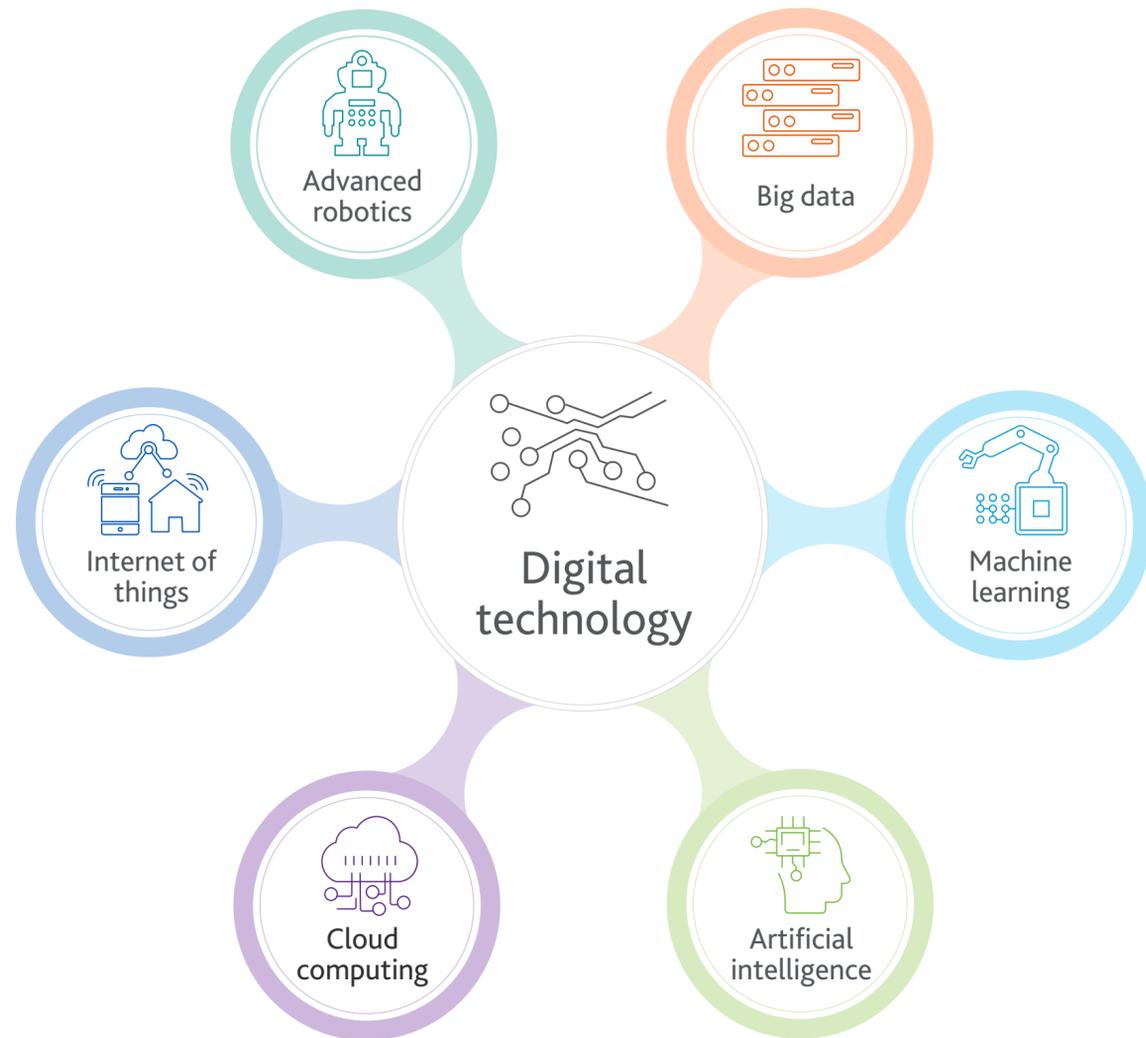


Digital technologies can boost productivity and reshape sovereign credit

Digitization is aimed at enhancing information processing and the quality of decision making while further automating routine tasks. Credit impact will depend on institutional effectiveness in promoting human capital development, fostering entrepreneurship and removing regulatory impediments to business formation. Other factors will include the ability to address ethical and privacy challenges, enable better labor-to-jobs matching and retraining, support science and innovation, and upgrade infrastructure.



POTENTIAL TO IMPROVE SOVEREIGN CREDIT QUALITY

<p>Economic strength</p>	<ul style="list-style-type: none"> » Boost potential growth » Mitigate the negative effects of population aging » Lift economic competitiveness
<p>Institutional strength</p>	<ul style="list-style-type: none"> » Increase the effectiveness of policy design » Strengthen delivery of public services » Reduce corruption » Improve the ease of doing business via digital services
<p>Fiscal strength</p>	<ul style="list-style-type: none"> » Target government spending better » Reduce scope for tax evasion » Seek out new revenue sources » Support debt management
<p>Susceptibility to event risk</p>	<ul style="list-style-type: none"> » Respond better to extreme weather events » Reduce contingent liability risks » Mitigate physical and cybersecurity threats

CHALLENGES TO SOVEREIGN CREDIT QUALITY

<ul style="list-style-type: none"> » Productivity gains may take time to materialize » Significant organizational innovation and work retraining are required » Labor market polarization may be exacerbated by digital technologies
<ul style="list-style-type: none"> » Regulation may lag technological innovation » Data privacy and consumer protection concerns will rise » Taxation structures and education systems will face challenges
<ul style="list-style-type: none"> » Labor market disruptions could add new demands on government spending » Income inequality contributes to demands for more redistribution plans
<ul style="list-style-type: none"> » Political risks may rise as a result of labor market disruption and income inequality » Tech rivalry may lead to higher geopolitical risks » Digital crime will create new cybersecurity risks