Global Credit Data
by banks for banks

Sovereigns, Central Banks and Municipalities
Annual observed recovery rate trends

July 2024

162	89%	1.2
Number of Facilities	**Observed Recovery Rate**	**Time to Peak Recovery**

Key Findings

Every sovereign default has its own unique story. Where a sovereign default gets restructured or replaced by new debt without any prinicipal haircut then the loan is booked as a 100% recovery. Many of the default cases here are States, Provinces and Municipalities, which may or may not benefit from Sovereign guarantees. The largest number of defaults comes from North America which neither direct sovereigns have defaulted and therefore represents municipalities and provinces.

The 162 defaults represent both direct sovereign obligations as well as state and municipal obligations which are deemed sovereigns. The 68 direct sovereign defaults represent 29 different defaults events from 21 different countries. Some countries defaulted several times consecutively, some defaults are reported by several lenders.

Sovereign Defaults in the Global Credit Data Loss Database

Bank internal Loss and Recovery Data has been collected from 50+ global banks since 2000. Historical observed Recovery Rates and Time to Peak Recovery are shown here by common risk drivers: Collateral and Seniority, Region and Sovereign Type. GCD members receive granular data including country level and granular bank types for deeper analysis.

Seniority and Collateral are observed as affecting recoveries. Secured recovery is higher than unsecured as expected. In fact, the small number of secured cases were all repaid in full.

Recoveries and Losses in Crisis Times

Higher numbers of defaults are observed during the financial crisis starting in 2008. However, sovereign obligations are an extreme low default asset class. Cases which are still incomplete and the ultimate recoveries are unknown are not included here which explains the lack of data after 2020. Recoveries will be reported as the defaults resolve over time.

Note on Terms Used (see Appendix for more details)

Observed Recovery Rate refers to the historically observed nominal average recovery cash flows divided by outstanding at default.

Time to Peak Recovery is calculated as the center point of recovered cash flow.

Primary Collateral is Cash, Marketable Securities, Ships, Airplanes, Real Estate and Other Objects. **Secondary Collateral** is all other collaterals.

Seniority & Collateral

		Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
Secured	Primary	5	85%	1.1
Secured	Secondary	37	94%	1.1
Secured	Total	42	93%	1.1
Unsecured	Senior	111	88%	1.2
Unsecured	Other	9	86%	0.7
Unsecured	Total	120	88%	1.2

Region

	Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
Africa & Middle East	27	93%	1.1
Asia & Oceania	2	100%	4.3
Europe	43	78%	1.3
Latin America	35	97%	1.2
North America	55	90%	0.9

Sovereign Types

	Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
Sovereigns	68	86%	1.3
Central Banks	5	100%	0.8
Federal States & Provinces	32	90%	1.0
Municipalities	55	91%	1.1
Other	2	88%	0.1

Recovery Rate by Year of Default
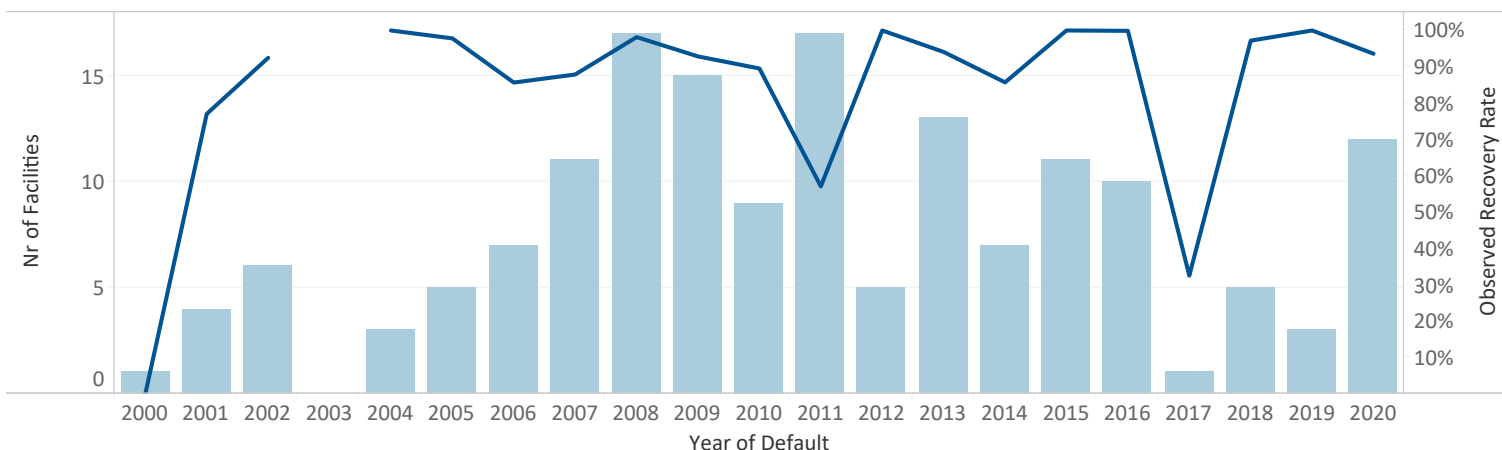
Legend: ■ Observed Recovery Rate ■ Number of Facilities

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Global Credit Data maintains the world's most exhaustive and high quality, member-bank contributed data source for credit risk.

More from Global Credit Data

This report draws on verified information collected from 50+ global or regional banks over 20 years and covers over 300,000 defaulted facilities in total.

Explore our other reports. They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types: Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

To meet the standards set by global regulations like BCBS239 or RDARR GCD has established a robust framework to continously measure, monitor and improve data quality.

About

At GCD we pool credit loss data directly from banks' books, providing vital insights into the financial industry since 2004. As a non-profit organization owned by over 50 member banks we focus on collecting detailed credit risk data, particularly for low default porftolios.

Beyond data pooling we offer a platform to exchange knowledge and foster research. We are actively engaged in understanding and assessing climate risk, demonstrating our commitment to addressing contemporary and future financial challenges.

Joining GCD grants you access to an exclusive community of banks and deep data insights. Gain market understanding and benchmark your performance.

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