COUNTRY RISK WEEKLY BULLETIN

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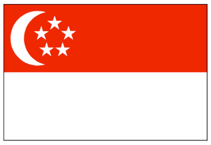
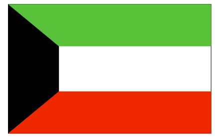
IN THE HEADLINES



SINGAPORE

In advance?

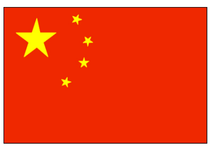
On a qtr/qtr, seasonally-adjusted annualised basis, real GDP increased by 14.9% in Q3 (advance estimate), after a 22% increase in Q2 but a 12.1% decline in Q1. On a yr/yr basis, GDP expanded by 0.8% in Q3, after falls of 3.2% in Q2 and 9.5% in Q1. A continued surge in output of pharmaceuticals and in electronics inventory restocking was the main driver of the ongoing rebound, which also boosts expectations of further Asian recovery. Expect GDP to contract by 2-3% in calendar 2009 but increase by 3-4% in 2010. Meanwhile, the central bank remains cautious, maintaining its undisclosed trade-weighted trading band for the Singapore dollar.



KUWAIT

Currency note

An initial official statement released on 11 October stated that Kuwait was promoting delay to the launch of the GCC's monetary union and single currency, scheduled for January 2010. On the 12th, this was retracted, with the finance ministry indicating Kuwait's keenness to co-operate in the project, subject to full parliamentary ratification. The UAE and Oman have already withdrawn. Expect the process of monetary union to be launched next year but do not expect a fully functioning single currency until later. In the meantime, expect existing regimes to remain, although this latest move could add to uncertainties for businesses and trade.



CHINA

On a roll

September trade data showed the slowest pace of export decline in nine months, down 15.3% yr/yr (-23.4% yr/yr in August). Imports were down only 3.5% on a year earlier. Adjustments for differences in working days show higher falls for both, but still confirm the improving trend. Mo/mo seasonally adjusted exports also showed strong growth. Underlying Q4 data should show further improvement, especially as trade first began to decline in Q4 2008. Latest PMIs also pointed to a continuation of recent higher growth of domestic demand, reinforced with September's 29.3% yr/yr M2 growth and loan expansion of RMB517bn.

SLOVENIA

Slo

Real GDP contracted by 9.3% yr/yr in Q2, following -8.3% in Q1. Private consumption contracted by 2.6%, while investment fell heavily, by 27.3%. Exports also fell sharply (21.3%) but an even steeper drop in imports (-24.8%) resulted in a positive contribution to overall growth from net exports. However, on a qtr/qtr, seasonally and working day adjusted basis, GDP grew 0.7% in Q2 (-6.4% Q1), indicating a break in the downtrend. This is supported by industrial output data, which show mo/mo increases in July (0.2%) and August (4.9%), as well as a slowing pace of annual declines (18.4% in August).

ALSO IMPORTANT...

ZAMBIA

Copper plate

Last Friday's presentation of the state budget for 2010 indicates continued commitment to social improvement programmes and infrastructure development. Given weaker donor support, an increased proportion of financing will fall to domestic sourcing (over 72% of projected revenues). The budget received a broadly supportive domestic response, although the IMF indicates a need to increase royalties and tax revenues from mining (principally copper). However, a windfall tax on mining was avoided in the budget and this should boost investor confidence. Expect GDP growth of 3-4% this year and around 5% in 2010.

BOTSWANA

Khama karma

The ruling Botswana Democratic Party (BDP) is currently divided—particularly over perceptions of President Ian Khama's autocratic style (he was formerly head of the army)—but so are opposition parties. Moreover, despite current economic recession—reflecting weak global demand for diamonds—Botswana is relatively wealthy, less corrupt and is a stable democracy. Accordingly, do not expect this Friday's elections to spring a surprise. Expect Khama (son of the country's founding father and chief of the largest tribe, the Bagwato) and the BDP to win comfortably and a disciplined approach to continue.

COUNTRY REVIEW SUMMARIES

TRINIDAD & TOBAGO

Funding cushion

In January, the central bank was forced to intervene in the insurance and investment banking arms of CL Financial Group. Despite some initial problems, the intervention managed to arrest any further contagion and, overall, the economy remains relatively robust, as the government accumulated funds during the years of high energy prices (90% of exports) to cushion the downturn. External liquidity indicators are strong and debt ratios relatively low. The PM's ratings are relatively low, but the next elections are not due until late 2012 and the opposition is divided. Expect GDP to contract by 2% in 2009 but increase by 2% in 2010.

BULGARIA

On board?

The once-overheated economy is now in recession. The current account deficit, although narrowing, is forecast to remain high at 10%+ of GDP. External debt (107% of GDP) is a concern and the debt-service ratio is forecast at 37% in 2009-2010. Amid the ongoing global crisis and still tight liquidity, the refinancing of maturing debt will remain particularly difficult. Expect the number of insolvencies to rise. While solid FX reserves and a firm political commitment to the currency board render it unlikely that the exchange rate regime will collapse on its own, contagion from a currency peg failure elsewhere is a risk.

IN BRIEF

Lithuania	Successfully issued a five-year USD1.5bn external bond last week.
Romania	PM Boc's government lost a vote of confidence yesterday, following the loss of its coalition partner on 1 October.
Serbia	Policy interest rate cut by 100 bps to 11%.

Edited by Andrew Atkinson