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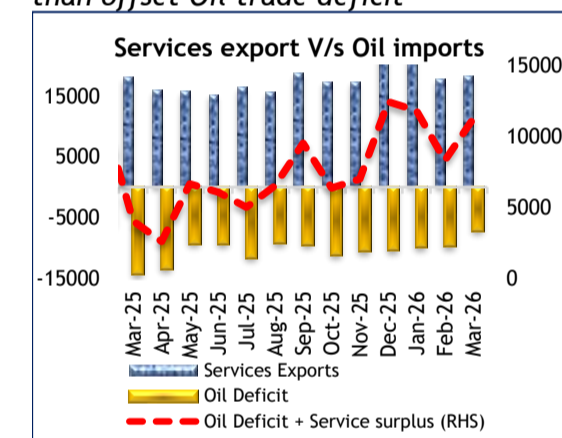
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Fig 1: Despite exports resilience in FYTD26, trade dynamics stays elevated

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	21.5	-13.2
Feb'26	-27.1	17.84	-9.54
Mar'26	-20.7	18.2	-2.43

Source: CEIC & UBI Research

Fig 2: Services exports continue to more than offset Oil trade deficit



Source: CEIC & UBI Research

Fig 3: FY26 CAD estimated at sub 1% of GDP

\$ bln	FY-26 (E)
Goods Trade Deficit	-333
Service Trade Surplus	214
Remittance	135
Investment Income	-50
Current Account Balance (CAD)	-34
As a % of GDP	-0.90%

Mar'26 Trade Gap prints shows positive surprise in imports led by Oil & Gold sub-segments

Merchandise trade deficit narrowed further to **\$20.67bln in Mar'26** vis-à-vis **\$27.10bln in Feb'26**. That said, the data stayed way below the market's expectations of \$33bln and above [our estimates of \\$30.3bln](#), marking a resilient exports and an improvement in imports. The data clearly highlights that exports (both for goods & services) have remained resilient in FY2026 despite trade tensions and tariff truce. Meanwhile, imports fell significantly, resulting in narrowing in the merchandise trade deficit, led by Gold (~55% down MoM), Oil (~27% dip) and NONG (~4% rise).

In terms of sectoral drivers of trade dynamics, oil deficit continued narrowing with the latest number at **\$7.0bln compared to \$9.54bln** the previous month, gold deficit moderated to **\$3.49bln vis-a-vis \$7.78bln** in Feb'26. Notably, non-oil non-gold deficit widened marginally to **\$10.18bln vis-a-vis \$9.78bln** on the back of volatile sub-segments like electronics, coal, textiles and agri.

Net Services Surplus normalizes; Feb'26 data revised downward

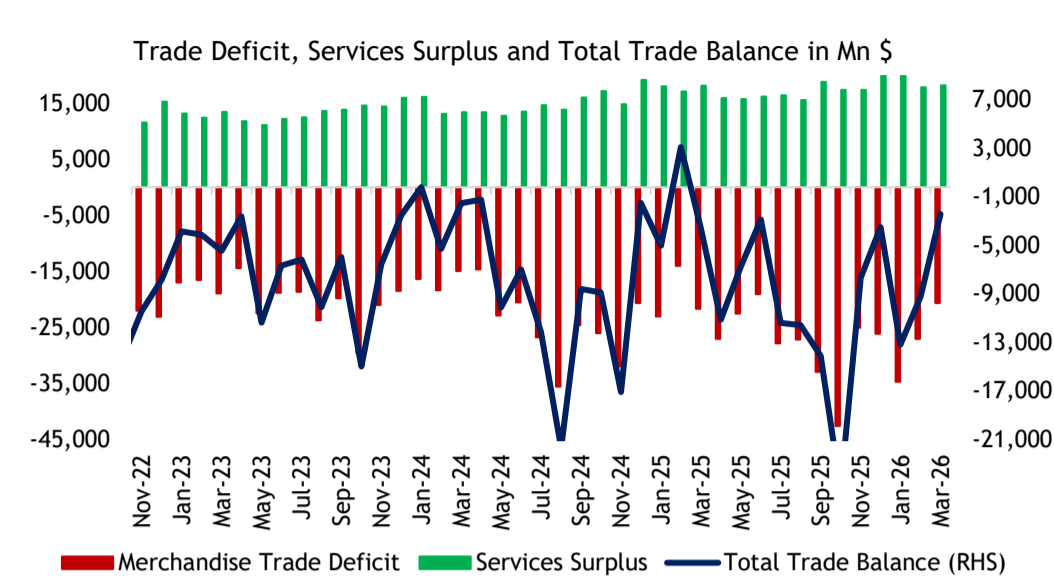
- Services trade surplus jumped to **\$18.24bln** in Mar'26 from **\$17.84bln (revised down from \$23.15bln)** in Feb'26, versus an average **\$17.83bln** in Apr-Mar'26 (same period last year: **\$15.73bln**). That said, it remains broadly stable and continues to provide a buffer for C/A dynamics.
- Total trade deficit (goods and services combined) continues to be in single-digit levels in Mar'26, to **\$2.43bln vis-a-vis \$9.26bln** last month. However, **the average merchandise trade deficit in Apr-Mar'26 is \$27.77bln**, continues to remain elevated compared with **\$23.56bln** in Apr-Mar'25.

Gold was the prime driver in narrowing of trade deficit; Oil narrowed & NONG inched up marginally

- **Oil deficit** stayed broadly lower; likely widened amid on-going West-Asia war. As per Kpler, India's crude imports hit a [record 4.5mb/d in March](#), with transit through the Strait of Hormuz disrupted since the beginning of the conflict. Brent oil prices averaged at \$99.60/bbl. vis-à-vis \$69.37/bbl. a month ago. However, Indian crude oil basket averaged \$111.4/bbl. in Mar'26, 61.4% higher than February's average of \$69.01/bbl., raising inflationary concerns in India. In Mar'26 imports have narrowed but the exports have surged from the overall average. Due to the war involving the US, Israel and Iran, which began on February 28, exports to West Asia fell 57.95% in March, adding that total imports from that region also declined by 51.64% last month. India's oil purchases from Russia have increased by nearly 45% in March highlighting high energy demand & strategic diversification efforts. This month's figures are a dramatic pivot from the last two months', when Russian imports hit a three-year low due to US sanctions and tariffs. Iraq also delivered nearly 1 mbpd to India last month, while the UAE supplied 0.6 mbpd. In the first 11 days of March, India received 0.6 mbpd from Iraq, 0.4 mbpd from Saudi Arabia and 0.1 mbpd from the UAE. Saudi Arabia was the second-largest supplier of crude, in Feb, with daily supplies of a little over 1 mbpd. **We anticipate oil prices to trade higher in Apr'26 and imports are likely to remain robust in volume terms amid steady demand, however the import bill may shoot higher as the global prices surge along with the Indian Crude oil Basket.**
- **Gold deficit** has halved in Mar'26 in both value terms and volumes, amid uncertainty of high prices. Notably, gold prices retraced from record highs averaging \$4934/oz in Mar'26 vs 5026/oz in Feb'26. Domestic demand remains subdued, even as imports appear to ~52 tons (our estimate) from ~66 tons in Feb'26. Gold ETF inflows declined sharply by 57% MoM to ₹2,265 crore in March from ₹5,254 crore in February (AMFI), while silver ETFs saw outflows for the second consecutive month. Consumer buying, which was stronger during the earlier price uptrend (especially bars and coins), has since softened as volatility prompted purchase deferrals, with some retailers also liquidating inventory to meet tax obligations. Policy support remained intact with India-UAE CEPA TRQ authorizations extended till June 30, 2026, while curbs on select jewellery imports continue till April 30, 2026. Despite this near-term weakness, underlying demand remains resilient, supported by affluent buyers and rising interest from younger consumers in lightweight, investment-oriented jewellery, with limited evidence of profit-booking. Overall, elevated gold prices (above ₹1.5mio/10gms) continue to cap demand, suggesting moderation in imports during the month. **Going forward, gold imports are expected to remain steady, driven by normalization in 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 deficit** has inched marginally up despite seasonality as volatile sub-segments like machinery and electronics along with chemicals deficit probably spiked amid surge in metal prices. In Mar'26, the government approved 29 electronic component manufacturing proposals under ECMS involving ₹7,104 crore (\$751mln) to reduce import dependence, even as machinery imports remained robust, supported by strong industrial demand and a ~173% surge in EPCG EODCs, indicating higher duty-free capital goods imports for export manufacturing. Demand was further reinforced by ~25% YoY growth in passenger vehicles and tractor sales, while German machinery exports to India are expected to rise 10-15% in 2026 amid improving trade ties.. The widening in the NONG trade deficit was primarily driven by **Electronics (\$933mln) MoM, Coal (\$275mln), Textiles (\$178mln), & Agri (\$147mln)** 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 a spike amid the ongoing West-Asia War.**
- **FY26 CAD continues to track sub 1% of GDP** even as it may widen towards 1.5% in FY27

Looking ahead, we expect the trade deficit to widen as escalating West-Asia War is putting pressure on higher commodity prices—particularly oil. Sensitivity of C/A deficit to oil prices stays high with every \$10/bbl. move in oil price affecting annual C/A balance by close to \$15bln and in Mar'26 Oil prices are higher by more than 40% MoM. Risks to the current account to remain elevated with the pressure of import shocks driven by commodity volatility which is restricted not just to Oil but to other segments like Gas, Aluminum, Iron ore, Fertilizers, Plastics, etc. That said, elevated services exports provide a cushion against oil price spike even as we cautiously watch out for impact from both trade and sentiment channels.

Fig 4: Trade deficit continue to be in single digits in Mar'26 (in \$ mio)



Source: CEIC & UBI Research

Fig 5: Exports stay resilient while Imports dip significantly (in \$ mio)

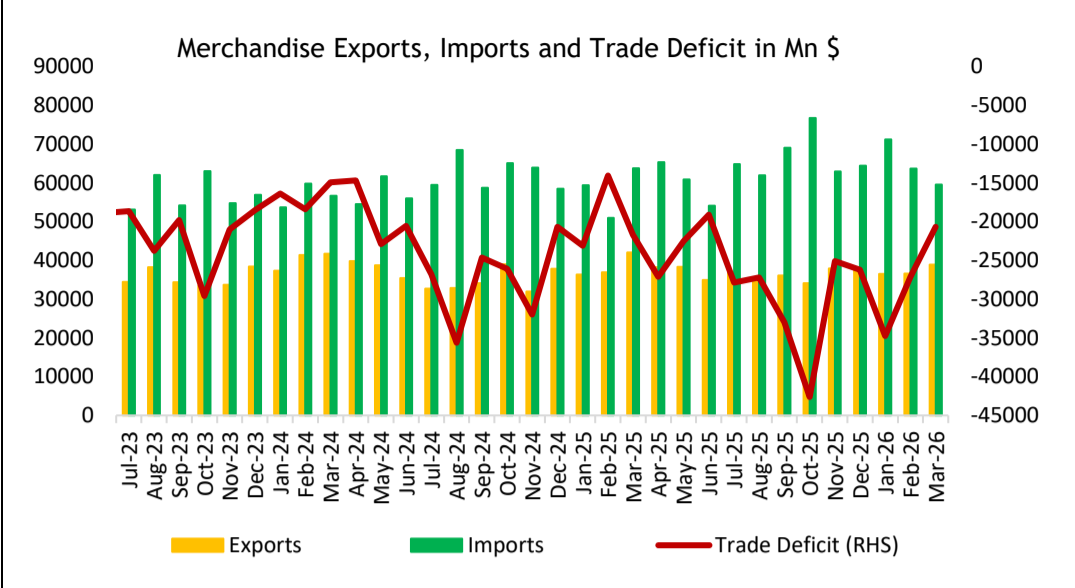
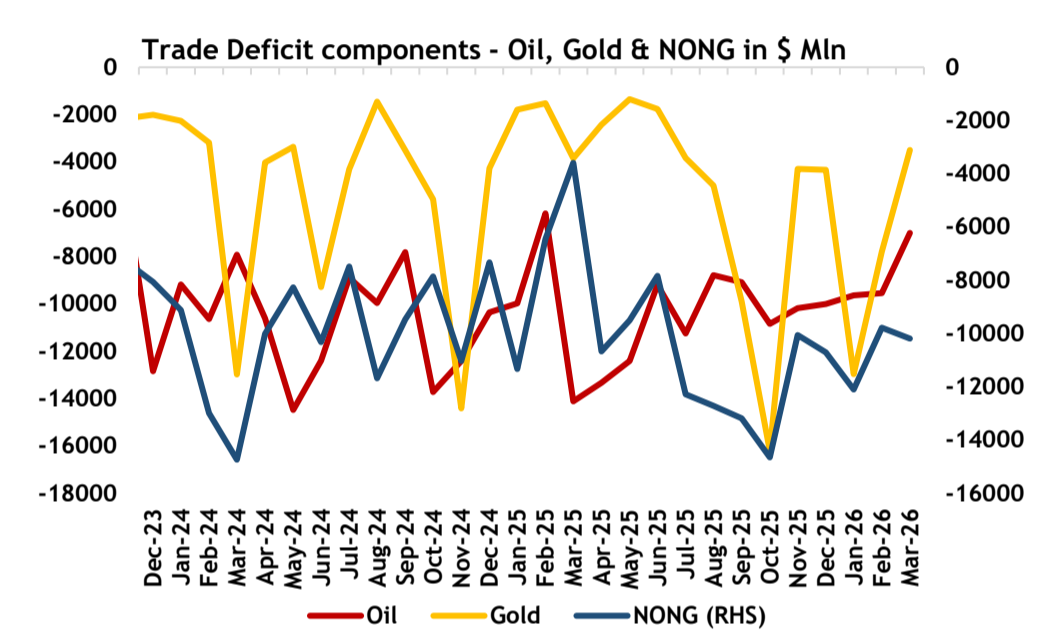


Fig 6: Trade narrowing primarily led by Oil & Gold (in \$ mio)



Source: CEIC & UBI Research

Fig 7: NONG widening led by Electronics, Coal, Textiles & Agri (in \$mio)

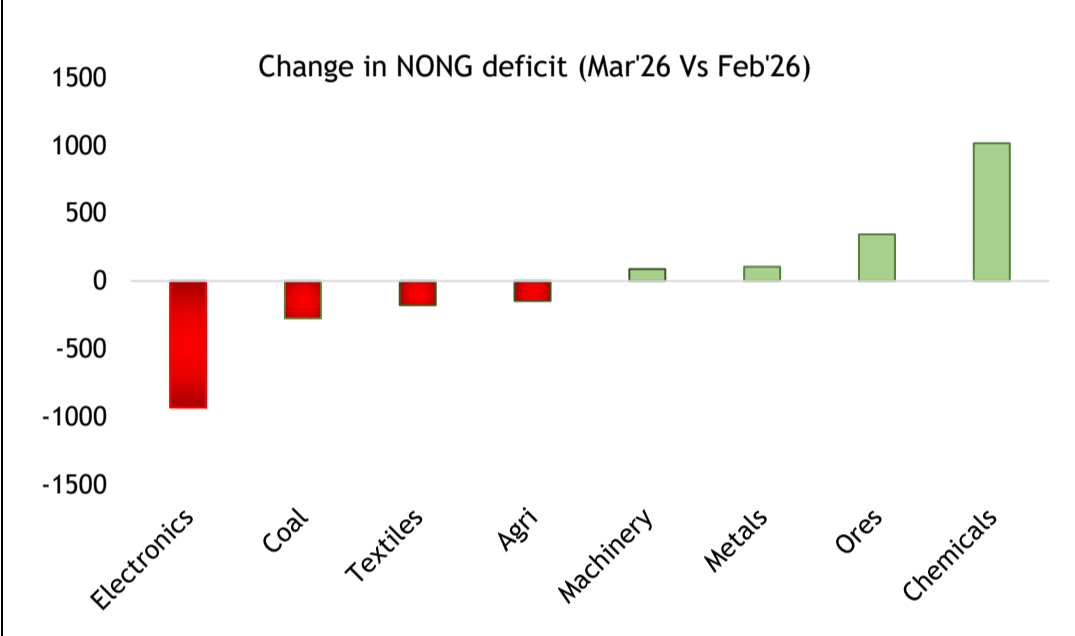


Fig 8: Data Table (monthly trade deficit)

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	-22.5	-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	76.7	-42.6	-11.1	-16.9	-14.6
Nov-25	37.9	63.0	-25.1	-10.4	-4.6	-10.1
Dec-25	38.3	64.5	-26.2	-10.2	-5.3	-10.7
Jan-26	36.5	71.2	-34.7	-9.7	-12.9	-12.1
Feb-26	36.6	63.7	-27.1	-9.5	-7.8	-9.8
Mar-26	38.9	59.6	-20.7	-7.0	-3.5	-10.2

Source: CEIC & UBI Research

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