How giant discoveries of natural resources impact sovereign debt rating in developing and emerging countries?

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ABSTRACT

This paper sheds light on the effects of giant discoveries of natural resources (oil, natural gas, minerals) on sovereign debt ratings in the short and long run. To do so, it employs 28 developing and emerging countries over the period 1990-2014 and applies a random-effects ordered probit model on different sets of samples. It shows evidence of the differentiated effects (positive and negative) of giant discoveries on ratings. These differentiated effects are linked to the behavior of macroeconomic and political indicators resulting from the actions and policies taken in the aftermath of the discoveries. It also finds evidence of the learning effects of giant discoveries in countries with increasing sovereign debt ratings. What seems to matter is not only the resources but also how governments respond to the news of the discovery of those resources. Therefore, taking the right actions and policies will help countries to prevent a deterioration of their financial conditions.

Download the paper (https://cerdi.uca.fr/medias/fichier/reginaseri-giantdiscoveries_1602136218503-pdf?ID_FICHE=51640&INLINE=FALSE)
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