

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Belarus** – ready for a currency devaluation; **Brazil** – a dilemma for the Central Bank; **Nigeria** – unrest in the wake of presidential elections; **Romania** – relying on a stronger FX rate to fight inflation; **Thailand** – upcoming elections will increase tensions.

## BAHRAIN

A superficial calm has been re-established, but underneath the heavy boot of the security forces tensions continue to simmer. This is not good for the local business environment, but Saudi Arabia has now made it clear that it will not tolerate any real threats to the al-Khalifa family.

## CHINA

Yuan appreciation is increasingly recognized as a tool with which to fight inflation. Also, the internationalization of the renminbi is proceeding by leaps & bounds, spurred by increasing concerns about the value of USD debt and the health of the US dollar. Tax changes are planned to address the country's widening wealth gap.

## EGYPT

The economy has taken a hard hit and there are signs that the struggles will get worse. The World Bank and the IMF stand ready help, but there is only so much they can do. Fortunately for Egypt, the period just before the revolution was a profitable one.

## FINLAND

The result of the parliamentary elections will probably not doom the financial bailout of Portugal, but it will clearly make it more difficult. The political haggling to form a new government could take quite a while. What will emerge in the end will doubtlessly be a less Euro-friendly administration.

## GREECE

With the country's debt ratings going from junky to junkier, the question of a restructuring is increasingly becoming one of "when" rather than "whether." The latest fiscal austerity drive will not do the job. Neither will privatization plans. But if organized properly, debt restructuring would not have to be a disaster.

## JAPAN

Optimistic predictions that the economic setback suffered as a result of the recent disasters will be short-lived and reconstruction will quickly lead to a V-shaped recovery are almost certainly false. The economy will struggle for much of the rest of the year, although it will see gradual improvement in the second semester.

## SOUTH AFRICA

While strong exports of platinum and gold are currently boosting the external accounts, economic growth remains fragile, job creation is lagging, and official policy is torn between seeking to contain inflation and holding down the exchange rate of the rand.

## SYRIA

Syria does not have Egypt's large population and pivotal role in the Arab world or Libya's money, but its geopolitical location and alliance with Iran as well as its influence in neighboring Lebanon give the outcome of the unrest there critical regional significance.

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