

COUNTRY RISK WEEKLY BULLETIN



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IN THE HEADLINES

	<p>Relative calm appears to prevail following last week's military coup that overthrew the presidency of Mamadou Tandja. The new Supreme Council for the Restoration of Democracy under the chairmanship of Colonel Salou Djibo suspended the constitution and dissolved state institutions, although these were largely in abeyance through Tandja's decision to rule by decree. The AU and ECOWAS condemned the coup but do not expect further sanctions if there is follow up on pledges to restore elections and to protect civil rights. Expect uncertainty to persist for some time, but transfer risk should remain minimal because of Niger's membership of the CFA Franc zone.</p>		<p>Growth of real GDP in Q4 2009, according to data released last week, was an unexpectedly strong 4.2% qtr/qtr and 9.2% yr/yr, driven by domestic demand, with private consumption up 4.5% qtr/qtr, the most rapid rate in six years. With real wages falling last year and unlikely to recover much in 2010, if at all, household spending will struggle to maintain this pace, but official real GDP growth projections for 2010—revised to 4.7% from 4.4%—still look pessimistic. Even if GDP remained at the same level as Q4 2009, annual growth would be around 5.5% as a result of base effects (output fell sharply in Q1 2009), so expect growth of 6%+.</p>
<p>NIGER Fading Tan</p>		<p>TAIWAN Base ball?</p>	
	<p>Q4 2009 real GDP data released this week confirmed the upturn with a qtr/qtr seasonally adjusted increase of 2.03%. Q4 was still 2.3% below a year earlier, however, and the full year 2009 contraction was 6.5%, the most severe among major Latin American economies, hit by dependence on US export markets and tourism, swine-flu and the need to maintain fiscal and monetary discipline. The latter has paid off, however, as earlier this month the authorities announced that they will not need to renew the US Fed USD30bn swap-line and are considering a staged exit from the IMF FCL, both arranged as support at the height of the global crisis. Expect growth of 3% in 2010.</p>		<p>Real GDP rebounded to 5.8% yr/yr growth in Q4 2009, after four consecutive quarters of contraction. Net external trade (+7.1% yr/yr) was the main driver as exports shifted back to growth (+4.1%) while imports continued to shrink (-7.6%). Private consumption also shifted to growth (+1.4%) and government spending continued to grow (5.2%). The export recovery was led by both manufacturing (+9.9%) and tourism (+27.7% arrivals in Q4). Expect the recovery to continue and 3%+ growth in 2010 after -2.3% in calendar 2009, though domestic political instability and a faltering global recovery remain downside risks.</p>
<p>MEXICO Pay back time?</p>		<p>THAILAND Tie up</p>	

ALSO IMPORTANT...

	<p>Last week's budget—the first of FM Pravin Gordhan—indicated that overall policy direction is unlikely to change in the near term. Expenditure on housing, education and employment schemes are priorities. However, the main anchors of a prudent economic orthodoxy, including inflation targeting and fiscal rectitude, remain in place. Accordingly, currency and bond markets reacted positively. Meanwhile, Q4 GDP data (+3.2% qtr/qtr annualised) provide evidence that the recovery is gaining strength, with manufacturing providing a key impetus. The budget forecast is for GDP growth of 2.3% in 2010 (after -1.8% in 2009) but expect 3% in this World Cup year.</p>		<p>On 12 February, President Laurent Gbagbo dissolved the government and the electoral commission (CEI), accusing the latter of fraudulent voter registration. Although the voter listing is likely to be somewhat inaccurate because an estimated 20% of the population is accounted for by migrants, the latest move—which sparked violent unrest across the country—appears to be part of a strategy by Gbagbo to delay presidential elections scheduled for March 2010, which he could lose. A new government was announced yesterday and a new CEI is set to be installed later this week, but expect the elections to be postponed at least until H2 2010.</p>
<p>SOUTH AFRICA Vin roszy?</p>		<p>COTE d'IVOIRE Bag of tricks?</p>	

COUNTRY REVIEW SUMMARIES

	<p>Border and internal security and domestic political stability remain highly uncertain, with outlying provinces susceptible to strong tribal allegiances and militant terrorist attacks. President Asif Ali Zardari's position appears to be faltering and, against this background, policy formulation and implementation is slow. In an end-2009 assessment, the IMF noted some economic stabilisation—and a further USD1.2bn assistance was released—but with high risks to the outlook. Expect persistence of high inflationary pressures (average 10-12% in 2010), fiscal deficits (5-6% of GDP) and current account deficits (4-5% of GDP) and GDP growth of only 2-4% this year and next.</p>		<p>Political uncertainty has increased because of growing public discontent with the administration and concerns about the age of President Abdoulaye Wade (83), as there is no obvious successor. Debt relief under the HIPC Initiative in 2006 helped improve external debt servicing, but high annual current account deficits of more than 10% of GDP and fiscal indiscipline still jeopardise debt sustainability. Moreover, substantial structural problems and institutional weaknesses result in a fragile business environment and make the economy highly vulnerable to shocks, so expect dependence on foreign aid to persist in the near term.</p>
<p>PAKISTAN Zar far below par?</p>		<p>SENEGAL Senescent?</p>	

IN BRIEF

Hungary Policy interest rate cut by 25 bps to 5.75%.

Edited by Andrew Atkinson

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