

Weekly Focus

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TRENDS TO KEEP AN EYE ON

China – a better system for clearing yuan across the PRC's borders; **France** – pushing for a Tobin tax; **India** – a renewed attempt at investment liberalization; **Iran** – growing financial troubles and threats against the West.

ARGENTINA

The economy finished last year on a strong note and the government's intention is to do what it can to keep the boom going. This will prove to be increasingly difficult, however, given the strengthening headwinds threatening activity and the adverse consequences of the regime's interventionist policies.

EGYPT

The Islamists are set to make further inroads and their avowed political pragmatism should not be taken for granted. Egyptians, especially the poor, seem to feel that the religious parties can set the economy right, and this sentiment will strengthen the more conditions worsen under the military-installed interim government.

FRANCE

Pres. Sarkozy is battling to pare the budget deficit, prevent an economic slump, preserve France's AAA credit rating, and solve the Eurozone debt crisis. He also wants to be re-elected. How he arranges his priorities will determine how the country fares in the year ahead.

GREECE

Debt negotiations are running behind schedule, and this means that the coming weeks will be critical as more officials in Athens and Brussels warn openly that the country would have to leave the Eurozone if it failed to clinch, soon, a deal on a second bailout. Elections are penciled in for February 19, but this seems premature.

HUNGARY

The government has passed a raft of laws that undermine the democratic checks & balances and are akin to a constitutional coup. In the longer run, this is a development that the EU will have to look at more closely. In the short term, it threatens to help propel the country ever closer to a full-fledged financial crisis.

ITALY

The interim government's emergency budget received parliamentary approval without too much trouble, but follow-up measures designed to improve the country's competitiveness and stimulate growth will prove to be much more challenging to put in place.

NIGERIA

The country is in for an even more turbulent time than it experienced last year, now that drastic state subsidy cuts have gone into effect, leading to strike threats by key labor unions, and bomb attacks by the Northern Boko Haram terrorist group have conjured up the specter of growing ethnic and religious violence.

SPAIN

With the fiscal squeeze having to be much harsher than initially anticipated in order to cope with a red-ink spill now said to be a lot larger, the first half of this year will be a difficult time for the economy, but indications are that PM Rajoy and his team will see things through.

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