

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Belize – this tiny nation has defaulted on its foreign debt; **Taiwan** – a deal with China to let banks in Taipei clear yuan transactions; **Venezuela** – the latest poll standings in the presidential face-off.

CHINA

The economic stimulation effort is much less expansionary than that which led the country through the global financial crisis, on local as well as national level. There is relatively more emphasis on monetary than on fiscal policy, which has its own risks as the volume of overdue loans is rising.

INDIA

Under growing pressure from the economy and from bond rating agencies, the government has finally mustered the courage to introduce a rash of much-needed reforms. In doing so it is taking political risks, but it is not immediately threatened.

JAPAN

A political stand-off has forced the government to postpone JPY 5 trillion in spending just as the economy slows to a near-standstill and may be about to go into minus numbers. Under the circumstances, the fact that the Bank of Japan has opened the door to negative interest rates may make little difference.

PORTUGAL

Lisbon has received compliments from the “troika” for its implementation of mandated austerity programs and this is opening the door for the payout of the next two tranches from the EU/IMF bailout program. While popular resentment of the belt-tightening is clearly increasing, we do not expect a Greek-style blowout. But the impact of altered deficit targets will be limited.

SOUTH AFRICA

The economic and financial ramifications of the deadly unrest that has been troubling the mining sector have been limited to date, but the potential for even more disruptive developments should not be underestimated, nor should the already predictable longer-term consequences.

TANZANIA

The latest estimates of the natural gas reserves have lifted the total beyond the threshold needed to support a facility for exporting LNG to world markets. The economy is continuing to make good progress under the guidance of the IMF, which is about to approve a precautionary stand-by credit facility.

VENEZUELA

FX reserves have fallen to their lowest in five years, highlighting the staggering mismanagement that has stymied PdVSA since Pres. Chavez started to use the company as a cash cow for his social programs. The company now has enormous debts and the government is paying overdue obligations to state workers with IOUs.

VIETNAM

The economy remains headed for a reasonably soft landing in the near future, but the repercussions of a property crash open up nasty pitfalls for many companies and the debt problem is growing worse. All this has much to do with the crony capitalism the nation’s Communist leaders have been promoting.

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