

# AKE Political Risk Outlook Q2 2020 - Ones to Watch



Oman

3.6

AKE has raised the political risk rating for Oman due to the economic risks associated with a deterioration of the sovereign's financial position during the expected protraction of the current low oil price environment and OPEC+ oil production caps. These are eroding the country's already weak fiscal balance, growth prospects and diversification plans hit by COVID-19. Muscat has reportedly conducted talks with Gulf neighbours seeking financial support, as borrowing conditions for Oman are unfavourable, sovereign wealth fund assets are depleting and its credit burden is becoming unsustainable. Nonetheless, more deterioration is not envisaged and a slow recovery is expected in H2.

Chile

3.1

AKE has raised the political risk rating for Chile for a second consecutive quarter in Q2 2020 amid heightened economic risks due to the impact of the COVID-19 pandemic, which is expected to continue to put significant pressure on growth and government finances, with the fiscal deficit is expected to widen to 9.6 per cent of GDP in 2020, the highest since 1973. Concerns over the rate at which public debt has been increasing will likely persist in Q3, which could also witness a resumption of the anti-government protest movement as and when COVID-19-related restrictions start to be eased.

Ethiopia

5.8

AKE has raised the political risk rating for Ethiopia as political tensions escalate and the impact of COVID-19 on commercial activity and remittances hits the economy with full force. Though Ethiopia is the only major sub-Saharan African economy that might avert contraction in 2020, the pandemic has created significant additional fiscal needs and slashed foreign exchange earnings, raising sovereign and currency risks. The indefinite postponement of general elections originally set for mid-2020 due to COVID-19 and growing anti-government sentiment triggered fresh unrest in June and July, increasing the risk of political violence.

Belarus

4.6

AKE has raised the political risk rating for Belarus, reflecting intensified civil action against President Alexander Lukashenko ahead of the 9 August presidential election. All major opposition presidential candidates have been detained. Among them is Viktor Babaryka, who ran Russian-government-owned Belgazprombank, which was taken over by the state. However, the Kremlin has not publicly criticised Lukashenko. Protests have been held in major cities, with hundreds arrested. Further demonstrations risk being violently dispersed. Lukashenko may double-down, seeking constitutional changes enabling him to remain in power indefinitely. Such moves or a police crackdown on protests risk Western economic pressure or renewed sanctions.

Hong Kong SAR

3.7

AKE has raised the political risk rating for Hong Kong SAR in Q2 2020 as the combined impact of economic slowdown due to COVID-19 pandemic and the enactment of national security law by the central government in Beijing, threaten to undermine foreign investor's confidence in the city and the local government's commitment to respect fundamental human rights. The imposition of national security law opens the door for more sanctions against government officials and banks involved in cracking down on pro-democracy movements. Despite the harsh penalties attached to the new law, pro-democracy protests will likely continue throughout the city.

## AKE POLITICAL RISK RATING SCALE

