

INFLUENCE OF COUNTRY RATING ON NATIONAL ECONOMIC GROWTH, BEFORE AND AFTER EURO

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Abstract

The Economic and Monetary Union was formed in 1992 and the first 11 states that adopted euro on January 1, 1999 were rated with high quality ratings at that time. In the years that followed other countries have entered the euro area and their ratings were only grade “A” ratings at the time of the euro adoption. But things changed over the years. The financial crises had a very different impact over economic situation for countries of the European Union, inside and outside the euro area. This paper aims to analyze the impact of the country rating on the national economic situation before and after joining the euro area.

This article is motivated by the issues intensely debated lately. One of them is whether the rating agencies have anticipated certain events or they just acted accordingly; the evolution of ratings issued over a relevant period of time (1996-2018) is being analyzed here. Another issue is whether the change in ratings is likely to damage the economic recovery process; it is being analyzed here the impact of the rating change on the gross domestic product of the states for the time period 1996-2016. The results obtained are in a position to confirm some theories in the present literature, but also to lead to other ideas worth to be analyzed in future papers.

Keywords: rating, rating agencies, euro/non-euro area, financial crisis, gross domestic product

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