

# Govt offices face 8.76 lakh audit objections

STAFF CORRESPONDENT

Finance Minister AMA Muhith yesterday told parliament that the number of audit objections with various public offices presently stands at 8.76 lakh involving over Tk 7 lakh crore.

The minister while replying to the queries of lawmakers said the number of audit objections with the finance division is 6,344 where Tk 19,956.24 crore is involved.

The number of such objections stands at 68,194 with bank and financial institutions involving Tk 145,996.16 crore; 3,195 with women and children affairs ministry of Tk 843.32 crore; 2,777 with liberation war affairs ministry of Tk 1,966.12 crore.

The number of audit objections filed with the food ministry is 33,176 where Tk 8,742.42 crore was involved and for the disaster management division it is 10,061 involving Tk 2,802.89 crore. The minister also said the government has collected Tk 3,052 crore more revenue than the target of Tk 129,902.39 crore till May in 2015-16, while the target for year was Tk 150,000 crore.

Muhith said the government has taken various measures to implement the budget without any hindrance. The government is preparing a roadmap to upgrade the financial management system into an international standard, he said.

The government's financial management reform strategy 2016-2021 will be finalised soon to implement future reform activities in a planned way, he said.

# What Brexit would mean for Asia's economies

BLOOMBERG

While a UK exit from the European Union would almost certainly cause turmoil in Europe, its effects on Asian economies including China, the region's largest, may be much more benign.

That's according to a note by London-based Capital Economics, which said a Brexit would cause at most a GDP drop of 0.2 percent across Asia.

The research company based its finding on a worst-case scenario estimate by the National Institute of Economic and Social Research, a London-based think tank, which said Brexit would reduce British imports by 25 percent worldwide within two years.

Exports to the UK presently account for only 0.7 percent of Asian countries' GDP, according to Daniel Martin, senior Asia economist at Capital Economics. "Even a 25 percent decline in UK imports would knock less than 0.2 percent off from

regional GDP."

Only a few economies in Asia would see a noticeable effect on growth, Martin said. Examples include Cambodia, Vietnam and particularly Hong Kong, which have stronger trade ties with the UK.

"In addition to merchandise exports, Hong Kong's exports of services to the UK are worth another 2.3 percent of GDP," he said.

Martin concludes that Brexit would have only a limited impact on emerging Asia, and says the main risks to the region lie elsewhere. They include the possibility of a sharp slowdown in China and a "messy unwinding" of the debt bubbles in some countries.

In a separate paper, Capital Economics said the effects of Brexit would be equally subdued in the region's largest economy. China's exports to the UK are equivalent to just 0.5 percent of Chinese GDP, Chang Liu and Julian Evans-Pritchard wrote in a note published June 17.

"China is also well-placed to weather any post-Brexit sell-off in financial markets," they said. "Because China's capital account remains largely closed, the financial linkages between China and the rest of the world are fairly limited. Meanwhile, large foreign reserves mean the authorities could support the renminbi in the event that it came under renewed downward pressure." Nevertheless, an array of Asian companies have made their preferences clear in favor of Britain remaining.

Eric Delomier, an investment specialist at Capital Group's Singapore office, said there would be geopolitical and trade implications for the region. "The UK leaving the union would be seen overall negatively from a trading perspective by most Asian countries," he said. "Also, China has been one of the leading foreign investors into the UK, and clearly part of the appeal for Chinese investors is the broader access to the EU."

# British pound soars to 2016 peak near \$1.50

AFP, London

Britain's pound raced Thursday to its highest dollar level this year, propelled by renewed hopes the world's fifth biggest economy will remain in the EU in a closely-fought referendum.

The pound surged in morning deals to \$1.4947 -- its highest level since December 28 -- as Britons headed to the polls in a hotly-contested in-or-out EU membership vote. Results are due early Friday.

Sterling hit the pinnacle in frenetic foreign exchange activity as a new Ipsos MORI opinion poll put "Remain" on 51 percent and "Leave" on 48 percent. The British currency also struck a three-week high point at 76.23 pence to the euro.

Traders appear increasingly confident that Britons will decide against pulling out of the 28-nation bloc, but sterling stopped just short of \$1.50. Bookies are also putting their money on Remain. "The market is now fully expecting a win for the Remain camp," City Index research director Kathleen Brooks told AFP.

"The sharp upswing towards \$1.50 was also reflective of what was going on with the EU referendum odds.

"The market that looks at the margin of victory for the Remain camp started to price in a win for Remain by a fairly decent margin."

In afternoon London trade, the pound stood at \$1.4790 as profit-taking set in. It also pulled back to stand at 76.69 pence to the euro.

Nick Stamenkovic, macro strategist at RIA Capital Markets, added the prospect of a Remain vote was boosting the pound for two main reasons.



ASGAR ALI HOSPITAL

Asgar Ali Hospital signed a corporate agreement with Guardian Life Insurance Company in Dhaka on Wednesday. Zabur SM Haque, director of medical services of Asgar Ali Hospital, and MM Monirul Alam, CEO of Guardian Life Insurance, attended the deal signing ceremony. Guardian Life's clients, employees and their dependants will get special healthcare services from the hospital.

# Cut corporate tax in phases: FICCI

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"Gas is not available at all. Electricity is there but connection is not. We have generation but we do not have transmission lines."

"Labour is cheaper, but other factors are not there. I think we should work towards FDI because without FDI any country can't grow. Bangladesh should get very good FDI," she added.

Muhith said industries would get smooth supply of gas from January 2019 as the work to set up the terminal for liquefied natural gas is progressing fast.

The import of LNG would be much easier after the setting up of a terminal on the island of Moheshkhali in the Bay of Bengal. "From January 2019 you are assured of gas."

Muhith said one could find so many flaws and loopholes in the budget. "But

I thought this was my best budget so far, which means a great deal of work went into it before it was finalised."

The minister said two days are left to make the final decisions on any changes to the proposed budget.

The government has proposed reduction in the investment allowances from 30 percent of total income to 20 percent and reduction in the rate of rebate on investment from 15 percent to a range of 15 percent to 10 percent based on income level.

"Resulting from this change, the tax liability of all the salaried employees will increase substantially," said Masud Khan, chief financial officer of Lafarge Surma Cement Ltd.

He said they have made an analysis taking total income of different levels and observed that an employee having

an income of Tk 40,000 per month would have 521 percent increase in tax while those with an income of 1 lakh would see an increase of a mere 26 percent.

Due to being compliant companies, the FICCI members would require to deduct this additional tax liability of employees from their salary of June 2016.

"This change, which is coming right before holy Eid-ul-Fitr, will have adverse impact on the employees and their families."

"Squeezing of investment allowance will also be detrimental to investment and will have adverse impact on the share market as well. Therefore, we would humbly request you to review the decisions on limiting investment opportunities for the individual salaried person."

# BlackBerry sales fall, losses pile up

AFP, Montreal

BlackBerry continued bleeding red in the three months ending May 31, extending a two-year losing streak as the Canadian smartphone maker restructures, according to quarterly financials filed Thursday.

The Waterloo, Ontario-based company posted a loss of US\$670 million while revenues plunged to US\$424 million -- about two-thirds of last year's take during the same period and below analysts' estimates.

Excluding hefty asset writedowns and restructuring charges, however, BlackBerry broke even in the fiscal 2017 first quarter.

Its smartphone handset sales continued to stagnate in the face of competition from Apple and Android phones.

But company chief executive John Chen said his aim is to make its smartphone business profitable this fiscal year.

"In our mobility solutions business, our objective is to achieve operating profitability in the short term," he said in a statement.

# Tata patriarch's aviation ambitions a step closer as India opens up

REUTERS, New Delhi

Officially at least, Ratan Tata, patriarch of one of India's wealthiest business families, retired in late 2012. In reality, he has been a driving force behind Tata's bet on airlines and a rare public campaign to open up the booming aviation sector.

The \$100 billion Tata group conglomerate is a major beneficiary of the decision last week to open up aviation in India, making it easier for start-ups to fly overseas sooner.

The decision is no panacea for Tata, whose airlines - Vistara and AirAsia India - have had a slow start in a competitive market dominated by IndiGo, owned by InterGlobe Aviation, and Etihad-backed Jet Airways, both of which opposed the rule change.

But it marks a victory for 78-year-old Ratan Tata, and ends more than two years of airlines lobbying, of Twitter rows and of frequent public statements from the usually circumspect steel-to-salt group.

"This was a David-and-Goliath kind of situation," said a source close to Tata group. "There was huge lobbying from the other side."

Ultimately, sources familiar with the talks said, it was Ratan Tata, a trained pilot, who was key to sealing the deal, capitalising on his clout.

In a message earlier this year, he called for "a new open market economy" and said airlines lobbying against a rule change was "reminiscent of protectionist and monopolistic pressures by vested interests' entities who seem to fear competition."

A spokesman for Tata Sons, which promotes the group, denied Ratan Tata was directly

involved, saying he had "nothing to do with operations or management of either of the airlines" after his retirement, and that views he expressed were personal.

Not that either of Tata's two airline ventures - a low-cost carrier owned with Malaysia's AirAsia Bhd and Vistara, a full-service carrier run with Singapore Airlines - is yet ready to fly overseas. Both have had turbulent starts.

Vistara initially focused on domestic business travellers, but had to reconfigure its aircraft after a year, to replace pricier seats with cheaper ones. AirAsia underwent a management shake-up earlier this year.

Vistara's share of India's passenger air market is rising but is still just 2.5 percent after nearly 18 months in business. AirAsia's share after two years has stagnated at about 2 percent, government data showed, compared with IndiGo, which has a 39 percent share, and Jet Airways with 19 percent.

But flying overseas is critical. It means higher profits and margins than in India's cut-throat market dominated by low-cost carriers, and Vistara and AirAsia now aim to boost their fleet sizes within a year.

A Tata Sons spokeswoman said making profit can take several years and the group had a "clear road map": "Aviation is a long gestation business sector."

The new rules water down a requirement known as 5/20, which barred domestic airlines from flying overseas before being in operation for five years and having 20 aircraft.

Now they can fly overseas as long as they deploy 20 aircraft or 20 percent of total capacity in India, whichever is higher. Tata Sons and the

two airlines said they would prefer the rules to be abolished altogether.

Tata group, a business empire stretching from Jaguar Land Rover and steel mills in Britain to salt pans and India's cheapest car, has a long history in aviation.

JRD Tata, the group chairman before Ratan Tata, became India's first qualified pilot in 1929, and set up an airline that was later nationalised as state carrier Air India.

Under Ratan Tata, the group sought to snap up Air India in a privatisation process, later aborted.

Instead, even as current chairman Cyrus Mistry has sought to wind up some of Tata group's more ambitious projects, Ratan Tata pulled the group back in with two joint ventures. For his critics, the intervention was too little, too late.

In 2013, a year after India liberalised foreign direct investment in aviation, Tata returned, first with AirAsia and then Vistara.

"India's market has only just started and it could provide growth for global aviation for the next 10 or 15 years," said Kapil Kaul, New Delhi-based chief executive of the Centre for Asia Pacific Aviation (CAPA) consultancy.

India is the world's fastest-growing aviation market, clocking more than 20 percent growth last year, and CAPA expects domestic passenger travel to grow to 500 million by 2035 from 70 million in 2015.

Tata group is moving to capitalise on the win.

Vistara, which has 11 aircraft, had an original plan to scale up to 20 by June, 2018, but could speed that up.

# BB steps in to keep exchange rate stable

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On the other hand, data shows that the central bank has not sold any dollar to banks since 2012-13.

The BB bought dollars worth \$3.75 billion in 2014-15, \$5.15 billion in 2013-14 and \$4.54 billion in 2012-13.

With purchase of the greenback, Bangladesh's foreign exchange reserves are surging to new heights every year; the reserves currently stand at nearly \$29.5 billion, which is enough to meet import bills of more than eight months.

"Imports are not rising in line with the growth in remittance and export. So, our foreign currency holdings are going up day by day," said a treasury official of a private commercial bank.

Though the inter-bank exchange rate remains stagnant at Tk 78.40 a dollar, the taka slightly appreciated in the last few weeks, treasury officials said.

Data from Bangladesh Foreign Exchange Dealers' Association shows that the average rate for import payments of a US dollar went down to Tk 78.81 yesterday from Tk 78.83 on June 15. The rate was Tk 78.90 for a dollar early this month.



AMARI DHAKA

The officials of the Amari Dhaka, a hotel of ONYX Hospitality Group, pose with a certificate of excellence from TripAdvisor, an American website that provides reviews of travel-related content.

# US new-home sales fall in May

AFP, Washington

Sales of new homes in the United States fell in May following a surge in April, but still remained solidly higher than last year in a growing housing market.

Sales of new single-family houses registered an annual rate of 551,000 units, down 6.0 percent from April, the Commerce Department said. Compared with a year ago, sales were up 8.7 percent.

April's strong gain was downwardly revised to 586,000 units, the most robust pace since February 2008.

Analysts had expected new-home sales would decline in May, but estimated a smaller drop to 560,000 houses.

Sales fell in the Northeast, South and West, but rose in the Midwest. With sales sluggish, the median sales price of new houses fell to \$290,400, the lowest level in 11 months.

Despite the month-over-month volatility, the trend in new-home sales remained firm. In the first five months of the year, sales were up 6.4 percent from the same period in 2015.

"With employment rising strongly and mortgages easier to obtain, we think a sustained upward trend in new-home sales is now a reasonable bet," said Ian Shepherdson of Pantheon Macroeconomics.

He pointed to a rising trend in mortgage applications that bodes well for increased sales in the coming months.

Data published Wednesday for the much larger market of existing, or previously owned, homes in May showed strong demand in the crucial spring home-buying season.

The National Association of Realtors reported that existing-home sales grew 1.8 percent in May to an annual rate of 5.53 million units, the highest pace in over nine years.

# Motif artisans in Ctg busy ahead of Eid

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"Now that we have good orders, we do not have enough skilled people to do the works. So it becomes difficult to deliver products in time," said Raju, adding that both boutiques and individuals are his buyers.

He charges Tk 1,000 to Tk 20,000 for motifs on salwar suits, Tk 3,500 to Tk 30,000 for saris and Tk 800 to Tk 1,200 for burqas.

Md Shafiq, another motif artisan, who has been in the profession for 18 years, said they have to invest in making the frames, buying materials and paying workers' wages.

"We work day and night to produce colourful dresses for the affluent members of the society. What keeps us going is that our work would bring a smile to those who would wear the outfits on the day of Eid."

# Source tax from exports may double next fiscal year

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Exporters are opposing the increased source tax rate for next fiscal year on the ground that it would increase their costs of production and thereby make them non-competitive in the global market.

The Metropolitan Chamber of Commerce and Industry recently demanded continuation of the 0.6 percent source tax on the value of export consignment for next fiscal year.