

# Country Risk Service

## Sovereign risk ratings and analysis for 131 countries

Now, more than ever, financial institutions and companies require authoritative and trusted assessments of credit risk to pursue profitable opportunities in difficult markets. In addition, banks need to upgrade their risk management systems to comply with the evolving Basel regulations governing capital adequacy and liquidity.

Country Risk Service monitors emerging and developed markets on a continuous basis, with updated two-year forecasts for the economic variables that are most important for risk assessment. Data is presented in a consistent format across all reports making country-by-country comparisons easy. Subscribers also receive frequently published articles on recent events that may impact our forecasts.

Key risk indicators

(% unless otherwise indicated)	Argentina	Median of G20 total	Median of Latin America	Median of emerging markets
Export of goods except (oil & gas) / Total goods exports	12.8	24.0	15.4	15.2
Export of goods / GDP	46.7	53.4	38.9	40.2
Import of goods / GDP	26.7	22.0	20.2	20.4
Current & capital exports / Total gross external debt	17.8	0.9	6.5	6.8
Net external public receipts	10.4	11.9	14.7	11.6
Foreign direct investment / GDP (net of public debt / GDP ratio)	-0.1	-1.1	-0.4	-0.3
Foreign portfolio investment / Total external debt	22.9	23.4	22.7	21.8
Foreign portfolio investment / Total FDI & portfolio	-12.8	-10.4	2.8	2.4
Bank credit to private sector / GDP (change over last 12 months)	-12.8	-4.4	-8.3	-10.2
Bank credit to private sector / GDP (percentage point)	9.4	1.8	3.8	2.0
Real market foreign debt (in months)	86.2	-0.7	24.4	28.1
<b>Over last 12 months</b>				
Average real annual growth rate	0.0	1.8	1.1	0.4
Real inflation / GDP	0.2	-4.0	-2.8	-1.7
Current payments on public debt / government revenue	9.8	2.0	6.5	6.2
GDP growth	0.5	1.8	1.1	0.2
Government borrowing / GDP	-0.5	-0.8	-1.1	-1.0
Government revenue	22.8	22.0	21.2	21.4
Current debt exports	1.7	2.3	3.4	2.7
Average (total) current / government revenue	1.7	1.8	4.3	3.8
Bank credit to private sector / government revenue	1.8	0.5	4.4	4.5
Change in bank credit to private sector	10.8	11.8	15.0	11.4
<b>Over last 18 months</b>				
Average (total) current / government revenue	0.1	-0.8	-2.8	-2.0
Average GDP growth	0.0	1.0	0.4	-0.7
Average inflation rate	20.4	4.2	9.1	4.8
Change in real trade-weighted average rate	17.2	1.4	9.1	8.2



### Use Country Risk Service to:

- Assess sovereign, currency, and banking sector risk in 131 markets.
- Analyse credit risks posed by the political and economic situation in each country.
- Compare risk across countries, using a standardised risk and forecasting methodology.
- Assess the risks to your business, with up to 220 macroeconomic variables provided in each report.
- Download, manipulate, and analyse data in your own financial and risk-rating models.
- Optimize your risk/reward profile in global markets with the help of rating outlooks citing triggers for rating upgrades and downgrades.

EIU Country Risk analysts, country experts, and economists are on hand to answer your questions about the risk ratings model and sovereign risk.

# What does a Country Risk Service report contain?

Each Country Risk Service report includes a one-page summary covering the five main rating categories (sovereign, currency, banking, politics and economic structure). Analysis and explanation of the ratings, including any grade changes, positive and negative factors, and the ratings outlook over the next twelve months.

- **Sovereign risk analysis:** assessing the risk of default on public (domestic and external) debt.
- **Currency risk analysis:** assessing the risk of a maxi devaluation.
- **Banking risk analysis:** assessing the risk of a systemic banking crisis.
- **Political risk analysis** (as it relates to credit risk)
- **Economic structure risk** (encompassing indicators of a structural, non-cyclical nature)
- **Our central forecast** for the political, economic, and external payments situation over the next two-year period.
- **Data tables** containing back series and forecasts for a wide range of macroeconomic data relevant to risk assessment, encompassing the public finances, exchange rates, the banking sector, and the external payments position.

\* The sovereign ratings produced by The EIU are regulated under EU law by The European Securities and Markets Authority (ESMA). For more information visit [eiu.com/regulatory-affairs](http://eiu.com/regulatory-affairs)

Ongoing analysis and updates to our forecast are provided by means of event-driven articles published regularly for each country.

Credit risk  
**Generic risks**  
July 12th 2010

The assessment of political risk and economic structure risk informs our assessment of sovereign risk, currency risk and banking sector risk.

**Political risk assessment**  
Rating: B

The political risk rating is dominated by a history of weak commitment to honoring public debt obligations. The Economist Intelligence Unit currently assumes that the present government, led by the president, Cristina Fernández de Kirchner, will remain committed to honoring its debt obligations, if only because default would have disastrous economic and thus political consequences. However, the government has shown a strong commitment to expansionary macroeconomic policies to foster its political support, despite the significant economic imbalances. These have created, combined with the government's heterodox and somewhat authoritarian bent, these policies risk producing a loss of confidence and renewed capital flight, and keep commitment to pay off the risk of serious financing pressures in some doubt. More generally, weak institutions and political polarization heighten the risks to public stability. We continue to expect an orderly transfer of power after the October 2011 presidential election, but serious instability would hit the process of Argentinean assets and increase the threat of a new debt default.

**Economic structure risk assessment**  
Rating: D

The public financial structure remains weak, with a high level of debt to GDP. The public financial structure remains weak, with a high level of debt to GDP. The public financial structure remains weak, with a high level of debt to GDP.

Currency and finance  
**Public finances**  
September 30th 2010

	2006*	2007	2008*	2009*	2010*	2011*	2012*
<b>Percentages (% of GDP)</b>							
Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Expenditure	107.2	106.9	107.5	107.5	107.5	107.5	107.5
Balance	-7.2	-6.9	-7.5	-7.5	-7.5	-7.5	-7.5
Debt interest payments	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Money balance	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Public debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Percentages (% of GDP)</b>							
Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Expenditure	107.2	106.9	107.5	107.5	107.5	107.5	107.5
Balance	-7.2	-6.9	-7.5	-7.5	-7.5	-7.5	-7.5

Credit risk  
**Sovereign risk**  
July 12th 2010

July 2010: CCC

Download the Numbers in Excel

**Current assessment**

Argentina's underlying sovereign risk score has remained unchanged in the past quarter on the cusp of a B rating, with a high level of debt to GDP. The public financial structure remains weak, with a high level of debt to GDP. The public financial structure remains weak, with a high level of debt to GDP.

**Country Risk Service**

**Hungary**

**Hungary at a glance: 2010-11**

**OVERVIEW**  
The center-right Fidesz government led by Viktor Orbán won a landslide victory in the April parliamentary elections. At a crucial juncture, the new government will be able to pass or amend any legislation short of a two-thirds majority. The new government is expected to continue a course of fiscal prudence, although a failure to bridge differences with the IMF may damage the credibility of Hungary. The economy is forecast to grow modestly in 2010, although fiscal austerity measures will curtail domestic demand. Growth is likely to accelerate modestly in 2011 as domestic and external demand improves. However, the forecast is for a 4.4% in 2010, although relatively strong fiscal and monetary policy should allow inflation to fall to the medium-term target of 2% in 2010. The bank is expected to tighten only slightly against the rate in 2010 and more strongly in 2011, in the aftermath of the financial crisis. The current account is forecast to move into deficit in 2010 as business and consumer confidence slowly begins to recover.

**Key changes from last month**

**Political outlook**  
Hungary is considered to hold municipal elections in October and, following a successful showing in the polls, will be expected to win a governing majority in all but a few municipalities, further cementing its grip on power at local levels of politics.

**Economic policy outlook**  
Fidesz believes the government, the IMF and the EU in Hungary's medium-term economic policy must focus on strengthening its fiscal policy leading to the suspension of the country's debt to management. A managed to negotiations is likely to have to wait until after local elections to be held in October.

**Economic forecast**  
Industrial output is expected to experience a moderate recovery, particularly in terms of exports and services. GDP growth is expected to rise from 2.5% in 2009 to 4.4% in 2010, with a further increase to 5.5% in 2011. However, the Economist Intelligence Unit maintains its view that growth in domestic demand will remain poor for some time.

**August 2010**

Economist Intelligence Unit  
25 Red Lion Square  
London EC2A 4DF  
United Kingdom

## Country risk ratings explained:

Country Risk Service uses quantitative and qualitative indicators to assess six categories of risk.

- **Sovereign risk** measures the risk of a build-up in arrears of principal and/or interest on foreign- and/or local-currency debt that is the direct obligation of the sovereign or guaranteed by the sovereign.
- **Currency risk** measures the risk of devaluation against the reference currency (usually the US dollar, sometimes the euro) of 25% or more in nominal terms over the next 12-month period.
- **Banking sector risk** gauges the risk of a systemic crisis whereby bank(s) holding 10% or more of total bank assets become insolvent and unable to discharge their obligations to depositors and/or creditors.
- **Political risk** evaluates a range of political factors relating to political stability and effectiveness that could affect a country's ability and/or commitment to service its debt obligations and/or cause turbulence in the foreign-exchange market. This rating informs the first three.
- **Economic structure risk** is derived from a series of macroeconomic variables of a structural (non-cyclical) nature. Consequently, the rating for economic structure risk tends to be relatively stable, evolving in line with structural changes in the economy.
- **Overall country risk** is derived by taking a simple average of the scores for sovereign risk, currency risk, and banking sector risk.

## Which variables are included in the model?

### Politics/institutions

- External conflict
- Governability/social unrest
- Electoral cycle
- Orderly transfers
- Event risk
- Sovereignty risk
- Institutional effectiveness
- Corruption
- Corruption in the banking sector
- Commitment to pay

### Economic policy

- Quality of policymaking/policy mix
- Monetary stability
- Use of indirect instruments
- Real interest rates
- Fiscal balance/GDP
- Fiscal policy flexibility
- Transparency of public finances
- Domestic debt/primary budget balance
- Unfunded pension and healthcare liabilities
- Exchange-rate regime
- Black-market/dual exchange rate

### Economic structure

- Income level
- Official data (quality/timeliness)
- Current-account balance, 48 months
- Volatility of GDP growth
- Reliance on a single goods export
- External shock/contagion
- Public debt/GDP
- External solvency indicator
- Default history
- Financial regulation and supervision

### Macroeconomic

- Real OECD GDP growth
- Credit as % of GDP, growth
- Real GDP growth, 48 months
- Real GDP growth, 12 months
- Inflation, 48 months
- Inflation, direction
- Trade-weighted real exchange rate
- Exchange-rate misalignment
- Exchange-rate volatility
- Export receipts growth, 12 months
- Current-account balance, 12 months
- Asset price bubble

### Financing and liquidity

- Transfer and convertibility risk
- IMF programme
- International financial support
- Access to financing
- Gross financing requirement
- Debt-servicing indicator
- Interest charges indicator
- Debt tern structure
- Foreign exchange reserves/public debt currency structure
- Debt liquidity indicator
- FDI and external financing
- Import cover/government deposits as % of interest charges
- OECD short-term interest rates
- Non-performing loans
- Banks' credit management
- Banks' foreign asset position

\*report data tables show two-year forecasts. Five-year forecast data available using the Data Tool for certain series.

## Which countries are covered?

- Albania • Algeria • Angola • Argentina • Australia
- Austria • Azerbaijan • Bahrain • Bangladesh • Belarus
- Belgium • Bolivia • Bosnia and Herzegovina • Botswana
- Brazil • Bulgaria • Cambodia • Cameroon • Canada
- Chile • China • Colombia • Congo Brazzaville • Costa Rica
- Côte d'Ivoire • Croatia • Cuba • Cyprus • Czech Republic
- Denmark • Dominican Republic • DRC • Ecuador • Egypt
- El Salvador • Equatorial Guinea • Estonia • Ethiopia
- Finland • France • Gabon • Germany • Ghana • Greece
- Guatemala • Honduras • Hong Kong • Hungary • Iceland
- India • Indonesia • Iran • Iraq • Ireland • Israel • Italy
- Jamaica • Japan • Jordan • Kazakhstan • Kenya • Kuwait
- Latvia • Lebanon • Libya • Lithuania • Luxembourg
- Macedonia • Malawi • Malaysia • Malta • Mauritius
- Mexico • Moldova • Mongolia • Morocco • Mozambique
- Myanmar • Namibia • Netherlands • New Zealand
- Nicaragua • Nigeria • Norway • Oman • Pakistan
- Panama • Papua New Guinea • Paraguay • Peru
- Philippines • Poland • Portugal • Qatar • Romania
- Russia • Saudi Arabia • Senegal • Serbia • Seychelles
- Sierra Leone • Singapore • Slovakia • Slovenia
- South Africa • South Korea • Spain • Sri Lanka • Sudan
- Sweden • Switzerland • Syria • Taiwan • Tanzania
- Thailand • Trinidad and Tobago • Tunisia • Turkey
- Turkmenistan • Uganda • Ukraine • United Arab Emirates
- United Kingdom • Uruguay • US • Uzbekistan • Venezuela
- Vietnam • Yemen • Zambia

## How Country Risk Service compares with the ratings agencies

The CRS provides more regular updates than the large ratings agencies. We issue three new ratings on all 131 countries each year. These rating reports are supplemented with updater reports which detail any changes in our analysis and forecasts.

### Risk Ratings Review

Every month we publish a combined summary of risk ratings for all 131 countries covered in the standard service. The Risk Ratings Review helps you spot global trends and identify countries whose risk profiles are changing. The Risk Ratings Review is available for a separate fee.

Monthly updates	2019			2020		
	May	Apr	May	May	Apr	May
Algeria	BB	BB	BBB	BBB	A	BBB
Algeria	B	B	B	B	B	B
Argentina	CCC	CCC	CCC	CCC	B	B
Australia	AAA	AAA	AAA	AAA	AAA	AAA
Azerbaijan	BB	BB	BB	BB	BB	BB
Bahrain	BBB	BBB	BBB	BBB	BBB	BBB
Bangladesh	BB	BB	B	B	BB	B
Belarus	B	B	B	B	C	C
Belize and Belize	CCC	CCC	CCC	CCC	BBB	BBB
Bolivia	BBB	BBB	A	BBB	BBB	BBB
Brazil	BB	BB	BB	BB	BB	BB
Bulgaria	BB	BB	BB	BB	B	B
Canada	AAA	AAA	AAA	AAA	A	A
Cameroon	B	B	B	B	CCC	CCC
Chile	A	B	B	B	BBB	BBB
China	BBB	BBB	BBB	BBB	BB	BB
Colombia	BB	BB	BB	BB	B	B
Costa Rica	BB	BB	B	B	BBB	BBB
Côte d'Ivoire	BB	BB	B	B	B	B
Croatia	B	B	B	B	BB	BB
Cuba	CCC	CCC	CCC	CCC	A	A
Cyprus	BBB	BBB	BBB	BBB	BB	BB
Czech Republic	BB	BB	BBB	BBB	BB	BB
Dominican Republic	B	B	CCC	CCC	BBB	BBB
Ecuador	CCC	CCC	CCC	CCC	BBB	BBB
Egypt	BB	BB	BB	BB	B	B
El Salvador	BB	BB	BB	BB	CCC	CCC
Equatorial Guinea	BB	BB	BB	BB	B	B
Estonia	BB	BB	BB	BB	BBB	BBB
France	AAA	AAA	AAA	AAA	A	A
Germany	AAA	AAA	AAA	AAA	AAA	AAA

## Country Risk Service delivers:

- Three rating reports and nine updater reports a year for 76 markets.
- Three rating reports and one updater report a year for 52 markets.
- Frequent articles published between reports on recent events that may impact on our regular forecasts.

### Access options:

- Enterprise access via IP control or username at [eiu.com](http://eiu.com)

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