

# Who is Buying Russian Oil?

Sanctions have failed to stop a key flow of Russian export earnings.

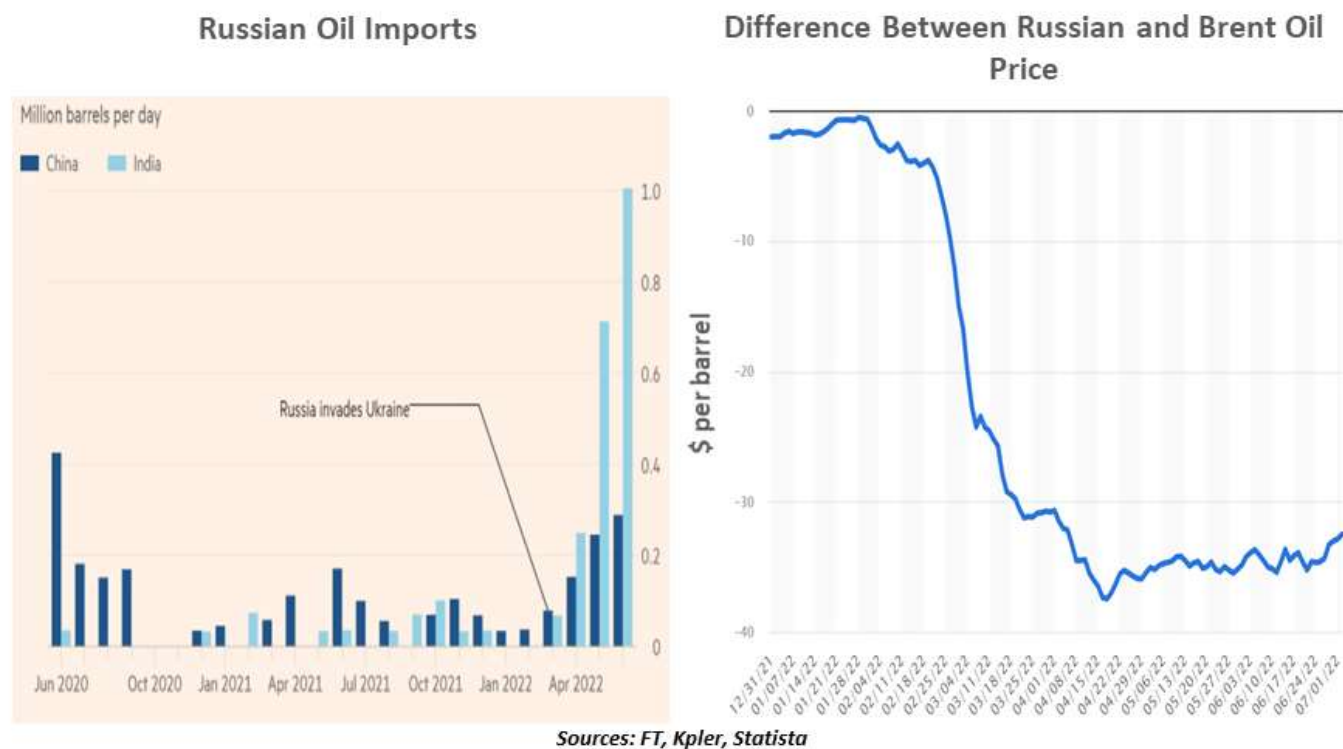
By Vaibhav Tandon



In retaliation for its aggression in Ukraine, advanced economies attempted to hit Moscow where it hurts the most. One of the targets was the Russian oil industry; a number of countries have committed to ban or phase out imports from the country. The move was intended to choke off a key channel of Russian export earnings, but the oil and the money continue to flow. Russian oil sales to Europe dropped by more than half a million barrels a day between March and May. Over the same time period, Asian imports increased by almost the same amount, blunting the effects of Western sanctions. The biggest emerging economies have become the largest buyers of shunned Russian crude: Beijing's imports increased 28% in May over the previous month to a record high. India is now a significant importer of Russian oil, purchasing

about one-fifth of Russia's oil exports during the first three months of the war. A significant share of this is re-exported in the form of refined products to other countries, including some western markets.

*Moscow is making more revenue from energy exports now than it did before the war.*



One reason for the increased consumption in China and India is the price. Russian crude has been trading at a discount of over \$30 to broader market prices. As a result, countries like China and India, both net energy importers, are taking the opportunity to lower their import bills.

Though forced to sell at a discount, higher demand has led to a windfall for Moscow, helping it to keep its economy afloat and the war machine well-oiled. According to the Centre for Research on Energy and Clean Air, Russia has earned nearly \$100 billion from its exports of oil and gas during the first 100 days of the war. This has helped the ruble achieve its unlikely status as the world's best-performing currency in 2022, despite sanctions.

The war is leading to a significant rebalancing of the crude oil market. An exporter that was supposed to pay a hefty price for aggression is reaping benefits from its act. Thus far, this sanction has been a poor example of deterrence, and a textbook case of unintended consequences.

---

Information is not intended to be and should not be construed as an offer, solicitation or recommendation with respect to any transaction and should not be treated as legal advice, investment advice or tax advice. Under no circumstances should you rely upon this information as a substitute for obtaining specific legal or tax advice from your own professional legal or tax advisors. Information is subject to change based on market or other conditions and is not intended to influence your investment decisions.

© 2022 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A. Incorporated with limited liability in the U.S. Products and services provided by subsidiaries of Northern Trust Corporation may vary in different markets and are offered in accordance with local regulation. For legal and regulatory information about individual market offices, visit [northerntrust.com/terms-and-conditions](https://www.northerntrust.com/terms-and-conditions).



## Vaibhav Tandon

Vice President, Economist

Vaibhav Tandon is an Economist within the Global Risk Management division of Northern Trust. In this role, Vaibhav briefs clients and colleagues on the economy and business conditions, supports internal stress testing and capital allocation processes, and publishes the bank's formal economic viewpoint. He publishes weekly economic commentaries and monthly global outlooks.