



### Economic Outlook

- The government has set the fiscal deficit target for FY 2026-27 at 4.30% of GDP, a marginal improvement over the revised estimate of 4.40% in FY 2025-26.
- The revenue deficit is targeted at 1.50% of GDP in FY 2026-27, unchanged from the revised estimate of FY 2025-26, continuing fiscal consolidation.
- The government emphasizes stable inflation at 1.70%, higher capital expenditure, manufacturing push in strategic sectors, customs duty simplification, and long-term duty exemptions to support exports and energy transition.

### Sectoral Reform & Development

- India Semiconductor Mission (ISM) 2.0 announced with an outlay of INR 40,000 crore, focusing on industry-led R&D, training centers, and semiconductor equipment manufacturing.
- Biopharma SHAKTI Scheme introduced with a INR 10,000 crore outlay over five years to expand biologics and biosimilars, establish 1,000 clinical trial sites, and strengthen National Institute of Pharmaceutical Education & Research (NIPER).
- Rare Earth Corridors to be set up in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu for mining, processing, and manufacturing, with duty exemptions on capital goods for lithium-ion battery and mineral processing to lower costs and secure supply chains.
- INR 20,000 crore Carbon Capture, Utilization & Storage (CCUS) mission launched to decarbonize power, steel, cement, refineries, and chemicals. Nuclear equipment duties extended until 2035, SHANTI Act proposed for Small Modular Reactors (SMR), and nuclear power allocation raised to INR 2,500 crore.
- Bharat VISTAAR introduced as a multilingual AI platform to integrate Agri-Stack with Indian Council of Agricultural Research (ICAR) knowledge, offering localized advisories on high-value crops like cashew, cocoa, coconut, and sandalwood.
- Individual investment limit in Indian equities under the Portfolio Investment Scheme raised from 5.00% to 10.00%, with the overall cap increased to 24.00% for Persons of Indian Origin (PIOs) and overseas residents.

### Direct Tax Reforms

- The deadline for filing updated or revised returns has been extended from December 31 to March 31, with a nominal fee based on taxable income for filings made after December 31.
- TCS on overseas tour packages reduced to a flat 2.00% with no threshold, easing upfront costs for outbound travellers.
- TCS on remittances for overseas education and medical treatment under LRS cut from 5.00% to 2.00%, lowering the burden on families.
- Income from share buybacks will now be taxed as capital gains in the hands of investors, instead of at the company level.
- STT on Futures has been increased from 0.02% to 0.05%, while STT on Options (on premium) has been raised to 0.15%.

### Indirect Tax Reforms

- Post-sale discounts excluded from GST taxable value, reducing disputes and easing compliance.
- Intermediary services provided to foreign clients now treated as exports, enabling Indian intermediaries to claim export benefits.
- Provisional refunds of 90% extended to Inverted Duty Structure cases, giving faster relief where input taxes exceed output taxes.
- Duty exemptions extended for energy transition inputs such as lithium-ion cell manufacturing equipment and solar glass raw materials, supporting renewable projects.
- Digital Single Window for customs clearance to be rolled out by FY 2026-27, integrating regulatory approvals into one unified platform.



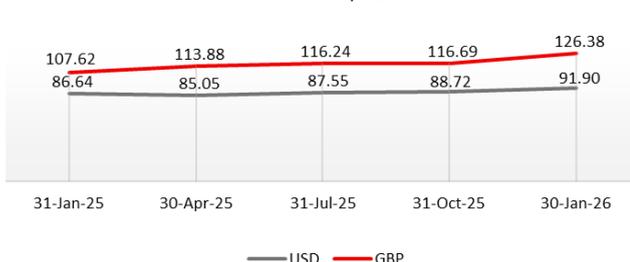
### Global Economy

- The Federal Reserve kept interest rates steady in the range of 3.50% to 3.75% at its Jan 28, 2026 meeting, following a series of cuts in late 2025.
- The Economic and Fiscal Assessment Report, published by the Independent Fiscal Commission (Jamaica) on Jan 16, 2026, projected the 2026 budget deficit at 5.50% of GDP, down from 6.00% in 2025.
- The Chinese economy expanded by 4.50% yoy in Q42025, the slowest pace in three years.
- China's new home prices fell 2.70% yoy in December 2025 across 70 major cities, the fastest decline in five months, with the downward trend continuing into January 2026 and expectations of a further 3.00%–4.00% drop over the year.

### Indian Economy

- India's GDP is estimated at 7.40% in FY 2025–26, up from 6.50% last year, with FY 2026–27 projected at 6.80%–7.20%, indicating slight moderation but continued strength, according to the Economic Survey 2025–26.
- India's share of global merchandise exports nearly doubled from 1.00% in 2005 to 1.80% in 2024 (Economic Survey 2025–26).
- India ranks 3rd globally in installed solar capacity at 135.80 GW and 4th in overall renewable energy capacity at 258 GW.
- India's services exports touched an all-time high of USD 387.60 billion in FY 2024–25, growing by 13.60% yoy.
- Production Linked Incentive (PLI) schemes across 14 sectors have attracted actual investments exceeding INR 2.00 lakh crore, generating incremental production/sales of over ₹18.7 lakh crore and creating more than 12.60 lakh jobs as of September 2025.

INR to USD/GBP



### Indian Startups

- 121 Indian start-ups raised total funding of around USD 1103 million in the month of Jan 2026, while the details of 6 other remained undisclosed. Out of this USD 127.8 million were debt funding. There is 17% increase in funding as compared to Dec 2025.
- Fintech, Deep Tech, Electric Vehicle and D2C Brands are major segment that secured USD 200 million, USD 164 million, USD 91 million & USD 81 million funding respectively.

### Indian Debt Market

- RBI's 10-year and 30-year G-Sec auctions saw yields steady at 7.05% and 7.45%, reflecting investor confidence despite global volatility.
- India's sovereign green bonds worth INR 8,000 crore were oversubscribed by 2.5x, highlighting strong demand for sustainable finance instruments.
- SEBI tightened rules for merchant bankers: Category I firms must maintain a minimum net worth of INR 50 crore, with at least 25% held in liquid assets like Treasury bills to strengthen capital adequacy, liquidity buffers and investors protection.
- FPIs turned net sellers of Indian debt for the first time since June 2025, recording USD 1.50 billion outflows in early January amid geopolitical shifts.
- The RBI utilized a USD10 billion USD/INR swap to inject durable liquidity without causing immediate shocks to the exchange rate, which remained under pressure due to global trade uncertainties.

10-Year Bond Yield

