Vol XLIV No 8
August 2022

POLITICAL RISK LETTER

THE PRS GROUP
290 Elwood Davis Rd, Ste 290, Unit 3
Liverpool, NY 13088-2133 USA
T +1 (315) 431 0511
www.prsgroup.com
custserv@prsgroup.com
sales@prsgroup.com

Highlights from New Reports

ARGENTINA

Fresh Debt Concerns

Barely more than two years after Argentina's most recent sovereign default, the third of the 21st century, another financing crisis is brewing. The departure of Economy Minister Martín Guzmán in early July further undermined the already battered confidence of the sovereign's creditors. In his lengthy letter of resignation, Guzmán cited political interference from Vice President Cristina Fernández de Kirchner (CFK), a two-term former president and the leader of the leftist Perónist faction of the governing Everybody's Front, as a key factor in his decision to step down.

Sergio Massa has been named as the head of a reconfigured Economy Ministry that now includes the previously separate ministries of Agriculture and Productive Development, and he wasted no time making his mark. Just days after assuming his new duties, he reshuffled the top leadership of the Department of Energy, removing close allies of CFK who posed an obstacle to slashing spending on electricity subsidies, one of the key conditions for the disbursement of loans from the IMF.

The display of political strength lifted confidence. However, Massa has not delivered a comprehensive and coherent plan of action, and it is likely that he will encounter strong pushback from CFK and her allies once he does so.

The lifting of health restrictions has provided some oxygen for domestic demand. However, the combination of sky-high inflation, suffocating interest-rate hikes, and policy uncertainty will hold the full-year growth rate to no more than 3% in 2022, and the ever-present danger of political instability that derails efforts to stabilize the economy represents a significant downside risk to the forecast.

The government is counting on the rollback of pandemic-related stimulus spending and reduced outlays for energy subsidies to facilitate achievement of the near-term fiscal target. However, there will be less fat to trim going forward, and the political room for maneuver will narrow as parties gear up for next year's general election. In any case, meeting the fiscal targets should pose less of a problem in the near term than the policy challenges awaiting monetary authorities, who are responsible for taming inflation, replenishing depleted reserves, and otherwise creating the conditions for the easing of currency controls.

Goods imports increased by more than 77% (year-on-year) in the first quarter of 2022, reflecting a combination of stronger demand and higher prices for externally sourced essentials. Although higher prices for agricultural exports will partially offset the impact on the external balances, both the trade and current account surpluses are forecast to narrow in 2022.

CHINA

Xi Turning up Diplomatic Pressure

Xi Jinping is all but certain to be anointed president for a third five-year term at the 20th National Congress of the CCP that will take place in October or November. The National Congress is preceded by an annual summer retreat for the party elite in the coastal resort town of Beidaihe, at which key plans and appointments will be discussed and approved.

Xi may well encounter more resistance from the party bigwigs than has previously been the case, given the ongoing economic struggles. However, Xi has managed to sideline his most dangerous rivals, while positioning loyalists in key functional roles, and his hold on power is further bolstered by the significant increase in the CCP's grassroots membership during his tenure.

China's increasingly assertive foreign policy stance, which has been especially evident in its dealings with Taiwan, reflects Beijing's effort to exploit the perceived weakening of US hegemony in Asia, the result of fraying regional alliances and the distraction created by the outbreak of war in Europe. Beijing's status as the most credible mediator of the Ukraine crisis among the global powers creates an opportunity for China to carve out a larger role for itself in the international security order, a prospect that has ominous implications not only for Taiwan, but also for the several countries that dispute mainland China's expansive territorial claims in the South China Sea. Although there will be room for cooperation with western rivals on an issue-by-issue basis (e.g., with respect to climate change, trade, and investment), China will continue to pose an obstacle to international efforts to compel better behavior from Iran, Russia, and other international pariahs.

Inflows of foreign direct investment remained strong during the first half of the year, but there are clearly many foreign investors that remain wary of the challenges of doing business in China, not least in light of the heightened tensions in the Taiwan Strait and the risks associated with a massive debt burden. More broadly, the economy grew by just 0.4% (year-on-year) in real terms in the second quarter, slowing from 4.8% in the January-March period. The marked deceleration of activity suggests that annual growth will fall well short of the official target of 5.5%, which even government officials have conceded is likely out of reach.

China has not escaped the scourge of inflation, either, but it appears to be a much more manageable problem there than in many other countries, with the consumer price index on track to increase by an average of 2.5%–3% in 2022, up from 0.9% in 2021. Indeed, the central bank recently lowered interest rates, a move accompanied by a liquidity injection of some $59 billion as the authorities loosened monetary policy to shore up the banking system, reinvigorate lending, and support economic growth. Of course, the loosening will not have much beneficial impact on growth if health restrictions are reintroduced, nor will it mitigate the risk of prolonged real estate market distress that remains a significant challenge for policy makers.

COLOMBIA

A Blow to Confidence

Gustavo Petro, a former guerrilla who previously served as the mayor of Bogotá, became the first leftist to hold Colombia's presidency when he was sworn into office in early August. Petro won the two-stage presidential election held in May and June on the strength of a platform that included pledges to implement tax increases targeting the wealthy to finance social programs and the establishment of a strong public-sector component within the pension system. Perhaps most controversially, Petro advocated the halting of oil exploration and the development of renewable sources of energy.

The PHxC alliance of center-left and leftist parties won just 20 seats in the 108-member Senate and 28 seats in the 188-member Chamber of Representatives. Petro's claim to a legislative majority rests on the backing of the Liberals and to a lesser extent the centrist Partido de la U, a dependency that will force the president to contain his more radical inclinations. Petro's choice of José Antonio Ocampo as his minister of finance is obviously designed to ease the concerns of investors, but recent market behavior suggests he will need to do more to restore confidence.

The president has assured that he will honor existing mining and oil contracts, but he has signaled that there will be no new oil exploration and his government has pledged to ban fracking, seemingly spelling the doom of an industry grappling with dwindling exploitable reserves. Petro has stated that the impact will be offset by state support for the development of renewable energy, but the transition will unavoidably be a wrenching process, and the government will need to take care to avoid perceived mistreatment of established investors that could discourage newcomers from seizing opportunities in the renewables sector.

Real GDP growth exceeded expectations in the first half of 2022, but the prospects for the second half of the year are clouded by persistent high inflation that is creating heavy pressure for aggressive monetary tightening that will dampen household spending and private investment. Signs of easing pressure on food prices could buy some room for a pause in the tightening cycle, but the impact of action taken to date will combine with the dampening effect of increased political uncertainty to hold real GDP growth to 6%-6.5% this year and to no more than 2% next year, which is more in line with the pre-pandemic trend.

CONGO DR

Elevated Turmoil Threat

The governing SUN coalition led by President Félix Tshisekedi's UDPS put in a strong showing at gubernatorial elections held in May, which were widely seen as a preview of national elections that are due to take place in December 2023. Parties aligned with the government won in 10 provinces, while the FCC emerged victorious in just one. However, the process was tainted by allegations of vote-buying and other irregularities. In that vein, while Tshisekedi's influence over the electoral commission, the courts, and the security services bolster his chances of securing a second term, that will not necessarily be beneficial in terms of political stability.

The risk stemming from armed conflict in the eastern provinces has increased with the earlier-than-planned withdrawal of UN peacekeepers from the area, and international tensions stemming from the alleged role of Rwanda and, to a lesser extent, Uganda, in perpetuating the turmoil hold the potential to produce a further deterioration in the security situation. Mediation efforts by Angola produced a road map of sorts for de-escalating tensions between Congo and Rwanda, which is accused of backing the M23 rebel group creating chaos in the eastern part of the country.

However, the militants themselves show no sign of honoring a proposed cease-fire or withdrawing from the area. Tshisekedi's refusal to rule out direct conflict with Rwanda, while undoubtedly a bluff, highlights the potential for the situation to spin out of control, resulting in the opening of a new theater of warfare that endangers the uneasy peace between the Tutsis and Hutus in Rwanda and elsewhere in the region.

In late July, Congo launched the bidding for exploration licenses for 30 oil-and-gas blocks, despite warnings of a severe negative environmental impact and criticism of the government's apparent retreat from previous climate commitments. Officials have downplayed the threat, but the controversy surrounding the issue creates a significant risk that investors will encounter strong opposition from local communities, a prospect that along with logistical difficulties, policy uncertainty, and more general security issues is likely to deter some major players, even if oil prices remain high.

Real GDP growth accelerated to 6.2% last year, supported by higher commodity prices and growing export volumes, which reinforced the base effect created by a pandemic-related slowdown in 2020 and the beneficial impact of reforms implemented under an IMF financing program. Sustained high commodity prices will underpin real GDP growth of 5.5% or more in 2022, and increased exports will hold the current account deficit to less than 1% of GDP. With inflation forecast to average more than 6% for the year, the government will need to spend more on subsidies, which will widen the budget deficit to 1.5%–2% of GDP.

GERMANY

Energy Crisis Raises the Stakes

Having inherited an economy ravaged by the COVID-19 pandemic upon taking the reins of government from Angela Merkel last year, Chancellor Olaf Scholz faces the prospect of a recession as the coalition of his center-left SPD, the Greens, and the liberal FDP grapples with the fallout from Russia's invasion of Ukraine, including a looming national energy crisis and soaring inflation that has made for testy industrial relations as unions push for compensatory wage hikes.

Both the SPD and the FDP took a beating at state elections in North-Rhine Westphalia and Schleswig-Holstein in May, and Scholz's party has more recently been polling below 20%, after winning 25.7% of the vote at a general election held less than a year ago. In contrast, the Greens have enjoyed a popularity boost as record-high summer temperatures have stoked climate concerns.

The diverging fortunes of the coalition partners will add to tensions within the governing alliance, which have been heightened as an imperative to free the country from dependence on Russian energy supplies has prompted a reconsideration of plans to phase out the use of nuclear power. The SPD's abandonment by either of its coalition partners would cost the government its majority. However, constitutional hurdles that make it difficult to force a snap election will create a disincentive for the Greens to defect, and the FDP's sagging popularity will limit its appetite for risking an early return to the polls.

The timing and extent of a possible recession will depend on a number of factors, including how quickly Germany can establish alternatives to Russia for its energy supply and the degree of monetary tightening that is required to bring inflation under control. After initially stating that there would be no interest rate rise this year, the ECB increased its three main intervention rates by 50 basis points at its meeting in July. With EU-wide inflation approaching 8% (year-on-year) in July, there is a high probability that additional hikes are coming, which will negatively affect consumer spending, corporate investment, and the housing market.

Real GDP growth is forecast to slow to near 1% this year, and the annual figure for 2023 will be close to zero and possibly negative. The government's plans to balance its books will also be made more difficult, and the decline in the general government gross debt burden, which stood at 68% of GDP at the end of March, may well be temporarily disrupted.

GUINEA

Domestic Tensions Rising

Political tensions will remain heightened for the time being given the extent of public animosity shown toward the military regime led by Col. Mamady Doumbouya, which has promised the return of democratic governance, but only after the interim administration has rooted out endemic corruption and implemented electoral reforms. Toward that end, the junta has established a special tribunal against corruption and the broadly inclusive interim legislature, the National Transitional Council, finally has begun the process of drafting a new constitution.

However, consternation over the failure to stick to the proposed timetable for the transition and some overtly anti-democratic moves by the junta, including the imposition of a ban on public gatherings until the elections can be held, has given rise to disruptive protests in the capital, Conakry. The junta ordered the dissolution of the FNDC, an alliance of civil groups and political parties, including the former ruling Rally for the Guinean People, while arresting and subsequently releasing its leaders on trumped up charges. However, both the FNDC and the separate NACD are continuing to apply pressure, and recent protests have devolved into violent clashes with security forces.

ECOWAS is leading efforts to mediate a political truce, but with no formal agreement in place, and doubts about the willingness of the military to fully relinquish political control to a civilian regime running high, it seems likely that the protests will continue, causing more disruption to business and transport, and thus perpetuating the high-risk operating environment.

An agreement reached in July with Rio Tinto Simfer and the Winning Consortium Simandou has removed an obstacle to progress on the construction of rail and port infrastructure required to exploit the massive Simandou iron-ore deposit. Nevertheless, questions remain over responsibility for financing the full estimated $15 billion cost of the larger mining project, and the potential for concerns about the environmental impact to galvanize local opposition adds to the uncertainty surrounding the feasibility of plans to commence the first phase of production by 2026.

In the near-term, the positive economic impact of solid demand and prices for mined commodities that include bauxite and gold will be partially offset by the adverse effect of inflation (which is forecast to average close to 13%) and political uncertainty on non-mining activity, holding real GDP growth to 4.5% for the year. Increased spending on subsidies for electricity will strain public finances, despite a boost from mining revenues, and higher prices for imports of food and fuel will likewise widen the current account deficit, which is forecast to exceed 9% of GDP in 2022.

HONDURAS

Policy Shifts May Spook Investors

President Xiomara Castro has enjoyed generally stable political conditions since resolving a crisis triggered by a rebellion within the ranks of the main governing Libre shortly after she began her four-year term in January, and a Mitofsky poll conducted near the 100-day mark of her presidency put her approval at 61%. However, expectations for her administration are high, and the risk of falling short is magnified by the fact that the coalition of Libre, the populist PSH, and the lone lawmaker from the PDCH controls just 60 seats in the 128-member Congress, five seats short of a bare majority.

Both Libre and the PSH campaigned on a pledge to root out the corruption, and the government has made some headway on that front. Significantly, Castro persuaded a majority of lawmakers to repeal the so-called "secrets law," which enabled officials to hide corruption by denying public access to documents on dubious national security grounds.

Castro's next steps in the fight against corruption will be closely watched for signs of partisan motivations. She will have an opportunity to restore judicial independence when she oversees the process of refreshing the roster of the Supreme Court and the appointment of a new attorney-general in 2023, and nominees with solid anti-corruption credentials are likely to run into opposition within the Congress.

Fulfilling another campaign promise, Castro obtained repeal of the law authorizing the creation of ZEDEs, "model cities" designed to insulate foreign firms from the problems in broader Honduran society that deter investment. A perceived lack of transparency surrounding the scheme made the ZEDEs a target of anti-corruption crusaders, who have applauded the repeal, but the move has contributed to significant uncertainty for the business interests that have set up shop in one of the zones, and the stability clause in the law creates the potential for protracted legal disputes and significant financial liabilities for the government.

Recently approved reforms of the electricity sector have also raised some red flags. In May, the Congress passed a revised electricity law that authorizes the government to renegotiate tariffs paid to generators for electricity supplied to state-owned power company, ENEE. Many of the power purchase agreements in place, which typically extend for 20–25 years, were concluded under past administrations using a noncompetitive process that lacked transparency.

The government has pledged that negotiations will be conducted in good faith and in a fully transparent manner. However, the recently approved reforms empower the state to take control of the assets of generating companies that refuse to revise the terms of their agreements, with compensation to be paid in the form of government bonds. The threat of expropriation in combination with the lack of clarity regarding the mechanism for determining "just" compensation has predictably set off alarms within the business community and creates yet another potential source of litigation as investors pursue redress under the provisions of international treaties.

KAZAKHSTAN

Russia Strategy May Prove Costly

President Kassym-Jomart Tokayev responded to an unprecedented eruption of domestic unrest early in the year by ordering the application of brute force to restore order, but he subsequently shifted to a strategy of appeasement that includes the pursuit of promised political reforms and an invigorated crackdown on the widespread corruption associated with the long rule of his predecessor, Nursultan Nazarbayev. A package of 56 constitutional reforms approved at a national referendum in early June mandates the replacement of a so-called "super-presidency" with one in which there is more of a balance of power among the executive, the legislature, and the judiciary. In a similar vein, the reforms will create a basis for the devolution of policy-making authority from the center to the regions.

The moves are as much about solidifying Tokayev's authority vis-à-vis the political and business elites closely tied to Nazarbayev as abo+ut appeasing a discontented population. The referendum result provides the president with both a mandate to proceed with his reform agenda and a legal basis for dismantling the institutional foundation of the Nazarbayev clan's power.

Democracy activists have dismissed the political reforms as insufficient, as they do not address key impediments creating a competitive multiparty democracy. Likewise, anti-corruption efforts to date have focused on figures close to Nazarbayev. The real test of Tokayev's intentions will be whether he maintains his commitment to the cause when doing so does not necessarily serve his political interests. In that regard, allegations by a reputable international anti-corruption watchdog that Tokayev and his family members have sizeable overseas assets of their own create some cause for doubt.

There was some question as to what Tokayev's decision to seek Russia's help to snuff out the domestic security threat might mean for Kazakhstan's freedom to maintain the multi-vector foreign policy strategy that has underpinned its relations with trade and investment partners. Following Russia's invasion of Ukraine in late February, Tokayev took immediate steps to remove all ambiguity, ruling out any material assistance to Russia's so-called "special operation" on the grounds that the conflict fell outside the parameters of the country's CSTO obligations.

There is widespread suspicion that repeated shutdowns of the Caspian Petroleum Consortium pipeline are occurring on orders from the Kremlin as a warning of Moscow's ability to inflict economic damage on Kazakhstan if Tokayev continues to show disloyalty. Kazakhstan's dependence on Russian imports for many essential items, including cooking oil, various food staples, and manufacturing and agricultural inputs, is another vulnerability on that score. Serious economic disruptions could conceivably trigger a renewed political crisis for Tokayev, who would no longer be able to count on help from Moscow to bail him out.

KENYA

Weak Reform Impetus

Elections held on August 9 to elect a new president, the members of both houses of Parliament, and county-level governors and assemblies, provided another stern test for Kenya's maturing democracy. The process was far from smooth, and the vote was marred by allegations of electoral fraud. Even so, the losers have relied on legal channels to seek redress, which improves the chances that Kenya will avoid a debilitating political crisis.

The presidential contest pitted the incumbent vice president, William Ruto, against the nominal leader of the opposition, Raila Odinga. Ruto twice stood as the running-mate of President Uhuru Kenyatta, but a falling out between the two leaders and a political deal struck between Kenyatta and Odinga left Ruto in the ironic position of running as the outsider candidate, while Odinga enjoyed the endorsement of the outgoing president.

Although the pre-election polls indicated that Odinga enjoyed a comfortable lead, the official results showed Ruto winning with 50.5% of the vote. Odinga has challenged the result, and the Supreme Court has until September 4 to deliver a verdict. Barring the introduction of concrete evidence to back up claims of widespread irregularities, it seems likely that the Supreme Court will confirm Ruto's victory, leaving it to Odinga to decide how to proceed from that point.

It is quite possible that Odinga might attempt to use the threat of a campaign of civil disobedience to negotiate a political arrangement with Ruto similar to the deal he struck with Kenyatta. However, a decisive ruling by the court in Ruto's favor would weaken his leverage.

Whether headed by Ruto or Odinga, the new government will have little choice but to grant high priority to meeting the conditions for the release of additional loans under extended credit facility and extended fund facility arrangements concluded with the IMF in 2021. Among the key demands of the IMF are substantive action to address the financial weakness of public-sector companies, and the Fund is also applying pressure for greater transparency by requiring an audit of COVID-19 related spending and the publication of ownership details of companies that have been awarded state contracts.

Ruto's credibility as a reformer is not very strong, and his promises to crack down on corruption are likewise suspect. The fact that his running-mate was just recently ordered by a court to repay some $1.7 million of state funds received for no clear reason does not inspire confidence that he might exceed expectations on that front.

Monthly indicators point to a pronounced deceleration of year-on-year real growth following first quarter expansion of 6.8%. The dampening effect of inflation and monetary tightening on private-sector consumption and investment and the negative impact of drought on the agricultural sector will slow overall economic activity, holding annual real GDP growth to less than 5% this year and to no more than 5.5% in 2023.

KUWAIT

Elections No Cure for Gridlock

Yet another Cabinet reshuffle (the fourth in a little more than two years) and a change of prime ministers in April has brought no relief from the chronic disruptions to governance created by a years-long power struggle between members of the popularly elected National Assembly and officials in the royally appointed government. The latest bout of government tumult has occurred amid heightened uncertainty stemming from questions about the health of 85-year-old Emir Nawaf Al-Ahmad Al-Jaber Al-Sabah, who traveled overseas for surgery in early 2021 and late last year assigned some of his duties to his half-brother, Crown Prince Mishal Al-Ahmad Al-Jaber Al-Sabah.

With Mishal seeking to dispel fears of a rudderless government, the National Assembly has been dissolved in preparation for an early election that will be held on September 29. It is doubtful that the upcoming vote, which otherwise would not have fallen due until December 2024, will lead to improved relations between the National Assembly and the government.

However, it will further delay action on a law that would authorize the government to borrow $65 billion in the international bond markets over the next 30 years. Historically, the National Assembly has been loath to approve any fiscal measures that entail taking on additional debt, while adamantly opposing cuts to wages, subsidies, and various other current expenditures that account for more than 70% of total spending. Reluctant to slash the capital budget and unable to obtain external financing, the government has repeatedly tapped the general reserve fund of the Kuwait Investment Authority, which has been depleted to a point where the government reported nearly $8 billion in arrears on payments to utilities earlier this year.

A windfall generated by the steep rise in oil prices following Russia's invasion of Ukraine in late February has eased immediate fiscal strains. A permanent solution to Kuwait's financing issues hinges on a reduction of the government's dependence on oil income, and an increase in private-sector jobs that enables officials to shrink the public-sector wage bill. Approval of legislation that produces substantive improvements in the business climate is an irregular occurrence, and typically follows many years of delay and numerous revisions that reduce the positive impact of the reforms.

The price of a barrel of crude has dipped below $100 of late, down from a recent peak of more than $116 in May, but it remains comfortably above last year's average. The non-oil contribution to GDP will continue to be limited by a lack of interest among investors, but the easing of pandemic-related restrictions will have a positive impact on activity in the services sector. Barring external developments that contribute to a significant slump in crude prices, favorable conditions for the oil economy will boost overall real GDP growth to 7.5%–8% in 2022, following estimated real expansion of just 1.3% last year.

NEW ZEALAND

Labour Tested by Economic Challenges

Prime Minister Jacinda Ardern's Labour Party government will remain in power through the end of the current three-year term, its majority bolstered by the fairly reliable backing of the Green Party. Polling ahead of an election that must be held no later than January 2024 shows the center-right National Party led by Christopher Luxon closing in on Labour, or even slightly ahead in some surveys, with the Greens and the liberal ACT New Zealand each polling around 10%, potentially positioning either for a king-maker role.

Local elections this October will provide another gauge of the incumbent's popularity, which has softened a bit against a backdrop of protests over vaccine mandates and rising living costs. Brian Tamaki, a fundamentalist Christian and far-right activist from Auckland, has emerged as the face of the anti-lockdown and anti-vaccine movement, and he has set his sights on winning a seat in Parliament. Luxon's refusal to rule out working with Tamaki, despite his extremist views on most hot-button issues, has afforded a degree of legitimacy to his positions, but could also negatively affect National's chances of ousting Labour.

The electoral outlook is clouded by the increasingly gloomy prospects for the economy over the next 18 months. Year-on-year inflation rose to 7.3% in the April–June quarter, a 32-year high, fueled by a combination of strong demand, supply-chain disruptions, and pandemic-related labor shortages that have pushed up wage costs.

The central bank has responded with aggressive monetary tightening that will slow real GDP growth to less than 2% in the fiscal year that began on April 1, following a strong post-pandemic bounce that produced real expansion of 5.1% in 2021/2022. The current account deficit is forecast to widen to more than 6% of GDP, the largest shortfall since 2008, swelled by higher prices for consumer and intermediate goods relative to dairy exports and a widening services deficit.

PERU

Castillo on the Ropes

The first year of President Pedro Castillo's term was characterized by near-constant crises. He took office in late July 2021 with a weak mandate and minority support in the 130-member Congress, where the leftist PL controls just 37 seats and many committees are headed by opposition lawmakers. His position has been further undermined as a string of controversies has eroded his popular support, and although now barely into the second year of his term, it is looking increasingly as though his days in office are numbered.

Even if Castillo somehow manages to hang on, the persistent threat of his early removal and his narrow base of congressional support ensures that he will be ineffectual. With indigenous protests against major mining projects inflicting significant harm on both the national economy and Peru's reputation with investors, there is an urgent need for decisive and effective leadership. Unfortunately, there is little reason to assume that either Vice President Dina Boluarte or congressional leader Lady Camones Soriano would be in any better position to cobble together the majority coalition that would be essential to creating a stronger basis for political stability.

The government's failure to end disruptions to key mining operations caused by indigenous protesters demanding a greater share of the wealth from resource extraction resulted in the suspension of activity at the Chinese-owned Las Bambas copper mining operation in the Apurímac region and the Mexican-owned Cuajone mine in the Moquegua region. The protests are in part a manifestation of impatience with Castillo's failure to present even a blueprint for how he plans to fulfill his pledge to reduce poverty, and his ability to appease angry Peruvians has become even more limited as the stoppage of mining operations has reduced the funds available for social spending programs.

A truce reached with the Las Bambas protesters and the initiation of production at new mines helped to boost copper production to more than 198,000 tonnes in June, a nearly 14% increase compared to May. However, efforts to negotiate a permanent agreement with local communities have stalled and prices have decreased markedly since hitting an all-time high of close to $5 per pound in March.

The business confidence index has averaged less than 35.0 since March, with 50.0 representing the dividing line between optimism and pessimism. Retail spending has remained surprisingly robust, but inflation is eroding household spending power, and the dampening effect of aggressive monetary tightening aimed at containing the steep rise in the consumer price index will become more apparent in the second half of the year, contributing to anemic expansion that holds the annual real growth rate to 2%–2.5% in 2022.

ROMANIA

Greater Stability, but Mediocre Results

The crisis triggered by the withdrawal of the USR from the center-right government that included the PNL and the UDMR was resolved without need for snap election when the two latter parties reached a coalition agreement with the center-left PSD, resulting in the formation of a national unity coalition, the CNR. Under the pact concluded in November, the government will be headed by Nicolae Ciucă, a retired general and the current leader of the PNL, until May 2023, when he is to hand over the reins to PSD leader Ion-Marcel Ciolacu, who will hold the position until the expiration of the current term in December 2024.

There is no natural affinity between the two main parties, which means there is a high potential for the eruption of internal disputes that open cracks in the governing alliance. In terms of economic strategy, the CNR's initiatives will focus on implementing the plan submitted to the European Commission to qualify for more than $30 billion in grants and loans under the EU's Recovery and Resilience Facility (RRF), which will be contingent on the achievement of various benchmarks, including the implementation of judicial reforms and anti-corruption measures long demanded by the EU.

A "minimum required" approach to battling corruption has impeded progress in the 15 years since Romania joined the EU. In that vein, the latest round of proposed judicial reforms unveiled in July does not depoliticize the legal system and magistrates have criticized provisions granting the prosecutor-general (a political appointee) broad discretion to throw out case proposals as a significant setback for anti-corruption efforts.

The EU has extended Romania's timeline for shrinking the general government budget deficit to no more than 3% of GDP until 2024. Toward that end, the government is to reduce the deficit to 6.2% of GDP this year and to no more than 4.4% of GDP in 2023, but the negative economic fallout from the war in Ukraine has clouded the near-term outlook keeping the program on track.

Ciolacu has stated that achieving the convergence criteria for euro adoption will be a low priority in the near term. As such, the targets established under the excessive-deficit procedure and the benchmarks for securing the timely disbursement of the RRF funds will anchor policy expectations, and political leaders risk a damaging loss of confidence if they fail to meet those objectives.

Double-digit inflation is creating pressure for growth-stunting monetary tightening that is expected to slow real economic expansion to 3%–3.5% in 2022. Sustaining even that pace will depend on several factors, including the efficient use of EU funding, an area in which improvement is needed. Year-to-date capital expenditures decreased by 4.4% (year-on-year) through the end of May, by which point the government had not yet distributed any of the RRF pre-financing to the intended beneficiary.

SWEDEN

Rightward Shift Looking Likely

The political scene is focused on the forthcoming general election to be held on September 11, which is shaping up to be another closely fought contest between the incumbent center-left bloc headed by Prime Minister Magdalena Andersson's Social Democrats and the center-right coalition led by Ulf Kristersson's Moderates. Although Andersson's party has maintained a sizeable lead, it is an open question whether the party and its allies will win enough seats to form a viable government, which has become a matter of increased doubt since a falling out with the Greens last year.

Much will depend on whether the Moderates' centrist allies are willing to work (even on an informal basis) with Jimmie Åkesson's populist-right Sweden Democrats, which appears to be headed for a third-place finish that will position that party to play king maker. A particularly strong showing for Sweden Democrats would make it difficult to deny the party a formal role in the government, a condition that might prove intolerable for the Center Party, in particular.

The government is benefiting from a sense of national unity amid the crisis in Ukraine, and decisive action to join NATO is endorsed by the majority of Swedish voters. However, the campaign has focused on traditional issues, including welfare spending and privatization, and crime has become a burning issue amid a rise in gun violence, while the energy crisis stemming from sanctions on Russia has revived the debate over nuclear power. Under current circumstances, the parties of the right would seem to hold the advantage on each of those issues.

The energy crisis is creating a growing risk of a regional recession, and Sweden cannot avoid the economic consequences, despite some mitigating factors, including a well-diversified economy and an enviable fiscal position. Year-on-year inflation surged to 8.7% in June (or 8.5% using the central bank's preferred measure), and the Riksbank's forward guidance indicates that interest rates will rise to 2% by the start of next year, having already increased from zero to 0.75% since April. Some commodity prices show signs of peaking, but an anticipated sharp rise in gas prices during the winter months will sustain inflation rates well above the 2% target for some time yet.

Slumping consumer confidence has adverse implications for the retail trade. Sentiment in the construction, manufacturing, and services sectors remains positive, but the outlook could deteriorate rapidly if households curtail their spending and recession hits major export markets. Overall, real GDP growth is forecast to slow to less than 1.5%. in 2022. Still, the general government balance will show only a small deficit, and the gross debt is projected to move below 30% of GDP by next year.

UNITED ARAB EMIRATES

MBZ Ascends at Opportune Time

Mohammed bin Zayed Al Nahyan, the long-time de facto leader of the UAE, has officially taken power, becoming emir of Abu Dhabi and president of the federation following the death of his half-brother, Khalifa bin Zayed, on May 13. The formal change of leadership was not expected to have a substantive impact on policy direction, given the extent to which the new ruler, commonly known as MBZ, was already calling the shots.

That said, MBZ has inherited the mantle of power under particularly favorable conditions. Supply shocks generated by Russia's invasion of Ukraine earlier this year have sent prices for oil and gas soaring, providing MBZ with additional financial resources to make a big imprint early as the government implements a diversification strategy.

The global reverberations of the war in Ukraine have also provided MBZ with additional diplomatic leverage, as both eastern and western economic powers move with some urgency to reduce their dependence on Russian energy supplies. There are already signs that the UAE is adopting a less US-centric foreign policy stance, and recent overtures to China will create an incentive for Washington to quiet its criticism of both the UAE and Saudi Arabia.

The OPEC+ bloc agreed to increase overall production by 648,000 barrels per day (bpd) in July and August, but the most recent meeting produced an agreement to increase output by just 100,000 bpd, which industry analysts have interpreted as an indication that the Gulf producers are approaching the upper limit of their production capacity.

Against that backdrop, and with global demand expected to increase over the medium term, the board of the Abu Dhabi National Oil Company has approved investment expenditures of more than $125 billion in 2022–2026 for both upstream projects and the development of low-carbon fuels and clean-energy alternatives related to the UAE Energy Strategy 2050.

The war in Ukraine creates some political risk for MBZ's regime, the most notable danger being the impact on food prices and the potential for conflict in a region that accounts for roughly 20% of the world's supply of cereals to produce dangerous shortages in countries that depend on imports for their food.

More positively, with oil prices remaining close to $100 per barrel and output expected to increase marginally over the coming months, the oil sector is all but certain to grow at a robust pace this year. Inflation may discourage household spending, and the latest readings for the purchasing managers' index suggest that higher prices are having a dampening effect on non-oil economic activity more broadly. Even so, the PMI remains comfortably above the 50.0 level dividing expansion from contraction, reflecting the diminished risks from COVID-19 in a country with a 99% vaccination rate. On balance, real GDP growth is forecast to accelerate to more than 5% in 2022, the fastest annual pace of expansion in seven years.

ZIMBABWE

Increased Risk of Damaging Unrest

Political tensions are rising with the approach of national elections next year, at a time when the country is enduring yet another economic crisis marked by currency depreciation and soaring inflation. The return of conditions similar to those that characterized former President Robert Mugabe's final years in office merely serves to highlight the fact that his successor, Emmerson Mnangagwa, has not delivered on his promises of reform.

Even so, the opposition's efforts to unseat the incumbent ZANU-PF will be impeded by the chicanery that is typically practiced in Zimbabwe, a particularly brazen example being the stacking of the electoral commission with members of the military and family members of several serving and former ZANU-PF bigwigs. The opposition is preparing to take to the streets in protest, but remains divided, and Douglas Mwonzora, the leader of the MDC-T, has come under pressure to surrender control of the party following a poor showing at by-elections held in March.

The governing party is likewise troubled by infighting, stemming from the belief in some quarters that Mnangagwa should not stand for another term in 2023. With the president showing every sign that he intends to pursue re-election, the stage is set for a combative and potentially violent election campaign as sparks fly within and between the main political parties.

In furtherance of the government's deficit- and debt-reduction strategy, Minister of Finance Mthuli Ncube's mid-term budget review included a planned increase in the royalty paid by mining companies on platinum group metals to 5% with effect from January 2023, and the imposition of a 5% royalty on lithium. The move does not create a major disincentive to invest in a climate of high commodity prices. Moreover, the hikes have been handled in a fully transparent manner, and as noted by Ncube brings the royalty rates in line with the levels in South Africa.

Real GDP growth rebounded to a nine-year high of 6.3% last year, boosted by a recovery in commodity prices, but the outlook for 2022 and beyond is dimmed by persistent severe structural problems, the vulnerability of the agricultural sector to adverse weather conditions, and the recurring difficulties stemming from damaging currency volatility. The central bank has hiked the key interest rate to 200%, putting a financial squeeze on the private sector, as some independent economists are advising policy makers to ditch its multicurrency system in favor of adopting the US dollar as the national currency.

State finances remain mostly under control, but the deficit is likely to overshoot the target of 1.5% of GDP, as high inflation and the electoral calendar create an incentive to exceed planned spending levels. The low level of foreign exchange reserves (far short of the recommended three-month minimum) and a lack of access to foreign loans add up to a higher level of financing risk than the debt-to-GDP ratio would otherwise suggest.

Political & Economic Forecast Table

Next to each country name is the date of our last economic update, followed by the 18-month (2nd line) and 5-year (3rd line) political forecasts: the REGIMES most likely to hold power and their PROBABILITIES, risk ratings for TURMOIL (low to very high), and risk ratings (A+ the least to D- the most) for financial TRANSFER, direct INVESTMENT, and EXPORT to the country. When a forecast has changed, the previous rating appears in parentheses. An asterisk means a nonincumbent regime. Our most recent economic data and forecasts include a previous five-year average, a one-year forecast or estimate, and a five-year forecast average. REAL GROWTH of GDP and INFLATION are expressed as percentages, and CURRENT ACCOUNT figures are in billions of US dollars.

COUNTRY REGIMES AND PROBABILITIES		TURMOIL	TRANS-FER	INVEST-MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Algeria	4/1/2022					2017-2021	0.5	4.3	-15.84
Military-Civilian 80%		High	B	C+	B-	2022	2.5	9.3	3.50
Military-Civilian 70%		High	B-	C+	C+	2023-2027	1.8	7.4	-7.20
Angola	4/1/2022					2017-2021	-1.6	22.5	4.15
MPLA 60%		High	B-	B-	C+	2022	3.0	24.4	14.50
MPLA 60%		Moderate	C+	B-	C+	2023-2027	3.4	9.2	2.10
Argentina	8/1/2022					2017-2021	-0.3	40.8	-10.38
Divided Government 65%		Moderate	C- (C)	B	B-	2022	3.0	62.5	4.50
Divided Government 45%		Moderate	C+	B-	C+	2023-2027	2.1	28.6	2.30
Australia	7/1/2022					2017-2021	2.0	1.8	6.72
ALP 75%		Low	A-	A-	A	2022	4.2	4.5	52.20
*ALP Coalition 50%		Low	A-	A	A	2023-2027	2.4	2.6	3.10
Austria	3/1/2022					2017-2021	0.8	2.0	6.42
*SPÖ-ÖVP 45%		Low	A+	A	A	2022	2.8	5.6	-2.30
*SPÖ-ÖVP 45%		Low	A+	A+	A	2023-2027	2.3	2.0	10.20
Azerbaijan	7/1/2022					2017-2021	1.1	5.5	4.15
YAP 75%		Moderate	B+	B+	B	2022	3.5	11.9	20.90
YAP 70%		Moderate	B+	B+	B	2023-2027	2.8	4.6	11.40
Bangladesh	5/1/2022					2017-2021	6.4	5.6	-4.67
AL-led Coalition 85%		High	C	B-	B-	2022	6.2	6.6	-13.50
AL-led Coalition 75%		High	C+	B-	B-	2023-2027	7.2	5.6	-10.70
Belgium	4/1/2022					2017-2021	1.0	1.7	2.64
Broad Coalition 50%		Low	A-	A-	A	2022	1.8	7.8	1.20
Broad Coalition 45%		Low	A-	A-	B+	2023-2027	1.6	1.7	-2.90
Bolivia	5/1/2022					2017-2021	1.6	1.7	-0.88
MAS 75%		High	C+	B	B-	2022	4.1	2.7	1.10
*Divided Government 45%		Moderate	C	B-	B-	2023-2027	3.4	3.7	-1.90
Botswana	2/1/2022					2017-2021	2.8	3.7	-0.52
BDP 75%		Low	B+	A-	A-	2022	4.4	8.1	-0.37
BDP 60%		Low	B+	B+	B+	2023-2027	3.9	4.5	0.20
Brazil	7/1/2022					2017-2021	1.0	4.4	-38.19
*Center-Left Coalition 40%		High	C	B	B-	2022	1.3	10.8	-18.50
*Center-Left Coalition 40%		Moderate	C	B	B-	2023-2027	1.9	4.0	-47.30
Bulgaria	3/1/2022					2017-2021	1.9	2.5	0.91
Left-Right Coalition 45%		Low	A	A	A-	2022	3.4	10.0	-1.80
*Center-Right Minority 40%		Low	A	A-	A-	2023-2027	3.6	2.3	-0.90
Cameroon	6/1/2022					2017-2021	3.0	1.8	-1.47
RDPC 65%		High	B-	B	B-	2022	3.8	4.0	-1.10
RDPC 45%		High	C+	B-	B-	2023-2027	4.6	2.3	-1.60
Canada	4/1/2022					2017-2021	1.1	2.2	-30.64
Minority Liberal 75%		Low	A	A	A+	2022	3.6	5.7	13.30
*Minority CPC 45%		Low	A	A	A	2023-2027	2.0	2.1	-31.60
Chile	7/1/2022					2017-2021	2.4	2.9	-12.00
Center-Left Coalition 50%		Low	B+	A-	A-	2022	1.7	9.0	-17.50
*Divided Government 45%		Low	B+	B+	B+	2023-2027	1.9	3.5	-13.90
China	8/1/2022					2017-2021	6.0	2.0	176.37
Pragmatists 65%		High	B-	B-	C+	2022	3.6	2.7	540.00
Pragmatists 60%		High	B-	B-	C+	2023-2027	5.1	2.1	260.00
Colombia	8/1/2022					2017-2021	2.2	3.4	-13.15
Divided Government 60% (45%)		High	B-	B+	B	2022	6.2	9.2	-16.50
Divided Government 45%		Moderate	C+	B-	C+	2023-2027	3.1	3.4	-14.90
Congo	5/1/2022					2017-2021	-3.6	1.1	0.21
PCT-led Coalition 85%		Moderate	C-	B-	C+	2022	3.3	3.6	4.10
PCT-led Coalition 65%		Moderate	C+	B-	B-	2023-2027	2.6	3.0	0.70

COUNTRY REGIMES AND PROBABILITIES		TURMOIL	TRANS-FER	INVEST-MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Congo DR	8/1/2022					2017-2021	4.4	18.0	-1.23
Reformist Coalition 45%		Very High	B-	C-	C-	2022	5.5	6.4	-0.35
Reformist Coalition 40%		High	C	C-	C-	2023-2027	6.0	6.5	-0.60
Costa Rica	4/1/2022					2017-2021	2.5	1.8	-1.54
Divided Government 60%		Low	B-	A-	B+	2022	3.2	5.6	-2.20
Divided Government 60%		Low	B	B+	B	2023-2027	3.1	2.9	-2.10
Côte d'Ivoire	3/1/2022					2017-2021	6.0	1.7	-1.89
RHDP 75%		High	B-	B	B-	2022	6.0	5.5	-3.30
RHDP 70%		Moderate	B-	B-	B-	2023-2027	6.3	2.1	-3.40
Cuba	3/1/2022					2017-2021	-1.3	104.4	1.30
Reform Communist 50%		High	D-	C-	D	2022	0.3	620.0	0.07
Reform Communist 45%		Moderate	C-	C+	C	2023-2027	3.0	25.0	-0.15
Czech Republic	5/1/2022					2017-2021	1.8	2.9	0.42
*Broad Coalition 60%		Low	A	A	A	2022	1.9	11.1	-5.10
*Broad Coalition 50%		Low	A+	A	A	2023-2027	3.3	2.2	-1.80
Denmark	6/1/2022					2017-2021	1.9	0.9	29.41
*Center-Right Minority 45%		Low	A+	B+	A	2022	2.8	6.2	27.60
*Center-Right Minority 45%		Low	A+	A-	A	2023-2027	2.1	1.7	34.10
Dominican Republic	5/1/2022					2017-2021	4.5	4.2	-1.33
PRM-led Coalition 60%		Moderate	B	B	B-	2022	5.1	9.8	-4.00
PRM-led Coalition 40%		Moderate	B	B	B	2023-2027	4.9	4.2	-2.90
Ecuador	6/1/2022					2017-2021	0.0	0.1	0.84
Divided Government 65%		High	C-	C+	C	2022	2.7	5.1	3.35
Divided Government 60%		Moderate	C	C+	C	2023-2027	2.6	1.4	2.30
Egypt	7/1/2022					2017-2021	4.4	13.6	-12.18
Military-Civilian 85%		High	C-	B-	C+	2022	4.5	11.2	-21.70
Military-Civilian 75%		Moderate	C	B-	C+	2023-2027	5.5	7.5	-16.90
El Salvador	3/1/2022					2017-2021	1.8	1.1	-0.54
Bukele Majority 75%		High	C+	B	C+	2022	2.8	5.2	-1.60
Bukele Majority 50%		Moderate	C	B	B-	2023-2027	2.2	2.0	-1.40
Finland	4/1/2022					2017-2021	1.2	1.1	-0.08
*Broad Coalition 45%		Low	A	A-	A	2022	1.7	4.7	-0.30
*Broad Coalition 40%		Low	A	A	A	2023-2027	1.5	1.9	-1.20
France	4/1/2022					2017-2021	0.7	1.3	-26.31
Centrist Coalition 60%		Moderate	B	B+	B+	2022	2.7	4.5	-56.40
Centrist Coalition 60%		Moderate	B	B+	B+	2023-2027	1.8	1.7	-42.30
Gabon	6/1/2022					2017-2021	0.9	2.4	-0.77
Reformist PDG 60%		High	C	B	C+	2022	3.7	2.5	0.45
Reformist PDG 50%		Moderate	C+	B	B-	2023-2027	3.6	2.4	-0.40
Germany	8/1/2022					2017-2021	0.6	1.7	297.05
SPD-Greens-FDP 80%		Low	A	A-	A-	2022	1.2	7.6	263.00
*SPD-Greens 45%		Low	A	A-	A-	2023-2027	1.4	2.2	340.00
Ghana	3/1/2022					2017-2021	5.3	9.9	-2.06
NPP 60%		Moderate	C	B+	B-	2022	5.0	15.5	-2.70
NPP 50%		Moderate	C-	B	C	2023-2027	5.2	7.8	-3.20
Greece	3/1/2022					2017-2021	0.9	0.3	-7.60
ND 75%		Low	C+	A-	B-	2022	3.7	4.3	-14.40
*Center-Right Coalition 60%		Low	B-	A-	B-	2023-2027	2.3	1.7	-9.20
Guatemala	5/1/2022					2017-2021	3.3	3.9	1.87
Divided Government 65%		High	B	B	B	2022	4.0	4.5	1.10
Divided Government 50%		High	B-	B-	B-	2023-2027	3.5	4.1	0.80
Guinea	8/1/2022					2017-2021	6.6	10.3	-1.46
Military-Civilian 70%		High	C+ (C)	C+	C (C-)	2022	4.5	12.9	-2.00
*Reformist Coalition 50%		High	C (C-)	B-	C	2023-2027	5.5	8.4	-2.20
Guyana	6/1/2022					2017-2021	15.4	2.1	-1.41
PPP/C 75%		Moderate	B+	B-	B-	2022	44.5	7.9	5.85
PPP/C 70%		Moderate	A-	B+	B+	2023-2027	12.2	4.3	3.50
Haiti	4/1/2022					2017-2021	-0.5	16.5	-0.14
Divided Government 75%		Very High	C-	C	C-	2022	-0.2	26.1	-0.04
Divided Government 65%		Very High	D+	C	C-	2023-2027	1.1	11.5	-0.13
Honduras	8/1/2022					2017-2021	3.0	4.1	-0.60
Divided Government 60%		High	C+	B	C+	2022	3.6	7.4	-1.40
Divided Government 45%		High	B-	B-	B-	2023-2027	3.6	4.1	-1.30

COUNTRY REGIMES AND PROBABILITIES		TURMOIL	TRANS-FER	INVEST-MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Hong Kong	7/1/2022					2017-2021	1.0	1.7	23.24
Limited Autonomy 60%		Moderate	A	A-	A	2022	1.0	1.9	38.30
Limited Autonomy 50%		Moderate	A-	B+	A-	2023-2027	3.0	2.4	28.40
Hungary	4/1/2022					2017-2021	3.3	3.4	-1.09
Fidesz-KDNP 80%		Low	B	B+	B+	2022	3.0	10.0	-4.80
Fidesz-KDNP 50%		Low	B	B+	B+	2023-2027	3.2	3.9	0.90
India	3/1/2022					2017-2021	3.8	4.5	-27.65
BJP Majority 65%		Moderate	B	B+	B	2022	8.3	6.8	-95.70
BJP Majority 55%		Moderate	B	B	B	2023-2027	7.5	4.3	-85.40
Indonesia	6/1/2022					2017-2021	3.4	2.7	-15.66
Reformist Coalition 75%		Moderate	B	B	B	2022	5.5	3.3	-6.45
Reformist Coalition 55%		Moderate	B	B	B-	2023-2027	5.4	3.1	-19.80
Iran	3/1/2022					2017-2021	-0.6	30.6	11.72
Conservative 75%		Very High	C	C-	C-	2022	2.7	33.5	50.60
Conservative 70%		Very High	C	D+	C-	2023-2027	2.1	20.8	16.30
Iraq	6/1/2022					2017-2021	-0.4	1.4	3.25
*Shiite Coalition 40%		Very High	C-	C-	C-	2022	9.0	5.9	51.20
*National Unity Coalition 40%		High	C-	C-	C-	2023-2027	3.5	2.6	8.30
Ireland	5/1/2022					2017-2021	8.4	0.8	-0.10
Unity Coalition 50%		Low	A-	A	A-	2022	4.9	6.9	47.90
*Fine Gael Minority 45%		Low	A-	A+	A-	2023-2027	3.7	2.0	41.30
Israel	4/1/2022					2017-2021	3.6	0.5	14.95
*Right-Wing Coalition 40%		High	A-	A-	A-	2022	4.9	3.4	17.20
*Right-Wing Coalition 40%		High	B+	B+	A-	2023-2027	3.5	1.8	13.90
Italy	4/1/2022					2017-2021	0.1	1.0	56.79
*Center-Right Coalition 55%		Moderate	C+	B+	B	2022	2.2	6.0	32.60
*Center-Right Coalition 45%		Moderate	B-	B+	B	2023-2027	1.3	1.8	61.30
Jamaica	6/1/2022					2017-2021	-1.3	4.5	-0.18
JLP 80%		Moderate	B	A-	B	2022	2.7	8.8	-0.50
JLP 60%		Moderate	B	B+	B	2023-2027	2.3	5.0	-0.65
Japan	3/1/2022					2017-2021	0.1	0.3	168.83
LDP Coalition 75%		Low	A-	A	A+	2022	2.0	1.2	135.00
LDP Coalition 60%		Low	A	A-	A	2023-2027	1.1	0.8	190.00
Kazakhstan	8/1/2022					2017-2021	2.8	6.7	-4.97
Nur Otan 70%		High	B	B-	C+	2022	2.8	11.3	9.20
Nur Otan 60%		Moderate	B-	B-	B-	2023-2027	3.8	5.2	-4.10
Kenya	8/1/2022					2017-2021	4.3	5.9	-5.33
*Ruto Majority 40%		High	C	B	C+	2022	4.9	7.6	-6.90
*Ruto Majority 40%		Moderate	C- (C)	B-	C	2023-2027	5.1	6.0	-7.20
Kuwait	8/1/2022					2017-2021	-2.1	1.7	17.90
Al-Sabah Family 70%		Moderate	A-	B	A-	2022	7.6	4.6	54.10
Al-Sabah Family 65%		Low	A	B+	A-	2023-2027	3.0	3.2	22.50
Libya	6/1/2022					2017-2021	42.5	6.7	4.69
*Military-Civilian 40%		Very High	D	C-	D+	2022	3.8	5.5	5.70
*Reformist Coalition 40%		High	C-	C-	C	2023-2027	4.5	5.1	4.30
Malaysia	7/1/2022					2017-2021	2.5	1.4	11.58
PN-BN Coalition 40%		Moderate	A-	B+	A-	2022	5.8	3.0	17.60
*UMNO-led Coalition 40%		Low	A-	B+	A-	2023-2027	5.0	2.4	18.80
Mexico	7/1/2022					2017-2021	0.1	4.7	-4.93
Populist Coalition 40%		High	B	B+	B	2022	1.9	7.3	-6.60
*Divided Government 40%		Moderate	B-	B-	B-	2023-2027	2.2	3.1	-11.80
Morocco	4/1/2022					2017-2021	2.1	0.8	-3.87
Mohamed 85%		High	C+	B	B-	2022	1.2	4.6	-7.80
Mohamed 85%		Moderate	B-	B	B	2023-2027	3.4	1.9	-5.60
Myanmar	4/1/2022					2017-2021	0.8	5.8	-3.02
Military 75%		High	D+	C	C-	2022	1.5	17.4	-0.25
Military 60%		High	D+	C	C-	2023-2027	2.0	9.8	-0.95
Netherlands	6/1/2022					2017-2021	1.7	1.9	86.89
Center-Right Coalition 55%		Low	A+	A-	A	2022	2.9	8.4	82.10
*Broad Coalition 45%		Low	A+	A	A	2023-2027	2.0	2.2	92.80
New Zealand	8/1/2022					2017-2021	2.6	2.1	-7.29
Labour Majority 75%		Low	A	A	A	2022	1.9	6.9	-15.80
*Labour-Greens 45%		Low	A-	A	A-	2023-2027	2.0	2.5	-11.70

COUNTRY REGIMES AND PROBABILITIES		TURMOIL	TRANS-FER	INVEST-MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Nicaragua	6/1/2022					2017-2021	1.2	4.6	-0.06
FSLN 85%		High	B-	B-	B-	2022	2.5	10.8	-0.60
FSLN 60%		High	C+	C	C+	2023-2027	2.2	4.0	-0.25
Nigeria	6/1/2022					2017-2021	1.3	14.0	-3.27
*APC Coalition 40%		Very High	C+	C+	C	2022	3.0	16.5	-1.50
*APC Coalition 40%		Very High	C-	C	C	2023-2027	2.9	11.6	-3.90
Norway	5/1/2022					2017-2021	1.5	2.3	28.87
Center-Left Minority 60%		Low	A+	A-	A+	2022	3.6	4.6	115.00
Center-Left Minority 45%		Low	A+	A-	A+	2023-2027	2.1	1.9	52.40
Oman	5/1/2022					2017-2021	-0.1	0.7	-6.23
Haitham 85%		Moderate	A-	A-	A-	2022	4.7	3.8	6.10
Haitham 85%		Moderate	B+	A-	B+	2023-2027	2.9	2.4	0.90
Pakistan	7/1/2022					2017-2021	3.7	6.9	-10.43
PML-N Coalition 40%		Very High	D+	B-	D+	2022	3.8	16.4	-13.60
PML-N Coalition 40%		High	D	C+	C-	2023-2027	4.5	7.2	-7.10
Panama	6/1/2022					2017-2021	1.9	0.3	-2.47
Centrist Coalition 45%		Moderate	B+	B+	B+	2022	7.4	3.6	-3.10
Centrist Coalition 45%		Moderate	B-	B	B	2023-2027	4.9	2.2	-2.60
Papua New Guinea	5/1/2022					2017-2021	1.2	4.6	5.71
Reformist Coalition 50%		High	C	B-	B-	2022	5.0	7.3	7.80
Reformist Coalition 55%		Moderate	B-	B-	B-	2023-2027	3.1	4.5	6.30
Paraguay	3/1/2022					2017-2021	2.4	3.5	0.58
Divided Government 70%		Moderate	B+	B+	B	2022	2.0	8.6	-0.90
Divided Government 60%		Moderate	B+	B	B	2023-2027	4.0	3.8	0.30
Peru	8/1/2022					2017-2021	2.3	2.4	-2.56
Divided Government 70%		Moderate	B	B+	B	2022	2.3	7.1	-12.50
*Centrist Coalition 50%		Moderate	B-	B-	B-	2023-2027	3.5	2.8	-1.80
Philippines	7/1/2022					2017-2021	3.0	3.5	-1.98
Populist Coalition 70%		Moderate	B	B	B	2022	6.7	5.1	-12.40
Populist Coalition 60%		Moderate	B-	B	B	2023-2027	6.5	3.5	-7.90
Poland	3/1/2022					2017-2021	3.6	2.7	1.34
PiS Minority 60%		Low	A-	A-	A-	2022	3.7	8.9	-20.60
*Center-Right Coalition 40%		Low	A-	A-	A-	2023-2027	3.8	3.6	-6.30
Portugal	5/1/2022					2017-2021	1.1	0.8	-0.39
PS 60%		Low	B-	A	B	2022	4.3	4.5	-6.80
*PS Minority 45%		Low	B+	A	A-	2023-2027	2.3	1.3	-2.40
Romania	8/1/2022					2017-2021	3.6	3.5	-12.47
CNR 50%		Low	B-	A-	B+	2022	3.2	11.9	-20.90
*Center-Left Coalition 50%		Low	B-	A-	B	2023-2027	3.4	3.6	-23.60
Russia	4/1/2022					2017-2021	1.4	4.1	74.02
United Russia 65%		High	D+	D+	D+	2022	-8.5	20.7	206.90
United Russia 50%		Moderate	C-	C	C	2023-2027	0.5	7.8	57.60
Saudi Arabia	5/1/2022					2017-2021	0.2	1.2	28.68
King Salman 60%		High	A-	B	B+	2022	8.0	3.0	249.00
*Younger Al-Saud 60%		Moderate	A-	B	B+	2023-2027	3.0	2.2	58.70
Singapore	5/1/2022					2017-2021	2.6	0.7	60.16
Lee Hsien Loong 60%		Low	A+	A	A+	2022	3.7	5.0	59.60
*Younger PAP 65%		Low	A+	A	A+	2023-2027	2.6	1.5	64.30
Slovakia	7/1/2022					2017-2021	1.6	2.3	-1.97
*Center-Left Coalition 60%		Low	A-	A	A-	2022	2.3	10.8	-5.90
*Center-Left Coalition 50%		Low	A-	A	A-	2023-2027	3.4	2.3	-4.00
South Africa	7/1/2022					2017-2021	0.3	4.4	-1.77
Pragmatic ANC 55%		High	C+	B	B	2022	2.0	6.5	6.40
Pragmatic ANC 55%		Moderate	C+	C+	B-	2023-2027	1.5	4.4	-8.10
South Korea	3/1/2022					2017-2021	2.2	1.4	75.25
*Divided Government 50%		High	A-	A-	B+	2022	2.5	4.1	42.60
*Divided Government 45%		Moderate	B+	A-	A-	2023-2027	2.4	1.8	75.20
Spain	5/1/2022					2017-2021	0.3	1.4	23.28
*Center-Right Minority 40%		Moderate	B	A-	B+	2022	3.3	7.6	14.30
*Center-Right Minority 40%		Low	B+	A-	B+	2023-2027	2.5	1.6	24.20
Sri Lanka	4/1/2022					2017-2021	1.9	5.1	-2.27
*Unity Coalition 50%		High	C-	B	C	2022	-1.0	27.4	-6.80
*SJB-led Coalition 40%		Moderate	C-	B-	C	2023-2027	3.4	7.4	-3.10

COUNTRY REGIMES AND PROBABILITIES		TURMOIL	TRANS-FER	INVEST-MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Sudan	3/1/2022					2017-2021	-1.4	133.3	-4.32
Military 65%		Very High	D	C	D+	2022	-1.5	275.0	-3.40
*Military-Civilian 40%		High	C-	C-	C-	2023-2027	2.6	48.4	-2.80
Suriname	4/1/2022					2017-2021	-2.4	25.5	-0.01
VHP-led Coalition 75%		Low	C	B	B	2022	2.0	40.1	-0.09
VHP-led Coalition 45%		Low	B-	B+	B	2023-2027	3.0	12.3	-0.25
Sweden	8/1/2022					2017-2021	1.9	1.7	25.33
*Center-Right Minority 40%		Low	A	A-	A	2022	1.5	6.6	25.40
*Broad Coalition 40%		Low	A	A-	A	2023-2027	2.0	2.2	31.30
Switzerland	7/1/2022					2017-2021	1.4	0.3	45.07
Centrist Coalition 50%		Low	A+	A-	A	2022	2.6	3.0	53.00
Centrist Coalition 50%		Low	A+	A-	A	2023-2027	1.6	1.1	68.40
Syria	7/1/2022					2017-2021	0.6	85.7	-2.07
Assad 85%		Very High	D	C-	D	2022	-3.0	60.0	-0.60
Assad 80%		High	C-	C	C-	2023-2027	2.5	18.7	-1.40
Taiwan	4/1/2022					2017-2021	3.8	0.9	86.06
DPP 75%		High	A	A-	B+	2022	3.3	3.0	106.40
DPP 45%		High	A-	A-	A-	2023-2027	2.4	1.4	112.30
Thailand	6/1/2022					2017-2021	1.2	0.6	24.18
Reformist Coalition 45%		High	B+	B	B	2022	3.2	6.3	-9.40
Reformist Coalition 50%		Moderate	B+	B+	B+	2023-2027	3.6	2.0	20.70
Trinidad & Tobago	5/1/2022					2017-2021	-2.4	1.2	1.14
PNM 75%		Moderate	B	B	B+	2022	5.0	5.2	2.30
PNM 50%		Moderate	B	B	B+	2023-2027	2.0	2.1	1.70
Tunisia	6/1/2022					2017-2021	0.0	6.1	-3.45
*Reformist Coalition 50%		High	D+	B	C	2022	2.0	8.3	-3.80
*Reformist Coalition 45%		Moderate	C-	C+	C	2023-2027	2.6	5.5	-3.70
Turkey	3/1/2022					2017-2021	4.8	14.9	-20.58
AKP Coalition 50%		High	C+	B	C+	2022	2.8	61.3	-37.90
AKP Coalition 50%		Moderate	C+	B-	C+	2023-2027	3.6	18.2	-21.40
Ukraine	5/1/2022					2017-2021	1.8	9.1	-2.28
Crisis Coalition 50%		Very High	D-	D+	D	2022	-33.0	21.8	14.00
Reformist Coalition 40%		High	D+	C	C-	2023-2027	2.4	7.9	-3.70
United Arab Emirates	8/1/2022					2017-2021	1.2	0.3	35.02
Union 85%		Low	A (A-)	A-	A	2022	5.2	3.6	91.40
Union 85%		Low	A	A	A	2023-2027	3.7	2.2	48.60
United Kingdom	7/1/2022					2017-2021	0.7	2.1	-87.72
Conservative 55%		Low	B+	A-	B+	2022	3.7	8.5	-192.50
Conservative 45%		Low	B+	A-	B	2023-2027	1.8	2.5	-148.00
United States	3/1/2022					2017-2021	2.0	2.3	-546.58
*Divided Government 70%		Low	B+	A	A-	2022	3.2	7.0	-860.00
*Divided Government 45%		Low	B+	A+	A-	2023-2027	2.2	2.4	-730.00
Uruguay	6/1/2022					2017-2021	0.2	7.9	-0.16
Center-Right Coalition 65%		Low	B	A	B+	2022	3.8	8.7	-0.95
Center-Right Coalition 50%		Low	B	A-	B	2023-2027	2.6	5.1	-0.70
Venezuela	7/1/2022					2017-2021	-20.0	36343.9	5.18
Military-Civilian 75%		Very High	D-	D+	D-	2022	8.0	360.0	5.40
Military-Civilian 60%		High	C	C-	C	2023-2027	3.2	95.0	0.80
Vietnam	3/1/2022					2017-2021	5.3	3.0	5.34
CPV Mainstream 60%		Low	B	B	B	2022	6.0	4.0	1.30
CPV Mainstream 50%		Low	B+	B+	B	2023-2027	6.9	3.7	6.20
Zambia	4/1/2022					2017-2021	2.1	12.2	0.83
UPND 70%		High	D+	B	C	2022	3.0	20.9	1.05
UPND 50%		Moderate	C	B-	C+	2023-2027	3.2	9.4	1.30
Zimbabwe	8/1/2022					2017-2021	0.9	184.5	0.31
ZANU-PF 50%		Very High	D-	D+	D	2022	3.2	170.0	0.45
ZANU-PF 45%		High	D	D+	D	2023-2027	3.1	21.6	0.08