

# Exports: Services grow, goods stall, jobs lag



## EXIM MATTERS

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The quick estimates of imports and exports released by the Commerce Ministry last Wednesday show that the cumulative exports (merchandise and services) during FY26 (April-March) are expected to be \$860.09 billion, as compared to \$825.26 billion in

FY25 (April-March), an estimated growth of 4.22 per cent.

A closer look reveals stagnation in merchandise exports over the last four years, with a negative CAGR (compound annual growth rate) of 0.42 per cent, while total export figures have been lifted by services exports, which grew at a CAGR of about 8.9 per cent over the same period. That imbalance has serious implications not only for trade, but also for employment, industrialisation, and long-term growth. Services growth is welcome, but it may not by itself generate enough jobs.

The prolonged stagnation in merchandise exports suggests an erosion of competi-

tiveness in sectors such as textiles, light engineering, chemicals and leather, where India should have been gaining ground. In a recent representation to the United States, the government stated that at 12 per cent of GDP, India's economy is 'domestically focused'. That can hardly be regarded as an intended outcome. It reflects a significant trade policy failure because in April 2015, the government said that the objective of the Foreign Trade Policy 2015-20 was to double India's share in global merchandise exports in five years. The reality is that since 2014, India's merchandise exports have grown from \$314 billion to \$441 billion, a CAGR of 2.9 per cent, and

India's share in global merchandise exports has remained stuck at about 1.8 per cent.

The sluggish growth of exports is especially worrying because manufacturing exports are far more employment-intensive than services exports, particularly for semi-skilled and low-skilled labour. By contrast, high-growth service sectors such as information technology and business services are skill-intensive and absorb only a relatively small, educated segment of the workforce. They cannot substitute for the broad-based employment potential of labour-intensive manufacturing exports. Recent worker agitations in industrial

clusters such as Noida point to underlying stress in employment conditions—ranging from wage stagnation and casualisation to job insecurity.

Trade patterns with major show that India continues to run a surplus with some advanced economies, but these gains are outweighed by large and expanding deficits with key partners, particularly in Asia. China remains the clearest example of this imbalance. Imports from China have risen steadily, crossing \$131 billion in FY26, while India's exports to China remain at \$19.48 billion. Our pharmaceutical sector illustrates our dependence starkly. It imports most of its critical inputs from China and exports most of its finished goods to the United States and Europe.

The figures released by the International Monetary Fund recently show that India's GDP

at \$4.15 trillion is about 3.29 per cent of the global GDP at \$126.3 trillion. A domestically focused economy loses most opportunities that 96.69 per cent of the global economy offers. To exploit the opportunities, our producers must become globally competitive.

Our Prime Minister has articulated a vision of India becoming a 'developed country' by 2047. That long-term aspiration should now be matched by a more immediate and operational goal of building a 'competitive India' over the next five to ten years. Without restoring competitiveness in manufacturing and raising India's share in global merchandise exports, the ambition of becoming a developed economy may remain distant.

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