

# Energy prices bump key US inflation index up in Nov

AFP, Washington

Rising prices for energy and other goods nudged a closely watched measure of US inflation a little higher in November, according to new data published Thursday.

The modest uptick could offer comfort to Federal Reserve policymakers who this month raised the benchmark interest rate for the third time in 2017 despite a long streak of weak readings on inflation.

But elsewhere in the Commerce Department numbers there were signs inflation pressures remained tame.

The Personal Consumption Expenditures price index, the Fed's preferred inflation statistic, gained 0.2 percent over October, under-shooting analyst expectations for a 0.3 percent gain.

The important 12-month measure for the index, showed prices were 1.8 higher than November of last year -- just shy of the Fed's two percent target but no higher than in March.

Energy prices jumped 4.3 percent last month, more than offsetting the 1.1 percent dip in October, but food and durable goods prices fell 0.1 percent and 0.2 percent, respectively.

Excluding the volatile food and fuel categories, however, November price gains slowed to 0.1 percent, matching analyst expectations and down from October's 0.2 percent increase.

Year-on-year, the "core" measure rose a tenth of a point to 1.5 percent, the same as in June.

The annual core measure has been below the Fed's two percent target for nearly six years.

US central bankers have written off weak inflation this year as a product of a series of one-off idiosyncratic features -- such as sudden dips in prices for mobile phone plans and medications -- but cracks have appeared in the confidence in this explanation.

Outgoing Fed Chair Janet Yellen has acknowledged the central bank's understanding of the forces driving inflation is imperfect and structural factors could be behind the tepid price pressures.

A minority of members on the Fed's rate-setting committee have argued for forbearance in raising rates, and two voted against raising rates this month.

Nevertheless, Fed officials signaled they expect to raise the key lending rate three times in 2018, expecting

that a continuing recovery and tightening labor markets will at last produce clear signs the economy is running hot.

Also in the November report, the Commerce Department reported that the pace of consumer spending was double that of gains in income, with incomes rising 0.3 percent, or \$54 billion, but expenditures increasing 0.6 percent, or \$87.1 billion.

The personal savings level of \$426.2 billion was the smallest since August 2008.

Analysts said the strong consumer outlays last month pointed to stronger GDP growth in the fourth quarter. Barclays Research upgraded their GDP estimate a tenth of a point to 2.6 percent, while the New York Federal Reserve Banks' Nowcasting Report projecting 3.9 percent.

Mickey Levy of Berenberg Capital Markets said ordinarily consumers spending more than they earn would be cause for concern.

"Yet, with a very low unemployment rate, robust job gains and the individual income tax cuts in 2018, households should be able to sustain and even improve their rate of spending," he said in a research note.



## Abul Kasem Khan reelected DCCI president

STAR BUSINESS DESK

Abul Kasem Khan, a director of AK Khan & Co Ltd, has been reelected president of the Dhaka Chamber of Commerce & Industry (DCCI) for 2018.

The new board of directors took charge at DCCI's 56th annual general meeting at its auditorium yesterday.

Kamrul Islam, chairman of Mashnoons Ltd, has been elected senior vice president and Riyadh Hossain, proprietor of RH International, vice president, DCCI said in a statement.

Khan is also the managing director of AK Khan Telecom Ltd and director of AKPEN Ltd and Akceycom Ltd.

He completed his higher education in business administration in 1992. He briefly worked in the banking sector from 1992 to 1996 and later joined his family business in 1996.

Senior Vice President Kamrul Islam is also a partner of Islam Aftab Kamrul and Co Chartered Accountants.

He completed his masters in accounting from Dhaka University. He is a fellow member of the Institute of Chartered Accountants of Bangladesh and the Institute of Chartered Secretaries of Bangladesh.



Azam J Chowdhury, the newly elected president of Bangladesh Association of Publicly Listed Companies, meets M Khairul Hossain, chairman of Bangladesh Securities and Exchange Commission, at Securities Commission Bhaban in Dhaka on Thursday.

## Flat prices beyond reach of middle class

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"If I borrow Tk 50 lakh I have to pay about Tk 50,000 per month for 20 years. The instalment is 80 percent of my monthly salary," he added.

At the five-day event, the price tag on a three-bedroom flat, the most common apartment form factor, depending on the location, ranges from Tk 80 lakh to Tk 1.5 crore.

Priya Prangon, a leading housing developer, currently has nine ongoing projects but none with flats that cost less than Tk 1 crore.

One of its projects is the Priya Prangon Bashantika, which is located at Malibagh Chowdhury Para in Khilgaon. The project has three types of flats, ranging from 1,436 square feet (sft) to 1,476 sft.

Each sft costs Tk 9,500, meaning that the smallest flat would cost one more than Tk 1.36 crore, excluding the registration fees.

The company is asking Tk 8,500 per sft for another pipeline project in the same area.

Assurance Developments, another leading developer, has no flat that costs less than Tk 1 crore.

"The minimum cost of our flat is Tk 90 lakh and maximum Tk 4 crore," said Shafiqul Alam, senior sales executive of Assurance Developments.

He said they are getting a good number of enquiries from prospective buyers this year.

While the reputed developers are asking more or less the same prices as Priya Prangon and Assurance, some little known ones are seeking as low as Tk 4,000 per sft.

Lenders are offering home loans at interest rate of 8.5 percent to 11.5 percent.

Eastern Bank is offering home loans at 8.5 percent interest -- the lowest in the fair.

IDLC Finance has set a range of 10.25 percent to 11.5 percent, LankaBangla 10.5 percent, National Housing and state-owned Bangladesh House Building Finance Corporation 9 percent each.

As of yesterday, the fair saw 14,000 visitors in the three days it has been open, according to REHAB.

Over 200 real estate and housing stalls, 30 building materials producing companies and 13 financial institutions are taking part in the fair. Some companies are displaying smart technologies that are used to manage homes efficiently abroad.



Salim Ahmed, vice chairman of AB Bank, presides over the bank's 35th annual general meeting at Le Meridien Dhaka on December 21. The bank approved 12.50 percent stock dividend for 2016. Moshir Rahman Chowdhury, president and managing director, was present.

## German consumers to start new year in high spirits

AFP, Frankfurt Am Main

German consumers' festive mood will continue into the new year, a closely-watched survey said Friday, as shoppers remain unfazed by a political impasse in Europe's purring top economy.

Market research firm GfK said its forward-looking poll of around 2,000 people

climbed by 0.1 points to reach 10.8 for January, in line with analyst expectations.

"Consumers are ending 2017 in high spirits," GfK said in a statement, with strong confidence in the economy promising "excellent" prospects for 2018. The survey found that Germans expected their income to rise in the near future, bouncing back from the more pessimistic outlook seen in previous months.

## BB under pressure to allow another new bank

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Then recently, Mohammed Iqbal, chairman of the proposed bank, sought recommendation from the finance ministry for the licence. Finance Minister AMA Muhith forwarded the letter to the central bank for its opinion.

Typically, when the need for a new bank arises, the BB in its capacity as the banking regulator publishes advertisements in newspapers seeking applications from interested parties.

It followed this process in case of the fourth generation banks, floating advertisements in 2011. But this time, the BB is yet to make such proclamation and yet it received four unsolicited applications for new banks.

The central bank had tagged a number of conditions for the fourth generation banks when giving them the licences in 2013.

For instance, the BB had asked the banks to disburse at least 5 percent of their total loans to the agricultural sector every year and spend

at least 10 percent of their net profit on under-privileged people under their corporate social responsibility programmes.

They were also asked to issue initial public offering equivalent to their sponsors' capital within three years of their establishment.

Weighed down by poor performance, none of the new banks have fulfilled the conditions, the letter said.

As the financial health of Farmers Bank and NRB Commercial Bank continued to worsen, the BB has been forced to take "controlling measures" on them, it said. The two banks have recently restructured their boards in line with the central bank directives.

Besides, the BB board of directors in 2013 had resolved not to allow any new bank, said the BB letter.

Despite the board's decision, Shimanto Bank, owned by BGB Welfare Trust, was given licence last year as part of the prime minister's commitment to the organisation.

## Most banks adopt centralised systems

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He said if all banks use foreign software the market share of the CBS will be Tk 1,000 crore, much higher than the combined cost of Tk 400 crore if all use local software.

Alam said the operating system remains in the control of foreigners in case of using imported software. As a result, any regulatory change can't be adopted instantly causing problems for banks, he added.

Before 2005, some 45 banks used local software whereas 19 banks used it in 2016, according to the research findings.

"The same is true for in-house software. The number of banks using in-house software is declining day by day," the research said.

Bank Ultimas is the most popular local software, followed by Flora Bank.

In the foreign software category, T24 is the most used software with Finaacle at a close second. They are followed by Flexcube, I-Stelar, MiSys and Ababil.

Thanks to the CBS systems, banks are providing real-time online banking services to customers through branches. The systems have the capability to meet all the services being provided by various electronic delivery channels like ATM, POS, Internet, and mobile banking.

Choosing the best core vendor is important for banks as it helps them employ technology effectively and ensure profitably. Otherwise, banks can put their capital, time, and reputation unnecessarily at risk, the research paper said.

According to the researcher, management should know the long-term strategic goals of the bank to identify and select technology solutions that fit the lender's current and future requirements.

Otherwise, a bank runs the risk of implementing a solution that doesn't fit its vision and the cost of switching can raise its annual technology expenditure by two to five times, the research said.

In Bangladesh, 18 percent of banks failed to select the right CBS due to lack of knowledge and vision and wrong suggestions by consultants, said the BIBM paper.

## Singapore firm to pay \$422m in corruption fines

AFP, Washington

Singapore's Keppel Offshore & Marine Ltd (KOM) has agreed to pay \$422 million in fines to the US, Brazil and Singapore to settle bribery cases involving Brazilian contracts, US officials said Friday.

The investigation of bribes to Brazil government officials was conducted under a US law allowing authorities to punish American companies or companies active in the country that are guilty of corruption.

The Keppel group, which builds oil rigs and operates shipyards, has a US subsidiary found to have been involved in the bribery scheme, which was led by a former Brazilian agent with the knowledge of some Keppel executives, who have been fired.

The scheme "resulted in the payment by the defendant companies of over \$50 million in bribes to Brazilian officials and in profits for the defendant companies of over \$350 million from business corruptly obtained in Brazil," acting US attorney Bridget Rohde said in a statement.



Recipients of "Poultry Media Award-2017" pose for photographs with guests at a ceremony organised by Bangladesh Poultry Industries Central Council at Cirdap auditorium in Dhaka yesterday.

## Chinese firm to set up mobile assembly plant

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"This can encourage the other global brands to come here and set up plants," he said, while declining to disclose Transsion's planned investment on the plant.

As of now, local brand Walton is marketing its locally-assembled devices, while local ICT service provider Aamra has announced plans to set up a mobile assembling plant.

"Our first target is to cater to the local market and then will plan about the export market," said Haque, who is the immediate past general secretary of the Bangladesh Mobile Phone Importers' Association.

Transsion's assembly plant, which will be

located in Gazipur, will look to pull together 5 lakh units per month with its 1,000 member-strong workforce.

The company will file its application for the assembly plant with the telecom regulator in the first week of January.

"Before filing the application, we will make sure that all the requirements are fulfilled," Haque said, adding that he is happy with the arrangements so far.

At present, Transsion has presence in 58 countries in the world and is running three factories outside of China: India, Nigeria and Ethiopia.

In 2016, 3.12 crore units of handsets worth Tk 8,000 crore were imported.