



Decide with Confidence

# WorldWatch

## D&B Country Risk update



July 2008

		Africa
Algeria	A series of Al-Qaeda terrorist attacks and rioting by alienated youths undermine the risk outlook.	
Angola	The economy should continue to grow robustly despite political turbulence ahead of the general election.	
Botswana	The economy's growth rate slows amid increasing inflationary risks and energy constraints.	
Cameroon	President Biya's decision to amend the constitution to permit him a third term in office risks provoking political unrest.	
Cote d'Ivoire	The outlook improves amid moves towards a lasting peace and revived foreign investor interest.	
Congo, D.R.	Monetary and fiscal stability remains elusive amid beyond-target public expenditure and a poor macroeconomic record.	
Ethiopia	The country faces a humanitarian crisis as a consequence of drought-induced food shortages.	
Gabon	The government and labour unions attempt to resolve an industrial dispute at the country's oil facilities.	
Ghana	D&B downgrades Ghana's country risk rating in response to widening fiscal and external imbalances.	
Kenya	The government's expansionary fiscal stance risks exacerbating strong upward pressure on inflation.	
Libya	Washington and Tripoli work to reduce escalating tensions over a US law that allows the seizure of Libyan assets.	
Malawi	D&B downgrades Malawi's country risk rating in response to a sharp rise in political risk as the president orders the arrest of the main opposition leader.	
Mauritius	Despite a welcome improvement in the current account deficit, the country's external imbalances remain a source of risk.	
Morocco	Security risk remains significant despite important victories against local Al-Qaeda cells.	
Mozambique	The government increases its efforts to reduce the cost of doing business, but the banking system needs greater competition.	
Namibia	Short-term economic risk increases amid power-generation problems and low agricultural output.	
Nigeria	Attacks on oil facilities in the Niger Delta have a severe effect on production.	
Senegal	The economy will benefit from soaring phosphate prices, but inflationary pressures and protests over food prices remain downside risks.	
Sierra Leone	Domestic inflationary pressures fall, but at the expense of increased fiscal borrowing.	
South Africa	D&B downgrades South Africa's country risk rating as the short-term outlook deteriorates in response to the spread of violent civil unrest originally directed towards foreigners.	
Sudan	The Islamic regime and its peace deal with the south survive serious threats, but political risk remains high.	
Tanzania	Strong investment in the mining sector drove robust economic growth in 2007, which we expect to continue.	
Tunisia	A rare violent public demonstration underlines the pressures stemming from rising inflation.	
Uganda	The government announces plans to issue a sovereign bond on international capital markets in a bid to raise additional funding for development.	
Zambia	Increased international donor support is set to bring benefits, but excessive bureaucracy continues to undermine social service delivery.	
Zimbabwe	Opposition leader Morgan Tsvangirai pulls out of the presidential run-off election, dashing hopes of political change and worsening the country's outlook.	



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### America

Argentina	D&B downgrades Argentina's country risk rating as the deteriorating political environment begins to affect the economy.
Bolivia	Further votes on regional autonomy increase political tensions, amid mounting fears of a breakdown in social order.
Brazil	The authorities hike interest rates to rein in mounting inflationary pressures as economic growth begins to slow.
Canada	The political environment remains unsettled as the threat of a no-confidence motion hangs over the minority government.
Chile	The economic outlook deteriorates amid mounting inflationary pressures.
Colombia	The security outlook improves as Venezuela's President Chavez calls on the main guerrilla group to declare a ceasefire.
Costa Rica	While the currency depreciates against the US dollar, progress is being made towards implementing a key free-trade agreement.
Cuba	President Raul Castro's faster-than-expected reforms may increase social tensions and worsen divisions in the communist party leadership.
Dominican Republic	The pro-business President Fernandez wins re-election but faces a more challenging economic environment in his second term.
Ecuador	The risk outlook deteriorates as the president's popularity weakens, constitutional reform drags on, growth slows and inflation rises.
El Salvador	The widening trade deficit poses a risk to the economy, despite record worker remittances.
Guatemala	The new Colom government is consolidating its power but faces a challenging economic environment.
Honduras	The government signs a new agreement with the IMF, boosting the prospects for macro-economic stability, but fiscal pressures from oil subsidies remain.
Jamaica	Hurricane activity and rising inflation may test the government's commitment to fiscal consolidation.
Mexico	The central bank hikes interest rates while President Calderon lowers tariffs on food imports to curb mounting inflationary pressures.
Nicaragua	The commercial environment deteriorates as the government pursues dubious claims against foreign companies operating in the country.
Panama	Robust economic activity and rising energy and food prices fuel inflation.
Paraguay	Controversial items on the president-elect's policy agenda could threaten internal stability.
Peru	The economy continues to grow rapidly, fuelled by high mineral commodities prices.
Trinidad & Tobago	Food price rises and rising demand-side pressures are increasing inflationary risks, complicating policy-making.
USA	Economic data continue to be mixed, but durable goods orders are robust and the economy grew faster than expected early in the year.
Uruguay	The economy expands strongly as the government announces measures to curb rising inflation.
Venezuela	Economic growth slows as the government continues to misdirect its oil boom receipts into consumption rather than investment.



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### Asia/Pacific

Afghanistan	Drought, food shortages and double-digit inflation slow economic growth.
Australia	Prime Minister Rudd's commanding majority in the lower house of parliament enables him to push through his legislative agenda with relative ease.
Bangladesh	Political risks rise as the military regime cracks down on opposition activists ahead of the December election.
Cambodia	High inflation is set to dampen consumer demand and slow economic expansion.
China	Speculative capital inflows and increasing inflationary pressures complicate the authorities' control over policy.
Fiji	Prime Minister Bainimarama's political base is narrow and resentment against him could grow in the armed forces.
Hong Kong	The economic outlook deteriorates as consumption growth slows and borrowing costs and inflation look set to rise.
Indonesia	Positively, the government defies popular opposition and hikes oil prices to cut its subsidy bill.
Japan	Manufacturing investment could fall as input prices bite, while the recovery in housing and services could disappoint.
Malaysia	Prime Minister Badawi safeguards government finances by cutting fuel subsidies, but this unpopular move may increase political instability.
Myanmar	Corruption within the regime, poor infrastructure and suspicion of foreign aid agencies prevent relief from reaching over a million cyclone victims.
Nepal	The Maoists resoundingly win the national election but face difficult negotiations to form a government coalition, increasing short-term political uncertainty.
New Zealand	Inflationary pressures and slowing economic growth raises the prospect of defeat for the incumbent Labour Party in September's election.
Pakistan	Political instability increases as the former prime minister is barred from contesting a parliamentary seat.
Papua New Guinea	A major liquefied natural gas project could transform the country's economic prospects.
Philippines	The currency and the public finances appear vulnerable to the food and energy price shock.
Singapore	Inflation could have a pronounced impact on households if the job market becomes less buoyant.
South Korea	Snowballing protests over US beef imports and high oil prices threaten the government's stability.
Sri Lanka	The risk of terrorist attacks on civilian targets increases as the government offensive against rebels in the north gathers pace.
Taiwan	A new travel agreement with China heralds a thawing of cross-straits relations.
Thailand	Political uncertainty rises amid coup rumours, popular discontent with rising food and fuel prices, and opposition demonstrations.
Vietnam	D&B downgrades Vietnam's country risk rating amid rising inflationary pressures.



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### Eastern Europe

Albania	The risk outlook is set to improve after the government accepts tenders for the partial privatisation of the power distribution network.
Azerbaijan	Economic growth moderates amid a considerable slowdown in oil production.
Belarus	Economic and trade relations with Russia remain crucial, with industrial growth heavily reliant on gas imports from its neighbour.
Bosnia & Herzegovina	The EU completes an association agreement with the country, after the High Representative brokers a delicate compromise deal between the entities.
Bulgaria	Soaring inflation reflects energy and food price increases, strong growth and more structural factors.
Croatia	The government presses ahead with harmonising domestic laws with EU norms as accession negotiations continue.
Czech Republic	Divisions within the government coalition over the US missile defence base and Kosovo threaten its stability.
Estonia	Sound economic policies put the country in a good position to deal with a marked slowdown of growth.
Georgia	The risk outlook is set to improve as reformist President Saakashvili's party lands an overwhelming election victory.
Hungary	The central bank unexpectedly keeps interest rates on hold despite the forint's significant recent strengthening.
Kazakhstan	Foreign investors face an uncertain environment as the state renegotiates mineral extraction contracts and plans to introduce new taxes and duties.
Kyrgyz Republic	Harsh winter weather, escalating inflation and production problems at the main gold mine underline the country's difficult economic environment.
Latvia	D&B downgrades Latvia's country risk rating as economic activity slows sharply amid intensifying inflationary pressures.
Lithuania	The economy comes under strain amid slowing growth and high inflation, but successful reforms mean a 'soft-landing' remains likely.
Macedonia	Prime Minister Gruevski's centre-right party comfortably retains a majority in the parliamentary election.
Poland	The economy continues to grow robustly, but private sector wage growth weakens profit margins.
Romania	Stronger-than-expected growth increases the danger of a sharp downward correction later in the year.
Russian Federation	Initial developments under the new leadership look promising for the country's business environment.
Serbia	Protracted negotiations over a new government continue, with pro-EU factions likely to form the new administration.
Slovak Republic	The central bank sharply revalues the koruna as the EU approves the country's application to adopt the euro.
Slovenia	Economic growth is set to slow despite surpassing expectations early in the year.
Tajikistan	D&B downgrades Tajikistan's country risk rating amid a number of negative factors, including the revelation that the central bank misled the IMF to obtain finance.
Turkmenistan	D&B upgrades Turkmenistan's country risk rating as a result of President Berdymukhamedov's reforms.
Ukraine	Infighting within the pro-Western government brings the coalition to the brink of collapse and stymies urgently needed reforms to the business environment.
Uzbekistan	The domestic economy continues to perform relatively well, but mounting inflationary pressures represent a key challenge.



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### Middle East

Bahrain	Relations with the US and Iran come under strain as Washington tightens sanctions against Tehran.
Egypt	The government removes tax benefits from energy-intensive companies, but the investment environment remains attractive for foreign investors.
Iran	D&B downgrades Iran's country risk rating due to the failure to resolve the nuclear issue, the impact of sanctions and rising inflation.
Iraq	The government's policies increase the likelihood of renewed violence.
Israel	Pressure mounts on Prime Minister Olmert to resign amid corruption allegations, increasing the likelihood of an early general election.
Jordan	Mounting inflation and growing fiscal and current account deficits undermine the risk outlook.
Kuwait	Concerns remain over mounting inflationary pressures and uncertainty in the political sphere.
Lebanon	The political and security crisis eases after the government and Hezbollah reach an agreement to end the long-running political impasse.
Oman	Despite concerns over inflation, the soaring price of oil minimises country risk.
Qatar	Inflation remains a key concern as the authorities' attempts to combat the problem fail to have an effect.
Saudi Arabia	The country responds to US pressure by modestly increasing oil production, but will continue to benefit from high oil prices.
Syria	Peace talks with Israel could lead to an improved risk outlook.
UAE	Inflation is the main downside risk amid rising housing costs in particular.
Yemen	D&B downgrades Yemen's country risk rating in response to internal instability and a recurrence of fighting between rebels and the army.



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### Western Europe

Austria	The central bank lowers its economic growth forecast despite robust economic expansion early in the year.
Belgium	Economic growth lags behind other euro-zone countries, with private consumption and housing investment slowing markedly.
Cyprus	Fully-fledged peace and reunification talks are delayed despite progress in some policy areas.
Denmark	Rising inflation and falling house prices prompt a downgrading of economic growth forecasts.
Finland	A political funding scandal weakens Prime Minister Vanhanen and may delay further necessary economic reforms.
France	Government liberalisation proposals will improve labour market flexibility, but may lead to strike action over the short term.
Germany	New EU carbon emission rules place a cost burden on the country's important car industry.
Greece	Economic growth slows and inflationary pressures continue to rise as the government attempts to push through further reforms.
Iceland	D&B downgrades Iceland's country risk rating in response to an economic downturn amid inflationary pressures and tightening credit conditions.
Ireland	The 'no' vote in the EU referendum constitutes a major setback for the new government.
Italy	Payment risks differ widely across companies, sectors and regions amid expectations of slower economic growth.
Luxembourg	Despite weaker economic growth, the global credit crisis does not appear to be affecting the country's niche private banking industry.
Malta	Business and consumer confidence plummets, signalling a slowdown in economic growth.
Netherlands	Import growth outpaces export growth as the economic expansion slows.
Norway	Weak early-year data suggest that the economic boom is nearing its end.
Portugal	D&B downgrades Portugal's country risk rating amid an economic slowdown and weakening external competitiveness.
Spain	Economic growth is set to fall to its lowest rate in years, with weak domestic demand and poor external competitiveness.
Sweden	The central bank considers a rate rise as rising inflationary pressures coincide with faltering economic growth.
Switzerland	Economic growth slows amid weaker exports and deteriorating consumer confidence.
Turkey	The Constitutional Court overturns a headscarf law, provoking a political crisis between the secular establishment and the moderate Islamic government.
United Kingdom	D&B downgrades the UK's country risk rating as the economy slows and inflation accelerates.