



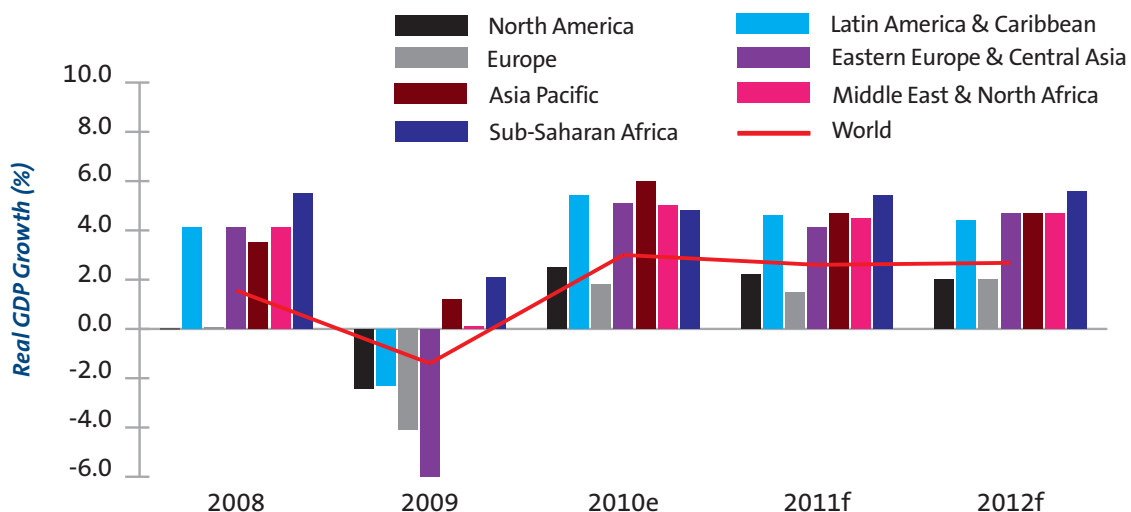
# Global Economic Outlook 2011

## Inside this Report:

### ✓ Global Risk Insights

- Leading economies show significant differences in their economic trajectories.
- Downside risks outweigh upside risks; downside factors include concerns over sovereign debt, financial and currency market uncertainties, and a gathering inflationary shock in Asia).
- Further contagion from the debt crisis in the euro area remains a core risk to the global recovery.
- **Deteriorating:** Cote d'Ivoire, Egypt, Greece, Hungary, Ireland, Portugal, Tunisia, Vietnam.
- **Improving:** Austria, Chile, Germany, Israel, Kenya, Philippines, Poland.

## Growth Outlook by Region



Source: D&B

*Economic outlook in North America and Europe improves, but downside risks remain; two-speed recovery in Europe persists; Asia Pacific set to continue outperforming most other regions, but inflation risks increase; Middle East and Africa likely to grow strongly.*

# Global Outlook

*Risk mitigation strategies are important*

*Rising inflation leads to increased interest rates in Asia*

*Ongoing euro volatility weakens the predictability for export and investment returns*

*Financial stocks continue to experience losses, while banking sector stability remains fragile*

## **Global Economic Outlook: Rising Inflationary Risks in Asia**

The world's leading economies continue to exhibit significant differences in their trajectories, reflecting the asymmetrical impact of the financial crisis of 2008 as well as their varying exposure to the emerging markets' rapid growth. Meanwhile, downside risks (concerns over sovereign debt, financial and currency market uncertainties, and a gathering inflationary shock in Asia) outweigh any upside risks.

Business conditions in the US continue to improve, albeit slowly. Unemployment has fallen, but job creation remains weak, and thus the Federal Reserve is almost certain to continue quantitative easing to keep interest rates low. In the euro area the overall recovery is relatively healthy, with the manufacturing sector strong and business confidence at its highest since late 2007; however, the performance of the core countries and that of indebted peripheral countries is still highly uneven. Two interest-rate hikes in China since October reflect fears that inflation could peak in excess of 5% by mid-2011. Pro-inflationary pressures, including resurgent food prices, floods in Australia and overheating economies, are threatening Asian growth.

## **Key Risk: Euro-Zone Debt Crisis Remains in the Spotlight in Early 2011**

Volatility in financial markets re-emerged in early 2011 amid the euro zone's sovereign debt crisis. We still anticipate considerable downside risks, despite three recent developments that appear to have eased sovereign risk: Portugal managed to sell both short-term and long-term debt in January (but had to pay high risk premiums); China has pledged to buy Spanish government bonds; and Japan intends to buy bonds issued by the European Financial Stability Facility (EFSF), the euro zone's emergency fund.

D&B believes that these developments will only offer a temporary respite for the highly-indebted countries: Portugal is likely to request EFSF emergency loans in Q1. Although Spain may be able to finance its debt without external help, its banking sector remains fragile. Worryingly, financial stocks in Europe's highly-indebted countries have experienced considerable losses in light of the substantial sovereign debt on banks' balance sheets. In January, the Markit iTraxx senior financials index for Europe (a key indicator of financial sector risk) rose close to its all-time high.

# North America and Mexico

## Risk Insights

- Economic growth will ease in 2011 and remain well below pre-crisis levels.
- Although business conditions have improved markedly, pockets of weakness remain across sectors and sub-regions.
- Exchange rate and commodity price volatility, helped in part by loose US monetary policy, will be a concern in 2011.
- Tighter fiscal policy will become a key issue across the region (at times causing increased political uncertainty).
- **Stable:** Canada, Mexico and the US.

## Outlook

All countries in the region (Canada, Mexico and the US), having weathered difficult recessions in 2009, are now stable. However, the recovery will continue to slow in 2011-12 as fiscal stimulus measures begin to wane, tighter monetary policy takes effect in Canada and Mexico, and the uplift derived from inventory readjustments ends. Regional economic growth will remain more moderate than in recent pre-crisis years, or indeed than after other recessions. The rehabilitation of the US economy, on which Canada and Mexico are so dependent, will be a lengthy one as it undergoes a process of de-leveraging.

The 2010 improvement in the US economy did make commercial conditions easier, as was evident in easing bankruptcy rates, falling business failures and improving delinquency ratios; likewise, improved Canadian conditions prompted a rapid fall in bankruptcies. However, businesses will continue to face high levels of uncertainty and risk across a number of sectors and sub-regions. High unemployment, alongside the ongoing slump in the housing market, continues to undermine consumer spending, the core driver of the US economy. This will weigh on key sectors such as manufacturing, construction and retail. Given the US economy's continued sluggishness, the Federal Reserve will keep interest rates low. Meanwhile, 2011 will be politically fraught ahead of the next presidential election in 2012. Although a bi-partisan deal struck on tax breaks in late 2010 will provide the economy with some fiscal support, there are increasingly loud calls to contain the deficit.

## Implications

- The US Federal Reserve's quantitative easing policy is likely to cause further exchange rate weakness and potentially contribute to inflationary pressures (including in commodity prices and financial assets).
- The new US Congress is more trade-friendly than its predecessor; this should bode well for pending trade deals with South Korea, Colombia and Panama (and prospective deals with other emerging markets).
- There is likely to be intense partisan politicking in the US over spending cuts, with public debt set to rise above the legal limit (USD14.3trn) in early 2011.
- In Canada, the minority government will outline a series of spending cuts aimed at eliminating the budget deficit by 2015; disagreements between parties over budget details (and corporate tax cuts in particular) could trigger a fresh election.
- In Mexico, tighter fiscal policy will dampen activity in sectors such as construction, healthcare and education, while output in the oil sector continues to decline. Lower GDP growth will undermine many firms' profitability over 2011.

## Recommendations

- D&B recommends careful monitoring of counterparties in troubled industries and/or sub-regions (e.g. as of Q3 2010, the highest rates of business failures were in the transport, construction and manufacturing sectors, and in Nevada, California and New Hampshire).
- If customers' payments performance deteriorates (or is expected to worsen), revise trade terms and collection practices to minimize accounts receivable and limit exposure.
- Exchange rate and commodity price volatility will remain a concern in 2011: active hedging policies should be considered.
- In Mexico, drug-related violence could require greater security related expenditure.

*Economic growth will slow in 2011*

*Businesses continue to face relatively high levels of uncertainty*

*US monetary policy will contribute to a weaker dollar and rising prices*

*The size of the US government debt will become a fractious policy issue*

*Companies should carefully monitor counterparties in troubled industries and/or regions*

# Latin America

## Risk Insights

- Economic growth will ease in 2011, but will remain strong across much of the region, supporting lucrative trade and investment opportunities.
- Political risk will remain elevated in a number of countries, notably Bolivia, Ecuador, Nicaragua and Venezuela.
- Adequate assessment of country risk remain essential when doing business in the region
- **Deteriorating:** Bolivia, Ecuador, Nicaragua, Venezuela.
- **Improving:** Chile, Colombia.

## Outlook

Economic growth will ease across the region in 2011 as base effects from the recession of 2009 subside and as a result of higher inflation, tighter monetary policy (both domestically and in key export markets such as China) and strengthening currencies. That said, economic growth in several countries will remain robust: Brazil will record real GDP growth of 6.0%, Argentina 5.5%, Chile 6.0%, Colombia 6.0% and Peru 7.0%. Several countries will continue to liberalize their trade and investment environments.

Political developments will be dominated by the first year in office of Brazil's new president, Dilma Rousseff. Presidential elections in Argentina will increase political uncertainty, while elections in Peru are unlikely to change the political status quo to any great extent. Political risk will remain most elevated in Venezuela, where President Hugo Chavez has been cleared by parliament to rule by decree until June 2012; in Ecuador, where the government of President Rafael Correa continues to follow an obstructive approach to private business; in Bolivia, where attempts to cut fuel subsidies could spark political unrest; and in Nicaragua, where President Daniel Ortega is likely to attempt to hold on to power and continue to demonstrate autocratic tendencies.

## Implications

- Strong economic performance in several countries will consolidate the region's growing importance in global trade and as a market for investors.
- Free-trade agreements with Colombia and Panama, if ratified by the US Congress, could boost US trade and investment with these countries.
- Sectors such as construction, manufacturing, transport, communication and minerals will offer key opportunities to investors.
- Peru's presidential election looks set to be won by a centre-right candidate, ensuring a continuation of liberal economic policies that will benefit the business environment.
- Incumbent President Christina Fernandez is likely to run in Argentina's presidential race (and win), but a more constructive stance towards foreign investors is far from certain.
- After rapid economic growth and foreign capital inflows over 2010, which led to currency appreciations and asset price increases, there is a risk of asset price corrections (particularly in countries such as Brazil) as investor sentiment retrenches in 2011.
- Dilma Rousseff could increase state control of key sectors such as hydrocarbons and banking, while fiscal policy will need to focus on controlling inflation.

## Recommendations

- While the region can offer a lucrative market for exporters and high returns on investment, downside risks are still present, making the in-depth assessment of country risk imperative.
- Exposure to Latin American currencies should be hedged in order to guard against adverse currency movements.
- We recommend a flexible approach to setting trade terms by monitoring if counterparties are benefiting from rising domestic demand and currency appreciations, or whether this is eroding the competitiveness of their industry.
- Adequate political risk-/trade credit-insurance should be considered, where available.

*Economic growth will remain robust in 2011*

*The first term of President Rousseff of Brazil will dominate the political arena*

*Latin America will remain a key growth market for traders and investors over 2011*

*Political risk could increase in Brazil, Argentina and Venezuela*

*Despite a strong economic rebound, assessment of country risk is imperative*

*Investors should guard against asset price and exchange rate corrections*

# Europe (EU + Iceland, Norway and Switzerland)

## Risk Insights

- The economic outlook will remain highly uneven, with core countries (such as Germany and France) driving the economic recovery, while peripheral economies will continue to struggle amid the sovereign debt crisis.
- Concerns over sovereign debt will remain elevated, with further risk of contagion from debt markets to equity, credit and currency markets.
- Exchange rate volatility will continue to pose risks for traders and investors.
- **Deteriorating:** Greece, Hungary, Ireland, Portugal, Romania.
- **Improving:** Austria, Germany, Norway, Poland, Sweden.

## Outlook

Germany and France remain the key drivers of the economic recovery in Europe. The initially export- and manufacturing-led rebound in Germany has become broadly based, with domestic demand and the services sector making a significant contribution to growth; we expect robust real GDP growth of 2.3% in 2011. Many countries in the region will continue to benefit from strong German growth (e.g. Austria, the Benelux countries, the Czech Republic, the Nordic countries, Slovakia and Slovenia). In some economies (e.g. Poland and Switzerland) the recovery is capitalizing on strong domestic consumption in addition to German demand.

In contrast, concerns persist over sovereign debt and economic weakness in peripheral euro-area countries (particularly Greece, Ireland, Portugal and Spain). Financial sector stability is fragile and many European banks have large exposure to sovereign debt; further contagion of the debt crisis to credit, equity and currency markets remains a risk. Sharp budget cuts across the region (intended to improve public finances) threaten regional growth at a time when high unemployment is already damping domestic consumption, while also raising the risk of social unrest. This will continue to drive volatility in the euro exchange rate in the short term.

## Implications

- European companies' payment trends (as measured by our payments performance data) will continue to diverge markedly, with elevated insolvency and payment risks in the highly indebted countries.
- The euro area's crisis management tools, including the EUR750bn emergency fund, may be insufficient to prevent a major sovereign debt restructuring. In such a scenario (and in the absence of a larger EU emergency fund), bondholders, especially banks, may incur devastating losses; however, we do not expect this scenario to materialize in 2011.
- Stock market volatility may return if the EU fails to act decisively to restore investor confidence in the indebted countries' solvency.
- Exchange rate volatility will persist as the debt crisis endures, weakening the predictability for export and investment returns for firms doing business in the region.
- The upward trend of the Swiss franc (a traditional 'safe haven' currency in times of uncertainty) will put pressure on household disposable income in countries where franc-denominated mortgages are common (e.g. in Hungary).
- The risk of social unrest has increased as countries implement sharp fiscal consolidation measures (particularly in Greece and Ireland).
- Political instability in countries such as Belgium, Greece, Ireland, Italy, Portugal and Spain could exacerbate these countries' ability to reduce their large debt burdens.

## Recommendations

- Investors and traders should carefully monitor the marked variations in business prospects across the region as the debt crisis further increases disparities.
- Companies doing business in the fragile peripheral economies in the euro area should expect a higher frequency of payment delays and might consider tighter trade terms.
- Currency hedging could be useful to protect against rising exchange rate volatility.
- Companies should expect the disruption of business operations in many countries caused by increased social unrest and political violence in protest at fiscal austerity measures.

*Many countries in the region are benefiting from strong German demand*

*Concerns persist over sovereign debt in peripheral euro-area countries*

*Payments performance will continue to diverge markedly across the region*

*Exchange rate volatility will persist*

*Political risk threatens to exacerbate the region's economic woes*

*Country monitoring remains crucial*

*Companies should consider currency hedging and tighter payment terms*

# Eastern Europe and Central Asia

## Risk Insights

- Economic growth will continue in 2011, but its pace may ease due to lower external demand for hydrocarbons in Europe.
- Commercial risk will remain elevated in the region, undermined by the weak trade and commercial environments.
- Adequate assessment of country risk remains essential when doing business in the region.
- **Deteriorating:** Belarus.
- **Improving:** Ukraine, Turkmenistan, Kazakhstan.

## Outlook

Robust economic growth will continue in 2011; however, the pace of growth may ease slightly as a result of subdued demand from European countries for the region's main export commodities (oil and gas). Russia (the largest economy in the region) will continue to recover, supported by higher oil prices, export-oriented manufacturing and a gradual revival of private consumption. However, investment will remain limited due to fiscal consolidation measures in Russia's large budget, while high financial sector risk will continue to undermine credit conditions and business opportunities. Economic growth in countries such as Turkmenistan and Azerbaijan will be supported by pipeline development projects, which in the medium term aim to supply the region's rich hydrocarbon reserves to China and Iran, thus reducing regional export dependence on Russia.

The overall trade and commercial environment will still be dominated by high levels of corruption, inefficient government bureaucracy, lack of sound legal frameworks and weak contract enforcement, implying high risks for companies doing business in the region.

## Implications

- The region's economic performance will be supported by recovering oil prices in 2011, but lower demand from Europe may pose a key risk to the region's growth momentum.
- Natural gas prices will remain low, increasing economic risk in gas-exporting countries like Russia, Turkmenistan and Uzbekistan.
- The lowering of Ukraine's corporation tax (from 25% to 16%) and VAT (from 20% to 17%) will encourage investment into the country and support further economic recovery.
- The commercial environment in Ukraine has improved following the implementation of an automatic VAT refund system (as recommended by the IMF).
- Kazakhstan's investment environment will remain volatile, undermined by high financial sector risk and numerous political scandals.
- An authoritarian incumbent Alexander Lukashenko won a fourth term in Belarus' presidential election in December 2010; however, the results were questioned by international organizations, putting further pressure on the country's already-high level of political risk.
- Russia's candidacy for the WTO gained momentum after it was endorsed by EU officials, but trade benefits deriving from the WTO membership will not be seen until at least the medium term.

## Recommendations

- While the region's increasing importance as a hydrocarbons exporter can offer a lucrative market for doing business, downside risks still prevail, making the in-depth assessment of country risk imperative.
- Financial sector risk will remain elevated across the region, with high indebtedness impacting the risk of doing business, particularly in Kazakhstan and Ukraine.
- We recommend strict trade terms when doing business with counterparties in the region; CiA is our recommended trade terms in the majority of countries.
- Adequate political risk-/trade credit-insurance should be considered, particularly when dealing with the non-hydrocarbon sectors.

*Robust economic growth will persist in 2011*

*The risk of doing business in the region remains high*

*Higher oil prices will support economic growth in 2011 but a decline in the price of natural gas poses a risk*

*Political risk will remain high in Belarus after the presidential election in December 2010*

*Downside risks prevail*

*Strict trade terms are recommended in most countries*

# Asia-Pacific

## Risk Insights

- Inflationary pressures have built up across key countries due to food price pressures from rapid growth and La Niña-associated weather phenomena.
- We still expect the region to post GDP-weighted growth of over 4% in real terms in both 2011 and 2012.
- With current account surpluses and capital inflows generally anticipated, only a few smaller and weaker markets will exhibit balance of payments risks.
- **Deteriorating:** Japan, South Korea, Nepal, Pakistan, Vietnam.
- **Improving:** Philippines.

## Outlook

We judge most regional countries to have a 'stable' outlook as of February 2011, despite uncertainty regarding inflation, capital flows and OECD demand. The fear present throughout 2010, that capital inflows from international financial markets could cause dangerous bubbles in asset prices in a string of countries, may have been premature. This fear has been partly replaced by concern that inflation (due to higher food prices and economic growth) could impair household budgets and business profits throughout the region in 2011-12.

Infrastructure links are throwing open new markets, and incomes are rising rapidly; Asia-Pacific as such still holds plenty of opportunity and promise. By 2012, South Korea and Indonesia will be on the verge of becoming USD1trn economies, China will be a USD6-7trn economy, and India's GDP should be closer to USD2trn in size. The risk is that food price inflation linked to agricultural reverses and the La Niña weather phenomenon persists, and is exacerbated by high crude oil prices in 2011. This could spark rapid monetary tightening across the board and balance of payments problems in countries such as Pakistan, Sri Lanka and Vietnam.

## Implications

- If the Brent crude oil benchmark price rises over USD100/barrel (/b), regional consumers and/or governments (because of subsidies) are likely to lower non-energy spending.
- OPEC had over 5m barrels/day spare production capacity as of January, a much larger safety margin than in 2008. Swing producers in the Gulf will raise output if necessary, lowering the probability of an oil price spike much above USD100/b.
- The La Niña extreme weather system (responsible for floods in Australia) may persist into mid-2011, increasing food prices, while US crop yields will disappoint.
- Capital inflows to the region as a whole should continue, as well as Chinese outflows to the rest of the world in the form of direct investment and mergers and acquisitions.
- Portfolio capital flows may become more discriminating between markets, taking away a key support for the balance of payments if a country experiences negative shocks.
- The Philippines should continue to benefit from worker remittance inflows, due to reach close to USD20bn in 2011, a steadier source of FX than financial markets.
- Australia's economic performance should still impress in 2011-12, but severe floods in Queensland and other states in January caused D&B to place it on deteriorating outlook.
- Inflation in India should still fall as interest rate hikes work their way through in the next few quarters, and also in Pakistan as the shock of the 2010 summer floods recedes.
- Japan's fiscal situation will continue to falter as baby-boomer retirement accelerates.
- North Korea's brinkmanship will constrain South Korean business confidence.

## Recommendations

- Shippers should be alive to macroeconomic factors; 2011 will be the year when good and bad economic management come more clearly to the fore across the region.
- Supplier risks consequent on commodity price increases should be monitored carefully.
- Terms offered should reflect country risk, and whether customers are in an economically-sensitive sector, likely to lead the business cycle in a downturn, or a more resilient sector.
- Shippers should go on current evidence rather than reputation in managing credit risks.

*Inflation concerns have begun to replace asset-bubble fears*

*The region holds rich promise but inflation could trigger balance of payments problems*

*Energy prices should remain under control but food prices are less predictable*

*Capital inflows will continue but become more discriminating*

*Supplier as well as credit risks will need to be managed in line with country-specific factors*

# Middle East and North Africa

## Risk Insights

- The economic outlook is strong for the hydrocarbon economies as oil revenues rise and governments implement vast investment programmes.
- Political and commercial risks will be particularly significant in Algeria, Egypt, Iran, Iraq, Lebanon, Libya, Tunisia and Yemen.
- Payment risks will gradually decrease across the board, owing to recovering profitability and easing credit conditions.
- **Deteriorating:** Algeria, Egypt, Lebanon, Libya, Tunisia, Yemen.
- **Improving:** Israel, Morocco, Qatar, Saudi Arabia, UAE.

## Outlook

The economic outlook for 2011 is upbeat, as we expect real GDP growth in the region to come in at 4.5%, only slightly below our estimate of 5.0% in 2010. Vast investment programmes in oil-producing countries (e.g. Libya, Qatar and Saudi Arabia) will be the main driver of growth; in particular, the non-hydrocarbon sectors will benefit from increased public spending. Likewise, we anticipate that the petroleum industry will also record increasing earnings. That said, lingering real estate and financial instability will continue to sap growth prospects in Kuwait and the UAE; and sluggish exports, FDI, remittance and tourism inflows are likely to soften the pace of the economic recovery in oil-poor economies, such as Lebanon and Morocco.

Worryingly, we anticipate that risks stemming from deteriorating political, security and commercial environments will remain critical. Terrorist attacks, spontaneous riots, political instability and sectarian violence are liable to pose a threat to foreign businesses in Egypt, Iran, Iraq, Lebanon, Tunisia and Yemen. Moreover, commercial risks will remain very high in Algeria and Libya.

## Implications

- Business activity in the hydrocarbon industry will rise strongly due to robust oil prices.
- Construction and service companies in oil-rich countries will benefit greatly from increased public infrastructure spending.
- In export-oriented economies, low value-added sectors (such as agri-food, textile and tourism) will record sluggish growth rates owing to weak foreign demand and competitiveness.
- Overall, recovering business profits, low interest rates and improving credit conditions will ease pressure on operating cash-flow, thus gradually reducing payment risks.
- Growth prospects will remain sluggish in Kuwait and the UAE as local households, companies and banks continue to clean up their balance sheets.
- A potential property price bubble could threaten financial and economic stability in Israel.
- In Iran, tightening international sanctions will undermine the economic outlook and expected returns from trade and investment.
- Uncertainty about the future and stability of Tunisia and Egypt will be significant.

## Recommendations

- We recommend the adoption of more flexible trade terms when dealing with companies active in the hydrocarbon, construction and service sectors.
- Stricter terms are advisable for counterparties in the agri-food, textile and tourism sectors.
- Companies dealing with firms based in Algeria, Egypt, Iran, Iraq, Libya, Tunisia and Yemen should exercise extreme caution, owing to the weak and/or deteriorating political and commercial risk outlook.
- In view of international sanctions targeting a number of companies and the financial sector, we advise customers to remain vigilant towards companies with ties to Iran.

*Growth prospects are strong, particularly for the hydrocarbon-based economies*

*Political and commercial risks will remain high*

*Business activity will expand strongly in the hydrocarbon, construction and service sectors*

*Payment risks will slowly decline*

*Stricter trade terms are advisable for companies in the agri-food, textile and tourism sectors*

*Companies should be vigilant towards counterparties with ties to Iran*

# Sub-Saharan Africa

## Risk Insights

- Rising commodity receipts will create multiplier effects in resource-rich countries such as Angola, and help to ease payment risks.
- The strong currency in South Africa will have negative consequences for the non-mining export sector.
- Security and political risks will be high in Cote d'Ivoire, Nigeria and Sudan.
- **Deteriorating:** Cote d'Ivoire, Uganda, Sudan.
- **Improving:** Angola, Botswana, Ghana.

## Outlook

Sub-Saharan Africa will continue on its upward growth trajectory in 2011-12, as strong demand from resource-intensive markets such as China and India (despite the threat of monetary tightening) should help to boost developments in the region. In particular, rising commodity prices will increase FX earnings and thus strengthen the balance sheets of export-oriented firms; this is particularly the case in major oil- and gold-producing countries including Angola, Nigeria, Ghana, Tanzania and South Africa.

On the downside, the rise in commodity prices will re-ignite labour disputes in mining-rich countries, such as Zambia and South Africa (the latter country's non-mining export sector will also suffer because of its strong currency, driven in part by robust gold receipts). At the same time, the recent rally in commodity prices could prompt governments to raise royalties/taxes in the extractive industry, as well as increase inflationary pressures (thus posing downside risks to the region's recovery). Meanwhile, heightened security concerns and political risks in the region will continue to act as barriers to attracting substantial investment; this is particularly true in Cote d'Ivoire, Nigeria, Sudan and Zimbabwe. Political risks will also rise in Cameroon, Uganda and Zambia ahead of their upcoming elections.

## Implications

- Payments risks will ease as strong commodity receipts improve firms' operating cash flow (particularly in Angola, which owes significant arrears to Brazilian and Portuguese construction companies). That said, falling spare capacity in the region will lead to upward price pressures, which may prompt monetary authorities to exit from their broadly accommodative monetary policy stance and raise interest rates. This will undermine improvements in corporate balance sheets (via higher debt servicing costs) and discourage private sector investment.
- Rising oil/food prices will create instability in vulnerable countries (e.g. Mozambique).
- Higher capital inflows will exert upward pressure on local currencies and undermine the export competitiveness of some tradeable goods (especially in South Africa).
- The ongoing political crisis in the world's major cocoa producer, Cote d'Ivoire, will increase supply constraints, although this will also sustain high prices and benefit other cocoa-producing countries such as Ghana.
- Despite progress on the implementation of the potential north-south division of Sudan, the north faces a difficult period, particularly given its economic dependence on oil deposits located in the south.

## Recommendations

- Businesses operating in major food-importing countries (e.g. Angola, Nigeria and Mozambique) should monitor inflation trends in such countries and limit their exposure to higher production costs.
- Export-oriented companies that are susceptible to the volatility of the South African rand should consider hedging strategies to limit any adverse impact.
- Companies are advised to take out adequate security and insurance cover against potential food-related unrest in vulnerable countries.
- Rising food prices could increase food subsidies and possibly lead to the re-allocation of government resources, which could weaken prospects for foreign companies that rely heavily on state procurement.

*Strong emerging-market demand will help to support sub-Saharan Africa's recovery...*

*...but the rise in commodity prices poses a number of downside risks to the region*

*Rising inflationary pressures will undermine recent improvements in firms' balance sheets*

*The rising cost of living could re-ignite social unrest, while the political crisis in Cote d'Ivoire will sustain high cocoa prices*

*Companies should hedge against exchange rate fluctuation and take out adequate insurance cover*

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### Additional Resources

The information contained in this publication was correct at the time of going to press. For the most up-to-date information on any country covered here, refer to D&B's monthly *International Risk & Payment Review*. For comprehensive, in-depth coverage, refer to the relevant country's Full Country Report.

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