

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.

I start the process by estimating an implied expected annual return on stocks for the S&P 500. That is model-agnostic and just an IRR that yields a present value of expected cash flows (dividends plus buybacks) from holding the stocks in the index that is equal to the level of the index. While I used to just net out the US treasury bond rate to get to an ERP for the US, the Moody's downgrade for the US has created a wrinkle:
Riskfree rate in US dollars = US treasury bond rate minus Default spread for the US
ERP for US = Implied Expected return on the S&P 500 minus Riskfree rate in US dollars
Mature market ERP = ERP for US minus Default spread for the US

To estimate the equity risk premiums for other countries, I start with a default spread, for each country, which I obtain using the **local currency sovereign rating** (from Moody's: www.moodys.com) and estimating 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. You can add just this default spread to the mature market premium to arrive at the total equity risk premium, and that remains the standard practice. 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 a subset of countries, you have an alternate measure of the default spread in the form of sovereign CDS spreads. I estimate equity risk premiums based upon these spreads in the downloadable spreadsheet linked below:

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 paper on country risk](#) (updated every year):

[My paper on equity risk premiums:](#) 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
[Watch my lectures on country risk premiums:](#) <https://www.youtube.com/watch?v=aIRPvY2SQ94>
<https://www.youtube.com/watch?v=D3IGn6tH03c>

And my paper on measuring country risk
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4161010

Country	Moody's rating	Adj. Default Spread	Country Risk Premium	Equity Risk Premium	Corporate Tax Rate	Sovereignn CDS	ERP based on sovereign CDSS
Abu Dhabi	Aa2	0.42%	0.64%	4.87%	9.00%	0.46%	4.93%
Albania	Ba3	3.06%	4.66%	8.89%	15.00%	NA	NA
Algeria	NR	3.83%	5.83%	10.06%	10.07%	NA	NA
Andorra (Principality of)	Baa1	1.36%	2.07%	6.30%	10.00%	NA	NA
Angola	B3	5.52%	8.41%	12.64%	25.00%	6.10%	13.50%
Argentina	Caa1	6.37%	9.71%	13.94%	35.00%	NA	NA
Armenia	Ba3	3.06%	4.66%	8.89%	18.00%	NA	NA
Aruba	Baa3	1.87%	2.85%	7.08%	22.00%	NA	NA
Australia	Aaa	0.00%	0.00%	4.23%	30.00%	0.05%	4.31%
Austria	Aa1	0.23%	0.36%	4.59%	23.00%	0.14%	4.44%
Azerbaijan	Baa3	1.87%	2.85%	7.08%	20.00%	NA	NA
Bahamas	B1	3.83%	5.83%	10.06%	0.00%	NA	NA
Bahrain	B2	4.67%	7.12%	11.35%	0.00%	2.33%	7.77%
Bangladesh	B2	4.67%	7.12%	11.35%	27.50%	NA	NA
Barbados	B2	4.67%	7.12%	11.35%	9.00%	NA	NA
Belarus	C	17.50%	26.66%	30.89%	25.00%	NA	NA
Belgium	Aa3	0.51%	0.78%	5.01%	25.00%	0.26%	4.63%
Belize	Caa1	6.37%	9.71%	13.94%	0.00%	NA	NA
Benin	B1	3.83%	5.83%	10.06%	30.00%	NA	NA
Bermuda	A2	0.72%	1.10%	5.33%	0.00%	NA	NA
Bolivia	Ca	10.20%	15.54%	19.77%	25.00%	NA	NA
Bosnia and Herzegovina	B3	5.52%	8.41%	12.64%	10.00%	NA	NA
Botswana	Baa1	1.36%	2.07%	6.30%	22.00%	NA	NA
Brazil	Ba1	2.13%	3.24%	7.47%	34.00%	2.21%	7.59%
Brunei	NR	0.51%	0.78%	5.01%	5.02%	NA	NA
Bulgaria	Baa1	1.36%	2.07%	6.30%	10.00%	0.63%	5.19%
Burkina Faso	Caa1	6.37%	9.71%	13.94%	27.50%	NA	NA
Cambodia	B2	4.67%	7.12%	11.35%	20.00%	NA	NA
Cameroon	Caa1	6.37%	9.71%	13.94%	33.00%	6.73%	14.46%
Canada	Aaa	0.00%	0.00%	4.23%	26.14%	0.19%	4.52%
Cape Verde	B2	4.67%	7.12%	11.35%	26.86%	NA	NA
Cayman Islands	Aa3	0.51%	0.78%	5.01%	0.00%	NA	NA
Chile	A2	0.72%	1.10%	5.33%	27.00%	0.73%	5.34%
China	A1	0.60%	0.91%	5.14%	25.00%	0.50%	4.99%
Colombia	Baa3	1.87%	2.85%	7.08%	35.00%	3.20%	9.09%
Congo (Democratic Republic of)	B3	5.52%	8.41%	12.64%	30.00%	NA	NA
Congo (Republic of)	Caa2	7.65%	11.66%	15.89%	26.86%	NA	NA
Cook Islands	B1	3.83%	5.83%	10.06%	20.00%	NA	NA
Costa Rica	Ba2	2.56%	3.90%	8.13%	30.00%	1.61%	6.68%
Côte d'Ivoire	Ba2	2.56%	3.90%	8.13%	25.00%	NA	NA
Croatia	A3	1.02%	1.55%	5.78%	18.00%	0.88%	5.57%
Cuba	Ca	10.20%	15.54%	19.77%	35.00%	NA	NA
Curacao	Baa3	1.87%	2.85%	7.08%	22.00%	NA	NA
Cyprus	A3	1.02%	1.55%	5.78%	12.50%	0.61%	5.16%
Czech Republic	Aa3	0.51%	0.78%	5.01%	21.00%	0.34%	4.75%
Denmark	Aaa	0.00%	0.00%	4.23%	22.00%	0.04%	4.29%
Dominican Republic	Ba2	2.56%	3.90%	8.13%	27.00%	NA	NA
Ecuador	Caa3	8.50%	12.95%	17.18%	25.00%	5.53%	12.64%
Egypt	Caa1	6.37%	9.71%	13.94%	22.50%	3.41%	9.41%
El Salvador	B3	5.52%	8.41%	12.64%	30.00%	3.26%	9.19%
Estonia	A1	0.60%	0.91%	5.14%	20.00%	0.86%	5.54%
Ethiopia	Caa2	7.65%	11.66%	15.89%	30.00%	NA	NA
Fiji	B1	3.83%	5.83%	10.06%	25.00%	NA	NA
Finland	Aa1	0.23%	0.36%	4.59%	20.00%	0.12%	4.41%
France	Aa3	0.51%	0.78%	5.01%	25.83%	0.50%	4.99%
Gabon	Caa2	7.65%	11.66%	15.89%	30.00%	NA	NA
Gambia	NR	4.67%	7.12%	11.35%	11.36%	NA	NA
Georgia	Ba2	2.56%	3.90%	8.13%	15.00%	NA	NA
Germany	Aaa	0.00%	0.00%	4.23%	29.93%	0.07%	4.34%
Ghana	Caa1	6.37%	9.71%	13.94%	25.00%	NA	NA
Greece	Baa3	1.87%	2.85%	7.08%	22.00%	0.61%	5.16%
Guatemala	Ba1	2.13%	3.24%	7.47%	25.00%	NA	NA
Guernsey (States of)	A1	0.60%	0.91%	5.14%	0.00%	NA	NA
Guinea	NR	7.65%	11.66%	15.89%	15.90%	NA	NA
Guinea-Bissau	NR	6.37%	9.71%	13.94%	13.95%	NA	NA
Guyana	NR	1.36%	2.07%	6.30%	6.31%	NA	NA
Haiti	NR	8.50%	12.95%	17.18%	17.19%	NA	NA
Honduras	B1	3.83%	5.83%	10.06%	30.00%	NA	NA
Hong Kong	Aa3	0.51%	0.78%	5.01%	16.50%	0.30%	4.69%
Hungary	Baa2	1.62%	2.46%	6.69%	9.00%	1.46%	6.45%
Iceland	A1	0.60%	0.91%	5.14%	21.00%	0.31%	4.70%

India	Baa3	1.87%	2.85%	7.08%	30.00%	0.66%	5.23%
Indonesia	Baa2	1.62%	2.46%	6.69%	22.00%	1.05%	5.83%
Iran	NR	6.37%	9.71%	13.94%	13.95%	NA	NA
Iraq	Caa1	6.37%	9.71%	13.94%	15.00%	2.75%	8.41%
Ireland	Aa3	0.51%	0.78%	5.01%	12.50%	0.20%	4.53%
Isle of Man	Aa3	0.51%	0.78%	5.01%	0.00%	NA	NA
Israel	Baa1	1.36%	2.07%	6.30%	23.00%	0.99%	5.73%
Italy	Baa2	1.62%	2.46%	6.69%	27.81%	0.47%	4.94%
Jamaica	Ba3	3.06%	4.66%	8.89%	25.00%	NA	NA
Japan	A1	0.60%	0.91%	5.14%	29.74%	0.30%	4.69%
Jersey (States of)	Aa3	0.51%	0.78%	5.01%	0.00%	NA	NA
Jordan	Ba3	3.06%	4.66%	8.89%	20.00%	NA	NA
Kazakhstan	Baa1	1.36%	2.07%	6.30%	20.00%	1.17%	6.01%
Kenya	Caa1	6.37%	9.71%	13.94%	30.00%	4.37%	10.87%
Korea	Aa2	0.42%	0.64%	4.87%	26.40%	0.20%	4.53%
Korea, D.P.R.	NR	10.20%	15.54%	19.77%	19.78%	NA	NA
Kuwait	A1	0.60%	0.91%	5.14%	15.00%	0.73%	5.34%
Kyrgyzstan	B3	5.52%	8.41%	12.64%	10.00%	NA	NA
Laos	Caa2	7.65%	11.66%	15.89%	20.00%	NA	NA
Latvia	A3	1.02%	1.55%	5.78%	20.00%	0.68%	5.26%
Lebanon	C	17.50%	26.66%	30.89%	17.00%	NA	NA
Liberia	NR	7.65%	11.66%	15.89%	15.90%	NA	NA
Libya	NR	2.56%	3.90%	8.13%	8.14%	NA	NA
Liechtenstein	Aaa	0.00%	0.00%	4.23%	12.50%	NA	NA
Lithuania	A2	0.72%	1.10%	5.33%	15.00%	0.68%	5.26%
Luxembourg	Aaa	0.00%	0.00%	4.23%	24.94%	NA	NA
Macao	Aa3	0.51%	0.78%	5.01%	25.00%	NA	NA
Macedonia	Ba3	3.06%	4.66%	8.89%	10.00%	NA	NA
Madagascar	NR	5.52%	8.41%	12.64%	12.65%	NA	NA
Malawi	NR	8.50%	12.95%	17.18%	17.19%	NA	NA
Malaysia	A3	1.02%	1.55%	5.78%	24.00%	0.53%	5.04%
Maldives	Caa2	7.65%	11.66%	15.89%	15.00%	NA	NA
Mali	Caa2	7.65%	11.66%	15.89%	30.00%	NA	NA
Malta	A2	0.72%	1.10%	5.33%	35.00%	NA	NA
Mauritius	Baa3	1.87%	2.85%	7.08%	15.00%	NA	NA
Mexico	Baa2	1.62%	2.46%	6.69%	30.00%	1.52%	6.54%
Moldova	B3	5.52%	8.41%	12.64%	12.00%	NA	NA
Mongolia	B1	3.83%	5.83%	10.06%	25.00%	NA	NA
Montenegro	B1	3.83%	5.83%	10.06%	15.00%	NA	NA
Montserrat	Baa3	1.87%	2.85%	7.08%	30.00%	NA	NA
Morocco	Ba1	2.13%	3.24%	7.47%	33.00%	1.16%	5.99%
Mozambique	Caa3	8.50%	12.95%	17.18%	32.00%	NA	NA
Myanmar	NR	10.20%	15.54%	19.77%	19.78%	NA	NA
Namibia	B1	3.83%	5.83%	10.06%	32.00%	NA	NA
Nepal	Ba3	3.06%	4.66%	8.89%	25.00%	NA	NA
Netherlands	Aaa	0.00%	0.00%	4.23%	25.80%	0.06%	4.32%
New Zealand	Aaa	0.00%	0.00%	4.23%	28.00%	0.09%	4.37%
Nicaragua	B2	4.67%	7.12%	11.35%	30.00%	5.15%	12.06%
Niger	Caa3	8.50%	12.95%	17.18%	30.00%	NA	NA
Nigeria	B3	5.52%	8.41%	12.64%	30.00%	3.77%	9.96%
Norway	Aaa	0.00%	0.00%	4.23%	22.00%	0.04%	4.29%
Oman	Baa3	1.87%	2.85%	7.08%	15.00%	1.16%	5.99%
Pakistan	Caa1	6.37%	9.71%	13.94%	29.00%	5.09%	11.97%
Panama	Baa3	1.87%	2.85%	7.08%	25.00%	2.08%	7.39%
Papua New Guinea	B2	4.67%	7.12%	11.35%	30.00%	NA	NA
Paraguay	Baa3	1.87%	2.85%	7.08%	10.00%	NA	NA
Peru	Baa1	1.36%	2.07%	6.30%	29.50%	1.12%	5.93%
Philippines	Baa2	1.62%	2.46%	6.69%	25.00%	0.88%	5.57%
Poland	A2	0.72%	1.10%	5.33%	19.00%	0.86%	5.54%
Portugal	A3	1.02%	1.55%	5.78%	31.50%	0.31%	4.70%
Qatar	Aa2	0.42%	0.64%	4.87%	10.00%	0.47%	4.94%
Ras Al Khaimah (Emirate of)	A3	1.02%	1.55%	5.78%	18.94%	NA	NA
Romania	Baa3	1.87%	2.85%	7.08%	16.00%	1.97%	7.22%
Russia	NR	2.56%	3.90%	8.13%	8.14%	NA	NA
Rwanda	B2	4.67%	7.12%	11.35%	28.00%	3.89%	10.14%
Saudi Arabia	Aa3	0.51%	0.78%	5.01%	20.00%	0.98%	5.72%
Senegal	Caa1	6.37%	9.71%	13.94%	30.00%	9.79%	19.11%
Serbia	Ba2	2.56%	3.90%	8.13%	15.00%	1.82%	7.00%
Sharjah	Ba1	2.13%	3.24%	7.47%	18.94%	NA	NA
Sierra Leone	NR	5.52%	8.41%	12.64%	12.65%	NA	NA
Singapore	Aaa	0.00%	0.00%	4.23%	17.00%	NA	NA
Slovakia	A3	1.02%	1.55%	5.78%	21.00%	0.43%	4.88%
Slovenia	A3	1.02%	1.55%	5.78%	22.00%	0.53%	5.04%
Solomon Islands	Caa1	6.37%	9.71%	13.94%	30.00%	NA	NA
Somalia	NR	8.50%	12.95%	17.18%	17.19%	NA	NA
South Africa	Ba2	2.56%	3.90%	8.13%	27.00%	2.26%	7.67%
Spain	A3	1.02%	1.55%	5.78%	25.00%	0.31%	4.70%
Sri Lanka	Ca	10.20%	15.54%	19.77%	30.00%	NA	NA
St. Maarten	Ba2	2.56%	3.90%	8.13%	20.00%	NA	NA
St. Vincent & the Grenadines	B3	5.52%	8.41%	12.64%	28.00%	NA	NA
Sudan	NR	17.50%	26.66%	30.89%	30.90%	NA	NA
Suriname	Caa1	6.37%	9.71%	13.94%	36.00%	NA	NA
Swaziland	B2	4.67%	7.12%	11.35%	25.00%	NA	NA
Sweden	Aaa	0.00%	0.00%	4.23%	20.60%	0.06%	4.32%
Switzerland	Aaa	0.00%	0.00%	4.23%	19.61%	0.00%	4.23%
Syria	NR	10.20%	15.54%	19.77%	19.78%	NA	NA
Taiwan	Aa3	0.51%	0.78%	5.01%	20.00%	NA	NA
Tajikistan	B3	5.52%	8.41%	12.64%	18.00%	NA	NA
Tanzania	B1	3.83%	5.83%	10.06%	30.00%	NA	NA
Thailand	Baa1	1.36%	2.07%	6.30%	20.00%	0.52%	5.02%
Togo	B3	5.52%	8.41%	12.64%	27.00%	NA	NA
Trinidad and Tobago	Ba2	2.56%	3.90%	8.13%	30.00%	NA	NA
Tunisia	Caa1	6.37%	9.71%	13.94%	15.00%	6.87%	14.67%
Turkey (updated February 2026)	Ba3	3.06%	4.66%	8.89%	25.00%	2.85%	8.56%
Turks and Caicos Islands	Baa1	1.36%	2.07%	6.30%	0.00%	NA	NA
Uganda	B3	5.52%	8.41%	12.64%	30.00%	NA	NA
Ukraine	Ca	10.20%	15.54%	19.77%	18.00%	NA	NA
United Arab Emirates	Aa2	0.42%	0.64%	4.87%	9.00%	NA	NA
United Kingdom	Aa3	0.51%	0.78%	5.01%	25.00%	0.23%	4.58%
United States	Aa1	0.23%	0.23%	4.46%	25.00%	0.30%	4.69%
Uruguay	Baa1	1.36%	2.07%	6.30%	25.00%	0.63%	5.19%
Uzbekistan	Ba3	3.06%	4.66%	8.89%	15.00%	NA	NA
Venezuela	C	17.50%	26.66%	30.89%	34.00%	9.15%	18.14%

Vietnam	Ba2	2.56%	3.90%	8.13%	20.00%	1.37%	6.31%
Yemen, Republic	NR	10.20%	15.54%	19.77%	19.78%	NA	NA
Zambia	Caa2	7.65%	11.66%	15.89%	30.00%	3.94%	10.22%
Zimbabwe	NR	7.65%	11.66%	15.89%	15.90%	NA	NA

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