

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Chile** – not ready to stop worrying about inflation;  
**Nicaragua** – CB head resigns in protest against Alba plans; **Singapore** – derivatives regulations designed to attract business.

## BAHRAIN

Sectarian strife continues to simmer and clashes between police and protesters are an almost daily occurrence. There is no indication that the opposing sides in this conflict are bridging the schism between them. The uncertainty will continue to impair the local business climate.

## BRAZIL

The economy has slowed down a great deal but growth should reaccelerate in the second half of this year thanks to lower interest rates that have already given Brazilian equities a boost. The sharp widening of the current-account BoP deficit is not a problem at this point. Import substitution efforts are gaining ground.

## GREECE

The road now seems clear to an agreement in principle on the second bailout Greece needs. But Athens will then still be far from being home and dry. The new rescue is likely to come with restrictions and may have to be followed by a series of reassessments. The political situation in Athens also still needs clarification.

## ISRAEL

The CB will continue to cut interest rates, hoping to cushion the impact of the European crisis on the economy. The attendant exchange market drop of the shekel has not been a problem as inflation is low. Israel is watching warily the “unity government” being formed by rival Palestinian factions, and it is becoming increasingly likely to launch a preemptive strike on Iran.

## JAPAN

A weak economy and the first annual foreign trade deficit in three decades surprised observers, although these developments did not come entirely out of the blue. Some of the reasons are temporary, one-time factors, but even they will not go away overnight, which heralds continued, sluggish activity.

## RUSSIA

The economy is likely to remain fairly robust in the first half of this year, but it will slow in the second semester as the Central Bank will find it necessary to put the brakes on lending in an effort to control inflation. Mr. Putin will continue to favor state capitalism to drive the Russian economy, ineffective as it has been.

## UNITED KINGDOM

The Bank of England’s vote to keep interest rates at record lows and authorize more quantitative easing brought swift criticism of being insufficient. Still-looser policies would probably do little to spur lending, however, and there are signs of life in the economy.

## VENEZUELA

The election of governor Capriles as the opposition candidate in next October’s elections marks the beginning of a campaign in which Chavez supporters will reach deep into their bag of dirty tricks. The outcome is unpredictable, but whoever wins, an economic hangover will follow.

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