  

SLECIC

Quarterly Risk Outlook

Sri Lanka Export Credit Insurance Corporation

Kazakhstan - Kazakhstan's Economy is set to experience a moderate

Kazakhstan, a central Asian country and former Soviet republic, extends from the Caspian Sea in the west to the Altai Mountains at its eastern border with China and Russia. Its largest metropolis, Almaty, is a long- standing trading hub whose landmarks include Ascension Cathedral, a tsarist-era Russian Orthodox Church, and the Central State of Kazakhstan, displaying thousands of Kazakh artifacts.

The real GDP forecast to rise by 3.5 percent in 2023 and 4 % in 2024, propelled by the hydrocarbons sector, as oil production increases. According to the IMF estimates, Kazakhstan is expected to witness a notable decline in inflation in the coming years. While the projected inflation rate for 2023 stands at 15%, the current year –on-year inflation is reported at 11.8%. Looking ahead IMF forecast a substantial reduction in inflation to 9% by 2024.

Growth in production was broad-based, including mining and machinery manufacture, basic metals, and chemical products. The unemployment rate declined slightly to 4.7% in Q2 2023, from 4.9% in 2022. Economic growth and an above-inflation increase in minimum wages drove up real wages by 1.2% in Q2.

Following Kazakhstan's economic growth of 4.8% in 2023, an acceleration in GDP growth rates to 5% is anticipated for 2024, further bolstered by high investment activity. The expected decrease in interest rates is poised to provide an additional impetus to economic growth. In the medium term, structural transformations are set to improve the quality of economic growth by expanding opportunities in manufacturing and services. Economic diversification creates prerequisites for an anticipated acceleration in 2025 and 2026, positioning Kazakhstan as a leader among EAEU member countries in terms of economic growth rates.

Uganda – Rebounded Economy

Uganda's economy has rebounded strongly, with all three sectors (Agriculture, Industry & services) weathering recent successive shocks to put growth in gross domestic product (GDP) to 5.3% during FY23 compared to 4.7% the year before. The economy of Uganda has a great potential and appears for rapid growth and development. Uganda is endowed with significant natural resources, including ample fertile land, regular rainfall, and mineral deposits. $ 36.484 billion (nominal, 2020 est.)

Accelerated growth may reduce poverty (measured at the $2.15/day international poverty line) from 41.7% in 2023 to 40.7% by 2025. But because households have limited adaptive capacity, the pace of poverty reduction will ultimately depend on how food access and affordability evolve, and on the incidence of weather and any environmental shocks.

Annual GDP will have accelerated so far in H2 2023. Economic activity expanded at a stronger 6.9% year on year in Q3 (Q2 +5.2% yoy) , marking the best result since Q2 2021. The private sector PMI remained in expansionary territory in Q3- despite easing slightly from Q2's average. Forecast In 2024, growth will pick up to 6.0% as easing monetary conditions stimulate domestic economic activity, with fixed investment growth remaining particularly strong.

Uganda's economic growth is expected to accelerate to above 6% per year in the medium term as BOU eases monetary policy and the government relies mainly on revenue collection and spending efficiencies to cut the deficit. The recovery in tourism – combined with the government's export diversification and agro-industrialization effort – plus investments to support export of crude oil will boost growth further. Nonetheless, the disruptions in global financial conditions and increasingly volatile weather remain major downward risks.

Ahead of a possible transition into an oil producer in 2025, the Ugandan economy needs to structurally transform and shift labor into more productive employment to reinvigorate economic activity and reduce poverty. The private sector must drive this transformation and diversification. Uganda's growth model of debt-financed public spending—which has emphasized physical infrastructure—has crowded out private sector investment and is not sustainable. A more appropriate role for the state is to build human capital, facilitate private investment and job creation, and pursue measures to reduce inequality and strengthen resilience. The prospects for the shift to private sector-led growth depend on macroeconomic stability, more efficient and effective public spending, increased government support for the most vulnerable, and the uptake of digital and other innovative technologies.

Kingdom of Bahrain – Bahrain is becoming more open and transparent

With a Human Development Index (HDI) of 0.875, Bahrain counts as one of the high developed economies by UN definition. With an average annual income of 27,180 USD Bahrain is one of the high-income countries. Even considering purchasing power parity, it is still among the 20 richest countries in the world. Bahrain's economic outlook hangs on oil market prospects and the accelerated implementation of structural reforms. Growth is estimated to moderate to 2.8% in 2023. Capped by a soft performance of the oil sector while the non-oil sector remains the key driver for growth.

Bahrain's economic freedom score is 62.5, making its economy the 68th freest in the 2023 Index. It's score is 0.5 point better than last year. Bahrain is ranked 4th among 14 countries in the Middle East and North African region, and its overall score is above the regional and world averages. Bahrain is becoming more open and transparent. It performs quite well in many of the four pillars of economic freedom. Despite the challenging environment. Bahrain continues to be a financial hub for dynamic economic activity. Its openness to global commerce is sustained by a competitive and efficient regulatory environment.

The trade-weighted average tariff rate is 5.4 percent, and nontariff measures are in force. The overall investment framework is generally positive and has remained transparent. Foreign domestic investors have access to a wide range of financial services.

Bahrain's energy strategy focuses on achieving carbon neutrality with help from Masdar, Abu Dhabi's clean energy giant. Having restored ties, Bahrain and Qatar have revived plans for a road and rail bridge between the two countries. Initiatives by the Gulf Co-operation Council will continue to boost regional economic integration.

Public debt will average more than 100% of GDP in 2024-28, burdening the public purse as interest rates rise. A large number of mega-projects are being offered for tender and will get under way over the forecast period. These include the Bahrain Metro project. Work on the Bahrain Marina, which will eventually boost tourism, will get under way this year.

Argentina - Rising Inflation

Argentina is bordered by the Andes Mountains and Chile to the west to the east of the Andes, the interior of the country is flat, fertile grassland called the Pampas. The eastern border of the country is the Atlantic Ocean. Bolivia is to the northwest and Paraguay is to the north.

The economy of Argentina is the second-largest national economy in South America, behind Brazil. Argentina is a developing country with a highly literate. Argentina, officially the Argentina Republic, is a country in the southern half of South America. Argentina covers an area of 2,780,400 km^2 , making it the second – largest country in South America after Brazil, the fourth- largest country in the Americas, and the eighth-largest country in the world.

Argentina is facing the challenge of rising inflation and high interest rates, which are likely to decrease household disposable incomes and hinder private consumption. Moreover, the country's economic activity may be limited due to high debt levels, strict import regulations, and low foreign reserves, as the Argentine peso is expected to depreciate significantly. As a result, the growth of Argentina's GDP in 2023 remained stagnant, as compared to the robust 5.1 % growth achieved in 2022.

Country's economic growth slowed, and financial reserves eroded due to the continuous depreciation of the domestic currency in 2022. The Argentinean peso depreciated by 37.6% in 2022 and Argentina has been having pretty much the same crisis over and over again for the past, we could say decades, but let's stick to the last 10 years or so. And within that period, every time the economy falls into trouble, it never quite gets out of trouble. So you know, the problems kind of accumulate to a point where eventually this was gonna happen anyway. Interest rates at 97%, inflation over 100%. Country grapples with a spiraling economic crisis – inflation there is the third-highest in the world, behind only Venezuela and Lebanon.

Mauritius – Most Emerging Country in African Region

Mauritius is a stable and prosperous Indian Ocean archipelago. The Island has built up a strong outsourcing and financial services sector, as well as an important tourism industry, and now boasts one of Africa's highest per capita incomes. Mauritius' mixed developing economy is based on agriculture, especially sugar cane, financial services, and tourism. The port facilities in Port Louis handle most of the country's exports. Measured by GDP per capita, Mauritius is one of the wealthiest countries in Africa, only surpassed by Equatorial Guinea and the Seychelles.

Tourism is an important economic sector for Mauritius. The economy is projected to grow in 4.2% in 2024 thanks to tourism. Inflation is projected to 5.5% in 2024. The trade deficit is also projected to fall to 5.1% in 2024.

Mauritius's economic freedom score is 70.6. Mauritius is ranked 1st out of 47 countries in the Sub Sahara African region, and its overall score is well above the world average. With a continued commitment to structural reforms and policies that promote integration into the global marketplace, Mauritius has become a leader in economic freedom. A sound and transparent legal framework strongly upholds the rule of law, and the country's efficient regulatory environment and open-market policies en courage broad-based and diversified economic development.

Thus, in the coming decades Mauritius will face major new challenges and it will increasingly have to face them alone. In the past, Mauritius has been the recipient of substantial amounts of international development aid. The money has been well spent and produced good results, making the country a showcase for what can be achieved. Its very success in the past means that Mauritius is now no longer one of the country's poor enough to claim priority for international assistance. Indeed, if rapid growth continues, the time will eventually come when Mauritius becomes prosperous enough to join the ranks of the donor countries, helping in its turn other countries to achieve faster development. Accordingly, in the future, Mauritius will face a steady decline in official aid and will need to make further progress by its own efforts, paying for any inputs from abroad on normal commercial terms.

Bangladesh – Emerging South Asian country

Bangladesh (officially called People's Republic of Bangladesh) is a country in South Asia. Its strategic location between the emergent South and Southeast Asian markets and its large workforce were reasons for U.S. companies to invest. Bangladesh received USD 3.44 billion in foreign direct investment in FY 2021-2022, according to Bangladesh central bank. China has become the largest foreign direct investment (FDI) source of Bangladesh in terms of the gross flow of $ 940 million for FY22. The secret behind the huge investments is it has been experiencing steady economic growth in recent years, and the country offers various investment opportunities in sectors such as textiles and garments, agricultures, manufacturing, information technology, and infrastructure development.

Bangladesh is likely to see a decline in inflation to 6.8% in 2024. The world-bank estimated the GDP growth would be 5.6 % in 2024.Bangladesh received USD 3.44 billion in foreign direct investment in FY 2021-2022, according to Bangladesh Central bank. FDI in Bangladesh rose by 20.2% to $3.48 billion in 2022, the second highest in the country's history, according to Unctad's World Investment Report 2023. In the calendar year of 2023, Bangladesh has attracted foreign investments totaling US $ 900 million.

Foreign direct investment (FDI) is a potent weapon of developing the Bangladesh economy and can play an important role in achieving the country's socio-economic objectives including poverty reduction goals. In a capital-poor country like Bangladesh, FDI can emerge as a significant vehicle to build up physical capital, create employment opportunities, develop productive capacity, enhance skills of local labor through transfer of technology and managerial know-how, and help integrate the domestic economy with the global economy.

This policy note provides an assessment of the current situation of FDI in Bangladesh and examines its impact on the country's balance of payments. Current Situation of FDI in Bangladesh Since the last decade, there has been a considerable change in global flows of trade and finance including a surge in FDI. Despite being a recent phenomenon, several underlying factors have contributed to increasing the FDI inflow in Bangladesh, such as trade and exchange liberalization, current account convertibility, emphasis on private sector led development, liberalization of the investment regime, opening up of infrastructure and services to the private sector-both domestic and foreign, and above all the interest of foreign investors in energy and telecommunication sector. It is argued that more open trade policies are associated with the presence of foreign firms and economy-wide technological and productivity gains in developing countries like Bangladesh. And also the country's political stability also enhances the growth of the Bangladesh economy.