

The determinants of sovereign credit ratings: indonesia and its neighborhood countries 1998-2016

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The aim of this research is to study the determinants of sovereign credit ratings of Indonesia and its neighborhood countries in the period of 1998-2016. Using secondary data and analyzed using ordered probit, it is found that every credit rating agency has its own variables influencing to its published credit ratings. In general, for Indonesia and its neighborhood countries, the variables with significant and positive relationship are fiscal balance and current account deficit to GDP, freedom index, and GDP per capita; while the variables with significant and negative relationship are external debt to GNI and real exchange rate. Gross domestic savings to GDP influences credit ratings in both ways. Interestingly, inflation does not affect the credit ratings. Indonesia and neighborhood governments could use this information to manage their macroeconomic indicators in order to get favorable ratings from credit rating agencies.