

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Colombia – strong inflows of FDI despite stepped-up FARC violence; **Slovenia** – the next Eurozone member to need a bailout? **Vietnam** – growing problems with bad debts.

BRAZIL

Growth is continuing to fade amid signs that official efforts to stimulate activity have little effect. While interest rates are almost certain to be lowered some more, this is not apt to reverse the trend. Also, Brazil has become more protectionist and this is threatening the nature, if not the very existence, of Mercosur.

CHINA

Economic growth continued to slow in the second quarter and there is much to suggest that the real situation is worse than official figures indicate, but we still believe that the PRC is headed for nothing more dire than a soft landing and that official stimulus measures will stay limited to relatively small, incremental steps.

EGYPT

The military has won a battle in the confrontation with the Muslim Brotherhood over where the real reins of power are being held. Whether it will win also the war has yet to be determined. In the meantime, newly elected President Morsi will need to devote most of his attention to the ailing economy, since his popularity would suffer quickly if he cannot engineer a turnaround.

KENYA

Economic growth has been holding up and the reform program has started to yield results, but for now a credit bubble and a widening foreign trade deficit remain as threats to the expansion. On the positive side, Kenya's first deep-water oil well is about to be drilled and expectations for on-shore finds are high.

KYRGYZSTAN

The economy is not doing badly these days. The uncertain global environment poses some risks, though, and this is true in particular for trends in Russia. Relations between Bishkek and the Kremlin have been souring over the Kyrgyz government's efforts to gain aid without any material or even diplomatic payback.

LIBYA

The country so far has confounded all the skeptics who fretted that not much good would come of the July 7 elections, but it is still a bit early to say that Libya has become the Arab poster child of democratization. Centrifugal forces exist and all sorts of things could still go wrong.

SPAIN

The latest reports confirm that the economy is in a recession that will be prolonged by the fresh round of EUR 65 billion of austerity measures announced by the authorities last week. While the EU has given the country more time to reach its deficit reduction targets, this will prove to be temporary and inadequate relief.

VENEZUELA

The pundits are still having a difficult time trying to fathom what the outcome of the approaching elections will be. Chavez has a number of advantages, though, including PdVSA as his personal piggybank and far-ranging control of the media. This has led to speculation as to whether Chavismo can outlast Chavez.

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