

# Country Risk Model

## An interactive tool for analysing country risk

The Country Risk Model measures sovereign debt, currency and banking sector risks that assigning each a rating can be compared across countries and over time. The model can be used as your institution's primary tool for analysing country credit risk, as input into your in-house risk assessment process or as a check on your institution's own country assessments. The web-based risk model assesses the country credit risk of 100 emerging markets and highly indebted countries and provides an early warning system of financial crises in developing countries. Ratings and scores for six regional aggregates show the level of risk posed by a region and serve as a benchmark for comparison.

The model provides you with:

- A comprehensive service covering 100 countries and six regions based on 77 indicators, both quantitative and qualitative, ranging across 13 different risk categories.
- Timely and accurate monthly risk assessments by our team of over 100 country analysts.
- A risk summary for each country explaining the main factors behind the rating.
- Access to a database unequalled by any other service available in the marketplace, with scores, ratings and risk summaries going back to 1997.
- Assessments made using the Economist Intelligence Unit's unrivalled country data, both historical and forecast.

### What functionality does the model provide?

- Adjust the weightings and scores of any of the individual 77 indicators or choose a combination of our indicators and your own to derive a customised set of risk scores.
- Compare the indicator scores across countries, as well as view the historical scores for a single country. For example, you can view side-by-side the scores for Malaysia, Thailand and Indonesia or see Egypt's scores over the past five years.
- Access the data with simple-to-use navigation.
- Export and chart the data by date, country or ratings category.

### What risk categories are provided by the model?

#### Current account

KEY INDICATORS: cumulative years of a current-account deficit, current-account direction, current-account magnitude, current-

account deficit—investment/consumption driven, reliance on a single raw material export, reliance on a single export category, export receipts—annual rate of growth

#### Debt structure

KEY INDICATORS: default history, total external debt/exports, debt-service ratio, interest due/exports

#### Exchange-rate policy

KEY INDICATORS: real appreciation, real appreciation—evaluation, exchange-rate regime, change in prospects, expectations of a regime change, interest differentials, black-market/dual exchange rate

#### Fiscal policy

KEY INDICATORS: public-sector budget balance/GDP, cumulative years of a public-sector budget deficit, government's ability to generate tax revenue, public debt/GDP, public debt/GDP—direction

#### Financial structure

KEY INDICATORS: asset price, performance of bank stocks, incidence of bank failures, banking sector ratings, reliance on external debt, corruption in the banking sector, government involvement in the banking sector

#### Global climate

KEY INDICATORS: global short-term interest rates, global real GDP growth, international financial support, "contagion" effect

#### Growth/savings

KEY INDICATORS: national savings/GDP, fixed investment/GDP, pension system, investment efficiency, real GDP growth—average, real GDP growth—latest, real GDP growth—volatility

#### Liquidity

KEY INDICATORS: external short-term debt/exports, percentage decline in official reserves—actual, percentage decline in official reserves—forecast, net direct investment/financing requirement, import cover, "means"/"spending" ratio, net portfolio inflows/financing requirement, US\$M2/reserves, access to capital markets, domestic debt maturity structure

#### Monetary policy

KEY INDICATORS: inflation rate, inflation rate—direction, policies favourable to savers, ability to boost interest rates, monetary stability, use of indirect instruments of monetary policy, real lending rates, boom-bust scenario, financial liberalisation

### Political efficacy

KEY INDICATORS: change in government/pro-business orientation, institutional effectiveness, bureaucracy, transparency/fairness, corruption, crime

### Political stability

KEY INDICATORS: war, social unrest, orderly political transfers, politically motivated violence, international disputes

### Regulatory policy

KEY INDICATORS: official data (quality/timeliness), policy towards foreign capital, popular attitudes towards foreign capital, restrictions on transfers

### Trade policy

KEY INDICATORS: trade liberalisation, exports/GDP

## Customise the service to meet your needs

The Country Risk team is available to perform customised research for clients. Clients may request our risk experts to customise the risk model to meet their special needs, for example, by adding new countries or indicators. Our risk specialists will also research special risk topics or present to groups on specific risk issues. Please speak with an Economist Intelligence Unit representative for further information.

## How we compare with ratings agencies

Unlike the ratings agencies, we give you our risk assessments via our model across 100 countries every month. The result: we catch deteriorating or improving trends often before the ratings agencies issue formal warnings.

Our analysts are country experts who are responsible for tracking a very small number of countries. This allows them to pay frequent visits to the countries they cover and specialise in each country's economics and politics.

As part of the well-respected Economist Group, we provide ratings that are totally independent—we are not compensated by governments for our country ratings, unlike the ratings agencies.

## What countries and regions are covered?\*

### Americas

Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela

### Asia and Australasia

Australia, Bangladesh, China, Hong Kong, India, Indonesia, Malaysia, Myanmar (Burma), New Zealand, Pakistan, Papua New Guinea, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam

### Eastern Europe

Azerbaijan, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, Ukraine, Uzbekistan

### Middle East and North Africa

Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE, Yemen

### Southern Europe

Cyprus, Greece, Italy, Portugal, Spain, Turkey

### Sub-Saharan Africa

Angola, Botswana, Cameroon, Côte d'Ivoire, Gabon, Ghana, Kenya, Malawi, Mauritius, Namibia, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia, Zimbabwe

*\* The Country Risk Service also provides risk assessments for 75 industrialised and frontier markets on a quarterly or annual basis. Please speak to an Economist Intelligence Unit representative for details.*

## How to order

For more information or to apply for a free trial, call or e-mail your nearest Economist Intelligence Unit office. For a complete listing of all our office locations and representatives, please visit [www.eiu.com/service](http://www.eiu.com/service).

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