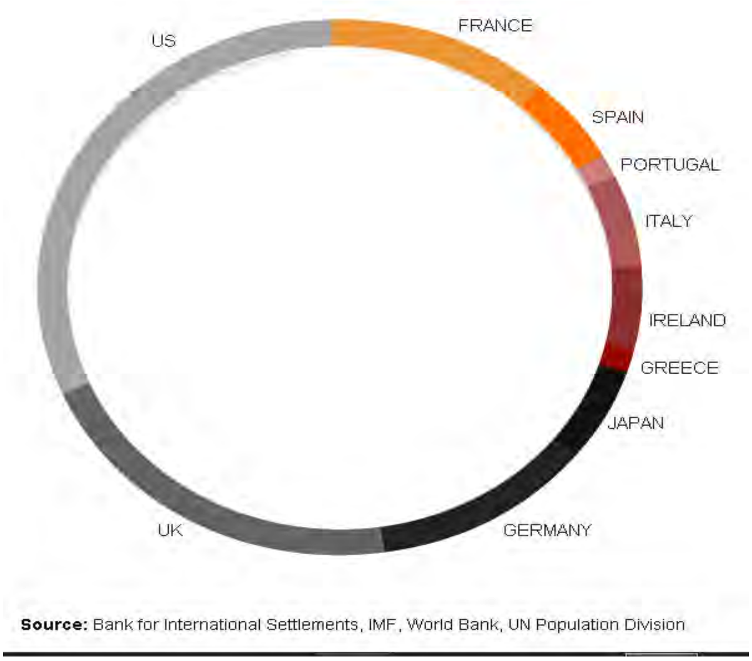
# EUROZONE DEBT WEB WHO OWES WHAT TO WHOM?

18 November 2011

The circle below shows the gross external, or foreign, debt of some of the main players in the euro zone as well as other big world economies. The arrows will display how much money is owed by each country to banks in other nations. The arrows point from the debtor to the creditor and are proportional to the money owed as of the end of June 2011. The colours attributed to countries are a rough guide to how much trouble each economy is in.

Scroll down on a country name to see who they owe




FRANCE

SPAIN

PORTUGAL

ITALY

IRELAND

GREECE

JAPAN

GERMANY

UK

US

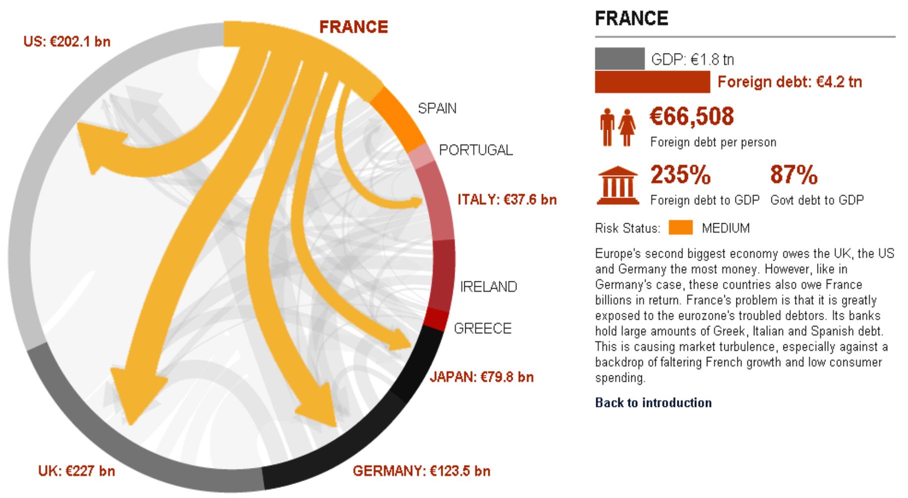
Europe is struggling to find a way out of the eurozone crisis amid mounting debts, stalling growth and widespread market jitters. After Greece, Ireland, and Portugal were forced to seek bail-outs, Italy - approaching an unaffordable cost of borrowing - has been the latest focus of concern. But, with global financial systems so interconnected, this is not just a eurozone problem and the repercussions extend beyond its borders.

While lending between nations presents little problem during boom years, when a country can no longer handle its debts, those overseas banks and financial institutions that lent it money are exposed to losses. This could not only unsettle the home country of those banks, but could, in turn, spread the troubles across the world. So, in the tangled web of inter-country lending, who owes what to whom? Click on a country in the circle to find out what they owe to banks in other countries, as well to find out their total foreign debt, including that owed by governments, monetary authorities, banks and companies.

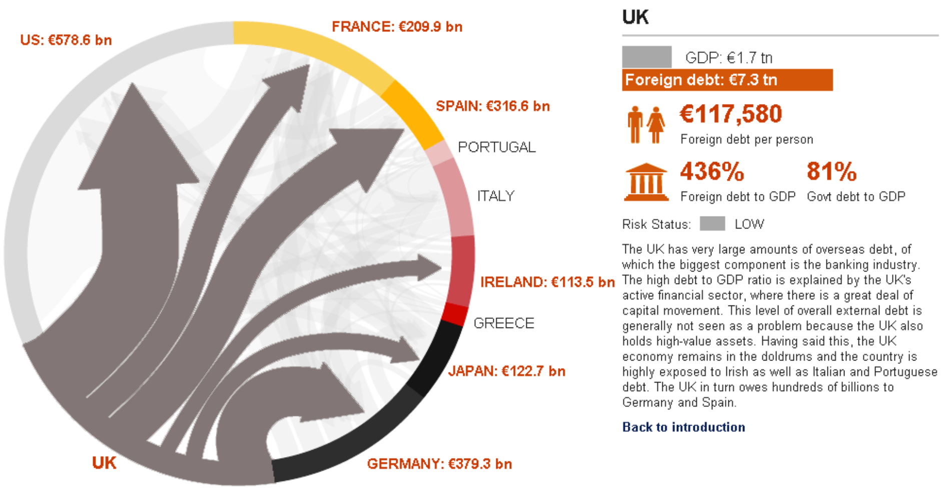
Source: Bank for International Settlements, IMF, World Bank, UN Population Division

**Notes on the data:** The Bank for International Settlements data, represented by the proportional arrows, shows what banks in one country are owed by debtors - both government and private - in another country. It does not include non-bank debts. Only key eurozone debtors and their top creditors are shown. Although China is known to hold European debt, no comprehensive figures are available. GDP figures are the latest complete 2010 figures from the IMF. The percentage of gross government debt to GDP is also the latest IMF calculation.

Overall gross external (or foreign) debt is taken from the latest 2011 World Bank/IMF figures and includes all debt owed overseas, including that owed by governments, monetary authorities, banks and companies. Gross external debt per head of population is calculated using the latest medium variant population figures from the UN Population Division.




**Source:** Bank for International Settlements, IMF, World Bank, UN Population Division

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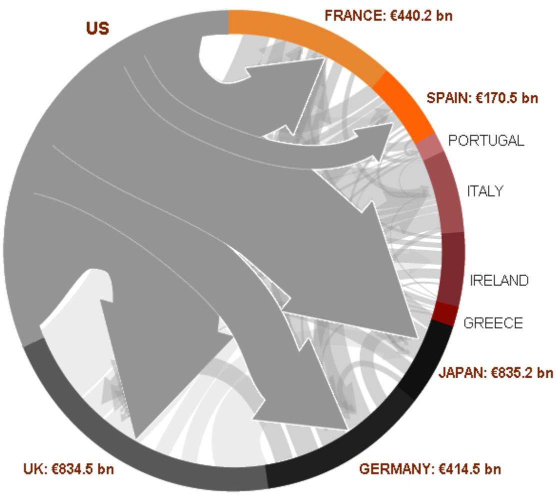


## US

GDP: €10.8 tn

Foreign debt: €10.9 tn

**€35,156**
Foreign debt per person

**101%** Foreign debt to GDP

**100%** Govt debt to GDP

Risk Status: LOW

Although the US's overseas debt almost equates to its annual GDP, it is still regarded as a safe bet. However, its credit rating has been downgraded. Although Asia - primarily China and Japan - holds the majority of US debt, Europe has the second largest percentage. This means whatever happens in the eurozone will have a deep impact on the US banking system. Within Europe, the UK, Switzerland and France hold the largest amount of US debt, amounting to hundreds of billions of dollars.

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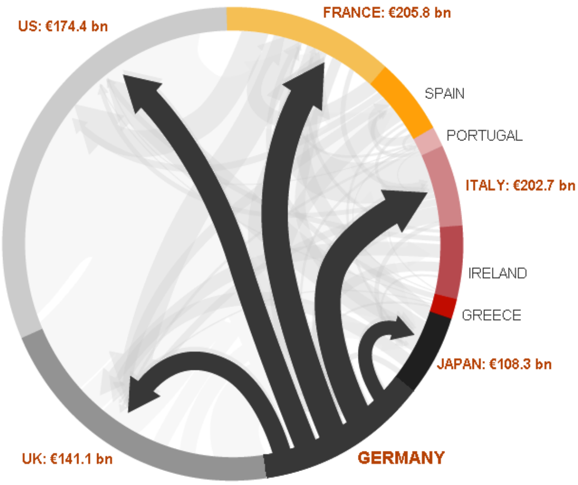


## GERMANY

GDP: €2.4 tn

Foreign debt: €4.2 tn

**€50,659**
Foreign debt per person

**176%** Foreign debt to GDP

**83%** Govt debt to GDP

Risk Status: LOW

The biggest European economy owes France, Italy and the US most money. However, these economies also owe Germany billions in return. Regarding its relationship with the troubled eurozone countries, Germany is exposed to Greek, Irish and Portuguese, but mostly, Spanish debt. If any of these defaults, Germany will be hit. Its economy is slowing, mainly because of the problems plaguing its eurozone partners. And as Europe's industrial powerhouse, any problems in Germany mean more problems for the eurozone, but also for the wider international system.

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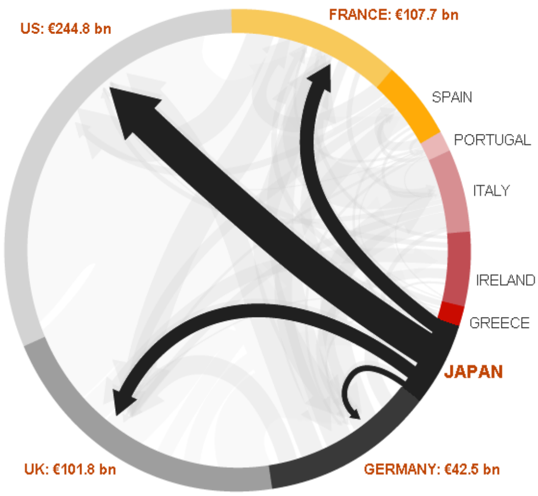


## JAPAN

GDP: €4.1 tn

Foreign debt: €2 tn

**€15,934**
Foreign debt per person

**50%** Foreign debt to GDP

**233%** Govt debt to GDP

Risk Status: LOW

The world's third-largest economy has the highest public debt level amongst developed economies. However, most of its debt is owed internally, so it is not seen as at risk of default. The global financial crisis, this year's earthquake and tsunami, a strong yen and Europe's debt crisis are clouding its current economic outlook. But the government has pledged to turn the country's annual budget deficit into a surplus by 2020.

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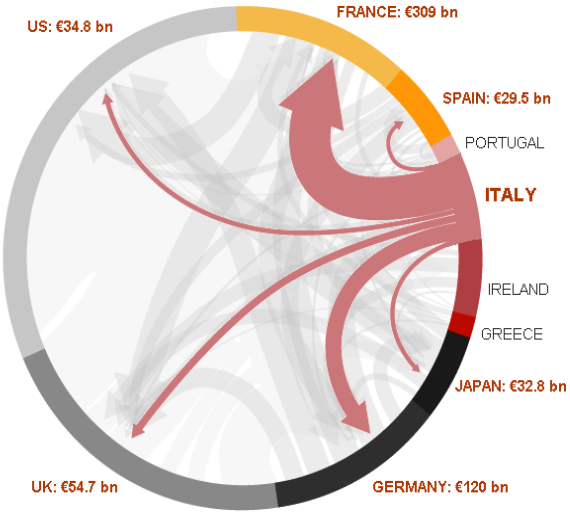


## ITALY

GDP: €1.2 tn

**Foreign debt: €2 tn**

**€32,875**
Foreign debt per person

**163%** Foreign debt to GDP **121%** Govt debt to GDP

Risk Status: HIGH

Italy has a large amount of debt, but it is a relatively wealthy country compared with Greece and Portugal. However, doubt about Italy's leadership and fears that its debt load could grow more quickly than the Italian economy's capacity to support it have left the markets jittery. France is most exposed to Italian debt.

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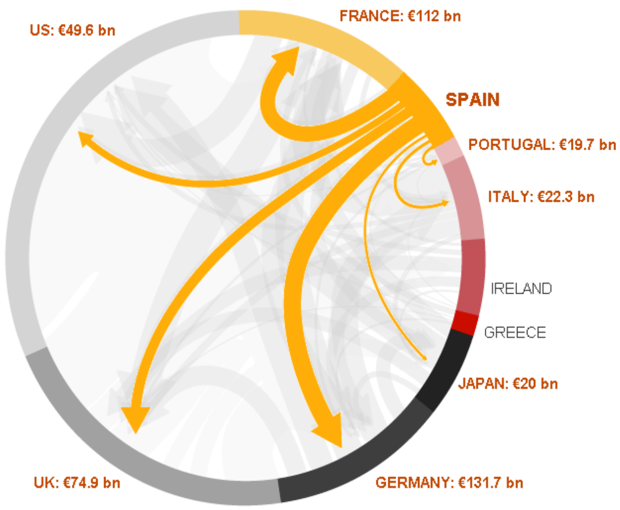


## SPAIN

GDP: €0.7 tn

**Foreign debt: €1.9 tn**

**€41,366**
Foreign debt per person

**284%** Foreign debt to GDP **67%** Govt debt to GDP

Risk Status: MEDIUM

Spain owes large amounts to Germany and France. However, its number one worry is bailed-out Portugal, which is indebted to it by billions of euros. As the country attempts to get its own debts under control, there are fears the country could be thrown back into recession after November's parliamentary elections. The bursting of a housing and construction boom in 2008 had plunged Spain's economy into a recession deeper than in many other European countries.

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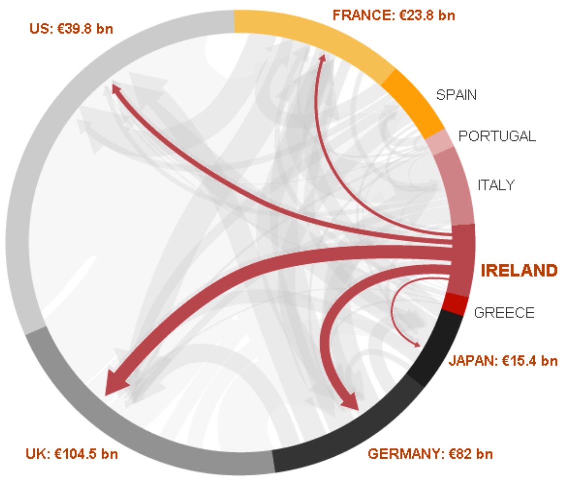


## IRELAND

GDP: €0.2 tn

**Foreign debt: €1.7 tn**

**€390,969**
Foreign debt per person

**1,093%** Foreign debt to GDP **109%** Govt debt to GDP

Risk Status: HIGH

One of three eurozone countries to so far receive a bail-out, Ireland has introduced a series of tough austerity budgets. Its economy is now showing a modest recovery. After the boom years leading up to 2008, the country fell into recession as a result of the global credit squeeze, which ended the supply of cheap credit that had fuelled the unsustainable growth in its housing market. It shows a very high level of gross foreign debt to GDP because, although it is a small country, it has a large financial sector - including a big overseas presence. The UK is Ireland's biggest creditor.

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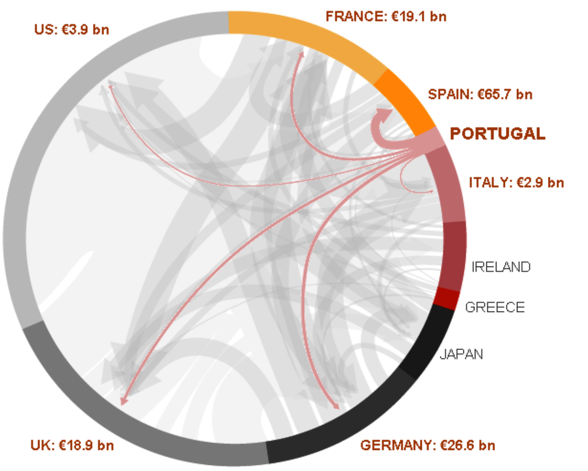


### PORTUGAL

GDP: €0.2 tn
**Foreign debt: €0.4 tn**

**€38,081**
Foreign debt per person

**251%** Foreign debt to GDP
**106%** Govt debt to GDP

Risk Status: HIGH

Portugal, the third eurozone country to need a bail-out, is in deep recession. It is currently implementing a series of austerity measures as well as planning a series of privatisations to fix its shaky finances and reduce its debt burden. The country is highly indebted to Spain, and its banks are owed 7.5bn euros by Greece.

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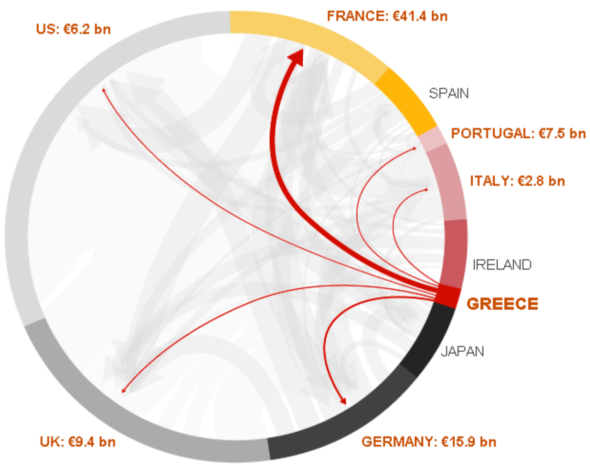


### GREECE

GDP: €0.2 tn
**Foreign debt: €0.4 tn**

**€38,073**
Foreign debt per person

**252%** Foreign debt to GDP
**166%** Govt debt to GDP

Risk Status: HIGH

Greece is heavily indebted to eurozone countries and is one of three eurozone countries to have received a bail-out. Although the Greek economy is small and direct damage of it defaulting on its debts might be absorbed by the eurozone, the big fear is "contagion" - or that a Greek default could trigger a financial catastrophe for other, much bigger economies, such as Italy.

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**Source:** Bank for International Settlements, IMF, World Bank, UN Population Division

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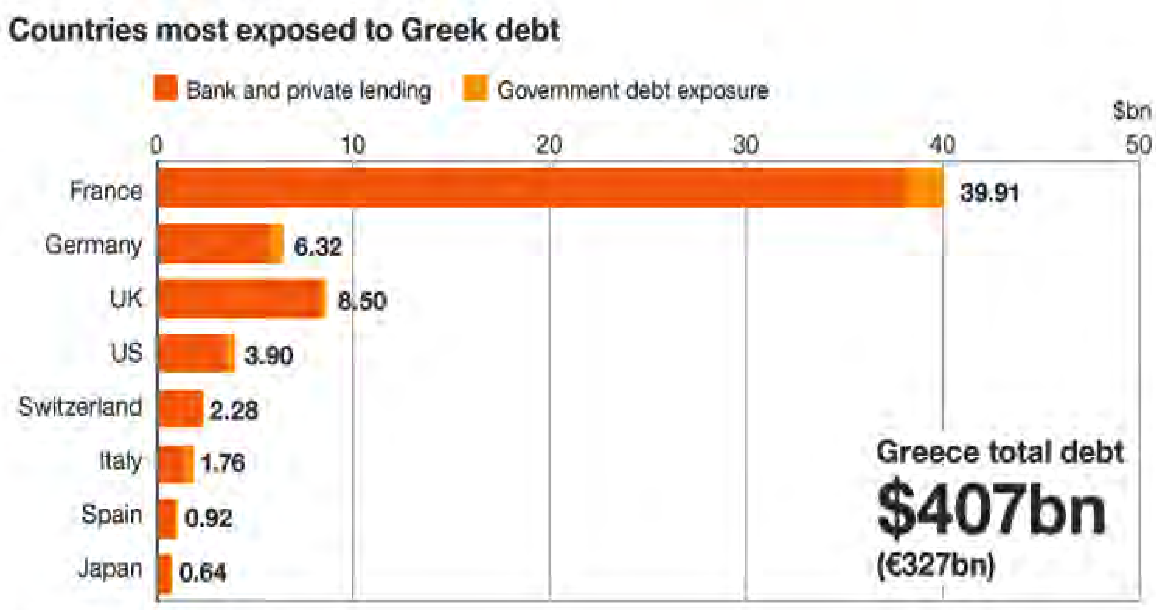


Source: BIS July 2012, Elstat

http://www.bbc.com/news/business-13798000

# FINANCIAL GLOSSARY

13 October 2011

What's the difference between a bull and a bear? The current financial crisis has thrown terminology from the business pages onto the front pages of newspapers, with jargon now abounding everywhere from the coffee bar to the back of a taxi. The guide below describes many of the business terms currently cropping up regularly, as well as some of the more exotic words coined to describe some of the social effects of the financial crisis.

AAA-rating The best credit rating that can be given to a borrower's debts, indicating that the risk of a borrower defaulting is minuscule.

Administration A rescue mechanism for UK companies in severe trouble. It allows them to continue as a going concern, under supervision, giving them the opportunity to try to work their way out of difficulty. A firm in administration cannot be wound up without permission from a court.

AGM An annual general meeting, which companies hold each year for shareholders to vote on important issues such as dividend payments and appointments to the company's board of directors. If an emergency decision is needed - for example in the case of a takeover - a company may also call an exceptional general meeting of shareholders or EGM.

Assets Things that provide income or some other value to their owner.

- Fixed assets (also known as long-term assets) are things that have a useful life of more than one year, for example buildings and machinery; there are also intangible fixed assets, like the good reputation of a company or brand.
- Current assets are the things that can easily be turned into cash and are expected to be sold or used up in the near future.

Austerity Economic policy aimed at reducing a government's deficit (or borrowing). Austerity can be achieved through increases in government revenues - primarily via tax rises - and/or a reduction in government spending or future spending commitments.

Bailout The financial rescue of a struggling borrower. A bailout can be achieved in various ways:

- providing loans to a borrower that markets will no longer lend to
- guaranteeing a borrower's debts
- guaranteeing the value of a borrower's risky assets
- providing help to absorb potential losses, such as in a bank recapitalisation

Bankruptcy A legal process in which the assets of a borrower who cannot repay its debts - which can be an individual, a company or a bank - are valued, and possibly sold off (liquidated), in order to repay debts. Where the borrower's assets are insufficient to repay its debts, the debts have to be written off.

This means the lenders must accept that some of their loans will never be repaid, and the borrower is freed of its debts. Bankruptcy varies greatly from one country to another, some countries have laws that are very friendly to borrowers, while others are much more friendly to lenders.

Base rate The key interest rate set by the Bank of England. It is the overnight interest rate that it charges to banks for lending to them. The base rate - and expectations about how the base rate will change in the future - directly affect the interest rates at which banks are willing to lend money in sterling.

Basel accords The Basel Accords refer to a set of agreements by the Basel Committee on Bank Supervision (BCBS), which provide recommendations on banking regulations. The purpose of the accords is to ensure that financial institutions have enough capital to meet obligations and absorb unexpected losses.

Basis point One hundred basis points make up a percentage point, so an interest rate cut of 25 basis points might take the rate, for example, from 3% to 2.75%.

BBA The British Bankers' Association is an organisation representing the major banks in the UK - including foreign banks with a major presence in London. It is responsible for the daily Liborinterest rate which determines the rate at which banks lend to each other.

Bear market In a bear market, prices are falling and investors, fearing losses, tend to sell. This can create a self-sustaining downward spiral.

Bill A debt security- or more simply an IOU. It is very similar to a bond, but has a maturity of less than one year when first issued.

BIS The Bank for International Settlements is an international association of central banks based in Basel, Switzerland. Crucially, it agrees international standards for the capital adequacyof banks - that is, the minimum buffer banks must have to withstand any losses. In response to the financial crisis, the BIS has agreed a much stricter set of rules. As these are the third such set of regulations, they are known as "Basel III".

Bond A debt security, or more simply, an IOU. The bond states when a loan must be repaid and what interest the borrower (issuer) must pay to the holder. They can be issued by companies, banks or governments to raise money. Banks and investors buy and trade bonds.

BRIC An acronym used to describe the fast-growing economies of Brazil, Russia, India and China.

Bull market A bull market is one in which prices are generally rising and investor confidence is high.

Capital For investors, it refers to their stock of wealth, which can be put to work in order to earn income. For companies, it typically refers to sources of financing such as newly issued shares. For banks, it refers to their ability to absorb losses in their accounts.

Banks normally obtain capital either by issuing new shares, or by keeping hold of profits instead of paying them out as dividends. If a bank writes off a loss on one of its assets - for example, if it makes a loan that is not repaid - then the bank must also write off a corresponding amount of its capital. If a bank runs out of capital, then it is insolvent, meaning it does not have enough assets to repay its debts.

Capital adequacy ratio A measure of a bank's ability to absorb losses. It is defined as the value of its capital divided by the value of risk-weighted assets (ie taking into account how risky they are). A low capital adequacy ratio suggests that a bank has a limited ability to absorb losses, given the amount and the riskiness of the loans it has made.

A banking regulator - typically the central bank - sets a minimum capital adequacy ratio for the banks in each country, and an international minimum standard is set by the BIS. A bank that fails to meet this minimum standard must be recapitalised, for example by issuing new shares.

Capitulation (market). The point when a flurry of panic selling induces a final collapse - and ultimately a bottoming out - of prices.

Carry trade Typically, the borrowing of currency with a low interest rate, converting it into currency with a high interest rate and then lending it. The most common carry trade currency used to be the yen, with traders seeking to benefit from Japan's low interest rates. Now the dollar, euro and pound can also serve the same purpose. The element of risk is in the fluctuations in the currency market.

Chapter 11 The term for bankruptcy protection in the US. It postpones a company's obligations to its creditors, giving it time to reorganise its debts or sell parts of the business, for example.

Collateralised debt obligations (CDOs) A financial structure that groups individual loans, bonds or other assets in a portfolio, which can then be traded. In theory, CDOs attract a stronger credit rating than individual assets due to the risk being more diversified. But as the performance of many assets fell during the financial crisis, the value of many CDOs was also reduced.

Commercial paper Unsecured, short-term loans taken out by companies. The funds are typically used for working capital, rather than fixed assets such as a new building. The loans take the form of IOUs that can be bought and traded by banks and investors, similar to bonds.

Commodities Commodities are products that, in their basic form, are all the same so it makes little difference from whom you buy them. That means that they can have a common market price. You would be unlikely to pay more for iron ore just because it came from a particular mine, for example.

Contracts to buy and sell commodities usually specify minimum common standards, such as the form and purity of the product, and where and when it must be delivered. The commodities markets range from soft commodities such as sugar, cotton and pork bellies to industrial metals such as iron and zinc.

**Core inflation** A measure of CPI inflation that strips out more volatile items (typically food and energy prices). The core inflation rate is watched closely by central bankers, as it tends to give a clearer indication of long-term inflation trends.

**Correction (market)** A short-term drop in stock market prices. The term comes from the notion that, when this happens, overpriced or underpriced stocks are returning to their "correct" values.

**CPI** The Consumer Prices Index is a measure of the price of a bundle of goods and services from across the economy. It is the most common measure used to identify inflation in a country. CPI is used as the target measure of inflation by the Bank of England and the ECB.

**Credit crunch** A situation where banks and other lenders all cut back their lending at the same time, because of widespread fears about the ability of borrowers to repay. If heavily-indebted borrowers are cut off from new lending, they may find it impossible to repay existing debts. Reduced lending also slows down economic growth, which also makes it harder for all businesses to repay their debts.

**Credit default swap (CDS)** A financial contract that provides insurance-like protection against the risk of a third-party borrower defaulting on its debts. For example, a bank that has made a loan to Greece may choose to hedge the loan by buying CDS protection on Greece. The bank makes periodic payments to the CDS seller. If Greece defaultson its debts, the CDS seller must buy the loans from the bank at their full face value. CDSs are not just used for hedging - they are used by investors to speculate on whether a borrower such as Greece will default.

**Credit rating** The assessment given to debts and borrowers by a ratings*agency* according to their safety from an investment standpoint - based on their creditworthiness, or the ability of the company or government that is borrowing to repay. Ratings range from *AAA*, the safest, down to D, a company that has already defaulted. Ratings of BBB- or higher are considered "investment grade". Below that level, they are considered "speculative grade" or more colloquially as junk.

**Currency peg** A commitment by a government to maintain its currency at a fixed value in relation to another currency. Sometimes pegs are used to keep a currency strong, in order to help reduce inflation. In this case, a central bank may have to sell its reserves of foreign currency and buy up domestic currency in order to defend the peg. If the central bank runs out of foreign currency reserves, then the peg will collapse. Pegs can also be used to help keep a currency weak in order to gain a competitive advantage in trade and boost exports. China has been accused of doing this. The People's Bank of China has accumulated trillions of dollars in US government bonds, because of its policy of selling yuan and buying dollars - a policy that has the effect of keeping the yuan weak.

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