

■ ■ ■ La dette publique libanaise :

Anticipation de défaut de l'Etat libanais sur la dette souveraine en devises étrangères

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ABSTRACT

With a national debt exceeding 190% of the GDP by the end of the year 2006, the Lebanese government is in a difficult situation. To this effect, the literature reveals the various causes which possibly could lead to default of their public debt. The first objective of this paper is to analyze the evolution of the credit spread for the Lebanese US Dollar Eurobonds which is considered a determinant of the quality of the credit. The second objective is to extract both the implied default recovery ratio and the risk neutral default probability term structure for the Lebanese government between October 2001 and November 2004. Our results show that the recovery ratio is strongly related to the market reaction linked to political and economic tension within Lebanon. For the period after the Paris conference in November 2002, the average estimates imply a decline in the default probability for the long-term period accompanied by an increase in the default recovery ratio.

Keywords: implied default probability; Recovery ratio; credit spread; sovereign debt

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