

# *Weekly Focus*

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**January 19, 2012**

## **TRENDS TO KEEP AN EYE ON**

**China** – a Federal circuit court in the US rules double punitive duties illegal; **France** – Pres. Sarkozy is pushing to make French companies more competitive; **Iran** – worsening currency turmoil; **Italy** – taking a stab at structural reforms.

## **BAHRAIN**

Constitutional reforms announced by the King fall far short of opposition demands and will not do much to ease the tensions still simmering under the surface. This means that the risk of a renewed eruption of unrest and violence remains high under the veneer of normality.

## **CHINA**

Year-end statistics confirm that China – for now at least – remains headed for a soft economic landing. But worries about the outlook run high in Beijing, and it would seem to be a safe assumption that official policies this year will be fixated on stability.

## **COSTA RICA**

The economy, although slowing, is still doing quite well and is not at risk of slipping into a recession. The current-account BoP gap will continue to be covered by capital inflows. Unfortunately, Pres. Chinchilla appears to be committed to a series of tax increases to fund stepped-up government spending.

## **EGYPT**

An acute fuel shortage serves as a reminder of how quickly the country's economic situation has deteriorated and explains why the authorities are now in a rush to gain support from the IMF. They will need more money and will have to accept tougher conditions than when they rejected an accommodation last June.

## **HONG KONG**

The SAR just barely avoided slipping into a “technical” recession in last year’s third quarter. Growth has slowed and will suffer even more setbacks in the current year. Fortunately, both the local administration and Beijing are prepared and ready to take counter-measures.

## **INDONESIA**

The country has been declared “investment grade” by a second credit rating agency in a month, with references to its solid fundamentals. So, why is growth underperforming the nation’s potential? The woefully inadequate infrastructure is an important reason, but so is pervasive corruption.

## **NIGERIA**

A week of economic paralysis ended when the government cut fuel prices and the labor unions called off a nation-wide strike. This is not to say that the problem has been resolved, however, and Pres. Goodluck Jonathan also still has a growing wave of religious violence in the country’s North on his hands.

## **PAKISTAN**

The political cross-currents are becoming more virulent. A military coup is improbable at this time, but early elections are becoming increasingly likely. Relations with the United States, meanwhile, have deteriorated beyond the point of no return.

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