COUNTRY INSIGHT REPORTS

A Complete Picture of Risk and
Opportunity at Your Fingertips

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Introduction

Many finance leaders are under pressure to become a more valuable partner to the business, pinpointing where growth and risk exist, identifying top sales opportunities, and shortening the quote-to-cash cycle. The challenge for finance leaders is to strike the right balance between capitalising on that opportunity and managing the risk associated with it.

With an ever-changing global landscape, it's becoming increasingly important for the modern finance professional to also consider country risk – targeting markets with growth potential whilst navigating the risks of an uncertain economic outlook.

To achieve this, finance needs answers to a long list of questions about the risk of trading in a new territory. For example, is the overall risk environment in the country stable, improving, or deteriorating? What is the country's current short-term economic outlook, including socio-political and economic forecasts? What are the recommended and minimum credit terms and usual credit periods, including payment delays with regard to local and foreign currency, exchange rates, and ongoing credit conditions? Answering these questions can help finance leaders make better business decisions in a global context.

This guide will show you how to get the best out of country insight information within D&B Credit, allowing you to complete your picture of risk. You'll have the facts at your fingertips to make fast, evidence-based decisions about the risks and opportunities in every country and company you trade with.

> " Before traders, exporters, or investors step foot into a new geographic market, they need a comprehensive, up-to-the-minute profile of the risks and opportunities of trading in that territory. Armed with that insight, the modern finance leader can make the deals that will deliver growth."
>
> ANDY CRAVEN
> Dun & Bradstreet

Country Insight

Country Insight information can be found within any company preview page in D&B Credit or within a company's full report, as well as in our portfolio view (available across our D&B Credit product suite). The summary pane allows a quick view into the country's risk category and the option to download the Country Insight Snapshot (CIS) or the Country Insight Report (CIR).

High-Level Overview

1 Dashboard view of high-level risk, based on the assessment of a country's political, commercial, economic, and sovereign risk

2 The headline highlights the key development in that region

Further Information

3 *The Country Insight Snapshot:* High-level view of a single country's cross-border risk exposure, with particular focus on the current political, commercial, and macroeconomic environments

4 *The Country Insight Report:* In-depth analysis of the current risks and opportunities within a single country and its regional and global context

Portfolio View

The Country Insight portfolio view (available across our D&B Credit product suite) is the most comprehensive way to assess country insight; allowing you to easily group and monitor the countries where you have business operations. You can access the portfolio view in the 'Country/ Region Insight' section within the Portfolio Dashboard of your D&B Credit solution.

1 Country Insight view within Portfolio Dashboard

2 Portfolio view provides additional access to country insight and risk

3 High-level view of current country risk and risk outlook status

4 Customisable country risk portfolio: select only the countries of interest

5 Purchase Report

Dun & Bradstreet's Country Risk Rating

Inside the report, the overall Country Risk Rating is available at the top of the page. Dun & Bradstreet's Country Risk Indicator provides a comparative, cross-border assessment of the risk of doing business in a country.quick view into the country's risk category and the option to download the Country Insight Snapshot (CIS) or the Country Insight Report (CIR).

OVERALL COUNTRY RISK RATING: DB6a

Very high risk : Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

Rating Outlook: Stable

1 *Country Risk Rating:* The risk indicator is divided into seven bands, ranging from DB1 to DB7. Each band is subdivided into quartiles (a to d), with 'a' representing slightly less risk than 'b' (and so on). Only the DB7 indicator is not divided into quartiles

Definition of Risk

DB1	Lowest Risk	Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.
DB2	Low Risk	Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.
DB3	Slight Risk	Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.
DB4	Moderate Risk	Significant uncertainty over expected returns. Risk-adverse customers are advised to protect against potential losses.
DB5	High Risk	Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.
DB6	Very High Risk	Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.
DB7	Highest Risk	Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

Ratings and Indicators

There are four main categories used to create the Country Risk Rating Score:

1. CREDIT ENVIRONMENT OUTLOOK: Assesses the factors that affect the country's credit environment and helps cross-border traders and investors understand the level of risk related to non-payment or delayed payment.

2. SUPPLY ENVIRONMENT OUTLOOK: Assesses the factors that could disrupt supply chains associated with the country, allowing cross-border traders and investors to assess risks in this area.

3. MARKET ENVIRONMENT OUTLOOK: Provides an assessment of the factors affecting the market environment over the short, medium and longterms; this assessment will help businesses involved in cross-border trade and/or investment to make informed decisions about increasing,maintaining, or decreasing business links in a country.

4. POLITICAL ENVIRONMENT OUTLOOK: Helps cross-border traders and investors to understand the risks associated with expropriation/nationalisation and also takes into account international human actions that could affect the quality of the business environment.

For these categories, the traffic light system is used to give you a speedy way of assessing the balance of risks and opportunities in a given country or category of analysis. Three traffic lights are used:

G Green: Indicates that positive factors/influences dominate

A Amber: Indicates that there is a balanced mixture of negative/positive factors/influences.

R Red: Indicates that negative factors/influences dominate.

The traffic light indicators act as a quick guide to the overall balance between the detailed analytical components covered elsewhere in the report. This allows you to rapidly identify areas of concern or promise, which you can then explore further, either elsewhere in the report or via the content of the products in our portfolio.

1 The Country Insight reports provide an extra layer of data and analysis on each of the four categories

CREDIT ENVIRONMENT OUTLOOK **A**

Trend:	Deteriorating

Current Issues

- The policy rate of 40% and disappointing growth are depressing private credit demand.
- The worst drought in 30 years is hitting the agriculture sector extremely hard and has already led to a downward revision of our 2018 growth forecast.
- The weaker peso has made foreign currency debt obligations more expensive.

Risks and Opportunities

- Borrowing costs will remain high in H2 as further US policy interest rate hikes maintain upward pressure on the US dollar.
- Payment and default risks in the agriculture and closely-related sectors are elevated as the worst drought in 30 years is resulting in billions of dollars in losses.
- Reductions in bureaucracy pertaining to FX transactions facilitate easier cross-border payments, notwithstanding relatively-low foreign reserves and the weaker peso.

Trade Terms

Description	
Minimum Terms	LC
Recommended Terms	CLC
Usual Terms	30-90 days

Source : Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	ST/MT cover available
Atradius	Cover available subject to approved CLC, no discretionary limits
ECGD	Cover available. Enquire for ST
Euler Hermes UK	Restrictions will apply

Source : Export Credit Agencies

2 The Country Snapshot reports give you a summary view of the headline category RAG (red, amber, green) scores

SUPPLY ENVIRONMENT OUTLOOK **A**

Trend:	Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK **R**

Trend:	Improving

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK **R**

|	
Trend:	Deteriorating

Key Development has had a neutral impact on the outlook.

Other Detailed Analysis

Beyond the scoring and commentary within the Country Risk Rating and 'RAG' scores, there is also detailed analytical content available within the report. The following analytical categories provide our most detailed, in-depth coverage of the core components of risks and opportunities within a given country.

- **SHORT-TERM ECONOMIC OUTLOOK:** Analyses the economy and business cycle over the next two to eight quarters, identifying recession, recovery, growth, or stagnation. This helps businesses anticipate the impact of short-term developments in aggregate supply and demand.

- **LONG-TERM ECONOMIC POTENTIAL:** Assesses the long-term economic prospects over the next five to 15 years based on trends in the physical environment, natural and human capital, and demographics and labour supply. This helps businesses foresee the long-term impacts on market potential of factors such as aging resource depletion, and innovation.

- **MARKET POTENTIAL:** Covers the ability of foreign providers of goods and services to access a target country's markets. This helps businesses understand the practical and regulatory barriers, as well as the incentives and opportunities.

Average Nominal GDP Expansion, 2020-24
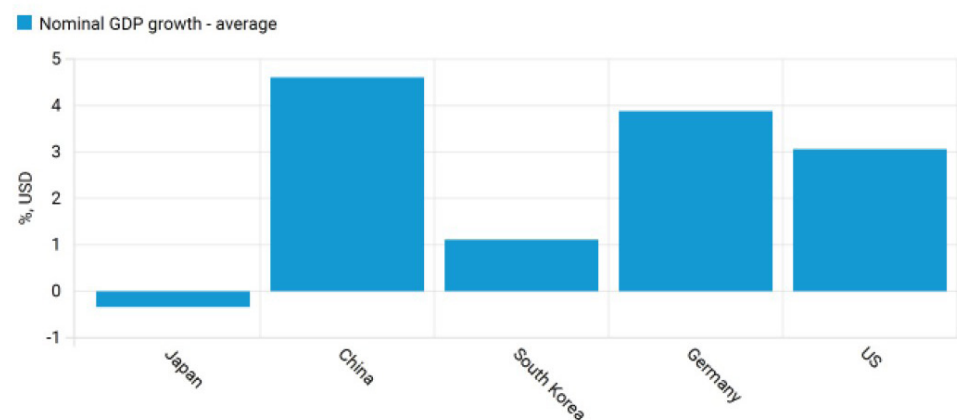
Source: Dun & Bradstreet

- **FOREIGN EXCHANGE (FX) RISK:** Looks at the risk of insufficient foreign exchange, significant devaluation or depreciation, or any instability in the exchange rate over the next 90 to 180 days. This helps businesses anticipate the pressures facing customers billed in a foreign currency, or the risks if their receivables are in local currency.

- **TRANSFER RISK:** Covers the risk of existing or new regulations, requirements, or other government actions preventing, delaying, or burdening cross-border transactions. This helps businesses to anticipate risks related to cross-border payments arising from the regulatory environment.

- **BUSINESS REGULATORY ENVIRONMENT:** Assesses the risks and opportunities in the business environment associated with regulations, institutions, and business culture. This helps businesses assess how intangible aspects of the business environment can facilitate business operations or otherwise.

- **BUSINESS CONTINUITY:** This category looks at factors that could affect the physical supply chain due to the effects of natural phenomena or other unintended consequences. This helps businesses anticipate the likely or current impacts of extreme weather, seismic activity, and infrastructure inadequacies or improvements.

- **POLITICAL/INSECURITY RISK:** This covers the risk of disruption of business operations and the services of a functioning economy due to the negative effects of intentional human action on civil peace and internal or cross-border security. This helps businesses to understand the context and risk spectrum for threats arising from social and political disturbances.

- **EXPROPRIATION / NATIONALISATION RISK:** This category assesses the risk of a forcible/compulsory full or partial loss of control or ownership of assets at the hands of a sovereign government, and whether or not there is compensation or judicial redress. This helps businesses understand the country's track record in this respect, and highlights the risks posed by acts of expropriation/nationalisation.

Conclusion

Organisations need to develop fast, prudent ways to make business credit decisions – examining both company and country data to complete their picture of risk.

Dun & Bradstreet's credit risk solutions provide a single view of both company and country risk in the same unified platform, providing the actionable analytics and insight finance leaders need to evaluate risk and opportunity across the global landscape. Finance leaders can quickly and effectively monitor a customer's financial health or track the improving, stable, or deteriorating business risk environment within which they operate.

This view opens up a world of possibilities. Besides examining customer credit and collections, finance leaders now have the flexibility to identify the risk exposure associated with conducting commerce in a specific country and explore potentially lucrative new revenue opportunities that contribute to enterprise-wide profitable growth.

Dun & Bradstreet's Country Insight Reports are available across our D&B Credit solutions. To learn more about how to complete your picture of risk visit https://www.dnb.co.uk/products/finance-credit-risk/country-insight-for-global-risk-management.html

ABOUT DUN & BRADSTREET®

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