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EDITORIAL ANALYSIS

India's \$863-Billion Export Record: A Services Triumph, A Manufacturing Warning

 **BUSINESS STANDARD**24 June 2026 · **ECONOMY** · **GS3**

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 **Business Standard** 24 June 2026 **GS3**

Source: ujyari.com — researched, fact-checked & UPSC-mapped



INTERVIEW ANGLE

"Can a services-led economy deliver mass prosperity and jobs, or is a strong manufacturing base a non-negotiable precondition for a country of India's size?"

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WHY THIS EDITORIAL MATTERS

On paper, 2025-26 was a triumph for India's external sector. Total exports of goods and services crossed an all-time high of roughly **\$863 billion**, with each of the four quarters individually setting records. Yet the Business Standard editorial reads the number against the grain. Its argument is simple and uncomfortable: **services exports (about \$421 billion) have grown to nearly match merchandise exports (about \$442 billion)**, and that near-parity exposes a shallow domestic value-addition base and a weak factory floor. The warning is historical. No major economy has achieved broad-based prosperity without first building a strong manufacturing sector, and India may be trying to do exactly that.

For a UPSC aspirant, this is a model GS3 external-sector debate because it forces you to separate a flattering aggregate from the structure beneath it.

THE LIFT LINE

A record export figure is not the same as a healthy export structure. When services rise to meet merchandise, the celebration should be tempered by a question: where is the factory base that turns growth into mass employment?

THE CORE ARGUMENT

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What the numbers actually say

The editorial's case rests on composition, not totals.

INDICATOR (2025-26, APPROXIMATE)	VALUE	SIGNAL
Total exports	~\$863 billion	All-time high, every quarter a record
Services exports	~\$421 billion (up ~8.7%)	The growth engine
Merchandise exports	~\$442 billion (up under 1%)	Near-stagnant
Total imports	~\$980 billion	Grew faster than exports
Manufacturing share of GVA	~17%	Against 25% Make in India target

The headline rose, but it rose because **services did the heavy lifting while goods barely moved**.

Imports grew faster than exports, so the overall trade deficit widened. A record built on one fast-growing leg and one stagnant leg is, structurally, a record on stilts.

Why a manufacturing-light model is a vulnerability

This is the heart of the editorial. The classic development path, followed by Britain, the United States, Japan, South Korea and China, moves labour out of low-productivity agriculture into manufacturing, which absorbs large numbers of workers at rising wages, and only later expands services. India risks **leapfrogging straight from agriculture to services**, a pattern economists call **premature deindustrialisation**: the manufacturing share of output and employment peaks at a lower level, and earlier, than it did for today's rich countries.

The danger is twofold. First, **jobs**. High-end IT, finance and professional services are high-value but employ relatively few people, mostly skilled. Manufacturing, especially at the assembly and light-engineering end, can absorb millions of workers with modest education, which is exactly what India's young and expanding workforce needs. Second, the **middle-income trap**: an economy that cannot build globally competitive manufacturing may stall at middle-income levels, unable to either undercut cheaper producers or out-innovate richer ones.

HOW TO THINK ABOUT IT

When you meet a celebratory economic statistic in an exam, run it through three filters.

- 1 **Aggregate versus composition.** \$863 billion is the aggregate. The composition (services nearly equal to merchandise, merchandise nearly flat) is where the analysis lives. Always ask what the total is hiding.
- 2 **Value addition versus turnover.** A large gross export figure can still mean shallow value addition if much of the merchandise is assembled from imported components. The question is how much of each export dollar is genuinely created in India.
- 3 **Structure versus cycle.** A one-year dip is cyclical; a manufacturing share stuck near 17 percent for years against a 25 percent target is structural. The editorial is making a structural argument, and structural problems need structural answers.

THE MANUFACTURING-VERSUS-SERVICES DEBATE, IN WORDS

Picture two staircases out of agriculture. The **first**, the historical staircase, has a broad middle step labelled manufacturing: workers climb onto it in huge numbers, wages rise, and the step is wide enough to carry the whole society upward before they step onto the services landing at the top. The **second**, the staircase India risks taking, has that middle step shrunk to a narrow ledge. A small group of skilled workers vaults from agriculture straight to the services landing, but the vast majority cannot make the jump and are left on the lower steps. The aggregate height of the economy rises, but most people do not move up with it.

Global value chains (GVCs) and the **China-plus-one** shift are the editorial's implicit hope. As firms diversify supply chains away from an over-concentration on China, India can insert itself into the assembly and component stages of global production. That is precisely what **production-linked incentive (PLI) schemes** are designed to catalyse (<https://ujivari.com/vocab/catalyse/>): scale, competitiveness and a foothold in GVCs. The unfinished task is to convert these footholds into deep, high-value-addition manufacturing rather than low-margin final assembly.

THE COUNTER-VIEW

A fair answer must hold the other side.

- **Services are real, durable earnings.** India's IT, business and professional-services exports are genuine foreign-exchange earners that have repeatedly cushioned the current account. Dismissing them as a weakness ignores a genuine national strength.
- **Deindustrialisation may be overstated.** Some economists, studying the major manufacturing states, argue that significant premature deindustrialisation has not actually occurred in India, and that the sluggishness lies more in structural transformation than in any outright decline.
- **Leapfrogging may be feasible in a digital age.** Tradable digital services, including global capability centres, may allow India to capture high-value work without first building a vast factory base, in a way nineteenth-century economies could not.

The honest position is that services strength and manufacturing weakness are **both true at once**, and the policy task is to fix the second without sacrificing the first.

WAY FORWARD

- **Broaden and refine PLI.** Extend incentives to more labour-intensive sectors and tie them to genuine domestic value addition, not just final assembly of imported parts.
- **Cut the cost of doing business.** Lower logistics, power and compliance costs so Indian manufacturing is globally competitive on its own merits.
- **Seize China-plus-one deliberately.** Court relocating supply chains with stable policy, land and skilled labour, aiming for the higher-value segments of global value chains.
- **Skill the workforce.** Match training to manufacturing and tradable-services demand so the young workforce can actually fill the jobs created.
- **Treat the two as complements.** A strong services sector can finance and serve a deepening manufacturing base; the goal is two engines, not a contest between them.

UPSC RELEVANCE

- **GS3 (Economy and External Sector):** export composition, trade deficit, value addition, manufacturing policy, employment and growth.
- **Prelims facts:** Make in India 25 percent GVA target; current manufacturing share around 17 percent; PLI schemes; meaning of premature deindustrialisation and the middle-income trap.
- **Mains angle:** evaluate whether services-led growth can substitute for manufacturing-led growth in a large, young economy, and the policy mix needed to deepen the factory base.

PYQ LINKAGE

- “Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product (GDP) in the post-reform period.” Give reasons. (GS3, 2017)
- “Account for the failure of the manufacturing sector in achieving the goal of labour-intensive exports... Suggest measures for more labour-intensive rather than capital-intensive exports.” (GS3, 2017)
- “Examine the role of ‘Mini Ratna’, ‘Navratna’ and ‘Maharatna’ schemes... in improving the efficiency of the manufacturing sector.” (adapt the manufacturing-policy framing to recent editorials.)

FACTS CORNER

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- **Total exports 2025-26:** record of roughly **\$863 billion**, up about 4.6 percent on the previous year.
- **Services exports:** about **\$421 billion**, up roughly 8.7 percent.
- **Merchandise exports:** about **\$442 billion**, up under 1 percent.
- **Imports:** about **\$980 billion**, growing faster than exports and widening the overall deficit.
- **Manufacturing share of GVA:** around **17 percent**, against the **25 percent** Make in India target.
- **Key concepts:** premature deindustrialisation, global value chains, China-plus-one, PLI schemes, middle-income trap, jobs-intensity of manufacturing versus services.

Source: India's \$863-Billion Export Record: A Services Triumph, A Manufacturing Warning — Ujiyari.com | Free
UPSC & State PCS Editorial Analysis

KEY ARGUMENTS AT A GLANCE

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India's record export tally masks a structural weakness: services have risen to nearly match merchandise exports, signalling a shallow, low-value-addition manufacturing base that no large economy has historically bypassed on the road to broad-based prosperity.

 **SUPPORTING**

- Services exports surged about 8.7 percent to roughly \$421 billion in 2025-26 while merchandise exports grew under 1 percent to roughly \$442 billion, so the gap between the two has nearly closed.
- Manufacturing has been stuck near 17 percent of gross value added, far short of the 25 percent Make in India target, even as the overall trade deficit widened because imports outpaced export growth.
- Manufacturing is far more jobs-intensive at the lower-skill end than high-end IT and professional services, so a services-tilted model risks leaving India's large young workforce without mass formal employment.

 **COUNTER**

Services exports are genuine high-value foreign-exchange earners that have cushioned the current account, and some economists argue India's manufacturing share has not actually deindustrialised in a significant way, so the model may be a viable leapfrog rather than a flaw.

 **WAY FORWARD**

Deepen domestic value addition through better-designed and broadened production-linked incentive schemes, plug into global value chains via the China-plus-one shift, cut logistics and compliance costs, invest in skilling and infrastructure, and treat manufacturing and tradable services as complementary engines rather than rivals.


MAINS ANSWER FRAMEWORK

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QUESTION

India recorded all-time-high total exports of about \$863 billion in 2025-26, yet services exports (around \$421 billion) have grown to nearly equal merchandise exports (around \$442 billion). Critically examine why a services-heavy, manufacturing-light export structure constitutes a structural vulnerability for an economy of India's size and demographic profile. In your answer, evaluate the evidence for premature deindustrialisation, the stagnation of manufacturing at roughly 17 percent of gross value added against the 25 percent Make in India target, and the differing jobs-intensity of the two sectors. Suggest a way forward to deepen domestic value addition and capture the China-plus-one opportunity without abandoning India's services strength.

INTRODUCTION

India's total exports touched an all-time high of roughly \$863 billion in 2025-26, but the composition is as important as the headline: services exports of about \$421 billion have grown to nearly equal merchandise exports of about \$442 billion, raising a structural question.

BODY

The concern is that India may be skipping the manufacturing stage that every large economy, from Britain and the United States to Japan, South Korea and China, used to absorb surplus labour and build broad-based prosperity. Manufacturing has been stuck near 17 percent of gross value added against the 25 percent Make in India target, while the trade deficit widened as imports grew faster than exports.

The jobs argument is central: high-end services employ relatively few, skilled workers, whereas labour-intensive manufacturing can absorb millions, which matters for a country adding to its workforce every year. A services-led model also leaves India exposed to automation, protectionism in IT-importing markets and the risk of being stranded in the middle-income trap.

Yet the picture is not one-sided. Services earnings are real and have steadied the external account, and some scholars dispute that significant premature deindustrialisation has occurred.

The China-plus-one realignment and production-linked incentives offer a window to deepen the factory base.

CONCLUSION

The record export number should be read as a warning, not only a victory. India must convert its services strength and the China-plus-one moment into deeper, higher-value-addition manufacturing so that growth is both jobs-rich and resilient, rather than balanced on a single narrow pillar.


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