

AKE Political Risk Outlook Q4 - Ones to Watch



Lebanon 5.4

AKE again raised the political risk rating for Lebanon in Q4 as mass widespread protests prompted the resignation of prime minister Sa'ad al-Hariri and compounded the economic crisis. Unofficial inflation is at its worst since the Lebanese civil war and the country is gripped by a severe dollar shortage preventing fuel, medicine and basic goods' imports. Hassan Diab has been selected as the new premier, but government formation will protract without Hariri's Future Movement support. Hizbullah appears to have increased political influence since Hariri's resignation, which will isolate international donors. Political violence may increase as Hizbullah and Amal supporters continue attempting to clear protest camps.

Moldova 5.3

AKE raised the political risk rating for Moldova in Q4 after former prime minister Maia Sandu's cabinet and her ACUM party were ousted from the government in a no-confidence vote. The new minority Party of Socialist's government, led by Prime Minister Cicu has set out to reverse the reform-orientated agenda of Sandu's cabinet and the majority of the new government's ministers are former advisors to President Dodon. There is a high risk of return to state capture, with the institutions of government and the presidency in the hands of the Socialists Party. Corruption and political uncertainty risks will remain high.

Chile 2.9

AKE has raised the political risk rating for Chile in Q4 as the largest and most violent wave of unrest since the return to democracy in 1990 hit the economy and raised political violence risks. Looting and arson attacks have affected several sectors since 18 October. Further such incidents remain a risk throughout 2020, with a referendum asking whether the constitution should be replaced and, if so, how to draft new one, taking place in April. Rating agencies have warned that the effects on the economy could lead to a technical recession as a contraction in Q4 2019 and Q1 2020 seems increasingly likely.

South Sudan 7.5

AKE has lowered the political risk rating for South Sudan amid the longest ceasefire in the country's civil war since 2013. A marked decline in fighting between government forces and SPLM-IO rebels following the signing of a peace agreement in 2018 has paved the way for an economic rebound. However, the truce remains tenuous, and communal violence and clashes between government and non-signatory opposition forces continue in large parts of the country. A breakdown of the peace process could plunge the economy back into chaos.

Papua New Guinea 4.7

AKE raised the political risk rating for Papua New Guinea in Q4 after the government released budget documents indicating that annual debt repayments to China are expected to increase by 25 per cent to about US\$67m by 2023. Recalculations have seen debt soar 10 percentage points to 42 per cent of GDP, above the legal limit of 35 per cent. The total debt owed to Beijing was not disclosed in the documents, but repayment schedules show China is by far the largest bilateral creditor. The government has blamed its financial woes on extravagant spending by the previous administration, which was ousted in May following a no-confidence vote.

AKE POLITICAL RISK RATING SCALE

0.0 - 2.5

2.6 - 3.5

3.6 - 4.2

4.3 - 5.2

5.3 - 6.9

7.0 - 10.0

