

Welcome to the latest World Watch. This update of global country risk developments is brought to you by the regional specialists of the Country Risk Services Group. World Watch's useful pointers to risk management issues are explored in more detail in D&B's unique journal, *International Risk & Payment Review*, which covers over 130 countries, and also on an individual basis in D&B Country RiskLine reports, both of which are updated on a monthly basis.

Africa

Algeria	The impending presidential election will delay progress on reform, undermining the economic outlook.
Angola	The recent collapse in global oil prices and weaker global demand are set to raise the country's overall risk profile significantly.
Botswana	The outlook remains broadly positive amid a relatively stable political climate and the likelihood of continued robust economic growth.
Cameroon	Positive developments in the cocoa sector boost the economy, but the forestry sector's outlook is less optimistic.
Congo, D.R.	The effects of the government's military offensive in the Kivus may extend far beyond the affected border provinces.
Cote d'Ivoire	The delay to the presidential election heightens political risk and investor uncertainty.
Ethiopia	Economic growth looks set to slow, despite an increase in investment from India.
Gabon	D&B upgrades Gabon's country risk rating in the light of robust economic growth, strong budget and external balances, and more transparent oil accounting.
Ghana	The result of the December presidential election will affect the economic risk outlook.
Kenya	The prospects for the country's debut Eurobond issue remain in doubt owing to poor market conditions.
Libya	Lower global oil prices undermine economic prospects, but improved international ties boost the political risk outlook.
Malawi	The current account position is set to experience major imbalances owing to higher import costs and reduced remittances from abroad.
Mauritius	The impact of the recent volatility in the global financial market appears likely to be relatively limited, despite an increase in credit risk.
Morocco	The EU grants Morocco advanced status partnership, helping to reduce economic risk and encouraging further economic reform.
Mozambique	The recent downturn in the global economy continues to undermine the country's growth prospects.
Namibia	Despite the real economy's resilience, inflation and slower trade remain key sources of risk.
Nigeria	Despite rising risks, the country remains relatively well-insulated from the global economic downturn.
Senegal	The scale of the government's domestic debts strains relations with multilateral organisations and weakens the risk outlook.
Sierra Leone	D&B downgrades Sierra Leone's country risk rating as external and commercial risks rise.
South Africa	The risks to the macroeconomic environment remain high despite signs of easing inflation.
Sudan	The drop in oil prices will hit government revenues and economic growth, while there are real risks of a balance of payments crisis or a further debt default.
Tanzania	Short-term economic prospects weaken in response to the deepening of the global financial crisis.

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Tunisia	Despite the global financial crisis, the prospects for the economy are still reasonably good.
Uganda	The country's external debt rises considerably, raising concerns over financing strategies.
Zambia	D&B downgrades Zambia's country risk rating amid weak prospects for the copper-dependent economy.
Zimbabwe	The political power-sharing deal is close to collapse, weakening any prospects of an economic recovery.

Asia Pacific

Afghanistan	The country risk outlook worsens amid slowing economic growth, political uncertainty and the deteriorating security environment.
Australia	The country's economic outlook deteriorates as its housing market begins to slump and commodities prices fall sharply.
Bangladesh	Economic tensions mount as exporters face weakening demand and downward price pressures in the key US and European markets.
Cambodia	The outlook worsens as the garment and tourism sectors come under pressure from slowing global growth.
China	D&B downgrades China's country risk rating amid increasing uncertainty about the economy's prospects.
Fiji	The outlook for the tourism and manufacturing sectors deteriorates, while the broader economy remains flat.
Hong Kong	The economy's prospects deteriorate amid a sharp downturn.
India	Concerns about exports and investment growth mount amid a global slowdown and difficulties raising finance.
Indonesia	We expect Indonesian firms with foreign exchange liabilities to come under pressure as the rupiah will weaken further before it starts to recover.
Japan	The economy slides into recession amid worsening sentiment and weakening government finances.
Korea (South)	The risk environment continues to deteriorate as the financial crisis threatens the real economy.
Malaysia	The threat of recession is likely to be the main challenge facing the new government expected in March 2009.
Myanmar	China and India signal their support for the regime, easing concerns about external challenges to the government.
Nepal	D&B upgrades Nepal's country risk rating in response to an improvement in the political environment.
New Zealand	The economy slips into recession, with any recovery before 2010 only likely to be weak.
Pakistan	An IMF finance package will help to support the fragile economy but the balance of payments situation remains precarious.
Papua New Guinea	Slower external demand and plunging commodity prices cool economic growth.
Philippines	Although the economy has shown resilience, the trend of remittances from the US will be critical in 2009.
Singapore	Idling shipping reveals the extent of the unfolding economic shock and the fall in freight tonnage.
Sri Lanka	The deteriorating outlook for the country's main exports will strain exporters' payments

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	performance.
Taiwan	The central bank eases interest rates in a bid to boost demand and soften the fallout from the global slowdown.
Thailand	Economic growth is set to slow as manufacturing and exports appear vulnerable.
Vietnam	The slowing global economy undermines the trade environment and foreign investment inflows.

Eastern Europe

Albania	The global financial crisis is set to curtail economic growth, raise unemployment and increase the government budget deficit.
Azerbaijan	President Aliyev wins re-election, leaving little prospect of significant change to the oppressive political environment.
Belarus	The outlook improves as the government seeks closer ties with the West.
Bosnia & Herzegovina	The political environment remains the greatest area of risk, while the impact of global financial and economic woes has been limited.
Bulgaria	The economy faces the increasing risk of a sharper-than-expected slowdown in growth.
Croatia	The risk environment deteriorates amid liquidity constraints and rising external risks.
Czech Republic	The risk environment deteriorates as growth prospects worsen and the government suffers an electoral setback.
Estonia	The international turmoil hits growth but the country should be able to avoid a financial crisis.
Georgia	The country's very high risks are underlined by post-conflict domestic instability, which continues to undermine investor confidence.
Hungary	Financial assistance from the ECB, the IMF, the EU and the World Bank minimises the risk of a full-blown domestic financial crisis.
Kazakhstan	Longer-term growth prospects are bolstered by the resolution of a major oilfield contract, but the global credit crunch continues to buffet the economy.
Kyrgyz Republic	An emergency IMF programme is secured to counteract the country's chronic economic problems.
Latvia	D&B downgrades Latvia's country risk rating and tightens payment terms as the economic and financial outlook deteriorates further.
Lithuania	The incoming centre-right government's plans to slash public expenditure may not be enough to ease worries over the widening fiscal deficit.
Macedonia	The deteriorating global economic and financial climate is starting to affect the country's economic growth prospects.
Poland	The country is better placed to withstand the credit crunch than many of its regional peers.
Romania	The business-friendly Democratic Liberal Party maintains a poll lead ahead of a parliamentary election dominated by the international financial turmoil.
Russian Federation	The economic outlook deteriorates rapidly as capital inflows and oil prices fall.
Serbia	The economy is set for continued growth, despite the worsening global economic outlook.
Slovak Republic	Economic growth is set to slow more sharply than expected as international conditions worsen.
Slovenia	The new centre-left government's most urgent challenge is to help the economy weather the global slowdown.

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<i>Tajikistan</i>	Despite sustained strong economic momentum, declining remittances and lower commodities prices are set to dampen growth.
<i>Turkmenistan</i>	The discovery of significant gas reserves could make the country one of the world's leading producers.
<i>Ukraine</i>	The risk outlook is clouded by the threat of a full-blown financial crisis, government instability and a renewed struggle with Russia over gas supplies.
<i>Uzbekistan</i>	The country risk outlook strengthens as relations with the EU continue to improve.

Middle East

<i>Bahrain</i>	The country is well prepared to deal with the effects of the global financial crisis due to its large domestic and external surpluses.
<i>Egypt</i>	The economic boom slows as merchandise exports, tourism, Suez Canal revenue and inward investment flows all weaken.
<i>Iran</i>	Falling oil prices threaten the risk outlook, but the election of Barack Obama in the US could help to reduce international sanctions.
<i>Iraq</i>	Falling oil prices force the government to slash development expenditure in the 2009 budget.
<i>Israel</i>	A general election looks set to be held in February following Foreign Minister Tzipi Livni's failure to form a governing coalition.
<i>Jordan</i>	Inflationary pressures and a high current account deficit continue to undermine the kingdom's risk outlook.
<i>Kuwait</i>	The risk outlook weakens as the government resigns amid ongoing tensions between the executive and parliament.
<i>Lebanon</i>	The falling oil price undermines the risk outlook, with jobs, remittances and foreign investment from the Gulf states set to decline.
<i>Oman</i>	The authorities are continuing to support the economy, but a slowdown in economic growth appears unavoidable.
<i>Qatar</i>	Falling oil prices are set to curtail inflation but will also act as a drag on growth.
<i>Saudi Arabia</i>	Efforts to boost liquidity continue, with the government seemingly prepared to maintain high levels of spending.
<i>Syria</i>	Sharply declining oil revenues could force the government to accelerate its economic reforms or rein in public spending.
<i>UAE</i>	The risk outlook deteriorates as a result of falling oil prices, concerns over Dubai's external debt, and a downturn in the real estate sector.
<i>Yemen</i>	High inflationary pressures and a car bomb attack on the US embassy reinforce the country's weak risk profile.

The Americas

<i>Argentina</i>	Investment risk heightens as the government introduces arbitrary populist measures in response to the current economic slowdown.
<i>Bolivia</i>	Congress approves a referendum on the new constitution, averting a serious constitutional crisis, but the political environment remains tense.
<i>Brazil</i>	The government responds to the depreciating Real and mounting inflationary pressures as the economy struggles with the effects of the global slowdown.
<i>Canada</i>	D&B downgrades Canada's country risk rating in response to slowing economic growth.
<i>Chile</i>	The right-wing opposition's chances of gaining the presidency in 2009 increase amid a

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WorldWatch

D&B Country Risk update

	deteriorating economic outlook and a good performance in recent municipal elections.
Colombia	The country's economic prospects remain negative while obstacles to the government's response mount.
Costa Rica	D&B downgrades Costa Rica's country risk rating in response to the sharply deteriorating macroeconomic environment and widening external and fiscal imbalances.
Cuba	The impending US presidency of Barack Obama raises hopes of a rapprochement, but relations will not improve quickly.
Dominican Republic	D&B downgrades the Dominican Republic's risk rating as the slowdown in the US threatens the outlook.
Ecuador	The operating environment for foreign-owned companies deteriorates further as the government finalises new mining legislation.
El Salvador	D&B downgrades El Salvador's country risk rating in the face of rising credit and external sector risks.
Guatemala	D&B downgrades Guatemala's country risk rating as the global economic downturn heightens local business risks.
Honduras	Despite symbolically aligning with a Venezuela-led bloc, Honduras will maintain trade and investment ties with the US.
Jamaica	Downside economic risks mount, as tourist numbers are set to fall further and the government loses access to international markets for borrowing.
Mexico	The outlook for the economy remains bleak, despite ambitious counter-cyclical measures from the authorities.
Nicaragua	Risks are increasing in the economic sphere as the effects of the global downturn begin to reach the country and political violence spreads.
Panama	Agreement on key financing for the Panama Canal expansion project is set to provide a boost for the economy.
Paraguay	President Lugo's minority government faces significant obstacles to implementing its reform agenda.
Peru	The economy continues to grow relatively robustly but is likely to slow in 2009.
Trinidad & Tobago	Economic growth is likely to slow steadily over the short term, but will be sustained by increased government spending.
USA	The Federal Reserve's latest support package may alleviate financial sector risk, but the repercussions of the crisis will be longlasting.
Uruguay	The country's economic outlook will be severely affected by the current global slowdown over the short term.
Venezuela	The opposition makes progress in important regional elections as voters begin to tire of President Chavez' rhetoric and economic mismanagement.

Western Europe

Austria	The new 'grand coalition' government will improve political stability as the country braces for an economic slowdown.
Belgium	The worsening financial crisis increases downside risks to economic growth as the business climate deteriorates sharply.
Cyprus	The economy continues to grow robustly despite the global credit crisis but some sectors have weakened, prompting the government to announce a financial contingency package.
Denmark	The risk of a severe, prolonged recession increases as the outlook for exports and consumer spending deteriorates further.

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<i>Finland</i>	The economy slows as output moderates and consumer confidence plummets.
<i>France</i>	Although it has so far avoided recession, the economy looks set to stagnate in 2009.
<i>Germany</i>	D&B downgrades Germany's country risk rating again following a series of poor economic results.
<i>Greece</i>	Economic pressures increase as growth slows and the government launches a rescue plan for the banking sector.
<i>Iceland</i>	D&B downgrades Iceland's country risk rating again as the commercial risk environment deteriorates and the economy faces a severe, prolonged recession.
<i>Ireland</i>	The government struggles to provide a much-needed fiscal stimulus to the weakening economy.
<i>Italy</i>	Two years of recession loom as the global downturn undermines the short-term prospects of an already weak economy.
<i>Luxembourg</i>	Despite the likely effect of new tax cuts, the economy's short-term prospects remain gloomy.
<i>Malta</i>	The economy is expected to sustain a slower but steady pace of growth in 2009.
<i>Netherlands</i>	Economic growth stagnates but consumer spending is unlikely to collapse.
<i>Norway</i>	The authorities launch a stimulus package to ease the effects of the credit crisis as the economy's prospects deteriorate.
<i>Portugal</i>	The real economy is ill-equipped to weather the effects of the global financial and economic crisis.
<i>Spain</i>	Despite the government's stimulus initiatives, the economy's prospects will remain gloomy until 2010.
<i>Sweden</i>	The economy unexpectedly enters recession, prompting the authorities to increase efforts to revive domestic demand.
<i>Switzerland</i>	The authorities take a number of steps to support the economy as the likelihood of recession increases.
<i>Turkey</i>	D&B downgrades Turkey's country risk rating in response to increasing economic and political problems.
<i>United Kingdom</i>	The government's stimulus package will soften the economic slump in 2009, but much-needed fiscal tightening thereafter will delay the subsequent recovery.

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