

COUNTRY RISK WEEKLY BULLETIN

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IN THE HEADLINES



THAILAND

Sit tight?

Large-scale anti-government protests are taking place in Bangkok again. The red-shirt protestors of the UDD—mostly from the poor north and north east with many supporters of ousted PM Thaksin Shinawatra—claim, among other things, that PM Abhisit Vejjajiva's government does not have a popular mandate and are calling for parliament's dissolution and fresh elections. So far the government and protestors have avoided violent confrontation (unlike demonstrations in mid-2009). It remains to be seen if the protestors can be faced down without violence and in a relatively short time in what is now deep-seated political struggle, but escalation could risk the economic recovery.



OPEC

Viennese Waltz

At today's meeting in Vienna, oil producers are likely to agree that current prices (Brent at USD70-80/b) are adequate for most market participants, so don't expect OPEC to change its output quotas. However, some members openly flout production ceilings, particularly as the price has now more than doubled since the recent nadir of December 2008. Moreover, additional output is on the horizon, including from the large Iraqi fields, so supply should not be a problem. Accordingly, even if global oil demand returns to around 2% annual growth—uncertain—prices may be capped, for now. Expect the current price range to remain in the ST.



COLOMBIA

Over to 'U'

Congressional elections held last week-end, point to good support for centre-right candidates in the forthcoming presidential elections on 30 May, as parties allied to outgoing president Alvaro Uribe did well. Preliminary results indicate that the "U" party, the party of Uribe and his favoured presidential candidate, Juan Manuel Santos, will emerge as the strongest, followed by the Conservative party. This augurs well for Santos but the Conservative party, which voted in open primary elections last Sunday also, may not give him a clear run, depending on who emerges as its candidate. Based on current voting intentions Santos is ahead but may need a second-round run-off.



UKRAINE

Por-ing over change

Parliament has formed a new three-party coalition government, the Stability and Reform alliance, and approved Mykola Azarov—regarded as loyal to new president Viktor Yanukovich—of the PoR as PM. However, this has required a change in parliament law to permit coalitions of individual deputies rather than party blocs. Opposition parties have appealed to the constitutional court, which overturned a similar move to change the law in 2009. A ruling is now awaited. President Yanukovich has threatened early parliamentary elections if the change is not upheld, but if it is upheld the government should be well placed to implement policies.

ALSO IMPORTANT...



ISRAEL

Revised version

GDP data have been revised upwards, showing 0.7% growth overall in 2009, in contrast to earlier expectations of a small contraction. In Q4, GDP increased by 4.9% yr/yr and there were upward revisions to previous quarters. Meanwhile, inflation, which has been above the central bank's 1-3% target range for three consecutive months (Jan 3.8% yr/yr), is expected to fall through the year because of tax and regulatory changes, a strong shekel and restrained economic recovery. Given that some government-led stimulatory policies will be phased out this year and key US import demand is likely to remain muted, expect GDP growth of 3-4% this year and in 2011.



TOGO

Sing song?

Demonstrations and protests indicate that political factions are continuing to contest the result of recent presidential elections. The incumbent, Faure Gnassingbé, was re-elected for a second term and, although there are local claims of irregularities, AU and EU observers endorsed the poll. Gnassingbé took over from his father, who ruled for 38 years, so do not expect a radical change in policy direction in this poor, re-export based economy, which should allow the government to maintain IMF support and thus retain access to wider donor financing, but much depends on resolution of some political and social tensions.

COUNTRY REVIEW SUMMARIES



INDIA

Man management

The INC-led UPA government of PM Manmohan Singh appears likely to remain in office, at least until elections in 2014, thereby ensuring broad policy continuity and suggesting generally-sound economic management will prevail, although the reform agenda is likely to be slow. GDP data continue to surprise on the upside, indicating that the economic recovery is strong and sustainable. Policy statements appear geared towards a return to the annual 9% GDP growth recorded in 2005-07. The manufacturing and services sectors continue to perform well and improved climatic conditions will boost agriculture in the coming quarters, so expect 7.5-8% growth in 2010-11.



BRAZIL

Good standing

Real GDP in Q4 advanced by 2% qtr/qtr (seasonally adjusted) and was up 4.3% yr/yr. In the whole of 2009 GDP contracted by just 0.2%. Consumer spending is growing quite strongly and investment has also begun to increase. Expect growth of 4.8% in 2010 and with the risks to the upside interest rates are likely to rise before too long. (Bank reserve requirements have already been raised.) The external balance remains strong overall, though the current account deficit may widen to 2.5% of GDP. Presidential elections are due in October, in which President Lula da Silva will not stand, but a good deal of policy continuity should still be evident in 2011.

IN BRIEF

CHINA

Inflation (CPI) accelerated to 2.7% yr/yr in Feb (1.5% Jan). Retail sales up 17.9% yr/yr in Feb.

Edited by David Atkinson

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