

# Fluctuating Rupee and conducive trade dynamics drive India's growth

H1 2018 **INDIA**





India's import-exports grow at 10% in H1 2018. Containerised exports increase to 8%, imports push ahead to 12%

China's decision to restrict waste paper imports benefits India, and fuels higher imports for its local paper recycling industry

Reefer imports declines due to ban on imports of apples and pears from China.

Automotive exports from India to the United States, Egypt and Turkey drive dry cargo exports to grow 10%

India's containerised trade with the world has witnessed a double digit growth of 10%\*, driven by the fluctuating Indian Rupee, growing industrial production and ongoing infrastructure developments. Additionally, China's restrictions on waste paper imports and dynamic trade relations with the United States favoured India's import-export market, making India one of the fastest growing trade economies in the world.\*\*

The automotive sector has made a strong start, with a significant upsurge in exports, as the demand for auto and auto ancillary has grown in the United States, Turkey and Egypt. Likewise, the high import growth during the same period was fuelled particularly by the import of paper, scrap metal and recyclables into North India from the United States and North Europe

*"Evolving external bilateral trade dynamics, coupled with an increasingly robust domestic trade environment is enabling India to position itself as among the most pursued global destinations for foreign investments."*

**Steve Felder**

Managing Director for Maersk Line - South Asia

*"I foresee the Government's efforts to strengthen its economic and strategic relations with Southeast Asian Nations (ASEAN) and the rising digitisation in the industry playing a significant role in further catalysing India's import-export growth opportunity in the months to come" adds Felder.*

## PAPER – THE HIGHEST VOLUME IMPORT COMMODITY

China's decision at the start of the year to increase restrictions on waste imports and close certain types of factories to reduce pollution has continued to benefit local Indian paper recyclers and manufacturers.

The United Kingdom and North Europe relied on China as an outlet for waste paper that could not be recycled domestically, sending more than 1.4 million tonnes of recovered paper to China every year. As these commodities continue to seek new markets, India along with other Southeast Asian nations such as Vietnam and Malaysia pose as attractive destinations.\*\*

Additionally, the rising domestic demand for newsprint, packaging and writing paper has led to a growth of 29% in waste paper imports to India, making it the fastest growing paper market\*

The government's emphasis on education and literacy, followed by increasing retail consumption in terms of packaging of FMCG products and rising healthcare demands have been driving the packaging paper industry across India.

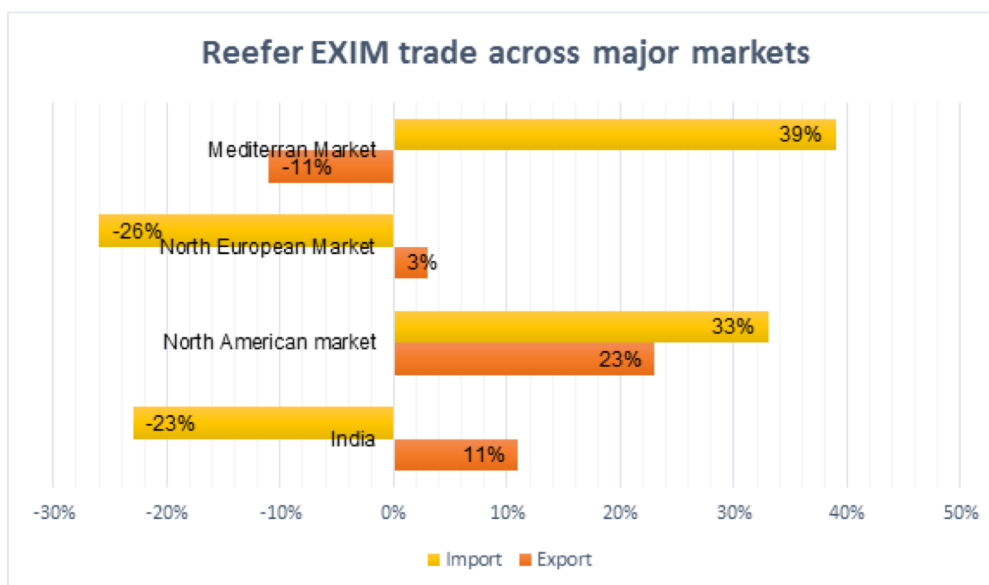
“The cost of producing paper in India is high. Hence, paper imports have increased from Germany, Belgium, United Kingdom and the United States,” explains Felder.



## REEFER IMPORTS DECLINE

India imposed a ban on the import of Chinese grown apples and pears in May 2017 due to lack of Phytosanitary certification on the quality of imported fruits.

"As the Indian government weighs in on tariff hikes for products from the United States like apples, almonds and walnuts, the trade in the upcoming quarters would have a significant impact on origin imports from the North American region if the policy is implemented," explains Felder.



"The biggest challenge for the trade in general and container trade in India is the lack of infrastructure. The incorrect loading of refrigerated cargo into a reefer container or an error in temperature setting can prove disastrous for the consignment. Having said that, refrigerated cargo is much more promising as a segment, as there is 20-30 percent of wastage in perishables, which can be reduced and converted into consumables by maintaining a good and robust cold chain."

**Ajit Venkataraman** Managing Director, APM Terminals – South Asia, a part of Maersk's Transport & Logistics



"The cold chain, if developed near the source, where the produce /catch is washed, segregated, packed and transported by temperature-controlled trucks can help in seamless supply with consistency and no break points. This will help improve the shelf life, quality and reduce wastage. It is an untapped potential in cold chain segment." he adds



## UNITED STATES ONE OF THE TOP MARKETS FOR 'MADE IN INDIA' VEHICLES

The United States has emerged as one of the top export markets for Indian automakers as it has increasingly become a large automotive manufacturing hub, selling to about 175 countries (SIAM).

However, the passenger vehicle segment exports to developed countries like the United Kingdom and Northern Europe, which were one of the largest automotive export markets for India, have witnessed a stagnant period

As per the U.S. Energy Information Administration (EIA), more than 92% of the transport sector in the United States depends on liquid or fossil fuels with passenger vehicle segment having a sizable chunk.

“India is emerging as an automobile export hub piggybacking on factors such as skilled resources, labour cost, quality of automotive manufacturing and engineering. The government’s focus on improving port infrastructure would further contribute to its automobile export competitiveness.” explains Felder

## UNITED KINGDOM, AN ELECTRIC VEHICLE SUPPORTER

The Centre of Automotive Management (CAM) has stated that the EV sales in the United Kingdom have risen to 11% last year, placing the nation in the premier league of the countries switching from petrol and diesel engines. Exports to the United Kingdom, which was the second-largest market after Mexico in FY17, have fallen by almost half to \$220 million in FY18. (Source: SIAM)

Meanwhile, exports to Spain and Italy have witnessed a drop of 7%, and 4% respectively.

“The advent of electric vehicles in the developed countries might be one of the reasons for a dip in the auto exports to these regions. Countries around the world, especially, United Kingdom & Northern Europe with an evident exclusion of the United States, are increasingly recognising the shift from a fossil fuel to one that is a more sustainable, green energy.”

## NORTH INDIA LEADS THE COUNTRY'S GROWTH STORY

In the first half of 2018, India has observed a solid economic growth of 7.8%, emerging from the effects of demonetisation and GST implementation (*Source: Nomura*)

The exports from North India has grown at 13% while the imports rose substantially – thereby helping North India clock the highest growth of 23% among all four regions

*"There have been no major hiccups in India's overall import-export trade – the impact of GST has now largely subsided – although there are mixed reports about the timeliness and velocity of GST refunds; potential trade opportunities have been converted with competitive pricing, quality product and growing domestic demands. India has been actively buying raw materials such as plastic, rubber and metal to safeguard of its manufacturing and infrastructure sectors," explains Felder.*

Textiles, apparels, plastic and chemicals were some of the top exported commodities from the North of the country. The leading export destinations for these products were United States and Saudi Arabia.

Turkey also emerged as one of the top export destinations of Indian made vehicles, plastic and rubber commodities, however the sharp weakening of the Lira may put this under pressure in the future.

*"The weaker rupee and supportive government policies have helped Indian exporters to step up exports orders, especially in the current dynamic trade environment."*  
adds Felder





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*"The government plans to double the country's agricultural exports by 2022 through various policy reforms like the agriculture export policy which will help the SME's and exporters from hinterland to be price competitive in the global market.*

*This will also promote investments and facilitate technology and skill upgrade leading to job creation. These fiscal and non-fiscal incentives by the government will further boost the Export-Import trade in both advanced and emerging markets in the near future,"* Felder concludes.

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**Steve Felder**

*Managing Director for Maersk Line - South Asia*

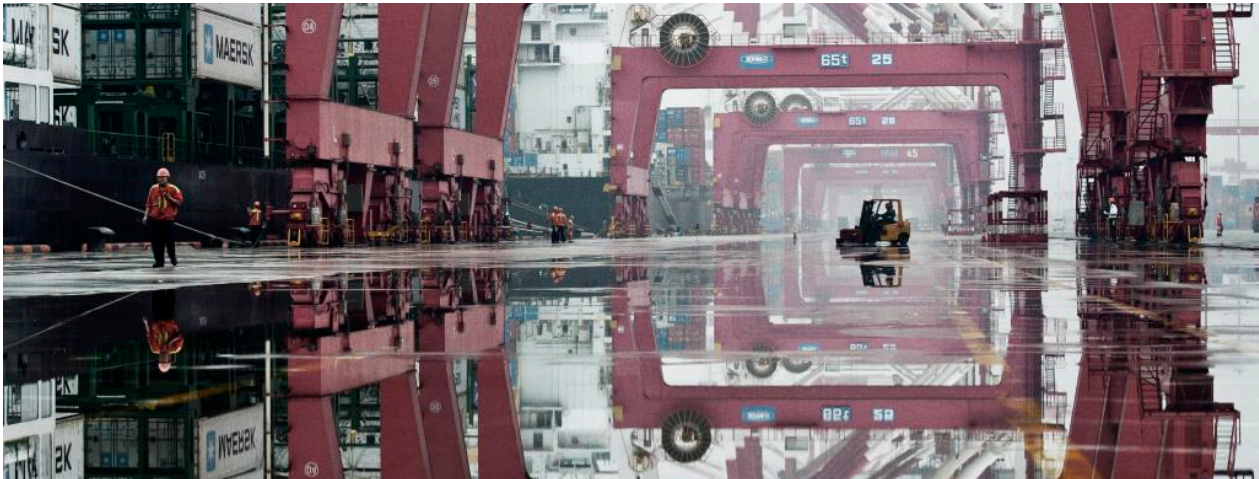
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India is going through a transformation and especially with the introduction of GST, infrastructure developments like dedicated freight corridors, most of the landscape today is a hot bed of opportunities. Around 60 percent of goods and services in India are containerised, whereas in developed market it is 70-75 percent. There is a huge opportunity to tap the market in containerised segment

**Ajit Venkataraman**

*Managing Director, APM Terminals – South Asia, a part of Maersk's Transport & Logistics*

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#### 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/>



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#### 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](http://www.maersk.com)

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