Japan growth slowed in 2024 despite stronger Q4

AFP, *Tokyo*

Japan's economic growth slowed sharply last year, official data showed Monday, although the rate for the fourth quarter topped expectations.

The figures come as Japanese companies fret over the impact of US President Donald Trump's protectionist trade policies, including import tariffs, on the world's fourth largest economy.

Gross domestic product expanded 0.1 percent in 2024, well down from 1.5 percent the year before, the data showed. But the figures for October-December were brighter.

Quarter-on-quarter growth accelerated to 0.7 percent, from 0.4 percent in July-September, when a "megaquake" alert and one of the fiercest typhoons in decades dampened activity.

The fourth-quarter figure was also more than double market expectations of 0.3 percent growth.

"On the surface, Japanese GDP growth in the final stretch of 2024 looks like a turning point," said Stefan Angrick of Moody's Analytics.

Gross domestic product expanded 0.1 percent in 2024, well down from 1.5 percent the year before

"But don't break out the champagne just yet. Japan's preliminary GDP figures are notoriously choppy, and sizeable revisions are common," he warned.

"The upbeat headline figure masks a domestic economy still stuck in the mud. Consumption is weak as pay gains have trailed inflation for the better part of three years," Angrick said.

"And given the worsening outlook for global trade, Japan won't be able to count on exports to pick up the slack in 2025."

Trump said last week that he planned to unveil tariffs on imported cars from around April 2, adding to a cascade of levies he has threatened since taking office.

Ahead of the latest GDP data, the Daiwa Institute of Research said "various growth factors are seen, including normalisation of production for motor vehicles".

"A strong appetite for capex spending on the part of corporations, and a comeback for inbound consumption" were also positive factors, the institute said in a report.

ANNUAL OVERVIEW

Domestic demand: 200-250 million pairs

Local production: 378 million pairs

INDUSTRY STRUCTURE

Total footwear units: 2,500

Non-leather footwear factories: 15

GROWTH DRIVERS

- Tax incentives
- Duty exemptions
- Export benefits
- Bonded warehouse support

TOP EXPORT DESTINATIONS

Australia, Belgium, Brazil, Canada & China

Footwear sector offers lucrative investment opportunities: Bida

Sustaining growth and enhancing competitiveness are key challenges

JAGARAN CHAKMA

Bangladesh's footwear sector is at a turning point, offering lucrative investment opportunities in both the leather and non-leather segments. However, challenges in sustaining growth and enhancing competitiveness remain, the Bangladesh Investment Development Authority (Bida) highlighted in a newsletter released yesterday.

"We see huge potential in this sector. If sufficient facilities are provided, the industry will take off and become a major export earner," said Shah Mohammad Mahboob, an executive member of Bida.

He added that they were working to negotiate with the National Board of Revenue to provide the necessary facilities to attract investment in this sector.

According to Bida, the rise of non-leather footwear—driven by changing consumer preferences and environmental concerns—is opening new investment opportunities, even outpacing the leather footwear sector in terms of growth over the past decade.

Referring to data from the Export Promotion Bureau (EPB), Bida said non-leather footwear exports grew by 120 percent over the last decade, far exceeding the 6 percent growth rate of leather footwear during the same period.

In the first seven months of FY25, non-leather footwear exports rose by 40.11 percent year-on-year to $318.09 million and are expected to exceed half a billion dollars by the end of the fiscal year.

However, while Bangladesh is the eighth-largest footwear producer in the world, leather goods and footwear remain the dominant force, generating $1.6 billion in exports last fiscal year.

Riad Mahmud, managing director of Shoeniverse Footwear Ltd., a concern of the National Polymer Group, said this offers great potential.

"If any corporate entity makes a major investment in the non-leather footwear sector, it will be a profitable venture," he said.

"We see huge potential in this sector. If sufficient facilities are provided, the industry will take off and become a major export earner," said Shah Mohammad Mahboob, an executive member of Bida

According to him, Bangladesh has only 15 compliant non-leather shoe factories, which require a capital investment of around Tk 35 crore to set up—posing a barrier to market entry.

Bida also pointed out that many tanneries and footwear factories struggle to meet global environmental and labour standards.

Mahmud further highlighted a shortage of skilled workers and complexities in customs procedures during the import of raw materials and shipment of products.

Hasanuzzaman Hassan, chairman of BLING Leather Products Ltd., a non-leather shoe factory based in rural Rangpur, said he now exports to Poland, Turkey, the United Arab Emirates, Germany, India, and Canada.

His company started shoe production in 2020, initially producing 300 pairs per day. In 2021, the firm entered the global market.

He envisions a promising future for synthetic footwear, stating that his company earned Tk 320 crore from synthetic shoe exports last fiscal year.

However, despite its strong performance, Bangladesh's footwear industry faces several challenges that must be addressed, Bida highlighted.

The lack of a domestic supply chain for synthetic materials increases production costs and lead times, affecting global competitiveness. Meanwhile, inefficiencies in customs clearance, inadequate port facilities, and shipment delays create difficulties for exporters.

The industry also requires specialised labour, but a lack of training programmes is hampering efficiency.

Furthermore, small and medium enterprises (SMEs), which make up a large portion of the industry, struggle with high interest rates, strict loan conditions, and limited access to financial support—posing major challenges to the growth of small-scale factories.

To sustain growth and remain competitive, the focus must be on policy reforms and investment, Bida recommended.

It suggested developing a bonded warehouse system to reduce dependence on imported raw materials and improving logistics and customs processes to enhance export efficiency.

MONETARY POLICY

Finding stability amid uncertainty

M SHAHRIAR AZAD BHUIYAN

The Bangladesh Bank's recently announced monetary policy statement (MPS) for the second half of FY25 continues its contractionary stance, aimed at curbing inflation while cautiously supporting economic recovery. However, this policy shift has substantial implications for Bangladesh's capital market, influencing investor sentiment, stock valuations, and liquidity.

The central bank aims to curb inflation and stabilise the foreign exchange market while tackling non-performing loans (NPLs). This MPS adopts a pragmatic approach, setting realistic targets and prioritising stability amid global and domestic uncertainties.

The Bangladesh Bank has kept the policy rate unchanged at 10 percent. The Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates are also unchanged at 11.5 percent and 8.5 percent, respectively. The inflation target remains within 7-8 percent.

The stock market reacts sensitively to monetary policy changes, particularly interest rate decisions. Higher interest rates make fixed-income instruments, such as government securities and corporate bonds, more appealing compared to stocks. This could reduce demand for equities, increasing market volatility.

Private sector credit growth is projected to remain at a modest 9.8 percent. This cautious approach to credit expansion may hinder the growth of businesses reliant on bank loans. If companies face liquidity constraints, investor confidence may decline, thereby impacting stock prices.

On the other hand, the bond market stands to benefit from current monetary conditions. Higher interest rates make bonds more attractive to risk-averse investors seeking stable returns. Increased bond issuance and trading activity could strengthen the fixed-income market as an alternative to equities.

The Bangladesh Bank's move toward a more flexible exchange rate under the crawling-peg system aims to enhance currency stability. A stable exchange rate reduces currency risks and enhances the attractiveness of Bangladeshi financial assets to foreign investors. The MPS anticipates that prudent exchange rate management will boost export growth and remittance inflows.

The central bank's tightening measures have constrained money supply growth, with broad money increasing by only 7.6 percent year-on-year as of December 2024, falling short of the projected 8.2 percent. The resulting liquidity crunch could dampen stock market activity as investors may hesitate to engage in riskier assets.

Before recent political transitions and economic reforms, daily stock market turnover averaged more than Tk 500 crore. However, in the last six months under the interim government, turnover has declined to a range of Tk 350-400 crore. This downturn highlights declining investor confidence and underscores the need for policy interventions.

While the Bangladesh Bank's contractionary stance aims at macroeconomic stabilisation, a more balanced approach could support capital market growth without jeopardising inflation control. A phased reduction in interest rates in the coming quarters could stimulate economic activity while keeping inflation within a manageable range. Strengthening the bond market through increased corporate bond issuance and enhanced investor education on fixed-income securities would provide viable investment alternatives and expand market participation.

Additionally, improving market liquidity by ensuring better access to financing mechanisms for businesses and investors can help stabilise trading volumes and sustain market confidence.

Furthermore, improving banking sector governance, as emphasised in the MPS, is essential. Key reforms to address asset quality reviews, NPLs, and governance issues could indirectly benefit capital market stability by ensuring a healthier financial ecosystem.

Lastly, the Bangladesh Bank's monetary policy for the second half of FY25 is a double-edged sword for the capital market. While necessary for inflation control and financial stability, its restrictive nature may slow stock market growth and corporate expansion. Developing alternative investment avenues, such as a stronger bond market and diversified financial instruments, could mitigate the adverse effects of a high-interest rate environment.

The author is a capital market analyst

China bank lending hits record high in January

REUTERS, *Beijing*

New bank loans in China surged more than expected to a record high in January as the central bank moved to shore up a patchy economic recovery, reinforcing expectations for more stimulus in coming months as US tariffs threaten to pile more pressure on the economy.

Chinese banks extended 5.13 trillion yuan ($706.40 billion) in new yuan loans in January, more than quadrupling the December figure, data from the People's Bank of China showed on Friday, beating analysts' forecasts

Analysts polled by Reuters had predicted new yuan loans would rise to 4.5 trillion yuan last month, up sharply from 990 billion yuan in December and compared with 4.92 trillion yuan a year earlier - the previous record.

Chinese banks usually rush to lend at the beginning of the year as they compete for higher-quality customers and win market share, but analysts cautioned that lingering economic uncertainty continues to weigh on credit demand.

"While the headline figures for new local currency loans hit a record high in January, that's only due to the usual season pattern. Net lending is always the strongest in the start of the year," Capital Economics said in a note.

"Bank loan growth continued to slide to record lows, but this was offset by a pick-up in non-bank credit growth. Robust government bond issuance should continue supporting credit growth in the coming quarters, but weak private demand will likely keep credit growth subdued."

READ MORE ON B2

Online shopping giants bet on AI to curb clothes returns

AFP, *Paris*

From sizing advice via selfies to robot stock-takers, online shopping behemoths have increasingly turned to artificial intelligence in a bid to stem the flow of bad-for-business clothes returns.

Up to 30 percent of fashion items bought on the internet are sent back, according to a late 2024 study by consulting firm McKinsey and the Business of Fashion website -- not least because "clients are buying several sizes or styles and returning most of them".

That practice drags down profit margins. Each returned package costs between $21 and $46 on average given the costs of transport, treatment and making the item fit for selling again, according to a separate McKinsey study.

"Seventy percent of returns are linked to a sizing issue," said Zoe Tournant, whose company Fringuant markets an AI-driven algorithm to fix that, charging clients between 5,000 to 100,000 euros ($5,250 to $105,000) a year.

Armed with the customer's height, weight and a quick selfie taken on the phone, the French-based startup promises shoppers a better idea of what size would fit them best. "With the selfie we detect their age, gender", to help "refine" the image of the customer's body fed into its AI model, trained for a year on thousands of photos, Tournant explained.

Within seconds that model is then matched up with the garment's dimensions provided by the brand to tell shoppers whether a jumper "falls perfectly on the shoulder" or if there are "doubts at the level of the hips" for a pair of trousers.

Tournant said her firm has some 20 clients, including upmarket womenswear label Maje, which she claimed has seen a dramatic drop in returns.

PHOTO: AFP/FILE

A customer drops off her return during Amazon Prime Day in Alhambra, California. Up to 30 percent of fashion items bought on the internet are sent back, according to a late 2024 study by consulting firm McKinsey and the Business of Fashion website.

Similarly tempted by AI's promise, Zalando acquired Swiss start-up Fision in 2020, one of a raft of companies working in the size-prediction niche.

Since July 2023 the German heavyweight retailer has adopted its own AI-driven sizing tool where customers help avoid returns "by taking two photos of themselves with their phone while wearing tight-fitting clothes", Zalando told AFP.

Besides sizing, e-commerce firms are also counting on AI to help avoid returns caused by shipping errors and automate their stock counts.

At ID Logistics, which operates in 18 countries, the order pickers' trolleys are equipped with a smart camera to check that the colour or size of the product retrieved from the shelves matches the order.

The device immediately alerts the worker if they have picked up the wrong item. In less than two years, this camera has "reduced by 90 percent" the number of incorrect parcels, explains Ludovic Lamaud, ID Logistics Director of Development and Innovation.

Elsewhere in the warehouse, an independent robot "rammed with AI" likewise maps the premises to "update the stock according to what it sees", processing "6,000 to 30,000 pallets a night".