

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Argentina – headlong into stagflation; **Bulgaria** – no confidence in the government’s seriousness about fighting crime & corruption; **Ghana** – an untimely death; **Iran** – tightened FX controls; **Peru** – socio-political unrest but good economic results.

AUSTRALIA

With elections due next year, PM Gillard is still losing political ground and is now running out of time within which to turn her and her party’s fortunes around. Overall economic numbers are still good, but they hide a two-speed country divided by industries as well as geographically.

GERMANY

Moody’s lowering of the country’s credit rating has set off a lively debate as to whether Germany’s days as Europe’s safe haven par excellence are numbered, but this is highly premature. The crisis does cost Germany money, but mainly because the economy is growing more slowly than it would otherwise.

GHANA

Oil production expectations have had to be geared back and this has had a negative impact on overall growth projections, but the outlook remains bright. There is reason for optimism that the newly discovered oil wealth will be managed prudently, except that neighboring Ivory Coast is seeking to redraw its maritime border to gain access to Ghana’s reserves.

HUNGARY

While the economy is sliding into its second recession in four years, negotiations with the IMF and the European Union on an EUR 15-billion credit line will be long and arduous. There are political consequences, as the ruling Fidesz party is losing support.

SOUTH AFRICA

The CB’s decision to cut interest rates underscores the weakness of the economy and its political repercussions. Just ahead of elections for the leadership of the ANC and the Presidency, the incumbent Zuma has been gearing his oratory to the mood of the people. We do not expect a major course change to result from this.

SOUTH SUDAN

The economy is on the brink of a collapse as both domestic finances and foreign exchange reserves are running out. Peace talks with the North have restarted, but where they will lead is still anyone’s guess.

TURKEY

The still-strong economy retains some notable vulnerabilities that may prevent Turkey from gaining the investment-grade rating the government is hankering after, at least for the time being. Work now in progress on a new constitution warrants watching, especially in light of Mr. Erdogan’s authoritarian leanings.

UNITED KINGDOM

The economy is continuing to perform worse than the government had expected and, as a consequence, the pressures to change course are increasing on PM Cameron and his people. The government is not likely to yield, however, and the Bank of England’s latest round of quantitative easing will not have much positive effect. The slump is, thus, likely to persist.

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