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India UNWRAPPED WEEKLY



NEWSFLASH

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INDIA'S RETAIL INFLATION RISES TO 3-MONTH HIGH OF 1.33% IN DECEMBER



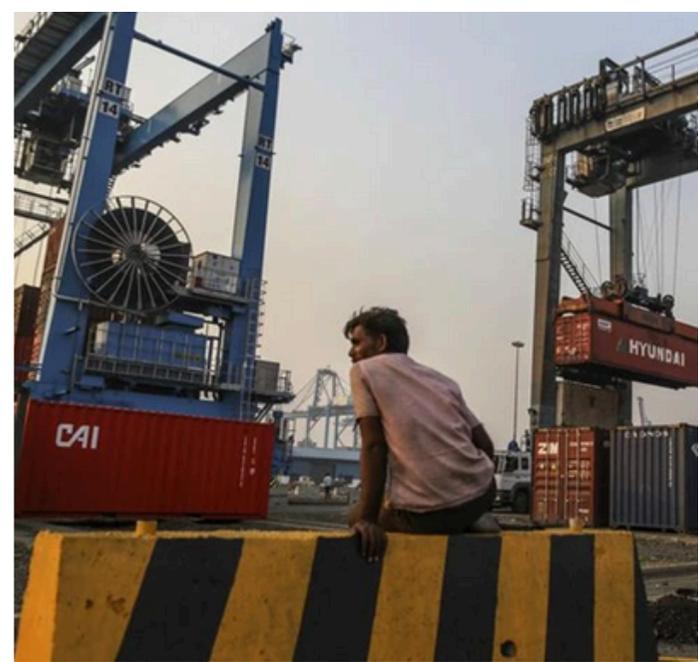
India's retail inflation increased to 1.33% in December, the highest level in three months, compared with 0.71% in November. The rise was mainly driven by food inflation easing less than before, meaning the fall in food prices became smaller. Some non-food components also turned costlier, adding upward pressure. Even so, inflation remains below the Reserve Bank of India's target band, supporting expectations that monetary policy could stay supportive. December's figures are also significant as it is the last under the old CPI base year.

VENEZUELA CRISIS UNLIKELY TO HIT INDIA OIL PRICES IN NEAR TERM: CRISIL

Crisil said Venezuela's ongoing crisis is unlikely to affect India's oil prices in the near term because India's direct trade with Venezuela is very limited. Venezuelan crude forms only a small share of India's total crude imports, and Venezuela's role in global oil supply is also relatively small. Even if the situation worsens and disrupts production, it may not cause a sustained surge in global crude prices. Overall, the risk to Indian companies remains low for now.



EXPORTERS WORRIED AS TRUMP ANNOUNCES 25% TARIFFS ON IRAN'S TRADE PARTNERS



US President Donald Trump announced a 25% tariff on countries that trade with Iran, which raised concerns among exporters, including those in India. Exporters are worried because higher tariffs could make their goods costlier and reduce demand. However, there is still uncertainty, as US has not shared clear details about how the rule will be applied. Indian exporters say they follow all international rules and are waiting for more clarity to understand how their trade with Iran may be affected.

WORLD BANK UPGRADES INDIA'S ECONOMIC GROWTH FORECAST TO 6.5% FOR FY27

The World Bank has raised India's growth forecast for FY27 to 6.5%, up from 6.3% in October 2025. Strong domestic demand and resilient exports helped this increase, despite higher US tariffs on some goods. Growth could improve further if trade disputes are resolved and investments in technologies like AI rise. India is expected to remain the fastest-growing large economy. Services, exports, and investments will support growth, while fiscal consolidation and controlled inflation are expected.



FOREX RESERVES WATCH: INDIA'S KITTY RISES TO \$687.19 BILLION; GOLD HOLDINGS JUMP



India's foreign exchange reserves increased by \$392 million to reach \$687.19 billion in the week ending January 9, 2026, after a big fall the previous week. Foreign currency assets slightly dropped by \$1.124 billion to \$550.87 billion. However, gold reserves rose by \$1.568 billion to \$112.83 billion, supporting the total reserves. Special Drawing Rights with the IMF decreased by \$39 million to \$18.739 billion, and India's IMF reserve position fell slightly to \$4.758 billion.

MOUNTING DEBT AND TENSIONS COULD DRAG GLOBAL GROWTH IN 2026: WEF ECONOMISTS

Economists at the World Economic Forum believe the global economy may slow down in 2026. The main reasons are high government debt, global conflicts, and political tensions. Many experts feel countries may struggle to manage money and growth. However, some hope remains because technology like AI and strong growth in Asian countries could help. Overall, experts are cautious and feel the world economy will face more challenges than growth in the coming years.



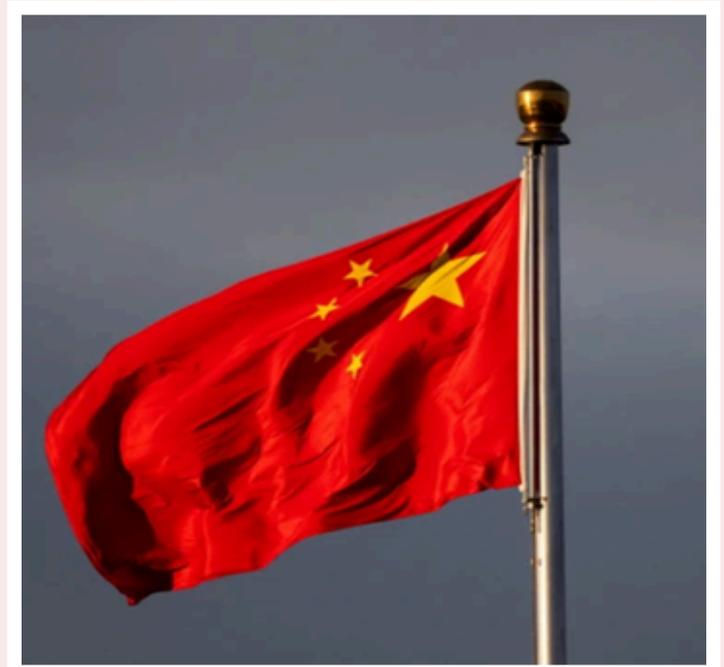
NEW FEMA REGULATIONS FOR EXPORTS AND IMPORTS TO TAKE EFFECT FROM OCT 1



The Reserve Bank of India (RBI) has notified the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, replacing and unifying older FEMA rules for exports and imports. These regulations will come into force on October 1, 2026 and tighten monitoring and reporting of trade transactions by authorised dealer banks, requiring timely entries into systems like EDPMS and IDPMS. Banks must follow stricter timelines, continuously track outstanding entries, and ensure proper closure of export/import records.

CHINA CUTS US DEBT HOLDINGS TO 17-YEAR LOW. SHIFTS RESERVES TO GOLD

China has reduced its US Treasury holdings to a 17-year low, cutting them to about \$682.6 billion in November 2025, down from \$688.7 billion in October the lowest since 2008. This move is part of Beijing's strategy to diversify its foreign-exchange reserves, shifting more into gold and overseas equity investments amid strained US-China ties. China still holds the world's largest forex reserves approximately \$3.36 trillion and has been steadily increasing gold reserves for added stability.



ISRAEL'S BUDGET DEFICIT NARROWS TO 4.7% OF GDP IN 2025



Israel's budget deficit narrowed to 4.7% of GDP in 2025, down from 6.8% in 2024, the Finance Ministry announced. The improvement was driven by stronger revenues that helped offset higher defense spending tied to the ongoing Gaza war. In December, the country recorded a -23.7 billion shekel monthly balance, and the 12-month deficit slightly rose from November's 4.5% to 4.7%. The smaller deficit reflects fiscal resilience amid conflict-related pressures.

'INDIA'S ELECTRONICS SECTOR MOVING TOWARDS STRATEGIC INDISPENSABILITY'

India's electronics sector is increasingly becoming "strategically indispensable" in global supply chains, according to a multinational company's presentation to the Union government. Over the past decade, India shifted from heavy import dependence to boosting domestic manufacturing and export-led growth. Key government initiatives like the semiconductor mission, multiple PLI schemes, and the Electronics Components Manufacturing Scheme are scaling production, deepening localisation, and integrating India with global markets, reducing supply vulnerabilities and enhancing export potential.



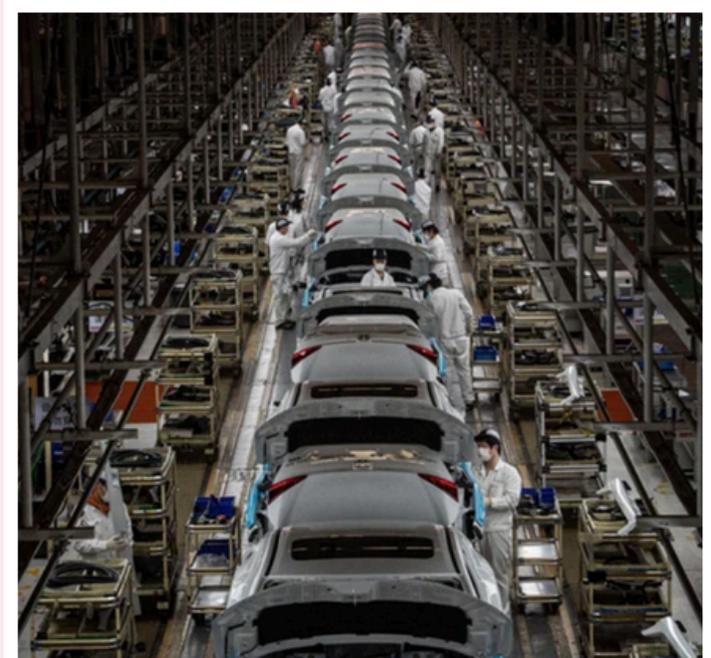
DECEMBER EXPORTS UP 1.87% DESPITE GLOBAL UNCERTAINTIES; TOTAL SHIPMENTS MAY TOP \$850 BILLION IN FY26



India's merchandise exports grew 1.87% in December 2025 to \$38.5 billion, showing resilience despite global uncertainties and trade headwinds. Imports rose to \$63.55 billion, resulting in a trade deficit of about \$25 billion. The government remains optimistic, projecting total goods and services exports to exceed \$850 billion in FY26. This outlook is supported by ongoing trade negotiations with key partners such as the US and the EU, aimed at boosting market access and export growth.

EV BOOM DRIVES 21% SURGE IN CHINA CAR EXPORTS, BUT DOMESTIC DEMAND SLOWS

China's auto exports surged 21% in 2025, driven largely by rapidly growing electric and plug-in hybrid vehicle shipments, industry data show. Exports topped about 7 million vehicles, reflecting Chinese automakers' focus on overseas markets as competition intensifies at home. However, domestic demand has softened, especially late in the year, due in part to reduced EV subsidies and slowing consumer purchases. The contrast highlights China's pivot toward export growth amid a cooling internal auto market.



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