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HIGHLIGHTS FROM NEW REPORTS

ARGENTINA

Populist Shakes up Race

On August 13, voters turned out for primary elections to choose the presidential candidates for the main political blocs ahead of a general election that will be held on October 22. With the economy mired in a seemingly intractable crisis that has contributed to widespread economic hardship compounded by triple-digit inflation, voters went to the polls in an angry mood and cast their ballots accordingly.

The open, simultaneous, and mandatory primaries serve as a gauge of support for the various parties and blocs heading into the general election campaign. On that score, the result was very bad news for the incumbent leftist UP, which has put forward Economy Minister Sergio Massa as its presidential candidate and finished third, with just 27.3% of the vote. The outcome was not much better for the main opposition center-right JC, which chose Patricia Bullrich, the leader the bloc's largest party, Republican Proposal, as its standard bearer, attracting the votes of just 28.3% of participants.

The clear winner was Javier Milei, a populist libertarian whose pledges to radically reform a crippled economy and shake up a corrupt and incompetent political establishment have resonated with a large section of the electorate. After winning just 7.2% of the vote at the 2021 mid-term congressional elections,

with most of that concentrated in the capital region, Milei's Liberty Advances party won more than 30% of the PASO vote and finished on top in 16 of the country's 24 provinces.

The unexpectedly strong showing of a candidate who has proposed abolishing the central bank, dollarizing the economy, and gutting social-spending programs that help to sustain millions of poor families roiled the markets, forcing monetary authorities to devalue the peso by nearly 18% and hike the benchmark interest rate to a suffocating 118%. A semblance of order has been restored as investors have more soberly assessed the implications of a Milei presidency, but there is risk of renewed market turmoil if he fails to dispel the fears reflected in the immediate post-primary volatility.


It is also possible that Milei could lose ground as voters hear the details of some of his policy priorities. But there is probably a limit to the extent to which fear of the unknown might trump disgust with lived circumstances as voters decide which candidate to back, and Milei will be difficult to beat.

The optimistic view among market watchers is that the all-but-certain minority status of Liberty Advances will compel Milei to scale back his ambitions and abandon his most radical proposals, thereby creating a basis for building a majority coalition in support of a more traditional pro-market agenda. However,

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Milei displays no inclination to engage constructively with either the UP or the JC, and his patience for observing democratic niceties is likely to be tested by his eagerness to take a hammer to an economy that will be in a state of deep disarray when he takes office, assuming he wins the election.

The government's target for reserves was reduced from \$8 billion to just \$1 billion under a revised \$44 billion lending agreement with the IMF concluded in July, but the target for the primary deficit remains 1.9% of GDP, which is unlikely to be hit without significant cuts to spending that would be electoral suicide for the UP in the current political climate. The availability of \$7.5 billion in IMF funding under the revised agreement will temporarily alleviate financing risks, but the next government will face immediate pressure to impose fiscal discipline. Massa has delayed a reckoning by taking on new debt with higher yields and shorter maturities, a strategy that cannot be sustained if access to IMF support is disrupted.

Against that backdrop, an election result that contributes to a loss of confidence will have potentially severe risk implications. In that regard, any outcome that points to impediments to effective governance could trigger a retreat by investors that pushes Argentina back to the edge of crisis, regardless of who wins the presidency. 

AUSTRALIA

ALP Meeting Resistance

Approaching the halfway point of its three-year tenure, the ALP government headed by Prime Minister

Anthony Albanese is beginning to encounter some political headwinds, amid discontent over persistent high inflation and rising housing costs. The ALP's recent party conference was punctuated by loud debate over some issues, most notably the expenditure of A\$300 billion to purchase nuclear submarines under the auspices of the AUKUS bloc, but in general revealed little evidence of internal disagreement that points to trouble for Albanese within his own party.

The ALP controls a three-seat majority in the 151-member House of Representatives after picking up an additional seat at a by-election in early April. However, securing approval of legislation in the 76-member upper chamber, where the ALP claims just 26 seats, requires the backing of the Greens (11 seats) and two other senators.

Greens leader Adam Bandt has used that leverage to obtain concessions from the Labor government on his party's pet initiatives, including a commitment to a more ambitious carbon-reduction target and safeguard provisions that empower authorities to block the expansion or initiation of new projects that pose a threat to meeting the target. More recently, the Greens have conditioned support for the government's housing relief bill (HAFF) on the inclusion of a cap on rent increases and the creation of a fund of at least A\$1 billion that would be made available to states and territories that agree to freeze rents for a period of two years.

The Greens and the Coalition blocked passage of the HAFF in a vote held shortly before the start of the winter recess in July, and Albanese has threatened to call a

double-dissolution snap election if the measure fails to pass in a second vote to be held in October. However, polling data that points to a possible defeat for the government in an October referendum on a controversial indigenous rights measure could make a snap election a risky proposition for the ALP.

If Albanese decides he cannot risk following through on the double-dissolution threat, he will face the choice of seeing the HAFF go down to defeat a second time, to the detriment of Labor's popular standing, or agreeing to the Greens' demands, which would likely result in a popularity boost for the latter at the expense of the former. None of which would necessarily be fatal for the ALP's re-election hopes but given the at best middling outlook for the economy over the next 18 months, Albanese may not have many opportunities to make up any ground that is lost in the coming months.

The ALP made clear upon returning to office that it hoped for a reset of relations with China, which deteriorated alarmingly under the Coalition government headed by Scott Morrison. However, there is little cause to expect any meaningful changes in Australia's security strategy, which will focus on strengthening the overlapping alliances with western and regional partners designed to contain the risks posed by China.

Beijing's recent rebuff of Washington's call to establish "guardrails" to ensure that the rivalry between the two powers remains peaceful and China's increasingly bellicose rhetoric and overt displays

of intimidation toward Taiwan underscore the limited room for a deep and sustained rapprochement. Evidence of looming difficulties for the Chinese economy has stirred concerns that Xi Jinping might be tempted to deflect attention from domestic policy failure with provocative diplomatic moves designed to stoke nationalist passions, a prospect that adds to the risk of a regional conflict.

The budget unveiled in May forecasts a slowdown of real GDP growth to just 1.75% this year (from 3.7% in 2022), reflecting the dampening effect of monetary tightening, lower commodity prices, and a general weakening of external demand. The RBA has paused the tightening cycle since hiking the cash rate by 25 basis points to 4.1% in June, but monetary authorities have signaled their preparedness to resume tightening if necessary to sustain the downward trend of inflation, which would have negative implications for the near-term growth forecast. 🇺🇸

CHINA

Slowdown a Test for Xi

President Xi Jinping's steady consolidation of political power over the course of a decade at the top of the CCP hierarchy was confirmed at the 20th National Congress of the ruling party last October, at which the president was officially elected to a custom-breaking third five-year term as general-secretary, a decision endorsed in March 2023 by the elected National People's Congress, which likewise approved a five-year extension of Xi's tenure as both president and chairman of the Central Military Commission.

The concentration of such extensive political power in the hands of an individual carries an inherent risk that bad policy decisions will go unchallenged and their adverse results will be obscured by underlings fearful of delivering bad news. That danger is already rearing its head, amid rapidly accumulating worrisome economic data that has triggered warnings of a potential legitimacy crisis for a regime that has long depended on its ability to deliver rising living standards to forestall challenges to its monopoly on political power.

That the government possesses the wherewithal to at least temporarily stave off a crisis is not in dispute. However, a long-term fix will require more than tinkering around the edges, and any aggressive fiscal stimulus measures and moves to bolster defenses against a debt crisis will only delay a reckoning unless accompanied by significant structural reforms. But even as numerous signs of distress are flashing red simultaneously, Xi appears to be reluctant to intervene decisively to prop up the economy.

It is possible that the prospect of the Chinese economy blowing up on his watch will convince Xi of the urgent need for market-friendly reforms, including the loosening of state control over credit. However, to the extent that the looming economic difficulties threaten to undermine rather than enhance Xi's political control, the record to date suggests that he might instead respond by tightening control over information (as is already happening) and cracking down on any sign of dissent, which would likely mean renewed pressure on the tech sec-

tor and foreign entities (including non-tech foreign investors) more generally, no matter the economic cost. The negative economic reverberations arising from the latter scenario would extend far beyond China's borders.

The growing threat of a protracted economic slowdown that contributes to increased political difficulties for Xi on the home front increases the risk that he might be tempted to deflect public attention from his government's domestic policy failures with provocative foreign policy moves designed to stoke nationalist passions. Such a scenario would hold especially ominous implications for Taiwan, but would also create heightened risks for the several countries that dispute mainland China's expansive territorial claims in the South China Sea and could complicate efforts to contain the risk of conflict between China and India over unresolved border disputes.

The government was counting on the lifting of pandemic-related health restrictions in late 2022 to unleash a flood of pent-up demand, but those hopes have been disappointed, and a modest revival early in the year has more recently shown signs of fizzling out. The composite PMI has remained above the 50.0 mark dividing expansion from contraction, but the reading has moved lower in recent months, and the outlook is more pessimistic among manufacturers, reflecting the dampening effect of worldwide monetary tightening on external demand.

Thus far, Beijing has given no indication of any plans for fiscal stimulus measures to jump-start the

economy, and the central bank is expected to maintain a cautious posture on monetary policy. Annual real GDP growth will exceed last year's figure of 3%, but will come in well below the pre-pandemic trend, and headwinds will gain strength moving into 2024 if the government fails to act. 🇪🇨

ECUADOR

Snap Elections Bring Uncertainty

Guillermo Lasso's troubled presidency will come to a premature end following a run-off election in October to choose a successor who will hold the top office through the scheduled end of the current term in May 2025. Facing certain removal if impeachment proceedings approved by the Constitutional Court in mid-May were allowed to run their course, Lasso opted to exercise the "mutual death" (muerte cruzada) provisions of the constitution, dissolving the National Assembly and calling for snap presidential and legislative elections.

Polling ahead of the August 20 elections indicated that the presidential contest was likely to be decided by a run-off vote between Luisa González, the candidate of the leftist-populist MRC, and either Fernando Villavicencio, an anti-corruption crusader, or Jan Topić, a businessman and former mercenary running on a "tough on crime" platform. However, the race was thrown into disarray on August 9, when Villavicencio was shot to death at a campaign event in Quito, a crime attributed to drug cartels threatened by the possibility that he might win the presidency.

Against expectations, the tragedy prompted voters to shift their sup-

port to Daniel Noboa, a one-term legislator who benefited from name recognition (he is the son of banana magnate and five-time presidential candidate Alvaro Noboa) while still managing to position himself as the preferred "outsider" choice for an unhappy electorate.

González is widely perceived (with reason) as little more than a stand-in for exiled former President Rafael Correa, who was convicted on corruption charges in absentia in 2020 but has signaled he will return home from exile in Belgium if his protégé wins the election. As such, she has little chance of attracting support from the anti-Correa camp, and with the MRC set to again be the dominant presence in the new National Assembly with around 50 seats, many voters might decide to back her opponent if only to ensure a balance of political forces within the governing structure.

Uneasiness among investors about the Correistas' return to power is understandable. But the election of a business-friendly novice will not necessarily bring cause for cheer. Noboa's party is on track to win about 15 seats, and even with the support of centrist and center-right parties, a Noboa administration would face a legislative landscape remarkably similar to the one that produced gridlock throughout Lasso's abbreviated tenure, and the obstacles could become insurmountable if early stumbles result in a loss of popular support.

Unfortunately, Ecuador cannot afford to have a placeholder government. Action is required to address the deteriorating security situation, highlighted by a surge in the

murder rate, which has quadrupled since 2018 and now exceeds that of Colombia and Mexico. In addition, the approval of proposals to halt crude production and exploration in the Yasuní National Park and mining in the Chocó Andino region at referendums held concurrently with the August elections implies an immediate significant decrease in state revenue amounting to \$200 million this year and \$600 million annually over the medium term.

A fresh lending agreement with the IMF to replace the three-year deal that expired at the end of last year would help to reassure nervous investors. However, a González administration would be loath to pursue that course, and it is debatable whether a government headed by Noboa would be capable of implementing the reforms demanded by the IMF.

The central bank estimates that the stoppage of Yasuní oil production will reduce the headline growth rate by 0.7 percentage points in 2023, which translates to an annual figure below 2%. Factoring in the potential negative effects of a possible victory for the Correistas on business confidence and the danger of inflationary climate-related damage to agricultural production, the pace of growth could dip to less than 1%. 🇪🇨

EGYPT

Limited Movement on Reforms

An economy made vulnerable by longstanding structural weaknesses, including heavy dependence on imported staples, chronic large fiscal deficits, and unsustainable growth of the public-sector debt burden, was sent reeling under the

damaging blows delivered first by the COVID-19 pandemic and more recently by the global supply shocks from Russia's invasion of Ukraine in early 2022. A \$3 billion, 46-month lending agreement concluded with the IMF in late 2022 has opened up access to other sources of financing, providing policy makers with some breathing space to stabilize the pound while slowly building up depleted hard currency reserves. However, the weak implementation of key elements of the reform agenda on which the IMF has conditioned its support has raised concerns that the autocratic government headed by President Abdel Fattah al-Sisi lacks the political will to make the changes that will be needed to keep the economy on a path to a sustained recovery.

The government has made some progress in reducing bureaucratic obstacles and addressing other weaknesses of the business climate, but these amount to little more than tinkering around the edges. The markets are paying closer attention to developments on the privatization front, a more concrete benchmark in terms of assessing the government's commitment to substantive reform.

The record to date has been disappointing. In late July, the government announced the sale of \$1.9 billion of assets, including seven luxury hotels and various industrial concerns. The IMF welcomed the news, but it is evident that the privatization plans laid out by the government are far too cautious to significantly mitigate the underlying causes of the economic crisis.

Stop-gap solutions such as concessionary loans and partial asset


sales merely kick the can down the road. The crux of the problem is that debt is increasing at a faster pace than the government's capacity to repay the loans. In the absence of reforms that substantively alter that dynamic, it is probably only a matter of time before Egypt is forced to renegotiate the terms of its lending agreement, quite possibly as part of a broader strategy of restructuring the debt.

In terms of convincing investors of its willingness to make the hard decisions required to avoid that scenario, few moves by the government would be as effective as acting to shrink the economic role of the military, or at the very least force the military to play by the same rules as private civilian entities with regard to financial transparency, tax liability, and access to resources, including bank financing. In that regard, anecdotal evidence that the armed forces are actually expanding into new sectors, e.g., as the navy and the air force seek to carve out economic niches of their own, is worrisome.

There is every reason to assume that the generals will jealously guard the military's special privileges, and there is cause to doubt that civilian policy makers will hold the upper hand if they find themselves on a collision course with the armed forces brass. Moreover, to the extent that implementation of the reform agenda contributes to public discontent, the threat of social upheaval will increase the government's dependence on the security services to maintain order.

A national dialogue announced with great fanfare by Sisi in April 2022, presumably with the aim of

building goodwill as the government prepared to introduce unpopular policies, has made no discernible progress. Although the government has followed through on a promise to pardon political prisoners, rights groups contend that new detentions are more numerous than detainee releases, suggesting that the government will continue to rely on repression to see it through any political storms in the near term.

The pace of real expansion slowed to 4.2% in the fiscal year to June 2023, according to preliminary official estimates, and persistent headwinds are expected to hold real GDP growth near or below that level in 2023/2024, with downside risks predominating. The government will take care to prevent economic hardship from fueling social instability, which, given the persistence of large fiscal deficits, implies the diversion of resources from capital spending to social programs. 

GUINEA

Tensions Still Running High

In October 2022, the military government led by Col. Mamady Doumbouya reached an agreement with mediators from ECOWAS to restore democratic governance by early 2025. The agreement with ECOWAS followed a period of escalating unrest fueled by public opposition to the 36-month transition plan approved by the junta-appointed transitional council in May 2022 and discontent over fuel-price hikes introduced the following month. Hopes that the governing CNRD's acceptance of a shorter timeline for the restoration of democratic rule might help to ease domestic political

tensions have been undermined by the otherwise decidedly undemocratic actions of the interim regime.

The government has rejected the opposition's proposal of a national dialogue to achieve consensus on the ground rules for elections and the post-election transfer of power, relying instead on repression to maintain order. In mid-May, amid opposition calls for a renewed campaign to pressure the government to the negotiating table, Territorial Administration Minister Mory Conde announced that the military had been authorized to assist the police in maintaining domestic order and threatened to prosecute protesters under anti-terrorism laws that could result in imprisonment for life.

Doumbouya has made assurances that neither he nor any other member of the junta will take part in the elections that are now due no later than January 2025, but the opposition is unlikely to be convinced in the absence of a legally enforceable commitment by the interim president and his allies to retreat to the political sidelines. Consequently, assuming Doumbouya remains resistant to calls for a dialogue, it is likely that the protests will continue, contributing to heightened operating risks in Conakry, in particular.

Evidence of tensions within the junta highlights another potential threat to political stability. A reshuffle of the top military leadership in May followed the dismissal of the head of military intelligence for alleged "gross negligence" and the disbanding of the Presidential Security Battalion, moves that fueled speculation of a possible thwarted mutiny. The elevation of Defense Minister Aboubacar

Sidiki Camara and Security and Civil Protection Minister Bachir Diallo to the rank of ministers of state one day after Sadiba Koulibaly was dismissed as chief of staff of the armed forces is suggestive of a perceived security threat that goes beyond the disruptive potential of the civilian opposition.

The questions surrounding the stability of the interim regime come at a time when the potentially transformative Simandou iron-ore project has finally shown renewed signs of life. A January 2023 state visit by Guinean officials to China, which has stakes in all four of Simandou's blocks, helped to break the impasse, although Beijing's acceptance of Guinea's terms appears to be guided more by a desire to reduce China's economic dependence on Australia than any compelling arguments offered by the junta.

Earlier this month, the main investors agreed to equal responsibility for financing the construction of a 670-kilometer railway that will connect the mine to a port located to the south of Conakry. The agreement is conditioned on the government's approval of a final feasibility study, but preparations are currently under way to facilitate rapid progress during the upcoming dry season.

It will still be some time before the economic benefits from the Simandou project filter down to the broader population, but the construction phase figures to boost the growth figure beginning in 2024. The sanctions imposed by ECOWAS and Guinea's suspension from trade benefits under the US African Growth Opportunity Act will have little impact on overall exports owing to the low volume

of trade with the affected countries, while commerce with Guinea's main partners will face no similar impediments. The main risk on the trade front is the potential for a pronounced weakening of Chinese demand that could reduce both the volume of exports and prices for key commodities.

HONDURAS

Castro Falling Short

Now past the 18-month mark of her four-year presidency, President Xiomara Castro is in danger of falling short on promises to tackle the twin scourges of endemic corruption and violent crime, key deterrents to attracting the higher levels of foreign investment required to reduce widespread poverty and raising otherwise low living standards. The minority status of the governing coalition creates political challenges, but some questionable moves by the Castro administration have raised doubts about its commitment to battling corruption, and the controversy surrounding the fight against crime has compounded the negative impact of the strategy's ineffectiveness on the president's popularity.

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and the Anti-corruption Party (PAC), which claims a combined total of just 61 seats in the 128-member National Congress, creates political challenges, but some questionable moves by the Castro administration have raised doubts about its commitment to battling corruption, and the controversy surrounding the fight against crime has compounded the negative impact of the strategy's ineffectiveness on the president's popularity.

There has been some concrete progress on efforts to root out the corruption that flourished under the National Party (PN) administrations headed by President Juan Orlando Hernández. However, the government has yet to secure repeal of the so-called "impunity pact" introduced in 2018, and the Castro administration has been accused of targeting anti-corruption activists for reprisals over a report that detailed the extraordinary extent of nepotism within the incumbent government.

Castro's next steps in the fight against corruption will be scrutinized for signs of wavering or partisan motivations. Any discussion of broad authority for CICIH, a proposed independent anti-corruption agency sponsored by the UN, figures to encounter resistance from the legislative opposition (and possibly from the courts and even factions within the governing coalition) on sovereignty grounds. The vigor with which Castro meets those obstacles, and the tactics she employs to overcome them, will reveal much about the depth and sincerity of her commitment to transparency, democracy, and the rule of law.

Castro's ability to counter sovereignty-based objections to CICIH

is constrained by the fact that her administration has invoked the principle of sovereignty to defend its decision to repeal a 2013 enabling law that established special economic zones (ZEDEs) in which investors were empowered to determine policies related to taxation and regulation and to establish their own police forces and courts. One of the affected firms, US-based Próspera, has initiated a legal challenge under DR-CAFTA and is seeking compensation amounting to close to \$11 billion, and there remains a danger that the move against the ZEDEs could produce multiple protracted legal disputes, creating an increased risk of crippling financial liabilities and lasting damage to Honduras' already poor reputation among foreign investors.

Real GDP growth decelerated to 1.9% (year-on-year) in the first quarter of 2023, and a marked slowdown in the growth of remittances limits the potential for a significant boost from that source in the near term. Factoring in the negative impact of drought conditions on agricultural output and energy supply, annual real GDP growth is forecast to slow to 3% this year. The same considerations pointing to slower growth in 2023 are suggestive of an expansion of the current account deficit, which is forecast to widen to 4.5% of GDP this year, in line with the pre-pandemic trend. 

KUWAIT

Power Struggle Persists

Chronic political dysfunction stemming from an ongoing power struggle between the royally appointed government and the elected

National Assembly shows no sign of abating following a third parliamentary election in less than three years in early June. The most recent trip to the polls produced virtually the same result as a snap election held in late September 2022, with lawmakers aligned with the opposition controlling a majority of the 50 elected seats in the legislature.

The ideological and sectarian diversity within the opposition bloc contributes to a lack of cohesion that can be exploited by the royal establishment to build ad hoc majority coalitions in support of specific measures. However, early signs of resistance to key items on the government's policy agenda, including a long-stalled public-debt law, suggest that the government sworn in shortly after the latest election faces an uphill battle to obtain approval of the structural reforms required to diversify Kuwait's oil-dependent economy.

The result of the June elections could be interpreted as a signal that voters believe the onus to end the gridlock rests more with the royal establishment than with the National Assembly. However, reports of very low turnout could be indicative of a more general disgust with the political class, beyond mere election fatigue.

Be that as it may, neither side seems to be inclined to change tack. Sheikh Ahmad was reappointed as prime minister in March, and the new Cabinet installed in June includes familiar faces in key posts.

The medium-term prospects for political stability are no better. The ailing Emir Nawaf is 86 years old, making it likely that the next transfer

of royal authority will come sooner rather than later.

Like the three most recent emirs, Crown Prince Mishal is a member of the royal family's Jaber clan, which, prior to the controversial installation of Sabah as emir in 2006, traditionally shared the crown with the Salem line on an alternating basis. The Salem clan has only grudgingly accepted the loss of its claim to the throne, and any transfer of royal power creates the potential for an outbreak of factional strife within the House of Sabah.

In addition, Mishal's own advanced age (he is 82) could become a pretext for a push to initiate a generational leadership transition. The obvious candidate in such a scenario is the incumbent prime minister, although his suitability would likely be challenged by his Salem cousins and could be undermined by the barrage of criticism he will meanwhile attract in his current role.

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. Unfortunately, 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.

Restrictions on oil output mandated by OPEC+ and a fall in the barrel price from crude to an annual average of less than \$85 adds up to a significant deceleration of growth (and a possible contraction) in the energy sector this year. Consumer

spending has remained resilient, despite monetary tightening to contain inflation, and non-oil growth of 3% or more may be enough to keep overall real GDP growth in positive territory, but the headline rate is forecast to slow to less than 1% in 2023. 🖱️

SOUTH AFRICA

Ramaphosa Faces Tough Choices

A general election falls due in May 2024 and support for the long-dominant ANC has continued to erode against a backdrop of economic weakness, a scandal that has badly tarnished the anti-corruption credentials of President Cyril Ramaphosa, and strife between the party's reformist wing and the leftist faction loyal to Ramaphosa's corruption-tarred predecessor, Jacob Zuma. The most recent polls indicate that the ANC is the preferred party of barely more than 45% of voters, and with little on the political horizon that points to a potential bump for the incumbents over the next nine months, there is a very real possibility that the ANC could fall short of claiming an outright majority of seats in the 400-member National Assembly for the first time since the end of apartheid in 1994.

It is unclear how Ramaphosa might shore up his base within his own party, let alone prevent the further erosion of popular support for the ANC ahead of a general election that is now just months away. He will certainly get no help from the economy, which grew by less than 2% in real terms last year (down from 4.7% in 2021) and is forecast to remain close to flat in 2023, hampered by weaker external

demand, monetary tightening, and chronic power outages that have caused significant disruptions to business operations.

The ANC's loss of its majority status would create numerous governance issues, the most immediate one being its inability to ensure Ramaphosa's re-election to the presidency without the backing of one or more smaller parties. Theoretically, nothing would be off the table in the negotiations to obtain the necessary votes, which in addition to policy concessions and the division of political spoils could touch upon whether someone other than Ramaphosa would be better suited for the top office. Given the evident signs of division within the ANC, it is not inconceivable that particularly contentious negotiations might fracture the party, as members of the centrist and leftist factions pursue separate alliances with like-minded blocs among the opposition.

Short of that unwelcome development, a protracted delay in electing a president would contribute to a heightened state of political uncertainty that is unlikely to dissipate completely even if the ANC manages to hang together and strikes a deal that provides the next administration with a working majority. Of the possible alternative coalitions, the least bad option in terms of the interests of foreign investors and the local business community would entail cooperation between the ANC and the DA, with the latter possibly eschewing a formal role in the administration. However, a bargain struck between the ANC and the EFF would have far less benign connotations for the business climate. In

any case, the EFF's presence as a potential home for disaffected members of the ANC's left flank means that a government headed by Ramaphosa cannot ignore pressure from within his own camp to pursue populist and nationalist policies, regardless of any countervailing pressure applied by the DA.

SARB Gov. Lesetja Kganyago has called upon the government to implement sweeping reforms designed to boost economic growth, reduce currency volatility, and contain sovereign risk. Ramaphosa's administration has already taken the first steps on some of the reforms noted by Kganyago, including deregulation of the electricity sector. However, fiscal reform is likely to face significant resistance under any circumstances, and the prospects for progress on that front would not be improved if the ANC were to lose its majority status at next year's elections.

Inflation eased to within the SARB's target band of 3%-6% in June, enabling monetary authorities to hold the key repo rate steady at 8.25% (the highest level in 14 years) at its July meeting, following eight consecutive hikes totaling 425 basis points since March 2022. Although that creates room for a revival of activity in the second half, the dampening effect of disruptions to the power supply and election-related uncertainty limits the potential for an upside surprise for growth. 🐼

SWEDEN

SD Enters the Mainstream

Campaigning for the September 2022 parliamentary elections focused heavily on crime, which has

become a burning issue amid a rise in gun violence, and a revived debate over the use of nuclear power amid an energy crisis stemming from war-related sanctions on Russia. Both of those issues figured to work to the advantage of parties of the right, not least given the widespread public embrace of arguments drawing a direct line between increased crime and immigration that were advanced most aggressively by the SD, a far-right party that pre-election polls suggested would vault into second place, positioning it to play king-maker following the vote.

The main opposition MS and its center-right allies, the KD and the Liberals, won a combined total of just 103 seats. But that was enough to form a minority government with the support of the SD, which took 20.5% of the vote (compared to 29% for the three center-right parties combined) and claimed 73 seats on its own.


A deal was formalized with the signing of the so-called Tidö agreement in mid-October, under which the government headed by MS leader Ulf Kristersson agreed to implement some of the SD's pet policies. In addition to cuts in the budget for foreign aid, the replacement of the 100% renewable energy target with the goal of 100% fossil-free (with nuclear power to play a larger role), and a steep reduction in the annual quota for refugees, the center-right parties agreed to introduce stricter assimilation requirements for immigrants and approve anti-crime measures that enhanced the powers of the police and increased criminal penalties in cases involving gang-related activity.

Weakening support for the SD in recent months likely reflects disappointment among blue-collar voters over the party's failure to deliver on its populist promises of enhancements to pension and sick benefits and reduced costs for dental and health care, which have met resistance from the center-right parties, contributing to tensions between the government and its crucial ally.

The greater threat to the stability of the government is the SD's increasingly strident attacks on Sweden's membership in the EU. SD leader Jimmie Åkesson and his colleagues have pressed the government to demand opt-outs in the areas of justice and domestic affairs and issued threats to withdraw support for Kristersson's government over the EU's new migration plan, which the SD claims will force Sweden to surrender too much control over who can cross its borders.

In early July, the SD issued a statement confirming plans to conduct just such an assessment through the fall, for the expressed purpose of creating a blueprint for a possible future Swexit. The SD is not yet calling for an end to Sweden's membership in the EU, which continues to enjoy the support of a large majority of the electorate. However, given the party's political influence with the incumbent government, its plans to draw up specific recommendations for protecting Sweden's sovereignty against encroachment by the EU do not bode well for either the stability of the incumbent government or relations with Brussels.

An unfavorable near-term outlook for the economy adds to the risk of government instability. Real GDP

growth slowed markedly in 2022, and the erosion of real incomes and a steep fall in home values will put a further strain on household budgets in 2023, even as higher interest rates dampen overall investment. The economy contracted by 1% (year-on-year) in real terms in the second quarter, partly reflecting a base effect that will be less pronounced going forward. Although the growth contribution from net exports is expected to remain positive as demand for exports holds up comparatively better than domestic demand, economic activity is forecast to contract by 0.5% in real terms on an annual basis. 

SWITZERLAND

Stable Ahead of Elections

Federal elections will be held on October 22, and all signs point to continued political stability through the four-year term to 2027, underpinned by the so-called “magic formula,” under which the four main parties share power in an ideologically diverse coalition and the most controversial policy issues are decided by popular referendum.

Despite the sharp differences among the governing parties on most policy-related issues, the only serious failure of the magic formula came in 2011, when the right-wing SVP, which by that point had supplanted the center-left SP as the largest party in the bloc, left the government after its demand for a second seat in the seven-member Federal Council was rejected by its partners. With the coalition partners all polling at a level comparable to or only slightly above their respective vote shares at the 2019 elections, there appears to

be little risk that the October vote might produce a shift in the internal balance of power that prompts calls for a revision of the current arrangement.

Notwithstanding the comparatively low stakes of the upcoming vote, electoral considerations appear to have influenced the government’s handling of a crisis triggered by the near collapse of Credit Suisse, the country’s second largest bank, in March. Officials arranged for the largest bank, UBS, to purchase Credit Suisse at the fire-sale price of CHF3 billion, sweetening the deal with generous financial guarantees, including the cancellation of CHF17 billion of Credit Suisse’s so-called “alternative tier 1” (at1) bonds.


The deal helped to prevent a catastrophe, but the terms have left holders of the at1 bonds very much aggrieved and significantly increased the potential long-term liability of taxpayers. Moreover, there is a danger that by merging two banks that were both considered to be too big to fail, the government has helped to create an entity that could be too big to save if it runs into difficulties down the road.

In contrast, the government had opted for a partial nationalization strategy when UBS came perilously close to edge of bankruptcy in 2008, a move that ultimately proved to be profitable for the state but provoked a loud public outcry at the time. Apparently wary of testing the tolerance of voters so close to an election, the government never seriously considered the nationalization route in the case of Credit Suisse.

A government investigation into the roots of the troubles at

Credit Suisse and the resolution of the crisis appears to have been purely for show, as the findings of the probe will not be made public for 50 years. Combining the country’s two largest banks into a single entity creates an increased risk of a future systemic crisis, making it incumbent upon the government to shore up the weaknesses of a regulatory system that failed to prevent the troubles at Credit Suisse. Perceptions of a lack of transparency surrounding the parliamentary investigation will not inspire confidence on that score.

Stalled negotiations with the EU on a new arrangement to replace a patchwork of expiring pacts dating back to the 1970s were revived with the commencement of exploratory talks in March. However, the impending departure of Livia Leu as the lead Swiss negotiator and a delay in the planned timeline for initiating substantive talks have lent credence to speculation that the prospects for rapid progress are less promising than Leu has suggested.

GDP increased by 0.3% (quarter-on-quarter) in January-March 2023, temporarily allaying concerns about a possible recession, but the second quarter brought year-on-year declines in both manufacturing output and exports. A year-on-year increase in retail sales in June, the first positive figure in nine months, provides one of the few glimmers of hope for improvement in the second half of the year. On balance, annual real GDP growth is expected to come in below 1% in 2023, with downside risks predominating. 

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	6/1/2023				2018-2022	0.7	5.0	-8.48
Military-Civilian 80%	High	B	C+	B-	2023	2.9	7.9	1.30
Military-Civilian 70%	High	B-	C+	C+	2024-2028	2.0	6.2	-7.60
Angola	5/1/2023				2018-2022	-0.7	21.2	6.55
MPLA 80%	Moderate	B	B	B-	2023	2.4	9.6	5.80
MPLA 70%	Moderate	B-	B-	B-	2024-2028	3.9	9.1	2.00
Argentina	8/1/2023				2018-2022	0.2	54.6	-5.10
Divided Government 55% (45%)	Moderate	C- (C)	B	C+ (B-)	2023	-3.0	117.0	-16.70
Divided Government 45% (55%)	Moderate	C (C+)	B-	C+	2024-2028	1.9	34.1	2.90
Australia	8/1/2023				2018-2022	2.3	2.8	14.49
ALP 65% (75%)	Low	A-	A-	A	2023	1.6	5.3	23.90
*ALP Coalition 50%	Low	A-	A	A	2024-2028	2.3	2.6	-2.70
Austria	4/1/2023				2018-2022	1.4	3.3	6.52
ÖVP-Greens 45%	Low	A+	A	A	2023	0.4	6.4	5.80
*SPÖ-ÖVP 55%	Low	A+	A+	A-	2024-2028	1.6	2.2	4.60
Azerbaijan	7/1/2023				2018-2022	2.0	5.7	8.42
YAP 85%	High	B+	B+	B	2023	2.6	10.9	13.30
YAP 75%	Moderate	B+	B+	B	2024-2028	2.7	5.1	10.60
Bangladesh	3/1/2023				2018-2022	6.5	5.7	-7.84
AL-led Coalition 75%	High	C	B-	B-	2023	6.2	8.7	-8.90
AL-led Coalition 75%	High	C	B-	B-	2024-2028	6.7	6.2	-18.40
Belgium	5/1/2023				2018-2022	1.6	3.2	-3.34
Broad Coalition 50%	Low	A-	A-	A	2023	0.6	4.9	-15.30
Broad Coalition 45%	Low	A-	A-	A-	2024-2028	1.3	2.0	-2.10
Bolivia	6/1/2023				2018-2022	1.4	1.5	-0.48
MAS 75%	High	C+	B	B-	2023	1.7	3.8	-1.05
*Divided Government 45%	Moderate	C	B-	C+	2024-2028	2.4	3.6	-1.60
Botswana	1/1/2023				2018-2022	3.0	5.3	-0.38
BDP 75%	Low	B+	A-	A-	2023	4.0	5.8	0.50
BDP 60%	Low	B+	B+	B+	2024-2028	3.9	4.7	0.45
Brazil	5/1/2023				2018-2022	1.5	5.6	-50.88
Divided Government 50%	High	C	B	B-	2023	1.0	5.0	-58.30
Divided Government 55%	Moderate	C	B	C+	2024-2028	1.6	3.7	-69.20
Bulgaria	4/1/2023				2018-2022	2.7	5.2	-0.04
*Center-Right Minority 45%	Low	A	A	A-	2023	1.4	7.6	-0.65
*Center-Right Minority 40%	Low	A	A-	A-	2024-2028	3.1	2.5	-1.20
Cameroon	4/1/2023				2018-2022	3.0	2.9	-1.47
RDPC 55%	High	B-	B-	B-	2023	4.2	5.8	-1.55
RDPC 45%	High	C+	B-	B-	2024-2028	4.6	2.6	-1.60
Canada	3/1/2023				2018-2022	1.6	3.0	-24.84
Minority Liberal 60%	Low	A	A	A+	2023	1.1	4.0	-25.60
*Minority CPC 55%	Low	A	A	A	2024-2028	1.9	2.1	-30.10
Chile	7/1/2023				2018-2022	2.5	4.8	-15.89
Divided Government 60%	Low	B+	A-	A-	2023	-0.2	7.7	-12.90
*Center-Right Coalition 50%	Low	B+	B+	B+	2024-2028	2.6	3.1	-9.70
China	8/1/2023				2018-2022	5.2	2.1	226.13
Pragmatists 60% (65%)	High	B	B-	C+	2023	4.5	0.3	370.00
Pragmatists 55% (60%)	High	B-	C+ (B-)	C+	2024-2028	3.9	2.0	185.00
Colombia	2/1/2023				2018-2022	3.4	4.6	-15.53
Center-Left Coalition 50%	High	B-	B	B	2023	0.9	9.2	-16.60
*Divided Government 45%	Moderate	C+	B-	C+	2024-2028	3.2	3.4	-15.30
Congo	2/1/2023				2018-2022	-1.8	1.7	0.88
PCT-led Coalition 85%	Moderate	C	B-	C+	2023	4.1	3.0	0.80
PCT-led Coalition 65%	Moderate	C+	B-	B-	2024-2028	3.0	3.0	0.65

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANSFER	INVESTMENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Congo DR	7/1/2023				2018-2022	5.4	12.7	-1.68
Reformist Coalition 45%	Very High	B-	C-	C-	2023	6.8	16.3	-2.85
Reformist Coalition 40%	High	C	C-	C-	2024-2028	6.6	6.3	-0.85
Costa Rica	6/1/2023				2018-2022	2.6	3.0	-1.50
Divided Government 70%	Low	B-	A-	B+	2023	2.6	2.3	-2.65
Divided Government 60%	Low	B	B+	B	2024-2028	3.1	3.3	-2.50
Côte d'Ivoire	4/1/2023				2018-2022	5.5	2.6	-2.61
RHDP 75%	High	B-	B	B-	2023	6.3	3.9	-3.80
RHDP 70%	Moderate	B-	B-	B-	2024-2028	6.3	2.3	-3.70
Cuba	4/1/2023				2018-2022	-1.1	118.9	0.84
Reform Communist 50%	High	D-	C-	D	2023	1.5	46.0	-0.08
Reform Communist 45%	Moderate	C-	C+	C	2024-2028	2.7	21.3	0.13
Czech Republic	3/1/2023				2018-2022	1.3	5.4	-3.74
Broad Coalition 60%	Low	A	A	A	2023	0.1	10.7	-9.30
Broad Coalition 45%	Low	A	A	A-	2024-2028	2.7	2.2	5.90
Denmark	2/1/2023				2018-2022	1.9	2.3	33.97
Broad Coalition 50%	Low	A+	B+	A	2023	0.1	5.8	35.10
*Center-Right Minority 45%	Low	A+	A-	A	2024-2028	1.8	2.3	35.30
Dominican Republic	2/1/2023				2018-2022	4.5	5.2	-2.76
PRM-led Coalition 75%	Moderate	B	B	B-	2023	4.0	5.9	-5.45
PRM-led Coalition 60%	Moderate	B	B	B	2024-2028	4.9	4.2	-3.90
Ecuador	8/1/2023				2018-2022	0.1	0.7	1.21
Divided Government 50% (65%)	High	C- (C)	C+	C- (C)	2023	1.9	2.3	2.00
Divided Government 50%	Moderate	C+	C+	C+	2024-2028	2.3	1.3	2.40
Egypt	8/1/2023				2018-2022	4.9	9.4	-12.61
Military-Civilian 85%	High	C-	B-	C+	2023	4.0	31.0	-12.70
Military-Civilian 75%	Moderate	C- (C)	B-	C+	2024-2028	5.0	9.5	-15.30
El Salvador	3/1/2023				2018-2022	1.9	2.3	-0.98
Bukele Majority 85%	Moderate	C+	B+	B-	2023	2.0	4.9	-1.85
Bukele Majority 75%	Moderate	C	B	C+	2024-2028	1.9	1.7	-1.65
Finland	6/1/2023				2018-2022	0.9	2.4	-2.71
Broad Coalition 65%	Low	A	A-	A-	2023	0.1	4.7	-5.80
Broad Coalition 40%	Low	A	A	A	2024-2028	1.1	2.1	-2.90
France	4/1/2023				2018-2022	1.0	2.2	-21.42
Center-Right Coalition 45%	Moderate	B	B+	B+	2023	0.8	5.2	-54.90
*Broad Coalition 40%	Moderate	B	B+	B+	2024-2028	1.6	2.0	-21.80
Gabon	5/1/2023				2018-2022	1.4	2.8	0.55
Reformist PDG 70%	High	C	B	C+	2023	4.5	3.7	-0.16
Reformist PDG 60%	Moderate	B-	B	B	2024-2028	3.5	2.6	-0.40
Germany	5/1/2023				2018-2022	0.5	3.1	283.87
SPD-Greens-FDP 80%	Low	A	A-	A-	2023	0.2	6.0	210.00
*Center-Right Coalition 50%	Low	A	A-	A-	2024-2028	1.6	2.1	310.00
Ghana	4/1/2023				2018-2022	4.4	13.7	-2.02
NPP 60%	Moderate	C	B+	C+	2023	1.6	39.5	-2.00
*NDC 50%	Moderate	C-	B	C	2024-2028	4.4	9.9	-2.90
Greece	4/1/2023				2018-2022	1.8	2.1	-11.81
*Center-Right Coalition 50%	Low	B-	A-	B	2023	1.2	4.7	-18.40
*Center-Right Coalition 50%	Low	B-	A-	B	2024-2028	1.7	2.1	-11.10
Guatemala	6/1/2023				2018-2022	3.5	4.4	1.92
Divided Government 60%	High	B	B	B	2023	3.3	6.7	1.20
Divided Government 50%	High	B-	B-	B-	2024-2028	3.6	4.5	1.00
Guinea	8/1/2023				2018-2022	5.2	10.9	-1.70
Military-Civilian 70%	High	B- (C+)	C+	C	2023	5.2	7.5	-1.45
*Reformist Coalition 50%	High	B- (C+)	B-	C+	2024-2028	5.5	7.7	-1.70
Guyana	6/1/2023				2018-2022	27.1	2.9	-0.58
PPP/C 75%	Moderate	B+	B-	B	2023	35.0	4.5	7.20
PPP/C 70%	Moderate	A-	B+	B+	2024-2028	16.7	4.3	5.80
Haiti	6/1/2023				2018-2022	-1.4	19.0	-0.20
Divided Government 70%	Very High	C-	C	D+	2023	0.2	44.0	-0.27
Divided Government 65%	Very High	D+	C-	C-	2024-2028	1.2	11.6	-0.20
Honduras	8/1/2023				2018-2022	2.8	5.2	-0.78
Divided Government 70% (60%)	High	B-	B	C+	2023	3.0	6.4	-1.55
Divided Government 45%	High	B-	B-	B-	2024-2028	3.8	4.2	-1.40

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANSFER	INVESTMENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Hong Kong	3/1/2023				2018-2022	-0.5	1.8	28.22
Limited Autonomy 60%	Moderate	A	A-	A	2023	4.0	1.7	19.80
Limited Autonomy 50%	Moderate	A-	B+	A-	2024-2028	2.9	2.4	21.20
Hungary	6/1/2023				2018-2022	3.5	5.8	-5.05
Fidesz-KDNP 80%	Low	B	B+	B+	2023	0.3	17.5	-6.80
Fidesz-KDNP 50%	Low	B	B+	B	2024-2028	3.2	4.0	-1.20
India	4/1/2023				2018-2022	3.9	5.3	-37.04
BJP Majority 80%	Moderate	B	B+	B	2023	6.1	4.9	-89.60
BJP Majority 75%	Moderate	B	B+	B+	2024-2028	6.5	4.0	-110.40
Indonesia	7/1/2023				2018-2022	3.4	2.8	-9.74
Reformist Coalition 60%	Moderate	B	B	B	2023	4.8	3.9	-2.80
Reformist Coalition 60%	Moderate	B	B+	B	2024-2028	5.2	3.1	-18.60
Iran	4/1/2023				2018-2022	-0.6	38.1	11.52
Conservative 75%	Very High	C	C-	C-	2023	2.3	44.0	5.90
Conservative 70%	Very High	C	D+	C-	2024-2028	2.0	23.8	9.70
Iraq	6/1/2023				2018-2022	2.1	2.4	7.34
National Unity Coalition 50%	Very High	C+	C-	C-	2023	3.9	4.4	14.80
National Unity Coalition 40%	High	C	C-	C-	2024-2028	2.8	2.4	4.70
Ireland	6/1/2023				2018-2022	9.1	2.3	5.99
Unity Coalition 60%	Low	A-	A	A-	2023	5.5	4.8	61.20
*Fianna Fáil Minority 45%	Low	A-	A+	A-	2024-2028	3.6	2.5	47.50
Israel	4/1/2023				2018-2022	4.3	1.4	18.01
*Broad Coalition 40%	High	A-	B+	A-	2023	2.9	4.3	19.90
Right-Wing Coalition 40%	High	B+	B+	A-	2024-2028	3.4	2.4	19.40
Italy	6/1/2023				2018-2022	0.6	2.4	46.79
Center-Right Coalition 55%	Moderate	C+	B+	B	2023	1.1	5.8	-2.20
Center-Right Coalition 45%	Moderate	B-	B+	B	2024-2028	1.0	2.3	36.30
Jamaica	4/1/2023				2018-2022	0.5	5.8	-0.22
JLP 70%	Moderate	B	A-	B	2023	2.3	6.0	-0.38
JLP 50%	Moderate	B	B+	B	2024-2028	2.0	5.0	-0.50
Japan	5/1/2023				2018-2022	-0.2	0.8	157.41
LDP Coalition 75%	Low	A-	A	A+	2023	1.3	2.7	134.00
LDP Coalition 60%	Low	A	A-	A	2024-2028	0.9	1.4	175.00
Kazakhstan	7/1/2023				2018-2022	2.7	8.2	-2.90
Amanat 85%	High	B	B	B-	2023	4.5	14.6	-2.20
Amanat 75%	Moderate	B	B	B	2024-2028	3.8	5.7	-4.80
Kenya	1/1/2023				2018-2022	4.6	5.8	-5.29
Ruto Majority 65%	High	C	B	C+	2023	5.1	6.0	-6.70
Ruto Majority 55%	Moderate	C-	B-	C	2024-2028	5.2	5.5	-7.10
Kuwait	8/1/2023				2018-2022	0.5	2.2	28.57
Al-Sabah Family 70%	Moderate	A-	B	A-	2023	0.9	3.7	26.50
Al-Sabah Family 65%	Low	A	B+	A-	2024-2028	2.7	2.5	23.20
Libya	1/1/2023				2018-2022	26.0	2.2	5.15
Divided State 50%	Very High	D+	C-	D+	2023	13.3	4.3	10.90
*Reformist Coalition 40%	High	C-	C	C	2024-2028	4.8	4.7	7.10
Malaysia	6/1/2023				2018-2022	3.1	1.3	12.30
PKR-led Coalition 50%	Moderate	A-	B+	A-	2023	4.3	2.8	12.90
*Broad Coalition 40%	Low	A-	B+	A-	2024-2028	4.4	2.7	14.70
Mexico	3/1/2023				2018-2022	0.4	5.1	-6.10
Populist Coalition 60%	High	B	B+	B	2023	2.0	5.9	-13.90
Populist Coalition 60%	Moderate	B-	B-	B-	2024-2028	2.6	3.3	-16.30
Morocco	5/1/2023				2018-2022	1.6	2.1	-3.98
Mohamed 85%	High	C+	B	B-	2023	3.0	4.8	-4.40
Mohamed 85%	Moderate	B-	B	B-	2024-2028	3.2	2.3	-5.00
Myanmar	5/1/2023				2018-2022	0.1	8.4	-1.55
Military 55%	High	D+	C+	D+	2023	2.5	13.8	-0.70
Military 50%	High	D+	C+	C-	2024-2028	2.2	9.1	-0.95
Netherlands	6/1/2023				2018-2022	1.9	3.7	82.46
*Broad Coalition 50%	Low	A+	A-	A	2023	1.3	4.8	64.80
*Broad Coalition 50%	Low	A+	A	A-	2024-2028	1.3	2.6	73.20
New Zealand	2/1/2023				2018-2022	2.5	3.2	-10.29
*Center-Left Coalition 45%	Low	A	A	A	2023	1.6	3.9	-15.70
*Center-Right Coalition 45%	Low	A-	A	A-	2024-2028	1.2	5.9	-14.30

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Nicaragua	5/1/2023				2018-2022	1.2	5.9	0.06
FSLN 85%	High	B-	B-	B-	2023	3.0	8.7	-0.35
FSLN 60%	High	C+	C	C+	2024-2028	3.2	4.4	-0.45
Nigeria	5/1/2023				2018-2022	1.8	14.5	-4.99
*APC Coalition 50%	Very High	C	C+	C	2023	3.0	20.6	-1.45
*APC Coalition 40%	Very High	C-	C	C	2024-2028	2.9	13.0	-2.95
Norway	7/1/2023				2018-2022	1.6	3.1	60.07
Center-Left Minority 60%	Low	A+	A-	A+	2023	1.2	5.0	118.50
*Center-Right Minority 40%	Low	A+	A-	A	2024-2028	1.9	2.2	89.10
Oman	5/1/2023				2018-2022	0.8	0.9	-4.17
Haitham 85%	Moderate	A-	A-	A-	2023	1.4	2.0	2.30
Haitham 85%	Moderate	B+	A-	B+	2024-2028	2.8	2.0	1.00
Pakistan	6/1/2023				2018-2022	4.0	8.5	-11.48
PML-N Coalition 40%	Very High	D+	B-	D+	2023	0.3	27.6	-3.10
PML-N Coalition 40%	High	D	C+	C-	2024-2028	4.2	9.6	-9.75
Panama	4/1/2023				2018-2022	2.7	0.7	-2.28
Centrist Coalition 45%	Moderate	B+	B+	B+	2023	4.6	2.3	-2.30
Centrist Coalition 45%	Moderate	B-	B	B	2024-2028	4.5	2.1	-2.60
Papua New Guinea	4/1/2023				2018-2022	1.1	4.6	6.44
Populist Coalition 40%	High	C	C+	B-	2023	3.6	5.5	7.80
*Reformist Coalition 55%	Moderate	B-	B-	B-	2024-2028	3.3	4.6	7.40
Paraguay	5/1/2023				2018-2022	1.2	4.6	-0.53
Divided Government 50%	Moderate	B+	B+	B	2023	5.1	5.1	-1.00
Divided Government 50%	Moderate	B	B	B	2024-2028	3.6	4.0	-0.45
Peru	1/1/2023				2018-2022	2.3	3.4	-3.38
Divided Government 60%	High	B	B+	B	2023	2.5	7.6	-7.40
*Centrist Coalition 45%	Moderate	B-	B-	B-	2024-2028	3.0	2.4	-4.50
Philippines	4/1/2023				2018-2022	3.2	4.0	-4.82
Populist Coalition 70%	Moderate	B	B	B	2023	6.3	6.0	-13.90
Populist Coalition 60%	Moderate	B-	B	B	2024-2028	6.3	3.3	-7.50
Poland	4/1/2023				2018-2022	4.1	5.4	-5.65
*Broad Coalition 40%	Low	A-	A-	A-	2023	0.4	12.2	-20.20
*Broad Coalition 40%	Low	B+	A-	B+	2024-2028	3.2	4.0	-15.40
Portugal	6/1/2023				2018-2022	1.9	2.0	-1.06
PS 70%	Low	B	A	B+	2023	2.0	5.5	6.10
*PS Minority 45%	Low	A-	A	A-	2024-2028	2.0	2.3	-1.50
Romania	7/1/2023				2018-2022	3.1	6.0	-16.91
CNR 60%	Low	B-	A-	B+	2023	2.3	9.5	-29.80
CNR 45%	Low	B	A-	B+	2024-2028	3.9	3.5	-21.40
Russia	5/1/2023				2018-2022	1.2	6.3	114.40
United Russia 65%	High	C-	D+	C-	2023	0.6	4.6	43.70
United Russia 45%	Moderate	C	C-	C-	2024-2028	0.8	4.2	58.20
Saudi Arabia	3/1/2023				2018-2022	2.4	1.9	56.60
King Salman 60%	High	A-	B	B+	2023	3.3	2.0	95.60
*Younger Al-Saud 70%	Moderate	A-	B+	A-	2024-2028	3.0	2.2	69.30
Singapore	5/1/2023				2018-2022	2.7	1.8	68.80
Lee Hsien Loong 60%	Low	A+	A	A+	2023	1.4	5.7	78.90
*Lawrence Wong 75%	Low	A+	A	A+	2024-2028	2.5	2.1	71.40
Slovakia	7/1/2023				2018-2022	1.3	4.6	-3.52
*Center-Left Coalition 40%	Low	A-	A-	A-	2023	1.3	11.0	-5.70
*Broad Coalition 40%	Low	B+	A-	B+	2024-2028	2.8	2.7	-2.90
South Africa	8/1/2023				2018-2022	0.5	4.7	-0.39
*Reformist Coalition 45%	High	C+	B	B	2023	0.1	5.7	-8.40
*Reformist Coalition 45%	Moderate	C+	C+	B-	2024-2028	1.5	4.5	-9.10
South Korea	6/1/2023				2018-2022	2.3	2.0	65.62
Divided Government 75%	High	A-	A-	B+	2023	1.5	3.5	29.20
*DPK 40%	Moderate	B+	A-	A-	2024-2028	2.4	2.1	67.50
Spain	3/1/2023				2018-2022	0.8	2.7	17.11
*Center-Right Minority 40%	Moderate	B	A-	B+	2023	1.5	4.3	5.80
*Center-Right Minority 40%	Low	B+	A-	B+	2024-2028	2.1	2.3	14.70
Sri Lanka	6/1/2023				2018-2022	-1.2	13.0	-2.12
*SJB-led Coalition 50%	High	C-	B	C	2023	-3.7	20.6	-1.00
*SJB-led Coalition 40%	Moderate	C-	B-	C	2024-2028	2.5	6.2	-1.90

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANSFER	INVESTMENT	EXPORT	REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT	
Sudan	5/1/2023				2018-2022	-2.1	154.4	-4.31
Military 75%	Very High	D-	C-	D	2023	1.0	74.3	-3.20
*Military-Civilian 50%	High	D+	C-	C-	2024-2028	2.4	38.2	-3.50
Suriname	6/1/2023				2018-2022	-2.3	30.6	-0.01
VHP-led Coalition 75%	Low	C	B	B	2023	2.3	59.3	-0.05
VHP-led Coalition 45%	Low	B-	B+	B	2024-2028	3.0	12.3	-0.14
Sweden	8/1/2023				2018-2022	2.0	3.0	28.67
Center-Right Minority 65%	Low	A	A-	A	2023	-0.5	7.1	33.00
*Broad Coalition 40%	Low	A	A-	A	2024-2028	1.9	2.3	26.10
Switzerland	8/1/2023				2018-2022	1.6	0.8	43.81
Centrist Coalition 60% (50%)	Low	A+	A-	A	2023	0.8	2.3	72.20
Centrist Coalition 60% (50%)	Low	A+	A-	A	2024-2028	1.6	1.1	76.90
Syria	7/1/2023				2018-2022	-0.5	91.1	-1.75
Assad 85%	Very High	D	C-	D	2023	-3.2	50.0	-0.40
Assad 80%	High	C-	C	C-	2024-2028	2.0	15.6	-1.10
Taiwan	6/1/2023				2018-2022	3.6	1.3	90.23
DPP 55%	High	A	A-	B+	2023	2.0	1.8	86.50
DPP 55%	High	A-	A-	A-	2024-2028	2.4	1.4	106.20
Thailand	7/1/2023				2018-2022	0.9	1.7	12.41
*Unstable Coalition 40%	High	B+	B	B	2023	3.6	2.4	10.30
*Reformist Coalition 45%	Moderate	B+	B	B+	2024-2028	3.3	2.1	18.60
Trinidad & Tobago	3/1/2023				2018-2022	-1.2	2.1	1.80
PNM 75%	Moderate	B	B	B+	2023	2.8	4.5	2.90
PNM 50%	Moderate	B	B	B+	2024-2028	2.5	3.9	2.50
Tunisia	2/1/2023				2018-2022	0.2	6.7	-3.45
Reformist Majority 75%	High	C-	B	C	2023	1.6	9.8	-3.70
Reformist Majority 60%	Moderate	C-	B-	C	2024-2028	2.4	6.2	-3.20
Turkey	5/1/2023				2018-2022	4.5	27.1	-19.37
AKP Coalition 80%	High	C+	B	B-	2023	2.0	47.9	-43.20
AKP Coalition 70%	Moderate	C+	B	B-	2024-2028	3.2	21.7	-27.80
Ukraine	6/1/2023				2018-2022	-4.8	10.2	-0.26
Crisis Coalition 60%	Very High	D-	D+	D	2023	2.8	19.6	-6.30
*Reformist Coalition 40%	Very High	D	C-	D+	2024-2028	2.0	7.5	-3.80
United Arab Emirates	3/1/2023				2018-2022	2.2	1.1	44.36
Union 85%	Moderate	A	A-	A	2023	4.0	4.3	61.80
Union 85%	Low	A	A	A	2024-2028	3.8	2.1	45.70
United Kingdom	1/1/2023				2018-2022	1.1	3.2	-99.74
Conservative 55%	Low	B+	A-	B+	2023	-0.6	6.4	-148.40
*Labour 45%	Low	B+	A-	B	2024-2028	1.5	2.6	-159.00
United States	3/1/2023				2018-2022	1.9	3.5	-667.23
*Divided Government 85%	Moderate	B+	A	A-	2023	1.0	3.7	-890.00
*Divided Government 45%	Low	B+	A	A-	2024-2028	1.6	2.2	-720.00
Uruguay	3/1/2023				2018-2022	1.0	8.4	-0.76
Center-Right Coalition 65%	Low	B	A	B+	2023	2.2	7.5	-1.85
Center-Right Coalition 50%	Low	B	A-	B	2024-2028	2.5	5.1	-1.30
Venezuela	1/1/2023				2018-2022	-14.2	36308.8	2.38
Military-Civilian 80%	High	D-	C-	D	2023	7.5	290.0	6.90
Military-Civilian 70%	Moderate	C	C	C	2024-2028	3.2	95.0	0.80
Vietnam	7/1/2023				2018-2022	5.7	2.9	4.81
CPV Mainstream 60%	Low	B	B	B	2023	5.8	2.6	1.80
CPV Mainstream 50%	Low	B+	B+	B	2024-2028	6.7	3.8	6.50
Zambia	6/1/2023				2018-2022	2.1	13.1	1.14
UPND 70%	High	C-	B	C+	2023	3.6	8.7	1.00
UPND 50%	Moderate	C+	B-	C+	2024-2028	4.3	7.5	1.50
Zimbabwe	6/1/2023				2018-2022	0.5	221.1	0.18
ZANU-PF 45%	Very High	D-	D+	D	2023	2.1	160.0	0.10
ZANU-PF 45%	High	D	D+	D	2024-2028	2.8	55.0	0.12

Additional Data is available online for all countries covered in the Political Risk Letter at www.prsgroup.com. Current and historical political, financial, and economic data on **CountryData Online (CDO)** is just a click away.