Why Asia has eye-watering onion prices

Reuters, *Mumbai/Dhaka*

FROM Kathmandu to Colombo, it's a kitchen nightmare: Onion prices have gone crazy.

That's because India, the world's biggest seller of the Asian diet staple, has banned exports after extended Monsoon downpours delayed harvests and supplies shrivelled. And dedicated buyers across the region, like Nepalese housewife Seema Pokharel, are flummoxed.

"This is a terrible increase," said Pokharel, out shopping for vegetables in Kathmandu. "Onion prices have more than doubled in the last month alone."

Whether it's Pakistani chicken curry, Bangladeshi biryani or Indian sambar, Asian consumers have developed a serious dependence on Indian onion supplies for go-to dishes. Shorter shipment times than from rival exporters like China or Egypt play a crucial role in preserving the taste of the perishable commodity.

But last Sunday New Delhi banned all exports from India after local prices jumped to 4,500 rupees ($63.30) per 100 kg, their highest in nearly six years, due to the delay in summer-sown crop arrivals triggered by longer, heavier rains than usual.

Since the ban, countries such as Bangladesh have turned to the likes of Myanmar, Egypt, Turkey and China to increase supplies in a bid bring prices down, government officials and traders said. But the hefty volumes lost will be hard to replace.

India exported 2.2 million tonnes of fresh onions in the 2018/19 fiscal year ended March 31, according to data from India's Agricultural and Processed Food Products Export Development Authority. That's more than half of all imports by Asian countries, traders estimate.

Rising prices of alternative supplies will add to the headache for importers trying to get the vegetable from elsewhere, said Mohammad Idris, a trader based in Dhaka. In the Bangladesh capital, consumers are now being asked to pay 120 taka ($1.42) per kilogramme for their prized onions - twice the price a fortnight ago and the highest since December, 2013.

"Prices are going up elsewhere in Asia and Europe," said Idris. "Other exporting countries are taking advantage of the Indian ban" to raise their asking price.

In response to the crisis, the government of Bangladesh has initiated sales of subsidised onions through the state-run Trading Corporation of Bangladesh (TCB).

"We are looking for all possible options to import onions. Our target is to import in the shortest possible time," said TCB spokesman Humayun Kabir.

But the shipments from elsewhere - Iran and Turkey are also potential suppliers - that authorities in countries across the region are investigating will all take time.

"It takes one month when it comes from Egypt and about 25 days from China, while it takes only a few days from India," said Dhaka trader Idris.

The need for alternative imports is so severe, though, that countries like Sri Lanka have already placed orders with Egypt and China, said G Rajendran, president of the Essential Food Commodities, Importers and Traders Association. Onion prices in Sri Lanka have risen by 50 percent in a week, to 280-300 Sri Lankan rupees ($1.7) per kilogramme.

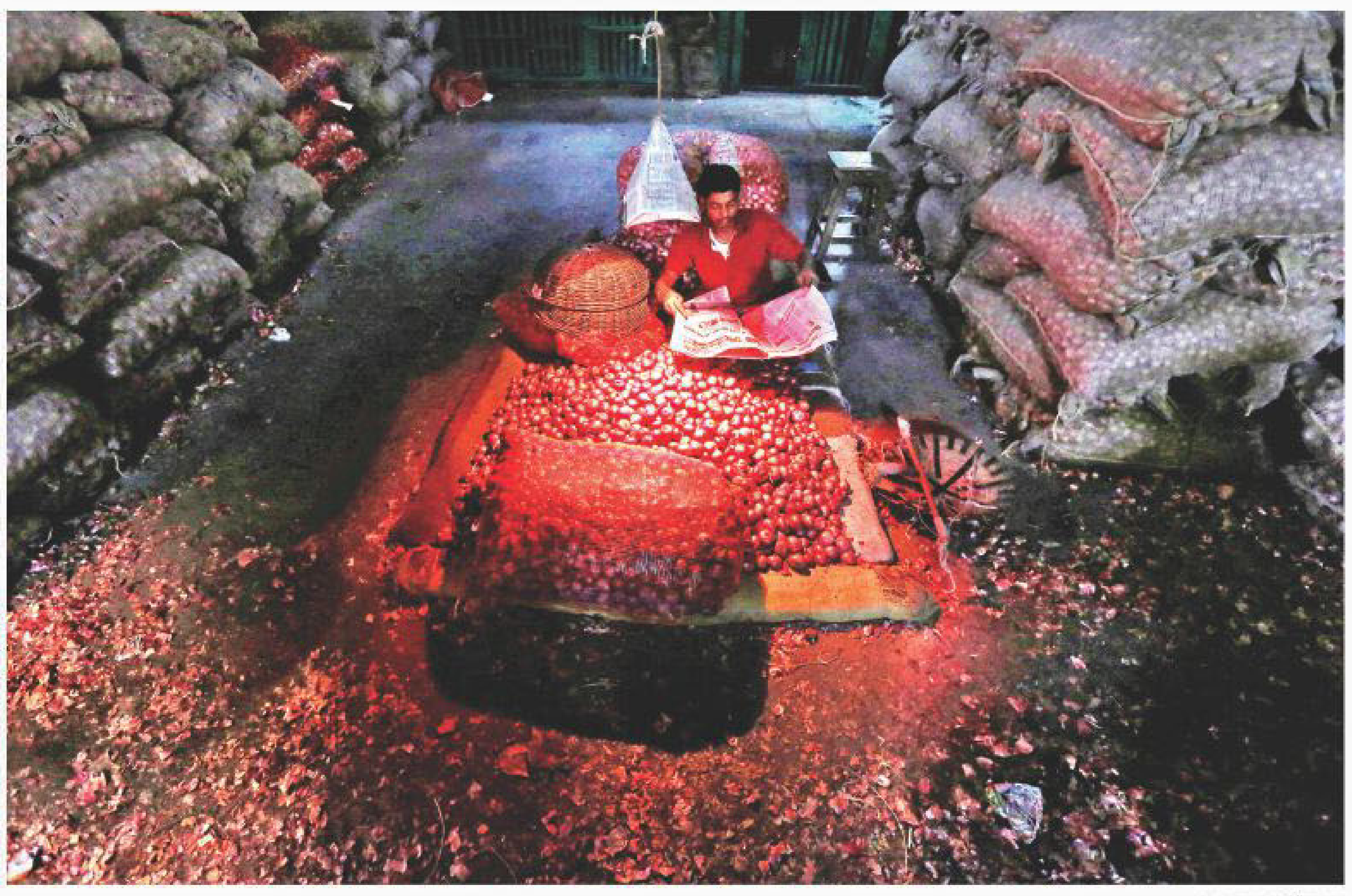
For other countries, there may be little option but to sit tight and hope for the best.

Malaysia, the second-biggest buyer of Indian onions, expects the ban to be temporary and sees no reason to panic, said Sim Tze Tzin, deputy minister of agriculture.

But even India has been importing onions from Egypt in an effort to calm prices. And there won't be any meaningful drop in prices before summer-sown crops start to hit the market, said Ajit Shah, president of the Mumbai-based Onion Exporters' Association.

That's not expected until mid-November, meaning the export ban isn't going away in the near term.

"India could resume exports once prices drop, but it will take time," said Shah. "Until India resumes exports, supplies will remain limited in Asia."



REUTERS/FILE

A vendor reads newspaper as he waits for customers at a wholesale onion market in Kolkata.

Compliance of withholding entity following VAT deduction at source

Md Abdur Rouf

Some entities have been given the responsibility of deduction of value-added tax (VAT) at source. Those are government entities such as ministry, division or attached department, semi-government or autonomous body, state-owned enterprise, local authority, council or similar organisation, non-government organisation (NGO), bank, insurance company or financial institution; secondary and post-secondary educational institution and limited company.

The entities are called withholding entities. While these entities make payment following purchase of goods or service, they then need to deduct VAT at source if the purchase attracts short VAT rates: 5 percent, 7.5 percent or 10 percent.

If the purchase attracts 15 percent VAT rate, the entity does not need to deduct VAT while making payment. Rather, VAT is given to the seller along with the price of the purchased goods or service to be forwarded to the government through monthly VAT return or treasury deposit.

If an entity has deducted VAT, it has to be deposited to the government treasury.

Two types of entities have two methods of depositing VAT to the government treasury. The withholding entities who are registered under VAT and require submitting monthly VAT return, they make increasing adjustment in the return.

Such increasing adjustment is equal to deposit of VAT to the government treasury.

Within 3 working days of submission of VAT return, the entities require issuance of a withholding certificate in Mushak-6.6 form. The form must then be submitted to the seller of goods or service.

If the withholding entity does not require to be registered under VAT, then it does not submit monthly VAT return.

Such entity shall deposit VAT to the government treasury using treasury challan within 15 working days of deduction. A withholding certificate in the above manner has to be issued to the seller of goods or service within 3 working days of deposit.

The writer is a VAT expert currently working as specialist for a World Bank-financed VAT-related project.

Samsung ends mobile phone production in China

Reuters, *Seoul*

Samsung Electronics Co Ltd has ended mobile telephone production in China, it said on Wednesday, hurt by intensifying competition from domestic rivals in the world's biggest smartphone market.

The shutdown of Samsung's last China phone factory comes after it cut production at the plant in the southern city of Huizhou in June and suspended another factory late last year, underscoring stiff competition in the country.

The South Korean tech giant's ceased phone production in China follows other manufacturers shifting production from China due to rising labor costs and the economic slowdown.

Sony also said it was closing its Beijing smartphone plant and would only make smartphones in Thailand.

But Apple still makes major products in China.

Samsung's share of the Chinese market shrank to 1 percent in the first quarter from around 15 percent in mid-2013, as it lost out to fast-growing homegrown brands such as Huawei Technologies and Xiaomi Corp (1810.HK), according to market research firm Counterpoint.

"In China, people buy low-priced smartphones from domestic brands and high-end phones from Apple or Huawei. Samsung has little hope there to revive its share," said Park Sung-soon, an analyst at Cape Investment & Securities.

UK construction slump worsens as Brexit uncertainty deepens - PMI

Reuters, *London*

A downturn in British construction deepened last month, according to a survey on Wednesday that showed the commercial and civil engineering sectors contracting at the fastest in around 10 years ahead of Brexit.

The IHS Markit/CIPS UK Construction Purchasing Managers' Index fell to 43.3 from 45.0 in August, below all forecasts in a Reuters poll of 17 economists that had pointed to an unchanged reading.

Far below the 50 dividing line for growth, September's reading was the second-worst since the financial crisis. Construction firms cut jobs at the fastest rate since December 2010, data company IHS Markit said.

Britain is due to leave the European Union on Oct. 31, and Prime Minister Boris Johnson has said he is prepared to leave without a deal if necessary, despite being ordered by parliament to seek a delay if he cannot negotiate acceptable terms.

Companies blamed escalating Brexit uncertainty and generally weak demand for hesitancy among their clients, the survey showed.

Overall, the data added to signs that businesses are struggling to make longer-term plans due to the risk of a disruptive no-deal Brexit in the coming years, although consumer spending has held up well.

"The commercial sector was a notable casualty in September, with building activity here falling at the fastest rate since April 2009, highlighting the damaging effects of project delays and belt-tightening," IHS Markit economist Joe Hayes said.

"Forward-looking indicators suggest that businesses are bracing themselves for a protracted construction slump, with input purchasing and employment both falling at rates unsurpassed since 2010," Hayes added.

India central bank set to cut rates again as fiscal measures fail to cheer

Reuters, *Mumbai*

THE Reserve Bank of India is expected to cut benchmark interest rates for the fifth time this year on Friday as recent fiscal measures to boost ailing growth seem largely inadequate and benign inflation offers room for more easing.

The RBI is predicted to lower its key lending rate or the repo rate by 25 basis points (bps) to 5.15 percent, which would take cumulative cuts so far this year to 135 bps.

Most analysts forecast one more cut of 15 bps in December.

Some RBI watchers expect a larger cut this week, after it cut the repo rate but an unconventional 35 bps in August.

"With current inflation remaining benign, we expect RBI to opt for a 40 bps rate cut at its policy review later this week in a bid to continue its support toward growth revival," said Yuvika Oberoi, an economist with Yes Bank in Mumbai.

Asia's third-largest economy expanded by just 5 percent in the June quarter, its slowest pace since 2013. That has raised expectations the RBI will be forced to further downgrade its growth projection of 6.9 percent for the current fiscal year.

However, not all economists were as aggressive with their rate cut bets, saying the central bank will likely reserve some firepower and wait to see how inflation pans out.

In a bid to revive business activity, the government in September announced a sharp cut in the corporate tax rate - to 22 percent from 30 percent.

But while the tax cut brings the cost of doing business in India into line with its main Asian rivals, the government's move will do little to fix a lack of spending power, economists say.

"The recent volatility in crude oil prices and the fiscal measures announced by the government will have an impact on inflation in the medium-term and the fiscal deficit," said Shanti Ekambaram, president of consumer banking at Kotak Mahindra Bank.

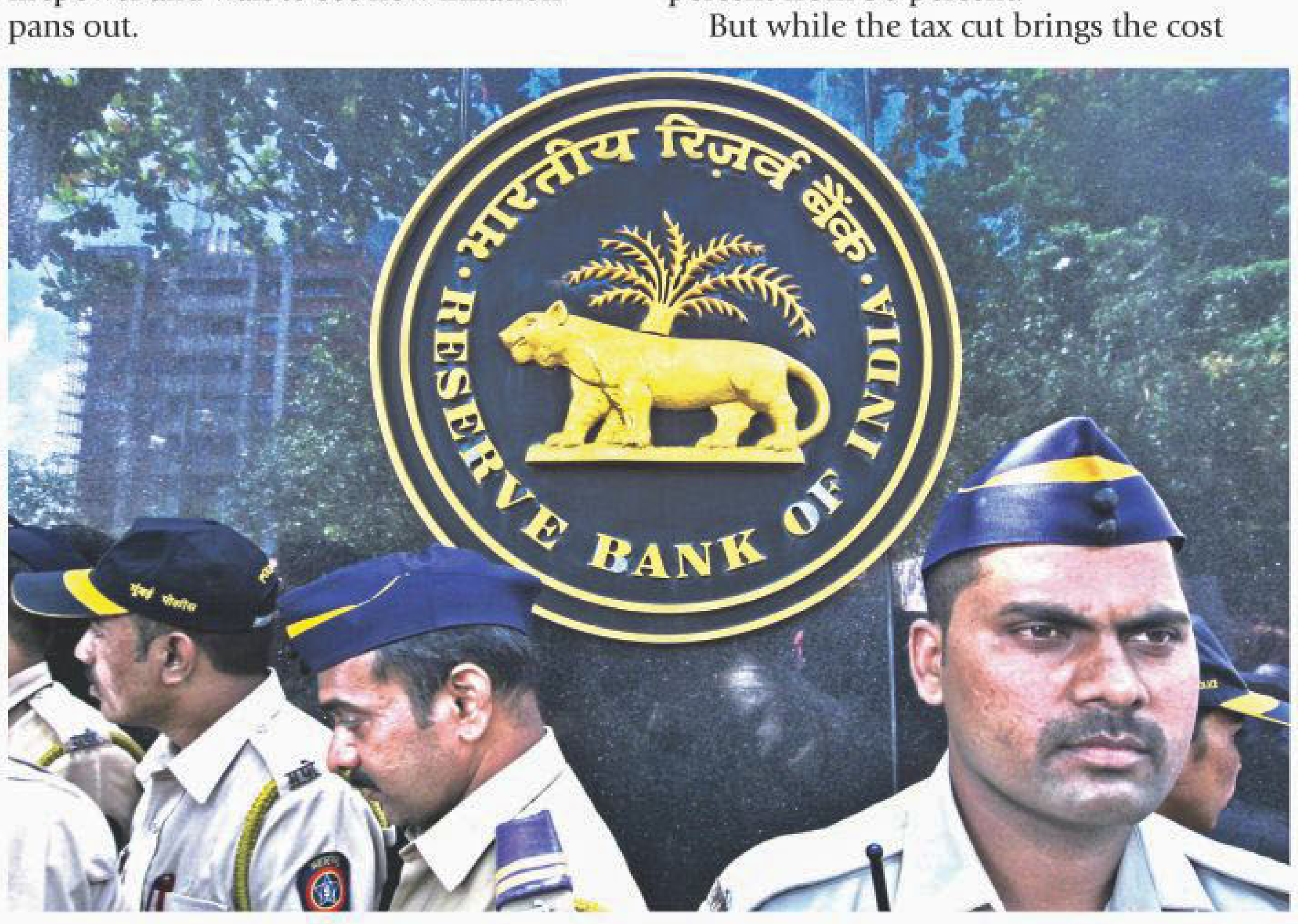
"Hence, expect the MPC to be more measured in its response with a rate cut of 20-25 bps," she added.

Inflation in August accelerated to a 10-month high but remained well below the central bank's medium-term target of 4 percent for a 13th straight month.

If the RBI delivers a 25 bps cut as expected, traders will focus on the wording and tone of the monetary policy statement for clues on further easing.

Economists also said the policy transmission process could improve after the RBI mandated banks to link all fresh loans to an external benchmark like the repo rate or the rate on short-term treasury bills since the start of this month.

India's banks have passed only a small portion of the RBI's cuts this year to their customers.



REUTERS

The logo of Reserve Bank of India is seen outside a RBI office in Mumbai on Tuesday.

No-deal Brexit would slam German growth in 2020: experts

AFP, *Frankfurt*

BRITAIN quitting the European Union without a deal on October 31 would deal a harsh blow to Germany's already stuttering economy in 2020, leading think-tanks said in Berlin Wednesday.

"For the coming year, we should reckon with a deduction of 0.4 percentage points" in growth if Britain crashes out, experts from five leading economic institutes said in a joint statement.

By contrast, "if Britain's future relationship with the EU is reliably clarified, there should be a swift brightening of economic prospects," they added.

A no-deal Brexit would create new barriers at UK-EU borders as both sides are legally required to levy tariffs and check goods for regulatory compliance, while trade in some services could be stopped or hindered.

Combined with a fall in the pound and massively increased uncertainty over future economic relationships undermining business investment and consumer spending, British demand for imports would fall.

That would have direct and indirect effects on the biggest manufacturing economies in the 19-nation eurozone.

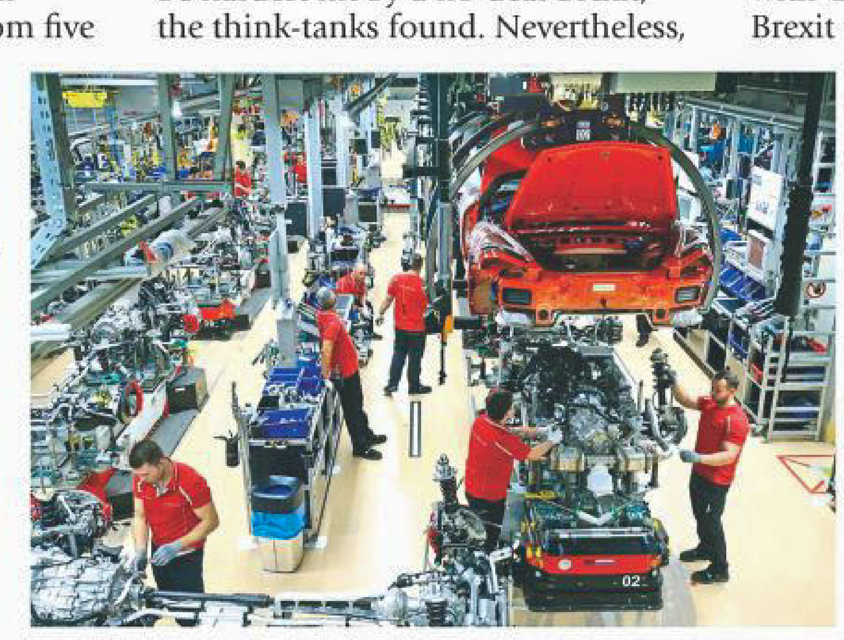
"Above all Germany, but also Italy and the Netherlands" would be hardest hit by a no-deal Brexit, the think-tanks found. Nevertheless, there would be "no dramatic collapse in economic development in the euro area," they added.

Germany is widely believed to have suffered a technical recession -- two successive quarters of negative growth -- over the summer, after its economy shrank by 0.1 percent between April and June.

"The United States' trade conflicts with China and the EU," as well as Brexit uncertainty, were to blame for slowing investment worldwide weighing on German manufacturing firms, the economists said.

Meanwhile, output in the vital automotive industry has fallen more than 20 percent since mid-2018, they noted, reflecting producers pushing through a costly and complex transition to electric and autonomous driving.

While consumer confidence remains high and the services sector has proven resilient, there are signs industrial weakness is spreading into that part of the economy, too.



REUTERS/FILE

Employees of German car manufacturer Porsche assemble sports cars at its factory in Germany.

Huawei phones lose access to install Google's apps

Reuters

HUAWEI Technologies Co Ltd's newly launched Mate 30 devices have lost their access to manually install Google's Android apps, Bloomberg reported on Tuesday.

According to the report, security researcher John Wu published a blog post Tuesday that explained how users of Huawei's Mate 30 Pro were able to manually download and install Google apps, despite a US blacklisting that prohibits the Chinese company from using American components and software.

But in the wake of the revelations, the Mate 30 devices, made to work on new 5G mobile networks, lost their clearance to manually install Android apps, as reported by a number of smartphone experts, Bloomberg said.

The Mate 30 is Huawei's first major flagship smartphone launched last month, since US President Donald Trump's administration effectively blacklisted the company in mid-May, alleging it is involved in activities that compromise US national security, a charge the company denies.

Wu wrote in the post a widespread method to install Google Services on newly released Huawei devices relies on undocumented Huawei specific mobile device management application programming interface, or MDM APIs.

"Although this "backdoor" requires user interaction to be enabled, the installer app, which is signed with a special certificate from Huawei, was granted privileges nowhere to be found on standard Android systems," he wrote.

"The system framework in Huawei's operating system has a "backdoor" that allows permitted apps to flag some user apps as system apps despite the fact that it does not actually exist on any read-only partitions," Wu said.

This process let the Mate 30 phones to run popular apps like Google Maps and Gmail that otherwise would not be permitted, Bloomberg reported bloom.

An easy-to-use app enabling the installation of Google apps and services on the Mate 30 Pro, called LZPlay, had emerged alongside the device's release, however it has disappeared after Wu's posting.

REUTERS/FILE

A new Huawei Mate 30 smartphone is pictured at the Convention Center in Munich, Germany.