

Oct'25 Trade Deficit widens sharper than expected, In-Line with our upside forecast

Merchandise trade deficit widened to record high to **\$41.68bln in Oct'25**, from \$32.15bln in the previous month. That said, the data blew past the market's downside expectations of \$28.8bln and exceeded our upside estimate of \$33.3bln, marking a significant turning point in India's trade balance. (Refer our report: [Trade Deficit likely widened to \\$33.3bln in Oct'25, driven by higher Oil purchases & a probable record in NONG imports](#)). The data highlights exports plummet; however, imports climbed to record highs in Oct'25, resulting in a sharp increase in the merchandise trade deficit.

In terms of sectoral drivers of trade dynamics, oil deficit remained elevated with a marginal uptick with the latest number at **\$10.84bln compared to \$9.08bln** the previous month, gold deficit surged to record highs of **\$16.20bln from \$9.89bln** in Sep'25. More importantly, non-oil non-gold deficit widened further by \$1.46bln MoM to near record highs as expected to **\$14.64bln from \$13.18bln** on the back of impact on export demand from trade tensions.

Services Surplus Soars to Record; September data revised upward

- Services trade surplus surge to **\$19.88bln** in Oct'25 from **\$18.83bln (revised up from \$15.53bln)** in Sep'25, versus an average **\$16.95bln** in Apr-Oct'25 (same period last year: **\$14.49bln**). That said, it remains broadly stable and continues to provide a buffer for C/A dynamics.
- Total trade deficit (goods and services combined) remained in elevated double-digits levels in Oct'25, to **\$21.8bln vis-a-vis \$13.32bln** last month. However, the average merchandise trade deficit in Apr-Oct'25 is **\$28.12bln**, remaining elevated compared with **\$24.49bln** in Apr-Oct'24.

Gold was the prime driver in expected trade widening; Oil & NONG surge modestly

- **Oil deficit** surged modestly amid higher imports; highlighting strategic diversification efforts. Oil prices fell sharply in Oct'25, pressured by a global supply glut as non-OPEC+ added 1.6mbpd and OPEC+ eased cuts, pushing inventories to a four-year high. Weak demand growth amid slow manufacturing in China and the U.S. and rising EV adoption further weighed on prices. Brent oil prices averaged at **\$63.95/bbl. vis-à-vis \$67.58/bbl.** a month ago. India imported **4.81mbpd** of crude oil in Oct'25, up ~3% higher than September's **4.67mbpd**, according to data from Kpler. **Russia** continued to be India's largest crude supplier in October, **~1.62mbpd**, or ~34% of total imports. The standout development was a sharp increase in **U.S. crude** imports, which rose to **568,000bpd** the highest since Mar'21 accounting for 12% of India's total imports. Imported **826,000bpd from Iraq**, making it the second-largest crude supplier, followed by **Saudi Arabia at 669,000bpd**, according to Kpler data. Imports from the **UAE declined to 363,000bpd**. Petroleum product exports fell **21% MoM** to **1.25mbpd** in October, driven by a post-sanction decline in shipments and the diversion of fuel to the domestic market to cover supply gaps, according to Kpler data. **We anticipate oil prices to appear modestly bearish in Nov'25, driven by ample global supply, rising inventories, and softening demand.**
- **Gold deficit** surged to record levels due to festive and wedding-season buying, combined with pent-up demand after subdued purchases earlier in the year, drove a sharp surge in gold imports in October. Despite elevated prices, demand remained robust and sustained investment interest as **₹77.4bln flowed into gold ETFs in Oct'25**. Notably, gold prices hovering near record highs averaging **\$4055.46/oz in Oct'25 vs \$3,671/oz in Sep'25**. Domestic demand remains strong, pent up to **~140 tons from ~102 tons** in Oct'25. Going forward, gold imports in November are expected to moderate in volume but remain elevated in value, supported by strong investment demand despite high prices. **Going forward, gold demand is set to stabilize after the festive season but elevated.**
- **NONG** surged to near record levels at **\$14.64bln vis-à-vis \$13.18bln** a month ago amid as India's commodity markets face mixed pressures in 2025. Chemical demand is weak due to anti-dumping probes, US tariffs, high inventories, and GST changes, pushing PE, acetic acid, VAM, and MIBK prices to five-year lows. Manufacturing gained in Oct'25 (**PMI 59.2**), while reliance on Chinese machinery for rare-earth and mining equipment hit \$1.1bln, nearly half of total imports. The continued deterioration in the NONG trade deficit was primarily driven by Machinery (**\$1162mln**), Chemicals rose by **\$763mln MoM**, followed by coal (**\$335mln**), Agri (**\$213mln**), Metals (**\$41mln**) and Textiles (**\$28mln**) amid surge in some commodity prices during the month. Going forward, trends in commodity prices remain key to watch while volatile segments like metals, ores & textiles may see correction.

We see FY26 C/A deficit tracking 1.7% of GDP Vs our initial forecast of 1.2%; risks on close watch

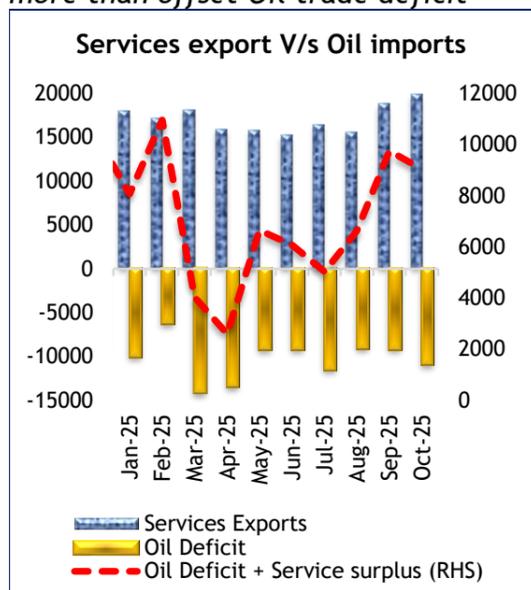
- Going forward, we see trade deficit witnessing seasonal pressures on festive demand effects even as lower commodity prices (especially oil) may cap impact. However, lower oil prices may support C/A dynamics given high sensitivity: every \$10/b move in oil price affecting annual C/A balance by close to \$15 bn. Subdued oil prices likely to have a salutary effect on trade dynamics. We expect a rise in current account deficit to 1.7% of GDP in FY26 versus our initial forecast of 1.2%, as global trade tariff pressures continue to keep trade deficit elevated despite weak demand and lower commodity prices.
- The risk to C/A dynamics has emerged, driven by commodity price volatility particularly oil and the potential for prolonged export weakness if the US-India trade deal stalemate persists. With the India-US BTA nearing finalization potentially by late November, cutting tariffs from 50% to 15-16% exports could gain. Though the near-term impact may be limited, the deal is expected to strengthen India's export base over time, partially offsetting pressures on the trade balance in the quarters ahead.

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Fig. 1: Services export continue to more than offset Oil trade deficit



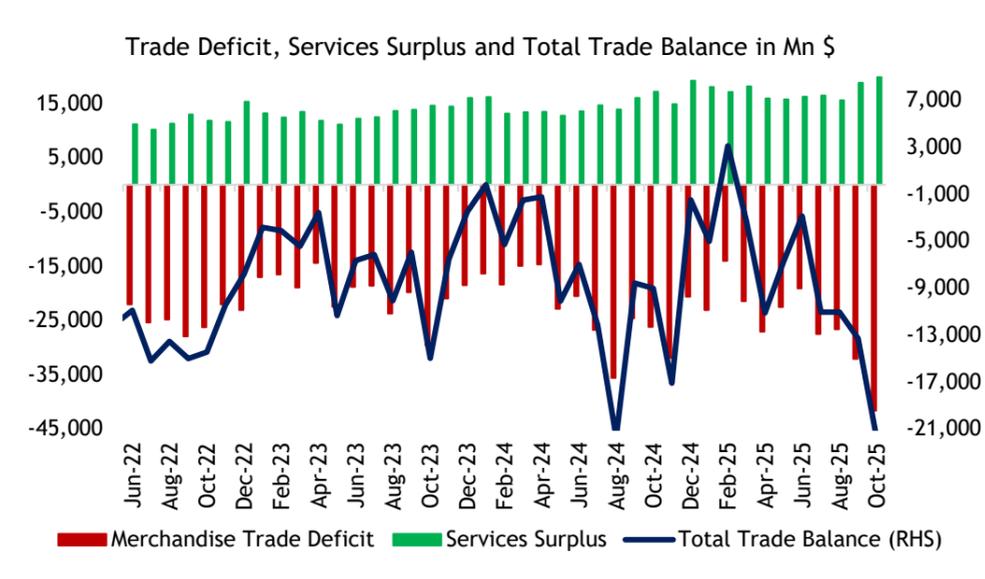
Source: CEIC & UBI Research

Fig. 2: Post the frontloading of exports in FYTD26, trade dynamics may stay some pressure

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	19.9	-21.8

Source: CEIC & UBI Research

Fig.3: Trade deficit remained in double digits in Oct'25 (in \$ mio)



Source: CEIC & UBI Research

Fig.4: Exports plummet & Imports at record high in Oct'25 (in \$ mio)

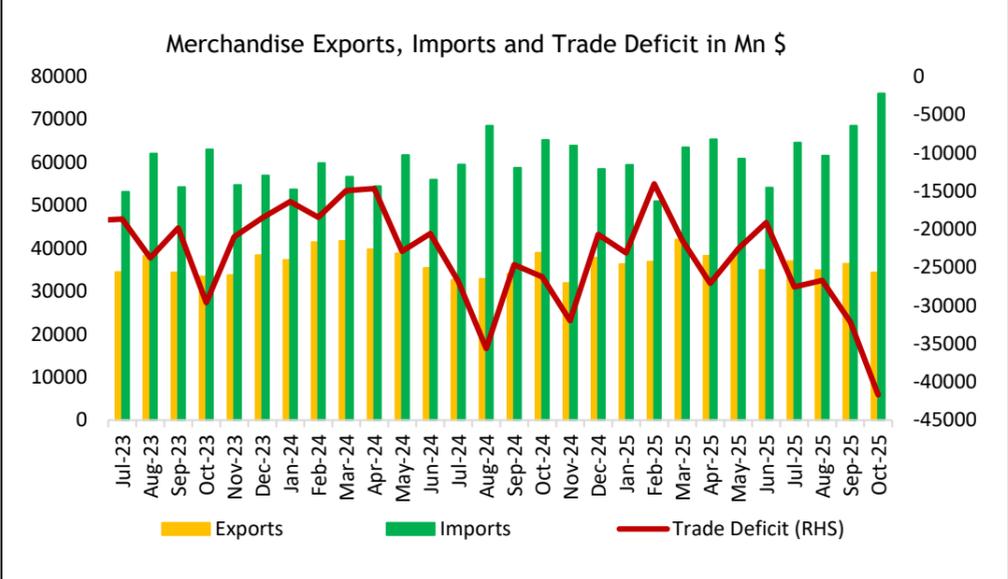
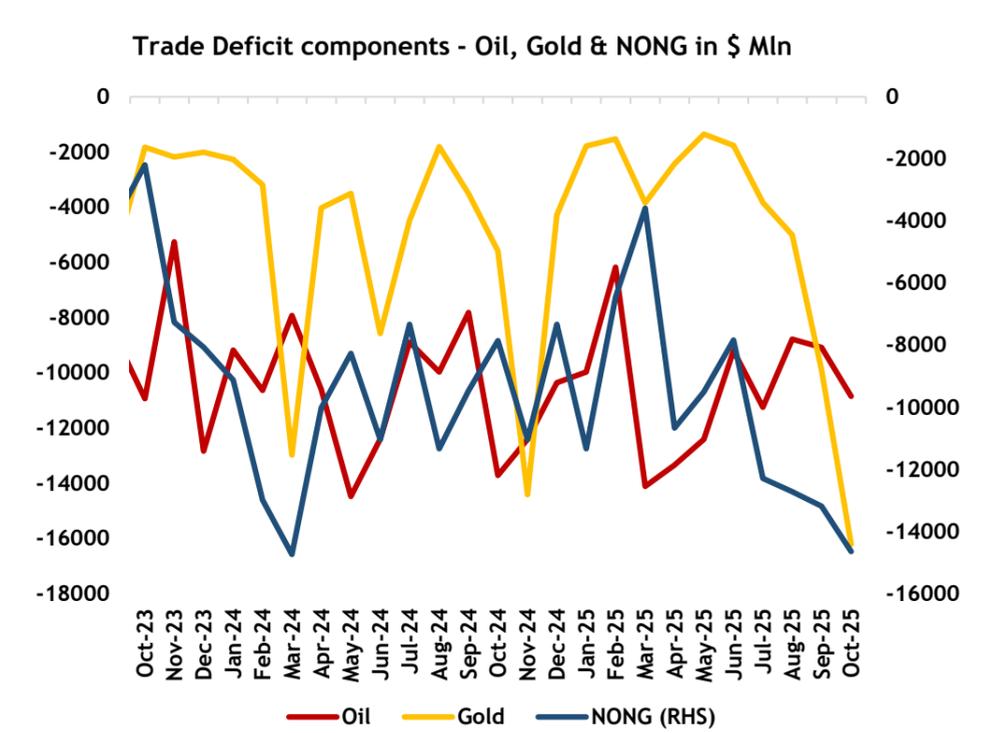


Fig.5: Trade deterioration primarily led by Gold & NONG (in \$ mio)



Source: CEIC & UBI Research

Fig.6: NONG deficit led by Machinery, Chemicals, Coal & Agri (in \$ mio)

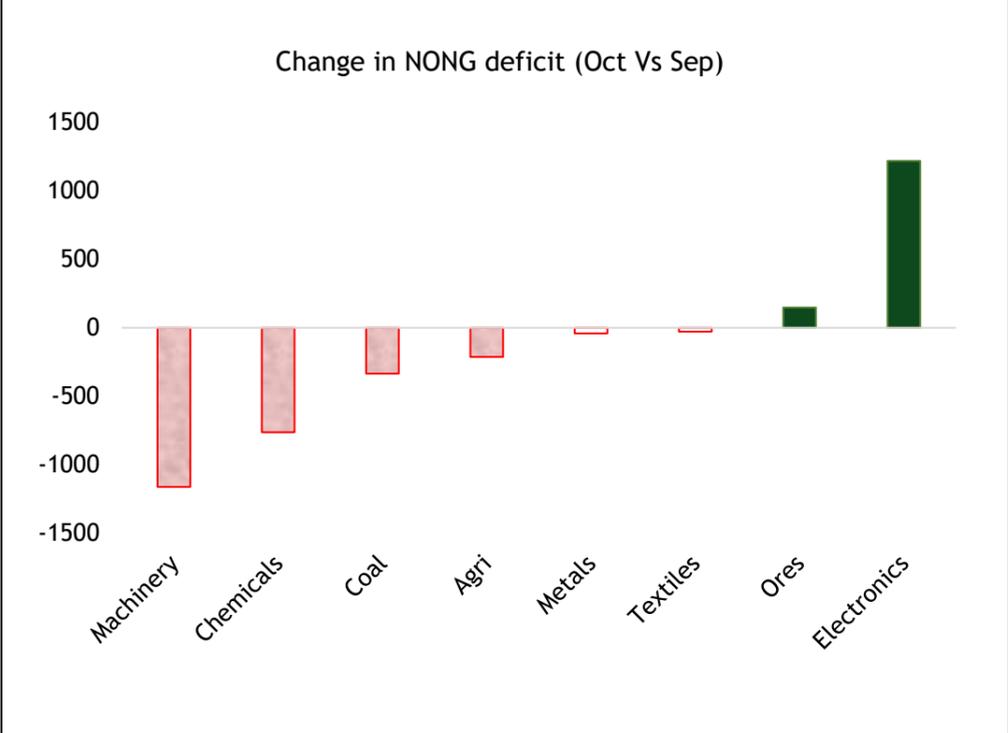


Fig.7: Data Table (monthly average trade deficit)

USD 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	64.6	-27.5	-11.4	-3.8	-12.3
Aug-25	34.9	61.6	-26.7	-9.0	-5.0	-12.7
Sep-25	36.4	68.5	-32.2	-9.1	-9.9	-13.2
Oct-25	34.4	76.1	-41.7	-10.8	-16.2	-14.6

Source: CEIC & UBI Research

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