



INTERVIEW
Pages 10,11

Roseanne Galea

Business Today

ISSUE NO. 439

www.businessstoday.com.mt

WEDNESDAY 31 MAY 2006

Spike in interest rates could jeopardise economic growth

James Debono

Economic operators fear the Central Bank's decision to raise interest rates by 0.25 per cent would increase costs, which would jeopardise short-term economic growth.

While appreciating the Central Bank's concern on reversing the

declining trend in foreign reserves and to stabilise the currency, Federation of Industry President Adrian Bajada yesterday warned that short term economic growth may be "jeopardised" by the Central Bank's decision.

In recent days two former finance ministers; Lino Spiteri and John Dalli have also questioned the wis-

dom of the Central Bank's decision.

Yet, according to economist Prof. Edward Scicluna, after opting for a fixed exchange rate with the Euro upon entry into ERMII last year, the only instrument left to protect the system from capital flight is that of raising interest rates. According to Scicluna the effects of the Central Bank's decision on

the economy cannot be seen independently of the whole package of policy decisions, including the exchange rate regime mechanism based on a fixed peg.

Last year Scicluna had described the decision to go for a fixed peg as the "worst" economic advice government could have had.

"The nature of that package

demands that economic shocks on the system will have to be compensated for by price and wage adjustments. Failing that, any particular shock finally translates itself into a fall in reserves," Scicluna said, when asked to comment on the Central Bank's decision. ▶ page 5

Editorial page 9

Vodafone international posts record loss page 3 • Labour's education policy analysed page 4 • Opinion page 8 • Letters page 12

MHRA asks banks to finance low-cost revolution



Matthew Vella

The Malta Hotels and Restaurants Association's task force on low-cost carriers has been in meetings with major local banks to secure a financing package that will entice low cost carriers to Malta by subsidising their landing charges at the airport.

Still at a delicate stage of negotiations, Business Today is informed MHRA delegations met both HSBC and Bank of Valletta chief executives over their initiative to fork out the cash to bring Irish low-cost carrier Ryanair to Malta. Meetings were described as positive by industry sources.

The airline demanded to have discounted landing charges at the Malta International Airport, claiming it would be able to bring some 2 million tourists over the next three years.

Government has however said that any new airline will have to operate on the same playing field as the other airlines at the MIA.

Hoteliers claim the decline in tourist arrivals to Malta can only be stopped by the introduction of low-cost carriers.

MHRA chief executive George Schembri yesterday declined to comment on the state of negotiations between the association and the banks.

Even if they do manage to secure a financial package to subsidise Ryanair's landing charges, there will still be some horse-trading to settle with the government before the Irish carrier can start landing at Gudja.

But the private financing from hotels is widely believed to be the only way in which companies such as Ryanair, who are claiming they will carry over 2 million travellers to the islands, can effectively hope to set up base in Malta.

Plans to make Sicily part of its Mediterranean network are believed to be Ryanair's fallback plan if the Maltese option fails.

mvella@mediatoday.com.mt

Buffon's EUR10,000 Malta bet may be key to magisterial investigation

Italy's Corriere della Sera has reported that a EUR10,000 bet risks jeopardizing national goalkeeper Gianluigi Buffon, one of the sportsmen investigated by Torino and Parma magistrates over a gambling and bribery scandal that has rocked Italian football.

Buffon's bets were conducted through betting websites registered in Malta, apart from other countries.

But it's the latest EUR10,000 Bet Class bet that could prove to be



Gianluigi Buffon

the key evidence that shows the azzurri's keeper had gambled even after the entry into force of regulations prohibiting such gambling.

Investigators have acquired records from the current bank accounts of four brokers being investigated for having gambled monies passed on to them by football players: apart from Buffon, these include Antonio Chimenti, Enzo Maresca and Mark Iuliano. ▶ page 3

Standard letter postage to increase by 1c

Matthew Vella

The Malta Communications Authority is proposing a 1 cent increase in postal services for items weighing up to 50 grams, after an application was submitted by Maltapost back in March to revise tariffs by 2c.

The postage for a local letter weighing up to 50g at present costs 7 cents. The MCA did not however accept proposals by Maltapost to increase other weight categories by 2c.

The MCA said it had conducted an

in-depth analysis of the three-year projections on volumes and costs submitted by Maltapost, and had concluded that without an adequate price increase, the business of domestic letters would continue to register losses.

The last adjustment to the price of a standard letter occurred in August 2002. The MCA said this price stability, although beneficial for both business and residential customers, resulted in a gradual erosion of Maltapost's revenues while its general costs rose. ▶ page 3

A GLOBAL FORCE IN TRADE FINANCE



International Payments
Letters of Credit
Guarantees
Forfaiting

Factoring
Term Deposits
Foreign Exchange
Structured Trade Finance

NEW YORK SAO PAULO LONDON MALTA
ISTANBUL MOSCOW MUMBAI SINGAPORE

In touch with your Business

FIMBank p.l.c.

7th Floor, The Plaza Commercial Centre,
Bisazza Street, Sliema SLM 15 - Malta

Tel : +356 21322100

Fax : +356 21322122/3

www.fimbank.com info@fimbank.com



FIMBANK
GROUP



Malta Stock Exchange market
review by GlobalCapital Financial
Management page 17



Foreign markets
review by FPC
Investment
Consultants page 18