

EconomyWatch...for the week ending on 28th March 2025

***Customs rule of origin changes may raise compliance cost for importers:**

GTRI

GTRI has urged the government to publish a detailed framework outlining what qualifies as acceptable proof of origin, and to provide redress mechanisms for importers facing unjustified denials of preferential tariff claims. The amendments in the customs rules to tighten checks on goods imported under free trade agreements (FTAs) could make it harder for businesses to do imports at concessional duties and may increase compliance cost, economic think tank GTRI said. However, it said the move would curb the misuse of FTAs as India has seen repeated instances where goods originating from non-FTA countries, such as China, were rerouted through FTA member countries like Vietnam or Singapore to exploit preferential duty benefits. On March 18, the Ministry of Finance issued a notification, introducing amendments to the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR). The amendment replaces the term, "Certificate of Origin" (CoO), with a broader term, "Proof of Origin", across various rules and forms under the CAROTAR framework, the Global Trade Research Initiative (GTRI) said. Electronics, white goods, and auto components often shipped through ASEAN (Association of SouthEast Asian Nations) countries are likely to face heightened scrutiny. GTRI has urged the government to publish a detailed framework outlining what qualifies as acceptable proof of origin, and to provide redress mechanisms for importers facing unjustified denials of preferential tariff claims. It said that now importers would have to ensure access to comprehensive supporting documents that establish the origin of the goods, which is not always feasible, especially when exporters are reluctant to share sensitive trade data like raw material invoices or production costs. It added that importers may also be compelled to share sensitive commercial information, which not only raises privacy and confidentiality concerns, but may also subject them to arbitrary or inconsistent treatment.

***Manufacturing growth picks up pace in March, services slows down: Flash**

PMI

According to flash PMI data for March, output, new orders and stocks of purchases drove manufacturing growth in the month. India's private sector showed a mixed performance in March, flash PMI (Purchasing Managers' Index) data showed on Monday. While manufacturing expanded at a faster pace in the month, services slowed down. A statement by S&P global said that the HSBC Flash India Manufacturing PMI rose to 57.6 in March as against a final index of 56.3 in February. It signals "a notable improvement in operating conditions that was broadly aligned with the average for the 2024/25 fiscal year," the

statement said, while adding that three of its five main sub-components have risen since last month, namely output, new orders and stocks of purchases. In the month under review, HSBC Flash India Services PMI Business Activity Index dropped to 57.7 as against 59 of February. This impacted the Composite Output Index, which dropped to 58.6 in March as against a final figure of 58.8 in February. The statement said that order book volumes at Indian private sector companies continued to be supported by international sales. New export order growth eased to a three-month low, but have remained marked and above the average since the series started in September 2014. Manufacturing companies registered a faster upturn in new business from abroad than their services counterparts. The statement also highlighted that though job creation had slowed down a bit, it was still solid. Further, for the first time in seven months, manufacturers signalled a faster increase in headcounts than service providers. Overall, confidence was positive, but sentiments had weakened.

***Steel mills slash production amid surging imports, soaring trade deficit**

Major steel mills, except JSPL, have slashed production of finished steel or kept it flat in the 11-month period of the current fiscal (April – Feb, citing “unplanned outages” amid rising imports — likely a strategic move to push domestic prices higher. Excluding Naveen Jindal’s JSPL and smaller producers, finished steel output barely budged at 65.4 million tonnes (mt), down from 65.7 mt last year. Total production hit 133 mt, up just 5 per cent from 126.5 mt a year ago. Large private players like JSW and Tatas have near flat finished steel production with y-o-y growth being less than two per cent. In case of JSW, the 11 month production was 21.4 mt, and for Tatas it was 20 mt. For AMNS India, there was a near 2 per cent drop to 6.7 mt. In case of PSU majors like SAIL and RINL, the cuts were in the 3–16 per cent range, or at 14.4 mt and 2.8 mt respectively, as per numbers available with the Steel Ministry. The share of small steel producers increased to 45 per cent of total production (60.4 mt) compared to 43 per cent for the same period last year (55.3 mt), while PSU production to total output dropped to 13.9 per cent, as against 14.7 per cent in the year-ago-period. February would be the second month when some of the larger players have reported lower production numbers. India’s crude steel production plunged 6 per cent to 33.2 mt, excluding Tata, JSW and smaller producers. AMNS India (6.5 mt) and JSPL (6 mt) saw decline of 6 per cent and 11 per cent, while SAIL (17.4 mt) and RINL (3.2 mt) suffered drop of 0.8 per cent and 20 per cent respectively. Small producers, however, bucked the trend with a 12 per cent rise. Despite this, overall crude steel production rose 5 per cent year-on-year, reaching 138 mt. However, steel mills have denied initiating production cuts. Indian bench-mark hot rolled prices have witnessed a rise. And as per consultancy firm, BNP Paribas, the HRC spread rose to the highest since Oct-23, led by the potential for safeguard duty. However, increased domestic prices and production cuts are not the only challenges. A widening trade deficit has also emerged as a consequence of rising imports and declining exports. Provisional data show, finished steel imports were at 9 mt, up 16 per cent y-o-y; whereas

exports were at 4.4 mt, down 33.7 per cent for the period under review. Thus, India was a net importer of steel at about 4.6 mt. Import of the metal, in value terms, stood at ₹75,290 crore, whereas exports stood at ₹36,786 crore.

***Higher estimates of crop production likely to pull down food inflation, expects FinMin report**

Retail inflation, based on Consumer Price Index (CPI) dipped to a seven-month low of 3.6 per cent in February, showing a decline of 65 basis points in comparison to January. A sharp decline of 222 basis point was observed in food inflation and it came down to 3.75 per cent in February as compared to 5.97 per cent in January. Data for March will be made public on April 14. Positive outlook. The latest edition of the Monthly Economic Review, prepared by Economic Affairs Department of the Finance Ministry, said that estimates of agricultural production suggest a positive outlook for food inflation. As per the second advance estimates, kharif and rabi foodgrain output is expected to rise by 6.8 per cent and 2.8 per cent, respectively. Among cereals, kharif rice production is projected to grow by 6.6 per cent, while wheat output is expected to reach a record 1154.3 lakh tonnes, marking a 1.9 per cent increase. The month-on-month momentum in the food inflation rate stood at (-)2 per cent in February, signalling a favourable trend for the months ahead. The Ministry also made a strong case for increasing private investment, asserting that it can help the country overcome risks to growth emanating from external factors. The report emphasised that the private sector should draw comfort from resilience of the Indian economy and its steady growth outlook. Pointing out that consumption is expected to get a leg-up with relief in income tax and reduction in policy rate by the RBI, the report said, the private sector should pick up signals from these steps and start making investment towards capacity expansion. The Ministry also raised concerns about trade risks faced by India and other countries due to tariff-related developments, indicating that the trade outlook for 2025 remains uncertain. Global trade continues to be affected by uncertainty in the policy environment. The Global Trade Policy Uncertainty Index rose to a record high of 237.4 in Q4 2024. Tariff-related developments in multiple countries have heightened trade-related risks, affecting investment and trade flows globally," it said.

***India's coal demand hit an all-time high in 2024: IEA**

India's coal demand hit an all-time high in the 2024 calendar year (CY), on an annual basis, as prolonged heat waves led to a record surge in power demand coupled with an expanding industrial and commercial base. Coal provided nearly three-quarters of electricity supply in the world's third largest energy consumer, complemented by over 20 per cent from renewables, with smaller contributions from nuclear power and natural gas. Strong

economic growth pushed up coal consumption in both the power and industry sectors. Coal power generation, which makes up nearly three-quarters of coal demand in India, grew by 5 per cent Y-o-Y in 2024 mirroring growth in electricity demand, it added. Steel production grew by 6.3 per cent Y-o-Y in 2024, while coal-based sponge iron production increased by 10 per cent annually and hot metal production rose by 4.4 per cent Y-o-Y, boosting industrial coal use. India's energy-related CO₂ emissions rose by 5.3 per cent Y-o-Y in 2024, the highest rate among major economies, driven by rapid economic growth, infrastructure development and surging energy demand, the report pointed out. "Severe and prolonged heat waves further boosted electricity consumption, which rose by 5 per cent (Y-o-Y), straining power systems despite record-breaking additions of nearly 35 gigawatts (GW) in solar PV and wind capacity. However, the growth in renewables could not keep pace with rising demand, leaving fossil fuels dominant in the electricity mix," it added. In India, intense heat waves in May and June (2024) triggered a sharp rise in electricity demand for cooling, placing significant strain on the country's power grid. To meet this surge in demand, higher fossil fuel usage led to an additional 50 Mt of CO₂ emissions—making up one-third of India's total emissions increase in 2024, the IEA said.

***India's natural gas pipeline network operating at 50% capacity: PNGRB**

The existing 25,000 kilometre long National Gas Pipeline (NGPL) network in the country is operating at an estimated 50 per cent of capacity utilisation, causing losses to entities operating in the pipeline infrastructure segment, said a member, Petroleum and Natural Gas Regulatory Board (PNGRB). According to PNGRB, a total of 35,000 kilometres of NGPL network has been authorised of which 25,000 kilometres -- with a carrying capacity of 400 mmscmd of natural gas -- is functional. The existing pipelines and the proposed 10,000 kilometres of pipelines will cover almost 95 per cent of the Geographical Areas that have City Gas Distribution Networks. The CGD sector with 307 authorised Geographical Areas is expected to be the primary growth driver for natural gas consumption in India. Data show that the natural gas consumption increased from 131 mmscmd to 188 mmscmd in financial year 2024, which is a CAGR of just 4.6 per cent. The consumption of natural gas used in the power sector -- biggest consumer of the fuel -- declined from 29.8 mmscmd in 2015-16 to 24.81 mmscmd in 2023-24. Currently, the installed gas-based power capacity in India is about 23.8 GW with a plant load factor (PLF) of only 14.8 per cent in financial year 2023-24. PNGRB figures show that 31 plants with 14.3 GW capacity are stranded.

***India blocks Russian oil tanker over documentation issues at Vadinar Port**

Indian port authorities denied entry to the Tanzania-flagged Andaman Skies, a 20-year-old tanker carrying Russian crude, due to inadequate seaworthiness certification. Indian port authorities denied entry to an ageing tanker loaded with Russian crude on Thursday due to inadequate documentation, sources familiar with the matter said, an unusual move that

indicates tightened scrutiny of vessels carrying Russian oil. India is the biggest buyer of seaborne Russian crude. Russian oil accounted for about 35% of overall crude imports in 2024 by India, the world's third biggest oil importer and consumer. The Tanzania-flagged Andaman Skies, carrying about 100,000 metric tonnes (or some 800,000 barrels) of Varandey Russian oil sold by Lukoil from the northern port of Murmansk, shipping data showed, was on course for the Vadinar Port for delivery to state refiner Indian Oil Corp before being turned away, sources said. The sources declined to be named as they are not authorised to speak with media. Indian port entry rules require tankers that are more than 20 years old to have seaworthiness certification by a member of the International Association of Classification Societies or an entity authorised by India's maritime administration. Andaman Skies, which was built in 2004 and had previously visited India as recently as December, was carrying certification by Dakar Class, which is based in India but not recognised by Indian shipping authorities, the sources said. The vessel has protection and indemnity (P&I) insurance cover from Russian company Soglasie, according to two sources familiar with the vessel's documents. Lukoil and Soglasie didn't immediately respond to Reuters' requests for comment. Vadinar port authorities and Indian Oil did not respond to Reuters' emails seeking comments. Russian oil supplies to top buyers India and China fell sharply in the immediate aftermath of sweeping U.S. sanctions in January, aimed at curtailing Moscow's oil revenue, on targets including more than 100 ships, making it harder for sellers of Russian oil to find vessels. India's oil secretary last month said the country's refiners would buy Russian oil supplied by companies and ships not sanctioned by the U.S., effectively reducing the number of cargoes and vessels available. Indian refiners buy Russian oil on delivered basis with ship, insurance and other services arranged by the seller. While the Andaman Skies is subject to UK and European Union sanctions, it is not designated by U.S. or United Nations sanctions. India follows United Nations sanctions. Contact information for the ship's owner Durbeen Navigation Ltd could not immediately be found.

***Trade uncertainty, geopolitics risks to growth: Finmin Report**

The finance ministry flagged "considerable risks to the economic growth outlook" from geopolitical tensions, trade policy uncertainties and financial market uncertainties while exuding confidence about strong private investment. The Indian economy "seems on track" to grow at the estimated pace of 6.5% in FY25, riding a strong performance in the March quarter, stating that private investment will be an "important driver of economic growth" in FY26.

The benign outlook for global commodity prices is a positive, the ministry said in its monthly economic review for February.

Private sector investment, banking on the resilience of the Indian economy and its steady growth prospects, would "overpower the risks to the growth outlook considerably," the review said.

Fixed investments will grow 6.1% in FY25, against 8.8% in the previous year, according to the government's second advance estimate. The latest Economic Survey has projected FY26 growth at 6.3-6.8%. The personal income tax relief announced in the budget will increase the disposable income of the middle class and aid consumption. The 25-basis point policy rate cut in February can also bolster growth momentum, the review said.

Strong Q4 performance

Already, high-frequency economic indicators suggest improved growth momentum in the March quarter, the review said. E-way bills have shown a double-digit increase, PMIs remain in the expansionary zone and the services sector continues its robust performance.

Trade risks

Tariff-related developments in multiple countries, the ministry's review said, have heightened trade-related risks, affecting investment and trade flows globally.

Over the longer term, persistent policy uncertainty could result in structural adjustments in global value chains, manufacturing capabilities, and export capacities.

***India's Reliance to stop buying Venezuelan oil over US tariffs, sources say**

India's **Reliance Industries**, operator of the world's biggest refining complex, will halt **Venezuelan oil** imports after the United States announced a 25% tariff on nations buying crude from the South American nation, three sources said on Wednesday.

The Indian conglomerate, which last year obtained approval from U.S. authorities to purchase oil from the sanctioned producer, imports an average of 2 million barrels of Venezuelan crude every month, according to LSEG data.

It is scheduled to receive a Venezuelan cargo in early April, LSEG trade flows data showed. U.S. President Donald Trump's executive order says that higher tariffs may be imposed on or after April 2 on all goods imported from any country that buys Venezuelan oil.

The three industry sources with knowledge of Reliance's purchasing plans said the company would stop buying Venezuelan crude due to the tariff threat.

It was not immediately clear, however, if it would still take delivery of the April cargo, added one of the sources, all of whom declined to be identified as they were not authorised to speak to media.

Loading of Venezuelan heavy crude at the country's main oil ports has already slowed this week following the tariff announcement.

Reliance's two refineries in western Gujarat state can process about 1.4 million barrels per day of crude oil. The complexity of those plants allows it to process cheaper and heavier crudes such as Merey from Venezuela.

***Gold Monetisation Scheme to end for medium-term, long-term deposits**

The government has decided to discontinue medium-term and long-term deposits under the Gold Monetisation Scheme (GMS) from Wednesday citing evolving market conditions and performance of the scheme, the Ministry of Finance said in a statement on 26th March. Short-term bank deposits by banks under GMS will continue at the discretion of individual banks based on the commercial viability as assessed by them, it said.

The Gold Monetisation Scheme, a revamped version of an older Gold Deposit Scheme, was launched in November 2015 to make idle gold productive, by getting consumers to either sell their gold or store it with banks, so it could merge into the formal economy and reduce the country's gold imports and thus, reduce the current account deficit.

The GMS consisted of three components: (1) Short Term Bank Deposit (1-3 years); (2) Medium Term Government Deposit (5-7 years); and (3) Long-Term Government Deposit (12-15 years).

The Finance Ministry said any gold deposits tendered at the designated collection and purity testing centre or GMS mobilisation, collection & testing agent (GMCTA) or the designated bank branches will not be accepted with effect from March 26. However, the existing deposits will continue till redemption.

This is the second gold scheme to face closure by the government in recent months amid a spike in gold prices. The government has also discontinued issuance of sovereign gold bonds. Under the Gold Monetisation Scheme, gold bonds were issued in denominations of 5 grams, 10 grams, 50 grams and 100 grams for a term of 5-7 years with a rate of interest to be calculated on the value of the metal at the time of investment. The scheme had an annual cap of 500 grams per person.

The amount of interest rate payable for short-term deposits under the scheme is decided by the banks on the basis of the prevailing international lease rates, other costs, market conditions etc. and is borne by the banks. For the medium and long-term deposits, the rate

of interest was decided by the government, in consultation with the RBI and borne by the central government. It was fixed at 2.25 per cent for medium term bonds and at 2.5 per cent for the long term bonds.

*** India has seen strong goods and services trade momentum in the Dec quarter**

India has seen strong goods and services trade momentum in the Dec quarter, a report by UN body Unctad has said but cautioned that global trade could be hit by the policy shifts in the US and trade and geopolitical tensions.

Besides, it has pointed to high duties faced by developing countries, limiting market access for their goods. The agency's latest Global Trade Update said that exports from South Asia face among the highest tariffs, averaging around 4%, while imports to the region and Africa see the highest average levy of around 8%.

It, however, pointed out that despite having lower tariffs in general, developed countries maintain "tariff peaks" with duties as high as over 100% for several farm goods. In general, South Asia topped the list on this count too.

The report said developing countries maintained higher duties on imports to support nascent industries, and also have more elbow room during trade negotiations. For some countries, it was also a revenue instrument, with taxes on international trade generating 10-30% of govt revenue.

Unctad said when it came to goods trade, India and China saw strong momentum in the Dec quarter, reporting growths of 7% and 5%, respectively. "Developing nations, particularly China and India, saw better than average trade expansion, while many developed nations experienced trade contractions," it said.

India's export of goods and services grew 6.3% in 2024 (calendar year) as against global annual trade growth of 3.7%. India's exports of goods and services rose to \$ 817.4 billion in 2024, compared with \$769 billion in 2023.

South Africa saw a 13% jump in services exports, while India grew 3% during the Dec quarter.

It also highlighted India's high trade deficit, especially with China and Russia, which were among the highest for bilateral trade. During 2024, the US had the highest trade deficit with China (\$355 billion), followed by that with the European Union (\$241 billion). India's trade deficit of \$103 billion with China was seventh among bilateral trading partners, followed by the \$65 billion with Russia at number 12.

In recent years, India's exports to China have declined, widening the trade deficit, while the gap with Russia has increased on account of large quantities of crude petroleum being shipped into the country as oil companies seek a bargain and export finished products to other parts of the world in the wake of sanctions against Moscow.

***Crude oil import bill up by 2.9% in April-February**

India's crude import bill rose by 2.9% during the first eleven months of FY25, reaching \$124.7 billion compared to \$121.2 billion in the same period of FY24, according to data from the Petroleum Planning and Analysis Cell.

The country imported 219.9 million tonnes of crude oil between April and February, marking a 3% increase from 213.4 million tonnes in the corresponding period last year.

In February alone, the crude oil import bill increased by nearly 3% to \$10.6 billion, while import volumes increased by 5% to 19.1 million tonnes compared to February 2024.

India's reliance on crude oil imports increased to 88.2% during April-February of the current fiscal, up from 87.7% in the same period of FY24, amid rising demand.

At the start of FY25, Icra had projected India's net crude oil import bill to reach \$101-104 billion, up from \$96.1 billion in FY24, due to reduced discounts on Russian crude and increasing import dependence.

The latest US sanctions on Russia have also created uncertainty in India's crude oil supply, potentially leading to higher costs for Indian refiners as they diversify their sourcing—often at a premium to the landed price of Russian crude.

With these challenges, several Indian oil and gas majors have been eyeing to secure more crude oil and LNG from the US. 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 post the latest meeting of Prime Minister Narendra Modi with the US President Donald Trump.

According to analysts, increased availability of US crude oil could help keep other global suppliers, including Russia, price-competitive in the Indian market. Moreover, 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.

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 26.2 million tonnes of oil during Apr-Feb, down from 26.9 million tonnes in the same period of FY24.

***Gold price is in historical high**

Trump tariffs are the fuel driving gold prices higher. Gold has hit another fresh new all-time high level of \$3,080 and is looking to stay strong amid global trade uncertainties. Gold is on track for its fourth consecutive weekly gain and its largest monthly rise since March 2024. Gold recorded an intraday high of \$3,086 on 28th March.

As the yellow metal achieves a new milestone, buyers appear to be jumping in, putting a test of \$3,100 in the near term.

Risk aversion amid rising trade tensions ahead of further US tariffs next week is what is making gold post record highs on daily basis.

The European Union and Canada threatened retaliation after President Donald Trump recently slapped 25% tariffs on vehicles and auto parts made abroad, escalating concerns of a wider trade war and its effects on the world economy.

The latest PCE price index report is to be released today. The Federal Reserve's chosen measure of inflation is the Personal Consumption Expenditures (PCE) price index, a crucial economic indicator that tracks changes in the costs of goods and services that American consumers buy.

The Fed recently raised its inflation forecast amid concerns about the impact of tariffs, clouding the outlook for further interest rate cuts. However, if PCE comes lower, the Fed may consider cutting rates earlier, pushing the gold price higher.

Gold also rose on strong central bank inflows and rising ETF demand. Central banks have been buying gold in huge quantities for last 2-3 years.

Gold is up over 35% in the last 12 months primarily because of these reasons. If these reasons continue to play out in the future, gold will find support to move higher.

In their most recent commodity analysis, Bank of America analysts revealed that they predict an average gold price of roughly \$3,063 per ounce this year, with prices rising to \$3,350 in 2026, up from earlier average price forecasts of \$2,750 and \$2,625 per ounce, respectively. The researchers also predicted that gold prices would rise to \$3,500 within two years.

Goldman Sachs Group raised its gold price projection to \$3,300 per ounce by year-end, citing higher-than-expected central bank demand and strong inflows into bullion-backed exchange-traded funds.

In India, the gold price on 28th March is Rs 89,150, up by Rs 410 over the previous day's 24 carat gold rate.

*** Infosy,Wipro,TCS on US hiring blacklist? As per Leaked recruiter email**

Working with leading Indian companies such as Infosys, Wipro and TCS may make it difficult for techies seeking work in the US. A recent social media post attributed to a recruiter suggested that candidates who had worked for certain companies were considered

undesirable for software development roles. The lengthy list of requirements has since gone viral with many expressing outrage over some of the conditions outlined for employment.

The post was shared by a Reddit user earlier this week who claimed that the list had been accidentally shared by a US-based recruiter via email. A moderator from the Reddit community also said that the user had confidentially shared additional evidence which “adds more credibility to the original post”.

The memo outlined a strong preference for graduates from elite universities (such as MIT, Stanford, UC Berkeley and CalTech) with concessions being made in special cases for “a couple of other schools if they were 4.0 graduates”. It also called for candidates who had four to 10 years of software development expertise and expertise in Modern JavaScript and other technologies. The recruiter memo also specified that they were not looking for job hoppers and candidates would ideally have an average of over two years experience in each role. It called for “significant experience at notable start-ups” and noted that their clients would not hire anyone who had exclusively worked at large companies — even if that organisation was Google or Facebook — with bonus points for “founding engineer or founder experience”.

The recruiter email also insisted that there would be “absolutely no visa sponsorships”.

The detailed email said that candidates who had ever worked at companies such as TCS, Tata, Mahindra, Infosys and Wipro were “not the right fit”. The list also included organisations such as Intel, Cisco, HP, Capgemini, Dell and Cognizant.