US inflation subsides further

REUTERS, *Washington*

US consumer prices rose less than expected for a second straight month in November, resulting in the smallest annual increase in inflation in nearly a year and giving the Federal Reserve cover on Wednesday to start scaling back the size of its interest rate increases.

The consumer price index readings last month reflected declines in the costs of gasoline, healthcare and used cars and trucks, the Labor Department reported on Tuesday. But Americans still faced higher prices for food and rental housing.

The report, which also showed underlying inflation posting its smallest monthly gain in more than a year, was published as officials at the U.S. central bank were gathering for their final two-day policy meeting of the year.

The Fed is expected to lift its benchmark overnight interest rate by 50 basis points on Wednesday

The Fed - in the midst of its fastest rate-hiking cycle since the 1980s - is expected to lift its benchmark overnight interest rate by 50 basis points on Wednesday, snapping a string of four straight 75-basis-point increases.

"It looks increasingly like inflation has reached a turning point where price increases are falling or little changed for many categories of goods and services that consumers buy," said Christopher Rupkey, chief economist at FWDBONDS in New York.

"For the first time we can say the Fed is winning its war on inflation."

The consumer price index increased 0.1 per cent last month after advancing 0.4 per cent in October. Gasoline prices dropped 2.0 per cent after rising 4.0 per cent in October. The cost of natural gas fell as did prices for electricity.

The government should enable an improved housing ecosystem to expand the access of the underserved segments of society to affordable housing in a sustainable manner, experts said at a seminar yesterday.

PHOTO: STAR/FILE

Long-term finance key to affordable housing

Experts tell seminar on green affordable housing

STAR BUSINESS REPORT

Availability of long-term finance, collaboration among policymakers and proper databases are key to ensuring affordable housing for all, said experts at a seminar yesterday.

Land is very costly in Bangladesh while there are no proper ecosystems to deliver low-cost housing, making providing affordable housing a challenge, they said.

They urged the government to enable an improved housing ecosystem to expand the access of the underserved segments of society to affordable housing in a sustainable manner.

The seminar on "Developing Green Affordable Housing in Bangladesh: Regional Experiences" was jointly organised by Asian Development Bank (ADB) and Housing and Building Research Institute at Sheraton Dhaka.

According to the ADB, rapid urbanisation, coupled with limited financial and physical capacities, has put significant strain on cities and towns.

The inadequacy of housing, particularly for the urban poor, in municipalities has contributed to the explosion of urban slums and informal settlements, it said.

"One billion people have no access to housing in the Asia Pacific region and the housing gap is most severe in lower and middle-income segments of people," said Edimon Ginting, ADB country director for Bangladesh.

"In Bangladesh, the picture is the same... Although significant progress has been made in providing lower income people with housing, significant progress is still needed," he said.

One of the core elements of the ADB's strategy is to build a resilient and sustainable Asia Pacific, said Ginting.

"We believe that housing is the key element of that. This year we mobilised $2.9 billion housing finance in 23 housing projects across the region. About 31 per cent of that mobilisation was done in the South Asia region," he added.

According to an International Finance Corporation assessment of Bangladesh's housing sector, approximately 11.9 million urban households reside in informal housing.

Existing demand for urban affordable housing is 6 million units, which is estimated to increase to 10.5 million units by 2030.

In contrast, the supply was only 17,000 in 2019, thus indicating a supply gap of 93 per cent.

A lack of affordable housing is not a phenomenon for Bangladesh, it is a global phenomenon, said Md Tofazzel Hossain Miah, principal secretary to the prime minister.

"Bangladesh considers housing for every citizen one of the most important priorities," he said.

"Not having housing is not the fault of an individual, it's the result of long-time deprivation and unjust planning for all of the citizens," he said.

"Whenever we talk about shelter, we think it should have been a strategy. It's not only a roof, it about how sustainable and affordable it is," he added.

The livelihoods of one million people accommodated in 2.6 lakh houses under an Ashrayan project has significantly changed, said Miah.

The government project under the Prime Minister's Office provides housing to landless and homeless families and those who have land but no house.

Global development cooperation must find new narratives

Debapriya says

STAR BUSINESS REPORT

Global development cooperation must find new narratives in order to become more effective, said Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue (CPD).

He made the comments while speaking at the 2022 Effective Development Cooperation Summit in Geneva on the first day of the three-day event on Sunday, according to a press release of the local think tank.

The Summit was organised by the Global Partnership for Effective Development Cooperation (GPEDC), the official global platform that brings together the provider countries of development finance and its recipient developing countries.

In his speech, Bhattacharya pointed out that in the recent past, the international development cooperation landscape has undergone significant changes.

These include the changes in the profiles of recipients and providers of development finance. Many recipients are now low-middle-income countries, and many are graduating from the least-developed countries category.

The evolving situation is also witnessing the rise of new providers such as private philanthropy and southern institutions such as the Asian Infrastructure Investment Bank and the African Development Bank.

"Moreover, due to the post-Covid-19 aftermath, the fallout from the Ukraine war and the looming global recession, there has been a palpable decline in the political traction for foreign aid in provider countries," Bhattacharya said.

He maintained that the GPEDC agenda is based on the grand assumption that good processes will inevitably lead to good results.

"However, experience shows that this is more complex than that and is greatly dependent on contextual realities at the country level."

He said that the resultative inclusive stakeholder partnership in the recipient countries is critical for effective development cooperation.

The noted economist noted that the GPEDC principles were still relevant but needed to be revitalised and re-energised by up taking new content and being responsive to evolving realities.

He emphasised the necessity for development cooperation to build on new evidence and knowledge to make it more relevant and robust.

Towfiqul Islam Khan, a senior research fellow of the CPD, delivered the keynote presentation during the session. The presentation was based on the findings of a global research project, anchored in the CPD, and conducted in six countries across Asia, Africa and Latin America.

"There is a lack of accountability mechanisms for countries providing development finance," said Khan.

The lack of familiarity with regard to the GPEDC agenda and its processes in both provider and recipient countries was also pointed out as a major hurdle.

Khan highlighted that there was a lack of shared understanding between the providers and the recipient countries' key stakeholders regarding the design of results indicators and the process of attaining sustainable development outcomes.

Short-term foreign loans

FROM PAGE B1

A BB official said a majority of banks have been facing a shortage of dollars in recent months, which was why they were showing reluctance to open LCs for import, and the new facility would give respite to banks.

Earlier this week, the central bank asked banks to take a minimum cash advance, known as LC margin, from importers while opening LCs for the commodities in order to keep their prices at a tolerable level during Ramadan and ensure smooth supplies.

The central bank does not set any margin on the import of commodities and it is usually determined based on bank-client relations. Banks can even decide to refrain from imposing any margin.

But in July, the BB asked banks to take up to 100 per cent of import payments in advances from businesses while opening LCs for luxury and non-essential items, in an effort to keep the foreign exchange reserves stable.

The reserves fell from $39.60 billion in July to $33.92 billion on December 7.

TCB hikes prices

FROM PAGE B1

"We try to keep the subsidy around 30-35 per cent, but we have to adjust the prices when products become costlier," he added.

Hassan went on to say that even then, the price hike is not comparable to the rate at which prices have risen in regular markets.

For example, the TCB would previously buy sugar for around Tk 75-80 per kg and sell it for Tk 55.

Now though, they have to buy it for around Tk 110 to Tk 115 and sell it for Tk 60.

Hassan then assured that the TCB will continue selling essentials at subsidised rates until the market prices become stable.

Excess liquidity

FROM PAGE B1

"It is natural now because expenditure is very high for the higher inflation," Habib said.

"Had we seen higher deposits flow to banks, people would have rather questioned it. It is the reality that shows that the fundamentals of economics are working."

Islamic banks now account for 26.80 per cent of the total deposits of the entire banking sector in Bangladesh.

At present, 10 full-fledged banks, along with 24 conventional banks, offer shariah-based financial services to people.

"Many people are bearing their expenses by withdrawing deposits from banks. Expenses have increased substantially after the Covid-19 pandemic," said HM Mosarof Hossain, a professor of finance at the University of Dhaka.

"As people like me are withdrawing funds, it is natural that the overall liquidity would fall."

The allegation of loan-related irregularities in some Islamic banks has also affected the confidence among people, according to Hossain.

High cost of living

FROM PAGE B1

Earlier this month, Ahmad Kaikaus, then former principal secretary of the prime minister, said a rumour was spread that banks do not have enough funds.

"This prompted the general public to withdraw about Tk 50,000 crore from the banking system."

The fall in deposit growth means banks will not be able to lend. It has a serious impact on the financial sector and the economy, Mansur said.

CPD's Fahmida echoed the former official of the International Monetary Fund.

"Banks will not have loanable funds to run business. It will affect their profitability," she said.

China readying $143b for chip firms amid US curbs

REUTERS, *Hong Kong*

China is working on a more than 1 trillion yuan ($143 billion) support package for its semiconductor industry, three sources said, in a major step towards self sufficiency in chips and to counter U.S. moves aimed at slowing its technological advances.

Beijing plans to roll out what will be one of its biggest fiscal incentive packages over five years, mainly as subsidies and tax credits to bolster semiconductor production and research activities at home, said the sources.

It signals, as analysts have expected, a more direct approach by China in shaping the future of an industry, which has become a geopolitical hot button due to soaring demand for chips and which Beijing regards as a cornerstone of its technological might.

The plan could be implemented as soon as the first quarter of next year, said two of the sources who declined to be named as they were not authorised to speak to media.

The majority of the financial assistance would be used to subsidise the purchases of domestic semiconductor equipment by Chinese firms, mainly semiconductor fabrication plants, or fabs, they said.

Such companies would be entitled to a 20 per cent subsidy on the cost of purchases, the three sources said.

The fiscal support plan comes after the U.S. Commerce Department passed in October a sweeping set of regulations, which could bar research labs and commercial data centres' access to advanced AI chips, among other curbs.

The United States has also been lobbying some of its partners, including Japan and the Netherlands, to tighten exports to China of equipment used to make semiconductors.

And U.S. President Joe Biden in August signed a landmark bill to provide $52.7 billion in grants for U.S. semiconductor production and research as well as tax credit for chip plants estimated to be worth $24 billion.

With the incentive package, Beijing aims to step up support for Chinese chip firms to build, expand or modernise domestic facilities for fabrication, assembly, packaging, and research and development, the sources said.

Beijing's latest plan also includes preferential tax policies for the country's semiconductor industry, they said.

China's State Council Information Office did not immediately respond to a request for comment.

The beneficiaries will be both state-owned and private enterprises in the industry, notably large semiconductor equipment firms like NAURA Technology Group, Advanced Micro-Fabrication Equipment Inc China and Kingsemi, the sources added.

Some Chinese chip shares in Hong Kong rose sharply after news of the package. Semiconductor Manufacturing International Corp (SMIC) added more than 8 per cent, sending its daily gain to nearly 10 per cent. Hua Hong Semiconductor Ltd closed up 17 per cent, while mainland markets were closed when the report was published.

German investor morale climbs

AFP, *Frankfurt*

German investor confidence rose more than expected in December, a closely watched survey showed Tuesday, as hopes grow that surging energy prices are coming down and record-high inflation is nearing its zenith.

The ZEW institute's economic expectations index jumped by 13.4 points to minus 23.3 points, the third consecutive increase after months of decline.

Analysts surveyed by Factset had forecast a smaller boost in morale, predicting a reading of minus 29 points.

"The vast majority of financial market experts expect the inflation rate to decline in the coming months," ZEW president Achim Wambach said in a statement.

"Together with the temporary stabilisation on the energy markets, this leads to a significant improvement in the economic outlook." Germany's inflation rate eased to 10 percent in November, after hitting a record-high of 10.4 percent the month before.

The surprise drop came on the back of slightly lower energy prices, although they remain far higher than in previous years as a result of Russia's war in Ukraine.

The German government has unveiled a 200-billion-euro ($210-billion) support package to mitigate the impact of the energy crisis, including a cap on gas prices for businesses and households.

The government nevertheless expects Europe's biggest economy to contract by 0.4 percent in 2023.

UK jobless rate rises again

REUTERS, *London*

Britain's jobless rate rose for a second month and there were other signs in data on Tuesday that some of the inflationary heat in the labour market is cooling as the economy stumbles, including an increase in older people looking for work.

But the Bank of England (BoE) - which looks set to raise interest rates for the ninth consecutive meeting on Thursday - was likely to note the strongest rise in basic pay on record, not including the period around the COVID-19 pandemic.

Sterling briefly rose against the U.S. dollar and the euro after the figures were published by the Office for National Statistics (ONS), before falling back.

The unemployment rate increased to 3.7 per cent in the three months to October from 3.6 per cent in the three months to September. Vacancies in the September-to-November period fell on an annual basis for the first time since early 2021 when Britain was under lockdown.

But regular pay rose by a stronger-than-expected 6.1 per cent in the August-to-October period, the biggest gain since records began in 2001, excluding jumps during the COVID-19 pandemic which were distorted by lockdowns and government support measures.

Total pay including bonuses also increased by an annual 6.1 per cent, the ONS said.

Martin Beck, an economist with forecasters EY Item Club, said 6.2 per cent growth in service sector wages would catch the BoE's attention but it would probably still slow the pace of its rate hikes to 50 basis points (bps) from November's 75 bps increase.