

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Albania** – a still-fragile political situation; **China** – a more rapid dismantling of capital controls? **Russia** – exaggerated expectations for an early WTO entry; **Vietnam** – worries about rising inflation as a result of currency devaluations.

## AUSTRALIA

Moderate inflation expectations are being supported by a remarkably conservative fiscal policy that aims for funding the rebuilding of flood- and typhoon-ravaged Queensland with spending cuts elsewhere and with tax increases rather than with borrowed money. Australia continues to receive massive amounts of FDI, but is not indiscriminate in what it accepts.

## FINLAND

The economy is recovering gradually, not nearly as fast as the local business community and policy makers would like, but reliably and with no serious setbacks. The local banking system is in good shape, thanks to healthy capital buffers and prudent management.

## FRANCE

While the French economy did better than the German one during the global crisis, the roles are now reversed, which gives Germany more clout in matters pertaining to the Eurozone. The Elysee now wants to put the 35-hour work week up for debate, but not until after the 2012 elections.

## GREECE

The country has done better than expected in shrinking the central government deficit that sparked the European debt crisis. It is now set to receive further aid from the EU/IMF rescue facility. Longer-term solutions are needed, however, and tough new legislation to reduce tax evasion is unlikely to do the trick.

## PORTUGAL

While Lisbon remains adamant that it will not need a bailout from the EU's financial rescue facility, the discussion in Brussels and in the financial markets revolves around when rather than whether. Unless Portugal's borrowing costs come down substantially, and soon, its options may become quite limited.

## SPAIN

Investors seem to have become less worried about this country in recent weeks, thanks to steps taken by the government to whittle down the budget deficit, promises of some basic reforms, and progress in shoring up the struggling savings banks. Spain is not yet out of the woods, however.

## TURKEY

The CB says the latest statistics attest to the correctness of its interest-rate policies, but there are still questions about the validity of this course. Questionable is also whether the government should claim to serve as model for other Moslem states to follow, while at home many accuse it of posing a threat to democratic values.

## VENEZUELA

FX availability has decreased drastically since the government took full control of currency trading. While opposition lawmakers now have a larger presence in the National Assembly, Pres. Chavez has gained powers to bypass them.

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