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## **INTERNATIONAL FINANCIAL METHODS OF THE STATE'S ECONOMIC SITUATION ASSESSING IN THE GLOBAL SPACE**

**The methods of assessing the financial performance of countries by international economic organizations and rating agencies are considered in the article. Approaches to such assessment are analysed by following per the procedure for detecting of macroeconomic imbalances, determining of the risk index of countries calculated by Euromoney, as well as the definition of financial stability indicators by the International Monetary Fund. Groups of indicators according to the specified methods, their critical limits, information base, and sequence of estimation are investigated. The advantages and disadvantages of these techniques in the modern globalized environment are summarized.**

**Keywords:** international organizations; globalization; macroeconomic imbalances; economic risks; financial stability; International Monetary Fund; Euromoney.

**Formulation of scientific problem and its significance.** The notion that the financial performance of the state is only macroeconomic in nature, in today's globalized environment is significantly transformed. Macroeconomic financial risks and imbalances of one country can be a factor of similar threats to other countries – trading partners, members of the same international organizations and so on. In this regard, the world's leading financial and analytical corporations are developing and dynamically improving methods for assessing the financial condition of countries, their ranking in the global space to quickly identify potential risks, forecast financial crises and respond adequately to the world community. Each of these methods has its advantages and disadvantages, and their scientific analysis actualizes new global phenomena and processes.

**Analysis of recent publications.** The analysis of international approaches to assessing the economic condition of countries in the global space is carried out by foreign and domestic scientists, in particular Alessi L., Detken C., Siranova M., Radvanský M., Candelon B., Dumitrescu E., C. Hurlin Csontos, Szalai Z. , Voloshchuk R., Horda S., Yedinak V., Davydenko S., Egorova O., Kaczynski A., Kvasha T.,

Marhasova V., Polumienko S.K. and others. Scientists systematize methods of assessing of economic security at the global level, explore the comparative advantages of certain methods, their weaknesses. However, there is a need for further research. This is due to the fact that the integrated application of the studied procedures is constantly transformed after the emergence of new economic and non-economic threats to world development.

**The purpose of the article** is to study the international financial methods of assessing the economic condition of countries in the global space in order to assess the possibilities of their application for macroeconomic analysis in Ukraine.

**Presentation of the main material.** At the end of 2011, against the background of the economic and financial crisis in the European Union, a procedure for detecting macroeconomic imbalances (MIP) was introduced, which is a tool for the rapid detection of threats to the economic security of EU member states. To this end, a small list of relevant, practical, simple, measurable and accessible indicators has been selected, which is periodically reviewed, taking into account current and forecast trends in economic development. Threshold values of indicators were set, which are subject to periodic adjustment [1].

MIP indicators cover external and internal imbalances, competitiveness positions and labor market trends. They are calculated from several statistical domains, following specific quality assurance systems, including national accounts, balance of payments statistics, price statistics, excessive deficit procedure (EDP) statistics and labor market statistics [2].

Summary information on these indicators and the information base of the calculation is given in table. 1.

All indicators should be studied for their contribution to problematic macroeconomic imbalances. In particular, the supervision of public debt under the new regulation will be limited to its contribution to macroeconomic imbalances, as the sustainability of public finances is already covered by SGP indicators.

The main rationale for a supra-national surveillance mandate builds on the fact that macroeconomic imbalances and economic policies in one country have relevance also for other Member States. This is due not only to the fact that in highly integrated economic areas economic developments in one country spill over to other countries, but also to the fact that, if left unaddressed, macroeconomic imbalances may compromise the proper functioning of the monetary union and the common policies and institutions of the Union, such as the Single Market [2].

Table 1

 Indicators for detecting macroeconomic imbalances  
(Macroeconomic Imbalance Procedure)

Group of indicators	Indicator	Source
External imbalances and competitiveness	Current account balance – % of GDP (3 year average)	Eurostat (National Accounts, Balance of Payments 6)
	Net international investment position (% of GDP)	Eurostat (National Accounts, Balance of Payments 6)
	Real effective exchange rate – 42 trading partners, HICP deflator (3 year % change)	AMECO database
	Export market share – % of world exports (5 year % change)	Eurostat, IMF (Balance of Payments 6)
	Nominal unit labour cost index (2010=100) (3 year % change)	Eurostat (National Accounts, European System of Accounts 2010)
Internal imbalances	House price index (2015=100), deflated (1 year % change)	Eurostat (National Accounts, European System of Accounts 2010 and price statistics)
	Private sector credit flow, consolidated (% of GDP)	Eurostat (National Accounts, European System of Accounts 2010, Financial Accounts)
	Private sector debt, consolidated (% of GDP)	Eurostat (National Accounts, European System of Accounts 2010, Financial Accounts)
	General government gross debt (% of GDP)	Eurostat (Government Financial Statistics)
	Unemployment rate (3 year average)	Eurostat (Labour Force Survey)
	Total financial sector liabilities, nonconsolidated (1 year % change)	Eurostat (National Accounts, European System of Accounts 95, Financial Accounts)
Employment indicators	Activity rate – % of total population aged 15–64 (3 year change in pp)	Eurostat (Labour Force Survey)
	Long-term unemployment rate – % of active population aged 15–74 (3 year change in pp)	Eurostat (Labour Force Survey)
	Youth unemployment rate – % of active population aged 15–24 (3 year change in pp)	Eurostat (Labour Force Survey)

\* grouped by [2]

As M. Siranova and M. Radvanský say, the creation of the MIP framework in the EU28 country group as an EWI system meant a huge step forward to an efficient and reliable system of crisis prediction. The optimal thresholds proposed within the common MIP framework might be either excessively accommodative (public and private, total or external debt levels), overly conservative (current account balance, export market share, and nominal unit labour costs), or with low informative value (labour market characteristics) once used for a set of less mature economies in transition. Indicators that show higher predictive power belong predominantly to the group of external imbalances indicators (current and capital account balance, export market share, and REER) and are accompanied by a change in the house price index and young people outside education and training indicators [3].

The concept of risk is associated with problems of economic security in the calculation of the Risk Index of the Euromoney countries (Euromoney Country Risk (ECR)).

The ECR assesses a country's investment risk, including bond default risk, direct investment risk, global business risk, etc., using a qualitative model based on expert judgment on intra-country variable risks (90% weighting) and combining it with a baseline (weighing 10%). To obtain an overall country risk assessment, there is an assessment in 5 categories. Four qualitative categories are political risk (weighting – 35%), economic risk (35%), structural risk (10%) and access to international capital markets (10%). Quantitative values are indicators of public debt (10%) (Table 2) [4].

Table 2

Country risk assessment indicators according to the Euromoney methodology

№	Indicator	Type of indicator	Specific weight in the consolidated score, %	The features of formation
1	2	3	4	5
1	Political risk	Qualitative	35	Participants rate each country, from 0 to 10 points on 5 subfactors: corruption; government defaults; government stability; access / transparency of information; institutional risk; regulatory and political environment



Continuation of Table 2

2	Economic risk	Qualitative	35	Participants rate each country, from 0 to 10 points on 6 subfactors: banking stability / risk; GNP forecast; Unemployment rate; state finance; monetary policy / currency stability
3	Structural risk	Qualitative	10	Participants rate each country, from 0 to 10 points on 4 subfactors: demographic indicators; physical (production) infrastructure; labor market / production relations; soft (social) infrastructure
4	Access to international capital markets	Qualitative	10	Participants assess the availability of each country to international markets on a scale of 0–10 (0 - no access at all and 10 – full access). These figures are averaged and then weighed to 10%
5	State debt	Quantitative	10	Calculated using the following ratios from the World Bank's data on global finance: total debt to GNP (A), debt service payments to exports (B); current account balance to GNP (C)

*\* grouped by [4]*

The International Monetary Fund has developed its own methodology and set of indicators to assess the financial stability of countries. Financial stability indicators are indicators of the current financial condition and stability of the country's financial institutions and their counterparties in the non-financial corporations and households sectors. The data contain information on the main indicators of financial stability of deposit-taking corporations (banks) in terms of capital adequacy, asset quality, profit and profitability, liquidity, sensitivity to market risk and recommended indicators of financial stability, as well as initial data for their compilation. Indicators of financial stability give an idea of the markets in which financial institutions operate [5].

**Conclusions.** International financial methods of assessing the economic condition of countries in the global space include a variety of indicators that assess macroeconomic imbalances, various risks and access to international capital markets for the stability of financial institutions and their counterparties in the non-financial corporations and households. Each of the individual methods has its advantages and "bottlenecks". The use in international practice of indicators based solely on financial analytical data is appropriate for assessing the creditworthiness, financial stability of the country, but for internal management does not answer questions about the causes of financial

problems that may be hidden behind structural imbalances, political and military instability, etc. However, generalized analytical data on the world's financial ratings of countries allow us to operate with important international information for the current management and decision-making on fiscal and monetary policy at the state level.

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## МІЖНАРОДНІ ФІНАНСОВІ МЕТОДИКИ ОЦІНКИ ЕКОНОМІЧНОГО СТАНУ ДЕРЖАВ У ГЛОБАЛЬНОМУ ПРОСТОРИ

**Актуальність досліджуваної проблеми пов'язана з тим, що макроекономічні фінансові ризики та дисбаланси однієї країни можуть**



стати фактором аналогічних загроз інших держав – торговельних партнерів, учасників тих же міжнародних організацій тощо. У зв'язку із цим провідні фінансово-аналітичні корпорації світу розробляють та динамічно вдосконалюють методики оцінки фінансового стану держав, їх рейтингування в глобальному просторі задля оперативного виявлення можливих ризиків, прогнозування фінансових криз та адекватного реагування світового співтовариства.

Метою статті є дослідження міжнародних фінансових методик оцінки економічного стану держав у глобальному просторі задля оцінки можливостей їх застосування для макроекономічного аналізу в Україні.

У статті розглянуто методики оцінки фінансових показників держав міжнародними економічними організаціями та рейтинговими агентствами. Проаналізовано підходи до такої оцінки згідно з процедурою виявлення макроекономічних дисбалансів, визначення індексу ризику країн, що розраховує Euromoney, а також визначення індикаторів фінансової стійкості, розроблених Міжнародним валютним фондом. Досліджено групи показників за вказаними методиками, їх критичні межі, інформаційну базу та послідовність оцінки. Узагальнено переваги та недоліки зазначених методик в умовах сучасного глобалізованого середовища.

Автори дійшли висновку, що застосування в міжнародній практиці показників, що базуються виключно на фінансових аналітичних даних, доцільне для оцінки кредитоспроможності, фінансової стійкості країни, проте для внутрішнього управління не дає відповіді на запитання щодо причин виникнення фінансових проблем, які можуть приховуватись за структурними дисбалансами, політичною та військовою нестабільністю тощо. Проте узагальнені аналітичні дані щодо світових фінансових рейтингів країн дають змогу оперувати важливою міжнародною інформацією для поточного управління та прийняття рішень щодо фіскальної, монетарної політики на рівні держави.

**Ключові слова:** міжнародні організації; глобалізація; макроекономічні дисбаланси; економічні ризики; фінансова стійкість; Міжнародний валютний фонд; Euromoney.

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## **МЕЖДУНАРОДНЫЕ ФИНАНСОВЫЕ МЕТОДИКИ ОЦЕНКИ ЭКОНОМИЧЕСКОГО ПОЛОЖЕНИЯ ГОСУДАРСТВА В ГЛОБАЛЬНОМ ПРОСТРАНСТВЕ**

В статье рассматриваются методики оценки финансовых показателей государств международными экономическими организациями и рейтинговыми агентствами. Проанализированы подходы к такой оценке согласно процедуре выявления макроэкономических дисбалансов, определение индекса риска стран, рассчитанного Euromoney, а также определение индикаторов финансовой устойчивости, разработанных Международным валютным фондом. Исследована группа показателей по указанным методикам, их критические пределы, информационная база и последовательность оценки. Обзор преимуществ и недостатков указанных методик в условиях современного глобализирующегося мира.

**Ключевые слова:** международные организации; глобализация; макроэкономические дисбалансы; экономические риски; финансовая устойчивость; Международный валютный фонд; Euromoney.

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