

AKE Political Risk Outlook Q3 - Ones to Watch



Lebanon 4.86

AKE has raised the political risk rating for Lebanon in Q3 amid a continued deterioration of the country's economic outlook. Prime Minister Sa'ad al-Hariri almost declared an economic emergency on 2 September after Fitch downgraded Lebanon's rating further into junk. The lira's dollar peg is slipping as wheat, fuel and medicine reserves dwindle amid a dollar shortage. Emergency economic support is not yet forthcoming, and the government remains opaque about its reforms. Despite a rejection of an IMF offer in July, an emergency bail-out looks increasingly urgent in coming months as Beirut is caught between public ire and necessary austerity measures.

United Kingdom 2.9

AKE has raised the political risk rating for the United Kingdom (UK) in Q3 on the basis of a high risk of a no-deal Brexit on 31 October. The UK is now rated just below the highest-rated EU state, Romania. The no-deal Brexit base scenario remains an extension, but political tensions could be manifested in protests and unrest. There is also a baseline risk of further violence in Northern Ireland. However, despite political stability risks, AKE's decision to raise the rating largely stems from an elevated risk of frustration of process in the short to medium term.

Argentina 4.01

AKE has raised the political risk rating for Argentina in Q3 amid rising economic and political stability risks. An ongoing economic and financial crisis deepened as the 11 August primary election results indicated that incumbent centre-right Mauricio Macri is likely to lose the presidency to leftist Alberto Fernandez, a long-time Peronist running with former president Cristina Kirchner as vice-presidential candidate. The incoming administration will have to negotiate an already announced debt restructuring. The risk of default will remain heightened. Should Fernandez win outright on 27 October, an anticipated transition of power, originally scheduled for 10 December, cannot be ruled out.

Hong Kong SAR 3.58

AKE has raised the political risk rating for Hong Kong SAR in Q3 as the semi-autonomous territory has fallen into an unprecedented period of protracted unrest triggered by an extradition bill that would have allowed extraditions to mainland China. Frequent protests and violent clashes have thrown the sustainability of Hong Kong as a major financial centre into uncertainty. Economic output contracted due to the turmoil, amid significant drops in retail sales and tourism. However, the protests' impact is likely to be short-term, with the hardline anti-government movement expected to fizzle out in the coming months. Beijing will also seek to prevent Hong Kong's economic and financial demise.

Malawi 4.17

AKE has raised the political risk rating for Malawi in Q3 following a disputed presidential election in May that saw President Peter Mutharika win a second term. Ongoing controversy surrounding the vote increases the risks of political instability and political violence in the short to medium term. Violent protests erupted in July and August, and have again flared up since a ban on demonstrations was lifted in mid-September, with hundreds of thousands of opposition supporters calling for the results to be annulled and electoral commission head Jane Ansah to resign. Further escalation is possible if security forces crack down on protesters.

AKE POLITICAL RISK RATING SCALE

