

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Iran** – a steep increase in interest rates and a rial devaluation, with more to come; **Japan** – the CB is massively stocking up its kitty for FX market intervention; **Thailand** – an interest rate cut and a government revamp that smells of “Thaksinization.”

## COLOMBIA

The economy is still performing quite well, and while it will slow during the current year, it will hold up fine compared to others in the region. The Marxist insurgencies are down, but not out, at least in part because the rebels have learned to wage “judicial warfare.”

## CROATIA

Rejecting the warnings of Eurosceptics, Croatians have voted overwhelmingly in favor of joining the European Union, which the country is now likely to do in mid-2013. Zagreb will have to commit to adopt the euro eventually, but this is not a near-term prospect.

## FRANCE

With only three months to go to the first round of presidential elections, French voters are faced with a choice between a died-in-the-wool Socialist and a middle-of-the road statist. The Socialist challenger, who has decided to stake out ground on the far Left, would clearly be the more problematic of the two.

## HUNGARY

Thanks to PM Orban’s newly conciliatory stance toward the EU and the IMF, the CB has been able to avoid an interest rate hike. But the markets are in a “show-me” mode and want to see tangible evidence of a change in policy direction. Failing that, the jitters will return and the CB may yet have to tighten policy further.

## ROMANIA

The banking system remains fragile and at risk from its large exposure to Greek and Austrian parent institutions, but this is a problem that the CB looks equipped to deal with. More of an imponderable is the social unrest that has erupted over the government’s austerity regimen.

## SLOVENIA

The Finance Ministry was quick to call S&P’s decision to downgrade the nation’s credit rating “excessive,” but the economy has a number of weaknesses and the country has been without a full-powered government since last September, when Borut Pahor was toppled as Prime Minister in a no-confidence vote.

## SPAIN

The central government is moving quickly to help financially ailing regions and make them more fiscally responsible. It is also showing that it is serious about cleaning up the banking sector. But it has begun to speak out of both sides of its mouth as it discusses plans to meet the budget deficit goal for the current year.

## SYRIA

While political moves to oust Pres. Assad from power appear to be going nowhere, the sanctions that have been imposed are biting hard. They hurt mostly the people rather than the regime, though, and will not, by themselves, suffice to lead to regime change.

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