

Manufacturing moving from China to US: survey

AFP, Washington

Large manufacturers are increasingly moving production back to the United States from China, according to a new report by The Boston Consulting Group released Thursday.

In the third annual survey of US-based senior executives at manufacturing companies with annual sales of at least \$1 billion, the number of respondents who said their companies were currently reshoring to the US from China increased 20 percent from a year ago.

"Given the fact that China's wage costs are expected to grow, do you expect your company will move manufacturing to the United States?" the August survey asked executives at an unspecified number of companies that currently manufacture in China.

The executives who said "Yes, we are already actively doing this" rose to roughly 16 percent in the "Made in America, Again" survey in August from 13 percent a year earlier and seven percent in the first survey in the series, in February 2012.

After watching the US bleed jobs for years as manufacturers offshored production to China, "now we're watching a switch-back," Harold Sirkin, a co-author of the BCG research, told AFP.

The Boston-based global management consulting



Left, US President Barack Obama and Chinese President Xi Jinping head for a bilateral meeting at the Annenberg Retreat at Sunnylands in Rancho Mirage, California.

firm said the online survey was conducted across a wide range of industries, from electronic and computer equipment to transportation machinery, petroleum refining, apparel and food products.

Almost all of the decision makers work for companies that manufacture in the US and overseas and make products for both US and non-US consumption, BCG said, without identifying the companies. The overall survey drew 252 responses.

The number of executives who said their companies would "consider" moving production back to the US from overseas in the near future climbed by about 24 percent.

More than half -- 54 percent -- of the respondents said they were interested in reshoring production to the US, roughly the same percentage as a year ago.

More than 70 percent cited better access to skilled labor as a reason to move production to the US, more than four times as many who cited it for moving production away from the US.

For goods that would be sold in the US, nearly 80 percent gave shorter supply chains and reduced shipping costs as a motive for reshoring.

In addition, 71 percent said it was easier to do business in the world's largest economy and about

75 percent said the move provided local control over manufacturing processes and improved quality and yield.

"These findings show that not only does interest in repatriating production to the US and creating American jobs remain strong but also that companies are acting on those intentions," Sirkin said in a statement.

Looking at plans for shifting production in five years, respondents said that an average 47 percent of total production would be in the US, a seven percent increase from last year's responses.

Cutbacks in China were projected to be sharp, down to 11 percent of total

production capacity, a decrease of 21 percent from the 2013 survey.

Declines were also predicted for Mexico (-5.0 percent), Western Europe (-19 percent) and the rest of Asia (-22 percent), whereas a 23 percent increase was seen for the rest of the world.

The survey found the United States has topped neighboring Mexico as the most likely destination for new capacity to serve the US market.

Tied roughly even last year, at 26 percent each, this year 27 percent of executives cited the US, while 24 percent favored Mexico.

A strong majority of respondents -- 72 percent -- plan to invest in additional automation or advanced manufacturing technologies in the next five years, saying that would allow them to cut costs, boost competitiveness and allow the to benefit from being closer to suppliers and customers.

"The US is strongly positioned to benefit from manufacturers that seek to increase regionalisation, especially as automation costs decline," BCG said.

The future looked brighter for employment, too. Fifty percent of the executives expected US manufacturing jobs growth of at least five percent in the next five years, compared with 17 percent who anticipated net job losses.

Tesco chairman resigns as profits error deepens

AFP, London

The chairman of Britain's biggest retailer Tesco resigned on Thursday as the troubled supermarket group said a huge accounting error began earlier than thought and contributed to plunging profits.

Chairman Richard Broadbent said he would be stepping down after an independent investigation found that Tesco had overstated profits by £263 million (\$422 million, 334 million euros) as a result of accounting errors stretching back to before 2013.

"The board's immediate focus must be on ensuring that we complete the transition to a new management team and that new and far-reaching business plans are put in place quickly," Broadbent said in a statement that revealed Tesco's net profit had crashed to £6.0 million in its first half



Richard Broadbent

from £820 million one year earlier.

Tesco, the world's third biggest supermarket group, stunned investors one month ago when it revealed that its profit for the six months to August 23 was overstated by an estimated £250 million.

Following an independent probe by accountants Deloitte, the final figure was put at £263 million, which includes overstatements of

£70 million for Tesco's last financial year and £75 million relating to pre-2013/14.

"The issues that have come to light over recent weeks are a matter of profound regret," Broadbent added in the statement.

Tesco has suspended eight executives since recently-appointed chief executive Dave Lewis launched an inquiry into the accounting error that has triggered a separate probe by British regulator the Financial Conduct Authority.

Finland's Nokia beats market expectations

REUTERS, Helsinki

Finland's Nokia on Thursday beat market expectations as it reported strong third-quarter profit growth and lifted the profitability outlook for its core network unit on the back of network roll-outs in North America and China.

The network unit showed a core operating profit margin of 13.5 percent, up from 11.0 percent in the second quarter and topping analysts' average forecast of 9.9 percent in a Reuters poll.

"Networks benefited from some unique developments in the quarter, with a business mix weighted towards Mobile Broadband and regional mix that included strong gains in North America," chief executive Rajevee Suri said in a statement.

Nokia, which ranks third in the global

network-equipment market after Ericsson and Huawei Technologies Co Ltd, said it now expects the network unit's full-year core operating margin to be slightly above 11 percent, compared with its previous forecast of at or slightly above the higher end of a range of 5 percent to 10 percent.

"Nokia's profitability is developing better than those of its rivals ... That is due to the comprehensive savings programme that Suri has carried out in the past," said Mikael Rautanen, analyst at Inderes Equity Research, who had a buy-rating on the stock.

"But one should still remember that these type of projects come in cycles, so the profitability improvement is not permanent."

Nokia stock could surpass 7 euros on Thursday after closing at 6.51 euros on the Helsinki bourse on Wednesday, he added.

India sees Brazil as a role model in beating hunger

THOMSON REUTERS FOUNDATION, Rome

India has sent a mission to Mars, but maintains the "dubious distinction of being the world capital of malnutrition", a senior Indian official said Wednesday, adding that economic growth alone will not be enough to end hunger.

"The prevalence of underweight children in India is nearly double that of sub-Saharan Africa," Vimalendra Sharan, an Indian representative to the United Nations, told delegates at a nutrition summit in Rome.

One in every three malnourished children in the world lives in India and the country of about 1.2 billion has more than 190 million undernour-

ished people, according to the Food and Agriculture Organisation (FAO).

Even though the situation has improved over the past decade, malnutrition persists as higher economic growth rates are not translating into better nutrition rates across the board, he said.

To beat the problem, India recently embraced the "zero hunger" challenge, pioneered in Brazil.

Redistribution of wealth through taxation, subsidies directed at poor families and other policies as well as economic growth helped Brazil virtually eliminate malnutrition.

"Brazil is known as a role model for access to family agriculture and financing," Eduardo Nilson, an

adviser to Brazil's ministry of health, told delegates.

Local schools provide subsidised or free meals to poor children, Nilson said, and the schools themselves buy the food from local farmers.

"We are trying to do that again with hospitals, to stimulate local production," said Nilson.

Growers and rural residents are, counter-intuitively, often the worst affected by food insecurity.

In its quest to end hunger, India has made access to food a legal right, and sees Brazil as a "role model", Sharan said.

"We have moved away from welfare schemes to a rights-based scheme... this is one thing that stands out."

Japan exports rebound, but economy still not out of woods

REUTERS, Tokyo

Japan's exports rose at the fastest pace in seven months in September as sales to Asia picked up, but signs of slowing global growth may hurt the trade sector's ability to recharge the world's third-biggest economy and keep up pressure for fresh stimulus.

In particular, cooling growth in China and an economic chill in Europe - two key markets for Japanese exporters - are adding to pressure on the Bank of Japan and the government to step up policy support as the economy struggles to recover from the pain of an April sales tax hike.

"Exports staged a rebound but they are still lacking momentum as a trend, as Japanese carmakers and other firms are shifting production abroad and global growth remains moderate," said Takeshi Minami, chief economist at Norinchukin Research Institute.

"The bank may still insist that the economy is on track to meet its inflation goal, but I see it will come under pressure for fresh stimulus sooner or later."

A recent run of weak data including a shocking slump in factory output prompted the government to cut its economic view on Tuesday, raising speculation that it may roll out fresh stimulus steps when it makes a decision on the second-stage of the sales tax hike in December.

An economic adviser to Japanese Prime Minister Shinzo Abe said on Wednesday that the next sales tax hike should be delayed until April 2017, given the big risk that another tax increase would pose to the fragile economy.

In that context, Wednesday's trade figures should be welcome news to Tokyo. The 6.9 percent annual increase in exports in September was roughly in line with a 6.8 percent gain expected by economists, and the biggest rise since February. It follows a 1.3 percent year-on-year decline in August.

Exports to Asia, which accounts for more than half of Japanese shipments, rose 8.1 percent in September from a year ago due to growing demand for electronic parts and metals from China and Vietnam, the data showed.

Sales to China also gained an annual 8.8 percent, but there are worries as growth in Asia's economic powerhouse slowed to its weakest



REUTERS/FILE

Workers are seen in a container area at a port in Tokyo.

since the global financial crisis in the third quarter.

Exports have disappointed for much of this year because many companies have shifted production overseas, tempering the benefits of weaker yen. Now, renewed turbulence in the global markets on signs of a slowing world economy could snuff out any gains in exports, hurt Japan's economy and complicate the planned sales tax hike next year.

"Exports have not been growing the way the BOJ expected this year and domestic demand is weak, so the BOJ will cut its growth projections at the end of this month," Minami said.

Still, the Bank of Japan is expected to hold off from launching a fresh round of stimulus in the near term, hoping that domestic consumption will steadily pick up and help spur growth.

Underperforming exports have been one of the weak links in the Japanese economy, which is struggling to cope with an April hike in the sales tax to 8 percent from 5 percent.

Japan's economy shrank an annualised 7.1 percent in the second quarter, with the tax hike causing the biggest contraction since the 2009 global financial crisis.

The BOJ can take some comfort from the September export data, though economists say the central bank would need to see sustainable growth in shipments to feel confident about a trade-led economic rebound.

In September, exports picked up momentum as Japan's automakers shipped more cars to Britain and Saudi Arabia, the data showed.

Increased shipments of steel to India also pushed exports higher.

Overall shipments to the United States rose 4.4 percent on-year in September, though worryingly sales of cars fell an annual 5.2 percent - a consequence of auto makers continuing to shift production overseas.

The threat of recession and deflation in the euro zone also weighed on demand there as exports to Europe grew only 0.7 percent on-year in September, slowing sharply from 5.6 percent in August.

Japan's trade balance came to a deficit of 958.3 billion yen (8.96 billion US dollar), wider than the median estimate for a 777.0 billion yen deficit, as imports rose an annual 6.2 percent in September, ahead of the median pick for a 3.0 percent increase.

While the economy is forecast to resume expansion in the third quarter, the pace could be very slow, which would fuel speculation that the government will delay a second sales tax hike to 10 percent scheduled for next year.

The BOJ appears set to resist pressure for more easing or to accept that its inflation target is unrealistically high, even as growth fears roil global markets and Japan's economic indicators weaken.

People familiar with its deliberations said the BOJ is preparing to roughly halve its 1 percent economic growth forecast for this fiscal year at a meeting on Oct. 31, but will stand by its prediction that inflation will hit its 2 percent target in the year from next April.



DHL

ASM Shakil, director for commercial at DHL, receives the Best Air Express Company 2014 award from Rashed Khan Menon, civil aviation and tourism minister, at a programme recently. Kazi Wahidul Alam, editor of Bangladesh Monitor, was also present.



ISLAMI BANK

Abdus Salam, director of Islami Bank Bangladesh, opens the bank's 288th branch at Hajirhat in Kamalnagar, Laxmipur yesterday. Mohammad Abul Bashar, deputy managing director, was also present.