

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Italy – income tax cuts for low-wage earners; **Jordan** – a new government preparing fresh elections; **Vietnam** – the CB has been ordered to clean up the banking sector.

ARGENTINA

The government has forced the province of Chaco into a debt default – sort of – denying it access to the needed dollars. Though so far an isolated case, this will have consequences. President Fernandez, meanwhile, finds her problems growing and ratings falling, but her position is not in any near-term danger.

CZECH REPUBLIC

January 11-12 has been set as the date of the first popular election of a President and there are many in the government who are quite pleased to see the incumbent depart. But this administration itself is moving ever closer to a collapse. The economy is still in recession and any future recovery will be slow and halting.

HUNGARY

The government moved a step closer to a deal with the IMF by dropping a tax plan opposed by the Fund. Hungary has, in many respects, done better than other members of the European Union, but the economy is now at a standstill and the near-term outlook leaves the government little choice but to come to terms with the IMF.

ICELAND

The country is in the midst of a broad recovery and facing, by and large, good prospects. There are still risks, but the gloom that had spread over the Island in 2008 and 2009 has dissipated. The question now is not whether, but when and how Iceland will surrender the krona as its currency and adopt the euro. The IMF is probably right in counseling caution.

SOUTH AFRICA

As the labor unrest across the nation is going from bad to worse and the government fails to show the leadership that would be needed to halt the deterioration, the economy is suffering growing damage and the rand is taking a beating in the foreign exchange markets. The near-term outlook is bleak.

SWEDEN

There are solid reasons why the krona has become one of the world's preferred safe-haven currencies. The first major European country since the eruption of the debt crisis to launch an explicit stimulus program, the Kingdom is in a good position to make it work.

UNITED STATES

There are undeniably some green shoots in the US economic picture. Unfortunately, they continue to be outweighed by the negatives, and the latest round of quantitative easing by the Fed will not change this. The dollar will remain relatively firm in the foreign exchange markets.

VENEZUELA

Even though President Hugo Chavez has won the elections convincingly, the country faces uncertain times in their aftermath. There is little doubt that the steward of the “Bolivarian revolution” will tighten his grip on power even more than he already has, but also that economic conditions will continue to go from bad to worse. One real winner in the contest was China.

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