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Economic & Business

India-Specific Business & Economic News

GST Reforms: The government has introduced significant changes to the Goods and Services Tax (GST) structure. The 12% and 28% tax slabs have been eliminated, with most items moved to the 5% and 18% brackets. A new 40% category has been created for certain goods, absorbing the previous compensation cess. These changes, effective from September 22, are expected to boost domestic consumption and provide relief to industries like textiles and auto.

Sectoral Impact:

Automotive: The GST reduction on small cars (from 28% to 18%) is expected to lower prices and drive demand, especially with the festive season approaching.

Consumer Goods: Electronics, home appliances, and packaged snacks (like namkeens and bhujiyas) are now more affordable due to tax cuts.

Hospitality: Hotel rooms with tariffs up to Rs 7,500 per day have a reduced GST rate, aiming to simplify the tax structure and make the industry more competitive.

Renewable Energy: A tax cut from 12% to 5% on renewable energy devices and parts is anticipated to lower project costs and encourage the adoption of clean power.

Stock Market:

The Nifty and Bank Nifty indices are experiencing consolidation following the GST changes. Analysts expect Nifty to trade in the 24,400-25,000 range.

Specific stock recommendations for September 5 included Adani Ports and Jayaswal Neco Industries, with analysts highlighting technical breakouts and favorable risk-reward setups.

Events: Several business-related conferences are taking place in India on September 6, including the International Conference on Business Management and Social Innovation (ICBMSI) and the International Conference on Global Business, Economics, Finance & Social Sciences (ICGBEFSS) in various cities.

Global Economic & Business Trends

Trade Policy Uncertainty: Global trade is facing significant uncertainty due to sudden shifts in tariffs, subsidies, and restrictions. This has led to "front-loading," where firms rush shipments before tariff deadlines, causing volatility in trade flows.

AI and the Market: Investment enthusiasm in artificial intelligence (AI) continues, though some analysts note a parallel with past market bubbles. Companies are receiving high valuations based on future potential rather than current performance. The development of AI is seen as a three-phase process: chips/hardware, scaling/models, and usage/implementation.

Monetary Policy: The US Federal Reserve is expected to cut the Fed Funds rate by 25 basis points in September, with a long-term normalization process aiming for a rate of 3.00-3.50% over the next 12-18 months. This move is





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seen as a proactive measure to extend the current economic cycle.

Global Outlook:

The global economy is projected to show "tenuous resilience" amid persistent uncertainty.

Global growth is forecasted at 3.0% for 2025, an upward revision from earlier in the year.

The US economy is expected to moderate in growth, while India is noted as a "global bright spot" due to strong domestic demand and infrastructure investment.

Trade tensions, rising bond yields, and geopolitical issues remain key risks.

Labor Market: A significant portion of chief people officers surveyed by the World Economic Forum expect the current uncertain labor market conditions to continue, driven by factors like low vacancy rates, shifting worker expectations, and the rapid adoption of AI.

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MCQS

1. What is the primary change made to the Goods and Services Tax (GST) structure in India, as mentioned in the news?

- A) The introduction of a new 50% tax slab.
- B) The elimination of the 12% and 28% tax slabs.
- C) The increase of the 5% tax slab to 7%.
- D) The removal of all GST on consumer goods.

Answer: B) The elimination of the 12% and 28% tax slabs.

The news explicitly states that the 12% and 28% tax slabs have been eliminated, with most items moved to the 5% and 18% brackets. A new 40% category was created for specific goods. This reform aims to simplify the tax structure and stimulate consumption.

2. How are the recent GST reforms expected to affect the automotive sector in India?





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- A) Prices of all cars will increase due to higher taxes.
B) Small car prices will decrease, potentially boosting demand.
C) The GST on small cars remains unchanged.
D) The GST on large vehicles has been eliminated.

Answer: B) Small car prices will decrease, potentially boosting demand.

The news states that the GST on small cars has been reduced from 28% to 18%. This tax cut is expected to lower prices and drive demand, especially with the festive season approaching.

3. According to the news, what is "front-loading" in the context of global trade?

- A) A new method for loading cargo ships more efficiently.
B) Firms rushing shipments before new tariffs or restrictions take effect.
C) The practice of paying for goods upfront before delivery.
D) A trade policy aimed at increasing exports.

Answer: B) Firms rushing shipments before new tariffs or restrictions take effect.

The news defines "front-loading" as firms rushing shipments before tariff deadlines. This practice is a direct result of global trade policy uncertainty and leads to volatility in trade flows.

4. What is the expected action of the US Federal Reserve regarding the Fed Funds rate in September?

- A) An increase of 50 basis points.
B) A decrease of 25 basis points.
C) The rate will remain unchanged.
D) The rate will be set at 5.0%.

Answer: B) A decrease of 25 basis points.

The provided information states that the US Federal Reserve is expected to cut the Fed Funds rate by 25 basis points in September. This is part of a long-term normalization process for the rate.

5. Which country is referred to as a "global bright spot" in the global economic outlook, according to the news?

- A) The United States.
B) China.
C) India.
D) Japan.

Answer: C) India.

The news highlights that the global economic outlook notes India as a "global bright spot". This is attributed to the country's strong domestic demand and significant infrastructure investment.

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