

Weekly Focus

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TRENDS TO KEEP AN EYE ON

North Africa and the Middle East – vulnerable economies; **Morocco** – relatively peaceful, so far; **Algeria** – bad memories; **Tunisia** – persistent unrest; **Libya** – even if the civil war ends soon, the economy will suffer grimly; **Egypt** – a collapse of tourism, foreign investment, and remittances; **Yemen** – the risks of a failed state; **Saudi Arabia** – a danger of contagion; **Oman** – there have been business disruptions; **Bahrain** – different in two important respects; **Kuwait** – the unrest has been limited so far; **Jordan** – growing pressures on King Abdullah; **Syria** – the regime is tough, but not invulnerable.

BRAZIL

Even though the economy is slowing down, this has more to do with bottlenecks than with any lack of credit. The government is helping with a welcome dose of fiscal restraint. There is a risk, though, of interest rates rising to the point where they end the consumer credit boom that has been driving economic growth so abruptly that this turns into a crisis. The danger is not yet imminent, but it bears watching.

COLOMBIA

President Santos is working hard to open up the Colombian economy, and his efforts may soon gain the country an investment grade credit rating. Proposed Chinese financing of a rail line across the Isthmus just may get the US Congress to move on the long-delayed trade pact.

IRELAND

The incoming new government will have to go to work right away and seek changes in the conditions on which the country received its EU/IMF bailout. The extent to which it can prevail in this will largely determine its standing in the eyes of the voters.

IVORY COAST

Investors seem to think that the missed coupon payment on USD 2.3 billion of Eurobonds is small and will pose no problems once the country returns to “a normal situation.” But here’s the rub: Ivory Coast right now is more likely to slide into a new civil war than to get to a normal situation.

SAUDI ARABIA

Investors are worried the Kingdom could fall prey to popular unrest akin to that which toppled the leaders of Tunisia and Egypt. The risks appear to be less acute here than in the rest of the Arab world, but this is not to say they are non-existent.

SOUTH AFRICA

Economic growth will accelerate in the months ahead, without, however, reaching the speed that would be necessary to meet the government’s employment promises. While the external accounts will show mostly red ink this year, official reserves are ample for coping with most eventualities.

TURKMENISTAN

Turkmenistan shares some problems with the North African and Middle Eastern nations that are now racked by popular revolts pushing for greater democratic rights, but the country is, nonetheless, far from the sort of unrest that could threaten the regime in any way.

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