

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

Akash Deb
akash510@unionbankofindia.bank.in

Fig 1: CAD tracking 0.54%; way below our initial estimate of ~1%

\$ bln	FY-26	Comments
Goods Trade Deficit	-333	Assuming +ve seasonality toplay out in Feb-Mar'26
Service Trade Surplus	227	Sharp upward revision for historical data provided +ve surprise
Remittance	135	Assuming full year number at 2x the H1FY26
Investment Income	-50	
Current Account Balance (CAD)	-22	Remains well within comfort zone
As a % of GDP	-0.54%	Despite -ve surprise in Jan'26, CAD tracking way below our initial estimate of ~1%

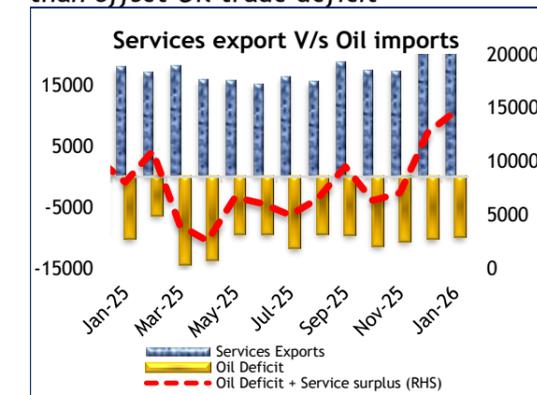
Source: CEIC, RBI & UBI Research

Fig 2: Despite frontloading of exports in FYTD26, trade dynamics stay broadly in

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	24.3	-10.4

Source: CEIC & UBI Research

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



Source: CEIC & UBI Research

Fig 4: 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	-123.9	-313.5
CY26	-9.6	-13.0	-12.1	-34.68

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

Fig 5: Exports & Imports CY wise

	CY24	CY25	CY26
Total Exports	790.6	851.6	80.46
o/w Goods	442.8	445.6	36.56
Services	347.8	406.0	43.90
Total Imports	913.1	953.5	90.84
o/w Goods	716.5	752.5	71.24
Services	196.6	200.9	19.60

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

Jan'26 Trade Gap prints well above street, exceeds our high-end forecast

Merchandise trade deficit widened much sharper than expected to **\$34.68bln in Jan'26** from **\$25.04bln in Dec'25**. That said, the data stayed well above the market's expectations of \$26bln and even beat **our estimate of \$27.10bln**, marking a surge in imports environment in India's trade balance. The data clearly highlights that exports (both for goods & services) have picked up in CY2026 despite trade tensions and tariff hikes. Meanwhile, imports picked up significantly, resulting in widening in the merchandise trade deficit, led by Gold (~199% surge), NONG (~13% rise) and Oil (~4% fall).

In terms of sectoral drivers of trade dynamics, oil deficit remained elevated with a marginal correction with the latest number at **\$9.63bln** compared to **\$10.00bln** the previous month, gold deficit jumped **3-fold** at **\$12.96bln vis-a-vis \$4.33bln** in Dec'25. Notably, non-oil non-gold deficit widened by \$1.4bln MoM to **\$12.09bln** from **\$10.70bln** on the back of impact in volatile sub-segments like Machinery, Agri and Electronics.

Services Surplus hits record net exports; Dec'25 data revised upward

- Services trade surplus jumped to **\$24.30bln** in Jan'26 from **\$22.67bln (revised up to \$18.12bln)** in Dec'25, versus an average **\$18.06bln** in Apr-Jan'26 (same period last year: **\$15.35bln**). That said, it remains broadly stable and continues to provide a buffer for C/A dynamics.
- Total trade deficit (goods and services combined) spikes to double-digit levels in Jan'26, to **\$10.38bln** vis-a-vis **\$2.37bln** last month. However, **the average merchandise trade deficit in Apr-Jan'26 is \$28.32bln**, continues to remain elevated compared with **\$24.74bln** in Apr-Jan'25.

Gold was the prime driver in sharp widening in trade deficit; NONG widened & Oil narrowed

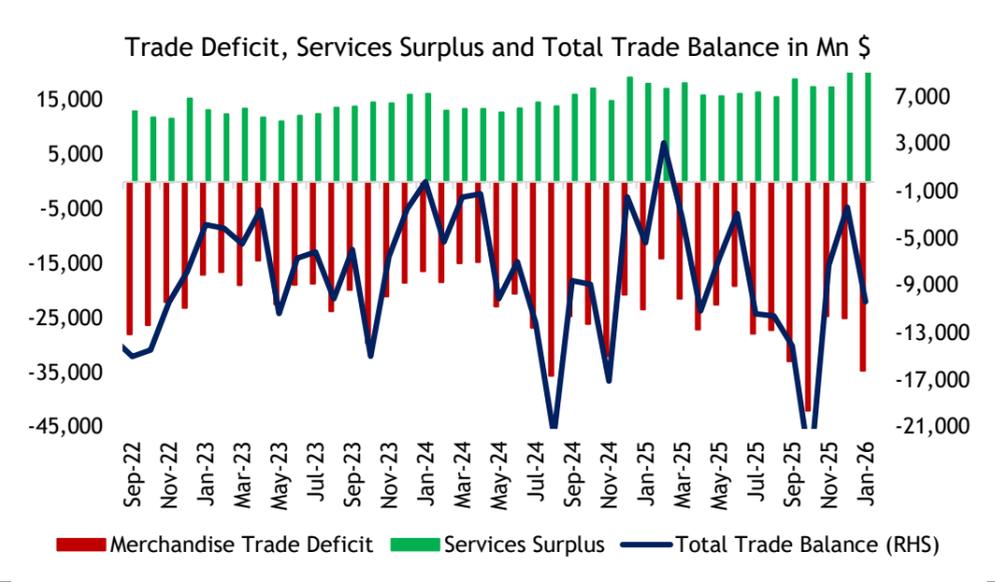
- **Oil deficit** narrowed modestly; broadly near to double digits; highlighting high energy demand strategic diversification efforts. Brent oil prices averaged at **\$64.73/bbl. vis-à-vis \$61.63/bbl.** a month ago. As per energy flow tracking firm Vortexa data, India imported **~5.2mbpd of crude oil in Jan'26**, higher than **December's 4.96mbpd**, largely reflects India's diversification efforts. Following the successful US-India trade deal, Russian crude imports into India are expected to decline in the coming months, driving higher demand for mainstream crude. This is likely to boost arrivals of sour crude from the Middle East, U.S., and Canada, and sweet crude from South America and West Africa, depending on favorable Brent-Dubai arbitrage economics. Data from real-time analytics firm Kpler shows that India's Russian crude imports fell to around 1.1mbpd in the first three weeks of January, down from an average of 1.21mbpd in December and over 2mbpd in mid-2025. Meanwhile, Iraq's supplies have risen to nearly match Russian volumes, averaging 904,000bpd in Dec'25. Saudi Arabia's shipments also increased to 924,000bpd in January, up from 710,000bpd in December. Kpler data for Jan'26 shows Russia accounting for about 22% of total imports, the highest share among all countries, which was followed by Iraq (20%), Saudi Arabia (15%), UAE (8%), and the U.S. (6%). **We anticipate oil prices to trade range-bound in Feb'26 and imports are likely to remain robust in volume terms amid steady demand, though the import bill may stay contained if global prices remain moderate.**

- **Gold deficit** has spiked 3-fold in Jan'26 in value terms rather than volumes. Notably, gold prices hovering near fresh record highs averaging **\$4702/oz** in Jan'26 vs **4299/oz** in Dec'25. Domestic demand jumped amid expectations of a possible import duty hike in the Union Budget, even as imports appear to **~91 tons from ~47 tons in Dec'25**. Elevated gold prices have tempered jewelry purchase volumes and ticket sizes, pushing consumers toward lightweight designs, while retailers adopt data-led, disciplined inventory strategies focused on faster churn and efficient assortments. In contrast, investment demand remains strong, with **gold ETF inflows surging to ₹24,040Cr in Jan'26**, more than doubling from ₹11,647Crore in Dec'25. The Union Budget 2026 retained gold and silver import duties for eligible residents at 6% (5% BCD + 1% AIDC) and 3% GST, unchanged from July 2024's sharp cut. Additionally, the New Baggage Rules (effective Feb 2, 2026), value caps were removed, duty-free jewelry limits set at 40g for women and 20g for men, and the general duty-free allowance raised to ₹75,000. The contribution of ETF in gold imports is also limited and the remaining demand also seems to have shot up amid expectations of a possible import duty hike in the Union Budget. **Going forward, gold imports are expected to remain high, driven by steady 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** widened to **\$12.96bln vis-à-vis \$10.70bln** a month ago as volatile sub-segments like Machinery, Agri, Metals and Electronics saw surge in imports. India's electronics imports in Jan'26 are at elevated levels, with a clear shift in composition rather than volume growth. Imports of finished smartphones and consumer electronics continued to decline, with ~99% of smartphones now manufactured domestically, while intermediate components such as PCBs, camera modules, and display assemblies remained elevated, accounting for 70-80% of the import bill as local assembly scaled up. A global DRAM and NAND chip shortage, driven by capacity shifts toward AI chips, triggered 3-10% price increases from January, inflating import values for laptops, smart TVs, and premium smartphones despite flat physical volumes. Separately, the government's Jan'26 withdrawal of the Quality Control Order (QCO) on machinery and electrical equipment removed mandatory BIS certification, easing compliance costs, shortening lead times, and ensuring uninterrupted imports of specialized textile machinery—improving investment certainty for modernization projects. The deterioration in the NONG trade deficit was primarily driven by Machinery (**\$446mln**) MoM, Agri (**\$237mln**), Metals (**\$104mln**) & Electronics (**\$73mln**) 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 & metals may see correction.**

- **Despite '-ve' surprise in Jan'26, We see FY26 C/A deficit tracking way below our initial forecast of ~1% of GDP** Looking ahead, 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) is tracking 0.54%** close to half of our initial expectations of ~1% of GDP in FY26, supported by resilient services exports and showing the impact of these data on rupee fundamentals is capped. Risks to the current account to remain moderate with the unwinding of one-off import shocks driven by commodity volatility. With trade agreements now concluded with the US, EU, and several other partner countries, lower tariffs especially for MSME exporters are expected to support exports and gradually ease India's trade balance pressures over the coming quarters, even as near-term gains remain measured.

Fig 6: Trade deficit overshoots to double digits in Jan'26 (in \$ mio)



Source: CEIC & UBI Research

Fig 7: Exports dip marginally & Imports surge significantly (in \$ mio)

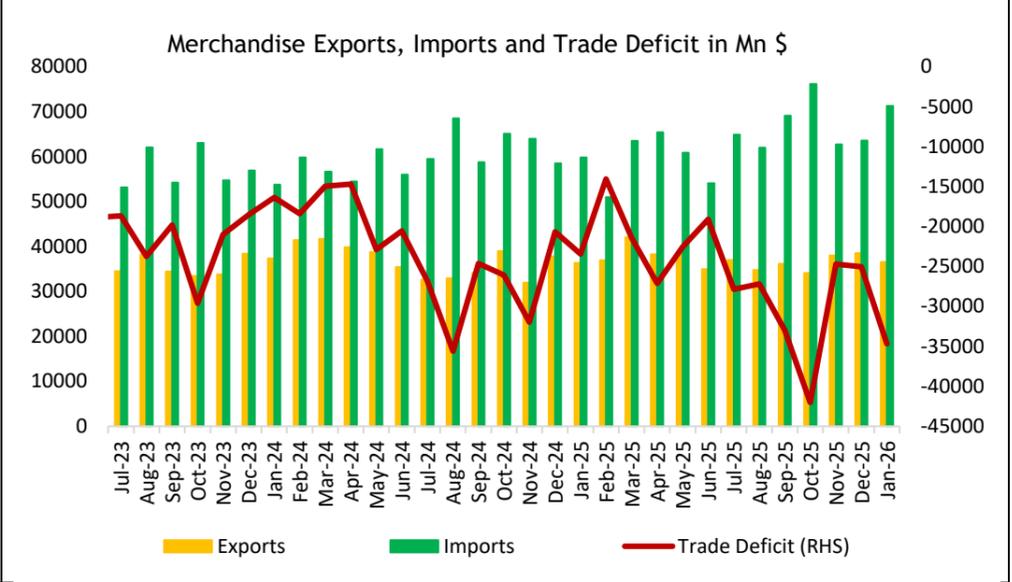
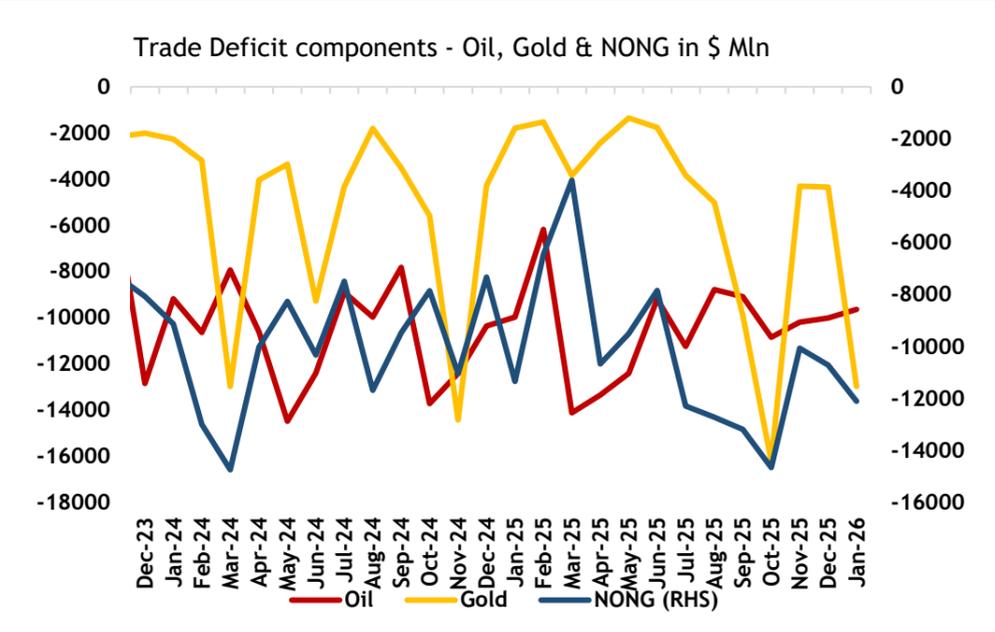


Fig 8: Trade widens surprisingly primarily led by Gold & NONG (in \$ mio)



Source: CEIC & UBI Research

Fig 9: NONG widening led by Machinery, Agri, Metals & Electronics (in \$ mio)

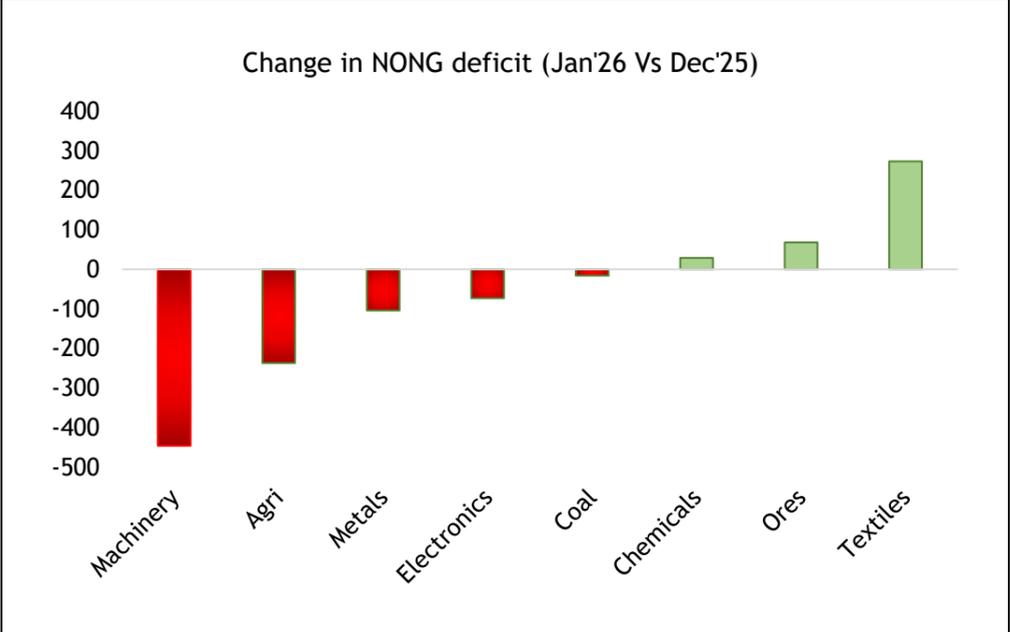


Fig 10: Data Table (monthly trade deficit)

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	38.0	62.7	-24.7	-10.3	-4.3	-10.1
Dec-25	38.5	63.6	-25.0	-10.0	-4.3	-10.7
Jan-26	36.6	71.2	-34.7	-9.6	-13.0	-12.1

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

Disclaimer:

The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.