

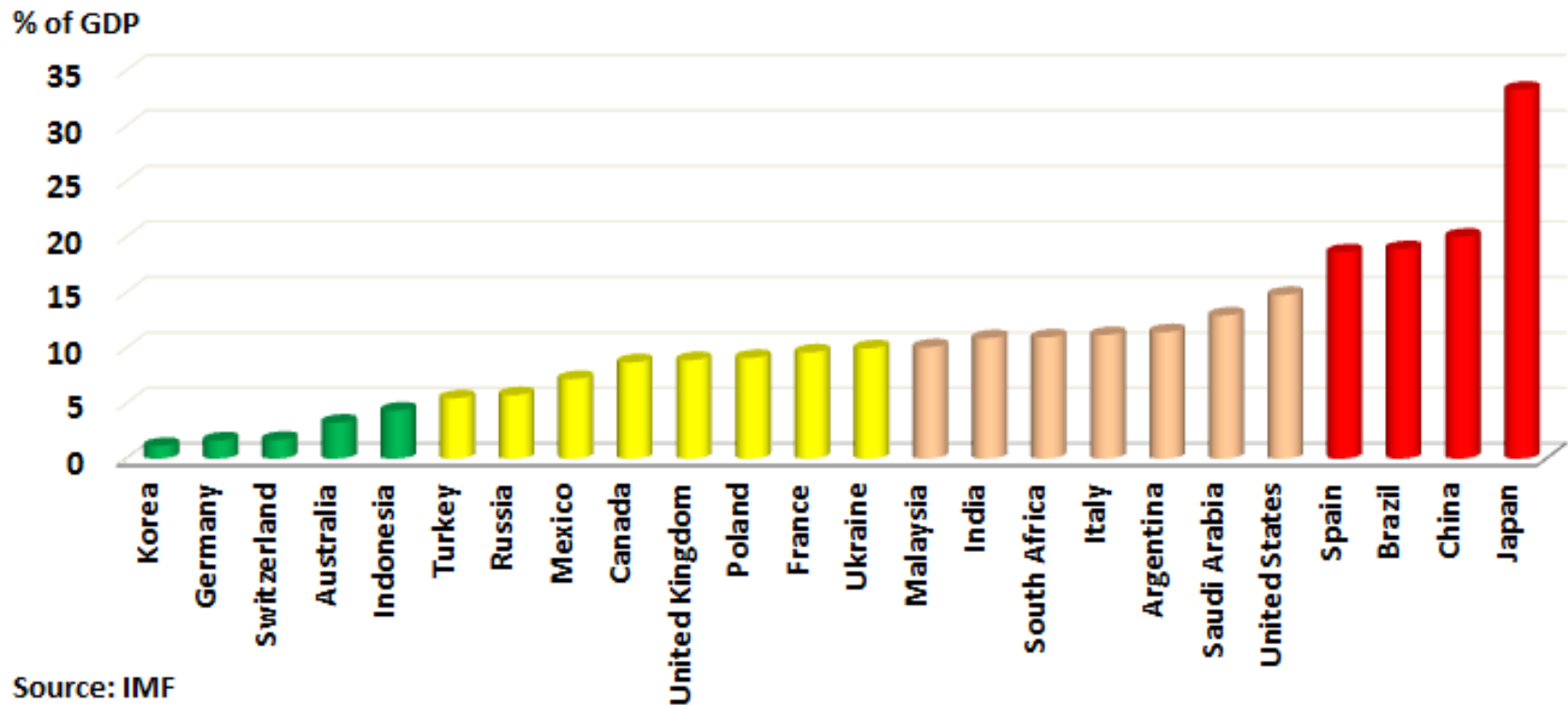
# **Fiscal Funding and Liquidity Risk**

Sovereign Analytics

December 2016

# Countries' Public Borrowing Needs Create Different Funding Challenges

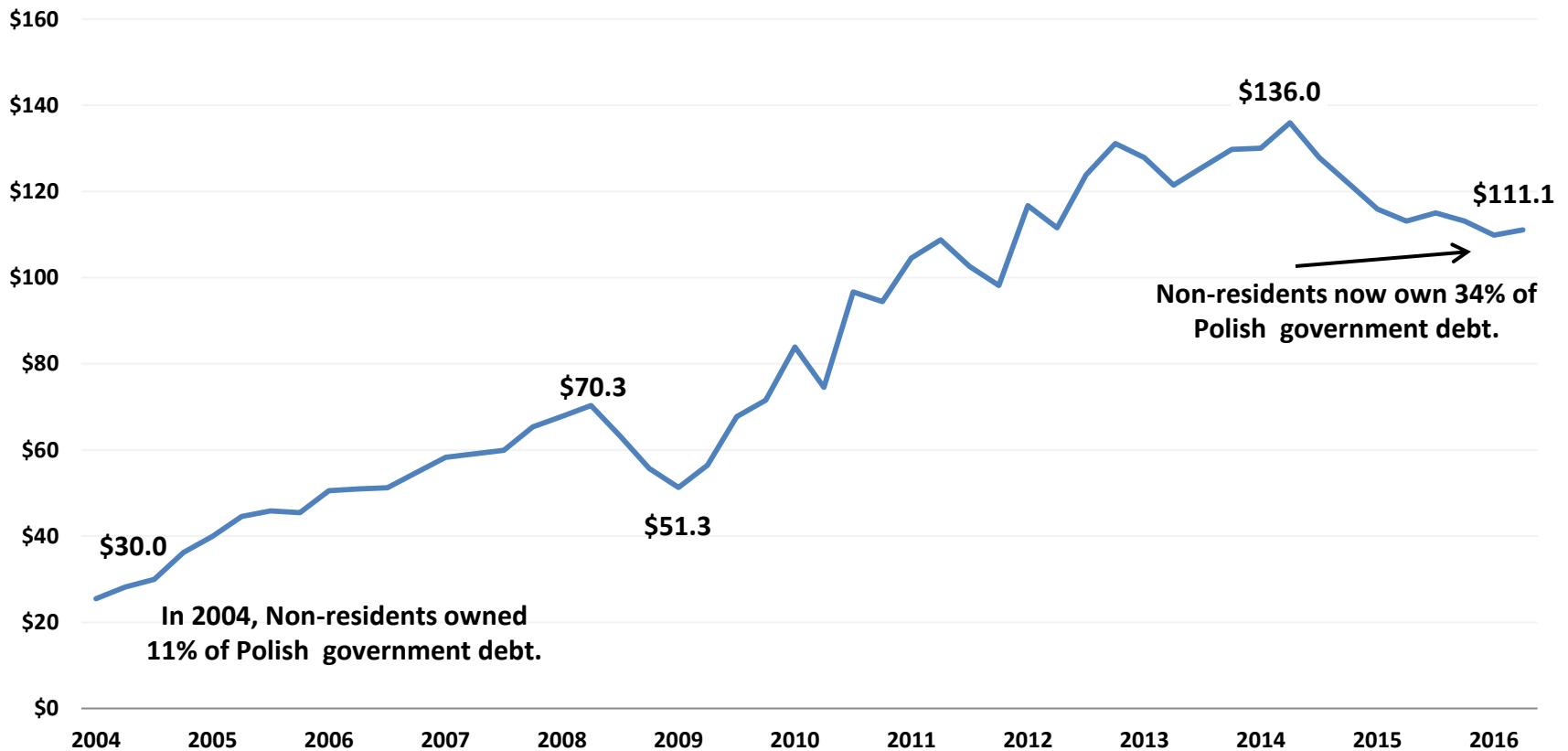
G-20 + Countries  
Gross Public Financing Requirement 2016



# Sources of Fiscal Funding are Evolving

Non-residents Play an Increasing Role in Many European Markets.  
Data show Non-resident Holdings of Polish Government Securities.

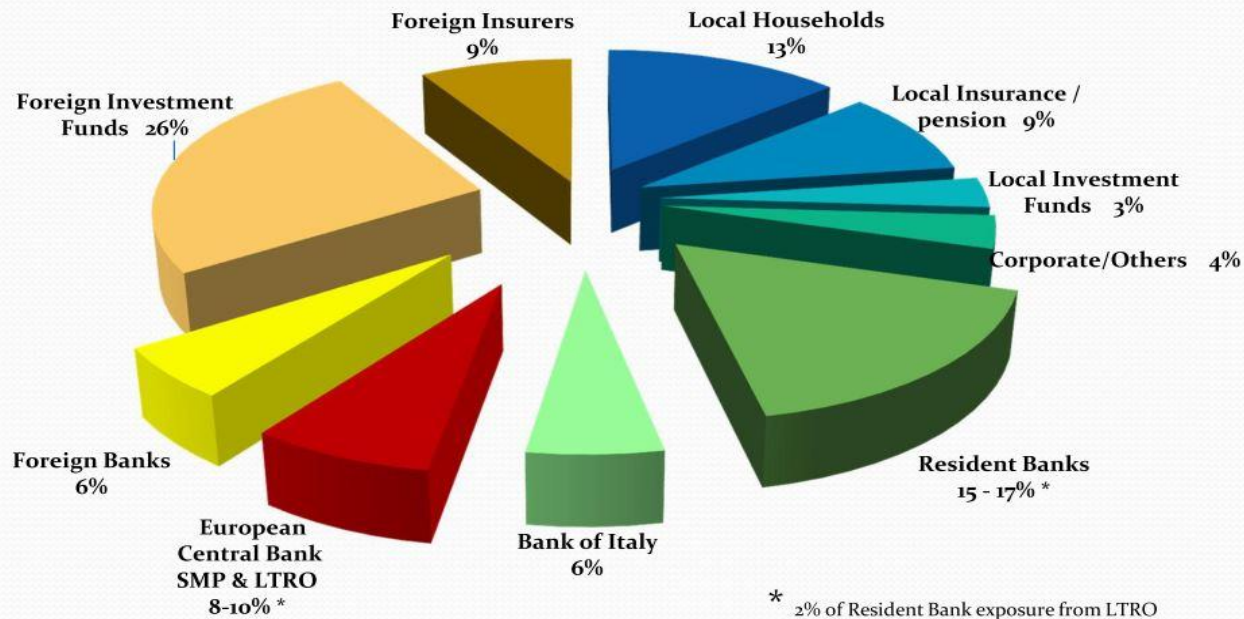
(US\$ billions)



# Diversified Funding Sources Limit Fiscal Risks

## Debt Ownership and Liquidity Risk

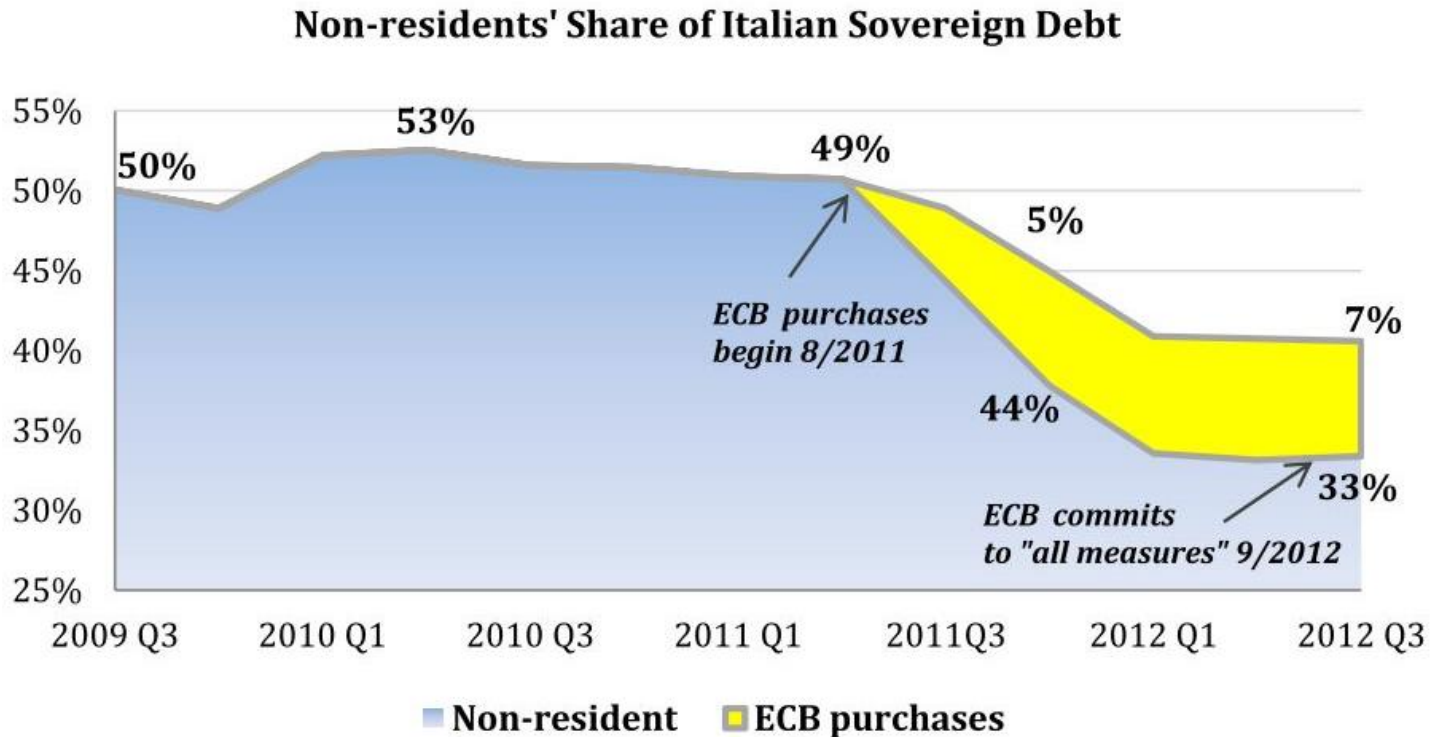
Holder of Italian Sovereign Debt  
January 30, 2012 (SA est.)



*Debt liquidity management now requires adapting to divergent owners*

# But Funding Volatility Can Hit Any Market

Italian Crisis 2012



Italian sovereign funding crisis escalated in 2011, until ECB committed to “all necessary measures” to support Euro-zone members.

# Key Concerns in Government Funding

- Stable sources of funding and volatility by key capital providers.
  - Diversified sources of funding. Avoid dependence on external sources.
  - Negative feedback spiral, either from or back to financial system.
  - External or exogenous “shocks”.
- Current funding need and cash reserves.
  - Size of maturing debt / bond redemptions and “roll-over risk”.
  - High frequency indicators:
    - auction coverage ratio
    - secondary market volumes
    - current yields and spread.