

Economy Watch...for the week ending on 18th April 2025

*** India's FY25 trade surplus with US jumps, deficit with China widen**

US President Donald Trump's complaints about the country's high trade deficit notwithstanding, India's trade surplus with the US increased to \$41.18 billion in FY25 from \$35.33 billion in the previous fiscal. On the other hand, India's trade deficit with China widened to \$99.2 billion in FY25 from \$85.07 billion the previous fiscal fuelling worries on Beijing's increased dominance of the country's supply chains. India's exports to the US in FY25 increased 11.59 per cent to \$86.51 billion, according to quick estimates shared by the Commerce Department. The increase was led by sectors such as pharmaceuticals, electrical machinery & equipment, chemicals, plastics, apparel & textiles and articles of iron & steel. Imports of American goods by India also increased in FY25, but at a lower 7.44 per cent to \$45.33 billion. Increased imports were largely in sectors including fuels & mineral oils, gems & jewellery (including precious metals), machinery and mechanical appliances and electrical appliances. Despite quality control orders and trade remedial measures, such as anti dumping and subsidy actions, to keep a check on influx of Chinese goods, India's imports from the country increased 11.52 per cent in FY25 to \$113.45 billion. The rise in imports is driven by increasing demand for electronics, EV batteries, solar cells, and key industrial inputs—sectors where China dominates India's supply chains. In contrast, India's exports to China in FY25 fell 14.49 per cent to \$14.25 billion.

***DGTR issues final findings in 13 anti-dumping cases mostly against China**

The commerce ministry's investigation arm DGTR has issued final findings in as many as 13 anti-dumping cases, mostly against China, in March, according to the commerce ministry.

The ministry also said that in addition to this, the Directorate General of Trade Remedies (DGTR) has started 11 investigations in March.

The final findings have been issued against dumping of products such as vitamin-A palmitate, insoluble sulphur, aluminium foil, plastic processing machines, digital offset printing plates and decor paper.

Out of the 13 cases, 12 are against China. The other countries included in these probes include European Union, Japan, Taiwan, Russia, and Thailand.

DGTR, under the commerce ministry, is the apex authority for administering all trade remedial measures, including antidumping, countervailing duties and safeguard measures. These measures help deal with the rising incidences of unfair trade practices and to provide a level playing field to the domestic industry.

While the US has imposed 245 per cent against China. In retaliation, Beijing has slapped 125 per cent tariff on goods coming from Washington. The government has set up an inter-ministerial import surge monitoring group to strictly monitor imports.

In the last fiscal, India's exports to China contracted 14.5 per cent to USD 14.25 billion as against USD 16.66 billion in 2023-24. The imports, however, rose by 11.52 per cent in 2024-25 to USD 113.45 billion against USD 101.73 billion in 2023-24.

The trade deficit with China has widened by about 17 per cent to USD 99.2 billion in the last fiscal from USD 85.07 billion in 2023-24. China continued to be the second largest trading partner of India with USD 127.7 billion two-way commerce in 2024-25 as compared to USD 118.4 billion in 2023-24.

*** China curbing rare earth exports is a blow to the US**

As the trade war between China and the US escalates, attention has been focused on the increasingly high levels of tit-for-tat tariffs the two countries are imposing on one another.

But slapping reciprocal tariffs on Washington is not the only way Beijing has been able to retaliate.

China has now also imposed export controls on a range of critical rare earth minerals and magnets, dealing a major blow to the US. The move has laid bare how reliant America is on these mineral.

"Rare earths" are a group of 17 chemically similar elements that are crucial to the manufacture of many high-tech products. Most are abundant in nature, but they are known as "rare" because it is very unusual to find them in a pure form, and they are very hazardous to extract.

Neodymium is used to make the powerful magnets used in loudspeakers, computer hard drives, EV motors and jet engines that enable them to be smaller and more efficient.

Yttrium and Europium are used to manufacture television and computer screens because of the way they display colours.

Rare earths are also critical to the production of medical technology like laser surgery and MRI scans, as well as key defence technologies.

What does China control?

China has a near monopoly on extracting rare earths as well as on refining them - which is the process of separating them from other minerals.

The International Energy Agency (IEA) estimates that China accounts for about 61% of rare earth production and 92% of their processing.

That means it currently dominates the rare earths supply chain and has the capacity to decide which companies can and cannot receive supplies of rare earths.

Both the extraction and processing of these rare earths are costly and polluting.

All rare earth resources also contain radioactive elements, which is why many other countries, including those in the EU, are reluctant to produce them.

How has China restricted exports of these minerals?

In response to tariffs imposed by Washington, China earlier this month began ordering restrictions on the exports of seven rare earth minerals - most of which are known as "heavy" rare earths, which are crucial to the defence sector.

These are less common and are harder to process than "light" rare earths, which also makes them more valuable.

From 4 April, all companies now have to get special export licenses in order to send rare earths and magnets out of the country.

That is because as a signatory to the international treaty on the Non-Proliferation of Nuclear Weapons, China has the ability to control the trade of "dual use products".

According to the Centre for Strategic and International Studies (CSIS), this leaves the US particularly vulnerable as there is no capacity outside China to process heavy rare earths.

How could this impact the US?

A US Geological report notes that between 2020 and 2023, the US relied on China for 70% of its imports of all rare earth compounds and metals.

This means that the new restrictions have the ability to hit the US hard. Heavy rare earths are used in many military fields such as missiles, radar, and permanent magnets.

A CSIS report notes that defence technologies including F-35 jets, Tomahawk missiles and Predator unmanned aerial vehicles all depend on these minerals.

It adds that this comes as China "expands its munitions production and acquires advanced weapons systems and equipment at a pace five to six times faster than the United States".

US manufacturing, which Trump has said he hopes to revive through the imposition of his tariffs, stand to be severely impacted.

If such a shortage from China persists in the long-run, the US could potentially begin diversifying its supply chains and scaling up its domestic and processing capabilities, though this would still

require "substantial and sustained investment, technological advancements and potentially higher overall costs compared to the previous dependence on China".

And it's clear this is something already on Trump's mind. This week, he ordered an investigation into the national security risks posed by the US' reliance on such critical minerals.

Can't the US produce its own rare earths?

The US has one operational rare earths mine, but it does not have the capacity to separate heavy rare earths and has to send its ore to China for processing.

There used to be US companies that manufactured rare earth magnets - until the 1980s, the US was in fact the largest producer of rare earths.

But these companies exited the market as China began to dominate in terms of scale and cost.

This is largely believed to be part of why US president Donald Trump is so keen to sign a minerals deal with Ukraine - it wants to reduce dependency on China.

Another place Trump has had his eye on is Greenland - which is endowed with the eighth largest reserves of rare earth elements.

Trump has repeatedly showed interest in taking control of the autonomous Danish dependent territory and has refused to rule out economic or military force to take control of it.

These might have been places that the US could have sourced some of its rare earth exports from, but the adversarial tone Trump has struck with them means the US could be left with very few alternative suppliers.

***India trade deficit with China widens to record \$99.2 bln amid dumping concerns**

India recorded a trade deficit of \$99.2 billion with China in the 2024/25 fiscal year that ended in March, trade data showed, driven by a surge in imports of electronics goods and consumer durables.

The data comes as U.S. President Donald Trump announced a 90-day pause last week on most tariff hikes for major trading partners including India, while sharply increasing levies on Chinese goods stoking fears that Chinese firms may divert goods to other markets.

In March alone, goods imports from China jumped over 25% year-on-year to \$9.7 billion, led by electronics, electric batteries and solar cells. Total imports from China rose to \$113.5 billion in 12-months through March, according to detailed trade data released by commerce ministry .

Meanwhile, India's exports to China fell 14.5% to \$1.5 billion in March from a year earlier, with total exports dropping to \$14.3 billion in the 12-months period, data showed.

India's rising exports of electronics goods, pharmaceuticals and engineering goods are also fuelling imports from Chinese, due to their heavy dependence on imported components, he said.

China emerged as India's second biggest trading partner in 2024/25, with two-way trade of \$127.7 billion, after the United States, the data showed.

The government plans to set up a monitoring unit to track a surge in cheaper imports from countries like China, and warned firms against helping foreign exporters bypass U.S. tariffs.

***Trade war may led to freight rates surging 30% as containers pile up in China**

The escalating trade tensions between the U.S. and China have significantly disrupted global shipping operations with freight rates expected to surge by 30%, say analyst. This bottleneck has resulted in a notable decrease in cargo volume handled by Chinese ports and the uncertainty surrounding these tariffs had also impacted shipping rates. Spot shipping rates between China and the U.S. East Coast have surged, while rates to the West Coast have also increased. Additionally, the proposed \$1 million fee on Chinese-built vessels docking at U.S. ports threatens to further destabilise maritime trade, potentially bringing international shipping to a standstill. These developments were not only affecting shipping companies but also would have broader implications for global trade, potentially leading to increased costs for consumers and disruptions in supply chains worldwide. Analysts said the trade tensions with China is expected to trigger freight rate hike of 30% as containers are getting piled up in China on account of the escalating trade war. They said shippers to the U.S. and Indian exporters were bracing for the freight hikes and delays which could lead to losses in the foreign trade. The volume of containers stuck in China right now due to trade uncertainty, tariffs, and geopolitical shifts would put the entire global supply chain at risk of a lack of containers available for shipments. Stating that the full impact would be felt in phases, if the market sentiment around China's inability to export continued to worsen, a complete disruption of trade routes and pricing models would be seen due to the imbalance of the global container market. If the situation does not stabilise quickly, freight rates to start fluctuating between 10% to 30% across regions starting next month.

***Bangladesh restricts import of yarn from India by land**

Bangladesh has restricted import of yarn from India through its land ports through an order dated April 13. India exported cotton yarn worth \$ 1.6 billion in 2024 and manmade

fibre (MMF) yarn worth nearly \$ 85 million. A substantial volume of yarn goes through land. On April 25, India rescinded its 2020 order that permitted transshipment of goods from Bangladesh through its Land Customs Stations to third countries, citing congestion at its ports. Close to 32 % of yarn exported to Bangladesh is by land. The restrictions imposed on the export of cotton yarn is a matter of deep concern .Textile mills in the north, especially the small and medium scale units, prefer to ship by land as it is cost effective. They will now have to export through the Mundra, Thoothukudi, or Nhava Sheva ports and it will lead to higher costs. Readymade garment exporters in Bangladesh who are using imported yarn from India will also have to pay higher price due to hike in logistics cost and will face delays . The recent suspension of imports of cotton yarn from India by Bangladesh's National Board of Revenue will have a serious impact on India's cotton yarn exports to Bangladesh. Trade data suggests that Bangladesh has been the fastest growing market for India's cotton yarn with its exports growing at a Compound Annual Growth Rate (CAGR) of 25% during the last five years.

***Retail inflation eases to 3.34%, lowest since 2019**

Retail inflation eased to a five-and-a-half-year low of 3.34% in March, from 3.61% in the previous month, mostly due to lower food prices, according to data from the Ministry of Statistics and Programme Implementation. Vegetables, eggs, and pulses were significantly cheaper, though edible oils and fruits continued to see high inflation. The slowing prices come on the heels of two consecutive repo rate cuts, each by 25 basis points or 0.25%, by the Reserve Bank of India. This is the rate at which banks borrow from the RBI, and the cuts indicated that the central bank is more worried about growth than inflation. Economists predicted further reductions in the months ahead. Consumer food price inflation (CFPI) hit a three-year low of 2.7% in March, a sharp drop from 3.75% in the previous month, according to data from the Centre for Monitoring Indian Economy (CMIE).Among major crops, tomato prices plunged almost 35% in March the reporting month, steeper than the 29% deflation in February. Potato prices rose 2.3%, which was the lowest in a little more than a year. The kitchen staple's price had increased 26% in the previous month. Onion prices increased 19% in March, from 30% in the previous month. Overall, vegetable prices deflated 7% for the second consecutive month. Pulses and products prices deflated 2.7% in March, while egg prices fell over 3%. Rice and wheat prices rose 4.9% and 9% in March, lower than the 5.3% and 9% gains of the previous month. Fuel and light inflation increased moderately to 1.48%, with prices rising for the first time since September 2023.Rural inflation came in at a lower 3.25% in March, down from 3.79% in February, though urban inflation increased marginally from 3.32% in February to 3.43% in March. Kerala had the highest inflation of 6.6% followed by Chhattisgarh, Maharashtra, Tamil Nadu, Karnataka, Assam and Haryana which all had inflation of above 3.3%. Inflation was lowest in Delhi and Telangana coming in at 1.5% and 1.1% respectively. The CPI data moved in the same

direction as the wholesale price inflation data, which was released on the same day by the Commerce Ministry. Wholesale prices eased 2.05% in March, from 2.38% in February. Primary articles prices increased at a modest 0.76% in March, down from 2.8% in the previous month. Fuel and power prices increased 0.2 % from a deflation of 0.7% in February 2025. Prices of manufactured goods too increased 3.07% in March, from 2.86% in the previous month. The WPI food index increased at a slower pace of 4.66% in March 2025 from 5.9% in the previous month. Economists agreed that the inflation is likely to stay under 4% in the coming months, which they said would prompt a 50 bps rate cut.

*** Wealthy Indians under-reporting their income to avoid taxes: study**

A paper studying national accounts — and sampling asset disclosures by Lok Sabha MPs — found rich Indians are likely under-reporting their income, raising the possibility that income inequality in India is starker than previous studies may have indicated. The paper by Delhi School of Economics director Ram Singh finds that “the wealthier a household is, the smaller the income it reports relative to its wealth”. It is not uncommon for affluent individuals’ wealth, such as fixed assets and long-term capital investments, to relatively outgrow their income. But data from the national accounts, income tax statistics from the Central Board of Direct Taxes, and election candidate filings show that “a 1% increase in family wealth is associated with a more than 0.6% decrease in the reported income-wealth ratio,” the paper says. Decreasing trend in income-wealth ratio persists for all versions of income reported to tax authorities, states the paper. This includes the income reported as taxable and the total income declared. In riches households, the relative share of reported income against wealth shrinks even further. For a family listed in the 2021 Forbes riches Indians list, the study estimates that income is a mere 1/12th of wealth. Going to the richest households, the relative share of reported income against wealth shrinks even further. For a family listed in the 2021 Forbes richest Indians list, the study estimates that income is a mere 1/12th of wealth. The result has been a regressive taxation structure, where the effective income tax rates actually reduce the richer an individual gets. The data throws up anomalies: namely, while an increase in ownership of equity shares results in a comparable boost in income as well as wealth, an increase in ownership of agricultural land and commercial property decreases the ratio. Lok Sabha MP affidavits were studied because they may represent a socially representative dataset. One curious exception was candidates with a serious chance of winning, whose disclosures showed fewer signs of under-reporting: The findings could exacerbate the already dire assessments of Indian income inequality. A paper published by the World Inequality Lab last year assessed the share of wealth held by India’s top 1% earners as 40.1% and the share of income at 22.6%.

***India's gems, jewellery exports dip by 11.72 pc at \$28.5 bn in FY25: GJEPC**

India's overall gems and jewellery exports declined by 11.72 per cent to \$28.5 billion (around Rs 2.41 lakh crore) in 2024-25 compared to the previous financial year on continued geopolitical tensions, according to the Gem & Jewellery Export Promotion Council(GJEPC).

The overall gems and jewellery exports stood at \$32.2 billion (Rs 2.67 lakh crore) in 2023-24, according to GJEPC data.

However, in March, the exports improved slightly, witnessing a growth of 1.02 per cent at \$2,582.97 million (Rs 22,340.89 crore), compared to \$2,556.97 million (Rs 21,228.71 crore) in the same month of the previous year, it added.

The decline in gems and jewellery exports is mainly due to the continuous dip in demand in China as well as the US, India's key export markets, due to the ongoing geopolitical tensions. Also, the correction in rough diamond prices by 10-15 per cent impacted the value, causing the overall decline in exports.

The overall exports of Cut and Polished diamonds (CPD) dipped by 16.75 per cent at \$13,292.0 million (Rs 1.12 lakh crore) compared to \$15,967.02 million (Rs 1.32 lakh crore) for the same period of the previous year.

The export of polished lab-grown diamonds for the period of April 2024- March 2025 declined by 9.64 per cent at \$1,267.26 million (Rs 10,716.13 crore), against \$1,402.44 million (Rs 11,612.36 crore) in the previous year.

Total gold jewellery exports during FY25 showed a decline of 0.11 per cent at \$11,215.46 million (Rs 94,937.78 crore) against \$11,227.72 million (Rs 93,066.82 crore) in FY24.

Silver jewellery exports in FY25 dipped by 40.58 per cent at \$961.79 million (Rs 8,115.32 crore), compared with \$1,618.63 million (Rs 13,424.4 crore) in the previous year.

However, exports of platinum jewellery in FY25 witnessed a growth of 11.79 per cent at \$182.75 million (Rs 1,547.3 crore) against \$163.48 million (Rs 1,354.41 crore) for the previous year.

Meanwhile, the coloured gemstone exports showed a decline of 8.01 per cent during FY25 at \$440.38 million (Rs 3,729.93 crore), compared to \$478.71 million (Rs 3,961.98 crore) in the previous year.

Category	Export Value (FY25)	Export Value (FY24)	Change (%)
Total Gems & Jewellery Exports	\$28,500 million	\$32,200 million	-11.72%
Cut and Polished Diamonds (CPD)	\$13,292 million	\$15,967 million	-16.75%
Polished Lab-grown Diamonds	\$1,267.26 million	\$1,402.44 million	-9.64%
Gold Jewellery	\$11,215.46 million	\$11,227.72 million	-0.11%
Silver Jewellery	\$961.79 million	\$1,618.63 million	-40.58%
Platinum Jewellery	\$182.75 million	\$163.48 million	+11.79%
Coloured Gemstones	\$440.38 million	\$478.71 million	-8.01%

*** India pharma exports cross \$30 billion, surge 31% in March**

India's annual drug and pharmaceutical exports touched a record \$30 billion in FY25 bolstered by a 31% year-on-year surge in March. At \$30467.32 million, the exports were 9.39% higher than the \$27851.70 million clocked in FY24, official trade data recently released showed. Pharma exports touched \$30 billion for the first time. FY25 target was \$29.38 billion. The March performance stood out in a fiscal that will be remembered for the developments in the mainstay U.S. market even as India continued with efforts to tap into and build on the initial gains from new markets. If a shortage of generic prescription drugs in the U.S. raised hopes initially in the fiscal year, toward the year-end, the reciprocal 26% tariff President Donald Trump threatened to introduce had exporters scramble to ship more. Pharma, however, did not figure in the list of goods for which the levy was announced and put on hold for 90 days. Pharma exports in March rose 31.21% YoY to \$3681.51 million (\$2805.71 million). The next best performance during the fiscal came in January when the exports rose 21.47% to \$2590.88 million (\$2132.92 million). May was the other month when growth touched double digits (10.63% to \$2305.56 million), while February was the only month when it contracted, 1.52% to \$2474.22 million). Beyond the U.S. factor, the FY25 exports came in the face of geopolitical tensions, economic slowdown and logistical challenges. Data for April-February show drug formulations and biologicals as a product category led with \$20118.18 million and accounted for more than 75% of the total exports. This category expanded by nearly 9% YoY. Bulk drugs and drug intermediates exports were next highest, during the 11 months, rising 1.40% to \$4319.30 million. Though the third-largest exported category, among pharmaceutical products, value of vaccines exports declined 4.20% to \$1043.76 million. Export of surgicals rose 5.16% and the value of exports stood at \$683.47 million. Ayush and Herbal products exports grew 6.17% to \$620.97 million. Total pharma exports upto February this fiscal increased 6.95% to \$26785.69 million. The U.S. that remains the largest market for years now maintained its dominance accounting for more than one-third of Indian pharma exports. In value terms the increase in the exports to the U.S. was 14.29% at \$8953.37 million (\$7833.75 million). The U.K, Brazil, France and South Africa were others in the top five countries accounting together for less than 10.5% of the exports. South Africa figured in the list despite contraction in exports by 1.78%. During the 11 months of the fiscal, the top 25 countries-markets where the exports declined were United Arab Emirates (by 17.70%); Turkey (16%); Sri Lanka (14.60%); The Netherlands (13.79%), China (10.60%) and Belgium (7.37%). The decline in the exports was 3.80% to Mexico and 0.14% to Thailand, official data showed. Regionwise, NAFTA, Europe, Africa and LAC were the four major regions together accounting for 76% of India's pharma exports. Of them NAFTA accounted for 36.60% with the exports increasing 14.06% to \$9804.78 million.

Among regions where the exports declined were Africa (by 1.74%) and North East Asia (4.30%).

Category	Export Value (FY25)	Export Value (FY24)	Change (%)
Total Pharma Exports	\$30,467.32 million	\$27,851.70 million	+9.39%
March 2025 Exports	\$3,681.51 million	\$2,805.71 million	+31.21%
Drug Formulations and Biologicals	\$20,118.18 million	N/A	+9% (75% share)
Bulk Drugs and Drug Intermediates	\$4,319.30 million	N/A	+1.40%
Vaccines	\$1,043.76 million	N/A	-4.20%
Surgicals	\$683.47 million	N/A	+5.16%
Ayush and Herbal Products	\$620.97 million	N/A	+6.17%
Exports to the U.S.	\$8,953.37 million	\$7,833.75 million	+14.29%

***Crude Oil imports bill up 2.7% to \$ 137 billion in FY 2025**

India's crude import bill rose by 2.7% during FY25, reaching \$137.0 billion compared to \$133.4 billion in the same period of FY24, according to data from the Petroleum Planning and Analysis Cell. The country imported 234.3 million tonnes of crude oil between April and March, marking a 3.4% increase from 242.4 million tonnes in the corresponding period last year.

In March alone, crude oil imports increased by nearly 6.3% to 22.1 million tonnes from the same period last year, while import bill remained the same at \$12.1 billion.

India's reliance on crude oil imports increased to 88.2% during FY25, up from 87.8% in FY24, amid rising demand. Russian shipments of crude oil to India have rebounded in March after falling in February due to the US sanctions.

Even after the sanctions in January, Russian crude flows have remained resilient, averaging 1.68 million barrels per day in Q1 2025 owing to attractive discounts on Urals and other Russian grades and continued availability of non-sanctioned Russian-affiliated vessels, according to data from Kpler, global real-time data and analytics provider.

India's crude oil imports in March 2025 reached approximately 5.3 million barrels per day — the highest monthly volume on record, according to Kpler's data. Russia remained the top supplier, accounting for around 1.88 Mbd, followed by Iraq at 0.9 Mbd, Saudi Arabia at 0.56 Mbd, UAE at 0.43 Mbd, and the US at 0.29 Mbd.

Even with longer haul and shadow fleet reliance, Russian barrels remain \$3-8/bbl cheaper than West Asian or US grades on a landed-cost basis, as per analysts.

The US is among the top five suppliers of crude oil to the country. Analysts and industry players expect the imports of US crude oil and gas to increase going ahead as the two countries seek to strengthen energy trade and ties.

The country has already been seeing a sharp rise in volumes from the US touching 289,000 barrels per day in March, up from 113,000 bpd last year, according to data from Kpler.

India has also been gradually increasing its intake of Brazilian grades like Tupi and Búzios which are cost-competitive and suit Indian refining slates.

While the demand for crude oil and its products continues to rise, domestic production of oil remains lower with the country's upstream companies producing 28.7 million tonnes of oil during FY25, down from 29.4 million tonnes in the same period of FY24.

India currently relies on imports for 88% of its crude oil and 50% of its natural gas needs. To reduce this dependency on imports, the government is emphasising on increased domestic exploration and production.

In fact, a consortium of state-owned Oil and Natural Gas Corp (ONGC), and privately held Reliance Industries and global energy major bp won for the first time an offshore oil block in Gujarat in the ninth round of bidding under the open acreage licensing policy (OALP). While ONGC won a majority of the blocks — 11 on its own and another four with different partners — Vedanta's Cairn Oil and Gas won seven oil blocks, showcasing increased private sector participation in the sector.