



ASIA SOURCING UPDATE

SOUTHEAST ASIA | SOUTH AND WEST ASIA

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IN THE NEWS

BANGLADESH



GARMENT EXPORTS TO THE US AND EU LOSE MARKET SHARES

According to data released by the US Department of Commerce, Bangladesh's garment exports to the US declined 3.2% yoy to \$4.6 billion in January-November last year. The fall represents the withdrawal of garment orders from US buyers after the Rana Plaza disaster, which took place in April 2013.

Bangladesh was the sixth largest garment exporting country to the US in the January-November period last year, down from its position as the third largest in January-May, according to the US Department of Commerce. In the January-November period, garment exports to the US from China, India and Vietnam grew 0.5% yoy, 6.6% yoy and 14.0% yoy, respectively.

Bangladesh's garment exports to the EU also slowed, especially as European buyers became weary of the country's prolonged political unrest in recent months. According to Eurostat data, the country's apparel exports to the EU have seen slower growth compared to its competitors. In the January-October period, Bangladesh's garment exports to the EU grew 11.7% yoy, while garment exports to the EU from Vietnam, Cambodia and Pakistan grew 22.9% yoy, 25.4% yoy and 28.3% yoy, respectively.

BANGLADESH

ECONOMY HIT HARD BY MONTH-LONG DEADLY PROTESTS

On 5 January, the first anniversary of the controversial general election polls, four supporters of the opposition Bangladesh Nationalist Party (BNP) were shot dead during street clashes with

supporters of the ruling Awami League. According to media reports, at least 200 people were injured in violence in different parts of the country while the police arrested some 600 supporters of the BNP and its ally the Jamaat-e-Islami. In response, BNP leader Khaleda Zia announced an indefinite nationwide blockade of roads, railways and waterways.

The blockade has lasted for more than a month, but there is still no sign for an end to the political conflict as of 5 February. Security forces have launched a nationwide crackdown, arresting more than 10,000 opposition activists since the blockade began. The police have laid initial charges against the BNP leader and others over the alleged murder of more than 42 people since the blockade began. Charges included the instigation of firebombing a bus, which killed seven people.

The ongoing blockade and violence have dealt a heavy blow to the country's economy. According to Bangladesh's Federation of Chambers of Commerce and Industry, the transport industry alone has been losing two billion taka (US\$26 million) a day since the blockade began, with at least 200,000 buses and lorries kept off the road for fear of attacks. At least 162 buses, lorries and cars have been torched while hundreds more have been damaged.

The Bangladesh Garment Manufacturers & Exporters Association (BGMEA) has reported that 19 of its member garment factories have lost US\$19 million worth of business in the first 18 days of the blockade. The unstable political situation has also prevented foreign buyers from visiting the country.

BANGLADESH

CHITTAGONG PORT TO SET UP NEW TERMINAL FOR BIGGER VESSELS

The country's Shipping Ministry has approved the Chittagong Port Authority's proposal to construct a new terminal on the Patenga coast to handle larger vessels. The new terminal, to be built on an area of 900 acres, will be located behind the Chittagong Export Processing Zone.

Currently, the existing terminals of the Chittagong Port allow ships with 9.5 metres in draft and 190 metres in length to take berth in the jetties. Larger vessels have to anchor at the outer anchorage of the port to load and unload their goods through lighter connecting vessels, which results in higher costs. The new terminal will allow bigger ships to berth directly at the port.

Around 90% of the country's export and import activities are conducted through the Chittagong Port. The total volume of cargo handled through the port was 50 million metric tons in 2014. ■

INDIA



WPI INFLATION STAYS CLOSE TO ZERO

India's inflation, as measured by the year-on-year increase in the wholesale price index (WPI), remained low at 0% in November and 0.1% in December last year. This represents a substantial reduction in WPI inflation from a year ago, when the figure stood at 6.4% in December 2013.

The lower-than-expected WPI inflation in December was mainly attributable to the decrease in fuel prices. With an almost 50% fall in global oil prices since June last year, the sub-index of 'fuel and power' in the WPI basket dropped by 7.8% yoy in December. Food inflation, however, stays relatively high at 3.7% yoy in December.

Meanwhile, India's consumer price index (CPI) increased by 4.4% yoy in November and 5.0% yoy in December, relatively low compared with earlier months of the year.

ASIA SOURCING UPDATE

Looking ahead, low global commodity prices and moderation in food inflation are likely to keep price pressure subdued.

INDIA

ROUND-THE-CLOCK CUSTOMS CLEARANCE SERVICE EXTENDS TO MORE AIRPORTS AND SEAPORTS

The Indian government issued a circular on 31 December to extend the 24/7 (24 hours a day, 7 days a week) customs clearance service to more airports and seaports, with an aim of facilitating cross-border trade flows.

This is a further extension of the pilot plan initiated in 2012, which made 24/7 customs clearance service available at four airports (Bangalore, Chennai, Delhi and Mumbai) and four seaports (Chennai, Nhava Sheva, Kolkata and Kandla). Effective from 31 December 2014, this round-the-clock service was extended to 13 more airports for all exports and specific imports and to 14 more seaports for specific exports and imports.

The 13 airports are Ahmedabad, Amritsar, Coimbatore, Cochin, Calicut, Goa, Hyderabad, Indore, Jaipur, Kolkata, Nashik, Thiruanantapuram and Vishakapatnam.

The 14 seaports are Cochin, Ennore, Gopalpur, Kakinada, Mumbai, New Mangalore, Marmagoa, Mundra, Okha, Paradeep, Pipavav, Sikka, Tuticorin and Vishakapatnam.

Red tape and procedural delays have long been major obstacles to India's trade growth. By reducing dwell time and enabling exporters and importers to better manage their deadlines, the effective implementation of the 24/7 customs clearance arrangement will definitely facilitate trade between India and the rest of the world.

INDIA

FTA NEGOTIATIONS WITH AUSTRALIA NEARER TO A CLOSE

During an Australian trade delegation's visit to India in mid-January, Australian Minister of Trade and Investment Andrew Robb and Indian Prime Minister Modi both reiterated their commitment to concluding the Australia-India free trade agreement (FTA) by end-2015.

Since 2011, six rounds of negotiations on the FTA between the two countries have taken place. The last round of negotiation, held in New Delhi in December last year, covered key issues including goods market access, services and investment, rules of origin, customs procedures, technical barriers to trade and sanitary and phytosanitary measures.

Officially known as the Australia-India Comprehensive Economic Cooperation Agreement (CECA), the FTA will include mutually beneficial terms for trade in goods and services, as well as bilateral investment. Once concluded, the agreement will boost bilateral cooperation, particularly in a number of industries. For example, Australia can provide technology to modernize India's agricultural, mining and energy sectors.

Meanwhile, with reduced or eliminated tariffs, India's traditional export industries, such as leather, textiles, engineering and pharmaceuticals, can gain better market access to Australia.

Bilateral trade between Australia and India has grown rapidly from US\$5.1 billion in 2003 to US\$15.2 billion in 2013. Currently, India is also engaging in FTA negotiations with Canada and the EU. ■

PAKISTAN



FOOTWEAR EXPORTS SURGE 23.1% YOY IN JULY-DECEMBER

In July-December last year, Pakistan's footwear exports increased markedly by 23.1% yoy to

US\$65.1 million, according to data released by the Pakistan Bureau of Statistics.

In the period, exports of leather footwear, which accounted for 86% of total footwear exports, surged by 25.1% yoy, while exports of canvas footwear fell 1.3% yoy to US\$0.074 million; footwear made of other materials saw a 12.4% yoy growth in exports.

Pakistan's footwear industry benefits from the abundant local supply of shoe leather. In fact, leather and leather products constitute the country's second largest export product group after textiles and garments (excluding leather garments). In July-December, exports of tanned leather and leather products (including leather garments, leather footwear and leather gloves) amounted to US\$620.1 million, accounting for 5.1% of the country's total exports.

However, growth in Pakistan's leather industry over the past few years has been stagnant or even declining, pale in comparison to its counterparts in China, India and Bangladesh, mainly because of the unfriendly government policies and the chronic energy shortage.

PAKISTAN

PAKISTANI EXHIBITORS MARK FOURTH HIGHEST PARTICIPATION IN HEIMTEXTIL

Heimtextil, the world's largest trade fair for home textiles, opened on 14-17 January in Frankfurt, Germany. About 220 Pakistani manufacturers and exporters participated in the event, making Pakistan the 4th largest exhibiting country.

This year, Heimtextil saw particularly large increases in the numbers of European visitors from the United Kingdom, Italy and Spain. The trade fair also attracted more visitors from Kuwait, Saudi Arabia, the United Arab Emirates, Japan and the US. Large retailers such as Walmart and JC Penny were seen placing their orders at Heimtextil.

As of the time of writing, the amount of orders received by Pakistani exhibitors was not available; but it was earlier reported that they had anticipated

to get orders worth US\$70-80 million from the trade fair this year, pinning high hope on the competitive edge under the EU's GSP plus scheme. Pakistan's home textile industry, which exports goods worth around US\$3-4 billion annually, relies heavily on the Heimtextil trade fair to showcase their new designs and innovative products.

PAKISTAN

CANADA-BASED CLOTHING COMPANY KANATI PULLS OUT OF PAKISTAN

Kanati Clothing Company, a Canadian menswear label, decided in January to end sourcing from Pakistan, and instead run its entire production domestically in Ontario, Canada. Pakistan's political instability and supply chain disruptions arising from persistent energy crisis are major reasons behind the decision.

Violence and terrorist attacks are becoming increasingly common in the country, as evidenced by the Peshawar school massacre that killed over 140 people in December last year. At the same time, the chronic energy shortage is causing load shedding of up to 10 hours in many parts of the country. Kanati also expressed its frustration with the country's weak legal system, which left it unprotected when one of its Pakistani partners embezzled its funds.

Apart from manufacturing and selling its own fashion products, Kanati also provides private label manufacturing services for small and medium-sized brands globally. In the past six years, Kanati manufactured fashion products mainly through partners located in Lahore and Karachi in Pakistan.

TURKEY



MANUFACTURING SECTOR CONTRACTS IN JANUARY

The seasonally adjusted HSBC Turkey Manufacturing PMI fell from 51.4 in December to 49.8 in January, putting an end to a five-month sequence of improvement since August last year (an index reading above 50 indicates an overall expansion in the industry; below 50, an overall contraction).

The sub-indices show that both overall new orders and new export orders declined in January, due mainly to instability in export markets including the Middle East, Russia and Ukraine. The output sub-index contracted for the first time in six months, albeit at a modest rate. Input price pressure continued to moderate due to the falling oil prices. And employment in the manufacturing sector remained strong.

According to the Turkish Statistical Institute (TurkStat), Turkey's exports to the Middle East fell 0.5% yoy in 2014, while exports to the EU rose by 8.8% yoy. By individual country, Turkey's exports to Iraq and Russia dropped 8.8% yoy and 14.6% yoy respectively in 2014, while exports to Germany and UK increased by 10.6% yoy and 12.9% yoy respectively.

TURKEY

MONTHLY MINIMUM WAGE SET AT 949 LIRAS FOR 1H15

Turkey's Minimum Wage Determination Commission, comprising representatives from the labour unions, employer unions and the government, decided in late December last year to raise the net minimum wage for workers over the age of 16 to 949 liras (US\$413) per month starting from 1 January 2015. The number will rise further to 1000 liras (US\$435) for the second half of the year, representing a 12.2% increase from the 891-lira level in the second half of 2014.

The net minimum wage is the salary that a worker can get after paying the employee's portion of social security premium and unemployment insurance, income tax and stamp duty. It is estimated that the wage hike will benefit 5 million minimum wage earners in the country.

Various labour unions were disappointed with the adjustment amount. The Confederation of Revolutionary Trade Unions (DİSK), one of the four major national labour union confederations in Turkey, argued that the minimum wage level failed to catch up with the country's rapid economic growth and the ever-increasing cost of living. It demands a net minimum wage of 1,800 liras (US\$783) per month. Meanwhile, the Turkish Statistics Institute (TurkStat) estimates that a single worker has to earn 1,424 liras (US\$619) a month to meet essential needs.

TURKEY

FREE TRADE NEGOTIATIONS WITH JAPAN HAS STARTED

In early December, Japan and Turkey concluded their first round of negotiations on an Economic Partnership Agreement (EPA). During the two-day meeting in Tokyo, both sides exchanged views on a broad range of areas such as trade in goods and services, as well as the way to proceed with future talks.

The proposed EPA, if successfully implemented, will give a significant boost to bilateral trade and investment between the two countries and create ample business opportunities for many industries. In particular, Japan sees Turkey as a lucrative market and a strategic gateway to markets in Europe and the Middle East, while Turkey is interested in expanding its exports to Japan so as to reduce its trade deficits.

Future negotiations between the two countries will probably focus on Turkey's elimination of import tariffs on automobiles, electrical appliances and other industrial products, as well as Japan's elimination of import tariffs on fishery and textile products.

In recent years, Turkey is actively engaging in free trade talks with a number of Far East nations. The South Korea-Turkey FTA came into force in May 2013; and the Malaysia-Turkey FTA have completed and the agreement will be signed soon. Besides, negotiations on a FTA with Singapore will soon commence.

According to Nihat Zeybekci, Turkey's Minister of Economic Affairs, the country hopes to complete these free trade negotiations earlier than the EU concludes FTAs with these countries; which would otherwise place Turkey in a disadvantageous position. Turkey is concerned with EU's FTAs with other countries because as per the customs union agreement signed between Turkey and the EU, Turkey needs to apply the same tariffs as the EU does to products imported from third countries. Turkey, while having to lower tariffs in accordance with the FTAs that the EU signed with other countries, cannot benefit from lower tariffs provided by those countries as it is not a member of the EU. ■

MAJOR ECONOMIC INDICATORS

BANGLADESH

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Quantum index of medium and large-scale manufacturing (yoy growth %)*	22.5	-	-	-	-	-
Consumer price index (yoy growth %)*	6.9	6.8	6.6	6.2	6.1	-
Exports (yoy growth %)	7.3	-1.4	-7.6	9.3	4.3	4.8
Exports (FOB, US\$ mn)	2,159.5	2,552.9	1,957.6	2,417.4	2,844.1	2,885.2
<i>Of which:</i>						
Knitwear (US\$ mn)	898.4	1,064.1	788.0	939.4	1,063.8	1,116.1
Woven garments (US\$ mn)	815.3	937.3	731.5	999.2	1,269.2	1,303.8
Home textile (US\$ mn)	56.8	68.9	50.8	62.9	72.2	79.4
Footwear (US\$ mn)	61.5	61.2	41.0	46.9	66.9	61.8
Leather products (US\$ mn)	17.7	17.8	12.4	17.0	22.3	20.8
Imports (yoy growth %)	36.7	8.2	14.4	1.8	-	-
Imports (C&F, US\$ mn)	3,630.8	3,547.3	3,463.4	3,294.7	-	-

* The quantum index of medium and large-scale manufacturing and the consumer price index use 2005-06 as the base year.
Source: Bangladesh Bureau of Statistics, Bangladesh Bank, Export Promotion Bureau

INDIA

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Quarterly GDP (real yoy growth %)*	8.2(2Q14)		7.5(3Q14)			
Index of industrial production (yoy growth %)	0.5	2.8	-4.2	3.8	-	-
Manufacturing PMI (HSBC)	52.4	51.0	51.6	53.3	54.5	52.9
Wholesale price index (yoy growth %)	3.9	2.4	1.7	0.0	0.1	-
Consumer price index (yoy growth %)	7.8	6.5	5.5	4.4	5.0	-
Exports (yoy growth %)	2.4	2.7	-5.0	7.3	-3.8	-
Exports (FOB, US\$ mn)	26,958.2	28,903.3	26,094.1	25,960.6	25,397.7	-
<i>Of which:</i>						
Readymade garments (US\$ mn)	1,383.8	1,293.6	1,194.6	1,202.3	1,370.5	-
Cotton yarn and fabrics (US\$ mn)	935.5	943.7	895.7	938.6	916.3	-
Imports (yoy growth %)	2.1	26.0	3.6	26.8	-4.8	-
Imports (CIF, US\$ mn)	37,796.8	43,150.7	39,451.5	42,821.6	34,832.6	-
Trade balance (US\$ mn)	-10,838.6	-14,247.4	-13,357.5	-16,861.1	-9,434.8	-

* Financial year in India starts in April. The quarterly GDP growth figures are calculated using 2011-12 as the base year.
Source: Ministry of Commerce & Industry, Ministry of Statistics and Programme Implementation, HSBC PMI reports

PAKISTAN

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Quantum index of large-scale manufacturing (yoy growth %)	4.3	2.4	1.8	4.9	-	-
Consumer price index (yoy growth %)	7.0	7.7	5.8	4.0	4.3	3.9
Exports (yoy growth %)	-3.6	-16.7	5.0	9.5	-4.6	-
Exports (US\$ mn)	1,910.9	2,180.6	1,956.9	1,966.0	2,155.6	-
<i>Of which:</i>						
Garments (US\$ mn)	312.9	385.3	389.0	354.1	401.5	-
Bed linen (US\$ mn)	151.6	202.4	175.3	170.5	165.8	-
Towels (US\$ mn)	49.3	69.8	69.1	59.3	54.2	-
Leather products (US\$ mn)	42.5	54.9	52.3	48.0	50.0	-
Sporting goods (US\$ mn)	22.1	25.1	24.6	25.0	27.8	-
Imports (yoy growth %)	32.1	20.3	30.0	-0.6	8.4	-
Imports (US\$ mn)	4,718.0	4,560.9	4,266.0	3,630.0	3,859.3	-
Balance of trade (US\$ mn)	-2,807.1	-2,380.3	-2,309.1	-1,664.0	-1,703.6	-

Source: Pakistan Bureau of Statistics, State Bank of Pakistan, Pakistan Readymade Garments Manufacturers & Exporters Association

TURKEY

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Quarterly GDP (real yoy growth %)	1.7(3Q14)			-		
Industrial production index*, manufacturing (yoy growth %)	4.4	1.5	2.0	-0.2	2.8	-
Industrial turnover index*, manufacturing (yoy growth %)	11.7	6.1	8.1	5.6	-	-
Manufacturing PMI (HSBC)	50.3	50.4	51.5	52.2	51.4	49.8
Producer price index (yoy growth %)	9.9	9.8	10.1	8.4	6.4	3.3
Consumer price index (yoy growth %)	9.5	8.9	9.0	9.2	8.2	7.2
Exports (yoy growth %)	2.5	4.0	7.0	-7.9	1.2	-
Exports (US\$ mn)	11,396.3	13,588.9	12,900.1	13,080.3	13,328.3	-
<i>Of which:</i>						
Knitwear (US\$ mn)	853.4	906.4	824.4	827.6	726.4	-
Woven garments (US\$ mn)	510.5	542.3	460.0	483.5	460.3	-
Furniture (US\$ mn)	210.9	260.5	230.4	258.7	279.7	-
Imports (yoy growth %)	7.1	-0.1	-1.5	-0.1	-5.6	-
Imports (US\$ mn)	19,497.9	20,596.0	19,184.4	21,386.7	21,833.9	-
Balance of trade (US\$ mn)	-8,101.6	-7,007.0	-6,284.3	-8,306.5	-8,505.6	-

* Since January 2013, the base year of industrial production index and industrial turnover index has changed to 2010.

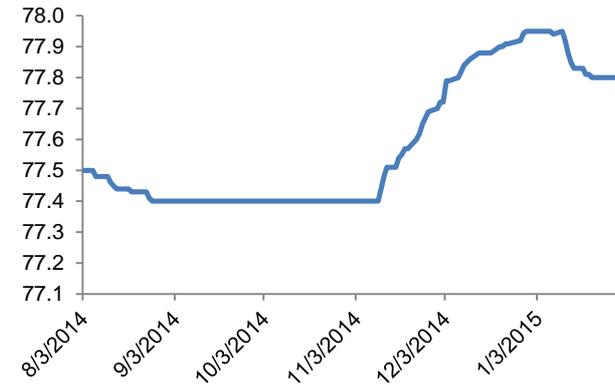
Source: Turkish Statistical Institute, HSBC PMI reports

DAILY EXCHANGE RATES

AUGUST 2014 - JANUARY 2015

BANGLADESHI TAKA

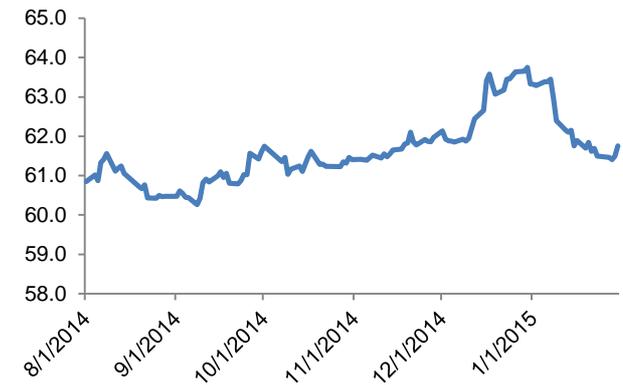
USD:BDT buy rate



Source: Bangladesh Bank

INDIAN RUPEE

USD:INR RBI reference rate



Source: Reserve Bank of India (RBI)

PAKISTANI RUPEE

USD:PKR weighted average customer buy rate



Source: State Bank of Pakistan

TURKISH LIRA

USD:TRY buy rate



Source: Central Bank of the Republic of Turkey

THE FUNG BUSINESS INTELLIGENCE CENTRE

The Fung Group is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 45,000 people across 40 economies worldwide, generating total revenue of more than US\$22.6 billion in 2013. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

The Fung Business Intelligence Centre, through its unique relationships, collects and analyses market data on China's economy, with special reference to sourcing, supply chains, distribution and retail. It also produces reports on sourcing and trading in other Asian countries and has recently expanded its research services on the global retail industry, where unprecedented change is being driven by technological innovation, the advent of multi-sales channels and greater supply chain efficiency.

Serving as a knowledge bank for the Fung Group, the Centre also makes its market data and analysis available to businesses, scholars and governments around the world. It is an impartial thought leader on issues shaping the future of manufacturing, distribution, logistics and retailing in China, and retailing globally. It regularly provides advice and consultancy services to internal and external clients.

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ASIA
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UPDATE