https://www.bis.org/publ/qtrpdf/r\_qt1512h.pdf

Fitch now uses a sovereign ratings model

for foreign currency ratings based on 19 economic and financial variables that

provide a benchmark for rating discussions.

At the same time, the degree to which the sovereign’s debt is in foreign

currency appears to have lost its relevance. The decline of this factor may reflect the

increased ability of EMEs to borrow in their own currency. Post-crisis, proxies for the

exposure to debt in foreign currency have become statistically insignificant.

Other factors remain of similar importance before and after the crisis, such as

indicators of institutional strength and foreign exchange reserves to GDP. A

10 percentage point increase in the ratio of foreign exchange reserves to GDP

strengthens the rating by 0.4 notches. Institutional strength, as measured by the

corruption perception index, is equally significant in both 2007 and 2015. By

contrast, inflation is not statistically significant pre-crisis and remains generally

insignificant afterwards

**FITCH**

 Explicitly incorporates World Bank's Worldwide Governance Indicators

 References Transparency International's Corruption Perceptions Index

 Considers the World Bank's Doing Business indicators (though this index has been discontinued)

 Developed their own "Structural Features" assessment framework

<https://www.scoperatings.com/ScopeRatingsApi/api/downloadmethodology?id=01508950-119c-4ab5-9182-54fffdc1003f>

<https://www.fitchratings.com/research/sovereigns/sovereign-rating-criteria-24-10-2024>

Composite governance indicatorSimple average percentile rank of World Bank Worldwide Governance Indicators: “rule of law”; “government effectiveness”; “control of corruption” and “voice & accountability”; “regulatory quality”; “political stability & absence of violence”.

Sovereign Rating Criteria│24 October 2024fitchratings.com38SovereignsGlobal Appendix 5: Sovereign Ratings and ESG Fitch seeks to reflect relevant environmental, social and governance (ESG) factors into its sovereign ratings, as it does for all factors that it believes are relevant andmaterial for creditworthiness.

5.3

Political risk is thus hard to measure, at times chronic or persistent and in other instances sudden and acute. While no quantitative

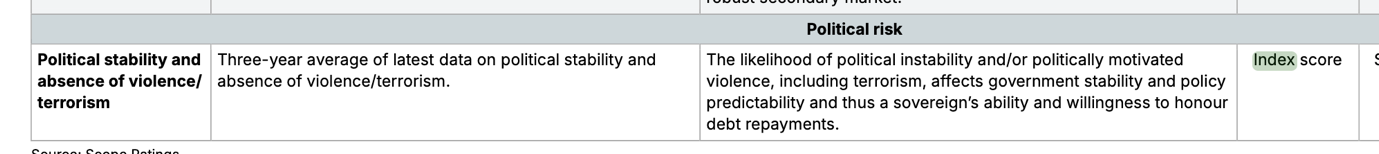
indicator captures these risk considerations in a fully objective, accurate, consistent and timely manner, we rely on the World

Bank’s Political Stability and Absence of Violence/Terrorism index as our key input variable.

NATURAL DISASTER RISK

Latest data on Notre Dame Global Adaptation Initiative country indexA screenshot of a document

Description automatically generated



**S&P**

 Explicitly references World Bank's Worldwide Governance Indicators (WGI)

 Uses Transparency International's Corruption Perceptions Index as a reference point

 Considers elements similar to the Rule of Law Index (World Justice Project)

 Developed their own "Institutional Assessment" scoring framework

**MOODYS**

**https://ratings.moodys.com/api/rmc-documents/395819**

ddd

In assessing flexibility, we typically consider indicators such as the World Economic Forum (WEF)’s Global Competitiveness Index (GCI),

including components that measure labor and goods market efficiency, and the WEF Financial Market Development Index.

In assessing diversity, we typically consider broad measures of export structure diversification, such as the United Nations Conference

on Trade and Development (UNCTAD) Export Product Concentration Index, and indicators of the value-added nature or price

sensitivity of the country’s exports, such as the World Development Indicator (WDI) for goods exports to high-income countries and

the Economic Complexity Index produced by the Observatory of Economic Complexity.

In assessing productivity, we typically consider the WEF Infrastructure, Innovation and Higher Education and Training Indexes. We also

typically consider estimates of longer-term changes in productivity based on a country’s average growth of real GDP per capita over 10

years.

In assessing the strength of civil society and the judiciary for a sovereign, we may also consider other indicators, such as the World

Justice Project’s (WJP) index of regulatory enforcement, index of constraints on government power, index of civil justice and index of

criminal justice, or similar information from other established international organizations with sufficiently broad coverage.

Transparency and quality of government accounts, for all levels of government, are important determinants of effective budget

planning. The availability of comprehensive, accurate and recent data on government accounts supports budgetary authorities and

related stakeholders (including external non-partisan bodies) in the design of robust fiscal policies. Sovereigns with higher quality

of disclosures typically report monthly budget accounts (on a cash basis) and annual or quarterly accrual budget accounts as well

as government balance sheets, including contingent liabilities and other off-balance-sheet items. The perimeter of accounts is

also typically clearly defined. Our primarily qualitative assessment is also informed by various indices assessing transparency of

fiscal reporting (for example, the Open Budget Index and certain dimensions of the World Bank’s Country Policy and Institutional

Assessment) as well as the IMF assessment on the adequacy of data for surveillance. While accounting standards can be complex and

evolve over time, leading to ex-post revisions of fiscal performance and debt levels, a track record of frequent and large revisions in past

budget accounts would typically weigh negatively on our assessment of a sovereign’s fiscal policy effectiveness.

Social risks such as high or rising unemployment and wealth and income inequality typically pose risks of social unrest and hence

political disruption, in particular where most of an economy’s resources are concentrated within a region or specific group, or where a

government is seen as reducing programs or policies that provide economic security. We may use the Gini index14 or other established indicators of wealth and income distribution to inform our assessment.

