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MSE (daily change)	BOV (weekly change)	HSBC (weekly change)	Lombard (weekly change)	GO (weekly change)	
0.30% 4948.72	-1.901% 6.710	-2.485% 4.886	0.000% 13.600	0.132% 3.030	prices in euro



Ross Mason
INTERVIEW page 10

Malta not immune to US recession woes

Leading economists speak about the effects of a US recession on the Maltese economy

Charlot Zahra

Economists quizzed by Business Today about the effects of a potential recession in the United States (US) on the Maltese economy were in agreement that such a recession would affect negatively various sectors of the local financial system.

Among the negative effects resulting from a recession in the US mentioned by the economists were a decrease in tourism and a rise in the price of property.

However not all the economists were of the opinion that a recession would actually break out in the US after all, as opposed to what the majority of financial analysts are predicting.

Veteran economist Karmenu Farrugia told Business Today: "The old adage 'when the USA sneezes, the world catches a cold', unfortunately, still holds even today, though not to the same extent as in the past, thanks partially to the unification of European countries in the European Union (EU)'s single market.

He explained how the effect on the Maltese economy depended on how serious the anticipated recession turned out to be. "One must note that some action has already been announced that would inject billions of spendable dollars in the US economy, stimulating consumption and perhaps also an element of contro-cyclical investment (Keynesian economics in action).

"Any recession, however light or heavy, would have both a direct and, not less serious, indirect impact on our economy. Our visible exports are not only just those directed towards the US market, but also as components to European firms themselves exporting directly to the US," Farrugia warned.

Asked about which sectors of the Maltese economy would be mostly affected with a recession in the US and why, Farrugia explained that "besides visible exports, services – especially tourism – are bound to suffer, not so much from a reduction of American tourists (whose direct impact is minimal) but from the reduction in the



Traders reacting to the markets in the S&P 500 futures trading pit at the Chicago Mercantile Exchange. The Federal Reserve yesterday cut a key interest rate by three quarters of a percentage point, the heaviest cut of such proportions in almost 30 years. The move was intended to help an ailing economy head off a recession.

spending power of residents in countries which generally provide us with our tourism markets.

"Malta often provides such people with their second annual holiday which they might easily give up when faced with a lower income," he told Business Today.

Asked to elaborate about what

action the authorities should take in order to protect the Maltese economy from the effects of a recession in the US, Farrugia explained that there was "very little" the Maltese authorities could do by themselves to assuage or minimise the resultant recessionary consequences. ▶ page 5

EU finance ministers don't expect dramatic US impact

Ecofin commends Malta on euro changeover

David Darmanin

In the first meeting Malta attended as a Eurogroup full member yesterday, the Economic and Financial Affairs Council (Ecofin) meeting covered an array of economic situations currently affecting the 27-nation EU bloc. Among issues discussed were the US economic situation, Malta's Euro changeover as well as a banking system which fully allows common transaction systems across the Eurozone.

From Brussels, Parliamentary Secretary for Finance Tonio Fenech told Business Today that with regards to the worrying economic situation in the US, the Council was very positive on the provisions taken in EU countries aimed at absorbing the impact of any eventuality, "be it a slowdown, a recession or otherwise." ▶ page 3

African Cup of Nations



Hosni Abd Rabou (L) of Egypt challenges Mohamadou Idrissou of Cameroon during their match at the African Nations Cup soccer tournament in Kumasi. Egypt went on to win 4-2

World Business Highlights

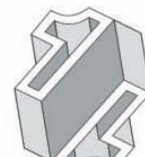
Fed Cuts Rate to 3.5% in First Emergency Action Since 2001, Citing Economy The Federal Reserve cut the benchmark interest rate by three quarters of a percentage point, its first emergency reduction since 2001, after stock markets tumbled from Hong Kong to London amid increasing signs of a U.S. recession.

U.S. Stocks Fall on Recession Concern After Bernanke Decision to Cut Rate U.S. stocks fell for a fifth day, the longest streak of declines in 11 months, as growing concern about the slowing economy prompted the Federal Reserve to cut interest rates by the most in two decades.

Ambac Has \$3.26 Billion Loss, Talks to 'Potential Parties' After Downgrade Ambac Financial Group Inc., the first bond insurer to lose its AAA credit rating because of subprime mortgages, is considering "strategic alternatives" after posting its biggest-ever loss. The shares jumped as much as 52 percent on optimism the company may be sold.

FTSE 100





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