MASHREQ GLOBAL DIGEST
India
January 25 – January 31

This edition of the Market Digest highlights the latest macroeconomic and financial developments across India, alongside key recent deals, offering a concise snapshot of the region’s evolving economic trajectory.

Macroeconomic News

India Targets 6.8%–7.2% Growth Next Year Despite Global Risks

India’s economy is projected to grow 6.8%–7.2% in the next fiscal year starting in April, easing from 7.4% this year, as solid domestic demand helps offset rising global uncertainty, according to the government’s annual economic survey. The report warns that geopolitical tensions, slower growth in key trading partners, tariff-related trade disruptions, and volatile capital flows could weigh on exports and investor sentiment. It also notes that the rupee is undervalued, helping partially offset the impact of higher U.S. tariffs without fueling inflation, while growth should be supported by ongoing reforms, tax cuts, and monetary easing by the Reserve Bank of India.

Reference: Reuters

India to Reduce Food’s Share in CPI

India will cut the weighting of food in its CPI to 36.75% from 45.86% under a new inflation series that uses 2024 as the base year, aiming to make headline inflation less volatile and policy signals clearer. The overhaul updates a basket that still reflected 2011–12 spending patterns, expands major categories to 12 from six, includes rural house rents, and begins tracking services and e-commerce prices such as airfares, OTT subscriptions, and telecom plans. Housing and utilities will remain the second-largest component at 17.66%, better aligning CPI with today’s more service-oriented consumption.

Reference: Reuters

India’s Forex Reserves Hit Record $709B

India’s foreign exchange reserves rose to a record $709.41 billion as of January 23, according to the Reserve Bank of India, despite the central bank selling dollars to support the rupee near record lows. The increase was driven by RBI forex swaps that injected rupee liquidity into the system, a sharp rise in gold prices that lifted gold holdings to $123 billion, and gains in non-dollar assets as currencies like the euro and yen appreciated against the dollar. Together, these factors offset intervention-related outflows and strengthened India’s external buffer, reinforcing its ability to absorb global market volatility.

Reference: Reuters

India Industrial Output Jumps 7.8%

India’s industrial output expanded at its fastest pace in over two years in December, rising 7.8% year-on-year, well above market expectations of 5.5%, driven by strong gains in manufacturing and mining. Manufacturing output grew 8.1%, mining rose 6.8%, and electricity production rebounded 6.3%, while consumer durables such as cars and phones surged 12.3%, reflecting post-festival restocking. Capital goods output increased 8.1%, pointing to resilient investment activity, though economists expect growth momentum to moderate to 6–7% in January as seasonal effects fade.

Reference: Reuters

India Budget Signals Gradual Fiscal Discipline

India’s Finance minister presented a budget centered on modest fiscal consolidation, targeting a fiscal deficit of 4.3% of GDP in 2026–27 and a reduction in the debt-to-GDP ratio to 55.6%. While acknowledging global trade and supply-chain risks, the budget prioritizes manufacturing growth across seven strategic sectors—including semiconductors, pharmaceuticals, rare-earth magnets, textiles, and capital goods—to strengthen economic resilience. In this regard, Moody's stated that the budget was tactical rather than a breakthrough, noting that the planned fiscal consolidation is unlikely to materially alter India’s credit profile in the near term.

Reference: CNBC, Reuters

India Signals $500B Energy Investment Push

India has flagged up to $500 billion in potential investment opportunities across its energy sector as it accelerates a shift toward energy independence. Speaking at an energy conference, the government highlighted large-scale infrastructure build-out spanning refining, transport, LNG logistics, alongside plans to expand domestic refining capacity and energy production. The strategy underscores India’s long-term push to meet rising demand, reduce import dependence, and position energy infrastructure as a key pillar of its economic and industrial transformation.

Reference: Reuters

Financial News

India Extends GIFT City Tax Holiday to Boost Global Finance Hub

India’s Budget 2026 doubled the tax holiday for new businesses setting up in Gujarat International Finance Tec-City (GIFT City) to 20 years, strengthening its appeal as a gateway for global capital. After the tax-free period, companies will face a flat 15% tax rate, far below the 35% applied elsewhere in India, a move aimed at attracting global reinsurers and financial institutions. The government said the measure provides long-term certainty and positions GIFT City as India’s flagship international financial services hub.

Reference: The Economic Times

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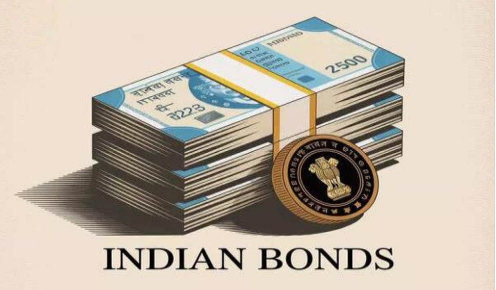
India Plans $187B in Record Borrowing



India's federal government will raise a record ₹17.2 trillion ($187 billion) in gross borrowings in fiscal year 2026–27, about 17% higher than this year, according to Finance Minister Nirmala Sitharaman. The borrowing plan exceeded market expectations and has raised concerns about elevated bond yields, with investors warning that heavy supply could keep pressure on debt markets despite support from the Reserve Bank of India through bond purchases and foreign-exchange swaps. Traders say demand for bonds will remain a key near-term challenge.

Reference: Reuters

India's NSE Eyes IPO Within 7–8 Months

India's National Stock Exchange of India plans to launch its IPO within seven to eight months, targeting end-2026, after receiving a no-objection certificate from the regulator Securities and Exchange Board of India. MD and CEO Ashish Kumar Chauhan said the exchange is preparing its draft red herring prospectus, a process expected to take three to four months, followed by two to three months for regulatory approval. The IPO will be a pure offer for sale, marking a key milestone for India's largest stock exchange.

Reference: Bloomberg, CNBC

India Turns to Diaspora Capital as Foreign Investors Retreat

India is seeking to channel more investment from its overseas nationals into domestic equities as global funds pull back amid concerns over earnings and more attractive returns abroad. Finance Minister Nirmala Sitharaman announced in the budget that the investment ceiling for non-resident Indians in a single company will be doubled to 10%, while the combined cap for all such investors will rise to 24% from 10%, aiming to offset foreign outflows and deepen the role of diaspora capital in local stock markets.

Reference: Bloomberg

Deals

EU–India Historic Trade Deal: A Major Boost for Trade, Jobs, and Investment

The European Union and India have concluded their largest-ever free trade agreement, slashing tariffs, expanding access in goods, services, and selected agri-food products, and creating a trade zone covering nearly 2 billion people. India will reduce or eliminate duties on 96.6% of EU exports, while the EU will liberalize 99.5% of tariff lines on Indian goods over seven years, generating up to €4 billion a year in savings for European exporters. The agreement significantly improves market access for sectors such as machinery, autos, chemicals, pharmaceuticals, agri-food, and services, while protecting sensitive agricultural products. It is also positioned as a strategic response to growing global trade fragmentation, with the EU expecting the deal to double goods exports to India by 2032 and support hundreds of thousands of jobs across both economies. In parallel, India is emerging as a key diversification partner for global energy suppliers, with countries such as Canada looking to expand exports of crude oil, LNG, and uranium to tap into the world's fastest-growing energy demand market.

Reference: Euronews, Reuters

Markets

Market Dashboard

- U.S. equities ended the week mixed as investors weighed hawkish signals around the Federal Reserve leadership, heavy earnings releases, and persistent inflation concerns. The S&P 500 edged up 0.3%, supported by selective earnings strength, while the Dow Jones slipped 0.4% and the Nasdaq fell 0.2%, dragged down by weakness in major technology names. Market sentiment remained cautious amid uncertainty over monetary policy direction, inflation data, and broader geopolitical risks, keeping risk appetite in check despite pockets of resilience.
- Bitcoin ended the week sharply lower, extending its recent correction as tighter liquidity concerns and uncertainty around U.S. monetary policy weighed on risk assets. The cryptocurrency slid toward the $80,000 level, marking one of its weakest weekly performances in months, as investors pared exposure amid fears that a less accommodative Federal Reserve stance could drain market liquidity. The sell-off was amplified by the unwinding of leveraged positions, reinforcing a cautious outlook for Bitcoin in the near term.
- Gold suffered a steep pullback at the end of the week, recording its sharpest daily drop since 1983 after hitting fresh record highs earlier in the session. The sell-off was driven largely by profit-taking and a shift in expectations around U.S. monetary policy following the announcement of a new Federal Reserve chair, which lifted the dollar and pressured precious metals. Despite the sharp correction, gold still closed the month solidly higher, marking its sixth consecutive monthly gain and underscoring the extreme volatility that has defined precious metals markets this month.
- Oil prices strengthened over the week as markets reacted to heightened geopolitical tensions in the Middle East, keeping supply risks firmly in focus. The move was reinforced by OPEC+ agreeing in principle to maintain its current pause in oil output increases for March, signaling a cautious approach to production amid seasonal demand softness. Together, geopolitical uncertainty and restrained supply policy provided near-term support for prices, even as concerns around longer-term market balance remained in the background.
- The U.S. dollar gained on Friday, rebounding from earlier weakness after the Fed chair nomination and firmer U.S. price data, but still ended the week slightly lower overall. Earlier losses in the week were driven by positioning adjustments and fading demand for the dollar as investors reassessed the outlook for U.S. interest rates and monetary policy.

Indicators	23-Jan-26	30-Jan-26	% Change
S&P 500	6,915.61	6,939.03	0.34%
Bitcoin	89,503.88	84,128.66	-6.01%
Gold	4,982.91	4,865.35	-2.36%
Crude Oil	65.88	69.32	5.22%
EUR/USD	1.1755	1.1854	0.84%

Rise every day