

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Argentina – moving closer to the day of reckoning; **Brazil** – a start to rolling back the restrictions on capital inflows; **United Kingdom** – plans to flood the banking system with liquidity; **Venezuela** – the next government will have to devalue the bolivar.

CYPRUS

The Island is now under intense pressure to seek an EU bailout for its troubled banks before repercussions from the Greek elections create even more serious problems. The authorities are encouraged by the fact that Spain was able to get such a bailout without a whole program of tough credit conditions.

INDIA

The government has promised a number of steps to perk up flagging growth, but there is no telling how these will be paid for and India may yet become the first member of the BRIC group to lose its investment-grade credit rating.

MEXICO

The PRI's Pena Nieto is still the favorite to win next month's presidential election, but the race has tightened and unexpected things could happen. Fortunately, on many of the key issues the second in the campaign agrees with the frontrunner's views. Mexico has been doing well economically. Existing policies need to be continued.

NORWAY

There is an ongoing debate as to whether the Kingdom is in the grip of a dangerous housing bubble, but the leader of the Conservative Party, the front-runner to take over as PM in next year's elections, is not pushing for measures to cool the market.

PAKISTAN

US lawmakers are edging closer to a further aid cut-off. The consequences for the Pakistani economy are hard to over-estimate. The government budget is already bursting out of all seams and electricity shortages are becoming more acute while rented floating power stations have been idled by a corruption probe.

ROMANIA

The new Leftist government has done well in local elections, as voters sent a clear message that they had enough of officially imposed austerity. The administration will probably still have difficulty selling international bonds in the third quarter, as planned, but it does have buffers and is not with its back against the wall.

TUNISIA

Underscoring the difficulty of designing a modern democracy, the committee charged with drafting a new constitution is struggling with the role that Islam is to play. The economy, meanwhile, is having a bumpy ride and may ultimately become the determining factor.

UNITED ARAB EMIRATES

The economy is continuing to recover from the 2009 crisis and the outlook for the remainder of 2012 is not bad, the existence of a number of potentially serious downside risks fully admitted. Inflation remains subdued and the external accounts surpluses have been increasing.

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