



Decide with Confidence

# WorldWatch

## D&B Country Risk update



January 2008

		Africa
Algeria	Two car bombs kill dozens of people in the capital, increasing security concerns for foreign companies.	
Angola	Robust oil prices and increasing Chinese investment limit the scope of the regulatory reform process.	
Botswana	The country's short-term prospects remain positive, but high levels of bureaucracy continue to pose a challenge to doing business.	
Cameroon	A separatist attack on soldiers in the oil-rich Bakassi peninsular heightens security concerns.	
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	Diplomatic relations with the US are strained by the threat of a reduction in military aid.	
Gabon	The short-term economic outlook improves as reforms in the non-oil sector start to come into effect.	
Ghana	The government pursues an expansionary fiscal policy while the central bank raises interest rates to pre-empt inflationary pressures.	
Kenya	Inflationary risks are set to mount in the wake of December's parliamentary and presidential elections.	
Libya	The outlook for the risk environment remains broadly positive after a recent review by the IMF.	
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 corporate tax rate is set to fall, aiding company profitability and boosting economic growth potential.	
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	Economic growth is likely to accelerate, helped by the prudent fiscal policy in the draft 2008 budget.	
Senegal	The IMF approves an economic supervision programme that will prioritise key structural reforms.	
Sierra Leone	President Koroma's inaugural address focuses on strengthening the economy, improving electricity supplies and fighting corruption.	
South Africa	The central bank maintains a tight monetary policy stance as inflationary pressures persist.	
Sudan	Key politicians from the south rejoin the government, calming fears of an immediate return to conflict.	
Tanzania	The threat of industrial action remains a business risk following a major gold miners' strike.	
Tunisia	The risk outlook improves as the sound fiscal policy continues and foreign investment inflows are maintained.	
Uganda	An interim trade deal with the EU should bring benefits, but corruption still mars the business environment.	
Zambia	Real economic growth for 2007 is likely to fall short of the government's annual target.	
Zimbabwe	Stagflation continues to afflict the economy as nationwide shortages in fuel and basic foodstuffs persist.	



Decide with Confidence

# WorldWatch

## D&B Country Risk update



January 2008

### America

Argentina	Early indications from President Fernandez suggest that the business environment will not improve substantially in the short-term.
Bolivia	The government unilaterally passes a new constitution, bringing the threat of severe social unrest as the opposition denounces it as illegal.
Brazil	Reservations remain over the political environment and below-potential economic growth.
Canada	The central bank cuts its benchmark interest rate in the wake of recent financial market turbulence.
Chile	High inflation, rising interest rates and slowing economic activity provide short-term risks to the business environment.
Colombia	A diplomatic spat with neighbouring Venezuela threatens to disrupt important bilateral trade relations.
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	Speculation mounts that Fidel Castro may permanently step down from the presidency.
Dominican Republic	Robust economic activity and the favourable reform environment underpin the improving short-term risk outlook.
Ecuador	The economic outlook is clouded by a poor business environment, standoffs between the government and foreign investors, and weak economic growth.
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	The government pushes ahead with its anti-corruption drive amid a divided political environment.
Mexico	Robust activity in the service industries helps to bolster economic growth.
Nicaragua	A series of natural disasters devastate the country's infrastructure and raise the prospect of famine.
Panama	Risks remain over rising inflation and uncertainty about the passage of a free-trade accord with the US.
Paraguay	The political environment is set to become more uncertain if Fernando Lugo wins the presidency in early 2008.
Peru	D&B upgrades Peru's country risk rating as the US Senate approves a bilateral free-trade deal that will significantly boost investment.
Trinidad & Tobago	Prime Minister Manning is returned to government in the parliamentary election, ensuring continuity of the country's pro-investment policies.
USA	The Federal Reserve cuts interest rates again as concern mounts over an economic slowdown.
Uruguay	Robust economic growth bolsters the risk outlook, but the border dispute with Argentina continues unabated.
Venezuela	President Chavez loses a popular vote for the first time in nine years, raising hopes that the country has reached a turning point.



Decide with Confidence

# WorldWatch

## D&B Country Risk update



January 2008

### Asia/Pacific

Afghanistan	The security situation remains adverse, with signs that violence may be spreading to previously peaceful areas.
Australia	The new Labor government inherits a booming economy, but inflationary pressures could create quandaries for fiscal and monetary policy in the months ahead.
Bangladesh	Cyclone Sidr's devastation of many southern districts adds to existing inflationary pressures.
Cambodia	The economy is booming but growth is set to moderate as inflation surges ahead.
China	Liquidity remains high despite the official freeze on lending.
Fiji	The economy remains severely affected by the aftermath of the 2006 coup.
Hong Kong	The extent of the anticipated US economic slowdown poses one of the key risks to the economy in 2008.
India	Industrial output slows as higher interest rates and the strengthening of the rupee take effect.
Indonesia	Short-term payments performance should be stable provided that fuel and power subsidies prove sustainable.
Japan	The economy's short-term outlook becomes more uncertain.
Malaysia	Surging exports may only provide the economy with a temporary reprieve.
Myanmar	The gas-rich country struggles to secure adequate fuel supplies for its depressed domestic economy.
Nepal	The Maoists and the leading political parties look more likely to co-operate in 2008.
New Zealand	The ruling Labour Party's 2008 electoral prospects remain clouded by heightened economic uncertainty and continuing inflationary pressures.
Papua New Guinea	Prime Minister Somare comes under fire but holds on to office amid positive reports on the economy.
Philippines	Strong private consumption fuels robust economic growth.
Singapore	Inflation surges as the economy appears to be operating close to full capacity.
South Korea	The conservative Grand National Party candidate remains the front-runner as campaigning begins ahead of the presidential election.
Sri Lanka	The military offensive against the rebels polarises politics and increases the risk of terrorism.
Taiwan	Stronger-than-expected growth improves prospects for the full-year economic growth results.
Thailand	Political risk remains high as the junta faces the polls for the first time since the 2006 coup.
Vietnam	Further price rises for construction, food and fuel mean that inflation could accelerate in 2008.



Decide with Confidence

# WorldWatch

## D&B Country Risk update



January 2008

### Eastern Europe

Albania	The IMF highlights the risks to macro-economic stability posed by financial problems at the state electricity company.
Azerbaijan	Inflation rises at the fastest rate in four years, threatening government targets.
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	Although based on optimistic assumptions, the government's 2008 budget draft is positive for investor confidence.
Croatia	The surprise election result raises prospects of tough negotiations over the formation of a new coalition government.
Czech Republic	The prime minister rules out adopting the euro in the short-term as the government unveils its new euro-convergence plan.
Estonia	Increasing inflation rates and the new draft budget highlight questions about macroeconomic policies and euro-adoption.
Georgia	An early presidential election sets a major test for President Saakashvili's programme of economic and political renewal.
Hungary	The government's popularity falls as it strives to reduce the the budget deficit.
Kazakhstan	Country risk is undermined by the authorities' meddling in the oil sector.
Kyrgyz Republic	The outlook remains weak amid political uncertainty and surging inflationary pressures.
Latvia	The government resigns, but there is hope that its successor will do more to counter excessive economic growth.
Lithuania	The economy overheats amid rising inflation and widening external imbalances.
Macedonia	The government prepares a revised reform programme under its on-going IMF funding arrangement.
Poland	The new, business-friendly government faces a challenge to balance the budget if economic activity slows as expected.
Romania	Economic growth exceeds expectations, but a sharper-than-desirable slowdown is possible in the near future.
Russian Federation	Prospects for economic reform improve as a relatively liberal ally of President Putin is nominated to succeed him.
Serbia	Political risk rises as the parliamentary speaker calls an early presidential election ahead of a possible unilateral declaration of independence by Kosovo.
Slovak Republic	The ruling coalition remains popular as citizens benefit from strong, low-inflation economic growth.
Slovenia	Domestic dissatisfaction with the government grows, while foreign relations are complicated by possible Kosovar sovereignty.
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	Government instability and policy gridlock are set to continue despite Yulia Tymoshenko narrowly being elected as prime minister.
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.



Decide with Confidence

# WorldWatch

## D&B Country Risk update



January 2008

### Middle East

Bahrain	Rumours persist about the currency's possible decoupling from the US dollar.
Egypt	The benefits from the improving economic position are not reaching the poorest section of society, threatening political stability.
Iran	A US intelligence report on the country's suspension of its military nuclear plans has a mixed impact on the risk outlook.
Iraq	Violence is diminishing but political tensions between ethno-religious groups continue to undermine the economic recovery.
Israel	The Annapolis peace conference does little to resolve the conflict with the Palestinians in the medium term.
Jordan	The new cabinet appointed in the wake of November's parliamentary election appears to be broadly reformist.
Kuwait	Inflationary pressures suggest that the central bank may have to tighten monetary policy.
Lebanon	D&B downgrades Lebanon's country risk rating as a result of the uncertain political situation.
Oman	Continuing inflationary problems increase speculation that the currency may be decoupled from the US dollar.
Qatar	The exchange rate regime could be changed in the short term, helping to fight inflation.
Saudi Arabia	An expected change to the exchange rate regime should help to address inflationary pressures.
Syria	Oil production declines more rapidly than expected, creating budgetary difficulties.
UAE	A substantial pay increase for federal employees fuels inflationary risk and increases pressure for a change in the exchange rate regime.
Yemen	Trade and investment should be boosted by the prospect of WTO membership being completed in 2009.



Decide with Confidence

# WorldWatch

## D&B Country Risk update



January 2008

### Western Europe

Austria	The grand coalition looks set for further infighting, but should retain power.
Belgium	The front-runner to become prime minister resigns his mandate for forming a government, deepening the political impasse.
Cyprus	The government unveils a surprise welfare package, possibly signalling a significant fiscal loosening.
Denmark	In a positive move for business risk, the government announces a referendum on euro-adoption.
Finland	Wage inflation and a loss of competitiveness are likely to emerge as risks in the medium term.
France	The climate for economic reform worsens amid weakening consumer confidence and dwindling prospects for an economic upswing in 2008.
Germany	Rising oil prices and sharp euro appreciation herald a slowdown in economic activity.
Greece	Political tension increases amid popular hostility to the government's proposed pension reform.
Iceland	Speculation mounts that the central bank is poised to tighten monetary policy even further.
Ireland	Despite the strength of the government coalition, the pace of economic reform is set to remain slow.
Italy	Electoral reform moves closer, promising to alleviate the country's perennial problem of unstable government.
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	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	Increasing economic uncertainty is unlikely to affect the political sphere.
Norway	Economic risk remains stable despite the expected slowing of the economy over the medium term.
Portugal	The economy slows, casting doubt on the sustainability of previous quarters' economic growth.
Spain	The slowing economy threatens Prime Minister Zapatero's prospects for re-election in March 2008.
Sweden	Domestic inflationary pressures and weakening external conditions create tensions around the central bank's monetary policy.
Switzerland	The political system suffers a shock as one of the major parties withdraws from the government.
Turkey	The central bank's inflation target is missed amid rising food and energy prices and the effect of government excise taxes.
United Kingdom	The outlook worsens amid increasing global economic uncertainty and the succession of political scandals affecting the government.