Paddy being threshed and dried on the Bogura-Rangpur highway for a dearth of dry space due to recent heavy rains. The photo was taken at Palashbari upazila in Gaibandha on Saturday.

PHOTO: MOSTAFA SHABUJ

European dealmakers face fewer debt options amid recession risks

REUTERS, *London*

European dealmakers are struggling to finance corporate takeovers as concern that the region's economies may dip into recession is prompting debt investors to demand bigger rewards for the risks, they're taking to get deals over the line.

Global economic uncertainty and market volatility triggered by the Russia-Ukraine war, coupled with monetary tightening from the Federal Reserve and the Bank of England and expectations the European Central Bank will follow suit, have made deal financing costlier and harder to access, bankers and analysts say.

More than $390 billion worth of M&A deals have been announced in Europe since January compared to $365 billion in the same period last year - almost doubling 2019 volumes of $199 billion in the same pre-pandemic window, according to Refinitiv data.

While banks have agreed to provide the necessary financing, some are having to sweeten terms to find lenders willing to take on chunks of their debt.

"There are many variables in the market and investors will be careful until these settles and the bid/ask gap tightens, especially in Europe," said Anthony Diamandakis, global co-head of Citi's asset managers franchise worldwide.

"We are not seeing many new debt commitments at the moment because the M&A deal volume feels light."

Global corporate debt yields have soared nearly 200 basis points on average this year. Those on euro-denominated high-yield bonds have doubled to 5.5 per cent, ICE BofA indexes show.

Dealmakers say the financing struggle has not marked a death sentence for new deals, and while M&A volumes are currently subdued, they could still recover later this year.

But in the meantime some debt sales have run into trouble.

In Britain, supermarket chain Morrissons' 7-billion-pound ($8.6 billion) takeover by US buyout fund CD&R is the most notable deal to have hit a snag as the syndication of its debt pile has been delayed by about six months.

Lead banks who fully shouldered the Morrisons financing are now left with more than 3 billion pounds of debt yet to be syndicated, one source familiar with the discussions said.

The banks - Goldman Sachs, BNP Paribas, Bank of America and Mizuho - had to place a chunk of its debt worth about 1 billion pounds at a discount of around 10 per cent to be able to sell it to private lenders, the source said.

Goldman Sachs and CD&R declined to comment while Morrisons and the other banks were not immediately available. M&A financing packages are usually underwritten months in advance. Investment banks guarantee a certain interest rate to prospective buyers but also include so-called "flex" provisions in the deal terms allowing them to adjust the final pricing by a certain amount if markets move significantly.

If those are not enough to cover the increase in market rates, the debt gets syndicated at deep discounts with banks making up the difference, which may lead to a loss if it exceeds their fees.

Leveraged buyouts came under increasing scrutiny after the financial crisis as they are typically funded by loading a significant amount of debt onto the target company against its assets. Because of their high debt/equity ratio, they often involve the issuance of non-investment grade high yield bonds, often dubbed junk bonds as they carry a higher risk of default.

But money is fleeing the asset class this year; European high yield retail funds have suffered $20 billion of outflows, or 6 per cent of assets under management, according to BofA citing EPFR data. "A lot of fixed rate high yield investors have cash today, but are worried about outflows. As long as that worry is out there it's going to be difficult to price sizable new deals," said Daniel Rudnicki Schlumberger, head of EMEA leveraged finance at JPMorgan.

Global high yield bond issuance is down 77 per cent since the start of the year, Refinitiv data shows, with European volumes down nearly 75 per cent compared to last year.

After a 10-week shutdown of the European high yield market, the longest since 2009, a pool of banks led by HSBC and Barclays launched an 815 million pound bond sale in April to fund Apollo's takeover of British homebuilder Miller Homes.

Rumee re-elected Bank Asia's board executive committee chair

STAR BUSINESS DESK

Rumee A Hossain has been re-elected as chairman of the Executive Committee of the Board of Directors of Bank Asia Ltd at the bank's 473rd board of directors meeting held recently.

Hossain is one of the sponsor directors of the bank, a press release said.

He has more than 28 years of business experience in several industries such as electronics, telecom, pharmaceuticals, IT and publishing.

He is the managing director of Rangs Industries Ltd, the distributor of Toshiba and Samsung, and Romask Ltd.

Hossain is a graduate in mechanical engineering and did an MBA in international business management.

Jamuna Bank gets new AMD

STAR BUSINESS DESK

Jamuna Bank promoted its Deputy Managing Director Md Abdus Salam to the post of additional managing director in May, according to a press release.

Salam started his banking career with Islami Bank Bangladesh Ltd as a probationary officer in May 1989. Later, he served Social Islami Bank Ltd, Prime Bank Ltd, and Mercantile Bank Ltd in different capacities during his more than 33-year banking career.

He joined Jamuna Bank as executive vice-president in 2010.

Salam obtained his bachelor's and master's degrees in economics from Jahangirnagar University and an MBA from the Central Queensland University of Sydney in 2007.

He is a member of the board of governors of the Institute of Business Administration of Rajshahi University, a life member of the Bangladesh Economic Association and the Bangladesh MBA Association, and vice-president of the Ex-Students' Association of Carmichael College in Rangpur.

Salam completed an M Phil on "A Study into the Central Bank-Islamic Bank relationship in a partly Islamized Country" from the Department of Finance & Banking at the University of Dhaka in 2000 and did an MBA from Central Queensland University, Sydney in Australia in 2007.

China's economy cools sharply

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The shock also weighed on the job market, which Chinese leaders have prioritised for economic and social stability. The nationwide survey-based jobless rate rose to 6.1 per cent in April from 5.8 per cent, the highest since February 2020 when it stood at 6.2 per cent.

The 6.7 per cent jobless rate in 31 major cities in April is the highest since records started in 2018.

The government aims to keep the jobless rate below 5.5 per cent in 2022.

China wants to create more than 11 million jobs, and preferably 13 million urban jobs this year, Premier Li Keqiang said in March, but he recently called the country's employment situation "complicated and grim" following the worst Covid-19 outbreaks since 2020.

Fixed asset investment, a main driver that Beijing is counting on to prop up the economy as exports lost momentum, increased 6.8 per cent year-on-year in the first four months, compared with an expected 7.0 per cent rise.

The extended lockdown in Shanghai and prolonged testing in Beijing are adding to the concerns about economic growth over the rest of the year, said Nie Wen, Shanghai-based economist at Hwabao Trust.

"It's still possible to achieve a GDP growth of around 5 per cent this year if Covid curbs are only going to affect the economy in April and May. But the virus is so infectious, and I remain concerned about growth going forward."

Analysts say Beijing's official 2022 growth target of around 5.5 per cent is looking harder and harder to achieve as officials maintain draconian zero-Covid policies. Moreover, the key property market is in a protracted slump and export growth has slowed to a two-year low.

The economy grew 4.8 per cent in the first quarter.

China's financial authorities said on Sunday they will let banks cut the lower limit of interest rates on home loans based on the corresponding tenor of the Loan Prime Rate for first home purchases, a move to support housing demand and promote healthy development of the country's property market.

ING analysts are looking for a 1 per cent contraction in economic growth in the second quarter from a year earlier, while Nomura said the Chinese economy has been facing a rising risk of recession since mid-March.

Capital Economics is now forecasting full-year Chinese growth of just 2 per cent, and says if Covid cannot be controlled even that is not guaranteed.

"Even once the current virus wave is quashed, Covid controls will continue to hold back activity to some degree over the coming quarters," it said in a note on Friday.

While policymakers have repeatedly pledged more support for the slowing economy, stimulus so far has been "underwhelming", with only small policy rate cuts, it added.

China's central bank rolled over maturing medium-term policy loans while keeping the interest rate unchanged for a fourth straight month on Monday.

Nie said authorities would be cautious in rolling out quantitative measures like large-scale cuts to interest rates or banks' reserve requirement ratios to spur the economy, given concerns about US interest rate hikes and a depreciating Chinese currency, but structural and targeted measures, such as in the property sector, would be preferred.

Wheat prices

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New Delhi said factors including lower production and sharply higher global prices meant it was worried about the food security of its own 1.4 billion people.

Export deals agreed before the directive issued on May 13 could still be honoured but future shipments needed government approval, it said.

However, exports could also take place if New Delhi approved requests from other governments "to meet their food security needs".

India, which possesses major buffer stocks, previously said it was ready to help fill some of the supply shortages caused by the Ukraine war.

The export ban drew sharp criticism from the Group of Seven industrialised nations, which said that such measures "would worsen the crisis" of rising commodity prices.

Tea growers worried

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Tea Board, last year around 72.46 million kgs of tea was produced in the Sylhet region, 14.54 million kgs in the northern region and 9.5 million kgs in Chattogram region.

"Last year, 1263.37 acres of lands was added in tea cultivation in these districts," said Shameem, adding that the region has about 50,000 acres of land suitable for tea cultivation.

Last year, 728 small growers cultivated tea on 1,110.30 acres of land in Thakurgaon, 96 small growers on 168.88 acres in Lalmonirhat, 40 growers on 78.37 acres in Dinajpur and 35 growers on 68.59 acres in Nilphamari, the data showed.

Bangladesh Tea Board has projected around 3-crore kgs of processed tea will be produced from small-scale farming by 2030.

Amirul Haque Khokon, president of the Bangladesh Small Tea Growers Association, told this correspondent that the tea industry is flourishing in the northern region, especially in Panchagarh and Thakurgaon.

"The industry will expand even faster if the government takes the initiative to set up a state-owned tea factory and third auction centre in Panchagarh to ensure fair prices," he added.

There are currently two auction centres -- one at Sreemangal and the other at Chattogram -- in the country. Khokon said a third auction centre in Panchagarh would greatly reduce the transport cost for farmers in the northern region.

However, the slow pace of setting up the auction centre has left growers frustrated at the moment.

Raise per capita

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"The investment in the education sector should be youth-centric and target quality educational programmes."

Apart from increasing the size of the budget, the government should ensure budget effectiveness, she said.

As a labour economist, she recommended giving priority to labour-intensive industries in order to generate more jobs since the pandemic has hurt the labour market.

"The safety net programmes must be planned and centred towards the broad objective of job creation for those at the bottom of the distribution."

She called for an increased in allocation for small and medium enterprises and women entrepreneurs.

"We should set our target to reduce poverty and cut inequality. Our main goal should be to ensure inclusive growth and development."

Md Ataur Rahman Prodhan, chief executive officer and managing director of Sonali Bank, receives the Bangladesh Bank Remittance Award from Md Murshedul Kabir, a deputy managing director of the state-run lender, at the bank's head office in Dhaka yesterday. The bank won the award for 2019 and 2020 for collecting one of the highest amounts of remittance and was fourth-placed among the winners. Niranjan Chandra Debnath, Md Mazibur Rahman, and Sanchia Binte Ali, deputy managing directors, and Md Rafiqul Islam, general manager, were present.

PHOTO: SONALI BANK

Economists sound alarm over UK's post-Brexit plans

REUTERS, *London*

More than 50 economists warned on Monday that Britain's post-Brexit plans to boost the competitiveness of its huge finance industry risked creating the kind of problems that led to the global financial crisis.

The government, seeking to use its "Brexit freedoms", announced this month that it would require regulators to help the City of London to remain a global financial centre after the country left the European Union.

The group of 58 economists, including a Nobel Prize winner and former business minister Vince Cable, said making competitiveness an objective could turn regulators into cheerleaders for banks and lead to poor policymaking.

It also raised the risk of hurting the real economy as the finance sector sucks in a disproportionate share of talent, they said in an open letter to finance minister Rishi Sunak.

"The UK instead needs clear regulatory objectives that promote economy-wide productivity, growth and market integrity, and also protect consumers and taxpayers, advance the fight against climate change and tackle dirty money to protect our collective security," the letter said.

Britain's financial services minister, John Glen, has said the new competitiveness objective for the Bank of England and the Financial Conduct Authority would be secondary to keeping markets, consumers and companies safe and sound.

Banks have sought more focus on competitiveness than proposed, but the government has faced push-back from the BoE which has warned against a return to the "light touch" era that ended with lenders being bailed out during the financial crisis.

The signatories of the open letter included Cable, a former leader of the centrist Liberal Democrats, Mick McAteer, a former FCA board member, and Nobel Prize-winning economist Joseph Stiglitz.