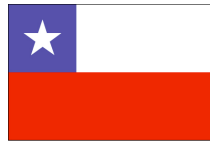


# COUNTRY RISK WEEKLY BULLETIN

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## IN THE HEADLINES



### CHILE

#### Natural disaster

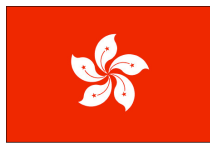
One of the largest earthquakes on record caused extensive damage last weekend—to infrastructure and in human terms—but Chile, in contrast to Haiti, is relatively well placed to deal with the economic impact, although it will test incoming president Sebastian Pinera, who assumes office on 11 March. Chile has a sound fiscal position, low debt levels and strong FX reserves and the external balance should not be a problem. It is difficult to gauge the precise impact on growth. Q1 and Q2 GDP will suffer but reconstruction should boost growth thereafter, although overall growth in 2010 may now be somewhat lower than the consensus 4.9% expected to date.



### UKRAINE

#### Vik tor he is

Viktor Yanukovich was sworn in as president last week. His rival, PM Yulia Tymoshenko, has dropped legal challenges against her narrow election defeat but still refuses to recognise the result. However, her ruling coalition collapsed yesterday and she lost a no-confidence vote today. Yanukovich now has 30 days to form a new coalition and 60 days to form a government, or to call snap parliamentary elections. The outcome may help to overcome the political paralysis that marked much of the last five years but expect difficulties in implementing extensive reforms needed to restore IMF funding and to overcome a deep economic crisis.



### HONG KONG

#### Bubble wrapped?

Q4 2009 real GDP growth accelerated to 2.3% qtr/qtr and 2.6% yr/yr (0.4% and -2.2% respectively in Q3) beating expectations, driven by strong growth of exports of goods and services and a rebound in consumer spending after a weak Q3. The government budget for 2010/11, also set out last week, will remain supportive of growth, as it envisages a small deficit of HKD25.2bn (compared with an actual small surplus in 2009/10) before returning to surplus in 2013/14. The authorities do not seem to be overly concerned with asset bubbles, although taxes are raised on luxury property sales, or with inflation. Expect growth of 4.5% in 2010 (-2.7% 2009).



### COLOMBIA

#### End of term

The constitutional court ruled against a referendum that would have been needed for President Uribe to be permitted to stand for a third consecutive term in the presidential elections to be held on 30 May this year. Public support for a referendum had been waning, but the president's ratings remain formidably high. Uribe is now expected to back former defence minister Juan Manuel Santos (Partido de la U). It remains to be seen how much of Uribe rubs off on Santos in what will now be a short campaign season, but current opinion polls suggest that it will not be automatic. That could mean a close result, probably with a second round.

## ALSO IMPORTANT...



### INDIA

#### Privatisation...

There was little to suggest significant policy tightening in last week's budget for FY2010/11. The government remains committed to boosting the rural economy and upgrading infrastructure. The aim is to cut the central government fiscal deficit to 5.5% of GDP from 6.9% in 2009/10, with revenue gains (including privatisation receipts) rather than expenditure cuts achieving the improvement. However, the track record on privatisation is lacklustre and the overall fiscal deficit (including regional budgets) will remain stubbornly high at 8-10% of GDP. Expect monetary tightening soon but for this not to have a significant impact on overall annual GDP growth, with 7-9% in 2010.



### UAE

#### ...but slowly

The Dubai government plans to cut this year's expenditure by 15% to save around USD1bn. This is additional to the 6.1% expenditure cut announced in the budget in January. A second consecutive annual budget deficit is now expected—around USD1.6bn in 2010. Austerity measures are being implemented in the wake of the sharp reduction in real estate prices and associated downturn in the construction sector and overall business activity. As a result, and because the debt standstill requested by Dubai World has increased the cost of raising finance, expect greater opportunities for the private sector, mainly in utility provision.

## COUNTRY REVIEW SUMMARIES



### BOSNIA & HERZOGOVINA

#### Aid...

Systemic political risk is high as a result of the fragile political structure, as well as regional instability. The business environment is very weak, and commercial activities are generally perceived as not covered adequately by the judiciary. In the wake of the global economic crisis, the economy slipped into recession in 2009 (real GDP down 3.3%) and public finances deteriorated sharply, while external imbalances remained large. An IMF financial support package was needed and approved in mid-2009 (EUR1.1bn). Expect external liquidity and debt risks to remain very high and Bosnia & Herzegovina to remain highly dependent on foreign aid.



### BURUNDI

#### ...dependence

The minority Tutsi elite and the Hutu majority maintain an uneasy relationship. Over a decade of civil war from 1993 resulted in an estimated death toll of 300,000. Pierre Nkurunziza and the ruling CNDD-FDD are likely to remain in power after elections scheduled for mid-2010 and the international community (donors, as well as UN monitoring forces) is likely to remain engaged and support the political transition with financial and technical assistance. Low incomes, a limited export base (coffee accounts for around 70% of total receipts) and aid dependence result in a weak economy and business environment. Expect GDP growth of 2-4% in 2010.

## IN BRIEF

### Oil prices

Benchmark Brent USD78/barrel (year-to-date average USD76/b, year average 2009 USD62.7/b).

Edited by Andrew Atkinson

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