated because exports of refined petroleum products fell for two consecutive fiscals even as oil imports continued to rise (Chart 1).

Consequently, the oil trade deficit in dollar terms rose, despite crude oil prices trending down in that period[1].

This was a break from the past when the deficit used to narrow as crude oil prices fell (Chart 2).

And now, with prices rising, the oil trade deficit is expected to be even higher this fiscal.

We expect the price of Brent crude to average $90-95 per barrel in fiscal 2027 from $70.3 last fiscal.

Chart 1: Volume effect

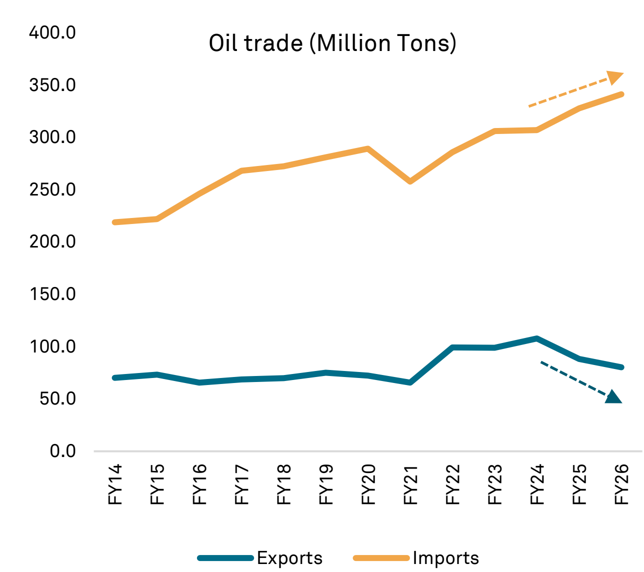
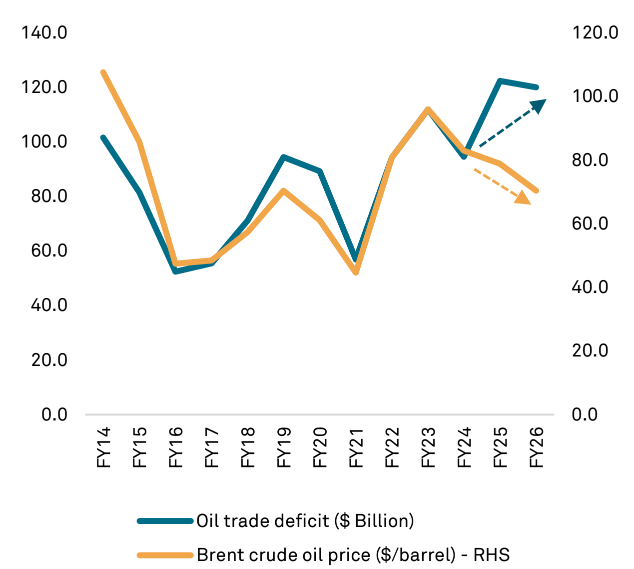


Chart 2: Price effect



Source: Ministry of Commerce, India; World Bank; Crisil

With the prospect of oil trade deficit increasing and likely pressure on remittances from West Asia, we forecast India's current account deficit (CAD) to rise to 2.2% this fiscal from an estimated 0.8% last fiscal.

[1] *Refer to Crisil Quickonomics, 'India's evolving oil trade dynamics, April 30, 2026', for more details*

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