11th February 2026

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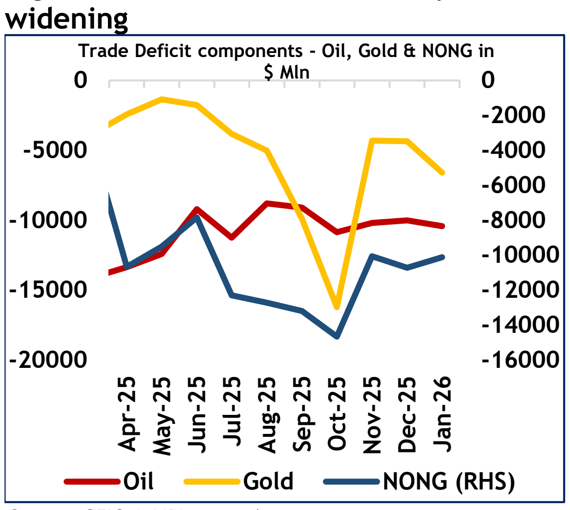
Fig 1: Jan'26 Trade Deficit likely saw widening



Source: CEIC & UBI research

Fig 2: Crude Oil FOB Price (Indian Basket) ($/bbl.)

Year	December	January	February
2025-26	62.2	63.08	65.95

Fig 3: India's Oil import volumes broadly stable in Dec'25

Supplier	December 2025 Imports (mbpd)	January 2026 Imports (mbpd)
Russia	1.21	1.16
Iraq	0.98	1.03
Saudi Arabia	0.73	0.79
United States	0.33	0.3
UAE	0.57	0.4
Others	1.14	1.52
Total	4.96	5.2

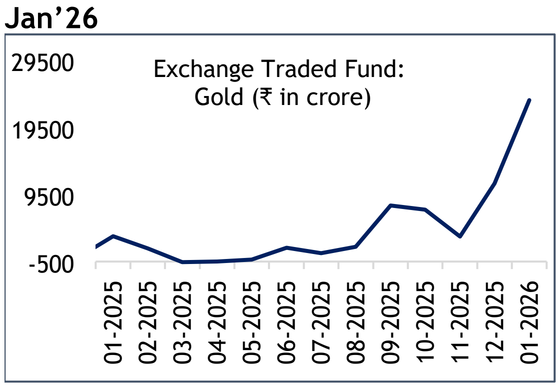
Source: Vortexa, Kpler, The Print & UBI research

Fig 4: India's gold demand continues to be lower in FY26 amid record high prices

India's Gold Imports	
Year	Gold Imports (In metric tonnes)
FY20	719.93
FY21	651.24
FY22	879.05
FY23	678.35
FY24	795.32
FY25	757.09
Apr-Dec'24	639.3
Apr-Dec'25	522.39

Source: CEIC & UBI research

Fig 5: India's Gold ETF demand spiked in Jan'26



Source: CEIC & UBI research

Data release	Due date	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26 (Projected)
Trade Balance ($ bln)	16th Feb'26	-18.8	-27.4	-26.5	-32.2	-41.7	-24.5	-25.0	-27.1

Jan'26 Trade Deficit likely widened to $27.1bln

- **India's merchandise trade deficit** likely inched up to **$27.1bln** in Jan'26, compared to **$25.0bln** in Dec'25, driven primarily by a rise in Oil imports, record high Gold price and higher metal prices. Media reports suggest that gold imports likely increased due to record inflows into gold-backed ETFs and heightened market speculation about a possible hike in import duty in the union budget. That said, import demand broadly at ~50tonnes (Our estimate). While global commodity prices saw a sharp rise — with the ***CRY Index edging higher to 307.98 from 299.57*** a month earlier. India's trade deals with the USA, EU, UK, Oman, New Zealand, and strategic mineral partners are set to boost high-value exports and diversify imports, reshaping trade flows from 2026 onward.(Refer report: Dec'25 Trade Deficit widened marginally as expected to $25bln; led by NONG even as Oil & Gold stay flat)
- **Oil deficit** widened marginally & to remain elevated for the third consecutive month; 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 ***~5.2***mbpd of crude oil in Dec'25, higher than December's ***4.96mbpd***, largely reflects India's diversification efforts. India's crude imports are set. 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%).
- **Gold Deficit** likely widened in value terms rather than volumes, amid expectations of a possible import duty hike in the Union Budget. Notably, gold prices hovering near fresh record highs averaging ***$4702/oz in Jan'26 vs 4299/oz in Dec'25***. Domestic demand remains steady, though subdued, even as imports appear to ***~50 tons*** (our estimate) ***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.
- **Non-Oil-Non-Gold deficit** likely widened as volatile sub-segments like machinery and electronics along with chemicals deficit probably rose amid rise in metal prices. India's electronics imports in Jan'26 are estimated 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.
- **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. Risks to the current account should 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.

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