

INDIA TRADE REPORT

Middle-East and China drive India's export growth amidst subdued imports



India's containerized trade driven by exports narrowing trade deficit

India's containerised exports witnessed a stable growth of 6% in the first quarter of 2019 propelled by robust performances in reefer (refrigerated cargo), engineering and pharmaceuticals sectors, while imports declined slightly in the same quarter registering a market growth of -2.2% in Q1. The import demand was buoyed by pharmaceuticals, metal, appliances and kitchenware, paper, chemicals and fruit & nuts, mainly from Northern Europe, South Asia, China and Russia. Exports were driven largely by the East and West of India, which both contributed double digits to the growth, with commodities including plastic, rubber, textile, vehicles, and vegetables as the key drivers.

Interestingly, the waste paper, paperboard and plastic imports saw a decline, as the Indian government early this year levied additional duties. Concurrently, China restarted importing low-quality papers like craft paper and boards in the first quarter, resulting in lower supply to India. Additionally, India also announced the ban of import of solid plastic waste into the country, including in Special Economic Zones (SEZ) and by Export Oriented Units (EOU) with a thought to close the gap between waste generation and recycling capacity of the country, further advancing the "Make in India" initiative, and safeguarding the impact on the environment and domestic paper industry.

Global trade is expected to continue to face strong headwinds in 2019 and 2020, after growing more slowly than expected in 2018 due to rising trade tensions and increased economic uncertainty as per WTO report. The other reasons of consequence include the new tariffs and retaliatory measures affecting widely-traded goods, weaker global growth, and tighter monetary conditions in developed countries.

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Enabling and facilitating trade is an integral part of our business, and it contributes to prosperity and development, globally and locally. Considering the tensions in the global trade environment, we are off to a positive start to 2019 on exports, and the market is expected to strengthen after the elections.

Indian exporters today, are expanding their geographical range and product diversification, with a visible shift towards higher value-added manufacturing and technology-driven items. Exports have remained strong even as the rupee appreciated against the dollar, which shows a strong demand for Indian exports. The moderation of global containerised trade growth reflects a broad-based slowdown in main economies due to declining growth in private consumption, trade tensions, political risks and financial volatility.

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Steve Felder

Managing Director - Maersk South Asia

North and West India drive trade with European and Mediterranean region

In the burgeoning trade with the North and West of India, Poland's YoY growth was fastest amongst European countries' making it a strong export trade partner in Europe. United Kingdom, and Netherlands were among the other strong trade partners in the region. The commodities exported to these countries include appliances kitchenware, tile, stone glass, textile, and chemicals. On the other hand, Russia, Germany, and Netherlands were the leading import destinations from the region. Importing commodities including paper, metal, fruit and nuts, and pharma. As a result of India's move to impose anti-dumping duty on select Chinese products including chemicals, pharmaceutical, and rubber and steel items, our imports of rubber and chemicals from Russia saw a significant growth, making Russia one of our important trade partners in the first quarter.

While looking at the North and West trade with the Mediterranean region, Egypt saw the strongest growth with 28% y-o-y increase in the exports, and on the import front, Turkey became a sturdy partner with a 16% rise in imports from the country.

Exports from the North and West were chiefly driven by plastic and rubber which saw a double digit growth in Q1. While the South and East region saw a 25% growth in vehicle exports. In the light of growing rubber exports from the country, the government's draft rubber policy will only further propel this growth with budgetary support to rubber sector to reduce dependency on imports. While Saudi Arabia and United Kingdom were among the top export markets for North and the West regions. South and East of India drove the exports to China. Interestingly, East India saw the highest growth in exports to USA – 17% followed by South at 14%.

Commodities exported to the USA include foodstuff, seafood, pharmaceuticals, metal, plastic, rubber and textiles.

Commodity Trade

Export trade with Saudi Arabia, China and Egypt was driven by commodities like plastic and rubber, tile, stone, glass, textiles and seeds, beans, cereals and flour leading the growth curve in dry cargo segment. While vegetables drove refrigerated cargo exports to Saudi Arabia. This significant growth in refrigerated cargo can be attributed to the festive season of Eid that scales the import needs of these regions on account of substantial rise in the demand for goods and commodities.

Textile is another dry commodity after plastic and rubber to see an increase in exports, with Egypt, China, Germany and Poland among the key export drivers for this commodity. This growth in the textile exports is set to continue given the government's recent move to extend refund of State and Central taxes on shipments of apparels and made-up goods.

Imports were primarily driven by Germany, South Korea, and Russia. In contrast to the previous quarter, metal and paper imports saw a decline. While paper imports were lowered due to government's move to levy additional duty, the major reasons for the decline in iron & steel imports during the period are – relatively better domestic price realisation, and India replacing Japan as the world's second-largest steel producer, thus enabling that demand to be met inward.

East India saw the highest growth in exports to USA

17%

Y-o-Y

Poland's YoY growth was fastest amongst European countries'

Saudi Arabia strongest trade partner for North and the West India region

74% increase in exports

Y-o-Y

Refrigerated cargo scales India's trade

Refrigerated cargo saw a stable 6% growth in exports in Q1, with commodities like vegetables, fruit and nuts, fish, meat, pharmaceuticals and chemicals driving the reefer import-export trade. Saudi Arabia, USA, Germany, Belgium and Spain were among the highest export countries for India's refrigerated cargo with chemicals, pharmaceuticals, meat and vegetables driving this demand; while Russia (chemicals) and Italy (fruit and nuts) remained the strongest partners from the refer imports standpoint.

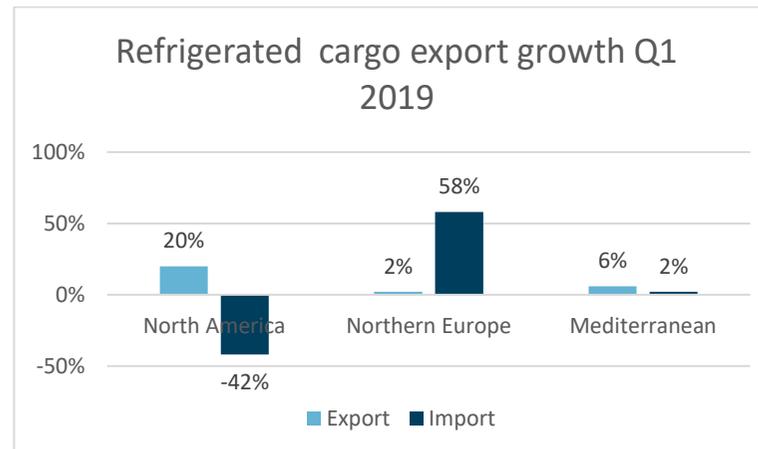
The pharmaceutical sector saw a healthy growth in import-export trade in Q1. This growth was led by new product launches by pharma companies and growing demand from the USA. Performance has been particularly strong in the USA, where we saw a 55% y-o-y increase in pharmaceutical exports. This surge in the demand can be attributed to discontinuation of certain products by large generics and plant specific issues with some companies among other reasons. Interestingly, India also saw a triple digit growth in pharmaceutical imports from the European region.

Vegetables, foodstuff, and fruit and nuts saw strong growth in the demand for agricultural exports in Q1. This growth is only set to continue aided by government initiatives that will further boost agricultural exports. One of them is the agricultural policy that focuses on agriculture, horticulture, plantation, fisheries and meat. Then there are state specific initiatives that include The Department of Commerce's plan to implement a

programme to push exports of agricultural goods from North-Eastern states of the country, by offering a viability gap funding (VGF) to take the fresh agriculture produce from the region to the international markets, and Maharashtra government's move

to develop five clusters in the state in line with the agri-export policy to drive export of top agri products from the state.

There are also various external factors that will enable the growth of the agri-exports in India while further strengthening trade relations with strong existing trade partners like China and UK. In an effort to extend trade relations with China, India is seeking greater market access for its various agricultural products, including oilseeds, milk products, and pharmaceuticals. Furthermore, Brexit could also mean an increase in agricultural exports to UK, given it won't be bound by the strict quarantine rules of the European Union, and may draft its own rules as per its requirements. Indian fruit and vegetable exports will stand to gain as UK accounts for the largest share of India's export to the EU.



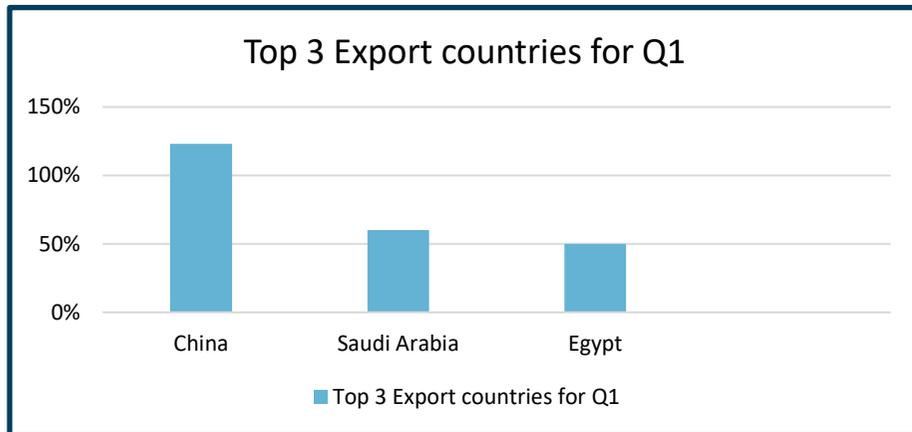
Russia becomes a significant chemical import partner

20%
increase in refer exports to USA

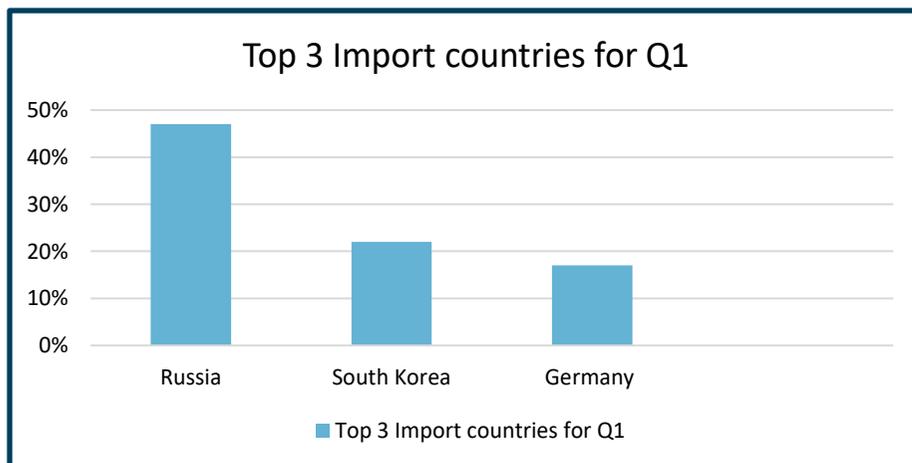
Y-o-Y

Pharma witnesses triple digit growth in imports from Northern Europe

Trade Partners Q1 2019



- Plastic and rubber, textiles & apparel, and ores, slag & ash were among the most exported commodities to China
- Vegetables, tile, stone and glass, and seeds, beans, cereals and flour dominated the exports to Saudi Arabia
- Seeds, beans, cereals and flour, textiles and apparel and vehicles drove exports to Egypt



- Plastic and rubber, paper and chemicals were among the most imported commodities from Russia
- Imports from South Korea were largely driven by appliances-kitchenware and vehicles
- Wood and paper were the most imported commodities from Germany

Way Forward 2019-2020



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As the Indian logistics sector gears itself for a deeper implementation of new emerging technologies like blockchain and artificial intelligence, the industry needs to focus on skill development to enhance the export growth. The government's efforts to grow international trade are already visible through the plethora of

initiatives over the past year, including the relaxation of cabotage regulations and favourable regulatory environment, emphasized by the grant of infrastructure status to the logistics industry.

Predominantly an agricultural economy, the country is one of the largest producers of perishables goods, ranging from dairy, fruits, vegetables, nuts, pharmaceuticals which presents an immense opportunity to boost our hinterland trade. However, India needs to drive and indeed fast-track investment-led infrastructural upgrade of roads, intermodal transportation and cold chain infrastructure, which would benefit the farmers and Small and Medium Enterprises (SME's). The 'Make in India' initiative is further expected to act as a catalyst in advancing our manufacturing sector to the international market.

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Steve Felder

Managing Director Maersk South Asia

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 <https://www.maersk.com/>

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