Weekly Focus

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TRENDS TO KEEP AN EYE ON
Denmark – headed for a wave of bank consolidation; **Dominican Republic** – a slow-down in growth and manageable external accounts; **Guinea** – FX bureaus are shut down; **Mexico** – stepped-up offers of dollar options; **Nigeria** – an ominous vanishing of hard-currency reserves; **Slovakia** – Serious political tensions; **Slovenia** – a slow come-back.

BAHRAIN

The al-Khalifa family has reestablished its control, but the economy has taken a hit and from a longer-range perspective tensions will persist, so much so that one can only hope the tiny Kingdom does not become a Lebanon-like battleground for big powers.

CROATIA
The European Commission has poured cold water on Zagreb's hopes to complete EU accession negotiations before mid-year. While the external accounts pose no big problems at this time, the exposure of local companies to FX risk is a weakness that should not be ignored.

CZECH REPUBLIC
The economy is showing strength, and while the recovery will lose some steam this year because of tighter fiscal policies being pursued both at home and abroad, the numbers will stay positive. Prague is in no hurry, now, to adopt the euro as its currency.

EGYPT
The swiftness of the transition benefits primarily Islamists and the remnants of the old ruling party, which is not a comforting trend. Persistent labor unrest, sectarian clashes and other security problems are hurting the economy. Outbound payments are still hobbled.

EL SALVADOR
President Funes has done well in strengthening his political position, a difficult policy environment notwithstanding. He has kept his course middle-of-the-road, resisting his party's push for a more radical agenda. The economy is gradually coming back, with an improving outlook.

EUROPEAN UNION
The collapse of the Portuguese government serves as a blunt reminder that the approach so far used to shore up peripheral Eurozone members in trouble has not worked. For some, it is from there but a hop, skip and a jump to the conclusion that the euro is doomed. But this is far too pessimistic a view.

PORTUGAL
Having struggled to avoid having to go to the EU for a bailout, the minority government of PM Socrates has been brought down by a defeat in parliament. Portugal will now almost certainly have to ask for financial assistance, and the irony is that the conditions attached to it will be at least as tough as those which the opposition forced the government to trip over.

UNITED KINGDOM
The new budget, billed as a "pro-growth" plan, anticipates less growth than seemed likely only a short while ago. It lowers company tax and gives some relief to individuals, but the levy on banks' balance sheets has been raised.