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HIGHLIGHTS FROM NEW REPORTS

CANADA

Trade Troubles

Prime Minister Justin Trudeau has had his hands full of late adapting to the shifts in US trade policy. President Donald Trump has already pulled the US out of the TPP, leaving Canada and the other 10 participants scrambling to salvage the project, and the US leader has also pressured Canada and Mexico to renegotiate the terms of NAFTA, threatening to withdraw from the pact unless the partners accept revisions that favor the US.

The collapse of NAFTA could inflict significant harm to the Canadian economy; annual exports of goods and services amount to more than one-third of Canada's GDP, and nearly three-quarters of the country's exports go to the US. Not surprisingly, the markets have been closely attuned to the negotiations, and the Canadian dollar has moved up or down against its US counterpart according to perceptions of whether NAFTA will survive the process intact.

The Trump administration's controversial announcement of tariffs on US imports of steel and aluminum, and its subsequent extension of an exemption to Canada and Mexico, has left Trudeau in an uncomfortable spot, as he is under pressure at home to ensure the best

possible deal for Canada, and cannot afford to leave the impression that he might have made broad concessions to the US in order to protect the interests of steel and aluminum exporters. At the same time, Trudeau recognizes that the survival of NAFTA is more important to Canada than it is to the US, or even to Mexico, whose front-running presidential candidate has indicated that he is prepared to walk away from the NAFTA negotiations.

Trudeau has made progress elsewhere on the trade front, having joined the other 10 nations that did not withdraw from the TPP in negotiating a new agreement. The prime minister has also taken steps to strengthen commercial ties with China, although his trip to Beijing in December did not yield any commitment to pursue a trade agreement.

The fiscal stimulus generated by a multi-billion program of infrastructure investment pulled the economy out of the rut created by the steep fall in global prices for oil and gas, powering annual real GDP growth of 3% last year, up from an average of just 1.2% in 2015–2016. However, the accompanying fall in the jobless rate has stirred inflation concerns, prompting the Bank of Canada to unexpectedly hike the benchmark overnight interest rate for the third time in six months in January, bumping the

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rate up to 1.25%, the highest level in nine years. The draft budget for 2018/2019 affirms the government's commitment to stimulus spending, which will reinforce the tightening bias of monetary authorities.

The growth contribution from private investment is expected to soften as a result of the tightening of monetary policy and the potential for the deep cut in the US corporate tax rate approved in late 2017 to steer investment to the south. With higher interest rates also dampening household consumption, real GDP growth is forecast to slow to 2% in 2018. The same factors contributing to the deceleration of economic growth will hold inflation to an average of just 1.9% this year. 🇺🇸

CHINA

Xi Planning an Extended Stay

At its annual spring meeting, China's rubber-stamp unicameral legislature approved a constitutional amendment that repealed a provision limiting the tenure of the president and the vice president to a maximum of two five-year terms. As a result, President Xi Jinping, who will turn 65 in June, will be eligible for re-election in 2022, and, in theory, can continue to control the positions of president, leader of the CCP, and head of the Central Military Commission for life.

Xi telegraphed his intentions by failing to identify a preferred successor during last year's reshuffling of the seven-member PSC, the ruling body of the Communist Party. The political changes are no doubt

strongly opposed by senior leaders allied with former presidents Hu Jintao and Jiang Zemin, but now that the decision has been taken, all will be expected to toe the party line, or risk political ruination. Tellingly, the institutional foundation of the anti-corruption campaign that has become Xi's favored tool for eliminating potential rivals has been strengthened with the passage of a law establishing a new National Supervisory Committee that will operate without accountability to the judiciary.

The danger in this stems from the risk that the self-censorship fostered by Xi's consolidation of power will result in group-think among the top leadership and paralysis within a bureaucracy that is unwilling to act without explicit orders from above. Similar conditions in the past produced disastrous results, which is precisely why Deng Xiaoping's institutional reforms included the introduction of term limits and a clear process for the orderly transfer of power.

Xi's move reflects the president's conclusion that continuity in leadership is essential at a time when China is striving to establish its uncontested dominance in Asia. That objective has inevitably contributed to heightened tensions with regional neighbors and, increasingly, the US. President Donald Trump did much to advance China's regional agenda by pulling the US out of the TPP in early 2017, and the US more recently fired the first shot in a potential trade war that could

prove more damaging to the US than China.

Official figures indicate that the pace of real GDP growth ticked up to 6.9% last year, buoyed by a construction boom and robust domestic consumption. Industrial production rose by 6.6% and retail sales by 10.2%. Exports increased by 7.9%, but imports grew nearly twice as fast, resulting in a net negative growth contribution from trade.

An ongoing transition from an investment- and export-driven growth strategy to one based on consumption has contributed to a high concentration of bad loans and zombie companies in the industrial heartland that is exacerbating balance-sheet risks in the financial sector. A riskier financing environment will contribute to a rise in borrowing costs, combining with a cooling housing market to hold annual real GDP growth below 6.5% in 2018. 🇺🇸

GERMANY

A Grand Coalition after All

Months of political uncertainty created by an inconclusive federal election held in September 2017 came to an end in mid-March, when Angela Merkel began her fourth consecutive term as chancellor, heading a majority government made up of her own center-right CDU and the center-left SPD. Those two parties governed (along with the CDU's Bavarian sister party, the CSU) together during the previous term, but SPD leader Martin Schulz had ruled out another grand coalition after the

SPD put in its worst performances in the post-World War II period at the September elections.

Merkel had attempted to form a government with the Greens and the liberal FDP, but the talks collapsed in November, after the parties failed to resolve disagreements over immigration and energy policy. Facing the prospect of attempting to head a minority government, or calling a snap election that might very well reap further gains for the far-right AfD and The Left, Merkel made a last attempt to woo the SPD, with enticements including an offer of control over the Finance portfolio. Merkel also agreed to spend an extra \$60 billion on welfare, housing, education, and infrastructure.


About two-thirds of SPD members who voted on whether to join the government chose to accept the offer, and Schulz stepped down as party leader in February. Andrea Nahles, who played a key role in implementing the introduction of a minimum wage as minister of labor and social affairs in the previous government, will take over as head of the party in April, and has chosen not to sit in the Cabinet. The current acting leader of the SPD, Hamburg Mayor Olaf Scholz, will serve as vice-chancellor and minister of finance, in which position he will be responsible for overseeing the fiscal stimulus effort and serving as Germany's point man in negotiations over proposed reforms of the EU's financial institutions.

Polls indicate that support for both the CDU and the SPD has

continued to erode since the September elections, and the AfD is on its way to supplanting the Social Democrats as the CDU's main rival in the economically struggling eastern states. Merkel has acknowledged a pressing need to attend to domestic issues, but there will be no shortage of external distractions, including the ongoing Brexit negotiations, demands for sweeping institutional reforms within the EU from both euroskeptics and their pro-integration opponents, and the threat to European stability posed by Russia's strategy of expansion and disruption.

Merkel has indicated that this will be her final term, and she will no doubt want to secure her political legacy. The SPD will be looking to use its enhanced influence to rebuild its support among the electorate, not least among the blue-collar Germans who have turned to the AfD. Unfortunately, those two goals are not necessarily complementary, and may in some cases turn out to be mutually exclusive, a situation that will hardly be conducive to constructive cooperation between the governing partners.

As poorly as the governing parties performed at the September elections, the outcome would have been worse but for the strength of the economy, which grew by 2.5% in real terms last year, the fastest pace in six years, while youth unemployment fell to 6.6%, aided by the previous government's much-acclaimed apprenticeship scheme. The planned stimulus will help to sustain real GDP growth of 2%–2.5% in 2018.

The appreciation of the euro will have a dampening effect on exports, the outlook for which is further clouded by the potential for a trade war between the US and China to adversely affect sales of German goods produced in China or, worse, to contribute to a weakening of the global economy. 

GREECE

Progress Vulnerable to Setbacks

The three major ratings agencies all upgraded Greece's sovereign rating in the early months of the year, an acknowledgment of the progress made toward pulling the country out of its debt crisis. The fact that all three judged the outlook for further improvement to be positive reflects the proven commitment of Prime Minister Alexis Tsipras' government to fulfilling the conditions required to ensure the delivery of emergency loans in the coming months, and, so officials in Athens are hoping, debt relief over the medium-to-long term.

The third, and what both lenders and the Greek government assume will be the final, bailout agreement is due to expire in August, at which point attention will turn to enabling Greece to rely on market financing alone. The prospects are favorable, with fiscal indicators moving in the right direction, the 2018 financing requirement fully covered, and public protests against austerity measures and structural reforms occurring less frequently.


However, risks will increase once the bailout program expires,

as the government will require more than \$17 billion to cover its 2019 financing needs, even as investors scrutinize the budget for signs of weakening fiscal discipline ahead of a general election that must be held by October 2019. Even if Tsipras and Finance Minister Euclid Tsakalotos resist the temptation to appease the main governing SYRIZA's discontented base by stuffing the pre-election budget with crowd-pleasing spending measures, a renewed financing crisis could erupt in the event of an inconclusive election that prevents the rapid formation of a stable government that can be trusted to sustain the debt- and deficit-reduction efforts.

At present, the resurgent ND holds a comfortable lead over SYRIZA in polls of voter preferences, although at 35%–38% support, Kyriakos Mitsotakis' center-right party would probably fall short of claiming a majority of seats in the 300-member Parliament.

In that event, the newly minted Movement for Change could be thrust into the role of kingmaker. A center-left party formed through the merger of PASOK, DIMAR, The River, and two smaller parties, the Movement for Change is currently polling at around 10%. Both PASOK and DIMAR joined the ND-led government established after the June 2012 elections, but the partnership was unstable. With that in mind, it is possible that the Movement for Change might instead choose to form a center-left

government with SYRIZA, an option that would likely prove to be less popular among investors.

The pace of economic expansion slowed to just 0.1% (quarter-on-quarter) in the October-December period of last year, but annual real GDP growth reached 1.3% in 2017, the strongest performance in a decade and only the second time since 2007 that the annual figure was positive. Liquidity, employment growth, and business confidence are all showing signs of improvement that bode well for sustaining moderate positive growth in 2018, but both internal and external factors pose downside risks to the forecast. 

INDIA

Early Election Possible

Prime Minister Narendra Modi's BJP has lost control of four seats in the Lok Sabha at by-elections held in 2018, including two in the BJP stronghold of Uttar Pradesh. Recent protests in Mumbai, by farmers demanding debt relief and government action to establish price supports, and by railroad apprentices protesting the Modi government's failure to make good on promises of permanent employment under the "Skill India" job-training program, provide yet more evidence that discontent is bubbling beneath the political surface.

Against that backdrop, both the BJP and the main opposition INC are investing a great deal of money and energy in preparations for an upcoming state election in Karna-

taka, which must be held before the end of May. Karnataka is one of only four states still controlled by the INC; a win there for the BJP would obviously help to quell the doubts created by the party's recent electoral setbacks, and would leave the INC reeling ahead of a multistage general election that must be completed by May 2019, but could be held this year.

Indeed, there is growing speculation that Modi wants to call an early election. The draft budget for the fiscal year that begins on April 1 certainly looks like a pre-election spending plan, and government weather forecasts indicate that the El Niño weather phenomenon will not adversely affect rainfall this year. Modi could have room to schedule a general election between the end of the monsoon season and the block of state elections that fall due later this year. In that event, the combination of favorable conditions in the agricultural sector and strong growth fueled by generous government spending would be expected to carry the BJP and its allies in the NDA to victory before both the weather and fiscal outlook become less bright in 2019.

A victory for the BJP in Karnataka would also affect the balance of power in the Rajya Sabha, the upper house of the national Parliament, whose members are elected by the state legislative assemblies. Even with its string of successes in state elections held in 2017, the NDA controls just 87 seats in the 245-member body. Nevertheless, each gain made

by the BJP and its allies increases the Modi government's leverage in negotiations with the unaligned parties that control close to one-third of the seats in the Rajya Sabha.

The government's ongoing effort to bring the country's large informal economy under the tax net has expanded the tax base by roughly one-third in the current fiscal year. Policy makers are counting on greater familiarity with the GST to result in higher revenues from that source, as less confusion leads to better compliance, but tax analysts have noted that the complexity of the tax could pose an obstacle.

When it took office in 2014, the government promised to cut the corporate tax rate from 30% to 25%. In the 2017/2018 budget, the government came through for businesses with annual turnover of no more than \$7.5 million. This year, the ceiling was increased to companies with turnover of up to \$38 million. While that covers nearly all enterprises, it still leaves out the largest establishments, which include many foreign-owned businesses.

IRAN

Discontent as Sanctions Risk Grows

Tens of thousands of Iranians took to the streets for protest demonstrations in towns and cities across the country over a two-week period that began in late December. As the phenomenon spread, the list of grievances animating the demonstrations expanded from

economic issues, such as the lack of job opportunities and rising prices for staple goods as a result of cuts to government subsidies, to explicitly political concerns, including corruption, Iran's destabilizing influence across the region, and the power wielded by non-elected (and therefore unaccountable) bodies made up of high-ranking clerics.

The successful containment of the unrest by state security forces validates assessments that the risk of a destabilizing domestic political crisis is low. Even so, the underlying causes of the unrest will need to be addressed if the threat of further disorder is to recede completely. The government's budget for 2018/2019 includes increased money to relieve economic hardship, but President Hasan Rouhani may not be able to deliver if US President Donald Trump makes good on his threat to scuttle a nuclear deal reached in 2015.

Four of the signatories to the JCPOA—Russia, Germany, France, and the UK—urged the Trump administration to refrain from using the Iran protests as an excuse to disavow the nuclear agreement, which the US president vowed to tear up if he won the 2016 election. Trump has called for the addition of a provision authorizing unscheduled inspections of Iran's nuclear facilities, the removal of sunset clauses, and the expansion of the scope of the agreement to include international supervision of Iran's ballistic missile program.

For its part, Iran has rejected any attempt to change the terms of

the deal after the fact, and as the clock ticks down toward the April deadline for recertification, France, Germany, and the UK have made proposals that they hope will at the very least convince Trump to delay any definitive action. However, the consensus is that the recent departures of both Secretary of State Rex Tillerson and National Security Adviser H.R. McMaster mean there is no longer anyone in the White House who is committed to preventing the president from renouncing the JCPOA.


In the meantime, Israel and Saudi Arabia are counting on the deterioration in diplomatic relations between Iran and the US to encourage a stronger western response to what they see as Iranian aggression and expansionism in the Middle East. However, to the extent that the renunciation of the JCPOA by the Trump administration shifts the balance of power in Tehran toward the hardliners, those in power will be less inclined to act as a constraining force on the IRGC, and the risk of direct violent conflict between Iran and its regional enemies will increase significantly.

Despite a number of international companies signing deals with Iran in the energy, automotive, and retail sectors, many potential investors have displayed reluctance to take a chance on Iran, and the uncertain future of the JCPOA will only reinforce the negative sentiment. Indeed, the reintroduction of the sanctions lifted under Trump's predecessor would put European firms with op-

erations in Iran at risk of incurring financial and other penalties.

For its part, the government in Paris has encouraged French companies to do business in Iran, signaling

that France, and possibly other signatories to the JCPOA, will simply continue to honor the terms of the agreement if the US withdraws. For the time being, Iran has signaled

that it will continue to meet its obligations under the agreement, but only if doing so serves its national interests. 

UPDATES TO RECENT REPORTS

HUNGARY

Fidesz Jolted out of Complacency


A general election will be held on April 8, and Prime Minister Viktor Orbán's party has built an unsailable lead in pre-election polls, the most recent of which suggest that Fidesz and the allied KDNP are on track to win more than 50% of the vote. That would probably be enough to restore the governing coalition's two-thirds supermajority, once again making it possible to revise the constitution without need for the cooperation of opposition parties or the endorsement of the electorate in a referendum.

The ruling party suffered a shock defeat in last month's mayoral election in Hódmezővásárhely, where the incumbent deputy mayor lost by a 16-point margin to an independent challenger who was endorsed by all of the opposition parties. The defeat has clearly rattled Orbán, who has responded by sharpening his anti-Brussels rhetoric and turning up the volume on his xenophobic fear-mongering, warning that Hungary will be overrun by non-European refugees if the opposition is ever allowed to regain power.

However, while the result provides a glimpse of the potential for a united opposition front to undermine the Fidesz juggernaut, the various parties have neither the time nor the inclination to adopt such a strategy at this year's elections. Although the Fidesz-KDNP alliance might fall short of a two-thirds majority, the chances that the coalition will end up with less than 100 seats in the 199-member National Assembly are slim to none.

All of which means that policymakers in Brussels can look forward to more battles with Orbán over what the prime minister deems to be the EU's meddling in Hungary's internal affairs. But for all his objections to the EU's alleged assaults on Hungarian sovereignty, Orbán continues to steer well clear of any explicit discussion of the country's possible separation from the bloc. He well understands that Hungary benefits greatly from its access to the EU's cohesion funds, as do members of the prime minister's family and his friends. Although no charges of impropriety have been filed, the revelation that the mayor of Orbán's hometown of Felcsút, businessman Lőrinc Mészáros, derives four-fifths of his income from EU funding, has

reinforced suspicions that funds are being misused.

None of this is likely to directly impact on Hungary's investor prospects, assuming another four years of business as usual under Orbán and Fidesz. The country's status as a member of the EU, its strong economy, skilled workforce, and comparatively low wage levels make it an attractive choice for foreign manufacturers and paper asset investors in equal measure, and economic and fiscal improvements have prompted ratings agencies to upgrade Hungary's sovereign credit rating. 

JAPAN

Abe Safe, for Now

A controversy over the sale of state-owned land at a deep discount to a school affiliated with the ultranationalist Nippon Kaigei organization continues to cause political headaches for Prime Minister Shinzo Abe, who faces pressure to explain why documents related to the sale were altered to remove evidence of First Lady Akie Abe's ties to the school. The issue has also created a distraction from implementation of Abe's unfinished program of economic reforms, which has made no

progress more than five months after the governing LDP and its coalition partner, Komeito, won a parliamentary supermajority at a snap election held late October.

Abe's approval rating, which had increased following last year's elections, has naturally taken a tumble, but it remains fairly high at 48%. Meanwhile, the opposition is struggling to regroup following the disintegration of the main opposition Democratic Party ahead of last year's elections. Tokyo Gov. Yuriko Koike resigned from the Party of Hope late last year, only two months after she formed the new opposition party to contest October elections, and attempts to align the various opponents to LDP have routinely failed.

The only immediate threat to Abe's position stems from the possibility that he will face a challenge to his position at a party leadership elections scheduled for September. However, even party members might be reluctant to switch leaders at a time when security risks stemming from tensions on the Korean peninsula and progress toward establishing a revised TPP call for steady and experienced leadership.

In terms of the economic outlook, the reappointment of central bank Gov. Haruhiko Kuroda for a second five-year term points to policy continuity from the monetary side, which is in any case all but assured in the near term by the persistence of below-target inflation. Looking at fiscal policy, the biggest question is whether the government

will once again delay the introduction of an increase in the VAT rate that has already been pushed back to 2019. Abe is reported to favor extending the timeline, and may have the opportunity to do so if Finance Minister Taro Aso, who opposes a further delay, is forced to step down over the land-sale scandal.

Weaker trends in public consumption, residential investment, and exports highlight vulnerabilities that are likely to keep GDP growth to around 1.5% this year. Export competitiveness has been weakened by the appreciation of the yen, which has rallied by 6% against the US dollar since December, and is still widely viewed to be undervalued at JPY106 to the dollar. 🇯🇵

MOROCCO

Protests Reveal Worrisome Discontent

A wave of protests that started in the northern Rif region in late 2016 finally subsided in the closing months of last year. However, criticism of the government's handling of the unrest has contributed to strains among the partners in Prime Minister Saadeddine Othmani's multiparty coalition, and between the government and King Mohamed.

The government has continued to implement the monarch's 10-year plan to transform the region into a popular tourist destination, a strategy that includes the establishment of seven eco-resorts on the northern coast. However, development plans have yet to make much of a dent in a regional youth unemployment

rate estimated at 40%, or twice the national average.

The lingering danger of a revival of widespread unrest has been underscored by the persistence of separate protests in the desolate northern town of Jerada that began late last year. Demonstrators have assailed the government for failing to deliver alternative jobs that were promised when the region's mines were closed two decades ago.

Moroccan security forces are adept at keeping a lid on disorder, but the belief among the inhabitants of the northern region that they have borne much of the burden and enjoyed few of the benefits of economic changes that have occurred over the last two decades is clearly widely shared, and implementation of reforms demanded by the IMF, which include changes to the currency system and deep cuts in spending on subsidies, figure to reinforce the sense of grievance.

A wet 2017 gave a boost to the agriculture sector that was the main factor powering the acceleration of real GDP growth to an estimated 4% last year, from 1.2% in 2016. The improved economic performance has generated strong momentum behind the Green Morocco Plan (PMV), which aims to realize the full economic potential of the agricultural sector, currently the source of about one-fifth of GDP, by increasing farm output, adding more than 1 million jobs in the sector, and tripling the income of rural Moroccans.

Toward that end, the government is financing projects aimed

at promoting crop diversification, enhancing rural access to funds for investment in higher quality seeds, fertilizer, and mechanization, improving the organization of the agricultural value chain, increasing the efficiency of irrigation systems, and creating incentives for the consolidation of a sector in which some 70% of farms are smaller than 5 hectares. More than 100 projects are scheduled to commence this year under Pillar II of the PMV.

The PMV, together with the promotion of tourism along the northern coast, is a key component of the government's strategy for dampening discontent in underdeveloped areas. Agricultural exports slowed in January, and there are indications that 2018 could bring the return of below-average rainfall. In any case, a higher base of comparison will contribute to slower growth for agriculture, resulting in the deceleration of overall real GDP growth to 3.1% in 2018. 🇵🇷

PARAGUAY

Majority May Prove Elusive

The collapse of a spirited effort to eliminate the constitutional ban on presidential re-election forced all of the major parties to revise their strategy for the presidential election that will be held concurrently with voting to fill all of the seats in the bicameral Congress in April. The outlook has been clouded further by the defeat of President Horacio Cartes' preferred choice to stand as the candidate of the incumbent ANR-PC in a primary election won

by Sen. Mario Abdo Benitez, who portrayed himself as an outsider who emerged victorious despite the opposition of an "arrogant establishment." That is hardly a basis upon which to create the party unity, but the truth is that Abdo has deep roots within the party, and the pro-Cartes Bench A faction of the ANR-PC has already lined up behind the party's candidate.

Denied an opportunity to fulfill his ambition of returning to the office he held for less than four years before being impeached and removed in June 2012, former President Fernando Lugo ditched his alliance with the ANR-PC—a political marriage that was based on the shared goal of ending the ban on presidential re-election—and aligned his left-leaning FG with the main opposition PLRA, under the banner of the Grand Alliance of National Renewal (GANAR). PLRA leader Efraín Alegre is heading the coalition's presidential ticket, with the FG's Leonardo Rubin, a leftist journalist, as his running-mate.

The first poll conducted after the formal registration of candidates showed Abdo favored by 53% of voters, and running more than 30 points ahead of Alegre, and it is highly doubtful that there will be a significant shift in voter sentiment in the weeks leading up to the April elections. There is rather more uncertainty about the legislative elections, specifically, whether the teaming of the PLRA and the FG might actually weaken the attractiveness of each party, thereby

enhancing the ANR-PC's chances of securing majorities in both the Chamber of Deputies and the Senate.

The differences in the platforms of the center-right ANR-PC and the center-left GANAR are found mostly at the margins. The broad consensus is in large part attributable to the fact that the local economy has performed remarkably well within a regional bloc—Mercosur—whose other members have endured severe economic turbulence over the past few years, and no one in Asunción sees much reason to rock the policy boat.

The expressed commitment of both of the main presidential candidates to fiscal responsibility has made a positive impression, but the practice has been that the Congress ignores the constraints imposed by the Fiscal Responsibility Law, making it incumbent upon the president to make the adjustments required to ensure that budget shortfalls at least come close to the statutory level. Cartes has made a good-faith effort to do so, but there are no assurances that his successor will act with a similar level of responsibility in the likely event that lawmakers pad budgets with goodies for their constituents. 🇵🇷

SWEDEN

Minority Government Likely

A general election must be held within six months, and current polling suggests that the outcome will be very similar to result in 2014, when Prime Minister Stefan

Löfven's center-left SAP finished ahead of the center-right MS, but neither an SAP-Greens coalition nor the four-party MS-led Alliance won enough seats to claim a majority in the 349-member Riksdag. In that instance, Löfven formed a minority government that managed to survive into its fourth year in large part due to the Alliance parties' fear that an early election might result in a further erosion of their support to the benefit of the far-right SD, whose extremist positions on immigration and ethnic diversity make it an unsuitable coalition partner for either a center-left coalition or the center-right Alliance.

The most recent opinion surveys reveal that support for the SD has increased to almost 16%, compared to its 12.9% vote share in 2014, which was good enough for 49 seats. However, it appears that the SD's gains have come at the expense of the SAP and the Greens, whose combined support has decreased to just 31%, while that for the Alliance parties has increased to 41%.

MS leader Ulf Kristersson has ruled out any formal partnership with the SD, and is instead attempting to compete with Jimmy Akesson's party with a harder line on immigration designed to appeal to voters who favor a tightening of restrictions on the entry of foreigners but are put off by the SD's rhetoric and proposals. The SAP is at a disadvantage on the immigration issue, which in the public mind is associated with rising crime, the top concern of voters according to polls.

Even if the Alliance is returned to power, the scope for bold reforms

will be limited by the government's almost certain minority status, and lack of support among the remaining parties for business friendly tax cuts. Under the circumstances, the MS and its allies might prefer to maintain the status quo, biding their time until the political currents shift more strongly in their favor.

Although there will be some temptation to loosen the purse strings before the elections, the government will not stray too far from the fiscal probity that underpins the country's AAA credit rating when the spring budget bill is unveiled in April. With most indicators of sentiment coming off their highs, real GDP growth is forecast to slow a bit from last year's pace of 2.7%, but not so much as to significantly influence voting patterns in September. 🇸🇪

UNITED STATES

Trump Continues to Redefine Normal

Donald Trump is now in the second year of his presidency, and recent events indicate that the rapid staff turnover, internal infighting, legal controversies, and policy confusion that characterized the administration's first 12 months in office will not only persist, but will become more intense, in the coming year. Indeed, there is mounting evidence that the president has decided he no longer requires the counsel of wise or experienced hands, and prefers to surround himself with cronies and yes-men, who are unwilling to question the president's increasingly impulsive policy decisions.

At the same time, Special Counsel Robert Mueller's investigation

into whether the president obstructed justice by firing FBI Director James Comey in May 2017, while the bureau was looking into allegations of possible collusion between members of the Trump campaign and Russian agents seeking to interfere in the 2016 US presidential election on Trump's behalf, has produced more than a dozen indictments and several guilty pleas, all the while moving ever closer to the president and his inner circle.

Amid the continuing turmoil at the center of power, Trump's approval rating has remained stuck at around 40%, even as his support among self-identified Republicans, who make up about one-third of the electorate, continues to top 80%. The results of dozens of state-level elections and special elections to fill congressional vacancies held in the past year have made clear that the loyal support of that core base is not enough to ensure victory if supporters of the Democratic Party and independent voters who disapprove of Trump turn out in large numbers.

The Republican Party leadership had hoped that the passage of a massive package of tax cuts in late 2017 would give the president and the party a boost in the polls. However, that has not been the case, in large part because Trump's attention-grabbing antics have tended to drown out any good news that manages to filter through.

Likewise, the president's order to impose tariffs of 25% and 10% on all imports of steel and aluminum, respectively, was designed to appeal to the same rust-belt voters

whose support proved decisive in securing Trump's victory in the Electoral College in November 2016. However, the granting of exemptions to allies effectively undermined the benefit for US producers, while China, which produces just 2% of the steel imported by the US, has threatened to retaliate with steep tariffs on US agricultural exports that will hurt the farmers who in the main tend to vote Republican.

The goods deficit widened to \$810 billion last year, the largest shortfall in nine years, as imports grew at a slightly faster pace than exports. However, a year-on-year increase in the income surplus of more than 25% held the current account deficit in check. The first of those figures is likely to be of greater significance to President Trump, for whom trade deficits are the key measure of the fairness of trade relations.

The enlarged deficit may make the president less inclined to extend the temporary exemptions from the steel and aluminum tariffs offered to Canada and the EU, among others. The exemptions are due to expire on May 1, and the president has indicated that he will grant extensions on the basis of discussions with the affected countries held in the interim. In any case, there is a real risk that retaliatory measures implemented by China and any other countries affected by the tariffs could result in a steeper decrease in exports than imports. In any case, the external deficits will remain quite large, with the current account shortfall likely to exceed \$500 billion in 2018. 🇿🇲

ZAMBIA

Political Risks Persist

The political atmosphere remains heated as President Edgar Lungu continues to treat the opposition in a heavy-handed manner and keeps a close watch on members of the governing PF who might try to thwart the president's plan to seek a third term in 2021. In early January, Harry Kalaba resigned as foreign minister to protest what he claimed was the greed and corruption of government leaders. Although he remains a member of the PF, his more recent allegations that the government has neglected the needs of Zambians in his constituency has prompted the party to initiate steps to expel Kalaba from the PF.

Lungu's eligibility is to be decided by the Constitutional Court, but the issue of whether the two-term limit applies is complicated by the fact that the former vice president's two campaigns for the presidency—the first in 2015, to complete the term of his deceased predecessor, and the second at the regularly scheduled election last year—were separated by the approval of a new constitution. The court's ruling will risk provoking a political backlash either way, a prospect that may encourage the justices to delay the announcement of a verdict.

In the meantime, a recent Cabinet reshuffle suggests that Lungu is also keen to strengthen his control over fiscal policy. In mid-February, the president reassigned Finance Minister Felix Mutati to the Min-

istry of Works and Supply, and replaced him with Margaret Mwanakatwe, previously the minister of commerce, trade, and industry. The immediate response of the financial markets was negative, a sentiment reinforced by the IMF's rejection of the government's debt-reduction strategy for the second time in six months.

It is possible that Lungu is counting on an economic rebound fueled by higher prices for metals to obviate the need for an IMF loan. However, the failure to make progress toward securing a loan agreement with the IMF has fueled speculation that Zambia's debt burden may be much larger than reported. Such concerns have reinforced the negative sentiment that has resulted in the country's bonds being the worst performers in emerging markets so far in 2018, and could derail Mwanakatwe's plans to restructure some \$5 billion of debts owed to Chinese state-owned companies and to "reprofile" \$3 billion of Eurobonds that will be repayable in full upon maturity.

Real GDP growth is forecast to accelerate to 4.5% in 2018, boosted by higher copper prices and lower interest rates made possible by the easing of inflation, which averaged 6.6% in 2017, after surging to an average of 18.2% in the previous year. With copper output projected to exceed 800,000 tonnes this year, and possibly reaching 850,000 tonnes, the current account deficit is forecast to narrow to 2.5% of GDP in 2018. 🇿🇲

POLITICAL & ECONOMIC FORECAST TABLE

Next to each country name is the date of our last economic update, followed by the 18-month (2nd line) and 5-year (3rd line) political forecasts: the REGIMES most likely to hold power and their PROBABILITIES, risk ratings for TURMOIL (low to very high), and risk ratings (A+ the least to D- the most) for financial TRANSFER, direct INVESTMENT, and EXPORT to the country. When a forecast has changed, the previous rating appears in parentheses. An asterisk means a nonincumbent regime. Our most recent economic data and forecasts include a previous five-year average, a one-year forecast or estimate, and a five-year forecast average. REAL GROWTH of GDP and INFLATION are expressed as percentages, and CURRENT ACCOUNT figures are in billions of US dollars.

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Algeria	11/01/17				2012-2016	3.4	5.3	-21.98
*Military-Civilian 60%	High	B-	C+	B-	2017	1.9	6.4	-22.10
*Military-Civilian 60%	Moderate	B-	B-	B-	2018-2022	2.3	7.0	-20.30
Angola	11/01/17				2012-2016	4.0	10.8	0.82
MPLA 70%	High	B-	B-	C+	2017	2.3	28.6	-6.00
MPLA 65%	High	C	C+	C+	2018-2022	2.6	11.7	-6.20
Argentina	10/01/17				2012-2016	-0.1	23.8	-11.20
*Centrist Coalition 65%	Moderate	B-	B	B	2017	2.7	25.4	-21.70
*Centrist Coalition 50%	Moderate	B-	B	B	2018-2022	3.2	9.1	-24.30
Australia	2/01/18				2013-2017	2.5	1.9	-39.88
LP-NP Coalition 45%	Low	A-	A-	A	2018	2.8	2.3	-29.70
*ALP 50%	Low	A-	A	A	2019-2023	2.4	2.2	-39.90
Austria	2/01/18				2013-2017	1.3	1.5	8.46
ÖVP-FPÖ 65%	Low	A+	A	A	2018	2.4	2.0	10.30
ÖVP-FPÖ 45%	Low	A	A	A-	2019-2023	1.7	2.1	9.90
Azerbaijan	12/01/17				2012-2016	1.8	4.3	7.36
YAP 70%	High	B	B+	B-	2017	-0.9	13.2	1.45
YAP 65%	Moderate	B-	B	B-	2018-2022	2.5	5.4	2.20
Bangladesh	12/01/17				2012-2016	6.5	6.5	1.17
AL-led Coalition 75%	High	C+	B-	C+	2017	7.2	5.0	-2.25
AL-led Coalition 60%	High	C+	B-	B-	2018-2022	6.7	5.7	-3.30
Belgium	12/01/17				2012-2016	0.9	1.3	-1.34
Center-Right Coalition 60%	Low	A-	A-	A-	2017	1.7	2.2	-1.80
Center-Right Coalition 45%	Low	A-	A-	A-	2018-2022	1.4	1.8	-1.50
Bolivia	11/01/17				2012-2016	5.3	4.8	-0.09
Morales Majority 75%	High	B	B-	B	2017	4.0	3.0	-1.75
*Center-Left Majority 50%	Moderate	B-	C+	B-	2018-2022	3.6	5.0	-2.05
Botswana	1/01/18				2013-2017	4.5	3.9	1.55
BDP 65%	Low	A-	A-	A-	2018	4.7	3.6	0.55
BDP 50%	Low	B+	B+	B+	2019-2023	4.1	3.9	0.70
Brazil	2/01/18				2013-2017	-0.5	6.1	-53.96
*Divided Government 40%	High	C+	B	B	2018	2.6	3.0	-24.20
*Centrist Coalition 40%	Moderate	C+	B	B-	2019-2023	2.3	4.2	-51.30
Bulgaria	2/01/18				2013-2017	2.7	0.1	1.22
Right-wing Coalition 45%	Low	A-	A	A-	2018	3.1	3.0	1.95
*Center-Right Coalition 45%	Low	A-	A-	A-	2019-2023	2.9	3.0	-0.30
Cameroon	12/01/17				2012-2016	5.2	2.0	-1.36
RDPC 75%	High	B	B	B	2017	3.9	0.7	-1.15
RDPC 55%	Moderate	C+	B-	C+	2018-2022	4.6	1.8	-1.05
Canada	3/01/18				2013-2017	2.2	1.4	-51.48
Liberal Party 80%	Low	A+	A	A+	2018	2.0	1.9	-51.30
Liberal Party 50% (65%)	Low	A-	A	A	2019-2023	1.9	1.7	-53.20
Chile	2/01/18				2013-2017	2.3	3.3	-5.93
*Center-Right Coalition 60%	Low	A-	A-	A-	2018	3.1	2.6	-2.40
*Center-Right Coalition 45%	Low	B+	A-	B+	2019-2023	3.3	3.2	-3.50
China	3/01/18				2013-2017	7.1	1.9	207.03
Pragmatists 80%	High	B	B	B-	2018	6.4	2.2	206.50
Pragmatists 75%	High	B	B-	B-	2019-2023	5.7	2.6	168.70
Colombia	2/01/18				2013-2017	3.2	4.9	-14.88
*Divided Government 40%	Moderate	B	B+	B	2018	2.5	3.3	-10.25
*Divided Government 40%	Moderate	B-	B+	B-	2019-2023	3.5	3.3	-11.70
Congo	2/01/18				2013-2017	1.3	1.9	-1.32
PCT-led Coalition 85%	Moderate	C	B-	B-	2018	1.7	-0.7	0.25
PCT-led Coalition 80%	Moderate	B-	B-	B-	2019-2023	2.9	1.1	0.15

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Political Risk Letter

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Congo DR	2/01/18				2013-2017	6.1	9.4	-1.89
Kabila Coalition 60%	Very High	C+	C-	C-	2018	3.0	36.0	-0.75
*Presidential Majority 40%	High	C	C-	C-	2019-2023	4.1	14.6	-1.90
Costa Rica	9/01/17				2012-2016	3.7	3.2	-2.29
Divided Government 55%	Low	C+	A-	B+	2017	4.0	1.6	-1.95
Divided Government 55%	Low	B-	B+	B	2018-2022	4.1	3.5	-3.10
Côte d'Ivoire	1/01/18				2013-2017	8.6	1.4	-0.48
National Unity Coalition 75%	High	B	B	B	2018	7.3	1.6	-1.30
National Unity Coalition 60%	Moderate	B-	B-	B-	2019-2023	6.5	2.0	-1.05
Cuba	1/01/18				2013-2017	1.6	5.2	1.70
*Reform Communist 50%	Moderate	D-	C	D+	2018	1.4	6.9	1.40
*Reform Communist 65%	Moderate	C	C+	C	2019-2023	3.2	5.3	0.65
Czech Republic	11/01/17				2012-2016	1.8	1.2	-0.25
*ANO Minority 55%	Low	A+	A	A	2017	4.2	2.5	1.65
*Center-Right Coalition 40%	Low	A	A	A-	2018-2022	2.5	2.0	-1.80
Denmark	1/01/18				2013-2017	1.6	0.7	26.69
Center-Right Minority 50%	Low	A+	B+	A	2018	1.9	1.6	23.50
*Center-Left Minority 45%	Low	A+	A-	A	2019-2023	1.8	1.8	25.60
Dominican Republic	11/01/17				2012-2016	5.8	2.8	-2.18
PLD 70%	Moderate	B	B+	B-	2017	4.0	3.0	-1.70
PLD 50%	Moderate	B	B	B	2018-2022	3.9	3.7	-2.60
Ecuador	12/01/17				2012-2016	2.6	3.4	-0.46
*Divided Government 40%	High	C+	C+	C	2017	1.3	0.6	-0.30
*Centrist Coalition 40%	Moderate	C+	C+	B-	2018-2022	2.0	3.4	-2.15
Egypt	1/01/18				2013-2017	3.0	15.2	-11.34
Military-Civilian 70%	Very High	C-	C+	C	2018	4.5	17.3	-7.20
Military-Civilian 65%	High	D+	C+	C	2019-2023	5.1	9.2	-7.90
El Salvador	11/01/17				2012-2016	2.0	0.4	-1.13
Divided Government 65%	High	C+	B+	B-	2017	2.2	0.7	-0.40
Divided Government 55%	Moderate	C+	B	B-	2018-2022	2.0	1.8	-0.95
Finland	8/01/17				2012-2016	-0.2	1.1	-2.94
Center-Right Coalition 45%	Low	A-	A-	A-	2017	2.2	0.9	-0.45
*Broad Coalition 40%	Low	A-	A-	A-	2018-2022	1.8	1.9	-1.55
France	10/01/17				2012-2016	0.7	0.8	-19.36
Centrist Coalition 75%	Moderate	B	B+	B+	2017	1.7	1.1	-27.10
Centrist Coalition 60%	Low	B+	A-	B+	2018-2022	1.6	1.5	-22.40
Gabon	10/01/17				2012-2016	4.3	1.9	0.92
Reformist PDG 65%	Moderate	C	B	B-	2017	1.5	2.5	-0.80
Reformist PDG 50%	Moderate	C+	B	B-	2018-2022	3.8	3.0	-0.65
Germany	3/01/18				2013-2017	1.6	1.0	280.33
*Grand Coalition 60%	Low	A	A-	A	2018	2.4	1.7	288.00
*Grand Coalition 45%	Low	A+ (A)	A-	A (A-)	2019-2023	1.9	1.8	278.00
Ghana	1/01/18				2013-2017	5.5	14.8	-3.53
NPP 80%	Moderate	C+	B+	B-	2018	9.0	9.4	-2.35
NPP 60%	Moderate	C+	B	C+	2019-2023	5.7	6.3	-2.50
Greece	3/01/18				2013-2017	-0.3	-0.7	-2.22
Left-Right Coalition 40%	Moderate	(C+) C-	B+	C+	2018	1.5	0.9	-3.20
*Broad Coalition 40%	Moderate	C+ (C)	B+	C+	2019-2023	1.8	1.7	-5.10
Guatemala	10/01/17				2012-2016	3.6	3.7	-0.62
Divided Government 65%	High	B+	B+	B+	2017	3.0	4.3	1.55
Divided Government 60%	High	B	B-	B	2018-2022	3.4	4.8	-0.35
Guinea	10/01/17				2012-2016	2.5	10.6	-1.41
RPG Coalition 65%	High	C	B-	C	2017	4.6	8.4	-1.00
RPG Coalition 55%	High	C	C+	C-	2018-2022	4.7	6.6	-1.35
Guyana	11/01/17				2012-2016	4.1	0.9	-0.28
APNU-AFC 70%	Moderate	B-	B	B-	2017	3.5	2.2	-0.07
APNU-AFC 60%	Moderate	B	B	B	2018-2022	9.0	3.5	0.05
Haiti	7/01/17				2012-2016	2.5	7.6	-0.42
Reformist Coalition 45%	High	B-	B-	C+	2017	1.2	14.2	-0.21
*Divided Government 45%	High	C+	C+	C+	2018-2022	2.9	7.7	-0.34
Honduras	2/01/18				2013-2017	3.5	4.5	-1.16
Center-Right Coalition 60%	High	B-	B	B-	2018	3.7	4.0	-0.95
*Divided Government 45%	High	C+	B-	C+	2019-2023	3.6	4.3	-1.10

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Hong Kong	1/01/18				2013-2017	2.8	3.1	9.56
Limited Autonomy 75%	Low	A+	A	A+	2018	2.8	2.0	13.90
Limited Autonomy 65%	Low	A+	A-	A	2019-2023	2.9	2.6	16.70
Hungary	3/01/18				2013-2017	2.9	0.8	4.82
Fidesz 75% (65%)	Low	B	B+	B+	2018	3.5	2.4	5.00
Fidesz 65%	Low	B+ (B)	B+	B+ (B)	2019-2023	2.3	2.6	4.40
India	3/01/18				2013-2017	7.1	6.4	-27.90
*BJP Majority 55% (50%)	Moderate	B+ (B)	B+	B	2018	7.5	5.0	-50.30
*BJP Majority 55%	Moderate	B (B-)	B+ (B)	B (B-)	2019-2023	7.8	5.2	-63.60
Indonesia	12/01/17				2012-2016	5.3	5.5	-23.07
Reformist Coalition 55%	Moderate	B	B	B	2017	5.0	3.9	-18.30
Reformist Coalition 50%	Moderate	B-	B	B-	2018-2022	5.1	4.1	-24.70
Iran	3/01/18				2013-2017	4.3	16.2	15.79
Divided Government 45%	High	B-	C	C+	2018	4.6	10.7	15.80
Divided Government 45%	High	B-	C	C+	2019-2023	5.0	9.1	10.90
Iraq	12/01/17				2012-2016	7.6	2.4	15.49
National Unity Coalition 50%	Very High	C-	C-	C-	2017	-0.5	2.0	-12.70
National Unity Coalition 50%	High	C	C-	C	2018-2022	2.4	2.2	-5.10
Ireland	10/01/17				2012-2016	8.1	0.4	9.07
Fine Gael Minority 40%	Low	B+	A	A-	2017	4.5	0.4	13.90
*Fianna Fáil Minority 40%	Low	B+	A	B+	2018-2022	3.1	1.5	15.60
Israel	1/01/18				2013-2017	3.4	0.2	11.88
*Centrist Coalition 40%	High	A-	A-	A-	2018	3.5	0.9	12.30
*Centrist Coalition 40%	High	A-	B+	A-	2019-2023	3.9	2.3	17.20
Italy	10/01/17				2012-2016	-0.7	0.9	25.08
*Broad Coalition 40%	Moderate	B-	B+	B	2017	1.4	1.2	49.20
*Broad Coalition 40%	Moderate	B-	B	B-	2018-2022	1.0	1.4	39.30
Jamaica	11/01/17				2012-2016	0.5	6.1	-0.88
JLP 75%	Moderate	B	A-	B	2017	1.8	4.7	-0.43
JLP 55%	Moderate	B-	B+	B	2018-2022	2.7	5.2	-0.55
Japan	3/01/18				2013-2017	1.3	0.8	119.80
LDP Coalition 80%	Low	A-	A	A+	2018	1.5	0.9	212.80
LDP Coalition 55%	Low	A-	A-	A-	2019-2023	1.1	1.0	247.40
Kazakhstan	1/01/18				2013-2017	3.3	8.2	-2.70
Nazarbayev 70%	Moderate	B	B	B	2018	3.4	6.6	-4.80
Nazarbayev 50%	Moderate	B-	B	B-	2019-2023	3.3	5.7	-1.50
Kenya	11/01/17				2012-2016	5.5	7.0	-4.82
Kenyatta Majority 65%	Very High	B-	B	B-	2017	4.7	8.8	-4.55
Kenyatta Majority 55%	Moderate	B-	B-	B-	2018-2022	5.7	6.1	-4.15
Kuwait	2/01/18				2013-2017	1.2	2.8	25.75
Al-Sabah Family 70%	Moderate	A	B	A-	2018	2.0	3.0	13.10
Al-Sabah Family 65%	Low	A	B+	A-	2019-2023	3.4	3.5	14.20
Libya	10/01/17				2012-2016	1.3	9.4	-2.50
*Military-Civilian 55%	Very High	D-	D+	D	2017	23.0	26.8	-1.45
*Military-Civilian 55%	High	C-	C-	C	2018-2022	5.9	17.2	2.30
Malaysia	11/01/17				2012-2016	5.1	2.2	11.68
UMNO-led Coalition 55%	Moderate	A-	B+	A-	2017	5.2	3.8	7.60
UMNO-led Coalition 55%	Low	A-	B+	B+	2018-2022	4.9	2.6	9.30
Mexico	1/01/18				2013-2017	2.1	4.0	-25.04
*Divided Government 50%	High	B	A-	B	2018	2.2	4.0	-30.40
*Divided Government 55%	Moderate	B-	B+	B	2019-2023	2.3	3.6	-33.70
Morocco	3/01/18				2013-2017	3.4	1.2	-5.17
Mohamed 85%	Moderate	B-	B+	B	2018	3.1	1.5	-4.25
Mohamed 85%	Moderate	B-	B+ (B)	B (B-)	2019-2023	3.8	1.8	-4.55
Myanmar	11/01/17				2012-2016	7.3	6.3	-1.61
Military-Civilian 75%	Moderate	C+	B-	C+	2017	7.2	4.7	-4.70
Military-Civilian 65%	Moderate	B-	B-	C+	2018-2022	7.4	6.0	-5.90
Netherlands	11/01/17				2012-2016	0.9	1.4	72.39
*Center-Right Coalition 45%	Low	A	A-	A	2017	3.1	1.4	79.60
*Broad Coalition 50%	Low	A	A	A-	2018-2022	2.0	1.7	71.30
New Zealand	1/01/18				2013-2017	2.8	1.0	-5.42
Labour-led Minority 65%	Low	A-	A	A-	2018	2.7	1.5	-6.60
*National Minority 45%	Low	A-	A	A-	2019-2023	2.4	2.1	-7.90

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Nicaragua	12/01/17				2012-2016	4.9	5.6	-1.09
FSLN 80%	Moderate	B+	B+	B	2017	4.5	3.9	-0.45
FSLN 70%	Moderate	C+	B	B-	2018-2022	3.8	6.5	-1.80
Nigeria	10/01/17				2012-2016	3.4	10.7	4.98
APC Majority 45%	Very High	C+	C	C	2017	0.9	16.4	7.80
APC Majority 40%	Very High	C-	C-	C-	2018-2022	2.9	11.2	5.00
Norway	10/01/17				2012-2016	1.7	2.1	44.65
Center-Right Minority 65%	Low	A+	A-	A+	2017	1.8	2.2	26.20
Center-Right Minority 45%	Low	A	A-	A	2018-2022	2.1	2.1	25.90
Oman	12/01/17				2012-2016	4.4	1.2	-1.21
Qaboos 55%	Moderate	B	A-	A-	2017	0.2	1.5	-9.10
Qaboos 45%	Moderate	B	B+	B+	2018-2022	2.5	3.0	-7.80
Pakistan	11/01/17				2012-2016	4.0	6.7	-3.51
*PML-N Coalition 55%	High	C-	B-	C	2017	5.5	4.0	-11.90
*PML-N Coalition 45%	High	C-	C+	C-	2018-2022	5.2	4.9	-10.30
Panama	11/01/17				2012-2016	6.5	2.7	-4.44
Divided Government 50%	Moderate	B+	A-	B+	2017	5.5	1.3	-2.90
*Centrist Coalition 45%	Moderate	B	B+	B	2018-2022	5.7	2.5	-2.20
Papua New Guinea	2/01/18				2013-2017	6.8	5.8	3.02
PNC-led Coalition 65%	High	C+	B-	B-	2018	3.0	4.8	3.25
*Reformist Coalition 55%	Moderate	B-	B-	B-	2019-2023	3.5	5.5	3.40
Paraguay	3/01/18				2013-2017	6.0	3.8	-0.06
Divided Government 60%	Moderate	B+	B+	B	2018	3.8	3.9	0.10
Divided Government 60%	Moderate	B (B-)	B	B-	2019-2023	3.7	3.2	0.18
Peru	12/01/17				2012-2016	4.3	3.4	-7.28
Divided Government 75%	Moderate	B+	A-	B+	2017	2.4	2.9	-3.60
Divided Government 60%	Moderate	B	B+	B	2018-2022	3.6	3.0	-3.90
Philippines	12/01/17				2012-2016	6.6	2.7	5.93
Populist Coalition 65%	Moderate	B	B	B	2017	6.6	3.2	-1.00
Populist Coalition 50%	Moderate	B-	B	B	2018-2022	6.1	2.7	1.20
Poland	2/01/18				2013-2017	3.2	0.3	-4.36
PiS 80%	Low	A-	A-	A-	2018	3.7	2.5	-1.70
PiS 70%	Low	A-	A-	A-	2019-2023	3.3	2.0	-4.60
Portugal	12/01/17				2012-2016	-0.2	0.8	0.28
PS Minority 60%	Low	C+	A-	B	2017	2.6	1.4	0.70
PS Minority 40%	Low	B	A-	B	2018-2022	1.7	2.0	-1.25
Romania	2/01/18				2013-2017	4.3	1.1	-3.07
Center-Left Coalition 50%	Low	B	A-	B+	2018	6.5	1.2	-6.20
Center-Left Coalition 45%	Low	B	A-	B	2019-2023	3.7	3.1	-7.10
Russia	1/01/18				2013-2017	0.1	7.8	42.13
United Russia 80%	High	B-	C-	C+	2018	1.8	3.8	42.60
United Russia 70%	Moderate	C+	C	C+	2019-2023	1.7	4.5	43.90
Saudi Arabia	11/01/17				2012-2016	3.5	3.0	57.94
King Salman 50%	High	A-	B	A-	2017	-0.7	-0.3	14.90
*Younger Al-Saud 60%	Moderate	A-	B	B+	2018-2022	2.3	2.9	8.50
Singapore	11/01/17				2012-2016	3.3	1.1	54.49
Lee Hsien Loong 65%	Low	A+	A	A+	2017	3.3	0.6	62.30
Other PAP 50%	Low	A+	A	A	2018-2022	2.6	1.4	64.40
Slovakia	10/01/17				2012-2016	2.5	0.8	0.68
Center-Left Coalition 45%	Low	A-	A-	A-	2017	3.2	1.3	-0.60
Center-Left Coalition 45%	Low	A	A	A-	2018-2022	3.3	1.8	1.10
South Africa	1/01/18				2013-2017	1.4	5.6	-14.73
Pragmatic ANC 55%	Moderate	B-	B	B	2018	1.5	5.4	-11.40
Pragmatic ANC 55%	Moderate	C+	B-	B-	2019-2023	2.3	5.7	-15.10
South Korea	12/01/17				2012-2016	2.8	1.3	84.20
MPK Coalition 60%	High	A-	A-	B+	2017	3.3	2.0	85.20
MPK Coalition 50%	Moderate	B+	B+	B+	2018-2022	2.8	1.8	96.10
Spain	2/01/18				2013-2017	1.9	0.5	18.62
Center-Right Minority 45%	Moderate	B	A-	B+	2018	2.7	2.3	19.70
*Center-Right Coalition 40%	Low	A-	A-	B+	2019-2023	2.1	2.0	17.80
Sri Lanka	2/01/18				2013-2017	4.3	4.3	-2.13
*Divided Government 40%	Moderate	C	B+	B-	2018	4.7	5.9	-3.25
*UNP-led Coalition 45%	Moderate	C+	B+	B-	2019-2023	5.2	4.8	-3.50

COUNTRY REGIMES AND PROBABILITIES	TURMOIL	TRANS- FER	INVEST- MENT	EXPORT		REAL GDP GROWTH	INFLATION	CURRENT ACCOUNT
Sudan	11/01/17				2012-2016	2.5	28.7	-4.61
NCP-led Coalition 45%	High	C+	C+	C+	2017	3.4	25.3	-5.70
*Democratic Transition 50%	High	C+	C	C	2018-2022	3.8	13.6	-6.20
Suriname	12/01/17				2012-2016	-1.3	14.5	-0.27
NDP-led Coalition 55%	Moderate	B-	B-	B+	2017	-0.9	22.8	0.08
NDP-led Coalition 40%	Moderate	B-	B-	B-	2018-2022	2.3	9.9	0.04
Sweden	3/01/18				2013-2017	2.8	0.5	24.09
Center-Left Minority 40%	Low	A+	A-	A	2018	2.5	1.7	22.70
*Broad Coalition 40%	Low	A+ (A)	A-	A	2019-2023	2.4	2.0	27.90
Switzerland	1/01/18				2013-2017	1.4	-0.2	68.64
Centrist Coalition 60%	Low	A+	A-	A	2018	2.2	1.0	69.50
Centrist Coalition 60%	Low	A+	A-	A	2019-2023	1.7	1.4	81.70
Syria	2/01/18				2013-2017	-11.5	47.6	-3.91
Assad 75%	Very High	D	C-	D	2018	-3.5	35.0	-0.35
Assad 70%	High	C-	C	C-	2019-2023	2.7	14.6	-1.80
Taiwan	10/01/17				2012-2016	2.1	1.0	60.98
DPP 70%	Moderate	A-	A	A-	2017	2.2	0.7	78.30
DPP 45%	Low	A	A	A	2018-2022	2.0	1.6	76.90
Thailand	12/01/17				2012-2016	3.4	1.3	17.52
*Reformist Coalition 45%	Moderate	B+	B+	B	2017	3.8	0.7	49.30
*Reformist Coalition 55%	Moderate	B+	B+	B+	2018-2022	3.1	1.8	53.40
Trinidad & Tobago	10/01/17				2012-2016	0.1	5.6	2.25
PNM 75%	High	B+	B	B+	2017	-2.0	2.5	-1.60
PNM 50%	Moderate	B+	B	B+	2018-2022	1.8	3.5	-1.30
Tunisia	12/01/17				2012-2016	2.3	4.9	-3.90
Reformist Coalition 45%	High	C	B	C+	2017	1.9	5.3	-3.90
Reformist Coalition 55%	Moderate	C	B	C+	2018-2022	2.9	4.2	-3.70
Turkey	10/01/17				2012-2016	5.5	7.7	-43.97
AKP 85%	High	B-	B+	B	2017	5.0	10.7	-37.00
AKP 65%	Moderate	C+	B+	B-	2018-2022	4.2	6.2	-41.70
Ukraine	2/01/18				2013-2017	-2.4	16.4	-5.61
Reformist Coalition 45%	Very High	C-	C+	C	2018	2.3	10.9	-7.10
Reformist Coalition 40%	High	C-	C	C-	2019-2023	2.3	7.8	-5.90
United Arab Emirates	1/01/18				2013-2017	3.4	2.2	32.54
Union 85%	Low	A	A-	A	2018	3.0	3.4	15.80
Union 85%	Low	A	A	A	2019-2023	3.9	3.3	23.60
United Kingdom	10/01/17				2012-2016	2.2	1.5	-146.54
Minority Conservative 50%	Low	B+	A-	A-	2017	1.6	2.5	-103.20
*Conservative Party 45%	Low	B+	A-	B	2018-2022	1.7	2.2	-95.30
United States	3/01/18				2013-2017	2.2	1.3	-409.74
*Divided Government 55%	Low	A-	A	A	2018	2.5	2.2	-555.00
*Divided Government 45%	Low	B+ (A-)	A	A-	2019-2023	1.9	1.8	-675.00
Uruguay	11/01/17				2012-2016	2.6	8.8	-1.02
FA 45%	Low	B	A-	B+	2017	3.4	6.1	-0.30
*Divided Government 40%	Low	B	B+	B	2018-2022	3.0	6.5	-1.10
Venezuela	1/01/18				2013-2017	-7.8	284.5	-4.70
Military-Civilian 75%	Very High	D-	D+	D-	2018	-6.7	2390.0	-4.15
Military-Civilian 65%	High	D	D+	D	2019-2023	1.0	320.0	-1.70
Vietnam	2/01/18				2013-2017	6.2	3.5	7.01
CPV Mainstream 50%	Low	B-	B	B	2018	6.6	4.5	0.40
CPV Mainstream 50%	Low	B+	B+	B+	2019-2023	6.2	4.1	-4.10
Zambia	3/01/18				2013-2017	4.0	9.9	-0.45
PF-led Coalition 60%	High	C+	B-	B-	2018	4.5	7.3	-0.68
*Divided Government 50%	Moderate	C+	B-	B-	2019-2023	5.1	6.1	-0.08
Zimbabwe	12/01/17				2012-2016	4.8	0.4	-2.16
*ZANU-PF Coalition 45%	Very High	D-	D+	D	2017	0.4	1.0	-0.45
*ZANU-PF Coalition 45%	High	D+	D+	D+	2018-2022	1.2	5.3	-1.15

Additional Data is available online for all countries covered in the Political Risk Letter at www.prsgroup.com. Current and historical financial, economic, and social data on **CountryData Online (CDO)** is just a click away.