

Scenario Studio: Cooking Up a Debt Crisis

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7/29/2021

Speakers



Brendan LaCerde



Jesse Rogers

Brendan LaCerde is an associate director and senior economist with Moody's Analytics. Brendan serves as the lead analyst for the Canadian economic forecast. His research is primarily focused on international macroeconomics, healthcare and fiscal policy.

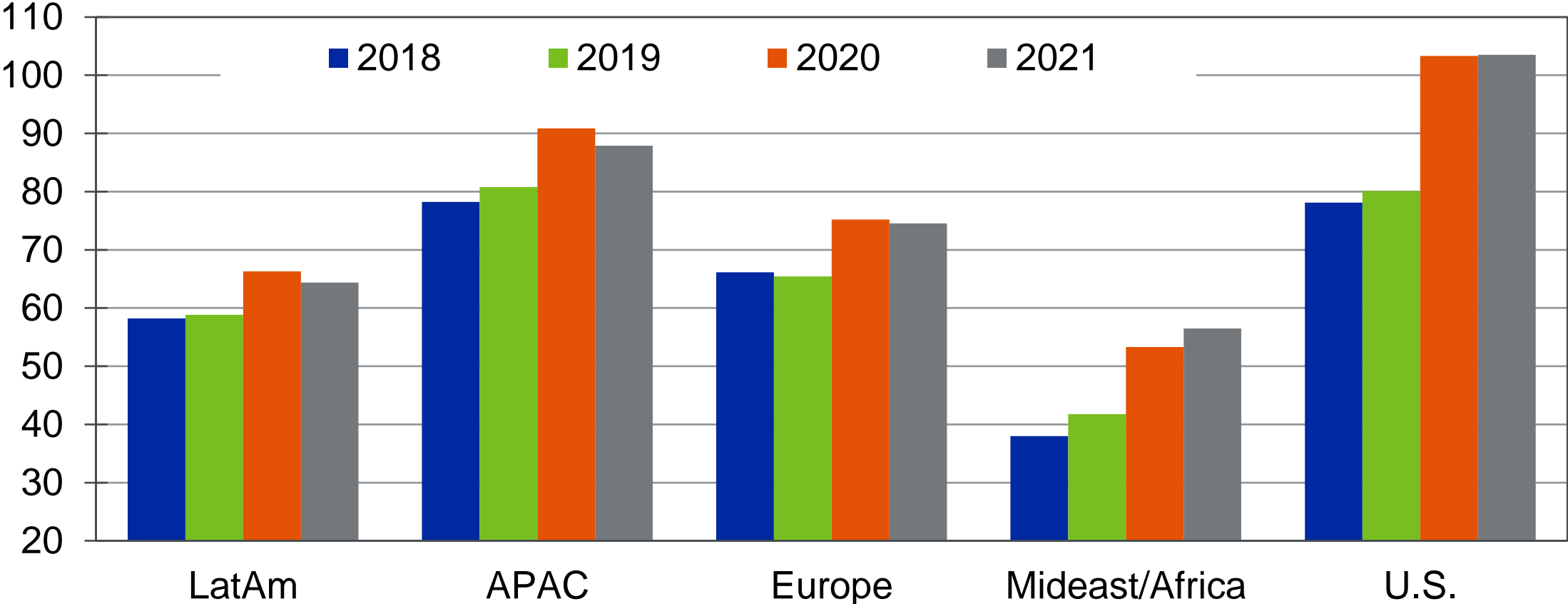
Jesse Rogers is an economist at Moody's Analytics covering Latin America and Emerging Asia. His research spans trade policy, international capital flows, commodity markets, and economic development.

Agenda

- 1) Motivation – growing focus on government debt
- 2) Global model framework and key levers
- 3) Live demo: Creating a debt crisis in Scenario Studio
- 4) Taking it Global: Overview of our EM Debt Crisis Scenario

Global Debt Burdens to Budge Little

General government debt, % of GDP



Sources: Moody's Analytics

Model Framework: Moody's Analytics Global Model



Comprehensive Coverage

Moody's Analytics Global Macroeconomic Model forecasts 12,000+ economic and financial time series, accounting for roughly 95% of global economic activity.



Structural Modeling Approach

Variables are forecasted using a simultaneous system of structural economic equations that allow for a variety of cross-country interactions through demand, price and financial market linkages.



Globally Linked Forecasts

Linkages in the simultaneous global model allow for shock propagation and contagion effects, and ensure greater scenario consistency: trade flows, financial markets, prices and investment.

Debt Crisis Key Levers

1) Expectations

- Growth, Inflation, Potential Productivity

2) Debt/Recession Dynamics

- Recession and Financial Crisis Dummy Variables

3) Financial Markets:

- Stock Prices, Interest Rates, Exchange Rates

4) Government Finances

- Revenues, Expenditures, Government Debt

5) Global Factors

- U.S. and Major Economy Financial Markets, Commodity Prices, Global Trade

Debt Crisis Demo: Brazil

Three Main Shocks and Corresponding Scenario Studio Variables

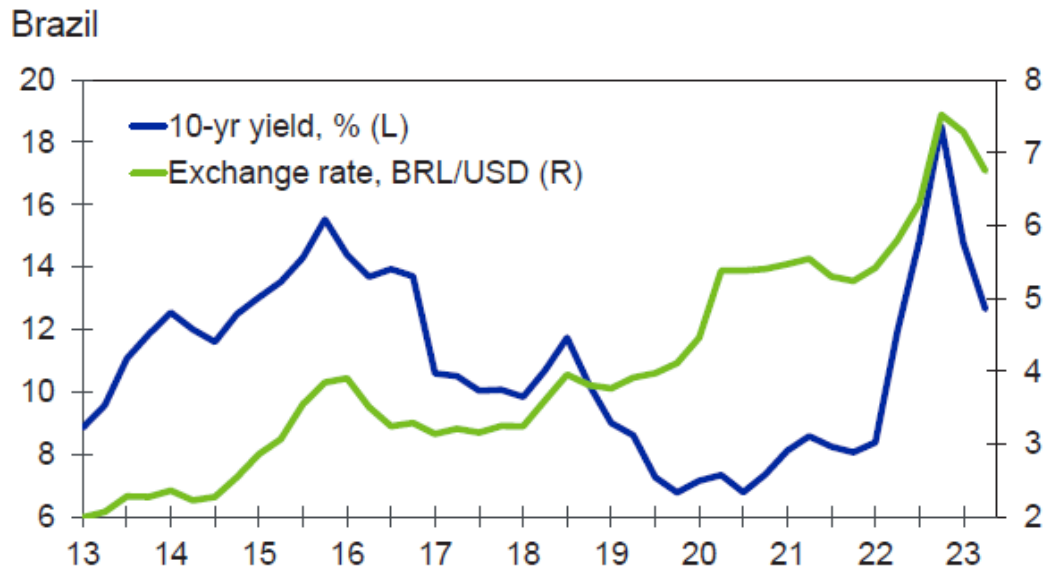
1) Inflation: FEINFLAT_IBRA, FCPI_IBRA

2) Expectations/Sentiment: FEGROW_IBRA, DUM_RECESS_IBRA

3) Fiscal: FGGTAXR_I_IBRA, FG\$_IBRA

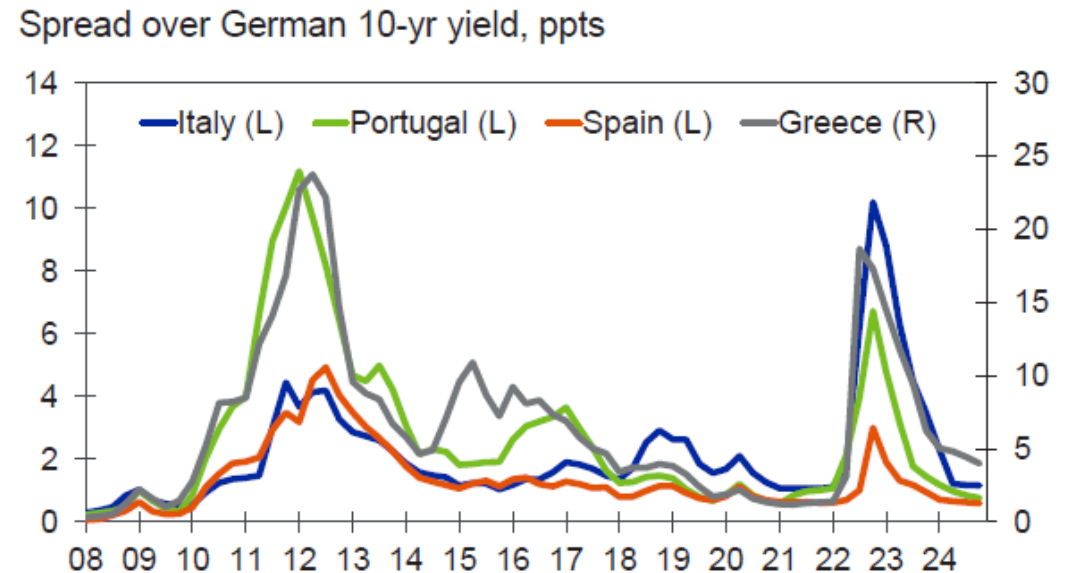
Emerging Market Debt Crisis Scenario: Main Results

Chart 4: Brazil in Distress



Sources: Central Bank of Brazil, Moody's Analytics

Chart 5: Southern Europe in Crosshairs

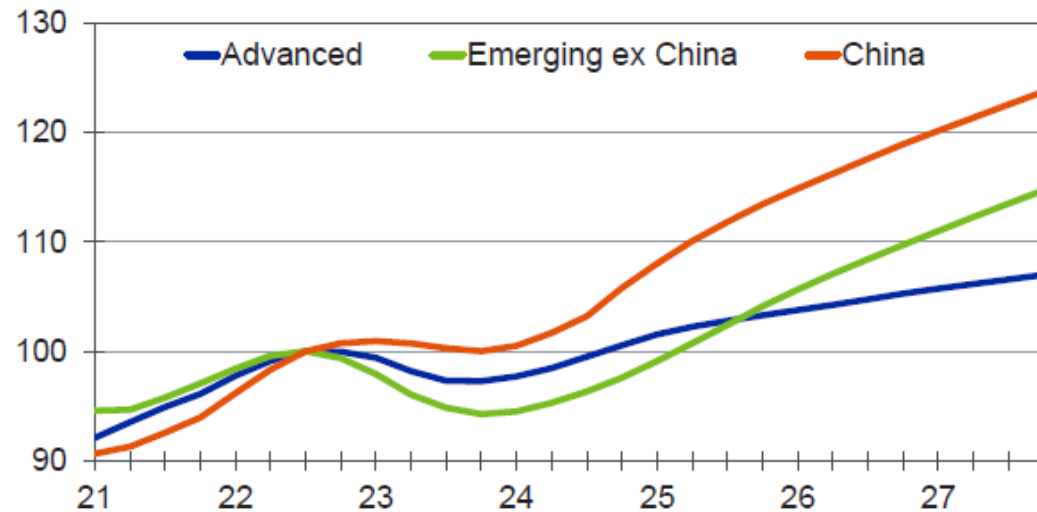


Sources: Central banks, Moody's Analytics

Emerging Market Debt Crisis Scenario: Main Results

Chart 6: Advanced, China Hurt Less

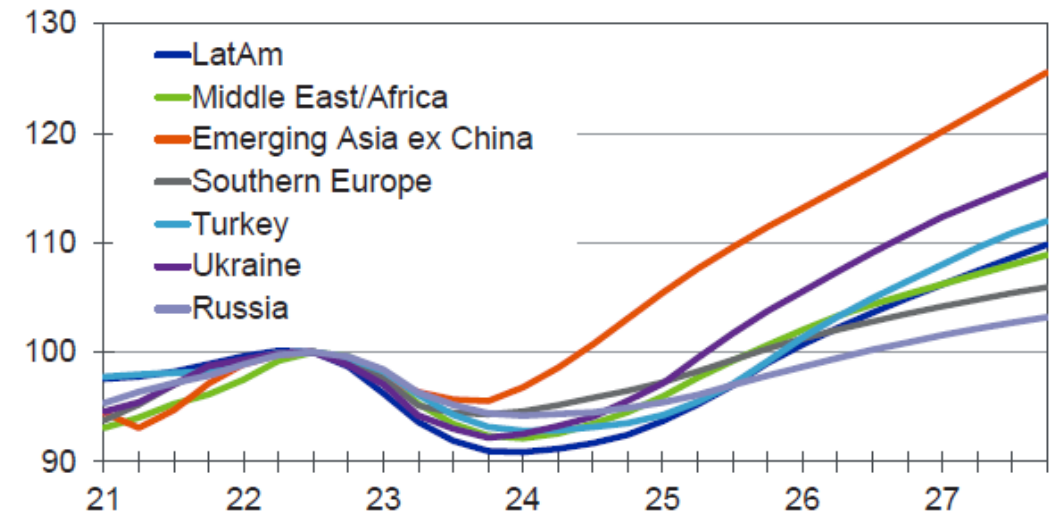
Real GDP, 2022Q3=100



Source: Moody's Analytics

Chart 7: Beyond Asia, Lost Decade for EM

Real GDP, 2022Q3=100



Source: Moody's Analytics



Questions?

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