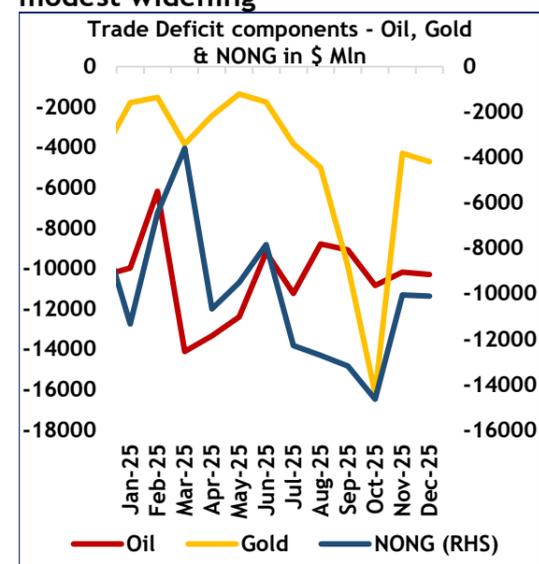


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Fig 1: Dec'25 Trade deficit likely saw modest widening



Source: CEIC & UBI research

Fig 2: India's Oil import volumes broadly stable in Dec'25

Supplier	November 2025 Imports (mbpd)	December 2025 Imports (mbpd)
Russia	1.9	1.15
Iraq	1.1	0.98
Saudi Arabia	0.95	0.73
United States	0.44	0.33
UAE	0.4	0.57
Others	0.15	1.05
Total	5	4.96

Source: Kpler & UBI research

Fig 3: India's gold demand has been lower in FY26 amid price spike

Year	Gold Imports (In metric tonnes)
FY19	982.71
FY20	719.93
FY21	651.24
FY22	879.05
FY23	678.35
FY24	795.32
FY25	757.09
Apr-Nov'24	579.05
Apr-Nov'25	474.98

Source: CEIC & UBI research

Data release	Due date	May'25	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25 (Projected)
Trade Balance (\$ bln)	15 th Jan'26	-22.1	-18.8	-27.4	-26.5	-32.2	-41.7	-24.5	-25.1

Dec'25 Trade Deficit likely widened marginally to \$25.1bln

- **India's merchandise trade deficit** likely inched up marginally to **\$25.1bln** in Dec'25, compared to record **\$24.5bln** in Nov'25, driven primarily by a surge in Gold prices but not volumes. As per media reports, Gold imports corrected on seasonality, post-festive demand slows and start of the inauspicious period according to Hindu astrological traditions. That said, import demand broadly at ~40tonnes. While global commodity prices saw only a marginal dip – with the **CRY Index edging little down to 299.57 from 301.10** a month earlier – overall trade dynamics were likely pressured by a stalemate in the US-India trade deal, however India is accelerating trade diversification with new FTAs with New Zealand and Oman, active pacts with the UK and EFTA, and high-stakes negotiations underway with the EU, US, GCC, Canada, and Israel. (Refer report: [Nov'25 Trade Deficit narrowed to \\$24.53bln, delivering a positive surprise and reflecting a sharp normalization from the record Oct'25 peak](#))
- **Oil deficit** broadly stable 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.](#)
- **Gold deficit** has likely elevated in terms of value rather than volume 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 appear to have eased to **~40 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.
- **Non-Oil-Non-Gold deficit** likely remained stable as volatile sub-segments like machinery saw normalization and electronics & chemicals deficit probably narrowed post festive demand. 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.
- **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) 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 15-16%, could provide a gradual boost to exports, partially offsetting trade balance pressures over the coming quarters, even if the near-term impact remains limited.

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