



Decide with Confidence

WorldWatch

D&B Country Risk update



February 2008

		Africa
Algeria	Fresh terrorist attacks raise concerns about sustaining foreign investment.	
Angola	President dos Santos finally sets the date for the overdue legislative election.	
Botswana	The business outlook remains positive going forward, despite softening business confidence.	
Cameroon	President Biya capitalises on his party's dominance by announcing plans to amend the constitution to allow him to run for re-election again.	
Cote d'Ivoire	A strike highlights important constraints in the cocoa sector as the government pledges to cut cocoa export levies.	
Congo, D.R.	A large-scale refugee crisis looms as conflict in the Nord Kivu province intensifies.	
Ethiopia	Key trade ties with Sudan are tightened in the wake of an oil deal, but tensions with Eritrea remain.	
Gabon	President Bongo appoints a new government, but does little to assuage concerns over nepotism and corruption.	
Ghana	Campaigning for the forthcoming presidential election gets under way as political parties choose their candidates.	
Kenya	Widespread violence and the political impasse continue to threaten the economy and business environment.	
Libya	The country's international rehabilitation continues as it assumes the presidency of the UN Security Council.	
Malawi	The recent floods and a renewed spike in fuel prices increase inflation risks.	
Mauritius	The country increases its efforts to promote trade liberalisation.	
Morocco	The long-running dispute over the status of Western Sahara intensifies as a rebel group threatens a resumption of armed conflict.	
Mozambique	Support from foreign donors remains dependent on continued government reform efforts.	
Namibia	Former President Nujoma steps down after four decades as leader of the ruling party.	
Nigeria	The country's chief anti-graft officer is forced to quit, calling into question the government's stance on corruption.	
Senegal	The country continues to reject an interim deal with the EU on tariff-free trade.	
Sierra Leone	President Koroma's inaugural address focuses on strengthening the economy, improving electricity supplies and fighting corruption.	
South Africa	The outlook for economic growth deteriorates in the wake of continuing power outages.	
Sudan	The US legislature passes a bill that could reduce foreign investment into Sudan.	
Tanzania	The economic outlook remains positive, although inflationary pressures remain.	
Tunisia	Economic growth remains strong, but there are major concerns over the country's lack of media freedom.	
Uganda	Kenyan political unrest threatens Uganda's trade environment and increases uncertainty over the country's short-term economic outlook.	
Zambia	Real economic growth for 2007 is likely to fall short of the government's annual target.	
Zimbabwe	Talks on constitutional reform collapse ahead of March's general election as the governing party stalls for time.	



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		America
Argentina	The economy is well-positioned to withstand a short global slowdown.	
Bolivia	The political crisis continues as four regions declare their autonomy from the federal government.	
Brazil	The government suffers its first legislative defeat, harming President Lula's policy agenda.	
Canada	Prospects for an early general election recede in the wake of increased financial market turbulence.	
Chile	Higher inflation and slower economic growth could threaten the risk environment.	
Colombia	The release of two hostages by a rebel group after President Chavez' intervention could serve to destabilise the political environment.	
Costa Rica	The poor inflation environment and uncertainty over the fate of a free-trade deal with the US mar the country's risk outlook.	
Cuba	President Fidel Castro indicates that he may be willing to transfer power, potentially allowing the economy to open up further to investment.	
Dominican Republic	Robust economic activity and the favourable reform environment underpin the improving short-term risk outlook.	
Ecuador	Economic growth is likely to remain weak in the short term.	
El Salvador	President Saca's plan to deploy more troops to Iraq could undermine his support as political parties mobilise for the next election.	
Guatemala	Congress approves the 2008 budget and the extension of a tax to support the peace accords.	
Honduras	Despite considerable structural constraints, the economy continues to perform well.	
Jamaica	Jamaica's growth outlook for 2008 undermined by Hurricane damage and rising energy and food prices.	
Mexico	Industrial exports are set to slow as US demand moderates.	
Nicaragua	The president's championing of citizen's councils provokes a severe deterioration in the political environment.	
Panama	The country's free-trade agreement with the US seems unlikely to be ratified in the near future.	
Paraguay	The political environment is set to become more uncertain if Fernando Lugo wins the presidency in early 2008.	
Peru	The government's failure to distribute minerals revenue could be politically destabilising.	
Trinidad & Tobago	The short-term macroeconomic environment should remain stable under Prime Minister Manning's guidance.	
USA	D&B downgrades the US' country risk rating as the Federal Reserve springs a surprise interest rate cut.	
Uruguay	President Vazquez averts a potentially destabilising political confrontation by ruling himself out of the 2009 presidential election.	
Venezuela	The government's redenomination of the currency is unlikely to succeed in halting price rises.	



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Asia/Pacific

Afghanistan	Despite the poor security situation, the country's economic performance is broadly favourable.
Australia	Inflationary pressures point to a further hike in interest rates in the coming months.
Bangladesh	Cyclone Sidr's devastation of many southern districts adds to existing inflationary pressures.
Cambodia	Economic growth will remain regionally competitive despite being set to slow.
China	The authorities will find it difficult to manage prices, the money supply and the exchange rate smoothly in 2008.
Fiji	The economy remains severely affected by the aftermath of the 2006 coup.
Hong Kong	Wealthy visitors' consumption boosts employment but inflation is on a rising trend.
India	The stock market tumbles, highlighting the country's vulnerability to external jitters.
Indonesia	Negative investor sentiment affects the stock market but the economy has room for manoeuvre.
Japan	Policymakers are reluctant to acknowledge that the economy is weakening.
Malaysia	The lifting of domestic fuel subsidies could result in lower growth.
Myanmar	The domestic economy remains severely depressed, but the oil and gas sectors are unaffected by tighter sanctions.
Nepal	Political violence ahead of constitutional assembly elections and the abolition of the monarchy bring a new period of political uncertainty.
New Zealand	The domestic economy shows signs of slowing, but interest rates are likely to remain high well into 2008.
Pakistan	The currency and stocks suffer as political instability remains high ahead of February's election.
Papua New Guinea	Relations with the country's key external backers improve, boding well for future development plans.
Philippines	Manufacturing exporters could suffer in 2008, but the domestic economy looks set for further growth.
Singapore	Growth in the construction and services sectors may not support the economy as strongly in 2008.
South Korea	Lee Myung-bak wins the presidential election with a strong mandate, heralding a shift to a more conservative policy platform.
Sri Lanka	The military offensive against the rebels polarises politics and increases the risk of terrorism.
Taiwan	The Kuomintang's victory in the parliamentary election bodes well for political risk and should boost economic growth prospects.
Thailand	The People's Power Party's secures a near majority in the parliamentary election, but political risks remain.



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Eastern Europe

Albania	The government unveils a five-year plan to tackle endemic corruption.
Azerbaijan	Tensions with Armenia rise as both countries consider pulling out of arms control agreements.
Belarus	Russia provides financial assistance to the government as bilateral relations improve.
Bosnia & Herzegovina	The EU president warns that the country represents a substantial risk to regional stability.
Bulgaria	Industrial, services and export growth continues despite a slowdown in overall economic expansion.
Croatia	The incumbent prime minister retains power after the election, but his coalition could be fractious.
Czech Republic	The government remains vulnerable to dissent but has little incentive to force an early general election.
Estonia	Growth patterns and inflation still raise concerns despite economic activity slowing to more sustainable levels.
Georgia	President Saakashvili's re-election indicates the extent of the country's economic and political renewal since 2003.
Hungary	The government's popularity falls as it strives to reduce the budget deficit.
Kazakhstan	Country risk is undermined by the authorities' meddling in the oil sector.
Kyrgyz Republic	The parliamentary election victory of President Bakiyev's party could deliver some promising economic reforms.
Latvia	The government resigns, but there is hope that its successor will do more to counter excessive economic growth.
Lithuania	Inflation hits a ten-year high as fiscal policy remains accommodating in an election year.
Macedonia	The government prepares a revised reform programme under its on-going IMF funding arrangement.
Poland	Economic activity looks set to moderate in response to tighter domestic monetary policy and slower demand growth abroad.
Romania	Corruption charges and clashes within the government continue to dominate the political scene.
Russian Federation	Prospects for economic reform improve as a relatively liberal ally of President Putin is nominated to succeed him.
Serbia	A hardline nationalist wins the most votes in the presidential election, triggering a runoff.
Slovak Republic	Robust economic growth helps to boost tax revenues and lower the central government's budget deficit.
Slovenia	The economic outlook remains favourable despite a spike in inflation.
Tajikistan	The country's energy crisis affects business dealings and underlines the need for a major reform of energy policy.
Turkmenistan	The risk outlook improves as the government takes initial steps towards exchange rate unification.
Ukraine	Yulia Tymoshenko's return as prime minister is unlikely to end government instability and policy gridlock.
Uzbekistan	President Karimov looks set to be re-elected in December's election, nullifying the possibility of an improvement in the country's democratic credentials.



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Middle East

Bahrain	Rumours persist about the currency's possible decoupling from the US dollar.
Egypt	Although the economic reform process has delivered improvements, an official report shows that the government is failing in many areas.
Iran	The ratcheting up of international pressure makes trade finance increasingly difficult.
Iraq	The improving security situation is undermined by political parties' failure to overcome factional interests.
Israel	Prospects of a peace treaty with the Palestinians in the medium term remain slight as violence continues and peace talks make little progress.
Jordan	Unusually inclement weather damages much of the agricultural sector, weakening the country's economic outlook.
Kuwait	Inflationary pressures suggest that the central bank may have to tighten monetary policy.
Lebanon	The risk outlook continues to deteriorate amid escalating violence.
Oman	The currency peg to the US dollar undermines the government's ability to fight inflation.
Qatar	US interest rate cuts increase the chances that the riyal will be revalued.
Saudi Arabia	An upsurge of inflationary pressure makes the careful spending of oil wealth a necessity.
Syria	The country's high risk rating is underscored by declining oil production and a diplomatic spat with France.
UAE	Cuts in US interest rates make a revaluation of the dirham more likely.
Yemen	Trade and investment should be boosted by the prospect of WTO membership being completed in 2009.



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Western Europe

Austria	Tighter credit and higher inflation pose risks to the country's economic prospects.
Belgium	The formation of an interim government provides an opportunity for the creation of a permanent coalition.
Cyprus	The government unveils a surprise welfare package, possibly signalling a significant fiscal loosening.
Denmark	The authorities are set to ease immigration laws for some citizens of the new EU member states.
Finland	The government may try to accelerate the pace of fiscal reform as more difficult economic conditions loom.
France	An agreement on labour market reform is likely to increase strain on the welfare system while bringing only limited extra flexibility.
Germany	The outcome of important state elections should boost government effectiveness at the federal level.
Greece	The economy faces a number of risks in addition to the slowdown in the business cycle.
Iceland	Concerns remain over the levels of domestic demand, inflation and debt.
Ireland	Economic growth slows as machinery and construction investment contracts.
Italy	The collapse of the centre-left government increases the chances of ex-premier Silvio Berlusconi returning to power.
Luxembourg	Prime Minister Juncker thwarts the introduction of an EU tax reform, maintaining the country's attractiveness as a location for online services industries.
Malta	The country joins the euro-area, consolidating its role in the EU and reducing currency risk.
Netherlands	The outlook deteriorates amid worrying economic signals and the arrest of an extremist terror cell.
Norway	The economy is set to slow, but the commercial environment should remain sound.
Portugal	Economic prospects are relatively positive, but there are increasing risks from global conditions.
Spain	The economic slowdown may reduce Prime Minister Zapatero's room for manoeuvre if he is re-elected in the forthcoming election.
Sweden	Lower-than-expected inflationary pressures and concerns about worsening export prospects reduce the likelihood of an immediate interest rate hike.
Switzerland	The political system suffers a shock as one of the major parties withdraws from the government.
Turkey	The military's response to fresh violence by Kurdish rebels undermines the risk outlook.
United Kingdom	D&B downgrades the UK's country risk rating amid weakening domestic demand drivers.