

Business Today



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World Business Highlights

Bernanke Tells Congress U.S. Economy Will Contract If Bailout Isn't Passed

Federal Reserve Chairman Ben S. Bernanke said the U.S. economy will shrink if markets don't begin functioning normally, joining Treasury Secretary Henry Paulson in urging skeptical lawmakers to quickly pass a \$700 billion rescue for financial institutions.

U.S. Stocks Drop as Slumping Commodity Shares Offset Rally in Technologies

U.S. stocks fell as a drop in energy and metals prices pushed down commodity producers and financial shares declined on speculation Congress will stop the Treasury from bailing out the banking system.

Barclays May Eliminate 5,000 Lehman Jobs in Three Months, Recruiters Say

Barclays Plc, the U.K. bank that bought parts of Lehman Brothers Holdings Inc.'s U.S. businesses, may cut as many as 5,000 jobs at the bankrupt company, Wall Street recruiters said.

Credit Default Swap Market Must Be Regulated 'Immediately,' SEC's Cox Says

U.S. Securities and Exchange Commission Chairman Christopher Cox said Congress should grant authority to regulate the credit-default swaps market amid concern the bets are helping fuel the global financial crisis.

Morgan Stanley, Goldman Search for Deposits; Regional Banks May Be 'Lunch'

Morgan Stanley and Goldman Sachs Group Inc., the two largest remaining independent U.S. securities firms, may add to the \$81 billion of financial services deals unveiled during the past week as they morph into banks.

Nomura to Buy Lehman European Investment-Banking Units, Secure 2,500 Jobs

Nomura Holdings Inc., Japan's biggest securities firm, agreed to buy Lehman Brothers Holdings Inc.'s investment banking and equities unit in Europe, saying it would keep on most of the firm's 2,500 employees in London.

Treasury Should Avoid Paying 'Fire Sale' Prices for Assets, Bernanke Says

Federal Reserve Chairman Ben S. Bernanke said the Treasury Department should buy illiquid assets at "hold-to-maturity" values under its \$700 billion rescue plan instead of at discounted "fire-sale" prices.

FTSE 100



US crisis may damage Shipyards privatisation, economist warns

Charlot Zahra

Economists and bankers contacted by Business Today offered different interpretations of the extent to which local economy might be impacted in the wake of the crisis hitting Wall Street recently.

The situation in the US last week led to the declaration of bankruptcy of Lehman Brothers, the purchase of Merrill Lynch by the Bank of America, as well as to the US government going to the rescue of various US financial institutions including AIG.

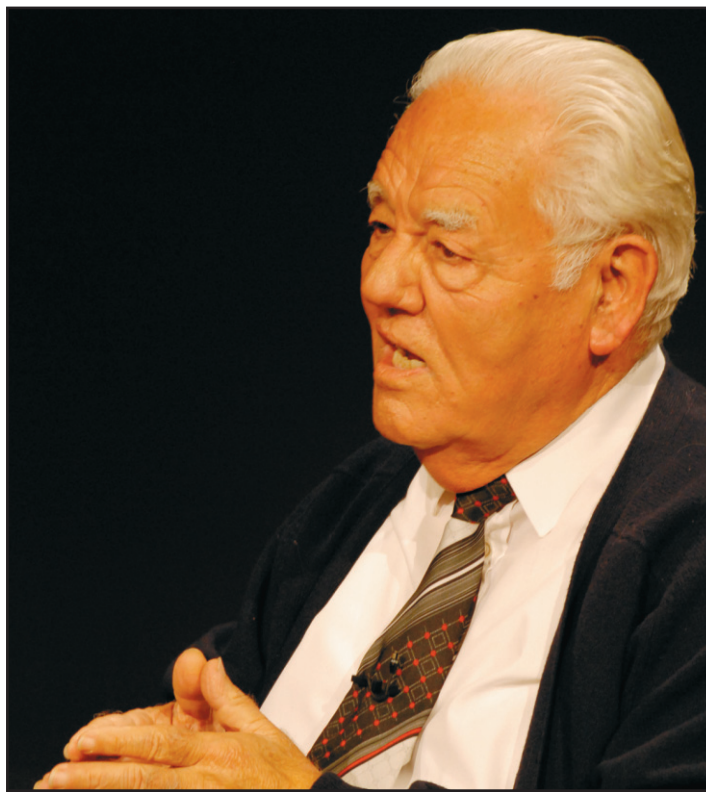
On a local front, veteran economist Karmenu Farrugia said that in this scenario, there might even be a psychological effect on the privatisation process of Malta Shipyards, which depends on a lot of bank credit to survive.

Asked whether the Maltese economy will be hit as a result of the crisis that hit Wall Street, former Labour Finance Minister and economist Lino Spiteri said Maltese exports may be negatively impacted.

"If as a result of the financial crisis there is further pressure on an already weak global economy, Maltese exports will be affected through the slowdown," Spiteri said.

He also mentioned that there were local investors who were indeed hit by the meltdown of the US financial system. "No doubt there are investors who have placed funds in foreign financial assets. They are obviously being hit by the decline in the market value of such assets," he said.

Finally, when asked whether he agreed with those who maintain that



Karm Farrugia: No economy is totally immune to the Wall Street crisis, not even the Russian one

the US slowdown was the result of under-regulation, Spiteri said: "Largely, yes. Greed was allowed to take a free ride. The contagion of greed is inevitably followed by the contagions of loss of confidence and panic."

On the other hand, veteran economist Karm Farrugia told Business Today that it was inevitable that the Maltese economy would be impacted in some way or another

Russian one," he insisted.

However, Farrugia said that the Maltese economy "will chiefly be hit only indirectly" by the crisis in the US financial markets.

He explained how the crisis will "plunge the world into a recession, hitting hard other economies with which we trade in goods, but especially in services, mainly tourism.

Farrugia added that "although BoV has already hinted that it could be a 'modest' casualty, I don't believe this is serious.

"More frightening, perhaps, is the psychological impact the crisis will have on potential bidders for the Shipyards which depend a lot on bank credit," the veteran economist warned.

Farrugia said that there might have been some Maltese investors, "the usual speculative ones," who may have been hurt as a result of the Wall Street crisis, "but I don't consider this as a problem of national proportions."

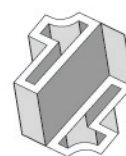
Questioning the use of the term "meltdown" to describe the crisis of the US financial system, Farrugia added: "The Federal Reserve has been quite 'choosy' with regard to whom it is prepared to bail out: AIG yes, Lehman Brothers no, for instance. In a 'meltdown' none is attempted to rescue. ▶ page 7



Employers unite in 'no comment' over surcharge See page 7

Markets

Security	Closing Prices in Euro Tue 16-Sept-08	Closing Prices in Euro Tue 23-sept-08	% Change from previous wk
Bank of Valletta p.l.c.	4.600	4.309	-6.326%
HSBC Bank Malta p.l.c.	3.200	3.251	1.594%
Lombard Bank p.l.c.	3.070	3.049	-0.684%
Middlesea Insurance p.l.c.	3.100	2.950	-4.839%
Simonds Farsons Cisk p.l.c.	2.830	2.830	0.000%
GO p.l.c.	2.310	2.201	-4.719%
International Hotel Investments p.l.c.	1.010	1.020	0.990%
Plaza Centres p.l.c.	1.750	1.750	0.000%
Malta International Airport p.l.c.	3.000	2.999	-0.033%
GlobalCapital p.l.c.	2.444	2.200	-9.984%
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.	2.150	2.100	-2.326%
Crimsonwing p.l.c.	0.500	0.500	0.000%
MaltaPost p.l.c.	0.800	0.820	2.500%
RS2 Software p.l.c.	0.829	0.821	-0.965%



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