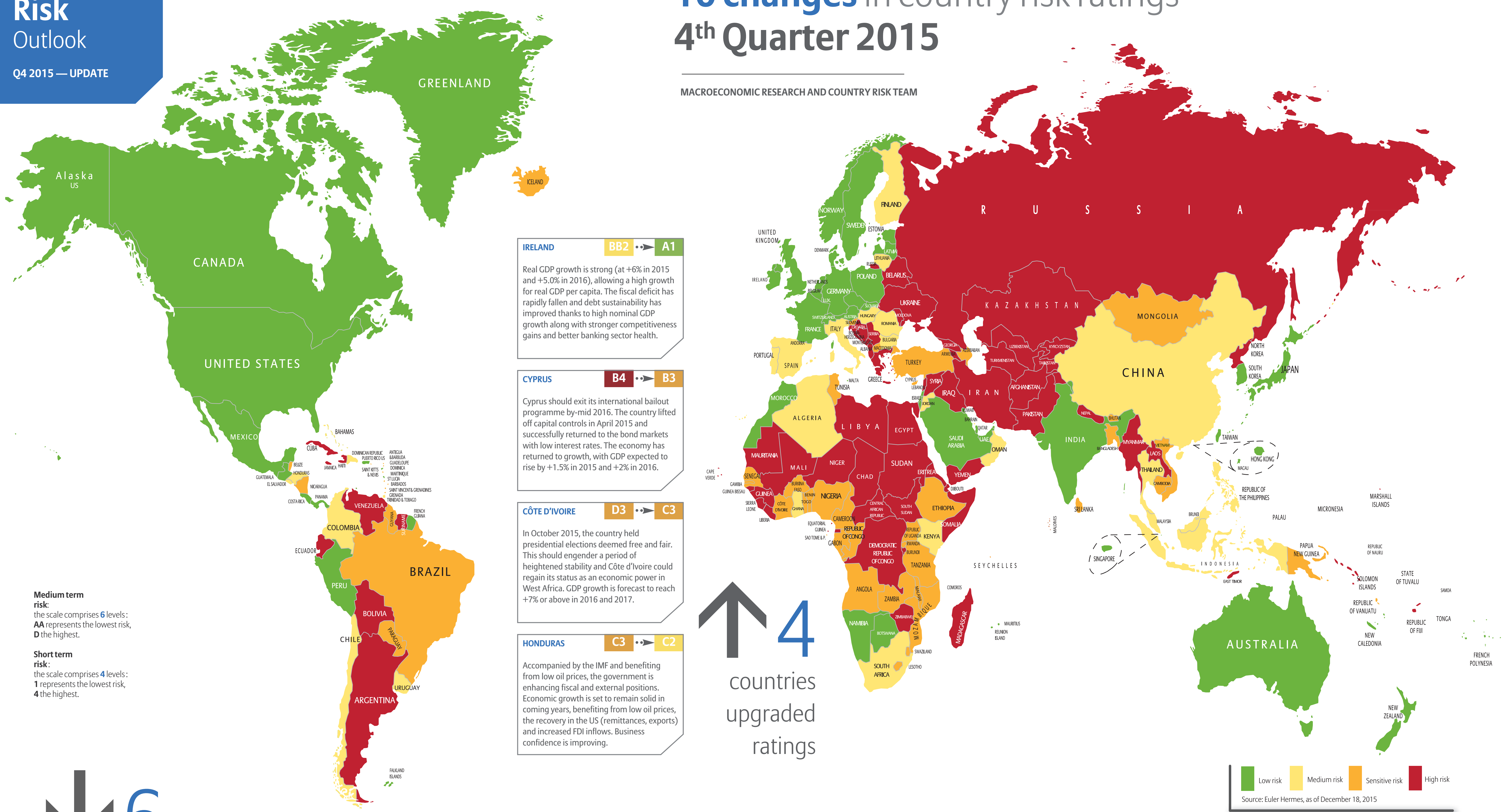
Country Risk Outlook

Q4 2015 — UPDATE

10 changes in country risk ratings 4th Quarter 2015

MACROECONOMIC RESEARCH AND COUNTRY RISK TEAM



Medium term risk:
the scale comprises 6 levels:
AA represents the lowest risk,
D the highest.

Short term risk:
the scale comprises 4 levels:
1 represents the lowest risk,
4 the highest.

↑ 4 countries upgraded ratings

IRELAND BB2 → A1

Real GDP growth is strong (at +6% in 2015 and +5.0% in 2016), allowing a high growth for real GDP per capita. The fiscal deficit has rapidly fallen and debt sustainability has improved thanks to high nominal GDP growth along with stronger competitiveness gains and better banking sector health.

CYPRUS B4 → B3

Cyprus should exit its international bailout programme by-mid 2016. The country lifted off capital controls in April 2015 and successfully returned to the bond markets with low interest rates. The economy has returned to growth, with GDP expected to rise by +1.5% in 2015 and +2% in 2016.

CÔTE D'IVOIRE D3 → C3

In October 2015, the country held presidential elections deemed free and fair. This should engender a period of heightened stability and Côte d'Ivoire could regain its status as an economic power in West Africa. GDP growth is forecast to reach +7% or above in 2016 and 2017.

HONDURAS C3 → C2

Accompanied by the IMF and benefiting from low oil prices, the government is enhancing fiscal and external positions. Economic growth is set to remain solid in coming years, benefiting from low oil prices, the recovery in the US (remittances, exports) and increased FDI inflows. Business confidence is improving.

↓ 6 countries downgraded ratings

BRUNEI BB1 → BB2

Crude oil and natural gas production represent 70% of GDP and more than 90% of total exports. GDP growth decreased in 2015 (estimated -1.6%). General government net lending (-15% GDP) and current account balance (-3.1% GDP) deteriorated sharply in 2015. Risks are tilted to the downside with low commodity prices and low growth in external demand.

CHILE A1 → A2

Export revenues have declined strongly due to low copper prices and China slowdown. The CLP has depreciated by -25% vs the USD since its last peak in July 2014. Tightening monetary policy is leading to a rise in interest rates and a credit slowdown. Economic growth will remain slow, around +2% in 2015-2016.

COLOMBIA BB1 → BB2

Export revenues have declined strongly due to the fall in oil prices and to weak developments in neighbouring Ecuador and Venezuela. The COP has depreciated by -50% against the USD since the last peak in July 2014. Economic growth will remain below 3% in 2015-2016.

ECUADOR C3 → C4

Economic output has been hit by falling oil prices, which accounts for 50% of exports. The economy is forecast to enter recession, with GDP contracting by -1.1% in 2016. Due to dollarization, the Fed's rate hike will affect credit growth and export competitiveness.

OMAN BB1 → BB2

Oil accounts for around 50% of GDP and 80% of government receipts. Low energy prices will lead to large fiscal and current account deficits. High state spending will be managed by increasing public debt. GDP growth will be capped at +4% in 2015-17.

SOUTH AFRICA BB1 → BB2

Structural rigidities limit the economy's growth. These include, for example, the lack of skilled labour, limited job creation, infrastructure bottlenecks, and continuing balance of payments restraints. GDP is in a protracted period of low growth, and is expected to reach +2% in 2016 and 2017.

Economic Research

EULER HERMES
Our knowledge serving your success

A company of Allianz