

Q2
2015



Retail Sourcing Report

Facts & Insight



FORWARD

RETAIL SOURCING REPORT

CBX Software's Retail Sourcing Report provides research and analysis aimed at informing global sourcing and buying decisions for retailers, brands and other sourcing professionals. Each issue includes a snapshot of key information impacting global sourcing, such as economic conditions in sourcing countries, container shipping prices, currency exchange rates and commodity costs. We also cover hot topics ourselves and include insight from analysts and other experts.

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Purchasing Manager's Index

To help understand industry and economic conditions in a country, the PMI Index tracks variables such as output, new orders, stock levels, employment and prices across private companies in the manufacturing, construction, retail and service sectors.

A reading below 50 indicates contraction from the previous month, while a reading above 50 indicates growth. Currently 22 countries and regions conduct the PMI survey and compilation, based on an internationally standardized methodology.

This update looks at a selection of emerging economies and key sourcing countries, providing indicators for recent months (based on data provided by **Markit**).

Analysis: Global emerging markets entered 2015 on relatively weak footing, a trend which has continued in Q2. Notable exceptions are Poland, Czech Republic and Mexico, which may indicate a trend towards near shoring. In Asia, China's manufacturing continued its moderate decline which along with low oil and commodity prices and a strong U.S. dollar are having a wide impact on global consumption and manufacturing.

Country	Jan 2014	Feb 2015	Mar 2015	Indicators
Brazil	50.7	49.6	46.2	The Brazilian manufacturing sector fell at the quickest pace since September 2011, with difficult economic conditions and inflation.
China	49.7	50.7	49.6	Operating conditions deteriorated in March with domestic and foreign demand remaining subdued.
Czech Republic	56.1	55.6	56.1	The Czech manufacturing sector has seen strong growth through Q1 which has continued in Q2, despite a slight rise in input costs.
Egypt	49.3	49.3	49.6	Business conditions in the non-oil private sector deteriorated in March, with inflation impacting input costs, a continuing trend from Q1.
India	52.9	51.2	52.1	India's private sector economy expanded for the 11 th consecutive month with expanding manufacturing activity.
Indonesia	48.5	47.5	46.4	Conditions in the Indonesia manufacturing economy continued to deteriorate into Q2 with falling exports and workforce reductions.
Mexico	56.6	54.4	53.8	March saw a sustained rise in output and new business volumes across the Mexican manufacturing sector.
Poland	55.2	55.1	54.8	Output and new order both rose sharply, with strong gains in manufacturing, partly due to the stronger dollar.
Russia	47.6	49.7	48.1	Russian manufacturing showed a modest deterioration as production and new business both recorded modest declines.
South Africa	49.8	49.8	51.6	Conditions in South African private sector companies improved for the first time in 2015 as output and new orders rose and employment grew.
South Korea	51.1	51.1	49.2	Operating conditions in South Korean manufacturing showed a general worsening with declining production and drop in new orders.
Turkey	49.8	49.6	48.0	Turkey's manufacturing sector signaled a steepening downturn with output, new orders and exports all falling at a sharper rate.
Vietnam	51.5	51.7	50.7	Vietnamese manufacturing continued to see improvements into Q2 on rising output and new orders, from domestic and foreign clients.

Sources: **HSBC, Markit**

Major Economic Indicators

This section looks at major economic indicators from key “low-cost” sourcing destinations, also pulling out highlights and sourcing trends in these countries.

Selected highlights:

Bangladesh – Garment exports to the U.S. and EU declined based on manufacturing issues and unrest

Cambodia – Garment exports increased by about 4% year-on-year (Cambodia Ministry of Commerce)

India – Australia and India committed to a Free Trade Agreement (FTA) by the end of 2015

Indonesia – Exports increased by only 1.02% in 2014, compared to 4.17% in 2013

Pakistan – Canadian apparel brand Kanati pulled out of Pakistan due to various risks of doing business

Philippines – Tariffs on garment exports to the EU slashed to zero, expected to revive garment industry

Thailand – Special Economic Zone (SEZ) infrastructure plan approved to expand border trade

Turkey – Minimum wage raised to U.S. \$413 as of January 1, 2015, a 12.2% increase

Vietnam – Vietnam became the second largest footwear exporter to the U.S. in 2014 (after China)

CPI (% yoy growth)	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Bangladesh	6.8	6.6	6.2	6.2	-	-
Cambodia	-	-	-	-	-	-
India	6.5	5.5	4.4	5.0	-	-
Indonesia	4.5	4.8	6.2	8.4	7.0	6.3
Pakistan	7.7	5.8	4.0	4.3	3.9	-
Philippines	4.4	4.3	3.7	2.7	2.4	2.5
Thailand	1.8	1.5	1.3	0.6	-0.4	-0.5
Turkey	8.9	9.0	9.2	8.2	7.2	-
Vietnam	3.6	3.2	2.6	1.8	0.9	0.3
Exports (% yoy growth)	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Bangladesh	-1.4	-7.6	9.3	4.3	4.8	-
Cambodia	-	-	-	-	-	-
India	2.7	-5.0	7.3	-3.8	-	-
Indonesia	3.9	-2.2	-14.6	-13.8	-8.1	-16.0
Pakistan	-16.7	5.0	9.5	-4.6	-	-
Philippines	15.7	2.5	21.7	-3.2	-0.5	-
Thailand	3.2	4.0	-1.0	1.9	-3.5	-
Turkey	4.0	7.0	-7.9	1.2	-	-
Vietnam	14.4	14.1	13.7	13.7	14.0	8.4
Imports (% yoy growth)	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015
Bangladesh	8.2	14.4	1.8	-	-	-
Cambodia	-	-	-	-	-	-
India	26.0	3.6	26.8	-4.8	-	-
Indonesia	0.2	-2.2	-7.3	-6.6	-15.6	-16.2
Pakistan	20.3	30.0	-0.6	8.4	-	-
Philippines	-1.2	7.5	-10.8	-10.6	-	-
Thailand	14.4	-4.9	-3.5	-8.7	-13.3	-
Turkey	-0.1	-1.5	-0.1	-5.6	-	-
Vietnam	11.6	11.5	11.8	12.1	39.2	21.9

Sources: Fung Group, various statistical bureaus

Global Competitiveness Index

The Global Competitiveness is a ranking of countries based on their competitiveness across different measures such as government regulation, labor market efficiency, education, infrastructure and other measures important to doing business in a country. Below is a selection of emerging economies which are important sourcing locations. As might be expected, countries which made significant gains in the index include Bangladesh, Indonesia, the Philippines and Vietnam, while China remained relatively flat.

Global Competitiveness Index: Selected Indicators, 2013-14 (Ranking of 148 countries)

Rank/148	Bangladesh	Cambodia	China	India	Indonesia	Pakistan	Philippines	Thailand	Turkey	Vietnam
Overall competitiveness	110(↑8)	88(↓3)	29(-)	60(↓1)	38(↑12)	133(↓9)	59(↑6)	37(↑1)	44(↓1)	70(↑15)
Institutions	131(↓4)	91(↓18)	47(↑3)	72(↓2)	67(↑5)	123(↓8)	79(↑15)	78(↓1)	56(↑8)	98(↓9)
<i>Intellectual property protection</i>	130(↑1)	99(↓14)	53(↓2)	71(↓8)	55(↑5)	109(↓3)	78(↑9)	102(↓1)	74(↑12)	116(↑7)
<i>Burden of government regulation</i>	97(↓12)	70(↓28)	14(↑9)	104(↓6)	31(↑17)	82(↓20)	98(↑10)	90(↓1)	72(↑8)	106(↑6)
<i>Strength of investor protection</i>	25(↓1)	69(↓4)	84(↓4)	41(↓2)	41(↓2)	31(↓2)	107(↑3)	13(-)	57(↓5)	134(↓4)
Infrastructure	132(↑2)	101(↑3)	48(-)	85(↓1)	61(↑17)	121(↓5)	96(↑2)	47(↓1)	49(↑2)	82(↑13)
<i>Quality of roads</i>	118(↓5)	80(↓14)	54(-)	84(↑2)	78(↑12)	72(↑1)	87(-)	42(↓3)	44(↓1)	102(↑18)
<i>Quality of railroad</i>	78(↓5)	91(↓10)	20(↑2)	19(↑8)	44(↑7)	75(↓9)	89(↑5)	72(↓7)	52(↑1)	58(↑10)
<i>Quality of port</i>	104(↑17)	81(↓12)	59(-)	70(↑10)	89(↑15)	55(↑5)	116(↑4)	56(-)	63(-)	98(↑15)
<i>Quality of air transport</i>	125(↓5)	90(↓15)	65(↑5)	61(↑7)	68(↑21)	88(↓10)	113(↓1)	34(↓1)	33(↑3)	92(↑2)
<i>Quality of electricity supply</i>	133(↑3)	112(↓7)	67(↓8)	111(↓1)	89(↑4)	135(↓9)	93(↑5)	58(↓14)	77(-)	95(↑18)
Macroeconomic environment	79(↑21)	83(↑8)	10(↑1)	110(↓11)	26(↓1)	145(↓6)	40(↓4)	31(↓4)	76(↓21)	87(↑19)
Health & primary education	104(↓1)	99(↑3)	40(↓5)	102(↓1)	72(↓2)	128(↓11)	96(↑2)	81(↓3)	59(↑4)	67(↓3)
Higher education & training	127(↓1)	116(↓5)	70(↓8)	91(↓5)	64(↑9)	129(↓5)	67(↓3)	66(↓6)	65(↑9)	95(↑1)
Goods market efficiency	89(↑6)	55(↓5)	61(↓2)	85(↓10)	50(↑13)	103(↓6)	82(↑4)	34(↑3)	43(↓5)	74(↑17)
<i>Prevalence of trade barriers</i>	62(↑19)	80(↑8)	76(↑3)	61(↑17)	71(↑4)	92(↑22)	60(↑16)	50(↑21)	97(↑1)	104(↑24)
<i>Trade tariffs, %duty</i>	132(↓3)	105(↑22)	123(↓1)	128(↓2)	65(↓4)	142(↓7)	46(↑7)	83(↓5)	69(-)	92(↓2)
<i>Burden of customs procedures</i>	113(↑11)	101(↓22)	60(↑5)	88(↓4)	74(↓1)	91(↑2)	130(↓4)	80(↑6)	87(↑9)	99(↑15)
Labor market efficiency	124(↓7)	27(↑1)	34(↑7)	99(↓17)	103(↑17)	138(↓8)	100(↑3)	62(↑14)	130(↓6)	56(↓5)
<i>Cooperation in labor-employer relations</i>	96(↓12)	68(↑7)	60(↓3)	61(↓11)	49(↑12)	105(↓15)	34(↑4)	37(↑4)	82(↑22)	64(↓11)
<i>Flexibility of wage determination</i>	95(↓10)	71(-)	94(↓17)	50(↑11)	106(↑8)	97(↓5)	109(↑8)	111(↓14)	32(↑3)	69(↓24)
<i>Pay and productivity</i>	101(↑4)	32(↓3)	17(↓1)	58(↓15)	29(↑5)	86(↓13)	44(↑13)	31(↓4)	61(↓12)	15(↑3)
Business sophistication	113(↓5)	86(↓12)	45(-)	42(↓2)	37(↑5)	85(↓7)	49(-)	40(↑6)	43(↑4)	98(↑2)
<i>Local supplier quantity</i>	76(↑1)	111(-)	31(↓3)	2(↑8)	51(↑16)	78(↓4)	54(↓5)	23(↑2)	18(↑17)	30(↑8)
<i>Local supplier quality</i>	95(↓14)	113(↓11)	69(↓3)	76(↓7)	66(↓4)	92(↓6)	68(-)	42(↓3)	56(-)	89(↑10)
<i>Site of cluster development</i>	66(↓9)	44(↑4)	24(1)	16(↑13)	29(↑4)	62(-)	55(↓17)	33(↑1)	30(↑13)	68(↓32)

Source: World Economic Forum

China Wage Trend Snapshot

Following the 2011-15 Five Year Plan – stipulating growth of 13% per year - wage increases in China have occurred in at least 16 of the 31 provinces and regions. The chart below highlights average annual wage increases. Specific regional wage increases are indicated in the below table. While a sharp slowdown in Chinese manufacturing has raised some uncertainty as to wage sustainability, policy makers are expected to intervene to support continued wage growth.

Flash Survey from German Chamber of Commerce in China (March 2015)

- **Average Wages** - expected to increase by 8.1% in 2015 (8.8% for blue collar Workers)
- **Regional Developments** – Wage increases in the South are slightly higher than the North and East and increases in second tier cities are marginally higher than those in first-tier cities
- **Manufacturing vs. Service** – Wage increase are accelerating at a faster rate in manufacturing companies versus service companies

Forecast of China Average Yearly Wages in Manufacturing



2014 Minimum Wage Updates (official)		
Region	Monthly Min Wage (RMB)	Effective Date
Chongqing	1,150 -1,250 (various districts)	January 2014
Shenzhen	1,808	February 2014
Shaanxi	970, 1,060, 1,170, 1,280 (various regions)	February 2014
Shandong	1,200, 1,350, 1,500	March 2014
Shanghai	1,820	April 2014
Beijing	1,560	April 2014
Qinghai	Benchmark of 10% plus increase	May, 2014
Yunnan	Benchmark of 10% plus increase	May 2014
Guangzhou	5% - 17% increase (various regions)	June 2014
Guizhou	2.7 – 15.2% increase (various regions)	June 2014
Henan	1,400, 1,250, 1,100 (various regions)	July, 2014
Jiangxi	4-16% increase (various regions)	August 2014
Zhejiang	1,650, 1,470, 1,350, 1,220 (various regions)	August 2014
Fujian	3.5% - 17% increase (various regions)	August 2014
Hebei	6% - 22% increase (various regions)	August 2014
Jilin	4% - 16% increase (various regions)	August 2014

Source: Trading Economics

Global Low Cost Sourcing Country Wage Snapshot

Below is a snapshot of minimum wages in selected Asian sourcing locations, with the addition of Egypt and Ethiopia. Wages vary by region or province and indicate either an estimated or actual/official rate. In cases with a distinct variance, we provide an average. With greater visibility into social conditions in low cost countries, currency fluctuations, increasing unrest and union pressure, wages in traditional low cost sourcing countries are on the rise across the board. **(Figures in USD/month as of April 5, 2015)**

As of January 2015 most of these countries have either committed to increases or are facing heavy union pressure to increase wages in double digit percentages. In addition to basic wages, workers may receive attendance and production bonuses, transport, subsidized meals, etc.

Note: Consult **Fair Wage Guide** to calculate benchmarks for wages in particular countries on an hourly or piece rate basis and determine a fair wage in those regions.

BANGLADESH	CAMBODIA	CHINA	EGYPT	ETHIOPIA
\$68 (Dec 2014)	\$128/month (Nov 2014)	\$137-\$639 (2015 est.)	\$114 (Mar 2015 est.)	\$23-\$40 (Dec 2014)
Bangladesh raised the minimum wage for garment workers – up by 77% . To 5300 Taka (\$68) following a labor dispute that shut factories in the Ashulia industrial zone outside the capital city of Dhaka.	Cambodia officials agreed to raise the minimum wage in its biggest export earning apparel sector to \$128 US a month, a 28% increase . Labor unions are still pushing for \$140 as a minimum.	Minimum wages in China are set by local governments and vary widely by region and how wages are calculated (with housing, food, overtime etc.) Wages continue to increase +/-10% / year.	The basic min wage for the public sector rose from EGP246 to EGP870 in March 2015. Currently there is only one national minimum wage; there are no sectorial rates or occupation-based rates.	Many government institutions and public enterprises set their own minimum wages which accounts for variations. Public sector employees are on the low end (\$23) while the private sector is higher (+/- \$40)
INDIA	INDONESIA	LAOS	MALAYSIA	MYANMAR
\$40 - \$130 (2015 est.)	\$71-230 (2015 est.)	\$110 (2015 proposed)	US\$ 254 (2015 actual)	\$40-\$60 (2015 est.)
Indian min. wages vary widely between regions and skill levels, however the central Indian labor ministry has proposed fixing minimum wages at 15,000 Rupees/month (\$242) as of late 2014 - a big gap between actual rates.	Indonesia min. wages vary widely depending on the region and skill level. Officials have made commitments on increases but Union officials are pushing for more. For example, the Jakarta approved a \$219 min. for 2015, but unions want \$285.	Talks are underway in Laos to increase the min. wage, based on rising living costs from a 2011 min. of 626,000 Lao kip (\$78) per month to a proposal by labor unions to raise wages to 900,000 Lao kip (\$99) in key provinces.	Malaysian officials proposed an increase of the min. wage from RM 900 (\$254) to RM 1,100 (\$310) to offset rising costs. This excludes foreign workers who make up 70%-80% of textile sector workers. Wages vary widely across the country.	Rates vary widely in Myanmar (Burma) according to the public or private sector and skill level of employees. Talks are underway between unions, trade associations and government with proposed wages ranging from \$36-\$100 for unskilled workers.
PHILIPPINES	SRI LANKA	THAILAND	VIETNAM	
\$110-220 (2015 est.)	\$49-72 (2015 est.)	\$381 (2014 est.)	\$ 101-142 (2015 est.)	
Wages in the Philippines vary widely by region and skill. Garment sector wages range from \$6-8 per day. In 2013 minimum wages were replaced with a two-tier system. 1 st tier: Minimum floor wage for new hires/ low skilled. 2 nd tier: productivity – based system.	Min. wages in Sri Lanka vary by skill and industry. Industrial sector wages range from 6,500-7,500 Sri Lankan Rupees (\$49-\$56) for unskilled workers to 7,500-9,500 (\$56-\$72) for skilled workers. Average wages for textile workers are +/- \$160.	Actual wages in Thailand increased to 13581 Thai Baht (\$416) in the fourth quarter of 2014 from 13386 (\$410) in the third quarter of 2014. Manufacturing wages average 12429 (\$381) a marginal increase. An official min. wage of \$300 per month applies from Jan. 2013	Prime Minister agreed to increase Vietnam's minimum monthly salary from VND 2.15 mln-VND3.1 mln (\$101-\$146) depending on location, effective January 1, 2015. Inflation continues to press wages and further hikes are expected through to 2017.	

Sources: **WageIndicator.org, SAFSA, Wikipedia, Local News Reports**

Container Freight Rates for Major Routes

The rates below are supplied by **Xeneta** which relies on actual “crowd sourced” data provided by shippers, allowing users to cross-reference prices. All indices are reported in USD per Twenty Foot Container. We report on historical and forward looking rates for key Asia-Europe and Asia-U.S. routes.

Analysis: Freight rates on **Asia-European trade lanes** continued to slide into Q2, with spot rates for a 20 foot container hitting an 18 month low of \$620 in March, according to the Shanghai Containerized Freight Index (SCFI). While this time of year is typically a slow season, shipping consultant, Drewry reported that supply growth is running at twice the rate of demand growth expected in 2015. This is partly due to most major shipping lines such as CMA, CGM, OOCL and MOL continuing to invest in megaships.

Expected surcharges on **Asia-North America trade lanes** due to announced fees to prevent marine pollution to be imposed by 2020 are not strongly evident yet according to data from Drewry and the World Container Index. Port congestion on the U.S. West coast due to labor issues have resulted in surcharges and some cargo is being steered towards the East Coast. Container volume growth to the U.S. is expected to continue based on the strengthening U.S. economy.



Hong Kong (Hong Kong) - Hamburg (Germany)

20' container 40' container 40' RF container 40' HC container



OVERVIEW

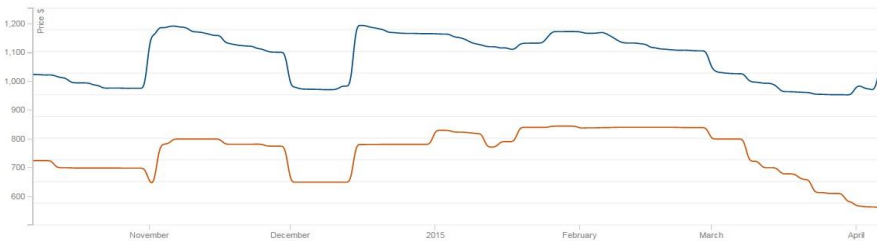
Market average
Market low (2.5 %)
Market high (97.5 %)
Hong Kong — Germany

20ft Container Rates (USD)
(6 months to Apr 2015)
 Avg. High: +/- \$1,210 (Dec 2015)
 Avg. Low: +/- \$950 (Jan 2015)



Shanghai (China) - Antwerpen (Belgium)

20' container 40' container 40' RF container 40' HC container



OVERVIEW

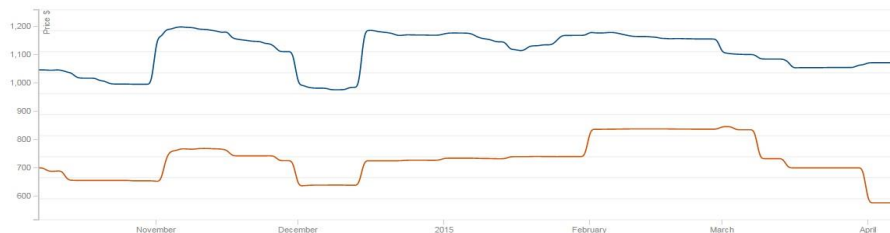
Market average
Market low (2.5 %)
Market high (97.5 %)
China — Belgium

20ft Container Rates (USD)
(6 Months to April 2015)
 Avg. High: +/- \$1,175 (Dec 2015)
 Avg. Low: +/- \$950 (Dec 2015)



Shanghai (China) - Rotterdam (Netherlands)

20' container 40' container 40' RF container 40' HC container



OVERVIEW

Market average
Market low (2.5 %)
Market high (97.5 %)
China — Netherlands

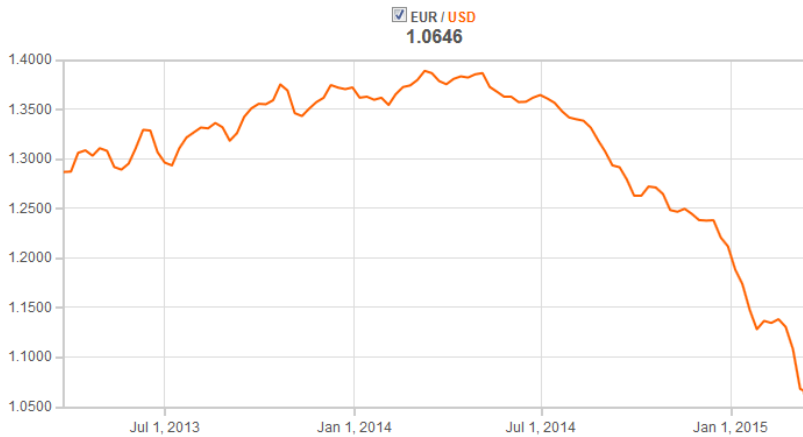
20ft Container Rates (USD)
(6 months to April 2015)
 Avg. High: +/- \$1,200 (Nov 2015)
 Avg. Low: +/- \$980 (Dec 2015)

Chart Source: www.xeneta.com

Currency Exchange Rates

Following are exchange rates and indicators from 30 day to 2 year historical rates for major currencies commonly factored into global sourcing costing estimations. The USD is expected to continue strengthening into Q2 and beyond while the Euro continues to suffer the effects of the Eurozone debt crisis. Analysts are predicting that the Chinese government will allow its currency to float within five years as part of their plan to reform the exchange rate.

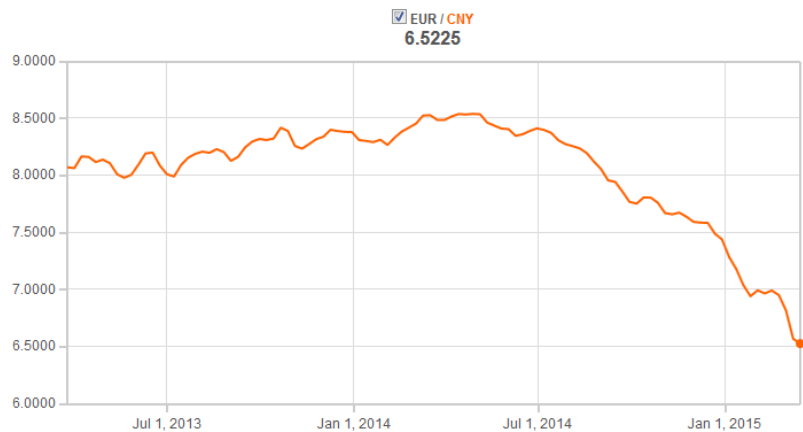
EURO / USD:



Forecasts from Analysts such as RBS, HSBC and Nomura warn of the Euro hitting fresh lows over the next 12 months as the European debt crisis continues to make its impact. The dollar is expected to continue to strengthen based on solid economic growth.

EUR/USD - % change	
2 years	-17.26%
1 year	-22.76%
6 months	-15.69%
3 months	-12.13%
30 days	-5.81%

EURO / RMB:



The Euro's decline against the RMB has continued into Q2. The Euro dropped 11% in Q1 and is expected to continue modest declines. Fundamentals for the Chinese Yuan remain strong yet sensitive to shifting monetary policy.

EUR/RMB - % change	
2 years	-19.15%
1 year	-23.10%
6 months	-15.99%
3 months	-12.28%
30 days	-6.11%

USD / RMB:



The USD is expected to continue an overall strengthening trend, at a more modest rate. According to Bloomberg analysts, the RMB should appreciate by 2.1% to 6.1 per dollar in 2015 as the Chinese government moves towards loosening control of its currency.

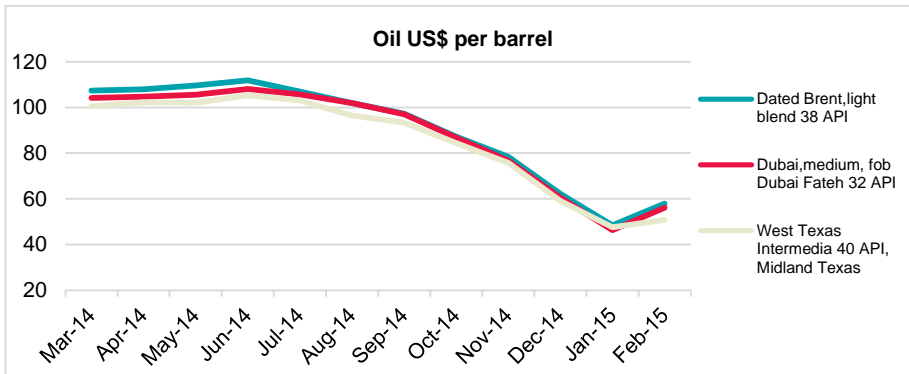
USD/RMB - % change	
2 years	-2.28%
1 year	-0.44%
6 months	-0.36%
3 months	-0.17%
30 days	-0.38%

Sources: **Oanda.com; News/Analyst Reports**

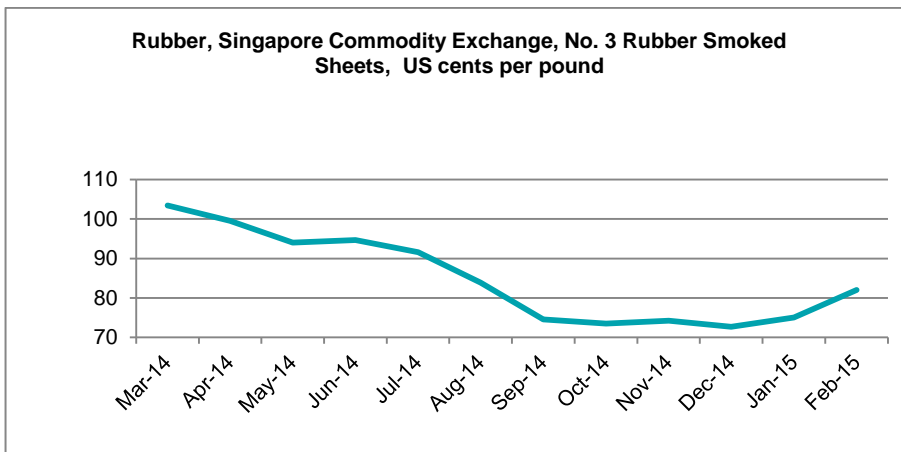
Global Commodity Rates

Following oil prices which saw one of the largest declines since World War 2, most major commodities are expected to continue their decline through 2015, with a turnaround not expected until 2016. The World Bank's three industrial price indices – energy, metals and minerals all experienced declines of more than 35% between 2011 and late 2014. The commodity crash is impacted by oil price drops but also by low demand for raw goods, manufacturing slowdown in China and the ongoing European debt crisis. The decline in commodity prices is a key indicator of consumption and manufacturing trends.

Crude Oil

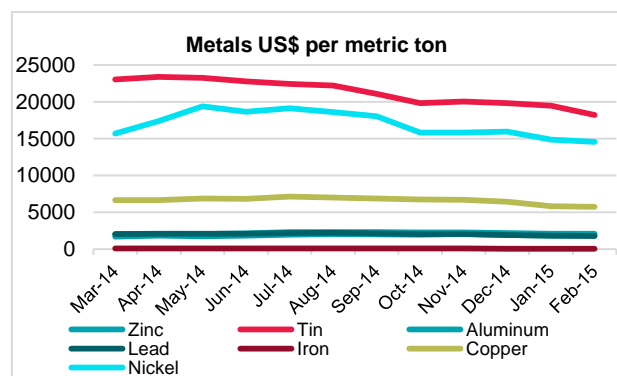
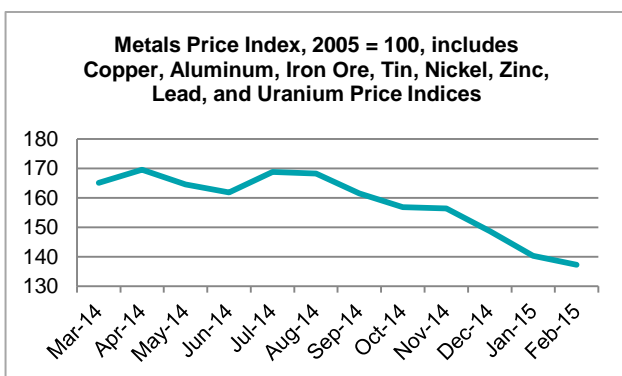


Rubber

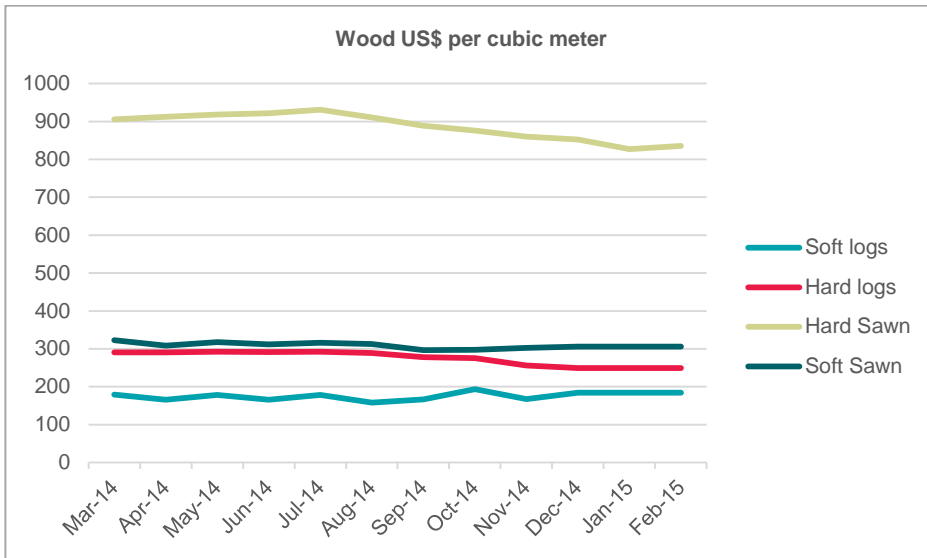


Rubber prices are experiencing a rebound heading into Q2, partly due to rising production to cover depleted stocks after prices plummeted in 2014.

Metal

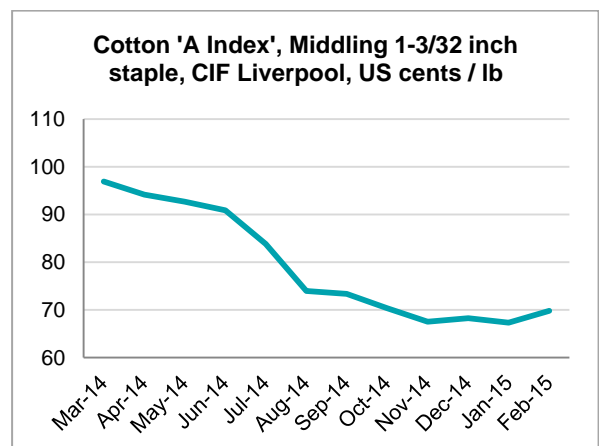
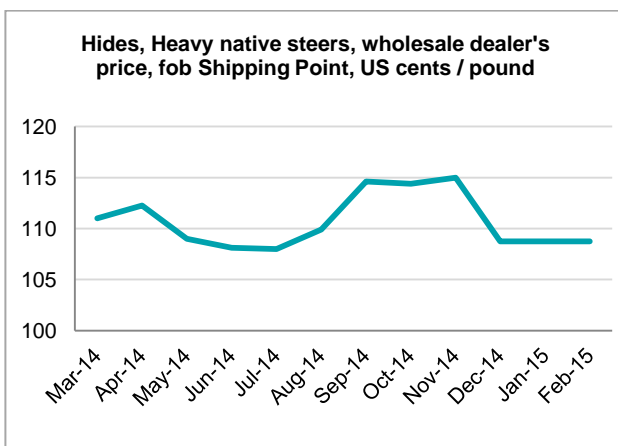
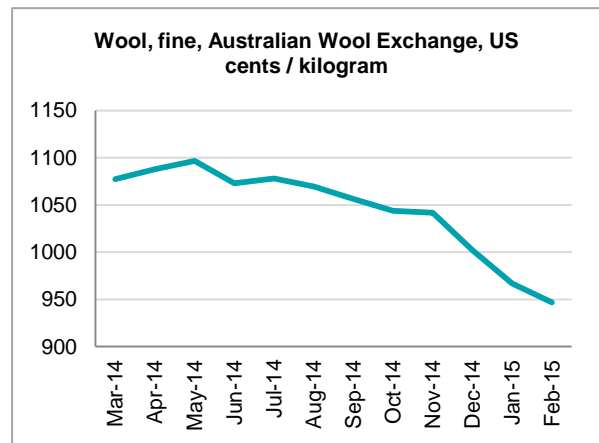
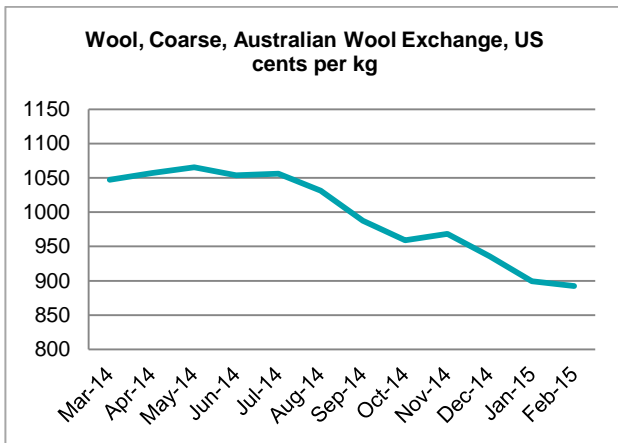


Wood



Wool, Hides, Cotton

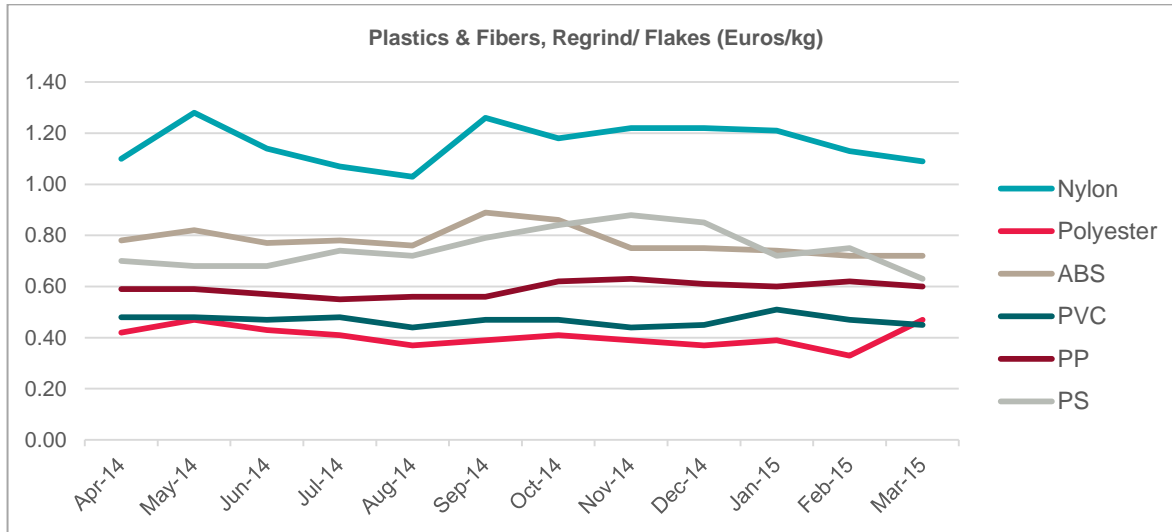
Cotton prices are expected to remain flat, forcing growers in all cotton producing countries to rethink and continue to reduce their production, a trend continuing from 2014. Downward pressure on cotton prices based on oversupply is expected to continue into 2015/2016. A proposed reduction in Chinese cotton subsidies is not expected to impact prices significantly given large stockpiles. Wool prices and production are expected to continue their decline, despite wool price competitiveness relative to synthetic fibres.



Plastics and Fibers

A selection of plastic related prices is provided below. These are calculated from offer prices in the Plasticker Material Exchange, which provide an indication of trends.

Analysis: Falling oil prices continue to make plastic and synthetic fibres more attractive especially for developing countries in Asia-Pacific, Africa and the Middle-East. Price growth is also expected to remain strong in North America through 2015.



Sources of above commodity prices: **IMF data, Index Mundi, Plasticker**

Quality Focus

This section focuses on manufacturing/sourcing quality related news and the impact on retailers and brands. Regular insight to this section is provided by experts in the quality area, including regular contributor, [AsiaInspection](#), a leading provider of quality control and compliance services for businesses importing from Asia, Africa, Southern Europe and Latin America.

Quality Control, Compliance, Sustainability Highlights

Environmental and Social Standards Top Mandate for G7 Summit

In a recent G7 conference held in early March, government representatives and stakeholders set a mandate for the upcoming G7 Summit to reach an agreement on a sustainable and ethical global supply chain. According to statements from the International Labour Organization (ILO), every 15 seconds someone dies as a result of an occupational accident or disease. These trends are being met with a sharp rise in global awareness on ethical sourcing issues. AsiaInspection has reported that demand for ethical audits increase by 65% year over year in Q1.

If the G7 Summit begins full implementation of a sustainable global supply chain, the burden would be on brands and importers to ensure that they adhere to these global standards. A local instance of such enforcement may start in France where a law passed in late March will potentially force all large corporations to demonstrate that they enforce social accountability through their supply chains, including subcontractors.

"Every 15 seconds somebody dies as a result of an accident at work or an occupational disease. 68 million children around the world are forced to work. We must take action here." - Andrea Nahles, German Federal Labour Minister (at G7 Conference)

Quenching a Thirsty Global Supply Chain

Environmental concerns are picking up in global supply chains: while much of the focus is still on labor conditions, recent updates show that brands and retailers are starting to take the environmental impact of their sourcing strategies seriously. In a briefing published in the run up to World Water Day, Sedex analyzed data from over 20,000 audits registered on the Sedex Global platform. The briefing introduces companies to water-related risks in their supply chain. 42% of audits by Sedex members performed at suppliers sites revealed a lack of permits for resource use and disposal, inadequate waste disposal systems and missing systems for checking environmental performance against relevant laws and customers' requirements. In the wake of these concerns According to Asia Inspection, Q1 saw a strong rise in interest from buyers for Environmental Audits and Waste Water Testing.

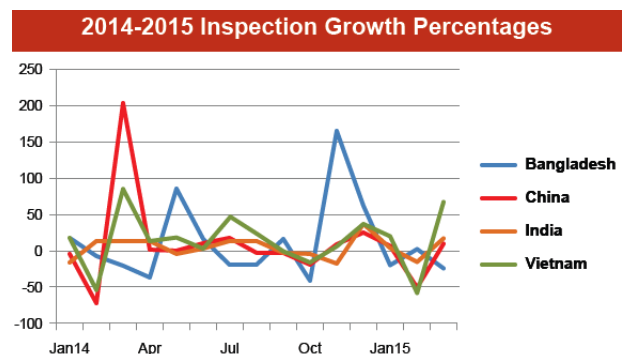
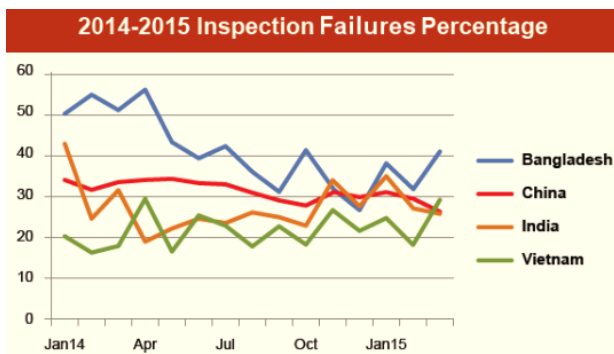
Sourcing Growth in Vietnam and Myanmar

Although China remains the dominant sourcing region by sheer volume, AsiaInspection data confirms the trend that brands and retailers are sourcing more from neighboring countries. In terms of global inspections performed, from Q1 2014 to Q1 2015, China's share in percentage dropped by 12 points.

According to the latest Purchasing Managers' Index for manufacturing, Vietnam rose in both output and new orders. While US imports from China in January were down for the first time since 2008, Vietnam became the biggest ASEAN exporter to the US. Meanwhile, Myanmar's garment industry has seen significant growth, increasing by 300 million USD in the past year and has doubled in less than three years.

AsiaInspection figures confirm both trends with a year-on-year increase of 190% in Vietnam and 113% in Myanmar for performed inspections. AI figures suggest this growth has not come at the expense of quality. Vietnam outperformed China in Q1 in terms of product quality: while China had a beyond AQL rate of 28% Vietnam was 24%.

AI Barometer Key KPI's (Q2, 2015)



Topic Spotlight: Sri-Lanka, Island of Opportunity?

Companies looking for alternate sourcing locations to China and Bangladesh, especially for apparel/textiles might want to take another look at Sri-Lanka given it has recently started the process to regain the generalized system of preferences (GSP Plus) status.

An eight-member EU Trade Working Group (TWG) along with a GSP Plus delegation and a senior EU trade official held discussions with Sri Lankan officials in late March in Colombo to begin the process of re-admitting Sri Lanka to the status of GSP Plus under the new GSP regulation. The EU's Generalized Scheme of Preferences (GSP) allows developing country exporters to pay little or no duties on their exports to the EU, providing them with vital access to EU markets and contributing to their economic growth.

Sri Lanka lost their GSP Plus status in 2010 due to the United Nations Human Rights Council (UNHRC) alleging violations of Human Rights during the civil war. Subsequently, when the EU evaluated Sri Lanka last year it found that the country was not adhering to 3 of the 27 international covenants that a country must abide to qualify for the consideration of GSP Plus.

Outlook for Apparel and Investment

Many analysts are looking at Sri Lanka as a good potential location to invest given greater stability following the end of the Sri Lankan Civil War in 2009 and economic ups and downs. The government has continued to invest in infrastructure, with significant investment in infrastructure coming from the Chinese.

Rishad Bathiudeen, the Sri Lankan minister of industry and commerce commented that the country had lost considerable apparel revenue as a result of losing the GSP plus. The EU is Sri Lanka's largest export market, accounting for one-fourth of all exports, followed by the United States. They have set an ambitious target of reaching US \$ 20 bln in exports by 2020, which would help put Sri Lanka on the map.

Sri Lanka - Key Economic Indicators (2013 data unless indicated, figures in USD)	
GDP	\$67.18 bln
GDP Growth %	7.8% (2014)
Exports	\$10.39 bln
Textile/Apparel Exports	\$4.93 bln
Imports	\$18 bln
Population	20.48 mln
Labor Force	8.528 mln
Industrial labor	25.8%
Wages (varies by skill)	\$49 - \$160
Unemployment Rate	5.1%
Inflation Rate	4.7%
Exchange Rate	\$1 = 132.8 LKR
Key Advantages	
<ul style="list-style-type: none"> • New and strong infrastructure • Strategic location in Indian Ocean 	
Concerns:	
<ul style="list-style-type: none"> • Large trade deficit • Corruption and political instability 	



Don't miss the 8th Edition of **CBX Global Sourcing Day** on December 4, 2015



This exclusive event brings together over 100 sourcing executives at leading retailers and brands to learn and exchange ideas on the most pressing issues in retail global sourcing today.

Topics Include: Strategies for Optimizing your Sourcing Operations, Private Label Sourcing Done Right, Effective Quality Control, Leveraging Technology for Global Sourcing and more.

Past Attendees Include: Alliance Boots, Berghaus, Dollar General, El Corte Ingles, Family Dollar, Marks & Spencer, MGB Metro, Pets at Home, Poundland, Target, Tchibo – and many more.

To pre-register for a complimentary seat (*qualified attendees only*):

Contact: Judy Mak at +852 2378 6300 or email [judy.mak \(at\) cbxsoftware.com](mailto:judy.mak@cbxsoftware.com).

About CBX Software

CBX Software has simplified the business of global sourcing; transforming traditional methodologies into fast, friction free supply chains through our real-time cloud based Total Sourcing Management Platform (TSM). We help retailers, brands and manufacturers manage and empower the supply chain from plan to pay - one intelligent collaboration solution for an enterprise to plan, spec, source, assure quality, order, make, inspect, ship and pay. Over 20,000 users in more than 30 countries rely on CBX, including: Target, Safeway, Kmart, Charming Shoppes and others.

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