

Good sleep helps fighting the crisis – Fiat Euro! 29/2012

In our today's trips around the Mediterranean we can watch how Greeks try to sell, Spaniards try to borrow and Italians try to stay inconspicuous. We will also have a look at the French lion and the British bulldog.

„If the leaders of the 17 euro-area countries really want to solve the debt crisis shadowing their currency, they may want to sleep on it,” [starts an article](#) in the Greek news portal Ekathimerini about sleep deprivation of EU leaders during endless summits. Indeed, **good sleep might help leaders to understand things better, for example the difference between savings and tax increase.** Aretouli Nicholas from Crete tried to [explain it in the letter](#) addressed to a Greek tax officials. He is a small-scale farmer from a little village with minimal income and the taxes imposed on him are literally crushing. “**Faced with the choice not to eat for three months or to pay the tax you're demanding I'll choose not to pay a single penny.**” Some officials took his words to heart and after years of increasing taxes, which didn't help the economy in the slightest, Greece starts considering [serious tax rate cuts](#). Some Greeks would even prefer to be [citizens of Austria](#) instead.

They have still troubles with effective austerity precautions. It took two years of the debt crisis and the government managed to [cut 23%](#) of the average retirement leave lump sum of EUR 38 000, which are received by public sector employees. The coalition wants to introduce [new laws](#) to speed up sale of the state property. That comes handy. **When in 2007 Greece [decided to sell 4 unused Airbus planes worth \\$45 million each](#), a special company with a several hundred employees was set up. It has been looking for the best offer for five years and finally sold the aircrafts for scrap with loss of \$140 million compared to the original price.**



There was a great uproar on the streets of Spain [provoked by the MP from the ruling party Andrea Fabra](#), who after adopting the current austerity measures said: “*¡que se jodan!*”. According to her, this expression, which we would prefer not to translate, wasn't aimed at Spanish citizens, but at the spendthrift opposition Socialists. Let's see what she will hear from her father Carlos Fabra, who as a regional politician [built an airport](#) for EUR 150 million and he also didn't forget to **set a statue to honour himself, costing EUR 300 000**. Catch? **Airport**, similarly to millions of Spanish houses, is empty. It **failed to attract a single regular route**.

Anyway, there was a sigh of relief for a while. [Germans](#) approved the bailout and so did **the Finns, who asked for [cash guarantees](#) from the Spanish deposit guarantee fund. Those who are not afraid to ask, will get what they want!**

It doesn't change the fact that Spain faces hard times. The current loan is just for the Spanish banks, so if Spain wants more help, they will have to [ask for it again](#). If and when it will happen, try to guess yourselves. I will just tell you that **last sale of the bonds was [catastrophic](#), when it turned out to be impossible to reach desired sum despite the record prices, and the spread of the Spanish bonds against Germans ones is [higher than before the adoption of euro](#)**. There is [more bad news](#). Property prices, which are a knife on Spanish banks' throat, still haven't been stabilized, on the contrary, in the second quarter

there was a drop of more than 8% on annual basis. Deposit outflow continues as well, in May it was close to 6%, and loan delinquency continues to increase. Fortunately, in the same way as in Gotham city is always saved by Batman, Eurozone is saved by ECB. Via [constant loans](#) for the Spanish and Italian banking sectors for example.

Did I write Italian banking sector? It would be worth mentioning that after the [fresh reduction of the state's ratings](#), Moody's [downgraded](#) also 13 Italian banks last week. Apart from the banks, also some of the Italian regions also face serious problems. The poorest one, Sicily, received an [emergency loan](#) of EUR 400 million from the central government to avoid default. The total debt of the regions compared to central debt and the holes in the banking system is not that large, but such landmines are undermining the consolidation efforts of the government. As if this was not enough, there are problems emerging also outside the financial sector. Fiat, the flagship of Italian industry, decided to prolong the one month general holiday by two weeks to prevent assembled car pile-up in the face of decreasing demand. Let's hope that its managers, who have already once put Fiat to its feet in the past, won't start seeking advice from their colleagues of the co-owned Chrysler to learn how to be friends with the government.



Fiat is just a harmless scarecrow for now, if we want to see a far more serious threat to automobile industry, let's have a look at the French lion. Peugeot is [losing 200 million EUR each month](#) and without a change it would survive one or two years more at this pace. In the first half of this year the operating loss reached EUR 700 million and the cost of Peugeot's debt (CDS) indicates 51% possibility of bankruptcy. Management announced massive restructuring of the production, including release of 14 000 employees, which made French President Hollande scared. **He announced that he will ask Peugeot to revise its plan and that he will help to boost demand for the cars in France in return.** Actually not he, but the taxpayers. Let's hope that zombie banks won't be joined by zombie carmaker....



On the other side of the Canal the opposition against the EU is growing. It rows to such an extent, that the Prime Minister David Cameron [felt obliged to say](#) that he will not campaign for Britain to leave the EU in a referendum, warning that the UK would become "a sort of greater Switzerland" Who knows what he meant by that.

Let's finish traditionally with good news – after all, their existence itself is good news. Brussels wants to negotiate with Japan a [free trade agreement](#), which will cheer up everyone who buys Toyota or sushi. A similar positive character has the decision of the European Court to [clear](#) Chinese companies of a price dumping accusations. The trade war, which serves only politicians' egos and protected exporters and harms other producers as well as consumers on both sides, slows down at least for a moment.

Have a super weekend!

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