

GCR Country Risk Scores: June 2019

Analytical contacts

Primary analyst

Johannesburg, South Africa

Matthew Pirnie

MatthewP@GCRratings.com

Sector Head: Financial

+27 11 784 1771

Committee chair

Johannesburg, South Africa

Yvonne Mujuru

YvonneM@GCRratings.com

Sector head: Insurance

+27 11 784 1771

Related criteria and research

Criteria for the GCR Ratings Framework, May 2019

The GCR Country Risk Assessment

The Country Risk assessment interacts with GCR ratings in four ways. Firstly, the country risk scores create the foundation for the Anchor Credit Evaluator (the mapping table, see the Criteria for the GCR Ratings Framework and the interactive online map [here](#)). Secondly, the country risk score/ assessment acts as an anchor to the GCR Risk Score and therefore ultimately to the GCR issuer ratings. Thirdly, the country risk assessment acts as a hurdle (or more accurately as a series of hurdles, differing according to industry) that limits uplift away from an entity's financial sector operating environment (the combination of the country risk score and the financial sector risk score). Fourthly, the country risk score (as a key part of the operating environment score) provides a level from which government support can be applied for each industry.

Country Risk Scores

Australia, Country Risk Score 15. No Mapping Table.

Australia's country risk score of '15' reflects its very high GDP per capita, strong institutions and the robust sovereign strengths of the country.

Republic of Benin, Country Risk Score 3. Mapping Table 3.0 to 3.5

Benin's country risk score of '3' balances its low wealth levels, with GDP per capita under \$1,000, and fairly strong anticipated economic growth (between 5.5% to 6%) in 2019/20. GCR also takes into account the relatively good political and macro-economic stability, against other relatively weaker institutional factors. Lastly, GCR factors in a small degree of external and fiscal risks at the sovereign level.

Republic of Botswana, Country Risk Score 9.25. Mapping Table 9.0 to 9.5.

Botswana's country risk score of '9.25' balances its relatively good wealth levels and strong institutional scores versus regional peers, alongside the government's strong fiscal and external positions, against the small and concentrated nature of the economy.

Burkina Faso, Country Risk Score 3.5. Mapping Table 3.0 to 3.5.

The Burkina Faso country risk score of '3.5' balances the low wealth levels with solid economic growth and above average governance indicators with the ongoing security issues in the country.

Republic of Cameroon, Country Risk Score 3.75. Mapping Table 3.5 to 4.0

The Cameroon country risk score of '3.75' reflects the moderate wealth levels of the country and anticipated adequate economic growth over the next 12 months. GCR also factor in relatively weak institutional strength, especially from perceptions of corruption and weaknesses in the political sphere.

Democratic Republic of Congo, Country Risk Score of 0.5, No mapping table

The Democratic Republic of Congo score of 0.5 reflects the very low wealth levels and weak governance, internal security concerns and the weak external position of the country.

Côte d'Ivoire, Country Risk Score 5. Mapping 5.0 to 5.5.

The Côte d'Ivoire country risk score of '5' balances the modest wealth levels and average institutional strengths of the country versus the region, with the sustained period of very strong economic growth and the modest fiscal and external risks of the sovereign.

Arab Republic of Egypt, Country Risk Score 4. Mapping 4.0 to 4.5.

The Egyptian country risk score of '4' reflects the GDP per capita of around 2,500 and expectations of robust economic growth (plus 5%) for the next 12-18 months. It also balances the relatively large size of the market and good infrastructure with the low political stability, voice & accountability. Lastly, GCR factor in the restrained fiscal position of the Egyptian government, due to its very high levels of indebtedness.

Republic of Ghana, Country Risk Score 3.75. Mapping 3.5 to 4.0

The Ghana country risk score of '3.75' is supported by above average institutional strength scores for the sub-Saharan region and strong levels of economic growth, estimated to be around 7% in 2019/2020. The score is restrained by the relatively weaker external and moderate fiscal position of the sovereign, alongside the low wealth levels of the population.

Republic of Kenya, Country Risk Score 4.5. Mapping 4.5 to 5.0

Kenya's country risk score of '4.5' balances its position as a regional hub, the low wealth economy, with improving institutional effectiveness, high economic growth and growing fiscal pressures at the government level. GCR expect GDP per capita to range around \$2,000 and GDP growth of above 5.5% for the next 12-18months. The institutional score is supported by the vitality of the private sector, whereas politics and corruption weigh the score down. GCR believe the Kenyan sovereign's fiscal position will continue to deteriorate over the next 12-18months, as spending increases are not matched by revenues.

Republic of Madagascar, Country Risk Score 2.25. Mapping table 2.0 to 2.5.

The country risk score of '2.25' for Madagascar balances the very low wealth levels and below institutional strengths of the country versus regional peers, with the anticipated robust economic growth in 2019 (of around 5%-5.5%) and the currently modest fiscal and external risks of the domestic sovereign.

Republic of Malawi, Country Risk Score 1.5. Mapping table 1 to 2.0

Malawi's Country Risk score of '1.5' reflects the low wealth levels, and modest economic growth of the country, alongside the restrained government fiscal position against the fairly good political stability for the country versus regional peers.

Republic of Mauritius, Country Risk Score 9.25. Mapping table 9.0 to 9.5.

The Mauritius country risk score of '9.25' reflects its GDP per capita of around USD10,000 and strong institutions in a regional context, including generally good political stability. GCR also encompass a degree of the country's growing economic diversification and infrastructure, alongside moderately strong external position.

Republic of Mozambique, Country Risk Score 1. Mapping table 1.0 to 1.25.

The Mozambique country risk score of '1' reflects the ongoing restructuring of government bonds and related debt. However, GCR also note the low levels of wealth and moderate institutional strengths are somewhat offset by sound economic fundamentals.

Republic of Namibia, Country Risk Score 5.75. Mapping table 5.5 to 6.0

The Namibian country risk score of '5.75', is supported by above average wealth levels and institution strengths of the country in comparison to regional peers. The scores are restrained by the weak economic performance, limited monetary policy flexibility and mounting government fiscal pressures.

Republic of Philippines, Country Risk 9, Mapping table 9.0 to 9.5

The Philippines Country Risk score of '9' balances the large size of the market, robust economic growth and moderately strong financial position of the sovereign versus the low wealth levels and modest institutional strengths, on a global peer comparison.

Republic of Rwanda, Country Risk 4.25, Mapping table 4.0 to 4.5

The Rwandan Country Risk Score of '4.25' balances the low wealth levels with moderately strong economic growth and above average institutional scores, underpinned by perceptions of better control of corruption than regional peers.

Republic of Sierra Leone, Country Risk 1.75, Mapping table 1 to 2.0

The Sierra Leone country risk score of '1.75' balances the low wealth levels, strained fiscal position of the government and moderately high external risks, with good political stability and GCR expectations of the robust economic growth over the next 12-18months.

Kingdom of Spain, Country Risk of 11, No Mapping Table

Spain's Country Risk score of '11' balances its good levels of wealth and robust institutions on a global comparison, with high domestic unemployment and the strained but improving fiscal position of the government.

Republic of South Africa, Country Risk Score of 7.5, Mapping Table 7.5 to 8.0

The South Africa country risk score of '7.5' reflects GCR expectations that GDP per capita will range between US\$6,000 and US\$6,500 over the next 12-18months, balancing slow economic growth with stable population growth and a broadly stable local currency. It also factors in institutional scores in the middle of the range, supported by voice & accountability and regulatory quality, macro-economic stability, infrastructure and the strengths of the financial system. Corruption and politics, innovation and health are the detracting elements of institutional strength for the country. GCR have made a small positive adjustment to the initial score, balancing the size and diversification of the South African economy versus regional peers and strong monetary policy flexibility against the deteriorating fiscal position of the government and high profile SOEs.

Republic of South Sudan, Country Risk Score of 0, Mapping Table 0 to 1

The South Sudanese country risk score of '0' reflects the very low wealth levels and governance levels of country, weak macro-economic stability and ongoing security concerns.

Republic of Tanzania, Country Risk Score of 4, Mapping Table 4.0 to 4.5

The Tanzania country risk score of '4', balances a GDP per capita of around US\$1,000 and recent moderate of economic performance, with average institutional strengths of the country versus regional peers.

Togolese Republic, Country Risk Score of 1.75, Mapping Table 1 to 2.0

The Togolese Country Risk score of '1.75' balances the low wealth, moderately weak institutional scores and weakened government fiscal position with GCR expectations that economic growth will be fairly strong in 2019, at around 5%.

Republic of Uganda, Country Risk Score of 3.5, Mapping Table 3.5 to 4.0

The Ugandan country risk score of '3.5' is supported by the high expected economic growth and institutional strengths in line with regional peers. The score is restrained by the low wealth levels and moderate external /fiscal pressures facing the government.

United Kingdom of Great Britain & Northern Ireland, Country Risk Score of 14, No Mapping Table

The risk score of '14' for the United Kingdom balances its status as a large, wealthy and highly diverse country with relatively large public debt and current account deficit, and moderate economic growth, alongside the unknown risks of Brexit.

United States of America, Country Risk Score of 15, No Mapping Table

The United States of America's country risk score of '15', reflects its zenith position in the global economy. The positive factors include its size, diversification and strong institutional scores, plus the role of the U.S Dollar as the premiere global currency. On the other hand, the twin deficits are high and growth is moderate, which could cause problems in the next 3 to 5 years.

Republic of Zambia, Country Risk Score of 1.75, Mapping Table 1 to 2.0

Zambia's country risk score of '1.75' balances the above average institutional scores, supported by political stability and a long period of sustained macro-economic stability, with low wealth levels, pressure in the copper price and the increasing fiscal and external pressures facing the Zambian government and her agents.

Republic of Zimbabwe, Country Risk Score of 0, Mapping Table 0 to 1

The Zimbabwean country risk score of '0', reflects the ongoing sovereign default, weak fiscal and monetary track-record, high inflation, and the risk of rapid currency devaluation. GCR note the efforts made by the current Minister of Finance to improve the fiscal position of the government and give credence to the local currency. However, the impact on inflation and economic growth will be stark in 2019, challenging political will.

Key Country Risk Figures

Figure 1: GCR Country risk ranking

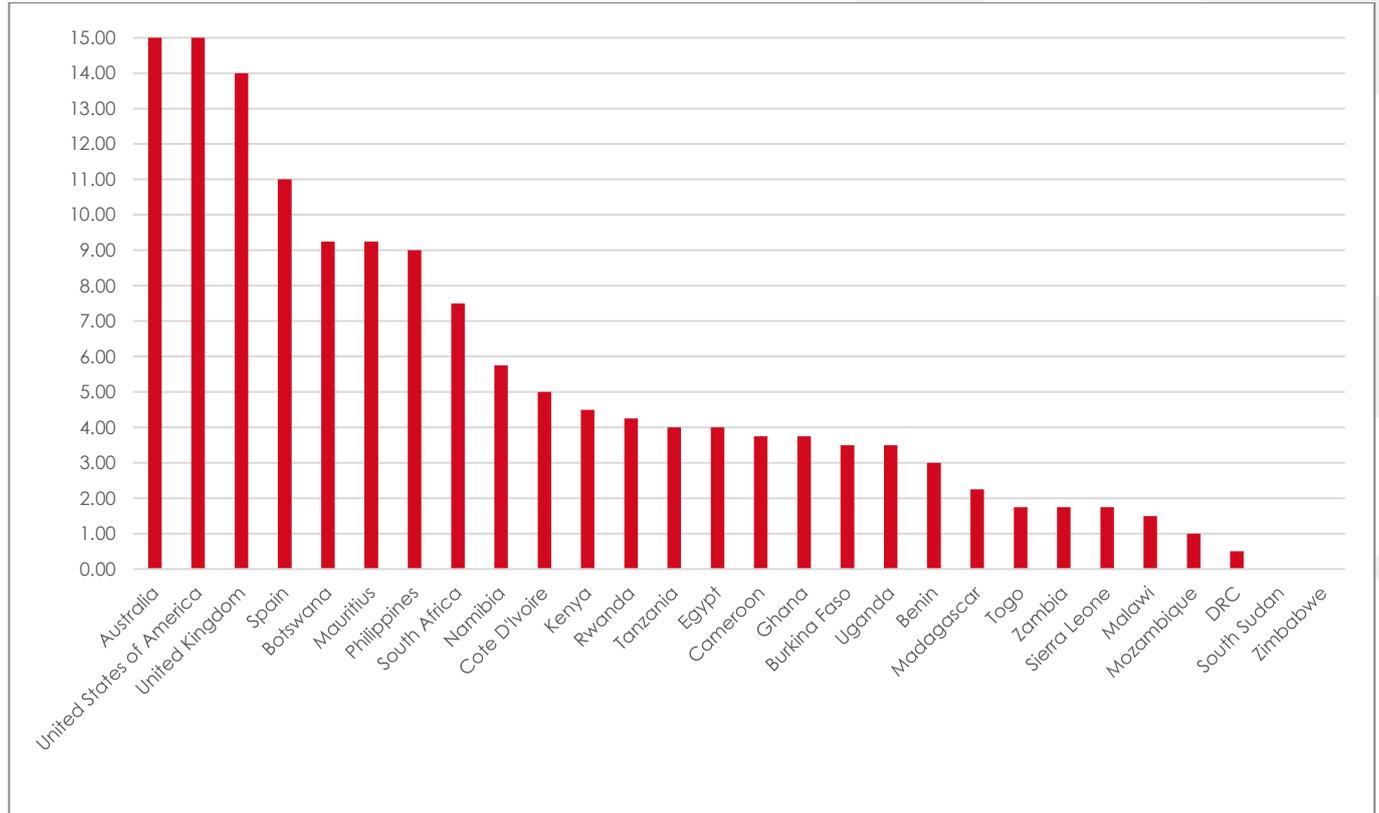
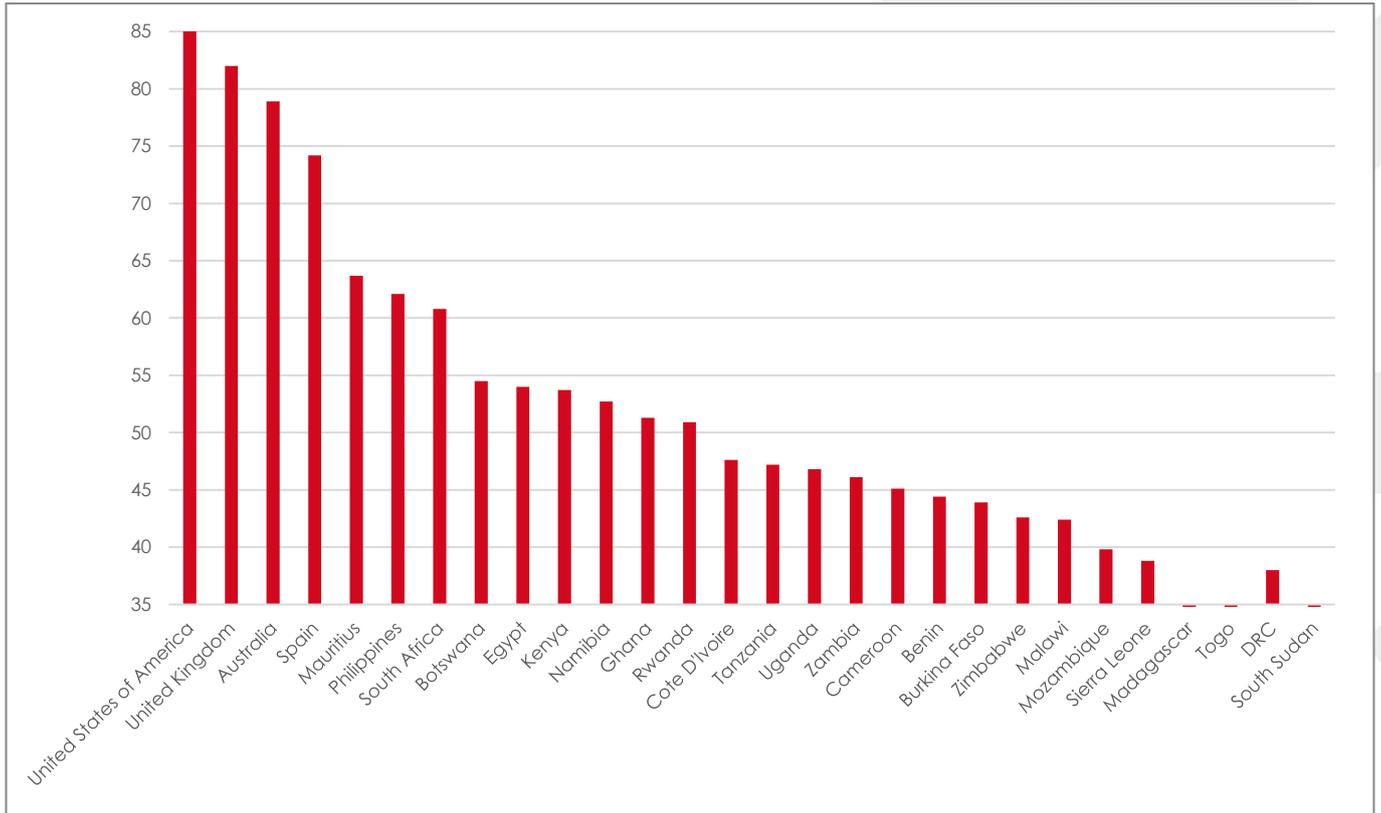


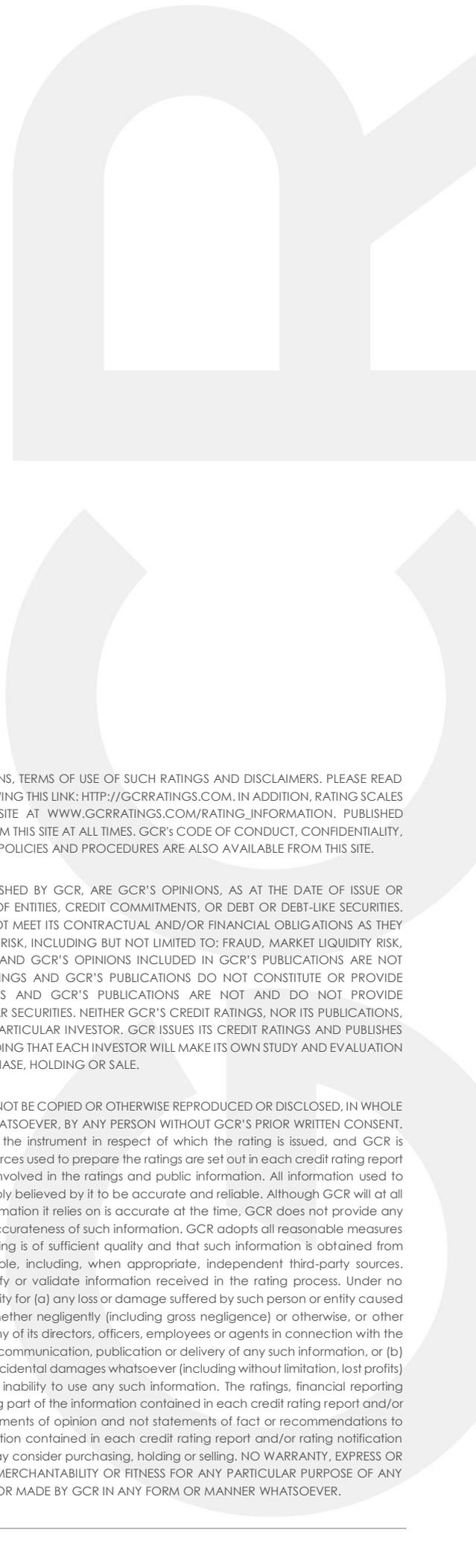
Figure 2: World Bank Governance Indicators



Figure 3: World Economic Forum Competitive Index



Note: There are no WEF Competitive Index rankings for Madagascar, Togo and South Sudan



ALL GCR CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS, TERMS OF USE OF SUCH RATINGS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS, TERMS OF USE AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://GCRRATINGS.COM](http://GCRRATINGS.COM). IN ADDITION, RATING SCALES AND DEFINITIONS ARE AVAILABLE ON GCR'S PUBLIC WEB SITE AT WWW.GCRRATINGS.COM/RATING_INFORMATION. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THIS SITE.

CREDIT RATINGS ISSUED AND RESEARCH PUBLICATIONS PUBLISHED BY GCR, ARE GCR'S OPINIONS, AS AT THE DATE OF ISSUE OR PUBLICATION THEREOF, OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. GCR DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL AND/OR FINANCIAL OBLIGATIONS AS THEY BECOME DUE. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: FRAUD, MARKET LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND GCR'S OPINIONS INCLUDED IN GCR'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND GCR'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND GCR'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL OR HOLD PARTICULAR SECURITIES. NEITHER GCR'S CREDIT RATINGS, NOR ITS PUBLICATIONS, COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. GCR ISSUES ITS CREDIT RATINGS AND PUBLISHES GCR'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING OR SALE.

Copyright © 2019 GCR INFORMATION PUBLISHED BY GCR MAY NOT BE COPIED OR OTHERWISE REPRODUCED OR DISCLOSED, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT GCR'S PRIOR WRITTEN CONSENT. Credit ratings are solicited by, or on behalf of, the issuer of the instrument in respect of which the rating is issued, and GCR is compensated for the provision of these ratings. Information sources used to prepare the ratings are set out in each credit rating report and/or rating notification and include the following: parties involved in the ratings and public information. All information used to prepare the ratings is obtained by GCR from sources reasonably believed by it to be accurate and reliable. Although GCR will at all times use its best efforts and practices to ensure that the information it relies on is accurate at the time, GCR does not provide any warranty in respect of, nor is it otherwise responsible for, the accurateness of such information. GCR adopts all reasonable measures to ensure that the information it uses in assigning a credit rating is of sufficient quality and that such information is obtained from sources that GCR, acting reasonably, considers to be reliable, including, when appropriate, independent third-party sources. However, GCR cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall GCR have any liability to any person or entity for (a) any loss or damage suffered by such person or entity caused by, resulting from, or relating to, any error made by GCR, whether negligently (including gross negligence) or otherwise, or other circumstance or contingency outside the control of GCR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits) suffered by such person or entity, as a result of the use of or inability to use any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained in each credit rating report and/or rating notification are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained in each credit rating report and/or rating notification must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY GCR IN ANY FORM OR MANNER WHATSOEVER.