

COUNTRY RISK WEEKLY BULLETIN

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IN THE HEADLINES



CHINA

Breath test?

The trade balance moved into deficit (USD7.2bn) in March for the first time in six years, driven by an import surge (+66% yr/yr), although exports were also up (24.3%). However, expect this shift to be temporary. In addition, the pace of accumulation of FX reserves slowed in March. These data—and the decision of the US treasury to delay release of its semi-annual currency report—may provide some breathing space on exchange rate tensions with the US, amid signs that China may be moving towards resumption of exchange rate appreciation in some form. However, timing remains uncertain. Also, expect any upward movement to be gradual.



KYRGYZSTAN

Stan man ran

Weeks of rising tensions between the opposition and the government culminated in violent clashes between street protestors and security forces last week. Meanwhile, opposition politicians have seized power, dissolved parliament, set up an interim government and claim to be in control of the security forces. President Bakiyev, who came to power after similar mass protests in 2005, fled to his home town in the south, trying to exploit an ethnically-motivated north-south rift. Yesterday, he offered to resign in exchange for his and his family's safety but the interim government has not yet made such a guarantee and the outcome remains unclear.



HUNGARY

Job share?

As expected, the centre-right main opposition Fidesz party won overwhelmingly the first round of parliamentary elections last Sunday, gaining 53% of the vote and 206 out of 265 seats allocated in this round. The ruling MSZP came in a distant second (19%, 28 seats), followed by the far-right Jobbik (17%, 26 seats). Expect Fidesz leader Viktor Orban to become the next PM and his party looks likely to achieve a two-thirds majority in the 386-seat parliament after the second round on 25 April, enabling it to change fundamental legislation. Fidesz also wants to alter some IMF agreements but is unlikely to break them as that would put financial support at risk.



SINGAPORE

In advance

Advance estimates indicate that real GDP grew rapidly in Q1, by 13.1% yr/yr (up from 4% in Q4 2009) and by 32.1% on a qtr/qtr, seasonally-adjusted annualised basis (-2.8% in Q4). Construction (11.3% yr/yr) and services (8.4%) grew robustly but the exceptionally strong performance was led by export-oriented manufacturing, which soared 30% yr/yr and 139% qtr/qtr—driven by sound growth of electronics and a surge in the volatile biomedical sector—although base effects also played a role as GDP contracted by 9.4% yr/yr in Q1 2009. Expect the economy to expand by 6%+ in calendar 2010 after a 2% drop in 2009.

ALSO IMPORTANT...



TRINIDAD & TOBAGO

May day?

Parliament was dissolved at PM Patrick Manning's request, which means an early general election (two years before it is scheduled to be held). No date has been set yet—although it must be within 90 days of parliament's dissolution, but local reports suggest that May is possible. Manning's decision was taken just before a no-confidence debate in parliament. As the ruling PNM party has an overall parliamentary majority (26 of 41 seats) the PM probably would have won the vote, so his decision may be an attempt to win the election before the two opposition parties can make progress with unity discussions and his already falling support slips further.



SOUTH AFRICA

Power play

Last week's USD3.75bn World Bank loan to Eskom—partly to finance its new Medupi coal-fired power station—represents only a portion of the utility's financial requirements. It was pushed through despite concerns relating to the environment. However, lack of previous investment in new generating capacity has resulted in power shortages—including blackouts in H1 2008—and for economic growth to reach annual rates of 5%+ additional power is required, particularly as industry remains energy-intensive. Do not expect power availability to be a problem during the Football World Cup in June but it may constrain output in H2 2010 and 2011.

COUNTRY REVIEW SUMMARIES



SRI LANKA

UP and up?

A 20 April re-run of polls in two districts will not alter the overall result of last week's parliamentary elections, which provided the ruling UPFA with a large majority. This had been expected—the UPFA's President Mahinda Rajapaksa was re-elected in January—and is an expression of post-war euphoria, with the rebel Tamil Tigers defeated last May. However, do not expect ethnic fissures between the Sinhalese majority and Tamils (12% of the population) to be resolved quickly. Meanwhile, the economy, with principal exports of clothing and textiles (39% of total) and tea (15%), should expand by around 5-6% this year and in 2011, after only 2% in 2009 (average 6.5% 2005-08).



NIGER

U turn?

There was regional and international condemnation of a military coup in February 2010. However, the ruling junta—with some credibility—has pledged elections and restoration of democracy. Economic activity—principally uranium extraction (45% of exports) but also oil exploration—was not disrupted. Agriculture still accounts for 40% of GDP but weak rains in 2009 resulted in poor harvests and the UN is currently raising food aid to stave off a humanitarian disaster. Against this background, private sector business initiatives and trade flows are subdued. Even so, expect GDP growth to recover to around 4% in 2010 after 2% in 2009.

IN BRIEF

Thailand

Clashes between security forces and "redshirt" anti-government protestors escalated last weekend.

Edited by Andrew Atkinson