Food prices to pinch Indians during festive season

AFP

An Indian farmer weighs guavas for sale on the sidewalk in Hyderabad.

REUTERS, *Mumbai*

Consumers are likely to feel the pinch of rising food prices in the upcoming festive season, as erratic rainfall in growing areas and thin stocks coupled with high demand could push up prices further.

Higher food prices during festivals may also create fresh problems for the government, which has been struggling over the past several months to contain inflation.

India's food price index rose 7.33 percent in the year to July 16, government data on Thursday showed.

The unexpectedly sharp hike in key rates by the central bank on Tuesday will also add to consumers woes.

"Festivals are there from next month. They will boost demand. We may see further rise in prices of edible oil and pulses," said Badruddin Khan, associate vice-president, research, at Angel Commodities Broking.

Patchy rainfall in central and southern India at the beginning of monsoon season and heavy rainfall in July in few areas delayed sowing and affected growth of some crops, lifting prices ahead of the festive season.

Muslims in India will celebrate the holy month of Ramadan in August, while the 10-day long Hindu Ganesh festival falls in September. October will ring in the Durga festival and also Diwali, the biggest festival for Hindus.

"Every year during festivals sugar demand goes up. Stockists have raised purchases in the past few days. Demand will remain robust," said Ashok Jain, president, Bombay Sugar Merchants Association.

Record high sugar prices in the world market and the government's decision to allow exports of additional 500,000 tonnes also contributed to the price rise in domestic market.

Rising vegetable prices are also disrupting household budgets.

Average onion price at the country's largest wholesale onion trading hub in Lasalgaon, in western Maharashtra state, has jumped 55 percent in two months on depleting stockpiles from last year's winter-sown crop and plantation delay this year.

Onion is a key ingredient in most Indian dishes. Soaring prices of the vegetable have helped dislodge Indian state governments in the past, and rising food costs often spark street protests.

Traders said vegetable supplies have been disrupted due to erratic rainfall and are unlikely to improve before September.

Spot prices of chana, or, chickpea, the most consumed pulse in India, have also risen 24 percent in the past two months, while chana futures are now close to their highest level in nearly five years.

Prices of other pulses like tur, urad and moong have also risen over 10 percent during the period while sugar and soyoil prices are up over 4 percent.

"Lower area under groundnut and firmness in international market are supporting upside in edible oils," Khan said.

India meets nearly half of its edible oil requirement through imports, mainly of palm oil from Indonesia and Malaysia.

In 2009 higher prices of pulses, especially tur, had made headlines in the country. This year chana is likely to pinch consumers.

"Carry-forward stocks (of chana) have depleted, but stockists' demand is rising due to festivals. In next two-three months chana may rise by another 10 percent," said Nitin Kalantri, a dal miller based in Latur, Maharashtra.

Industry officials also attribued the rise in chana prices to the lower area under under kharif, or, summer-sown pulses.

"Sowing of kharif has been lagging due to poor rainfall. It has been hardening pulses segment," said Ashwini Bansod, a senior analyst at MF Global Commodities India.

As on July 22, acreage under summer-sown pulses in India stood at 4.54 million hectares against 4.96 million hectares a year ago, the farm ministry data showed last week.

ADB warns inflation still 'major risk' to Asia

AFP, *Beijing*

Rapidly rising inflation remains a "major risk" in Asia and could trigger a potentially damaging wage-price spiral, the Asian Development Bank warned Thursday.

The Manila-based lender said strong domestic demand and surging commodity prices had pushed inflation above 10-year averages in some East Asian countries and was being exacerbated by speculative money flowing into the region.

Higher interest rates and tighter restrictions on bank lending as well as faster appreciation in exchange rates could help policymakers rein in prices, the ADB said, in an apparent reference to China, which controls its currency.

"Higher-than-expected inflation could lead to wage-price spirals, threatening macroeconomic stability and constraining policy options," the ADB said in its latest Asia Economic Monitor report, released in Beijing.

A wage-price spiral is when rising prices leads to workers demanding higher wages, which drives up production costs and puts further upward pressure on prices.

"The risk is there but policymakers know that this risk is right in front of their eyes" and are taking steps to address inflation, Iwan Azis, head of ADB's Office of Regional Economic Integration told a news conference.

Inflation around the region was hovering at 3-6 percent but in some places, such as Vietnam, it had hit 20 percent by the end of June, the lender said.

China, the world's second-largest economy and a key driver of regional and global growth, saw inflation reach a three-year high of 6.4 percent in June despite persistent government efforts to bring prices under control.

The ADB forecast that East Asia -- which includes China, South Korea, Taiwan, Singapore, Vietnam, Malaysia, Thailand, Indonesia, Philippines, Cambodia and Laos -- would grow 7.9 percent this year.

The predicted growth is higher than its previous forecast, made in December, for 7.3 percent, but slower than the 9.3 percent reached in 2010 -- a trend that is likely to continue as countries battle rising prices, said Azis.

Panasonic books post-quake $390m quarterly loss

AFP, *Tokyo*

Japan's Panasonic on Thursday reported a $390 million net loss for the April-June quarter, citing the impact of the March 11 earthquake and tsunami on production.

The major consumer electronics and home appliance maker booked a net loss of 30.4 billion yen for the three months, compared with a net profit of 43.7 billion yen a year earlier.

Its operating profit for the quarter plunged 93.3 percent to 5.6 billion yen on revenue of 1.9 trillion yen, down 10.7 percent.

Panasonic said the slump was mainly due to the disaster, which ravaged Japan's northeast coast and left some 20,000 dead or missing.

The tsunami crippled a nuclear power plant, leading to reactor meltdowns and power shortages that along with supply chain problems sent Japanese production levels plunging as the economy tipped into a technical recession.

Osaka-based Panasonic left unchanged its annual forecast issued in June, still expecting to post a net profit of 30 billion yen this fiscal year to March 2012, down from 74 billion yen a year earlier.

Panasonic has said it expects to incur a group net loss of 70 billion yen in the first half.

The firm has been busy streamlining operations. In April Panasonic said it aimed to cut its global workforce to 350,000 within two years, a reduction of about 17,000 positions, in a bid to streamline its operations.

The planned job cuts will mean roughly a 10 percent reduction from March 2010, when Panasonic had almost 385,000 employees.

AFP

Ford India President and Managing Director, Michael Boneham, speaks to the media in Ahmedabad yesterday. US auto giant Ford plans to invest more than $900 million to construct a second manufacturing plant in India in the western state of Gujarat, which is slated to open in 2014 and employ around 5,000 workers.

HSBC may cut more than 10,000 jobs

REUTERS, *Hong Kong/London*

Banking group HSBC Holdings Plc may cut more than 10,000 jobs as part of its plan to slash costs by up to $3.5 billion a year, Sky News reported Thursday.

New HSBC Chief Executive Stuart Gulliver in May announced a far-reaching plan to cut costs and revive flagging profits by exiting dozens of countries and refocusing on its areas of strength.

Gulliver did not say how many jobs would go as part of the cuts, but analysts expect the bank to axe thousands from its 300,000 global workforce.

Sky, citing people close to the bank, said Thursday the plans had not yet been finalized. HSBC declined to comment.

The bank could provide an update along with its half-year results Monday, although analysts said costs are likely to have remained high in the first half of this year as the restructuring is a multi-year plan.

"There was a lot of talk about streamlining going on at the last strategy day, so I suppose this is a function of that," one top 10 HSBC shareholder told Reuters. "It is a quite sprawling bank, and I wouldn't be surprised if it has got a bit bloated here and there," he said.

Europe's biggest bank faces an urgent need for action as more than two-fifths of its businesses are not delivering their cost of capital. "We clearly have a cost problem," Gulliver said in May.

Obama to announce new fuel economy standards today

REUTERS, *Washington/Detroit*

REUTERS

President Barack Obama pauses while speaking at the annual conference of the National Council of La Raza at the Marriot Wardman Park Hotel in Washington on Monday.

The Obama administration has reached a compromise with automakers on a new fuel economy target for cars and trucks, ending months of negotiations on this pivotal mandate for the auto industry.

Automaker fleets will now have to average 54.5 miles per gallon by 2025, according to people familiar with the plan.

Chief executives at the major automakers could sign off on the plan as early as Wednesday night, one of the people said.

U.S. President Barack Obama will officially announce the new guidelines on Friday, the White House said.

The White House would not comment on the substance of the negotiations, but spokesman Jay Carney said the agreement would result in "significant cost savings for consumers at the pump" and cut pollution and reduce oil consumption.

The compromise is slightly less than the administration's original proposal for corporate average fuel economy, or CAFE, standards. But it is a major step up from current standards that require automakers to achieve 35.5 mpg by 2016.

Earlier, the administration had proposed increasing the CAFE target to 56.2 mpg between 2017 and 2025, but that plan ran into opposition from the industry and some lawmakers.

The push to boost fuel efficiency has forced automakers to redesign vehicles and use lighter but more expensive materials. These efforts are likely to raise the cost of vehicles and may pinch automaker margins.

That has caused resistance from lawmakers in states with a heavy auto manufacturing presence, as well as the United Auto Workers union, which is concerned about jobs.

The new proposal includes average increases in fuel economy of 5 percent for cars and 3.5 percent for light trucks through 2021, with a 5 percent increase for all vehicles after that.

One person said there will be a midterm review that may allow trucks to stay below the 5 percent target after 2021.

Sources told Reuters that some overseas automakers were reluctant to embrace the plan because of the more phased in schedule for light trucks, which remain a bread and butter segment for U.S. manufacturers and include pickups, SUVs and vans.

STILL IRONING OUT DETAILS

But the biggest sellers - General Motors Co, Ford Motor Co , Chrysler, which is run by Italy's Fiat, Toyota Motor Corp and Honda Motor Co -- are all expected to sign on to the agreement, which will be the backbone of a new federal rulemaking on fuel economy.

Obama has pushed hard for sharply higher fuel efficiency through new technologies like improved batteries for gas/electric hybrids and electric cars.

Ford spokeswoman Meghan Keck said there are still some issues that need to worked out regarding the new standards.

"We continue to believe that the talks are productive, that there are a couple of details that we're still ironing out and that we hope to be able say more soon," Keck said.

While declining to discuss the 54.5 mpg figure, Toyota spokeswoman Martha Voss said discussions on the new rules have been "positive."

Environmental groups and Democratic leaders have pushed for strong fuel economy standards to lower carbon dioxide emissions and decrease U.S. oil use.

"These new fuel efficiency standards represent the single greatest step our country has taken to reduce our dependence on foreign oil and to encourage a new generation of advanced vehicle technology entrepreneurs," said Representative Edward Markey in a statement.

U.S. passenger vehicles emit about 20 percent of the nation's carbon emissions and consume about 44 percent of its oil, figures show.