3. India's Merchandise Exports - Economy

India's merchandise exports recorded strong growth in April 2026 despite geopolitical tensions in West Asia and global trade uncertainties.

1.Background

India's merchandise exports recorded strong growth in April 2026 despite geopolitical tensions in West Asia and global trade uncertainties demonstrating resilience of Indian export sector amid challenging global environment. India's merchandise exports increased by nearly 14% to $43.6 billion while merchandise imports increased by 10% to $71.9 billion, with merchandise trade deficit widening slightly to $28.4 billion from $27.1 billion in April 2025 due to higher import demand particularly for crude oil, gold, and capital goods. However, India's services exports increased by 13.4% to $37.2 billion while services imports declined by 1.5% to $16.7 billion during same period, with strong growth in services exports helping India maintain healthy trade surplus in services sector offsetting merchandise trade deficit.

India's overall trade deficit including merchandise and services trade declined by 30% to $7.8 billion reflecting strong performance of India's services sector and resilient export growth demonstrating structural strengths in Indian economy. Export growth was driven by multiple factors including rise in petroleum and commodity prices with higher international petroleum prices increasing value of India's petroleum exports particularly diesel, petrol, and aviation turbine fuel while rising global commodity prices contributed to overall increase in export earnings, strong performance of manufacturing sectors with engineering goods exports remaining robust due to strong global demand for manufactured products and machinery while electronics exports recorded rapid growth because of expanding domestic manufacturing under Production-Linked Incentive schemes, diversification of export markets with Indian exporters expanding into emerging markets such as Tanzania, Sri Lanka, Bangladesh, and Vietnam reducing dependence on traditional export destinations and improving resilience against regional disruptions, and improved competitiveness through depreciation of Indian rupee improving price competitiveness of Indian goods in global markets while stable supply chains and improved logistics enabled industries to maintain export momentum despite global uncertainties.

Export performance strengthens India's external sector stability supporting foreign exchange reserves and external stability while diversification of export sectors reduces dependence on any single commodity or market, indicates growth of manufacturing exports showing improvements in India's manufacturing ecosystem supporting employment generation and industrial expansion, and highlights strategic importance of services exports continuing to provide stability to India's external trade balance while Free Trade Agreements can improve market access, reduce tariff barriers, and integrate India more deeply into global value chains.

2.India's Trade Performance in April 2026

Merchandise Trade

Merchandise Exports - India's merchandise exports increased by nearly 14% to $43.6 billion demonstrating strong export growth despite global headwinds.

Merchandise Imports - India's merchandise imports increased by 10% to $71.9 billion reflecting higher domestic demand and economic activity.

Merchandise Trade Deficit - The merchandise trade deficit widened slightly to $28.4 billion from $27.1 billion in April 2025 due to higher import demand particularly for crude oil at elevated prices, gold imports for jewellery and investment demand, and capital goods for industrial expansion.

Services Trade

Services Exports - India's services exports increased by 13.4% to $37.2 billion demonstrating strength in IT services, business process outsourcing, software development, consulting services, and financial services.

Services Imports - India's services imports declined by 1.5% to $16.7 billion during same period indicating efficient domestic service provision and reduced external dependence.

Services Trade Surplus - Strong growth in services exports helped India maintain healthy trade surplus in services sector offsetting merchandise trade deficit.

Overall Trade Balance

1. India's overall trade deficit including merchandise and services trade declined by 30% to $7.8 billion.
2. The decline in overall trade deficit reflected strong performance of India's services sector and resilient export growth.
3. Services surplus of approximately $20.5 billion ($37.2 billion exports minus $16.7 billion imports) substantially offset merchandise deficit of $28.4 billion.

3.Reasons for Increase in India's Exports

Rise in Petroleum and Commodity Prices

1. Higher international petroleum prices increased the value of India's petroleum exports particularly diesel used in transportation and industrial applications, petrol for automotive fuel, and aviation turbine fuel for aircraft operations.
2. Rising global commodity prices contributed to overall increase in export earnings across metals, minerals, agricultural products, and processed goods.
3. Value effect from price increases augmented volume-based export growth.

Strong Performance of Manufacturing Sectors

Engineering Goods - Engineering goods exports remained robust due to strong global demand for manufactured products and machinery including automobiles and components, machinery and equipment, metal products, and industrial supplies.

Electronics - Electronics exports recorded rapid growth because of expanding domestic manufacturing under Production-Linked Incentive schemes supporting mobile phones, electronic components, consumer electronics, and IT hardware production.

PLI schemes attracted investments in electronics manufacturing creating export-oriented production capacity.

Diversification of Export Markets

1. Indian exporters expanded into emerging markets such as Tanzania offering opportunities in infrastructure and consumer goods, Sri Lanka providing proximity advantages for trade, Bangladesh with growing economy and manufacturing base, and Vietnam integrated into global supply chains.
2. Diversification reduced dependence on traditional export destinations including United States, European Union, and China improving resilience against regional disruptions.
3. Emerging markets offer growth potential as their economies expand and middle classes grow.

Improved Competitiveness

1. Depreciation of Indian rupee improved price competitiveness of Indian goods in global markets making exports more attractive to foreign buyers.
2. Stable supply chains and improved logistics enabled industries to maintain export momentum despite global uncertainties through reliable production and timely delivery.
3. Government initiatives including infrastructure development, trade facilitation measures, and export promotion schemes enhanced competitiveness.

4.Significance for India's Economy

Strengthening External Sector Stability

1. Strong export growth supports India's foreign exchange reserves providing buffer against external shocks and maintaining currency stability.
2. Diversification of export sectors reduces dependence on any single commodity or market decreasing vulnerability to sector-specific downturns or country-specific trade restrictions.
3. Healthy services surplus offsets merchandise deficit maintaining manageable overall trade balance.

Growth of Manufacturing Exports

1. Rising engineering and electronics exports indicate improvements in India's manufacturing ecosystem including production capacity, quality standards, technological capabilities, and supply chain efficiency.
2. Export growth supports employment generation in manufacturing sector creating jobs across skill levels from assembly workers to engineers.
3. Industrial expansion through export-oriented manufacturing contributes to GDP growth and economic development.

Strategic Importance of Services and Trade Agreements

1. Services exports continue to provide stability to India's external trade balance with consistent surplus offsetting merchandise deficit volatility.
2. IT services, business process outsourcing, and professional services demonstrate India's competitive advantages in knowledge-based sectors.
3. Free Trade Agreements can improve market access reducing tariffs and non-tariff barriers, integrate India more deeply into global value chains through preferential arrangements, and expand export opportunities in partner countries.

5.Main Challenges in India's Export Sector

Global Economic Uncertainty

1. Geopolitical tensions in West Asia and other regions disrupt trade routes including Suez Canal and Red Sea shipping, shipping networks facing delays and higher insurance costs, and supply chains experiencing raw material shortages and logistics disruptions.
2. Global economic slowdown in major economies reduces demand for Indian exports.
3. Trade protectionism and tariff barriers in developed countries restrict market access.

Heavy Dependence on Imported Crude Oil

1. Heavy dependence on imported crude oil exposes India to global energy price shocks affecting trade deficit and current account balance.
2. Rising imports of gold and petroleum products contribute to widening trade deficits increasing external vulnerabilities.
3. Energy import dependence limits fiscal space and affects macroeconomic stability.

Infrastructure Constraints

1. High logistics and transportation costs reduce competitiveness of Indian exports compared to competitors with efficient infrastructure.
2. Port congestion, inadequate warehousing, and poor last-mile connectivity increase time and cost of exports.
3. Infrastructure gaps limit ability to scale up exports rapidly in response to opportunities.

Global Competition

1. Indian exporters face intense competition from countries such as China with massive manufacturing scale and integrated supply chains, Vietnam offering low labor costs and favourable trade agreements, and Bangladesh competing in textiles and apparel sectors.
2. Protectionist trade policies and non-tariff barriers imposed by developed countries restrict market access through quality standards, environmental regulations, and labor compliance requirements.
3. Competition in price-sensitive sectors limits profit margins and export growth.

Structural Weaknesses in Manufacturing

1. India's manufacturing sector faces challenges related to scale with small average firm size limiting economies of scale, productivity gaps compared to global best practices, and technological competitiveness requiring continuous innovation and upgrades.
2. Limited diversification into high-value and technology-intensive exports constrains long-term export potential and value addition.
3. Skills gaps and regulatory complexities affect manufacturing competitiveness.

6.Way Forward

Diversify Export Markets

1. India should expand exports to emerging markets in Africa, Latin America, Central Asia, and Southeast Asia reducing dependence on few traditional destinations, while negotiating Free Trade Agreements with growth economies improving market access and tariff preferences, and establishing trade promotion offices in target markets facilitating business connections and market intelligence.

Improve Logistics Infrastructure

1. India should modernize ports through capacity expansion, automation, and improved handling efficiency, upgrade transport networks including roads, railways, and inland waterways connecting production centers with ports, and streamline customs systems through digitalization, risk-based clearances, and single-window mechanisms reducing export costs and delays.

Support MSMEs and Exporters

1. India should improve access to finance for small exporters through credit guarantee schemes, export credit facilities, and working capital support, provide technology upgrades supporting adoption of modern production techniques and quality standards, and offer export incentives including duty drawbacks, tax exemptions, and marketing assistance.

Build Resilient Supply Chains

1. India should develop resilient supply chains through domestic manufacturing of critical inputs reducing import dependence, establish alternative trade routes diversifying beyond traditional shipping lanes vulnerable to disruptions, and strengthen logistics networks with redundancy and flexibility to handle disruptions.

Enhance Manufacturing Competitiveness

1. Expand Production-Linked Incentive schemes to additional sectors promoting manufacturing growth and exports, invest in research and development for innovation and technology upgrades, improve skill development programs creating workforce for advanced manufacturing, and simplify regulatory environment reducing compliance burden and improving ease of doing business.

Leverage Services Strength

1. Continue strengthening services exports particularly IT services, business process outsourcing, professional services, healthcare services, education services, and tourism maintaining India's competitive advantages, while integrating services provisions in trade agreements ensuring market access for Indian service providers.

Conclusion

India's merchandise exports recorded strong growth increasing by nearly 14% to $43.6 billion in April 2026 despite geopolitical tensions in West Asia and global trade uncertainties, while merchandise imports increased by 10% to $71.9 billion with merchandise trade deficit widening slightly to $28.4 billion from $27.1 billion in April 2025. However, services exports increased by 13.4% to $37.2 billion while services imports declined by 1.5% to $16.7 billion, with strong growth in services exports helping India maintain healthy trade surplus in services sector.

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