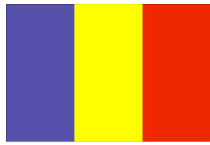


COUNTRY RISK WEEKLY BULLETIN

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IN THE HEADLINES



ROMANIA

Nicked

The 10-month old grand coalition of the DLP and the SDP collapsed last week after PM Boc (DLP) dismissed Interior Minister Nica (SDP) prompting the SDP to withdraw. A new government is unlikely to be formed before the presidential election, the first round of which is on 22 November with a probable run-off scheduled for 6 December. Both former coalition partners have nominated candidates, which makes the vote crucial as the president can dismiss a PM and nominate a new one. However, the political deadlock could delay IMF-required fiscal reforms, which are due by year-end, jeopardising the next disbursement under the Stand-By Arrangement.



SAUDI ARABIA

Clerical error?

King Abdullah dismissed a leading cleric from his duties on the Council of Religious Scholars, a rare airing of differences between the royal family and religious establishment and, perhaps, indicating Abdullah's frustration at the pace of reforms. The cleric criticised mixing male and female students at the recently opened King Abdullah University of Science and Technology, part of a Saudi aim to reach the forefront of scientific research. Expect only moderate changes in social and educational areas and very little political liberalisation. However, the World Bank 2010 ranking puts Saudi 13 out of 183 countries in the ease of doing business



GHANA

Bean feast?

The African Development Bank and other institutions arranged a USD1.2bn ST loan for the country's cocoa board (Cocobod) to finance the 2009/10 crop. The full 2008/09 cocoa harvest (ending September) reached 703,000 tonnes, following 680,000 the year before, and there are plans to achieve 1mn tonnes by 2012. With supply problems in the world's leading producer (Côte d'Ivoire), Ghana—the second largest—is reaping benefits at a time when prices are at a 20-year high. Meanwhile, oil majors are investing in the offshore Jubilee field, so expect a positive economic momentum overall, although fiscal deficits and future oil revenues require careful management.



GUINEA

Camara man

Following a violent response by the military to opposition demonstrations and abrogation of some civil liberties, France says that it can no longer deal with the military junta that took over in December 2008 and has called for international intervention. The African Union has given Captain Moussa Dadis Camara—the coup leader—until mid-October to declare that he will not stand in presidential elections next January, with a threat of sanctions. Expect further regional mediation. Meanwhile, mining companies operating in the world's largest single source of bauxite say output is relatively unaffected, but expect upward pressures on aluminium prices.

ALSO IMPORTANT...



DOMINICAN REPUBLIC

Signing up

A staff-level agreement with the IMF on a 28 month Stand-By Arrangement (USD1.7bn) was reached last weekend. Expect this to underpin government efforts to maintain stability and restore growth, which should be around 1.5% in 2010 after zero in 2009, and support inflows from other IFIs, which will go a long way towards filling the government's funding gap and ease external financing pressures. The programme envisages a primary fiscal deficit of 0.8% of GDP in 2009—the earlier government target of a 0.7% surplus was already beyond reach—balance in 2010 and a gradual increase to a surplus of 2% in 2012.



SERBIA

Performance...

Q2 real GDP contracted by 4% yr/yr (-4.2% in Q1). Output dropped particularly sharply in manufacturing (20% yr/yr, Q1 20.9%) and construction (16.1%, Q1 13.8%). Expect real GDP to shrink by about 4% in calendar 2009 followed by just 1% growth in 2010. The RSD/EUR exchange rate has stabilised since the signing of an IMF Stand-By Arrangement (SBA) in March 2009, but is still 21% weaker than in September 2008. But, high inflation, averaging about 9% year-to-date, and the postponement of the second review under the IMF SBA pose ongoing downside risks to the currency.

COUNTRY REVIEW SUMMARIES



HUNGARY

...review!

The intensification of the global financial crisis in autumn 2008 hit the economy particularly hard and forced Hungary into an IMF-led EUR20bn international financial support package. The funding helped shore up FX reserves and stabilise markets and has reduced the external financing risk related to external debt liabilities, at least until spring 2010 when the assistance programme expires, though this is also subject to continued compliance with IMF conditions. Currency, banking and external liquidity risks still remain significant and the sharp rise in bankruptcies as a result of the deep recession (real GDP shrank 7.1% yr/yr in H1) is a serious concern.



NICARAGUA

Ortegratic?

The economy contracted sharply in Q2, but there should be a modest upturn through 2010. However, public debt dynamics require fiscal adjustment, so polices need to remain compatible with IMF PRGF programmes, eschewing the more radical left agenda to which President Ortega may incline. There is considerable uncertainty over Ortega's intentions regarding constitutional reform that would allow him a second consecutive term and maybe a further move along a broad track followed by Venezuela, Ecuador and Bolivia, though lack of energy revenues is a constraint. Ortega could also over-reach in his ambitions, triggering instability.

IN BRIEF

Gold On Tuesday, prices broke through record highs to reach USD1,040/oz (2008 average USD872/oz).

Edited by David Atkinson

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