Trade Deficit

Deficit falls as precious metal imports dip

Emkay
Your success is our success

Economic Update ▸ External Sector ▸ **March 16, 2026**

The goods trade deficit fell to USD27bn in Feb-26 (prior: USD35bn), led by a decline in precious metal imports (which though stayed high). Total imports fell 11% MoM while exports were flat. Exports to the US rose 4% MoM, likely helped by the interim India-US trade deal, but remained 7% YoY lower from Sep-25 to Feb-26. While the lower headline US tariff of 10% should help exports ahead, there is risk from an extended Iran crisis. Net services exports remained strong, rising to a record USD23.1bn in Feb-26, though those for Jan-26 were revised down. We maintain FY26E CAD/GDP at 0.9%, with upside potential from better-than-expected net services exports. For FY27E, a benign Brent scenario of USD70/bbl implies CAD/GDP of 1.3%. However, a scenario analysis of average Brent at USD90/bbl for FY27E implies CAD/GDP widening to 1.9%.

Goods deficit moderates albeit precious metal imports remain high

The goods trade deficit reduced to USD27bn (vs USD35bn in Jan-26) but was higher than estimated (Emkay: USD23bn). This was due to a lower-than-estimated moderation in imports (USD63.7bn; -11% MoM), led by gold (USD7.5bn; -38% MoM) and silver (USD1.7bn; -17% MoM). Exports were flat MoM (USD36.6bn), with oil exports falling 9% MoM, while oil imports declined 3% MoM. For 11MFY26, total goods exports are at USD403bn (~2% YoY), while total imports have risen ~9% YoY to USD714bn, even as oil imports remain lower (USD162bn; -3% YoY). As a result, the 11MFY26 goods trade deficit stands at USD311bn (vs USD261bn for the same period last year).

Core exports steady while core imports decline

Core imports declined 5% MoM to USD42bn while core exports were flat at USD30.5bn, leading to a fall in the core deficit to USD11.1bn. Core exports over 11MFY26 were at USD326bn (4% YoY), while core imports stood at USD471bn (9% YoY). Notably, trends for tariff-affected sectors for FY26TD remain mixed. Gems and Jewelry exports were down 3%, while Textile exports were down 1%. On the other hand, Marine Products exports continue to see strong growth (15% YoY FYTD). Among major export categories, Electronics (28% YoY for 11MFY26) remains a strong growth performer, followed by Drugs and Pharma (6% YoY) and Engineering Goods (5% YoY).

US exports pick up after interim deal; expected to improve going ahead

Exports to the US rose 4% MoM (USD6.9bn) and are likely to have been aided by the interim India-US trade deal announcement in early-Feb. RoW exports declined 1% MoM (USD30bn). Exports to the US were up ~4% to USD79bn for FY26TD; however, an unfavorable base is likely to pull down growth for FY26. RoW exports were up ~1% for FY26TD (USD324bn), having risen 4% YoY from Sep-25 to Feb-26. This was led by sharp growth in exports to Spain (68% YoY), China (53%), Hong Kong (34%), Vietnam (30%), and the UAE (10%) post-tariff imposition. While this diversification is welcome, the lower US headline tariffs of 10% going ahead are likely to shift exports back to the US (albeit the Iran crisis puts this at risk).

Services surplus hits a record in Feb-26; Jan-26 sees sharp downward revision

Services surplus rose to a record-high of USD21.5bn in Feb-26 from the downward-revised USD21.5bn in Jan-26 (USD24.3bn earlier). Thus, services surplus for 11MFY26 stood at ~USD201bn, up 18% YoY, with gross services exports (USD388bn) growing 10%. For Feb-26, exports (USD39.5bn) rose 4% MoM while imports (USD16.4bn) dipped 2%. Services exports have been resilient in FY26, helped by GCCs, but are likely to face headwinds in FY27E from a global growth shock if the Iran crisis is protracted.

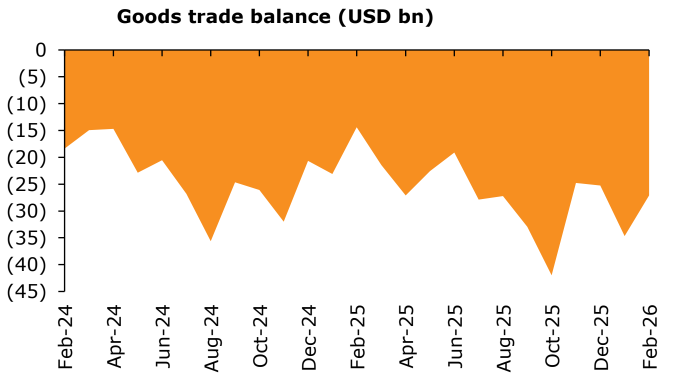
FY27E CAD/GDP 1.3%, but risk of flaring to 1.9% if average Brent at USD90/bbl

We expect 4QFY26E to see an improvement in both CAD and BoP, with CAD/GDP tracking 0.4%, led by moderation in the goods trade deficit and services surplus staying robust. We maintain FY26E CAD/GDP at 0.9%, with some upside potential from strong services surplus. For FY27E, a benign scenario of USD70/bbl for Brent implies CAD/GDP of 1.3%, with BoP deficit at USD15bn. Every USD10/bbl increase in Brent prices is likely to widen the CAD/GDP by ~0.45%, ceteris paribus. However, our scenario analysis of average Brent prices at USD90/bbl implies CAD/GDP widening to 1.9% for FY27E, with BoP deficit worsening to >USD60bn.

Madhavi Arora
madhavi.arora@emkayglobal.com
+91-22-66121341

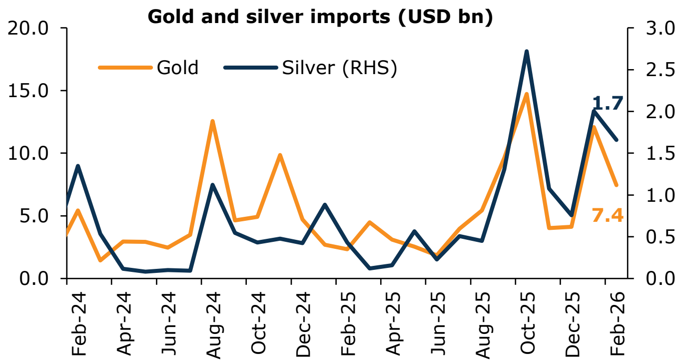
Harshal Patel
harshal.patel@emkayglobal.com
+91-22-66242434

Exhibit 1: Goods trade deficit declined to USD27bn in Feb-26…



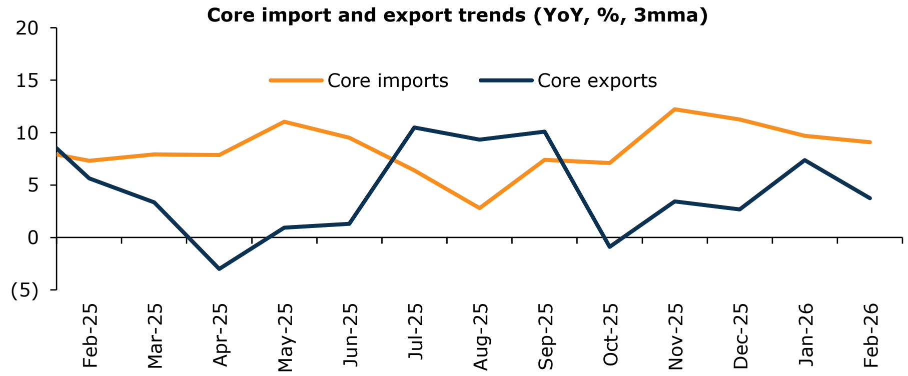
Source: CEIC, Emkay Research

Exhibit 2: …as precious metal imports moderated



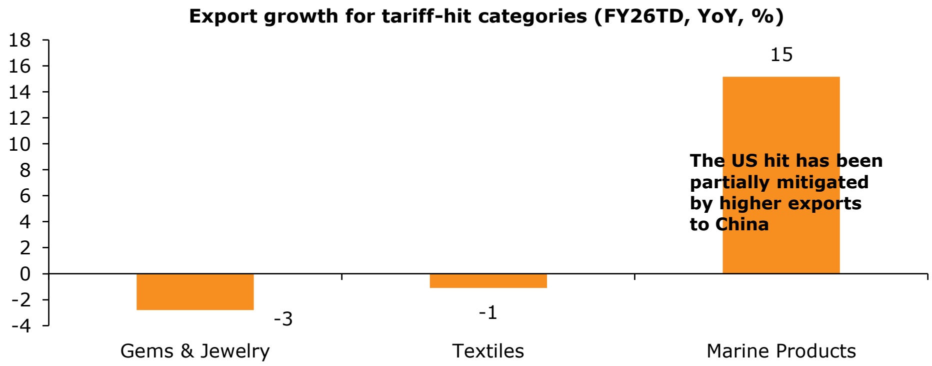
Source: CEIC, Emkay Research

Exhibit 3: The trend for core exports growth has improved after the US tariff hit



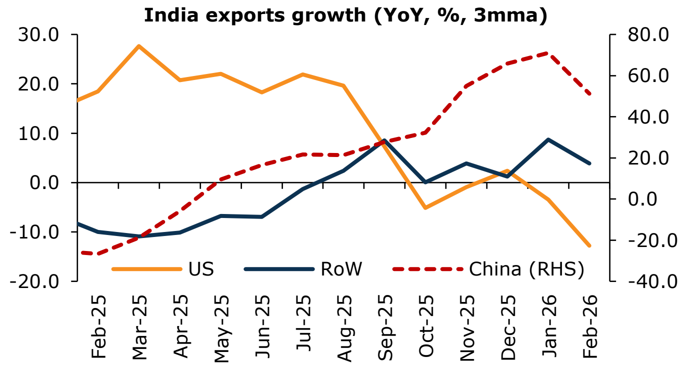
Source: Bloomberg, Emkay Research

Exhibit 4: Tariff-hit sectors have not been hurt as gravely as expected, with Marine Products seeing stellar growth



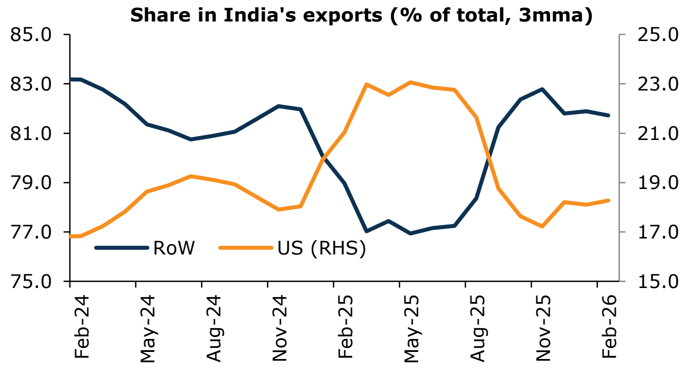
Source: CEIC, Emkay Research

Exhibit 5: The growth trend for US exports has been patchy



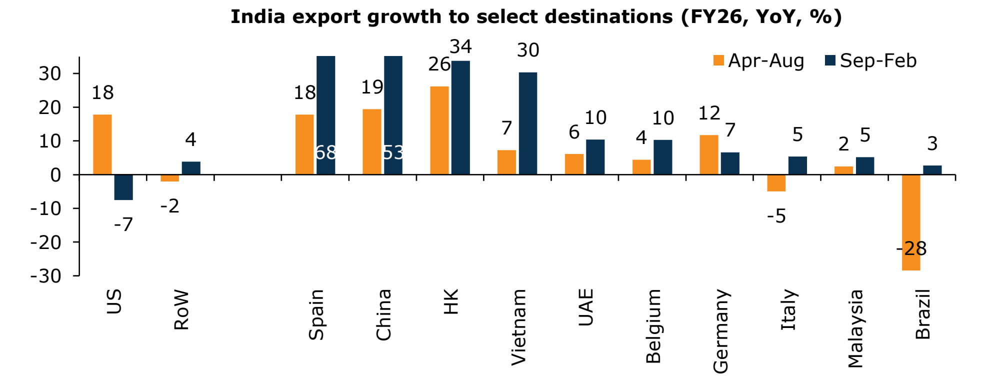
Source: CEIC, Emkay Research

Exhibit 6: This has led to the US exports share in India's exports stabilizing at around pre-tariff levels



Source: CEIC, Emkay Research

Exhibit 7: The US export hit since Sep-25 has been offset by strong growth across various countries, especially China and some ASEAN



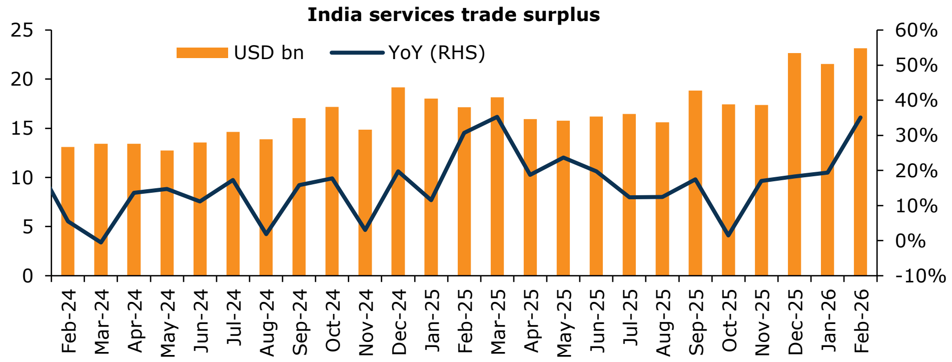
Source: CEIC, Emkay Research

Exhibit 8: 11MFY26 export growth has remained positive, led by non-tariffed sectors such as Electronics and Pharma

	Commodity	Feb-26 (USD bn)	Share of total (%)	MoM (%) Feb-26	YoY (%) Feb-26	FYTD (USD bn)	Share of FYTD total (%)	YoY (%) FYTD
Export	Engineering goods	10.4	28	(0)	13	111	28	5
	Electronic goods	4.2	11	2	10	44	11	28
	Petroleum products	3.4	9	2	10	51	13	(10)
	Gems and jewelry	2.6	7	14	4	26	6	(3)
	Drugs and pharma	2.6	7	(2)	3	28	7	6
	Total	***36.6***	***100***	***(5)***	***1***	***403***	***100***	***2***
Import	Petroleum, crude, and products	13.0	20	(3)	9	162	23	(3)
	Electronic goods	10.1	16	(1)	33	105	15	18
	Gold	7.4	12	(38)	219	69	10	29
	Electrical and non-electrical machinery	5.3	8	(2)	15	56	8	15
	Non-ferrous metals	2.3	4	4	32	27	4	17
	Total	***63.7***	***100***	***12***	***20***	***714***	***100***	***9***

Source: CEIC, Emkay Research

Exhibit 9: Net services surplus has stayed strong, with growth remaining strong as well



Source: CEIC, Emkay Research

Exhibit 10: FY26E CAD/GDP maintained at 0.9%; FY27E CAD/GDP at 1.3%, given a benign Brent scenario of USD70/bbl, though could rise to 1.9% at average Brent of USD90/bbl

	Oil @83	Oil @78.8	Oil @66.5	Oil @70	Oil @90
(USD bn)	**FY24**	**FY25**	**FY26E**	**FY27E**	
Current account	**(26)**	**(23)**	**(34)**	**(54)**	**(80)**
CAB/GDP (%)	**(0.7)**	**(0.6)**	**(0.9)**	**(1.3)**	**(1.9)**
Trade balance	(245)	(287)	(329)	(367)	(393)
Trade balance/GDP (%)	**(7.0)**	**(7.6)**	**(8.4)**	**(8.7)**	**(9.4)**
- Exports	441	442	449	466	482
- oil exports	84	63	59	63	80
- non-oil exports	357	379	390	403	403
- Imports	686	729	778	833	875
- oil imports	179	186	183	193	245
- non-oil imports	508	543	589	634	624
- gold imports	46	63	69	74	76
Net invisibles	219	264	295	313	313
- Services	163	189	210	226	226
- software	142	160	173	184	184
- non-software	21	29	37	43	43
- Transfers	106	123	135	140	142
- Net Income	(50)	(48)	(50)	(53)	(53)

Source: CEIC, Emkay Research estimates

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL . All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons1 may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests2 in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

[1] An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

[2] Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report-:

1. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of March 16, 2026
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report

Disclosure of previous investment recommendation produced:

3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of March 16, 2026
5. EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the March 16, 2026
6. EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
7. EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
8. EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) -:

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative’s may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative’s may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.

Seshadri Kumar Sen

Digitally signed by Seshadri Kumar Sen
Date: 2026.03.16 21:38:52 +05'30'