

Export share of manufacturing companies' sales nears record low

Drop across listed and unlisted companies

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The share of exports in the sales of manufacturing companies has dropped by nearly two-thirds over a ten-year period ended financial year 2022-23 (FY23). The numbers so far for FY24 suggest it might have fallen further.

Exports accounted for over 18 per cent of manufacturing sales in FY13, but this figure dropped to 6.8 per cent in FY23, and stands at just 1.8 per cent so far for FY24, according to data from the Centre for Monitoring Indian Economy (CMIE).

This is based on 961 companies across the listed and unlisted space. Companies declare foreign exchange earnings as part of their financials. The numbers look at the export figures from these disclosures relative to total sales. To be sure, not all companies provide this disclosure, but the data here considers only those firms

which have both forex earnings as well as sales numbers. This aligns with the World Bank's September 2024 India Development Update, which highlights India's lost ground on manufacturing segments like apparel and footwear.

"India's share in global exports of apparel, leather, textiles, and footwear (ALTF) initially grew from 0.9 per cent in 2002 to a peak of 4.5 per cent in 2013, but it subsequently declined to 3.5 per cent in 2022," it said, adding that other countries, such as Vietnam and Bangladesh, have captured market share ceded by China.

The data goes back to 1990-91. The peak was 18.45 per cent in FY14. This has seen a steady decline in recent years. It has been in single-digit territory since FY17. The number for FY24, if it holds, would be the lowest on record (chart 1).

Listed companies have typically had a larger share of their sales coming from exports than unlisted firms. But both

segments have shown a declining trend.

The share of exports of listed companies as a percentage of sales peaked at 19.45 per cent in FY14. It roughly halved to 9.27 per cent in FY19, the last year before the Covid-19 disruption. Numbers dropped to 6.73 per cent in FY21 during the pandemic amid lockdowns across the world. The share remained below pre-pandemic levels in FY23 and also in the numbers available thus far for FY24.

Unlisted firms have typically had a lower share of exports relative to their sales. The peak for the segment was 16.46 per cent in FY14. It dropped to 7.59 per cent in FY19. It has since shown a declining trend even as the effects of Covid-19 waned. It had dropped to 5.56 per cent in FY23 and the latest numbers show 3.52 per cent for FY24 (chart 2).

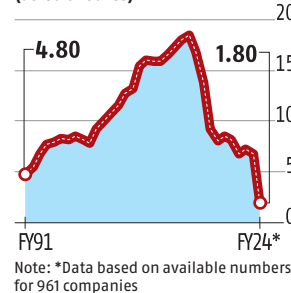
India's merchandise exports came in at \$437.2 billion for FY24. This is lower than the previous year's \$450.6 billion figure. It was \$330.2 billion in FY19.

Sreejith Balasubramanian, economist



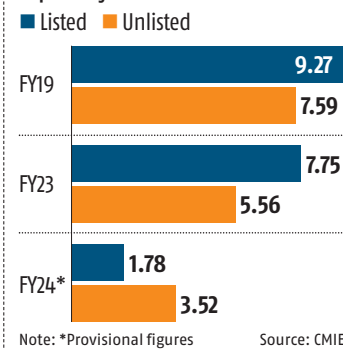
LOWER GLOBAL EXPOSURE

Manufacturing sector exports (as % of sales)



SINGLE-DIGIT SHARE

Exports by firms as % of sales



at Bandhan Mutual Fund, said there had been some improvement in manufacturing numbers, but some of this is also related to assembly with less value addition in some cases. "If you look at domestic value added in exports, there I think we have scope to catch up," he said.

He said that structurally there can be a

tailwind for India to occupy a key space in global exports as the workforce in China is expected to shrink due to an ageing population. It will be important to get the policies in place to attract manufacturing and also address any skilled labour shortages within India.

Dhiraj Sachdev, chief investment

officer at Roha Venture, said a number of government initiatives, such as the production-linked incentive scheme that seeks to incentivise domestic manufacturing, would boost numbers in the coming years. "This time the focus, as policymakers, on manufacturing is pretty strong. It will play it out over time."