

Country Risk Service

Sovereign risk ratings and analysis for 128 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.

The screenshot displays the Argentina page on the Country Risk Service website. It features a navigation menu with tabs for Summary, Politics, Economy, Risk, Regulation, Business, Industry, Reports, and Data. The main content area is titled 'Argentina' and includes an 'Overview' section with a table of risk indicators. The table shows scores for various risk categories such as Sovereign risk, Currency risk, Banking sector risk, and Overall risk. A line chart at the bottom of the page tracks these risk scores over time from 2000 to 2014, showing fluctuations in the sovereign and banking sector risks, while the currency risk remains relatively stable.

Key risk indicators	Argentina	Median of CCC-rated	Median of Latin America	Median of emerging markets
(% unless otherwise indicated)				
Largest single goods export (2-digit SITC code)/total goods exports	12.9	24.0	30.6	33.2
Gross public debt/GDP	46.3	50.6	39.8	46.2
Gross external debt/GDP	24.7	33.0	30.3	36.4
Interest & principal arrears (if any)/gross external debt	17.8	0.3	0.3	0.0
Net external debt/exports	81.4	56.5	56.2	43.0
Primary fiscal balance/GDP required to stabilise public debt/GDP ratio	-0.1	-0.1	-0.4	-0.9
Foreign-exchange reserves/gross external financing requirement	80.9	82.0	88.7	87.9
Foreign-exchange reserves/external short-term debt	121.9	250.6	270.1	313.3
Foreign-exchange reserves (change over last 6 months)	-13.9	-0.4	2.9	2.4
Banks' net foreign assets position/total foreign assets (percentage points)	-12.9	-0.6	-5.3	10.2
Bank credit to private sector/GDP (change over last 18 months: percentage points)	5.4	1.8	3.8	2.9
Equity market (change over last 24 months)	94.2	-4.7	14.4	18.1
Over last 12 months				
Average real money-market interest rates	-5.9	1.5	1.3	0.6
Fiscal balance/GDP	-3.2	-4.4	-2.8	-2.7
Interest payments on public debt/government revenue	9.6	6.3	8.5	6.5
US export receipt growth	3.5	1.9	1.3	2.0
Current-account balance/GDP	-0.8	-6.0	-3.3	-2.5
Debt-service due/exports	10.8	8.0	11.9	7.4
Interest due/exports	3.7	2.9	3.4	3.7
Average interest cover (months)	3.7	3.6	4.5	5.0
Banks' loan-deposit spread (percentage points)	1.8	-4.5	6.8	4.5
Change in bank credit to private sector (Over last 48 months)	32.8	11.8	15.0	13.4
Average current-account balance/GDP	-0.3	-6.9	-2.8	-2.2
Average GDP growth	5.8	3.0	4.4	4.2
Average inflation rate	23.4	6.2	5.1	4.8
Change in real trade-weighted exchange rate	37.2	3.4	5.1	5.2

Use Country Risk Service to:

- Assess sovereign, currency, and banking sector risk in 128 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.
- Optimise 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/regulatoryaffairs

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 constrained by a history of weak commitment to honouring 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 honouring 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 bolster 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 in the face of serious financing pressures in some doubt. More generally, weak institutions and political polarisation heighten the risks to political stability. We continue to expect an orderly transfer of power after the October 2011 presidential election, but serious instability would hit the prices of Argentinian assets and increase the threat of a new debt default.

Economic structure risk assessment
 Rating: B

The public...

Charts and tables
Public finances
 September 1st 2010

	2008*	2009*	2010*	2011*	2012*	2013*	2014*
Fiscal indicators (in %)							
Budget revenue*	126.9	118.3	104.1	119.1	260.2	216.0	261.0
Budget expenditure*	117.1	140.9	104.8	104.3	267.3	200.6	232.2
Budget balance*	9.4	-22.6	-0.7	14.8	-7.1	-84.6	-71.2
Debt interest payments	22.2	11.5	16.5	17.3	24.3	29.1	29.0
Primary balance	29.7	23.2	23.8	32.8	17.3	-5.3	-12.2
Public debt	367.4	415.9	451.5	502.3	527.1	722.0	846.4
Fiscal indicators (% of GDP)							
Budget revenue*	23.9	24.2	20.2	23.2	22.7	22.9	23.4
Budget expenditure*	22.9	22.4	19.1	19.6	23.3	20.4	20.0
Budget balance*	1.0	1.8	1.1	3.6	-0.6	-2.3	-3.1
Debt interest payments	4.3	2.2	3.1	3.2	4.6	5.3	5.4
Primary balance	5.6	4.4	4.5	6.1	3.3	-1.0	-2.3
Public debt	70.1	79.8	86.5	96.5	101.6	138.5	161.0

Credit risk
Sovereign risk
 July 12th 2010

July 2010

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 the defaulted debt owed to it already been factored into and an unpredictable political situation continues to preclude its popularity by boosting while the primary surplus expenditure continuing to the hold-outs onto its GDP this year (well above the average maturity of 5 rapidly. In the absence of past year on financing from Central de la República Argentina. Increasing reliance on short-term debt in 2010 to the firm will extend average maturity suggesting continued risk.

Country Risk Service

Hungary

Hungary at a glance: 2010-11

OVERVIEW
 The centre-right Fidesz Hungarian Civic Union (Hungary) won a landslide victory in the April parliamentary elections. As a result, the new government will be able to pass or amend any legislation short of rewriting a new constitution. The new government is expected to exercise a measure of fiscal prudence, although a failure to bridge differences with the IMF may damage the confidence of investors. The economy is forecast to grow modestly in 2010, although fiscal austerity measures will curtail domestic demand. Growth is likely to recover modestly in 2011 as domestic and external demand recovers. Inflation is forecast to rise on average to 4.4% in 2010, although relatively tight fiscal and monetary policy should allow inflation to fall to the medium-term target of 3% in 2011. The forint is expected to appreciate only slightly against the euro in 2010 and more strongly in 2011, as the effects of the financial crisis wane. The current account is forecast to move into deficit by 2010 as business and consumer confidence slowly begin to recover.

Key changes from last month

Political outlook

- Hungary is scheduled to hold municipal elections on October 3rd. Fidesz maintains strong support in the polls, and is expected to win a governing majority in all but a few municipalities, further cementing its grip on power at all levels of politics.

Economic policy outlook

- Talks between the government, the IMF and the EU on Hungary's medium-term economic policy resume under duress in mid July, leading to the suspension of the country's stand-by arrangement. A resumption in negotiations is likely to have to wait until after local elections to be held in October.

Economic forecast

- Industrial output is enjoying an expansionist recovery, projecting us to revive upwards and forecast for 2010 GDP growth to 0.2%. Down -0.5% previously. However, the Economist Intelligence Unit maintains its view that prospects for domestic demand will remain poor for some time.

August 2010

Economist Intelligence Unit
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 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

Macroeconomy

- 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 term 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?

76 markets with three rating reports and nine monthly updaters a year

- Algeria • Angola • Argentina • Australia • Azerbaijan
- Bahrain • Bangladesh • Bolivia • Bosnia and Herzegovina
- Brazil • Bulgaria • Cambodia • Chile • China • Colombia
- Costa Rica • Croatia • Cuba • Czech Republic
- Dominican Republic • Ecuador • Egypt • Ghana
- Guatemala • Hong Kong • Hungary • India • Indonesia
- Iran • Iraq • Israel • Jamaica • Jordan • Kazakhstan
- Kenya • Kuwait • Lebanon • Libya
- Serbia and Montenegro • Singapore • Slovakia • Slovenia
- South Africa • South Korea • Sri Lanka • Sudan • Syria
- Taiwan • Tanzania • Thailand • Tunisia • Turkey • Uganda
- Ukraine • United Arab Emirates • Uzbekistan • Venezuela
- Vietnam • Zambia

52 markets with three rating reports and one updater a year

Emerging markets:

- Albania • Belarus • Botswana • Cameroon
- Congo Brazzaville • Côte d'Ivoire
- Democratic Republic of Congo • Equatorial Guinea
- Ethiopia • El Salvador • Estonia • Gabon • Honduras
- Latvia • Lithuania • Macedonia • Malawi • Mauritius
- Moldova • Mongolia • Namibia • Paraguay • Senegal
- Seychelles • Sierra Leone • Slovenia
- Trinidad and Tobago • Turkmenistan • Uruguay
- Uzbekistan • Yemen • Zimbabwe

Developed markets:

- Austria • Belgium • Canada • Cyprus • Denmark • Finland
- France • Germany • Greece • Ireland • Italy • Japan
- Netherlands • Norway • Portugal • Spain • Sweden
- Switzerland • United Kingdom • United States

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 128 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 128 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 countries: Sovereign risk ratings	2010		2009		2008		2007	
	May	Apr	May	Apr	May	Apr	May	Apr
Algeria	BB	BB	BBB	BBB	BBB	BBB	BBB	BBB
Angola	B	B	B	B	B	B	B	B
Argentina	CCC	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Australia	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Azerbaijan	BB	BB	BB	BB	BB	BB	BB	BB
Bahrain	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Bangladesh	BB	BB	B	B	B	B	B	B
Bolivia	B	B	B	B	B	B	B	B
Bosnia and Herzegovina	CCC	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Botswana	BBB	BBB	A	A	A	A	A	A
Brazil	BB	BB	BB	BB	BB	BB	BB	BB
Bulgaria	BB	BB	BB	BB	BB	BB	BB	BB
Cambodia	CCC	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Cameroon	B	B	B	B	B	B	B	B
China	A	A	A	A	A	A	A	A
China	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Colombia	BB	BB	BB	BB	BB	BB	BB	BB
Costa Rica	BB	BB	B	B	B	B	B	B
Côte d'Ivoire	CCC	CCC	CC	CC	CC	CC	CC	CC
Croatia	B	B	B	B	B	B	B	B
Cuba	CCC	CCC	CC	CC	CC	CC	CC	CC
Czech Republic	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Dominican Republic	B	B	CCC	CCC	CCC	CCC	CCC	CCC
Ecuador	CCC	CCC	CC	CC	CC	CC	CC	CC
Egypt	BB	BB	BB	BB	BB	BB	BB	BB
El Salvador	BB	BB	BB	BB	BB	BB	BB	BB
Equatorial Guinea	BB	BB	BB	BB	BB	BB	BB	BB
Estonia	BB	BB	BB	BB	BB	BB	BB	BB
Ethiopia	CCC	CCC	CCC	CCC	CCC	CCC	CCC	CCC
France	BB	BB	BB	BB	BB	BB	BB	BB
Germany	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Ghana	B	B	B	B	B	B	B	B
Hong Kong	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Hungary	B	B	B	B	B	B	B	B
India	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Indonesia	B	B	B	B	B	B	B	B
Iran	B	B	B	B	B	B	B	B
Iraq	B	B	B	B	B	B	B	B
Israel	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Jamaica	BB	BB	BB	BB	BB	BB	BB	BB
Jordan	B	B	B	B	B	B	B	B
Kazakhstan	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Kenya	B	B	B	B	B	B	B	B
Kuwait	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Lebanon	B	B	B	B	B	B	B	B
Libya	B	B	B	B	B	B	B	B
Macao	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Malawi	B	B	B	B	B	B	B	B
Malaysia	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Mexico	BB	BB	BB	BB	BB	BB	BB	BB
Moldova	B	B	B	B	B	B	B	B
Morocco	BB	BB	BB	BB	BB	BB	BB	BB
Mozambique	B	B	B	B	B	B	B	B
Myanmar	C	C	C	C	C	C	C	C
Namibia	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
New Zealand	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Nicaragua	CC	CC	CC	CC	CC	CC	CC	CC
Nigeria	B	B	B	B	B	B	B	B
Oman	A	A	A	A	A	A	A	A
Pakistan	CCC	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Panama	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Papua New Guinea	BB	BB	B	B	B	B	B	B
Paraguay	B	B	B	B	B	B	B	B
Peru	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Philippines	B	B	B	B	B	B	B	B
Poland	BB	BB	BB	BB	BB	BB	BB	BB
Qatar	A	A	A	A	A	A	A	A
Romania	BB	BB	BB	BB	BB	BB	BB	BB
Russia	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Saudi Arabia	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Senegal	B	B	B	B	B	B	B	B
Serbia	CCC	CCC	CCC	CCC	CCC	CCC	CCC	CCC
Singapore	A	A	A	A	A	A	A	A
Slovakia	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Slovenia	A	A	A	A	A	A	A	A
South Africa	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Spain	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Sweden	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Switzerland	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Taiwan	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Tanzania	B	B	B	B	B	B	B	B
Thailand	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Tunisia	B	B	B	B	B	B	B	B
Turkey	B	B	B	B	B	B	B	B
Uganda	B	B	B	B	B	B	B	B
Ukraine	B	B	B	B	B	B	B	B
United Arab Emirates	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Uzbekistan	B	B	B	B	B	B	B	B
Venezuela	B	B	B	B	B	B	B	B
Vietnam	B	B	B	B	B	B	B	B
Zambia	B	B	B	B	B	B	B	B

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.

Access options:

- Enterprise access via IP control or username at eiu.com

Enterprise subscribers also receive

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- Full-text searching.
- Country Risk Alerts by e-mail, keeping you informed of our views on topical risk issues.

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