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Sovereign Stress Tracker: 43 Market-Access EMDEs

Suriname at highest risk of sovereign debt stress per IMF model

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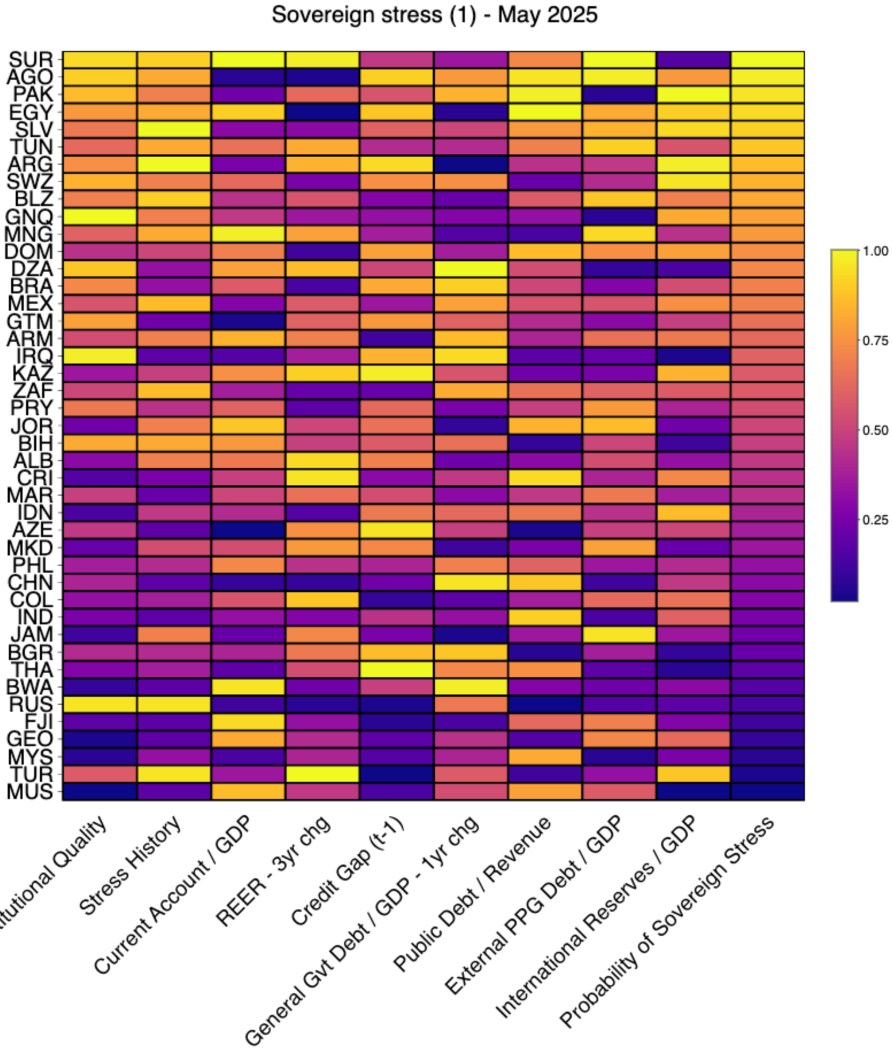
- Most-at risk: Suriname, Angola, Pakistan, Egypt, El Salvador; least-at-risk: Mauritius, Turkey, Malaysia.
- New: table identifying alignment between model-implied stress probability and sovereign credit ratings.
- Caveat: this cross-country comparison on macro-fiscal fundamentals excludes crucial qualitative factors.

The 43 in-sample countries in this version of the Tracker are upper- and lower-middle income countries that the IMF classifies as having regular access to international capital markets and for which there is full data availability in 2025.

OVERVIEW

This note is an update of the Sovereign Stress Tracker initially released in 2023. This tool is based directly on the IMF's Debt Sustainability Framework for Market-Access Countries, released in 2021, and is relevant only for countries that "principally receive financing through market-based instruments and on non-concessional terms." Through extensive testing, the IMF developed a model that measures the probability of a borrowing country experiencing sovereign debt strains in the near-term based on changes in ten governance, cyclical, debt-related, and global variables.



RESULTS

The heatmap above describes each country's relative performance across nine variables that contribute to sovereign stress. A tenth variable related to the Chicago Board Options Exchange Volatility Index is global in nature and thus the same for all countries, hence its exclusion from the heatmap. Yellow (purple) indicates poorer (better) performance compared to peers on a given indicator, with a worst- and best-in-class score assigned a value of "1" and "0," respectively. Yellow (purple) readings indicate higher (lower) likelihood of sovereign stress.

CONTRIBUTIONS TO SOVEREIGN STRESS

To enrich these high-level results, regional editions of the Sovereign Stress Tracker to be released in the coming weeks will provide detailed breakdowns of contributions to sovereign stress in each country. Each upcoming report will cover a geographic region and measure how much each independent variable contributes to the probability of a country experiencing sovereign stress.

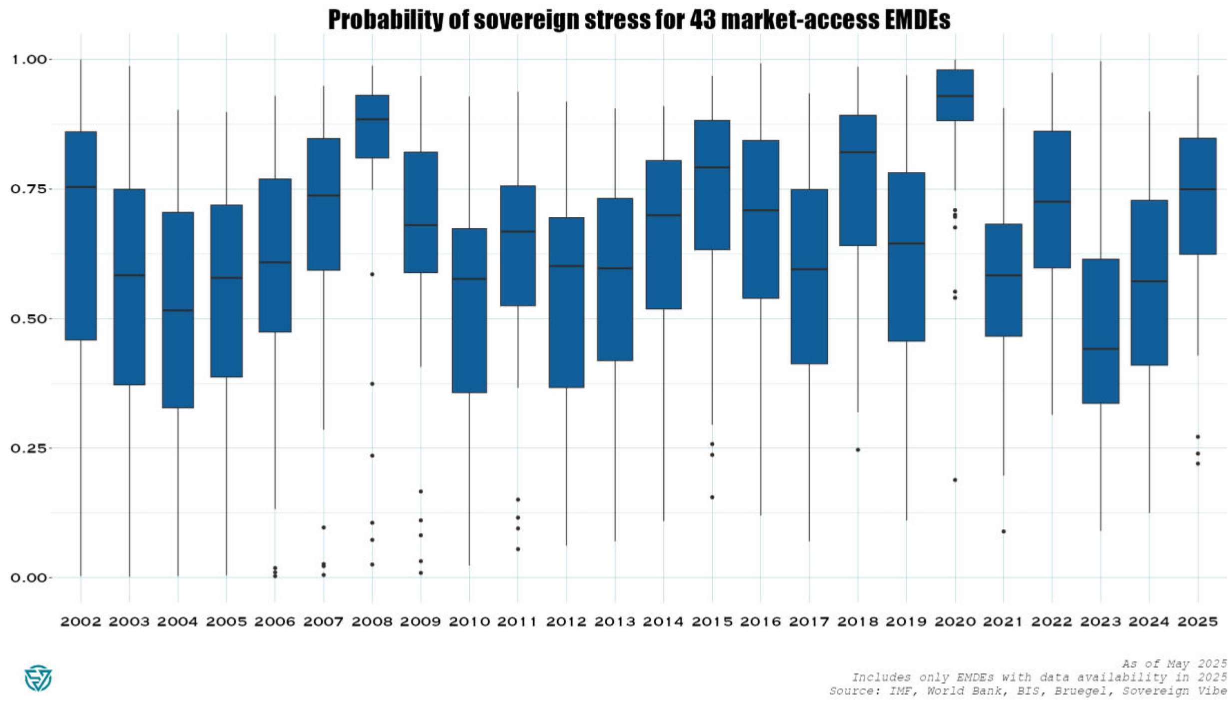
MODEL-RATINGS ALIGNMENT

The table on page 5 presents the 2025 sovereign stress likelihood rank of each country and the corresponding sovereign credit ratings from Moody's, S&P, and Fitch. The model's results perform as expected, meaning that its fundamental macro-fiscal variables map fairly well to sovereign ratings. More poorly-rated countries rank higher in the model results (i.e. "worse"), while higher-rated sovereign issuers tend to rank lower (i.e. "better).

There are also instances of model-ratings misalignment. Russia is a clear example. Its solid fundamentals contrast with its low credit rating, which is a clear result from its unique sanctions-driven default and geopolitical positioning. Turkey, Fiji, and Jamaica look to have solid fundamentals that also contrast with relatively low ratings. In Turkey's case, this could be due to poor policy credibility. Jamaica, however, is well-known for solid public financial management and having successfully consolidated its public debt via fiscal reform. At the other end of the scale, Mexico and Kazakhstan look to be more highly-rated than their fundamentals imply.

LONGITUDINAL CHANGES

Estimates for 43 emerging and developing economies at middle income levels suggest that average sovereign debt strains have risen significantly in 2025. The model-implied average probability of stress was relatively subdued in 2023 and 2024 but is now at its highest level since 2020.

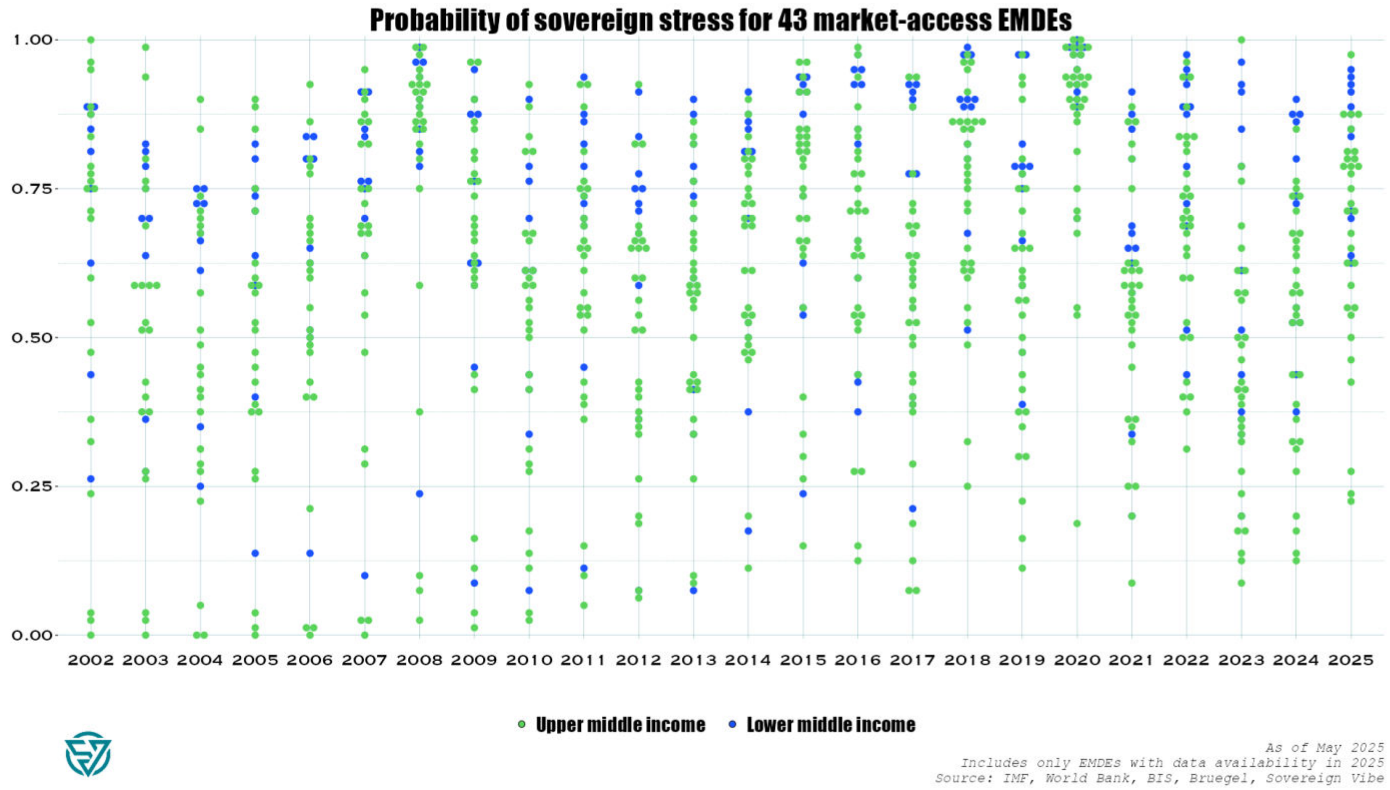


While these absolute probabilities should be treated with caution, changes over time provide useful insights into the pressures on creditworthiness that EM sovereign issuers face. At the time of writing in early May 2025, VIX has jumped by 40 percent y-o-y, partly explaining the worsening environment in the emerging market sovereign universe.

On the other hand, emerging market assets have benefited from what looks like the beginning of a secular rotation of investors away from U.S. assets. EM debt – and especially local currency debt - currencies, and equities have rallied on the "Sell America" trade in 2025. These positive results in the EM universe stand at odds with this model-implied deterioration in EM macro-fiscal fundamentals, highlighting the difference between the strategic reallocation of global asset weightings that is under way and 2025's tactical deterioration for EM.

UPPER- VERSUS LOWER-MIDDLE INCOME COMPARISON

Unsurprisingly, gross national income per capita is negatively associated with sovereign stress likelihood. In this set of upper- and lower-middle income countries, the relatively wealthier countries gravitate towards the lower end of the probability scale, while the poorer ones cluster closer to the top.



Yet upper-middle income countries can and do take the top spot of most-at-risk of experiencing sovereign stress. Suriname in 2025 is one such example, as was Argentina in 2023.

MODEL

The analysis is based on an IMF model that estimates sovereign debt strains 1-2 years ahead. While there are significant limitations to how deeply one can read into results from any single analytical tool, the model nevertheless provides a useful baseline for comparing a large number of countries. The 10 independent variables in the model and their coefficients are listed in the table. The dependent variable in this model is sovereign stress as defined by the IMF's MAC DSF, includes default and, crucially, certain spread and yield dynamics as well.

CATEGORY	REGRESSOR	COEFFICIENT
Governance	Institutional Quality	-1.073***
	Stress History	0.514***
Cyclical	Current Account/GDP	-0.024**
	REER (3-year change)	0.013**
	Credit/GDP gap (t – 1)	0.086***
Debt burden & buffers	∆ Public debt/GDP	0.052***
	Public debt/revenue	0.002***
	FX public debt/GDP	0.024***
	International reserves/GDP	-0.034***
Global	∆ VIX	0.015***
Number of Observations		1,579
LR chi2		246.70
Pseudo R2		0.25

SAMPLE COUNTRIES

The 43 countries in this sample are all upper- and lower-middle income countries considered to be “market access” and for whom there is full data availability in 2025. This unfortunately excludes some important countries, including Sri Lanka, Kenya, and Ecuador:

- There isn’t full data availability for Sri Lanka, due to ongoing uncertainty around the economy and the ongoing sovereign debt restructuring.
- Kenya is a lower-middle income country, but isn’t deemed to be “market access” - despite having issued Eurobonds.
- The IMF has also failed to provide government debt data for Ecuador in its April 2025 World Economic Outlook database, likely due to economic uncertainty, security challenges, and the 2025 presidential election.

None of the three main credit rating agencies – Moody’s, S&P, and Fitch – provide a sovereign credit rating for Equatorial Guinea. However, the country is rated BBB/A2 by Bloomfield Investment Corporation, an Africa-based credit rating agency.

CAVEAT

This is purely a baseline analysis of macro and debt-related indicators and fails to include crucial qualitative factors such as policy direction, commitment to reform, and credibility. The usefulness of this model is as a baseline from which to compare sovereign borrowers before proceeding with further analysis that accounts for idiosyncratic and qualitative information. It is also a useful model to see the direction of travel over time of countries in terms of sovereign debt strains.

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Rank 2025	*Country*	*Stress Probability*	*Moody's*	*S&P*	*Fitch*
1	Suriname	0.97	Caa1	CCC+	RD
2	Angola	0.96	B3	B-	B-
3	Pakistan	0.93	Caa2	CCC+	CCC-
4	Egypt	0.93	Caa1	B-	B
5	El Salvador	0.92	B3	B-	B-
6	Tunisia	0.89	Caa1	NR	CCC+
7	Argentina	0.88	Caa3	CCC	C
8	Eswatini	0.88	B3	-	-
9	Belize	0.87	Caa1	B-	-
10	Equatorial Guinea	0.87	-	-	-
11	Mongolia	0.85	B2	B+	B
12	Dominican Republic	0.85	Ba3	BB	BB-
13	Algeria	0.83	-	-	-
14	Brazil	0.81	Ba1	BB	BB-
15	Mexico	0.81	Baa2	BBB	BBB-
16	Guatemala	0.80	Ba1	BB	BB
17	Armenia	0.80	Ba3	BB-	B+
18	Iraq	0.79	-	-	B-
19	Kazakhstan	0.79	Baa1	BBB-	BBB
20	South Africa	0.79	Ba2	BB-	BB-
21	Paraguay	0.78	Baa3	BB+	BB+
22	Jordan	0.75	Ba3	BB-	BB-
23	Bosnia & Herzegovina	0.72	B3	B+	-
24	Albania	0.72	Ba3	BB	-
25	Costa Rica	0.71	Ba3	BB-	BB-
26	Morocco	0.71	Ba1	BB+	BB+

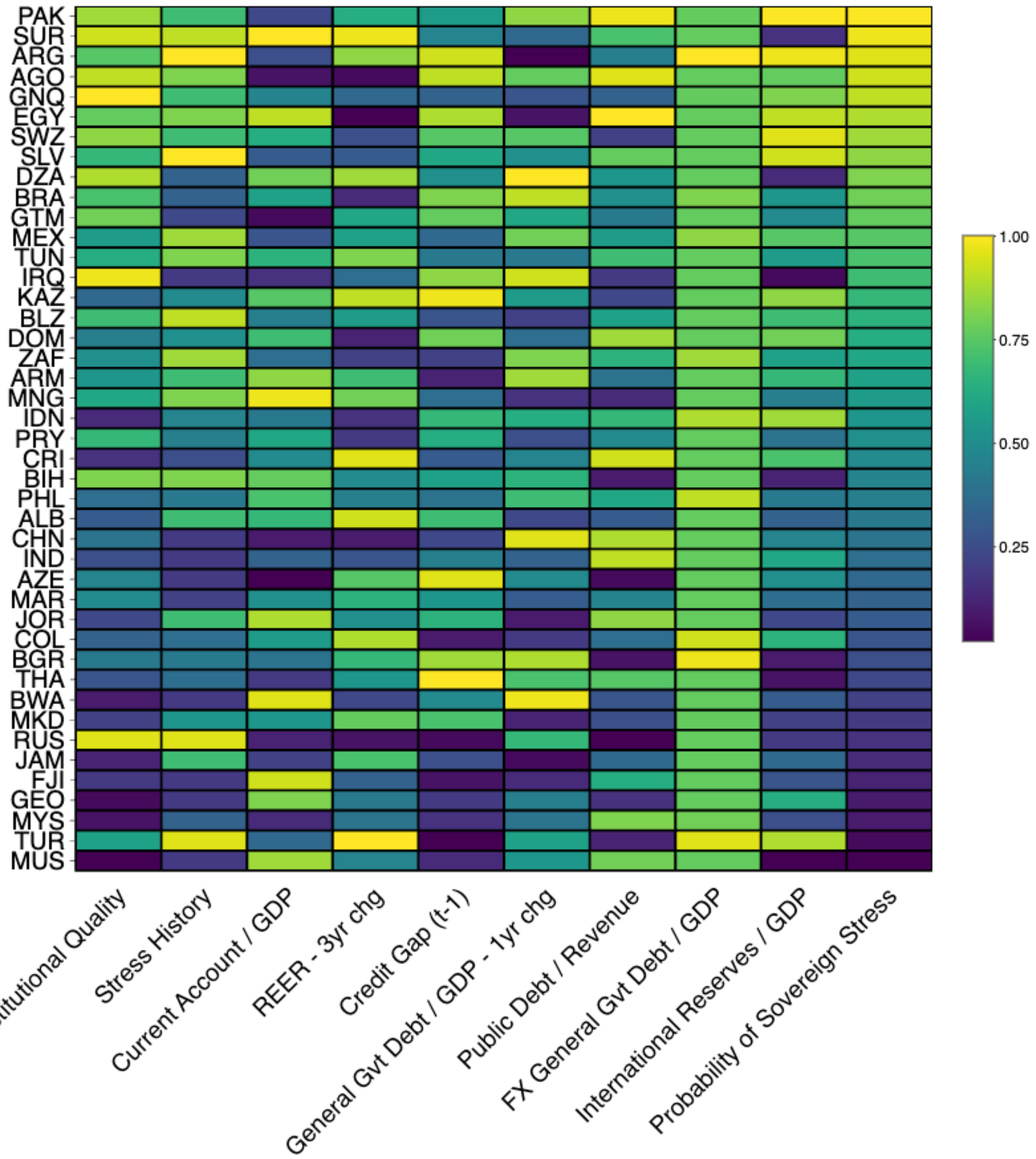
27	Indonesia	0.70	Baa2	BBB	BBB
28	Azerbaijan	0.68	Ba1	BB+	BB+
29	North Macedonia	0.65	-	BB-	BB+
30	Philippines	0.64	Baa2	BBB+	BBB
31	China	0.63	A1	A+	A+
32	Colombia	0.63	Baa2	BB+	BB+
33	India	0.62	Baa3	BBB-	BBB-
34	Jamaica	0.59	B1	BB-	B+
35	Bulgaria	0.55	Baa1	BBB	BBB
36	Thailand	0.55	Baa1	BBB+	BBB+
37	Botswana	0.54	A3	BBB+	-
38	Russia	0.51	Ca	CC	C
39	Fiji	0.47	B1	B+	-
40	Georgia	0.43	Ba2	BB	BB
41	Malaysia	0.27	A3	A-	BBB+
42	Turkey	0.24	B1	BB-	B
43	Mauritius	0.22	Baa3	BBB-	-

Sovereign Credit Ratings Scale

Grade	Moody's	S&P	Fitch
Prime	Aaa	AAA	AAA
High grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper medium grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Lower medium grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-investment grade speculative	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
Highly speculative	B1	B+	B+
	B2	B	B
	B3	B-	B-
Substantial risks	Caa1	CCC+	CCC+
	Caa2	CCC	CCC
	Caa3	CCC-	CCC-
Extremely speculative	Ca	CC	CC
			C
In default with little prospect for recovery		SD	RD
In default	C	D	D
			DD
			DDD
Not rated	WR	NR	

Sovereign stress model (2) uses FX General Government Debt instead of External PPG Debt due to the latter's small number of missing data points in model (1). However, even more data is missing for the FX General Government Debt indicator in model (2). Hence, sovereign stress model (1) is preferred.

Sovereign stress (2) - May 2025



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Rank	*Country Rank 2025*	*Stress Probability 2025*	*Country Rank 2024*	*Stress Probability 2024*	*Country Rank 2023*	*Stress Probability 2023*
1	Suriname	0.97	Angola	0.90	Argentina	1.00
2	Angola	0.96	El Salvador	0.88	Angola	0.96
3	Pakistan	0.93	Pakistan	0.87	Pakistan	0.92
4	Egypt	0.93	Egypt	0.87	Egypt	0.91
5	El Salvador	0.92	Suriname	0.85	El Salvador	0.85
6	Tunisia	0.89	Tunisia	0.80	Tunisia	0.79
7	Argentina	0.88	Equatorial Guinea	0.77	Belize	0.79
8	Eswatini	0.88	Mexico	0.75	Equatorial Guinea	0.77
9	Belize	0.87	Dominican Republic	0.74	Dominican Republic	0.68
10	Equatorial Guinea	0.87	Belize	0.74	Mexico	0.65
11	Mongolia	0.85	Mongolia	0.73	Jordan	0.62
12	Dominican Republic	0.85	Eswatini	0.72	Suriname	0.61
13	Algeria	0.83	Paraguay	0.71	Eswatini	0.61
14	Brazil	0.81	Armenia	0.68	Armenia	0.58
15	Mexico	0.81	Brazil	0.67	Brazil	0.57
16	Guatemala	0.80	Kazakhstan	0.66	Paraguay	0.56
17	Armenia	0.80	Jordan	0.65	Morocco	0.52
18	Iraq	0.79	Guatemala	0.64	South Africa	0.50
19	Kazakhstan	0.79	South Africa	0.61	Guatemala	0.50
20	South Africa	0.79	Iraq	0.59	Thailand	0.49
21	Paraguay	0.78	Bosnia & Herzegovina	0.58	Kazakhstan	0.47
22	Jordan	0.75	North Macedonia	0.57	Indonesia	0.44

23	Bosnia & Herzegovina	0.72	Colombia	0.56	Bosnia & Herzegovina	0.43
24	Albania	0.72	Morocco	0.55	Jamaica	0.41
25	Costa Rica	0.71	Albania	0.53	North Macedonia	0.41
26	Morocco	0.71	Azerbaijan	0.53	Costa Rica	0.39
27	Indonesia	0.70	Indonesia	0.52	Iraq	0.39
28	Azerbaijan	0.68	Costa Rica	0.52	Mongolia	0.38
29	North Macedonia	0.65	Algeria	0.52	Azerbaijan	0.36
30	Philippines	0.64	Philippines	0.44	Philippines	0.36
31	China	0.63	Jamaica	0.43	Albania	0.35
32	Colombia	0.63	Thailand	0.43	Fiji	0.34
33	India	0.62	China	0.39	Algeria	0.33
34	Jamaica	0.59	India	0.38	Colombia	0.32
35	Bulgaria	0.55	Russia	0.36	Georgia	0.28
36	Thailand	0.55	Botswana	0.33	China	0.24
37	Botswana	0.54	Bulgaria	0.32	India	0.20
38	Russia	0.51	Georgia	0.31	Turkey	0.20
39	Fiji	0.47	Fiji	0.28	Bulgaria	0.18
40	Georgia	0.43	Argentina	0.20	Russia	0.17
41	Malaysia	0.27	Mauritius	0.17	Botswana	0.14
42	Turkey	0.24	Turkey	0.14	Malaysia	0.12
43	Mauritius	0.22	Malaysia	0.12	Mauritius	0.09