Lufthansa flies back to profit

German airline Lufthansa has returned to profit in 2004 after posting huge losses in 2003.

In a preliminary report, the airline announced net profits of 400m euros ($527.61m; Â£274.73m), compared with a loss of 984m euros in 2003. Operating profits were at 380m euros, ten times more than in 2003. Lufthansa was hit in 2003 by tough competition and a dip in demand following the Iraq war and the killer SARS virus. It was also hit by troubles at its US catering business. Last year, Lufthansa showed signs of recovery even as some European and US airlines were teetering on the brink of bankruptcy. The board of Lufthansa has recommended paying a 2004 dividend of 0.30 euros per share. In 2003, shareholders did not get a dividend. The company said that it will give all the details of its 2004 results on 23 March.

Winn-Dixie files for bankruptcy

US supermarket group Winn-Dixie has filed for bankruptcy protection after succumbing to stiff competition in a market dominated by Wal-Mart.

Winn-Dixie, once among the most profitable of US grocers, said Chapter 11 protection would enable it to successfully restructure. It said its 920 stores would remain open, but analysts said it would most likely off-load a number of sites. The Jacksonville, Florida-based firm has total debts of $1.87bn (Â£980m). In its bankruptcy petition it listed its biggest creditor as US foods giant Kraft Foods, which it owes $15.1m.

Analysts say Winn-Dixie had not kept up with consumers' demands and had also been burdened by a number of stores in need of upgrading. A 10-month restructuring plan was deemed a failure, and following a larger-than-expected quarterly loss earlier this month, Winn-Dixie's slide into bankruptcy was widely expected. The company's new chief executive Peter Lynch said Winn-Dixie would use the Chapter 11 breathing space to take the necessary action to turn itself around. "This includes achieving significant cost reductions, improving the merchandising and customer service in all locations and generating a sense of excitement in the stores," he said. Yet Evan Mann, a senior bond analyst at Gimme Credit, said Mr Lynch's job would not be easy, as the bankruptcy would inevitably put off some customers. "The real big issue is what's going to happen over the next one or two quarters now that they are in bankruptcy and all their customers see this in their local newspapers," he said.

US economy still growing says Fed

Most areas of the US saw their economy continue to expand in December and early January, the US Federal Reserve said in its latest Beige Book report.

Of the 12 US regions it identifies for the study, 11 showed stronger economic growth, with only the Cleveland area falling behind with a "mixed" rating. Consumer spending was higher in December than November, and festive sales were also up on 2003. The employment picture also improved, the Fed said.

"Labour markets firmed in a number of districts, but wage pressures generally remained modest," the Beige Book said. "Several districts reported higher prices for building materials and manufacturing inputs, but most reported steady or only slightly higher overall price levels." The report added that residential real estate activity remained strong and that commercial real estate activity strengthened in most districts. "Office leasing was especially brisk in Washington DC, and New York City, two of the nation's strongest commercial markets," the Fed said.

Saab to build Cadillacs in Sweden

General Motors, the world's largest car maker, has confirmed that it will build a new medium-sized Cadillac BLS at its loss-making Saab factory in Sweden.

The car, unveiled at the Geneva motor show, is intended to compete in the medium-sized luxury car market. It will not be sold in the US, said GM Europe president Carl-Peter Forster. As part of its efforts to make the US marque appeal to European drivers, the car will be the first Cadillac with a diesel engine.

GM's announcement should go some way to allay fears of the Saab factory's closure. The factory in Trollhaettan has been at the centre of rumours about GM's planned severe cutbacks in its troubled European operations. But the group's new commitment to the Swedish factory may not be welcomed by the group's Opel workers in Ruesselsheim, Germany. They may now have to face a larger proportion of GM's cuts.

Neither will the announcement be seen as unalloyed good news in Sweden, since it reflects Saab's failure to make significant inroads into the lucrative European luxury car market. For years, Saab has consistently said it is competing head-on with BMW, Mercedes and Jaguar. The segment's leaders do not agree.

GM's plans to build the American marque in Sweden is part of its efforts to push it as an alternative luxury brand for European drivers. In the US, it has long been established as an upmarket brand - even the presidential limousine carries the badge. Yet it could prove tough for Cadillac to steal market share from the majors in Europe. Other luxury car makers, most notably the Toyota subsidiary Lexus, have enjoyed tremendous success in the US without managing to make significant inroads in Europe. There, German marques Mercedes Benz and BMW have retained their stranglehold on the luxury market.

Bringing Cadillac production to Sweden should help introduce desperately-needed scale to the Saab factory, which currently produces fewer than 130,000 cars per year. That is about half of what major car makers consider sufficient numbers for profitable operations, and Saab is losing money fast - albeit with losses halved in 2004 to $200m (Â£104m; 151m euros) from $500m the previous year. Beyond the 12,000 job cuts announced last year at its European operations, GM is reducing expenditure by building Saabs, Opels - badged as Vauxhalls in the UK - and now Cadillacs on the same framework, and by allowing the different brands to share parts. Another way to further reduce Saab's losses could be to shift some of the production of Saabs to the US, a market where drivers have adopted it as an upmarket European car. Doing so would remove the exposure to the weak US dollar, which is making Saabs more expensive to US consumers. But not everyone in the industry agree that it would be the best way forward. "We know that in five years the US dollar will be stronger than it is today," the chief executive of a leading European car maker told BBC News. The current trend towards US production was "stupid", he said.

In a separate announcement, GM unveiled a new scheme to allow European consumers the chance to test drive its Opel and Vauxhall models. It is to deploy a fleet of 35,000 test cars across 40 countries, inviting potential buyers to try out a vehicle for 24-hours. It follows a similar initiative by GM in the US. GM said it wanted to change "customers' perceptions" about Opel and Vauxhall cars, showing them that the quality had improved in recent years.

Bank voted 8-1 for no rate change

The decision to keep interest rates on hold at 4.75% earlier this month was passed 8-1 by the Bank of England's rate-setting body, minutes have shown.

One member of the Bank's Monetary Policy Committee (MPC) - Paul Tucker - voted to raise rates to 5%. The news surprised some analysts who had expected the latest minutes to show another unanimous decision. Worries over growth rates and consumer spending were behind the decision to freeze rates, the minutes showed. The Bank's latest inflation report, released last week, had noted that the main reason inflation might fall was weaker consumer spending.

However, MPC member Paul Tucker voted for a quarter point rise in interest rates to 5%. He argued that economic growth was picking up, and that the equity, credit and housing markets had been stronger than expected.

The Bank's minutes said that risks to the inflation forecast were "sufficiently to the downside" to keep rates on hold at its latest meeting. However, the minutes added: "Some members noted that an increase might be warranted in due course if the economy evolved in line with the central projection". Ross Walker, UK economist at Royal Bank of Scotland, said he was surprised that a dissenting vote had been made so soon. He said the minutes appeared to be "trying to get the market to focus on the possibility of a rise in rates". "If the economy pans out as they expect then they are probably going to have to hike rates." However, he added, any rate increase is not likely to happen until later this year, with MPC members likely to look for a more sustainable pick up in consumer spending before acting.

Industrial revival hope for Japan

Japanese industry is growing faster than expected, boosting hopes that the country's retreat back into recession is over.

Industrial output rose 2.1% - adjusted for the time of year - in January from a month earlier. At the same time, retail sales picked up faster than at any time since 1997. The news sent Tokyo shares to an eight-month high, as investors hoped for a recovery from the three quarters of contraction seen from April 2004 on. The Nikkei 225 index ended the day up 0.7% at 11,740.60 points, with the yen strengthening 0.7% against the dollar to 104.53 yen. Weaker exports, normally the engine for Japan's economy in the face of weak domestic demand, had helped trigger a 0.1% contraction in the final three months of last year after two previous quarters of shrinking GDP. Only an exceptionally strong performance in the early months of 2004 kept the year as a whole from showing a decline. The output figures brought a cautiously optimistic response from economic officials. "Overall I see a low risk of the economy falling into serious recession," said Bank of Japan chief Toshihiko Fukui, despite warning that other indicators - such as the growth numbers - had been worrying.

Within the overall industrial output figure, there were signs of a pullback from the export slowdown. Among the best-performing sectors were key overseas sales areas such as cars, chemicals and electronic goods. With US growth doing better than expected the picture for exports in early 2005 could also be one of sustained demand. Electronics were also one of the keys to the improved domestic market, with products such as flat-screen TVs in high demand during January.

Khodorkovsky ally denies charges

A close associate of former Yukos boss Mikhail Khodorkovsky has told a court that fraud charges levelled against him are "false".

Platon Lebedev has been on trial alongside Mr Khodorkovsky since June in a case centring around the privatisation of a fertiliser firm. The pair claim they are being punished by the authorities for the political ambitions of Mr Khodorkovsky. Mr Lebedev said there were "absurd contradictions" in the case. Opening his defence, he said he could not see the legal basis of the charges he faced, which also include allegations of tax evasion. "To my embarrassment, I could not understand the file of complaints against me," he told a Moscow court. Mr Lebedev headed the Menatep group, the parent company of Yukos.

Mr Lebedev and Mr Khodorkovsky, who each face a possible 10 year jail sentence if convicted, will be questioned by a judge over the next few days. Mr Khodorkovsky began his testimony last week, telling the court that he objected to the way that the "running of a normal business has been presented as a work of criminal fiction". The charges are seen by supporters as politically motivated and part of a drive by Russian President Vladimir Putin to rein in the country's super-rich business leaders, the so-called oligarchs. Yukos has been presented with a $27.5bn (Â£13bn) tax demand by the Russian authorities and its key Yugansk division was auctioned off to part settle the bill. The company's effort to gain bankruptcy protection in the US - in a bid to win damages for the sale - were dismissed by a court in Texas.

China keeps tight rein on credit

China's efforts to stop the economy from overheating by clamping down on credit will continue into 2005, state media report.

The curbs were introduced earlier this year to ward off the risk that rapid expansion might lead to soaring prices. There were also fears that too much stress might be placed on the fragile banking system. Growth in China remains at a breakneck 9.1%, and corporate investment is growing at more than 25% a year. The breakneck pace of economic expansion has kept growth above 9% for more than a year. Rapid tooling-up of China's manufacturing sector means a massive demand for energy - one of the factors which has kept world oil prices sky-high for most of this year. In theory, the government has a 7% growth target, but continues to insist that the overshoot does not mean a "hard landing" in the shape of an overbalancing economy. A low exchange rate - China's yuan is pegged to a rate of 8.28 to the dollar, which seems to be in relentless decline - means Chinese exports are cheap on world markets. China has thus far resisted international pressure to break the link or at least to shift the level of its peg. To some extent, the credit controls do seem to be taking effect. Industrial output grew 15.7% in the year to October, down from 23% in February, and inflation slowed to 4.3% - although retail sales are still booming.

Verizon 'seals takeover of MCI'

Verizon has won a takeover battle for US phone firm MCI with a bid worth $6.8bn (Â£3.6bn), reports say.

The two firms are expected to seal the deal on Monday morning, according to news agency reports, despite what was thought to be a higher bid from Qwest. The US telecoms market is consolidating fast, with former long-distance giant AT&T being bought by former subsidiary SBC earlier this year for $16bn. MCI exited bankruptcy in April, having gone bust under previous name WorldCom. The bankruptcy followed its admission in 2002 that it illegally booked expenses and inflated profits.

Shareholders lost about $180bn when the company collapsed, while 20,000 workers lost their jobs. Former Worldcom boss Bernie Ebbers is currently on trial, accused of overseeing an $11bn fraud. Qwest has itself come under suspicion of sub-standard behaviour, paying the Securities and Exchange Commission $250m in October to settle charges that it manipulated its results to keep Wall Street happy.

MCI is the US's second-biggest long distance firm after AT&T. Consolidation in the US telecommunications industry has picked up in the past few months as companies look to cut costs and boost client bases. A merger between MCI and Verizon would be the fifth billion-dollar telecoms deal since October. Last week, SBC Communications agreed to buy its former parent and phone trailblazer AT&T for about $16bn. Buying MCI would give either Qwest or Verizon access to MCI's global network and business-based subscribers. The rationale is similar to the one underpinning SBC's AT&T deal. Verizon is by far the bigger company and has its own successful mobile arm - factors which may have swung the board in its favour since both suitors are offering a mixture of cash and shares.

Crossrail link 'to get go-ahead'

The Â£10bn Crossrail transport plan, backed by business groups, is to get the go-ahead this month, according to The Mail on Sunday.

It says the UK Treasury has allocated Â£7.5bn ($13.99bn) for the project and that talks with business groups on raising the rest will begin shortly. The much delayed Crossrail Link Bill would provide for a fast cross-London rail link. The paper says it will go before the House of Commons on 23 February.

A second reading could follow on 16 or 17 March. "We've always said we are going to introduce a hybrid Bill for Crossrail in the Spring and this remains the case," the Department for Transport said on Sunday. Jeremy de Souza, a spokesman for Crossrail, said on Sunday he could not confirm whether the Treasury was planning to invest Â£7.5bn or when the bill would go before Parliament.

However, he said some impetus may have been provided by the proximity of an election.

The new line would go out as far as Maidenhead, Berkshire, to the west of London, and link Heathrow to Canary Wharf via the City. Heathrow to the City would take 40 minutes, dramatically cutting journey times for business travellers, and reducing overcrowding on the tube. The line has the support of the Mayor of London, Ken Livingstone, business groups and the government, but there have been three years of arguments over how it should be funded. The Mail on Sunday's Financial Mail said the Â£7.5bn of Treasury money was earmarked for spending in Â£2.5bn instalments in 2010, 2011 and 2012.

Small firms 'hit by rising costs'

Rising fuel and materials costs are hitting confidence among the UK's small manufacturers despite a rise in output, business lobby group the CBI says.

A CBI quarterly survey found output had risen by the fastest rate in seven years but many firms were seeing the benefits offset by increasing expenses. The CBI also found spending on innovation, training and retraining is forecast to go up over the next year. However, firms continue to scale back investment in buildings and machinery.

The CBI said companies are looking to the government to lessen the regulatory load and are hoping interest rates will be kept on hold. "Smaller manufacturers are facing an uphill struggle," said Hugh Morgan Williams, chair of the CBI's SME Council. "The manufacturing sector needs a period of long-term stability in the economy." The CBI found some firms managed to increase prices for the first time in nine years - but many said increases failed to keep up the rise in costs. Of the companies surveyed, 30% saw orders rise and 27% saw them fall. The positive balance of plus 3 compared with minus 10 in the previous survey. When firms were questioned on output volume, the survey returned a balance of plus 8 - the highest rate of increase for seven years - and rose to plus 11 when looking ahead to the next three months.

Deutsche Boerse boosts dividend

Deutsche Boerse, the German stock exchange that is trying to buy its London rival, has said it will boost its 2004 dividend payment by 27%.

Analysts said that the move is aimed at winning over investors opposed to its bid for the London Stock Exchange. Critics of the takeover have complained that the money could be better used by returning cash to shareholders. Deutsche Boerse also said profit in the three months to 31 December was 120.7m euros ($158.8m; Â£83.3m). Sales climbed to 364.4m euros, lifting revenue for the year to a record 1.45bn euros.

Frankfurt-based Deutsche Boerse has offered Â£1.3bn ($2.48bn; 1.88bn euros) for the London Stock Exchange. Rival pan-European bourse Euronext is working also on a bid. Late on Monday, Deutsche Boerse said it would lift its 2004 dividend payment to 70 euro cents (Â£0.48; $0.98) from 55 euro cents a year earlier. "There is a whiff of a sweetener in there," Anais Faraj, an analyst at Nomura told the BBC's World Business Report. "Most of the disgruntled shareholders of Deutsche Boerse are complaining that the money that is being used for the bid could be better placed in their hands, paid out in dividends," Mr Faraj continued. Deutsche Boerse is "trying to buy them off in a sense", he said.

Japanese growth grinds to a halt

Growth in Japan evaporated in the three months to September, sparking renewed concern about an economy not long out of a decade-long trough.

Output in the period grew just 0.1%, an annual rate of 0.3%. Exports - the usual engine of recovery - faltered, while domestic demand stayed subdued and corporate investment also fell short. The growth falls well short of expectations, but does mark a sixth straight quarter of expansion.

The economy had stagnated throughout the 1990s, experiencing only brief spurts of expansion amid long periods in the doldrums. One result was deflation - prices falling rather than rising - which made Japanese shoppers cautious and kept them from spending.

The effect was to leave the economy more dependent than ever on exports for its recent recovery. But high oil prices have knocked 0.2% off the growth rate, while the falling dollar means products shipped to the US are becoming relatively more expensive.

The performance for the third quarter marks a sharp downturn from earlier in the year. The first quarter showed annual growth of 6.3%, with the second showing 1.1%, and economists had been predicting as much as 2% this time around. "Exports slowed while capital spending became weaker," said Hiromichi Shirakawa, chief economist at UBS Securities in Tokyo. "Personal consumption looks good, but it was mainly due to temporary factors such as the Olympics. "The amber light is flashing." The government may now find it more difficult to raise taxes, a policy it will have to implement when the economy picks up to help deal with Japan's massive public debt.

Brewers' profits lose their fizz

Heineken and Carlsberg, two of the world's largest brewers, have reported falling profits after beer sales in western Europe fell flat.

Dutch firm Heineken saw its annual profits drop 33% and warned that earnings in 2005 may also slide. Danish brewer Carlsberg suffered a 3% fall in profits due to waning demand and increased marketing costs. Both are looking to Russia and China to provide future growth as western European markets are largely mature.

Heineken's net income fell to 537m euros ($701m; Â£371m) during 2004, from 798m euro a year ago. It blamed weak demand in western Europe and currency losses. It had warned in September that the weakening US dollar, which has cut the value of foreign sales, would knock 125m euros off its operating profits. Despite the dip in profits, Heineken's sales have been improving and total revenue for the year was 10bn euros, up 8.1% from 9.26bn euros in 2003. Heineken said it now plans to invest 100m euros in "aggressive" and "high-impact" marketing in Europe and the US in 2005. Heineken, which also owns the Amstel and Murphy's stout brands, said it would also seek to cut costs. This may involve closing down breweries.

Heineken increased its dividend payment by 25% to 40 euro cents, but warned that the continued impact of a weaker dollar and an increased marketing spend may lead to a drop in 2005 net profit.

Carlsberg, the world's fifth-largest brewer, saw annual pre-tax profits fall to 3.4bn Danish kroner (456m euros). Its beer sales have been affected by the sluggish European economy and by the banning of smoking in pubs in several European countries. Nevertheless, total sales increased 4% to 36bn kroner, thanks to strong sales of Carlsberg lager in Russia and Poland. Carlsberg is more optimistic than Heineken about 2005, projecting a 15% rise in net profits for the year. However, it also plans to cut 200 jobs in Sweden, where sales have been hit by demand for cheap, imported brands. "We remain cautious about the medium-to-long term outlook for revenue growth across western Europe for a host of economic, social and structural reasons," investment bank Merrill Lynch said of Carlsberg.

Russia WTO talks 'make progress'

Talks on Russia's proposed membership of the World Trade Organisation (WTO) have been "making good progress" say those behind the negotiations.

But the chairman of the working party, Ambassador Stefan Johannesson of Iceland, warned that there was "still a lot of work has to be done". His comments came as President George W Bush said the US backed Russian entry. But he said for Russia to make progress the government must "renew a commitment to democracy and the rule of law". His comments come three days before he is due to meet President Vladimir Putin.

Russia has been waiting for a decade to join the WTO and hopes to finally become a member by early 2006. A decision could be reached in December, when the WTO's 148 current members gather for a summit in Hong Kong. That would allow an earliest date for membership of January 2006, if the Hong Kong summit gave its approval. While pinpointing several areas in which there are difficulties in the bilateral and multilateral work with Russia, the US said the meeting was "much more efficient than we've seen for some time". And Australia said it was "one of the best (meetings) we can recall in terms of substance". Mr Johannesson also said progress "on the bilateral market access side is accelerating". Sticking points to membership have included limits on foreign ownership in the telecommunications and life insurance businesses, as well as issues surrounding counterfeiting, piracy, and data protection. Some WTO members also dislike Russia's energy price subsidies, which competitors say give Russian businesses an unfair advantage.

India's rupee hits five-year high

India's rupee has hit a five-year high after Standard & Poor's (S&P) raised the country's foreign currency rating.

The rupee climbed to 43.305 per US dollar on Thursday, up from a close of 43.41. The currency has gained almost 1% in the past three sessions. S&P, which rates borrowers' creditworthiness, lifted India's rating by one notch to 'BB+'. With Indian assets now seen as less of a gamble, more cash is expected to flow into its markets, buoying the rupee.

"The upgrade is positive and basically people will use it as an excuse to come back to India," said Bhanu Baweja, a strategist at UBS. "Money has moved out from India in the first two or three weeks of January into other markets like Korea and Thailand and this upgrade should lead to a reversal." India's foreign currency rating is now one notch below investment grade, which starts at 'BBB-'. The increase has put it on the same level as Romania, Egypt and El Salvador, and one level below Russia.

Dollar drops on reserves concerns

The US dollar has dropped against major currencies on concerns that central banks may cut the amount of dollars they hold in their foreign reserves.

Comments by South Korea's central bank at the end of last week have sparked the recent round of dollar declines. South Korea, which has about $200bn in foreign reserves, said it plans instead to boost holdings of currencies such as the Australian and Canadian dollar. Analysts reckon that other nations may follow suit and now ditch the dollar. At 1300 GMT, the euro was up 0.9% on the day at 1.3187 euros per US dollar. The British pound had added 0.5% to break through the $1.90 level, while the dollar had fallen by 1.3% against the Japanese yen to trade at 104.16 yen.

At the start of the year, the US currency, which had lost 7% against the euro in the final three months of 2004 and had fallen to record lows, staged something of a recovery.

Analysts, however, pointed to the dollar's inability recently to extend that rally despite positive economic and corporate data, and highlighted the fact that many of the US's economic problems had not disappeared. The focus once again has been on the country's massive trade and budget deficits, with predictions of more dollar weakness to come. "The comments from Korea came at a time when sentiment towards the dollar was already softening," said Ian Gunner, a trader at Mellon Financial. On Tuesday, traders in Asia said that both South Korea and Taiwan had withdrawn their bids to buy dollars at the start of the session. Mansoor Mohi-Uddin, chief currency strategist at UBS, said that there was a sentiment in the market that "central banks from Asia and the Middle East are buying euros". A report last month already showed that the dollar was losing its allure as a currency that offered rock-steady returns and stability. Compiled by Central Banking Publications and sponsored by the UK's Royal Bank of Scotland, the survey found 39 nations out of 65 questioned were increasing their euro holdings, with 29 cutting back on the US dollar.

India and Russia in energy talks

India and Russia are to work together in a series of energy deals, part of a pact which could see India invest up to $20bn in oil and gas projects.

On the agenda are oil and gas extraction as well as transportation deals, to be led by Russian energy giant Gazprom and India's ONGC. The Indian firm is also expected to hold talks on Tuesday about buying a stake in assets once owned by Yukos. It is reported to be keen on buying a 15% stake in oil unit Yuganskneftegas. The former Yukos subsidiary was controversially sold off last year and eventually acquired by state-owned energy giant Rosneft.

Russian media reported that India and Russia signed a memorandum of understanding on energy co-operation on Tuesday during a meeting between Oil and Natural Gas Corporation chairman Subir Raha, Gazprom chairman Aleksey Miller and India's petroleum minister Mani Shankar Aiyar.

The agreement is likely to see the two companies develop refining facilities in Russia, India and elsewhere and organise delivery of oil, gas and petrochemicals from Russia to India and other countries across Asia. ONGC could invest in gas and oil fields in Sakhalin, in the far east of Russia, and may also take part in joint tender bids for projects in eastern Siberia and the Caspian Sea.

India is urgently searching for fresh energy supplies - particularly liquefied natural gas - as domestic demand is growing at more than 5% a year.

ONGC's Mr Raha said the two could work together on joint bids from next year. "At current oil and gas prices, our cash flow situation is good," he told Reuters. "What we are saying is - Gazprom has a huge amount of gas and we have the money. "The investment may go up to $20bn or more for a period of five years or so."

Russian news agencies reported that India's petroleum minister Mr Aiyar and Russian energy minister Viktor Khristenko would discuss the future of Yugansk at a meeting on Tuesday. ONGC's Mr Raha declined to be drawn on his firm's reported interest in the company. However, he stressed that ONGC was not interested in a 'loan-for-oil deal' in connection to Yugansk, similar to that concluded recently between Rosneft and China's National Petroleum Corporation. "China's problem is it has immediate demand and they needed the oil for their coastal refineries. We do not. We would like long-term security through equity participation." It is thought that any decision over Yugansk will be delayed until a US court has decided whether to grant Yukos bankruptcy protection. Yukos is suing a host of companies involved in the sale of Yugansk, auctioned off to pay a huge back-tax bill. It has also threatened legal action against any business which has future commercial dealings with its former subsidiary.

Weak data buffets French economy

A batch of downbeat government data has cast doubt over the French economy's future prospects.

Official figures showed on Friday that unemployment was unchanged at 9.9% last month, while consumer confidence fell unexpectedly in October. At the same time, finance minister Nicolas Sarkozy warned that high oil prices posed a threat to French growth. "[Oil prices] will weigh on consumer spending in the short term, and potentially on confidence," he said. World oil prices have risen by more than 60% since the start of the year as production struggles to keep pace with soaring demand.

Analysts said French companies, keen to protect their profit margins at a time of rising energy costs, were reluctant to take on extra staff. "[The unemployment figures] show the main problem of the French economy: we have growth but without an improvement in employment," said Marc Touati, an economist at Natexis Banques Populaires. "Politicians must have the will and guts to solve structural unemployment with thorough reforms, otherwise in five or ten years, it will be too late." Obligatory employer contributions to worker welfare programmes mean that it costs more to hire staff in France than in many other European economies. Many economists have urged the government to stimulate employment by reducing non-wage payroll costs, and by scrapping restrictions on working hours. The French statistics agency, INSEE, expects the economy to grow by about 2.4% this year, buoyed by strong consumer spending and business investment. That is above the projected eurozone average of just above 2%.

Business fears over sluggish EU economy

As European leaders gather in Rome on Friday to sign the new EU constitution, many companies will be focusing on matters much closer to home - namely how to stay in business.

Lille is a popular tourist destination for Britons who want a taste of France at the weekend. But how many tourists look at the impressively grand Victorian Chambre de Commerce, which stands beside the Opera House, and consider that it was built - like the town halls in many northern English towns - on the wealth created by coal, steel and textiles? Like northern England and industrial Scotland, those industries have been in long term decline - the last coal pit closed in 1990. Beck-Crespel is a specialist steel firm in Armentieres, about 20 miles from Lille. The company has not laid off a worker since 1945. It specialises in making bolts and fixings for power stations and the oil industry, but not many of those are being built in Europe these days.

Director Hugues Charbonnier says he is under pressure because factories in the Far East are able to make some of his output more cheaply, while his key markets are now in China and India. "In our business the market is absolutely global, you can not imagine living with our size (of business) even within an enlarged European Union, (if we did that) we would need not 350 people but perhaps just 150 or 200," he says. It isn't just globalisation that is hurting; the law in France means workers are paid for a 39 hour week even though they work just 35 hours. But at least there is still a steel industry. Coal has now totally vanished and textiles are struggling. New business has been attracted, but not enough to make up the difference.

That is one reason why people here are not great fans of the EU, says Frederic Sawicki, a politics lecturer at the University of Lille.

"In the region today the unemployment rate is 12%, in some areas it is 15%. They don't see what Europe is doing for them, so there is a kind of euro scepticism, especially in the working classes," he says. Which is strange because Lille is at the crossroads of Europe - if anywhere should be benefiting from the euro it is here. The euro was designed to increase trade within the eurozone, but the biggest increase in trade has been with the rest of the world. Much of that trade passes through the world's largest port, Rotterdam, in Holland, home to specialist crane maker Huisman Itrec. Its cranes help build oil rigs and lifted the sunken Russian submarine Kursk from the sea bed, but Huisman Itrec is now setting up a factory in China, where costs are cheaper and its main customers are closer.

Boss Henk Addink blames the low growth rate in Europe for the lack of orders closer to home. "In the US growth is something like 6%, in China they are estimating 15%, and in the EU it is more or less 1%," he says. Mr Addink blames the euro for stifling demand. He much preferred the old currencies of Europe, which moved in relation to each country's economic performance. In Germany, industry is exporting more these days, but the economy as a whole is once again mired in slow growth and high unemployment. Growth is likely to peak this year at just under 2%. In Britain that would be a bad year; in Germany it is one of the best in recent years. With Germany making up a third of the eurozone's economy, this is a major problem. If Germany doesn't once again become the powerhouse of Europe, growth across the bloc is never going to be as strong as it could be. However, at one factory near the Dutch border things are changing.

The Siemens plant at Boscholt makes cordless phones and employs 2,000 staff. Staff have started working an extra four hours a week for no extra pay, after Siemens threatened to take the factory and their jobs to Hungary. Factory manager Herbert Stueker says that he now hopes to increase productivity "by nearly 30%". But Germany needs much more reform if all its industry is to compete with places such Hungary or China. The Government is reforming the labour market and cutting the generous unemployment system, but the real solution is to cut the wages of low skilled workers, says Helmut Schneider, director of the Institute for the Study of Labour at Bonn University. "Labour is too costly in Germany, especially for the low skilled labour and this is the main problem. If we could solve that problem we could cut unemployment by half," he says. The EU set itself the target of being the most efficient economy in the world by 2010. Four years into that process, and the target seems further away than ever.

M&S cuts prices by average of 24%

Marks & Spencer has cut prices in London and the regions by an average of 24%, according to research from a City investment bank.

Dresdner Kleinwort Wasserstein said: "In spite of the snow in the UK, it still feels very early to be cutting prices of spring merchandise." Stuart Rose, head of M&S, said last year its prices were too high. "We are bringing in ranges at new price points to compete against mid-market retailers like Next," said M&S.

Next is one of M&S's biggest competitors and the move may force it to lower prices. DrKW said the cuts are either to clear stock or could indicate a longer term "step change in pricing in certain areas" at M&S. "Either way, this cannot be good news for M&S' margin," it added. "We have brought in quite a lot of new clothing at new price points as part of Stuart Rose's strategy of quality, style -and price," said the M&S spokesman. Many analysts believe February is proving to be a difficult month for retailers and British Retail Consortium figures, due in a few weeks, are expected to reflect the tough trading environment. Separately, investment bank Goldman Sachs produced reseach showing that a basket of 35 M&S goods is now 11% above the high-street average, compared with 43% higher last year.

It has been a strange week for M&S, which on Tuesday received a statement from Philip Green, the billionaire Bhs owner, confirming he was not rebidding for the company. This was followed the same day by Mark Paulsmeier, a South African financier, issuing a press release saying his Paulsmeier Group was interested in M&S. A sudden spike in M&S's share price followed. However, an M&S spokesman said on Sunday it had no evidence that Mr Paulsmeier had lined up sufficient finance for a bid. He also said the Takeover Panel and the UK's financial watchdog the Financial Services Authority had been in touch with M&S at the beginning of the week to find out what it knew about the Paulsmeier developments.

Fiat chief takes steering wheel

The chief executive of the Fiat conglomerate has taken day-to-day control of its struggling car business in an effort to turn it around.

Sergio Marchionne has replaced Herbert Demel as chief executive of Fiat Auto, with Mr Demel leaving the company. Mr Marchionne becomes the fourth head of the business - which is expected to make a 800m euro ($1bn) loss in 2004 - in as many years. Fiat underperformed the market in Europe last year, seeing flat sales.

The car business has made an operating loss in five of the last six years and was forced to push back its break-even target from 2005 to 2006. The management changes are part of a wider shake-up of the business following Fiat's resolution of its dispute with General Motors. As part of a major restructuring, Fiat is to integrate the Maserati car company - currently owned by Ferrari - within its own operations. Ferrari, in which Fiat owns a majority stake, could be separately floated on the stock market in either 2006 or 2007.

Mr Marchionne, who only joined the company last year, said Fiat Auto was now the "principal focus" of his attention. "I have made the decision to take on the post of chief executive of the auto unit to speed up the company's recovery," he said. "A profound cultural transformation is underway following a management reorganisation that has delivered a more agile and efficient structure," he added.

Although Mr Marchionne does not have a background in the car industry, he has been playing an increasing role in the group's activities. Last year, he said that a series of new models, launched as part of the group's recovery plan, had not boosted revenues as much as hoped. The car business, best known for its Alfa Romeo marque, is expected to make a loss of about 800m euros in 2004. Sales are expected to fall in 2005, Fiat said this week, as it exits unprofitable areas such as the rental car market. Mr Demel, a car industry veteran, took the helm in November 2003 after being recruited by former Fiat chief executive Giuseppe Morchio. Mr Morchio made a bid last year to become chairman after the death of president Umberto Agnelli. However, this was rejected by the founding Agnelli family and Mr Morchio subsequently resigned. Earlier this week, Fiat reached an agreement with GM to dissolve an alliance which could have obliged GM to buy the Italian firm outright. GM will pay Fiat $2bn as part of the settlement.

UK 'risks breaking golden rule'

The UK government will have to raise taxes or rein in spending if it wants to avoid breaking its "golden rule", a report suggests.

The rule states that the government can borrow cash only to invest, and not to finance its spending projects. The National Institute of Economic and Social Research (NIESR) claims that taxes need to rise by about Â£10bn if state finances are to be put in order. The Treasury said its plans were on track and funded until 2008. According to NIESR, if the government's current economic cycle runs until March 2006 then it is "unlikely" the golden rule will be met. Should the cycle end a year earlier, then the chances improve to "50/50". Either way, fiscal tightening is needed, NIESR said.

The report is the latest to call into question the viability of government spending projections. Earlier this month, accountancy firm Ernst & Young said that Chancellor of the Exchequer Gordon Brown's forecasts for tax revenues were too optimistic.

It claimed revenues were likely to be Â£6bn below estimates by the end of the tax year despite the economy growing in line with forecasts. A Treasury spokesperson dismissed the latest claims, saying it was "on track to meeting spending rules and the golden rule in the current cycle and beyond". "Spending plans have been set out until 2008 and they are fully affordable." Other than its warning on possible tax hikes, the NIESR report was optimistic about the state of the UK and global economy.

It said the recent record-busting surge in oil prices would have a limited effect on worldwide expansion, saying that if anything the "world economy will continue to grow strongly". Global gross domestic product (GDP) is tipped to be 4.1% this year, dipping to 4% in 2005, before picking up again to 4.2% in 2006. The US will continue to drive expansion until 2006, albeit at a slightly slower rate, as will be the case in Japan. Hinting at better times for UK exporters, NIESR said the euro zone "is expected to pick up speed".

Growth in Britain also is set to accelerate, it forecast. "Despite weak growth in the third quarter, the forces sustaining the upswing remain intact and the economy will expand robustly in 2005 and 2006," NIESR said, adding that "the economy will become better balanced over the next two years as exports stage a recovery". GDP is expected at 3.2% in 2004, and 2.8% in both 2005 and 2006. The main cloud on the horizon, NIESR said, was the UK's much analysed and fretted over property market.

WorldCom director admits lying

The former chief financial officer at US telecoms firm WorldCom has admitted before a New York court that he used to lie to fellow board members.

Speaking at the trial of his former boss Bernard Ebbers, Scott Sullivan said he lied to the board to cover up the hole in WorldCom's finances. Mr Ebbers is on trial for fraud and conspiracy in relation to WorldCom's collapse in 2002. He pleads not guilty. The firm had been overstating its accounts by $11bn (Â£8.5bn). Mr Sullivan, 42, has already pleaded guilty to fraud and will be sentenced following Mr Ebbers' trial, where he is appearing as a prosecution witness. Mr Ebbers, 63, has always insisted that he was unaware of any hidden shortfalls in WorldCom's finances.

In the New York court on Wednesday, Mr Ebbers' lawyer Reid Weingarten asked Mr Sullivan: "If you believe something is in your interest, you are willing and able to lie to accomplish it, isn't that right?"

"On that date, yes. I was lying," replied Mr Sullivan. Mr Weingarten has suggested that Mr Sullivan is implicating Mr Ebbers only to win a lighter sentence, something Mr Sullivan denies. Mr Sullivan also rejects a suggestion that he had once told fellow WorldCom board member Bert Roberts that Mr Ebbers was unaware of the accounting fraud at WorldCom. The trial of Mr Ebbers is now into its third week.

Under 23 hours of questioning from a federal prosecutor, Mr Sullivan has previously told the court that he repeatedly warned Mr Ebbers that falsifying the books would be the only way to meet Wall Street revenue and earnings expectations. Mr Sullivan claims that Mr Ebbers refused to stop the fraud. Mr Ebbers could face a sentence of 85 years if convicted of all the charges he is facing. WorldCom's problems appear to have begun with the collapse of the dotcom boom which cut its business from internet companies. Prosecutors allege that the company's top executives responded by orchestrating massive fraud over a two-year period. WorldCom emerged from bankruptcy protection in 2004, and is now known as MCI.

Call centre users 'lose patience'

Customers trying to get through to call centres are getting impatient and quicker to hang up, a survey suggests.

Once past the welcome message, callers on average hang up after just 65 seconds of listening to canned music. The drop in patience comes as the number of calls to call centres is growing at a rate of 20% every year. "Customers are getting used to the idea of an 'always available' society," says Cara Diemont of IT firm Dimension Data, which commissioned the survey. However, call centres also saw a sharp increase of customers simply abandoning calls, she says, from just over 5% in 2003 to a record 13.3% during last year. When automated phone message systems are taken out of the equation, where customers have to pick their way through multiple options and messages, the number of abandoned calls is even higher - a sixth of all callers give up rather than wait. One possible reason for the lack in patience, Ms Diemont says, is the fact that more customers are calling 'on the move' using their mobile phones.

The surge in customers trying to get through to call centres is also a reflection of the centres' growing range of tasks. "Once a call centre may have looked after mortgages, now its agents may also be responsible for credit cards, insurance and current accounts," Ms Diemont says. Problems are occurring because increased responsibility is not going hand-in-hand with more training, the survey found.

In what Dimension Data calls an "alarming development", the average induction time for a call centre worker fell last year from 36 to just 21 days, leaving "agents not equipped to deal with customers". This, Ms Diemont warns, is "scary" and not good for the bottom line either. Poor training frustrates both call centre workers and customers. As a result, call centres have a high "churn rate", with nearly a quarter of workers throwing in the towel every year, which in turn forces companies to pay for training new staff. Resolution rates - the number of calls where a customer's query is resolved to mutual satisfaction - are running at just 50%. When the query is passed on to a second or third person - a specialist or manager - rates rise to about 70%, but that is still well below the industry target of an 85% resolution rate.

Suggestions that "outsourcing" - relocating call centres to low-cost countries like India or South Africa - is to blame are wrong, Ms Diemont says.

There are "no big differences in wait time and call resolution" between call centres based in Europe or North America and those in developing countries around the world. "You can make call centres perform anywhere if you have good management and the right processes in place," she says. However, companies that decide to "offshore" their operations are driven not just by cost considerations. Only 42% of them say that saving money is the main consideration when closing domestic call centre operations.

Half of them argue that workers in other countries offer better skills for the money. But not everybody believes that outsourcing and offshoring are the solution. Nearly two-thirds of all firms polled for the survey have no plans to offshore their call centres. They give three key reasons for not making the move:

- call centre operations are part of their business "core function",
- they are worried about the risk of going abroad,
- they fear that they will damage their brand if they join the offshoring drive. The survey was conducted by Sunovate on behalf of Dimension Data, and is based on in-depth questionnaires of 166 call centres in 24 countries and five continents. What are your experiences with call centres? Are you happy to listen to Vivaldi or Greensleeves, or do you want an immediate response? And if you work in a call centre: did your training prepare you for your job?

Novartis hits acquisition trail

Swiss drugmaker Novartis has announced 5.65bn euros ($7.4bn; Â£3.9bn) of purchases to make its Sandoz unit the world's biggest generic drug producer.

Novartis, which last month forecast record sales for 2005, said it had bought all of Germany's Hexal. It also acquired 67.7% of Hexal's US affiliate Eon Labs, and offered to buy the remaining shares for $31 each. Novartis said that it would be able to make cost savings of about $200m a year following the acquisitions. Novartis' shares rose 1% to 57.85 Swiss francs in early trading.

The deal will see Novartis' Sandoz business overtake Israel's Teva Pharmaceuticals as the world's biggest maker of generics. Based on 2004 figures the newly merged producer would have sales of more than $5bn, the company estimated. Novartis said that it would merge a number of departments, adding that there may be job cuts.

"The strong growth outlook for Sandoz, which will create jobs, is expected to partially compensate for necessary reductions in the work force," the firm said in a statement. Generic drugs are chemically identical to their more expensive branded rivals. Producers such as Sandoz can copy the branded products usually after their patent protection expires and can sell them more cheaply as they do not have to pay research and development cost.

There are more than 150 generic drugmakers worldwide and analysts have predicted consolidation in a market that they call fragmented. However, not all analysts were initially convinced about the deal. "This is a very expensive acquisition," Birgit Kuhlhoff, from Sal Oppenheim investment bank, told Reuters. "I find it strange that they are making acquisitions in exactly those markets where they suffered price pressure."

Economy 'strong' in election year

UK businesses are set to prosper during the next few months - but this could trigger more interest rate rises, according to a report.

Optimism is at its highest since 1997 and business will reap the benefits of a continuing rise in public spending, say researchers at BDO Stoy Hayward. The Bank of England is expected to keep rates on hold this week - but they could go up later in the year. Rates are likely to rise after the anticipated general election in May. The BDO optimism index - a leading indicator of GDP growth two quarters ahead edged up in January to 102.5, from 102.2 in October. The rise is due, in part, to an increase in public spending and increased merger and acquisition activity.

The only thing blighting business optimism this year will be uncertainties associated with the general election, BDO said. Its BDO's output index - which predicts GDP movements a quarter in advance - remained at 100.8 for January, implying GDP growth at 2.9% in the second quarter of 2005. However, the output index is being held back by recent interest rate rises, sterling's strength against the dollar and high oil prices, the group noted. Its inflation index, which has risen continuously over the last 8 months, climbed to 110.0 in January from 108.0 in October last year. "The UK is looking strong going into the general election, but businesses need to prepare themselves for a jolt ahead as the Bank of England reacts to growth and inflationary pressures," said Peter Hemington, partner at BDO Stoy Hayward. "Growth will probably slow by the end of 2005 and it is likely that we will see higher interest rates or a sharp drop in demand for products and services."

Sluggish economy hits German jobs

The number of people out of work in Europe's largest economy has risen for the tenth straight month as growth remains stubbornly slow.

German unemployment rose 7,000 in November to 4.464 million people, or 10.8% of the workforce. The seasonally adjusted rise showed a smaller rise than expected, as government measures to encourage job creation began to take effect. But officials said stagnant growth was still stifling the job market. "There are clear signs of a revival in domestic demand," said Frank-Juergen Weise, head of the Federal Labour Agency, in a statement. "But growth of 0.1%... in the third quarter is still insufficient to deliver positive momentum to the labour market." High oil prices and the soaring euro - which damages the competitiveness of exporters - were also having a negative effect, he said. The brunt of the unemployment is still being felt in the eastern part of Germany, where the rate is 18.8%.

With unemployment stuck above 4 million for years, the government of Chancellor Gerhard Schroeder has put job creation at the top of the agenda. A controversial package of measures to shake up incentives to get back to work, paid for by cutting some cherished benefits, has sparked anger among some German workers. Strikes in a number of industries, notably among the country's iconic carmakers, have demonstrated the displeasure - as well as fears about further job losses as outsourcing takes hold. Among the new initiatives are the so-called "one-euro jobs" which top up unemployment benefit. The scheme's formal launch is January, but hirings for these positions are already taking place and affecting the unemployment statistics, economists said. "The deterioration of the labour market does not come as a surprise," said Isabelle Kronawitter at Hypovereinsbank. "Job creation measures probably prevented a stronger increase in the seasonally adjusted numbers."

Sales 'fail to boost High Street'

The January sales have failed to help the UK High Street recover from a poor Christmas season, a survey has found.

Stores received a boost from bargain hunters but trading then reverted to December levels, the British Retail Consortium and accountants KPMG said. Sales in what is traditionally a strong month rose by 0.5% on a like-for-like basis, compared with a year earlier. Consumers remain cautious over buying big-ticket items like furniture, said BRC director general Kevin Hawkins. Higher interest rates and uncertainty over the housing market continue to take their toll on the retail sector, the BRC said. But clothing and footwear sales were said to be generally better than December, while department stores also had a good month.

In the three-months to January, like-for-like sales showed a growth rate of -0.1%, the same as in the three months to December, the BRC said. "Following a relatively strong New Year's bank holiday, trading then took a downward turn," said Mr Hawkins. "Even extending some promotions and discounts and the pay-day boost later in the month could not tempt customers." The previous BRC survey found Christmas 2004 was the worst for 10 years for retailers. And according to Office for National Statistics data, sales in December failed to meet expectations and by some counts were the worst since 1981.

Call to save manufacturing jobs

The Trades Union Congress (TUC) is calling on the government to stem job losses in manufacturing firms by reviewing the help it gives companies.

The TUC said in its submission before the Budget that action is needed because of 105,000 jobs lost from the sector over the last year. It calls for better pensions, child care provision and decent wages. The 36-page submission also urges the government to examine support other European countries provide to industry. TUC General Secretary Brendan Barber called for "a commitment to policies that will make a real difference to the lives of working people."

"Greater investment in childcare strategies and the people delivering that childcare will increases the options available to working parents," he said. "A commitment to our public services and manufacturing sector ensures that we can continue to compete on a global level and deliver the frontline services that this country needs." He also called for "practical measures" to help pensioners, especially women who he said "are most likely to retire in poverty". The submission also calls for decent wages and training for people working in the manufacturing sector.

Bat spit drug firm goes to market

A German firm whose main product is derived from the saliva of the vampire bat is looking to raise more than 70m euros ($91m; Â£49m) on the stock market.

The firm, Paion, said that it hoped to sell 5 million shares - a third of the firm - for 11-14 euros a share. Its main drug, desmoteplase, is based on a protein in the bat's saliva. The protein stops blood from clotting - which helps the bat to drink from its victims, but could also be used to help stroke sufferers. The company's shares go on sale later this week, and are scheduled to start trading on the Frankfurt Stock Exchange on 10 February. If the final price is at the top of the range, the company could be valued at as much as 200m euros. The money raised will be spent largely on developing the company's other drugs, since desmoteplase has already been licensed to one manufacturer, Forest Laboratories.

Firms pump billions into pensions

Employers have spent billions of pounds propping up their final salary pensions over the past year, research suggests.

A survey of 280 schemes by Incomes Data Services' (IDS) said employer contributions had increased from Â£5.5bn to Â£8.2bn a year, a rise of 49.7%. Companies facing the biggest deficits had raised their pension contributions by 100% or more, IDS said. Many firms are struggling to keep this type of scheme open, because of rising costs and increased liabilities. A final salary scheme, also known as a defined benefit scheme, promises to pay a pension related to the salary the scheme member is earning when they retire.

The rising cost of maintaining such schemes has led many employers to replace final salary schemes with money purchase, or defined contribution, schemes. These are less risky for employers. Under money purchase schemes, employees pay into a pension fund which is used to buy an annuity - a policy which pays out an income until death - on retirement.

IDS said there were some schemes in good health.

But, in many cases, firms had been forced to top up funds to tackle "yawning deficits". The level of contributions paid by employers has increased gradually since the late 1990s. In 1998/99, for example, contributions rose by 4.7% and in 2002/03 by 8.6%. In contrast, between 1996 and 1998, some employers cut their contribution levels. Helen Sudell, editor of the IDS Pensions Service, said the rise in contributions was "staggering" and the highest ever recorded by IDS. "We have warned before that the widespread closure of final salary schemes to new entrants is just the beginning of a much bigger movement away from paternalistic provision," said Ms Sudell. "With figures like this there can be little doubt that many employers will have to reduce future benefits at some point for those staff still in these schemes."

UK homes hit Â£3.3 trillion total

The value of the UK's housing stock reached the Â£3.3 trillion mark in 2004 - triple the value 10 years earlier, a report indicates.

Research from Halifax, the country's biggest mortgage lender, suggests the value of private housing stock is continuing to rise steadily. All regions saw at least a doubling in their assets during the past decade. But Northern Ireland led the way with a 262% rise, while Scotland saw the smallest increase of just 112%.

The core retail price index rose by just 28% in the same period, underlining how effective an investment in housing has been for most people during the past decade. More than a third of the UK's private housing assets - representing more than a trillion pounds in value - are concentrated in London and the South East, the Halifax's figures indicate. Tim Crawford, Group Economist at Halifax, said: "The value of the private housing stock continues to grow and the family home remains, by a large margin, the most valuable asset of the majority of households in the UK." Halifax's own monthly figures on house sales - issued on Thursday - suggest the average price of a British property now stands at Â£163,748 after a 0.8% rise in January. Housing experts are split on prospects for the market, with some saying price growth will slow but not fall, while others predict a sharp drop in values.

Market unfazed by Aurora setback

As the Aurora limped back to its dock on 20 January, a blizzard of photos and interviews seemed to add up to an unambiguous tale of woe.

The ship had another slice of bad luck to add to its history of health scares and technical trouble. And its owner, P&O Cruises - now part of the huge US Carnival Corporation - was looking at a significant slice chopped off this year's profits and a potential PR fiasco. No-one, however, seems to have told the stock markets. The warning of a five-cent hit to 2005 earnings came just 24 hours after one of the world's biggest investment banks had upped its target for Carnival's share price, from Â£35 to Â£36.20. Other investors barely blinked, and by 1300 GMT Carnival's shares in London were down a single penny, or 0.03%, at Â£32.26.

Why the mismatch between the public perception and the market's response? "The Aurora issue had been an ongoing one for some time," says Deutsche Bank's Simon Champion. "It was clearly a source of uncertainty for the company - it was a long cruise, after all. But the stock market is very good at treating these issues as one-off events."

Despite its string of bad luck, he pointed out, Aurora is just one vessel in a large Carnival fleet, the UK's P&O Princess group having been merged into the much larger US firm in 2003. And generally speaking, Carnival has a reputation for keeping its ships pretty much on schedule. "Carnival has an incredibly strong track record," Mr Champion.

Similarly, analysts expect the impact on the rest of the cruise business to be limited. The hundreds of disappointed passengers who have now had to give up the opportunity to spend the next three months on the Aurora have got both a refund and a credit for another cruise. That should mitigate some of the PR risk, both for Carnival and its main competitor, Royal Caribbean. "While not common, cancellations for technical reasons are not entirely unusual in the industry," wrote analysts from Citigroup Smith Barney in a note to clients on Friday. "Moreover, such events typically have a limited impact on bookings and pricing for future cruises." After all, the Aurora incident may be big news in the UK - but for Carnival customers elsewhere it's unlikely to make too much of a splash.

Assuming that Citigroup is right, and demand stays solid, the structure of the industry also works in Carnival's favour. In the wake of P&O Princess's takeover by Carnival, the business is now to a great extent a duopoly. Given the expense of building, outfitting and running a cruise ship, "slowing supply growth" is a certainty, said David Anders at Merrill Lynch on Thursday. In other words, if you do want a cruise, your options are limited. And with Carnival remaining the market leader, it looks set to keep selling the tickets - no matter what happens to the ill-fated Aurora in the future.

Glaxo aims high after profit fall

GlaxoSmithKline saw its profits fall 9% last year to Â£6.2bn ($11.5bn), but Europe's biggest drugmaker says a recovery during 2005 is on the way.

Cheap copies of its drugs, particularly anti-depressants Paxil and Wellbutrin, and a weak dollar had hit profits, but global sales were up 1% in 2004. The firm is confident its new drug pipeline will deliver profits despite the failure of an obesity drug. Chief executive Jean-Pierre Garnier said it had been a "difficult year".

In early afternoon trade in London the company share price was down 1% at 1218 pence. Mr Garnier said the company had absorbed over Â£1.5bn of lost sales to generics but still managing to grow the business. "The continuing success of our key products means we can now look forward to a good performance in 2005," he said. "2005 will also be an important year in terms of research and development pipeline progress." However, the firm discontinued development of an experimental treatment for obesity, known as '771, after disappointing clinical trial results. Glaxo is relying on new treatments for conditions such as cancer, diabetes, depression, HIV/AIDS and allergies to lift the pace of sales growth after several disappointing years.

Renault boss hails 'great year'

Strong sales outside western Europe helped Renault boost its profits by more than 40% in 2004 although the firm warned of lower margins this year.

France's second largest carmaker enjoyed a healthy 43% rise in net profits to 2.4bn euros ($3.1bn; Â£2.9bn) as sales rose 8% to 40.7bn euros. The firm said strong demand outside western Europe and the good performance of its Megane range lifted its results. Chairman Louis Schweitzer said 2004 had been a "great year" for the firm.

Renault sold more than 2.4 million vehicles in 2004, an increase of 4% on the previous year. Growth came mainly from outside western Europe, with particularly strong sales in Turkey, Russia and North Africa.

In total, sales outside western Europe - Renault's core market - rose 16.5%. Japanese carmaker Nissan - in which Renault owns a 44% stake - contributed 1.7bn euros in net income over the year. Nissan chairman

Carlos Ghosn is to succeed Mr Schweitzer at the head of Renault later this year.

Renault said the outlook for the industry in Europe this year was "stable", with small growth forecast in other regions. The firm will benefit from the launch of a new Clio model in the coming year and the roll-out of the Logan in many markets. However, the firm said it expected operating margins to be lower in 2005, at 4% of sales as opposed to 5%. "In a sluggish market and an environment impacted by the rise in raw material prices, Renault intends to continue to grow its global sales," the company said in a statement.

Safety alert as GM recalls cars

The world's biggest carmaker General Motors (GM) is recalling nearly 200,000 vehicles in the US on safety grounds, according to federal regulators.

The National Highway Traffic Safety Administration (NHTSA) said the largest recall involves 155,465 pickups, vans and sports utility vehicles (SUVs). This is because of possible malfunctions with the braking systems. The affected vehicles in the product recall are from the 2004 and 2005 model years, GM said. Those vehicles with potential faults are the Chevrolet Avalanche, Express, Kodiak, Silverade and Suburban; the GMC Savana, Sierra and Yukon.

The NHTSA said a pressure accumulator in the braking system could crack during normal driving and fragments could injure people if the hood was open. This could allow hydraulic fluid to leak, which could make it harder to brake or steer and could cause a crash, it warned. GM is also recalling 19,924 Cadillac XLR coupes, SRX SUVs and Pontiac Grand Prix sedans from the 2004 model year. This is because the accelerator pedal may not work properly in extremely cold temperatures, requiring more braking. In addition, the car giant is calling back 17,815 Buick Raniers, Chevrolet Trailblazers, GMC Envoys and Isuzu Ascenders from the 2005 model years because the windshield is not properly fitted and could fall out in a crash. However, GM stressed that it did not know of any injuries related to the problems. News of the recall follows an announcement last month that GM expects earnings this year be lower than in 2004. The world's biggest car maker is grappling with losses in its European business, weak US sales and now a product recall. In January, GM said higher healthcare costs in North America, and lower profits at its financial services subsidiary would hurt its performance in 2005.

Asian quake hits European shares

Shares in Europe's leading reinsurers and travel firms have fallen as the scale of the damage wrought by tsunamis across south Asia has become apparent.

More than 23,000 people have been killed following a massive underwater earthquake and many of the worst hit areas are popular tourist destinations. Reisurance firms such as Swiss Re and Munich Re lost value as investors worried about rebuilding costs. But the disaster has little impact on stock markets in the US and Asia.

Currencies including the Thai baht and Indonesian rupiah weakened as analysts warned that economic growth may slow. "It came at the worst possible time," said Hans Goetti, a Singapore-based fund manager. "The impact on the tourist industry is pretty devastating, especially in Thailand." Travel-related shares dropped in Europe, with companies such as Germany's TUI and Lufthansa and France's Club Mediterranne sliding. Insurers and reinsurance firms were also under pressure in Europe.

Shares in Munich Re and Swiss Re - the world's two biggest reinsurers - both fell 1.7% as the market speculated about the cost of rebuilding in Asia. Zurich Financial, Allianz and Axa also suffered a decline in value.

However, their losses were much smaller, reflecting the market's view that reinsurers were likely to pick up the bulk of the costs. Worries about the size of insurance liabilities dragged European shares down, although the impact was exacerbated by light post-Christmas trading. Germany's benchmark Dax index closed the day 16.29 points lower at 3.817.69 while France's Cac index of leading shares fell 5.07 points to 3.817.69. Investors pointed out, however, that declines probably would be industry specific, with the travel and insurance firms hit hardest. "It's still too early for concrete damage figures," Swiss Re's spokesman Floiran Woest told Associated Press. "That also has to do with the fact that the damage is very widely spread geographically."

The unfolding scale of the disaster in south Asia had little immediate impact on US shares, however. The Dow Jones index had risen 20.54 points, or 0.2%, to 10,847.66 by late morning as analsyts were cheered by more encouraging reports from retailers about post-Christmas sales. In Asian markets, adjustments were made quickly to account for lower earnings and the cost of repairs. Thai Airways shed almost 4%. The country relies on tourism for about 6% of its total economy. Singapore Airlines dropped 2.6%. About 5% of Singapore's annual gross domestic product (GDP) comes from tourism. Malaysia's budget airline, AirAsia fell 2.9%. Resort operator Tanco Holdings slumped 5%.

Travel companies also took a hit, with Japan's Kinki Nippon sliding 1.5% and HIS dropping 3.3%. However, the overall impact on Asia's largest stock market, Japan's Nikkei, was slight. Shares fell just 0.03%. Concerns about the strength of economic growth going forward weighed on the currency markets. The Indonesian rupiah lost as much as 0.6% against the US dollar, before bouncing back slightly to trade at 9,300. The Thai baht lost 0.3% against the US currency, trading at 39.10. In India, where more than 2,000 people are thought to have died, the rupee shed 0.1% against the dollar Analysts said that it was difficult to predict the total cost of the disaster and warned that share prices and currencies would come under increasing pressure as the bills mounted.

Oil prices reach three-month low

Oil prices have fallen heavily for a second day, closing at three-month lows after news that US crude stocks have improved ahead of winter.

London Brent crude closed at $40.15 on Thursday - a drop of 5.1% - having dived below $40 a barrel for the first time since mid-September. US light crude traded in New York lost more than $2 to $43.25, its lowest close since 10 September. The price of both benchmark crudes has dropped 12% in two days. The falls were triggered when the Energy Information Administration (EIA) said on Wednesday that US crude stocks were 3.5% higher than a year ago. The news calmed worries about winter shortages. Weak US fuel and heating oil stocks have been a persistent factor in pushing up oil prices. "It's amazing how quickly sentiment changed," said Rick Mueller, an analyst at Energy Security Analysis. Analysts also attributed the fall to mild early-winter weather, which has tempered demand for heating oil.

The stronger fuel inventories helped boost US stock markets to nine-month highs on Wednesday, though only the Nasdaq index had hung onto those gains by the end of Thursday.

In London, the FTSE 100 index closed 15 points higher at 4,751. The long-awaited drop in oil prices helped to ease persistent investor jitters over the impact of energy costs on company profits and economic growth. However, traders warned that the fall could be short-lived if there is a cold snap in North America this winter or any major supply problems in other parts of the world.

The price of crude is still up about 30% on the start of 2004, but has fallen from the record of $55.67 set in late October. Opec nations have increased production to 25-year highs to meet global demand and this has helped rebuild US stocks hit by supply disruptions after Hurricane Ivan in September. Traders were also encouraged by comments on Wednesday from the energy minister of Opec member Algeria. Chakib Khelil said the cartel was likely to keep output unchanged when it meets next week. However, some analysts believe the sharp fall in crude prices may harden Opec's attitude to over-production, leading to a scaling back of oil output.

Fears still remain over the level of US heating oil stocks, which are rising but remain down on 2004 levels. A cold spell in north America would start to deplete supplies and could spark further price rises. Analysts, however, say prices will fall further if inventories continue to rise. "Mother Nature is going to be huge in the next several weeks," said Kyle Cooper, at Citigroup Global Markets. "Long term I think we're headed to $30-35 but I don't think we're doing that yet. We have a lot of winter left." John Person, president of National Futures Advisory

Services, said the EIA data indicated there should be adequate supplies for the next three months in the US. .

Markets fall on weak dollar fears

Rising oil prices and the sinking dollar hit shares on Monday after a finance ministers' meeting and stern words from Fed chief Alan Greenspan.

The London FTSE fell 0.8% while Tokyo's Nikkei 225 dropped 2.11%, its steepest fall in three months. G20 finance ministers said nothing about supporting the dollar, whose slide could further jeopardise growth in Japan and Europe. And Mr Greenspan warned Asian states could soon stop funding the US deficit.

On Monday afternoon, the euro was close to an all-time high against the dollar at above $1.30. Oil pushed higher too on Monday, as investors fretted about cold weather in the US and Europe and a potential output cut from oil producers' group Opec, although prices had cooled by the end of the day. In London, the benchmark Brent crude price closed down 51 cents at $44.38 a barrel, while New York light sweet crude closed down 25 cents at $48.64 a barrel. The slide comes as the US has been attempting to talk up the traditional "strong dollar" policy.

The latest to pitch in has been President George W Bush himself, who told the Asia Pacific Economic Co-operation (Apec) summit in Chile that he remained committed to halving the budget deficit. Together with a $500bn trade gap, the red ink spreading across America's public finances is widely seen as a key factor driving the dollar lower. And last week US Treasury Secretary John Snow told an audience in the UK that the policy remained unaltered. But he also said that the rate was entirely up to the markets - a signal which traders took as advice to sell the dollar. Some had looked to the G20 meeting for direction. But Mr Snow made clear exchange rates had not been on the agenda.

For the US government, letting the dollar drift is a useful short-term fix.

US exports get more affordable, helping perhaps to close the trade gap. In the meantime, the debt keeps getting bigger, with Congress authorising an $800bn rise in what the US can owe - taking the total to $8.2 trillion. But in a speech on Friday, Federal Reserve chairman Alan Greenspan warned that in the longer term things are likely to get tricky. At present, much of gap in both public debt is covered by selling bonds to Asian states such as Japan and China, since the dollar is seen as the world's reserve currency. Similarly, Asian investment helps bridge the gap in the current account - the deficit between what the US as a whole spends and what it earns. But already they are turning more cautious - an auction of debt in August found few takers. And Mr Greenspan said that could turn into a trend, if the fall of the dollar kept eating into the value of those investments. "It seems persuasive that, given the size of the US current account deficit, a diminished appetite for adding to dollar balances must occur at some point," he said.

Five million Germans out of work

Germany's unemployment figure rose above the psychologically important level of five million last month.

On Wednesday, the German Federal Labour Agency said the jobless total had reached 5.037 million in January, which takes the jobless rate to 12.1%. "Yes, we have effectively more than five million people unemployed," a government minister said earlier on ZDF public television. Unemployment has not been this high in Germany since the 1930s.

Changes to the way the statistics are compiled partly explain the jump of 572,900 in the numbers. But the figures are embarrassing for the government. "With the figures apparently the worst we've seen in the post-war period, these numbers are very charged politically," said Christian Jasperneite, an economist with MM Warburg. "They could well put an end to the recent renaissance we've seen by the SPD [the ruling Social Democrats] in the polls, and with state elections due in Schleswig-Holstein and North Rhine-Westphalia, they may have an adverse effect on the government's chances there."

The opposition also made political capital from the figures. It said there are a further 1.5 million-2 million people on subsidised employment schemes who are, in fact, looking for real jobs. It added that government reforms, including unpopular benefit cuts, do not go far enough. Under the government's controversial "Hartz IV" reforms, which came into effect at the beginning of the year, both those on unemployment benefits and welfare support and those who are long-term unemployed are officially classified as looking for work. The bad winter weather also took its toll, as key sectors such as the construction sector laid off workers. Adjusted for the seasonal factors, the German jobless total rose by 227,000 in January from December.

German bidder in talks with LSE

Deutsche Boerse bosses have held "constructive, professional and friendly" talks with the London Stock Exchange (LSE), its chief has said.

Werner Seifert met LSE chief executive Clara Furse amid rumours the German group may raise its bid to Â£1.5bn ($2.9bn) from its initial Â£1.3bn offer. However, rival suitor Euronext also upped the ante in the bid battle. Ahead of talks with the LSE on Friday, the pan-European bourse said it may be prepared to make its offer in cash. The Paris-based exchange, owner of Liffe in London, is reported to be ready to raise Â£1.4bn to fund a bid.

The news came as Deutsche Boerse held its third meeting with the LSE since its bid approach in December which was turned down by the London exchange for undervaluing the business. However, the LSE did agree to leave the door open for talks to find out whether a "significantly-improved proposal" would be in the interests of LSE's shareholders and customers. In the meantime, Euronext, which combines the Paris, Amsterdam and Lisbon stock exchanges, also began talks with the LSE. In a statement on Thursday, Euronext said any offer was likely to be solely in cash, but added that: "There can be no assurances at this stage that any offer will be made." A deal with either bidder would create the biggest stock market operator in Europe and the second biggest in the world after the New York Stock Exchange. However, neither side has made a formal offer for the LSE, with sources claiming such a step may still be weeks away.

Deutsche Boerse could also face mounting opposition to a bid at home. Among sweeteners reported to have been discussed by Mr Seifert with Ms Furse were plans to move the management of its cash and Eurex derivatives market to London, as well as two members of its executive board. But, Hans Reckers, a board member of Germany's central bank, the Bundesbank, said that cash trading should also remain in Frankfurt, something Deutsche Boerse could move to the UK. "It is not just the headquarters of the Boerse but also important market segments that must stay permanently in Frankfurt. This has special importance for the business activities of the banks and the consultants," he said. Local government officials in Frankfurt's state of Hessen have also spoken out against the move. "It is our wish that the headquarters stay here to maintain Frankfurt's standing as the number one financial centre in continental Europe," Alois Rhiel, its minister for economic affairs added.

Amex shares up on spin-off news

Shares in American Express surged more than 8% on Tuesday after it said it was to spin off its less profitable financial advisory subsidiary.

The US credit card to travel services giant said off-loading American Express Financial Advisors (AEFA) would boost its profitability. AEFA has more than 12,000 advisers selling financial advice, funds and insurance to 2.5 million customers. Over the years it has delivered poor profits and even some losses.

"This is an excellent move by American Express to focus on its core businesses, and sell off a laggard division, which has been a problem for quite some time," said Marquis Investment Research analyst Phil Kain. Analysts estimate that a stand-alone AEFA could have a market value of $10bn (Â£5.3bn). The unit was acquired by American Express 20 years ago as Investors Diversified Service, of Minneapolis, at a time when firms were amassing one-stop financial empires. However, the business of selling investments was never integrated with the rest of the group.

Stock market eyes Japan recovery

Japanese shares have ended the year at their highest level since 13 July amidst hopes of an economic recovery during 2005.

The Nikkei index of leading shares gained 7.6% during the year to close at 11,488.76 points. In 2005 it "will rise toward 13,000", predicted Morgan Stanley equity strategist Naoki Kamiyama. The optimism in the financial markets contrast sharply with pessimism in the Japanese business community. Earlier this month, the quarterly Tankan survey of Japanese manufacturers found that business confidence had weakened for the first time since March 2003.

Slower economic growth, rising oil prices, a stronger yen and weaker exports were blamed for the fall in confidence. Despite this, traders expect strength in the global economy to benefit Japan, which has been close to sliding into recession in recent months. Structural reform within Japan and an anticipated end to the banking sector's bad debt problems should also help, they say.

Iraqi voters turn to economic issues

Beyond the desperate security situation in Iraq lies an economy in tatters.

A vicious cycle of unemployment, poor social services and poverty has been made worse by a lack of investment. So there is much hope that an elected government will break the deadlock. "First rule of law, then the economy," says Radwan Hadi, deputy managing director of Aberdeen-based oil and gas consultancy Blackwatch Petroleum Services, which entered Iraq in 2003. Mr Hadi's view about what the new government's priorities should be is shared by many Iraqis. The economy has become the second-most dominant issue for many political parties ahead of Sunday's election, according to Bristol University political scientist Anne Alexander, who is working on a project that looks at governance and security in post-war Iraq.

Job creation ranks high both on election manifestos and on the Iraqi people's wish list. Nobody knows exactly how many Iraqis are out of work, but it is clear that the situation is dire. "Estimates of Iraq's unemployment rate vary, but we estimate it to be between 30-40%," the Washington-based independent think-tank The Brookings Institution says in its Iraq Index. But some progress has been made, largely thanks to the country's oil revenues which have exceeded $22bn since June 2003.

Iraq's infrastructure is on the mend, with notable improvements having been made in areas such as electricity supply, irrigation, telephone networks and the re-opening of hospitals. But serious problems remain and the growing divide between haves and have-nots is angering voters. One Iraqi woman told Ms Alexander about her frustration as she watched TV adverts for private hospitals soon after having failed to track down basic medicines from Baghdad's pharmacies. Observes Mr Hadi: "The economy at present marks a big divide; the rich get richer, the poor get poorer." An indication of this can be seen in the world of finance where, in contrast with the daily plight of ordinary people, 19 private banks operate, only one of which is run in accordance with Islamic banking principles. Hopes are high for the future of finance, so foreign banks have been buying into the sector. National Bank of Kuwait has bought a majority stake in Credit Bank of Iraq, the Jordanian investment bank Export & Finance Bank has bought 49% of National Bank of Iraq.

Foreign firms also hope to cash in on the reconstruction effort. Bechtel's efforts to rebuild schools and restore power have attracted controversy as well as boosting its bottom line while Halliburton has enjoyed a wealth of military contracts. But the involvement of foreign firms in the health and banking sectors and beyond sits uneasily with many Iraqis who are accustomed to the state taking responsibility for functions that are essential to making society work, observes Ms Alexander. "It is seen as a selling off of Iraq's assets and bringing in multinationals at the expense of Iraqi businesses and Iraqi workers," she says. Consequently, the transitional government has been forced to backtrack in recent months over its proposal to allow 100% foreign ownership of Iraqi assets, she explains. In the West, it is easy to forget that the otherwise brutal Baathist regime used to look after the majority of Iraq's citizens rather well in terms of job creation, social security and healthcare. Opinion polls suggest that "people still want the state to take a leading role in providing these things", Ms Alexander says.

Yet in some areas of the economy, investment from abroad is still warmly welcomed, insists Mr Hadi, an Iraqi who left the country three decades ago. "I think the private sector will evolve incredibly fast," Mr Hadi says. "Iraq's vast natural resources can support any magnitude of economic growth."

Many foreign companies say they are keen to get in on the act, yet few are actually entering the country in any meaningful way. But there are exceptions. Mr Hadi's Blackwatch is just one of many small operators preparing for a much bigger future. Blackwatch's Baghdad-based affiliate Falcon Group has dozens of people working for it across the country in Kirkuk and Baghdad, and its engineers and geo-scientists work with the Iraqi oil ministry to hammer out technology transfer issues, Mr Hadi points out. "These guys are trying to work. The Iraqi business people will do business at all times. "Life goes on in Iraq, the people take responsibility, they want to live normal lives."

Peugeot deal boosts Mitsubishi

Struggling Japanese car maker Mitsubishi Motors has struck a deal to supply French car maker Peugeot with 30,000 sports utility vehicles (SUV).

The two firms signed a Memorandum of Understanding, and say they expect to seal a final agreement by Spring 2005. The alliance comes as a badly-needed boost for loss-making Mitsubishi, after several profit warnings and poor sales. The SUVs will be built in Japan using Peugeot's diesel engines and sold mainly in the European market. Falling sales have left Mitsubishi Motors with underused capacity, and the production deal with Peugeot gives it a chance to utilise some of it.

In January, Mitsubishi Motors issued its third profits warning in nine months, and cut its sales forecasts for the year to March 2005. Its sales have slid 41% in the past year, catalysed by the revelation that the company had systematically been hiding records of faults and then secretly repairing vehicles. As a result, the Japanese car maker has sought a series of financial bailouts. Last month it said it was looking for a further 540bn yen ($5.2bn; Â£2.77bn) in fresh financial backing, half of it from other companies in the Mitsubishi group. US-German carmaker DaimlerChrylser, a 30% shareholder in Mitsubishi Motors, decided in April 2004 not to pump in any more money. The deal with Peugeot was celebrated by Mitsubishi's newly-appointed chief executive Takashi Nishioka, who took over after three top bosses stood down last month to shoulder responsibility for the firm's troubles. Mitsubishi Motors has forecast a net loss of 472bn yen in its current financial year to March 2005. Last month, it signed a production agreement with Japanese rival Nissan Motor to supply it with 36,000 small cars for sale in Japan. It has been making cars for Nissan since 2003.

China continues breakneck growth

China's economy has expanded by a breakneck 9.5% during 2004, faster than predicted and well above 2003's 9.1%.

The news may mean more limits on investment and lending as Beijing tries to take the economy off the boil. China has sucked in raw materials and energy to feed its expansion, which could have knock-on effects on the rest of the world if it overheats. But officials pointed out that industrial growth had slowed, with services providing much of the impetus. Growth in industrial output - the main target of government efforts to impose curbs on credit and investments - was 11.5% in 2004, down from 17% the previous year.

Still, consumer prices - at 2.4% - rose faster than in 2004, adding to concern that a sharp rise in producer prices of 7.1% could stoke inflation. And overall investment in fixed assets was still high, up 21.3% from the previous year - although some way off the peak of 43% seen in the first quarter of 2004. The result could be higher interest rates. China raised rates by 0.27 percentage points to 5.8% - its first hike in nine years - in October 2004.

Despite the apparent rebalancing of the economy the overall growth picture remains strong, economists said. "There is no sign of a slowdown in 2005," said Tim Congdon, economist at ING Barings.

China's economy is not only gathering speed thanks to domestic demand, but also from soaring sales overseas. Figures released earlier this year showed exports at a six-year high in 2004, up 35%. Part of the impetus comes from the relative cheapness of the yuan, China's currency. The government keeps it pegged close to a rate of 8.28 to the US dollar, - much to the chagrin of many US lawmakers who blame China for lost jobs and competitiveness. Despite urging to ease the peg, officials insist they are a long way from ready to make a shift to a more market-set rate. "We need a good and feasible plan and formulating such a plan also needs time," National Bureau of Statistics chief Li Deshui told Reuters. "Those who hope to make a fortune by speculating on a renminbi revaluation will not succeed in making a profit."

Japan's ageing workforce: built to last

In his twenties he battled tuberculosis for eight years, then went on to run his own clothing business before marrying in his late thirties. And the 101-year-old Torao Toshitsune has eaten raw fish pretty much every day throughout his life.

Mr Toshitsune is one of Japan's 23,000 centenarians - a club that is growing by 13% annually, and where the oldest member is 114. At his neat Osaka detached house, where he lives with one of his sexagenarian daughters, Mr Toshitsune keeps a regular routine of copying out Buddhist sutras and preparing the traditional Japanese tea ceremony. Between tasks, this remarkably active senior citizen reveals what his next goal is: "Well, what's most important for me is to be Japan's number one." Mr Toshitsune wants to outlive everyone. And when it comes to longevity, Japan, as a country, appears to be doing just that. Women can expect to live until 85, men until 78, four years longer than Americans and Europeans.

On the outskirts of Kyoto, 83-year-old Yuji Shimizu contemplates this phenomenon during a round of golf with his younger friends, who are in their seventies.

"I think this is because the food industry and the environment have improved," he remarks. "On average, we can live longer." Whether it's the diet, or the traditional family structure where roles were clearly defined, or just something in the genes, Japan's elderly are remarkable. But while life may be a game of golf for Mr Shimizu, his grandchildren have huge problems ahead. Japan is the world's least fertile nation with childbirth rates of just two thirds of that in the US.

By 2007, Japan's population is expected to peak at 127 million, then shrink to under 100 million by the middle of the century. This means 30 million fewer workers at a time when the number of elderly will have almost doubled.

"In the year 2050, if the birth rate remains the same people over 60 will make up over 30% of the population," explains Shigeo Morioka of the International Longevity Centre in Tokyo. So how will Japan's finances stay on track? After a decade of economic stagnation and huge deficit spending, the public sector debt is already about 140% of the country's gross domestic product (GDP), the highest rate among industrialised countries. The International Monetary Fund predicts that as the falling birth rate takes grip from 2010, the cost of running Japan's welfare state will double to more than 5% of GDP, while current account balances will deteriorate by over 2%. But unfortunately, Japan appears poorly prepared both financially and politically. Glen Wood, Vice President of Deutsche Securities Japan, asks; "Who's going to fund the pension fund for the next generation and indeed who are going to be the new Japanese worker? "Who is going to build the economy, who are going to be the leaders? Who are going to be the producers of the GDP going forward?" One option is further welfare reform. Another is immigration, possibly from the Philippines and Indonesia. But so far, any emerging policy appears restricted to a limited number of nursing staff.

Standing next to Tokyo harbour is a version of New York's Statue of Liberty. But, as yet, Japan is not ready for an Ellis Island.

"Japan has never really liked that option in its history and I think it's an option that's becoming more and more plausible and necessary," insists Mr Wood. In Japan, as in Europe which also faces a workforce decline, immigration is a very sensitive subject. But for the Japanese economy, facing 8% fewer consumers by 2050 means slumping domestic sales of cars, hi-tech kit and home appliances, perhaps even another property crash.

Of course the Japanese could always have more children. The government is currently considering financial rewards for procreative couples similar to those in operation in Australia. But there would be no pay back until 2030, when today's babies are taxpayers, and the demographic crisis, like in Europe, starts to unfold in 2010. In contrast to Japan - and of course the European Union - the US population is expected to increase by 46% to 420 million by the middle of the century. Although President Bush must re-devise Social Security to take account of a 130% rise in America's over 65s, the IMF foresees a positive contribution to the US current account balance from the combined forces of fertility and immigration.

Some voices in Japanese industry are calling for radical changes to the nature of the Japanese labour market. They want a shift towards financial services, though doubts persist over the country's ability, let alone willingness, to move away from manufacturing. "Japan still has problems getting a viable banking system, let alone shifting their auto business or their semi-conductor business or the broad based tech manufacturing business overseas," says Mr Wood. Japan can either drive some radical reforms or else run the risk of a vicious ageing recession. Falling demand and a lower tax take could result in soaring budget pressures and a basket case currency. Come 2020, Japan could be more dependent on a shrinking workforce than any other industrialised power. There are fears that the world's number two economy is doomed to a permanent recession. But none of this is Mr Toshitsune's concern anymore. At 101, he chuckles that, he feels fine.

UK economy facing 'major risks'

The UK manufacturing sector will continue to face "serious challenges" over the next two years, the British Chamber of Commerce (BCC) has said.

The group's quarterly survey of companies found exports had picked up in the last three months of 2004 to their best levels in eight years. The rise came despite exchange rates being cited as a major concern. However, the BCC found the whole UK economy still faced "major risks" and warned that growth is set to slow. It recently forecast economic growth will slow from more than 3% in 2004 to a little below 2.5% in both 2005 and 2006.

Manufacturers' domestic sales growth fell back slightly in the quarter, the survey of 5,196 firms found. Employment in manufacturing also fell and job expectations were at their lowest level for a year.

"Despite some positive news for the export sector, there are worrying signs for manufacturing," the BCC said. "These results reinforce our concern over the sector's persistent inability to sustain recovery." The outlook for the service sector was "uncertain" despite an increase in exports and orders over the quarter, the BCC noted.

The BCC found confidence increased in the quarter across both the manufacturing and service sectors although overall it failed to reach the levels at the start of 2004. The reduced threat of interest rate increases had contributed to improved confidence, it said. The Bank of England raised interest rates five times between November 2003 and August last year. But rates have been kept on hold since then amid signs of falling consumer confidence and a slowdown in output. "The pressure on costs and margins, the relentless increase in regulations, and the threat of higher taxes remain serious problems," BCC director general David Frost said. "While consumer spending is set to decelerate significantly over the next 12-18 months, it is unlikely that investment and exports will rise sufficiently strongly to pick up the slack."

Steady job growth continues in US

The US created fewer jobs than expected in December, but analysts said that the dip in hiring was not enough to derail the world's biggest economy.

According to Labor Department figures, 157,000 new jobs were added last month. That took 2004's total to 2.2 million, the best showing in five years. Job creation was one of last year's main concerns for the US economy. While worries still remain, the conditions are set for steady growth in 2005, analysts said. The unemployment rate stayed at 5.4% in December, and about 200,000 jobs will need to be created each month if that figure is to drop.

"It was a respectable report," said Michael Moran, analyst at Daiwa Securities.

"Payroll growth in December was a little lighter than the consensus forecast, but we had upward revisions to the prior two months and an increase in manufacturing employment." "Manufacturing is a cyclical area of the economy and if it's showing job growth, it's a good indication that the economy is on a solid growth track." That means that the Federal Reserve is likely to continue its policy of raising interest rates. The Fed lifted borrowing costs five times last year to 2.25%, citing evidence the US economic recovery was becoming more robust.

Job creation was one of last year's main concerns for the US economy, and proved to be a main topic of debate in the US presidential election. While demand for workers is far from booming, the conditions are set for steady growth. "Overall, compared to the previous year it looks great, it just keeps going stronger and stronger and I expect that to be the case" in 2005, said Kurt Karl, economist at Swiss Re in New York. Meanwhile, economists cautioned against reading too much into data from the Federal Reserve showing an unexpected $8.7bn drop in consumer debt in November. A fall in consumer spending, which makes up about two-thirds of all US economic activity, could help limit the extent of any future interest rate rises. But economists said there could be a number of reasons for a fall in the borrowing, which include credit cards and personal loans, while noting that such figures can vary on a month-to-month basis.

Dutch bank to lay off 2,850 staff

ABN Amro, the Netherlands' largest bank, is to cut 2,850 jobs as a result of falling profits.

The cuts - amounting to 3% of the bank's workforce - will result in a one-off charge of 790m euros ($1.1bn). About 1,100 jobs will go in investment banking while 1,200 and 550 will go in IT and human resources respectively. ABN Amro is the third large European bank to announce cutbacks in the past month following Deutsche Bank and Credit Suisse Group.

Its profitability has been hit by a fall in mortgage lending in the United States - the bank's largest single market - following recent interest rate rises. ABN Amro's operations in the Netherlands and the United Kingdom will be hardest hit. Jobs will also be lost in the US - which accounted for 46% of profit in the first half of 2004 - and across its operations in the Americas and Asia-Pacific regions.

The restructuring is designed to improve efficiency by reducing administrative costs and increasing focus on client service. The bank said it was on course for a 10% rise in net income this year but operating profits are set to fall because of a fall in US revenues. ABN Amro currently has more than 100,000 staff. "To get any profit growth in the coming years, they will have to lower costs, so shedding jobs makes total sense," Ivo Geijsen, an analyst with Bank Oyens & Van Eeghen, told Bloomberg. Europe's leading banks seem set for a period of retrenchment. Deutsche Bank said earlier this month it would reduce its German workforce by 1,920 while as many as 300 jobs will be lost at Credit Suisse First Boston.

Fannie Mae 'should restate books'

US mortgage company Fannie Mae should restate its earnings, a move that is likely to put a billion-dollar dent in its accounts, watchdogs have said.

The Securities & Exchange Commission accused Fannie Mae of using techniques that "did not comply in material respects" with accounting standards. Fannie Mae last month warned that some records were incorrect. The other main US mortgage firm Freddie Mac restated earnings by $5bn (Â£2.6bn) last year after a probe of its books. The SEC's comments are likely to increase pressure on Congress to strengthen supervision of Fannie Mae and Freddie Mac.

The two firms are key parts of the US financial system and effectively underwrite the mortgage market, financing nearly half of all American house purchases and dealing actively in bonds and other financial instruments. The investigation of Freddie Mac in June 2003 sparked concerns about the wider health of the industry and raised questionsmarks over the role of the Office of Federal Housing Enterprise Oversight (OFHEO), the industry's main regulator. Having been pricked into action, the OFHEO turned its attention to Fannie May and in September this year said that the firm had tweaked its books to spread earnings more smoothly across quarters and play down the amount of risk it had taken on. The SEC found similar problems. The watchdog's chief accountant Donald Nicolaisen said that "Fannie Mae's methodology of assessing, measuring and documenting hedge ineffectiveness was inadequate and was not supported" by generally accepted accounting principles.

Soaring oil 'hits world economy'

The soaring cost of oil has hit global economic growth, although world's major economies should weather the storm of price rises, according to the OECD.

In its latest bi-annual report, the OECD cut its growth predictions for the world's main industrialised regions. US growth would reach 4.4% in 2004, but fall to 3.3% next year from a previous estimate of 3.7%, the OECD said. However, the Paris-based economics think tank said it believed the global economy could still regain momentum.

Forecasts for Japanese growth were also scaled back to 4.0% from 4.4% this year and 2.1% from 2.8% in 2005. But the outlook was worst for the 12-member eurozone bloc, with already sluggish growth forecasts slipping to 1.8% from 2.0% this year and 1.9% from 2.4% in 2005, the OECD said. Overall, the report forecast total growth of 3.6% in 2004 for the 30 member countries of the OECD, slipping to 2.9% next year before recovering to 3.1% in 2006. "There are nonetheless good reasons to believe that despite recent oil price turbulence the world economy will regain momentum in a not-too-distant future," said Jean-Philippe Cotis, the OECD's chief economist. The price of crude is about 50% higher than it was at the start of 2004, but down on the record high of $55.67 set in late October.

A dip in oil prices and improving jobs prospects would improve consumer confidence and spending, the OECD said. "The oil shock is not enormous by historical standards - we have seen worse in the seventies. If the oil price does not rise any further, then we think the shock can be absorbed within the next few quarters," Vincent Koen, a senior economist with the OECD, told the BBC's World Business Report. "The recovery that was underway, and has been interrupted a bit by the oil shock this year, would then regain momentum in the course of 2005." China's booming economy and a "spectacular comeback" in Japan - albeit one that has faltered in recent months - would help world economic recovery, the OECD said. "Supported by strong balance sheets and high profits, the recovery of business investment should continue in North America and start in earnest in Europe," it added. However, the report warned: "It remains to be seen whether continental Europe will play a strong supportive role through a marked upswing of final domestic demand." The OECD highlighted current depressed household expenditure in Germany and the eurozone's over-reliance on export-led growth.

Stormy year for property insurers

A string of storms, typhoons and earthquakes has made 2004 the most expensive year on record for property insurers, according to Swiss Re.

The world's second biggest insurer said disasters around the globe have seen property claims reach $42bn (Â£21.5bn). "2004 reinforces the trend towards higher losses," said Swiss Re. Tightly packed populations in the areas involved in natural and man-made disasters were to partly to blame for the rise in claims, it said. Some 95% of insurance claims were for natural catastrophes, with the rest attributed to made-made events.

The largest claims came from the US, which was struck by four hurricanes, and Japan, which suffered the highest concentration of typhoons for decades plus a major earthquake.

Europe suffered fewer natural disasters, but 191 people were killed and more than 2,000 injured in March after the terrorist attack on train stations in Madrid. The damages claimed in 2004 eclipsed previous years, including 2001 when the 11 September attacks pushed claims up to $37bn. Swiss Re said it had registered about 300 natural and man-made disasters around the world in 2004. Twenty-one thousand people lost their lives in the catastrophes with a cost to the global economy of around $105bn (Â£54bn).

Christmas shoppers flock to tills

Shops all over the UK reported strong sales on the last Saturday before Christmas with some claiming record-breaking numbers of festive shoppers.

A spokesman for Manchester's Trafford Centre said it was "the biggest Christmas to date" with sales up 5%. And the Regent Street Association said shops in central London were also expecting the "best Christmas ever". That picture comes despite reports of disappointing festive sales in the last couple of weeks.

The Trafford Centre spokeswoman said about 8,500 thousand vehicles had arrived at the centre on Saturday before 1130 GMT. "We predict that the next week will continue the same trend," she added.

It was a similar story at Bluewater in Kent. Spokesman Alan Jones said he expected 150,000 shoppers to have visited by the end of Saturday and a further 100,000 on Sunday. "Our sales so far have been 2% up on the same time last year," he said. "We're very busy, it's really strong and people will be shopping right up until Christmas. "Over the Christmas period we're expecting people to spend in excess of Â£200m at the centre."

On Saturday afternoon, a spokeswoman for the St David's Shopping Centre in Cardiff said it looked like being its busiest day of the year with about 200,000 shoppers expected to have visited by the close of play. At the St Enoch's Shopping Centre in Glasgow, more than 140,000 shoppers - an all-time record - were expected to have passed through the doors by its closing time of 1900 GMT. Senior business manager Jon Walton said: "It has been phenomenal - absolutely mobbed. "Every week footfall has been showing strong growth and at the weekends it has been going mad." Regent Street Association director Annie Walker said on Saturday: "The stores were heaving today and a lot of people are going to be doing last minute shopping as many people finished work on Friday and can go in the week."

She said reports of a slump in pre-Christmas sales were related to the growing popularity of internet sales. "I do think this has had a lot to do with reports of lower sales figures," she said. "Internet shopping has gone up enormously and not all stores have websites."

Diageo to buy US wine firm

Diageo, the world's biggest spirits company, has agreed to buy Californian wine company Chalone for $260m (Â£134m) in an all-cash deal.

Although Diageo's best-known brands include Smirnoff vodka and Guinness stout, it already has a US winemaking arm - Diageo Chateau & Estate Wines. Diageo said it expects to get US regulatory approval for the deal during the first quarter of 2005. It said Chalone would be integrated into its existing US wine business.

"The US wine market represents a growth opportunity for Diageo, with favourable demographic and consumption trends," said Diageo North America president Ivan Menezes. In July, Diageo, which is listed on the London Stock Exchange, reported an annual turnover of Â£8.89bn, down from Â£9.28bn a year earlier. It blamed a weaker dollar for its lower turnover. In the year ending 31 December 2003, Chalone reported revenues of $69.4m.

US adds more jobs than expected

The US economy added 337,000 jobs in October - a seven-month high and far more than Wall Street expectations.

In a welcome economic boost for newly re-elected President George W Bush, the Labor Department figures come after a slow summer of weak jobs gains. Jobs were created in every sector of the US economy except manufacturing. While the separate unemployment rate went up to 5.5% from 5.4% in September, this was because more people were now actively seeking work.

The 337,000 new jobs added to US payrolls in October was twice the 169,000 figure that Wall Street economists had forecast. In addition, the Labor Department revised up the number of jobs created in the two previous months - to 139,000 in September instead of 96,000, and to 198,000 in August instead of 128,000. The better than expected jobs data had an immediate upward effect on stocks in New York, with the main Dow Jones index gaining 45.4 points to 10,360 by late morning trading. "It looks like the job situation is improving and that this will support consumer spending going into the holidays, and offset some of the drag caused by high oil prices this year," said economist Gary Thayer of AG Edwards & Sons.

Other analysts said the upbeat jobs data made it more likely that the US Federal Reserve would increase interest rates by a quarter of a percentage point to 2% when it meets next week. "It should empower the Fed to clearly do something," said Robert MacIntosh, chief economist with Eaton Vance Management in Boston. Kathleen Utgoff, commissioner of the Bureau of Labor, said many of the 71,000 new construction jobs added in October were involved in rebuilding and clean-up work in Florida, and neighbouring Deep South states, following four hurricanes in August and September. The dollar rose temporarily on the job creation news before falling back to a new record low against the euro, as investors returned their attention to other economic factors, such as the US's record trade deficit. There is also speculation that President Bush will deliberately try to keep the dollar low in order to assist a growth in exports.

Indy buys into India paper

Irish publishing group Independent News & Media is buying up a 26% stake in Indian newspaper company Jagran in a deal worth 25m euros ($34.1m).

Jagran publishes India's top-selling daily newspaper, the Hindi-language Dainik Jagran, which has been in circulation for 62 years. News of the deal came as the group announced that its results would meet market forecasts. The company reported strong revenue growth across all its major markets.

Group advertising revenues were up over 10% year-on-year, the group said, with overall circulation revenues are expected to increase almost 10% year-on-year. This was helped by the positive impact of "compact" newspaper editions in Ireland and the UK, it said. "2004 has proven to be an important year for Independent News & Media," said chief executive Sir Anthony O'Reilly. "Our simple aim at Independent is to be the low cost producer in every region in which we operate. I am confident that we will show a meaningful increase in earnings for 2005."

Meanwhile, the group made no comment about the future of the Independent newspaper despite recent speculation that Sir Anthony had held talks with potential buyers over a stake in the daily publication. He has consistently denied suggestions that the Independent and the Independent on Sunday are up for sale. Buy it is understood that the recent success of the smaller edition of the Independent, which has pushed circulation up by 20% to 260,000, has prompted interest from industry rivals, with Daily Mail & General Trust tipped as the most likely suitor. The loss-making newspaper is not expected to reach break-even until 2006.

House prices drop as sales slow

House prices fell further in November and property sale times lengthened as rate rises took their toll, the Royal Institute of Chartered Surveyors found.

A total of 48% of chartered surveyor estate agents reported lower prices in the three months to November - the highest level in 12 years. Meanwhile the number of sales dropped 32% to an average of 22 per surveyor. The amount of unsold properties on their books rose for the sixth month in a row to an average of 67 properties. "The slowdown occurring in the market has given buyers more power to negotiate, but this time of year is traditionally a quiet one," RICS housing spokesman Ian Perry said. "The decision by the Bank of England not to increase interest rates further and the healthy economy is allowing confidence to consolidate."

The figures support recent data from the government and other bodies which all point to a slowdown in the housing market. On Monday, the Council of Mortgage Lenders, British Bankers Association and Building Societies Association all said mortgage lending was slowing. The figures were published as another survey by property website Rightmove said the average asking price of a home fell by more than Â£600 from Â£190,329 in November to Â£189,733 in December. Around the UK, the Midlands and South saw the biggest price falls, while London prices fell but at less than the national rate. In Scotland, where prices have remained on an upward path, increases were more "moderate", RICS added. But the news failed to dent confidence that sales will recover in future, with surveyors at their most optimistic in a year - as new purchase inquiries stabilised despite holding at lower levels. "Sales usually pick up in the New Year and I am confident this year will be no exception," Mr Perry added. Looking ahead, the group is anticipating a quiet start to 2005 with the market picking up in the second half - prompting a 3% rise in prices over the coming 12 months.

Banker loses sexism claim

A former executive at the London offices of Merrill Lynch has lost her Â£7.5m ($14.6m) sex discrimination case against the US investment bank.

An employment tribunal dismissed Stephanie Villalba's allegations of sexual discrimination and unequal pay. But the 42-year-old won her claim of unfair dismissal, resulting from her sacking in August 2003. Her partial victory is likely to cap her compensation to about Â£55,000, a tiny fraction of what she asked for. The extent of damages will be assessed in the New Year. The action - the biggest claim heard by an employment tribunal in the UK - had been viewed as something of a test case.

The tribunal decided that Ms Villalba had been unfairly dismissed because, having been removed from a senior post, she was entitled to wait to see if a suitable alternative position could be found in the organisation. Ms Villalba, the former head of Merrill's private client business in Europe, has made no decision on whether to appeal.

A spokesman for her lawyers described the decision as "very disappointing", but pointed to some criticism of Merrill's procedures within the lengthy judgement. The tribunal upheld Ms Villalba's claim of victimisation on certain specific issues, including bullying e-mails in connection with a contract, but said it found no evidence of "laddish culture" at the bank. "We said from the start that this case was about performance not gender," Merrill said in a statement. "Ms Villalba was removed by the very same person who had promoted her into the position and who then replaced her with another woman. "Merrill Lynch is dedicated to creating a true meritocracy where every employee has the opportunity to advance based on their skills and hard work."

Based in London's financial district, Ms Villalba worked for Merrill's global private client business in Europe, investing funds for some of Merrill's most important customers. But in 2003 her employers told her she had no future after 17 years with the company, and she was made redundant. Merrill Lynch denied Ms Villalba's claims and said she was removed from her post because of the extensive losses the firm was suffering on the continent. The firm had told the tribunal that Ms Villalba's division had been losing about $1m a week. Merrill said Ms Villalba lacked the leadership skills to turn around the unit.

Rover deal 'may cost 2,000 jobs'

Some 2,000 jobs at MG Rover's Midlands plant may be cut if investment in the firm by a Chinese car maker goes ahead, the Financial Times has reported.

Shanghai Automotive Industry Corp plans to shift production of the Rover 25 to China and export it to the UK, sources close to the negotiations tell the FT. But Rover told BBC News that reports of job cuts were "speculation". A tie-up, seen as Rover's last chance to save its Longbridge plant, has been pushed by UK Chancellor Gordon Brown. Rover confirmed the tie-up would take place "not very far away from this time".

Rover bosses have said they are "confident" the Â£1bn ($1.9bn) investment deal would be signed in March or early April.

Transport & General Worker's Union general secretary Tony Woodley repeated his view on Friday that all mergers led to some job cuts. He said investment in new models was needed to ensure the future of the Birmingham plant. "This is a very crucial and delicate time and our efforts are targeted to securing new models for the company which will mean jobs for our people," he said. SAIC says none of its money will be paid to the four owners of Rover, who have been accused by unions of awarding themselves exorbitant salaries, the FT reports. "SAIC is extremely concerned to ensure that its money is used to invest in the business rather than be distributed to the shareholders," the newspaper quotes a source close to the Chinese firm. Meanwhile, according to Chinese state press reports, small state-owned carmaker Nanjing Auto is in negotiations with Rover and SAIC to take a 20% stake in the joint venture. SAIC was unavailable for comment on the job cuts when contacted by BBC News. Rover and SAIC signed a technology-sharing agreement in August.

Jarvis sells Tube stake to Spain

Shares in engineering group Jarvis have soared more than 16% on news that it is offloading its stake in London underground consortium Tube Lines.

The sale of the 33% stake to Spain's Ferrovial for Â£146m ($281m) is a lifeline to Jarvis, which was weighed down by debts of more than Â£230m. The company recently warned it could go under if it did not secure a refinancing deal by mid-January 2005. But now its banks have agreed to extend its credit facilities until March 2006.

The company also said it had agreed terms over the completion of 14 of its biggest construction projects under the government's Private Finance Initiative (PFI).

Jarvis wants to scale back the division, which has proved too costly and has been blamed for many of its problems. Instead, it plans to focus on UK rail renewal, roads and plant hire work. Madrid-based Ferrovial already holds a 33% stake in Tube Lines, which maintains the Jubilee, Northern and Piccadilly lines. The Spanish group has been keen to snap up more UK infrastructure assets, having bought Amey in 2003. Jarvis said the sale, which raked in more than the Â£100m analysts had expected, would "substantially" enhance its financial position. "I am now confident that we can now move forward in 2005 towards rebuilding Jarvis and return it to growth as a profitable business," said chief executive Alan Lovell. Shares in Jarvis were up more than 16% to 18 pence by the close of trade on Friday.

Battered dollar hits another low

The dollar has fallen to a new record low against the euro after data fuelled fresh concerns about the US economy.

The greenback hit $1.3516 in thin New York trade, before rallying to $1.3509. The dollar has weakened sharply since September when it traded about $1.20, amid continuing worries over the levels of the US trade and budget deficits. Meanwhile, France's finance minister has said the world faced "economic catastrophe" unless the US worked with Europe and Asia on currency controls. Herve Gaymard said he would seek action on the issue at the next meeting of G7 countries in February. Ministers from European and Asian governments have recently called on the US to strengthen the dollar, saying the excessively high value of the euro was starting to hurt their export-driven economies. "It's absolutely essential that at the meeting of the G7 our American friends understand that we need coordinated management at the world level," said Mr Gaymard.

Thursday's new low for the dollar came after data was released showing year-on-year sales of new homes in the US had fallen 12% in November - with some analysts saying this could indicate problems ahead for consumer activity.

Commerce Department data also showed consumer spending - which drives two thirds of the US economy - grew just 0.2% last month. The figure was weaker than forecast - and fell short of the 0.8% rise in October. The official US policy is that it supports a strong dollar but many market observers believe it is happy to let the dollar fall because of the boost to its exporters.

The US government has faced pressure from exporter organisations which have publicly stated the currency still has further to fall from "abnormal and dangerous heights" set in 2002. The US says it will let market forces determine the dollar's strength rather than intervene directly. Statements from President Bush in recent weeks highlighting his aim to cut the twin US deficits have prompted slight upturns in the currency. But while some observers said the quiet trade on Thursday had exacerbated small moves in the market, most agree the underlying trend remains downwards. The dollar has now fallen for a third consecutive year and analysts are forecasting a further, albeit less dramatic weakening, in 2005. "I can see it finishing the year around $1.35 and we can see that it's going to be a steady track upward for the euro/dollar in 2005, finishing the year around $1.40," said Adrian Hughes, currency strategist with HSBC in London.

Disaster claims 'less than $10bn'

Insurers have sought to calm fears that they face huge losses after an earthquake and giant waves killed at least 38,000 people in southern Asia.

Munich Re and Swiss Re, the world's two biggest reinsurers, have said exposure will be less than for other disasters. Rebuilding costs are likely to be cheaper than in developed countries, and many of those affected will not have insurance, analysts said. Swiss Re has said total claims are likely to be less than $10bn (Â£5.17bn). Swiss Re believes that the cost would be substantial but that it is unlikely to be in double-digit billions, the Financial Times reported. Munich Re, the world's largest reinsurance company, said that its exposure is less than 100m euros (Â£70m; $136m).

At least 10 countries have been affected, with Sri Lanka, Indonesia, India and Thailand among the worst hit. The region's resorts and Western tourists are expected to be among the main claimants.

Lloyds of London told the Financial Times it expected its exposure to be limited to "holiday resorts, personal accident, travel insurance and marine risks". A spokeswoman for Hanover Re, Europe's fifth-largest reinsurance firm, estimated tsunami-related damage claims would be in the low double-digit millions of euros. The company has paid out about 300 million euros (Â£281m; $400m) to cover damage caused recently by four major hurricanes in the US.

But insurers have not had long to assess the economic impact of the damage and reports of more casualties and destruction are still coming through.

"So many things are unclear, it is just too early to tell," said Serge Troeber, deputy head of Swiss Re's natural disasters department. "You need very complicated processes to estimate damages. Unlike the hurricanes, you can't just run a model." He anticipated that his own company's total claims would be less then those from the hurricanes, which the company put at $640m. Allianz, a leading German insurer, said it did not know yet what its exposure would be. However, it said the tidal waves were unlikely to have a "significant" impact on its business. Zurich Financial said they could not yet assess the cost of the disaster.

The impact on US insurance companies is not expected to be heavy, analysts said.

Most US insurers have relatively little exposure to Asia and those that do, pass on a lot of the risk to reinsurance companies or special catastrophe funds. Insured damage could be a fraction of the "billions of dollars worth of destruction in Sri Lanka, India, Thailand, Indonesia, the Maldive Islands and Malaysia," said Prudential Equity Group insurance analyst Jay Gelb. "US insurers are likely to have only minimal to no exposure. It's more likely the Bermuda-based reinsurance [companies] might have some exposure," said Paul Newsome, an insurance analyst at AG Edwards & Co.

Many of the affected countries, such as Indonesia, Sri Lanka or the Maldives, do not usually buy insurance for these kinds of disasters, said a US-based insurance expert. Early estimates from the World Bank put the amount of aid needed for the worst affected countries including Sri Lanka, India, Indonesia and Thailand, at about $5bn (Â£2.6bn), similar to the cash offered to Central America after Hurricane Mitch.

Mitch killed about 10,000 people and caused damage of about $10bn in 1998. But the cost of the tsunamis on the individuals involved is incalculable. "We cannot fathom the cost of these poor societies and the nameless fishermen and fishing villages ... that have just been wiped out. Hundreds of thousands of livelihoods have gone," said Jan Egeland, head of the UN Office for the Coordination of Humanitarian Affairs. Tourists cutting short their holidays in affected areas may suffer a financial impact too. The Association of British insurers warned that travel insurance does not normally cover cutting short a holiday. It said loss of possessions will usually be covered, but the Association stressed the importance of checking the wording of travel policies.

Dollar hits new low versus euro

The US dollar has continued its record-breaking slide and has tumbled to a new low against the euro.

Investors are betting that the European Central Bank (ECB) will not do anything to weaken the euro, while the US is thought to favour a declining dollar. The US is struggling with a ballooning trade deficit and analysts said one of the easiest ways to fund it was by allowing a depreciation of the dollar. They have predicted that the dollar is likely to fall even further.

The US currency was trading at $1.364 per euro at 1800 GMT on Monday. This compares with $1.354 to the euro in late trading in New York on Friday, which was then a record low.

The dollar has weakened sharply since September when it traded about $1.20 against the euro. It has lost 7% this year, while against the Japanese yen it is down 3.2%. Traders said that thin trading levels had amplified Monday's move. "It's not going to take much to push [the dollar] one way or the other," said Grant Wilson of Mellon Bank. Liquidity - a measure of the number of parties willing to trade in the market - was about half that of a normal working day, traders said.

Israeli economy picking up pace

Israel's economy is forecast to grow by 4.2% in 2004 as it continues to emerge from a three-year recession.

The main driver of the faster-than-expected expansion has been exports, with tourism seeing a strong rebound, the statistical office said. The economy is benefiting from a quieter period in Palestinian-Israeli violence and a pick-up in global demand for technology products. The outlook is better than it has been for a number of years, analysts said.

Many companies have focused on cost cutting and greater efficiency, while the government has been trying to trim public spending and push through reforms. The growth figures come about despite a strike earlier this year by about 400,000 public sector worker which closed banks, hospitals, postal services and transport facilities. Growth did slow in the second half, but only slightly. Exports for the year rose by 14%, while tourist revenues were up by 30%. Imports gained by 13%, signalling that domestic demand has picked up again. In 2003, imports declined by 1.8%. In 2003, the economy expanded by 1.3%

US gives foreign firms extra time

Foreign firms have been given an extra year to meet tough new corporate governance regulations imposed by the US stock market watchdog.

The Securities and Exchange Commission has extended the deadline to get in line with the rules until 15 July 2006. Many foreign firms had protested that the SEC was imposing an unfair burden. The new rules are the result of the Sarbanes-Oxley Act, part of the US clean-up after corporate scandals such as Enron and Worldcom. Section 404 of the Sox Act, as the legislation is nicknamed, calls for all firms to certify that their financial reporting is in line with US rules. Big US firms already have to meet the requirements, but smaller ones and foreign-based firms which list their shares on US stock markets originally had until the middle of this year.

Over the past few months, delegations of European and other business leaders have been heading to the SEC's Washington DC headquarters to protest. They say the burden is too expensive and the timescale too short and some, particularly the UK's CBI, warned that companies would choose to let their US listings drop rather than get in line with section 404. The latest delegation from the CBI met SEC officials on Wednesday, just before the decision to relax the deadline was announced. "I think this signifies a change of heart at the SEC," CBI director-general Sir Digby Jones told the BBC's Today programme. "They have been listening to us and to many overseas companies, who have reminded America what globalisation really means: that they can't make these rules in isolation." The SEC said it had taken into consideration the fact that foreign companies were already working to meet more onerous financial reporting rules in their home countries. The European Union, in particular, was imposing new international financial reporting standards in 2005, it noted. "I don't underestimate the effort (compliance) will require... but this extension will provide additional time for those issuers to take a good hard look at their internal controls," said Donald Nicolaisen, the SEC's chief accountant.

German jobless rate at new record

More than 5.2 million Germans were out of work in February, new figures show.

The figure of 5.216 million people, or 12.6% of the working-age population, is the highest jobless rate in Europe's biggest economy since the 1930s. The news comes as the head of Germany's panel of government economic advisers predicted growth would again stagnate. Speaking on German TV, Bert Ruerup said the panel's earlier forecast of 1.4% was too optimistic and warned growth would be just 1% in 2005.

The German government is trying to tackle the stubbornly-high levels of joblessness with a range of labour market reforms. At their centre is the "Hartz-IV" programme introduced in January to shake up welfare benefits and push people back into work - even if some of the jobs are heavily subsidised. The latest unemployment figures look set to increase the pressure on the government. Widely leaked to the German newspapers a day in advance, they produced screaming headlines criticising Chancellor Gerhard Schroeder's Social Democrat-Green Party administration. Mr Schroeder had originally come into office promising to halve unemployment.

Still, some measures suggest the picture is not quite so bleak. The soaring official unemployment figure follows a change in the methodology which pushed up the jobless rate by more than 500,000 in January. Adjusted for seasonal changes, the overall unemployment rate is 4.875 million people or 11.7%, up 0.3 percentage points from the previous month. Using the most internationally-accepted methodology of the International Labour Organisation (ILO), Germany had 3.97 million people out of work in January. And ILO-based figures also suggest that 14,000 new net jobs were created that month, taking the number of people employed to 38.9 million. The ILO defines an unemployed person as someone who in the previous four weeks had actively looked for work they could take up immediately.

Record year for Chilean copper

Chile's copper industry has registered record earnings of $14.2bn in 2004, the governmental Chilean Copper Commission (Cochilco) has reported.

Strong demand from China's fast-growing economy and high prices have fuelled production, said Cochilco vice president Patricio Cartagena. He added that the boom has allowed the government to collect $950m in taxes. Mr Cartagena said the industry expects to see investment worth $10bn over the next three years.

"With these investments, clearly we are going to continue being the principle actor in the mining of copper. It's a consolidation of the industry with new projects and expansions that will support greater production." Australia's BHP Billiton - which operates La Escondida, the world's largest open pit copper mine - is planning to invest $1.9bn between now and 2007, while state-owned Codelco will spend about $1bn on various projects. Chile, the biggest copper producer in the world, is now analyzing ways of to keep prices stable at their current high levels, without killing off demand or leading customers to look for substitutes for copper. The copper price reached a 16-year high in October 2004. Production in Chile is expected rise 3.5% in 2005 to 5.5 million tonnes, said Mr Cartagena. Cochilco expects for 2005 a slight reduction on copper prices and forecasts export earnings will fall 10.7%.

US consumer confidence up

Consumers' confidence in the state of the US economy is at its highest for five months and they are optimistic about 2005, an influential survey says.

The feel-good factor among US consumers rose in December for the first time since July according to new data. The Conference Board survey of 5,000 households pointed to renewed optimism about job creation and economic growth. US retailers have reported strong sales over the past 10 days after a slow start to the crucial festive season.

According to figures also released on Tuesday, sales in shopping malls in the week to 25 December were 4.3% higher than in 2003 following a last minute rush. Wal-Mart, the largest US retailer, has said its December sales are expected to be better than previously forecast because of strong post-Christmas sales.

It is expecting annual sales growth of between 1% and 3% for the month. Consumer confidence figures are considered a key economic indicator because consumer spending accounts for about two thirds of all economic activity in the United States. "The continuing economic expansion, combined with job growth, has consumers ending this year on a high note," said Lynn Franco, director of the Conference Board's consumer research centre. "And consumers' outlook suggests that the economy will continue to expand in the first half of next year." The overall US economy has performed strongly in recent months, prompting the Federal Reserve to increase interest rates five times since June.

Cash gives way to flexible friend

Spending on credit and debit cards has overtaken cash spending in the UK for the first time.

The moment that plastic finally toppled cash happened at 10.38am on Wednesday, according to the Association for Payment Clearing Services (Apacs) Apacs chose school teacher Helen Carroll, from Portsmouth, to make the historic transaction. The switch over took place as she paid for her groceries in the supermarket chain Tesco's Cromwell Road branch.

Mrs Carroll was born in the same year that plastic cards first appeared in the UK. "I pay for most things with my debit card, with occasional purchases on one of my credit cards," said Mrs Carroll, who teaches at Peel Common Infants School in Gosport.

Spending patterns for the year and estimates for December led Apacs to conclude that 10.38am was the time that plastic would finally rule the roost. Shoppers in the UK are expected to put Â£269bn on plastic cards during the whole of 2004, compared with Â£268bn paid with cash, Apacs said. When the first plastic cards appeared in the UK in June 1966, issued by Barclaycard, but only a handful of retailers accepted them and very few customers held them. "But in less than 40 years, plastic has become our most popular way to pay, due to the added security and flexibility it offers," said Apacs spokeswoman Jemma Smith. "The key driver has been the introduction of debit cards, which now account for two-thirds of plastic card transactions and are used by millions of us every day."

Japanese mogul arrested for fraud

One of Japan's best-known businessmen was arrested on Thursday on charges of falsifying shareholder information and selling shares based on the false data.

Yoshiaki Tsutsumi was once ranked as the world's richest man and ran a business spanning hotels, railways, construction and a baseball team. His is the latest in a series of arrests of top executives in Japan over business scandals. He was taken away in a van outside one of his Prince hotels in Tokyo.

There was a time when Mr Tsutsumi seemed untouchable. Inheriting a large property business from his father in the 1960s, he became one of Japan's most powerful industrialists, with close connections to many of the country's leading politicians. He used his wealth and influence to bring the Winter Olympic Games to Nagano in 1998. But last year, he was forced to resign from all the posts he held in his business empire, after being accused of falsifying the share-ownership structure of Seibu Railways, one of his companies. Under Japanese stock market rules, no listed company can be more than 80% owned by its 10 largest shareholders. Now Mr Tsutsumi faces criminal charges and the possibility of a prison sentence because he made it look as if the 10 biggest shareholders owned less than this amount. Seibu Railways has been delisted from the stock exchange, its share value has plunged and it is the target of a takeover bid.

Mr Tsutsumi's fall from grace follows the arrests of several other top executives in Japan as the authorities try to curb the murky business practices which were once widespread in Japanese companies. His determination to stay at the top at all costs may have had its roots in his childhood. The illegitimate third son of a rich father, who made his money buying up property as Japan rebuilt after World War II, he has described the demands his father made. "I felt enormous pressure when I dined with him and it was nothing but pain," Tsutsumi told a weekly magazine in 1987. "He scolded me for pouring too much soy sauce or told me fruit was not for children. He didn't let me use the silk futon, saying it's a luxury." There have been corporate governance issues at some other Japanese companies too. Last year, twelve managers from Mitsubishi Motors were charged with covering up safety defects in their vehicles and three executives from Japan's troubled UFJ bank were charged with concealing the extent of the bank's bad loans.

Oil rebounds from weather effect

Oil prices recovered in Asian trade on Tuesday, after falling in New York on milder winter weather across the US.

With winter temperatures staying relatively high in the northern US, a barrel of light crude ended Monday down $1.33 to $42.12. However crude prices have rebounded in Asia, rising to $42.30 a barrel for February delivery. In London, trading of Brent crude was suspended for a public holiday, but the price fell to $39.20 in the Far East.

With milder temperatures expected to continue in the northern parts of the US over the next few days at least, analysts have said the price of oil may fall further - even if the decline was only temporary. "Weather has been the Achilles' heel of this market," said ABN AMRO analyst John Brady. "But it is winter in the northeast. Eventually we'll get another cold blast." Despite a fall of more than $12 a barrel from the record highs reached in late October, the price of crude oil remains almost 30% higher than year-ago levels. Prices rose last week after militant attacks in Riyadh, the capital of Saudi Arabia, briefly renewed fears that the supply chain might be broken in the world's leading crude exporter. "The market was panicked but fears essentially evaporated... since there was no follow-up," said Deborah White, senior economist for energy at SG Securities in Paris.

Weak end-of-year sales hit Next

Next has said its annual profit will be Â£5m lower than previously expected because its end-of-year clearance sale has proved disappointing.

"Clearance rates in our end-of-season sale have been below our expectations," the company said. The High Street retailer said it now expected to report annual profits of between Â£415m and Â£425m ($779m-798m). Next's shares fell more than 3% following the release of the trading statement.

Next chief executive Simon Wolfson admitted that festive sales were "below where we would expect a normal Christmas to be", but said sales should still top analyst expectations.

Among areas where Next could have done better, Mr Wolfson said menswear ranges were "a little bit too similar to the previous year". Mr Wolfson also said that disappointing pre-Christmas sales were "more to do with the fact that we went in with too much stock rather than (the fact that) demand wasn't there for the stock". Next's like-for-like store sales in the five months from 3 August to 24 December were up 2.9% on a year earlier. This figure is for existing Next stores, which were unaffected by new Next store openings. Like-for-like sales growth at the 49 Next stores directly affected by new store openings in their locality was 0.5%.

Overall sales across both its retail and mail order divisions were up 12.4%, Next said. Its Next Directory mail order division saw sales rise 13.4% during the five-month period. "In terms of all the worries about their trading pre-Christmas, it's a result," said Nick Bubb, an analyst at Evolution Securities. "Profits of around Â£420m would be well within the comfort zone." However, one dealer, who asked not to be named, told Reuters the seasonal sales performance was "not what people had hoped for". "Christmas has been tough for the whole sector, and this is one of the best retailers," he said. Next's trading statement comes a day after House of Fraser and Woolworths disappointed investors with their figures.

Tate & Lyle boss bags top award

Tate & Lyle's chief executive has been named European Businessman of the Year by a leading business magazine.

Iain Ferguson was awarded the title by US publication Forbes for returning one of the UK's "venerable" manufacturers to the country's top 100 companies. The sugar group had been absent from the FTSE 100 for seven years until Mr Ferguson helped it return to growth. Tate's shares have leapt 55% this year, boosted by firming sugar prices and sales of its artificial sweeteners.

"After years of a sagging stock price and a seven-year hiatus from the FTSE 100, one of Britain's venerable manufacturers has returned to the vaunted index," Forbes said. Mr Ferguson took the helm at the company in 2003, after spending most of his career at consumer goods giant Unilever. Tate & Lyle, which was an original member of the historic FT-30 index in 1935, operates more than 41 factories and 20 more additional production facilities in 28 countries. Previous winners of the Forbes award include Royal Bank of Scotland chief executive Fred Goodwin and former Vodafone boss Chris Gent.

Deutsche Boerse set to 'woo' LSE

Bosses of Deutsche Boerse and the London Stock Exchange are to meet amid talk that a takeover bid for the LSE will be raised to Â£1.5bn ($2.9bn).

Last month, the German exchange tabled a 530 pence-per-share offer for LSE, valuing it at Â£1.3bn. Paris-based Euronext, owner of Liffe in London, has also said it is interested in bidding for LSE. Euronext is due to hold talks with LSE this week and it is reported to be ready to raise Â£1.4bn to fund a bid. Euronext chief Jean-Francois Theodore is scheduled to meet his LSE counterpart Clara Furse on Friday. Deutsche Boerse chief Werner Seifert is meeting Ms Furse on Thursday, in the third meeting between the two exchanges since the bid approach in December.

The LSE rejected Deutsche Boerse's proposed Â£1.3bn offer in December, saying it undervalued the business.

But it agreed to leave the door open for talks to find out whether a "significantly-improved proposal" would be in the interests of LSE's shareholders and customers. In the meantime, Euronext, which combines the Paris, Amsterdam and Lisbon stock exchanges, also began talks with the LSE. In a statement on Thursday, Euronext said any offer was likely to be solely in cash, but added that: "There can be no assurances at this stage that any offer will be made." A deal with either bidder would create the biggest stock market operator in Europe and the second biggest in the world after the New York Stock Exchange.

According to the FT, in its latest meeting Deutsche Boerse will adopt a charm offensive to woo the London exchange. The newspaper said the German suitor will offer to manage a combined cash and equities market out of London and let Ms Furse take the helm. Other reports this week said the Deutsche Boerse might even consider selling its Luxembourg-based Clearstream unit - the clearing house that processes securities transactions. Its ownership of Clearstream was seen as the main stumbling block to a London-Frankfurt merger. LSE shareholders feared a Deutsche Boerse takeover would force them to use Clearstream, making it difficult for them to negotiate for lower transaction fees.

High fuel prices hit BA's profits

British Airways has blamed high fuel prices for a 40% drop in profits.

Reporting its results for the three months to 31 December 2004, the airline made a pre-tax profit of Â£75m ($141m) compared with Â£125m a year earlier. Rod Eddington, BA's chief executive, said the results were "respectable" in a third quarter when fuel costs rose by Â£106m or 47.3%. BA's profits were still better than market expectation of Â£59m, and it expects a rise in full-year revenues.

To help offset the increased price of aviation fuel, BA last year introduced a fuel surcharge for passengers.

In October, it increased this from Â£6 to Â£10 one-way for all long-haul flights, while the short-haul surcharge was raised from Â£2.50 to Â£4 a leg. Yet aviation analyst Mike Powell of Dresdner Kleinwort Wasserstein says BA's estimated annual surcharge revenues - Â£160m - will still be way short of its additional fuel costs - a predicted extra Â£250m. Turnover for the quarter was up 4.3% to Â£1.97bn, further benefiting from a rise in cargo revenue. Looking ahead to its full year results to March 2005, BA warned that yields - average revenues per passenger - were expected to decline as it continues to lower prices in the face of competition from low-cost carriers. However, it said sales would be better than previously forecast. "For the year to March 2005, the total revenue outlook is slightly better than previous guidance with a 3% to 3.5% improvement anticipated," BA chairman Martin Broughton said. BA had previously forecast a 2% to 3% rise in full-year revenue.

It also reported on Friday that passenger numbers rose 8.1% in January. Aviation analyst Nick Van den Brul of BNP Paribas described BA's latest quarterly results as "pretty modest". "It is quite good on the revenue side and it shows the impact of fuel surcharges and a positive cargo development, however, operating margins down and cost impact of fuel are very strong," he said. Since the 11 September 2001 attacks in the United States, BA has cut 13,000 jobs as part of a major cost-cutting drive. "Our focus remains on reducing controllable costs and debt whilst continuing to invest in our products," Mr Eddington said. "For example, we have taken delivery of six Airbus A321 aircraft and next month we will start further improvements to our Club World flat beds." BA's shares closed up four pence at 274.5 pence.

US interest rate rise expected

US interest rates are expected to rise for the fifth time since June following the US Federal Reserve's latest rate-setting meeting later on Tuesday.

Borrowing costs are tipped to rise by a quarter of a percentage point to 2.25%. The move comes as a recovery in the US economy, the world's biggest, shows signs of robustness and sustainability. The dollar's record-breaking decline, meanwhile, has spooked markets and along with high oil prices has raised concerns about the pace of inflation. "We are seeing evidence that inflation is moving higher," said Ken Kim, an analyst at Stone & McCarthy Research. "It's not a risk, it's actually happening." Mr Kim added that borrowing costs could rise further.

The Fed has said that it will move in a "measured" way to combat price growth and lift interest rates from their 40-year lows that were prompted by sluggish US and global growth.

With the economic picture now looking more rosy, the Fed has implemented quarter percentage point rises in June, August, September and November. Although the US economy grew at an annual rate of 3.9% in the three months to September, analysts warn that Fed has to be careful not to move too aggressively and take the wind out of the recovery's sails. Earlier this month figures showed that job creation is still weak, while consumer confidence is subdued. "I think the Fed feels it has a fair amount of flexibility," said David Berson, chief economist at Fannie Mae. "While inflation has moved up, it hasn't moved up a lot." "If economic growth should subside... the Fed would feel it has the flexibility to pause in its tightening. "But if economic growth picked up and caused core inflation to rise a little more quickly, I think the Fed would be prepared to tighten more quickly as well."

Weak dollar trims Cadbury profits

The world's biggest confectionery firm, Cadbury Schweppes, has reported a modest rise in profits after the weak dollar took a bite out of its results.

Underlying pre-tax profits rose 1% to Â£933m ($1.78bn) in 2004, but would have been 8% higher if currency movements were stripped out. The owner of brands such as Dairy Milk, Dr Pepper and Snapple generates more than 80% of its sales outside the UK. Cadbury said it was confident it would hit its targets for 2005. "While the external commercial environment remains competitive, we are confident that we have the strategy, brands and people to deliver within our goal ranges in 2005," said chief executive Todd Stitzer.

The modest profit rise had been expected by analysts after the company said in December that the poor summer weather had hit soft drink sales in Europe.

Cadbury said its underlying sales were up by 4% in 2004. Growth was helped by its confectionery brands - including Cadbury, Trident and Halls - which enjoyed a "successful" year, with like-for-like sales up 6%. Drinks sales were up 2% with strong growth in US carbonated soft drinks, led by Dr Pepper and diet drinks, offset by the weaker sales in Europe. Cadbury added that its Fuel for Growth cost-cutting programme had saved Â£75m in 2004, bringing total cost savings to Â£100m since the scheme began in mid-2003. The programme is set to close 20% of the group's factories and shed 10% of the workforce. Cadbury Schweppes employs more than 50,000 people worldwide, with about 7,000 in the UK.

Continental 'may run out of cash'

Shares in Continental Airlines have tumbled after the firm warned it could run out of cash.

In a filing to US regulators the airline warned of "inadequate liquidity" if it fails to reduce wage costs by $500m by the end of February. Continental also said that, if it did not make any cuts, it expects to lose "hundreds of millions of dollars" in 2005 in current market conditions. Failure to make cutbacks may also push it to reduce its fleet, the group said. Shares in the fifth biggest US carrier had fallen 6.87% on the news to $10.44 by 1830 GMT. "Without the reduction in wage and benefit costs and a reasonable prospect of future profitability, we believe that our ability to raise additional money through financings would be uncertain," Continental said in its filing to the US Securities and Exchange Commission (SEC).

Airlines have faced tough conditions in recent years, amid terrorism fears since the 11 September World Trade Centre attack in 2001. But despite passengers returning to the skies, record-high fuel costs and fare wars prompted by competition from low cost carriers have taken their toll. Houston-based Continental now has debt and pension payments of nearly $984m which it must pay off this year. The company has been working to streamline its operations - and has managed to save $1.1bn in costs without cutting jobs. Two weeks' ago the group also announced it would be able to shave a further $48m a year from its costs with changes to wage and benefits for most of its US-based management and clerical staff.

Mixed Christmas for US retailers

US retailers posted mixed results for December - with luxury retailers faring well while many others were forced to slash prices to lift sales.

Upscale department store Nordstrom said same store sales were 9.3% higher than during the same period last year. Trendy youth labels also sold well, with sales jumping 28% at young women's clothing retailer Bebe Stores and 32.2% at American Eagle Outfitters. But Wal-Mart only saw its sales rise after it cut prices. The company saw a 3% rise in December sales, less than the 4.3% rise seen a year earlier.

Customers at the world's biggest retailer are generally seen to be the most vulnerable to America's economic woes.

Commentators claim many have cut back on spending amid uncertainty over job security, while low and middle-income Americans have reined in spending in the face of higher gasoline prices. Analysts said Wal-Mart faced a "stand-off" with shoppers, stepping up its discounts as the festive season wore on, as consumers waited longer to get the best bargains. However, experts added that if prices had not been cut across the sector, Christmas sales - which account for nearly 23% of annual retail sales - would have been far worse. "So far, we are faring better than expected, but the results are still split," Ken Perkins, an analyst at research firm RetailMetrics LLC, told Associated Press. "Stores that have been struggling over the last couple of months appear to be continuing that trend. And for stores that have been doing well over the last several months, December was a good month." Overall, December sales are forecast to rise by 4.5% to $220bn - less than the 5.1% increase seen a year earlier.

One discount retailer to fare well in December was Costco Wholesale, which continued a recent run of upbeat results with a better-than-expected 8% jump in same store sales. However, the losers were many and varied. Home furnishings store Pier 1 Imports saw its same store sales sink by a larger-than-forecast 8.8% as it battled fierce competition. Leading electronics chain Best Buy, meanwhile, missed its sales target of a 3-5% rise in sales, turning in a 2.5% increase over the Christmas period. Accessory vendor Claire's Stores also suffered as an expected last minute shopping rush never materialised, leaving its same store sales 5% higher, compared to a 6% rise last year. Jeweller Zale also felt little Christmas cheer with December sales down 0.7% on the same month last year. "This was not a good period for retailers or shoppers. We saw a dearth of exciting, new items," Kurt Barnard, president of industry forecaster Retail Consulting Group, said. However, one beneficiary of the desertion of the High Street is expected to be online stores. According to a survey by Goldman Sachs & Co, Harris Interactive and Neilsen/Net Ratings sales surged 25% over the holiday season to $23.2bn.

Steady job growth continues in US

The US created fewer jobs than expected in December, but analysts said that the dip in hiring was not enough to derail the world's biggest economy.

According to Labor Department figures, 157,000 new jobs were added last month. That took 2004's total to 2.2 million, the best showing in five years. Job creation was one of last year's main concerns for the US economy. While worries still remain, the conditions are set for steady growth in 2005, analysts said. The unemployment rate stayed at 5.4% in December, and about 200,000 jobs will need to be created each month if that figure is to drop.

"It was a respectable report," said Michael Moran, analyst at Daiwa Securities.

"Payroll growth in December was a little lighter than the consensus forecast, but we had upward revisions to the prior two months and an increase in manufacturing employment." "Manufacturing is a cyclical area of the economy and if it's showing job growth, it's a good indication that the economy is on a solid growth track." That means that the Federal Reserve is likely to continue its policy of raising interest rates. The Fed lifted borrowing costs five times last year to 2.25%, citing evidence the US economic recovery was becoming more robust.

Job creation was one of last year's main concerns for the US economy, and proved to be a main topic of debate in the US presidential election. While demand for workers is far from booming, the conditions are set for steady growth. "Overall, compared to the previous year it looks great, it just keeps going stronger and stronger and I expect that to be the case" in 2005, said Kurt Karl, economist at Swiss Re in New York. Meanwhile, economists cautioned against reading too much into data from the Federal Reserve showing an unexpected $8.7bn drop in consumer debt in November. A fall in consumer spending, which makes up about two-thirds of all US economic activity, could help limit the extent of any future interest rate rises. But economists said there could be a number of reasons for a fall in the borrowing, which include credit cards and personal loans, while noting that such figures can vary on a month-to-month basis.

Barclays shares up on merger talk

Shares in UK banking group Barclays have risen on Monday following a weekend press report that it had held merger talks with US bank Wells Fargo.

A tie-up between Barclays and California-based Wells Fargo would create the world's fourth biggest bank, valued at $180bn (Â£96bn). Barclays has declined to comment on the report in the Sunday Express, saying it does not respond to market speculation. The two banks reportedly held talks in October and November 2004.

Barclays shares were up 8 pence, or 1.3%, at 605 pence by late morning in London on Monday, making it the second biggest gainer in the FTSE 100 index. UK banking icon Barclays was founded more than 300 years ago; it has operations in over 60 countries and employs 76,200 staff worldwide.

Its North American divisions focus on business banking, whereas Wells Fargo operates retail and business banking services from 6,000 branches. In 2003, Barclays reported a 20% rise in pre-tax profits to Â£3.8bn, and it has recently forecast similar gains in 2004, predicting that full year pre-tax profits would rise 18% to Â£4.5bn. Wells Fargo had net income of $6.2bn in its last financial year, a 9% increase on the previous year, and revenues of $28.4bn. Barclays was the focus of takeover speculation in August, when it was linked to Citigroup, though no bid has ever materialised. Stock market traders were sceptical that the latest reports heralded a deal. "The chief executive would be abandoning his duty if he didn't talk to rivals, but a deal doesn't seem likely," Reuters quoted one trader as saying.

UK Coal plunges into deeper loss

Shares in UK Coal have fallen after the mining group reported losses had deepened to Â£51.6m in 2004 from Â£1.2m.

The UK's biggest coal producer blamed geological problems, industrial action and "operating flaws" at its deep mines for its worsening fortunes. The South Yorkshire company, led by new chief executive Gerry Spindler, said it hoped to return to profit in 2006. In early trade on Thursday, its shares were down 10% at 119 pence. UK Coal said it was making "significant progress" in shaking up the business. It had introduced new wage structures, a new daily maintenance regime for machinery at its mines and methods to continue mining in adverse conditions. The company said these actions should "significantly uplift earnings". It expected 2005 to be a "transitional year" and to return to profitability in 2006.

The recent rise in coal prices has failed to benefit the company as most of its output had already been sold, it said. Total production costs were Â£1.30 per gigajoule, UK Coal said, but the average selling price was just Â£1.18 per gigajoule. "We have a long journey ahead to fix these issues. We continue to make progress and great strides have already been made," said Mr Spindler. UK Coal operates 15 deep and surface mines across Nottinghamshire, Derbyshire, Leicestershire, Yorkshire, the West Midlands, Northumberland and Durham.

Chinese exports rise 25% in 2004

Exports from China leapt during 2004 over the previous year as the country continued to show breakneck growth.

The spurt put China's trade surplus - a sore point with some of its trading partners - at a six-year high. It may also increase pressure on

China to relax the peg joining its currency, the yuan, with the weakening dollar. The figures released by the Ministry of Commerce come as China's tax chief confirmed that growth had topped 9% in 2004 for the second year in a row. State Administration of Taxation head Xie Xuren said a tightening of controls on tax evasion had combined with the rapid expansion to produce a 25.7% rise in tax revenues to 2.572 trillion yuan ($311bn; Â£165bn).

According to the Ministry of Commerce, China's exports totalled $63.8bn in December, taking the annual total up 35.4% to $593.4bn. With imports rising a similar amount, the deficit rose to $43.4bn. The increased tax take comes despite healthy tax rebates for many exporters totalling 420bn yuan in 2004, according to Mr Xie. China's exporting success has made the trade deficit of the United States soar even further and made trade with China a sensitive political issue in Washington. The peg keeping the yuan around 8.30 to the dollar is often blamed by US lawmakers for job losses at home. A US report issued on Tuesday on behalf of a Congressionally-mandated panel said almost 1.5 million posts disappeared between 1989 and 2003. The pace accelerated in the final three years of the period, said the report for the US-China Economic and Security Review Commission, moving out of labour-intensive industries and into more hi-tech sectors. The US's overall trade deficit with China was $124bn in 2003, and is expected to rise to about $150bn for 2004.

Karachi stocks hit historic high

The Karachi Stock Exchange (KSE) has recorded its largest single day gain, surging 3.5% to a new high.

The index rose 225.79 points in four hours of furious trading, with many investors optimistic that political stability could bring an economic boom. The KSE index closed at 6709.93 - an overall gain of nearly 400 points in the first two trading days of the week. Energy and telecommunication stocks performed particularly well, recording an 8%-10% rise since Monday morning.

In 2002, the KSE was the world's best performing stock market, with the index rising 112%.

Pakistani investors are expecting the KSE to repeat, if not improve on, its 2002 performance. Jubilant investors danced on the streets as the market closed for the day on Tuesday, confident that the boom will continue at least until the public holiday on 22 January. Others, however, who had stayed out fearing an imminent collapse because of prices overheating, continued to warn that the "bubble may burst any time". "That's rubbish," KSE chairman Yaseen Lakhani told the BBC News website. "Whenever the market reflects Pakistan's true economic reality, it is described as a bubble." Mr Lakhani feels that the market has risen on the basis of solid economic growth and its current level rests on sound foundations.

Market analysts are inclined to agree with Mr Lakhani, arguing that there are a number of major factors behind the KSE's performance. Analysts argue that a steady improvement in Pakistan's credit ratings by international credit rating agencies has finally begun to register in the market. Standard & Poor's upgraded Pakistan a few weeks ago. There are indications of yet another upgrade by the end of February.

Then, say analysts, there is corporate profitability in the current fiscal year, which has gone up by 27% from last year. "Coupled with the 7% GDP growth expected by June this year, I am least surprised at the market's performance," says Mr Lakhani. One leading Karachi broker said the real reasons may be political. "If you file a $1.3 trillion case against Saudi money after 9/11, Arab money will not go to the US any more." A lot of Arab money, he says, has already gone to Malaysia and Indonesia. Pakistanis are now hoping that energy and telecoms, two of the strongest sectors in Pakistan, draw some of the Arab money to the KSE.

Locally, too, say analysts, recent political developments have worked to the market's advantage.

An anti-Musharraf campaign threatened by the MMA, a countrywide alliance of religious parties, has fizzled out. The release of Asif Zardari, former Prime Minister Benazir Bhutto's husband, has eased political tensions between the military-backed government and the opposition Pakistan People's Party. Most importantly, say analysts, the failure of talks between India and Pakistan on the Baglihar dam in Indian-administered Kashmir has not automatically led to heightened tensions. This, they say, indicates that neither country is interested in raising the temperature at this stage, irrespective of the state of their disagreements. The market is abuzz with speculation that substantial investment may now start to flow in from the US, a country seen locally as deeply interested in defusing tensions between the South Asian neighbours. "You can call it a peace dividend," smiles one broker. "Let us see how long one can reap its benefits."

US trade gap ballooned in October

The US trade deficit widened by more than expected in October, hitting record levels after higher oil prices raised import costs, figures have shown

The trade shortfall was $55.5bn (Â£29bn), up 9% from September, the Commerce Department said. That pushed the 10 month deficit to $500.5bn. Imports rose by 3.4%, while exports increased by only 0.6%. A weaker dollar also increased the cost of imports, though this should help drive export demand in coming months. "Things are getting worse, but that's to be expected," said David Wyss of Standard & Poor's in New York. "The first thing is that when the dollar goes down, it increases the price of imports. "We are seeing improved export orders. Things seem to be going in the right direction."

Despite this optimism, significant concerns remain as to how the US will fund its trade and budget deficits should they continue to widen. Another problem highlighted by analysts was the growing trade gap with China, which has been accused of keeping its currency artificially weak in order to boost exports. The US imported almost $20bn worth of goods from China during October, exporting a little under $3bn. "It seems the key worry that has existed in the currency market still remains," said Anthony Crescenzi, a bond strategist at Miller Tabak in New York. The trade deficit and the shortfall with China "are big issues going forward". The Commerce Department figures caused the dollar to weaken further despite widespread expectations that the Federal Reserve will raise interest rates for a fifth time this year. Borrowing costs are tipped to rise by a quarter of a percentage point to 2.25% at a Fed meeting later on Tuesday.

Saudi ministry to employ women

Women will be employed in Saudi Arabia's foreign ministry for the first time this year, Foreign Minister Prince Saud Al-Faisal has been reported as saying.

The move comes as the conservative country inches open the door to working women. Last year, Crown Prince Abdullah, the de-facto ruler, told government departments to put plans in place for employing women. But progress has been slow, reports from the country say.

Earlier this week, the local Arab News said Labour Minister Ghazi al-Gosaibi had "caused uproar" when he said his ministry was having difficulty hiring women because they demanded segregated offices. The newspaper said many Saudi women found his explanation "a pitiful excuse for not employing women". Women now make up more than half of all graduates from Saudi universities but only 5% of the workforce. "Our educational reforms have created a new generation of highly-educated and professionally trained Saudi women who are acquiring their rightful position in Saudi society," Arab News quoted Prince Saud as saying. "I am proud to mention here that this year we shall have women working in the Ministry of Foreign Affairs for the first time."

US prepares for hybrid onslaught

Sales of hybrid cars in the US are set to double in 2005, research suggests.

Research group JD Power estimates sales will hit 200,000 in 2005, despite higher prices and customer scepticism. Carmakers are starting to build hybrid sports utility vehicles (SUVs), the four-wheel-drive vehicles which now dominate the US car market. Hybrids cut both petrol consumption and emissions by combining a petrol engine with an electric motor constantly kept charged by extra engine power. Several jurisdictions, notably the state of California, mandate low emissions for new cars. Equally, the rise in oil prices over the past year has sparked hopes that consumers may be tempted by potential savings of a few hundred dollars a year on fuel.

At the Detroit Motor Show, a range of manufacturers are prominently displaying their hybrid credentials. Toyota has led the market to date with the Prius, popularised by a number of celebrities keen to burnish their "green" credentials. In April it will launch a hybrid version of its Highlander SUV, with an SUV from its luxury Lexus marque due later in the year.

Honda has three hybrids on the market, and between them the two Japanese carmakers sold more than 80,000 units last year. Ford, which has sold 4,000 of its first hybrid since its launch in August, is bringing a hybrid SUV - the Mariner - to market a year ahead of schedule, with plans for three more models by 2008. GM has a hybrid pickup on the market and is showing two concept SUVs in Detroit. Even sports car maker Porsche may join the race, although it insists it is still considering whether to hybridise its Cayenne SUV.

Others remain more sceptical. Nissan has bought Toyota's hybrid technology, but plans to bring out its first model only in 2006. "We want to make sure we are not concentrating on one technology," Nissan chief executive Carlos Ghosn said. "We will not be surprised by any acceleration or deceleration in the hybrid market." Volkswagen, meanwhile, says it will focus on clean-burning diesel engines instead. And some watchers point out that the price tag on a hybrid - upwards of $3,000 above that of an equivalent normal-engined car, and suspicion of the technology - may still cool its attraction. "The average consumers aren't willing to pay that premium for a car they won't drive more than six years," said Anthony Pratt from JD Power.

Oil prices fall back from highs

Oil prices retreated from four-month highs in early trading on Tuesday after producers' cartel Opec said it was now unlikely to cut production.

Following the comments by acting Opec secretary general Adnan Shihab-Eldin, US light crude fell 32 cents to $51.43 a barrel. He said that high oil prices meant Opec was unlikely to stick to its plan to cut output in the second quarter. In London, Brent crude fell 32 cents to $49.74 a barrel.

Opec members are next meeting to discuss production levels on 16 March. On Monday, oil prices rose for a sixth straight session, reaching a four-month high as cold weather in the US threatened stocks of heating oil. US demand for heating oil was predicted to be about 14% above normal this week, while stocks were currently about 7.5% below the levels of a year ago. Cold weather across Europe has also put upward pressure on crude prices.

German economy rebounds

Germany's economy, the biggest among the 12 countries sharing the euro, grew at its fastest rate in four years during 2004, driven by strong exports.

Gross domestic product (GDP) rose by 1.7% last year, the statistical office said. The economy contracted in 2003. Foreign sales increased by 8.2% last year, compared with a 0.3% slide in private consumption. Concerns remain, however, over the strength of the euro, weak domestic demand and a sluggish labour market. The European Central Bank (ECB) left its benchmark interest rate unchanged at 2% on Thursday. It is the nineteenth month in a row that the ECB has not moved borrowing costs. Economists predict that an increase is unlikely to come until the second half of 2005, with growth set to sputter rather than ignite.

"During 2004 we profited from the fact that the world economy was strong," said Stefan Schilbe, analyst at HSBC Trinkaus & Burkhardt. "If exports weaken and domestic growth remains poor, we cannot expect much from 2005." Many German consumers have been spooked and unsettled by government attempts to reform the welfare state and corporate environment. Major companies including Volkswagen, DaimlerChrysler and Siemens have spent much of 2004 in tough talks with unions about trimming jobs and costs. They have also warned there are more cost cutting measures on the horizon.

US Ahold suppliers face charges

US prosecutors have charged nine food suppliers with helping Dutch retailer Ahold inflate earnings by more than $800m (Â£428m).

The charges have been brought against individuals as well as companies, alleging they created false accounts. Ahold hit the headlines in February 2003 after it emerged that there were accounting irregularities at its US subsidiary Foodservice. Three former Ahold top executives last year agreed to settle fraud charges.

Ahold has admitted that it fraudulently inflated promotional allowances at Foodservice, improperly consolidated joint ventures and also committed other accounting errors and irregularities.

The nine now charged, who worked as suppliers to Ahold, are accused of signing false documents relating to the amount of money they paid the retailer for promoting their products in its stores. Food companies pay supermarkets and retailers for prime shelf space. The suppliers in question are said to have inflated the amount of money they paid, providing auditors with signed letters that allowed Ahold to inflate its earnings. US Attorney David Kelley said he expects the nine vendors will plead guilty to the charges. He added that there may be more court actions in the future. "I don't want to leave you with the impression that these were the only ones involved," he said. Among those facing charges are John Nettle, a former employee of General Mills; Mark Bailin of Rymer International Seafood; Tim Daly of Michael Foods and Kenneth Bowman, who worked as an independent contractor for Total Foods.

Others include Michael Hannigan of Sugar Foods; Peter Marion of Maritime Seafood Processors and First Choice Foods; Gordon Redgate of Commodity Manager and Private Label Distribution; Bruce Robinson of Basic American Foods and Michael Rogers, formerly of Tyson Foods. Pasquale D'Amuro of the FBI called the nine vendors the key ingredients in "the process of cooking the books" at Ahold. At the time of the scandal, Ahold was seen by many as Europe's Enron. Ahold shares tumbled on the news and many market observers predicted that the fall out could damage investor confidence across Europe. It was less severe than many had envisaged, however, and since then Ahold has worked hard at rebuilding its reputation and investor confidence. Ahold is the world's fourth-largest supermarket chain. Its other US businesses include Stop & Shop, and Giant Food.

US retail sales surge in December

US retail sales ended the year on a high note with solid gains in December, boosted by strong car sales.

Seasonally adjusted sales rose 1.2% in the month, compared to 0.1% a month earlier, boosted by a surge in shopping just before and after Christmas. Sales climbed 8% for the year, the best performance since an 8.5% rise in 1999, the Commerce Department added. The gains were led by a 4.3% jump in auto sales as dealers used enhanced offers to get cars out of showrooms. Dealers were forced to cut prices in December to maintain sales growth in a tough quarter when the usual end-of-year holiday sales boom was slow to get started.

The increase in sales during December pushed total spending for the month to $349.4bn (Â£265.9bn). Sales for the year also broke through the $4 trillion mark for the first time - with annual sales coming in at $4.06 trillion However, if automotives are excluded from December's data, retail sales rose just 0.3% on the month. Home furnishings and furniture stores also performed well, rising 2.2%. But as well as hitting the shops, more US consumers were going online or using mail order for their purchases - with non-store retailers seeing sales rise by 1.9%. However, analysts said that the strong figures were unlikely to put the Federal Reserve Bank off its current policy of measured interest rate rises. "Consumers for now remain willing to spend freely, sustaining the US expansion. Given that attitude, the Fed remains likely to continue boosting the Fed funds rate at upcoming meetings," UBS economist Maury Harris told Reuters.

Retail sales are seen as a major part of consumer spending - which in turn makes up two-thirds of economic output in the US. Consumer spending has been picking up in recent years after slumping during 2001 and 2002 as the country battled to recover from its first recession of the decade and the World Trade Centre attacks. During that time, sales grew a lacklustre 2.9% in 2001 and 2.5% a year later. Looking ahead, analysts now expect improvement in jobs growth to feed through to the High Street with consumer spending remaining strong. The belief comes despite the latest labor department report showing a surprise rise in unemployment. The number of Americans filing initial jobless claims jumped to 367,000, the highest rate since September. However, long-term claims slipped to their lowest level since 2001.

McDonald's boss Bell dies aged 44

Charlie Bell, the straight-talking former head of fast-food giant McDonald's, has died of cancer aged 44.

Mr Bell was diagnosed with colorectal cancer in May last year, a month after taking over the top job. He resigned in November to fight the illness. Joining the company as a 15-year-old part-time worker, Mr Bell quickly moved through its ranks, becoming Australia's youngest store manager at 19. A popular go-getter, he is credited with helping revive McDonald's sales. Mr Bell leaves a wife and daughter. "As we mourn his passing, I ask you to keep Charlie's family in your hearts and prayers," chief executive James Skinner said in a statement. "And remember that in his abbreviated time on this earth, Charlie lived life to the fullest." "No matter what cards life dealt, Charlie stayed centred on his love for his family and for McDonald's."

After running the company's Australian business in the 1990s, Mr Bell moved to the US in 1999 to run operations in Asia, Africa and the Middle East. In 2001, he took over the reins in Europe, McDonald's second most important market. He became chief operating officer and president in 2002. Mr Bell took over as chief executive after his predecessor as CEO, Jim Cantalupo, died suddenly of a heart attack in April. Having worked closely with Mr Cantalupo, who came out of retirement to turn McDonald's around, Mr Bell focused on boosting demand at existing restaurants rather than follow a policy of rapid expansion. He had promised not to let the company get "fat, dumb and happy," and, according to Reuters, once told analysts that he would shove a fire hose down the throat of competitors if he saw them drowning. Mr Bell oversaw McDonald's "I'm lovin' it" advertising campaign and introduced successes such as McCafe, now the biggest coffee shop brand in Australia and New Zealand. Colleagues said that Mr Bell was proud of his humble beginnings, helping out behind cash tills and clearing tables when visiting restaurants.

US industrial output growth eases

US industrial production continued to rise in November, albeit at a slower pace than the previous month.

The US Federal Reserve said output from factories, mines and utilities rose 0.3% - in line with forecasts - from a revised 0.6% increase in October. Analysts added that if the carmaking sector - which saw production fall 0.5% - had been excluded the data would have been more impressive. The latest increase means industrial output has grown 4.2% in the past year. Many analysts were upbeat about the prospects for the US economy, with the increase in production coming on the heels of news of a recovery in retail sales. "This is very consistent with an economy growing at 3.5 to 4.0%. It is congruent with job growth and consumer optimism," Comerica chief economist David Littman said of the figures.

The US economy grew at a respectable annual rate of 3.7% in the three months between July and September, while jobs growth averaged 178,000 during the same period. While the employment figures are not spectacular, experts believe they are enough to whittle away at America's 5.4% jobless rate. A breakdown of the latest production figures shows mining output drove the increase, surging 2.1%, while factory output rose 0.3%. But utility output dropped 1.4%. Meanwhile, the amount of factory capacity in use during the month rose to 77.6% - its highest level since May 2001. "Many investors think that product market inflation won't be a problem until the utilisation rates are at 80% or higher," Cary Leahy, senior US economist at Deutsche Bank Securities, said. "So there is still a lot of inflation-fighting slack in the manufacturing sector," "Overall I'd say manufacturing at least away from autos continues to improve and I would bet that it improves at a faster rate in coming months given how lean inventories are," Citigroup senior economist Steven Wieting added.

'Golden economic period' to end

Ten years of "golden" economic performance may come to an end in 2005 with growth slowing markedly, City consultancy Deloitte has warned.

The UK economy could suffer a backlash from the slowdown in the housing market, triggering a fall in consumer spending and a rise in unemployment. Deloitte is forecasting economic growth of 2% this year, below Chancellor Gordon Brown's forecast of 3% to 3.5%. It also believes that interest rates will fall to 4% by the end of the year.

In its quarterly economic review, Deloitte said the UK economy had enjoyed a "golden period" during the past decade with unemployment falling to a near 30 year low and inflation at its lowest since the 1960s.

But it warned that this growth had been achieved at the expense of creating major "imbalances" in the economy. Deloitte's chief economic advisor Roger Bootle said: "The biggest hit of all is set to come from the housing market which has already embarked on a major slowdown. "Whereas the main driver of the economy in recent years has been robust household spending growth, this is likely to suffer as the housing market slowdown gathers pace."

Economic growth is likely to be constrained during the next few years by increased pressure on household budgets and rising taxes, Deloitte believes. Gordon Brown will need to raise about $10bn a year in order to sustain the public finances in the short term, the firm claims. This will result in a marked slowdown in growth in 2005 and 2006 compared to last year, when the economy expanded by 3.25%. However, Deloitte stressed that the slowdown was unlikely to have any major impact on retail prices while it expected the Bank of England to respond quickly to signs of the economy faltering. It expects a series of "aggressive" interest rate cuts over the next two years, with the cost of borrowing falling from its current 4.75% mark to 3.5% by the end of 2006. "Although 2005 may not be the year when things go completely wrong, it will probably mark the start of a more difficult period for the UK economy," Mr Bootle.

Industrial output falls in Japan

Japanese industrial output fell in October while unemployment rose, casting further doubt on the strength of the country's economic recovery.

Production dropped 1.6% in October, reflecting a decline in exports, while unemployment levels edged up 0.1% to 4.7%, slightly higher than forecast. The economy has grown for six quarters but growth slowed dramatically in the last quarter amid weaker global demand. Japan's government remains optimistic due to strong domestic demand.

Analysts had been forecasting a 0.1% rise in month on month industrial output.

According to figures from the Ministry of Economy, Trade and Industry (METI), the decline was led by a fall in demand for electronic parts for mobile phones and digital televisions. Although inventories fell 0.7%

month on month, they were 36% higher than a year ago. "It's a sign that the economy's adjustment phase is stronger than expected," said Takashi Yamanaka, an economist with UFJ Bank. Japan downgraded its overall economic assessment earlier this month for the first time in a year.

Growth slowed to 0.3% in the quarter ending September 30, down from 6.3% in the first quarter of 2004. Experts believe the economy -which stagnated for most of the 1990s -may be entering a softer patch on the back of rising oil prices and the falling dollar. Japanese government officials played down the latest data, arguing that domestic consumer demand was still resilient. "The outlook for November is positive so I don't think one can say that conditions have worsened just because of the fall in October," said a METI official. Despite the rise in unemployment, jobless figures are still some way below historical highs of recent years. The comparatively weak economic date preyed on shares with the Nikkei down 1% in afternoon trade.

Jobs go at Oracle after takeover

Oracle has announced it is cutting about 5,000 jobs following the completion of its $10.3bn takeover of its smaller rival Peoplesoft last week.

The company said it would retain more than 90% of Peoplesoft product development and product support staff. The cuts will affect about 9% of the 55,000 staff of the combined companies. Oracle's 18-month fight to acquire Peoplesoft was one of the most drawn-out and hard-fought US takeover battles of recent times. The merged companies are set to be a major force in the enterprise software market, second only in size to Germany's SAP.

In a statement, Oracle said it began notifying staff of redundancies on Friday and the process would continue over the next 10 days. "By retaining the vast majority of Peoplesoft technical staff, Oracle will have the resources to deliver on the development and support commitments we have made to Peoplesoft customers over the last 18 months," Oracle's chief executive Larry Ellison said in a statement.

Correspondents say 6,000 job losses had been expected - and some suggest more cuts may be announced in future. They say Mr Ellison may be trying to placate Peoplesoft customers riled by Oracle's determined takeover strategy. Hours before Friday's announcement, there was a funereal air at Peoplesoft's headquarters, reported AP news agency. A Peoplesoft sign had been turned into shrine to the company, with flowers, candles and company memorabilia. "We're mourning the passing of a great company," the agency quoted Peoplesoft worker David Ogden as saying. Other employees said they would rather be sacked than work for Oracle. "The new company is going to be totally different," said Anil Aggarwal, Peoplesoft's director of database markets. "Peoplesoft had an easygoing, relaxed atmosphere. Oracle has an edgy, aggressive atmosphere that's not conducive to innovative production." On the news, Oracle shares rose 15 cents - 1.1% - on Nasdaq. In after-hours trading the shares did not move.

Beijingers fume over parking fees

Choking traffic jams in Beijing are prompting officials to look at reorganising car parking charges.

Car ownership has risen fast in recent years, and there are now two and a half million cars on the city's roads. The trouble is that the high status of car ownership is matched by expensive fees at indoor car parks, making motorists reluctant to use them. Instead roads are being clogged by drivers circling in search of a cheaper outdoor option. "The price differences between indoor and outdoor lots are unreasonable," said Wang Yan, an official from the Beijing Municipal Commission for Development and Reform quoted in the state-run China Daily newspaper. Mr Wang, who is in charge of collecting car parking fees, said his team would be looking at adjusting parking prices to close the gap. Indoor parking bays can cost up to 250% more than outdoor ones.

Sports fans who drive to matches may also find themselves the target of the commission's road rage. It wants them to use public transport, and is considering jacking up the prices of car parks near sports grounds. Mr Wang said his review team may scrap the relatively cheap hourly fee near such places and impose a higher flat rate during matches. Indoor parking may be costly, but it is not always secure. Mr Wang's team are also going to look into complaints from residents about poor service received in exchange for compulsory monthly fees of up to 400 yuan ($48; Â£26). The Beijing authorities decided two years ago that visiting foreign dignitaries' motorcades should not longer get motorcycle outriders as they blocked the traffic. Unclogging Beijing's increasingly impassable streets is a major concern for the Chinese authorities, who are building dozens of new roads to create a showcase modern city ahead of the 2008 Olympic Games.

GM issues 2005 profits warning

General Motors has warned that it expects earnings this year be lower than in 2004.

The world's biggest car maker is grappling with losses in its European business, and weak US sales. GM said higher healthcare costs in North America, and lower profits at its financial services subsidiary would hurt its performance in 2005. GM said it expects to meet its 2004 earnings targets "despite a tough competitive environment".

GM, whose brands include Buick, Cadillac and Chevrolet in the US and Opel, Saab and Vauxhall in Europe, is due to reveal 2004 earnings on 19 January.

It said it would deliver a shareholder payout of $6.0-$6.5 per share this year, as promised, but that next year's earnings per share would be lower, at between $4.0-$5.0. "We're following a roadmap that we believe will deliver strong results," said GM chief executive Rick Waggoner. GM said it was expecting "reduced financial losses" in Europe in 2005. It is in the midst of cutting 12,000 jobs - one fifth of the European total - in a bid to cut costs. The biggest job losses are in Germany. Its vehicle businesses have gained market share in three out of four regions in 2004, achieving record profitability in Asia Pacific and returning to profit in Latin America, the Middle East and Africa. The car maker has diversified into financial services, and is extending the reach of General Motors Acceptance Corp (GMAC), which has said it may enter the home loans market. GMAC has been a strong contributor to profits in 2004 but GM said it will do less well this year, delivering net income of $2.5bn. "Attaining earnings of $10 a share remains GM's goal," the company said, adding it believes it can achieve this in 2007.

Lufthansa flies back to profit

German airline Lufthansa has returned to profit in 2004 after posting huge losses in 2003.

In a preliminary report, the airline announced net profits of 400m euros ($527.61m; Â£274.73m), compared with a loss of 984m euros in 2003. Operating profits were at 380m euros, ten times more than in 2003. Lufthansa was hit in 2003 by tough competition and a dip in demand following the Iraq war and the killer SARS virus. It was also hit by troubles at its US catering business. Last year, Lufthansa showed signs of recovery even as some European and US airlines were teetering on the brink of bankruptcy. The board of Lufthansa has recommended paying a 2004 dividend of 0.30 euros per share. In 2003, shareholders did not get a dividend. The company said that it will give all the details of its 2004 results on 23 March.

Winn-Dixie files for bankruptcy

US supermarket group Winn-Dixie has filed for bankruptcy protection after succumbing to stiff competition in a market dominated by Wal-Mart.

Winn-Dixie, once among the most profitable of US grocers, said Chapter 11 protection would enable it to successfully restructure. It said its 920 stores would remain open, but analysts said it would most likely off-load a number of sites. The Jacksonville, Florida-based firm has total debts of $1.87bn (Â£980m). In its bankruptcy petition it listed its biggest creditor as US foods giant Kraft Foods, which it owes $15.1m.

Analysts say Winn-Dixie had not kept up with consumers' demands and had also been burdened by a number of stores in need of upgrading. A 10-month restructuring plan was deemed a failure, and following a larger-than-expected quarterly loss earlier this month, Winn-Dixie's slide into bankruptcy was widely expected. The company's new chief executive Peter Lynch said Winn-Dixie would use the Chapter 11 breathing space to take the necessary action to turn itself around. "This includes achieving significant cost reductions, improving the merchandising and customer service in all locations and generating a sense of excitement in the stores," he said. Yet Evan Mann, a senior bond analyst at Gimme Credit, said Mr Lynch's job would not be easy, as the bankruptcy would inevitably put off some customers. "The real big issue is what's going to happen over the next one or two quarters now that they are in bankruptcy and all their customers see this in their local newspapers," he said.

US economy still growing says Fed

Most areas of the US saw their economy continue to expand in December and early January, the US Federal Reserve said in its latest Beige Book report.

Of the 12 US regions it identifies for the study, 11 showed stronger economic growth, with only the Cleveland area falling behind with a "mixed" rating. Consumer spending was higher in December than November, and festive sales were also up on 2003. The employment picture also improved, the Fed said.

"Labour markets firmed in a number of districts, but wage pressures generally remained modest," the Beige Book said. "Several districts reported higher prices for building materials and manufacturing inputs, but most reported steady or only slightly higher overall price levels." The report added that residential real estate activity remained strong and that commercial real estate activity strengthened in most districts. "Office leasing was especially brisk in Washington DC, and New York City, two of the nation's strongest commercial markets," the Fed said.

Saab to build Cadillacs in Sweden

General Motors, the world's largest car maker, has confirmed that it will build a new medium-sized Cadillac BLS at its loss-making Saab factory in Sweden.

The car, unveiled at the Geneva motor show, is intended to compete in the medium-sized luxury car market. It will not be sold in the US, said GM Europe president Carl-Peter Forster. As part of its efforts to make the US marque appeal to European drivers, the car will be the first Cadillac with a diesel engine.

GM's announcement should go some way to allay fears of the Saab factory's closure. The factory in Trollhaettan has been at the centre of rumours about GM's planned severe cutbacks in its troubled European operations. But the group's new commitment to the Swedish factory may not be welcomed by the group's Opel workers in Ruesselsheim, Germany. They may now have to face a larger proportion of GM's cuts.

Neither will the announcement be seen as unalloyed good news in Sweden, since it reflects Saab's failure to make significant inroads into the lucrative European luxury car market. For years, Saab has consistently said it is competing head-on with BMW, Mercedes and Jaguar. The segment's leaders do not agree.

GM's plans to build the American marque in Sweden is part of its efforts to push it as an alternative luxury brand for European drivers. In the US, it has long been established as an upmarket brand - even the presidential limousine carries the badge. Yet it could prove tough for Cadillac to steal market share from the majors in Europe. Other luxury car makers, most notably the Toyota subsidiary Lexus, have enjoyed tremendous success in the US without managing to make significant inroads in Europe. There, German marques Mercedes Benz and BMW have retained their stranglehold on the luxury market.

Bringing Cadillac production to Sweden should help introduce desperately-needed scale to the Saab factory, which currently produces fewer than 130,000 cars per year. That is about half of what major car makers consider sufficient numbers for profitable operations, and Saab is losing money fast - albeit with losses halved in 2004 to $200m (Â£104m; 151m euros) from $500m the previous year. Beyond the 12,000 job cuts announced last year at its European operations, GM is reducing expenditure by building Saabs, Opels - badged as Vauxhalls in the UK - and now Cadillacs on the same framework, and by allowing the different brands to share parts. Another way to further reduce Saab's losses could be to shift some of the production of Saabs to the US, a market where drivers have adopted it as an upmarket European car. Doing so would remove the exposure to the weak US dollar, which is making Saabs more expensive to US consumers. But not everyone in the industry agree that it would be the best way forward. "We know that in five years the US dollar will be stronger than it is today," the chief executive of a leading European car maker told BBC News. The current trend towards US production was "stupid", he said.

In a separate announcement, GM unveiled a new scheme to allow European consumers the chance to test drive its Opel and Vauxhall models. It is to deploy a fleet of 35,000 test cars across 40 countries, inviting potential buyers to try out a vehicle for 24-hours. It follows a similar initiative by GM in the US. GM said it wanted to change "customers' perceptions" about Opel and Vauxhall cars, showing them that the quality had improved in recent years.

Bank voted 8-1 for no rate change

The decision to keep interest rates on hold at 4.75% earlier this month was passed 8-1 by the Bank of England's rate-setting body, minutes have shown.

One member of the Bank's Monetary Policy Committee (MPC) - Paul Tucker - voted to raise rates to 5%. The news surprised some analysts who had expected the latest minutes to show another unanimous decision. Worries over growth rates and consumer spending were behind the decision to freeze rates, the minutes showed. The Bank's latest inflation report, released last week, had noted that the main reason inflation might fall was weaker consumer spending.

However, MPC member Paul Tucker voted for a quarter point rise in interest rates to 5%. He argued that economic growth was picking up, and that the equity, credit and housing markets had been stronger than expected.

The Bank's minutes said that risks to the inflation forecast were "sufficiently to the downside" to keep rates on hold at its latest meeting. However, the minutes added: "Some members noted that an increase might be warranted in due course if the economy evolved in line with the central projection". Ross Walker, UK economist at Royal Bank of Scotland, said he was surprised that a dissenting vote had been made so soon. He said the minutes appeared to be "trying to get the market to focus on the possibility of a rise in rates". "If the economy pans out as they expect then they are probably going to have to hike rates." However, he added, any rate increase is not likely to happen until later this year, with MPC members likely to look for a more sustainable pick up in consumer spending before acting.

Industrial revival hope for Japan

Japanese industry is growing faster than expected, boosting hopes that the country's retreat back into recession is over.

Industrial output rose 2.1% - adjusted for the time of year - in January from a month earlier. At the same time, retail sales picked up faster than at any time since 1997. The news sent Tokyo shares to an eight-month high, as investors hoped for a recovery from the three quarters of contraction seen from April 2004 on. The Nikkei 225 index ended the day up 0.7% at 11,740.60 points, with the yen strengthening 0.7% against the dollar to 104.53 yen. Weaker exports, normally the engine for Japan's economy in the face of weak domestic demand, had helped trigger a 0.1%

contraction in the final three months of last year after two previous quarters of shrinking GDP. Only an exceptionally strong performance in the early months of 2004 kept the year as a whole from showing a decline. The output figures brought a cautiously optimistic response from economic officials. "Overall I see a low risk of the economy falling into serious recession," said Bank of Japan chief Toshihiko Fukui, despite warning that other indicators - such as the growth numbers - had been worrying.

Within the overall industrial output figure, there were signs of a pullback from the export slowdown. Among the best-performing sectors were key overseas sales areas such as cars, chemicals and electronic goods. With US growth doing better than expected the picture for exports in early 2005 could also be one of sustained demand. Electronics were also one of the keys to the improved domestic market, with products such as flat-screen TVs in high demand during January.

Khodorkovsky ally denies charges

A close associate of former Yukos boss Mikhail Khodorkovsky has told a court that fraud charges levelled against him are "false".

Platon Lebedev has been on trial alongside Mr Khodorkovsky since June in a case centring around the privatisation of a fertiliser firm. The pair claim they are being punished by the authorities for the political ambitions of Mr Khodorkovsky. Mr Lebedev said there were "absurd contradictions" in the case. Opening his defence, he said he could not see the legal basis of the charges he faced, which also include allegations of tax evasion. "To my embarrassment, I could not understand the file of complaints against me," he told a Moscow court. Mr Lebedev headed the Menatep group, the parent company of Yukos.

Mr Lebedev and Mr Khodorkovsky, who each face a possible 10 year jail sentence if convicted, will be questioned by a judge over the next few days. Mr Khodorkovsky began his testimony last week, telling the court that he objected to the way that the "running of a normal business has been presented as a work of criminal fiction". The charges are seen by supporters as politically motivated and part of a drive by Russian President Vladimir Putin to rein in the country's super-rich business leaders, the so-called oligarchs. Yukos has been presented with a $27.5bn (Â£13bn) tax demand by the Russian authorities and its key Yugansk division was auctioned off to part settle the bill. The company's effort to gain bankruptcy protection in the US - in a bid to win damages for the sale - were dismissed by a court in Texas.

China keeps tight rein on credit

China's efforts to stop the economy from overheating by clamping down on credit will continue into 2005, state media report.

The curbs were introduced earlier this year to ward off the risk that rapid expansion might lead to soaring prices. There were also fears that too much stress might be placed on the fragile banking system. Growth in China remains at a breakneck 9.1%, and corporate investment is growing at more than 25% a year. The breakneck pace of economic expansion has kept growth above 9% for more than a year. Rapid tooling-up of China's manufacturing sector means a massive demand for energy - one of the factors which has kept world oil prices sky-high for most of this year. In theory, the government has a 7% growth target, but continues to insist that the overshoot does not mean a "hard landing" in the shape of an overbalancing economy. A low exchange rate - China's yuan is pegged to a rate of 8.28 to the dollar, which seems to be in relentless decline - means Chinese exports are cheap on world markets. China has thus far resisted international pressure to break the link or at least to shift the level of its peg. To some extent, the credit controls do seem to be taking effect. Industrial output grew 15.7% in the year to October, down from 23% in February, and inflation slowed to 4.3% - although retail sales are still booming.

Verizon 'seals takeover of MCI'

Verizon has won a takeover battle for US phone firm MCI with a bid worth $6.8bn (Â£3.6bn), reports say.

The two firms are expected to seal the deal on Monday morning, according to news agency reports, despite what was thought to be a higher bid from Qwest. The US telecoms market is consolidating fast, with former long-distance giant AT&T being bought by former subsidiary SBC earlier this year for $16bn. MCI exited bankruptcy in April, having gone bust under previous name WorldCom. The bankruptcy followed its admission in 2002 that it illegally booked expenses and inflated profits.

Shareholders lost about $180bn when the company collapsed, while 20,000 workers lost their jobs. Former Worldcom boss Bernie Ebbers is currently on trial, accused of overseeing an $11bn fraud. Qwest has itself come under suspicion of sub-standard behaviour, paying the Securities and Exchange Commission $250m in October to settle charges that it manipulated its results to keep Wall Street happy.

MCI is the US's second-biggest long distance firm after AT&T. Consolidation in the US telecommunications industry has picked up in the past few months as companies look to cut costs and boost client bases. A merger between MCI and Verizon would be the fifth billion-dollar telecoms deal since October. Last week, SBC Communications agreed to buy its former parent and phone trailblazer AT&T for about $16bn. Buying MCI would give either Qwest or Verizon access to MCI's global network and business-based subscribers. The rationale is similar to the one underpinning SBC's AT&T deal. Verizon is by far the bigger company and has its own successful mobile arm - factors which may have swung the board in its favour since both suitors are offering a mixture of cash and shares.

Crossrail link 'to get go-ahead'

The Â£10bn Crossrail transport plan, backed by business groups, is to get the go-ahead this month, according to The Mail on Sunday.

It says the UK Treasury has allocated Â£7.5bn ($13.99bn) for the project and that talks with business groups on raising the rest will begin shortly. The much delayed Crossrail Link Bill would provide for a fast cross-London rail link. The paper says it will go before the House of Commons on 23 February.

A second reading could follow on 16 or 17 March. "We've always said we are going to introduce a hybrid Bill for Crossrail in the Spring and this remains the case," the Department for Transport said on Sunday. Jeremy de Souza, a spokesman for Crossrail, said on Sunday he could not confirm whether the Treasury was planning to invest Â£7.5bn or when the bill would go before Parliament.

However, he said some impetus may have been provided by the proximity of an election.

The new line would go out as far as Maidenhead, Berkshire, to the west of London, and link Heathrow to Canary Wharf via the City. Heathrow to the City would take 40 minutes, dramatically cutting journey times for business travellers, and reducing overcrowding on the tube. The line has the support of the Mayor of London, Ken Livingstone, business groups and the government, but there have been three years of arguments over how it should be funded. The Mail on Sunday's Financial Mail said the Â£7.5bn of Treasury money was earmarked for spending in Â£2.5bn instalments in 2010, 2011 and 2012.

Small firms 'hit by rising costs'

Rising fuel and materials costs are hitting confidence among the UK's small manufacturers despite a rise in output, business lobby group the CBI says.

A CBI quarterly survey found output had risen by the fastest rate in seven years but many firms were seeing the benefits offset by increasing expenses. The CBI also found spending on innovation, training and retraining is forecast to go up over the next year. However, firms continue to scale back investment in buildings and machinery.

The CBI said companies are looking to the government to lessen the regulatory load and are hoping interest rates will be kept on hold. "Smaller manufacturers are facing an uphill struggle," said Hugh Morgan Williams, chair of the CBI's SME Council. "The manufacturing sector needs a period of long-term stability in the economy." The CBI found some firms managed to increase prices for the first time in nine years - but many said increases failed to keep up the rise in costs. Of the companies surveyed, 30% saw orders rise and 27% saw them fall. The positive balance of plus 3 compared with minus 10 in the previous survey. When firms were questioned on output volume, the survey returned a balance of plus 8 - the highest rate of increase for seven years - and rose to plus 11 when looking ahead to the next three months.

Deutsche Boerse boosts dividend

Deutsche Boerse, the German stock exchange that is trying to buy its London rival, has said it will boost its 2004 dividend payment by 27%.

Analysts said that the move is aimed at winning over investors opposed to its bid for the London Stock Exchange. Critics of the takeover have complained that the money could be better used by returning cash to shareholders. Deutsche Boerse also said profit in the three months to 31 December was 120.7m euros ($158.8m; Â£83.3m). Sales climbed to 364.4m euros, lifting revenue for the year to a record 1.45bn euros.

Frankfurt-based Deutsche Boerse has offered Â£1.3bn ($2.48bn; 1.88bn euros) for the London Stock Exchange. Rival pan-European bourse Euronext is working also on a bid. Late on Monday, Deutsche Boerse said it would lift its 2004 dividend payment to 70 euro cents (Â£0.48; $0.98) from 55 euro cents a year earlier. "There is a whiff of a sweetener in there," Anais Faraj, an analyst at Nomura told the BBC's World Business Report. "Most of the disgruntled shareholders of Deutsche Boerse are complaining that the money that is being used for the bid could be better placed in their hands, paid out in dividends," Mr Faraj continued. Deutsche Boerse is "trying to buy them off in a sense", he said.

Japanese growth grinds to a halt

Growth in Japan evaporated in the three months to September, sparking renewed concern about an economy not long out of a decade-long trough.

Output in the period grew just 0.1%, an annual rate of 0.3%. Exports - the usual engine of recovery - faltered, while domestic demand stayed subdued and corporate investment also fell short. The growth falls well short of expectations, but does mark a sixth straight quarter of expansion.

The economy had stagnated throughout the 1990s, experiencing only brief spurts of expansion amid long periods in the doldrums. One result was deflation - prices falling rather than rising - which made Japanese shoppers cautious and kept them from spending.

The effect was to leave the economy more dependent than ever on exports for its recent recovery. But high oil prices have knocked 0.2% off the growth rate, while the falling dollar means products shipped to the US are becoming relatively more expensive.

The performance for the third quarter marks a sharp downturn from earlier in the year. The first quarter showed annual growth of 6.3%, with the second showing 1.1%, and economists had been predicting as much as 2% this time around. "Exports slowed while capital spending became weaker," said Hiromichi Shirakawa, chief economist at UBS Securities in Tokyo. "Personal consumption looks good, but it was mainly due to temporary factors such as the Olympics. "The amber light is flashing." The government may now find it more difficult to raise taxes, a policy it will have to implement when the economy picks up to help deal with Japan's massive public debt.

Brewers' profits lose their fizz

Heineken and Carlsberg, two of the world's largest brewers, have reported falling profits after beer sales in western Europe fell flat.

Dutch firm Heineken saw its annual profits drop 33% and warned that earnings in 2005 may also slide. Danish brewer Carlsberg suffered a 3% fall in profits due to waning demand and increased marketing costs. Both are looking to Russia and China to provide future growth as western European markets are largely mature.

Heineken's net income fell to 537m euros ($701m; Â£371m) during 2004, from 798m euro a year ago. It blamed weak demand in western Europe and currency losses. It had warned in September that the weakening US dollar, which has cut the value of foreign sales, would knock 125m euros off its operating profits. Despite the dip in profits, Heineken's sales have been improving and total revenue for the year was 10bn euros, up 8.1% from 9.26bn euros in 2003. Heineken said it now plans to invest 100m euros in "aggressive" and "high-impact" marketing in Europe and the US in 2005. Heineken, which also owns the Amstel and Murphy's stout brands, said it would also seek to cut costs. This may involve closing down breweries.

Heineken increased its dividend payment by 25% to 40 euro cents, but warned that the continued impact of a weaker dollar and an increased marketing spend may lead to a drop in 2005 net profit.

Carlsberg, the world's fifth-largest brewer, saw annual pre-tax profits fall to 3.4bn Danish kroner (456m euros). Its beer sales have been affected by the sluggish European economy and by the banning of smoking in pubs in several European countries. Nevertheless, total sales increased 4% to 36bn kroner, thanks to strong sales of Carlsberg lager in Russia and Poland. Carlsberg is more optimistic than Heineken about 2005, projecting a 15% rise in net profits for the year. However, it also plans to cut 200 jobs in Sweden, where sales have been hit by demand for cheap, imported brands. "We remain cautious about the medium-to-long term outlook for revenue growth across western Europe for a host of economic, social and structural reasons," investment bank Merrill Lynch said of Carlsberg.

Russia WTO talks 'make progress'

Talks on Russia's proposed membership of the World Trade Organisation (WTO) have been "making good progress" say those behind the negotiations.

But the chairman of the working party, Ambassador Stefan Johannesson of Iceland, warned that there was "still a lot of work has to be done". His comments came as President George W Bush said the US backed Russian entry. But he said for Russia to make progress the government must "renew a commitment to democracy and the rule of law". His comments come three days before he is due to meet President Vladimir Putin.

Russia has been waiting for a decade to join the WTO and hopes to finally become a member by early 2006. A decision could be reached in December, when the WTO's 148 current members gather for a summit in Hong Kong. That would allow an earliest date for membership of January 2006, if the Hong Kong summit gave its approval. While pinpointing several areas in which there are difficulties in the bilateral and multilateral work with Russia, the US said the meeting was "much more efficient than we've seen for some time". And Australia said it was "one of the best (meetings) we can recall in terms of substance". Mr Johannesson also said progress "on the bilateral market access side is accelerating". Sticking points to membership have included limits on foreign ownership in the telecommunications and life insurance businesses, as well as issues surrounding counterfeiting, piracy, and data protection. Some WTO members also dislike Russia's energy price subsidies, which competitors say give Russian businesses an unfair advantage.

India's rupee hits five-year high

India's rupee has hit a five-year high after Standard & Poor's (S&P) raised the country's foreign currency rating.

The rupee climbed to 43.305 per US dollar on Thursday, up from a close of 43.41. The currency has gained almost 1% in the past three sessions. S&P, which rates borrowers' creditworthiness, lifted India's rating by one notch to 'BB+'. With Indian assets now seen as less of a gamble, more cash is expected to flow into its markets, buoying the rupee.

"The upgrade is positive and basically people will use it as an excuse to come back to India," said Bhanu Baweja, a strategist at UBS. "Money has moved out from India in the first two or three weeks of January into other markets like Korea and Thailand and this upgrade should lead to a reversal." India's foreign currency rating is now one notch below investment grade, which starts at 'BBB-'. The increase has put it on the same level as Romania, Egypt and El Salvador, and one level below Russia.

Dollar drops on reserves concerns

The US dollar has dropped against major currencies on concerns that central banks may cut the amount of dollars they hold in their foreign reserves.

Comments by South Korea's central bank at the end of last week have sparked the recent round of dollar declines. South Korea, which has about $200bn in foreign reserves, said it plans instead to boost holdings of currencies such as the Australian and Canadian dollar. Analysts reckon that other nations may follow suit and now ditch the dollar. At 1300 GMT, the euro was up 0.9% on the day at 1.3187 euros per US dollar. The British pound had added 0.5% to break through the $1.90 level, while the dollar had fallen by 1.3% against the Japanese yen to trade at 104.16 yen.

At the start of the year, the US currency, which had lost 7% against the euro in the final three months of 2004 and had fallen to record lows, staged something of a recovery.

Analysts, however, pointed to the dollar's inability recently to extend that rally despite positive economic and corporate data, and highlighted the fact that many of the US's economic problems had not disappeared. The focus once again has been on the country's massive trade and budget deficits, with predictions of more dollar weakness to come. "The comments from Korea came at a time when sentiment towards the dollar was already softening," said Ian Gunner, a trader at Mellon Financial. On Tuesday, traders in Asia said that both South Korea and Taiwan had withdrawn their bids to buy dollars at the start of the session. Mansoor Mohi-Uddin, chief currency strategist at UBS, said that there was a sentiment in the market that "central banks from Asia and the Middle East are buying euros". A report last month already showed that the dollar was losing its allure as a currency that offered rock-steady returns and stability. Compiled by Central Banking Publications and sponsored by the UK's Royal

Bank of Scotland, the survey found 39 nations out of 65 questioned were increasing their euro holdings, with 29 cutting back on the US dollar.

India and Russia in energy talks

India and Russia are to work together in a series of energy deals, part of a pact which could see India invest up to $20bn in oil and gas projects.

On the agenda are oil and gas extraction as well as transportation deals, to be led by Russian energy giant Gazprom and India's ONGC. The Indian firm is also expected to hold talks on Tuesday about buying a stake in assets once owned by Yukos. It is reported to be keen on buying a 15% stake in oil unit Yuganskneftegas. The former Yukos subsidiary was controversially sold off last year and eventually acquired by state-owned energy giant Rosneft.

Russian media reported that India and Russia signed a memorandum of understanding on energy co-operation on Tuesday during a meeting between Oil and Natural Gas Corporation chairman Subir Raha, Gazprom chairman Aleksey Miller and India's petroleum minister Mani Shankar Aiyar.

The agreement is likely to see the two companies develop refining facilities in Russia, India and elsewhere and organise delivery of oil, gas and petrochemicals from Russia to India and other countries across Asia. ONGC could invest in gas and oil fields in Sakhalin, in the far east of Russia, and may also take part in joint tender bids for projects in eastern Siberia and the Caspian Sea.

India is urgently searching for fresh energy supplies - particularly liquefied natural gas - as domestic demand is growing at more than 5% a year.

ONGC's Mr Raha said the two could work together on joint bids from next year. "At current oil and gas prices, our cash flow situation is good," he told Reuters. "What we are saying is - Gazprom has a huge amount of gas and we have the money. "The investment may go up to $20bn or more for a period of five years or so."

Russian news agencies reported that India's petroleum minister Mr Aiyar and Russian energy minister Viktor Khristenko would discuss the future of Yugansk at a meeting on Tuesday. ONGC's Mr Raha declined to be drawn on his firm's reported interest in the company. However, he stressed that ONGC was not interested in a 'loan-for-oil deal' in connection to Yugansk, similar to that concluded recently between Rosneft and China's National Petroleum Corporation. "China's problem is it has immediate demand and they needed the oil for their coastal refineries. We do not. We would like long-term security through equity participation." It is thought that any decision over Yugansk will be delayed until a US court has decided whether to grant Yukos bankruptcy protection. Yukos is suing a host of companies involved in the sale of Yugansk, auctioned off to pay a huge back-tax bill. It has also threatened legal action against any business which has future commercial dealings with its former subsidiary.

Weak data buffets French economy

A batch of downbeat government data has cast doubt over the French economy's future prospects.

Official figures showed on Friday that unemployment was unchanged at 9.9% last month, while consumer confidence fell unexpectedly in October. At the same time, finance minister Nicolas Sarkozy warned that high oil prices posed a threat to French growth. "[Oil prices] will weigh on consumer spending in the short term, and potentially on confidence," he said. World oil prices have risen by more than 60% since the start of the year as production struggles to keep pace with soaring demand.

Analysts said French companies, keen to protect their profit margins at a time of rising energy costs, were reluctant to take on extra staff. "[The unemployment figures] show the main problem of the French economy: we have growth but without an improvement in employment," said Marc Touati, an economist at Natexis Banques Populaires. "Politicians must have the will and guts to solve structural unemployment with thorough reforms, otherwise in five or ten years, it will be too late." Obligatory employer contributions to worker welfare programmes mean that it costs more to hire staff in France than in many other European economies. Many economists have urged the government to stimulate employment by reducing non-wage payroll costs, and by scrapping restrictions on working hours. The French statistics agency, INSEE, expects the economy to grow by about 2.4% this year, buoyed by strong consumer spending and business investment. That is above the projected eurozone average of just above 2%.

Business fears over sluggish EU economy

As European leaders gather in Rome on Friday to sign the new EU constitution, many companies will be focusing on matters much closer to home - namely how to stay in business.

Lille is a popular tourist destination for Britons who want a taste of France at the weekend. But how many tourists look at the impressively grand Victorian Chambre de Commerce, which stands beside the Opera House, and consider that it was built - like the town halls in many northern English towns - on the wealth created by coal, steel and textiles? Like northern England and industrial Scotland, those industries have been in long term decline - the last coal pit closed in 1990. Beck-Crespel is a specialist steel firm in Armentieres, about 20 miles from Lille. The company has not laid off a worker since 1945. It specialises in making bolts and fixings for power stations and the oil industry, but not many of those are being built in Europe these days.

Director Hugues Charbonnier says he is under pressure because factories in the Far East are able to make some of his output more cheaply, while his key markets are now in China and India. "In our business the market is absolutely global, you can not imagine living with our size (of business) even within an enlarged European Union, (if we did that) we would need not 350 people but perhaps just 150 or 200," he says. It isn't just globalisation that is hurting; the law in France means workers are paid for a 39 hour week even though they work just 35 hours. But at least there is still a steel industry. Coal has now totally vanished and textiles are struggling. New business has been attracted, but not enough to make up the difference.

That is one reason why people here are not great fans of the EU, says Frederic Sawicki, a politics lecturer at the University of Lille.

"In the region today the unemployment rate is 12%, in some areas it is 15%. They don't see what Europe is doing for them, so there is a kind of euro scepticism, especially in the working classes," he says. Which is strange because Lille is at the crossroads of Europe - if anywhere should be benefiting from the euro it is here. The euro was designed to increase trade within the eurozone, but the biggest increase in trade has been with the rest of the world. Much of that trade passes through the world's largest port, Rotterdam, in Holland, home to specialist crane maker Huisman Itrec. Its cranes help build oil rigs and lifted the sunken Russian submarine Kursk from the sea bed, but Huisman Itrec is now setting up a factory in China, where costs are cheaper and its main customers are closer.

Boss Henk Addink blames the low growth rate in Europe for the lack of orders closer to home. "In the US growth is something like 6%, in China they are estimating 15%, and in the EU it is more or less 1%," he says. Mr Addink blames the euro for stifling demand. He much preferred the old currencies of Europe, which moved in relation to each country's economic performance. In Germany, industry is exporting more these days, but the economy as a whole is once again mired in slow growth and high unemployment. Growth is likely to peak this year at just under 2%. In Britain that would be a bad year; in Germany it is one of the best in recent years. With Germany making up a third of the eurozone's economy, this is a major problem. If Germany doesn't once again become the powerhouse of Europe, growth across the bloc is never going to be as strong as it could be. However, at one factory near the Dutch border things are changing.

The Siemens plant at Boscholt makes cordless phones and employs 2,000 staff. Staff have started working an extra four hours a week for no extra pay, after Siemens threatened to take the factory and their jobs to Hungary. Factory manager Herbert Stueker says that he now hopes to increase productivity "by nearly 30%". But Germany needs much more reform if all its industry is to compete with places such Hungary or China. The

Government is reforming the labour market and cutting the generous unemployment system, but the real solution is to cut the wages of low skilled workers, says Helmut Schneider, director of the Institute for the Study of Labour at Bonn University. "Labour is too costly in Germany, especially for the low skilled labour and this is the main problem. If we could solve that problem we could cut unemployment by half," he says. The EU set itself the target of being the most efficient economy in the world by 2010. Four years into that process, and the target seems further away than ever.

M&S cuts prices by average of 24%

Marks & Spencer has cut prices in London and the regions by an average of 24%, according to research from a City investment bank.

Dresdner Kleinwort Wasserstein said: "In spite of the snow in the UK, it still feels very early to be cutting prices of spring merchandise." Stuart Rose, head of M&S, said last year its prices were too high. "We are bringing in ranges at new price points to compete against mid-market retailers like Next," said M&S.

Next is one of M&S's biggest competitors and the move may force it to lower prices. DrKW said the cuts are either to clear stock or could indicate a longer term "step change in pricing in certain areas" at M&S. "Either way, this cannot be good news for M&S' margin," it added. "We have brought in quite a lot of new clothing at new price points as part of Stuart Rose's strategy of quality, style -and price," said the M&S spokesman. Many analysts believe February is proving to be a difficult month for retailers and British Retail Consortium figures, due in a few weeks, are expected to reflect the tough trading environment. Separately, investment bank Goldman Sachs produced reseach showing that a basket of 35 M&S goods is now 11% above the high-street average, compared with 43% higher last year.

It has been a strange week for M&S, which on Tuesday received a statement from Philip Green, the billionaire Bhs owner, confirming he was not rebidding for the company. This was followed the same day by Mark Paulsmeier, a South African financier, issuing a press release saying his Paulsmeier Group was interested in M&S. A sudden spike in M&S's share price followed. However, an M&S spokesman said on Sunday it had no evidence that Mr Paulsmeier had lined up sufficient finance for a bid. He also said the Takeover Panel and the UK's financial watchdog the Financial Services Authority had been in touch with M&S at the beginning of the week to find out what it knew about the Paulsmeier developments.

Fiat chief takes steering wheel

The chief executive of the Fiat conglomerate has taken day-to-day control of its struggling car business in an effort to turn it around.

Sergio Marchionne has replaced Herbert Demel as chief executive of Fiat Auto, with Mr Demel leaving the company. Mr Marchionne becomes the fourth head of the business - which is expected to make a 800m euro ($1bn) loss in 2004 - in as many years. Fiat underperformed the market in Europe last year, seeing flat sales.

The car business has made an operating loss in five of the last six years and was forced to push back its break-even target from 2005 to 2006. The management changes are part of a wider shake-up of the business following Fiat's resolution of its dispute with General Motors. As part of a major restructuring, Fiat is to integrate the Maserati car company - currently owned by Ferrari - within its own operations. Ferrari, in which Fiat owns a majority stake, could be separately floated on the stock market in either 2006 or 2007.

Mr Marchionne, who only joined the company last year, said Fiat Auto was now the "principal focus" of his attention. "I have made the decision to take on the post of chief executive of the auto unit to speed up the company's recovery," he said. "A profound cultural transformation is underway following a management reorganisation that has delivered a more agile and efficient structure," he added.

Although Mr Marchionne does not have a background in the car industry, he has been playing an increasing role in the group's activities. Last year, he said that a series of new models, launched as part of the group's recovery plan, had not boosted revenues as much as hoped. The car business, best known for its Alfa Romeo marque, is expected to make a loss of about 800m euros in 2004. Sales are expected to fall in 2005, Fiat said this week, as it exits unprofitable areas such as the rental car market. Mr Demel, a car industry veteran, took the helm in November 2003 after being recruited by former Fiat chief executive Giuseppe Morchio. Mr Morchio made a bid last year to become chairman after the death of president Umberto Agnelli. However, this was rejected by the founding Agnelli family and Mr Morchio subsequently resigned. Earlier this week, Fiat reached an agreement with GM to dissolve an alliance which could have obliged GM to buy the Italian firm outright. GM will pay Fiat $2bn as part of the settlement.

UK 'risks breaking golden rule'

The UK government will have to raise taxes or rein in spending if it wants to avoid breaking its "golden rule", a report suggests.

The rule states that the government can borrow cash only to invest, and not to finance its spending projects. The National Institute of Economic and Social Research (NIESR) claims that taxes need to rise by about

Â£10bn if state finances are to be put in order. The Treasury said its plans were on track and funded until 2008. According to NIESR, if the government's current economic cycle runs until March 2006 then it is "unlikely" the golden rule will be met. Should the cycle end a year earlier, then the chances improve to "50/50". Either way, fiscal tightening is needed, NIESR said.

The report is the latest to call into question the viability of government spending projections. Earlier this month, accountancy firm Ernst & Young said that Chancellor of the Exchequer Gordon Brown's forecasts for tax revenues were too optimistic.

It claimed revenues were likely to be Â£6bn below estimates by the end of the tax year despite the economy growing in line with forecasts. A Treasury spokesperson dismissed the latest claims, saying it was "on track to meeting spending rules and the golden rule in the current cycle and beyond". "Spending plans have been set out until 2008 and they are fully affordable." Other than its warning on possible tax hikes, the NIESR report was optimistic about the state of the UK and global economy.

It said the recent record-busting surge in oil prices would have a limited effect on worldwide expansion, saying that if anything the "world economy will continue to grow strongly". Global gross domestic product (GDP) is tipped to be 4.1% this year, dipping to 4% in 2005, before picking up again to 4.2% in 2006. The US will continue to drive expansion until 2006, albeit at a slightly slower rate, as will be the case in Japan. Hinting at better times for UK exporters, NIESR said the euro zone "is expected to pick up speed".

Growth in Britain also is set to accelerate, it forecast. "Despite weak growth in the third quarter, the forces sustaining the upswing remain intact and the economy will expand robustly in 2005 and 2006," NIESR said, adding that "the economy will become better balanced over the next two years as exports stage a recovery". GDP is expected at 3.2% in 2004, and 2.8% in both 2005 and 2006. The main cloud on the horizon, NIESR said, was the UK's much analysed and fretted over property market.

WorldCom director admits lying

The former chief financial officer at US telecoms firm WorldCom has admitted before a New York court that he used to lie to fellow board members.

Speaking at the trial of his former boss Bernard Ebbers, Scott Sullivan said he lied to the board to cover up the hole in WorldCom's finances. Mr Ebbers is on trial for fraud and conspiracy in relation to WorldCom's collapse in 2002. He pleads not guilty. The firm had been overstating its accounts by $11bn (Â£8.5bn). Mr Sullivan, 42, has already pleaded guilty to fraud and will be sentenced following Mr Ebbers' trial, where he is appearing as a prosecution witness. Mr Ebbers, 63, has always insisted that he was unaware of any hidden shortfalls in WorldCom's finances.

In the New York court on Wednesday, Mr Ebbers' lawyer Reid Weingarten asked Mr Sullivan: "If you believe something is in your interest, you are willing and able to lie to accomplish it, isn't that right?"

"On that date, yes. I was lying," replied Mr Sullivan. Mr Weingarten has suggested that Mr Sullivan is implicating Mr Ebbers only to win a lighter sentence, something Mr Sullivan denies. Mr Sullivan also rejects a suggestion that he had once told fellow WorldCom board member Bert Roberts that Mr Ebbers was unaware of the accounting fraud at WorldCom. The trial of Mr Ebbers is now into its third week.

Under 23 hours of questioning from a federal prosecutor, Mr Sullivan has previously told the court that he repeatedly warned Mr Ebbers that falsifying the books would be the only way to meet Wall Street revenue and earnings expectations. Mr Sullivan claims that Mr Ebbers refused to stop the fraud. Mr Ebbers could face a sentence of 85 years if convicted of all the charges he is facing. WorldCom's problems appear to have begun with the collapse of the dotcom boom which cut its business from internet companies. Prosecutors allege that the company's top executives responded by orchestrating massive fraud over a two-year period. WorldCom emerged from bankruptcy protection in 2004, and is now known as MCI.

Call centre users 'lose patience'

Customers trying to get through to call centres are getting impatient and quicker to hang up, a survey suggests.

Once past the welcome message, callers on average hang up after just 65 seconds of listening to canned music. The drop in patience comes as the number of calls to call centres is growing at a rate of 20% every year. "Customers are getting used to the idea of an 'always available' society," says Cara Diemont of IT firm Dimension Data, which commissioned the survey. However, call centres also saw a sharp increase of customers simply abandoning calls, she says, from just over 5% in 2003 to a record 13.3% during last year. When automated phone message systems are taken out of the equation, where customers have to pick their way through multiple options and messages, the number of abandoned calls is even higher - a sixth of all callers give up rather than wait. One possible reason for the lack in patience, Ms Diemont says, is the fact that more customers are calling 'on the move' using their mobile phones.

The surge in customers trying to get through to call centres is also a reflection of the centres' growing range of tasks. "Once a call centre may have looked after mortgages, now its agents may also be responsible for credit cards, insurance and current accounts," Ms Diemont says. Problems are occurring because increased responsibility is not going hand-in-hand with more training, the survey found.

In what Dimension Data calls an "alarming development", the average induction time for a call centre worker fell last year from 36 to just 21 days, leaving "agents not equipped to deal with customers". This, Ms Diemont warns, is "scary" and not good for the bottom line either. Poor training frustrates both call centre workers and customers. As a result, call centres have a high "churn rate", with nearly a quarter of workers throwing in the towel every year, which in turn forces companies to pay for training new staff. Resolution rates - the number of calls where a customer's query is resolved to mutual satisfaction - are running at just 50%. When the query is passed on to a second or third person - a specialist or manager - rates rise to about 70%, but that is still well below the industry target of an 85% resolution rate.

Suggestions that "outsourcing" - relocating call centres to low-cost countries like India or South Africa - is to blame are wrong, Ms Diemont says.

There are "no big differences in wait time and call resolution" between call centres based in Europe or North America and those in developing countries around the world. "You can make call centres perform anywhere if you have good management and the right processes in place," she says. However, companies that decide to "offshore" their operations are driven not just by cost considerations. Only 42% of them say that saving money is the main consideration when closing domestic call centre operations. Half of them argue that workers in other countries offer better skills for the money. But not everybody believes that outsourcing and offshoring are the solution. Nearly two-thirds of all firms polled for the survey have no plans to offshore their call centres. They give three key reasons for not making the move:

- call centre operations are part of their business "core function",
- they are worried about the risk of going abroad,
- they fear that they will damage their brand if they join the offshoring drive. The survey was conducted by Sunovate on behalf of Dimension Data, and is based on in-depth questionnaires of 166 call centres in 24 countries and five continents. What are your experiences with call centres? Are you happy to listen to Vivaldi or Greensleeves, or do you want an immediate response? And if you work in a call centre: did your training prepare you for your job?

Novartis hits acquisition trail

Swiss drugmaker Novartis has announced 5.65bn euros ($7.4bn; Â£3.9bn) of purchases to make its Sandoz unit the world's biggest generic drug producer.

Novartis, which last month forecast record sales for 2005, said it had bought all of Germany's Hexal. It also acquired 67.7% of Hexal's US affiliate Eon Labs, and offered to buy the remaining shares for $31 each.

Novartis said that it would be able to make cost savings of about $200m a year following the acquisitions. Novartis' shares rose 1% to 57.85 Swiss francs in early trading.

The deal will see Novartis' Sandoz business overtake Israel's Teva Pharmaceuticals as the world's biggest maker of generics. Based on 2004 figures the newly merged producer would have sales of more than $5bn, the company estimated. Novartis said that it would merge a number of departments, adding that there may be job cuts.

"The strong growth outlook for Sandoz, which will create jobs, is expected to partially compensate for necessary reductions in the work force," the firm said in a statement. Generic drugs are chemically identical to their more expensive branded rivals. Producers such as Sandoz can copy the branded products usually after their patent protection expires and can sell them more cheaply as they do not have to pay research and development cost.

There are more than 150 generic drugmakers worldwide and analysts have predicted consolidation in a market that they call fragmented. However, not all analysts were initially convinced about the deal. "This is a very expensive acquisition," Birgit Kuhlhoff, from Sal Oppenheim investment bank, told Reuters. "I find it strange that they are making acquisitions in exactly those markets where they suffered price pressure."

Economy 'strong' in election year

UK businesses are set to prosper during the next few months - but this could trigger more interest rate rises, according to a report.

Optimism is at its highest since 1997 and business will reap the benefits of a continuing rise in public spending, say researchers at BDO Stoy Hayward. The Bank of England is expected to keep rates on hold this week - but they could go up later in the year. Rates are likely to rise after the anticipated general election in May. The BDO optimism index - a leading indicator of GDP growth two quarters ahead edged up in January to 102.5, from 102.2 in October. The rise is due, in part, to an increase in public spending and increased merger and acquisition activity.

The only thing blighting business optimism this year will be uncertainties associated with the general election, BDO said. Its BDO's output index - which predicts GDP movements a quarter in advance - remained at 100.8 for January, implying GDP growth at 2.9% in the second quarter of 2005. However, the output index is being held back by recent interest rate rises, sterling's strength against the dollar and high oil prices, the group noted. Its inflation index, which has risen continuously over the last 8 months, climbed to 110.0 in January from 108.0 in October last year. "The UK is looking strong going into the general election, but businesses need to prepare themselves for a jolt ahead as the Bank of England reacts to growth and inflationary pressures," said Peter Hemington, partner at BDO Stoy Hayward. "Growth will probably slow by the end of 2005 and it is likely that we will see higher interest rates or a sharp drop in demand for products and services."

Sluggish economy hits German jobs

The number of people out of work in Europe's largest economy has risen for the tenth straight month as growth remains stubbornly slow.

German unemployment rose 7,000 in November to 4.464 million people, or 10.8% of the workforce. The seasonally adjusted rise showed a smaller rise than expected, as government measures to encourage job creation began to take effect. But officials said stagnant growth was still stifling the job market. "There are clear signs of a revival in domestic demand," said Frank-Juergen Weise, head of the Federal Labour Agency, in a statement. "But growth of 0.1%... in the third quarter is still insufficient to deliver positive momentum to the labour market." High oil prices and the soaring euro - which damages the competitiveness of exporters - were also having a negative effect, he said. The brunt of the unemployment is still being felt in the eastern part of Germany, where the rate is 18.8%.

With unemployment stuck above 4 million for years, the government of Chancellor Gerhard Schroeder has put job creation at the top of the agenda. A controversial package of measures to shake up incentives to get back to work, paid for by cutting some cherished benefits, has sparked anger among some German workers. Strikes in a number of industries, notably among the country's iconic carmakers, have demonstrated the displeasure - as well as fears about further job losses as outsourcing takes hold. Among the new initiatives are the so-called "one-euro jobs" which top up unemployment benefit. The scheme's formal launch is January, but hirings for these positions are already taking place and affecting the unemployment statistics, economists said. "The deterioration of the labour market does not come as a surprise," said Isabelle Kronawitter at Hypovereinsbank. "Job creation measures probably prevented a stronger increase in the seasonally adjusted numbers."

Sales 'fail to boost High Street'

The January sales have failed to help the UK High Street recover from a poor Christmas season, a survey has found.

Stores received a boost from bargain hunters but trading then reverted to December levels, the British Retail Consortium and accountants KPMG said. Sales in what is traditionally a strong month rose by 0.5% on a like-for-like basis, compared with a year earlier. Consumers remain cautious over buying big-ticket items like furniture, said BRC director general Kevin Hawkins. Higher interest rates and uncertainty over the housing market continue to take their toll on the retail sector, the BRC said. But clothing and footwear sales were said to be generally better than December, while department stores also had a good month.

In the three-months to January, like-for-like sales showed a growth rate of -0.1%, the same as in the three months to December, the BRC said. "Following a relatively strong New Year's bank holiday, trading then took a downward turn," said Mr Hawkins. "Even extending some promotions and discounts and the pay-day boost later in the month could not tempt customers." The previous BRC survey found Christmas 2004 was the worst for 10 years for retailers. And according to Office for National Statistics data, sales in December failed to meet expectations and by some counts were the worst since 1981.

Call to save manufacturing jobs

The Trades Union Congress (TUC) is calling on the government to stem job losses in manufacturing firms by reviewing the help it gives companies.

The TUC said in its submission before the Budget that action is needed because of 105,000 jobs lost from the sector over the last year. It calls for better pensions, child care provision and decent wages. The 36-page submission also urges the government to examine support other European countries provide to industry. TUC General Secretary Brendan Barber called for "a commitment to policies that will make a real difference to the lives of working people."

"Greater investment in childcare strategies and the people delivering that childcare will increases the options available to working parents," he said. "A commitment to our public services and manufacturing sector ensures that we can continue to compete on a global level and deliver the frontline services that this country needs." He also called for "practical measures" to help pensioners, especially women who he said "are most likely to retire in poverty". The submission also calls for decent wages and training for people working in the manufacturing sector.

Bat spit drug firm goes to market

A German firm whose main product is derived from the saliva of the vampire bat is looking to raise more than 70m euros ($91m; Â£49m) on the stock market.

The firm, Paion, said that it hoped to sell 5 million shares - a third of the firm - for 11-14 euros a share. Its main drug, desmoteplase, is based on a protein in the bat's saliva. The protein stops blood from clotting - which helps the bat to drink from its victims, but could also be used to help stroke sufferers. The company's shares go on sale later this week, and are scheduled to start trading on the Frankfurt Stock Exchange on 10 February. If the final price is at the top of the range, the company could be valued at as much as 200m euros. The money raised will be spent largely on developing the company's other drugs, since desmoteplase has already been licensed to one manufacturer, Forest Laboratories.

Firms pump billions into pensions

Employers have spent billions of pounds propping up their final salary pensions over the past year, research suggests.

A survey of 280 schemes by Incomes Data Services' (IDS) said employer contributions had increased from Â£5.5bn to Â£8.2bn a year, a rise of 49.7%. Companies facing the biggest deficits had raised their pension contributions by 100% or more, IDS said. Many firms are struggling to keep this type of scheme open, because of rising costs and increased liabilities. A final salary scheme, also known as a defined benefit scheme, promises to pay a pension related to the salary the scheme member is earning when they retire.

The rising cost of maintaining such schemes has led many employers to replace final salary schemes with money purchase, or defined contribution, schemes. These are less risky for employers. Under money purchase schemes, employees pay into a pension fund which is used to buy an annuity - a policy which pays out an income until death - on retirement.

IDS said there were some schemes in good health.

But, in many cases, firms had been forced to top up funds to tackle "yawning deficits". The level of contributions paid by employers has increased gradually since the late 1990s. In 1998/99, for example, contributions rose by 4.7% and in 2002/03 by 8.6%. In contrast, between 1996 and 1998, some employers cut their contribution levels. Helen Sudell, editor of the IDS Pensions Service, said the rise in contributions was "staggering" and the highest ever recorded by IDS. "We have warned before that the widespread closure of final salary schemes to new entrants is just the beginning of a much bigger movement away from paternalistic provision," said Ms Sudell. "With figures like this there can be little doubt that many employers will have to reduce future benefits at some point for those staff still in these schemes."

UK homes hit Â£3.3 trillion total

The value of the UK's housing stock reached the Â£3.3 trillion mark in 2004 - triple the value 10 years earlier, a report indicates.

Research from Halifax, the country's biggest mortgage lender, suggests the value of private housing stock is continuing to rise steadily. All regions saw at least a doubling in their assets during the past decade. But Northern Ireland led the way with a 262% rise, while Scotland saw the smallest increase of just 112%.

The core retail price index rose by just 28% in the same period, underlining how effective an investment in housing has been for most people during the past decade. More than a third of the UK's private housing assets - representing more than a trillion pounds in value - are concentrated in London and the South East, the Halifax's figures indicate. Tim Crawford, Group Economist at Halifax, said: "The value of the private housing stock continues to grow and the family home remains, by a large margin, the most valuable asset of the majority of households in the UK." Halifax's own monthly figures on house sales - issued on Thursday - suggest the average price of a British property now stands at Â£163,748 after a 0.8% rise in January. Housing experts are split on prospects for the market, with some saying price growth will slow but not fall, while others predict a sharp drop in values.

Market unfazed by Aurora setback

As the Aurora limped back to its dock on 20 January, a blizzard of photos and interviews seemed to add up to an unambiguous tale of woe.

The ship had another slice of bad luck to add to its history of health scares and technical trouble. And its owner, P&O Cruises - now part of the huge US Carnival Corporation - was looking at a significant slice chopped off this year's profits and a potential PR fiasco. No-one, however, seems to have told the stock markets. The warning of a five-cent hit to 2005 earnings came just 24 hours after one of the world's biggest investment banks had upped its target for Carnival's share price, from Â£35 to Â£36.20. Other investors barely blinked, and by 1300 GMT Carnival's shares in London were down a single penny, or 0.03%, at Â£32.26.

Why the mismatch between the public perception and the market's response? "The Aurora issue had been an ongoing one for some time," says Deutsche Bank's Simon Champion. "It was clearly a source of uncertainty for the company - it was a long cruise, after all. But the stock market is very good at treating these issues as one-off events."

Despite its string of bad luck, he pointed out, Aurora is just one vessel in a large Carnival fleet, the UK's P&O Princess group having been merged into the much larger US firm in 2003. And generally speaking, Carnival has a reputation for keeping its ships pretty much on schedule. "Carnival has an incredibly strong track record," Mr Champion.

Similarly, analysts expect the impact on the rest of the cruise business to be limited. The hundreds of disappointed passengers who have now had to give up the opportunity to spend the next three months on the Aurora have got both a refund and a credit for another cruise. That should mitigate some of the PR risk, both for Carnival and its main competitor, Royal Caribbean. "While not common, cancellations for technical reasons are not entirely unusual in the industry," wrote analysts from Citigroup Smith Barney in a note to clients on Friday. "Moreover, such events typically have a limited impact on bookings and pricing for future cruises." After all, the Aurora incident may be big news in the UK - but for Carnival customers elsewhere it's unlikely to make too much of a splash.

Assuming that Citigroup is right, and demand stays solid, the structure of the industry also works in Carnival's favour. In the wake of P&O Princess's takeover by Carnival, the business is now to a great extent a duopoly. Given the expense of building, outfitting and running a cruise ship, "slowing supply growth" is a certainty, said David Anders at Merrill Lynch on Thursday. In other words, if you do want a cruise, your options are limited. And with Carnival remaining the market leader, it looks set to keep selling the tickets - no matter what happens to the ill-fated Aurora in the future.

Glaxo aims high after profit fall

GlaxoSmithKline saw its profits fall 9% last year to Â£6.2bn ($11.5bn), but Europe's biggest drugmaker says a recovery during 2005 is on the way.

Cheap copies of its drugs, particularly anti-depressants Paxil and Wellbutrin, and a weak dollar had hit profits, but global sales were up 1% in 2004. The firm is confident its new drug pipeline will deliver profits despite the failure of an obesity drug. Chief executive Jean-Pierre Garnier said it had been a "difficult year".

In early afternoon trade in London the company share price was down 1% at 1218 pence. Mr Garnier said the company had absorbed over Â£1.5bn of lost sales to generics but still managing to grow the business. "The continuing success of our key products means we can now look forward to a good performance in 2005," he said. "2005 will also be an important year in terms of research and development pipeline progress." However, the firm discontinued development of an experimental treatment for obesity, known as '771, after disappointing clinical trial results. Glaxo is relying on new treatments for conditions such as cancer, diabetes, depression, HIV/AIDS and allergies to lift the pace of sales growth after several disappointing years.

Renault boss hails 'great year'

Strong sales outside western Europe helped Renault boost its profits by more than 40% in 2004 although the firm warned of lower margins this year.

France's second largest carmaker enjoyed a healthy 43% rise in net profits to 2.4bn euros ($3.1bn; Â£2.9bn) as sales rose 8% to 40.7bn euros. The firm said strong demand outside western Europe and the good performance of its Megane range lifted its results. Chairman Louis Schweitzer said 2004 had been a "great year" for the firm.

Renault sold more than 2.4 million vehicles in 2004, an increase of 4% on the previous year. Growth came mainly from outside western Europe, with particularly strong sales in Turkey, Russia and North Africa.

In total, sales outside western Europe - Renault's core market - rose 16.5%. Japanese carmaker Nissan - in which Renault owns a 44% stake - contributed 1.7bn euros in net income over the year. Nissan chairman Carlos Ghosn is to succeed Mr Schweitzer at the head of Renault later this year.

Renault said the outlook for the industry in Europe this year was "stable", with small growth forecast in other regions. The firm will benefit from the launch of a new Clio model in the coming year and the roll-out of the Logan in many markets. However, the firm said it expected operating margins to be lower in 2005, at 4% of sales as opposed to 5%. "In a sluggish market and an environment impacted by the rise in raw material prices, Renault intends to continue to grow its global sales," the company said in a statement.

Safety alert as GM recalls cars

The world's biggest carmaker General Motors (GM) is recalling nearly 200,000 vehicles in the US on safety grounds, according to federal regulators.

The National Highway Traffic Safety Administration (NHTSA) said the largest recall involves 155,465 pickups, vans and sports utility vehicles (SUVs). This is because of possible malfunctions with the braking systems. The affected vehicles in the product recall are from the 2004 and 2005 model years, GM said. Those vehicles with potential faults are the Chevrolet Avalanche, Express, Kodiak, Silverade and Suburban; the GMC Savana, Sierra and Yukon.

The NHTSA said a pressure accumulator in the braking system could crack during normal driving and fragments could injure people if the hood was open. This could allow hydraulic fluid to leak, which could make it harder to brake or steer and could cause a crash, it warned. GM is also recalling 19,924 Cadillac XLR coupes, SRX SUVs and Pontiac Grand Prix sedans from the 2004 model year. This is because the accelerator pedal may not work properly in extremely cold temperatures, requiring more braking. In addition, the car giant is calling back 17,815 Buick Raniers, Chevrolet Trailblazers, GMC Envoys and Isuzu Ascenders from the 2005 model years because the windshield is not properly fitted and could fall out in a crash. However, GM stressed that it did not know of any injuries related to the problems. News of the recall follows an announcement last month that GM expects earnings this year be lower than in 2004. The world's biggest car maker is grappling with losses in its European business, weak US sales and now a product recall. In January, GM said higher healthcare costs in North America, and lower profits at its financial services subsidiary would hurt its performance in 2005.

Asian quake hits European shares

Shares in Europe's leading reinsurers and travel firms have fallen as the scale of the damage wrought by tsunamis across south Asia has become apparent.

More than 23,000 people have been killed following a massive underwater earthquake and many of the worst hit areas are popular tourist destinations. Reisurance firms such as Swiss Re and Munich Re lost value as investors worried about rebuilding costs. But the disaster has little impact on stock markets in the US and Asia.

Currencies including the Thai baht and Indonesian rupiah weakened as analysts warned that economic growth may slow. "It came at the worst possible time," said Hans Goetti, a Singapore-based fund manager. "The impact on the tourist industry is pretty devastating, especially in Thailand." Travel-related shares dropped in Europe, with companies such as Germany's TUI and Lufthansa and France's Club Mediterranne sliding. Insurers and reinsurance firms were also under pressure in Europe.

Shares in Munich Re and Swiss Re - the world's two biggest reinsurers - both fell 1.7% as the market speculated about the cost of rebuilding in Asia. Zurich Financial, Allianz and Axa also suffered a decline in value.

However, their losses were much smaller, reflecting the market's view that reinsurers were likely to pick up the bulk of the costs. Worries about the size of insurance liabilities dragged European shares down, although the impact was exacerbated by light post-Christmas trading. Germany's benchmark Dax index closed the day 16.29 points lower at

3.817.69 while France's Cac index of leading shares fell 5.07 points to 3.817.69. Investors pointed out, however, that declines probably would be industry specific, with the travel and insurance firms hit hardest. "It's still too early for concrete damage figures," Swiss Re's spokesman Floiran Woest told Associated Press. "That also has to do with the fact that the damage is very widely spread geographically."

The unfolding scale of the disaster in south Asia had little immediate impact on US shares, however. The Dow Jones index had risen 20.54 points, or 0.2%, to 10,847.66 by late morning as analsyts were cheered by more encouraging reports from retailers about post-Christmas sales. In Asian markets, adjustments were made quickly to account for lower earnings and the cost of repairs. Thai Airways shed almost 4%. The country relies on tourism for about 6% of its total economy. Singapore Airlines dropped 2.6%. About 5% of Singapore's annual gross domestic product (GDP) comes from tourism. Malaysia's budget airline, AirAsia fell 2.9%. Resort operator Tanco Holdings slumped 5%.

Travel companies also took a hit, with Japan's Kinki Nippon sliding 1.5% and HIS dropping 3.3%. However, the overall impact on Asia's largest stock market, Japan's Nikkei, was slight. Shares fell just 0.03%. Concerns about the strength of economic growth going forward weighed on the currency markets. The Indonesian rupiah lost as much as 0.6% against the US dollar, before bouncing back slightly to trade at 9,300. The Thai baht lost 0.3% against the US currency, trading at 39.10. In India, where more than 2,000 people are thought to have died, the rupee shed 0.1% against the dollar Analysts said that it was difficult to predict the total cost of the disaster and warned that share prices and currencies would come under increasing pressure as the bills mounted.

Oil prices reach three-month low

Oil prices have fallen heavily for a second day, closing at three-month lows after news that US crude stocks have improved ahead of winter.

London Brent crude closed at $40.15 on Thursday - a drop of 5.1% - having dived below $40 a barrel for the first time since mid-September. US light crude traded in New York lost more than $2 to $43.25, its lowest close since 10 September. The price of both benchmark crudes has dropped 12% in two days. The falls were triggered when the Energy Information Administration (EIA) said on Wednesday that US crude stocks were 3.5% higher than a year ago. The news calmed worries about winter shortages. Weak US fuel and heating oil stocks have been a persistent factor in pushing up oil prices. "It's amazing how quickly sentiment changed," said Rick Mueller, an analyst at Energy Security Analysis. Analysts also attributed the fall to mild early-winter weather, which has tempered demand for heating oil.

The stronger fuel inventories helped boost US stock markets to nine-month highs on Wednesday, though only the Nasdaq index had hung onto those gains by the end of Thursday.

In London, the FTSE 100 index closed 15 points higher at 4,751. The long-awaited drop in oil prices helped to ease persistent investor jitters over the impact of energy costs on company profits and economic growth. However, traders warned that the fall could be short-lived if there is a cold snap in North America this winter or any major supply problems in other parts of the world.

The price of crude is still up about 30% on the start of 2004, but has fallen from the record of $55.67 set in late October. Opec nations have increased production to 25-year highs to meet global demand and this has helped rebuild US stocks hit by supply disruptions after Hurricane Ivan in September. Traders were also encouraged by comments on Wednesday from the energy minister of Opec member Algeria. Chakib Khelil said the cartel was likely to keep output unchanged when it meets next week. However, some analysts believe the sharp fall in crude prices may harden Opec's attitude to over-production, leading to a scaling back of oil output.

Fears still remain over the level of US heating oil stocks, which are rising but remain down on 2004 levels. A cold spell in north America would start to deplete supplies and could spark further price rises. Analysts, however, say prices will fall further if inventories continue to rise. "Mother Nature is going to be huge in the next several weeks," said Kyle Cooper, at Citigroup Global Markets. "Long term I think we're headed to $30-35 but I don't think we're doing that yet. We have a lot of winter left." John Person, president of National Futures Advisory Services, said the EIA data indicated there should be adequate supplies for the next three months in the US. .

Markets fall on weak dollar fears

Rising oil prices and the sinking dollar hit shares on Monday after a finance ministers' meeting and stern words from Fed chief Alan Greenspan.

The London FTSE fell 0.8% while Tokyo's Nikkei 225 dropped 2.11%, its steepest fall in three months. G20 finance ministers said nothing about supporting the dollar, whose slide could further jeopardise growth in Japan and Europe. And Mr Greenspan warned Asian states could soon stop funding the US deficit.

On Monday afternoon, the euro was close to an all-time high against the dollar at above $1.30. Oil pushed higher too on Monday, as investors fretted about cold weather in the US and Europe and a potential output cut from oil producers' group Opec, although prices had cooled by the end of the day. In London, the benchmark Brent crude price closed down 51 cents at $44.38 a barrel, while New York light sweet crude closed down 25 cents at $48.64 a barrel. The slide comes as the US has been attempting to talk up the traditional "strong dollar" policy.

The latest to pitch in has been President George W Bush himself, who told the Asia Pacific Economic Co-operation (Apec) summit in Chile that he remained committed to halving the budget deficit. Together with a $500bn trade gap, the red ink spreading across America's public finances is widely seen as a key factor driving the dollar lower. And last week US Treasury Secretary John Snow told an audience in the UK that the policy remained unaltered. But he also said that the rate was entirely up to the markets - a signal which traders took as advice to sell the dollar. Some had looked to the G20 meeting for direction. But Mr Snow made clear exchange rates had not been on the agenda.

For the US government, letting the dollar drift is a useful short-term fix.

US exports get more affordable, helping perhaps to close the trade gap. In the meantime, the debt keeps getting bigger, with Congress authorising an $800bn rise in what the US can owe - taking the total to $8.2 trillion. But in a speech on Friday, Federal Reserve chairman Alan Greenspan warned that in the longer term things are likely to get tricky. At present, much of gap in both public debt is covered by selling bonds to Asian states such as Japan and China, since the dollar is seen as the world's reserve currency. Similarly, Asian investment helps bridge the gap in the current account - the deficit between what the US as a whole spends and what it earns. But already they are turning more cautious - an auction of debt in August found few takers. And Mr Greenspan said that could turn into a trend, if the fall of the dollar kept eating into the value of those investments. "It seems persuasive that, given the size of the US current account deficit, a diminished appetite for adding to dollar balances must occur at some point," he said.

Five million Germans out of work

Germany's unemployment figure rose above the psychologically important level of five million last month.

On Wednesday, the German Federal Labour Agency said the jobless total had reached 5.037 million in January, which takes the jobless rate to 12.1%. "Yes, we have effectively more than five million people unemployed," a government minister said earlier on ZDF public television. Unemployment has not been this high in Germany since the 1930s.

Changes to the way the statistics are compiled partly explain the jump of 572,900 in the numbers. But the figures are embarrassing for the government. "With the figures apparently the worst we've seen in the post-war period, these numbers are very charged politically," said Christian Jasperneite, an economist with MM Warburg. "They could well put an end to the recent renaissance we've seen by the SPD [the ruling Social

Democrats] in the polls, and with state elections due in Schleswig-Holstein and North Rhine-Westphalia, they may have an adverse effect on the government's chances there."

The opposition also made political capital from the figures. It said there are a further 1.5 million-2 million people on subsidised employment schemes who are, in fact, looking for real jobs. It added that government reforms, including unpopular benefit cuts, do not go far enough. Under the government's controversial "Hartz IV" reforms, which came into effect at the beginning of the year, both those on unemployment benefits and welfare support and those who are long-term unemployed are officially classified as looking for work. The bad winter weather also took its toll, as key sectors such as the construction sector laid off workers. Adjusted for the seasonal factors, the German jobless total rose by 227,000 in January from December.

German bidder in talks with LSE

Deutsche Boerse bosses have held "constructive, professional and friendly" talks with the London Stock Exchange (LSE), its chief has said.

Werner Seifert met LSE chief executive Clara Furse amid rumours the German group may raise its bid to Â£1.5bn ($2.9bn) from its initial Â£1.3bn offer. However, rival suitor Euronext also upped the ante in the bid battle. Ahead of talks with the LSE on Friday, the pan-European bourse said it may be prepared to make its offer in cash. The Paris-based exchange, owner of Liffe in London, is reported to be ready to raise Â£1.4bn to fund a bid.

The news came as Deutsche Boerse held its third meeting with the LSE since its bid approach in December which was turned down by the London exchange for undervaluing the business. However, the LSE did agree to leave the door open for talks to find out whether a "significantly-improved proposal" would be in the interests of LSE's shareholders and customers. In the meantime, Euronext, which combines the Paris, Amsterdam and Lisbon stock exchanges, also began talks with the LSE. In a statement on Thursday, Euronext said any offer was likely to be solely in cash, but added that: "There can be no assurances at this stage that any offer will be made." A deal with either bidder would create the biggest stock market operator in Europe and the second biggest in the world after the New York Stock Exchange. However, neither side has made a formal offer for the LSE, with sources claiming such a step may still be weeks away.

Deutsche Boerse could also face mounting opposition to a bid at home. Among sweeteners reported to have been discussed by Mr Seifert with Ms Furse were plans to move the management of its cash and Eurex derivatives market to London, as well as two members of its executive board. But, Hans Reckers, a board member of Germany's central bank, the Bundesbank, said that cash trading should also remain in Frankfurt, something Deutsche Boerse could move to the UK. "It is not just the headquarters of the Boerse but also important market segments that must stay permanently in Frankfurt. This has special importance for the business activities of the banks and the consultants," he said. Local government officials in Frankfurt's state of Hessen have also spoken out against the move. "It is our wish that the headquarters stay here to maintain Frankfurt's standing as the number one financial centre in continental Europe," Alois Rhiel, its minister for economic affairs added.

Amex shares up on spin-off news

Shares in American Express surged more than 8% on Tuesday after it said it was to spin off its less profitable financial advisory subsidiary.

The US credit card to travel services giant said off-loading American Express Financial Advisors (AEFA) would boost its profitability. AEFA has more than 12,000 advisers selling financial advice, funds and insurance to 2.5 million customers. Over the years it has delivered poor profits and even some losses.

"This is an excellent move by American Express to focus on its core businesses, and sell off a laggard division, which has been a problem for quite some time," said Marquis Investment Research analyst Phil Kain. Analysts estimate that a stand-alone AEFA could have a market value of $10bn (Â£5.3bn). The unit was acquired by American Express 20 years ago as Investors Diversified Service, of Minneapolis, at a time when firms were amassing one-stop financial empires. However, the business of selling investments was never integrated with the rest of the group.

Stock market eyes Japan recovery

Japanese shares have ended the year at their highest level since 13 July amidst hopes of an economic recovery during 2005.

The Nikkei index of leading shares gained 7.6% during the year to close at 11,488.76 points. In 2005 it "will rise toward 13,000", predicted Morgan Stanley equity strategist Naoki Kamiyama. The optimism in the financial markets contrast sharply with pessimism in the Japanese business community. Earlier this month, the quarterly Tankan survey of Japanese manufacturers found that business confidence had weakened for the first time since March 2003.

Slower economic growth, rising oil prices, a stronger yen and weaker exports were blamed for the fall in confidence. Despite this, traders expect strength in the global economy to benefit Japan, which has been close to sliding into recession in recent months. Structural reform within Japan and an anticipated end to the banking sector's bad debt problems should also help, they say.

Iraqi voters turn to economic issues

Beyond the desperate security situation in Iraq lies an economy in tatters.

A vicious cycle of unemployment, poor social services and poverty has been made worse by a lack of investment. So there is much hope that an elected government will break the deadlock. "First rule of law, then the economy," says Radwan Hadi, deputy managing director of Aberdeen-based oil and gas consultancy Blackwatch Petroleum Services, which entered Iraq in 2003. Mr Hadi's view about what the new government's priorities should be is shared by many Iraqis. The economy has become the second-most dominant issue for many political parties ahead of Sunday's election, according to Bristol University political scientist Anne Alexander, who is working on a project that looks at governance and security in post-war Iraq.

Job creation ranks high both on election manifestos and on the Iraqi people's wish list. Nobody knows exactly how many Iraqis are out of work, but it is clear that the situation is dire. "Estimates of Iraq's unemployment rate vary, but we estimate it to be between 30-40%," the Washington-based independent think-tank The Brookings Institution says in its Iraq Index. But some progress has been made, largely thanks to the country's oil revenues which have exceeded $22bn since June 2003.

Iraq's infrastructure is on the mend, with notable improvements having been made in areas such as electricity supply, irrigation, telephone networks and the re-opening of hospitals. But serious problems remain and the growing divide between haves and have-nots is angering voters. One Iraqi woman told Ms Alexander about her frustration as she watched TV adverts for private hospitals soon after having failed to track down basic medicines from Baghdad's pharmacies. Observes Mr Hadi: "The economy at present marks a big divide; the rich get richer, the poor get poorer." An indication of this can be seen in the world of finance where, in contrast with the daily plight of ordinary people, 19 private banks operate, only one of which is run in accordance with Islamic banking principles. Hopes are high for the future of finance, so foreign banks have been buying into the sector. National Bank of Kuwait has bought a majority stake in Credit Bank of Iraq, the Jordanian investment bank Export & Finance Bank has bought 49% of National Bank of Iraq.

Foreign firms also hope to cash in on the reconstruction effort. Bechtel's efforts to rebuild schools and restore power have attracted controversy as well as boosting its bottom line while Halliburton has enjoyed a wealth of military contracts. But the involvement of foreign firms in the health and banking sectors and beyond sits uneasily with many Iraqis who are accustomed to the state taking responsibility for functions that are essential to making society work, observes Ms Alexander. "It is seen as a selling off of Iraq's assets and bringing in multinationals at the expense of Iraqi businesses and Iraqi workers," she says. Consequently, the transitional government has been forced to backtrack in recent months over its proposal to allow 100% foreign ownership of Iraqi assets, she explains. In the West, it is easy to forget that the otherwise brutal Baathist regime used to look after the majority of Iraq's citizens rather well in terms of job creation, social security and healthcare. Opinion polls suggest that "people still want the state to take a leading role in providing these things", Ms Alexander says.

Yet in some areas of the economy, investment from abroad is still warmly welcomed, insists Mr Hadi, an Iraqi who left the country three decades ago. "I think the private sector will evolve incredibly fast," Mr Hadi says. "Iraq's vast natural resources can support any magnitude of economic growth."

Many foreign companies say they are keen to get in on the act, yet few are actually entering the country in any meaningful way. But there are exceptions. Mr Hadi's Blackwatch is just one of many small operators preparing for a much bigger future. Blackwatch's Baghdad-based affiliate Falcon Group has dozens of people working for it across the country in Kirkuk and Baghdad, and its engineers and geo-scientists work with the Iraqi oil ministry to hammer out technology transfer issues, Mr Hadi points out. "These guys are trying to work. The Iraqi business people will do business at all times. "Life goes on in Iraq, the people take responsibility, they want to live normal lives."

Peugeot deal boosts Mitsubishi

Struggling Japanese car maker Mitsubishi Motors has struck a deal to supply French car maker Peugeot with 30,000 sports utility vehicles (SUV).

The two firms signed a Memorandum of Understanding, and say they expect to seal a final agreement by Spring 2005. The alliance comes as a badly-needed boost for loss-making Mitsubishi, after several profit warnings and poor sales. The SUVs will be built in Japan using Peugeot's diesel engines and sold mainly in the European market. Falling sales have left Mitsubishi Motors with underused capacity, and the production deal with Peugeot gives it a chance to utilise some of it.

In January, Mitsubishi Motors issued its third profits warning in nine months, and cut its sales forecasts for the year to March 2005. Its sales have slid 41% in the past year, catalysed by the revelation that the company had systematically been hiding records of faults and then secretly repairing vehicles. As a result, the Japanese car maker has sought a series of financial bailouts. Last month it said it was looking for a further 540bn yen ($5.2bn; Â£2.77bn) in fresh financial backing, half of it from other companies in the Mitsubishi group. US-German carmaker DaimlerChrylser, a 30% shareholder in Mitsubishi Motors, decided in April 2004 not to pump in any more money. The deal with Peugeot was celebrated by Mitsubishi's newly-appointed chief executive Takashi Nishioka, who took over after three top bosses stood down last month to shoulder responsibility for the firm's troubles. Mitsubishi Motors has forecast a net loss of 472bn yen in its current financial year to March 2005. Last month, it signed a production agreement with Japanese rival Nissan Motor to supply it with 36,000 small cars for sale in Japan. It has been making cars for Nissan since 2003.

China continues breakneck growth

China's economy has expanded by a breakneck 9.5% during 2004, faster than predicted and well above 2003's 9.1%.

The news may mean more limits on investment and lending as Beijing tries to take the economy off the boil. China has sucked in raw materials and energy to feed its expansion, which could have knock-on effects on the rest of the world if it overheats. But officials pointed out that industrial growth had slowed, with services providing much of the impetus. Growth in industrial output - the main target of government efforts to impose curbs on credit and investments - was 11.5% in 2004, down from 17% the previous year.

Still, consumer prices - at 2.4% - rose faster than in 2004, adding to concern that a sharp rise in producer prices of 7.1% could stoke inflation. And overall investment in fixed assets was still high, up 21.3% from the previous year - although some way off the peak of 43% seen in the first quarter of 2004. The result could be higher interest rates. China raised rates by 0.27 percentage points to 5.8% - its first hike in nine years - in October 2004.

Despite the apparent rebalancing of the economy the overall growth picture remains strong, economists said. "There is no sign of a slowdown in 2005," said Tim Congdon, economist at ING Barings.

China's economy is not only gathering speed thanks to domestic demand, but also from soaring sales overseas. Figures released earlier this year showed exports at a six-year high in 2004, up 35%. Part of the impetus comes from the relative cheapness of the yuan, China's currency. The government keeps it pegged close to a rate of 8.28 to the US dollar, - much to the chagrin of many US lawmakers who blame China for lost jobs and competitiveness. Despite urging to ease the peg, officials insist they are a long way from ready to make a shift to a more market-set rate. "We need a good and feasible plan and formulating such a plan also needs time," National Bureau of Statistics chief Li Deshui told Reuters. "Those who hope to make a fortune by speculating on a renminbi revaluation will not succeed in making a profit."

Japan's ageing workforce: built to last

In his twenties he battled tuberculosis for eight years, then went on to run his own clothing business before marrying in his late thirties. And the 101-year-old Torao Toshitsune has eaten raw fish pretty much every day throughout his life.

Mr Toshitsune is one of Japan's 23,000 centenarians - a club that is growing by 13% annually, and where the oldest member is 114. At his neat Osaka detached house, where he lives with one of his sexagenarian daughters, Mr Toshitsune keeps a regular routine of copying out Buddhist sutras and preparing the traditional Japanese tea ceremony. Between tasks, this remarkably active senior citizen reveals what his next goal is: "Well, what's most important for me is to be Japan's number one." Mr Toshitsune wants to outlive everyone. And when it comes to longevity, Japan, as a country, appears to be doing just that. Women can expect to live until 85, men until 78, four years longer than Americans and Europeans.

On the outskirts of Kyoto, 83-year-old Yuji Shimizu contemplates this phenomenon during a round of golf with his younger friends, who are in their seventies.

"I think this is because the food industry and the environment have improved," he remarks. "On average, we can live longer." Whether it's the diet, or the traditional family structure where roles were clearly defined, or just something in the genes, Japan's elderly are remarkable. But while life may be a game of golf for Mr Shimizu, his grandchildren have huge problems ahead. Japan is the world's least fertile nation with childbirth rates of just two thirds of that in the US.

By 2007, Japan's population is expected to peak at 127 million, then shrink to under 100 million by the middle of the century. This means 30 million fewer workers at a time when the number of elderly will have almost doubled.

"In the year 2050, if the birth rate remains the same people over 60 will make up over 30% of the population," explains Shigeo Morioka of the International Longevity Centre in Tokyo. So how will Japan's finances stay on track? After a decade of economic stagnation and huge deficit spending, the public sector debt is already about 140% of the country's gross domestic product (GDP), the highest rate among industrialised countries. The International Monetary Fund predicts that as the falling birth rate takes grip from 2010, the cost of running Japan's welfare state will double to more than 5% of GDP, while current account balances will deteriorate by over 2%. But unfortunately, Japan appears poorly prepared both financially and politically. Glen Wood, Vice President of Deutsche Securities Japan, asks; "Who's going to fund the pension fund for the next generation and indeed who are going to be the new Japanese worker? "Who is going to build the economy, who are going to be the leaders? Who are going to be the producers of the GDP going forward?" One option is further welfare reform. Another is immigration, possibly from the Philippines and Indonesia. But so far, any emerging policy appears restricted to a limited number of nursing staff.

Standing next to Tokyo harbour is a version of New York's Statue of Liberty. But, as yet, Japan is not ready for an Ellis Island.

"Japan has never really liked that option in its history and I think it's an option that's becoming more and more plausible and necessary," insists Mr Wood. In Japan, as in Europe which also faces a workforce decline, immigration is a very sensitive subject. But for the Japanese economy, facing 8% fewer consumers by 2050 means slumping domestic sales of cars, hi-tech kit and home appliances, perhaps even another property crash.

Of course the Japanese could always have more children. The government is currently considering financial rewards for procreative couples similar to those in operation in Australia. But there would be no pay back until 2030, when today's babies are taxpayers, and the demographic crisis, like in Europe, starts to unfold in 2010. In contrast to Japan - and of course the European Union - the US population is expected to increase by 46% to 420 million by the middle of the century. Although President Bush must re-devise Social Security to take account of a 130% rise in America's over 65s, the IMF foresees a positive contribution to the US current account balance from the combined forces of fertility and immigration.

Some voices in Japanese industry are calling for radical changes to the nature of the Japanese labour market. They want a shift towards financial services, though doubts persist over the country's ability, let alone willingness, to move away from manufacturing. "Japan still has problems getting a viable banking system, let alone shifting their auto business or their semi-conductor business or the broad based tech manufacturing business overseas," says Mr Wood. Japan can either drive some radical reforms or else run the risk of a vicious ageing recession. Falling demand and a lower tax take could result in soaring budget pressures and a basket case currency. Come 2020, Japan could be more dependent on a shrinking workforce than any other industrialised power. There are fears that the world's number two economy is doomed to a permanent recession. But none of this is Mr Toshitsune's concern anymore. At 101, he chuckles that, he feels fine.

UK economy facing 'major risks'

The UK manufacturing sector will continue to face "serious challenges" over the next two years, the British Chamber of Commerce (BCC) has said.

The group's quarterly survey of companies found exports had picked up in the last three months of 2004 to their best levels in eight years. The rise came despite exchange rates being cited as a major concern. However, the BCC found the whole UK economy still faced "major risks" and warned that growth is set to slow. It recently forecast economic growth will slow from more than 3% in 2004 to a little below 2.5% in both 2005 and 2006.

Manufacturers' domestic sales growth fell back slightly in the quarter, the survey of 5,196 firms found. Employment in manufacturing also fell and job expectations were at their lowest level for a year.

"Despite some positive news for the export sector, there are worrying signs for manufacturing," the BCC said. "These results reinforce our concern over the sector's persistent inability to sustain recovery." The outlook for the service sector was "uncertain" despite an increase in exports and orders over the quarter, the BCC noted.

The BCC found confidence increased in the quarter across both the manufacturing and service sectors although overall it failed to reach the levels at the start of 2004. The reduced threat of interest rate increases had contributed to improved confidence, it said. The Bank of England raised interest rates five times between November 2003 and August last year. But rates have been kept on hold since then amid signs of falling consumer confidence and a slowdown in output. "The pressure on costs and margins, the relentless increase in regulations, and the threat of higher taxes remain serious problems," BCC director general David Frost said. "While consumer spending is set to decelerate significantly over the next 12-18 months, it is unlikely that investment and exports will rise sufficiently strongly to pick up the slack."

Steady job growth continues in US

The US created fewer jobs than expected in December, but analysts said that the dip in hiring was not enough to derail the world's biggest economy.

According to Labor Department figures, 157,000 new jobs were added last month. That took 2004's total to 2.2 million, the best showing in five years. Job creation was one of last year's main concerns for the US economy. While worries still remain, the conditions are set for steady growth in 2005, analysts said. The unemployment rate stayed at 5.4% in December, and about 200,000 jobs will need to be created each month if that figure is to drop.

"It was a respectable report," said Michael Moran, analyst at Daiwa Securities.

"Payroll growth in December was a little lighter than the consensus forecast, but we had upward revisions to the prior two months and an increase in manufacturing employment." "Manufacturing is a cyclical area of the economy and if it's showing job growth, it's a good indication that the economy is on a solid growth track." That means that the Federal Reserve is likely to continue its policy of raising interest rates. The

Fed lifted borrowing costs five times last year to 2.25%, citing evidence the US economic recovery was becoming more robust.

Job creation was one of last year's main concerns for the US economy, and proved to be a main topic of debate in the US presidential election. While demand for workers is far from booming, the conditions are set for steady growth. "Overall, compared to the previous year it looks great, it just keeps going stronger and stronger and I expect that to be the case" in 2005, said Kurt Karl, economist at Swiss Re in New York. Meanwhile, economists cautioned against reading too much into data from the Federal Reserve showing an unexpected $8.7bn drop in consumer debt in November. A fall in consumer spending, which makes up about two-thirds of all US economic activity, could help limit the extent of any future interest rate rises. But economists said there could be a number of reasons for a fall in the borrowing, which include credit cards and personal loans, while noting that such figures can vary on a month-to-month basis.

Dutch bank to lay off 2,850 staff

ABN Amro, the Netherlands' largest bank, is to cut 2,850 jobs as a result of falling profits.

The cuts - amounting to 3% of the bank's workforce - will result in a one-off charge of 790m euros ($1.1bn). About 1,100 jobs will go in investment banking while 1,200 and 550 will go in IT and human resources respectively. ABN Amro is the third large European bank to announce cutbacks in the past month following Deutsche Bank and Credit Suisse Group.

Its profitability has been hit by a fall in mortgage lending in the United States - the bank's largest single market - following recent interest rate rises. ABN Amro's operations in the Netherlands and the United Kingdom will be hardest hit. Jobs will also be lost in the US - which accounted for 46% of profit in the first half of 2004 - and across its operations in the Americas and Asia-Pacific regions.

The restructuring is designed to improve efficiency by reducing administrative costs and increasing focus on client service. The bank said it was on course for a 10% rise in net income this year but operating profits are set to fall because of a fall in US revenues. ABN Amro currently has more than 100,000 staff. "To get any profit growth in the coming years, they will have to lower costs, so shedding jobs makes total sense," Ivo Geijsen, an analyst with Bank Oyens & Van Eeghen, told Bloomberg. Europe's leading banks seem set for a period of retrenchment. Deutsche Bank said earlier this month it would reduce its German workforce by 1,920 while as many as 300 jobs will be lost at Credit Suisse First Boston.

Fannie Mae 'should restate books'

US mortgage company Fannie Mae should restate its earnings, a move that is likely to put a billion-dollar dent in its accounts, watchdogs have said.

The Securities & Exchange Commission accused Fannie Mae of using techniques that "did not comply in material respects" with accounting standards. Fannie Mae last month warned that some records were incorrect. The other main US mortgage firm Freddie Mac restated earnings by $5bn (Â£2.6bn) last year after a probe of its books. The SEC's comments are likely to increase pressure on Congress to strengthen supervision of Fannie Mae and Freddie Mac.

The two firms are key parts of the US financial system and effectively underwrite the mortgage market, financing nearly half of all American house purchases and dealing actively in bonds and other financial instruments. The investigation of Freddie Mac in June 2003 sparked concerns about the wider health of the industry and raised questionsmarks over the role of the Office of Federal Housing Enterprise Oversight (OFHEO), the industry's main regulator. Having been pricked into action, the OFHEO turned its attention to Fannie May and in September this year said that the firm had tweaked its books to spread earnings more smoothly across quarters and play down the amount of risk it had taken on. The SEC found similar problems. The watchdog's chief accountant Donald Nicolaisen said that "Fannie Mae's methodology of assessing, measuring and documenting hedge ineffectiveness was inadequate and was not supported" by generally accepted accounting principles.

Soaring oil 'hits world economy'

The soaring cost of oil has hit global economic growth, although world's major economies should weather the storm of price rises, according to the OECD.

In its latest bi-annual report, the OECD cut its growth predictions for the world's main industrialised regions. US growth would reach 4.4% in 2004, but fall to 3.3% next year from a previous estimate of 3.7%, the OECD said. However, the Paris-based economics think tank said it believed the global economy could still regain momentum.

Forecasts for Japanese growth were also scaled back to 4.0% from 4.4% this year and 2.1% from 2.8% in 2005. But the outlook was worst for the 12-member eurozone bloc, with already sluggish growth forecasts slipping to 1.8% from 2.0% this year and 1.9% from 2.4% in 2005, the OECD said. Overall, the report forecast total growth of 3.6% in 2004 for the 30 member countries of the OECD, slipping to 2.9% next year before recovering to 3.1% in 2006. "There are nonetheless good reasons to believe that despite recent oil price turbulence the world economy will regain momentum in a not-too-distant future," said Jean-Philippe Cotis, the OECD's chief economist. The price of crude is about 50% higher than it was at the start of 2004, but down on the record high of $55.67 set in late October.

A dip in oil prices and improving jobs prospects would improve consumer confidence and spending, the OECD said. "The oil shock is not enormous by historical standards - we have seen worse in the seventies. If the oil price does not rise any further, then we think the shock can be absorbed within the next few quarters," Vincent Koen, a senior economist with the OECD, told the BBC's World Business Report. "The recovery that was underway, and has been interrupted a bit by the oil shock this year, would then regain momentum in the course of 2005." China's booming economy and a "spectacular comeback" in Japan - albeit one that has faltered in recent months - would help world economic recovery, the OECD said. "Supported by strong balance sheets and high profits, the recovery of business investment should continue in North America and start in earnest in Europe," it added. However, the report warned: "It remains to be seen whether continental Europe will play a strong supportive role through a marked upswing of final domestic demand." The OECD highlighted current depressed household expenditure in Germany and the eurozone's over-reliance on export-led growth.

Stormy year for property insurers

A string of storms, typhoons and earthquakes has made 2004 the most expensive year on record for property insurers, according to Swiss Re.

The world's second biggest insurer said disasters around the globe have seen property claims reach $42bn (Â£21.5bn). "2004 reinforces the trend towards higher losses," said Swiss Re. Tightly packed populations in the areas involved in natural and man-made disasters were to partly to blame for the rise in claims, it said. Some 95% of insurance claims were for natural catastrophes, with the rest attributed to made-made events.

The largest claims came from the US, which was struck by four hurricanes, and Japan, which suffered the highest concentration of typhoons for decades plus a major earthquake.

Europe suffered fewer natural disasters, but 191 people were killed and more than 2,000 injured in March after the terrorist attack on train stations in Madrid. The damages claimed in 2004 eclipsed previous years, including 2001 when the 11 September attacks pushed claims up to $37bn. Swiss Re said it had registered about 300 natural and man-made disasters around the world in 2004. Twenty-one thousand people lost their lives in the catastrophes with a cost to the global economy of around $105bn (Â£54bn).

Christmas shoppers flock to tills

Shops all over the UK reported strong sales on the last Saturday before Christmas with some claiming record-breaking numbers of festive shoppers.

A spokesman for Manchester's Trafford Centre said it was "the biggest Christmas to date" with sales up 5%. And the Regent Street Association said shops in central London were also expecting the "best Christmas ever". That picture comes despite reports of disappointing festive sales in the last couple of weeks.

The Trafford Centre spokeswoman said about 8,500 thousand vehicles had arrived at the centre on Saturday before 1130 GMT. "We predict that the next week will continue the same trend," she added.

It was a similar story at Bluewater in Kent. Spokesman Alan Jones said he expected 150,000 shoppers to have visited by the end of Saturday and a further 100,000 on Sunday. "Our sales so far have been 2% up on the same time last year," he said. "We're very busy, it's really strong and people will be shopping right up until Christmas. "Over the Christmas period we're expecting people to spend in excess of Â£200m at the centre."

On Saturday afternoon, a spokeswoman for the St David's Shopping Centre in Cardiff said it looked like being its busiest day of the year with about 200,000 shoppers expected to have visited by the close of play. At the St Enoch's Shopping Centre in Glasgow, more than 140,000 shoppers - an all-time record - were expected to have passed through the doors by its closing time of 1900 GMT. Senior business manager Jon Walton said: "It has been phenomenal - absolutely mobbed. "Every week footfall has been showing strong growth and at the weekends it has been going mad." Regent Street Association director Annie Walker said on Saturday: "The stores were heaving today and a lot of people are going to be doing last minute shopping as many people finished work on Friday and can go in the week."

She said reports of a slump in pre-Christmas sales were related to the growing popularity of internet sales. "I do think this has had a lot to do with reports of lower sales figures," she said. "Internet shopping has gone up enormously and not all stores have websites."

Diageo to buy US wine firm

Diageo, the world's biggest spirits company, has agreed to buy Californian wine company Chalone for $260m (Â£134m) in an all-cash deal.

Although Diageo's best-known brands include Smirnoff vodka and Guinness stout, it already has a US winemaking arm - Diageo Chateau & Estate Wines. Diageo said it expects to get US regulatory approval for the deal during the first quarter of 2005. It said Chalone would be integrated into its existing US wine business.

"The US wine market represents a growth opportunity for Diageo, with favourable demographic and consumption trends," said Diageo North America president Ivan Menezes. In July, Diageo, which is listed on the London Stock Exchange, reported an annual turnover of Â£8.89bn, down from Â£9.28bn a year earlier. It blamed a weaker dollar for its lower turnover. In the year ending 31 December 2003, Chalone reported revenues of $69.4m.

US adds more jobs than expected

The US economy added 337,000 jobs in October - a seven-month high and far more than Wall Street expectations.

In a welcome economic boost for newly re-elected President George W Bush, the Labor Department figures come after a slow summer of weak jobs gains. Jobs were created in every sector of the US economy except manufacturing. While the separate unemployment rate went up to 5.5% from 5.4% in September, this was because more people were now actively seeking work.

The 337,000 new jobs added to US payrolls in October was twice the 169,000 figure that Wall Street economists had forecast. In addition, the Labor Department revised up the number of jobs created in the two previous months - to 139,000 in September instead of 96,000, and to 198,000 in August instead of 128,000. The better than expected jobs data had an immediate upward effect on stocks in New York, with the main Dow Jones index gaining 45.4 points to 10,360 by late morning trading. "It looks like the job situation is improving and that this will support consumer spending going into the holidays, and offset some of the drag caused by high oil prices this year," said economist Gary Thayer of AG Edwards & Sons.

Other analysts said the upbeat jobs data made it more likely that the US Federal Reserve would increase interest rates by a quarter of a percentage point to 2% when it meets next week. "It should empower the Fed to clearly do something," said Robert MacIntosh, chief economist with Eaton Vance Management in Boston. Kathleen Utgoff, commissioner of the Bureau of Labor, said many of the 71,000 new construction jobs added in October were involved in rebuilding and clean-up work in Florida, and neighbouring Deep South states, following four hurricanes in August and September. The dollar rose temporarily on the job creation news before falling back to a new record low against the euro, as investors returned their attention to other economic factors, such as the US's record trade deficit. There is also speculation that President Bush will deliberately try to keep the dollar low in order to assist a growth in exports.

Indy buys into India paper

Irish publishing group Independent News & Media is buying up a 26% stake in Indian newspaper company Jagran in a deal worth 25m euros ($34.1m).

Jagran publishes India's top-selling daily newspaper, the Hindi-language Dainik Jagran, which has been in circulation for 62 years. News of the deal came as the group announced that its results would meet market forecasts. The company reported strong revenue growth across all its major markets.

Group advertising revenues were up over 10% year-on-year, the group said, with overall circulation revenues are expected to increase almost 10% year-on-year. This was helped by the positive impact of "compact" newspaper editions in Ireland and the UK, it said. "2004 has proven to be an important year for Independent News & Media," said chief executive Sir Anthony O'Reilly. "Our simple aim at Independent is to be the low cost producer in every region in which we operate. I am confident that we will show a meaningful increase in earnings for 2005."

Meanwhile, the group made no comment about the future of the Independent newspaper despite recent speculation that Sir Anthony had held talks with potential buyers over a stake in the daily publication. He has consistently denied suggestions that the Independent and the Independent on Sunday are up for sale. Buy it is understood that the recent success of the smaller edition of the Independent, which has pushed circulation up by 20% to 260,000, has prompted interest from industry rivals, with Daily Mail & General Trust tipped as the most likely suitor. The loss-making newspaper is not expected to reach break-even until 2006.

House prices drop as sales slow

House prices fell further in November and property sale times lengthened as rate rises took their toll, the Royal Institute of Chartered Surveyors found.

A total of 48% of chartered surveyor estate agents reported lower prices in the three months to November - the highest level in 12 years. Meanwhile the number of sales dropped 32% to an average of 22 per surveyor. The amount of unsold properties on their books rose for the sixth month in a row to an average of 67 properties. "The slowdown occurring in the market has given buyers more power to negotiate, but this time of year is traditionally a quiet one," RICS housing spokesman Ian Perry said. "The decision by the Bank of England not to increase interest rates further and the healthy economy is allowing confidence to consolidate."

The figures support recent data from the government and other bodies which all point to a slowdown in the housing market. On Monday, the Council of Mortgage Lenders, British Bankers Association and Building Societies Association all said mortgage lending was slowing. The figures were published as another survey by property website Rightmove said the average asking price of a home fell by more than Â£600 from Â£190,329 in November to Â£189,733 in December. Around the UK, the Midlands and South saw the biggest price falls, while London prices fell but at less than the national rate. In Scotland, where prices have remained on an upward path, increases were more "moderate", RICS added. But the news failed to dent confidence that sales will recover in future, with surveyors at their most optimistic in a year - as new purchase inquiries stabilised despite holding at lower levels. "Sales usually pick up in the New Year and I am confident this year will be no exception," Mr Perry added. Looking ahead, the group is anticipating a quiet start to 2005 with the market picking up in the second half - prompting a 3% rise in prices over the coming 12 months.

Banker loses sexism claim

A former executive at the London offices of Merrill Lynch has lost her Â£7.5m ($14.6m) sex discrimination case against the US investment bank.

An employment tribunal dismissed Stephanie Villalba's allegations of sexual discrimination and unequal pay. But the 42-year-old won her claim of unfair dismissal, resulting from her sacking in August 2003. Her partial victory is likely to cap her compensation to about Â£55,000, a tiny fraction of what she asked for. The extent of damages will be assessed in the New Year. The action - the biggest claim heard by an employment tribunal in the UK - had been viewed as something of a test case.

The tribunal decided that Ms Villalba had been unfairly dismissed because, having been removed from a senior post, she was entitled to wait to see if a suitable alternative position could be found in the organisation. Ms Villalba, the former head of Merrill's private client business in Europe, has made no decision on whether to appeal.

A spokesman for her lawyers described the decision as "very disappointing", but pointed to some criticism of Merrill's procedures within the lengthy judgement. The tribunal upheld Ms Villalba's claim of victimisation on certain specific issues, including bullying e-mails in connection with a contract, but said it found no evidence of "laddish culture" at the bank. "We said from the start that this case was about performance not gender," Merrill said in a statement. "Ms Villalba was removed by the very same person who had promoted her into the position and who then replaced her with another woman. "Merrill Lynch is dedicated to creating a true meritocracy where every employee has the opportunity to advance based on their skills and hard work."

Based in London's financial district, Ms Villalba worked for Merrill's global private client business in Europe, investing funds for some of Merrill's most important customers. But in 2003 her employers told her she had no future after 17 years with the company, and she was made redundant. Merrill Lynch denied Ms Villalba's claims and said she was removed from her post because of the extensive losses the firm was suffering on the continent. The firm had told the tribunal that Ms Villalba's division had been losing about $1m a week. Merrill said Ms Villalba lacked the leadership skills to turn around the unit.

Rover deal 'may cost 2,000 jobs'

Some 2,000 jobs at MG Rover's Midlands plant may be cut if investment in the firm by a Chinese car maker goes ahead, the Financial Times has reported.

Shanghai Automotive Industry Corp plans to shift production of the Rover 25 to China and export it to the UK, sources close to the negotiations tell the FT. But Rover told BBC News that reports of job cuts were "speculation". A tie-up, seen as Rover's last chance to save its Longbridge plant, has been pushed by UK Chancellor Gordon Brown. Rover confirmed the tie-up would take place "not very far away from this time".

Rover bosses have said they are "confident" the Â£1bn ($1.9bn) investment deal would be signed in March or early April.

Transport & General Worker's Union general secretary Tony Woodley repeated his view on Friday that all mergers led to some job cuts. He said investment in new models was needed to ensure the future of the Birmingham plant. "This is a very crucial and delicate time and our efforts are targeted to securing new models for the company which will mean jobs for our people," he said. SAIC says none of its money will be paid to the four owners of Rover, who have been accused by unions of awarding themselves exorbitant salaries, the FT reports. "SAIC is extremely concerned to ensure that its money is used to invest in the business rather than be distributed to the shareholders," the newspaper quotes a source close to the Chinese firm. Meanwhile, according to Chinese state press reports, small state-owned carmaker Nanjing Auto is in negotiations with Rover and SAIC to take a 20% stake in the joint venture. SAIC was unavailable for comment on the job cuts when contacted by BBC News. Rover and SAIC signed a technology-sharing agreement in August.

Jarvis sells Tube stake to Spain

Shares in engineering group Jarvis have soared more than 16% on news that it is offloading its stake in London underground consortium Tube Lines.

The sale of the 33% stake to Spain's Ferrovial for Â£146m ($281m) is a lifeline to Jarvis, which was weighed down by debts of more than Â£230m. The company recently warned it could go under if it did not secure a refinancing deal by mid-January 2005. But now its banks have agreed to extend its credit facilities until March 2006.

The company also said it had agreed terms over the completion of 14 of its biggest construction projects under the government's Private Finance Initiative (PFI).

Jarvis wants to scale back the division, which has proved too costly and has been blamed for many of its problems. Instead, it plans to focus on UK rail renewal, roads and plant hire work. Madrid-based Ferrovial already holds a 33% stake in Tube Lines, which maintains the Jubilee, Northern and Piccadilly lines. The Spanish group has been keen to snap up more UK infrastructure assets, having bought Amey in 2003. Jarvis said the sale, which raked in more than the Â£100m analysts had expected, would "substantially" enhance its financial position. "I am now confident that we can now move forward in 2005 towards rebuilding Jarvis and return it to growth as a profitable business," said chief executive Alan Lovell. Shares in Jarvis were up more than 16% to 18 pence by the close of trade on Friday.

Battered dollar hits another low

The dollar has fallen to a new record low against the euro after data fuelled fresh concerns about the US economy.

The greenback hit $1.3516 in thin New York trade, before rallying to $1.3509. The dollar has weakened sharply since September when it traded about $1.20, amid continuing worries over the levels of the US trade and budget deficits. Meanwhile, France's finance minister has said the world faced "economic catastrophe" unless the US worked with Europe and Asia on currency controls. Herve Gaymard said he would seek action on the issue at the next meeting of G7 countries in February. Ministers from European and Asian governments have recently called on the US to strengthen the dollar, saying the excessively high value of the euro was starting to hurt their export-driven economies. "It's absolutely essential that at the meeting of the G7 our American friends understand that we need coordinated management at the world level," said Mr Gaymard.

Thursday's new low for the dollar came after data was released showing year-on-year sales of new homes in the US had fallen 12% in November - with some analysts saying this could indicate problems ahead for consumer activity.

Commerce Department data also showed consumer spending - which drives two thirds of the US economy - grew just 0.2% last month. The figure was weaker than forecast - and fell short of the 0.8% rise in October. The official US policy is that it supports a strong dollar but many market observers believe it is happy to let the dollar fall because of the boost to its exporters.

The US government has faced pressure from exporter organisations which have publicly stated the currency still has further to fall from "abnormal and dangerous heights" set in 2002. The US says it will let market forces determine the dollar's strength rather than intervene directly. Statements from President Bush in recent weeks highlighting his aim to cut the twin US deficits have prompted slight upturns in the currency. But while some observers said the quiet trade on Thursday had exacerbated small moves in the market, most agree the underlying trend remains downwards. The dollar has now fallen for a third consecutive year and analysts are forecasting a further, albeit less dramatic weakening, in 2005. "I can see it finishing the year around $1.35 and we can see that it's going to be a steady track upward for the euro/dollar in 2005, finishing the year around $1.40," said Adrian Hughes, currency strategist with HSBC in London.

Disaster claims 'less than $10bn'

Insurers have sought to calm fears that they face huge losses after an earthquake and giant waves killed at least 38,000 people in southern Asia.

Munich Re and Swiss Re, the world's two biggest reinsurers, have said exposure will be less than for other disasters. Rebuilding costs are likely to be cheaper than in developed countries, and many of those affected will not have insurance, analysts said. Swiss Re has said total claims are likely to be less than $10bn (Â£5.17bn). Swiss Re believes that the cost would be substantial but that it is unlikely to be in double-digit billions, the Financial Times reported. Munich Re, the world's largest reinsurance company, said that its exposure is less than 100m euros (Â£70m; $136m).

At least 10 countries have been affected, with Sri Lanka, Indonesia, India and Thailand among the worst hit. The region's resorts and Western tourists are expected to be among the main claimants.

Lloyds of London told the Financial Times it expected its exposure to be limited to "holiday resorts, personal accident, travel insurance and marine risks". A spokeswoman for Hanover Re, Europe's fifth-largest reinsurance firm, estimated tsunami-related damage claims would be in the low double-digit millions of euros. The company has paid out about 300 million euros (Â£281m; $400m) to cover damage caused recently by four major hurricanes in the US.

But insurers have not had long to assess the economic impact of the damage and reports of more casualties and destruction are still coming through.

"So many things are unclear, it is just too early to tell," said Serge Troeber, deputy head of Swiss Re's natural disasters department. "You need very complicated processes to estimate damages. Unlike the hurricanes, you can't just run a model." He anticipated that his own company's total claims would be less then those from the hurricanes, which the company put at $640m. Allianz, a leading German insurer, said it did not know yet what its exposure would be. However, it said the tidal waves were unlikely to have a "significant" impact on its business. Zurich Financial said they could not yet assess the cost of the disaster.

The impact on US insurance companies is not expected to be heavy, analysts said.

Most US insurers have relatively little exposure to Asia and those that do, pass on a lot of the risk to reinsurance companies or special catastrophe funds. Insured damage could be a fraction of the "billions of dollars worth of destruction in Sri Lanka, India, Thailand, Indonesia, the Maldive Islands and Malaysia," said Prudential Equity Group insurance analyst Jay Gelb. "US insurers are likely to have only minimal to no exposure. It's more likely the Bermuda-based reinsurance [companies] might have some exposure," said Paul Newsome, an insurance analyst at AG Edwards & Co.

Many of the affected countries, such as Indonesia, Sri Lanka or the Maldives, do not usually buy insurance for these kinds of disasters, said a US-based insurance expert. Early estimates from the World Bank put the amount of aid needed for the worst affected countries including Sri Lanka, India, Indonesia and Thailand, at about $5bn (Â£2.6bn), similar to the cash offered to Central America after Hurricane Mitch.

Mitch killed about 10,000 people and caused damage of about $10bn in 1998. But the cost of the tsunamis on the individuals involved is incalculable. "We cannot fathom the cost of these poor societies and the nameless fishermen and fishing villages ... that have just been wiped out. Hundreds of thousands of livelihoods have gone," said Jan Egeland, head of the UN Office for the Coordination of Humanitarian Affairs. Tourists cutting short their holidays in affected areas may suffer a financial impact too. The Association of British insurers warned that travel insurance does not normally cover cutting short a holiday. It said loss of possessions will usually be covered, but the Association stressed the importance of checking the wording of travel policies.

Dollar hits new low versus euro

The US dollar has continued its record-breaking slide and has tumbled to a new low against the euro.

Investors are betting that the European Central Bank (ECB) will not do anything to weaken the euro, while the US is thought to favour a declining dollar. The US is struggling with a ballooning trade deficit and analysts said one of the easiest ways to fund it was by allowing a depreciation of the dollar. They have predicted that the dollar is likely to fall even further.

The US currency was trading at $1.364 per euro at 1800 GMT on Monday. This compares with $1.354 to the euro in late trading in New York on Friday, which was then a record low.

The dollar has weakened sharply since September when it traded about $1.20 against the euro. It has lost 7% this year, while against the Japanese yen it is down 3.2%. Traders said that thin trading levels had amplified Monday's move. "It's not going to take much to push [the dollar] one way or the other," said Grant Wilson of Mellon Bank. Liquidity - a measure of the number of parties willing to trade in the market - was about half that of a normal working day, traders said.

Israeli economy picking up pace

Israel's economy is forecast to grow by 4.2% in 2004 as it continues to emerge from a three-year recession.

The main driver of the faster-than-expected expansion has been exports, with tourism seeing a strong rebound, the statistical office said. The economy is benefiting from a quieter period in Palestinian-Israeli violence and a pick-up in global demand for technology products. The outlook is better than it has been for a number of years, analysts said.

Many companies have focused on cost cutting and greater efficiency, while the government has been trying to trim public spending and push through reforms. The growth figures come about despite a strike earlier this year by about 400,000 public sector worker which closed banks, hospitals, postal services and transport facilities. Growth did slow in the second half, but only slightly. Exports for the year rose by 14%, while tourist revenues were up by 30%. Imports gained by 13%, signalling that domestic demand has picked up again. In 2003, imports declined by 1.8%. In 2003, the economy expanded by 1.3%

US gives foreign firms extra time

Foreign firms have been given an extra year to meet tough new corporate governance regulations imposed by the US stock market watchdog.

The Securities and Exchange Commission has extended the deadline to get in line with the rules until 15 July 2006. Many foreign firms had protested that the SEC was imposing an unfair burden. The new rules are the result of the Sarbanes-Oxley Act, part of the US clean-up after corporate scandals such as Enron and Worldcom. Section 404 of the Sox Act, as the legislation is nicknamed, calls for all firms to certify that their financial reporting is in line with US rules. Big US firms already have to meet the requirements, but smaller ones and foreign-based firms which list their shares on US stock markets originally had until the middle of this year.

Over the past few months, delegations of European and other business leaders have been heading to the SEC's Washington DC headquarters to protest. They say the burden is too expensive and the timescale too short and some, particularly the UK's CBI, warned that companies would choose to let their US listings drop rather than get in line with section 404. The latest delegation from the CBI met SEC officials on Wednesday, just before the decision to relax the deadline was announced. "I think this signifies a change of heart at the SEC," CBI director-general Sir Digby Jones told the BBC's Today programme. "They have been listening to us and to many overseas companies, who have reminded America what globalisation really means: that they can't make these rules in isolation." The SEC said it had taken into consideration the fact that foreign companies were already working to meet more onerous financial reporting rules in their home countries. The European Union, in particular, was imposing new international financial reporting standards in 2005, it noted. "I don't underestimate the effort (compliance) will require... but this extension will provide additional time for those issuers to take a good hard look at their internal controls," said Donald Nicolaisen, the SEC's chief accountant.

German jobless rate at new record

More than 5.2 million Germans were out of work in February, new figures show.

The figure of 5.216 million people, or 12.6% of the working-age population, is the highest jobless rate in Europe's biggest economy since the 1930s. The news comes as the head of Germany's panel of government economic advisers predicted growth would again stagnate. Speaking on German TV, Bert Ruerup said the panel's earlier forecast of 1.4% was too optimistic and warned growth would be just 1% in 2005.

The German government is trying to tackle the stubbornly-high levels of joblessness with a range of labour market reforms. At their centre is the "Hartz-IV" programme introduced in January to shake up welfare benefits and push people back into work - even if some of the jobs are heavily subsidised. The latest unemployment figures look set to increase the pressure on the government. Widely leaked to the German newspapers a day in advance, they produced screaming headlines criticising Chancellor Gerhard Schroeder's Social Democrat-Green Party administration. Mr Schroeder had originally come into office promising to halve unemployment.

Still, some measures suggest the picture is not quite so bleak. The soaring official unemployment figure follows a change in the methodology which pushed up the jobless rate by more than 500,000 in January. Adjusted for seasonal changes, the overall unemployment rate is 4.875 million people or 11.7%, up 0.3 percentage points from the previous month. Using the most internationally-accepted methodology of the International Labour Organisation (ILO), Germany had 3.97 million people out of work in January. And ILO-based figures also suggest that 14,000 new net jobs were created that month, taking the number of people employed to 38.9 million. The ILO defines an unemployed person as someone who in the previous four weeks had actively looked for work they could take up immediately.

Record year for Chilean copper

Chile's copper industry has registered record earnings of $14.2bn in 2004, the governmental Chilean Copper Commission (Cochilco) has reported.

Strong demand from China's fast-growing economy and high prices have fuelled production, said Cochilco vice president Patricio Cartagena. He added that the boom has allowed the government to collect $950m in taxes. Mr Cartagena said the industry expects to see investment worth $10bn over the next three years.

"With these investments, clearly we are going to continue being the principle actor in the mining of copper. It's a consolidation of the industry with new projects and expansions that will support greater production." Australia's BHP Billiton - which operates La Escondida, the world's largest open pit copper mine - is planning to invest $1.9bn between now and 2007, while state-owned Codelco will spend about $1bn on various projects. Chile, the biggest copper producer in the world, is now analyzing ways of to keep prices stable at their current high levels, without killing off demand or leading customers to look for substitutes for copper. The copper price reached a 16-year high in October 2004. Production in Chile is expected rise 3.5% in 2005 to 5.5 million tonnes, said Mr Cartagena. Cochilco expects for 2005 a slight reduction on copper prices and forecasts export earnings will fall 10.7%.

US consumer confidence up

Consumers' confidence in the state of the US economy is at its highest for five months and they are optimistic about 2005, an influential survey says.

The feel-good factor among US consumers rose in December for the first time since July according to new data. The Conference Board survey of 5,000 households pointed to renewed optimism about job creation and economic growth. US retailers have reported strong sales over the past 10 days after a slow start to the crucial festive season.

According to figures also released on Tuesday, sales in shopping malls in the week to 25 December were 4.3% higher than in 2003 following a last minute rush. Wal-Mart, the largest US retailer, has said its December sales are expected to be better than previously forecast because of strong post-Christmas sales.

It is expecting annual sales growth of between 1% and 3% for the month. Consumer confidence figures are considered a key economic indicator because consumer spending accounts for about two thirds of all economic activity in the United States. "The continuing economic expansion, combined with job growth, has consumers ending this year on a high note," said Lynn Franco, director of the Conference Board's consumer research centre. "And consumers' outlook suggests that the economy will continue to expand in the first half of next year." The overall US economy has performed strongly in recent months, prompting the Federal Reserve to increase interest rates five times since June.

Cash gives way to flexible friend

Spending on credit and debit cards has overtaken cash spending in the UK for the first time.

The moment that plastic finally toppled cash happened at 10.38am on Wednesday, according to the Association for Payment Clearing Services (Apacs) Apacs chose school teacher Helen Carroll, from Portsmouth, to make the historic transaction. The switch over took place as she paid for her groceries in the supermarket chain Tesco's Cromwell Road branch.

Mrs Carroll was born in the same year that plastic cards first appeared in the UK. "I pay for most things with my debit card, with occasional purchases on one of my credit cards," said Mrs Carroll, who teaches at Peel Common Infants School in Gosport.

Spending patterns for the year and estimates for December led Apacs to conclude that 10.38am was the time that plastic would finally rule the roost. Shoppers in the UK are expected to put Â£269bn on plastic cards during the whole of 2004, compared with Â£268bn paid with cash, Apacs said. When the first plastic cards appeared in the UK in June 1966, issued by Barclaycard, but only a handful of retailers accepted them and very few customers held them. "But in less than 40 years, plastic has become our most popular way to pay, due to the added security and flexibility it offers," said Apacs spokeswoman Jemma Smith. "The key driver has been the introduction of debit cards, which now account for two-thirds of plastic card transactions and are used by millions of us every day."

Japanese mogul arrested for fraud

One of Japan's best-known businessmen was arrested on Thursday on charges of falsifying shareholder information and selling shares based on the false data.

Yoshiaki Tsutsumi was once ranked as the world's richest man and ran a business spanning hotels, railways, construction and a baseball team. His is the latest in a series of arrests of top executives in Japan over business scandals. He was taken away in a van outside one of his Prince hotels in Tokyo.

There was a time when Mr Tsutsumi seemed untouchable. Inheriting a large property business from his father in the 1960s, he became one of Japan's most powerful industrialists, with close connections to many of the country's leading politicians. He used his wealth and influence to bring the Winter Olympic Games to Nagano in 1998. But last year, he was forced to resign from all the posts he held in his business empire, after being accused of falsifying the share-ownership structure of Seibu Railways, one of his companies. Under Japanese stock market rules, no listed company can be more than 80% owned by its 10 largest shareholders. Now Mr Tsutsumi faces criminal charges and the possibility of a prison sentence because he made it look as if the 10 biggest shareholders owned less than this amount. Seibu Railways has been delisted from the stock exchange, its share value has plunged and it is the target of a takeover bid.

Mr Tsutsumi's fall from grace follows the arrests of several other top executives in Japan as the authorities try to curb the murky business practices which were once widespread in Japanese companies. His determination to stay at the top at all costs may have had its roots in his childhood. The illegitimate third son of a rich father, who made his money buying up property as Japan rebuilt after World War II, he has described the demands his father made. "I felt enormous pressure when I dined with him and it was nothing but pain," Tsutsumi told a weekly magazine in 1987. "He scolded me for pouring too much soy sauce or told me fruit was not for children. He didn't let me use the silk futon, saying it's a luxury." There have been corporate governance issues at some other Japanese companies too. Last year, twelve managers from Mitsubishi Motors were charged with covering up safety defects in their vehicles and three executives from Japan's troubled UFJ bank were charged with concealing the extent of the bank's bad loans.

Oil rebounds from weather effect

Oil prices recovered in Asian trade on Tuesday, after falling in New York on milder winter weather across the US.

With winter temperatures staying relatively high in the northern US, a barrel of light crude ended Monday down $1.33 to $42.12. However crude prices have rebounded in Asia, rising to $42.30 a barrel for February delivery. In London, trading of Brent crude was suspended for a public holiday, but the price fell to $39.20 in the Far East.

With milder temperatures expected to continue in the northern parts of the US over the next few days at least, analysts have said the price of oil may fall further - even if the decline was only temporary. "Weather has been the Achilles' heel of this market," said ABN AMRO analyst John Brady. "But it is winter in the northeast. Eventually we'll get another cold blast." Despite a fall of more than $12 a barrel from the record highs reached in late October, the price of crude oil remains almost 30% higher than year-ago levels. Prices rose last week after militant attacks in Riyadh, the capital of Saudi Arabia, briefly renewed fears that the supply chain might be broken in the world's leading crude exporter. "The market was panicked but fears essentially evaporated... since there was no follow-up," said Deborah White, senior economist for energy at SG Securities in Paris.

Weak end-of-year sales hit Next

Next has said its annual profit will be Â£5m lower than previously expected because its end-of-year clearance sale has proved disappointing.

"Clearance rates in our end-of-season sale have been below our expectations," the company said. The High Street retailer said it now expected to report annual profits of between Â£415m and Â£425m ($779m-798m). Next's shares fell more than 3% following the release of the trading statement.

Next chief executive Simon Wolfson admitted that festive sales were "below where we would expect a normal Christmas to be", but said sales should still top analyst expectations.

Among areas where Next could have done better, Mr Wolfson said menswear ranges were "a little bit too similar to the previous year". Mr Wolfson also said that disappointing pre-Christmas sales were "more to do with the fact that we went in with too much stock rather than (the fact that) demand wasn't there for the stock". Next's like-for-like store sales in the five months from 3 August to 24 December were up 2.9% on a year earlier. This figure is for existing Next stores, which were unaffected by new Next store openings. Like-for-like sales growth at the 49 Next stores directly affected by new store openings in their locality was 0.5%.

Overall sales across both its retail and mail order divisions were up 12.4%, Next said. Its Next Directory mail order division saw sales rise 13.4% during the five-month period. "In terms of all the worries about their trading pre-Christmas, it's a result," said Nick Bubb, an analyst at Evolution Securities. "Profits of around Â£420m would be well within the comfort zone." However, one dealer, who asked not to be named, told Reuters the seasonal sales performance was "not what people had hoped for". "Christmas has been tough for the whole sector, and this is one of the best retailers," he said. Next's trading statement comes a day after House of Fraser and Woolworths disappointed investors with their figures.

Tate & Lyle boss bags top award

Tate & Lyle's chief executive has been named European Businessman of the Year by a leading business magazine.

Iain Ferguson was awarded the title by US publication Forbes for returning one of the UK's "venerable" manufacturers to the country's top 100 companies. The sugar group had been absent from the FTSE 100 for seven years until Mr Ferguson helped it return to growth. Tate's shares have leapt 55% this year, boosted by firming sugar prices and sales of its artificial sweeteners.

"After years of a sagging stock price and a seven-year hiatus from the FTSE 100, one of Britain's venerable manufacturers has returned to the vaunted index," Forbes said. Mr Ferguson took the helm at the company in 2003, after spending most of his career at consumer goods giant Unilever. Tate & Lyle, which was an original member of the historic FT-30 index in 1935, operates more than 41 factories and 20 more additional production facilities in 28 countries. Previous winners of the Forbes award include Royal Bank of Scotland chief executive Fred Goodwin and former Vodafone boss Chris Gent.

Deutsche Boerse set to 'woo' LSE

Bosses of Deutsche Boerse and the London Stock Exchange are to meet amid talk that a takeover bid for the LSE will be raised to Â£1.5bn ($2.9bn).

Last month, the German exchange tabled a 530 pence-per-share offer for LSE, valuing it at Â£1.3bn. Paris-based Euronext, owner of Liffe in London, has also said it is interested in bidding for LSE. Euronext is due to hold talks with LSE this week and it is reported to be ready to raise Â£1.4bn to fund a bid. Euronext chief Jean-Francois Theodore is scheduled to meet his LSE counterpart Clara Furse on Friday. Deutsche Boerse chief Werner Seifert is meeting Ms Furse on Thursday, in the third meeting between the two exchanges since the bid approach in December.

The LSE rejected Deutsche Boerse's proposed Â£1.3bn offer in December, saying it undervalued the business.

But it agreed to leave the door open for talks to find out whether a "significantly-improved proposal" would be in the interests of LSE's shareholders and customers. In the meantime, Euronext, which combines the Paris, Amsterdam and Lisbon stock exchanges, also began talks with the LSE. In a statement on Thursday, Euronext said any offer was likely to be solely in cash, but added that: "There can be no assurances at this stage that any offer will be made." A deal with either bidder would create the biggest stock market operator in Europe and the second biggest in the world after the New York Stock Exchange.

According to the FT, in its latest meeting Deutsche Boerse will adopt a charm offensive to woo the London exchange. The newspaper said the German suitor will offer to manage a combined cash and equities market out of London and let Ms Furse take the helm. Other reports this week said the Deutsche Boerse might even consider selling its Luxembourg-based Clearstream unit - the clearing house that processes securities transactions. Its ownership of Clearstream was seen as the main stumbling block to a London-Frankfurt merger. LSE shareholders feared a Deutsche Boerse takeover would force them to use Clearstream, making it difficult for them to negotiate for lower transaction fees.

High fuel prices hit BA's profits

British Airways has blamed high fuel prices for a 40% drop in profits.

Reporting its results for the three months to 31 December 2004, the airline made a pre-tax profit of Â£75m ($141m) compared with Â£125m a year earlier. Rod Eddington, BA's chief executive, said the results were "respectable" in a third quarter when fuel costs rose by Â£106m or 47.3%. BA's profits were still better than market expectation of Â£59m, and it expects a rise in full-year revenues.

To help offset the increased price of aviation fuel, BA last year introduced a fuel surcharge for passengers.

In October, it increased this from Â£6 to Â£10 one-way for all long-haul flights, while the short-haul surcharge was raised from Â£2.50 to Â£4 a leg. Yet aviation analyst Mike Powell of Dresdner Kleinwort Wasserstein says BA's estimated annual surcharge revenues - Â£160m - will still be way short of its additional fuel costs - a predicted extra Â£250m. Turnover for the quarter was up 4.3% to Â£1.97bn, further benefiting from a rise in cargo revenue. Looking ahead to its full year results to March 2005, BA warned that yields - average revenues per passenger - were expected to decline as it continues to lower prices in the face of competition from low-cost carriers. However, it said sales would be better than previously forecast. "For the year to March 2005, the total revenue outlook is slightly better than previous guidance with a 3% to 3.5% improvement anticipated," BA chairman Martin Broughton said. BA had previously forecast a 2% to 3% rise in full-year revenue.

It also reported on Friday that passenger numbers rose 8.1% in January. Aviation analyst Nick Van den Brul of BNP Paribas described BA's latest quarterly results as "pretty modest". "It is quite good on the revenue side and it shows the impact of fuel surcharges and a positive cargo development, however, operating margins down and cost impact of fuel are very strong," he said. Since the 11 September 2001 attacks in the United States, BA has cut 13,000 jobs as part of a major cost-cutting drive. "Our focus remains on reducing controllable costs and debt whilst continuing to invest in our products," Mr Eddington said. "For example, we have taken delivery of six Airbus A321 aircraft and next month we will start further improvements to our Club World flat beds." BA's shares closed up four pence at 274.5 pence.

US interest rate rise expected

US interest rates are expected to rise for the fifth time since June following the US Federal Reserve's latest rate-setting meeting later on Tuesday.

Borrowing costs are tipped to rise by a quarter of a percentage point to 2.25%. The move comes as a recovery in the US economy, the world's biggest, shows signs of robustness and sustainability. The dollar's record-breaking decline, meanwhile, has spooked markets and along with high oil prices has raised concerns about the pace of inflation. "We are seeing evidence that inflation is moving higher," said Ken Kim, an analyst at Stone & McCarthy Research. "It's not a risk, it's actually happening." Mr Kim added that borrowing costs could rise further.

The Fed has said that it will move in a "measured" way to combat price growth and lift interest rates from their 40-year lows that were prompted by sluggish US and global growth.

With the economic picture now looking more rosy, the Fed has implemented quarter percentage point rises in June, August, September and November. Although the US economy grew at an annual rate of 3.9% in the three months to September, analysts warn that Fed has to be careful not to move too aggressively and take the wind out of the recovery's sails. Earlier this month figures showed that job creation is still weak, while consumer confidence is subdued. "I think the Fed feels it has a fair amount of flexibility," said David Berson, chief economist at Fannie Mae. "While inflation has moved up, it hasn't moved up a lot." "If economic growth should subside... the Fed would feel it has the flexibility to pause in its tightening. "But if economic growth picked up and caused core inflation to rise a little more quickly, I think the Fed would be prepared to tighten more quickly as well."

Weak dollar trims Cadbury profits

The world's biggest confectionery firm, Cadbury Schweppes, has reported a modest rise in profits after the weak dollar took a bite out of its results.

Underlying pre-tax profits rose 1% to Â£933m ($1.78bn) in 2004, but would have been 8% higher if currency movements were stripped out. The owner of brands such as Dairy Milk, Dr Pepper and Snapple generates more than 80% of its sales outside the UK. Cadbury said it was confident it would hit its targets for 2005. "While the external commercial environment remains competitive, we are confident that we have the strategy, brands and people to deliver within our goal ranges in 2005," said chief executive Todd Stitzer.

The modest profit rise had been expected by analysts after the company said in December that the poor summer weather had hit soft drink sales in Europe.

Cadbury said its underlying sales were up by 4% in 2004. Growth was helped by its confectionery brands - including Cadbury, Trident and Halls - which enjoyed a "successful" year, with like-for-like sales up 6%. Drinks sales were up 2% with strong growth in US carbonated soft drinks, led by Dr Pepper and diet drinks, offset by the weaker sales in Europe. Cadbury added that its Fuel for Growth cost-cutting programme had saved Â£75m in 2004, bringing total cost savings to Â£100m since the scheme began in mid-2003. The programme is set to close 20% of the group's factories and shed 10% of the workforce. Cadbury Schweppes employs more than 50,000 people worldwide, with about 7,000 in the UK.

Continental 'may run out of cash'

Shares in Continental Airlines have tumbled after the firm warned it could run out of cash.

In a filing to US regulators the airline warned of "inadequate liquidity" if it fails to reduce wage costs by $500m by the end of February. Continental also said that, if it did not make any cuts, it expects to lose "hundreds of millions of dollars" in 2005 in current market conditions. Failure to make cutbacks may also push it to reduce its fleet, the group said. Shares in the fifth biggest US carrier had fallen

6.87% on the news to $10.44 by 1830 GMT. "Without the reduction in wage and benefit costs and a reasonable prospect of future profitability, we believe that our ability to raise additional money through financings would be uncertain," Continental said in its filing to the US Securities and Exchange Commission (SEC).

Airlines have faced tough conditions in recent years, amid terrorism fears since the 11 September World Trade Centre attack in 2001. But despite passengers returning to the skies, record-high fuel costs and fare wars prompted by competition from low cost carriers have taken their toll. Houston-based Continental now has debt and pension payments of nearly $984m which it must pay off this year. The company has been working to streamline its operations - and has managed to save $1.1bn in costs without cutting jobs. Two weeks' ago the group also announced it would be able to shave a further $48m a year from its costs with changes to wage and benefits for most of its US-based management and clerical staff.

Mixed Christmas for US retailers

US retailers posted mixed results for December - with luxury retailers faring well while many others were forced to slash prices to lift sales.

Upscale department store Nordstrom said same store sales were 9.3% higher than during the same period last year. Trendy youth labels also sold well, with sales jumping 28% at young women's clothing retailer Bebe Stores and 32.2% at American Eagle Outfitters. But Wal-Mart only saw its sales rise after it cut prices. The company saw a 3% rise in December sales, less than the 4.3% rise seen a year earlier.

Customers at the world's biggest retailer are generally seen to be the most vulnerable to America's economic woes.

Commentators claim many have cut back on spending amid uncertainty over job security, while low and middle-income Americans have reined in spending in the face of higher gasoline prices. Analysts said Wal-Mart faced a "stand-off" with shoppers, stepping up its discounts as the festive season wore on, as consumers waited longer to get the best bargains. However, experts added that if prices had not been cut across the sector, Christmas sales - which account for nearly 23% of annual retail sales - would have been far worse. "So far, we are faring better than expected, but the results are still split," Ken Perkins, an analyst at research firm RetailMetrics LLC, told Associated Press. "Stores that have been struggling over the last couple of months appear to be continuing that trend. And for stores that have been doing well over the last several months, December was a good month." Overall, December sales are forecast to rise by 4.5% to $220bn - less than the 5.1% increase seen a year earlier.

One discount retailer to fare well in December was Costco Wholesale, which continued a recent run of upbeat results with a better-than-expected 8% jump in same store sales. However, the losers were many and varied. Home furnishings store Pier 1 Imports saw its same store sales sink by a larger-than-forecast 8.8% as it battled fierce competition. Leading electronics chain Best Buy, meanwhile, missed its sales target of a 3-5% rise in sales, turning in a 2.5% increase over the Christmas period. Accessory vendor Claire's Stores also suffered as an expected last minute shopping rush never materialised, leaving its same store sales 5% higher, compared to a 6% rise last year. Jeweller Zale also felt little Christmas cheer with December sales down 0.7% on the same month last year. "This was not a good period for retailers or shoppers. We saw a dearth of exciting, new items," Kurt Barnard, president of industry forecaster Retail Consulting Group, said. However, one beneficiary of the desertion of the High Street is expected to be online stores. According to a survey by Goldman Sachs & Co, Harris Interactive and Neilsen/Net Ratings sales surged 25% over the holiday season to $23.2bn.

Steady job growth continues in US

The US created fewer jobs than expected in December, but analysts said that the dip in hiring was not enough to derail the world's biggest economy.

According to Labor Department figures, 157,000 new jobs were added last month. That took 2004's total to 2.2 million, the best showing in five years. Job creation was one of last year's main concerns for the US economy. While worries still remain, the conditions are set for steady growth in 2005, analysts said. The unemployment rate stayed at 5.4% in December, and about 200,000 jobs will need to be created each month if that figure is to drop.

"It was a respectable report," said Michael Moran, analyst at Daiwa Securities.

"Payroll growth in December was a little lighter than the consensus forecast, but we had upward revisions to the prior two months and an increase in manufacturing employment." "Manufacturing is a cyclical area of the economy and if it's showing job growth, it's a good indication that the economy is on a solid growth track." That means that the Federal Reserve is likely to continue its policy of raising interest rates. The Fed lifted borrowing costs five times last year to 2.25%, citing evidence the US economic recovery was becoming more robust.

Job creation was one of last year's main concerns for the US economy, and proved to be a main topic of debate in the US presidential election. While demand for workers is far from booming, the conditions are set for steady growth. "Overall, compared to the previous year it looks great, it just keeps going stronger and stronger and I expect that to be the case" in 2005, said Kurt Karl, economist at Swiss Re in New York. Meanwhile, economists cautioned against reading too much into data from the Federal Reserve showing an unexpected $8.7bn drop in consumer debt in November. A fall in consumer spending, which makes up about two-thirds of all US economic activity, could help limit the extent of any future interest rate rises. But economists said there could be a number of reasons for a fall in the borrowing, which include credit cards and personal loans, while noting that such figures can vary on a month-to-month basis.

Barclays shares up on merger talk

Shares in UK banking group Barclays have risen on Monday following a weekend press report that it had held merger talks with US bank Wells Fargo.

A tie-up between Barclays and California-based Wells Fargo would create the world's fourth biggest bank, valued at $180bn (Â£96bn). Barclays has declined to comment on the report in the Sunday Express, saying it does not respond to market speculation. The two banks reportedly held talks in October and November 2004.

Barclays shares were up 8 pence, or 1.3%, at 605 pence by late morning in London on Monday, making it the second biggest gainer in the FTSE 100 index. UK banking icon Barclays was founded more than 300 years ago; it has operations in over 60 countries and employs 76,200 staff worldwide. Its North American divisions focus on business banking, whereas Wells Fargo operates retail and business banking services from 6,000 branches. In 2003, Barclays reported a 20% rise in pre-tax profits to Â£3.8bn, and it has recently forecast similar gains in 2004, predicting that full year pre-tax profits would rise 18% to Â£4.5bn. Wells Fargo had net income of $6.2bn in its last financial year, a 9% increase on the previous year, and revenues of $28.4bn. Barclays was the focus of takeover speculation in August, when it was linked to Citigroup, though no bid has ever materialised. Stock market traders were sceptical that the latest reports heralded a deal. "The chief executive would be abandoning his duty if he didn't talk to rivals, but a deal doesn't seem likely," Reuters quoted one trader as saying.

UK Coal plunges into deeper loss

Shares in UK Coal have fallen after the mining group reported losses had deepened to Â£51.6m in 2004 from Â£1.2m.

The UK's biggest coal producer blamed geological problems, industrial action and "operating flaws" at its deep mines for its worsening fortunes. The South Yorkshire company, led by new chief executive Gerry Spindler, said it hoped to return to profit in 2006. In early trade on

Thursday, its shares were down 10% at 119 pence. UK Coal said it was making "significant progress" in shaking up the business. It had introduced new wage structures, a new daily maintenance regime for machinery at its mines and methods to continue mining in adverse conditions. The company said these actions should "significantly uplift earnings". It expected 2005 to be a "transitional year" and to return to profitability in 2006.

The recent rise in coal prices has failed to benefit the company as most of its output had already been sold, it said. Total production costs were Â£1.30 per gigajoule, UK Coal said, but the average selling price was just Â£1.18 per gigajoule. "We have a long journey ahead to fix these issues. We continue to make progress and great strides have already been made," said Mr Spindler. UK Coal operates 15 deep and surface mines across Nottinghamshire, Derbyshire, Leicestershire, Yorkshire, the West Midlands, Northumberland and Durham.

Chinese exports rise 25% in 2004

Exports from China leapt during 2004 over the previous year as the country continued to show breakneck growth.

The spurt put China's trade surplus - a sore point with some of its trading partners - at a six-year high. It may also increase pressure on China to relax the peg joining its currency, the yuan, with the weakening dollar. The figures released by the Ministry of Commerce come as China's tax chief confirmed that growth had topped 9% in 2004 for the second year in a row. State Administration of Taxation head Xie Xuren said a tightening of controls on tax evasion had combined with the rapid expansion to produce a 25.7% rise in tax revenues to 2.572 trillion yuan ($311bn; Â£165bn).

According to the Ministry of Commerce, China's exports totalled $63.8bn in December, taking the annual total up 35.4% to $593.4bn. With imports rising a similar amount, the deficit rose to $43.4bn. The increased tax take comes despite healthy tax rebates for many exporters totalling 420bn yuan in 2004, according to Mr Xie. China's exporting success has made the trade deficit of the United States soar even further and made trade with China a sensitive political issue in Washington. The peg keeping the yuan around 8.30 to the dollar is often blamed by US lawmakers for job losses at home. A US report issued on Tuesday on behalf of a Congressionally-mandated panel said almost 1.5 million posts disappeared between 1989 and 2003. The pace accelerated in the final three years of the period, said the report for the US-China Economic and Security Review Commission, moving out of labour-intensive industries and into more hi-tech sectors. The US's overall trade deficit with China was $124bn in 2003, and is expected to rise to about $150bn for 2004.

Karachi stocks hit historic high

The Karachi Stock Exchange (KSE) has recorded its largest single day gain, surging 3.5% to a new high.

The index rose 225.79 points in four hours of furious trading, with many investors optimistic that political stability could bring an economic boom. The KSE index closed at 6709.93 - an overall gain of nearly 400 points in the first two trading days of the week. Energy and telecommunication stocks performed particularly well, recording an 8%-10% rise since Monday morning.

In 2002, the KSE was the world's best performing stock market, with the index rising 112%.

Pakistani investors are expecting the KSE to repeat, if not improve on, its 2002 performance. Jubilant investors danced on the streets as the market closed for the day on Tuesday, confident that the boom will continue at least until the public holiday on 22 January. Others, however, who had stayed out fearing an imminent collapse because of prices overheating, continued to warn that the "bubble may burst any time". "That's rubbish," KSE chairman Yaseen Lakhani told the BBC News website. "Whenever the market reflects Pakistan's true economic reality, it is described as a bubble." Mr Lakhani feels that the market has risen on the basis of solid economic growth and its current level rests on sound foundations.

Market analysts are inclined to agree with Mr Lakhani, arguing that there are a number of major factors behind the KSE's performance. Analysts argue that a steady improvement in Pakistan's credit ratings by international credit rating agencies has finally begun to register in the market. Standard & Poor's upgraded Pakistan a few weeks ago. There are indications of yet another upgrade by the end of February.

Then, say analysts, there is corporate profitability in the current fiscal year, which has gone up by 27% from last year. "Coupled with the 7% GDP growth expected by June this year, I am least surprised at the market's performance," says Mr Lakhani. One leading Karachi broker said the real reasons may be political. "If you file a $1.3 trillion case against Saudi money after 9/11, Arab money will not go to the US any more." A lot of Arab money, he says, has already gone to Malaysia and Indonesia. Pakistanis are now hoping that energy and telecoms, two of the strongest sectors in Pakistan, draw some of the Arab money to the KSE.

Locally, too, say analysts, recent political developments have worked to the market's advantage.

An anti-Musharraf campaign threatened by the MMA, a countrywide alliance of religious parties, has fizzled out. The release of Asif Zardari, former Prime Minister Benazir Bhutto's husband, has eased political tensions between the military-backed government and the opposition Pakistan People's Party. Most importantly, say analysts, the failure of talks between India and Pakistan on the Baglihar dam in Indian-administered Kashmir has not automatically led to heightened tensions. This, they say, indicates that neither country is interested in raising the temperature at this stage, irrespective of the state of their disagreements. The market is abuzz with speculation that substantial investment may now start to flow in from the US, a country seen locally as deeply interested in defusing tensions between the South Asian neighbours. "You can call it a peace dividend," smiles one broker. "Let us see how long one can reap its benefits."

US trade gap ballooned in October

The US trade deficit widened by more than expected in October, hitting record levels after higher oil prices raised import costs, figures have shown

The trade shortfall was $55.5bn (Â£29bn), up 9% from September, the Commerce Department said. That pushed the 10 month deficit to $500.5bn. Imports rose by 3.4%, while exports increased by only 0.6%. A weaker dollar also increased the cost of imports, though this should help drive export demand in coming months. "Things are getting worse, but that's to be expected," said David Wyss of Standard & Poor's in New York. "The first thing is that when the dollar goes down, it increases the price of imports. "We are seeing improved export orders. Things seem to be going in the right direction."

Despite this optimism, significant concerns remain as to how the US will fund its trade and budget deficits should they continue to widen. Another problem highlighted by analysts was the growing trade gap with China, which has been accused of keeping its currency artificially weak in order to boost exports. The US imported almost $20bn worth of goods from China during October, exporting a little under $3bn. "It seems the key worry that has existed in the currency market still remains," said Anthony Crescenzi, a bond strategist at Miller Tabak in New York. The trade deficit and the shortfall with China "are big issues going forward". The Commerce Department figures caused the dollar to weaken further despite widespread expectations that the Federal Reserve will raise interest rates for a fifth time this year. Borrowing costs are tipped to rise by a quarter of a percentage point to 2.25% at a Fed meeting later on Tuesday.

Saudi ministry to employ women

Women will be employed in Saudi Arabia's foreign ministry for the first time this year, Foreign Minister Prince Saud Al-Faisal has been reported as saying.

The move comes as the conservative country inches open the door to working women. Last year, Crown Prince Abdullah, the de-facto ruler, told government departments to put plans in place for employing women. But progress has been slow, reports from the country say.

Earlier this week, the local Arab News said Labour Minister Ghazi al-Gosaibi had "caused uproar" when he said his ministry was having difficulty hiring women because they demanded segregated offices. The newspaper said many Saudi women found his explanation "a pitiful excuse for not employing women". Women now make up more than half of all graduates from Saudi universities but only 5% of the workforce. "Our educational reforms have created a new generation of highly-educated and professionally trained Saudi women who are acquiring their rightful position in Saudi society," Arab News quoted Prince Saud as saying. "I am proud to mention here that this year we shall have women working in the Ministry of Foreign Affairs for the first time."

US prepares for hybrid onslaught

Sales of hybrid cars in the US are set to double in 2005, research suggests.

Research group JD Power estimates sales will hit 200,000 in 2005, despite higher prices and customer scepticism. Carmakers are starting to build hybrid sports utility vehicles (SUVs), the four-wheel-drive vehicles which now dominate the US car market. Hybrids cut both petrol consumption and emissions by combining a petrol engine with an electric motor constantly kept charged by extra engine power. Several jurisdictions, notably the state of California, mandate low emissions for new cars. Equally, the rise in oil prices over the past year has sparked hopes that consumers may be tempted by potential savings of a few hundred dollars a year on fuel.

At the Detroit Motor Show, a range of manufacturers are prominently displaying their hybrid credentials. Toyota has led the market to date with the Prius, popularised by a number of celebrities keen to burnish their "green" credentials. In April it will launch a hybrid version of its Highlander SUV, with an SUV from its luxury Lexus marque due later in the year.

Honda has three hybrids on the market, and between them the two Japanese carmakers sold more than 80,000 units last year. Ford, which has sold 4,000 of its first hybrid since its launch in August, is bringing a hybrid SUV - the Mariner - to market a year ahead of schedule, with plans for three more models by 2008. GM has a hybrid pickup on the market and is showing two concept SUVs in Detroit. Even sports car maker Porsche may join the race, although it insists it is still considering whether to hybridise its Cayenne SUV.

Others remain more sceptical. Nissan has bought Toyota's hybrid technology, but plans to bring out its first model only in 2006. "We want to make sure we are not concentrating on one technology," Nissan chief executive Carlos Ghosn said. "We will not be surprised by any acceleration or deceleration in the hybrid market." Volkswagen, meanwhile, says it will focus on clean-burning diesel engines instead. And some watchers point out that the price tag on a hybrid - upwards of $3,000 above that of an equivalent normal-engined car, and suspicion of the technology - may still cool its attraction. "The average consumers aren't willing to pay that premium for a car they won't drive more than six years," said Anthony Pratt from JD Power.

Oil prices fall back from highs

Oil prices retreated from four-month highs in early trading on Tuesday after producers' cartel Opec said it was now unlikely to cut production.

Following the comments by acting Opec secretary general Adnan Shihab-Eldin, US light crude fell 32 cents to $51.43 a barrel. He said that high oil prices meant Opec was unlikely to stick to its plan to cut output in the second quarter. In London, Brent crude fell 32 cents to $49.74 a barrel.

Opec members are next meeting to discuss production levels on 16 March. On Monday, oil prices rose for a sixth straight session, reaching a four-month high as cold weather in the US threatened stocks of heating oil. US demand for heating oil was predicted to be about 14% above normal this week, while stocks were currently about 7.5% below the levels of a year ago. Cold weather across Europe has also put upward pressure on crude prices.

German economy rebounds

Germany's economy, the biggest among the 12 countries sharing the euro, grew at its fastest rate in four years during 2004, driven by strong exports.

Gross domestic product (GDP) rose by 1.7% last year, the statistical office said. The economy contracted in 2003. Foreign sales increased by 8.2% last year, compared with a 0.3% slide in private consumption. Concerns remain, however, over the strength of the euro, weak domestic demand and a sluggish labour market. The European Central Bank (ECB) left its benchmark interest rate unchanged at 2% on Thursday. It is the nineteenth month in a row that the ECB has not moved borrowing costs. Economists predict that an increase is unlikely to come until the second half of 2005, with growth set to sputter rather than ignite.

"During 2004 we profited from the fact that the world economy was strong," said Stefan Schilbe, analyst at HSBC Trinkaus & Burkhardt. "If exports weaken and domestic growth remains poor, we cannot expect much from 2005." Many German consumers have been spooked and unsettled by government attempts to reform the welfare state and corporate environment. Major companies including Volkswagen, DaimlerChrysler and Siemens have spent much of 2004 in tough talks with unions about trimming jobs and costs. They have also warned there are more cost cutting measures on the horizon.

US Ahold suppliers face charges

US prosecutors have charged nine food suppliers with helping Dutch retailer Ahold inflate earnings by more than $800m (Â£428m).

The charges have been brought against individuals as well as companies, alleging they created false accounts. Ahold hit the headlines in February 2003 after it emerged that there were accounting irregularities at its US subsidiary Foodservice. Three former Ahold top executives last year agreed to settle fraud charges.

Ahold has admitted that it fraudulently inflated promotional allowances at Foodservice, improperly consolidated joint ventures and also committed other accounting errors and irregularities.

The nine now charged, who worked as suppliers to Ahold, are accused of signing false documents relating to the amount of money they paid the retailer for promoting their products in its stores. Food companies pay supermarkets and retailers for prime shelf space. The suppliers in question are said to have inflated the amount of money they paid, providing auditors with signed letters that allowed Ahold to inflate its earnings. US Attorney David Kelley said he expects the nine vendors will plead guilty to the charges. He added that there may be more court actions in the future. "I don't want to leave you with the impression that these were the only ones involved," he said. Among those facing charges are John Nettle, a former employee of General Mills; Mark Bailin of Rymer International Seafood; Tim Daly of Michael Foods and Kenneth Bowman, who worked as an independent contractor for Total Foods.

Others include Michael Hannigan of Sugar Foods; Peter Marion of Maritime Seafood Processors and First Choice Foods; Gordon Redgate of Commodity Manager and Private Label Distribution; Bruce Robinson of Basic American Foods and Michael Rogers, formerly of Tyson Foods. Pasquale D'Amuro of the FBI called the nine vendors the key ingredients in "the process of cooking the books" at Ahold. At the time of the scandal, Ahold was seen by many as Europe's Enron. Ahold shares tumbled on the news and many market observers predicted that the fall out could damage investor confidence across Europe. It was less severe than many had envisaged, however, and since then Ahold has worked hard at rebuilding its reputation and investor confidence. Ahold is the world's fourth-largest supermarket chain. Its other US businesses include Stop & Shop, and Giant Food.

US retail sales surge in December

US retail sales ended the year on a high note with solid gains in December, boosted by strong car sales.

Seasonally adjusted sales rose 1.2% in the month, compared to 0.1% a month earlier, boosted by a surge in shopping just before and after Christmas. Sales climbed 8% for the year, the best performance since an 8.5% rise in 1999, the Commerce Department added. The gains were led by a 4.3% jump in auto sales as dealers used enhanced offers to get cars out of showrooms. Dealers were forced to cut prices in December to maintain sales growth in a tough quarter when the usual end-of-year holiday sales boom was slow to get started.

The increase in sales during December pushed total spending for the month to $349.4bn (Â£265.9bn). Sales for the year also broke through the $4 trillion mark for the first time - with annual sales coming in at $4.06 trillion However, if automotives are excluded from December's data, retail sales rose just 0.3% on the month. Home furnishings and furniture stores also performed well, rising 2.2%. But as well as hitting the shops, more US consumers were going online or using mail order for their purchases - with non-store retailers seeing sales rise by 1.9%. However, analysts said that the strong figures were unlikely to put the Federal Reserve Bank off its current policy of measured interest rate rises. "Consumers for now remain willing to spend freely, sustaining the US expansion. Given that attitude, the Fed remains likely to continue boosting the Fed funds rate at upcoming meetings," UBS economist Maury Harris told Reuters.

Retail sales are seen as a major part of consumer spending - which in turn makes up two-thirds of economic output in the US. Consumer spending has been picking up in recent years after slumping during 2001 and 2002 as the country battled to recover from its first recession of the decade and the World Trade Centre attacks. During that time, sales grew a lacklustre 2.9% in 2001 and 2.5% a year later. Looking ahead, analysts now expect improvement in jobs growth to feed through to the High Street with consumer spending remaining strong. The belief comes despite the latest labor department report showing a surprise rise in unemployment. The number of Americans filing initial jobless claims jumped to 367,000, the highest rate since September. However, long-term claims slipped to their lowest level since 2001.

