

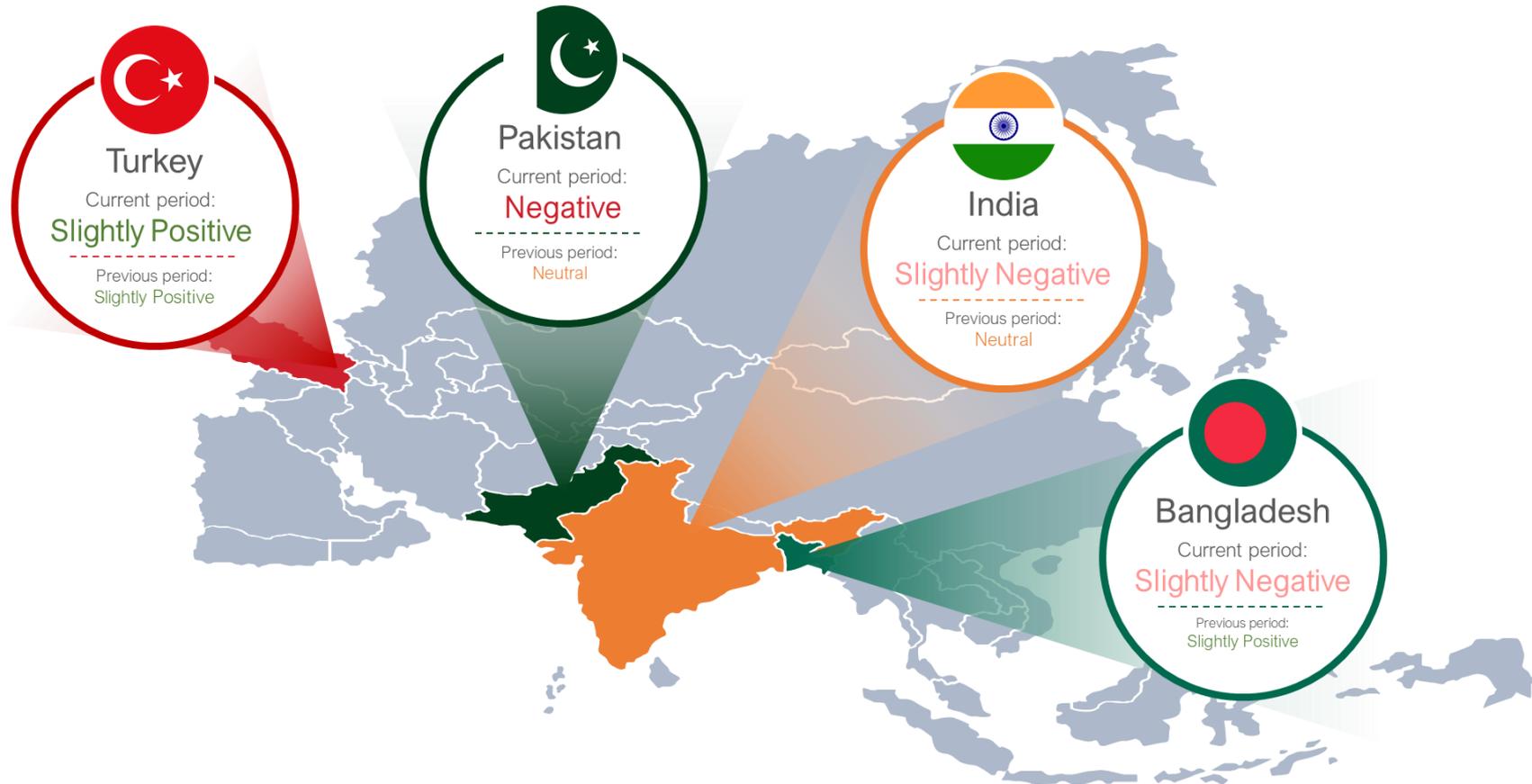
Asia Sourcing Update

Bangladesh, India, Pakistan and Turkey

Southeast Asia | **South and West Asia**



Highlights: 12-month sourcing outlook



Bangladesh

Fast facts



Quantum index of medium and large-scale manufacturing (Jul 2022)
+12.2% yoy ▲



CPI (Oct 2022)
+8.9% yoy



Exchange rate (USD: BDT, as of 31 Oct 2022)
104.4 (17.8% depreciation year-to-date)



Merchandise exports (Oct 2022)
-7.8% yoy ▼



Knitwear
+1.5% yoy ▲



Woven garments
+5.7% yoy ▲



Home textiles
-39.6% yoy ▼



Footwear
+4.0% yoy ▼

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period
Source: Bangladesh Bureau of Statistics, Export Promotion Bureau, Bangladesh Bank

12-Month Sourcing Outlook: Slightly Negative

Bangladesh's exports in October recorded negative growth, amidst the energy crisis, surging inflation, and sliding consumption demand from its major export markets in the US and Europe. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), some apparel brands have been holding orders for two to three months, as western shoppers are likely to reduce their Christmas purchases. Even though the readymade garments (RMG) exports in October increased compared to the same month of 2021, the BGMEA expects a downward trend in RMG exports of Bangladesh for the coming months.

Bangladesh

Latest Developments

FBIC's take

Macroeconomic Trends

Exports of Bangladesh in October dropped by 7.9% year-on-year (yoy) to US\$4.4 billion, 12.9% lower than the monthly target of US\$5 billion, according to data from the Export Promotion Bureau (EPB).

In the July-October period, the country's exports increased by 7.0% yoy to US\$16.9 billion but was 3.3% lower than the target of US\$17.4 billion.

- The Bangladesh's exports recorded negative growth, amidst the energy crisis, surging inflation, and sliding consumption demand from its major export markets in the US and Europe.
- Despite an overall decline in Bangladesh's exports, export earnings of the RMG sector reached US\$3.67 billion in October 2022, higher than the US\$3.65 billion in October 2021. In September, the RMG exports dropped by 7.5% yoy to US\$3.1 billion. During the July-October period, RMG exports increased by 10.6% yoy to US\$13.95 billion, accounting for 83% of the country's total exports.

FTAs, trade preferences & facilitation

At the end of October, 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 ITA has more than 2,200 employees assisting US exporters in over 100 US cities and 81 markets worldwide.

- According to Arun Venkataraman, Assistant Secretary of Commerce for Global Markets and Director General of the US and Foreign Commercial Service, the new office in Dhaka will play an essential role in strengthening trade ties between the US and Bangladesh.
- 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.

Bangladesh

Latest Developments

FBIC's take

Infrastructure & Environmental Sustainability

In October, 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.

- According to the UNEP, the textile sectors of the four countries employ over 10 million people and produce nearly 15% of global apparel exports. However, the textile sector is one of the world's major sources of chemical wastes. These wastes leak into the environment at all phases of the textile lifecycle, from production to use, disposal and recycling, and threaten human health and ecosystem.
- In the five-year programme, the UNEP will work with the four governments and companies to phase out certain hazardous chemicals across the sector.
 - The programme will bring the countries to align public policy on the textile sector with international best practices, including supply chain transparency, chemical management, eco-innovation, and occupational health and safety.
 - The programme will also provide technical support and tools for small-scale enterprises and manufacturers to improve their knowledge and management of toxic chemicals.

India

Fast facts



GDP (Apr-Jun 2022)
+13.5% yoy ▲



Manufacturing PMI (Jun 2022)
55.3 ▲



CPI (Oct 2022)
+6.77% yoy



Merchandise exports (Sep 2022)
+4.9% yoy ▲



Knitwear
-28.2% yoy ▼



Woven garments
-3.3% yoy ▼



Footwear
+23.5% yoy ▲



Furniture
-23.5% yoy ▼



Exchange rate (USD: INR, as of 31 Oct 2022)
82.4 (4.6% depreciation year-to-date)

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: Ministry of Commerce & Industry, Ministry of Statistics and Programme Implementation, IHS Markit, International Monetary Fund

12-Month Sourcing Outlook: Slightly Negative

The Reserve Bank of India recently cut the growth projection of the country for the current fiscal year (April 2022 to March 2023, hereafter FY2023) from 7.2% to 7.0%. The International Monetary Fund (IMF) on 1 November also trimmed India's FY2023 growth forecast from its July projection of 7.4% to 6.8%. Many other agencies have been lowering their India forecast in recent weeks. The weakened global demand and persistent inflationary pressures added uncertainties to the Indian economic recovery.

Even so, manufacturing activities in India continued to show resilience in October. The seasonally-adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) in October edged up to 55.3 from 55.1 in the previous month, an improvement in overall operating conditions for the 16th straight month.

India

Latest Developments

FBIC's take

Macroeconomic Trends

In October, India's exports plunged by 16.7% yoy to US\$29.8 billion, the first contraction since February 2021 and the worst slide since May 2020.

During the same month, imports of the country increased by 5.6% yoy to US\$56.7 billion. The trade deficit in October widened to US\$26.9 billion from US\$25.7 billion in September.

- Strong external headwinds like worsening global trade conditions, rising inflation, high currency volatility, and geopolitical tensions weighed on India's exports.
- 24 out of 30 key sectors recorded decline in exports in October, including gems and jewelry (down by 21.6% yoy), engineering goods (21.3%), textiles and garments (21.2%), chemicals (16.4%), petroleum goods (11.3%), and pharmaceuticals (9.2%), etc.

Policies & Regulations

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.
- According to the preliminary data released on 3 October, India's exports in September dropped by 3.5% yoy to US\$ 32.6 billion. However, the revised data released on 14 October showed that the exports grew by 4.8% yoy to US\$ 35.5 billion. Some variations in export growth rates were also seen in the previous months.
- Government officials commented that the data variations were due to the delay in data collection from non-EDI portals and some special economic zones.

India

Latest Developments

FBIC's take

Policies & Regulations

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.

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.

- According to the latest available World Bank's Logistics Performance Index (LPI), India ranked 44th out of 160 countries in 2018. India's logistics costs as a percentage of GDP stood at around 14%, compared with the global best practices of 8-9%.
- 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.

Pakistan

Fast facts



Quantum index of large-scale manufacturing
(Sep 2022)
+0.01% yoy ▼



CPI (Oct 2022)
+26.6% yoy



Exchange rate (USD: PKR, as of 31 Oct 2022)
220.2162 (19.9% depreciation year-to-date)



Merchandise exports (Sep 2022)
+1.5% yoy ▼



Garments
+7.4% yoy ▼



Bed linen
-2.8% yoy ▼



Towels
+8.2% yoy ▲



Leather products
+15.0% yoy ▼

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: Pakistan Bureau of Statistics, State Bank of Pakistan

12-Month Sourcing Outlook: Negative

Pakistan's economy is falling to a lower growth trajectory since the start of fiscal year 2023 (July 2022 to June 2023, hereafter FY2023). The Large Scale Manufacturing Industries output decreased by 0.4% yoy during July-September 2022, and exports increased by a mere 0.9% yoy in the first four months of the current fiscal year. The slowdown in global economic growth along with higher commodity prices is badly damaging the export performance of Pakistan to its main trading partners, which is expected to result in a further decline of export growth. Additionally, Pakistan's inflation rate hit 26.6% in October, bringing the average inflation in July-October 2022 to 25.5%, which is more than double the official target of 11.5% for the current fiscal year.

The World Bank, in its October 2022 *Pakistan Development Update*, sets Pakistan's economic growth in FY2023 at 2%, down from its previous forecast of 4.0% in April. The slower growth will reflect damages and disruptions caused by the catastrophic floods following the historic monsoon rains in July and August, a tight monetary stance, high inflation, and a less conducive global environment.

Pakistan

Latest Developments

FBIC's take

Macroeconomic Trends

Pakistan's exports increased by 0.9% yoy in the first four months of FY2023 (July-Oct 2022) to US\$9.5 billion. In October alone, exports shrank 3.8% yoy to US\$2.4 billion.

In the first quarter of FY2023 (July-September 2022), textile exports rose 3.7% yoy to US\$4.6 billion, accounting for 63.8% of Pakistan's total export value in the period.

Imports in the same quarter dropped 21.4% yoy to US\$16.3 billion – a result of the government's efforts in reduce the soaring trade deficits of the country.

Net Foreign Direct Investment (FDI) inflows into Pakistan were US\$253.4 million in the first quarter of FY2023 (July-September 2022), a 47.1% yoy drop from US\$479.2 million in the same period of the previous fiscal year. Net FDI inflows decreased by 66.4% yoy in September alone, to US\$83.9 million.

During the period from July to September 2022, the power sector (thermal, hydro, and coal generation) attracted the highest FDI of US\$126.5 million (49.9% of the total value of net FDI inflows), followed by the financial business sector (US\$74.4 million, 29.4%), oil & gas explorations (US\$16.0 million, 6.3%), and cosmetics (US\$13.8 million, 5.4%), as data from the State Bank of Pakistan showed.

United Arab Emirates was the largest foreign investor in Pakistan during this period: its investment was US\$59.7 million, accounting for 23.6% of the total value of net FDI inflows. China was the second largest foreign investor during this period (US\$57.2 million, 22.6%), followed by Switzerland (US\$34.9 million, 13.8%), the Netherlands (US\$23.2 million, 9.2%), and Germany (US\$15.5 million, 6.1%).

- Pakistan's exports posted a negative year-on-year growth both in July and in October, resulting in a meagre year-on-year growth of less than 1% in the first four months of the current fiscal year (July-Oct 2022). The weak world economy and the deadly floods in Pakistan are the key factors for the poor export performance.
- Pakistan Apparel Forum Chairman Jawed Bilwani said that difficulties facing the export sector also came from the exchange rate instability, the interruption in gas supply to the export sector, as well as the discontinuation of duty drawback on local taxes and levies by the government that had created liquidity problem for the export sector.

- The plunge in net FDI inflows in the first quarter of FY2023 resulted from a nearly halved FDI inflow (-46.8% yoy) and a more than doubled FDI outflow (130.7% yoy) comparing with the same period of the previous fiscal year. This reflects foreign investors' worries regarding the uncertain political environment caused by the continued wrestling between the current and previous prime ministers, the ongoing strain on the balance-of-payments, and the weak economic prospect of the country.
- The good news is that, in October, Pakistan was removed from the Financial Action Task Force's grey list of countries with high risk of money laundering and 'terrorism' financing, which is believed to have restored the confidence of international financial institutions, help attract foreign direct investment, promote exports, and improve credit ratings for the country.

Pakistan

Latest Developments

FBIC's take

Industry Development

On 1 November 2022, Tata Textile Mills Limited (TTML), a leading textile firm in Pakistan, announced that it will use Oracle Fusion Cloud Enterprise Resource Planning (ERP) system to manage its operations across its textile and meat manufacturing facilities.

Current operations at TTML rely on a combination of customised and standard legacy solutions and manual processes, which are rather obsolete. The company hopes that the complete, modern cloud ERP suite will give them a consistent view across its business and therefore improve the company's productivity and flexibility.

The system is expected to go live at TTML by early 2023.

- Enterprise resource planning (ERP) is a type of software that organizations use to manage day-to-day business activities such as accounting, procurement, project management, risk management, compliance, and supply chain operations.
- By adopting a cutting-edge cloud technology to revolutionize its management model, the company sets a benchmark for the digital transformation of Pakistan's textile industry.

FTAs, Trade Preferences and Investment Agreements

On 12 August 2022, Pakistan and Turkey signed a Preferential Trade Agreement (PTA) to promote trade liberalization and enhance bilateral trade.

The PTA includes comprehensive provisions on bilateral safeguards, balance-of-payments exceptions, dispute settlement, and a periodic review of the agreement.

- Under the PTA, Turkey offers concessions to Pakistan on 261 tariff lines, while Pakistan offers concessions to Turkey on 130 tariff lines.
- It should be noted that the total trade between Pakistan and Turkey was US\$883 million in FY2022 (July 2021 to June 2022), with Pakistan's exports to Turkey amounting to US\$366 million and Pakistan's imports from Turkey amounting to US\$517 million.

Turkey

Fast facts



GDP (Apr–Jun 2022)
+7.6% yoy ▲



Manufacturing PMI (Oct 2022)
46.4 ▼



CPI (Oct 2022)
+85.51% yoy



Merchandise exports (Sep 2022)
+9.2% yoy ▼



Knitwear
-1.3% yoy ▼



Woven garments
+3.8% yoy ▼



Furniture
+12.4% yoy ▼



Exchange rate (USD: TRY, as of 31 Oct 2022)
18.588 (30.2% depreciation year-to-date)

Note: Arrows indicate an improvement (▲) or deterioration (▼) compared to the previous period

Source: Turkish Statistical Institute, IHS Markit, Central Bank of the Republic of Turkey

12-Month Sourcing Outlook: Slightly Positive

Turkey's GDP in the second quarter of 2022 expanded by 7.6% yoy. Net export was a significant contributor and accounted for about 2.7 percentage points, or 36.1%, of the GDP growth in the second quarter. The first quarter of 2022 also showed a strong GDP growth of 7.5% yoy. GDP growth figures in both quarters have beaten market forecasts. In November, Moody's has revised its full-year GDP growth forecast for Turkey yet again to 5.3% up from 4.5% - which was originally revised upwards in late August from 3.5%. According to Turkey's Treasury and Finance Minister Nureddin Nebati, the growth in 2022 should be 5% amid global slowdown.

There are global uncertainties that lie ahead, especially with the deteriorating import demand from Europe, Turkey's key export market. Trends show more difficulties for Turkish manufacturers to obtain new orders from export markets for the remaining of 2022. Nevertheless, Turkey is still projected to achieve US\$250 billion of exports in 2022, up from the US\$225.2 billion achieved in 2021, according to Turkish government officials.

Turkey

Latest Developments

FBIC's take

Macroeconomic Trends

In September, Turkey's exports increased by 9.15% yoy to US\$22.6 billion, and imports rose by 38.1% yoy to US\$32.2 billion. The trade deficit for September surged by 268.1% yoy to US\$9.6 billion.

From January to September, exports increased by 17.0% yoy to US\$188.2 billion, and imports shot by 40.4% yoy to US\$271.2 billion. The trade deficit for this nine-month period jumped by 156.3% yoy to US\$83.1 billion.

Annual inflation in Turkey reached a 24 year high of 85.5% in October 2022 and a month-on-month increase of 3.54% in October versus September's CPI figures.

Amid the high inflation, the Turkish Central Bank, CBRT, reduced its one-week repo rate by 150-basis points from 12% to 10.5% in October.

Turkey's FDI inflows for the first half of 2022 was US\$5.5 billion, a 21% yoy increase.

- During the first nine months of 2022, the increase in energy imports, which surged by 132.2% yoy to US\$73.1 billion, was the primary cause of the widened trade deficit.
- In the January to September period, the largest export partners for Turkey were Germany (US\$15.7 billion), the US (US\$12.7 billion), Iraq (US\$9.9 billion), the UK (US\$9.8 billion), and Italy (US\$9.3 billion). These top five countries accounted for 30.5% of total exports of Turkey during this nine-month period.
- In terms of exports by category, Turkey's exports of knitwear and woven garments had a growth of 0.8% yoy to US\$1.8 billion in September, and a growth of 10.7% yoy to a record-breaking US\$14.8 billion in the first nine months of 2022.

- The largest year-on-year increases in October by expenditure group were in transportation (117.1%), food and non-alcoholic beverages (99.1%), and furnishings and household equipment (93.6%). The growth rates for these three sub-categories were higher than the general CPI of 85.5%.
- The CBRT explained that the 150 basis point rate cut in October was necessary to provide for a financial environment that was supportive of growth. Turkish President Erdoğan has reemphasized that the rate will continue to be reduced.
- According to the CBRT, inflation is expected to drop to 65.2% by end of 2022 (revised up from 60.4%) and is expected to drop to 22.3% at the end of 2023 (revised up from 19.2%).

- The top sources of investments came from the Netherlands (US\$590 million), followed by Switzerland (US\$513 million), and Germany (US\$211 million). In terms of industry, the manufacturing and wholesale/retail trade sector were the top recipients of the FDI and accounted for 31% of the total FDI during the first half of 2022.
- Also in the first half of 2022, Turkey's early stage and later stage technology ventures/startups received US\$1.4 billion in investments, totaling 140 deals.
- In 2021, Turkey received a total FDI of US\$14.2 billion, and in 2020, US\$8 billion.

Turkey

Latest Developments

FBIC's take

Industry Development

Earlier in November 2022, Turkey's Independent Industrialists and Businessmen's Association (MÜSIAD) held its 19th edition of the biennial MÜSIAD EXPO, which was estimated to support the development of global trade links worth US\$5 billion through establishing collaboration and investment meetings in production and export.

- The four-day expo which started on 2 November strived to be the trade diplomacy platform for Turkey, and to help bring the country closer to the 2023 export goal of US\$300 billion, set by President Erdoğan.
- Purchasing delegations from 60 countries were present, along with 100,000 participants from 124 countries.

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