

FINANCIAL CRISES AND COUNTRY RISK OF EMERGING MARKETS

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Abstract

The present study examines the connection between the financial crises and the country risk of emerging markets. In time of financial crises there is an increase in country risk, a rise in the price of external financing and a decrease in the net volume of capital flows. Through an analysis of the change in interest rates and the amount of external financing of emerging markets, the work outlines the specificity of country risk and its manifestation during financial crises of systemic significance in the past 16 years, which started from a particular country. The study shows that in time of a crisis that begins in a developed country, the investors on the global financial markets get a different sense of the country risk of the emerging markets in comparison with contemporary crises, which begin from a particular country, belonging to the group of the emerging markets. The level of the country risk during the American crisis is lowest in comparison with the rest, the crisis was least anticipated, i.e. the country risk of emerging markets increases fastest of all, and the volume of the net capital flows turns out to be times bigger compared to the rest of the crises.