

# North America Trade Report

North America set to deliver strong growth in 2018 after healthy 2017

US Gulf Coast To Outpace East And West Coasts As Homegrown Issues Weigh

Canadian Volumes To Be Boosted By Second Trade Pact In As Many Years

US Retailers Put Pressure On Shipping Line Industry





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# North America Trade Report

North American trade is set to deliver another year of robust growth. The US and Canada will benefit from an expected increase of more than 3% in global trade volumes this year as US consumers underpin imports and Canadians gain from the signing of a free trade agreement covering a US\$12.6 trillion market, according to the world's largest shipping company Maersk Line.

However, the US and Canada, which have grown at similar accumulative rates of 8.7% and 8.3% from 2015 to 2017, have two very different tales to tell this year. For the US, gains will come from retail, chemicals, consumer electronics and grains sectors but the nation faces a number of homegrown issues as the import-to-export

gap continues to widen. The US is facing a trucking crisis, rail infrastructure needs to be updated, terminal competitiveness lags behind other countries, while digital transformation is putting pressure on the way the US does trade – not to mention the bunker fuel hikes and terminal congestions persist. Meanwhile, the outlook is more positive for Canada, which promises to be one of the fastest growing markets in terms of container trade across the Americas this year.

In 2017, US total maritime container imports and exports grew 4.7%, up from 3.9% in 2016, while Canadian total imports and exports expanded 6.9%, up from 1.4% in 2016. The US accounts for 24% of all global

container trade, which moves more than US\$4 trillion worth of goods a year. Maersk Line moves approximately one in five containers around the world.

“The US and Canada are growing and yet they are in two very distinct moments. The US is in digital disruption and transformation, putting pressure on the way the nation trades, so much so that the end-goal must change so that booking a container and moving it across continents becomes as easy as posting a parcel, helping US business flourish locally and globally,” says Omar Shamsie, President for Maersk Line North America. “It sounds far-fetched when you consider how the industry does business now, but the future of the whole supply chain needs to be

discussed at the highest levels, US competitiveness needs to come under a magnifying glass so the whole industry and authorities can address new ways of narrowing the ever-increasing gap with imports and update itself in the face of digital disruption and increasing competition from Asia, Latin America and Europe,” he adds.

Parent company A.P. Moller-Maersk is already taking steps to help overhaul global trade after unveiling in January a joint venture with IBM to create an industry-wide paperless platform that is aimed at speeding up trade transactions, boosting transparency for clients and ultimately saving billions of dollars.



# Canada Trade Report

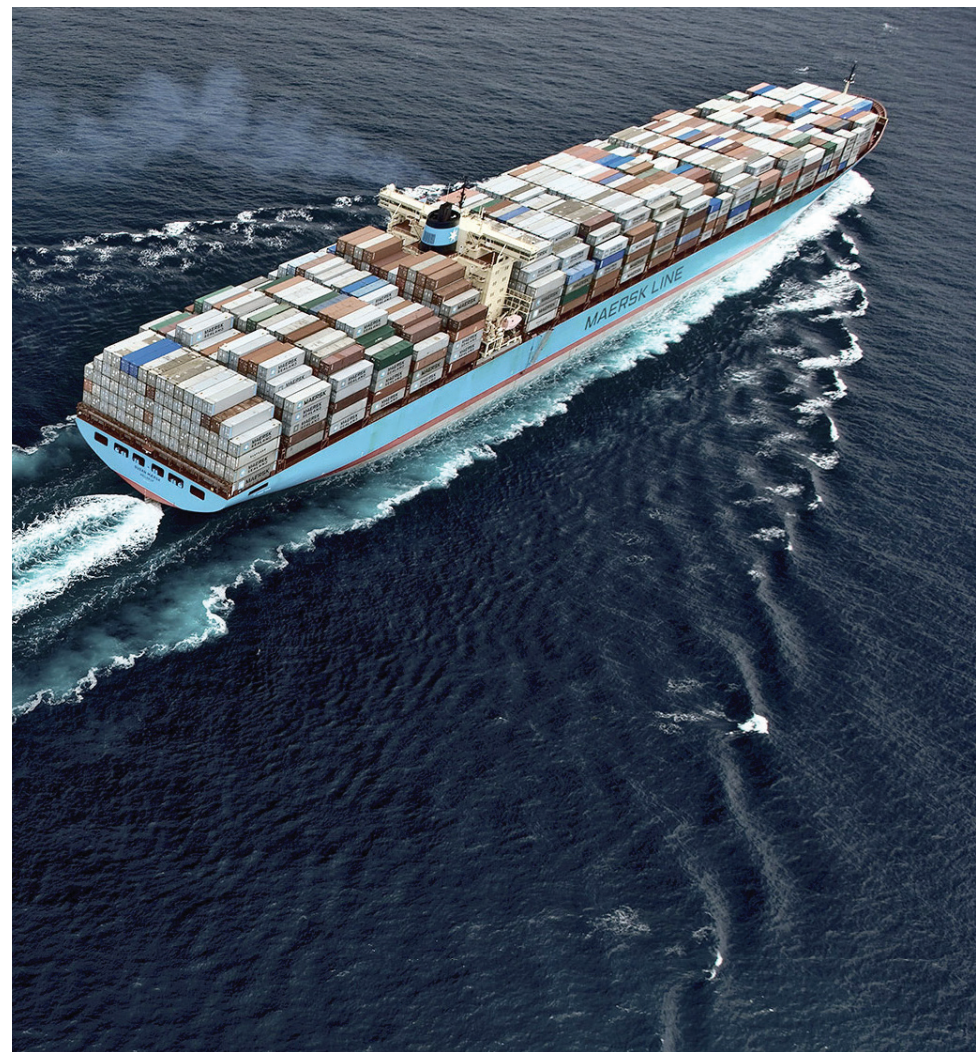
Canada is facing another strong year of growth and with another soon-to-be-signed accord has a rare opportunity to become one of the fastest growing markets across the Americas this year.

“Canada is set to be one of the fastest growing major markets in the Americas in 2018,” says Omar Shamsie, President for Maersk Line North America. “The country’s total trade growth is likely to outpace the US and Colombia but will be in a tight race with Mexico to finish first this year,” he adds.

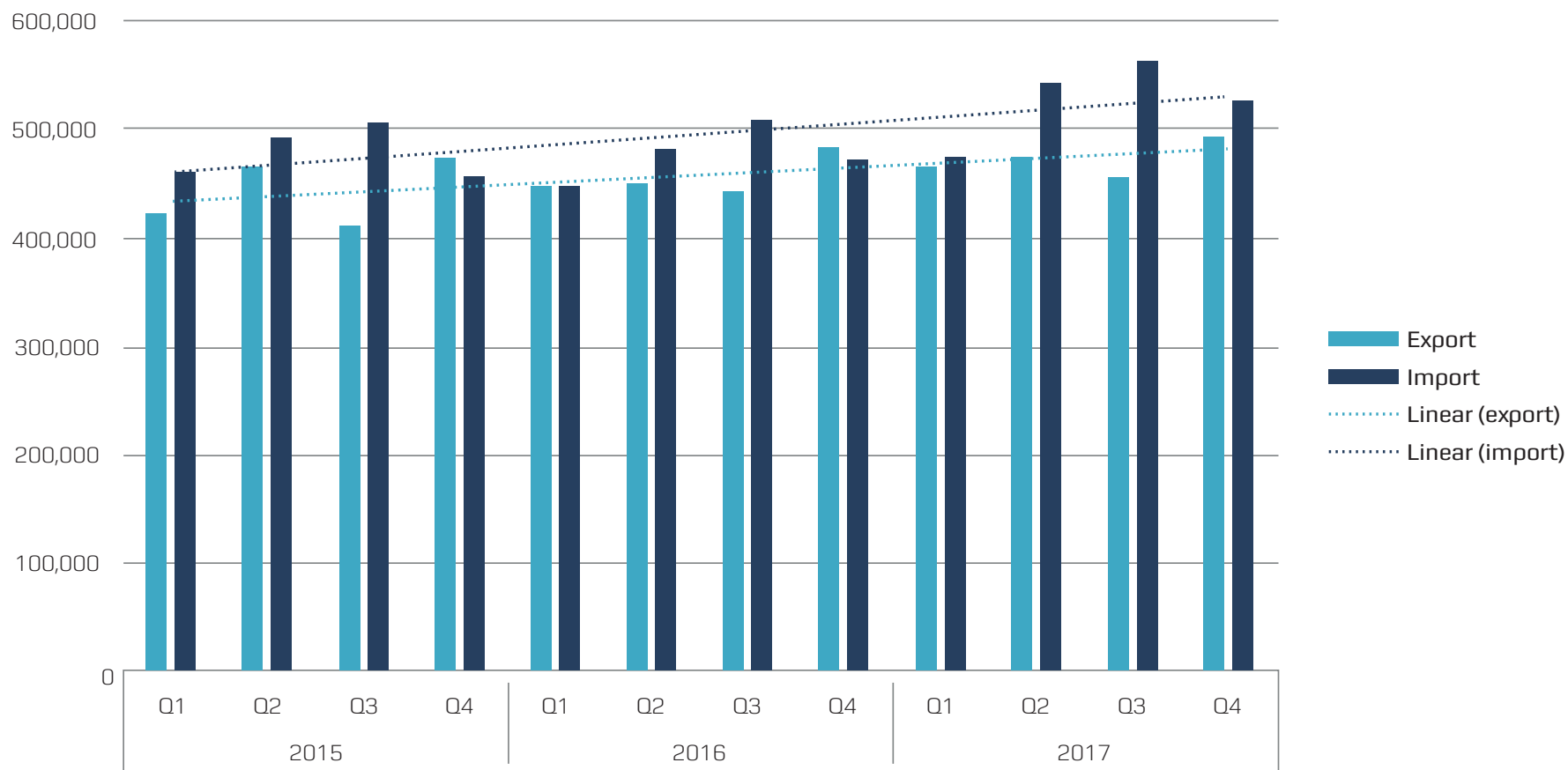
Canada is set to gain from a boost in trade after the country signs the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) free trade area accord with 11 nations across the Pacific. This comes at the same time as the nation benefits from its first full year of free trade with the European Union via the CETA (The Comprehensive Economic and

Trade Agreement) accord. The agreements are expected to contribute to expectations that Canada will deliver more than 7% in maritime container volume growth in 2018, according to Maersk Line’s forecasts.

“For a country that makes trade one of their top priorities and believes that commerce brings prosperity and growth, CPTPP represents an opportunity to help boost exports after a moderately better performance in 2017. CPTPP will also further increase Canada’s attractiveness as a gateway for trade to North America,” says Jack Mahoney, President of Maersk Line Canada. In terms of volumes, Canada’s biggest imports and exports market is Asia, representing 69% of all trade with Northern Europe at 15%, the Mediterranean 8% and the Middle East, India and Pakistan at 5%.



# Canada Trade Between 2015 and 2017 in TEUs



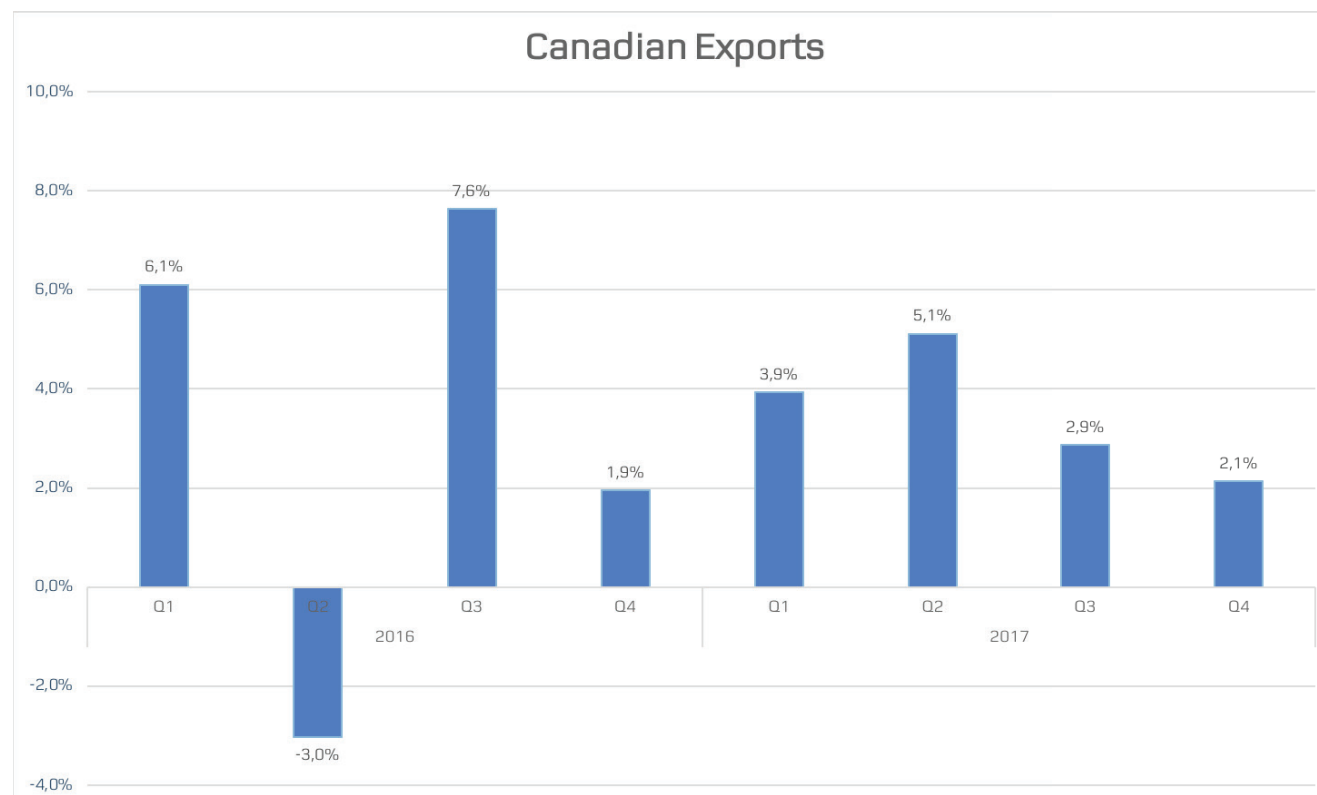
## CANADA CONTAINERIZED TRADE FROM 2015 TO 2017

Sum of TEU Year	QUARTER	EXPORT	IMPORT	Grand Total
2015	Q1	423,053	460,503	883,557
	Q2	465,471	493,576	959,047
	Q3	411,725	506,296	918,021
	Q4	473,949	455,400	929,349
2016	Q1	448,870	449,100	897,971
	Q2	451,380	482,183	933,563
	Q3	443,176	509,156	952,332
	Q4	483,183	472,218	955,401
2017	Q1	466,506	475,442	941,948
	Q2	474,473	542,498	1,016,971
	Q3	455,917	563,379	1,019,296
	Q4	493,494	526,227	1,019,721

“We believe the arrival of CPTPP will provide a boost to Canadian trade, but the effect will be gradual as we are seeing with CETA. It takes effort to find new markets and win new customers; however, it provides Canada the opportunity to strengthen its trade across the Pacific,” he adds. In 2017, Canadian imports increased 13% and exports gained 2%.

Breaking down Canadian exports by seven trade routes, volumes to the Pacific slightly increased 0.3% and 0.3% in the third and fourth quarters, while Oceania (Australia and New Zealand) was 3.5% up by the fourth quarter. Volumes to the Middle East, India and Pakistan had jumped 21% in the second quarter before showing a modest 3% growth in the third and a decline of 16% in the fourth. Europe continued positively throughout the year, with a high of 11.9% in the second quarter and rounding out the fourth quarter with 5.1% growth.

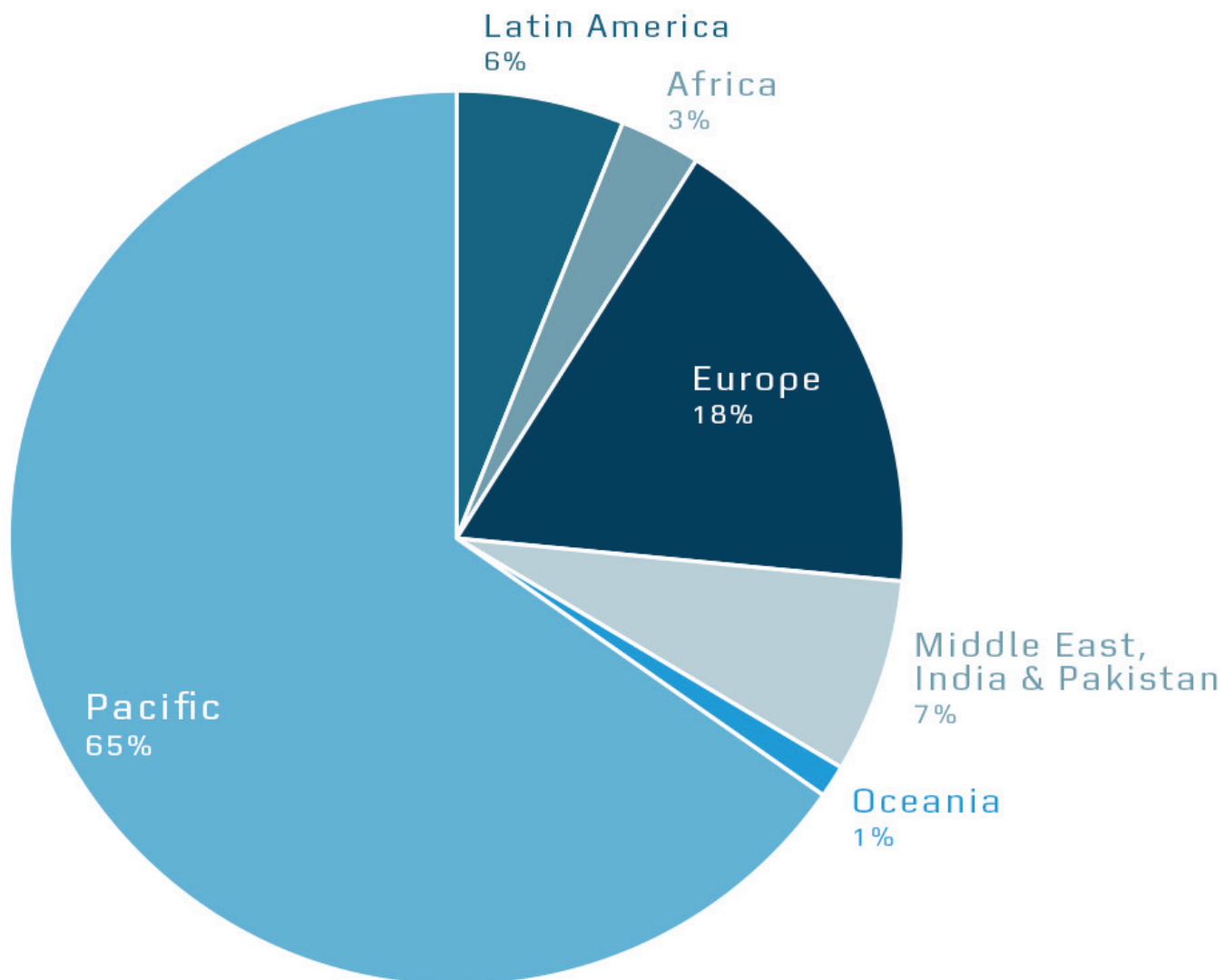
The CPTPP accord involves eliminating more than 98% of tariffs across 11 countries



including Japan, Chile, Australia, Malaysia, Singapore and Vietnam, or 15.8% of world GDP. “The signing of the CPTPP accord is important as the Canadian economy is expected to grow more than 2% versus 3.1% in 2017. It will provide new opportunities for agricultural foods, oilseeds and refined canola oil exporters,” says

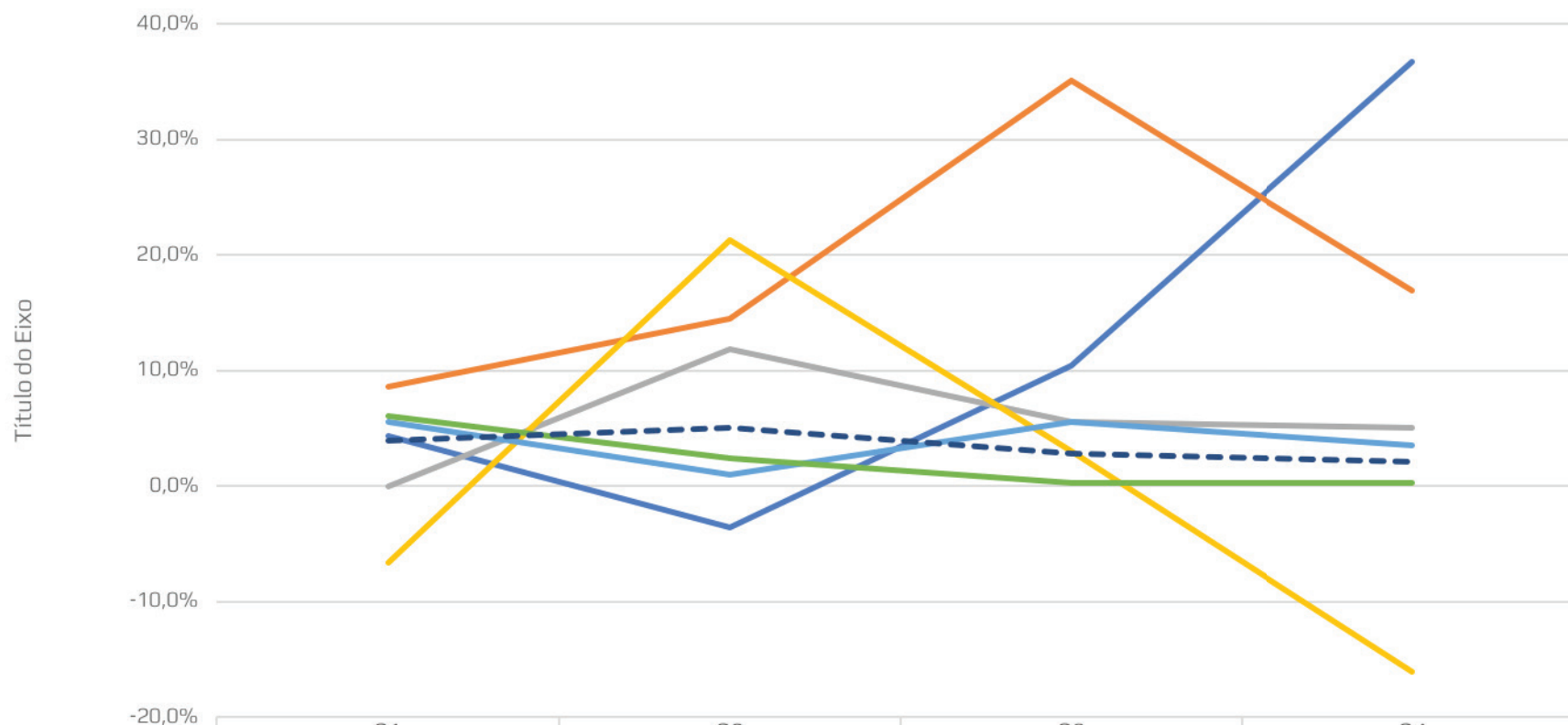
Mahoney. “We can see demand across more than 100 markets and where certain sectors are doing better than others, helping our clients find new opportunities,” he adds. In terms of refrigerated goods and foods, Canada has an opportunity to increase trade in pork, beef and poultry, for example.

## CANADA CONTAINERIZED VOLUMES BY TRADE LANE





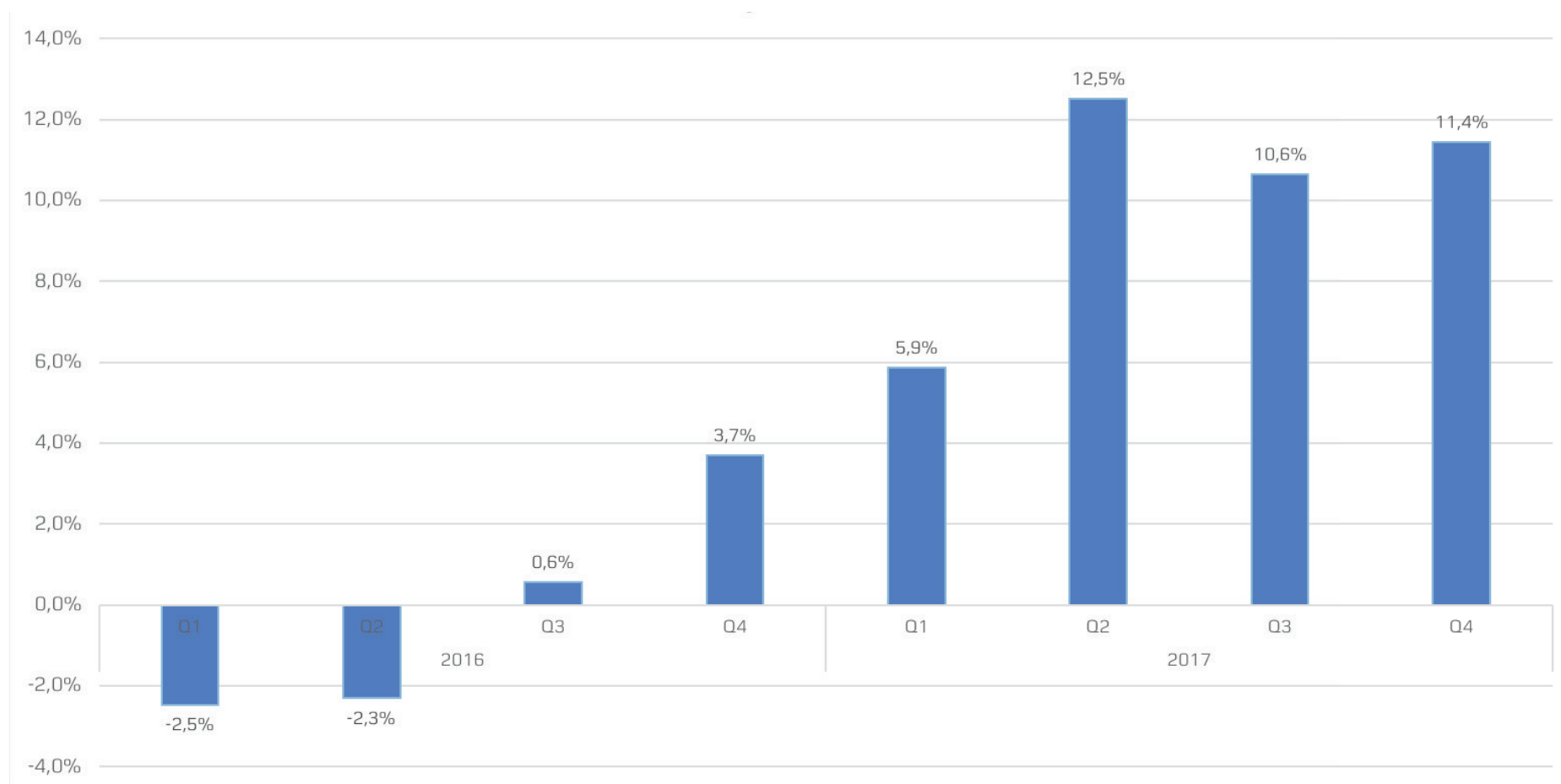
## Canada Export Trade Performance



# Canada Imports 2018

Canadian imports enjoyed their strongest performance of the year in the fourth quarter in the lead up to Black Friday and Christmas. Indeed, retail enjoyed in 2017 one of its best annual performances in decades supported by strong auto sales too.

## Canadian Imports 2016 - 2017





This comes as Canada is expected to take more business away from the US West Coast in 2018. Prince Rupert benefits from a geographical advantage of being closer to Asia as well as providing more competitive and efficient services than its neighbors further south.

“Prince Rupert is a competitive gateway to the US, a real alternative to its competitors further south. We can see how the Canadian city’s main purpose is geared toward boosting trade backed by a close collaboration between Maersk Line, DP World, the Port Authority of Prince Rupert, and CN Railroad,” says Mahoney. According to the Association of American Railroads, US railways grew 3.7% in the first 40 weeks of 2017 versus Canadian railways growth of 11%.

“Long Beach / Los Angeles remains the top container port in the region but congestion related to rail, trucking and other variables are impeding it from competing as effectively as it could be.”

“This is important because shipping lines need to be focused on efficiency for their clients and make it easier for them to do business in Canada and abroad by stripping out the complexity of what can be a cumbersome container booking process if handled poorly.

Through digital tools, clients can make a container booking online in a few minutes today instead of taking hours in 2014,” he adds.



## About Maersk Line

- Maersk Line is the world's largest container shipping company with more than 33,000 employees and 630 plus vessels
- Maersk Line serves customers through 306 offices in 114 countries.

## About A.P. Moller-Maersk

- The first Maersk vessel to arrive in North America was the Laura Maersk in December 1913 when she docked at Galveston, Texas.
- Maersk has more than 89,000 staff in the world and is present in more than 130 countries.
- Other subsidiaries include Svitser, which operates 430 tugs, Maersk Supply Service runs 70 support ships and Maersk Drilling has 22 vessels.
- Maersk vessels call at a port every 15 minutes.

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Canada statistics are produced by Container Trade Statistics as well as port authorities across the country. All forecasts are produced by Maersk Line.



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