

IMPACT OF THE RUSSIA-UKRAINE WAR ON THE INDIAN ECONOMY

¹Manav Gaokar, ²Rayearth Jadav and ³Tanish Kamdar
SVKM's Usha Pravin Gandhi College of Arts, Science and Commerce

ABSTRACT

The outbreak of the Russia-Ukraine war brought sudden and dramatic changes to India's foreign trade relationships. With discounted Russian oil flooding in, India's imports from Russia soared to new highs, while trade with Ukraine nearly vanished as supply lines broke down. These shifts put pressure on the rupee and raised inflation at home, but India responded with practical steps securing alternative suppliers, adjusting payment systems, and supporting key industries. Despite these hurdles, India managed to keep its economy growing at a healthy pace. This paper explores how India navigated these global shocks while maintaining stability and resilience.

Keywords: Russia-Ukraine conflict; India; macroeconomic impact; trade disruption; Inflation; currency depreciation; financial markets.

INTRODUCTION

In February 2022, Russia launched a full-scale invasion of Ukraine, triggering widespread economic turmoil. The conflict disrupted global security and trade, producing commodity price surges and risk-off financial flows. India, heavily reliant on oil imports and with historic ties to both Russia and Ukraine, felt these shocks immediately. Oil and other global commodity prices spiked e.g. Brent crude briefly above \$119/barrel in mid-2022, pushing inflation upward and straining India's external position. According to Sarkar and Gupta (2024) ¹, the crisis "hinders growth and drives up inflation" globally, a risk that materialized in India's context ¹. At the same time, India's rapid post-pandemic recovery (GDP growth ~13–18% in early FY2022) slowed but remained robust (around 7% for FY2022–23). This study investigates how the Russia–Ukraine war affected India's macroeconomy, trade flows, and financial markets. We analyze trade data, macroeconomic indicators (GDP, inflation, exchange rate), and market behavior, integrating quantitative data with policy developments to assess India's economic resilience in the face of geopolitical turmoil.

REVIEW OF LITERATURE

Recent research on the economic fallout of the Russia–Ukraine war highlights its broad impact on global and regional economies, including India's. Bhattacharjee, Gaur, and Gupta (2023) ² use an event-study approach on Indian stock indices and find that "almost all the sample sectors earned significantly positive abnormal returns in the post-event period," particularly metals, though these effects dissipated as markets corrected ². This suggests that Indian equity markets initially rose on pandemic recovery and speculative flows, despite the war. In a different approach, Sarkar and Gupta (2024) ¹ employ an input–output model to simulate sectoral disruptions from the crisis, emphasizing that the conflict "is a problem for the world economy" because it disrupts transport and trade, raising costs and bottlenecks across sectors ¹. These studies underscore that India – despite no direct proximity to the conflict – faces vulnerability through trade linkages and global price channels. Other analyses (Ansari, 2022) ³ note that India's policy stance has been one of "strategic autonomy," balancing ties with Russia and Western partners amid the conflict ³. Additionally, news and policy reports document empirical impacts: for example, Rajendra Jadhav (2024) reports that India ramped up oil purchases from Russia to discount prices, making Russia a top oil supplier ⁴. On food, global supply disruptions drove India to ban wheat exports by May 2022. Collectively, the literature indicates substantial war-induced strains on inflation, fiscal policy, and trade, but also highlights India's unique strategic responses and market resilience. This body of work provides the backdrop for our comprehensive analysis of India's economic adjustments to the shock.

STATEMENT OF THE PROBLEM

The core problem addressed here is to quantify and explain how the Russia-Ukraine war has impacted the Indian economy across multiple dimensions. India's economy was exposed to the conflict despite its geographical distance: it sources nearly 40% of its crude oil from Russia by mid-2023 ⁴, and before the war obtained roughly 70% of its sunflower oil from Ukraine.

As a result, the conflict has potential to affect India's GDP growth, inflation, currency stability, external accounts, and financial markets. The research gap lies in integrating these effects into a coherent analysis. Specifically, we ask: *What were the observable economic and financial impacts in India following the outbreak of war, and how did India's policy choices mitigate or amplify these effects?* Empirical evidence suggests that the crisis "drives up inflation when it is already high" and disturbs trade routes (Sarkar & Gupta, 2024) ¹.

In India's case, inflation did spike (to ~7.8% in April 2022), and the rupee depreciated sharply. The problem, therefore, is to trace these changes systematically, distinguishing between shock-driven trends and responses. Understanding this problem is critical for policymakers, given that India's "self-reliant" agenda and strategic autonomy position require balancing economic needs (energy, food, defense) against global pressures ³.

RESEARCH METHODOLOGY

The Research methodology employs qualitative secondary analysis with policy review. We conduct a quantitative review of macroeconomic and financial indicators spanning FY2021–22 through FY2024–25, drawing on official data from sources such as the Reserve Bank of India, Ministry of Commerce, and international reports (IMF, World Bank). Key variables include GDP growth rates, inflation indices, exchange rates, trade volumes/values (especially oil and agricultural commodities), stock market indices (Sensex, Nifty), and foreign portfolio investment flows. Where possible, we confirm this data with published reports and news e.g. RBI bulletins, IMF press releases. In line with Bhattacharjee et al. (2023) ², we also consider the war announcement date as an "event" to contextualize market reactions ², although our focus is broader macro-analysis rather than event-study regression. For policy analysis, we review government statements and expert commentary (Ansari, 2022; Mishra, 2025) ^{3 4}. The methodology thus combines statistical data interpretation (growth, prices, trade figures) with qualitative context on policy measures, enabling a comprehensive assessment of economic impact.

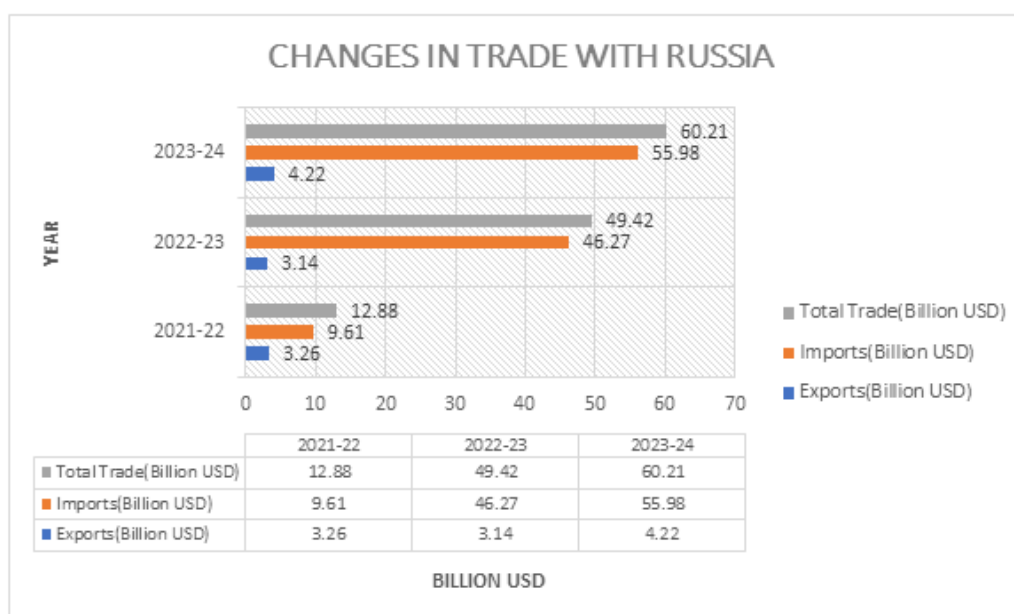
RESEARCH OBJECTIVES

1. **Quantify Macroeconomic Effects:** Assess how the war altered India's GDP growth trajectory, inflation rate, and fiscal/monetary policy stance.
2. **Analyze Trade and Commodity Shocks:** Evaluate shifts in trade flows with Russia and Ukraine (notably oil, fertilizer, and foodstuffs) and the resulting price effects.
3. **Evaluate Financial Market Reactions:** Examine volatility and flows in equity markets, foreign investment, and currency markets associated with the conflict.
4. **Examine Policy Responses:** Investigate India's government and central bank actions (subsidies, bans, rate changes) implemented to cushion the economy.
5. **Contextualize Global Links:** Situate India's outcomes within the broader global economic disruption caused by the war.

ANALYSIS

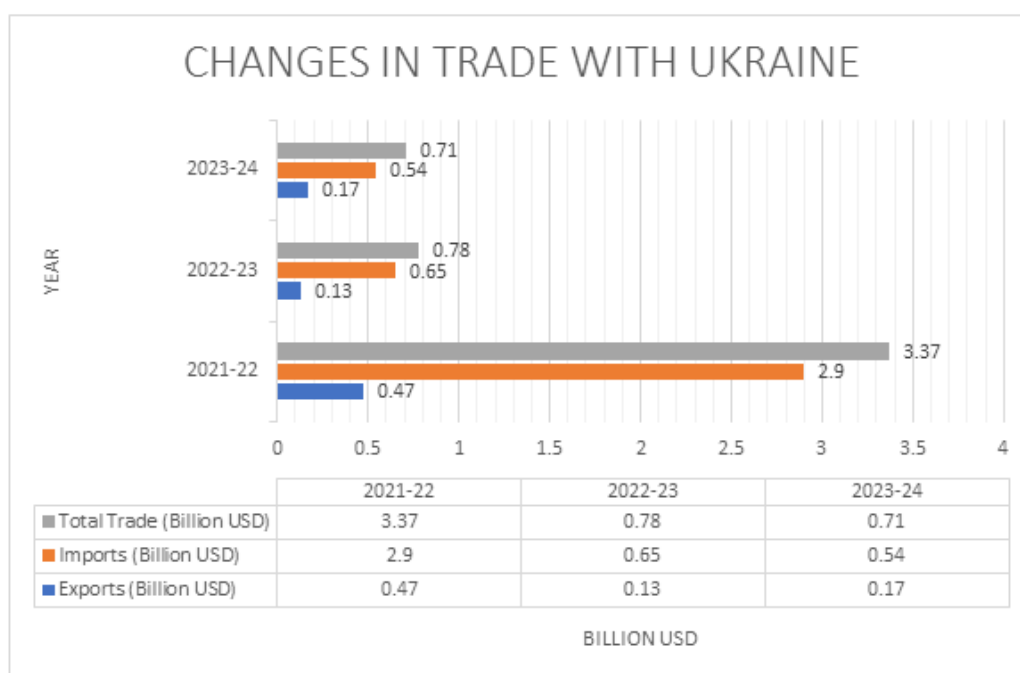
Trade and Commodity Flows: Before 2022, India's trade with Russia and Ukraine was significant in specific sectors. After the invasion, India dramatically increased oil imports from Russia, which had previously been negligible. By FY2022–23, India's spending on Russian crude rose to ~\$31 billion (from under \$2.5 billion the previous year) and further to ~\$140 billion in FY2023–24 ⁴. Russian oil thus became India's largest single oil source (approximately 40% of imports by mid-2023) ⁴. This shift provided a relatively cheap energy supply amid Western sanctions but also tied India's import bill to oil market volatility. In contrast, Ukraine's closure of Black Sea ports collapsed India's imports of Ukrainian agricultural goods. India had imported roughly 70% of its sunflower oil and significant wheat quantities from Ukraine before the war. Ukraine's export halt caused edible oil prices to surge. The government responded by seeking supplies from alternative sources (Russia, Argentina) and banned wheat exports in May 2022 to ensure domestic stocks. These trade adjustments highlight a divergence: energy imports from Russia surged, while agri-commodity imports from Ukraine and the broader Black Sea region shrank sharply.

Indian export growth to Russia e.g. machinery, chemicals also increased modestly, but oil imports dominated the bilateral trade balance. Overall, New Delhi's total trade with Russia roughly doubled in 2022–23, whereas trade with Ukraine contracted severely.



Source: Ministry of Commerce and Industry, Government of India

This graph represents a massive change in India's Import from Russia primarily due to increase in import of crude oil at a discount ranging around \$5 per barrel compared to global market prices, making Russian oil significantly cheaper for Indian refiners. The Imports from Russia has grown 381.30% and 20.99% for the year 2022-23 and 2024-25 respectively. At the same time, India's export to Russia had initially fallen by 3.66% in 2022-23 then grew by 34.39% for the year 2023-24



Source: Indian Embassy, Kyiv economic reports.

This graph represents that the Indian imports from Ukraine plunged by more than 75% within a year. Essential food-grade commodities became difficult to procure, and what little could be delivered often came at a much higher price. At the same time, India's exports to Ukraine also collapsed, as the Ukrainian economy itself was hit hard and its own demand for imports shrank.

Macroeconomic Indicators: The war's impact on India's aggregate economy was material but not devastating. GDP growth decelerated from the exceptionally high post-pandemic pace (~13–18% in early FY2022) to about 7% for FY2022–23, reflecting the drag from commodity price shocks. This rate remained among the fastest globally even after the slowdown. Inflation responded more sharply: driven by rising fuel, edible oil, and wheat prices, retail inflation peaked at ~7.8% in April 2022 – well above the RBI's 6% upper target. In reaction, the RBI raised its policy repo rate by roughly 250 basis points between mid-2022 and late 2023. These monetary

tightening, along with bumper domestic harvests later, helped moderate inflation back toward target (~6–6.5% by late 2023). In the external sector, the rupee weakened significantly. On Feb 24, 2022, the rupee fell about 1.5% in a single day (to ~₹75.65/USD) as oil prices jumped. Elevated oil import bills and global risk aversion drove the rupee down ~11% over 2022 (its worst annual performance since 2013)⁵, touching lows near ₹83/USD by early 2023. The RBI intervened frequently (selling US dollars, easing forex rules) to stabilize the currency. By mid-2025, accumulated reserves and resumed capital flows helped the rupee recover most losses. Meanwhile, current account deficits widened in 2022–23 due to higher energy bills, though remittances and service exports e.g. IT services provided some offset. Fiscal spending increased on subsidies (fuel, fertilizer) to shield consumers; the government issued special bonds and raised borrowing to cover some costs, with the overall fiscal deficit remaining within manageable bounds.

Financial Markets and Capital Flows: Indian financial markets experienced pronounced volatility. The Bombay Stock Exchange Sensex and NSE Nifty indices plunged roughly 4.7–4.8% on Feb 24, 2022 (the day of the invasion) – their steepest drop since the 2020 COVID crash. All sectors fell and volatility spiked. Foreign portfolio investors (FPIs) sold aggressively; on that single day they divested about \$2.2 billion of equities, reflecting a global “flight to quality.” The rupee’s concurrent drop further highlighted capital outflows. In the following months, Indian markets tracked global tightening: U.S. rate hikes and the war kept up pressure, leading to additional FPI outflows through late 2022. However, by late 2022 and into 2023, India’s robust economic outlook and policy stability began attracting foreign investors again. In December 2023, FPIs poured a record ₹661.35 billion (~US\$8.0 billion) into Indian equities, driving indices to new highs. Overall, for FY2024–25, foreign investors remained net buyers of Indian stocks (especially in financials and tech) despite some second-half volatility. This recovery contrasted with Russian markets (closed to outsiders) and China’s (constrained by lockdowns), making India relatively attractive. Bond markets saw yields rise on RBI hikes but remained supported by strong demand. In sum, market turbulence was acute early on, but India’s underlying fundamentals and return of global liquidity underpinned a rebound.

Strategic Autonomy and Policy Measures: Throughout the crisis, India adhered to its policy of strategic autonomy. It condemned the invasion diplomatically but abstained from UN votes condemning Russia³, aiming to preserve ties e.g. to protect Indian students in Ukraine. India did not join Western sanctions: it openly continued buying Russian oil and armaments³. For example, despite US/EU embargoes, India purchased record volumes of discounted Russian crude (over 40% of its imports by 2023)⁴. Analysts note that India’s defense imports (~70% historically from Russia) provided little flexibility; even by 2024, Russian arms still accounted for a large share of deliveries³. Meanwhile, India quietly diversified: it expedited pending deals with Western weapon suppliers and boosted its own defense production (Atmanirbhar Bharat). In agriculture and energy, the government imposed short-term measures – export bans on wheat (May 2022) and onions (Dec 2023), tariff adjustments on edible oil imports, and subsidy increases (fertilizer subsidies nearly doubled in FY2022–23) – to contain price spikes. It also accelerated long-term plans for energy security (expanding renewable capacity, stockpiling fuel) and agricultural self-sufficiency (oilseed programs). On the diplomatic front, India engaged partners to stabilize commodity markets (urging food export curbs relief) and strengthened alternative trade routes e.g. the INSTC corridor. In all, India balanced its historical relationship with Russia against new economic realities, seeking to “have its cake and eat it too” by maintaining diversified partnerships.

STATISTICAL ANALYSIS

- **Oil Imports:** India’s crude oil import bill from Russia jumped from under **US\$2.5 billion** in FY2021–22 to over **\$31 billion** in FY2022–23, and further to roughly **\$140 billion** in FY2023–24⁴. This made Russia the top oil supplier (~40% of imports by 2024)⁴.
- **GDP Growth:** After booming (~13–18%) in early 2022, India’s real GDP growth slowed to about **7%** in FY2022–23, still one of the highest rates globally. The IMF projected growth around **6.5–7%** for FY2024–25⁶.
- **Inflation:** Retail inflation spiked from ~5–6% pre-war to a peak of **~7.8%** in April 2022, driven by higher oil and food prices. By late 2023, inflation had eased back toward the RBI’s target band (~6%), aided by monetary tightening and bountiful harvests.
- **Exchange Rate:** The Indian rupee depreciated sharply. It fell from ~₹74/\$ in January 2022 to around **₹82.6/\$ by end-2022** (a drop of over 11% for the year)⁵. It hit record lows near ₹83 in early 2023 before RBI interventions and capital inflows helped it recover above ₹80 by 2025.

- **Stock Markets:** On Feb 24, 2022 (invasion day), the Sensex dropped ~**4.7%** in a single day (the worst one-day fall since May 2020). All sectoral indices fell sharply. By contrast, by early 2024 the Sensex and Nifty had recovered to new highs, reflecting renewed foreign buying.
- **Capital Flows:** Foreign portfolio investors (FPIs) sold aggressively early on e.g. net equity outflow of ~\$2.2b on Feb 24, 2022, but returned later. Notably, **₹661.35 billion** (≈US\$8.0b) flowed into Indian equities in Dec 2023 (a record monthly inflow), aiding market rallies. For FY2024–25, FPIs were net buyers overall despite some volatility.
- **Sunflower Oil:** Russia and Ukraine supply >**70%** of global sunflower oil ⁷. India, responding to the supply shock, imported a record **461,458 tons** of sunflower oil in Jan 2023 ⁷, indicating massive substitution for domestic requirements.

CONCLUSION

The Russia-Ukraine war introduced significant economic challenges for India, but the country's economy demonstrated resilience. Despite facing severe commodity shocks, India maintained robust growth and managed inflation through aggressive policy actions. By late 2024, inflation had receded toward RBI targets and the rupee recovered much of its losses. The IMF notes that India's economy remained among the fastest-growing in the world, forecasting growth around 6.5%–7% in 2024–25 ⁶. Strategic policy responses — such as accumulating energy stocks, imposing selective export controls on food, and raising subsidies — helped stabilize markets and protect vulnerable sectors. India's "strategic autonomy" stance (continuing imports from Russia while deepening ties with Western partners) insulated it from some external pressures ³. Nonetheless, the war's legacy includes higher government debt and subsidy burdens, and a reminder of India's exposure to global fragmentation ⁶. Going forward, India is likely to pursue further diversification of energy and agricultural sources, strengthen domestic production (consistent with the Atmanirbhar Bharat agenda), and rely on its large foreign-exchange reserves and digital infrastructure to withstand future shocks. In sum, the conflict tested India's economy but ultimately underlined its resilience- a finding consistent with both the empirical data and recent academic studies ^{2 1}.

REFERENCES

- Sarkar, B. D., & Gupta, L. (2024). Analyzing the impact of Russia-Ukraine crisis on the Indian economy using input-output modeling. *Journal of Global Operations and Strategic Sourcing*, 17(3), Article 21. <https://www.deepdyve.com/lp/emerald-publishing/analyzing-the-impact-of-russia-ukraine-crisis-on-the-indian-economy-IsPOrWtnun?key=emerald> (1)
- Bhattacharjee, A., Gaur, D., & Gupta, K. (2023). Russia-Ukraine war and the impact on Indian economy. *Journal of Economic Studies*, 51(4), 841–858. <https://www.ingentaconnect.com/content/mcb/002/2023/00000051/00000004/art00006;jsessionid=8u0igk5gq2c9.x-ic-live-01> (2)
- Ansari, A. A. (2022, May 24). How the Russia-Ukraine war impacts India's self-reliance campaign. Atlantic Council. Retrieved from <https://www.atlanticcouncil.org/blogs/southasiasource/how-the-russia-ukraine-war-impacts-indias-self-reliance-campaign/%20atlanticcouncil.org> (3)
- Mishra, S. (2025, August 2). Crude politics: Inside India-Russia oil ties amid Trump's tariff tantrum. Petroleum and Natural Gas Ministry (India). (2025). Ministry of Commerce data on oil imports (as reported by Mishra, 2025) NDTV. Retrieved from <https://www.ndtv.com/india-news/russian-oil-india-us-sanctions-markets-up-scaling-norms-4205360> ndtv.comndtv.com (4)
- Pandey, R. (2023, January 19). India's rupee falls over 11% in 2022 – worst since 2013. *The Economic Times* (PTI). Retrieved from <https://economictimes.indiatimes.com/markets/forex/india-rupee-falls-over-11-in-2022-worst-since-2013/articleshow/96638889.cms> (5)
- Economic Times (ET Bureau). (2023, January 1). Rupee falls over 11% in 2022 - worst since 2013. ET BFSI (PTI). Retrieved from <https://economictimes.indiatimes.com/markets/forex/india-rupee-falls-over-11-in-2022-worst-since-2013/articleshow/96638889.cms> (5)
- IMF Press Release No.25/045. Retrieved from <https://www.imf.org/en/News/Articles/2025/02/26/pr25045-india-imf-executive-board-concludes-2024-article-iv-consultation-with-india#:~:text=Real%20GDP%20is%20expected%20to,corporate%20balance%20sheets%2C%20and%20strong> (6)

Rajeswaran, B. (2024, January 4). Record monthly FPI buying in December drives India's Nifty 50 to record highs. Reuters. Retrieved from <https://www.reuters.com/world/india/record-monthly-fpi-buying-december-drives-indias-nifty-50-record-highs-2024-01-04/> (7)

Rajeswaran, B. (2025, April 4). Foreign investors fuel surge in Indian financials in March; outflows persist for fiscal 2025. Reuters. Retrieved from <https://www.reuters.com/world/india/foreign-investors-fuel-surge-indian-financials-march-outflows-persist-fiscal-2025-04-04/> (7)