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Debt Report 2017, English version

Extract:
Global Sovereign Indebtedness Monitor

erlassjahr.de
Entwicklung braucht Entschuldung

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Summary

- 116 countries show one, several or all indicators in a critical range.
- The highest average debt indicators are shown by affected countries in the CIS / CEE and the MENA regions.
- In 89 countries the debt situation has worsened over the last four years. In 27 countries it has either improved or remained stable. In 48 countries not one of the five indicators has improved by at least 10% between 2011 and 2015.
- The rise in debt indicators becomes more dynamic. While in last year‘s analysis the relationship between improvements and deteriorations of debt indicators over the four year reference period was 1:2, this has changed to 1:3.5 this year. This tendency is most acute in the MENA region.
- Most threatened by a renewed debt crisis are countries that already have shown high indicators before and could not improve their situations. In the five regional groups this relates to the following countries:
  - **CIS / CEE:** Albania, Kyrgyz Republic, Armenia, Kazakhstan, Montenegro, Georgia, Croatia, Ukraine, Cyprus, Bosnia and Herzegovina, Serbia
  - **Sub-Saharan Africa**: Cape Verde, Mozambique, Ghana, Mauritania, The Gambia, Sudan, Mauritius, Zimbabwe
  - **Latin America / Caribbean**: Brazil, Colombia, Barbados, El Salvador, Antigua and Barbuda, Uruguay, Dominica, Saint Vincent and the Grenadines, Nicaragua, Venezuela
  - **Asia / Pacific**: Bhutan, Samoa, Sri Lanka, Mongolia, Tonga, Pakistan, Lao
  - **North Africa / Middle East**: Tunisia, Jordan, Yemen, Lebanon.
- The most affected country groups are small island developing states, post-completion point HIPCs, transformation states and extractive economies.

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Global Sovereign Indebtedness Monitor

Jürgen Kaiser

In the 2016 Global Sovereign Indebtedness Monitor for the first time we combined our analysis of global debt levels with a closer look at current trends over the last four years. This double analysis then served to draw conclusions regarding the type of sovereign debt crises that are coming our way. Based on the available end-2014 data, we found that for every indicator that had improved by at least 10% over the 2010-2014 period, two had worsened.

Last year it was already clearly visible that rising debt indicators were first of all the result of growing borrowing in the global south. This in turn was pushed by the interest rate differentials between capital markets in the global north and south. This year we have used available data for end-2015 in order to check whether the strong 2014 tendency towards worsening indicators has indeed led to elevated debt indicators one year later.

After a short technical introduction, this monitor lists debt indicators for all those countries which erlassjahr.de has found showing debt above critical thresholds for end-2015. In order to allow readers with an interest in specific country cases to make comparisons over time, we have applied the same methodology as in the 2016 Monitor. The indicative colours for the various thresholds is meant to make critical situations quickly visible. Again we have supplemented the country overview table with a matrix that displays the number and intensity of threshold breaches under the five indicators on the horizontal axis. The trend towards either improvements or deteriorations between 2011 and 2015 is displayed on the horizontal axis. The matrix helps to quickly identify the threat of a new debt crisis for each individual country.

Commenting on results we identify a few major trends regarding sovereign over-indebtedness.

How to identify over-indebtedness?

Debt - even high debt - is not necessarily a problem for the debtor. Just the opposite: intelligent borrowing can facilitate essential investments for an economy's future, which otherwise would have been impossible. If the loan is handled responsibly, the repayment of the loan including interest should be possible from the proceeds of the project financed by the loan.

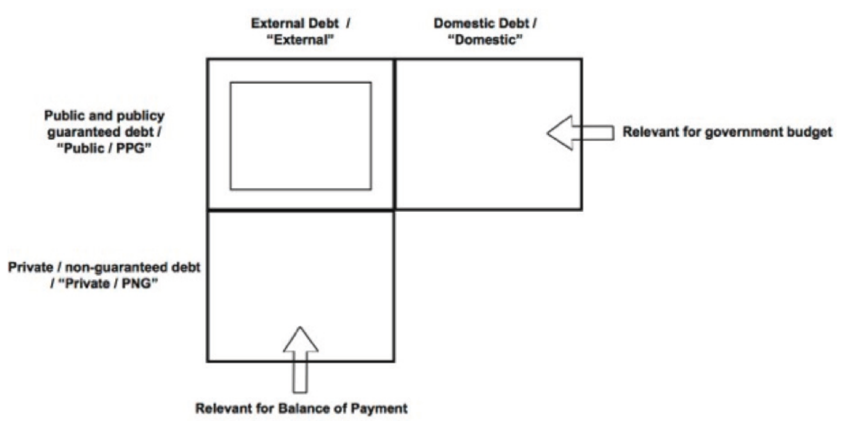
Problems start when the total debt of a state or an entire economy no longer stands in a healthy relationship with the debtor's economic capacities, when the loans are used for consumption rather than investment, or when they are being stolen by irresponsible governments or private entities. Then the country can easily end-up over-indebted – a situation from which only the cancellation of a part of the debt can provide an exit.

Experts disagree where exactly the fine line between a sustainable and an unsustainable debt needs to be drawn. Therefore, it is not easy to define an undisputed level of indebtedness, which would require debt relief. However, a few areas of consensus have emerged among almost all analysts, who have worked on this tricky question in recent years. They are also guiding the present analysis:

- The same debt level can look harmless under some circumstances, but dangerous under others. Therefore any debt sustainability analysis must be multi-dimensional. Particularly it needs to consider both the debt stock as well as current debt service in relation to different denominators, which describe economic capacities.
- Debt problems can stem from all public debt by domestic as well as external creditors, or they can stem from the total external debt of an economy, which includes public as well as private external debt (see fig. 1).
- The composition of a debt stock matters. Whether debts are domestic or external, i.e. whether there is a currency risk or not, may be of decisive importance.
- A static snapshot at a specific moment in time can obscure critical trends, which should be tackled as early as possible in order to prevent them from growing into crisis and default. This is why any assessment needs to look at present debt levels and at current trends at the same time.

In the past debt relief programs such as the Heavily Indebted Poor Countries (HIPC) Initiative or the various „terms" of the Paris Club

Figure 1 - Debt Stock Composition



have been designed on the basis of one single or at maximum two indicators. Normally this has been either debt stock or debt service in relations to the debtor's hard currency income from the export of goods and services. In the meantime, however, consensus has emerged, that debt is a multi-dimensional problem, requiring that debt sustainability be defined with a view to a broader range of indicators. Consequently, the present country analyses, like their predecessors in the 2016 Global Indebtedness Monitor, rely on five rather than only one indicator. Each indicator describes one aspect of debt in relation to the country's economic capacities. Additionally, these indicators are looked at in a manner that illustrates their dynamic since 2011, i.e. from 2011 to 2015. The result of this exercise is the matrix in table 3.

The indicators are:

- Public Debt / GDP
- Public Debt / Public Revenue
- External Debt / GDP
- External Debt / Export Earnings
- External Debt Service (Principal and Interest) / Export Earnings.

All indicators relate to end-2015, unless otherwise indicated. This is the latest year for which coherent data for all or most middle and low income countries are available from the relevant IMF and World Bank databases. Box 1 explains the meaning of each indicator in detail.

Countries surveyed include all who are on the World Bank list of countries with a low or middle income. We have only included those countries into our survey, which show at least one of the five indicators in the lowest critical range (see table 1), with two exceptions: We have included countries into the survey, which have all indicators in the un-critical range, but still (a) have been assigned a „moderate" or „high" risk of debt distress by the IMF, or (b) for which all five indicators have worsened by more than 10% between 2010 and 2014.

Who is presently over-indebted and by how much?

Table 2 displays the debt indicators for countries as defined above. Countries that are not on the list either have no indicator in any critical range and are not considered to be of high or moderate risk of debt distress by the IMF, or they are an OECD member.[1]

The number of critically indebted countries has risen since the last Monitor's publication from 108 to 116. Eight countries have joined the group, which were not critically indebted last year but have entered critical terrain by end-2015 – some of them even by considerable margins: Angola, Gabon, Libya, Mexico, Nepal, Peru, Rwanda and Suriname.[2] Some of these new entries had dramatic debt „careers" in the last 40 years.

For one countries indicators have improved to the extend that it dropped of the list: Fiji.[3]

The matrix in table 3 combines indicators for end-2015 with the trend for each of them between 2011 and 2015. On the vertical axis it shows how many thresholds have all in all been breached. As we have de-

[1] The only OECD country we have included in the list is Turkey due to the exceptional trend of its indicators, combined with a – by OECD standards – relatively low per capita income.

[2] Argentina had not been included in this list in the last years, because due to the quarrels between the Kirchner administration and the IMF no coherent data were available. For end-2015 the World Bank has re-integrated Argentina into its „International Debt Statistics" database; the IMF is also providing data on public indebtedness again. Based on these data, Argentina should already have been included. In that sense it is a „pseudo entrance".

[3] A special case is Panama, where this year's debt data for the pre-2015 period are substantially higher than indications last year. The reason seems to be a methodological change by the World Bank. We still use the World Bank data for end-2015 like in all other countries. The trend (y=+3) should, however, not be mis-interpreted.

Box 1 - Debt Indicators and Thresholds

The indicators used answer the following questions:

1. Does the whole economy have more obligations towards the outside world than can be sustained by its economy?

External Debt Stock / GDP

2. Is the state more indebted to creditors inside and outside the country than is sustainable for the whole economy?

Public Debt Stock / GDP

3. Can the state raise enough resources from its populace and the economy as whole in order to service he debt?

Public debt Stock / Public Annual Revenue

4. Does the economy export enough goods and services in order to earn enough hard currency to keep the external debt stable or lower it?

External Debt Stock / Annual Export Earnings

5. Does the economy export enough goods and services in order to cover the current debt service (Capital Repayments plus Interest) on an annual basis?

External Debt Service / Annual Export Earnings

Table 1 - Levels of Debt Distress	no risk of debt distress (in percent)	First level (in percent)	Second level (in percent)	Third level (in percent)
Public Debt Stoc GDP	<49	49 - <64	64 - 78	>78
Public Debt Stock Public Annual Revenue	<200	200 - <220	220 - 300	>300
External Debt Stock GDP	<40	40 - <44	44 - 50	>50
External Debt Stock Annual Export Earnings	<150	150 - <165	165 - 200	>200
External Debt Service Annual Export Earnings	<15	15 - <16,5	16,5 - 25	>25

fined three thresholds for each of the five indicators (see table 1), a maximum of 15 points can be reached in the vertical dimension.

On the horizontal axis we show how many indicators have improved or worsened by at least 10% between 2011 and 2015. If all indicators have improved at least by that margin the country finds itself with an index of -5 on the extreme left of the matrix. If all indicators have worsened to the same extend the country has an index of +5 and correspondingly is located on the extreme right. If all indicators have been stable between 2011 and 2015 or if deteriorations and improvements are equal in number, the country finds itself at the centre.

As no exact amount of each improvement or deterioration is being considered, the matrix is, of course, no indication of any exact need for debt relief. It is no more nor less than an indication of a potentially alarming, respectively appeasing development of the public and the external debt of a country. Political consequences do, of course, need to be defined on the basis of a proper debt sustainability analysis.

In the Global Sovereign Indebtedness Monitor of 2016 there were two deteriorations for each improvement among the debt indicators. Consequently it could be expected that debt levels would overall rise this year. And indeed: The average y-value for all countries rose from 4.6 to 5.7.

A second global trend is the continued deterioration over time in a growing number of countries. Consequently this year as well as those to come will continue to see rising debt indicators. For the period analysed this year, i.e. 2011-2015, we have 90 improvements across one of the thresholds. On the downside, however, there are 317 deteriorations. This makes a relationship of 1:3.5.

A visible expression of the trend to the right is the elevated number of countries in the two columns on the extreme right (+4 and +5) and no improvements.[4]

Regional Trends

All five regional groups, which we use in line with World Bank country classifications, have been affected by the trend to worsened debt indicators – but not all of them to the same extent.

It shows that out of the five regions Asia has weathered the crisis best. In Sub-Saharan Africa almost all countries show at least one indicator in the critical range, however still in the lower ranges. This is not least a long-term effect of the HIPC Initiative, which ten years ago laid the foundations for the new debt build-up from very low levels. Extremely dynamic and at frighteningly high levels already is the debt build-up in the Middle East / North Africa region. However, only a relatively small number of countries have been affected there in the first place (see fig. 2). Relative-

[4] Additionally it needs to be noted that the few countries, who show an overall improvement (-5), do so because they have recently received debt reductions: Guinea and the Comoros under the HIPC Initiative and Saint Kitts and Nevis through an ad-hoc arrangement with private creditors.

Table 2 - Countries in Risk of Debt Distress Worldwide as of end-2015

Countries by region / Indicator	External Debt Stock / GDP	Trend[1]	Public Debt Stock / GDP	Trend[1]	External Debt Stock / GDP	Trend[1]	External Debt Stock / Annual Export Earnings	Trend[1]	External Debt Service / Annual Export Earnings	Trend[1]	IMF risk assessment[2]
Asia / Pacific											
Afghanistan	6,2	▼	24,9	▼	12,6	▼	164,4	▲	2,9	▲	
Bangladesh	33,9	—	341,8	—	18,6	—	110,6	—	4,1	▼	
Bhutan	94,8	▲	327,6	▲	105,8	▲	269,1	▲	17,8	▲	
Cambodia	32,5	—	172,6	▼	54,6	▲	74,5	▲	6,2	▲	
India	69,0	—	327,4	—	23,4	▲	108,2	▲	10,9	▲	
Indonesia	27,3	▲	183,8	▲	37,0	▲	177,9	▲	32,1	▲	
Kiribati	23,1	▲	13,8	▲	k.A.		k.A.		k.A.		
Lao	62,9	▲	272,4	—	99,6	—	317,3	—	10,9	▼	
Malaysia	57,4	—	258,5	▲	66,3	▲	85,6	▲	6,1	▲	
Maldives	73,1	▲	204,1	▼	33,5	▼	29,9	▼	3,5	—	
Marshall Islands	33,7	▼	59,0	▼	k.A.		k.A.		k.A.		
Micronesia	26,3	—	42,0	▼	k.A.		k.A.		k.A.		
Mongolia	72,0		k.A.		201,7	▲	400,8	▲	32,6	▲	
Nepal	27,9	—	137,7	▼	19,6	—	155,3	▼	8,3	—	
Pakistan	63,6	—	438,7	—	22,9	▼	224,5	▲	12,9	▲	
Papua New Guinea*	30,6	▲	167,3	▲	147,6	▲	205,6	▲	11,3	▼	
Samoa	57,8	▲	162,5	▲	59,5	▲	228,4	▲	11,0	▲	
Solomon Islands	10,3	▼	22,4	▼	18,0	▼	35,9	▼	2,4	▼	
Sri Lanka	76,0	—	582,1	▲	54,6	▲	257,9	▲	18,7	▲	
Tonga	41,5		228,0	—	44,2	—	227,9	▲	20,2	▲	
Tuvalu	58,2	▲	45,5	▲	54,5	▲	129,2	▲	12,2		
Vanuatu*	25,6	▲	79,9	▼	17,2	▼	47,5	—	1,4	—	
Viet Nam	58,3	▲	245,3	▲	42,5	—	44,8	▼	3,8	—	
Sub-Saharan Africa											
Angola	64,2	▲	259,2	▲	31,1	▲	80,9	▲	15,6	▲	
Burkina Faso	32,7	—	167,2	▲	24,0	—	102,8	▲	4,4	—	
Burundi	42,4	—	185,2	▲	20,3	▼	325,3	▲	13,5	▲	
Central African Republic	48,5	▲	338,8	▲	43,8	▲	k.A.		k.A.		
Chad	42,6	▲	350,6	▲	15,3	▼	k.A.		k.A.		
Comoros	25,4	▼	80,3	▼	24,2	▼	141,3	▼	0,3	▼	
Côte d'Ivoire	48,9	▼	231,7	▼	34,1	▼	93,0	—	7,4	▲	
Democratic Republic of the Congo	18,8	▼	129,3	▼	16,8	▼	51,9	—	3,7	▲	
Djibouti	39,5	▼	107,2	▼	k.A.		193,4	▲	7,2	▼	
Eritrea	127,1	—	890,4	▲	k.A.		k.A.		k.A.		
Gabon	43,9	▲	206,5	▲	37,8	▲	k.A.		k.A.		
Gambia*	91,6	▲	421,9	▲	63,9	▲	168,4		k.A.		
Ghana	70,8	▲	369,4	▲	56,3	▲	122,4	▲	6,2	▲	
Guinea	53,0	▼	279,1	▼	22,3	▼	57,5	▼	4,1	▼	
Guinea-Bissau	52,9	—	267,4	—	29,9	▲	101,4	—	0,8	▼	
Cameroon*	29,0	▲	162,5	▲	16,9	▲	54,6	▲	6,2	▲	
Cape Verde	120,5	▲	459,4	▲	97,7	▲	221,5	▲	6,2	▲	
Kenya	51,3	▲	263,0	▲	30,4	▲	177,5	▲	6,8	▲	

Table 2 - Countries in Risk of Debt Distress Worldwide as of end-2015 (continued from page 7)

Indicator / Countries by region	External Debt Stock / GDP	Trend[1]	Public Debt Stock / GDP	Trend[1]	External Debt Stock / GDP	Trend[1]	External Debt Stock / Annual Export Earnings	Trend[1]	External Debt Service / Annual Export Earnings	Trend[1]	IMF risk assessment[2]
Lesotho*	58,3	▲	98,6	▲	30,9	—	65,7	▲	3,8	▲	
Libya	73,4	▲	343,0	▲	k.A.		k.A.		k.A.		
Madagascar	35,5	—	300,4	—	31,1	—	148,2	▲	1,7	▼	
Malawi	82,0	—	345,2	▼	27,3	▲	112,1	▲	4,3	▲	
Mali	30,9	▲	161,7	▲	28,9	▲	146,3	▲	4,3	▲	
Mauretania	91,2	▲	311,9	—	103,2	▲	215,6	▲	12,6	▲	
Mauritius	58,6	—	258,7	—	128,5	▲	124,4	▲	28,9	▼	
Mozambique	86,0	▲	306,8	▲	69,5	▲	236,7	▲	9,5	▲	
Niger	45,1	▲	190,5	▲	40,8	▲	242,6	▲	7,5	▲	
Republic of the Congo	70,6	▲	253,6	▲	49,7	▲	k.A.		k.A.		
Rwanda	37,3	▲	149,4	▲	28,4	▲	158,5	▲	7,7	▲	
Sao Tome and Principe*	82,3	▲	294,2	▲	63,9	▼	257,1	▼	2,8	▼	
Senegal	56,8	▲	226,5	▲	43,5	▲	163,8	▲	10,5	▲	
Seychelles*	69,0	▼	199,0	—	117,4	▼	141,3	—	k.A.		
Sierra Leone*	43,8	—	279,6	—	30,9	▼	63,1		3,2	▲	
South Africa	49,8	▲	168,1	▲	45,2	▲	131,6	▲	7,7	▲	
South Sudan	63,8	▲	246,3	▲	k.A.		k.A.		k.A.		
Sudan	72,1	—	661,2	▲	26,0	▼	430,1	▲	10,5	▲	
Tanzania	36,5	▲	246,5	▲	34,1	▲	157,3	▲	3,6	▲	
Togo	62,3	▲	285,7	▲	29,1	▲	63,2	▲	3,5	▲	
Zambia	56,3	▲	309,3	▲	43,6	▲	106,7	▲	6,2	▲	
Zimbabwe	58,9	▲	214,0	—	66,4	▼	207,4	▲	13,4	▼	
Latin America / Caribbean											
Antigua and Barbuda*	104,4	▲	474,0	—	41,1	—	87,9	—	17,2	▲	
Argentina	52,1	▲	153,4	▲	27,9		218,6	▲	24,1	▲	
Bahamas*	64,4	▲	330,7	▲	23,2	▲	55,4	▲	3,3	▼	
Barbados*	104,9	▲	269,0	▲	105,5	▲	282,9	▲	6,6		
Belize	81,9	—	291,7	—	81,7	▼	127,8	—	8,4	▼	
Brasilia	73,7	▲	232,5	▲	31,3	▲	230,4	▲	38,1	▲	
Colombia	50,6	▲	191,8	▲	38,8	▲	223,3	▲	28,1	▲	
Costa Rica	42,4	▲	300,1	▲	47,9	▲	138,9	▲	16,0	▲	
Dominica	82,4	▲	237,0	—	63,2	—	145,1	—	10,8	▲	
Dominican Republic	34,9	—	196,3	—	41,6	▲	151,2	▲	29,7	▲	
Ecuador	33,8	▲	101,6	▲	27,5	▲	126,6	▲	24,4	▲	
El Salvador	58,7	▲	323,3	▲	60,6	▲	220,6	—	17,0	▼	
Grenada	91,4	—	369,1	▼	72,6	—	280,4	—	11,4	▼	
Guatemala	24,2	—	223,4	—	32,5	▼	142,7	▲	15,2	—	
Guyana	48,1	▼	169,8	▼	51,6	▼	119,6	—	6,4	▲	
Haiti	30,1	▲	156,2	▲	23,5	▲	117,3	▲	2,0	▲	
Honduras	46,8	▲	177,9	▲	40,4	▲	113,4	▲	19,2	▲	
Jamaica	120,4	▼	446,4	▼	103,1	—	305,0	—	87,8	▲	
Mexico	54,0	▲	232,4	▲	37,5	▲	103,5	▲	13,2	▲	
Nicaragua	28,4	—	122,3	—	84,9	—	218,4	▲	17,5	—	

Table 2 - Countries in Risk of Debt Distress Worldwide as of end-2014 (continued from page 8)

Countries by region \ Indicator	External Debt Stock / GDP	Trend[1]	Public Debt Stock / GDP	Trend[1]	External Debt Stock / GDP	Trend[1]	External Debt Stock / Annual Export Earnings	Trend[1]	External Debt Service / Annual Export Earnings	Trend[1]	IMF risk assessment[2]
Panama	38,8	—	189,7	▲	180,3	—	298,4	▲	8,9	▲	
Paraguay	24,2	▲	102,3	▲	62,0	—	138,6	▲	18,6	▲	
Peru	23,9	—	119,4	▲	35,6	▲	160,7	▲	11,5	▲	
Saint Kitts and Nevis	67,8	▼	186,0	▼	25,9	▼	73,2	▼	11,3	▼	
Saint Lucia	79,1	▲	298,4	—	37,4	—	77,7	—	10,6	▲	
Saint Vincent and the Grenadines	76,6	▲	290,0	—	45,2	—	170,2	—	17,3	—	
Suriname	43,5	▲	207,3	▲	45,3	▲	48,4	▲	k.A.		
Uruguay*	64,2	—	224,2	▲	24,4		168,6		26,4	▲	
Venezuela	41,5	▼	164,2	▼	48,2	▲	311,7	▲	60,4	▲	
North Africa / Middle East											
Egypt	88,9	▲	405,4	▲	14,3	—	123,0	▲	13,3	▲	
Jordan	93,4	▲	373,6	▲	69,5	—	173,1	▲	14,3	▲	
Lebanon	138,4	—	734,5	▲	64,7	—	141,9	▲	18,0	—	
Morocco	64,1	▲	241,6	▲	43,6	▲	127,1	▲	10,5	▲	
Tunisia	55,7	▲	238,8	▲	65,6	▲	152,6	▲	12,9	▲	
Yemen*	66,7	▲	516,6	▲	22,0	—	385,6	▲	18,8	▲	
CIS / CEE											
Albania	73,3	▲	278,8	▲	73,2	▲	252,4	▲	27,9	▲	
Armenia	46,9	▲	217,7	▲	81,3	▲	221,9	▲	38,7	▲	
Belarus	53,7	▲	131,9	▲	72,7	▲	113,4	▲	15,9	▲	
Bosnia and Herzegovina	44,7	—	102,2	—	79,8	—	210,4	—	29,7	▲	
Bulgaria	26,3	▲	73,4	▲	79,9	—	112,9	▼	31,6	▲	
Croatia*	86,7	▲	198,3	▲	105,5	—	276,2	▲	38,1	—	
Cyprus*	108,9	▲	279,5	▲	258,2	▼	702,1	▼	k.A.		
Georgia	41,5	▲	147,4	▲	109,4	▲	211,6	▲	29,7	—	
Kazakhstan	21,9	▲	131,7	▲	89,3	▲	281,0	▲	63,6	▲	
Kyrgyz Republic	66,0	▲	173,5	▲	118,6	▲	285,9	▲	15,7	▲	
Macedonia	38,0	▲	132,3	▲	70,6	▲	137,3	▲	20,8	▲	
Moldova	41,5	▲	116,0	▲	91,1	▲	192,5	▲	12,9	—	
Montenegro	67,2	▲	163,4	▲	65,1	▲	134,5	▲	25,2	▲	
Rumania	39,3	▲	120,0	▲	55,2	▼	126,9	▼	31,4	▲	
Serbia	77,4	▲	188,5	▲	88,8	▲	170,3	▼	23,6	▼	
Tajikistan	34,1	—	114,3	▼	54,4	—	189,9	▲	16,8	▼	
Turkey	32,9	▼	89,9	▼	56,1	▲	195,9	▲	10,7	▼	
Ukraine	80,1	▲	190,3	▲	137,4	▲	235,5	▲	58,3	▼	

*data partially as of end-2013

[1] ▲ increase by more than 10 percent; ▼ decline by more than 10 percent; — stagnation (change less than 10 percent

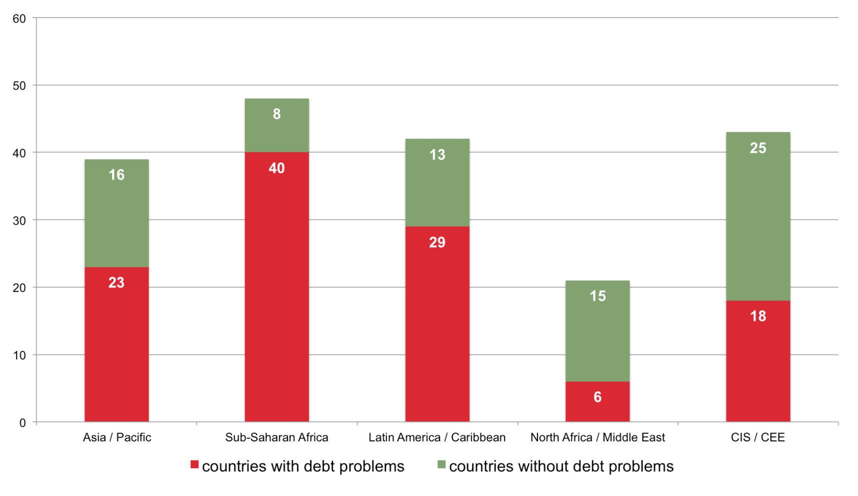
[2] low risk of debt distress; moderate risk of debt distress; high risk of debt distress; in debt distress; no risk assessment by IMF and World Bank

Sources: IMF: World Economic Outlook Database (last visited: 22.12.2016); World Bank International Debt Statistics (last visited: 22.12.2016); IMF: Article IV Consultation Reports up to december 2016; CIA: World Factbook (last visited: 21.12.2016); own analysis.

Table 3 - Evaluation Matrix

Wert	▼▼▼▼▼	▼▼▼▼	▼▼▼	▼▼	▼	—	▲	▲▲	▲▲▲	▲▲▲▲	▲▲▲▲▲
15					Jamaica						
14									Gambia		Bhutan
13										Sri Lanka	
12				Grenada				El Salvador	Croatia, Ukraine	Mauretania	Albania, Cabo Verde, Mozambique
11					Sao Tome and Principe		Cyprus	Lebanon		Barbados, Jordan	Kyrgyz Republic
10							Saint Vincent & the Grenadines			Yemen	Armenia, Brasilia
9						Lao	Bosnia and Herzegovina, Mauritius, Serbia	Antigua and Barbuda, Tonga, Uruguay	Mongolia	Georgia	Kazakhstan
8				Belize		Zimbabwe	Nicaragua, Venezuela	Dominica			Ghana, Montenegro
7					Tadzhikistan		Pakistan	Sudan			Colombia, Samoa, Tunisia
6							Eritrea, Rumania	Bulgaria, Malawi	Panama, Papua New Guinea, Republic of the Congo	Egypt, Argentina, Malaysia	
5					Turkey			Saint Lucia, Libya	Bahamas, Dominican Republic, India	Moldova, Paraguay	Angola, Costa Rica, Honduras, Kenya, Morocco, Macedonia, Zambia, Senegal, Belarus
4				Seychelles			Vietnam		Central African Republic	Peru, Tuvalu	Niger
3	Guinea			Guyana, Maldives	Bangladesh	Guinea-Bissau, Madagascar		South Sudan		Surinam	Indonesia, Mexico, South Africa, Tanzania, Togo
2	Saint Kitts and Nevis			Côte d'Ivoire, Djibouti	Sierra Leone			Burundi	Cambodia		Ecuador
1				Nepal	Afghanistan				Gabon, Chad	Lesotho	Ruanda
0	Comoros, Solomon Islands			Democratic Republic of the Congo, Marshall Islands	Micronesia, Vanuatu			Burkina Faso, Guatemala, Kiribati			Haiti, Cameroon, Mali

Figure 2 - Countries in the global south with and without debt problems



ly the most severely indebted, and with the most negative trend, are affected countries in the CIS / CEE region.

The comparison with last year's (i.e. end-2014) averages shows that there is an overall trend to worsened indicators in all regions (see fig. 3). In Asia, again, the rise is relatively moderate, while more dramatic in all the others.

Equally unchanged as the „upward" is the „rightward" trend. This means that in the time period 2011-2015 more indicators have worsened than between 2010 and 2014.

Anything else than a further rise in overall debt levels in the Global Sovereign Debt Monitor 2018 would thus be a surprise.

„Topical" Country groups

In the past years erlassjahr.de had identified three groups of countries as the hotbeds of coming sovereign debt crises:

- Small Island Developing States with limited economic diversification and a high vulnerability to external shocks.

- Transformation states in the former Soviet Union and Eastern Europe, which have financed their more or less successful transition from a centrally planned to a market economy through capital imports. This group is not entirely but largely identical to the regional CIS / CEE group.

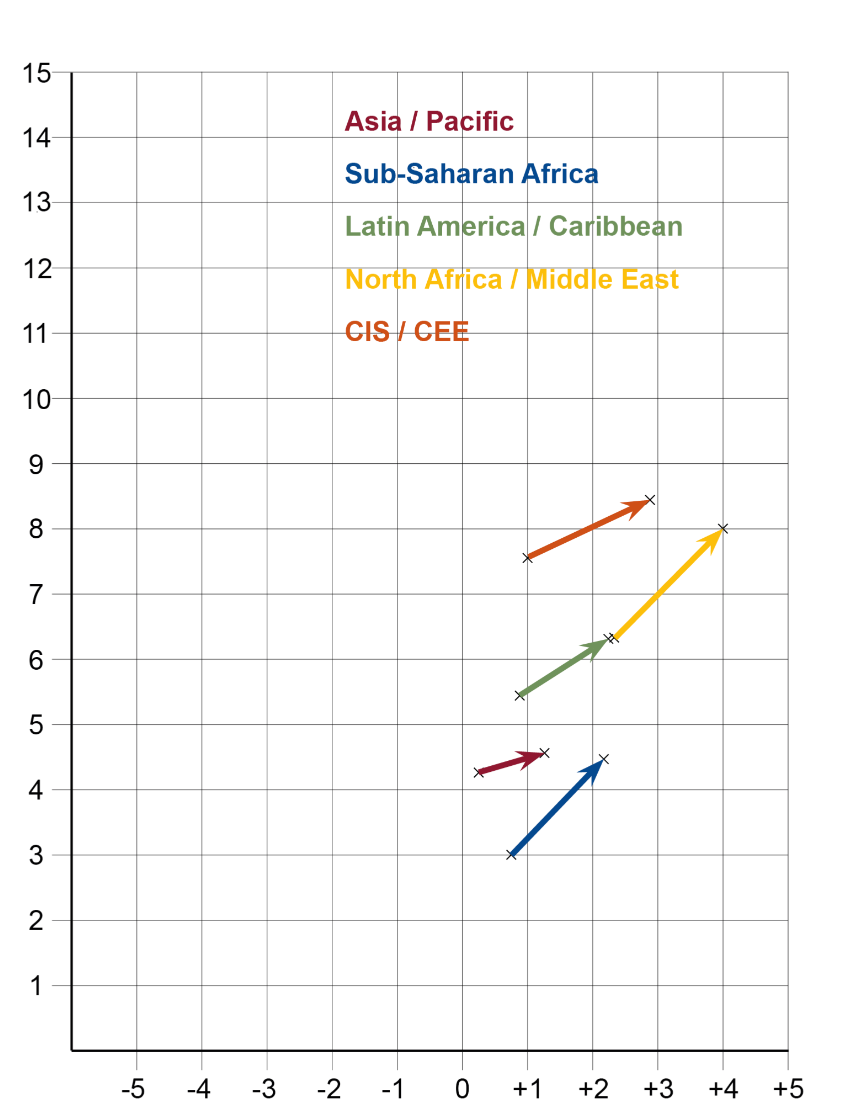
- Countries that have been relieved under the HIPC initiative of a big chunk of their external debt and have through this won access to capital markets. Some of them have been so successful in accessing markets that they have built up critical debt levels just a few years after the relief. This group presently comprises 33 post-completion point HIPCs, which show one or more indicators in a critical range.

To these we now added one group, which is also defined by their economic profile – and therefore may overlap with the three „traditional" groups.

- States which have been particularly affected be the recent slump in commodity prices resulting from a weakening in demand from China, due to their heavy concentration on one or just a few exportable commodities. Twenty countries, which earn at least 75% of their hard currency income through the export of agricultural products, fuels and/or metals and minerals; or which have at least 50% of that income concentrated in just a single one of these items. [5]

Figure 4 shows that particularly in the last mentioned three groups the tendencies are most worrisome. Particularly the debt levels in the transformation states are extremely high with an unbroken trend to the worse. Both, the HIPC and the „extractives“ group members, showed relatively low debt levels last year. In the case of the HIPCs this can certainly be explained by the effect of the debt relief initiative, which actually defined this group. In the „extractivist“ group it is remarkable that – apart from the special case of Venezuela – no single indicator has actually improved. Here the resource curse turns out to be a real curse.

Figure 3 - Change from 2014 to 2015 by Region



On their ways to default?

Special attention should be given to those countries which find themselves in the two extreme right columns of the matrix. What we have here are countries, in which all indicators have worsened by at least 10% between 2011 and 2015 (+5) or where there has at most been one stable indicator, while all the others have deteriorated (+4).

As compared to end-2014 the number of countries in these two columns has more than doubled from 20 to now 47, with 33 of these in the highest (+5) category.

The imminent danger for debt sustainability resulting from developments in the commodity sector can be illustrated by two countries from this group:

- Mozambique had to cease payments to creditors of a state-owned, albeit dodgy enterprise, although these debts carried a government guarantee. The country had overstretched its capacities in an attempt to adjust its infrastructure to the necessities of the offshore gas exploration sector.
- Mongolia will have to request a Paris Club rescheduling this year as result of the slump in prices for its commodities. Bridge financing from China in the meantime has driven debt indicators up.

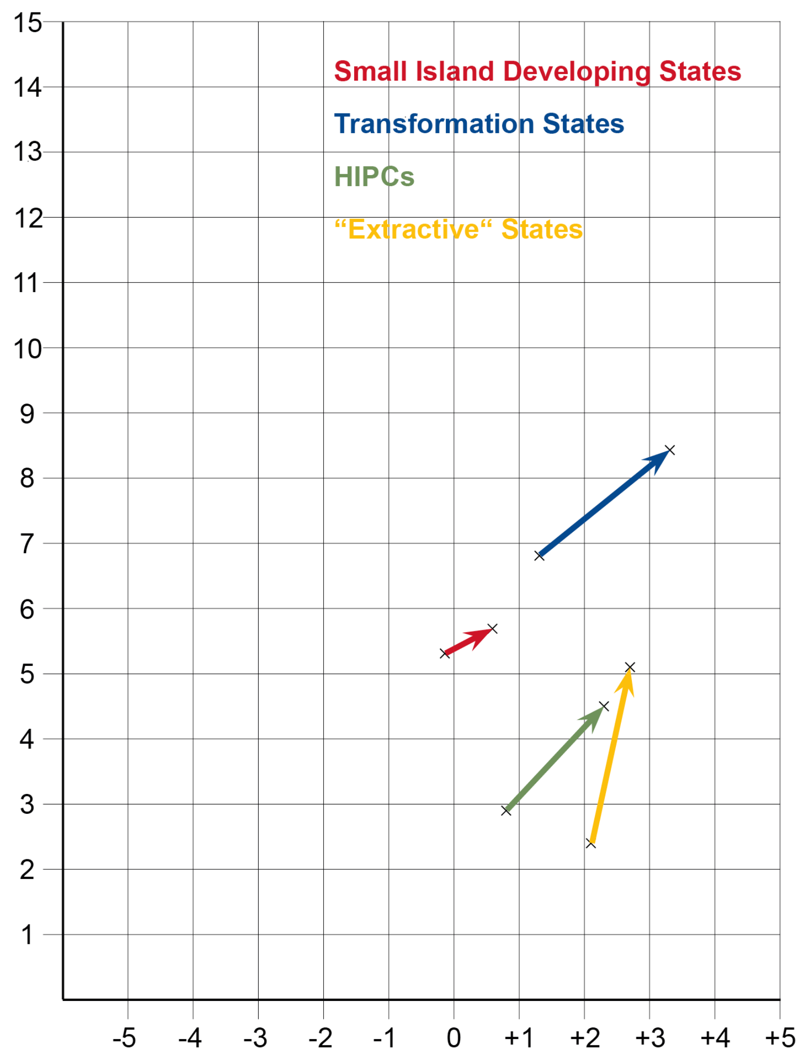
The next debt crisis

Countries that presently show strong rises in their debt indicators give us an idea about what kind of debt crises we have to expect post-2017:

- Above the 8-points thresholds in the matrix and to the right of the middle column, which indicates a balance between

[5] In this country group we have Burkina Faso, Ecuador, Ghana, Guinea, Colombia, Khazahstan, Cameroon, Rep. Congo, Mali, Mauretania, Mozambique, Mongolia, Niger, Papua New Guinee, Peru, Rwanda, Zambia, Sierra Leone, Venezuela and Central African Republik; for a more detailed analysis see: Kaiser, J.: „Extraktivismus und Verschuldung“, Fachinfo 56, February 2017.

Figure 4 - Changes from 2014 to 2015 by „Topical“ Country groups



positive and negative changes, we have a great number of countries, which depend on the export of a few commodities: the Gambia, Mauritania, Mozambique, Mongolia and Kazakhstan are at high risk of debt distress for exactly this reason.

- Below the 8-points equator, there is a greater number of countries in the extreme right column, which are still largely below alarm levels. Ghana, Angola, Zambia and Niger are located there. Authorities there should be aware that not a single country that was on the extreme right in 2016 could move left from there. Only three out of 11 countries from the +4 category managed to do so. Thus it seemed appropriate to expect those countries to move upwards next year and consider them to be in a debt trap already.

- Bhutan (after its earthquake) and Jordan (affected by the armed conflict in neighbouring Syria) stand for a group of countries which had to compensate external shocks through exceptional borrowing. As appropriate measures for timely relief are not being offered by creditors, this kind of emergency financing has a huge potential to turn into a veritable sovereign debt crisis.