



# Sovereign debt in times of crises

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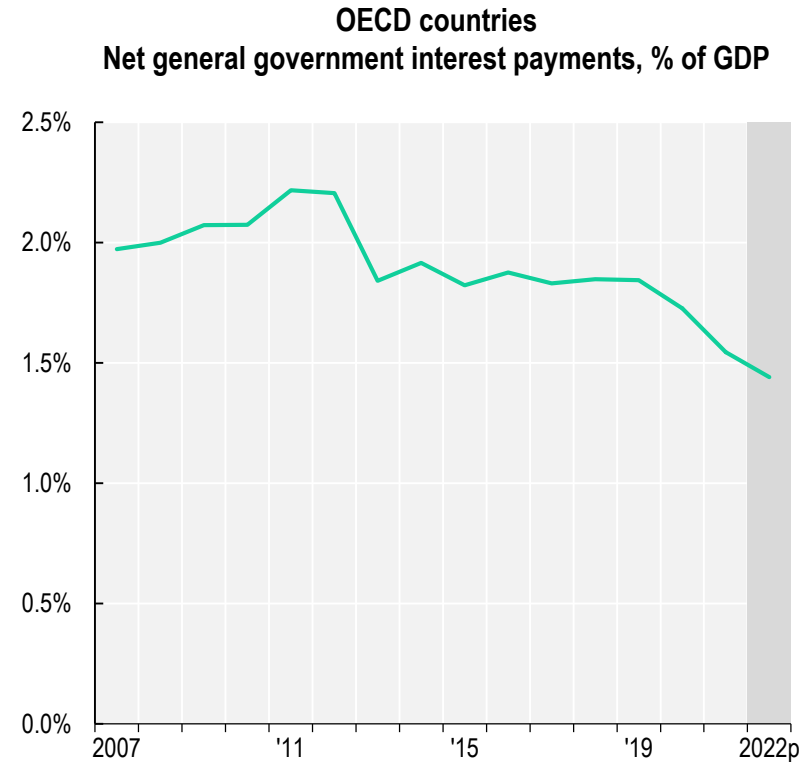
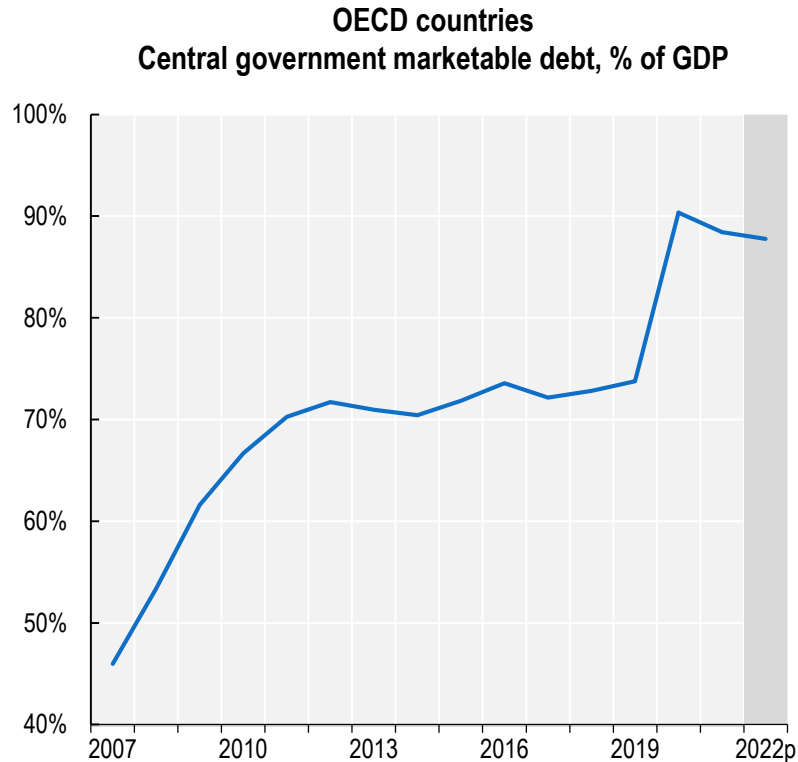
**Carmine Di Noia**

Director, Directorate for Financial and Enterprise Affairs  
OECD

*Opinions expressed in this keynote speech are personal and do not necessarily represent those of the OECD.*



# Going into the crises: Not N.I.C.E<sup>1</sup> - but not so bad?



*Note:* Shaded areas are projections.

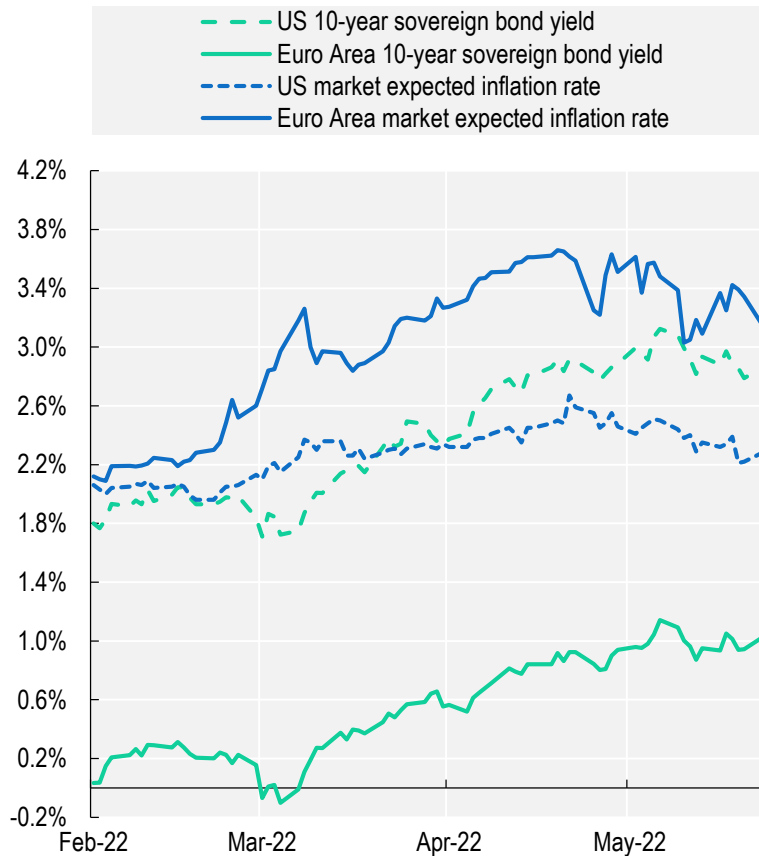
*Source:* OECD Sovereign Borrowing Outlook 2022; OECD Economic Outlook 110.

1) Non-inflationary, consistently expansionary.



# A turning of the tide?

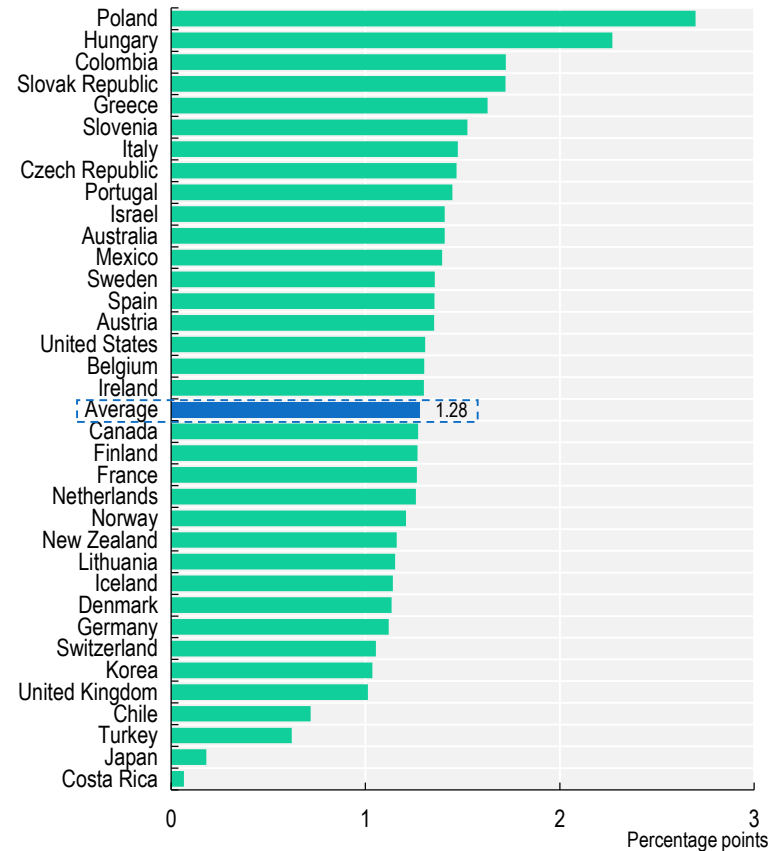
### US and Euro Area 10-year sovereign bond yields and 5-year market inflation expectations



Note: Inflation expectations are 5 years.

Source: OECD Sovereign Borrowing Outlook 2022; Refinitiv.

### Change in 10-year benchmark yields between December 2021 and April 2022 (percentage points)





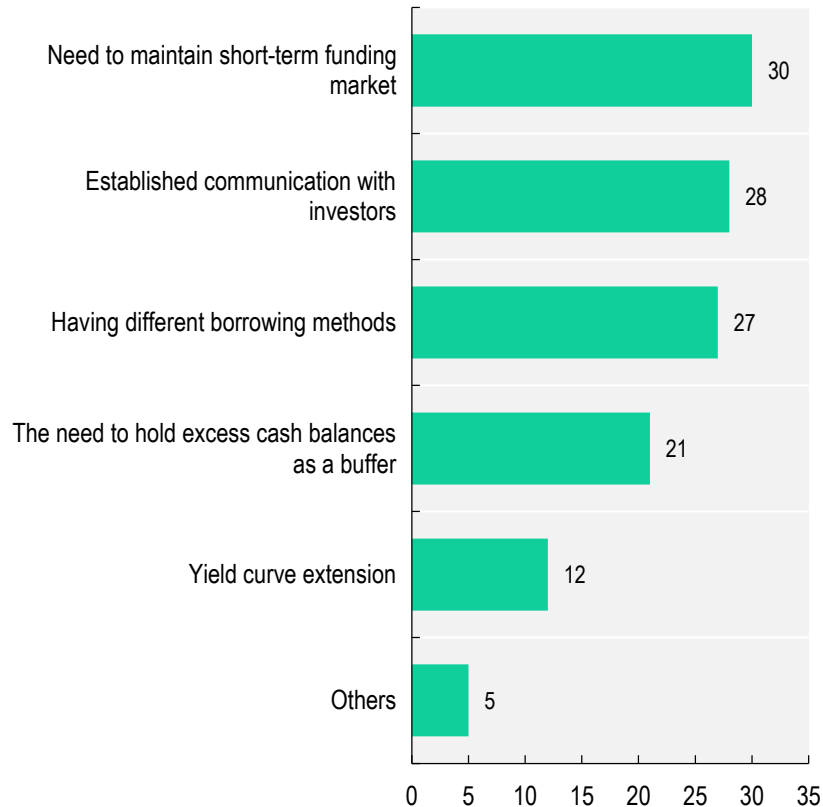
## Twin crises, triple pressures

- **Twin crises: COVID-19 and the war in Ukraine**
- **Pressure 1:** General surge in government borrowing and future borrowing needs
  - COVID-19
  - Financing the green transition
  - Demographic shifts
- **Pressure 2:** Inflation
  - Supply chain disruptions → further inflationary pressures (notably food/energy)
  - Interest rate increases in a high-debt environment
  - Shifting investor base, yield-sensitivity
- **Pressure 3:** A high degree of uncertainty
  - Exacerbates the two existing pressures
  - How long will the war and sanctions last, and what will the geopolitical landscape look like? What will be the cost of reconstruction?
  - Is the pandemic over from a public finance perspective?
  - What is the nature of the inflation we are facing?

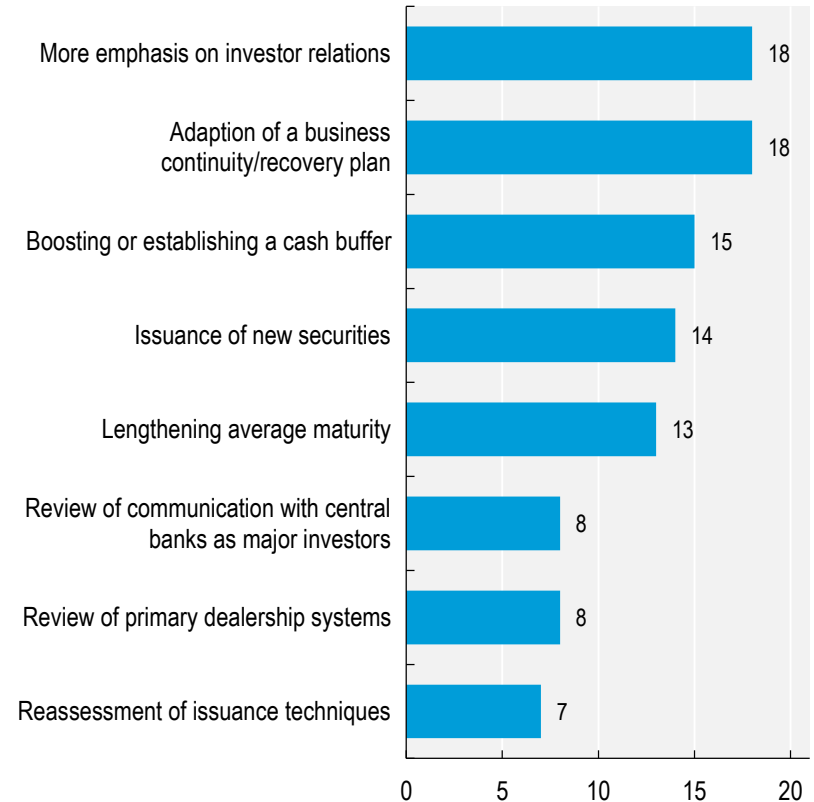


# Implications and lessons learned from the pandemic

## Key lessons learned from the COVID-19 crisis



## Potential implications of the pandemic on public debt management

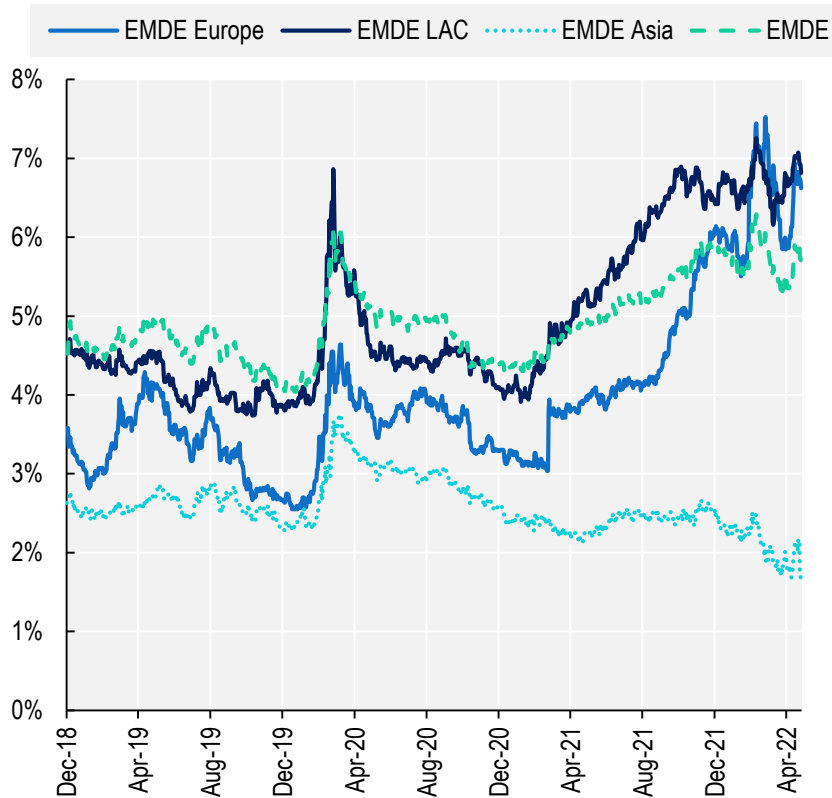


Source: OECD Sovereign Borrowing Outlook 2022 (2021 OECD Survey on Primary Market Developments).

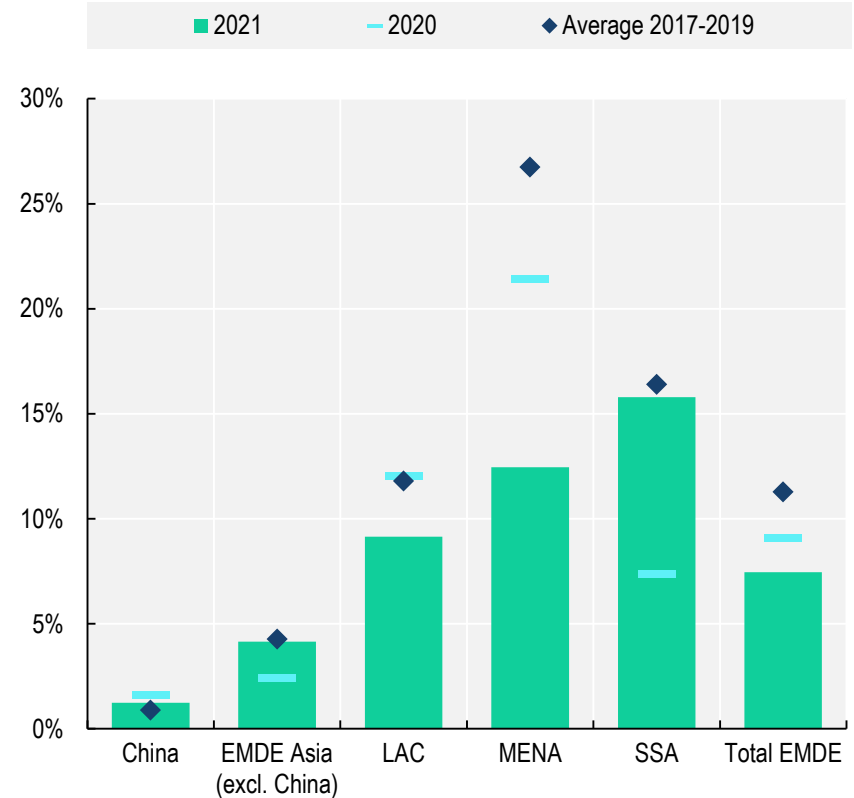


# Risks on the horizon: emerging market debt distress?

### Emerging market local currency bond yield spreads over US 10-yr



### Share of foreign currency issuance by emerging market group

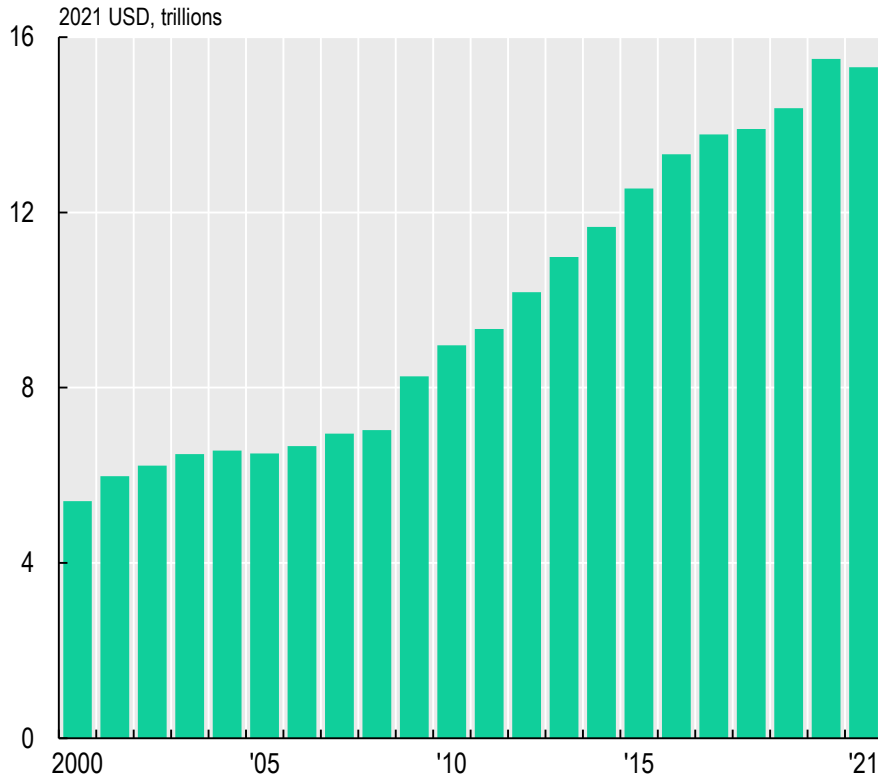


Source: OECD Sovereign Borrowing Outlook 2022; Refinitiv.

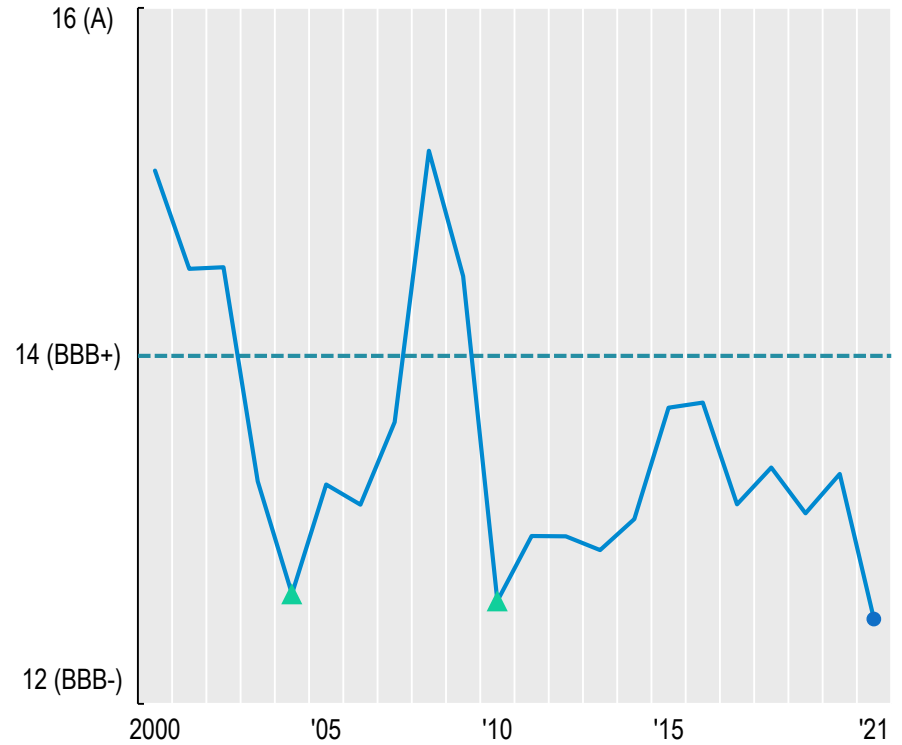


# Risks on the horizon: private risks becoming public liabilities?

### Global outstanding amount of non-financial corporate bonds



### Global non-financial corporate bond rating index



Source: OECD Capital Market Dataset.



**Thank you!**

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