SM Mannan (Kochi)

New BGMEA chief takes charge

STAR BUSINESS REPORT

SM Mannan (Kochi), the newly elected president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), yesterday took the charge of the association as the president for 2024-26 tenure.

Kochi is replacing Faruque Hassan.

The outgoing board of directors handed over the responsibility to the new board at the 41st annual general meeting (AGM) held at the BGMEA Complex in Uttara yesterday, according to a statement from the trade body.

The audited accounts of the BGMEA for the year 2022-2023 were adopted and the budget for 2023-2024 was approved in the AGM.

The other new office bearers of the BGMEA are: Syed Nazrul Islam, first vice president; Khandoker Rafiqul Islam, senior vice president; Arshad Jamal (Dipu), vice president; Md Nasir Uddin, vice president (finance); Miran Ali, vice president; Abdullah Hil Rakib, vice president; and Rakibul Alam Chowdhury, vice president.

The Sammilito Parishad, led by Kochi, achieved a clean sweep by securing all 35 directorship positions -- 26 in Dhaka and 9 in Chittagong -- in the BGMEA elections held on March 9.

Samsung expects 10-fold rise in Q1 profit

AFP, *Seoul*

Samsung Electronics said Friday it expects first-quarter operating profits to rise more than 10-fold year on year as chip prices recover.

The firm is the flagship subsidiary of South Korean giant Samsung Group, by far the largest of the family-controlled conglomerates that dominate business in Asia's fourth-largest economy.

The tech giant said in a regulatory filing that January-March operating profits were expected to rise 931.3 percent to 6.6 trillion won ($4.89 billion). Operating profits in the same period last year totalled around 640 billion won.

Apparel exports to the US will continue to grow in the coming months and the volume may cross the $10-billion mark at the end of 2024, said Faruque Hassan, the immediate past president of the BGMEA.

PHOTO: STAR

Garment exports to US show signs of recovery

REFAYET ULLAH MIRDHA

Garment export to the United States, Bangladesh's single largest market, is showing signs of a rebound on the back of a revival of the world's largest economy, consumers opening up their wallets, and falling inflation.

In 2023, apparel shipment to the US from the country fell 25 percent. The decline narrowed to 19.24 percent in the first two months of 2024, data from the Office of Textiles and Apparel (OTEXA), a body under the American Commerce Department, showed.

"Apparel export to the US will continue to grow in the coming months and the volume may cross the $10-billion mark at the end of 2024," said Faruque Hassan, the immediate past president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

US clothing retailers and brands imported fewer apparel items from all over the world in the last two years due to unsold inventories as stocks piled up amid lower consumption during the peak of the coronavirus pandemic.

The trend persisted last year because the severe fallout of Covid-19 and the Russia-Ukraine war sent inflation to a multi-decade high, eroding the purchasing power of consumers.

The sales started to pick up in November last year and inventories ran out, leading to a rise in orders for goods from Bangladesh and other countries.

"Garment export to the US fell almost every month last year and it went up from the beginning this year," said BGMEA's Hassan.

Garment export to the US stood at $1.18 billion in January and February. The collective shipments of textiles and garments were $1.21 billion, a slip of 18.88 percent.

Among all garment-exporting nations, Bangladesh holds the third position in the US, trailing China and Vietnam. However, the country is the top denim exporter to the US.

Bangladesh has emerged as an attractive sourcing destination for US retailers and brands thanks to competitive pricing and a higher capability for executing orders, which has boosted their confidence, according to exporters.

The National Retail Federation (NRF), the largest trade body for retailers in the US, stated in a forecast on March 20 that retail sales will increase between 2.5 percent and 3.5 percent in 2024, reaching between $5.23 trillion and $5.28 trillion. This is due to the continued resilience of consumers powering the American economy.

In a press release, NRF President and CEO Matthew Shay said, "The resilience of consumers continues to power the American economy, and we are confident there will be moderate but steady growth through the end of the year."

"Successful retailers offer consumers products and services when, where, and how they want to shop, at prices they are willing to pay."

The 2024 sales forecast compares with a 3.6 percent annual sales growth of $5.1 trillion in 2023. The 2024 forecast aligns with the 10-year pre-pandemic average annual sales growth of 3.6 percent.

Non-store and online sales, which are included in the total figure, are expected to grow between 7 percent and 9 percent year-over-year, reaching a range of $1.47 trillion to $1.50 trillion. This compares with non-store and online sales of $1.38 trillion in 2023.

NRF projects full-year GDP growth of around 2.3 percent, a slower pace than the 2.5 percent in 2023, but strong enough to sustain job growth.

Inflation is also expected to moderate to 2.2 percent on a year-over-year basis, due to a cooling economy, the labour and product market coming into better balance, and retreating housing costs.

"The economy is primarily supported by consumers who have shown much greater resilience than expected, and it's hard to be bearish on the consumer," said NRF Chief Economist Jack Kleinhenz in the press release.

"The question for 2024 ultimately is, will consumer spending maintain its resilience?"

Kleinhenz also noted rising home and stock prices in 2023 likely stimulated greater consumer spending via the so-called wealth effect, and this should continue in 2024.

"Several surveys reveal that consumers appear to have a favourable outlook, which should also support their willingness to spend. However, many consumers are feeling a pinch from tighter credit and inflation."

Will bank mergers help?

MAMUN RASHID

The most recent bank merger proposal in Bangladesh reflects a pressing need for action due to Bangladesh Bank's determination to instill essential discipline and oversight in the financial sector, which is plagued by widespread irregularities. As part of the strategy, the central bank has been reported to have plans to merge at least 10 banks within January next.

Bank mergers are often indicated as instruments for fortifying the banking sector. By consolidating resources, expertise, and market presence, merged entities can potentially achieve economies of scale, enhance operational efficiency, and diversify their product offerings. This consolidation is particularly important in Bangladesh, with 61 scheduled banks being present in the market out of which 10 to 20 can be considered weak due to the weak governance and loan irregularities.

Despite the potential benefits, bank mergers are not without challenges, especially for stronger banks. Integrating disparate cultures, systems, and processes can pose operational hurdles and divert management's attention. Technological integration is another factor that might be a tricky business when it comes to such integration. Moreover, assuming the liabilities of weaker banks, including their non-performing loans (NPLs), could strain the balance sheets of stronger entities and undermine their stability.

At the heart of the merger process lies the valuation of the involved banks and its ramifications for shareholders. Shareholders of stronger banks may initially have to bear the brunt of the weaker bank's lower valuation, the absorption of NPLs and possibly lower dividends post-merger due to poor financial performance. In such a case, it is very likely for strong banks to have an inertia against merging with a weak bank as such mergers also have the possibility of straining the reputation of the former.

One of the most talked-about mergers in Bangladesh's banking landscape is the proposed consolidation between Padma Bank and EXIM Bank, a MoU for which was signed recently. Although, the government has been pushing this merger, many analysts including the World Bank are thinking this may be a hasty move and have raised concerns regarding the ultimate success.

After the Padma-EXIM Bank merger, the absorption of ICB Islamic Bank by a stronger counterpart is now under discussion. Frozen deposits, capital shortfall, high defaulted loans and liquidity crisis have played pivotal roles in leading the bank to where it is today.

There are also examples that mergers alone cannot guarantee success. The case of Bangladesh Development Bank Ltd (BDBL), formed after the merger of Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha, serves as a humble reminder. Despite the consolidation, BDBL continues to grapple with challenges, particularly in managing its default loans. This underscores the complexity of merging weak entities and highlights the importance of rigorous due diligence, prudent risk management, and effective post-merger integration.

Drawing insights from neighbouring India, there have been examples of both voluntary and forced mergers. In 2021, 10 public sector banks in India were consolidated to form four banks. The amalgamation of Bank of Baroda with Vijaya Bank and Dena Bank is one such example. The objective of such mergers in the banking sector has been strengthening the economy, enhancing profitability, reducing non-performing assets (NPAs), improving efficiency, and expanding the reach of the branch network. In Sri Lanka, the small and mid-sized banks may merge with other financial institutions in order to create synergy.

An example of an ongoing bank merger on the global front is the merger between UBS AG and Credit Suisse AG, which is expected to be completed by 2024. Both these entities are big names in the financial industry, and it will be interesting to see how the post-deal synergies work out.

In navigating the complexities of bank mergers, regulatory oversight and stakeholder engagement play pivotal roles. Regulators must ensure that mergers adhere to stringent guidelines, promote healthy competition, and safeguard the interests of depositors and investors. Additionally, effective communication and transparency are essential in managing stakeholder expectations and building trust in the merger process.

Beyond regulatory considerations, successful bank mergers hinge on meticulous planning, robust risk management, and effective post-merger integration strategies.

The writer is an economic analyst.

World food prices rise for first time in 7 months: FAO

AFP, *Paris*

Global food prices rose in March, the first increase since July, pulled higher by cooking oil prices despite the cost of grains continuing to ease, the UN's Food and Agricultural Organization said Friday.

The FAO's overall Food Price Index climbed 1.1 percent over the month to stand at 118.3 points in March 2024. On an annual comparison it was 7.7 percent lower.

The sub-index for vegetable oils jumped by 8 percent over the month to reach a one-year high. The FAO said prices for palm, soy, sunflower and rapeseed oils all climbed higher.

Rising palm oil prices were driven by seasonal drops in output in leading producing nations that coincided with strong demand in Southeast Asia, while demand from the biofuel sector pulled up soy oil prices.

Dairy prices rose by 2.9 percent in March on a monthly basis, while meat prices climbed 1.7 percent.

Meanwhile, cereals prices slid 2.6 percent on a monthly basis, while sugar prices fell 5.4 percent.

Food prices reached a record high after Russia invaded agricultural power Ukraine in February 2022 but have dropped since then.

Last month's uptick comes as inflation has slowed dramatically in many countries but a recent rebound in global oil prices has sparked concern it may persist at a level that could discourage central banks from cutting interest rates.

US hiring blows past expectations in March

AFP, *Washington*

US hiring rose much more than expected last month, according to government data published Friday, increasing the chances that the Federal Reserve will remain on pause for longer as it weighs when to start cutting interest rates.

The world's largest economy added 303,000 jobs in March, up from a revised 270,000 new jobs created a month earlier, the Department of Labor announced.

The surge, coming seven months before the November election pitting President Joe Biden against former Republican president Donald Trump, was far above market expectations of an increase of 200,000, according to Briefing.com.

The unemployment rate ticked lower to 3.8 percent from 3.9 percent in February, in line with expectations -- and maintaining the longest streak of below-four-percent joblessness in decades.

"Today's report marks a milestone in America's comeback," Biden said in a statement. "Three years ago, I inherited an economy on the brink. With today's report of 303,000 new jobs in March, we have passed the milestone of 15 million jobs created since I took office."

Beyond the headline number, wage growth increased 0.3 percent on a monthly basis, while average hourly earnings were up 4.1 percent from a year earlier, Labor Department figures showed.

The labor force participation rate was little changed at 62.7 percent.

Many of the new jobs were created in the health care and government sectors, while construction and leisure and hospitality also saw big gains.

While the overall unemployment rate fell slightly, it rose for Black Americans, while declining for both Asians and Hispanics.

A 'We're Hiring!' sign is on display at a Starbucks on Hollywood Boulevard in Los Angeles.

PHOTO: AFP/FILE

Wall Street stocks closed higher on Friday, bouncing back after tumbling in the prior sessions on geopolitical concerns.

Policymakers at the Fed, led by Chairman Jerome Powell, have been debating when will be the right time to begin lowering interest rates, as they look to return inflation firmly to their long-term target of two percent without damaging the buoyant US economy.

"It's a big number, and you can't argue with it," Allianz Trade's senior North America economist, Dan North, told AFP, referring to 303,000 new jobs that were created last month.

"Lots of job growth, participation rates back up fairly sharply, unemployment back down a tick. So for Jerome Powell and the Federal Reserve, what more can you ask for?" he said.

"It's strong, but I wouldn't say it was out of whack," said Erica Groshen, a former commissioner of the US Bureau of Labor Statistics.

"This is certainly not sending a signal that the rates are too high," added Groshen, who is also a senior economics adviser at Cornell's School of Industrial and Labor Relations.

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