

SK
SKEMA BUSINESS SCHOOL

Country Risk Economic Intelligence and Information Sources
Michel Henry Bouchet

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COUNTRY RISK ASSESSMENT

Economic intelligence + reliable and updated information sources
=
robust risk analysis

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KEY INFORMATION SOURCES

- IMF, World Bank, IFC & MIGA
- UNCTAD & UNDP
- BIS, OECD, EBRD
- Coface, Euler-Hermes
- Moody's, S&P, Fitch
- Euromoney, Institutional Investor
- CIA & US State Dept
- Transparency International
- Hiscox, AON, Control Group
- DEFI www.developingfinance.org

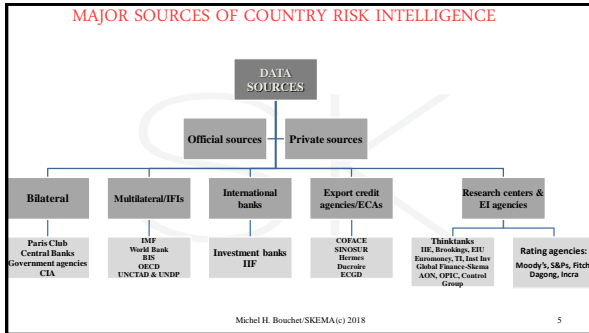
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ECONOMIC INTELLIGENCE =
TRANSFORMING INFORMATION INTO RISK STRATEGY

Macro-Eco Structures (1960-70)
Debt & BoP (1980)
Banking & Finance (1990)
Governance (2000)
Regulation & Leverage (2008)
Shadow Economy Capital Flight Corruption (2010-18)

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FINANCIAL, MACROECONOMIC AND SOCIO-POLITICAL INFORMATION AND INTELLIGENCE SOURCES

Official sources

1. Multilateral sources

- ▶ IMF
- ▶ World Bank
- ▶ BIS, OECD
- ▶ RDBs

2. Official bilateral sources

- ▶ Country governments (CBs, CIA)
- ▶ ECAs (Coface, Hermes, Eximbank, ECGD, SACE, CESCE)
- ▶ Paris Club

Private sources

1. Insurance agencies (Coface, AON OPIIC)
2. Research institutes (IEE, IIF, Brookings, Transparency Int.)
3. Thinktanks (Cato, Heritage, Freedom House, Heritage F.)
4. Magazines (Euromoney, Institutional Investor...)
5. Academic centers (CforGD, Global Finance...)
6. Rating agencies (S&Ps, Dagong, Inkra)

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- ### OFFICIAL INFORMATION SOURCES
- 4 IFIs = IMF + World Bank + BIS + OECD
 - 4 RDBs = AsDB, AfDB, EBRD, IADB
 - 2 UNs = UNCTAD + UNDP
 - Export credit agencies (Coface, EFIC, Hermes...)
 - Paris Club
 - Central Banks
 - Governments and Intelligence agencies
https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_eur.html
- 7

IMF AS SOURCE OF RISK INFORMATION

International Financial Statistics (monthly)

Global tables:

IMF Credits

Official reserves and MS

Exchange rates (nominal and real effective rates)

CPI and interest rates

Trade Flows (M/X)

Commodity prices

Country data

Balance of payments

Government budget

National accounts (GDP/GNP)

International liquidity

Monetary survey (bank credit, money and quasi-money)

Interest rates

Debt ratios

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IMF AS SOURCE OF MACRO-ECONOMIC INFORMATION

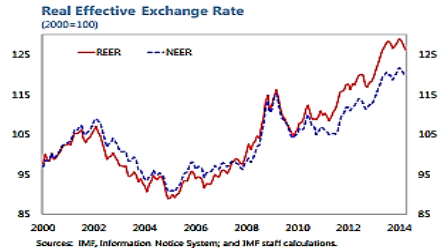
Table 5. Ecuador: Balance of Payments, 2008-21
(Millions of U.S. dollars, unless otherwise indicated)

	Ecuador													
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current account	1,716	309	-1,186	-483	-166	-958	-587	-2,247	-2,289	-978	-874	-149	196	-484
Exports	1,545	161	-1,384	-88	89	-493	-93	-1,289	-1,293	198	305	78	1,208	-25
Imports	16,483	16,452	18,117	20,802	20,986	26,084	26,986	32,235	31,347	31,662	31,336	30,336	30,536	29,555
G.O.	11,723	4,262	6,973	12,946	12,288	14,338	13,633	16,619	15,671	4,288	7,233	1,546	1,595	1,051
Non-G.O.	7,760	1,987	8,644	10,177	11,175	11,352	13,288	16,616	15,176	18,775	14,093	12,287	12,472	11,474
Inpays (F&B)	-27,022	-26,248	-30,641	-32,385	-34,923	-34,218	-36,657	-39,899	-37,528	-41,888	-40,901	-41,377	-42,375	-42,361
G.O.	-13,028	-12,281	-14,663	-15,827	-16,817	-18,089	-19,266	-21,176	-20,966	-23,094	-22,884	-23,042	-23,288	-23,288
Non-G.O.	-14,004	-13,966	-15,978	-16,558	-18,106	-16,130	-17,488	-18,723	-16,832	-18,794	-18,913	-18,403	-18,403	-18,403
Services (net)	-1,883	-1,238	-1,354	-1,623	-1,486	-1,874	-1,776	-2,026	-1,889	-1,830	-1,643	-1,575	-1,542	-1,289
Travelers (net)	1,123	2,722	2,463	2,202	2,289	2,284	2,878	2,126	2,046	2,395	2,425	2,578	2,723	2,723

China: Selected Economic Indicators

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NATIONAL ACCOUNTS											
Real GDP (base=2012)	7.9	7.8	7.3	6.9	6.7	6.7	6.4	6.4	6.3	6.0	5.8
Total domestic demand	7.9	8.1	7.2	7.2	7.4	7.0	6.9	6.8	6.6	6.2	5.9
Consumption	8.7	7.2	7.2	6.8	6.6	6.6	6.0	7.4	7.1	6.6	6.3
Investment	7.1	9.1	7.1	6.1	6.3	5.2	5.5	6.0	6.0	5.8	5.6
Fixed	9.0	9.1	6.8	6.2	6.7	5.2	5.6	6.1	6.2	6.0	5.8
Inventories (contribution)	-0.6	0.1	0.2	-0.2	-0.1	0.1	0.0	0.0	0.0	0.0	0.0
Net exports (contribution)	0.3	0.1	0.4	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Total capital formation (percent of GDP)	47.2	47.3	46.8	44.1	44.2	43.7	42.9	42.4	42.0	41.7	41.4
Open national saving (percent of GDP)	49.7	48.8	49.0	47.2	45.9	45.1	44.3	43.8	42.3	42.1	41.8

THE IMF AS SOURCE OF EXCHANGE RATE AND MONETARY DATA: CHINA



THE IMF'S WEO



FOR RELEASE
Washington, DC: July 16, 2018, 10:00 a.m. EST

STRICTLY CONFIDENTIAL
UNTIL RELEASED

Less Even Expansion, Rising Trade Tensions

- Global growth is projected to reach 2.9 percent in 2018 and 2019, in line with the forecast of the April 2018 World Economic Outlook (WEO), but the expansion is becoming less even, and risks to the outlook are mounting. The rate of expansion appears to have peaked in some major economies and growth has become less synchronized. In the United States, near-term momentum is strengthening in line with the April WEO forecast, and the US dollar has appreciated by around 5 percent in recent weeks. Growth projections have been revised down for the euro area, Japan, and the United Kingdom, reflecting negative surprises to activity in early 2018. Among emerging market and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals. Growth projections have been revised down for Argentina, Brazil, and India, while the outlook for some oil exporters has strengthened.

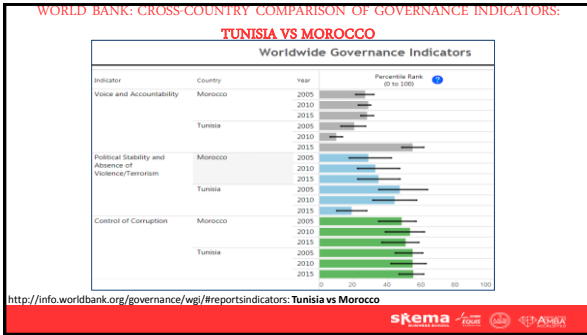
WORLD BANK AS SOURCE OF RISK INFORMATION

Global Development Finance (annual)

- ▶ Vol. 1 = Global tables
- Total debt stock and flows of EMCs broken down by creditors & maturities
- ▶ Vol. 2 = country tables
- Total debt and debt servicing payments

Country economic reports

- ▶ Structural indicators
- ▶ Economic policy issues
- ▶ WB project lending
- ▶ Debt sustainability analysis
- ▶ Governance analysis



BIS AS SOURCE OF FINANCIAL RISK INFORMATION

<http://stats.bis.org/statx/srs/table/b4>

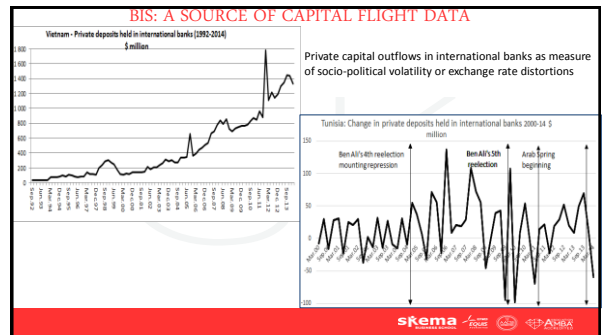
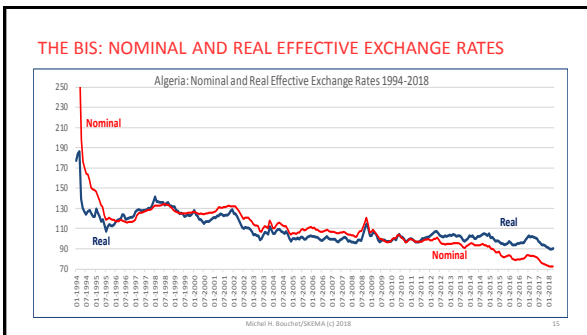
Global tables

- International Banking statistics (quarterly)
- + Annual BIS report
- ▶ International banking market
- ▶ International debt securities market
- ▶ Derivatives market

Country Tables

- ▶ External positions of BIS reporting banks: assets (claims) and liabilities (deposits) vis à vis all sectors and the non-bank private sector
- ▶ Breakdown by creditor banks and by maturities
- ▶ Real effective exchange rates

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OECD, CENTRAL BANKS AND TREASURIES

- ▶ Ex. FFIEC: US Federal Financial Institution Examination Council
- ▶ **US banks' claims on CHILE = US\$ 3.22 billion o/w**
 1. On banks= \$ 903 million
 2. On public sector= \$320 million
 3. On private sector= \$1970 million
 4. Total ST debt < 1 year loans= 51%



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PARIS CLUB AS SOURCE OF DEBT-RELATED INFORMATION

- ▶ There are no established institutionalized mechanisms for dealing with **private** sector cross-border debt in arrears! This is not the case of **official-source** debt that is renegotiated under the auspices of the Paris Club since 1956! Cf. Argentina's debt crisis
- ▶ The Paris Club: A confidential ad-hoc forum of debt negotiations between OECD country creditors and sovereign debtors.
- ▶ It only deals with official or officially-guaranteed credits (Coface, Hermes, ECGD, US Eximbank...).
- ▶ Consensus-based agreements.



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THE PARIS CLUB

- ▶ The first meeting with a debtor country was in 1956 when Argentina agreed to meet its public creditors in Paris. Since then, the Paris Club has reached >430 agreements concerning 90 debtor countries. The total amount of debt covered in these agreements has been \$583 billion.
- ▶ The Paris Club has remained strictly informal. It is the voluntary gathering of creditor countries willing to treat in a co-ordinated way the debt due to them by the developing countries. It can be described as a "non institution".



THE PARIS CLUB IN 2018

KEY NUMBERS

Total amount of agreements	433
Total amount of debtor countries	90
Total amount of debt	583 Billion \$
Total amount of countries in "Classic Terms"	60
Total amount of countries in "Houston Terms"	21
Total amount of countries in "Naples Terms"	36
Total amount of countries in "Cologne Terms"	33

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TOTAL CLAIMS OF PARIS CLUB MEMBERS ON EMERGING MARKET COUNTRIES AS OF JANUARY 1, 2017

Créances au Club de Paris au 31 décembre 2016, hors intérêts de retard (en millions de dollars)

APD - Aide Publique au Développement
NAPD - non consenties aux conditions de l'APD

Pays débiteurs	Créances APD	Créances NAPD	TOTAL
Albanie	1	1 250	1 251
Algérie du Sud	766	173	939
Albanie	495	23	517
Algérie	520	2	522
Angola	451	653	1 104
Antigua-et-Barbuda	3	118	121
Arabie Saoudite	-	2 925	2 925
Argentine	661	5 288	5 949
Arménie	452	16	467
Azerbaïdjan	758	34	791
Bangladesh	3 121	431	3 552
Barbade	2	-	2
Belize	-	-	-
Bénin	5	14	19
Bielorussie	26	6 359	6 385
Bolivie	105	2	106
Bosnie-Herzégovine	250	374	624
Botswana	19	-	19
Bulgarie	188	74	262
Burkina Faso	140	0	140
Burundi	-	-	-
Caméroun	915	1 399	2 314
Canada	537	24	562
Cap Vert	111	47	158
Chili	90	-	90
Chine	14 710	1 030	15 740

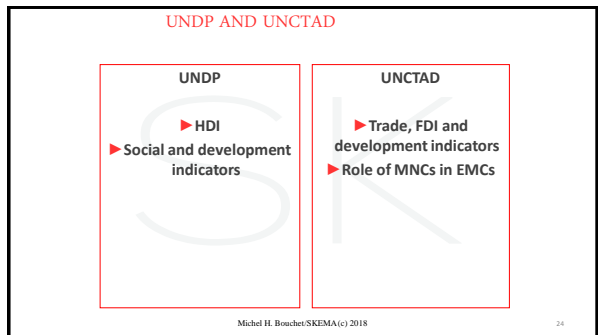
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PARIS CLUB DEBT RESTRUCTURING TERMS

Restructuring Terms	Eligibility	Rescheduling term (T/Grace)	Debt Reduction Terms		Debt Conversion
			ODA	Non ODA	
Houston 09/90	GDP per capita < \$2995 and debt/GDP > 50 %	ODA: 20/10 Non ODA: 15/2-3	Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans	Repayment periods are lengthened	ODA: no limit Non ODA: up to 20% of the outstanding amount or 15-30 million SDR
Toronto 10/88	Poorest countries	ODA: 25/14 Non ODA: 14/8		33,33%	
London, 12/91	23 countries	ODA: 30/12 Non ODA: 23/6		50%	
Naples 12/94	Poorest countries	ODA: 25/14 Non ODA: 14/8		67%	
Lyon 11/96	Poorest countries	ODA: 40/16 Non ODA: 23/6		80%	
Cologne 11/99	41 HIPC	ODA: 40/16 Non ODA: 23/6		90%	

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- NIGERIA: 10/2005 PARIS CLUB DEBT RESTRUCTURING**
- ▶ Total stock of public sector debt= US\$ 36.2 billion, o/w US\$ 30 billion due to the Paris Club
 - ▶ Debt agreement follows the IMF's Policy Support Instrument (PSI) on 17 October 2005, including a debt reduction under Naples terms on eligible debts and a buy back at a market-related discount on the remaining eligible debts after reduction. Two conditional phases:
 - ▶ 1. Nigeria undertakes to pay arrears due on all categories of debts and Paris Club creditors grant a 33% cancellation of eligible debts;
 - ▶ 2. After the first review of the PSI, planned for March 2006, Nigeria will pay amounts due under post-cut off date debt, and Paris Club creditors will grant a further tranche of cancellation of 34%, and Nigeria will buy back the remaining eligible debts.
 - ▶ Total debt cancellation of **US\$ 18 billion** (including moratorium interest) representing an overall cancellation of about 60% of Paris Club debt. Paris Club creditors will be paid an amount of US\$ 12.4 billion, representing regularization of arrears.
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1	Norway	171	Côte d'Ivoire
2	Australia	172	Djibouti
2	Switzerland	173	Gambia
4	Germany	174	Ethiopia
5	Denmark	175	Mali
5	Singapore	176	Congo (Dem R)
7	Netherlands	177	Liberia
8	Ireland	178	Guinea-Bissau
9	Iceland	179	Eritrea
10	Canada	179	Sierra Leone
10	United States	181	Mozambique
12	Hong Kong	181	South Sudan
13	New Zealand	183	Guinea
14	Sweden	184	Burundi
15	Liechtenstein	185	Burkina Faso
16	United Kingdom	186	Chad
17	Japan	187	Niger
18	Korea	188	Central Af Rep

UNDP
HUMAN DEVELOPMENT INDEX

Often rich countries with poor!

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CIA

► The World FactBook
► https://www.cia.gov/library/publications/the-world-factbook/wfbExt/regio_nur.html

COUNTRY COMPARISON : GDP (PURCHASING POWER PARITY)
GDP (purchasing power parity) compares the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States.

RANK	COUNTRY	GDP (PURCHASING POWER PARITY)	DATE OF INFORMATION
1	CHINA	\$21,140,000,000,000	2014 EST.
2	EUROPEAN UNION	\$19,970,000,000,000	2014 EST.
3	UNITED STATES	\$18,560,000,000,000	2014 EST.
4	INDIA	\$8,731,000,000,000	2014 EST.
5	JAPAN	\$4,932,000,000,000	2014 EST.
6	GERMANY	\$3,979,000,000,000	2014 EST.
7	RUSSIA	\$3,745,000,000,000	2014 EST.
8	BRAZIL	\$3,081,000,000,000	2014 EST.
9	INDONESIA	\$3,038,000,000,000	2014 EST.
10	UNITED KINGDOM	\$2,788,000,000,000	2014 EST.

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- SPECIALIZED COUNTRY RISK ANALYSIS INSTITUTIONS**
- IIF (Washington) The Institute for International Finance
 - IIE (Washington), EIU (London), Brookings (D.C.)
 - Bond rating agencies: Dun and Bradstreet, Moody's, S&P, FITCH IBCA, Dagong
 - BERI (Business Environment Risk Index)
 - Institutional Investor, Euromoney
 - Frost & Sullivan
 - INCRA (Bertelsmann Foundation)
 - Transparency International
 - Heritage Foundation, Davos-WEF, Cato Institute, IMD, AT Kearney, Global Finance-SKEMA
 - Insurance companies: AON
- skema | AON | ABIA

- RATING AGENCIES**
- Bond rating: Moody's, Fitch, S&Ps
 - DAGONG
 - Risk rating: COFACE
 - INCRA (non-profit credit-rating agency for sovereign risk)
 - Country risk rating: BERI, Euromoney, Institutional Investor
- skema | AON | ABIA



GOVERNMENTS ARE BYPASSED BY MARKET FORCES AND UNDER THE SCRUTINY OF IFIS AND RATING AGENCIES

Rating Distribution of Sovereign Issuers on Selected Dates

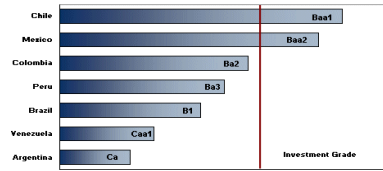
Rating	1983	1990	1995	2000	2005	2010	2011	2012
Aaa	79%	33%	16%	12%	19%	15%	14%	13%
Aa	21%	28%	25%	15%	7%	15%	11%	12%
A	0%	17%	18%	10%	22%	13%	14%	8%
Baa	0%	8%	18%	21%	14%	18%	21%	26%
Ba	0%	8%	16%	19%	15%	16%	15%	16%
B	0%	6%	5%	18%	17%	23%	23%	22%
Caa-C	0%	0%	0%	5%	5%	1%	2%	3%
Investment-grade	100%	86%	78%	59%	63%	61%	59%	59%
Speculative-grade	0%	14%	22%	41%	37%	39%	41%	41%

Moody's-Summer 2013

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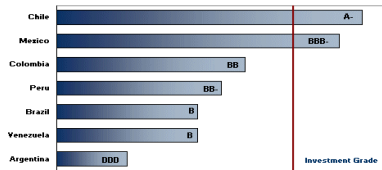
MOODY'S INVESTORS SERVICE LONG-TERM FOREIGN CURRENCY RATINGS



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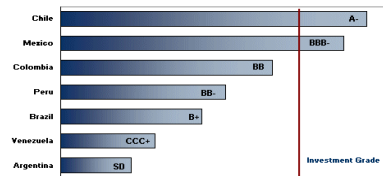
FITCH IBCA, DUFF AND PHELPS LONG-TERM FOREIGN CURRENCY RATINGS



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STANDARD AND POOR'S LONG-TERM FOREIGN CURRENCY RATINGS



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Information sources: Standard & Poor's: Sovereign risk indicators

Sovereign Risk Indicators: Economic Data

LTC rating	Nominal GDP (Bn. LC)	Nominal GDP (Bn. US\$)	Real GDP per capita (US\$)	Real GDP growth (%)	Real GDP growth investment (%)	Real GDP investment / GDP (%)	Settings / GDP (%)	Exports / GDP (%)	Unemployment rate (% of work force)
Abu Dhabi AA	789	209	71,687	2.0	(2.0)	N/A	N/A	N/A	69.1
Albania B+	1,523	12	4,216	3.2	3.4	6.0	27.9	15.6	26.5
Andorra BBB	7	3	36,861	1.8	0.8	30.0	N/A	N/A	N/A
Angola B	14,387	95	3,718	1.3	(1.2)	0.4	28.4	16.0	36.9
Argentina B-	8,809	147	12,950	(1.8)	(2.8)	(0.3)	17.4	14.6	14.1
Austria BBB+	8	3	14,238	0.4	(0.7)	1.1	23.3	21.8	71.0
Australia AAA	1,035	1,205	49,934	2.7	1.3	(3.0)	25.7	21.2	18.8
Austria AA+	300	389	45,125	1.4	0.9	2.8	33.4	23.4	13.2
Azerbaijan BB+	59	55	3,482	(3.0)	(4.6)	4.3	28.9	33.0	29.1
Bahrain BBB	9	9	22,761	0.2	(1.1)	(7.1)	38.2	39.5	28.4
Bahrain BB-	12	31	22,039	2.0	(1.0)	3.0	25.1	19.2	71.9
Bangladesh BB-	17,286	220	1,350	7.1	6.3	8.0	28.4	21.1	18.3
Barbados B-	9	4	15,790	1.8	0.7	2.1	12.8	1.9	26.8
Belize B-	908,942	45	4,772	(2.7)	(2.7)	(2.7)	32.4	28.6	53.8
Belgium AA	420	487	41,418	1.3	0.7	3.5	23.9	23.6	65.3
Bolivia CC	3	2	4,582	(1.6)	(4.1)	(1.4)	28.9	16.3	60.1
Bonaria A+	6	6	30,689	2.8	2.1	(1.0)	11.9	23.7	68.3
Bosnia BB	248	26	3,206	4.1	2.5	4.1	19.2	13.8	30.9

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THE INSTITUTE OF INTERNATIONAL FINANCE (IIF)



The Institute of International Finance is the global association of the financial industry, with close to 500 members from 70 countries. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, sovereign wealth funds, hedge funds, central banks and development banks.



IIF'S ANALYSIS OF CAPITAL FLOWS

Emerging Market Economies: Capital Flows \$ billion

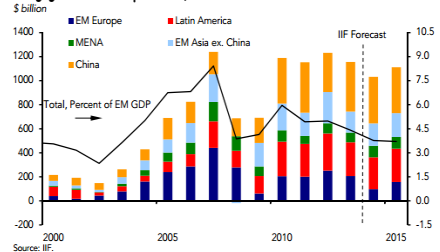
	2012	2013	2014	2015
Capital Inflows				
Total Inflows, Net	1,262	1,188	1,072	1,164
Private Inflows, Net	1,232	1,156	1,032	1,112
Equity Investment, Net	668	626	657	675
Direct Investment, Net	545	548	540	560
Portfolio Investment, Net	124	78	117	114
Private Creditors, Net	564	530	375	437
Commercial Banks, Net	118	193	124	151
Nonbanks, Net	446	338	251	287
Official Inflows, Net	37	32	47	52
International Financial Institutions	5	-3	19	27
Bilateral Creditors	31	35	28	25
Capital Outflows				
Total Outflows, Net	-1,292	-1,360	-1,348	-1,332
Private Outflows, Net	-946	-825	-981	-950
Equity Investment Abroad, Net	564	-603	-368	-381
Resident Lending/Other, Net	-614	-422	-613	-570
Reserves (= Increase)	-352	-534	-367	-388
Memorandum				
Net Errors and Omissions	-246	-65	0	0
Current Account Balance	276	236	262	174

Source: IIF



IIF MACRO RESEARCH ON CAPITAL FLOWS

Emerging Market Private Capital Inflows, Net






Source: IIF.






COFACE: (COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR)

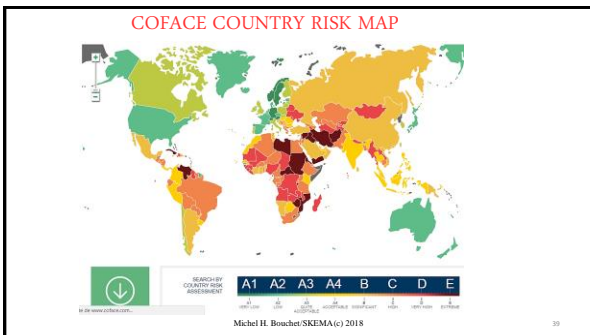
- ▶ The Coface Group facilitates and secures trade throughout the world. The Group offers a range of solutions spanning rating, protection and services, including country risk data and analysis.
- ▶ Country risk analysis is expressed in a rating/ranking format but based on a qualitative analysis aimed at integrating the socio-political and economic specificities of each country.

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COFACE

- ▶ Coface takes into account several types of country risk around six different analytical modules:
 1. political risk;
 2. liquidity and non-transfer risk;
 3. sovereign risk;
 4. market crisis risk;
 5. systemic banking crisis;
 6. macroeconomic growth risk.
- ▶ www.coface.org

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BRAZIL 2017 COFACE'S MACRO-ECONOMIC PROSPECTS

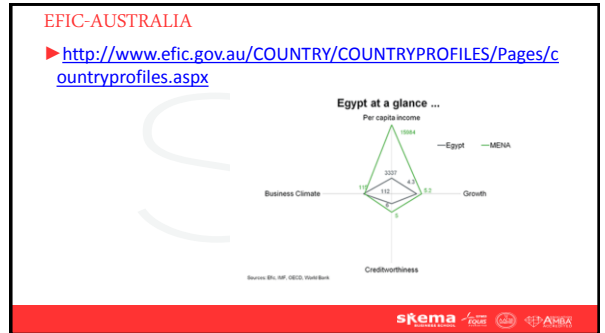
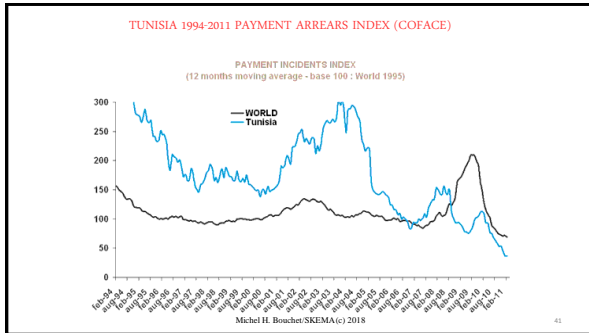
POPULATION: 204.459 MILLION
GDP PER CAPITA: \$ 669 US\$

COUNTRY RISK ASSESSMENT: C
BUSINESS CLIMATE: A4
COUNTRY COUNTRY: B
COUNTRY COUNTRY: B

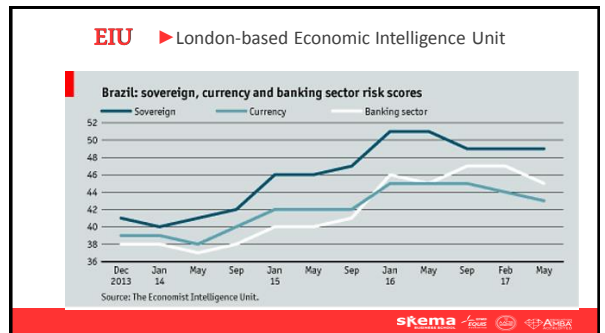
MAJOR MACRO ECONOMIC INDICATORS

	2014	2015	2016(f)	2017(f)
GDP growth (%)	0.5	-3.8	-3.6	0.4
Inflation (yearly average) (%)	6.3	9.0	9.7	4.4
Budget balance (% GDP)	-6.6	-10.3	-9.8	-9.1
Current account balance (% GDP)	-4.2	-3.3	-1.3	-1.4
Public debt (% GDP)	62.3	72.6	78.3	81.2

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- EIU 5 RISK ANALYSIS SERVICES**
- **Country analysis**—Political and economic analysis, business environment analysis, cross-country benchmarking and market-trends tracking.
 - **Risk assessment**—Sovereign debt risk assessment and operational risk analysis on 190 countries
 - **Market entry and sizing**—Market entry strategies, market sizing, market potential and pricing data.
 - **Strategic industry analysis**—Industry benchmarking, strategic trend analysis and global commodities analysis.
 - **Economic modelling and forecasting**—Data customisation, demand forecasts and econometric analysis of industry drivers.
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EIU ▶ London-based Economic Intelligence Unit

July 31st 2017 Print | Email | Share

Overview

Brazil: risk assessment

Country risk	Corruption risk	Business environment risk	Political risk	Economic investment risk	Country risk
BB	BB	BB	BB	BB	BB

Mean Brazil local equivalent: Fitch IBCA (Investment), Standard & Poor's (BB-), Moody's (Baa1)

These ratings are derived from the ratings report published above, which sets out indicators under the Country Risk, and therefore are not issued by the International Country Risk Guide Rating Agency, which is registered in accordance with Regulation (EU) No 1065/2010 of the European Union on credit rating agencies, as amended. This report and the ratings, therefore, are not subject to such Regulation and do not fall within its scope.

Download the numbers in Excel

Sovereign risk

The president, Michel Temer, is resisting pressure to resign following corruption allegations made against him in May. Even if he does survive we now assume that he will, governmentality will weaken, reducing the likelihood that pension reforms will be approved in Congress. This will set back medium-term fiscal consolidation plans and rekindle lingering concerns about debt sustainability.

Currency risk

The latest political crisis caused a sell-off in the Real, but it has since regained ground to R\$15 US\$1 in late July. Narrowing interest-rate differentials will weaken the Brazilian currency as the Banco Central do Brasil (the central bank) continues to ease monetary policy while its policy rates rise. Brazil has a large reserves cushion.

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<p>Business Environment Risk Intelligence (BERI) provides a Political Risk Index assessing the social and political environment of a country. It is built on the opinion and scores provided by a handful of experts with a diplomatic or political science background. Governance quality is included into political risk analysis along with government effectiveness and social indicators.</p> <p>ber1.com</p>	<p>Political Risk Services The PRS analyses covers a handful of countries and are updated on a quarterly basis. International Country Risk Guide measures and tracks corruption perception in government, law and order, corruption risk, as well as the quality of bureaucracy. These measures stem from the subjective assessment of experts around the world.</p> <p>http://prsgroup.com</p>	<p>Thanks to its unique policy dialogue with more than 100 countries, the World Bank has developed a comprehensive database of composite governance indicators, measuring perceptions of voice and accountability, political stability, government effectiveness, regulatory quality, risk of law, and corruption.</p> <p>www.worldbank.org/wbi/governance/</p>
<p>The London-based Economist Intelligence Unit (EIU) provides a comprehensive 6-year forecasting country risk analysis on more than 100 EIMCs, on a quarterly basis. The EIU method flows from expert's surveys to a series of 77 predetermined qualitative and quantitative questions.</p> <p>http://eiu.com</p>	<p>To look upon governance and corruption, Moody's takes into consideration the structure of social interaction, social and political dynamics, as well as the economic fundamentals. Moody's relies on the judgment of a group of credit risk professionals to weigh the various risk factors as well as the impact of such of these factors upon business prospects.</p> <p>http://moody.com</p>	<p>Standard and Poor's rating approach is both quantitative and qualitative. It is based on checklist of 19 categories, including governance and political risk. The political risk factors gauge the impact of politics on economic conditions, as well as the quality of government and the degree of government support in the population. S&P assigns short term and long term ratings.</p> <p>http://standardandpoors.com</p>
<p>Euromoney publishes ratings of some 180 countries, since 1982 on a semi-annual basis. The methodology is built from a blend of quantitative criteria and qualitative factors coming from surveys with about 40 political analysts and economists. Political risk receives a 25% weighting, as much as economic performance. Countries are graded on scale from 0 (best) to 100 (best).</p> <p>www.euromoney.com</p>	<p>Institutional Investor's ratings are published twice a year since 1979 to assess the creditworthiness of about 150 countries, based on a survey of some 100 international bankers' perception of creditworthiness, including economic, financial and socio-political stability criteria. The resulting score scales from zero (very high chance of default) to 100 (low chance of default).</p> <p>www.institutionalinvestor.com</p>	<p>Transparency International, a non-profit non-governmental organization in Berlin, provides an annual survey of corruption practices in nearly 90 countries since 1995. The Corruption Perception Index is based on a wide network of information sources with NGOs, domestic and foreign corporations, investors, and business contacts.</p> <p>www.transparency.org</p>

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<p>Heritage Foundation established since 1965, in partnership with the WES, an economic freedom index for some 160 countries, both industrialized and developing. The ranking is based on various socio-political and economic criteria, including political stability, state interference, regulatory framework, institutional strength, and corruption scope.</p> <p>www.heritage.org</p>	<p>ProctorKhanh's Openly's Quality Index measures the lack of clear, accurate, formal and widely accepted practices in a country's business environment. As such, it focuses on the relative state of corrupt business practices, the transparency of the legal system and the regulatory framework. It represents a quantitative approach to measuring opacity and its resulting extra risk premium that stems from the additional business and economic costs.</p> <p>www.qualityindex.com</p>	<p>The Institute for Management Development's World Competitiveness Report analyses 49 industrialized and emerging economies around the world based on a far-reaching survey since 1989. By analysis of the institutional framework, addresses issues such as state efficiency, transparency of government policy, public service's independence from political interference, bureaucracy as well as bribery and corruption.</p> <p>www.imd.ch</p>
<p>Freedom House focuses since 1972 on corruption levels in a number of developing and transition economies around the world. FH publishes an annual assessment of state of freedom in various countries on the base of political rights and civil liberties. Political stability and civil liberties are ranked on a scale of 1 (best) to 7 (worst).</p> <p>www.freedomhouse.org/corruption-index.html</p>	<p>The Political and Economic Stability Index of Edmund Byrne and Francis measures relative stability in around 20 EIMCs by integrating political science theories with financial market developments. The monthly evaluation uses both quantitative and qualitative criteria, including institutional efficiency, political legitimacy, economic performance, and government effectiveness.</p> <p>www.pesti.com</p>	<p>Political and Economic Risk Consultancy (PERC) specializes in strategic business information and analysis in East and Southeast Asia, with emphasis on corruption and business costs. Annual risk reports survey over 1,000 senior executives bring in to obtain their perceptions of corruption, value quality, intellectual property rights (risk) and other systemic shortcomings.</p> <p>www.pesti.com</p>

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