

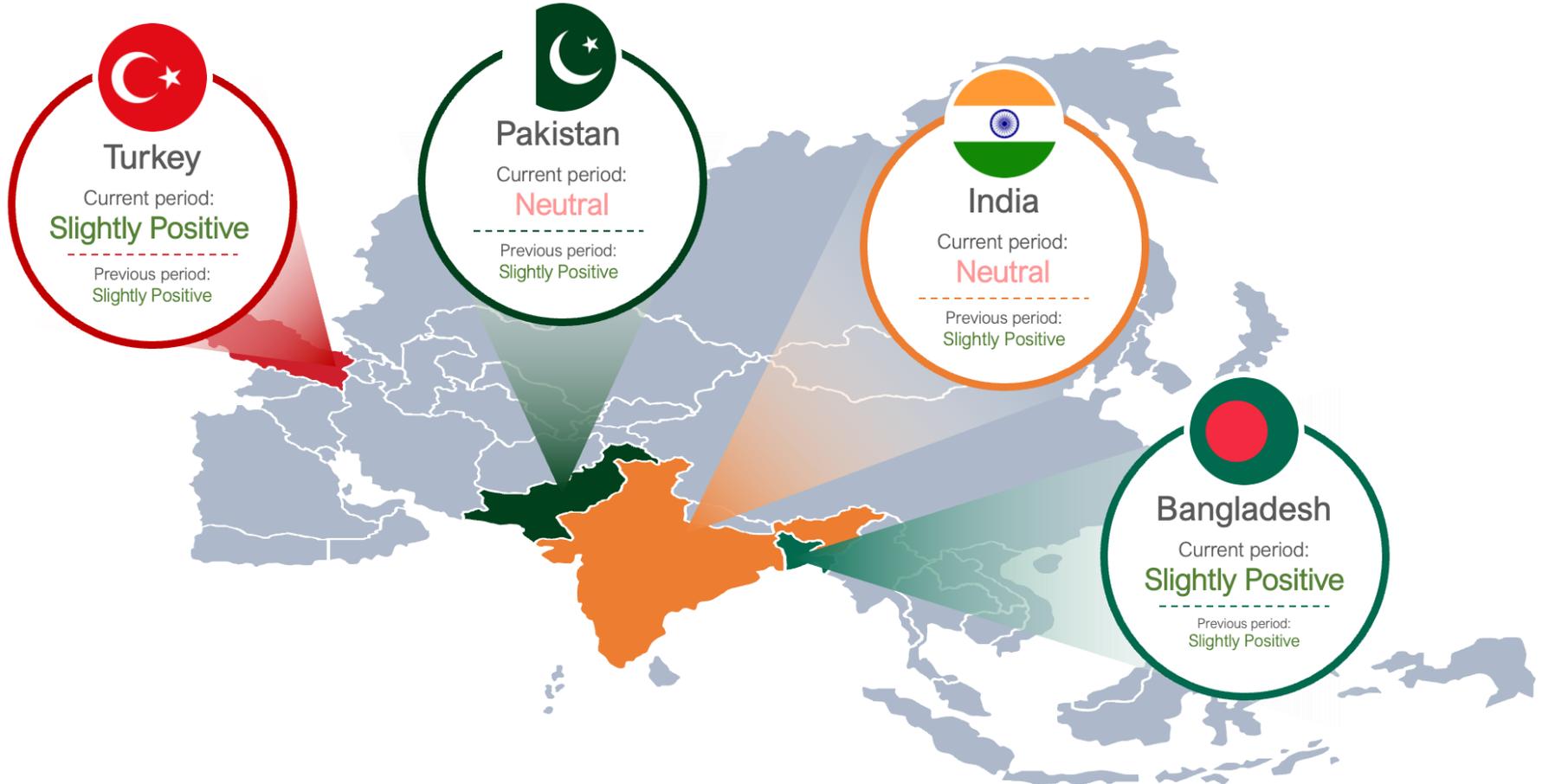
# Asia Sourcing Update

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 (Mar 2022)  
+12.4% yoy ▼



CPI (May 2022)  
+7.4% yoy



Exchange rate (USD: BDT, as of 30 Jun 2022)  
93.5 (8.2% depreciation year-to-date)



Merchandise exports (Jun 2022)  
+37.2% yoy ▼



Knitwear  
+39.5% yoy ▼



Woven garments  
+43.7% yoy ▼



Home textiles  
+65.2% yoy ▲



Footwear  
+26.7% 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 Positive

In the last fiscal year (July 2021 – June 2022), Bangladesh's exports shot up by 34.4% year-on-year (yoy), with earnings exceeding US\$50 billion for the first time in the country's history. However, high inflation and local currency depreciation dampen the economic recovery prospects of the country. Bangladesh's inflation rose to 7.4% in May, the highest record in eight years, as demand for both food and non-food items increased after the COVID-19 pandemic situation in the country had alleviated.

Some economists and business leaders commented that the Bangladeshi government would miss an opportunity to contain the country's inflation by not removing the taxes and duties levied on essential products in the proposed national budget for the current fiscal year. In any case, it would be very challenging for the government to ease the inflationary pressure in the country, in view of external factors like the rising prices in the global market, the Russia-Ukraine war, and global supply chain disruptions resulted from the pandemic.

# Bangladesh

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Bangladesh's exports were US\$52.1 billion in the fiscal year 2021-22, up by 34.4% yoy. The ready-made garment (RMG) exports reached US\$42.6 billion, up by 35.5% yoy and contributing nearly 82% to the total export values of the country.

- It is the first time in Bangladesh's history that its export earnings crossed the milestone of US\$50 billion. However, the Bangladeshi RMG exporters have to prepare for potential order reductions from its major importers in the US and the EU due to the severe inflation faced by the importing countries amid the pandemic and the Russia-Ukraine war.
- Major RMG importers from the US, such as Walmart, Macy's, and Gap, saw a 30-40% increase in unsold inventories and planned to sell them at discount prices. The US importers are therefore expected to lower their buying prices or reduce orders for RMG imports in the coming months.
- In contrast, the prospect of Bangladesh's exports to the member-states of the Regional Comprehensive Economic Partnership (RCEP) bloc is more promising. According to a recent study by the Bangladesh Trade and Tariff Commission, if Bangladesh joined the RCEP bloc, the country's exports may grow by 17%.
- Currently, Bangladesh enjoys preferential market access to many RCEP members through preferential trade agreements or generalized scheme of preferences facilities. However, after graduating from the least-developed country status in 2026, the duty-free access will no longer be available, except for the reciprocal general preference under the Asia-Pacific Trade Agreement.

# Bangladesh

## Latest Developments

## FBIC's take

### Policies and Regulations

The Bangladeshi government unveiled the budget for the current fiscal year (July 2022 – June 2023) on 9 June. The government set a 7.5% GDP growth target for the current fiscal year and made several proposals on taxation, including:

- To encourage export diversification, the government proposed to reduce corporate tax for all export sectors from 30% to 12% and introduce a 10% tax rate for green factories exporting goods and services. In the previous fiscal year, the corporate tax rate for the export oriented RMG sector was set at 12%.
- To increase the global competitiveness of the 'Made in Bangladesh' brand and strengthen the apparel supply chain, the government extends the current 15% corporate tax for the textile sector to another three fiscal years.
- The government doubles the tax deduction at source (TDS) for all export items from the existing 0.5% to 1%.

- Regarding the government's latest budgetary proposals, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) commented that the proposals on corporate tax would assist the development of the apparel sector and help boost the country's export income.
- However, the BGMEA believed the proposal on TDS would increase production costs and thus offset the budget's positive aspects. The BGMEA claimed that the export sectors, including the RMG sector, will face huge losses if the double hike in TDS proceeds. It therefore requested the government to continue the existing 0.5% TDS for the next five years.

# Bangladesh

## Latest Developments

## FBIC's take

### Infrastructure

Prime Minister Hasina inaugurated the country's new landmark, the Padma bridge, on 25 June. The 6.15-km multipurpose bridge links the southern region with Dhaka and major ports of Chattogram. People crossing the Padma River no longer need to wait for a ferry boat but can drive through the Padma bridge in 6 minutes.

The bridge also carries a gas pipeline which expands the gas network to the south-western districts of the country.

This December, the bridge will be ready for rail movement connecting Dhaka with greater Barishal, Jashore, and Khulna.

- The Prime Minister mentioned that new economic zones and hi-tech parks would be built around the Padma bridge. The region will attract more investments, which will accelerate the pace of industrialization of the country. It is estimated that the bridge will yield 1.2% of the national GDP and add 2.5% to the regional GDP.
- The bridge, as part of the envisaged Trans-Asian Highway and Trans-Asian Railway, will help facilitate trading between Bangladesh, India, Nepal, and Bhutan.

### Labour and Compliance

The Labour Ministry, in collaboration with the International Labour Organization (ILO) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, launched the first-ever pilot employment injury scheme (EIS) for the Bangladeshi RMG sector in June.

The EIS provides income protection for occupational injuries, disabilities, and deaths in the RMG industry.

- Bangladesh is upgrading its social protection systems for the benefit of workers. Bangladesh's government and industry partners have been working with the ILO and the GIZ to ensure workers' social and financial security since 2013.
- The EIS is expected to contribute to the social well-being of workers and employers and improve the social security system of Bangladesh.

# India

## Fast facts



GDP (Jan-Mar 2022)  
+4.1% yoy ▼



Manufacturing PMI (Jun 2022)  
53.9 ▼



CPI (Jun 2022)  
+7.01% yoy



Merchandise exports (Apr 2022)  
+31.2% yoy ▲



Knitwear  
+14.2% yoy ▼



Woven garments  
+28.4% yoy ▲



Footwear  
+45.6% yoy ▲



Furniture  
+16.8% yoy ▲



Exchange rate (USD: INR, as of 30 Jun 2022)  
78.9 (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: Neutral

India's exports increased by 16.8% yoy in June, a slower growth than in May (20.6%). India's Manufacturing Purchasing Managers' Index (PMI) fell to 53.9 in June from 54.6 in May, the lowest level since September 2021. Against the backdrop of the Russia-Ukraine war and other geopolitical tensions, the global economic and trade slowdown may further affect the export momentum of India. In addition, the sharp rise of India's inflation in the latest months added uncertainties to its economic recovery.

# India

## Latest Developments

## FBIC's take

### Macroeconomic Trends

India's exports in June increased by 16.8% yoy to US\$37.9 billion. The growth in export earnings was the highest-ever recorded for June. The rise in exports was mainly contributed by petroleum products (up by 98% yoy), followed by electronics (51%) and garments (45%).

Retail inflation in June was 7.01%, eased from 7.04% in May and a 95-month high of 7.79% in April.

Wholesale price inflation (WPI) also eased to 15.18% in June, down from 15.88% in May, the highest record since September 1991.

- The Minister of Commerce and Industry, Piyush Goyal, expects India's exports to grow at a 'reasonable level' in current fiscal year, despite facing global supply chain disruptions and international trade challenges. He also believes that the global demand for traditional Indian products, such as textiles, pharmaceuticals, marine products, handicrafts and handlooms, and leather goods, will be robust in the long run.
- To promote India's exports, the government will further improve the ease of doing business, reduce the compliance burden, and develop export hubs and infrastructure.
- Besides, it is noteworthy that imports of the country in June shot up by 51.0% yoy, reflecting a strong growth in domestic demand. The strong imports pushed India's trade deficit to US\$25.6 billion in the month, compared with the US\$ 9.6 billion trade deficit in June 2021. The ballooning trade deficit will put pressure on the country's currency and inflation.
- The moderation in retail inflation in June was mainly attributed to reduced fuel duties and lower food prices. However, the June number remained above the medium-term target set by the central bank. The near-term retail inflation outlook remains uncertain.
- The high WPI also increases uncertainties on the overall inflation outlook. Facing the rising costs of raw materials and intermediate goods, manufacturers may shift the cost burden to consumers. In view of this, another round of inflation hikes may occur in India in August.

# India

## Latest Developments

## FBIC's take

### Labour and Compliance

According to a report, named '*Youth in India 2022*', released by the Ministry of Statistics and Programme Implementation (MOSPI), the proportion of the youth population\* to the total population of India was 26.6% in 1991, increased to 27.9% in 2016, then dropped to 27.2% in 2021, and would further reduce to 22.7% by 2036.

On the contrary, the proportion of the elderly population\* was 6.8% in 1991, increased to 9.2% in 2016, then rose to 10.1% in 2021, and is projected to reach 14.9% in 2036.

(\*According to the MOSPI, the youth population refers to the age group of 15 and 29 years, and the elderly population refers to the people aged 60 and above.)

- Due to a dip in fertility, the total youth population in India was 371.4 million in 2021, which is projected to fall to 345.5 million by 2036.
- This changing demographic structure and the ageing population may put pressure on India's labour supply and economic development.

# Pakistan

## Fast facts



Quantum index of large-scale manufacturing  
(May 2022)  
+21.4% yoy ▲



CPI (Jun 2022)  
+21.3% yoy



Exchange rate (USD: PKR, as of 30 Jun 2022)  
204.1670 (13.6% depreciation year-to-date)



Merchandise exports (Jun 2022)  
+7.0% yoy ▼



Garments  
+14.7% yoy ▼



Bed linen  
-5.0% yoy ▼



Towels  
-7.9% yoy ▼



Leather products  
-8.3% 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: Neutral

Pakistan's economy is showing signs of weakness in the recent two months. Output of Large Scale Manufacturing (LSM) industries increased by 11.7% yoy during July 2021 to May 2022 (the first eleven months of the current fiscal year starting from July 2021), while the Quantum Index of Large Scale Manufacturing Industries (QIM) decreased from 152.7 in March to 132.4 in April and further to 130.7 in May. In the fiscal year from July 2021 to June 2022, (hereafter as FY2022), exports expanded by 25.6% yoy, but the growth rate in June 2022 slowed to 7.0% yoy. Net FDI inflows decreased 4.9% yoy in the first eleven months of FY2022, while Pakistan's largest investor, China, more than halved its investment compared with the previous period. Inflation measured through Consumer Price Index (CPI) was 21.3% in June 2022 — the highest since December 2008.

In its latest monetary policy statement unveiled on July 7, 2022, the State Bank of Pakistan predicted that Pakistan's economy will slow down to 3-4% in the fiscal year 2023 (July 2022 to June 2023, hereafter FY2023), from 6% in the previous two fiscal years (FY2021 and FY2022). Rising interest rates, the uncertain outlook of the US dollar, sky-rocketing fuel prices, higher gas and power tariffs, and unabated food inflation are all serious issues that need to be addressed by the government on a priority basis.

# Pakistan

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Pakistan's exports increased by 25.6% yoy in FY2022 to US\$31.8 billion. In June 2022 alone, exports were up 7.0% yoy to US\$2.9 billion.

In FY2022, the textile exports increased by 26.0% yoy to US\$19.4 billion, accounting for 61.9% of Pakistan's total export value in the period.

During the first eleven months of FY2022 from July 2021 to May 2022, the US remained the top export destination of Pakistani products, followed by China and the UK. Exports to the US during this period were US\$6.2 billion, up 37.6%. This was followed by China, where Pakistan exported US\$2.5 billion worth of goods, up 38.8%. UK was the third top export destination, where Pakistan exported US\$2.0 billion worth of goods, up 8.1%.

- Pakistan's export growth in FY2022 continues to be strong, but the growth pace slowed significantly in June, as the negative impact of the Russia-Ukraine conflict increases over time.
- Shortage in gas and power supply, which has long been a bottleneck to Pakistan's economic growth, is further worsened by the ongoing Russia-Ukraine conflict. A suspension of gas supply in the first week of July halted the production activities of over 300 textile mills.
- Some Pakistani exporters have reported cancellation of export orders by international buyers against the backdrop of global recession fears. Textile and technology sectors in Pakistan have also reported job cuts amid dim economic prospect of the country.

# Pakistan

## Latest Developments

## FBIC's take

### Macroeconomic Trends

Net FDI inflows into Pakistan were US\$1,596.8 million from July 2021 to May 2022, a 4.9% yoy decrease from US\$1,679.2 million in the same period of the previous fiscal year. Net FDI inflows decreased by 29.1% yoy in May alone, to US\$141.2 million.

During the eleven-month period from July 2021 to May 2022, the power sector (thermal, hydro, and coal generation) attracted the highest FDI of US\$566.9 million (35.5% of the total value of net FDI inflows), followed by the financial business sector (US\$373.4 million, 23.4%), oil & gas explorations (US\$187.9 million, 11.8%), and communications (US\$96.4 million, 6.0%), as data from the State Bank of Pakistan showed.

China was the largest foreign investor in Pakistan during this period: Its investment was US\$373.1 million, accounting for 23.4% of the total value of net FDI inflows. The US was the second largest foreign investor during this period (US\$240.9 million, 15.1%), followed by Hong Kong SAR of China (US\$137.3 million, 8.6%), Switzerland (US\$132.0 million, 8.3%), United Arab Emirates (US\$130.9 million, 8.2%), and Singapore (US\$104.9 million, 6.6%).

- The poor FDI inflows were attributed to political uncertainty due to the sudden change of governments, the widening current account and trade deficits (trade deficit increased 55.1% yoy in FY2022), as well as the depreciation of the local currency against major currencies. The decision of the Financial Action Task Force (FATF)\* announced on 17 June 2022 to keep Pakistan on the so-called 'gray list' of nations is also believed to have caused damage to the country's image abroad.
- Pakistan's biggest investor, China, also reduced its investment in Pakistan in the first eleven months of FY2022. During this period, the FDI from China was US\$373.1 million, which was half of the US\$719.5 million it made in the same period of the last fiscal year.
- The good news is that as China signed the Framework Agreement on Industrial Cooperation with Pakistan this February, more investments from China would be channeled to multiple industries of Pakistan in the second half of 2022.

(\* The FATF is a Paris-based group made up of 37 member countries, including the United States, and two regional groups, the Gulf Cooperation Council and the European Commission. Countries on its 'gray list' are those considered not taking full measures to combat money laundering and "terrorism" financing.)

# Pakistan

## Latest Developments

## FBIC's take

### Labour and Compliance

Since April 2022, three of the five provinces in Pakistan have raised the monthly minimum wage in their respective provinces.

The Punjab province increased its monthly minimum wage from 20,000 rupees to 25,000 rupees, effective since 1 July.

The Sindh province increased its monthly minimum wage for unskilled workers from 19,000 rupees to 25,000 rupees, effective since 1 June.

On 24 June, the Chief Minister of the Khyber Pakhtunkhwa province Mahmood Khan announced to raise the monthly minimum wage in the province from 21,000 rupees to 26,000 rupees, effective immediately.

- These decisions came after Pakistan Prime Minister Shehbaz Sharif, in his speech on the floor of the national assembly on 11 April, announced to increase Pakistan's national minimum wage to 25,000 rupees per month, effective 1 April 2022.

### FTAs, Trade Preferences and Investment Agreements

On 9 June 2022, South Korea signed a Framework Arrangement with Pakistan in Islamabad to provide long term highly concessional financing of up to US\$1 billion to Pakistan within five years from 2022 to 2026. Under the signed Framework Agreement (2022-26), this capital will be used in supporting development projects in health, communication, agriculture, and energy with a special focus on information technology.

The Ambassador of South Korea Suh SangPyo, who signed the Framework Arrangement on behalf of the South Korean government, hoped that this Framework Arrangement would be instrumental in backing up the economic policies and initiatives being pursued by the new government of Pakistan, which would be conducive to promoting the two country's bilateral relations in the years ahead.

- This is at least the third such framework agreements signed between South Korea and Pakistan.
- In 2015, South Korea signed a Framework Arrangement to provide US\$500 million in loans within three years to support Pakistan's projects in hydropower, road infrastructure, power distribution system, information technology, and health sectors.
- In 2019, South Korea signed another US\$500 million framework agreement to help Pakistan's development projects in health, information technology, communication, agriculture, and energy sectors.

# Turkey

## Fast facts



GDP (Jan–Mar 2022)  
+7.3% yoy ▼



Manufacturing PMI (Jun 2022)  
48.1 ▼



CPI (Jun 2022)  
+78.62% yoy



Merchandise exports (Mar 2022)  
+15.3% yoy ▼



Knitwear  
-2.6% yoy ▼



Woven garments  
+14.7% yoy ▼



Furniture  
+10.7% yoy ▼



Exchange rate (USD: TRY, as of 30 Jun 2022)  
16.669 (22.1% 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 first quarter of 2022 expanded by 7.3% yoy and beat market forecasts. The strong growth was led by net exports which accounted for about 3.5 percentage points, or 47%, of the GDP growth in the first quarter. The depreciated Turkish Lira was favorable to export which has seen record-breaking numbers in the first five months of 2022 when compared to the same period in 2021. A Reuters poll has forecasted Turkey's 2022 full-year GDP growth to be around 3%.

Inflation in Turkey has hit a two-decade high of 78.62% in June, hurting consumer sentiment. The manufacturing sector has suffered from the ever-increasing raw material input costs, as well as expensive energy imports (which have caused a tremendous surge in the country's trade deficit). The Turkish government has recently raised the minimum wage by 30% to support households amidst the inflationary pressures.

# Turkey

## Latest Developments

## FBIC's take

### Macroeconomic Trends

In May, Turkey's exports increased by 15.3% yoy to US\$18.9 billion, and imports rose by 43.5% yoy to US\$29.6 billion. The trade deficit for May surged by 155.2% yoy to US\$10.6 billion.

From January to May, exports increased by 20.4% yoy to US\$102.5 billion, and imports shot by 40.8% yoy to US\$145.7 billion. The trade deficit for this five-month period jumped by 136% yoy to US\$43.2 billion.

Annual inflation in Turkey reached a two-decade high of 78.6% in June 2022 and a month-on-month increase of 4.9% in June versus May's CPI figures.

The Turkish Central Bank, CBRT, continues to hold its one-week repo rate at 14% for the sixth consecutive month.

On 24 June 2022, Turkey's banking regulator, Banking Regulation and Supervision Agency (BRSA), announced a new directive to ban Lira-based commercial loans to certain companies in the country. If a company holds more than 15 million Liras in foreign exchange cash, and this exceeds 10% of its total assets or annual revenue, it will not be able to get a Lira-denominated loan.

- During the first five months of 2022, export values broke records every month, especially the May export figure which was the highest in the country's history. The increase in energy imports in the first five months, however, surged by 163% yoy to US\$39.7 billion and was the primary cause of the widened trade deficit.
- Within the same period, the largest export partners for Turkey were Germany (US\$8.8 billion), the US (US\$7.1 billion), Italy (US\$5.5 billion), the UK (US\$5.3 billion), and Iraq (US\$5.2 billion). These top five countries accounted for 31% of total exports of Turkey during this five-month period.
- In terms of exports by category, Turkey's exports of knitwear and woven garments had a growth of 4.4% yoy to US\$1.2 billion in May, and a growth of 17.9% yoy to a record-breaking US\$8 billion in the first five months.
- Turkey's total exports for the full 2021 year were US\$225.2 billion; government officials believe US\$250 billion of exports will be achieved in 2022.
- The largest year-on-year increases in June by expenditure group were in transportation (123.4%), food and non-alcoholic beverages (93.9%), furnishings and household equipment (81.1%), and hotels/cafes/restaurants (79.6%). The growth rates for these four sub-categories were higher than the general CPI of 78.6%.
- Turkey's September 2021 policy rate cut, surging global energy prices, and economic fallout of the Russia-Ukraine conflict are big factors behind the spiraling inflation figures.
- According to the CBRT, inflation is expected to drop to 42.8% by end of 2022.
- This is another move by the government to strengthen financial stability and support the Turkish Lira in the currency market. It is hoped that the measure will reduce foreign exchange demand which is 'unnecessary' or for speculative purposes.
- The depreciated Lira has caused an increase in imported inflation. The Turkish government has already instituted various mechanisms to strengthen the currency, including a Lira deposit protection scheme implemented in late 2021, and even requiring exporters to convert 40% of their foreign currency into Lira earlier this April.
- As of 15 August 2022, The Turkish Lira has depreciated against the US dollar by about 25% year-to-date and has lost about 67% of value versus end-December 2020.

# Turkey

## Latest Developments

## FBIC's take

	Latest Developments	FBIC's take
<b>Policies and Regulations</b>	<p>The Turkish government has proposed to add another US\$50 billion into the budget to support government operations and policies for the rest of 2022.</p>	<ul style="list-style-type: none"><li>• The additional funds are expected to counter a rise in costs. For example, various fuel subsidies aimed at helping households were implemented in 2021 and budgeted to cost 300 billion Liras in 2022, but the unexpected surge in global energy prices earlier this year has prompted a recalculation of the budget. The additional budget will also support increases in employees' pensions and wages, and the Lira deposit protection scheme.</li><li>• The new budget proposal will have to pass through the parliament and the general assembly.</li></ul>
<b>Labour and Compliance</b>	<p>Turkey's minimum wage was raised by 29%, which went into effect 1 July 2022. The new monthly net minimum wage will be 5,500 Liras per month, or approximately US\$330.</p>	<ul style="list-style-type: none"><li>• Due to soaring inflation within the country, the Turkish government has increased minimum wage to protect households from the hike in food and fuel costs, as announced by President Erdogan.</li><li>• The current 30% increase is a follow-up increase from the 50% hike in January of 2022, which brought the previous monthly net minimum wage up to 4,253 Liras.</li><li>• Currently, 40% of all workers in Turkey earn minimum wage.</li></ul>

# Contact

## Helen Chin

Vice President  
Tel: (852) 2300 2471  
Email: [helenchin@fung1937.com](mailto:helenchin@fung1937.com)

## Winnie Lo

Senior Research Manager  
Tel: (852) 2300 2488  
Email: [winnielowl@fung1937.com](mailto:winnielowl@fung1937.com)

## Sophie Zhang

Senior Research Manager  
Tel: (852) 2310 7916  
Email: [sophiezhang@fung1937.com](mailto:sophiezhang@fung1937.com)

## Marco Chen

General Manager  
Tel: (852) 2806 7938  
Email: [marcochen@fung1937.com](mailto:marcochen@fung1937.com)



## Fung Business Intelligence

11/F LiFung Tower  
868 Cheung Sha Wan Road  
Kowloon, Hong Kong  
T: (852) 2300 2470  
F: (852) 2635 1598  
E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)  
W: <http://www.fbicgroup.com>

© Copyright 2022 Fung Business Intelligence. All rights reserved.

Though the Fung Business Intelligence endeavours to have information presented in this document as accurate and updated as possible, it accepts no responsibility for any error, omission or misrepresentation. Fung Business Intelligence and/or its associates accept no responsibility for any direct, indirect or consequential loss that may arise from the use of information contained in this document.