

# Business

City Editor Chris Blackhurst

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## NEWS IN BRIEF

### Derwent returns to building offices

PROPERTY developer Derwent London today indicated that it is ready to start building offices again. The firm, whose portfolio is dominated by offices in the West End, is looking to start on a number of projects which will be completed in late 2011 or 2012. Derwent properties fell 12% in value in the first half to £1.9 billion. Losses widened from £144.7 million to £211.2 million.

### Pound slides on 'big sell by bank'

THE pound tumbled further today as traders reported that a large UK bank was a big seller of the currency against the dollar. Foreign exchange investors have been taking a dim view of the country's economic prospects and have been betting interest rates will have to remain low for a long time, weakening the currency. The pound fell 0.71 cents to \$1.6345. Against the euro, it fell 0.07p to 87.2p.

### Banks still slow to ease lending brake

BANKS are still not lending as much to homebuyers as expected, while the amount of loans going out to businesses is down on a year ago. While mortgage approvals and new lending increased, it was still below seasonal expectations for July. Net lending on mortgages was up £1.6 billion in July against with £2.2 billion the previous month.

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## QUOTE OF THE DAY

**'The City is a very diverse and dynamic place. In times like these many people leave big firms and start up their own businesses'**

Mark Dixon,  
chief  
executive of  
Regus.  
Report:  
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# Bernanke gets second term reward from Obama

Hugo Duncan

BARACK OBAMA today reappointed Ben Bernanke as chairman of the US Federal Reserve and showered him with praise for his handling of the financial crisis.

The President said Bernanke "led the Fed through one of the worst financial crises that this nation and this world have ever faced".

The decision to hand Bernanke a second term was welcomed on both sides of the Atlantic although critics still claim he failed to recognise the severity of the financial crisis and was too slow to act.

Bernanke oversaw the collapse of Lehman Brothers in September last year which triggered financial and economic meltdown around the world.

But the White House eventually decided that Bernanke – like those banks he did help to save – was too big to fail.

Obama said: "As an expert on the causes of the Great Depression, I'm sure Ben never imagined that he would be part of a team responsible for preventing another. But because of his background, his temperament, his courage, his creativity, that's exactly what he has helped to achieve."

Bernanke, 55, slashed US interest rates to almost zero and pumped \$1 trillion into the banking system to unfreeze the credit markets.

He must now guide the world's largest economy back to growth and reduce

unemployment after the worst recession since the Great Depression.

Chris Rupkey, an economist at the Bank of Tokyo-Mitsubishi, said: "Wall Street can rest a little easier now. Having a new chairman come in at this late date would put the Fed-engineered solution to both the recovery and the exit strategy at risk."

Senator Christopher Dodd, the Connecticut Democrat who runs the Banking Committee, said: "Bernanke was too slow to act during the early stages

**'Wall Street can rest easier now. Having a new chairman of the Fed at this late date would put recovery at risk'**

Chris Rupkey

Economist, Bank of Tokyo-Mitsubishi

of the foreclosure crisis, but he ultimately demonstrated effective leadership and his reappointment sends the right signal to the markets."

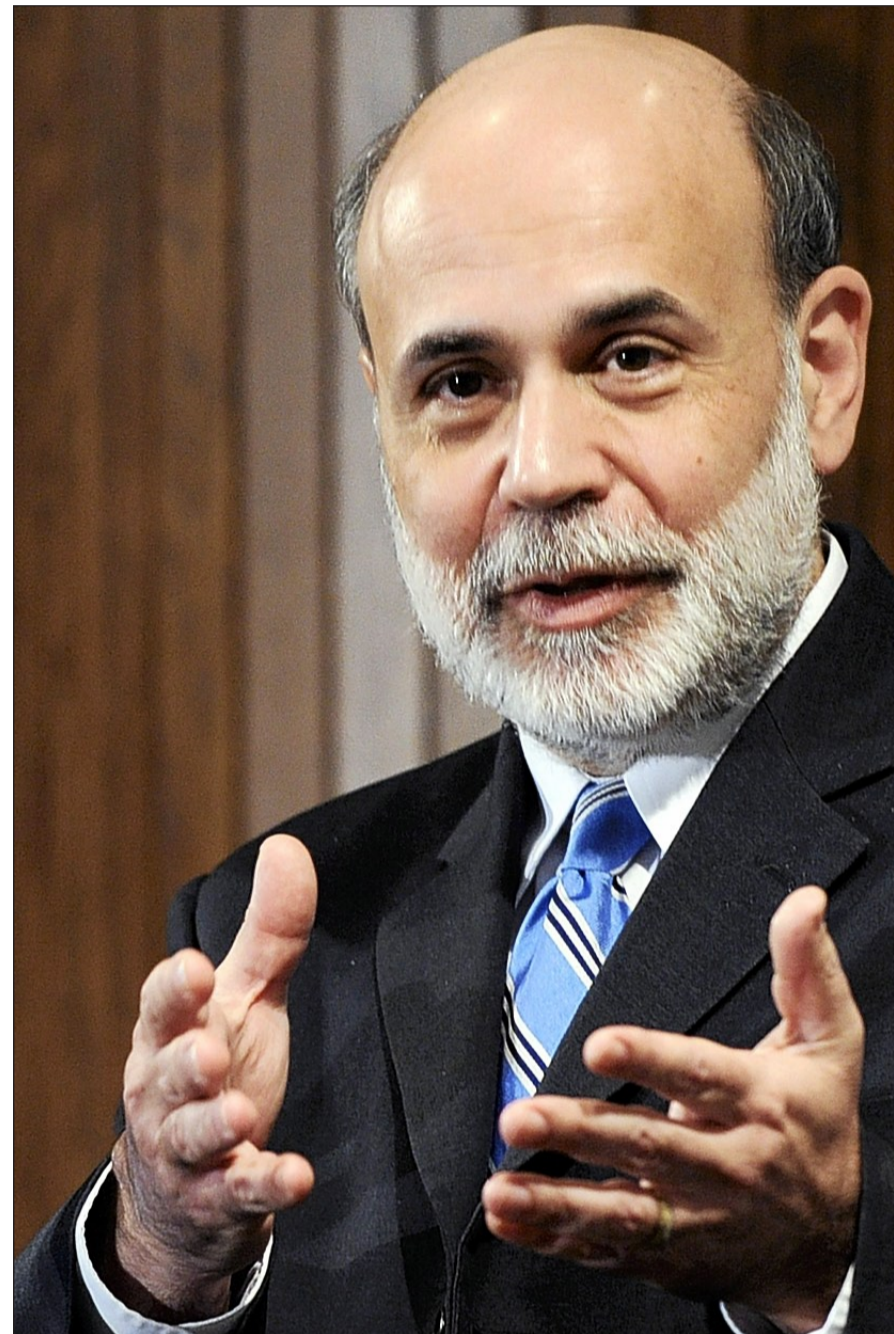
Brad DeLong, a Treasury Department official under President Bill Clinton, said: "He has made only one big mistake: buckling under pressure from all those yelling at him for not finding a way to take over Lehman Brothers ... and he is not going to make the same mistake again."

Bernanke will still face tough questioning from lawmakers who claim he

## Absent King leaves UK looking lonely

City Spy wonders why Mervyn missed central bankers' meet

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did not do enough to protect US consumers while bailing out reckless financial firms.

He was appointed by President George W Bush to succeed Alan Greenspan and his first term ends on 31 January. Obama added: "The actions

we have taken to stabilise our financial system ... have all been steps of necessity, not choice. They have faced plenty of critics. But taken together, all of these steps have brought our economy back from the brink. They are steps that are working."

## Punch feels the pinch

PUB group Punch Taverns today warned there is little prospect of business improving soon as recession-hit drinkers curb spending.

Finance director Phil Dutton said: "We are still in the middle of a recession and I don't see that recession ending this side of Christmas. There will be a soft recovery and I don't see spending power escalating in the near term so we remain cautious."

He also said the poor weather for much of the summer was not helping.

"For the beer gardens to thrive and generate good business the sun needs to shine," said Dutton. "But the parasols have been more like umbrellas than sunshades."

The firm, which has more than 7500 pubs, said it will still meet City forecasts for the financial year which ended last Saturday.

Analysts are expecting profits of



Lack of cheer: Punch boss Thorley

£160 million against £262.3 million the previous year.

Punch, headed by chief executive Giles Thorley, sold some 800 pubs for £400 million over the 12 months and raised £375 million through a deeply discounted rights issue. It helped cut Punch's debts of more than £4 billion by £1 billion.

## Libya looks for City berth

Hugo Duncan

LIBYA is looking to open an office in London for its sovereign wealth fund in a move which could pave the way for billions of pounds of investment to be channelled through the City.

The Libyan Investment Authority, which manages the country's \$65 billion (£39.7 billion) oil wealth, wants to open its first branch in London as business links between the two countries grow.

The news came as the political fallout after the release of the Lockerbie bomber escalated today.

Abdelbaset al-Megrahi who is terminally ill with prostate cancer was sent home to Tripoli last week. On his return he was given a hero's welcome in spite of requests to the contrary from Scotland.

Sovereign wealth fund, Tripoli-

based Libyan Investment Authority, bought Portman House on Oxford Street for £155 million in July and an office at 14 Cornhill opposite the Bank of England for £120 million in December.

It is now on the look out for more investments as it prepares to pour millions of pounds into the London property market.

"They are looking for more properties in London, mainly in commercial real estate, as they are not affected by the credit crunch," said Jeremy Grey, a managing director at James Andrew, the property consultants which advised LIA over the Oxford Street purchase. "They buy when prices are low and they don't sell. They are long-term investors."

LIA officials are now looking for an office in London, most likely in Mayfair, St James's or Kensington.