No shame in seeking EU bailout, says IMF

By **Simon Duke**

DEBT-LADEN nations such as Spain and Portugal should have no reservations about tapping the European bailout fund if the need arises, according to the International Monetary Fund.

Far from a humiliating loss of national sovereignty, the EU's financial safety net can prevent troubled countries from falling into a spiral of soaring borrowing costs and eventual debt default, the watchdog argued.

IMF chief economist Olivier Blanchard said: 'I can fully understand the reluctance of countries to ask for a joint programme from the EU and IMF, but such programmes can help.'

Accepting a bailout would 'put a ceiling' on the price a country pays to borrow money, helping it to avoid reneging on its external loans, according to Blanchard. It can also reassure international investors by imposing discipline on profligate countries, he added.

Blanchard's comments will be seen as a direct New Year's message to Spain and Portugal. The Iberian nations are widely viewed as the next in line for a bailout following the rescues of Greece and Ireland last year.

The IMF warned that the prospects for the embattled eurozone periphery are grim as the two-speed global economy recovery continues apace during 2011.

Debt-ravaged single currency members are facing a 'long and tough slog' to put their finances in order, Blanchard said.

Because the likes of Ireland and Greece are locked into the euro, they do not have the option of devaluing their currencies and sparking a revival in their export industries.

Britain, too, is expected to remain in the slow lane, with emerging powerhouses such as India and China likely to make up further ground on the developed world this year.

As industrialised nations continue to grapple with vertiginous debt levels, the emerging economies will continue to enjoy stellar growth, the IMF predicted.

The Washington-based group warned that countries such as Britain and America faced a 'long and slow' recovery from the excesses of the credit boom, which imploded with such devastating force in 2007.

It will take years before the 'badly broken' financial system is brought back to full health – and with it the prospect for a potent economic and jobs recovery, said Mr Blanchard.

'Markets are still uncertain about the true health of the banks and the result is a slow recovery, barely strong enough to decrease unemployment,' he argued.

There can be no continued recovery without a re-balancing in the global economy from countries running large trade surpluses, such as China and Germany, and deficit nations like the UK and US, according to the IMF.

However, a rise in the value of China's currency, the renminbi, would not alone be enough to stabilise the global economy, Blanchard added.

Investors raise a glass to fine wine

INVESTORS in vintage wine will be celebrating after the world's choicest tipples outperformed gold, oil and equities last year, *writes Simon Neville*.

It's all thanks to an insatiable demand for the best booze from newly-rich Chinese buyers.

Château Lafite Rothschild was the star performer, with the price of a case from its 2008 vintage – which has yet even to be bottled – jumping three-fold from £4,400 last January to £14,000 today.

The price could go even higher if wine critics award it a perfect rating later this year.

The Liv-ex Fine Wine 50 – which tracks the top five Bordeaux brands across ten different vintages – was up 57pc at the end of 2010 compared with a year earlier.

By comparison gold was up 35pc, crude oil up 20pc and the FTSE 100 just 9pc.

Strong demand in Asian markets, particularly Hong Kong and China, is behind the steep rise.

In November £150,000 was paid by an Asian buyer at a Sotheby's auction in Hong Kong for three bottles of Château Lafite Rothschild from 1869 – making them the most expensive ever sold.

The auction was set up directly by the 330-year-old estate, which nestles in the French village of Pauillac, and was attended by Baron Eric de Rothschild.

Recognising the importance of the Asian market, the château emblazoned its 2008 vintage with the Chinese symbol for '8' – seen as a lucky number – which helped achieve the exceptional price rises.

Ten years ago any case from the estate would have cost £2,000, but today a 1982 vintage case will set you back £40,000 and the 2000 vintage £19,000.

The other Bordeaux brands on the Fine Wine 50 are Haut Brion, Latour, Margaux and Mouton Rothschild.

US BOOKSELLER ON BRINK

US bookseller Borders is delaying payments to some of its suppliers as it struggles to avoid breaking the terms of its bank loans.

The company declined to name the publishers it owes money to, but said it was holding back the cash while it negotiates with its lenders.

The group has recently reported larger-than-expected losses as customers turn to electronic devices to read their favourite books.

Borders in the UK – formerly a subsidiary of the US firm until a 2007 buyout – went bust in 2009 making 1,150 people redundant that Christmas Eve.

Finance chief leaves Aveva

AVEVA'S Paul Taylor stood aside today after ten years as finance director of the software firm.

His replacement James Kidd has been with Aveva since 2004, rising to head of finance in 2006. He has also worked for accountancy giants Arthur Andersen and Deloitte.

The company, whose software is used to design ships, nuclear power stations and gas and oil facilities, struggled during the worst of the recession.

However, it is on the recovery trail, with half-time profits and revenues up 12pc.

Taylor, who worked for Aveva (up 8p at 1,614p) for 21 years, stood down to pursue other opportunities.

BSkyB deal in hands of Culture Secretary

BRITAIN'S media regulator yesterday handed the results of its probe into News Corp's £8bn bid to take full control of BSkyB to Culture Secretary Jeremy Hunt, *writes Simon Duke*.

Hunt is expected to spend the coming days mulling over Ofcom's report into the Times, Sun and News of the World owner's offer to buy the 61pc of Sky it does not already own.

European Union watchdogs have already given the green light to the proposed takeover, but speculation is growing that Ofcom will recommend a more wide-ranging investigation by Britain's Competition Commission.

The Culture Secretary is expected to give his ruling by mid-January. Hunt was given responsibility for the deal after Business Secretary Vince Cable was stripped of a say in the bid following his 'declaration of war' on News Corp owner Rupert Murdoch.

Big bonuses at struggling Tui

THE boss of Thompson owner Tui Travel pocketed a £1.8m bonus last year, despite recording lacklustre results and being forced to write off a £117m black hole in the accounts.

Peter Long was awarded 707,902 performance and bonus-related shares on Wednesday, which he sold off immediately for 249p a share.

A further 1m shares worth £2.9m were handed over to other board members.

Former finance director Paul Bowtell was given £750,000 worth of performance and bonus related shares – despite standing down because of the £117m accounting error.

TUI said the awards related to its 2007 performance.

NEW YEAR COMMENT

By **Alex Brummer** CITY EDITOR

Why Britain is well placed in the coming year

THE International Monetary Fund forecasts more of the same for the world economy in 2011.

The advanced countries, including Britain, weighed down by the aftermath of the 'great panic', will achieve only moderate growth and certainly not enough to deal with rising unemployment.

Chief economist Olivier Blanchard makes the valid point that recoveries from 'financial crises are long and slow'.

Emerging markets, notably the BRICS countries (Brazil, Russia, India, China and now South Africa) will continue to outperform. But he rejects the idea that all it needs is a sharp upward movement in the Chinese currency, the renminbi, to bring an end to global imbalances and threatened 'currency wars'.

Britain, in my view, finds itself in a better place than some other advanced economies.

Unlike the United States and much of Europe it has moved early to deal with fiscal problems and as a result has managed to hold onto its 'Triple A' rating in credit markets. This will help trim the nation's interest rate bill.

Clearly, the first quarter of the year will not be easy. The impact of the VAT rise and the aftermath of the cold snap will be a drag on output. On the positive side the re-balancing of the British economy towards exports began last year and 2011 should see the real benefits of the pound's hefty depreciation coming through.

It is also useful that some of our biggest export markets – Germany and the US – are doing better. Despite all the bluster from the banks about moving offshore, foreign exchange dealing in London is as robust as ever; some huge floats such as Glencore will take place in 2011 and JP Morgan Cazenove is to expand into Canary Wharf.

Clearly, cuts and inflation will play on the consumer's mind. But in my view, if anything, the economy in 2011 will outperform the consensus forecasts of 1.8pc growth.

So hopefully there is something to be cheerful about this morning.

Business knights

IT is almost impossible to make it big in business without upsetting the sensibilities of someone. Nevertheless, eyes inevitably have been raised by the New Year's Honours list. Sir Roger Carr, who is just taking on the thankless task of president of the CBI, is a shrewd and thoughtful person.

But there is no escaping the fact that he caved in far too easily to the hedge funds and other get-rich-quick merchants who grabbed control of the Cadbury share register. Nor did he and his fellow Cadbury directors focus enough on the impact of the deal on the broader public interest until it was too late.

Having played the heritage card – and given workers false hope – it was quickly dropped in the face of a bunch of crisp fivers.

Similarly, Sir Martin Broughton must consider himself lucky to get his 'K'. Most of his career was spent in the politically incorrect world of tobacco, before his transfer to the skies.

But there was a feeling during the travails of BA during 2010 – when Willie Walsh was a lonely voice in the battle against the unions – that the BA chairman's time might have been better spent at the firm's Waterside offices at Heathrow, rather than sorting the ownership of Liverpool FC.

As for Sir Peter Ellwood, he in many ways was the last of the Captain Mainwaring-style cautious bankers at Lloyds TSB. The strike against him is that it was under his stewardship that ICI, a symbol of Britain's research based economy, was sold off.

If all this sounds a little grudging for New Year's Day, I do apologise. So a word of congratulations to my colleague Lisa Buckingham of the Financial Mail on Sunday for her OBE.

Her pioneering work raising the profile of women in business deserved recognition.

Wrong horse

FINALLY, a word on our 2010 share tips (see page 98) which, with the help of a couple of high fliers such as Imagination Technologies, comfortably outperformed the FTSE100. It is interesting to note that boring, defensive BP was the weakest performer.

When it comes to buying shares there is no such thing as a racing certainty.