High Commission of India

London

(Economic & Commerce Wing)

***Economic & Commercial Report on the United Kingdom***

***July 2015***

**Overview of UK’s Economy**

The **Gross Domestic Product** (GDP) is estimated to have increased by 0.7% in Quarter 2 (April to June) 2015 compared with growth of 0.4% in Quarter 1 (January to March) 2015. Output increased in 2 of the main industrial groupings within the economy in Quarter 2 (April to June) 2015. Services increased by 0.7% and production increased by 1.0%. Construction growth was flat. In contrast agriculture decreased by 0.7%. GDP was 2.6% higher in Quarter 2 (April to June) 2015 compared with the same quarter a year ago.

The **Consumer Prices Index** (CPI) was unchanged in the year to June 2015, that is, a 12-month rate of 0.0%, down from 0.1% in the year to May 2015. Falls in clothing and food prices were the main contributors to the change in the rate along with smaller rises in air fares than a year ago. There were no large upward effects to offset the change.

The **unemployment rate** was 5.6%, little changed compared with the 3 months to February 2015 but lower than for a year earlier (6.5%). There were 30.98 million people in work. This was 67,000 fewer than for the 3 months to February 2015, the first quarterly fall since February to April 2013. Comparing March to May 2015 with a year earlier, there were 265,000 more people in work.

The **deficit on trade in goods and service**s was estimated to have been £0.4 billion in May 2015, compared with £1.8 billion in April 2015. This reflects a deficit of £8.0 billion on goods, partially offset by an estimated surplus of £7.6 billion on services. Imports of goods decreased by £1.4 billion in May 2015 to £32.6 billion, the lowest level since April 2011. Most notable decreases were evident in the imports of ships (£0.5 billion) and material manufactures (£0.4 billion). In the 3-months to May 2015, the UK’s deficit on trade in goods and services was estimated to have been £5.4 billion; narrowing by £1.4 billion from the 3-months to February 2015.

The **Index of Services** is estimated to have increased by 2.7% in May 2015 compared with May 2014. All of the 4 main components of the services industries increased in the most recent month compared with the same month a year ago. The largest contributions came from: business services and finance, which contributed 1.2 percentage points to total growth; and distribution, hotels and restaurants, which contributed 0.8 percentage points to total growth. The latest Index of Services estimates show that output increased by 0.3% between April 2015 and May 2015, following an increase of 0.2% between March 2015 and April 2015.

The **Bank of England’s Monetary Policy Committee** at its meeting on July 8, 2015 voted to maintain Bank Rate at 0.5%. The Committee also voted to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

**UK-World Trade Review (in £million)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to the rest of the world | % change from Jan-May 2014 | UK Imports from the rest of the world | % change from Jan – May 2014 | Total | % change from Jan-May 2014 | UK’s Balance of Trade |
| Jan–May 2015 | 126480 | -3.45 | 171293 | -0.07 | 297773 | -1.53 | -44813 |

**Summer Budget 2015: key announcements**

Rt Hon George Osborne, UK Chancellor of the Exchequer presented his Summer Budget to the Parliament on July 8, 2015. Following is the summary of what was announced.

**Opening statements**

• This is a Budget that puts security first, that recognises the hard work and sacrifice of the British people over the last five years, and says we will not put that at risk. This will be a Budget for working people

• We don’t build enough, train enough or invest enough. We will be bold in reforming education, reforming welfare, delivering infrastructure, building the Northern Powerhouse…. This is a big budget for a country with big ambitions

• The British people trusted us to finish the job. The only way to have a strong NHS, strong schools and strong defence is to have a strong economy.

**The Economy**

• The Office for Budget Responsibility has held its economic growth forecasts for 2015 and 2016, but increased its prediction for GDP in 2017 to 2020 from 2.3pc per year to 2.4pc per year.

• The OBR predicts another 1m jobs will be created over the next five years. George Osborne says he is targeting full employment and wants to create another 2m jobs.

• Wages should also pick up - the OBR expects pay growth to accelerate from 2.2pc this year to 4.4pc in 2020.

**The Deficit**

• The budget deficit will fall to 2.2pc of GDP in 2016-17, 1.2pc in 2017-18, and 0.3pc in 2018-19, the OBR predicts.

• The government will run a surplus of 0.4pc of GDP in 2019-20, and 0.5pc in 2020-21, according to the forecasts.

• In cash terms, that means the deficit will fall from £69.5bn in 2015-16 to a surplus of £11.6bn in 2020-21.

• Mr Osborne says that is the biggest structural budget surplus in 40 years.

• Total government spending is rising from £735.5bn in 2014-15 to £844.5bn in 2020-21. Over the same time period total government receipts are set to rise from £672.7bn to £856.1bn, the OBR predicts.

**Spending plans**

• The Chancellor says he will make savings of £34bn over this parliament.

• Half of that will come from government departments’ budgets.

• Of the other £17bn, a total of £12bn will come from welfare cuts while £5bn will come from a crackdown on tax avoidance and loopholes, the Chancellor said.

• Public sector pay rises will be capped at one pc per year until 2019.

• The NHS is being offered another £8bn by the Chancellor.

**Pay**

• A new National Living Wage to reach £9 per hour by 2020, compulsory for those over 25 - that is 60pc of median earnings.

• It will start at £7.20 next April, and be set then on by the Low Wage Commission, in line with the £9 target. That compares with the National Minimum Wage of £6.50 for over-21s currently.

• The OBR says it will have a "fractional" effect on employment, with 60,000 fewer jobs as a result of the wage, alongside 1m new jobs in the economy overall.

• 6m people will see their pay rise, the Chancellor said.

**Income tax**

• A tax lock to prohibit increases in main rates of income tax, national insurance or VAT for five years will be legislated for in coming weeks

• Tax-free personal allowance will be raised from £10,600 to £11,000 next year, as a step towards a target of £12,500.

• The threshold will also rise in line with the minimum wage.

• Threshold for 40p rate raised from £42,385 in this tax year to £43,000 in 2016-17, on its way to the £50,000 target.

• This means 29m people will pay less tax, the Chancellor said.

**Corporation tax**

• Corporation tax will be cut to 19pc in 2017, and then 18pc from 2020. That is down from 28pc when he took over as Chancellor in 2010.

• Mr Osborne says this is an advert to tell the world Britain is open for business.

• Small firms' NI contributions will fall, with a £3,000 employment allowance. So a small firm can hire four staff on the national Living Wage and pay no national insurance.

• The annual investment allowance, which was a temporary tax break for firms, will be set at £200,000 permanently from January 2016.

**Benefits**

• £12bn of welfare savings will be found, with spending focused on the elderly and disabled, the Chancellor said.

• Disability benefit will not be taxed or means tested, while more money is going to women's refuge centres.

• For those aged 18-21, they must "earn or learn", Mr Osborne says, and will lose their automatic entitlement to housing benefits.

• From 2017, all working parents of three- and four-year olds must work if they want universal benefit, but also get 30 hours of free childcare each week, up from 15 hours.

**Welfare reform**

• The cap on benefits will be cut from £26,000 to £23,000 in London and £20,000 in the rest of the UK.

• Those on higher incomes in social housing will have to pay the market rate for their homes. That applies to those earning above £40,000 in London and £30,000 elsewhere in Britain.

• Working-age benefits will be frozen for four years, including tax credits and housing benefit. Maternity payments will be excluded from the freeze.

• Rent payments for social housing will be cut by 1pc per year for each of the next four years.

• Working benefits will be stripped from those who are not disabled and have no children, and will be withdrawn at a faster pace as a claimant's earnings rise.

**Child benefit**

• Tax credit and universal credit support to be limited to first two children from April 2017.

• Housing benefit will also be affected by removing family premium for new children from April 2016.

• But multiple births like triplets will be excluded from the limit.

**Housing**

• Buy to let landlords will get less tax relief on their mortgage interest payments, Mr Osborne said.

• Home owners with lodgers will be able to earn £7,500 tax-free from their house-guests each year.

• From 2017 there will be an extra £175,000 inheritance tax allowance for those who leave their homes to their children or grandchildren, on top of the £325,000 standard inheritance tax allowance currently. The relief is tapered away for those with estates of more than £2m.

• The threshold and new allowance are both twice as high for married couples and civil partners, meaning they will now be able to inherit up to £1m tax-free from each other.

**Pensions**

• Those earning more than £150,000 will have their tax-free contributions allowance tapered away from its current £40,000 per year to a minimum of £10,000.

• The Government is consulting on a new ISA-style pension where savers pay tax on the income they put in, but not when they take it out.

• Dividend tax credit will be replaced by a new £5,000 tax-free dividend allowance.

• But dividend tax rates are going up from zeo to 7.5pc for basic rate income tax payers, from 25pc to 32.5pc for higher rate taxpayers, and from 30.56pc to 38.1pc for additional rate payers.

**Bank taxes**

• The Chancellor will add an 8pc additional tax on banks' profits from January 2016. The tax will apply to banks' entire annual profits, with no relief given for losses made in previous years. That follows a move in March's budget to cut loss relief for banks in half.

• In return, he will start to cut back the bank levy, reducing it from 021pc to 0.18pc next year, then gradually reducing it to 0.1pc in 2021.

• After 2021 the levy will only apply to the UK balance sheet of UK-based banks, rather than being applied to their global operations.

• Overall, the changes will still cost banks more the OBR predicts lenders will pay an additional £415m in 2016-17, £555m more in 2017-18 and £365m more in 2018-19.

**Productivity and skills**

• Mr Osborne says "too many large companies leave the training to others and take a free ride on the system".

• He is introducing an apprenticeship levy on large firms, by which those firms which train apprentices receive more money than they put in .

• The Chancellor praises tuition fee reforms as "a triumph of progressive reform" to get more students from poor backgrounds into university, and is now removing the cap on student number.

• Mr Osborne says from 2016-17, maintenance grants will be replaced by loans for students to be paid back when they earn more than £21,000. Loans of up to £8,200 will be available.

Non-Doms

• Non-dom tax status will be abpolished for those who have been in the UK for more than 15 of the last 20 years.

• Individuals who live in the Uk and were born to UK-domiciled parents will also be ineligible for the status, the Chancellor said.

**Cars**

• New cars will not need an MOT until they are four years old, rather than three at the moment.

• Fuel duty has been frozen for another year.

• But insurance premium tax is being hiked from 6pc to 9.5pc.

• Vehicle Excise Duty is also being reformed. New cars will pay a variable rate, but beyond the first year, drivers will pay £140 in tax on most cars. Drivers are exempt if the car has zero carbon emissions.

• One exception is for expensive cars - if the vehicle costs more than £40,000 and incurs the £140 charge, the driver will pay an additional £310 annual surcharge.

**Northern Powerhouse**

• Mr Osborne says he is giving power over fire services and childrens’ services to Manchester’s mayor, as well as establishing a land commission.

• He is working with Sheffield, Liverpool and Leeds on similar deals, in exchange for the introduction of directly elected mayors in each of those cities and the surrounding areas.

**Defence**

• Britain will meet the NATO commitment to spend 2pc of GDP on defence each year.

**Prime Minister and Business Secretary led the first Northern Powerhouse trade mission to Singapore and Malaysia**

Rt Hon David Cameron, UK Prime Minister and Rt Hon Sajid Javid, UK Secretary of State of fof Business, Innovation and Skills led the first Northern Powerhouse trade mission, taking 62 northern companies to Singapore, Vietnam and Malaysia, underlining the Government’s commitment to the creation of a Northern Powerhouse. The delegation represented a total turnover in excess of £10 billion, with a combined workforce of over 50,000. The trip came as Malaysian investor Petra Group announced that 90 highly skilled jobs will be created in the North following an investment in the region of £12 million. The company plans to develop a rubber recycling manufacturing facility using their patented technology to produce Green Rubber. In Singapore, the Prime Minister met the Northern Powerhouse delegation at a Northern Powerhouse business event. Aimed to rebalance the economy and attract overseas investment, the Prime Minister and Business Secretary led the charge in establishing the North as a global powerhouse.

The Northern Powerhouse is also celebrating successes and business wins including:

* Manchester-based SME FutureEverything has won a contract from the Singapore Government worth £500,000, which will see it explore the Smart Nation through digital culture, developing a Smart Nation Innovation Lab and conference
* Cheshire-based Cambridge Dream, which runs international ‘Leadership and University Preparation’ summer schools at Cambridge University, has signed a memorandum of understanding with Malaysia-based Brighton Education Group; the 2 education organisations will work together on projects to equip young people across ASEAN with the knowledge and skills to realise their academic and career aspirations
* Vehicle Barrier specialists ATG Access, which has a major presence at airports throughout South East Asia and has recently created the world’s first impact tested column protector, which will be used to protect supporting walk way tunnel columns within international airports
* Cheshire based Delamere Dairy, which recently featured in the Sunday Times SME Export Track 100 and has been supplying products to Singapore for over 10 years and Malaysia for 3 years
* Vernacare, designs and produces a single-use, human waste management system that reduces the risk of infection within the healthcare sector. Vernacare’s single-use system is used in 94% of UK hospitals and in over 48 countries. With the assistance of UK Trade and Investment the company has recently begun exporting to Singapore, capturing around 24% of their hospital market.
* The University of Sheffield is receiving £4 million investment from the Engineering and Physical Sciences Research Council (EPSRC) to build one of the largest dynamic test facilities in the UK. The new £4 million grant takes the total current investment in the facility to £11 million.

As the UK strives to become the leading financial technology (FinTech) centre in the world, the Prime Minister embarked on a trade mission to south-east Asia, taking with him FinTech specialists from across the UK. Companies such as Blockchain, Pennies and Earthport were amongst the 31-strong delegation hoping to capitalise on the opportunities available in the fast-growing markets of Indonesia, Singapore, Vietnam and Malaysia.

**UK-India Bilateral**

**UK-India Trade Review (in £ million)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to India | % change | UK Imports from India | % change | Total | % change | India’s Balance of Trade |
| 2010 | 4017 | +36.49 | 5446 | +25.86 | 9463 | +30.16 | 1429 |
| 2011 | 5488 | +36.61 | 5868 | +7.74 | 11356 | +20.00 | +380 |
| 2012 | 4567 | -16.78 | 6010 | +2.41 | 10577 | -6.85 | +1443 |
| 2013 | 5118 | +12.06 | 6186 | +2.92 | 11304 | +6.87 | +1068 |
| 2014 | 3893 | -23.93 | 6566 | +6.14 | 10459 | -7.47 | +2673 |
| Jan –May 2015 | 1764 | +37.49 | 2625 | -0.64 | 4389 | +11.82 | +861 |

*(Source: Office for National Statistics and Overseas Trade Statistics, HM Customs & Excise)*

**Trade and Investment Enquiries from India**: 46

**Trade and Investment Enquiries from UK**: 02

**Tenders from India**: 15

**Visit of Rt Hon Oliver Letwin, Chancellor of the Duchy of Lancaster to India**

The Rt Hon Oliver Letwin MP, Chancellor of the Duchy of Lancaster and Minister in charge of the Cabinet Office visited Mumbai and Delhi from July 27-29 2015. Minister Letwin is the first British Cabinet Minister to visit India after the British general elections held in May. Minister Letwin’s visit focussed on deepening the warm relationship between India and the UK ahead of Prime Minister of India’s visit to the UK in November. Minister Letwin met Ministers in Maharashtra and Delhi, along with top Government officials and business leaders with the aim of strengthening economic and financial collaboration between the two countries. Minister Letwin reiterated the UK Government’s offer of £1bn of export finance credit in support of infrastructure and other needs in India. In Mumbai, Minister Letwin met with Shri Devendra Fadnavis, Hon’ble Chief Minister of Maharashtra. In New Delhi, Mr Letwin called on Shri Arun Jaitley, Hon’ble Minister of Finance, Government of India to discuss financial and economic cooperation between the UK and India. Minister Letwin also met with Shri Suresh Prabhu, Hon’ble Minister of Railways and Shri Amitabh Kant, Secretary, Department of Industrial Policy and Promotion. During his visit, Minister Letwin launched a British Council report on Social Entrepreneurship. The report’s preliminary findings suggest how the UK and India can work together to develop social entrepreneurship.

**Visit of Hon’ble Chief Minister of West Bengal Mamata Banerjee to the United Kingdom**

Hon’ble Chief Minister of West Bengal Mamata Banerjee visited the UK during July 27-30, 2015.The Chief Minister was accompanied by an official delegation including Dr Amit Mitra, Minister of Finance; Shri Derek O’Brein, MP, Rajya Sabha; Shri Sugato Bose, MP, Lok Sabha; Shri Deepak Adhikari, MP, Lok Sabha; Shri Sovan Chattopadhyay, Mayor of Kolkata; Shri Sanjay Mitra, Chief Secretary and Principal Secretaries to the Government of West Bengal in various departments. Apart from the official delegation, the Chief Minister was also accompanied by a large business delegation, cultural delegation as well as media from India. During the visit, HRH Prince Andrew, the Duke of York hosted the Chief Minister at Buckingham Palace. Baroness D’Souza, Lord Speaker of the House of Lords was also present at a reception hosted by the Duke of York on the occasion. The Chief Minister attended an official reception at the Locarno Suite, hosted by the Foreign and Commonwealth Office. Rt Hon Priti Patel, Minister of State for Employment represented the UK side. In her address, the Chief Minister highlighted West Bengal as the ‘Human Capital of the World’ and called on British businesses to invest in the state, assuring them that “backlogs and red tape are gone”. During the event, over 20 Memorandums of Understanding (MoUs) signed between the UK and West Bengal Governments at the FICCI-UKIBC business event held earlier in the fields of industry, health, education and urban development were highlighted. Prior to the reception, the Chief Minister had a bilateral meeting with Rt Hon Priti Patel, where issues of mutual interest were discussed.

The Chief Minister attended a Roundtable Discussion over dinner hosted by Rt Hon Patricia Hewitt, Chair, UK India Business Council (UKIBC), during which she interacted with high level representatives of UK corporates keen on investing in West Bengal. The Chief Minister also participated in a Roundtable Discussion with Asia House corporate members, hosted by Asia House and KPMG, during which she highlighted the opportunities available for UK companies to invest in West Bengal. During the visit, the Chief Minister paid floral tributes at the recently installed Mahatma Gandhi statue at Parliament Square and the statue of Rabindranath Tagore at Gordon Square in London. The Prime Minister of the UK David Cameron could not meet with the Chief Minister as he was not in the UK. The PM wrote a letter to the Chief Minister, saying “I wish you a successful and rewarding visit which will help to forge the close ties between the UK and West Bengal. Our relationship with India is a priority for the UK, and we look forward to welcoming your Prime Minister to the UK later this year. The proposed signature of over 20 Memorandums of Understanding between the UK and West Bengal during your visit is a clear reflection of our positive relationship in a number of areas.”

**British Council partners Indian schools in launch of 'Generation UK India Teaching Assistants Programme 2015'**

The British Council, UK's international organisation for cultural relations and educational opportunities, in a partnership with various schools in India, organised a week-long series of events around school education. The 'Schools Week' began with the launch of the British Council's 'Generation UK India Teaching Assistants Programme.' The latter half of the 'Schools Week' witnessed stimulating discussions on 'Unlocking a world of potential: Core skills for learning, work and society' by industry experts. The Generation UK India Teaching Assistants Programme aims to bring 25,000 young people from the UK to India to experience and understand a vibrant India. Generation UK-India programme aims at creating opportunities for young people in the UK to undertake: Cultural immersion placements, Teaching assistantships and Work placements. Over the next five years the British Council will work with partners to support up to 25,000 young people and professionals from the UK to gain study and work experience in India.

**India's Yes Bank plots UK launch as chief executive aims to tap international investors**

India's fifth-largest private sector bank, Yes Bank, is setting up shop in the UK as it looks to tap into the growing investor appetite for one of the world's fastest-growing economies. Speaking to a news site, Mr Rana Kapoor, Founder and Chief Executive, Yes Bank said that, "We are planning to build a presence in London, New York and Singapore over the next five years. Our aim is to attract international investors from all over the world. The UK is a very important place to be, we want to tap into the business community in Britain and use the country as a platform for growth in Europe.”

**UK to Work With India on Creating A Cold Food Chain, Reducing Food Wastage**

Dearman, a UK-based company has plans to roll out clean cold technology in India to move perishable goods efficiently from producer to consumer and help the country tackle its food crisis by reducing food loss. Dearman is working on developing new technologies to achieve movement of perishable produce through an integrated chain of refrigerated transport and refrigerated storage, broadly referred to as a cold chain. "At present, India has approximately 31 million tonnes of cold chain capacity, which is vast, but only approximately 9,000 refrigerated vehicles," said  Dearman CEO Toby Peters. "That imbalance has to be rectified because when looking to feed a population, to maximise the economic return for producers and to supply vital medicines, the objective is to move goods efficiently from production to consumer, and that requires a network of vehicles," he said. "Dearman is working with institutions in the UK, including the newly announced Energy Research Accelerator, to not only develop new technologies but to establish a blueprint for manufacturing facilities which can then be established around the world, "We hope to have a field trial of our zero emission transport refrigeration system in India next year, leading to an ever greater presence in the Indian market thereafter," he said. India is the world's largest producer of milk and the second-largest producer of fruit and vegetables. Yet it is home to more than 25 per cent of the world's hungry poor. The lack of a reliable, integrated cold chain across the country is a significant contributing factor to this loss of food, a panel discussion at a House of Lords committee room highlighted. Pawanexh Kohli, chief advisor to India's National Centre for Cold Chain Development, suggested that to make proper use of the cold chain infrastructure already available in India, an additional 60,000 refrigerated trucks are needed immediately, just to transport food from the field to the major cities. "Factoring in projected growth in Indian cold infrastructure in the years to come and continued growth in demand, the need for new refrigerated vehicles could be much, much higher," he said at the 'Sustainably Meeting the Global Food Crisis: Why we need to green cold chains' event. The Indian National Centre for Cold Chain Development projects the need to spend more than USD 20 billion on cold chain infrastructure, of which almost 50 per cent will be needed for refrigerated transport.

**Indian billionaire buys old Scotland Yard site for £110m**

One of India's richest men, Yusuffali Kader, has bought the original Scotland Yard site in Whitehall for £110m. The property is being converted into a luxury hotel by developer Galliard Homes. The completed hotel will be owned by Mr Kader's Abu Dhabi-based Lulu Group International and operated by Steigenberger. The 92,000 sq ft hotel will become the group's first UK property and is due to open in the first quarter of 2017. The site, at 1- 5 Great Scotland Yard, was the location of the original Scotland Yard police station between 1829 and 1890. The existing Edwardian building was constructed in 1910 and was an Army recruitment centre and Royal Military Police headquarters. It was refurbished in 1982 and housed a Ministry of Defence library until 2004. Lulu Group is a conglomerate that has interests in the retail, property, hospitality, and food and manufacturing sectors. Mr Kader, who founded Lulu in 1973, is estimated to be worth £1.8bn. Galliard acquired the site in late 2013 and had been in talks with Malmaison hotels, but its US private equity owners KSL Capital Partners sold the business and the deal fell through.

**UK-based travel startup Premier Explore sets up India subsidiary**

Funded by the UK government as part of a scheme that encourages young entrepreneurs, Premier Explore has set up an Indian subsidiary with its first office in Kolkata. Co-owned by Peter Watts and Isaac Cumberbatch, Premier Explore has also roped in Kolkata-based businessman Avjit Das as a shareholder, partner and investor. Das, who got connected with Watts as a client first, has bought 8% stake in the UK entity for an undisclosed amount. Watts, who was in India recently for business development says the company has been working with big travel companies like Cox & Kings for a while as a B2B services provider, and is now targeting to directly reach out to wealthy Indians who like to travel abroad.   
"Footfall related events are the focus, particularly the English Premier League. Booming travel trade in India and increasing spends in the luxury segment encouraged us to focus on this market," Watts said. With a presence in India, Premier Explore is targeting travellers looking for entry level travel packages starting at 3,500 pounds and also high-value bespoke deals.

**India technology giant acquires Belfast software firm Aepona**

Belfast headquartered communications software firm Aepona, which since 2013 has been owned by Intel, has been acquired for an undisclosed sum by Indian-based software product and technology services provider Persistent Systems Ltd (PSI). In a statement to the stock market, PSI confirmed that its California-based subsidiary Persistent Systems Inc had entered into an agreement with Intel Overseas Funding Corporation to acquire the entire stock of Aepona Holdings Ltd. As part of the deal, PSI will acquire five subsidiaries of Aepona Holdings - including its operations in Belfast and Dublin - as well as the intellectual property rights for certain Aepona products.

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