

Europe's cashed-up firms get comfy with capex

REUTERS, London
Sitting on \$1 trillion in cash and emerging from years of caution, European companies are now showing the strongest year-on-year growth in capital spending plans in the world.

The revival is another sign of renewed optimism in the region and will be relief to investors looking to capture rebounding growth.

European firms, weighed down by sovereign debt crises, sluggish earnings and political uncertainties, hunkered down and put spending plans on hold over the past few years.

Now, with the earnings outlook at its brightest in more than 7 years, borrowing costs still low and an economy gathering momentum, firms are once again looking to replace machinery and plants while governments are keen on infrastructure upgrades.

As earnings season gets underway in Europe in earnest next week capital expenditures, or capex, plans will be closely scrutinised, particularly for the industrial and construction sectors.

So far the signs are upbeat. Year-on-year capex growth for European companies is currently about 3 percent, easily outpacing other major regions globally.

"I do think we are beginning to see a pick-up in capex as earnings improve," Dave Lafferty, chief market strategist at

Natixis Global Asset Management, said. In a recent report, credit ratings agency Moody's found that EMEA companies' cash pile rose to nearly 1 trillion euros at the end of 2016, with the ratio of cash to revenues at a seven-year high.

European companies are "warming to a culture of capex" strategists at Bank of America Merrill Lynch said in a note. They expect the median capex at large European corporate borrowers to rise by 20 percent this year.

The possibility that borrowing costs, held down by ultra-loose monetary policy by the European Central Bank, may start to rise as the ECB prepares to roll back stimulus measures could further see companies lock in cheap financing.

"If ... there are maintenance, capex projects that the company knows it's got to undertake in the next few years, it's probably not a bad idea to try and get the financing in place while the cost of debt is still very low by historical standards," Liam Nunn, manager of the Old Mutual European Equity Fund, said.

A shift in investor sentiment is also spurring capex.

Till last year, when the growth outlook for Europe was at best murky, investors were loathe to reward expansion plans and instead favoured companies that paid out earnings in dividends or buybacks.

However, with equity valuations now above long-term averages, buying back shares is becoming expensive.

New chief for Sanofi Bangladesh



STAR BUSINESS DESK

Muin Uddin Mazumder has recently been appointed as the managing director of Sanofi Bangladesh Ltd.

Mazumder joined Sanofi Bangladesh in 1995. With his new role, he also joins the board of directors of Sanofi Bangladesh.

"In my career of over two decades, I have learnt that a strong organisation needs strong foundation which is built by its people through passion and commitment," Mazumder said.

"I am truly humbled and excited to hold the helm of the company in this exciting time of growth and development," he said.



ANM Meshquat Uddin, vice chancellor of Southeast University, and ASM Mashi-ur-Rahman, managing director of Micro Industries Development Assistance and Services (MIDAS), exchange the signed documents of a deal at the university in Dhaka on Wednesday. MIDAS will organise a four-day training on business plan preparation for the students of business studies of the university. Parveen Mahmud, chairman of MIDAS, was also present.

Lenovo's PC business to see positive growth: CEO

REUTERS, Shanghai

Lenovo Group Ltd's personal computer (PC) business will return to positive growth in its fiscal 2017/18 year, the firm's chief executive Yang Yuanqing told Reuters on Thursday, after a drop in shipments last year.

Yang, in an interview on the sidelines of a Lenovo artificial intelligence (AI) event in Shanghai, said that the wider PC market was also expected to see "stable" growth.

Lenovo, which vies with HP as the

world's largest PC maker, saw a return to profit in the year to March, but has seen losses in its smartphone business amid rising component costs and swelling marketing spend for new products.

The firm's PC shipments for the fiscal year to March 31, dropped 1 percent year-on-year to 55.7 million units, though it bettered a wider market decline of 3 percent, Lenovo said in its full-year filing in May.

Yang added the firm would look to focus on growing its troubled

mobile phone business in developed markets such as the United States and Europe.

He added that talks with Japan's Fujitsu Ltd to integrate the firms' personal computer businesses were ongoing and he hoped for progress in the near future.

Fujitsu President Tatsuya Tanaka said in June he expected to reach an agreement on the matter "soon". The firms originally had aimed to finalise an agreement by the end of March.



AM Shamim, managing director of Labaid Group, receives the ISO 15189:2012 accreditation certificate for Labaid Diagnostic in Dhanmondi from Md Abu Abdullah, director general of Bangladesh Accreditation Board, at a programme at the latter's office in Dhaka on Tuesday.

Govt publicises Bangladesh's 'data revolution'

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At the meeting, Abul Kalam Azad, chief co-ordinator of the SDG implementation in Bangladesh, presented the progress report on the country's post-2015 development agenda.

Bangladesh's lower and higher poverty rates now are 12.09 percent and 24.03 percent respectively, down from 41.01 percent and 56.07 percent respectively in 1991.

A 22-member team led by the planning minister participated in the meeting. The delegation included Masud Bin Momen, Bangladesh's permanent representative to the UN, and Shamsul Alam, planning commission member.

The three-day review meeting started on July 17.

Nestle CEO doesn't rule out larger buys in health ops

REUTERS, Berlin

Nestle Chief Executive Mark Schneider does not rule out larger acquisitions in health-science operations to prop up sales, according to Germany's Manager Magazin.

"I am not ruling this out," Schneider said when asked whether plans to raise sales of the health-science division to 10 billion Swiss Francs (\$10.41 billion) from 2 billion required bigger purchases. "But we

are acting prudently." The company is on track to meet its 2-to-4 percent sales growth target and wants to grow in a medium single-digit range from 2020 in organic terms, Schneider said in an interview published on Thursday.

On calls by activist investor Daniel Loeb to sell a stake in L'Oreal, the CEO said: "Nestle has performed exceptionally well with its engagement in L'Oreal for more than 40 years. I have nothing to add to this."

BTRC gives final approval to Robi-Airtel merger

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The management said Robi's network has now become the largest in the country, which, it says, will allow it to serve its customers better.

Both the parent companies of Robi and Airtel opened talks on the merger in August 2015, and a deal between the two parties was signed in January last year.

In the merged entity, Malaysia-based Axiata, the parent company of Robi, holds a 68.7 percent controlling stake.

India's Bharti Airtel holds 25 percent share in the company while Axiata's old partner NTT DOCOMO of Japan owns 6.3 percent share.

Robi started operations in 1997 under the brand name of Aktel. The operator renewed its licence in 2011 after completing its first 15-year tenure.

Airtel entered Bangladesh in 2010 by acquiring a 70 percent stake of Warid Telecom. In 2013, it bought the remaining 30 percent.

Ford's 'golden noses' seek edge in slowing China car market

REUTERS, China

While Western drivers like the 'new car' smell fresh off the production line, Chinese would rather their cars didn't smell of anything - a cultural divide that's testing car makers seeking an edge to revive sales in the world's biggest auto market.

At Ford Motor Co, for example, 18 smell assessors - dubbed "golden noses" - at its research plant outside the eastern city of Nanjing test the smell of each material that goes inside a Ford car to be sold in China and around Asia.

The China smell test isn't unique, but illustrates the lengths automakers go to to attract buyers in markets where consumer attitudes vary widely.

"In North America, people want a new car smell and will even buy a 'new car' spray to make older cars feel new and fresh. In China it's the opposite," says Andy Pan, supervisor for material engineering at the Ford facility, which employs around 2,300 people.

The smell of a new car in China can have an outsized effect. A J.D. Power report last year showed that unpleasant car smells were the top concern for Chinese drivers, ahead of engine issues, road noise or fuel consumption.

The smell assessors at Ford, whose China sales are down 7 percent this year, carry out 300 tests a year, a third more than their counterparts in Europe. They rate the odor of all materials used in a car from "not perceptible" to "extremely disturbing".

Pungent materials - from carpets to seat covers and steering wheels - are noted as smelling of anything from "burnt tire" and "bad meat" to "moth balls" or "dirty socks". Some are sent back to the supplier.

Seats for Ford cars in China are stored in perforated cloth bags to keep them ventilated before being installed, as opposed to plastic wrapping in the

U.S. market where consumers are less concerned about chemical smells.

"The smell inside the car can often be pretty pungent," said Tom Lin, a 24-year-old high-school teacher in Zhejiang province, who bought a local Roewe brand car last October. He said there was still a bit of an odor six months later.

"With the next car I buy, I'm going to take more care to check out any odd smells," he said.

To be sure, smell is just one factor for automakers to get right in China, where picky buyers are always looking for fresh car models and Beijing is making a big drive towards new energy vehicles.

In a slower market - consultancy IHS forecasts vehicle sales will slip slightly this year - firms are looking for an extra edge to appeal to consumers, beyond price discounts, says IHS analyst James Chao.

Local rivals Geely Automobile and BYD Co Ltd tout their in-car air filters to protect drivers from China's harmful air pollution, and BMW says it is

adding larger touch screens and tweaking colors to appeal to Chinese buyers.

Smell is key though, reflecting a wider concern in China about chemicals and pollution.

"When I lived in the United States I might look at the suspension or the engine," said Don Yu, China general manager at CGT, which makes materials to cover car seats and dashboards for General Motors, Volkswagen and Ford.

"In China, though, people open the car and sit inside, if the smell isn't good enough they think it will jeopardize their health."

For Ford's "golden noses" that means a strict routine. Testers undergo a tough selection process, proving themselves on blind smell tests before being chosen.

"We have to have very healthy habits; we can't smoke, we can't drink," says one of the team, 33-year-old Amy Han, adding she avoids spicy food and doesn't wear nail polish, strong perfume or even a leather jacket to keep her smell sense sharp.



An employee conducts an odour test at the Polymer Laboratory at Ford's research and development centre in China.



Farah Kabir, country director for ActionAid Bangladesh, and Anis A Khan, managing director of Mutual Trust Bank (MTB), exchange the signed documents of a deal at MTB Centre in Dhaka yesterday. The bank will bear the expenses for education and vocational training of the girls residing in the Happy Homes hostel supervised by ActionAid Bangladesh.

Home loans rise on falling interest

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Yasin Ali, supernumerary professor of BIBM, said the limit on bank's home loan exposure of 10 percent of net consumer advances should be relaxed to reduce the gap in demand and supply.

"Increased home ownership is the real addition to national wealth," he added.

Toufic Ahmad Choudhury, director general of BIBM, chaired the discussion. SK Sur Chowdhury, deputy governor of Bangladesh Bank, was also present.

40 garment makers to take part in prestigious Paris show

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"So, it is an opportunity for us. It is really a very good exposure for the garment makers," she added.

Some of the Bangladeshi garment makers that will participate in the exposition are: Bangla Poshak, Bengal Knittex, Crystal Composite, Fashion Knit Garments, FGS Denimwear and Hassan Tanvir Fashion Wear.

Last week, the CBI officials hosted an event -- Best Practices Bangladesh -- in Dhaka for the retailers and local manufacturers to discuss ways to participate in the show.

With the project Best Practices Bangladesh 2014-2018, CBI have coached 28 garment companies to diversify their offerings and assisted them with making collections for the premium and high-end market segments.

"We take pride in positioning Bangladesh on a premium trade show geared at the high fashion market segment. We know that price fighters will come to Bangladesh at their own initiative -- if we wish to trade up and improve the image of the RMG sector we have to go to the markets for which we wish to produce," van der Pols said.

Bangladesh offers a full package deal for garment retailers, she said, adding that the production structure in countries like Ethiopia, Myanmar, Laos, Cambodia and Vietnam is limited to cutting and making or only cut-make-trim.

Bangladeshi companies have an efficiency rate of 62-75 percent compared with less than 18 percent and 35 percent of their counterparts in Ethiopia and Myanmar.

"It is time to show what Bangladesh can manufacture," she added.