

AKE Political Risk Outlook Q2 2018 - Ones to Watch



Egypt

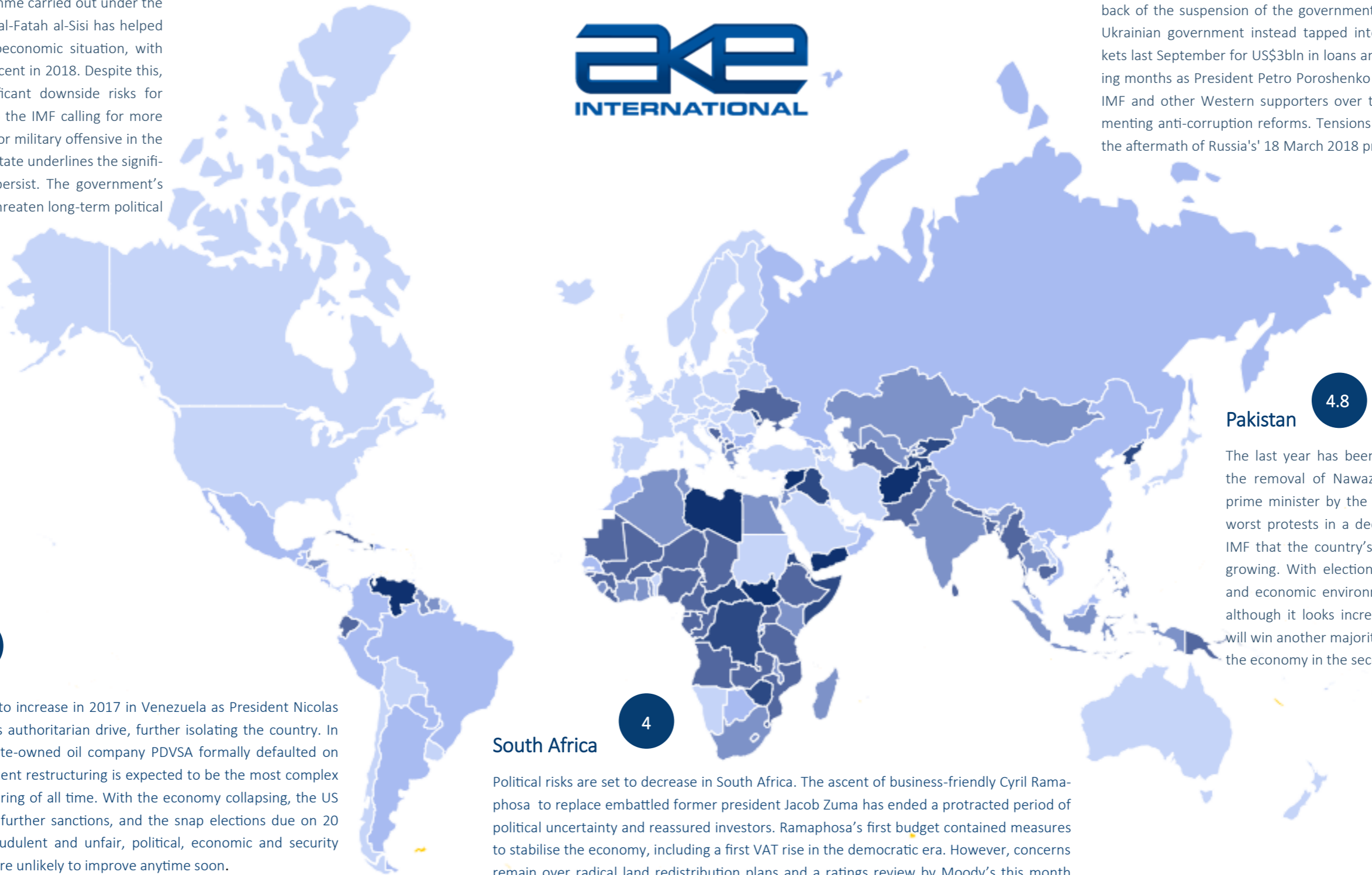
4.8

The fiscal consolidation programme carried out under the watchful eye of President Abd al-Fatah al-Sisi has helped transform the country's macroeconomic situation, with growth forecast to reach 6 per cent in 2018. Despite this, fiscal reforms have had significant downside risks for Egyptian consumers, leading to the IMF calling for more inclusive growth policies. A major military offensive in the Sinai Peninsula against Islamic State underlines the significant security risks which will persist. The government's ever-repressive social policies threaten long-term political stability.

Ukraine

5.1

The political risk environment in Ukraine has again depreciated, on the back of the suspension of the government's IMF bailout programme. The Ukrainian government instead tapped international sovereign debt markets last September for US\$3bn in loans and could do so again in the coming months as President Petro Poroshenko remains at an impasse with the IMF and other Western supporters over the pace and method of implementing anti-corruption reforms. Tensions with Moscow could increase in the aftermath of Russia's 18 March 2018 presidential election as well.



Venezuela

8.2

Political risks continued to increase in 2017 in Venezuela as President Nicolas Maduro consolidated his authoritarian drive, further isolating the country. In 2017 Venezuela and state-owned oil company PDVSA formally defaulted on their debts. The subsequent restructuring is expected to be the most complex sovereign debt restructuring of all time. With the economy collapsing, the US and the EU considering further sanctions, and the snap elections due on 20 May widely seen as fraudulent and unfair, political, economic and security prospects in Venezuela are unlikely to improve anytime soon.

South Africa

4

Political risks are set to decrease in South Africa. The ascent of business-friendly Cyril Ramaphosa to replace embattled former president Jacob Zuma has ended a protracted period of political uncertainty and reassured investors. Ramaphosa's first budget contained measures to stabilise the economy, including a first VAT rise in the democratic era. However, concerns remain over radical land redistribution plans and a ratings review by Moody's this month will likely prove decisive in determining the country's short term outlook.

Pakistan

4.8

The last year has been traumatic for Pakistan with the removal of Nawaz Sharif from his position as prime minister by the Supreme Court, some of the worst protests in a decade, and warnings from the IMF that the country's economic vulnerabilities are growing. With elections later this year the political and economic environment could worsen further – although it looks increasingly likely that the PML-N will win another majority and will focus on stabilising the economy in the second half of the year.

AKE POLITICAL RISK RATING SCALE

