Country Risk Service

Handbook, March 2010

Contents

Report and rating frequency and country coverage	2
Format and content of CRS reports	4
Guide to the ratings model	5
Standard definitions and sources	19
Publishing schedule	36

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Report and rating frequency and country coverage

The Country Risk Service covers 120 countries in its standard subscription service. On 100 countries (mostly emerging markets plus some developed economies such as Australia and South Korea), ratings and reports are produced monthly. Each year we publish four Main reports (available in print and electronically) and eight Updaters (available electronically only). The distinction between a Main report and an Updater is that Main reports contain additional analysis of the ratings and sections on the external financing requirement and external debt. All reports contain the risk ratings, our central scenario for the next two years and a full set of updated back tables.

On 20 industrialised countries, ratings and reports are produced on a quarterly basis, with additional event-driven reports where appropriate. The reports contain the risk ratings, our central scenario for the next two years and a full set of updated back tables. The format of reports on industrialised economies is similar to Updater emerging market reports.

A list of the countries covered by the Country Risk Service in its standard subscription service is provided below.

Emerging markets and developed economies with monthly reports

Algeria	El Salvador	Malawi	Serbia and Montenegro			
Angola	Equatorial Guinea	Malaysia	Singapore			
Argentina	Estonia	Mauritius	Slovakia			
Australia	Ethiopia	Mexico	Slovenia			
Azerbaijan	Gabon	Moldova	South Africa			
Bahrain	Ghana	Morocco	South Korea			
Bangladesh	Guatemala	Mozambique	Sri Lanka			
Bolivia	Honduras	Myanmar	Sudan			
Bosnia and Hercegovina	Hong Kong	Namibia	Syria			
Botswana	Hungary	New Zealand	Taiwan			
Brazil	India	Nicaragua	Tanzania			
Bulgaria	Indonesia	Nigeria	Thailand			
Cambodia	Iran	Oman	Trinidad and Tobago			
Cameroon	Iraq	Pakistan	Tunisia			
Chile	Israel	Panama	Turkey			
China	Jamaica	Papua New Guinea	Uganda			
Colombia	Jordan	Paraguay	Ukraine			
Costa Rica	Kazakhstan	Peru	United Arab Emirates			
Côte d'Ivoire	Kenya	Philippines	Uruguay			
Croatia	Kuwait	Poland	Uzbekistan			
Cuba	Latvia	Qatar	Venezuela			
Czech Republic	Lebanon	Romania	Vietnam			
Dominican Republic	Libya	Russia	Yemen			
Ecuador	Lithuania	Saudi Arabia	Zambia			
Egypt	Macedonia	Senegal	Zimbabwe			

Industrialised countries (quarterly reports)

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

In addition to the countries covered in the standard subscription service, the Country Risk Service has ratings (not full reports) for the following countries, provided on a custom research basis.

Custom research countries (typically produced on a quarterly basis)

custom research countries	(typically produced on a quarterly bas	13)			
Anguilla	Burkina Faso	Liechtenstein	Niger		
Antigua and Barbuda	Cayman Islands	Luxembourg	Puerto Rico		
Aruba	Central African Republic	Madagascar	Seychelles		
Bahamas	Congo	Malta	Sierra Leone		
Barbados	Democratic Republic of Congo	Mauritania	St Kitts & Nevis		
Belarus	Dominica	Mongolia	St Lucia		
Belize	Gambia	Montserrat	St. Vincent		
Bermuda	Grenada	Mozambique	Togo		
Brunei	Iceland	Netherlands Antilles	Virgin Islands (British)		

Format and content of CRS reports

Country Risk Service (CRS) reports are written to a standard format to facilitate comparative assessments.

Monthly reports

The reports of countries covered on a monthly basis contain the following sections:

Main reports

- Front page, comprising the ratings and bullet points on the five risk categories: sovereign, currency, banking sector, political and economic structure.
- Detailed analysis of sovereign, currency and banking sector risk. The analysis comprises a current assessment, a summary of strengths and weaknesses, and a future assessment including a description of the outlook for the rating in the next six months (stable, positive or negative).
- Analysis of political and economic structure risk.
- Definitions of the different risk categories.
- Central political and economic scenario for the next two years plus sections on external financing requirement and external debt.
- Statistical appendices.
- Data sources and notes.

Updaters

- Front page, comprising the ratings and bullet points on the five risk categories: sovereign, currency, banking sector, political and economic structure.
- Definitions of the different risk categories.
- Central political and economic scenario for the next two years.
- Statistical appendices.
- Data sources and notes.

Quarterly reports

The reports of countries covered four times a year contain the following sections:

- Front page, comprising the ratings and bullet points on the five risk categories: sovereign, currency, banking sector, political and economic structure.
- Definitions of the different risk categories.
- Central political and economic scenario for the next two years.
- Statistical appendices.
- Data sources and notes.

Risk Ratings Review

The Risk Ratings Review is produced 12 times every year. It provides an updated list of the ratings (sovereign, currency, banking sector, political, economic structure and country risk) of all countries covered in the standard CRS subscription service. Countries whose ratings have changed in the previous month or are likely to change in the next six months are identified, with supporting analysis.

Guide to the ratings model

Objective

The CRS provides internationally comparable and regularly updated country credit risk ratings. The ratings provide an objective assessment of the risks facing institutions lending money, financing trade or conducting other types of business that expose them to crossborder credit or financial risk.

Risk categories

The CRS focuses on the three risks to which clients can have direct financial exposure (sovereign, currency and banking sector). The scores for these risk categories are informed by a range of variables divided into five sections: politics/institutions; economic policy; economic structure; the economic cycle; and liquidity and financing. The overall country risk rating is derived by taking a simple average of the scores for sovereign risk, currency risk and banking sector risk.

We also publish ratings and supporting analysis of political risk and economic structure risk. These two "generic" risks are conceptually different from sovereign, currency and banking sector risk insofar as a creditor cannot have direct financial exposure to them.

In our assessment of political risk, we focus on how political factors impinge on a country's creditworthiness. Indicators in the political risk category include the government's commitment to pay, war, social unrest, transfers of power, international disputes, institutional effectiveness, the quality of the bureaucracy and corruption.

Economic structure risk encompasses variables of a structural nature, which do not tend to fluctuate with the economic cycle. They include single commodity dependence, solvency ratios (public debt/GDP, external debt/GDP), the quality of financial regulation and supervision, and the country's payment record.

Rating definitions

Sovereign risk

This risk category 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. The sovereign risk rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Currency risk

This risk category measures the risk of a maxi-devaluation against the reference currency (usually the US dollar, sometimes the euro). A maxi-devaluation is considered a devaluation of 25% or more in nominal terms over the next 12-month period. The currency risk rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Banking sector risk

This risk category 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. A banking crisis is deemed to occur even if governments restore solvency through large bail-outs and/or nationalisation. A run on banks facing a temporary lack of liquidity rather than underlying solvency problems is not deemed to constitute a crisis, provided that public confidence in the banking system is quickly restored. Banking crises are typically associated with payment difficulties in the corporate or household sectors; bursting of asset price bubbles; and currency and/or maturity mismatches. The rating can therefore serve as a proxy for the risk of a systemic crisis in the private sector. The banking sector risk rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Political risk

This risk category 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. The political risk rating informs the ratings for sovereign risk, currency risk and banking sector risk.

Economic structure risk

This risk category is derived from a series of macroeconomic variables of a structural rather than a cyclical nature. Consequently, the rating for economic structure risk will tend to be relatively stable, evolving in line with structural changes in the economy. The economic structure risk rating informs the ratings for sovereign risk, currency risk and banking sector risk.

Overall country risk

This risk rating is derived by taking a simple average of the scores for sovereign risk, currency risk and banking sector risk.

Rating model characteristics and structure

The model is of the signalling variety, providing "point-in-time" rather than "through-the-cycle" ratings. It works on a rolling 12-month time horizon. This approach enables us to estimate a probability of default (PD) on sovereign debt during the following 12 months. The PD is estimated on the basis of the default experience associated with each score and rating band during a test period (1997-2005).

A point-in-time approach is consistent with the design of the model, which comprises a number of indicators that fluctuate with the economic cycle, such as GDP growth, inflation, credit growth and the fiscal balance.

Although the ratings fluctuate with the economic cycle, we have used average default experience over the entire period 1997-2005 in estimating the probability of default. We did not attempt to adjust for the economic cycle in our records of default experience because of the difficulties of determining where economic cycles start and end.

The model comprises 61 indicators and is divided into five sections: politics/institutions; economic policy; economic structure; the economic cycle; and financing and liquidity. The number of indicators in each section varies but is at least ten.

The ratings for sovereign, currency and banking sector risk are determined by a weighted combination of the scores of indicators in the five different sections of the model. For example, indicators relating to the government's commitment to pay, the public debt/GDP ratio and the fiscal balance in the current year have heavy weightings for sovereign risk, whereas indicators relating to the real effective exchange rate, the current account of the balance of payments and the real interest rate have heavy weightings for currency risk.

For the two generic risk categories, political risk and economic structure risk, the rating is determined by a weighted combination of the scores in the relevant section of the model. The political risk rating is informed solely by indicators grouped under politics/institutions (indicators 2-11). The economic structure risk rating is informed solely by indicators grouped under economic structure (indicators 23-32).

Indicators in the standard model are listed below.

Indicators in the standard model

1	Risk to baseline assumptions	31.	Default history
Politics	/institutions	32.	Financial regulation and supervision
2.	External conflict	Macroe	
3.	Governability/social unrest	33.	Real OECD GDP growth
4.	Electoral cycle	34.	Credit as % of GDP, growth
5.	Orderly transfers	35.	Real GDP growth, 48 months
6.	Event risk	36.	Real GDP growth, 12 months
7.	Sovereignty risk	37.	Inflation, 48 months
8.	Institutional effectiveness	38.	Inflation, direction
9.	Corruption	39.	Trade-weighted real exchange rate
10.	Corruption in the banking sector	40.	Exchange-rate misalignment
11.	Commitment to pay	41.	Exchange-rate volatility
Econon	nic policy	42.	Export receipts growth, 12 months
12.	Quality of policymaking/policy mix	43.	Current-account balance, 12 months
13.	Monetary stability	44.	Asset price bubble
14.	Use of indirect instruments	Financii	ng and liquidity
15.	Real interest rates	45.	Transfer and convertibility risk
16.	Fiscal balance/GDP	46.	IMF programme
17.	Fiscal policy flexibility	47.	International financial support
18.	Transparency of public finances	48.	Access to financing
19.	Domestic debt	49.	Gross external financing requirement
20.	Unfunded pension and healthcare	50.	Debt-service ratio
	Liabilities	51.	Interest due/exports
21.	Exchange-rate regime	52.	External short-term debt/fx reserves
22.	Black-market/dual exchange rate	53.	% change, fx reserves, actual
Econon	nic structure	54.	Net external debt/exports
23.	Income level	55.	FDI/gross financing requirement
24.	Official data (quality/timeliness)	56.	Import cover
25.	Current-account balance, 48 months	57.	OECD short-term interest rates
26.	Volatility of GDP growth	58.	Non-performing loans
27.	Reliance on a single goods export	59.	Banks' credit management
28.	External shock/contagion	60.	Banks' foreign asset position
29.	Public debt/GDP	61.	Adjustment factor (if required)
30.	Gross external debt/GDP		

The model contains two types of indicator: qualitative and quantitative. Of the 61 indicators in the model, 30 are quantitative and 31 are qualitative. For each indicator (with the exception of indicator 61) there is a menu of five possible scores, ranging from 0 (least risky) to 4 (most risky).

Qualitative indicators are scored in accordance with the judgment of the country analyst. The answers to the qualitative indicators are audited by regional risk managers to ensure consistent assessment across countries.

Data

Quantitative indicators are scored on the basis of macroeconomic and financial data updated monthly. The data are drawn from a variety of sources, including the IMF, the World Bank, the OECD and national sources. A list of standard sources is published on page 19.

We use a combination of monthly, quarterly and annual data, drawing on higher frequency data where available, for example consumer prices, foreignexchange reserves and exchange rates.

In the case of annual data, we construct moving averages to estimate values in the current quarter. For example, when we run the model in the first quarter of year T, our estimate of the external debt stock is a weighted average of the stock at the end of year T-1 (75%) and our estimate of the stock at the end of year T (25%). When we run the model in the second quarter of year T, our weights change to T-1 (50%) and year T (50%).

The scores for the quantitative indicators are generated automatically by applying thresholds to the data. For example, the score for the indicator relating to the fiscal balance in the most recent 12-month period ranges from 0 for countries running surpluses or a balanced budget to 4 for countries where the deficit exceeds 5% of GDP.

Indicators 1 and 61 are conceptually different from other indicators in the model in that they do not address specific, identified risk factors but are general in nature. They are intended to be used sparingly and require explanatory annotation by the analyst.

Confidence in baseline assumptions

Indicator 1 provides scope for the analyst to express a degree of confidence about the baseline assumptions underlying the model. The default option is that the baseline assumptions appear safe. If the analyst wishes to qualify the level of confidence about the baseline assumptions and changes the default score by one point (for example, from 1 to 2), this will affect the answers to five quantitative indicators in the model (indicators 16, 36, 42, 45, 49, 51), pulling down their respective scores by a single point, provided they are not already scoring the maximum of 4.

Adjustment factor

Indicator 61 is an adjustment factor. Analysts can use the adjustment factor to improve or worsen the score of any of the five risk categories if they deem that the model is failing to reflect an important factor affecting the country's creditworthiness. An example of how the adjustment factor is intended to be used is to take account of off-balance-sheet assets held by Gulf states through investment funds (such as the Kuwaiti Investment Authority). If analysts deem that such funds could be liquidated to meet debt-service commitments, they can reflect this by making an improvement to the sovereign score through the adjustment factor.

Versions of the rating model

There are three versions of the model: a standard version (used for emerging markets and some developed economies such as Australia and South Korea); an industrialised country model; and a variant of the industrialised country model for countries in the euro area. The euro area model is essentially the same as the industrialised country model but also tries to identify risks specifically related to membership of the single currency.

Ideally a single model would have served for all countries. But we decided that different models were needed to reflect the fact that emerging markets have traditionally faced constraints on borrowing in their own currencies (although this is now changing). They accordingly tend to have relatively high amounts of foreign-currency debt, which leaves their debt dynamics sensitive to devaluations. By contrast, industrialised countries typically have fluid access to financing in their own currencies, which insulates their debt dynamics from devaluations.

The difference in approach between emerging markets and industrialised countries is chiefly found in the financing/liquidity section of the model. In the standard model this section contains a number of indicators relating to external liquidity (for example, the debt-service ratio and foreign-exchange reserves/gross external financing requirement). In the industrialised country and euro area models, these are replaced by liquidity indicators relating to the public sector (for example, the term structure of the public debt market and the public sector's gross financing needs).

Notwithstanding these differences, the three versions of the model have similar characteristics and structure, and the ratings are intended to be compared across all countries covered by the Country Risk Service.

The differences between the indicators in the industrialised country model and the standard model are listed below:

- 19. Primary fiscal balance
- 30. Net external asset position
- 49. Public borrowing requirement
- 50. Public borrowing requirement trend
- 51. Government interest payments/revenue
- 52. Public debt term structure
- 53. Public debt currency structure
- 54. Public debt market liquidity
- 55. FDI/current-account balance
- 56. Govt deposits/interest payments level
- 60. Yield curve

The euro area model is essentially the same as the industrialised country model, but with adjustments in some of the indicators which aim to capture any risks deriving specifically from a country's membership of economic and monetary union (EMU). For example, in the euro area model indicator 13 relating to monetary stability addresses the question of inflation convergence as follows: "Are there institutional and structural factors (liberalised product, service and labour markets) in place to underpin price stability and avert the

risk of inflation and deflation within this country (as opposed to within the euro zone as a whole)?"

The indicators in the euro area model are the same as those in the industrialised country model, with the following exceptions:

- 12. Interest rate convergence
- 13. Inflation convergence
- 46. Excessive deficit procedure
- 47. International financial support
- 48. Access to financing

All euro area countries have the same score and rating for currency risk as these are generated by a euro area model that aggregates data from all 16 member states of the single currency (netting out intra-euro area flows in the balance of payments).

Rating model specification

The specification of the model (including the wording and thresholds for each indicator) were informed by the Economist Intelligence Unit's collective experience and expertise in assessing country credit risk since the early 1980s.

To test the relevance of indicators, we conducted an analysis of past crises. Indicators were tested for significance both on their own and in combination with other indicators. This enabled us to formulate a preliminary specification of the model. As well as identifying which indicators to include, the specification encompassed the calibration of thresholds and the weight to assign to each indicator in respect of each of the five risk categories. The model specification was refined as we tested its performance against past crises. This was an iterative process. Results of the back-testing are provided below.

Back-testing the rating model

The model was back-tested for the period January 1997-December 2005.

Scores for quantitative indicators were generated from historical data. We have a fairly full set of data, which enables us to generate answers for most quantitative indicators for most countries.

Qualitative indicators are more problematic. Where qualitative indicators in our previous model (in use from January 1997 to March 2006) are the same or similar to those in the new model, we have used the scores in our database.

Where we do not have an equivalent indicator in the old model, we have adopted a number of approaches:

• For indicators that relate to what can be seen as structural characteristics of the political system or economy, we have applied our current answer as a constant. An example of this is the indicator relating to institutional effectiveness. In other words, if we currently score a country a 2 for this indicator, we assume that it scored a 2 throughout the period of back-testing.

• We have assigned answers to some qualitative indicators on the basis of a quantitative formula. For example, in indicator 59 relating to the quality of banks' credit management, we have taken the rate of credit expansion in the previous 24 months and set thresholds that attempt to distinguish between a healthy and a risky rate of credit growth.

• In the case of the indicator relating to event risk, we decided that—in the absence of a real-time assessment—it was impossible to infer answers and eliminated it from the back-testing by assigning it a weight of zero.

Adopting these procedures for scoring the model, we back-tested the model for all countries on a monthly basis from the start of 1997.

The sovereign risk scores recorded during the back-testing were checked against the Economist Intelligence Unit's sovereign default database (SDD). The SDD is a binary database that assigns a score of 1 to countries experiencing a sovereign default or episode of fiscal stress and a score of 0 to non-default countries.

We divided the countries into the following three categories:

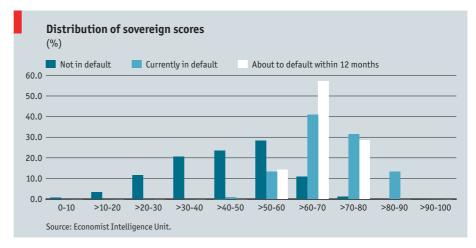
- Category 1: countries about to default within 12 months;
- Category 2: countries currently in default;
- Category 3: countries currently not in default and not about to default in 12 months' time.

Category 1 is used to determine whether the model has predictive power in signalling a default. If the model does have predictive power, it will generate a relatively poor score for a country before the default occurs.

Category 2 encompassed the bulk of defaulters. These are serial defaulters that were already in default in January 1997, for which we therefore did not have a score 12 months prior to the default event.

For the period 1997-2005, we ran the model on a monthly basis on a dataset comprising 120 countries in total. We lacked data to run the model for the entire period for all countries. In total, we had a database of sovereign scores comprising 10,653 data points.

The scores for the three categories of countries were compared with a view to determining whether there was a statistically significant difference between them. We found this to be the case, as shown in the following graph which charts the distribution of scores for the three categories of sovereign described above.



A problem in conducting analysis of sovereign defaults is the scarcity of default events, both in absolute terms and in relative terms. By comparison, the database for corporate defaults is much more extensive, allowing a greater level of confidence about the statistical validation of any results obtained through back-testing.

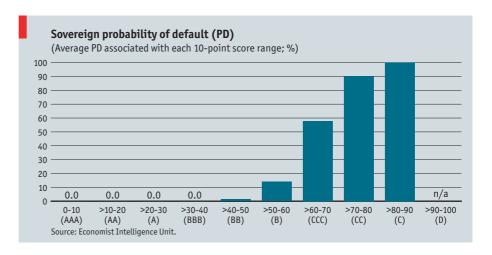
During the test period we have only seven new default events (that is, countries in Category 1). However, for countries currently in default (Category 2), the number of data points denoting an existing sovereign default is much higher, at 2,730. The large difference between this number and that of new default episodes is explained by the existence of a number of serial defaulters (including several African and Latin American sovereigns) that were already in default in January 1997, the first month of the database. (Note. The Economist Intelligence Unit rates a large number of African and Latin American countries with poor payment records.)

We estimated a probability of default associated with each ten-point interval in the 0-100 rating scale by summing the number of countries in Category 1 and Category 2 and expressing this number as a percentage of the total incidence of scores in that range.

For example, there were a total of 2,574 data points in the range >50-60 during the period 1997-2005, of which one was in Category 1 (about to default within 12 months), 353 in Category 2 (currently in default) and 2,200 in Category 3 (neither in default nor about to default). For a score in the range >50-60, this generates a probability of default of 13.9% (number in Category 1 + number in Category 2)/(number in Category 1 + number in Category 3) (1+353)/(1+353+2,200)*100=13.9%.

As the probability of default chart shows, the probability of default is zero up to scores in the >30-40 range, rising to 1.4% for scores in the >40-50 range, and reaching 100% in the >80-90 range.

In our model-based rating system, a D rating indicates a score in the range >89-100, rather than default, which is the convention in the rating systems of the main rating agencies.



The difficulties inherent in testing for sovereign default because of low default incidence are compounded in the case of industrialised countries with unblemished records of servicing their debts. These countries cluster towards the less risky range of the scale. Because they have no default experience, mapping from a score to a probability of default is problematic. In other words, while a score in the range 0-10 will indicate stronger credit indicators than a score in the range 11-20, the probability of default associated with each range, based on past experience, is the same (0%).

Volatility of ratings

The migration of ratings over a given time period is described by rating transition matrices. We have created a rating transition matrix for a five-year period (see table below).

Transition matrix, 5-year av (1997-20	05)
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Score end-period	0-10	>10-20	>20-30	>30-40	>40-50	>50-60	>60-70	>70-80	>80-90	>90-100
Score start period										
0-10	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
>10-20	0.0	75.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
>20-30	0.0	34.7	62.5	2.8	0.0	0.0	0.0	0.0	0.0	0.0
>30-40	0.0	0.0	30.4	56.7	11.8	1.0	0.0	0.0	0.0	0.0
>40-50	0.0	0.0	4.1	38.5	47.8	8.4	1.3	0.0	0.0	0.0
>50-60	0.0	0.0	0.0	5.7	49.4	38.7	5.8	0.5	0.0	0.0
>60-70	0.0	0.0	0.0	0.0	17.0	48.1	31.5	3.4	0.0	0.0
>70-80	0.0	0.0	0.0	0.0	0.0	10.8	61.1	15.0	13.1	0.0
>80-90	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.7	83.3	0.0
>90-100	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0

Interpretation of the matrices

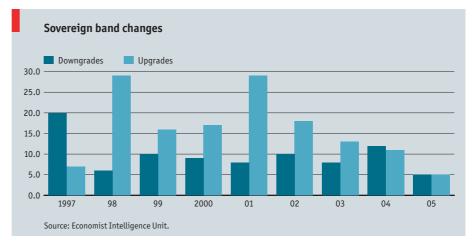
The 5-year average matrix shows the average of five 5-year transition matrices (2005-00, 2004-1999, 2003-1998, 2002-1997). Of sovereigns scoring in the range >20-30 (A band), five years later 62.5% were still in the same range, 34.7% had improved to the >10-20 range (AA band), and 2.8% had slipped to the >30-40 range (BBB band).

This table, which is based on back-testing, suggests a higher frequency of rating band changes than occurs in live running of the model. This is because in live

running analysts are able to exercise discretion in assigning the lower or higher band when the score is on the cusp of two bands (defined as scores ending in 9, 0, 1 and 2; see Ratings bands). In back-testing such discretion is not available and the rating bands are determined automatically on the basis of the scores. For example, scores up to and including 10 generate an AAA rating, while scores >10 up to 20 generate an AA.

Also, the percentages can easily be skewed for score ranges into which few countries fall, such as >60-70, >70-80, >80-90, >90-100. In these score ranges it may take only one or two countries undergoing a band change to generate large percentage changes.

When analysing the migration of our ratings over the test period (1997-2005), we should bear in mind that the period included a wave of emerging-market crises (South-east Asia, Russia, Turkey, Brazil, Argentina), followed by recovery. Indeed, the period 2003-05 was characterised by extraordinarily benign market conditions (low interest rates, abundant liquidity and strong risk appetite), strong growth and dramatic improvements in emerging markets' solvency indicators. 1997 and 2004 were the only years in the test period in which the number of downgrades exceeded upgrades. In all the other years the number of upgrades exceeded the number of downgrades, with the exception of 2005 when the number of upgrades was the same as the number of downgrades.



Ratings bands

The rating scale runs from 0 to 100, and is divided into ten bands.

Score	0-12	9-22	19-32	29-42	39-52	49-62	59-72	69-82	79-92	89-100	_
Band	AAA	AA	Α	BBB	BB	В	CCC	CC	С	D	

To reduce the risk of frequent band changes for countries whose score is close to the cusp of two bands, there is a buffer zone encompassing scores ending with the digits 9, 0, 1 and 2 (for example, 39, 40, 41, 42). Within this zone, the country analyst has discretion whether to assign the lower or higher letter grade.

Ratings generated by the live model

When the model was introduced in April 2006, the world economy was enjoying a period of sustained, non-inflationary growth, which some termed the Great Moderation. The benign economic climate was reflected in good scores and improvements in most cyclical variables in the model. But variables relating to credit and asset prices were an exception. These were generally scoring poorly because the rate of credit growth and increase in asset prices were indicative of excessive leverage and optimism. Despite the negative impact of these variables, the general trend was for scores to improve and for ratings to be upgraded. With the onset of the financial crisis and the global recession, this trend reversed as cyclical indictors swung from positive to negative. There were many sovereign rating downgrades and few upgrades.

Despite the severity of the crisis, to date Ecuador was the only sovereign covered by the Country Risk Service (CRS) to default, in late 2008. (Seychelles, which we rate but is not included in the standard CRS service, also defaulted. We consider the Dubai default as a corporate rather than sovereign default.) In the case of Ecuador, the sovereign's commitment to pay was questionable even before the deterioration in the global economy. The risk of a sovereign default in Ecuador was reflected in a CCC rating from the inception of the model in April 2006. (The rating was downgraded further to CC after the default.)

It is almost certain that other sovereigns, mainly in eastern Europe, would have defaulted in 2009 without large-scale assistance from official sources. It is estimated that, in total, around US\$500bn in official financing was made available to some emerging markets in the form of loans from the IMF, the World Bank and regional development banks. Currency swaps were granted by the US Federal Reserve and the European Central Bank.

The lack of defaults makes it difficult to assess the performance of the model during the financial crisis. Recourse to official financing is not a reliable proxy for default because, in the exceptional conditions that prevailed in the wake of the collapse of US-based Lehman Brothers, blanket official assistance was made available to countries regardless of whether or not they were facing or exposed to financing pressures.

CRS ratings were generally more conservative than those of the main rating agencies before the onset of the crisis. Around 45% of sovereigns rated by the CRS were in the same rating band as those assigned by the main rating agencies, 45% of CRS ratings were one band lower, 5% two bands lower and 5% one band higher. For example, Hungary, which required a large assistance package, was B-rated, compared with BBB for each of the main rating agencies.

Attention is currently focused on the risk of sovereign defaults in the industrialised world. We have traditionally assigned much lower ratings for industrialised sovereigns than the main rating agencies in the light of the poor state of public finances, unfavourable demographic trends and unfunded healthcare and pension liabilities. This caution appears vindicated given the massive increase in public indebtedness incurred by many industrialised sovereigns in 2008-09. Some highly indebted industrialised sovereigns are now facing higher borrowing costs and restricted access to financing, which could lead to payment

difficulties. The risk is most acute for euro zone members that do not have autonomy over monetary and exchange-rate policy.

Sovereign rating band characteristics

Characteristics of countries in the different sovereign rating bands are summarised as follows.

- **AAA** Capacity and commitment to honour obligations not in question under any foreseeable circumstances.
 - **AA** Capacity and commitment to honour obligations not in question.
 - A Capacity and commitment to honour obligations strong.
- **BBB** Capacity and commitment to honour obligations currently but somewhat susceptible to changes in economic climate.
 - **BB** Capacity and commitment to honour obligations currently but susceptible to changes in economic climate.
 - **B** Capacity and commitment to honour obligations currently but very susceptible to changes in economic climate.
- **CCC** Questionable capacity and commitment to honour obligations. Patchy payment record.
- CC Somewhat weak capacity and commitment to honour obligations. Patchy payment record. Likely to be in default on some obligations.
 - C Weak capacity and commitment to honour obligations. Patchy payment record. Likely to be in default on significant amount of obligations.
 - **D** Very weak capacity and commitment to honour obligations. Poor payment record. Currently in default on significant amount of obligations.

The bands and letter grades are similar to those of Standard and Poor's, Moody's and Fitch. Likewise, our descriptive characteristics of the different bands are similar—with some exceptions (see below)—to those of the three main rating agencies.

However, any mapping from EIU rating bands to those of the three main rating agencies is approximate and for rough benchmarking purposes only.

The approximate nature of the mapping stems from the following.

• Economist Intelligence Unit ratings are point-in-time as opposed to the through-the-cycle ratings of the large rating agencies.

• Economist Intelligence Unit ratings relate solely to the probability of default. The Economist Intelligence Unit ratings do not explicitly seek to take account of a loss given default.

- We have not had access to the data necessary for a systematic comparison of the default experience associated with our rating bands with that of the other agencies.
- The Economist Intelligence Unit rates a larger universe of sovereigns—including many African ones—which are not rated by the other agencies. The difference in coverage is a potential source of divergence between the Economist Intelligence Unit rating system and those of other agencies.
- The Economist Intelligence Unit ratings are model-determined, as opposed to the judgment-determined ratings of the rating agencies. (This is the case even though half of the Economist Intelligence Unit model is based on qualitative indicators.) Furthermore, the model is large (61 indicators), which makes it harder to achieve the very low scores required to qualify for an AAA rating in the Economist Intelligence Unit system than it is in the judgment-determined system of the rating agencies.

We could have tried to address this by having bands of different widths but decided that a system with uniform band widths had the important merits of transparency and ease of use.

Standard definitions and sources

All series relate to calendar years unless otherwise stated in the data sources and definitions page at the back of each CRS report. The list of definitions below follows the same order as that in the back tables of CRS reports. The specific sources indicated for series show the international source(s), if any, from which that series is usually taken. However, there are many exceptions and, even if a series is based on an international source, national data may frequently be used to update or supplement it. All estimates and forecasts are Economist Intelligence Unit data unless otherwise indicated.

General sources

Asian Development Bank Key Indicators of Asian and Pacific countries

Bank for International BIS Quarterly Review

Settlements (BIS) Consolidated cross-border claims of reporting banks in all currencies and local

claims in non-local currencies

External positions of reporting banks vis-à-vis individual countries

Inter-American Development Bank Economic and Social Progress in Latin America

International Energy Agency Oil Market Report (oilmarketreport.org)

(IEA)

International Monetary Fund Balance of Payments Statistics Yearbook

(IMF) Direction of Trade Statistics (Quarterly and Yearbook)

Global Financial Stability Report Government Finance Statistics Yearbook International Financial Statistics (Monthly)

International Financial Statistics Yearbook and Country Notes

World Economic Outlook

Oil and Gas Journal Oil and Gas Journal

Organisation for Economic Economic Surveys
Co-operation and Development Financial Market Trends

(OECD) Geographical Distribution of Financial Flows to Aid Recipients

Main Economic Indicators

Monthly Statistics of International Trade

Quarterly National Accounts

Statistics of Foreign Trade Series A and B

Petroleum Economist Petroleum Economist (www.petroleum-economist.com)

United Nations (UN) Demographic Yearbook

FAO Statistical Yearbook Human Development Report

International Trade Statistics Yearbook

Monthly Bulletin of Statistics

National Accounts Statistics Statistical Yearbook

World Bank

Global Development Finance World Development Report World Development Indicators Global Economic Prospects

Key risk indicators

The rating grade peer group is based on the sovereign rating. Median rather than mean values are calculated for each of the peer groups in order to reduce the impact of outliers. For some indicators in the form of ratios (such as foreign-exchange reserves/gross external financing requirement), the denominator may be close to zero, which will generate high values.

Data points in the table are either actuals or estimates. Actuals are typically used for monthly data series, such as monetary aggregates, interest rates, consumer prices and foreign-exchange reserves. Estimates are used for annual data and are calculated on a rolling quarterly basis. For example, in first-quarter reports, the estimate is based on a 25% weighting for the current year and a 75% weighting for the previous year. In second-quarter reports, the weighting changes to 50% for the current year and 50% for the previous year.

Single goods export dependence

Largest single goods export (2-digit SITC code) as a percentage of total goods exports.

Gross public debt/GDP

Gross public debt as a percentage of GDP.

Gross external debt/GDP

Gross external debt as a percentage of GDP.

Interest & principal arrears

Interest & principal arrears on external debt as a percentage of external debt.

Net external debt/exports

Gross external debt net of foreign-exchange reserves as a percentage of exports.

Primary fiscal balance

Primary fiscal balance as a percentage of GDP required to stabilise the public debt/GDP ratio in the current calendar year. This is calculated on the basis of the actual or estimate of the public debt/GDP ratio at the end of the previous year and the Economist Intelligence Unit forecasts for nominal GDP growth and nominal interest rates in the current year.

Gross external financing requirement

Foreign-exchange reserves as a percentage of the gross external financing requirement (medium- and long-term principal repayments due on external debt, plus short-term external debt due, minus the current-account balance). Note: a current-account surplus reduces the gross external financing requirement. A gross external financing surplus (that is, a current-account surplus that is greater than the sum of repayments due on short-, medium- and long-term external debt) is indicated by a negative sign for this ratio.

Foreign-exchange reserves (excluding gold) as a percentage of external shortterm debt over the last 12 months. Foreign-exchange reserves Change in foreign-exchange reserves (excluding gold) over the last six months. Banks' net foreign asset Banks' net foreign asset position as a percentage of total foreign assets. position Bank credit to private Change in bank credit to private sector as a percentage of GDP over the last 36 sector/GDP months (expressed in percentage points). **Equity market** Change in the equity market index over the last 24 months. Average real money-market Average real money-market interest rates over the last 12 months. interest rates Fiscal balance/GDP Fiscal balance as a percentage of GDP over the last 12 months. Interest payments on Interest payments due on public debt as a percentage of government revenue public debt over the last 12 months. US\$ export receipt growth US\$ export receipt growth over the last 12 months. Current-account balance/GDP Current-account balance as a percentage of GDP over the last 12 months. Debt-service due/exports Debt service due on external debt as a percentage of exports of goods, nonfactor services, income and workers' remittances over the last 12 months. Interest due/exports Interest payments due on external debt as a percentage of exports of goods, non-factor services, income and workers' remittances over the last 12 months. Average import cover (months) Total foreign-exchange reserves (including gold) divided by imports of goods and non-factor services over the last 12 months. Banks' loan-deposit spread Banks' average loan-deposit spread (percentage points) over the last 12 months. (percentage points) Change in bank credit to Change in bank credit to private sector over the last 12 months. private sector Change in total credit to Change in total credit to private sector over the last 12 months. private sector Average current-account Average annual current-account balance as a percentage of GDP over the last 48 balance/GDP months. Average GDP growth Average annual GDP growth over the last 48 months. Average inflation rate Average annual consumer price inflation rate over the last 48 months. Change in real trade-weighted Change in the real trade-weighted exchange rate over the last 48 months. exchange rate

External short-term debt

Quarterly indicators

Exchange rate (average) National currency per US dollar, period average. Standard source: IMF,

International Financial Statistics (IFS).

Exchange rate (end-period) National currency per US dollar, end-quarter. Standard source: IFS.

Consumer prices (average) Percentage change in consumer price index (3-month average) compared with

year-earlier period. Standard sources: IFS; national statistics.

Money supply M1

Percentage change in total supply of notes and coins plus demand deposits at

end-quarter compared with year-earlier period. Standard sources: IFS; national

statistics.

Money supply M2 Percentage change in M1 plus quasi-money at end-quarter compared with year-

earlier period. Standard sources: IFS; national statistics.

Industrial production Percentage change in real output from mining, manufacturing, construction and

utilities compared with year-earlier quarter. Standard sources: World Bank, World Tables (WT); OECD, Quarterly National Accounts (QNA), National Accounts

Statistics (NAS); national statistics.

Real GDP Percentage change in GDP at constant market prices compared with year-earlier

quarter. Standard sources: IFS; WT; national statistics.

Petroleum production Average barrels/day ('000). Standard sources: IEA, Monthly Oil Market Report;

Oil and Gas Journal; Petroleum Economist.

Budget revenue General or central government receipts. Standard sources: IMF, IFS; Government

Finance Statistics Yearbook (GFSY); national statistics.

Budget expenditure General or central government outlays. Standard sources: IFS; GFSY; national

statistics.

Budget balance General or central government revenue minus expenditure. Standard sources:

IFS; GFSY; national statistics.

Primary budget balance General or central government revenue minus expenditure net of interest

charges. Standard sources: GFSY; national statistics.

Public debt Gross public debt. Standard sources: national statistics; IFS.

Public debt by residence Public debt held by national and foreign residents. Standard sources: IFS;

national statistics.

Public debt by currency Public debt denominated in national and foreign currency. Standard sources:

IFS; national statistics.

Goods: exports Exports of goods, US\$ m, free-on-board (fob) basis, US\$. Standard source: IFS.

Imports of goods, US\$ m, free-on-board (fob) basis, or cost, insurance, freight

Goods: imports

(cif) basis, US\$. Standard source: IFS. Trade balance Merchandise exports less merchandise imports, US\$. Standard source: IFS. **Current-account balance** Trade balance, plus net services, plus net income, plus net current transfers, US\$. Standard source: IFS. **Inward direct investment** Net flows of direct investment capital into the country, US\$. Standard source: **Total reserves** Total reserves, including foreign exchange, gold, reserve position with the IMF and Special Drawing Rights (SDRs) at end-quarter, US\$. Standard source: IFS. Foreign-exchange reserves Reserves (less gold), including foreign exchange, reserve position with the IMF and Special Drawing Rights (SDRs) at end-quarter, US\$. Standard source: IFS. Gold, national valuation Gold reserves (national valuation) at end-quarter, US\$. Standard source: IFS. External assets with BIS banks External assets with BIS-reporting banks vis-à-vis all sectors, at end-quarter, US\$. Standard source: Bank for International Settlements (BIS), External positions of reporting banks vis-à-vis individual countries. External liabilities to BIS banks External liabilities owed to BIS-reporting banks vis-à-vis all sectors, at end quarter, US\$. Standard source: BIS, External positions of reporting banks vis-à-vis individual countries. Short-term liabilities to BIS Consolidated crossborder claims in all currencies and local claims in local banks currencies of up to and including one year, US\$. Standard source: BIS, Consolidated claims of reporting banks on individual countries. Commercial banks' foreign Foreign assets held by domestic commercial banks at end-quarter, US\$. assets Standard source: IFS. Commercial banks' foreign Foreign liabilities of domestic commercial banks at year-end, US\$. liabilities Standard source: IFS. Commercial banks' net foreign Foreign assets held by domestic commercial banks less their foreign liabilities at year-end, US\$. Standard source: IFS. Commercial banks' claims on Commercial bank's claims on the public sector, at end-quarter, local currency. public sector Standard source: IFS. Commercial banks' claims on Commercial bank's claims on the public sector, at end-quarter, local currency. Standard source: IFS. private sector Lending interest rate Commercial banks' average lending rates, usually on short- and medium-term loans. Standard sources: IFS; national statistics.

Deposit interest rate

Commercial banks' deposit rates, for demand, time or savings deposits. Standard sources: *IFS*; national statistics.

Economic structure

Nominal GDP

Gross domestic product (GDP) at current market prices, in national currency units and US\$. Standard sources: IMF, IFS; World Bank, WDI; national statistics.

Real GDP

GDP at constant market prices, in national currency units. Standard sources: *IFS*; *WDI*; national statistics.

Real GDP growth

Percentage change in real GDP compared with previous year. Standard sources: IFS; WDI; national statistics.

Real private consumption growth

Percentage change in real private consumption expenditure compared with previous year. Standard sources: OECD, Quarterly National Accounts (QNA); UN, National Accounts Statistics (NAS); national statistics.

Real government consumption

growth

Percentage change in real government consumption expenditure compared with previous year. Standard sources: WDI; QNA; NAS; national statistics.

Real fixed investment growth

Percentage change in real gross domestic fixed investment expenditure compared with previous year. Standard sources: WDI; QNA; NAS; national statistics.

Real exports of goods and services growth

Percentage change in real value of exports of goods and non-factor services expenditure over previous year. Standard sources: WDI; QNA; NAS; national statistics.

Real imports of goods and services growth

Percentage change in real value of imports of goods and non-factor services expenditure compared with previous year. Standard sources: WDI; QNA; NAS; national statistics.

Agricultural growth

Percentage change in real agricultural output, including livestock, forestry and fishing sectors, compared with previous year. Standard sources: WDI; QNA; NAS; national statistics.

Industrial growth

Percentage change in real output from mining, manufacturing, construction and utilities compared with previous year. Standard sources: WDI; QNA; NAS; national statistics.

Manufacturing growth

Percentage change in real manufacturing output compared with previous year. Standard sources: WDI; QNA; NAS; national statistics.

Services growth

Percentage change in real output of services sectors compared with previous year. Standard sources: WDI; QNA; NAS; national statistics.

Gross domestic fixed Nominal gross domestic fixed investment as a percentage of nominal GDP at investment/GDP market prices. Standard sources: IFS; WDI; national statistics. Exports of goods and Exports of goods and non-factor services as a percentage of nominal GDP at services/GDP market prices. Standard sources: IFS; national statistics. Imports of goods and Imports of goods and non-factor services as a percentage of nominal GDP at services/GDP market prices. Standard sources: IFS; national statistics. **Gross national** Gross national savings as a percentage of gross domestic investment. Standard savings/investment sources: IFS; WDI; national statistics. Agriculture/GDP Agricultural output, including livestock, forestry and fishing, as a percentage of nominal GDP. Standard sources: WDI; NAS; QNA; national statistics. Industry/GDP Mining, quarrying, manufacturing, construction and utilities outputs as a percentage of nominal GDP. Standard sources: WDI; NAS; QNA; national statistics. Services/GDP Services sector output as a percentage of nominal GDP. Standard sources: WDI; NAS; QNA; national statistics. **Petroleum production** Average barrels/day ('000). Standard sources: IEA, Oil Market Report; Oil and Gas Journal; Petroleum Economist. **Petroleum reserves** Year-end proven petroleum reserves, m barrels. Standard source: Oil and Gas Iournal. **Population** Mid-year estimate of population in millions. Standard sources: IFS; UN, Demographic Yearbook; national statistics. **Population growth** Population growth rate compared with previous year. Standard sources: IFS; Demographic Yearbook; national statistics. Labour force Economically active population in millions. Standard sources: UN, FAO Statistical Yearbook: national statistics. **GDP** per head (US\$ at PPP) GDP in US dollars at purchasing power parity, divided by population. Recorded unemployment Recorded official unemployment as a percentage of total labour force. Standard

(ILO), Yearbook of Labour Statistics; national statistics.

sources: OECD, Main Economic Indicators; International Labour Organisation

Public finances

Budget revenue General or central government receipts, in nominal terms and as a percentage

of GDP. Standard sources: IMF, Government Finance Statistics Yearbook (GFSY);

IFS; OECD, Main Economic Indicators; national statistics.

Budget expenditure General or central government outlays, in nominal terms and as a percentage

of GDP. Standard sources: IMF, GFSY; IFS; OECD, Main Economic Indicators;

national statistics.

Budget balance General or central government receipts minus expenditure, in nominal terms

and as a percentage of GDP. Standard sources: IMF, GFSY; IFS; OECD, Main

Economic Indicators; national statistics.

Government debt interest General or central government interest payments, in nominal terms and as a

payments percentage of GDP. Note that for some OECD countries, interest payments are

reported net of interest received on financial assets. Standard sources: IMF,

Primary budget balance General or central government receipts minus expenditure net of interest

payments, in nominal terms and as a percentage of GDP. Standard sources: IMF,

GFSY; IFS; OECD, Main Economic Indicators; national statistics.

GFSY; IFS; OECD, Main Economic Indicators; national statistics.

Public debt Total public debt. Standard sources: national statistics; IFS.

Public debt by residence Public debt broken down by residency of holder (national and foreign).

Standard sources: IFS; national statistics.

Public debt by currency Public debt broken down by currency denomination (national and foreign).

Standard sources: IFS; national statistics.

Average maturity Average maturity (years) of marketable public debt. Standard source: national

statistics.

Average interest rate Average interest rate of marketable public debt. Standard source: national

statistics.

Repayments of public debt Repayments of marketable public debt, by maturity. Short-term, up to one year;

medium- and long-term, more than one year. Standard source: national

statistics.

Exchange rates, interest rates and prices

Exchange rate (average) Exchange rate of national currency against US dollar, euro and yen, period

average. Standard source: IMF, International Financial Statistics (IFS).

Exchange rate (end-period) Exchange rate of national currency against US dollar, euro and yen, end-period.

Standard source: IFS.

Real effective exchange rate Index of real effective trade-weighted exchange rate, based on consumer prices,

average.

Lending interest rate Commercial banks' average lending rates, usually on short- and medium-term

loans, average. Standard sources: IFS; national statistics.

Deposit interest rate Commercial banks' deposit rates, for demand, time or savings deposits, average.

Standard sources: IFS; national statistics.

Long-term bond yield Long-term bond yield, average. Standard sources: IFS; national statistics.

Money market interest rate Interest rate on money market securities, average. Standard sources: IFS;

national statistics.

Money market spread over Spread of money market securities over equivalent US Treasury bills, basis

US T-bills points. Standard sources: *IFS*; national statistics.

Long-term spread over money Spread of long-term bond yields over money market interest rates, average.

market rate Standard sources: IFS; national statistics.

Real money market Real interest rate on money market securities, average. Standard sources: IFS;

interest rate national statistics.

Real long-term bond yield Real long-term bond yield, average. Standard sources: *IFS*; national statistics.

Consumer prices (average) Percentage change in consumer price index, over previous year, average.

Standard sources: IFS; national statistics.

Consumer prices (end-period) Percentage change in consumer price index, over previous year, end-period.

Standard sources: IFS; national statistics.

Financial sector

Bank loans Bank loans to the private and public sector. Does not include bank holdings of

bonds or other securities.

Bank deposits Total deposits held by the banking sector.

Banking assets Total assets of the banking sector.

Loans/assets Bank loans as a percentage of total bank assets.

Total lending by banking & non-banking financial sector

Total lending (including loans and holdings of securities) by banking & non-

banking financial sector.

Total lending to private sector Total lending (including loans and holdings of securities) by banking & non-

banking financial sector to the private sector.

Total lending per head (US\$) Total lending (including loans and holdings of securities) by banking & non-

banking financial sector divided by population.

Total lending/GDP Total lending (including loans and holdings of securities) by banking & non-

banking financial sector expressed as a percentage of GDP.

Stock of domestic credit Total domestic credit extended to public sector, private sector and financial

institutions.

Domestic credit growth Percentage change in total domestic credit at year-end over previous period.

Standard sources: IFS; national statistics.

Stock of money M1 Total stock of notes and coins plus demand deposits at year-end over previous

year. Standard sources: IFS; national statistics.

Stock of money M2 Total stock of M1 and quasi-money at year-end over previous year. Standard

sources: IFS; national statistics.

Stock of money M1 (% change) Percentage change in total supply of notes and coins plus demand deposits at

year-end over corresponding previous period. Standard sources: IFS; national

statistics.

(average)

Stock of money M2 (% change) Percentage change in M1 plus quasi-money at year-end over corresponding

previous period. Standard sources: IFS; national statistics.

Secondary exchange rate Secondary exchange rate used for specific transactions or black-market

exchange rate, expressed in national currency per US dollars. Standard sources:

IFS; national statistics.

Current account

Current-account balance Trade balance, plus net services, plus net income, plus net current transfers, US\$.

Standard source: IMF, International Financial Statistics (IFS).

Goods: exports Merchandise exports of goods, free-on-board (fob) basis, US\$ m. Standard

source: IFS.

Goods: imports Merchandise imports of goods, fob basis, US\$. Standard source: IFS.

Trade balance Merchandise exports of goods less merchandise imports of goods, US\$.

Standard source: IFS.

Services: credit Payments received for services rendered to overseas residents and companies,

US\$. Standard source: IFS.

Services: debit Payments made for services rendered to domestic residents and companies,

US\$. Standard source: IFS.

Services balance Services credit less services debit, US\$. Standard source: IFS.

Income: credit Repatriated earnings on overseas investments, including interest, profit and

dividends, plus all forms of employee compensation, US\$. Standard source: IFS.

Income: debit Payments abroad in respect of foreign-owned investments in the domestic

economy, including interest, profit and dividends, plus all forms of employee

compensation, US\$. Standard source: IFS.

Income balance Income credit less income debt, US\$. Standard source: IFS.

Current transfers: credit Inward current transfers, including workers' remittances, and foreign aid grants,

US\$. Standard source: IFS.

Workers' remittances Repatriated earnings by overseas workers, US\$. Standard source: World Bank,

Global Development Finance (GDF).

Current transfers: debit Outward current transfers, including general government transfers, workers'

remittances and aid abroad, US\$. Standard source: IFS.

Current transfers balance Current transfers credit less current transfers debit, US\$. Standard source: IFS.

International liquidity

Total international reserves Foreign-exchange reserves, reserve position with the IMF, Special Drawing

Rights (SDRs) and gold reserves (national valuation), at year-end, US\$.

Foreign-exchange reserves Foreign-exchange reserves, reserve position with the IMF and SDRs at year-end,

US\$. Standard source: IFS.

Gold (national valuation) Gold reserves (national valuation) at year-end, US\$. Standard source: IFS.

Total reserves (net of IMF Foreign-exchange reserves, reserve position with the IMF, SDRs and gold credits & loans) reserves (national valuation), net of total credits & loans outstanding to the IMF,

at year-end, US\$.

Commercial banks' foreign Foreign assets held by domestic commercial banks at year-end, US\$. Standard

assets source: IFS.

Commercial banks' foreign Foreign liabilities of domestic commercial banks at year-end, US\$. Standard

liabilities source: IFS.

Commercial banks' net Foreign assets held by domestic commercial banks less their foreign liabilities at

foreign assets year-end, US\$. Standard source: IFS.

Months of import cover Total reserves divided by imports of goods and non-factor services expressed in

months.

Foreign payment and liquidity indicators

Current-account balance Trade balance, plus net services, plus net income, plus net current transfers,

expressed as a percentage of GDP. Standard source: IMF, International Financial

Statistics (IFS).

Trade balance Merchandise exports of goods less merchandise imports of goods, expressed as

a percentage of GDP. Standard source: IFS.

Services balance Services credit less services debit, expressed as a percentage of GDP. Standard

source: IFS.

Income balance Income credit less income debt, expressed as a percentage of GDP. Standard

source: IFS.

Current transfers balance Current transfers credit less current transfers debit, expressed as a percentage of

GDP. Standard source: IFS.

Foreign-exchange Foreign-exchange reserves expressed as a ratio of short-term debt, at year-end.

reserves/short-term debt Standard sources: IFS; World Bank, Global Development Finance (GDF).

Foreign-exchange Foreign-exchange reserves as a ratio of the gross external financing requirement reserves/gross external (current-account balance plus principal due on public and private medium- and financing requirement long-term debt and IMF debits, and short-term debt falling due in the current

year, at year-end). Standard sources: IFS; GDF.

Capital flight Current-account balance plus the change in international reserves, minus the

change in total external debt stock (not adjusted for the effects of cross-currency

valuation changes), minus net direct investment.

External trade

Main destinations of exports Major export markets as a percentage of total exports of goods, usually on a

free-on-board (fob) basis. Standard sources: IMF, Direction of Trade Statistics

(DTS); national statistics.

Main origins of imports Major import suppliers as a percentage of total imports of goods, usually on a

cost, insurance and freight (cif) basis. Standard sources: DTS; national statistics.

Principal exports Principal merchandise exports as a percentage of total exports of goods on a

fob basis. Standard source: national statistics.

Principal imports Principal import products as a percentage of total imports of goods on a cif

basis. Standard source: national statistics.

Export volume of goods Percentage growth in the volume of exports of goods.

Import volume of goods Percentage growth in the volume of imports of goods.

Export prices Percentage growth in the US dollar export price index of goods. Standard

sources: IFS; World Bank, World Tables (WT); national statistics.

Import prices Percentage growth in the US dollar import price index of goods. Standard

sources: IFS; WT; national statistics.

Terms of trade Ratio of the export price index to the import price index (1990=100).

External financing requirement

Gross financing requirement Current-account balance plus principal due on public and private medium- and

long-term debt and IMF debits, and short-term debt falling due in the current year, US\$. Standard sources: IFS; World Bank, Global Development Finance

(GDF).

Medium- & long-term

repayments due (incl IMF debits)

Principal repayments due on medium- and long-term debt and IMF debits due, US\$. Standard sources: GDF; national statistics.

Short-term debt due Stock of debt of original maturities of up to one year outstanding at the end of

the previous year, US\$. Standard sources: GDF; national statistics.

Medium- and long-term debt

inflows

Capital inflows generating medium- and long-term debt, consisting of commercial bank loans, official guaranteed loans and external bond issues,

US\$. Standard source: GDF.

IMF credit & loans Purchases under the General Resources Account and loan disbursements, US\$.

Standard source: IFS.

Short-term borrowing Inflows of debt of original maturities of up to one year, US\$. Standard sources: *GDF*; national statistics.

Net portfolio investment (net of foreign-currency bonds)

Non-residents' investment in the domestic economy in financial securities of any maturity, such as corporate securities, notes, money market instruments and financial derivatives, excluding foreign-currency securities US\$. Standard sources: IFS; Bank for International Settlements (BIS), BIS Quarterly Review.

Outward portfolio investment

Residents' investment in a foreign country in financial securities of any maturity, such as corporate securities, bonds, notes, money market instruments and financial derivatives, US\$ m. Standard source: IFS.

Net portfolio investment

Inward portfolio investment (net of foreign-currency bonds) less outward portfolio investment, US\$ m. Standard source: IFS.

Net direct investment flows

Net flows of direct investment into the country net of net flows of direct investment capital out of the country, US\$. Standard source: IFS.

Inward direct investment

Net flows of direct investment capital into the country, US\$. Standard source: IFS.

Outward direct investment

Net flows of direct investment capital out of the country, US\$ m. Standard source: IFS.

Increase in interest arrears

Increase (if any) in interest arrears, US\$. Standard source: GDF.

Increase in principal arrears

Increase (if any) in principal arrears, US\$. Standard source: GDF.

Other capital flows (net)

Balancing item. Includes exceptional financing, net errors and omissions, counterpart to valuation changes, US\$.

Change in international reserves

Change in the stock of international reserves at year-end, US\$. Net additions to reserves are indicated by a minus sign and vice versa. Standard source: IFS.

Flow of export credits (net)

Net change in stock of official export credits, suppliers' credits and bank credits officially guaranteed or insured by an export credit agency, US\$. Standard source: GDF.

External debt stock

Total external debt stock

Total external debt stock, comprising public and publicly guaranteed long-term debt, private non-guaranteed debt, use of IMF credit and short-term debt, at year-end, US\$. Standard source: World Bank, Global Development Finance (GDF).

Public medium- and long-term debt

Disbursed external debt owed by the public sector or with a public guarantee, having an original or extended maturity of more than one year, at year-end, US\$. Standard source: GDF.

IMF debt Debt outstanding to the IMF, comprising transactions within the General

Resources Account and loans provided through the poverty reduction and growth facility (PRGF) and the exogenous shocks facility (ESF), at year-end, US\$.

Standard source: GDF.

Short-term debt Disbursed external debt owed by all sectors, having an original maturity up to

and including one year, including capitalised interest arrears, at year-end, US\$.

Standard source: GDF.

Interest arrears Cumulative stock of unpaid interest charges due on medium- and long-term

external debt at year-end, US\$. Standard source: GDF.

Official interest arrears Unpaid interest charges on medium- and long-term external debt at year-end

owed to official creditors, US\$. Standard source: GDF.

Private interest arrears Unpaid interest charges on medium- and long-term external debt at year-end

owed to commercial creditors, US\$. Standard source: GDF.

Total debt/exports of goods Total external debt stock as a percentage of exports of goods, non-factor

services, income, and workers' remittances, US\$ m. Standard sources: GDF; IFS.

Total debt/GDP Total external debt at year-end as a percentage of nominal GDP.

International reserves/ Total international reserves as a percentage of total external debt stock.

total debt Standard sources: GDF; IFS.

Debt per head Total external debt divided by population, US\$.

Net debt Total external debt less total international reserves, US\$. Standard sources: GDF;

IFS.

and services

Net debt/exports of goods and Total external debt less total international reserves as a percentage of exports of

services goods, non-factor services, income and workers' remittances.

Net debt/GDP Total external debt less total international reserves as a percentage of nominal

GDP.

Total medium- and long-term Total debt having a maturity of more than one year owed to both official and

debt commercial creditors at year-end, US\$. Standard source: GDF.

Official creditors Medium- and long-term debt owed to official creditors at year-end, US\$.

Standard source: GDF.

Bilateral debt Official medium- and long-term debt owed to foreign governments, notably

Paris Club members of official creditors, at year-end, US\$. Standard source: GDF.

Multilateral debt Official medium- and long-term debt owed to multilateral institutions,

excluding the IMF, at year-end, US\$. Standard source: GDF.

> **Private creditors** Public and private debt owed to commercial creditors, US\$. Standard source:

GDF.

Export credits Stock of official export credits, suppliers' credits and bank credits officially

guaranteed or insured by an export credit agency, US\$. Standard source: GDF.

Principal arrears Cumulative stock of overdue principal repayments on medium- and long-term

external debt at year-end, US\$. Standard source: GDF.

Official principal arrears Overdue principal repayments on medium- and long-term external debt at

year-end owed to official creditors, US\$. Standard source: GDF.

Private principal arrears Overdue principal repayments on medium- and long-term external debt at

year-end owed to commercial creditors, US\$. Standard source: GDF.

Liabilities to BIS banks Consolidated crossborder claims in all currencies and local claims in local

currencies, broken down by maturity, US\$. Standard source: Bank for International Settlements (BIS), Consolidated claims of reporting banks on

individual countries.

External assets with BIS banks External assets held with BIS-reporting banks vis-à-vis all sectors, at end-

quarter, US\$. Standard source: BIS, External positions of reporting banks vis-à-vis

individual countries.

External liabilities to BIS banks External liabilities owed to BIS-reporting banks vis-à-vis all sectors, US\$.

Standard source: BIS, External positions of reporting banks vis-à-vis individual

countries.

External debt service

Total foreign debt service Principal repayments made on medium- and long-term debt, IMF debits and

interest payments made on all external debt, US\$. Standard source: World Bank,

Global Development Finance (GDF).

Medium- and long-term debt Principal repayments made, plus interest payments made on all medium- and service

long-term debt, but excluding IMF debits and charges, broken down by official

and commercial creditor, US\$. Standard source: GDF.

IMF debits and charges Repurchases and repayment of loans to the IMF, plus charges on loans, US\$.

Standard sources: IMF, International Financial Statistics (IFS); GDF.

Short-term debt (interest only) Interest payments made on short-term debt only, US\$. Standard source: GDF.

> Debt service due Principal repayments due on medium- and long-term debt and IMF debt, plus

> > interest payments due on all external debt, US\$. Standard source: GDF.

Debt-service ratio, paid Total external debt service paid as a percentage of exports of goods, non-factor

services, income and workers' remittances.

Total external debt service due as a percentage of exports of goods, non-factor

services, income and workers' remittances. Debt service paid/GDP Total external debt service paid as a percentage of nominal GDP. Total principal repayments Principal repayments made on medium- and long-term debt and IMF debits, US\$. Standard source: GDF. Medium- and long-term Principal repayments made on medium- and long-term debt, broken down by principal repayments official and commercial creditors, US\$. Standard source: GDF. IMF debits Repurchases and repayments of loans including transactions within the General Resources Account and repayment of loans relating to the PRGF and ESF, at year-end, US\$. Standard source: GDF. Principal repayments due Total principal repayments due on medium- and long-term debt and IMF debt, US\$. Standard source: GDF. Total interest payments Total interest payments made on total external debt, US\$. Standard source: GDF. Medium- and long-term Interest payments made on medium- and long-term debt, broken down by interest payments official and commercial creditors, US\$. Standard source: GDF. **IMF** charges Charges on IMF credits, US\$. Standard sources: IFS; GDF. Interest on short-term debt Interest payments made on short-term debt, US\$. Standard source: GDF. Interest payments due Total interest payments due on all external debt, US\$. Standard source: GDF. Interest paid/debt service paid Total interest payments made on total external debt as a percentage of total debt service paid. Standard source: GDF. Interest paid/exports of goods Total interest payments made on total external debt as a percentage of exports and services of goods, non-factor services, income and workers' remittances. Interest due/exports of goods Total interest payments due on total external debt as a percentage of exports of and services goods, non-factor services, income and workers' remittances. Interest paid/GDP Total interest payments made on total external debt as a percentage of nominal gross domestic product. Effective interest rate Interest payments made on medium- and long-term debt in current year as a percentage of medium- and long-term external debt at the end of previous year expressed as a percentage. Effective maturity (years) Total medium- and long-term debt in the previous year divided by mediumand long-term principal repayments paid for the current year expressed in years.

Debt-service ratio, due

36 Publishing schedule

Publishing schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	0ct	Nov	Dec
Asia & Australasia	Juli	100		7,5.	- riuy	Jun	Jul	riug	ССР		1101	
Australia	U	U	М	U	U	М	U	U	М	U	U	М
Bangladesh	U	U	М	U	U	М	U	U	М	U	U	М
Cambodia	М	U	U	М	U	U	М	U	U	М	U	U
China	U	М	U	U	М	U	U	М	U	U	М	U
Hong Kong	U	М	U	U	М	U	U	М	U	U	М	U
India	М	U	U	М	U	U	М	U	U	М	U	U
Indonesia	М	U	U	М	U	U	М	U	U	М	U	U
Japan	U			U		_	U	_		U	_	
Malaysia	U	М	U	U	М	U	U	М	U	U	М	U
Myanmar	U	U	М	U	U	М	U	U	М	U	U	М
New Zealand	U	U	М	U	U	М	U	U	М	U	U	М
Pakistan	U	М	U	U	М	U	U	М	U	U	М	U
Papua New Guinea	U	М	U	U	М	U	U	М	U	U	М	U
Philippines	U	М	U	U	М	U	U	М	U	U	М	U
Singapore	М	U	U	М	U	U	М	U	U	М	U	U
South Korea	U	U	М	U	U	М	U	U	М	U	U	М
Sri Lanka	М	U	U	М	U	U	М	U	U	М	U	U
Taiwan	М	U	U	М	U	U	М	U	U	М	U	U
Thailand	U	U	М	U	U	М	U	U	М	U	U	М
Vietnam	U	М	U	U	М	U	U	М	U	U	М	U
Americas												
Anguilla			U			U			U			U
Antigua and Barbuda			U			U			U			U
Argentina	М	U	U	М	U	U	М	U	U	М	U	U
Bahamas			U			U			U			U
Barbados			U			U			U			U
Bermuda			U			U			U			U
Bolivia	М	U	U	М	U	U	М	U	U	М	U	U
Brazil	М	U	U	М	U	U	М	U	U	М	U	U
British Virgin Islands			U		_	U		_	U		_	U
Canada	U			U		_	U			U		_
Cayman Islands			U	_		U			U			U
Chile	U	U	М	U	U	М	U	U	М	U	U	М
Colombia	U	М	U	U	М	U	U	М	U	U	М	U
Costa Rica	U	М	U	U	М	U	U	М	U	U	М	U
Cuba	U	U	М	U	U	М	U	U	М	U	U	М
Dominica			U			U			U			U
Dominican Republic	U	U	М	U	U	М	U	U	М	U	U	М
Ecuador	U	U	М	U	U	М	U	U	М	U	U	М
El Salvador	U	М	U	U	М	U	U	М	U	U	М	U
Guatemala	U	U	М	U	U	М	U	U	М	U	U	М
Honduras	U	U	М	U	U	М	U	U	М	U	U	М
Jamaica	U	М	U	U	М	U	U	М	U	U	М	U
Mexico	U	М	U	U	М	U	U	М	U	U	М	U
Netherlands Antilles			U			U			U			U
Nicaragua	U	М	U	U	М	U	U	М	U	U	М	U
Panama	M	U	U	M	U	U	M	U	U	M	U	U
Paraguay	M	U	U	M	U	U	M	U	U	M	U	U
Peru	U	M	U	U	M	U	U	M	U	U	M	U
Puerto Rico	3		U		· · ·	U			U		_ ··	U
St Kitts and Nevis			U			U			U			U
St Lucia			U			U			U			U
St Vincent and the Grenadines			U			U			U			U
Se vincent and the dichaumes			J	l	l				J	l	<u>i</u>	U

Publishing schedule 37

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	0ct	Nov	Dec
Trinidad and Tobago	M	U	U	M	U	U	M	U	U	M	U	U
US	U		_	U	_		U	_		U		
Uruquay	М	U	U	М	U	U	М	U	U	М	U	U
Venezuela	М	U	U	М	U	U	М	U	U	М	U	U
Sub-Saharan Africa								_				
Angola	М	U	U	М	U	U	М	U	U	М	U	U
Botswana	U	U	М	U	U	М	U	U	М	U	U	М
Cameroon	U	М	U	U	М	U	U	M	U	U	М	U
Congo Brazzaville	- U		U			U			U			U
Côte d'Ivoire	М	U	U	М	U	U	М	U	U	М	U	U
Equatorial Guinea	U	М	U	U	М	U	U	M	U	U	М	U
Ethiopia	U	М	U	U	М	U	U	М	U	U	М	U
Gabon	U	U	М	U	U	М	U	U	М	U	U	M
Ghana	U	U	М	U	U	M	U	U	М	U	U	M
Guinea			М			М			М			М
Kenya	U	М	U	U	М	U	U	М	U	U	М	U
Malawi	U	М	U	U	M	U	U	M	U	U	М	U
Mauritius	M	U	U	M	U	U	M	U	U	M	U	U
Mozambique	U	M	U	U	M	U	U	M	U	U	M	U
Namibia	U	M	U	U	M	U	U	M	U	U	M	U
Nigeria	U	U	M	U	U	M	U	U	M	U	U	M
Senegal	U	U	M	U	U	M	U	U	M	U	U	M
Seychelles	U	0	M	0	- 0	M	U	U	M	-	U	M
Sierra Leone			M			M			M			M
South Africa	М	U	U	М	U	U	М	U	U	М	U	U
Swaziland	1*1	U	M	1*1	U	M	141	U	M	141	U	M
Tanzania	U	М	U	U	М	U	U	М	U	U	М	U
Uganda	U	U	M	U	U	M	U	U	M	U	U	M
Zambia	U	M	U	U	M	U	U	M	U	U	M	U
Zimbabwe	U	U	M	U	U	M	U	U	M	U	U	M
Middle East & North Africa	U	U	1*1	U	U	1*1	U	U	IM	0	U	141
Algeria	М	U	U	М	U	U	М	U	U	М	U	U
Bahrain	M	U	U	M	U	U	M	U	U	M	U	U
Egypt	U	U	M	U	U	M	U	U	M	U	U	M
Iran	M	U	U	M	U	U	M	U	U	M	U	U
Iraq	M	U	U	M	U	U	M	U	U	M	U	U
Israel	U	U	M	U	U	M	U	U	M	U	U	M
Jordan	M	U	U	M	U	U	M	U	U	M	U	U
Kuwait	U	U	M	U	U	M	U	U	M	U	U	M
Lebanon	U	M	U	U	M	U	U	M	U	U	M	U
Libya	U	M	U	U	M	U	U	M	U	U	M	U
Morocco	M	U	U	M	U	U	M	U	U	M	U	U
Oman	M	U	U	M	U	U	M	U	U	M	U	U
Qatar	U	M	U	U	M	U	U	M	U	U	M	U
Saudi Arabia	U	U	M	U	U	M	U	U	M	U	U	M
Sudan	M	U	U	M	U	U	M	U	U	M	U	U
Syria	U	M	U	U	M	U	U	M	U	U	M	U
Tunisia	U	U	M	U						U	U	
	U	U	M		U	M M	U	U	M M	U	U	M M
United Arab Emirates	U	U		U	U	M	U	U	M	U	U	
Yemen		U	М	U	U	141	U	U	IVI	U	U	М
Eastern Europe & the former Soviet Union			- 11			11			11			- 11
Albania	- 11	ļ.,	U	,,		U	- ,.	ļ.,	U	<u> </u>		U
Azerbaijan	U	U	M	U	U	M	U	U	M	U	U	M
Bosnia and Hercegovina	M	U	U	M	U	U	M	U	U	M	U	U
Bulgaria	U	U	М	U	U	М	U	U	M	U	U	М
Croatia	М	U	U	М	U	U	М	U	U	М	U	U

38 Publishing schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	0ct	Nov	Dec
Czech Republic	U	U	М	U	U	М	U	U	М	U	U	М
Estonia	U	М	U	U	М	U	U	М	U	U	М	U
Hungary	М	U	U	М	U	U	М	U	U	М	U	U
Kazakhstan	U	М	U	U	М	U	U	М	U	U	М	U
Latvia	U	М	U	U	М	U	U	М	U	U	М	U
Lithuania	U	М	U	U	М	U	U	М	U	U	М	U
Macedonia	U	М	U	U	М	U	U	М	U	U	М	U
Moldova	М	U	U	М	U	U	М	U	U	М	U	U
Poland	U	U	М	U	U	М	U	U	М	U	U	М
Romania	U	М	U	U	М	U	U	М	U	U	М	U
Russia	U	М	U	U	М	U	U	М	U	U	М	U
Serbia	U	М	U	U	М	U	U	М	U	U	М	U
Slovakia	U	U	М	U	U	М	U	U	М	U	U	М
Slovenia	U	U	М	U	U	М	U	U	М	U	U	М
Ukraine	U	U	М	U	U	М	U	U	М	U	U	М
Uzbekistan	М	U	U	М	U	U	М	U	U	М	U	U
Western Europe												
Austria	U			U			U			U		
Belgium	U			U			U			U		
Cyprus	U			U			U			U		
Denmark	U			U			U			U		
Finland	U			U			U			U		
France	U			U			U			U		
Germany	U			U			U			U		
Greece	U			U			U			U		
Iceland			U			U			U			U
Ireland	U			U			U			U		
Italy	U			U			U			U		
Netherlands	U			U			U			U		
Norway	U			U			U			U		
Portugal	U			U			U			U		
Spain	U		_	U	_	_	U		_	U		_
Sweden	U			U			U			U		
Switzerland	U			U			U			U		
Turkey	U	М	U	U	М	U	U	М	U	U	М	U
United Kingdom	U			U			U			U		
M=Main Report; U=Updater report.						•						

Notes 39

Notes

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