

Task 3: Country risk map

An American bank wants to lend money to various public and private entities from Eastern European Countries. Before lending money the bank is interested into a country risk map for this area in order to decide about lending conditions to these entities from different countries.

The countries included in the study are:

1. Romania;
2. Hungary;
3. Moldavia;
4. Ukraine;
5. Bulgaria;
6. Croatia;
7. Albania.

Country risk model includes the following indicators:

I. Economic indicators:	<ol style="list-style-type: none"> 1. Export / GDP; 2. External Debt / GDP; 3. Real GDP Growth rate; 4. Interest rate level for local currency loans
II. Social indicators:	<ol style="list-style-type: none"> 5. Inflation; 6. Unemployment rate; 7. Average wage; 8. Labour productivity (GDP per employed persons)
III. Political indicators:	<ol style="list-style-type: none"> 9. Corruption level (see Transparency International) 10. Economic Freedom (see Heritage Foundation)

Using a double weighting system (for groups and for indicators inside each group) please follow the indicated steps to provide a country risk map for these countries:

1. Obtaining country data for each indicated variable / each country;
2. Assign weights for each group of indicators (economic, political and social groups)
3. Assign weights for each indicator inside each group;
4. Transform values into points using scoring methodology (country with the best performance will get highest score and country with the worst performance the lowest score) or using checking lists methodology (if real GDP growth rate is between different intervals, country will receive different points);
5. Calculate a country rating for each country combining points for each indicator with weights assigned for indicators / groups;
6. Classify countries in accordance with country risk rating (country risk map).
7. Discuss the results.