

Weekly Focus

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TRENDS TO KEEP AN EYE ON

China – a faster appreciation of the yuan? **Estonia** – an upgrade in the country's credit rating; **Switzerland** – a deal with Germany concerning secret bank accounts; **Syria** – added US sanctions; **United Kingdom** – disappointing economic numbers.

CHILE

The authorities may be getting ready to raise interest rates again, but they will probably still hold their horses at the next policy meeting since it is becoming increasingly clear that earlier warnings of economic overheating were exaggerated.

FRANCE

For now, there is no risk of a downgrading of the country's AAA credit rating. The government has vowed to do whatever it takes to maintain its status. The real question is what will happen in the runup to, and after, the next elections, given that the Socialists are determined to roll back key fiscal austerity measures.

GERMANY

There are a few straws in the wind suggesting that the economy may be slowing down, but they are still too few and far between to be taken too seriously. At that, Chancellor Merkel is clearly not benefitting politically. Unless the FDP recovers or she finds more support for her CDU, she may not be re-elected in two years.

ITALY

Italy has become the central battlefield in Europe's struggle to contain the debt crisis, since it is too big for the Eurozone's bailout fund to rescue. Rome needs to win back the confidence of investors with decisive steps at home, but whether Berlusconi and his team are up to the task is something that still has to be seen.

MALAWI

The CB has devalued the kwacha, but this alone will not do much to resolve the economic problems. The UK recently withdrew foreign aid and the US froze a large grant. Without this support, foreign exchange shortages will no doubt persist, as will fiscal difficulties.

MAURITIUS

The government has reduced its growth expectations for 2011, mainly because of the ongoing sovereign debt problems in Europe. The economy will still put in a creditable performance, though, and while the current-account BoP deficit is apt to grow further, the Island is not facing any international-liquidity problems.

THAILAND

Yingluck Shinawatra will find her political honeymoon to be short as she tries to keep a deeply divided body politic from re-erupting in violence. She also will find it difficult to make good on her campaign promises, to which the Central Bank has already responded with yet another interest rate hike.

UNITED STATES

The economy has slipped closer to the edge of a double-digit recession. The reason is a troubling lack of leadership in Washington resulting in uncertainties that are keeping businesses from investing and hiring. This situation now looks unlikely to change before next year's elections.

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