

# Public Debt Dynamics in Latin America

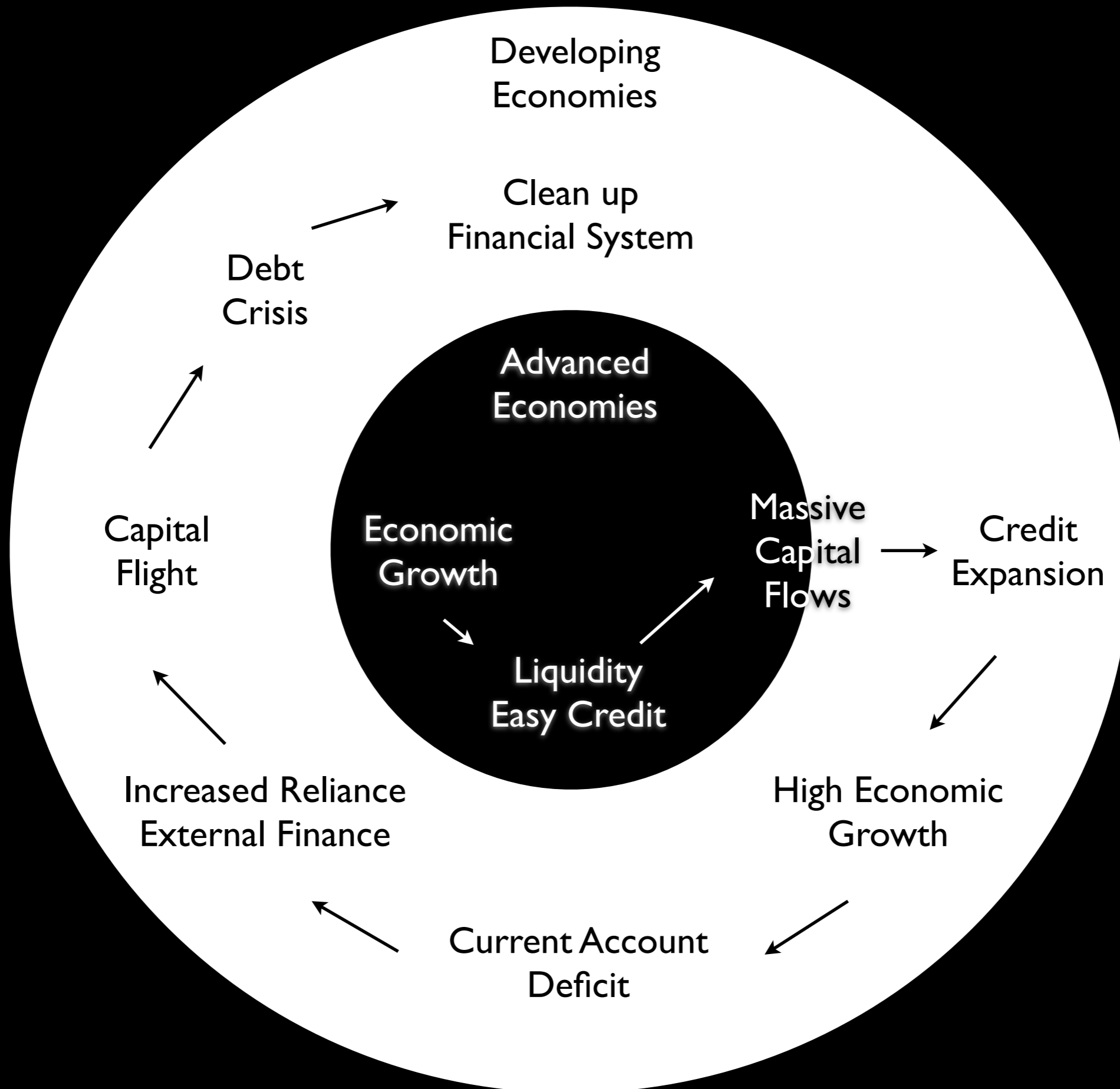
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CADTM

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- Overview of the international context
- Public Debt Dynamics in Latin America
- Preliminary Conclusions

# The Boom and Bust Cycle



Current credit cycle  
seems to be  
different...

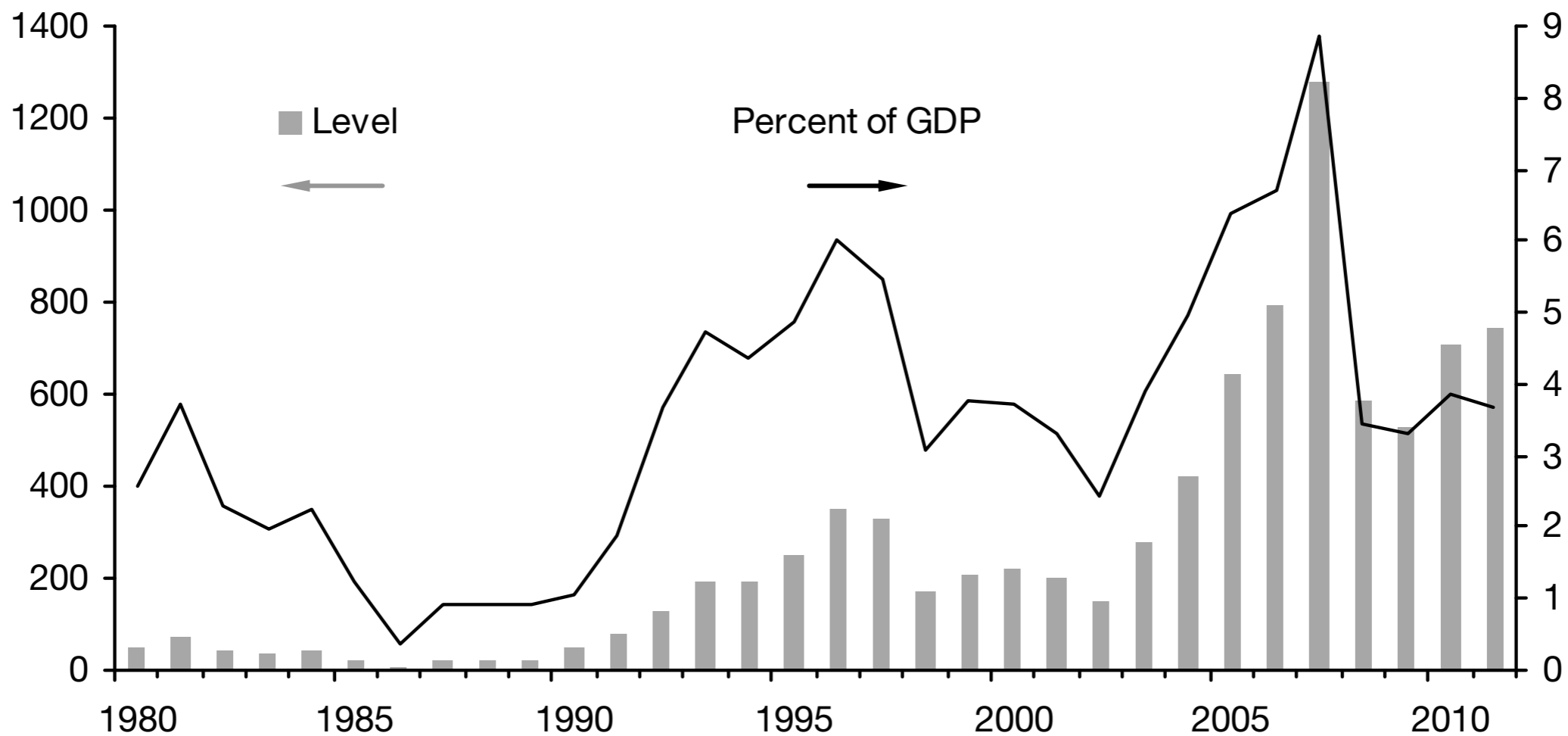
# Strong Capital Flows to Emerging Markets in General... But not Latin America in particular

**Chart 1**

**Emerging Market Private Capital Inflows, Net**

\$ billion

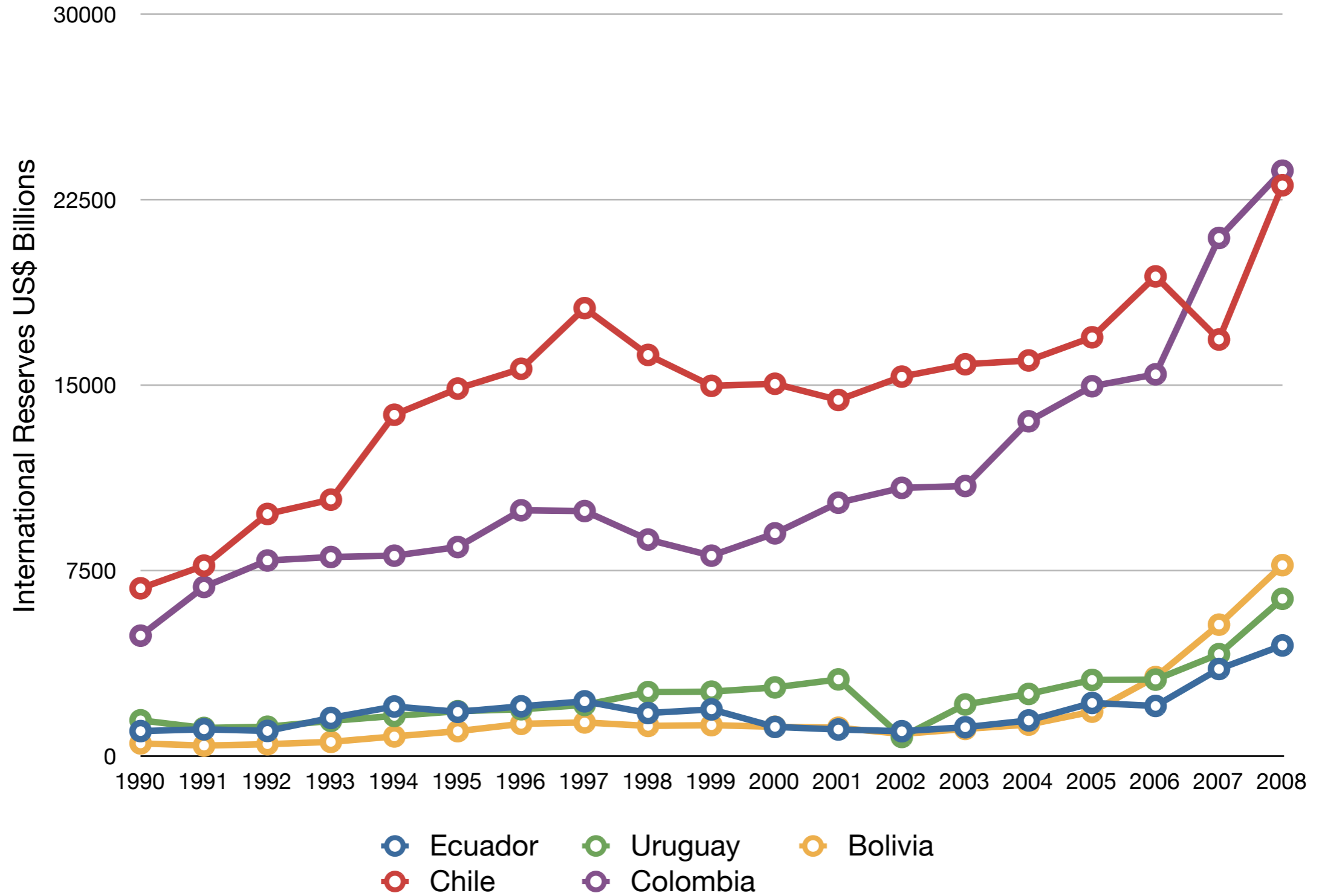
percent of GDP



Source: IIF (2010)

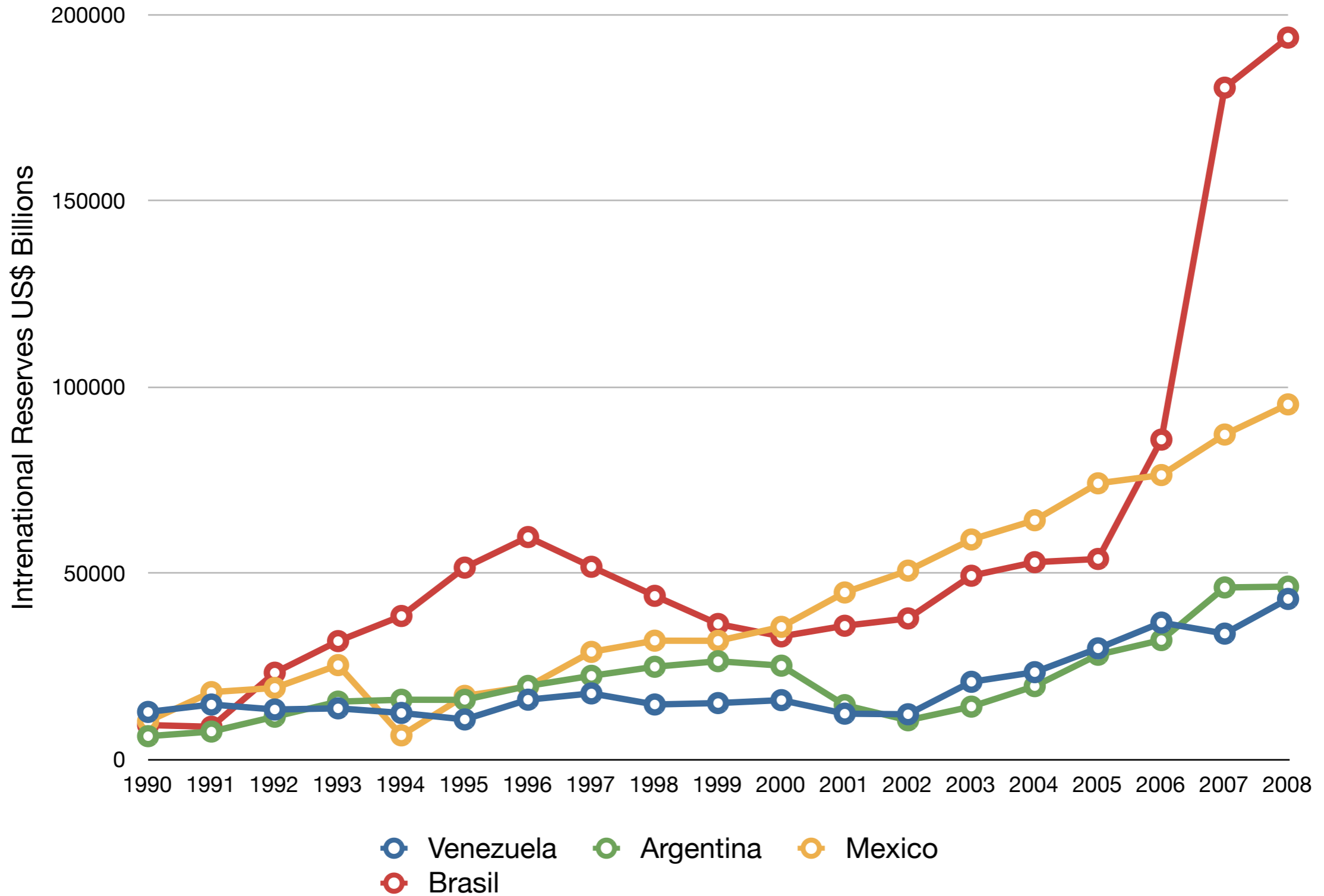
# Strong Export Growth and Reserve Accumulation

# Export windfall supported international reserves accumulation (I)



Source: IMF IFS

# Export windfall supported international reserves accumulation (II)

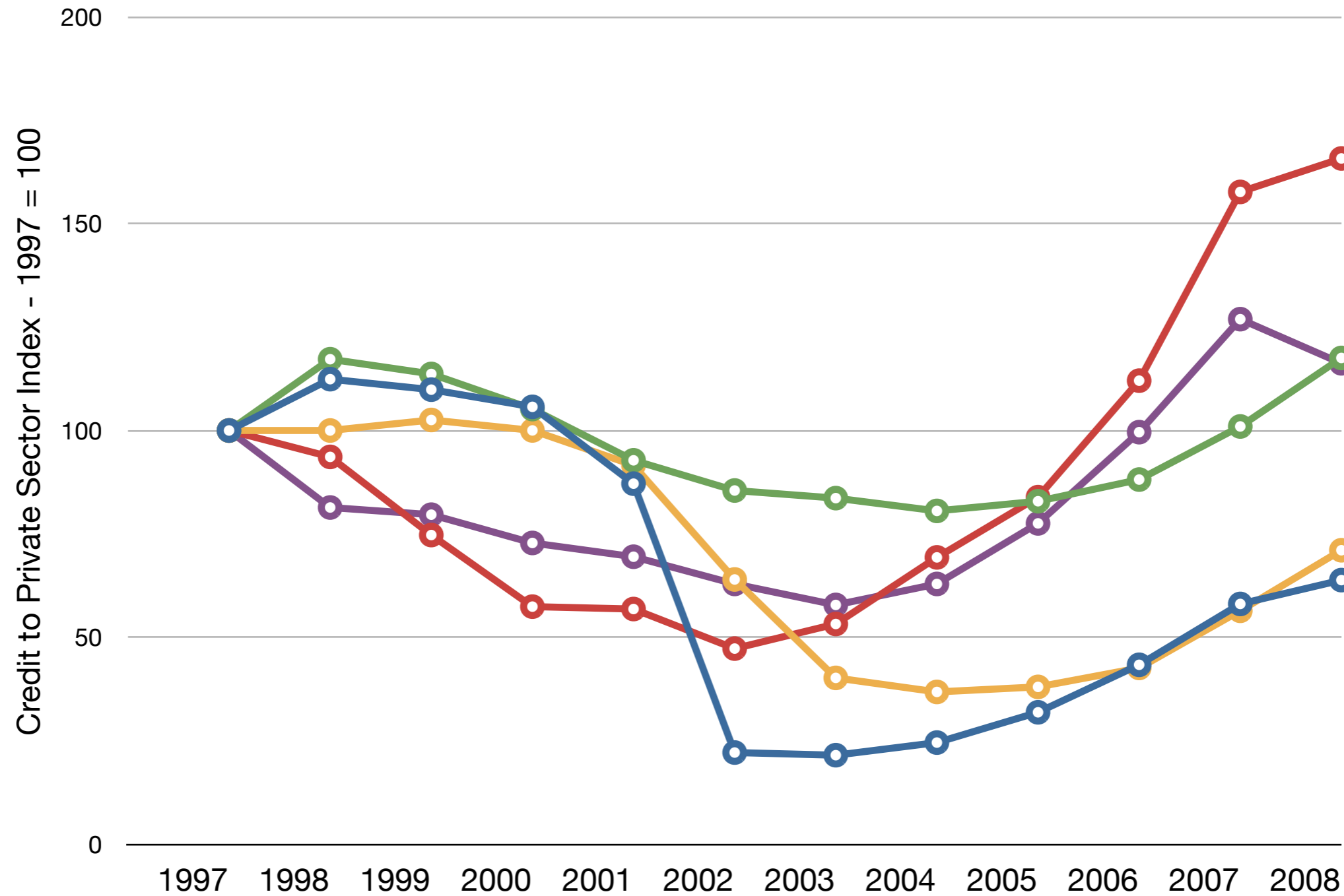


Source: IMF IFS



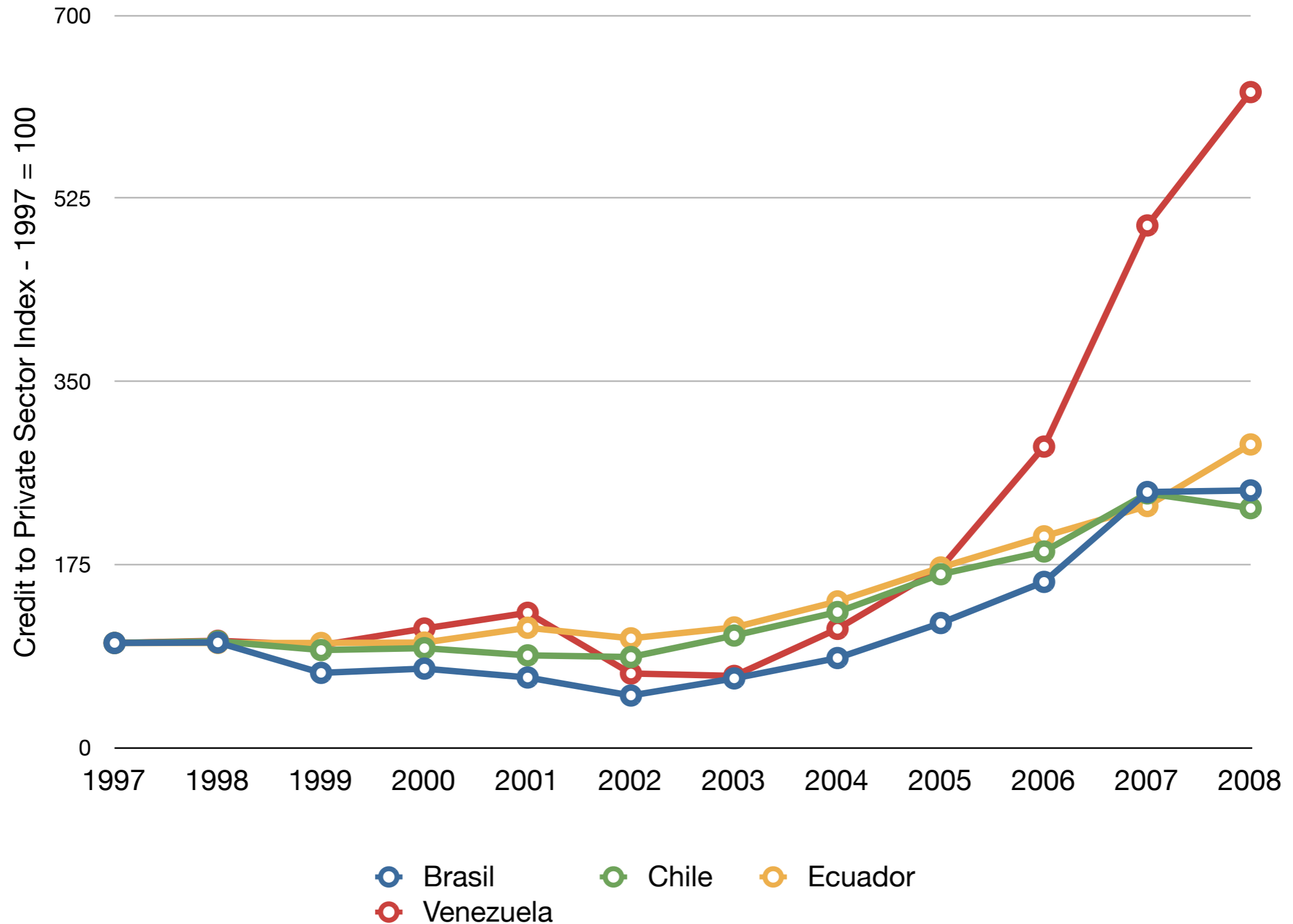
# Repressed Financial Systems

# Slow Credit Growth for Private Sector



Source: Central Banks Annual Reports

# Slow Credit Growth for Private Sector

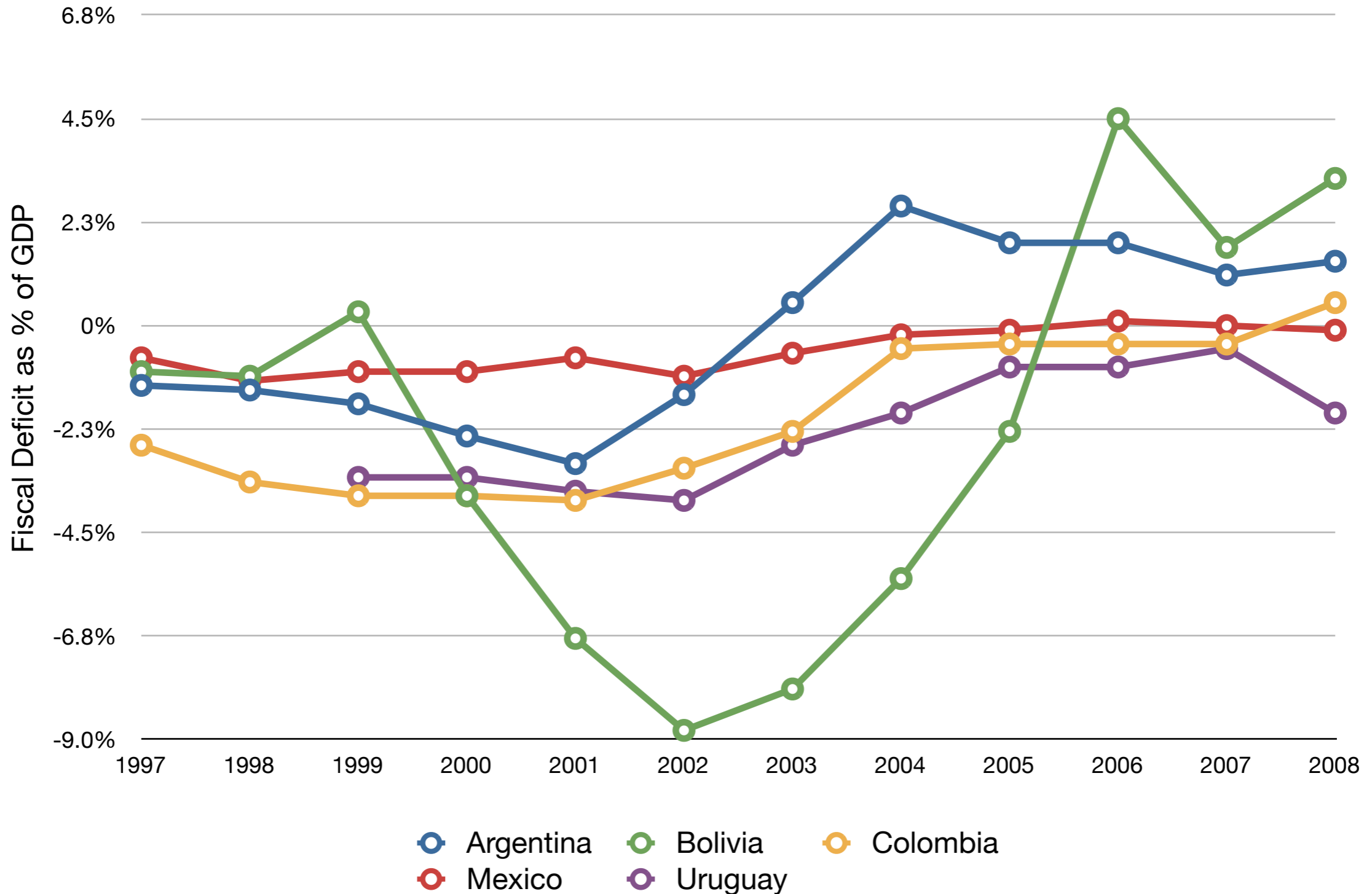


Source: Central Banks Annual Reports

# Public Debt Dynamics in Latin America

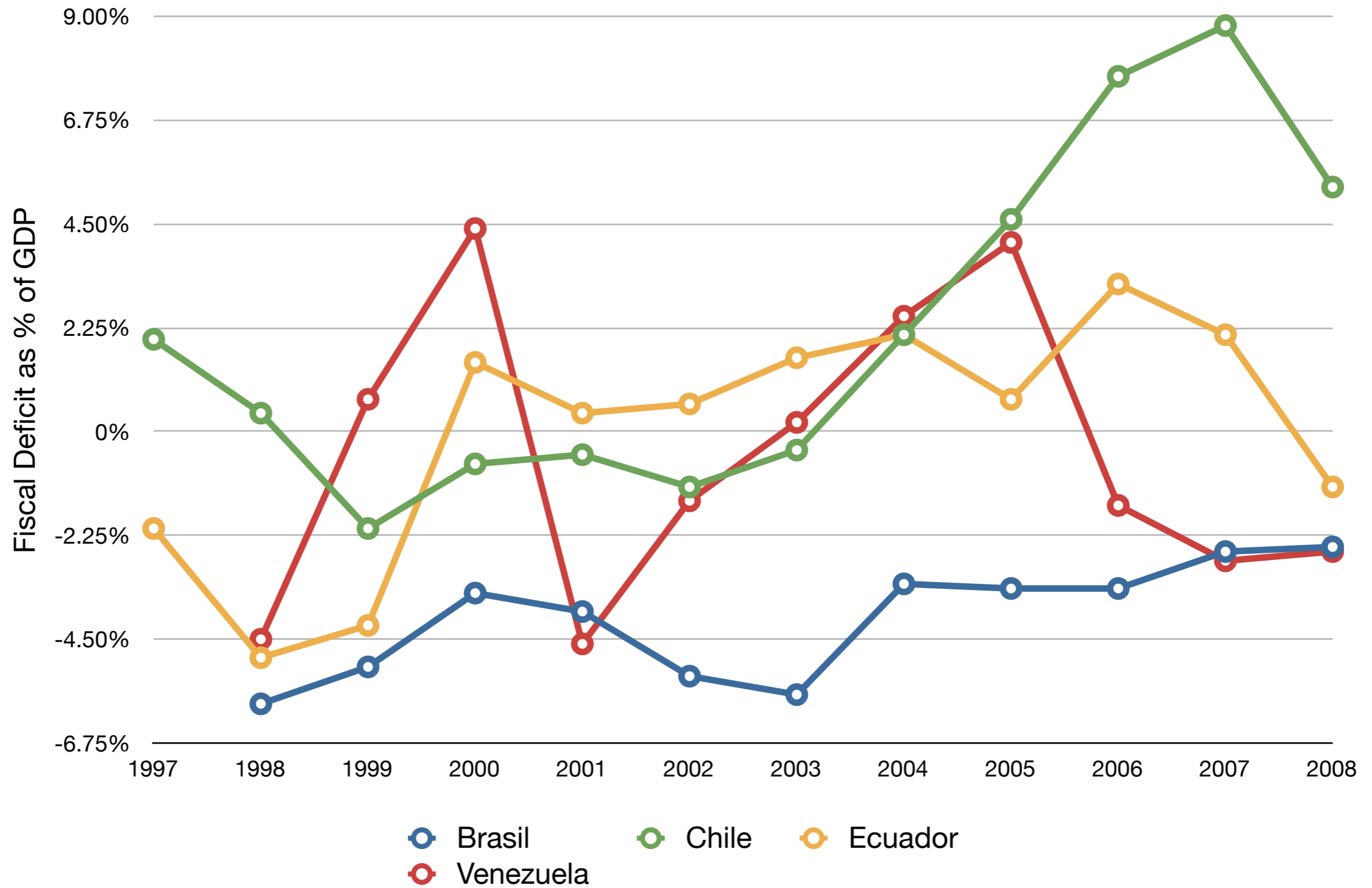
# Fiscal Outlook

# Consolidation of Public Finances Across the Region (I)



Source: CEPAL; Central Banks Annual Reports

# Consolidation of Public Finances Across the Region (II)

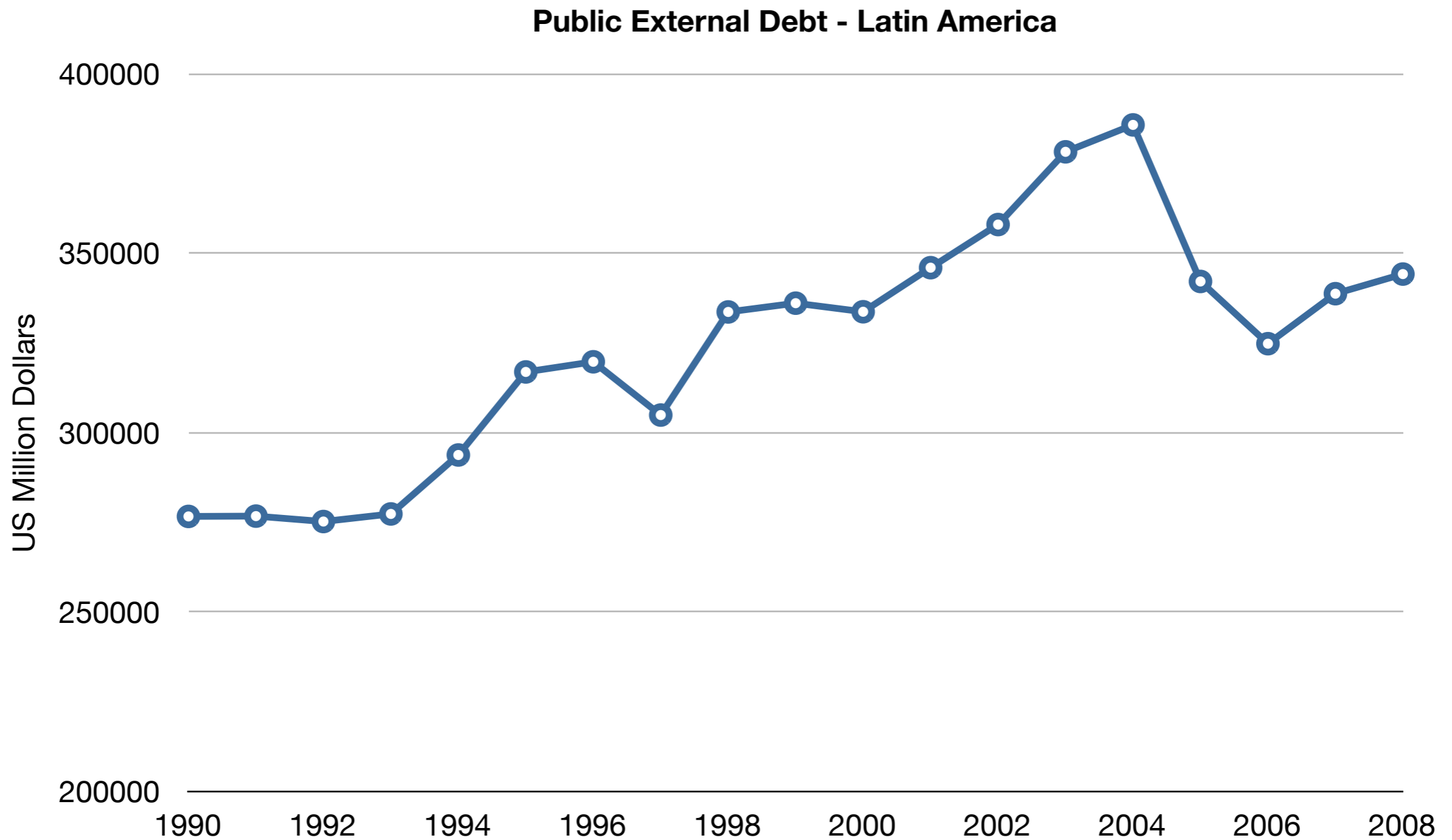


Source: CEPAL; Central Banks Annual Reports

# External Debt



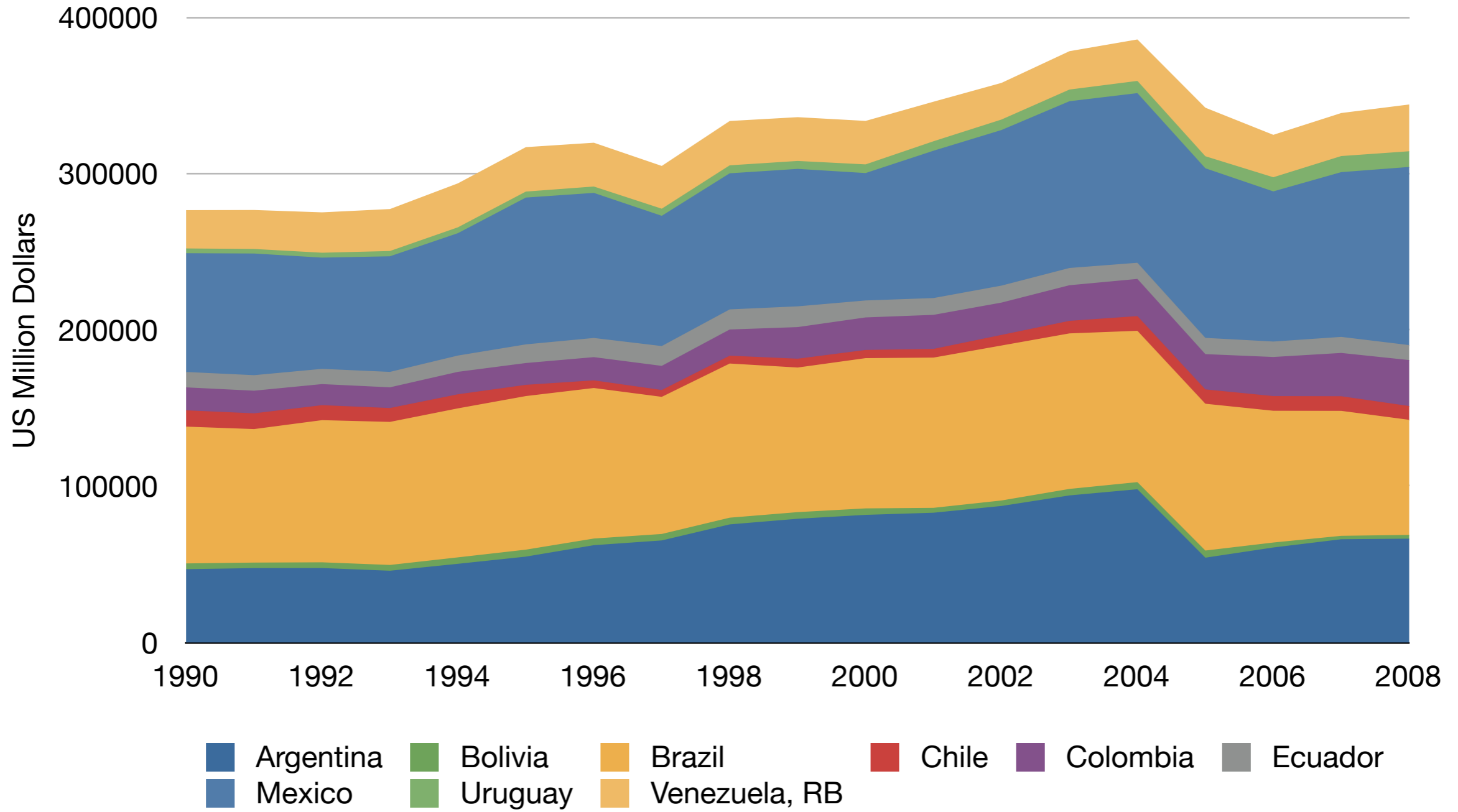
# Stabilization of Public External Debt in the Region



Source: World Bank GDF 2009

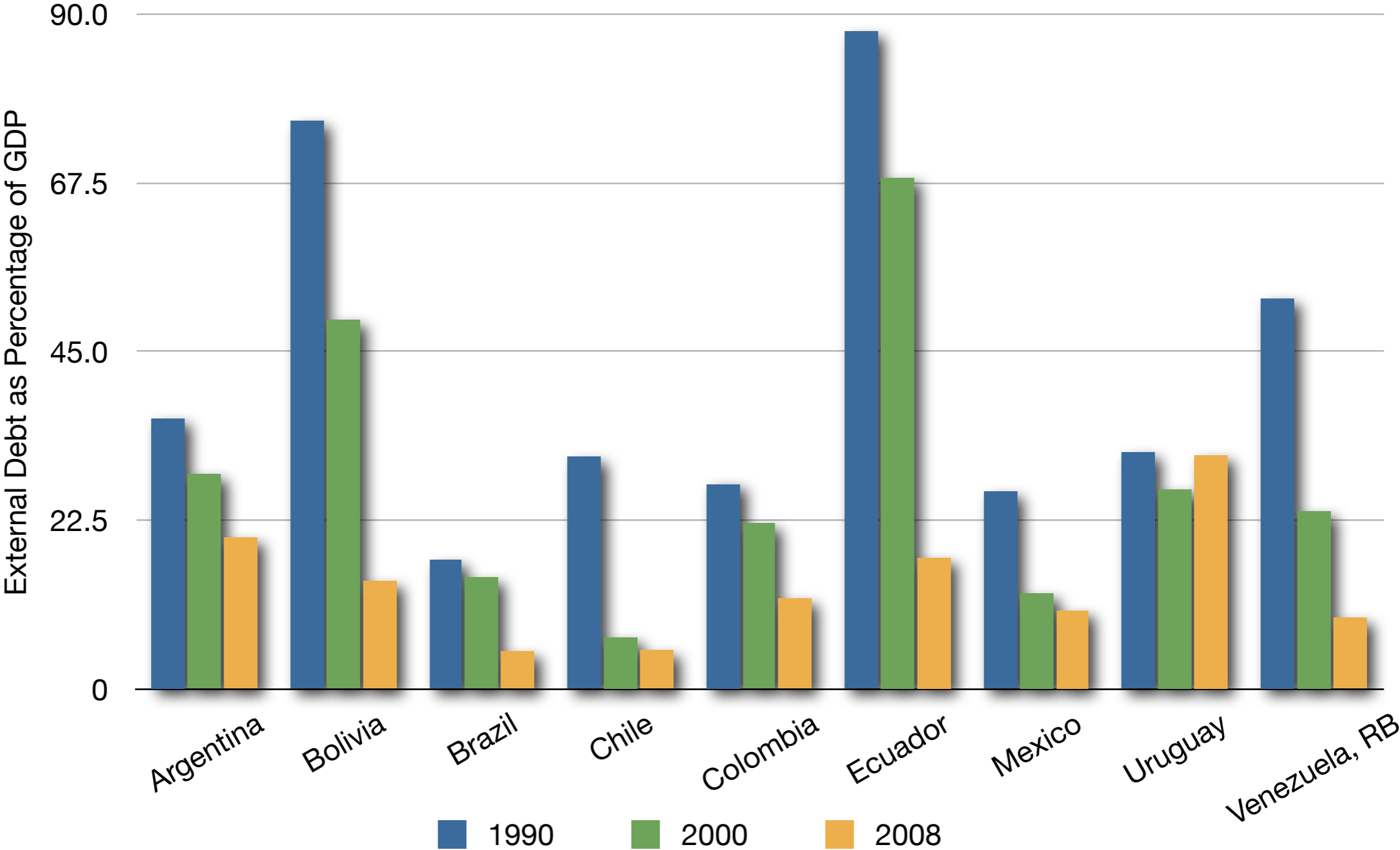
# Stabilization of Public External Debt in the Region

## Public External Debt - Latin America



Source: World Bank GDF 2009

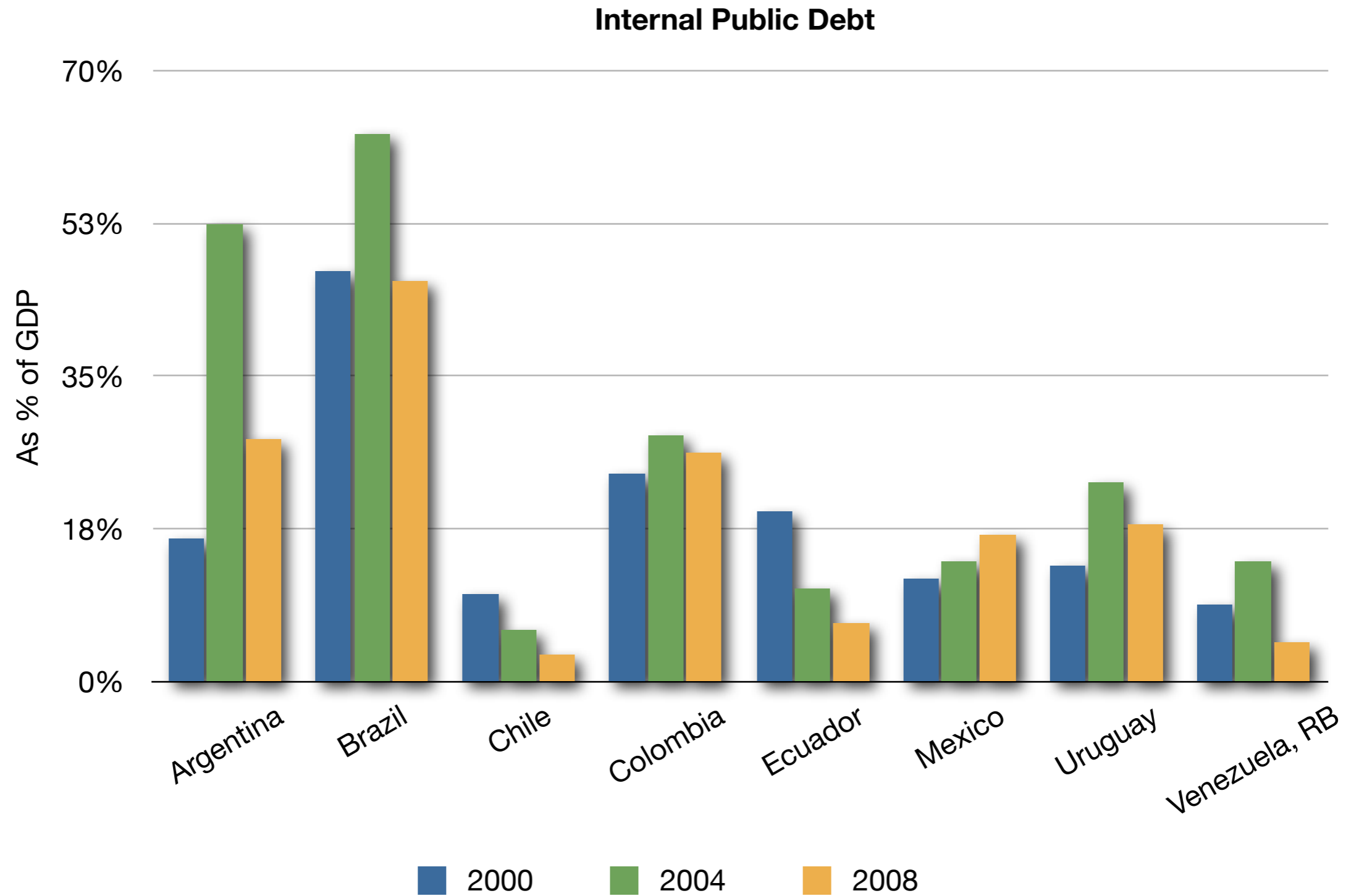
# Reduction of Public External Debt in the Region



Source: World Bank GDF 2009

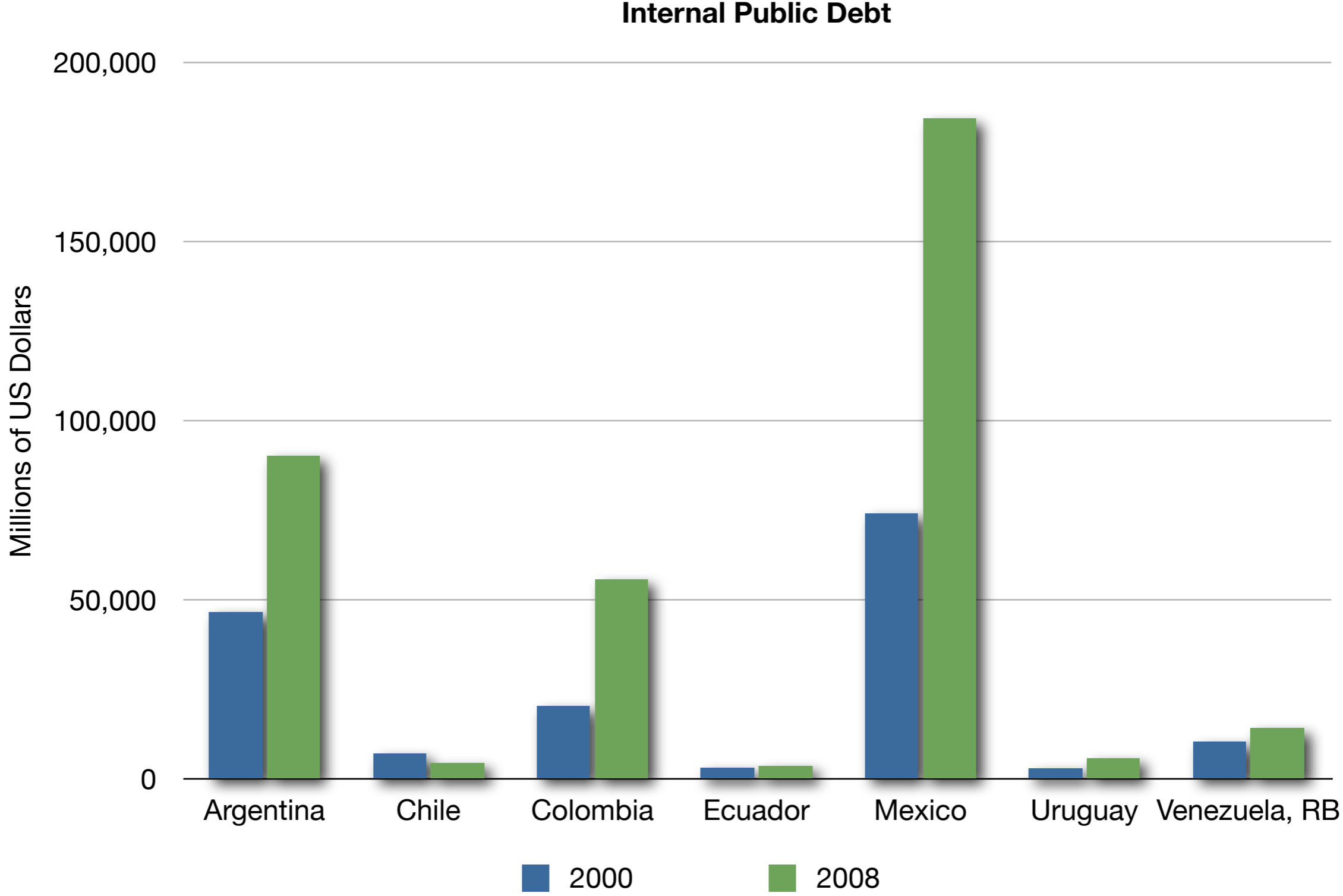
# Internal Debt

# Varied Regional Picture...



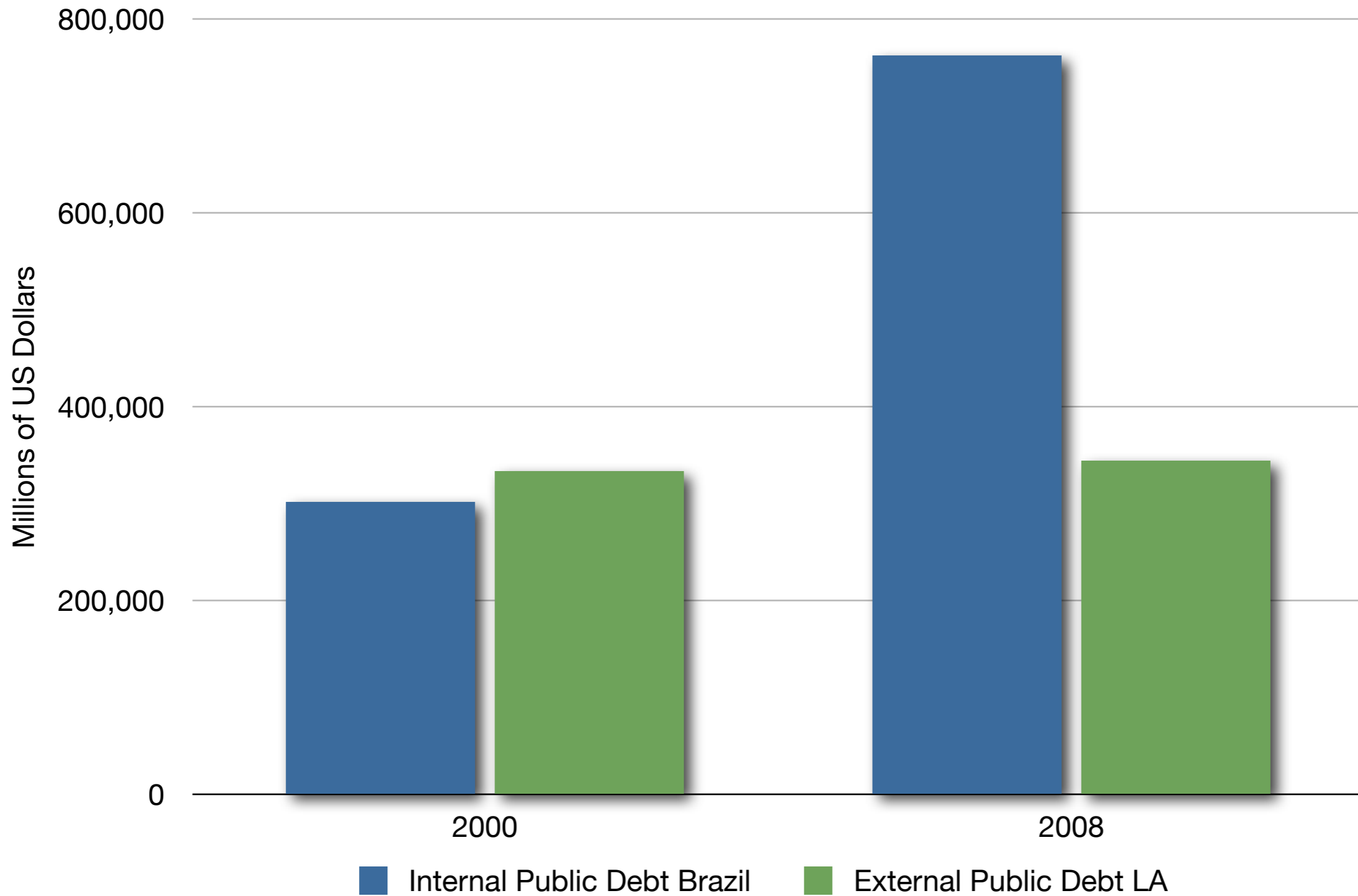
Source: Central Banks Annual Reports

# Sizable Total Amounts of Internal Public Debt



Source: Central Banks Annual Reports

# Internal Public Debt Dwarfs External Public Debt

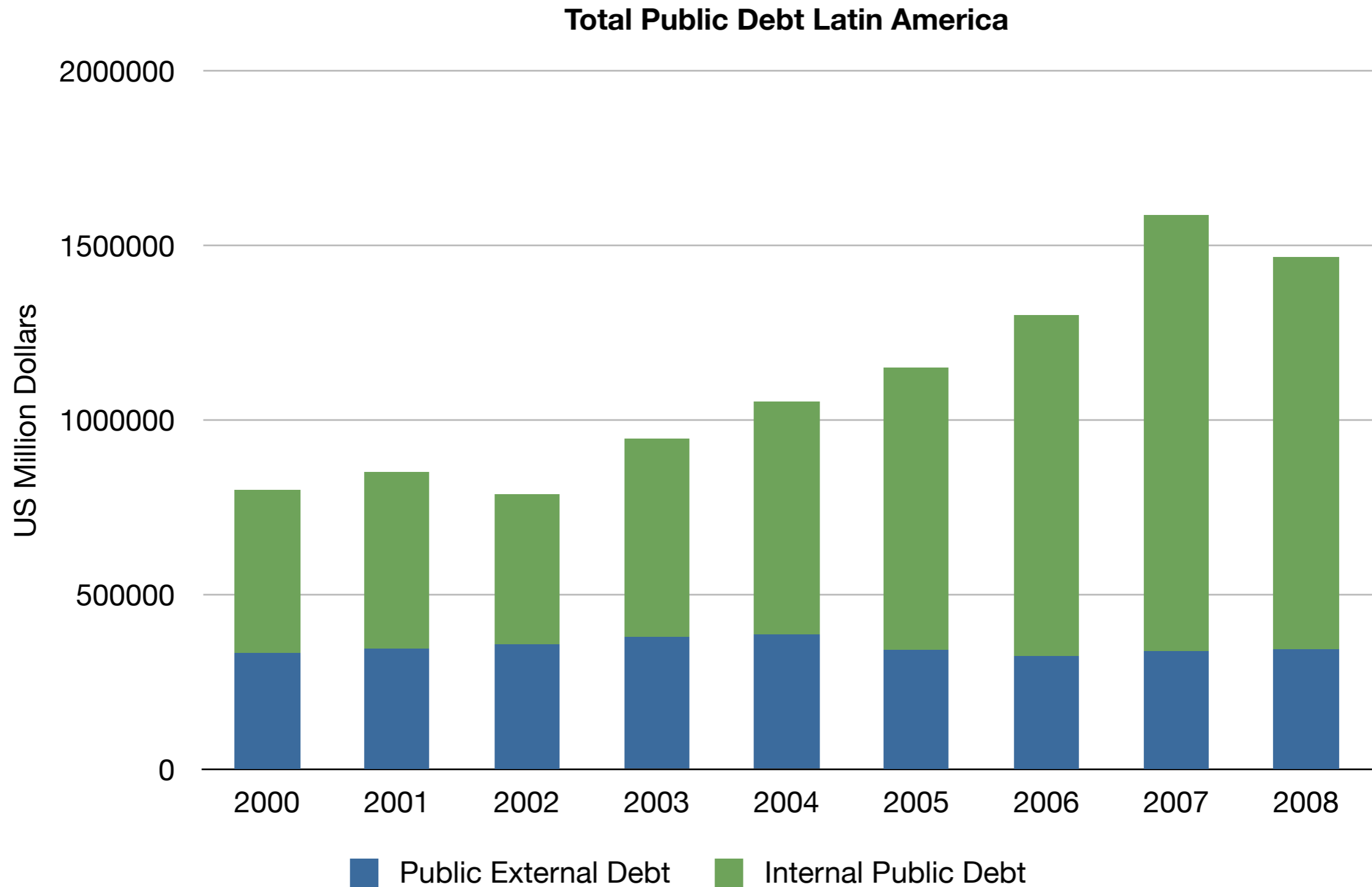


Source: Central Banks Annual Reports

# Composition of Public Debt

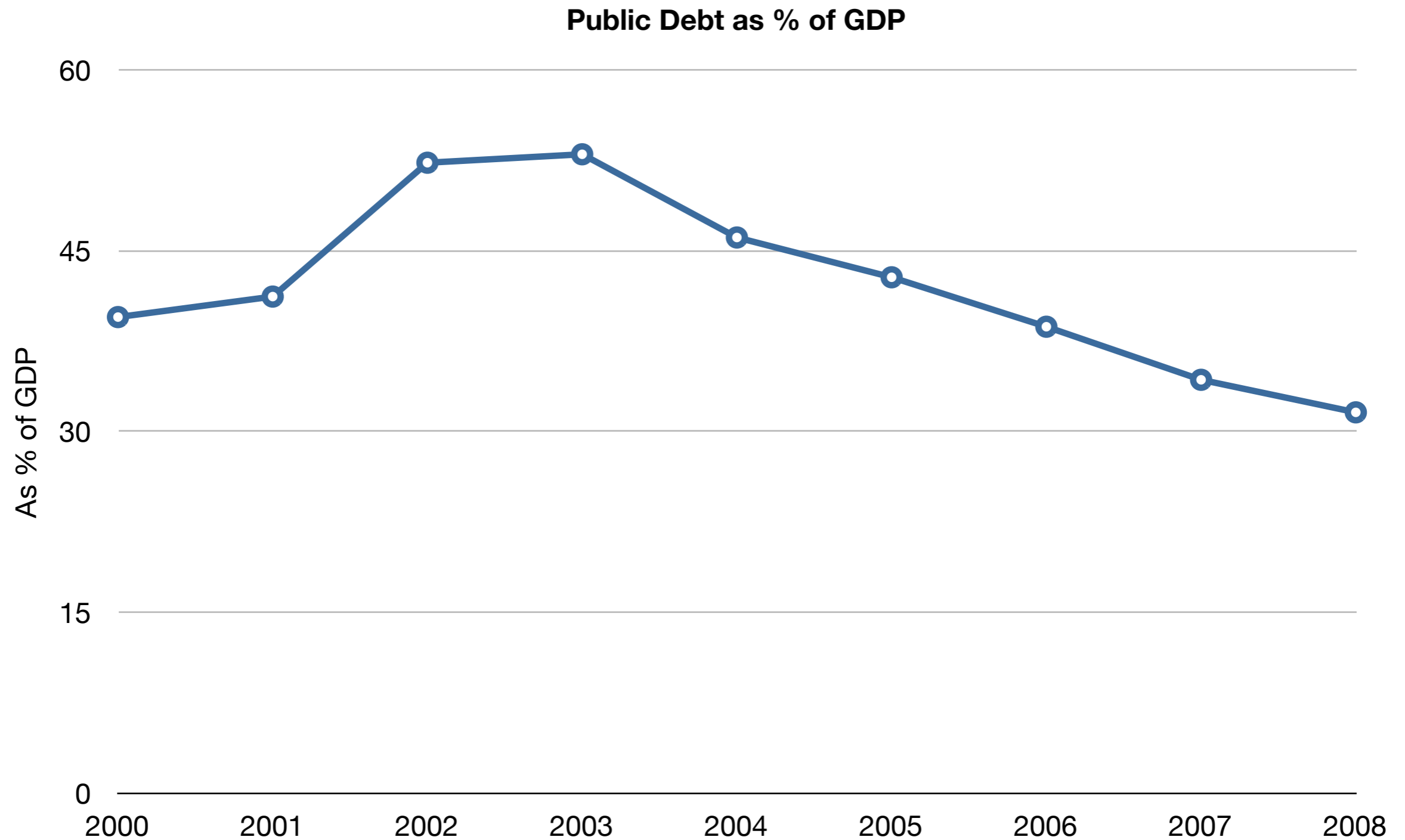


# Internal Public Debt: Key Financing Mechanism



Source: Central Banks Annual Reports

# Internal Public Debt: Key Financing Mechanism



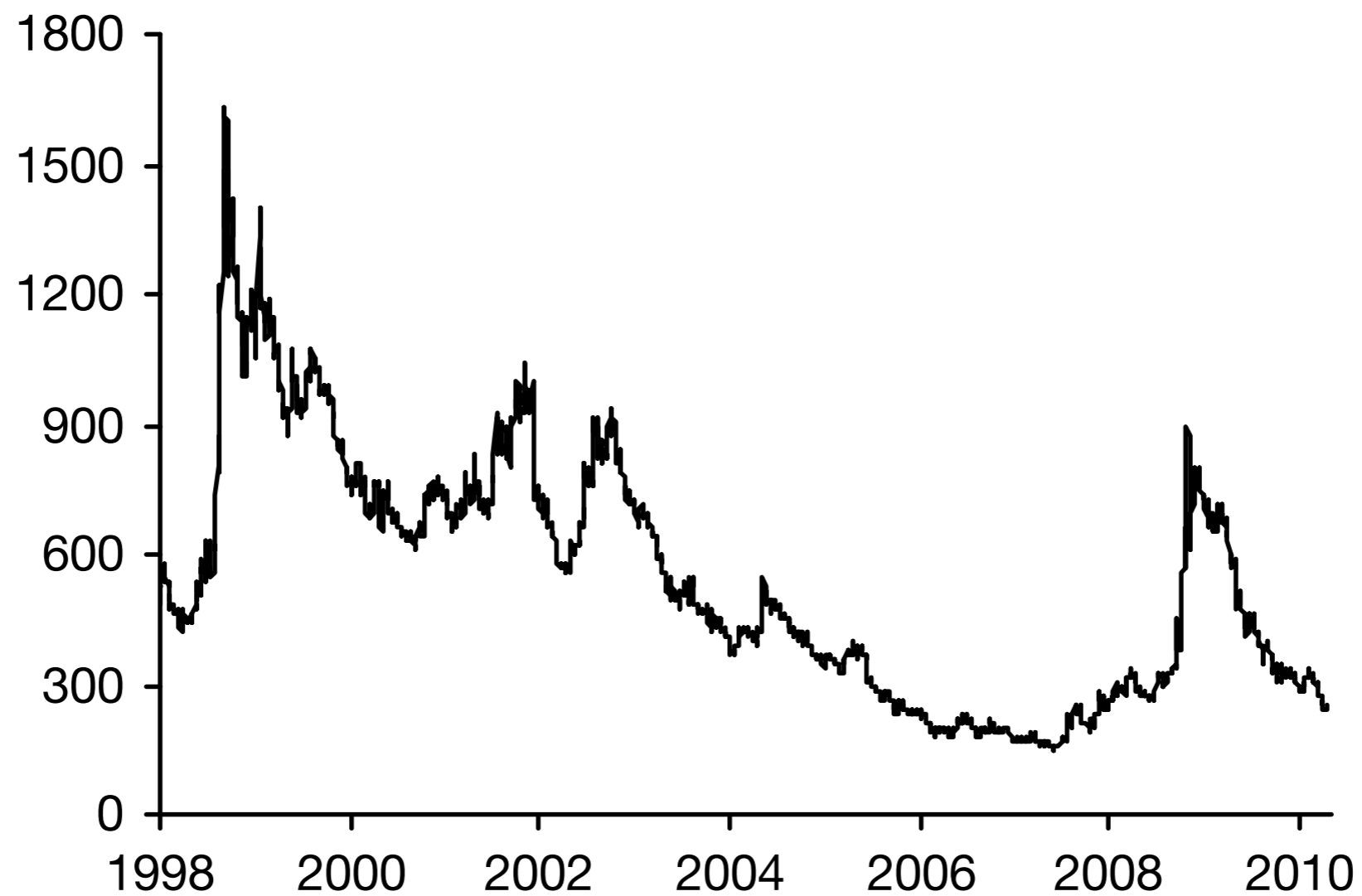
Source: Central Banks Annual Reports

# Borrowing Costs

# Compression of international interest rate spreads

## Emerging Market Sovereign Bonds

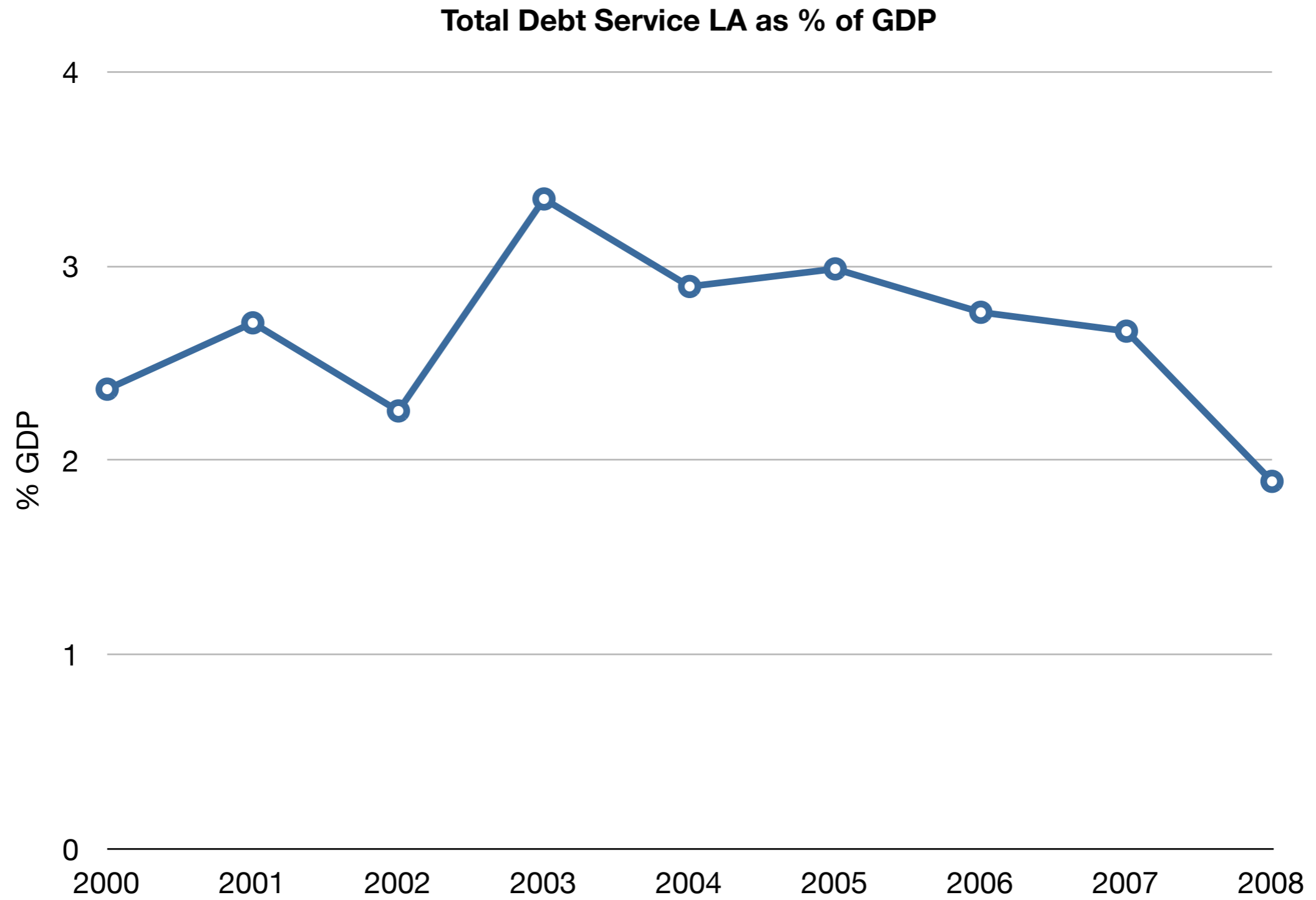
*basis points over UST*



Source: IIF (2010)

# Budget Impact

# Slight Reduction on Debt Service



# Conclusions

# CADTM

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Thank You!

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