Ups and downs – Fiat Euro! 47/2013

Ireland is out of the game. French farmers against taxes. Greek drones above our heads.

Ireland becomes the first country to exit the programme of financial support and has enough confidence to acquire funds on financial markets. The unemployment rate has tripled. Public debt per had has increased to treble its former value and a four-member Irish family now owes approximately 180 000 euro. But the important thing is, that Irish banks are still alive.

Spain is going to make a similar move. It's no wonder, because the market has no needs to worry as the ECB guarantees a demand for the member countries' government bonds throught the bond purchase programme OMT. But also the ECB acts like there were still some troubles waiting for us. After a fresh cut of the interest rates, it is considering to cut it even further – to negative figures. Policy makers wants the measure to prompt banks to lend cash to companies and households instead of holding it on the ECB's accounts. But virtual safe cases of the ECB can still be the safiest place to store money even in spite of a negative interest rate. After all, real interest rates (inflation adjusted) are already negative for some time.

Economic growth of the eurozone has fallen to a negligible 0.1% and France has a negative growth of 0.1%. It's getting hot in the country. Policy of raising taxes and imposing new ones provoked an anger of farmers who decided to block routes to Paris. They are bothered by higher value added tax rates and the new ecotax. Jean-Marc Ayrault, the Prime Minister thinks that the tax system is too complicated and people don't understand it. Therefore they consider „the amount of money they have to pay as not fair."

The Commission has published the first assesment of the national budgets for 2014. Only Germany and Estonia have made the budget prospects flawless and deserve a praise. Slovakia has ended up in the third group. The budget plan is good, but it's probable that it will not be fulfilled.

Particularly countries like Slovakia would be considered in a proposed special programme (yes, another one..), which would encourage countries to make economic reforms in exchange for hans at below-market rates. According to the first ideas, it would have a capacity of 20 billion euro. But the problem of greedy government budgets is linked with the European banking system where other serious issues are hidden.

Strict stress-tests of banks are alleged to take place next year. Banks have quickened repayment of LTRO loans to the ECB and they are getting rid of some assets more intensively. However, such sanitation endangers yet-weak economic growth. But the bigger trouble might occur with the results of the test. How to treat banks which won't pass it? Germany has refused to use European bailout fund to strengthen them, although the social democratic party has conceded that they would support the idea. But only in exchange for supporting the financial transaction tax. No matter that these two measures have absolutely nothing in common.

According to a new leaked document, a resolution fund for the continent's banks set up within the banking union can hold 150 billion euro. Slovenian banks will need it even before it will be set up. Meanwhile they have inclined to the Cyprus solution. So far they have a plan to spend 1.5 billion euro from the government budget and 0.5 billion euro through a junior debt holders participation. The fact is, that the estimated needed costs of the aid are worth up to 4.6 billion euro.

We will hear a lot about Spanish banks as well. The ratio of non-performing loans have climbed to arecord high 12.6% in September. But there were also some good news. A „bad“ bank SAREB has started to sell foreclosed properties. It has managed to sell only 4000 houses instead of planned 7500, but the revenue has reached 1.6 billion euro against less than a billion euro prediction. There are 2-3 million empty houses in Spain.

Scuffles over the „excessive“ German export have continued too. Germans are irritated and don’t understand why should the German economic engine be a problem. The Energy CommissionerGuenther Oettinger said it is „unthinkable that Germany’s high trade surplus would lead to a fine.“ In addition, he got supported by Le Figaro: „As if Berlin were harming Greece by exporting olive oil to China. It shows that the Brussels‘ technocracy has no difficulties in shifting from cynicism to demagogy.“

Meanwhile, Brussels‘ technocrats have raised their wages by 240 euros per month. Of course, not directly. They have lowered their social security contributions and thus increased their disposable income. Jobs in public administration even in the most crisis-hit countries are more comfy than a warm bath. For instance, salaries of civil servants in Greece, which is austere as much as possible, are 30% - 58% higher than those of private employees with similar education levels.

Proving that they take austerity measures seriously, they have decided to join a forming club of six countries to produce European Medium Altitude Long Endurance craft, or so called drone. It’s still not clear, whether it will be used to bomb eurosceptics, German exporters or tobacco users.

Mercedes has won one battle. The carmaker has refused to use the new air conditioning coolant ordered by Brussels‘ directive. Therefore, French authorities began denying authorization to Mercedes vehicles in France. Now, the ban has been suspended by France’s highest administrative court. Some say, that using the new coolant protects polar bears against the threat of the global warming, while others think, that it just protects the monopoly of two chemical corporations against threat of a global competition.

A determined Commissioner Viviane Reding has won a battle as well. Her efforts to push forward legal quotas for women in the boardroom have moved a step further. Thus, not only a brain, but also another body organ will affect careers. And I still wait for someone who will come up with an idea of compulsory quotas fot metalists in executive positions.

Life in EU is not a pop song!

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