Smartphone sales drive Samsung Q2 profit

AFP

A woman walks past a billboard of Samsung Galaxy Note 5 and Galaxy S7 at a mobile phone shop in Seoul yesterday.

AFP, Seoul

Solid sales of its flagship smartphone and an aggressive cost-cutting drive saw Samsung Electronics on Thursday post a better-than-expected gain in net profit for the second quarter.

The giant South Korean conglomerate said its key mobile division enjoyed "substantial earnings improvement" in the April-June period led by expanded sales of its high-end Galaxy S7 and S7 Edge phones.

Industry trackers estimate that the world's largest smartphone maker has sold about 26 million units of the S7 since it hit stores in March ahead of launches by competitors, including arch-rival Apple.

The mobile division accounts for the lion's share of Samsung's business, but it has been increasingly squeezed by competition both from Apple's iPhone and by lower-end devices from Chinese rivals such as Huawei.

Samsung's overall net profit for the second quarter stood at 5.85 trillion won ($5.2 billion), up 1.7 percent from the previous year and slightly above analyst estimates.

Operating profit was up nearly 18 percent at 8.1 trillion won, Samsung said in an earnings statement, reflecting a sizeable cut in mobile marketing costs -- partly due to the underwhelming performance of the iPhone.

The Samsung earnings came two days after Apple announced a 27 percent second quarter profit slump on a sharp drop in sales of its iconic handset.

Television and component sales were also strong in the April-June period, Samsung said, with increased profits among premium product ranges.

"Looking ahead to the second half of 2016, the company expects its solid performance to continue... mainly driven by earnings increase in the component business due to sales growth in high value-added products," the statement said.

It also flagged a likely rise in mobile division marketing costs with the launch of its latest out-sized Galaxy Note smartphone next week.

The Note series has never had as much of a sales impact as the S-series smartphone, and there will be increased competition with a new iPhone set for release later in the year.

Greg Roh, an analyst at HMC Investment, said a steady strengthening of the South Korean currency could also eat into profit margins.

"It will be harder for Samsung in the third quarter because of the stronger won and an increase in marketing costs," Roh said.

"The key point will be whether components -- like semiconductors -- will be able to make up for the loss in profits from finished products," he added.

Sustained profit gains from the company's cheaper smartphones, such as the J series, also helped to boost Samsung's mobile earnings in the second quarter.

Operating profit at the mobile unit rose to 4.32 trillion won from 2.76 trillion won a year ago.

Operating income at the semiconductor unit was 2.64 trillion won, compared with 3.40 trillion won a year earlier, as weaker demand pressured component prices.

The chip unit had helped buttress Samsung's profit margins when the mobile business went into a protracted slump from late 2014.

The world's number-two chipmaker has dominated production of faster, larger-capacity chips using a technology called 3D NAND.

Samsung was the first to mass produce chips using the technology and is producing the high-margin chips -- used in mobile gadgets and hard drives for servers -- at its factories at home and in China.

British bank Lloyds axes another 3,000 jobs

AFP, London

British bank Lloyds will axe 3,000 more jobs by 2017, it said Thursday, as it braces for the Bank of England's widely-expected post-Brexit interest rate cut next week.

Lloyds Banking Group (LBG) has decided to extend its restructuring plans with the closure of 200 branches and 3,000 jobs by the end of next year, it revealed in an interim results statement.

That takes the total jobs cull in the current restructuring programme-- which was announced in 2014 -- to 12,000 positions.

The BoE is meanwhile expected to cut interest rates in one week's time to a record-low 0.25 percent in response to Brexit uncertainty -- which Lloyds admitted had taken a toll on the economy.

"As a result of changing customer behaviours and the expected lower for longer interest rate environment, the scope of the (restructuring) programme ... has now been extended to include the closure of a further 200 branches and further role reductions of 3,000 by the end of 2017," LBG said in the earnings release.

The lender, which has been returned almost fully to the private sector after a state-bailout during the 2008 financial crisis, also lifted the programme's cost savings target to £1.4 billion, up from £1.0 billion.

LBG added Thursday that net profits, or earnings after taxation, had doubled to £1.3 billion ($1.7 billion, 1.5 billion euros) in the first half of 2016, but warned over the impact of Brexit.

That was sharply up from £874 million a year earlier, when its performance was blighted by vast provisions for the mis-selling of credit insurance, or payment protection insurance (PPI).

"We have delivered a good financial performance in the first half with robust underlying profit, a doubling of statutory profit and strong capital generation, along with continued progress on our strategic initiatives," added chief executive Antonio Horta-Osorio.

He admitted however that Britain's shock EU exit referendum on June 23 would weigh on the outlook.

"Following the EU referendum the outlook for the UK economy is uncertain and, while the precise impact is dependent upon a number of factors including EU negotiations and political and economic events, a deceleration of growth seems likely.

LABAID

KM Ali, chief executive officer of Partex Star, and Al Emran Chowdhury, chief operating officer of Labaid Hospital, attend a deal signing ceremony. Employees of Partex Star will enjoy special discounts at Labaid hospitals and diagnostic centres.

CITY BANK

Rubel Aziz, chairman of City Bank, presides over the 33rd annual general meeting of the bank at Kurmitola Golf Club in Dhaka yesterday. Shareholders approved 22 percent cash dividend at the AGM, which was also attended by Sohail RK Hussain, managing director and CEO, and directors.

Fed leaves rates unchanged but says US economy improving

AFP, Washington

The Federal Reserve left key interest rates untouched Wednesday but acknowledged improved economic performance, suggesting a rate increase may still be on the horizon in 2016.

Policy makers had not been expected to raise rates, out of concern that a hike could stifle fragile growth.

Their improving view on economic conditions left open the possibility of an increase in the benchmark federal funds rate, currently at 0.25-0.50 percent, by December.

Putting behind the surprise sharp downturn in job creation in May that had raised worries about the economy, the Federal Open Market Committee, which sets the monetary policy, said employment and economic growth had grown moderately since their mid-June meeting.

They also appeared to see less threat to US growth from Britain's vote to leave the European Union, which took place a week after the last FOMC meeting.

"Near-term risks to the economic outlook have diminished," the FOMC said in announcing the outcome of the closely watched two-day meeting in Washington.

Inflation rate hawks and doves had been split in June over how strong the economy was, and voted unanimously to hold off on raising rates until the situation became more clear.

The Fed has repeatedly said it wants to see increasing job growth and signs of stronger inflation before it raises rates.

While Wednesday's statement cited moderate increases in growth in employment, it said inflation was expected to remain low in the near term.

As it had found in June, the committee said household spending was "growing strongly" while fixed investment from businesses remained "soft."

But in a departure from its last meeting, the committee noted that payroll and other labor market data "point to some increase in labor utilization in recent months."

Tim Duy, Senior Director at the Oregon Economics Forum, said a rate hike at the next FOMC meeting in September could not be ruled out.

"But it seems more likely that the critical mass of data to hike will not arrive until December," he told AFP.

Following the statement, Fed funds futures traded on the CME, a kind of betting pool showing investor expectations, implied a 46.5 percent probability that the committee would increase rates before the end of the year, with the larger balance expecting the target rate to remain untouched through December.

The results suggested investors had expected the Fed to produce a rosier statement than the one released on Wednesday.

According to Steven Ricchiuto, chief US economist at Mizuho Securities USA, continued job growth could tip the balance in favor of a rate hike -- especially given that the committee believes the threats to economic growth are now lower.

"This suggests that the countdown to a rate hike in September/December will start in earnest if we get another strong jobs report for July on August 5th," Ricchiuto said.

Joel Naroff of Naroff Economic Advisers said the Fed appeared torn between optimism and fear.

"One thing this group has been consistent about is its one-meeting-the-sky-is-falling, the-next-meeting-the-sun-is-coming-out approach to economic analysis," he said. "This was the good economy meeting that comes after the worrisome economy meeting."

As for Brexit, Naroff said, "the members seem to have said 'never mind' and dropped those issues into the factors they are monitoring."

Following Wednesday's announcement, the dollar was slightly weaker against the euro at $1.1049.

Shell net profit tumbles on low oil prices

AFP, London

Royal Dutch Shell's net profit collapsed in the second quarter on low oil prices, weak refining margins and production outages, the British energy giant said Thursday.

Net profits sank 71 percent to $1.175 billion in the three months to June, compared with $3.986 billion in the same part of 2015, Shell announced in a results statement.

Profit on a current cost-of-supplies (CCS) basis -- which strips out changes to the value of its oil and gas inventories -- slid 72 percent to $1.045 billion in the reporting period.

That was almost half of market expectations for CCS profit of $2.16 billion, according to Bloomberg News.

A 25-percent rebound in Brent oil prices last quarter provided some relief, but the market hit three-month lows on Thursday as rising US inventories sparked resurgent supply glut fears.

"Downstream and integrated gas businesses contributed strongly to the results, alongside Shell's self-help programme," said chief executive Ben van Beurden.

"However, lower oil prices continue to be a significant challenge across the business, particularly in the upstream."

The downstream business includes refining, marketing and distribution, while upstream comprises exploration and production.

Second-quarter production stood at 3.51 million barrels of oil equivalent a day, which missed forecasts of 3.63 million as output was hit by shutdowns in Canada and Nigeria.

The recent slump in oil prices has pushed energy groups worldwide to slash spending and jobs, and sell off assets.

"We are managing the company through the down-cycle by reducing costs, by delivering on lower and more predictable investment levels, executing our asset sales plans and starting up profitable new projects," added van Beurden.

"At the same time, integration of Shell and BG is making strong progress, and our operating performance continues to further improve."

The company completed in February a £47-billion takeover of BG Group, in a deal aimed at strengthening Shell's position in the liquefied natural gas (LNG) market.

"Our investment plans and portfolio actions are focused firmly on reshaping Shell into a world-class investment case through stronger, sustained and growing free cash flow per share," said van Beurden.

In late morning deals, Shell's 'B' shares sank 3.73 percent to 2,026.50 pence on London's FTSE 100 index, which fell 0.12 percent to 6,742 points.

"Shell followed BP's lead from earlier in the week to post a wince-worthy 72-percent slide in profits thanks to the continued weakness of oil and gas prices," said Spreadex analyst Connor Campbell.

"This not only sent Shell (shares) 4.0 percent lower but pushed the rest of its sector into the red as well."

Oil slightly higher after five-day slump

AFP, Singapore

Oil prices edged up in Asia Thursday after slumping for five-straight sessions to a three-month low after a surprise jump in US stockpiles built on increasing worries about a global supply glut.

US energy department data showed Wednesday that inventories were 13.4 percent higher on-year, while gasoline stocks were up 11.8 percent, indicating demand remains weak as the peak holiday driving season comes to a close.

The news sent Brent tumbling three percent and West Texas Intermediate more than two percent down to sit at levels not seen since April, with both contracts now down about a fifth from their 2016 highs above $50 early last month.

On Thursday bargain-buyers moved in, helped by a weaker dollar after the the Federal Reserve indicated any US interest rate increase would be slow and measured.

At about 0630 GMT, US Benchmark West Texas Intermediate was up six cents to $41.98 a barrel while North Sea Brent was up five cents at $43.52.

"There is still a surplus and the oil price is going to have difficulty sustaining any rally because of that," David Lennox, an analyst at Fat Prophets in Sydney, told Bloomberg News.

DHAKA BANK

Emranul Huq, deputy managing director (Business Banking) of Dhaka Bank Ltd, and Md Zulfiquar Tahmid Munir Chowdhury, company secretary of Dhaka Electric Supply Co Ltd (Desco), exchange documents after signing an agreement at the head office of Desco in the capital yesterday. The bank will collect bills from Desco customers through its branches across the country.