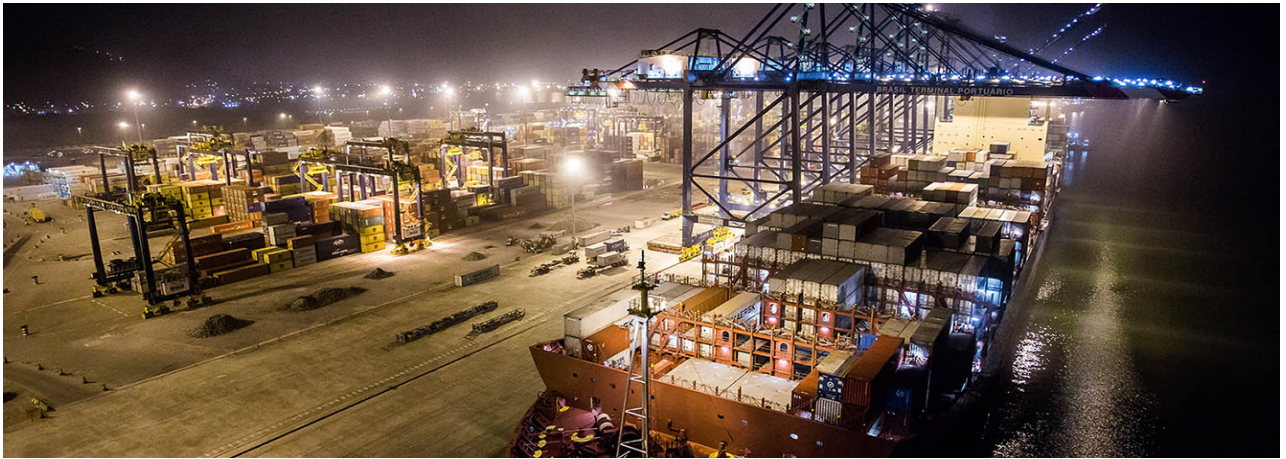


External factors help in boosting India's global trade growth

Q1 2018 **INDIA**





Environmental interventions in China and recovery from demonetization drives uphill growth of recyclables

Weaker rupee and improvement in GST refunds benefits India's exports

Combined effect propels India's overall trade growth to jump 11%

East India under potential pressure as metal and rice exports lose sheen

India's containerized trade with the world has enjoyed a spirited uptick in the first quarter of 2018, as it beat the country's past performance in export-import growth over eight quarters. Imports witnessed a material increase of 16%, with exports also growing at a healthy pace of 7%. Together, they led India's trade to a strong start this 2018.

"These numbers become more relevant when viewed through a global lens. They are significantly higher than estimated global containerized demand growth of 3-4%," explains Steve Felder, Maersk Line Managing Director for India, Sri Lanka, Bangladesh, Nepal, Bhutan and Maldives.



IMPORTS

The key contributor to import growth during this period was dry cargo (commodities that aren't liquid or perishable), which jumped by 22%. This contrasts with the corresponding period last year when the segment grew only 2%. Recyclables, namely paper and metal, were the two dry cargo commodities that led this growth and registered strong 61% and 55% increases respectively. A large portion of these commodities came to India from North America and Europe, and helped North and West India imports rise by 36% and 13% respectively.

"Recyclable commodity imports were severely impacted by de-monetization. With the rebound we've seen in this category now, it would be safe to assume that the effects are finally wearing off and domestic consumption is on the rise," says Felder.

"Additionally, China's recent decision to increase restrictions on waste paper imports benefited India, which is a major importer of this commodity for local recycled paper manufacturing. Together, these key developments have augured well for India's import growth."

EXPORTS

On the export side, rocketing demand for Indian made vehicles in Turkey, and Indian fruit and nuts in UK and UAE, pushed growth to a healthy 7%.



"The first quarter has been a fairly constructive period for export growth as well. As the effect of policy shifts faded and the inflow of GST refunds began, it created surplus capital in the hands of local manufacturers. The market was further buoyed by a weaker rupee, which in turn increased India's exports to the world," adds Felder.



EAST INDIA WITNESSES HIGHEST EXPORT DECLINE

A comparison of the export performance of India's four regions shows that East India saw the highest decline in exports this year at -6% growth. This was the result of a significant fall in the metal segment (mainly aluminium, ferro and steel) and rice exports originating from the region. These are estimated to have dropped by 12% and 20% respectively. In contrast with Q1 last year, East India led the country's overall export growth at 29%.

"Rice exports overall have been weak this year, while the metals segment, mainly ferro and pipes, wasn't competitive in global markets, which led to this stark decline," explains Felder.

The region's metal exports fell across all its key destination markets, while the highest drop in rice exports was witnessed in the Mediterranean and West Africa markets.

On the other hand, imports of pulses into East India saw an upward climb, particularly chick peas and yellow peas from Canada and Turkey.





Indian made vehicle exports lead India's overall export growth

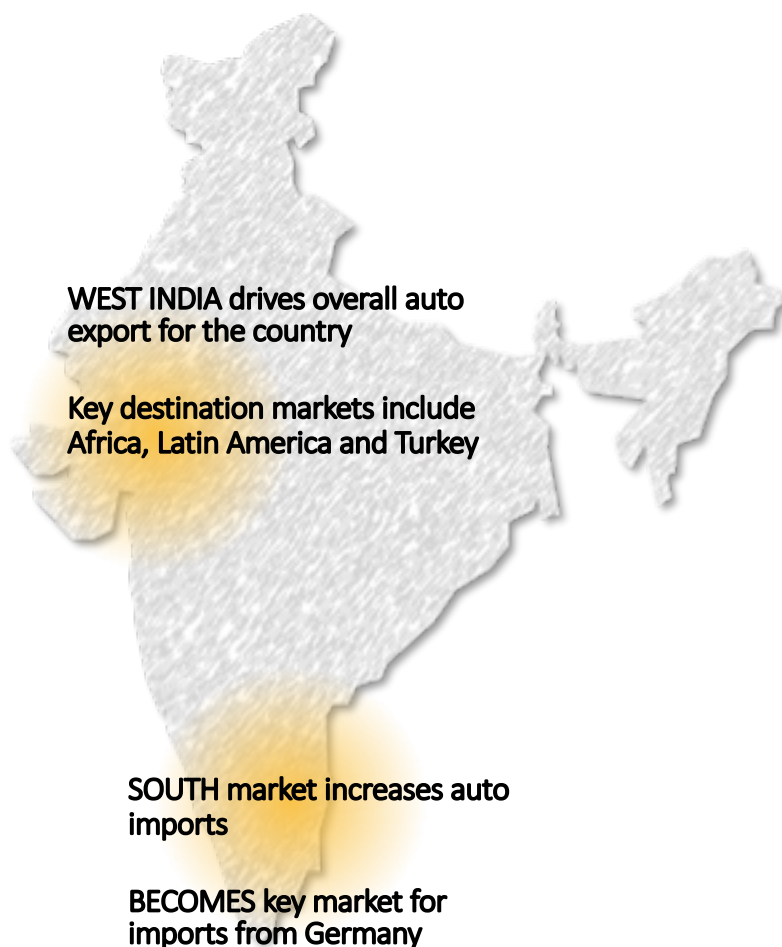
At 18% export growth, Indian made vehicles gained in demand across Africa, Latin America and Turkey. This was largely led by the 2-wheeler and 3-wheeler segments.

"With India fast becoming a key automotive manufacturing hub, OEMs across the board are investing in increasing their production capacity in the country. This is in turn also benefiting the auto ancillaries' industry, and creating a multiplier effect in auto exports from India," says Felder.

Vehicle exports were largely driven by Western India, which clocked an impressive 71% growth, up from 13% last year.

On the import side, vehicles from Germany registered a strong uptick with imports coming into South India which is one of the major auto assembly hub for the Industry.

Overall automobile Imports to this region saw a significant turnaround going from a contraction of 12% last year to a robust 28% growth in the corresponding period this year.



REEFER TRADE GROWTH SLOWS DOWN



India’s overall reefer (refrigerated cargo) trade growth slowed on the export as well as import side. However, a strong increase was registered by exports of commodities like pharmaceuticals to North America and grapes to North Europe.

On the import side, inflow of reefers slowed. This was due to a slowing growth from Mediterranean countries (8% up, from 82% up last year) and contraction of 33% from North Europe (compared to a 35% increase last year).

“Countries across the world are considering policies to reduce their healthcare spending, and pharmaceuticals contribute a major portion of these expenses. The cost arbitrage India offers, combined with improving quality in manufacturing, is contributing to India’s growing play in pharmaceutical exports. Export of grapes on the other hand, are more cyclical and seasonal in nature,” explains Felder.



Fig 1: Combined YOY reefer export growth driven by the two commodities

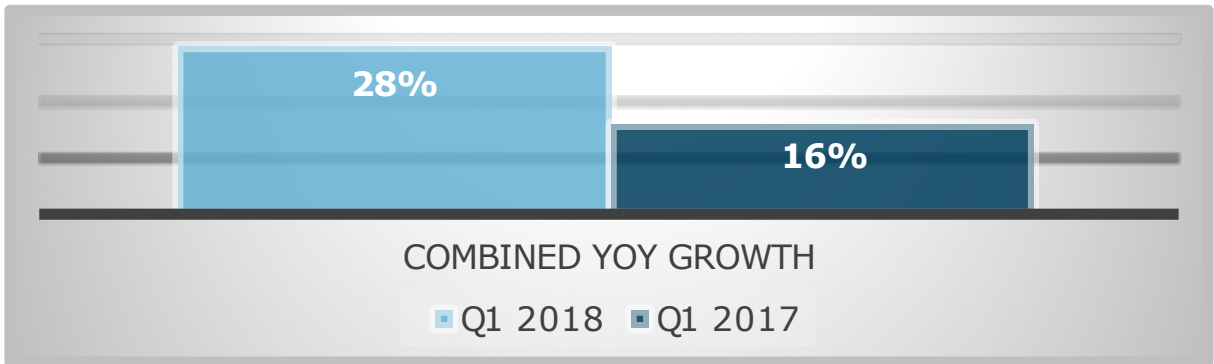
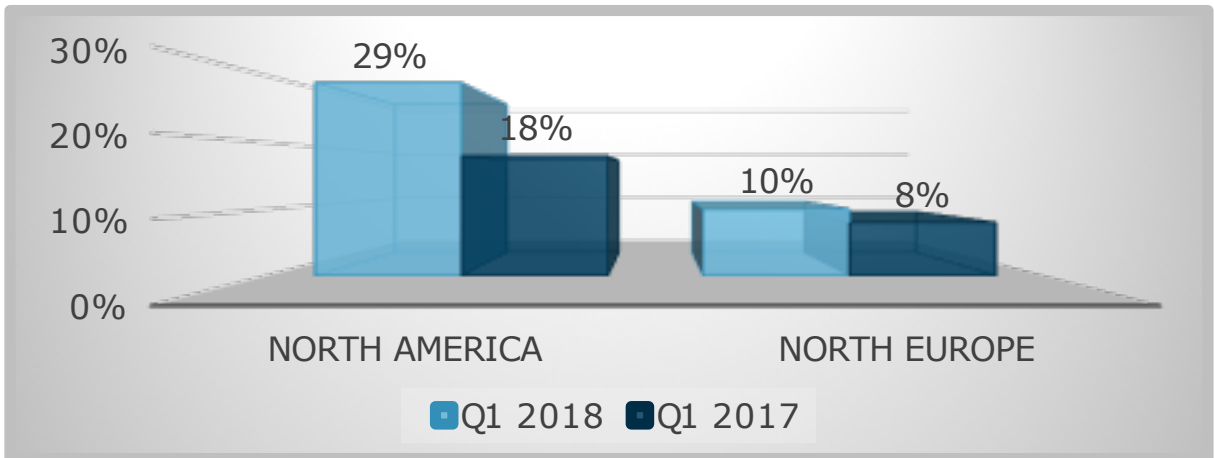


Fig 2: Reefer exports from India to key markets on the rise



GROWTH TREND TO CONTINUE THROUGH UPCOMING QUARTERS

With large trading economies such as China and US sparring over their trade relations, India as well as other emerging countries are expected to witness strong inflows of select commodities.



Says Felder, “Commodities have to find markets, and as India’s domestic consumption continues to rise, we can expect to see many of them find takers here. Also, the increasing aspiration of India’s populace will sustain this trend over the months to come, assuming there are no significant policy changes.”





About Maersk Line

Maersk Line, the global containerized division of the Maersk Group, is dedicated to delivering the highest level of customer-focused, reliable ocean transportation services

- Supports over 29,000 customers across sectors
- Maersk Line in India is the leading Container Shipping Line in the region with footprints across 25 offices, 55 Inland Acceptance Points and presence across 16 ports in India
- Increased number of acceptance points for both dry and reefer cargo to increase penetration in the remote Indian Hinterland
- 26 years of presence in India gives Maersk Line a strong insight into the Indian market

Get more information at <https://my.maerskline.com/homepage/>



About A.P. Moller Maersk

A.P. Moller - Maersk is an integrated container logistics company working to connect and simplify its customers' supply chains. As the global leader in shipping services, the company operates in 130 countries and employs roughly 76,000 people.

With simple end-to-end offering of products and digital services, seamless customer engagement and a superior end-to-end delivery network, Maersk enables its customers to trade and grow by transporting goods anywhere - all over the world.

Get more information at www.maersk.com

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