

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Dominican Republic** – an economic slowdown, but not a dramatic one; **Korea (South)** – trouble with the free trade pact with the US; **Panama** – remains one of the fastest-growing economies in the Western Hemisphere.

## AUSTRALIA

A new leadership battle is on within the ruling Labor Party, from which no one will emerge truly victorious except, perhaps, the opposition. The Reserve Bank is likely to keep the rudder steady for now, but there is scope for an easing, should demand in the economy weaken materially.

## AUSTRIA

The government has announced budget cuts and higher taxes said to total EUR 26.5 billion over the next five years. The country's banks, meanwhile, are in the midst of a re-orientation limiting their exposure in Central and Eastern Europe and consolidating it in the least risky countries.

## BRUNEI

Economic growth has rebounded strongly from two years of decline, thanks to prudent and flexible official policies. The country is now, once again, on track for a steady, if modest, GDP expansion, driven not just by the important oil and gas sector but by sustained development spending and targeted social programs.

## CHINA

Banks are being instructed to roll over loans to local governments as a mountain of debt is coming due that cannot be repaid. There are risks in this scheme, but they can be easily exaggerated. So long as the economy keeps growing, the problem will presumably remain manageable. And the signals still point only to a soft landing of the Chinese economy, not a crash.

## GERMANY

The signals from the economy are still quite strong. This is benefitting Chancellor Merkel politically, as is her cautious handling of the Eurozone crisis. The confrontation over the selection of Germany's new President, however, raises disquieting questions about the longer-term future of her governing coalition.

## PORTUGAL

More & more Portuguese want to see changes made in the tough austerity program. So far, none of the mainstream parties is advocating a debt restructuring forcing private bond holders to accept losses, but the likelihood is growing that a Greece-like approach will be needed in Portugal as well.

## TURKEY

The Central Bank has downsized the corridor for interest rates to lower borrowing costs and give the economy a gentle boost. A reform package to streamline judicial processes has met with mixed reviews. Relations with the country's neighbors are undergoing noteworthy changes.

## TURKMENISTAN

The outcome of the presidential elections was exactly as everyone had predicted, since free and fair balloting is not a customary concept in this country. The economy is continuing to grow strongly, carried by plentiful natural gas resources.

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