DEBT REPORT

2021

EDITION I

January 2021

WORLD BANK GROUP

DEBT Report 2021

About the Report

This is the first of the series of Debt Reports for 2021 to be published online, at regular intervals, over the course of the year. Their aim is to provide users with analyses of evolving trends and development related to external debt and public debt in individual countries and regional groups, with primary emphasis on low- and middle-income countries, and to keep users abreast of debt-related issues and initiatives.

The reports:

- Complement the summary overview of borrowing trends in 120 low- and middle-income countries information presented in International Debt Statistics (IDS 2021), published in October 2020 with regional and country specific analyses on the composition and characteristics of external debt stocks and flows. The analyses will be underpinned by the detailed loan-by-loan data on stocks, transactions (commitments, disbursements and debt service payments) and loan terms captured by the World Bank Debtor Reporting System (DRS);

- Draw from the high-frequency, Quarterly External Debt Statistics (QEDS) and quarterly Public Debt Statistics (PSDS) databases to provide users with syntheses of emergent trends in external and public debt, including borrowing patterns and current debt levels in both high-income countries and low- and middle-income countries;

- Provide users with information briefs on current issues and ongoing initiatives aimed at improving external and public debt measurement and monitoring, filling data gaps, and enhancing the coverage and harmonization of international datasets and related data dissemination.

Debt Report 2021 Edition I presents a summary analysis of the composition of external debt stocks and flows from a regional perspective and draws out the main messages of the regional and country specific data available to users at: https://data.worldbank.org/products/ids.

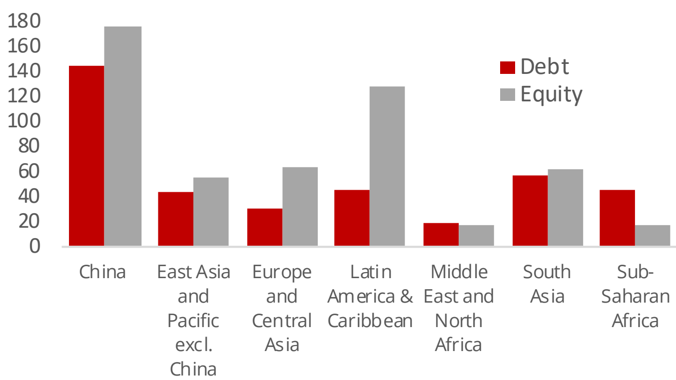
Regional Overview 2019

Financial flows to low- and middle-income countries fell for the second consecutive year in 2019. Aggregate net financial flows, debt and equity combined, totaled $0.9 billion in 2019, 15 percent lower than the comparable figure for 2018. Measured relative to borrower countries' GNI aggregate financial flows were equivalent to 2.9 percent, a marked decrease from 3.5 percent in 2018 and well short of the 6.9 percent recorded in 2010. The downturn in net financial flows was the result of a 28 percent drop in net debt inflows (gross disbursements of new loan financing minus principal payments), which fell to $383 billion from $531 billion in 2018. The contraction in net debt inflows contrasted with equity inflows, which remained stable. FDI inflows, long considered the most resilient and least volatile component of financial flows, totaled $471 billion, down marginally from the 2018 level, whereas portfolio equity inflows rose 24 percent to $48 billion.

The headline number masked sharp divergence in the volume and trend of financial flows at the regional level and individual countries. As with prior years, China dominated the volume and direction of aggregate financial flows to low- and middle-income countries and was the single largest recipient recording a combined debt and equity inflows of $320 million. This was equivalent to 36 percent of net financial flows to all low- and middle-income countries in 2019 but down from the 49 percent share of the comparable inflows that China received in 2018. At the regional level, excluding China, countries in Latin American and the Caribbean accounted for the largest share of 2019 aggregate financial flows, $173 billion (19 percent), followed by countries in South Asia, $119 billion (13 percent). Equity inflows surpassed debt inflows in all regions except Sub-Saharan Africa and Middle East and North Africa where debt inflows accounted for 73 percent and 51 percent, respectively of total inflows.

Figure 1: Net Financial Flows by Regional Distribution, 2019

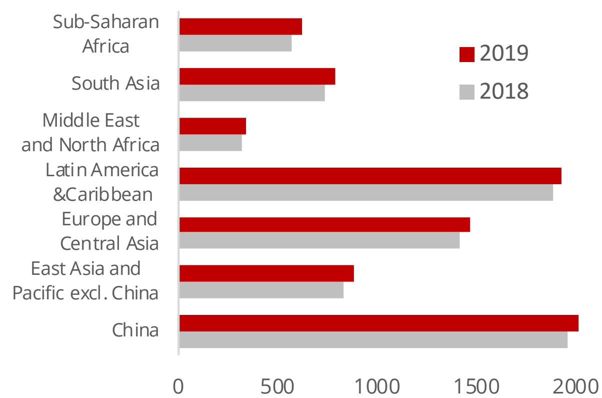
US$ (billion)



Sources: World Bank Debtor Reporting System, International Monetary Fund, and United Nations Conference on Trade and Development.

Figure 2: Change in External Debt Stock by Regional Distribution, 2018-2019

US$ (billion)



Sources: World Bank Debtor Reporting System, International Monetary Fund, and Bank for International Settlements.

Total external debt stocks of low- and middle-income countries rose 5.4 percent in 2019 to $8.1 trillion, a rate of accumulation almost identical to that of 2018 but close to half the 10.5 percent rise in external debt stock recorded in 2017. The increase in debt stocks in 2019 resulted from net debt inflows of $383 billion and valuation changes in year-on-year exchange rates in relation to the U.S. dollar (around half the external debt of low- and middle-income countries is denominated in currencies other than the U.S. dollar). Long-term external debt grew at the fastest pace, rising 7 percent to $5.8 trillion, equivalent to 71 percent of total external debt stock. Short-term debt rose marginally, (1.5 percent). In common with debt flows, the accumulation in 2019 external debt stocks was driven by China which accounted for 26 percent of the combined end-2019 external debt stock of low- and middle-income countries. China's long-term external debt stock rose 23 percent in 2019 to $900 billion while short-term debt fell by a little over 1 percent to $1.2 trillion. Excluding China, the external debt stock of low- and middle-income countries rose on average 4.7 percent in 2019 but with wide divergence at the regional level. Countries in Sub-Saharan Africa recorded the fastest accumulation in external debt stocks in 2019, on average 9.7 percent, followed by those in the South Asia region, 7.6 percent. Conversely, in Latin America and Caribbean countries the pace of external debt accumulation slowed to 2.3 percent.

East Asia and Pacific

Net financial flows totaled $418 billion in 2019, a decline of 34 percent from the prior year reflecting the sharp, 39 percent, contraction in debt and equity flows to China. Net financial flows to other countries fell on average 12 percent in 2019.

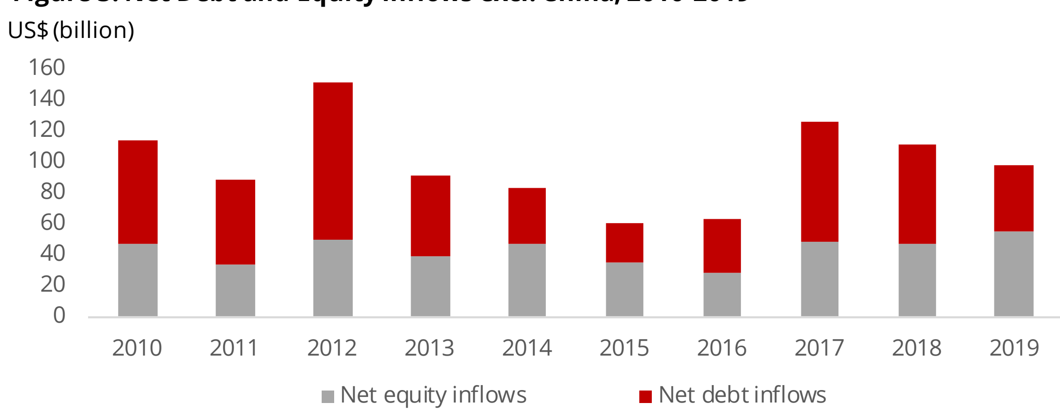
Table 1: External Debt Stock and Net Financial Flows, East Asia and Pacific, 2010-2019

US$ (billion)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
External debt stocks	1,192	1,556	1,738	2,096	2,439	2,004	2,112	2,482	2,789	2,993
Net financial flows, debt and equity	663	658	469	718	607	-105	262	614	633	418
Percent of GNI (%)	*9*	*7*	*5*	*6*	*5*	*-1*	*2*	*4*	*4*	*2*
Net Debt Inflows	359	368	175	381	297	-368	45	390	339	187
Long-term	51	102	131	88	138	63	60	131	155	200
Official creditors	3	4	4	1	4	2	0	0	4	3
Bilateral	-2	2	1	-1	2	-3	-4	-3	-1	-2
Multilateral	4	2	3	2	3	6	4	4	5	5
World Bank (IBRD and IDA)	3	1	1	2	2	3	2	2	2	2
IMF	0	0	0	0	0	0	0	0	0	0
Other multilateral	1	2	2	0	1	2	2	1	3	3
Private creditors	49	97	127	87	133	61	60	130	151	197
Bonds	9	37	76	41	61	25	40	111	124	137
Banks and other private	40	61	51	46	73	36	20	19	27	60
Short-term	307	266	44	292	159	-431	-16	259	184	-13
Net equity flows	304	290	294	337	310	263	217	225	294	231
Net FDI inflows	265	283	259	309	259	259	193	190	245	185
Net portfolio equity inflows	40	7	35	29	51	4	24	35	49	46

The volume and trend of net aggregate financial flows was determined by China which accounted for 77 percent of the combined debt and equity inflows to countries in the region in 2019. Aggregate financial flows to China fell 39 percent in 2019 to $320 billion from $522 billion in 2018 after a 29 percent reduction in net equity inflows and a steeper, 48 percent reduction, in net debt flows. The underlying factors that drove the level and composition of financial inflows to China are discussed in the overview section of IDS 2020. Excluding China, net financial flows to other countries in the region fell, on average, 12 percent in 2019 with a 17 percent increase in net equity inflows which was not enough to offset the 33 percent fall in net debt inflows. Net debt inflows totaled $43 billion, of which 54 percent was accounted for by Indonesia and a further 24 percent by Vietnam. The rise in equity inflows was driven by a record level of FDI inflows to Indonesia, $25 billion, up 24 percent over the prior year, with strong investment in manufacturing, mining, and financial services. Among the small economies, Cambodia received record high FDI inflows of $3.7 billion in 2019, led by increases in manufacturing and services by predominantly Asian investors. FDI in Thailand fell 60 percent to $5.3 billion and 14 percent in Vietnam to $12 billion.

Figure 3: Net Debt and Equity Inflows excl. China, 2010-2019

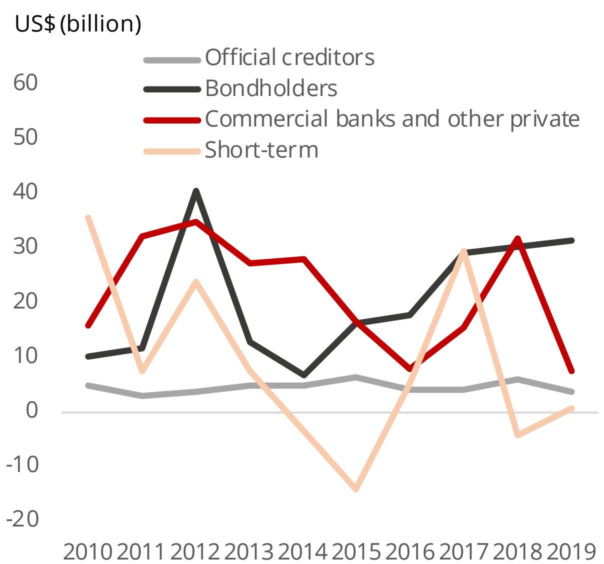


Sources: World Bank Debtor Reporting System and International Monetary Fund.

Net debt inflows to the region fell 45 percent in 2019 to $187 billion due to a 30 percent drop in long-term debt inflows and a $13 billion outflow of short-term debt. Driving these outcomes was a 48 percent fall in debt flows to China where a sharp 81 percent rise in long-term debt inflows to $158 billion was offset by the sharp contraction in short-term debt flows. Net debt inflows to other countries in the region fell less than those to China, 33 percent but with the pattern of flows reversed: long-term debt inflows fell 38 percent to $42 billion whereas short-term debt flows were positive with an inflow of $0.8 billion as compared to an outflow of $4.2 billion in 2018. The downturn in long-term debt inflows was principally due to the drop in those from commercial banks and other private entities. They contracted sharply to $7 billion, less than a quarter of the comparable figure in 2018 largely on account of the collapse in inflows to non-guaranteed private sector entities in Thailand which fell to around $60 million from $17.4 billion in 2018. In contrast inflows from bondholders rose 4 percent to $31 billion spurred by a record $23 billion in new issuance by public sector entities in Indonesia. Long term inflows from official creditors to the region excluding China fell 39 percent to $3.6 billion, driven down by a contraction in inflows from bilateral creditors while the official creditors' share of long-term debt inflows remained moderate, 8 percent.

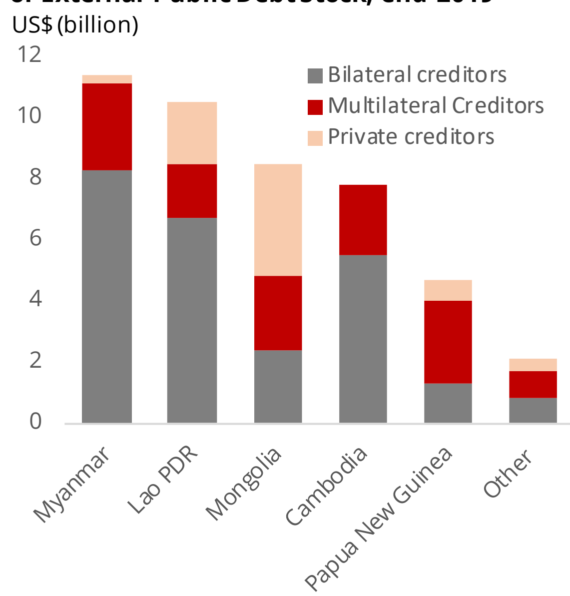
The region is home to fifteen of the world's poorer countries eligible for the Debt Service Suspension Initiative (DSSI) including several small Pacific island states with a combined external public debt stock of $44 billion at end-2019. On average 56 percent of the end-2019 debt stock was owed to bilateral creditors, 27 percent to multilateral creditors and the remaining 16 percent to private creditors including bondholders, commercial banks and other private entities. The volume and composition of debt stocks at the individual country level was divergent. Myanmar was the largest debtor in the group, with an end-2019 external debt stock of $11.0 billion, followed by Lao PDR of $10.4 billion, Mongolia $8.4 billion and Cambodia of $7.7 billion. Over 70 and 80 percent, respectively, of the end-2019 debt stock of Cambodia and Myanmar was owed to bilateral creditors whereas Papua New Guinea owed the largest share to multilateral creditors, 45 percent, and Mongolia owed 43 percent to private creditors. Regarding the creditor composition China accounted for nearly 58 percent of bilateral debt stocks followed by Japan with 20 percent. The Asian Development Bank was the largest multilateral creditor accounting for 52 percent multilateral debt stocks, including the IMF, followed by the World Bank, 35 percent.

Figure 4: Creditor Composition of Net Debt Inflows excl. China, 2010-2019



Source: World Bank Debtor Reporting System.

Figure 5: DSSI-eligible Countries-Composition of External Public Debt Stock, end-2019



Source: World Bank Debtor Reporting System.

Europe and Central Asia

Net financial flows rose to $93 billion in 2019, a marked turnaround from the $19 billion outflow recorded in 2018. The rebound was driven by inflows to Russia but was mirrored in an increase in debt and equity inflows to several other countries in the region in 2019.

Table 2: External Debt Stock and Net Financial Flows, Europe and Central Asia, 2010-2019

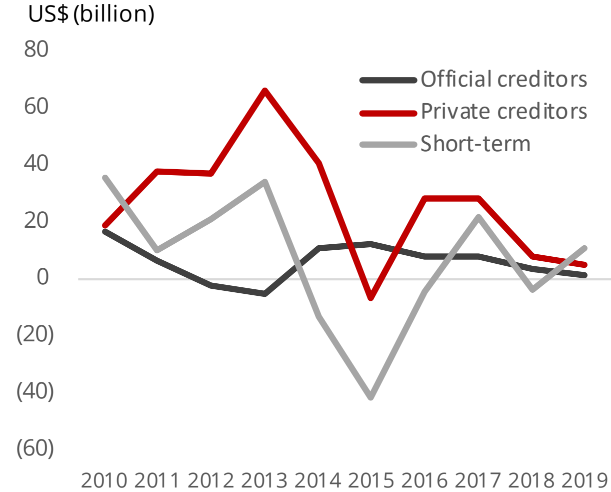
US$ (billion)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
External debt stocks	1,148	1,308	1,412	1,584	1,465	1,356	1,443	1,495	1,420	1,465
Net financial flows, debt and equity	168	198	229	210	3	-84	148	141	-19	93
Percent of GNI (%)	*6*	*6*	*6*	*5*	*0*	*-3*	*5*	*5*	*-1*	*3*
Net Debt Inflows	105	124	157	147	-44	-125	73	85	-57	30
Long-term	62	104	124	111	-8	-64	74	58	-50	10
Official creditors	17	4	-3	-6	10	12	8	7	3	1
Bilateral	3	-1	-1	1	5	2	2	3	2	3
Multilateral	14	5	-2	-7	5	10	6	4	1	-2
World Bank (IBRD and IDA)	3	2	2	1	2	1	1	1	1	0
IMF	3	-2	-6	-10	-1	5	1	0	-1	-2
Other multilateral	7	5	2	1	4	4	4	3	1	0
Private creditors	45	100	127	117	-18	-76	67	51	-53	9
Bonds	13	23	39	41	-2	-8	25	35	0	44
Banks and other private	33	78	88	76	-16	-68	42	16	-53	-35
Short-term	43	20	33	36	-36	-61	-2	27	-6	20
Net equity flows	63	74	72	63	47	41	76	56	38	63
Net FDI inflows	64	84	65	69	58	49	77	60	45	67
Net portfolio equity inflows	-1	-10	8	-6	-11	-8	-1	-5	-7	-4

Net debt flows to the region totaled $30 billion in 2019, a marked contrast to the $57 billion outflow recorded in 2018. The outcome was driven by Russia which accounted for 47 percent of the 2019 net debt inflows to the region and saw debt flows swing from an outflow of $64 billion in 2018 to an inflow of $14 billion in 2019 with short-term debt flows of $9.4 billion accounting for two-thirds of the total. The main driver of the turnaround in Russia's long-term debt flows was a threefold increase in new bond issuance by public and private sector entities and marked slowdown in outflows to commercial banks which declined to $32 billion from their 2018 level of $56 billion. Debt flows to Turkey, the region's second largest borrower, continued their downward trajectory with the net outflow widening to $3.7 billion from $2.8 billion in 2018. A rebound in short-term debt inflows to $6.6 billion in 2019, compared to the prior year outflow of $3.4 billion, was not enough to offset long-term debt outflows of $10.3 billion, largely the consequence of the sharp rise in outflows to commercial banks from non-guaranteed private sector borrowers. These widened to $12.8 billion in 2019 from $3.0 billion in 2018. Long-term flows to public sector borrowers fell 14 percent to $4.4 billion notwithstanding $11.6 billion in new bond issuance.

Figure 6: Net Debt Inflows by Creditor Type excl. Russia, 2010-2019

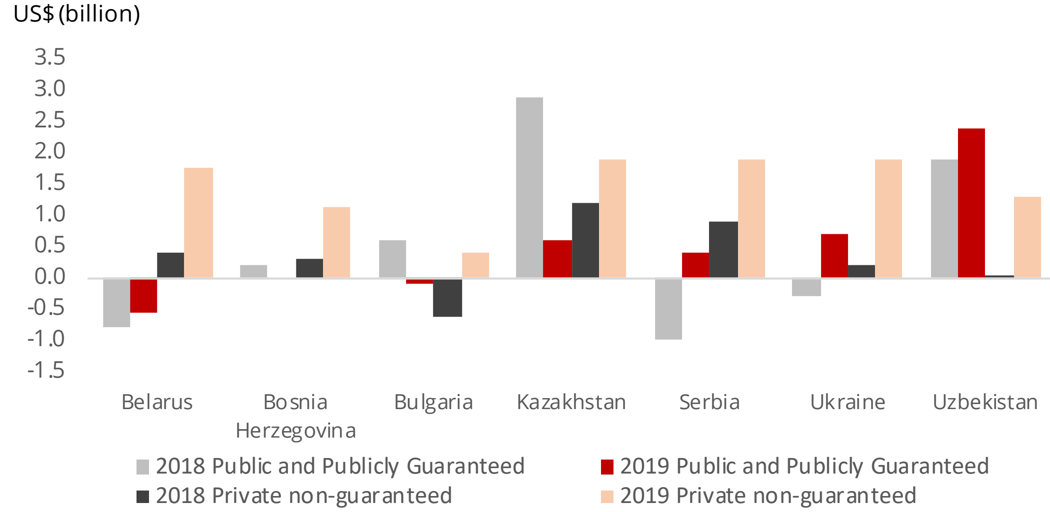
US$ (billion)



Source: World Bank Debtor Reporting System.

Countries in the region, other than the two largest borrowers Russia and Turkey, saw debt inflows double in 2019 to $19.5 billion on the back of a renewed short-term debt inflows and rebound in long-term debt flows. Short-term inflows totaled $4.1 billion, a marked turnaround from the 2018 outflow of $0.4 billion driven in large part by $0.5 billion to Uzbekistan, $1.2 billion to Ukraine and $0.7 billion to Belarus from outflows of $0.1 billion, $2.1 billion and $0.2 billion, respectively, in 2018. Net long-term debt inflows rose 51 percent in 2019 to $17.3 billion driven by a surge in inflows to non-guaranteed private sector entities several countries including Belarus, Bosnia Herzegovina, Serbia and Uzbekistan, primarily intercompany lending facilitated by commercial banks but including some bond issuance by private entities. As a result, private sector entities absorbed 64 percent of long-term debt inflows, up from 28 percent in 2018. Long-term debt inflows to public sector entities totaled $6.2 billion in 2019 of which Uzbekistan accounted for 38 percent. It recorded a 25 percent increase in inflows to public sector entities in 2019 to $2.4 billion of which over 95 percent was from official lenders including $0.8 billion from the World Bank.

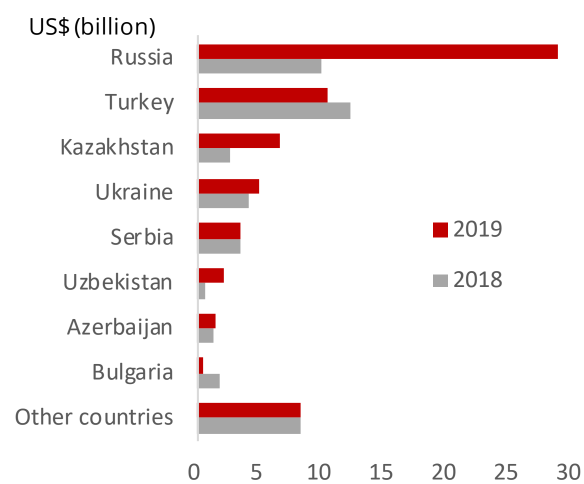
Figure 7: Net Debt Flows to Public and Private Entities in Select ECA Countries, 2018-2019



Source: World Bank Debtor Reporting System.

The region recorded the largest rise in FDI inflows in 2019 of all low- and middle-income countries. FDI inflows increased by 50 percent to $67 billion, propelled by a rebound in FDI inflows to Russia. They rose nearly threefold to $29 billion from $10 billion in 2018 with reinvested earnings topping $20 billion and new investment turning positive, after large-scale disinvestment in 2018. Other countries in the region saw FDI inflows rise on average 10 percent led by a resurgence in inflows to Kazakhstan which rose 153 percent to $6.7 billion from Chinese, Russian and US investors. Mining of metals attracted the largest volume of investment followed by projects in the manufacturing sector. FDI inflows to Uzbekistan more than tripled to $2.1 billion in response to measures aimed at economic liberalization which attracted Asian and European investors into a range of projects including chemical production, uranium exploration and the textile industry. Some of these inflows also related to a large ongoing project by the Russia's Lukoil. FDI increases across the region served to offset the 14 percent contraction in inflows to Turkey, triggered by greater economic uncertainty, weaker economic growth and the country's exposure to global economic conditions which weighted on investor sentiment.

Figure 8: Foreign Direct Investment in Select Countries, 2018-2019



Source: International Monetary Fund.

Latin America and Caribbean

Net financial flows fell 38 percent in 2019 to $173 billion, their lowest level in a decade, measured in relation to GNI. Equity inflows held up, rising on average 8 percent, but were insufficient to offset the 72 percent downturn in net debt inflows.

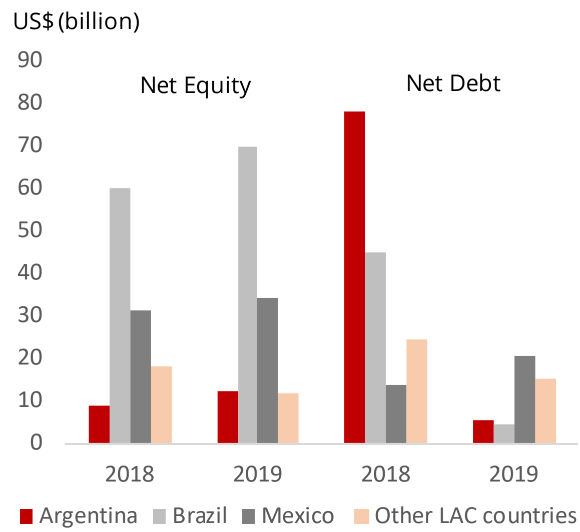
Table 3: External Debt Stock and Net Financial Flows, Latin America and Caribbean, 2010-2019

US$ (billion)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
External debt stocks	1,064	1,220	1,360	1,502	1,657	1,667	1,703	1,789	1,883	1,927
Net financial flows, debt and equity	332	287	300	302	304	206	176	252	279	173
Percent of GNI (%)	*7*	*5*	*6*	*5*	*5*	*4*	*4*	*5*	*6*	*4*
Net Debt Inflows	173	139	147	170	178	87	51	103	161	45
Long-term	117	140	128	142	152	78	80	90	118	32
Official creditors	22	4	12	9	11	6	6	8	35	18
Bilateral	5	3	6	5	6	-1	0	6	-2	-6
Multilateral	18	1	7	4	6	8	6	3	37	24
World Bank (IBRD and IDA)	8	-3	3	3	2	2	2	-1	2	2
IMF	1	0	0	0	-1	0	0	0	29	17
Other multilateral	8	4	3	2	4	5	4	4	7	4
Private creditors	94	136	116	132	140	72	74	82	83	14
Bonds	67	80	78	69	64	27	55	70	43	16
Banks and other private	28	56	38	63	76	45	19	12	39	-2
Short-term	56	-1	19	29	26	8	-30	13	43	13
Net equity flows	160	148	153	132	126	119	125	150	118	128
Net FDI inflows	120	145	138	121	107	105	104	130	120	131
Net portfolio equity inflows	40	3	15	11	19	14	21	20	-2	-3

Aggregate net financial inflows to the region fell 38 percent in 2019 on account of the fall in net debt inflow to $45 billion, the lowest level of the decade and significantly below the $161 billion recorded in 2018. In contrast net equity flows rose 8 percent underpinned by foreign direct investment inflows which remained stable in most countries and increased, on average, 9 percent in 2019 from the prior year level, offsetting a $1.3 billion widening in portfolio equity outflows. The big three, Argentina, Brazil and Mexico accounted for 85 percent of net financial flows to the region in 2019 and drove the overall volume and direction of flows. The contraction in net debt inflows to Argentina and Brazil to $9.8 billion in 2019 from $123 billion in 2018 was the major factor in the regional downturn and only marginally offset by the 47 percent rise in comparable debt inflows to Mexico to $20 billion. Equity flows fared better with the combined inflows to Brazil and Mexico rising on average 13 percent in 2019 to $70 billion and $34 billion respectively. Those to Argentina rose by 35 percent to $12 billion. Other countries in the region recorded a 36 percent decline in net financial flows in 2019 to $27 billion with a 38 percent fall in net debt inflows and a 36 percent fall in net equity inflows to $11.6 billion.

Figure 9: Net Debt and Equity Inflows to Select Countries, 2018-2019



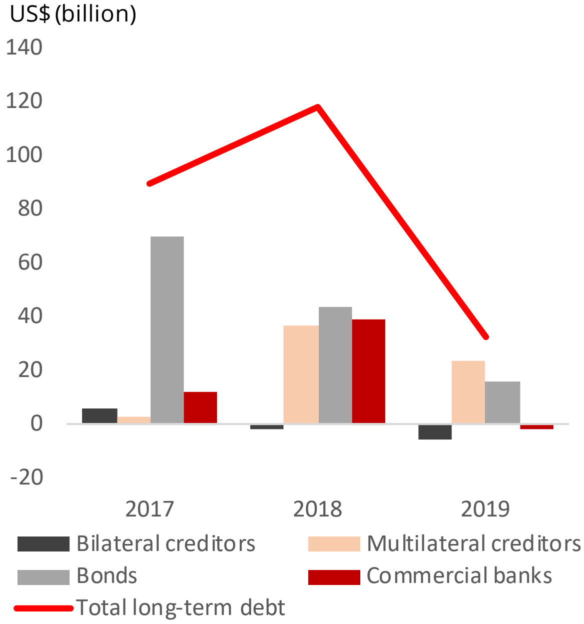
Sources: World Bank Debtor Reporting System and International Monetary Fund.

The precipitous fall in long-term debt flows in 2019 was triggered by a contraction in those from private creditors to both public and private sector entities. Net long-term inflows from private creditors fell 83 percent in 2019 to $14 billion driven by an 86 percent fall in those to public sector entities, largely bondholders and a corresponding 78 percent fall in those to non-guaranteed private sector entities, primarily commercial banks and other private entities. The $42 billion reduction in net inflows from bondholders to Argentina from $31 billion in 2018 to an outflow of $11 billion in 2019, and the $26 billion outflow from Brazil's private sector entities to commercial banks were key elements of this outcome. Other countries in the region, excluding Argentina and Brazil, saw net inflows from private creditors rise 83 percent in 2019 to $28 billion of which Mexico accounted for $18 billion. Net inflows to the region from official creditors totaled $18 billion in 2019, close to half the comparable figure for 2018 with $24 billion in net inflows from multilateral creditors offset by an outflow of $6 billion to bilateral creditors. Inflows from multilateral creditors included disbursements of $16.2 billion to Argentina from the IMF in the context of the bailout package agreed in 2018. Net inflows to other countries in the region, $7.5 billion, were 9 percent below the prior year level but those from the World Bank rose 25 percent to $2.2 billion.

Net inflows from bondholders fell 63 percent in 2019 to $16 billion as a result of a downturn in new issuance and a sharp rise in repayment on maturing bonds. Bond issuance by public and private sector borrowers fell to $82 billion in 2019, a 13 percent decline from the comparable figure for 2018. New issuance by public sector borrowers fell 20 percent from the prior year level due in large part to the steep contraction in issuance by Argentinian borrowers to $7 billion, from $44 billion in 2018. This was partially offset by a $12.4 billion increase in issuance by public sector borrowers in Mexico and $4.0 billion by those in Brazil. In contrast, new issuance by private sector borrowers in the region, $23 billion was 9 percent higher than the level attained in 2018 largely on account of $12 billion in bonds issued by private sector entities in Mexico, up sharply from the comparable figure of $6.9 billion in 2018. Repayments on maturing bonds were an important element of the downturn in net flows. Principal repayments on maturing bonds issued by public sector borrowers rose 77 percent in 2019, reducing net inflows to $13 billion ($48 billion in 2018). In contrast principal payments on maturing bonds issued by private sector entities fell 20 percent resulting in a net inflow of $2.9 billion as compared to an outflow of $4.2 billion in 2019.

Figure 10: Composition of Long-term Net Debt Inflows, 2017-2019

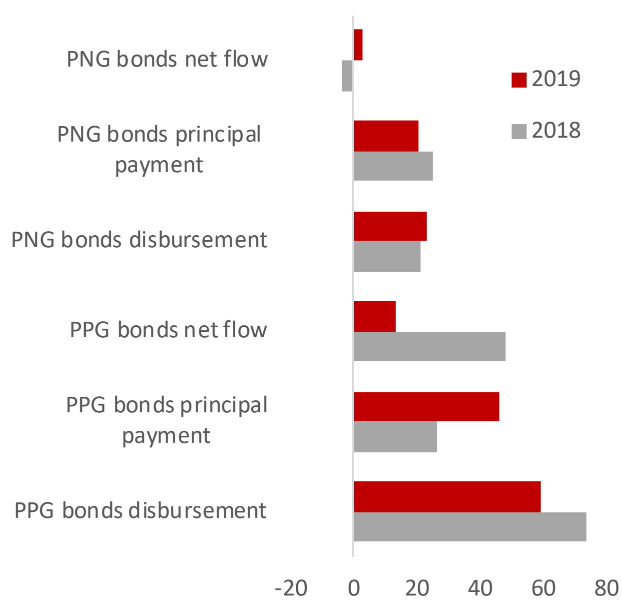
US$ (billion)



Source: World Bank Debtor Reporting System.

Figure 11: Bonds by Borrower Type - Gross and Net Flow, 2018-2019

US$ (billion)



Source: World Bank Debtor Reporting System.

Middle East and North Africa

Net financial flows fell to $36 billion in 2019 their lowest level since 2015 and 16 percent below the comparable flows in 2018. This downturn was the outcome of a 46 percent contraction in net long-term debt flows driven by sharp fall in flows from private creditors.

Table 4: External Debt Stock and Net Financial Flows, Middle East North Africa, 2010-2019

US$ (billion)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
External debt stocks	191	191	200	222	225	240	267	301	323	340
Net financial flows, debt and equity	34	14	28	40	30	36	49	45	43	36
Percent of GNI (%)	*3*	*1*	*2*	*3*	*2*	*3*	*4*	*4*	*4*	*3*
Net Debt Inflows	9	0	9	22	11	21	29	25	24	19
Long-term	4	1	12	20	7	20	18	24	29	16
Official creditors	1	1	5	10	3	8	16	9	6	9
Bilateral	-1	-2	2	7	0	5	6	2	2	1
Multilateral	2	2	3	3	3	3	10	8	4	8
World Bank (IBRD and IDA)	1	1	1	1	1	2	2	2	2	3
IMF	0	0	0	1	2	1	3	3	2	4
Other multilateral	2	2	2	2	1	1	4	2	0	1
Private creditors	3	0	8	10	4	11	2	14	23	7
Bonds	3	-1	6	8	1	7	1	11	11	9
Banks and other private	0	1	2	2	3	5	1	3	12	-2
Short-term	5	-1	-3	2	4	1	11	1	-5	3
Net equity flows	25	14	19	18	18	15	20	20	19	18
Net FDI inflows	23	14	21	18	17	16	19	21	19	17
Net portfolio equity inflows	2	-1	-1	0	1	-1	1	-1	0	1

Aggregate net financial inflows to the region fell 16 percent in 2019 to $36 billion, their lowest level since 2015 due to a sharp, 23 percent contraction in net debt inflows and a more moderate, 8 percent downturn in net equity flows. The downturn in net debt flows was driven by a 46 percent contraction in long-term debt inflows which fell to $15.6 billion, from $28.7 billion in 2018, and more than offset short-term debt inflows. The fall in long-term debt inflows was driven by the sharp reduction in inflows from private creditors which fell to $6.9 billion, less than one-third the 2018 level. In contrast net inflows from official creditors rose 43 percent to $8.7 billion on account of a jump in inflows from multilateral creditors. FDI was down 13 percent in 2019, reflecting a slowdown in investment across the region. FDI inflows to Morocco fell to $1.4 billion, half the 2018 level, declined by 18 percent in Tunisia, to $817 million, in tandem with slower economic growth, and fell 16 percent in Lebanon to $2.2 billion with investors deterred by the ongoing macroeconomic crisis. Egypt remained a bright spot with FDI inflows rising 11 percent to $9 billion in response to economic reforms that improved macroeconomic stability and bolstered investor confidence. A significant share of these flows went into the oil and gas sector, but telecommunications and consumer goods also attracted investment.

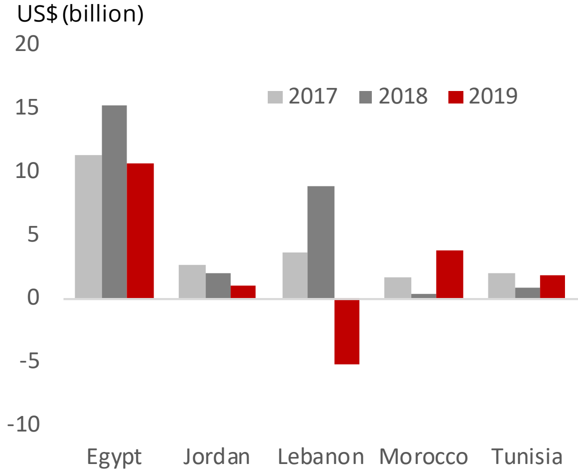
Figure 12: Debt and Equity Inflows, 2010-2019

US$ (billion)

Sources: World Bank Debtor Reporting System and International Monetary Fund.

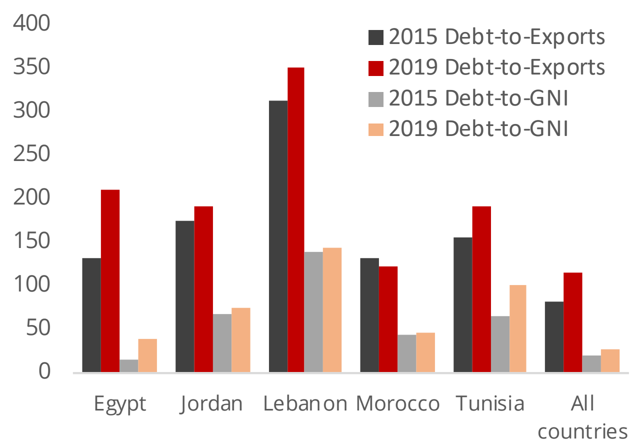
The 46 percent drop in long-term debt inflows in 2019 was driven by the collapse in flows from private creditors to Lebanon and, to a lesser extent, Egypt. The economic and financial crises in Lebanon led to a sharp contraction in debt flows from private creditors. Those to public sector borrowers fell to $0.3 billion, one-tenth the 2018 level and comparable flows to non-guaranteed private sector borrowers turned negative recording an outflow of $5.4 billion from an inflow of $5.7 billion in 2018. Long-term debt inflows to Egypt, the region's largest borrower, fell 15 percent to $14.6 billion but its share of the region's total long-term debt inflows rose to 94 percent from 60 percent in 2018 largely on account of outcomes in Lebanon. Driving the downturn was a 42 percent reduction in disbursements from bilateral creditors and sharp drop in those from commercial banks to $1.3 billion from the 2018 all-high of $6.3 billion. These offset the 2019 record level in new bond issuance of $7.9 billion and $4 billion disbursement of the final tranche of the $12 billion IMF 2016 Extended Fund Facility for Egypt package. Net long-term debt flows to Jordan fell to $0.8 billion, a little over half the prior year level, largely on account of a $0.6 billion outflow to bondholders. In contrast Morocco saw long-term debt inflows surge in 2019, rising nearly tenfold to $3.8 billion due to the first international bond issuance in five years (a €1 billion 12-year offering with a coupon of 1.5 percent), $1.3 billion in net inflows to public sector borrowers from commercial banks and a $1.2 billion net inflow from multilateral creditors led by ramped up lending from the World Bank. Long-term debt inflows to Tunisia rose 75 percent in 2019 to $1.8 billion propelled by a net inflow of $0.9 billion from bilateral creditors and $0.4 billion from commercial banks to non-guaranteed private sector borrowers.

Figure 13: Net Long-term Debt Inflows, 2010-2019



Source: World Bank Debtor Reporting System.

Figure 14: Debt Ratios for Select Countries, 2015 and 2019



Sources: World Bank Debtor Reporting System and International Monetary Fund.

External debt ratios are on a rising trajectory for most countries in the region. Historically, the ratio of external debt-to-GNI and to exports for countries in the Middle East and North Africa was low on account of robust export earnings and the relatively high share of equity in net financial flows. In recent years however, a rapid rise in debt creating flows has eroded equity's share. In 2019 equity inflows accounted for 48 percent of aggregate net financial flows as compared to an average of 80 percent in 2010-2012. This coupled with the downturn in global oil prices and contraction in other export earnings, has led to an appreciable rise in the average external debt-to-export ratio. It doubled between 2010-2019 from 58 percent to 116 percent. The external debt-to-GNI ratio has also climbed sharply over the same period from an average of 17 percent to an estimated 28 percent at end-2019. The averages also reflect Algeria's very low external debt-to-export and debt-to-GNI ratios, around 13.9 percent and 3.3 percent, respectively, at end-2019 masking elevated debt burdens in other countries in the region. Lebanon's end-2019 external debt-to-export ratio was 352 percent, Egypt's reached 210 percent and for Jordan and Tunisia it was 192 percent. Lebanon and Tunisia recorded the highest external debt-to-GNI ratio at end-2019, 145 percent and 101 percent, respectively. The comparable ratio for Egypt was moderate, 39 percent at end-2019 but on a rapidly rising trajectory, up from 15 percent at end-2015.

South Asia

The 74 percent increase in net financial flows to $119 billion in 2019 was driven by the steep rise in debt and equity inflows to India. Net financial inflows to other countries in the region rose, on average, only 3 percent.

Table 5: External Debt Stock and Net Financial Flows, South Asia, 2010-2019

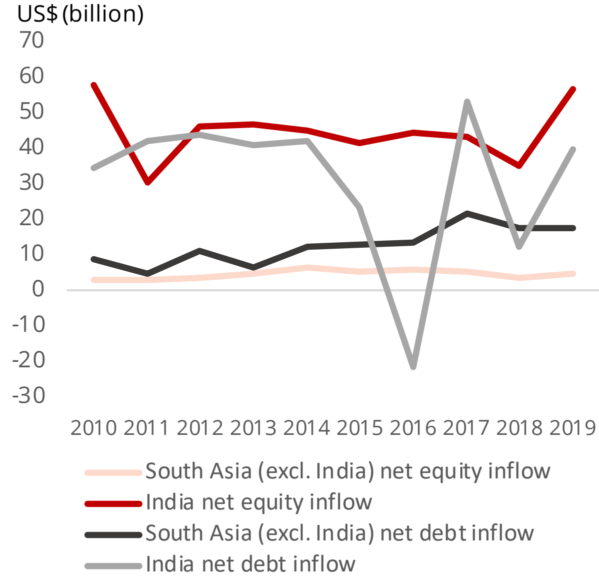
US$ (billion)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
External debt stocks	410	460	528	566	604	635	624	707	733	789
Net financial flows, debt and equity	104	81	105	99	105	83	42	124	68	119
Percent of GNI (%)	*5*	*4*	*5*	*4*	*4*	*3*	*1*	*4*	*2*	*3*
Net Debt Inflows	43	47	55	47	54	36	-8	75	30	57
Long-term	30	26	37	45	60	37	-12	56	26	52
Official creditors	9	5	4	2	7	7	9	11	17	17
Bilateral	2	2	3	4	3	2	4	6	12	8
Multilateral	8	4	1	-2	3	5	5	5	5	9
World Bank (IBRD and IDA)	3	2	1	1	2	2	2	1	2	3
IMF	2	0	-2	-3	0	1	1	0	0	1
Other multilateral	3	2	2	0	2	1	2	3	4	6
Private creditors	21	21	32	43	53	29	-22	45	9	35
Bonds	10	1	6	-1	32	13	-2	36	-7	14
Banks and other private	11	20	27	43	20	17	-20	9	16	21
Short-term	13	21	18	2	-5	0	4	19	4	5
Net equity flows	61	34	50	52	51	47	50	49	38	62
Net FDI inflows	31	38	26	31	37	45	48	42	43	48
Net portfolio equity inflows	30	-4	23	20	14	2	2	6	-5	14

Net financial flows to India more than doubled in 2019 to $97 billion overshadowing the marginal, 3 percent increase to those to other South Asian countries and was propelled by debt and equity inflows. Net debt inflows to India rose more than threefold to $40 billion. Half of these were long-term inflows from commercial banks to non-guaranteed private sector entities, largely intercompany lending in response to relaxation of investment barriers including in the retail and insurance sector. Additionally, a surge in new bond issuance by public and private sector entities pushed the net inflow by bondholders to $13 billion, compared to an $8 billion outflow in 2018. Net debt flows to other countries in the region fell, on average, 3 percent driven by a 43 percent drop in long-term debt inflows to Pakistan and rise in principal repayments to bondholders and bilateral creditors. In contrast net debt inflows to Sri Lanka rose 53 percent on account of the $4.4 billion sovereign bond issues in 2019. FDI inflows remained resilient, rising 11 percent boosted by a 10 percent increase in inflows to India to $43 billion, directed largely at the technology and communication industry. FDI inflows to Bangladesh also rose 5 percent to $1.3 billion, mostly into the garment industry, and inflows to Pakistan rebounded to $2 billion with investment in energy, textiles and the financial sector led by British and Chinese investors. India also benefitted from a surge in portfolio equity inflows to $14 billion, from an outflow of $4 billion in 2018 driven by attractive valuations and improvements in market access raising total net equity inflows to India by 63 percent in 2019.

Figure 15: Net Debt and Equity Inflows, 2010-2019

US$ (billion)

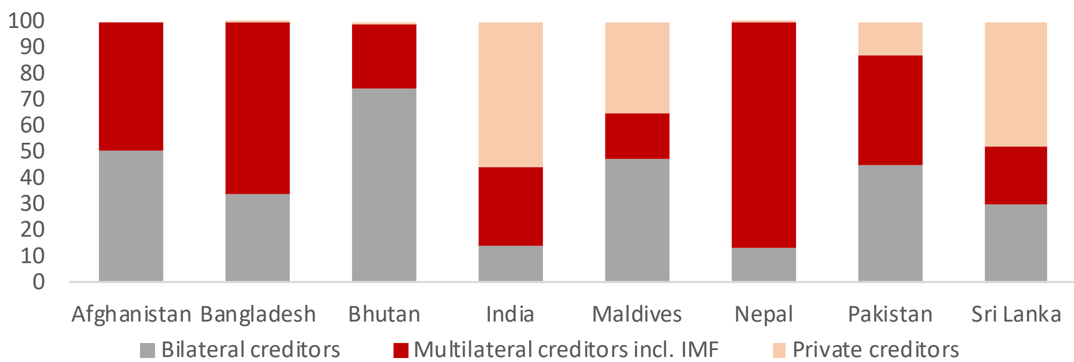


Source: World Bank Debtor Reporting System.

South Asian countries other than India, owed, on average, 83 percent of long-term external public debt to bilateral and multilateral official creditors at end-2019. Their external public debt stock of $162 billion at end-2019 comprised of $73 billion (45 percent) owed to multilateral creditors, $62 billion (38 percent) to bilateral creditors and $27 billion (17 percent) to private creditors (bondholders, commercial banks and other private entities). At the country level, the composition of external debt stocks varied. In four countries (Afghanistan, Bangladesh, Nepal and Pakistan) multilateral creditors accounted for over 53 percent of end-2019 external public debt, including Bangladesh (66 percent) and Nepal (87 percent). In contrast, Bhutan owed 74 percent of its external public debt to bilateral creditors. Three countries, Maldives, Pakistan, classified as a blend IBRD-IDA borrower creditworthy for some market-based financing, and Sri Lanka, an IBRD borrower, have issued bonds in international capital markets. Private creditors accounted for 35 percent of Maldives external public debt stock, 13 percent for Pakistan and 48 percent for Sri Lanka. The World Bank was the single largest creditor $38 billion at end-2019, equivalent to 23 percent of long-term public debt stock, followed by China, $33 billion, and the Asian Development Bank, $30 billion.

Figure 16: Share of External Public Debt Stock by Creditor Composition, end-2019

Percent

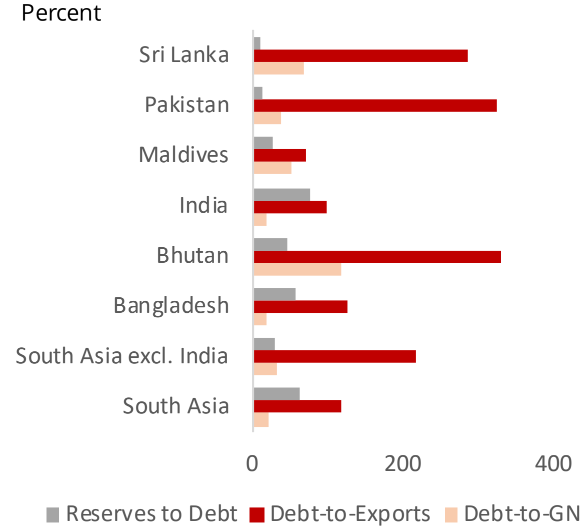


Source: World Bank Debtor Reporting System.

Across the region there is a significant divergence in debt burdens. On average the ratio of external debt to GNI and to exports remained moderate, an average of 20 percent and 117 percent, respectively at end-2019. But India's economy dwarfs that of other countries in the region and its GNI and export earnings, 22 percent and 98 percent respectively in relation to end-2019 external debt stock were the key determinant of these ratios. Bhutan had both the highest debt-to-export and debt-to GNI ratio at end-2019, 330 percent and 117 percent, respectively. Debt in relation to exports (285 percent) and GNI (69 percent) was also elevated in Sri Lanka. Pakistan's external debt-to-export ratio was 324 percent compared to 126 percent for Bangladesh and 72 percent for the Maldives. The external debt-to-GNI ratio of Bangladesh remained low, 18 percent, and moderate, 37 percent, for Pakistan but rose to 53 percent in the Maldives, double the 2015 level. The regional average for the ratio of international reserves to external debt, 64 percent at end-2019, was also heavily weighted by India which had reserves equivalent to 77 percent of external debt stock. This ratio varied considerably for other countries from 56 percent in Bangladesh to an average of 12.5 percent for Pakistan and Sri Lanka.

Figure 17: External Debt Indicators, end-2019

Percent



Sources: World Bank Debtor Reporting System and International Monetary Fund.

Sub-Saharan Africa

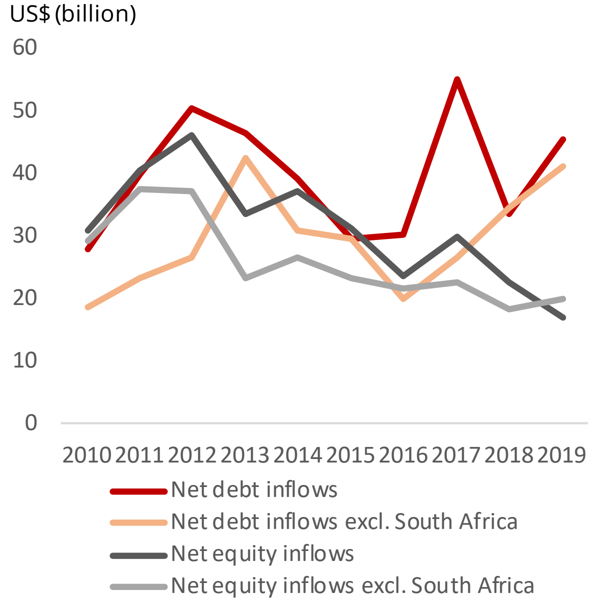
The increase in financial flows to the region in 2019 by 11 percent was dragged down by an outflow of portfolio equity from South Africa. These offset FDI inflows which rose on average 23 percent and net debt inflows which were up 35 percent over the prior year level.

Table 6: External Debt Stock and Net Financial Flows, Sub-Saharan Africa, 2010-2019
US$ (billion)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
External debt stocks	296	326	374	410	433	439	474	543	570	625
Net financial flows, debt and equity	59	80	96	80	76	61	54	85	56	62
Percent of GNI (%)	*5*	*6*	*6*	*5*	*5*	*4*	*4*	*6*	*3*	*4*
Net Debt Inflows	28	40	50	47	39	30	30	55	34	45
Long-term	23	39	39	43	43	26	34	47	35	44
Official creditors	12	14	13	16	18	16	23	21	15	19
Bilateral	4	7	5	8	10	7	15	8	4	4
Multilateral	7	7	7	8	8	8	8	13	11	15
World Bank (IBRD and IDA)	4	3	4	5	6	6	5	6	6	9
IMF	1	1	1	0	0	0	0	1	2	1
Other multilateral	2	3	3	3	3	3	3	6	4	5
Private creditors	12	25	27	27	26	11	11	26	20	25
Bonds	6	17	16	7	12	-4	7	18	9	14
Banks and other private	5	8	11	19	14	14	4	8	11	10
Short-term	4	1	11	4	-4	3	-4	8	-2	1
Net equity flows	31	40	46	33	37	31	24	30	23	17
Net FDI inflows	23	38	29	20	26	23	22	20	19	23
Net portfolio equity inflows	8	3	17	13	12	8	2	10	4	-6

Net financial flows to the region in 2019 were a mixed bag; a 35 percent rise in net debt inflows offset by a 24 percent fall in equity inflows. South Africa, the region's largest debtor, drove these outcomes. Debt inflows rose to $4 billion from an outflow of 0.9 billion the previous year largely on account of the $5 billion sovereign Eurobond issue in September 2019, the largest offering to date with a $2 billion 10-year tranche and $3 billion 30-year tranche with a coupon of 5.75 percent. But it was a different story in regard to equity where heightened risk perceptions and more attractive options elsewhere led investors to retreat from the South African market resulting in a $4.3 billion outflow of portfolio equity as compared to the $2.9 billion inflow recorded in 2018. Net debt flows to other countries in the region rose 20 percent to $41 billion from $34 billion in 2018 propelled by a 44 percent rise in net inflows from multilateral creditors led by those from the World Bank which rose over 52 percent to $9 billion. FDI inflows to the region were up 21 percent in 2019 to $23 billion with much of the increase attributable to a slowdown in divestment in Angola's oil sector. FDI inflows to the country remained negative in 2019 (−$4.7 billion) but less so than in 2018 (−$7.1 billion). FDI inflows to Nigeria rose 81 percent to $3.3 billion, with some diversification from the oil sector, and were up 71 percent in Côte d'Ivoire to $1 billion, in tandem with the country's sustained economic growth, while those to South Africa were up 8 percent to $1.5 billion.

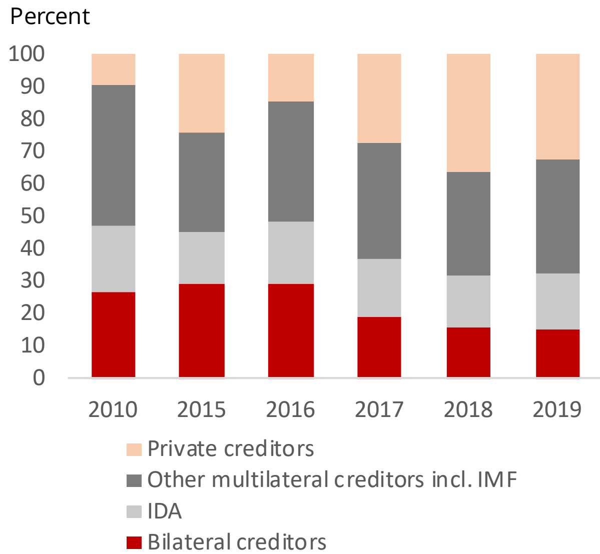
Figure 18: Net Debt and Equity Inflows, 2010-2019
US$ (billion)



Source: World Bank Debtor Reporting System.

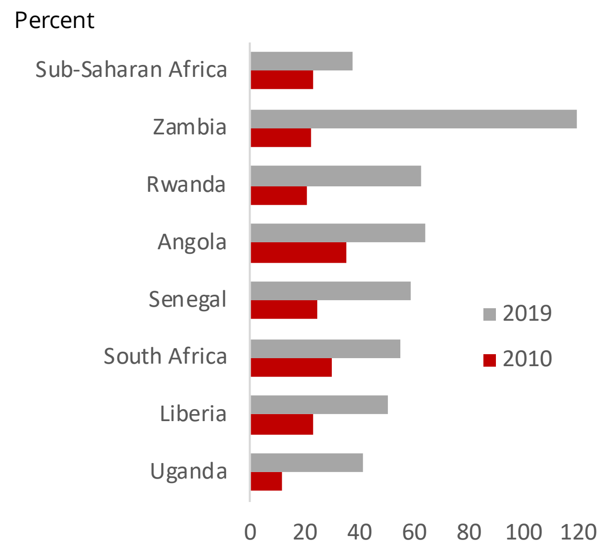
The external borrowing patterns of many countries in the region has changed significantly over the past decade with increased reliance on non-traditional bilateral creditors and private creditors. This evolution in the creditor composition of debt flows is particularly strong with respect to the 33 poorest countries in the region classified as IDA-only. New debt inflows, i.e. disbursements from long term loan commitments, to these countries totaled $31.8 billion in 2019, 15 percent higher than the prior year and over two and a half times the level at the start of the decade. Over this period private creditors' share of disbursements increased from 9 percent to 32 percent in 2019 largely on account of bond issuance in international capital markets led by countries like Cote d'Ivoire, Ghana and Senegal but also reflecting renewed lending from commercial banks often facilitated by guarantees from bilateral export credit agencies or multilateral institutions. The rise in lending by private creditors has come largely at the expense of lending from official bilateral creditors whose share of long-term disbursements fell from 27 percent to 15 percent over the same period. Loan disbursements from IDA were $5.5 billion in 2019, double the 2010 level, and IDA remained the single largest creditor.

Figure 19: Disbursements to IDA-only Countries by Creditor Composition, 2010 and 2015-2019



Source: World Bank Debtor Reporting System.

Figure 20: External Debt-to-GNI for Select Countries, 2010 and 2019



Sources: World Bank Debtor Reporting System and International Monetary Fund.

The rise in external debt outpaced economic growth in many Sub-Saharan African countries over the past decade and borrowing terms hardened. From 2010-2019 the GNI of countries in the region rose on average 3.1 percent per annum, measured in U.S. dollar terms, while external stocks increased, on average, 9 percent per annum in the same period. The terms of new long-term external loan commitments to public sector borrowers also hardened reducing the average grant element to 13 percent in 2019 compared to 28 percent in 2010. The combined ratio of external debt-to-GNI averaged 38 percent at end 2019, a marginal change from the prior year, but a rise of 62 percent over the comparable ratio of 23 percent in 2010 and the average masks some significant increases in the ratio at the individual country level in both absolute and percentage terms. In Zambia the ratio of total external debt-to-GNI rose from 22 percent at end 2010 to 119 percent at end 2019, in Rwanda it tripled from 20 percent to 62 percent and in Uganda it rose fourfold from 11 percent to 41 percent over this period. The ratio of external debt-to-export earnings followed a similar trajectory. It averaged 152 percent at end 2019, up from 137 percent in 2018 and over double the comparable ratio at the start of the decade. The average ratio masks the fact that in over 30 percent of countries, including many that benefitted from HIPC and MDRI, the end 2019 external debt-to-export ratio was close to, or above, 250 percent.