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By Alistair Bell and Jonathan Lynn

MEXICO CITY/GENEVA (Reuters) - A new virus has killed up to 149 people in Mexico and the World Health Organization moved closer on Monday to declaring it the world's first flu pandemic since 1968 as the illness spread further in the United States and Europe.

The WHO raised its pandemic alert level to phase 4 over the deadly swine flu virus, indicating a significant increased risk of a pandemic, a global outbreak of a serious disease.

There were 40 confirmed cases of the flu in the United States, including 20 cases at a New York City school where eight cases were already identified, U.S. health officials said.

Although the flu is not caught from eating pig meat products, several countries imposed import bans on pork from the United States. Stocks in companies such as airlines were also hit as investors worried about the impact of the illness on travel.

The WHO's measure still falls short of declaring a pandemic. The last such flu outbreak, a "Hong Kong" flu pandemic in 1968, killed about 1 million people in the world.

Texas health authorities confirmed a third case of swine flu at a school near the Mexican border and California had eight confirmed cases.

U.S. Secretary of State Hillary Clinton urged caution in traveling to Mexico and the European Union also advised its citizens to avoid non-essential travel to areas affected by swine flu.

Mexico relies heavily on tourism, its third biggest source of foreign currency, and millions of Americans travel to Mexico every year.

Mexican Health Minister Jose Angel Cordova said the outbreak was now suspected to have killed 149 people and the number of cases would continue to rise.

Thirty-three million Mexican schoolchildren will be off school until the middle of next week as authorities seek to contain the outbreak. Schools in the sprawling capital had already been closed but the government ordered classes canceled across the country until May 6.

Most of the those who died were between 20 and 50 years of age, Cordova said.

Oil prices fell more than 2 percent to close to \$50 a barrel as investors feared a new blow to an already fragile global economy if trade flows are curbed and manufacturing is hit.

The MSCI world equity index fell 1 percent, and U.S. stocks slipped on concerns that a possible global flu outbreak could dampen signs of optimism about the world economy.

Flu fears hit U.S. airline stocks hard as investors worried that the travel industry would suffer. Shares prices for UAL Corp, the parent of United Airlines, shed 15 percent, while Continental Airlines Inc lost 14 percent.

Other travel and leisure stocks such as Hong Kong's Cathay Pacific Airways and British Airways fell sharply, whereas makers of drugs and vaccines, such as Roche, were higher.

Spain became the first country in Europe to confirm a case of swine flu when a man who returned from a trip to Mexico last week was found to have the virus.

But his condition, like that of the cases in the United States and six in Canada, was not serious. Spain had 26 suspected cases under observation, health officials said.

A New Zealand teacher and a dozen students who recently traveled to Mexico were also being treated as likely mild cases.

In the first confirmed cases in Britain, Scotland's health minister said two people tested positive for swine flu and were being treated under isolation near Glasgow.

Suspected cases were also reported in France, Norway, Germany, Sweden and Israel.

(Additional reporting by Stephanie Nebehay in Geneva, Maggie

Fox, Emily Kaiser and Lesley Wroughton in Washington, Helen Popper and Miguel Gutierrez in Mexico City and Tan Ee Lyn in Hong Kong)</p><p align="justify">Source: http://thestar.com.my/news/story.asp?file=/2009/4/28/worldupdates/2009-04-28T023836Z_01_NOOTR_RTRMDNC_0_-392659-14&sec=Worldupdates</p>