Leaving EU is destructive to economy and jobs: British PM

REUTERS, *England*

LEAVING the European Union would be economic self-destruction for Britain, shattering stability, Prime Minister David Cameron said on Monday, presenting a finance ministry report warning of recession, a tumble in the pound, and half a million job losses.

Cameron and finance minister George Osborne, who are campaigning for Britain to stay in the EU in the June 23 referendum, have warned that households would be hurt by a fall in the value of their homes and face costlier foreign holidays if they voted "Out".

"It would be a DIY recession," Cameron said in a speech at the offices of the B&Q retail chain, a popular center for do-it-yourself home improvement, in Eastleigh in southern England.

Speaking a month before the vote, Cameron said that leaving the EU would jeopardize Britain's recovery from the economic damage caused by the world financial crisis.

"It would be like surviving a fall and then running straight back to the cliff edge. It is the self-destruct option," Cameron said.

Recent opinion polls have shown voters are leaning toward an "In" decision on June 23, but pollsters say the outcome remains too close to call. Betting odds indicate 80-85 percent probability of an "In" vote.

Some polls have also shown the economy growing in importance as an issue for voters, something the "Out" campaign has sought to counter by stressing that only leaving the EU can slow high levels of migration and avoid future economic stagnation.

A new analysis of short-term risks from the referendum published by the finance ministry on Monday said the economy could be as much as 6 percent smaller two years after a Brexit vote than if it the country decides to stay in the EU.

Osborne said Britain would lose at least half a million jobs within two years of a vote to leave and a fall in the value of the pound of between 12 and 15 percent would push up inflation sharply.

The campaign backing a British EU exit said the Treasury had consistently produced flawed reports and the latest analysis was biased as it provided nothing on the upside of leaving the bloc, nor on the potential negatives caused by a crisis in the euro zone.

"What they've done is they assumed a disaster and then spelled out the details," Nigel Lawson, a finance minister under the late Conservative Prime Minister Margaret Thatcher in the 1980s, told BBC TV.

"They've done this in order to scare the pants off the British people because they can't find anything positive to say about the European Union."

Osborne defended the credibility of the report, saying it had been reviewed by Charlie Bean, a former deputy governor of the Bank of England.

Monday's forecast of a year-long recession by the finance ministry was gloomier than a warning by Bank of England Governor Mark Carney who said earlier this month that Britain's economy could enter a technical recession - which means two consecutive calendar quarters of contraction - after a vote to leave the EU.

REUTERS

Britain's Prime Minister David Cameron, *left*, speaks to Asda employees during a visit to an Asda supermarket, to campaign ahead of the forthcoming EU referendum, in Britain on Sunday.

Euro zone business growth slows, but not in Germany, France

REUTERS, *London*

BUSINESS growth across the euro zone dipped to a 16-month low in May but stronger showings from Germany and France suggest it is the smaller member countries that may be struggling.

Offering the latest evidence that a strong acceleration in growth in the first three months of the year was only temporary, Markit's flash Composite Purchasing Managers' Index edged down to 52.9 from April's 53.0.

While essentially stable - and still indicating growth - the reading was the lowest since the start of 2015. It ran against expectations in a Reuters poll, which had predicted a tick up to 53.2 in one of the earliest reported broad indicators of growth during the month.

Markit said the PMI pointed to quarterly GDP growth of 0.3 percent, in line with forecasts in a Reuters survey published earlier this month, but short of 0.5 percent in the first quarter, which was initially reported as 0.6 percent.

Individually, surveys showed growth in Germany's private sector accelerated to hit the fastest rate so far this year. French business activity also grew faster than expected, returning to a rate not recorded since before the Nov. 13 attacks in Paris.

"That suggests that the PMIs for the other major euro zone economies such as Italy and Spain will be soft when released next week," said Stephen Brown at Capital Economics.

Germany and France are the only individual euro zone countries for which Markit publishes flash PMIs. May surveys for other euro zone members will be published early next month.

Markets were unmoved after the data as they were still digesting last week's surge in expectations for a rate hike in the United States following a more hawkish tone from the Federal Reserve.

While the headline composite PMI was above the 50 mark that separates growth from contraction, the index measuring prices businesses charge remained below it at 49.0, although that was an increase from last month's 48.3.

This may concern policymakers at the European Central Bank who have been battling to get inflation up to their 2 percent target ceiling. Consumer prices fell 0.2 percent in April, despite the Bank's ultra-loose monetary policy.

Even with price discounting, new order growth slowed and there was no acceleration in activity in the bloc's dominant service industry. A Reuters poll had predicted an increase to 53.3 but the PMI held steady at April's 53.1.

The manufacturing PMI fell to 51.5 from 51.7, missing the median Reuters poll forecast for 51.9, while an index measuring output dropped to 52.4 from 52.6.

Details in the data hint that there may be little or no improvement in June. Optimism among service firms fell to a 10-month low, with the sub-index plummeting to 61.7 from 64.5, and factory recruitment slowed.

The manufacturing employment index fell to 51.4 from 51.6.

"The flash PMIs provided slight disappointments to the markets," said Tuuli Koivu at Nordea, who expects 0.3 percent growth in Q2. "However, the negative surprises were only minor ones and do not cause any changes to our GDP growth forecast."

Pakistan plans to sell 40pc of stock exchange

REUTERS

PAKISTAN plans to sell a 40 percent stake in its stock exchange in coming months, and Turkey's Borsa Istanbul has expressed some initial intent, the head of the bourse said on Monday.

The sale will happen at the end of this year or in early-2017, Pakistan Stock Exchange Managing Director Nadeem Naqvi told an investment conference organized by Renaissance Capital in London.

Naqvi said the bourse would launch an official process over the next two weeks to invite expressions of interest from potential investors. It has already reached out to the London, Shanghai, Turkish and Qatar stock exchanges, he added.

He said, however, that only Borsa Istanbul had responded so far.

The stake sale will be followed up with a listing of a further 20 percent of stock exchange shares in the domestic market, Naqvi added.

The privatization of almost 70 state-owned companies is a major element of a $6.7 billion three-year International Monetary Fund (IMF) package that helped Pakistan stave off default in 2013.

The deal ends in September and the IMF has continued to release loan installments despite missed targets.

EBL

M Ghaziul Haque, chairman of Eastern Bank, attends the 24th annual general meeting of the bank at Unique Trade Centre on Panthapath, Dhaka on Thursday. The bank declared 20 percent cash dividends and 15 percent stock dividends. Ali Reza Iftekhar, managing director, was also present.

To halt smartphone slide, Samsung rewrites playbook

REUTERS, *Seoul*

FROM the way it chooses smartphone components to the models it brings to market, Samsung Electronics has undergone a painful process of breaking from its past to reverse a slide in its handset business.

For example, the world's largest smartphone maker agonised over camera specs for its flagship Galaxy S7 until the last moment - ultimately defying industry convention by opting for fewer pixels in exchange for improved autofocus features and low-light performance, a move that contributed to early success.

It also pared back its product line-up, overcoming internal resistance, enabling it to streamline production, an executive said.

The handset business has now stabilised, and had its best profit in nearly two years in January-March, though historically low smartphone industry growth still leaves Samsung looking for the "next big thing".

"We've now gotten to a point where we can secure a baseline profit even if the market stagnates, so long as we don't make a bad mistake," said Kim Gae-youn, vice president in charge of Samsung's smartphone product planning. "I'm confident we can hold our ground."

After peaking in 2013, a sharp drop in mobile profits exposed Samsung as slow to adjust to the changing market: its budget devices were overpriced and unappealing versus Chinese offerings, and the 2014 version of its Galaxy S flopped.

That prompted a cull among executives and stoked investor worries Samsung might not be able to recover as rivals including Apple and China's Huawei Technologies and Xiaomi gained market share at its expense.

There was no sweeping, across-the-board fix. Rather, Samsung embarked two years ago on an overhaul that included a shift from a phone-for-all-needs approach towards a line-up that emphasized economies of scale.

It revamped design, using metal frames and curved screens, and gave high-end features such as organic light-emitting diode (OLED) screens to its low- and mid-tier products.

As Samsung prepared to launch its Galaxy S7 phones this year, executives went back and forth over whether to use a 12-megapixel rear camera that shoots better in the dark and has improved auto focus, or stay with a 16-megapixel count. At the last moment, they opted for 12-megapixels - a rare step down in an industry fixated on higher numbers.

This meant a change in approach for a company known to tout the highest specs for its flagship products, and executives required convincing, Kim said. They were swayed by data showing consumers want more than just a high pixel count.

"In the process, based on our past decision-making process, we never would have gone back," Kim said in an interview at Samsung's headquarters campus in Suwon, south of Seoul.

The move worked. More than half of U.S. S7 buyers surveyed cited camera quality as a key selling point, compared with a third of all smartphone buyers in the first quarter, according to Kantar US Insights.

The same mindset shift gave Samsung confidence to release a Galaxy 7 series that looks similar to its predecessor. This incremental upgrade drew initial scepticism, but the S7 phones have beaten expectations and could set a new first-year sales record for the South Korean firm.

BP's oil search strategy shrinks with budget cuts

REUTERS, *London*

THE surprise departure of BP's exploration boss has turned the spotlight on an oil search strategy that, after years of spending cuts, is focusing mainly on expanding existing fields rather than venturing expensively into the unknown.

That caution reflects a firm chastened by the $55 billion cost of its 2010 Gulf of Mexico spill, and needing to squeeze every last drop out of a sharply reduced exploration budget at a time of low oil prices.

"Exploration doesn't necessarily have to look like (nature broadcaster) David Attenborough standing on a brand new frontier," a BP source told Reuters.

While BP's total reserves and fields coming onstream in the next four years look healthy compared to the other majors, its long-term project pipeline is the slimmest among its peers and its break-even costs are the highest, according to some analysts, among them Macquarie.

Several BP sources said Chief Executive Bob Dudley and his team were hammering out a new long-term strategy, with investors expecting an update on its post-2020 plans later this year or early next. The plan is likely to chime with a phrase that Dudley is fond of using: "Big is not necessarily beautiful."

After asset sales forced on it by the Gulf disaster shrank the company by a third, BP is today focusing its operations on five regions -- Angola, Azerbaijan, Egypt, the Gulf of Mexico and the North Sea.

It was in Angola, Egypt and the North Sea, already BP core regions, that Richard Herbert notched up his main successes during his two years as head of exploration.

BP said his departure followed its decision to bring exploration and field development under one upstream team, headed since February by Bernard Looney.

But Herbert, who worked with Dudley in Russia in the 2000s, had also seen his annual budget shrink from $3.5 billion in 2013 to $1 billion this year - not enough to drill even a dozen complex deep-water wells, and certainly not enough to throw at a frontier exploration with potential high gain, but also a high risk of coming out empty-handed. Royal Dutch/Shell sank $7 billion into an Alaskan exploration that it abandoned last year - something BP simply cannot afford.

While BP's existing resources are not small compared to its peers, analysts say the lack of a long-term project pipeline is a worry.

BP's reserves-to-production ratio, the number of years reserves can sustain current production, is the third highest among oil majors at nearly 13 years, excluding output from Russia's Rosneft, in which BP has a near-20 percent stake. It trails only Exxon Mobil's 17 years and Total's 13.5, but is more than Shell, Eni or Chevron.

By 2020, the startup of projects such as the West Nile Delta in Egypt and the Clair Ridge field in the North Sea will have added 800,000 bpd of oil equivalent to its oil and gas output capacity, Dudley told Reuters last year.

In the short term, that appears to be comfortably enough to offset shrinking output from mature fields and maintain or increase a current output level of around 2 million bpd.

But another indicator, the reserves replacement ratio (RRR) - new proven but unexploited discoveries as a proportion of annual production - reveals a less rosy picture.

BP's RRR fell last year to 61 percent, its lowest in many years, from 129 percent in 2013.

Private sector credit growth beats target

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Nurul Amin, managing director of Meghna Bank, said credit growth rose mainly due to the progress in work of mega projects, including the Padma bridge, as contractor firms are taking more loans.

Besides, operators in the services sector such as hotels, restaurants and transport companies are taking loans, though the scenario in large industries is not so encouraging.

Salam of Janata Bank said, "We have shifted our focus in giving loans. We are now putting emphasis on farm and SME loans."

He said they are going to divert 25 percent of their loanable funds to small initiatives in rural areas.

Agriculture loan disbursement during July-March of the current fiscal year increased 14.34 percent against last fiscal year's growth of 1.38 percent, according to BB data.

Non-farm rural credit rose 18.76 percent in the first nine months of the current year, which dropped 30.16 percent during the same period last year.

In the first six months of the current fiscal year, large-scale industrial loans fell 5.46 percent.

However, term loans for small and cottage industries increased 63 percent during the same period.

High prices lure farmers to jute cultivation

FROM PAGE B1

Low jute production in India also influenced the price here, said Prabir Saha, a jute trader in Faridpur, one of the major jute growing districts.

Bangladesh's local jute mills process nearly 50 lakh bales of raw jute a year, mainly to export.

Some 10 lakh bales are exported a year while the rest are used for household purposes, said Karim.

Export receipts from jute and jute goods grew just 1 percent to $729.87 million in July-April this fiscal year from a year ago.