Specific Issues Related to Sovereign Ratings

Paris Club Meeting with Private Sector

Paris, May 2007

Khalid Sheikh
What is Sovereign rating about?

- Internal system
- Benchmarked against external ratings
- Based on quantitative data and qualitative assessments
- Pillars: Structural setting, government balance and government debt, private sector soundness, monetary stability, foreign debt, current account, international liquidity and political stability
- Foreign and local currency rating (Fcy and Lcy)
- Outlooks
- Flags - short term risk signals
Sovereign rating

- Ranking is primarily forward looking (three years horizon) and not mechanical. Anticipatory scores and qualitative assessments are allocated a weighting of around 65%
- Short term developments play an important role as well: short term debt, reserves and the assessment of the liquidity situation count for around 20%. (reflected in flags, event risk analysis)
- Rating agencies are used as reference
- Focal points liquidity and solvability of a sovereign in relation to its willingness and ability to fulfil its payments obligations
Basics of Sovereign Rating System

- Pillars
- Data + scales = (sub)scores
- Assessments
- Weights
- Final scores
Snapshot overview Bangladesh

Economic performance vis-à-vis other Emerging Markets.

Emerging Markets average is equal to 0

Graph shows deviation from average in number of standard deviations.

Outward movements indicate risk deterioration
Bangladesh pillar scores

Bangladesh scores:
- Structural setting: 3.3
- Private sector soundness: 4.1
- Government debt: 2.1
- Government balance: 2.2
- Monetary stability: 6.6
- Current account: 7.5
- International liquidity: 5.5
- Foreign debt: 5.5
- Political situation: 3.0

Jamaica scores:
- Structural setting: 4.4
- Private sector soundness: 4.7
- Government debt: 3.6
- Government balance: 5.0
- Monetary stability: 5.6
- Current account: 2.1
- International liquidity: 5.0
- Foreign debt: 6.5
- Political situation: 4.0
Snapshot overview Ghana

Economic performance vis-à-vis other Emerging Markets.

Emerging Markets average is equal to 0.

Graph shows deviation from average in number of standard deviations.

Outward movements indicate risk deterioration.
Ghana pillar scores

Ghana

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