

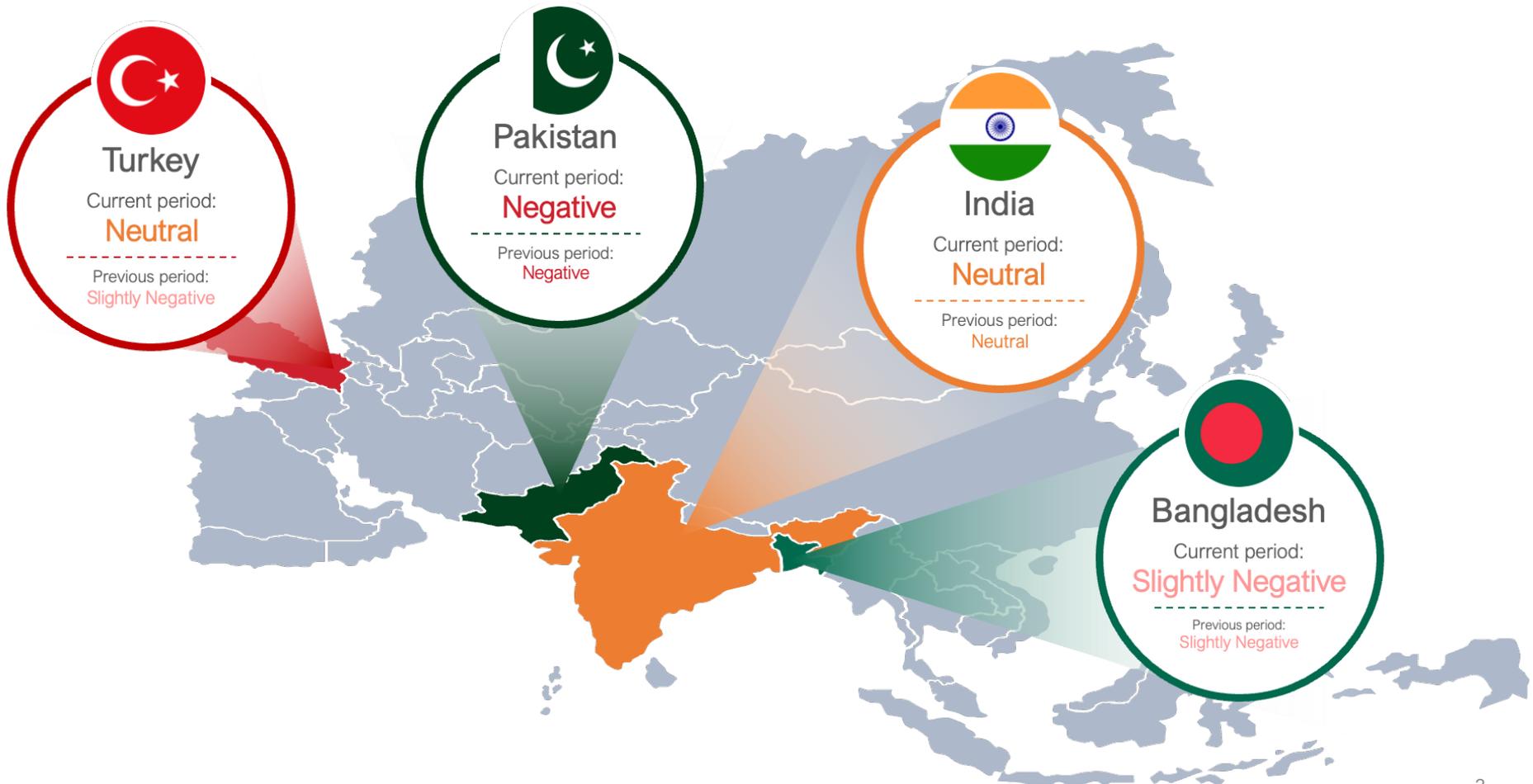
Asia Sourcing Update

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 2023)

7.17% yoy ▼



CPI (Jun 2023)

+9.7% yoy



Exchange rate (USD: BDT, as of 26 Jun 2023)

108 (1.69% depreciation year-to-date)



Merchandise exports (Jun 2023)

2.5% yoy ▼



Knitwear

10.4% yoy ▼



Woven garments

2.0% yoy ▼



Home textiles

-54.6% yoy ▼



Footwear

-15.5% 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

In June, inflation in Bangladesh was 9.74%, down from 9.94% in May, the highest level in 11 years and two months. The surge in import bills, energy shortage, exchange rate crisis, and market imperfections are the main drivers of the elevated inflation, which has posed considerable challenge to the country's economy by further straining people's purchasing power.

The World Bank, in its latest *Global Economic Prospects* published in June, projects that Bangladesh's gross domestic product (GDP) will grow 6.2% in 2023-24 fiscal year (July 2023 to June 2024) as inflationary pressures ease, reform implementation accelerates, and transportation and energy infrastructure megaprojects have been completed.

The World Bank has kept its forecast for Bangladesh's GDP growth unchanged at 5.2% for the 2022-23 fiscal year (July 2022 to June 2023). The country's growth is expected to slow due to soaring inflation, policy uncertainty, and weakening external demand.

Bangladesh

Latest Developments

FBIC's take

Macroeconomic Trends

In the 2022-23 fiscal year (July 2022-June 2023), Bangladesh's exports increased by 6.7% yoy, reaching US\$55.6 billion. This was the highest export revenue on record in Bangladesh's history, though the record was lower than the targeted revenue of US\$58 billion.

Starting from 1 July, Bangladesh Bank (BB) will no longer sell any foreign exchange at a discounted rate. A market-based floating, flexible and unified exchange rate regime is expected to be established for all international transactions within the third quarter of 2023.

Within the third quarter of 2023, the taka will float freely driven by the market, and all international transactions will be based on the new exchange rate structure.

- Exports in March and April registered negative year-on-year growth of 2.5% and 16.5%, respectively. In May and June, however, an export surge was recorded, driven by a significant jump in apparel exports.
- For the entire 2022-23 fiscal year, apparel exports surged by 10.3% yoy to reach US\$47.0 billion, which exceeded the target by 0.4%.
- On 26 June, the Bangladeshi government has revised downward its export target for the 2023-24 fiscal year from US\$80 billion to US\$70 billion, amid the global economic uncertainties.

- The new market-driven exchange rate system is expected to bring about greater transparency and efficiency, close the gap between formal and informal markets, improve external balance and international reserves, and ensure exchange rate stability.
- Since the start of the Russia-Ukraine conflict in February 2022, the taka has experienced volatility due to a surge in global commodity prices. On 12 September 2022, the Bangladesh Foreign Exchange Dealers' Association and the Association of Bankers, Bangladesh established the dollar price for remitters at 108 taka and for exporters at 99 taka. Since then, up until 16 June 2023, the associations had increased the dollar price for exporters 11 times and changed the exchange rate for remittance five times.
- In 2003, Bangladesh introduced a floating exchange rate system, but the exchange rate was rarely determined by market forces. Instead, the BB maintained control over the exchange rate by purchasing excess dollars and selling them during times of shortage.

Bangladesh

Latest Developments

FBIC's take

	Latest Developments	FBIC's take
FTAs, trade preferences & facilitation	<p>Bangladesh Bank will launch a taka-rupee based debit card called "Taka Pay Card". Users can settle payments for domestic purchases in Bangladeshi taka and spend in Indian rupees when traveling to India, starting from September.</p> <p>In addition, from September onwards, Bangladesh and India will open Letter of Credit for import and export by using taka and rupee.</p>	<ul style="list-style-type: none"> The new currency conversion system, which allows direct rupee-to-taka and taka-to-rupee conversion, will avoid the use of the US dollar, thereby alleviating the pressure on dollar reserves. The elimination of double currency exchanges can save around 6% exchange rate loss incurred in converting taka to dollars and then dollars to rupees, or vice versa.
	<p>In mid-June, the Foreign Minister AK Abdul Momen announced that Bangladesh, along with Saudi Arabia, the United Arab Emirates, and Indonesia, has been invited to join the BRICS. These countries are expected to join the bloc in August.</p>	<ul style="list-style-type: none"> The BRICS, consisting of Brazil, Russia, India, China, and South Africa, seeks to strengthen its identity as a representative of the 'Global South' and present an alternative model to the developed economies of the Group of Seven (G7). The BRICS has already surpassed G7 economies in terms of its share in the global GDP and is projected to contribute over 50% of the global GDP by 2030. The proposed enlargement of the bloc will accelerate this trend. From the perspective of Bangladesh, joining the BRICS will deepen the relationship between Bangladesh and the BRICS members, boost Bangladesh's trading activities with the BRICS countries, and help Bangladesh diversify its foreign relations. Among the existing BRICS members, China and India were the top two countries of origins for imports into Bangladesh between January and March 2023, accounting for approximately 40% of the country's total imports.
Other topic	<p>The Bangladesh Bureau of Statistics has decided to release quarterly reports on the country's GDP. The first quarterly GDP report, which will publish the quarterly GDP of the July-September quarter, will be unveiled in November 2023.</p>	<ul style="list-style-type: none"> The move comes following the conditions put forth by the International Monetary Fund (IMF) for a US\$4.7 billion loan to Bangladesh. The IMF recommended Bangladesh publish quarterly GDP figures to provide a clearer understanding of the country's latest economic situation. Currently, the BBS only releases the annual GDP data.

India

Fast facts



GDP (Jan-Mar 2023)
+6.1% yoy ▲



Manufacturing PMI (Jun 2023)
57.8 ▼



CPI (May 2023)
+4.3% yoy



Merchandise exports (May 2023)
-10.3% yoy ▲



Knitwear
-17.5% yoy ▲



Woven garments
-7.8% yoy ▲



Footwear
-7.5% yoy ▲



Furniture
-16.7% yoy ▲



Exchange rate (USD: INR, as of 30 Jun 2023)
82.0 (0.9% 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

In June, Fitch Ratings revised upward its forecast for India's economic growth for the current fiscal year (April 2023 – March 2024) to 6.3%, citing stronger economic performance in recent months as the main reason. India's industrial production growth rose to 4.2% in April, significantly higher than the 1.7% growth recorded in March 2023, thanks to the strong performance of the manufacturing and mining sectors.

The Purchasing Managers' Index (PMI) for manufacturing fell slightly from 58.7 in May to 57.8 in June. Despite this, India's manufacturing activity in June expanded at the second highest pace this year. However, India's recent decline in exports, which dropped by 10.3% yoy in May, could pose a challenge to the country's economic recovery.

India

Latest Developments

FBIC's take

Macroeconomic Trends

India's exports dropped by 10.3% yoy to US\$35.0 billion in May. Imports also contracted by 6.6% yoy to US\$57.1 billion in the same month. Trade deficit of the country reached US\$22.1 billion in May, the highest record in five months.

- The demand slowdown in major markets, high inflation in developed economies, and the Russia-Ukraine conflict are affecting India's exports. The widening trade gap poses challenges to the economy's recovery from the pandemic and affects investor sentiment.
- In early July, the commerce ministry called a meeting with exporters to address the decline in outbound shipments. The government advised exporters to focus on key sectors such as food, electronics, and engineering, as well as 12 major markets to increase exports. It also suggested organizing global fairs and exhibitions and emphasized the importance of both trade and investment.
- According to the government, the sectors with the highest potential for boosting exports include food, textiles, engineering, electronics, medical devices, pharmaceuticals, and auto components. The primary global destinations for promoting India's exports are the US, the UK, Brazil, Germany, Saudi Arabia, Sweden, Taiwan (China), Korea, Japan, and Russia.

In May, India's wholesale price-based inflation (WPI) fell to a seven-and-a-half year low of -3.5% due to a widespread drop in mineral oil prices. This is the second consecutive month the WPI was in the deflationary territory. The prices of basic metals, chemicals, textiles and plastic products within the manufactured products category continued to ease, aided by overall decline in the global commodity prices.

- The Governor of Reserve Bank of India, Shaktikanta Das, said that the central bank will strive to achieve its 4% inflation target, but he also acknowledged challenges on the inflation front, such as geopolitical volatility and domestic monsoon condition.
- Economists and experts warn of the rising probability of El Nino during the monsoon season, which may lead to food inflation and negatively affect the rural economy. The potential damage of El Nino to agricultural production, particularly kharif crop output, could impact the wider economy and consumption, leading to rising food prices, slowing demand, and subsequently higher lending rates. The government should therefore prepare contingency plans to address the situation.

Meanwhile, India's consumer price-based inflation (CPI) had declined for four consecutive months to 4.3% in May, the lowest in 25 months, mainly due to softer prices of food and fuel items.

India

Latest Developments

FBIC's take

FTAs, trade preferences & facilitation

Indian Prime Minister Narendra Modi recently concluded a state visit to the US at the invitation of President Joe Biden.

During the visit, the two countries successfully resolved six trade disputes at the World Trade Organisation (WTO), with three cases initiated by each side. The disputes addressed countervailing measures on certain hot-rolled carbon steel flat products from India, certain measures related to solar cells and modules, measures related to the renewable energy sector, export-related measures, and measures on steel and aluminium products from the US.

Additionally, India has agreed to remove retaliatory customs duties on 28 American products. These duties were imposed in response to the US's import duty of 25% on steel products and 10% on certain aluminium products in 2018 on grounds of national security.

- Under the WTO rules, a member country can file a case if they believe that a particular trade measure is against the norms of the WTO. The first step to resolving a dispute is bilateral consultation, and if both sides cannot resolve the matter through consultation, either of them can ask for the establishment of a dispute settlement panel.
- The latest decision between India and the US is expected to foster a more cooperative trade relationship between the two countries and positively impact trade dynamics.
- Currently, the US is India's largest trading partner. In the 2022-23 fiscal year, the bilateral goods trade increased to US\$128.8 billion from US\$119.5 billion in the previous fiscal year. India's exports to the US were US\$78.54 billion, while imports from the US were US\$50.24 billion during the 2022-23 fiscal year.

Other topic

A report by the People Research on India's Consumer Economy (PRICE) and India's Citizen Environment predicts that India's middle class will almost double to 61% of the total population by 2047, up from 31% in the 2020-21 fiscal year. The report attributes the increase to continuing political stability and economic reforms, as well as a sustained annual economic growth rate of around 6% to 7% over the next 25 years.

- According to the report, India's middle class is expected to grow significantly in the coming years. By the 2030-31 fiscal year, the middle class is projected to reach 715 million people, and to reach 1.02 billion people by 2047, when the total population of India is projected to be 1.66 billion.
- The report defines a middle-class Indian as one who earns between 109,000 rupees and 646,000 rupees annually based on 2020-21 prices, or whose household earns between 500,000 rupees and 3,000,000 rupees annually.
- The report also states that the middle class accounts for half of India's income, expenditure and saving, and is expected to be responsible for 55% of the incremental consumption by 2031.
- Amitabh Kant, former NITI Aayog CEO and India's G20 Sherpa, comments that as the number of middle-class households rises, demand for quality health care, education, housing, consumer goods, and other services, will increase; and the government should increasingly focus on education, health, and job creation. India's vision of becoming a fully developed country by 2047 implies that the middle class needs to be a key driver of the country's growth story.

Pakistan

Fast facts



Quantum index of large-scale manufacturing
(May 2023)
-14.4% yoy ▲



CPI (Jun 2023)
+29.4% yoy



Exchange rate (USD: PKR, as of 27 Jun 2023)
286.1825 (20.9% depreciation year-to-date)



Merchandise exports (Jun 2023)
-19.1% yoy ▼



Garments
-15.7% yoy ▲



Bed linen
-15.4% yoy ▲



Towels
-4.4% yoy ▲



Leather products
-0.3% 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: 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), with a GDP growth of only 0.29% in the year, compared to 6.1% in FY2022 (July 2021-June 2022). Exports decreased by 12.7% yoy in FY2023. In May, the Large Scale Manufacturing Industries output dropped by 14.4% yoy, resulting in a decrease of 9.9% yoy in the first eleven months of FY2023. Inflation rate dropped a bit to 29.4% yoy in June from a record high of 38.0% yoy in May, but the inflation rate of FY2023 still stood at 29.2% yoy, implying an extremely heavy burden on Pakistan's people and economy.

The nine-month Stand-by Arrangement (SBA) in the amount of about US\$3 billion signed with the International Monetary Fund at the end of June this year will temporarily ease a debt default pressure on the country; however, long-term economic stability and sustainable growth can only be achieved through fundamental economic reform, which has taken years of Pakistan's efforts and needs more time and strong determination going forward.

Pakistan

Latest Developments

FBIC's take

Macroeconomic Trends

Pakistan's exports were down 12.7% yoy to US\$27.7 billion in FY2023 (July 2022 to June 2023). In June 2023, the last month of FY2023, exports shrank 19.1% yoy to US\$2.4 billion.

Textile exports, the biggest export sector of Pakistan, fell 14.6% yoy to US\$16.5 billion in FY2023, but still accounted for 59.5% of Pakistan's total export value in the fiscal year.

During the same period, total imports decreased by 31.0% yoy to US\$55.3 billion.

Net FDI inflows into Pakistan were US\$1,455.8 million in FY2023, a 24.8% yoy drop from US\$1,935.9 million in the previous fiscal year. In June 2023 alone, net FDI inflows slumped 57.8% yoy to US\$114.3 million.

In FY2023, the power sector (thermal, hydro, and coal generation) attracted the highest FDI of US\$622.6 million (42.8% of the total value of net FDI inflows), followed by the financial business sector (US\$275.1 million, 18.9%), oil & gas explorations (US\$135.1 million, 9.3%), and transport equipment (US\$123.3 million, 8.5%), as data from the State Bank of Pakistan shows.

China was the largest foreign investor in Pakistan during this period, with an investment of US\$432.2 million, accounting for 29.7% of the total value of net FDI inflows. Japan was the second largest foreign investor during this period (US\$183.0 million, 12.6%), followed by United Arab Emirates (US\$180.1 million, 12.4%), Switzerland (US\$134.0 million, 9.2%), and Hong Kong SAR, China (US\$101.0 million, 6.9%).

- Pakistan's exports shrank for the ninth month in a row in June amidst the global economic slowdown and the high energy costs domestically.
- Textile, the largest export sector of Pakistan, experienced a troubling trend of negative growth right from the beginning of FY2023, except for a slight increase in August 2022 due to a backlog from the previous month. During the same period, the imports of textile machinery declined by 57.0% — a sign that expansion or modernisation of the textile sector will slow down in the near future.
- Meanwhile, Pakistan's trade deficit has narrowed by 42.9% yoy to US\$27.6 billion in FY2023, a result of the government's strict measures to limit imports.
- The continued decrease in net FDI inflows in FY2023 shows that foreign investors were worried about the ongoing strain on Pakistan's balance-of-payments and the unstable political environment in the country.
- But the good news is that in the last three months of FY2023 (March-June 2023), friendly countries like China, Saudi Arabia, and the United Arab Emirates were trying hard to help the country tackle its debt crisis and secure more funds from international organizations by rolling over existing loans and providing billions of US dollars of new loans. The resulted staff-level agreement with the IMF on a US\$3 billion Stand-by Arrangement further restores confidence in the country's ability to meet its international obligations and provides a buffer against external shocks.
- However, the Pakistan government has to establish a sound investment-friendly environment to bring foreign investors back to long-term engagement with Pakistan. Immediate efforts could include revoking the restrictions for profit repatriation to headquarters abroad set in the last fiscal year, stabilizing the currency value, and reducing domestic political tussles.

Pakistan

Latest Developments

FBIC's take

Infrastructure

On 15 July 2023, Foreign Minister Bilawal Bhutto-Zardari laid the foundation stone for the Dhabeji Special Economic Zone (SEZ).

The project aims to generate US\$5 billion investment and create 100,000 jobs.

The project is being executed through the Public-Private Partnership (PPP) model. The development work of the zone is planned to be completed within 18 months in two phases comprising of 750 acres (3.0 sqkm) for Phase I and 780 acres (3.2 sqkm) for Phase II. Around 1,000 acres (4.0 sqkm) of the zone have been allocated for industrial units while the rest are for amenity plots like schools, hospitals, parks, and green areas.

Industrial clusters/sectors planned for the zone include light engineering, automotive and auto parts, chemical & pharmaceuticals, consumer electronics engineering, textile & garments, steel-foundries, warehousing, and building material.

Investors who established their business within this zone would be eligible for a 10-year tax exemption and they could import machinery for business purposes without any duty.

- Dhabeji SEZ is located in Thatta, Sindh province, covering an area of 1,530 acres (6.2 sqkm) and with easy access to two important ports of the country—Karachi Port and Port Qasim.
- It is a priority project under the China-Pakistan Economic Corridor (CPEC) and aims to facilitate potential investors from China and other countries to either start new enterprises or transfer their facilities to Pakistan.
- It was among the eight SEZs approved by the government on 22 June this year. However, the Dhabeji Industrial Zone was actually planned long ago but its construction has been delayed for at least five years due to controversies and litigation.

Pakistan

Latest Developments

FBIC's take

Other topic

On 29 June 2023, Nathan Porter, the leader of the IMF staff team to Pakistan, announced that the IMF team has reached a staff-level agreement with the Pakistani authorities on a nine-month Stand-by Arrangement (SBA) in the amount of 2,250 million SDR (about US\$3 billion).

By the time the agreement was signed, Pakistan had already been struggling for months to get a US\$1.1 billion tranche of the US\$6.0 billion Extended Fund Facility (EFF) signed with the IMF in 2019 which expired on 30 June this year. The country cleared eight of the 11 listed reviews of the EFF bailout program, with the ninth review pending since November last year.

The SBA is expected to provide a policy anchor and a framework for financial support from multilateral and bilateral partners in the period ahead.

The agreement is subject to approval by the IMF's Executive Board, which is expected to consider this request by mid-July. Previous experience indicates that the board's approvals are generally granted once a staff-level agreement is done.

- The SBA offers much-needed relief to Pakistan, which is still grappling with a severe balance of payments crisis and declining foreign exchange reserves.
- Furthermore, experts believe that the IMF agreement has unlocked new loan inflows of approximately US\$9 billion from other multilateral institutions and friendly countries. These funds were pledged for flood relief in January 2023 but were contingent upon the IMF program's approval. It is expected that Pakistan will receive US\$3 billion to US\$5 billion out of the total amount within the next 12 months. These inflows will help boost the country's foreign exchange reserves to around US\$8.8 billion by June 2024, compared to the current level of US\$4 billion (as of 23 June 2023).
- The increased reserves will enable the reopening of imports, gradual ramping up of industrial production, and revitalisation of economic activities.
- However, Moody's Investors Service and Fitch Ratings warned that Pakistan will require significantly more funds to repay US\$25 billion in fiscal year 2024 (July 2023-June 2024) to meet its debts obligations and to finance its economic recovery.

Turkey

Fast facts



GDP (Jan–Mar 2023)
+3.8% yoy ▲



Manufacturing PMI (Jun 2023)
51.5 ▲



CPI (Jun 2023)
+38.21% yoy



Merchandise exports (May 2023)
+14.4% yoy ▲



Knitwear
+24.6% yoy ▲



Woven garments
+31.4% yoy ▲



Furniture
+23.9% yoy ▲



Exchange rate (USD: TRY, as of 27 Jun 2023)
25.8231 (27.6% 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: Neutral

After winning the Turkish presidential elections in May, President Erdogan has made steps in restructuring his economics team, onboarding Mehmet Simsek as the new treasury and finance minister as well as onboarding Hafize Gaye Erkan, the new central bank chief. The central bank has been and will continue to increase interest rates in order to stabilize prices and reduce inflation in Turkey. Turkey's annual inflation hit a 24-year high of 85.5% in October 2022; as of June 2023 it was at 38.2%. The interest rate reversal is seen by many economists as a path towards a more traditional/predictable monetary policy which will build financial credibility for Turkey internationally.

Erdogan has recently made several foreign delegation visits to drum up support and foreign direct investments for Turkey, while also revitalizing talks on trade with several countries such as the UK. Although against economic headwinds, exports will remain a priority during Erdogan's third term. He aims for Turkey to achieve an annual export of US\$265 billion by end of 2023 and US\$400 billion by 2028, as shared on 17 June during the 30th Ordinary General Assembly of Turkey's Exporters Assembly and Export Champions Award Ceremony.

Turkey

Latest Developments

FBIC's take

Macroeconomic Trends

In June, Turkey's exports decreased by 11% yoy to US\$20.9 billion, and imports dropped by 17% yoy to US\$26.3 billion. The trade deficit for June shrank by 35% yoy to US\$5.4 billion.

From January to June of 2023, Turkey's exports decreased by 1.8% yoy to US\$123.4 billion, and imports rose by 4.3% yoy to US\$184.8 billion. The trade deficit for this six-month period jumped by 19.1% yoy to US\$61.4 billion.

On 20 July, The Central Bank of Turkey (CBRT) increased the policy rate by 250 basis points from 15% to 17.5%. In June, the CBRT had already increased the rates by 650 basis points to 15% from 8.5% which was the first increase in 27 months.

- The June decrease in exports was due to the Eid al-Adha period (one of the largest holidays celebrated in Islam). This year Turkey extended the holiday period to nine days (24 June to 2 July).
- Imports decreased in June to the lowest level in almost two years. Energy imports dropped by 45.3% yoy to US\$4.4 billion due to a decrease in energy prices.
- In June, the largest export partners for Turkey were Germany (with an export earnings of US\$1.8 billion), the US (US\$1.3 billion), the UK (US\$1 billion), Italy (US\$1 billion), and Iraq (US\$987 million).

- In an effort to battle inflation and signal a commitment to a more traditional monetary policy, the CBRT raised interest rates substantially in the last two months.
- According to a survey, July's interest rate hike was lower than the market expectation. The median estimates of 23 Economist showed an expected hike of 500 basis points to 20%.
- The annual inflation in June dropped to 38.2%; however, inflation is expected to rise again after the Turkish government implements its plans to increase taxes on a wide range of goods to boost the national budget.

Labour and Compliance

Effective 1 July, the net monthly minimum wage increased by 34%, bringing it up to 11,402 Lira (approximately US\$480). This is the second time the Turkish government has adjusted minimum wage in 2023.

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

Turkey

Latest Developments

FBIC's take

FTAs, Trade Preferences and Investment Agreements

In late July, the United Arab Emirates (UAE)'s state news agency announced that the UAE and Turkey has signed 13 bilateral agreements worth more than US\$50 billion. Also, both countries will form a high-level strategic council which will be chaired by the presidents of Turkey and the UAE.

- Some of the provisional agreements signed include establishing a joint economic and trade commission, commitments to develop energy and natural resources projects, a US\$8.5 billion bond to support earthquake reconstruction in southern Turkey, as well as a US\$3 billion in export credit to help boost trade between the two countries.
- Turkey and the UAE will also advance existing cooperation in various industries, for example, transportation, infrastructure, logistics, e-commerce, finance, health, tourism, defense, artificial intelligence, etc.
- Turkish President Erdogan traveled the Gulf region from 17 to 19 July; besides the UAE, Erdogan also held meetings with the leaders of Saudi Arabia and Qatar to discuss investments into Turkey.

On July 18, the UK and Turkey announced plans to modernize their existing free trade agreement (FTA). The new deal will replace the current FTA which only covers trading of merchandise goods.

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

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