

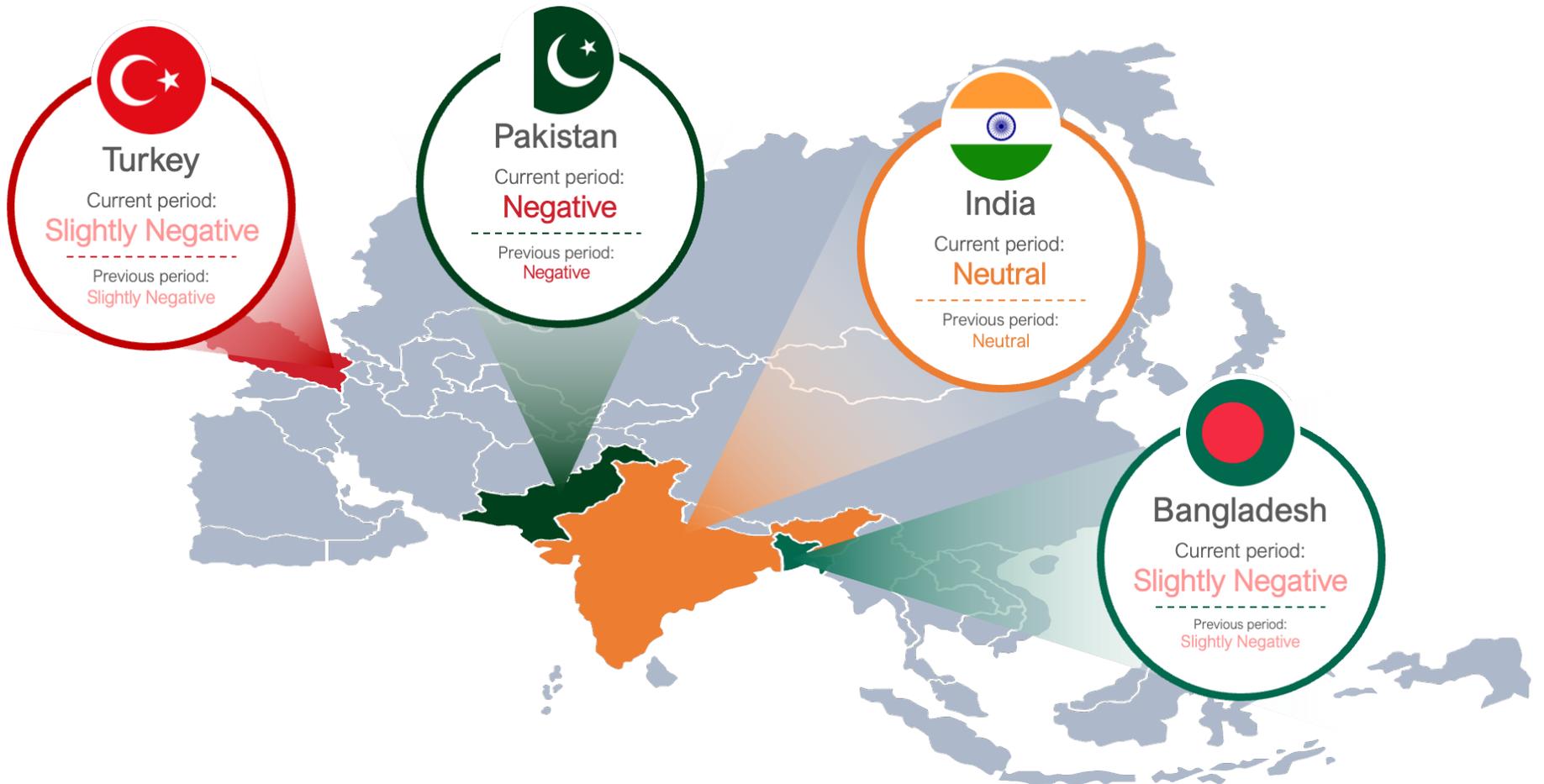
# Asia Sourcing Update

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 (Jan 2023)  
11.0% yoy ▲



CPI (Apr 2023)  
+9.2% yoy



Exchange rate (USD: BDT, as of 30 Apr 2023)  
107 (No depreciation year-to-date)



Merchandise exports (Apr 2023)  
-16.5% yoy ▼



Knitwear  
-13.8% yoy ▼



Woven garments  
-17.5% yoy ▼



Home textiles  
-53.4% yoy ▼



Footwear  
-24.1% 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

Persistent inflation pressures and economic slowdown in major trading partners continue to weigh on the Bangladeshi economy. Inflation in Bangladesh dropped slightly to 9.24% in April from 9.33% in March. Bangladesh's exports in April plunged by 16.5% yoy to US\$3.95 billion, after the 2.4% year-on-year contraction in March. During the first ten months of the current fiscal year (July 2022 – June 2023), however, the country's export earnings maintained a positive year-on-year growth of 5.4% to reach US\$45.7 billion, cushioned by the readymade garments sector.

# Bangladesh

## Latest Developments

## FBIC's take

### Macroeconomic Trends

During July 2022 and April 2023, the first ten months of the current fiscal year, total exports of Bangladesh were US\$45.7 billion, up by 5.4% yoy. Readymade garments (RMG) exports of Bangladesh reached US\$38.6 billion, up by 9.1% yoy, according to the Export Promotion Bureau.

- During the ten-month period, the Bangladeshi RMG exports to the EU were US\$19.2 billion (up 8.6% yoy), followed by the US (US\$6.9 billion, down 7.2% yoy) and the UK (US\$4.2 billion, up 10.1% yoy).
- During the same period, Bangladesh's RMG exports to the non-traditional market surged 30.8% yoy to US\$7 billion. Among the major non-traditional markets, RMG exports to Japan, Australia, and India were US\$1.3 billion (up 40.7% yoy), US\$961.3 million (up 39.1% yoy), and US\$889.1 million (up 50.3% yoy), respectively. RMG exports to South Korea and Mexico also jumped 31.6% yoy to US\$477.8 million and 31.1% yoy to US\$287.7 million, respectively.
- According to Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh is actively working to reduce export dependency from the traditional markets, where the demand is affected by the global economic slowdown, high inflation rate and the Russia-Ukraine conflict, and to diversify its markets to non-traditional ones.

### Industry Development

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.

# Bangladesh

## Latest Developments

## FBIC's take

### Trade Affairs

In April, 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.

- According to the agreement, US\$2 billion worth of exports from each side to the other will be settled in taka or rupee. This amount is similar to the value of total exports of Bangladesh to India, or 14.6% of Bangladesh's imports from India, in the last fiscal year.
- At present, the exchange rate of taka is rather volatile compared with the rupee. It may take several months for the taka to become more stable before the transactions in taka and rupee begin, according to the President of Bangladesh Chamber of Industries, Anwar-ul-Alam Chowdhury Parvez.
- Due to a price hike in commodity goods mainly caused by the Russia-Ukraine conflict, many countries are facing a shrinkage of their forex reserves. Against this backdrop, many countries are turning to alternative currency arrangements in international transactions, to reduce their reliance on the US dollar.

# India

## Fast facts



GDP (Sep-Dec 2022)  
+4.4% yoy ▼



Manufacturing PMI (Apr 2023)  
57.2 ▲



CPI (Apr 2023)  
+4.7% yoy



Merchandise exports (Mar 2023)  
-13.9% yoy ▼



Knitwear  
-28.6% yoy ▼



Woven garments  
7.1% yoy ▼



Footwear  
-17.7% yoy ▼



Furniture  
-27.2% yoy ▼



Exchange rate (USD: INR, as of 30 Apr 2023)  
81.8 (1.22% appreciation 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: Neutral

India's purchasing managers' index (PMI) for manufacturing in April increased to 57.2 from 56.4 in March, driven by new orders and output, reflecting a more favourable operating condition across India's manufacturing industry. Moreover, the wholesale price index in March fell to a 29-month low at 1.34% from 3.85% in February, due to a price contraction in manufacturing goods and softening fuel costs. However, both the imports and exports of India in March slumped by 7.9% and 13.9% yoy, respectively. It is expected that export growth will slow down further in the coming months given that trade headwinds, including a slowdown in demand from developed economies and the recent recovery of Indian rupee, will continue to weigh on India's economy.

# India

## Latest Developments

## FBIC's take

### Macroeconomic Trends

In March, India's exports plunged 13.9% yoy to US\$38.4 billion, and imports dropped 7.9% yoy to US\$58.1 billion.

For the 2022-2023 fiscal year (April 2022-March 2023), India's exports still increased by 6% yoy to US\$447.5 billion, thanks to solid growth in the first half of the fiscal year. Imports of the country also surged by 16.5% yoy to US\$714.2 billion in the fiscal year.

- The slump in imports and exports of the country in March reflected the trade headwinds such as global demand slow down that have weighed on India's economy.
- Major export items recorded a dip in March, including petroleum products (-44.6%), plastics and linoleum (-16.2%), gems and jewelry (-21.6%), engineering goods (-0.16%), and cotton yarn (-17.9%).
- With the Indian rupee strengthening in recent days, the currency advantage of India has weakened. A further slow down in India's export growth is expected.

### FTAs, Trade Preferences and Investment Agreements

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.
- India-Russia trade has already witnessed a dramatic increase since last fiscal year when India's imports from Russia grew over four times to US\$46.3 billion. The increase was mainly driven by a jump in India's imports of discounted Russian crude oil.
- The Indian government also holds FTA talks with the UK and the EU. The step-up of India-Russia trade relations may potentially create tensions between India and the West, especially when India is preparing to host the G20 summit in Delhi this autumn.

# India

## Latest Developments

## FBIC's take

### Labour and 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 Indian 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.
- Compared with other states, Delhi's workers receive the 'highest' minimum wage. The adjustment of minimum wage will help relieve the working class from the impact of inflation.

### Other Topic

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.
- 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.

# Pakistan

## Fast facts



Quantum index of large-scale manufacturing  
(Mar 2023)  
-25.0% yoy ▼



CPI (Apr 2023)  
+36.4% yoy



Exchange rate (USD: PKR, as of 28 Apr 2023)  
283.6286 (20.2% depreciation year-to-date)



Merchandise exports (Mar 2023)  
-14.6% yoy ▲



Garments  
-23.6% yoy ▲



Bed linen  
-24.6% yoy ▲



Towels  
-23.4% yoy ▼



Leather products  
-1.9% 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 path since the start of fiscal year 2023 (July 2022 to June 2023, hereafter FY2023) and has further worsened this year due to ongoing domestic political turmoil. In March, the Large Scale Manufacturing Industries output slumped by 25.0% yoy, resulting in a decrease of 8.1% yoy in the first nine months of FY2023. Exports decreased by 9.9% yoy in the first nine months of the same fiscal year. Inflation rate soared to a record high of 36.4% yoy in April and is expected to remain on average at 28.5% in FY2023. On 4 April 2023, Pakistan's central bank raised its key interest rate to 21%, its highest-ever level, to curb soaring consumer prices, but such a prohibitive high rate will pose tremendous difficulties for economic activities in the country.

Meanwhile, the country has been in a debt crisis with an external debt stock of 20.3 trillion rupees (about US\$71.6 billion) in February 2023. In the last two months of FY2023, the country has to repay US\$3.7 billion of external debt, while the foreign exchange reserves held by the central bank was US\$4.5 billion on 28 April, only enough to cover one month of imports.

There is no short-term remedy for all these problems, so it will take some time for the country to bring its economy back on track.

# Pakistan

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Pakistan's exports were down 9.9% yoy to US\$21.1 billion during the period of July 2022 to March 2023, the first nine months of FY2023. In March 2023 alone, exports shrank 14.6% yoy to US\$2.4 billion.

Textile exports, the biggest export sector of Pakistan, fell 12.4% yoy to US\$12.5 billion in July 2022 - March 2023, but still accounted for 59.3% of Pakistan's total export value in the period.

The US remained the top export destination of Pakistani products in July 2022 - March 2023, followed by China and the UK. Pakistani exports to the three countries registered US\$4.5 billion, US\$1.52 billion, and US\$1.49 billion respectively during this period.

During the same nine-month period, imports decreased by 25.4% yoy to US\$43.9 billion.

- Pakistan's exports shrank for the sixth month in a row in March amidst the global economic slow down. The domestic political turmoil has also reduced foreign buyers' confidence in the ability of Pakistani companies to ship orders on time. The country's exporters have been forced to take orders at a 10% discount to the rates offered by their regional counterparts, such as India, according to an industry leader of the country.
- Meanwhile, Pakistan's trade deficit has narrowed by 35.6% yoy to US\$22.9 billion in July 2022 - March 2023, a result of the government's strict measures to limit imports.

# Pakistan

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Net FDI inflows into Pakistan were US\$1,170.1 million during the period of July 2022 to April 2023, a 23.2% yoy drop from US\$1,523.7 million in the same period of the previous year. In April 2023 alone, net FDI inflows decreased by 28.7% yoy to US\$121.6 million.

During the July 2022 - April 2023 period, the power sector (thermal, hydro, and coal generation) attracted the highest FDI of US\$504.1 million (43.1% of the total value of net FDI inflows), followed by the financial business sector (US\$264.5 million, 22.6%), oil & gas explorations (US\$128.2 million, 11.0%), and transport equipment (US\$101.9 million, 8.7%), 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\$347.6 million, accounting for 29.7% of the total value of net FDI inflows. Japan was the second largest foreign investor during this period (US\$162.9 million, 13.9%), followed by Switzerland (US\$131.6 million, 11.2%), United Arab Emirates (US\$113.6 million, 9.7%), and Hong Kong SAR, China (US\$81.3 million, 7.0%).

- The continued decrease in net FDI inflows in the current fiscal year shows that foreign investors are worried about 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 also reduce investor confidence.
- China, the largest investor in Pakistan, is helping the country to tackle its debt crisis and stabilize its currency value. In March, China rolled over a US\$2 billion loan to Pakistan that had matured in the month. This also helped Pakistan to meet one of the requirements set by the IMF for releasing its delayed US\$1.1 billion tranche of funding to the cash-strapped country.
- It is expected that overall investment inflows to Pakistan in 2023 will remain limited given the macroeconomic fragility and political uncertainty in the country.

# Pakistan

## Latest Developments

## FBIC's take

### FTAs, Trade Preferences and Investment Agreements

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 has 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 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.

- The Pakistan-Turkey PTA was signed on 12 August 2022, after 14 rounds of bilateral negotiations since the two countries signed a framework trade agreement on 22 March 2016.
- At present, Pakistan's export value under the 261 tariff lines accounts for about 16% of Pakistan's total exports to the world and 67.1% of Turkey's total imports of these goods from the world. As for the 123 duty-free tariff lines, the exports of Pakistan accounts for about 18.2% of Turkey's total imports of these goods from the world.
- The two countries hope that the PTA could help increase bilateral trade to US\$5 billion from the current US\$883 million (of fiscal year 2022, July 2021 to June 2022).

# Turkey

## Fast facts



GDP (Oct–Dec 2022)  
+3.5% yoy ▼



Manufacturing PMI (Apr 2023)  
51.5 ▲



CPI (Apr 2023)  
+43.68% yoy



Merchandise exports (Mar 2023)  
+4.4% yoy ▲



Knitwear  
+1.2% yoy ▲



Woven garments  
+5.6% yoy ▲



Furniture  
+1.0% yoy ▲



Exchange rate (USD: TRY, as of 28 Apr 2023)  
19.4103 (3.7% 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 Negative

Turkey's President Erdogan has won Turkey's presidential election, announced by the country's Supreme Election Council on 28 May.

Inflation and other economic challenges will continue to be the top concerns during Erdogan's new tenure. Turkey's inflation rate slowed to 43.7% in April, but was still extremely high. The depreciated Lira of 19.56 against the US dollar (losing another 4.4% year-to-date as of 15 May) has impacted the country's forex reserves. The Turkish government is also dealing with the aftermath of two catastrophic earthquakes in February that claimed 50,000 lives, causing hundreds of billions of dollars in damages and disrupting the production and export sectors.

President Erdogan has stated that he would continue with the 'low interest rate high growth model', which is aimed at boosting jobs and supporting production and export. Some analysts therefore fear that Turkey's economic crisis will deepen during Erdogan's third term.

# Turkey

## Latest Developments

## FBIC's take

### Macroeconomic Trends

In March, Turkey's exports increased by 4.4% yoy to US\$23.6 billion, and imports rose by 3.4% yoy to US\$32.0 billion. The trade deficit for March grew by 0.9% yoy to US\$8.3 billion. In terms of exports by category, Turkey's exports of knitwear and woven garments had a growth of 3.2% yoy to US\$1.9 billion in March.

From January to March of 2023, Turkey's exports increased by 2.5% yoy to US\$61.6 billion, and imports shot by 11.1% yoy to US\$96.2 billion. The trade deficit for this three-month period jumped by 30.7% yoy to US\$34.7 billion.

In April, Turkey's exports fell by 17.1% yoy to \$19.3 billion, largely attributable to the fewer working days in the month due to the Ramadan holiday.

Turkish year-on-year inflation fell for a sixth consecutive month to 43.7% in April. The consumer price index increased 2.4% in April over the previous month.

Amid the high inflation, the Turkish Central Bank (CBRT) has maintained its one-week repo rate at 8.5% since February. Turkish President Erdogan has promised to further reduce interest rates if re-elected.

- Due to disruptive impact of the twin earthquakes, February's exports saw a 6.5% yoy drop to US\$18.6 billion; however, Turkey still managed to achieve an all-time high export figure in March. The decrease in exports in April should be short-term and temporary.
- During the first quarter of the year, the largest export partners for Turkey were Germany (with an export earnings of US\$5.5 billion), the US (US\$3.7 billion), Italy (US\$3.2 billion), Russia (US\$3.1 billion), and the UK (US\$2.9 billion). These top five countries accounted for 30.0% of total exports of Turkey in the first three months.

- April's year-on-year inflation rate has dropped 42 points since October 2022, when it hit a 24-year high of 85.5%.
- The CBRT announced in early May that it would stick to its inflation forecast of 22.3% yoy for 2023 – less than half of market expectations – and 8.8% for 2024.

# Turkey

## Latest Developments

## FBIC's take

|                      | Latest Developments   | FBIC's take   |
|----------------------|---|---|
| Industry Development | <p>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 centers 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.</p> | <ul style="list-style-type: none"> <li>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.</li> <li>The IFC is located in the Ümraniye district on Istanbul's Asian side.</li> </ul>  |
|                      | <p>Trendyol, the leading e-commerce platforms in Turkey, and also Turkey's first decacorn (valuation surpassing US\$10 billion), is expanding to Azerbaijan. This will bolster trade between the two countries, improve logistics and e-commerce infrastructure, and contribute to cross-border trade and economic growth within the region.</p>  | <ul style="list-style-type: none"> <li>Azerbaijan is Trendyol's second market expansion destination. The first was Germany in 2022, helping Trendyol to enter the European market. Trendyol plans to launch in the UK, Luxembourg and the Netherlands in the near future.</li> <li>Turkey continues to develop as a strategic trade location for the Middle East 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.</li> <li>Alibaba, China's e-commerce giant, holds 86.5% share of Trendyol.</li> </ul>   |
| Other Topic          | <p>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 reserves are estimated to contribute US\$2.9 billion to the Turkish economy annually.</p>   | <ul style="list-style-type: none"> <li>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.</li> <li>The oil is located at a depth of 2,600 meters and will be extracted from 100 different wells.</li> <li>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.</li> </ul> |

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