



# ASIA SOURCING UPDATE

SOUTHEAST ASIA | SOUTH AND WEST ASIA

JUNE 2017

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# IN THE NEWS

## BANGLADESH



### EXPORTS RISE 3.9% YOY IN THE FIRST TEN MONTHS OF THE 2016-17 FISCAL YEAR

Bangladesh's exports in July 2016 – April 2017 grew modestly by 3.92%, compared to a year ago, to US\$28.72 billion, according to the Export Promotion Bureau (EPB).

Experts and exporters attributed the slow export growth to the sluggish global market, appreciation of the taka against the US dollar, and the high cost of remediation and relocation of factories.

Readymade garment (RMG) exports, which consistently accounts for about 80% of the country's exports, registered a modest growth of 2.21% yoy to US\$23.14 billion in the ten-month period. Further breakdown of the statistics shows that knitwear exports went up by 4.81% yoy to US\$11.25 billion, while exports of woven garments edged down by 0.14% yoy to US\$11.88 billion in the period.

Other major export categories that recorded positive growth rates during the ten-month period include leather and leather products, which jumped 10.71% yoy to US\$1.02 billion; jute and jute goods, which surged 13.23% yoy to US\$826 million; and home textiles, which increased 6.58% yoy to US\$665 million.

On the other hand, the country's export performance in the first ten months of this fiscal year was dragged down by exports of primary commodities – including fish and agricultural products – which registered a year-on-year decline of 1.34% to a total of US\$890 million.

Exports in July 2016 – April 2017 fell short of the government's target of US\$29.997 billion for the period by 4.25%.

#### BANGLADESH

### LOCAL MANUFACTURERS GEAR UP FOR OPPORTUNITIES IN SPORTSWEAR MARKET

Local garment makers are gearing up with fresh investment in the global sportswear market, currently dominated by China and Vietnam, as demand for the category is on the rise.

Currently, many factories in Bangladesh supply jerseys to different football clubs in Europe and national football teams for major events such as the World Cup. Some factories inside the export processing zones produce high-end functional sportswear items for renowned retailers and brands like Adidas and Puma.

Envoy Group, a leading garment exporter, is investing 500 crore (5 billion) takas in a new factory to produce specialized garment items, including sportswear, wind jackets, denim items and swimwear. The proposed plant will be set up on 50 bighas (720,000 square feet) of land in Gazipur, said Abdus Salam Murshedy, managing director of the Envoy Group.

Ananta Apparels, another leading apparel supplier in Bangladesh, also has plans to set up a separate factory to produce sportswear in the future, according to group director Asif Zahir.

## BANGLADESH

### THIRD TICFA MEETING WITH THE US ENDS WITHOUT DISCUSSION ON GSP REINSTATEMENT

On 17 May, the US-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA) Council held its third meeting, co-chaired by Shubhashish Bose, Bangladesh's Secretary of Commerce, and Mark Linscott, Assistant US Trade Representative.

Contrary to the previous TICFA meetings, the latest meeting ended without any discussion on reinstatement of the Generalized System of Preferences (GSP) trade privileges to the US market. 'We have not discussed the GSP issue,' said Bose.

During the meeting, Bangladesh called for US investment in the high-end garment sector, telecom and energy sectors, added Bose.

According to the press release issued by the US Trade Representative (USTR) office, the two sides deliberated on issues of mutual interest covered under the TICFA, including ease of doing business, market access and tariff reforms, intellectual property, digital economy, regional connectivity, energy and infrastructure development, transparency in government procurement, and labour.

The US particularly noted its interest in addressing specific market access barriers to trade and concerns about overall labour reform, expressing its hope for the speedy resolution of pending cases stemming from the labour unrest in Ashulia last year, according to the press release. ■

## INDIA



### MERCHANDISE EXPORTS GROW BY 19.8% YOY IN APRIL

Riding on impressive performance of the petroleum, engineering, garment and chemical sectors, India's merchandise exports rose by 19.8% yoy to US\$24.6 billion in April, the third consecutive month that recorded a double-digit growth, according to data released by the Department of Commerce.

The top five export categories, namely engineering goods, gems and jewelry, petroleum products, readymade garments and chemicals, all posted double-digit growth in April compared to the same month last year. The highest growth among the top five items came from petroleum products, with an export growth rate of 48.8% yoy, followed by readymade garments (+31.7% yoy) and engineering goods (+28.2% yoy).

Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations, said the implementation of the upcoming Goods and Services Tax (GST) and the release of the revised Foreign Trade Policy would further boost export growth.

It is also worth noting that the country's trade deficit widened to a 29-month peak of US\$13.2 billion in April, as import growth rose to a 70-month high of 49.1% yoy.

## INDIA

### GOVERNMENT SETS LOWER EXPORT TARGET FOR TEXTILES AND GARMENTS

The Indian government set the export target for textiles and garments at US\$45 billion for the current fiscal year (April 2017 - March 2018), lower than last fiscal year's US\$48 billion target which was missed by a huge margin. The target for this fiscal year, however, still represents a 16.6% growth from the actual export earnings worth US\$38.6 billion realized in the last fiscal year.

Factors that weigh down the sector's export prospects include a strong rupee, slow recovery in developed markets such as the US and the UK, tepid demand from China for cotton and yarn, as well as stiff competition from textile and garment suppliers in Vietnam, Bangladesh and China.

In particular, the Indian rupee strengthened by 4.7% against the US dollar year-to-date, while the Chinese yuan and Vietnamese dong only recorded a mild appreciation of 0.9% and 0.3%, respectively, based on spot exchange rates released by Bloomberg on 23 May. The Bangladeshi taka was in an even more favourable position by weakening by 2.2% year-to-date. As more than 70% of India's textile and apparel exports are denominated in US dollar, a strong rupee is likely to dampen exports.

To support the sector, the government is working on an incentive package for the knitwear segment and a National Textile Policy, Textile Minister Smriti Zubin Irani said at a media briefing on 22 May.

#### INDIA

### 17 STATES AND UNION TERRITORIES REVISE MINIMUM WAGES UPWARD SO FAR

As of 25 May, 17 states and union territories in India, plus the Central sphere, revised upward their minimum wages so far this year, according to the website *Paycheck India*.

The most notable adjustment was made in Delhi, of which minimum wages shot up by 37%, effective from 3 March till 31 August. As per the notification issued by the Labour Department of Delhi, monthly minimum wage for unskilled workers in scheduled employment has increased from 9,724 rupees to 13,350 rupees (US\$207), while those for semi-skilled and skilled workers have gone up from 10,764 rupees to 14,698 (US\$228) and from 11,830 rupees to 16,182 rupees (US\$251), respectively.

The massive increase was due to the inclusion of parameters such as education, electricity and fuel, apart from the three conventional factors – housing,

clothing and food, in the wage equation, according to Delhi's Chief Minister Arvind Kejriwal.

Trade unions and rights groups are urging other states and union territories to follow Delhi's historic move to raise minimum wage significantly as to fight labour exploitation.

India has a complex system of minimum wages, which are set by state governments according to an obsolete Minimum Wage Act (1948) and vary across regions and professions. As part of the labour reform initiated by the Modi administration, the Indian government intends to introduce a new Labour Code on Wages in the Monsoon session of Parliament. The code aims at streamlining existing labour laws and empowering the Central government to fix a mandatory minimum wage floor across all sectors nationwide. ■

## PAKISTAN



### EXPORTS OF TEXTILES AND GARMENTS DROP 0.9% YOY IN THE FIRST TEN MONTHS OF CURRENT FISCAL YEAR

The country's exports of textiles and garments witnessed a slight decline of 0.9% to US\$10.30 billion in July 2016 – April 2017, compared to the same period last fiscal year, according to data released by the Pakistan Bureau of Statistics. In rupee terms, the export figure recorded a 0.4% yoy decline in the ten-month period.

Product-wise breakdown shows that the decline was mainly attributed to weak exports of textiles. Specifically, exports of raw cotton, cotton cloth and cotton yarn, in dollar terms, fell 47.6%, 5.7% and 3.7%, respectively, in the ten-month period, compared to the same period last year. While exports of woven garments and bed linen saw year-on-year growth of 5.3% and 5.0%, respectively, exports of knitwear and towels contracted by 0.2% yoy and 4.4% yoy, respectively, in the period.

In January, Pakistan's Prime Minister announced a new export incentive package, which provides cash support and tax and duty waiver worth 180 billion rupees to arrest the country's falling exports. Measures announced in the package, however, are not implemented effectively, as refund claims of tax and duty are still pending for processing. Liquidity crunch facing textile and garment exporters is the major hurdle for export growth, according to industry insiders.

#### PAKISTAN

### NEARLY US\$500 MILLION DEALS SIGNED WITH CHINA AHEAD OF BELT AND ROAD FORUM

Ahead of the China-initiated Belt and Road Forum held in Beijing on 14-15 May, Pakistan signed new deals with China worth nearly US\$500 million under the China-Pakistan Economic Corridor (CPEC), adding to the US\$57 billion investment already pledged by China to the game-changing infrastructure plan.

Among the deals signed were cooperation agreements for the improvement of the 1,600-kilometre railway linking Karachi and Peshawar, the construction of an airport in the southwestern town of Gwadar, the establishment of the Havelian Dry Port in Khyber Pakhtunkhwa province, and economic and technical cooperation for the East Bay Expressway connecting Gwadar to Pakistan's existing highway system.

The CPEC is a flagship project of the China-led Belt and Road Initiative. At present, the two countries are finalizing the long-term plan on CPEC till 2030. Although the plan has yet to be disclosed publicly, local newspaper *The Dawn*, which claimed to have exclusive access to the original document, leaked out recently some details of the plan. It revealed that the scope of cooperation under the CPEC goes far beyond infrastructure and energy, covering agriculture, city security, fiber-optic connectivity, tourism and a lot more.

#### PAKISTAN

### NATIONAL SINGLE WINDOW IN THE WORKS TO IMPROVE EASE OF DOING BUSINESS

Pakistan is developing an online National Single Window, which enables business to receive services of 30-40 government departments through a single interface. The project, which is expected to be operational in a year, will improve the efficiency and transparency of customs clearance, and reduce counterfeit certificates.

Business involved in trade will be able to link with all related government departments with a single click to see their status of exemption and concession certificates, according to Muhammad Zahid Khokhar, member of the Federal Board of Revenue representing the Customs. As timelines will be defined for departments to approve or disapprove any application for certificates, delay will be reduced from days to minutes, he added.

The launch of the National Single Window is a measure stipulated by the World Trade Organisation's new Trade Facilitation Agreement, which was ratified by Pakistan in 2015. With a ranking of 144 among 190 economies in 2016, Pakistan has been recognized by the World Bank as one of the ten most improved economies in terms of ease of doing business over 2015. ■

## TURKEY



### EXPORTS SURGE BY 13.6% YOY IN MARCH

Turkey's exports increased by 13.6% yoy to US\$14.5 billion in March, a recovery from February's contraction of 2.0% yoy, according to the Turkish Statistical Institute. In the first quarter of 2017, the country's exports amounted to US\$37.9 billion, an increase of 9.2% compared to the same period last year.

Seven out of the top ten export categories registered positive growth in March, led by 'mineral fuels and mineral oils' (+101.0% yoy), 'iron and steel' (+78.7% yoy), and 'vehicles other than railway and tramway' (+35.6% yoy). While exports of knitwear posted an insignificant year-on-year growth of 1.9% in the month, exports of woven garments declined marginally by 0.5% yoy.

By destination, Turkey's exports to the top three destinations all recorded an increase in March, including Germany (+9.0% yoy), the United Arab Emirates (+222.4% yoy) and Iraq (+39.3% yoy). Besides, exports to the 28-member EU grew by 8.1% yoy to US\$6.8 billion in the month.

#### TURKEY

### TURKISH COMPANIES SHOW GROWING INTEREST IN INVESTING IN SERBIA

The number of Turkish companies that operate factories in Serbia is expected to double by the end of this year, as Turkish knitted fabric and knitwear manufacturers are being urged by the Serbian government to set up manufacturing facilities in the Balkan country, according to Aleksandar Medjedovic, the chairman representing Turkey of the Turkey - Serbia Business Council.

Currently, around 12 or 13 Turkish companies have set up production plants in Serbia. Inclusive of those without manufacturing facilities, the number of Turkish firms operating in Serbia was 454 by February this year, more than triple the number in 2015. Turkish manufacturers have been attracted by financial incentives provided by the Serbian government, such as government subsidies, and the country's strategic location with easy access across Europe.

Aster Textile, one of the top ten exporters of clothing in Turkey, opened its first Serbian factories last October. Of the total investment worth 9 million euros, 2 million euros was from government support. Within three years, the plant is expected to produce garments worth 60 million euros annually for export.

It was reported in March this year that four Turkish textile companies were in talks with the Serbian government to set up factories there. Among them was Birlesik Tekstil, which will open a factory in Belgrade, Serbia by the end of this year.

#### TURKEY

### REFERENDUM RESULT PUTS AN END TO PARLIAMENTARY DEMOCRACY

A narrow majority of Turks voted 'yes' on the controversial referendum held on 16 April, approving an 18-article constitutional reform package raised by the ruling Justice and Development Party (AKP). The result, which was disputed over its legitimacy, leads to a fundamental change in the country's political system – from the current parliamentary democracy to a powerful executive presidency. Thousands of people took to the streets across the country against the result, and dozens were arrested amid a government crackdown.

Under the new presidential system, the president, the head of the executive and the state, will be given sweeping powers, including appointing ministers, preparing the budget, enacting certain laws by decree, and dismissing the parliament. The president can also retain ties to a political party, according to *BBC*. Most of the changes, however, will have to wait until the next presidential election in 2019, when the tenure of the prime minister terminates and most of those powers will be shifted to the president.

Supporters of the referendum believe that the new presidential system of government will lead to more stability, particularly following last year's failed coup attempt and a series of terrorist attacks, while opponents argue that the result will accelerate Turkey's descent toward authoritarianism and lead to a polarized society.

According to a research report published by Moody's after the referendum, the credit rating agency expected that the Turkish government would continue its fiscal stimulus to propel

economic growth, and the referendum outcome would be unlikely to ease political uncertainty. ■

# MAJOR ECONOMIC INDICATORS

## BANGLADESH

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Quantum index of medium and large-scale manufacturing (yoy growth %)	9.8	7.4	-	-	-	-
Consumer price index (yoy growth %)	5.4	5.0	5.2	5.3	5.4	-
Exports (yoy growth %)	5.5	-3.0	4.0	-4.5	9.8	3.5
Exports (FOB, US\$ mn)	2,899.3	3,107.1	3,312.0	2,726.1	3,109.8	2,775.7
<i>Of which:</i>						
Knitwear (US\$ mn)	1,097.6	1,180.8	1,246.7	1,016.0	1,067.3	1,110.6
Woven garments (US\$ mn)	1,212.3	1,397.5	1,456.8	1,209.7	1,222.7	1,097.9
Home textile (US\$ mn)	61.1	74.8	74.6	72.9	81.9	82.7
Footwear* (US\$ mn)	59.6	68.8	72.2	51.5	49.9	49.4
Leather products (US\$ mn)	39.5	23.2	33.9	31.7	46.5	51.9
Imports (yoy growth %)	16.5	-0.5	20.8	12.3	18.2	-
Imports (C&F, US\$ mn)	3,961.3	3,636.9	4,153.2	3,446.3	4,048.0	-

\* Includes leather footwear.

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

## INDIA

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Quarterly GDP (real yoy growth %)	7.0 (3Q16)		6.1 (4Q16)			
Index of industrial production (yoy growth %)*	5.7	2.6	3.8	1.9	2.7	-
Manufacturing PMI (Nikkei)	52.3	49.6	50.4	50.7	52.5	52.5
Wholesale price index (yoy growth %)*	1.8	2.1	4.3	5.5	5.3	3.9
Consumer price index (yoy growth %)	3.6	3.4	3.2	3.7	3.9	3.0
Exports (yoy growth %)	0.0	5.7	4.3	17.5	27.6	19.8
Exports (FOB, US\$ mn)	20,009.6	23,845.0	22,115.0	24,490.3	29,232.1	24,635.1
<i>Of which:</i>						
Knitwear (US\$ mn)	547.4	704.0	700.9	716.8	-	-
Woven garments (US\$ mn)	604.2	751.1	823.8	889.6	-	-
Footwear (US\$ mn)	211.9	235.0	230.7	225.9	-	-
Furniture (US\$ mn)	88.4	118.0	113.7	107.9	-	-
Imports (yoy growth %)	10.8	0.5	10.7	21.8	45.3	49.1
Imports (CIF, US\$ mn)	33,018.5	34,254.3	31,955.9	33,386.6	39,669.2	37,884.3
Trade balance (US\$ mn)	-13,008.9	-10,409.4	-9,840.9	-8,896.3	-10,437.2	-13,249.2

\* Financial year in India starts in April. Index of industrial production and wholesale price index are new series using 2011-12 as the base year.

Source: Ministry of Commerce & Industry, Ministry of Statistics and Programme Implementation, Nikkei PMI reports

## PAKISTAN

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Quantum index of large-scale manufacturing (yoy growth %)	8.0	7.4	1.1	9.2	10.5	-
Consumer price index (yoy growth %)	3.8	3.7	3.7	4.2	4.9	4.8
Exports (yoy growth %)	6.2	-3.1	0.7	-8.3	3.6	5.2
Exports (US\$ mn)	1,762.3	1,727.4	1,779.7	1,637.8	1,800.7	1,805.2
<i>Of which:</i>						
Garments (US\$ mn)	389.4	414.9	401.7	374.8	389.5	376.2
Bed linen (US\$ mn)	168.0	168.2	173.2	175.4	180.5	175.4
Towels (US\$ mn)	65.4	62.2	63.5	64.2	70.4	64.5
Leather products (US\$ mn)	42.4	42.6	38.2	39.0	37.0	32.2
Sporting goods (US\$ mn)	19.7	26.0	23.4	25.0	26.9	27.9
Imports (yoy growth %)	10.2	17.6	36.7	34.7	41.2	30.8
Imports (US\$ mn)	4,230.5	4,488.3	4,723.8	4,419.0	5,009.2	4,998.3
Balance of trade (US\$ mn)	-2,468.2	-2,760.9	-2,944.1	-2,781.2	-3,208.5	-3,193.1

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

## TURKEY

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Quarterly GDP (real yoy growth %)	3.5 (4Q16)			-		
Industrial production index, manufacturing (yoy growth %)	1.8	1.6	2.8	0.6	2.5	-
Industrial turnover index, manufacturing (yoy growth %)	11.2	14.9	23.9	22.0	26.2	-
Manufacturing PMI (Istanbul Chamber of Industry)	48.8	47.7	48.7	49.7	52.3	51.7
Producer price index (yoy growth %)	6.4	9.9	13.7	15.4	16.1	16.4
Consumer price index (yoy growth %)	7.0	8.5	9.2	10.1	11.3	11.9
Exports (yoy growth %)	9.5	8.8	17.9	-2.0	13.6	-
Exports (US\$ mn)	12,789.0	12,783.2	11,259.5	12,113.3	14,495.8	-
<i>Of which:</i>						
Knitwear (US\$ mn)	697.9	691.4	633.1	669.4	780.5	-
Woven garments (US\$ mn)	420.5	470.1	450.2	459.8	558.5	-
Furniture (US\$ mn)	226.8	235.2	193.6	203.2	241.6	-
Imports (yoy growth %)	6.0	2.3	15.9	1.6	6.9	-
Imports (US\$ mn)	16,934.8	18,410.2	15,586.3	15,819.8	18,988.2	-
Balance of trade (US\$ mn)	-4,145.8	-5,627.0	-4,326.7	-3,706.5	-4,492.4	-

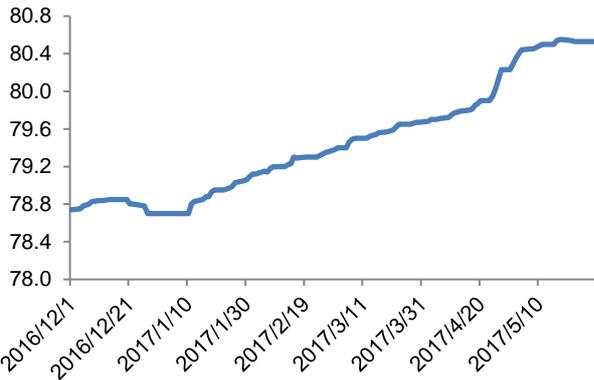
Source: Turkish Statistical Institute, Istanbul Chamber of Industry PMI reports

# DAILY EXCHANGE RATES

## DECEMBER 2016 - MAY 2017

### BANGLADESHI TAKA

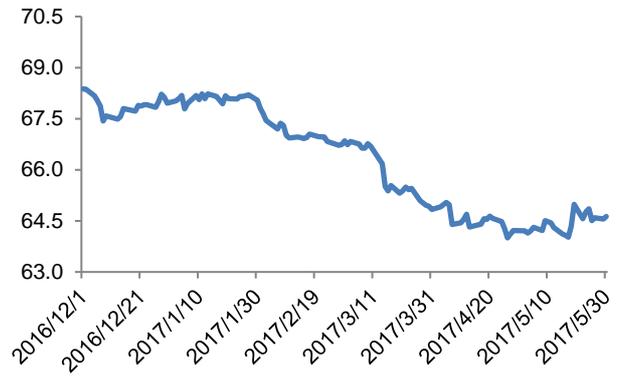
USD:BDT buy rate



Source: Bangladesh Bank

### INDIAN RUPEE

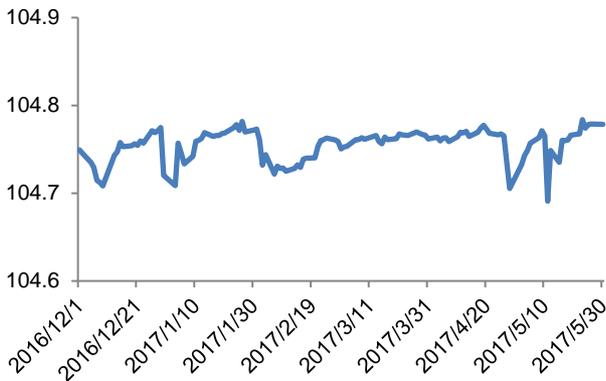
USD:INR RBI reference rate



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

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