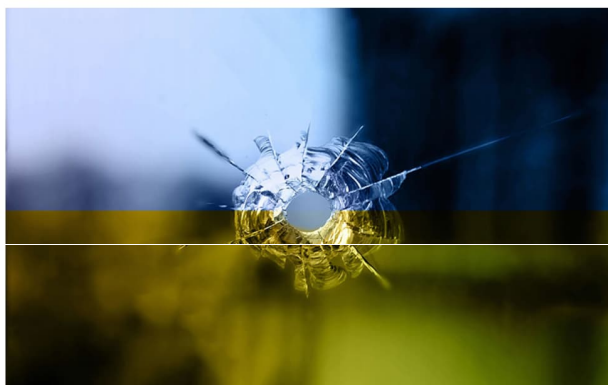


ECR survey results Q1 2022: War and inflation upset global risk metrics

Jeremy Weltman Thursday, April 14, 2022

Expert contributors to Euromoney's country risk survey make sense of the political, economic and structural risks bombarding investors.



Euromoney's first global risk survey of the year took place in the wake of Russia's invasion of Ukraine worsening the anxieties surrounding economic growth, rising debt loads, inflation and policymaking around the world as governments rein in pandemic-related fiscal spending and central banks tighten monetary policy.

In all, 107 countries have become riskier since December, with Belarus, [Russia](#) and [Ukraine](#) unsurprisingly among those downgraded the most, along with other former Soviet republics, including [Kazakhstan](#), Kyrgyz Republic and Tajikistan.

Despite its oil-backed reserves, and the rouble recovering, Russia's military endeavour is proving costly as its isolation increases and its economy and financial system are hamstrung by western sanctions.

Scores for all of Russia's 15 country risk indicators have been slashed, as have most of those for Belarus and Ukraine, with political problems mounting for the Lukashenka regime in Minsk, and Ukraine's economy collapsing.

Russia has plunged 33 places in the global risk rankings, to 107th, Ukraine is down by nine to 116th and Belarus by six to 160th.

Countries with the largest increase in risk in Q1 2022
(risk scores out of 100; lower score = higher risk)
Source: [Euromoney Country Risk](#)

Rank	Risk score	q/q change	y/y change	10 year trend
107 Russia	43.70	-7.71	-7.72	-9.19
116 Ukraine	39.51	-4.24	-3.24	-0.10
136 Tunisia	34.43	-4.19	-9.56	-12.87
160 Belarus	24.80	-3.68	-10.75	-3.11
68 Hungary	53.34	-3.13	-8.05	3.69
148 Sri Lanka	30.91	-3.03	-10.82	-12.27
143 Kyrgyz Rep	32.23	-2.85	-2.90	6.42
74 PNG	50.91	-2.19	-2.93	13.73
65 Jamaica	54.38	-1.96	-2.95	23.67
70 Kazakhstan	53.00	-1.86	1.83	4.71

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For other, mostly domestic reasons, Hungary, Sri Lanka, Tunisia and Turkey have also witnessed increased risk.

Hungary's worsening profile is partly down to the re-election this month of its pro-Russia authoritarian leader Viktor Orbán, whose spat with the EU over the rule of law could yet see the country sanctioned. Hungary is also being hugely affected by the crisis on its eastern border, in terms of trade, refugee inflows and concerns for energy security.

Sri Lanka and Tunisia are both struggling with intense political strife, and Turkey with a dose of extreme inflation and a slump in economic activity worsened by unorthodox monetary policymaking by a politically influenced central bank.

Other territories with increased risks range from Egypt, Libya and Jordan, to Jamaica, Malta, Papua New Guinea and Hong Kong.

Pervading gloom

Most of the survey's contributing experts have begun the year in an increasingly pessimistic mood concerning global economic trade and growth prospects following last year's healthy post-pandemic bounce when fewer and looser lockdowns were deployed (outside China).

Sher Mehta, director of macroeconomic research and country analysis at Virtuoso Economics, believes that global trade growth is bound to witness deceleration over the coming year, noting the likelihood of the onset of stagflation conditions worldwide due to elevated inflation, impending monetary policy interest rate hikes, a tightening of global financial conditions and general uncertainty.

Monica Bertodatto, a public finance consultant in Germany focusing on Europe, says countries will suffer from higher import prices on a variety of energy, food and raw materials, a reduction in output in specific sectors, such as transport and tourism, and increased distress in supply chains and availability of products.

The Asian, European, Middle Eastern and US markets will be hit by similar shocks, she points out.

Most of the world's main regions have taken a hit, barring sub-Saharan Africa where numerous countries are benefiting from higher resource prices, an easing of pandemic-related risks and less direct exposure to geopolitics.

Among the 15 indicators that more than 300 experts are asked to assess each quarter, the government finances score has been downgraded for 95 countries, highlighting increased sovereign debt concerns, with the monetary policy/currency stability indicator – encapsulating inflation and interest rates – downgraded for 94.

The survey's debt ratings have worsened for 84 countries and capital access has tightened for 101.

However, not only are economic indicators downgraded, but also political risk factors, with the risks stemming from corruption, information access/transparency, institutions, regulations and policy, and government stability increasing for the majority of countries in the first quarter of 2022.

	q/q	2021	5-yr trend	10-yr trend
Sub-Saharan Africa	0.14	0.41	6.36	8.03
European Union	-0.23	0.34	1.63	1.72
Eurozone	-0.26	-0.03	1.70	1.83
Latin America	-0.27	-1.27	3.43	2.33
CEE (ex CIS)	-0.30	2.35	6.43	6.35
G-10	-0.38	-0.36	-5.32	-7.05
MENA	-0.41	1.02	1.21	-1.58
MINTs ²	-0.45	-1.51	-7.10	-7.88
Asia (ex CIS)	-0.51	-1.99	0.26	1.43
Caribbean	-0.65	-1.10	8.97	15.59
North America	-0.66	-0.18	-10.39	-11.13
Australasia	-0.99	-1.28	11.84	13.12
CIS	-1.84	-1.25	9.96	8.55
Brics ¹	-1.98	-3.17	-4.58	-9.75

Note: minus sign indicates increased risk; ordered by ytd change; less risk to more risk
¹ Brazil, Russia, India, China, South Africa ² Mexico, Indonesia, Nigeria, Turkey
Source: [Euromoney Country Risk](#)

Timely survey

Euromoney's country risk survey condenses the views of more than 300 experts in economic, political and financial risk from across the public and private sectors to provide an up-to-date assessment of global asset security.

Conducted quarterly, the results are compiled and aggregated, along with measures of capital access and sovereign debt statistics, to provide total risk scores and rankings for 174 countries worldwide.

Almost all of the lowest-scoring (highest risk) countries in the world have become riskier since 2021, as have most of the world's large emerging markets, including Brazil, China, India, Nigeria and South Africa to varying degrees.

Indonesia, Mexico and Uruguay are the main exceptions, becoming safer along with most of the Gulf's hydrocarbons exporters, all enjoying political calm and the windfall revenue stream from higher resource prices.

With its safe haven currency, Switzerland has retained its position as the least-riskiest country worldwide in the [global risk rankings](#), just ahead of second-place Australia, with Finland, Denmark and Norway comprising the remainder of the top-five.

Sweden's improving score means it has risen to seventh, just behind New Zealand, and ahead of Singapore, the Netherlands and Israel completing the top 10.

European risk trade-offs emerge

Yet many advanced industrialized nations, especially in [Western Europe](#), have been marked down in the wake of Russia's invasion of Ukraine increasing the risk of stagflation, with economic recoveries from the pandemic dissipating and inflation soaring.

Scores have worsened notably for the UK, Germany, France and Italy.

Norbert Gaillard of NG Consulting says the war in Ukraine, the sanctions on Moscow, Russia's counter-sanctions and the potential embargo on Russian imports of oil and gas will all affect the growth of European economies in 2022 and 2023, with the downward revision of GDP growth rates likely to be sharper for Germany and Italy than for France, Spain and the UK.

"This perspective has led to the downgrades of the economic risk sub-rating of these countries. Additional downgrades may be expected, especially in today's inflationary environment," he says.

“Additional downgrades may be expected, especially in today's inflationary environment

- Norbert Gaillard”

France's country risk rating requires close examination, Gaillard believes. The French economy is quite resilient, he notes, partly because its dependence on Russian oil and gas is relatively low, its unemployment rate has been declining for six years and the banking sector has remained robust.

"While Le Pen might attempt to pull the discussion on immigration, Macron will have to deliver on social and environmental topics to grab the votes of the socialists and greens whose candidates did not qualify."

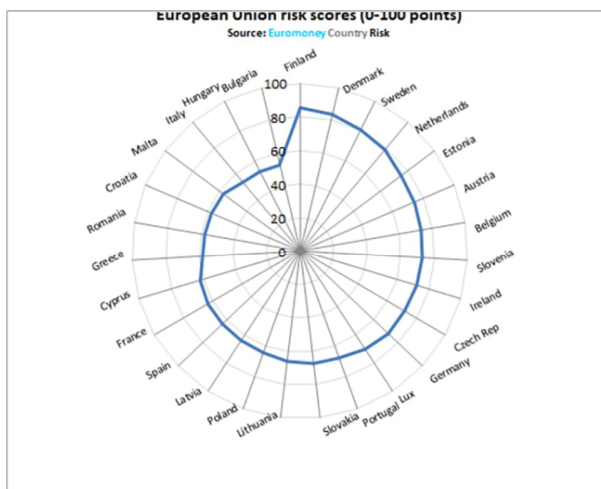
Gaillard goes on to say that a risk that must be monitored in Europe is the significant surge in sovereign bond yields, especially since December 2021.

"This entails that European governments will not cut their public debt-to-GDP ratios as fast as expected.

"More than ever, they need an accommodative monetary policy, but the European Central Bank may have to raise interest rates in the second half of 2022. This is a source of concern for countries like Italy and Spain."

Meanwhile, some of the Central and Eastern European countries struggling with the effects of the war in Ukraine, given rising inflation and the administrative, social and welfare problems associated with the refugee crisis, have seen their improving score trends reverse.

Croatia, Hungary, Poland, Romania and Slovenia are all downgraded, but not Bulgaria, Czech Republic, Greece or Slovakia, which all resisted increased risk due to their political factor stability and economic strengths.



"A source of concern is political risk. In the very short term, the key issue is the second round of the presidential election (on April 24). President Emmanuel Macron should win by a narrow margin, probably 52% vs 48%, to his far-right challenger Marine Le Pen.

"However, as traditional centre-left and centre-right parties have just experienced unprecedented failures, the political landscape is increasingly dominated by populist movements. Even if president Macron is re-elected and gets a parliamentary majority (probable scenario), he may face fierce strikes and street protests, which could undermine the reforms he intends to implement."

Bertodatto says the debate for the French presidential campaign has been focused on the interventions in support for Ukraine and on the increase in defence expenditures rather than the management of the refugees.

"So far, Ukrainian refugees are well accepted and benefit from vast solidarity in the press and among the population, which was not the same for earlier waves of immigrants," she says.

She agrees a win for Macron is highly likely.

Gloomier outlook for North America

Scores and rankings for the [US](#) and [Canada](#) have also fallen, with the US down two places to 20th and Canada also down two to 28th.

Independent country risk expert Erik Henningsmoen notes that it is economic disruption in the wake of the Covid-19 pandemic that is driving political risk in the US.

"Inflation is high, with gasoline [petrol] prices rising to economically crippling levels in states such as California.

"The so-called culture wars over issues such as free speech, critical race theory and gender continue to rile American politics at the local and national levels, all as campaigning for the 2022 mid-term elections ramps up."

“The so-called culture wars over issues such as free speech, critical race theory and gender continue to rile American politics at the local and national levels

- Erik Henningsmoen”

He also says that industrial relations in the US remain volatile, with hard-fought unionization drives taking place at companies such as Amazon and Starbucks.

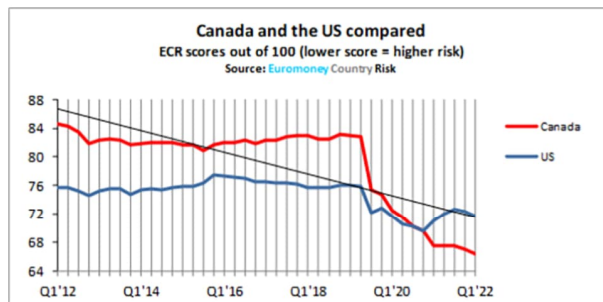
Such unionization victories may provide wind to other labour organizers' sails in the coming months, he believes, and the downgraded structural indicator for labour market/industrial relations in Euromoney's survey undoubtedly reflects this.

On Canada, Henningsmoen says it is well on its way to recovering economically from the pandemic and the associated lockdowns, but a degree of gloom is weighing heavily on Canadian society.

"Inflation remains high, while wages have failed to keep up. Housing is of particular concern, with the average price of a home in Canada now at an astounding C\$816,000.

"The Trudeau government has rolled out new measures as part of the 2022 federal budget to attempt to slow down growth in home prices, such as a two-year ban on foreign buyers, but it remains to be seen if these policies will be effective."

He adds that the Russian invasion of Ukraine and tension between Nato and Russia dominates the headlines – as Canada shares an Arctic border with Russia in the far north, any potential military clash between Nato and Russia could involve action in Canadian airspace and within Canada's Arctic waterways.



LatAm and Caribbean volatility

With the US Federal Reserve tightening monetary policy and growth slowing in the key North American market, plus further afield, prospects for some of the other countries across the Americas have dimmed in the latest survey.

Domestic political risks are also important, as in the case of Chile, down four places to 33rd, with a shift to more left-wing politics, policies and eventually a new constitution following the recent election of Gabriel Boric as president.

Scores have also fallen quite heavily for Costa Rica, Guyana, Bolivia, Nicaragua and El Salvador. Argentina and Venezuela have become even riskier too, along with Brazil, ahead of the next general election in October.

A close and potentially disputed contest is expected between the populist-right incumbent Jair Bolsonaro and the former left-wing president Luiz Inácio Lula da Silva – who was jailed for money laundering and corruption and then released on technicalities – amid fears the outcome may not be respected.

Brazil is struggling with very high inflation, while all of its political risk indicators, including corruption, institutions, policymaking and government stability, have worsened

Some countries have become safer, however. One is Ecuador, moving up 13 places in the global risk rankings, the most of any country surveyed this time, to 73rd, with the economy recovering and confidence high in the centre-right president due to the government's handling of the pandemic and ensuring stability.

Mexico has risen five places to 82nd, for similar reasons, with the president remaining popular and the economy strengthening. Euromoney Country Risk plans to explore Latin America, including Mexico, in more detail over the coming weeks.

Meanwhile, recent months have seen Caribbean prospects become dimmer, with almost all of the countries downgraded. Only three have unchanged scores and not one is upgraded.

Jamaica's fortunes have worsened most of all, with economic recovery put back by fiscal constraints, inflation and the resulting rise in borrowing rates, with the tourism revival also at risk if the global economy nosedives.

Jamaica's sliding ranking					
	ECR score	ECR rank	-----Credit ratings-----		
			S&P	Moody's	Fitch
Georgia	55.15	63	BB	Ba2	BB
Honduras	54.55	64	BB-	B1	n.r.
Jamaica (↓)	54.38	65	B+	B2	B+
Italy	53.69	66	BBB	Baa3	BBB
Armenia	53.54	67	B+	Ba3	B+

Source: Euromoney Country Risk, credit rating agencies

China and Asian markets rattled

With the pandemic far from over in countries with low vaccination rates and an aversion to allowing Covid variants to spread, scores for China, Hong Kong and Singapore have been downgraded, with the social restrictions and border controls required to stop the spread dampening economic activity and increasing the political risks, notably with protests, as is emerging in reports from China.

On the pandemic, ABN Amro Bank senior economist Arjen Dijkhuizen says the highly contagious Omicron variant has led to more severe outbreaks in China, with daily cases (although still low from an international perspective) much higher than during the initial and subsequent outbreaks.

"Hence, Omicron is hampering the shift in strategy from a centralized 'zero cases' approach to a decentralized 'dynamic clearing', with president Xi Jinping and other representatives of the central government once more stating the importance of pandemic containment."

In recent weeks, he notes, local authorities have stepped up lockdown measures, with around 70 cities with a combined GDP share of approximately 40% having been, or still in, some form of lockdown.

"Although these lockdowns differ in terms of severity and will likely not last as long as the initial lockdowns, economic activity is already being affected (illustrated, for instance, by a drop in traffic movements)," Dijkhuizen says.

"This is adding to supply disruptions (in line with our expectation that Omicron would delay the normalization of supply chains), even though local governments over time have generally become more successful in safeguarding key factories and ports from the effects of tighter restrictions."

Meanwhile, Prachi Gupta, adjunct professor at Temple University, believes there are economic and political limitations to how much China will support Russia.

"The Chinese economy is now about ten times bigger than that of Russia. Moreover, Russia contributes a mere 3% share in China's trade, whereas the EU and the US together account for about 25%. A full-blown support to Russia risks China's trade and technology ties with the west."

China's current strategy, she says, seems inclined towards assessing the strength of Nato and its capacity to remain united as the war continues. Also, it offers China an opportunity to measure the impact of financial and digital sanctions as the Russian economy is targeted.

Russia contributes a mere 3% share in China's trade, whereas the EU and the US together account for about 25%
- Prachi Gupta

Gupta goes on to mention the domestic risks impacting economic growth, a concern shared by Mehta at Virtuoso Economics, who states that China's economic risks are clearly on the ascendant given multiple headwinds in the short term.

"We now expect China's GDP growth to fall slightly below 5% this year and there is an enhanced risk of market turmoil, given the marked rise in non-financial corporate debt, regulatory crackdown and rise in defaults," Mehta says.

"Our view on growth is predicated on the outbreak of Covid-19 in China, the ongoing real-estate downturn and deleveraging, rise in global energy and commodity prices as a result of the Russia-Ukraine war, and the strong possibility of a slowdown in China's exports this year."

Friedrich Wu, a professor at the Nanyang Technological University, says the recent Covid-19 lockdowns in Shanghai and Shenzhen, both top manufacturing and export hubs, will have an adverse impact on China's 2022 economic outlook.

"Both are central nodes in the global supply chains, importing and exporting critical intermediate parts and components.

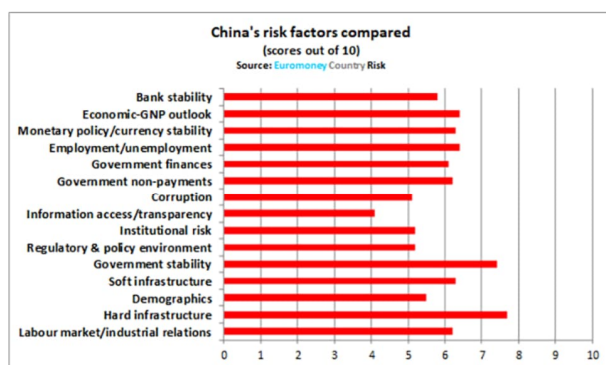
"Furthermore, as the world's busiest and fourth busiest container ports, respectively, they export most of China's finished consumer and producer goods, and import the same from the rest of the world."

Wu believes that a protracted or repeated lockdown of these two strategic economic centres, depressing their manufacturing and trade activities, would dent China's 2022 GDP growth to below 5%, as against the government's forecast of 5.5%.

However, he also notes that the Chinese Communist Party will hold its most important party congress in the second half of the year, so the government will use fiscal stimulus to support growth above 5%.

Mehta agrees that fiscal policy will play the lead role in arresting the slump in growth this year (and probably contain it at just below 5%).

"As a result, there is likely to be a marked rise in the fiscal deficit this year, relative to 2021. Rising household debt and the probability of more lockdowns to contain the spread of Covid-19 are also a real worry and are likely to weigh on consumption and growth this year," he says.



In terms of Hong Kong, Wu says the special administrative region (SAR) will face an important political transition in 2022 with the taking over as chief executive by John Lee (currently the chief secretary, the second highest official in the SAR) from the unpopular incumbent Carrie Lam on July 1.

"With his entire career hitherto immersing in public security, with little ties to public administration and commerce, he has ahead of him a steep learning curve to run an Asian business and financial hub," Wu states.

"In his selection, Beijing shows that its priorities for the SAR are security and stability, while commerce and finance come second. Being a 'new kid on the block', don't expect any fresh policy initiative from John Lee for the rest of the year, except to plug the holes of the botched-up 'Zero-Covid strategy' left over by his predecessor, including stemming the exodus of foreign companies and professionals and rebuilding trust with a disillusioned population."

Wu adds that no informed analyst would expect the SAR to meet its official GDP growth forecast of 2% to 3.5% for the current year.

Meanwhile, the scores for several other countries in Asia have slumped given the downgraded economic growth prospects for China and other trading partners, along with the problems associated with inflation and monetary policy tightening by the US Federal Reserve affecting capital flows.

They include Japan, Malaysia, [South Korea](#), Taiwan and Thailand, as well as Bhutan, Mongolia, Myanmar and Nepal.

As for Taiwan, Wu says the Tsai Ing-wen government and its citizens are "suffering anxiety attacks and despair while watching the unfolding horrors of the Ukraine war."

The lessons seem pretty clear, he says. That is, should a cross-strait military conflict erupt, direct American intervention would not be guaranteed. This is especially so, as Taiwan is not a UN member and only 14 states recognize the island as a sovereign "country", with most US allies (except perhaps Japan), including European countries, viewing the mainland-Taiwan problem as an unsettled domestic issue left over from the 1945-1949 civil war.

"In the coming decades, militarization and rising defence budgets will dent the government's fiscal position, and divert precious resources from critical public goods such as healthcare, green energy, education, job creation and R&D etc. The impact on long-term economic growth and well-being will be adverse," he warns.

The risks for [India](#) have also increased, as they have for Pakistan, facing a political crisis in the wake of Imran Khan losing a vote of no-confidence.

Sri Lanka is meanwhile the biggest faller in Asia, where domestic politics similarly is a key factor, with the falling score for government stability highlighting the cabinet resignation in early April in the wake of government protests over the economy.

Papua New Guinea is another country that has been marked down quite significantly ahead of the next elections in June, with the pandemic still raging and state resources stretched.

Mixed picture for Mena

In the Middle East and North Africa region, rising oil prices, an easing of pandemic restrictions and relative political calm have bolstered most of the Gulf oil-producing nations, with country risk scores improving for Bahrain, Kuwait, Oman, Qatar and Saudi Arabia.

High-risk Iraq is improving, along with the region's lowest-risk country, Israel, which along with a stronger economy is also enjoying improved relations with some of its Arab neighbours.

However, scores for Iran, Lebanon, Jordan and war-torn Yemen have worsened along with Egypt, Libya, Morocco and Tunisia, where a parliamentary crisis seems to be worsening after protestors hit the streets accusing president Kais Saied of imposing his rule on the country.

Tunisia and other countries in the region are also struggling with a growing inflation problem risking instability.

Marco Vicenzino, director of the Global Strategy Project, says that despite the deteriorating socioeconomic situation in many parts of Mena, the full impact of Putin's war in Ukraine is yet to be felt in the broader region.

"The worst will unfold in the coming weeks and months as the violence, humanitarian fallout and global economic consequences reach exponentially greater heights," he warns.

"Many states in Mena have been struggling to take a clear diplomatic stance on Putin's invasion of Ukraine – particularly due to growing relations with Russia in recent years. However, a leading reason is food insecurity, as many parts of the region remain dependent on Russian, and also Ukrainian, wheat and fertilizers."

The situation is further compounded, he says, by Russia's restrictions on its own wheat exports and attacks on Ukrainian ports and fuel and wheat storage facilities. Many Mena states also do not want to incur the wrath of western nations, primarily the US, for being seen as too close to Russia.

“As Putin's war in Ukraine further deteriorates into the abyss, many Mena states are likely to continue pursuing a delicate diplomatic balancing act

- Marco Vicenzino”

"The EU's new 'food diplomacy' offensive aims to provide urgent relief to states at risk of socioeconomic turbulence and challenge Russia's narrative that Western sanctions are responsible for the current food crisis," Vicenzino adds.

"As Putin's war in Ukraine further deteriorates into the abyss, many Mena states are likely to continue pursuing a delicate diplomatic balancing act for the foreseeable future."

"In most non-oil countries, increasing public debt has not been a source of additional economic growth as most of the new loans have been used to reimburse loans and to finance public current expenditures. The prospects seems more dangerous in the absence of structural reforms."

Chemingui says the global prices of food and fuels will drive up inflation in the region by around 2-3 percentage points in 2022, but equilibrium in the food markets is expected to be achieved soon thanks to available stocks in most producer countries and untapped additional production capacities, mainly in the EU, US and Brazil.

Sub-Saharan resilience

Emerging from pandemic restrictions and rejuvenated by the commodity bounce, several countries in Sub-Saharan Africa are showing resilience to the global winds of change, with Angola, Botswana, Cameroon, Guinea, Kenya, Rwanda, Senegal and Tanzania among the countries upgraded.

Botswana is a land-locked country surrounded by moderately stable economies such as South Africa, Namibia, Zambia and Zimbabwe, Dash notes, adding that it has significant mineral wealth, good governance and prudent economic use of scarce resources.

"Stable governance and multi-party democracy are the cradle for sustainable economic growth in Botswana. The only challenge is sluggish economic diversification of the economy and over-reliance on the single commodity (diamond) market," he says.

"To mitigate this risk, the government has adopted moderate expansionary fiscal policies to promote economic growth in many other sectors and incentivizing through subsidies for the agriculture sector. The positivity of Botswana is largely driven by relatively low debt and high debt affordability."

As for Tanzania, Dash regards the outlook as positive, with a rising real GDP growth rate of 5.8% in 2022 driven by the tourism sector, reopening trade corridors and expansionary monetary policy.

Mohamed Chemingui, senior economist and chief of the regional integration section at the UN Economic and Social Commission for Western Asia (UNESCWA), notes the fact that the pandemic left many countries in the region with higher debts, poverty and unemployment, particularly Tunisia, Lebanon, Jordan and Morocco, in addition to the conflict countries of Syria, Yemen, Libya and Sudan.

The Ukrainian crisis has merely accentuated the inferior performance of non-oil countries in the absence of appropriate and tailored reforms to overcome the challenges and revert this tendency, he explains.

"In Tunisia, the situation is much more challenging, with the additional cost of energy and food imports almost totally financed by public debt as domestic prices are still administrated by the government.

"In Egypt, despite the successful reforms of energy and food prices, the country is facing a drastic increase in public debt, which is expected to exceed 110% of GDP in 2022.

Inflation will rise in 2022 and 2023, but the country will also reap the benefit from increasing investment in large infrastructure projects, and the risk of external public debt distress is low, keeping debt-financing costs low and maintaining debt sustainability over the short-to-medium term.

"Tanzania would benefit from the innovative development financing such as equity financing of public investments particularly through PPP financing of public projects," says Dash, adding that, "the key to sustain and propel a steady growth rate in Tanzania is to manage the regulatory authorities efficiently and clear the bottlenecks for the private sector engagements to ensure economic development.

"The Tanzanian private sector's vast financial resources and expertise in providing innovative financial solutions for the market are the key to continue the development trend."

Clearly though it is a mixed picture across the region, with tightened capital access, rising import prices and other factors such as domestic political tensions, conflict and military coups having a bearing on other countries across the continent.

“Potential shortages of fuel, wheat and fertilizer inputs during the course of the year are key risks weighing on the growth and inflation outlook

- Rafiq Raji

Downgraded scores for Burkina Faso, Côte d'Ivoire, Ethiopia, Ghana, Nigeria, Somalia, South Africa, Sudan and Zimbabwe reflect this, highlighting as it does with other world regions that investors must make a careful assessment of the risks on a country-by-country basis.

Rafiq Raji, non-resident senior associate with the Africa programme at the Centre for Strategic and International Studies in Washington DC, notes that although South Africa's business confidence is rising as pandemic restrictions are eased, and commodity prices high, the government may resort to populist measures to limit the impact of high food and fuel prices on citizens.

Load-shedding by Eskom, the state-owned electricity supplier, remains problematic too, and will continue to weigh on the outlook.

As for Nigeria, "Insecurity will continue to weigh on the outlook, as the authorities seem barely able to gasp for breath against myriad threats ranging from kidnapping, banditry, ritual killings to terrorism," Raji says.

"An already feverish election cycle ahead of the 2023 polls is distracting in this regard, as key officials, like Abubakar Malami, Nigeria's attorney-general and minister for justice, looking to contest in the upcoming elections, will have to resign in the coming weeks."

Raji also points to higher commodity prices, continued insecurity and hard currency shortages fuelling inflation, which has begun to accelerate again. Higher than planned fuel subsidy payments are a "big red flag for the fiscal outlook", he notes, with the fiscal deficit all but certain to be almost double the statutory limit of 3% of GDP in 2022.

"Potential shortages of fuel, wheat and fertilizer inputs during the course of the year are key risks weighing on the growth and inflation outlook."

Raji goes on to mention that the Russia-Ukraine war is reducing the spotlight on the Ethiopian civil war, amid allegations of bad faith on both sides that could mar the still tenuous humanitarian ceasefire in the Tigray region.

"Global headwinds, from rising fuel and commodity prices, food shortages, to more difficult logistics, are exacerbated by a bleak local context, with significantly negative implications for prices and output."

He adds that 2022 will be another difficult year for Ethiopia. Yet, as the survey shows, the same can be said for many other countries worldwide, making it particularly tricky for investors balancing potential returns with an appropriate degree of risk.

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