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Fig 1: Total Trade Deficit CY wise

Period	Oil	Gold	NONG	Trade Deficit
CY23	-949.6	-33.9	-110.9	-239.7
CY24	-118.6	-52.5	-102.5	-273.6
CY25	-123.6	-66.0	-123.9	-313.5

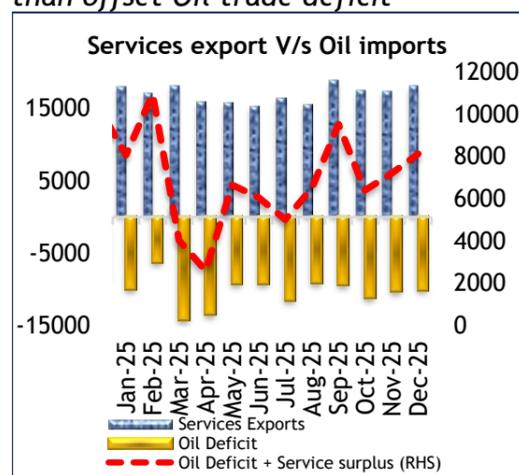
Source: CEIC & UBI Research (in \$bn)

Fig 2: Total Exports & Imports CY wise

	CY24	CY25
Total Exports	790.6	851.6
o/w Goods	442.8	445.6
Services	347.8	406.0
Total Imports	913.1	953.5
o/w Goods	716.5	752.5
Services	196.6	200.9

Source: CEIC & UBI Research (in \$bn)

Fig 3: Services export continue to more than offset Oil trade deficit



Source: CEIC & UBI Research

Fig 4: Post the frontloading of exports in FYTD26, trade dynamics stay flat

USD bln	Goods trade bal.	Services trade bal.	Total trade bal.
April'25	-26.6	15.9	-10.7
May'25	-22.1	15.8	-6.3
June'25	-18.7	16.2	-2.5
July'25	-27.4	16.5	-10.9
Aug'25	-26.5	15.6	-10.9
Sep'25	-32.2	15.5	-16.7
Oct'25	-41.7	17.4	-24.3
Nov'25	-24.5	17.4	-7.2
Dec'25	-25.0	18.1	-6.9

Source: CEIC & UBI Research

Dec'25 Trade Deficit widens slightly, In-Line with our marginal upside forecast

Merchandise trade deficit widened as expected to **\$25.04bn in Dec'25** from **\$24.53bn in Nov'25**. That said, the data stayed below the market's expectations of \$27bn but **in line with our estimate of \$25.10bn**, marking a stable environment in India's trade balance. The data clearly highlights that exports (both for goods & services) have picked up in CY2025 despite trade tensions and tariff hikes. Meanwhile, imports picked up marginally, resulting in widening in the merchandise trade deficit, led by NONG (50% contribution), Gold (33%) and Oil (17%).

In terms of sectoral drivers of trade dynamics, oil deficit remained elevated with a marginal correction with the latest number at **\$10.00bn compared to \$10.18bn** the previous month, gold deficit stayed flat at **\$4.34bn vis-a-vis \$4.30bn** in Dec'25. More importantly, non-oil non-gold deficit widened by \$0.65bn MoM to **\$10.70bn from \$10.05bn** on the back of impact of normalization in volatile sub-segments like Machinery and Electronics.

Services Surplus continues bullish momentum; Nov'25 data revised downward

➤ Services trade surplus jumped to **\$18.12bn** in Dec'25 from **\$17.39bn (revised down from \$17.90bn)** in Nov'25, versus an average **\$16.86bn** in Apr-Dec'25 (same period last year: **\$15.05bn**). That said, it remains broadly stable and continues to provide a buffer for C/A dynamics.

➤ Total trade deficit (goods and services combined) continues to be in single-digit levels in Dec'25, to **\$6.92bn vis-a-vis \$7.15bn** last month. However, the average merchandise trade deficit in Apr-Dec'25 is **\$27.59bn**, continues to remain elevated compared with **\$24.88bn** in Apr-Dec'24.

NONG was the prime driver in slight widening in trade deficit; Oil & Gold stayed flat

➤ **Oil deficit** narrowed modestly even though in double digits; highlighting high energy demand strategic diversification efforts. As per Kpler data, India imported **-4.96mbpd** of crude oil in Dec'25, higher than October's **5mbpd**, largely reflects short-term adjustments in procurement patterns rather than a structural shift away from Russian crude. Brent oil prices averaged at **\$61.63/bbl. vis-à-vis \$63.66/bbl.** a month ago. Prices have adjusted to the new market environment, with Urals crude differentials versus Oman/Dubai on a DES West Coast India basis stabilizing at around \$6.50/bbl. below benchmarks since early December, narrowing by roughly \$4.50/bbl. from pre-sanctions levels. The compression also reflects a weaker medium-sour crude market in Asia, as competing West Asian grades such as Arab Light and Basrah Medium fell by \$1.50-\$2/bbl. over the same period. Russian crude imports into India are forecast to decline sharply in Dec'25 to around 1.2mbpd, or 25% of total imports, down from 1.9mbpd in Nov'25, marking the lowest level since Dec'22. Despite the drop, Russia remained India's largest crude supplier in Dec'25 at 1.12mbpd, followed by Iraq (0.982mbpd), Saudi Arabia (0.732mbpd), the UAE (0.566mbpd), and the US (0.330mbpd), **according to Kpler. We anticipate oil prices to trade range-bound in Jan'26, with ample supply capping upside despite sporadic geopolitical volatility.**

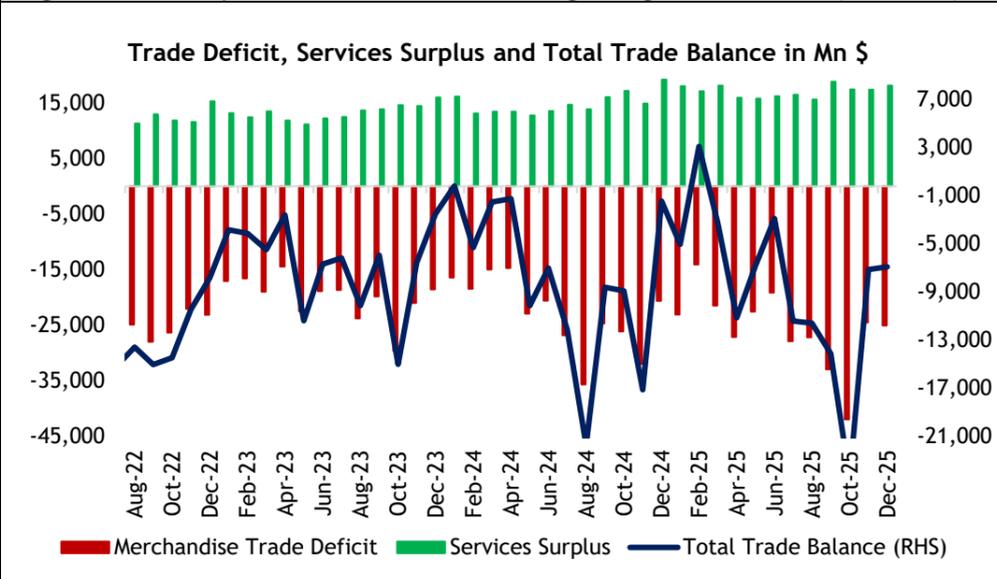
➤ **Gold deficit** has remained broadly flat after the sharp fall in Nov'25. Notably, gold prices hovering near record highs averaging **\$4299/oz in Dec'25 vs \$4098/oz in Nov'25**. Domestic demand likely subdued, even as imports likely to have eased to **-44 tons** (our estimate) **from -48 tons** in Nov'25. The government has raised the base import price of silver by \$325/kg to \$2,406, while the gold base import price remains unchanged at \$1,398/10 grams, according to a **CBIC notification**. Silver futures have surged -158% YTD on firm industrial and investor demand, tight inventories, and expectations of supply deficits, while gold prices are up -65%, supported by central bank buying, safe-haven demand, a softer US dollar, and expectations of US monetary easing. Domestically, gold jewellery volumes are under pressure despite higher values, while investment demand stays strong, reflected in rising gold ETF inflows. RBI gold purchases slowed to just 4 tonnes in 2025, taking total holdings to a record 880.2 tonnes. Meanwhile, under the **India-UAE CEPA**, the DGFT has opened a 30-tonne Tariff Rate Quota for MSMEs, with allocations via e-auction expected by mid-Jan'26. Going forward, gold imports in January are expected to moderate further in volume but remain elevated in value, supported by investment demand but inauspicious period & high prices to weigh. **Going forward, gold imports in Jan'26 likely holds elevated supported by safe-haven demand and macro uncertainty, but faces sideways pressure from profit-taking and a firmer dollar.**

➤ **NONG** marginally widened to **\$10.70bn vis-à-vis \$10.05bn** a month ago as volatile sub-segments like machinery and electronics saw surge in imports. India's trade and industrial policies saw several shifts as the government moved to support domestic production and manage imports. **Safeguard duties** on select steel products, imposed at 12% in the first year and gradually tapering to 11% over three years, aim to curb cheap shipments from China and strengthen domestic demand, which remains key for price support, according to S&P. Meanwhile, the **DGFT reversed restrictions on low ash metallurgical coke** (<18% ash) just days after a 31st Dec'25 announcement, reclassifying it as "free" for import from January to June 2026, providing relief to the steel and alloy industries. **In electronics**, monitoring of laptop, server, and related IT hardware imports has been extended through Dec'26, allowing multiple authorizations per importer under a permit system that supports security, domestic manufacturing, and real-time import tracking. Complementing these measures, **the government is considering raising duties on select goods**, offering incentives for over 100 items across steel, machinery, engineering, and consumer sectors. **Ministry of Power, via the Central Electricity Authority** prioritizes 16 critical imported power sector components, including subsea cables and specialized steel sheets, to boost domestic manufacturing and energy security under Atmanirbhar Bharat. The deterioration in the NONG trade deficit was primarily driven by Electronics (**\$2075m**) & Machinery (**\$657m**) MoM, amid surge in some commodity prices during the month. **Going forward, trends in commodity prices remain key to watch while volatile segments like machinery, electronics & ores may see correction.**

We see FY26 C/A deficit tracking ~1% of GDP amid stable trade dynamics

➤ Going forward, we expect the trade deficit to moderate as seasonal pressures ease and lower commodity prices—particularly oil—provide support. We project the current account deficit (CAD) to remain manageable at ~1% of GDP in FY26, supported by resilient services exports and broadly favorable external sector fundamentals. Tariff-related pressures are also likely to ease as diversification strategies gain traction, helping keep the trade deficit at comfortable levels. Risks to the current account should moderate with the unwinding of one-off import shocks driven by commodity volatility. Meanwhile, all eyes remain on the India-US bilateral trade agreement as a much-needed support for MSME exporters, with expectation in tariff from 50% to 20%, could provide a gradual boost to exports, partially offsetting trade balance pressures over the coming quarters, even if the near-term impact remains limited.

Fig 5: Trade deficit continue to be in single digits in Dec'25 (in \$ mio)



Source: CEIC & UBI Research

Fig 6: Exports resilient & Imports rise slightly in Dec'25 (in \$ mio)

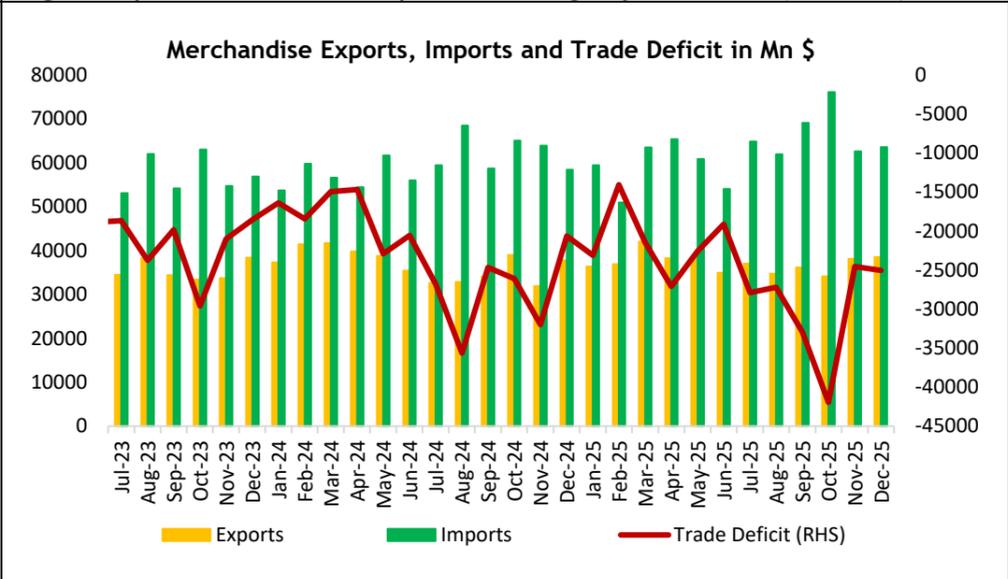
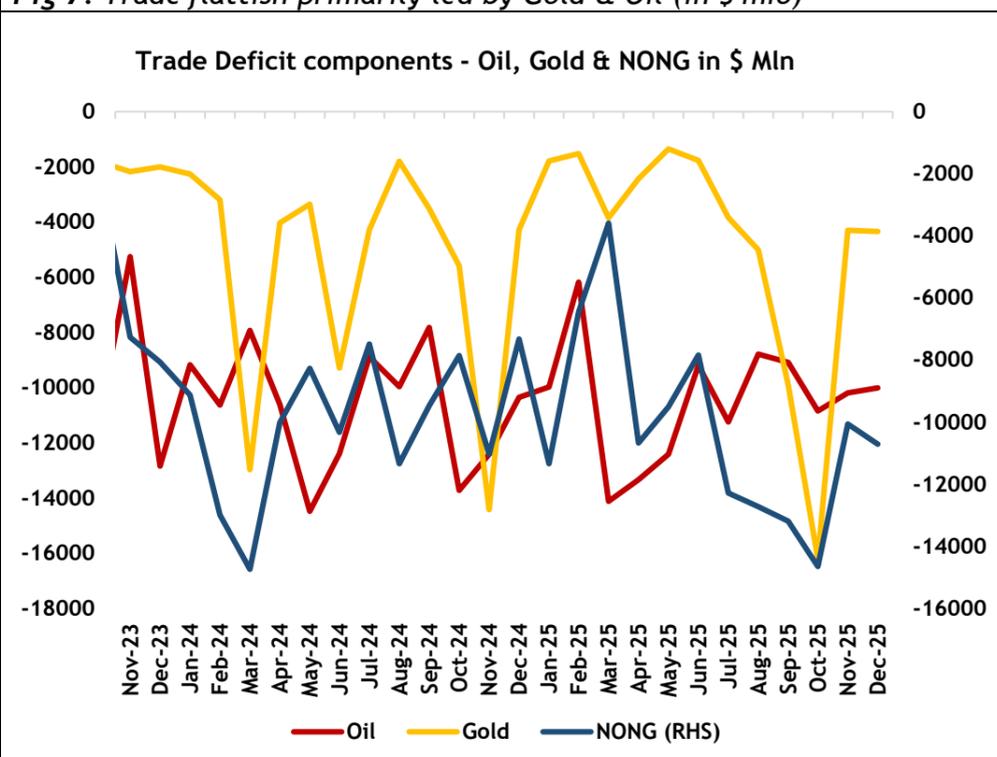


Fig 7: Trade flattish primarily led by Gold & Oil (in \$ mio)



Source: CEIC & UBI Research

Fig 8: NONG widening led by Electronics, Machinery & Ores (in \$ mio)

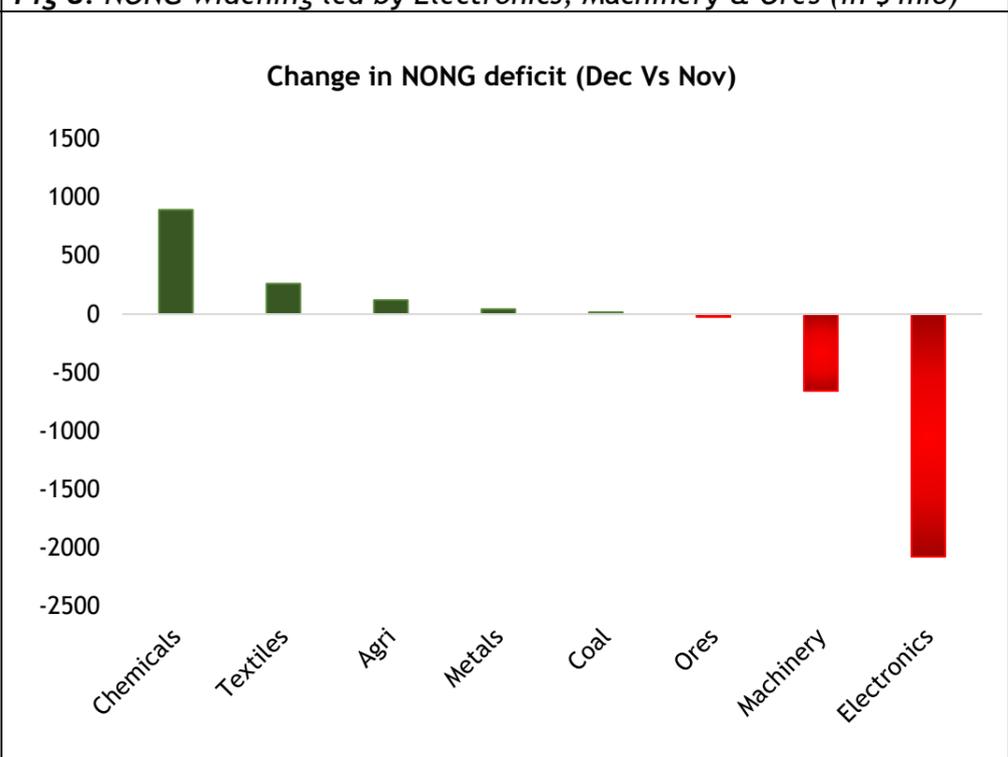


Fig 9: Data Table (monthly average trade deficit)

All figures in (\$ bln)	Exports	Imports	Trade deficit	Oil deficit	Gold / Jewellery deficit	Non-Oil Non-Gold deficit
FY20	23.2	32.1	-13.5	-7.4	-1.5	-4.5
FY21	29.8	40.9	-8.6	-4.7	-2.2	-2.3
FY22	37.8	58.7	-15.9	-7.9	-3.4	-4.6
FY23	36.0	56.8	-22.1	-9.3	-2.8	-10.0
FY24	36.7	58.3	-19.9	-8.0	-3.5	-8.4
FY25	36.8	60.6	-19.9	-8.0	-3.5	-8.4
Apr-25	38.3	65.4	-27.1	-13.6	-9.4	-10.7
May-25	38.3	60.9	-22.6	-9.3	-2.8	-10.5
Jun-25	35.0	54.1	-19.1	-9.3	-1.9	-7.8
Jul-25	37.0	64.9	-27.9	-11.4	-4.1	-12.3
Aug-25	34.8	62.0	-27.2	-9.1	-5.4	-12.7
Sep-25	36.2	69.1	-32.9	-9.3	-10.5	-13.2
Oct-25	34.2	76.1	-41.9	-11.0	-16.3	-14.6
Nov-25	38.1	62.7	-24.5	-10.2	-4.3	-10.1
Dec-25	38.5	63.6	-25.0	-10.0	-4.3	-10.7

Source: CEIC & UBI Research

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