# Credit Benchmark®

Sovereign Credit Risk & Food Prices

June 2022

Russia blames its latest foreign currency default on a technicality - their means and willingness to pay blocked by Western sanctions. But a growing list of countries have already seen Sovereign ratings slide in the past two years due to Covid costs; some now face a real risk of outright default as the war in Ukraine drives food, fertilizer and energy prices higher. The stronger Dollar is good for commodity producer margins, but rising interest rates hit global demand and weaker regional currencies increase debt servicing burdens.

Figure 1 shows regional sovereign & central bank credit trends and credit distribution.

Figure 1: Regional Credit Trends and Credit Distribution
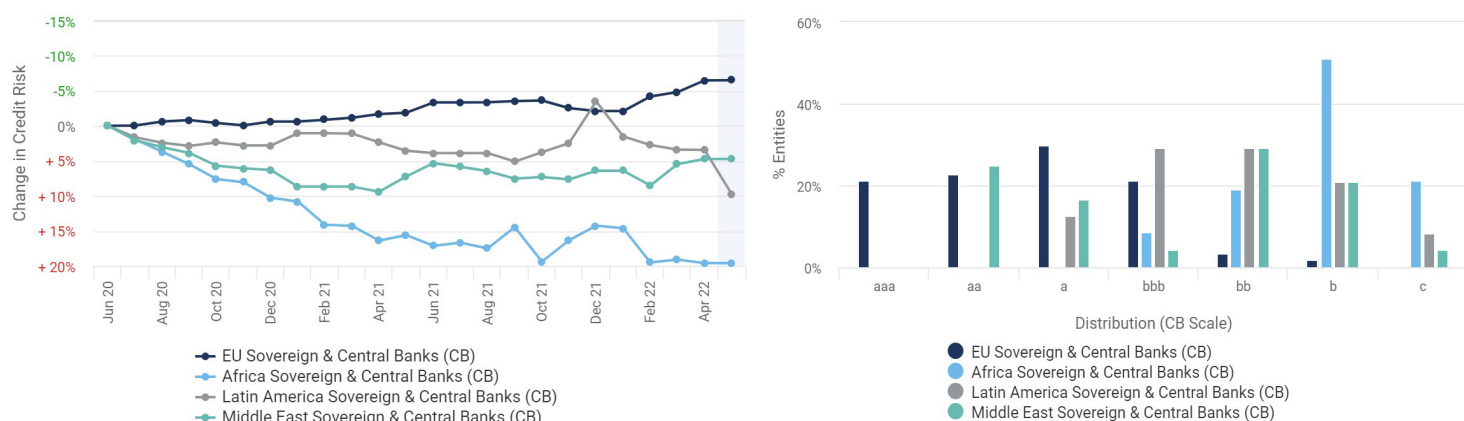
EU Sovereign risk has steadily improved over the last two years, but is now plateauing. The Middle East has been stable, and higher energy price benefits may balance the hit from rising food costs – but the gap between winners and losers will grow. Africa continues to deteriorate, and Latin America – always volatile – is heading down.

Figure 2 shows projected 2022 food price inflation by credit category.

Figure 2: Projected Food Price Inflation and Sovereign Credit

Source: Trading Economics, Credit Benchmark
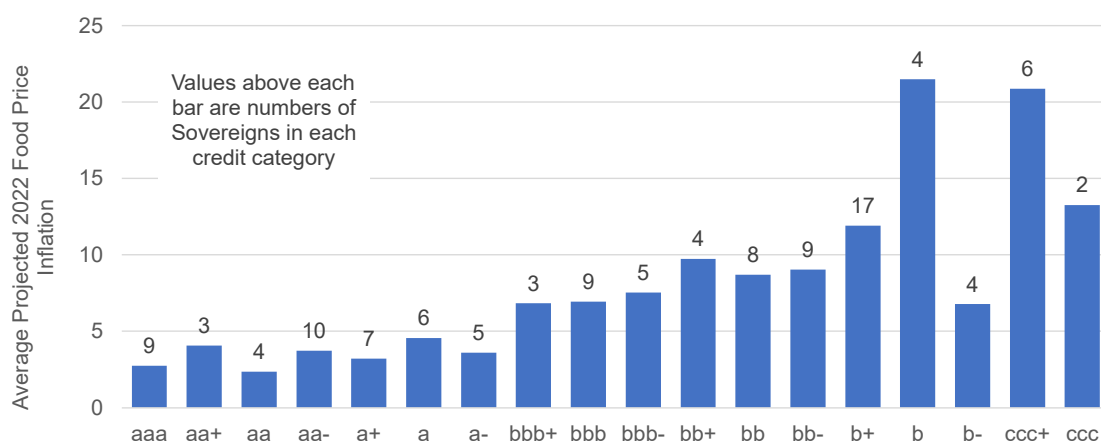
High food price inflation has a disproportionately negative effect on most of the countries that already have low credit quality.

Countries with a combination of poor consensus rating (**b** or **c**) and high sensitivity to food price inflation (projected >20% in 2022), and hence at higher risk of being pushed into default / bailout territory include Angola, Egypt, Ethiopia, Ghana, Turkey, Malawi, Nigeria and Paraguay.

Countries in the **bb** category with similarly high food price inflation include Georgia and Kazakhstan (credit benchmark consensus rating = **bb+**, although agency ratings still show it as investment grade). Colombia, currently **bbb-** (although agencies rate it as high yield), is also facing excessive food price inflation.

Six of these countries are in Africa, two in Latin America, two in the Black Sea region and one in central Asia. Turkey and Kazakhstan have had serious food and energy riots already; there has been similar unrest in Peru, Tunisia, Uganda and Sri Lanka.

Some of the countries on this list have external revenue sources that may cushion the blow; Nigeria has oil and Kazakhstan has oil and uranium. But for most the impact of food price inflation is direct and likely to become more severe in the coming 12 months.

Credit Benchmark consensus data is updated twice monthly, so it can capture the downward drift that is often a precursor to Sovereign default or bailout. Data is available in flat files, APIs and a web application with portfolio alerting functionality.

Credit Benchmark®

Credit Consensus Ratings and Analytics

Real-world risk views with unparalleled consensus coverage.

Credit Benchmark provides Credit Consensus Ratings and Analytics based on contributed risk views from 40+ of the world's leading financial institutions, including 15 GSIBs, domiciled in the US, Continental Europe, Switzerland, UK, Japan, Canada, Australia and South Africa.

For regulatory and business reasons, these financial institutions have each created their own regulated internal credit rating agency to assess the creditworthiness of tens of thousands of obligors. Credit Benchmark collects, aggregates and anonymises this information to provide an independent, real-world perspective of risk, delivered twice monthly to our partners.

Credit Benchmark fills an information gap left open by traditional credit risk content providers by offering a timely, comprehensive view of credit risk which proves complementary to issuer-paid rating agencies and third party model vendors. The first of its kind "credit consensus" data reflects the expertise of more than 20,000 credit analysts across the contributing group – a powerful example of the wisdom of crowds.

Credit Consensus Ratings and Analytics are available on over 60,000 corporate, financial, fund and sovereign entities globally, most of which are unrated by credit rating agencies.

Data that works for you

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

> Contact us to learn more and to start a trial of Credit Benchmark data by **clicking here** or email **info@creditbenchmark.com**

Data Use Cases

- › **Counterparty Risk Management**
- › **Credit Risk Management**
- › **Systematic Credit Trading**
- › **Securities Finance**
- › **Supply Chain Risk**
- › **Trade Credit Insurance**
- › **Fund Management**
- › **Regulation, RWA & Capital**
- › **Onboarding, KYC & Relationship Management**
- › **Point-in-Time (PIT) Impairments**
- › **Accounts Payable & Receivable**

10 Million
Contributed Credit Risk Estimates Per Year 40 Million+ Estimates Collected Since Launch

60,000+
Entities Covered

2x
Twice Monthly Frequency

75%
Unrated by Major Credit Rating Agencies

1,200+
Aggregates

160+
Countries

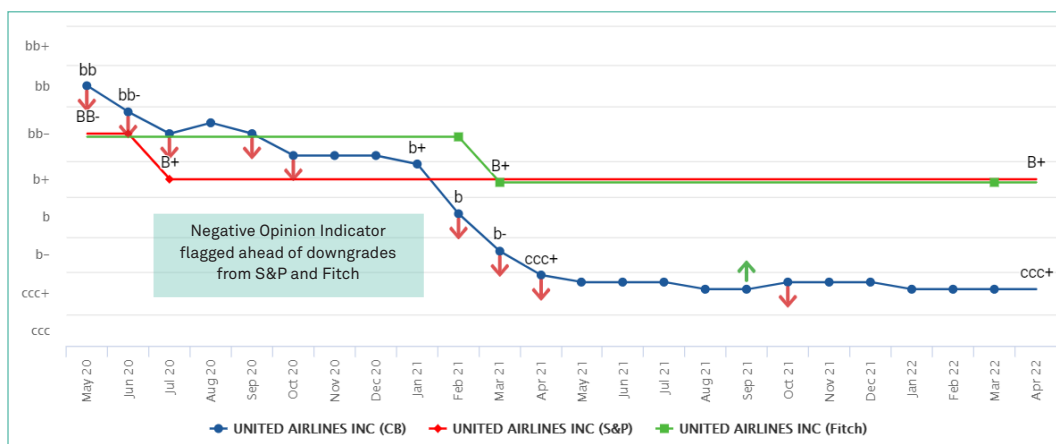**80+**
Months of Data

50+
Data Metrics

40+
Contributing Financial Institutions Representing a Pool of 20,000+ Credit Analysts

Real-world risk views with unparalleled consensus coverage

Credit Benchmark Web App: Entity-Level Data Sample

Credit Consensus Rating:
Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

Consensus Analytics:
Insights into the depth, dispersion, movement, and directionality of the Credit Consensus Rating's underlying views

Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Data Screen Sample

Data that works for you:

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