



‘Cheaper than China’

India–US trade surges as sourcing slowly shifts away from China

By Bency Mathew

RAMPANT NORTH AMERICAN consumer goods demand and an acceleration in sourcing shifts away from China during the COVID-19 pandemic is boosting trade between the United States and India to record highs.

Bhavik Mota, director of regional ocean management for West-Central Asia at Maersk, said US importers’ “China-plus-one” sourcing strategy will continue to pay dividends for manufacturers in India

even as economic growth slows.

“In the first half of 2022, despite rising inflationary concerns and associated impact on consumer appetite in the western market, we saw sustained demand for goods from India to North America,” Mota told *The Journal of Commerce*.

Containerized volumes between the two countries rose 8.3 percent year over year in the first six months of 2022 after surging 23.5 percent for the full year in 2021, according to PIERS, a sister product of *The Journal of Commerce* within IHS Markit, part of S&P Global.

That upswing was driven in large part by US imports from India, which accounted for roughly two-thirds of the 1.16 million TEU

transported between the two countries in the first half. Inbound shipments from India jumped 12.4 percent during the first six months of the year after spiking 31.4 percent in 2021, while outbound volumes from the US to India ticked up 1.1 percent in the first half after rising 10.5 percent last year.

Total merchandise trade between India and the US rose 48.3 percent to an all-time high of \$119.42 billion during India’s fiscal year 2021–22 that ended in March, according to data from India’s Ministry of Commerce, pushing the US past China as India’s top trading partner.

South Asian migration

China continues to be the



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world's largest production hub, but tariff conflicts, stop-and-start economic pressures from Beijing's zero-COVID policy, and soaring labor costs are slowly chipping away at the country's dominant market position, said Daniel Krassenstein, global supply chain director at US-based industrial packaging manufacturer Procon Pacific. Improvements in industrial productivity thanks to automation and worker training have also helped bring down manufacturing costs in India, particularly for "labor-intensive" consumer products, he added.

"While a factory worker in Jiangsu [China] may earn four times the average amount paid to a worker in Gujarat [India]...the labor-intensive manufactured items — notably textiles, garments, and Christmas decorations — are now about 30 percent cheaper in India than procuring from China," Krassenstein told *The Journal of Commerce*.

A spokesperson for Allcargo

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Logistics, Mumbai-based parent of global non-vessel-operating common carrier ECU Worldwide, told *The Journal of Commerce* fears about lockdowns like those seen in and around Shanghai earlier this year and geopolitical hostilities related to the Russia-Ukraine war altered the global sourcing landscape in India's favor at a time when US importers were already front-loading orders to mitigate effects of disruption in their supply chains.

"The India-US trade grew at an accelerated pace in the first five months of 2022 due to volume-driven orders placed by

leading retail players and online marketplaces like Walmart, JCPenney, Target, Amazon, etc.," the spokesperson explained. "The order volume shot up as companies wanted to stock inventories ahead of the festive season to avoid any unexpected disruptions in the supply chain."

Allcargo expects that growth to continue, propelled in part by falling India-US freight rates, the spokesperson said. Short-term container freight rates from India to the US East Coast have tapered off in recent weeks but remain well above pre-pandemic levels even as average long-term contract rates are rising to meet spot pricing.

Average India-US spot rates reached \$10,111 per FEU as of Aug. 31, down 14.4 percent from a peak of \$11,811 per FEU in mid-May, but up 9 percent from the start of the year and 246.1 percent from the same 2020 period, according to data from rate benchmarking platform Xeneta.

Long-term contract rates hit \$8,921 per FEU at the end of August, more than double the \$3,975 per FEU seen at the beginning of 2022 and an incredible 326.6 percent increase from the same week in 2020.

An executive at a Mumbai-based apparel manufacturer who asked not to be identified noted that US importers have been looking to reduce their dependence on Chinese manufacturing since long before the pandemic-induced surge in US consumer demand. That trend will continue as the US cracks down on forced labor and other illegal trade practices in China.

"For example, the value of China's apparel exports to the US slid 24.2 percent in January 2022 versus the corresponding month of 2019, when US imports from India, in comparison, shot up 53.4 percent," the source said. "US fashion companies may find it operationally unviable to source many apparel products from China because of the Uyghur Forced Labor Prevention Act's detailed enforcement strategy to be released by US Customs and Border Protection, which is expected to drive further demand potential for Indian goods."

Carriers capitalizing

Major ocean carriers have responded to the growth in demand by adding capacity between the US and India, via both new services and



India-US container trade grew 8.3 percent in H1 2022 after surging 23.5 percent for the full year in 2021. APIT Terminals Mumbai / Flickr

intermittent extra-loader sailings, primarily to Jawaharlal Nehru Port and Mundra.

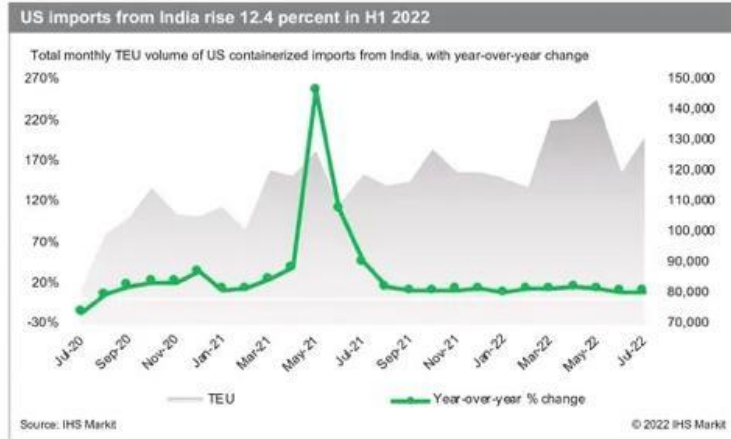
"Indian exports grew over the last two years due to the heightened repositioning of empty containers into the country and the introduction of additional capacities by the shipping lines," Sunil Vaswani, executive director of the Container Shipping Lines Association, which

represents foreign carriers operating in India, told *The Journal of Commerce*. "Besides, the financial assistance provided by countries like the US to their citizens helped rev up the demand for Indian-made goods."

Mediterranean Shipping Co. (MSC), the leading provider of capacity in the trade, added a third weekly sailing to its INDUS network connecting West India with the US East Coast at the end of August. Hapag-Lloyd and CMA CGM — longtime partners in the Indamex consortium — added a second weekly string in October.

In terms of volumes, MSC and Maersk have seen the most growth among the top carriers operating in the India-US trade. MSC handled 34.1 percent of US imports from India in the first half of 2022, up from 20.8 percent in the same 2020 period, thanks to a 178.3 percent increase in volume. Maersk's share jumped to 17.5 percent from 9.5 percent in 2020 on the back of a 212.3 percent increase in volume.

For US exports to India, MSC increased its market share to 30 percent from 21.3 percent in 2020, while Maersk's share jumped to 22.4 percent from 16.5 percent. JOC



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