



Blacksmiths are busy making knives and meat cleavers ahead of Eid-ul-Azha, when Muslims sacrifice animals. Tool prices are in the range of Tk 100 to Tk 500 depending on the type and size. The photo was taken at Dumuria Mostmor in Khulna on Saturday.

PHOTO: HABIBUR RAHMAN

US multinationals grapple with soaring dollar

AFP, New York

The rapid rise of the US dollar since the start of the year is a double-edged sword for American multinational companies, pushing some of them to decide whether to hedge or reposition their activities abroad to avoid fallout.

For an importer, the surge in the greenback against the euro, yen or British pound is a plus, because it makes the products they buy cheaper.

But for a US export company, products sold in dollars have become more expensive, which increases the risk of losing clients and seeing sales decline.

And they also lose money when converting foreign revenue back into to dollars.

Many firms already revised their earnings forecasts for the year to account for the changing exchange rate, including computing giant Microsoft, which warned its quarterly sales will fall by \$460 million and its net profit by \$250 million due to the currency hit.

Adobe, Salesforce, Biogen and Pfizer have all warned that the dollar's rapid

rise will have a greater impact on their accounts than expected.

Companies that generate most of their revenue outside of the United States are the most exposed, starting with tech giants, medical equipment makers and service companies, according to Kyriba, a corporate cash management platform. Kyriba estimates the currency effects could mean a \$40 billion hit to earnings of S&P 500 firms in the first half of the year.

The Federal Reserve's decision to aggressively hike interest rates to combat rampant inflation, combined with an influx of funds into the country from investors looking for a safe haven in uncertain times, have combined to boost the US dollar.

The greenback has risen 13 per cent compared to the euro over the last 12 months, approaching parity, and gained 22 per cent against the yen.

"Short term, that's a good thing for the United States because it means all the imports are cheaper and it puts downward pressure on inflation," said Desmond Lachman of the American

Enterprise Institute think tank.

But further out, the effect on the US economy is more nuanced, because if exports fall, "the United States trade deficit widens and then we get more external debt." But multinationals "don't have control over these big items," he explained.

They can, however, mitigate the effect of fluctuations in foreign currencies in which they price and invoice goods by adopting hedging strategies – using financial instruments that provide a kind of insurance against losses caused by the changing exchange rate.

Most corporations already have hedging programs in place, and they change their plans on a quarterly or even monthly basis, sometimes trying to predict currency movements, Kyriba's Bob Stark said.

But it's not an exact science, he noted, especially in a time of great uncertainty about the direction of inflation, interest rates and the possibility of a recession.

But "since the start of the pandemic, CFOs have gotten very good at looking

at multiple scenarios and building on them," Stark said.

Sporting goods giant Nike, for instance, warned Monday that currency effects would cut annual revenue by several percentage points. But the profit hit is much lower because of the hedging.

The current high volatility in foreign exchange markets also means it costs more to hedge, so some firms are choosing not to use those instruments.

Among the other tools at their disposal, multinationals can reduce their exposure with other techniques, such as by paying their Japanese suppliers in dollars, by renegotiating prices, or even by buying their supplies from different countries. Or they can simply wait for the US currency to weaken before repatriating their profits.

However, once the exchange rate has strengthened, there is limited room to maneuver, according to Nikolai Roussanov, a finance professor at the University of Pennsylvania – especially when prices are also rising because of supply chain issues and energy costs.

Shaheen made Eastern Bank AMD

STAR BUSINESS DESK

Eastern Bank Ltd recently promoted its deputy managing director to the post of additional managing director.



The promotee, Ahmed Shaheen was simultaneously discharging his duties as head of corporate banking alongside his roles as a deputy managing director, a press release said. He joined the bank in 2005 as head of trade services.

He previously worked in different capacities at IFIC Bank and Prime Bank during his more than 29-year-long professional career in the industry.

Mahmood chief business officer of Mutual Trust Bank

STAR BUSINESS DESK

Md Khalid Mahmood Khan has recently been appointed as chief business officer (CBO) of Mutual Trust Bank with effect from July 1, 2022.

The appointee, Mahmood, was serving as deputy managing director of the bank, a press release said.



He started his professional banking career with Agrani Bank Ltd in 1994 as a probationary officer.

He obtained his master's degree from the University of Dhaka and an MBA from the same university.

Kansai Nerolac Paints, Sindabad sign deal

STAR BUSINESS DESK

Kansai Nerolac Paints (Bangladesh) Ltd (KNPBL) signed a memorandum of understanding with Sindabad.com, a one-stop solution for all business requirements in the business-to-business universe, over facilitating business through the e-commerce platform.

Asif Zahir, managing director of Sindabad.com, and Vishal Mothreja, chief executive officer of KNPBL, inked a deal at the former's head office in Uttara, Dhaka yesterday, a press release said.

KNPBL, a subsidiary of the Japan-based Kansai Paint company, is the 8th largest paint manufacturer in the world, having operations in 80 countries across Asia, Europe, America and Africa, a press release said.

They believe that the partnership will help them provide products manufactured by KNPBL to small-and-medium enterprises and corporate customers so that they can grow their businesses.



Rajeev Gopalakrishnan, chairman of Bata Shoe Company (Bangladesh) Ltd, virtually presides over the company's 50th annual general meeting recently. The meeting approved 100 per cent cash dividend. Anirban Asit Kumar Ghosh, vice-chairman, Shaibal Sinha, director, KM Rezaul Hasanat and Rupali Chowdhury, independent directors, also attended the meeting.

PHOTO: BATA SHOE COMPANY



Mohammed Shoeb, chairman of Phoenix Insurance Company, virtually presides over the insurer's 36th annual general meeting recently. The meeting declared 15 per cent cash dividend for 2021. Mazharul Haque, Mohammed Haider Ali, Sharmin Sultana, Manzoorul Haque, Md Faizur Rahman, Nabihah Yesmeen, Fabiana Aziz, directors, and Md Jamirul Islam, managing director, joined the meeting.

PHOTO: PHOENIX INSURANCE COMPANY

China's factory activity speeds up

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easing supply chain snags, after worsening for the past two years.

However, despite the strong rebound, factories remained cautious in terms of hiring more staff, with employment falling for the third month in a row.

"Restoration in the post-pandemic era remained the focus of the current economy, yet its base was far from strong," said Wang Zhe, senior economist at Caixin Insight Group.

"Deteriorating household income and expectations caused by a weak labor market dampened the demand recovery. Correspondingly, supportive policies should target employees, gig workers and low-income groups impacted by the outbreaks."

China's economy has

started to chart a recovery path out of the supply shocks caused by strict lockdowns, but headwinds persist, including record high jobless rate in big cities, a still subdued property market, soft consumer spending and fear of any recurring waves of infections.

Analysts expect further improvement in economic conditions in the third quarter, although the official GDP target of around 5.5 per cent for this year will be hard to achieve unless the government abandons the zero-Covid strategy.

President Xi Jinping defended the zero-Covid policy on Tuesday, saying China is willing to accept some temporary impact on economic development over harm to people's health.

Ukraine begins electricity exports

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"It is not just a question of export revenue for us, it is a question of security for the whole of Europe." The Ukrainian electricity grid was connected to the European network in mid-March, helping to keep supplies flowing despite the war.

European Commission chief Ursula von der Leyen tweeted that the Ukrainian exports "will provide

an additional source of electricity for the EU. And much-needed revenues to Ukraine.

"So we both benefit," she said.

The EU has strongly backed Ukraine following Russia's February invasion, slapping Moscow with a barrage of sanctions and granting Kyiv "candidate status", a first step towards membership of the bloc.



Sufiul Alam Khan Chowdhury, managing director of Pubali Bank, receives a crest and certificate from Fazole Kabir, governor of Bangladesh Bank, at the central bank's head office in Motijheel, Dhaka recently on being listed as one of top 10 banks in sustainability ratings for 2020 and 2021 of the Bangladesh Bank. AKM Sajedur Rahman Khan and Abu Farah Md Nasser, deputy governors of Bangladesh Bank, and Nitish Kumar Roy, general manager of Pubali Bank, were present

PHOTO: PUBALI BANK



Mamoon Mahmood Shah, managing director of NRB Bank, receives a crest and certificate from Fazole Kabir, governor of Bangladesh Bank, at the central bank's head office in Motijheel, Dhaka recently on being listed as one of top 10 banks in sustainability ratings for 2020 and 2021 of the Bangladesh Bank. AKM Sajedur Rahman Khan and Abu Farah Md Nasser, deputy governors of the central bank, were present.

PHOTO: NRB BANK

Turkey hikes minimum wage

AFP, Istanbul

Turkey on Friday substantially raised the minimum wage for the second time in a year to cushion the blow from soaring cost of living increases ahead of next year's general election.

The hike of the net monthly take-home pay to 5,500 liras (\$330) means the nominal minimum wage has nearly doubled since the end of last year.

It stood at 2,826 liras in late December and 4,253 liras in January. But with an official annual inflation

rate of 73.5 per cent – even higher in big cities such as Istanbul – the increase for the most part only compensates for an erosion in purchasing power already suffered by consumers.

The Turkish currency has lost half its value against the dollar in the past 12 months, which has fuelled price rises on imported goods.

Economists warn that substantially raising the pay of a large swathe of the population is an inflationary measure that should be accompanied by interest hikes or other means of limiting spending.