Business Briefs

Europe

'After Takeover Wave, Insolvency Wave Follows'

The above was the headline on the front page of the German daily *Frankfurt Allgemeine Zeitung* on Oct. 4. The article says that because of huge credit losses incurred by corporations which have been taken over by private equity funds, analysts expect that the huge debt burden will lead to a wave of insolvency in leveraged buy-outs.

In the next two years, writes the daily, 30 billion euros of credits will go foul in Europe. One quarter of that is expected to be in Germany, where financial investors have become more active recently. According to JPMorgan, private equity funds such as Bain Capital, Blackstone, and KKB have made takeovers in Europe worth 218 billion euros in the past two years. (These funds have become known in Germany as the "financial locusts," for the way that they strip industry to the bone.)

The debt burden has risen geometrically with the takeovers. The Frankfurt newspaper speaks of a "transaction multiplier by a factor of 6." A Goldman Sachs analyst is quoted saying that 18% of the corporations will not be able to service their debts.

Housing Bubble

Biggest Drop Since '30s Projected to Hit in 2007

A report from Moody's economy.com forecasts housing-price declines by as much as 20% in some areas of the United States in 2007. The report, "Housing at the Tipping Point—The Outlook for the U.S. Residential Real Estate Market," says that the median sales price for an existing home will fall by 3.6%, and mark the first full year's decline since the Great Depression.

More than a quarter of the nation's metropolitan areas are projected to see declines in housing prices by Fall 2007.

Areas of greatest decline are expected to include both coasts of the United States, particularly California, Florida, and the Northeast Corridor, reports the Oct. 5 Reality-Times.

By percentage decline from their peak prices, the top ten areas projected to be heading for hard landings are:

Cape Coral, Fla.—18.6%
Reno, Nev.—17.2%
Merced, Calif.—16%
Stockton, Calif.—5.7%
Sarasota, Fla.—14%
Naples, Fla.—13.8%
Tucson, Ariz.—13.4%
Las Vegas, Nev.—12.9%
Chico, Calif.—12.6%
Fresno, Calif.—12.5%

Europe

Worker Migration Causes Labor Shortages in East

The World Bank issued a study on Sept. 27 of the effects of worker emigration from the new European Union nations in the East. While the appearance of hundreds of thousands of Polish workers on construction sites or farms in Germany and elsewhere is making headlines in western Europe, the report emphasizes that the repercussions of this emigration on the eastern European home countries is even more significant. "Massive outflows of workers may lead to labor shortages, signs of which are already visible in the Baltic States and Poland."

A Sept. 28 Bloomberg wire on the report, stated: "Latvia, the EU's poorest nation per capita, says as many as 120,000 people, or 10 percent of the labor force, work abroad. Lithuania's Statistics Department says about 126,000 people emigrated between 2001 and 2005, accounting for 7.9 percent of the workforce. In Poland, the Labor Ministry estimates more than 600,000 Poles have left. Krystina Iglicka, an economist at the Warsaw-based Public Affairs Institute, says the real figure may be as high as 1.2 million. Some 228,000 long-term Polish workers are registered with the U.K. Home Office; Ireland has 105,000. Another 333,000 Poles are holding temporary seasonal jobs in Germany. . . ."

"That number is likely to grow." the report said. Warsaw research firm PBS DGA, in a telephone survey in September, found that half of Poles under 24 years of age expect to move away within the next two years.

"The National Statistical Office says 45 percent of domestic builders are short of workers, almost triple last year's figure. Forty-three percent of domestic companies complain that the shortage of qualified workers is affecting their business."

The Mayor of Wroclaw, the fifth largest Polish city, has started a campaign in Britain and Ireland, with billboards proclaiming, "Come back, Poles, we have work for you, Wroclaw loves you."

Mexico

National Front Forms To Stop Energy Privatizers

The National Front for the Defense of Energy Soverignty was formed in Mexico on Sept. 27, the 46th anniversary of the nationalization of the nation's electrical industry. Led by the Mexican Electrical Workers (SME), the front's stated purpose is to stop any further encroachment by private capital on the energy sector, and to reverse the de facto privatization which has already taken place.

Organizers warned the outgoing and the incoming administrations that, should any further of the privatizers' energy "structural reforms" be attempted, the front would organize a national strike.

Many speakers also attacked the recent oil-grab meeting in Banff, Canada, cochaired by George Shultz. Said PRD party leader Marti Batres of Mexico City, "From this moment, we tell the investors not to waste their time or their money, and not to have false expectations, because they are not going to be able to privatize this area, nor will they be able to impose Felipe Calderón in the Presidency."

Leaders of Andrés Manuel López Obrador's PRD party, along with former PRI party senator Manuel Bartlett, and leaders of the Social Security workers, UNAM workers, and trolley workers unions joined in the founding of the front.