

Bid for German Bank Sunk by Market Slide

Reuters

FRANKFURT — Talks on a takeover of Germany's Commerzbank AG by UniCredito Italiano SpA fell apart Tuesday because of differences over valuation after shares in both banks fell sharply, the two sides said.

The collapse is a blow to hopes for European cross-border banking consolidation and clouds the future of Commerzbank, Germany's third-largest bank and the persistent target of takeover speculation.

A Commerzbank spokesman, Peter Pietsch, said that the slide in share prices of both Commerzbank and UniCredito "did not make it possible to reach a fair price."

"The markets have to play along and they haven't done that," Mr. Pietsch added. "UniCredito has to be able, of course, to offer its shareholders a sensible deal."

UniCredito's share price has fallen around 18 percent since the takeover reports emerged in early August, while Commerzbank's stock has fallen around 12 percent. UniCredito shares jumped more than 5 percent to €4.22 (\$3.79) in early trading Tuesday while Commerzbank shares fell by 1.45 percent after the announcement but recovered later to €23.74, up 29 cents.

A UniCredito takeover of Commerzbank would have created Europe's 10th largest bank by market capitalization and represented the biggest cross-border bank merger in Europe to date. It would have given UniCredito, Italy's No. 2 bank, a foothold in Europe's biggest market and Commerzbank shelter from an unfriendly bid.

Mr. Pietsch said Commerzbank would remain open to talks with other partners as long as the conditions were right, repeating comments made by the bank's chief executive, Klaus-Peter Mueller, days earlier.

France's Economic Growth Slows

Sluggish GDP Adds to Euro-Zone Gloom, But German Exports Rise

Reuters

The French economy expanded in the second quarter at its weakest pace in two and a half years as the global economic slowdown chipped away at activity, the government said Tuesday.

Growth in the second-largest economy in the 12-nation euro zone eased to 0.3 percent compared with the first quarter, when gross domestic product grew at a slower-than-expected 0.4 percent rate.

The report was the latest gloomy news issuing from euro-zone powerhouses, all of which have been affected by the global economic decline.

One glimmer that this trend may be reversing emerged Tuesday as Germany reported a widening of its trade surplus in July from the year-ago period amid a jump in exports. But economists said it was too early to say whether the data signaled a lasting improvement.

German growth ground to a halt in the second quarter as the world slowdown took its toll on the country's leading exporters.

France's finance minister, Laurent Fabius, has tried to maintain an optimistic growth outlook, insisting that growth would pick up later in the year,

and that France is growing faster than its partners.

But the Bank of France governor, Jean-Claude Trichet, has been more cautious, saying forecasts are permanently being reviewed. Mr. Trichet has said he expected growth to pick up only slightly in the third quarter, to a 0.4 percent clip.

Private-sector economists have tended to be more optimistic. Economists said France stood out among the euro-zone nations thanks to sturdy household spending, which has shielded it against a slowdown in foreign demand for export goods.

"This figure confirms that there was a slowdown," Nicolas Claquin, an economist at CCF in Paris, said of the second-quarter growth figure. But, he added, "France is doing better than its main partners in the euro zone."

Nonetheless, growth in household consumption slowed to 0.3 percent in the second quarter compared to the 1.2 percent rise in the first quarter, the data showed.

Consumers' confidence in the second quarter was sapped by high food and energy prices and the first rise in the

unemployment rate in three years.

Growth in overall investment, the other component considered as crucial to compensate for a drop in demand for French goods, ground to a zero rate in the second quarter, after a revised 0.6 percent in the first quarter.

Conditions may decline further. Industry executives have scaled back their expectations amid signs of a sharper-than-expected weakening in growth in Germany, the euro zone's largest economy and France's biggest trade partner.

Germany's GDP was unchanged in the second quarter compared with the first quarter. Italy meanwhile posted a 0.1 percent drop in GDP in the second quarter from the first.

Marie-Pierre Ripert, economist at CDC in Paris, said she expected euro-zone growth figures, scheduled for release on Thursday, to show the area's economy expanded just 0.1 percent in the second quarter compared with the first.

"For the moment there is absolutely no sign of a turnaround," said Emmanuel Ferry, economist at Exane. "The impact of the global slowdown on the French economy will continue to be felt in 2002."

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