



# ASIA SOURCING UPDATE

SOUTHEAST ASIA | SOUTH AND WEST ASIA

SEPTEMBER 2016

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# IN THE NEWS

## BANGLADESH



### EXPORTS RECORD 8.4% YOY GROWTH IN THE FIRST TWO MONTHS OF FY2016-17

Bangladesh's export receipts in the first two months of the current fiscal year (July 2016 to June 2017) amounted to US\$5.84 billion, up 8.4% compared to US\$5.38 billion a year earlier, according to data released by the Export Promotion Bureau. Exports jumped 19.8% yoy in August to US\$3.3 billion after falling 3.5% yoy in July.

Readymade garment (RMG) exports, which accounted for 82% of the country's exports in July-August, grew by 8.0% yoy to US\$4.84 billion in the two-month period. Among RMG products, knitwear exports in July-August increased by 9.5% from a year ago to US\$2.47 billion, while exports of woven products grew by 6.5% yoy to US\$2.37 billion during the same period. Exports of leather and leather products jumped by 15.3% yoy to US\$226.74 million.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Vice President Nasir Uddin said demand had picked up as buyers' concern over terrorism had been largely addressed by the government's determined efforts to tackle militancy. He explained that the decline in exports in July was due to the Eid-ul-Fitr holiday, and he anticipated exports to dip again in September as factories were closed for the Eid-ul-Azha holiday.

#### BANGLADESH

### EXPLOSION AT PACKAGING FACTORY KILLS 31

31 people were killed and some 70 people were injured after a boiler exploded at a factory in the Tongi industrial area near Dhaka on 10 September.

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The factory is owned by Tampaco Foils, which provides packaging materials for tobacco and food and drink products for companies including Nestle Bangladesh and Nabisco Biscuit & Bread Factory Limited.

In response, the Bangladeshi government will begin inspecting non-garment factories to ensure compliance and strengthen workplace safety for workers. The Ministry of Labour and Employment agreed to extend inspections to non-RMG factories, mirroring the ongoing efforts to upgrade fire, electrical and structural safety in garment factories, said Syed Ahmed, Inspector General of the Department of Inspection for Factories and Establishments (DIFE). The DIFE will submit a proposal to the government and donor agencies to secure funding before the inspections can begin.

The Ministry of Labour and Employment declared a compensation of 200,000 takas for each family of victims who died from the Tampaco explosion. The compensation will be paid out of the recently formed Worker Welfare Fund.

#### BANGLADESH

### ADB REVISES DOWNWARD EXPORT GROWTH FORECAST FOR FY2016-17

The Asian Development Bank (ADB) estimated Bangladesh's GDP to grow at 7.1% in the fiscal year 2015-16 (July 2015 to June 2016), compared with the ADB's previous forecast of 6.7%, according to the *Asian Development Outlook 2016 Update* released on 27 September. Export growth was estimated to be 8.9% in FY2015-16.

Consumption continued to be the mainstay of growth, according to the report, while net exports were also likely to have contributed to growth.

The report noted that the taka-US dollar exchange rate was broadly stable in FY2015-16, reflecting the favorable current account position and the central bank's exchange rate objectives of building reserves and avoiding excessive rate volatility.

For the current fiscal year (July 2016 to June 2017), ADB maintains its previous GDP growth forecast of 6.9%, lower than the government's forecast of 7.2% for the same period. The revised forecast for export growth in FY2016-17 is 7.0%, down from the previous forecast of 9.0%, reflecting slowdown in the US and the euro area, Bangladesh's main export markets. ■



#### GST TO ROLL OUT IN APRIL 2017

The Constitution Amendment Bill on the introduction of the Goods and Services Tax (GST), passed by the Parliament on 8 August, becomes law after receiving the assent of President Pranab Mukherjee on 8 September.

The GST is a single indirect tax which will replace most of the existing central and state taxes such as the value added tax, excise duty, service tax and central sales tax. Once implemented, it will create a unified market for easier movement of goods and services across India, as well as mitigate cascading taxation along the supply chain.

The government plans to introduce two GST laws — Central GST and Integrated GST — in the winter session of Parliament which begins in November. The states will draft their respective State GST laws with minor variations incorporating state-based exemptions. Central GST and State GST are two components of a single GST levied on intra-state sales, while Integrated GST will apply to inter-state sales.

Decisions of the GST Council, which consists of central and state representatives, will form the basis of relevant legislation. At the first meeting on

22-23 September, the GST Council agreed to a GST threshold of 2 million rupees for all states except the northeast and hill-area states, which will have a threshold at 1 million rupees. Businesses with an annual turnover below the threshold level will be exempted from the GST. The central and state governments also agreed to roll out the tax on 1 April 2017. The council will meet again on 17-19 October to finalise the GST rates, list of exempted goods and other matters relating to the GST.

#### INDIA

#### GOVERNMENT PROPOSES WAGE CODE REFORM IN RESPONSE TO NATIONWIDE STRIKE

On 2 September, as many as 180 million people around India, or 14% of India's population, took to the streets in a nationwide strike for higher wages. Trade unions demanded an 18,000-rupees (US\$270) monthly minimum wage for all workers and universal social security, among other things.

In an attempt to ward off the strike, the central government announced in late August a 42% hike in minimum wage for unskilled non-agricultural workers employed by the central government to 350 rupees per day (or 9,100 rupees for 26 days) from the previous amount of 246 rupees, which fell far short of the demand of trade unions and was rejected.

Currently, the National Floor Level Minimum Wage (NFLMW) stands at 160 rupees per day, which is deemed way too low by trade unions. However, the minimum wages specified by some of the state governments are even lower than the NFLMW, as it is non-statutory.

On 15 September, an inter-ministerial group on labour headed by Finance Minister Arun Jaitley discussed on the draft Code on Wages, which will provide for a national benchmark of minimum wage for workers that all states will have to comply with. The code will also combine four wage-related statutes into one and provide clarity on the definition of wages. The government plans to have

the code passed in the Parliament in the coming winter session.

## INDIA

### INDUSTRIAL OUTPUT SHRINKS 2.4% IN JULY

India's industrial output slowed in July led by a decline in manufacturing and capital goods production, according to data released by the Central Statistics Office.

The Index of Industrial Production (IIP) contracted by 2.4% in July, compared with a growth of 2% in June, mainly on account of the weakness in manufacturing output, which contracted by 3.4%, down from a 0.7% growth in June. Output growth of the electricity and mining sectors was also weak. Output of the electricity sector grew 1.6% in July, lower than the 8.3% growth in June, while output of the mining sector grew 0.8%, down from 5.3% in the previous month.

A use-based breakdown of the IIP figures shows that there was an almost 30% contraction in capital goods production, signalling a slump in investments.

The slowdown in industrial activity came at a time when the April-June GDP growth rate eased to a six-quarter low of 7.1% yoy, due mainly to a slower growth in the construction and agriculture sectors and a contraction in the mining sector. ■

## PAKISTAN



### TEXTILE EXPORTS FALL 2.6% YOY IN FIRST TWO MONTHS OF FY2016-17

Pakistan's exports of textile and garments, which account for nearly two-thirds of the country's total exports, declined by 2.6% yoy to US\$2.07 billion in July-August 2016, the first two months of the 2016-17 fiscal year (July 2016 - June 2017), according to data from the Pakistan Bureau of Statistics.

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In the two-month period, exports of towels witnessed a plunge of 17.4% yoy while those of bed linens rose 5.3% yoy. Within the garment sector, exports of woven garments increased 3.8% yoy but those of knitwear declined 3.2% yoy in the period.

On the positive side, however, the imports of textile machinery saw a year-on-year growth of over 5% in July-August 2016, which reflects the industry's interest in improving the quality of textile products.

## PAKISTAN

### NET FDI PLUMMETS BY 53% YOY IN JULY-AUGUST

In yet another worrying sign for Pakistan's economy, the country's net foreign direct investment (FDI) went down 53% yoy to US\$113 million in July-August 2016, compared to the US\$241 million it received during the same period of the last fiscal year, according to data released by the State Bank of Pakistan.

In July-August 2016, significant declines in FDI inflows were noticed in the power sector, financial business, tobacco and cigarettes, transport sector, and oil and gas explorations. Meanwhile, the largest recipients of FDI inflows were communications (US\$35.3 million), power (US\$31.9 million) and financial business (US\$31.1 million).

The Chinese mainland remained the largest investor in Pakistan, with a net FDI of US\$25.7 million in the two month period. Other major investing countries included the US (with a net FDI of US\$25.1 million), the United Arab Emirates (US\$24.2 million), Norway (US\$20.0 million) and the UK (US\$12.4 million).

FDI inflow in Pakistan has dropped significantly since the 2007-08 fiscal year mainly because of political uncertainty, security issues and energy shortages. Thanks to a net FDI of almost US\$600 million from China, net FDI in Pakistan surged 39% to US\$1.3 billion in the 2015-16 fiscal year, which was still just a fraction of the US\$5.4 billion recorded in the 2007-2008 fiscal year.

## PAKISTAN

### GOVERNMENT VOWS TO PROMOTE EXPORTS

Prime Minister Nawaz Sharif promised that the government would resolve pressing issues facing exporters and help make the country's exports competitive again in the international markets.

The government has set up a committee to look into issues being faced by exporters, especially the possibility of reducing tariffs on electricity, gas and water for exporting industries, with the aim of bringing down the cost of exports.

According to Commerce Minister Khurram Dastgir Khan, the government is also going to introduce comprehensive tariff reforms for raw materials, remove all impediments to movements of goods, and develop an e-commerce framework to boost Pakistan's exports.

Pakistan has been facing a downturn in exports since the 2010-11 fiscal year. Given the continued weakness in export performance, Khan admitted that Pakistan's exports are unlikely to reach US\$35 billion, a target set in the Strategic Trade Policy Framework released in March, in the 2017-18 fiscal year. ■

## TURKEY

### INDUSTRIAL PRODUCTION AND MANUFACTURING PMI PLUNGE AFTER FAILED COUP ATTEMPT

Turkey's industrial production index fell 4.9% in July from the same month last year, largely as a result of the severe disruptions to the economy caused by the failed coup attempt on 15 July, data from the Turkish Statistics Institute showed.

Among the three major industrial sub-sectors, 'mining and quarrying' and 'manufacturing' contracted by 0.8% yoy and 6.5% yoy respectively in July, while 'electricity, gas, steam and air

conditioning supply' expanded by 3.1% yoy in the month.

Within the manufacturing sub-sector, the textiles and the wearing apparel segments saw output declines of 3.2% yoy and 10.0% yoy respectively in July, while output of the furniture segment contracted by 24.0% yoy in the month.

Meanwhile, Turkey's Purchasing Managers' Index (PMI), a barometer of the manufacturing business conditions compiled by Markit and the Istanbul Chamber of Industry, fell from 47.6 in July to 47.0 in August, the lowest level since early 2009. The index reading stayed below the 50.0 neutral threshold for the fifth consecutive month, indicating an ongoing slowdown in the manufacturing sector in August. Among the PMI components, manufacturing output and new orders dropped, although the level of new export business rose for the first time in 2016.

## TURKEY

### EXPORTS RECOVER IN AUGUST AFTER JULY SLUMP

Turkey's exports showed a year-on-year rise in August after recording a steep decline in July, according to data released by the Turkish Exporters Assembly.

Turkey's exports decreased by 18.7% in July to US\$8.8 billion compared to the same period last year, mainly because of the failed coup attempt and a long holiday in the month. Exports of garments and apparels amounted to US\$1.25 billion in July.

In August, however, the country's exports rose by 6.9% yoy to US\$11.16 billion, marking the strongest growth rate in 28 months. The garment and apparel sector recorded exports worth US\$1.61 billion.

Mehmet Büyükekçi, President of the Turkish Exporters Assembly, said that the coup attempt only had limited effects on exports, and he expected Turkey's exports to further increase in the coming months.

## TURKEY

### MOODY'S CUTS CREDIT RATING OF TURKEY TO 'JUNK'

Credit ratings agency Moody's Investor Service downgraded Turkey's sovereign credit rating from Baa3 to 'junk' level Ba1, one notch below the investment grade. Moody's cited worries about Turkey's governance and rule of law following the failed coup attempt, risks from external financing and a slowing economy as reasons for the downgrade. The Moody's rating cut may mean that Turkey will have to pay more to borrow money on international markets.

Moody's decision followed a downgrade to two notches below investment grade by Standard & Poor's in the immediate aftermath of the coup attempt in July. Fitch Ratings, the only major ratings agency that currently assigns Turkey an investment grade, will review its assessment of Turkey at the beginning of 2017.

Deputy Prime Minister Nurettin Canikli said Moody's turned a blind eye to the reforms and steps the Turkish government had taken to boost growth and savings. ■

# MAJOR ECONOMIC INDICATORS

## BANGLADESH

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Quantum index of medium and large-scale manufacturing (yoy growth %)*	19.3	13.2	6.1	-	-	-
Consumer price index (yoy growth %)*	5.7	5.6	5.5	5.5	5.4	5.4
Exports (yoy growth %)	9.2	11.8	6.5	16.7	-3.5	19.8
Exports (FOB, US\$ mn)	2,831.4	2,682.1	3,027.0	3,577.6	2,534.3	3,303.5
<i>Of which:</i>						
Knitwear (US\$ mn)	1,030.9	1,063.1	1,182.7	1,435.2	1,077.2	1,395.6
Woven garments (US\$ mn)	1,281.5	1,133.6	1,264.0	1,575.3	1,040.4	1,330.7
Home textile (US\$ mn)	71.2	67.7	66.9	62.4	43.0	61.8
Footwear (US\$ mn)	46.0	37.0	64.4	93.2	63.4	97.6
Leather products (US\$ mn)	44.6	27.4	40.5	34.3	27.8	34.4
Imports (yoy growth %)	-1.6	0.2	9.6	3.7	3.8	-
Imports (C&F, US\$ mn)	3,408.9	3,241.4	3,662.0	3,498.1	3,012.1	-

\* 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

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Quarterly GDP (real yoy growth %)*	7.9 (4Q15)		7.1 (1Q16)		-	
Index of industrial production (yoy growth %)	0.3	-1.3	1.1	2.0	-2.4	-
Manufacturing PMI (Nikkei)	52.4	50.5	50.7	51.7	51.8	52.6
Wholesale price index (yoy growth %)	-0.5	0.8	1.2	1.6	3.6	3.7
Consumer price index (yoy growth %)	4.8	5.5	5.8	5.8	6.1	5.1
Exports (yoy growth %)	-5.5	-6.7	-0.8	1.3	-6.8	-0.4
Exports (FOB, US\$ mn)	22,718.7	20,568.9	22,170.6	22,572.3	21,689.6	21,518.6
<i>Of which:</i>						
Knitwear (US\$ mn)	629.1	558.1	666.4	746.4	-	-
Woven garments (US\$ mn)	878.1	770.4	821.8	825.2	-	-
Footwear (US\$ mn)	214.8	203.8	221.8	278.2	-	-
Furniture (US\$ mn)	122.7	99.6	116.9	120.5	-	-
Imports (yoy growth %)	-21.6	-23.1	-13.2	-7.3	-19.0	-14.1
Imports (CIF, US\$ mn)	27,789.6	25,413.7	28,443.5	30,688.5	29,451.0	29,192.7
Trade balance (US\$ mn)	-5,070.9	-4,844.9	-6,272.9	-8,116.2	-7,761.4	-7,674.1

\* 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

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Quantum index of large-scale manufacturing (yoy growth %)	7.6	-2.9	-1.1	-0.4	2.6	-
Consumer price index (yoy growth %)	3.9	4.2	3.2	3.2	4.1	3.6
Exports (yoy growth %)	-9.6	-13.4	-6.0	-8.7	-6.9	-9.4
Exports (US\$ mn)	1,741.9	1,721.6	1,832.0	1,651.0	1,479.4	1,658.3
<i>Of which:</i>						
Garments (US\$ mn)	347.5	375.7	415.1	419.4	384.6	394.6
Bed linen (US\$ mn)	167.1	169.9	182.7	154.9	167.7	188.1
Towels (US\$ mn)	61.3	68.0	68.6	60.3	56.2	58.4
Leather products (US\$ mn)	35.6	41.7	42.2	45.4	40.3	41.9
Sporting goods (US\$ mn)	27.0	32.4	29.5	26.0	24.6	22.0
Imports (yoy growth %)	3.1	1.6	7.6	2.3	-6.2	13.9
Imports (US\$ mn)	3,569.1	3,846.5	4,007.5	4,466.6	3,556.9	4,331.2
Balance of trade (US\$ mn)	-1,827.2	-2,124.9	-2,175.5	-2,815.6	-2,077.5	-2,672.8

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

## TURKEY

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Quarterly GDP (real yoy growth %)	4.8 (1Q16)		3.1 (2Q16)		-	
Industrial production index, manufacturing (yoy growth %)	3.4	0.6	6.3	-0.4	-6.5	-
Industrial turnover index, manufacturing (yoy growth %)	7.4	4.8	8.9	5.6	-2.1	-
Manufacturing PMI (Istanbul Chamber of Industry)	49.2	48.9	49.4	47.4	47.6	47.0
Producer price index (yoy growth %)	3.8	2.9	3.3	3.4	4.0	3.0
Consumer price index (yoy growth %)	7.5	6.6	6.6	7.6	8.8	8.1
Exports (yoy growth %)	1.9	-10.4	9.3	7.9	-11.5	-
Exports (US\$ mn)	12,760.78	11,957.2	12,110.9	12,893.8	9,855.0	-
<i>Of which:</i>						
Knitwear (US\$ mn)	766.9	786.0	723.8	809.0	677.1	-
Woven garments (US\$ mn)	561.5	559.7	506.0	520.6	431.8	-
Furniture (US\$ mn)	249.3	237.1	231.1	236.0	165.7	-
Imports (yoy growth %)	-5.1	-11.9	-3.8	7.0	-19.7	-
Imports (US\$ mn)	17,763.2	16,188.4	17,195.3	19,473.7	14,643.0	-
Balance of trade (US\$ mn)	-5,002.5	-4,231.2	-5,084.4	-6,579.9	-4,788.0	-

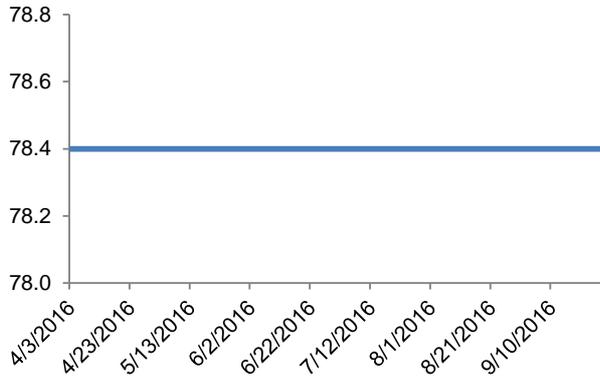
Source: Turkish Statistical Institute, Istanbul Chamber of Industry PMI reports

# DAILY EXCHANGE RATES

## APRIL - SEPTEMBER 2016

### BANGLADESHI TAKA

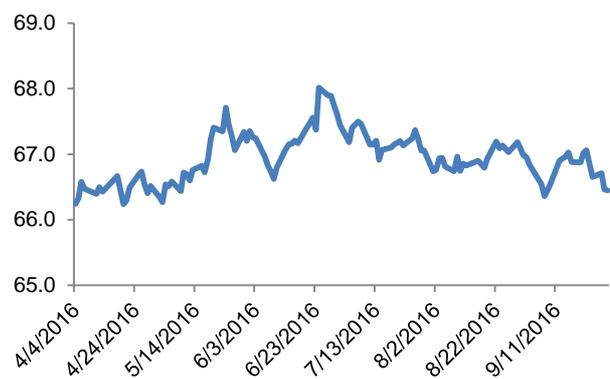
USD:BDT buy rate



Source: Bangladesh Bank

### INDIAN RUPEE

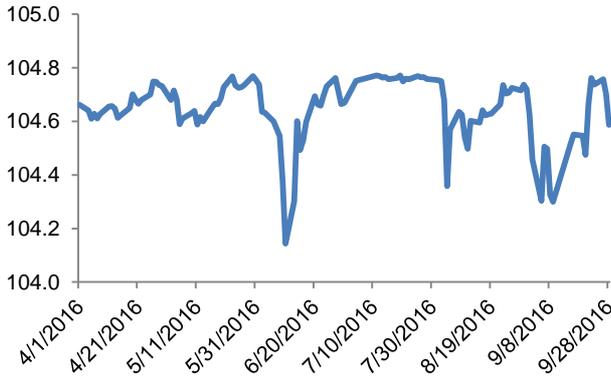
USD:INR RBI reference rate



Source: Reserve Bank of India (RBI)

### PAKISTANI RUPEE

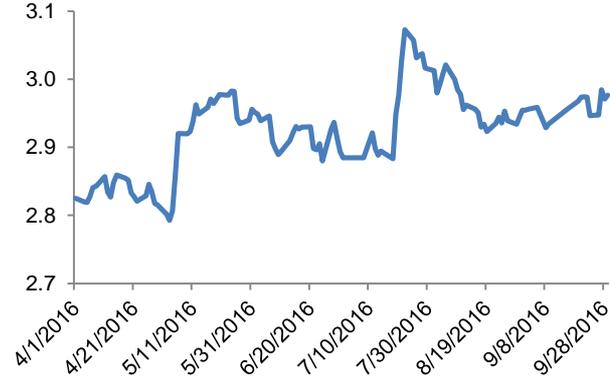
USD:PKR weighted average customer buy rate



Source: State Bank of Pakistan

### TURKISH LIRA

USD:TRY buy rate



Source: Central Bank of the Republic of Turkey

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