

FINANCIAL TIMES

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Greece: election sideshow

It used to be Brussels and its extemporising bailouts that bought the eurozone some time. Now it is Greece's turn. The weekend election result has given proponents of the country's path of savage austerity and adherence to the eurozone a final opportunity to prove that they are credible. The danger of an imminent, enforced expulsion from the bloc has been lifted. But one thing has changed: the election has rendered Greece a sideshow in the eurozone crisis, for a while. The real action, unhappily, is elsewhere.

True, the election outcome sent the bombed-out share prices of Greek companies soaring: National Bank of Greece was up 11 per cent and lottery operator OPAP 12 per cent. But the result offers no relief for Greek companies staring at credit shortages and a frozen banking system. When that starts to feed through, Greek corporates could take a more severe beating.

Still, the most worrying number on Monday came not from Greece but from Spain: the yield on 10-year Spanish bonds rose nearly 30 basis points to 7.1 per cent – another eurozone-era record. This month's €100bn bailout for Spain's banks is proving a red herring. As investors fret that Spain itself may need recourse to the eurozone's bailout facility, it is clear that the eurozone has bigger problems than who governs – for whatever length of time – in Athens.

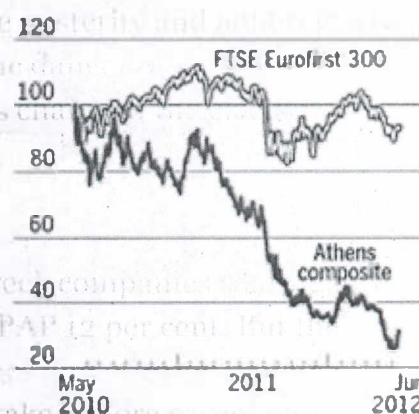
Several things must now happen. Greece's new government needs to be created from a muddle of fractious potential coalition allies. Then it has to persuade its creditors to extend and even soften the terms of its second bailout. That involves convincing Germany that it should be cut some slack. If Athens cannot do that, another election appears a certainty within months. But that, for now, is Greece's problem.

The viability of the euro remains in question, whether or not Greece is a member of the bloc. Athens's outsized problems tend to obscure this reality. Greeks have voted to give themselves a stay of execution. Everybody else should keep focused on the bigger picture.

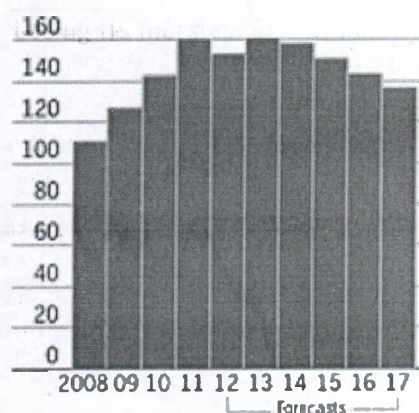
Several things must now happen. Greece's new government
Email the Lex team in confidence at lex@ft.com

Losing its marbles

Stock market indices (rebased)



Greece: net government debt (as % of GDP)



Sources: Thomson Reuters Datastream; IMF