China's economic growth falls to 6.6pc: poll

AFP, Beijing

CHINA'S growth slipped to a seven-year low of 6.6 percent in the third quarter, according to an AFP survey, despite ample stimulus and a red-hot property market in the world's second-largest economy.

The median forecast for expansion in gross domestic product (GDP), based on a poll of 18 economists, represents an easing from the second quarter's 6.7 percent.

It would be the slowest quarterly growth since the first three months of 2009, in the middle of the global financial crisis.

As the world's biggest trader in goods China is crucial to the global economy and its performance affects partners from Australia to Zambia.

GDP expanded 6.9 percent in 2015 -- its weakest in a quarter of a century -- and the government has targeted growth in a range of 6.5-7.0 percent for this year.

The AFP poll forecast China will just meet the goal, with the median full-year prediction at 6.6 percent.

"Our expectation is that growth will continue to slow. The largest headwind on the horizon is the housing sector, which peaked in April 2016 and thus is now in the correction phase of its cycle," Brian Jackson of IHS told AFP.

Beijing is trying to execute a difficult structural transition away from dependence on low-end exports and heavy industry toward consumption and services, but entrenched interests have slowed progress.

At the same time, authorities have sought to combat a slowdown through hefty fiscal stimulus and loose home-buying policies that have fuelled property market booms in urban areas.

"Economic growth in the third quarter was better than market expectations," Rong Jing, a Beijing-based analyst with BNP Paribas, told AFP, but pointed to

REUTERS/FILE

A worker is seen at Yangshan deep water port, part of the Shanghai free trade zone, in Shanghai.

possible risks arising from the real-estate boom.

"The property bubble risk will continue to balloon if the government does not take tightening measures, as it would cause a very negative impact on the economy and the financial system," she added.

"The biggest restraint this year that prevents monetary easing is the real estate market."

In recent weeks lawmakers have unveiled tighter home-buying regulations in major cities to cool down galloping property prices.

Recent indicators have painted a mixed picture of China's economic health.

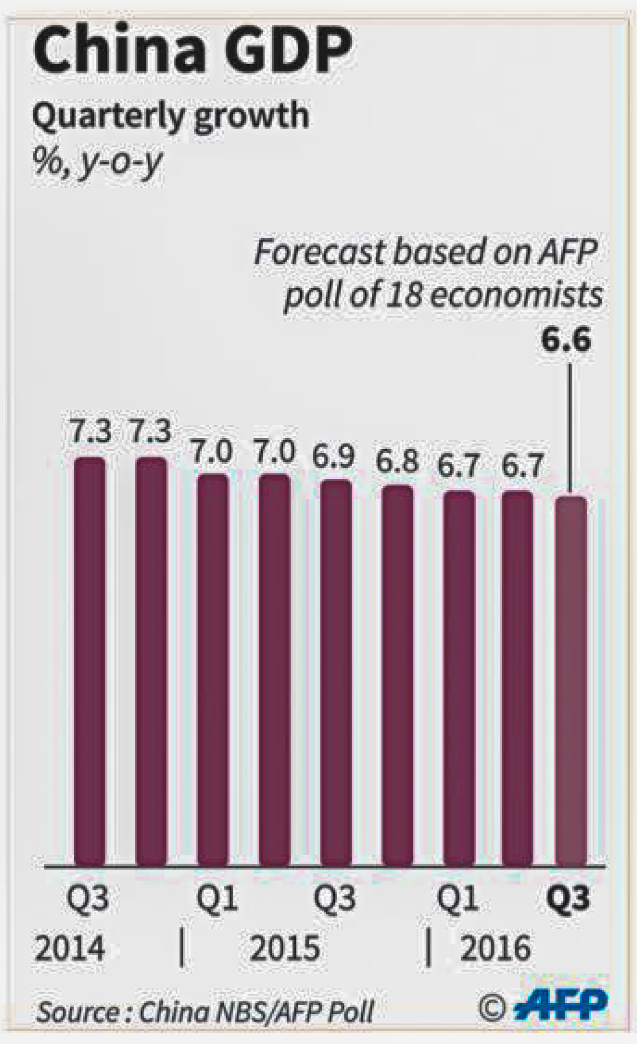
An official measure of manufacturing activity maintained its strongest level in nearly two years in September while auto sales grew at their fastest rate in three years in the world's biggest car market.

Data Friday showed that the price of goods at the factory gate rose in China for the first time in more than four years in September, a positive sign for demand after years of dropping prices battered manufacturers and put a damper on growth.

"Recent economic data suggest that China's growth momentum has stabilised," said Raymond Yeung, an economist with ANZ. He pointed to recovery in private investment after "a period of massive decline".

But exports sank 10.0 percent year-on-year in September, suggesting the Asian giant is yet to see the bottom of its years-long growth slowdown.

Imports returned to negative territory last month after a brief rise in August, with iron ore and copper volumes dropping, leading analysts to warn that the recent recovery in manufacturing activity could be short-lived.



Looking ahead, GDP growth faces the "downward pressure of a coming housing downturn, in particular in the first half of 2017" said Claire Huang of Societe Generale.

Zhao Yang of Nomura expected China's yuan currency to be "much weaker" and forecast slower growth in the fourth quarter "due to the cooling down property market and waning demand from post-flood reconstruction".

But Mizuho economist Shen Jianguang said that China's growth this year could be "stronger than the official data suggests", in contrast to last year when official figures probably overstated true expansion, he added.

Official Chinese figures are viewed with widespread scepticism, and in July the government altered its growth calculation method for the second time in less than a year.

PepsiCo sets global target for sugar reduction

REUTERS, London

PEPSICO Inc has set a target for reducing the amount of sugar in its soft drinks around the world as part of a suite of goals aimed at tackling problems ranging from obesity to climate change.

The New York-based company will announce on Monday that by 2025 at least two thirds of its drinks will have 100 calories or fewer from added sugar per 12 oz serving, up from about 40 percent now.

PepsiCo says the new global target is more ambitious than its previous goal of reducing sugar by 25 percent in certain drinks in certain markets by 2020.

"The science has evolved," Mehmood Khan, PepsiCo's chief scientific officer of research and development, told Reuters.

He gave an example of new flavor ingredients that require less sweetening, saying: "It's not just about sweeteners, it's about understanding the flavor ingredients and having proprietary knowledge and access to them."

The World Health Organization this month recommended taxes on sugary drinks, as France and Mexico have done, to curb consumption and improve health. The soft drinks industry opposes such taxes.

Despite its name, PepsiCo generates only 12 percent of its $63 billion in annual revenue from its famous cola brand. It makes 25 percent from carbonated soft drinks such as Mountain Dew, with the rest coming from waters and juices including the Tropicana brand, plus snacks and dips such as hummus and guacamole. Its 2025 goals also include targets for lowering sodium and saturated fat.

Coke has said that by 2020 it would offer low-calorie or no-calorie options in every market as part of its sustainability goals. PepsiCo is building on goals set out 10 years ago, which targeted nutritional, environmental and social improvements. Khan said there has also been financial progress.

He said the company has saved $600 million over the past five years from reduced water, packaging and energy use, as well as a reduction in waste. He added that, over the past decade, average returns on investments in this area have been better than the cost of capital.

Khan expects similar returns in future, which might be good news for investors, who generally don't base investment decisions on sustainability.

"It might not be the driving factor, but it might a filter," said Morningstar analyst Philip Gorham.

Other targets include a 15 percent improvement in the water efficiency of PepsiCo's direct agricultural supply chain in water-stressed areas by 2025 and a 20 percent drop in greenhouse gas emissions across its supply chain by 2030.

Creeping signs of deflation overshadow BOJ's optimism on economy

REUTERS

Governor of the Bank of Japan Haruhiko Kuroda attends a plenary during the IMF/World Bank annual meetings in Washington on October 8.

REUTERS, Tokyo

THE Bank of Japan has maintained its optimistic economic view on most of the country's nine regions but said some firms are struggling to raise prices due to weak consumption, underscoring the difficulty of removing the public's sticky deflationary mindset.

The hit to exports from a strong yen also forced the central bank to cut for the first time in nearly four years its view on the Tokai region - home to auto giant Toyota Motor Corp and a key driver of the world's third-largest economy.

BOJ Governor Haruhiko Kuroda maintained his optimism, telling Monday's quarterly meeting of the bank's regional branch managers that the economy continues to recover moderately.

But the lingering weakness in consumption suggests that more than three years of massive money printing has yet to nudge firms into raising prices, which has been one of the key objectives of the BOJ's stimulus programme.

"An increasing number of companies are starting to feel that prices may not rise much ahead. That's affecting price-setting behaviour particularly among supermarkets," Atsushi Miyanoya, the BOJ's branch manager overseeing the Kinki western Japan region, told a news conference.

In a quarterly report issued on Monday, the BOJ maintained its assessment for six areas to say their economies continued to recover moderately. It raised its view for two regions.

But it revised down its assessment for the Tokai area for the first time since January 2013, saying its economic expansion was moderating. In its July report, the BOJ said the area's economy was expanding moderately as a trend.

"Households are worried that wages may not rise much when they see corporate profits fall" due to the strong yen, said Kimihiro Eto, the BOJ's branch manager overseeing the region.

"If they have a choice, consumers are choosing something cheaper. They're becoming more mindful of costs," he said.

Monday's report will be among factors the BOJ's board will scrutinise at its rate review on Oct. 31-Nov. 1, when it will issue fresh quarterly growth and inflation forecasts.

The BOJ is likely to cut next fiscal year's inflation forecast slightly in the new projections, sources familiar with its thinking say, but is seen holding off on expanding stimulus after having just revamped its policy framework.

The central bank switched its policy target to interest rates from the pace of money printing in September, after years of massive asset purchases failed to jolt the economy out of stagnation and accelerate inflation to its 2 percent target.

Japanese retailers are struggling with weak sales as flat wage growth eats away at consumer confidence. The nation's core consumer prices slid 0.5 percent in August from a year earlier to mark the sixth straight month of decline.

As groundwater dries up, Indian farmers eye new crops

REUTERS, Chandigarh, India

IT is hailed as India's granary, but Punjab faces a drastic decline in agricultural output unless it halts the rapid depletion of its groundwater, experts warn.

Groundwater irrigates almost three-quarters of Punjab's agricultural land, but groundwater levels are dropping by 40 to 50 cm (16 to 20 inches) a year, according to Rajan Aggarwal, head of the soil and water engineering department at Punjab Agricultural University (PAU).

That has left farmers like Ajmir Singh struggling as their irrigation wells dry up.

"We are not able to find water even if we go down to 200 feet (61 m) or more at some places," said Singh, who has farmed for 35 years in Jalandhar, 150km (95 miles) north of Chandigarh, the state capital.

His neighbour, Pawanjeet Singh, said lack of irrigation water has forced him to sell part of the land that has been in his family for generations to a large-scale farmer who has the resources to drill for water at much deeper levels.

"I took this decision with a heavy heart after I realised that drawing water for all my land is beyond my means," Singh said.

According to Aggarwal, groundwater has been overexploited in 110 of the state's 138 administrative blocks.

"This is alarming given that more than 73 percent of irrigation is taken care of by groundwater," he said.

Experts say dealing with the problem, in the region that led India's Green Revolution in the 1970s, will require a rapid shift away from crops that require large amounts of water, such as rice and wheat, to less-thirsty pulses, maize, vegetables and sugarcane to safeguard the state's agricultural economy.

Rice and wheat make up 81 percent of Punjab's irrigated crops, according to a report by PAU. Although the state accounts for only 1.5 percent of India's geographical area, over the past two decades it has contributed 35 percent of the nation's rice production and 60 cent of its wheat.

According to Sunil Jain, regional director of the Central Ground Water Board for northwest India, groundwater started dropping in 1985 in Punjab, and has sunk to alarming levels in recent years.

Thirty years ago farmers in most parts of the state could draw water at a depth of 10 metres (32 ft), but by 2015 this was 20 metres, while farmers in some central parts of the state are unable to find water even at 30 metres or deeper, he said.

"There has been a substantial rise in groundwater utilisation, which has mainly happened because of the fact that Punjab gets less rainfall. Since paddy (rice) requires a lot of water, the farmers resort to heavy usage of groundwater for

REUTERS/FILE

Labourers work in a paddy field at Thaska village in Punjab.

irrigating the paddy fields," he said.

Jain added that Punjab gets less than 700mm of rainfall annually. This compares to a national average of 1,083mm, according to the World Bank.

Amit Kar, an economist at the Indian Council of Agricultural Research, attributed the groundwater shortage to government policies such as free electricity for irrigation, credit facilities and subsidies for digging wells and buying pumping equipment, as well as heavily subsidised diesel fuel for pumps.

The PAU report said annual demand for irrigation in Punjab is 4.76 million hectare metres (mhm) against a total annual supply of 3.48 mhm from canal and groundwater resources.

The deficit is met by overexploitation of deeper groundwater by farmers using nearly 1.4 million tube wells, which exacerbates the loss of more accessible groundwater.

According to the PAU report, 3.5 million of Punjab's 9.1 million workers make a living from agriculture or associated activities.

Jain said the statistics suggest Punjab's agricultural success may not be sustainable.

"Punjab's exports of rice and wheat to other regions literally mean the export of its groundwater to those regions," he said.

Amitabh Kant, chief executive officer of the government's National Institution for Transforming India (NITI Aayog), predicted "the present rate of withdrawal will lead to complete exhaustion of groundwater within a decade" in the region.

Kant said India, already water-stressed, is rapidly moving towards becoming water-scarce.

Switching to new crops is one way to ease the problem in Punjab, said PAU's Aggarwal. Rice requires about four times as much water as maize, pulses or oilseeds, for instance.

Vinod Kumar Singh, a scientist at the Indian Agricultural Research Institute, said Punjab must make the shift at any cost.

"The government has to make some policy decisions like assuring the farmers it will procure their produce other than paddy (rice) and wheat. Only then will they be convinced to switch over to these crops," he said.

Under India's state-sponsored Public Distribution System, the national government buys staple foods like rice, wheat and sugar from farmers and sells them to citizens at fair or cheaper prices. Commodities worth $2.25 billion, including rice and wheat, are sold annually to about 160 million families.

Jasbir Singh Bains, Punjab's director of agriculture, said that system makes farmers reluctant to cultivate other crops.

"We have started making efforts to popularise the cultivation of pulses, maize, vegetables and oilseeds," Bains said. "For example, we have appealed to the central government to increase the procurement of pulses and are urging the farmers to grow vegetables, which also have a good market."

Farmers like Shamsher Singh, in Nokdar–Jalandhar, said they would switch to less thirsty crops with government help.

"We are ready for this, but the government should give the guarantee that it will procure our products like it is doing in the case of wheat and rice," he said.