

# Weekly Focus

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August 9, 2012

## TRENDS TO KEEP AN EYE ON

**Colombia** – capital inflows make for an overly strong peso; **Japan** – a doubling of the national sales tax is about to be legislated; **United Kingdom** – a record trade deficit; **United States** – a better-than-expected trade showing.

## CHINA

The authorities have quietly shifted to a policy of depreciating the yuan rather than going in the opposite direction. This puts them on a collision course with the US and Europe, but the effect of the change can easily be exaggerated. At home, Beijing is returning to investment-driven stimulus measures.

## INDIA

Business & banking interests expect the new man heading the Finance portfolio, Palaniappan Chidambaram, to launch the reforms that are needed to breathe new life into the slowing economy. This optimism may well be premature, though, as the political considerations for the government have not changed.

## MALAYSIA

Headed for a potentially tight election, PM Najib is pushing ahead with some highly visible political reforms, but is not making progress with urgent changes in economic policy. The pace of business activity is slowing under the weight of external influences, yet by international standards the economy remains in good shape.

## MALI

The country remains on the brink of an all-out civil war of which the outcome could affect the entire Maghreb for decades to come. Outside forces, African or Western, are hesitant to step in, all of which makes for a combustible pyre that perfectly suits jihadists seeking to build a new safe haven.

## RUSSIA

The Central Bank has widened the fluctuation band for the ruble's exchange rate. The unit will stay vulnerable on the downside, despite a strong current-account BoP surplus, as capital outflows remain substantial. It is doubtful that Russia's impending WTO entry will change this.

## SERBIA

A new Governor has taken over the Central Bank, following the adoption of amendments to the laws governing this institution which pose a serious threat to its independence. The EU and the IMF are watching developments closely, worried that Serbia is slipping back into its old nationalistic/protectionist ways.

## UNITED KINGDOM

The Bank of England has decided to leave monetary policy on hold for now. One of the reasons is, probably, that the BoE may want to tread especially cautiously at a time when key British lenders are under siege. There is also the political situation to be considered, as the ruling coalition is in its worst crisis yet.

## ZAMBIA

The kwacha has been on the rise of late, but this has had more to do with a change in currency regulations, limiting the USD's role, than with any shifts in economic prospects (which remain strong) or in investment inflows. While there are some downside risks for the economy, these should not be exaggerated.

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