PDM NETWORK *Monthly Newsletter*

n. 10/ November – December 2015

ISSN 2239-2033

Dear Partner, this *Newsletter* contains a list of the ***latest uploaded resources*** both in the documentation and in the event areas of the PDM Network website (**www.publicdebtnet.org**). The PDM Network has its main objective in the joint cooperation among its participants regarding the quantity and quality of information available on the website. So far, it is very appreciated a stronger collaboration in this field, **signaling to the Network Secretariat** any documents, news and events of interest at **publicdebtnet.dt@tesoro.it**.

Contents

New Documents 1
Papers, Articles & Books 1
Web Resources 10
Network News 16
Annual Reports & Guidelines 16
Events and Courses 16
Newly uploaded 16
Previously signaled 17
Communication Corner 17
Some figures 17
Participating Institutions in the PDM Network 17

New Documents

Papers, Articles & Books

Primary Market

International Sovereign Bonds by Emerging Markets and Developing Economies : Drivers of Issuance and Spreads (2015)

Andrea Presbitero ; Dhaneshwar Ghura ; Olumuyiwa Adedeji ; Lamin Njie - International Monetary Fund

Abstract: What determines the ability of low-income developing countries to issue bonds in international capital and what explains the spreads on these bonds? This paper examines these questions using a dataset that includes emerging markets and developing economies (EMDEs) that issued sovereign bonds at least once during the period 1995-2013 as well as those that did not. The authors find that an EMDE is more likely to issue a bond when, in comparison with non-issuing peers, it is larger in economic size, has higher per capita GDP, and has stronger macroeconomic fundamentals and government. Spreads on sovereign bonds are lower for countries with strong external and fiscal positions, as well as robust economic growth and government effectiveness. With regard to global factors, the results show that sovereign bond spreads are reduced in periods of lower market volatility.

[What are Green Bonds?](2015)

The World Bank

Abstract: The explosive growth of green bonds in the capital markets is increasingly attracting attention from investors. This surge in interest has created a demand for accessible information on the green bond market. This primer was created in response to this demand and covers the principles of this relatively new financial instrument. The following intends to serve as a guide for those interested in better understanding the nature of green bonds. The content will aim to distinguish green bonds from other traditional financial instruments. It will also provide insight into the potential of green bonds to mobilize new sources of climate finance. This paper includes the following highlights: understanding bonds (chapter one); understanding green bonds (chapter two); and benefits and potential.

Secondary Market

Emerging Market Portfolio Flows : The Role of Benchmark-Driven Investors (2015)

Serkan Arslanalp; Takahiro Tsuda - International Monetary Fund; Ministry of Finance Japan

Abstract: Portfolio flows to emerging markets (EMs) tend to be correlated. A possible explanation is the role global benchmarks play in allocating capital internationally, the so-called "benchmark effect." This paper finds that benchmark-driven investors indeed play a large role in a key segment of the market—the EM local currency government bond market—, accounting for more than one third of total foreign holdings as of end-2014. The authors find that the prominence of these investors declined somewhat after the May 2013 taper tantrum, but remain high. This distinction is important in understanding the drivers of EM capital flows and their sensitivity to different types of shocks. In particular, a high share of benchmark-driven investors may result in capital flows that are more sensitive to global shocks and less sensitive to country factors.

Expectations and risk premia at 8:30am: Macroeconomic announcements and the yield curve (2015)

Peter Hördahl, Eli M Remolona and Giorgio Valente - BIS and City University of Hong Kong

Abstract: The authors investigate the movements of the yield curve after the release of major U.S. macroeconomic announcements through the lenses of an arbitrage-free dynamic term structure model with macroeconomic fundamentals. Combining estimated yield responses obtained using high-frequency data with model estimates using monthly data, the authors show that bond yields move after announcements mostly because of revisions to expectations about short-term interest rates. Changes in risk premia are also sizable, partly offset the effects of short-rate expectations and help to account for the hump-shaped pattern across maturities. Most announcement responses are due to changes in expectations about the output gap.

Repo Market

Sovereign Debt, Securities Lending, and Financing During Crisis (2015)

Aggarwal Reena - Georgetown University; Bai Jennie - Georgetown University; Laeven Luc - European Central Bank

Abstract: The securities lending market is a core short-term funding market that not only provides critical liquidity to the financial markets but also facilitates collateral upgrading from low-grade securities to high-quality safe assets. Using a unique data set for European government bond loans, the authors find that during crises, borrowing costs increase more for high-quality liquid bonds issued by core countries compared to bonds from peripheral countries due to flight to quality. Borrowers are more likely to use non-cash collateral and pay high fees to upgrade collateral in stressed market conditions. The authors provide evidence showing the link between borrowing in the securities lending market and financing in the repo market. In addition, purchase of peripheral country bonds by the European Central Bank stimulates borrowing of these low-grade bonds, implying that the securities lending market serves as a channel to transmit monetary policy.

Issuing in Foreign Currency

Dollar credit to emerging market economies (2015)

Robert N McCauley; Patrick McGuire; Vladyslav Sushko – BIS

Abstract: The authors profile the US dollar debt incurred by borrowers in a dozen prominent emerging market economies (EMEs). These countries account for the bulk of total US dollar debt owed by EMEs. The authors measure the dollar borrowing of non-banks resident in these economies as well as that of their affiliates offshore, and relate these items to commonly used debt measures. The authors also discuss the limitations of our data. These data fail to assign bank debt to the right home country if firms have obtained dollar bank loans through offshore affiliates. And they understate dollar debt when firms borrow dollars indirectly through foreign exchange forwards.

Multilateral Debt

[Sovereign Debt Restructurings: Preemptive or Post-Default] (2015)

Asonuma Tamon - International Monetary Fund; Trebesch Christoph - University of Munich

Abstract: Sovereign debt restructurings can be implemented preemptively - prior to a payment default. The authors code a comprehensive new dataset and find that preemptive restructurings (i) are frequent (38% of all deals 1978-2010), (ii) have lower haircuts, (iii) are quicker to negotiate, and (iv) see lower output losses. To rationalize these stylized facts, the authors build a quantitative sovereign debt model that incorporates preemptive and post-default renegotiations. The model improves the fit with the data and explains the sovereign's optimal choice: preemptive restructurings occur when default risk is high ex-ante, while defaults occur after unexpected bad shocks. Empirical evidence supports these predictions.

[The Greek "Rescue": Where Did the Money Go?] (2015)

Bortz Pablo G. - University of San Martín, Argentina

Abstract: This paper analyses the financial assistance provided to Greece in the first two rescue packages granted by the Troika (European Union, European Central Bank and IMF). It looks particularly carefully at claims by Sinn that a third of the public credit granted to Greece financed its current account deficit, while another third funded capital flight by Greek nationals, with only the remaining third used to pay creditors. The paper shows that Sinn inflates the assistance given to Greece by mixing several different concepts in the total. It also critically reviews the claim that the assistance was used to finance the current account deficit or capital flight by Greek citizens. Realistic accounting shows that 54% of the financial assistance provided to Greece was used to repay (foreign) debt, while another 21% was used to recapitalize Greek banks (some of which were owned by foreign institutions). Other claims about the rescue package are also analysed in relation to the treatment of Greek and foreign banking exposure to sovereign debt.

[The case for contingent convertible debt for sovereigns] (2015)

Consiglio Andrea - University of Palermo; Zenios Stavros A. - University of Cyprus

Abstract: This papers makes the case for sovereigns to issue state-contingent convertible bonds(abbreviated S-CoCo) as a means to forestall debt crises. This is a financial innovation response to the lack of sovereign debt restructuring mechanisms. These instruments contractually stipulate payment standstill, contingent on a sovereign's credit default swap spread breaching a distress threshold. They have the advantage of ex ante limiting the likelihood of debt crises, and ex post risk sharing between creditors and the debtor. They are \contingent contracts" addressing problems of \neglected risks" in sovereign debt risk management. Building on literature for state-contingent convertible debt for banks (abbreviated B-CoCo) the authors address issues pertaining to the design of sovereign contingent debt, including market discipline and sovereign incentives; market manipulation and multiple equilibria; errors of false alarms or missed crises. However, in B-CoCo the conversion is from debt to equity, whereas in S-CoCo the conversion is to more favorable repayment schedule. The paper develops a risk optimization model to incorporate S-CoCo in the portfolio of instruments used to finance a sovereign. The model trades off expected cost vs tail risk. The authors use Greece as a case study to illustrate Pareto improvements when standstills are contractually possible.

Risk Management Models

[Making supervisory stress tests more macroprudential: Considering liquidity and solvency interactions and systemic risk] (2015)

Anand K. - Bank of Canada; Cetina J. - Office of Financial Research; van Lelyveld I. - Netherlands Bank; and others

Abstract: In the run-up to the financial crisis of 2008–09, banking supervisors had largely followed a microprudential approach towards assessing banks. As such, many of the "first-generation" stress tests used by bank supervisors after the crisis were data-heavy bottom-up exercises that focused on solvency risks. Some supervisors also considered liquidity risks, but these risks were often viewed as independent of solvency risks, to be estimated separately. Additionally, authorities' stress tests often did not consider the potential interlinkages in the banking system or ways in which bank behaviour might collectively prove destabilising to the financial system.[...]

[Sovereign ratings of advanced and emerging economies after the crisis] (2015)

Marlene Amstad - The Chinese University of Hong Kong; BIS

Abstract: The three major credit rating agencies have reassessed sovereign credit risks in the light of the Great Financial Crisis, increasing the transparency of their methodologies. This has resulted in material shifts in the rank-ordering of risks. Simple statistical models explain the lion's

share of ratings differentials and capture some, but not all, of the methodological changes. Support is not found for the hypothesis of bias against emerging market economies (EMEs). Some rating agencies other than the big three offer alternative risk rankings that are more favourable to EMEs. However, these tend to be less closely aligned with the rankings provided by market prices and institutional investors.

Derivatives

Italian Ordinary Statute Regions and Derivatives (2015)

Fantini Giulia - Swansea University; Oldani Chiara - LUISS Guido Carli University

Abstract: Regions are first-level local administrations in Italy. Since 2003, regions have extensively used over-the-counter (OTC) derivatives. Since the use of these derivatives is not clearly regulated, derivatives have been employed to hedge outstanding debt and its costs, but there is evidence that derivatives have also been used to pay current expenses. This study empirically investigates the dynamics the debt of Italian Ordinary Statute Regions and the impact of OTC derivatives during the 2007-2012 period, and the results show that derivatives – as measured by negative market value – have a positive and statistically significant relationship with debt.

Accounting, Transparency and Accountability

Defining the Government's Debt and Deficit (2015)

Irwin Timothy C. - International Monetary Fund

Abstract: Although the budget deficit and the public debt feature prominently in political debate and economic research, there is no agreement about how they should be measured. They can be defined for different sets of public institutions, including the nested sets corresponding to central government, general government, and the public sector, and, for any definition of government, there are many measures of the debt and deficit, including those generated by four kinds of accounts (cash, financial, full accrual, and comprehensive), which can be derived from four nested sets of assets and liabilities. Each debt and deficit measure says something about public finances, but none tells the whole story. Each is also vulnerable to manipulation, and is likely to be manipulated if it is subject to a binding fiscal rule or target. Narrow definitions of government encourage the shifting of spending to entities outside the defined perimeter of government. Narrow definitions of debt and deficit encourage operations involving off-balance-sheets assets and liabilities, while broad measures are susceptible to the mismeasurement of on-balance-sheet assets and liabilities. Reviewing the literature on these issues, the paper concludes that governments should publish several measures of the debt and deficit in a form that clearly reveals their interrelationships.

International debt statistics 2016 (2016)

Financial Data Team - Development Data Group(DECDG), World Bank

Abstract: International Debt Statistics 2016 focuses on financial flows, trends in external debt, and other major financial indicators for low, middle, and high-income countries. The report includes more than 200 time series indicators from 1970 to 2014 for most reporting countries. This edition of International Debt Statistics (IDS) has been reconfigured to offer a more condensed presentation of the principal indicators, along with additional tables showcasing quarterly external debt statistics and public sector debt.

The Whole Elephant : A Proposal for Integrating Cash, Accrual, and Sustainability-Gap Accounts (2015)

Timothy Irwin - International Monetary Fund

Although the budget deficit is much discussed in political debate and economic research, there is no agreement on how it should be measured. There are at least four options, which can be called the cash deficit, the financial deficit, the full-accrual deficit, and the comprehensive deficit. Each is informative, but each has problems of relevance or reliability. Some are more vulnerable to manipulation involving assets and liabilities that are unrecognized in the underlying accounting, others to manipulation involving the mismeasurement of recognized assets and liabilities. Governments should publish all four in a form that reveals their interrelationships.

Coordination with Other Policies and Operations

Slowdown in emerging markets : rough patch or prolonged weakness? (2015)

Tatiana Didier, M. Ayhan Kose, Franziska Ohnsorge and Lei Sandy Ye - The World Bank

A synchronous growth slowdown has been underway in emerging markets (EM) since 2010. Growth in these countries is now markedly slower than, not just the pre-crisis average, but also the long-term average. As a group, EM growth eased from 7.6 percent in 2010 to 4.5 percent in 2014, and is projected to slow further to below 4 percent in 2015. This moderation has affected all regions (except South Asia) and is the most severe in Latin America and the Caribbean. The deceleration is highly synchronous across countries, especially among large EM. By 2015, China, Russia, and South Africa had all experienced three consecutive years of slower growth. The EM-AE growth differential has narrowed to two percentage points in 2015, well below the 2003-08 average of 4.8 percentage points and near the long-term average differential of 1990-2008. The recent slowdown in EM has been a source of a lively debate, as evident from the quotations at the beginning of this note. Some economists paint a bleak picture for the future of EM and argue that the impressive growth performance of EM prior to the crisis was driven by temporary commodity booms and rapid debt accumulation, and will not be sustained. Others emphasize that a wide range of cyclical and structural factors are driving the slowdown: weakening macroeconomic fundamentals after the crisis; prospective tightening in financial conditions; resurfacing of deep-rooted governance problems in EM; and difficulty adjusting to disruptive technological changes. Still others highlight differences across EM and claim that some of them are in a better position to weather the slowdown and will likely register strong growth in the future. This policy research note seeks to help move the debate forward by examining the main features, drivers, and implications of the recent EM slowdown and provides a comprehensive analysis of available policy options to counteract it.

Debt sustainability in Sub-Saharan Africa: unraveling country-specific risks (2015)

Bill Battaile; F. Leonardo Hernández; Vivian Norambuena - the World Bank; University of Chile

Abstract: Sub-Saharan African countries as a group showed a considerable reduction in public and external indebtedness in the early 2000s as a result of debt relief programs, higher economic growth, and improved fiscal management for some countries. More recently, however, vulnerabilities in some countries are on the rise, including a few with very rapid debt accumulation. This paper looks at the heterogeneous experiences across Sub-Saharan African countries and the detailed dynamics that have driven changes in public debt since the global financial crisis. Borrowing to support fiscal deficits since 2009, including through domestic markets and Eurobond issuance, has driven a net increase in public debt for all countries except oil exporters benefitting from buoyant commodity prices and fragile states receiving post-2008 Highly Indebted Poor Country relief. Current account deficits and foreign direct investment inflows drove the external debt dynamics, with balance of payments problems associated with very rapid external debt accumulation in some cases. Pockets of increasing vulnerabilities of debt financing profiles and sensitivity of debt burden indicators to macro-fiscal shocks require close monitoring. Specific risks that policy makers in Sub-Saharan Africa need to pay attention to going forward include the recent fall in commodity prices, especially oil, the slowdown in China and the sluggish recovery in Europe, dependence on non-debt-creating flows, and accounting for contingent liabilities.

Mongolia Economic Update (2015)

World Bank Group

Abstract: Mongolia's growth sharply slowed to 3.0 percent in the first half of 2015. External demand is weakening due to a continued dampening of the commodity market and slower growth in China, translating into a drop in exports. Slowing domestic demand is largely caused by a plunge in investment due to falling foreign direct investment (FDI). Measures were taken to curb the budget deficit, debt, and off-budget expenditures. New deficit and debt ceilings were set for 2015-18 by amending the fiscal stability law (FSL) in January. The 2015 budget was amended in January to curb the structural deficit within 5 percent of gross domestic product (GDP). Growth is expected to slow in 2015-16, but a recovery in foreign investment will begin to support the growth of the non-mining sector in 2016. The Development Bank of Mongolia (DBM) is expected to provide about Mongolian Tughrik rates (MNT) 600 billion to its commercial portfolio in 2015, and to further reduce its commercial spending to MNT 300-400 billion in the next couple of years due to tight financing conditions. Under these assumptions, the commercial projects financed by the DBM are expected to around 3 percent of GDP in 2015, and decline to 1-1.5 percent of GDP in 2016.

Monetary Policy

Asset purchase programmes and financial markets: lessons from the euro area (2015)

Altavilla Carlo - European Central Bank; Carboni Giacomo - European Central Bank; Motto Roberto - European Central Bank

Abstract: In this paper the authors evaluate the effects on asset prices of the ECB asset purchase programme (APP) announced in January 2015 and assess its main transmission channels. The authors do so by first extending a term structure model with bond supply effects to account for assets with different types of risk premia. The authors then derive model-based predictions for cross-asset price movements associated with the

transmission channels identified in the model. The authors finally validate empirically these predictions by means of an event- study methodology, reaching the following conclusions: The impact of the APP on asset prices is sizeable albeit the programme was announced at a time of low financial distress. This may appear puzzling in light of existing literature that finds a large impact of asset purchases only in periods of high financial distress. Consistent with the model, the authors explain this apparent puzzle by showing how the low financial distress, while indeed weakening certain transmission channels, has reinforced other channels because of its interplay with the asset composition of the programme. Targeting assets at long maturity and spanning the investment-grade space have supported the duration and the credit channels. At the same time, the low degree of financial stress prevailing at announcement of the programme, while weakening the local supply channel, has facilitated spill-overs to non-targeted assets.

Spillovers from the ECB's non-standard monetary policies on non-euro area EU countries: evidence from an event-study analysis (2015)

Falagiarda Matteo - European Central Bank; McQuade Peter - European Commission; Tirpák Marcel - European Central Bank

Abstract: Using event-study techniques the authors investigate the presence and the magnitude of spillovers from the ECB's non-standard monetary policies on financial assets in selected non-euro area EU countries from Central and Eastern Europe (the Czech Republic, Hungary, Poland and Romania). Generally, the authors find strong evidence of spillover effects from the ECB's announcements on bond yields. The authors also find that the SMP announcements resulted in significant spillovers, while those from the OMT and the PSPP announcements were rather limited. Turning to the transmission channels, the authors argue that spillovers from the SMP announcements went through the portfolio rebalancing and the signalling channels. The transmission of the OMT operated via the confidence channel and for the PSPP the authors find evidence that both the confidence and the signalling channels were at play.

Effects of Monetary and Macroprudential Policies on Financial Conditions : Evidence from the United States (2015)

Aleksandra Zdzienicka ; Sally Chen ; Federico Diaz Kalan ; Stefan Laseen ; Katsiaryna Svirydzenka - International Monetary Fund

Abstract: The Global Financial Crisis has reopened discussions on the role of the monetary policy in preserving financial stability. Determining whether monetary policy affects financial variables domestically—especially compared to the effects of macroprudential policies— and across borders, is crucial in this context. This paper looks into these issues using U.S. exogenous monetary policy shocks and macroprudential policy measures. Estimates indicate that monetary policy shocks have significant and persistent effects on financial conditions and can attenuate long-term financial instability. In contrast, the impact of macroprudential policy measures is generally more immediate but shorter-lasting. Also, while an exogenous increase in U.S. monetary policy rates tends to reduce credit and house prices in other countries—with the effects varying with country-specific characteristics—an increase driven by improved U.S. economic conditions tends to have the opposite effect. Finally, the authors do not find evidence of cross-border spillover effects associated with U.S. macroprudential policies.

The Impact of Unconventional Monetary Policy Measures by the Systemic Four on Global Liquidity and Monetary Conditions (2015)

Yevgeniya Korniyenko, Elena Loukoianova - International Monetary Fund

Abstract: The paper examines the impact of unconventional monetary policy measures (UMPMs) implemented since 2008 in the United States, the United Kingdom, Euro area and Japan— the Systemic Four—on global monetary and liquidity conditions. Overall, the results show positive significant relationships. However, there are differences in the impact of the UMPMs of individual S4 countries on these conditions in other countries. UMPMs of the Bank of Japan have positive association with global liquidity but negative association with securities issuance. The quantitative easing (QE) of the Bank of England has the opposite association. Results for the quantitative easing measures of the United States Federal Reserve System (U.S. Fed) and the ECB UMPMs are more mixed.

What do new forms of finance mean for EM central banks? (2015)

Monetary and Economic Department – BIS

Abstract: The size and the structure of financial intermediation influence the cost of credit, the risk exposure of financial institutions and the effectiveness with which monetary policy is transmitted to the economy. Over the past decade, financial intermediation in emerging market economies (EMEs) has

undergone important changes: a higher volume of debt financing has gone hand in hand with a growing internationalization of financial markets and increased lending to households. The 2015 Deputy Governors meeting examined the implications of these trends for EMEs. Participants discussed three distinct but interrelated topics: (i) the role of banks; (ii) the role of debt securities markets; and (iii) the implications of recent changes in financial intermediation for monetary policy.[…]

Fiscal Policy and Budget Management

Fiscal rules, fiscal space and procyclical fiscal policy (2015)

Carolin Nerlich; Wolf Heinrich Reuter - European Central Bank; Vienna University of Economics and Business

Abstract: In this paper the authors analyse the interaction of fiscal rules and fiscal space. The authors find strong evidence for fiscal rules being associated with higher fiscal space. Furthermore, the analysis shows that countries with more fiscal space tend to have higher discretionary expenditures, but that this effect is significantly reduced if fiscal rules are in place. A similar effect can be observed for the procyclicality of fiscal policy, which is significantly higher in an environment of ample fiscal space, while this difference is reduced with fiscal rules. Regarding the different types of fiscal rules, the authors find the strongest results for expenditure rules and to a lesser extent for balanced budget rules, but none for debt rules.

Italy's Spending Maze Runner – An analysis of the structure and evolution of public expenditure in Italy (2015)

Dimitri Lorenzani; Vito Ernesto Reitano - European Commission

Abstract: This paper explores the composition and developments of public expenditure in Italy and compares them with other big Member States. On the basis of this analysis, it draws several possible policy implications. Based on the latest available data by economic classification and function, Italy's public expenditure appears to be increasingly biased towards the elderly, while growth-enhancing spending has been markedly restrained during the crisis. Debt-servicing costs absorb significantly higher resources than in the rest of the euro area, so that Italy's public expenditure remains above the euro area average as a share of potential GDP despite slightly lower primary expenditure. Overall, the paper suggests that it may be difficult in the future to contain Italy's primary expenditure solely by relying on spending cuts, while leaving the current perimeter of State action unchanged. A systematic and rigorously implemented spending review would be needed to increase the efficiency of public expenditure and make its composition more growth-friendly, in order to support ongoing structural reform efforts and boost the country's potential growth. Finally, positive spending review measures enacted so far in Italy, such as the so-called "Fornero reform" to reduce the much higher-than-average pension expenditure and ensure its sustainability in the long run, should be fully implemented also with the objective of increasing labour market participation and the adequacy of future entitlements.

Medium-Term Budgetary Frameworks in the EU Member States (2015)

Monika Sherwood - European Commission

Abstract: Effective budgetary management requires medium-term planning, by which the horizon for fiscal policymaking is extended beyond the annual budget cycle. All EU Member States have some sort of a Medium-Term Budgetary Framework (MTBF) in place but these frameworks differ substantially across countries in terms of political commitment, planning horizon, coverage, level of detail, formulation of targets, exclusion of certain items, carryover arrangements and binding nature. The experience of the recent crisis shows that allowing for more flexibility in the design of the MTBFs might be warranted. This, however, should be accompanied by more transparency in adjusting of the budgetary targets and increased role for independent monitoring of government's fiscal policy and execution.

Public Debt in Macroeconomic Analysis

Macroeconomic Variables and the Sovereign Risk Premia in EMU, Non-EMU EU, and Developed Countries (2015)

Gevorkyan Arkady - The New School for Social Research; Semmler Sr. Willi - The New School

Abstract: This project studies and models key macroeconomic variables and their impact on sovereign risk premia across some European economies and developed countries. The sample is divided into groups of countries in the European Monetary Union (EMU), the 'standalone' economies that are outside the EMU but are members of the broader European Union (EU), and other developed economies. The main subject of examination across all the groups is the impact of macroeconomic variables on sovereign borrowing costs. Our analysis relies on the five-year credit default swaps (CDS) spread as a leading forward indicator in sovereign

finance. The paper also presents a graphical presentation of the time series of sovereign and corporate CDSs and monetary policy actions. A nonlinear model predictive control (NMPC) method is used to solve for different variants of the dynamic macro model. In the empirical section, GARCH modeling is applied to show interrelations of the volatilities of the five-year sovereign CDS for each group. The authors find that the volatility of the country risk premia is similar in both the high- and low-financial stress regime countries, therefore volatility does not detrimentally differentiate the sovereign CDS. A nonlinear vector smooth transition autoregressive (VSTAR) model is applied to investigate instabilities in the financial sector (based on sovereign CDS) and Industrial Production Index. The paper finds that regime-switching takes place rather suddenly in most EMU countries. EU countries that are not members of the EMU also experienced high financial stress and a rapid rise in the CDS spread as a result of the formation of the EMU. Due to the potential spillover effect in the European Union, the individual country macroeconomic indicators were undermined.

Analysis of the Seeds of the Debt Crisis in Europe (2015)

Yener Haluk - Kadir Has University; Stengos Thanasis - University of Guelph; Yazgan Mustafa Ege - Istanbul Bilgi University

Abstract: This paper presents an analysis of the seeds of the recent debt crisis that occurred in the Eurozone area. The authors use the model of Fleming and Stein (2004) for the analysis. This model has two risk drivers arising from uncertainties in the return on capital and the effective rate of return on net foreign assets. Given the risk drivers, the authors model the net worth value process of an economy under a stochastic setting and show that opening to the rest of the world by pursuing the growth maximizing leverage strategy is better than remaining closed, as that strategy enhances the growth of the net worth process. Second, the authors provide an extra condition to show when the excessive leverage poses a threat to the sustainable growth of an economy. In this way, the authors improve the model introduced by Fleming and Stein as a signal of possible debt crises.

Debt Stabilization and Debt Mutualization in a Monetary Union with Endogenous Risk Premia (2015)

Engwerda Jacob - Tilburg University, The Netherlands; van Aarle Bas - VIVES KU Leuven, Belgium ; Weeren Arie - University of Antwerp, Belgium

Abstract: In this paper the authors analyse debt stabilization in a monetary union that features endogenous risk premia. In particular, the authors analyse debt stabilization in two diametrically opposed regimes. In the first regime, the "national fiscal discipline regime", financial markets impose sovereign risk premia based on each country's government debt level. In the second regime, the "eurobonds Regime", financial markets impose a risk premium based on the average debt level in the monetary union. The authors compare outcomes in both regimes using simulations of a number of relevant scenarios.

The Effect of the Public Debt on Economic Growth in Sri Lankan Economy (2015)

Kumarasinghe P. J. - University of Sri Jayewardenepura; Purankumbura P. R. P. - University of Sri Jayewardenepura

The paper analyzes the impact made by the debt stock of the economy on the long-term growth, and the study is conducted through the data available over 50 years starting from 1963 in the Sri Lankan context. A model has been developed and analyzed through the econometric tools and techniques and the conclusions have been drawn based on the model results. The study reveals that debt has a non-linear relationship with the growth rate, and further it shows that beyond 61% debt to GDP ratio, & debt would create negative impact on the economic growth rate. Additionally, following channels were found to have an impact over the growth rate through public debt (i) National Savings (ii) Gross investment (iii) Trade Openness (iv) Budget Deficit. The paper mainly concludes, emphasizing that the policy makers should concern debt reduction and prudent debt management in order to achieve long -term economic growth.

The Impact of Treasury Supply on Financial Sector Lending and Stability (2015)

Krishnamurthy Arvind - Northwestern University; Vissing-Jorgensen Annette - Northwestern University

Abstract: In this paper the authors present a theory in which the key driver of short-term debt issued by the financial sector is the portfolio demand for safe and liquid assets by the nonfinancial sector. This demand drives a premium on safe and liquid assets that the financial sector exploits by owning risky and illiquid assets and writing safe and liquid claims against them. The central prediction of the theory is that safe and liquid government debt should crowd out financial sector lending financed by short-term debt. We verify this prediction with US data from 1875 to 2014. We take a series of approaches to rule out standard

crowding out via real interest rates and to address potential endogeneity concerns.

How Do Public Debt Cycles Interact with Financial Cycles? (2015)

Poghosyan Tigran - International Monetary Fund

Abstract: In this paper the authors employ a duration model to study determinants of public debt cycles in 57 advanced and emerging economies over the 1960–2014 period, with a particular focus on the impact of financial cycles. The results suggest that the association between financial and debt cycles is asymmetric. Debt expansions preceded by overheating in credit and financial markets tend to last longer than other expansions, but there is no significant association between financial cycles and debt contractions. There is strong evidence of duration dependence in both phases of the cycle, with the likelihood of expansions and contractions to end increasing with the length of their respective spells. Higher initial level of debt increases the spell of contractions (persistence of adjustment effort hypothesis) and reduces the spell of expansions (debt sustainability hypothesis). This result is robust to the inclusion of global factors, openness, political stability, and debt crisis indicators as additional controls.

Dating systemic financial stress episodes in the EU countries (2015)

Thibaut Duprey; Benjamin Klaus; Tuomas A. Peltonen - Bank of Canada; European Central Bank; European Systemic Risk Board

Abstract: This paper introduces a new methodology to date systemic financial stress events in a transparent, objective and reproducible way. The financial cycle is captured by a monthly country-specific financial stress index. Based on a Markov Switching model, high financial stress regimes are identified and a simple algorithm is used to select those episodes of financial stress that are associated with a substantial negative impact on the real economy. By applying this framework to 27 EU countries, the paper is a first attempt to provide a chronology of systemic financial stress episodes in addition to the expert-detected events available so far.

Debt Maturity : Does It Matter for Fiscal Space? (2015)

Jun Il Kim - International Monetary Fund

Abstract: This paper examines how debt maturity affects the debt limit, defined as the maximum amount of debt a government can afford without defaulting. The authors develop a model where investors are risk neutral, the primary balance is stochastic but exogenous, and default occurs solely due to the government's inability to pay. The authors find that debt limit is higher for long-term debt. Underlying this finding is the intrinsic advantage of long-term debt to price in future upside potential in fiscal outcomes in its current price. Such advantage makes long-term debt effectively cheaper than short-term debt at the margin, and leads to a higher debt limit. Simulation results suggest that the effect of debt maturity on debt limit could be substantial—particularly, if fiscal outcomes are subject to large uncertainty.

The Great Tradeoff: Confronting Moral Conflicts in the Era of Globalization (2015)

Steven R. Weisman - The Peterson Institute for International Economics

Abstract: The global financial and economic crisis that began in 2008 has blasted livelihoods, inspired protests, and toppled governments. It has also highlighted the profound moral concerns long surrounding globalization. Did materialist excess, doctrinaire embrace of free trade and capital flows, and indifference to economic injustice contribute to the disaster of the last decade? Was it ethical to bail out banks and governments while innocent people suffered? In this blend of economics, moral philosophy, history, and politics, Steven R. Weisman argues that the concepts of liberty, justice, virtue, and loyalty help to explain the passionate disagreements spawned by a globally integrated economy.

From Stress to Growth: Strengthening Asia's Financial Systems in a Post-Crisis World (2015)

Marcus Noland, Donghyun Park - The Peterson Institute for International Economics, Asian Development Bank (ADB)

Abstract: Asian financial systems, which serve the most economically dynamic region of the world, survived the global economic crisis of the last several years. In From Stress to Growth: Strengthening Asia's Financial Systems in a Post-Crisis World, scholars affiliated with the Peterson Institute for International Economics and the Asian Development Bank argue in separate essays that Asian systems must strengthen their quality, diversity, and resilience to future shocks in order to deliver growth in coming years.

Post-Programme Surveillance Report. Spain, Autumn 2015

European Commission

Abstract: This report by the European Commission presents the findings of the fourth post-programme surveillance mission to Spain and identifies remaining challenges for the Spanish economy. This fourth surveillance

report provides an assessment of Spain's economic, fiscal and financial situation following its exit from the financial assistance programme in January 2014. A team from the European Commission, together with staff from the European Central Bank (ECB), carried out a fourth post-programme surveillance visit to Spain on 5-8 October 2015. The European Stability Mechanism (ESM) participated in the meetings on aspects relating to its early warning system. The report also covers the Commission's specific monitoring of policy progress in the context of the macroeconomic imbalances procedure (MIP).

Progress towards meeting the economic criteria for EU accession: the EU Commission's 2015 assessments (2015)

European Commission

Abstract: In this Institutional Paper the Directorate General for Economic and Financial Affairs brings together into a single document the economic chapters of the 2015 European Commission's country reports for the seven enlargement countries Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey. The reports assess progress achieved over the last 12 months in each of the countries, embedded in a broader assessment of trends over a 3 to 5 year horizon, with a view to advance necessary political and economic reforms as well as legal transformation in line with the EU criteria. The European Commission adopted the progress reports on 10 November 2015 as part of its 2015 Enlargement Strategy.

Economic Growth and Public Indebtedness in the Last Four Decades: Is Portugal different from the other PIIGSeconomies? (2015)

Ferraz Ricardo - Lisbon School of Economics and Management; Portugal Duarte António - Faculty of Economics, Coimbra University, Portugal

Abstract: Portugal is a member of the group known by investors as 'PIIGS', countries characterised by having high public debt and weak economic growth. Using an extended time horizon, 1974–2014, this study seeks to empirically explore the relationship between economic growth and public debt in the PIIGS economies, particularly in the case of Portugal. Based on the estimation of linear regression models, it was concluded that in the last four decades there has been a negative relationship between economic growth and public debt in both cases, which is consistent with the literature. The negative relationship was even more pronounced in the case of the PIIGS than it was in the case of Portugal.

Historical Evolution of Public Debt Management

IMF Governance Reform: Better Late than Never (2015)

Edwin M. Truman - The Peterson Institute for International Economics

Abstract: At last the road blocks to reform of the International Monetary Fund (IMF) are about to be removed. Embedded in the Consolidated Appropriations Act of 2016 now before the US House of Representatives and the Senate are provisions that will allow the IMF to implement quota and governance reforms agreed in Seoul in 2010. All indications are that the legislation is likely to pass and to be signed by President Barack Obama. The world has been waiting on the United States to provide the necessary approval at least since the end of 2012. The delay has cost the United States dearly in terms of its credibility and global leadership. The costs would have been worse had the administration and Congress again failed to address US international responsibilities.

Web Resources

Primary Market

Stability bonds for the Eurozone

Ángel Ubide - Peterson Institute for International Economics

The diversity of European economic cycles, economic structures, and political dynamics is a strength of the Eurozone. However, sustainable arrangements are required to distribute risks and ensure that all countries can use fiscal policy to cushion economic downturns. This column proposes the creation of a system of stability bonds for the Eurozone. These could be structured to minimise moral hazard, improve governance, and ensure that fiscal policy can support growth during the next recession.

Repo Market

Guidance Notes - ICMA ERCC repo market survey 9 December 2015

ICMA - International Market Association

All European banks dealing in repo are invited to participate in ICMA's 30th survey of the European repo market. Launched in September 2001, the surveys have established the most authoritative picture to date of the size of the repo market in Europe. The survey has continued to give an accurate picture of how the European repo market has responded to turbulent market conditions in the last few years. The survey was originally commissioned at the request of the ICMA European Repo and Collateral Council, a body set up within ICMA's structure to promote and represent members active in Europe's repo markets. [...]

Issuing in Foreign Currency

Eastern Europe Benefits from a Stronger Dollar

Simeon Djankov - New Economic School in Russia

The much-anticipated increase in US interest rates is finally here. With it comes the expectation that growth in emerging markets will suffer, as these economies bear the brunt of the additional cost to rising debt. But one region seems largely immune to this effect: Eastern Europe.

Multilateral Debt

Mexico: Review Under the Flexible Credit Line Arrangement-Press Release; and Staff Report - Country Report No. 15/322

International Monetary Fund

Mexico has navigated successfully a complex external environment, characterized by falling commodity prices, a sharp appreciation of the U.S. dollar, and heightened volatility in international financial markets.[...]

Republic of Armenia: Second Review Under the Extended Arrangement and Request for Waivers of Nonobservance and Rephasing; Press Release; Staff Report; Supplement; [...] - Country Report No. 15/320

International Monetary Fund

Since late 2014, Armenia's economic performance has been affected by significantly weaker external conditions, as the slowdown of the Russian economy, the weakening of the ruble, lower metals prices, and the strengthening of the dollar have led to pressures on external receipts, particularly remittances.[...]

Republic of Madagascar: Staff-Monitored Program and Request for Disbursement Under the Rapid Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Republic of Madagascar - Country Report No. 15/325

International Monetary Fund

Madagascar's economic recovery has failed to gain momentum in 2015, due largely to external shocks, persistent political instability, and weak governance. Nonetheless, the authorities have implemented an adequate policy mix that has broadly maintained macroeconomic stability. [...]

Sierra Leone: Third and Fourth Reviews Under the Extended Credit Facility Arrangement and Financing Assurances Review, Requests for Waivers for Nonobservance of Performance Criteria and [...] - Country Report No. 15/323

International Monetary Fund

The Ebola outbreak and the sharp drop in iron ore prices have dealt a severe blow to Sierra Leone's economy. The epidemic, which appears to be in its final stages, has exacted a heavy human toll (more than 3,500 lives) and disrupted economic activity. The sharp drop in iron ore prices has compounded these difficulties by shuttering the main iron ore mines.

Uganda: Fifth Review Under the Policy Support Instrument and Request for Waiver of an Assessment Criterion and Modification of Assessment Criteria-Press Release; and Staff Report - Country Report No. 15/321

International Monetary Fund

The economy has fared well in a difficult environment. A large exchange rate depreciation fueled inflation prospects and prompted sharp monetary tightening. Credit deceleration and weakened confidence linked to the proximity of the election slowed private activity, but growth was supported by dynamic public investment. International reserves remained comfortable. [...]

Dominica: Request for Disbursement Under the Rapid Credit Facility-Press Release; Staff Report; for Dominica - Country Report No. 15/316
International Monetary Fund
On August 27, 2015, Dominica was hit by Tropical Storm Erika, resulting in loss of life and substantial damage to crops and physical infrastructure. Flooding and landslides have severely damaged transport infrastructure and substantially diminished the productive capacity of agriculture and tourism. The main airport was badly damaged, with its operations continuing to be heavily limited.[...]

Islamic Republic of Afghanistan: 2015 Article IV Consultation and First Review Under the Staff-Monitored Program-Press Release; Staff Report; and Statement by the Executive Direct for the Islamic Republic of Afghanistan - Country Report No. 15/324
International Monetary Fund
Since 2002, Afghanistan has made important strides in building its economy, infrastructure and institutions, supported by large aid flows and despite security challenges. The first democratic transfer of political power that occurred in late 2014 provided a distinct chance to renew impetus in economic reforms on the basis of a clear and ambitious agenda proposed by the new national unity government. [...]

Legal Issues and Conventions

Firm as a rock - is bank capital an all-purpose tool? The example of sovereign debt regulation
Bundesbank.de
Public Speech held by Dr Andreas Dombret, Member of the Executive Board of the Deutsche Bundesbank, at the Columbia University in New York City on 04.12.2015

G20 Leaders' communiqué Antalya summit, 15-16 November 2015
Consilium.europa.eu
The communique highlights key areas to enhance for the stability of the financial system, including: central counterparty (CCP) resilience, recovery planning and resolvability, further strengthening of oversight and regulation of the shadow banking sector; further progress in assessing and addressing the decline in banking services; and implementation of OTC derivatives reforms.

Implementation of Basel standards - A report to G20 Leaders on implementation of the Basel III regulatory reforms
BIS
This is the sixth report from the Basel Committee on Banking Supervision to update G20 Leaders on progress in implementing the Basel III regulatory reforms by the 27 Basel Committee member jurisdictions.[...]

Revisions to the Standardised Approach for credit risk: Basel Committee issues second consultative document
BIS
Basel Committee sets up both a Technical draft and a 2016 QIS (quantitative impact study) in order to describe a new SA methodology. This implies principally not relying on CRAs' work, but using it just as a conceptual base, followed by a deep single exposure/asset class "ad hoc" due diligence process. It will lead to more realistic, comparable, deep results than a mechanical using of CRAs in Risk Management activities. Due Diligence processes will be conducted under two or more pillars, such as CET1 Tier One and Asset Quality Review (AQR). New AQR will involve new different principles and constraints related to different clusters of exposures/asset class. The revised proposals form part of the Committee's broader review of the capital framework to balance simplicity and risk sensitivity, and to promote comparability by reducing variability in risk-weighted assets across banks and jurisdictions.

Preferential regulatory treatment and banks' demand for government bonds
Clemens Bonner - Nederlandsche Bank
Economists continue to debate whether preferential treatment in financial regulation increases banks' demand for government bonds. This column looks at bank purchases of government bonds and other types of bonds when constrained by a capital or liquidity requirement. Financial regulation seems to be a main driver of banks' demand. If regulators wish to break the vicious circle from weak banks to weak governments, revising financial regulation seems to be a good starting point.

Risk Management Models

A Survey of Securities Market Risk Trends 2015
Shane Worner - IOSCO's Research Department

The main purpose of the survey is to gather views on emerging risks to/within securities markets and help identify/highlight pockets of risk that may not be captured by normal statistical analysis or desk research. It is not an attempt to rank risks through a survey. The survey should be seen as one way to gather global views and opinions and an important supplement to the market intelligence and other data research exercises undertaken by the research function of IOSCO. The results of this survey constitute an important input into the annual production of the IOSCO Securities Market Risk Outlook, the next edition being due for publication in January 2016.

Accounting, Transparency and Accountability

National Accounts at a Glance 2015

Oecd

National Accounts at a Glance presents information using an "indicator" approach, focusing on cross-country comparisons. The aim being to make the national accounts more accessible and informative, whilst, at the same time, taking the opportunity to present the conceptual underpinning of, and comparability issues inherent in each of the indicators presented. The range of indicators reflects the richness inherent in the national accounts dataset and encourages users to refocus some of the spotlight that is often placed on gross domestic product (GDP) to other economic important indicators, which may better respond to their needs. The publication is broken down into eight key chapters, and provides indicators related to GDP, income, disposable income, expenditure, production, household, government, corporations and capital respectively.

Supplements to the Statistical Bulletin - Monetary and Financial Indicators - Public Finance Statistics in the European Union - No. 65 – 2015

Bank of Italy

This twice-yearly publication contains annual statistics on general government net borrowing, debt and main profit and loss account items of the EU countries and remaining G7 countries (United States, Japan and Canada).

Supplements to the Statistical Bulletin - Monetary and Financial Indicators - The Public Finances, borrowing requirement and debt, No. 62 - 2015

Bank of Italy

These are monthly statistics on the general government borrowing requirement and gross debt broken down into the sub-sectors central government, local government, and social security agencies.

Supplements to the Statistical Bulletin - Monetary and Financial Indicators N.67 - 2015

Bank of Italy

This is a monthly publication of statistics on Italian debt securities and the securities portfolios of portfolio management services and Italian investment funds.[...]

DMO’s Programmes and Reports

Japanese Government Bonds - Monthly Newsletter of the Ministry of Finance, Japan - January 2016

Ministry of Finance, Japan

The total issuance of the JGB for FY2016 is to be reduced by 7.8 trillion yen (from FY 2015 initial JGB Issuance Plan) to 162.2 trillion yen mainly because of the decrease in the volume of newly-issued bonds (i.e., Construction Bonds and Special Deficit-Financing Bonds), Reconstruction Bonds and Refunding Bonds.

Coordination with other Policies and Operations

BIS Quarterly Review - December 2015

BIS

The interplay between the shifting prospects for policy normalisation in the United States, emerging market (EM) weaknesses and accommodation in other major advanced economies (AEs), drove market developments in the fourth quarter of 2015.[...]

European Union – progress or regress?

BIS

This speech was presented by the Bank of Italy's Governor Ignazio Visco at the 50th Anniversary Conference of the Istituto Affari Internazionali on November 13, 2015 in Rome, Italy.

Monetary Policy

[“Sudden floods” and sudden stops of capital flows in an environment of ultra-low interest rates: an equal opportunity menace for emerging market and advanced economies alike]
BIS
Emerging market economies (EMEs) learned painfully from their own crises, especially in the 1990s, that although they could manage some temporary deviations from the strict trilemma of the impossible trinity, any persistent attempt to depart from it could have negative consequences for the market value of their assets.[...]

Big Ben: Bernanke, the Fed, and the Real Lessons of the Crisis
Adam S. Posen - Peterson Institute for International Economics
The biggest revelation offered by Ben Bernanke's memoir of his time as chair of the U.S. Federal Reserve is just how much the public, the media, and especially elected officials have misunderstood the real lessons of the 2008 financial crisis and the subsequent Great Recession—events that defined Bernanke's tenure, which began in 2006 and ended in 2014. Bernanke spends much of the book justifying what should be self-evident: that the risk of a second Great Depression called for precisely the sort of active monetary policy that he and his colleagues at the Fed pursued.

Fiscal Policy and Budget Management

Disaster Risk Financing - A global survey of practices and challenges
OECD
This book provides an overview of the disaster risk assessment and financing practices of a broad range of economies. It draws on the G20/OECD Framework for Disaster Risk Assessment and Risk Financing and is based on a survey covering 29 economies.

Report on Public Finances in EMU 2015
European Commission
The European Commission’s annual Report on Public Finances in the EMU provides an overview of key policy developments and analytical findings in this area. The report describes recent development with deficits and debt, underlining the need to achieve a balance between short-term stability and long-term sustainability of public finances. The focus this year is the challenge that low-inflation poses to fiscal policy.

The State of Public Finances 2015 - Strategies for Budgetary Consolidation and Reform in OECD Countries
OECD
Previous OECD publications have tracked the fiscal policy responses adopted by OECD governments during the early years of the crisis (2007-2012). This book takes stock of how these responses have evolved in recent years, up to 2014/15.

Public Debt in Macroeconomic Analysis

German wage moderation and the EZ Crisis
Peter Bofinger - University of Wuerzburg
The EZ ‘consensus narrative’ argues the Crisis should not be thought of as a government debt crisis in its origin. Instead it regards large intra-EZ capital flows that emerged in the decade before the Crisis as the real culprit. This column argues that while the narrative is correct, it is also incomplete. With its focus on the deficit countries, it neglects the role of Germany, by far the largest member state, and its contribution to the imbalances in the years preceding the Crisis. A narrative that does not account for the effects of the German wage moderation is incomplete.

OECD Economic Surveys: Chile 2015
OECD
This 2015 OECD Economic Survey of Chile examines recent economic developments, policies and prospects. The special chapter cover: Bringing all Chileans on board.

Autumn 2015 forecast: Moderate recovery despite challenges
European Commission
The economic recovery in the euro area and the European Union as a whole is now in its third year. It should continue at a modest pace next year despite more challenging conditions in the global economy.

Financial Stability Review 2015
Bundesbank.de
Exceptionally low interest rates remain a salient feature of the financial system setting in Germany. They reflect the global low real economic growth and expansionary monetary policy stance.

Cambodia: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Cambodia- Country Report No. 15/307
International Monetary Fund
Economic activity remained strong driven by garments exports, real estate, and construction. Inflation decelerated strongly in late 2014 due to the sharp decline in oil prices and REER appreciation. While the outlook remains broadly positive, it is subject to substantial domestic risks as a result of rapid credit growth. External risks include weaker-than-expected growth in the EU and China and continued appreciation of the U.S. dollar. Safeguarding macro and financial stability. [...]

Cameroon: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Cameroon- Country Report No. 15/331
International Monetary Fund
Cameroon's macroeconomic and security environments have deteriorated since the last consultation. In 2014–15, the economy has shown resilience in the face of the twin shocks of the oil price slump and heightened security threats, with still robust growth and low inflation. [...]

Finland: 2015 Article IV Consultation-Press Release; Staff Report; Informational Annex; and Statement by the Executive Director for Finland -Country Report No. 15/311
International Monetary Fund
This has driven the economy into recession for the past three years. The impact on growth and exports of the parallel structural declines of Nokia and the paper industry has been exacerbated by weak external demand, including from Russia and the euro area. Wage hikes in 2008–10 and weak productivity growth have hurt competitiveness. Rapid population aging is a further drag on growth. Pre-crisis current account surpluses have become deficits and the fiscal position has deteriorated. The nascent recovery is fragile and, absent reforms, medium-term growth will be much slower than before the crisis.

Kuwait: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Kuwait - Country Report No. 15/327
International Monetary Fund
With persistently lower oil revenues over the medium term, Kuwait is facing a more challenging policy environment as it needs to adjust spending while continuing to diversify the economy to create jobs for the growing young national population. [...]

Mexico: 2015 Article IV Consultation-Press Release; and Staff Report - Country Report No. 15/313
International Monetary Fund
Mexico has navigated successfully a complex external environment, characterized by falling commodity prices, a sharp appreciation of the U.S. dollar, and heightened volatility in international financial markets. [...]

Nepal: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Nepal - Country Report No. 15/317
International Monetary Fund
Nepal has been trapped in a low-investment, low-growth equilibrium. The authorities' aim is to graduate from least-developed country status within 7 years. Macroeconomic situation and outlook: The earthquakes in April and May have held back growth. Together with the recent unrest and disruptions to trade routes, they also pushed up inflation.[...]

OECD Economic Surveys: Switzerland 2015
Oecd
This 2015 OECD Economic Survey of Switzerland examines recent economic developments, policies and prospects. The special chapters cover: Policies to tame the housing cycle and Raising public spending efficiency.

Papua New Guinea: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Papua New Guinea - Country Report No. 15/318
International Monetary Fund
Sweden is expected to enjoy solid economic growth of about 3 percent y/y in 2015 and 2016, yet it faces intertwined challenges: Large migration inflows with effects on the labor market and on the budget; Rapid

housing price increases associated with rising household indebtedness; and Low inflation and weakened inflation expectations. [...]

Sweden: 2015 Article IV Consultation-Press Release; Staff Report; Information Annex; and Statement by the Executive Director for Sweden - Country Report No. 15/329
International Monetary Fund
Sweden is expected to enjoy solid economic growth of about 3 percent y/y in 2015 and 2016, yet it faces intertwined challenges: Large migration inflows with effects on the labor market and on the budget; Rapid housing price increases associated with rising household indebtedness; and Low inflation and weakened inflation expectations. [...]

Togo: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Togo - Country Report No. 15/309
International Monetary Fund
Economic growth has remained strong in recent years, averaging 5.4 percent in 2013-14, on the back of productivity gains in the agricultural sector and public investment in infrastructure. The pace of economic growth has contributed to improving human development indicators, though poverty remains high. The fast pace of public investment has laid the basis for higher growth but has also contributed to a pronounced increase in public debt and current account deficit.

Macroprudential policies: What have we learnt?
BIS
Objective: Explore key issues in the design of Macroprudential Policy (MaP)- With specific reference to the financial cycle (FC). [...]

Network News

From January 2011 the "Network News" section is present also in the *Public area* of the Network's website. The Partners can find *daily news* (21.209 items inserted by the Secretariat since January 2011) extracted from best online newspapers and info providers and classified by geographical areas.

Annual Reports & Guidelines

go to the "*Information Corner*" on www.publicdebtnet.org

Events and Courses

Newly uploaded

7 January 2016; Peterson Institute for International Economics, Washington, DC
The Great Tradeoff: Confronting Moral Conflicts in the Era of Globalization

26 January 2016; Global Financial Conference Center, New York
Fundamentals of Derivatives

27 January 2016; Global Financial Conference Center, New York
Understanding the ISDA Master Agreements Conference

27 January 2016; One Bishops Square, London
Regulatory Developments for the Buy-side: Current Issues

27 January 2015; European Conference Centre, Luxembourg
ICMA European Repo and Collateral Council Annual General Meeting

28 January 2016; Global Financial Conference Center, New York

Understanding the 1994 ISDA Credit Support Annex (Security Interest - New York Law) and Updates in Collateral Issues

5 February 2016; Guildhall, Gresham Street, London, UK
EBA 5th Anniversary Conference

10 February 2016; International Capital Market Association (ICMA) Limited, London
ICMA Workshop: European Regulation: An Introduction for Capital Market Practitioners

Previously signaled

18 January 2016 - e-learning
Debt Management Performance Assessment (DeMPA)

01 March 2016 - London ,UK
Central Banking Awards 2016

25 April 2016 - e-learning
Debt Management Performance Assessment (DeMPA)

Communication Corner

At the link below, Partners can find details on the *Philippines* study visit held on February 2014 at the Italian Ministry of Economy and Finance premises.

http://www.publicdebtnet.org/public/MoreAboutUs/Study/

REMINDER…

e-LEARNING COURSE MATERIALS
The PDM network website hosts materials from e-learning course "**ADVANCED RISK MANAGEMENT**" organized by UNITAR thanks to Enrique Cosio-Pascal contribution.
The four modules course is downloadable from the Reserved Area of the website in the Section "*Learning Area*". This course is oriented toward those economists and financial specialists that would be dealing with financial risk management issues.

Some figures

On 18th January 2016, the number of total resources of the PDM Network website is 28.083 (of which 21.209 news, 3.003 papers and articles in reviews and books, and 2.654 webresources). Registered Members are 822, coming from 125 countries. 433 Partners belong to sovereign debt management institutions of emerging and advanced countries. This newsletter is sent to 579 Partners.

Special thanks

The PDM Secretariat is grateful to Ricardo Ferraz (Lisbon School of Economics and Management) for document contribution.

Participating Institutions in the PDM Network

OECD
Australian OFM, Austrian DMA, Belgian DMA, Belgian Central Bank, Canadian Foreign Affairs and International Trade, Canadian Government, Chilean Central Bank, Chilean MOF, Czech Central Bank, Czech Mof, Danish DMO, Danish Central Bank, Danish Mof, Dutch Central Bank, Dutch DMA, Dutch MoF, Finnish Treasury, Finnish MoF, French Central Bank, French DMA, French MoF, German Central Bank, German MoF, German Finance Agency, Greek DMA, Greek MoF, Greek Central Bank, Hungarian DMA, Hungarian MoF, Hungarian National Bank, Icelandic DMA, Irish NTMA, Irish MoF, Israeli MoF, Israeli Central Bank, Italian Development Co-operation Office, Italian Ministry of Foreign Affairs, Italian MoF, Italian Senate,

Japanese MoF, Japanese Central Bank, Luxembourg Mof, Mexican MoF, New Zealander DMO, Norwegian MoF, Polish MoF, Polish Central Bank, Portuguese Central Bank, Portuguese DMA, Slovak MoF, Slovak DMA, Slovenian MoF, Spanish Central Bank, Spanish MoF, Swedish DMO, Swedish Mof, Swiss State Secretary for Economic Affairs SECO, Turkish Treasury, US GAO, US Treasury, UK Central Bank, UK DMO, UK Treasury.

Non-OECD
Afghan Mof, Albanian Mof, Angolan National Bank, argentine Central Bank, Argentine MoF, Bangladeshi MoF,The Audit Board of The Republic of Indonesia, Autonomous Sinking Fund of Cameroon, Barbados Central Bank, Bosnia and Herzegovina Federal Ministry of Finance, Brazilian Central Bank, Brazilian MoF, Bulgarian MoF, Chinese MoF, Colombian MHCP, Cypriot Central Bank, Cypriot MoF, Dubai Government, Dubai MoF, Eastern Caribbean Central Bank, Egyptian MoF, Estonian MoF, Ethiopian MoF, Fiji MoF, Georgian Mof, Ghanaian Central Bank, Ghanaian MoF, Hong Kong Monetary Auth., Indian Reserve Bank, Indian NIPF, Indonesian Central Bank, Jordanian Central bank, Kenyan Central Bank, Kenyan MoF, , Latvian DMO, Lebanese MoF, Lesotho Central Bank, Lesotho MoF, Lithuanian MoF, Republic of Macedonia MoF, Malawian Reserve Bank, Maldives MoF, Maltese Treasury, Maltese Central Bank, Mauritius Ministry of Finance and Economic Development, Moldovan MoF, Moldovan Court of Accounts, Moroccan MoF, Mozambique Ministry of finance, National Analytical Centre of the Government of Kazakhstan, Nicaraguans Ministry of Finance and Public Credit, Nigerian DMO, State Bank of Pakistan, Pakistani MoF, Papua New Guinean Treasury, Paraguayan Ministry of Finance, Philippine Bureau of the Treasury, Romanian MoF, Romanian Central Bank, Romanian Court of Accounts, Rwandan MoF, Sain Kitts & Nevis MoF, Santa Lucia Ministry of Finance Economic Affairs and National Development, Serbian Mof, Singaporean MoF, Solomon Island Central Bank, Solomon Islands MoF, South African National Treasury, South Korean MoF, Bank Of Korea, Sri Lanka Central Bank, Swaziland's MoF, Tanzanian MoF, Thai Central Bank, Thai Mof, The People's Bank of China, Ugandan Central Bank, United Arab Emirates MoF and Central Bank, Uruguayan MoF, Vietnamese Mof, Zimbabwean DMO.

Multilateral Institutions
ADB-Asian Development Bank, African Development Bank Group, African Forum and Network on Debt and Development (Afrodad), Asian Development Bank Institute, CEF-Center of Excellence in Finance, Commonwealth Secretariat, Debt Relief International, European Bank EBRD, European Central Bank, European Commission, Inter-American Development Bank (IADB), International Monetary Fund (IMF), International Finance Corporation (IFC), International Monetary Fund (IMF), MEFMI, OECD, West African Institute for Financial and Economic Management (WAIFEM), World Bank, United Nations Conference on Trade and Development (UNCTAD).

Universities
Columbia University, CRIEP (Italy), Duke University's Fuqua School of Business, Harvard University, Harvard Business School, Johns Hopkins University, London Business School, Mays Business School at Texas A&M University, National Chengchi University, National University of Science and Technology, Norwegian School of Economics and Business Administration, Stanford University, The George Washington University, University "Dunarea de Jos" Galati – Romania, University of Bologna, University of Brussels, University of California, University of Chicago, University of Colorado, University of London Birkbeck, University of Maryland, University of Milan, University of Molise, University of Padua, University of Rome "La Sapienza", University of Rome "Tor Vergata", University of Tokyo, University of Tuzla, University of Vienna, University of Viterbo "La Tuscia".

Other Institutions
Afrifocus Securities; Association for Financial Markets in Europe (AFME), Barclays Capital, BE Berlin Economics GmbH, Belgrade Banking Academy, Business Monitor International Limited, Cass Business School, CCM - Carolina Capital Markets, Centre for Planning and Economic Research, Crown Agents, CfC Stanbic Bank, Colchester Global Investors, Comitè de Inversiones Extranjeras, Concorde Capital, Devfin Advisers AB, DIFC-Dubai International Financial Centre, Digital Bridge Institute, Econviews, Euromoney, Exchange Data International Limited, Finance for Development-FMO, FTI, HSBC, International Capital Market Association (ICMA), International Social-Economic Development for Africa (ISEDA), Institut d'Anàlisi Econòmica (CSIC), Japan Bank for International Cooperation, JCVP Consulting, Johannesburg Stock Exchange Limited (JSE), KFW Bankengruppe, Korea Bond Pricing, Linus Capital, MAK Azerbaijan Ltd, Mckinsey & Company, Inc. International, Michele Robinson Consult, Morgan Stanley, NEDBANK, Newstate Partners LLP, Oxford Policy Management (OPM), Pragma Corporation, Public Debt Finance, Reykjavik Academy, Századvég Economic Research, Sifma-Epda, Storkey & Co. Ltd., The ONE Campaign, Tudor Investment Corporation, United Bank For Africa (UBA) PLC., U.S. Agency for International Development (USAID).