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BoC–BoE Sovereign Default Database: What's new in 2026?

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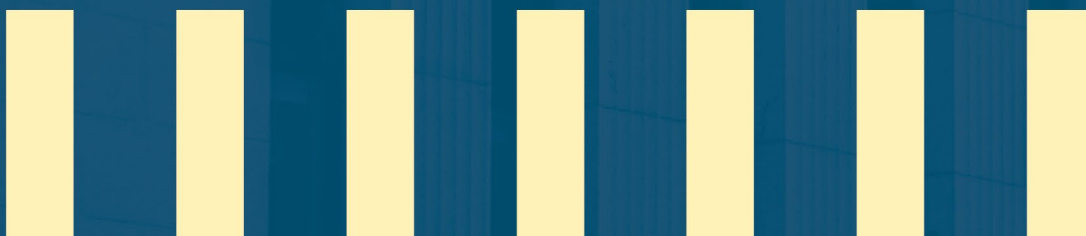
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Introduction

Since 2014, the Bank of Canada (BoC) has maintained a comprehensive [database](#) of sovereign defaults to systematically measure and aggregate the nominal value of the different types of sovereign government debt in default.

The database draws on published datasets compiled by various public and private sector sources. It combines elements of these sources with new information to develop comprehensive estimates of stocks of government obligations in default. These include bonds and other marketable securities, as well as bank loans and official loans, valued in US dollars, for the years 1960 to 2025, on both a country-by-country and a global basis.

We consider debt to be in distress—and effectively in default—when an interruption in scheduled debt service occurs, a sovereign seeks to renegotiate the existing contract terms of any of its obligations or a combination of both. Such restructurings can include writing down the principal, reducing the interest rate or extending maturities. Typically, they also involve creditors suffering a loss in net present value. Once restructured, the debt is reclassified as performing and no longer considered to be in default.

Official creditors include the International Monetary Fund (IMF), the World Bank, other multilateral development banks, Paris Club creditors, non-Paris Club G20 creditors (notably China, India and South Africa) and other government development agencies. Private creditors are external bondholders, banks and suppliers.

The database is posted on the BoC's website and is updated annually in partnership with the Bank of England (BoE). Regular updates of the BoC–BoE database are useful to researchers analyzing the economic and financial effects of individual sovereign defaults and, importantly, the impacts on global financial stability from episodes involving multiple sovereign defaults.

In this paper, we:

- highlight developments in sovereign debt defaults in 2025, including details on the estimated 14% decrease in the US-dollar value of sovereign debt in default from 2024 levels
- update key insights regarding the number, size and types of defaults
- give a historical overview of debt defaults and their persistence in heavily indebted, low-income sovereigns

- examine the shift in bilateral official sovereign lending from Paris Club lenders toward China¹
- update our estimates of stocks of domestic arrears, valued in US dollars

The 2026 edition of the database, as well as related research, contains several enhancements, including:

- revisions to country and aggregate default data for 1960 to 2025, which include:
 - new data on domestic arrears by country and globally, most comprehensively for the years 1990 to 2025
 - a [new illustration](#) showing debt in default across different regions
 - a [new figure](#) showing the proportion of sovereign debt in default and debt as a share of gross domestic product (GDP) by country
 - updates to documents containing the methodology, appendix and references

All data are downloadable in CSV, JSON and XML formats.

Key insights from the 2026 edition

The total value of sovereign debt in default fell by 14% last year

Our preliminary estimate of the total value of sovereign debt in default is US\$437 billion in 2025, or 0.4% of global public debt. This is a decrease of US\$70 billion, or 14%, from the revised total of US\$507 billion in 2024. We also estimate that the number of sovereigns in default fell from 91 to 80, marking the fourth consecutive decline since the start of the COVID-19 pandemic.

Debt in default fell 32% to nearly US\$50 billion for sovereigns that are part of the Heavily Indebted Poor Countries (HIPC) Initiative of the IMF and World Bank, and by 12% to US\$341 billion for emerging- and frontier-market sovereigns. That said, refinancing costs remain elevated, particularly for energy-importing emerging-market economies. As well, the fiscal effects of the conflict in the Middle East continue to vary across countries.

Debt in default among advanced economies remained at zero in 2025.

¹ The Paris Club is an informal group of mostly advanced-economy countries. Permanent members are Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, the Netherlands, Norway, Russia, South Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States. For more information, see the Paris Club [website](#).

Defaults to official external creditors declined by 28% in 2025

Loans in default to official external creditors fell by US\$30.8 billion, or 28%, between 2024 and 2025 to US\$79 billion, but each major subgroup of creditors fared differently. For the fourth consecutive year, there were no defaults to the IMF.

By contrast, defaults to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—which form part of the World Bank Group—and the Inter-American Development Bank (IADB) rose collectively by US\$396 million, or 8%, to US\$5.2 billion.

Among bilateral creditors, identified defaults to China fell by US\$25.8 billion, or 46%, to US\$30.6 billion, while defaults to the Paris Club declined by US\$5.4 billion, or 11%, to US\$43.3 billion. Defaults to other official creditors that we have not identified separately fell by US\$27.1 billion, or 26%, to US\$76.1 billion.

Defaults to private external creditors fell by less than 1%

Debt in default to private external creditors dropped by US\$1.9 billion, or 0.9%, to US\$213 billion in 2025. As with official creditors, large variations were observed across categories. Defaults on foreign currency bonds, which accounted for the largest share of defaults (**Chart 1**), declined by US\$1.8 billion, or 1%, to US\$197.2 billion.

In all, 10 sovereigns were in default on their foreign currency bonds. The most notable defaults by magnitude were:

- Venezuela (US\$56.7 billion)
- Russia (US\$52.6 billion)
- Lebanon (US\$45.3 billion)
- Ukraine (US\$31.5 billion)
- Belarus (US\$4.0 billion)
- Sri Lanka (US\$3.2 billion)
- Argentina (US\$2.3 billion)

Defaults on bank loans also fell by US\$127 million, or 1%, to US\$16.1 billion, while defaults to other private external creditors (mainly suppliers) rose by US\$547 million, or 1%, to US\$68.2 billion.²

² For a discussion about revisions to the data on defaults to private sector creditors, see D. Beers, O. Ndukwe and J. Berry, “[BoC-BoE Sovereign Default Database: Methodology and Assumptions](#),” Bank of Canada Technical Report No. 124.

Local currency debt defaults fell sharply by 96%

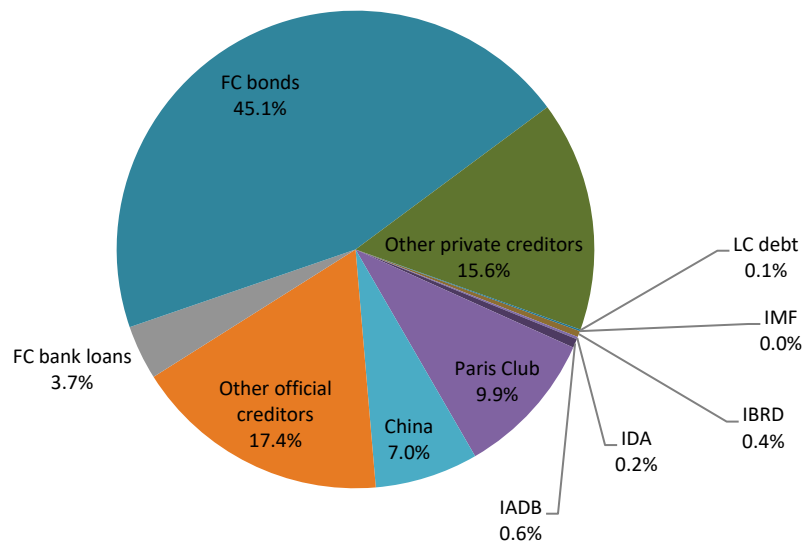
Defaults on local currency debt dropped by 96% to US\$474 million in 2025, down from a revised US\$11.2 billion in 2024. The 2025 amount is the lowest recorded in the past four years, reflecting only two sovereign defaults:

- Zimbabwe's US\$425 million local currency default
- Argentina's remaining unstructured peso debt

The distribution of defaults remains concentrated

As in previous years, the distribution of defaults in 2025 remained highly concentrated in terms of value: 11 sovereigns accounted for 90% of the US-dollar value of debt in default globally. Just 3 sovereigns—Venezuela, Russia and Lebanon—accounted for 55% of the overall amount in default in 2025.

Chart 1: Total share of debt in default by creditor, 2025



Note: LC is local currency, and FC is foreign currency.

IADB is Inter-American Development Bank. See footnote 1 for more information on the Paris Club group of lenders. Other official creditors are bilateral and multilateral creditors not identified separately. Other private creditors are mainly suppliers.

Source: BoC-BoE Sovereign Default Database 2026

Last Observation: 2025

General government debt remains elevated globally

The IMF estimates that the global stock of general government debt, measured in US dollars, reached a record US\$111 trillion in 2025, or 94% of global GDP. The IMF projects

that the global public debt burden will reach 100% of global GDP by 2029, driven in part by elevated nominal interest rates and debt service burdens.

A central concern is not only the high level of global debt but also its projected path under current fiscal policies. The World Bank notes that low- and middle-income countries pay 2.1 times more interest on their stock of long-term external debt than they did a decade ago (World Bank 2025). At the same time, these countries collectively paid US\$741 billion more in principal and interest on their external debt between 2022 and 2024 than they received in new external financing. This marked the largest net outflow in at least 50 years.

Sovereign defaults in historical perspective

The BoC–BoE database and future updates help researchers in analyzing the economic and financial effects of sovereign defaults on debt owed to official and private creditors since 1960. The database compares the scale of recent individual and multiple default events with earlier episodes. Thus, it contributes to the understanding of ongoing risks to global financial stability. In the commentary that follows, we highlight the most noteworthy trends.

The scale of defaults has fallen substantially

Since 1960, 160 governments—nearly 75% of the existing 215 sovereigns—have defaulted on their obligations.³ Defaults had the biggest global impact in the 1980s, with the total amount in default reaching US\$470 billion, or 6.4% of global public debt, by 1990. The scale of defaults has fallen substantially since then. Over the past decade, between 0.3% and 0.6% of global public debt has been in default. For 2025, we estimate the amount in default at 0.4%.

Sovereigns tend to default selectively on debt

Over the 1960–2025 period, only 6% of sovereigns defaulted on between 50% and 100% of their total outstanding government debt. In contrast, about 72% of sovereigns defaulted on 10% or less of their total outstanding government debt. These data confirm that sovereigns tend to default selectively and that shares of sovereign debt in default are skewed toward lower values.

Sovereign defaults on local currency debt are more common than sometimes assumed. Since 1960, 44 sovereigns have defaulted on local currency debt. In 2025, just two

³ Seven additional sovereigns in the database—Bahamas, Sint Maarten, Palau, Slovak Republic, Tuvalu, Micronesia and West Bank and Gaza—have only domestic arrears, which we consider to be effective defaults, although not on conventional sovereign obligations. For more information on domestic arrears, see the section “[Domestic arrears in the sovereign default database: An update](#),” on page 13 of this note.

sovereigns—Zimbabwe and Argentina—defaulted on local currency debt amounting to US\$474 million.

A history of sovereign defaults

We know from the historical record that for over 200 years the story of sovereign defaults has centred mainly, though not exclusively, on foreign currency bonds and other marketable securities.⁴ Cross-border bond financing for governments emerged in the 1820s when newly independent states in Latin America and other regions, as well as some longer-established sovereigns, began issuing bonds denominated in foreign currency in European financial centres. Defaults on many of these bonds soon followed on a substantial scale and persisted well into the 20th century. Defaults on debt denominated in local currency also occurred, but they appear to have been less frequent, based on the evidence from before 1960 (Reinhart and Trebesch 2014).

After the Second World War, pervasive national controls on the movement of capital caused cross-border bond issuance by governments to fall to low levels, as did the incidence of defaults. Both remained low over nearly four decades. For a relatively brief period, in the 1970s and 1980s, bank loans denominated in foreign currency were more important than bonds. Many developing and Eastern European countries defaulted on bank loans in the 1980s and 1990s, resulting in creditor losses. The subsequent exit of the largest global commercial banks from this business resulted in many low- and middle-income sovereigns turning to the cross-border bond markets in the 1990s, an approach to financing that continues today.

The period since the 1990s is also noteworthy because of growing cross-border investments in emerging-market debt, both local currency denominated debt and foreign currency bonds. Both types of obligations featured in the big workouts involving Russia in 1998–2000 and Argentina in 2001–05. Nonetheless, while defaults on foreign currency bonds are increasing, they remain well below their historical peaks from before the Second World War.

Chart 2 provides a snapshot of trends in defaults on foreign currency bonds and bank loans from 1820 to 2025.⁵ Because historical data on bonds are limited for much of this period, we calculate unweighted default rates: that is, governments in default as a percentage of all governments.⁶ For bonds, three peak default periods stand out:

⁴ This section of our updated report draws in part on previous work published by Beers and Chambers (2006), Cruces and Trebesch (2011), Rieffel (2003), Reinhart and Rogoff (2009) and Suter (1992).

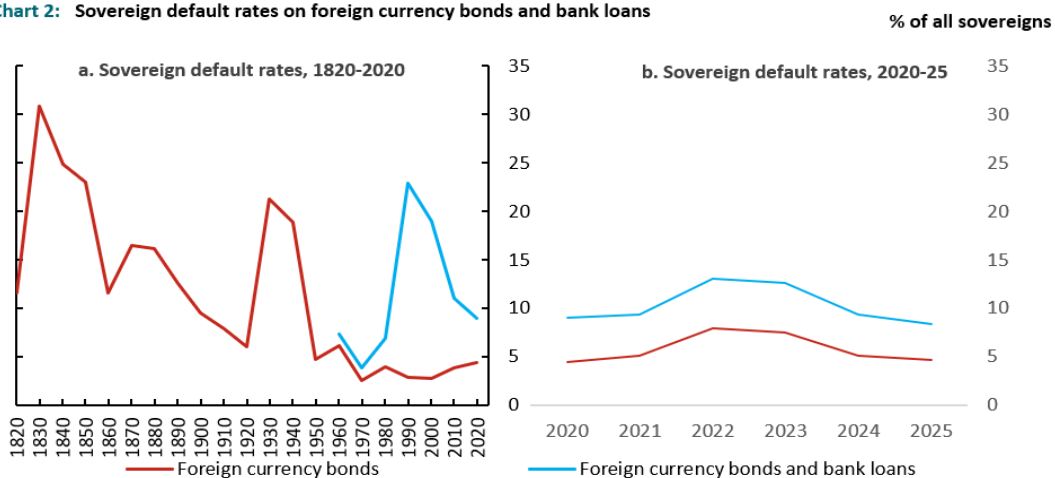
⁵ The data in **Chart 2** are based partly on data previously published by Beers and Chambers (2006).

⁶ By our count, the total number of sovereigns globally was 36 in 1820, 65 in 1900, 105 in 1950 and 215 in 2025. Reinhart and Rogoff (2009) calculate historical sovereign default rates weighted by estimated aggregated GDP. However, we do not replicate this approach here because of reliability issues with the national income data of many countries before the Second World War.

- from the 1830s through the 1850s, when default rates exceeded 25%
- in the 1870s, when default rates averaged 18%
- in the 1930s, when they reached 21%

Also of note is the sharp decline in bond defaults after the Second World War that persisted through the 1980s. The resolution of many pre-war bond defaults was the main reason the default rate fell in the postwar period. At the same time, the fragmentation of the cross-border financial markets limited access to bond markets to only the most creditworthy borrowers. As a result, defaults on new issues were low.

Chart 2: Sovereign default rates on foreign currency bonds and bank loans



Note: Default rates before 2020 are 10-year averages of annual data.
Sources: Suter (1992) and BoC-BoE Sovereign Default Database 2026

Last observation: 2025

Before the Second World War, sovereign defaults played only an intermittent role in policy discussions. After 1945, however, lending to governments by the IMF and other newly established multilateral institutions quickly gained prominence. These institutions, as well as national export credit and development agencies, were launched in part to fill perceived gaps in public finance left by the shrinkage in cross-border bond markets. They increasingly targeted loans to the governments of developing countries, mainly on concessional terms.

Initially, defaults on official loans were low. By the 1980s, however, sovereign defaults on loans from official creditors grew alongside a sharp rise in defaults on foreign currency bank loans (**Chart 2** and **Chart 5**). Even arrears on IMF loans surfaced, although they were small compared with defaults to other creditors. The factors driving both bank loans and official loans into default were often closely linked, most notably the adverse fiscal impact in many countries from the spike in both world oil prices and US short-term interest rates. The increase in US interest rates directly influenced the cost of syndicated bank loans contracted by many sovereign borrowers and helped ratchet up the real burden of their public debt. Sovereign debt in default reached US\$471 billion by 1990,

with debt owed to official creditors accounting for about 24% of the total (**Chart 3**). By 1995, the share of debt owed to official creditors reached nearly 60%.

Many of the defaults on official loans continued for long periods because of the borrowers' internal economic and political difficulties and the reluctance of creditors to reschedule loans. By the 1980s, however, official debt restructurings led by the Paris Club became a frequent occurrence. Yet defaults on official debt persisted. This logjam started to ease in the mid-1990s, thanks in part to the multilateral HIPC Initiative, launched with strong support from the IMF and the World Bank (IMF 2016).

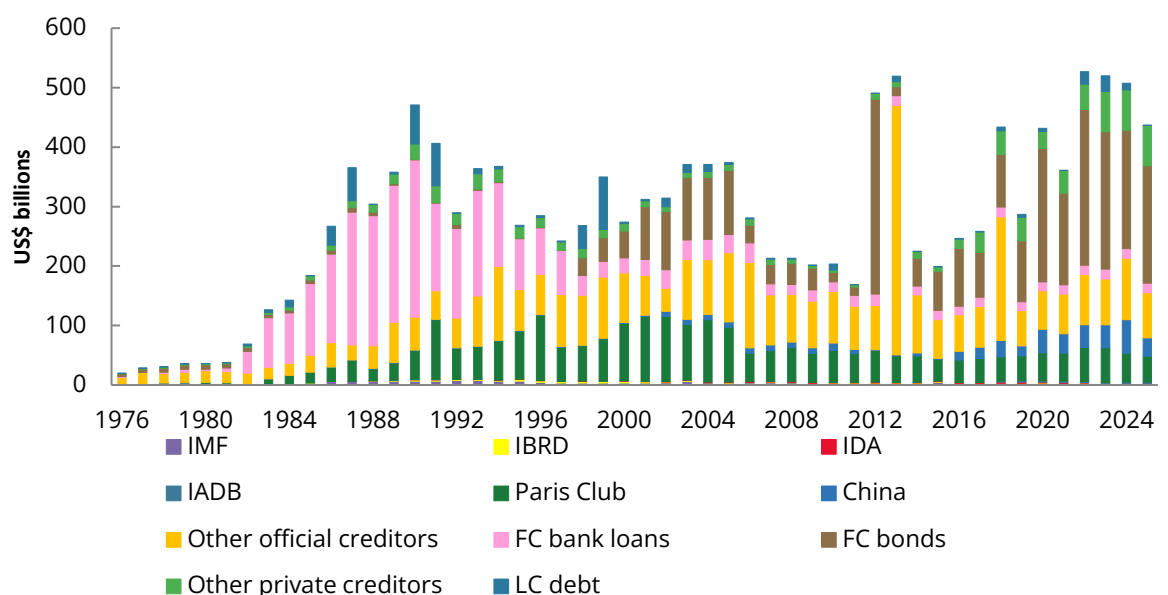
Under the program, now nearing completion, 39 low-income governments became eligible for substantial reductions in their official debt, subject to them implementing agreed-upon economic policy reforms.⁷ Bilateral official creditors wrote off much of the debt. The IMF and other multilateral institutions also agreed to participate through the Multilateral Debt Relief Initiative.⁸ As a result, apart from China's and the World Bank's loans in default, the dollar amounts of debt in default owed to the IMF, Paris Club and other official creditors have fallen in most years since 2005 (**Chart 3**).

Nevertheless, three recent developments are worth highlighting. The first is the spikes in problematic official debt that occurred in 2013 and in 2018 (**Chart 3**). The spikes resulted from the restructuring (without any interruption of scheduled debt service) of loans to Greece.

⁷ Sudan became eligible in 2021. Another candidate—Eritrea—is at the pre-decision point.

⁸ Government donors funded write-offs of IMF and multilateral institution loans to avoid damaging the institutions' balance sheets and weakening their preferred creditor status. These write-offs can reach 100% under the Multilateral Debt Relief Initiative.

Chart 3: Total sovereign debt in default by creditor, 1976–2025



Note: IMF is International Monetary Fund. IBRD is International Bank for Reconstruction and Development. IDA is International Development Association. LC is local currency, and FC is foreign currency

Source: BoC–BoE Sovereign Default Database 2026

Last Observation: 2025

Ireland and Portugal agreed to by their EU partners.⁹ Fiscal pressures in the euro area generally have eased since then. However, Greece delayed its payment of US\$2.2 billion to the IMF in 2015 and restructured another US\$110.9 billion of official debt after completing its stabilization program in 2018.¹⁰

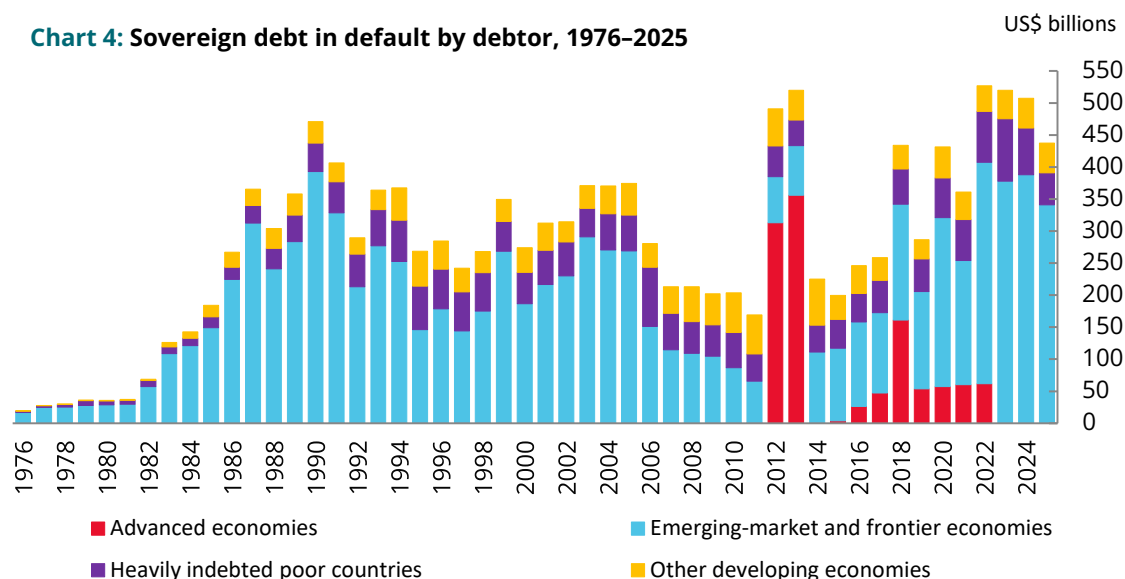
The second noteworthy development is that defaults persist in the majority of heavily indebted poor countries and totalled US\$97 billion in 2023, the highest level since 2006 (**Chart 4**). This is partly due to an increase in default rates on Paris Club loans and to the slow pace at which some non-Paris Club official creditors are implementing debt relief. Official creditor holdouts may be less well known than litigious bondholder holdouts, but, like bondholders, they can also delay the resolution of defaulted debt. However, many sovereigns under the HIPC Initiative are defaulting on new loans contracted with official and private creditors even after they received debt relief through the program.¹¹

⁹ For Greece, creditors reduced interest rates and charges and deferred debt service. They also extended average maturities of EU or euro area official loans to Greece, Ireland and Portugal by up to seven years. These official debt restructurings are consistent with our definition of sovereign defaults because they result in creditor losses in present-value terms.

¹⁰ See Khan and Brunsden (2018) for details about Greece's 2018 restructuring of official debt agreed to with official creditors in the euro area.

¹¹ For example, two of these sovereigns—the Republic of Congo and Mozambique—defaulted on US\$2.8 billion of bonds and bank loans between 2016 and 2019. In 2020 and 2021, three other sovereigns in the HIPC Initiative—Chad, Ethiopia and Zambia—started the process of broad debt restructuring. Chad became the first country to reach a debt treatment agreement with official and private creditors under the G20 Common Framework in 2022–23.

Chart 4: Sovereign debt in default by debtor, 1976–2025



Source: BoC-BoE Sovereign Default Database 2026

Last observation: 2025

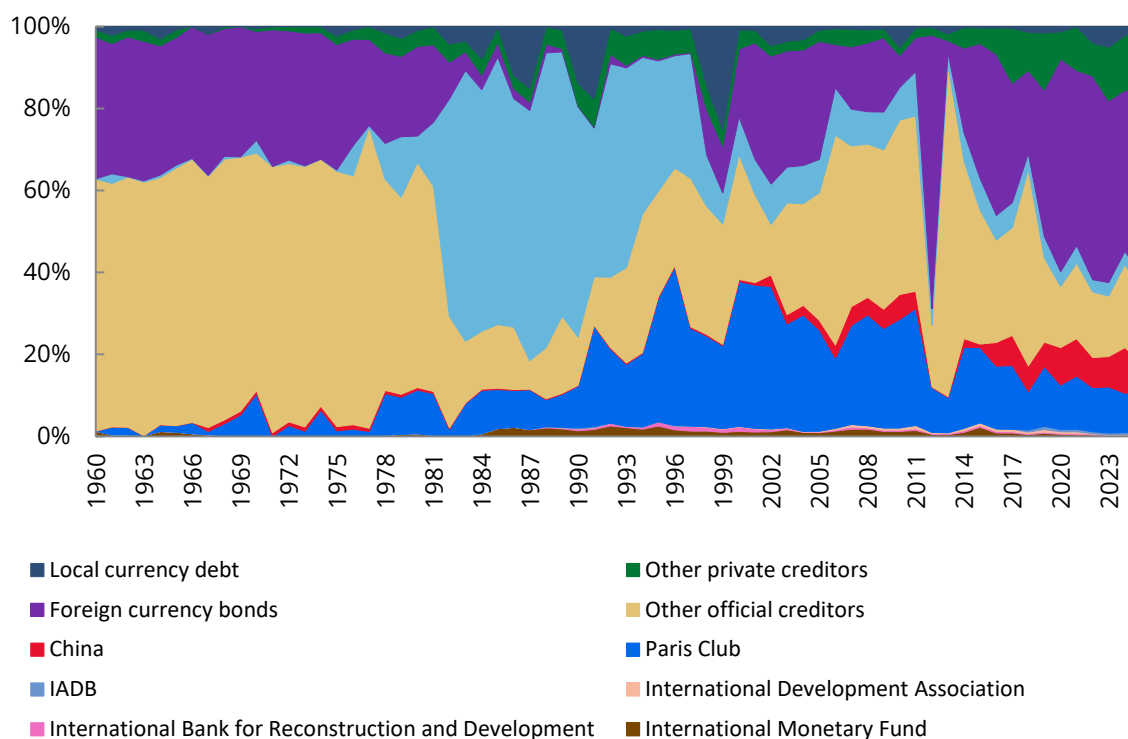
The third development is the significant shift underway in the composition and scale of bilateral official lending. Since the 1980s, sovereign debt owed to bilateral official and private creditors has generally been restructured according to the principle of comparability of treatment set out by the Paris Club.¹² Despite occasional frictions with other official creditors, bank creditors and bondholders, these arrangements have been broadly effective in sovereign debt restructuring.

The Paris Club, however, no longer represents all the large bilateral official creditors (**Chart 5**). With some members placing more emphasis on grants, the Paris Club's stock of loans to emerging-market and developing economies—estimated at US\$345 billion in 2025—has been relatively flat in recent years. By contrast, bilateral loans from China, India and Gulf states have grown sharply: the World Bank conservatively estimates that loans from China alone rose from US\$139 billion in 2012 to about US\$478 billion in 2025, substantially exceeding the stock of Paris Club loans (Hurley, Morris and Portelance 2018). These new official creditors have not yet formally joined the Paris Club, although China, India and Saudi Arabia—all G20 members—have agreed to cooperate with the Paris Club in the Common Framework for Debt Treatments.¹³

¹² Comparability of treatment means that bilateral official and private creditors should broadly replicate any debt relief the Paris Club provides to sovereigns.

¹³ China, India, UAE, Kuwait and a few other governments have periodically participated in Paris Club meetings on an ad hoc basis (Paris Club 2026). For a description of the G20 Common Framework, see Republic of Italy (2021).

Chart 5: Proportion of debt in default by creditor, 1960–2025



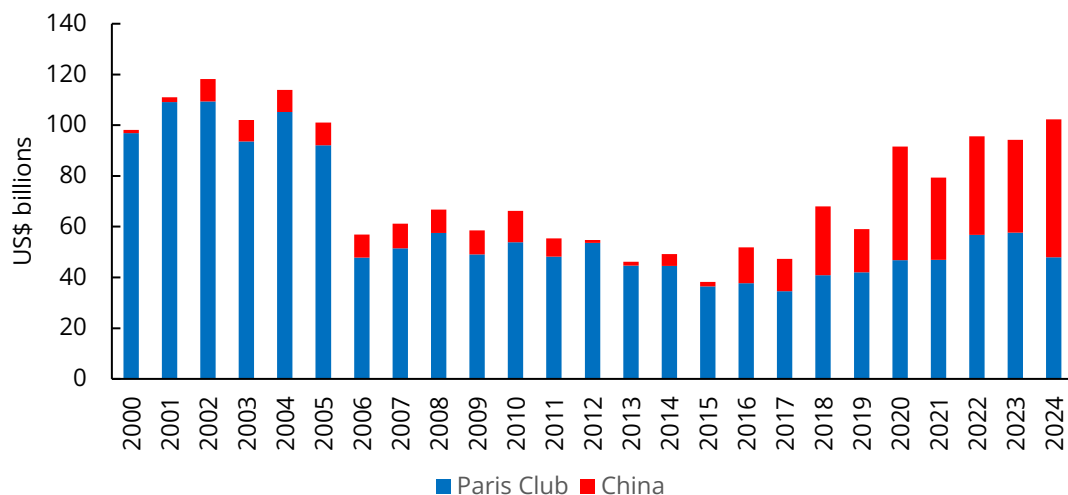
Source: BoC-BoE Sovereign Default Database

Last Observation: 2025

In this context, China's bilateral official lending has generated particular interest. Its Belt and Road Initiative, launched in 2013, could result in US\$1 trillion or more of new financing by 2027 (PricewaterhouseCoopers 2016; Morgan Stanley 2018). Cumulatively, China's investments through the initiative reached US\$1.5 trillion in the first half of 2026, with US\$926 billion in construction contracts and US\$614 billion in non-financial investments (Nedopil 2026). The main beneficiaries of this initiative are emerging-market and low-income sovereigns. By May 2025, about 150 countries had signed memorandums of understanding with China. The available data on defaulted Chinese official loans indicate that defaults have been increasing steadily since 2015 (**Chart 6**), with at least US\$130 billion of loans related to the Belt and Road Initiative being renegotiated or written off in the past four years.¹⁴

¹⁴ See AidData, "AidData's Global Chinese Development Finance Dataset, Version 2.0" (2021), World Bank (2024b), and Nedopil 2026.

Chart 6: Official loans in default for Paris Club and China, 2000–2025

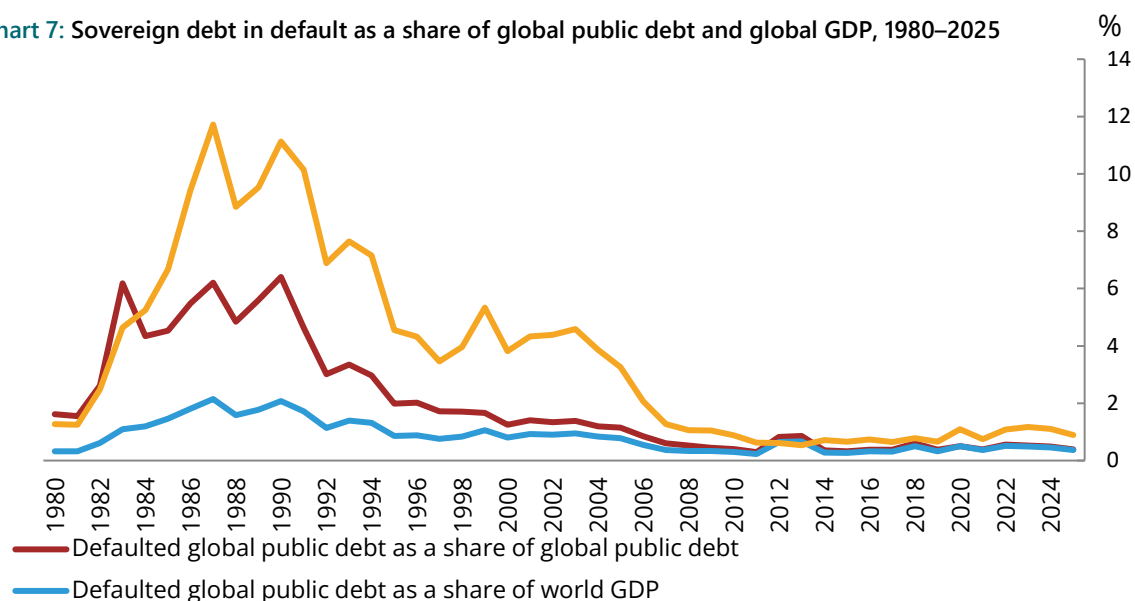


Source: BoC–BoE Sovereign Default Database 2026

Last observation: 2025

To assess the relative importance of sovereign defaults, we compared the nominal value of debt in default with global public debt, global GDP and the combined GDP of emerging-market, frontier and other developing economies (excluding China) (**Chart 7**). At the start of the 1980s, sovereign defaults had minimal impact globally. However, significant fiscal stresses affected low- and middle-income countries by the middle of the decade. The defaulted sovereign debt that was restructured and, in many cases, ultimately written down peaked in 1990 at 6% of global public debt. Relative to this group's GDP, the peak was sharper still, at 11.7%, but it was milder in terms of global GDP, rising from near zero to 2.1%.

Chart 7: Sovereign debt in default as a share of global public debt and global GDP, 1980–2025



Note: GDP is gross domestic product. Nominal GDP is used

Source: Boc-BoE Sovereign Default Database 2026

Last Observation: 2026

Chart 7 also shows that the global footprint left by these debt workouts has faded, despite the restructuring of sovereign bonds and official loans in the euro area in 2012–13 and again for official loans in 2018; large defaults in 2020 by Argentina, Lebanon and Ecuador; and the broader pick up in emerging-market and developing country sovereign defaults in 2022–23.

Nonetheless, as already noted, the IMF warns that debt distress among emerging-market and low-income sovereigns is likely to remain challenging.¹⁵ The risk factors the IMF highlights include:

- high leverage globally in the public and private financial sectors
- rising debt-servicing costs and elevated borrowing costs
- geopolitical tensions and energy-price shocks
- weaker global growth and policy uncertainty
- reduced official development assistance and tighter financing conditions
- limited fiscal buffers among low-income and debt-distressed sovereigns
- the slow pace of sovereign debt restructurings under the G20 Common Framework for Debt Treatments and related mechanisms, particularly for low-income countries in debt distress¹⁶

As governments grapple with increasing fiscal challenges, these trends are worth watching alongside other risks to global financial stability.

Domestic arrears in the sovereign default database: An update

From the inception of the BoC–BoE database in 2014, its coverage has been based on a broad definition of sovereign default—one that tracks both interruptions of scheduled debt service and changes in debt payment terms that result in creditor losses. For defaults involving private creditors, this includes marketable debt denominated in foreign and local currencies.

That said, other government fiscal actions suggest that the perimeter of sovereign defaults should be expanded to include late payments by governments for local goods

¹⁵ For more details, see IMF (2022a, 2002b, 2023a, 2023b, 2024, 2025, 2026).

¹⁶ The IMF notes that “debt vulnerabilities remain elevated, in particular in low-income countries,” and calls for “further improving restructuring processes, including under the Common Framework, to ensure countries with unsustainable debt have access to timely and adequate debt relief.

and services—known as fiscal or expenditure arrears. These arrears create obligations to domestic creditors that are effectively in default and must ultimately be resolved.

Defining and determining domestic arrears are relatively straightforward, at least in theory (Flynn and Pessoa 2014). Arrears are defined as any overdue payments for legally mandated or contractually required expenditures, including pensions, salaries, domestic sovereign marketable securities, capital outlays and other services. Local law generally governs when late payments become arrears—typically when payments are late by more than 30, 60 or 90 days, depending on the country.

When domestic arrears accumulate over several years, or their legality is disputed, governments and their creditors usually rely on independent accountants working with ad hoc tribunals to reconcile and confirm claims before resolving them. Once finalized, these obligations are settled by some combination of cash payment and issuing new debt to creditors. At times, there are haircuts on the amounts repaid, and interest payments on amounts owed appear to be rare. Given these factors, and the often-extended time frame between when arrears emerge and when they are settled, the domestic creditors involved clearly incur material financial losses.

Clearing arrears and adopting policies to discourage them from recurring are frequent objectives of IMF country programs. This is not surprising given the adverse impact that government arrears have on both the public and private sectors in affected countries.¹⁷ But at the same time, IMF documents highlight that, like conventional sovereign defaults, domestic arrears recur and involve a broad spectrum of emerging-market, frontier and other developing-country sovereigns, as well as, albeit less frequently, high-income sovereigns.

The published IMF data on domestic arrears has limitations. The data usually identify flows of arrears—not stocks—based on government estimates that are subject to change. Moreover, comparisons with the value of conventional sovereign debt in default can be challenging because until recently, the IMF rarely reported estimated stocks of arrears. But now the IMF increasingly reports data on the stock of domestic arrears and explicitly incorporates them into the data on public debt. As a result, we can now more easily compare the data on arrears with the conventional defaults we report in the BoC–BoE Sovereign Default Database.

In this year’s update, we have revised our estimates of stocks of arrears, most comprehensively for the years 1990 to 2025. These data are included in a domestic arrears category for each sovereign, including ones that have not had conventional defaults. The database also includes, for each year, global US-dollar values and totals of the number of sovereigns with domestic arrears.

¹⁷ For more context, see IMF (2019).

For affected sovereigns, we estimate each year's stock by aggregating the net annual flows of arrears reported in local currency, converted to US dollars at year-end exchange rates. We adjust these totals (generally downward) by incorporating historical stock estimates for each country, which the IMF publishes periodically.

Going forward, we will continue to backfill missing data for years before 1990, with two aims:

- to provide a more comprehensive picture of the historical scale of sovereign debt in distress
- to evaluate whether domestic arrears are best viewed as a coincident indicator or a driver of conventional sovereign defaults on external debt

Our main findings based on the data are:

- The overall stock of identified domestic arrears peaked at US\$227 billion in 2016 and has trended downward to an estimated US\$88 billion in 2025.
- The number of sovereigns with identified arrears has declined to an estimated 70 in 2025 from a peak of 90 in 2015.
- By comparison, global defaults on conventional sovereign debt have risen from US\$246 billion in 2016 to an estimated US\$437 billion in 2025. The number of sovereigns with conventional defaults fell from 97 in 2016 to an estimated 80 in 2025.¹⁸
- Overdue debt service on local law bonds typically makes up a small part of the overall value of domestic arrears.

The available data highlight two issues about domestic arrears:

- They are often sizable in relation to conventional defaults. In some instances, most notably in Iran since 2014, domestic arrears have exceeded the US-dollar value of the stock of conventional debt in default by large margins.
- They are economically damaging, undermine trust in the governments that incur them, often persist for extended periods and often recur.

The decline in the estimated yearly US-dollar stocks of arrears since 2016—which has occurred at the same time as the volume of conventional sovereign defaults has been growing—points to behavioural changes by some governments. Notably, cases of

¹⁸ The actual scale of domestic arrears over the 1990–2025 period could well be larger globally than our findings indicate. For example, Eritrea, Ethiopia and Venezuela do not compile and report their domestic arrears to the IMF.

domestic arrears have become rarer over the past decade in Central and Eastern Europe.

In contrast, sovereigns in Sub-Saharan Africa now account for the majority of the stock of arrears measured in US dollars. By our count, 45 sovereigns have reported arrears for one or more years since 1990, and 20 have had stocks of arrears continuously over this period. For many policy-makers in Sub-Saharan Africa and elsewhere, the political benefits of accumulating domestic arrears clearly outweigh the political costs to themselves and outweigh the economic and social costs to both the broader public sector and the private sector. This means that improving governance may be just as important in reducing the incidence of domestic arrears as for conventional sovereign defaults.

Sovereign default on local currency debt revisited

A key aim of our work is to document cases of defaults on local currency debt.¹⁹ Identifying these defaults can be challenging because governments often do not acknowledge them. A related factor limiting visibility of these defaults is that the most affected investors are typically domestic residents who may have few avenues of redress. Cross-border investment in sovereign local currency debt instruments, which dates back to the 1990s, has undoubtedly contributed to greater awareness of more recent default cases.

We have identified 44 sovereigns that defaulted on local currency debt between 1960 and 2025. These defaults take different forms. Perhaps most striking is the number of cases involving the exchange of old currency for new currency on confiscatory terms. We find that 17 sovereigns have undertaken such exchanges, with some doing so more than once (e.g., Ghana, North Korea, Myanmar and Russia, which includes defaults by the USSR). Creditors incur losses because of the conditions authorities typically impose, notably:

- setting short time frames to exchange old bank notes for new ones
- placing limits on amounts that can be exchanged
- requiring that notes above such limits be deposited in blocked accounts
- barring foreign holders of old currency from participation in such exchanges

¹⁹ Local currency debt refers here to obligations issued by a government in its own currency. For sovereigns that are members of monetary unions, debt denominated in the common currency is regarded as foreign currency debt in our analysis.

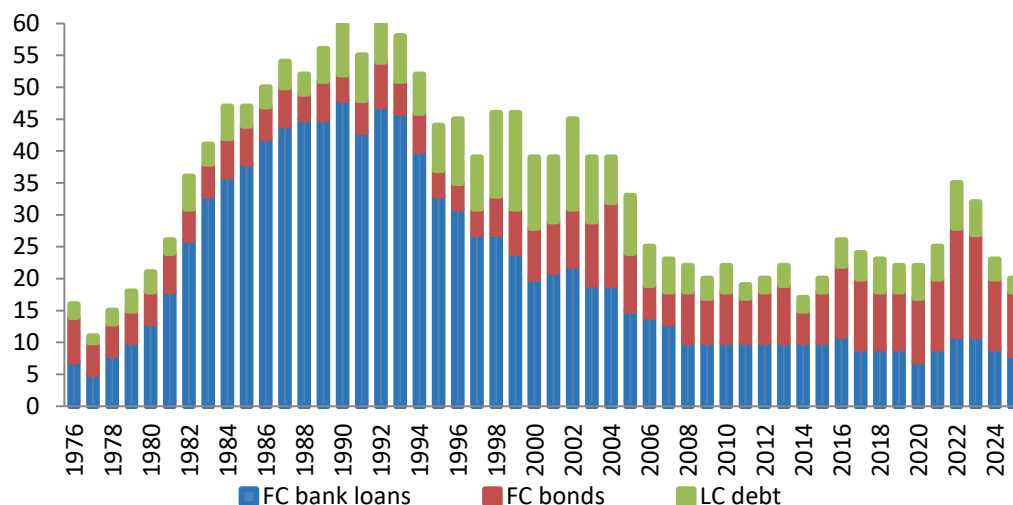
The factors triggering confiscatory currency reforms appear to be idiosyncratic. They can follow a change in political regimes or be part of an official strategy to curtail black markets. Therefore, these defaults do not always reflect broader financial distress. Among the countries involved, only four have also defaulted on other types of local currency debt—Democratic Republic of Congo, Nicaragua, Venezuela and Russia—although many more ultimately defaulted on their foreign currency debt. Another case, Peru, involved bonds adversely affected by high inflation where local courts ultimately ordered compensation to creditors.

Other cases include:

- two instances where there were unilateral reductions in real interest rate coupons on inflation-linked debt
- one involving a restructuring and conversion into foreign currency debt
- one situation where new taxes targeted local currency debt service

However, most local currency defaults involve overdue interest and principal payments, restructurings of debt stocks or both.

Chart 8: Number of sovereign defaults, 1976–2025



Note: FC is foreign currency and LC is local currency.

Source: Boc-BoE Sovereign Database 2026

Last Observation: 2025

Chart 8 tracks the annual number of defaults on local currency debt we have identified in the 1960–2025 period compared with defaults on foreign currency bank loans and bonds—the two other principal types of sovereign debt owed to private creditors. Through nearly half the survey period, defaults were predominantly on foreign currency bank loans. However, defaults on foreign currency bonds have increased since the mid-1990s as international banks curtailed their sovereign lending. The frequency of defaults on local currency debt has been more variable: the number gradually picked up after the

1970s but has trended down again since the early 2000s. Over the past decade, between 5 and 17 sovereigns have defaulted on foreign currency bonds each year, and between 2 and 7 on local currency debt.

Interestingly, since 1960, defaults on foreign and local currency market debt by the same sovereign have happened concurrently less than half the time. This pattern is changing, however. Current debt restructurings in Ghana and Sri Lanka highlight that workouts involving both local and foreign currency bonds are becoming increasingly commonplace.

Conclusion

In publishing this annual update of the BoC-BoE Sovereign Default Database and our related research, we aim to provide readers with meaningful insights into how and why sovereign defaults occur and their implications for global financial stability. We will continue to enhance the accuracy and relevance of the data, including on domestic arrears, in future versions of the database. We welcome questions and feedback on this project.

Appendix: Visualization of global sovereign debt in default in 2025

Figure A-1: Global debt in default

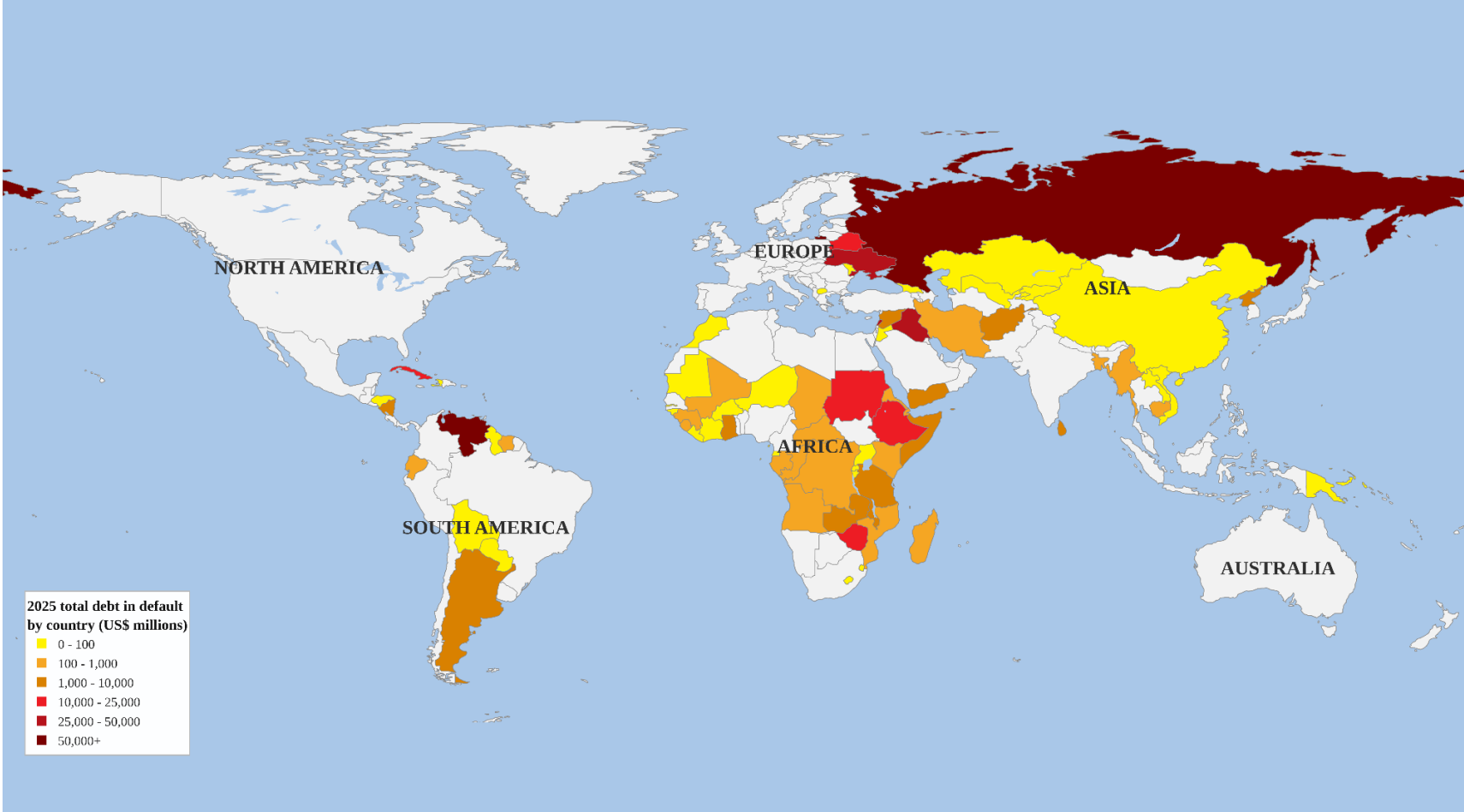


Figure A-2: Debt in default, Europe

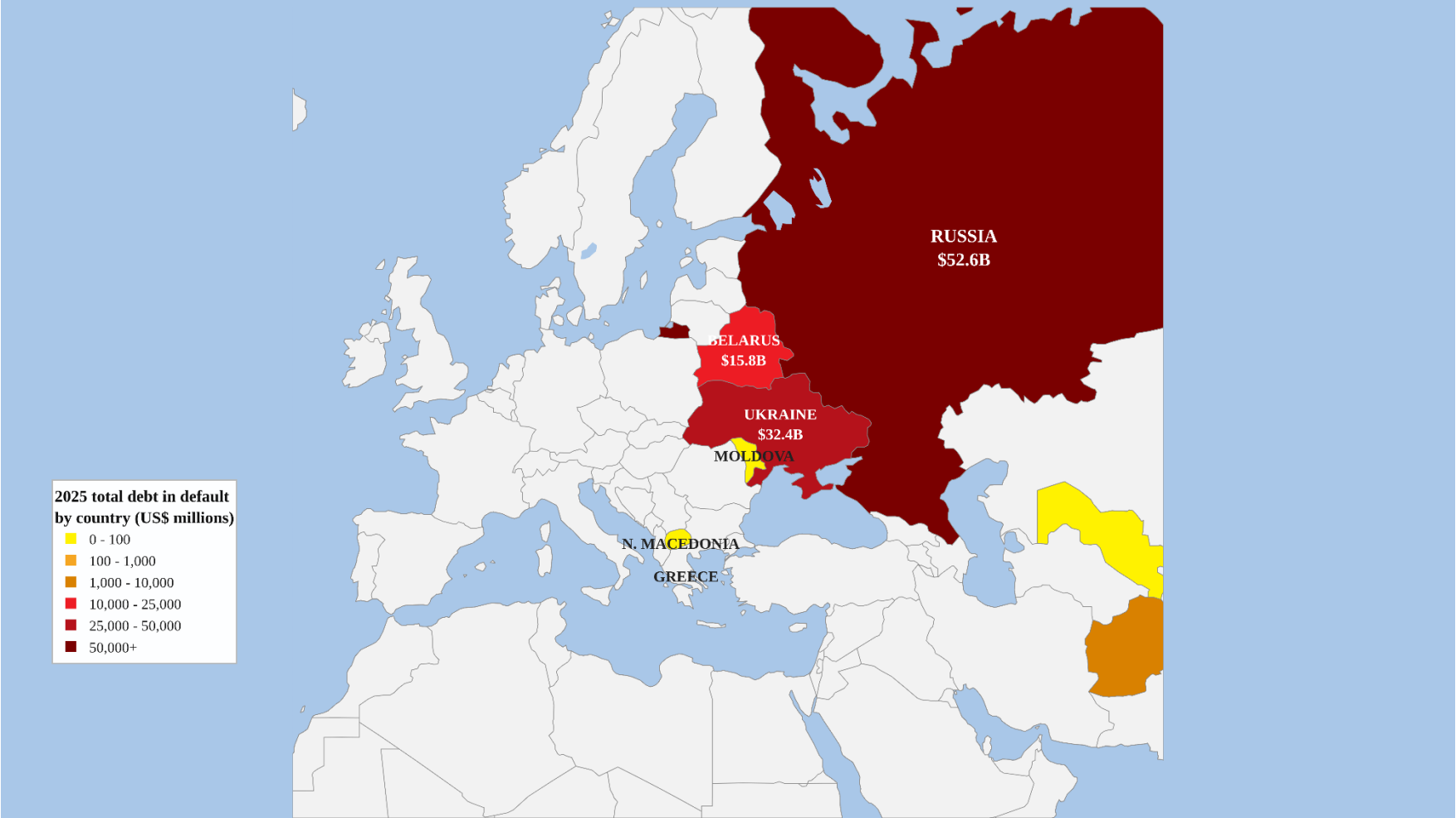


Figure A-3: Debt in default, Asia Pacific



Figure A-4: Debt in default, Latin America and the Caribbean



Figure A-5: Debt in default, Africa

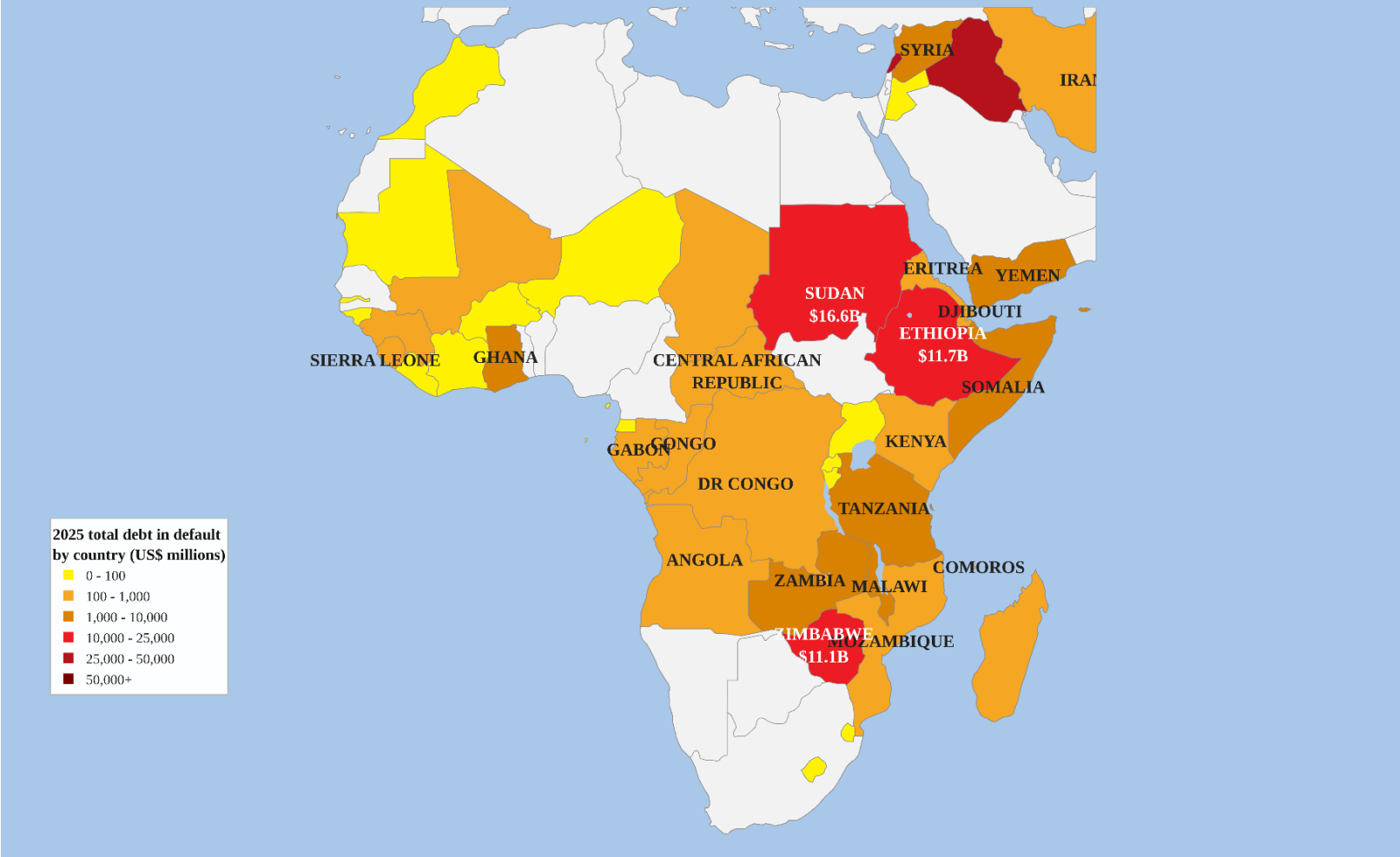
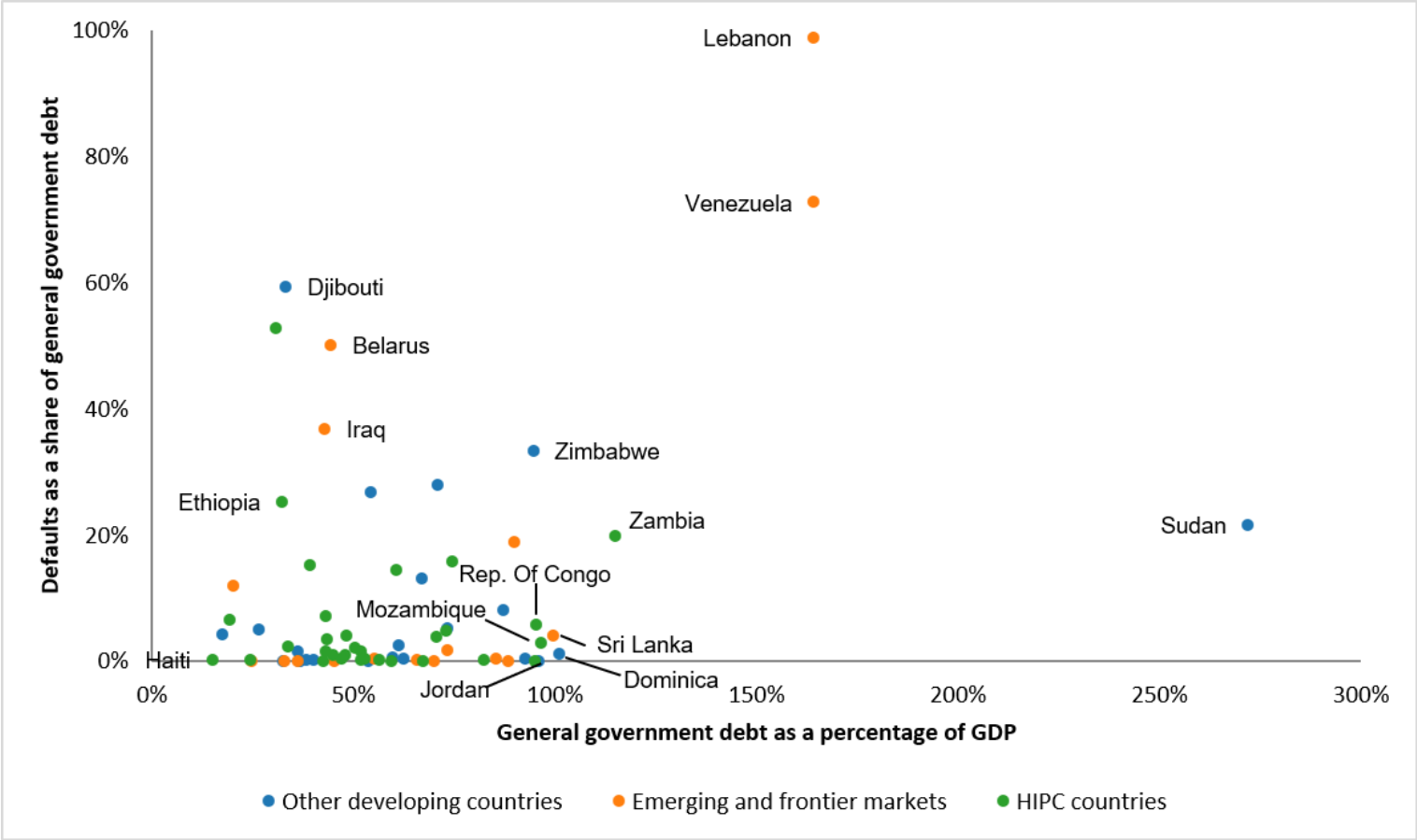


Chart A-1: Proportion of sovereign debt in default and debt as a share of GDP, 2025



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