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Indian Tech Faces Headwinds Amid Rising U.S. Tariffs and Global Uncertainty

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India's information technology (IT) sector, a longstanding pillar of its export economy, finds itself navigating increasingly choppy waters as global headwinds intensify. While the newly imposed 25% tariffs by the United States on imported goods do not directly target Indian IT services, experts warn that the indirect consequences could be far-reaching, potentially curbing discretionary tech spending by American clients, which form the bulk of revenue for Indian outsourcing giants.

According to Nitin Bhatt, Technology Sector Leader at EY India (formerly Ernst & Young), “Rising input costs in the U.S. may prompt companies to tighten their budgets, particularly around non-essential digital transformation projects. This has the potential to reverberate across India’s IT services landscape.” His comments come at a time when the industry is already grappling with macroeconomic instability, the rapid evolution of Artificial Intelligence (AI), and tightening global regulatory regimes.

The U.S., which remains the largest market for Indian IT exports, is witnessing cost inflation across sectors. While Indian firms themselves remain outside the tariff net, their clients may become more cautious, slowing new deals and delaying existing projects. For an industry that relies heavily on recurring contracts and foreign demand, this kind of caution can lead to margin pressure and an uncertain revenue outlook.

Bhatt also highlighted deeper structural concerns: “The future of cross-border services could change fundamentally, not only due to cost pressures but because of evolving digital tax frameworks and questions over skilled worker mobility.” This is especially relevant in light of growing restrictions on international work visas and scrutiny over foreign labour in Western markets.

Industry leaders are already taking note. Tata Consultancy Services (TCS), India’s largest IT firm, is in the process of laying off over 12,000 employees, approximately 2% of its global workforce, as part of a strategic realignment to become what it calls a “future-ready organisation.” This involves strengthening investments in AI, expanding into new markets, and overhauling delivery models.

Analysts argue that such moves signal more than just internal optimisation; they reflect the broader recalibration the sector is undergoing. The June quarter (Q1FY26) saw India’s top IT exporters deliver only single-digit revenue growth. K. Krithivasan, Managing Director and Chief Executive of TCS, noted recently that “demand contraction” is being felt across key client sectors, with macroeconomic and geopolitical uncertainties causing a noticeable drag on decision-making. “Delays that began last quarter have only intensified,” he stated, adding that he does not foresee double-digit revenue growth returning in the near term.

Firms that respond with agility, by embedding AI at scale, diversifying geographically, and embracing hybrid delivery mechanisms, are better positioned to ride out these turbulent times. Those that hesitate may find themselves left behind as global markets grow increasingly fragmented and competitive.

While India's IT sector has demonstrated resilience through previous cycles, this current juncture demands more than just cost-cutting. Strategic innovation, robust risk management, and a closer alignment with the priorities of global clients will be essential. With rising protectionism, cost-consciousness, and evolving regulatory environments in the West, India's tech titans must move decisively to secure their future footing in an increasingly unpredictable world.