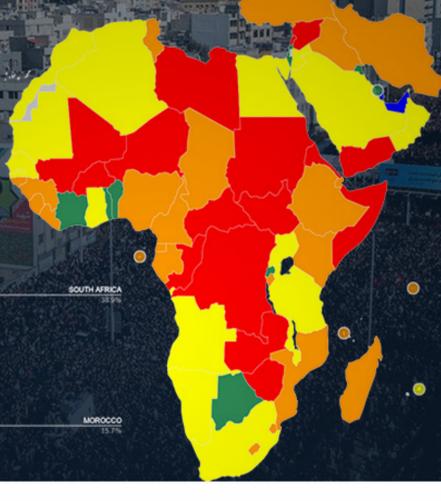
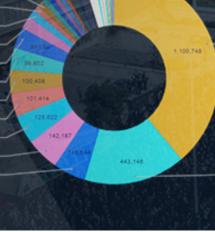


Cumulative Infections Per Country
NOVEL CORONAVIRUS (COVID-19)

NAMIBIA	0.9%
CAMEROON	0.9%
UGANDA	1.3%
GHANA	1.9%
NIGERIA	3.2%
KENYA	3.4%
ALGERIA	3.5%
LIBYA	3.6%
ETHIOPIA	4.4%
EGYPT	5.0%
TUNISIA	5.1%



SPECIAL REPORT:

05 January 2021

COUNTRY RISK 'WINNERS' AND 'LOSERS' FOR 2021

In the coming year, Sudan is likely to make the most significant improvement to its country risk outlook following several recent developments, while Egypt and Iran are also set to make important headway in 2021. However, previous investment favourites Ethiopia and Zambia, alongside Turkey, will see substantial deterioration in their country risk outlook this year. PANGEA-RISK assesses the key drivers of risk in Africa and the Middle East for the year ahead.

Since 2015, PANGEA-RISK (legacy EXX Africa) has selected a set of countries where we expect to see the greatest improvement in the country risk outlook over the course of the coming year. Our 2020 forecast was waylaid by the pandemic and subsequent global economic crisis. However, based on several key risk indicators, we are more confident of an accurate selection of country winners and losers for 2021.

This year, Africa and the Middle East will face similar challenges as the fight against the pandemic rages on and competition for access to a vaccine heats up. Many economies face weak growth, foreign exchange shortages, and a newly accumulated debt pile that has already resulted in multiple sovereign defaults in both regions. Protests over socio-economic grievances are turning political as pressure mounts on governments to improve service delivery and curb corruption. Yet there is a more optimistic outlook for many countries that have maintained sound fiscal and monetary policy, sought financial assistance from multilateral institutions, and pursued economic diversification well before the pandemic.

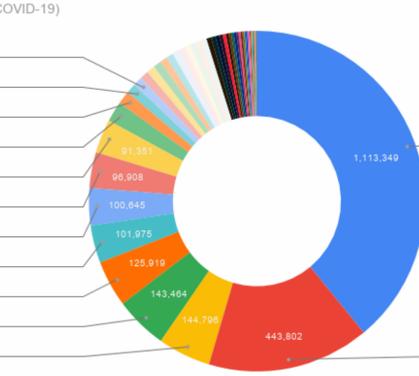
PANGEA-RISK identifies some of the key risk trends to watch in 2021 and presents our latest risk ratings for Africa and the Middle East, before presenting our selection of "winners and losers" for 2021.

FIVE RISK TRENDS TO WATCH IN AFRICA IN 2021:

1. The coronavirus pandemic: Southern and North Africa are already experiencing a second wave of COVID-19, while densely populated parts of East and West Africa are not far behind in their trajectory. In some countries like South Africa and Morocco, which remain the worst affected by the virus, there are already fears of a third wave of infections later this year. Over the past two weeks, Turkey alone recorded a quarter of a million new infections, while Iran is also in the middle of a third wave. Governments in Africa and the Middle East are readying for more lockdowns and restrictions, which will continue to hamper growth and limit movement of people and goods. The trajectory of the pandemic will remain the primary indicator of country risk for 2021 (for more on the virus trajectory in Africa, see the PANGEA-RISK CORONAVIRUS DATA DASHBOARD which has been free to access since March 2020).

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TUNISIA	5.1%



SOUTH AFRICA
39.0%

MOROCCO
15.6%

2. Equitable vaccine distribution: The first COVID-19 vaccine rollouts have prompted expectations of an impending return to "normality." However, as low- and middle-income countries struggle to secure access to vaccines, the prospects for a vaccine-driven economic recovery in Africa and parts of the Middle East remain distant. Moreover, supply chain issues and vaccine hesitancy remain prominent challenges. Given the range of variables and uncertainties involved in estimating the timeline of a vaccine roll-out across these regions, the prospects for a post-vaccine economic recovery remain unclear. Much depends on the success of co-operative funding mechanisms, and whether technological and manufacturing expertise is more widely shared (for more on equitable vaccine distribution see COVID-19 & AFRICA: CHALLENGES TO EQUITABLE VACCINE DISTRIBUTION).

3. Elections in 2021: As in 2020, Africa will host several important elections in 2021, starting off with tense votes in Uganda, Niger, and Chad early in the year, and then followed by highly anticipated ballots in Ethiopia, Zambia, and Republic of Congo. African elections remain key triggers for political instability and drivers of insecurity and can prove to be important bellwethers for support of incumbents, such as the slated South African municipal elections. Some elections may be cancelled or postponed, such as upcoming votes in Somalia and Ethiopia, which would further destabilise already fragile risk outlooks in these countries. In the Middle East, the primary ballots to watch in 2021 will be the Iranian presidential election and yet another round of general elections in Israel.

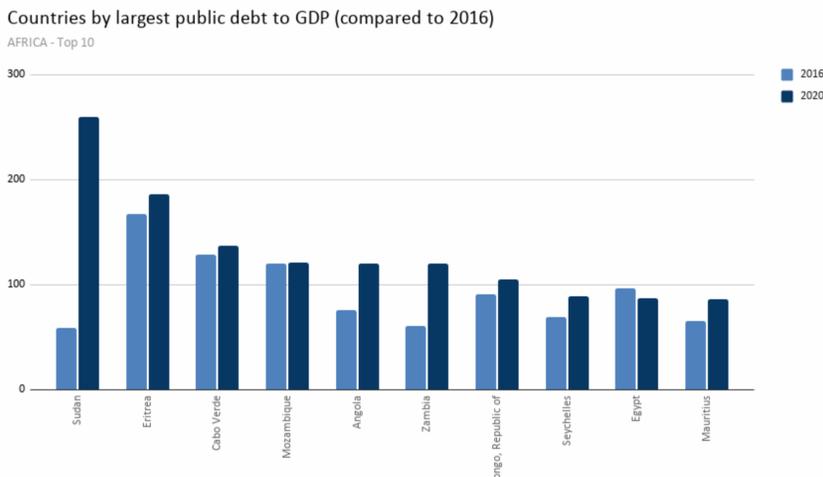
ELECTIONS IN AFRICA AND THE MIDDLE EAST IN 2021



4. Debt accumulation: Debt crises in Zambia and Lebanon provide a warning for other developing countries in Africa and the Middle East. The IMF estimates that Africa faces USD 12 trillion in financing needs over the next three years, while the ongoing IMF and World Bank Debt Service Suspension Initiative has provided a comparatively meagre USD 5 billion in debt service suspension since May 2020. Distressed African sovereigns such as Angola, Kenya, Gabon, Chad, Republic of Congo, and Namibia may soon join the ranks of Zambia as they struggle to service their debt. Middle Eastern countries are also on a borrowing binge to cope with low oil prices and long-term weak growth, while facing demands for higher spending from citizens. The six members of the Gulf Co-operation Council issued a record USD 100 billion in public and corporate debt in the first ten months of 2020. More debt distress and potential defaults are expected this year.

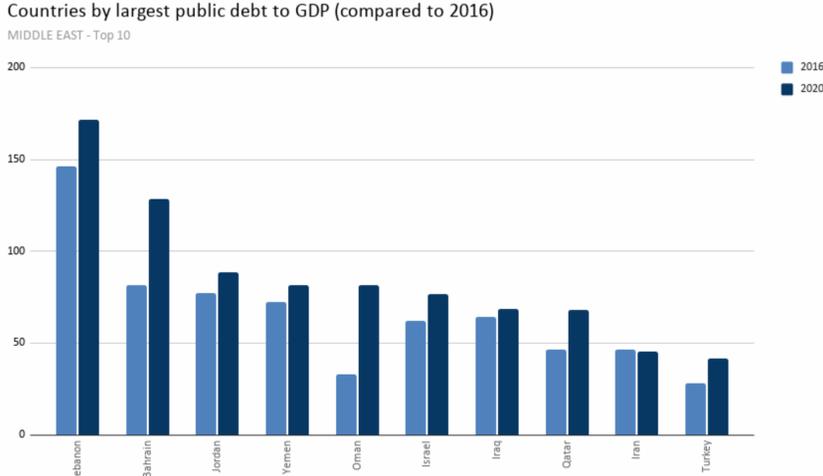
Countries by largest public debt to GDP (compared to 2016)

AFRICA - Top 10



Countries by largest public debt to GDP (compared to 2016)

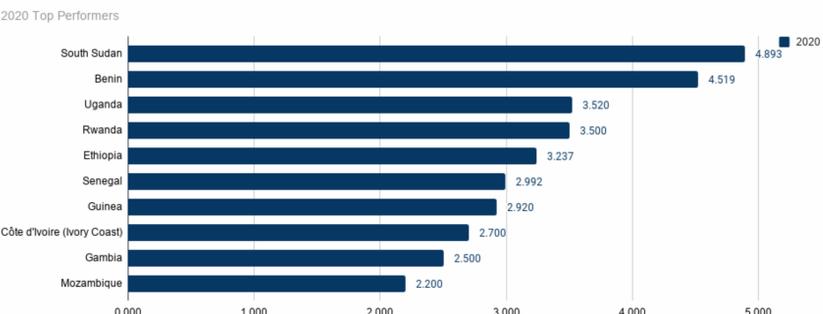
MIDDLE EAST - Top 10



5. African free trade: On 1 January 2021, the African Continental Free Trade Area (AfCFTA) came into force and African countries began officially trading under the new continent-wide free trade area after months of delays due to the pandemic. The free trade area is expected to boost economic recoveries for Africa from this year, and the World Bank estimates it could lift tens of millions out of poverty by 2035. Despite entrenched protectionism in some states and other obstacles such as poor infrastructure, the AfCFTA has been given new impetus by the pandemic. Full implementation of the deal may take several years, but initial steps towards its implementation may allow member states to double intra-African trade by 2025. PANGEA-RISK published a report on the AfCFTA in 2020 and an update is due shortly (see SPECIAL REPORT: SIX MONTH COUNTDOWN TO AFRICAN FREE TRADE).

Africa Real GDP Growth

2020 Top Performers

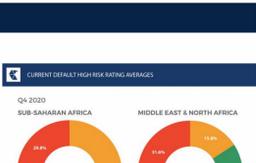


PANGEA-RISK PUBLISHES ITS LATEST AFRICA AND MIDDLE EAST RISK RATINGS

PANGEA-RISK has developed a unique risk scoring system for 68 African and Middle East countries that allows users to compare ten individual risk perils for each country representing the macro political, economic, and security environment over a forecasted one-year outlook. These individual perils form the basis of our overall country risk ratings. Our risk methodology combines both a qualitative and a quantitative approach to assessing risk and is influenced by international best practice, such as the United Nations Security Risk Management Process, European Interagency Security Forum, and the World Economic Forum.

Since the last quarter of 2020, we have updated our risk scores and the latest ratings for 2021 reflect a sense of renewed optimism in some African and Middle East countries as they seek to recover from the pandemic-induced economic crisis and to improve political stability. The total country risk scores are calculated on the basis of a Default High Risk Score (preferred methodology used in PANGEA-RISK's modelling), a Normal Average, and a Weighted Average based on our own dilution factor (for more information on our risk scores see RISK SCORES).

CURRENT DEFAULT HIGH RISK RATING AVERAGES



Q1 2021 SUB-SAHARAN AFRICA



Q1 2021 MIDDLE EAST & NORTH AFRICA



CURRENT RISK RATING BY DEFAULT HIGH RISK SCORE



RISK RATING BY NORMAL AVERAGE



RISK RATING BY WEIGHTED AVERAGE



PANGEA-RISK SELECTS THE TOP WINNERS AND LOSERS - INVESTMENT PICKS FOR 2021

Every year, PANGEA-RISK selects its favourite destinations for investment based on commercial interest among our clients, local source intelligence, and perceptible improvement in our proprietary country risk forecasting ratings. The selection showcases some of our key risk forecasts for the year ahead and flags potential new investment and trade opportunities. We also identify those countries where we expect a significant deterioration in the business climate based on the same political, security, and economic indicators of risk. This year, we also include the Middle East in our selection.

TOP THREE WINNERS FOR 2021



1. Sudan: The long-marginalised country enters the new year on a wave of optimism, and it is our firm pick for country risk improvement in 2021. The transitional government has clinched a remarkable peace deal with long-marginalised non-Arab armed groups who will now seek to enter the political process ahead of elections in 2022. Last year, Sudan became the third Arab state to publicly agree to establish ties with Israel, while Sudan will finally be taken off the US list of state sponsors of terror after 27 years. This development means that Sudan can now gain access to financing from international banks and institutions and is open for business from multinationals. However, the 2020 peace deal was the easy part, as holdout groups in western and southern regions still imperil security, while myriad local grievances and a weak economy threaten to derail implementation of the peace.



2. Egypt: Egypt is one of only three African economies in the Middle East and Central Asia that maintained positive GDP growth during the pandemic, and the only large African economy to do so in 2020. A steady growth outlook is expected over the next five years, inflation has eased, and all three global credit ratings agencies have given Egypt a stable outlook. While the finalisation in June of USD 5.2 billion in additional IMF funding has contributed to the shoring up of Egypt's remaining foreign exchange reserves in the short-term, the recovery of major foreign revenue streams will take some years. As a result, borrowing is likely to remain the primary pathway for propping up dwindling foreign exchange reserves. If economic growth proceeds at a much lower rate than expected and does not filter through to more vulnerable sectors, the threat of civil unrest will correspondingly increase.



3. Iran: The Islamic Republic is looking for the removal of sanctions and a return to the global economy in 2021. The incoming US administration has pledged to return to diplomacy on Iran, raising the possibility of the US re-joining the 2015 JCPOA 'Iran nuclear agreement'. In the first few months of his presidency, Biden is likely to reopen diplomatic channels and make some confidence-building gestures, such as lifting the travel ban on Iranians to the US and easing some nuclear-related sanctions or possibly facilitating the extension of an IMF package. However, even if sanctions on the Iranian oil industry are lifted, it will take some time for Iran to meaningfully re-enter the global oil market, as its traditional customers have already shifted to other oil suppliers. Without major and comprehensive economic reforms, the Iranian economy will remain under significant pressure over the coming crucial election year.

THREE MAIN LOSERS FOR 2021



1. Ethiopia: As a result of the military offensive in the northern region of Tigray in late 2020, a weakened Ethiopia will now have to deal with a Tigray insurgency that has a capability to stage attacks in Addis Ababa, as well as emboldened neighbours in its various regional districts where international support has ebbed from Ethiopia. Beyond the immediate political, diplomatic, and security implications, Ethiopia has suffered substantial damage to its economy and investor reputation. New inflows of foreign exchange are desperately needed and were meant to be channelled through privatisations of state-owned entities like Ethio Telecom. The Ethiopian economy, which has been hit hard by the global pandemic, faces increased inflationary pressures. This follows increased printing of currency to finance the country's budget deficit. Both the World Bank and IMF have now downgraded the country's forecasted annual growth. The economy may even fall into recession in 2021.



2. Zambia: In late 2020, Zambia missed a Eurobond interest payment causing it to fall into default. Its finance ministry has consistently prioritised repayment of concessional loans and restructuring of Chinese debt over servicing of commercial loans and bonds, as the country faces a critical debt repayment crisis. IMF support is not guaranteed, and debt restructuring may take years. Questionable fiscal policy - characterised by excess taxation on productive sectors such as mining - has undermined productivity, revenue, and exports. Meanwhile, nationalist economic policies continue to disincentivise investment. The government's weak response to the coronavirus amidst economic decline and rising public debt may come to taint President Edgar Lungu's presidency ahead of elections in 2021. Towards these elections, political and socio-economic protests will become more frequent in cities and industrial and mining areas. The government is already facing a backlash from donors over its repression of political freedoms ahead of these elections.



3. Turkey: Turkey's economic crisis is fast becoming unmanageable. The decision to start using up huge quantities of foreign currency to avoid raising interest rates have depleted forex reserves, which are in deeply negative territory, with some estimates putting them at minus USD 50 billion by late 2020. The gaping deficit is thanks largely to a failed currency intervention that has cost an estimated USD 140 billion over the past two years. A reshuffle of the central bank governor and finance minister in late 2020 have raised hopes for a new economic growth strategy based on low inflation, stability, and international investment. Yet massive corruption, partisan distribution of resources, and wasteful spending, particularly on grand infrastructure projects, remain major threats to economic stability into 2021.