



Ninth UNCTAD Debt Management Conference

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External Shocks, Financial Stability and Debt

by

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The global financial crisis as a huge and long lasting external shock

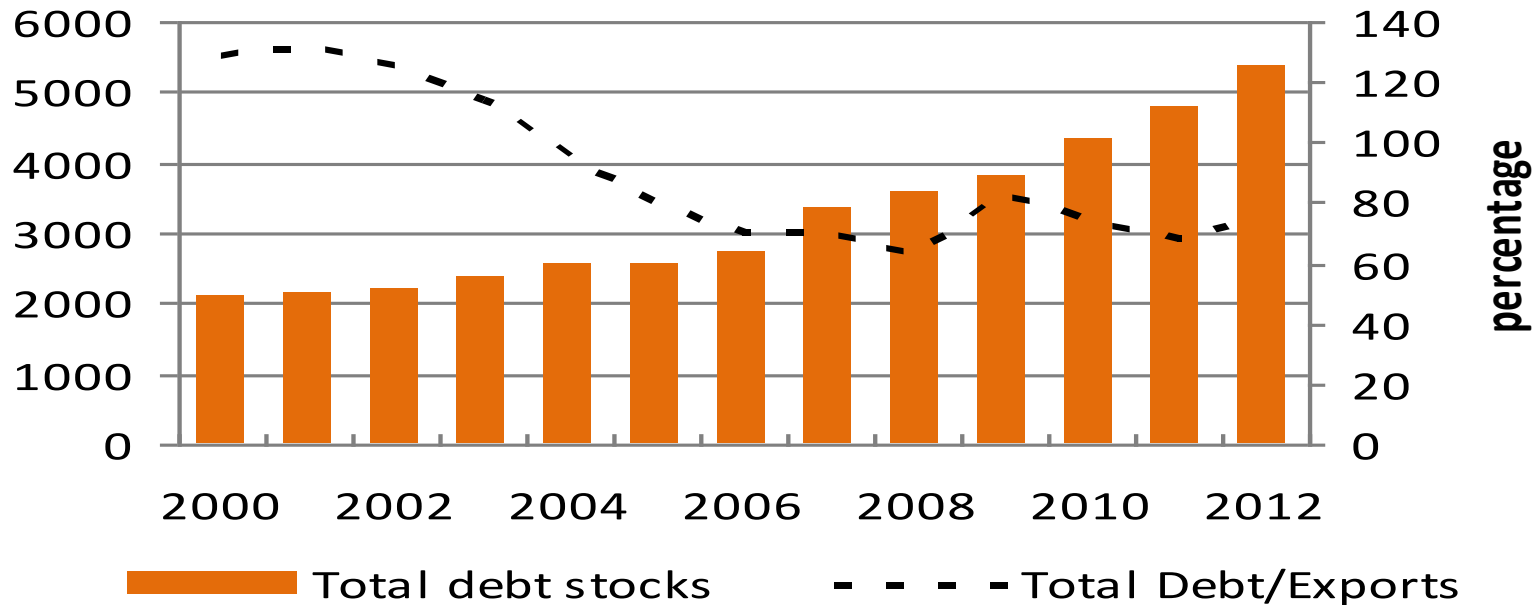
Before the crisis: general improvements of debt indicators by developing countries

Since the crisis: below prior-crisis trend. Some countries in debt distress owing to external shocks.



Developing countries' total debt/exports

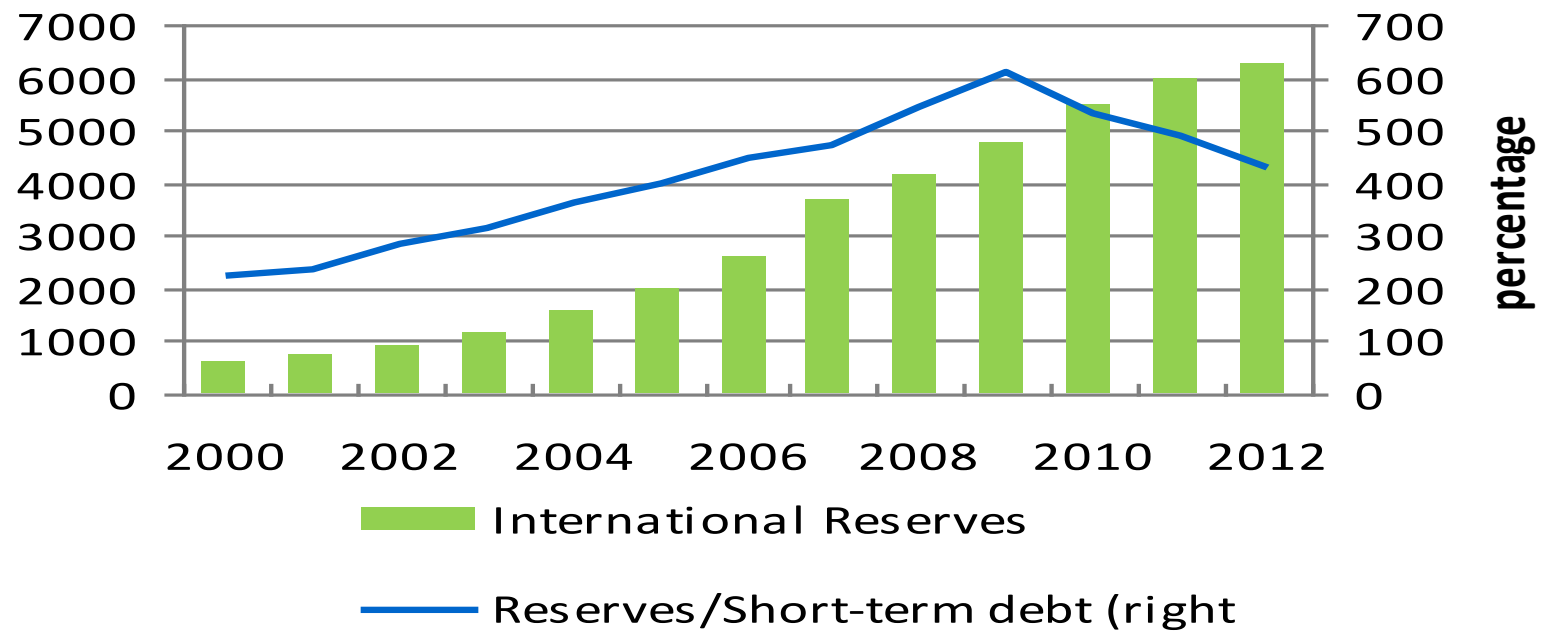
**Developing Countries,
Total External Debt**
(billions US\$)





Developing countries' total reserves/short-term debt

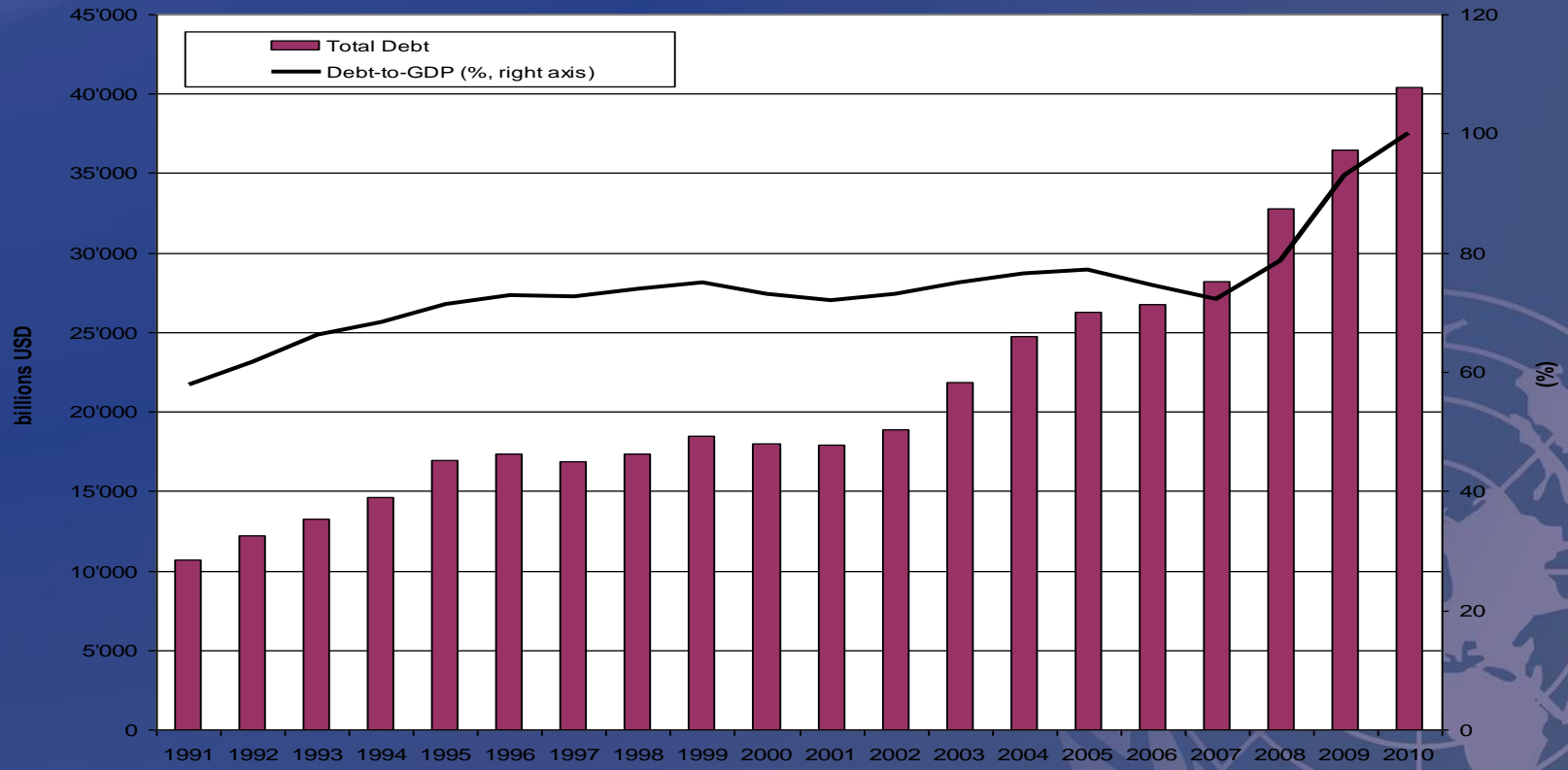
**Developing Countries,
International Reserves**
(billions US\$)





Public Debt in High Income countries

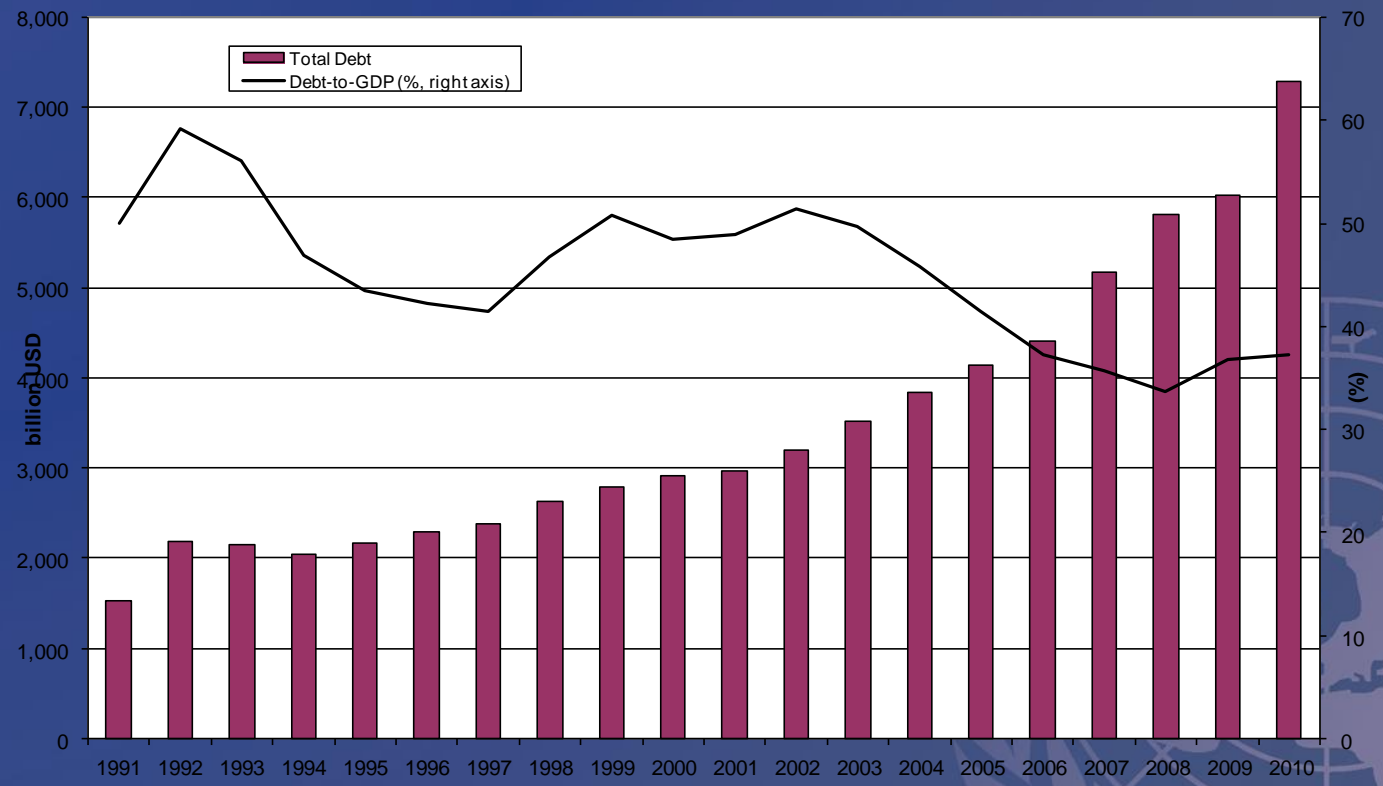
Public Debt in High Income Countries





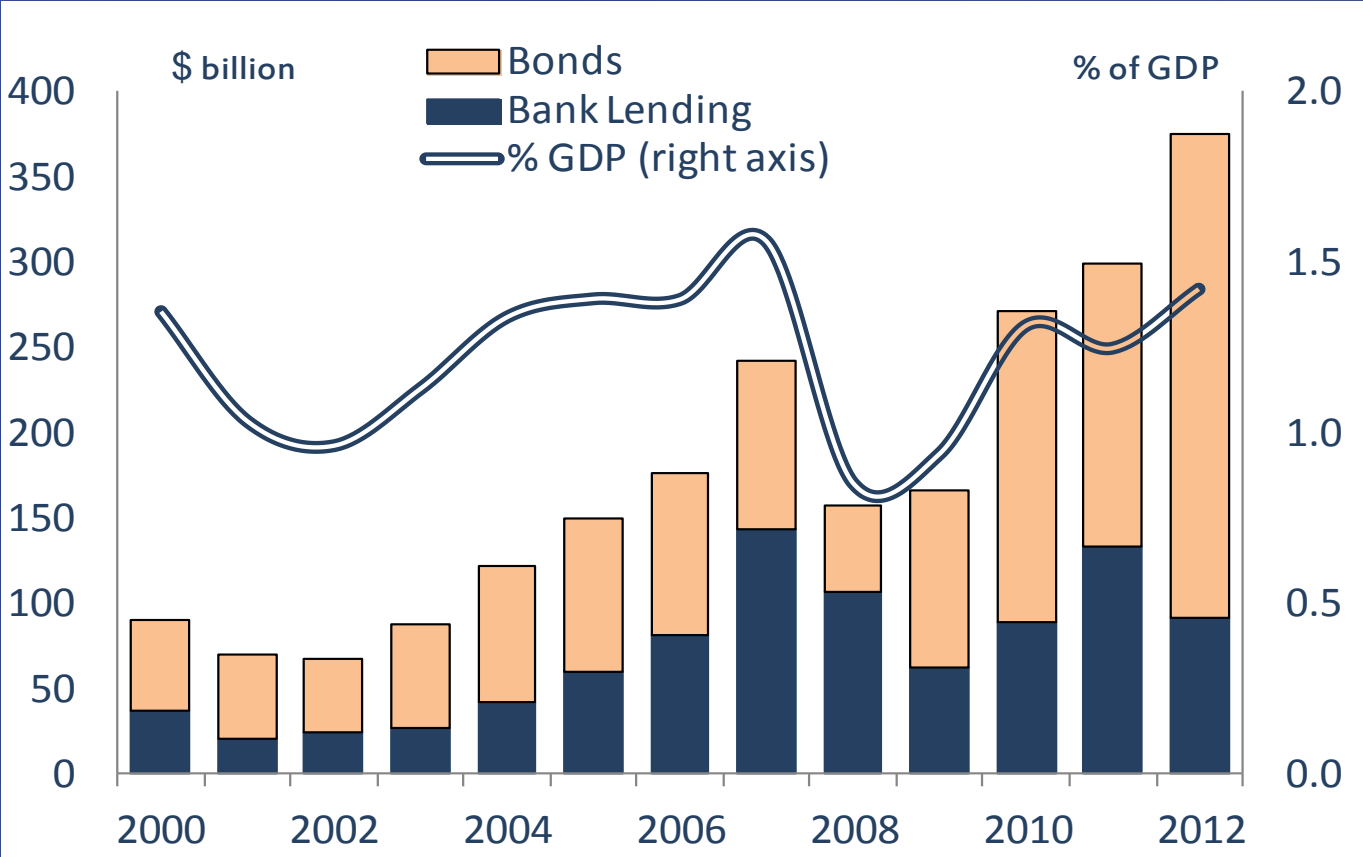
Public Debt in Developing countries

Public Debt in Developing Countries





International long-term private debt to developing countries

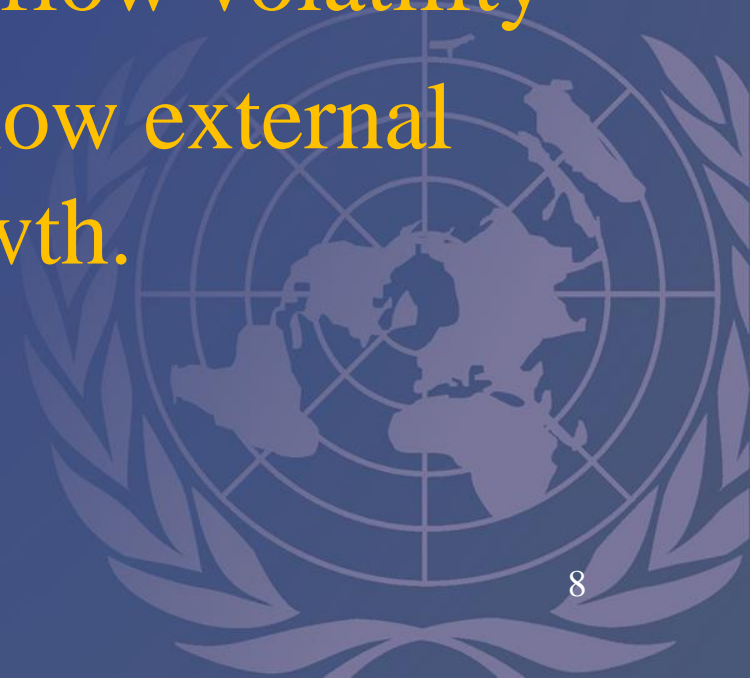


Source: Dealogic and the World Bank



Current status of economic recovery

- Advanced countries: slow and timid
- Emerging economies: lower GDP growth and high capital flow volatility
- Low income countries: low external demand and slower growth.





Debt situation

Advanced economies: sharp increase of debt

Developing countries: also increasing

LDCs: Both debt ratios were higher than the respective ratios of developing countries. two LDCs in debt distress and ten LDCs in high risk of debt distress.

Caribbean economies : very vulnerable except commodity exporting countries



Crisis revealed misconceptions on debt

- OECD country debt is not risk free
- Private debt should not be overlooked
- Domestic debt is not as harmless as people thought





Two challenges ahead

- Increasing short term debt
- Higher cost of debt servicing: Interest rate normalization





Avoid over borrowing
when international
liquidity is abundant





Debt crisis prevention and resolution

Two UNCTAD initiatives in working together with all stakeholders:

- UNCTAD Principles on Responsible Sovereign Lending and Borrowing were formulated in 2012
- Working Group on Debt Workout Mechanism in Feb. 2013





Thank you

