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Data release	Due date	Jan'25	Feb'25	Mar'25	Apr'25	May'25	Jun'25	Jul'25	Aug'25 (Projected)
Trade Balance (Bln $)	15th Sep'25	-23.0	-14.1	-21.5	-26.6	-22.1	-18.8	-27.4	-26.1

India's trade deficit likely narrowed modestly in Aug'25

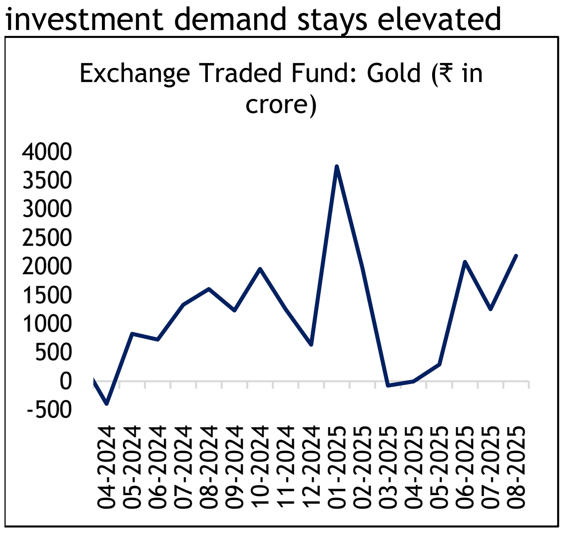
Merchandise trade deficit likely narrowed marginally in Aug'25 to **$26.1bln vis-à-vis $27.4bln** a month ago. This was likely driven by a rise in gold demand despite higher prices, fueled by the upcoming festive and wedding season, as gold imports nearly doubled last month. Although commodity prices saw only a mild correction (CRY Index: 296.64 vs 302.58 a month ago), trade dynamics came under pressure as US-India trade deal stalemate likely weighed on exports (with US share at ~20% in goods exports). Additionally, the government has relaxed norms under the Advance Authorization Scheme allowing duty-free import of raw materials for export production to cushion domestic industries against the ongoing 50% US tariff. (Refer report: Exports surge but Imports outrun – India's Trade Deficit widens in July 2025)

- **Oil deficit** likely stayed flat, even as prices ended lower after OPEC increased output by 360K bpd in August, lifting total production to 27.84 mbpd, mainly due to higher supply from Saudi Arabia and the UAE. Brent oil prices averaged at **$67.26/bbl. vis-à-vis $69.55/bbl.** a month ago. According to shipping analytics firm Kpler, India imported **4.50mbpd** of crude in August, slightly lower from **4.68mbpd** in July. As per media reports, US crude shipments dropped 37% MoM and 38% YoY to just 230K bpd. At the same time, India imported 1.7mbpd from Russia, up 6% from July, though still 4% lower than a year earlier. According to Bloomberg, Russian Urals crude is now offered at a $3-$4 discount to Brent for late September and October loadings, widening from $2.50 and just $1 in July. In contrast, U.S. crude recently purchased by Indian refiners carried a $3 premium to Brent, making Russian oil the more economical option. Meanwhile, EU restrictions on Russian crude have triggered a surge in Indian diesel exports to Europe, which rose 137% YoY to 242K bpd in August, ahead of the bloc's January 2026 ban on fuels refined from Russian oil.
- **Gold deficit** likely increased as the uptrend in gold prices gained, though still range-bound, was driven by a weaker US dollar, expectations of a FED rate cut, rising inflation, and ongoing tariff developments. YTD, gold has delivered a strong ~39% return. On the demand side, the gold jewellery market has already shown signs of revival ahead of the festive and wedding season, with retailers actively restocking and manufacturers focusing on lightweight designs to attract price-sensitive buyers. Investment demand remains resilient, with Indian gold ETFs seeing their net inflows in August. Meanwhile, gold imports surged to $3.8bln in July more than twice June's level indicating strong trade activity in anticipation of festive demand. Notably, gold prices hovering near record highs — averaging $3,359/oz in Aug'25 vs $3,343/oz in Jul'25 likely continued to act as constraint on import volumes. The domestic demand has strengthened as imports rose from **~43 tons to ~55 tons** (Our estimate) in Aug'25 with elevated estimates also assumed for July.
- **Non-Oil-Non-Gold** deficit probably narrowed somewhat despite the sharp widening clocked last month on likely fall in metal prices amid the trade tariff truce. India's coal production dipped in August despite rising power demand, but supplies grew 7.6% to 56.7 MT, easing stock drawdowns at power plants. Thermal coal imports fell to 11.17 MT. The government extended the export obligation period for chemicals under the Quality Control Orders (QCOs) & Advance Authorization Scheme from 6 to 18 months to enhance export flexibility. To curb Chinese steel imports, India proposed a 3-year tariff of 11-12%, while steelmakers seek a sevenfold increase in metallurgical coke import quotas amid shortages. The 11% cotton import duty was also suspended until September 30 to relieve the garment sector and address U.S. tariff concerns.
  Hence, segment wise impact within NONG will be closely watched after machinery (volatile sub-segment) and chemicals (linked to oil prices) explained ~60% of MoM widening in NONG trade deficit. Volatility remained high across commodities, reflecting ongoing economic uncertainties and supply-demand shifts.
- **Going forward,** trade deficit is expected to remain elevated in the near term, driven by strong gold imports ahead of the festive season, firm energy demand, and continued reliance on electronics and capital goods imports. While some relief may come from softening global commodity prices and ongoing import substitution efforts, export growth remains muted due to weak global demand and tariff headwinds. However, any news related to India-US trade deal will offer some support. By reducing tariff barriers, the agreement could support export recovery to the U.S., India's key trade partner. 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.

Fig 1: India's gold demand subdued in FY26 on elevated prices

India's Gold Imports	
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
FYTD26	133.35

Fig 2: Monthly Gold ETF data shows investment demand stays elevated



Source: CEIC, UBI research

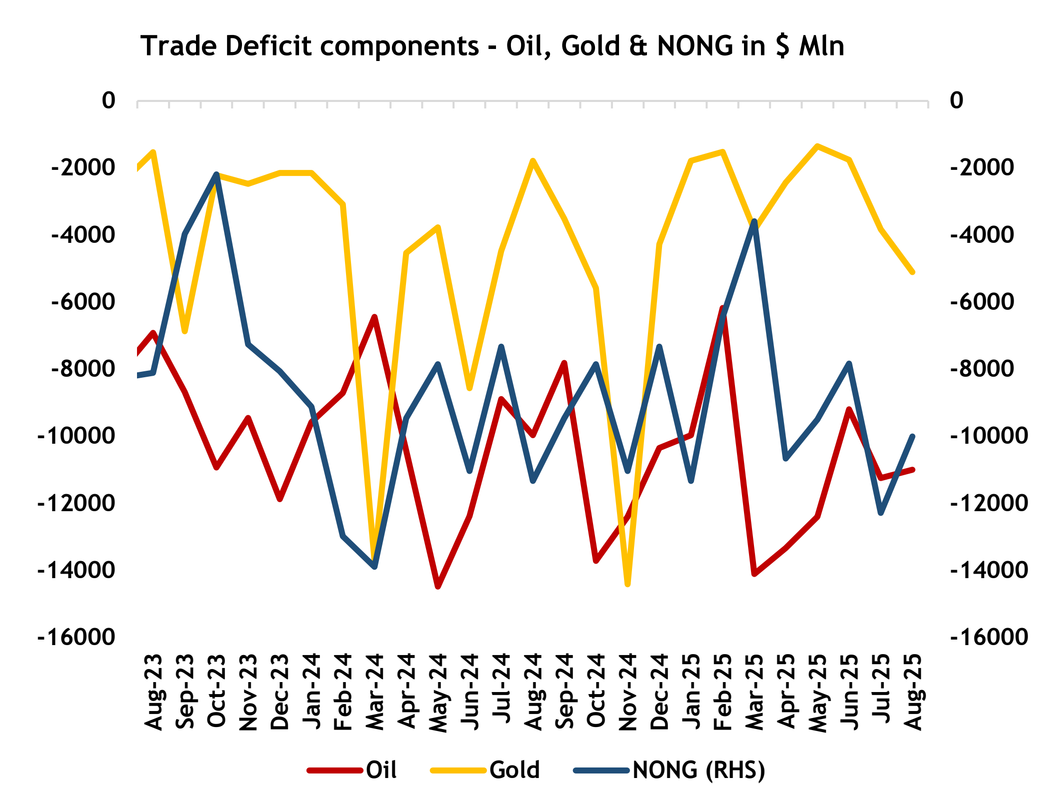
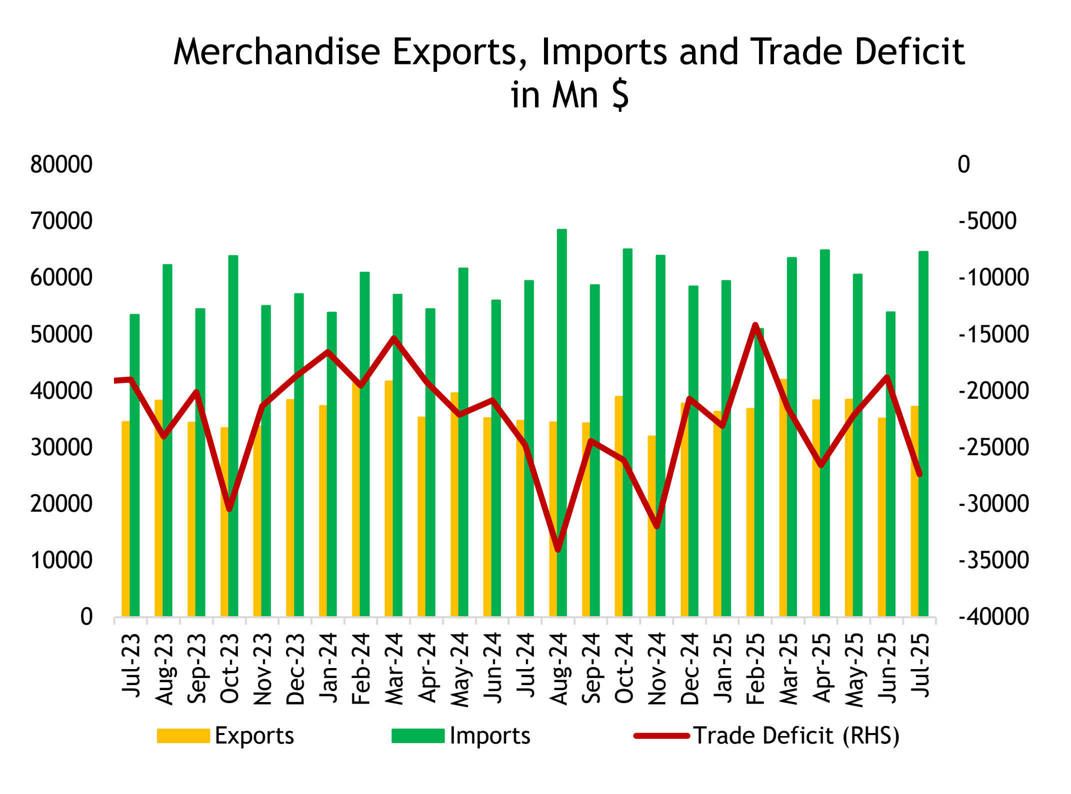
Fig 3: *Trade dynamics narrowed moderately in Aug'25*	Fig 4: *Gold deficit is estimated to be widened in Aug'25 while strong services surplus to persist*
	

Fig. for Aug-25 is our estimate; Source: CEIC, RBI & UBI research

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Classification: Internal