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PDM NETWORK *Newsletter*

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This bimonthly newsletter lists all papers, reports, courses and other events about public debt management recently uploaded by the PDM Network Secretariat in the website **www.publicdebtnet.org**.
The documents considered most interesting by the PDM Network Secretariat are highlighted with a light grey background. The PDM Network bimonthly Newsletter is published on January, March, May, July, September and November. The PDM Network Secretariat welcomes cooperation on information published on the website. Thus, please feel free to **suggest any documents, news and events** relevant to public debt management issues by contacting the Secretariat at the following email: **publicdebtnet.dt@tesoro.it**.

Contents

Highlight

Sovereign borrowing outlook for OECD countries, 2007 to 2020
OECD
In recent years, sovereign bond markets in the OECD area have been characterised by an increased supply of government bonds and continued benign funding conditions on the back of accommodative monetary policies. Gross borrowings of OECD governments from the markets are projected to increase by 4% annually to USD 11.8 trillion in 2020. While heavy debt repayments account for the bulk of gross issuance in 2020, the net supply of government debt to the markets is projected to remain at around USD 2 trillion. As a result, outstanding central government marketable debt for the OECD area is expected to reach almost USD 50 trillion. Read more **TAGS:** OECD; Debt Policy; Debt Statistics; Debt Forecasts

Special Focus

World Bank Webinar: Syndications for issuing local bonds tradable at international clearing securities depositories: The pros and cons for attracting foreign investors (2019)
World Bank Treasury
In April 2019, Panama launched its first Euroclearable domestic bond at the local Stock Exchange through a syndication attracting international investors and increasing competition for government securities issued under local law. The Panamanian experience sheds light to sovereigns struggling with a few large market participants that distort the price discovery process in the regular auctions in the absence of a diverse investor base. Chile has used syndications to issue Globals in the international capital markets as well as Euroclearable domestic bonds, both in local currency. While attractive from the point of view of foreign investors, the two alternatives have disadvantages in terms of limiting space for regular auctions and possibly fragmenting the secondary market between local and international trading pools. **Read more** **TAGS:** **World Bank webinars; Primary market; Foreign Debt; Trading platforms; Institutional Investors**

Documents

Primary Markets

Green Bonds for Financing Renewable Energy and Energy Efficiency in Southeast Asia: A Review of Policies (2020)
Dina Azhgaliyeva, Anant Kapoor, Yang Liu - Asian Development Bank, Singapore Management University, African Development Bank
Mobilizing private finance for renewable energy and energy efficiency is critical for the Association of Southeast Asian Nations (ASEAN) not only for the reduction of global temperature rise, but also for meeting fast-growing energy demand. Two-thirds of green bonds issued in ASEAN countries were used to finance renewable energy and energy efficiency projects. The authors review green bond issuances and green bond policies in ASEAN countries. Issuance of green bonds in top three green bond issuing countries in ASEAN, i.e., Indonesia, Malaysia, and Singapore, are reviewed in detail. The review of green bond issuance and green bond policies show that green bond policies in ASEAN countries are effective in promoting green bond issuance. However, this does not mean that green bond policies are effective in promoting renewable energy and energy efficiency projects in ASEAN countries. Proceeds of green bonds issued in ASEAN countries can be used for financing projects abroad or refinancing past loans, thus not necessarily promoting green investments in ASEAN countries. The authors provide policy recommendations for promoting renewable energy and energy efficiency financing using green bonds in ASEAN countries. To promote renewable energy and energy efficiency, policy makers should consider limiting eligibility criteria in policies supporting green bonds supporting policies, such as green bond grants, to only domestic projects and/or limiting refinancing using green bonds. **TAGS:** **Primary market**; **Bond market development**

Natural Disaster Insurance for Sovereigns: Issues, Challenges and Optimality (2020)

Aliona Cebotar, Karim Youssef - International Monetary Fund

Natural disasters are a source of economic risks in many countries, especially in smaller and lower-income states, and ex-ante preparedness is needed to manage the risks. The paper discusses sovereign experience with disaster insurance as a key instrument to mitigate the risks; proposes ways to judge the adequacy of insurance; and considers ways to enhance its use by vulnerable countries. The paper especially aims to inform policy decisions on disaster insurance. Through simulations of natural disasters and various insurance options, the authors find that sovereign decisions on optimal risk transfer involve balancing trade-offs between growth and debt, based on government risk preferences and country risk exposure. The choice of optimal insurance for smaller countries turns out to be more constrained by cost considerations due to their higher exposure, likely resulting in underinsurance; donor grants could help them achieve a more optimal protection. The authors also find that optimal insurance packages are those that are least costly relative to expected payouts (i.e. have the lowest insurance multiple), which are also the packages that insure less severe (more frequent) disasters. **TAGS:** **Primary market**; **Sovereign debt market; Cost and Risk**

Secondary Markets

(Systematic) Investing in Emerging Market Debt (2020)

Jordan Brooks, Scott A. Richardson, Zhikai Xu - AQR Capital Management LLC

The authors extend the analysis of systematic investment approaches to emerging market (EM) fixed income. The authors focus on hard currency bonds issued by emerging sovereign and quasi-sovereign entities. They find that systematic exposures linked to carry, defensive, momentum and valuation themes are well compensated and lowly correlated in EM markets. A transaction-cost and liquidity aware long-only portfolio generates an Information Ratio above 1. The authors further show that excess of benchmark returns for a broad set of EM managers are (i) largely explained by passive exposures to EM corporate credit excess returns and EM local currency returns, and (ii) have non-trivial macroeconomic exposures (growth, inflation, volatility and liquidity). A systematic approach to EM debt may be a powerful diversifier. **TAGS:** **Secondary Markets**; **Market Liquidity**

The Empirics of Canadian Government Securities Yields (2020)

Tanweer Akram and Anupam Das - Thrivent, Mount Royal University

Keynes argued that the short-term interest rate is the main driver of the long-term interest rate. This paper empirically models the relationship between short-term interest rates and long-term government securities yields in Canada, after controlling for other important financial variables. The statistical analysis uses high-frequency daily data from 1990 to 2018. It applies both the cointegration technique and Granger causality within the vector error correction (VEC) framework. The empirical results suggest that the action of the monetary authority is an important determinant of Canadian government securities yields, which supports the Keynesian perspective. These findings have important implications for investors, financial analysts, and policymakers. **TAGS:** **Sovereign bonds yields; Debt and fiscal/monetary policies**

Have Sovereign Bond Market Relationships Changed in the Euro Area? Evidence from Italy (2019)

David Cronin, Peter Dunne - Intereconomics.eu

The Italian sovereign bond market experienced considerable disruption in May 2018 and subsequent months amid concerns about the fiscal implications of political developments in Italy. This episode is used to examine relationships among the euro area bond markets some six years after the euro area sovereign bond market crisis of 2009-2012. The main finding is that turbulence in a periphery Member State's bond market (in this case, Italy's) continues to have its strongest cross-border effects on other periphery countries' markets, while core Member States react by disengaging from the sovereign bond market where the disruption originates. The core-periphery distinction identified among the 11 euro area Member States during the crisis then remains broadly intact. The implication for policy is that adverse country shocks continue to have asymmetrical effects within the euro area sovereign bond market. An emphasis on the sustainability of national public finances remains necessary, both to protect individual sovereigns against adverse market developments and to reduce the spillover of such shocks to other Member States. **TAGS:** **Secondary Markets**; **Debt sustainability**

Subnational Debt

Improving subnational government development finance in emerging and developing economies: toward a strategic approach (2019)

Paul Smoke - New York University

Considerable attention has been given to enhancing subnational development finance in response to the 2008 global financial crisis and recent global development agendas, including the Sustainable Development Goals, Financing for Development, and Habitat III/New Urban Agenda. Much work on this topic is fragmented, focusing on specific elements of development finance: fiscal transfers, capital market access, public-sector lending agencies, or public-private partnerships. Most countries, however, have a range of subnational governments with varying needs and capacities that require different and evolving mixes of development finance mechanisms. Enabling greater subnational borrowing is often desirable but requires adoption of other reform policies to improve the fiscal capacity and creditworthiness of subnational governments over time. This paper reviews the rationale and potential for improving subnational development finance, outlines the overall landscape of institutional arrangements available for this purpose, and considers broad challenges involved. Based on a review of global practice and experience in selected Asian developing countries with a range of special entities and innovations to enhance subnational investment, it proposes a more integrated, strategic approach to building subnational development finance. **TAGS:** **Subnational debt**; **Debt Policy**

Local Public Finance in Europe - Country reports (2019)

Christian Raffer, René Geißler, Gerhard Hammerschmid, Emanuele Padovani and others - Bertelsmann Stiftung, Berlin's University of Governance, University of Bologna and others

There is widespread consensus amongst academics and practitioners: local governments do matter. They deliver a variety of essential public services for their inhabitants. Their political systems are closest to citizens. At no other level of the political-administrative system, political processes are so approachable and ostensive, the barriers of an immediate participation of citizens so low. No other political level does offer comparable options of getting directly involved with politics and thereby influencing and shaping someone's own real life-world context straightforwardly and effectively according to own preferences. Moreover, municipalities function as schools of democracy and build a framework for identity and social cohesion. Those functions are valuable for the state itself. Consequently, there is no lack of commitments by state officials in strengthening local government. At the core of local governments' ability to fulfil the abovementioned functions is local public finance. It is the cornerstone of any workable local government. Without a sound financial footing, municipal governments are not able to meet the requirements requested by their citizens and the state in general.[…] **TAGS:** **Subnational debt; Debt sustainability; Debt Statistics**

Financial Analysis

The Euro Area Periphery Sovereigns' Fiscal Positions and Unconventional Monetary Policy (2020)

Oliver Hülsewig, Johann Scharler - Munich University, University of Innsbruck

The authors explore the reaction of the euro area periphery sovereigns' fiscal positions to an unconventional monetary policy shock. They estimate panel vector autoregressive (VAR) models over the period 2010-2018, and identify the shock by imposing sign restrictions. Their results suggest that the sovereigns' fiscal positions improve in response to the economic expansion induced by an expansionary non-standard monetary policy innovation which lowers sovereign CDS spreads. Moreover, the authors observe that fiscal discipline is maintained rather than undermined. **TAGS:** **Financial Analysis**; **Debt and fiscal/monetary policies; Sovereign CDS**

Crowded out from the Beginning: Impact of Government Debt on Corporate Financing (2020)

Huseyin Cagri Akkoyun, Nuri Ersahin, Christopher James - Analysis Group, Michigan State University, University of Florida

Using hand-collected data on corporate bond and stock offerings, the authors identify the impact of government debt on corporate financing during World War I. The early twentieth century provides a unique opportunity to identify the impact of government debt on private financing because during this period (1) firms announced the amount they wanted to raise before each security offering and (2) the Treasury issued debt in discrete intervals. The authors identify the impact of Treasury issues by comparing differences in the amount firms offered to the amount they actually raised when the Treasury was borrowing to when the Treasury was not in the market. The authors find that long term government bond offerings negatively affect both amount of long-term corporate bonds and dividend paying stocks issued. In contrast, they find no effect of government bond offerings on short term debt issue. Their findings suggest that investors view dividend paying stocks as a close substitute for relatively safe long-term bonds. **TAGS:** **Financial Analysis**; **Primary market**; **Secondary Markets**

The fundamentals of safe assets (2020)

Maurizio Michael Habib, Livio Stracca, Fabrizio Venditti – ECB

The authors study what makes government bonds a safe asset. Building on a sample of monthly changes in government bond yields in 40 advanced and emerging countries, they analyse the sensitivity of yields to country specific fundamentals interacted with changes in global risk (VIX). The authors find that inertia (whether the bond behaved as a safe asset in the past) and good institutions foster a safe asset status, while the size of the debt market is also significant, reflecting the special role of the US. Within advanced and emerging markets, drivers are heterogeneous, with external sustainability in particular being relevant for the latter countries after the global financial crisis. Finally, the safe asset status does not appear to depend on whether the change in global risk is driven by financial shocks rather than by US monetary policy. **TAGS: Financial Analysis; Institutional Investors**

The long-run information effect of central bank communication (2020)

Stephen Hansen, Michael McMahon, Matthew Tong – ECB

Why do long-run interest rates respond to central bank communication? Whereas existing explanations imply a common set of signals drives short and long-run yields, the authors show that news on economic uncertainty can have increasingly large effects along the yield curve. To evaluate this channel, the authors use the publication of the Bank of England's Inflation Report, from which the authors measure a set of high dimensional signals. The signals that drive long-run interest rates do not affect short-run rates and operate primarily through the term premium. This suggests communication plays an important role in shaping perceptions of long-run uncertainty. **TAGS: Financial Analysis; Debt and fiscal/monetary policies**

Debt Crisis

Debt and Financial Crises (2020)

Wee Chian Koh, M. Ayhan Kose, Peter S. Nagle, Franziska L. Ohnsorge, Naotaka Sugawara - World Bank

Emerging market and developing economies have experienced recurrent episodes of rapid debt accumulation over the past fifty years. This paper examines the consequences of debt accumulation using a three-pronged approach: an event study of debt accumulation episodes in 100 emerging market and developing economies since 1970; a series of econometric models examining the linkages between debt and the probability of financial crises; and a set of case studies of rapid debt buildup that ended in crises. The paper reports four main results. First, episodes of debt accumulation are common, with more than 500 episodes occurring since 1970. Second, around half of these episodes were associated with financial crises which typically had worse economic outcomes than those without crises -- after 8 years output per capita was typically 6-10 percent lower and investment 15-22 percent weaker in crisis episodes. Third, a rapid buildup of debt, whether public or private, increased the likelihood of a financial crisis, as did a larger share of short-term external debt, higher debt service cover, and lower reserves cover. Fourth, countries that experienced financial crises frequently employed combinations of unsustainable fiscal, monetary and financial sector policies, and often suffered from structural and institutional weaknesses. **TAGS: Debt crisis; Sovereign defaults; Financial Analysis; Debt sustainability**

Emerging and Developing Economies: Ten Years After the Global Recession (2020)

M. Ayhan Kose, Franziska Ohnsorge - World Bank

Although emerging market and developing economies (EMDEs) weathered the global recession a decade ago relatively well, they now appear less well placed to cope with the substantial downside risks facing the global economy. In many EMDEs, the room for monetary and fiscal policies to respond to shocks has eroded; underlying growth potential has slowed; and the momentum for improving policy frameworks, institutions, and business climates seems to have slackened. The experience of the 2009 global recession highlights once again the critical role of policy room in shielding economic activity during adverse shocks. The subsequent decade of anemic growth underlines the need for sound policy frameworks, institutions, and business environments to promote sustained growth. With the global growth outlook weakening and vulnerabilities rising, the policy priority for EMDEs is now to improve resilience to shocks and to lift long-term growth prospects. **TAGS:** **Debt crisis**; **Debt and growth**; **Debt and fiscal/monetary policies**

International and Macroprudential Regulation

How Should Credit Gaps Be Measured? An Application to European Countries **(2020)**

Chikako Baba, Salvatore Dell'Erba, Enrica Detragiache, Olamide Harrison, Aiko Mineshima, Anvar Musayev, Asghar Shahmoradi - International Monetary Fund

Assessing when credit is excessive is important to understand macro-financial vulnerabilities and guide macroprudential policy. The Basel Credit Gap (BCG) – the deviation of the credit-to-GDP ratio from its long-term trend estimated with a one-sided Hodrick-Prescott (HP) filter—is the indicator preferred by the Basel Committee because of its good performance as an early warning of banking crises. However, for a number of European countries this indicator implausibly suggests that credit should go back to its level at the peak of the boom after the credit cycle turns, resulting in large negative gaps that might delay the activation of macroprudential policies. The authors explore two different approaches—a multivariate filter based on economic theory and a fundamentals-based panel regression. Each approach has pros and cons, but they both provide a useful complement to the BCG in assessing macro-financial vulnerabilities in Europe. **TAGS:** **International and Macroprudential Regulations**; **Debt crisis**; **Financial Analysis**

Debt Restructuring

Debt Relief for the EMU Countries: A Chance to Restore Europe's Power and to Stabilize the Euro **(2020)**

Wolfgang Eibner - University of Applied Sciences Jena

Government spending on bailing out banks and financing a variety of stimulus packages following the US real estate and financial crisis led to a sharp increase in the already very high level of public debt also of the member countries of the European Monetary Union (EMU). Countries such as Greece, Italy, Belgium, France and even Germany in particular depend on very low or at least low interest rates to stabilize their financial situation. Thus, the central reason for the European Central Bank's low interest rate policy, which has been in place for almost 10 years, is to provide the highly indebted countries of the EMU with a significant reduction in the interest burden in favor of a solution to the debt problem: giving time for a lot of necessary reforms to increase economic development. But none of this has succeeded in the last 10 years. Instead, the budgetary situation in the euro countries is getting worse, the disparities in economic development are increasing rather than diminishing, thereby endangering the stability of the euro and thus the future of the single currency.There is an urgent need for sustained higher net investments in nearly all sectors of all countries from Greece to Germany: instead, net investment in the countries of the EMU is clearly decreasing and Europe is in danger of being left behind not only by the two economic powers USA and China. This outlines a problem that is as pressing as it is topical: the question of how to restore Europes' economic power. The key lies in the question of how can we be able to solve the crippling debt problem of European countries quickly and sustainably. The answer given by the discussion paper is a kind of debt relief, implemented as a conversion of a relevant amount of the government bonds held by the ECB.[...] **TAGS:** **Debt Restructuring**; **Debt relief;** **Debt and growth**

Barbados' 2018-19 Sovereign Debt Restructuring - A Sea Change? **(2020)**

Myrvin Anthony, Gregorio Impavido, Bert van Selm - International Monetary Fund

This paper examines the causes, processes, and outcomes of Barbados' 2018–19 sovereign debt restructuring—its first ever. The restructuring was comprehensive, featuring several rarely used approaches, including the restructuring of treasury bills, and the use of a retrofitted collective action mechanism. The debt restructuring has helped to set Barbados' public debt on a clear downward trajectory. A sustained reform effort, maintaining high primary surpluses and ambitious structural reforms, will be needed to gradually reduce public debt from about 160 percent of GDP before the restructuring to the country's 60 percent debt-to-GDP target. **TAGS:** **Debt Restructuring**; **Debt sustainability;** **Structural policies**

Restructuring sovereign bonds: holdouts, haircuts and the effectiveness of CACs **(2020)**

Chuck Fang, Julian Schumacher, Christoph Trebesch – ECB

Sovereign debt crises are difficult to solve. This paper studies the "holdout problem", meaning the risk that creditors refuse to participate in a debt restructuring. The authors document a large variation in holdout rates, based on a comprehensive new dataset of 23 bond restructurings with external creditors since 1994. The authors then study the determinants of holdouts and find that the size of creditor losses (haircuts) is among the best predictors at the bond level. In a restructuring, bonds with higher haircuts see higher holdout rates, and the same is true for small bonds and those issued under foreign law. Collective action clauses (CACs) are effective in reducing holdout risks. However, classic CACs, with bond-by-bond voting, are not sufficient to assure high participation rates. Only the strongest form of CACs, with single-limb aggregate voting, minimizes the holdout problem according to authors' simulations. The results help to inform theory as well as current policy initiatives on reforming sovereign bond market. **TAGS:** **Debt Restructuring;** **Debt crisis;** **Contract standards**

Macroeconomic Analysis

Inflation and Public Debt Reversals in Advanced Economies **(2020)**

Ichiro Fukunaga, Takuji Komatsuzaki, Hideaki Matsuoka - International Monetary Fund, World Bank

This paper quantitatively assesses the effects of inflation shocks on the public debt-to-GDP ratio in 19 advanced economies using simulation and estimation approaches. The simulations based on the debt dynamics equation and estimations of impulse responses by local projections both suggest that a 1 percentage point shock to the inflation rate reduces the debt-to-GDP ratio by about 0.5 to 1 percentage points. The results also suggest that the impact is larger and more persistent when the debt maturity is longer, but the difference from the benchmark case is not significant. These results imply that modestly higher inflation, even if accompanied by some financial repression, could reduce the public debt burden only marginally in many advanced economies. **TAGS:** **Debt and fiscal/monetary policies**; **Financial Analysis**

European Financial Stability and Integration Review 2020

European Commission

Annual European Financial Stability and Integration Review examines recent economic and financial developments, and their impact on financial stability and integration in the EU. In addition to a description of general macroeconomic and financial-sector developments, this year's issue combines different perspectives on the structural change that is taking place in the financial system, focusing on the banking sector in particular. Although the banking sector has continued to repair its balance sheet over the last decade, profitability has remained low, and many banks are seeking to change their business model. The cyclical factors that determined developments in 2019 made this change more challenging. Pressure on banks has intensified due to weakening economic prospects and the expectation that low interest rates will continue for longer. **TAGS:** **Financial stability**

Public Debt Through the Ages **(2019)**

Barry J. Eichengreen, Asmaa A ElGanainy, Rui Pedro Esteves and Kris James Mitchener - California University, IMF, Graduate Institute Geneva and University of California

The authors consider public debt from a long-term historical perspective, showing how the purposes for which governments borrow have evolved over time. Periods when debt-to-GDP ratios rose explosively as a result of wars, depressions and financial crises also have a long history. Many of these episodes resulted in debt-management problems resolved through debasements and restructurings. Less widely appreciated are successful debt consolidation episodes, instances in which governments inheriting heavy debts ran primary surpluses for long periods in order to reduce those burdens to sustainable levels. The authors analyze the economic and political circumstances that made these successful debt consolidation episodes possible. **TAGS:** **Sovereign defaults**; **Debt Restructuring**

Economic Policies

Central bank policy sets the lower bound on bond yields **(2020)**

Joseph E. Gagnon, Olivier Jeanne - Peterson Institute for International Economics

This paper shows that the scope for bond yields to fall below zero is strictly limited by market expectations about how far below zero central banks are willing to set their short-term policy rates. If a central bank communicates a credible commitment to keeping its policy rate above a given level under all circumstances, then bond yields must be higher than that level. This result holds true even in a model in which central banks are able to depress the term premium in bond yields below zero via large-scale purchases of long-term bonds, also known as quantitative easing (QE). QE becomes less effective as bond yields approach their lower bound. **TAGS:** **Debt and fiscal/monetary policies**; **Sovereign bonds yields**

General or Central Government? Empirical Evidence on Political Cycles in Budget Composition Using New Data for OECD Countries **(2020)**

Niklas Potrafke - University of Munich

Previous studies used general government data to examine whether national governments' electoral motives and ideology influenced budget composition in OECD countries. General government data includes, however, the state and local level. Using new data for general and central government over the period 1995-2016, I reexamine political cycles in budget composition. The results suggest that, both at the general and central government level, leftwing governments spent more on education and less on public services than rightwing governments. Defense expenditure was somewhat lower under leftwing than rightwing governments and in election years; especially in federal states. Effects of government ideology on the individual expenditure categories are larger at the central than general government level. Scholars need to re-examine results on ideology-induced effects that have been derived from general government data where central government data should have been used. **TAGS:** **Debt and fiscal/monetary policies; Subnational debt**

Debt rule design in theory and practice: the SGP's debt benchmark revisited **(2020)**

Sebastian Hauptmeier, Christophe Kamps - European Central Bank

This paper is linked to two debates on fiscal policies: first, the implications of low interest growth differentials for debt sustainability and, second, the reform of the EU fiscal governance framework. In both debates the choice of government debt anchor and the speed of adjustment take centre stage. The Stability and Growth Pact's debt rule appears predestined to fulfil the role of debt anchor. However, authors' analysis shows that its existing design gives rise to a pro-cyclical bias that has hampered its implementation in the low-growth low-inflation environment. The authors propose two parametric changes to better balance the objectives of macroeconomic stabilisation and debt sustainability: first, accounting for persistent deviations of inflation from the central bank's objective; and, second, a reduced speed of adjustment. Putting a reformed debt rule at the centre of the EU fiscal governance framework would allow reducing the latter's complexity without the need to revise the EU Treaties. **TAGS:** **Debt and fiscal/monetary policies; Debt sustainability**

Public Debt and Wealth Inequality **(2020)**

Moustafa Chatzouz - University of Warwick UK

Public debt has often been viewed as a major unequalising factor raising a string of controversies and serious objections against credit-financed policies through history. This paper assesses the relevance of public debt, and especially its tax burden in perpetuating wealth inequality. I find that public debt is a rather regressive instrument with potentially severe cost to wealth inequality. This is because of its equivalence to a regressive wealth tax that roots to the crowd-out of physical capital and not necessarily on tax progressivity. When interest rates are low, although the unequalising effects of public debt are found to be minimal, the cost to wealth inequality may still be severe if public debt increases wages. Relatedly, the paper discusses a set of conditions that can contain the negative consequence of public borrowing on wealth inequality or have downward effects. Finally, the study concludes its analysis with a brief discussion on normative issues where it argues that a rise of public debt is unlikely to improve the welfare of the working class - "poor"- when interest rates are low. **TAGS:** **Debt and fiscal/monetary policies**; **Financial Analysis**

Beliefs about Public Debt and the Demand for Government Spending **(2020)**

Christopher Roth, Sonja Settele, Johannes Wohlfart - University of Warwick UK, University of Copenhagen

The authors examine how beliefs about the debt-to-GDP ratio affect people's attitudes towards government spending and taxation. Using representative samples of the US population, they run a series of experiments in which they provide half of their respondents with information about the debt-to-GDP ratio in the US. Based on a total of more than 4,000 respondents, the authors find that most people underestimate the debt-to-GDP ratio and reduce their support for government spending once they learn about the actual amount of debt, but do not substantially alter their attitudes towards taxation. The treatment effects seem to operate through changes in expectations about fiscal sustainability and persist in a four-week follow-up. **TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**

Benefits and Costs of Debt: The Dose Makes the Poison **(2020)**

M.Ayhan Kose, Franziska Ohnsorge, Naotaka Sugawara - World Bank

Government debt has risen substantially in emerging market and developing economies (EMDEs) since the global financial crisis. The current environment of low global interest rates and weak growth may appear to mitigate concerns about elevated debt levels. Considering currently subdued investment, additional government borrowing might also appear to be an attractive option for financing growth-enhancing initiatives such as investment in human and physical capital. However, history suggests caution. Despite low interest rates, debt was on a rising trajectory in half of EMDEs in 2018. In addition, the cost of rolling over debt can increase sharply during periods of financial stress and result in financial crises; elevated debt levels can limit the ability of governments to provide fiscal stimulus during downturns; and high debt can weigh on investment and long-term growth. Hence, EMDEs need to strike a careful balance between taking advantage of low interest rates and avoiding the potentially adverse consequences of excessive debt accumulation. **TAGS:** **Debt sustainability**; **Debt and fiscal/monetary policies**; **Debt and growth**

Exploring the Output Effect of Fiscal Policy Shocks in Low Income Countries **(2020)**

Jiro Honda, Hiroaki Miyamoto, Mina Taniguchi - International Monetary Fund

What do we know about the output effects of fiscal policy in low income countries (LICs)? There are very few empirical studies on the subject. This paper fills this gap by estimating the output effects of government spending shocks in LICs. Authors' analysis—based on the local projection method—finds that the output effects in LICs are markedly lower than those in AEs and marginally smaller than those in EMs. The authors also find that in LICs, the output effects are larger (i) during recessions; (ii) under a fixed exchange rate regime; and/or (iii) with higher quality of institutions. Their analysis could not confirm any statistically significant output effect under floating exchange rate regimes. For the estimation of the output effects of fiscal spending shocks, it is thus important to consider the state of the economy and the country's structural characteristics. Authors' results imply that the output costs of fiscal adjustment in LICs may not be as large as previously thought, especially if adopted outside of a recession, based on cutting public consumption, and accompanied by reform to enhance institutions. **TAGS:** **Debt and fiscal/monetary policies**; **Debt and growth**

Riding the Storm: Fiscal Sustainability in the Caribbean **(2020)**

Serhan Cevik, Vibha Nanda - International Monetary Fund

Fiscal sustainability remains a paramount challenge for small economies with high debt and greater vulnerability to climate change. This paper applies the model-based sustainability test for fiscal policy in a panel of 16 Caribbean countries during the period 1980–2018. The results indicate that the coefficient on lagged government debt is positive and statistically significant, implying that fiscal policy in the Caribbean takes corrective actions to counteract an increase in the debt-to-GDP ratio. Nonlinear estimations, however, show that the quadratic debt parameter is negative, which indicates that fiscal policy response is not adequate to ensure sustainability at higher levels of debt. The authors also find that the fiscal stance tends to be countercyclical on average during the sample period. These empirical results confirm that maintaining prudent fiscal policies and implementing growth-enhancing structural reforms are necessary to build fiscal buffers and ensure debt sustainability with high probability even when negative shocks occur over the long term. **TAGS:** Debt and fiscal/monetary policies; Debt sustainability

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The GIIPS Countries in the Great Recession: Was it a Failure of the Monetary Union? (2020)

Pietro Reichlin – Luiss, School of European Political Economy

Drawing from the debate between the "German" and the "Keynesian" views about the reason for the Euro Area slow recovery after the 2008 financial shock, the author discusses different claims about why and if this is a consequence of the Monetary Union institutional failures, and investigate some key factors that are considered to be good predictors of the prolonged and deep recession involving peripheral Europe. **TAGS:** **Debt and fiscal/monetary policies**; **Debt and recession**

Reports

2020

OECD Economic Outlook, Interim Report March 2020. Coronavirus: the world economy at risk

OECD

The global economy faces its biggest danger since the financial crisis. Containing the epidemic and protecting people is the priority. **TAGS:** **Economic Forecasts; OECD**

Enhanced Surveillance Report - Greece, February 2020

European Commission

Enhanced surveillance provides a comprehensive framework for monitoring economic developments and the pursuit of policies needed to ensure a sustainable economic recovery. It allows for a regular assessment of recent economic and financial developments in Greece, as well as for monitoring sovereign financing conditions and updates of the debt sustainability analysis. […]**TAGS:** **Debt and fiscal/monetary policies**; **Debt sustainability**

Debt Sustainability Monitor 2019

European Commission

The Debt Sustainability Monitor 2019 provides an overview of fiscal sustainability challenges faced by EU Member States over the short, medium and long term. The European and world economies weakened last year, notably given the unfavourable external environment. Many features of the global slowdown are expected to be persistent (including trade policy uncertainty, deceleration in China, low productivity trends). Based on the latest available Commission forecast (Autumn forecast 2019), growth is not expected to rebound significantly in the next two years. In response to these developments, most central banks across the world have recently implemented more accommodative policies. Government bonds have rallied remarkably in recent months, leading to lower yields along the entire yield curve, but more importantly for the long-term part (observed compression in term premia). In the EU, a large share of sovereign bonds is currently trading at negative yields. […] **TAGS:** **Economic Forecasts**; **Debt Forecasts**; **Debt policy**; **Debt sustainability; Debt Statistics**

Russia. Monetary Policy Guidelines for 2020-2022

Bank of Russia

The main goal of monetary policy is to support price stability, that is, sustainably low inflation. Low inflation ensures a stable purchasing power of the national currency. Price stability is an important element of an environment that is favourable for living and doing business. Our goal is to hold inflation close to 4%. **TAGS:** **Economic Forecasts; Debt and fiscal/monetary policies**

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5 key trends to watch in the sustainable debt markets

NORDEA

Here are five of the most talked-about trends to keep an eye on in the Green, Social and Sustainability bond markets in 2020. **TAGS:** **Primary market; Bond market development**

US Economic Outlook for 2020 and Beyond

Kimberly Amadeo - TheBalance.com

The U.S. economic outlook is healthy according to the key economic indicators. The most critical indicator is the gross domestic product, which measures the nation's production output. The GDP growth rate is expected to fall below the 2% and 3% ideal range. Unemployment is forecast to continue below the natural rate. There isn't too much inflation or deflation. That's close to a Goldilocks economy. **TAGS:** **Economic Forecasts**

Benchmark interest rates when the government is risky

Patrick Augustin, Mikhail Chernov, Lukas Schmid, Dongho Song - McGill University, UCLA, Duke University, Johns Hopkins University

Benchmark interest rates, such as LIBOR or EFFR, not only serve as indicators of the monetary policy stance but also as reference rates for the multi-trillion interest rate derivatives and mortgage markets. Since the Global Crisis, these interest rates have followed a puzzling pattern relative to the US Treasury yields, known as negative swap rates. This column describes the pattern, explains why it is puzzling, and argues that the emergence of US default risk can naturally explain negative swap spreads. **TAGS:** **Financial Analysis**; **Sovereign bonds yields**; **Derivatives**

[Secondary market yields around new debt auctions and ESCB purchases]

Roel Beetsma, Josha van Spronsen - University of Amsterdam

For the last decade, euro area countries have undertaken substantial debt issuances in order to maintain or bolster international capital market access. This column shows that the ECB's unconventional monetary policy dampens yield cycles in secondary markets for euro area sovereign debt around new debt auctions. This dampening effect tends to be larger when market volatility is higher, and this can be used to minimise any instability generated, for example, by different countries' issuances occurring close together or the spillover effects of one country's auctions on another. **TAGS:** **Primary market**; **Sovereign bonds yields**; **Debt and fiscal/monetary policies**

Monetary policy and bank stability: The analytical toolbox reviewed

Ugo Albertazzi, Francesca Barbiero, David Marques-Ibanez, Alexander Popov, Costanza Rodriguez d'Acri, Thomas Vlassopoulos – ECB

The response of major central banks to the Global Crisis has rekindled the debate on the interactions between monetary policy and financial stability. This column reviews empirical evidence on how monetary policy affects bank stability, focusing on unconventional monetary policy measures deployed by the ECB during the crisis. It argues that by stabilising the economy and averting a systemic crisis, these measures helped shore up stability, with the positive effects outweighing the adverse spillovers on banks' intermediation capacity and risk-taking. However, such measures may need to be complemented with counterbalancing actions that go beyond monetary policy. **TAGS:** **Financial stability**; **Debt crisis**; **Debt and fiscal/monetary policies**

Leveraging posterity's prosperity

Laurence Kotlikoff - Boston University

The US has spent the entire post-war period running a massive and ever-growing Ponzi scheme that takes from the young and gives to the old. This column discusses how the scheme has been and is being run by expanding take-as-you-go-financed Social Security, Medicare, and Medicaid systems, by running huge official deficits, and by imposing a larger share of taxes on the young and a smaller share on the old. Take as you go, whether done on or off the books, has done precisely as theoretically predicted – reduced the US's national saving rate from 13% in the 1950s and 1960s to 3% in the last two decades. This underlies, in large part, a commensurate drop in the domestic investment rate, which was also 13% between 1950 and 1969 and is now running at 4%. The textbook predicted consequence? Lower median labour productivity and median real wage growth. **TAGS:** **Financial stability**; **Debt and fiscal/monetary policies**

Funding Strategy 2020 - Spanish Treasury

Spanish Treasury

In 2020, and given the high degree of uncertainty, it is the Government's responsibility to propose a conservative funding strategy, in line with the one announced at the beginning of 2019, and possibly to adapt it as the year progresses. The Treasury will balance this necessary flexibility with the necessity to retain its condition as safe and predictable issuer of reference in the European financial market.[…] **TAGS:** **Debt Policy**; **Primary market**

Global Growth: modest pickup to 2.5% in 2020 amid mounting Debt and slowing Productivity Growth

World Bank

Global economic growth is forecast to edge up to 2.5% in 2020 as investment and trade gradually recover from last year's significant weakness but downward risks persist, the World Bank says in its January 2020 Global Economic Prospects. Growth among advanced economies as a group is anticipated to slip to 1.4% in 2020 in part due to continued softness in manufacturing. Growth in emerging market and developing economies is expected to accelerate this year to 4.1%. This rebound is not broad-based; instead, it assumes improved performance of a small group of large economies, some of which are emerging from a period of substantial weakness. About a third of emerging market and developing economies are projected to decelerate this year due to weaker-than-expected exports and investment. **TAGS:** Economic Forecasts; World Bank

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A Call for Vigilance After a Strong Year for Risky Assets

Tobias Adrian, Fabio Natalucci – IMF

While we have seen some recent volatility, many risky asset markets around the world had a spectacular year in 2019. Equity market indices were up just over 30 percent in the United States, close to 25 percent in Europe and China, and over 15 percent in emerging markets and Japan. Emerging-market sovereign debt, U.S. high-yield debt, and emerging-market corporate debt all had returns in excess of 12 percent. Remarkably, the fourth quarter of 2019 was especially strong in China and in emerging markets. **TAGS:** Financial Analysis

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European Economic Forecast Winter 2020 (Interim)

European Commission

The European economy continued to weather external headwinds in the second half of 2019 thanks to the strength of domestic drivers. Growth in the euro area turned out better than expected in the third quarter but disappointed at the end of the year. Leading indicators suggest that manufacturing output may stabilise in the months to come, although an upturn is not yet on the cards. However, with hints of a bottoming out in global trade flows, and as the dampening impact of domestic inventory adjustment fades, a trough may have been reached. With continued real income gains, a supportive policy mix and a construction sector buoyed by low borrowing costs, the European economy is well placed to navigate the challenging external environment, high trade policy uncertainty and dampening structural factors. This is, however, a fragile equilibrium, which could be easily derailed by unforeseen events. **TAGS:** Economic Forecasts

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European Economic Outlook 2020

PWC

Where do we stand ten years after the global financial crisis? At a time when stagnation seems ever more likely in developed economies, a focus on economic growth and other key macroeconomic metrics persists, albeit with a lot more nuanced views on what these metrics should capture. **TAGS:** Economic Forecasts

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Euro Watch - Green bond issuance to explode

Aline Shuiling, Jolien van den Ende - ABN Amro

Europe has set an ambitious agenda for climate and energy policies for the coming decades with the ultimate goal of achieving a climate-neutral Europe with net-zero greenhouse gas emissions by the middle of this century. The main elements of the policy agenda are related to greenhouse gas emissions, energy from renewables and energy efficiency for which the EU has set binding climate and energy targets for each individual member state. Support for green political parties is highest in the countries that pollute the most, which should put extra pressure on governments to meet their targets. […] **TAGS:** **Primary market**; **Sovereign debt market**

The sovereign transition to sustainability - Understanding the dependence of sovereign debt on nature

Alexandra Pinzón, Nick Robins, Matthew McLuckie, Gabriel Thoumi - The Grantham Research Institute on Climate Change and the Environment, Planet Tracker, London School of Economics and Political Science

Key messages: - In the 2020s sovereign bonds will face the strategic challenge of achieving alignment with the Sustainable Development Goals; - Agriculture and the soft commodity trade are heavily linked to natural capital, as drivers of depletion and as processes reliant on a secure stream of ecosystem services; -The value of sovereign bonds relies in part on the management of natural capital by the countries concerned. However, this dependency is still largely ignored or mispriced in sovereign bond markets. […] **TAGS:** **Debt sustainability**; **Financial stability**; **Structural policies**

Systemic risk under non-conventional monetary policy

Ralph Sueppel – SRSV

Central bank operations in the form of quantitative easing, qualitative easing, forward guidance and collateral policies wield great influence over market prices of risk. These policies reduce market volatility by design, compromising statistical assessment of risk and fostering leverage through endogenous market dynamics, such as collateral amplification. Also, current non-conventional monetary policies become less effective with increasing use. […] **TAGS:** **Cost and Risk**; **Debt and fiscal/monetary policies**; **Sovereign risk premia**; **Market Liquidity**

Why governments need to issue just transition sovereign bonds and how they could do it

Nick Robins - Responsible Investor

It's clear that 2020 has to be the year when the global financial system makes the irreversible shift towards alignment with climate security and sustainable development. One of the keys to success will be a significant increase in finance for the just transition – a transition which delivers a resilient and zero-carbon economy that is fair for all. Political support is growing fast, with 46 countries committing to introduce national plans for a just transition as part of efforts to ratchet up their climate efforts. Investor commitment is mounting too, with 159 institutions with $10.1 trillion in assets now backing a statement of support led by the Principles for Responsible Investment. […] **TAGS:** **Primary market**; **Sovereign debt market**

Visualizing the 700-Year Fall of Interest Rates

Dorothy Neufeld - Visual Capitalist

How far can interest rates fall? Currently, many sovereign rates sit in negative territory, and there is an unprecedented $10 trillion in negative-yielding debt. This new interest rate climate has many observers wondering where the bottom truly lies. Paul Schmelzing, visiting scholar at the Bank of England (BOE), shows how global real interest rates have experienced an average annual decline of -0.0196% (-1.96 basis points) throughout the past eight centuries. […] **TAGS:** **Sovereign bonds yields**

The sovereign transition to sustainability - Understanding the dependence of sovereign debt on nature

Alexandra Pinzón, Nick Robins, Matthew McLuckie, Gabriel Thoumi - The Grantham Research Institute on Climate Change and the Environment, Planet Tracker, London School of Economics and Political Science

Key messages: - In the 2020s sovereign bonds will face the strategic challenge of achieving alignment with the Sustainable Development Goals; - Agriculture and the soft commodity trade are heavily linked to natural capital, as drivers of depletion and as processes reliant on a secure stream of ecosystem services; -The value of sovereign bonds relies in part on the management of natural capital by the countries concerned. However, this dependency is still largely ignored or mispriced in sovereign bond markets; -Pressures to achieve alignment between sovereign bonds and environmental sustainability are set to intensify in the decade ahead, with increasing focus on sovereign bonds as an asset class which connects macro-economic performance and capital markets. [...] **TAGS:** Debt sustainability; Financial stability; Structural policies

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Current challenges to developing country debt sustainability

UNCTAD

Ten years after the global financial crisis, UNCTAD estimates that the ratio of global debt to gross domestic product (GDP) was a third higher at the beginning of 2018 than at the start of the crisis in 2007/2008, and roughly four times global GDP. While rising indebtedness is a general and global phenomenon, it is the debt levels of developing countries that have highlighted future debt sustainability vulnerabilities. In this paper, it is argued that it is only in the context of the conditions and mechanisms created by the global financial system that the increasing indebtedness of developing countries can be understood. [...] **TAGS:** Debt crisis; Debt sustainability; Debt and fiscal/monetary policies

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A Guide to Online Financial Transparency

Mark Mack - GFOA's Research and Consulting Center

Recognizing the crucial need for government financial transparency, GFOA has undertaken a major project to make that goal feasible for state and local governments. We have worked to define what transparency means in every area of government finance, in a report that's now available at gfoa.org/transparency. We also surveyed more than 400 municipal government organizations about their use of online platforms for financial transparency, resulting in two reports: a collection of case studies that highlight ways in which governments are incorporating financial transparency; and a summary of the survey data. All three reports are available at gfoa.org/transparency. **TAGS:** Transparency; Best Practices; Subnational debt

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New Danish framework to pave way for green sovereign bonds, preserve liquidity

Jennifer Laidlaw - S&P Global Market Intelligence

A new green bond framework in Denmark could address potential liquidity issues on the Danish market and pave the way for green sovereign bonds further afield, according to Scope Ratings. **TAGS:** Primary market; Market Liquidity; Bond market development

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The Tokenisation of Assets and Potential Implications for Financial Markets

OECD

The tokenisation of assets involves the digital representation of real (physical) assets on distributed ledgers, or the issuance of traditional asset classes in tokenised form. Asset tokenisation has become one of the most prominent use-cases of distributed ledger technologies (DLTs) in financial markets, for assets including securities (e.g. stocks and bonds), commodities (e.g. gold) and other non-financial assets (e.g. real estate), and with potential cross-cutting implications for financial market practices and participants, market infrastructure and regulators across a large range of financial instruments and asset classes. […] **TAGS: OECD; Bond market development;**

JGB Issuance Plan for FY2020

Japan's Ministry of Finance

Highlights of FY2020 JGB Issuance Plan: - Newly-issued bonds will decline by 0.1 trillion yen from the figure for FY2019 (initial). FILP bonds will remain at the same amount and Refunding bonds will increase by 4.8 trillion yen. The total JGB issuance amount for FY2020 will be 153.5 trillion yen, with a rise of 4.7 trillion yen compared with FY2019 (initial). - Market issuance by normal auctions will decrease by 0.6 trillion yen from that of FY2019 (initial) to 128.8 trillion yen. Issuance amounts by maturity type will increase in the 40-year zone, based on the current low interest rate and the market needs. On the other hand, the amount of Liquidity enhancement auctions will decline in the 5-15.5 year zone, considering the weakened demand.[…] **TAGS: Debt Policy**; **Primary market**; **Secondary Markets**

Uruguay - Sovereign Debt Report January 2020

Uruguayan MoF

Overview of financing strategies during 2019 and annual borrowing plan for 2020. In January 2020, the Government issued local currency Treasury Notes in the domestic market for an equivalent of USD 1 billion. Uruguay remains the top-ranked country in JPMorgan's ESG-adjusted sovereign bond benchmark for emerging market countries, reflecting robust performance on Environmental, Social and Governance indicators.[…] **TAGS: Debt Policy**; **Debt Statistics**; **Debt Forecasts**

How market liquidity causes price distortions

Ralph Sueppel – SRSV

Liquidity is a critical force behind market price distortions (and related trading opportunities). First, the cost of trading in and out of a contract gives rise to a liquidity premium. Second, the risk that transaction costs will rise when market conditions necessitate trading commands a separate liquidity risk premium. Third, actual changes in liquidity can precipitate large price changes without any fundamental value consideration. Finally, low liquidity is conducive to 'run equilibria`, where bids or offers of some institutional investors turn into pricing signals for others, giving rise to self-reinforcing dynamics with feedback loops and margin calls. Examples for liquidity-driven price distortions in the past include breakdowns of covered interest parity across currencies, bond market 'tantrums', and 'fire sales' in emerging local-currency markets. **TAGS: Market Liquidity; Trading platforms**

Annual Debt Report 2019 and Annual Borrowing Plan 2020 – Presentation

Brazilian National Treasury

The Brazilian National Treasury released, on January 28th, the Annual Debt Report (ADR) 2019 and the Annual Borrowing Plan (ABP) 2020. Both documents have versions only in Portuguese and will have a translated version in English soon. The Annual Debt Report presents the results and the main advances in the debt management throughout the previous year, using as reference the guidelines and targets defined in the Annual Borrowing Plan. This document also brings an analysis of the macroeconomic expectations of the year of reference, the institutional advances of the National Treasury and the results of the retail sales program, Tesouro Direto.[…] **TAGS: Debt Policy; Debt Statistics; Debt Forecasts**

Guaranteed Debt Report (September-December/2019)

Brazilian National Treasury

The Brazilian National Treasury released on January 27th the Guaranteed Debt Report for the months of September-December/2019. Please, find below the main points published. By the end of December 2019, the outstanding guaranteed debt amounted to BRL 255.92 bn. The domestic guaranteed debt reached BRL 109.30 bn, while the external guaranteed debt reached BRL 146.62 bn.[…] **TAGS: Contingent Liabilities; Debt Statistics**

Banks and government bonds: a love story

Orkun Saka - University of Sussex

Can commercial banks act as lightning rods for government bonds in the midst of a financial storm? Is it possible to attribute banks' home bias in sovereign exposures to something beyond their externally imposed incentives (such as moral suasion) or internally distorted incentives (such as risk-shifting)? Despite the called 'doom loop' between the two, could the relationship between banks and their domestic governments have an underexplored silver lining à la Butler (2008)? **TAGS: Sovereign debt exposure; Institutional Investors**

World Economic Outlook, January 2020. Tentative Stabilization, Sluggish Recovery?

IMF

Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021—a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 compared to those in the October World Economic Outlook (WEO). The downward revision primarily reflects negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. In a few cases, this reassessment also reflects the impact of increased social unrest.[…] **TAGS: Economic Forecasts**

US monetary policy, international risk spillovers, and policy options

Sebnem Kalemli-Ozcan - University of Maryland

The question of how shifts in US monetary policy affect other nations is key to central bank policymaking around the world. This column combines a simple theoretical framework with macro data from 70+ countries and micro data from over a million non-financial firms in 43 of these countries to show that monetary policy spillovers from the US to the rest of the world operate through changes in risk premia, with emerging market economies most vulnerable. It also discusses the policy options available to countries to deal with the effects of these risk spillovers. **TAGS: Financial Analysis; Debt and fiscal/monetary policies**

ECB Banking Supervision: Risk assessment for 2020

ECB

Identifying and assessing the risks faced by supervised entities is crucial for successfully conducting banking supervision and serves as a basis for the supervisory priorities that are set during the regular strategic planning process. ECB Banking Supervision conducts an annual risk identification and assessment exercise in close cooperation with the national competent authorities (NCAs). The analysis draws on a wide range of contributions, including from the Joint Supervisory Teams and the ECB's horizontal microprudential and macroprudential functions. It is also informed by discussions with banks and other relevant authorities. **TAGS: Financial Analysis; Sovereign debt exposure**

Countries' Risk Classification

AMFORI

The risk classification of countries relies on the Worldwide Governance Indicators, being aggregate indicators of governance 1996-2018. These determine the level of risks related to governance in sourcing countries. There are 6 dimensions of governance identified by the World Bank: 1. Voice and Accountability (VA) – capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media.[…] **TAGS: Structural policies**

Annual Sustainable Growth Strategy 2020

European Commission

Economic growth is not an end in itself. An economy must work for the people and the planet. Climate and environmental concerns, technological progress and demographic change are set to transform our societies profoundly. The European Union and its Member States must now respond to these structural shifts with a new growth model that will respect the limitations on our natural resources and ensure job creation and lasting prosperity for the future. The European economy has successfully left the years of financial crisis management behind. While it is now in its seventh year of consecutive growth, external and geopolitical prospects are dimming, uncertainty is running high and Europe looks to be heading towards a period of subdued growth and low inflation. […] **TAGS: Debt and growth; Debt sustainability**

2019

7 things you didn't know about Sovereign Defaults

Troy Segal – Editor

The rise of central government debt loads around the world has gotten investors obsessing once more over the risk of sovereign default, fearing a replay of the 2007-08 financial crisis, the 2009-2011 eurozone debt crisis, and the ensuing return of a global recession. While sovereign defaults—in which a nation can't pay its bills or debt obligations, making it technically bankrupt—are frightening, they are actually quite common and may not lead to the worst-case scenario that many are expecting. Here are seven facts about sovereign defaults that might surprise you. **TAGS: Sovereign defaults**

Guidance Handbook 2019

ICMA Group

Since the original publication of the Green Bond Principles (GBP) in 2014, and the subsequent releases of the Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), market participants have sought additional information on how to interpret this guidance especially for its practical application for transactions, as well as in the context of market developments and complementary initiatives. The responses provided by the GBP SBP Executive Committee have been made available online and have grown into an important body of knowledge and best practices that had been translated in 2018 in 19 languages.[…] **TAGS: Primary market; Bond market development; Debt sustainability**

New Data on World Debt: A Dive into Country Numbers

Marialuz Moreno Badia, Paolo Dudine – IMF

The new update of the IMF’s Global Debt Database shows that total global debt (public plus private) reached US$188 trillion at the end of 2018, up by US$3 trillion when compared to 2017. The global average debt-to-GDP ratio (weighted by each country’s GDP) edged up to 226 percent in 2018, 1½ percentage points above the previous year. Although this was the smallest annual increase in the global debt ratio since 2004, a closer look at the country-by-country data reveals rising vulnerabilities, suggesting that many countries may be ill-prepared for the next downturn.[…] **TAGS:** **Debt Statistics**

Italian Economic Outlook 2019-2020 and the Economic Policy Scenario

Centro Studi Confindustria

Italy teetering between recovery and recession. The Research Department of Confindustria (Centro Studi Confindustria - CSC) confirms the stagnation of the Italian economy, as already outlined in the spring forecast (Table A). More than previously, much will depend on economic policy choices, and especially on how the Italian Parliament will manage the safeguard clauses that provides for a €23.1 billion increase in VAT and excise duties from January 1st, 2020. **TAGS:** **Economic Forecasts; Debt and fiscal/monetary policies; Debt sustainability**

News

What's new area of the PDM Network site proposes ***a daily selection of news on public debt management*** from online newspapers and info providers, as well as ***the most recent documents and reports*** uploaded on the website. Subscribers also receive the weekly newsletter ***Emerging Sovereign Debt Markets News*** drafted by the PDM Secretariat and based on ***Thomson Reuters ©*** information services.

Events and Courses

The following list contains past and future events in chronological order.

The reason for listing new and expired events is to show an at-a-glance collection of new entries published on our website after the release of the previous Bimonthly Newsletter.

To stay updated in advance about new future events, besides reading this list, go directly to the “**Events**” section of our website, since the Secretariat adds regularly new events in advance to their dates and deadlines.

19 – 20 March 2020(Postponed); OECD, OECD Headquarters, Paris

27th OECD Global Forum on Public Debt Management - Postponed

27 March 2020; ECONBIZ, Bordeaux City Center, France

1st Workshop "Emerging Market MacroEconomics" - EMME 2020

30 – 31 March 2020 (Postponed); Bank of England, London
[7th International Conference on Sovereign Bond Markets-Postponed]

30 March – 3 April 2020; Vienna
[Assessing and Managing Credit Risk from Contingent Liabilities: A Focus on Government Guarantees]

3 April 2020 (Postponed); SIX Convention Point, Zurich, Switzerland
[SGF Conference 2020 – Annual Meeting of the Swiss Society for Financial Market Research - Postponed]

6 – 10 April 2020; IMF, Vienna
[Legal Frameworks for Banking Supervision and Resolution]

20 – 21 April 2020 (Postponed); Maastricht, Netherlands
[3rd Maastricht Economics Workshop: Communication, Expectations, and (ECB) Monetary Policy - Postponed]

20 – 22 April 2020; EUI Premises, Florence
[Sovereign Debt Restructuring]

22 April 2020; The Bank of England, the Bank of France, the IMF and the OECD, OECD headquarters in Paris
[Call for Papers: 1st Joint Bank of England - Banque de France - IMF - OECD Workshop on International Capital Flows and Financial Policies]

22 – 24 April 2020; CEF, Online Learning course
[Financial Reporting to Management]

27 – 28 April 2020; ECB, Frankfurt
[Call for Papers: Spillovers in a "low-for-long" world]

30 April 2020; Euromoney, Athens, Greece
[The GlobalCapital/ECBC Global Issues Roundtable]

4 – 5 May 2020; NBER, Cartagena, Colombia
[Emerging and Frontier Markets: Capital Flows, Risks, and Growth]

6 May 2020; ECB, Frankfurt am Main
[CEPR/EBRD/ECB Symposium on "Climate change, finance and green growth"]

12 May 2020; Online, Centre of Excellence in Finance; Ljubljana, Slovenia
[Interest Rate Benchmark Reforms]

14 – 15 May 2020 (Postponed); World Bank Paris, France
[Debt Management Facility Stakeholders' Forum 2020 - Postponed]

19 May 2020 (Postponed); Icmagroup, London
[2020 Green Bond Principles and Social Bond Principles Annual General Meeting and Conference - Rescheduled later]

1 – 3 June 2020; EUI Premises, Florence, Italy
[Enhancing the cyber resilience of the financial sector]

2 – 3 June 2020; School of Economics and Business, University of Ljubljana, Slovenia
[Emerging Markets Conference Board Conference 2020]

8 - 9 June 2020; GFOA, Seattle, United States
[Advanced Financial Reporting]

8 – 9 June 2020; ECB, Frankfurt am Main, Germany
[11th ECB Conference on Forecasting Techniques — Avenues for the next 20 years]

9 -10 June 2020; Istanbul, Turkey
[18th RSEP International Economics, Finance & Business Conference, Istanbul, Turkey]

10 – 12 June 2020; SIFMA, Chicago, IL, USA
[27th Annual FMS Regional Conference]

15 - 17 June 2020; Euromoney, London, UK
[Debt Capital Markets]

15 – 17 June 2020; EUI Premises, Florence, Italy
[MiFID II/ MiFIR: Evolution and Revolution]

15 – 19 June 2020; IMF, Washington, D.C., United States
[Public Sector Debt Statistics - Advanced]

16 – 17 June 2020; cmd, London, United Kingdom
[The Global Borrowers & Bond Investors Forum 2020]

17 – 19 June 2020; Building U6 - University of Milano-Bicocca, Milan, Italy
[Conference on Forecasting Financial Markets]

17 – 19 June 2020; ICMA, City of London UK
[ICMA workshop: Repo and securities lending under the GMRA and GMSLA]

24 – 26 June 2020; ICMA, Wien Austria
[ICMA Annual General Meeting and Conference 2020]

29 June – 24 July 2020; UNITAR, Web Based
[Fundamentals of Capital Market Development and Regulation (for AGFUND MFIs, 2020)]

30 June – 2 July 2020; EUI Premises, Florence, Italy
[Regulatory Treatment of Sovereign Exposures and Safe Assets Academy]

10 – 11 July 2020; 10times.com, Budapest, Hungary
[International Conference on Economics and Finance Research]

10 July 2020; Frankfurt am Main Germany
[Macroprudential policy: effectiveness, unintended consequences, and challenges ahead]

17 – 18 July 2020; Conference Series LLC Ltd Web Metrics, Vienna, Austria
[7th International Conference on Big Data Analysis and Data Mining]

20 – 31 July 2020; International Monetary Fund, Vienna, Austria
[Fiscal Sustainability (FS)]

27 July – 21 August 2020; UNITAR, Web Based
[Negotiation of Financial Transactions (AGFUND eCourse 2020)]

2 – 4 September 2020; London
[Green Transition - Opportunity of the Decade]

7 – 8 September 2020; European University Institute, Georgetown University and the Graduate Institute of Geneva, Florence (Italy)
[Call for Papers: 4th Interdisciplinary Sovereign Debt Research and Management Conference (DebtCon4)]

21 September – 16 October 2020; UNITAR, Web Based
[Global Financial Governance (2020)]

21 – 22 September 2020; ECB, Frankfurt am Main Germany
Trade and financial flows in the era of "post-globalisation": a European perspective

24 – 25 September 2020; Bank of England and the CEPR, Switzerland
Call for papers: workshop on "financial innovation: implications for competition, regulation, and monetary policy"

11 October 2020; IMF CEF, Kuwait City (Kuwait)
Macroeconomic Forecasting and Analysis (MFA)

18 – 22 October 2020; International Monetary Fund, Kuwait City
Strengthening Budget Institutions (SBI)

21 – 22 October 2020; Paris, France
Conference on "Statistics for sustainable finance"

26 – 27 October 2020; EABCN, Paris
Empirical Advances in Monetary Policy

5 November 2020; Financial Risk and Stability Network, ESMT Berlin
Financial Stability Conference

9 – 11 November 2020; Euromoney, London, UK
Debt Capital Markets

11 - 25 November 2020; Centre of Excellence in Finance; On-line course
Macroeconomic Modeling for Open Economies 1

16 – 20 November 2020 Paris, France
Financial stability and macroprudential policies of central banks

30 November – 4 December 2020; Centre of Excellence in Finance, Ljubljana, Slovenia
Macroeconomic Modeling for Open Economies 1

PDM Network in Figures

At 26th March 2020, total documents and reports available on the PDM Network website were 7,703. Events and News uploaded on the website since January 2018 were respectively 448 and 5,790. This newsletter is sent to 898 Subscribers from emerging and advanced countries.

Special Thanks

The PDM Secretariat is grateful to Fatos Koc (OECD), Emanuela Padovani (University of Bologna), Tanweer Akram (Thrivent) and to Brazilian, Japanese and Uruguayan MoFs/DMOs for information on new documents and reports.

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