



Decide with Confidence

WorldWatch

D&B Country Risk update



June 2008

Africa

Algeria	The economy is benefiting from strong oil prices, but needs to reduce its hydrocarbon dependency over the longer term.
Angola	The country becomes Africa's largest oil producer, but concerns remain about the government's fiscal accountability.
Botswana	Mounting inflationary pressures result in tighter credit conditions and an increase in non-performing loans.
Cameroon	President Biya's decision to amend the constitution to permit him a third term in office risks provoking political unrest.
Cote d'Ivoire	D&B upgrades Cote d'Ivoire's country risk rating amid efforts to reduce external debt and the announcement of an election date.
Congo, D.R.	Security problems persist but the government's reappraisal of mining contracts reduces uncertainty in the sector.
Ethiopia	Flawed local elections consolidate the ruling party's grip on power but further terrorist attacks affect the capital.
Gabon	The government and labour unions attempt to resolve an industrial dispute at the country's oil facilities.
Ghana	Further interest rate rises are unlikely to control inflationary pressures.
Kenya	Government efforts to boost economic recovery are hampered by rising inflation and severe food shortages.
Libya	Stronger-than-expected oil prices boost economic growth prospects, but also threaten to help ramp up inflation.
Malawi	The risks facing the external sector remain high, but medium-term prospects are more favourable.
Mauritius	The central bank cuts interests rates despite rising global risk.
Morocco	Moves towards an advanced partnership with the EU improve the risk outlook.
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	Militant attacks and industrial action continue to severely limit oil production.
Senegal	The economy will benefit from soaring phosphate prices, but inflationary pressures and protests over food prices remain downside risks.
Sierra Leone	The newly-established transitional administration makes progress in tackling corruption.
South Africa	The economy fails to respond to the tighter monetary policy as inflation reaches double-digits.
Sudan	D&B downgrades Sudan's risk rating in response to a rebel attack on Khartoum and clashes in the disputed province of Abyei.
Tanzania	The president reshuffles the cabinet to limit the effect of high-profile corruption scandals.
Tunisia	Inflationary rises mount, raising doubts about the country's macroeconomic outlook.
Uganda	A deteriorating external account and upward pressure on inflation mar the country's risk outlook.
Zambia	The government's new mining tax policy favours the equitable distribution of mineral wealth over investor-friendly measures.
Zimbabwe	President Mugabe is likely to increase political intimidation ahead of the presidential election run-off to retain power.



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America

Argentina	Inflationary pressures and erratic policy-making undermine the government's credibility, increasing the chances of economic disputes.
Bolivia	A wildcat autonomy referendum and a recall vote on President Morales intensify the political crisis, threatening to disrupt the commercial operating environment.
Brazil	Despite current global uncertainties, the country's risk profile remains highly positive.
Canada	A fall in inflation gives the central bank greater latitude for interest rate cuts.
Chile	The central bank intervenes after the appreciation of the Chilean peso begins to harm local business competitiveness.
Colombia	Prospects for ratification of a free-trade deal with the US improve after the extradition of several paramilitary leaders.
Costa Rica	Inflationary pressures and weaker US demand are set to hamper economic growth.
Cuba	President Raul Castro's faster-than-expected reforms may increase social tensions and worsen divisions in the communist party leadership.
Dominican Republic	President Fernandez is likely to be re-elected in the upcoming poll, although he may be forced into a second-round run-off.
Ecuador	Misguided economic policies magnify the effect of rapidly rising food prices and the weakness of the US dollar as inflation soars.
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 country will struggle to meet the fiscal discipline targets in its pending agreement with the IMF.
Jamaica	The expansionary budget is set to exacerbate the government's fiscal problems and boost inflation.
Mexico	Controversial proposed reforms to the state oil company could damage the political environment in the short term.
Nicaragua	President Ortega's imposition of citizen councils underlines the weakness of the country's political institutions as the economy continues to slow.
Panama	Economic activity slows slightly, but economic growth is still expected to remain robust.
Paraguay	The election of left-leaning Fernando Lugo as president ends decades of one-party dominance but increases political uncertainty.
Peru	Rising inflation undermines President Garcia's popularity, increasing political risks.
Trinidad & Tobago	Food price rises and rising demand-side pressures are increasing inflationary risks, complicating policy-making.
Uruguay	Despite the expected slowdown, the medium-term economic outlook remains positive.
Venezuela	Government policies continue to pose serious challenges in the commercial operating environment.



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Asia/Pacific

Afghanistan	Drought, food shortages and double-digit inflation slow economic growth.
Australia	The mining sector's rapid growth is tightening labour market conditions elsewhere, pushing up employment participation rates.
Bangladesh	Poor crop harvests and high food prices put strain on the external accounts.
Cambodia	Weaker demand in key export markets threatens prospects for the crucial garment manufacturing sector.
China	Inflationary pressures mount, curbing company profit margins and squeezing firms exposed to commodity prices.
Fiji	Despite a recovery in tourist numbers, the deep, post-coup economic recession continues.
Hong Kong	Hong Kong is enjoying rapid credit and retail sales growth despite dismal domestic export trends.
Indonesia	The renewed surge in oil prices threatens to derail the government's finances and increase hardship for poor households.
Japan	Recent robust economic growth figures could be deceptive given the signals for capital investment.
Malaysia	A change of government in the next few months remains a possibility.
Myanmar	Corruption within the regime, poor infrastructure and suspicion of foreign aid agencies will 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	Dry weather conditions pose a risk to dairy production and exports amid slower economic activity.
Pakistan	The newly elected coalition government fractures over restoring High Court judges sacked by Musharraf, raising political and economic uncertainty.
Papua New Guinea	A major liquefied natural gas project could transform the country's economic prospects.
Philippines	Even without serious food insecurity, the need to shield the public from food price inflation will weigh heavily on the budget.
Singapore	Port traffic remains strong but domestic electronic exports continue to decline.
South Korea	Weak domestic demand and export growth slow economic growth.
Sri Lanka	The assassination of a government minister underscores the high risk of terrorism.
Taiwan	Robust export growth to Asia compensates for slumping US demand.
Thailand	Signs of improving economic output boost growth prospects for the year.
Vietnam	Inflationary pressures threaten economic growth and stability.



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Eastern Europe

Albania	Tensions within the country's ethnic-Albanian minority mount as the country's general election nears.
Azerbaijan	The chances of a secure and lasting peace in the disputed territory of Nagorno-Karabakh remain slim.
Belarus	Political risk remains high amid an escalating diplomatic row with the US.
Bosnia & Herzegovina	The EU completes an association agreement with the country, after the High Representative brokers a delicate compromise deal between the entities.
Bulgaria	The risk outlook deteriorates as foreign investment slows, growth decelerates and the impetus for reform falters.
Croatia	The strength of the exchange rate limits the effects of high world oil prices, helping to keep inflation in check.
Czech Republic	In a bid to revive the coalition's flagging popularity, the government reduces the tax burden on employees.
Estonia	Sound economic policies put the country in a good position to deal with a marked slowdown of growth.
Georgia	Political tension looks likely to ease ahead of May's parliamentary election.
Hungary	The governing coalition collapses but neither party is willing to risk an early election in the face of the opposition's popularity.
Kazakhstan	D&B downgrades Kazakhstan's country risk rating amid fears over the banking sector and state intervention.
Kyrgyz Republic	Harsh winter weather, escalating inflation and production problems at the main gold mine underline the country's difficult economic environment.
Latvia	Economic activity threatens to slow sharply after years of double-digit growth.
Lithuania	The economy comes under strain amid slowing growth and high inflation, but successful reforms mean a 'soft-landing' remains likely.
Macedonia	Tensions within the country's ethnic-Albanian minority mount as the country's general election nears.
Poland	Fast wage growth will fuel a consumer boom but undermine exports and investment.
Romania	An IMF mission urges fiscal restraint, tight monetary policy and renewed reform efforts.
Russian Federation	As he departs from the presidency, Putin signs a new law restricting foreign investment.
Serbia	Pro-EU moderates win the largest share of the vote in the early general election, but tough negotiations to form a government lie ahead.
Slovak Republic	The government succeeds in ratifying the EU's Lisbon Treaty and dividing the opposition parties.
Slovenia	The government responds to concern about rising inflation by cutting spending, although many of the pressures are external.
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	Soaring inflation and government inertia are increasing economic risk amid fears that foreign investment flows may abate.
Uzbekistan	Improving ties with the US and reforms in the banking sector boost the risk outlook.



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Middle East

Bahrain	Relations with the US and Iran come under strain as Washington tightens sanctions against Tehran.
Egypt	Government measures to finance a huge wage hike for civil servants risk fanning public discontent with rising inflation.
Iran	President Ahmadinejad's economic policies attract increasing domestic criticism.
Iraq	Violence increases as militias challenge the government in a bid to gain political power.
Israel	The premiership of Ehud Olmert looks increasingly precarious.
Jordan	The government's responses to inflationary pressures undermine the country's long-term economic potential.
Kuwait	Despite the general election, the risk outlook remains overshadowed by political uncertainty.
Lebanon	The risk of tensions spilling over into a new civil war increased significantly when Hezbollah occupied parts of West Beirut in early May.
Oman	High oil prices are boosting the economy but are adding to increasing inflationary pressures.
Qatar	The expansionary budget boosts prospects for continued economic growth but adds further inflationary pressures.
Saudi Arabia	D&B upgrades Saudi Arabia's country risk rating in response to the booming oil sector, and improving commercial environment.
Syria	The gradual reformist programme continues against a backdrop of continued high external political risk.
UAE	The emirate's attachment to the US dollar peg is complicating policy-making and increasing inflationary pressures.
Yemen	A spate of bomb attacks continues to overshadow the risk outlook.



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Western Europe

Austria	Economic growth remains robust despite weaker consumer demand.
Belgium	Business and consumer confidence are plummeting amid economic and political strains as community tensions threaten the new government coalition.
Cyprus	A serious drought threatens to damage the crucial tourism sector.
Denmark	The decline of the housing market threatens consumption and investment growth.
Finland	Inflation threatens to erode the country's international competitiveness.
France	The government announces new measures to rein in spending to help put public finances on a more sustainable footing.
Germany	Defying the credit crunch, the economy grows at its fastest pace in over ten years.
Greece	Trade union opposition to government ongoing reforms continue to disrupt economic activity.
Iceland	Recent data reinforce the pessimistic outlook for the country's economic risk outlook.
Ireland	A series of major challenges confronts new Prime Minister Cowen.
Italy	The short-term economic outlook deteriorates as industrial output falls and consumers suffer cuts in real income owing to high inflation.
Luxembourg	The banking sector remains resilient in the face of the global credit crisis.
Malta	The prospects of slower economic growth and higher inflation dominate the risk outlook.
Netherlands	The labour and housing markets remain resilient despite adverse global conditions.
Norway	The central bank hikes interest rates again to curb rising inflationary pressures.
Portugal	The economy contracts amid weakening consumer spending and export growth.
Spain	D&B downgrades Spain's country risk rating as the global financial market turmoil clouds the economic outlook.
Sweden	The government woos a sceptical public about the benefits of full NATO membership.
Switzerland	Although the short-term prospects for the economy appear gloomy, initial results for 2008 are resilient.
Turkey	The government's commitment to maintaining IMF involvement in the economy sends a positive signal for the risk outlook.
United Kingdom	The governing Labour Party's poor showing in local elections and divisions within the party are likely to impede government effectiveness going forward.