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PDM NETWORK

Bimonthly Newsletter

Number 6/ November - December 2023

ISSN 2239-2033

The bimonthly PDM Network Newsletter is a short report including a selected list of recent **papers, reports, blog articles, job vacancies, courses, call for papers and other upcoming events** concerning public debt management worldwide. Such documents have been also published on the PDM Network website during the previous two months. The documents the PDM Network Secretariat deems most interesting are grey highlighted. The PDM Network Newsletter is published every two months (January, March, May, July, September, and November). Please feel free to suggest any **relevant documents, news, and events** by contacting the PDM Network Secretariat. We will be happy to share selected resources with our Network.

We've launched the **new PDM Network website**!
In addition to a renewed graphic design, the website offers a new content presentation structure that provides **immediate access to reports and research**, through a dedicated area on the home page, greater visibility to the Network's newsletters and events, with special menu items, and improved content search functionality. The innovations come on the heels of an ever-increasing commitment to content sharing through dedicated **seminars, conferences and social channels,** with the Network's aim of positioning itself as a useful and authoritative source for the analysis of the evolution of sovereign bond markets and sovereign debt management strategies, with a constant focus on internationally codified best practices.

Contents

PDM Webinar Series

The **PDM Webinar Series** is a new PDM Network initiative. In line with the informative and inclusive spirit of the PDM Network, this initiative intends to serve as a periodical forum for presenting and discussing traditional or innovative, policy-relevant research/documents/issues on all aspects of sovereign debt management.

3rd PDM Webinar – Coming Soon in February 2024!
This webinar will feature a panel of speakers discussing **Primary Dealers**' models and experiences across economies.

Highlights

CALL FOR PAPERS - 3rd PDM Conference I October 3-4, 2024, Washington, DC
PDM Network
Following the success of the previous editions (2019 in Paris, France, and 2022 in Rome, Italy), the Public Debt Management Network, an initiative jointly fostered by the OECD, the Italian Treasury and the World Bank, is pleased to announce the call for papers for the 3rd edition of the biennial Public Debt Management Conference, which will be held in Washington DC, United States, on October 3-4, 2024. **Submission deadline: March 30, 2024.**

Special Focus

Reducing the Philippines' Exposure to Interest Rate Volatility
World Bank
The World Bank helped the Philippines protect $11.13 billion against interest rate increases by using the conversion feature of the IBRD Flexible Loan (IFL). **TAGS:** World Bank Interest Rates Cost and Risk Swaps Concessional Finance

Mapping External Debt Vulnerabilities: An Update
Charles Albinet, Martin Kessler, Marco Brancher - Finance for Development Lab
Debt dynamics are deteriorating for developing countries due to repeated shocks over the last four years. The stock and cost of debt have increased significantly, and global interest rates have risen to unprecedented levels. This note analyses the impact of these changes on developing countries. **TAGS:** Debt sustainability Foreign debt Concessional finance

International Debt Report 2023
World Bank
The International Debt Report (IDR) is a longstanding annual publication of the World Bank featuring external debt statistics and analysis for the 122 countries that report to the World Bank Debtor Reporting System. **TAGS:** World Bank Debt Statistics Debt Transparency External Debt Debt Reporting

ESG Debt

[Rwanda Issues First-Ever Sustainability-Linked Bond (SLB) Backed by World Bank's Innovative Financial Structure]

World Bank

The Development Bank of Rwanda issued its inaugural SLB through an innovative credit enhancement mechanism structured and funded by the World Bank. This sets a scalable precedent for mobilizing private capital by derisking investor funds while releasing IDA resources for other projects.

TAGS: World Bank Climate finance Multilateral financing

Is Public Debt Environmentally Friendly? The Role of EU Fiscal Rules on Environmental Quality: An Empirical Assessment

Giovanni Carnazza, Thomas I. Renström, Luca Spataro - University of Pisa, Durham University

The EU has embarked on multiple initiatives reflecting its commitment to environmental enhancement and sustainable transitions. Notable among these are the European Green Deal and the NextGenerationEU recovery plan, both pivotal in fostering eco-friendly policies and sustainable practices within the region. Conversely, the fiscal rules within the EU, designed to manage budgetary deficits and debt-to-GDP ratios, may pose challenges to the implementation of fiscal measures targeted at achieving environmental quality objectives. These regulatory constraints potentially curtail the fiscal space available for policies aligned with the environmental goals set forth by the EU. To address this issue, using a panel of 27 European member countries observed annually from 1995 to 2021, the authors investigate the impact of two different indicators on the overall carbon intensity: on the one hand, the implicit tax rate on energy reduces environmental pollution; on the other hand, an increase in the stringency of the European fiscal framework and/or the debt-to-GDP ratio increase carbon intensity. From a policy point of view, authors' outcomes stress the importance of shaping national and European regulations to foster more sustainable environmental development. **TAGS:** NGEU Debt financing Debt and growth European Green Deal

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How Central Asia and the Caucasus Can Cut Debt and Foster Inclusive Growth

Hyun H. Son, Begzod M. Djalilov - Asian Development Blog

As countries in Central Asia and the Caucasus navigate post-pandemic recovery and geopolitical challenges, managing increasing public debt becomes crucial for sustainable growth. Economies in Central Asia and the Caucasus, while gradually recovering from the shocks stemming from the COVID-19 pandemic and the Russian invasion of Ukraine, are facing yet another critical challenge: an intensifying debt burden. Tightening global financial conditions brought about by record level inflation in the United States raised the urgency of reducing debt and ensuring fiscal sustainability in the region. The economies in the region, except Turkmenistan and Azerbaijan, have rapidly accumulated public debt in recent years, ranging between 25% and over 50% of the gross domestic product (GDP) equivalent as of 2022. […] **TAGS:** Blog Climate finance Disaster risk

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Four Ways to Use Public Financial Management to Address Climate Change

Julitta Ponniah, Eriko Tominaga - Asian Development Blog

Bangladesh has made dramatic strides in reducing the deaths and economic impact of climate-related weather events. Public financial management has played a role in these achievements, offering important insights for other countries. Bangladesh is one of the world's most affected countries, in terms of the impacts of climate change. Its geography, large river deltas, low-lying coastal areas, and location of its population make it vulnerable to tropical cyclones, storm surges, floods, and salinity intrusions. […]

[Debt-for-Nature Swaps: A New Generation]

Deborah Zandstra et al.- Clifford Chance

Ahead of COP28, the authors set out their thoughts on the new generation of debt-for-nature swaps which have recently come to market and look forward to their full potential being unlocked at COP28 and beyond. Urgency around climate change, and the growing number of countries with high levels of debt vulnerability, in part as a consequence of the COVID-19 pandemic and monetary tightening, are driving renewed interest in debt-for-nature and debt-for-climate swaps. These factors, coupled with the general growth and mainstream acceptance of ESG investments, are reflected in investors' increased appetite for climate and conservation linked debt instruments. **TAGS:** Climate finance Debt Restructuring

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[Climate Change, Hurricanes, and Sovereign Debt in the Caribbean Basin]

Eduardo Cavallo, Santiago Gómez, Ilan Noy, Eric Strobl - Inter-American Development Bank, Victoria University of Wellington, University of Bern

Caribbean Islands are exposed to hurricanes, the damages of which are projected to intensify due to anthropogenic climate change. The region is also highly indebted. The authors focus on the interaction between climate change, hurricanes, and public debt. The authors investigate what the typical impact of Caribbean hurricanes on public debt in the region has been and how anthropogenic climate change has shaped this impact. Authors' findings show that for the 10 most severe storms, the average increase in debt, measured as the difference between post and pre-storm trends, is about 10 percent. Three years after such a storm, debt levels are 18 percent higher than what would have been expected otherwise. Based on findings from Extreme Weather Event Attribution (EEA) research, the authors calculate that the impact of a severe hurricane on public debt that is attributable to climate change amounts to an increase of 3.8 percent of the debt stock relative to the level of debt at the time of the event. **TAGS:** Climate change

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[Sovereign Debt Sustainability, the Carbon Budget and Climate Damages]

Caterina Seghini - University of Geneva

This paper investigates the trade-off between managing the financial sustainability of public debt and addressing climate change. The author explores the behaviour of debt limits for advanced economies, under the carbon budget constraints of the Paris Agreement. Various scenarios are analysed according to the short-term and long-term costs of emissions' abatement and the political coordination among countries in the transition. The results indicate that, first, an uncoordinated green transition scenario, given the negative impact of emission reductions on GDP growth rates, implies lower debt limits than in a business-as-usual scenario with growing emissions and climate damages. On the contrary, if the green transition is coordinated globally, climate damages stabilize in the long-term. Debt limits, then, converge to levels which guarantee wider fiscal space compared to the business-as-usual scenario where climate damages generate plunging debt limits and shrinking fiscal spaces. From the evidence presented, it results as beneficial for countries to collaboratively and promptly transition towards mitigating climate impacts on growth and fiscal spaces. This will support sustainable public debt and the potential to finance the green evolution of our economies. **TAGS:** Debt policy Climate Change Debt sustainability

[A Bridge to Climate Action]

Ishac Diwan, Vera Songwe, Martin Kessler - Finance for Development Lab, Liquidity and Sustainability Facility (LSF)

Vital investment to re-ignite growth and progress on climate action in developing economies will fail if the current debt overhang remains unaddressed. While the international community is preparing to move from billions to trillions, efforts to translate these investments into the green transition will remain vain as long as developing countries continue to struggle with debt crises. Indeed, much of the new flows would leak out as debt service, whilst economies in disarray will be unable to increase their investments in a sustainable future. A bridge between the current crisis and a time when efforts can go in earnest to save the planet is urgently needed. […] **TAGS:** Climate finance Climate change Disaster risk Debt Rescheduling Concessional Finance

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Assessment of Contingent Liabilities from Natural Disasters in Nepal

World Bank

This report identifies and estimates the Nepal government's contingent liabilities from natural disasters. It provides an overview of the current risk landscape and identifies challenges in managing disaster risks. Finally, it offers options on how to strengthen the management of disaster-related contingent liabilities. Expenditures made in response to disasters are referred to as disaster-related contingent liabilities (OECD 2017) and arise only if a disaster happens. This report uses two methodologies to estimate the value of the government's contingent liabilities from natural disasters: direct estimation, using historical expenditure data, and indirect estimation, using probabilistic modeling. […] **TAGS:** Contingent Liabilities Disaster risk Climate change Debt and fiscal/monetary policies

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Scaling up Blended Finance for Climate Mitigation and Adaptation in Emerging Market and Developing Economies

Ravi Menon et al. - Monetary Authority of Singapore, Network for Greening the Financial System (NGFS)

Following the rapid rise in short-term interest rates since last year, the risk-free yield curves in the euro area and the United States show the steepest inversion in decades. The spread between the 10-year and the 2-year Overnight Index Swap (OIS) rates in the euro area stood at -0.4 percentage points in September, after rebounding in recent months from -0.8 percentage points, which was its lowest level since 1992 […] **TAGS:** Climate finance Multilateral financing

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Market Integrity and Greenwashing Risks in Sustainable Finance

Nicholas Pfaff et al . - ICMA

Exhaustive definitions of greenwashing can create more issues than they solve as they risk market paralysis or regression because of excessive reputational or litigation fears. The authors propose a focused definition of greenwashing for financial regulatory purposes while also noting that regulators are demonstrating that existing laws and regulations can address any serious misrepresentation in sustainable finance. Reviewing existing data and studies on potential greenwashing, the authors find that greenwashing is not prevalent in the green bond market, but that ambition and materiality in the early development of the new sustainability-linked bond market may have been insufficient. Market feedback and authors' research based on reported controversies and Science-Based Targets initiative (SBTi) alignment points, however, to a positive trend in the sustainability-linked bond market in the last 12 months. The authors concur that wider concerns in the sustainable fund industry exist, for example, regarding investment methodologies and fund naming. […] **TAGS:** Climate finance International and Macroprudential Regulations Institutional and Organizational Framework

[Miracle or Mirage: Are Debt Swaps Really a Silver Bullet?]

Iolanda Fresnillo - EURODAD

As the end of 2023 approaches, 136 countries are considered to be in a critical debt situation. At the same time, fiscal space has been reduced, leading many, including governments, UN agencies and some international NGOs, to point to debt swaps as an innovative solution for tackling sovereign debt problems, while also generating resources for the Sustainable Development Goals (SDGs) or climate action. Therefore, debt swaps, while not new, are gaining increasing attention in international development and climate forums, particularly due to the proliferation of so-called "debt-for-nature swaps". However, as the authors detail in this briefing, debt swaps will not provide substantial debt reduction, nor will they create sufficient fiscal space for global south countries to tackle the development and climate challenges. Debt swaps will not cover up the shame of the lack of political will and commitment amongst countries in the global north to support the global south. Instead, countries in the global north should recognise their historical responsibilities in perpetuating neo-colonial economic governance and dynamics that keep countries in the global south tied to debt dependency. As such, progress on debt swaps must not be an excuse to detract attention from the urgent need to move forward fundamental reform of the international debt architecture. [...] **TAGS:** Debt Restructuring Climate finance

Documents

Debt Policy

International Reserves, Currency Depreciation and Public Debt: New Evidence of Buffer Effects in Africa

Issiaka Coulibalya et al. - African Development Bank Group

The paper adds to the literature on the issue of public debt in African economies, by investigating the role foreign exchange reserves play in improving the level of indebtedness and as buffer of the negative effect of exchange rate depreciation while considering the exchange rate policy. Authors' results show a direct link between the level of foreign currency reserves and that of external debt in Africa. Particularly, the authors demonstrate that higher foreign currency reserves tend to decrease the public debt stock to GDP. This effect is even more significant when countries go through high exchange rate depreciation episodes (10% or higher). This impact, however, is not homogenous among country groups, as only countries with a floating exchange regime tend to benefit from this buffer effect compared to anchored regimes. In a time where most African economies face severe exchange rate depreciation episodes following the U.S. monetary tightening policy, central bankers and policy makers need to consider a plethora of policy issues including interventions in the FX market to mitigate depreciations and maintain a sustainable public debt stock. **TAGS:** Debt policy Exchange rate Debt and growth Foreign Debt

Managing Sovereign Loans: Building up from the Basics

Andre Proite - World Bank

Sovereign loans are an important source of financing for countries around the world. Borrowing can enable governments to support key areas for growth and development, such as healthcare, education, infrastructure and the green transition. Yet, managing public loans can be complex and challenging — with potential impact on countries' finances and their people. Errors and inaccuracies in monitoring can have large financial and reputational implications. [...]
TAGS: Blog Debt composition

The Road to Zambia's 2020 Default

Margret Mbewe et al. - Zambian Institute for Policy Analysis and Research (ZIPAR)

On 13th November 2020, Zambia became the first African country in the Covid-19 era to default on its Eurobond debt after missing a coupon payment of US$42.5 million. Consequently, Fitch downgraded Zambia from a CC rating to Restricted Default, following Standard and Poor's (S&P), which had already reduced its equivalent rating to Selective Default ahead of the expiry of a 30-day grace period for the coupon payment. This came after the Government's admission that the country was already defaulting on its external obligations and would not be making debt service payments. [...] **TAGS:** Foreign Debt Sovereign defaults Financial Analysis

The Optimal Monetary Policy of China Based on Controlling Debt and Stabilizing Growth – A DSGE Approach

Jirun Maneechavakajorn - Zhejiang Gongshang University (ZJGSU)

Authors' study employs a two-country Dynamic Stochastic General Equilibrium (DSGE) model, incorporating international monetary policy spillover mechanisms via the financial channel to analyze the interactions between fiscal expansion and monetary policy in the context of China's economic structure. The authors consider an alternative scenario where fiscal revenue relies more on debt monetization to alleviate debt constraints through seigniorage income. When compared with recent empirical evidence from 2019 to 2022, the model's findings align with several economic variables, including initial spikes in inflation and real interest rates, currency dynamics of depreciation followed by appreciation, and an upsurge in net exports. Based on the model's findings, an increased reliance on monetizing fiscal sources could potentially lead to several favorable outcomes for the government. These include reduced government debt burdens, lower currency fluctuations, decreased deflation risk, and more stable net exports. Additionally, this approach might mitigate the depletion of net foreign assets. However, practical challenges arise when central banks employ excessive RRR adjustments, potentially favoring state-owned entities, and local government financing vehicles over private sector businesses, thereby affecting resource allocation efficiency. Balancing these considerations is a complex task for policymakers. In conclusion, China's economic trajectory involves a careful balance of fiscal expansion, debt management, and monetary policy tools. Policymakers must navigate these factors to achieve sustainable economic growth and financial stability. **TAGS:** Debt and fiscal/monetary policies

Ensuring Debt Sustainability Targeting Full Employment, not Structural Balance. A Simulation for the Spanish Economy

Jorge Uxo, Eladio Febrero, Iván Ayala, Paloma Villanueva - Complutense University of Madrid, University of Castilla-La Mancha, Rey Juan Carlos University

The idea that Spain should reduce its structural fiscal deficit has been playing a crucial role in determining the orientation of its fiscal policy for the past three decades, in line with the European fiscal rules. Nevertheless, relying on unobservable variables for its estimation might lead to an underestimation of potential GDP and to the application of pro-cyclical measures in times of crisis. Following the Updated Okun Method to estimate an alternative measure of potential GDP, which targets full employment, the authors simulate alternative fiscal policy scenarios for Spain. Authors' results point to a better performance, both in terms of public debt sustainability and reduction of the unemployment rate, when focusing on an unemployment rate target than on the reduction of the structural fiscal balance. This suggests a departure from this indicator in guiding fiscal policy orientation in the context of the reform of the European fiscal rules. **TAGS:** [Debt and fiscal/monetary policies]() [Debt sustainability]()

[Sovereign Debt Restructuring and Reduction in Debt-to-GDP Ratio]()

Sakai Ando, Tamon Asonuma, Prachi Mishra, Alexandre Sollaci - IMF

How effective have sovereign debt restructurings been in reducing debt-to-GDP ratios? The authors explore this empirically based on a newly assembled comprehensive dataset that covers 115 countries between 1950 and 2021. The authors show that debt restructuring has a significant and long-lasting impact on the debt-to-GDP ratio. The impact is even larger when combined with fiscal consolidation. In the short run, restructurings with face value reduction and higher creditor coordination tend to be more effective, compared to the average. In the long run, however, the depth of treatment is important, irrespective of how restructuring is executed. **TAGS:** [Debt and growth]() [Debt Restructuring]()

[Assessing the Sustainability of Jordan's Public Debt]()

Zafiris Tzannatos, Ibrahim Saif - Jordan Strategy Forum, Middle East Institute

This paper examines debt sustainability in Jordan. First, it notes Jordan's economic trajectory, which has been characterized by long stop-go cycles; real GDP per capita peaked in the early 1980s followed by a precipitous decline in 1992, then peaked again in the early 2010s and has since declined to levels last seen in the early 2000s. Second, these long swings have been associated with increasing reliance on international support. Much of this international support has contributed to increasing levels of public debt, the composition of which is shifting from domestic to external browning – something that should be examined against the exchange rate that has remained pegged for three decades.[...] **TAGS:** [Debt sustainability]() [Debt and growth]() [External debt]()

[In the Global Development Math, Multiplication Beats Division]()

Akihiko Nishio - World Bank

Concessional finance—that is, grants and low-interest loans—is more important than ever for the world's poorest countries. Yet today's aid architecture is highly complex, fragmented, and offers limited concessionality. In this context, it's important to find ways to leverage the available resources for the biggest, most effective impact. The International Development Association (IDA) is the world's largest source of concessional finance for developing countries. About 30% of its outflows are provided in the form of grants, with the balance in very low-interest loans. IDA is a critical part of the World Bank's vision to create a world free of poverty on a livable planet. IDA's concessional financing helps countries boost economic growth to create jobs and prosperity, overcome shocks and emergencies, and engage in effective climate action. [...] **TAGS:** [Blog]() [Debt and growth]() [Concessional Finance]()

Cost and Risk

[Banks' Portfolio of Government Debt and Sovereign Risk]()

José Alves, António Afonso, Sofia Monteiro - ISEG

The authors analyze domestic, foreign, and central banks holdings of public debt for 31 countries for the period of 1989-2022, applying panel regressions and quantile analysis. The authors conclude that an increase in sovereign risk raises the share of domestic banks' portfolio of public debt and reduces the percentage holdings in the case of central banks. Better sovereign rations also increase (decrease) the share of commercial (central) banks holdings. Furthermore, the effects of an increment in the risk for domestic investors have increased since the 2010 financial crisis. **TAGS:** [Cost and Risk]()

[Sovereign bond market](#) [Sovereign risk](#) [Sovereign credit ratings](#)

[On the Transmission of Credit and Liquidity Risks a Network Analysis for EMU Sovereign Debt Markets](#)

Adrian Fernandez-Perez, Marta Gómez-Puig, Simon Sosvilla-Rivero - Auckland University of Technology, University of Barcelona, UCM Institute for Economic Analysis

This paper comprehensively analyses the connectedness between liquidity and credit risks of nine sovereign bonds in the EMU. The authors find that both risks are not highly connected between central and peripheral countries jointly and by blocks (central vs. peripheral). Subsequently, the temporal dynamics of these relationships are examined, paying particular attention to the net directional connectivity of liquidity and credit risk in Germany since the market perceives this country as the anchor of the EMU. Despite the hegemonic role played by Germany, the authors find that this country is a net absorber of liquidity risk most of the time and a net absorber of credit risk for almost half of the sample period (2008-2018). Finally, the authors study the pairwise interconnection between the sovereign bond risks over the entire sample and two crises' episodes, finding that risk transmission goes mainly from credit to liquidity risk. **TAGS:** [Cost and Risk](#) [Sovereign bond market](#)

Secondary Markets

[The Liquidity State-Dependence of Monetary Policy Transmission](#)

Rodrigo Guimaraes, Gabor Pinter, Jean-Charles Wijnandts - Bank of England

The large reactions of long-term government bond yields to monetary policy shocks occur during periods of higher market liquidity, and there is very little reaction during periods of lower liquidity. This newly documented liquidity state-dependence persistently affects real yields, term premia as well as long-term mortgage rates. Balance sheet constraints on both hedge funds and dealers contribute to the liquidity state-dependence. Conditioning on market liquidity yields stronger state-dependence than simply conditioning on macroeconomic indicators. Authors' results underscore the importance of market functioning, and the financial health of key intermediaries that support it, for implementing stabilisation policies. **TAGS:** [Debt and fiscal/monetary policies](#) [Market Liquidity](#) [Cash Management](#) [Secondary Markets](#)

Subnational Debt

[Public Expenditures and Racial Disparities: Economic Effects of State Municipal Restructuring Policies](#)

Audra L. Boone, Xin Fan, John Hund - Texas Christian University, University of Nevada, University of Georgia

The authors extend and confirm Gao et al (2019)'s result that creditor recovery in municipal restructuring is higher in states that mandate political intervention (Proactive) than in states that allow unconditional access to judicial bankruptcy (Chapter 9). This higher creditor recovery imposes a real economic cost on distressed local communities. Municipalities in Chapter 9 states have higher post-default public expenditures and housing prices than communities in Proactive states. These differences are larger for municipalities with high Black populations, smaller for municipalities that are politically aligned with the state governor, and larger for high Black population communities where there is high racial bias. **TAGS:** [Debt distress](#) [Debt restructuring](#)

[Debt Management and Strategic Interactions in Top-down Bureaucracy: Evidence from China]

Xi Qu, Zhiwei Xu, Jinxiang Yu - Shanghai Jiao Tong University, Fudan University

Strategic interactions between political agents shape the allocation of public resources in various economies. Based on a comprehensive dataset, the authors empirically investigate how the ceiling on local government debt is allocated to prefectural cities in China after its debt management reform. The authors show that the distributional outcome of the debt ceiling relies on the bilateral interactions of local and their superior governments. In particular, besides fundamental factors, political connections with provincial leaders and local applications induced by regional competition significantly raise the newly increased debt ceiling for prefectural cities. The authors establish the robustness through various econometric specifications. Moreover, the authors find that the effects of local application are more pronounced for distributing the ceiling of special debt that is used to finance public projects with certain returns. The authors further evaluate the real consequences of the debt ceiling distribution. An increase in the debt ceiling leads to higher economic growth but dampens total factor productivity (TFP), and regions with tighter debt ceilings tend to obtain external finance by accumulating more implicit debt through the local government financing vehicle. This paper offers new evidence for distributive politics in a top-down bureaucracy and its economic consequences. **TAGS:** Subnational Debt Debt ceiling

The Demographic Burden in Shifting Local Government Implicit Debt: Evidence from China

Tianyuan Jiang, Manling Zhang, Jing Chen - Central University of Finance and Economics, Jilin University, Peking University

Massive population agglomeration trends pose fiscal challenges for local governments. With the help of Mobile Internet data, this paper demonstrates how demographic changes shift the implicit debts of local governments. In China, municipal corporate bonds (MCB) constitute the most implicit debt, functioning as an out-of-budget financing tool guaranteed by local government. This paper finds that net population flow is a crucial driving force behind local government's MCB debts. However, the relationship is highly asymmetric, only observable in the growing cities. The authors ascertain that the city's implicit debts could alleviate the disparities in public amenity construction needs resulting from demographic shifts. **TAGS:** Implicit debt

Financial Analysis

Did the U.S. Really Grow Out of Its World War II Debt?

Julien Acalin, Laurence Ball - IMF, Johns Hopkins University

The fall in the U.S. public debt/GDP ratio from 106% in 1946 to 23% in 1974 is often attributed to high rates of economic growth. This paper examines the roles of three other factors: primary budget surpluses, surprise inflation, and pegged interest rates before the Fed-Treasury Accord of 1951. Authors' central result is a simulation of the path that the debt/GDP ratio would have followed with primary budget balance and without the distortions in real interest rates caused by surprise inflation and the pre-Accord peg. In this counterfactual, debt/GDP declines only to 74% in 1974, not 23% as in actual history. Moreover, the ratio starts rising again in 1980 and in 2022 it is 84%. These findings imply that, over the last 76 years, only a small amount of debt reduction has been achieved through growth rates that exceed undistorted interest rates. **TAGS:** Financial Analysis Interest Rates

Costly Increases in Public Debt when r < g

Yongquan Cao, Vitor Gaspar, Adrian Peralta-Alva - IMF

This paper quantifies the costs of a permanent increase in debt to GDP. The authors employ a deterministic, overlapping generations model with two assets and no risk of default. The two assets are public debt and private (productive) capital. The authors assume that the return on private capital equals the interest rate on public debt plus an exogenously given spread. Employing a analytical version of the model the authors show an example in which a permanent rise in the public debt ratio leads to a significant reduction in steady-state GDP even as r. **TAGS:** Financial Analysis Cost and risk

The Term Structure of Interest Rates in a Heterogeneous Monetary Union

James Costain, Galo Nuño, Carlos Thomas - Banco De España

The authors build an arbitrage-based model of the yield curves in a heterogeneous monetary union with sovereign default risk, which can account for the asymmetric shifts in euro area yields during the Covid-19 pandemic. The authors derive an affine term structure solution and decompose yields into term premium and credit risk components. In an extension, the authors endogenize the peripheral defaultprobability, showing that it decreases with central bank bond holdings. Calibrating the model to Germany and Italy, the authors show that a 'default risk extraction' channel is the main driver of Italian yields and that flexibility makes asset purchases more effective. **TAGS:** Interest Rates Sovereign bonds yields Sovereign defaults

Sovereign Defaults at Home and Abroad

Aitor Erce, Enrico Mallucci, Mattia Picarelli - Universidad Publica De Navarra and CEPR, Board Of Governors Of The Federal Reserve System, European Stability Mechanism

The authors systematically compare sovereign defaults on debt issued externally and domestically. Defaults at home and abroad are equally frequent, and governments often default selectively. Compared to domestic defaults, external defaults are larger and take longer to resolve. Both external and domestic defaults are often resolved through maturity extensions and coupon reductions. Face value reductions are infrequent, especially as part of domestic restructurings. Yet, domestic defaults are more punitive, as they are associated with larger creditor losses. The authors also document that domestic and external sovereign defaults occur in markedly different macro-financial, political and geo-economic environments. Authors' stylized facts inform a growing theoretical literature concerned with sovereign defaults in the presence of domestic debt markets. **TAGS:** Sovereign defaults Foreign Debt Sovereign debt market

Rollover and Interest-Rate Risks in Self-Fulfilling Debt Models

João Ayres, Radoslaw Paluszynski - Inter-American Development Bank, University of Houston

This paper proposes a model of sovereign default that features interest rate multiplicity driven by rollover risk. Authors' core mechanism shows that the possibility of a rollover crisis by itself can lead to high interest rates, which in turn reinforces the rollover risk. By exploiting complementarity between the traditional notions of slow- and fast-moving crises, authors' model generates a rich simulated dynamics that features frequent defaults and a volatile bond spread even in the absence of shocks to fundamentals. In the presence of risky income, authors' mechanism amplifies the dynamics of debt and spreads relative to model benchmarks where equilibrium multiplicity relies on the underlying shocks to income. **TAGS:** Interest Rates Sovereign Defaults

The Anatomy of Government Bond Yields Synchronization in the Eurozone

Claudio Barbieri, Mattia Guerini and Mauro Napoletano - European Central Bank, Université Côte d'Azur

The authors investigate the synchronization of the Eurozone's government bond yields at different maturities. For this purpose, they combine principal component analysis with random matrix theory. The authors find that synchronization depends on yield maturity. Short-term yields are not synchronized. Medium- and long-term yields, instead, were highly synchronized early after the introduction of the Euro. Synchronization then decreased significantly during the Great Recession and the European Debt Crisis, to partially recover after 2015. The authors interpret their empirical results using portfolio theory, and the authors point to divergence trades as a source of the self-sustained yield asynchronous dynamics. Authors' results envisage synchronization as a requirement for the smooth transmission of conventional monetary policy in the Eurozone.

Analyzing Risk Spillovers in Regional and Global Sovereign Bond Markets: The Influence of ASEAN Emerging Countries Using a Time-Varying Matrix Autoregressive Model

Ying Chen, Jiazi Chen, Wei Li, Gazi Salah Uddin - National University of Singapore, Linkoping University

This study investigates the evolving involvement of the Association of Southeast Asian Nations (ASEAN) in the sovereign bond markets, highlighting the significant position of these emerging economies as a linchpin in the interconnected global financial system. Leveraging the innovative Adaptive Matrix Autoregressive (AMAR) model, the authors unravel the intricate network of interconnectedness and the ever-changing structural dynamics within global, regional, and intra-ASEAN markets. Authors' research underscores that developed Western countries play a pivotal role in influencing ASEAN nations and larger Asian economies, albeit with varying degrees of impact across regions and over time. Furthermore, ASEAN countries exhibit diverse roles as risk receivers, spillovers, or both. The dynamic nature of these roles is exemplified by events such as the European debt crisis, which for instance temporarily transformed Malaysia from a risk receiver into an exporter, thereby disrupting global markets. This study sheds light on the dynamic nature of sovereign bond markets and emphasizes the significant influence exerted by ASEAN, offering insights for policymakers and investors navigating this ever-evolving financial landscape. **TAGS:** Sovereign bond market

The Impacts of The Covid-19 Outbreak on the Euro Area's Sovereign Bond Market

Vassilios G. Papavassiliou - University College Dublin

Sovereign bonds play a crucial role in the financial system, representing a key reserve asset for central banks and a profitable investment asset for investors and portfolio managers (Papavassiliou, 20211). All markets for sovereign bonds worldwide experienced a period of impaired functioning from February to March 2020 resulting from the COVID-19 pandemic crisis, which quickly spilled over to other markets (for example, the S&P 500 [Standard and Poor's 500] and the Euro Stoxx 50 indices lost more than one-third of their values) and adversely affected funding conditions and market liquidity (Schrimpf et al., 2020). […] **TAGS:** Debt crisis Sovereign debt market Sovereign bond market COVID-19 Market Liquidity

[Latin America's Inflationary Past Draws Lessons About Fiscal and Monetary Largesse in Advanced Economies]

Dalton Gardimam - Ágora Investimentos, Bradesco

Latin America's (LA's) vast experience with frequent and severe inflationary episodes has often been attributed to economic mismanagement (fiscal and monetary actions) and external shocks. That historical knowledge is useful given the colossal COVID-related fiscal and monetary responses in developed economies, notably the United States and Europe, with unprecedented and massive increases in deficits and debts. Latin America offers a rich understanding of the long-lasting consequences of fiscal and monetary largesse. The practical aspect is a necessary caution about today's assumptions of a painless recovery (no recession) and a fast convergence to 2-percent inflation targets in the developed world. The inflation surge in 2020-21 is still unfinished business in advanced economies. Debt, as Latin America learned the hard way, is not "resolved" by the passage of time without a resolute will (in other words, fiscal consolidation). Debts tend to continue to pressure inflation for years to come. That is a key lesson for advanced economies from a glance at LA's experience with debt levels and inflation rates. […] **TAGS:** [Debt and fiscal/monetary policies]

Institutional and Organizational Framework

[European Union Debt Financing: Leeway and Barriers from a Legal Perspective]

Sebastian Grund, Armin Steinbach – IMF, HEC Paris, Max Planck Institute for Research on Collective Goods

The authors explore legal leeway for two approaches to debt-financing European Union spending: creation of extra budgetary, one-off and temporary EU funds to finance European public goods (similarly to Next Generation EU), and debt-financing the EU's regular budget, hence creating an on-budget, permanent borrowing capacity at EU level.

The authors find that NGEU could in principle be replicated. This would require an amendment to the Own Resources Decision (ORD) – a unanimous Council decision that designates the main sources of EU financing and requires ratification by each member state – to authorise borrowing and specify how the borrowing proceeds are to be used. However, this approach would be constrained by the legal requirement that financing EU spending through 'other revenues' (as opposed to 'own resources' designated as such in the ORD) remain exceptional. As a result, no permanent EU tasks could be financed through NGEU-like funds and NGEU-like financing could not exceed financing through 'own resources'.

The authors also find that, while EU primary law does not stop the EU from debt-financing its budget, the scope for EU borrowing would remain severely limited compared to a sovereign state. The permissible amount of borrowing must be specified in the ORD and the EU must be able to meet its debt service in any year, which must be secured by a sufficient amount of (non-borrowed) own resources.

Finally, considerable flexibility exists for the spending of borrowed funds, regardless of whether this occurs through new NGEU-like extrabudgetary funds or on budget. Borrowed funds could be allocated to climate funding, cohesion policy, infrastructure or research. In the event that borrowing proceeds are established as an 'own resource' in an appropriately amended ORD, borrowed funds could even be used for general financing of the EU budget. **TAGS:** [NGEU Debt financing] [Institutional and Organizational Framework]

Debt Restructuring

How the Brady Plan Delivered on Debt Relief: Lessons and Implications

Neil Shenai, Marijn A. Bolhuis - IMF

Rising debt vulnerabilities in low- and middle-income countries have rekindled interest in a Brady Plan-style mechanism to facilitate debt restructurings. To inform this debate, this paper analyzes the impact of the original Brady Plan by comparing macroeconomic outcomes of 10 Brady countries to 40 other emerging markets and developing economies. The paper finds that following the first Brady restructuring in 1990, Brady countries experienced substantial declines in public and external debt burdens and a sharp pick-up in output and productivity growth, anchored by a comparatively strong structural reform effort. The impact of the Brady Plan on overall debt burdens was many times greater than initial face value reductions, indicating the existence of a “Brady multiplier.” Brady restructurings took longer to complete than non-Brady restructurings. Today, similar mechanisms could be helpful in delivering meaningful debt stock reduction when solvency challenges are acute, but Brady-style mechanisms alone would not solve existing challenges in the sovereign debt landscape, including those related to creditor coordination, domestic barriers to economic reforms, and the increased prevalence of domestic debt, among others. **TAGS:** Debt restructuring Debt relief Debt sustainability

Promises and Perils of Sovereign Debt Transparency

Stephen Park, Tim Samples - University of Connecticut, University of Georgia

Sovereign debt is astoundingly opaque. While persistent doubts about transparency undermine the legitimacy of sovereign debt, the dangers posed by opaqueness are mounting. Yet, even at a time of pending crisis, information is woefully inadequate. Calls for transparency seek more data and better disclosure around debt obligations and decision making. In light of what is at stake, the opaqueness of sovereign debt has spurred a range of recent standards-based initiatives to make sovereign debt more transparent. This Article sets out to interrogate the presumptions underlying sovereign debt transparency. While transparency’s promise may be readily apparent in certain contexts, this Article argues that policymakers and practitioners ignore its limitations and shortcomings at their peril. This Article advances and explores three propositions to show how the narrative of sovereign debt transparency is incomplete: (1) that transparency is immensely challenging to implement in the context of sovereign debt, (2) that sovereign prerogatives hinder the implementation of mandatory disclosure, and (3) that the causal link between transparency and debt outcomes is unclear and conditional. The success of reform efforts hinges on addressing these impediments to meaningful transparency. **TAGS:** Transparency Sovereign debt Debt Restructuring

Debt Reduction in Latin America and the Caribbean

Ugo Panizza, Andrew Powell - Graduate Institute of International and Development Studies (IHEID), Inter-American Development Bank and Williams College

During the pandemic, public debt in Latin America and the Caribbean rose to more than 70 percent of GDP, and countries are now attempting to lower debt ratios. The authors analyze past debt reduction episodes and find inflation and the real interest rate were the most frequent main drivers, while higher growth, fiscal consolidation and debt restructuring were relatively rare. Interestingly, inflation episodes tended to be with independent central banks and low real interest rates, highlighting the value of monetary credibility. The authors find debt reduction is not associated with a rise in inequality nor in unemployment, and growth or fiscal consolidation may improve these indicators. **TAGS:** Debt Restructuring Debt relief Debt and growth

Macroeconomic Analysis

Foreign Debt, Institutional Quality and Economic Performance in Nigeria: An Experimental Evaluation

John Polycarp Ekpe, Jonathan E Ogbuabo - University of Nigeria

Nigeria is the largest economy in Africa and the largest exporter of crude oil in Africa, yet Nigeria has a huge foreign debt portfolio and weak institutions. It is against this backdrop that this study examines the impact of foreign debt and institutional quality on economic performance in Nigeria. Data used for the analysis were quarterly data that ranges from 1996Q1 to 2019Q1. Foreign debt service was used as a measure of foreign debt while corruption control and government effectiveness were used as measures of institutional quality. Economic performance which is the dependent variable was measured using Gross Domestic Product. The study also examines how institutional quality influences the relationship between foreign debt and economic performance in Nigeria. Autoregressive Distributed Lag Model was used to specify and estimate the relationship between the variables. The result of the analysis indicates that foreign debt has an insignificant negative effect on economic performance in the short run and also negative insignificant effect in the long run too, corruption control has a significant positive effect on economic performance only in the short run, Government effectiveness does not have a significant effect in the economy, being the two; the short run and the long run, on that account corruption control influences the relationship between foreign debt and economic performance significantly and negatively only in the short run but also positively and insignificantly in long run. Mechanism should be put in place to ensure that foreign debts are properly utilized to embark on the projects they were meant for". **TAGS:** Foreign Debt

Does Real Government Debt Move Too Little to Be Justified by Subsequent Changes in Deficits?

Jonathan Hartley - Stanford University

The fiscal theory of the price level posits that the price level of an economy adjusts so that the real value of nominal debt equals the present value of future surpluses. This paper seeks to test this theory using historical data across countries to compare real government debt with an ex-post rational measure of discounted surpluses using similar volatility tests that have been used to determine whether stock prices are more or less volatile than an ex-post rational measure of the present discounted value of future dividends and cash flows. The authors find that real government debt is less volatile than ex-post discounted fiscal surpluses, suggesting there may be some role for a bubble term in the fiscal theory of the price level equation and that economic agents in the economy may lack information or be inattentive about the state of the government's fiscal affairs.

TAGS: Debt and fiscal/monetary policies Interest rates

Beyond Borders: Assessing the Influence of Geopolitical Tensions on Sovereign Risk Dynamics

António Afonso, José Alves, Sofia Monteiro - ISEG

The authors assess the impact of geopolitical risk and world uncertainty on the sovereign debt risk of 26 European Economies during the period 1984-2022, through the implementation of OLS-Fixed Effects regressions and the Generalized Method of Moments (GMM). The authors find that geopolitical tensions and global uncertainty in border countries contribute to the rise of European country's sovereign risk as measured by 5- and 10-year Credit Default Swaps (CDS) and bond returns. Moreover, this interconnection is more pronounced during turbulent times such as the subprime crisis. Lastly, the authors found that geopolitical tensions in other country' groups such as South America and Asia have a significant impact on the government risks of European countries. **TAGS:** Sovereign risk Credit Default Swaps

Revisiting Uribe (2022) Through a Fiscal Lens: State-Dependent (Neo-)Fisher Effects Under Changing Household Beliefs in Sustainable Public Debt to GDP

Helmut Herwartz, Lasse Trienens - University of Göttingen

Inflation aligns real public debt with the present discounted value of future fiscal surpluses, highlighting the discount factor's role in treasury demand stability. This study links the state-dependent Fisherian relationship in treasury yields and inflation to stable or unstable demand based on changing household beliefs in sound public finances. In low discount factor scenarios, the central bank accommodates rising trend inflation, e.g., due to unfunded fiscal debt, while long-term yields stay resilient, reducing the natural rate. Conversely, in high discount factor settings, households question public finances before the shock, exerting upward pressure on yields and inflation, e.g., after unfunded fiscal shocks, neutralizing the natural rate response and monetary efficiency. In a nutshell, this study proposes that shocks which persistently alter the public debt-to-discounted-surpluses ratio fuel trend inflation and nominal GDP, thereby reducing the public debt-to-GDP ratio. Therefore, a high public debt-to-GDP ratio, such as Japan's, could indicate fiscal resilience as the government tackles the real debt burden. Conversely, low debt-to-GDP ratios, as observed in Turkey, may signal a lack of fiscal funding, and hence the use of inflation for fiscal adjustments. **TAGS:** Debt and growth Sovereign debt market Interest rates

A Modest Recovery Ahead after a Challenging Year

Maarten Verwey et al. - European Commission

The European economy has lost momentum this year against the background of high costs of living, weak external demand and monetary tightening. A modest rebound in growth is expected going forward. The resilience of the labour market is the main force behind the growth outlook. This column presents the key factors that underpin the Autumn 2023 Forecast and discusses the drivers of the continued labour market tightness in the EU, despite the economic slowdown. […] **TAGS:** Economic Forecasts

Multilateral Financing

African Development Bank Champions Home-grown Solutions to Africa's Debt Challenges

African Development Bank

The African Development Bank Group is facilitating the establishment of the African Debt Managers Initiative Network (ADMIN), which will bring together experts to find home-grown solutions to the continent's debt challenges.Eric Ogunleye, Acting Director and Division Manager for Policy Management at the African Development Bank's African Development Institute, told debt managers from across Africa that the network would facilitate capacity development for institutions and practitioners on the continent, in particular, reorienting them towards responsible borrowing and transparent debt management. [….] **TAGS:** Debt sustainability Debt distress Multilateral financing

Reports

[Dealing with Debt in the Caribbean]

David Rosenblatt et al. - IADB

Many countries in Latin America and (especially) the Caribbean have struggled with public indebtedness problems for decades, but some have transitioned to relatively low and stable debt levels based on the strengthening of fiscal institutions, and macroeconomic institutions more generally. Following on this year's Development in the Americas report, Dealing with Debt, this edition of the Caribbean Economics Quarterly examines the status of public debt sustainability in Caribbean countries. The regional chapter provides a primer on the analysis of public debt dynamics and a review of the recent literature on empirical approaches to debt sustainability. Country chapters provide additional details on country experiences in recent decades, as well as the current policy and institutional frameworks for managing public debt. **TAGS:** Debt sustainability

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Asian Perspectives on Sovereign Debt and Managing Fiscal Risks

Asian Development Bank

Debt sustainability risks in developing economies have amplified in recent years in the aftermath of the coronavirus disease (COVID-19) pandemic. Fiscal support packages implemented due to the pandemic led to higher stocks of public debt, while tighter global monetary conditions in 2022 and 2023 increased the cost of financing public debt, widening fiscal deficits. Managing the inflationary effects of pandemic-related fiscal expansions, global supply chain disruptions, and the commodity price ramifications of the Russian Federation's invasion of Ukraine created significant challenges for policy makers. These challenges were compounded by the ongoing need to address climate risks with appropriate adaptation and mitigation measures, placing further strain on the sustainability of public debt. […] **TAGS:** Debt sustainability Debt and fiscal/monetary policies

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Regional Economic Outlook, Europe, November 2023

IMF

Europe is at a turning point. After last year's crippling energy price shock caused by Russia's invasion of Ukraine, Europe faces the difficult task of restoring price stability now while securing strong and green growth in the medium term. Economic activity has started to cool and inflation to fall as a result of monetary policy action, phasing-out supply shocks, and falling energy prices. Sustained wage growth could, however, delay achieving price stability by 2025. Failing to tackle inflation now will risk additional growth damage in a world exposed to structural shocks from fragmentation and climate change. These global headwinds add to Europe's long-standing productivity and convergence problems. To lift Europe's potential for strong and green growth, countries need to remove obstacles to economic dynamism and upgrade infrastructure. This will strengthen business-friendly conditions and investment. Cooperation at the European level and with international partners will position Europe as a leader in the climate transition and support economic stability across the continent. **TAGS:** Economic Forecast Financial stability Debt and fiscal/monetary policies

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[Economic Bulletin Issue 7, 2023]

ECB

The Governing Council decided at its meeting on 26 October 2023 to keep the three key ECB interest rates unchanged. The incoming information has broadly confirmed its previous assessment of the medium-term inflation outlook. Inflation is still expected to stay too high for too long, and domestic price pressures remain strong. […] **TAGS:** Debt statistics Debt and fiscal/monetary policies Interest Rates

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Monetary Policy, Financial Conditions and Real Activity: Is This Time Different?

Fernando Avalos et al. - BIS

The financial system is the first link in the monetary policy transmission chain. So far in this monetary tightening episode, how have financial conditions evolved? Has their evolution differed materially from past tightening episodes? If so, how and why? How has real activity responded to date? This Bulletin explores these questions, and thereby serves as an input to calibrate the next steps for monetary policy. First, it documents the recent evolution of financial conditions and compares their patterns with those observed in past tightening episodes. It then turns to the response of real activity and the policy implications. […] **TAGS:** Debt and fiscal/monetary policies

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Post-Conflict Reconstruction, Stabilization, and Growth Agenda for Sudan

Ibrahim Elbadawi et al. - Economic Research Forum

Sudan is currently embroiled in high-intensity, catastrophic, and factional military warfare, which is a culmination of an acrimonious transition following a popular uprising that managed to depose the longreigning kleptocratic regime of General Omer al-Bashir in December 2018. However, as grave as it may be, the heavy legacy of this regime was not only confined to a divided military. Under the watch of this regime, the country experienced a major economic decline following the independence of South Sudan in 2011, due to the loss of more than three-quarters of its oil revenue. […] **TAGS:** Debt and growth Debt relief

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OTC Derivatives Statistics at End-June 2023

BIS

The notional value of outstanding OTC derivatives reached $715 trillion at end-June 2023, up 16% (or $97 trillion) since end-December 2022 (Graph 1.A). This rise was in part a result of seasonal factors, particularly evident since 2016, whereby decreases in notional outstanding amounts before the end of each calendar year are followed by a subsequent rebound. Such end-of-year contractions can occur if reporting dealers shrink their outstanding notional derivative positions for regulatory and financial reporting purposes. […] **TAGS:** Derivatives Financial stability Interest Rates Accounting Statistics

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SwapsInfo Third Quarter of 2023 and Year-to September 30, 2023 Review

ISDA

The ISDA SwapsInfo Quarterly Review provides analysis of interest rate derivatives (IRD) and credit derivatives trading. The report provides a detailed breakdown of cleared and non-cleared activity, trading on and off swap execution facilities (SEFs), and product taxonomy and currency information. Notional and trade count data for IRD and credit derivatives is obtained from the Depository Trust & Clearing Corporation (DTCC) swap data repository (SDR) and security-based swap data repository (SBSDR). It is available on the ISDA SwapsInfo website (swapsinfo.org). This report covers IRD and index credit derivatives transactions disclosed to the DTCC SDR under US Commodity Futures Trading Commission (CFTC) regulations. Security-based credit derivatives analysis includes security-based transactions reported to the DTCC SBSDR and ICE Trade Vault under US Securities and Exchange Commission (SEC) regulations. **TAGS:** Financial Analysis Derivatives Swaps

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Key Trends in the Size and Composition of OTC Derivatives Markets in the First Half of 2023

ISDA

The latest data on over-the-counter (OTC) derivatives from the Bank for International Settlements (BIS) shows a rise in notional outstanding, gross market value and gross credit exposure of OTC derivatives during the first half of 2023 compared to the first half of 2022. The upswing was driven by growth in interest rate and foreign exchange (FX) derivatives amid rising interest rates for major currencies. Global OTC derivatives notional outstanding increased by 13.1% at mid-year 2023 compared to the middle of 2022. The gross market value of OTC derivatives rose by 8.1% and gross credit exposure – gross market value after netting – grew by 10.5% over the same period. Total mark-to-market exposure was reduced by 81.6% as a result of close-out netting. Credit exposure was further reduced by the collateral market participants posted for cleared and non-cleared transactions. Clearing rates for both interest rate derivatives (IRD) and credit default swaps (CDS) increased over the period. Firms posted $389.0 billion of initial margin (IM) for cleared IRD and CDS transactions at all major central counterparties (CCPs) at mid-year 2023 versus $359.7 billion a year earlier. **TAGS:** Derivatives

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OECD Economic Outlook, November 2023

OECD

The global economy continues to confront the challenges of inflation and low growth prospects. GDP growth has been stronger than expected so far in 2023, but is now moderating on the back of tighter financial conditions, weak trade growth and lower business and consumer confidence. Risks to the near-term outlook remain tilted to the downside and include heightened geopolitical tensions, for example due to the evolving conflict following Hamas' terrorist attacks on Israel; and a larger-than-expected impact of monetary policy tightening. On the upside, growth could also be stronger if households spend more of the excess savings accumulated during the pandemic. […]

TAGS: Debt and growth Economic Forecasts

BIS Quarterly Review, December 2023

BIS

Markets oscillated as monetary policy interest rate hikes appeared to be coming to an end. Long-term yields surged and then retreated on investors' evolving perceptions of future policy actions.1 After reaching highs in some cases not seen since the run-up to the Great Financial Crisis (GFC), yields declined rapidly in November. Developments in risky asset markets, as well as exchange rates and capital flows in emerging market economies (EMEs), were closely intertwined with the evolution of core bond markets. […] **TAGS:** Financial Analysis Sovereign debt market Secondary Markets

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Guide to Best Practice in the European Repo Market: November 2023

Richard Comotto - ICMA

This Guide is published by ICMA's ERCC. Its purpose is to help foster a fair and efficient European repo market by recommending practices which market experience suggests can help avoid uncertainty or disagreement about transactions, and consequent delay or disruption to repo trading and settlement.

With the same purpose in mind, the Guide also codifies market conventions, where this has been thought to be helpful, usually in response to queries from market participants. […] **TAGS:** Best Practices Financial Analysis

News

What's New area of the PDM Network website proposes a selection of ***daily news*** ***on public debt management*** from online newspapers and info providers, as well as ***the most recent documents and reports***. In addition to the bimonthly Newsletter, subscribers receive the weekly newsletter ***Emerging Sovereign Debt Markets News*** which covers sovereign debt markets of emerging market and developing economies. The news has been selected by the PDM Network Secretariat from the ©Thomson Reuters Eikon 2023 and © LSEG 2023 information services.

Events and Courses

FEBRUARY

7-9 February 2024: FIA and SIFMA's Asset Management Group - Dana Point, CA
Asset Management Derivatives Forum 2024

18–20 February 2024: Emeraldgroup Publishing - Gulf University for Science and Technology, Kuwait
Accounting, accountability and governance in the Middle East and North African (MENA) region

28-29 February 2024: Eurex - Congress Center Messe, Frankfurt
Derivatives Forum Frankfurt 2024

MARCH

4 March 2024: World Bank and IMF - Online
Debt Sustainability Framework for Low Income Countries (LIC DSFX)

5 – 6 March 2024: bondsloans.com - Cape Town International Convention Centre
Bonds, loans & esg capital markets Africa 2024

17 – 20 March 2024: The Department of Banking and Finance at the University of Zurich and the Department of Finance, Accounting and Statistics at WU Vienna - Sunstar Hotel, Davos, Switzerland
19th European Winter Finance Summit

21 March 2024: OMFIF's Sovereign Debt - Paris, France
Public Sector Debt Summit

APRIL

4–5 April 2024: The Bank of Italy, Baffi Centre (Bocconi University) and the Centre for Economic and Policy Research (CEPR) - Bank of Italy, Rome
4th Bank of Italy, Bocconi University and CEPR Conference on Financial Stability and Regulation

8-19 April 2024: IMF - The Joint Vienna Institute (JVI) - Wien, Austria
Monetary Policy

15-24 April 2024: Oesterreichische Nationalbank, Joint Vienna Institute and National Bank of Slovakia - Wien, Austria
[Macrofinancial Stability in Central, Eastern and Southeastern Europe]

16-17 April 2024: International Research Forum on Monetary Policy (IRFMP) - Federal Reserve Board, Washington, D.C.
[International Research Forum on Monetary Policy: Monetary Policy Challenges during Uncertain Times]

22-23 April 2024: Bank of Canada - Ottawa
[Sovereign bond markets in inflationary times]

22 April – 4 May 2024: IMF - The Joint Vienna Institute (JVI) - Wien, Austria
[Fiscal Frameworks]

25-26 April 2024: ZEW - Mannheim, Germany
[ZEW Conference on Ageing and Sustainable Finance]

29-30 April 2024: BIS, BoE, ECB, IMF - Basel, Switzerland
[Ebb and Flow of Globalization–Perspectives on the Role of Trade and Financial Integration for International Spillovers]

29-30 April 2024: College of Europe – Bruges, Belgium
[Workshop on European Integration, Economic Convergence and Productivity]

MAY

2-5 May 2024: The Asian Development Bank (ADB) - Tbilisi, Georgia
[57th Annual Meeting]

9-10 May 2024: Board of Governors of the Federal Reserve System - Federal Reserve Board, Washington, D.C.
[FRB Conference on the Macroeconomic Seeds of Financial Imbalances]

9-10 May 2024: The Federal Reserve Banks of San Francisco and Chicago and the Journal of Financial Econometrics - Chicago, Illinois
[“Fixed Income Markets and Inflation”]

16–17 May 2024: NBER and the Smith Richardson Foundation - Cambridge, MA
[Inflation in the COVID Era and Beyond]

21-22 May 2024: The Centre for Research in International Economics (CREI) and the Centre for Economic Policy Research (CEPR) - the Ciutadella Campus of Universitat Pompeu Fabra in Barcelona
[Workshop on Heterogeneity and Economic Fluctuations: Recent Developments]

29– 31 May 2024: The Finance for Development Lab and the Paris School of Economics - Paris, France
[DebtCon7]

JUNE

1 June 2024: ADBI, the Asian Development Bank (ADB), and the Crawford School of Public Policy, Australian National University (ANU) - Manila, Philippines
[Research Papers on Striving for Inclusive Economic Growth in Asia and the Pacific]

June 2024: Asian Association of Environmental and Resource Economics - online
["Green Finance, responsible investments, and ethics in the era of post-COVID-19 and Russian-Ukrainian conflict"]

20-21 June 2024: Saïd Business School, University of Oxford Park End Street - Oxford
[Oxford Saïd - VU SBE macro-finance conference]

24-25 June 2024: The International Journal of Central Banking (IJCB) - Bank of Italy, Rome
Annual International Journal of Central Banking Research Conference

JULY

23-24 July 2024: The European Central Bank, the International Monetary Fund, and the IMF Economic Review - Frankfurt am Main, Germany
Global Challenges and Channels for Fiscal and Monetary Policy

OCTOBER

3 – 4 October 2024: Public Debt Management Network - Washington DC, United States
3rd PDM Conference

Call for papers

DL 1 February 2024: The Federal Reserve Banks of San Francisco and Chicago, the Journal of Financial Econometrics
Call for papers “Fixed Income Markets and Inflation”

DL 16 February 2024: The International Journal of Central Banking (IJCB) - Bank of Italy, Rome
Call for papers Annual International Journal of Central Banking Research Conference

DL 6 March 2024: Saïd Business School - Oxford
Call for papers Oxford Saïd - VU SBE macro-finance conference

DL 15 March 2024: The European Central Bank, the International Monetary Fund, and the IMF Economic Review - Frankfurt am Main, Germany
Call for Papers: Global Challenges and Channels for Fiscal and Monetary Policy

DL 30 March 2024: Public Debt Management Network - Washington DC, United States
Call for papers 3rd PDM Conference

DL 30 April 2024: A Special Issue of Finance Research Letters
Call for papers Climate Change and Environmental Sustainability in Emerging Market Banking and Finance