

By: Kanika Pasricha  
kanika.pasricha@unionbankofindia.bank.in

Akash Deb  
akash510@unionbankofindia.bank.in

**Fig 1: Our estimates for FY26 C/A Deficit is 0.9% of GDP amid rising upside risks**

\$ bln	2024-25	FY 2025-26
<b>Exports</b>	442.1	447.4
%/y	0.1	1.2
<b>Imports</b>	729.0	783.0
%/y	6.2	7.4
<b>Trade balance</b>	-286.9	-335.6
<b>Invisibles</b>	263.9	301.2
<b>Services</b>	188.8	215.3
Transfer	123.4	135.3
Income	-48.3	-49.4
<b>Current account</b>	-23.1	-34.4
<b>Foreign investment</b>	4.5	-0.3
FDI	1.0	6.0
FII	3.6	-6.3
<b>Loans</b>	29.3	28.0
ECB	15.9	6.9
Short-term credit	7.2	18.8
<b>Banking capital</b>	-9.8	6.2
<b>ow NRI deposits</b>	16.2	11.1
<b>Rupee debt capital</b>	-0.1	-0.1
<b>Other capital</b>	-7.4	-22.6
<b>Capital account</b>	16.6	11.3
<b>Overall balance</b>	-5.0	-23.8
<b>CAD% to GDP</b>	-0.6	-0.9

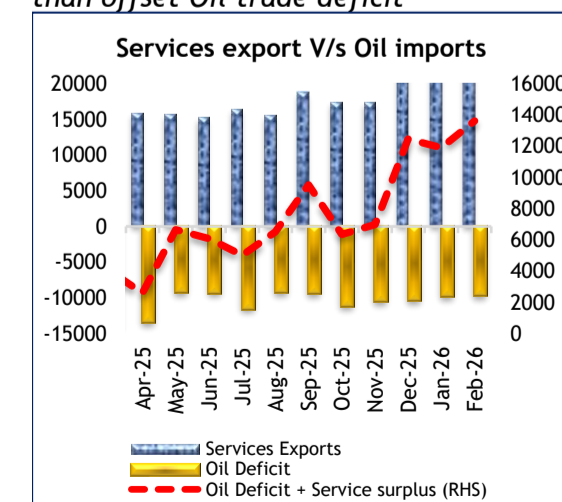
Source: CEIC, RBI & UBI Research

**Fig 2: Despite exports resilience in FYTD26, trade dynamics stays elevated**

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	-27.2	15.6	-11.6
Sep'25	-32.9	18.8	-14.1
Oct'25	-42.0	17.4	-24.6
Nov'25	-24.7	17.4	-7.3
Dec'25	-25.0	22.7	-2.4
Jan'26	-34.7	21.5	-13.2
Feb'26	-27.1	23.1	-4.0

Source: CEIC & UBI Research

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



Source: CEIC & UBI Research

**Feb'26 Trade Gap prints shows moderation in imports led by Gold & NONG sub-segments**

Merchandise trade deficit narrowed to **\$27.1bln in Feb'26** from the unexpected widening of **\$34.7bln in Jan'26**. That said, the data stayed above the market's expectations of \$25bln and above [our estimates of \\$25.9bln](#), marking an improvement in imports. The data clearly highlights that exports (both for goods & services) have remained resilient in FY2026 despite trade tensions and tariff truce. Meanwhile, imports fell significantly, resulting in narrowing in the merchandise trade deficit, led by Gold (down -40% MoM), NONG (-19% dip) and Oil (-1% slip).

In terms of sectoral drivers of trade dynamics, oil deficit remained elevated with a marginal correction with the latest number at **\$9.54bln compared to \$9.63bln** the previous month, gold deficit moderated to **\$7.78bln vis-a-vis \$12.96bln** in Jan'26. Notably, non-oil non-gold deficit also moderated due to seasonal normalization to **\$9.78bln vis-a-vis \$12.09bln** on the back of improvement in volatile sub-segments like machinery, chemicals, metals, agri and electronics.

**Net Services Surplus hits record highs; Jan'26 data revised downward**

- Services trade surplus jumped to **\$23.15bln** in Feb'26 from **\$21.53bln (revised up to \$24.30bln)** in Jan'26, versus an average **\$18.27bln** in Apr-Feb'26 (same period last year: **\$15.51bln**). That said, it remains broadly stable and continues to provide a buffer for C/A dynamics.
- Total trade deficit (goods and services combined) moderates to single-digit levels in Feb'26, to **\$3.95bln vis-a-vis \$13.15bln** last month. However, the average merchandise trade deficit in Apr-Feb'26 is **\$28.24bln**, continues to remain elevated compared with **\$23.77bln** in Apr-Feb'25.

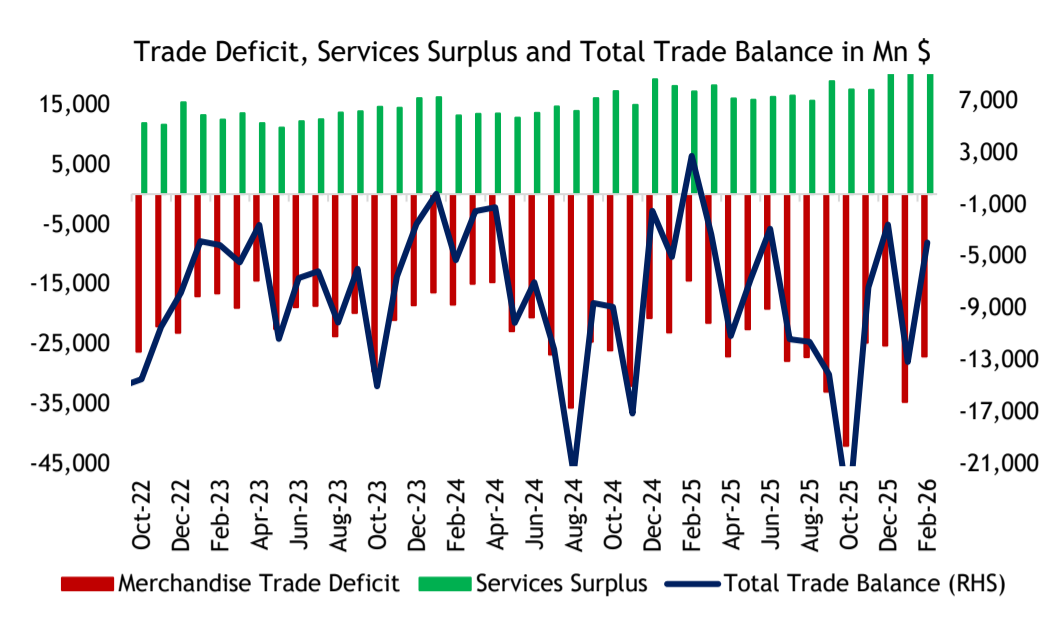
**Gold was the prime driver in narrowing of trade deficit; NONG normalized & Oil stayed flat**

- **Oil deficit** stayed broadly flat; highlighting high energy demand strategic diversification efforts. As per Vortexa, India's crude imports hit a [record 5.3mb/d in February](#), driven by higher arrivals of non-Russian crude, mainly from the Middle East; highlighting high energy demand & strategic diversification efforts. Brent oil prices averaged at **\$69.37/bbl. vis-à-vis \$64.73/bbl.** a month ago. According to commodity analytics firm Kpler, India's total crude imports in February stood relatively higher, with Russian crude accounting for about 1.042mb/d of the total. Saudi Arabia emerged as the second-largest supplier, sharply raising shipments to 1.009mb/d, followed by Iraq at 0.981mb/d. Among other key exporters, the United Arab Emirates supplied 0.554mb/d, while imports from the United States and Nigeria stood at 0.216mb/d and 0.211mb/d, respectively. Kpler data further showed that India's crude imports from Russia rose roughly 6% in Feb'26 from the previous month, despite increasing diplomatic and economic pressure from the United States to curb purchases of Russian oil. *We anticipate oil prices to trade higher in Mar'26 and imports are likely to remain robust in volume terms amid steady demand, however the import bill may shoot sharply higher as the global prices surge along with the Indian Crude oil Basket. [Crude Oil Indian Basket as on 16.03.2026 is \$ 142.69/bbl.]*
- **Gold deficit** has narrowed in Feb'26 in both value terms and volumes, amid record high prices. Notably, gold prices hovering near fresh record highs averaging **\$5026/oz in Feb'26 vs 4702/oz in Jan'26**. Domestic demand remains subdued, even as imports appear to **~53 tons from ~99 tons** in Jan'26. Demand for physical gold in India softened this week as sharp price volatility linked to the escalating Middle East conflict discouraged buyers. Retail buyers in India have been reluctant to absorb the steep rise in prices, with domestic gold trading around ₹160,000/10 grams. At the same time, demand linked to the ongoing wedding season remains subdued as buyers delay purchases amid heightened price volatility as weddings traditionally drive a large share of gold consumption in India. Moreover, gold ETF flows showed signs of normalization in Feb'26 after the sharp surge seen in the previous month. Globally, spot gold rose more than 8% in Feb'26, extending gains for a 7<sup>th</sup> consecutive month amid heightened geopolitical and economic uncertainty. *Going forward, gold imports are expected to steady, driven by resilient domestic demand and firm international prices, though the total import value could be tempered. Gold itself is likely to trade sideways with some short-term volatility.*
- **NONG deficit** has narrowed on seasonality as volatile sub-segments like machinery, chemicals, metals, agri and electronics deficit probably stable amid flat metal prices. India's coking coal imports through all major ports during April-February FY2025-26 were provisionally estimated at 60.278 million tonnes, marking an 11.32% YoY increase, with Feb'26 shipments alone estimated at 6.598 million tonnes. Alongside firm industrial activity, other sectors also signaled strong demand dynamics. While most segments of the automobile industry recorded robust growth in February, the construction equipment segment remained the only exception, according to Federation of Automobile Dealers Associations data. Electronics imports also remained elevated amid strong domestic demand for smartphones and semiconductor components, highlighting the sector's continued import dependence despite localization efforts. At the same time, fertilizer imports remained substantial as the government secured supplies to support agriculture, importing 98 lakh metric tonnes of finished fertilizers up to Feb'26, with an additional over 17 lakh metric tonnes scheduled over the next three months. The improvement in the NONG trade deficit was primarily driven by **Machinery (\$699mln) MoM, Chemicals (\$406mln), Metals (\$398mln), Agri (\$376mln), & Electronics (\$171mln)** amid seasonal normalization in some commodity prices during the month. *Going forward, trends in commodity prices remain key to watch while volatile segments like machinery, electronics & metals may see a spike amid the ongoing West-Asia War.*

**Despite the slightly unfavorable surprise in Feb'26, we believe that the Mar'26 Trade Deficit number will be more crucial to watch and poses sharp upside risk to our FY26 C/A Deficit estimate of 0.9% of GDP**

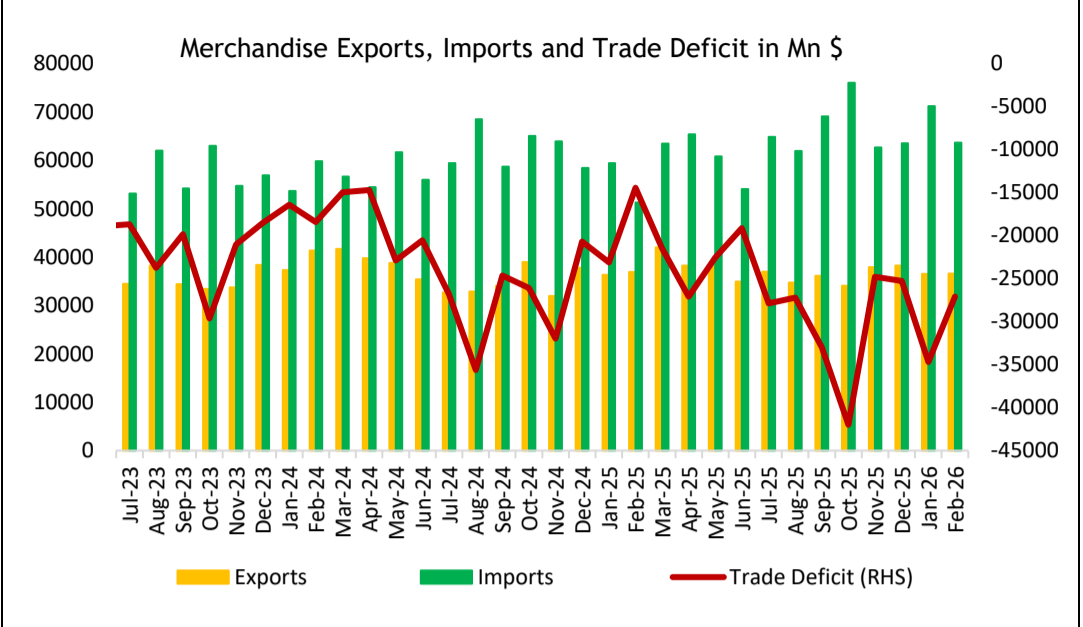
Looking ahead, we expect the trade deficit to widen as escalating West-Asia War is putting pressure on higher commodity prices—particularly oil. Sensitivity of C/A deficit to oil prices stays high with every \$10/bbl. move in oil price affecting annual C/A balance by close to \$15bln and in Mar'26 Oil prices are higher by more than 40% MoM. Risks to the current account to remain elevated with the pressure of import shocks driven by commodity volatility which is restricted not just to Oil but to other segments like Gas, Aluminum, Iron ore, Fertilizers, Plastics, etc. That said, elevated services exports provide a cushion against oil price spike even as we cautiously watch out for impact from both trade and sentiment channels.

**Fig 4: Trade deficit switch back to single digits in Feb'26 (in \$ mio)**

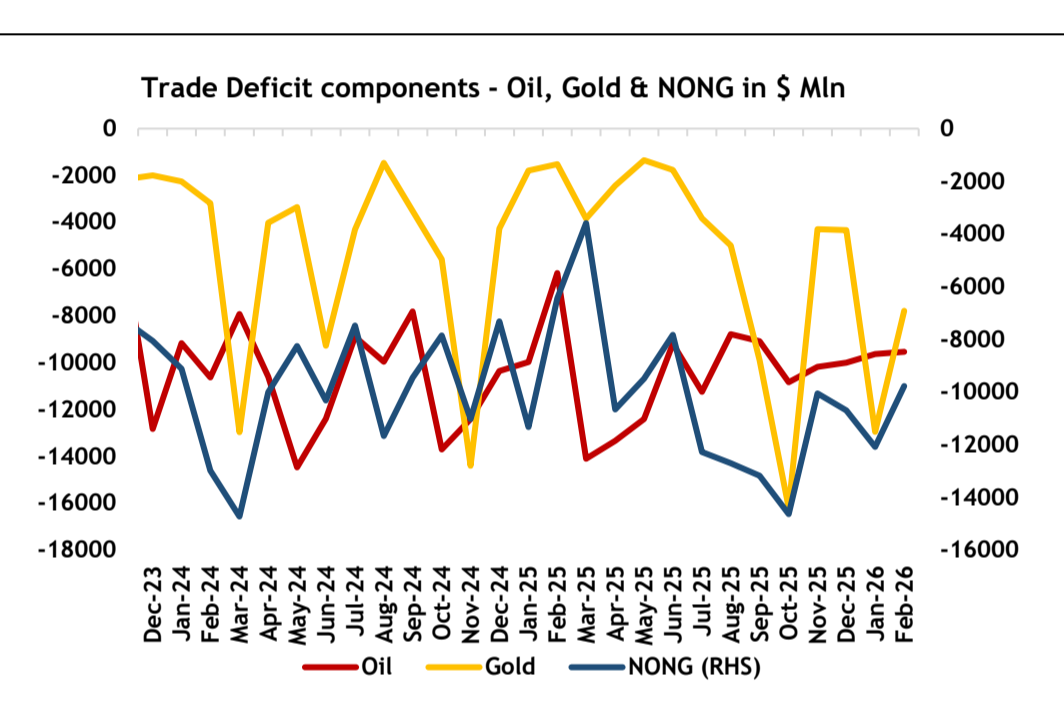


Source: CEIC & UBI Research

**Fig 5: Exports stay resilient while Imports dip significantly (in \$ mio)**

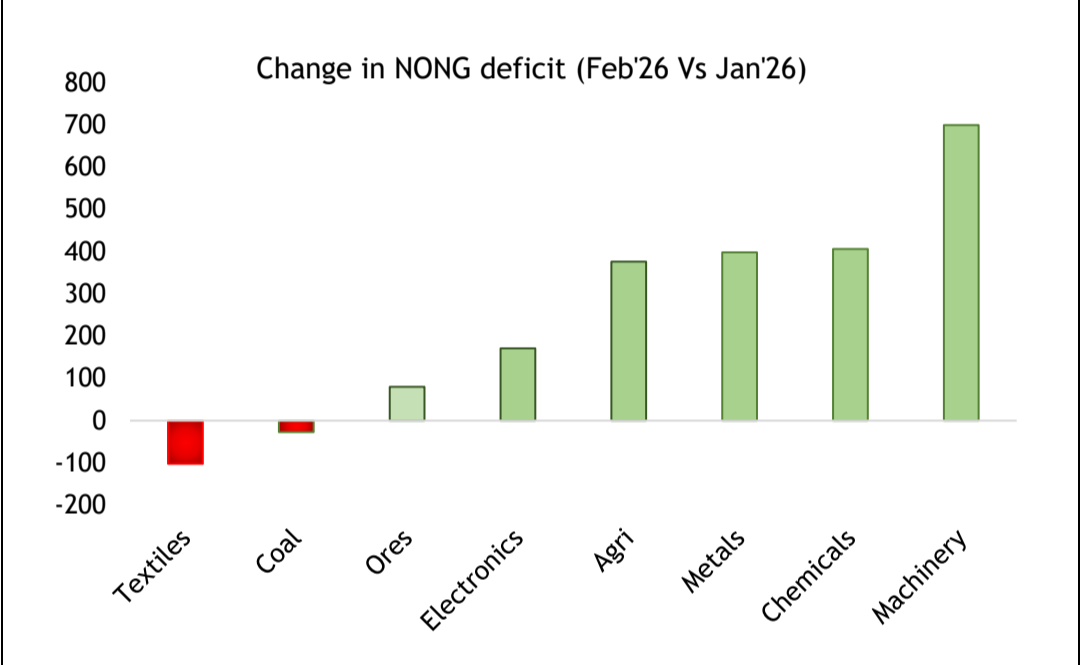


**Fig 6: Trade narrowing primarily led by Gold & NONG (in \$ mio)**



Source: CEIC & UBI Research

**Fig 7: NONG narrowing led by Machinery, Chemicals, Metals, Agri & Electronics (in \$ mio)**



**Fig 8: Data Table (monthly 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	36.1	69.1	-33.0	-9.3	-10.5	-13.2
Oct-25	34.1	76.1	-42.0	-11.1	-16.3	-14.6
Nov-25	37.9	62.7	-24.8	-10.4	-4.3	-10.1
Dec-25	38.3	63.6	-25.3	-10.2	-4.3	-10.7
Jan-26	36.6	71.2	-34.7	-9.6	-13.0	-12.1
Feb-26	36.6	63.7	-27.1	-9.5	-7.8	-9.8

Source: CEIC & UBI Research

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank

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