

# SK

SKEMA BUSINESS SCHOOL

## Country Risk Economic Intelligence and Information Sources

Michel Henry Bouchet



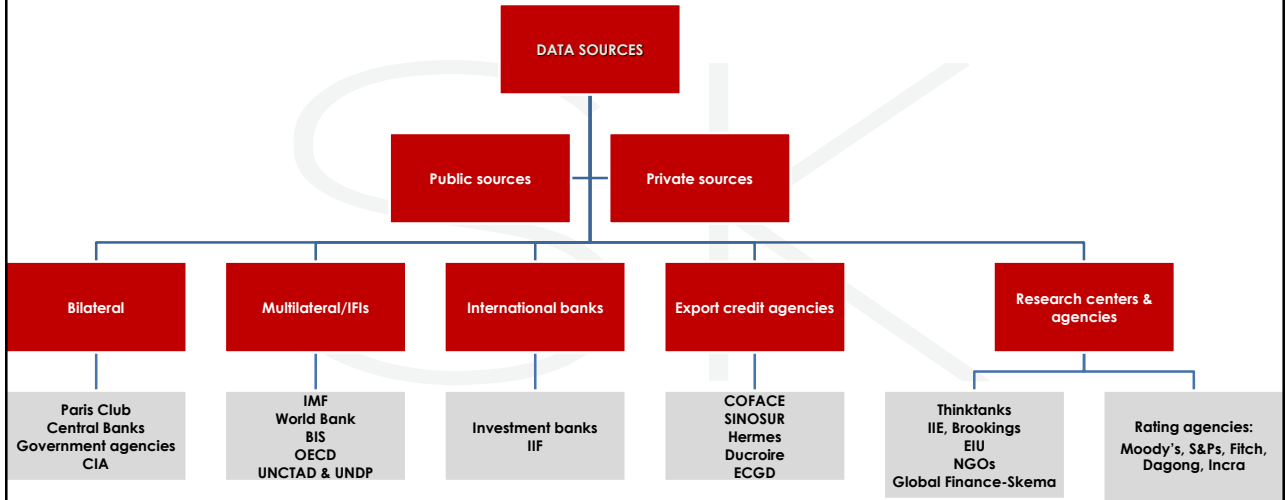
## COUNTRY RISK ASSESSMENT

Reliable and updated information  
= Economic intelligence

**➔ Robust risk analysis**



# MAJOR SOURCES OF COUNTRY RISK INTELLIGENCE



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3

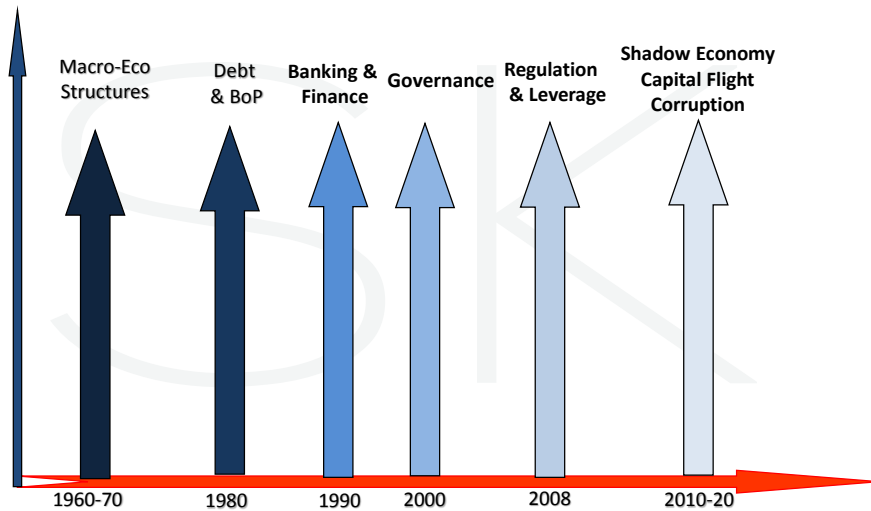
## ANALYSIS AND INFORMATION SOURCES

**IMF, World Bank, IFC & MIGA**  
**UNCTAD & UNDP**  
**Fed Reserve Bk of St Louis**  
**BIS, OECD, EBRD, EIB**  
**Coface, Euler-Hermes**  
**Moody's, S&P, Fitch, Dagong**  
**Euromoney, Institutional Investor**  
**CIA & US State Dept, ICRG**  
**Transparency International**  
**Hiscox, AON, Control Group**  
**DEFI [www.developingfinance.org](http://www.developingfinance.org)**

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4

**ECONOMIC INTELLIGENCE =  
TRANSFORMING INFORMATION INTO RISK STRATEGY**



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5

**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 OPIC)
2. Research institutes (IIE, 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, Incra)

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6

## 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](https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_eur.html))

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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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8

IMF AS SOURCE OF MACRO-ECONOMIC INFORMATION

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

	2008	2009	2010	2011	2012	2013	2014	Est.		Proj.				
								2015	2016	2017	2018	2019	2020	2021
<b>Current account</b>	1,766	309	-1,586	-403	-166	-968	-567	-2,247	-2,280	-978	-874	-140	596	-834
Trade account	1,549	144	-1,504	-303	50	-493	-53	-1,700	-1,311	538	165	799	1,260	-276
Exports, f.o.b.	19,461	14,412	18,137	23,082	24,569	25,686	26,604	18,998	16,225	18,147	18,666	19,136	19,636	20,025
Oil	11,721	6,965	9,673	12,945	13,792	14,108	13,302	6,610	5,565	6,577	6,891	7,103	7,349	7,553
Non-Oil	7,740	7,447	8,464	10,137	10,777	11,578	13,302	12,389	10,660	11,570	11,775	12,033	12,287	12,472
Imports (f.o.b.)	-17,912	-14,268	-19,641	-23,385	-24,519	-26,178	-26,657	-20,699	-17,536	-17,609	-18,501	-18,337	-18,375	-20,301
Oil	-3,358	-2,338	-4,043	-5,087	-5,441	-5,927	-6,417	-3,950	-2,916	-3,370	-3,798	-3,904	-3,932	-4,258
Non-Oil	-14,554	-11,930	-15,598	-18,298	-19,078	-20,251	-20,240	-16,748	-14,620	-14,239	-14,704	-14,433	-14,443	-16,043
Services (net)	-3,003	-2,556	-2,564	-2,822	-2,696	-2,874	-2,778	-2,625	-3,089	-3,561	-3,429	-3,375	-3,242	-3,290
Transfers (net)	3,221	2,722	2,481	2,722	2,480	2,399	2,264	2,078	2,120	2,045	2,391	2,435	2,578	2,733

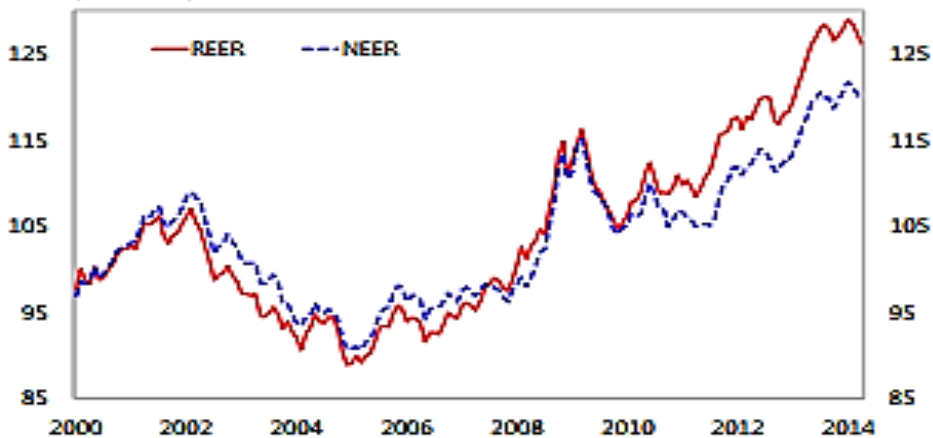
**China: Selected Economic Indicators**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>NATIONAL ACCOUNTS</b>	Projections										
Real GDP (base=2015)	7.9	8.1	7.2	7.2	7.4	7.0	6.9	6.8	6.6	6.2	5.9
Total domestic demand	8.7	7.2	7.2	8.3	8.4	8.6	8.0	7.4	7.1	6.6	6.2
Consumption	7.1	9.1	7.1	6.1	6.3	5.2	5.5	6.0	6.0	5.8	5.6
Investment	9.0	9.3	6.8	6.7	6.7	5.2	5.6	6.1	6.2	6.0	5.8
Fixed	-0.6	0.1	0.2	-0.2	-0.1	0.1	0.0	0.0	0.0	0.0	0.0
Inventories (contribution)	0.3	0.1	0.4	-0.1	-0.5	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Net exports (contribution)	47.2	47.3	46.8	44.7	44.2	43.7	42.9	42.4	42.0	41.7	41.4
Total capital formation (percent of GDP)	49.7	48.8	49.0	47.5	45.9	45.1	44.3	42.9	42.3	41.8	
Gross national saving (percent of GDP) 1/											



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

**Real Effective Exchange Rate**  
(2000=100)



Sources: IMF, Information Notice System; and IMF staff calculations.

## 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 3.9 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.*

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11

## 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

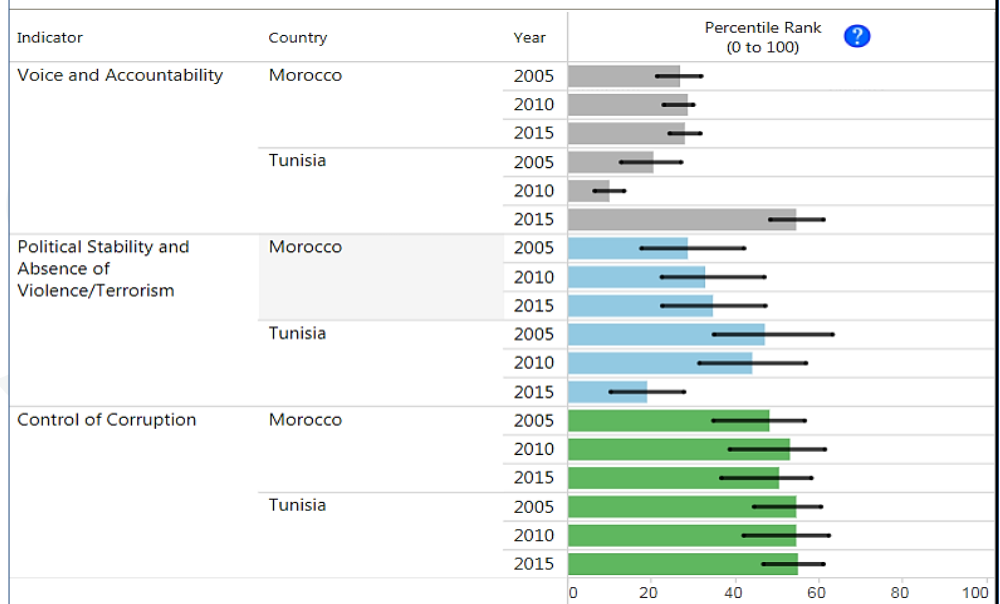
- ▶ Structural indicators
- ▶ Economic policy issues
- ▶ WB project lending
- ▶ Debt sustainability analysis
- ▶ Governance analysis

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12

## Worldwide Governance Indicators

WORLD BANK:  
CROSS-COUNTRY  
COMPARISON OF  
GOVERNANCE  
INDICATORS:  
TUNISIA VS  
MOROCCO



<http://info.worldbank.org/governance/wgi/#reportsindicators>: Tunisia vs Morocco

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13

## 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

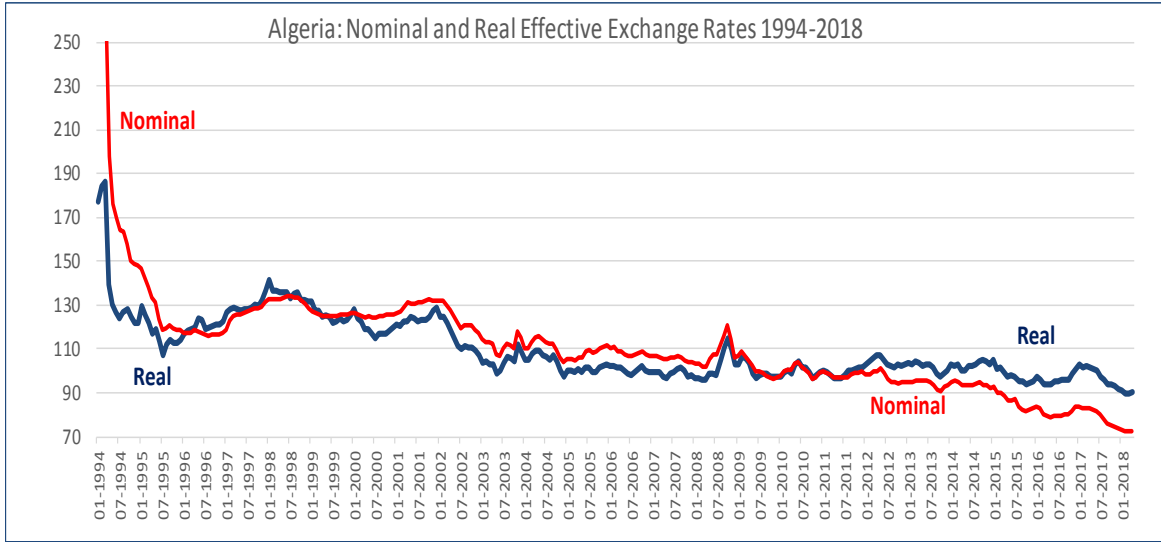
## Country Tables

- ▶ 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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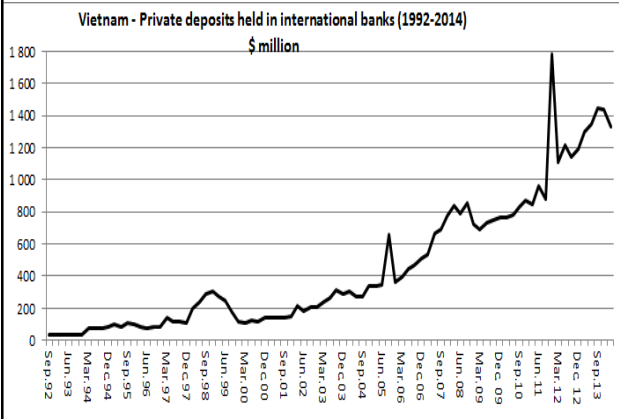
14

## THE BIS: NOMINAL AND REAL EFFECTIVE EXCHANGE RATES

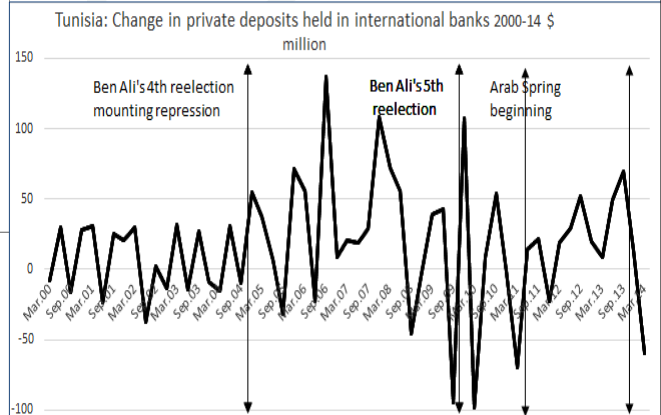


15

## BIS: A SOURCE OF CAPITAL FLIGHT DATA



Private capital outflows in international banks as measure of socio-political volatility or exchange rate distortions



## 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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17

## 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'S KEY NUMBERS

### 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

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

**Créances du 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
Afghanistan	1	1 250	1 251
Afrique du Sud	766	173	939
Albanie	495	23	517
Algérie	520	2	522
Angola	451	853	1 304
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
Biélorussie	26	6 359	6 385
Bolivie	105	2	106
Bosnie-Herzégovine	250	374	624
Botswana	19	-	19
Bulgarie	186	74	260
Burkina Faso	140	0	140
Burundi	-	-	-
Cambodge	915	1 399	2 314
Cameroun	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**

<u>Restructuring Terms</u>	<u>Eligibility</u>	<u>Rescheduling term (T/Grace)</u>	<u>Debt Reduction Terms</u>		<u>Debt Conversion</u>
			<u>ODA</u>	<u>Non ODA</u>	
<b>Houston 09/90</b>	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
<b>Toronto 10/88</b>	Poorest countries	ODA: 25/14 Non ODA: 14/8		33,33%	
<b>London, 12/91</b>	23 countries	ODA: 30/12 Non ODA: 23/6		50%	
<b>Naples 12/94</b>	Poorest countries	ODA: 25/14 Non ODA: 14/8		67%	
<b>Lyon 11/96</b>	Poorest countries	ODA: 40/16 Non ODA: 23/6		80%	
<b>Cologne 11/99</b>	41 HIPC	ODA: 40/16 Non ODA: 23/6		90%	

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22

## 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 conditonal 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.


## UNDP AND UNCTAD





### UNDP

- ▶ HDI
- ▶ Social and development indicators

### UNCTAD

- ▶ Trade, FDI and development indicators
- ▶ Role of MNCs in EMCs

1	Norway	 <p style="text-align: center;"><b>UNDP</b></p> <p style="text-align: center;"><b>HUMAN DEVELOPMENT INDEX</b></p> <div style="border: 2px dashed red; border-radius: 50%; width: 150px; height: 150px; display: flex; align-items: center; justify-content: center; margin: 20px auto;"> <p style="text-align: center;">Often rich countries with poor people!</p> </div> <p style="text-align: center; font-size: small;">MH Bouchet/Skema 2019</p>	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 <sup>re</sup> Rep

<p><b>CIA</b></p> <p>▶ The World FactBook</p> <p>▶ <a href="https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_eur.html">https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_eur.html</a></p>	COUNTRY COMPARISON :: GDP (PURCHASING POWER PARITY)			
	<p>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.</p> <p style="font-size: small; text-decoration: underline;">DOWNLOAD DATA</p>			
	RANK	COUNTRY	GDP (PURCHASING POWER PARITY)	DATE OF INFORMATION
	1	<u>CHINA</u>	\$21,140,000,000,000	2016 EST.
	2	<u>EUROPEAN UNION</u>	\$19,970,000,000,000	2016 EST.
	3	<u>UNITED STATES</u>	\$18,560,000,000,000	2016 EST.
	4	<u>INDIA</u>	\$8,721,000,000,000	2016 EST.
	5	<u>JAPAN</u>	\$4,932,000,000,000	2016 EST.
	6	<u>GERMANY</u>	\$3,979,000,000,000	2016 EST.
	7	<u>RUSSIA</u>	\$3,745,000,000,000	2016 EST.
	8	<u>BRAZIL</u>	\$3,081,000,000,000	2016 EST.
9	<u>INDONESIA</u>	\$3,028,000,000,000	2016 EST.	
10	<u>UNITED KINGDOM</u>	\$2,788,000,000,000	2016 EST.	
   				

## 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
- ▶ ICRG, PRS
- ▶ Insurance companies: AON

## 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
- ▶ CountryRisk io



**CountryRisk.io**

**A COMMUNITY-BASED COUNTRY RISK RATING PLATFORM**

Toward a transparent and independent country and sovereign risk rating models!?

The long-term Sovereign Risk Score measures a country's economic and financial strength, as well as its ability and willingness to honour its foreign debt obligations

The long-term Sovereign Risk Score is a quantitatively-derived index based on a large set of indicators, and assesses a country's economic and financial strength. Available on an annual frequency, with values ranging between 0 and 100.

Higher values indicate higher sovereign risk and weaker economic and financial fundamentals. >140 countries with five-year forecasts

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29



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

**Rating Distribution of Sovereign Issuers on Selected Dates**

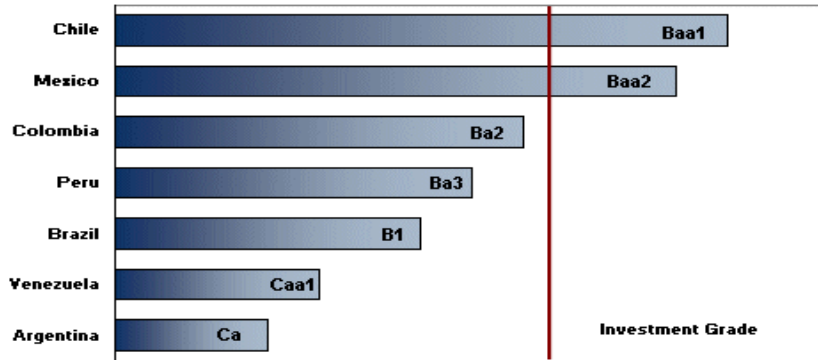
Rating	1983	1990	1995	2000	2005	2010	2011	2012
Aaa	79%	33%	16%	12%	19%	15%	14%	13%
Aa	21%	28%	25%	15%	7%	15%	11%	12%
A	0%	17%	18%	10%	22%	13%	14%	8%
Baa	0%	8%	18%	21%	14%	18%	21%	26%
Ba	0%	8%	16%	19%	15%	16%	15%	16%
B	0%	6%	5%	18%	17%	23%	23%	22%
Caa-C	0%	0%	0%	5%	5%	1%	2%	3%
Investment-grade	100%	86%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

Moody's-Summer 2013

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30

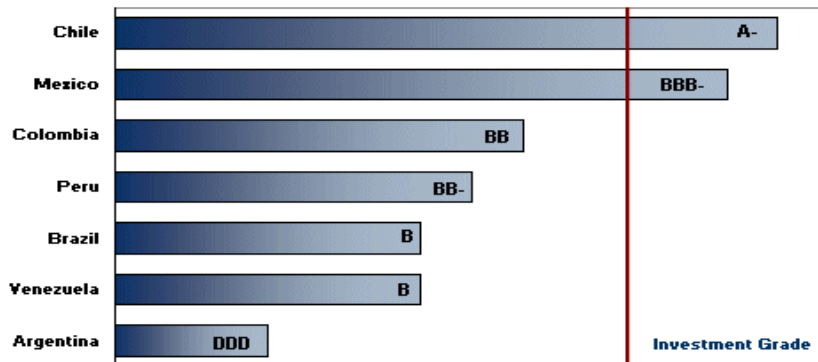
## MOODY'S INVESTORS SERVICE LONG-TERM FOREIGN CURRENCY RATINGS



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31

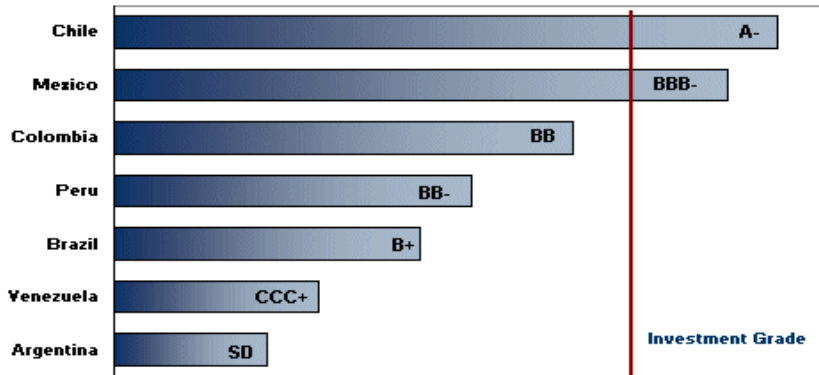
## FITCH IBCA, DUFF AND PHELPS LONG-TERM FOREIGN CURRENCY RATINGS



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32

## STANDARD AND POOR'S LONG-TERM FOREIGN CURRENCY RATINGS



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33

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

### Sovereign Risk Indicators: Economic Data

LT FC rating		Nominal	Nominal	GDP	Real	Real	Real	Savings	Exports/	Unemployment	
		GDP (bil. LC)	GDP (bil. US\$)	per capita (US\$)	GDP growth (%)	GDP per capita growth (%)	investment growth (%)	/GDP (%)	/GDP (%)	rate (% of work force)	
		2016e	2016e	2016e	2016e	2016e	2016e	2016e	2016e	2016e	
Abu Dhabi	AA	769	209	71,647	2.0	(2.9)	N/A	N/A	N/A	69.1	3.0
Albania	B+	1,523	12	4,216	3.2	3.4	8.0	27.9	15.6	26.5	17.1
Andorra	BBB-	3	3	36,564	1.0	0.8	N/A	N/A	N/A	N/A	3.7
Angola	B	14,367	95	3,718	1.3	(1.2)	0.4	28.4	16.0	36.9	35.0
Argentina	B-	8,069	547	12,550	(1.8)	(2.8)	(0.3)	17.4	14.6	14.1	8.9
Aruba	BBB+	5	3	24,324	0.4	(0.7)	1.1	22.3	22.6	71.0	7.5
Australia	AAA	1,655	1,205	49,934	2.7	1.3	(3.6)	25.7	21.2	18.8	5.9
Austria	AA+	350	389	45,125	1.4	0.9	2.0	23.4	25.4	53.2	6.2
Azerbaijan	BB+	59	35	3,603	(3.5)	(4.6)	4.5	35.8	33.0	39.1	5.5
Bahamas	BBB-	9	9	22,754	0.3	(1.1)	(7.1)	26.2	10.5	38.6	14.0
Bahrain	BB-	12	31	22,039	2.0	(1.5)	3.0	25.1	19.2	72.9	3.4
Bangladesh	BB-	17,296	220	1,355	7.1	6.3	8.0	29.4	31.1	16.3	3.5
Barbados	B-	9	4	15,791	1.0	0.7	2.1	12.8	5.9	36.8	11.5
Belarus	B-	930,842	45	4,772	(2.7)	(2.7)	(2.3)	32.4	28.6	53.8	1.0
Belgium	AA	420	467	41,416	1.3	0.7	3.5	23.9	25.6	85.3	8.1
Belize	CC	3	2	4,562	(1.6)	(4.1)	(1.6)	20.9	10.5	60.1	11.7
Bermuda	A+	6	6	99,669	2.0	2.1	(13.8)	11.0	23.7	48.3	8.0
Bolivia	BB	248	36	3,296	4.1	2.5	4.1	19.2	13.8	30.9	4.0

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34

## 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

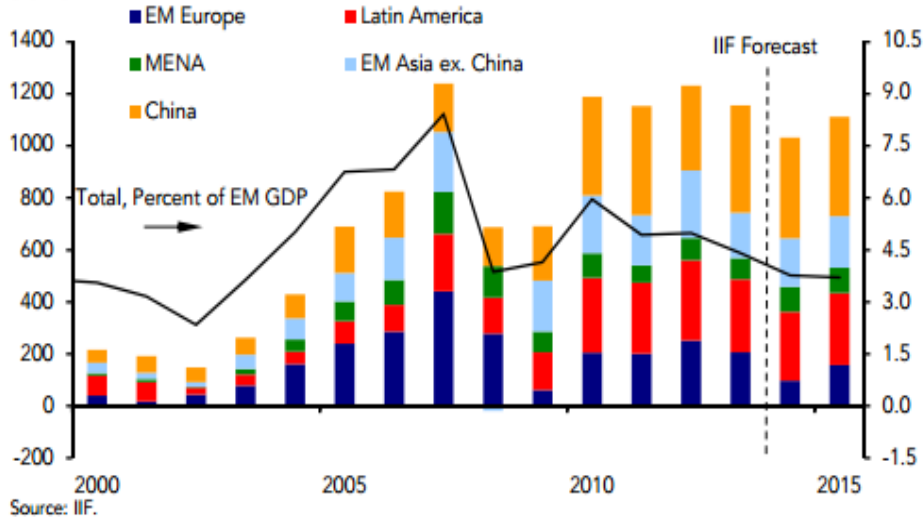
	2012	2013	2014	2015
<b>Capital Inflows</b>				
<b>Total Inflows, Net:</b>	<u>1269</u>	<u>1188</u>	<u>1079</u>	<u>1164</u>
<b>Private Inflows, Net</b>	1232	1156	1032	1112
Equity Investment, Net	668	626	657	675
Direct Investment, Net	545	548	540	560
Portfolio Investment, Net	124	78	117	114
Private Creditors, Net	564	530	375	437
Commercial Banks, Net	118	193	124	151
Nonbanks, Net	446	338	251	287
Official Inflows, Net	37	32	47	53
International Financial Institutions	5	-3	19	27
Bilateral Creditors	31	35	28	25
<b>Capital Outflows</b>				
<b>Total Outflows, Net</b>	<u>-1299</u>	<u>-1360</u>	<u>-1348</u>	<u>-1339</u>
Private Outflows, Net	-946	-825	-981	-950
Equity Investment Abroad, Net	-332	-403	-368	-381
Resident Lending/Other, Net	-614	-422	-613	-570
Reserves (- = Increase)	-352	-534	-367	-388
<b>Memo:</b>				
<b>Net Errors and Omissions</b>	<u>-246</u>	<u>-65</u>	<u>0</u>	<u>0</u>
<b>Current Account Balance</b>	<u>276</u>	<u>236</u>	<u>269</u>	<u>174</u>

Source: IIF



## IIF MACRO RESEARCH ON CAPITAL FLOWS

**Emerging Market Private Capital Inflows, Net**  
\$ billion



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ASSOCIATION  
AMBA  
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## 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.

## COFACE

- Coface takes into account several types of country risk around six different analytical modules:

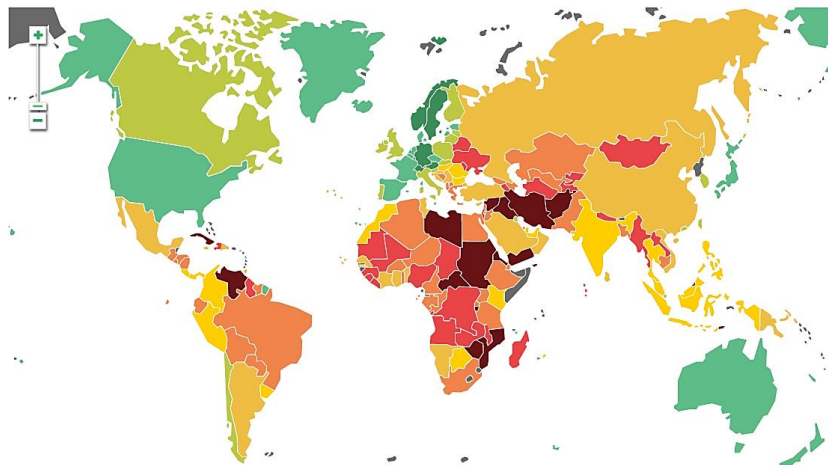
1. political risk;
2. liquidity and non-transfer risk;
3. sovereign risk;
4. market crisis risk;
5. systemic banking crisis;
6. macroeconomic growth risk

► [www.coface.org](http://www.coface.org)

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39

## COFACE COUNTRY RISK MAP



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40

## BRAZIL 2017 COFACE'S MACRO-ECONOMIC PROSPECTS

POPULATION	<b>C</b> COUNTRY RISK ASSESSMENT	<b>A4</b> BUSINESS CLIMATE		
204,459 MILLION				
GDP PER CAPITA				
8 669 US\$				

### MAJOR MACRO ECONOMIC INDICATORS

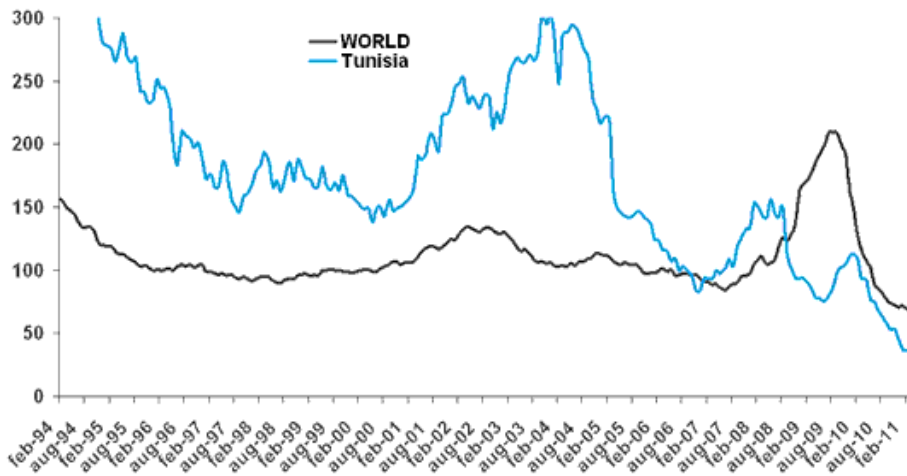
	2014	2015	2016(f)	2017(f)
GDP growth (%)	0.5	-3.8	-3.6	0.4
Inflation (yearly average) (%)	6.3	9.0	8.7	4.4
Budget balance (% GDP)	-6.0	-10.3	-9.0	-9.1
Current account balance (% GDP)	-4.2	-3.3	-1.3	-1.4
Public debt (% GDP)	62.3	72.5	78.3	81.2

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41

## TUNISIA 1994-2011 PAYMENT ARREARS INDEX (COFACE)

PAYMENT INCIDENTS INDEX  
(12 months moving average - base 100 : World 1995)

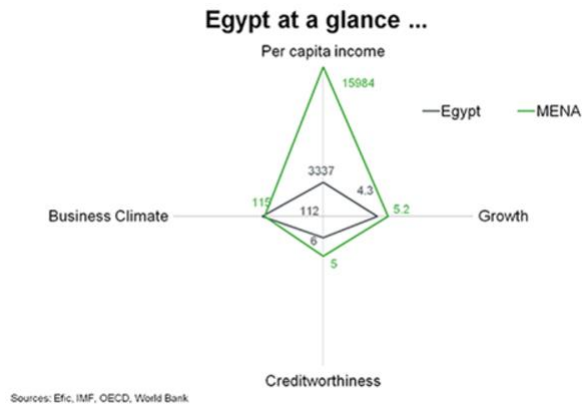


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42

## EFIC-AUSTRALIA

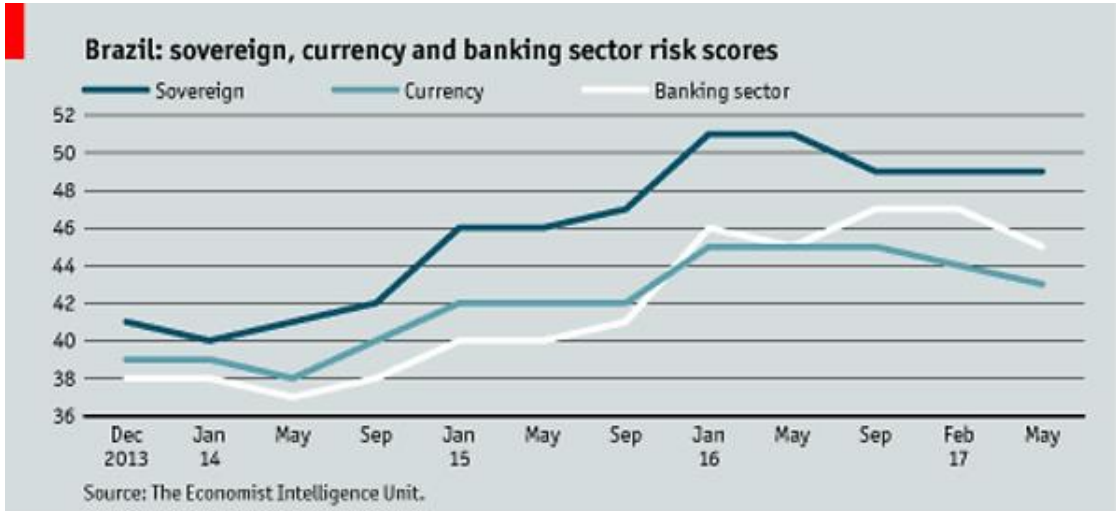
▶ <http://www.efic.gov.au/COUNTRY/COUNTRYPROFILES/Pages/countryprofiles.aspx>



## 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.

**EIU** ▶ London-based Economic Intelligence Unit



**EIU**

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Economic  
Intelligence Unit

July 31st 2017 Print Share

## Overview

### Brazil: risk assessment

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
May 2017	BB	BB	BB	BB	BB	BB

Robert Wood (lead analyst); Fiona Mackie (analyst). Published 05 May 2017, 2100 GMT.

These ratings are restated from the Ratings Report indicated above, which was produced outside the European Union, and therefore are not issued by The Economist Intelligence Unit credit rating agency, which is registered in accordance with Regulation (EC) No 1060/2009 of 16 September 2009, on credit rating agencies, as amended. This report and the ratings, therefore, are not issued pursuant 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), governability 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 R3.15: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 US policy rates rise. Brazil has a large reserves cushion.

46

<p><b>Business Environment Risk Intelligence</b> 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 hundred experts with a diplomatic or political science background. Governance quality is included into political risk analysis along with government effectiveness and social indicators. <a href="http://beri.com">http://beri.com</a></p>	<p><b>Political Risk Services</b><sup>[1]</sup> The PRS analyses cover a hundred countries and are updated on a quarterly basis. <b>International Country Risk Guide</b> measures and tracks corruption perception in government, law and order, expropriation risk, as well as the quality of bureaucracy. These measures stem from the subjective assessment of experts around the world. <a href="http://prsgroup.com">http://prsgroup.com</a></p>	<p>Thanks to its unique policy dialogue with more than 180 countries, the <b>World Bank</b> has developed a comprehensive database of composite governance indicators, measuring perceptions of voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and corruption. <a href="http://www.worldbank.org/wbi/governance/">www.worldbank.org/wbi/governance/</a></p>
<p>The London-based <b>Economist Intelligence Unit</b> (EIU) provides a comprehensive 6-year forecasting country risk analysis on some 100 EMCs., on a quarterly basis. The EIU method flows from expert's answers to a series of 77 predetermined qualitative and quantitative questions. <a href="http://eiu.com">http://eiu.com</a></p>	<p>To look upon governance and corruption, Moody's takes into consideration the structures 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 each of these factors upon business prospects. <a href="http://moody.com">http://moody.com</a></p>	<p><b>Standard and Poor's</b> rating approach is both quantitative and qualitative. It is based on a checklist of 10 categories, including governance and political risk. The political risk factors gauge the impact of politics on economic conditions, as well as the quality of governance and the degree of government support in the population. S&amp;P assigns short term and long-term ratings. <a href="http://standardandpoors.com">http://standardandpoors.com</a></p>
<p><b>Euromoney</b> 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 (worst) to 100 (best). <a href="http://www.euromoney.com">www.euromoney.com</a></p>	<p><b>Institutional Investor's</b> 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 (least chance of default). <a href="http://www.institutionalinvestor.com">www.institutionalinvestor.com</a></p>	<p><b>Transparency International</b>, 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 local NGOs, domestic and foreign corporations, investors, and business contacts. <a href="http://www.transparency.org">www.transparency.org</a></p>

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47

<p><b>Heritage Foundation</b> established since 1985, in partnership with the WSJ, 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. <a href="http://www.heritage.org">www.heritage.org</a></p>	<p>PricewaterhouseCoopers's <b>Opacity Index</b> 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. <a href="http://www.opacityindex.com/">www.opacityindex.com/</a></p>	<p>The Institute for Management Development's <b>World Competitiveness Report</b> analyses 49 industrialized and emerging economies around the world based on a far-reaching survey since 1989. Its 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. <a href="http://www.imd.ch">www.imd.ch</a></p>
<p><b>Freedom House</b> 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). <a href="http://www.freedomhouse.org/ratings.index.html">www.freedomhouse.org/ratings.index.html</a></p>	<p><b>The Political and Economic Stability Index</b> of Lehman Brothers and Eurasia measures relative stability in around 20 EMCs by integrating political science theories with financial markets developments. The monthly evaluation uses both quantitative and qualitative criteria, including institutional efficiency, political legitimacy, economic performance, and government effectiveness. <a href="http://www.legsi.com">www.legsi.com</a></p>	<p><b>Political and Economic Risk Consultancy</b> (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 expatriates living in to obtain their perceptions of corruption, labor quality, intellectual property rights risks and other systemic shortcomings. <a href="http://www.asiarisk.com">www.asiarisk.com</a></p>

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48