

Country Default Spreads and Risk Premiums

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This table summarizes the latest bond ratings and appropriate default spreads for different countries. While you can use these numbers as rough estimates of country risk premiums, you may want to modify the premia to reflect the additional risk of equity markets. To estimate the long term country equity risk premium, I start with a default spread, which I obtain in one of two ways:

(1) I use the local currency sovereign rating (from Moody's: www.moodys.com) and estimate the default spread for that rating (based upon traded country bonds) over a default free government bond rate. For countries without a Moody's rating but with an S&P rating, I use the Moody's equivalent of the S&P rating. To get the default spreads by sovereign rating, I use the CDS spreads and compute the average CDS spread by rating. Using that number as a basis, I extrapolate for those ratings for which I have no CDS spreads.

(2) I start with the CDS spread for the country, if one is available and subtract out the US CDS spread, since my mature market premium is derived from the US market. That difference becomes the country spread. For the few countries that have CDS spreads that are lower than the US, I will get a negative number.

You can add just this default spread to the mature market premium to arrive at the total equity risk premium. I add an additional step. In the short term especially, the equity country risk premium is likely to be greater than the country's default spread. You can estimate an adjusted country risk premium by multiplying the default spread by the relative equity market volatility for that market (Std dev in country equity market/Std dev in country bond). Since government bonds are not available or traded in most countries, I approximate the relative equity market volatility by estimating the standard deviations in two indices, the S&P emerging market equity index (for equities) and an iShares emerging market government bond ETF (for government bonds), and using that ratio for all countries to estimate the additional country risk premium. Finally, I add that country risk premium to my estimate of a mature market equity risk premium, for which I use the implied equity risk premium of the S&P 500.

Excel file with full country risk premium data: <https://www.stern.nyu.edu/~adamodar/pc/datasets/ctryprem.xlsx>

If you are interested in my approach to computing the equity risk premium, download my magnum opus (just kidding):

[My paper on equity risk premiums:](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4398884)

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4398884

[My paper on country risk premiums:](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4509578)

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4509578

[Watch my lectures on country risk premiums:](https://www.youtube.com/watch?v=alRPvY2SQ94)

<https://www.youtube.com/watch?v=alRPvY2SQ94>

<https://www.youtube.com/watch?v=D3lGn6tH03c>

And my paper on measuring country risk

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4161010

Country	Adj. Default Spread	Equity Risk Premium	Country Risk Premium	Corporate Tax Rate	Moody's rating
Abu Dhabi	0.49%	4.99%	0.66%	15.00%	Aa2
Albania	3.56%	9.13%	4.80%	15.00%	Ba3
Algeria	2.98%	8.35%	4.02%	15.00%	NR
Andorra (Principality of)	1.58%	6.46%	2.13%	18.98%	Baa1
Angola	6.44%	13.01%	8.68%	25.00%	B3
Anguilla	6.01%	12.44%	8.11%	25.23%	NR
Antigua & Barbuda	6.01%	12.43%	8.10%	25.23%	NR
Argentina	11.88%	20.35%	16.02%	35.00%	Ca
Armenia	3.56%	9.13%	4.80%	18.00%	Ba3
Aruba	2.18%	7.26%	2.93%	25.00%	Baa3
Australia	0.00%	4.33%	0.00%	30.00%	Aaa
Austria	0.40%	4.86%	0.53%	24.00%	Aa1
Azerbaijan	2.48%	7.67%	3.34%	20.00%	Ba1
Bahamas	4.46%	10.34%	6.01%	0.00%	B1
Bahrain	5.45%	11.67%	7.34%	0.00%	B2
Bangladesh	5.45%	11.67%	7.34%	30.00%	B2
Barbados	6.44%	13.01%	8.68%	5.50%	B3
Belarus	17.50%	27.92%	23.59%	18.00%	C
Belgium	0.59%	5.13%	0.80%	25.00%	Aa3
Belize	7.43%	14.34%	10.01%	28.53%	Caa1
Benin	4.46%	10.34%	6.01%	30.00%	B1
Bermuda	0.84%	5.46%	1.13%	0.00%	A2
Bolivia	9.91%	17.68%	13.35%	25.00%	Caa3
Bosnia and Herzegovina	6.44%	13.01%	8.68%	10.00%	B3
Botswana	1.19%	5.93%	1.60%	22.00%	A3
Brazil	2.48%	7.67%	3.34%	34.00%	Ba1
British Virgin Islands	6.01%	12.44%	8.11%	25.23%	NR
Brunei	0.59%	5.13%	0.80%	34.00%	NR
Bulgaria	1.58%	6.46%	2.13%	10.00%	Baa1
Burkina Faso	7.43%	14.34%	10.01%	28.00%	Caa1
Cambodia	5.45%	11.67%	7.34%	20.00%	B2
Cameroon	7.43%	14.34%	10.01%	33.00%	Caa1
Canada	0.00%	4.33%	0.00%	26.50%	Aaa
Cape Verde	5.45%	11.67%	7.34%	0.00%	B2
Cayman Islands	0.59%	5.13%	0.80%	0.00%	Aa3
Channel Islands	0.83%	5.45%	1.12%	24.78%	NR
Chile	0.84%	5.46%	1.13%	27.00%	A2
China	0.70%	5.27%	0.94%	25.00%	A1
Colombia	1.89%	6.87%	2.54%	35.00%	Baa2
Congo (Democratic Republic)	6.44%	13.01%	8.68%	30.00%	B3

Congo (Republic of)	8.92%	16.35%	12.02%	28.00%	Caa2
Cook Islands	4.46%	10.34%	6.01%	29.74%	B1
Costa Rica	3.56%	9.13%	4.80%	30.00%	Ba3
Croatia	1.19%	5.93%	1.60%	18.00%	A3
Cuba	11.88%	20.35%	16.02%	28.53%	Ca
Curaçao	2.18%	7.26%	2.93%	22.00%	Baa3
Cyprus	1.19%	5.93%	1.60%	12.50%	A3
Czech Republic	0.59%	5.13%	0.80%	19.00%	Aa3
Denmark	0.00%	4.33%	0.00%	22.00%	Aaa
Dominican Republic	3.56%	9.13%	4.80%	27.00%	Ba3
Ecuador	9.91%	17.68%	13.35%	25.00%	Caa3
Egypt	7.43%	14.34%	10.01%	22.50%	Caa1
El Salvador	6.44%	13.01%	8.68%	30.00%	B3
Estonia	0.70%	5.27%	0.94%	20.00%	A1
Ethiopia	8.92%	16.35%	12.02%	30.00%	Caa2
Falkland Islands	3.58%	9.15%	4.82%	31.55%	NR
Fiji	4.46%	10.34%	6.01%	20.00%	B1
Finland	0.40%	4.86%	0.53%	20.00%	Aa1
France	0.59%	5.13%	0.80%	25.00%	Aa3
French Guiana	3.58%	9.15%	4.82%	31.55%	NR
Gabon	8.92%	16.35%	12.02%	30.00%	Caa2
Gambia	4.46%	10.34%	6.01%	30.00%	NR
Georgia	2.98%	8.35%	4.02%	15.00%	Ba2
Germany	0.00%	4.33%	0.00%	30.00%	Aaa
Ghana	8.92%	16.35%	12.02%	25.00%	Caa2
Gibraltar	0.83%	5.45%	1.12%	24.78%	NR
Greece	2.48%	7.67%	3.34%	22.00%	Ba1
Greenland	0.83%	5.45%	1.12%	24.78%	NR
Guatemala	2.48%	7.67%	3.34%	25.00%	Ba1
Guernsey (States of)	0.70%	5.27%	0.94%	0.00%	A1
Guinea	8.92%	16.35%	12.02%	0.00%	NR
Guinea-Bissau	6.44%	13.01%	8.68%	0.00%	NR
Guyana	1.58%	6.46%	2.13%	0.00%	NR
Haiti	11.88%	20.35%	16.02%	0.00%	NR
Honduras	4.46%	10.34%	6.01%	25.00%	B1
Hong Kong	0.59%	5.13%	0.80%	16.50%	Aa3
Hungary	1.89%	6.87%	2.54%	9.00%	Baa2
Iceland	0.70%	5.27%	0.94%	20.00%	A1
India	2.18%	7.26%	2.93%	30.00%	Baa3
Indonesia	1.89%	6.87%	2.54%	22.00%	Baa2
Iran	6.44%	13.01%	8.68%	22.00%	NR
Iraq	7.43%	14.34%	10.01%	15.00%	Caa1
Ireland	0.59%	5.13%	0.80%	12.50%	Aa3
Isle of Man	0.59%	5.13%	0.80%	0.00%	Aa3
Israel	1.58%	6.46%	2.13%	23.00%	Baa1
Italy	2.18%	7.26%	2.93%	24.00%	Baa3
Ivory Coast	2.98%	8.35%	4.02%	25.00%	Ba2
Jamaica	4.46%	10.34%	6.01%	25.00%	B1
Japan	0.70%	5.27%	0.94%	30.62%	A1
Jersey (States of)	0.49%	4.99%	0.66%	0.00%	Aa2
Jordan	3.56%	9.13%	4.80%	20.00%	Ba3
Kazakhstan	1.58%	6.46%	2.13%	20.00%	Baa1
Kenya	7.43%	14.34%	10.01%	30.00%	Caa1
Korea, D.P.R.	11.88%	20.35%	16.02%	25.00%	NR
Kuwait	0.70%	5.27%	0.94%	15.00%	A1
Kyrgyzstan	6.44%	13.01%	8.68%	10.00%	B3
Laos	9.91%	17.68%	13.35%	26.86%	Caa3
Latvia	1.19%	5.93%	1.60%	20.00%	A3
Lebanon	17.50%	27.92%	23.59%	17.00%	C
Liberia	8.92%	16.35%	12.02%	17.00%	NR
Libya	1.58%	6.46%	2.13%	17.00%	NR
Liechtenstein	0.00%	4.33%	0.00%	12.50%	Aaa
Lithuania	0.84%	5.46%	1.13%	15.00%	A2
Luxembourg	0.00%	4.33%	0.00%	24.94%	Aaa
Macau	0.59%	5.13%	0.80%	26.86%	Aa3
Macedonia	3.56%	9.13%	4.80%	10.00%	Ba3
Madagascar	5.45%	11.67%	7.34%	10.00%	NR
Malawi	8.92%	16.35%	12.02%	10.00%	NR
Malaysia	1.19%	5.93%	1.60%	24.00%	A3

Maldives	8.92%	16.35%	12.02%	26.86%	Caa2
Mali	8.92%	16.35%	12.02%	26.86%	Caa2
Malta	0.84%	5.46%	1.13%	35.00%	A2
Martinique	6.01%	12.44%	8.11%	25.23%	NR
Mauritius	2.18%	7.26%	2.93%	15.00%	Baa3
Mexico	1.89%	6.87%	2.54%	30.00%	Baa2
Moldova	6.44%	13.01%	8.68%	12.00%	B3
Monaco	0.00%	4.33%	0.00%	24.78%	Aaa
Mongolia	5.45%	11.67%	7.34%	25.00%	B2
Montenegro	4.46%	10.34%	6.01%	15.00%	B1
Montserrat	2.18%	7.26%	2.93%	28.53%	Baa3
Morocco	2.48%	7.67%	3.34%	32.00%	Ba1
Mozambique	8.92%	16.35%	12.02%	32.00%	Caa2
Myanmar	9.91%	17.68%	13.35%	32.00%	NR
Namibia	4.46%	10.34%	6.01%	32.00%	B1
Nepal	3.56%	9.13%	4.80%	25.00%	Ba3
Netherlands	0.00%	4.33%	0.00%	25.80%	Aaa
Netherlands Antilles	6.01%	12.44%	8.11%	25.23%	NR
New Zealand	0.00%	4.33%	0.00%	28.00%	Aaa
Nicaragua	5.45%	11.67%	7.34%	30.00%	B2
Niger	9.91%	17.68%	13.35%	26.86%	Caa3
Nigeria	7.43%	14.34%	10.01%	30.00%	Caa1
Norway	0.00%	4.33%	0.00%	22.00%	Aaa
Oman	2.48%	7.67%	3.34%	15.00%	Ba1
Pakistan	8.92%	16.35%	12.02%	29.00%	Caa2
Palestinian Authority	17.50%	27.92%	23.59%	17.00%	NR
Panama	2.18%	7.26%	2.93%	25.00%	Baa3
Papua New Guinea	5.45%	11.67%	7.34%	30.00%	B2
Paraguay	2.18%	7.26%	2.93%	10.00%	Baa3
Peru	1.58%	6.46%	2.13%	29.50%	Baa1
Philippines	1.89%	6.87%	2.54%	25.00%	Baa2
Poland	0.84%	5.46%	1.13%	19.00%	A2
Portugal	1.19%	5.93%	1.60%	21.00%	A3
Qatar	0.49%	4.99%	0.66%	10.00%	Aa2
Ras Al Khaimah (Emirate of)	1.19%	5.93%	1.60%	0.00%	A3
Reunion	1.07%	5.77%	1.44%	25.34%	NR
Romania	2.18%	7.26%	2.93%	16.00%	Baa3
Russia	2.98%	8.35%	4.02%	20.00%	NR
Rwanda	5.45%	11.67%	7.34%	30.00%	B2
Saint Lucia	6.01%	12.44%	8.11%	25.23%	NR
Saudi Arabia	0.59%	5.13%	0.80%	20.00%	Aa3
Senegal	4.46%	10.34%	6.01%	30.00%	B1
Serbia	2.98%	8.35%	4.02%	15.00%	Ba2
Sharjah	2.48%	7.67%	3.34%	0.00%	Ba1
Sierra Leone	8.92%	16.35%	12.02%	0.00%	NR
Singapore	0.00%	4.33%	0.00%	17.00%	Aaa
Slovakia	1.19%	5.93%	1.60%	21.00%	A3
Slovenia	1.19%	5.93%	1.60%	19.00%	A3
Solomon Islands	7.43%	14.34%	10.01%	30.00%	Caa1
Somalia	9.91%	17.68%	13.35%	30.00%	NR
South Africa	2.98%	8.35%	4.02%	27.00%	Ba2
South Korea	0.49%	4.99%	0.66%	25.00%	Aa2
Spain	1.58%	6.46%	2.13%	25.00%	Baa1
Sri Lanka	11.88%	20.35%	16.02%	24.00%	Ca
St. Maarten	2.98%	8.35%	4.02%	28.53%	Ba2
St. Vincent & the Grenadines	6.44%	13.01%	8.68%	28.53%	B3
Sudan	17.50%	27.92%	23.59%	28.53%	NR
Suriname	7.43%	14.34%	10.01%	36.00%	Caa1
Swaziland	5.45%	11.67%	7.34%	27.50%	B2
Sweden	0.00%	4.33%	0.00%	20.60%	Aaa
Switzerland	0.00%	4.33%	0.00%	14.60%	Aaa
Syria	17.50%	27.92%	23.59%	14.60%	NR
Taiwan	0.59%	5.13%	0.80%	20.00%	Aa3
Tajikistan	6.44%	13.01%	8.68%	18.00%	B3
Tanzania	4.46%	10.34%	6.01%	30.00%	B1
Thailand	1.58%	6.46%	2.13%	20.00%	Baa1
Togo	6.44%	13.01%	8.68%	26.86%	B3
Trinidad & Tobago	2.98%	8.35%	4.02%	30.00%	Ba2
Tunisia	8.92%	16.35%	12.02%	15.00%	Caa2

Turkey	4.46%	10.34%	6.01%	25.00%	B1
Turks & Caicos Islands	1.58%	6.46%	2.13%	0.00%	Baa1
Uganda	6.44%	13.01%	8.68%	30.00%	B3
Ukraine	11.88%	20.35%	16.02%	18.00%	Ca
United Arab Emirates	0.49%	4.99%	0.66%	25.00%	Aa2
United Kingdom	0.59%	5.13%	0.80%	25.00%	Aa3
United States	0.00%	4.33%	0.00%	25.00%	Aaa
Uruguay	1.58%	6.46%	2.13%	25.00%	Baa1
Uzbekistan	3.56%	9.13%	4.80%	15.00%	Ba3
Venezuela	17.50%	27.92%	23.59%	34.00%	C
Vietnam	2.98%	8.35%	4.02%	20.00%	Ba2
Yemen	11.88%	20.35%	16.02%	20.00%	NR
Zambia	8.92%	16.35%	12.02%	35.00%	Caa2
Zimbabwe	8.92%	16.35%	12.02%	35.00%	NR

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