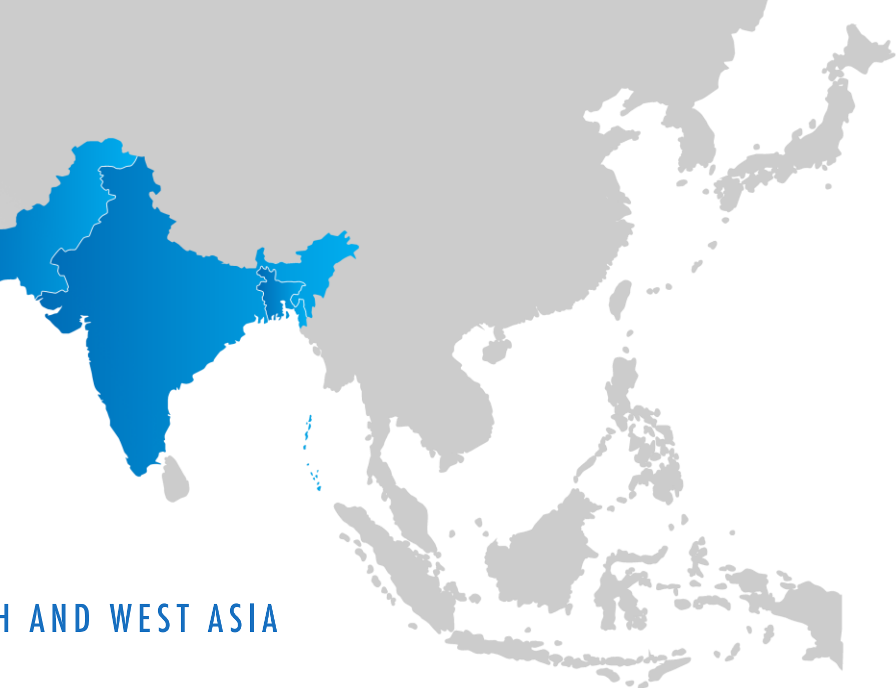
ASIA SOURCING UPDATE



SOUTHEAST ASIA | **SOUTH AND WEST ASIA**

NOVEMBER 2017

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IN THE NEWS

BANGLADESH

EXPORTS GROW BY 7.03% YOY IN JULY - OCTOBER

Bangladesh's exports in the first four months of the current fiscal year (July 2017 - June 2018) grew 7.03% yoy to US$11.51 billion, according to the Export Promotion Bureau (EPB) data released on 9 November. In the month of October, the country's exports reached US$2.84 billion, up 6.42% compared to a year ago.

An EPB official said that the pace of export growth edged down in the four-month period following dull performance of the readymade garment (RMG) export sector, which recorded a total export value of US$9.44 billion during the period, up 6.99% yoy.

A further breakdown of the statistics of RMG exports shows that, in July-October, knitwear exports grew 9.95% yoy to US$4.99 billion, while exports of woven garments increased 3.85% yoy to US$4.45 billion.

The knitwear sub-sector achieved a satisfactory growth while the woven sub-sector was struggling as buyers cut volume of orders due to exporters' failure to ship products in time, Mahmud Hasan Khan Babu, vice-president of the Bangladesh Garment Manufacturers and Exporters Association, told the local media *New Age*.

Expressing his worries over the future of the woven sub-sector, Babu said that without an efficient port and a strong upstream industry, the growth of the woven sector would not rebound. He explained that when importing woven fabrics, shipment takes a long time and buyers and brands have to pay extra shipment charge due to congestions at the Chittagong port. The additional shipment charge and time led to higher cost for producing woven garments in Bangladesh, Babu said.

BANGLADESH

GOVERNMENT TO RELAX RULES ON TRADE UNIONS

Under pressure from the international community and labour rights groups, the government has agreed to ease the requirements for forming trade unions at factories in the next amendment of the Labour Law.

At present, signatures of at least 30% of the workers in a factory are needed to form a trade union – an uphill task for union leaders. Furthermore, many workers do not want to participate in the election process of trade unions out of fear of getting sacked.

Under the proposed amendments, the requisite number of signatories is 20% for factories with more than 7,500 workers, 24% for units with 5,001-7,500 workers, 27% for units with 2,001-5,000 workers, and 30% for factories with up to 2,000 workers. The relaxation on thresholds is a response to feedbacks from the International Labour Organisation (ILO) on the previous draft of the amended Labour Law, which Bangladesh put forth in August.

The decision was made on 21 November, a day before the three-week long meeting of the Committee of Experts on the Application of Conventions and Recommendations (CEACR) of the ILO commenced in Geneva. The purpose of the meeting was to review labour practices in various countries including Bangladesh. The CEACR will provide its feedback on the proposed amendments of the Labour Law in February next year, said an official of the ILO's Dhaka office.

The European Commission has been repeatedly pressing the Bangladeshi government to address the ILO's recommendations within the set timeframe to avoid temporary withdrawal of its Generalised Scheme of Preference (GSP) facility.

BANGLADESH

MARKS AND SPENCER TO SCALE UP SOURCING FROM BANGLADESH

Marks and Spencer is planning to raise its sourcing from Bangladesh, announced the company's chief executive officer Steve Rowe at a press conference on 24 November in Dhaka.

Rowe acknowledged Bangladesh's progress in facilities, skills and infrastructure. Responding to a question, however, he said that infrastructure remained a challenge that needed to be addressed.

Currently, the company is sourcing from some 79 factories in Bangladesh. The company has targeted to raise their imports from Bangladesh to US$1.0 billion from the existing US$800 million, relying on more production of value-added apparel items in the country. ■

INDIA

EXPORTS IN OCTOBER RECORD THE FIRST CONTRACTION SINCE AUGUST 2016

India's exports dropped by 1.1% yoy to US$23.1 billion in October, the first year-on-year contraction since August 2016, according to data released by the Ministry of Commerce and Industry. In the first seven months of the current fiscal year (April 2017 – March 2018), exports recorded an impressive growth of 9.6% yoy in US dollar terms.

Despite a revival in global demand, Indian exporters have been unable to meet export orders as their working capital was tied up under the new Goods and Services Tax (GST) regime, *Reuters* reported. 'The refund of inputs tax credit under the new GST system has been stuck since July, hitting exports,' said Ganesh Kumar Gupta, president of Federation of Indian Export Organisations.

In October, 12 of the 30 major export categories registered a year-on-year decline, led by readymade garments (-39.2%), carpets (-31.3%), fruits and vegetables (-27.5%), gems and jewellery (-24.5%), and leather and leather products (-9.8%).

The country's imports increased by 7.6% from a year earlier to US$37.1 billion in October, bringing the monthly trade deficit to US$14.0 billion – the highest in nearly three years.

INDIA

LEADING TEXTILE AND GARMENT PLAYERS GRASIM AND ARVIND ANNOUNCE INVESTMENT IN GUJARAT

In October, India's two leading textile and garment players, Grasim Industries Limited (Grasim) and Arvind Limited (Arvind) announced separately their investment plans in India's western state of Gujarat.

Grasim, Aditya Birla Group's textile arm, has signed an agreement with the Gujarat government to invest 4,100 crore rupees (equivalent to around US$630 million) to build two manmade fibre facilities in the state, one located in Bharuch district and the other in Surat. The new plants are expected to become operational in 2018 and 2020, respectively, generating employment for about 1,300 people together.

In a separate announcement, Arvind, a vertically integrated textile and branded apparel conglomerate in India, said it plans to set up a mega apparel factory in Dahegam, Gandhinagar, with a proposed investment of 300 crore rupees (equivalent to around US$46 million) and a capacity to produce 24 million pieces of garments per annum once it is fully operational. The apparel facility is expected to commence commercial production in the fourth quarter of 2018, creating 10,000 jobs for local people.

These two textile and apparel projects were unveiled following the Gujarat government's announcement of the Garments and Apparel Policy 2017. The policy envisages the establishment of a complete textile and garment value chain of 5Fs – from farm to fibre, fibre to fabric, fabric to fashion, and fashion to foreign markets. Under the policy, new garment enterprises that have at least 150 machines and 300 employees are eligible for payroll subsidies provided by the state government for a period of five years.

INDIA

INDIA AND THE EU HOLD DISCUSSIONS ON THE LONG-STALLED FTA

After the conclusion of the 14th EU-India Summit, chief negotiators of India and the EU held discussions in mid-November on the proposed free trade agreement, known officially as the Broad-based Trade and Investment Agreement (BTIA), on which negotiations have been held up since May 2013.

According to India's Department of Commerce, apart from the overall discussion on the way forward, both sides engaged productively during the meeting to address crucial issues and expressed willingness to work in a time-bound manner. Although no specific date to relaunch the negotiation has been fixed so far, the bilateral discussion on the BTIA made an important step forward to break the deadlock.

Launched in June 2007, negotiations on the proposed BTIA have been impeded by major differences on key issues such as intellectual property rights, improved market access for certain goods and services, and movement of professionals. Specifically, India seeks a 'data secure nation' status to be granted by the EU, which is crucial for the Indian IT companies to access the EU market, while the EU is asking for huge duty cuts from India on assembled vehicles, wine and spirits. ■

PAKISTAN

2016-17 FINANCIAL YEAR RECORDS THE HIGHEST GDP GROWTH IN A DECADE

In its biannual *Pakistan Development Update* released in November, the World Bank said the country's economic growth accelerated from 4.5% yoy in the previous financial year to 5.3% yoy in the 2016-17 financial year (July 2016 – June 2017) – the highest growth in a decade – and could reach 5.5% and 5.8% in the current and next financial year, respectively.

The robust economic performance was attributed to strong private consumption, recovery in agriculture, vibrancy in the service sector and a relatively stable and secure environment. Moreover, projects under the China-Pakistan Economic Corridor (CPEC) led to a surge in foreign direct investments (FDI). On the contrary, sluggish private investment, widening current account deficit and fiscal deficit, and declining remittances are posing challenges to Pakistan's economy.

On the supply side, the service sector continued to be the economy's mainstay with a contribution of 60%, while the agriculture and industry sectors each accounted for 20%. While growth in the industry sector slowed down in the 2016-17 financial year, the manufacturing industry – the largest component of the industry sector – expanded at a faster rate, bolstered by strong growth in industries such as sugar, steel products, electronics and tractors.

'Pakistan has made good progress in making its economy more stable in recent years,' said Illango Patchamuthu, World Bank Country Director for Pakistan. 'In order to sustain this hard-won achievement, Pakistan will need to continue with economic reforms and pursue policies that make the country compete better in global markets.'

PAKISTAN

LONG-TERM PLAN OF THE CHINA-PAKISTAN ECONOMIC CORRIDOR APPROVED

The seventh meeting of the Joint Coordination Committee (JCC) of the China-Pakistan Economic Corridor (CPEC), co-chaired by Pakistan's Federal Minister of Planning, Development and Reform Ahsan Iqbal and Vice Chairman of China's National Development and Reform Commission Wang Xiaotao, was held during 20-21 November in Islamabad.

The meeting witnessed the approval of the Long-Term Plan (LTP) of the CPEC (2017-2030); however, no concrete decisions were made over key infrastructure projects, including the ML-1 (Karachi–Peshawar Railway Line), nine special economic zones (SEZs) and the Karachi Circular Railway (KCR), reported local newspaper *The Nation*.

The LTP is expected to translate the cooperation plans of both sides into one policy document, and will expand the scope of bilateral cooperation to cover new areas, such as agriculture, industrial development, information technology, education and the healthcare sector. The LTP, which lays the foundation of cooperation in various socio-economic areas, will become the most critical element of the China-Pakistan relationship.

Although no agreements were signed on ML-1, SEZs or KCR during the meeting, the China side agreed to review the feasibility studies or conduct fresh studies on those projects before making any decisions. Regarding the proposal of allowing the usage of the Chinese yuan in the Gwadar Free Zone, Iqbal said they were discussing an alternative plan with the State Bank of Pakistan to allow transactions in the Chinese currency for the import of machinery.

PAKISTAN

SKYROCKETING DOMESTIC COTTON YARN PRICES HIT TEXTILE AND GARMENT SECTOR

The Pakistan Apparel Forum (PAF), a representative body of 12 segments of the textile and garment sector, warned that the almost 20% rise in domestic cotton yarn prices recently could have a serious impact on the sector and put the government's efforts to boost exports in vain.

During the July-September quarter, Pakistan's cotton yarn exports stood at 123,346 tonnes with a value of US$320,942, whereas the country exported 107,122 tonnes of cotton yarn with a value of US$306,958 in the same period last year, showing an increase of 15.1% in quantity and 4.6% in US dollar terms.

Quoting the figures, Muhammad Jawed Bilwani, chairman of the PAF, said a huge quantity of cotton yarn was shipped overseas at low prices, causing a short supply and price rise of cotton yarn in the domestic market. The 4% duty drawback provided by the government on exports of yarn was the major motive for domestic yarn manufacturers to sell aboard. Bilwani added that those yarn available in the domestic market was of low quality, and cannot be used for export purposes.

Bilwani maintained that the government was responsible for the crisis of cotton yarn. He urged the government to amend its incentive policy and provide the 4% duty drawback to indirect export of cotton yarn (selling yarn domestically to textile and garment exporters for value addition) instead of direct export of this basic material. ■

TURKEY

INFLATION JUMPS TO NINE-YEAR PEAK IN OCTOBER

Turkey's consumer price-based inflation rose from 11.20% yoy in September to 11.90% yoy in October, the highest rate in nine years, according to a press release from the Turkish Statistical Institute. On a month-on-month basis, consumer price index (CPI) increased by 2.08% yoy in October.

The acceleration of inflation was mainly driven by sharp increases in prices of transportation and food. On a year-on-year basis, ten out of the 12 expenditure groups in the CPI basket recorded double-digit growth in prices, led by 'transportation' (+16.79%), 'food and non-alcoholic beverages' (+12.74%), and 'miscellaneous goods and services' (+12.63%).

In early November, central bank governor Murat Çetinkaya said at a press conference that higher inflation would be seen in October and November due to a number of risk factors, while inflation would ease in December and later due to the base effect. The central bank revised its inflation targets upwards to 9.8% from 8.7% for 2017, and to 7% from 6.4% for 2018, citing a weak lira and rising oil prices. It would maintain a tight monetary policy until the inflation outlook improves in line with targets.

TURKEY

LIRA SLIDES TO RECORD LOW AMID RISING TENSIONS WITH THE US

The Turkish lira plunged to a historic low of 3.98 against the US dollar on 21 November, as investors were worried about the deteriorating relationship between Ankara and Washington. The depreciation was triggered by the delay of an impending trial in the US against two Turkish men – one gold trader and one top banker – on defying US sanctions on Iran, which the Turkish government spokesman described as a 'clear plot against Turkey' that lacks any legal basis.

The lira has continued to depreciate against the US dollar since the beginning of September, losing approximately 13.8% of its value as of 21 November. The Turkish central bank responded with emergency measures to tighten its policy, but failed to arrest the lira's slide. The lira's fall has also fuelled inflation, which climbed up to 11.9% yoy in October, as a weakening lira has driven up the costs of imports.

Relationship between Turkey and the US has worsened since the failed coup attempt in July 2016, which the Turkish government believed was led by a Turkish preacher living in self-imposed exile in the US, and the US side has shown reluctance to extradite the preacher, *The New York Times* reported. The diplomatic ties fell to an all-time low in early October, with Turkey arresting US consular employees and the US suspending visa services in response. Although the visa ban has been eased since 6 November, tensions between Ankara and Washington persist, causing disruptions to business and tourism.

On 27 November, the lira closed at 3.9056 against the US dollar, based on exchange rates provided by *Bloomberg*.

TURKEY

DENIM GIANT TAYPA EXPANDS FOOTPRINTS IN ALGERIA AND SERBIA

Headquartered in Istanbul, the Turkish denim giant Taypa announced recently its investment of US$800 million in North Africa. In partnership with the state government of Algeria, the new facility – to be completed within the next ten years in three stages – will become the largest textile facility in Algeria.

According to general manager Burak Karaarslan, the availability of free trade agreement with the EU and geographic proximity are key motives for investing in Algeria. In addition to readymade garments, the second and third phase investments will also involve production of hosiery and home textiles, Karaarslan added. It will employ 10,000 people in the first phase, while the number will rise to 25,000 upon the completion of the whole project.

According to the company website, Taypa currently has four plants in different locations within Turkey and one denim washing and garment plant in Egypt, with an annual capacity of eight million pieces and six million pieces, respectively, of garments. As part of its global expansion plan, the company is also investing in a new textile facility in Serbia, which is expected to become operational by the end of 2018 with a capacity of seven million pieces of garments per annum. ■

MAJOR ECONOMIC INDICATORS

BANGLADESH

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Quantum index of medium and large-scale manufacturing (yoy growth %)	16.4	2.0	-	-	-	-
Consumer price index (yoy growth %)	5.8	5.9	5.6	5.9	6.1	6.0
Exports (yoy growth %)	1.4	-14.9	17.9	10.7	-9.8	6.4
Exports (FOB, US$ mn)	3,069.0	3,056.1	2,987.7	3,640.9	2,034.1	2,843.1
Of which:						
Knitwear (US$ mn)	1,250.8	1,252.3	1,263.3	1,605.5	878.1	1,239.3
Woven garments (US$ mn)	1,236.7	1,272.8	1,215.9	1,439.5	741.8	1,054.4
Home textile (US$ mn)	72.2	62.1	63.8	77.0	53.0	67.1
Footwear* (US$ mn)	71.0	80.2	89.8	93.6	51.2	54.8
Leather products (US$ mn)	48.0	43.2	38.5	45.6	27.5	55.3
Imports (yoy growth %)	7.1	-7.2	29.6	17.4	21.0	-
Imports (C&F, US$ mn)	3,920.8	3,258.7	4,004.4	4,046.7	3,849.1	-

** Includes leather footwear.*
Source: Bangladesh Bureau of Statistics, Bangladesh Bank, Export Promotion Bureau

INDIA

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Quarterly GDP (real yoy growth %)	5.7 (1Q17)			-		
Index of industrial production (yoy growth %)*	2.9	-0.3	0.9	4.5	3.8	-
Manufacturing PMI (Nikkei)	51.6	50.9	47.9	51.2	51.2	50.3
Wholesale price index (yoy growth %)*	2.3	0.9	1.9	3.2	2.6	3.6
Consumer price index (yoy growth %)	2.2	1.5	2.4	3.3	3.3	3.6
Exports (yoy growth %)	8.3	4.4	3.9	10.3	25.7	-1.1
Exports (FOB, US$ mn)	24,014.6	23,562.6	22,543.8	23,818.8	28,613.4	23,098.2
Of which:						
Knitwear (US$ mn)	775.8	744.8	631.0	682.7	-	-
Woven garments (US$ mn)	831.6	804.8	644.4	682.7	-	-
Footwear (US$ mn)	222.6	240.1	291.4	254.0	-	-
Furniture (US$ mn)	119.2	120.3	115.3	122.3	-	-
Imports (yoy growth %)	33.1	19.0	15.4	21.0	18.1	7.6
Imports (CIF, US$ mn)	37,856.3	36,522.5	33,822.2	35,462.8	37,597.7	37,117.0
Trade balance (US$ mn)	-13,841.7	-12,959.9	-11,278.4	-11,644.0	-8,984.3	-14,018.8

** Financial year in India starts in April. Index of industrial production and wholesale price index are new series using 2011-12 as the base year.*
Source: Ministry of Commerce & Industry, Ministry of Statistics and Programme Implementation, Nikkei PMI reports

PAKISTAN

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Quantum index of large-scale manufacturing (yoy growth %)	7.2	4.2	14.3	8.6	2.5	-
Consumer price index (yoy growth %)	5.0	3.9	2.9	3.4	3.9	3.8
Exports (yoy growth %)	-11.0	16.2	10.6	12.9	8.9	7.9
Exports (US$ mn)	1,627.1	1,911.7	1,631.0	1,865.5	1,675.1	1,888.3
Of which:						
Garments (US$ mn)	365.8	497.9	406.3	451.6	397.8	421.1
Bed linen (US$ mn)	155.3	209.3	170.4	213.9	182.6	188.1
Towels (US$ mn)	55.7	75.2	51.3	65.5	63.4	67.8
Leather products (US$ mn)	36.8	47.7	42.1	47.1	43.1	43.0
Sporting goods (US$ mn)	23.2	28.2	23.4	28.6	23.0	25.3
Imports (yoy growth %)	27.9	2.2	36.7	15.1	16.7	23.6
Imports (US$ mn)	5,092.0	4,534.2	4,835.0	4,952.1	4,473.3	4,928.7
Balance of trade (US$ mn)	-3,464.9	-2,622.5	-3,204.0	-3,086.6	-2,798.2	-3,040.4

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

TURKEY

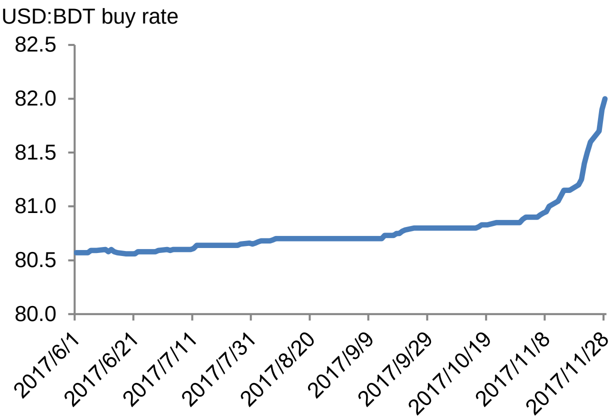
	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Quarterly GDP (real yoy growth %)	5.1 (2Q17)			-		
Industrial production index, manufacturing (yoy growth %)	3.1	3.9	16.0	5.6	10.4	-
Industrial turnover index, manufacturing (yoy growth %)	26.3	22.5	35.8	26.7	32.4	-
Manufacturing PMI (Istanbul Chamber of Industry)	53.5	54.7	53.6	55.3	53.5	52.8
Producer price index (yoy growth %)	15.3	14.9	15.5	16.3	16.3	17.3
Consumer price index (yoy growth %)	11.7	10.9	9.8	10.7	11.2	11.9
Exports (yoy growth %)	12.3	2.1	28.1	12.1	8.7	-
Exports (US$ mn)	13,587.5	13,132.6	12,620.7	13,260.7	11,847.6	-
Of which:						
Knitwear (US$ mn)	708.6	720.6	770.6	875.7	684.5	-
Woven garments (US$ mn)	510.5	476.4	524.0	586.5	427.9	-
Furniture (US$ mn)	243.4	226.2	212.6	248.1	188.4	-
Imports (yoy growth %)	21.7	-1.5	46.3	15.3	30.6	-
Imports (US$ mn)	20,923.5	19,176.8	21,492.1	19,162.1	19,982.2	-
Balance of trade (US$ mn)	-7,336.0	-6,044.2	-8,871.4	-5,901.5	-8,134.6	-

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

DAILY EXCHANGE RATES

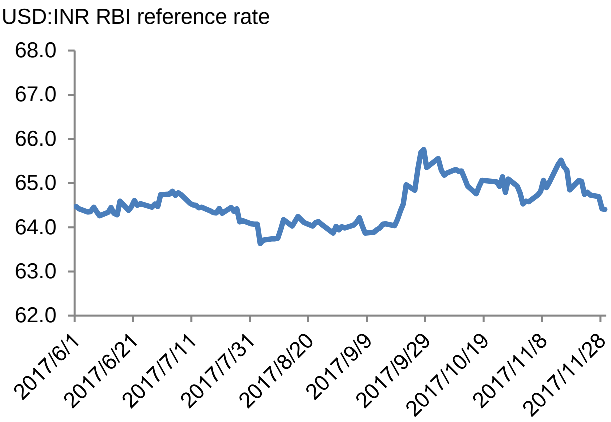
JUNE - NOVEMBER 2017

BANGLADESHI TAKA



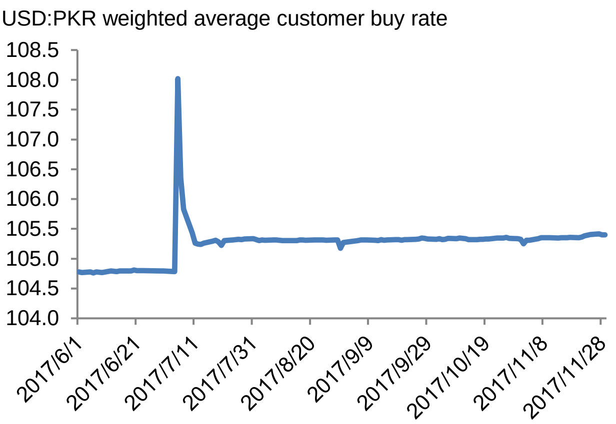
Source: Bangladesh Bank

INDIAN RUPEE



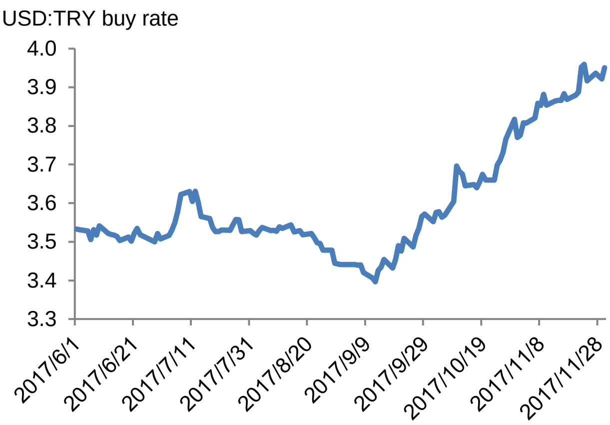
Source: Reserve Bank of India (RBI)

PAKISTANI RUPEE



Source: State Bank of Pakistan

TURKISH LIRA



Source: Central Bank of the Republic of Turkey

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