

Arc

Equity

December 03, 2025

Quick Snapshot | Key Insights

Outlook

Rupee set to be Asian laggard

Quick Snapshot

- Indian Rupee to be among the worst-performing Asian currencies, declining over 5% and breaching the psychological 90/\$ mark, led by multiple macroeconomic woes.
- India's trade deficit widened to an all-time high of \$41.68 billion in October largely as gold and silver imports surged.
- Gold imports surged 199.2% in October, touching \$14.7 billion; this alone added an extra \$9.8 billion to India's import bill.
- Exports shrunk 11.8% y-o-y to \$34.3 billion, while imports rose 17% y-o-y to \$76 billion, reflecting the spillover effect of GST reduction

A road less travelled

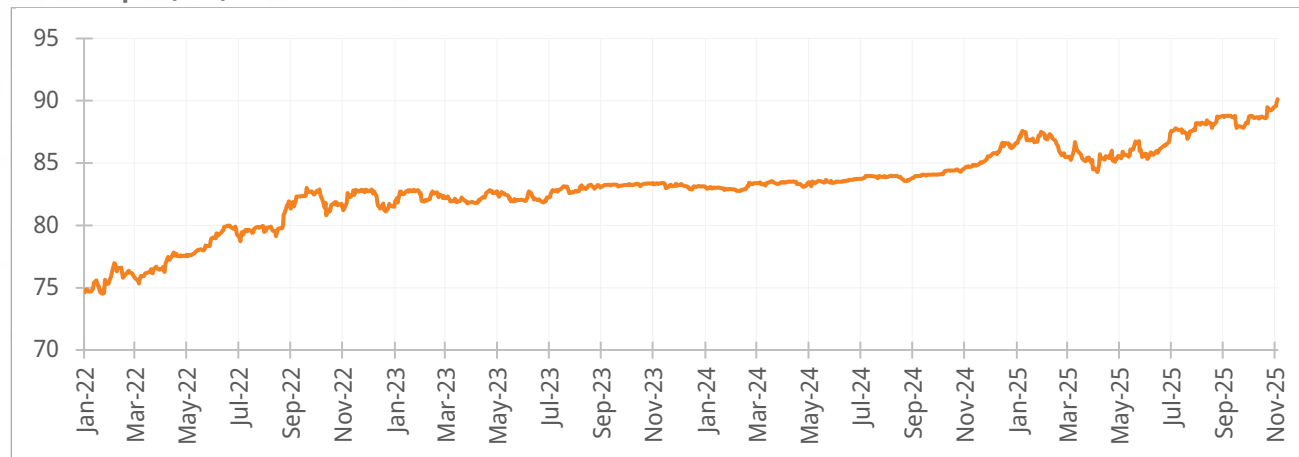
- The recent freefall in the Indian rupee is driven by multiple worries – A possible delay in the India-US trade deal, sustained selling by foreign portfolio investors (FPIs) (they have sold ~\$17 billion of Indian holdings) and initial absence of strong support from the Reserve Bank of India in the forex market. Furthermore, India's bilateral trade deficit with China has been increasing. India imports large number of goods from China, and GST reforms have led to higher import consumptions that have worsened the rupee story.
- October 2025 data reveals stark stagnation in India's Eight Core Industries, with no growth recorded, the weakest monthly performance in 14 months (since August 2024's contraction). This flat print contrasts sharply with September 2025's revised 3.3% expansion, highlighting volatility and emerging headwinds. Cumulative growth for Apr-Oct FY26 slowed to 2.5%, down from 4.3% in the year-ago period, underscoring a broader deceleration in core sector momentum amid festive-season distortions and structural challenges.
- India's October 2025 goods trade deficit widened to a record high of \$41.7 billion for FY26 from \$32.1 billion, due to higher imports of gold and silver. Services trade surplus stood at \$19.8 billion in October 2025. Exports and imports reported an average growth of 10% and 3.5%, respectively, in FY26 so far.
- India's current account deficit in India is currently driven by a surge in imports of crude, capital goods, and electronics, reflecting declining terms of trade.

Outlook

In the near to medium term, the Indian Rupee is likely to stay stressed and is projected to depreciate further. Given the strong downward momentum due to structural trade imbalances and external risks (like global rate uncertainty), a rally in precious metals and flattish growth in the core industrial sectors.

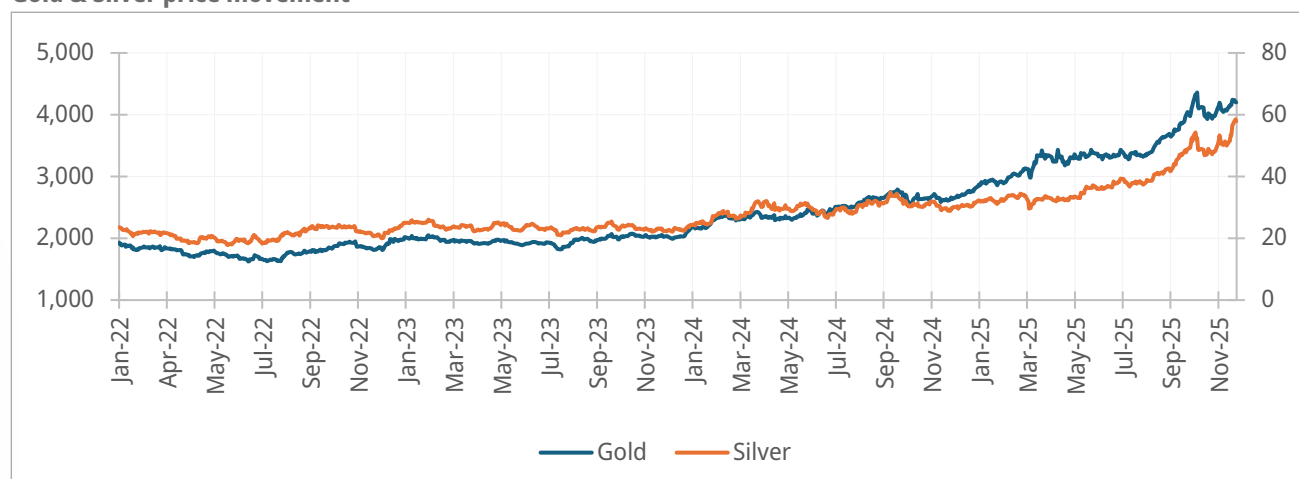
We expect the Reserve Bank of India (RBI) to manage excessive volatility, but it may not be able to counter fundamental market forces driven by a widening trade deficit without substantial capital inflows; this could result in the Rupee potentially testing and breaching the 91.5/\$ mark in Q1-2026.

Indian Rupee (INR) trend



Source: Mirae Asset Sharekhan Research, MOSPI

Gold & Silver price movement



Source: Mirae Asset Sharekhan Research, MOSPI

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