



Decide with Confidence

WorldWatch

D&B Country Risk update



December 2007

		Africa
Algeria	Despite a series of successful military operations, security risk remains high.	
Angola	The parliament approves another expansionary budget for 2008, but fiscal controls remain weak.	
Botswana	The central bank leaves its main interest rate unchanged, but upside inflation risks remain.	
Cameroon	A separatist group claims responsibility for killing 21 soldiers, heightening security concerns.	
Cote d'Ivoire	Preparations for the presidential election start as identity card distribution begins, but the poll is unlikely to occur until well into next year.	
Congo, D.R.	Stability in the copper-rich Katanga province improves but the security situation deteriorates in the east of the country.	
Ethiopia	D&B downgrades Ethiopia's country risk rating as a result of increased external political risk and heightened internal instability.	
Gabon	The short-term economic outlook improves as reforms in the non-oil sector start to come into effect.	
Ghana	D&B lowers its 2007 economic growth forecast in response to severe recent flooding.	
Kenya	Political tension rises ahead of December's slew of elections.	
Libya	The country's international rehabilitation continues as it secures a non-permanent seat on the UN Security Council.	
Malawi	The opposition-dominated parliament passes the delayed budget bill, but political bickering continues to undermine economic progress.	
Mauritius	The central bank leaves interest rates unchanged, but high oil and food prices remain major concerns.	
Morocco	Despite its optimistic growth assumptions, the 2008 budget is generally positive for the risk outlook.	
Mozambique	The completion of mega-projects and an IMF economic programme help to establish stability in the country's post-conflict economy.	
Namibia	The central bank raises interest rates, in line with the monetary policy lead taken by South Africa's reserve bank.	
Nigeria	Government plans to review production agreements with oil majors spark concern.	
Senegal	The IMF approves a programme of economic supervision, prioritising key structural reforms.	
Sierra Leone	Positively, President Koroma's inaugural address focuses on strengthening the economy, improving electricity supplies and fighting corruption.	
South Africa	The central bank's tight monetary policy is increasing the cost of household debt and raising the risk of payment default.	
Sudan	The threat of renewed conflict has been reduced by an agreement to uphold the key conditions of a peace deal.	
Tanzania	The expanding mining sector makes the country East Africa's top destination for foreign direct investment.	
Tunisia	A recent World Economic Forum report shows that Tunisia is the strongest African country in terms of competitiveness.	
Uganda	Increased foreign exchange inflows lead to an appreciation of the currency, but central bank intervention should address anti-competitive effects.	
Zambia	Robust export earnings strengthen the currency, but moderating metal prices, higher imports and global uncertainty will weaken the currency going forward.	
Zimbabwe	Hyperinflation continues unabated, while increased trade liberalisation is unlikely to bring any benefits.	



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America

Argentina	Newly-elected President Fernandez' policy agenda includes improving the country's external profile.
Bolivia	The government's unorthodox economic policies continue to cause concern.
Brazil	D&B upgrades Brazil's country risk rating due to its resilience to recent financial market turmoil and likely continuing high flows of portfolio investment.
Canada	The government's latest tax giveaway strengthens its position ahead of a possible early election.
Chile	The central bank maintains interest rates even as inflation registers its highest level in a decade.
Colombia	Despite alleged voting irregularities and political violence, the ruling party performs strongly in local and regional elections.
Costa Rica	A free-trade pact with the US is narrowly approved in a referendum, but challenges over its implementation remain.
Cuba	Speculation mounts that Fidel Castro may permanently step down from the presidency.
Dominican Republic	The IMF praises the country's economic policies, which have significantly reduced macroeconomic weaknesses.
Ecuador	Following its victory in a constituent assembly election, the government deepens its anti-business policy direction.
El Salvador	The prospect of a more unified political environment raises hopes of an end to partisan politics and policy gridlock.
Guatemala	Left-leaning president-elect Colom faces challenges in advancing his pro-poor policy agenda.
Honduras	The energy crisis continues to disrupt the political environment and hamper economic growth.
Jamaica	The new government announces an ambitious economic reform programme despite its slim parliamentary majority and the tense political climate.
Mexico	Flooding in the south displaces a million people and causes widespread damage to agricultural land.
Nicaragua	A series of natural disasters devastate the country's infrastructure and raise the prospect of famine.
Panama	D&B upgrades Panama's country risk rating due to improving fiscal management and the prospect of strong economic growth.
Paraguay	The early release from prison of opposition figurehead Lino Oviedo splits the opposition coalition and leaves the result of the presidential election in doubt.
Peru	In a highly positive development, the US legislature ratifies the countries' free-trade deal.
Trinidad & Tobago	Prime Minister Manning is returned to government in the parliamentary election, ensuring continuity of the country's pro-investment policies.
USA	Concerns over the unravelling crisis in the housing market prompt a further interest rate cut.
Uruguay	The long-running dispute with Argentina worsens as a controversial pulp-milling plant becomes operational.
Venezuela	Government economic policies pose a threat to the long-term health of the economy.



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Asia/Pacific

Afghanistan	The security situation remains adverse, with signs that violence may be spreading to previously peaceful areas.
Australia	An interest rate rise further undermines Prime Minister Howard's re-election prospects ahead of the November poll.
Bangladesh	It remains unclear when the state of emergency will be lifted, with much depending on the outcome of legal proceedings over political corruption.
Cambodia	The economic outlook and Prime Minister Hun Sen's strengthening grip on power are both positive for the risk environment.
China	Payment conditions deteriorate as the government orders a partial credit freeze.
Fiji	The introduction of a new inter-bank payment system may help to improve payments performance.
Hong Kong	The territory's economy continues to expand robustly amid favourable labour market conditions, rising tourist numbers and a strong domestic stock market.
India	State-controlled prices help to bolster the inflation outlook in the face of rising oil costs.
Indonesia	Fuel and electricity subsidies shield households from higher global energy prices.
Japan	The short-term outlook is more uncertain as household consumption comes under pressure and consumer caution rises.
Malaysia	Rising commodity prices stoke discontent and a new popular challenge to the ruling coalition.
Myanmar	A harsh crackdown by the junta on mass protests has underlined its grip on power.
Nepal	The Maoists and the leading political parties look more likely to co-operate in 2008.
New Zealand	The reserve bank keeps interest rates unchanged amid continuing inflationary pressures.
Pakistan	D&B downgrades Pakistan's country risk rating as the president's declaration of a state of emergency creates new uncertainties.
Papua New Guinea	Prime Minister Somare comes under fire but holds on to office amid positive reports on the economy.
Philippines	Export growth remains well behind that of the country's regional competitors.
Singapore	The economic outlook remains strong in the face of concerns over US demand and producer price inflation.
South Korea	Robust private consumption helps to offset weaker export growth and a slump in investment as external risks mount.
Sri Lanka	A greater international focus on the humanitarian consequences of the war against the Tamil Tigers could complicate the government's deficit financing.
Taiwan	A surge in food costs and higher oil prices increase inflationary risks.
Thailand	Political manoeuvring increases as the planned transition from military to civilian rule approaches.
Vietnam	Despite the country's impressive economic momentum, there is still strong potential for economic volatility.



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Eastern Europe

Albania	D&B upgrades Albania's country risk rating as the country prepares to offer a eurobond issue and receives a sovereign credit rating.
Azerbaijan	Real economic growth remains robust due to high world oil prices and increased production levels.
Belarus	An IMF report highlights the ailing state of the economy, but the likelihood of reform remains slim.
Bosnia & Herzegovina	Country risk remains high as politicians focus on ethnic bickering to the detriment of building a coherent state.
Bulgaria	The government is now well-positioned to tackle economic challenges after defeating a no-confidence motion in parliament.
Croatia	The centre-left looks set to replace the incumbent centre-right government in November's parliamentary election, but substantial policy change is unlikely.
Czech Republic	Industrial production slows, bolstering the view that growth in the overall economy will moderate.
Estonia	Increasing inflation rates and the new draft budget highlight questions about macroeconomic policies and euro-adoption.
Georgia	The government gives in to opposition demands and agrees to hold an early presidential election, providing a major test for ongoing reforms.
Hungary	The short-term economic outlook looks set to improve despite slowing growth and a rebound in inflation.
Kazakhstan	The global liquidity squeeze is set to curtail credit growth and constrain overall economic output.
Kyrgyz Republic	The outlook remains weak amid political uncertainty and surging inflationary pressures.
Latvia	The government aims to tighten fiscal policy to cool overheating economic growth but doubts over the measures' effectiveness and the authorities' commitment remain.
Lithuania	The economy overheats amid rising inflation and widening external imbalances.
Macedonia	Supporters of the largest ethnic-Albanian party clash with police as the government seeks improved rights for other ethnic minorities.
Poland	The new coalition government looks set to pursue a business-friendly policy agenda.
Romania	Unsound fiscal policies and a lack of reform threaten to undermine investor confidence.
Russian Federation	Inflationary pressures increase owing to strong economic growth, loose macro-economic policies and rising food prices.
Serbia	Good macroeconomic progress keeps the risk outlook relatively positive despite concerns over the future of Kosovo.
Slovak Republic	Strong automotive export performance boosts economic growth, but a slowdown is likely in the short term.
Slovenia	Danilo Turk, the candidate favoured by the left, defeats the government-backed challenger in the presidential run-off election.
Tajikistan	Perceptions of corruption worsen despite a World Bank programme to improve corporate governance.
Turkmenistan	Interest from international oil companies increases as the president encourages new pipeline projects and investment opportunities.
Ukraine	A number of imbalances triggered by robust economic growth are increasingly tainting Ukraine's economic outlook.
Uzbekistan	The incumbent President Karimov seems set to be re-elected in the December poll.



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Middle East

Bahrain	Foreign investor interest remains strong due to major construction projects and a relaxation of investment ownership laws.
Egypt	The chances of Gamal Mubarak succeeding his father as president increase, with mixed implications for the risk outlook.
Iran	The US introduces new far-reaching sanctions, further curtailing trade and investment.
Iraq	Sectarian violence becomes the main government concern as groups vie for control of areas vacated by multinational forces.
Israel	The chances of success for the latest international peace conference remain remote.
Jordan	The risk outlook remains stable as the Islamic opposition performs poorly in the general election.
Kuwait	The oil minister resigns after eight days in his post, increasing the risk that parliament could be suspended.
Lebanon	The political impasse continues as the presidential election is postponed for a fourth time.
Oman	Despite the second-ever consultative council election, real power rests with the emir.
Qatar	Inflationary pressures and concerns over the pegged exchange rate undermine the otherwise robust risk outlook.
Saudi Arabia	Growing inflation raises concerns for the monetary authorities and affects the country's risk outlook.
Syria	The process of economic and financial liberalisation continues, but business risk remains high.
UAE	Inflationary pressures and concerns over the pegged exchange rate policy undermine an otherwise robust risk outlook.
Yemen	The risk outlook weakens as a result of rioting over inflation, the president's increasingly authoritarian rule and declining oil production.



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Western Europe

Austria	The economic outlook deteriorates as oil and food price increases hit consumer confidence.
Belgium	D&B downgrades Belgium's country risk outlook as the post-election impasse delays important political decisions and exacerbates tensions between communities.
Cyprus	Robust economic growth continues, but concerns remain over the developing property market bubble.
Denmark	The incumbent centre-right coalition narrowly wins re-election but will rely on parliamentary support from two parties whose views differ in many policy areas.
Finland	Widespread labour disputes over pay raises damage the investment environment.
France	Consumer and business confidence is hit by price rises, rail strikes and tighter credit conditions.
Germany	An all-out rail strike threatens cross-border freight delivery to and from Germany, as well as transit cargo.
Greece	The government's attempt to reform the pension system increases political tensions.
Iceland	Speculation mounts that the central bank is poised to tighten monetary policy even further.
Ireland	The finance minister signals a moderation in fiscal expansion as economic growth slows.
Italy	Recent sluggish economic growth data underline the economy's structural problems in encouraging a faster pace of growth.
Luxembourg	Strong economic growth continues, but the banking sector will slow in response to the global credit crunch.
Malta	Despite media speculation, the government is unlikely to hold an election until 2008, after the budget is passed and the country joins the euro-zone.
Netherlands	Political risk increases as the main government coalition partners disagree over labour market reform.
Norway	The central bank slows its monetary tightening cycle amid increasing global economic uncertainty.
Portugal	Increasing uncertainty in the global economy means that the country's prospects are not as bright as the government believes.
Spain	The economy appears to be heading for a soft landing, despite increasing risks.
Sweden	The central bank continues its monetary tightening despite increasing uncertainty in the external front.
Switzerland	A report confirms the need for continued reform to raise the country's long-term economic potential.
Turkey	The government reaffirms its commitment to reduce the size of the unregistered economy.
United Kingdom	Increasing uncertainty on global financial markets harms the economy's prospects.