



ASIA SOURCING UPDATE

SOUTHEAST ASIA | SOUTH AND WEST ASIA

JULY 2016

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IN THE NEWS

BANGLADESH



EXPORTS RECORD 9.7% YOY GROWTH IN THE 2015-16 FISCAL YEAR

Bangladesh's overall export earnings amounted to US\$34.2 billion in the just-concluded fiscal year (July 2015 - June 2016), up by 9.7% compared with US\$31.2 billion a year ago, according to data released by the Export Promotion Bureau (EPB) on 13 July.

In the 2015-16 fiscal year, exports of readymade garments (RMG) increased by 10.4% yoy to US\$28.1 billion, equivalent to 82% of the country's total exports. Among major destinations, Bangladesh's RMG exports to the EU posted an 11.6% yoy rise to US\$17.2 billion, while RMG exports to the US registered a 6.4% yoy growth to US\$5.6 billion in FY15-16.

Within the RMG category, export earnings from woven garments surged by 12.9% yoy to US\$14.7 billion in the last fiscal year, while exports of knitwear products rose by 7.5% yoy to US\$13.4 billion.

Among other major export categories, exports of leather and leather products edged up by 2.7% yoy to US\$1.2 billion, while exports of jute and jute goods increased by 5.9% yoy to US\$919.6 million in FY15-16. On the other hand, exports of home textiles declined by 6.4% yoy to US\$753.0 million during the fiscal year.

BANGLADESH

FOREIGN BUYERS CANCEL VISITS AFTER TERROR ATTACK

A terrorist attack in the Gulshan neighborhood in Dhaka on 1 July saw 20 hostages killed, including 18 foreigners, which has dealt a blow to

Bangladesh's garment industry as a number of foreign firms have cancelled trips to the country.

Fast Retailing, the owner of Japanese clothing brand Uniqlo, said soon after the Gulshan attack that it would suspend all but critical travel to the country.

Abdus Salam Murshedy, President of the Exporters Association of Bangladesh (EAB), told local newspaper *New Age* that a number of global sourcing agents have requested Bangladeshi manufacturers to fly to third regions like Hong Kong, Singapore and Dubai for business meetings after the Gulshan attack. He commented that the shift of meeting locations would increase the cost of doing business while difficulties in obtaining visas would further hamper business.

Mahmud Hassan Khan Babu, Vice President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), also told *New Age* that some foreign buyers changed venue of business meetings to third countries from Bangladesh after the Gulshan attack. A BGMEA member, for example, reported that one of his buyers had cancelled a scheduled business meeting in Bangladesh and requested upcoming negotiation to take place in India.

The Cabinet Committee on Law and Order has decided to provide full-fledged protection for all foreigners who are doing business in Bangladesh, Commerce Minister Tofail Ahmed told the *Dhaka Tribune*. The export processing areas will be brought under special security coverage and, if demanded, the government will provide law enforcers equipped with arms to ensure security for the buyers, said Tofail.

BANGLADESH

US CONTINUES TO SUSPEND BANGLADESH FROM GSP SCHEME

Bangladesh has once again been left out of the US Generalized System of Preferences (GSP) scheme, according to the outcome of the latest annual GSP review which was conducted by the United States Trade Representative (USTR) in June.

According to the update released by the USTR in July, Bangladesh was among 11 countries being excluded from the scheme and placed under country practice reviews. Officials cited inadequate progress in labour rights as the reason for Bangladesh's exclusion.

Bangladesh was first suspended from the GSP scheme in April 2013, shortly after the Rana Plaza collapse, on grounds of shortcomings in workplace safety and poor labour rights in the garment sector. The US government then provided Bangladesh with a 16-point action plan to win back the trade benefits. The country has already handed in its progress report on the action plan but the USTR insisted that more needs to be done in order for the country to regain its GSP status.

The leaders of the American Apparel & Footwear Association, Outdoor Industry Association, Sports and Fitness Industry Association, and Travel Goods Association wrote a letter to US Trade Representative Michael Froman expressing disappointment over the outcome of the review, which grants duty-free entry for travel goods from only a small number of countries. "The failure to make a decision regarding other GSP-eligible countries...leaves companies with few options but to source from the super-competitive China," the leaders mentioned in the letter. ■

INDIA



WPI INFLATION IN JUNE HITS 20-MONTH HIGH

India's wholesale price index (WPI) increased by 1.62% yoy in June, up from the 0.79% yoy increase in May. The surge in food prices and the rebound in global commodity prices were the major factors pushing up WPI inflation to a 20-month high.

Inflation in food articles, which has a 14.3% weight in WPI, accelerated to 8.18% yoy in June from 7.88% yoy in May. Deflation in fuel and power, which contributes 14.9% to the WPI basket, eased to 3.62% yoy in June from 6.14% yoy in the previous month, reflecting the lagged pass-through of higher global fuel prices. Meanwhile, inflation in manufactured products accelerated slightly from 0.91% yoy in May to 1.17% yoy in June.

Looking ahead, year-on-year WPI inflation is expected to move up moderately in the coming months, given the recent stabilisation of global commodity prices.

INDIA

CABINET APPROVES INCENTIVE PACKAGE TO BOOST EXPORTS AND EMPLOYMENT IN GARMENT INDUSTRY

The Union Cabinet of India approved on 22 June a special package for the garment industry, with targets of creating 10 million jobs, increasing exports by US\$30 billion and attracting new investment of 740 billion Indian rupees (US\$11 billion) cumulatively over the next three years. Measures announced in the special package, including fiscal incentives and labour law relaxations, are expected to be implemented in three months' time after related notifications or amended Acts are released.

According to the announcement, fiscal incentives in the package, which will cost the national treasury 60 billion Indian rupees (US\$0.9 billion)

over the next three years, include an additional 5% duty drawback for garments, a 10% extra production and employment-based subsidy under the Amended Technology Upgradation Fund Scheme and enhanced scope of income tax exemption under Section 80JJAA of the Income Tax Act.

Besides, the incentive package also introduces relaxations on labour laws, such as the introduction of fixed term employment in the garment industry, increase in the overtime cap from four to eight hours per week in line with the ILO norms, and government's undertaking of employers' contribution to the Employers Provident Fund (EPF) scheme for new employees earning less than 15,000 rupees per month for the first three years.

The new measures have been widely welcomed by the garment industry. "Those measures will bring down the cost of the industry by 3- 4%," said A. Sakthivel, President of the Tirupur Exporters' Association. Some garment manufacturers commented that relaxations on labour laws would give them more flexibility in hiring temporary workers during peak season.

INDIA

AEROPOSTALE TO EXPLORE INDIA SOURCING

US youth apparel brand Aeropostale is keenly exploring sourcing opportunities in India for both the local and global retail markets, reported the local media *BusinessLine*.

According to Kenneth Ohashi, Senior Vice President of International and Global Licensing of the company, Aeropostale is in its early stage of sourcing locally for the Indian market, which keeps pricing competitive and enables the company to react quickly to local demands. Ohashi added that 75% of what the company sources globally at present can be sourced from India.

India is an important part of the company's global expansion strategy. Partnering with its local licensee Arvind Ltd, the brand has six stores in the

country, and it plans to open 30 standalone stores and 25 shop-in-shops there over the next three years. Aeropostale will also launch its e-commerce site for the country as part of its omni-channel strategy.

Following the government's recent relaxation on the FDI policy that exempts single-brand foreign retailers from the 30% local sourcing requirement for up to three years, it is expected that more and more international retailers will tap into the Indian market and explore local sourcing or production opportunities. Ikea, for example, is considering setting up local production facilities along with its retail expansion in the country. ■

PAKISTAN



EXPORTS IN LAST FISCAL YEAR MISS TARGET

Pakistan's exports amounted to US\$20.8 billion in the last fiscal year (July 2015 - June 2016), down by 12.1% compared with the 2014-15 fiscal year, according to data released by the Pakistan Bureau of Statistics. The figure fell short of the government's annual export target of US\$25.5 billion by a huge margin of US\$4.7 billion.

Exports of textiles and garments, which accounted for 60% of the country's total exports, declined by 7.4% yoy to US\$12.5 billion in the last fiscal year. Within the garment sector, the knitwear industry saw their export earnings drop by 1.5% yoy in the last fiscal year, while the woven industry recorded a 4.8% yoy growth.

The weak export performance in the last fiscal year could be attributable to sluggish global demand, lower international prices of cotton and rice, and a poor business climate resulting from ongoing security issues. Exporters also complained that high energy cost, liquidity issue arising from pending sales tax refunds and difficult access to credit were among the factors impeding export growth.

Given the poor export figures in FY15-16, it is highly unlikely for the country to achieve the ambitious export target of US\$35 billion by the end of 2017-18 fiscal year set in the Strategic Trade Policy Framework released recently.

PAKISTAN

GOVERNMENT APPROVES SALES TAX EXEMPTION FOR FIVE MAJOR EXPORT SECTORS

In the Budget 2016-17 announced in early June, the Pakistani government decided to waive the 5% sales tax for the country's five major export-oriented sectors, namely textiles, leather, sports goods, surgical goods and carpets, starting from 1 July this year.

According to the budget speech, sales tax exemption will apply to the purchase of raw materials, intermediate goods and energy (i.e. electricity, gas, furnace oil and coal) of the five sectors. Retail sales of locally manufactured finished goods of these sectors will continue to be subject to the 5% sales tax.

Industry groups, including the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) and All Pakistan Textile Mills Association (APTMA), have warmly welcomed the measure, which is expected to make exports of those sectors more competitive in the global market.

PAKISTAN

QUAID-E-AZAM APPAREL PARK ENTITLED TO SEZ STATUS

Pakistan's Board of Investment has recently granted the status of Special Economic Zone (SEZ) to the Quaid-e-Azam Apparel Park being constructed in the Punjab province. With the SEZ status, a ten-year and five-year tax holiday will be granted respectively to zone developers and enterprises operating in the zone. Besides, all customs duties and taxes are exempted for the

import of capital goods for development and operation.

With 1,536 acres of land and state-of-the-art facilities, the park has been visualized as a milestone in the development of Pakistan's textile and garment sector. The park will house a worker residence area, a textile institute, a commercial centre, an exhibition centre, a technical centre and a hospital. Once completed, the park is expected to provide 200,000 jobs.

With more incentives available under the SEZ status, it is expected that more investments and technologies will flood into the park and accelerate the industrialization of Pakistan's textile and garment sector. ■

TURKEY



JUNE MANUFACTURING PMI FALLS TO LOWEST LEVEL SINCE APRIL 2009

Turkey's Manufacturing Purchasing Managers' Index (PMI), the barometer of the manufacturing business conditions, dropped sharply from 49.4 in May to 47.4 in June, the lowest level and the sharpest decline since April 2009, according to data released jointly by Markit and the Istanbul Chamber of Industry. The index reading has stayed below the 50.0 neutral threshold for four consecutive month, suggesting a continuous contraction of the manufacturing sector.

The PMI in June was negatively influenced by four of its five components, the exception being suppliers' delivery times. The volume of new orders received by Turkish manufacturers in June declined at the fastest rate since April 2009, with new domestic orders contracting more sharply than new export orders. In line with the trend shown in new orders, manufacturing output and purchasing by manufacturers both fell at the fastest rate since April 2009. Manufacturers stopped hiring in June, following a nine-month period of modest workforce expansion.

TURKEY

POLITICAL UNCERTAINTY RISES AFTER FAILED COUP ATTEMPT

On 15 July, a military coup was attempted against the government led by President Recep Tayyip Erdoğan, but was dismantled in a matter of hours amid an overwhelming support for civilian rule from the Turkish masses, the business community and the entire political class. The motives behind the coup remained unclear, while the government blamed the soldiers linked to the Gülen movement – a group designated as a terrorist organization by the incumbent government and led by an exile called Fethullah Gülen.

The Turkish government declared a three-month-long state of emergency throughout the country late on 20 July, in a bid to complete a purge of those responsible for the failed coup. The purge, however, has drawn criticism internationally and added to investor concerns over political stability, as its scale has extended far beyond the military suspects to judges, prosecutors, academics and teachers. According to the official Anadolu news agency, more than 10,000 people are in custody.

After the failed coup, Deputy Prime Minister Mehmet Şimşek reassured investors that the coup attempt would not have any permanent impact on the Turkish economy and the government would swiftly shift its focus back to carrying out structural reforms.

Nevertheless, ratings agency Standard & Poor's downgraded Turkey's sovereign credit rating one notch to BB, a rating below the investment grade, and assigned a negative outlook on 20 July, citing that the polarization of the political landscape could further erode the country's institutional checks and balances, and could scare off investment and undermine fiscal management. Another rating agency Moody's is also reviewing Turkey's credit rating for a possible downgrade.

TURKEY

TURKEY'S EU MEMBERSHIP TALKS MOVE FORWARD WITH NEW CHAPTER OPENED

The country's stalled EU accession negotiations, which started in 2005, have moved forward with the opening of a new chapter on financial and budgetary provisions during the 12th meeting of the Accession Conference at Ministerial Level held on 30 June. The EU reiterated the importance it attaches to the close relations between the bloc and Turkey, and welcomed a re-energizing of the accession process.

The new chapter covers the rules concerning the financial resources necessary for the funding of the EU budget. According to Selim Yenel, Turkey's ambassador to the EU, the chapter is usually opened when a candidate nears membership, and the move keeps the accession process alive.

The country, however, still has a long way to go in its bid to become a full member of the EU. Out of the 35 chapters Turkey must conclude as part of its accession process, 16 chapters have been opened so far, of which one has been concluded. Many EU member states are not eager to see such a large, mostly Muslim country as a member, and are concerned about the tightening grip of President Erdoğan, who wants to replace the country's parliamentary democracy with a powerful presidency. ■

MAJOR ECONOMIC INDICATORS

BANGLADESH

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Quantum index of medium and large-scale manufacturing (yoy growth %)*	13.3	20.0	19.3	-	-	-
Consumer price index (yoy growth %)*	6.1	5.6	5.7	5.6	5.5	5.5
Exports (yoy growth %)	10.4	13.6	9.2	11.8	6.5	16.7
Exports (FOB, US\$ mn)	3,185.6	2,854.2	2,831.4	2,682.1	3,027.0	3,577.6
<i>Of which:</i>						
Knitwear (US\$ mn)	1,169.7	1,041.7	1,030.9	1,063.1	1,182.7	1,435.2
Woven garments (US\$ mn)	1,456.0	1,324.7	1,281.5	1,133.6	1,264.0	1,575.3
Home textile (US\$ mn)	-	-	71.2	67.7	66.9	62.4
Footwear (US\$ mn)	-	-	46.0	37.0	64.4	93.2
Leather products (US\$ mn)	-	-	44.6	27.4	40.5	34.3
Imports (yoy growth %)	4.0	1.1	-1.6	0.2	9.6	-
Imports (C&F, US\$ mn)	3,437.5	3,070.1	3,408.9	3,241.4	3,662.0	-

* 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

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Quarterly GDP (real yoy growth %)*		7.9 (4Q15)			-	
Index of industrial production (yoy growth %)	-1.6	2.0	0.3	-1.3	1.2	-
Manufacturing PMI (Nikkei)	51.1	51.1	52.4	50.5	50.7	51.7
Wholesale price index (yoy growth %)	-1.1	-0.9	-0.5	0.8	0.8	1.6
Consumer price index (yoy growth %)	5.7	5.3	4.8	5.5	5.8	5.8
Exports (yoy growth %)	-13.6	-5.7	-5.5	-6.7	-0.8	1.3
Exports (FOB, US\$ mn)	21,075.6	20,738.6	22,718.7	20,568.9	22,170.6	22,572.3
<i>Of which:</i>						
Knitwear (US\$ mn)	667.3	605.1	629.1	558.1	-	-
Woven garments (US\$ mn)	825.6	923.0	878.1	770.4	-	-
Footwear (US\$ mn)	244.4	216.1	214.8	203.8	-	-
Furniture (US\$ mn)	113.7	103.5	122.7	99.6	-	-
Imports (yoy growth %)	-11.0	-5.0	-21.6	-23.1	-13.2	-7.3
Imports (CIF, US\$ mn)	28,714.5	27,280.4	27,789.6	25,413.7	28,443.5	30,688.5
Trade balance (US\$ mn)	-7,638.9	-6,541.8	-5,070.9	-4,844.9	-6,272.9	-8,116.2

* 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

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Quantum index of large-scale manufacturing (yoy growth %)	7.6	3.0	7.6	-3.1	-1.5	-
Consumer price index (yoy growth %)	3.3	4.0	3.9	4.2	3.2	3.2
Exports (yoy growth %)	-13.9	-4.7	-9.6	-13.4	-6.0	-8.7
Exports (US\$ mn)	1,771.8	1,791.0	1,741.9	1,721.6	1,832.0	1,651.0
<i>Of which:</i>						
Garments (US\$ mn)	418.5	363.9	347.5	375.7	415.1	419.4
Bed linen (US\$ mn)	170.1	171.8	167.1	169.9	182.7	154.9
Towels (US\$ mn)	64.4	60.9	61.3	68.0	68.6	60.3
Leather products (US\$ mn)	45.8	41.6	35.6	41.7	42.2	45.4
Sporting goods (US\$ mn)	22.4	26.4	27.0	32.4	29.5	26.0
Imports (yoy growth %)	14.6	0.2	3.1	1.6	7.6	2.3
Imports (US\$ mn)	3,483.9	3,303.6	3,569.1	3,846.5	4,007.5	4,466.6
Balance of trade (US\$ mn)	-1,712.1	-1,512.5	-1,827.2	-2,124.9	-2,175.5	-2,815.6

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

TURKEY

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Quarterly GDP (real yoy growth %)	4.8 (1Q16)				-	-
Industrial production index, manufacturing (yoy growth %)	5.6	6.3	3.4	0.6	6.3	-
Industrial turnover index, manufacturing (yoy growth %)	13.2	13.7	7.4	4.8	8.9	-
Manufacturing PMI (Istanbul Chamber of Industry)	50.9	50.3	49.2	48.9	49.4	47.4
Producer price index (yoy growth %)	5.9	4.5	3.8	2.9	3.3	3.4
Consumer price index (yoy growth %)	9.6	8.8	7.5	6.6	6.6	7.6
Exports (yoy growth %)	-22.4	1.1	2.0	-10.4	9.6	-
Exports (US\$ mn)	9,549.7	12,370.3	12,764.8	11,964.4	12,140.0	-
<i>Of which:</i>						
Knitwear (US\$ mn)	669.4	712.0	767.9	787.9	726.0	-
Woven garments (US\$ mn)	486.6	534.6	561.6	560.0	507.1	-
Furniture (US\$ mn)	184.5	232.3	249.3	237.1	231.3	-
Imports (yoy growth %)	-19.2	-8.1	-5.1	-11.9	-3.8	-
Imports (US\$ mn)	13,452.7	15,575.4	17,762.4	16,189.4	17,194.3	-
Balance of trade (US\$ mn)	-3,903.0	-3,205.2	-4,997.7	-4,225.0	-5,054.3	-

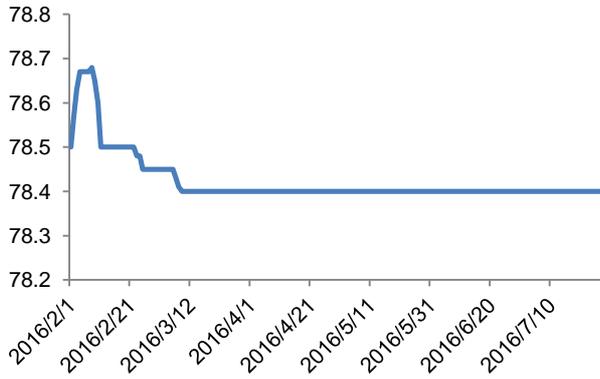
Source: Turkish Statistical Institute, Istanbul Chamber of Industry PMI reports

DAILY EXCHANGE RATES

FEBRUARY - JULY 2016

BANGLADESHI TAKA

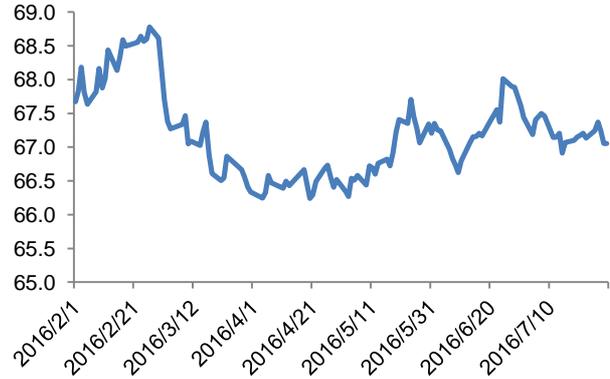
USD:BDT buy rate



Source: Bangladesh Bank

INDIAN RUPEE

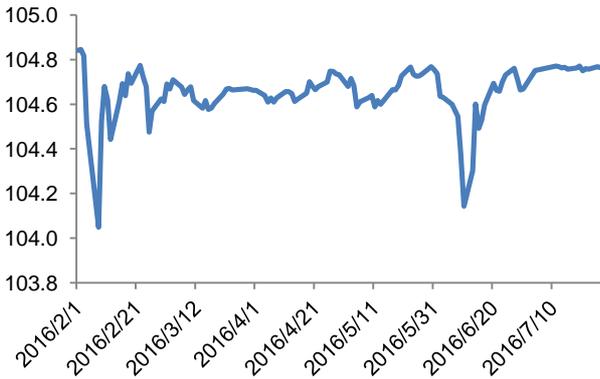
USD:INR RBI reference rate



Source: Reserve Bank of India (RBI)

PAKISTANI RUPEE

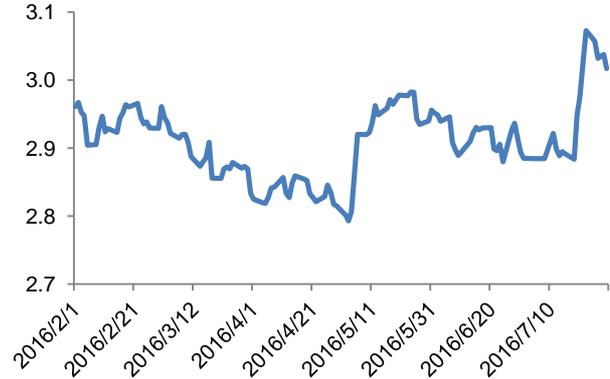
USD:PKR weighted average customer buy rate



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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Fung Business Intelligence was established in the year 2000.

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