

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Czech Republic** – in a stronger position than other EU countries; **Hungary** – an interest rate cut to test the waters; **Peru** – improved credit rating; **Singapore** – prospects for the SGD and the economy; **Slovakia** – weaker, but not headed for a recession; **Sri Lanka** – robust economic trends, internally and externally.

## ITALY

Interest rates are testing high levels, which are feeding into the domestic economy and making it difficult for business to compete. Investors are worrying about the implementation of the latest austerity measures and, even more so, of labor reforms meant to help Italian companies.

## IVORY COAST

The economy is trying to bounce back, helped by generous debt relief approved by the World Bank and the IMF. Almost everything will depend, however, on whether national unity and security can be improved

## PANAMA

Growth remains exceptionally brisk, thanks to an ambitious investment program and strong inflows of foreign capital. There is some concern that the government is spending too much, but expectations are high for handsome returns on the investment. President Martinelli, nonetheless, has seen his popularity plummet.

## PHILIPPINES

The CB is trying to stem inflows of volatile foreign capital that are driving up the peso. The influx is being attracted by relatively strong economic growth and continued expectations that the country's credit rating will soon be raised to investment grade. Among considerations holding long-term investors back are the country's inadequate infrastructure and political worries.

## POLAND

PM Tusk is under pressure to relax his government's fiscal stance. He may do so, but at most by stretching out the timetable for deficit cuts. The external accounts pose few problems at this time, although a shift toward inflows of more volatile capital merits watching.

## SWEDEN

The Kingdom has become a haven for flight & fright capital. This does not please the policy makers, who worry about the Swedish crown becoming so strong that local companies are priced out of global markets. But in the short run it is doubtful that the SEK's buoyancy will lessen a great deal.

## SWITZERLAND

The Central Bank finds itself in uncharted territory as its FX market intervention to restrain the buoyant Swiss franc raises official reserves to dizzying levels and the policy is beginning to show unintended side effects. Just the same, we do not expect Nationalbank to relent.

## UZBEKISTAN

The Northern Distribution Network has become less critical for NATO operations, but the Uzbek regime still tries to play both sides between Russia and the US, with some success. It is also harassing Tajikistan any way it can. The Uzbek economy is doing quite well, even though little of this seems to be trickling down to the average citizen.

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