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Country Risk Analysis: A Survey of the Quantitative Methods

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Abstract:

With globalization and financial integration, there has been rapid growth of international lending and foreign direct investment (FDI). In view of this emerging trend, country risk analysis has become extremely important for the international creditors and investors. This paper briefly discusses the concepts and definitions, and presents a survey of the quantitative methods that are used to address various issues related to country risk. It also gives a summary review of selected empirical studies that use these techniques. While these studies display a distinct chronological pattern of gradual improvements in terms of technique and analytical competence none of them is adequate in terms of its scope and coverage. This paper also notes that in view of changing global economic and financial environment, greater availability of quantitative data, and enhanced computing capacity, the researchers should focus on the possibility of applying better techniques to more extensive model of country risk analysis.