

COUNTRY SOURCING REPORT

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Issue 21

Country overview
Sourcing & industry updates
Minimum wage comparisons
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BANGLADESH · CAMBODIA · CHINA · INDIA · INDONESIA · PAKISTAN
PHILIPPINES · THAILAND · TURKEY · VIETNAM · CENTRAL AMERICA

EXECUTIVE SUMMARY

Stay One Step Ahead in a Turbulent World

The world economic recovery is not as smooth as expected. When China lifted all travel restrictions earlier this year and re-opened to the world, markets were bullish and consumer confidence lifted, hoping post-pandemic China would drive faster growth for the global economy. China's economy indeed rebounded; however, the initial growth trajectory lost steam in the second quarter. China's domestic consumption only regained momentum in the third quarter after the central and local governments implemented a series of expansionary policies.

Inflation rates in various countries around the world have gradually dropped from their peaks in 2022, but have not fallen into target ranges set by their respective central banks. As a result, central bank officials are remaining cautious about rate cuts to prevent a potential inflation rate rebound. In the US and Western European countries, sluggish economies and high interest rates have suppressed import demands, which in turn has hit the export performance of most sourcing countries under our observation.

Excessive freight, raw material, and energy costs have plagued apparel and footwear exporters since late 2020 but have begun to decrease this year and are expected to continue their downward trend in the near future. Notably, the China Containerized Freight Index dropped from an all-time high of 3,587.91 on 11 February 2022 to a three-year low of 851.96 on 28 September this year. These resulted in the easing of cost pressures on apparel and footwear exporters.

On the currency front, the US dollar recovered most of its losses against a basket of currencies dating back to the closing months of 2022, as measured by the US dollar Index at the end of this September. Consequently, Asian currencies saw another decline against the US dollar in the first nine months of 2023, albeit much more modestly than in the same period last year; exceptions are the Turkish Lira and the Pakistan rupee, which have depreciated substantially, by 31.7% and 21.4% respectively year to date. Apparel makers therefore could find imported raw materials more expensive due to the currency factor.

On the other hand, many apparel sourcing destinations have raised minimum wages to support their low-paid workers against increased cost of living. As of September 2023, 15 out of 23 garment-producing countries monitored by our team had raised their minimum wages, including Cambodia, China, Egypt, Guatemala, Honduras, India, Indonesia, Mauritius, Mexico, Nicaragua, Pakistan, the Philippines, Turkey and Vietnam. The range of increases varies from 3.1% to 37.0%.

Global supply chains continue to be disrupted by regional conflicts. The Russia-Ukraine conflict has seen no end, and the latest escalation in the Israeli- Palestinian conflict that erupted this October casts a shadow over the dawn of peace in the Middle East. If the war were to extend beyond their national borders, the Suez Canal will be affected immediately, and subsequently the Strait of Hormuz. This would result in the severe disruption of the container shipping routes from Asia to Europe. The rise in oil prices, a usual consequence of conflicts in the Middle East, will add another layer of complexity to the global supply chain.

Despite increased contacts between Chinese and US officials, the economic relations between the two countries have deteriorated this year. The US Department of Commerce had added 82 more Chinese entities to the Entity List (a regulatory instrument that imposes severe restrictions on the ability of listed entities to access US software and technologies) as of October and released three new rules in October to further tighten export controls of advanced chips to China. US President Biden issued an Executive Order restricting US investment in certain Chinese technology sectors in August. In response, China placed export restrictions on 14 gallium and germanium items, key metals for the production of chips and other electronic components, starting from 1 August this year.

The building of regional trade blocs is still progressing this year despite the escalation of the Sino-US trade war and the fragmentation of global supply chains. The Regional Comprehensive Economic Partnership (RCEP) has been ratified by 14 of the 15 member countries with the Philippines being the latest RCEP signatory to ratify the agreement this June. Amidst the gloomy export performance of sourcing countries, the intra-RCEP trade stands out as a bright spot. For example, in the first nine months of 2023, Cambodia's exports to the world decreased by 17.8%

year-on-year (yoy), but its exports to other RCEP member countries increased by 23.6% yoy. In the same period, ASEAN overtook the US to become China's largest export market. On the other side of the world, Mexico and Canada outpaced China to become the US' top two largest source of imports this year — the first time since 2007 that China did not hold the top spot.

Globally, there are many bilateral/multilateral free trade agreements and arrangements making progress. In October, the European Parliament voted to extend the current Generalized System of Preferences for another four years until 2027 for developing countries to enjoy duty-free or minimum duty on exports to the European market. In June, the UK government introduced the new Developing Countries Trading Scheme to replace its Generalized Scheme of Preferences, offering lower tariffs, enhanced preferences, and simplified trading rules to an expanded group of developing countries. Meanwhile, the India-Australia Cooperation and Trade Agreement entered into force on 29 December 2022 and the Pakistan and Turkey Preferential Trade Agreement entered into force on 1 May 2023, while more trade agreements among other countries have been signed or in the negotiation process.

In 2023, we have seen several manufacturing countries accelerate their digital adoption and cooperation in order to boost the productivity and competitiveness of their firms. Singapore and Cambodia, for example, have collaborated on the Financial Transparency Corridor initiative, which allows financial institutions in the two countries to exchange trusted information about SME (small and medium-sized enterprises) buyers and sellers from their respective countries in order to assess financing support. The enhancement in information flows also helps SMEs to access broader digital trade networks such as the Business Sans Border Proxtera global network, and provides SMEs with greater trade connectivity within the ASEAN and other growth regions.

At the same time, sourcing countries are committed to building greener global supply chains. To encourage cleaner industrial production in non-EU countries, the EU has proposed a levy on imported carbon-intensive products through the Carbon Border Adjustment Mechanism (CBAM). The CBAM entered into application in its transitional phase on 1 October 2023 and initially applies to imports of certain goods and selected precursors whose production is carbon intensive and has the highest risk of carbon leakage, i.e. cement, iron and steel, aluminium, fertilizers, electricity and hydrogen. It will eventually capture more than 50% of the emissions in sectors covered by the EU Emissions Trading System. Textiles and garments, a carbon-intensive sector, would undoubtedly be subject to this tax with the expansion of the scope of the CBAM, according to our experts. Sourcing agents and manufacturers in the sector therefore must undertake sustainability initiatives immediately to reduce their carbon footprint if they want to keep an edge in the global supply chain.

The world going forward would only be more turbulent. Global sourcing enterprises need greater flexibility and resilience as well as the constant adoption of new technologies in order to quickly respond to emergencies. While the three mega trade groupings of North America, EMEA (Europe, Middle East and Africa) and Asia are gradually taking shape and the nearshoring trend is strengthening, observers should not jump to the conclusion that China is losing its position as the centre of global supply chains. While countries like Mexico and Vietnam have been gaining ground as sourcing countries, Chinese direct investment in these countries has also been seen rising. Furthermore, Asia still has a competitive advantage in terms of labour and operating costs, as well as a complete regional supply chain capable of providing the flexibility required for sourcing. As a result, this region will continue to be the main production base for fashion products. China, as the world's most competitive textile and clothing producer, will continue to be an important supplier of machinery, raw materials, and capital for apparel-exporting countries in Asia, playing an indispensable role in the global sourcing chain.

In this turbulent and uncertain world, governments and companies alike must maintain an innovative and growth mindset in order to hedge against the next big disruptions to the global economy and the global supply chains.

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This report is brought to you by Fung Business Intelligence and Li & Fung's business unit contributors located in the following production countries. It gives an "our people on the ground" perspective of what is happening in those countries. This report covers country and sourcing updates, major multilateral/bilateral free trade agreements, input price trends, macroeconomic indicators and foreign exchange rates.

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COUNTRY OVERVIEW

	Population (million), 2022	Median age, 2021	Literacy rate (%), 2021 or most recent year	Real GDP growth (%), 2022	Inflation (%), 2022	Share in world clothing exports (%), 2021	Monthly base wages for manufacturing workers (US\$), 2022*
China	1,412.2	37.9	97.2	3.0	1.9	32.1	607.0
Bangladesh	171.2	26.3	74.9	7.1	6.2	6.5	127.0
India	1,417.2	27.6	74.4	6.3	5.5	2.9	330.0
Pakistan	235.8	20.2	58.0	-0.5	29.2	1.5	174.0
Turkey	85.3	30.9	96.7	5.5	72.3	3.4	504.7
Cambodia	16.8	26.5	83.9	5.2	5.3	1.5	246.0
Indonesia	275.5	29.4	96.0	5.3	4.2	1.7	374.0
Philippines	115.6	24.5	96.3	7.6	5.8	0.1	248.0
Thailand	71.7	39.3	94.1	2.6	6.1	1.0	385.0
Vietnam	98.2	32.0	95.8	8.0	3.2	5.7	277.0
Mexico	127.5	29.0	95.2	3.9	7.9	0.8	365.2
El Salvador	6.3	26.3	90.0	2.6	7.2	0.4	359.2
Guatemala	17.4	22.1	83.3	4.1	6.9	0.3	389.2
Honduras	10.4	23.4	88.5	4.0	9.1	0.8	416.9
Nicaragua	6.9	24.5	82.6	3.8	10.5	0.3	221.3
Haiti	11.6	23.0	61.7	-1.7	27.6	0.2	151.5

Source:

Population (2022): World Bank database, accessed on 19 September 2023

Median age (2021): *United Nations World Population Prospects 2022*

Literacy rate (2021 or most recent year): World Bank database, accessed on 28 October 2022

Real GDP growth and inflation (2022): *IMF World Economic Outlook*, October 2023

Share in world clothing exports (2021): WTO database, accessed on 25 September 2023

Monthly wages (2022): *JETRO Survey of Japanese-Affiliated Companies in Asia and Oceania*, December 2022

* Wages of Turkey and Central American countries are national minimum wages as of 31 August 2023, converted to US dollar terms based on official exchange rates or Bloomberg's spot exchange rates on 31 August 2023.

BANGLADESH

Country & sourcing updates

Macroeconomic trends

- In the first quarter of 2023-24 fiscal year (July 2023-June 2024), Bangladesh's **exports** increased by 9.5% yoy to US\$13.7 billion. However, the export figure fell short of the US\$14.0 billion target.
 - In September, exports were US\$4.3 billion, up by 10.4% yoy but still below the strategic target of US\$4.6 billion.
 - During the first quarter of the current fiscal year, apparel exports surged by 13.1% yoy to US\$11.6 billion.
- According to the *Bangladesh Economic Review* published by the Ministry of Finance in June, the country's provisional estimate of gross domestic product (**GDP**) growth is expected to be 6.0% for the 2022-23 fiscal year.
 - In July 2023, the World Bank has kept its forecast for Bangladesh's GDP growth unchanged at 5.2% for the 2022-23 fiscal year. The country's growth is expected to slow due to soaring inflation, policy uncertainty, and weakening external demand.
 - In October 2023, the International Monetary Fund (IMF) lowered its GDP forecast for Bangladesh in the 2023-24 fiscal year to 6%, down from its April projection of 6.5%.
- In September 2023, **inflation** in Bangladesh slightly eased to 9.6% from 9.9% in August. However, since March, persistent inflation rates above 9% have been posing considerable challenge to the country's economy by continuously eroding people's purchasing power.
- In the January-March period of 2023, the net inflow of foreign direct investment (**FDI**) in Bangladesh was US\$626.5 million, down 29.5% from US\$888.5 million in the same period of the previous year. As compared with the previous quarter, the figure went down 11.0% from US\$703.8 million in the October-December period of 2022.
- As of 27 September, the **taka** was fixed at 110.5, depreciated by 3.2% against the US dollar since 1 January 2023.
 - The taka has become volatile for more than one and a half years due to mounting external payment pressures, while exports and remittances have not kept pace. Consequently, the country's foreign exchange reserves have started to shrink as the taka weakens against the US dollar and other major currencies.
 - Bangladesh's **foreign exchange reserves** have experienced a further decline, reaching US\$21.5 billion on 20 September, following the previous amount of US\$23.2 billion recorded on 5 September. The continuous decline in reserves is driven by a significant shortage of US dollars in the market, which has necessitated the central bank to sell dollars to banks from its reserve.
 - The decline in reserves can also be attributed to a payment of US\$1.3 billion made to the Asian Clearing Union, a payment settlement platform that allows participating central banks to settle payments for intra-regional transactions on a net multilateral basis, in July and August.

Policies and Regulations

- In June 2023, Bangladesh Bank (BB) announced that it would no longer sell any foreign exchange at a discounted rate from 1 July 2023. A **market-based floating, flexible and unified exchange rate regime** is expected to be established for all international transactions within the third quarter of 2023. Within the third quarter of 2023, the taka will float freely driven by the market, and all international transactions will be based on the new exchange rate structure.

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- However, according to the media reported on 16 October 2023, the exchange rate has yet to become fully market-based floating. According to the Chairman of the Association of Bankers Bangladesh, more time is required to implement a fully market-oriented exchange rate system.
- The Bangladesh Bureau of Statistics has decided to **release quarterly reports on the country's GDP**. The first quarterly GDP report, which will publish the quarterly GDP of the July-September quarter, will be unveiled in November 2023.
 - The move comes following the conditions put forth by the International Monetary Fund (IMF) for a US\$4.7 billion loan to Bangladesh.
 - The IMF recommended Bangladesh publish quarterly GDP figures to provide a clearer understanding of the country's latest economic situation.
- On 17 July, Bangladesh's cabinet approved the **National Tariff Policy 2023**, aiming to boost the competitiveness of domestically manufactured goods in the global market. The Internal Resources Division and the National Board of Revenue (NBR) will be responsible for overseeing the implementation of this policy, while the Bangladesh Trade and Tariff Commission will provide support.
 - According to the policy, import-level duties and taxes will be adjusted to align with the bound rate that Bangladesh has committed to the World Trade Organization.
 - The policy will prioritize transparency in the customs system to streamline customs procedures and reduce unnecessary complexities. This will be achieved by implementing fair and consistent duty and tax rates for similar products.
 - Within six months of the gazette publication, the NBR will develop a time-bound action plan

to align the country's tariff regime with the policy's objectives.

Industry & sourcing developments

- According to the latest Bangladesh Business Confidence Survey 2022-23, the **Business Confidence Index (BCI) of Bangladesh** reached 74.4 over 100 in December 2022 - June 2023, up from 63.6 for the March - August 2022 period, indicating an improved business outlook.
 - However, the surveyed business entities are pessimistic about controlling business costs, including electricity, water, gas, rent, and materials. The confidence index for business cost for December 2022 - June 2023 dropped to 22.4, down from 35.8 for March - August 2022, reflecting deep cost concerns.
 - Supported by the USAID-funded "Feed the Future Bangladesh Trade Activity," the Business Initiative Leading Development's (BUILD) survey on the BCI was conducted between September and November 2022.
 - Among the 567 surveyed business entities, the Bangladeshi businesses are confident in market demand, order volume, selling prices, business activities, employment, and investment during December 2022 - June 2023, despite economic headwinds.
- In 2023, Bangladesh Export Processing Zone Authority (BEPZA) signed agreements with various garments and textile companies from China.
 - In early January, SSH (BD) Sustainable Fashion Company Limited announced that it will invest US\$24.1 million in the BEPZA Economic Zone to establish high-end garment facilities.
 - In February, Chinese company IHM Garments and Textile Company Limited announced to set up a garment factory in Ishwardi Export Processing Zone with an investment of US\$8.7 million.

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- In September, Chinese factory M/s QSL.S Garments Company is set to establish garment facilities in Mongla Export Processing Zone with an investment of US\$19.5 million.

Labour & workplace compliance

- After the Rana Plaza tragedy in 2013, all the export-oriented RMG factories in Bangladesh were targeted for structural, fire and electrical safety inspection, and follow-up remediation. According to the Center for Policy Research's (CPD) report titled 'Emerging Concerns of Occupational Safety and Health (OSH) of the RMG Industry: Role of Public and Private Monitoring Agencies' published this April, **Bangladesh's RMG industry achieved significant improvements in OSH over the last decade**, especially the immediate years after the Rana Plaza accident.
 - In the 2020-2021 fiscal year, the total number of inspections was 47,361, of which 6,227 were in the Bangladeshi RMG industry. However, according to the CPD's report, some inspectors have not performed the inspections as mandated. The quality of safety inspection remains a concern.
 - Besides, increasing accidents related to the Bangladeshi RMG sector raised concerns. The number of accidents in the RMG industry in 2021 was 180, up from 177 in 2020. The total numbers of deaths of RMG workers from workplace accidents in 2017 and 2018 were 15 and 10 respectively. The number dropped to only 2 in 2019 and 1 in 2020, but then jumped to 13 in 2021.
 - The report comments that current OSH monitoring initiatives need to be revised to ensure the long-term sustainability of the RMG industry. The CPD suggests that an institutional and operational review of major monitoring authorities and initiatives should be carried out.
- On 9 April 2023, the Labour and Employment ministry **formed the new wage board to review readymade garment (RMG) workers' wages**.
 - The board members are expected to propose a certain amount as the minimum monthly salary for over four million RMG workers. However, the second meeting of the board concluded in August without reaching a decision. No proposal was put forward either by the owners or workers' representatives in the meeting.
 - The board has to announce a new wage structure by the end of 2023. As per the Bangladesh Labour Act and labour rules, the government forms a new wage board every five years.
 - The current minimum wage for a RMG worker is 8,000 taka per month, which came into effect in December 2018. Majority of the unions of the RMG sector have demanded a minimum monthly wage of 23,000 taka.

FTAs, trade preferences & facilitation

- At the end of October 2022, the US Commercial Service, the trade promotion arm of **the US Department of Commerce's International Trade Administration (ITA), opened its first office in Dhaka**.
 - The new office will work collaboratively with Bangladesh to assist US companies, which are considering entering the Bangladeshi market or expanding their presence in Bangladesh.
 - The office will also help facilitate one-on-one business counseling services, provide the Bangladeshi market information, and connect the US and Bangladeshi partners through business matchmaking services and other activities.

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- In April 2023, **Bangladesh and India agreed to settle a part of their bilateral trade transactions in their own currencies** to reduce pressure on their forex reserves.
 - To facilitate the bilateral transactions, two Bangladeshi banks – Sonali Bank and Eastern Bank – will open accounts in two Indian banks – State Bank of India and ICICI Bank, and vice versa.
 - Bangladesh Bank will launch a taka-rupee based debit card called "Taka Pay Card". Users can settle payments for domestic purchases in Bangladeshi taka and spend in Indian rupees when traveling to India, starting from September 2023. In addition, from September onwards, Bangladesh and India will open Letter of Credit for import and export by using taka and rupee.
- In June, the Canadian parliament passed a finance bill granting Bangladesh an extension of the **duty-free access to Canada** from 2026 to 2034, which will benefit Bangladesh after its graduation from least developed country (LDC) status in 2026.
 - Under the General Preferential Tariff (GPT) scheme, this market access encompasses relaxed rules of origin for apparel items and provides duty-free access for various other products. The current GPT scheme was scheduled to expire at the end of 2024.
 - Canada is the third country, following the UK and Australia, where Bangladesh can maintain preferential trade treatment beyond 2026.
- **Hong Kong** and Bangladesh signed a **comprehensive avoidance of double taxation arrangement** (CDTA) in August 2023. The CDTA aims to eliminate double taxation with respect to taxes on income and prevent tax evasion and avoidance.
 - Under the CDTA, any tax paid in Bangladesh, whether through direct payment or deduction,

will be eligible for a credit against the tax liability in Hong Kong for the same income.

- If the ratification procedures can be completed in 2023, the CDTA will become effective for Hong Kong from 1 April 2024, and for Bangladesh from 1 July 2024, for their respective assessment years.

Infrastructure & environmental sustainability

- In October 2022, **Bangladesh, Indonesia, Pakistan, and Vietnam jointly launched a US\$43-million programme to reduce chemical waste in their textile sectors.**
 - The programme, led by the UN Environment Programme (UNEP), will help businesses to manage risks to workers and eliminate toxic chemicals from the production processes. In the five-year programme, the UNEP will work with the four governments and companies to phase out certain hazardous chemicals across the sector.
- **India has opened the Delhi Air Cargo complex for handling Bangladeshi transit cargo**, effective 15 February. The move comes after Bangladesh allowed India to use the Chattogram and Mongla ports for Indian transit cargo in 2022.
 - The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) commented that only some exporters are using India's air transshipment services, which are expensive and require a long lead time for delivery between the land ports of both countries.
 - The BGMEA urged India's government to enhance infrastructure at their land ports to facilitate smooth trading and logistics activities between the two countries. According to the BGMEA, it currently takes 18 days to import goods from China to Bangladesh, while moving goods from India takes 30 days.
 - Also noteworthy is that rather than relying on

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regional transshipment services offered by neighbouring countries, Bangladesh has set an ambition to be a regional transshipment centre and has already opened its sea-land ports to serve the surrounding markets. The Chattogram Bay terminal and Matarbari Deep Sea Port will be developed as major regional transshipment hubs.

- Prime Minister Sheikh Hasina launched the **third terminal of the Hazrat Shahjalal International Airport (HSIA)** in early October 2023.
 - After the completion of systems integration and calibration, the third terminal is scheduled to be fully operational for passenger use by the end of next year. Once the third terminal is fully operational, it is anticipated that Dhaka airport's annual capacity for passenger handling will increase to 24 million from current 8 million and annual cargo handling capacity will become 500,000 tonnes.
 - The design of the third terminal includes seamless connectivity with a multimodal transport system, ensuring smooth entry and exit for international airport passengers.
 - Commencing on 28 December 2019, the total cost of the third terminal project was 213 billion taka. The government has contributed 50 billion taka, while the remaining funds were provided by Japan International Cooperation Agency.
- In October 2023, Bangladesh received its **first shipment of uranium fuel from Russia** for its nuclear power plant, Rooppur Nuclear Power Plant (RNPP), making it the 33rd countries in the world and the third in South Asia to produce nuclear energy.
 - The US\$12.65 billion project is mostly financed by a Russian loan repayable within 28 years, with a 10-year grace period.

- The construction of the RNPP has been delayed due to the COVID-19 pandemic and sanctions on Russia following the Ukraine invasion.
- The completion of the plant is expected to address Bangladesh's electricity crisis and support its growing economy, as the country currently relies on imported gas for electricity generation, which has become more expensive amid the Russia-Ukraine crisis.

Other topics

- The Australian High Commission in Dhaka and the International Finance Corporation (IFC) have partnered to launch the **Bangladesh Economic Engagement Programme–Private Sector Development Partnership (BEEP-PSDP)** project. The news was announced in June 2023.
 - This initiative aims to mobilize over US\$50 million in investment to support key growth sectors, promote economic resilience, and foster inclusivity in Bangladesh, particularly in response to the challenges posed by the COVID-19 pandemic.
 - The project, expected to operate from 2023 to 2027, focuses on enhancing competitiveness, diversification, access, and sustainability in key economic areas under three pillars.
 - The first pillar emphasizes regulatory reforms to improve the business environment and attract inclusive private investment, especially in sectors affected by the pandemic, with a particular focus on creating opportunities for women entrepreneurs. The second pillar aims to enhance access and inclusion in the financial sector, while the third pillar seeks to seize strategic opportunities beyond the scope of the first two pillars.

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Macroeconomic data

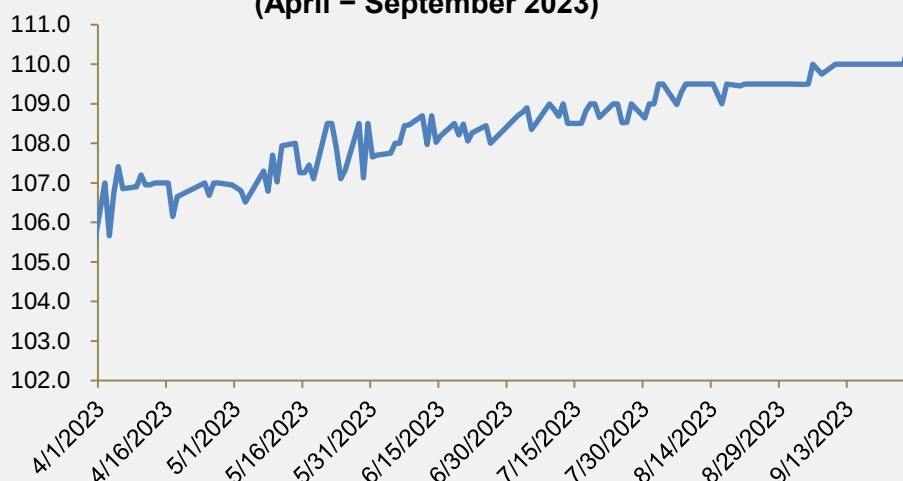
	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quantum index of medium and large-scale manufacturing (Base: 2005-06=100, yoy growth %)	2.2	12.3	–	–	–	–
Consumer price index (yoy growth %)	9.2	9.9	9.7	9.7	9.9	9.6
Exports (yoy growth %)	-16.5	26.6	2.5	15.3	3.8	10.4
Exports (US\$ mn)	3,956.0	4,849.6	5,031.5	4,592.9	4,781.2	4,310.3
<i>Of which:</i>						
- Knitwear (US\$ mn)	1,830.3	2,310.4	2,460.1	2,266.5	2,314.7	2,180.4
- Woven garments (US\$ mn)	1,494.8	1,742.9	1,900.7	1,687.3	1,728.1	1,438.5
- Home textile (US\$ mn)	80.9	84.2	70.3	56.8	67.3	64.4
- Footwear* (US\$ mn)	79.0	106.2	105.0	100.8	91.2	74.0
- Leather products (US\$ mn)	30.7	38.5	34.9	30.6	30.8	29.4
Imports (yoy growth %)	-24.1	-31.6	-26.9	-36.4	-	-
Imports (US\$ mn)	4,706.9	5,631.8	4,505.9	5,663.4	-	-

* Includes leather footwear

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

EXCHANGE RATES

USD:BDT buy rate
(April – September 2023)



Source: Bangladesh Bank

CAMBODIA

Country & sourcing updates

Macroeconomic trends

- The Cambodian economy grew **5.2% yoy in 2022**, mainly driven by tourism, domestic consumption, and garment exports. However, exports of the country have continued to decline since the start of 2023 due to sluggish demand in both the EU and the US markets. **Exports of the GFT sector** (garments, footwear, travel goods and other textile-related products), Cambodia's largest foreign exchange earner, **slumped by 17.8% yoy** in the first nine months of 2023, leading to the closure of several factories and the loss of jobs for thousands.
 - Despite the temporary difficulties in the export sector, the overall economic prospect for Cambodia is still promising this year because of the stable domestic political environment, the robust tourism recovery and the expected high growth in the services and agricultural sectors.
 - In October 2023, the International Monetary Fund (IMF) projected that the country's economy will expand **5.6%** this year and **6.1%** next year, the fastest grow rates of the ASEAN economies in both years. In September 2023, the Economist Intelligence Unit forecasted that Cambodia would be among the world's fastest-growing economies in 2024, along with Brunei, Ethiopia, Tanzania, the Philippines, Vietnam, and Uganda.
- Cambodia's **exports** registered a marginal **decrease of 0.8% yoy** to US\$16.9 billion in the first nine months of 2023, according to the General Department of Customs and Excise.
 - The US remained the biggest market for Cambodia's exports during the January-September period, with an export value of US\$6.9 billion (accounting for 40.7% of Cambodia's total exports), followed by Vietnam (US\$2.0 billion, 12.0%), China (US\$1.1 billion, 6.2%), and Japan (US\$885.7 million, 5.2%).
 - The exports of the GFT sector decreased by 17.8% yoy to US\$8.2 billion, but was still the largest export category during the January-September period, accounting for 48.4% of Cambodia's total exports in the period. Electric machinery, equipment and parts were the second largest export category, which increased by 93.5% yoy to US\$2.5 billion, accounting for 14.6% of Cambodia's total exports in the same period. Cereals ranked the third with an export value of US\$1.2 billion and an export share of 7.0%.
- The **Cambodian riel** closed at 4,122 against the US dollar on 29 September 2023, representing a **depreciation of 0.12%** in the year to date.

Policies & regulations

- On 4 October 2023, Cambodia unveiled its **Financial Technology (Fintech) Development Policy 2023-2028**, aiming to enhance financial inclusion, maintain financial stability, and promote innovation. This development policy serves as a roadmap to promote the use of technologies in the financial industry and harness the full potential of Fintech to boost digital economic and social development in Cambodia.
 - The policy was launched at a time when Cambodia started seeing big growth in digital payment. According to the National Bank of Cambodia, in 2022, the number of registered e-wallet accounts in the country increased to 19.5 million and the total number of transactions went up to one billion with a total amount of US\$272.8 billion, approximately nine times Cambodia's GDP in the same year.
 - This development policy serves as a roadmap to promote the use of technologies in the financial industry and harness the full potential of Fintech to boost digital economic and social development in Cambodia.
- In September 2023, the Ministry of Mines and

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Energy (MME) decided to **reduce electricity prices** by 10% to 20% for industrial and agricultural users for three months until the end of the year.

- Consumers who are paying average rates, based on time-to-use, or with solar panel installation connected to the national grid for more than six months will benefit from the power tariff relief. Eligible consumers will get a 10% discount on the monthly average energy tariff from Monday to Saturday between 7 a.m. and 9 p.m., 20% discount on the average monthly energy consumption from Monday to Saturday between 9 p.m. and 7 a.m., and 24 hours on Sundays and public holidays.
- The decision is to promote production in factories and enterprises and thereby to create more jobs and income for the people. About 21,000 factories and enterprises will benefit from this policy.
- On 18 August 2023, the National Bank of Cambodia (NBC) and Bank of the Lao PDR (BOL) launched the **first phase of cross-border QR code payments** between the two countries, which allows Cambodian tourists, traders and mobile banking users who visit Laos to make cross-border payments in Riel, the national currency of Cambodia, via scanning LAO QR Code with merchants or shops in Laos.
 - The launch of this cross-border payment connectivity is the first step by the two countries to implement the memorandum of understanding (MoU) on collaboration in financial innovation and payment system development that was signed on 21 November 2022.
 - Cambodia is the first country that has successfully connected and developed cross-border payment via QR Code with Laos. Apart from Laos, Cambodia also has cross-border QR code payment cooperation with its neighbouring country Thailand.
- The two central banks, NBC and BOL, are working together on the second phase that will reciprocally allow Lao visitors to pay for goods or services in their local currency Kip by scanning KHQR code with merchants or shops in Cambodia.
- Cambodian's **new Law on Taxation** was enacted on 22 May 2023 after King Norodom Sihamoni signed a Royal Code promulgating the new law.
 - The law consists of 20 chapters and 255 articles, expanded from seven chapters and 155 articles in the previous version. It fills up the gaps in the existing fiscal laws and amalgamates regulations on 15 tax categories into a single law, according to industry experts.
 - The law has improved the compliance of the Cambodian tax regime with international standards and economic conditions and encourages accountability, effectiveness and transparency in the collection process.
 - The law facilitates, improves, and ensures consistency by compiling a set of tax laws and regulations under a single decree and achieves uniformity with the country's other key laws such as the Law on Investment, the Law of Commercial Enterprises, and the Labour Law.
 - Specifically, the law provides clarity on tax-related incentives for potential investors to choose targeted industries.
- On 5 July 2023, the Cambodian government approved the **Law on Rules of Origin** (the law).
 - The law, which has nine chapters and 35 articles, establishes the principles and rules of origin for imported and exported goods that fully comply with the Rules of Origin Agreement of the World Trade Organization (WTO).
 - The law establishes a clear legal foundation for authorities in charge of determining the origins of goods and issuing certificates of origin, and

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preferences provided by relevant countries via free trade agreements.

- As of 30 September 2023, Cambodia has secured **Double Taxation Agreements (DTA) with 11 nations and territories**, nine of which are currently in effect. According to deputy director-general of the General Department of Taxation (GDT), the list of Cambodia's DTA partners includes Singapore, Thailand, Brunei, Vietnam, Indonesia, Malaysia, South Korea, Turkey, the Chinese Mainland and its Hong Kong and Macau special administrative regions. The DTAs with Turkey and China's Macau Special Administrative Region are slated to become operational in January 2024 and are in the final stages of procedural completion.

Industry & sourcing developments

- The **GFT sector** is the largest foreign exchange earner for Cambodia, accounting on average for around **50% of Cambodian total export value** each year. As of October 2023, the sector consists of 1,332 factories and branches and employs 840,000 workers, most of whom are female.
 - The sector continues to face economic headwinds this year due to an economic slowdown in its major export markets in Europe, the US, and Canada, as well as competition from other garment-producing nations like Vietnam and Bangladesh.
 - The slowdown in GFT exports led to the closure of several factories and the loss of jobs for thousands in the sector. In the first seven months of this year, 86 factories have suspended or closed their business operations, leaving 39,719 workers temporarily unemployed, according to the Ministry of Labour and Vocational Training.
- Since April 2023, the Cambodian government is launching a scheme to provide **financial support to workers in the GFT sector** who lost their earnings following factory closures or suspension.

- For workers who are suspended from their employment contracts, the Ministry of Labour and Vocational Training, the Ministry of Economy and Finance, and factory owners have agreed that each of them will get a subsidy of US\$70 per month, in which US\$30 will be contributed by factory owners and US\$40 by the government. This type of financial support will continue during the suspension of their contracts.
- According to a statement by the Ministry of Labour and Vocational Training (MLVT), workers in 23 GFT factories whose labour contracts were suspended in July and August will be provided allowance as per this policy.

Labour & workplace compliance

- Cambodian government decided to raise the **monthly minimum wage** for workers/employees in the GFT sector from the current US\$200 to **US\$204**, effective from 1 January 2024.

FTAs, trade preferences & facilitation

- Starting from 19 June 2023, Cambodia enjoys the trade preferences in the **Developing Countries Trading Scheme (DCTS)** provided by the UK that replaces the UK's Generalised Scheme of Preferences (GSP).
 - The DCTS offers lower tariffs and simpler rules of origin requirements (a minimum of 25% local content) for products exporting to the UK.
 - The DCTS applies to 65 countries that fall under one of the following categories:
 - least developed countries (LDCs) as defined by the United Nations;
 - low income and lower middle-income countries as defined by the World Bank.
 - Cambodia's exports to the UK were US\$528 million during the first eight months of 2023,

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decreased by 15.8% yoy, while imports from the UK in the same period were US\$61 million, up 2% yoy.

- On 8 June 2023, Cambodian Minister of Commerce and the Emirati Minister of State for Foreign Trade signed the **Cambodia-United Arab Emirates Comprehensive Economic Partnership Agreement** (CAM-UAE CEPA) in Phnom Penh. The agreement aims to increase and diversify bilateral trade by substantially eliminating tariffs, reducing non-tariff trade barriers and promoting trade in goods, services and investment. It is Cambodia's third bilateral trade agreement, following the ones with China and South Korea which came into force in 2022.
 - The CAM-UAE CEPA focuses on trade in goods, trade in services, technical barriers to trade, rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, trade remedies, electronic commerce, investment, and intellectual property. Other areas incorporated in the agreement include economic and technical cooperation, small and medium-sized enterprises (SMEs), transparency, dispute settlement, administrative and institutional provisions, general provisions and exceptions, and final provisions.
 - In 2022, Cambodia's goods and services trade with the UAE was US\$105 million, with an export value of US\$70 million to the UAE market and the value of imports from the UAE at US\$35 million. Key Cambodian export items that will benefit from the agreement include agricultural products, bicycles, electronic vehicles, travel bags, footwear and garments. The UAE will benefit from its exports of services in construction, engineering and environment-protection, as well as professional and business services.
- On 10 February 2023, **Cambodia and China** signed the **Action Plan on Trade and Economic Cooperation 2023-2024** (the Plan) in Beijing. The Plan aims to ensure that preferential arrangements

granted by the Cambodia-China Free Trade Agreement (FTA), the ASEAN-China FTA, and the Regional Comprehensive Economic Partnership (RCEP) would be fully utilized to boost trade and investment between Cambodia and China.

- The Plan is one of the 12 bilateral cooperation agreements the two countries signed during Prime Minister Hun Sen's three-day visit to China in the month, to further deepen the comprehensive strategic partnership of the two countries.
- The Plan sets up the mechanisms to achieve its goals and will be updated every year. Mechanisms in this year's Plan include jointly establishing a "Fish and Rice Corridor" in the Tonle Sap Lake area in northwestern Cambodia to develop modern ecological agriculture and to facilitate the import and export of fish and milled rice; establishing an industrial development corridor to serve as a model for the planned multi-purpose economic zone in Preah Sihanouk province; and supporting Cambodian firms to participate in the China Export and Import Fair.
- This action plan is another concrete step by Cambodia to build close trade relations with China, so as to diversify its exports and tap into the huge, promising China market.

Infrastructure & environmental sustainability

- On 16 October 2023, the **new Siem Reap Angkor International Airport (SAI)** in northwest Cambodia commenced operations. It is about 40 km from the UNESCO-listed Angkor Archeological Park and 50 km from Siem Reap provincial town. With the commencement of SAI operations, the old Siem Reap International Airport was entirely closed.
 - The airport covers a parcel of 700 hectares and has a 3,600-meters runway. It is a 4E-level international airport that can accommodate long-distance flights from across the globe. The airport will be able to handle 7 million passengers and 10,000 tonnes of cargo per

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annum from 2024 and up to 12 million passengers and 65,000 tonnes of cargo annually from 2040.

- The US\$1.1 billion project was initiated through the Cambodia-China “steel friendship” and “diamond cooperation” policies, led by government leaders from both countries. It is considered a historic milestone in the development of the aviation industry in Cambodia. This new “international gateway” to the cultural province of Siem Reap is believed to transform the province into a bigger hub of tourism, trade and investment.
- In October 2023, the Ministry of Public Works and Transport (MPWT) stated in a release that they are working along with China Road and Bridge Corporation (CRBC) on the review of the draft Framework Agreement (FA) of the **Tonle Bassac navigation and logistics system project**.
 - The Tonle Bassac navigation and logistics system project aims to create a new 180-km waterway from Prek Takeo of the Mekong River to the sea in Kep province, passing through Prek Ta Ek and Prek Ta Hing of the Bassac River in Koh Thom District of Kandal province. This is the first time such a project has been undertaken in Cambodia's waterway transportation history.
 - The US\$1.7 billion Tonle Bassac navigation and logistics system project or “Funan Techo Canal” project was approved on 19 May 2023 by the Cabinet of National Assembly. The Royal Government of Cambodia formed an inter-ministerial commission on 7 June 2023 to proceed the implementation of the project.
 - The Cabinet has assigned Deputy Prime Minister and Minister of Economy and Finance Aun Pornmoniroth to lead a study on forms of investment in the project and Minister of Water Resources and Meteorology Lim Kean Hor to notify countries along the Mekong River.
- On 13 July 2023, the Monetary Authority of **Singapore** (MAS) announced that it has signed a

MOU with the National Bank of **Cambodia** (NBC) to collaborate on a **Financial Transparency Corridor (FTC) initiative**.

- The initiative aims to establish supporting digital infrastructures to facilitate trade and related cross-border financial services between small- and medium-sized enterprises (SMEs) in Singapore and Cambodia.
- The FTC allows Cambodian and Singapore financial institutions to exchange trusted information about SME buyers and sellers from their respective countries to assess financing support. Such enhanced information flows can help SMEs in Cambodian and Singapore to access broader digital trade networks such as the Business Sans Border Proxtera global network, and provide SMEs with greater trade connectivity within the ASEAN and other growth regions.
- In March this year, the two countries collaborated on cross-border sharing of individual consumer credit profiles that makes it easier for citizens from both countries to access financial services in their countries of residence. The FTC initiative will further extend cross-border information sharing between the two countries to businesses and SMEs to enhance their abilities to access financing across borders.

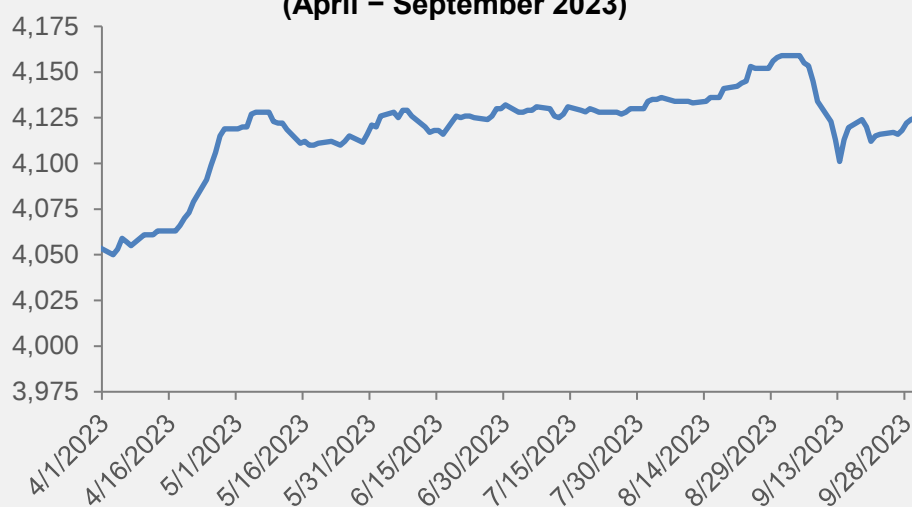
CAMBODIA

Macroeconomic data

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Consumer price index (yoy growth %)	0.7	1.1	0.5	0.1	1.9	3.2
Exports (yoy growth %)	-0.7	-1.8	9.4	17.7	-12.9	16.8
Exports (Cambodian riel billion)	8,543.0	7,507.6	8,022.3	9,407.8	8,507.0	8,972.0
<i>Of which:</i>						
- Garments (Cambodian riel billion)	2,316.5	2,017.5	2,652.1	3,548.5	3,363.1	3,190.8
- Footwear (Cambodian riel billion)	494.4	461.5	500.5	585.9	445.3	340.0
- Electrical parts (Cambodian riel billion)	925.1	825.6	932.3	1,217.4	986.2	1,089.0
- Bicycles (Cambodian riel billion)	285.5	197.2	219.1	248.6	122.8	157.6
Imports (yoy growth %)	0.5	-19.9	-26.6	-23.4	-38.3	-21.7
Imports (Cambodian riel billion)	9,326.7	8,420.6	8,975.8	8,738.3	8,026.4	8,710.9

Source: National Bank of Cambodia

EXCHANGE RATES

USD:KHR spot rate
(April – September 2023)

Source: Bloomberg

CHINA

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Macroeconomic trends

- In the first nine months of 2023, **merchandise exports** declined by 5.7% yoy to US\$2,520.3 billion. Merchandise exports totalled US\$299.1 billion in September, down by 6.2% yoy.
 - Exports of textiles and garments dropped by 6.6% yoy to US\$26.2 billion in September. Of which, **exports of garments** fell by 8.9% yoy to US\$14.6 billion, while **exports of textiles** went down by 3.6% yoy to US\$11.6 billion. In the first nine months of 2023, textile and garment exports totalled US\$246.6 billion, down by 9.5% yoy. Of which, exports of garments reached US\$132.9 billion, down by 8.8% yoy, while exports of textiles amounted to US\$113.7 billion, down by 10.3% yoy.
 - **Exports of shoes** totalled US\$3.9 billion, down by 17.6% yoy, in September. In the first nine months of 2023, exports of shoes reached US\$37.5 billion, down by 11.5% yoy.
 - **Exports of toys** amounted to US\$4.4 billion, down by 15.0% yoy, in September. In the first nine months of 2023, exports of toys totalled US\$30.9 billion, down by 12.9% yoy.
- In the first nine months of 2023, **ASEAN overtook the US to become China's largest export market**. The US was also surpassed by the EU, falling to the third spot in terms of China's export destinations. Meanwhile, China also lost the title of being US' largest source of imports for the first time in 15 years, outpaced by Mexico and Canada.
- **China's trade and investment with countries along the Belt and Road (B&R)** maintained steady growth in the first nine months of 2023.
 - China's trade with B&R countries increased by 3.1% yoy to 14.32 trillion yuan in the period.
 - Meanwhile, Chinese companies made outward direct investment (ODI) of US\$23.5 billion in B&R countries, up by 20.3% yoy. Many B&R countries, such as Vietnam and Ethiopia, have called on Chinese investors to expand investment in their countries.
- **Consumer prices:** CPI growth declined to 0.0% yoy in September from 0.1% yoy in August. In the first nine months of 2023, China's CPI growth was 0.4% yoy.
- **Midstream prices:** Ex-factory prices of industrial products have gone up lately. The producer price index (PPI) rose by 0.2% mom in August and 0.4% mom in September. In the first nine months of 2023, China's PPI growth was minus 3.1% yoy.
- **Upstream prices:** Domestic prices of production inputs have increased lately. The purchaser price index of industrial products went up by 0.3% mom in August and 0.6% yoy in September. In the first nine months of 2023, the growth in China's purchaser price index was minus 3.6% yoy.
- **Real GDP growth** decelerated from 6.3% yoy in 2Q23 to 4.9% yoy in 3Q23. In the first nine months of 2023, China's economy expanded by 5.2% yoy.
- **Total profits of industrial companies** with annual revenue over 20 million yuan declined by 9.0% yoy to 5.4 trillion yuan in the first nine months of 2023. Among the industries, profits of the textile manufacturing industry dropped by 10.2% yoy to 46.0 billion yuan, while profits of the wearing apparel and ornament manufacturing industry fell by 7.2% yoy to 38.4 billion yuan in the period.
- **Industrial production by the textile industry** fell by 1.3% yoy in the first nine months of 2023, compared with a 2.7% decline in full year 2022.

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- China's **fabric production** contracted by 3.5% yoy to 2.7 billion metres in September. In the first nine months of 2023, fabric production reached 23.0 billion metres, down by 3.4% yoy.
- **Fixed asset investment** (excluding rural households) in the textile industry decreased by 2.2% yoy in the first nine months of 2023.
- **Foreign direct investment** (FDI) into China went down by 8.4% yoy to 920.0 billion yuan in the first nine months of 2023. China is witnessing a new trend in foreign investment activities, with FDI in high-tech manufacturing sector expanding rapidly with a growth rate of 12.8% yoy in the period.
- China's **total retail sales of consumer goods** reached 34.2 trillion yuan in the first nine months of 2023, up by 6.8% yoy. Of which, retail sales of garments, footwear, hats and knitwear amounted to 993.5 billion yuan, up by 10.6% yoy. In the period, online retail sales of physical goods grew 8.9% yoy to 9.0 trillion yuan, accounting for 26.4% of total retail sales of consumer goods.
- The **Chinese yuan** depreciated by 5.5% against the US dollar in the first nine months of 2023. The USD-CNY spot exchange rate depreciated from 6.8986 on 30 December 2022 to 7.2980 on 28 September 2023, according to Bloomberg.
 - Causes for the depreciation of the Chinese yuan include the monetary tightening of the US, adjustment to the rapid appreciation of the Chinese yuan in late 2022, and a weaker-than-expected recovery in the Chinese economy this year.
 - Chinese officials stated that China's economic fundamentals remain sound and there is no basis for continued depreciation of the Chinese yuan.
- From January to October 2023, the **minimum wage levels** in Hebei, Shanxi, Qinghai, Guizhou, Anhui, Shaanxi, Shanghai, Beijing, Xizang, Yunnan and Shandong were adjusted upward.
- China's **job market** has remained stable in recent months. The surveyed urban unemployment rate in 31 major cities in China came in at 5.2% in September, down from 5.3% in August.
- The high **freight rates** that have plagued Chinese exporters since late 2020 have finally declined and returned to pre-pandemic levels in recent months. The China Containerized Freight Index, which reflects the freight rates paid by shippers for containers leaving from China, dropped from an all-time high of 3,587.91 on 11 February 2022 to 1271.31 on 30 December 2022 and to a three-year low of 851.96 on 28 September this year.

Policies & regulations

- A meeting of the Political Bureau of the Communist Party of China (CPC) Central Committee was held on 24 July to make arrangements for the **economic work for the second half of the year**.
 - The meeting called for carrying out macro regulation with precision and force, strengthening counter-cyclical regulation, and making more policy options available. It is necessary to stick to a proactive fiscal policy and a prudent monetary policy, extend and improve the implementation of tax and fee reductions, and give full play to the role of monetary tools, according to the meeting.
 - The meeting emphasized that it is necessary to actively expand domestic demand. China will boost the consumption of bulk commodities such as automobiles, electronic products and household goods, and promote the consumption

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of services on sports, entertainment, culture, tourism and so on. Moreover, strong support will be given to scientific and technological innovation, the real economy, and the development of micro, small and medium-sized enterprises, according to the meeting.

- On January 11, the Ministry of Commerce and other 13 departments issued a circular on the implementation of **pilot programmes for the integrated development of domestic and foreign trade** in selected regions, including Beijing, Shanghai, Jiangsu, Zhejiang, Fujian, Hunan, Guangdong, Chongqing, and Xinjiang. The move is aimed at clearing the institutional obstacles to the integration of domestic and foreign trade, helping market players make full use of the domestic and foreign markets, and realizing the efficient operation of domestic and foreign trade.
- The Chinese government has implemented various **measures to promote foreign trade** this year. For example,
 - Effective from 1 January, China has **reduced or cancelled import tariffs** on 1,020 products, including certain raw materials for anti-cancer drugs, coffee machines, potash fertilizers and iridium oxide for fuel cells, medicines, etc. Moreover, starting from 1 July, China has implemented the eighth and final reduction on the Most-Favored-Nation (MFN) tariff rates on 62 kinds of information technology products. China's overall tariff level has fallen from 7.4% to 7.3% after these tariff cuts.
 - In a notice released on 25 April, the General Office of the State Council listed 18 specific measures as part of enhanced efforts to **promote foreign trade and optimize its structure**. China will implement a policy mix to help enterprises secure orders and expand overseas market, which includes resuming
- offline exhibitions and trade fairs, smoothing the issuance of visas for overseas businesspeople, and increasing inbound and outbound flights. China will also increase financial support for the trade sector, and through better use of central fiscal policy, increased credit and insurance support and optimized cross-border settlement services.
- In a notice released on 29 June, the State Council said that it will **implement a range of international trade regulations within five free trade zones (FTZs)** – Shanghai, Guangdong, Tianjin, Fujian, and Beijing – **and Hainan Free Trade Port**, so as to 'proactively align with' rules of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The opening-up measures include 33 items in six key aspects, including promoting innovative development in goods trade, facilitating trade in services, streamlining temporary entry of business personnel, ensuring the healthy development of digital trade, optimizing the business environment, and establishing robust risk prevention and control mechanisms.
- On 1 November, the **Xinjiang FTZ** officially started operations. This is China's 22nd FTZ and the first in China's northwestern border regions.
- The Chinese authorities have unveiled a series of **measures to promote consumption** in recent months, in a bid to stimulate the domestic economy. For example,
 - An executive meeting of the State Council on 29 June announced fresh plans to boost **household consumption**. New policy steps to boost household consumption will be aligned and coordinated with measures for renovation of aging residential communities and old neighbourhoods, renovation of homes for the elderly, the building of convenient

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neighbourhoods, and the improvements to waste material recycling networks, so as to create synergy for expanding consumption.

- On 20 July, the National Development and Reform Commission (NDRC) released two notices on boosting the **consumption of automobiles and electronic products**. On the auto consumption front, the government will ease restrictions on car purchases, encourage the replacement of old cars with new ones, reduce costs on car purchase and use of new energy vehicles (NEVs), etc. On the electronics consumption front, it will promote technological innovation for better electronic products, create more scenarios for electronic products consumption, promote the consumption of home appliances in rural areas, etc.
- On 31 July, the NDRC released a notice outlining measures to expand consumption. The NDRC vowed to spur **consumption of a wide range of items and services**, including NEVs, home appliances, electronics, catering, cultural and tourism sectors, as well as that in rural areas. It also pledged to support 'rigid demand' for housing and improved living, according to the notice.
- On 13 August, the State Council issued a guideline regarding further optimizing the foreign investment environment and intensifying efforts to **attract foreign investment**. Under the guideline, 24 specific measures in six aspects have been put forward, including improving the quality of foreign capital utilization, guaranteeing the national treatment of foreign-invested enterprises, strengthening the protection of foreign investment, improving the facilitation of investment and operation, increasing fiscal and tax support, and improving ways to promote foreign investment.

Industry & sourcing developments

- The pace of **industrial automation** across China has been accelerating rapidly in the past few years. China is now the world's largest market for robots and last year more than half of the industrial robots installed worldwide were in China. In particular, the use of industrial robots has rapidly expanded in new energy vehicles, lithium batteries, photovoltaics, and other emerging industries. Automation not only helps Chinese factories adapt to the shrinking labour force and rising wages, but also allows them to shift to higher-end manufacturing tasks.
- Under the *Robot+ Application Action Plan* released in January this year, China will accelerate the application of robotics in manufacturing, agriculture, logistics, energy, healthcare, education, and elderly services, among other areas, in order to make China a global robotics power by 2025.

FTAs, trade preferences & facilitation

- China aims to further open up the country and form a high-standard FTA network by **signing more FTAs** and upgrading existing ones.
- China concluded a few FTA negotiations this year. China and Singapore announced on 1 April that the two countries had completed substantive negotiations on the FTA upgrade. China and Ecuador signed an FTA on 11 May. China and Nicaragua signed an FTA on 31 August. China and Serbia signed an FTA on 17 October.
- China is also negotiating a number of FTAs with its trade partners, such as the China–Japan–Republic of Korea FTA, China–Gulf Cooperation Council FTA, and China–Honduras FTA.

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Country & sourcing updates

Politics & geopolitics

- The US Department of Commerce added 28 Chinese entities, 12 Chinese entities and 42 Chinese entities to the **Entity List** on 6 March, 17 April, and 11 October 2023, respectively, which would severely restrict their access to US software and technologies.
- US Commerce Secretary Gina Raimondo said on 5 September that she does not expect any revisions to the **Section 301 punitive tariffs on Chinese imports** imposed during Donald Trump's administration until an ongoing review is completed by the US Trade Representative (USTR) Office. It is not clear when USTR will conclude the review. In 2022, around US\$290 billion of Chinese products were subject to the US punitive tariffs.

Infrastructure & environmental sustainability

- In late March, the Chinese authorities unveiled a **five-year transportation infrastructure investment plan** that would continue heavy investment on highways, high-speed railways, ports, and airports over the next five years (2023–2027). China aims to form the 'National 1-2-3 Travel Circle', enabling one-hour commutes within cities, two-hour commutes within city clusters and three-hour commutes between major domestic cities. China will also develop a 'Global 1-2-3 Logistics Circle', which aims to achieve one-day domestic delivery, two-day delivery to neighbouring countries and three-day delivery to major cities around the world.
- Chinese consumers are increasingly aware of the environmental impact of fast fashion. As a result, **sustainability-focused business models**, such as 'slow fashion' (as opposed to fast fashion) and green production practices, are being adopted in China's fashion industry.

CHINA

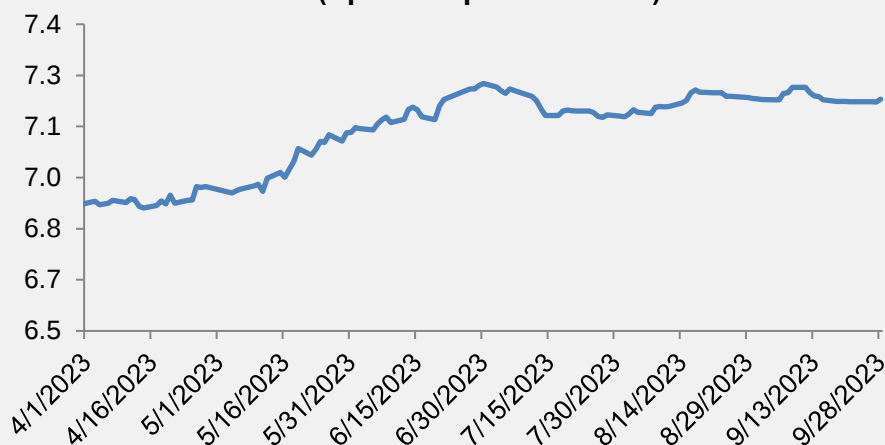
Macroeconomic data

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quarterly GDP (real yoy growth %)	6.3 (2Q23)			4.9 (3Q23)		
Manufacturing PMI (seasonally adjusted)	48.8	49.0	49.3	49.7	50.2	49.5
Purchaser price index of industrial products (yoy growth %)	-3.8	-5.3	-6.5	-6.1	-4.6	-3.6
Producer price index of industrial products (yoy growth %)	-3.6	-4.6	-5.4	-4.4	-3.0	-2.5
Consumer price index (yoy growth %)	0.1	0.2	0.0	-0.3	0.1	0.0
Exports (yoy growth %)	7.1	-7.4	-12.3	-14.3	-8.7	-6.2
Exports (US\$ bn)	289.8	282.2	284.2	281.5	284.8	299.1
Of which:						
- Garments (US\$ bn)	12.9	13.3	15.4	16.0	16.2	14.6
- Footwear (US\$ bn)	4.3	4.6	4.5	4.5	4.3	3.9
- Toys (US\$ bn)	3.5	3.2	3.4	3.8	4.5	4.4
Imports (yoy growth %)	-8.6	-4.9	-6.8	-12.2	-7.3	-6.3
Imports (US\$ bn)	203.5	216.7	214.5	201.3	216.5	221.3

Source: National Bureau of Statistics, PRC; China Customs; China Federation of Logistics & Purchasing

EXCHANGE RATES

USD:CNY official exchange rate
(April – September 2023)



Source: State Administration of Foreign Exchange

INDIA

Country & sourcing updates

Macroeconomic trends

- India's **exports** dropped by 2.6% yoy to US\$34.47 billion in September, contracted for the eight consecutive month. Imports also plunged by 15% yoy to US\$53.84 billion in the same month. Trade deficit of the country reached US\$19.37 billion in September.
 - India's gross domestic product (GDP) in the April – June quarter grew by 7.8% yoy. It was slightly below the Reserve Bank of India's (RBI) estimate at 8% but was still the fastest growth rate in four quarters. [ref] However, the RBI's projection of a 6.5% GDP growth rate for the current fiscal year (April 2023 – March 2024) suggests a more conservative outlook.
- The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (**PMI**) fell slightly from 58.6 in August to 57.5 in September. Despite the decline, this September marks the 27th straight month that the PMI has remained in the expansionary zone.
- India's consumer price-based inflation (**CPI**) declined to 5.1% in September from 6.8% in August, mainly due to softer prices of food and fuel. In September, India's wholesale price-based inflation (**WPI**) was -0.26%, up from -0.52% in August. This is the sixth consecutive month the WPI was in the deflationary territory.
- Total foreign direct investment (**FDI**) inflows into India declined 34% yoy to US\$10.9 billion during April-June 2023, dragged by lower inflows to the computer hardware and software, telecom, auto and pharmaceutical industries. FDI inflows during January-March 2023 also contracted 40.6% yoy to US\$9.3 billion.
- The **Indian rupee** closed at 83.2 per US dollar on 27 September, depreciating by 0.5% since 1 January this year, according to the International Monetary Fund.

Policies & regulations

- In November 2022, the commerce ministry decided to **resume the practice of releasing monthly export and import data once a month**, so as to provide a clearer picture of the country's trade.
 - The ministry has released the trade data twice a month since October 2020, i.e., the preliminary data in the first week and the revised data by the middle of the month. The preliminary trade data were mainly collected from the electronic data exchange (EDI) portals. The revised numbers, however, were based on the data collected from both EDI and non-EDI portals.
 - This change helps correct the confusion caused by the stark contrast between the preliminary trade data and the revised data for the same month. Government officials commented that the data variations were due to the delay in data collection from non-EDI portals and some special economic zones.
- In March, the Indian government approved a budget of 44.5 billion Indian rupees to set up seven **PM Mega Integrated Textile Regions and Apparel (PM MITRA) Parks** for the textile industry.
 - The seven sites are Tamil Nadu, Telangana, Gujarat, Karnataka, Madhya Pradesh, Uttar Pradesh, and Maharashtra.
 - The government envisions the parks will attract 700 billion rupees of investment and create 2 million jobs.
- On 17 September, the Prime Minister of India launched the **National Logistics Policy (NLP)**, which aims at ensuring quick last mile delivery, eliminating transport-related challenges, reducing transport lead time and costs, and preventing wastage of agricultural products.

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- It is hoped that the NLP will help lower the transportation, warehousing, and inventory costs of the country, targeting at reducing the overall logistics cost to around 8% of GDP in the next 5 years. Ultimately, the NLP will also help improve the competitiveness of Indian goods, enhance economic growth, and increase employment opportunities.
- Major programs under the NLP include:
 - A Comprehensive Logistics Action Plan, which comprises integrated digital logistics systems, standardization of physical assets, benchmarking service standards, human resource development, capacity building, development of logistics parks, etc.
 - A Unified Logistics Interface Platform which brings all the digital services related to the transportation sector into a single portal.
 - A new digital platform – Ease of Logistics Services (E-logs) – which connects industries and government agencies to jointly handle operational issues.
- The Indian government has **extended the Remission of Duties and Taxes on Export Products (RoDTEP) scheme by nine months** until 30 June 2024.
 - The RoDTEP scheme, which provides duty and taxes remission for a wide range of export items, was first introduced in January 2021 and has undergone multiple extensions since then. The last extension expired on 30 September 2023.
 - Between January 2021 and March 2023, 270.2 billion rupees were spent under the RoDTEP scheme. For the current fiscal year, a budget of 150.1 billion rupees has been allocated to support 10,610 product lines.

Industry & sourcing developments

- Union Textiles Minister Piyush Goyal announced in June that India will soon have its own **standard body sizes for the Indian apparel sector**, upon the completion of a nationwide survey conducted by the National Institute of Fashion Technology (NIFT).
 - In 2019, the Ministry of Textiles has launched the INDIASize project, aiming to create a body size chart to improve the fit of garments and cater to the demands of Indian body types. Currently, both international and domestic brands follow the US and the UK standards for clothing sizes.
 - According to the NIFT, the project involves collecting anthropometric data from over 25,000 individuals aged between 15 to 65 years, using 3D body scanning technology.
 - The Minister also mentioned that the Indian footwear size will also be standardized, but it will require more time for the process to be completed.

Labour & workplace compliance

- The **Delhi** government announced to **raise the minimum wages** of workers in the unorganized sector, effective 1 April 2023.
 - Under the new rates, the monthly wage of skilled workers increases from 20,357 rupees to 20,903 rupees. Semi-skilled workers receive a pay raise of 494 rupees, bring their monthly salary to 18,993 rupees. Unskilled workers also see their minimum wage raised from 16,792 rupees to 17,234 rupees.
- According to the 19th Periodic Labour Force Survey published by the National Sample Survey Office, the **unemployment rate** for citizens aged 15 years and above in urban areas dropped to 6.6% during April-June 2023 from 7.6% in the same period of 2022.

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- In terms of gender, the unemployment rate (aged 15 years and above) for males and females declined to 9.1% and 5.9% in April-June 2023, respectively, from 9.5% and 7.1% in the same period of 2022.
- The labour force participation rate (aged 15 years and above) increased to 48.8% in April-June 2023 from 47.5% in the same period of 2022.

FTAs, trade preference & facilitation

- On 29 December 2022, the **India-Australia Cooperation and Trade Agreement (ECTA) entered into force**. The ECTA is expected to cover 90% of the bilateral trade between India and Australia. On the one hand, India will benefit from the preferential market access provided by Australia on all of its tariff lines. On the other hand, India will offer preferential access to the Indian market to Australian goods on over 70% of tariff lines. These goods include raw materials and intermediate goods such as coal, mineral ores, and wines.
 - The ECTA is an interim trade deal. Australia and India are currently negotiating to widen the scope of the ECTA to a more ambitious free trade agreement, the Comprehensive Economic Cooperation Agreement (CECA).
 - The ECTA was set to be the foundation for resuming the CECA negotiations. Australia and India launched the CECA negotiations in May 2011, and then decided to suspend the talks in 2016 after nine rounds of negotiations, pending the outcome of other multilateral negotiations.
 - In March 2023, India and Australia committed to conclude the negotiations for the CECA by the end of this year, aiming to boost bilateral trade to US\$100 billion. The CECA is also expected to create new employment opportunities and improve the living standards of the two countries.
- On 10 March 2023, US commerce secretary Gina Raimondo and Indian Minister of Commerce & Industry Piyush Goyal signed a memorandum of understanding (MoU) in New Delhi on establishing a **semiconductor supply chain and innovation partnership** under the framework of the **India-US Commercial Dialogue**, which was re-launched after a gap of three years.
 - The MoU aims to establish a collaborative mechanism between the two countries on the resiliency and diversification of the semiconductor supply chain. The MoU also targets to facilitate commercial opportunities and the development of innovative ecosystems. According to Gina Raimondo, India could become a key supplier in the semiconductor sector and the entire electronics supply chain.
 - The two parties also agreed to further enhance their commercial collaboration and explore market potentials across multiple sectors, including digital and emerging technologies.
 - In addition, the US and India announced the launch of a new Working Group on Talent, Innovation, and Inclusive Growth.
- Indian Prime Minister Narendra Modi concluded a **state visit to the US** at the invitation of President Joe Biden in this June.
 - During the visit, the two countries successfully **resolved six trade disputes at the World Trade Organisation (WTO)**, with three cases initiated by each side. The disputes addressed countervailing measures on certain hot-rolled carbon steel flat products from India, certain measures related to solar cells and modules, measures related to the renewable energy sector, export-related measures, and measures on steel and aluminium products from the US.
 - Additionally, India has agreed to remove retaliatory customs duties on 28 American products. These duties were imposed in

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response to the US's import duty of 25% on steel products and 10% on certain aluminium products in 2018 on grounds of national security.

- This April, **India and Russia** began talks on a free trade agreement (**FTA**). According to Russian Deputy Prime Minister Denis Manturov, who is also the trade minister, Russia is looking forward to intensifying negotiations on the FTA with India, together with the Eurasian Economic Commission.
 - The FTA will help the two countries to collaborate in various areas such as oil and gas, gold and diamond, timber, pharmaceuticals, agriculture, aviation, railways, and logistics.
 - The India-Russia FTA negotiations represent a deepening economic relationship between the two countries, despite calls from Western countries for India to distance itself from Russia following the Russia-Ukraine conflict started in February 2022.
- On 16 May, the first Ministerial meeting of India-European Union Trade and Technology Council (TTC) was held in Brussels. Representatives from both India and the EU agreed on the necessity to expedite the ongoing **FTA** negotiations. However, a number of trade disputes between the two parties have to be addressed.
 - One of the disputes is that India plans to file a complaint to the WTO over the EU's proposal to impose 20% to 35% tariffs on imports of high-carbon goods like steel, iron ore and cement from India. India and the EU have agreed to a constant engagement before Carbon Border Adjustment Mechanism (CBAM) or Carbon Tax on exports to the EU takes effect in January 2026.
 - Besides, India's exports of smartphones, information technology products and services to EU countries could be hit by the EU's Foreign Subsidies Regulations (FSR) that came into

effect from 14 July. The proposed FSR prohibits foreign subsidies and grants the European Commission (EC), the executive arm of the EU, to investigate cases where foreign subsidies distort competition within the EU. With the FSR, the EC can now investigate if the Indian imports have received any incentives like Production Linked Incentives, Faster Adoption and Manufacturing of Electric Vehicles (FAME) or export benefits in India.

- In August 2023, India and the ASEAN agreed to fast track negotiations for the **review of ASEAN-India Trade in Goods Agreement (AITIGA)**, which was signed in 2009 and implemented in January 2010.
 - The economic ministers' meeting was preceded by AITIGA Joint Committee meeting, which deliberated the roadmap for the review and finalized the terms of reference and the work plan for the review negotiations.
- **FTA negotiations between India and the UK** are making good progress and both countries are committed to concluding the talks as early as possible.
 - The 13th round of talks was concluded in September. The UK trade negotiators were in India in October for further talks on the Bilateral Investment Treaty, to be signed along with the FTA.

Other topics

- According to 'World Population Prospects 2022' released by the United Nations (UN), India's population is projected to reach 1.67 billion by 2050, while China's population is expected to drop to 1.3 billion by then. The UN estimated that, by end of this April, India has already surpassed China to become **the most populous country in the world**, with 1.43 billion people, according to the latest UN data.
 - The UN expected that India's population will persistently grow in the coming three decades and reach its peak at about 1.7 billion in 2064.

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- Currently, the country has the largest youth population in the world (254 million at ages 15-24), which is a vibrant workforce with a strong potential for growth and development.
- The United Nations Population Fund (UNFPA) expects that the aged population in India will nearly double to reach 192 million by 2030, mostly living in southern and western states.
- The UNFPA also expects that every fifth Indian will become a senior citizen by 2050. It is time for the Indian government to plan for sustainable labour supply, and health and economic security of senior citizens.
- A report by the People Research on India's Consumer Economy (PRICE) and India's Citizen Environment predicts that **India's middle class** will almost double to 61% of the total population by 2047, up from 31% in the 2020-21 fiscal year. The report attributes the increase to continuing political stability and economic reforms, as well as a sustained annual economic growth rate of around 6% to 7% over the next 25 years.
 - According to the report, India's middle class is expected to grow significantly in the coming years. By the 2030-31 fiscal year, the middle class is projected to reach 715 million people, and to reach 1.02 billion people by 2047, when the total population of India is projected to be 1.66 billion.
 - The report also states that the middle-class accounts for half of India's income, expenditure and saving, and is expected to be responsible for 55% of the incremental consumption by 2031.
 - Amitabh Kant, former NITI Aayog CEO and India's G20 Sherpa, comments that as the number of middle-class households rises, demand for quality health care, education, housing, consumer goods, and other services, will increase; and the government should increasingly focus on education, health, and job creation. India's vision of becoming a fully developed country by 2047 implies that the middle class needs to be a key driver of the country's growth story.

INDIA

Macroeconomic data

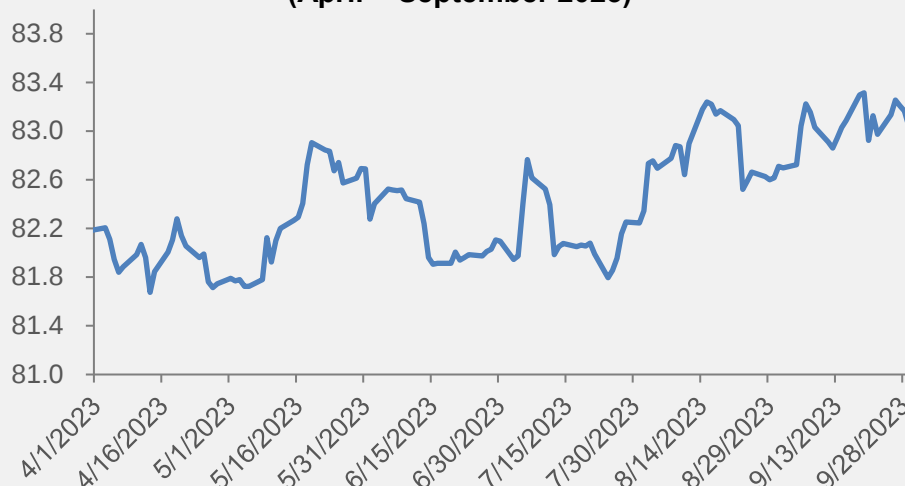
	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quarterly GDP (real yoy growth %) ^	7.8 (1Q23)			–		
Index of industrial production (yoy growth %)	4.2	5.2	3.8	5.7	10.3	-
Manufacturing PMI (S&P Global)	57.2	58.7	57.8	57.7	58.6	57.5
Wholesale price index (yoy growth %)	-0.8	-3.5	-4.2	-1.2	-0.5	-0.3
Consumer price index (yoy growth %)	4.7	4.3	4.8	7.4	6.8	5.0
Exports (yoy growth %)	-12.7	-10.3	-22.0	-10.0	3.8	-2.6
Exports (US\$ mn)	34,661.8	34,982.7	32,966.4	34,520.7	38,439.6	34,465.3
Of which:						
- Knitwear (US\$ mn)	526.6	587.1	612.1	584.4	560.0	-
- Woven garments (US\$ mn)	686.9	649.4	637.5	558.3	574.3	-
- Footwear (US\$ mn)	188.0	229.9	232.0	245.7	233.6	-
- Furniture (US\$ mn)	183.4	185.1	191.8	198.2	226.3	-
Imports (yoy growth %)	-14.1	-6.6	-17.5	-17.0	-5.2	-15.1
Imports (US\$ mn)	49,895.8	57,101.7	53,099.3	52,955.1	58,637.7	53,842.6

^ Financial year in India starts in April.

Source: Ministry of Statistics and Programme Implementation, Ministry of Commerce and Industry, S&P Global PMI reports

EXCHANGE RATES

USD:INR spot rate
(April – September 2023)



Source: Bloomberg

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Macroeconomic trends

- Indonesia's economy grew by 5.3% yoy in 2022, significantly improving from the **GDP** growth of 3.7% in 2021. In the second quarter of 2023, Indonesia's economy grew by 5.2% yoy.
- In September, Indonesia's exports plunged by 16.2% yoy to US\$20.1 billion, affected by the impact of El Nino and the lower commodity prices in the global market. The country posted a US\$3.4 billion trade surplus in the month, marking the 41st consecutive month of trade surplus for the country since May 2020.
 - In the same month, the US, China, and the Philippines emerged as the top contributors to Indonesia's trade surplus, while Australia, Thailand, and Brazil recorded the highest trade deficits with Indonesia.
- The manufacturing sector has been expanding for 25 consecutive months, with a Purchasing Managers' Index (**PMI**) level of 52.3 in September, albeit at a softer pace since May. The September figure still reflected Indonesia's resilience to withstand global economic uncertainties.
- During the first half of 2023, Indonesia attracted around US\$45.2 billion in foreign and domestic investments, reflecting a year-on-year increase of 16.1%. This amount represented 48.5% of its target for 2023.
 - Over the past years, Singapore has been Indonesia's top source for foreign direct investment (**FDI**). FDI from Singapore amounted to US\$9.4 billion in 2021 and increased to US\$13.3 billion in 2022.
 - In January-June this year, Singapore remained the largest contributor of foreign investment to Indonesia, reaching US\$7.7 billion. It was followed by China with US\$3.8 billion, Hong Kong SAR, China with US\$3.5 billion, and Japan with US\$2 billion.
 - During this six-month period, the majority of FDI inflows went to basic metals, metal goods, non-machineries, and equipment industry, with a total value of US\$5.4 billion. The transport, warehouse, and telecoms sector ranked second, attracting FDI inflows of US\$3.2 billion.
 - Besides, West Java province attracted the largest amount of FDI, reaching US\$4.5 billion in the first half of 2023.
- Indonesia's **inflation** rate was 2.3% yoy in September 2023, a consistent decline since September 2022. The inflation occurred due to increases in prices of all expenditure categories, including foods and beverages, tobacco products, clothes and footwear, housing, water, electricity, household fuel, household tools, equipment, routine maintenance, healthcare, transportation, information, and communications, etc.
- The **Indonesian rupiah** closed at 15,487 per US dollar on 29 September, depreciating by 0.7% since 1 January this year.

Policies & regulations

- Effective June 2023, the Indonesian government has **banned bauxite ore exports** and further encourage the development of the domestic bauxite processing and refining industry.
 - Besides, President Joko Widodo announced in early February that he would reveal another policy to ban the exports of raw copper.
 - Instead of exporting domestic natural resources, the Indonesian government has decided to develop the downstream processing industry of domestic natural resources to increase the value added of its exports.
 - Compared with the exporting of bauxite ores, the downstream processing industries of bauxite will generate higher value added to the economy and create more jobs. Through the industrialization of the bauxite industry, the President expects that the state revenue will

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enjoy a nearly three-fold increase from 21 trillion rupiahs to 62 trillion rupiahs.

Industry & sourcing developments

- According to Coordinating Minister for Maritime Affairs and Investment, Indonesia's **exports of processed nickel** ballooned to US\$33.8 billion in 2022, up from US\$8.1 billion in 2021.
 - In 2022, President Joko Widodo banned exports of nickel ore, but allowed exports of higher value nickel products, forcing companies to process and manufacture onshore.
 - The aim of the export ban on nickel ore is to strengthen domestic processing facilities, bring back the downstream part of the nickel supply chain to Indonesia, and spur job creation and economic development in Indonesia.
 - Besides, Indonesia is trying to make itself indispensable for the **electric vehicle (EV) battery industry**, which uses the metal extensively.
 - The Indonesian government has revealed its ambition to become one of the world's top three EV battery manufacturers by 2027. To fulfill its aspiration, Indonesia earnestly attracts investment in EV batteries and other EV sectors by leveraging its rich nickel resources.

Labour & workplace compliance

- In December 2022, the Jakarta provincial government issued Jakarta Governor Decree No. 1153 of 2022 regarding the 2023 **Jakarta provincial minimum wage (UMP)**. Under the new regulation, Jakarta's UMP will increase to 4,901,798 rupiahs per month, effective 1 January 2023.
 - According to local media, apart from the minimum wage adjustment, the government also launched other policies to increase the welfare of workers with Jakarta ID, including assistance for transportation services and education and provision of food at affordable prices.

FTAs, trade preferences & facilitation

- **Indonesian** Trade Minister Zulkifli Hasan and **Indian** Commerce and Industry Minister Piyush Goyal held a meeting in New Delhi on 14 March.
 - During the meeting, the Indonesian Trade Minister envisioned that the two countries can begin the negotiation on the **bilateral Preferential Trade Agreement (PTA)**, which has been under consideration since 2020.
 - In the meeting, the two ministers discussed several issues related to bilateral trade, including the exports of Indonesian tires and fiber products to India and the imports of Indian buffalo meat, automotive, sugar, and rice into Indonesia.
 - They also discussed strengthening bilateral cooperation in various sectors such as information technology, health, textiles, furniture, education, and human resources.
- Indonesia and the EU completed the 14th round of negotiations for the **Indonesia-EU Comprehensive Economic Partnership Agreement (IEU-CEPA)** in Belgium in mid-May.
 - In this round of negotiations, 18 primary issues were discussed, including trade in goods, rules of origin, trade in services, trade security, investment, government procurement, transparency and regulatory practice, dispute resolution, institutional provisions, and intellectual property rights.
 - Negotiations for the IEU-CEPA have been ongoing since 2016. Indonesia and the EU are aiming to conclude the negotiations by the end of this year.
- On 23 May, **Indonesia and Iran signed a Preferential Trade Agreement (PTA)** after seven rounds of negotiations over the course of three years.

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- Under the PTA, Iran will expand market access for Indonesian imports, including processed food, rubber, pharmaceutical products, paper, textiles, footwear, palm oil, coffee, and spices, while Indonesia will offer reduced tariffs for Iran's imports, including fossil fuel, oil, and aluminum.
- Coordinating Economic Minister Airlangga Hartarto participated in the **Indo-Pacific Economic Framework for Prosperity (IPEF)** ministerial meeting in Detroit on 26-27 May.
 - During the meeting, the minister emphasized the importance of critical minerals and proposed that the issue should be included in the discussion of Pillar I of the IPEF Trade.
 - Critical minerals are the essential materials for developing defense and green technology industries. Their supplies may be disrupted by geological scarcity, geopolitical uncertainties, and other instabilities.
 - According to the US Inflation Reduction Act 2022, nickel is classified as a critical mineral, which is important for Indonesia's development of the electric vehicle ecosystem, particularly as a major exporter of electric vehicle batteries to the US and other markets.
- Indonesian Minister of Trade Zulkifli Hasan and Malaysian Minister of International Trade and Industry Tengku Zafrul Aziz signed an update to the **Indonesia-Malaysia Border Trade Agreement (BTA)** in Kuala Lumpur on 8 June.
 - The BTA, which was originally put into effect in 1970, has been revised to reflect the latest circumstances and conditions, with a focus on meeting the needs of the people, facilitating trade, improving regulatory mechanisms, and enhancing supervision.
 - Although both Indonesia and Malaysia are ASEAN members and no customs duties should have been applied, the BTA includes several exceptions to export and import requirements, aiming to alleviate the burden on people at the

border. After signing the BTA, both countries will ratify it according to their respective provisions before it can be implemented. The BTA update is expected to benefit citizens living in the border areas of both countries.

Infrastructure & environmental sustainability

- In mid-March, **Indonesia and Singapore signed an MoU on developing Indonesia's new capital Nusantara (IKN)**, on the sidelines of a leaders' retreat between Indonesian President Joko Widodo and Singaporean Prime Minister Lee Hsien Loong in Singapore.
 - During the leaders' retreat, 20 private companies from Singapore submitted letters of intent to invest in IKN.
 - According to the Singaporean Prime Minister, the MoU aims to accommodate cooperation between the two countries in building, financing, and innovation of smart and sustainable infrastructure. Singapore will support Indonesia through knowledge-sharing activities, research activities, and joint development.
 - Singapore's interest in participating in the IKN project is a significant step for the Indonesian government to attract investment for the IKN development.
- On 2 October, Indonesia's **Jakarta-Bandung high-speed railway**, a crucial infrastructure project under China's Belt and Road Initiative, commenced its commercial operations. This train is the first high-speed rail transportation in Southeast Asia.
 - The 600-capacity bullet train "Whoosh" has a top speed of 350 km per hour, traveling between the capital Jakarta and Bandung in just 45 minutes. This is a significant improvement compared to the previous three-hour train journey covering the 140 km distance.
 - According to President Widodo, the Jakarta-Bandung high-speed train represents an efficient and integrated mass transportation system,

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symbolizing modernization in public transport and seamless connectivity with other modes of transportation.

- On 8 October, the Minister of Transportation stated that the blueprint for the Jakarta-Surabaya high-speed railway has been devised. If the project is realized, the travel time between Jakarta and Surabaya will become 3.5 hours, down from the current 11 hours by train.

Other topics

- Announced in late January 2023, Bank Indonesia (BI) will issue the proof of concept for **Digital Rupiah**. The digital rupiah concept is also known as the Central Bank Digital Currency. The BI is in the process of finalizing the issuance of digital rupiah and targets to complete the proof of concept in March 2024.
 - Two types of Digital Rupiah will be issued:
 - Wholesale Digital Rupiah (w -Digital Rupiah) will only be used by central bank-appointed parties and distributed for wholesale transactions.
 - Retail Digital Rupiah (r-Digital Rupiah) will be used by the public and distributed for retail transactions.
 - The Digital Rupiah project complements various initiatives of the BI in driving the national digital transformation agenda. Through the project, BI aimed to develop a digitized economy through the digitization of payments and decentralization of the rupiah.
 - The Digital Rupiah is believed to be a safer and more efficient currency than the physical currency and reserve accounts.
 - The development of the Digital Rupiah comprises three phases.
 - 1st phase: BI will explore the usage of w-Digital Rupiah with functions for issuance, redemption, and transferring funds between parties.
 - 2nd phase: the functions and services of the w -Digital Rupiah will be expanded for supporting transactions in financial markets.

- 3rd phase: an end-to-end integration of the w -Digital Rupiah and the r-Digital Rupiah will be tested.

- Indonesia **regained its upper-middle income status** after losing it in 2021 due to the COVID-19 pandemic. In July, the World Bank released its country classifications by income level and upgraded Indonesia's status to an 'upper-middle income country' from a 'lower-middle income country'.
 - The World Bank issues the country classification every July, categorizing countries into four groups based on their gross national income (GNI) per capita, converted into US dollars under the latest exchange rate. The groups are low income (US\$1,135), lower-middle income (US\$1,136-4,465), upper-middle income (US\$4,446-13,845), and high income (over US\$13,845). These classifications determine a country's eligibility to use the World Bank facilities, such as loan pricing.
 - Indonesia's GNI per capita surged by 9.8% to US\$4,580 in 2022 from US\$4,170 in 2021, as reported by the World Bank. The upgrade in country status reflects Indonesia's economic resilience and sustainable growth in recent years.
- On 20 July, Coordinating Minister for Economic Affairs Airlangga Hartarto announced that Indonesia is actively **pursuing membership in the Organization for Economic Cooperation and Development (OECD)**.
 - According to the minister, Indonesia believes it deserves to be an OECD member because it regained the status as an upper middle-income country, successfully organized the G20 Summit in 2022, and led the ASEAN Summit amid difficult situations such as the COVID-19 pandemic, geopolitical tensions, and climate change.
 - To attain OECD membership, Indonesia will adopt higher standards in its legislative processes, including the development of laws

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and the enforcement of regulations and standards across multiple ministries and institutions. These elevated benchmarks aim to ensure improved quality and effectiveness in the country's legislative procedures.

- If Indonesia becomes an OECD member, it would be the third Asian country, following Japan and South Korea, to join the organization.

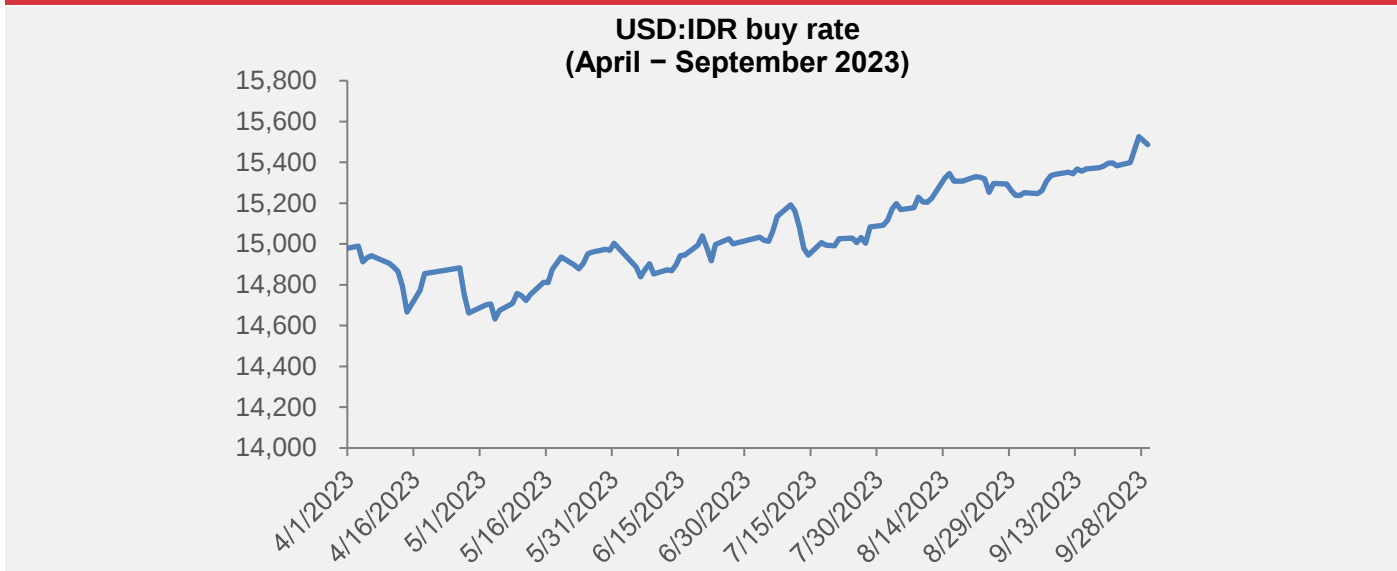
INDONESIA

Macroeconomic data

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quarterly GDP (real yoy growth %)	5.2 (2Q23)			–		
Manufacturing PMI (S&P Global)	52.7	50.3	52.5	53.3	53.9	52.3
Real retail sales index (yoy growth %)	1.5	-4.5	7.9	1.6	1.1	1.0
Consumer price index (yoy growth %)	4.3	4.0	3.5	3.1	3.3	2.3
Exports (yoy growth %)	-29.4	0.9	-21.2	-18.4	-21.2	-16.2
Exports (US\$ mn)	19,284.1	21,706.8	20,605.1	20,862.2	21,998.0	20,759.3
Of which:						
- Textile and textile products (US\$ mn)	736.7	1,045.9	1,032.6	1,074.4	1,236.4	-
- Footwear (US\$ mn)	443.0	599.1	529.7	527.6	558.2	-
- Furniture (US\$ mn)	123.1	157.9	139.1	140.5	144.7	-
- Sports requisites (US\$ mn)	36.5	59.5	59.5	65.9	67.0	-
Imports (yoy growth %)	-22.3	14.3	-18.3	-8.3	-14.8	-12.5
Imports (US\$ mn)	15,347.6	21,279.6	17,150.5	19,570.3	18,879.8	17,341.5

Source: Statistics Indonesia, Bank Indonesia, S&P Global PMI reports

EXCHANGE RATES



Source: Bank Indonesia

PAKISTAN

Country & sourcing updates

Macroeconomic trends

- Pakistan's economy experienced a difficult time in the **2023 fiscal year** (July 2022 to June 2023, FY2023), with a GDP growth of only **0.3% yoy** during the period. Since the start of fiscal year 2024 (July 2023 to June 2024, FY2024), Pakistan has shown some signs of recovery although it's a long road ahead.
 - The International Monetary Fund (IMF), in its *World Economic Outlook* report published on 10 October 2023, kept Pakistan's economic growth forecast for FY2024 unchanged at **2.5%**.
 - In July this year, the IMF approved a nine-month **Stand-by Arrangement** (SBA) in the amount of about **US\$3 billion**, which will temporarily ease a debt default pressure on the country. However, long-term economic stability and sustainable growth can only be achieved through fundamental economic reform, which has taken years of Pakistan's efforts and needs more time and strong determination going forward.
- The **Large Scale Manufacturing Industries** output dropped by 10.3% yoy in FY2023, but decreased only **1.1% yoy** in July 2023, the first month of FY2024.
- The monthly **inflation** rate in September 2023 was **31.4% yoy**, and lower when compared to the record high of 38.0% in May 2023; however, September's rates are a slight increase when compared to 27.4% yoy in August and 28.3% yoy in July.
 - The two massive fuel price hikes witnessed in August and the upward adjustment in energy tariffs are expected to increase inflationary pressures in the coming months and continue to put heavy burden on Pakistan's people and economy.
 - The IMF, in its latest forecast in October, set Pakistan's inflation rate at **23.6% for FY2024**, a bit higher than its April forecast of 21.9%.
- Pakistan's **exports** were down 12.7% yoy to US\$27.7 billion in FY2023. In the first three months of FY2024 (July-September 2023), exports **shrank 3.8% yoy** to US\$7.2 billion. Meanwhile, Pakistan's trade deficit narrowed by 42.9% yoy to US\$27.6 billion in FY2023 and by 42.3% yoy in the first three months of FY2024 to US\$5.3 billion, a result of the government's strict measures to limit imports.
- Net FDI inflows into Pakistan were US\$1,455.8 million in FY2023, a 24.8% yoy drop from US\$1,935.9 million in the previous fiscal year. In the first two months of FY2024, **net FDI inflows increased by 16.1% yoy** to US\$233.8 million.
 - During the July-August 2023 period, the power sector (thermal, hydro, and coal generation) attracted the highest FDI of US\$97.6 million (41.7% of the total value of net FDI inflows), followed by oil & gas explorations (US\$29.2 million, 12.5%), pharmaceuticals & OTC products (US\$25.4 million, 10.9%), and the financial business sector (US\$24.3 million, 10.4%), as data from the State Bank of Pakistan showed.
 - China was the largest foreign investor in Pakistan during this period, with an investment of US\$50.4 million, accounting for 21.6% of the total value of net FDI inflows. The Netherlands was the second largest foreign investor during this period (US\$42.6 million, 18.2%), followed by Switzerland (US\$36.5 million, 15.6%), Hong Kong SAR, China (US\$33.0 million, 14.1%), and the United Arab Emirates (US\$17.1 million, 7.3%).
 - The increase in net FDI inflows in the first two months of FY2024 showed that foreign investors have more confidence in Pakistan's ability to walk out of its debt crisis, especially with the signing of the SBA and the support from friendly countries like China, Saudi Arabia, and the

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United Arab Emirates. These countries had been trying hard to help the country tackle its debt crisis and secure more funds from international organizations by rolling over existing loans and providing billions of US dollars of new loans over the last three months of FY2023.

- The **Pakistani rupee** closed at 287.8848 against the US dollar on 28 September 2023, a year-to-date **depreciation of 21.4%**.

Industry & sourcing developments

- **Textile exports** is the biggest export sector of Pakistan, contributing about 60% to the total. Presently, Pakistan reports that it has 6,300 registered textile and clothing manufacturing companies, along with over 1,800 “associations of persons” in this sector. Of these, 2,000 are registered as textile and clothing exporters with the Ministry of Commerce.
 - The sector experienced a troubling trend of negative growth right from the beginning of **FY2023**. Textile exports **fell 14.6% yoy** to US\$16.5 billion, while accounting for 59.5% of Pakistan’s total export value in the fiscal year. The three key causes of the export decline are the discontinuation of concessionary energy tariffs for the textile sector starting from 1 March 2023, the increase in local cotton prices, and higher financing costs. During the same period, the imports of textile machinery declined by 57.0% — a sign that expansion or modernisation of the textile sector will slow down in the near future.
 - Import bans, exchange rate fluctuations, high energy costs, elevated interest rates, reduced cotton production, and overall political and economic uncertainty continue to inflict doubt to the export sector in FY2024. In **the first three months of FY2024** (July-September 2023), textile exports **dropped by 10.0% yoy** to US\$4.1 billion, which accounted for 57.5% of the country’s total export value during this period.
- However, **a positive trend in the textile sector** has been observed by Chinese investors in Pakistan, who see an opportunity to further modernise the industry for more efficient production.
 - Many major fabric categories in Pakistan’s textile industry use larger amounts of cotton, while having lower profit margins comparing with competing South Asian countries. Due to the current shortage of cotton yarn, local companies **have increased the proportion of polyester applications**.
 - **Digital textile printing** is also increasingly used in Pakistan as it offers better and higher-definition textile print design and reduces effluents and energy usage. Even some small-scale factories have advanced textile materials and technologies, such as polyurethane coating, aramid finishing, waterproof finishing, etc.
 - Chinese manufacturers that specialise in textiles auxiliaries and organic silicone products have been joining hands with local partners to bring technological innovation support to the textile printing and dyeing industry in Pakistan.
- Pakistan’s **cotton arrivals** (the amount of cotton that has reached the ginning factories from the farms within a cotton season) have reached 5.0 million bales as of 30 September 2023, a **71% growth** over the same time last year.
 - Cotton is the main raw material of Pakistan’s textile sector. In recent years, the cotton output in Pakistan has been declining mainly due to climate change-related issues and reduction in the cultivation area, according to Chaudhry Waheed Arshad, a top official of Pakistan Cotton Ginners Association.
 - The cotton sector experienced a substantial setback last year due to the disastrous floods

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that affected the country. Cotton output decreased by 34% yoy in the last season. As a result, the export-oriented textile industry had to import cotton from the US to meet the shortfall, which was difficult because imports were restricted in the country. This led to textile factories closing for long periods of time.

- The outstanding performance in this Kharif crop season so far shows a remarkable comeback of the Pakistani cotton sector. The arrival figure has already matched the production of the entire last season; the cotton arrivals for season 2023-24 (roughly corresponding to the period of FY2024) is expected to reach 12 million bales, according to Pakistan's interim Commerce Minister Gohar Ejaz.
- The Ministry of Commerce of Pakistan also remains committed to supporting and promoting the cotton sector, recognising its indispensable role in the country's economic development and global competitiveness.
- In early October 2023, the Ministry of Commerce pressed the Special Investment Facilitation Council (SIFC) for **fresh textile export subsidies** amidst plummeting exports, surging interest rates, and soaring energy prices.
- The incentives for textile exports proposed by the ministry include the following: preferential cost-based electricity tariff, deferral of principal and interest payments on loans, restoration of a no-sales tax payment scheme, as well as priority allocation of gas to exporters, settlement of 24-billion-rupee duty drawback claims of exporters, and instruction to banks to enhance financing credit limits for the export industry by 100%.
- Opponents argue that the preferred financing for the textile sector may be misused and abused like in the past, thereby leading to a misallocation of resources and impeding innovation, and thus may not be effective in protecting the industry.

- Mr. Rehman, a member of the Executive Committee of the All Pakistan Textile Mills Association (APTMA), believes that Pakistan's textile sector is poised for a positive growth trajectory marked by a noteworthy month-on-month export rebound in August 2023 and significant policy interventions, after having remained dormant for more than a year.

Labour & workplace compliance

- Starting from 1 July 2023, monthly **minimum wages** for unskilled workers in Punjab, Balochistan, Khyber Pakhtunkhwa provinces and the Islamabad Capital Territory were increased from 25,000 rupees to **32,000 rupees**.

FTAs, trade preferences & facilitation

- On 5 October 2023, The European Parliament voted to **extend the current Generalised System of Preferences (GSP)** for another four years until 2027 for developing countries, including Pakistan, to enjoy duty-free or minimum duty on exports to the European market.
- The current GSP regulation was set to expire at the end of this year, and negotiations between the EU parliament and the council of member states took place in January 2023 to establish new rules.
- The extension provides additional time for the European Parliament and member states to agree on the new rules. The process has been stalled by two outstanding issues: the link that the council wants between tariff preferences and the obligation of readmission, and safeguarding rice producers without creating excessive trade barriers.
- The European Union (EU) is the largest market destination for Pakistani exports. The EU provides Pakistani exporters with GSP Plus (a more favourable status under the GSP system that offers eligible developing countries duty-free

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- or reduced-tariff access to the EU market for over 6,000 products.) concessions on exports of goods. Although there are several conditions attached by the EU to become a beneficiary of this scheme, it provides Pakistani exporters, particularly of textile products, with duty-free access to the European market. Pakistan's exports to the 27 EU members amounted to US\$8.2 billion during the 2023 fiscal year (July 2022 to June 2023), against US\$8.6 billion in the previous fiscal year. The top export destinations in the EU for Pakistan are Germany, the Netherlands, Spain, Italy, and Belgium. Key export categories of Pakistan to the EU include garments, textiles, cotton, and intermediary goods of textiles.
- On 12 July 2023, the Executive Board of the IMF approved the **9-month Stand-by Arrangement (SBA) for Pakistan** with an amount of SDR2,250 million (about US\$3 billion) to support Pakistan's economic stabilization program, after a staff-level agreement on the SBA was signed between the leader of the IMF staff team to Pakistan and the Pakistan authorities on 29 June 2023.
 - The SBA is expected to provide a policy anchor for addressing domestic and external imbalances and a framework for financial support from multilateral and bilateral partners. The SBA offers much-needed relief to Pakistan, which is still grappling with a severe balance of payments crisis and declining foreign exchange reserves.
 - The approval of the SBA allows for an immediate disbursement of SDR894 million (or about US\$1.2 billion). The remaining amount will be phased over the program's duration, subject to two quarterly reviews.
 - Still, Moody's Investors Service and Fitch Ratings warned that Pakistan will require significantly more funds to repay US\$25 billion in the 2024 fiscal year (July 2023-June 2024) to meet its debts obligations and to finance its economic recovery.
 - The Preferential Trade **Agreement (PTA) between Pakistan and Turkey came into force** on 1 May 2023.
 - Under the PTA, Pakistan has gained preferential access to the Turkish market under 261 tariff lines ranging from leather, rice, dates, mangoes, seafood, processed agricultural products to cutlery, rubber tubes and tyres, plastics, sports goods, and engineering goods. The average customs duties on these tariff lines are about 2-3%. In addition, duties on 123 tariff lines have been reduced to zero for Pakistan, covering five agricultural and 118 industrial products.
 - In return, Pakistan has offered concessions to Turkey on 130 tariff lines, including products such as black tea, processed food products and flavourings, industrial raw materials and parts of machinery, and parts of electronic equipment.
 - The two countries agreed that in the following five- to ten-year period, Turkey will reduce the duties on another 92 tariff lines to zero and Pakistan will do the same for 16 tariff lines.
 - On 23 February 2023, the US and Pakistan concluded the **ninth US-Pakistan Trade and Investment Framework Agreement (TIFA) Council meeting** in Washington. This meeting focuses on boosting agricultural and digital trade between the two countries. The Pakistan side hopes that the IT market in the US could be further opened to Pakistani products and professionals and seeks to expand its agricultural exports to the US market as well.
 - The TIFA between Pakistan and the US was signed in 2003 and aimed at providing a platform for the two countries to discuss bilateral trade issues. The US-Pakistan TIFA Council have agreed to meet at least once a year, but until this latest meeting, the two parties had not met after the previous meeting held in 2016, due to political tensions between the two countries.
 - The next US-Pakistan TIFA Council meeting is scheduled to be held in Islamabad in 2024.

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Country & sourcing updates

Infrastructure & environmental sustainability

- In the 2023 fiscal year, **an additional capacity of 2,378 MW** was injected to the **national grid**. In the petroleum sector, projects of gas supply to the Special Economic Zones (SEZs) on China-Pakistan Economic Corridor (**CPEC**) have been completed. The completion of gas schemes will facilitate industrial development in the respective SEZs.
- In the 2024 fiscal year, Pakistan government plans to inject an additional capacity of 2,378 MW to the **national grid** and 1,728 MW into the **NTDC/CPA-G basket** by June 2024. The transmission infrastructure will be strengthened by an addition of 3,750 megavolt-ampere (MVA), and 6,900 MVA capacity on 500 kilovolt (KV) and 220KV network, respectively. The distribution sector will be boosted with a capacity of 4,199 MVA on 132 KV voltage level by June 2024. An addition of 1.4 million consumers and nearly 7,000 villages will have access to electricity by June 2024.
- In September 2023, the government announced a plan to complete **83 connectivity projects** worth 77.8 billion rupees by December 2023. These projects, under the Universal Service Fund (USF), are set to provide internet and telecommunications access to remote and unserved areas across the country.
 - Under the Next Generation Optic Fibre (NG-OF) Network and Services programme, the USF has already made significant progress. With over 16,000 kilometres of Optic Fibre Cable (OFC) contracted, these efforts are expected to benefit approximately 31.5 million people nationwide. The USF's dedication to laying fibre optic cables and installing 4G and 3G towers in previously underserved areas is paving the way for digital inclusion on an unprecedented scale.
- Under the Public Sector Development Programme (PSDP) 2023-24, the government has allocated **5.45 billion rupees to the Aviation Division**.
 - A majority of the budget, amounting to 5 billion rupees, has been allocated for the construction and completion of the New Gwadar International Airport (NGIA) in the Balochistan province, which will prove vital for the air traffic in and out of the strategic port city of Gwadar.
 - The government has allocated 50 million rupees to set up a 'meteorological observatory' in the scenic valley of Kaghan in Mansehra district to collect data about weather patterns and climatic vagaries. Weather surveillance radars will also be set up in Sukkur city of the Sindh province and Multan city of the Punjab province with a total allocation of 60 million rupees to collect data on weather from different parts of the country.

PAKISTAN

Macroeconomic data

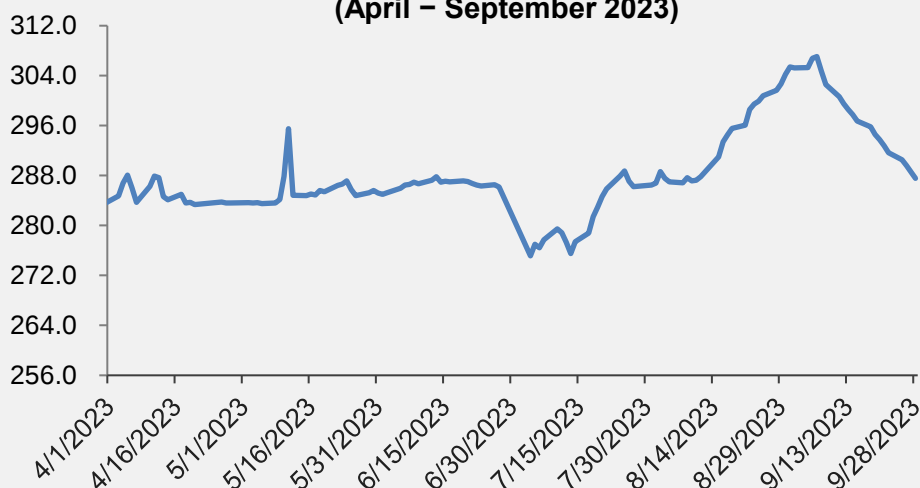
	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quantum index of large-scale manufacturing (yoy growth %)	-9.5	-9.9	-10.3	-1.1	–	–
Consumer price index (yoy growth %)	36.4	38.0	29.4	28.3	27.4	31.4
Exports (yoy growth %)	-26.3	-16.2	-19.1	-8.1	-4.7	0.8
Exports (US\$ mn)	2,136.8	2,199.9	2,356.3	2,067.9	2,366.0	2,465.0
Of which:						
- Garments (US\$ mn)	569.2	600.4	711.6	639.3	–	–
- Bed linen (US\$ mn)	218.0	201.5	240.4	216.9	–	–
- Sporting goods (US\$ mn)	32.7	31.8	34.3	26.1	–	–
Imports (yoy growth %)	-55.0	-36.0	-46.3	-25.6	–	-25.3
Imports (US\$ mn)	2,997.5	4,327.6	4,219.3	3,705.0	–	3,954.0
Balance of trade (US\$ mn)	-860.7	-2127.7	-1863.0	-1637.1	–	-1489.0

Note: Figures for Aug-Sept 2023 cannot be fully updated due to a temporary outage of the website of the Pakistan Bureau of Statistics.

Source: Pakistan Bureau of Statistics

EXCHANGE RATES

USD:PKR weighted average customer buy rate
(April – September 2023)



Source: State Bank of Pakistan

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Country & sourcing updates

Macroeconomic trends

- The Philippines' gross domestic product (GDP) grew **4.3%** yoy in the second quarter of 2023, lower than expected and the 6.4% growth in the first quarter. The slower growth was due to smaller expansion in household consumption and lower government spending, among others.
 - In October 2023, the International Monetary Fund (IMF) **slashed** its 2023 **economic growth forecast** for the Philippines to **5.3%** from 6.2% it made in July amid elevated inflation and high interest rates.
 - The **World Bank** (WB), on the other hand, **retained its growth projection** of **5.6%** for the Philippines for 2023. In its October 2023 East Asia and Pacific Economic Update, the WB considers the Philippines to be among the fastest-growing economies in the East Asia and Pacific region for the year 2023.
- The S&P Global Philippines **Manufacturing Purchasing Managers' Index** had been staying above the 50.0 neutral threshold for the twenty consecutive months before dropping to 49.7 in August 2023. The index increased again to 50.6 in September, demonstrating the strength and resilience of the country's manufacturing industry.
- **Headline inflation rate** eased for the seventh straight month to 4.7% in July but bounced back to 5.3% in August and 6.1% in September. As a result, the Philippine central bank prudently maintains its policy rate at 6.25% and does not exclude further rate hikes if the upside risks to inflation materialize. The IMF sees the country's inflation averaging close to 6% this year before easing close to 3.5% in 2024.
- The Philippines' **exports decreased by 6.6%** yoy to US\$47.8 billion in the first eight months of 2023.
 - During this period, electronic products were the country's top exports, with a total export value of US\$26.8 billion, accounting for 56.1% of the country's total exports. This was followed by other manufactured products (US\$2.6 billion, accounting for 5.4% of the total export value) and other mineral products (US\$2.1 billion, 4.5%).
 - The US was the Philippines' largest export market during this period, accounting for 15.4% of the total export value of the Philippines (US\$7.4 billion), followed by the Chinese Mainland (US\$7.2 billion, 15.0%), Japan (US\$7.0 billion, 14.6%), Hong Kong SAR, China (US\$5.5 billion, 11.5%), and Singapore (US\$2.5 billion, 5.3%).
 - In June, economists in the Philippine government revised downward export growth forecast for 2023 from 3% yoy to 1% yoy, saying that the soft overseas demand amidst the worldwide economic recession will further weaken the export performance of the Philippines in the coming months.
- In January-July 2023, **net foreign direct investment** (FDI) into the Philippines decreased by 14.7% yoy to US\$4.7 billion, according to the Bangko Sentral Ng Pilipinas.
 - Japan was the top source of net FDI in the period (US\$380.4 million), followed by Germany (US\$142.0 million), Singapore (US\$98.2 million), the US (US\$60.9 million), and South Korea (US\$28.8 million).
 - The net FDI inflows were directed mainly to the sectors of manufacturing (US\$529.4 million), real estate (US\$61.2 million), information and communications (US\$51.5 million), wholesale and retail trade (US\$47.7 million), and transportation and storage (US\$31.3 million).
 - On the other hand, in the first half of 2023, **approved foreign investments** surged to 423.0 billion pesos (US\$7.6 billion) from 7.9 billion pesos (US\$142.5 million) in the same period in 2022, mainly driven by investments in the renewable energy sector, especially in offshore wind projects, according to the Board of Investments (BOI).

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Country & sourcing updates

- The Philippine peso closed at 56.964 against the US dollar on 29 September 2023, representing a depreciation of 1.48% in the year to date.

Policies & regulations

- On 13 July 2023, the Philippine government formally launched its **Green Lanes for Strategic Investments** to expedite, streamline, and automate government approval and registration process of priority investments and strategic investments. Strategic investments are those in line with the Philippine Development Plan 2023-2028.
 - With the “green lanes” strategy, a One-Stop-Action-Center for Strategic Investments (OSAC-SI) will be established at the BOI, which will serve as the single point of entry for all projects qualified as strategic investments.
 - Investors with projects considered as strategic investment could come to the BOI to get its Certificate of Endorsement to be presented to national government agencies and local government units to expedite the processing of their permits and licenses.
 - The “green lanes” strategy is another effort of the Philippine government to attract FDI to the country after the latest amendment to the country’s Foreign Investment Act in March 2022 that allows international investors to set up and fully own domestic enterprises in the Philippines.
 - The Philippines has traditionally lagged behind its neighbours in Southeast Asia in terms of attracting foreign investments and has been criticized as having Asia’s most restrictive foreign investment laws. The government hopes that the “green lanes” strategy, together with continuous amendments to the country’s foreign investment laws, will attract more capital to the country.
- On 22 May, the House of Representatives approved a bill that would formulate a **30-year national infrastructure program** spanning from 2023 to

2052. House Bill No. 8078, or the 30-Year National Infrastructure Program Act (the bill hereafter) focuses on projects of national significance that will serve as the country’s infrastructure backbone.

- The program will be an all-encompassing one covering not only public works like roads, bridges, and expressways, but also energy, water resources, information and technology, agri-fisheries, food logistics, and socially oriented structures such as school buildings and other educational facilities.
- The bill provides that the total annual allocation for the program shall be at least 5% of GDP, given that the constitutional command giving budgetary priority to education shall be observed. The government may also tap official development assistance as funding source.
- The bill seeks to provide an overall framework for the desirable locations, magnitudes, interrelationships and timing of public and private investments in major infrastructure in the country over the next three decades, in a way to ensure the continuity in the development and implementation of projects across administrations, regardless of changes in national leadership.
- Representatives believe that the bill is putting in place a long-term system of funding and sustaining public infrastructure projects to support a strong economy that would generate more job and income opportunities for the people, and to build a resilient and reliable national infrastructure network.
- The House will transmit the bill to the Senate for further action.

Industry & sourcing developments

- On 8 January 2023, the Philippine government and the US Agency for International Development launched **Strengthening Private Enterprise for the Digital Economy (SPEED)**, a five-year program to

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Country & sourcing updates

accelerate and boost digitalization among Filipino small and medium enterprises (SMEs).

- The SPEED program plans to help SMEs to adopt digital technology solutions that are safe, reliable, and affordable; expand the use of e-payment systems and encourage fintech innovations; and spur the integration of e-commerce platforms into logistics supply chains.
- Department of Trade and Industry said the SPEED program is in line with the Department's current programs for the digitalization of micro, small and medium enterprises (MSMEs), such as the launch of an e-commerce roadmap, the cooperation with the Department of Information and Communications Technology in building a free e-commerce platform, and the implementation of the Big Brother-Small Brother Digitalization Project that digitalize supply chains.
- Bangko Sentral ng Pilipinas (BSP) Governor said the SPEED program will complement the central bank's initiatives to facilitate MSMEs' adoption of digital payments and financial services.
- The two countries concluded negotiations for the FTA in October 2021, after which a final agreement was reached on all items of the PKFTA in June 2022. Legal scrubbing followed on both sides until October 2022.
- Under the PKFTA, together with the existing ASEAN-South Korea FTA and Regional Comprehensive Economic Partnership (RCEP), South Korea will remove tariffs on 94.8% of the imported Philippine products, while the Philippines will remove tariffs on 96.5% of South Korean products.
- The agro-products of the Philippines will benefit from the PKFTA. Specifically, the current 30% tariff on Philippine bananas (an item excluded from the ASEAN-South Korea FTA) will gradually slide to zero over the next five years under the PKFTA.
- South Korea's auto industry benefits specifically from the PKFTA, as the Philippines is a key automobile importer among ASEAN countries. The elimination of tariffs on cars and car parts could enhance South Korea's competitive position against Japan, the US, and China in the Philippines' automotive market. The FTA deal also strengthens market presence for South Korea's major agro-fishery products in the Philippines, by shedding off tariffs over the next 15 years.
- The two countries have also introduced a cooperation agreement in economy and technology within the PKFTA. The purpose of this agreement is to establish a basis for pushing forward-looking economic cooperation and collaboration in various areas like vaccines and healthcare, climate change, rare metals processing, innovation ecosystem, culture, movies, e-commerce, and intellectual property.
- In 2022, the Philippines exported US\$3.12 billion worth of goods to South Korea, making it the country's seventh-largest export market.

Labour & work compliance

- The Philippine government **increased the daily minimum wage** in the National Capital Region from 570 pesos to 610 pesos for the non-agriculture sector and from 533 pesos to 573 pesos for the agriculture sector, service, and retail establishments employing 15 or less workers, and manufacturing establishments regularly employing less than 10 workers. The new minimum wages took effect on 16 July 2023 despite an appeal filed by a coalition of labour organizations.

FTAs, trade preferences & facilitation

- On 7 September 2023, the Philippines and South Korea signed a free trade agreement (**Philippines-Republic of Korea Free Trade Agreement**, or PKFTA) on the sidelines of the 43rd ASEAN Summit in Indonesia. The FTA is expected to come into effect by the first half of 2024.

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Country & sourcing updates

- The Regional Comprehensive Economic Partnership (**RCEP**) **entered into force in the Philippines** on 2 June 2023, sixty days after the Philippine government deposited the instrument of ratification with the ASEAN Secretary General on 3 April.
 - The Philippines was the last among the 15 RCEP countries to ratify the agreement, apart from Myanmar. The then Philippine President Rodrigo Duterte ratified the RCEP agreement in September 2021 and brought it to the Senate for approval. However, the Senate failed to ratify the agreement in December 2021 before the free trade deal took effect on 1 January 2022. The agreement was finally ratified by the Philippine Senate on 21 February 2023, completing the process for participation in the trade pact.
 - On 20 April 2023, the National Economic and Development Authority (NEDA) Board also approved an executive order (EO) to operationalize the implementation of the country's tariff commitments under the RCEP agreement, which is effective on the same day as the RCEP agreement enters into force (i.e., on 2 June). The RCEP EO maintains the current tariffs for most products at this stage in an effort to protect the domestic industries from cheap imported goods.
- constructing offshore wind projects. Offshore wind projects need base ports for operations and maintenance, storage of decommissioned components, logistics and supply chain management.
 - According to DOE officials, the government has awarded a total of 79 offshore wind service contracts to date, with a potential capability of producing 61.93 gigawatts of clean power. However, none of the existing ports in the country can meet the standards for offshore wind projects due to inadequate water depths and narrow access channels.
 - DOE officials said that they are doing a study with the ADB to assess how to repurpose the nine ports as part of the country's infrastructure readiness for offshore wind farms. The study is expected to be finished next year.

Infrastructure & environmental sustainability

- In October, the Department of Energy (DOE) and the Asian Development Bank (ADB) initially identified **nine ports** in the Philippines that can undergo redevelopment to cater to the requirements of offshore **wind projects**.
 - These ports are mostly in Luzon and Visayas, including the Currimao Port in Ilocos Norte, Port Irene in Cagayan Valley, the Energy Supply Base Port of the Philippine National Oil Company in Batangas, as well as other ports in Batangas, Mindoro, Bacolod and Iloilo.
 - The readiness of the port infrastructure is one of the critical requirements for developers in

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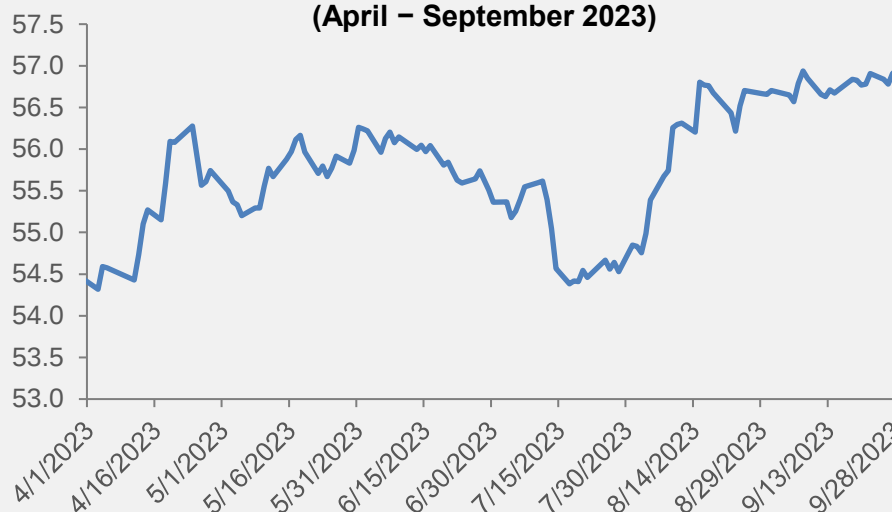
Macroeconomic data

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quarterly GDP (real yoy growth %)	4.3 (2Q23)			—		
Manufacturing PMI (S&P Global)	51.4	52.2	50.9	51.9	49.7	50.6
Producer price index for total manufacturing (yoy growth %)	2.61	2.35	0.69	/	0.53	—
Consumer price index (yoy growth %)	6.6	6.1	5.4	4.7	5.3	6.1
Exports (yoy growth %)	-20.2	2.4	0.9	-1.2	4.2	—
Exports (US\$ mn)	4,903.8	6,473.9	6,703.0	6,144.7	6,701.8	—
Of which:						
- Woodcrafts and furniture (US\$ mn)	23.4	30.2	25.5	26.2	27.9	—
- Garments and accessories (US\$ mn)	43.3	61.5	64.1	60.2	75.9	—
- Travel goods and handbags (US\$ mn)	37.6	53.2	46.4	61.8	49.8	—
Imports (yoy growth %)	-15.0	-8.1	-15.0	-15.3	-13.1	—
Imports (US\$ mn)	9,746.3	10,919.0	10,645.3	10,345.6	10,829.4	—

Source: Philippine Statistics Authority, S&P Global PMI reports

EXCHANGE RATES

USD: PHP BSP reference rate
(April – September 2023)



Source: Bangko Sentral ng Pilipinas (BSP)

THAILAND

Country & sourcing updates

Macroeconomic trends

- Thailand's GDP increased by **1.8% yoy** in the second quarter of 2023, below the 3.1% growth expected by economists in a Reuters poll. Due mainly to slow recovery of tourism and weak exports, Thailand's economic recovery is lagging behind other ASEAN countries.
 - The International Monetary Fund (IMF) in October **lowered its economic growth projections** for Thailand from 3.4% to 2.7% for 2023 and from 3.6% to 3.2% for 2024. In the same month, the World Bank (WB) **also cut its GDP growth forecast** for the country for 2023 from 3.6% to 3.4% amid a projected slowdown in regional economies this year and revised down Thailand's GDP forecast for 2024 to 3.5% from April's estimate of 3.7%.
 - The uncertainty around the formation of a new coalition government since the general election on 14 May ended finally when **Srettha Thavisin** was elected as Thailand's **new prime minister** on 22 August 2023, which is good for investment sentiment and enables the country to focus back on economic development.
- The Monetary Policy Committee voted on 27 September 2023 to raise its **benchmark interest rate** by a quarter-point to **2.5%**, the highest level in a decade.
- Thailand's manufacturing sector contracted at a faster rate in September. The headline S&P Global Thailand Manufacturing **PMI fell from 48.9 in August** to 47.8 in September, signalling the deterioration of the manufacturing sector of the country.
- Thai **exports decreased by 4.5% yoy** to US\$187.6 billion in the first eight months of 2023. In August alone, exports of the country expanded by 2.6% yoy to US\$24.3 billion, ending 10 consecutive months of contraction since October 2022.
 - In January-August 2023, the US was Thailand's biggest **export market**, accounting for 16.9% of Thailand's total export value in the period, followed by China (12.4% of total export value), Japan (9.0%), Malaysia (4.2%), and Australia (4.1%).
 - Key **export products** during the period included automotive (US\$28.8 billion, 15.4% of total export value), agro-manufacturing products (US\$25.7 billion, 13.7%), electronics (US\$20.9 billion, 11.2%), electrical appliances (US\$18.9 billion, 10.1%), and machinery and equipment (US\$15.7 billion, 8.4%).
 - The Grant Thornton International Business Report (IBR) for the first half of 2023 shows that the percentage of Thai businesses expecting an increase in exports over the coming 12-month period has been on a consistent downward trend of late — from a 64% score in the first half of 2022 to 54% in the second half of 2022, to 46% in the first half of 2023. This decrease puts the country's export scores at a lower level than both the regional average and the global average.
- In the first half of 2023, net foreign direct investment (**FDI**) into Thailand **decreased by 55.6% yoy** to US\$3.1 billion, according to the Bank of Thailand.
 - Hong Kong SAR, China was the top source of FDI in the January-June period (US\$890.9 million), followed by China (US\$724.7 million), the US (US\$621.2 million), Taiwan, China (US\$301.1 million), and the British Virgin Islands (US\$193.8 million).
 - The net FDI inflows were directed mainly to the sectors of real estate (US\$1.1 billion), financial and insurance activities (US\$668.0 million), manufacture of electrical equipment (US\$513.8 million), wholesale and retail trade (US\$296.3 million), and manufacture of computer, electronic and optical products (US\$214.2 million).

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Country & sourcing updates

- During the first half of 2023, the Thailand Board of Investment received 507 **foreign investment project applications**, with a total investment value of 304.0 billion baht (about US\$8.5 billion). Comparing with the same period in 2022, the number of projects increased by 33.1% and the value **increased by 140.9%**.
 - In terms of investment value, the top five foreign applicants in January-June 2023 were China (61.5 billion baht, 132 projects), Singapore (59.1 billion baht, 73 projects), Japan (35.3 billion baht, 98 projects), South Korea (32.4 billion baht, 9 projects), and the US (24.0 billion baht, 21 projects).
 - The increase in the approved foreign direct investment (FDI) and the FDI applications in the first half of 2023 indicates that, despite the political uncertainty in Thailand in the election year, Thailand is still an attractive investment destination in the Southeast Asian region with its relatively more advanced economy and its competitive programmes supporting FDI, as compared with other countries in the region.
 - The trend of Chinese investors relocating their base from China to Thailand has become increasingly evident. This is partly because Thailand is recognised as a standout player in the electric vehicle (EV) industry in the region, thanks to clear promotion measures introduced by the government. Several Chinese investors and businesses have already made substantial investments in the Thai EV industry, among them are MG, Great Wall Motors, BYD, and Neta. Two other companies, Chang An Automotive and GAC Ion, have also announced plans to invest in the sector. Besides car production, investors also bring along related industries, such as battery production and other crucial components for EVs.
- The **Thai baht** closed at 36.722 against the US dollar on 29 September 2023, representing a **depreciation of 5.93%** in the year to date.

Policies & regulations

- Thailand's new investment promotion strategy, the **Five-Year Investment Promotion Strategy (2023-2028)** took effect on 3 January 2023. The strategy aims to identify industries and sectors that are essential to Thailand's long-term development and competitiveness.
 - The strategy endeavours to promote investment that will help restructure Thailand's economy into one that (1) is driven by technology, innovation, and creativity; (2) is competitive and adaptive and generates high growth; and (3) values environmental and social sustainability, creates opportunity and reduces inequality.
 - Industries eligible for investment promotion include: (1) Bio-Circular-Green industries (agriculture, food, and medical); (2) basic supporting industries (metals and materials, chemicals and petrochemicals, and public utilities); (3) industries utilizing advanced technology (machinery and vehicles, electrical and electronics); and (4) digital, creative industries and high value services.
 - Projects located in the 10 Special Border Economic Zones, the Eastern Special Development Zone, and the four Economic Corridors are also subject to special promotion measures.

Industry & sourcing developments

- On 31 May 2023, nine state-owned banks in Thailand signed a memorandum of cooperation to provide 2 billion baht (about US\$58.3 million) in loans to **support the rubber industry**. The signing ceremony was chaired by Finance Minister Arkhom Termpittayapaisith. The Thai Chamber of Commerce, Krungthai Bank, the Bank for Agriculture and Agricultural Cooperatives, the Thai Credit Guarantee Corporation and the Export-Import Bank of Thailand are among the signatories.
 - The memorandum is to strengthen the competit-

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Country & sourcing updates

iveness of Thailand's rubber products in the world markets. The support will cover participants in the whole rubber production chain from rubber tree growing in the upstream, rubber latex and rubber woods processing in the midstream, to the manufacturing of medical products, auto parts, construction materials and other products from rubber latex and wood in the downstream. Most operators at the downstream are small and medium enterprises.

- According to the Thai National Shippers' Council (TNSC), rubber exports of Thailand are valued at 680 billion baht a year, providing jobs for some 6 million people across the rubber production chain. The TNSC expected that rubber exports would grow by 5% yoy in 2023, though exports of many other Thai goods are contracting.

FTAs, trade preferences & facilitation

- Forming mini-free trade agreements (mini-FTA) with regions in other countries is a key policy of Thailand to boost trade, investment, and economic cooperation. By August 2023, Thailand has signed **mini-FTAs with eight regions** in four countries. These regions include Hainan, Gansu, Yunnan, and Shenzhen in China; Kofu in Japan; Telangana in India; and Busan and Gyeonggi in South Korea.
- On 15 March 2023, Thailand and the **EU** announced the relaunch of **negotiations on a bilateral free trade agreement** (FTA).
 - Securing an FTA with the EU has been a long-time goal of the Thai government, but trade talks were stalled for nearly a decade after the 2014 military coup in Thailand.
 - The EU began reopening the channel for talks when Thailand held elections in 2019. In February 2023, the Thai cabinet approved the proposal by Thai Commerce Minister Jurin Laksanawisit to proceed with negotiations.

- The relaunched negotiations will cover trade in goods and services as well as investment in key Thai industries where the EU is keen to increase its share, such as renewable energy, EVs, and chip-making. Thailand aims to eliminate tariffs on exports to the 27 EU countries, particularly cars and automobile parts, electronics, garments and textiles, food, and rubber.
- The EU is Thailand's 4th largest trading partner, with EU-Thailand trade amounting to US\$41 billion in 2022, accounting for 7% of Thailand's total foreign trade value in the year.
- The two parties hope to conclude the talks within two years and reach a deal by 2025. The new FTA with the EU will be the 15th FTA of Thailand with other economies. It will also be the EU's third bilateral FTA in Southeast Asia, after Singapore in 2019 and Vietnam in 2020.

- On 7 February 2023, Thai Commerce Minister Jurin Laksanawisit announced that Thailand and the **United Arab Emirates (UAE)** had agreed to **form a Comprehensive Economic Partnership Agreement (CEPA)** and had signed a memorandum of understanding (MoU) to set up a Joint Business Council to expand bilateral trade and investment cooperation, with the goal of increasing Thai exports to the UAE by 30 billion baht this year. The two nations planned to complete the details of the agreement within this year to bring the agreement into force by mid-2024.

Infrastructure & environmental sustainability

- Thailand's **new national energy plan (NEP)**, which is based on its commitment to serious efforts to cut carbon dioxide emissions, is expected to be finalised by the end of this year. Under the NEP, renewables will make up almost 50% of fuels used for power generation by 2037, according to Mr. Prasert Sinsukprasert, the permanent secretary of the Ministry of Energy.
- In March 2023, the Airports of Thailand (AOT)

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Country & sourcing updates

announced that it will move forward with its plans to transform 723 rai (116 hectare) of land adjacent to the Suvarnabhumi International Airport into an “**airport city**”, after the Interior Ministry of Thailand had given approval for farmland around the Suvarnabhumi Airport to be converted into infrastructure and buildings.

- The AOT plans to use one year to build a bridge and road connecting the airport and the 723-rai plot, as well as to install basic infrastructure. Then, the AOT will hire a private company to develop the airport city into a hub for trading agricultural products, a centre for monitoring the quality of exports, and a distribution centre for export goods. Warehouses will also be built for online vendors and imported goods.
- The Airport project aims to enhance the potential of the Suvarnabhumi Airport. The project will also raise the non-flight income of the AOT from 43% to 50%.
- The Suvarnabhumi Airport is located in the Samut Prakan province, 30 kilometers east of Bangkok. It covers an area of 8,000 hectares, with an annual cargo handling capacity of 3 million tonnes and an annual passenger capacity of 45 million. It is one of the biggest international airports in Southeast Asia and a regional aviation hub.

- On 26 December 2022, the Thai deputy government spokesperson announced that the government will invest 1.35 trillion baht to transform the eastern seaboard’s **Eastern Economic Corridor (EEC)** into **a regional financial hub and a world-class smart city by 2037**.

- The EEC is the country’s advanced development zone that spans three eastern provinces: Chon Buri, Rayong, and Chachoengsao.
- The plan will be divided into two phases, with the first ten years focusing on developing the financial area, public and private offices, as well

as medical and educational facilities. The second phase will focus on building the EEC smart city by 2037.

- The EEC smart city is planned to serve as a model for the development of smart cities across the country and is expected to have about 350,000 residents and create at least 200,000 new jobs by 2032.

THAILAND

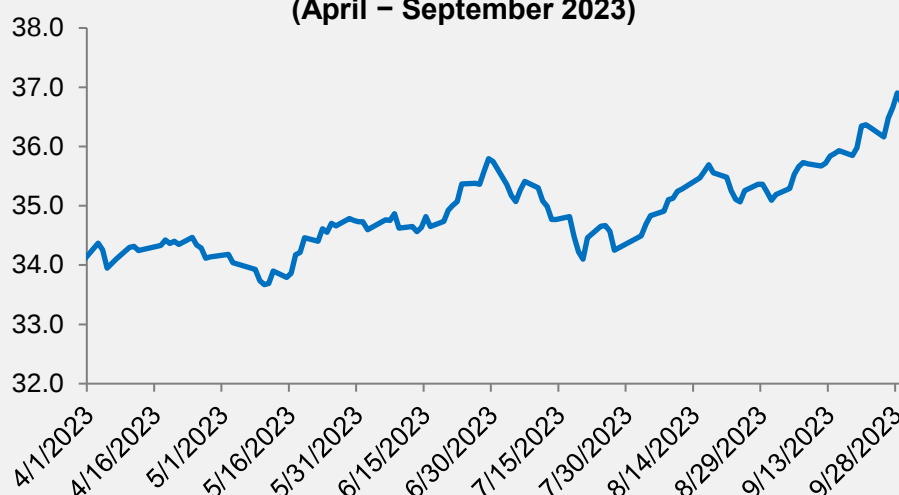
Macroeconomic data

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quarterly GDP (real yoy growth %)	1.8 (2Q23)			–		
Industrial production index (value added weight, not seasonally adjusted, yoy growth %)	-8.7	-3.0	-5.0	-4.7	-7.7	-6.1
Manufacturing PMI (S&P Global)	60.4	58.2	53.2	50.7	48.9	47.8
Producer price index, manufactured products (yoy growth %)	-3.4	-5	-6.6	-5.1	-3.1	-1.8
Consumer price index (yoy growth %)	2.7	0.5	0.2	0.4	0.9	0.3
Exports (yoy growth %)	-7.7	-4.6	-6.4	-6.2	2.6	–
Exports (US\$ mn)	21,723	24,341	24,826	22,143	24,280	–
Of which:						
- Textiles and apparel (US\$ mn)	484.20	568.15	525.18	501.14	523.32	–
- Furniture (US\$ mn)	102.25	130.47	137.30	121.41	138.99	–
- Footwear (US\$ mn)	40.18	60.47	52.56	46.54	43.39	–
Imports (yoy growth %)	-7.2	-3.2	-10.3	-11.0	-12.8	–
Imports (US\$ mn)	23,195	26,190	24,768	24,121	23,920	–

Source: National Economic and Social Development Council, Office of Industrial Economics, Bank of Thailand, Ministry of Commerce, S&P Global PMI reports

EXCHANGE RATES

USD: THB mid-rate
(April – September 2023)



Source: Bank of Thailand

TURKEY

Country & sourcing updates

Macroeconomic trends

- With recovery from February's devastating earthquakes as a backdrop, Turkey still managed to expand **GDP** by 3.8% yoy in the second quarter of 2023, beating a forecast of 3.5% (a median estimate in a Reuters poll of 12 economist). Consumption, government spending and investment expenses contributed to the economic growth. In quarter one of 2023, GDP of Turkey grew by 3.9%. Turkey finished 2022 with an overall economic expansion of 5.5% yoy, beating market expectations of approximately 5.2%.
 - The two deadly earthquakes in the southeast region of the country claimed more than 45,000 lives and destroyed 230,000 buildings. The region accounted for about 10% of total GDP and about 9% of total exports in 2022. The damage caused by the disaster could cost Turkey approximately US\$105 billion, 80% of which is directly related to the destruction of buildings, businesses, factories, etc., and the remaining 20% is related to the disruption to production, export and other activities.
 - According to Turkey's Medium-Term Program for 2024-2026, published on 6 September 2023, Turkey's economy is expected to grow 4.4% in 2023, 4% in 2024, 4.5% in 2025, and 5% in 2026.
- From January to August of 2023, Turkey's **exports** decreased by 0.4% yoy to US\$164.8 billion, and imports rose by 3.4% yoy to US\$247.1 billion. The trade deficit for this eight-month period jumped by 11.9% yoy to US\$82.3 billion.
 - August's export figure is the highest of all time for the month, and driven by the following categories: automobile exports were US\$2.7 billion, followed by the chemical sector (US\$2.6 billion), ready-to-wear (US\$1.7 billion), electric and electronics (\$1.4 billion), steel (\$1.3 billion), etc.
 - In August, the largest export partners for Turkey were Germany (with an export earnings of US\$1.8 billion), the US (US\$1.3 billion), Iraq (US\$1.1 billion), the UK (US\$1.1 billion), and Italy (US\$877 million).
 - In 2022, annual exports reached US\$254 billion, and in 2021 exports were US\$225.4 billion. For 2023, exports will remain a priority for Turkey, and Turkey aims to achieve an annual export of US\$265 billion, and US\$400 billion by 2028.
- The **Manufacturing Purchasing Managers' Index** (PMI) of Turkey rose to 49.6 in September, up from 49.0 in August. This is the third consecutive month of manufacturing slowdown indicated by a value below the 50-point line. According to the S&P global, which publishes the manufacturing PMI of Turkey, September's production slowdown reflected continued weakened market conditions with price pressures driving down customer demand and thus a slower pace of new orders. Employment continued to rise very slowly in the month, although some firms has reduced hiring due to a softening of new orders.
- Turkey's **FDI** inflow for the first half of 2023 amounted to US\$4.8 billion. Mergers, acquisitions or capital inflows accounted for about US\$2.5 billion of this amount.
 - During the first six-month period, about 56% of investments came from the EU countries. In terms of total investment amount, the Netherlands accounted for 23%, followed by Russia with 15%, the UAE with 13%, Germany with 7%, and Ireland with 7%. In terms of industry, wholesale and retail trade, electricity production, and information and communications were top recipients of investments.
 - For the remaining second half of 2023, Turkey is expected to attract an additional US\$7.1 billion in investments. Turkey's FDI inflow for 2022 was US\$13.0 billion.
 - The Turkish government has launched the Turkey Century Investment Reception campaign

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Country & sourcing updates

- to promote investment in Turkey, with roadshows visiting prominent cities such as London, Paris, Milan, Vienna, Beijing, Singapore, Kuala Lumpur, Tokyo, Seoul, Washington, New York, and Abu Dhabi, since June. This campaign highlights Turkey's economic growth potential, political stability, and regional geostrategic location.
- In an effort to battle **inflation** and signal a commitment to a more conventional monetary policy, the Central Bank of Turkey (CBRT) raised interest rates substantially in the last few months.
 - The inflation in June 2023 dropped to 38.2% yoy, the lowest since the 24-year high of 85.5% in October 2022. Since June, inflation has been on a steady rise, hitting 61.5% yoy in September 2023.
 - A mix of recent tax reforms, a further weakening of the Turkish lira, and hikes in wages, energy and food prices have all contributed to the increase in inflation. The CBRT has forecasted an upward trend for inflation for the rest of 2023. It has, however, vowed to continue monetary tightening policy to ensure a downward inflation trend in 2024.
 - Since June, the CBRT has increased the policy rate on four separate occasions by a total of 2,150 basis points from 8.5% to 30%. June's adjustment was the first increase in 27 months. The most recent rate hike in September of 500 basis points was within market expectations. Economists and credit rating agencies predict that the policy rate will be increased to 40% by year-end.

Policies & regulations

- Effective 1 July, the net monthly **minimum wage** increased by 34%, bringing it up to 11,402 Lira (approximately US\$407 as per exchange rate on 23 October). This is the second time the Turkish government has adjusted minimum wage in 2023.

- The minimum wage adjustment will increase the much-needed purchasing power among wage earners in Turkey who have been battling tremendous domestic inflation.
- The last minimum wage increase was in January 2023 when it was adjusted by 54.4% to 8,500 Lira.

Industry & sourcing developments

- On 17 April, Turkish President Erdogan led a ceremony to soft launch the **Istanbul Financial Center** (IFC) and business district with the aim for Turkey to become on par with other large financial centres such as London and Dubai. The IFC can help Turkey to form ties with other financial markets in the world, facilitate international capital flows and attract investments, according to President Erdogan. The IFC is located in the Ümraniye district on Istanbul's Asian side.
 - The IFC's 21 office buildings will be the new base for Turkey's largest financial institutions (i.e. the Central Bank of Turkey, the Borsa Istanbul Stock Exchange, the Banking Regulation and Supervision Agency, the Capital Markets Board of Turkey), the new headquarters for many Turkish banks, and will host numerous financial investment and portfolio management companies and insurance firms.
- In early 2023, Alibaba announced that they plan to invest US\$1 billion in Turkey. Alibaba's Director and President J. Michael Evans shared plans to invest in a **logistic hub near Istanbul Airport**, as well as a data centre in Ankara.
 - Alibaba sees Turkey as a strategic location for their Middle Eastern and European markets. Turkey's strong production base and short product delivery lead times to these two markets was a consideration for this investment.
 - Alibaba also holds 86.5% share of Turkey's Trendyol, a homegrown e-commerce platform

TURKEY

Country & sourcing updates

and Turkey's first decacorn – a privately held company with valuations exceeding US\$10 billion.

- Trendyol, the leading e-commerce platforms in Turkey, and also **Turkey's first decacorn** (valuation surpassing US\$10 billion), has expanded to Azerbaijan in May, as well as the Gulf countries of the United Arab Emirates (UAE) and Saudi Arabia in August. This will bolster trade between Turkey and these three countries, improve logistics and e-commerce infrastructure, and contribute to cross-border trade and economic growth within the region. Trendyol also plans to launch in the UK, Luxembourg and the Netherlands in the near future.
- Turkey continues to develop as a strategic trade location for the Middle Eastern and European markets. Turkey has a strong production base and short product delivery lead times to these two markets. Further expansion of Trendyol to foreign markets will also enable more Turkish SMEs to sell online and help grow production and export volumes for Turkey.
- **Amazon**, the US e-commerce giant, officially opened its first logistics centre in Turkey on 4 October 2023. The US\$100 million investment into the centre has created hundreds of jobs, and has facilitated commerce between Turkey and foreign countries. Amazon has been operating in Turkey for five years and has helped export over US\$500 million worth of goods in collaborations with 45,000 entrepreneurs. Platforms such as Amazon will continue to support Turkey's suppliers with access to global markets in the digital age.

FTAs, trade preferences & facilitation

- On July 18, the UK and Turkey announced plans to modernize their existing **free trade agreement** (FTA). The new deal will replace the current FTA which only covers trading of merchandise goods.
- The new deal will be more comprehensive than the original FTA, which was negotiated when the

UK exited the EU, and will add services, digital, and data into the mix.

- Formal negotiations will not take place until 2024, but the intentions to upgrade the FTA signal a deepening of trade relations. From the consumers' standpoint, the new FTA has potential to bring cheaper goods and more selections to both the UK and Turkey.
- The UK was Turkey's fourth largest export destination in 2022, with an export earnings worth US\$13 billion. The major product categories were clothing, vehicles, electrical machinery, etc.

Infrastructure & environmental sustainability

- Turkey is finalizing investment negotiations with various technology companies and is expected to receive US\$40 billion worth of investments to build the country's second **nuclear power plant** in Sinop province, which is part of Turkey's Black Sea region. TÜNAŞ, the founder and project manager of the project, will commence excavation at the site sometime this year.
- The power plant is planned to have a total installed power of 4,560 megawatts across its four pressurized water reactor nuclear power units. Annual electricity production capacity is aimed to achieve 34 billion kilowatt-hours.
- This mega project, along with the first nuclear power plant currently under construction in Mersin province, is envisioned to give Turkey more energy independence from imports.
- In early May, Turkish President Erdogan announced the discovery of **oil reserves** located in the Southeastern province of Sirnak which borders Syria and Iraq. The oil is located at a depth of 2,600 meters and will be extracted from 100 different wells. The reserves are estimated to contribute US\$2.9 billion to the Turkish economy annually.

TURKEY

Country & sourcing updates

- Turkish Petroleum, the company that made the discovery, has stated the 100,000 barrels per day production target would more than double the country's current oil production capacity, helping Turkey achieve energy independence. Currently, Turkey relies mostly on imports for its oil consumption.
- Recently, there are many other natural gas and oil discoveries in Turkey. In December 2022, 150 million barrels of oil was discovered in Mount Gabar, valued at US\$12 billion. Also, earlier in April this year, US\$500 billion worth of natural gas was discovered in the Black Sea, enough to cover Turkey's total gas consumption for 15 to 20 years.

TURKEY

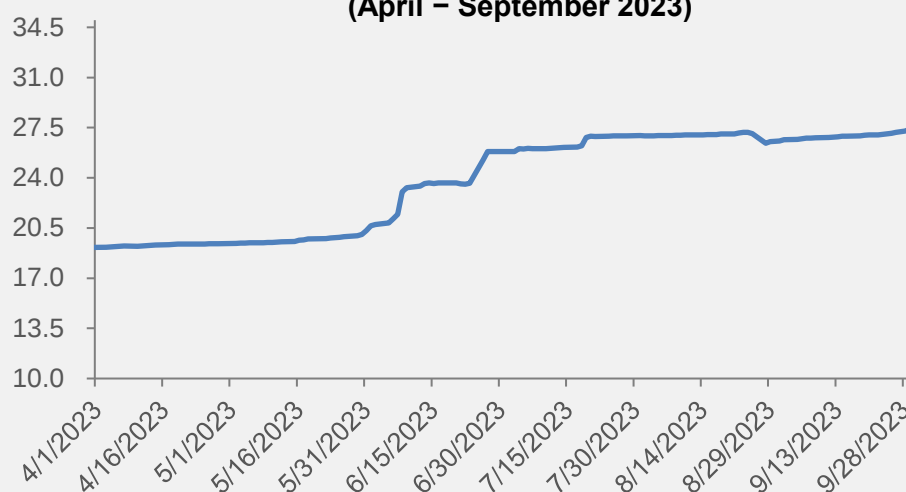
Macroeconomic data

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quarterly GDP (real yoy growth %)	3.8 (2Q23)			–		
Industrial production index, manufacturing (yoy growth %, 2015=100)	12.0	10.5	10.4	4.3	2.2	-
Industrial turnover index, manufacturing (yoy growth %, 2015=100)	42.0	35.3	42.8	63.3	55.7	-
Manufacturing PMI (Istanbul Chamber of Industry)	51.5	51.5	51.5	49.9	49	49.6
Producer price index (yoy growth %)	52.11	40.76	40.42	44.5	49.41	47.44
Consumer price index (yoy growth %)	43.68	39.59	38.21	47.83	58.94	61.53
Exports (yoy growth %)	-17.5	14.3	-10.8	7.8	1.6	-
Exports (US\$ mn)	19,258.8	21,637.6	20,837.0	19,983.6	21,614.8	-
Of which:						
- Knitwear (US\$ mn)	776.7	854.2	875.4	837.2	908.9	-
- Woven garments (US\$ mn)	654.0	719.1	693.4	621.8	659.1	-
- Furniture (US\$ mn)	386.9	461.7	447.0	382.3	437.8	-
Imports (yoy growth %)	-4.8	15.6	-17.5	10.5	-6.9	-
Imports (US\$ mn)	28,061.0	34,191.7	26,062.4	32,294.5	30,271.4	-

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

EXCHANGE RATES

USD:TRY buy rate
(April – September 2023)



Source: Central Bank of the Republic of Turkey

VIETNAM

Country & sourcing updates

Macroeconomic trends

- Vietnam's **GDP** grew by 5.3% yoy in the third quarter of 2023, compared to 3.3% and 4.1% in the first and second quarters, respectively. The third quarter figure was significantly lower than the growth of 13.7% in the third quarter of 2022, during which the economy experienced a rebound after a 6% contraction in the third quarter of 2021 amid the COVID-19 pandemic.
- During the January-September period of 2023, the total **trade value** of Vietnam was US\$496.3 billion. Exports dropped by 8.5% yoy to US\$259.0 billion and imports declined by 14.0% yoy to US\$237.3 billion. In this nine-month period, the country recorded a trade surplus of US\$21.7 billion, a significant increase from US\$6.8 billion in the same period of 2022.
 - The Ministry of Industry and Trade attributed the decline in Vietnam's exports to several factors, including the slow recovery of the global economy, lower demand in major markets like the US, the EU, and China, and high interest rates. These factors were further compounded by a tightened monetary policy and elevated inventory levels in the major markets.
- Vietnam's Purchasing Managers' Index (**PMI**) dropped to 49.7 in September following a reading of 50.5 in August. The index reflected a deterioration in business conditions for Vietnamese manufacturers.
- Vietnam's consumer price index (**CPI**) in the third quarter of 2023 increased by 2.9% yoy. In September alone, the CPI rose by 3.7% yoy and 1.1% mom.
- As of 20 September 2023, Vietnam attracted nearly US\$20.2 billion in foreign direct investment (**FDI**) in 2023, up by 7.7% yoy. Out of this amount, approximately US\$10.2 billion was allocated into 2,254 new projects, reflecting a surge of 66.3% in project numbers and 43.6% in capital, as compared with the same period last year.
 - The manufacturing and processing sector was the top recipient of FDI, attracting over US\$14 billion in FDI, followed by the real estate sector (US\$1.9 billion).
 - Singapore topped the list of countries investing in Vietnam with US\$4.0 billion, China and Japan were the second and third largest foreign investors, with investment of US\$2.92 billion and US\$2.9 billion, respectively.
- The **Vietnamese Dong** closed at 24,089 per US dollar on 29 September, depreciating by 2.0% since 1 January this year.

Policies & regulations

- The Vietnam government has extended the 30% reduction in land rental fees that was implemented earlier this year. The decision will remain in effect for an additional year, starting from 20 November 2023.
 - The beneficiaries of this policy are organizations and individuals who directly lease land from the government. The Ministry of Finance has emphasized that the new policy is necessary due to the challenging economic conditions. Many businesses, especially those in the real estate, agriculture, and mining sectors, have been facing difficulties in accessing bank loans.
 - In Vietnam, land is collectively owned. Individuals can obtain land-use rights for their properties by paying rent to the government.

Industry & sourcing developments

- During the Indo-Pacific Economic Framework (IPEF) ministerial meeting on 26 May, Steve Biegun, Boeing's senior vice president for global public policy, discussed an investment plan with Vietnamese Minister of Industry and Trade Nguyen Hong Dien.

VIETNAM

Country & sourcing updates

- **Boeing revealed plans to deepen its aviation business in Vietnam**, including increasing investment in aircraft parts and equipment manufacturing, deepening commercial relationship with Vietnamese airlines, and ramping up cooperation in several specific areas, such as helicopters and transportation.
- The Minister of Industry and Trade welcomed Boeing's plans and invited the company to speed up training and technology transfer in the country. According to the Minister, Vietnam's suppliers currently produce some parts for Boeing commercial aircraft, but they mostly engage in making low-value small parts and accessories.
- The high-value aircraft components are mainly manufactured by foreign-invested enterprises of the US, Japan, and South Korea.
- In October, the European Chamber of Commerce in Vietnam (EuroCham) announced the latest **Business Confidence Index (BCI) for Vietnam** in the third quarter of 2023, which inched up by 1.6 points from the previous figure in the second quarter to a score of 45.1. Though the third quarter figure is still below the 50-point threshold, the slight rise reflects an emerging positive economic momentum.
 - Compared to the second quarter, the third quarter witnessed a 3 percentage points drop in pessimism regarding the current business situation in Vietnam and a 6 percentage points increase in positive perspectives.
 - In terms of the projections for the upcoming quarter, there is an 11 percentage points increase in businesses anticipating economic stabilization and growth for the upcoming quarter, comparing the survey results between the second quarter and the third quarter. On the contrary, the projection of a negative trend in business saw a decline of five percentage points.
- Vietnam remains attractive to foreign investors, with over half of the respondents expecting an increase in FDI in Vietnam by the end of 2023. 31% of the respondents positioned the country as their top 3 FDI destinations.
- To further improve the FDI attraction for the country, respondents have emphasized the importance of streamlining bureaucracy, enhancing the regulatory environment, upgrading transport infrastructure, and easing visa and work permit requirements for foreign experts.

FTAs, trade preferences & facilitation

- On 22 March, the **Organization for Economic Cooperation and Development (OECD) and Vietnam signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC)**, bringing the total number of jurisdictions participating in the Convention to 147.
 - The MAAC aims to reform international tax rules and ensure that multinational enterprises pay a fair share of tax. Under the policy of global minimum tax (GMT) initiated by the OECD, enterprises with annual revenues of 750 million euros or above are eligible for a GMT of 15%, effective 2024.
 - The signing of MAAC will pave the way for Vietnam to exchange information with 146 other jurisdictions. Also, Vietnam joins international efforts towards greater tax cooperation and exchange of information, and further strengthens the reach of the Convention in Asia.
 - However, the GMT policy is also a challenge for the country to attract foreign direct investment (FDI). According to the media, over 1,000 foreign enterprises in Vietnam will be affected when the GMT policy comes into force.

VIETNAM

Country & sourcing updates

- **Australian** Prime Minister Anthony Albanese and **Vietnamese** Prime Minister Pham Minh Chinh reached an **agreement on promoting bilateral cooperation** in early June. The two Prime Ministers (PMs) witnessed the exchange of certain cooperation documents between their countries, including:
 - A memorandum of understanding (MoU) on setting up the ministerial-level dialogue mechanism on trade.
 - An MoU on implementing the second phase of the Aus4Innovation Programme, which was announced in 2017, aiming to help Vietnam develop a national innovation system.
 - Exchanging financial intelligence information related to money laundering and terrorism sponsorship.
 - Granting scholarships for students of Vietnam at the University of Economics Ho Chi Minh City and the Western Sydney University.
 - Granting Vietnam Airlines and Vietjet certificates to operate more direct flights between the two countries.
- The US President Joe Biden paid an official visit to Vietnam on 10-11 September upon the invitation of the Vietnamese Party Committee's Secretary General Nguyen Phu Trong. During the visit, the leaders of Vietnam and the US have issued a Joint Leaders' Statement on elevating the **Vietnam-US** ties to a **comprehensive strategic partnership**.
 - The leaders reaffirmed the importance of economic cooperation and inclusive growth in the bilateral relationship. They pledged to facilitate market access, address trade barriers, and support Vietnam's transition to a market economy.
 - They emphasized the need for a fair and transparent multilateral trading system and applauded progress under the Indo-Pacific Economic Framework (IPEF) for Prosperity.
- The leaders also highlighted the importance of respecting labour rights, strengthening intellectual property rights, and enhancing aviation cooperation. The US pledged support for Vietnam in various sectors, including manufacturing, infrastructure development, energy transition, agriculture, and participation in global supply chains.
- Vietnamese Prime Minister Pham Minh Chinh conducted an official visit to Brazil in September. During the visit, Prime Minister Chinh and Brazilian President Lula da Silva reached an agreement to enhance cooperation in various sectors, such as the economy and trade, agriculture, and science and technology.
 - On 25 September, the two leaders agreed to **initiate negotiations for a trade agreement between Vietnam and the Southern Common Market (MERCOSUR)**. The agreement will significantly promote trade, economy and investment cooperation between the two sides.
 - They also expressed their commitment to expedite discussions and reach agreements on Brazil's recognition of Vietnam's market economy status and the avoidance of double taxation.
 - Following the talks on 25 September, the two leaders witnessed the signing of several cooperative documents in the areas of diplomacy, defense, education and agriculture between the two countries.

Other topics

- In 2022, **Vietnam's urbanization rate reached 41.7%**, up by 1.2 percentage points from the previous year.

VIETNAM

Country & sourcing updates

- As of November 2022, Vietnam had 888 urban areas, including two special-type areas, 22 tier-1, 33 tier-2, 47 tier-3, and 94 tier-4 urban areas.
- The Ministry of Construction (MoC) has targeted to raise Vietnam's urbanization rate to 53.9% in 2023.
- The Ministry will speed up the planning of the urban and rural systems and launch an inspection plan of state management over urban development in 2023.
- On 17 January 2023, the Central Party Committee agreed that **Nguyen Xuan Phuc stopped serving as Vietnam's President**, member of the Politburo and the committee, and Chairman of the National Defence and Security Council for the 2021 to 2026 term.
 - Effective 18 January, Vice President Vo Thi Anh Xuan undertakes the role of acting President of Vietnam until the National Assembly elects a new President.
 - Serving as Prime Minister (PM) during the 2016 to 2021 period, Phuc was praised for having rather successfully directed and managed the prevention and control of the COVID-19 pandemic.
 - However, as a leader, Phuc was also criticized for letting several officials, including two Deputy PMs and three ministers, commit violations with severe consequences. And thus, Phuc decided to resign from his positions and retire. The two Deputy PMs have stepped down from their positions, while two ministers and several other officials are facing criminal charges.

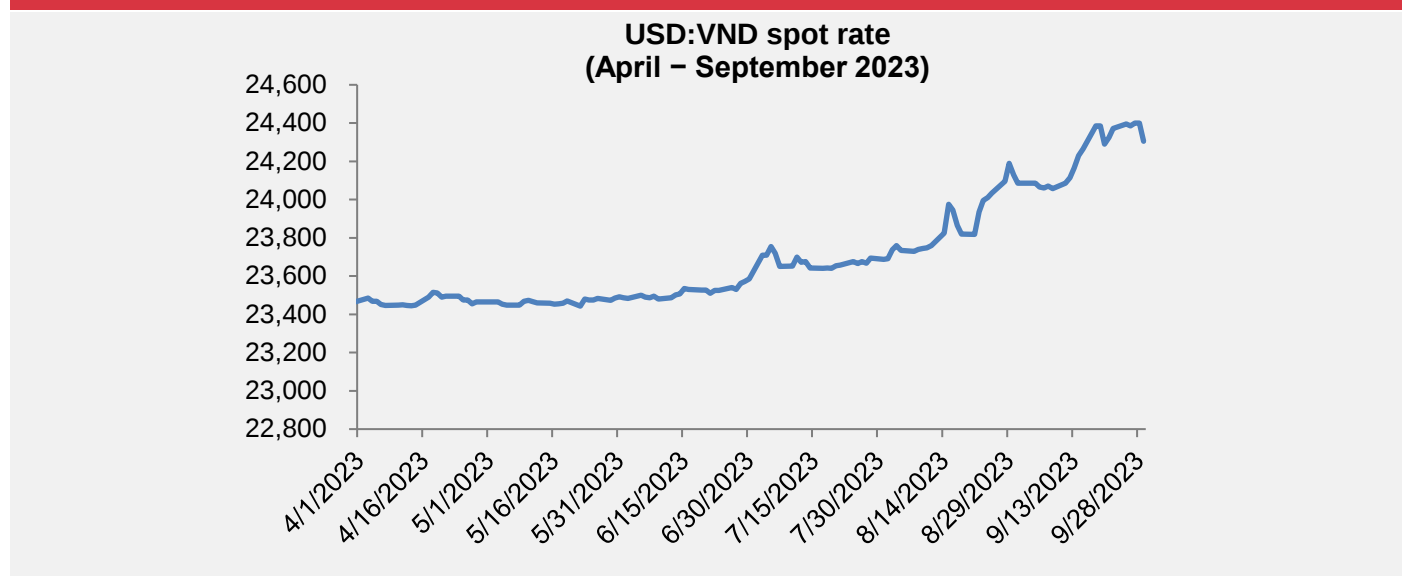
VIETNAM

Macroeconomic data

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Quarterly GDP (real yoy growth %)	4.1 (2Q23)			5.3 (3Q23)		
Industrial production index (yoy growth %)	-2.4	0.5	1.7	2.3	3.5	5.1
Manufacturing PMI (S&P Global)	46.7	45.3	46.2	48.7	50.5	49.7
Price index of materials used for production (yoy growth %)	-1.5 (2Q23)			-2.6 (3Q23)		
Producer price index for industrial products (yoy growth %)	-1.5 (2Q23)			-2.5 (3Q23)		
Consumer price index (yoy growth %)	2.8	2.4	2.0	2.1	3.0	3.7
Exports (year-to-date, yoy growth %)	-16.4	-9.3	-10.3	-1.8	-6.2	2.9
Exports (US\$ mn)	27,864.4	28,040.1	29,449.5	30,068.1	32,760.8	30,682.3
Of which:						
- Textiles & garments (US\$ mn)	2,540.5	2,916.4	3,060.4	3,268.1	3,448.8	2,567.7
- Footwear (US\$ mn)	1,846.9	1,865.6	1,764.9	1,790.3	1,718.5	1,337.6
- Toys and sports requisites (US\$ mn)	288.0	283.1	333.9	368.9	399.2	319.0
Imports (year-to-date, yoy growth %)	-22.4	-20.2	-18.2	-11.6	-5.6	0.3
Imports (US\$ mn)	25,207.9	26,035.1	26,362.3	27,001.1	29,322.0	28,482.8

Source: General Statistics Office of Vietnam, Vietnam Customs, S&P Global PMI reports

EXCHANGE RATES



Source: Bloomberg

CENTRAL AMERICA

Country & sourcing updates

Regional updates: Export data

Data from the US Office of Textiles and Apparel (OTEXA) show that US **import volume** of apparel, as measured by square metre equivalent (SME), decreased by 24.8% yoy for the year ended 31 August 2023 (Exhibit 1). By region, apparel import volume from the Caribbean Basin Initiative (CBI) region and the Dominican Republic–Central America Free Trade Agreement (CAFTA–DR) region decreased by 35.6% yoy and 16.3% yoy, respectively, in the period.

In SME terms, the CAFTA–DR countries represented 9.7% of total US apparel imports in the period. The top regional supplier of apparel to the US apparel import market was Honduras, followed by Nicaragua and El

Salvador, with shares of 3.1%, 2.4% and 2.0%, respectively. In US dollar terms, imports from Costa Rica and Dominican Republic increased by 8.7% yoy and 0.7% yoy, respectively, in the period, while imports from Guatemala, El Salvador, and Honduras slumped by 15.4% yoy, 14.2% yoy, and 10.7% respectively. Imports from Nicaragua also decreased by 2.0% yoy.

Exhibit 1: US Apparel Imports for the Year Ended 31 August 2023

Region/ countries	Square Metre Equivalent (Million)				US Customs Value (Million US\$)			
	Current Year	Previous Year	Percent		Current Year	Previous Year	Percent	
			YOY Change	Share			YOY Change	Share
World	25,034.507	33,286.966	-24.79	100.00	84,102.759	100,309.140	-16.16	100.00
Mexico	714.112	815.015	-12.38	2.85	2,969.728	3,140.691	-5.44	3.53
CBI	275.689	428.379	-35.64	1.10	778.307	1,095.000	-28.92	0.93
CAFTA-DR	2,435.863	2,911.720	-16.34	9.73	9,084.480	10,025.523	-9.39	10.80
<i>Of which:</i>								
- Honduras	769.627	928.316	-17.09	3.07	2,711.921	3,037.263	-10.71	3.22
- Nicaragua	611.842	669.016	-8.55	2.44	2,428.293	2,477.605	-1.99	2.89
- El Salvador	489.318	645.678	-24.22	1.95	1,667.834	1,942.885	-14.16	1.98
- Guatemala	335.388	414.055	-19.00	1.34	1,628.390	1,925.355	-15.42	1.94
- Dominican Republic	227.840	252.859	-9.89	0.91	631.577	627.264	0.69	0.75
- Costa Rica	1.848	1.797	2.84	0.01	16.465	15.150	8.68	0.02

Source: Compiled by Fung Business Intelligence based on data from the US Office of Textiles and Apparel (OTEXA), October 2023

CENTRAL AMERICA

Country & sourcing updates

Key sourcing countries highlights

1. Mexico

- The country has seen a large inflow of **Asian companies** in recent years to establish joint ventures with local manufacturers. This is an effort to build production capacity closer to their main markets in western Hemisphere. Pakistani firm Artistic Milliners and Vietnamese firm Phong Phu International (PPJ), for example, are transferring orders for GAP and Target to Mexico.

2. Guatemala

- For decades apparel manufacturing in the country has been dominated by Korean Companies. These companies have established strong and vertically integrated textiles and apparel clusters. In recent months several **Chinese companies** have examined the Central American region and chosen Guatemala as their base of operation and investment.
- Star Fade International**, a subsidiary of Artistic Milliners, opened a branch office in Guatemala in June 2023 to oversee the Central America region.
- Since 2 October Guatemala has been undergoing a **political crisis** following the Presidential elections. The General Attorney's office has taken the unprecedented step of seizing vote tallies from electoral authorities as part of an ongoing investigation into accusations of voting fraud. These actions have led to popular discontent. Thousands of protestors blocked roads across Guatemala, stalling the transportation of raw materials, bunker, and the shipment of goods for over a week.

3. El Salvador

- The Taiwanese group **Makalot** has chosen El Salvador to set up a garment manufacturing facility for knits and wovens. The group is not new to El Salvador, as they established a factory in the country in early 2000.

- Old Navy** started production in El Salvador earlier this year, thus far they have only one factory in the country in their production matrix.

4. Honduras

- Gildan Activewear, one of North America's largest T-shirt manufacturer, **closed its San Miguel Sewing Factory** at the end of July 2023. The factory employed 2,700 workers.
- Northern Textiles**, a brand new and state of the art circular knitter and a subsidiary of GK Global located in Honduras, entered into a strategic alliance with **Hansae** in July 2023 to enhance its fabric sourcing and production capabilities in the Central America region and maximize the advantages of nearshoring.
- Honduras established **diplomatic relations with China** in March 2023, breaking its decades-long ties with Taiwan.

5. Haiti

- Haitian's weak economy is under severe stress, as a result of the **closure of all borders** commanded by the Dominican Republic's President in September 2023, in retaliation for the construction of a canal on Haitian soil originating from a shared river. Haiti argued that it has an urgent need to build the canal due to a drought. The border closure has a strong impact on Haitian industries due to the reliance on raw materials from the Dominican Republic.
- South Korea-based clothing manufacturer **Hansae Co., Ltd.** is establishing a localized sourcing stream for synthetic textiles for its Haitian manufacturing operations through a strategic partnership with fabric manufacturer Willbes Dominica Synthetic Mill.

6. Nicaragua

- Revenue in the apparel** market is estimated to reach **US\$191.00 million** in 2023. The market is expected to grow annually by 1.28% (CAGR 2023-2028). In 2023, the largest segment would be women's apparel, with a market volume estimated at US\$85.76 million.

CENTRAL AMERICA

Country & sourcing updates

Central America textile investments update

El Salvador

- **Intradeco Holdings**, a global vertical-manufacturing company supplying high-quality casual clothing and thermal underwear to major retailers in the US, Mexico, and Canada, announced in February 2023 that it is **acquiring Indera Mills**, one of the world's largest suppliers of thermal underwear and manufacturers of the leading brands Coldpruf and Indera.

Intradeco Holdings is a founding member of the HUGE (Honduras, USA, Guatemala, El Salvador) Business and Investment Council and has a **yarn manufacturing project in El Salvador**. The acquisition is expected to have some impact on Intradeco's operations and workforce in El Salvador, as well as on the country's textile industry and economy.

Guatemala

- The Colombian company **Spataro Napoli** confirmed in May 2023 its initial **investment of US\$10 million** in the textile and garment industry of Guatemala, in order to export to the US using the benefits of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR).
 - Regarding the breakdown of the investment, the company's CEO stated that the majority is allocated to the textile part and another portion to the sewing part. In the preliminary business programme, about 750 jobs are expected to be created in the second year of operation.
 - The production plans start with 300,000 shirts per year, averaging 25,000 garments per month. The production will then rise to 50,000 per month in January 2024, 75,000 per month in April 2024, and 100,000 per month starting in July 2024. The goal is to produce three million garments by 2026.
- The Spanish textile industrial group **Nextil** has committed in 2023 to allocating **US\$40 million** to its

new factory in Guatemala for the production of garments and elastic fabrics. Half of the allocation has already been invested. The company expects that this investment would generate more than 1,300 direct jobs and another 3,000 indirect jobs.

Honduras

- North Carolina State University's Wilson College of Textiles was awarded a US\$2 million, two-year grant from the United States Agency for International Development (USAID) in September 2023 to develop a technical textile training programme, entitled **Hilando Oportunidades** (Spinning Opportunities), in northern Honduras. The programme aims to transform the lives of Honduras' youth by providing skills and training for careers in the textile industry.
- GK, a private multinational corporation, inaugurated its new company "**Northern Textiles**" in Quimistán, Santa Bárbara, Honduras in February 2023.
 - Northern Textiles is a vertically integrated textile mill, designed to compete with world-class supply chain infrastructures. The company hopes to offer sustainable fabric solutions by providing a transparent supply chain, obtained from a responsible source from fiber to fabric.
 - One of its strategic partners is Next Level Apparel of the US, a design innovator and premier provider of premium apparel. Northern Textiles supplies 100% US cotton fabrics through a regional supply chain using GK Textiles' vertical operations from fiber, yarn, textile and apparel.

Nicaragua

- **Kaitai Nicaragua S.A.** is a future free trade zone establishment located in Managua, Nicaragua. Formed through a strategic partnership between Kaitai USA and CATHAY HOME NICARAGUA, S.A., the joint venture is primed to commence its operations by 2024.

It will become the first company to manufacture the entire range of home textile products made from

CENTRAL AMERICA

Country & sourcing updates

polyester, including blankets and bedspreads, for renowned global brands. With an investment plan of US\$100 million, the company anticipates creating 2,000 direct jobs in its initial phase.

Costs of production

1. Updates on minimum wages

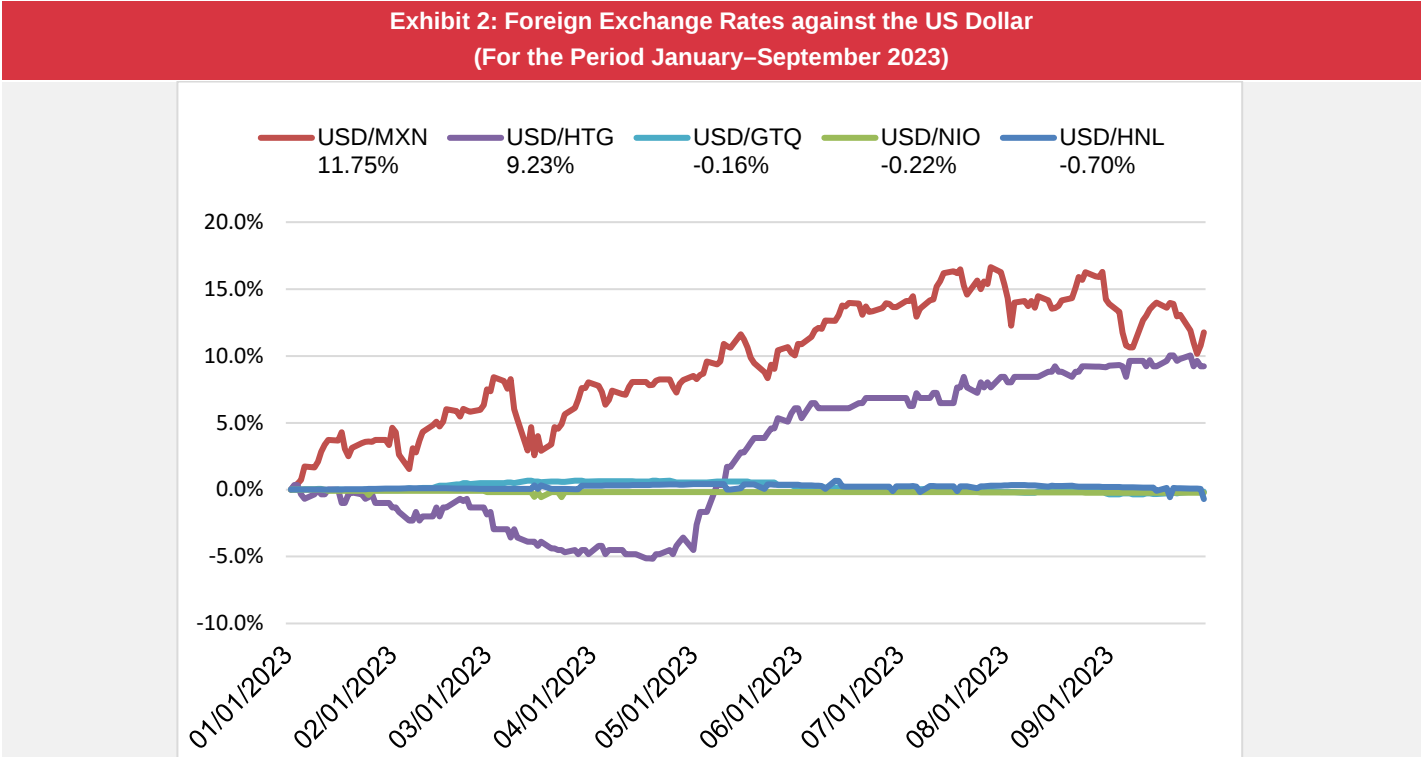
In 2023, four countries in the region adjusted their minimum wages (all effective from 1 January): Mexico (up by 20.0% from the previous level), Honduras (up by 8.0% from the previous level), Nicaragua (up by 8.0% from the previous level), and Guatemala (up by 3.7% from the previous level). The effective monthly minimum wage rates are 10,267.16 lempiras (US\$416.9) for Honduras, 3,062.63 quetzals (equivalent to US\$389.2) for Guatemala, 6,223.20 pesos (US\$365.2) for Mexico, 8,098.34 córdobas (US\$221.3) for Nicaragua, 20,550.00 gourdes (US\$151.5) for Haiti, and US\$359.2 for El Salvador, as of September 2023.

2. Exchange rates

In the first nine months of 2023, the Mexican peso and Haitian gourde appreciated strongly against the US dollar, while the currencies of other countries in the region remained relatively stable. The Mexican peso posted a robust appreciation of 11.75% against the US dollar during this period, followed by the Haitian gourde (9.23%). The Guatemalan quetzal, the Nicaraguan córdoba, and the Honduran lempira, on the other hand, depreciated slightly by 0.16%, 0.22%, and 0.70% respectively against the US dollar (Exhibit 2).

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Note: The percentage change denotes the selected currency's year-to-date performance against the US dollar.
Source: Compiled by Fung Business Intelligence based on exchange rates from Bloomberg.

GLOBAL TRADE POLICY REGIME

Bilateral/multilateral trade agreements that involve the US, the UK, the EU and selected Asian Countries

	UK	US	EU*	Vietnam	Turkey	Thailand	Philippines	Pakistan	Indonesia	India	China	Cambodia
Bangladesh				GSTP	D-8 PTA	GSTP, <u>BIMSTEC FTA</u>	GSTP	D-8 PTA, GSTP, SAFTA, <u>BD-PK FTA</u>	D-8 PTA, GSTP, <u>BD-ID PTA</u>	APTA, GSTP, SAFTA, <u>BIMSTEC FTA</u>	APTA	
Cambodia			<u>ASEAN-EU FTA</u>	AFTA, RCEP		AFTA, RCEP	AFTA, RCEP		AFTA, RCEP	AFTA	ACFTA, CCFTA, RCEP	
China			<u>EU-CN CAI</u>	ACFTA, RCEP		ACFTA, RCEP	ACFTA, RCEP	CPFTA	ACFTA, RCEP	APTA		
India	<u>IN-UK FTA</u>		<u>EU-IN FTA</u>	AIFTA, GSTP		AIFTA, GSTP, <u>BIMSTEC FTA</u> , <u>IN-TH FTA</u>	AIFTA, GSTP	GSTP, SAFTA	AIFTA, GSTP, <u>IN-ID PTA</u>			
Indonesia			<u>ASEAN-EU FTA</u> , <u>EU-ID CEPA</u>	AFTA, GSTP, RCEP	D-8 PTA, <u>IT-CEPA</u>	AFTA, GSTP, RCEP	AFTA, GSTP, RCEP	D-8 PTA, GSTP, ID-PK PTA				
Pakistan				GSTP	D-8 PTA, ECOTA, PK-TR PTA	GSTP, <u>PK-TH FTA</u>	GSTP					
Philippines			<u>ASEAN-EU FTA</u> , <u>EU-PH FTA</u>	AFTA, GSTP, RCEP		AFTA, GSTP, RCEP						
Thailand			<u>ASEAN-EU FTA</u> , <u>EU-TH FTA</u>	AFTA, GSTP, RCEP	<u>TH-TR FTA</u>							
Turkey	UK-TR FTA		EU-TR CU									
Vietnam	UKVFTA <u>CPTPP</u>		<u>ASEAN-EU FTA</u> , EVFTA									
EU	EU-UK TCA											
US	UK-US MRA											

Notes:

1. The United Kingdom is no longer a member state of the European Union after Brexit on 31 January 2020.
2. Agreements highlighted in red are now under negotiation.
3. Details of the agreements are provided in the following tables.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs in force							
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights	Rules of Origin ⁶
ACFTA	ASEAN–China Free Trade Area	In force since 2005. The negotiations on Version 3.0 ACFTA were launched in November 2022. The 1 st , 2 nd and 3 rd rounds of negotiation were held in February, April and June 2023, respectively. The Version 3.0 ACFTA is aimed to improve the level of open cooperation of the existing ACFTA. It will cover various areas including trade in goods, investment, and digital and green economy.	Brunei, Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	2,092 million (26%)	US\$21,586 billion (22%)	Zero duty for 94.7% of all tariff lines.	Cumulation: RVC 40%. The full value of a material used in the production of a finished good can be accumulated towards the RVC of the finished good only if the material itself qualifies as originating.
AFTA	ASEAN Free Trade Area	In force since 1993	Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	679 million (9%)	US\$3,622 billion (4%)	Zero-duty for 87.8% of all tariff lines, according to the ASEAN Trade in Goods Agreement (ATIGA) Tariff Schedule of 2013. ASEAN Trade in Services Agreement (ATISA) was signed in October 2020. Singapore and Vietnam ratified the ATISA on 6 April and 18 October 2021, respectively.	Cumulation: RVC 40% or CTH. A material can contribute towards the aggregate RVC of the finished good, as long as the material itself has a RVC of 20% or more.
AIFTA	ASEAN–India Free Trade Area	In force since 2010. In February 2021, India and the ASEAN members agreed to review the scope of the FTA. The 20 th ASEAN-India Economic Ministers' meeting was held in August 2023. Both sides have endorsed the roadmap and workplan for the negotiations. The Ministers agreed to set a quarterly schedule of negotiations, aiming at concluding the review by 2025.	Brunei, Cambodia, India, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	2,097 million (26%)	US\$7,007 billion (7%)	Zero duty for 79.6% of all tariff lines.	Cumulation: RVC 35% and CTSH.

Notes:

¹ The United Kingdom is no longer a member state of the European Union after Brexit on 31 January 2020.

² Bangladesh, Cambodia, China, India, Indonesia, Pakistan, Philippines, Thailand, Turkey, and Vietnam

³ The US, the UK, the EU, and the selected Asian countries are highlighted in blue

⁴ Source: World Bank

⁵ Source: World Bank, International Monetary Fund

⁶ Abbreviations are explained in the glossary in the end of this section.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs in force							
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights	Rules of Origin ⁶
APTA	Asia Pacific Trade Agreement	In force since 1976. Mongolia formally acceded to the APTA as the seventh member on 30 September 2020.	Bangladesh, China, India, Republic of Korea, Lao PDR, Mongolia, Sri Lanka	3,085 million (39%)	US\$23,581 billion (24%)	Covers 10,001 tariff lines after the 4 th round of negotiation. The Margin of Preference (the difference in average between the MFN rate of duty and the preferential rate of duty) is 29.2%.	Local value added 45% (35% for LDC's). Cumulation: the aggregate content originating in the territory of the Participating States is not less than 60% of its FOB value (50% for LDC members).
CCFTA	Cambodia-China Free Trade Area	In force since 2022	Cambodia, China	1,429 million (18%)	US\$17,993 billion (18%)	Zero duty for over 90% of all tariff lines.	Cumulation: RVC not less than 40% of its FOB value or CTH
CPFTA	China-Pakistan Free Trade Agreement	In force since 2007. The 2 nd phase of the CPFTA was signed in April 2019 and came into force in 1 January 2020. In March 2022, Pakistan started to seek renegotiation with China concerning 38 export items to China.	China, Pakistan	1,648 million (21%)	US\$18,340 billion (18%)	Under the 2 nd phase FTA, tariff lines will be gradually liberalized from 35% to 75% in a period of 10 years by China and 15 years by Pakistan	Local value added 40% (based on FOB price). Cumulation: bilateral, aggregate originating content on the final product is not less than 40%.
D-8 PTA	Preferential Tariff Arrangement - Group of Eight Developing Countries	In force since 2011. Seven D8 members, not including Egypt, have ratified the PTA. In July 2022, the D8 members have agreed to make PTA fully operational by October 2022.	Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Turkey	1,220 million (15%)	US\$4,811 billion (5%)	In line with targets in the D-8 Roadmap 2018, the PTA aspires to increase the share of trade among D-8 members from the current 7.06% of their total foreign trade to 10-15% within the next 10 years.	Negotiations of the Rules of Origin are in progress.
ECOTA	Economic Cooperation Organization Trade Agreement	In force since 2008 but not yet operational	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan	539 million (7%)	US\$2,072 billion (2%) (No data of Afghanistan and Turkmenistan)	Tariffs in a positive list will be lowered to below 15% gradually. Although Pakistan, Iran, Turkey, Afghanistan and Tajikistan agreed in 2008 to operationalise ECOTA, it has yet to be implemented due to disagreement between members on the interpretation of its core provisions and non-ratification of the agreement's annexes by Tajikistan.	Local value added 40%. Cumulation: RVC 60%.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs in force							
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights	Rules of Origin ⁶
EU-TR CU	EU-Turkey Customs Union	In force since 1996, but the customs union is limited to industrial goods and processed agricultural goods. The officials from both sides agreed to restart talks in September 2023 on modernizing the customs union.	EU, Turkey	533 million (7%)	US\$17,402 billion (17%)	Goods can now travel between the two entities without any customs restrictions.	- N/A
EU-UK TCA	EU-UK Trade and Cooperation Agreement	In force since 2021	EU, UK	515 million (7%)	US\$19,520 billion (19%)	The UK is no longer a member state of the EU after Brexit on 31 January 2020. The TCA provides zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin.	No cumulation with any third countries. Rules of origin will apply to goods in order to qualify for preferential trade terms under the agreement. Only goods originating in the EU and the UK can benefit from tariff preferences.
EVFTA	EU-Vietnam Free Trade Agreement	In force since 2020	EU, Vietnam	546 million (7%)	US\$16,972 billion (17%)	The FTA eliminates nearly all tariffs (over 99% of all tariff lines) on trade between the two parties. The EU eliminated 85.5% of tariff lines for Vietnam immediately right after the EVFTA came into force. And the EU will eliminate the remaining tariffs in three to seven years. Other commitments include elimination of non-tariff barriers, customs and trade facilitation, liberalization of trade in services, investment and e-commerce, and behind-the-border policies, such as competition, state-owned enterprises, and labor and environmental standards.	Cumulation: 50% For garments, fabrics from the EU or Vietnam must be used, with the exception of: - fabrics produced in South Korea, another FTA partner of the EU, and - a small amount of materials not satisfying the ROO can be used in mixed fabrics under the 'tolerance rule'.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs in force							
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights	Rules of Origin ⁶
GSTP	Global System of Trade Preferences among Developing Countries	In force since 1989	42 developing economies, including Bangladesh , India , Indonesia , Pakistan , Philippines , Thailand , Vietnam , and the Southern Common Market (MERCOSUR) trade bloc	3,967 million (50%)	US\$16,940 billion (17%) (No data of Cuba, the Democratic People's Republic of Korea, and Venezuela)	In the 3 rd round of negotiations, in which participating members agreed to reduce applied tariffs by 20% on at least 70% of dutiable products, concluded in 2010 but has not yet become effective.	Local value added 50% (40% for LDC's). Cumulation: RVC 60%.
ID-PK PTA	Indonesia-Pakistan Preferential Trade Agreement	In force since 2013. Negotiations on upgrading the PTA to FTA launched in July 2019, but were suspended due to COVID-19. During the Third Bilateral Consultative Forum between Pakistan and Indonesia held on 25 May 2022, the two countries agreed on various proposals for promoting bilateral trade.	Indonesia , Pakistan	511 million (6%)	US\$1,696 billion (2%)	Preferential tariffs for items including cotton yarn, cotton fabrics, readymade garments, leather goods and other industrial products.	Local value added 40% (based on FOB price). Cumulation: RVC 40%.
PK-TR PTA	Pakistan-Turkey Preferential Trade Agreement	In force since May 2023.	Pakistan , Turkey	321 million (4%)	US\$1,283 billion (1%)	The PTA covers concessions for Pakistan on 261 tariff lines. On the other hand, Pakistan offers Turkey concessions on 130 tariff lines, rather than the requested 300 items. The two countries agreed that in the following 5 to 10 year period, Turkey will reduce the duties on another 92 tariff lines to zero and Pakistan will do the same for 16 tariff lines. [ASU-Jun23]	Non-originating materials should not be used in the manufacture of a product may nevertheless be used, provided that their total value does not exceed 10% of the ex-works price of the product.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs in force							
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights	Rules of Origin ⁶
RCEP	Regional Comprehensive Economic Partnership	In force since 2022. The Philippines, the 14 th RCEP member, ratified the RCEP in February 2023, with only Myanmar remaining.	Australia, Brunei, Cambodia, China, Indonesia, Japan, Republic of Korea, Lao PDR, Philippines, Malaysia, Myanmar, New Zealand, Singapore, Thailand, Vietnam	2,299 million (29%)	US\$29,405 billion (29%)	The RCEP will eliminate import tariffs on most industrial products, comprising 92% of all products, in 20 years in accordance with each member country's Schedule of Tariff Commitments. Some member countries have only one tariff schedule applicable to all other member countries, while China, Indonesia, South Korea, the Philippines and Vietnam have separate schedules for various member countries.	All member countries have agreed on one rule of origin with a RVC of 40%
SAFTA	South Asian Free Trade Area	In force since 2006. Afghanistan formally acceded to the SAFTA be the eighth member on 7 August 2011	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka	1,919 million (24%)	US\$4,343 billion (4%) (No data of Afghanistan and Bhutan)	Tariffs are scheduled to be lowered to 0-5% by 2012 for developed members (2013 for LDC members). The deadline, however, was made obsolete by unresolved differences.	Local Value Added 40% (30% for LDC's) or CTH. Cumulation: RVC 50% with domestic value content 20%.
UK-TR FTA	UK-Turkey Free Trade Agreement	In force since 2021. In July 2023, both sides announced plans to modernize the existing FTA and will add services, digital, and data into the mix.	UK, Turkey	152 million (2%)	US\$3,832 billion (4%)	The UK's previous trading relationship with Turkey was governed by the EU-Turkey customs union. The FTA covers trade in goods between the two countries and secures existing preferential tariffs under the EU-Turkey customs union for 7,600 UK businesses exporting machinery, iron and steel to Turkey, and protect automotive and manufacturing supply chains.	Single transformation rule. Cumulation rule. Percentage of non-originating materials to the 'ex works price'. Knit-to-shape; yarn forward rule.
UK-US MRA	UK-US Mutual Recognition Agreement	In force since 2019	UK, US	400 million (5%)	US\$24,443 billion (24%)	The UK-US MRA contains the conditions under which each country will accept conformity assessment results from the other. The UK-US MRA covers electromagnetic compatibility, telecommunication equipment and good manufacturing practice of pharmaceuticals.	N/A

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs in force							
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights	Rules of Origin ⁶
UKVFTA	UK-Vietnam Free Trade Agreement	In force since 2021	UK, Vietnam	165 million (2%)	US\$3,401 billion (3%)	The terms of UKVFTA are based on the EVFTA. The deal locks in the 65% of all tariffs that have been eliminated since the EVFTA entered into force. The FTA will increase to 99% of tariffs in seven years. Vietnam was a beneficiary of the UK Generalized Scheme of Preferences (GSP). From 1 January 2023, Vietnam stopped trading with the UK under GSP terms and moves to the UKVFTA terms.	Vietnam issued Circular No. 02/2021/TT-BCT regulating the origin issues, effective on 27 June 2021. - The Circular adopts the Product Specific Rules of Origin (PSR), which applies an origin determination approach that is unique and different from those under other FTAs that Vietnam has signed. - EU-originating goods are accepted as either of Vietnamese origin or of UK origin when such goods are used in producing the finished goods. - A number of materials originating in an ASEAN country that concluded a preferential trade agreement with the EU in accordance with Article XXIV of GATT 1994 will be considered as materials originating in Vietnam when further processed or incorporated into one of the products listed in this circular.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs pending ratification							
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights	Rules of Origin ⁶
CPTPP	Comprehensive and Progressive Agreement on the Trans-Pacific Partnership	Signed in March 2018. Entered into force on 30 December 2018 for 6 out of the 11 members, on 14 January 2019 for Vietnam, on 19 September 2021 for Peru. The CPTPP also officially took effect in Malaysia in November 2022, Chile in February 2023, and Brunei in July 2023. In July 2023, the UK has joined the CPTPP and becomes the 12th members. The Chinese Mainland and Taiwan, China, Ukraine, Costa Rica, Uruguay and Ecuador have also applied to join the CPTPP.	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, The UK , Vietnam	515 million (7%) (exclude the UK)	US\$11,550 billion (12%) (exclude the UK)	Tariffs will be eliminated immediately for most tariff lines. The agreement also covers trade in services, investment and behind-the-border matters.	RVC (varies by product and method of calculation) or CTS. "Yarn-forward" rule on textile and garment products.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs under negotiation						
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights
ASEAN-EU FTA	ASEAN-EU Free Trade Agreement	Negotiations were launched in 2007 and paused in 2009 to give way to bilateral FTAs negotiations between the EU and ASEAN member states. In December 2022, the two parties met in the first summit in Brussels, commemorating 45 years of diplomatic relations. Despite being overshadowed by various geo-political issues, such as Russia-Ukraine war, Myanmar's crisis, attaining the EU-ASEAN agreement remains a long-term objective that requires dedicated efforts of the two sides.	Brunei, Cambodia, EU, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	1,127 million (14%)	US\$20,264 billion (20%)	Negotiations were temporarily suspended in 2009 and superseded by bilateral FTAs negotiations, conceived as building blocks towards a future region-to-region agreement. (see other agreements under negotiation below).
BD-ID PTA	Bangladesh-Indonesia Preferential Trade Agreement	Under negotiation since 2019. In May 2023, the two sides concluded the 4 th round of negotiations for the PTA. The negotiations are targeted to be concluded in 2023.	Bangladesh, Indonesia	447 million (6%)	US\$1,779 billion (2%)	During the 4 th round of the PTA negotiations, both sides reached agreements on nearly 97% of the PTA's text, covering the Rules of Origin and Operational Certification Procedure.
BD-PK FTA	Bangladesh-Pakistan Free Trade Agreement	Under negotiation since 2003	Bangladesh, Pakistan	407 million (5%)	US\$837 billion (1%)	Little progress was made as the two countries cannot resolve their differences over rules of origin and phase-out period.
BIMSTEC FTA	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Agreement	Negotiations were formally launched in 2014 after framework agreement in 2004. The 21st Trade Negotiating Committee meeting, which focused on finalizing the draft texts of the Agreement on Trade in Goods, Agreement on Cooperation and Mutual Assistance in Customs Matters, and Agreement on Dispute Settlement Procedures and Mechanisms, took place in November 2018. According to a top official of BIMSTEC said in June 2023, member states are now considering implementing components that are nearly finalized instead of waiting for the entire FTA to be completed, acknowledging the long delay.	Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand	1,768 million (22%)	US\$4,515 billion (5%) (No data of Bhutan)	The BIMSTEC FTA covers 14 priority areas for cooperation: trade and investment, transport and communication, energy, tourism, technology, fisheries, agriculture, public health, poverty alleviation, counter-terrorism and transnational crime, environment and natural disaster management, culture, people to people contact, and climate change.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs under negotiation						
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights
EU-CN CAI	EU-China Comprehensive Agreement on Investment	Under negotiation since 2013. On 30 December 2020, the EU and China concluded in principle the negotiations on the CAI, which is a first step in the process. Deliberations for the adoption and ratification of the agreement are yet to take place. However, the European Parliament passed a resolution to freeze the ratification of the CAI in response to Chinese sanctions on European human rights advocates.	EU, China	1,860 million (23%)	US\$34,605 billion (34%)	According to the conclusion in principle of the negotiations on the CAI made in end-2020, the CAI will create a better balance in the EU-China trade relationship. China has committed to open up to the EU in a number of key sectors and ensure a greater level of market access for EU investors. The commitments cover state owned enterprises, transparency of subsidies and rules against the forced transfer of technologies. China has also agreed to ambitious provisions on sustainable development, including commitments on climate, forced labour and the ratification of the relevant ILO fundamental Conventions. However, the EU suspended efforts to ratify the CAI in response to Chinese sanctions on European human rights advocates in May 2021. The EU has passed a Report on a New EU-China Strategy in September 2021. The Report affirms the strategic importance of EU-China relations but makes clear that the ratification of the CAI will not be resumed until China lifts sanctions against Members of the European Parliament and EU institutions. In early 2022, tensions between China and the EU deepened further against the backdrop of the Russia-Ukraine war. In April 2023, the European Commission chief Ursula von der Leyen told the press after meeting China's President Xi Jinping in Beijing that the EU has to reassess the CAI.
EU-ID CEPA	EU-Indonesia Comprehensive Economic Partnership Agreement	Negotiations started in 2016. The 15 th round of negotiations was held in July 2023. Five strategic issues have been covered, including government spending, state-owned enterprises, export duties, standardization of environmentally friendly goods, and issues related to investment disputes. The 16 th round of negotiations is expected to be held in Brussels by the end of 2023.	EU, Indonesia	723 million (9%)	US\$17,760 billion (18%)	The EU states that its aim is to conclude an agreement "similar in coverage" to the EVFTA and EU-Singapore FTA. The CEPA could potentially eliminate 95% of current import tariffs.
EU-IN FTA	EU-India Free Trade Agreement	Under negotiation since 2007, but negotiations have been at a de facto standstill since 2013. The two sides resumed negotiations in June 2022 and held the 5 th round of negotiations in June 2023. The 6 th round of negotiations will be held in Europe in October.	EU, India	1,865 million (24%)	US\$19,473 billion (19%)	During the negotiations in June 2022, 52 technical sessions covering 18 policy areas of the FTA and seven sessions on investment protection and geographical Indications (GIs) were held.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs under negotiation						
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights
EU-PH FTA	EU-Philippines Free Trade Agreement	Negotiations formally launched in December 2015. However, the talks between the two sides were stalled after the 2nd round of negotiations. In 2023, the two sides agreed to begin the initial discussions on the trade pact in September and start the formal FTA negotiations in early next year.	EU, Philippines	564 million (7%)	US\$17,018 billion (17%)	The Philippines and the EU agreed to cover a broad range of issues, including elimination of customs duties and other barriers to trade, services and investment, access to public procurement markets, as well as additional disciplines in the area of competition and protection of intellectual property rights.
EU-TH FTA	EU-Thailand Free Trade Agreement	Negotiations started in 2013 but have been halted since the military takeover in 2014. In March 2023, Thailand and the EU agreed to resume negotiations. The negotiations will be held three times, the first in September, the second in next January, and the third in next June. The two sides are aiming to reach the deal by 2025.	EU, Thailand	520 million (7%)	US\$17,185 billion (17%)	Negotiations will cover trade in goods and services as well as investment in key Thai industries where the EU is keen to increase its share, such as renewable energy, electric vehicles and chip-making. Thailand aims to eliminate tariffs on exports to the 27 EU countries, particularly cars and automobile parts, electronics, garments and textiles, food, and rubber.
IT-CEPA	Indonesia-Turkey Comprehensive Economic Partnership Agreement	Negotiations formally launched in July 2018. The fourth round of negotiations was held in January 2020. After meeting at the G20 Summit in November 2022, Indonesian President Jokowi and Turkish President Erdogan agreed to continue the negotiations and complete the CEPA soon.	Indonesia, Turkey	361 million (5%)	US\$2,225 billion (2%)	The fourth negotiations covered various issues related to trade in goods, economic cooperation, customs and trade facilitation, trade security, sanitation and phytosanitary and legal matters.
IN-ID PTA	India-Indonesia Preferential Trade Agreement	Negotiations formally launched in 2011 but had been put on hold. After India's withdrawal from RCEP in November 2019, India and Indonesia are set to relaunch the negotiations. During a meeting between Indonesian Trade Minister Zulkifli Hasan and Indian Commerce and Industry Minister Piyush Goyal in March 2023, the Indonesian Trade Minister envisioned that the two countries can begin the negotiation on the bilateral PTA, which has been under consideration since 2020.	India, Indonesia	1,693 million (21%)	US\$4,704 billion (5%)	The PTA will build on the ASEAN-India FTA and will be a comprehensive agreement, covering economic cooperation, trade in goods and services, and investment.
IN-TH FTA	India-Thailand Free Trade Agreement	Under negotiation since 2000. Early harvest scheme in force since 2004. However, negotiations have been put on hold. India will review the AIFTA with ASEAN members, after its withdrawal from RCEP in November 2019.	India, Thailand	1,489 million (19%)	US\$3,880 billion (4%)	India and Thailand agreed that negotiations should cover: elimination of tariffs and non-tariff barriers in substantially all trade in goods; liberalization of trade in services; investment; trade and investment facilitation measures; and economic co-operation in other mutually-agreed areas such as agriculture.

BILATERAL/MULTILATERAL TRADE AGREEMENTS

That involve the US, the UK, the EU¹ and selected Asian Countries²

FTAs under negotiation						
	Name of agreement	Status	Current signatories ³	Total population of signatories, 2022 ⁴ (% of world total)	Total GDP of signatories, 2022 ⁵ (% of world total)	Highlights
IN-UK FTA	India-UK Free Trade Agreement	Negotiations formally launched in January 2022. The two sides concluded the 12 th round of FTA negotiations in August 2023 and the 13 th round was held in September.	India, The UK	1,484 million (19%)	US\$5,902 billion (6%)	The India-UK FTA will cover a wide range of areas, including gender, labour, trade and development, corruptions, and micro, small and medium-sized enterprises.
PK-TH FTA	Pakistan-Thailand Free Trade Agreement	Under negotiation since 2015. In April 2019, Thailand forwarded its final list of 100 products to Pakistan to be included in the FTA. In May 2021, both sides agreed to work together for early conclusion of the FTA. Thailand is waiting for Pakistan's response to the proposed FTA.	Pakistan, Thailand	308 million (4%)	US\$872 billion (1%)	It is reported that the first phase of the FTA will only cover trade in goods, with emphasis on tariff reduction, customs procedures, and cooperation in sanitary standards and trade remedy measures. After the signing of the first phase of FTA, both countries intend to negotiate on services, investment and competition.
TH-TR FTA	Thailand-Turkey Free Trade Agreement	Negotiations launched in 2017. The 7 th round of negotiations were completed and an interim round of talks were held in December 2021. During the 4 th meeting of the Joint Commission on Economic and Technical Cooperation held in January 2023, both sides discussed on accelerating the negotiations of the TH-TR FTA.	Thailand, Turkey	157 million (2%)	US\$1,401 billion (1%)	N/A

Glossary:

CTH: Change in tariff heading. The non-originating materials have undergone a change in tariff classification (CTC) at 4-digit level (i.e. a change in tariff heading) of the Harmonized System.

CTSH: Change in tariff sub-heading. The non-originating materials have undergone a change in tariff classification (CTC) at 6-digit level (i.e. a change in tariff sub-heading) of the Harmonized System

FOB: Free on board. The buyer pays for transportation of the goods

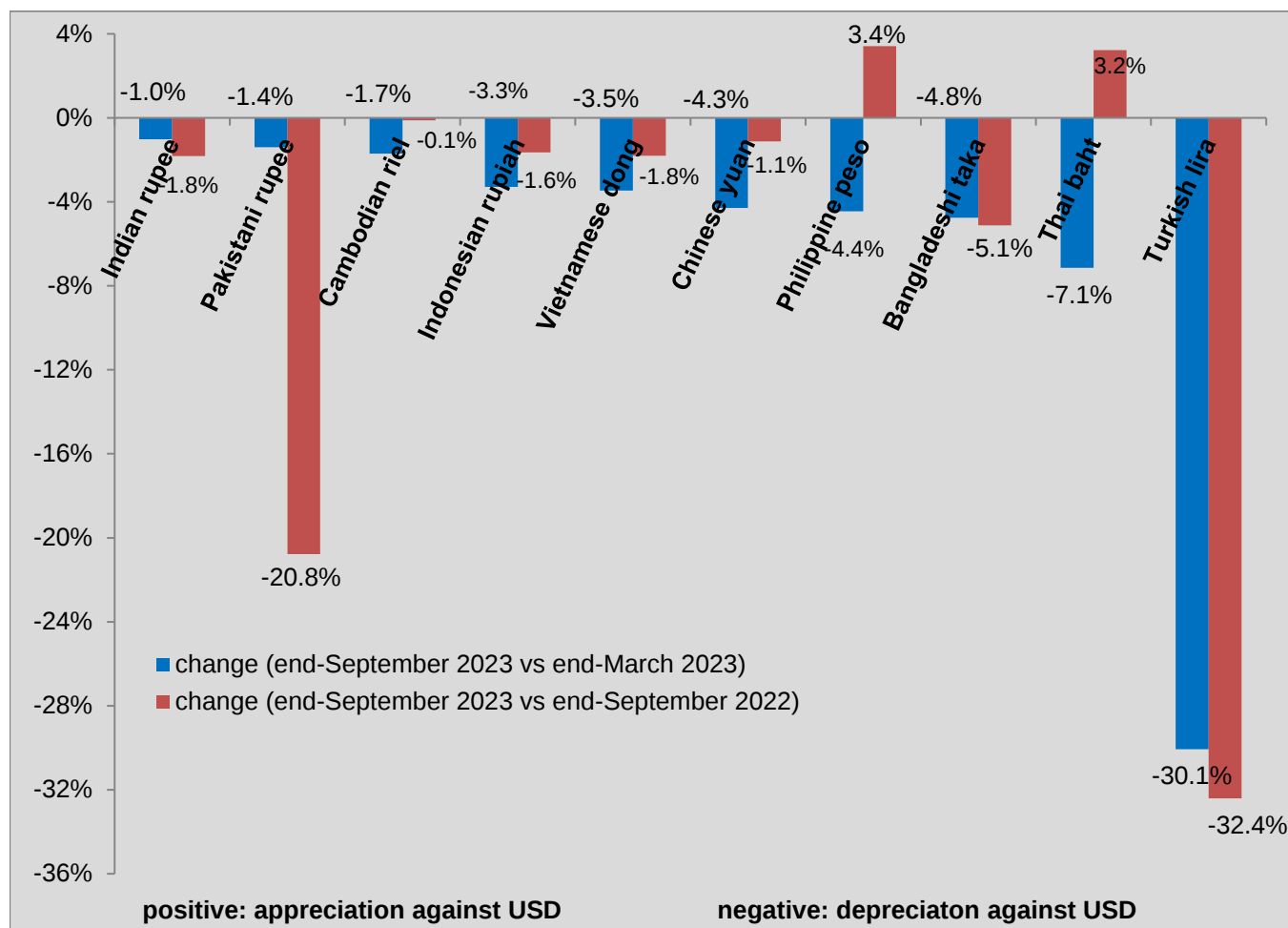
LDC: Least Developed Countries. Includes Bangladesh and Cambodia in the selected countries in the present matrix.

MFN: Most favoured nation. An MFN tariff is the lowest possible tariff a country can assess on another country. Members of the World Trade Organization are required to extend most favored nation status to other members.

RVC: Regional value content. A type of rule of origin that requires a product to include a certain percentage of originating content from the region.

CURRENCY APPRECIATION/DEPRECIATION

Against the US dollar over the past six/twelve months



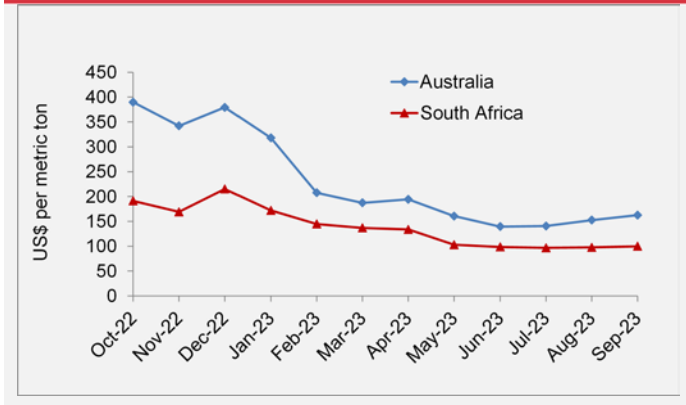
Source: Calculations based on exchange rates retrieved from sources quoted in preceding sections

INPUT PRICES

Trends and forecasts*

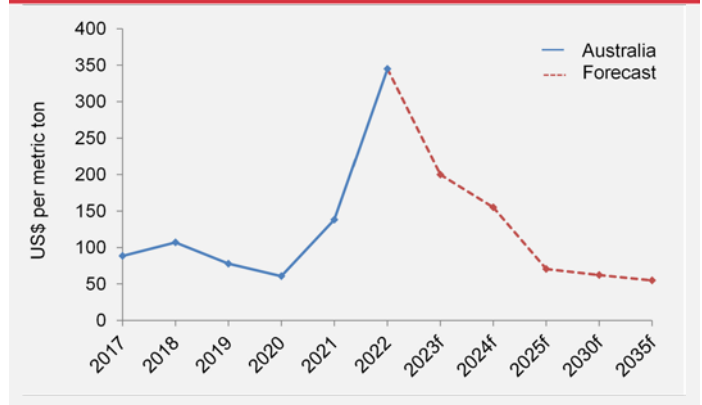
ENERGY

Coal, Oct 2022 – Sep 2023



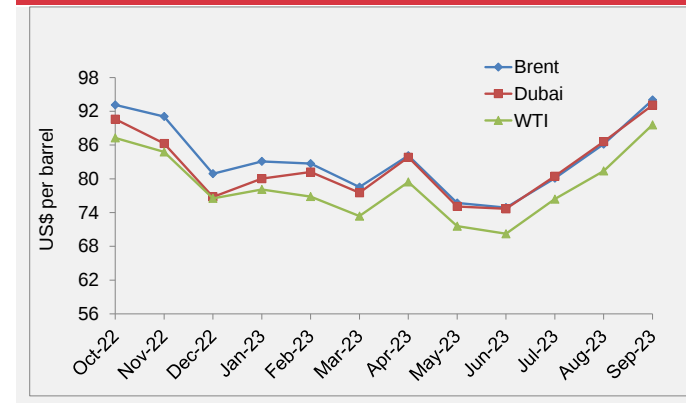
Source: World Bank

Coal: Trends and forecasts



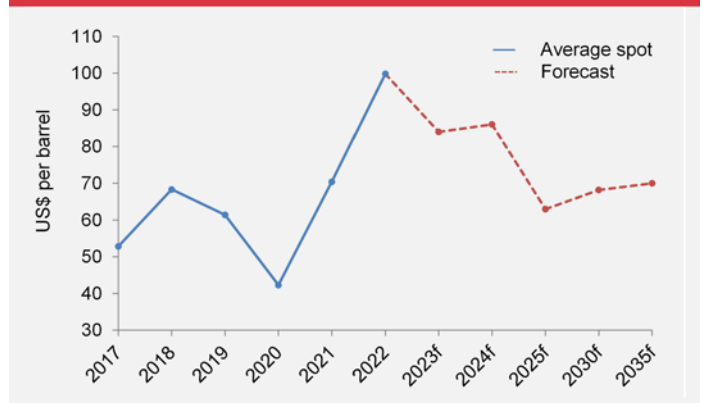
Source: World Bank

Crude oil, Oct 2022 – Sep 2023



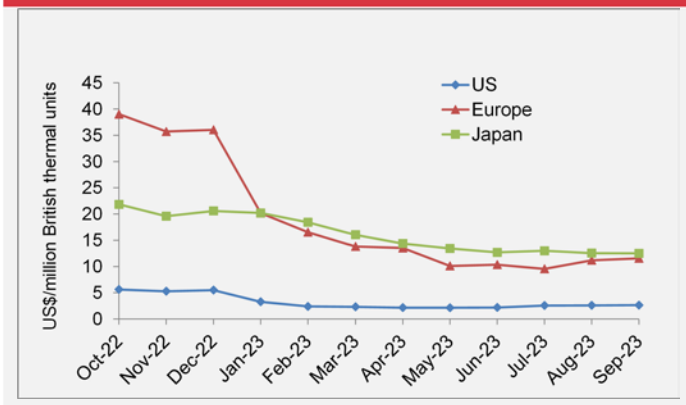
Source: World Bank

Crude oil: Trends and forecasts



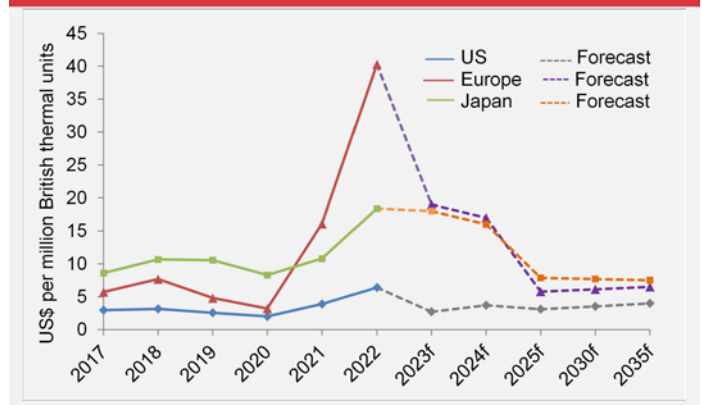
Source: World Bank

Natural gas, Oct 2022 – Sep 2023



Source: World Bank

Natural gas: Trends and forecasts



Source: World Bank

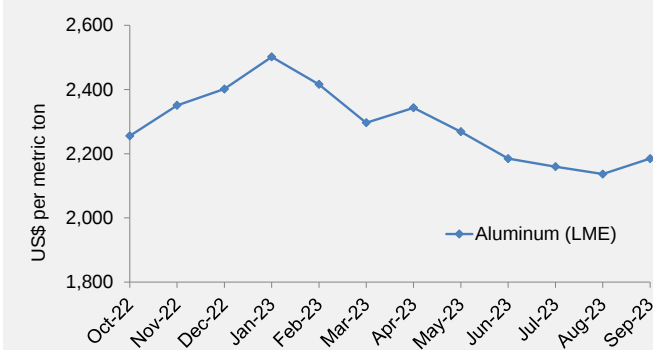
* Forecasts for 2023 and 2024 were made in April 2023; and for 2025, 2030, and 2035 in October 2021.

INPUT PRICES

Trends and forecasts

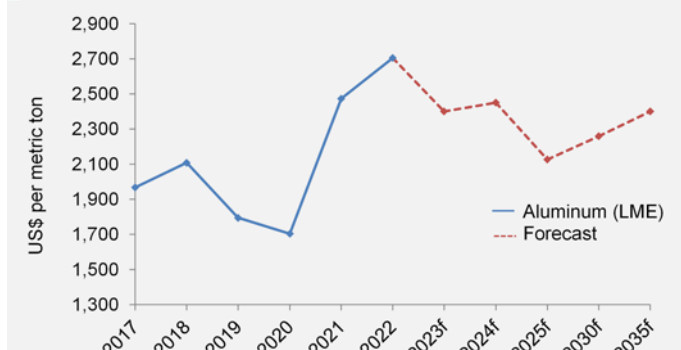
METAL AND MINERALS

Aluminum, Oct 2022 – Sep 2023



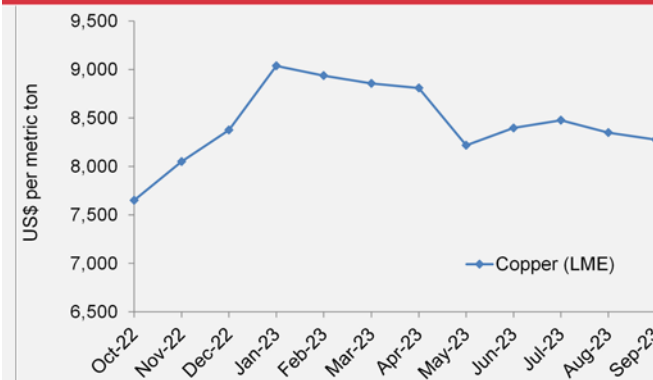
Source: World Bank

Aluminum: Trends and forecasts



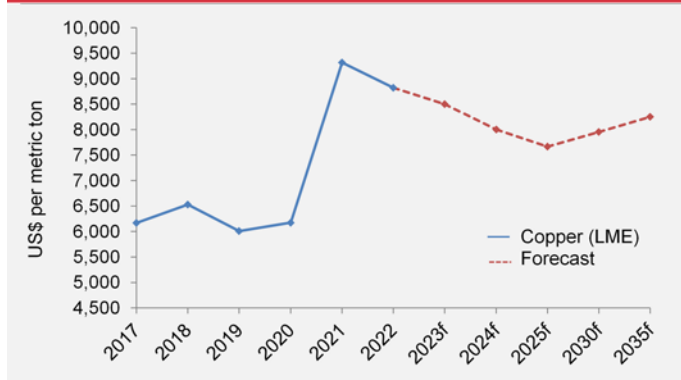
Source: World Bank

Copper, Oct 2022 – Sep 2023



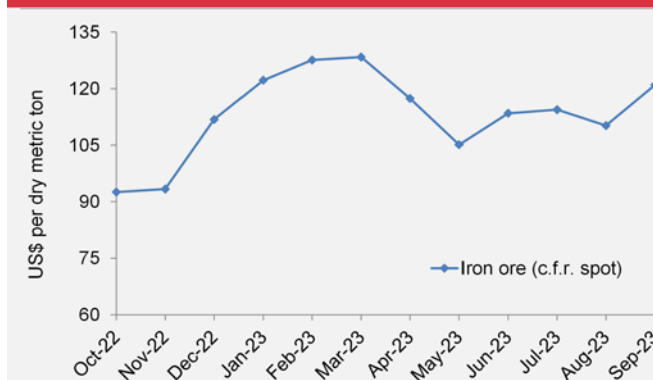
Source: World Bank

Copper: Trends and forecasts



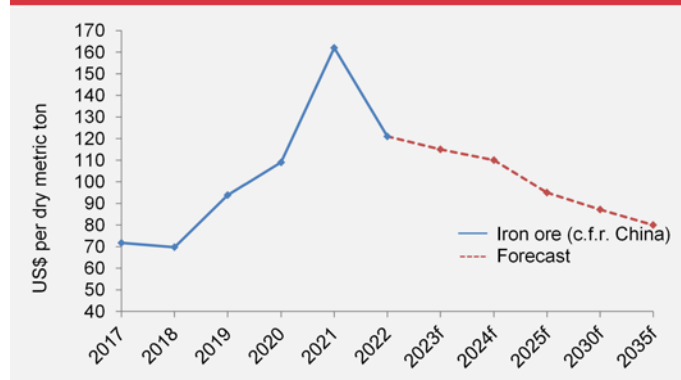
Source: World Bank

Iron ore, Oct 2022 – Sep 2023



Source: World Bank

Iron ore: Trends and forecasts



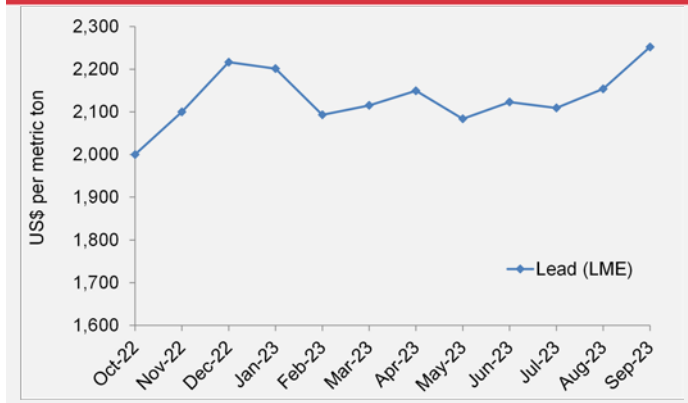
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INPUT PRICES

Trends and forecasts

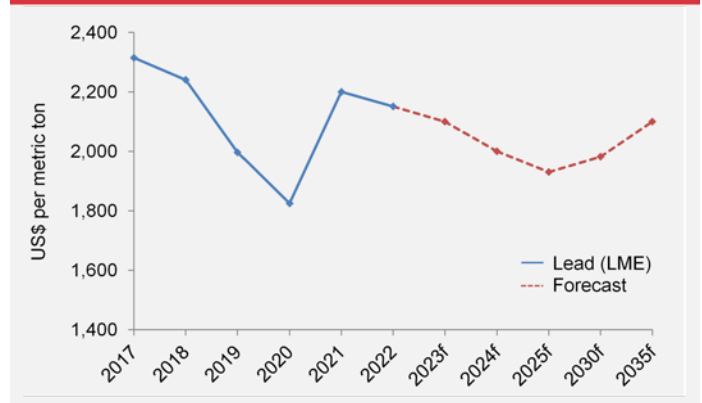
METAL AND MINERALS

Lead, Oct 2022 – Sep 2023



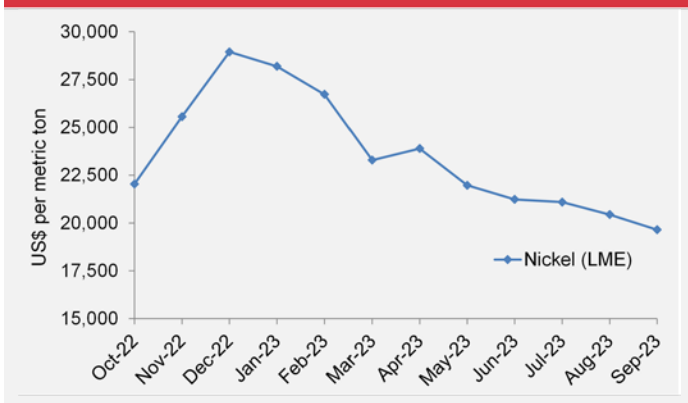
Source: World Bank

Lead: Trends and forecasts



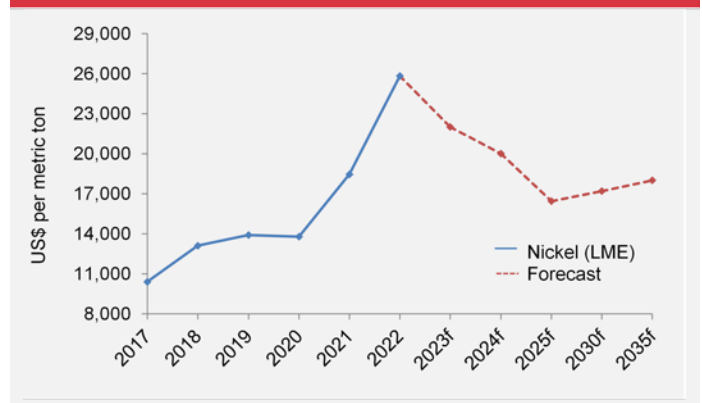
Source: World Bank

Nickel, Oct 2022 – Sep 2023



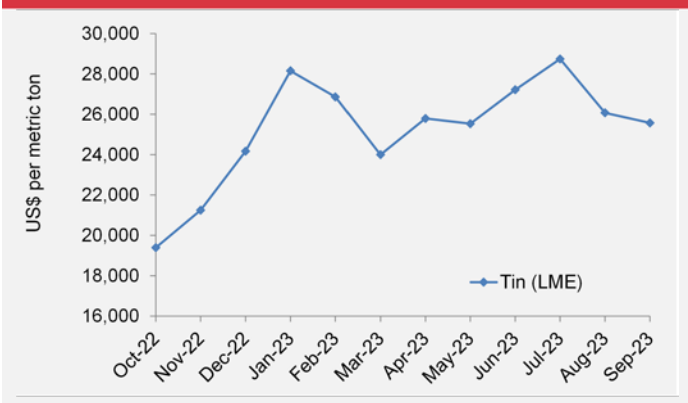
Source: World Bank

Nickel: Trends and forecasts



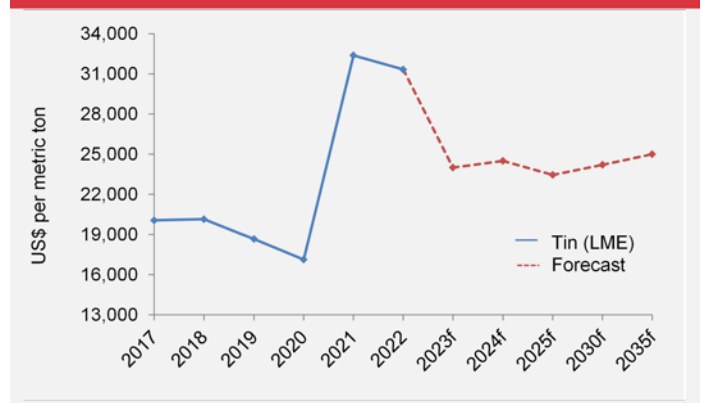
Source: World Bank

Tin, Oct 2022 – Sep 2023



Source: World Bank

Tin: Trends and forecasts



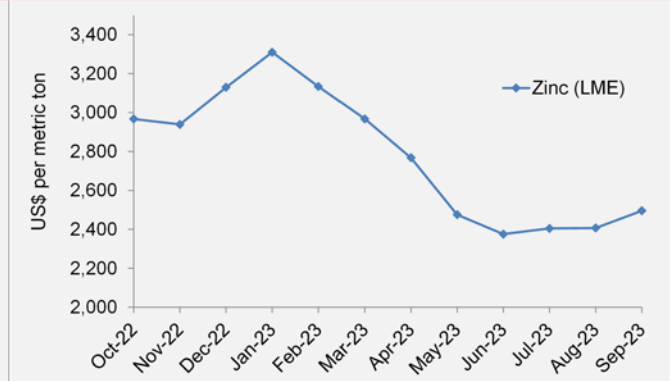
Source: World Bank

INPUT PRICES

Trends and forecasts

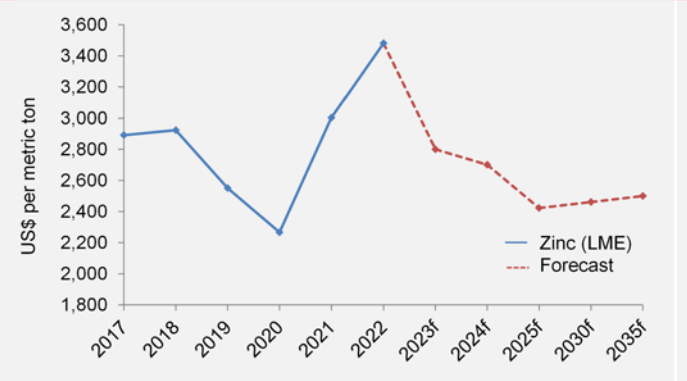
METAL AND MINERALS

Zinc, Oct 2022 – Sep 2023



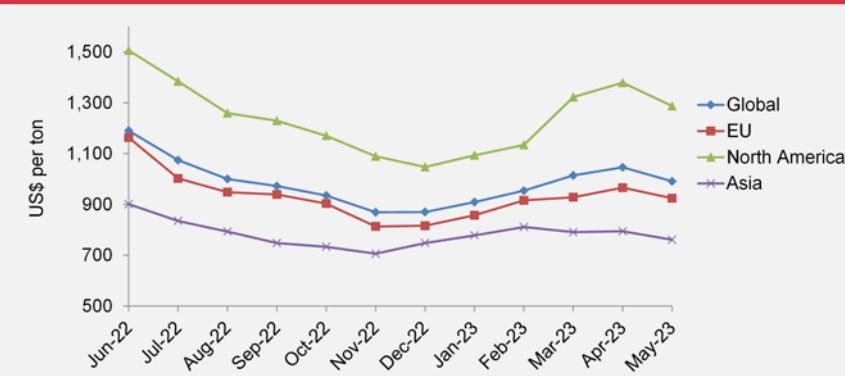
Source: World Bank

Zinc: Trends and forecasts



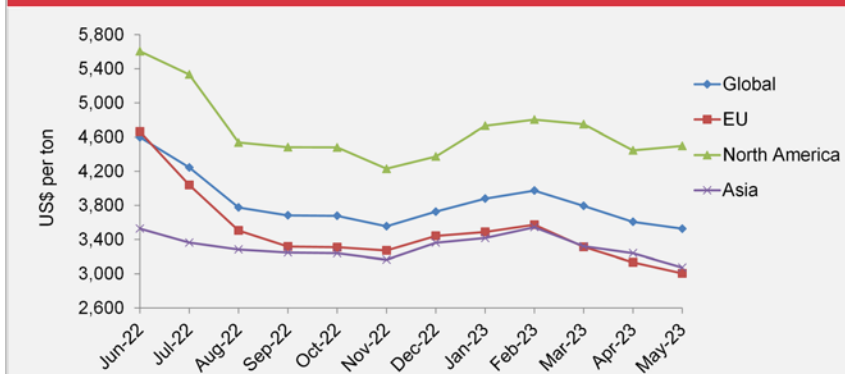
Source: World Bank

All Carbon Steel Products Composite Price, Jun 2022 – May 2023



Source: MEPS Online Steel Prices

Composite Stainless Steel Price – Grade 304, Jun 2022 – May 2023



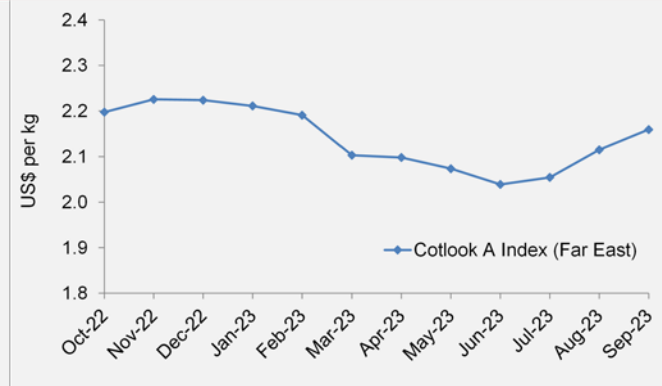
Source: MEPS Online Steel Prices

INPUT PRICES

Trends and forecasts

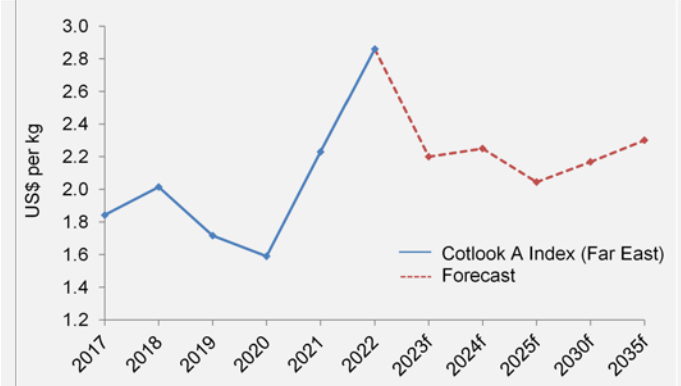
TEXTILE FIBERS

Cotton, Oct 2022 – Sep 2023



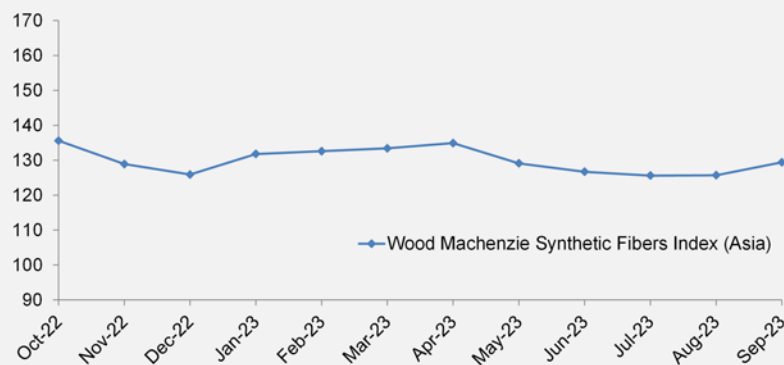
Source: World Bank

Cotton: Trends and forecasts



Source: World Bank

Synthetic fibers, Oct 2022 – Sep 2023



Source: Wood Mackenzie

Silk (China), Oct 2022– Sep 2023



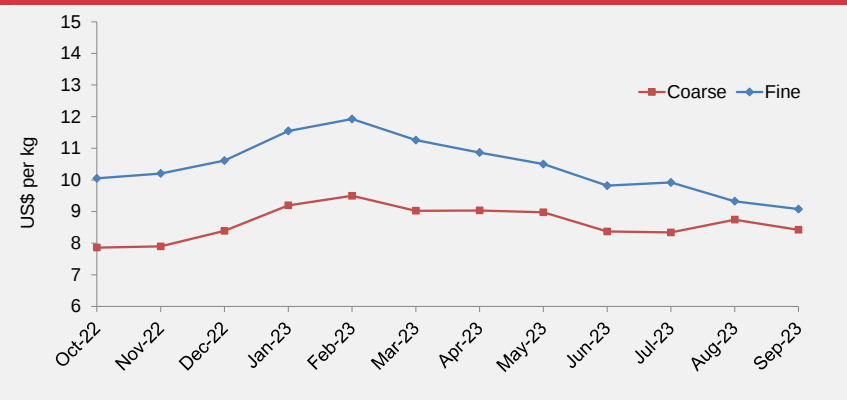
Source: Ministry of Commerce, China

INPUT PRICES

Trends and forecasts

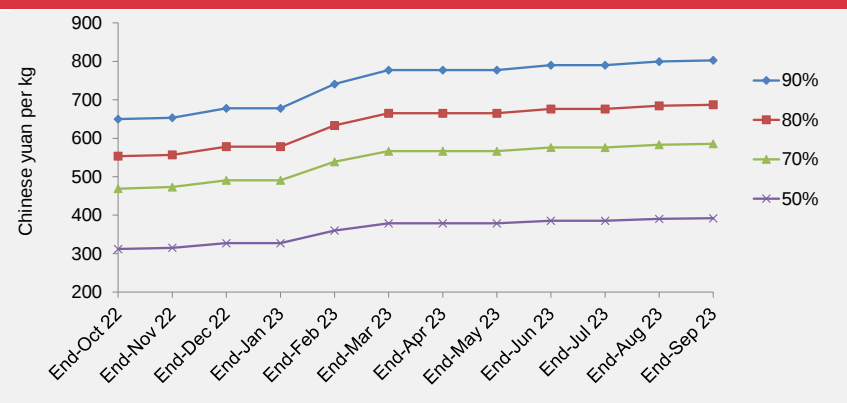
TEXTILE FIBERS

Wool (Australia), Oct 2022 – Sep 2023



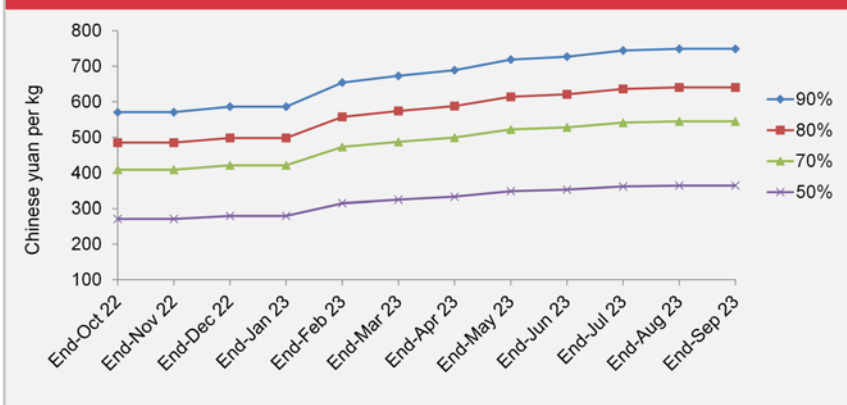
Source: International Monetary Fund

White goose down (China), Oct 2022 – Sep 2023



Source: cn-down.com

Grey goose down (China), Oct 2022 – Sep 2023



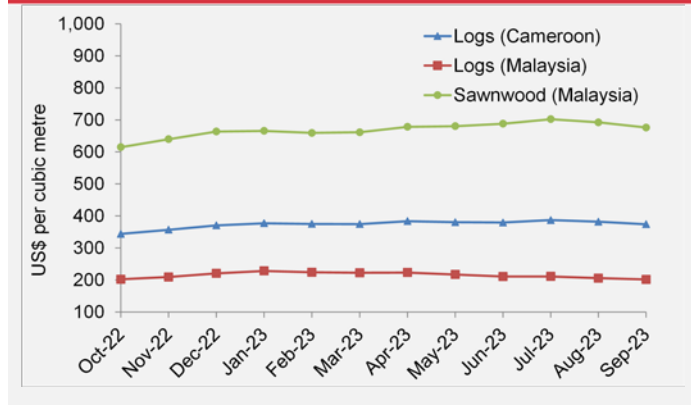
Source: cn-down.com

INPUT PRICES

Trends and forecasts

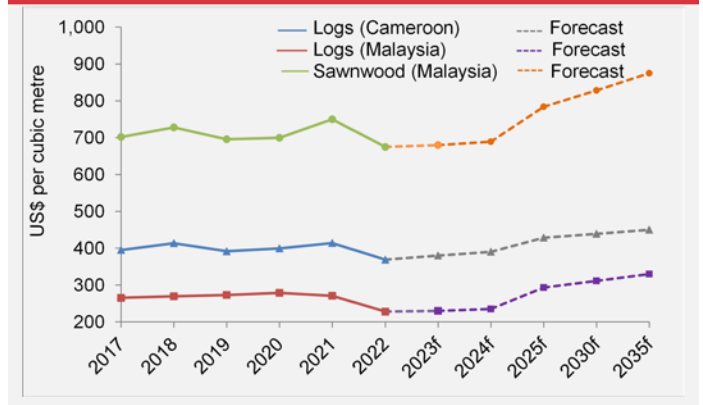
HARD GOODS

Timber, Oct 2022 – Sep 2023



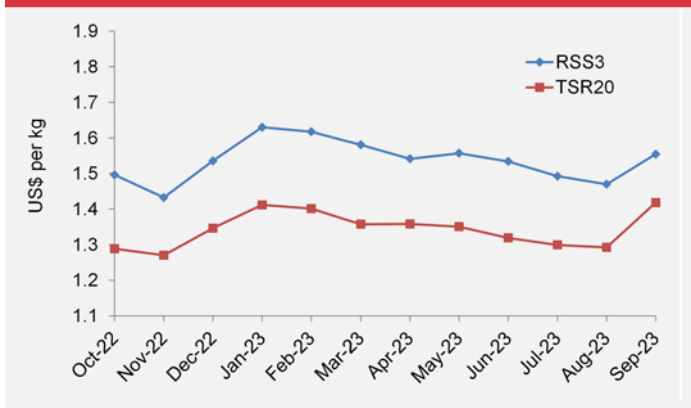
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Timber: Trends and forecasts



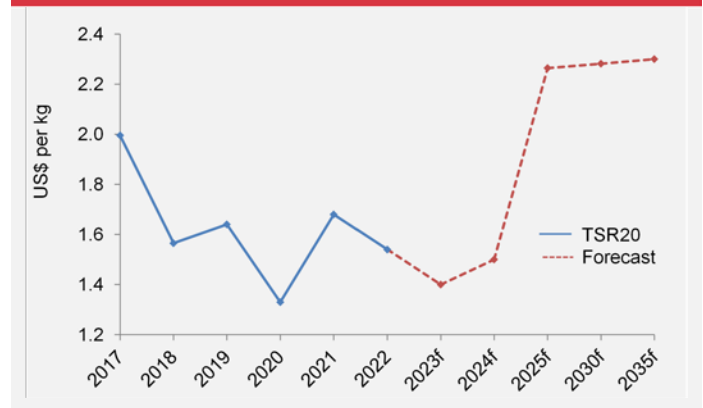
Source: World Bank

Rubber, Oct 2022 – Sep 2023



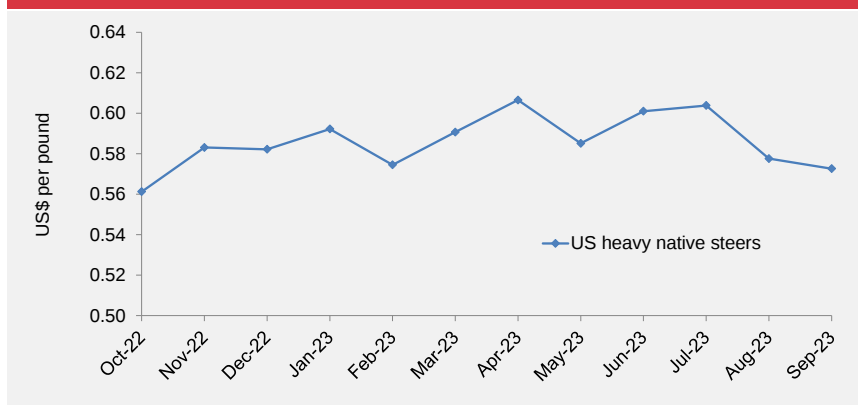
Source: World Bank

Rubber: Trends and forecasts



Source: World Bank

Hides, Oct 2022 – Sep 2023



Source: International Monetary Fund

MINIMUM WAGES

Comparisons across Asian countries

Countries/Regions/ Provinces	Monthly Minimum Wage (in local currency)	Effective Date	Remarks
Bangladesh	8,000 taka	1 December 2018	For entry-level (grade 7) garment industry workers; up 51% from the previous level. Entry-level minimum wage is usually referred to as the minimum wage of the country.
Cambodia	US\$194	1 January 2022	Exclusively for garment and footwear workers; Up by 1.0% from the previous level. Starting January 2023, monthly minimum wage for the sector will rise to US\$200.
China (wage rates in Chinese yuan)			
- Guangxi	Class 1 district: 1,990; Class 2 district: 1,840; Class 3 district: 1,690	1 November 2023	Up from 1,810, 1,580 and 1,430 respectively (effective 1 March 2020 to 31 October 2023)
- Shandong	Class 1 district: 2,200; Class 2 district: 2,010; Class 3 district: 1,820	1 October 2023	Up from 2,100, 1,900 and 1,700 respectively (effective 1 October 2021 to 30 September 2023)
- Yunnan	Class 1 district: 1,990; Class 2 district: 1,840; Class 3 district: 1,690	1 October 2023	Up from 1,900, 1,750, and 1,600 respectively (effective 1 October 2022 to 30 September 2023)
- Tibet	2,100	1 September 2023	Up from 1,850 (effective 1 July 2021 to 31 August 2023)
- Beijing	2,420	1 September 2023	Up from 2,320 (effective 1 August 2021 to 31 August 2023)
- Shanghai	2,690	1 July 2023	Up from 2,590 (effective 1 July 2021 to 30 June 2023)
- Shaanxi	Class 1 district: 2,160; Class 2 district: 2,050; Class 3 district: 1,950	1 May 2023	Up from 1,950, 1,850 and 1,750 (effective 1 May 2021 to 30 April 2023)
- Anhui	Class 1 district: 2,060; Class 2 district: 1,930; Class 3 district: 1,870; Class 4 district: 1,780	1 March 2023	Up from 1,650, 1,500, 1,430 and 1,340 respectively (effective 3 December 2021 to 28 February 2023)
- Guizhou	Class 1 district: 1,890; Class 2 district: 1,760; Class 3 district: 1,660	1 February 2023	Up from 1,790, 1,670, and 1,570 respectively (effective 1 December 2019 to 31 January 2023)
- Qinghai	1,880	1 February 2023	Up from 1,700 (effective 1 January 2020 to 31 January 2023)
- Hebei	Class 1 district: 2,200; Class 2 district: 2,000; Class 3 district: 1,800	1 January 2023	Up from 1,900, 1,790, 1,680 and 1,580 respectively (effective 1 November 2019 to 31 December 2022. Also note revision of district classification.)
- Shanxi	Class 1 district: 1,980; Class 2 district: 1,880; Class 3 district: 1,780	1 January 2023	Up from 1,880, 1,760, and 1,630 respectively (effective 1 October 2021 to 31 December 2022)

MINIMUM WAGES

Comparisons across Asian countries

Countries/Regions/ Provinces	Monthly Minimum Wage (in local currency)	Effective Date	Remarks
- Fujian	Class 1 district: 2,030; Class 2 district: 1,960; Class 3 district: 1,810; Class 4 district: 1,660	1 April 2022	Up from 1,800, 1,720, 1,570, and 1,420 respectively (effective 1 January 2020 to 31 March 2022)
- Chongqing	Class 1 district: 2,100; Class 2 district: 2,000	1 April 2022	Up from 1,800 and 1,700 respectively (effective 1 January 2019 to 31 March 2022)
- Hunan	Class 1 district: 1,930; Class 2 district: 1,740; Class 3 district: 1,550	1 April 2022	Up from 1,700, 1,540, 1,380, and 1,220 respectively (effective 1 October 2019 to 31 March 2022. Also note revision of district classification.)
- Sichuan	Class 1 district: 2,100; Class 2 district: 1,970; Class 3 district: 1,870	1 April 2022	Up from 1,780, 1,650 and 1,550 respectively (effective 1 July 2018 to 31 March 2022)
- Henan	Class 1 district: 2,000; Class 2 district: 1,800; Class 3 district: 1,600	1 January 2022	Up from 1,900, 1,700, and 1,500 respectively (effective 1 October 2018 to 31 December 2021)
- Guangdong	Class 1 district: 2,360 (Shenzhen), 2,300 (Guangzhou); Class 2 district: 1,900; Class 3 district: 1,720; Class 4 district: 1,620	1 December 2021	Shenzhen: Up from 2,200 (effective 1 July 2018 to 30 November 2021) Other districts: Up from 2,100, 1,720, 1,550 and 1,440 respectively (effective 1 July 2018 to 30 November 2021)
- Inner Mongolia	Class 1 district: 1,980; Class 2 district: 1,910; Class 3 district: 1,850	1 December 2021	Up from 1,760, 1,660, 1,560 and 1,460 respectively (effective 1 August 2017 to 30 November 2021. Also note revision of district classification.)
- Hainan	Class 1 district: 1,830; Class 2 district: 1,730; Class 3 district: 1,680	1 December 2021	Up from 1,670, 1,570 and 1,520 respectively (effective 1 December 2018 to 30 November 2021)
- Jilin	Class 1 district: 1,880; Class 2 district: 1,760; Class 3 district: 1,640; Class 4 district: 1,540	1 December 2021	Up from 1,780, 1,680 and 1,580 and 1,480 respectively (effective 1 October 2017 to 30 November 2021)
- Liaoning	Class 1 district: 1,910; Class 2 district: 1,710; Class 3 district: 1,580; Class 4 district: 1,420	1 November 2021	Up from 1,810, 1,610, 1,480 and 1,300 (effective 1 November 2019 to 31 October 2021)
- Hubei	Class 1 district: 2,010; Class 2 district: 1,800; Class 3 district: 1,650; Class 4 district: 1,520	1 September 2021	Up from 1,750, 1,500, 1,380 and 1,250 (effective 1 November 2017 to 31 August 2021)

MINIMUM WAGES

Comparisons across Asian countries

Countries/Regions/ Provinces	Monthly Minimum Wage (in local currency)	Effective Date	Remarks
- Gansu	Class 1 district: 1,820; Class 2 district: 1,770; Class 3 district: 1,720; Class 4 district: 1,670	1 September 2021	Up from 1,620, 1,570, 1,520 and 1,470 respectively (effective 1 June 2017 to 31 August 2021)
- Ningxia	Class 1 district: 1,950; Class 2 district: 1,840; Class 3 district: 1,750	1 September 2021	Up from 1,660, 1,560 and 1,480 (effective 1 October 2017 to 31 August 2021)
- Jiangsu	Class 1 district: 2,280; Class 2 district: 2,070; Class 3 district: 1,840	1 August 2021	Up from 2,020, 1,830 and 1,620 respectively (effective 1 August 2018 to 31 July 2021)
- Zhejiang	Class 1 district: 2,280; Class 2 district: 2,070; Class 3 district: 1,840	1 August 2021	Up from 2,010, 1,800, 1,660 and 1,500 respectively (effective 1 December 2017 to 31 July 2021. Also note revision of district classification.)
- Tianjin	2,180	1 July 2021	Up from 2,050 (effective 1 July 2017 to 30 June 2021)
- Jiangxi	Class 1 district: 1,850; Class 2 district: 1,730; Class 3 district: 1,610	1 April 2021	Up from 1,680, 1,580 and 1,470 respectively (effective 1 January 2018 to 31 March 2021)
- Heilongjiang	Class 1 district: 1,860; Class 2 district: 1,610; Class 3 district: 1,450	1 April 2021	Up from 1,680, 1,450 and 1,270 (effective 1 October 2017 to 31 March 2021)
- Xinjiang	Class 1 district: 1,900; Class 2 district: 1,700; Class 3 district: 1,620; Class 4 district: 1,540	1 April 2021	Up from 1,820, 1,620, 1,540 and 1,460 respectively (effective 1 January 2018 to 31 March 2021)
India (wage rates in Indian rupees)			
- Delhi	Unskilled: 17,234; Semi-skilled: 18,993; Skilled: 20,903	1 April 2023	Applicable to all scheduled employments except clerical and supervisory staff; up from 16,792, 18,499 and 20,357 respectively (effective 1 October 2022).
- Gujarat	Zone I (per day) Unskilled: 452; Semi-skilled: 462; Skilled: 474	1 April 2023	Applicable to all scheduled employments; Zone I is defined as the areas in the State of Gujarat within the limits of Municipal Corporation, Municipalities and the jurisdiction of concerned Urban Development Authority; Zone II is defined as other areas excluded in Zone I
	Zone II (per day) Unskilled: 441; Semi-skilled: 452; Skilled: 462		

MINIMUM WAGES

Comparisons across Asian countries

Countries/Regions/ Provinces	Monthly Minimum Wage (in local currency)	Effective Date	Remarks
- Karnataka	<u>Zone I:</u> Unskilled: 14,424.63; Semi-skilled: 15,583.41; Skilled: 16,858.07; Highly-skilled: 18,260.20	1 April, 2023	Applicable to all scheduled employments except office staff and drivers. Zone I is defined as notified areas of the Greater Bangalore Metropolitan Area; Zone II is defined as all metropolitan areas of the province except Zone I; Zone III is defined as all district areas in the province except areas covered in Zone I & II; Zone IV is other parts of the province not covered in Zone I, II & III.
	<u>Zone II:</u> Unskilled: 13,872.83; Semi-skilled: 14,976.43; Skilled: 16,190.39; Highly-skilled: 17,525.75		
	<u>Zone III:</u> Unskilled: 13,347.30; Semi-skilled: 14,398.35; Skilled: 15,554.51; Highly-skilled: 16,826.28		
	<u>Zone IV:</u> Unskilled: 12,846.80; Semi-skilled: 13,847.80; Skilled: 14,948.90; Highly-skilled: 16,160.11		
Pakistan			
- Punjab	32,000 rupees	1 July 2023	For unskilled workers; up 28.0% from the previous level.
- Balochistan	32,000 rupees	1 July 2023	For unskilled workers; up 28.0% from the previous level.
- Khyber Pakhtunkhwa	32,000 rupees	1 July 2023	For unskilled workers; up 28.0% from the previous level.
- Sindh	25,000 rupees	1 June 2022	For unskilled workers; up 31.6% from the previous level.
- Islamabad Capital Territory	32,000 rupees	1 July 2023	For unskilled workers; up 28.0% from the previous level.
Philippines			
- National Capital Region (NCR)	610 pesos (per day)	16 July 2023	For non-agriculture workers; up by 40 pesos per day from the previous level that took effect on 4 June 2022.
Thailand			
- Bangkok	353 baht (per day)	1 October 2022	Applicable for all industries; up by 22 baht, or 6.6%, per day from the previous level. Starting from 1 October 2022, daily minimum wages in Thailand have increased by 5% to 8% from the previous levels to 328-354 baht across 9 group of provinces

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Comparisons across Asian countries

Countries/Regions/ Provinces	Monthly Minimum Wage (in local currency)	Effective Date	Remarks
Turkey	13,414 liras (before taxes and deductions)	1 July 2023	For all workers over the age of 16; up by 34% from the previous level; after deductions, the net minimum wage is 11,402.3 liras per month.
Indonesia (wage rates in Indonesia rupiah)			
- Aceh	3,413,666	1 January, 2023	Regulation No. 78/2015 issued in October 2015 introduced a fixed formula to determine provincial minimum wages: <i>New Minimum Wage = Previous Regional Minimum Wage + (Previous Regional Minimum Wage x (% annual inflation rate + % annual GDP increase))</i>
- North Sumatra	2,710,493		
- West Sumatra	2,742,476		
- South Sumatra	3,404,177		
- Riau	3,191,662		
- Riau Islands	3,279,194		
- Jambi	2,943,033		
- Bangka Belitung Islands	3,498,479		
- Bengkulu	2,418,280		
- Jakarta	4,901,798		
- Banten	2,661,280		
- West Nusa Tenggara	2,371,407		
- East Nusa Tenggara	2,123,994		
- West Kalimantan	2,608,601		
- South Kalimantan	3,149,977		
- Central Kalimantan	3,181,013		
- East Kalimantan	3,201,396		
- Bali	2,713,672		
- Moluccas	2,812,827		
- North Moluccas	2,976,720		
- Gorontalo	2,989,350		
- Southeast Sulawesi	2,758,595		
- Central Sulawesi	2,599,456		
- West Sulawesi	2,608,601		
- South Sulawesi	3,385,145		
- North Sulawesi	3,485,000		
- Papua	3,864,696		
- West Papua	3,282,000		
- Lampung	2,633,284		
- West Java	1,986,670		
- Central Java	1,958,169		
- East Java	2,040,244		
- Yogyakarta	1,981,782		
- North Kalimantan	3,251,702		

MINIMUM WAGES

Comparisons across Asian countries

Countries/Regions/ Provinces	Monthly Minimum Wage (in local currency)	Effective Date	Remarks
Vietnam (wage rates in Vietnamese dong)			
- Zone 1	4.68 million	1 July, 2022	Zone 1 covers the urban districts and some rural districts of Hanoi, Ho Chi Minh City and Hai Phong City; and Vung Tau City, Bien Hoa City and Thu Dau Mot town.
- Zone 2	4.16 million		Zone 2 is applicable to the remaining districts of Hanoi, Ho Chi Minh City and Hai Phong City; urban Can Tho City and Da Nang City; and some other cities.
- Zone 3	3.64 million		Zone 3 comprises the remaining provincial cities and some districts of some provinces.
- Zone 4	3.25 million		Zone 4 consists of the remaining localities.

Source: Governments of respective countries/provinces, as of mid-October 2023

FUNG BUSINESS INTELLIGENCE

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

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

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Fung Business Intelligence was established in the year 2000.

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Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including sourcing, logistics, distribution and retail. The Fung Group comprises over 15,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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