

Sovereigns, Central Banks and Municipalities

Annual observed recovery rate trends

June 2023

Key Findings

Every sovereign default has its own unique story. Where a sovereign default gets restructured or replaced by new debt without any principal 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 108 defaults represent both direct sovereign obligations as well as state and municipal obligations which are deemed sovereigns. The 54 direct sovereign defaults represent 26 different default events from 20 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.

138	90%	1.2
Number of Facilities	Observed Recovery Rate	Time to Peak Recovery

Seniority & Collateral

		Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Secured	Primary	4	100%	1.3
	Secondary	26	100%	1.2
	Total	30	100%	1.2
Unsecured	Senior	102	87%	1.3
	Other	6	96%	0.5
	Total	108	87%	1.2

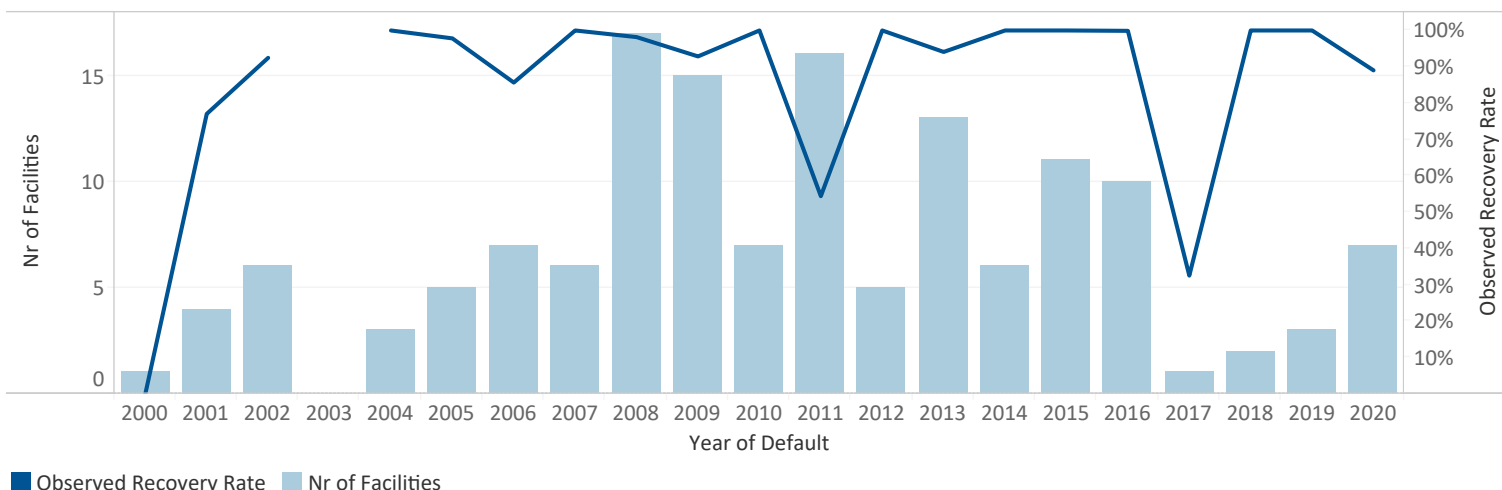
Region

Region	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Africa & Middle East	22	91%	1.1
Asia & Oceania	2	100%	4.3
Europe	43	78%	1.3
Latin America	27	96%	1.5
North America	44	98%	0.9

Sovereign Types

Sovereign Type	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Sovereigns	54	83%	1.5
Central Banks	5	100%	0.8
Federal States & Provinces	25	94%	0.9
Municipalities	51	95%	1.1
Other	3	92%	0.6

Recovery Rate by Year of Default



Global Credit Data maintains the world's highest quality, most exhaustive 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, GCD has established a robust framework to continuously measure, monitor and improve [data quality](#).

About

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit risk through a unique data source. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks' books.

GCD's activities revolve around pooling credit loss data, particularly from low default portfolios. Beyond data pooling we foster knowledge exchange, facilitate research and information sharing services, creating a dynamic environment for insights and collaboration.

Join our community to access exclusive data insights gain market understanding, and benchmark your performance against industry peers.

www.globalcreditdata.org

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