

UNIVERSITY OF LUGANO

Providing Country Intelligence online – The Economist Intelligence Unit (EIU)

This case was written by Anna Linda Musacchio Adoriso, research assistant under the supervision of Martin Eppler, professor at the University of Lugano. It is intended to be used as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation.

Providing Country Intelligence online – The Economist Intelligence Unit (EIU)

“With all the available information on the Internet and with the overload of information we are facing, customers turn to us to have an opinion, an informed opinion on a specific country.”

ANDRÉ ASTROW

EIU Deputy Editorial Director

Case Study Sources

The following case study is based on interviews with André Astrow, EIU Deputy Editorial Director and Catherine Sealey, EIU Regional Sales Manager for Central and Eastern Europe, as well as on a number of interviews with EIU customers and frequent users. Further interviews included competitors of the EIU. Additional information was acquired through navigation on the EIU website and from product documentation provided by the company. The four products described in the case study were all tested in a two week trial.

Company Overview

The Economist Intelligence Unit, part of the Economist Group, is a leading company in the field of country intelligence. Over the last fifty years (the company was founded in 1946) the business intelligence division of the Economist group has established a comprehensive network of country analysts and country experts, presently 650, most of them based in the countries that they cover. The company can presently rely on a team of 80 economists, based in London, producing in-house risk and forecasting models. Besides the one in London, which is the head office, the Economist Intelligence Unit has two major regional offices in New York and Hong Kong and 32 editorial and sales offices around the world. The EIU has now over 500,000 subscribers: among them companies in every industry: financial institutions such as investment banking and insurance companies; corporate companies; governments and business schools. The mission of the company is to provide trustworthy intelligence on the business context worldwide, as outlined on the EIU website:

“Our mission is to help executives make better business decisions by providing up-to-date, reliable and impartial analysis on worldwide market trends and business strategies. We continuously assess and forecast political, economic and business conditions in almost 200 countries, and provide insight into how companies are responding”.

<i>The Core Products</i>	The EIU provides <i>country intelligence</i> in different forms that range from raw data and forecasts, indicators, ratios, tables and charts, and risk ratings to reports. The focus is on both the context of the international marketplace and on the associated business opportunities and risks. Event-driven briefings are available through the <i>Viewswire</i> or <i>Business Newsletters</i> and provide the latest worldwide developments. Economic and geopolitical analysis is provided regularly in <i>Country Reports</i> and <i>Country Profiles</i> . On the risk assessment and early warning side, ratings and assessments are provided through <i>Country Risk Service</i> , the <i>Riskwire</i> and <i>Risk Model</i> while data and forecasts are provided through <i>Country Data, Market Indicators and Forecasts</i> and through <i>Worldwide Cost of Living</i> .
<i>Business Guides</i>	In addition to these products, the EIU offers a series of international business guides on business regulations and on changing financial operating conditions, tax laws, and investment opportunities.
<i>Management strategies and executive development</i>	Another group of products focuses on management strategies and executive developments. <i>Executive Briefing</i> and <i>Which MBA?</i> are the two main products in this group. Strategic intelligence is provided through surveys, best-practice and benchmarking studies, issue overviews and company case studies.
<i>Industry trends and development</i>	A fourth type of intelligence provided by the EIU regards industries. Eight major industries are assessed, namely automotive, consumer goods and retailing, energy and electricity, financial services, food, beverages and tobacco, health and pharmaceuticals, telecoms and technology, travel and tourism.
<i>Case study focus: country intelligence</i>	This case study will concentrate on the first group of products, namely products focusing on the context of the marketplace worldwide and on the opportunities and risks involved. The EIU provides this kind of intelligence at different levels and in different forms. Four main services will be presented: <i>Viewswire, Country Reports, Country Data and Country Risk Service</i> .
<i>Event driven-briefings</i>	<i>Viewswire</i> is an Internet portal where users can find useful information about daily political, economic, commercial, financial and operational events worldwide and on their impact on business. The portal is updated every day with a large number of the events that the EIU staff judges to be the most important. The users can either choose to obtain updates on a single country (from a choice of about 200 countries) or list the major events of the day worldwide. Five main channels are offered to users: Politics, the Economy, Business, Finance and Regulations. Through this portal, the user can have

access to information and insights at several levels through background information, updates and standardised reports.

Economic and geopolitical analysis

Country research consists of two main publications: the *Country Reports* and the *Country Profiles*. *Country reports* are provided for 181 countries every three months (full report) and updated every month (update report). The product has the format of a structured report and contains political, economic and financial developments and analyses. The reports contain both information on the political and economic structure of the country and an outlook for the next two years containing expectations for economic policy and the political, economic and financial environment. The focus is on politics, economic policy, the domestic economy, foreign and trade payments events and on their overall impact on the country risk.

Risk Assessment and early warning

The *Country Risk Service* provides an assessment and early warning system on the political, economic policy, economic structure and liquidity risks for 100 emerging markets and six main geopolitical areas (Africa, the Americas, Asia and Australasia, Eastern Europe, the Middle East and North Africa, Southern Europe). Risk assessment is also provided for specific investment risks such as currency risk, sovereign debt risk and banking sector risk. Risk is evaluated on a time horizon of two years and its assessment is updated monthly via the Internet subscription and quarterly in print. An overall rating is provided together with a brief review of the major short term risk events as well as a political, economic and financial outlook. Separate sections are devoted to a more detailed assessment of these three (political, economic and financial) axes of analysis: political outlook, domestic finance and economic outlook, external finance and credit risk containing specific investment risk ratings, namely currency risk, sovereign risk and banking sector risks. A final risk rating summary explains the overall assessment. Statistical appendices present the economic variables used in the country risk assessment on a seven year basis with three-year actual figures, one-year estimates and two-year forecasts.

Risk Model

The risk ratings provided by the *Country Risk Service* come out of a risk model developed by the EIU. The Risk Model is accessible over the Internet (eiuresources.com/ras) and provides risk ratings for 100 emerging markets and six major geopolitical aggregates. Broad risk is divided into Political Risk, Economic Policy Risk, Economic Structure Risk and Liquidity Risk. The broad risk is based on 77 indicators ranging across 13 different risk categories. For each of the 77 indicators it is possible to show the question that lies behind the specific assessment and the relations between the score and the assessment (see Figure 1). Lower scores are associated with lower risks.

EIU riskservices

HOME | MODEL | COMPARATOR | WEIGHTS | GRAPHS | HELP

EIU Weights | Select date: 02/04 | and region/country: Morocco | GO

ECONOMIC POLICY RISK		46
Monetary		
10		
▶ 12. Inflation, rate		0
13. Inflation, direction		0
14. Policies favourable to savers		0
15. Ability to boost interest rates		2
16. Monetary stability		2
17. Use of indirect instruments		2
18. Real lending rates		1
19. Boom/bust scenario		1
20. Financial liberalisation		2
Fiscal		
12		
21. Public-sector budget balance/GDP		4
22. Cum years of public-sector budget deficit		4
23. Govt ability to generate revenue		3
24. Public debt/GDP		1
25. Public debt/GDP, direction		0

Question 12.
Is the macroeconomic environment stable as reflected by low inflation over the last 4 years (2003, 2002, 2001, and 2000)?

0: very stable (CPI 5% or under)
 1: stable (CPI 5.1%-10%)
 2: some instability (CPI 10.1-15%)
 3: moderately unstable (CPI 15.1-20%)
 4: highly unstable (CPI over 20.1%)

EIU notes
Average of annual average CPI in 2003, 2002, 2001 and 2000.

Include any notes for your own reference below

Figure 1: EIU risk model – inflation indicator

Once all the points for each indicator are added up, it is possible to associate each score with a rating. In the EIU rating model the label A is associated with the lowest risk and with a score ranging from 0 to 20, B is associated with a low risk and with a score ranging from 21 to 40, C is associated with moderate risk and with a score range from 41 to 60, D is associated with high risk and a score ranging from 61 to 80 and finally a high risk E rating is associated with scores that range from 81 to 100. This rating is provided for the overall country risk but also for each of the risk categories: political risk, economic policy risk, economic structure risk, and liquidity risk. The scoring of these four categories is also provided for the specific investment risks, namely currency risk, sovereign debt risk and banking sector risk (see Figure 2).

Compare risk summaries for one country over multiple dates					
Morocco	08/03	10/03	12/03	02/04	GO
Broad risk					
Political risk	64 D	66 D	70 D	68 D	
Economic policy risk	45 C	46 C	42 C	46 C	
Economic structure risk	38 B	34 B	32 B	30 B	
Liquidity risk	20 A	20 A	20 A	18 A	
Specific risk					
Currency risk	40 B	39 B	36 B	39 B	
Sovereign risk	40 B	39 B	38 B	36 B	
Banking sector risk	42 C	43 C	41 C	41 C	
Summary					
Overall risk	41 C	41 C	41 C	40 B	
Moody's scale	Ba1	Ba1	Ba1	Baa3	
Fitch/S & P's scale	BB+	BB+	BB+	BBB-	

Figure 2 EIU risk model – country risk break-down for Morocco

Data and Forecasts

Country Data consists of a huge database provided online through the website of Bureau van Dijk (<http://countrydata.bvdep.com/>) and enables users to access and manipulate the data with great flexibility. Users can choose the country/countries they want to focus on from a database that covers 117 countries from the Americas, Asia and Australasia, Eastern Europe, the Middle East and North Africa, Sub-Saharan Africa, Western Europe and 40 regional aggregates that can be used as a benchmark to evaluate the performance of one country against the group. For all the 280 series, annual data are available and for some of them quarterly and monthly data are compiled. The reference years go from 1980 to 2008 with a distinction between actual figures, estimates and forecasts (different colours). Forecasts for the 117 countries are updated monthly. Through the three main axes of analysis (country, series and year) the user can aggregate and compare data in a number of ways through graphing functions, screening functions and segmenting functions. There is also the possibility of downloading data into Excel spreadsheets.

Additional services

Tailored intelligence and research is also provided by the EIU in the form of executive surveys and sponsored white papers. Conferences and seminars are also organised for both old and new customers.

Quality attributes and features of EIU products

From the analysis of the aforementioned products we can affirm that quality attributes and features of the EIU products result from the production and communication processes. Production process quality attributes range from comprehensiveness, timeliness, accuracy to objectivity, conciseness, clarity and consistency. All these attributes reflect a knowledge intensive expert codification process that is the result of collection, processing, integration, analysis, evaluation, and interpretation of available information concerning foreign countries or areas. While the production process reflects the knowledge creation generated by the experts, the communication process reflects the knowledge recreation constructed by the users through interaction. In the process of consumption the source of value lies in two main features: interactivity and adaptability. These features are crucial for decision makers that need to interpret and attribute meaning to the information provided in order to make use of it. The quality attributes of EIU products can be summarised as follows:

1. **Comprehensiveness:** the EIU provides country intelligence on nearly 200 countries through a large network of experts (about 650), based in each country, who contributes information on recent economic and political events, comment on the business environment and legislative changes, and give their views on political, economic and social trends.

A truly global reach is provided as information is also available on countries where it is difficult to acquire statistical information.

2. **Timeliness:** As written in the EIU Publications and Services Catalogue “*Our clients need timely forecasts and analysis, so our process is designed for speed*”. The global environment is constantly monitored by the network of country analysts and experts who contribute the latest events and trends. Updates are uploaded on a daily basis.
3. **Accuracy:** At the EIU, great emphasis is placed on the information sources that are carefully scrutinised by the analysts. A five-step production process and corresponding quality checks show a major commitment to accuracy and reliability of information. Forecasts are based only on in-house analysis and the forecast models are continuously revised by a team of economists.
4. **Objectivity:** the EIU, like the Economist, is a completely independent company. No other company has stakes in the EIU, nor is it tied to any government or corporation. Furthermore the EIU does not participate in the financial markets and thus holds no financial interests. As written in the Country Report brochure “*Reports are free from external influence; the EIU prides itself on an impartial view of the world. The EIU is an Independent organisation and claims to have no links to any lobby group, political party or government*”. In spite of this the EIU provides sponsored reports.
5. **Conciseness:** Reports provide a great number of insights in a brief and yet comprehensive manner. As stated by André Astrow – EIU Deputy Editorial Director “*Our reports are not so long, so they should be able to provide information in very concise manner*”.
6. **Clarity:** EIU products are easy to understand and interpret. They are intended to be useful to decision making and that is why the analysis provided is clearly interpretable. As indicated in the EIU guidelines “*Our style of writing owes much to the Economist newspaper. We avoid jargon, and strive for the clarity, brevity and decisiveness that busy clients need. Too many organisations hide weak analysis behind vague formulations, and waffle rather than make the difficult judgements that are central to forecasting. Our methodology gives us the confidence to deliver decisive verdicts- and to challenge conventional wisdom*”.
7. **Consistency:** Every series of reports follows a standardised structure.

The frame of analysis is consistent, making it easy to compare countries and allowing customers to find the information they need quickly and easily. The reader finds the same structure in all the country reports provided. *“It makes it easier for clients to always know that the structure of a country report is the same, whether it is for the U.S. economy or for Belgium or for the Philippines, you are always going to know where to find a specific type of information on the national accounts, on GDP, or on the economy or political, economic policy. You know all those sections will always be covered and will always be in the same place”* says André Astrow, EIU Deputy Editorial Director. Data are processed through a number of proprietary forecasting models. These models ensure consistency by applying the same methodology and assumptions.

8. **Interactivity:** Interactivity is provided here on different levels. As Catherine Sealey, Regional Sales Manager Central and Eastern Europe at the EIU, reports *“All our clients can ring up our analysts in London anytime”*. In this way they can ask questions to answer any query. Frequent seminars and conferences are also organised by the EIU. Besides this kind of exchange between the analyst/the company and the customers, the website offers many ways of interacting with the content. These features are means of aggregation, visualisation, combination and ways of changing assumptions.
9. **Adaptability:** Adaptability is provided through the customisation capabilities of the online products provided. In *Country Data*, for example, users can visualise and aggregate information in different ways, through graphing, screening and segmenting functions. In the *Risk Model* adaptability is provided as users can change the score given by the EIU analyst for each of the 77 indicators and customise weights according to their needs.

Added Value

Usable, up-to-date and reliable intelligence

The added value the EIU generates lies in providing usable, up-to-date and reliable country intelligence for decision making purposes. Interaction features become a crucial asset for the knowledge reconstruction needed in decision making contexts characterized by the interpretation of a large amount of information in a dynamic, unsteady and complex environment. EIU products show a number of interaction features that constitute precious help in this sense. The visualisation and aggregation capabilities of *Country Data*, for instance, allow the user to combine and compare information in a number of ways and thus help to set up preferences for alternatives while representing information in a flexible way. One means of reaching reliable decisions is to

understand the implicit relationships between the different forces operating in the environment. In country intelligence, this is a particularly difficult task as the analysts have to cope with very unsteady and complex environments and have to account for the different logics and implications involved. They have to detect both the continuities and the breaks in the systems and unveil the hidden relationships within the system in order to obtain the necessary insight to formulate their views. In this sense *Country Report* and the *Country Risk Services* help to coordinate the information with the user’s objectives and the strategic decisions to be made. But this is only possible when we understand the process that lies behind decision making. The *Risk Model*, for example, is an interactive model whose main characteristic is adaptability. The score given by the analysts can be changed by the user and the weights assigned to the different indicators can be customised. (see Figure 3)

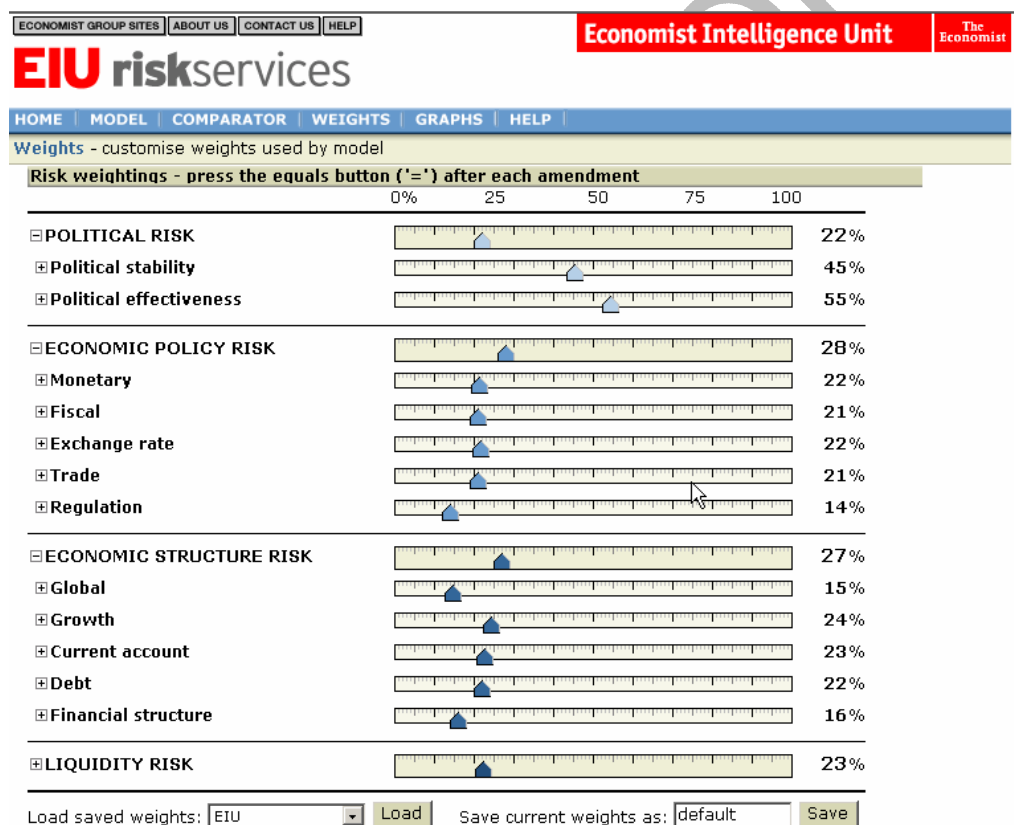


Figure 3: EIU risk model – risk weightings

Users are able to understand how the score is computed by looking at the question that lies behind the score. With these two interaction features, users can adjust the weightings and the scores of any of the 77 indicators. The score is then calculated based on the needs of the users as they choose weights and scores that better suit the prospected task. By changing the assumptions and

providing the possibility to see the consequences of such changes users are able to reconstruct knowledge, to give meaning to the information provided by the service, thus adapting it to the decision situation. Besides this powerful functionality, the model also allows for comparisons of the indicator scores over time, across countries, or across time for a single country. These functions enhance learning and comprehension by generating new visualisations and combinations. What is also interesting about this product from a knowledge perspective is the rating tool: the exposure to risk can be quantified with a skilful mix of qualitative and quantitative questions. We can shift from qualitative dimensions to quantitative ones and we can combine different dimensions into a model. Another key product in this context is the *Viewswire*. Timeliness is the major feature of this product. Through this portal the user can have access to information and insights at several levels: background information, updates and standardised reports are combined in this product and allow the user to combine the currency of the information with the background sections and the reports. In this way, by shifting from the new, specific information to the consolidated background, the user has the opportunity to interpret information and attribute a meaning to it by making connections among data and events in ways that reveal key issues or opportunities.

The Pricing Scheme

Subscribing to the EIU is not a low-cost investment. Prices vary depending on how much customers buy, as the more they buy, the higher the discounts. Basically, the price depends on the type of institution (charities, academic institutions, corporates or banks), the number of users, and the number of countries subscribed to. As an example, let us take the case of *Country Reports*, which is one of the EIU's most popular products: For a typical customer, the price for the full set of 146 countries would be around 35.000 US dollars, i.e., for five logins with passwords. Besides subscription revenues on publications and research reports, the EIU generates additional revenues by allowing sponsorships from partners for select reports.

The Production Process for Reports

The intelligence provided by the EIU is the result of the collection, processing, aggregation, assessment and interpretation of available information concerning foreign countries or areas by experts. Analysts involved in this process produce country intelligence out of raw data and information. EIU intelligence is based on regular contributions from a global network of more than 650 specialists. Experienced in-house analysts assess how political and economic developments can affect a business and they produce detailed two-year forecasts. Intelligence is edited into a common format and offered through print or electronic channels. The company relies on about a hundred country analysts who are permanent staff members, most of them based in London, although some analysts are in the two main regional offices in Hong Kong and

New York. The production of country reports follows a five-step process:

- 1) **Writing:** Country Reports are written largely by experts in the field and sent to London.
- 2) **Editing:** Country experts in London integrate the manuscript with their own inputs on what is likely to happen in the country. They check it by running through all the forecasting numbers to make sure that they are consistent with the company's global and regional views. Their final task is to put everything together and structure it in a consistent and standardised way.
- 3) **Second check:** Once the manuscript has been edited and finalised by the primary editor, it is passed on to a more senior person to look through. During the review, the person reads the manuscript to make sure that the forecasts make sense and that the whole report is logical. His task is to pick up any error or inconsistency that there may be in the manuscript within the analysis itself or between the analysis and the tables and numbers in order to make sure everything matches up. Once that is done, the second checker will get together with the editor and go through any problems, asking a number of check questions to improve the report. Once everything has been checked, the manuscript goes to a sub-editor or a copy editor.
- 4) **Sub-editing:** Sub-editors or copy editors are very rigorous. It's not just a matter of making sure that the manuscript is in good English, but also of ensuring consistency and accuracy. Sub-editors do a lot of fact checking and ask questions about any kind of inconsistency that may still be in the manuscript. Once everything has been proof-read and checked by the sub-editor, the manuscript is ready to go to production.
- 5) **Production:** The production team will take a final look at the manuscript to make sure (from a production point of view) that everything is correct, properly coded and styled adequately. Then, the manuscript is sent on to NY for electronic distribution and to EIU printers in the UK.

***Problems in the
Production
Process***

As the series of steps described above are the result of a knowledge-intensive process, the problems that occur in producing a report are mostly related to the collection, processing, aggregation, assessment, interpretation and codification of available information concerning foreign countries or areas. The main factors that can affect this type of process are: the quality of the sources, the consistency of the analytic framework and the level of expertise of the analysts.

The importance of the quality of information is stressed in the EIU guidelines, *"No matter how good the model or how deep the analyst's expertise, building an accurate forecast is impossible when the underlying data are wrong. So we spare no effort to procure the best and latest data available for the 195 countries we cover"*. In countries (like OECD economies) where electronic databases providing national statistics are available, the EIU subscribes to them. In countries where this supply is not complete, the EIU has direct subscription arrangements with statistical offices and central banks. For the less developed countries (where it is particularly difficult to get information) the EIU relies on the large network

of people who contribute information and on data released by statistical offices and central banks. Additional sources are the World Bank, the International Monetary Fund, the United Nations, the OECD, and the EU. Data are selected and scrutinised by the analysts following quality criteria such as timeliness, accuracy and consistency. National statistics are the preferred sources, but when quality criteria are not met, analysts may choose a better alternative, such as the sources mentioned above, or may come up with their own estimates.

Data are processed through a series of proprietary forecasting *models*. These models ensure consistency and coherence by applying the same methodology and assumptions. For the Risk Model, this consists of a particularly skilful mesh of qualitative and quantitative assessments. Numerical scores must be assigned to factors that are difficult to compare, in a structured way that allows for comparison across countries and time. But as written in the EIU publication mentioned above, *“We never lose sight of the fact that even the best models are an approximation of the real world making our analysts’ judgement a crucial factor.”*

In providing country intelligence, *expertise* is a crucial aspect: forecasts and analyses depend largely on the ability of the analysts to understand the environment of the countries, the different forces that can affect business and how to relate them to the decision tasks to be performed. Country experts are people who have had at least 5-7 years experience, who have worked and lived (for a number of years) in the country or region they cover and can speak local languages. All of them have university degrees and most of them have advanced degrees such as MBAs, Masters or PhDs. Their background and experience is mostly in economics, but can also range from political science to international relations. The most frequent previous experience is in the banking sector, in research institutes and in multinational bodies. Each of the analysts is in charge of very few countries (two, maximum three countries) and visits them regularly, ensuring up-to-date and focused expertise. In addition to local country expertise and experts in the main offices, the company can rely on a team of 80 experienced economists who are in charge of building and testing risk and forecasting models. As reported in the publication, *“Whether it be in country analysis or economics, the power of our brand means we attract the very best people”*.

Customer Opinions

Five interviews with EIU users in two major Swiss banks revealed more about the customer experience of EIU products. These customers reported that they use the EIU to gather and assess data at different levels: as an input to in-house risk assessment processes, as a second opinion compared to credit agencies such as Moody’s or Standard and Poor’s, or simply as a source of

information. EIU products allow them to save time spent on reading newspapers and magazines and doing detailed research. All the interviewees agreed that what they mainly look for are the qualitative aspects, for instance political stability or fiscal policy assessments; but also qualitative aspects that need to be quantified in order to be included in a decision model. They all reported that this is a crucial aspect that involves comparisons with other indicators or information, the weighting of different factors, the choice of indicators that best suit the prospected decision and that ultimately leads to the customisation and personalisation of information provided. As an analyst from one bank's Collateral Rating Office indicated: *"EIU products help us to get a homogenous vision for a decision. They provide data and information but it is our duty to interpret them and interpretation always holds a high level of subjectivity."*

Asking the customers what they particularly like about this product, we gathered a quantity of positive feedback. Consistency seems to be one of the most appreciated features. *"When you go from one report to another you always find the same sections and the same methodology behind each one of them, and this makes it very user-friendly. Once you are accustomed to using one of them, you can very easily jump from one country to another and this is very useful for me because I am not an expert in many of the countries that I work with, and so at least I can acquire a certain level of knowledge in a very short time"* reported an economist of one bank. Decisiveness is also valued as he said *"You always find an opinion stated; this is what I like about it"*. Focus and conciseness are also rated highly. As the person responsible for the Risk Analysis and Rating for Africa and the Near & Middle East stated, *"if you already have quite sophisticated knowledge about the country, then you are happy to have a report which is very focused on the really important things and does not talk at length... reports from other providers are well done, but they are long and they are not focused and sometimes they are hesitant about a political judgment and so for me they are not that helpful"*. Finally interaction is recognized as a plus of the products: *"And the good thing is that you can also talk to the analysts in London from the Economist Intelligence Unit. When I go to London I usually go to see the analysts who are responsible for my region and then you get a better idea of how they get their information and how this information is processed and why they come to certain conclusions"*.

Despite this positive view, the interviewees reported that one of the problems of the product is accessibility: *"What I don't like so much is the accessibility. Sometimes you have to sift through lots of papers until you find the latest thing that has happened. If I am interested only in the fiscal development in the country it takes me quite a lot...it is not very user-friendly, so I would like to*

have a search function with a database of all these reports, that would be very helpful for example,” said an economist at one bank. Accessibility problems comprise difficulties in downloading the data, as some of the users reported that it could take a very long time to download a series of data. Completeness is also a major concern. *“You don’t have the same data for all countries, which is sometimes confusing. In some countries I have seen GDP forecasts until 2005 while for another country you can’t find them”* said the person responsible for Data and Management Support at the same bank. Also the quality may differ from one product to another as: *“The quality differs, you have different analysts and of course you have different levels of quality”* according to the person responsible for Risk Analysis and Rating for Africa and the Near & Middle East.

When asked about the competitors, Oxford Analytica was mentioned for country intelligence services, Standard and Poor’s, Moody’s, and Fitch for ratings, the Institute of International Finance for its country reports on emerging markets, and Bloomberg for daily data. In the next section these and other competitors are examined more closely.

Competitors

Country Intelligence is a very broad market as a number of companies provide different intelligence products and services. We can distinguish between full competitors of the EIU and competitors only on certain services. The EIU’s two major competitors are GLOBAL INSIGHT and BUSINESS MONITOR INTERNATIONAL. GLOBAL INSIGHTS (www.globalinsight.com) is a worldwide operation with offices in 12 countries. It employs over 450 people between analysts, researchers and economists and offers country intelligence products and services that support corporates, banks and governments in developing strategies, monitoring risks and making successful decisions. The broad range of products offered comprises country analyses, forecasts, economic data, risk services and consulting expertise. Over 200 countries are covered by the services as well as a number of industries. It is a true competitor of the EIU as it is comparable in size, in the breadth of its coverage and the type of products provided. BUSINESS MONITOR INTERNATIONAL (www.businessmonitor.com) is also a major player in the country intelligence market. It offers specialist business information on global markets to financial institutions, multinationals, and government and academic institutions. Print and online services comprise country analyses, forecasts, risk ratings and repositories of foreign companies and industry sector data. A smaller company that can nevertheless be compared to the two mentioned above is OXFORD ANALYTICA (www.oxan.com). It provides analyses on political, economic and social developments worldwide to governments, international institutions and manufacturing and financial firms. It relies on a

worldwide network of over 1,000 scholars and experts. Daily briefing services are provided covering both world and regional economic and political developments of major significance. Consultancy and customised research are also offered like country risk and sector analyses or monitoring services.

Besides these three major competitors, there are other institutes that provide different kinds of data, information and risk ratings.

The INSTITUTE OF INTERNATIONAL FINANCE (www.iif.com) is a global association of financial institutions. One of the goals of this institute is to provide members with data, analysis and prospects on economic and financial developments in emerging market economies. Services include Economic Reports, Monthly Economic Reviews, Short Briefing Notes and Key Indicators for selected emerging economies. POLITICAL RISK SERVICES (www.prsgroup.com) provides both country reports and country data and has developed the INTERNATIONAL COUNTRY RISK GUIDE, a political, economic and financial country risk model based on the assessment of 13 political indicators, 6 economic indicators and 5 financial indicators. Political risk letters and country forecasts are also available. Other providers of worldwide information and risk assessments are EUROMONEY (www.euromoney.com), BUSINESS ENVIRONMENT RISK INTELLIGENCE (www.beri.com) and CREDIT RISK INTERNATIONAL (www.crimag.com)

Regarding ratings, the three major rating agencies are MOODY'S INVESTORS SERVICE, STANDARD AND POOR'S and FITCH. They are recognised statistical rating organisations. They provide an informed opinion on the creditworthiness of an entity and the financial obligations (such as bonds, preferred stock, and commercial paper) issued by an entity by assigning a credit rating. Credit ratings used by these agencies are recognised worldwide and follow a scale (specific for each agency) that distinguishes between investment grade and non-investment grade.

BLOOMBERG is a major information provider of real-time and historical financial data. Through the Bloomberg Professional Service, central banks, investment institutions, commercial banks, government offices and agencies, corporations and news organisations can have access to more than 3.6 million financial instruments and interact with a financial information network worldwide. In this sense Bloomberg is a competitor of the EIU only in what regards data and not in qualitative intelligence. Another competitor in this sense is Reuters.

We had the opportunity to interview a regional competitor of the EIU. The

German FAZ Institut (www.faz-institut.de) has a Country and Industry Service that provides country reports and investment guides for about 40 countries that are relevant for German investors. It is a small company with 11 employees and a number of free-lancers which targets medium-size enterprises.

Future Developments

The Economist Intelligence Unit is now a major player in the country intelligence market. During recent years it has undergone a process of transformation to an electronic business model (see Figure 4) that has allowed for cost reduction and market growth. Growth opportunities are envisioned also in terms of services provided and in terms of scope. The EIU wants to keep up with the growing demand for customised research (such as tailor-made research for banks and other institutions) and increase its industry and country coverage.

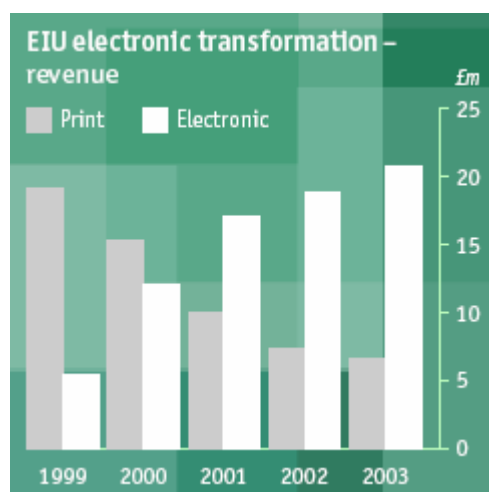


Figure 4 : The increasing revenues from electronic content distribution (source: EIU)

Open Issues and Decisions to be made

The management of the EIU is now pondering various questions that need to be addressed in the mid and long term: they need to decide whether to expand the offering to new products and services in order to leverage the successful processes they have set up in terms of knowledge production and communication while not hurting the brand equity. Another issue that they need to address is that of increased competition and how it affects the positioning and brand in the market. Also, how can they best seek opportunities that arise from new technology and the Internet?

Appendix:

Country Intelligence			
Event-driven briefings	Economic and geopolitical analysis	Risk Assessment and early warning	Data and Forecasts
<i>Viewswire, Business Newsletters</i>	<i>Country Reports, Country Profiles</i>	<i>Country Risk Service, Riskwire, Risk Model</i>	<i>Country Data, Market Indicators and Forecasts, Worldwide Cost of Living</i>
Operation conditions and regulation			
Management strategies and executive development			
Industry Trends and Development			

Figure 1. The range of products offered by the EIU

DO NOT



Figure 2. The *ViewsWire* portal provides event-driven briefings: political, economic, financial and operational worldwide daily events

Italy

Italy at a glance: 2004-05

OVERVIEW

The Economist Intelligence Unit expects Silvio Berlusconi's right-of-centre coalition government to remain in power until after the June 2004 European Parliament elections, despite deepening divisions between the ruling parties since the May-June local elections. However, the risk of a crisis or an early election in the second half of 2004 or in 2005 is high, especially if the governing parties suffer heavy losses. Although the budget deficit is expected to remain below the Stability and Growth Pact ceiling of 3% of GDP in 2003-05, Italy's public finances will continue to give cause for concern over the medium term. GDP growth is expected to be sluggish at 0.4% in 2003, before picking up to about 1.5% in 2004 and 1.9% in 2005.

Key changes from last month

Political outlook

- On October 7th the leader of the right-wing Alleanza Nazionale, Gianfranco Fini, surprised and angered his government coalition partners, as well as members of his own party, by proposing to give immigrants the right to vote, at least in local elections. The proposal added to the tensions that have been mounting within Mr Berlusconi's coalition government following the ruling parties' poor performance in the local elections in late May-early June.

Economic policy outlook

- On October 3rd the government announced that the coalition parties had agreed on a pension reform plan intended to raise the average retirement age and halt the rise in public pension outlays. However, according to the original proposals, substantial savings are not expected before 2008.

Economic forecast

- The industrial output index corrected for the different number of working days increased by 0.5% year on year in July and by 1.7% in August. These data confirm our expectations of a gradual recovery in the second half of 2003 and in 2004, but because of the weakness of the economy in the first half of this year our growth forecast for 2003 is just 0.4%, unchanged from last month.

Figure 3. *Country Reports* provide economic and geopolitical analysis in the form of a structured report

Argentina

Risk ratings	Overall rating	Overall score	Political risk	Economic policy risk	Economic structure risk	Liquidity risk
October	D	80	D	D	D	E
July	D	78	D	D	D	E

Short-term risk event Unless a rumoured rift between the president, Néstor Kirchner of the Partido Justicialista (PJ) or Peronist party) and the economy minister, Roberto Lavagna, is healed, Mr Lavagna could be forced out, fuelling policy uncertainty.

Political risk Mr Kirchner's popularity will be tested in 2004-05 as the recovery slows and as his government attempts to tackle vested interests and structural reforms. A loss of popularity would weaken his authority and threaten policy paralysis.

Economic outlook A weak real exchange rate will support growth of some tradeables sectors, but others will face bottlenecks owing to their dependence on imported inputs. The high cost of imports and uncertainties in the policy environment will depress investment growth. More rapid progress on structural fiscal reform and restoring confidence in the rule of law could permit a stronger expansion than currently forecast. The greater risk is that reform will be slower than the Economist Intelligence Unit is assuming, threatening medium-term growth prospects.

Financing outlook Our forecast assumes that the authorities will succeed in renegotiating US\$95bn in defaulted external bonded debt during 2004. But the absence of fiscal targets beyond 2004 in the new IMF deal will fuel investors' concern about the sovereign's ability to service restructured obligations.

Economic forecast summary			
	2003	2004	2005
Real GDP (% change)	6.8	4.0	3.6
Consumer prices (% change: av)	13.3	3.5	4.2
Exchange rate Ps:US\$ (av)	2.91	2.91	2.99
Current account (US\$ m)			
Goods: exports fob	28,264	28,290	28,847
Goods: imports fob	-13,586	-14,883	-15,968
Trade balance	14,678	13,407	12,879
Current-account balance	8,222	3,970	5,223
Current-account balance (% of GDP)	6.4	2.9	3.6
External financing (US\$ m)			
Financing balance	-3,550	-10,983	-5,972
Total debt	146,785	105,154	111,779
Total debt service	18,675	22,824	17,535
Debt-service ratio, paid (%)	53.1	64.5	47.6

Justine Thody (analyst); John Bowler (consulting editor) October 2nd 2003

Figure 4. *Country Risk Services* provide risk assessment and early warning in the form of a structured report

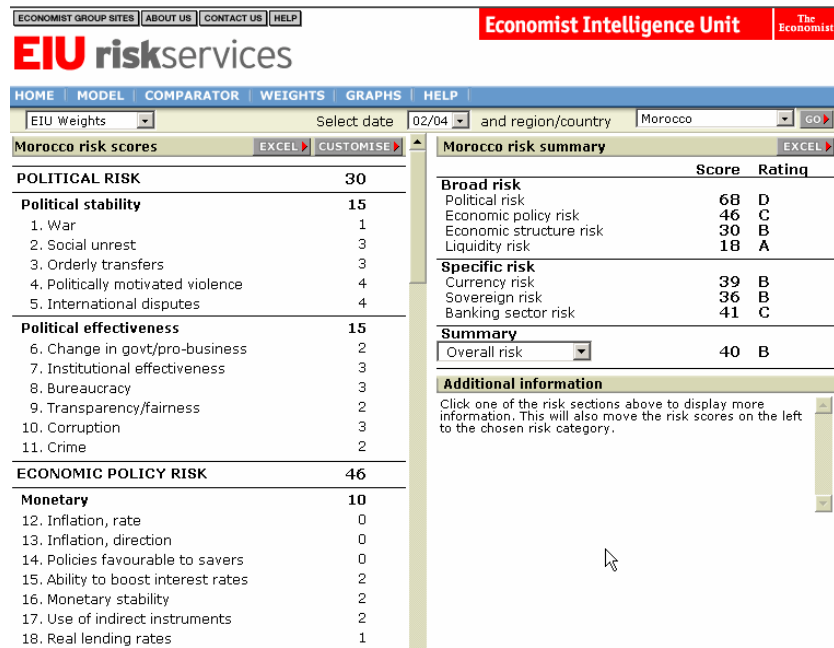


Figure 5. The Risk Model provides risk ratings based on qualitative and quantitative indicators

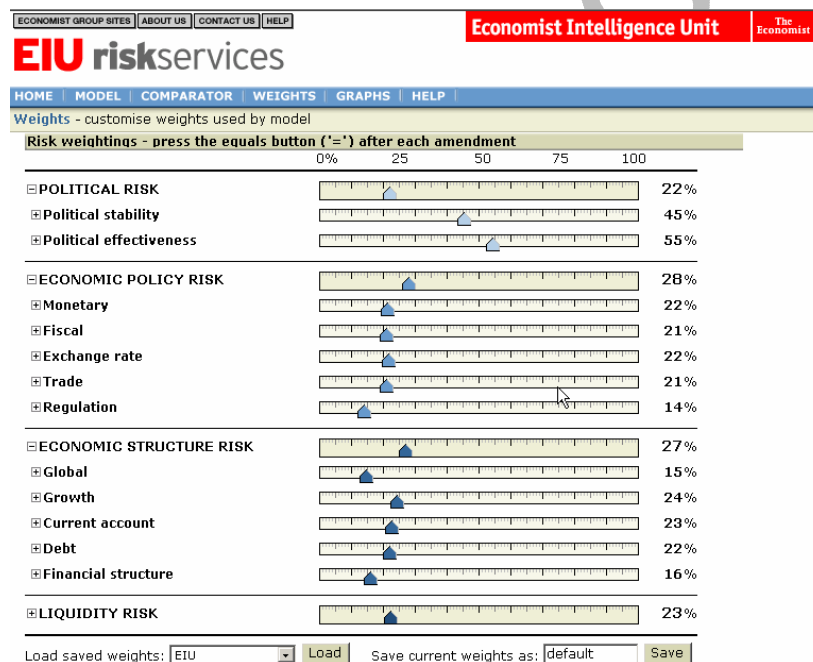


Figure 6. In the Risk Model weights can be changed by the user

Compare risk summaries for one country over multiple dates				
Morocco	08/03	10/03	12/03	02/04
Broad risk				
Political risk	64 D	66 D	70 D	68 D
Economic policy risk	45 C	46 C	42 C	46 C
Economic structure risk	38 B	34 B	32 B	30 B
Liquidity risk	20 A	20 A	20 A	18 A
Specific risk				
Currency risk	40 B	39 B	36 B	39 B
Sovereign risk	40 B	39 B	38 B	36 B
Banking sector risk	42 C	43 C	41 C	41 C
Summary				
Overall risk	41 C	41 C	41 C	40 B
Moody's scale	Ba1	Ba1	Ba1	Baa3
Fitch/S & P's scale	BB+	BB+	BB+	BBB-

Figure 7. Comparison functions are available in the *Risk Model*

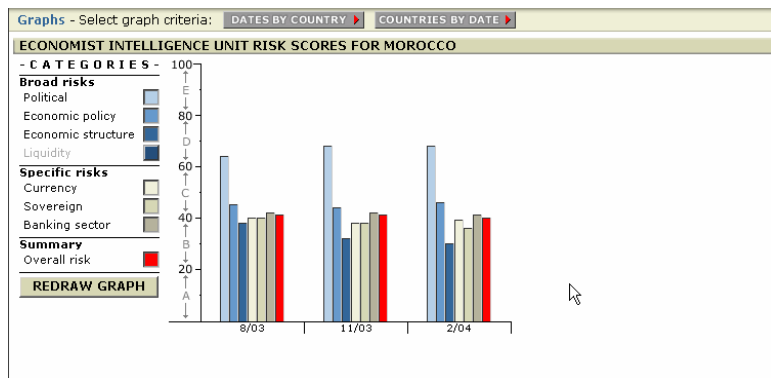


Figure 8. Graphing functions are available in the *Risk Model*

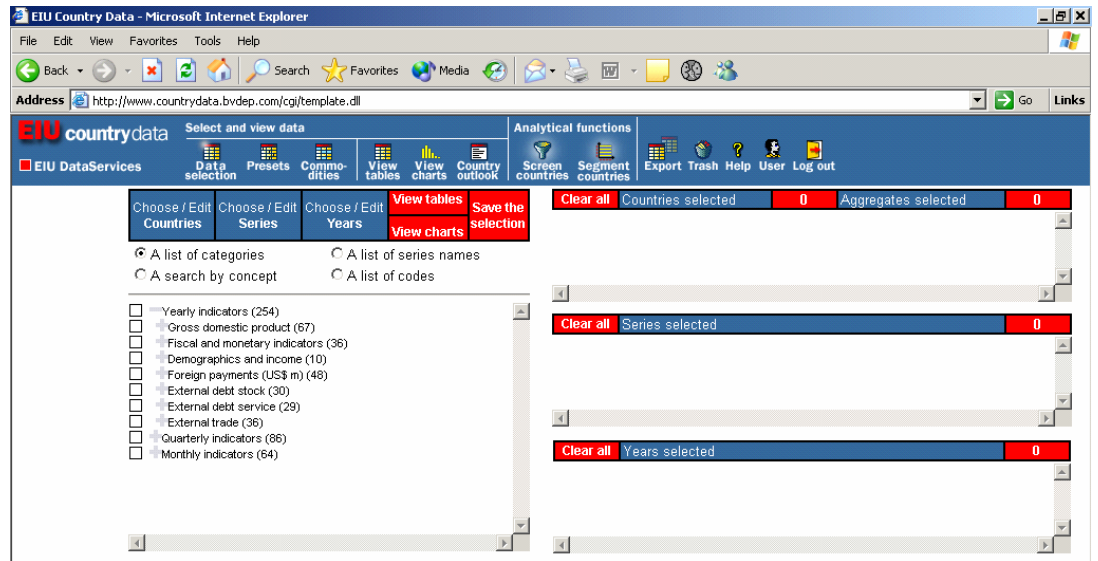


Figure 9. Country Data provides data and forecasts on economic series

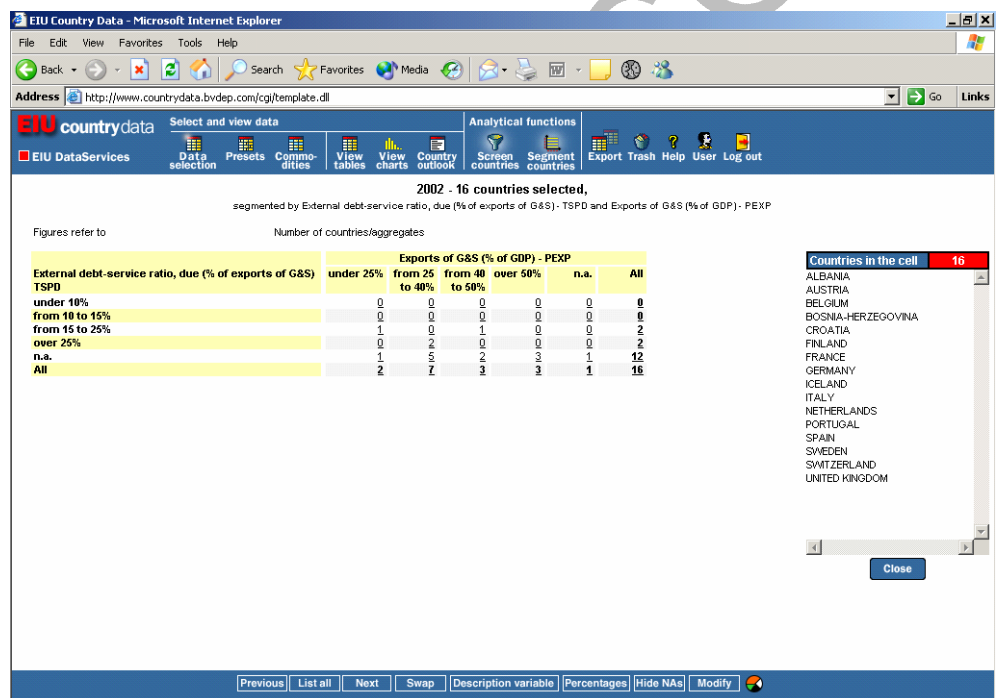


Figure 10. In the Country Data, besides data selection, graphing function, screening function and segmenting function are available.