

Weekly Focus

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TRENDS TO KEEP AN EYE ON

El Salvador – a credit rating downgrade; **India** – the latest round of investment liberalization; **Singapore** – disappointing growth; **Venezuela** – the second FX auction under the Sicad system.

CENTRAL AFRICAN REPUBLIC

Four months after the power-grab by a rebel group the country is a humanitarian disaster that stepped-up EU aid cannot remedy and which will not be alleviated by UN calls for sanctions. It is doubtful that the man now at the helm is capable of – or even much interested in – leading the nation to the promised elections.

CUBA

Hugo Chavez' death and Venezuela's economic problems have forced Cuba to step up reforms, but the pace will remain very gradual. This would be a good time for the US to engage with Cuba in an effort to undermine Communist rule, if only because attempts to isolate the Island have clearly not worked.

EGYPT

The military is moving fast to consolidate its grip on power, arresting Morsi backers and freezing their assets. The new administration, however, will be more interested in promoting popular welfare than in sponsoring difficult reforms, and this is a course that Egypt cannot afford at this juncture.

FRANCE

The signs of an early climb-out of the economy from recession are still few and far between and unemployment will keep rising. Above all, companies have been cutting investments, in large part because the government is trying to play both sides of most issues. The likelihood that France will meet even the relaxed budget targets set by the EU is shrinking.

ISRAEL

One should not expect too much from US Secretary of State Kerry's shuttle diplomacy to revive the Israeli-Palestinian peace talks... Incoming Frenkel as head of the CB will find a better-balanced shekel in his predecessor's legacy, but he will have to struggle with a decidedly more populist Knesset.

ITALY

Governmental stability has been shaken anew by court decisions against Silvio Berlusconi. While the economic recovery continues to face severe headwinds, the ruling coalition has closed ranks around a budget-neutral plan putting off decisions on controversial tax measures.

PORTUGAL

Interest rates attest to the pressure investors are putting on Portugal to resolve its political problems. The ultimate outcome of these efforts is not yet clear. The near-term risks are limited, however, as Portugal has already covered its external borrowing requirements for the current year.

RUSSIA

With the economy tottering and investment having unexpectedly contracted, President Putin has beefed up the Kremlin's control over economic policy and has announced an ambitious stimulus plan. He will be supported in his quest by newly anointed CB Governor Nabiullina with a new, self-styled "quantitative easing" program.

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