

Country Risk Press Conference



David Atkinson, Euler Hermes
Paris, 13 January 2009





Agenda

01

Emerging economies in the global crisis

02

Country grade changes

03

Regional overviews

04

Appendix



Emerging economies in the global crisis

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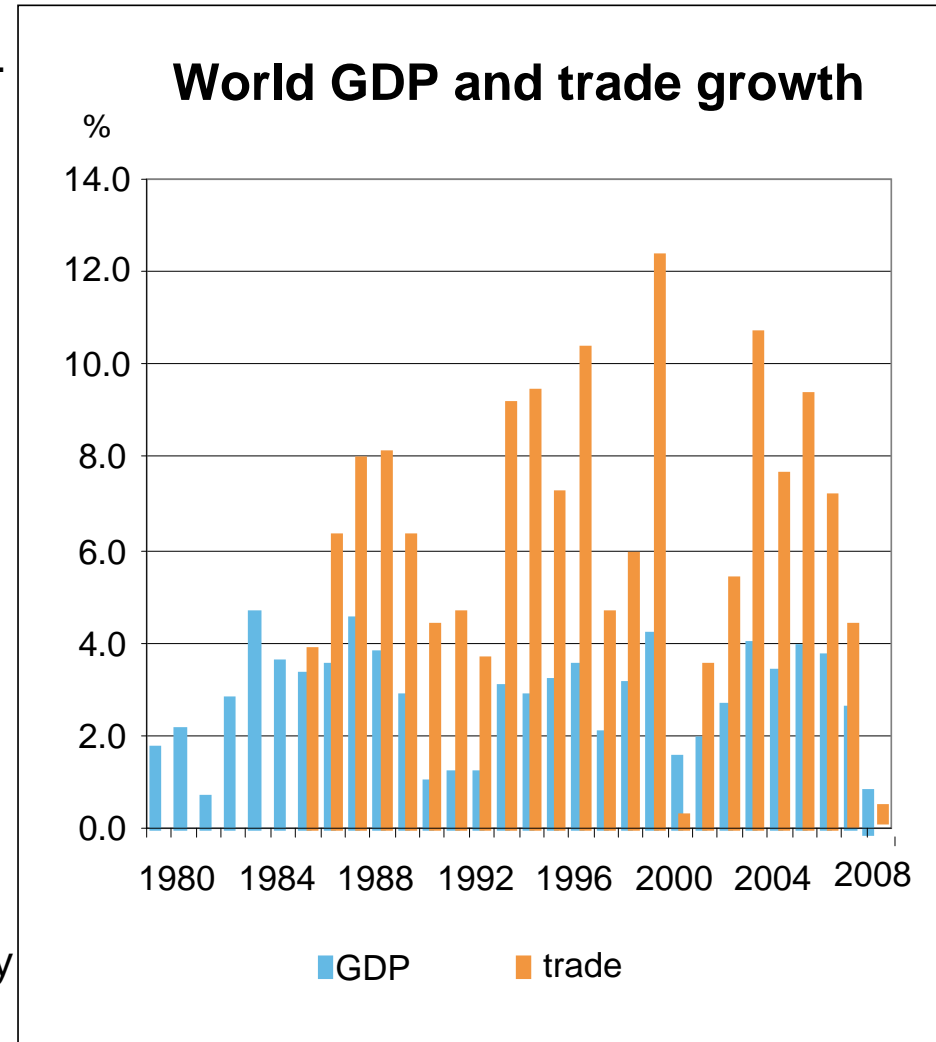


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Global recession

- ❑ This is not a normal business cycle.
- ❑ EH projects world growth of less than 1% in 2009, with first outright contraction in the advanced economies since WW-II.
- ❑ Emerging economies have not decoupled - output has slumped alarmingly in the final months of 2008.
- ❑ Large uncertainties remain and risks are firmly to the downside.
- ❑ But a couple of positives: lower commodity prices and expansionary fiscal policies.





Emerging economies' 'perfect storm'

- ❑ **Emerging economies are facing a perfect storm in the external environment**
 - Vicious reversal of external financing flows
 - Recession in main export markets
 - Plunging commodity prices, including oil
- ❑ **No de-coupling. All emerging economies will experience a severe slowdown and in some cases even outright recession.**



A sharp slowdown – everywhere

Regional Real GDP (% change)

	2003-06*	2007	2008f	2009f
Emerging Europe	6.8	7.0	5.4	2.0
Russia	7.1	8.1	6.1	1.5
Turkey	7.5	4.5	2.3	1.0
Emerging Asia	8.4	9.2	7.0	5.0
China	10.5	11.9	9.2	7.0
India	8.7	9.0	7.0	5.0
Latin America	4.6	5.5	4.6	1.9
Brazil	3.4	5.1	5.5	2.3
Mexico	3.3	3.3	2.0	0.0
Middle East & Africa	5.8	5.7	5.9	4.6

* annual average

f = Euler Hermes projections



Most vulnerable countries in the storm

- Country grades in the present environment represent the relative ability to limit damage from the global crisis.

- Grades reflect relative vulnerabilities to the deterioration in the external environment combined with the ability to withstand such adverse movements. This requires
 - stable, effective government
 - a good starting point for policy adjustment
 - a strong external liquidity position
 - low debt ratios

- Countries least able to meet these criteria are the most vulnerable.



Most vulnerable countries

Country	Grade	IMF status
Hungary	C	In place
Romania	C	Yes
Russia	C	???
Turkey	C	Yes (in negotiations)
Lithuania	C	Yes
Bulgaria	C	Yes
Latvia	C	In place
Kazakhstan	C	???
Indonesia	C	Yes
Dominican Republic	C	Yes
Honduras	C	Yes
Jamaica	C	Yes
Ukraine	D	In place
Serbia	D	In place (precautionary)
Bosnia-Herzegovina	D	???
Vietnam	D	???
Argentina	D	No
Venezuela	D	No
Ecuador	D	No
Kenya	D	Yes
Lebanon	D	???
Iceland	D	In place
Pakistan	D	In place

Notes: IMF status definitions

- **In place** = programme and financing already necessary and agreed
- **Yes** = very likely to secure support in a timely manner should it become necessary
- **???** = probably could secure support but some doubt over government seeking support sufficiently quickly
- **No** = support unlikely before or during crisis without a change of government



Stronger graded countries: more resilient...

Country	Grade	Country	Grade
Singapore	AA	South Korea	BB
Chile	A	Kuwait	BB
Czech Republic	A	Mexico	BB
Hong Kong	A	Oman	BB
Malaysia	A	Poland	BB
Slovenia	A	Qatar	BB
Taiwan	A	Saudi Arabia	BB
Bahrain	BB	Slovak Republic	BB
Botswana	BB	South Africa	BB
Brazil	BB	Thailand	BB
Israel	BB	Tunisia	BB



... but far from immune

- ❑ Even relatively strong economies (based on fundamental analysis) have been hit by banking illiquidity, financial market falls and sharp exchange rate adjustments. At a minimum this will aggravate the growth slowdown.
- ❑ Plunging commodity prices, including oil, have brought another group of countries into focus that were cushioned for much of 2008.
- ❑ Oil prices have dropped into the range where budget adjustments could be required, even in some GCC countries.
- ❑ But there is a positive here, as falling oil and food prices eases the balance of payments problems of importing countries.



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02

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03

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04

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Country grade changes



Countries downgraded since the intensification of the financial crisis

Country	Grade action
South Korea	A to BB
Iceland	A to D
Hungary	B to C
Romania	B to C
Bulgaria	B to C
Lithuania	B to C
Guatemala	B to C
Jordan	B to C
Argentina	C to D
Pakistan	C to D
Vietnam	C to D



Grading history

Country grades assess the underlying systemic risk in the country concerned, but some tendency on a net basis for grades to reflect the business cycle, as downturns and upturns reinforce underlying strengths and weaknesses.

So:

- 2000-2002 net downgrades
- 2003-2007 net upgrades
- **2008- ? tide has turned**

EH Grades	Upgrades	Downgrades	Net
2000	9	10	-1
2001	9	14	-5
2002	8	16	-8
2003	9	6	+3
2004	13	2	+11
2005	6	5	+1
2006	5	6	-1
2007	7	4	+3
2008	0	16	-16



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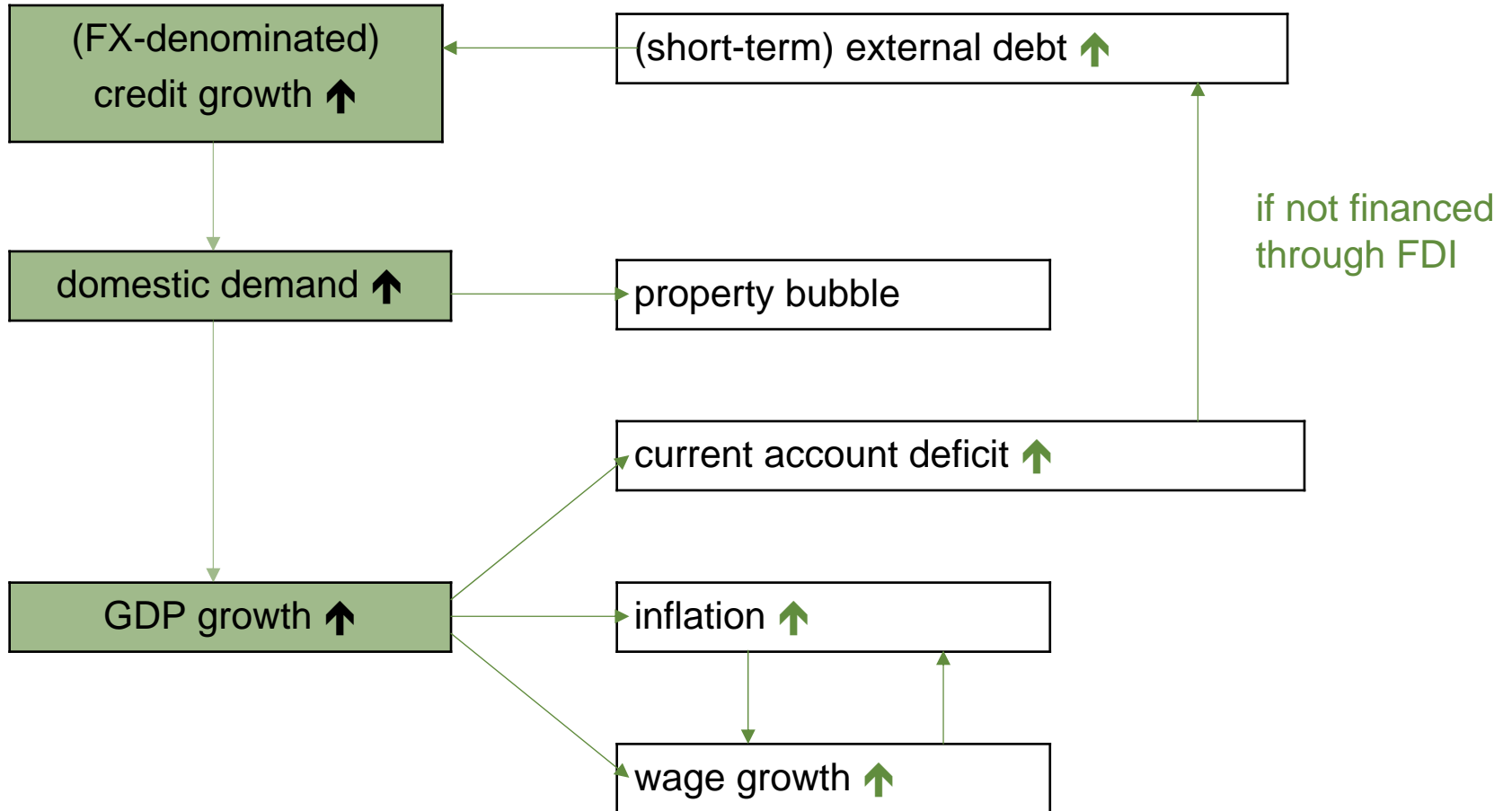
Regional overviews





Emerging Europe – overview

How it went wrong





Russia: short term outlook

Selected economic indicators	2006	2007	2008f	2009f
Real GDP growth (% yr/yr)	7.4	8.1	6.1	1.5
Inflation (% eop)	9.0	11.9	13.0	10.0
Fiscal balance (% of GDP)	8.3	6.8	5.0	-0.6
Current account balance (% of GDP)	9.5	5.9	6.0	-1.4
External debt/Exports of goods & services (%)	92.8	117.7	109.7	133.3
FX reserves (USD mn)	295,277	465,504	400,000	300,000
Import cover (months)	16.9	19.8	12.7	8.7
Exchange rate assumption, RUB, USD (av)	27.2	25.6	24.9	31.0
f: CRU central forecast				

Sources: Central Bank, Statistical Office, IMF, World Bank, Euler Hermes Country Risk Unit

- ❑ Real GDP up 7.3% yr/yr Q1-Q3 2008, but industrial production data point to sharp slowdown in Q4
- ❑ Stock market down 70% in 6 months and rouble down 13% against the USD despite CB intervention
- ❑ FX reserves fallen by more than 25% since early-August. Still cover 10 months of imports and twice all external payments falling due in 2009, but the pace and persistence of the decline is a risk
- ❑ Sharp drop in oil prices threatens to shift fiscal and current accounts into deficit
- ❑ A key risk is FX illiquidity of banks and firms and continued low oil prices.
- ❑ Grade: C.



Russia: risk analysis 1

Strengths

- Abundant natural resources, particularly oil and gas
- FX reserves are still ample (covering over 10 months of imports) and provide some cushion against the impact of the ongoing global financial crisis
- Manageable total external debt ratios

Weaknesses

- Occasional political turbulence (e.g. Georgia) undermines investor confidence
- Generally weak business environment (resource nationalism, corruption, banking system, legal uncertainty, red tape...) discourages foreign investment
- Inadequate corporate governance
- Heavy dependence on commodities, particularly oil and gas
- Monetary policy, which was unable to tame inflation and domestic credit growth
- Heavily managed exchange rate
- The intensification of the global financial crisis since mid-September 2008 has highlighted several vulnerabilities, particularly the high external financing requirement of private banks and firms, many of which face insolvency in 2009



Russia: risk analysis 2

Ratings	Russia		Median Grade C	Peers		
	Latest	Previous		Cameroon	Kazakhstan	Indonesia
Systemic Political Risk:	P3+	P3-	P2-	P3-	P3+	P3+
Systemic Economic Risk:	E5	E5	E5	E5	E5	E5
ME rating:	ME5	ME4	ME5	ME4	ME5	ME4
<i>Structure</i>	4.0	4.7	5.9	6.0	4.0	5.0
<i>Policy</i>	6.0	6.0	5.2	5.2	5.2	3.2
<i>Solvency</i>	2.6	2.6	3.8	1.6	6.0	4.2
<i>External Liquidity</i>	4.3	1.0	4.2	3.2	4.2	1.7
SBE rating:	SBE5	SBE5	SBE5	SBE5	SBE5	SBE5
COUNTRY GRADE:	C	C		C	C	C

Nomenclature:

Political Risk Ratings are on a scale of P1 (lowest risk), P2+, P2-, P3+, P3-, P4 (highest risk).

Economic Risk Ratings are on a scale of E1 (lowest risk), E2, E3, E4, E5, E6 (highest risk).

ME (macro-economic) ratings are on a scale of ME1 (lowest risk), ME2, ME3, ME4, ME5, ME6 (highest risk).

The constituent parts of the ME rating are on a scale of 1.0 (best) to 6.0 (worst).

SBE (Structural Business Environment) ratings are on a scale of SBE1 (best), SBE2, SBE3, SBE4, SBE5, SBE6 (worst).

Country Grades are on a scale of AA, A, BB, B, C, D where AA is the lowest and D the highest country risk.



Turkey: short term outlook

Selected economic indicators	2006	2007	2008f	2009f
Real GDP growth (% yr/yr)	6.9	4.5	2.3	1.0
Inflation (% eop)	9.7	8.4	10.1	10.0
Fiscal balance (% of GDP)	-0.1	-1.5	-1.7	-2.0
Current account balance (% of GDP)	-6.0	-5.7	-7.4	-7.2
External debt/Exports of goods & services (%)	181.7	180.7	156.5	178.5
FX reserves (USD mn)	60,710	73,156	70,075	60,000
Import cover (months)	5.0	5.0	3.6	3.2
Exchange rate assumption, TRY/EUR (av)	1.81	1.79	1.90	2.40
f: CRU central forecast				

Sources: National Institutions, IMF, World Bank, Euler Hermes Country Risk Unit

- ❑ Real GDP growth slowing sharply since 2007 (0.5% yr/yr in Q3 2008)
- ❑ Return to double-digit inflation (10.8% yr/yr in November 2008)
- ❑ Current account deficit at unsustainable levels
- ❑ Stock market down 35%) and the lira down 14% against EUR and 32% against USD
- ❑ FX reserves have also fallen, now covering just 3.5 months of imports and 60% of external payments falling due in 2009
- ❑ New IMF deal under discussion to maintain investor confidence
- ❑ Grade: C



Turkey: risk analysis 1

Strengths

- Important strategic position
- Adequate business environment and mostly solid banking sector

Weaknesses

- History of political and economic instability
- Upsurge in Kurdish separatist violence since 2007
- Deterioration of international relations as a result of the political uncertainty since 2007
- Exchange rate volatility and continued downward pressures on the lira
- Unsustainably high current account deficits, increasingly financed by short-term external borrowing, exacerbated by weakening FDI inflows
- Hefty external debt servicing in 2009
- FX reserves just cover 60% of external debt payments falling due in 2009
- Already affected by global financial crisis; highly vulnerable to further risk aversion



Turkey: risk analysis 2

Ratings	Turkey		Median Grade C	Hungary	Peers	
	Latest	Previous			Lithuania	Bulgaria
Systemic Political Risk:	P3-	P3-	P2-	P1	P1	P2+
Systemic Economic Risk:	E5	E5	E5	E5	E5	E5
ME rating:	ME5	ME5	ME5	ME5	ME5	ME5
<i>Structure</i>	3.3	3.3	5.9	1.6	3.3	3.3
<i>Policy</i>	4.6	4.2	5.2	4.8	4.6	5.2
<i>Solvency</i>	4.2	4.3	3.8	4.6	4.2	3.8
<i>External Liquidity</i>	6.0	6.0	4.2	6.0	6.0	6.0
SBE rating:	SBE3	SBE3	SBE4	SBE2	SBE2	SBE3
COUNTRY GRADE:	C	C		C	C	C

Nomenclature:

Political Risk Ratings are on a scale of P1 (lowest risk), P2+, P2-, P3+, P3-, P4 (highest risk).

Economic Risk Ratings are on a scale of E1 (lowest risk), E2, E3, E4, E5, E6 (highest risk).

ME (macro-economic) ratings are on a scale of ME1 (lowest risk), ME2, ME3, ME4, ME5, ME6 (highest risk).

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Country Grades are on a scale of AA, A, BB, B, C, D where AA is the lowest and D the highest country risk.



Emerging Asia – overview

- ❑ Export demand from US and EU still main drivers for East and SE Asia and more exposed to exports now than in 2001, as global integration has increased
- ❑ China demand clearly cannot substitute effectively, nor can intra-regional trade
- ❑ Generally strong external balances and FX reserves. Scope for fiscal stimulus - particularly in China - which is already underway
- ❑ India/Pakistan relations remain a potential flashpoint



India: short term outlook

Basic indicators

Selected economic indicators	2005	2006	2007	2008f	2009f
Real GDP growth (% yr/yr)	9.4	9.6	9.0	7.0	5.0
Inflation (% , average)	4.2	5.8	6.4	9.5	5.0
Fiscal balance (% of GDP)	-7.0	-6.0	-5.5	-7.1	-7.8
Current account balance (% of GDP)	-1.0	-1.0	-1.3	-3.4	-3.0
External debt/Exports of goods & services (%)	75.5	74.0	67.6	63.7	63.7
Foreign exchange reserves (USD mn)	131,018	170,187	266,553	240,000	230,000
Import cover (months)	8.1	8.4	10.8	7.3	7.9
Exchange rate assumption, INR:USD (av)	44.1	45.3	41.3	43.6	47.0

f: CRU central forecast

Sources: Central Bank, IMF, World Bank, Euler Hermes Country Risk Unit

- ❑ Industrial output data point to a sharp slowdown from Q4 onwards
- ❑ Banking sector has been relatively shielded from the global financial crisis but stock and currency markets have both fallen sharply
- ❑ FX reserves have fallen (support for rupee exchange rate) but still cover more than 7 months of imports and entire existing external debt stock
- ❑ Large fiscal and current account deficits limit policy responses to deterioration in external environment
- ❑ some political and regional uncertainties going into 2009
- ❑ Grade: B



India: risk analysis 1

Strengths

- Stable democracy, with record of peaceful changes in government
- Large internal market, providing some cushion against global downturn
- Successful diversification, including manufacturing (motor vehicles) and services (call centres, IT, biotechnology)
- Recent annual real growth in GDP of 7-9%
- Low external debt relative to earnings and repayment capacity
- FX reserves of over USD230bn provide 7 months of import cover

Weaknesses

- Vulnerable to natural disasters (Tsunami, droughts, flooding, earthquakes)
- Kashmir region remains volatile and the source of potential conflict
- Political system engenders coalition governments that are inherently unstable
- Economic reform process (particularly privatisation) held back by political constraints
- Pervasive poverty and skewed income distribution
- Large fiscal deficits
- Weak structural business environment



India: risk analysis 2

Ratings	India		Median Grade B	Philippines	Peers China	Egypt
	Latest	Previous				
Systemic Political Risk:	P2-	P2-	P2-	P3+	P2+	P3-
Systemic Economic Risk:	E4	E4	E4	E4	E4	E4
ME rating:	ME4	ME4	ME4	ME4	ME3	ME4
<i>Structure</i>	4.2	4.2	4.0	5.0	6.0	5.7
<i>Policy</i>	5.2	6.0	4.2	4.8	3.3	5.6
<i>Solvency</i>	1.7	1.7	2.8	2.8	1.0	2.8
<i>External Liquidity</i>	2.8	1.7	4.2	2.9	2.3	1.9
SBE rating:	SBE4	SBE4	SBE3	SBE4	SBE4	SBE4
COUNTRY GRADE:	B	B	B	B	B	C

Nomenclature:

Political Risk Ratings are on a scale of P1 (lowest risk), P2+, P2-, P3+, P3-, P4 (highest risk).

Economic Risk Ratings are on a scale of E1 (lowest risk), E2, E3, E4, E5, E6 (highest risk).

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Middle East & North Africa – overview

- ❑ Relatively unscathed by the direct impact of the global financial crisis – although Kuwait has received some collateral damage, partly through regulatory shortfalls
- ❑ Falling oil prices will constrain regional fiscal and current accounts through 2009
- ❑ Nonetheless, a large foreign asset base and relatively conservative stance towards recent oil price gains provides a cushion going into the global slowdown. Sovereign wealth funds will be tapped to provide liquidity
- ❑ The region's non-oil economies (e.g. Jordan and Morocco) will benefit from lower energy costs but lower non-oil commodity prices and weaker workers' remittances leave them vulnerable
- ❑ Unresolved regional issues (Iran, Palestine etc.) will be exacerbated by the reduced financial power and associated tensions in the area's major economies



Sub-Saharan Africa – overview

- ❑ Relatively unscathed by the direct impact of the global financial crisis – even the few with well-developed banking sectors e.g. South Africa

- ❑ Nonetheless, the global economic downturn will have a significant negative impact on the region
 - oil and gas producers (including Nigeria and Angola) will have reduced revenue inflows and deteriorating external and fiscal balances
 - falling non-oil commodity prices will hit traditional tea, coffee, copper etc. producers as demand from the US, EU and Asia weakens

- ❑ Fragile political regimes will be tested, with associated social pressures and heightened security risks



Latin America – overview

- ❑ Most larger economies - with some notable exceptions - have established a good policy record, lower debt ratios and start with a relatively strong FX reserves position
- ❑ But lower commodity prices will see current account deficits reappear and fiscal revenues fall, which with tighter credit conditions means much lower growth and variable room for domestic stimulus
- ❑ Radical versus orthodox agendas to face the acid test in 2009
- ❑ Central America & Caribbean particularly vulnerable to developments in US as highly dependent on tourism and remittances. Lower oil prices to help



Medium-term issues

- ❑ Bretton Woods II breakdown needs new more sustainable growth model
- ❑ Are non-oil commodity prices returning to their typical long-term pattern?
- ❑ Whatever happened to USD 200 p/b oil?
- ❑ Protectionism
- ❑ US, Russia and China in natural resource security race (cold war proxy)

The slide features several large, blue, L-shaped graphic elements. Two are positioned at the top, one on the left and one on the right. A larger one is on the left side, and a very large one is on the right side, extending towards the bottom right corner.

Thank you

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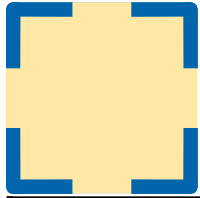
Appendix



Emerging Europe

Country*	Grade	Comments
Russia	C	Banks and firms face problems rolling over ST debt and several small- and medium-sized banks bailed out already. Falling commodity prices threaten big firms. But, Russia has resources to support system.
Turkey	C	Financial markets have tumbled though not (yet) collapsed. Corporate sector faces substantial exchange rate risk because of large external financing requirements. Recession in 2009 likely. IMF programme and funding (not yet in place) are essential to maintain investor confidence.
Poland	BB	Some risk of contagion, reflected in temporary pressures on exchange rate and FX reserves, though latter are solid. Vulnerable to EU recession, thus economic slowdown and rise in insolvencies expected.
Czech Republic	A	Limited risk of contagion. Fairly stable exchange rate so far. Vulnerable to EU recession, thus economic slowdown and rise in insolvencies expected.
Romania	C	Downgraded from B. Financial markets have tumbled though not (yet) collapsed. Corporate sector faces substantial exchange rate risk because of large external financing requirements. Hard landing of economy in 2009 likely. IMF and EU support may eventually be needed to maintain investor confidence.
Hungary	C	Downgraded from B in October amid the intensification of the global financial crisis, as access to international financing was curtailed dramatically, causing banking illiquidity and tumbling financial markets and threatening a banking/financial crisis. Quick and decisive IMF-led support (USD25bn) has for now calmed markets. But recession is looming and exchange rate risk and credit risk remain high. Low foreign exchange reserves.
Ukraine	D	Hit hard by intensification of the global financial crisis in October, when sharply falling investor confidence sent markets tumbling. Quick and decisive IMF-led support (USD16bn) has so far not halted the slide of the hryvnia (down by 60% against the USD since August). Recession is looming and exchange rate risk and credit risk remain high. Political instability undermines necessary economic policies as required by the IMF. Recurrent disputes over gas supplies and payments with Russia.
Bulgaria	C	The currency board is likely to hold, limiting exchange rate and transfer risk, but the large external financing requirement is a risk. Disruptions in the banking and corporate sectors are to be expected. The economy is on course for a hard landing. A significant rise in insolvencies is to be expected.

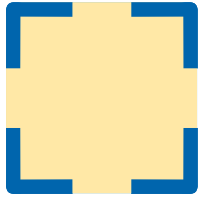
*Note: Selected economies



Sub-Saharan Africa

Country*	Grade	Comments
South Africa	BB	Uncertainties in the political landscape, including presidential elections in 2009 and formation of a new party to rival the ANC, coincide with economic deterioration. We expect relative policy continuity in the ST but current account deficits require careful management as commodity prices weaken. However, South Africa is likely to be a prime candidate, in need, for the IMF's new quick releasing financial facility.
Nigeria	D	Political and security issues have heightened risk for several years. Now, with oil prices USD100/barrel below their peak in July 2008, foreign exchange earning capacity is much reduced and fiscal and current accounts accordingly under pressure.
Angola	D	The region's major oil producer (given output problems in Nigeria) has recorded high growth rates through investment in the hydrocarbons sector. Now, with lower oil prices and OPEC output cuts, GDP growth will be reduced and the macro-economic environment will be more challenging for an untested political regime.
Sudan	D	The sovereignty of Africa's largest country remains at risk as a result of a north/south split and secessionist groups in the north east and in the troubled Darfur region. Weakening oil revenues will increase pressures on the regime in Khartoum.
Kenya	D	Violence and infrastructural and economic damage was caused by tribal and regional divides that came to the fore in Q1 2008, following disputed presidential elections at end-2007. The political settlement (power sharing) has yet to deliver a working relationship and a further breakdown cannot be discounted entirely.
Côte d'Ivoire	D	The currency peg of the CFA franc to the euro is expected to remain in place in 2009, limiting exchange rate and transfer risk. But lower world prices for commodities will dampen growth in 2009. Moreover, continued political uncertainty (the presidential poll was again delayed in November) will aggravate country risk.
Cameroon	C	The currency peg of the CFA franc to the euro is expected to remain in place in 2009, limiting exchange rate and transfer risk. But lower world prices for commodities, in particular oil, will result in sluggish growth in 2009.
Ethiopia	D	With a large population and high levels of poverty, Ethiopia is dependent on the international community for aid and other assistance. The global financial crisis and economic downturn put competing pressures on international aid funds and reduced finances may heighten social and political pressures.

*Note: Selected economies



Emerging Asia

Country*	Grade	Comments
China	B	Little risk of financial contagion given FX reserves and capital controls. Growth is chief concern which is slowing far too fast for authorities comfort and is set to undershoot 8% objective in 2009. But large resources to provide fiscal and monetary boost, so should avoid worst fears of social unrest.
India	B	Legislative elections scheduled for April/May 2009 - outcome uncertain given economic deterioration and re-surfacing of tensions with Pakistan. GDP growth will decelerate to around 5% in 2009. FX reserves, although recently depleted by support of the rupee, are still over USD220bn and exceed total foreign debt stock.
South Korea	BB	Already downgraded from A due to strong capital flow reversals with banking system illiquidity. But still strong FX reserves and policy credibility and, importantly, one of four countries to be given USD30bn US Fed swap line. Growth to slow sharply in 2009 (recession likely).
Indonesia	C	Significant downward pressures on the exchange rate and foreign exchange reserves since September. One state bank and one private bank went insolvent. Significant risk of contagion. Economic slowdown in 2009. Positive are stand-by loans totalling USD5bn from Japan, Australia, the ADB and the World Bank.
Thailand	BB	Growth remained robust until Q3 2008, but sharp slowdown from Q4 onwards is expected as Thailand will face the same pressures arising from the global economic downturn as other export-driven countries. Moreover, the impact of the global crisis will be compounded by deepening political unrest.
Malaysia	A	Significant downward pressures on the exchange rate and foreign exchange reserves since September, but strong fundamentals have so far cushioned the impact of the global crisis. Some risk of contagion remains. Growth hit a 3-year low of 4.7% yr/yr in Q3 and will further slow in 2009.
Pakistan	D	Downgraded from C in October 2008. Even though an IMF-led international financial support facility is now in place, there is no guarantee of programme implementation and further funding from the USD7.6bn rescue package may be delayed, temporarily withdrawn or cancelled. There remains a risk of a military coup.
Vietnam	D	Overheating in the first part of 2008 threatened FX stability as the external deficit ballooned. Good progress on curbing imports. However, export growth has also plunged and low growth (6%) and sharply lower inflation switching policy focus to stimulus. Need to maintain careful balance.

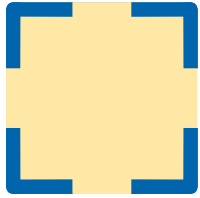
*Note: Selected economies



Middle East & North Africa

Country*	Grade	Comments
Saudi Arabia	BB	The banking sector is relatively shielded from the global financial crisis but the international economic downturn impacts negatively through reduced demand for oil and weaker commodity prices. Saudi Arabia has resources to support its economy through a downturn but fiscal and current accounts will be weakened.
Iran	D	There remain significant regional and international risks posed by Iran's nuclear programme. A military strike by the US and/or Israel cannot be discounted and disruptions to global oil supplies could ensue. International pressures (sanctions and unofficial measures to restrict business dealings with the country) will grow.
UAE	A	The political system, though not completely transparent, is relatively stable. A sustained period of high oil prices between 2006 and Q3 2008 resulted in large fiscal and current account surpluses and further build up of foreign assets. To that extent, the economy appears more resilient and robust than many developing economies and in a relatively comfortable financial position to withstand a global economic downturn.
Israel	BB	Despite unresolved domestic politics and regional issues, the economy has been strong, providing some cushion going into the global downturn. The banking sector and currency have been relatively unscathed but a large private sector will experience increased insolvencies, particularly in the hi-tech sector.
Algeria	C	High oil and gas receipts in recent years strengthened economic data (fiscal and current account surpluses equivalent to 13% and over 25% of GDP, respectively, and import cover of over 36 months). However, the global downturn and fall in oil prices will reduce earning capacity and put pressure on the regime in Algiers, already facing an uncertain political and security environment.
Egypt	C	External liquidity and solvency ratios are above the median for the country's peers but will deteriorate as Egypt is open to negative influences that include weaker oil prices, reduced workers' remittances, lower tourism earnings and less traffic through the Suez Canal. Strategic importance assures international support, in need.
Kuwait	BB	Hit hardest in the region by the global financial crisis, Kuwait has had to support its financial sector and pump liquidity into the economy. Additionally, as a major oil producer, revenues will be sharply curtailed by weaker energy prices. However, large sovereign wealth funds will prevent systemic collapse.
Morocco	B	Tourism revenues and workers' remittances usually support the current account but both these economic pillars will be negatively affected by the global downturn and macroeconomic management will be challenging in 2009. Strategic importance should allow funding to be available, in need.

*Note: Selected economies



Latin America & Caribbean

Country*	Grade	Comments
Brazil	BB	Capital flow reversals with banking system illiquidity and strong exchange rate adjustment but strong FX reserves and policy credibility and, importantly, one of four countries to be given USD30bn US Fed swap line. Growth to slow sharply.
Mexico	BB	Capital flow reversals with banking system illiquidity and sharp exchange rate adjustment but strong FX reserves and policy credibility and, importantly, one of four countries to be given USD30bn US Fed swap line. Growth around zero in 2009.
Argentina	D	High risk owing to relatively large amounts of public debt refinancing with little prospect of international support and sharp falls in commodity prices (particularly soya) which adversely impacts the fiscal and current account balances. Weak policy response and strong state interventionism.
Venezuela	D	If oil prices (90% of exports of 50% of fiscal revenues) remain low, public spending will need to be reined-in or already high inflation will accelerate. Currency depreciation also likely in 2009 and FX controls give the means to ration FX if necessary. Radical agenda to be tested in new referendum on term limits
Colombia	B	As a commodity producer, sharp currency depreciation since September. Moderate, but widening fiscal and current account deficits but external financing requirements modest and strong multilateral support. Some concern over a successor to President Uribe.
Peru	B	Heavy dependence on a few commodities (minerals are 90% of exports) leaves the economy exposed and this will put further pressure on President Garcia's already low popularity ratings. But overall relatively well placed with strong FX reserves, relatively low debt and prudent fiscal policy in recent years.
Chile	A	Heavily dependent on copper and will face sharp growth slowdown. Has also suffered banking illiquidity but dealt with effectively. Overall economy has been well-managed with copper price windfalls in boom times saved. Public debt ratios manageable and politically stable. Corporate debt relatively high.
Ecuador	D	Radical-left President Correa declared first sovereign default in December 2008, since Argentina in 2001, but on grounds that the debt was illegitimate rather than inadequate resources with which to pay. Either way low oil prices will pressure the budget and the radical-left agenda.

*Note: Selected economies



Countries – exports (ex. India exports to France)

EUR Bn	France	Germany	UK	World	EU	Rest of world
India	2	4	5	110	27	83
Russia	11	28	8	243	144	98
Turkey	4	9	7	78	47	31
Rest of world	435	729	435	6 693	1 216	5 477
World	452	770	455	7 123	1 434	5 689

in % of total exports of the country

India	2,1%	4,0%	4,9%	100,0%	24,3%	75,7%
Russia	4,4%	11,4%	3,1%	100,0%	59,5%	40,5%
Turkey	5,4%	11,4%	8,6%	100,0%	60,1%	39,9%

in % of total imports of the trading partner

India	0,5%	0,6%	1,2%	1,5%	1,9%
Russia	2,3%	3,6%	1,7%	3,4%	10,1%
Turkey	0,9%	1,2%	1,5%	1,1%	3,3%
Rest of world	96,2%	94,7%	95,7%	94,0%	84,8%
World	100,0%	100,0%	100,0%	100,0%	100,0%



Countries – imports (ex. India imports from France)

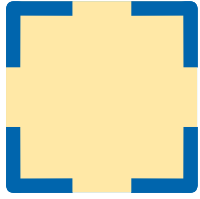
EUR Bn	France	Germany	UK	World	EU	Rest of world
India	3	7	4	180	29	151
Russia	6	28	4	174	89	85
Turkey	5	15	3	123	53	70
Rest of world	389	914	309	7 074	1 070	6 004
World	403	964	320	7 551	1 241	6 310

in % of total imports of the country

India	1,9%	4,1%	2,4%	100,0%	16,4%	83,6%
Russia	3,2%	16,1%	2,3%	100,0%	51,1%	48,9%
Turkey	4,2%	12,1%	2,8%	100,0%	42,9%	57,1%

in % of total exports of the trading partner

India	0,8%	0,8%	1,3%	2,4%	2,4%
Russia	1,4%	2,9%	1,3%	2,3%	7,2%
Turkey	1,3%	1,5%	1,1%	1,6%	4,2%
Rest of world	96,5%	94,8%	96,3%	93,7%	86,2%
World	100,0%	100,0%	100,0%	100,0%	100,0%



Sectors – exports

			EUR Bn			in % of main total			in % of sectors			in % of country		
			India	Russia	Turkey	India	Russia	Turkey	India	Russia	Turkey	India	Russia	Turkey
Exports														
Total Extra EU-27	1241	100 %	29	89	53	2,4 %	7,2%	4,2%	2,4 %	7,2%	4,2%	100 %	100%	100%
Food products	62	5%	0	7	1	0%	1%	0%	0%	11%	2%	1%	8%	2%
Crude materials	30	2%	1	1	3	0%	0%	0%	4%	4%	9%	4%	1%	5%
Energy	64	5%	0	1	1	0%	0%	0%	0%	1%	2%	0%	1%	3%
Chemicals	198	16%	2	12	9	0%	1%	1%	1%	6%	5%	8%	14%	17%
Other manufactured articles	543	44%	13	43	24	1%	3%	2%	2%	8%	4%	44%	49%	46%
Machinery & vehicles	310	25%	11	23	13	1%	2%	1%	4%	7%	4%	39%	26%	25%
Products not classified elsewhere	35	3%	1	2	1	0%	0%	0%	3%	5%	4%	3%	2%	3%

Source: Eurostat by SITC product group



Sectors – imports

			EUR Bn			in % of main total			in % of sectors			in % of country		
			India	Russia	Turkey	India	Russia	Turkey	India	Russia	Turkey	India	Russia	Turkey
			India	Russia	Turkey	India	Russia	Turkey	India	Russia	Turkey	India	Russia	Turkey
Imports														
Total Extra EU-27	1434	100%	27	144	47	1,9%	10,1%	3,3%	1,9%	10,1%	3,3%	100%	100%	100%
Food products	76	5%	2	1	3	0%	0%	0%	2%	1%	4%	6%	1%	6%
Crude materials	70	5%	1	5	1	0%	0%	0%	1%	7%	2%	4%	4%	3%
Energy	335	23%	2	95	1	0%	7%	0%	0%	28%	0%	6%	66%	1%
Chemicals	121	8%	3	4	1	0%	0%	0%	2%	4%	1%	11%	3%	3%
Other manufactured articles	419	29%	4	1	18	0%	0%	1%	1%	0%	4%	14%	1%	37%
Machinery & vehicles	382	27%	16	16	23	1%	1%	2%	4%	4%	6%	59%	11%	49%
Products not classified elsewhere	31	2%	0	21	0	0%	1%	0%	0%	68%	1%	1%	15%	0%

Source: Eurostat by SITC product group