

FROM COUNTRY RISK, TO VOLATILITY, TURMOIL, AND DEBT CRISIS



CIFE SEMINAR ROMA-BERLIN-NICE 2023
MICHEL-HENRY BOUCHET

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	April 24		April 25	April 26	April 27	April 28	
	Monday		Tuesday	Wednesday	Thursday	Friday	
		9:00AM			Failed States SEMINAR	Failed States SEMINAR	9:00 AM
			3. Measuring Political Risk?	6. How to anticipate	Intro: A. Leconte	Intro: A. Leconte	
			Group work!	institutional	Analytical Framework and	Analytical Framework and	
				crises in both EMCs and	Prospects: MHB	Prospects: MHB	9:30 AM
			4. Ratings and rankings	OECD countries?	Corruption analysis: TI	D. Petitprez South Africa	10:30 AM
					Corruption analysis: TI		11:30 AM
	expresso coffee break	10:30 AM	expresso coffee break	expresso coffee break	Lunch Break	Lunch Break	12:30 PM
13:30 PM	Debt Crisis				T. Apoteker: scenario planning	Chris McKee PRS/NY	2:00 PM
	Governance		5. In search of early	7. The impact of the war in	FDI & Governance: JC Grand	Concluding remarks and	3:00PM
	& Debt Reductions		warning signals of	Ukraine on LDCs's socio-	South Africa corruption	wrap up AL & MHB	4:00PM
			political turrmoil?	political stability?	Concluding remarks and		5:00 PM
17.30 PM	Wrap up and conclusions	12.30 PM		Wrap up and conclusions	wrap up AL & MHB		
		12:45 PM	Lunch Break	Lunch Break			

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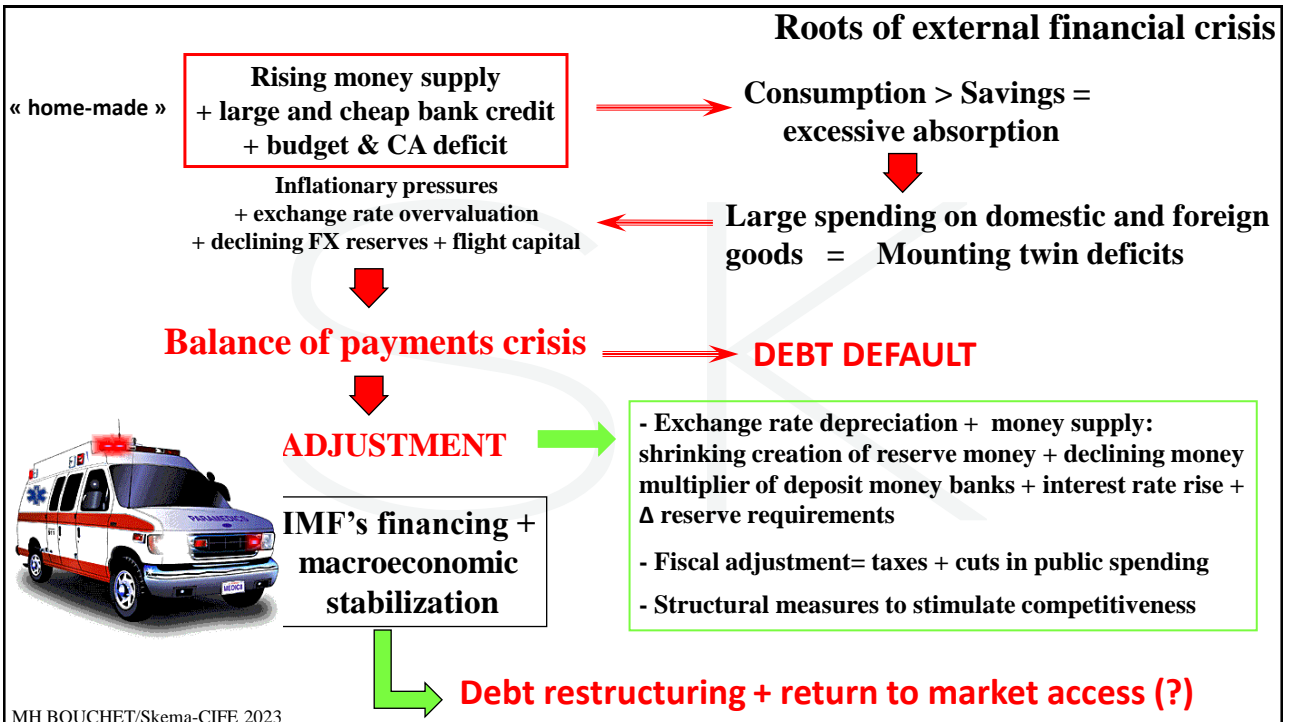
EXTERNAL DEBT CRISIS ANALYSIS!

Objectives:

1. Examining debt-driven **growth** and the sources of **vulnerability**
2. Tackling the **volume & structure** of external liabilities
3. Assessing debt servicing **sustainability**, i.e., **liquidity & solvency** prospects, and crisis thresholds
4. Identifying **warning indicators** of upcoming debt crisis?
5. Analyzing **debt restructuring** options

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WHAT ARE THE TRIGGERS OF A DEBT CRISIS? HOW MUCH IS TOO MUCH?



- ▶ **Home-made**
- Inflation
 - Drop in savings
 - Exchange rate overvaluation
 - Current account deficits
 - Drop in GDP
 - Loss in export competitiveness
 - Currency mismatch
 - Banking crisis
 - Drop in reserve assets

- ▶ **Exogenous shocks**
- War!
 - Global/regional recession
 - Competitive devaluations
 - Worsening terms of trade
 - Rating agency downgrading
 - Higher interest rates
 - \$/€ evolution
 - Drop in commodity prices

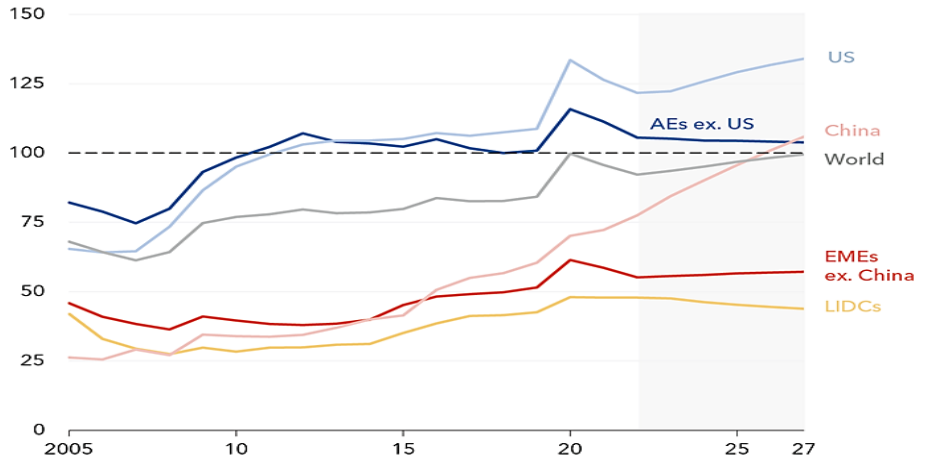
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Instead of deleveraging policies after the 2008 GFC, public debt ratios kept increasing unabated!

Rising debt

Public debt hit a high in 2020 and is still rising in some countries. (public debt; percent of GDP)



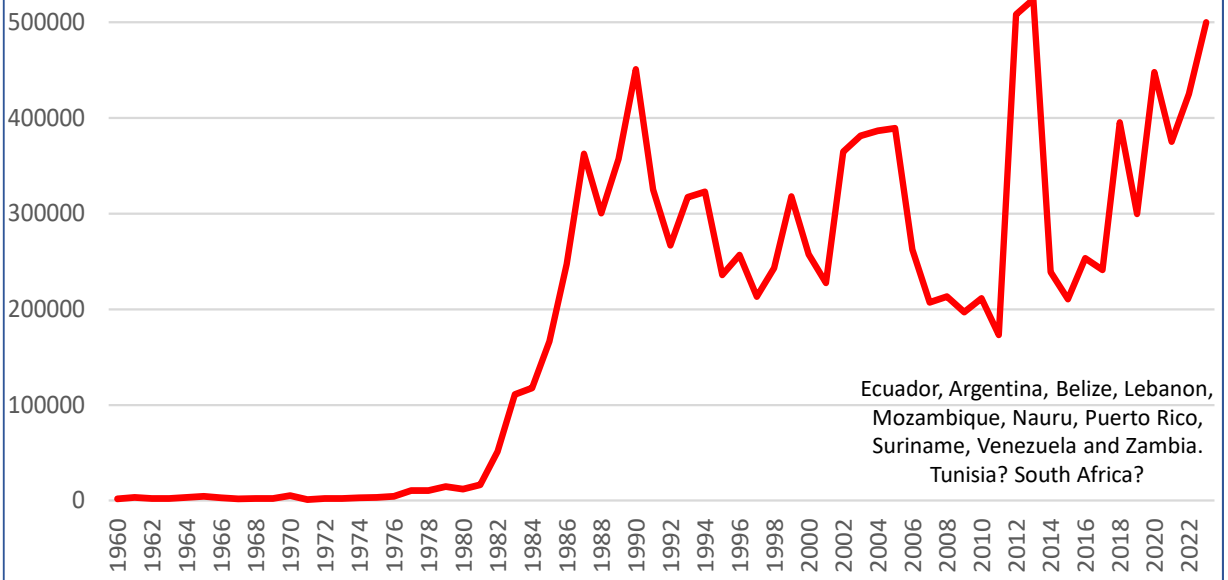
Source: IMF staff calculations.
 Note: Averages weighted by nominal GDP. Shaded area denotes forecast period.
 Sample comprises a balanced panel of 32 advanced economies, 45 emerging market economies, and 12 low-income countries. AEs = advanced economies; EMs = emerging market economies; LICs = low-income countries.



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Total sovereign debt in default 1960-2023 \$million (BOC)



Ecuador, Argentina, Belize, Lebanon, Mozambique, Nauru, Puerto Rico, Suriname, Venezuela and Zambia. Tunisia? South Africa?

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What are the largest emerging market countries' risks in Q1 2023?



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Volatility of EMCs average credit default premium 2022-23



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What about country debt data?



**Bank for
International
Settlements**



**International
Monetary Fund**



**Organization for
Economic
Cooperation and
Development**



**Statistical Data
and Metadata
eXchange**



**World Bank
Group**



Joint External Debt Hub | JEDH

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Table1 Joint BIS-IMF-OECD-World RUSSIA External Debt (mill. US\$)						Table1 Joint BIS-IMF-OECD-World UKRAINE External Debt (mill. US\$)					
Data are in millions						Data are in millions					
	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3		2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
A1. Loans and other credits (Debt of)						A1. Loans and other credits (Debt of)					
01_Cross-border loans, by BIS reporting banks	74,759	72,633	73,146	72,837	..	01_Cross-border loans, by BIS reporting banks	4,995	5,208	4,781	4,845	..
02_o/w to nonbanks	56,958	56,714	54,830	54,014	..	02_o/w to nonbanks	3,978	4,252	3,852	3,817	..
03_Official bilateral loans, total	..	..	..	..	..	03_Official bilateral loans, total	..	..	..	5,5	..
04_o/w aid loans	..	..	..	..	..	04_o/w aid loans	..	..	..	1,0	..
05_o/w other	..	..	..	..	..	05_o/w other	..	..	..	..	..
06_Multilateral loans, total	270	236	238	203	205	06_Multilateral loans, total	16,084	16,679	15,826	16,302	15,498
07_o/w IMF	0	0	0	0	0	07_o/w IMF	10,690	10,938	10,120	10,186	9,422
08_o/w other institutions	270	236	238	203	205	08_o/w other institutions	5,394	5,741	5,705	6,115	6,077
09_Insured export credit, Berne Union	38,728	47,405	47,405	45,248	..	09_Insured export credit, Berne Union	5,238	5,736	5,736	5,620	..
10_o/w short term	21,022	23,762	23,762	23,628	..	10_o/w short term	2,880	3,410	3,410	3,291	..
11_SDR allocations	7,983	8,169	8,038	8,090	25,415	11_SDR allocations	1,843	1,886	1,856	1,868	4,561
A2. Loans and other credits (Debt due within a year)						A2. Loans and other credits (Debt due within a year)					
12_Liabilities to BIS banks (cons.), short term	19,705	19,022	22,980	22,779	..	12_Liabilities to BIS banks (cons.), short term	2,458	2,614	2,784	3,022	..
13_Multilateral loans, IMF, short term	0	0	0	0	0	13_Multilateral loans, IMF, short term	1,545	1,656	1,790	2,052	2,186
B1. Debt securities (All maturities)						B1. Debt securities (All maturities)					
14_Debt securities held by nonresidents	..	71,809	..	..	..	14_Debt securities held by nonresidents	..	25,057	..	..	..
B2. Debt securities (short term, original maturity)						B2. Debt securities (short term, original maturity)					
15_Debt securities held by nonresidents	..	439	..	..	..	15_Debt securities held by nonresidents	..	64	..	..	..
C. Supplementary information on debt (liabilities)						C. Supplementary information on debt (liabilities)					
16_International debt securities, all maturities	104,992	105,690	103,460	104,484	104,148	16_International debt securities, all maturities	15,060	15,820	15,522	17,517	17,230
17_o/w issued by nonbanks	85,454	86,214	83,207	85,134	85,155	17_o/w issued by nonbanks	13,859	14,620	14,321	16,317	16,030
18_International debt securities, short term	9,662	8,333	7,195	7,994	8,287	18_International debt securities, short term	1,143	1,143	1,000	1,000	1,030
19_o/w issued by nonbanks	8,042	6,413	4,625	6,391	5,984	19_o/w issued by nonbanks	1,143	1,143	1,000	1,000	1,030
20_Paris Club claims (ODA)	..	..	..	..	..	20_Paris Club claims (ODA)	..	905	..	..	..
21_Paris Club claims (non ODA)	..	..	..	..	..	21_Paris Club claims (non ODA)	..	3,862	..	..	..
22_Liabilities to BIS banks, locational, total	90,666	89,765	90,949	89,740	..	22_Liabilities to BIS banks, locational, total	8,712	9,041	8,859	9,059	..
23_Liabilities to BIS banks, consolidated, total	67,885	67,364	68,565	67,400	..	23_Liabilities to BIS banks, consolidated, total	5,352	5,598	5,673	5,925	..
D. Memorandum items: selected foreign assets						D. Memorandum items: selected foreign assets					
24_International reserves (excluding gold)	444,307	457,018	448,034	461,305	485,462	24_International reserves (excluding gold)	24,976	27,549	25,608	26,855	27,228

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BIS: A BANKING CREDITOR-REPORTING SYSTEM

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[LBS](#) > Table **A6.1-S** > Change measure **B F G** Share... Structure Download... Help

Banks' cross-border positions on residents of Russia
Outstanding at end-September 2022, in millions of US dollars

	Russia		All sectors		Bank sector		Non-bank financial		Total		Non-financial corporations		Households	
	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities
< Q3 2022														
Level: 1 2 3 4	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22
▣ Cross-border positions	67,358	214,665	25,105	178,916	830	10,680	40,875	23,244	19,712	2,316	1,852	18,4	18,4	18,4
▣ By instrument														
Loans and deposits	55,504	210,700	16,259	177,990	425	10,679	38,455	20,851	19,640	2,294	1,824	16,2	16,2	16,2
Debt securities	2,827	464	763	18	64	2	2,001	2	56	2	..	..	..	..
Other instruments	9,008	1,280	3,065	901	341	1	416	177	12	0	29	29	29	29
Unallocated	19	2,221	19	7	0	-1	4	2,214	3	20	-0	2,1	2,1	2,1
▣ By currency														
▣ All instruments														
US dollar	17,452	46,077	3,511	23,215	238	7,552	13,373	14,459	8,414	1,224	296	12,2	12,2	12,2

[LBS](#) > Table **A6.1-S** > Change measure **B F G** Share... Structure Download... Help

Banks' cross-border positions on residents of Ukraine
Outstanding at end-September 2022, in millions of US dollars

	Ukraine		All sectors		Bank sector		Non-bank financial		Total		Non-financial corporations		Households	
	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities
< Q3 2022														
Level: 1 2 3 4	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22	Q3 22
▣ Cross-border positions	5,283	14,697	941	10,277	174	39	4,101	4,359	1,306	216	290	3,9	3,9	3,9
▣ By instrument														
Loans and deposits	4,445	14,053	443	10,069	140	39	3,821	3,926	1,235	214	285	3,5	3,5	3,5
Debt securities	277	1	..	..	12	..	265	0	65	..	..	..	..	..
Other instruments	562	198	499	190	22	0	16	8	5	2	5	5	5	5
Unallocated	-1	443	0	19	..	..	-1	424	0	0	0	0	0	0
▣ By currency														
▣ All instruments														
US dollar	1,801	9,537	122	7,104	41	32	1,618	2,389	600	150	90	2,1	2,1	2,1

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**PIECEMEAL
APPROACH TO
EXTERNAL DEBT
ASSESSMENT END-2021:
BELARUS**



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Table1 Joint BIS-IMF-OECD-World Bank Statistics on External Debt (mill. US\$)

Data are in millions

	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
A1. Loans and other credits (Debt of)					
01_Cross-border loans, by BIS reporting banks	222,998	220,520	231,845	234,582	..
02___o/w to nonbanks	66,346	69,656	66,819	66,426	..
03_Official bilateral loans, total	..	..	..	8,0	..
04___o/w aid loans	..	..	..	..	..
05___o/w other	..	..	..	..	..
06_Multilateral loans, total	0	0	0	0	0
07___o/w IMF	0	0	0	0	0
08___o/w other institutions	..	..	..	..	..
09_Insured export credit, Berne Union	39,728	42,387	42,387	42,279	..
10___o/w short term	38,052	40,570	40,570	40,579	..
11_SDR allocations	6,085	6,227	6,127	6,167	14,748
A2. Loans and other credits (Debt due within a year)					
12_Liabilities to BIS banks (cons.), short term	84,779	83,795	93,155	100,458	..
13_Multilateral loans, IMF, short term	..	..	..	..	..
B1. Debt securities (All maturities)					
14_Debt securities held by nonresidents	..	526,858	..	..	..
B2. Debt securities (short term, original maturity)					
15_Debt securities held by nonresidents	..	65,886	..	..	..
C. Supplementary information on debt (liabilities)					
16_International debt securities, all maturities	180,045	189,123	180,231	181,928	179,932
17___o/w issued by nonbanks	156,092	160,978	152,191	154,705	153,727
18_International debt securities, short term	14,271	9,426	4,143	2,347	3,817
19___o/w issued by nonbanks	12,030	7,099	2,032	1,839	2,681
20_Paris Club claims (ODA)	..	..	..	..	..
21_Paris Club claims (non ODA)	..	..	..	..	..
22_Liabilities to BIS banks, locational, total	397,269	399,132	405,317	414,557	..
23_Liabilities to BIS banks, consolidated, total	235,039	238,411	254,122	270,874	..
D. Memorandum items: selected foreign assets					
24_International reserves (excluding gold)	18,445	19,470	18,589	18,861	28,205

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WHAT ABOUT A COUNTRY'S TOTAL DEBT OUTSTANDING?

THE WORLD BANK
WHO WE ARE WHAT WE DO WHERE WE WORK UNDERSTANDING POVERTY

Debt Statistics

Quarterly External Debt Statistics (QEDS)

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TUNISIA's TOTAL DEBT

	Q4 2021	Q1 2022	Q2 2022	Q3 2022
0001_T1_General Government	21,997	21,587	21,443	20,357
0008_T1... Long-term	21,997	21,587	21,443	20,357
0009_T1.... Special drawing rights (allocations) 6/	729	716	689	659
0011_T1.... Debt securities	5,494	5,31	4,795	4,524
0012_T1.... Loans	15,775	15,561	15,96	15,174
0015_T1_Central Bank	1,858	1,864	1,72	1,591
0016_T1... Short-term	112	145	87	37
0017_T1.... Currency and deposits 3/	111	145	87	37
0022_T1... Long-term	1,746	1,72	1,633	1,555
0023_T1.... Special drawing rights (allocations) 6/	381	375	359	348
0024_T1.... Currency and deposits 3/	1,326	1,306	1,235	1,168
0026_T1.... Loans	39	39	39	39
0029_T1_Deposit-Taking Corporations, except the Central Bank	5,643	5,423	5,109	4,87
0030_T1... Short-term	4,76	4,556	4,347	4,188
0031_T1.... Currency and deposits 3/	4,76	4,556	4,347	4,188
0036_T1... Long-term	883	867	762	682
0039_T1.... Loans	883	867	762	682
0042_T1_Other Sectors	13,388	12,89	12,838	12,131
0043_T1... Short-term	8,617	8,282	8,569	8,192
0048_T1.... Other debt liabilities 4/ 5/	8,617	8,282	8,569	8,192
0049_T1... Long-term	4,772	4,608	4,27	3,939
0052_T1.... Loans	4,772	4,608	4,27	3,939
0059_T1_Gross External Debt Position	42,887	41,765	41,111	38,95

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THE WAVES OF DEBT CRISES, DEFAULTS, & DEBT RESTRUCTURING 1980-2021

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Off the radar

The boom in hidden debts has given way to a rise in the number of unrecorded debt restructurings.
(number of external sovereign debt restructurings)

Sources: Horn, Reinhart, and Trebesch (forthcoming).

Note: This chart combines data on distressed debt restructurings of private external creditors (bondholders and banks) with those of Chinese creditors. The Chinese cases include 33 debt reschedulings with countries at high risk of or in debt distress in the wake of the 2020-21 Debt Service Suspension Initiative (DSSI). To avoid bias, 149 "symbolic" restructurings of minor, zero-interest loans are excluded.

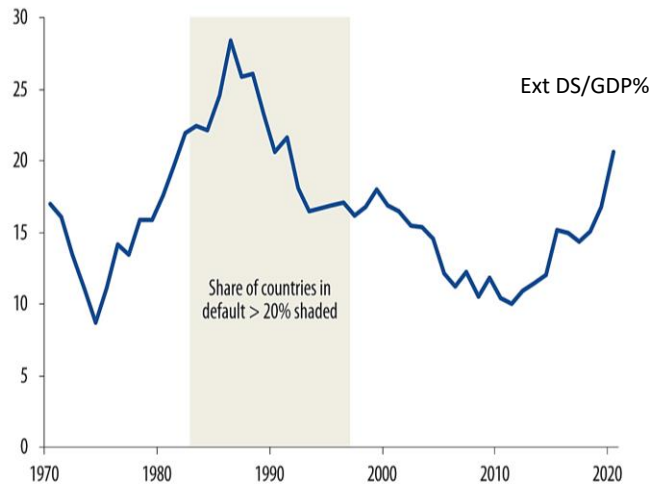
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DOMINO EFFECT OF DEBT CRISES

Common feature of debt crises= sudden jump in debt levels, often driven by large exchange rate depreciations in countries with foreign currency debt, and governments' assumption of contingent liabilities amassed by SOEs, subnational governments, banks, or corporations.

With lower growth, higher inflation, and setbacks in the fight against poverty, protracted defaults damage the economic and social fabric of the debtor country.

Despite the low global interest rates of the past decade, the external debt-servicing burden of EMDEs has been steadily climbing, with a sharp rise in 2020. (average total external debt service, EMDEs, as a percent of goods, services, and primary income)



Sources: World Bank, International Debt Statistics; and Reinhart and Rogoff (2009).

Note: Default shares based on all countries (193 as of 2020). Debt servicing is an average for 123 EMDEs. EMDEs = Emerging market and developing economies.

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LIQUIDITY AND SOLVENCY THRESHOLDS

Flow variable

- ▶ **Liquidity** = Debt Service ratio < 33% of X
Interest/X ratio < 25%

Stock variable

- ▶ **Solvency** = Debt/GDP < 66%*
Debt/Exports < 150%
Reserves/months of Imports > 6 months

* average debt crisis threshold 1970-2010 Reinhart/Rogoff (Maastricht)

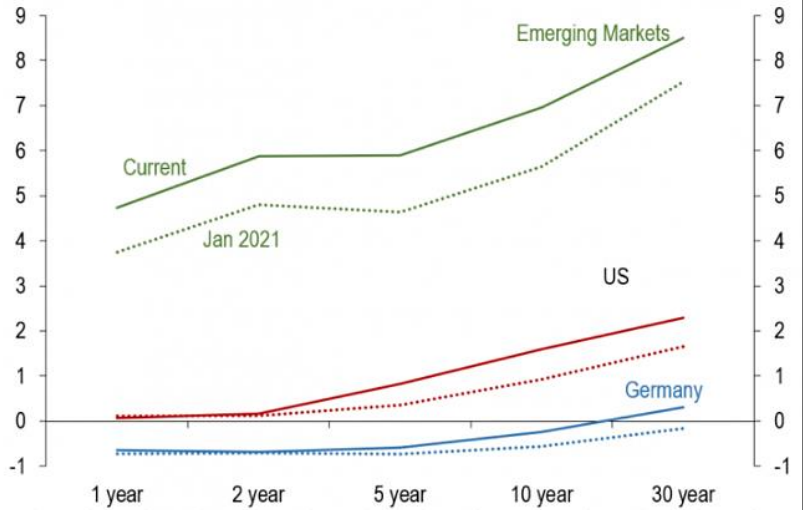
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**FISCAL DEFICITS + LOOSE
MONETARY POLICY =
INFLATIONAY EXPECTATIONS
+ RISING INTEREST RATES
2022 AND BEYOND**

Yields moving up

10-year US Treasury yield has increased 70 basis points in 2021.
(global sovereign bond yield curves, in percent)



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Sources: Bloomberg and IMF staff calculations.

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Hello CIFE Master Students!
Ukraine's BOP is messy!
Let's improve it!

	2020	2021
LT K	1225	1300
Imports	-4650	-5250
Debt repayments	-985	-1200
Services revenues	625	500
E&Os	-275	-950
Exports	5550	4150
Official Transfers	300	125
Current account		
FDI	375	100
Portfolio	200	150
Interest payments	-1450	-1855
Private unrequited transfers	125	100
ST K inflows	325	1000
ST K Outflows	-465	-800
Trade Balance		
Counterpart items	100	125
Change in reserves		
CA/GDP%		
GDP	12500	14550
R/M ratio (months)		
Reserve level 12/2019		
3500		

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	2020	2021
Exports	5550	4150
Imports	-4650	-5250
Trade Balance	900	-1100
Services revenues	625	500
Interest payments	-1450	-1855
Official Transfers	300	125
Private unrequited transfers	125	100
Current account	500	-2230
FDI	375	100
Portfolio	200	150
LT K	1225	1300
Debt repayments	-985	-1200
ST K inflows	325	1000
ST K Outflows	-465	-800
E&Os	-275	-950
Counterpart items	100	125
Change in reserves	-1000	2505
CA/GDP%	4,00%	-17%
GDP	12500	12950
R/M ratio (months)	8,1	3,2
Reserve level 12/2019	4500	1995
	3500	

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	2020	2021
Liquidity ratios		
DSR (P+I)/XGS	47%	83%
Interest/XGS	23%	40%
Solvency D/GDP	101%	100%
Reserves	4500	1995
Gross inflows	8725	7425
Net Inflows	2350	-775
Net transfers	900	-2630
R/M months	8,1	3,20
Trade openness	87%	76%
CA/GDP	4,0%	-17,2%
Average rate	12%	14%
Debt stock 2019	12600	12900
12500		

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BEWARE OF RATIOS!



Debt ratios seem common sense, and are at the root of rating agencies' risk analysis! But are they **meaningful**?

Debt/GDP=

External Debt= a stock of accumulated liabilities

GDP= a flow of annual revenues

It makes more sense

1. to assess the NPV of future flows of revenues or
2. comparing the stock of debt with the country's total assets, or
3. assessing the country's ability to keep servicing its debt (ratio Interest/Exports of G&S) or 4. looking at the ratio of non-compressible imports to reserve assets

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TWO COUNTRIES = TWO DEBT TRAJECTORIES

Solvencia

Public Debt/GDP= 100%

- ▶ Diversified export base
- ▶ Large domestic savings
 - ▶ Diversified markets
- ▶ Mainly official creditors
- ▶ Long-term debt maturities= 12 years
 - ▶ Fixed rate for 80% of debt
- ▶ Similar currency structure X revenues/liabilities
= no mismatch!

Liquidia

Public Debt/GDP= 100%

- ▶ Main exports: hydrocarbons
- ▶ Main export destination: EU
- ▶ Reliance on US capital markets
- ▶ X revenues in €/ \$ debt payments
- ▶ Average debt maturity: 3 years
 - ▶ 66% of debt on floating rates
- ▶ Large and growing private debt (corporate, bank and households)

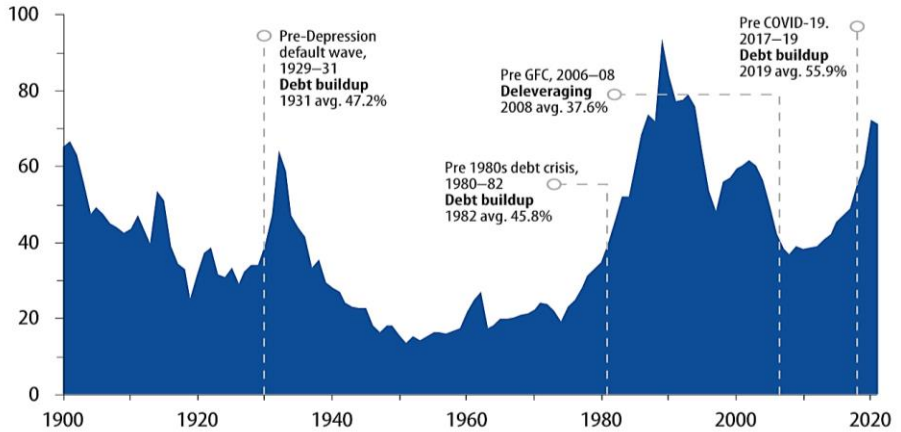
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DEBT CRISIS IS A MATTER OF THRESHOLD AND TRIGGER POINT!

Breaking point

Many emerging market and developing economies have encountered crises at lower debt levels than those prevailing in 2021. (public debt as a percentage of GDP, 1900–2021, unweighted average, 46 EMDEs)



Sources: IMF, *World Economic Outlook*; and Reinhart and Rogoff (2009).

Note: Dotted lines cover four crisis episodes: 1929–31 and 1980–82, the onset of major debt crises in EMDEs; 2006–08, the onset of the GFC, primarily affecting advanced economies; and 2017–19, the pre-COVID-19 debt buildup in EMDEs. EMDEs = emerging market and developing economy; GFC = global financial crisis.

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EXTERNAL FINANCING PROFILES IN 2023

RATIOS	VIETNAM	GABON	ECUADOR
1. CA/GDP	+1%	-3%	2%
2. Public Debt/GDP	41%	51%	60%
3. Coface	B/B	C/D	C/B
4. GDP pc \$	3720	9500	6000
5. R/M	4	5	4
6. FDI/GDP	9%	5%	-1,1%
7. Doing Bus/190	70	169	129

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FX RESERVES AS BUFFER OF LIQUIDITY CRISIS

	FX Reserves as % of short term debt	FX reserves as % of GDP
India	427%	15%
China	399%	27%
Mexico	334%	16%
Korea	330%	26%
Taiwan	277%	82%
Switzerland	63%	96%
Japan	45%	23%
Canada	13%	5%
Italy	5%	2%
UK	2%	4%
Germany	2%	1%
France	2%	2%

Reserves and GDP for 2016, short-term debt as of 2016Q3

Sources: National Authorities; World Bank; International Monetary Fund; Haver Analytics

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THE DEBT TRAP IN A NUTSHELL DURING AND AFTER THE GLOBAL FINANCIAL CRISIS

« Austerity + deficits »

- ▶ Deficit shrinking with spending cuts + wage reduction + tight fiscal and monetary policy = **GDP fall** =
- ▶ solvency ratios worsening = **Rating downgrading** = Higher borrowing costs



« Deficit-driven stop & go »

- ▶ Large primary fiscal deficit = higher consumption = larger external deficit = larger unfunded financing requirements =
- ▶ GDP rises = « stop & go » =
- ▶ **Rating downgrading!** = Higher borrowing requirements



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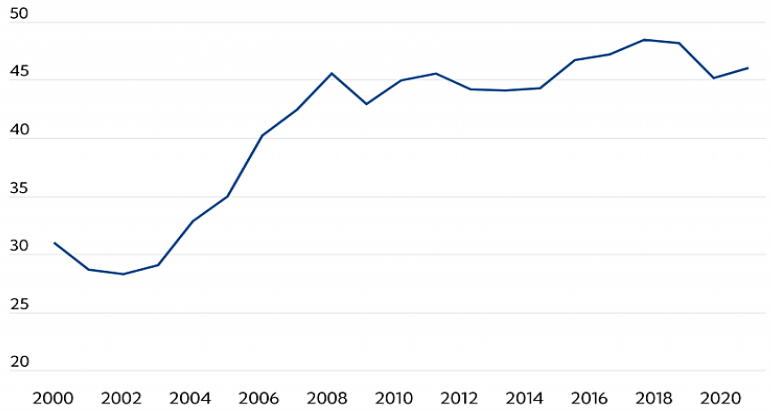
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DEBT CRISES DO NOT ALWAYS STEM FROM EXTERNAL INDEBTEDNESS!

THE RISE IN EMERGING COUNTRIES' DOMESTIC DEBT 2000-2021

Domestic debt

Over the past two decades the share of domestic debt in emerging market and developing economies (EMDEs) has risen from 31 to 46 percent of their total sovereign debt. (domestic debt as a percent of total debt)



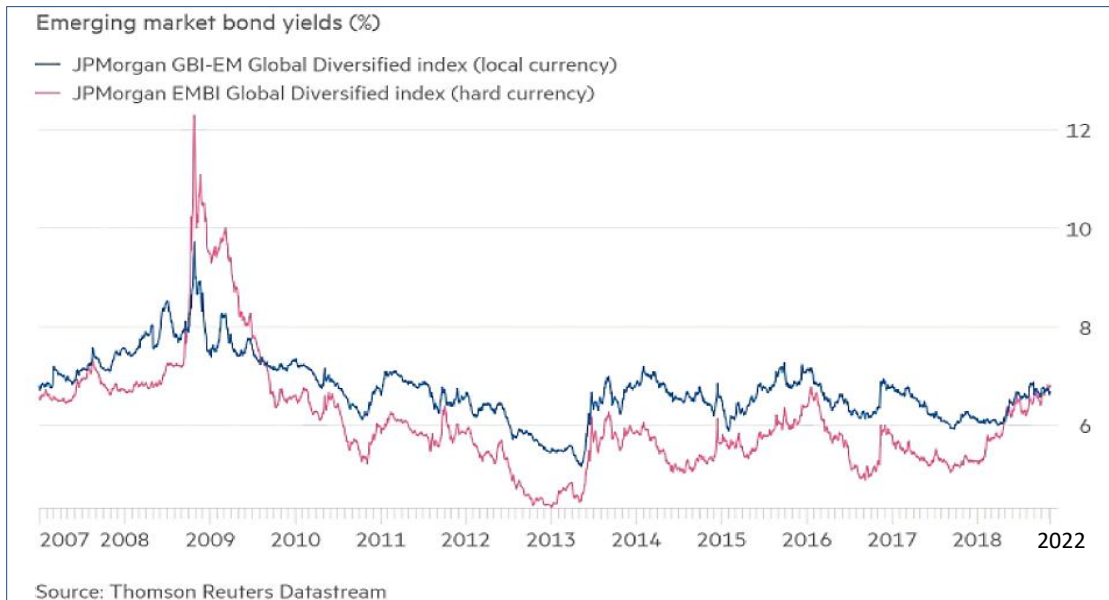
Source: IMF staff calculations.
Note: Values displayed are the median of domestic debt.



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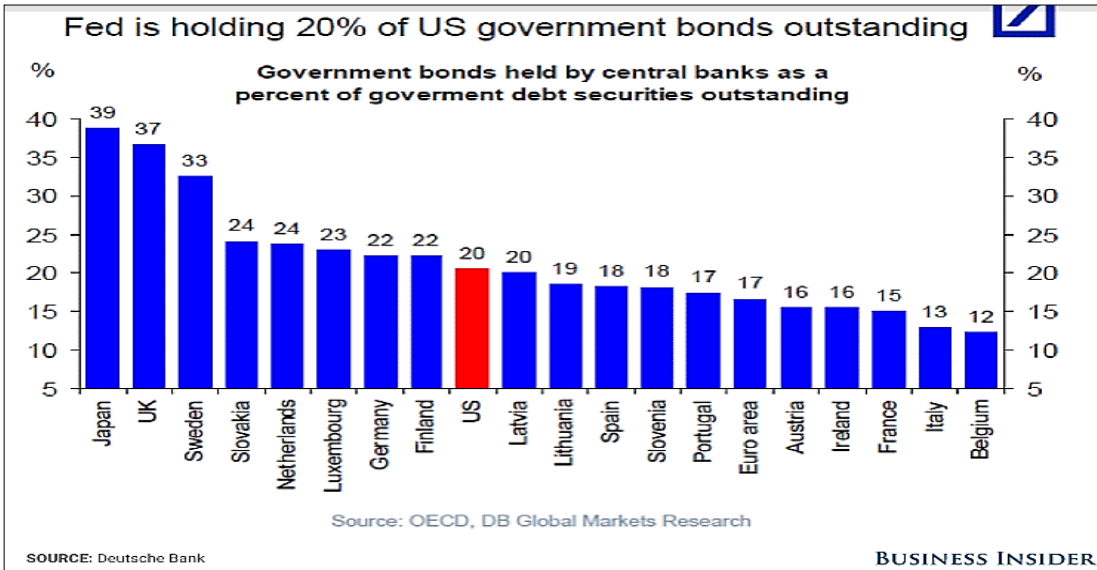
REVERSAL IN THE HISTORIC GAP BETWEEN EM LOCAL CURRENCY BOND YIELDS AND SUPPOSEDLY SAFER US-DOLLAR BONDS



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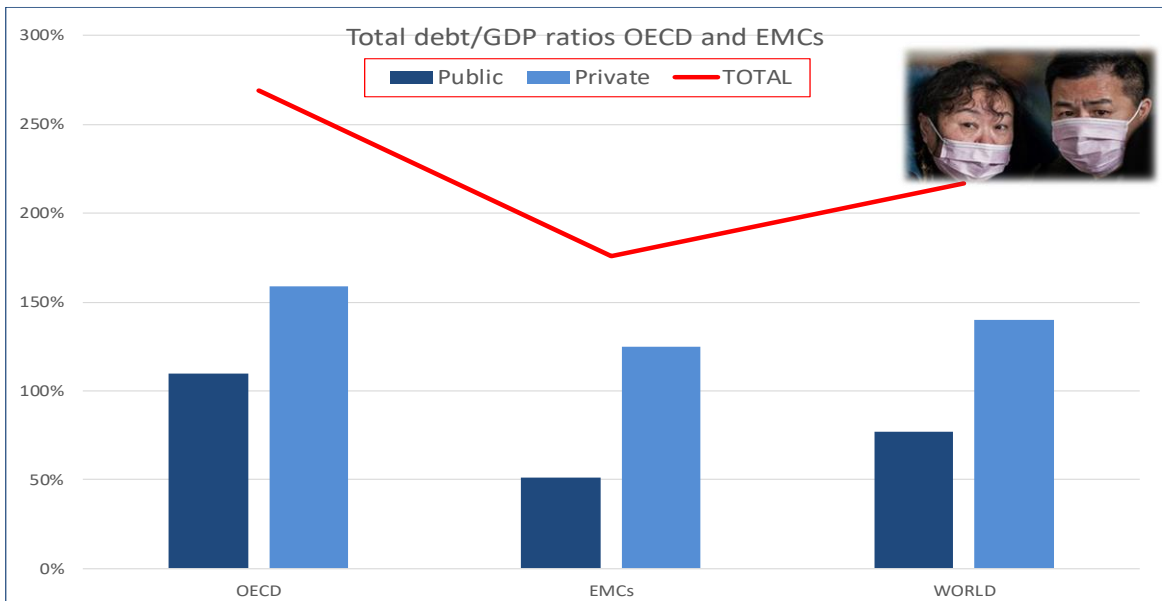
CENTRAL BANKS' ACCOMODATIVE MONETARY POLICY AND SOVEREIGN DEBT



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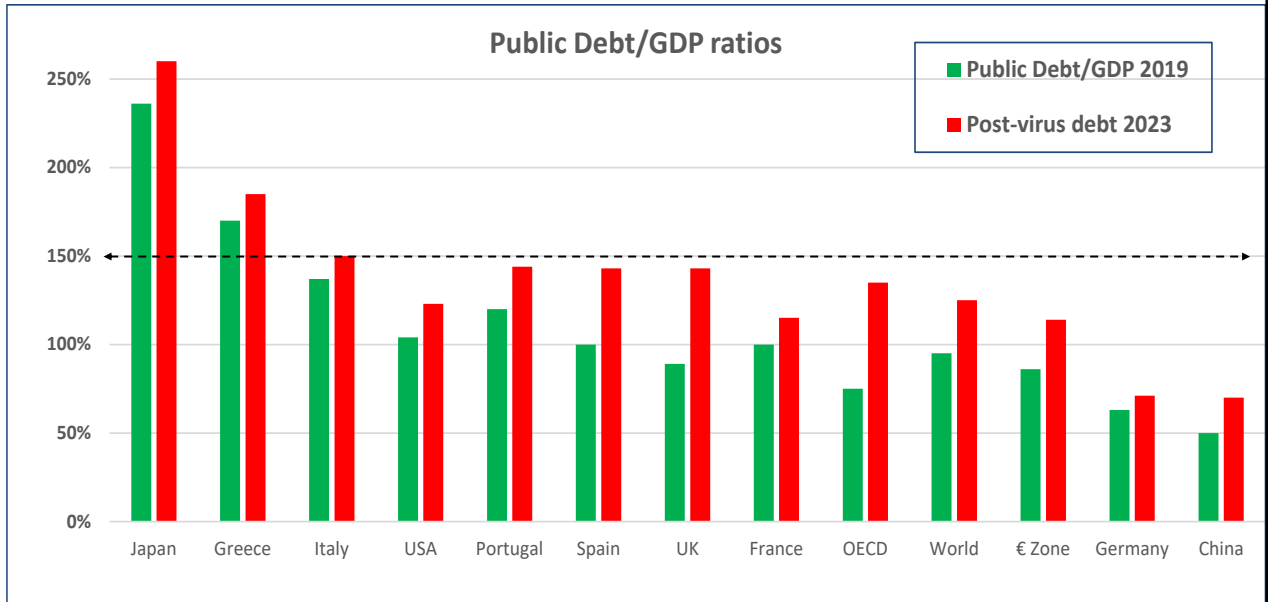
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WORLD INDEBTEDNESS IN 2023



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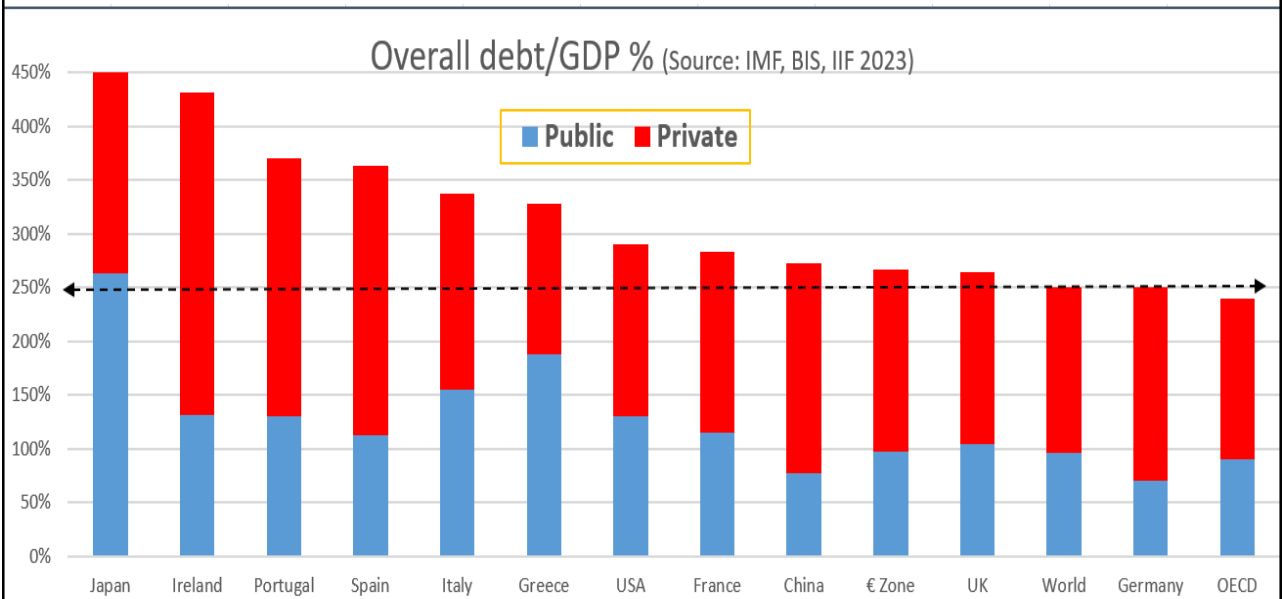
WHAT ABOUT DEBT RATIOS 2023?



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AFTER A DECADE OF ULTRA-LOW INTEREST RATES AND QE



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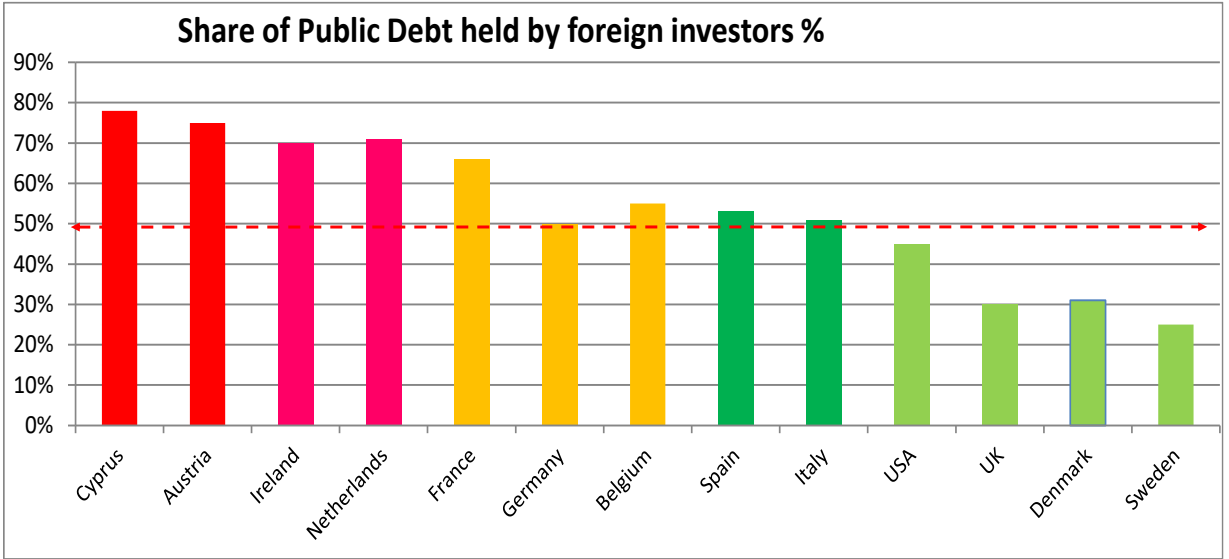
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Table1 Joint BIS-IMF-OECD-World Bank Statistics on External Debt (mill. US\$)						Table1 Joint BIS-IMF-OECD-World Bank Statistics on External Debt (mill. US\$)					
Data are in millions						Data are in millions					
	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4		2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
A1. Loans and other credits (Debt of)						A1. Loans and other credits (Debt of)					
01_Cross-border loans, by BIS reporting banks	443,710	458,627	437,420	416,130	457,265	01_Cross-border loans, by BIS reporting banks	232,458	243,426	243,109	250,224	244,709
02_o/w to nonbanks	162,012	177,403	169,338	152,128	162,738	02_o/w to nonbanks	70,146	73,827	74,310	78,852	79,211
03_Official bilateral loans, total	..	..	..	..	..	03_Official bilateral loans, total	..	..	..	..	..
04_o/w aid loans	..	..	..	..	..	04_o/w aid loans	..	..	..	..	..
05_o/w other	..	..	..	..	..	05_o/w other	..	..	..	..	..
06_Multilateral loans, total	0	0	0	0	0	06_Multilateral loans, total	0	0	0	0	0
07_o/w IMF	0	0	0	0	0	07_o/w IMF	0	0	0	0	0
08_o/w other institutions	..	..	..	..	..	08_o/w other institutions	..	..	..	..	..
09_Insured export credit, Berne Union	82,134	82,134	74,060	74,060	80,674	09_Insured export credit, Berne Union	65,286	65,286	62,232	62,232	67,948
10_o/w short term	79,123	79,123	71,466	71,466	78,162	10_o/w short term	62,824	62,824	59,779	59,779	65,494
11_SDR allocations	9,094	8,975	9,047	9,256	9,471	11_SDR allocations	3,910	3,859	3,890	3,980	4,072
A2. Loans and other credits (Debt due within a year)						A2. Loans and other credits (Debt due within a year)					
12_Liabilities to BIS banks (cons.), short term	175,950	183,006	200,843	212,616	224,894	12_Liabilities to BIS banks (cons.), short term	132,912	139,043	142,484	149,410	140,588
13_Multilateral loans, IMF, short term	..	..	..	..	..	13_Multilateral loans, IMF, short term	..	..	..	..	..
B1. Debt securities (All maturities)						B1. Debt securities (All maturities)					
14_Debt securities held by nonresidents	1,096,602	..	1,039,401	..	..	14_Debt securities held by nonresidents	928,308	..	924,189	..	..
B2. Debt securities (short term, original maturity)						B2. Debt securities (short term, original maturity)					
15_Debt securities held by nonresidents	81,789	..	77,713	..	..	15_Debt securities held by nonresidents	66,024	..	70,055	..	..
C. Supplementary information on debt (liabilities)						C. Supplementary information on debt (liabilities)					
16_International debt securities, all maturities	826,883	801,299	826,385	869,855	927,413	16_International debt securities, all maturities	527,554	517,798	539,212	566,173	596,479
17_o/w issued by nonbanks	560,845	540,311	560,154	593,562	642,470	17_o/w issued by nonbanks	355,706	340,254	351,858	370,266	394,269
18_International debt securities, short term	63,725	54,854	66,102	63,025	63,175	18_International debt securities, short term	60,550	57,139	59,686	59,717	57,588

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CAPITAL MARKET GLOBALIZATION & DEBT STRUCTURE=
INVESTMENT FUNDS AND RATING AGENCIES IN THE DRIVING SEAT



Source: FT, IMF, Natixis, US Treasury 2021

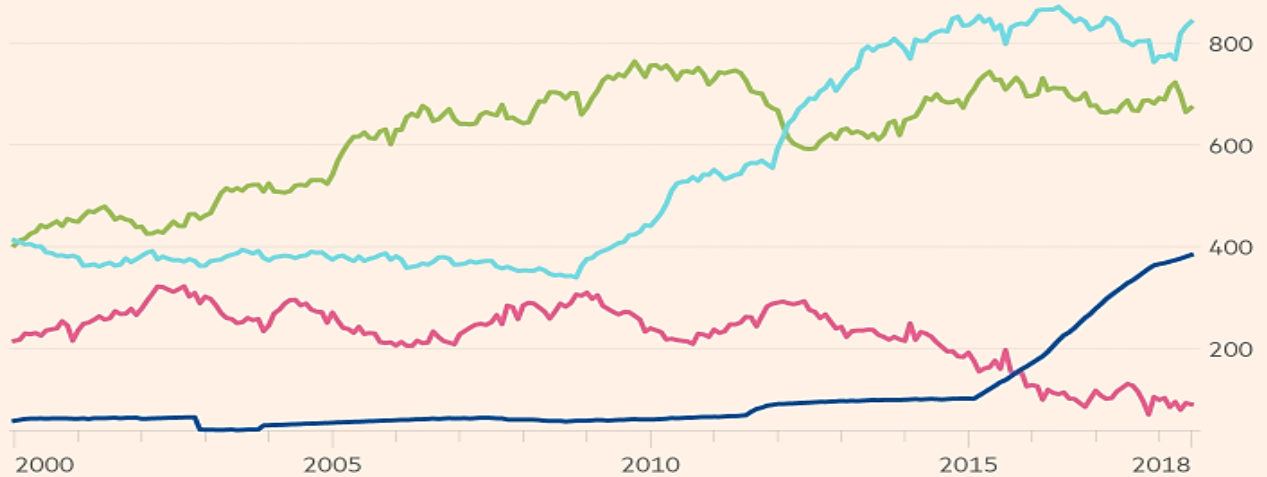
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Holders of Italian sovereign debt

€bn

— Central bank
 — Other residents incl households
 — Financial institutions
— Non-residents



Source: Jefferies

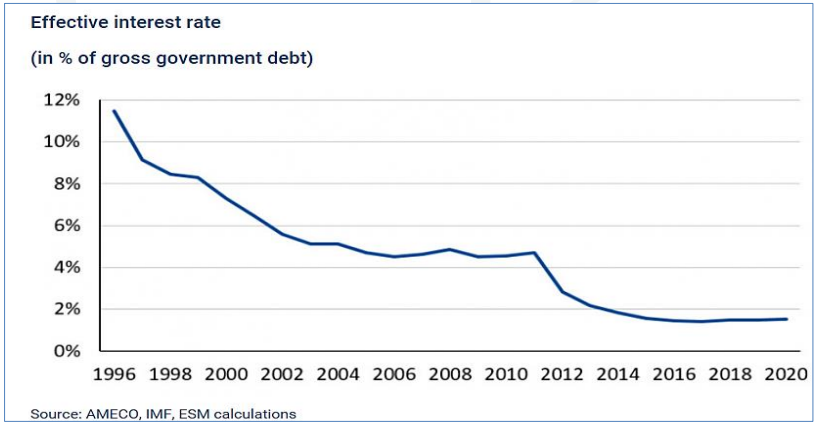
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GREECE'S NEW DEBT SUSTAINABILITY ENVIRONMENT IN 2022

The much improved structure of Greek debt is due in large part to the ESM's and its predecessor, the EFSF's, very favourable lending terms and the liability management exercises.

The ESM holds **around 55% of Greece's public debt** and the weighted remaining maturity of the ESM/EFSF loans is **31 years** – much longer than that of the remaining debt stock.

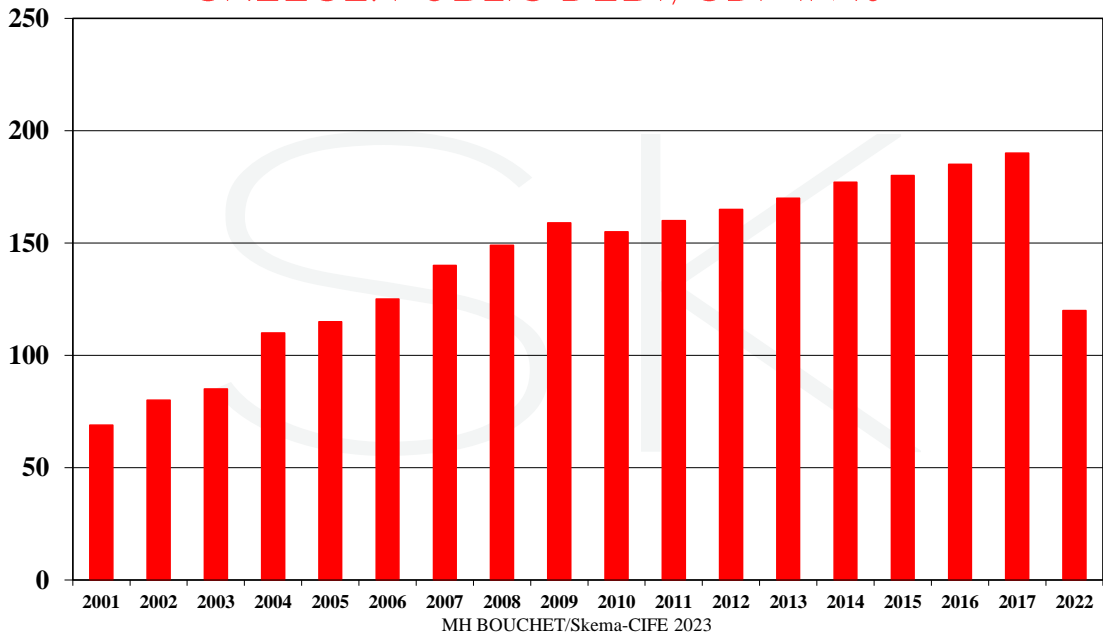
Due to the low interest rate on these loans – thanks to the ESM's own low, AAA rated cost of funding – Greece's annual costs for servicing these loans is lower than expected for its total debt level. Thanks to the general decline in interest rates, the focus is less on the stock of debt (debt-to-GDP%) – but rather on budgetary flows and roll-over risks.



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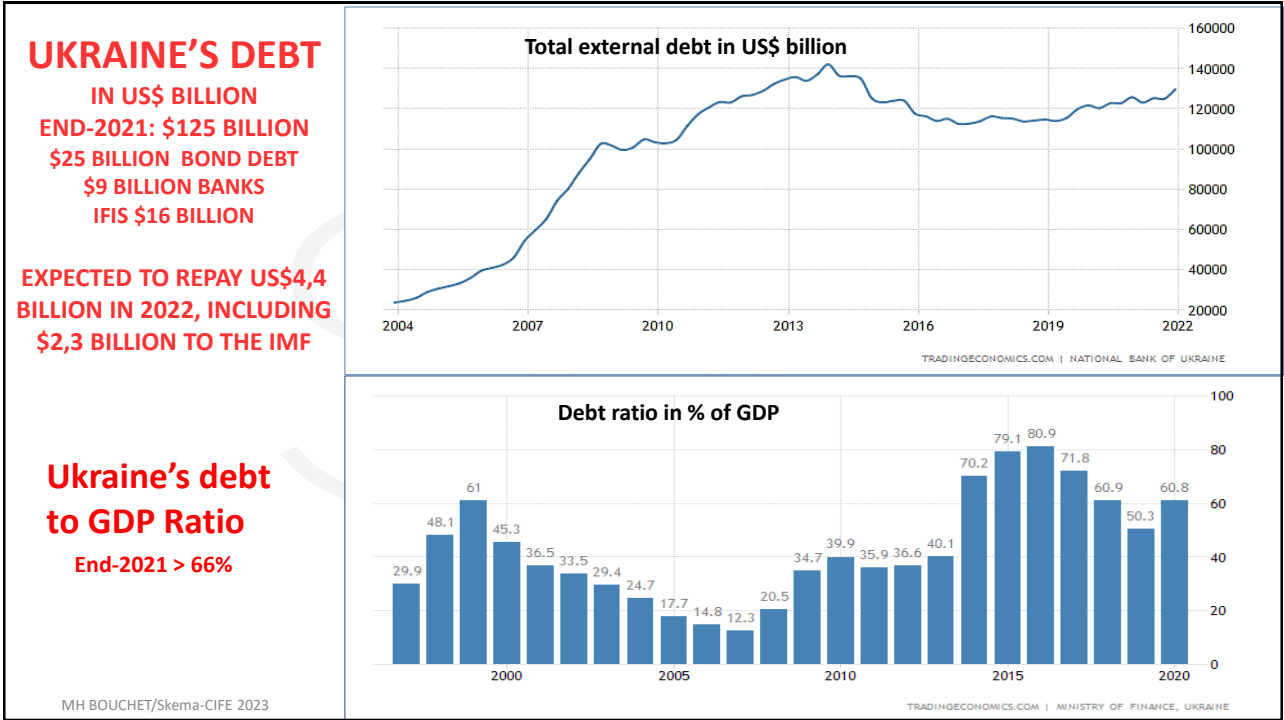
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GREECE: PUBLIC DEBT/GDP IN %



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UKRAINE'S DEBT AFTER DONBAS

Since the outbreak of the war in Donbas in 2014, IFIs engaged deeply in Ukraine.

Since 2014, the World Bank has lent US\$8.4bn,
 the IMF has loaned US\$17bn,
 and the European Commission has advanced at least €13bn.

Paris Club claims on Ukraine= \$5 billion
 Bonds US\$ 25 billion

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UKRAINE'S ECONOMIC AND FINANCIAL CRISIS IN 2015

1. Widening budget and current account deficits
2. No more FDI
3. Economic recession
4. Massive depreciation of the hryvnia
5. Drop in official reserves (R/M = 3 months in 2015)
6. IMF emergency loan
7. External liquidity crisis! (Ext Debt/GDP= 131% in 2015)

DANGER!

Ukraine foreign exchange reserves



Ukraine government debt
As % of GDP



2015 - IMF forecast
Source: IMF

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UKRAINE'S DEBT RESTRUCTURING 09/2015

- ▶ 20% write off on \$18 billion of bonds, condition for the IMF to press ahead with 4-year \$40 billion package
- ▶ Main creditors: PTG Pactual, T Rowe Price, TCW, Franklin Templeton...
- ▶ Inclusion of GDP-linked instrument
- ▶ Between 2021-40 investors will receive up to 40% of the value of economic growth > 4%

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Ukraine 2015-16 A tough and expensive negotiation...



Recovery case: National Bank of Ukraine

1. Summons to pay to National Bank of Ukraine. No full payment followed
2. Concerted attachments were effectuated in France, Germany, Luxembourg and The Netherlands.
3. Assets attached > amount owed
4. Main legal proceedings initiated.
5. National Bank of Ukraine forced to the negotiating table to reach an amicable settlement.
6. A settlement agreement was signed between the creditor and the National Bank of Ukraine for the amount of USD 13 million (i.e. full principal amount *plus* overdue interest).

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UKRAINE'S EXTERNAL FINANCING FLOWS IN 2022-23

07/2020: IMF package of \$5 billion emergency short-term loan

07/2021: Sale of internationally marketed \$ & € bonds: \$517 million

02/2022: The U.S. government offered \$1 billion of loan guarantees

03/2022: €300 million from the EU + \$350 million loan from the World Bank

IMF = Ukraine's request for \$1.4 billion in emergency financing.

Ukraine also has \$2.2 billion available through 06/2022 under an existing IMF stand-by arrangement (mid-2020)

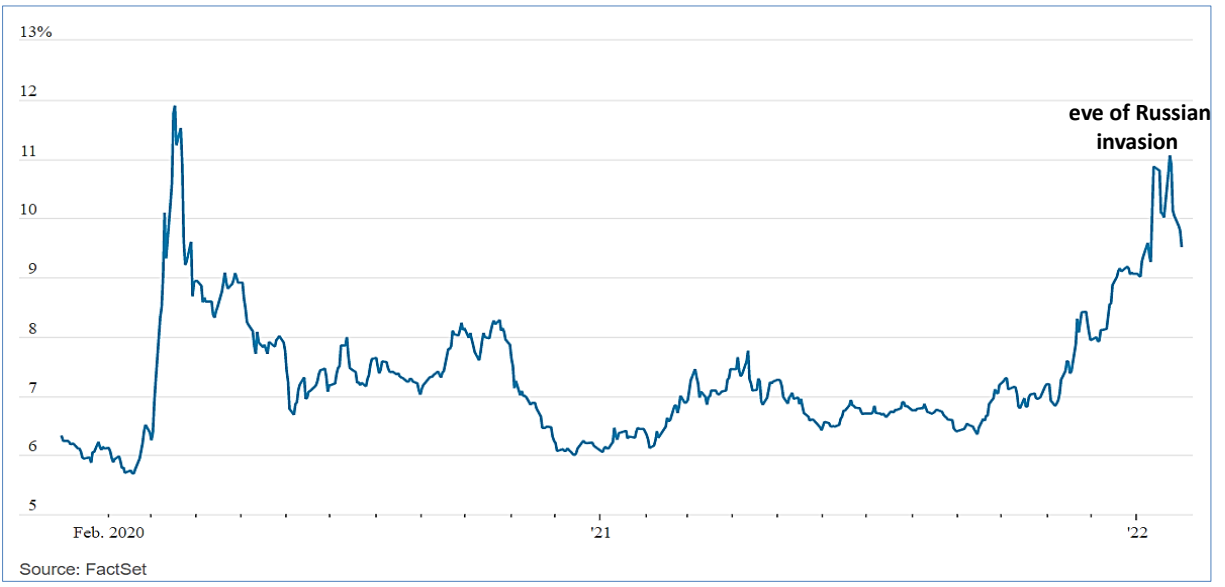
04/2022: \$1 billion bond due in 09/22 quoted around 50 cents on the dollar, while a \$2.6 billion bond due in 2032 was quoted at 31 cents, hence a **69%** discount!
(Fitch = CCC junk bond)

03 & 04/2022: 1-year LC **War Bonds** with 11% rate (guarantees?)

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RISE AND FALL OF UKRAINE' LOCAL CURRENCY BOND YIELD



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DEPRECIATION OF THE RUBLE AND HRYVNYIA AHEAD OF THE RUSSIAN INVASION

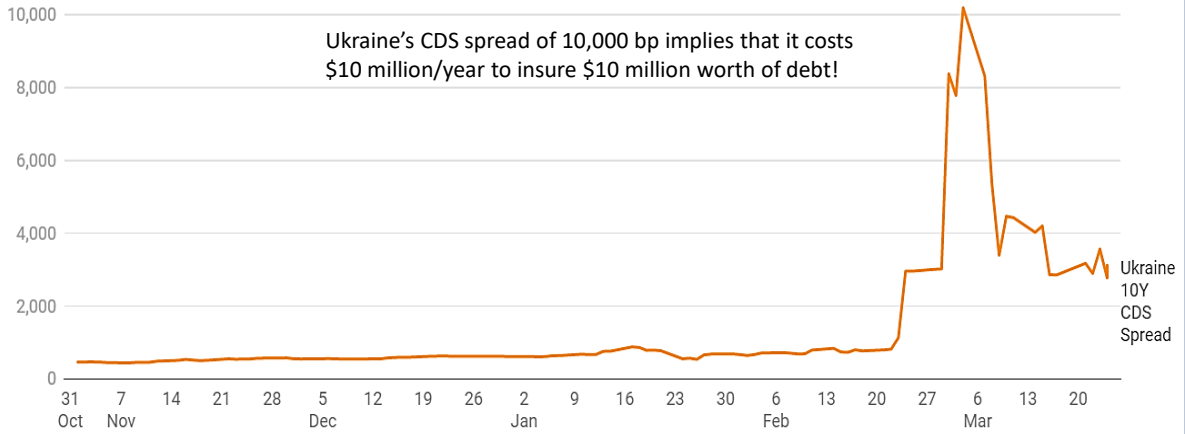
Ukrainian hryvnia and Russian ruble vs the U.S. dollar, percentage change



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UKRAINE'S DEBT : RISE IN CDS PRICES

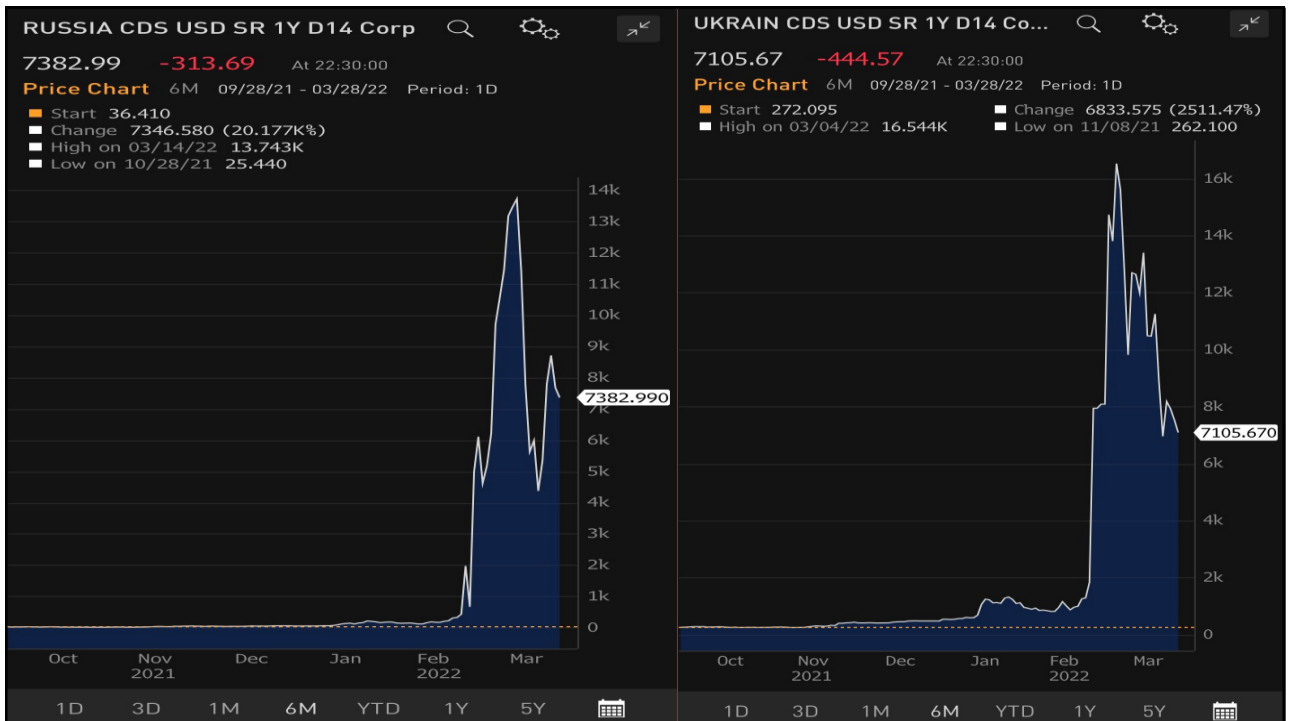
Ukraine's CDS Spread Blow Out on Russian Invasion Fears (in bp)



Source: Bloomberg, BondEvalue • Created with Datawrapper

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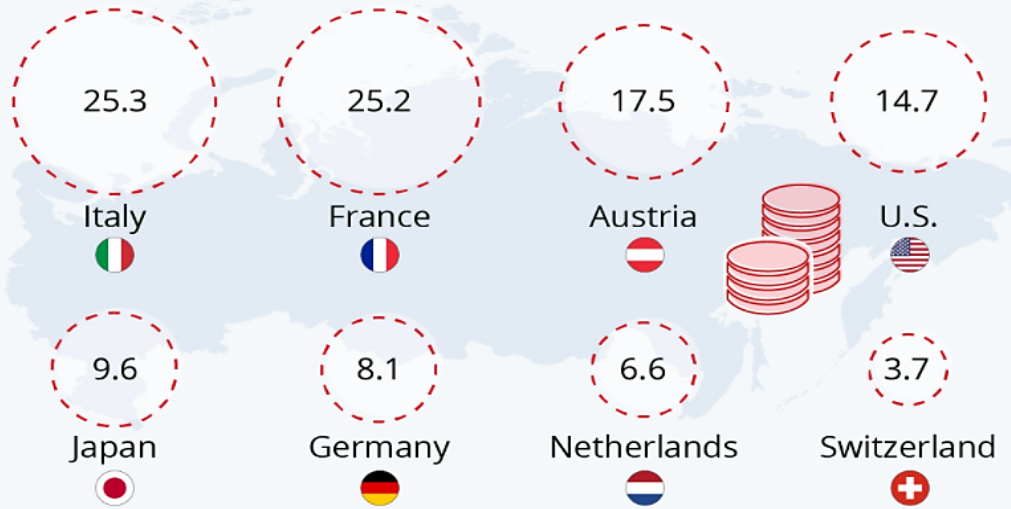
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**Where
banks hold
most
Russian
bonds?**

Biggest outstanding amounts on residents of Russia,
by country of foreign bank (in billion U.S. dollars)



Consolidated claims on an immediate counterparty basis, as of Sept 30, 2021
Source: Bank of International Settlements