COUNTRY RISK WEEKLY BULLETIN

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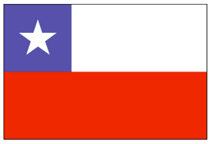
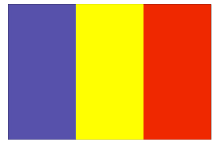
IN THE HEADLINES



CHILE

Right on the night?

Presidential elections will be held on Sunday. Right-wing opposition candidate (Coalicion por el Cambio) Sebastian Pinera is the front-runner, ahead of former president Eduardo Frei of the ruling Concertacion, despite incumbent president Bachelet's popularity. A third candidate, independent Marco Enriquez-Ominami, has been gaining ground so a run-off—between Pinera and Frei—is likely on 17 January, which Pinera should be well placed to win, ending two decades of centre-left rule. It remains to be seen if a judge's ruling that Frei's father (a former president) was poisoned by individuals associated with the Pinochet regime will have a significant impact.



ROMANIA

Base case?

Incumbent President Basescu was declared winner in Sunday's run-off presidential election, with 50.3% of the vote. His challenger, Geoana (49.7%), has formally contested the outcome at the Constitutional Court because of alleged polling irregularities. Expect the close result to prolong the political deadlock that began in October, when the government collapsed. A key task of the next president will be to appoint a new PM. Basescu has so far refused to nominate a candidate outside his former DLP party, although the latter now faces a determined opposition in parliament. The paralysis has caused the IMF to suspend aid funding for now.

BOLIVIA

Evo-lasting?

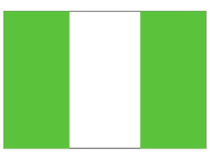
Preliminary results of the presidential election last Sunday show that President Evo Morales has won another term by an overwhelming margin—63% of the vote and 36pps ahead of his nearest rival. His MAS also won majorities in both houses of congress. Whether or not this will be used for further constitutional reform to end term limits or if he will interpret the constitution as permitting him another term anyway, as has occurred elsewhere with radical-left leaders, remains to be seen. Regardless, expect such a clear mandate to reinforce the development of the president's radical-left agenda, although the country's deep social and regional divisions remain unresolved.

TURKEY

Seasonal fare

Fitch upgraded its LT sovereign rating by two notches to BB+ from BB-, citing relative resilience to the global financial crisis, as well as easing inflation and external financing risks. Although facing a deep recession—expect real GDP to contract by 6% in 2009—a BOP or domestic financial crisis has so far been avoided. Inflation fell to a record low 5.1% yr/yr in October, although it picked up again to 5.5% in November. More negatively, public finances have deteriorated. Expect policy stimulus to push the fiscal deficit to 7.5% of GDP in 2009 and 6% in 2010. Moreover, the gross external financing requirement remains high at around USD120bn in 2010.

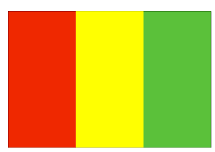
ALSO IMPORTANT...



NIGERIA

Tale of two...

President Umaru Yar'Adua was flown to Saudi Arabia for medical treatment, said to be related to an acute inflammation around the heart. His health has been under scrutiny for some time but Yar'Adua's current absence has led to calls for his resignation by opposition forces and even some from within the ruling party. Nigeria has the continent's largest population and is Sub-Saharan Africa's principal energy producer, so political uncertainties have a wider significance. Expect some political manoeuvring as candidates attempt to gain a competitive edge for a potential challenge and for this to interrupt the flow of policy implementation. Expect a politically-challenging 2010.



GUINEA

...(missing) presidents

The head of state, Moussa Dadis Camara, was flown to Morocco for urgent medical treatment after allegedly being shot by the head of his presidential guard, Abubakar Toumba Diakite. The latter has been accused of leading the forces that opened fire on demonstrators in September, an action that brought international rebuke and may yet lead to a trial at the International Criminal Court. Guinea is already subject to AU and ECOWAS sanctions as it reneged on promises for elections following a coup last December. Expect a strained political environment and uncertain trading conditions in the world's second largest bauxite producer.

COUNTRY REVIEW SUMMARIES

PHILIPPINES

Phoon bill

Real GDP growth fell to 1% qtr/qtr in Q3 from 1.7% in Q2 (revised down from 2.4%), but this was partly as a result of the impact of strong typhoons in September. On a yr/yr basis, the economy expanded by 0.8% in Q3, the same as in Q2 (revised down from 1.5%). Inflation picked up to a six-month high of 2.8% yr/yr in November as the storms affected agricultural production and pushed up food prices. Overall, however, the economy has shown notable resilience to the global economic crisis and it has avoided recession. Solid remittances have maintained a current account surplus and the PHP/USD exchange rate has remained remarkably stable.

MALAWI

O Kay?

President Bingu wa Mutharika and the ruling DPP won clear renewed mandates to govern in May 2009 elections, which should enable policy implementation to gather pace, although expect some political uncertainties to remain evident. South Africa is the largest trading partner but China is becoming an increasingly important source of funding. Despite external debt relief, the economy is aid dependent but the IMF and wider donor community remain supportive. With good rainfall and a record tobacco harvest, GDP growth was 10% in 2008. Expect 7-8% in 2009 and, with uranium exports on-stream from the Kayelekra mine, 5-7% in 2010.

IN BRIEF

Sovereign ratings	**Greece**: Fitch downgraded to BBB+ (negative outlook).

Edited by Andrew Atkinson