

# EconomyWatch...for the week ending on 25<sup>th</sup> April 2025

---

## **\*Weak global demand, excess supply to cap steel cost ability to hike prices**

The landed cost of steel imports will be cheaper even after the levy of 12 per cent safeguard duty if the global prices continue to fall on the back of weak demand and tariff war. Steel prices globally are on a free fall amid persistent oversupply and rising trade protectionism. This could limit the ability of the Indian players to take additional hikes. Net-net, while the imposition of safeguard duty will support the import parity, a complete normalization of price dynamics may take longer, said a Crisil report. Aside from cheaper import prices, domestic prices may be restricted by an expected increase in domestic supply from new capacities. Last fiscal, average domestic flat steel realisations fell 10 per cent year-on-year, pulling down to below its decadal average of ₹10,000 per tonne. This was because global headwinds such as subdued demand in China and trade restrictions in Europe and the US had heightened global oversupply and pricing pressures. The redirection of steel exports from surplus countries such as China, South Korea and Japan had led to an increase in low-cost imports into India, hurting domestic steel realisations, which are influenced by the landed cost of imports. After multiple years of limited additions, the industry added 10 million tonnes per annum (mtpa) capacity last fiscal and another 10-12 mtpa is planned in FY26. Steel companies are adding these capacities on the back of healthy domestic demand of 9-10 per cent expected in FY26, on account of continued infrastructure push and robust demand from the building and construction segments. The safeguard duty and favourable cost of production will prop up operating profitability in this fiscal, domestic utilisation will also have to keep pace with the capacity additions. Healthy domestic demand growth, which is expected to be higher than global average, will drive volume growth and margin recovery to around ₹10,500-11,000 per tonne. In the near term, with the duty intervention and relatively favourable input costs, the domestic primary steel makers is expected to recover by ₹1,000-1,300 per tonne in FY26, said the report.

## **\*India's crude oil imports from Russia likely to hit two-year high in April**

India's crude oil imports from its largest supplier Russia is expected to surpass 2 million barrels per day (mb/d) in the current month—the highest since May 2023. The development also reflects on the uptick in the world's third largest consumer's seaborne crude oil trade with Russia, which had been subdued due to the US sanctions. According to the global real-time data and analytics provider Kpler, overall April 2025 volumes are shaping up to be "particularly strong". However, it needs to be factored in that trade flows remain in liquid phase and cargoes (for April) might slip into May's arrivals. April's total crude import from Russia might slip below 2 mb/d and close around 1.9-2 mb/d, he explained. April imports

are driven by a confluence of market, geopolitical, and structural factors. Relatively cheaper feedstock—Russian crude as compared to other sources—improves gross refinery margins (GRMs). The Kpler analyst noted that the current sanctions regime, lacking secondary enforcement on buyers or insurers, continues to allow this trade corridor to function uninterrupted. The drone attacks on Russian refineries during February–March 2025 also reduced domestic processing to around 5.2–5.3 mb/d, thereby boosting export availability. The strong seasonal demand in India for auto fuels largely on the back of pre-summer logistical buildup, peak agricultural activity and elevated industrial output. That said, Kpler data also points to a modest rebound in Russian refining throughput by 100,000–300,000 b/d over the next few months, which could reduce export availability by a similar margin. This may slightly temper flows post-May 2025. India's crude oil imports hit 5.13 mb/d during March 2025—the highest monthly volume in over 15 years. Besides, price and refining economics outweigh geopolitical pressure—at least in the current framework. In March, India's imports of Russian crude surged to around 1.9 mb/d, marking an increase of over 400,000 b/d M-o-M and more than 200,000 b/d Y-o-Y. Of this, Urals alone accounted for around 1.43 mb/d, a 4-month high, reinforcing its role as the dominant Russian blend in India's import mix, Kpler data showed.

### **\*Pahalgam terror attack casts a dark shadow over Kashmir's tourism**

After the Pahalgam terror attack, local businesses have begun feeling the squeeze with tour operators and hotel bookings witnessing a decline. However, the commerce bodies in Kashmir said that the loss of precious human lives far outweighs any economic concerns. The attack has triggered a surge in hotel booking cancellations, particularly at popular tourist destinations such as Pahalgam and Gulmarg. In the immediate aftermath, tourists began departing the town in large numbers, leaving streets and thoroughfares eerily deserted. The hotels in Gulmarg are also witnessing cancellation of bookings, following the gruesome terror attack, killing 27 tourists including two foreign nationals. Tour operators, too, are reporting a flurry of cancellations with several scheduled group tours being either postponed or called off altogether. The tourism sector saw remarkable growth in 2024, attracting a record 2.36 crore visitors, including 65,000 from overseas. Religious tourism also thrived with 5.12 lakh devotees visiting Amarnath and 94.56 lakh making the pilgrimage to Vaishno Dev. The sector accounted for more than 8 per cent of the region's GDP. According to the recent Economic Survey, J&K recorded a strong economic performance with its real Gross State Domestic Product (GSDP) growing by 7.06 per cent in FY25. The region has also received investment proposals totaling ₹1.63 lakh crore as of December 2024, which are expected to generate direct employment for over 5.90 lakh people. However, the recent attack poses a direct threat to such investments as it may spur the investors to pull out due to security concerns.

## **\*Amidst Indo-Bangladesh tensions, railways halts connectivity initiative project funding**

India has suspended - nearly ₹5000 crore worth of funding, as per some estimates - and other construction-related work on railway connectivity initiative in Bangladesh, citing ongoing “political turmoil” and “safety of labour”. The decision, which halts at least three ongoing projects and pauses survey work on five others, mostly disrupts plans to link India’s North East with its mainland through routes traversing Bangladesh,. As New Delhi recalibrates, it is redirecting resources to bolster rail infrastructure in North India and explore alternative connectivity through Bhutan and Nepal, possibly reshaping regional trade dynamics. Sources say a ₹3500 – 4000 crore connectivity plan through Bhutan and Nepal is being explored. The stalled projects were critical for connecting India’s landlocked North Eastern states via Bangladesh’s rail network. They were designed to reduce dependence on the narrow Siliguri Corridor, or “chicken’s neck,” which links the region to mainland India. India’s trade relationship with Bangladesh, valued at \$ 12.9 billion in 2024, is a cornerstone of regional economic ties. Bangladesh has been India’s largest trading partner in South Asia. Projects stalled Three India- assisted projects that have now been suspended include Akhaura - Agartala Cross-Border Rail Link and Khulabura-Sahabajpur rail line laying; Khulna - Mongla Port Rail Line; and the Dhaka – Tongi – Joydebpur rail expansion project. The Akhaura – Agartala (Tripura)Cross-Border Rail Link project has been executed under Government of India grant assistance of nearly ₹400 crore extended to the neighbouring country. The length of the rail link is 12.24 km with a 6.78 km dual gauge rail line in Bangladesh and 5.46 km in Tripura. The Khulabura-Sahabajpur rail line is part of this project; and aims to improve connectivity to Assam by utilizing existing trade routes and laying new tracks. The Khulna - Mongla Port Rail Line project is being implemented under concessional Line of Credit with a total project cost of \$ 388.92 million (₹3300 crore). The project entails construction of approximately 65 kms of broad gauge rail route between Mongla Port and the existing rail network in Khulna. With this, Mongla, the second largest port of Bangladesh, gets connected with the broad-gauge railway network. India has operational rights to a terminal in Mongla.The Dhaka - Tongi-Joydebpur railway expansion project due for completion in June 2027 has seen delayed execution of less than 50 per cent till last year. Nearly Rs 1600 crore of the project was reportedly to be through Indian assistance (by EXIM Bank of India). There have also been issues with getting funding clearances. Alternative regional strategy In response, India is pivoting to domestic and alternative regional strategies. The government is exploring the possibility of line doubling and quadrupling in Uttar Pradesh and Bihar, key arteries feeding into the Siliguri Corridor, to enhance capacity and reliability. “Survey work is underway,” said a second Railway official. Simultaneously, New Delhi is exploring rail links through Bhutan and Nepal, leveraging existing agreements like the India-Nepal rail pact and Bhutan’s proximity to the North East. These routes, while logistically complex, could diversify India’s connectivity options and reduce reliance on Bangladesh. For instance, a previous plan for improved connectivity

between India and Nepal included construction of 190 km of new lines between Biratnagar – New Mal; and another 12.5 km of new lines in Galgalia – Bhadrapur – Kajali Bazar sections. In West Bengal (improving connectivity in the Chicken Neck region) 170 km new railway line construction is set to happen in Kumedpur – Ambari Falakata segment; while 25 kms of new line laying will be done to improve connectivity between Bengal and Bihar.

### **\*India under tariff pressure to give Amazon and Walmart full market access: Report**

US plans to press India to give e-commerce giants like Amazon and Walmart full access to \$125 billion e-commerce market, according to a report. US President Donald Trump's administration intends to press India to give online retailers such as Amazon and Walmart full access to its \$125 billion e-commerce market, the Financial Times reported, citing industry executives, lobbyists and US government officials. The US plans to push Prime Minister Narendra Modi's government for a level playing field on e-commerce in wide-ranging talks on a US-India trade agreement set to also cover sectors from food to cars, the newspaper reported.

### **\*Startup shutdowns increase 12-fold**

The world's third-largest startup ecosystem has notched up an unenviable record. Over 28,000 startups have shut up shop in the last couple of years — 15,921 in 2023 and 12,717 in 2024. While some of them have filed for bankruptcy, others have remained inactive for more than a year. That's over 12-fold jump from 2,300 shutdowns in the previous three years — 2019-2022, according to data intelligence platform Tracxn.

There's more. The number of startups launched fell to just 5,264 in 2024 from over 9,600 a year between 2019 and 2022. This year so far, only 125 startups have been founded. Experts attribute these trends to a "delayed correction" or a calibration rather than a failure of the ecosystem.

Many companies also raised capital at hefty valuations, because of which they failed to mop up follow-on investments, especially when the business wasn't doing well. In fact, investors turned very cautious in 2023-2024, and are investing only in ventures with healthy financials and a proven PMF. According to sources, the sector that saw the maximum shutdowns were agritech, fintech, edtech, and healthtech. These startups failed largely because the early and large capital infusion led to high cash burn and a growth-at-all-cost mentality. This, combined with low customer retention, resulted in high operational costs.

The number of shutdowns in 2025 so far stands at only 259 but experts expect the number to increase. They link the closures to the general slowdown in pre-PMF seed funding.

The lack of meaningful consolidation is another reason for the slower pace of acquisitions and the higher number of shutdowns. According to Tracxn, the number of startup acquisitions has come down from 248 in 2021 to 131 last year.

**Table of Startup Trends**

Year	Shutdowns	Startups Launched	Acquisitions
2019-2022	2,300 (total)	>9,600 (average/year)	Not Specified
2023	15,921	Not Specified	Not Specified
2024	12,717	5,264	131
2025 (to date)	259	125	Not Specified

### **\*Natural gas import bill increases 13% to \$ 15.2 billion in FY 2025**

India's natural gas import bill surged by 13% to \$15.2 billion during the financial year 2024-25, compared with \$13.4 billion in FY24, driven by rising consumption, according to data from the Petroleum Planning and Analysis Cell (PPAC). In March, the import bill increased by approximately 8.3% to \$1.3 billion, compared to March 2024. The country imported 36,699 million standard cubic meters (mmscm) of liquefied natural gas (LNG) during FY25, reflecting a 15.4% increase over FY24.

India's natural gas consumption rose by 7% to 72,293 mmscm, driven by higher demand from the city gas distribution (CGD), fertiliser, and power sectors. This pushed the country's reliance on imported gas to 50.8%, up from 47.1% in the same period last fiscal.

Analysts attributed this growth to a combination of rising demand and stabilised global natural gas prices, which had previously surged to record highs in FY23.

Despite the rise in imports, domestic natural gas production declined marginally by 1% to 36,113 mmscm during FY25. State-owned Oil and Natural Gas Corporation (ONGC) produced 18,795 mmscm of natural gas during this period, a decline of almost 3% from 19,316 mmscm in FY24. Production remained below targets, highlighting the widening gap between demand and domestic supply.

One of the key agendas of the government has been to boost domestic production of crude oil and natural gas, and thereby reduce the country's dependency for energy. However, the domestic production of crude oil and natural gas has remained stagnant and the country's import dependency has only increased.

In 2022, the sudden outbreak of war between Russia and Ukraine had led to a sharp increase in prices of natural gas in FY23 as a result of which gas lost its cost competitiveness to the alternate fuels. Accordingly, natural gas consumption declined in FY23.

With range-bound prices, analysts expect the consumption to grow in the medium term. Moreover, the Central Electricity Authority expects the country's power demand to grow at a compound annual growth rate of 7% for the next five years. With renewable energy still not fully operational, the dependency on coal-based and gas-based plants is expected to increase to meet the incremental power demand.

According to the International Energy Agency (IEA), India's LNG imports are expected to moderate in 2025, with growth projected to slow to 10%, compared to 21% in 2024. This slowdown is attributed to tempered demand growth and continued global competition for LNG cargoes.

The agency has projected an 8% increase in India's natural gas demand in 2025 (or an additional 6 billion cubic meters), supported by the country's expanding energy requirements and rapid economic growth.

In 2024, India became the world's fourth-largest LNG importer, accounting for 7% of global LNG imports. The growth in demand was primarily driven by the industrial and oil refining sectors, followed by residential, commercial, and transport sectors.

With the Indian government aiming to raise natural gas's share in the energy mix from 6% to 15% by 2030, greater US gas imports are seen as a positive development, as per analysts.

Aspect	Details
<b>Fiscal Year</b>	2024-25 (FY25)
<b>Natural Gas Import Bill</b>	\$15.2 billion (up 13% from \$13.4 billion in FY24)
<b>March 2025 Import Bill</b>	\$1.3 billion (up 8.3% from March 2024)
<b>Total LNG Imports</b>	36,699 mmscm (up 15.4% from FY24)
<b>Natural Gas Consumption</b>	72,293 mmscm (up 7% from FY24)
<b>Dependence on Imported Gas</b>	50.8% (up from 47.1% in FY24)
<b>Domestic Natural Gas Production</b>	36,113 mmscm (down 1% from FY24)
<b>ONGC Production</b>	18,795 mmscm (down 3% from 19,316 mmscm in FY24)
<b>Government Focus</b>	Boosting domestic production of crude oil and natural gas
<b>Impact of Global Events</b>	Prices surged due to the Russia-Ukraine war, leading to decreased consumption in FY23
	Expected growth due to stabilized prices and increased power demand
<b>Future Consumption Trends</b>	(7% CAGR over the next five years)
<b>2025 LNG Import Growth Projection</b>	10% (down from 21% in 2024)
<b>Projected Natural Gas Demand (2025)</b>	8% increase (additional 6 billion cubic meters)
<b>2024 Global Ranking</b>	Fourth-largest LNG importer (7% of global LNG imports)
<b>Government Objective</b>	Increase natural gas's share in energy mix from 6% to 15% by 2030

## **\*April PMI shows business growth hits 8-months high as export orders surge**

India's private sector business grew to an eight-month high in April fueled by robust demand, particularly a surge in foreign orders for manufactured goods, according to a survey by HSBC Holdings Plc.

Rising from a final reading of 59.5 in March to 60 in April, the HSBC Flash India Composite Output Index – a seasonally adjusted index that measures the month-on-month change in the combined output of India's manufacturing and service sectors – highlighted the fastest rate of expansion since August 2024.

There were quicker increases across both the manufacturing and service sectors, with the former seeing the sharper upturn, according to the report.

Manufacturing growth underpinned the strong performance, with the index rising to 58.4 from 58.1 and reaching a level not seen in a year. The services PMI index also showed solid growth, rising to a four-month high of 59.1 from 58.5 last month.

Higher new business in the services sector and an improvement in goods production and new orders – a key gauge for demand – especially from international clients, were the primary drivers of the overall positive momentum.

Amid an intensification of capacity pressures, firms continued to hire additional staff across sectors with goods producers recording the highest employment generation since the beginning of the survey in March 2005. While input cost inflation trends were mixed, accelerating in the manufacturing sector and decelerating in their services counterpart compared to March, robust demand allowed firms to pass higher costs on to clients.

## **\*Petroleum products exports up 3% in FY 25, Value dips 7%**

India's exports of petroleum products grew by 3.4% in volume terms to 64.7 million tonnes in FY25, compared to 62.6 million tonnes in FY24, according to data from the Petroleum Planning and Analysis Cell. The rise in exports was primarily driven by increased shipments of motor spirit, petcoke, and fuel oil.

Even as the volumes registered an increase, in value terms, the exports declined by almost 7% to \$44.3 billion during the fiscal compared with \$47.7 billion in the year ago. The dip in export value was due to subdued prices in the current year compared to the year ago period.

In March, petroleum product exports remained at 5.7 million tonnes, similar to March 2024. The month, however, saw a 9% year on year decline in exports of petroleum products to \$3.9 billion, according to the PPAC data.

According to data by global real-time data and analytics provider, Kpler, the United Arab Emirates emerged as the top destination for the country's exports in March, followed by Singapore, and the Netherlands.

Imports of refined oil products increased by 4.9% to 51.1 million tonnes during FY25, compared to 48.7 million tonnes in the previous fiscal. The import bill for these products also rose by 4.3% to \$23.9 billion, up from \$22.9 billion in FY24.

India's consumption of petroleum products during the year rose to 239.2 million tonnes, up from 234.3 million tonnes in the previous fiscal. This growth was attributed to higher demand for diesel, motor spirit, liquefied petroleum gas (LPG) and aviation turbine fuel (ATF).

While the demand for ATF increased by 9.7%, that of LPG and motor spirit grew by 5.4% and 7.5% respectively. Diesel consumption recorded a growth of 2% during FY25.

Looking ahead, India projects domestic petroleum product demand to reach a record 252.9 million tonnes in FY26.

Kpler anticipates a temporary decline in crude processing volumes of around 250,000 barrels per day in the second quarter of 2025, as refiners such as Reliance Industries, Indian Oil Corp, and Mangalore Refinery and Petrochemicals commence planned maintenance.

A more substantial increase in crude processing is expected toward late 2025 or into 2026, as several brownfield expansions currently underway—at Koyali, Barauni, and Panipat—begin to come online.

### **\*India-Pakistan trade comes to a grinding halt**

Pakistan's decision to stop all trade with India including those passing through its territory from third countries would bring the already minuscule direct trade between the two countries to a complete halt. The impact of 24<sup>th</sup> April's announcements would also be felt on Afghanistan's exports to India.

India has minuscule trade with Pakistan, which is constantly declining. During April-Jan 25, the same was not even \$ 500 million as against overall trade of over \$ 800 Bn in the same period, which makes it 0.06% of India's international trade.

Pakistan's decision to suspend all trade with India came a day after New Delhi announced the scaling down of diplomatic relations with Islamabad and suspension of the Indus Water Treaty. Pakistan has also announced that it will not allow flights by Indian aviation companies to use its airspace.

This is the second shock to trade between the two countries and will bring down to zero whatever remains of it since 2019. Direct trade between the two countries came down sharply after India withdrew Most Favoured Nation (MFN) status from Pakistan and imposed 200% duties on imports after the Pulwama attack of February 2019. In August 2019 India scrapped Article 370 that was applicable to Jammu and Kashmir after which Pakistan announced suspension of all trade with India.

Now limited exports, primarily in pharma and chemicals, go from India to Pakistan. India's imports from Pakistan were fruits and nuts, leather, textiles and some surgical goods in the past years. The products remain the same but now volumes have gone down sharply.

Prior to Pulwama and scrapping of Article 370 India's exports to Pakistan in 2018-19 stood at \$ 2.06 billion and in 2019-20 it fell to \$ 816 million. Imports from Pakistan fell from \$ 494.8 million in 2018-19 to \$ 13.97 million. In 2024-25 India's exports to Pakistan stood at \$ 447.6 million down from \$ 1.1 billion in 2023-24, In FY 24 Pakistan also bought petroleum products from India. Imports from Pakistan in 2024-25 stood at \$ 0.42 million.

After the spat of 2019 most of India-Pakistan trade started happening through Dubai. Indian consumer goods and even vegetables like onions went to Pakistan through Dubai. There are no official estimates of India-Pakistan trade through Dubai.

Pakistan allows Afghanistan to export to India using its land route. Indian exports have to take alternate routes including sea and land route using Iranian seaport of Chabahar. Afghanistan's exports to India were \$ 591 million in the last financial year while imports \$ 264 million.

### **\*India to impose 12% temporary tariff on steel to curb cheap China imports**

India is set to impose a temporary tariff, known locally as safeguard duty, of 12% on steel imports, said a government source with direct knowledge of the matter, to try and curb a surge in cheap imports from China and elsewhere.

India, the world's second-biggest crude steel producer, was also a net importer of finished steel for the second consecutive year in the 2024/25 fiscal year, with shipments reaching a nine-year high of 9.5 million metric tons, according to provisional government data.

Last month, the Directorate General of Trade Remedies (DGTR), which comes under the federal trade ministry, recommended a tariff of 12% on some steel products for 200 days, as part of efforts to stem cheap imports.

The recommendation followed an investigation from December last year over whether unbridled imports have harmed India's domestic steel industry.

India's finished steel imports from China, South Korea and Japan hit a record high in the first 10 months of the financial year that ended in March.

Imports from China, South Korea and Japan accounted for 78% of India's overall finished steel imports.

The influx of cheap steel has forced India's smaller mills to scale down operations and consider job cuts.

India joins a growing list of countries contemplating action to stem imports.

Its leading steelmakers' body, which counts JSW Steel and Tata Steel among members, alongside the Steel Authority of India and ArcelorMittal Nippon Steel India have raised concerns over imports and called for curbs.