

## India Rupee Falls on Trump Tariff Threat

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The Indian rupee has dropped to a record low of ₹87.79 against the US dollar, after US President Donald Trump threatened to impose a 25% tariff on Indian imports. The currency weakened from Monday's closing rate of ₹87.65, as investor sentiment turned cautious amid fears of trade disruption between the two countries.

Trump's warning came via his social media platform, Truth Social, where he criticised India for purchasing discounted crude oil from Russia and allegedly profiting from reselling it. He described India's economy as "dead" unless it changes course, and signalled that harsh

tariffs would be introduced should he return to office. The statement, viewed as part of his ongoing campaign rhetoric, has caused concern among emerging markets.

India's Ministry of External Affairs quickly dismissed the accusations, labelling the proposed tariffs "unjustified" and "unreasonable." Officials defended the country's energy strategy, which is designed to ensure cost-effective oil imports for domestic consumption, particularly during global price volatility.

Figures from India's Ministry of Petroleum indicate that the country imported an average of 1.7 million barrels of crude oil per day in the first quarter of 2025. Around 40% of this came from Russia, reflecting New Delhi's effort to secure favourable supply agreements. If the United States enforces the threatened tariffs, Indian refiners may be compelled to turn to more expensive sources in the Middle East or the Atlantic Basin, likely increasing overall import costs.

The rupee's decline adds pressure to India's already significant \$100 billion annual import bill, much of which is driven by energy purchases. A weaker currency makes these imports more expensive, potentially squeezing corporate margins and fuelling inflation across multiple sectors. Investors are now awaiting the Reserve Bank of India's policy review scheduled for 8 August, which may offer clarity on interest rates and potential currency stabilisation measures.

Global financial observers are also warning of possible capital outflows, as foreign investors grow wary of the escalating geopolitical risks and inflationary pressures. Analysts suggest the Reserve Bank may need to strike a careful balance between defending the currency and maintaining growth momentum.

Separately, in China, authorities have advised electric vehicle (EV) manufacturers to limit price cuts and reduce production. The government is concerned that excess capacity and ongoing discounting could fuel deflation. Officials have highlighted the issue of "involution," a term describing inefficient investment and aggressive competition in sectors offering diminishing returns. China's EV market, once hailed as a growth engine, now faces growing regulatory scrutiny as the country attempts to steady its broader economic outlook.

Together, the developments in India and China point to mounting financial pressures across Asia's major economies. Volatile energy markets, trade policy uncertainty, and deflation concerns are likely to have knock-on effects in global financial markets. UK-based investors

with holdings in emerging market funds, currency-sensitive assets, or energy stocks may need to monitor these shifts closely in the coming weeks.