

Euler Hermes Country Ratings

 EULER HERMES

The new risk classification, with 4 major categories, is the synthesis of the 3 indicators.

➔ The Country Grade is a long-term (structural) indicator.

It refers to the purely structural measure of the economic and political risk of transfer and of convertibility.

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| AA Very low external transfer & convertibility risk and very strong business environment | A Low external transfer & convertibility risk and strong business environment |
| BB Moderate external transfer & convertibility risk and sound, above average business environment | B Significant external transfer & convertibility risk and below average business environment |
| C High external transfer risk & convertibility risk and well below average business environment | D Very high external transfer risk & convertibility risk and weak business environment |

➔ Financial Flow Indicator (FFI) and Cyclical Risk Indicator are short-term (cyclical) indicators.

FFI is an indicator of a country's vulnerability to exogenous shock and of its capacity to resist or avoid systemic shock, in particular with regard to its sensitivity to capital flows. It has a 3-level scale of risks, by increased order of risk: low, medium and high (L,M and H).

CRI measures the risk of worsening payments in relation to macroeconomic developments, irrespective of structural transfer and convertibility risk. It has a 3-level scale of risks, by increased order of risk: low, medium and high (1,2 and 3).

- L1** Low vulnerability risk. Low cyclical risk
- L2** Low vulnerability risk. Acceptable cyclical risk, but some uncertainty
- M1** Significant vulnerability risk. Low cyclical risk
- M2** Significant vulnerability risk. Acceptable cyclical risk, but some uncertainty
- L3** Low vulnerability risk. But high cyclical risk
- H1** High vulnerability risk. Low cyclical risk
- M3** Significant vulnerability risk and high cyclical risk
- H2** High vulnerability risk. Acceptable cyclical risk, but high uncertainty
- H3** High vulnerability risk and high cyclical risk

➔ The new risk classification, with 4 major categories, is the synthesis of the 3 indicators.

-  **Low Risk**
-  **Medium Risk**
-  **Sensitive Risk**
-  **High Risk**