



ASIA SOURCING UPDATE

SOUTHEAST ASIA | SOUTH AND WEST ASIA

FEBRUARY 2017

IN THIS ISSUE

In the news

Major economic indicators

Daily exchange rates

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower,
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com

W: <http://www.fbicgroup.com>

HIGHLIGHTS

BANGLADESH » P.2

- Exports grow by 4.44% yoy in the first half of 2016-17 fiscal year
- Factories terminate 1,500 workers after massive strike
- Bangladeshi companies receive overwhelming response at international home textile fair

INDIA » P.3

- Manufacturing sector slips into contraction amid cash crisis
- Exports increase year-on-year for the fourth consecutive month
- Ramifications of demonetisation on the textile and garment sector to be short-lived

PAKISTAN » P.4

- World Bank revises Pakistan's growth forecast upward
- Exports of textiles and garments edge up by 0.02% yoy in December
- Government unveils new export incentive package

TURKEY » P.5

- Quarterly GDP shrinks for the first time since 2009
- Minimum wage rises to 1,404 liras per month
- Terrorist attack on New Year's Eve kills dozens

IN THE NEWS

BANGLADESH



EXPORTS GROW BY 4.44% YOY IN THE FIRST HALF OF 2016-17 FISCAL YEAR

Exports in the first half of the current fiscal year (July 2016 - June 2017) grew modestly by 4.44% yoy to US\$16.79 billion, according to data from the Export Promotion Bureau (EPB). The export value recorded during the period was 3.28% below the target of US\$17.36 billion set by the government.

The slowdown in export growth during the six-month period was 'due to a fall in earnings from the US market in the month of December,' Mafruha Sultana, Vice Chairman of the EPB, told local newspaper *New Age*, adding that she would work with the private sector to identify the reasons for the slow growth. The Centre for Policy Dialogue, a Bangladeshi think tank, pointed out that in addition to sluggish consumption in the US market, appreciation of the taka was another reason for the slowdown in export growth.

RMG exports in the first half of the current fiscal year amounted to US\$13.71 billion, up 4.37% from the same period last fiscal year and 3.85% lower than the government's target for the period. Within the RMG category, exports of woven garments grew by 2.87% yoy to US\$6.90 billion while exports of knitwear grew by 5.93% yoy to US\$6.81 billion in July-December 2016.

Faruque Hassan, Senior Vice President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said that the growth of RMG exports was affected by decreasing unit price of products, appreciation of the taka, shortage of gas and shutdown of factories due to labour unrest.

Among other major export items, exports of 'leather and leather products' and 'jute and jute goods' recorded strong year-on-year growth of

11.93% and 11.52%, respectively, in the first half of this fiscal year, while 'home textile' exports grew modestly by 1.19% yoy during the period.

BANGLADESH

FACTORIES TERMINATE 1,500 WORKERS AFTER MASSIVE STRIKE

Some 20,000 readymade garment (RMG) factory workers in the Ashulia area held protests in mid-December last year, demanding an increase in their minimum wage to 16,000 takas from 5,300 takas.

Terming the workers' demands illegal, the authorities of 85 factories shut down their units on 20 December and subsequently reopened them on 25 December with massive termination and filing cases against workers.

Approximately 1,500 workers were terminated from their employment for their alleged involvement in the protests and five cases were filed against unruly workers, said the police on 27 December. However, the Bangladesh Garment and Industrial Workers Federation said the actual number of sacked workers was far higher, at about 3,500, with 50 more labour organizers forced into hiding.

The Accord on Fire and Building Safety in Bangladesh ('Accord'), a consortium of European fashion brands and buyers, wrote a letter to Prime Minister Sheikh Hasina on 12 January expressing concern over the government's response to the unrest.

In the letter, the Accord requested that the government 'take immediate action to ensure that RMG workers' rights are protected and that any

associated cases of unjust detention, employment termination, and/or fundamental rights violations be urgently rectified consistent with the law and ILO conventions.' The Accord also suggested the government to form a wage board and adopt a regular wage review mechanism for the workers in the RMG sector, saying that it would help foster stability in the sector.

The Accord said they received credible reports that at least 14 workers' rights activists had been detained or arrested, of which 11 remain in police custody while some were subject to beatings and/or threats.

The Alliance for Bangladesh Worker Safety ('Alliance'), a group of 28 North American retailers and brands, also condemned the arrest and detention of labour leaders. 'We are deeply troubled by reports of the detention and interrogation of nearly a dozen labour rights leaders by the Bangladeshi government,' the Alliance said in a statement.

BANGLADESH

BANGLADESHI COMPANIES RECEIVE OVERWHELMING RESPONSE AT INTERNATIONAL HOME TEXTILE FAIR

Bangladeshi companies received positive response from international retailers at the annual Heimtextil fair, the world's largest home textile exhibition, which took place on 9-12 January in Frankfurt, Germany.

A total of 23 home textile companies from Bangladesh participated, of which nine participated under the coordination of the Export Promotion Bureau. Almost all the Bangladeshi participants expressed that they had received overwhelming response from retailers from Germany, the second largest export destination for Bangladesh after the US.

'The response from buyers is very positive. Most of our old customers in the EU are coming to our stalls,' said Rashed Mosharraf, General Manager for Marketing at Zaber & Zubair Fabrics Ltd, a subsidiary of the Bangladeshi textile and apparel

giant Noman Group. He added that buyers' interest this year was higher than last year.

Other participating textile makers from Bangladesh include ACS Textiles (Bangladesh) Limited, Apex Weaving and Finishing Mills Limited, Mom Tex Limited, and Regent Textile Mills Pvt Limited.

2,963 companies from 67 countries participated in the Heimtextil this year, according to the event organizer Messe Frankfurt. ■



MANUFACTURING SECTOR SLIPS INTO CONTRACTION AMID CASH CRISIS

A nationwide cash shortage following the government's withdrawal of the old 500-rupee and 1,000-rupee notes from circulation on 8 November has slowed economic activity. The Nikkei India Manufacturing Purchasing Managers' Index (PMI), a key barometer of India's manufacturing performance, fell from 52.3 in November to 49.6 in December, the first time the index reading fell below the crucial 50.0 threshold in 2016.

According to the PMI press release, Indian companies saw new work and production contract in December for the first time in 2016, albeit at a marginal rate. Cash flow issues among firms led to reductions in purchasing activity and employment. Meanwhile, higher prices paid for a range of raw materials caused average cost burdens to increase for the 15th straight month in December.

In view of the fallout caused by the cash crisis, many economists from private research institutes have pared India's growth forecast to 6.3%-6.4% for the 2016-17 fiscal year ending March; the Indian government, however, predicted in early January that the country's economy would maintain a growth rate of 7.1% for the 2016-17 fiscal year.

INDIA

EXPORTS INCREASE YEAR-ON-YEAR FOR THE FOURTH CONSECUTIVE MONTH

India's exports grew by 5.72% yoy to US\$23.9 billion in December 2016, the fourth straight month that recorded a year-on-year increase.

Cumulatively, exports posted a positive growth of 0.75% yoy in US dollar terms in the April-December 2016 period.

Despite the cash crisis caused by demonetisation, exports rose in December, which points to a possible revival in global demand, according to Shri S C Ralhan, president of the Federation of Indian Export Organisations. The signs of a stronger-than-expected economic growth in the US, along with a weaker Indian rupee against the US dollar, bode well for India's exports.

According to quick estimates provided by the Ministry of Commerce, India's exports of engineering goods, gems and jewelry, petroleum products and readymade garments, which were among the top export categories in December 2016, increased by 22.23%, 30.36%, 10.34% and 1.66% over the same month of 2015.

It is expected that India's export momentum will sustain in the coming months and the country's exports will reach US\$270-280 billion in the 2016-17 fiscal year.

INDIA

RAMIFICATIONS OF DEMONETISATION ON THE TEXTILE AND GARMENT SECTOR TO BE SHORT-LIVED

India's demonetisation drive, which is aimed at cracking down counterfeit banknotes allegedly used to fund terrorism and attacking the cash-driven black market, has taken its toll on various sectors, the textile and garment sector being no exception.

In particular, micro, small and medium-sized enterprises as well as seasonal and temporary workers have been heavily affected as they rarely have bank accounts and thus rely on cash for

purchases of raw materials or wage payment. The government's strict limits for companies and individuals to withdraw money as well as exchange old banknotes for new ones from banks, along with the shortage of new banknotes, have led to severe cash crisis nationwide.

According to the Amritsar Textile Processor Association (ATPA), over 10,000 workers in the sector were laid off and production units were forced to shut down for up to four days a week following the demonetisation. Besides, production was down to just 20% of the pre-demonetisation level as most of the workers returned to their villages after they ran out of cash, according to Vinod Thapar, president of the Knitwear Club of Ludhiana, a northern textile hub.

To address the cash crisis and promote cashless payment within the industry, the Ministry of Textiles has already set up over 900 camps across the country for opening individual bank accounts. With the proliferation of bank accounts and availability of new banknotes, ramifications of demonetisation on the sector is expected to ease in the coming few weeks. ■

PAKISTAN



WORLD BANK REVISES PAKISTAN'S GROWTH FORECAST UPWARD

In the World Bank's *Global Economic Prospects* released in January 2017, the institution forecasts that Pakistan's GDP growth will reach 5.2% in the current fiscal year ending 30 June 2017, up from its previous forecast of 5%. The uptick in economic growth is supported by low commodity prices and improving infrastructure, along with reforms that enhance domestic demand and improve business climate.

The report also mentions that the ongoing progress on gas pipelines and electricity imports from Iran will ease the country's energy constraints. Besides, the China-Pakistan Economic Corridor

(CPEC) project underway will increase investment in the medium-term, and alleviate transportation bottlenecks and power shortages.

Pakistan's economic growth is forecast to further accelerate from 5.5% in the 2017-18 fiscal year to 5.8% in the 2019-20 fiscal year, as agricultural production, infrastructure, energy supply and external demand are expected to improve.

PAKISTAN

EXPORTS OF TEXTILES AND GARMENTS EDGE UP BY 0.02% YOY IN DECEMBER

Exports of textiles and garments, which accounted for over 60% of Pakistan's merchandise exports, edged up by 0.02% yoy to US\$1.04 billion in December 2016, according to data released by the Pakistan Bureau of Statistics. In the first half of the current fiscal year (July 2016 - June 2017), exports of textiles and garments fell by 1.65% yoy to US\$6.16 billion.

Product-wise breakdown of the figure shows that exports of most of the textile categories recorded a year-on-year contraction in December 2016, including cotton yarn (-3.38%), cotton cloth (-18.53%) and towels (-4.22%). In contrast, exports of knitwear, woven garments and home textiles grew year-on-year by 4.21%, 9.23% and 9.26%, respectively, in December 2016.

It is reported by the local newspaper *Dawn* that a large number of factories in the sector have closed down or relocated to neighbouring countries since 2014 due to high energy cost. Industry representatives said electricity tariffs in Pakistan stood at US\$0.11 per kWh compared to US\$0.09 in Bangladesh and India, and US\$0.08 in Vietnam; while industrial gas tariffs in Pakistan were 173%, 44% and 12% higher than those in Bangladesh, India and Vietnam, respectively.

PAKISTAN

GOVERNMENT UNVEILS NEW EXPORT INCENTIVE PACKAGE

Pakistan's Prime Minister announced in January a new export incentive package to arrest the decline in the country's exports. The incentive package, effective for an 18-month period from 1 January 2017, provides cash support and duty and tax waiver worth 180 billion Pakistani rupees for five sectors – textiles, leather, surgical equipment, sports goods and carpets.

Under the package, customs duty and sales tax on cotton imports have been removed, while customs duty on imports of manmade fibre other than polyester has been scrapped. The 10% sales tax on imports of textile machinery has also been removed. Moreover, new duty drawback rates for exports of selected goods have been introduced – 7% for all types of garments, 6% for home textiles, 5% for processed fabrics and 4% for yarns and grey fabrics. For other non-textile sectors, the duty drawback rates range from 5% to 7% for leather products, cutlery, sport goods, surgical instruments and carpets. Overall, approximately 87% of the cash support of the package goes to the textile and garment sector.

According to Khurram Dastgir Khan, Pakistan's Minister of Commerce, the package is expected to increase the country's exports by US\$2.5-3.0 billion by the end of June 2018. In the first half of the current fiscal year (July 2016 - June 2017), Pakistan's exports fell by 3.8% yoy to US\$9.91 billion. ■

TURKEY



QUARTERLY GDP SHRINKS FOR THE FIRST TIME SINCE 2009

Dragged down by the failed coup attempt on 15 July and ongoing geopolitical tensions, Turkey's GDP contracted by 1.8% yoy in the third quarter of

2016, the first year-on-year contraction since 2009. The country's economy grew by 4.5% yoy in both the first and the second quarter of 2016, according to the Turkish Statistical Institute.

On the expenditure side, household spending declined by 3.2% yoy in 3Q16 compared to a 3.7% yoy growth in the previous quarter, while government spending surged by 23.8% yoy in 3Q16. Exports plunged by 7.0% yoy in the quarter, while imports climbed 4.3% yoy. On the production side, the agriculture sector, the industrial sector and the service sector shrank by 7.7%, 1.4% and 8.4% in 3Q16, respectively, compared to the same period of 2015.

According to Finance Minister Naci Ağbal, the country's sharp economic contraction in 3Q16 was due mainly to the failed coup attempt, lower tourism revenues and weak external demand. Ağbal believed that the government's measures to boost growth and structural reforms, plus positive global developments, will contribute to higher economic growth in 2017.

TURKEY

MINIMUM WAGE RISES TO 1,404 LIRAS PER MONTH

The Turkish Minister for Labour and Social Security Mehmet Müezzinoğlu announced on 29 December 2016 that the country's net monthly minimum wage, after deductions of taxes and social security contribution and addition of the minimum living allowance, would increase by 7.9% from 1,300 liras to 1,404 liras (US\$369). The new wage rate is effective for the whole year from 1 January 2017.

The new gross minimum wage stands at 1,777.5 liras per month, representing a 130.5-lira rise from 1,647 liras in 2016. The new minimum wage is set by the tripartite Minimum Wage Determination Commission, which is made up of government officials and representatives of workers and employers.

The new wage rate, however, failed to meet the demand of some worker representatives. The Confederation of Turkish Trade Unions (Turk-İş)

refused to sign in the declaration of the wage commission, calling for a net monthly minimum wage as high as 1,668.9 liras, which was reported to be the net living cost for workers in heavy industries by the Turkish Statistical Institute in 2015.

In 2016, Turkish minimum wage was subject to a substantial increase of 30%, in line with the ruling Justice and Development Party's (AKP) campaign pledge ahead of the general election.

TURKEY

TERRORIST ATTACK ON NEW YEAR'S EVE KILLS DOZENS

A mass shooting that occurred at Istanbul's Reina nightclub, where as many as 600 people were celebrating the New Year, killed at least 39 people and injured at least 70 others. The Islamic State of Iraq and Syria (ISIS) has claimed responsibility for the attack.

The New Year's Eve attack follows a string of bloody bombings and shootings in the country in 2016, which are believed to relate to the country's fighting against ISIS and the Kurdistan Workers' Party (PKK), a long-running domestic insurgency. Just before the nightclub attack, a Russian ambassador to Turkey was shot dead on 20 December last year, and twin bombings committed by a Kurdish militant group in Istanbul on 10 December killed at least 44 people and wounded 155 others.

To contain rising terrorist threats and complete a purge of those responsible for last year's failed coup attempt, Turkey's parliament voted in early January to extend the government's state-of-emergency powers for another three months effective from 19 January. ■

MAJOR ECONOMIC INDICATORS

BANGLADESH

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Quantum index of medium and large-scale manufacturing (yoy growth %)	0.2	18.7	2.4	13.7	-	-
Consumer price index (yoy growth %)	5.4	5.4	5.5	5.6	5.4	5.0
Exports (yoy growth %)	-3.5	19.8	-5.6	14.4	5.5	-3.0
Exports (FOB, US\$ mn)	2,534.3	3,303.5	2,241.0	2,712.8	2,899.3	3,107.1
<i>Of which:</i>						
Knitwear (US\$ mn)	1,077.2	1,395.6	928.0	1,134.4	1,097.6	1,180.8
Woven garments (US\$ mn)	1,040.4	1,330.7	894.1	1,021.2	1,212.3	1,397.5
Home textile (US\$ mn)	43.0	61.8	51.7	60.2	61.1	74.8
Footwear* (US\$ mn)	63.4	97.6	57.3	57.0	59.6	68.8
Leather products (US\$ mn)	27.8	34.4	31.4	53.1	39.5	23.2
Imports (yoy growth %)	3.8	5.9	3.1	5.6	16.5	-
Imports (C&F, US\$ mn)	3,012.1	3,446.5	3,178.6	3,613.5	4,221.6	-

* Includes leather footwear.

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

INDIA

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Quarterly GDP (real yoy growth %)*		7.3 (2Q16)			-	
Index of industrial production (yoy growth %)	-2.5	-0.7	0.7	-1.8	5.7	-
Manufacturing PMI (Nikkei)	51.8	52.6	52.1	54.4	52.3	49.6
Wholesale price index (yoy growth %)	3.7	3.9	3.8	3.8	3.2	3.4
Consumer price index (yoy growth %)	6.1	5.1	4.4	4.2	3.6	3.4
Exports (yoy growth %)	-6.8	-0.4	4.6	9.6	2.2	5.7
Exports (FOB, US\$ mn)	21,689.6	21,518.6	22,880.6	23,512.7	20,009.6	23,885.0
<i>Of which:</i>						
Knitwear (US\$ mn)	722.3	664.3	681.1	718.6	-	-
Woven garments (US\$ mn)	733.3	664.9	603.7	647.8	-	-
Footwear (US\$ mn)	273.3	242.4	200.9	205.3	-	-
Furniture (US\$ mn)	111.3	104.2	105.7	120.3	-	-
Imports (yoy growth %)	-19.0	-14.1	-2.5	8.1	10.4	0.5
Imports (CIF, US\$ mn)	29,451.0	29,192.7	31,220.1	33,673.5	33,018.5	34,254.3
Trade balance (US\$ mn)	-7,761.4	-7,674.1	-8,339.6	-10,160.8	-13,008.9	-10,369.4

* 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

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Quantum index of large-scale manufacturing (yoy growth %)	2.5	2.5	1.9	2.5	8.0	-
Consumer price index (yoy growth %)	4.1	3.6	3.9	4.2	3.8	3.7
Exports (yoy growth %)	-6.9	-9.4	-10.3	2.0	6.2	-3.1
Exports (US\$ mn)	1,479.4	1,658.3	1,542.9	1,755.9	1,762.3	1,727.4
<i>Of which:</i>						
Garments (US\$ mn)	384.6	394.6	350.9	373.7	389.4	414.9
Bed linen (US\$ mn)	167.7	188.1	171.2	178.5	168.0	168.2
Towels (US\$ mn)	56.2	58.4	60.5	67.4	65.4	62.2
Leather products (US\$ mn)	40.3	41.9	41.7	43.3	42.4	42.6
Sporting goods (US\$ mn)	24.6	22.0	20.2	24.5	19.7	26.0
Imports (yoy growth %)	-6.2	13.9	11.5	3.1	10.2	17.6
Imports (US\$ mn)	3,556.9	4,331.2	3,857.5	4,013.0	4,230.5	4,488.3
Balance of trade (US\$ mn)	-2,077.5	-2,672.8	-2,314.6	-2,257.1	-2,468.2	-2,760.9

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

TURKEY

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Quarterly GDP (real yoy growth %)	-1.8 (3Q16)					-
Industrial production index, manufacturing (yoy growth %)	-6.3	1.4	-3.7	1.7	2.1	-
Industrial turnover index, manufacturing (yoy growth %)	-1.9	2.0	-1.6	7.1	11.4	-
Manufacturing PMI (Istanbul Chamber of Industry)	47.6	47.0	48.3	49.8	48.8	47.7
Producer price index (yoy growth %)	4.0	3.0	1.8	2.8	6.4	9.9
Consumer price index (yoy growth %)	8.8	8.1	7.3	7.2	7.0	8.5
Exports (yoy growth %)	-11.7	7.3	-5.8	-3.2	9.7	-
Exports (US\$ mn)	9,825.5	11,831.2	10,906.9	12,811.8	12,817.3	-
<i>Of which:</i>						
Knitwear (US\$ mn)	673.0	846.0	701.8	787.0	701.6	-
Woven garments (US\$ mn)	430.8	554.6	423.1	462.9	421.5	-
Furniture (US\$ mn)	164.7	230.2	205.9	226.4	227.3	-
Imports (yoy growth %)	-19.4	4.0	-0.7	0.5	6.0	-
Imports (US\$ mn)	14,695.0	16,613.8	15,296.4	17,004.3	16,930.7	-
Balance of trade (US\$ mn)	-4,869.5	-4,782.6	-4,389.4	-4,192.5	-4,113.4	-

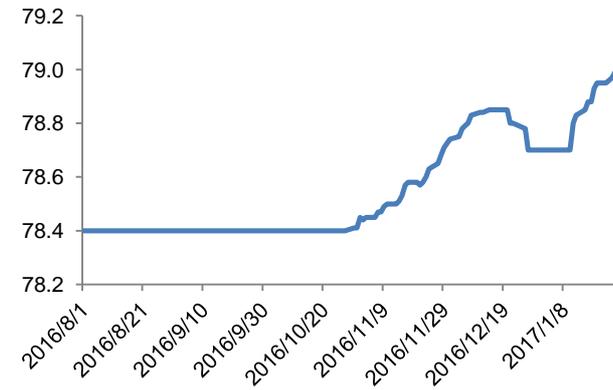
Source: Turkish Statistical Institute, Istanbul Chamber of Industry PMI reports

DAILY EXCHANGE RATES

AUGUST 2016 - JANUARY 2017

BANGLADESHI TAKA

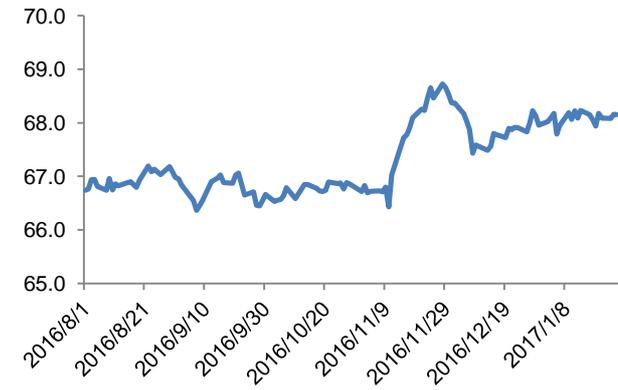
USD:BDT buy rate



Source: Bangladesh Bank

INDIAN RUPEE

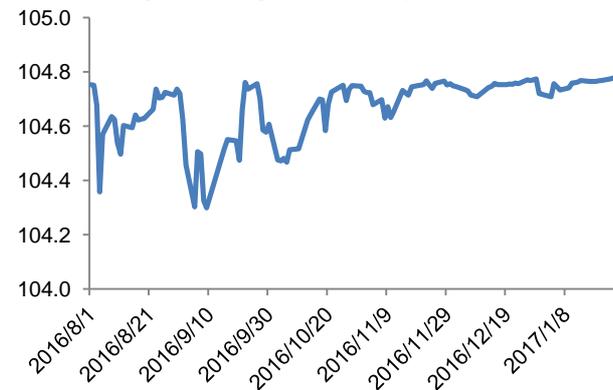
USD:INR RBI reference rate



Source: Reserve Bank of India (RBI)

PAKISTANI RUPEE

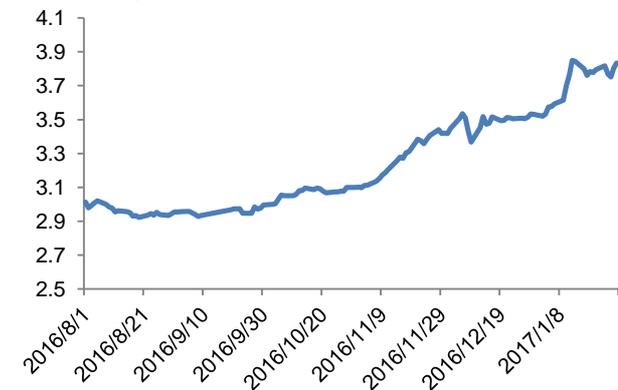
USD:PKR weighted average customer buy rate



Source: State Bank of Pakistan

TURKISH LIRA

USD:TRY buy rate



Source: Central Bank of the Republic of Turkey

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

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 45,100 people across 40 economies worldwide, generating total revenue of more than US\$24.8 billion in 2015. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

Denise Cheung
Senior Research Manager
denisecheungwy@fung1937.com
(852)2300 2463

Winnie He
Research Manager
winniehe@fung1937.com

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower,
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



© Copyright 2017 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.