A looming debt crisis in a changing creditor landscape

Andrea F. Presbitero*
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*International Monetary Fund & CEPR

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Public debt surges and restructurings

Unbalanced sample of 123 countries, 1970-2020 (N x T = 6,221); excluding DSSI

A. Presbitero
Changing credit landscape

The growing role of China (Cordella & Presbitero 2022)

Chinese lending is procyclical

China as a senior creditor

Source: World Bank IDS and WDI

Unbalanced sample of more than 120 debtor countries, unweighted averages across creditors. Source: World Bank IDS
Accounting for hidden defaults (Horn et al. 2022)
The economic and social costs of sovereign default (Farah-Yacoub et al. 2022)

The cumulative GDP gap is 8.4 percent three years after default.

The cumulative gap in calorie intake reach 4 pps 10 years after default.
The DSSI reduced borrowing costs (Lang et al. AEJ:Policy 2022)
Early interventions to resolve crises avoid costly outcomes (Asonuma et al. 2021)
Looking ahead

• About 60% of low-income countries are already in debt distress or in high risk of debt distress (it was 30% in 2015)

• A strong US dollar and tightening global financial conditions may aggravate debt vulnerabilities, requiring some reprofiling or restructuring

• The G20 Common Framework is an important step forward but more is needed