

COUNTRY RISK WEEKLY BULLETIN

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IN THE HEADLINES

	<p>President Susilo Bambang Yudhoyono looks likely to have won re-election in polls held on 8 July. Preliminary quick-count results indicate he won around 60% of the total vote and at least 20% of the vote in no less than 17 of the country's 33 provinces, thereby clearing the two thresholds needed for a first-round victory. This relatively convincing result should bolster political stability and economic reform progress. However, the terrorist attack on two luxury hotels in Jakarta on 17 July serves as a reminder that security risk remains an issue. Meanwhile, early economic indicators suggest that real GDP growth slowed to 3.7% yr/yr in Q2 from 4.4% in Q1.</p>		<p>H1 real GDP grew 7.1% yr/yr—better than expected—with Q2 just below the 8% government target for the year. Strongly expansionary fiscal and monetary policies are clearly having a positive impact. Fixed asset investment was up 33.5% (26.3% H1 2008), while consumer spending also expanded more strongly than a year earlier. Industrial production, however, although picking up, grew less rapidly than in H1 2008 and profitability continues to fall, albeit at a slower pace. Exports are beginning to stabilise, but domestic demand will need to lead the way for some time yet. Nonetheless, expect GDP growth of 7.8% in 2008 and 8.5% in 2010.</p>
<p>INDONESIA</p> <p>Big bang</p>	<p>CHINA</p> <p>Fixed horizon</p>		
<p>NICARAGUA</p> <p>Sands of time?</p>	<p>President Ortega, Sandinista and radical-left axis leader has floated the idea of a referendum on ending term limits to allow him to stand for re-election. He is disbarred from running again under the current constitution. However, a constitutional amendment would require a two-thirds congressional majority vote and the Sandinistas only have 47 of 90 seats in the lower house. There is some way to go therefore, but there are parallels with neighbouring Honduras. However, expect Ortega to have stronger grass-roots and institutional support than President Zelaya and in that respect he may prove more akin to Venezuela's President Chavez, although lacking the latter's oil wealth.</p>	<p>SINGAPORE</p> <p>Sing up!</p>	<p>On a qtr/qtr, seasonally-adjusted annualised basis, real GDP grew by 20.4% in Q2 (advance estimate), after a 12.7% decline in Q1 (which was a significant upward revision from the 19.7% estimate in April). On a yr/yr basis, GDP contracted by 3.7% in Q2, after a 9.6% drop in Q1 (revised from 11.5%). The improvement largely reflects a rebound in manufacturing, which fell just 1.5% yr/yr in Q2 after a 24.3% plunge in Q1, as a result of a surge in inventory restocking in pharmaceuticals and electronics. As these factors may not be sustained and underlying economic conditions remain weak, expect GDP to contract by 5% in 2009 overall.</p>

ALSO IMPORTANT...

	<p>The IMF agreed a USD600mn 3-year PRGF loan, with USD105mn available immediately. In addition, there is access to further potential borrowing as a result of expanding the Fund's financial resources, following the recent G20 summit. Despite good revenues from gold and cocoa exports, high food and fuel prices and pre-election expenditure relating to last year's polls necessitate use of external funds to manage the budget deficit (14.5% of GDP in 2008) and support the cedi. However, the Fund asserts that Ghanaian economic management is generally sound. Expect offshore oil revenues to provide further support from 2011, although they will need to be effectively administered.</p>		<p>The IMF board is considering a 20-months USD2.5bn Stand-By facility, with USD313mn available immediately, if approved. The planned arrangement signifies two things. Firstly, the need for support, given high budget deficits, diminution of international reserves and high cost of reconstruction following a protracted military conflict in the north. Secondly, despite concerns relating to humanitarian aspects of the conflict, international agencies will assist in a national stabilisation programme. Indeed, such access to Fund resources is exceptional. Expect GDP growth weakened by global recession this year to rebound to trend of 5%+ in 2010.</p>
<p>GHANA</p> <p>Garnering assistance</p>	<p>SRI LANKA</p> <p>Making a stand</p>		

COUNTRY REVIEW SUMMARIES

	<p>Systemic political risk is relatively low. The new president, Ricardo Martinelli, has a strong popular mandate and a legislative majority. Services account for 76% of GDP and, through the Colon free trade zone, the Canal and the international banking sector, the economy is highly vulnerable to external developments. The fiscal deficit could be around 2% of GDP in 2009, but public debt should remain manageable. The US dollar is the legal currency, minimising convertibility risk. Expect growth to slow sharply in 2009, although it should stay positive at around 1% as a result of planned canal expansion projects.</p>		<p>Despite presidential elections this month, governance remains uncertain, with a history of coups. Full donor funding has yet to be reinstated and awaits a track record of sound management. Provision of economic data and other information is particularly poor but fiscal and current account deficits are likely to be high in relation to the size of the economy. Despite revenues from oil exports, FX availability at central bank auctions appears to be in short supply. These problems may reflect the withdrawal of donor funding and may be of a short-time frame, but expect uncertainties in trading payments and conditions.</p>
<p>PANAMA</p> <p>A man with a plan?</p>	<p>MAURITANIA</p> <p>Maur of the same?</p>		

IN BRIEF

<p>Congo (Republic) Croatia Honduras</p>	<p>President Denis Sassou-Nguesso re-elected for a further seven-year term following polls on 12 July. Ivo Sanader, who unexpectedly resigned as PM on 1 July, was succeeded by his deputy Jadranka Kosor. Despite mediation talks, there has not yet been a resolution of the stand-off over the disputed presidency.</p>
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Edited by Andrew Atkinson