

Global Debt Monitor

Sharp spike in debt ratios

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Emre Tiftik, Director, Sustainability Research, etiftik@iif.com

Khadija Mahmood, Associate Economist, kmahmood@iif.com

Editor: Sonja Gibbs, Managing Director and Head of Sustainable Finance, sgibbs@iif.com

- Pandemic-driven recessionary conditions pushed global debt-to-GDP to a new record of 331% in Q1, up from 320% in Q4 2019
- Debt in mature markets reached 392% of GDP (vs 380% in 2019). Canada, France and Norway saw the largest increases
- EM debt surged to over 230% of GDP in Q1 2020 (vs 220% in 2019), largely driven by non-financial corporates in China
- Defaults on the rise: the face value of defaulted non-financial corporate bonds jumped to a record \$94bn in Q2
- Over 92% of outstanding gov't debt is still investment grade (BBB or above)—but rising debt ratios will prompt concern
- Total EM FX debt was broadly stable at \$8.4T in Q1, suggesting sovereigns and corporates could still roll over FX liabilities
- Refinancing risk: emerging markets will need to refinance \$620 billion in FX debt (bonds and loans) through end of 2020

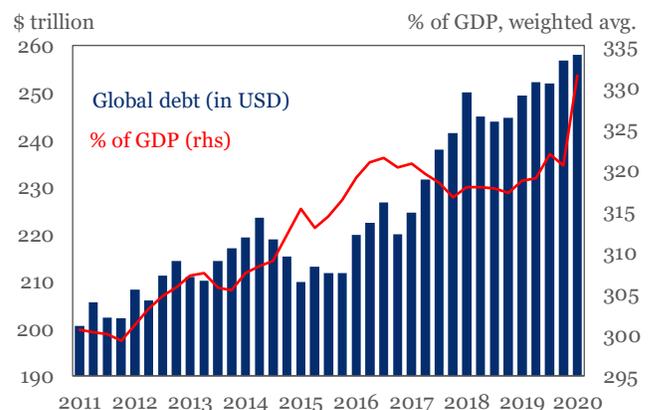
Global debt soared to a record high 331% of GDP (\$258 trillion) in Q1 2020. With widespread recessionary conditions in Q1 amid the COVID-19 pandemic—particularly in emerging markets—the global debt-to-GDP ratio surged by over 10 percentage points in Q1 (Chart 1). While this marks the largest quarterly increase in global debt ratios on record, the actual rise in debt was only \$1.2 trillion—well below the average quarterly rise of \$2 trillion over 2015-2019. However, available data on issuance suggests that the pace of debt build-up has accelerated since March, largely reflecting the massive global [fiscal](#) and [monetary](#) response to the pandemic. With some \$11 trillion in global fiscal stimulus approved and another \$5 trillion in the pipeline, gross debt issuance hit an eye-popping record of \$12.5 trillion in Q2—vs. a quarterly average of \$5.5 trillion in 2019. Governments accounted for over 60% of gross issuance in Q2. While rising debt levels will raise concerns about debt dynamics and creditworthiness, over 92% of government debt is still investment grade (Chart 2).

Rapid rise in corporate debt: The corporate sector accounted for over 65% of the rise in the global debt-to-GDP ratio in Q1 2020. While total debt in the financial sector has risen by \$8 trillion since 2016 to \$64 trillion in Q1, over the same period non-financial corporate debt rose by \$12 trillion to \$75.5 trillion, a record high at 95% of GDP. Looking ahead, we expect the rise in corporate debt to continue at an [accelerated pace](#). With abundant central bank liquidity, the decline in borrowing costs for corporates has already led to a substantial surge in corporate bond and loan issuance since March,

amounting to some \$4.6 trillion in Q2—vs a quarterly average of \$2.8 trillion in 2019.

Debt in mature markets has topped 392% of GDP, up by some 12 percentage points from 2019. With debt outside financial sector reaching close to 320% of GDP, the rise in debt ratios (ex-financials) has been most notable in Canada, France, the U.S. and Norway, each increasing over 9 percentage points in Q1 (Chart 3). Now topping over \$185 trillion, total debt in mature markets is \$22 trillion higher than in 2016, with the U.S. making up half of it.

Chart 1: Global debt topped \$258 trillion in Q1 2020



Source: IIF, BIS, IMF, National sources

Table 1: Sectoral Indebtedness*

\$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Mature markets	34.7	34.1	44.4	42.6	53.5	51.5	52.7	50.6	185.4	178.8
Emerging markets	13.4	12.7	31.2	30.7	16.4	16.0	11.6	11.2	72.6	70.6
Global	48.1	46.8	75.6	73.3	69.9	67.4	64.3	61.8	258.0	249.4

Source: IIF, BIS, IMF, Haver, National Sources. *Household debt incorporates outstanding bank loans. Financial sector debt and non-financial corporate debt incorporate cross-border and domestic bank loans as well as onshore/offshore outstanding bonds. Government debt is extrapolated with IMF-WEO database. For details, see the "General Information" section of our database.

The Global Debt Monitor and updated global debt database are available to IIF members on our website at <https://www.iif.com/publications/global-debt-monitor>. If you would like to receive regular updates about this publication, please subscribe [here](#).

Slight drop in EM debt levels: Despite a record quarterly rise in EM debt ratios (from 220% of GDP in Q4 2019 to 230% in Q1 2020), the USD value of EM debt fell by \$700 billion to \$72.5 trillion. With EM bond issuance remaining robust in Q1, this decline was largely driven by a depreciation in EM currencies against the USD. Excluding financial sector debt, China, Korea, Turkey and Mexico witnessed the sharpest rise in debt-to-GDP ratios in Q1.

China's debt is on track to hit 335% of GDP: Total debt across all sectors ([household](#), government, financial and non-financial corporate) increased from 302% of GDP to near 318% in Q1 2020. While this rapid increase marks the largest quarterly surge on record, available monthly data suggest that the pace of debt accumulation accelerated even further in Q2 and is fast approaching 335% of GDP. We estimate that non-financial corporates accounted for some 60% of this rapid debt build-up in H1 2020.

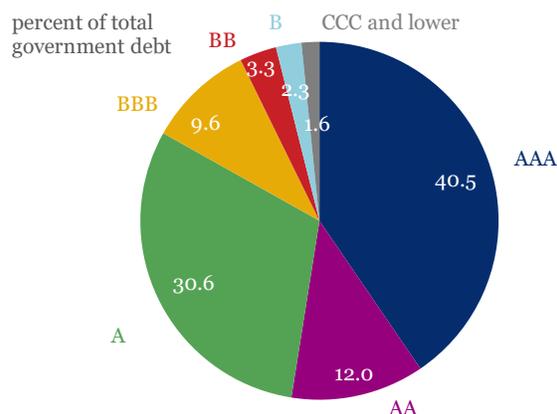
Corporate defaults on the rise: With [corporate earnings](#) plunging and credit downgrades on the rise, the face value of defaulted non-financial corporate bonds jumped to a record \$94 billion in Q2 2020. The U.S. accounted for nearly 75% of this, followed by the Euro Area (14%) and China (3%). Although this marks the highest volume of quarterly defaults on record, the volume of defaulted debt amounted to 5.5% of new issuance—slightly lower than seen at the peak of the 2008/9 global crisis (Chart 4).

Our updated tracker suggests that the share of SOE debt in non-financial corporate debt in EMs has been on a downward trend in recent years, now standing at less than 55% of sectoral leverage on average—vs over 58% in 2015. However, as in previous stress episodes, we expect SOEs to play an important role in the post-COVID recovery phase, and this will likely induce a sharp rise in EM non-financial corporate debt—see the [Global Debt Monitor Database](#).

EM FX debt remained broadly stable at around \$8.4 trillion in Q1 2020, suggesting that EMs have been able to roll over their FX liabilities despite market tensions amid COVID-19. However, the sharp depreciation in EM currencies against the USD, along with the steep contraction in output, prompted a surge in FX debt-to-GDP ratios in Q1 2020 — most markedly in Ukraine, Chile, Mexico and Colombia.

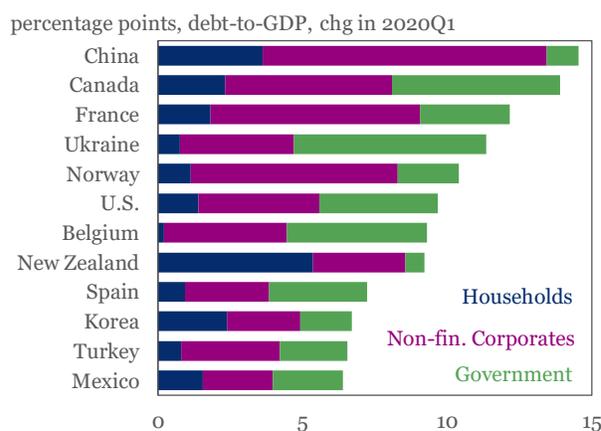
EM refinancing needs: Some \$3.7 trillion of EM debt will come due through end-2020, with FX-denominated debt accounting for nearly 17% of the total. Countries that face large upcoming FX redemptions in 2020 include China, UAE and Turkey. Across the sectors, financial corporates have the largest refinancing needs in the remainder of 2020. Our estimates suggest that around \$4 trillion of EM debt will mature in 2021—almost 18% in foreign currency.

Chart 2: Investment grade securities still account for over 92% of outstanding government debt



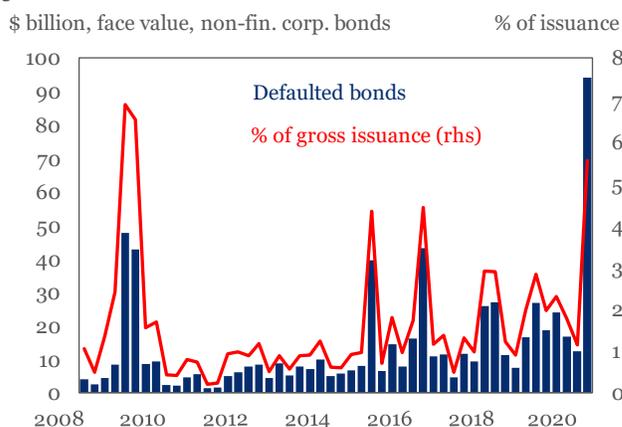
Source: IIF, Bloomberg

Chart 3: Sharp surge in debt ratios as Q1 recessions hit



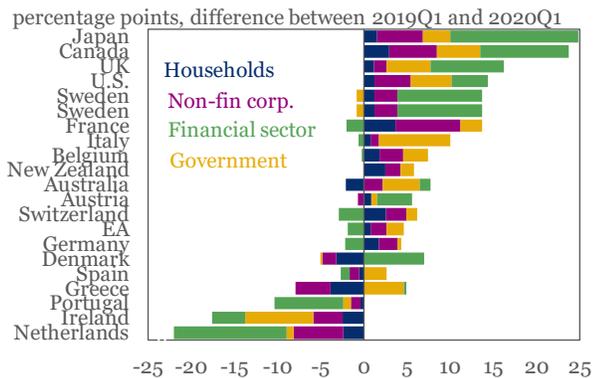
Source: IIF, BIS, IMF, National sources

Chart 4: Record high face value for corporate defaults in Q2 2020



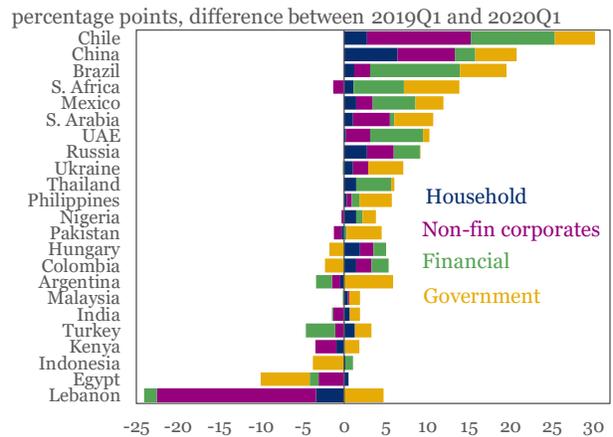
Source: IIF, Bloomberg

Chart 5: Change in mature market debt/GDP since 2019



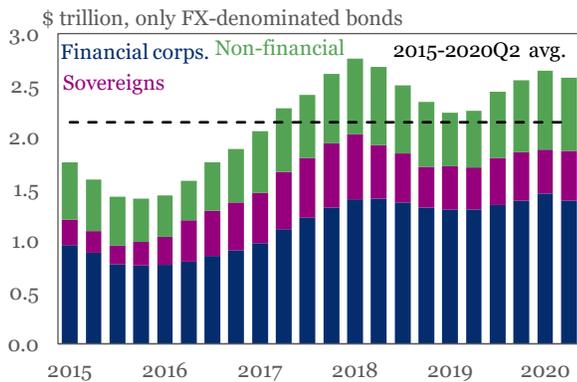
Source: BIS, Fed, ECB, BoJ, Haver, IIF.

Chart 6: Change in emerging market debt/GDP since 2019



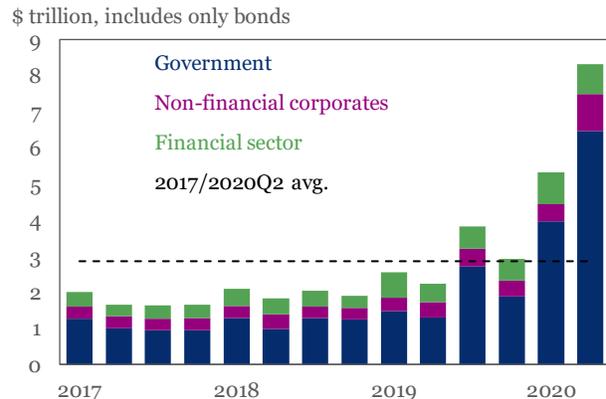
Source: BIS, Haver, IIF.

Chart 7: Foreign currency bond issuance in emerging markets (EM-30) has taken a hit in Q2 2020



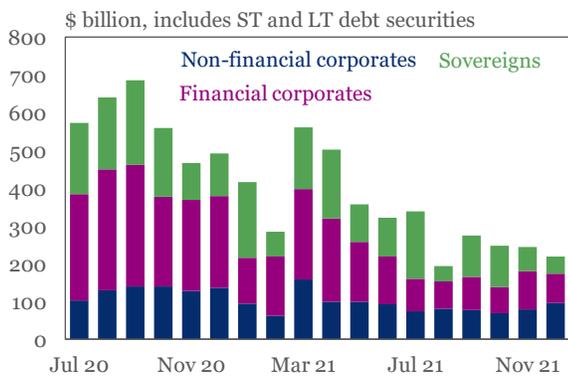
Source: Bloomberg, IIF; *includes short-term securities

Chart 8: Issuance across mature markets hit a record high in Q2 2020



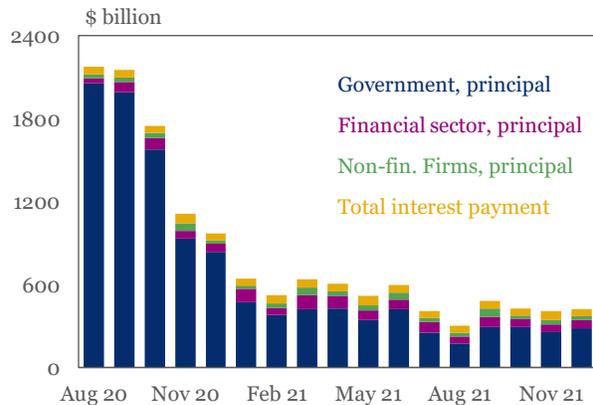
Source: Bloomberg, IIF; *includes short-term securities

Chart 9: Around \$7 trillion of bond and loans are due through end-2021 across emerging markets*



Source: Bloomberg, IIF; *The exhibit does not imply an improvement in funding strains starting in 2021. With local currency-denominated securities with a maturity less than 12 months still an important source of funding in many jurisdictions, the redemption figures for 2021 will increase as we continue to see further issuance in short-term securities through 2020.

Chart 10: Over \$13 trillion of bonds will come due through end-2021 in mature markets*



Source: Bloomberg, IIF; *The exhibit does not imply an improvement in funding strains starting in 2021. With securities with a maturity less than 12 months still an important source of funding in many jurisdictions, the redemption figures for 2021 will increase as we continue to see further issuance in short-term securities through 2020.

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Global	61.7	59.6	94.7	91.1	90.7	87.1	84.3	80.7
Mature markets	73.2	72.1	93.9	90.4	112.7	109.0	112.2	108.2
U.S.	75.6	74.4	78.1	73.9	106.0	101.3	81.9	77.7
Euro Area	58.3	57.6	109.8	107.9	101.2	99.2	121.8	123.7
Japan	57.2	55.7	106.4	101.0	230.4	227.3	168.1	153.3
UK	84.4	83.3	78.2	76.7	108.7	103.6	182.1	173.7
Emerging markets	42.4	38.8	96.1	92.3	53.8	50.5	37.7	34.8
EM Asia	53.4	48.6	125.3	120.1	55.5	51.6	44.9	42.4
China	58.8	52.4	159.1	152.2	55.3	50.3	44.7	42.2
Hong Kong	82.5	73.5	230.7	222.6	65.8	63.2	155.0	141.3
India	12.4	11.7	44.8	46.1	68.6	67.4	4.1	4.3
Indonesia	17.1	16.9	22.8	22.9	26.6	30.2	10.0	9.1
Malaysia	68.3	67.9	68.7	68.5	54.4	53.1	30.5	30.6
Pakistan	2.5	2.8	13.6	14.5	77.3	73.1	1.1	0.7
Philippines	16.7	16.4	32.0	31.4	43.0	39.0	12.9	12.0
S. Korea	97.9	92.1	104.6	97.2	41.4	39.4	92.5	86.4
Singapore	52.4	52.1	125.2	113.4	130.0	110.5	182.9	180.0
Thailand	70.2	68.7	47.5	47.6	34.5	34.1	42.7	38.5
EM Europe	21.7	19.8	53.1	51.9	30.3	30.0	19.7	18.9
Czech Republic	33.2	32.0	57.5	56.7	35.0	35.5	40.3	35.0
Hungary	19.6	17.7	67.7	66.1	71.6	73.4	25.5	23.9
Poland	35.5	35.1	43.8	45.3	50.0	51.0	22.7	23.8
Russia	19.8	17.0	47.8	44.6	14.3	14.3	14.0	10.8
Turkey	16.1	14.8	69.2	70.2	35.6	33.5	23.4	27.0
Ukraine	6.8	5.7	27.5	25.7	63.6	59.4	12.6	12.8
EM Latam	24.9	23.6	39.3	37.1	71.1	66.7	35.0	28.0
Argentina	5.6	6.1	14.9	15.9	97.7	91.8	5.7	7.6
Brazil	30.2	29.0	43.5	41.6	91.9	86.3	51.6	40.8
Chile	48.4	45.7	110.9	98.4	33.2	28.4	59.0	48.9
Colombia	29.0	27.5	36.1	34.3	48.9	51.2	7.6	5.5
Mexico	17.8	16.3	27.7	25.7	38.8	35.4	21.7	16.6
AFME	21.0	20.2	42.5	41.8	42.2	40.3	15.6	13.6
Egypt	7.7	7.2	20.8	23.8	84.6	90.4	5.2	6.3
Ghana	2.3	2.5	18.3	19.1	63.7	60.5	4.2	3.9
Israel	42.6	41.6	70.5	70.0	60.2	60.0	11.4	10.0
Kenya	6.8	7.6	17.5	20.1	62.3	60.5	1.9	1.8
Lebanon	50.7	54.1	78.4	97.6	156.8	152.1	6.8	8.3
Nigeria	17.4	15.9	7.4	7.7	29.5	27.9	5.2	4.4
Saudi Arabia	12.4	11.3	48.8	44.3	24.5	19.9	4.0	3.5
South Africa	35.0	33.9	39.6	40.9	65.3	58.7	31.5	25.5
UAE	22.3	22.0	71.5	68.6	20.2	19.4	52.6	46.3

Sources: IIF, BIS, Haver, National Sources.

Table 3: Currency Breakdown of EM Sectoral Debt

% of GDP <i>As of Q1-2020</i>	Non-financial corporates				Government				Financial Sector				Households	
	LC	FC	o/w USD	o/w EURO	LC	FC	o/w USD	o/w EURO	LC	FC	o/w USD	o/w EURO	LC	FC
Emerging markets														
EM Asia														
China	152.6	6.5	5.7	0.6	54.3	1.0	0.7	0.2	38.7	5.9	4.8	0.5	58.8	0.0
Hong Kong	21.3	209.3	158.7	34.2	64.0	1.8	1.6	0.0	31.2	123.8	96.5	14.7	79.4	3.2
India	37.3	7.5	6.1	1.2	66.5	2.0	2.0	0.0	1.2	3.0	2.7	0.2	12.4	0.0
Indonesia	13.8	9.0	8.4	0.2	18.2	8.4	6.7	1.2	4.6	5.4	5.0	0.2	16.8	0.3
Malaysia	58.4	10.4	7.4	0.1	52.2	2.2	1.7	0.0	11.4	19.0	14.4	2.1	68.0	0.4
S. Korea	87.2	17.4	14.7	1.9	40.4	0.9	0.7	0.2	65.4	27.2	21.9	3.6	97.2	0.7
Singapore	66.7	58.5	51.7	2.3	130.0	0.0	0.0	0.0	47.0	135.9	107.7	16.4	41.1	11.4
Thailand	40.4	7.2	6.1	0.1	34.4	0.1	0.1	0.0	35.0	7.7	7.0	0.4	70.0	0.1
EM Europe														
Czech Republic	29.7	27.8	1.3	25.4	31.5	3.5	0.0	3.4	34.8	5.5	0.4	5.1	33.1	0.1
Hungary	34.7	32.9	3.8	29.1	58.8	12.8	7.9	4.4	9.9	15.6	6.2	9.2	19.5	0.1
Poland	30.4	13.4	0.7	12.6	33.8	16.2	2.2	13.4	13.7	9.0	2.1	2.8	23.5	12.0
Russia	33.9	13.9	6.6	6.0	10.8	3.6	3.3	0.2	8.8	5.1	4.0	0.8	19.6	0.1
Turkey	34.7	34.5	15.1	18.7	16.7	18.9	11.2	5.3	4.4	19.1	14.8	4.2	16.1	0.0
Ukraine	14.3	13.2	10.5	2.6	24.9	38.7	30.7	7.9	1.1	11.5	6.5	3.8	5.4	1.3
EM Latam														
Argentina	4.6	10.3	9.9	0.3	20.6	77.2	54.1	7.0	2.5	3.2	0.9	0.1	5.4	0.2
Brazil	26.4	17.1	15.3	1.5	86.4	5.4	4.8	0.7	40.2	11.4	10.7	0.4	30.2	0.0
Chile	73.9	37.0	35.5	0.8	23.8	9.4	5.1	4.3	46.1	12.9	11.2	0.3	46.4	2.0
Colombia	25.5	10.6	9.5	0.5	31.6	17.3	16.4	0.9	0.8	6.8	6.8	0.0	28.9	0.1
Mexico	6.9	20.9	16.2	3.3	29.6	9.2	6.7	1.8	17.4	4.3	3.2	0.6	17.7	0.0
AFME														
Israel	47.1	23.4	15.8	5.9	50.0	10.2	7.5	2.7	9.9	1.5	1.2	0.2	42.4	0.2
S. Arabia	39.5	9.3	8.9	0.3	15.0	9.6	9.6	0.0	1.1	2.9	2.6	0.1	12.4	0.0
S. Africa	23.4	16.2	10.0	3.6	57.6	7.7	7.3	0.2	17.8	13.7	6.8	1.1	34.7	0.4

Sources: IIF, BIS, Haver, National Sources, IIF estimates

*LC=local currency; FC=foreign currency