

Lebanon

5.7

AKE again raised the political risk rating for Lebanon. Prime Minister Hassan Diab's new cabinet was confirmed against widespread popular disapproval, over three months after former prime minister Sa'ad al-Hariri resigned. Beirut defaulted for the first time ever, on a US\$1.2bln repayment, on 9 March, then on a further US\$30bln. Officials continue closed-door discussions with creditors, yet a simultaneous restructuring of central bank and sovereign balance sheets appears necessary. Acute FX shortages leave Lebanon with eroded healthcare and no social provisions when grappling with COVID-19. However, the pandemic has paused the half-year protest movement. Further economic deterioration is expected.

AKE Political Risk Outlook Q1 2020 - Ones to Watch



Kosovo

5.0

AKE has raised the political risk rating for Kosovo in Q1 2020 as the young state's political structures face major strains. The Vetevendosje party reached a coalition deal with the Democratic League (LDK) in February following five months of negotiation, only to see it collapse six weeks later when the LDK initiated a successful no-confidence vote. The political situation led to US-firm ContourGlobal suspending its plans to build a EUR1.3bln coal-fired power plant in the country. Vetevendosje's leader Albin Kurti and President Hashim Thaci are now set for a constitutional standoff, which risks exacerbating the economic impact of the COVID-19 outbreak.

Mexico

3.8

AKE has raised the political risk rating for Mexico in Q1 2020 amid heightened economic risks which are expected to put significant pressure on growth and government finances, particularly amid the COVID-19 pandemic and plummeting oil prices. Towards the end of the quarter S&P downgraded the sovereign credit rating one notch to BBB, cutting also state-owned Pemex's and CFE's credit ratings. GDP shrank by 0.1 per cent in 2019 – the first yearly contraction in over a decade. The fallout from the COVID-19 and oil price crash is expected to push the economy into a severe recession over the coming quarters.

Nigeria

5.6

AKE has raised the political risk rating for Nigeria as the combined impact of collapsing crude prices and the COVID-19 pandemic put further strain on the country's embattled economy, which has barely recovered from the 2014-2016 oil crisis. Given high debt service expenditures and low revenue mobilising capacity, a downturn will put Nigeria's fiscal stability at risk. Businesses could face difficulty accessing foreign exchange and the risk of external debt distress will rise as decreasing oil revenue depletes international reserves. Although financial sector health has improved somewhat since 2018, non-performing loans are likely to increase as oil and gas sector companies experience financial difficulties.

Malaysia

4.3

AKE has raised the political risk rating for Malaysia after the Harapan coalition collapsed and the country was placed under lockdown due to COVID-19. The new government, led by Muhyiddin Yassin, includes UMNO, which increases the risk that corruption trials including against former prime minister Najib Razak could be frustrated. Political polarisation and racial divisions could once again increase. It is unclear whether Muhyiddin has a majority in parliament, although it is uncertain when that could be tested. COVID-19 has disrupted economic activity, which will cause a significant slowdown, given the country's traditional reliance on its export sector.

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