



ASIA SOURCING UPDATE

SOUTHEAST ASIA | SOUTH AND WEST ASIA

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IN THE NEWS

BANGLADESH



EXPORTS INCREASE 6.5% YOY IN THE FIRST FOUR MONTHS OF 2016-17 FISCAL YEAR

Bangladesh's exports in the first four months of the current fiscal year (July 2016 - June 2017) amounted to US\$10.79 billion, up 6.5% compared to US\$10.13 billion a year earlier, according to data released by the Export Promotion Bureau.

A breakdown of the export figure during July - October shows that exports of knitwear increased by 8.8% from a year ago to US\$4.54 billion, while exports of woven garments grew by 5.4% yoy to US\$4.29 billion. Exports of frozen food, jute goods (excluding carpet), chemical products and tea also experienced positive year-on-year growth in the four-month period. On the other hand, exports of agricultural products, raw jute and leather experienced year-on-year declines in the same period.

Exports in October rebounded by 14.4% yoy to US\$2.71 billion after a 5.6% yoy decline recorded in September, which was mainly attributable to the long Eid holiday.

BANGLADESH

GOVERNMENT SAYS BANGLADESH NO LONGER REQUIRES ASSISTANCE OF ACCORD AND ALLIANCE AFTER 2018

State Minister for Labour and Employment Mujibul Haque told the local press on 17 November that Bangladesh would no longer require the assistance of the Accord on Fire and Building Safety in Bangladesh ('Accord') and the Alliance for Bangladesh Workers Safety ('Alliance'), two

platforms of global buyers, after their current tenure expires in June 2018.

In a recent meeting in Dhaka, the government told a European Union delegation that Bangladesh had strengthened the Department of Inspection for Factories and Establishments (DIFE) to a great extent and the body would be fully capable of taking over the responsibility of safety inspection by 2018. Among those present at the meeting were Bernd Lange, Chairman of the European Parliament's Committee on International Trade, EU Ambassador and Head of Delegation to Bangladesh Pierre Mayaudon, Secretary of the Bangladeshi Ministry of Labour and Employment Mikail Shipar, and DIFE Inspector General Syed Ahmed.

With the assistance of the ILO, the Ministry was working to form a remediation coordination cell, which comprises a good number of Bangladeshi experts and industry stakeholders, to oversee the safety situation in the RMG sector, the government told the EU delegation.

As a signatory of the Accord, H&M had earlier made a proposal in favour of extending the tenure of the Accord for additional three years. However, Mujibul said that any decision on extension of tenure of the Accord and the Alliance depended on the consensus between the government and the buyers' groups, stressing that the latter cannot extend the tenure unilaterally.

BANGLADESH

MINISTRY OF LABOUR AND EMPLOYMENT ORDERS 319 RMG FACTORIES TO ADDRESS SAFETY ISSUES

The Department of Inspection for Factories and Establishments (DIFE) of the Ministry of Labour and Employment has issued notices to 319 RMG factories which have failed to comply with the government recommendations to improve safety, DIFE officials said.

With the support of the International Labour Organisation (ILO), the DIFE conducted preliminary safety assessments on 1,549 RMG factories which are not suppliers of signatories under the Accord or the Alliance. Of the 1,549 factories inspected, 319 were identified as having vulnerable structures. The DIFE requested the management of these factories to conduct Detailed Engineering Assessment (DEA) as there was insufficient information and documentation on the building structure to determine the safety of the buildings.

The DIFE had started issuing notice to the 319 factories demanding them to start the process of DEA and undertake necessary remediation works, said Syed Ahmed, Inspector General of the DIFE, on 22 November. The factory management will have to inform the DIFE of their remediation progress within seven days upon receiving the notice, or face legal action as per the Labour Act. Factories which do not comply with the government recommendations to ensure safety would have to face closure.

DIFE officials said that out of the 319 factories, only 22 had completed DEA and 38 had started the process, while four factories were closed under the recommendations of the review panel formed by the government. The remaining 255 factories had yet to start DEA, with some of them refusing to go through the process. ■

INDIA



OCTOBER EXPORTS CONTINUE TO SHOW SIGNS OF REVIVAL

India's exports recoded a year-on-year increase of 9.6% to US\$23.5 billion in October, the second straight month that posted positive growth. From December 2014, exports had fallen year-on-year for 18 straight months till May 2016 due to sluggish global demand and weak oil prices. After posting a short-lived increase in June this year, the country's exports contracted again in July and August.

In October, strong export performance of gems & jewellery (+21.8 % yoy), engineering products (+13.9% yoy), readymade garments (+10.7% yoy) and petroleum products (+7.2% yoy) contributed mainly to the revival of merchandise exports.

In the first seven months of the current fiscal year (April 2016 - March 2017), exports fell slightly by 0.17% yoy in US dollar terms. Commerce Minister Nirmala Sitharaman expressed hope that exports will see a steady growth in coming months and exceed last year's figures.

INDIA

MULTI-TIER GST RATE STRUCTURE FINALISED

The Goods and Services Tax (GST) Council, which is responsible for deciding on the tax rate, exempted goods and the threshold under the new taxation regime, finalised in early November a four-tier rate structure, with GST rates ranging from 5% to 28%.

Specifically, products of common use will be subject to a 5% GST, while the bulk of goods, including fast-moving consumer products, will be taxed at the standard rates of 12% or 18%. A 28% tax will be levied on luxury products and white goods. Ultra luxury products and demerit goods, such as luxury cars, aerated drinks and cigarettes, will be subject to additional tax on top of the 28% GST. On the other hand, for half of the items in the

basket of consumer price index, including food grain, GST will be exempted.

Industry bodies and business leaders have expressed their concerns about the complexity of the multi-rate structure of the GST. Besides, how much will be taxed additionally on ultra luxury products remains uncertain; and how long it will take for companies to comply with the new tax rules is another concern.

The GST rate structure still needs parliamentary approval before the tax is rolled out nationwide on 1 April 2017.

INDIA

GOVERNMENT'S DEMONETISATION EXERCISE LEADS TO NATIONWIDE CASH CRUNCH

The country is facing a serious cash crunch after the Prime Minister Narendra Modi announced on 8 November to withdraw 500-rupee and 1,000-rupee notes as legal tender immediately, which account for more than 85% of the country's money supply.

The move is aimed at attacking the cash-driven shadow economy and cutting corruption, but inadequate number of new 500-rupee and 2,000-rupee notes to replace the scrapped ones has caused a terrible mess. Millions of people were left stunned, and long queues were witnessed at banks and ATMs to exchange old notes for new ones or withdraw cash. Cash-dependent buying and selling activities have been interrupted.

Labour-intensive export sectors, such as carpets, handicrafts, textiles and garments, have been hit hard, as they heavily depend on cash for payment of wages to seasonal and migrant workers, payment of transportation costs to truckers and payment of raw materials purchased from farmers and other unorganized sectors. Exporters asked for an increase in the weekly cash withdrawal cap to 500,000 rupees from the current 50,000 rupees to help them meet their daily transaction needs, according to Commerce Minister Nirmala Sitharaman. ■

PAKISTAN



EXPORTS REBOUND IN OCTOBER

After posting year-on-year declines in the past 17 months, Pakistan's exports increased by 2.0% yoy to US\$1,755.9 million in October. During the first four months of the current fiscal year (July 2016 - June 2017), exports recorded a 6.3% decline compared to the same period of the last fiscal year, according to the Pakistan Bureau of Statistics.

Exports of textiles and garments, which accounted for 60% of total exports, increased marginally by 0.6% yoy in October. Within this major category, exports of knitwear, woven garments and home textiles grew by 4.9% yoy, 1.4% yoy and 7.7% yoy, respectively, while exports of cotton yarn and cotton cloth witnessed declines of 6.4% yoy and 7.8% yoy, respectively, in October.

Pakistan's trade deficit, however, widened by 3.9% yoy to US\$2,257.0 million in the month, as imports posted a faster growth than exports did.

PAKISTAN

GOVERNMENT APPROVES INCENTIVES TO BOLSTER TEXTILE AND GARMENT SECTOR

The Pakistani government approved in October to allocate 185 million rupees (US\$1.77 million) under the Export Development Fund to support the development of the textile and garment sector.

Of the 185 million rupees, 100 million rupees will be spent on the installation of washing facilities at a Karachi-based garment institute, while another 75 million rupees will be used for land acquisition for a new training institute in Sialkot. The remaining 10 million rupees will be allocated to a Lahore-based garment institute.

Besides, under the five-year textile policy (2014-19), the government is going to invest over 60 billion rupees (US\$574 million) in the textile and garment sector in a bid to boost the sector's exports to US\$26 billion by 2019. The government

will form a technology upgradation fund, extend the duty-free facility for import of textile machinery to the current fiscal year and provide affordable finance for the industry.

PAKISTAN

GWADAR PORT ENTERS INTO FULL OPERATION

On 14 November, Gwadar Port, an important base of the China-Pakistan Economic Corridor (CPEC) that runs 3,000 kilometres to China's westernmost city Kashgar, became fully operational with the departure of the first mega pilot trade cargo. Addressing the inauguration ceremony, Pakistan's Prime Minister Nawaz Sharif said that the port marked the beginning of shared benefits, shared prosperity and shared cooperation between Pakistan and China. He added that the government planned to transform Gwadar into a small port city to serve as a trade and economic hub for the entire region.

Gwadar port, the world's largest deep sea port and Pakistan's third deep sea port, will see roughly one million tonnes of cargo going through it by 2017. The tonnage will initially comprise quite a number of construction materials for the city's development, while exports will at first focus on the local fishing industry, according to Chairman of the China Overseas Port Holding Company in charge of the port.

On top of the US\$46 billion fund committed for the CPEC project, China has recently agreed to invest an additional US\$8.5 billion in this joint energy, transport and infrastructure mega plan. ■

TURKEY

LIRA DIPS TO SUCCESSIVE RECORD LOWS

The Turkish lira hit an all-time record low against the US dollar at 3.4766 on 24 November, representing a drastic depreciation of 10.5% since

the beginning of November, based on the spot exchange rates provided by Bloomberg.

The currency has slumped to successive record lows since November. Even though the Turkish central bank announced a surprise interest rate hike on 24 November, it failed to arrest the lira's depreciation that day. As of 29 November, the lira rebounded slightly and closed at 3.4090 against the US dollar.

Political uncertainty following the failed coup attempt and a strong US dollar after the US presidential election have reduced the lira's appeal for investors. The Turkish lira is highly vulnerable to external shocks, as the country runs a large current account deficit and relies heavily on foreign capital. The growing bets on an interest rate hike by the Federal Reserve also add pressure on the lira, according to Bloomberg.

TURKEY

SYRIAN REFUGEES FOUND WORKING ILLEGALLY IN TURKISH GARMENT FACTORIES

An investigation conducted by BBC Panorama in October found that Syrian refugee children had been working in factories in Turkey and making clothes for UK retailer Marks & Spencer (M&S) and online store ASOS. Adult refugees were also found working illegally in factories that supply clothes for Zara and Mango. According to BBC, some refugees were working long hours for little pay well below the country's minimum wage level, while some others were found using chemicals to bleach jeans without proper protection.

The investigation has alerted global retailers to take a closer look at their supply chains. M&S and Mango reiterated the companies' zero tolerance towards illegal workers, and promised to work immediately with their suppliers to make necessary improvements. ASOS said the factory involved in the investigation was not an approved factory for the company, while Zara's parent company Inditex admitted that the involved factory was taking improvement measures after a previous audit.

Turkey has been a main entry point for refugees from the Syrian conflict, with three million of them estimated to be living there. The Turkish government published in mid-January new regulations that allow Syrian refugees in the country to apply for work permits. Registered Syrian refugees who have been in Turkey for at least six months and 'under temporary protection' will be allowed to apply for work permits in the province where they first registered. Syrians with work permits would have to be paid at least the minimum wage.

TURKEY

ANTI-DUMPING DUTIES IMPOSED ON VIETNAMESE YARN

Turkey's General Directorate of Imports decided in November to impose anti-dumping duties ranging from 34.81% to 72.56% on Vietnamese polyester textured yarn imports. The date from which the duties will take effect has not been announced as of the date of publishing.

Duty rates applied to different Vietnamese companies will vary. Four Vietnamese companies will be subject to anti-dumping duties between 34.81% and 68.98%, while the rest will face the maximum rate of 72.56%. Vietnam's Ministry of Industry and Trade is considering filing a complaint with the World Trade Organization.

Turkey is the market for one-third of Vietnamese yarn exports. Due to high anti-dumping duties imposed by Turkey in recent years, Vietnamese yarn exporters have been shifting to other markets such as China and South Korea, according to the Vietnam Competition Authority and the Vietnam Cotton and Spinning Association. ■

MAJOR ECONOMIC INDICATORS

BANGLADESH

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Quantum index of medium and large-scale manufacturing (yoy growth %)	6.1	15.5	0.2	-	-	-
Consumer price index (yoy growth %)	5.5	5.5	5.4	5.4	5.5	5.6
Exports (yoy growth %)	6.5	16.7	-3.5	19.8	-5.6	14.4
Exports (FOB, US\$ mn)	3,027.0	3,577.6	2,534.3	3,303.5	2,241.0	2,712.8
<i>Of which:</i>						
Knitwear (US\$ mn)	1,182.7	1,435.2	1,077.2	1,395.6	928.0	1,134.4
Woven garments (US\$ mn)	1,264.0	1,575.3	1,040.4	1,330.7	894.1	1,021.2
Home textile (US\$ mn)	66.9	62.4	43.0	61.8	51.7	60.2
Footwear* (US\$ mn)	64.4	93.2	63.4	97.6	57.3	57.0
Leather products (US\$ mn)	40.5	34.3	27.8	34.4	31.4	53.1
Imports (yoy growth %)	9.6	3.7	3.8	5.9	-	-
Imports (C&F, US\$ mn)	3,662.0	3,498.1	3,012.1	3,446.5	-	-

* Includes leather footwear.

Source: Bangladesh Bureau of Statistics, Bangladesh Bank, Export Promotion Bureau

INDIA

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Quarterly GDP (real yoy growth %)*	7.1 (1Q16)		7.3 (2Q16)			
Index of industrial production (yoy growth %)	1.3	2.2	-2.5	-0.7	0.7	-
Manufacturing PMI (Nikkei)	50.7	51.7	51.8	52.6	52.1	54.4
Wholesale price index (yoy growth %)	1.2	2.1	3.7	3.9	3.6	3.4
Consumer price index (yoy growth %)	5.8	5.8	6.1	5.1	4.4	4.2
Exports (yoy growth %)	-0.8	1.3	-6.8	-0.4	4.6	9.6
Exports (FOB, US\$ mn)	22,170.6	22,572.3	21,689.6	21,518.6	22,880.6	23,512.7
<i>Of which:</i>						
Knitwear (US\$ mn)	666.4	746.4	722.2	664.0	-	-
Woven garments (US\$ mn)	821.8	825.2	733.2	664.8	-	-
Footwear (US\$ mn)	221.8	278.2	273.4	242.1	-	-
Furniture (US\$ mn)	116.9	120.5	110.6	104.1	-	-
Imports (yoy growth %)	-13.2	-7.3	-19.0	-14.1	-2.5	8.1
Imports (CIF, US\$ mn)	28,443.5	30,688.5	29,451.0	29,192.7	31,220.1	33,673.5
Trade balance (US\$ mn)	-6,272.9	-8,116.2	-7,761.4	-7,674.1	-8,339.6	-10,160.8

* 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, Nikkei PMI reports

PAKISTAN

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Quantum index of large-scale manufacturing (yoy growth %)	-1.1	-0.4	2.5	2.5	1.9	-
Consumer price index (yoy growth %)	3.2	3.2	4.1	3.6	3.9	4.2
Exports (yoy growth %)	-6.0	-8.7	-6.9	-9.4	-10.3	2.0
Exports (US\$ mn)	1,832.0	1,651.0	1,479.4	1,658.3	1,542.9	1,755.9
<i>Of which:</i>						
Garments (US\$ mn)	415.1	419.4	384.6	394.6	350.9	373.7
Bed linen (US\$ mn)	182.7	154.9	167.7	188.1	171.2	178.5
Towels (US\$ mn)	68.6	60.3	56.2	58.4	60.5	67.4
Leather products (US\$ mn)	42.2	45.4	40.3	41.9	41.7	43.3
Sporting goods (US\$ mn)	29.5	26.0	24.6	22.0	20.2	24.5
Imports (yoy growth %)	7.6	2.3	-6.2	13.9	11.5	3.1
Imports (US\$ mn)	4,007.5	4,466.6	3,556.9	4,331.2	3,857.5	4,013.0
Balance of trade (US\$ mn)	-2,175.5	-2,815.6	-2,077.5	-2,672.8	-2,314.6	-2,257.1

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

TURKEY

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Quarterly GDP (real yoy growth %)	3.1 (2Q16)			-		
Industrial production index, manufacturing (yoy growth %)	6.2	-0.4	-6.4	1.4	-3.7	-
Industrial turnover index, manufacturing (yoy growth %)	8.8	5.6	-2.0	2.0	-1.6	-
Manufacturing PMI (Istanbul Chamber of Industry)	49.4	47.4	47.6	47.0	48.3	49.8
Producer price index (yoy growth %)	3.3	3.4	4.0	3.0	1.8	2.8
Consumer price index (yoy growth %)	6.6	7.6	8.8	8.1	7.3	7.2
Exports (yoy growth %)	9.2	7.8	-11.7	7.4	-5.8	-3.0
Exports (US\$ mn)	12,101.5	12,879.4	9,827.3	11,835.3	10,912.8	12,840.6
<i>Of which:</i>						
Knitwear (US\$ mn)	720.3	805.8	673.3	847.4	702.7	788.7
Woven garments (US\$ mn)	505.0	520.2	430.8	555.0	423.6	464.1
Furniture (US\$ mn)	231.0	235.9	164.7	230.2	206.0	226.7
Imports (yoy growth %)	-3.8	7.0	-19.4	4.0	-0.7	0.5
Imports (US\$ mn)	17,196.4	19,475.0	14,695.0	16,611.9	15,296.6	17,004.2
Balance of trade (US\$ mn)	-5,094.9	-6,595.6	-4,867.7	-4,776.6	-4,383.8	-4,163.6

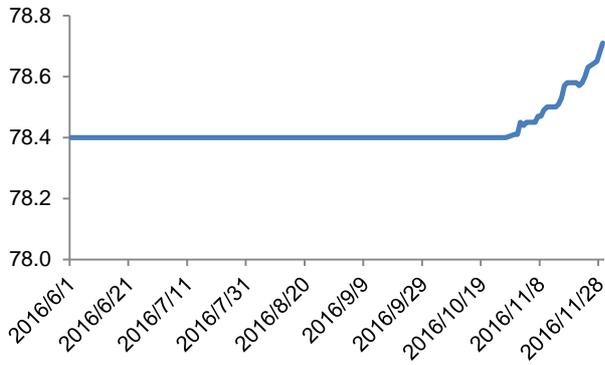
Source: Turkish Statistical Institute, Istanbul Chamber of Industry PMI reports

DAILY EXCHANGE RATES

JUNE - NOVEMBER 2016

BANGLADESHI TAKA

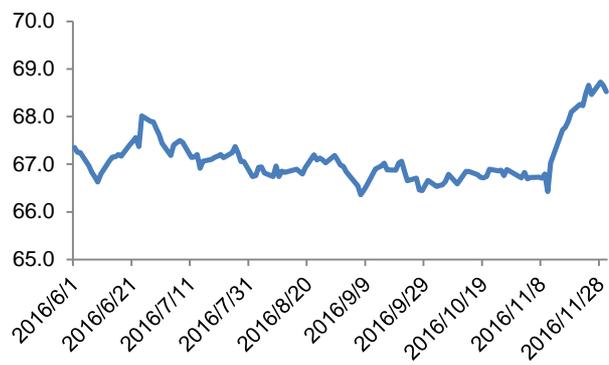
USD:BDT buy rate



Source: Bangladesh Bank

INDIAN RUPEE

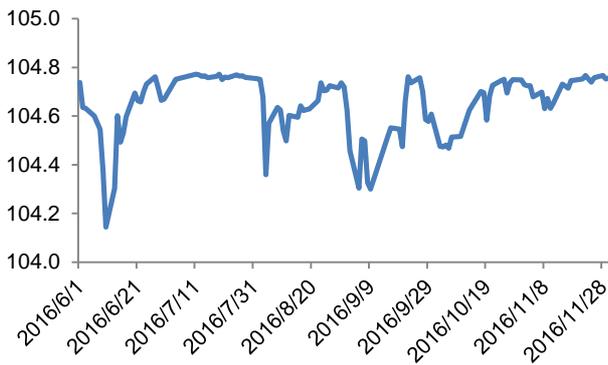
USD:INR RBI reference rate



Source: Reserve Bank of India (RBI)

PAKISTANI RUPEE

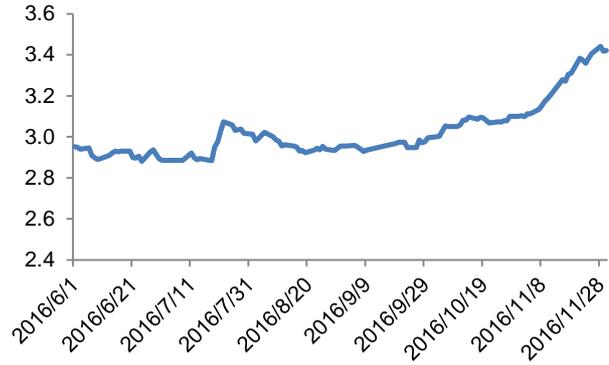
USD:PKR weighted average customer buy rate



Source: State Bank of Pakistan

TURKISH LIRA

USD:TRY buy rate



Source: Central Bank of the Republic of Turkey

FUNG BUSINESS INTELLIGENCE

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