Shire buys US biotech firm Dyax for $5.9bn

Dublin-based pharmaceutical group Shire said Monday it had agreed to buy Dyax, a US company specialising in rare diseases, for $5.9 billion (5.34 billion euros).

"This highly complementary transaction aligns with and accelerates our strategy to build a global leading biotechnology company focused on rare diseases and speciality conditions," Shire's chief executive Flemming Ornskov said in a statement outlining the deal that could rise by a further $650 million.

Dyax's chief executive, Gustav Christensen, said the "transaction will deliver substantial value" to his company's shareholders amid a sustained period of sector consolidation.

He added that the deal highlights Dyax's "shared commitment to bringing innovative medicines to patients who suffer from the devastating effects of HAE" — described in the statement as a "rare, debilitating genetic inflammatory condition". London-listed Shire, which is betting on success for Dyax's DX-2930 test drug treatment for HAE, added that it had not given up on trying to buy US biotech firm Baxalta in a much bigger deal.

"Even with this (Dyax) transaction, we will continue to have the financial firepower to pursue other value-added strategic acquisitions, including Baxalta," Ornskov said in Monday's statement. (AFP)

Swissleaks leaker skips Swiss trial, again

A former HSBC employee who leaked documents alleging the bank helped clients evade millions of dollars in taxes failed again to show up for his Swiss trial Monday, which opened in his absence.

Herve Falciani, a 43-year-old French-Italian national who exposed the so-called Swissleaks scandal, has repeatedly said he would not travel to Switzerland for the trial and already failed to show for his initial court date last month, so his absence did not come as a surprise.

"I am not going," Falciani told reporters in Divonne, France, just a stone's throw from the border with Switzerland, last week, questioning the possibility of obtaining a fair trial.

The federal court in the southern Swiss town of Bellinzona noted as the proceedings opened around 8:00 am (0700 GMT) Monday that Falciani was absent, the ATS news agency reported.

After a short recess, the trial resumed and will continue in his absence.

As a French national living in France, he cannot be extradited to Switzerland.

The first witnesses in the case are due to be called to the stand on Tuesday, starting with the police officers who investigated Falciani's case and current and former employees of the HSBC Geneva branch. (AFP)

No leeway under EU fiscal rules as business groups worry

Ireland's economy grapples with 'problems of success'

DUBLIN, Nov 2, (RTRS): Ireland is quickly learning that a growing economy is not without its problems as increasing employment and a rising population put pressure on services and infrastructure still bearing the deep scars of a financial crisis.

Dubbed "problems of success" by Finance Minister Michael Noonan, an acute shortage of housing, rising rents, public transport that was starved of funding during the crisis, and increasing congestion in Europe's fastest-growing economy highlight an issue that could complicate other economic recoveries in the region.

In Dublin, which has led a cut in national unemployment to below 10 percent from a peak of over 15 percent in 2012, such problems are evident every morning in long queues for buses and longer lines of traffic as frustrated commuters travel to work.

"I waited for 49 minutes at the bus stop this morning!!! #imlateforwork," Catherine Dillon said in a tweet directed at Dublin Bus, the capital's commercial semi-state operator, adding that 14 full buses passed by before one had enough room to stop.

Another commuter posted a photograph of 50 people waiting as packed buses drove past while a third complained that what should be a 30-minute trip to central Dublin from the suburb of Stillorgan had become a daily struggle.

Ireland's public transport operators are at the sharp end of the turnaround. Dublin Bus's passenger numbers tumbled by almost a quarter during a crisis that pushed Ireland into a three-year international bailout in 2010 and it cut its fleet by almost as much as its state support was slashed under austerity cuts.

After Ireland's economy grew by over 5 percent last year and is set for faster growth in 2015, journeys are increasing again and a spokeswoman for Dublin Bus says it is increasing capacity by 1.5 to 2 percent in line with demand.

But the Irish Business and Employers Confederation (IBEC) believe this is indicative of the "care and maintenance" level of state investment allowed under EU fiscal rules, introduced to halt profligate spending, that it says will constrain growth.

With Ireland obliged to keep reducing its structural budget deficit — the measure that excludes the effects of the economic cycle — until it is eliminated in 2019, it can only gradually increase capital spending under a new six-year plan unveiled in September.

Presented as an improvement on the severely scaled-back levels of recent years as voters were promised rail, broadband and school projects ahead of elections next year, spending on investment will still be almost 50 percent below peak by 2021.

By that point, gross domestic product is estimated to be 30 percent above the 2007 pre-crisis peak.

"For day to day expenditure, the fiscal rules are absolutely crucial, but the constraints really shine a light on how it is effecting the capital investment that is desperately needed in this economy," IBEC chief economist Fergal O'Brien said.

With the EU's fastest growing population but second-lowest infrastructure spending, Ireland should be spending 4 percent of GDP on capital projects just to keep up with demand rather than the 2.5 percent it is aiming to reach, IBEC forecasts.

By its own estimates, Ireland's transport department will only begin to receive the funding necessary to maintain, manage and renew the existing land transport infrastructure by 2020.

"The single biggest challenge for the next government is how are they going to meet all the demographic demands and ensure the recovery isn't choked off by the congestion and squeeze on capacity?" O'Brien said.

The "problems of success" are exacerbated by the fact that problems of failure still exist in the form of stubborn long-term unemployment, still high levels of mortgage arrears and a struggling health service that is swallowing up much of the additional current spending permitted by Europe.

The need for governments to add their weight to a recovery that is stuttering in some larger euro zone economies was put back on the agenda by European Central Bank chief Mario Draghi last month but as they stand, the fiscal rules offer no leeway to a growing economy like Ireland's.

The "investment clause" — allowing countries to deviate temporarily from their adjustment path to accommodate investment — only applies to countries in recession or growing only very slowly, meaning Ireland must keep meeting its targets before it can do whatever it wants with its money.

"We see it as moving towards eliminating the deficit, balancing the budget in structural terms and then an opening up of investment on the structural side," Noonan told reporters last month.

"We hope that when we do the mid-term review of the capital programme (in 2017), that there will be extra resources available for a stronger investment programme."

US manufacturing activity slows, construction spending rises: data

New orders jump

WASHINGTON, Nov 2, (RTRS): US manufacturing activity slowed in October for a fourth straight month, but a rise in new orders offered hope for a sector buffeted by a strong dollar and relentless spending cuts by energy companies.

Other data on Monday showed construction spending rose in September, indicating the economy remained on firmer ground despite some cooling in consumer spending and persistent weakness in manufacturing.

The Institute for Supply Management said its national manufacturing index slipped to 50.1 this month from a reading of 50.2 in September. A reading above 50 indicates expansion in the manufacturing sector.

New orders rose to 52.9 from 50.1 in September. However, the employment index fell to 47.6, the lowest reading since August 2009. It was the first time it had dropped below 50 since April.

US stocks moved higher after the data, while prices of US government debt fell. The dollar dipped against a basket of currencies.

Manufacturing, which accounts for 12 percent of the economy, has also been slammed by business efforts to reduce an inventory overhang and slowing demand overseas.

The dollar has gained 16.8 percent against the currencies of the United States' main trading partners since June 2014, squeezing the profits of multinational companies like Procter & Gamble Co and 3M Co.

At the same time, a plunge in oil prices has pressured revenues for oil field companies like Schlumberger and diversified manufacturer Caterpillar Inc.

In a separate report, the Commerce Department said construction spending advanced 0.6 percent to $1.09 trillion, the highest level since March 2008, after an unrevised 0.7 percent increase in August.

Construction spending has increased every month this year, and the latest gain suggested a modest upward revision to the third-quarter GDP growth estimate.

Economists polled by Reuters had forecast construction spending rising 0.5 percent in September. Construction outlays were up 14.1 percent compared to September of last year.

September's increase is slightly above the gain the government had estimated in its advance third-quarter gross domestic product estimate published last week.

The government reported the economy grew at a 1.5 percent annual pace in the third quarter, hurt by business efforts to reduce an inventory glut and continued spending cuts by energy firms. A strong dollar also hurt the economy.

Data last week suggested consumer spending lost momentum at the end of the third quarter, with consumption in September posting its smallest increase in eight months. A report on Monday was expected to show a further slowdown in factory activity in October.

In September, construction spending was boosted by a 0.6 percent rise in private construction spending, which hit its highest level since January 2008.

This file photo shows workers as they break a concrete footpath besides a busy street in New York. US construction spending hit a seven-year high in September after a modest rise in the previous month, the Commerce Department reported Nov 2. Despite some signs of slowdown elsewhere in the economy in the month, September spending on building new homes, highways, offices and other facilities held up at an annual pace of $1.09 trillion, just 0.6 percent better than August but 14.1 percent higher than a year before. The last time spending in the key economic sector was that high was in March 2008 as the country was plunging into the economic crisis. (AFP)

Exports recover

UK factory PMI surges to 16-month high

LONDON, Nov 2, (RTRS): Growth at British factories surged unexpectedly to a 16-month high in October, helped by a recovery in export orders, according to a survey that will temper some of the concern that the economy is losing steam after two years of gains.

The Markit/CIPS purchasing managers' index (PMI), published on Monday, was a rare bright spot for British manufacturing, which has lagged the wider economic recovery.

Bank of England policymakers, meeting this week to set out a new outlook on the economy, will be encouraged by new manufacturing orders from home and abroad and faster hiring. But most are expected to wait for further improvement before deciding to raise record-low interest rates.

The PMI jumped to 55.5 in October from 51.8 in September, well above even the highest forecast in a Reuters poll.

Taken in isolation, the survey suggested a doubling of economic growth in the final months of the year, after it slowed to 0.5 percent on the quarter in the July-September period, survey compiler Markit said.

Britain was the fastest-growing big, developed economy last year, but other business surveys have suggested the pace of expansion has moderated, dented by an uncertain global outlook.

Economists warned Monday's strong PMI could be a one-off.

The Confederation of British Industry said last week that factory orders suffered their biggest fall in three years in the three months to October.

"It is not obvious why UK manufacturing would be surging right now against a moderate global background and with sterling having appreciated over the year," said David Tinsley, an economist at UBS. "Still, it's an interesting spanner in the narrative of a weak manufacturing outlook for now."

Sterling shot to a 10-week high on a trade-weighted basis and British government bond prices rose to a six-week high.

The survey showed export orders grew at the fastest pace since August 2014 and jobs growth hit a 16-month high.

Project ahead of schedule

Egypt's Zohr gas field to start production in 2017

CAIRO, Nov 2, (RTRS): Egypt aims to start natural gas production from its massive offshore Zohr field in 2017, a year ahead of schedule, oil minister Tarek El Molla said.

The Zohr gas field, discovered by Italy's Eni, is the biggest in the Mediterranean, and with an estimated 30 trillion cubic feet of gas it is expected to plug Egypt's acute energy shortages and save it billions of dollars in precious hard currency that would otherwise be spent on imports.

"We're looking to expedite the agreement with the partner and speed up production. Hopefully we will begin production from the discovery in 2017," El Molla said in an interview at the Reuters Middle East Investment Summit.

Eni has said it expects to invest between $6 billion and $10 billion to develop the Zohr field. Previously, officials had said production was expected to start in 2018.

Once an energy exporter, Egypt has turned into a net importer because of declining oil and gas production and increasing consumption. It is trying to speed up production at recent discoveries to fill its energy gap as soon as possible.

Concession

In October British oil major BP said it would begin gas production at its north Alexandria concession in early 2017 rather than mid-2017. That should add up to 1.2 billion cubic feet of gas per day by late 2019.

El Molla, appointed oil minister in September, succeeded Sherif Ismail who launched a drive to lure back foreign energy investors driven away by low prices and debt arrears.

In July the oil ministry raised the price paid for gas from Eni to a maximum $5.88 for every million British thermal units and a minimum of $4, based on amounts produced, from $2.65. It then cut a similar deal with British Gas.

Ismail's success in reinvigorating the sector, which is vital for economic growth at a time when energy shortages have crippled industrial production, helped propel him to the post of prime minister in September.

The total value of Egypt's natural gas projects, excluding Zohr, is now $13.8 billion, and El Molla said the Zohr discovery had made additional investment much more likely.

"The Zohr discovery whet the appetite of other foreign companies working in Egypt to speed up seismic discovery operations and exploratory wells."

Projects

Current projects underway will add 2.4 billion cubic feet to the country's daily gas production by 2019, said El Molla. Current production is roughly 4.5 billion cubic feet.

On the back of this, the stock of foreign oil and gas investment in Egypt is expected to increase to $8.5 billion during the current fiscal year ending next June, from $7.5 billion last year, said El Molla.

Egypt's drive to expedite foreign investment in gas production comes just as the country has become a top growth market for imported liquefied natural gas (LNG).

Egypt entered the LNG market with a burst of imports this year after leasing a floating storage and regasification unit (FSRU) from Norway's H'egh LNG for five years in April. FSRUs allow Egypt to import LNG and convert it to natural gas to feed into its power grid.

A second FSRU, provided by Norwegian group BW Gas , arrived in September and is expected to begin operating this week, while a third FSRU is likely to come by the end of 2016 or the first quarter of 2017, said El Molla.

Egypt expects to stop importing LNG by 2020 as projects such as the Zohr and BP fields come online.

In the meantime, the government last Wednesday approved the creation of a gas regulatory agency that will permit private companies to import and sell their own gas. Several private sector companies have applied to import, said El Molla.

HSBC may defer decision on moving HQ from London

LONDON, Nov 2, (AP): HSBC, Europe's largest bank by market value, may defer into next year a decision on whether to move its headquarters out of London, with management conceding Monday they might need more time to assess whether relocating to Asia would make sense in the long term.

The bank has been steadily shifting its center of gravity toward the fast-growing Asian economies — on Monday it announced a new joint venture in China's booming Pearl River Delta region. But Chairman Douglas Flint stressed no decision has been made on whether to return HSBC's domicile to the region where it began 150 years ago.

"We're part way through and if we need to take longer we will," Flint told reporters on a conference call.

After being hit by a series of regulatory crackdowns and fines in Europe and the US, the bank is carrying out a sweeping reorganization to shift focus to Asia, where it expects a rapidly growing class of newly wealthy people to drive profit. The region accounted for about two thirds of the bank's profit for the first nine months of 2015, even though it's home to only a third of its staff.

Pre-tax profit jumped by a third in the latest quarter as it paid out less in fines, settlements and British customer compensation ordered by regulators.

The bank posted $6.1 billion in profit for the July-September period, up 32 percent from a year earlier. Revenue slipped 4 percent to $15.1 billion.

CEO Stuart Gulliver said a stock market drop over the summer in Asia, sparked by a sell-off in China, weighed on revenue.

"Our third-quarter performance was resilient against a tough market backdrop," Gulliver said in a statement.

Operating expenses, which include fines and other regulatory expenses, fell by $2.1 billion, or about a fifth, from a year earlier to $9 billion for the quarter.

OPEC squabbles

Continued from Page 30

The group's output ceiling of 30 million barrels per day (bpd) does not specify quotas for the individual members and that "has not effectively contributed to oil market stability," Iran says.

"Some of the OPEC member countries have enhanced their production rate based on their production capacity without paying attention to the production ceiling," was another comment submitted by Iran, the report showed.

"OPEC production ceiling should be set for 6 or 12 months intervals proportionate to the estimated "call on OPEC" and then allocation of production for every member country could be agreed upon."

Iran's suggestion was backed by Algeria, which commented that "it might eventually be necessary to revisit the quota system to make production management as realistic and equitable as possible."

The long-term report is prepared by OPEC's research team in Vienna and traditionally cautions that it does not articulate the final position of OPEC or any member country on any proposed conclusions it contains.

A decision to restore OPEC's quota system is to be determined only by the ministers when they meet on Dec 4, but core Gulf OPEC countries oppose restoring it, OPEC sources say.