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MUMBAI



# India

## UNWRAPPED

## WEEKLY



# NEWSFLASH

## 3rd March - 9th March

Design Credits - Lata Kanojiya & Aditya Maurya

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## INDIA'S SERVICES SECTOR GROWTH SEES SHARP UPTICK IN FEBRUARY: PMI

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India's services sector experienced robust growth in February 2025, with the HSBC India Services Purchasing Managers' Index (PMI) rising to 59.0 from January's 56.5, indicating a sharp expansion in business activity. This upturn was driven by strong domestic and international demand, leading to significant increases in new business orders and employment. Firms reported higher input costs due to recruitment and salary hikes but managed to pass on some of these costs to customers. The positive momentum suggests sustained economic resilience in the services sector.

## INDIA SHOULD HALT ALL TALKS WITH US, ENGAGE LIKE OTHER NATIONS: GTRI

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The Global Trade Research Initiative (GTRI) has advised India to halt trade talks with the U.S., citing undue pressure and misleading data used to criticize India's trade policies. GTRI suggests India should engage with the U.S. like it does with other nations, ensuring balanced negotiations. The think tank highlights the need to protect key sectors, especially agriculture, which supports millions of people. It urges India to take a firm stance in safeguarding its economic interests.



## IN A FIRST-OF-ITS-KIND SURVEY, GOVERNMENT TO TRACK HOW MUCH INDIA SPENDS ON TRAVEL

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The Indian government will conduct its first-ever National Household Travel Survey as part of the 80th round of the National Sample Surveys (NSS) starting in July 2025. The survey aims to analyze household travel patterns and expenditure on domestic tourism. The collected data will help policymakers develop strategies to boost the tourism sector and its contribution to the economy. This initiative marks a significant step in understanding India's travel spending habits.

## US MAY ASK FOR ZERO TARIFFS ALMOST ON ALL GOODS, RELIEF UNLIKELY FOR INDIA

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The United States is advocating for India to reduce its high tariffs, aiming for a comprehensive bilateral trade agreement. U.S. Commerce Secretary Howard Lutnick emphasized that India's current tariffs, among the world's highest, necessitate reevaluation to strengthen the U.S.-India relationship. This push precedes the implementation of U.S. President Donald Trump's reciprocal tariffs on trade partners, including India, set for early April. While India has reduced tariffs on certain items, it remains cautious about lowering tariffs in sensitive sectors like agriculture, aiming to protect domestic interests.



## FDIS IN INDIA DROP 5.6% TO \$10.9 BN IN OCT-DEC



India's foreign direct investment (FDI) inflows declined by 5.6% to \$10.9 billion during the October-December quarter of 2024, compared to the same period in the previous year. This downturn is attributed to factors such as slowing economic growth, volatile trade conditions, and reduced investor confidence. The government is implementing measures to stimulate growth and attract investments, including infrastructure development and policy reforms, aiming to achieve a GDP growth target of 6.5% to 7% for the current fiscal year.

## INDIA'S FOOD INFLATION LIKELY FALLS BELOW 5% IN FEB FOR THE FIRST TIME SINCE JUNE 2023

India's food inflation likely dropped below 5% in February 2025 for the first time since June 2023, primarily due to a significant decline in vegetable prices, according to a Union Bank of India report. This drop contributed to an overall easing of Consumer Price Index (CPI) inflation, which is estimated to have fallen to 3.94% from 4.31% in January. The decline in food inflation could provide relief to consumers and influence future monetary policy decisions.



## INDIA'S FOREX RESERVES DOWN BY \$1.7 BILLION AT \$638.69 BILLION



India's forex reserves fell by \$1.7 billion to \$638.69 billion in the week ending February 28, 2025, according to RBI data. Foreign currency assets dropped by \$493 million to \$543.35 billion, while gold reserves declined by \$1.304 billion to \$73.272 billion. Special Drawing Rights (SDRs) rose by \$27 million to \$17.998 billion, but India's IMF reserve position fell by \$12 million to \$4.078 billion. The decline was influenced by RBI interventions, global trade concerns, and rupee depreciation. The RBI manages forex reserves to curb excessive volatility in the currency market.

## INDIA AND IRELAND AGREE TO SET UP JOINT ECONOMIC COMMISSION, GROW TRADE, HIGH-TECH COLLABORATIONS

India and Ireland have agreed to establish a Joint Economic Commission (JEC) to coordinate on trade and global economic matters such as WTO discussions. This decision follows talks between India's External Affairs Minister S. Jaishankar and Ireland's Deputy Prime Minister Simon Harris in Dublin. The JEC aims to meet biennially and will focus on sectors like cyber security, AI, and semiconductors. Additionally, India and Ireland are expanding cooperation in higher education, with growing bilateral trade valued at 16 billion euros.



## RBI ANNOUNCES RS 1 TRN BOND BUY, \$10 BN \$-RE SWAP TO INFUSE LIQUIDITY

The Reserve Bank of India (RBI) is taking steps to ease tight liquidity in the banking system before the financial year ends. It will conduct open market operations (OMO) to buy government securities worth ₹1 trillion in two parts on March 12 and 18. Additionally, a \$10 billion USD/INR buy-sell swap is set for March 24. These measures will inject about ₹1.87 trillion, balancing liquidity amid tax payments. The banking system has been in deficit for 11 weeks, but these steps should help stabilize cash flow.



## US REAL GDP AT RISK OF 1% HIT 'OVER SEVERAL QUARTERS' DUE TO RETALIATORY TARIFFS

US GDP could drop by 1% if new tariffs stay and trading partners retaliate. Inflation may rise by 0.5%, worsening economic conditions. The US imposed 25% tariffs on Canada and Mexico from March 4, affecting \$1.5 trillion in trade. In response, Canada, Mexico, and China announced counter-tariffs, including duties on US goods like soybeans and beef. This could harm US businesses and consumers, disrupt trade deals, and weaken global markets, as seen in falling stock indices and economic uncertainty.



## INDIA FAILS TO ATTRACT FOREIGN INVESTORS AFTER \$1.3 TRN MKT SELLOFF



Global investors are hesitant to buy Indian stocks despite falling valuations due to economic slowdown, profit downgrades, and potential US tariffs. Instead, they prefer cheaper Chinese equities, which are booming due to AI advancements. Foreign investors have withdrawn nearly \$15 billion from Indian markets this year, nearing the 2022 record of \$17 billion, wiping out \$1.3 trillion in value. India's economy is expected to grow at a four-year low of 6.5%, with corporate profits declining. Over 60% of Nifty 50 firms faced profit downgrades, weakening investor confidence.

## INDIA SHIFTING TOWARDS LNG TERM CONTRACTS DESPITE FALLING SPOT PRICES

India's demand for spot LNG is expected to decline as importers shift to medium and long-term contracts starting next month. Deals include a five-year contract between GAIL and QatarEnergy and another between BPCL and ADNOC. While these contracts are cheaper than current spot prices, they may become costly when supply increases and spot prices fall from 2027. Unlike Japan and South Korea, India's LNG demand is diverse, with 35% used in fertilizer production, 29% in industries, and the rest in transport, power, and residential sectors.



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