

Business Today



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World Business Highlights

Reserve Money Fund Falls Below \$1 a Share, Suspends Withdrawals on Lehman Reserve Primary Fund, a money-market mutual fund with \$64.8 billion in assets as of Aug. 31, fell below \$1 a share in net asset value because of losses on debt issued by Lehman Brothers Holdings Inc.

AIG May Be Put in Conservatorship, Get Government Loan to Shore Up Capital Regulators are considering putting American International Group Inc. into conservatorship while the Federal Reserve is in talks about a "loan package" as time runs out for the insurer to raise cash, according to three people briefed on negotiations involving U.S. and state officials.

Fed Keeps Benchmark Rate at 2%, Rebuffing Call for Cut to Soothe Markets The Federal Reserve left its main interest rate at 2 percent, rebuffing calls by some investors for an immediate cut after Lehman Brothers Holdings Inc.'s bankruptcy shook markets worldwide.

Morgan Stanley Profit Beats Analysts' Estimates; Banking, Trading Decline Morgan Stanley's third-quarter profit fell less than estimated as revenue from stock trading and an asset sale cushioned a drop in the firm's investment banking and fixed-income businesses.

U.S. Stocks Climb on Speculation Fed Will Rescue Insurer AIG From Collapse U.S. stocks rose, helping the Standard & Poor's 500 Index rebound from its steepest drop in seven years, as speculation American International Group Inc. would weather a funding shortage boosted financial shares in the last hour of trading.

Goldman Doesn't Need to Combine With a Bank, Business Works,' Vinjar Says Goldman Sachs Group Inc.'s success avoiding losses during the global credit crisis shows the firm doesn't need to combine with a bank, Chief Financial Officer David Vinjar said today.

Samsung Electronics Makes Unsolicited \$5.85 Billion Offer to Buy SanDisk Samsung Electronics Co., the world's second-largest chipmaker, made an unsolicited offer to buy SanDisk Corp. for about \$5.85 billion to widen its lead in the market for chips that store pictures and music.

FTSE 100



A budget in the shadow of Lehman

Kurt Sansone

The collapse of major American investment bank Lehman Brothers yesterday cast a long shadow over a press conference by the Finance Minister to launch a 10-page pre-budget consultation leaflet that will be posted to all households.

Indeed, the shadow is expected to linger on until budget day which has been pushed towards the end of October to allow government more time to assess the impact of the financial crisis that has hit the global economy sending stock markets reeling.

There were no signs of jubilation on Tonio Fenech's face. He is aware that budget targets are under threat and 2009 will probably be a year of reckoning to recoup the "slippage" experienced this year.

Fenech admitted that the price of oil and cereal, the financial crisis and surprisingly, the collective agreements signed with doctors and nurses prior to the election have contributed to the worsening scenario.

The Minister said that the budget will be drawn up in the context of an unstable international climate where economic growth rates have been revised downwards.

The 10-page leaflet makes no reference to the income tax cuts promised during the electoral campaign. In all probability there will be no income tax cuts as promised in the next budget.

Speaking on the issue Fenech admitted there was a measure of "slippage" in public finances due to dim growth projections.

Fenech said that the cuts in

FLIMKIEN GHAL
GEJJIENI SOSTENIBBLI



income tax two years on the trot were possible because government was seeing higher growth prospects.

"The growth prospects were positive when we drafted the electoral manifesto. But with growth projections not being as positive now the situation puts the tax cuts into evaluation, even if it may be too early to rule them out completely," he said.

Fenech insisted expectations have to be tailored to reality.

The Finance Minister remained confident that bar the one-off contributions to subsidise Enemalta's oil purchases and the payment of early retirement schemes to drydock workers, the deficit will remain on par with that of last year.

This means that the deficit may

not go down as planned but will not spiral out of control even if he deemed it too early to quantify the "slippage".

Fenech sought to allay fears of a financial crash in Malta.

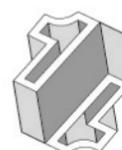
"The Malta Financial Services Authority and the Central Bank have conducted their own evaluation of the financial services sector. Although the international crisis will have an impact locally, it is unlikely to be big since bank assets are well spread out," Fenech said.

However, he did admit that lower profits by the major banks will contribute less tax to government coffers, which will add to the challenges in front of him.

The social partners have until the end of September to present their budget proposals while the general public has until 12 October to submit suggestions.

Markets

Security	Closing Prices in Euro Tue 09-Sept-08	Closing Prices in Euro Tue 16-sept-08	% Change from previous wk
Bank of Valletta p.l.c.	4.700	4.600	-2.128%
HSBC Bank Malta p.l.c.	3.390	3.200	-5.605%
Lombard Bank p.l.c.	3.050	3.070	0.656%
Middlesea Insurance p.l.c.	3.100	3.100	0.000%
Simonds Farsons Cisk p.l.c.	2.830	2.830	0.000%
GO p.l.c.	2.300	2.310	0.435%
International Hotel Investments p.l.c.	1.040	1.010	-2.885%
Plaza Centres p.l.c.	1.700	1.750	2.941%
Malta International Airport p.l.c.	2.950	3.000	1.695%
GlobalCapital p.l.c.	2.444	2.444	0.000%
Datatrak Holdings p.l.c.	0.290	0.290	0.000%
San Tumas Shareholdings p.l.c.	2.650	2.650	0.000%
Medserv p.l.c.	3.997	3.997	0.000%
Grand Harbour Marina p.l.c.	2.300	2.150	-6.522%
Crimsonwing p.l.c.	0.510	0.500	-1.961%
MaltaPost p.l.c.	0.800	0.800	0.000%
RS2 Software p.l.c.	0.829	0.829	0.000%



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