

# The world in brief

Catch up quickly on the global stories that matter



Photograph: Getty Images

The **United Arab Emirates** said it would pull out its remaining troops from [Yemen](#) after Saudi Arabia backed calls for a withdrawal of Emirati forces within 24 hours. The retreat follows Saudi strikes on Mukalla, a port city on Yemen's eastern coast; the Gulf country said the attacks targeted Emirati weapons shipments destined for separatist forces. Saudi Arabia supports Yemen's government.

**Turkey** carried out anti-terror raids across the country, detaining 357 suspected members of **Islamic State**. The police operation took place a day after a shooting south of Istanbul that killed three police officers and six militants. The crackdown on alleged terrorist cells follows warnings by Turkish authorities of a possible New Year attack.

Protests over [Iran's ailing economy](#) continued for a third day, reportedly spreading to university campuses. The demonstrations began on Sunday after shopkeepers in Tehran, the capital, went on strike in response to soaring inflation and the collapse of the rial, which has fallen to record lows against the US dollar. Masoud Pezeshkian, the president, said his government would listen to protesters' "legitimate demands".

**Italy's** parliament approved a **budget** for 2026 in a boost for the prime minister, [Giorgia Meloni](#). The budget aims to reduce the fiscal deficit from 3% of GDP in 2025 to 2.8% in 2026. It also includes a moderate tax cut for those earning between €28,000 (\$33,000) and €50,000. The package had been subject to significant wrangling within Ms Meloni's right-wing coalition.

**Japanese** stocks surged to a record year-end close, driven by the technology sector and big bets on [artificial intelligence](#). The country's Topix index closed the year's final session at 3,408.97, surpassing a peak reached during Japan's asset-price bubble, which burst more than three decades ago. The Topix rose by 22% in 2025, marking its third consecutive annual gain.

Annual inflation in **Spain** cooled slightly in December but remained higher than the euro-zone average and well above the European Central Bank's 2% target. Consumer prices increased by 3% from a year earlier, down from 3.2% in November, preliminary figures showed. The data reinforces the case for the ECB to keep interest rates steady in February.

The **Channel Tunnel**, a high-speed line rail which connects Britain to mainland Europe, suffered a power failure that left thousands of passengers stranded. A spokesperson for Eurostar, the company which runs trains between London and European cities including Amsterdam and Paris, said services to and from the British capital had resumed but were facing severe disruption.

**Figure of the day:** \$700bn, the value, in tradeable stocks, bonds and cash, of Berkshire Hathaway. [Read the full story](#).



Photograph: Reuters

## American isolationism is a golden opportunity for China

*Until January 2nd we are looking ahead to next year's big stories. Today, what will shape Asia?*

China's core offer in 2026 to countries being bullied by President Donald Trump is this: "You know where you are with us." That promise of predictability cuts both ways. China's neighbours and those reliant on its trade know it as an unsentimental giant, bent on returning to the pinnacle of global power and increasingly willing to use its dominance in rare-earth minerals to coerce and intimidate rivals. But it also offers the developing world a familiar mix of economic investments, loans, trade, infrastructure-building and vocational training, all on Chinese terms.

China is not proposing to fill every vacuum, or to supplant America as a global policeman. Instead it argues that its steely focus on economic development makes it a reliable—if occasionally alarming—partner in these troubled times. In green tech, for instance, Mr Trump is cutting subsidies for clean technologies while China sells solar panels, wind turbines and advanced batteries. China hopes this will set it apart from the mercurial, chaotic Mr Trump.



Photograph: Getty Images

## The Chinese economy will slow, but not stumble

Three questions loom over China's economy in 2026. Will retail sales suffer from a period of "payback", as consumers refrain from replacing cars, phones and appliances upgraded in 2025 with the help of government subsidies? Will the trade war with America throw the economy off course? And will the ailing property market recover? The answers to these three questions are yes, no and maybe.

Consumption will probably suffer. The government trade-in scheme prompted many Chinese to make purchases in 2025 that would otherwise have taken place in 2026. The trade war will not derail growth, however. China has found new markets for its goods to replace sales to America. And if exports did falter, the government could cushion the blow through additional fiscal stimulus. As for the property market, a decisive government rescue looks unlikely. Any recovery will instead depend on the slow grind of market forces. The result is that China's economy will slow but not stumble in 2026.

## Appliance compliance

China, household electronic sales, yuan bn

12-month moving average



Source: Haver Analytics



Photograph: Getty Images

## India's census will be consequential—and controversial

How do you count to 1.45bn? Start with 3.5m. That is the number of people who will knock on doors, compile spreadsheets and crunch data to conduct a new census in India, beginning in 2026. It is the most important census since India's independence and will reshape how power is distributed for decades.

Fresh figures should enable governments to vastly improve the design of their policies. The census will also ask people about caste for the first time since independence. This could rewrite the rules of Indian politics, which is still dominated by caste coalitions, because those whose numbers have grown will be able to demand a greater share of the pie.

Potentially the most significant effect of the census is that the government seems set to redistribute seats after it. That would enable India's cities, which wield almost no political power, to demand more attention and funding. It would also tilt the balance of power to the more populous northern states, which has caused significant controversy.



Photograph: Reuters

## Will Bangladesh's revolution bear fruit?

When Muhammad Yunus took charge of Bangladesh's caretaker government in late 2024, he promised a national rebirth. For 15 years Sheikh Hasina had run the country of 170m with increasing despotism. Her downfall after student protests was celebrated as a triumph for democracy. Yet Bangladesh spent much of 2025 in political limbo, preoccupied with pursuing accountability for Sheikh Hasina. Her party, the Awami League, has been banned from political activity, and she has been sentenced to death for crimes against humanity (in a ruling made in absentia as she remains in India). Activists have criticised both moves, saying they recall a vengeful style of politics that has long plagued the country.

The good news is that in early 2026 Bangladesh is expected to hold an election alongside a referendum on democratic reforms. Bangladeshis hope the exercise will herald a period of stability. But even if it does, the new government will still face big challenges. It will need to revive the economy and make difficult decisions on foreign policy.



Illustration: The Economist

## Daily quiz

We will serve you a new question each weekday. On Friday your challenge is to give us all five answers and tell us the theme. Email your responses (and your home city and country) by 1700 GMT on Friday to [\[email protected\]](mailto:[email protected]). We'll pick three winners at random and crown them on Saturday.

**Tuesday:** What pen-name was assumed by Charles Lutwidge Dodgson, author of a children's classic?

**Monday:** Which French King was the longest-reigning monarch in history?

*It's a good thing to be laughed at.  
It's better than to be ignored.*

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***Harold Macmillan***