



Risk Perspectives

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Introduction



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The global business and economic environment in 2026 will be defined by an intricate mix of risks that need to be met with strategic foresight and organisational resilience. While several challenges will affect economies worldwide, their impact on a specific economy and business would vary depending upon local market dynamics, regulatory foresight and proactivity, and the country's demographic realities and infrastructure readiness to meet such challenges.

This edition of Risk Perspectives examines the major risks being faced by economies and businesses, both in the short-to-medium term and in the long term, highlighting global threats and those with direct implications for Indian businesses and the broader economy. Understanding these forces is essential for stakeholders seeking to navigate uncertainty and position themselves for growth in a rapidly evolving landscape.

The key risks highlighted reflect a world marked by volatility, rapid transformation, and increasing interconnectedness. For global and Indian organisations alike, success will depend on proactive risk management, robust scenario planning, and the ability to adapt quickly. Risk management must evolve from a reactive approach to one guided by the 3Ps: **predictive, proactive, and prepared**. To thrive amid these challenges, leaders must strengthen resilience by fostering innovation, investing in talent, building partnerships, and embracing technology. By recognising, predicting, and preparing for the risks ahead, businesses and policymakers can position themselves for sustainable growth and long-term competitiveness in an uncertain global environment.

Read on for more details.



01

Increasing geopolitical uncertainty

The global business and economic environment is becoming increasingly unpredictable, shaped by heightened geopolitical tensions, the growing use of trade and tariff measures as tools of strategic influence, and a rising risk of armed conflicts across several regions.

The Global Risks Report 2026 released by the World Economic Forum (WEF) highlights the emergence of a multipolar global order marked with increased confrontation, reduced cooperation, and declining trust among nations. Global business leaders and risk experts anticipate a period ranging from 'turbulent' to 'stormy' conditions in both the near and long term.

According to the WEF's annual survey of more than 1,300 global leaders and risk specialists, 32% of respondents believe that geoeconomic confrontation and state-based armed conflict pose a material global crisis in 2026. These risks underscore the increasingly fragile geopolitical landscape, and the challenges businesses will face as they navigate a world marked by volatility and strategic fragmentation.



Implications and imperatives

Geopolitical and geoeconomic conflicts, if left unchecked, could derail the global growth trajectory and unsettle financial and currency markets. Such conflicts are likely to result in higher barriers for goods and services, and potential supply chain disruptions. These dynamics could dampen consumption demand while simultaneously increasing operational costs across economies. Countries that rely heavily on exports and imports would feel the impact first and most sharply; however, given the high degree of global economic interdependence, the ripple effects of such conflicts would be felt by all economies.

India has historically been relatively insulated from global shocks due to its strong domestic consumption-driven economic structure. Nevertheless, export-oriented sectors—such as IT, textiles, and pharmaceuticals—face a dual challenge: sustaining growth while managing cost pressures arising from potential global supply chain disruptions. These pressures would also affect manufacturing segments that depend significantly on imported inputs such as materials, chemicals, and electronics. Since sectors like IT and textiles have high employment intensity, a slowdown in these industries could have broader implications for employment generation.

To navigate these challenges, Indian businesses will need to act on multiple fronts: diversifying their markets, realigning supply chains to the emerging global order, and reinventing their business models to remain relevant, competitive, and resilient. This approach will help create diversified revenue streams for the companies while enabling them to tap into new growth opportunities.

In today's fluid and rapidly evolving environment, organisations must design multi scenario strategies, remain agile in execution, and increase investments in technology driven product and process innovation, as well as in data based decision making.

AI-enabled tools can aid businesses in geopolitical risk forecasting, real-time monitoring and analysis, conduct sentiment based predictive analysis, support scenario planning, and stress testing, and even generate actionable recommendations. For example, in 2024, AI helped a global automaker prevent potential losses by identifying alternative ports for its shipments following militant attacks on its regular sea route. These ports had been pre identified using political stability indicators. This combination of being predictive, proactive, and prepared not only protected financial performance but also ensured timely deliveries, unlike competitors that faced significant supply chain disruptions.

By building new growth levers through product-service innovation and reimagining business models to create and expand markets, businesses can convert emerging challenges into opportunities and generate sustained value over the medium to long term.

Source:

WEF, Global Risks Report 2026



02

Heightened economic risks

The Reserve Bank of India (RBI), in its Financial Stability Report released in December 2025, notes that the global macro financial outlook remains tilted to the downside, despite signs of resilience in global growth during 2025. The key factors driving the downward tilt are elevated uncertainty, high public debt, and the risk of a disorderly market correction. The report highlights growing vulnerabilities across global financial markets, including sharp increases in equities and other risk assets, high leverage among hedge funds, the expanding opaque private credit markets, and the growth of stablecoins.

As noted earlier, the WEF's Global Risks Report 2026 also underscores intensifying economic risks. It points to the increasing likelihood of asset bubbles bursting and warns that the convergence of mounting global debt, economic slowdown, and uncertain returns on investments in frontier technologies—such as AI and quantum computing—combined with geoeconomic confrontation, could destabilise not only businesses but also entire societies.



Implications and imperatives

According to the RBI, the domestic financial system remains sound, supported by strong balance sheets, favourable financial conditions, and low market volatility. While the Indian economy continues to demonstrate resilience despite persistent global headwinds, it faces near-term risks arising from geopolitical tensions and trade-related uncertainties. These risks could contribute to increased exchange rate volatility, weaker export performance, and reduced foreign investment. The report also cautions that a sharp correction in US equities could spill over into Indian markets and tighten domestic financial conditions, although India's economy and financial system possess strong buffers to absorb such external shocks.

For Indian businesses, this environment calls for heightened vigilance on external risks, a strengthened focus on enterprise wide risk management, and the adoption of technologies that enable them to be predictive, proactive, and prepared. From predictive analytics to real-time insights, emerging technologies offer powerful tools that significantly enhance the accuracy, efficiency, and overall effectiveness of risk management strategies.

In addition, companies must maintain robust balance sheets, tighten operational practices to protect margins—leveraging technology for the same—and enhance their ability to absorb potential shocks. In many cases, firms will also need to innovate and reinvent their business models to stay relevant to customers' evolving needs while building long term resilience.

With domestic consumption in India expected to remain relatively steady compared to other major economies, which are showing signs of a potential slowdown, Indian businesses can capitalise on this environment by building collaborative business and operating models with global players seeking entry or deeper expansion into the Indian market. Potentially lower valuations across key international markets could present an opportunity for Indian companies to strengthen and expand their global footprint. At the same time, moderated valuations within India can support inorganic growth and accelerate unrelated diversification—an important pillar of business model reinvention for long term strategic resilience and competitiveness.

Source:

WEF, Global Risks Report 2026

RBI, Financial Stability Report, December 2025



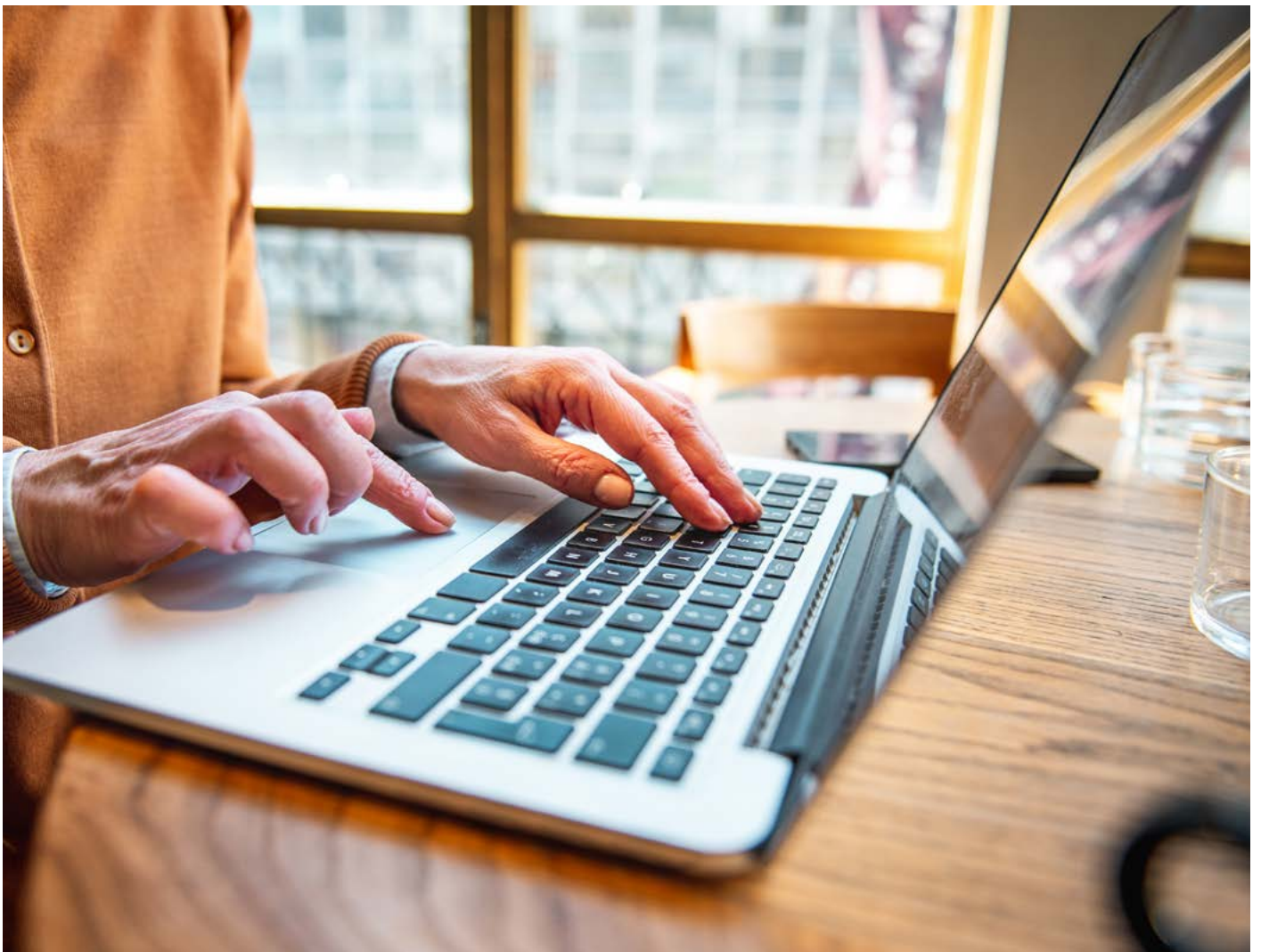
03

Intensifying climate-related risks

Climate change remains a formidable and escalating risk, with intensifying natural disasters—such as floods, droughts, and cyclones—threatening infrastructure, agriculture, and urban centres, and causing widespread economic disruption and human suffering.

The WEF's Global Risks Report 2026 identifies climate-related threats, including extreme weather events, biodiversity loss, and critical shifts in Earth's systems—as the top long-term global risks over the next decade. The report also underscores additional concerns such as natural resource shortages and rising pollution levels.

Meanwhile, the World Meteorological Organization forecasts a 70% probability that the five-year average global temperature for 2025–29 will exceed pre-industrial levels by 1.5°C—up from a 47% probability for 2024–28—signalling an accelerating and increasingly urgent climate challenge.



Implications and imperatives

Given India's large population that remains significantly dependent on agriculture, climate-related risks pose a substantial threat to rural incomes, with immediate implications for consumption demand. In the short term, such disruptions could also lead to higher food inflation and, in extreme scenarios, may even jeopardise the nation's food security.

Over the longer term, climate-induced livelihood losses, displacement, and business disruptions could weigh on economic growth and alter resource allocation across the economy. Rising temperatures and worsening pollution levels further elevate health risks, leading to increased healthcare costs and a decline in human productivity.

Addressing these challenges requires policymakers and businesses to proactively invest in long-term sustainability, as there are no quick fixes for climate risks. Sustainable practices must permeate the entire value chain—including micro, small, and medium enterprises (MSMEs)—and eventually reach the end consumer. The goal must evolve from merely complying with domestic and global regulations to operating as responsible and resilient businesses that embed sustainability into their core strategy.

For businesses, sustainability must sit at the heart of investment decisions. These considerations should not be viewed solely through a risk mitigation lens but also as

drivers of growth. For instance, companies can explore business ideas aimed at improving air quality—a pressing concern in most major metros today. This could involve technological innovations that enable the launch of new and enhanced products and services across the value chain, including consumables and supporting offerings such as diagnostic and healthcare services.

Investing in new-age technologies such as advanced climate modelling, remote sensing, and satellite technology would also facilitate effective mitigation of climate risks. In Maharashtra, a cutting-edge IT-driven, remote sensing information system can analyse water resources in real time. Satellites and machine learning (ML) are being used to issue detailed flood alerts, while AI is helping detect wildfires and send early warnings. Together, these technologies not only facilitate proactive action and strengthen preparedness but also create attractive new business opportunities to offer such solutions.

Source:

WEF, Global Risks Report 2026

World Meteorological Organization, Press release

PwC India, Moving the needle on climate change adaptation

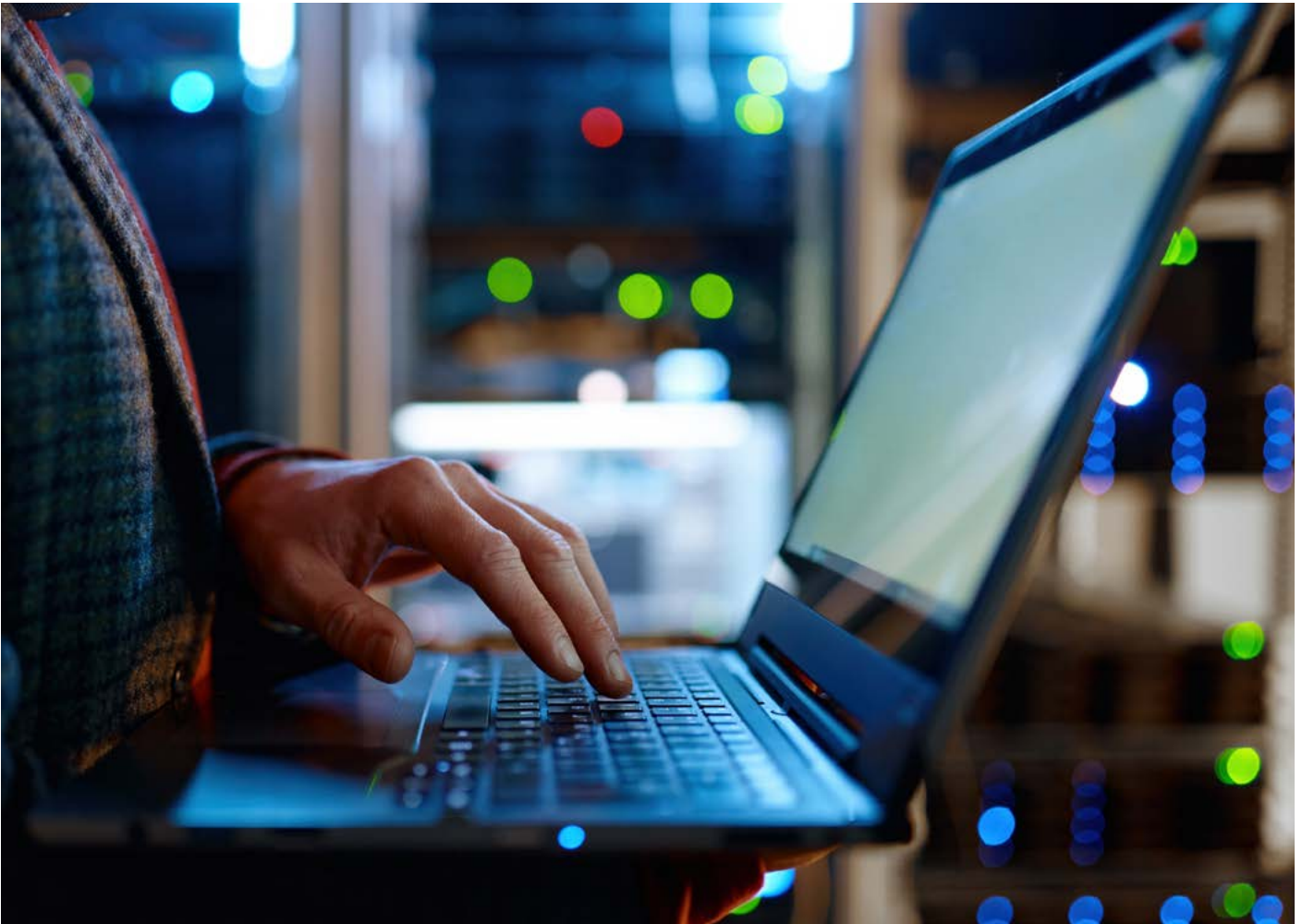


04

Technology: Ushering us into the future but also shaping unforeseen risks

The rapid evolution and deepening penetration of technology are already reshaping consumers, society, businesses, and entire economies. According to the WEF's Global Risks Report 2026, mis- and disinformation and cyber-insecurity remain among the top short-term (two-year) global risks, while the adverse impacts of AI rank among the top five risks in the long-term (ten-year) outlook. Emerging technologies such as AI and next-generation innovations like quantum computing are creating significant new opportunities for growth, but they are also introducing an expanded set of risks.

The report highlights a broad spectrum of technology related risks—from AI's potential effects on labour markets and resulting implications for social stability to increasing concerns around data integrity, information authenticity, and privacy.



Implications and imperatives

The advent of AI, despite its significant long-term benefits for economies and society, is likely to create short-to-medium term stress in labour markets, thus having implications for consumption. A combination of rising productivity, potential increases in unemployment, and the limited capacity for large scale upskilling—particularly relevant for India—may heighten risks of social unrest and contribute to a rise in crimes, especially cybercrime and digital frauds.

Rapid digitalisation is unlocking transformative opportunities, yet it simultaneously exposes businesses to heightened cyber risks, data breaches, and systemic vulnerabilities. Although regulatory frameworks continue to evolve to address the growing technological intensity of the economy and society, businesses must invest proactively and aggressively in strengthening cybersecurity capabilities and mitigating the emerging risks associated with modern technologies across sectors, ecosystems, and communities.

The technological evolution itself offers solutions to effectively tackle cybersecurity and fraud risks, etc. AI, for instance, can automate routine tasks such as log analysis and vulnerability scanning and increase their efficiency, while AI-powered systems detect threats in real time, allowing rapid response and stronger vulnerability management. By analysing user behaviour, identifying phishing attempts, and adapting to emerging attack patterns, AI enhances cybersecurity strategies and supports proactive defence of sensitive data. Moreover, AI continually learns from new information, improving its ability to identify and counter evolving threats.

For India, large-scale investments in workforce upskilling and reskilling are critical—not only to build a future ready talent pool but also to mitigate the adverse effects of potential job displacement driven by technological advancement. The responsibility must be shared across government, industry, and individuals, with coordinated, time bound, and urgent action. Awareness, education, reskilling, and strong governance guardrails will be essential components of an effective mitigation strategy.

Given this context, tech-enabled education and skilling (EdTech) naturally moves to the forefront, presenting a potentially attractive business opportunity in its own right. Considering the rapid pace of technological change and the evolving skill requirements, businesses can explore collaborative operating models involving multiple technology partners to drive synergistic growth. Service-based models can be particularly effective for MSMEs, which often have limited investment capacity. Larger organisations, on the other hand, may consider consolidating their operations within a single entity to enhance efficiency and accelerate innovation through technology.

Source:

World Economic Forum, Global Risks Report 2026





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