

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Egypt – desperate to improve liquidity conditions; **Greece** – export credit insurers have stopped offering cover; **Kazakhstan** – borrowing limits on state companies; **Peru** – Cabinet changes to come as mining demonstrations persist.

AUSTRALIA

PM Gillard remains in a precarious political position ahead of elections next year. The budget counts on tax hikes to produce a surplus, but the government needs to be careful as the higher imposts along with the exchange market strength of the Australian dollar are starting to squeeze some of the more marginal mining projects.

CHINA

As Beijing weighs its options for responding to the slowdown of the economy, it is becoming increasingly clear that no grand-scale stimulus program is being considered. To be expected are a number of small measures that won't add up to a major policy change.

EGYPT

Whoever emerges victorious from the second round of the presidential elections will not have much of a mandate and not even a meaningful job description. This means that the power struggle between the Islamists, the remnants of the former military regime and the moderate secularists in between will continue, to the detriment of the increasingly hard-pressed economy.

INDIA

Talk about a currency and BoP crisis is premature, but the steep slump of the rupee highlights how jittery the financial markets have become under an indecisive and often backward looking government. The steps the authorities have taken do not go to the core of the problem.

INDONESIA

The rupiah had a weak start this year, in part due to repercussions from the European crisis, but in part also because of worries that investment inflows may suffer in response to growing resource nationalism. The economy, however, is strong and resilient and likely to again grow by more than 6% this year.

PAKISTAN

Relations between Islamabad and Washington are now at their worst since Pakistan in 2001 became a key ally in the US war against terror. Unless they can be mended fairly soon, the country is headed for financially and economically hard times, since the economy is badly managed and remains highly vulnerable.

SOUTH AFRICA

Growth has slowed while the rand has declined and inflation has accelerated, making it difficult for the CB to do anything other than keep the rudder steady. The ANC's policy conference will discuss big changes, but is unlikely to agree on more than tinkering on the edges.

SPAIN

The EC has extended a couple of lifelines, but it is doubtful that these measures will achieve the intended purpose. Until a better solution has been found the bank woes will deepen and in Spain's non-financial sector many more companies will have to fight for their lives.

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