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.

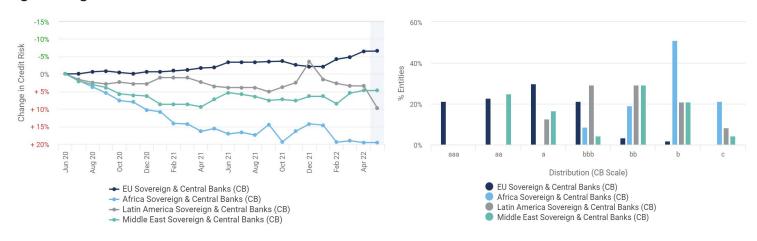
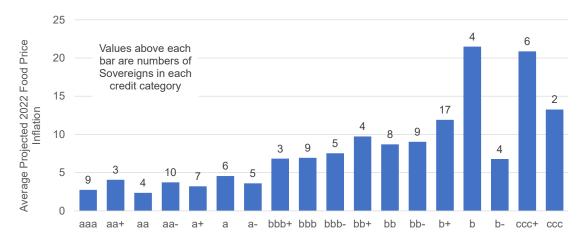


Figure 1: Regional Credit Trends and Credit Distribution

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 (<u>projected >20%</u> 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[®]

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- > 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



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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



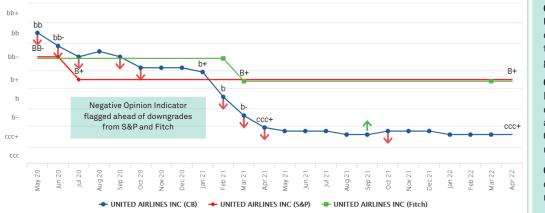


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Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

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Credit Benchmark Web App: Data Screen Sample

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 get a free trial of our data.

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