

Country Risk and the Global Outlook

September 2021

Momentum moderates as delta variant spreads

Commentary:

“The global economy is growing at its fastest post-recession pace in 80 years, as global vaccination progresses; however, the delta variant threatens the recovery’s pace while overall logistics and goods supply issues persist. Global trade and supply chains are vulnerable to closures of ports or terminals because of China’s ‘zero tolerance’ Covid-19 policy. India’s short-term economic outlook is improving as the upcoming festive season and the pace of vaccination will provide the much-needed fillip to demand. Growth will be also driven by buoyant exports which are riding on the recovery in major markets. The big challenge to growth as recovery resumes is the potential third wave, high inflationary pressures and a stressed labour market..” said Dr Arun Singh, Global Chief Economist, Dun & Bradstreet.

INTRODUCTION

The global economy will grow in 2021, its fastest post-recession pace in 80 years, but the spreading delta variant threatens to slow growth in H2 and underscores potential risks from subsequent variants until a majority of the world’s population is vaccinated against Covid-19. Around 40% of the global populace has received at least one vaccine dose. However, daily vaccination rates in already-lagging developing and low-income countries could fall as the US and other vaccine-rich countries administer booster jabs to counteract waning vaccine efficacy. This could exacerbate diverging growth rates this year: we are forecasting 6.3% expansion in North America and 5.5% in Asia Pacific - the fastest growing regions - in contrast to the slowest growing regions of Middle East & North Africa, and Sub-Saharan Africa which will grow by 2.8% and 2.5% respectively.

Inflation concerns persist for global consumers and firms, but central banks’ policies will remain divergent in H2. US, Canada and euro-zone central banks will hold key rates while projecting moderating or muted monthly inflation. Developing countries, however, hiked key rates in recent months with further tightening likely, driving up debt servicing costs and fiscal deficits. 94% of 31 decisions in June to August that spanned East Asia, Eastern Europe, and Latin America were rate hikes to curb inflation fuelled by food and energy prices. While food inflation may have peaked with a 1.2% m/m decline in July - the second consecutive monthly fall in the FAO Food Price Index - volatile energy prices, up 4.8% in July, are an ongoing concern.

With four of the five busiest cargo ports in China accounting for container traffic of roughly 120m TEU per annum (2020), the country’s Covid-19 ‘zero tolerance’ policy is a major risk factor for already-strained global supply chains during the peak August to October shipping period. A single case of Covid-19 already resulted in China’s container handling capacity falling by 1-2%, as happened with the two-week closure of a Ningbo port terminal in August. Longer shutdowns could delay shipments by several weeks: in August, shipments from China to the US took 5.2 days longer than the same month in 2020, with median journey time estimated at 22 days.

Monthly changes in country risk ratings and outlook

RATINGS UPGRADES

- **Belgium**
- **United Kingdom**
- **Finland**
- **Zimbabwe**

RATINGS DOWNGRADES

- **Colombia**
- **Philippines**
- **Senegal**
- **Slovenia**
- **Sweden**
- **Tunisia**

Dun & Bradstreet Country Risk Analysis			
Country	August 2021	September 2021	Change
Country Risk Rating Upgrades (risk level has improved)			
Belgium	DB3a	DB2d	1 quartile
United Kingdom	DB3a	DB2d	1 quartile
Finland	DB2d	DB2c	1 quartile
Zimbabwe	DB7	DB6d	1 quartile
Country Risk Rating Downgrades (risk level has deteriorated)			
Colombia	DB4b	DB4d	2 quartiles
Philippines	DB4c	DB4d	1 quartile
Senegal	DB4c	DB4d	1 quartile
Slovenia	DB3d	DB4a	1 quartile
Sweden	DB2b	DB2c	1 quartile
Tunisia	DB6c	DB6d	1 quartile
Outlook Upgrades (from/to)			
Argentina	Deteriorating	Stable	
DRC	Deteriorating	Stable	
Gabon	Deteriorating	Stable	
Lebanon	Deteriorating Rapidly	Deteriorating	
Mozambique	Deteriorating	Stable	
Namibia	Deteriorating	Stable	
Rep. of North Macedonia	Deteriorating	Improving	
Zambia	Deteriorating	Stable	
Outlook Downgrades (from/to)			
Afghanistan	Deteriorating	Deteriorating Rapidly	
Bangladesh	Improving	Stable	
Guatemala	Stable	Deteriorating	
Libya	Improving	Deteriorating	
Pakistan	Stable	Deteriorating	

REGIONAL SUMMARIES

North America

Recovering demand and policy support helped improve the health of US small businesses, as B2B payment and credit card delinquencies declined in Q2. In Canada, goods and services activity diverge as services continue to recover while goods faltered with business reopenings. However, the delta variant threatens to slow the region's growth pace in H2.

Western and Central Europe

Covid figures are rising again, but with more than 60% of European citizens fully vaccinated, hospitalisation figures remain low and governments are reluctant to reintroduce lockdowns. Nonetheless, confidence indicators were levelling off in August, with the EU-27 Economic Sentiment Indicator dropping for the first time since January.

Asia Pacific

The slowing growth in China, disruptions to economic activity in countries witnessing surges in cases, and geopolitical risks emanating from Afghanistan are likely to have impaired the growth trajectory of the Asia Pacific region. China's slowdown is likely to pose headwinds for commodity-linked trade, currencies and stock markets.

Latin America & Caribbean

Central banks are tightening their monetary policy position with rate hikes aimed at dampening inflation driven by higher food, energy and commodity prices. Debt burdens and fiscal deficit are set to rise with further hikes in H2. Socio-political and economic discontent in Chile, Colombia and Peru keep political/insecurity risks elevated.

Eastern Europe & Central Asia

We expect a solid return to growth for the region in 2021: 3.7% y/y, although downside risks remain high, given the spread of new-variant Covid-19 infections that threaten to overwhelm health systems, combined with vaccine supply issues and hesitancy. Rising inflation is also a concern.

Middle East & North Africa

In 2021, real GDP growth at 2.8% for the region will be the second-lowest globally as output is hit by the OPEC+ production quotas, the impact of the Covid-19 restrictions and the failure in many countries to roll out comprehensive vaccine programmes. However, in 2022 growth of 4.3% will outperform global growth of 4.2%.

Sub-Saharan Africa

The regional outlook indicator remains at 'deteriorating' because of an ongoing resurgence of Covid-19, a slow vaccine roll-out, instability in several locations (such as Mozambique) and civil war in Ethiopia. Stronger commodity prices benefit most regional states, thereby trimming debt risks, but the upswings are threatened by softer demand.

Dun & Bradstreet Risk Indicator

Dun & Bradstreet’s Country Risk Indicator provides a comparative, cross-border assessment of the risk of doing business in a country. The risk indicator is divided into seven bands, ranging from DB1 to DB7 – DB1 is lowest risk, DB7 is highest risk. Each band is subdivided into quartiles (a-d), with ‘a’ representing slightly less risk than ‘b’ (and so on). Only the DB7 indicator is not divided into quartiles.

The individual DB risk indicators denote the following degrees of risk:

DB1	Lowest Risk	Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.
DB2	Low Risk	Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.
DB3	Slight Risk	Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.
DB4	Moderate Risk	Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.
DB5	High Risk	Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.
DB6	Very High Risk	Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.
DB7	Highest Risk	Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

Ratings and Outlook Changes:

Ratings changes: Changes in rating are made when we judge that there has been a significant alteration in a country’s overall circumstances – this could stem from a one-off event (e.g. a major natural disaster) or from a change in something structural/cyclical (e.g. an important shift in growth prospects). An upgrade indicates a significant change for the better, a downgrade a significant change for the worse. The number of quartiles of change indicates the extent of the improvement/deterioration in circumstances.

Outlook changes: The outlook trend indicates whether we think a country’s next rating change is likely to be a downgrade (‘Deteriorating’ trend) or an upgrade (‘Improving’ trend). A ‘Stable’ outlook trend indicates that we do not currently anticipate a rating change in the near future.

How Dun & Bradstreet can help

In addition to providing economic insights, Dun & Bradstreet offers a range of solutions that helps clients grow and thrive by empowering more intelligent actions that drive a competitive edge. Our data, insights and AI-driven platforms bring value to our clients both at departmental levels and across the organization.

Clients can access the Dun & Bradstreet Data Cloud directly for market-leading B2B data to fuel enterprise applications and workflows. Equally, clients can take advantage of our AI-driven SaaS solutions to gain a competitive edge within the areas of Sales and Marketing by identifying and engaging with the right targets through modern, scalable solutions, and Finance and Risk to drive intelligent actions to manage credit-to-cash and third-party risk. Small Business owners use our solutions to help launch and manage their business. Dun & Bradstreet also works with agencies in every facet of government and the public sector – providing timely and critical information and insights that advance missions and help citizens thrive. More information is available at [dnb.com](https://www.dnb.com)

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.