

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Argentina – massive energy price hikes and a growing flight of deposits from banks; **Guatemala** – the new President, a retired military general, faces a big challenge tackling the drug cartels; **Hungary** – on the bring of a junk rating for its bonds; **Nicaragua** – Ortega, predictably, has won re-election.

BRAZIL

While the latest report on declining industrial production has strengthened the government's determination to keep fiscal and monetary policy stimulatory, the risk of accelerated inflation should not be ignored.

EGYPT

Tensions between the nation's Islamists and the military regime are rising as the elections come closer and the men in uniform seem less & less eager to surrender power. It is far from certain that the elections, whatever their outcome, will solve these problems. Neighboring Israel has good reason to be concerned.

EL SALVADOR

The Funes Administration has received passing grades from the IMF. Corrective moves continue to be made by the authorities, and although economic growth is weaker than had been widely expected, the fiscal and external deficits are being kept in bounds. The banking system remains generally sound.

FRANCE

The government was furious about S&P's erroneous message that it had downgraded France's credit rating, and for good reason. The focus should now return to the new fiscal austerity plan PM Fillon has just outlined and then it will probably concentrate on the political situation.

GREECE

The leader of the incoming "unity" administration, Lucas Papademos, is the right man for the job, but while he has a clear mandate he is facing an enormous uphill battle, both politically and economically. The country's latest statistics underscore this.

IRELAND

The Emerald Isle is staging a quiet but impressive comeback. Contagion can still pull it back into the maelstrom of the European debt crisis, so the Eurozone authorities would do well to listen to Dublin's pleas for further bailout concessions. By and large, though, the outlook has improved considerably.

ITALY

The markets have reacted positively to the prospect of a new government. So far, though, only time has been gained. The incoming administration will have to move fairly quickly to prepare more drastic measures. Fortunately, the Italian economy is in better shape than the current crisis conditions would seem to suggest.

KYRGYZSTAN

It is clear that the new government will shut the US military base and will pursue much closer relations with Russia. Less clear is whether it will be able to address effectively the ethnic rivalries that sparked deadly rioting last year and to contain the growth of radical Islamism.

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