Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>22015</td>
<td>46050</td>
<td>80.42</td>
</tr>
</tbody>
</table>

Domestic Futures Price (Ex. Gin), November

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>22340</td>
<td>46370</td>
<td>81.61</td>
</tr>
</tbody>
</table>

International Futures Price

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NY ICE USD Cents/lb (Dec 2018)</td>
<td>78.87</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2019)</td>
<td>14,930</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>83.12</td>
</tr>
</tbody>
</table>

Cotlook A Index – Physical

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotlook A Index – Physical</td>
<td>88.60</td>
</tr>
</tbody>
</table>

Cotton Guide: December contract trades at ICE settled at 7887, up 8 points from previous close. Since 19th September the mentioned contract has traded in a 477 point range, from 7537 (Oct 1) to 8014 (Oct 22). The midpoint of that range is 7775, so the bulls hold the edge for now.

Market is basically quiet as traders have a lot going on this week feeding the uncertainty. Today is the US Mid-Term Election and not only is it tough to know the outcome, but how markets react is a bigger unknown.

Further Thursday is the USDA Monthly Supply-Demand report and the impact of hurricane on the crop will be known on the supply figure which is as of now unknown how much the impact could be.
From Wednesday for next five sessions will be the Goldman Sachs long only index funds (and probably other funds) who will sell December and Buy March as they roll their longs forward. Also the variety of thoughts about the outcome of any negotiations between President Trump and Chinese President XI Jinping seems to swing from favorable to not so good.

With the multiple factors running market is keeping cotton price jittery and making it to move in the confined range. We think market might remain in the same range in the near term. The trading volumes have been very quiet the volume on Monday was 34,900 contracts while cleared on Friday were 340000 contracts.

After the market closed the USDA US Crop Progress report for the week ended November 4th was released. Conditions barely declined from the previous week. The report showed cotton: 94 percent opening bolls behind the 5-year average of 97 percent; and 49 percent harvested, also behind the 5-year average of 52 percent.

On the technical front prices are near long-term resistance beginning in the 8000+/– area, so the bulls have their work cut out for them if they intend to extend the recent rally from current levels. Watch the resistance in the 7950-to-8250 area. On one hand, this is where the sellers will probably emerge in force. On the other hand, an ability to get through this resistance would bring technical improvements of a long-term nature. Minor support is around 7800. Key, long term support is the 7550-to-7600 area.

Coming to domestic market spot price continued to hover near Rs. 46300-46500 per candy ex-gin. The all India arrivals have been rising gradually to 160K bales. We think the trend may remain under stress. Therefore, the future contract for November ended the session on Tuesday at Rs. 22340 down by Rs. 30 from the previous close while it had made an intraday low of Rs. 22250 per bale. We think market might remain under stress and recommend selling from higher level. The trading range for the day would be Rs. 22100 to Rs. 22400 per bale.

On the news front, the Cotton Association of India (CAI) has released its first published estimate of the cotton crop for the 2018-19 season (beginning October 1, 2018). CAI has advanced a figure of 34.32 million bales of 170 kgs, which marks a significant drop from the 34.80 million bales announced in early October at CAI’s domestic conference. The reduction is due to downgraded expectations of output from Gujarat (-200,000 bales), Maharashtra and Karnataka (-100,000 each) and Orissa (-75,000). Arrivals for the month of October are estimated to amount to 2,613,000 bales.
Domestic consumption this season is expected to be in the region of 32.4 million bales (unchanged from last year), with imports at 2.4 million bales (1.5 million in 2017/18), and exports at 5.1 million bales (6.9 million). The total cotton supply for the season is thus estimated by CAI to be 39.025 million bales, with closing stocks (by end September 2019) of 1,525,000 bales. Closing stocks at the end of the 2017/18 crop year totalled 2.3 million bales.

**FX Guide:**

Indian rupee has opened higher by 0.24% to trade near 72.95 levels against the US dollar. Rupee recovered today after 1% depreciation yesterday. Rupee has benefitted from weaker crude oil price and general weakness in US dollar against major currencies. Brent crude trades weaker near $72 per barrel amid easing worries relating to Iran and demand concerns on back of global economic uncertainty. The US dollar index trades near 96.35 levels today after a 0.3% decline yesterday.

The US dollar index has weakened against European currencies amid signs of progress in Brexit talks. Rupee also benefitted from reports that the government is looking to raise funds through an exchange traded fund consisting of shares from state-run companies. However, weighing on price is uncertainty about outcome of US mid-term elections today, uncertainty about US-China trade talks.

US mid-term elections are due today and market players are seeing a high possibility that Republicans may lose majority in the House of Representatives which will cause concerns about Trump’s policy initiatives. Market players are seeing comments from US and China officials to gauge possibility of a trade deal.

While US economic advisor played down possibility of an immediate deal, China’s vice president said Beijing remained ready to discuss a trade solution with the US. Rupee may witness choppy trade reflecting volatility in financial markets ahead of major events however general bias is weak. USDINR may trade in a range of 72.75-73.15 and bias may be on the upside.

*Compiled By Kotak Commodities Research Desk, contact us: research@kotakcommodities.com, Source: Reuters, MCX, Market source*
# NEWS CLIPPINGS

## INTERNATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trade war: Can other Asian countries replace China as the world's factory?</td>
</tr>
<tr>
<td>2</td>
<td>USA: Higher Costs from Tariffs and Raw Materials Conspire to Raise Apparel Prices</td>
</tr>
<tr>
<td>3</td>
<td>USA: Textile and Apparel Imports Fall as Major Shippers See Mixed Results</td>
</tr>
<tr>
<td>4</td>
<td>USA: Mall Owners: Clothing Stores are Making a Comeback</td>
</tr>
<tr>
<td>5</td>
<td>US Trade Gap Hits Seven-Month High Amid Expanding Tariff War</td>
</tr>
<tr>
<td>6</td>
<td>South Africa’s Apparel Production Declines as Economy Struggles</td>
</tr>
<tr>
<td>7</td>
<td>American Businesses Paid 54 Percent More in Trump Administration Tariffs in September</td>
</tr>
<tr>
<td>8</td>
<td>Pakistan: Range-bound trading keeps cotton prices firm, better grades in focus</td>
</tr>
<tr>
<td>9</td>
<td>Why Leggings Are Losing to Denim Amid Today’s Trends</td>
</tr>
<tr>
<td>10</td>
<td>Vietnam: NA continue talks on implementing the CPTPP</td>
</tr>
</tbody>
</table>

## NATIONAL NEWS

<table>
<thead>
<tr>
<th>No</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CAI trims cotton crop size estimate to 343 lakh bales on weather woes</td>
</tr>
<tr>
<td>2</td>
<td>Government plans more incentives for textile exporters</td>
</tr>
<tr>
<td>3</td>
<td>Apparel retailers like Shoppers Stop, Reliance Trends record double digit growth this festive season</td>
</tr>
<tr>
<td>4</td>
<td>Tirupur exporters laud Modi for MSMEs sops</td>
</tr>
<tr>
<td>5</td>
<td>Coimbatore to benefit from announcements for MSMEs</td>
</tr>
<tr>
<td>6</td>
<td>Baba Ramdev launches swadeshi apparel store Patanjali Paridhan in Delhi</td>
</tr>
<tr>
<td>7</td>
<td>How AI will transform India’s job scene</td>
</tr>
</tbody>
</table>
INTERNATIONAL NEWS

Trade war: Can other Asian countries replace China as the world's factory?

Countries like Taiwan, Thailand and Malaysia are luring more electronics and computer companies to their shores

On Thursday last week, President Trump hinted that he was close to agreeing on a trade deal with China after a phone call with President Xi. On Friday, Bloomberg reported unnamed sources in the White House saying the President had asked key officials to start work on a draft of a potential trade agreement with China. Stock markets were on the up and up.

This optimism did not last. Later the same day, White House economic adviser Larry Kudlow dampened expectations of a quick deal in a CNBC interview. The US stock market reacted negatively and ended a run of three consecutive days of gains.

The goal of forcing trade talks with China through tariffs is to reduce the trade deficit with China and establish fairer trading terms for US companies. However, the US government's other aim of bringing some manufacturing home may not be realistic.

The reality is that production and distribution supply chains of products and their components are so integrally linked, it is more likely companies will find countries in Asia overall less costly to shift production to.

As the US trade dispute with China gained momentum earlier this year, analysts were putting forth suggestions about which countries would benefit most.

Countries like Taiwan, Thailand and Malaysia are luring more electronics and computer companies to their shores.

Cambodia, Philippines and Bangladesh are seeking more opportunities to increase their market share in the production of apparel and footwear. Likewise, Thailand and Vietnam for household consumer goods like washing machines and refrigerators.
Indeed, in a study by American Chamber of Commerce South China (AmCham South China) published on October 29, where 219 companies were surveyed on the impact of US and China tariffs, less than one percent indicate any plans to relocate manufacturing to North America. In September, a joint study of 430 firms by AmCham China and AmCham Shanghai, found only 6 percent of respondents saying they may consider relocating production to the US.

The same report mentions that Southeast Asia and the Indian Subcontinent were the destination of choice should relocation occur.

There are however some limitations to how much production can be moved out of China.

Through years of establishing China as "the world's factory", it has nurtured a highly trained, skilled and disciplined workforce. The infrastructure, roads, ports and integrated logistical support is second to none in terms of its ability to handle the volume of goods produced. This makes China an efficient and effective production centre.

Furthermore, China's workforce is more than double that of all Southeast Asia combined. So, even if there are cost benefits of moving production out of China, there simply isn't enough capacity elsewhere to takeover what China can produced.

A study by India's Department of Commerce identified about 100 products where India can replace US exports to China due to higher import tariffs imposed by China on US farm products. These include corn, grain sorghum, oranges, cotton, almonds and durum wheat.

Another report by the Confederation of Indian Industry (CII) concluded that with concerted effort, India can increase its exports of products like pumps, parts of taps, parts for the defence and aerospace industry, vehicles, automobile parts and engineering goods among others.

India if it plays its cards right, might even be a major part of the re-shaped global supply chain.

At the moment, this is still an aspiration.
Recently released data including the Purchasing Managers Index (PMI) by various Asian countries and trade deficits numbers could suggest which countries could be benefiting from the US-China trade dispute at the moment.

The Singapore Institute of Purchasing and Materials Management (SIPMM) published its monthly Purchasing Managers Index (PMI) for October on November 2. It declined by 0.5 points from 51.9 in September and came in below the 52.2 forecast of economists polled by Bloomberg.

A reading above 50 indicates that the factory activity is generally expanding and below 50 that the activity is contracting.

Similar manufacturing PMIs published by neighbouring countries show similarly dismal numbers.

Indonesia PMI last month was down to 50.5 from 50.7 the previous month, Malaysia's was lower at 49.2 compared with 51.5 a month earlier, Taiwan, 48.7 from 50.8, Thailand 48.9 from 50, Hong Kong 47.9 from 48.5, South Korea 51.0 from 51.3.

China saw a minute increase from 50.0 the prior month to 50.1 last month and in the Philippines the same 0.1 point increase to 52.0.

While India gained 0.9 points from a month ago to 53.1, Vietnam saw largest gain among major Asian economies reaching 53.9 from 51.3 in the previous month. This is not surprising considering Vietnam has been consistently identified by certain US companies as the preferred location in Southeast Asia should they relocate production from China.

Contrary to what the US hopes to achieve, the trade war it initiated with China saw its trade deficit with China widen by 1.3 percent in September to a seven-month high.

If anything, these figures indicate that in general no one gains from increased protectionism. Overall global economic growth will shrink to the detriment of all. The pain for China manufacturers will spread to its partners, for example, in South Korea and Taiwan for chips to textile suppliers in Myanmar. The trade war is expected to have negative impact not only in the US and China but also on various industries, companies and countries.
USA: Higher Costs from Tariffs and Raw Materials Conspire to Raise Apparel Prices

The apparel and textile supply chain is being hit by a one-two punch of rising raw material costs and the specter of a 25 percent tariff hike on Chinese imports in the new year, which are bound to cause price increases at all levels.

The threatened tariff would come on top of a more narrow 10 percent import tax already in effect, along with a strong dollar that has already caused imbalances in currency exchange rates and impacted export prices.

A rise in raw materials

Unifi Inc., a manufacturer of recycled and synthetic yarns based in Greensboro, N.C., said in reporting quarterly earnings that with the current cost environment, its second-quarter gross profit will be unfavorably impacted by a surge in polyester raw material costs in September, driven by higher global demand and tighter supply for polyester feedstocks.

“Raw material costs have been rising over the last four quarters and there was a dramatic jump in polyester costs in September that will place even more pressure on our second-quarter profitability,” said Kevin Hall, chairman and CEO of Unifi.

“While this rise is clearly a headwind, we anticipate a better relationship between pricing and cost in the second half of the year. This would benefit our third and fourth quarters, returning our profitability to the lower end of our original expectations.”

Adding to that, Hall said, “We will continue to address input cost pressures with responsive pricing actions, while focusing on increased sales of innovative solutions that we believe will provide us the portfolio differentiation necessary to achieve long-term growth.”
Glenn J. Chamandy, president and CEO of Gildan Activewear, said on a recent conference call with analysts that it’s not only cotton and polyester prices that have gone up during the year, but other costs across the supply chain, too.

“There’s definitely pressure on fiber, there’s pressure on labor, there’s pressure on dyes, chemicals, transportation,” Chamandy said. “So inflation is a factor and I think that all that together will support price increases as we go into 2019, not just with us, but I think that’s an industry phenomenon at this point.”

In a recent report, Moody’s Investor Services said apparel companies continue to face input cost inflation from things like labor and cotton that will somewhat temper profit growth over the next 12 to 18 months. Moody’s noted cotton prices have risen by roughly 15 percent year over year, but pulled back from the high of 95 cents per pound in mid-June.

“Continued increases in the cost of labor and freight will also lead to higher input costs,” Moody’s said. “After a short period of easing, currency pressures have once again become a headwind as the U.S. dollar has strengthened since February. That said, it is still below the recent peak in December 2016.”

Gerald W. Evans Jr., CEO at Hanesbrands Inc., said his company has instituted price increases in the 4 percent to 5 percent range in its innerwear business due to higher raw material costs.

“There certainly is right now some heightened chatter about that,” Evans said. “We haven’t seen tremendous elasticity in this category and, in fact, when the price increases were much larger back in the days of the cotton bubble, what we saw was that in times of rising prices, consumers tend to move to brands as re-assurance that when they spend their money, they spend it appropriately.

And in our category, we know that price is really a distant fit in the ways that they choose a product and brands, and the things that brands deliver are most important. So, I don’t think that the pricing will really have an impact on the business.”
In June, cotton prices rose above $1 a pound for the first time since March 2012. The high-water mark was reached in 2008, when cotton prices topped $2 a pound due to a confluence of factors. Spot prices for U.S. cotton averaged 74.13 cents per pound for the week ended Thursday. That was down from 74.84 per pound a week earlier, but up from 66.92 cents a year ago.

The price increases may be starting to hit the retail level, as well. Retail apparel prices rose a seasonally adjusted 0.9 percent in September compared to August after declining the previous three months, according to the Consumer Price Index.

The tariff impact

While raw material cost increases might be considered cyclical and somewhat manageable, the trade war between the U.S. and China has brought higher costs to importing and exporting goods between the two countries, and an uncertain climate leading to anxiety in the industry.

Steve Rendle, chairman, president and CEO of VF Corp., said speaking on a recent conference call with analysts, “As it relates to the current trade climate between the U.S. and China, we are closely monitoring the situation and are actively involved in scenario planning.”

Rendle said roughly 11 percent of VF’s total cost of goods sold come directly to the U.S. from China. By leveraging its global supply chain, VF has positioned itself to address any additional changes in the overall trade environment with China, “and we have the ability to reposition our global sourcing footprint in the near to mid-term to mitigate the potential negative impact of additional tariffs should they materialize.”

He said VF has not seen any price increases as its supply chain team looks to manage its global footprint.

“It doesn’t mean to say that there couldn’t be,” he said. “I think as we work so well with our group of vendors across each of our businesses, we’re able to really level-set production by country based on where the most favorable tariff situation is for each of those inbound sets of goods.”

Still, Rendle said VF has been working to reduce its exposure to China for some years now.
“And where you see us now at 11 percent for our U.S. imports, we can lever that down if need be or we can maintain it,” he explained. “It’s really paying very close attention to everything that each one of us reads in the news every day and the work that we’re doing in Washington with our partners there.”

Tim Boyle, president and CEO of Columbia Sportswear Co., also speaking to analysts, said, “In 2017, 38 percent of our sales occurred outside the U.S. and are thus not directly impacted by U.S.-China trade battles. We rely on a diversified source base, mostly across Asia, and have considered our diverse and flexible supply chain to be one of our strengths. In 2018, product source in China will represent approximately 10 percent of our total imported value into the United States, more heavily weighted toward footwear than apparel.”

Boyle said looking at the $200 billion round of tariffs set to take effect Jan. 1, Columbia’s primary product categories will not be impacted, though it has faced a small impact in accessories.

“With that said, the escalating global trade battles have the potential to be very disruptive to our business, as well as our vendors, our customers and in many of the countries where we do business, including the United States,” Boyle said. “Apparel and footwear products already carry some of the nation’s highest tariffs, averaging in the double digits. To add to those high tariffs with additional punitive measures would not only have a detrimental impact on our business, it would represent a significant tax on American consumers as we pass along these additional costs over time.”

China, he added, continues to be an important market for Columbia for manufacturing and sales.

“We have a long history of sourcing in China and remain committed to maintaining these important partnerships as the local manufacturing base is critical to our success. We also have several hundred employees in our China joint-venture focused on helping Chinese consumers to stay outdoors longer with our market-leading products,” Boyle said.

Source: sourcingjournal.com- Nov 05, 2018
USA: Textile and Apparel Imports Fall as Major Shippers See Mixed Results

The Department of Commerce’s Office of Textiles and Apparel reports that monthly imports of cotton, wool, manmade fiber, silk blend, and non-cotton vegetable fiber textile and apparel products totaled 6.21 billion square meter equivalents in September, down 2.8 percent from August but up 4.7 percent from September 2017.

<table>
<thead>
<tr>
<th>Source Country</th>
<th>SME</th>
<th>Monthly change %</th>
<th>Annual change %</th>
<th>$ Value</th>
<th>Monthly change %</th>
<th>Annual change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3.34 billion</td>
<td>+1.2</td>
<td>+5.6</td>
<td>$4.29 billion</td>
<td>+0.5</td>
<td>+6.7</td>
</tr>
<tr>
<td>India</td>
<td>473.4 million</td>
<td>-3.9</td>
<td>+9.4</td>
<td>$611.8 million</td>
<td>-9.2</td>
<td>+7.5</td>
</tr>
<tr>
<td>Vietnam</td>
<td>422.6 million</td>
<td>-7.0</td>
<td>+2.0</td>
<td>$1.16 billion</td>
<td>-7.2</td>
<td>+7.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>206.6 million</td>
<td>-12.1</td>
<td>-0.5</td>
<td>$404.6 million</td>
<td>-4.5</td>
<td>-3.2</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>191.8 million</td>
<td>+6.0</td>
<td>+7.9</td>
<td>$516.0 million</td>
<td>+10.6</td>
<td>+15.6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>185.7 million</td>
<td>-22.5</td>
<td>-14.0</td>
<td>$215.4 million</td>
<td>-17.6</td>
<td>-12.0</td>
</tr>
<tr>
<td>Korea</td>
<td>160.1 million</td>
<td>+4.4</td>
<td>+17.5</td>
<td>$76.9 million</td>
<td>+3.4</td>
<td>-0.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>121.4 million</td>
<td>-9.7</td>
<td>-2.9</td>
<td>$386.7 million</td>
<td>-12.7</td>
<td>-2.7</td>
</tr>
<tr>
<td>Cambodia</td>
<td>111.3 million</td>
<td>+10.4</td>
<td>-0.8</td>
<td>$243.2 million</td>
<td>+0.9</td>
<td>+6.4</td>
</tr>
<tr>
<td>Honduras</td>
<td>93.4 million</td>
<td>+3.9</td>
<td>+4.7</td>
<td>$242.1 million</td>
<td>-1.7</td>
<td>+16.0</td>
</tr>
<tr>
<td>Canada</td>
<td>87.6 million</td>
<td>+4.0</td>
<td>-4.3</td>
<td>$119.7 million</td>
<td>+3.3</td>
<td>+3.0</td>
</tr>
</tbody>
</table>

Textile imports totaled 3.49 billion SME, down 4.6 percent for the month but up 4.4 percent from the previous year, while apparel imports of 2.71 billion SME slipped 0.7 percent from August but were up 5.1 percent from a year before.

Overall Imports. Total year-to-date imports were 50.8 billion SME, up 4.9 percent from the previous year, as textile imports gained 7.2 percent to 29.8 billion SME and apparel imports rose 1.8 percent to 21.0 billion SME.

For the year ending in September imports were 67.2 billion SME, up 4.9 percent from a year earlier, as textile imports increased 7.6 percent to 39.7 billion SME and apparel imports rose 1.3 percent to 27.5 billion SME.

Source Countries. OTEXA has reported the following statistics on textile and apparel imports from major source countries for September 2018.
USA: Mall Owners: Clothing Stores are Making a Comeback

For a while there, the narrative at malls was a move away from apparel retailers—and not a slow, eventual evolution but a rapid, immediate retreat. But things are changing. Even as property owners continue to diversify their portfolios, they’re finding renewed sales with their apparel tenants, which sparked a positive vibe in the latest round of third quarter earnings calls.

Robert Taubman, chairman, CEO and president of Taubman Centers, summed up the quarter by saying, “Sales are up. Rents are up. Tenant health is improving. And NOI [net operating income] is improving.”

In fact, the company, which owns and manages 26 malls and outlets in the U.S. and Asia, reported apparel sales increased by 8.5 percent, marking the third consecutive quarter of positive growth. Taubman listed Forever 21, Uniqlo, Urban Outfitters, Zara and American Eagle among its top performers, adding the recovery in the apparel space is both “exciting” and “way overdue.”

Sandeep Mathrani, global head of retail real estate for Brookfield, reported “tremendous tenant demand” as well as an overall positive environment lead by increases in sales.

Mathrani said across the 125 properties his company owns and manages sales were up 5 percent in the quarter. And while he said that number matches the national average, there’s more to the story since that includes e-commerce sales. “Our numbers obviously don’t include the e-commerce sales, which clearly means that the A assets are performing much better because as a whole, we’re performing with the same growth rates as you would have for e-commerce plus bricks-and-mortar,” he said.

Sales has been “a bright spot” at CBL Properties, too, according to president and CEO Stephen Lebovitz. Despite a year that saw two of the real estate investment trust’s tenants file for bankruptcy—with almost 30 stores closed between Sears and Bon-Ton—Lebovitz said things are moving in the right direction.
“There has been recovery with a lot of the legacy retailers. And that’s one of the reasons for that optimism, and we started to see the sales bumps and [improvement] this year, and that definitely creates a more favorable backdrop,” he said, listing L Brands, Foot Locker, Signet, American Eagle and Ascena among the retail groups that are starting to turn things around.

Doug Healey, EVP of leasing at Macerich, said the doom and gloom mood that had permeated every interaction with retailers over the last two years or so has given way to a very different tone—one that’s positive and productive.

“The conversations [then] revolved around traffic being down in the malls then online shopping killing the mall business, but fast forward 18 months, 24 months, and we’re still having these same conversations, but these conversations are much different,” he said.

Now when his team talks to tenants, the topics revolve around product, service, experience and marketing. It’s a welcome change and one that Healey said signals why some companies are winning today while others are still floundering.

“The successful retailers, the ones that are performing today, took the last couple of years to really reinvent themselves to figure out their revised shopping patterns and to figure out the new customer, which is the Millennial and the Gen Z,” he said.

While there are still store closures, the pace has slowed considerably.

In 2017, Macerich saw 92 non-anchor stores close. Year to date, there have been only 16. “This is the slowest closure pace we’ve seen since 2012,” Tom O’Hern, senior executive vice president, CFO and treasurer, said.

The story is much the same for Taubman Centers. “The narrative has certainly shifted,” the chief executive said. “Digitally native retail tenants are migrating to brick and mortar real estate and raising capital to do so and are forming a new tenant pool. Luxury retailers are doing exceptionally well.”

Though lease cancelations have been high—totaling $16.4 million compared to $6 to $7 million in a typical year—Taubman said the upshot will be positive. “I will say a lot of the lease cancel activity that we have seen, we think ultimately will strengthen our centers,” he said.
Taubman’s comments echo the sentiment many of his peers have expressed, especially when it comes to the Sears closures.

While sad, the Sears saga has dragged on for so long that the commercial real estate community seems more than ready to turn the page, start fresh and find new opportunities.

And many of them have said they’re having no problem doing just that.

Macerich, which has 21 Sears locations in its portfolio, characterizes the closings in that chain as “a great opportunity for us to improve our high quality portfolio both in terms of tenant quality, sales productivity, traffic and densification.”

CBL, which operates 114 properties, including malls, open air centers and outlets, is looking to a diversified tenant mix, including fashion, restaurants, entertainment and fitness centers, to help it transform its properties into suburban town centers.

As Brookfield transitions its properties to mixed use, Mathrani said the benefits are apparent. “We’re seeing the impact to the retailers. We’re seeing sales uplift where we are putting in the condominiums or the residential,” he said.

Going forward, the company plans to roll out this model portfolio-wide.

“We do think within that 100-or-so core portfolio of assets on a longer-term base, introducing other uses and effectively turning them into mini-cities is really how to future-proof all of these assets,” said CEO Brian Kingston.

Source: sourcingjournal.com- Nov 05, 2018
US Trade Gap Hits Seven-Month High Amid Expanding Tariff War

The U.S. trade deficit widened more than forecast in September to a seven-month high as imports expanded and the merchandise gap with China hit a record amid an escalating tariff war.

The gap for goods and services increased 1.3 percent from the prior month to $54 billion, Commerce Department data showed Friday. The median estimate of economists surveyed by Bloomberg called for a deficit of $53.6 billion. Imports and exports both rose 1.5 percent.

The monthly report provides details around third-quarter data released last week that showed trade imposed the biggest drag on growth in 33 years amid tariffs on China and counter-levies by the Asian nation. While President Donald Trump is threatening more action, U.S. businesses already are facing higher prices and supply-chain disruptions as they rush to buy materials and other items.

Overall exports rose to $212.6 billion, including gains in petroleum products, gold, oil and aircraft. Imports increased to $266.6 billion, boosted by a range of capital and commercial goods. The overall trade gap for goods increased to $76.3 billion, also a record and in line with the preliminary figure last week.

The unadjusted merchandise trade gap with China, the world’s second-biggest economy, widened to $40.2 billion from $38.6 billion.

American soybean exports fell 29 percent from the prior month to $1.79 billion, the lowest since February. That extended the unwinding of a run-up in the second quarter before Chinese retaliatory levies were imposed.

Analysts are monitoring the trade data to assess whether the tariff headwinds are starting to inflict more pain on the economy than they anticipated. The stronger dollar also is a potential hurdle for exports of American-made goods.

An index of U.S. manufacturing fell by more than forecast to a six-month low in October as a measure of export orders declined to the lowest since 2016, data from the Institute for Supply Management showed Thursday.
Gross domestic product expanded at a 3.5 percent pace in the July-to-September period, marking the best back-to-back quarters of growth since 2014. Net exports subtracted 1.78 percentage points from GDP growth, reflecting an unwinding of the boost in the prior quarter when U.S. exporters of soybeans and other products stepped up shipments to beat retaliatory tariffs from abroad.

Source: sourcingjournal.com- Nov 05, 2018

***************

**South Africa’s Apparel Production Declines as Economy Struggles**

South Africa’s fashion sector, suffering from a lack of demand and a shortage of raw materials, posted a utilization rate of 72.3 percent in the third quarter, the lowest of any sector, according to a new report from Stats South Africa.

The sector, which consists of textile, clothing, leather and footwear factories, saw its factory utilization rate fall from 72.4 percent in 2017 and 71.6 percent a year ago. The average large South African factory used 81 percent of its capacity in the third quarter, a slight uptick from an 80.6 percent utilization rate in the second quarter.

Stats South Africa said the main reason for factories not running at full output was lack of demand due to the country’s struggling economy. The South African economy officially slipped into recession during the second quarter, shrinking by 0.7 percent quarter over quarter. This followed a revised 2.6 percent contraction in the first quarter.

The downturn was a result of a fall-off in activity in the agriculture, transport, trade, government and manufacturing industries, Stats South Africa said in a separate report. The trade industry experienced its second consecutive quarter of negative growth, falling 1.9 percent, as subdued sales in motor vehicles and retail trade contributed to the decline.

South African household consumption expenditure fell in the second quarter compared with the first quarter, with spending declines on products such as transport, food, beverages and clothing.
Of the 10 industries Stats South Africa included in its quarterly manufacturing utilization report, seven showed annual declines in utilization. Electronics factories suffered most, with a drop of 4.5 percentage points, to 80.5 percent, followed by food and beverage factories, which fell 1.9 percentage points, to 80.8 percent utilization. Petroleum and plastic plants posted the highest rate at 83.8 percent.

The results of the quarterly manufacturing utilization of production capacity survey are a key component in the Composite Coincident Business Cycle Indicator and used to analyze movements in key economic sectors of the country’s economy.

Source: sourcingjournal.com- Nov 05, 2018

American Businesses Paid 54 Percent More in Trump Administration Tariffs in September

The Trump administration’s actions on trade have already proved substantially costly to American companies.

In September alone, U.S. businesses paid $4.4 billion in tariffs just on imported goods—and that’s up 54 percent over September 2017, according to a Tariff Tracker produced by industry coalition Tariffs Hurt the Heartland.

And exports are dwindling as companies look to stave off the cost increases.

On exports, products subject to retaliatory tariffs fell by $2.5 billion, or 26 percent year over year.

“This historic rise in costs for American businesses, farmers and consumers is only the beginning,” said former Congressman Charles Boustany, a spokesperson for the Tariffs Hurt the Heartland campaign. “Tariffs are taxes on Americans and every month this trade war continues these taxes will continue to grow.”

What’s more, the data released Monday doesn’t even fully account for the impact of the 10 percent tariffs on the additional $200 billion worth of goods from China that took effect at the end of September.
And the impact will only grow increasingly severe if those tariffs do in fact rise to 25 percent on Jan. 1, 2019, as President Donald Trump has promised.

The potential ramifications for businesses’ bottom lines is big.

“Products subject to the Trump administration actions currently in place faced $1.8 billion in tariffs in September, compared to just $393 million in September 2017,” Tariffs Hurt the Heartland said in releasing the numbers Monday. “The large increase in tariffs came despite an 11 percent decline in the value of imports.”

U.S. export growth had been rising steadily, but retaliatory tariffs from China and other nations hitting back at Trump’s trade actions have certainly served as a hindrance, with exports of tariff-targeted goods declining 26 percent this September compared to last.

“Export growth for products not subject to retaliatory tariffs have been consistent, so export declines on products subject to retaliation likely are not the result of unrelated trends,” Tariffs Hurt the Heartland said.

Source: sourcingjournal.com- Nov 05, 2018

Pakistan: Range-bound trading keeps cotton prices firm, better grades in focus

The cotton price remained firm during trading session at Punjab and Sindh stations. Around 3,900 bales changed hands.

The Karachi Cotton Association (KCA) spot rate remained intact at Rs 8,650 per maund with better lint remained in focus. Leading buyers made cautious deals for all qualities of lint being offered by the ginners during trading session.

Volumes remained moderate with growing demand for better lint on slightly higher price by textile export sector during the trading session.

Spinners made deals for better quality of lint on back of growing demand of end product on the domestic front.
Ginners withholding better grades of lint remained steadfast not to bow down before the buyers’ offers, however they preferred to capitalised gains offering second grade cotton.

Shrinking better stocks forced buyers to pay premium price on deals and domestic sellers have started demanding a bit higher prices.

Mills bought around 600 bales of cotton in Punjab stations at around Rs 8,275 per maund to Rs 8,350 per maund.

There were signs that leading mills and spinners would likely to place import orders for 25,000 bales in near future on back of less than production target.

The ginners of Punjab offered quality cotton to the buyers above Rs 8,625 per maund while ginners of Sindh offered raw lint to the buyers around Rs 6,000 per maund, depending on the trash level.

In the local market, little business has been noticed with around 200 bales of upper Sindh changed hands at Rs 8,125 per maund, about 200 bales of southern Punjab at Rs 8,475 per maund, 200 bales on ex-Karachi basis at Rs 8,350 per maund and 200 bales of upper Sindh were sold at Rs 8,100 per maund.

New York December Futures contracts 2018 stood at around 84.24 cents per pound, March Futures contracts 2019 at 84.51 cents per pound and Cotlook A Index was hovering around 87 cents per pound.

Source: dailytimes.com.pk- Nov 05, 2018
Why Leggings Are Losing to Denim Amid Today’s Trends

Leggings are losing their luster to denim.

When visiting my daughter’s university recently, I didn’t see a single student wearing leggings or any garments containing lycra.

What was the fashion rage? Denim.

Denim was in full view in bottoms and tops and dresses. College students are declaring they will not wear their mothers’ leggings everywhere, everyday, anymore.

Trends this well-defined will redefine the market for years to come. It’s time to recognize that true activewear is finished leading—the trend has plateaued. However, those textile trends within activewear are very much alive. Mills must embrace and focus on innovation and speed with an eye on the denim world—which is leading again.

The perennial question for Lycra spandex textile and garment producers is again upon us: How to adjust, and what to create? Creative mills that embrace a collective approach to innovation in their textile development processes will adjust to those trends that ripple throughout the wider fashion world.

Three evolutions

What was once a trend of comfort-enhancing textiles has become an insistence on more structured style. Trendsetters see it—today’s consumers want performance, want easy-care enhancements and want comfort with more structured style.

Performance fabrics continue to matter. Fashion leaders have reimagined performance fabric components into street, lounge and intimate apparel. Designers and developers in both men’s and women’s wear are now seizing upon this technical evolution.

Brands and innovative mills, in concert, are creating the next wave of low-Lycra content blends with cashmere, Tencel, Modal, cotton, wool, poly and nylon.
One fast-moving example: Some have identified and reimagined fine gauge, low-Lycra content, patterns and textures with technologies—stay-cool tech, easy care, anti-odor, stain resistance, soil release and wicking, to name a few. These are game changers in the tops market.

A second, clear trend is the divestment in activewear from synthetic-rich yarns (polys andnylons) to cellulosic blended yarns (cotton feel/natural feel) with tech infused for easy care and comfort.

A third area of evolution is the clear move to a more tailored pant (not always denim, but anything made on the cutting edge—fine gauge, stretch, double-knits) away from the legging that dominated for many seasons. These tailored pants are made of tech-performance fibers/fabrics and have a sportier look than pants of old, easily dressed up or down.

Milling it over

Over the past few years, designers and developers have looked to textiles with increasing frequency to set themselves further apart from their competition, driving what can best be described as an “industrial revolution” in textile development and production. Now, participating mills must be able to produce both smaller and larger runs of more personalized, high performance textiles, and do so with speed and efficacy.

The challenge is how to incorporate evolutionary tech capabilities in our mills into comfortable, natural textiles for youth-driven fashion categories. Today’s key fashion attitude is expressed by an interaction of surprising and incredible design and technology combinations that are hybrids of street fashion and activewear—with “relaxed and free” as our collective mantra.

All players (yarn producers, dye and chemical producers, textile/findings/apparel manufacturers and designers, et. al.) must serve as muses to one another —working in concert to produce, and continue to drive, the market forward.

Source: sourcingjournal.com- Nov 05, 2018
Vietnam: NA continue talks on implementing the CPTPP

Deputy Prime Minister and Minister of Foreign Affairs Phạm Bình Minh delivered a report to the National Assembly yesterday to address a number of issues related to the approval of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) including the agreement’s impact, labour organisations and potential amendments to current laws and regulations necessitated by the signing of the partnership. Minh said various Government agencies are tasked with monitoring the impact of the partnership on Vietnamese businesses and the country’s economy as a whole. During the negotiation phase, Government agencies have been collecting feedback and opinions from numerous trade organisations and businesses that are likely to be affected by the CPTPP.

The text of the Trans Pacific Partnership, the CPTPP’s predecessor, has been public in its entirety since February 2016. A detailed report prepared by the Ministry of Planning and Investment on the numerous impacts of the partnership on the country’s growth, GDP, import-export performance and production has been submitted to the NA along with reports produced by the World Bank and other international experts.

On the topic of labour organisations, Minh said the CPTPP will largely follow standards set by the International Labour Organisation’s (ILO) 1998 Declaration on Fundamental Principles and Rights at Work. Việt Nam, as a member of the ILO, will continue to respect and implement the standards. Minh said the Government of Việt Nam supports the right for workers to form labour organisations as long as their activities are lawful and transparent and they co-operate with local authorities.

The deputy PM said the country’s lawmaking bodies are in the process of reviewing regulations to make amendments regarding the CPTPP. The anti-corruption law has been submitted to the NA for approval. Other laws including the Labour Code, the Criminal Code and the Prosecution Code are to follow suit. According to a Government timeline, the Law on Intellectual Property, the Law on Food Safety and the Law on Insurance Business could be up for review as soon as the start of the next NA meeting.

Source: vietnamnews.vn - Nov 06, 2018
NATIONAL NEWS

CAI trims cotton crop size estimate to 343 lakh bales on weather woes

As prevailing weather conditions and water scarcity hit cotton yields in key growing regions, trade body Cotton Association of India (CAI) has further trimmed its crop estimate to 343.25 lakh bales (each of 170 kg) for the season 2018-19 beginning from October 1.

Earlier CAI, at the Cotton India 2018 meet in Aurangabad last month, had projected the crop size at 348 lakh bales for the year 2018-19, 365 lakh bales lower than 2017-18.

CAI cited water shortage and climatic adversities as factors affecting the crop in the key growing regions of Gujarat, Maharashtra and Karnataka.

“The CAI has revised downwards the crop estimate for Gujarat by 2 lakh bales, Maharashtra by 1 lakh bales, Karnataka by 1 lakh bales and Orissa by 75 thousand bales than compared to its previous estimate due to unfavourable weather conditions,” the trade body said in a statement.

The CAI has projected total cotton supply during October 2018 at 50.13 lakh bales, which consists of the arrival of 26.13 lakh bales in October 2018, imports in October 2018, which the Committee has estimated at 1 lakh bales and the opening stock at the beginning of the season as on October 1, which the Committee has estimated at 23 lakh bales.
Arrivals mount

On the arrivals front, record-breaking cotton arrivals were registered in October, mainly due to the absence of rain during the last 60 to 70 days in the entire cotton belt of India.

“Due to the dry and hot weather, kapas bolls opened in early stages this year. Farmers are getting a higher price for their crop at ₹5,300 per quintal as against ₹4,500 reported around same time last year. Due to this, arrivals are considerably higher in October this year,” CAI stated in its statement.

CAI has estimated cotton consumption during October 2018 at 27 lakh bales, while the export shipment of cotton in October 2018 has been estimated at 2.50 lakh bales.

The stock at the end of October 2018 is estimated at 20.63 lakh bales, including 16.53 lakh bales with textile mills, while the remaining 4.10 lakh bales are estimated to be held by CCI and others (MNCs, traders, ginners, etc).

CAI has estimated domestic consumption for the season at 324 lakh bales, while the exports are estimated to be 51 lakh bales, 18 lakh bales lower compared to the 69 lakh bales last year.

The carry-over stock at the end of the 2018-19 season is estimated by CAI at 15.25 lakh bales.

Source: thehindubusinessline.com- Nov 05, 2018

***************
**Government plans more incentives for textile exporters**

The Union government might consider more incentives for textile exporters, to bridge the gap between costing of products originating from the world’s least developed countries and India. Under the global preferential treatment rules, textiles imported from countries such as Bangladesh, Pakistan and Vietnam are preferred over those from India.

Earlier extension of lower import duty in developed countries including America, to Indian exporters, is no longer valid. Reason: growing size of Indian economy — it has crossed the threshold size and became the world's six largest economy in 2017.

The total in differential duty works out to nearly 9 per cent between products from India and the other smaller economies. With the present incentives offered by the government and the rupee’s recent depreciation, the total duty differential works out to 5 per cent, on which the government announced a two per cent export incentive under the Merchandise Exports from India Scheme.

The US government has complained about the Indian incentives at the World Trade Organisation (WTO), as legally unsustainable. WTO has set up a committee on the issue.

Under the package, MSMEs registered under the goods and services tax will get a two per cent interest rebate on incremental loans up to Rs 10 million. A web portal has been launched through which such units may avail of loans up to this size. The segment accounts for about 45 per cent of the sector's manufacturing output and around 40 per cent of export.

Source: fashionatingworld.com- Nov 05, 2018
Apparel retailers like Shoppers Stop, Reliance Trends record double digit growth this festive season

India’s top apparel retail chains Shoppers StopNSE 1.56 %, Reliance Trends, Lifestyle, Future Group, Arvind Brands, Max and Fabindia said sales this festive season grew in double digits, quashing the impact of online discounts and overcoming a poor performance last time due to the introduction of GST.

The retailers said same-store sales — a key performance indicator — grew by 8-15% during this festive season. Future Group and Fabindia said their sales were among the best in three years.

In the offline category, the buoyant performance of fashion chains was also in stark contrast to sales of smartphones and televisions, which were hit badly this year by online discounting.

Some offline retailers are offering discounts on certain bill sizes or gifts, which are pushing up sales, executives said.

“Consumers are buying in stores since they can touch and feel products and have realised that online stores either sell very old stock or fakes and marketplaces do not like to take ownership of those,” said Future Retail joint MD Rakesh Biyani. He said same-store sales growth for apparel during this festive period has been in high double digits.

Shoppers Stop CEO Rajiv Suri said sales during the six weeks to Durga Puja in the East were up by 19% over the same period last year, while it was in double digits for Diwali.
“It has been one of the best festive seasons for us. Consumers tend to buy higher-priced merchandise as compared to the regular period and that trend continues,” he said. Suri said beauty products, women’s shoes and handbags, ethnic wear, personal accessories and fragrances drove growth.

Dubai-based Landmark Group’s two fashion stores, Lifestyle and Max, said overall sales during the festive period were up 12% this year. Same-store sales for these two formats grew in high single digits, said Lifestyle International MD Vasanth Kumar.

“Consumer sentiment towards brick-and-mortar stores is bullish. The average billing size is up by 2-3%. What has happened this year is that consumers are buying around 10 days before the festival as compared to 20 days earlier, but the overa ..

William Bissell, vice-chairman of Fabindia, said sales increased 12-14% this Diwali as compared to awashout in the previous two years. “On 45 days to Bhai Dhooj, we are up by 15%,” he said.

“Diwali has been good in the west and south, though some pockets of the north are yet to pick up,” said Alok Dubey, Arvind Brands CEO for US Polo and Flying Machine.

The festive season – from Durga Puja to Diwali – accounts for 30-40% of annual sales for consumer goods makers and retailers across products such as smartphones, electronics, apparel and fashion. Sales during the previous two years were impacted due to online discounting, the introduction of GST in 2017 and demonetisation in 2016.

Source: economictimes.com- Nov 05, 2018

***********************
**Tirupur exporters laud Modi for MSMEs sops**

They hope the Centre’s measures would help exports to bounce back

The Tirupur Exporters Association (TEA) on Saturday welcomed the Prime Minister Narendra Modi announcement of outreach initiatives for micro, small and medium enterprises (MSMEs) at a time when they were struggling to compete in the global market.

In a press release, president of TEA, Raja M. Shanmugham thanked the Prime Minister for the support by which not only the spirit of the MSMEs but also their confidence would increase and they could concentrate on boosting their business. Also, Mr. Shanmugham said, raising the interest subvention to five per cent from three per cent as was requested by the TEA for the past two years would create a level-playing field with the competing countries. He welcomed the stoppage of visit by inspector of factories as it would end police raj and enable the MSMEs to do business without any hassle.

Mr. Shanmugham expressed hope these measures would help exports to bounce back and witness positive growth.

Source: thehindubusinessline.com- Nov 04, 2018

***************

**Coimbatore to benefit from announcements for MSMEs**

182 applications received within a few minutes of PM announcing loan scheme

Union Defence Minister Nirmala Sitharaman said here on Friday that she was confident of Coimbatore benefiting from the announcements made by Prime Minister Narendra Modi for Micro, Small, and Medium-scale Enterprises (MSMEs).

As many as 182 applications were received from Coimbatore by banks for loans within a few minutes of the Prime Minister announcing the 59-minute loan approval scheme and in principle approval given for nearly ₹40 crore, she told presspersons.
The Minister was in Coimbatore to take part in an outreach programme for MSMEs organised by the District Lead Bank on Friday. The Prime Minister’s announcements for MSMEs were telecast at the meeting. Similar programmes were held in 100 centres across the country. In Tamil Nadu, it was held in six centres, including Coimbatore.

The MSMEs could submit their grievances and seek relief through the e-samadhan system announced by the Prime Minister on Friday. The mandatory procurement by Public Sector Undertakings from MSMEs had been increased to 25 % from 20 %. Of this, there was 3 % reservation for units run by women, she pointed out. These announcements covered all the micro, small, and medium industries.

The 12 announcements made under four categories by the Prime Minister addressed the holistic needs of the MSMEs in detail, the Minister told the industries earlier.

On the job working engineering units’ demand for reduction of GST, she told presspersons the representations had gone to the GST council and the decision should be taken by the council.

Minister for Municipal Administration S.P. Velumani said that the State’s Finance Minister would take up the issue at the GST council again.

Source: thehindu.com- Nov 04, 2018

*****************

Baba Ramdev launches swadeshi apparel store Patanjali Paridhan in Delhi

Patanjali Paridhan has a range of products from jeans and ethnic wear to accessories on offer.

Yoga guru Baba Ramdev has inaugurated Patanjali's apparel store in the national capital on Monday on the occasion of Dhanteras. Located in Delhi's Netaji Subhash Place, the store, called Patanjali Paridhan, is touted to be an "exclusive one-stop solution showroom" of garments.
Patanjali Paridhan offers apparel for men, women and children under the brands Livefit, Aastha and Sanskar. From denim and casual wear to ethnic and formals, Patanjali’s fashion arm promises to offer around 3,000 products.

Baba Ramdev told the media on Sunday: "Patanjali Paridhan with several products ranging from jeans, ethnic wear to accessories will be launched this Dhanteras to counter foreign companies."

"Like Khadi led to freedom struggle of the country, the Patanjali Paridhan will be the carrier of new revolution of economic independence in the country. Because clothing is not just a commodity, it's statement of our self-respect, pride personality and identity which can never be compromised in life," the company said.

Baba Ramdev announced the clothing line in 2016. Earlier this year, Patanjali Managing Director and Co-founder Acharya Balkrishna said in a TV interview that Patanjali's clothing brand 'Paridhan' would manufacture in-house products.

Patanjali Paridhan is the latest addition to the long line of products launched by the company that focuses on 'swadeshi' and all-natural items. Reports had earlier mentioned that under Paridhan, the company is planning to open around 100 stores across metros as well as smaller cities.

The idea of swadeshi clothing line emerged around two years back when Ramdev said, "Just because I am a baba does not mean we cannot marry modernity with spirituality, we can make, let's say desi jeans."

The same year Balkrishna said, "Jeans is a western concept, and there are two things we can do with western concepts. Either boycott them or adopt them but customise them to suit our traditions.

Jeans have become so popular that they cannot be taken away from Indian society. Swadeshi jeans will be Indianised jeans in style, design and fabric."

Source: businesstoday.in- Nov 05, 2018
How AI will transform India’s job scene

*It will prod policy-makers to re-skill workers, rethink social policy, and examine the employment potential of new sectors*

We live in the age of artificial intelligence (AI) that has provided us with immense processing power, storage capacity, and access to information. The exponential development of technology gave us the spinning wheel in the first, electricity in the second, and computers in the third industrial revolution.

In 2016, the World Economic Forum called AI “the fourth industrial revolution” that has radically transformed the way we live, work, and connect with each other. However, it has also given us regulatory challenges such as data ownership and labour protection.

In particular, automation affects jobs and wage levels. A 2013 study by Oxford Martin Programme on Technology and Employment shows that since 2000, only 0.5 per cent of new jobs have been created that did not exist before. This is against 173 million jobs that would be automated in the next eight years in G7 countries, which are also the seven largest advanced economies in the world.

For the developing world, the World Development Report (2016) by the World Bank anticipates the consequence of automation as labour reallocation from labour surplus Asia to labour deficit countries of Latin America and Africa.

After examining 702 professions globally, a 2013 study by Oxford professors Carl Frey and Michael Osborne titled ‘The Future of Employment: How Susceptible are Jobs to Computerisation?’ has shown that “middle-skill” jobs that require routine cognitive and manual applications would be automated in the next couple of years.

As a result, they argue that India, which has 65 per cent of global IT off-shore work and 40 per cent of global business processing, will have 69 per cent of its jobs in the formal employment automated by 2030. In this context, we examine the macro- and micro-level implications of automation in India and some emerging labour policy questions.
Impact of automation

According to the International Labour Organisation (ILO), 60 per cent of the formal employment in India relies on “middle-skill” jobs, including clerical, sales, service, skilled agricultural, and trade-related work, all of which are prone to automation. Thus, automation has economy-wide implications at the macro level and workplace-level implications at the micro level for the worker.

At the macro level, there are three main transformations that automation will bring about: changes in skill demand, gender disparity in redeployment of workforce, and firm re-organisation. First, the definition of “skill” will increasingly denote workers’ adaptability to work with or around automation. For example, demand for “systems skill” involving complex problem-solving abilities and social skills involving human perception will be in greater demand as opposed to physical or content skills.

Consequently, relative returns on time and effort on different jobs will vary significantly. This means work-life balance will improve for some type of jobs while others will be entirely wiped out. For example, jobs in call centres, retail, and administration taken up predominantly by women employees will face decimation whilst data clean-up and creating digital infrastructure performed by male workers will be in high demand, bringing a gendered aspect to the transformation.

Finally, automation and redeployment of workers will realign firms on “human cloud platform,” where workers from any location can be hired to perform tasks. This will lead to a divergence between firm and workforce strategies in the short term.

At the micro level, automation will change the meaning of work. Jobs will be increasingly described as a set of discrete “tasks.” Independent workers will perform a portfolio of tasks for specific wage-rates. At the workplace, hierarchy of supervision will be replaced by networks of collaboration with distributed and remote teams.

This will significantly alter motivation and communication of the workforce. These changes will impact what the new employment contract looks like, with contingent employer obligations on minimum wage, social benefit, and collective bargaining significantly reduced.
Policy challenges

How should India regulate this “on-demand” economy with flexible jobs, transient wages, and distributed risks? There are three major areas in labour policy that require attention in the coming years — re-skilling workers and rethinking social policy in the short-term, as well as re-examining employment potential of new sectors such as care economy in the long-term.

First, automation involves re-skilling existing workers, redeploying others to new tasks and retooling potential workers who are students in the university. The 2017 IDC cognitive user adoption survey for the Asia-Pacific region indicates that 70 per cent of Indian firms plan to make additional investments in workforce-training to leverage the benefits of AI. Furthermore, the concept of “smart” work and demand for specific skills will encourage universities to redesign higher education and training and the state to facilitate job-market transition.

Second, there is an urgent need to rethink working-age population, retirement, and individual life plans. In social policy, futuristic ideas such as livelihood insurance and universal basic income presupposes state capacity to tax and distribute the additional income generated. World Social Protection Report 2017-19 by ILO shows that the share of workers covered by at least one social security programme in India is only 19 per cent as against 63 per cent in China.

Furthermore, the international norms of labour, including “rights at work” and “decent work”, set by ILO needs to be modified and extended to the new economy where workers perform tasks from a “human cloud platform.” Rights at work incorporate collective bargaining rights of labour and the right to form unions. Decent work is defined as productive work under conditions of freedom (existing rights protected), equity (adequate remuneration), and dignity (social policy coverage).

Third, there is an urgent need to look at new sectors beyond manufacturing and industries, which have the potential to generate paid work in the age of automation. This was pointed out by Commerce and Industry Minister Suresh Prabhu while revealing the new national industrial policy in 2018.
One important sector that has enormous employment potential is the care economy as corroborated by the 2018 ILO report ‘Care Work and Care Jobs for the Future of Decent Work’.

This report estimates that every day, unpaid care work employed labour equivalent to two billion people working eight-hour days, and argues that with increased investment in education, health, and social enterprises, 269 million jobs would be created by 2030. This will especially benefit women, who perform more than two-thirds of the current unpaid care work globally.

The challenges that AI places before the Indian policy-makers is epistemological, technical, and ethical. It asks us to do away with traditional, linear, and non-disruptive thinking. AI prods us to think about technology as well as social relations in a new light. Above all, the future encourages us to have shared understanding of the problem and a context-specific response to the challenge.

The writers are advisor and research director, respectively, at Cambridge Development Initiative, University of Cambridge. This article is by special arrangement with the Centre for the Advanced Study of India, University of Pennsylvania.

Source: thehindubusinessline.com- Nov 06, 2018