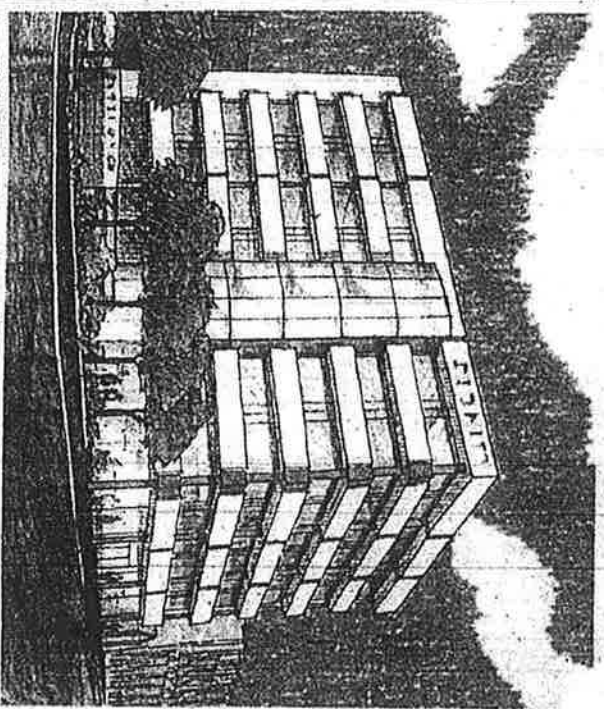


# Business

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An artist's impression of the existing building at 249 Madras Street after the development of an adjoining corner carpark. The five-storey building had lain vacant for two years.

## Vacant building sold

By NEIL CLARKSON

A five-storey central Christchurch office building which has lain vacant since being built two years ago by Prime West Corporation (in receivership), has been sold.

The buyers of the building, at 249 Madras Street, comprise a group of businessmen and farmers. An adjoining two-storey brick office block was also bought with the building and demolished on Friday.

It makes way for car parking and will give the development a Casnel Street frontage.

## Fed. reduces US interest rates

NZPA-Reuter  
Washington

The Federal Reserve System, the central bank of the United States, cut its key lending rate on Friday in a surprise move to pump up the economy.

Financial analysts said it might have to act again to help end the recession. For the second time in six weeks the Federal Reserve reduced its discount rate half a percentage point, lowering the rate it charges banks for loans to 6 per cent from 6.5%.

The move prompted banks to lower prime rates, the interest charged to their best customers and a benchmark for many consumer loans, to 9% from 9.5%.

The rate cuts came less than an hour after a gloomy report from the Labour Department that the number of jobs in January outside of the farm sector plunged 232,000.

The loss topped a drop of 148,000 in December and pushed the unemployment rate up to 6.2% in January from 6.1%.

The Federal Reserve Board cited "sluggish growth trends in money and credit" for its unexpected decision to lower the discount rate.

Some economists said the action showed signs of panic in the Fed's efforts to bring the economy out of recession.

"It was a shockingly fast response to shockingly bad economic numbers," Mr David Jones, chief economist at Abbey G. Lantson and Co., said.

A number of financial analysts said they believed the Fed would have to lower rates again before the economy began to turn around.

"We are close to the bottom but have

a little more to go," said Mr J Foster, economist at Citicorp Investment bank.

The Deputy Treasury Secretary John Robson, who is leading an administration effort to break what has called the "credit crunch," said interest-rate cuts should help boost demand and bring the economy out of slump, but that there was more to lower rates.

"I think there is ample latitude for more movement," Mr Robson said. Administration and Federal Reserve officials have been dismayed by growing reluctance of banks to lend despite lower interest rates.

The Fed has been pushing rates since July in an effort to break the crunch.

Banks, in the face of sour real-estate loans and efforts by regulators to help them to improve their capital positions, have been reducing the number of loans and tightening lending standards.

The Treasury Secretary, Mr Nick Brady, and Mr Robson met top bank regulators last week to discuss regulations to help banks deal with problem loans so they can begin to make more profit and be encouraged to lend again.

On Wall Street there was a tug-of-war between the benefits of lower interest rates and the danger of a profit recession.

Bond prices soared after the announcement. But on the New York Stock Exchange the Dow Jones index average fell 5.70 points to 27,000, breaking a three-day gaining streak.

Steady prices  
Orongorongo  
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