

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Argentina** – yet another new way to tap the CB for money; **Brazil** – the “currency war” continues; **Myanmar** – heading for a unified exchange rate and a currency float; **Vietnam** – lower interest rates and plans for bank mergers; **Zimbabwe** – starting to enforce indigenization aggressively.

## BELARUS

The Belarussian ruble is now in calmer waters, following a turbulent 2011 during which it was massively devalued. The unit will remain under downward pressure, however, given growing socio-political tensions in the country and, more importantly, the widening rift between the regime and the European Union.

## BELGIUM

The new government is finding it difficult to gain the trust not just of international investors but also of the people at home, who are wary of Prime Minister Elio Di Rupo, personally, and of the fiscal austerity his administration is trying to impose. The economy is weak and very susceptible to ill influences from the outside.

## CHINA

Any change in the direction of enhancing the rule of law and toward more democracy will happen only at glacial speed. But red ink in the trade accounts and a decline in the growth of FDI signal that economic reforms will continue to be pushed. One of the more significant could be the legalization of informal lending.

## KENYA

Key sources of uncertainty in the outlook are the persisting sovereign-debt troubles in the European Union, repercussions from the invasion of al-Shabaab-infested Somalia and, above all, the upcoming presidential elections.

## LATVIA

The recovery will continue this year, albeit at a much slower pace due to a worsening external outlook. Ethnic tensions will not go away, but they have eased with the voters’ rejection of a proposal to adopt Russian as a second official language.

## SLOVAKIA

The resounding election victory of the Smer party will usher in a government determined to reduce the budget deficit with tax hikes rather than spending cuts and to roll back free-market reforms its predecessor has introduced. This will, if anything, worsen the economic slowdown that is currently under way.

## SPAIN

While PM Rajoy had good reason to refuse to abide by the EU’s budget deficit goals and Brussels was correct in opting for a compromise, it remains questionable whether the government can surmount even the lowered hurdles and thus retain the goodwill of its Eurozone peers and international investors.

## TUNISIA

The interim government is under increasingly intense pressure from both secularists and hardline Islamists to depart from its middle-of-the-road course. The economy is in trouble, its home-grown difficulties made worse by ill influences from abroad.

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