

Global Debt Monitor

Slowdown in 2018—Pause or Trend?

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- “Only” \$3.3 trillion was added to the global debt mountain last year, bringing the total to over \$243 trillion.
- U.S. government borrowing ratcheted up in 2018, but strong GDP growth helped push total debt/GDP to its lowest since 2005
- Emerging markets in particular eased up on debt accumulation, which in 2018 was at the slowest pace since 2001.
- Nonetheless, EM government debt reached a record high of 50% of GDP last year. Despite low borrowing costs, high levels of interest spending on public debt threatens productive allocation of public resources, e.g. in Brazil, Lebanon and Egypt.
- FX-denominated EM debt remained stable at \$5.3 trillion in 2018.
- Some \$1.7 trillion of EM bonds/syndicated loans come due through end-2019; refinancing needs will be lower in 2020.

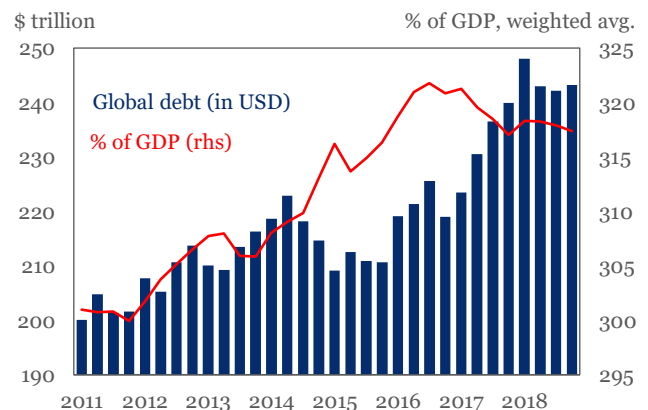
• **The rise in global debt slowed sharply in 2018:** Following a substantial rise of \$21 trillion in 2017, the pace of debt accumulation was much slower at just \$3.3 trillion in 2018, bringing the global debt mountain to \$243 trillion (Table 1). This slowdown was mainly driven by Europe and China. Moreover, all of the increase came in Q1 2018, when global debt hit a record high of \$248 trillion. Global debt declined significantly in Q2 and remained broadly stable through the end of the year. This left the global debt-to-GDP roughly unchanged at 317% for 2018—though this is still very high by historical standards (Chart 1).

• **Emerging market debt grew at the slowest pace since 2001:** At about \$1 trillion, the rise in EM debt last year was less than a quarter of the average annual increase seen in 2013-17. Most of the increase was in the household and non-financial corporate sectors, while overall borrowing was roughly in line with economic growth, with the debt-to-GDP ratio steady near 212% of GDP in 2018.

• **Mature markets—some more prudent than others:** With mature market growth relatively solid at 2.2%, the ratio of debt to GDP was broadly stable at 390% in 2018. However, this aggregate mask significant differences across countries: Japan, France and Australia saw the largest increases in total debt-to-GDP while Ireland, Netherlands and Portugal saw debt ratios fall.

• **U.S. corporate debt still on the rise:** Total debt in the U.S. grew by \$2.9 trillion to over \$68 trillion in 2018 (the largest annual rise since 2007), with general government accounting for over 40% of the increase. However, borrowing has still risen at a slower pace than overall economic growth, pushing total debt-to-GDP ratio (326%) to its lowest level since 2005. Household and financial sector borrowing was moderate last year; more broadly debt/GDP levels for these sectors are now 20 and 45 percentage points

Chart 1: After years of ramp-up, global debt growth slows



Source: IIF, BIS, IMF

Table 1: Sectoral Indebtedness*

\$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017
Mature markets	34.2	33.8	42.5	41.7	50.3	49.9	49.3	48.8	176.3	174.1
Emerging markets	12.0	11.4	29.5	29.4	14.9	14.6	10.5	10.4	66.9	65.8
Global	46.2	45.2	72.0	71.2	65.3	64.5	59.8	59.2	243.2	239.9

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.

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below pre-crisis peaks, respectively. However, non-financial corporate debt-to-GDP in the U.S., at 73% of GDP, is now close to its pre-crisis peak. And while general government debt/GDP has been stable near 100% since 2015, it is over 30 percentage points above its pre-crisis peak and is set to rise sharply given projections of higher federal budget deficits and slowing economic activity.

- **Household debt heading to a new peak in China:**

The authorities' efforts to curb excess leverage have been successful in keeping total debt near 290% of GDP since 2016. During this period, a steep reduction in shadow bank lending has driven modest deleveraging in the non-financial corporate sector. At present, non-financial sector debt is around 150-155% of GDP, over 5-7 percentage points less than its peak in early 2016—but this is still one of the highest levels in the world. In sharp contrast, household debt has grown more than 40% since 2016, with debt-to-GDP topping 52% in early 2019—well above the EM average of 37% (Chart 2). Household borrowing continues to be much higher than the growth of household income. At around 115%, the household debt-to-income ratio is some 15 percentage points higher than in 2016, leaving many households more vulnerable to swings in the business cycle. Of note, household debt has also hit a new record high in Chile, India, Israel, Korea, Belgium, Canada, France, New Zealand, Sweden, and Switzerland.

- **Rising interest spending on public debt may divert spending from economically productive investments:**

Total government debt worldwide topped \$65 trillion in 2018—up over 45% since 2009. However, trends vary: government debt-to-GDP in the Euro Area and Canada declined for a fourth consecutive year, while EM government debt hit a new record high of 50% of GDP (driven mainly by Latin America and EM Asia). Despite low interest rates, the dramatic increase in the stock of government debt over the past decade has resulted in a big jump in government interest expenses in some jurisdictions (particularly in Lebanon, Brazil, and Egypt)—which could mean more pain for future taxpayers while crowding out vital public investment (Chart 3).

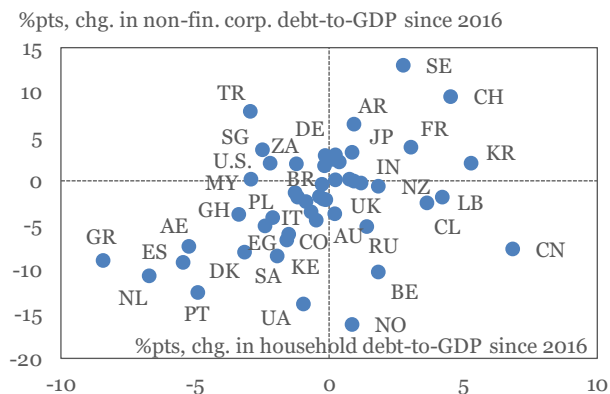
- **Eyes on EM FX-denominated debt:**

At around \$5.3 trillion, EM FX debt (excluding financials) remains broadly stable. However, sharp losses in EM currencies against the USD have led to higher FX debt ratios (Chart 4), with Argentina and Turkey seeing the largest increases.

- **Heavy EM redemptions:**

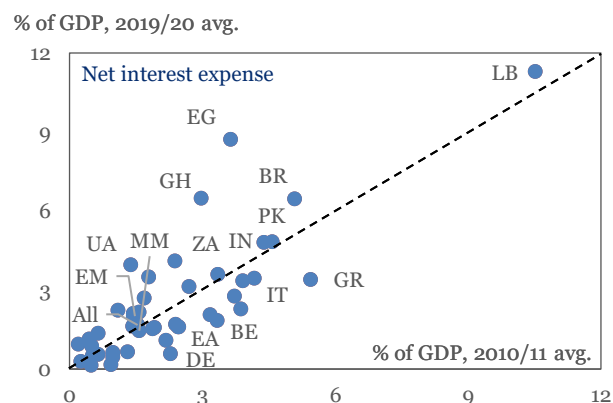
Around \$1.7 trillion of EM bonds and syndicated loans come due through end-2019. For 2020, our estimates suggest some moderation in EM refinancing needs, notably for non-financial corporates.

Chart 2: Private non-financial debt-to-GDP



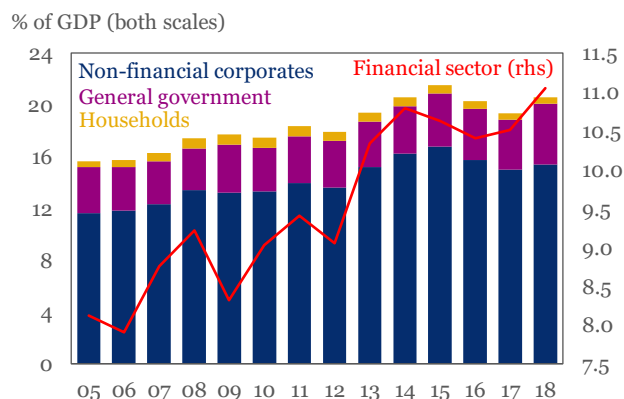
Source: IIF, BIS, IMF

Chart 3: Net interest expense on general government debt



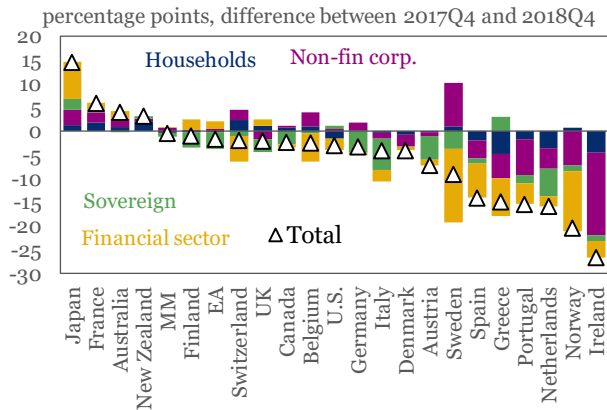
Source: IMF, IIF staff estimates

Chart 4: FX-denominated debt in emerging markets



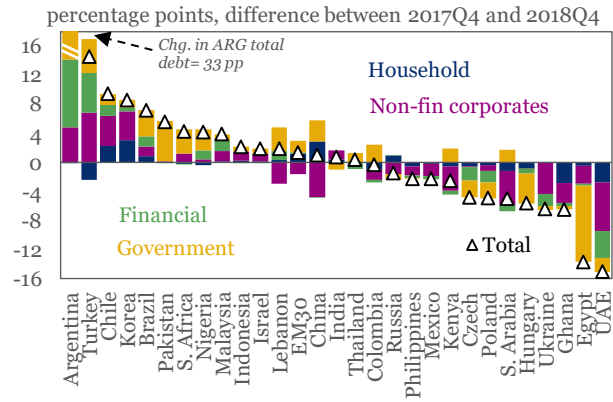
Source: BIS, IIF staff estimates

Chart 5: Change in mature market debt-to-GDP



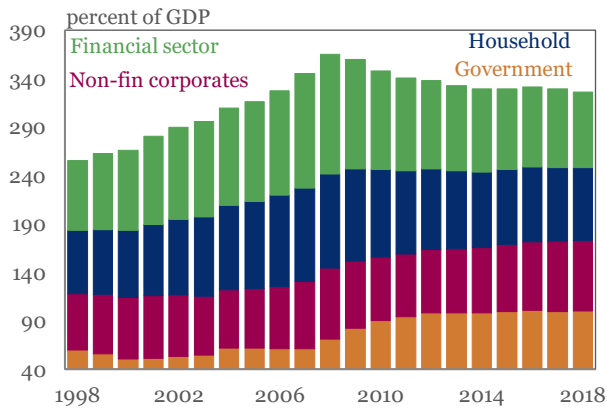
Source: BIS, Fed, ECB, BoJ, Haver, IIF.

Chart 6: Change in emerging market debt-to-GDP



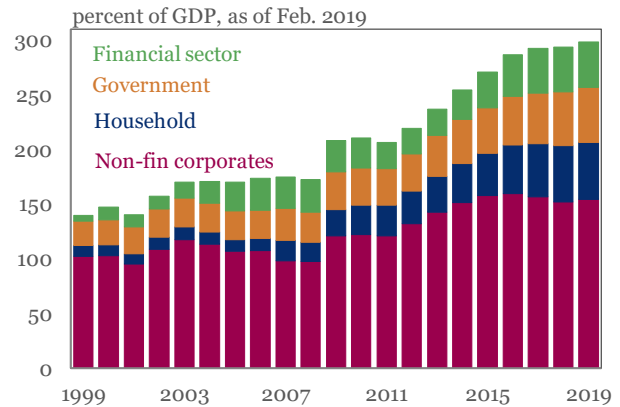
Source: BIS, Haver, IIF.

Chart 7: U.S. debt-to-GDP



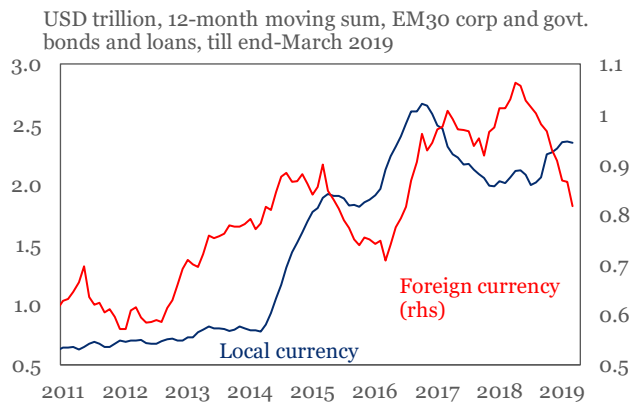
Source: Fed, IIF

Chart 8: China debt-to-GDP



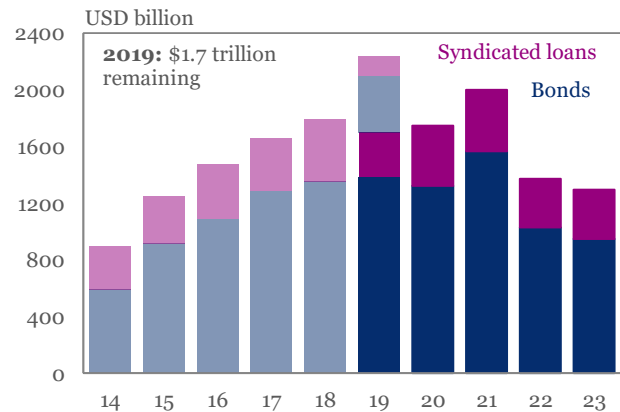
Source: BIS, Haver, IIF.

Chart 9: EM debt issuance slowdown especially in foreign currency



Source: Thomson One, IIF.

Chart 10: EM debt maturity profile



Source: Thomson One, IIF.

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017
Global	59.6	59.4	91.3	91.5	86.0	85.8	80.5	80.3
Mature markets	72.7	73.1	91.1	90.5	107.7	108.5	108.4	108.3
U.S.	74.8	76.4	73.0	72.6	100.2	99.4	78.2	80.6
Euro Area	57.8	58.0	106.8	106.4	97.2	100.7	125.9	124.2
Japan	55.2	54.0	102.5	99.3	225.2	222.9	154.1	146.3
UK	87.2	86.1	83.8	85.5	103.2	106.0	177.9	176.6
Emerging markets	37.6	36.4	91.7	93.3	49.7	47.8	33.6	33.4
EM Asia	48.2	46.1	121.0	123.7	50.3	48.9	41.6	41.8
China	51.2	48.4	152.1	156.9	49.2	46.2	40.8	40.9
Hong Kong	70.3	70.6	220.9	232.2	66.3	70.7	147.9	153.5
India	11.4	11.0	46.1	44.8	68.0	69.0	5.1	5.1
Indonesia	17.2	17.0	23.6	22.4	29.8	29.1	9.3	9.3
Malaysia	67.3	67.1	68.7	67.3	51.6	50.8	32.0	30.5
Pakistan	2.8	2.7	16.4	16.3	72.5	67.0	0.9	1.1
Philippines	15.3	15.9	61.5	62.8	39.8	39.9	11.2	11.5
S. Korea	97.9	94.8	102.2	98.3	39.1	38.1	84.9	84.3
Singapore	54.8	56.4	114.7	113.6	111.1	108.0	181.9	187.7
Thailand	68.7	68.8	48.1	48.0	33.7	32.5	37.5	38.3
EM Europe	19.3	19.5	54.0	53.4	29.9	29.8	20.0	19.0
Czech Republic	31.1	31.6	56.4	56.6	34.7	37.0	33.1	35.0
Hungary	18.0	18.8	67.1	67.2	74.7	78.8	22.0	22.8
Poland	34.6	35.0	45.5	46.3	50.5	52.7	22.6	24.1
Russia	16.7	15.8	46.3	48.0	14.7	15.5	11.5	11.5
Turkey	14.7	17.1	75.5	68.6	33.6	28.9	33.0	27.6
Ukraine	5.7	5.6	29.2	33.5	70.5	71.0	11.7	13.3
EM Latam	23.1	22.7	37.4	36.4	65.8	61.4	26.9	25.2
Argentina	6.9	7.0	18.6	13.8	79.4	59.5	20.7	11.4
Brazil	28.1	27.3	42.2	40.8	86.8	83.2	35.5	34.1
Chile	45.9	43.7	99.0	94.8	26.4	24.9	45.7	44.2
Colombia	25.7	26.7	33.8	35.1	51.9	49.4	5.3	5.7
Mexico	15.8	16.0	24.9	26.5	35.3	35.2	16.3	16.8
AFME	18.1	19.0	43.9	46.2	39.3	39.0	12.4	13.0
Egypt	7.0	7.5	25.7	28.2	92.5	103.0	5.8	6.1
Ghana	2.7	5.5	19.8	22.5	56.8	57.3	2.6	3.0
Israel	42.0	41.8	69.5	68.5	60.5	59.8	9.6	9.6
Kenya	7.4	8.0	24.2	27.6	56.1	54.2	2.0	2.6
Lebanon	74.0	73.7	103.5	106.4	150.0	146.8	8.9	7.6
Nigeria	4.0	4.5	12.0	11.6	24.8	21.8	4.3	3.0
Saudi Arabia	11.7	12.8	42.5	47.3	18.7	17.0	4.1	4.9
South Africa	32.9	33.1	39.2	38.0	58.1	54.7	23.0	23.1
UAE	21.2	24.0	83.5	90.1	17.8	19.7	40.5	44.2

Sources: IIF, BIS, Haver, National Sources.

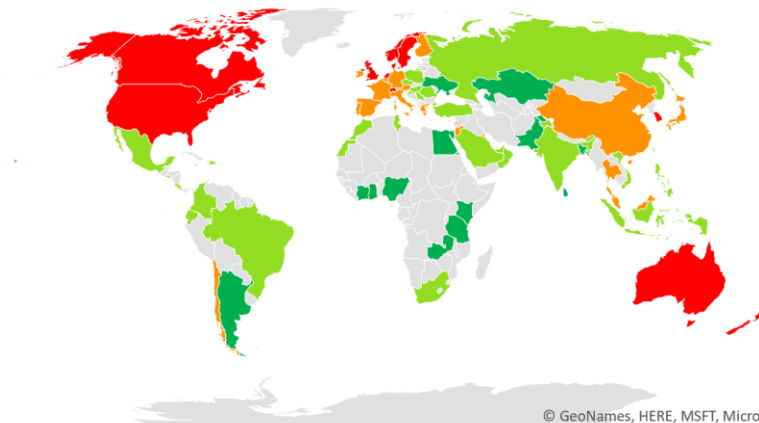
Table 3: Currency Breakdown of EM Sectoral Debt

% of GDP <i>As of April 2019</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	145.1	7.1	6.0	0.6	48.4	0.8	0.6	0.1	34.6	6.3	5.0	0.7	51.2	0.0
Hong Kong	39.9	181.0	141.3	18.8	64.4	1.9	1.7	0.1	36.2	111.8	88.5	11.0	67.7	2.5
India	37.8	8.3	7.0	0.8	66.2	1.9	1.8	0.0	1.4	3.7	3.2	0.3	11.4	0.0
Indonesia	12.3	11.3	10.1	0.6	20.3	9.5	7.9	1.0	3.9	5.4	4.9	0.3	16.9	0.4
Malaysia	50.6	18.1	12.4	0.8	50.4	1.2	1.2	0.0	13.2	18.8	14.6	1.7	67.0	0.3
S. Korea	84.1	18.2	15.7	1.1	38.7	0.4	0.3	0.1	60.5	24.4	19.6	3.1	97.3	0.6
Singapore	54.5	60.2	46.0	5.1	111.1	0.0	0.0	0.0	45.0	136.9	100.6	13.7	44.4	10.4
Thailand	36.6	11.5	9.3	0.6	33.5	0.1	0.1	0.0	29.9	7.6	6.6	0.4	68.6	0.1
EM Europe														
Czech Republic	31.5	24.9	1.7	22.4	30.7	4.1	0.0	3.9	26.6	6.5	0.4	6.0	31.0	0.1
Hungary	34.7	32.5	9.5	22.6	57.5	17.2	11.6	4.9	6.6	15.5	6.3	8.9	17.9	0.1
Poland	31.1	14.4	3.0	9.8	34.3	16.2	2.6	12.7	13.5	9.0	1.6	4.3	22.0	12.6
Russia	31.7	14.7	8.2	5.5	11.5	3.3	3.1	0.2	6.1	5.4	4.3	0.8	16.5	0.2
Turkey	25.3	50.2	27.1	22.4	18.3	15.3	9.8	4.2	4.9	28.2	20.1	7.8	14.7	0.0
EM Latam														
Argentina	4.6	14.1	13.5	0.4	15.6	63.8	51.5	7.0	2.6	18.1	1.6	0.1	6.7	0.2
Brazil	24.9	17.2	15.9	0.9	82.9	3.9	3.3	0.6	26.4	9.1	8.6	0.3	28.1	0.0
Chile	64.6	34.4	33.4	0.6	22.2	4.2	2.3	1.8	36.8	8.9	7.5	0.3	44.0	2.0
Colombia	22.4	11.4	10.1	0.8	35.9	16.0	14.9	0.9	0.5	4.9	4.6	0.2	25.6	0.1
Mexico	6.8	18.1	13.7	3.0	29.0	6.3	4.6	1.1	13.5	2.7	2.2	0.4	15.8	0.0
AFME														
Israel	44.9	24.6	17.0	5.4	50.9	9.6	6.5	3.1	8.0	1.6	1.0	0.4	41.7	0.3
S. Arabia	34.3	8.2	7.5	0.5	9.7	9.0	9.0	0.0	0.6	3.5	3.1	0.1	11.7	0.0
S. Africa	22.8	16.3	11.2	3.0	50.8	7.3	6.3	0.6	13.1	9.9	3.6	1.3	32.5	0.4

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

*LC=local currency; FC=foreign currency

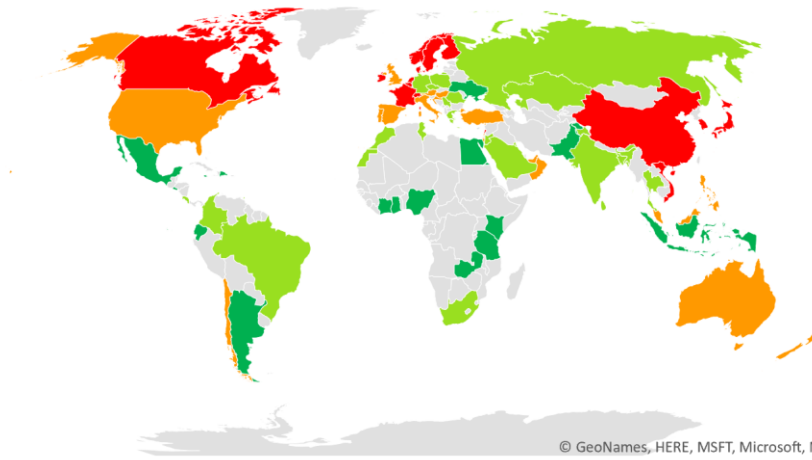
Global household debt-to-GDP, 2018 (or latest) *



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**Countries with relatively lower and higher debt levels are highlighted in green and red, respectively (Green<Yellow<Orange<Red).
Source: IIF Global Debt Monitor; IIF Frontier Debt Monitor*

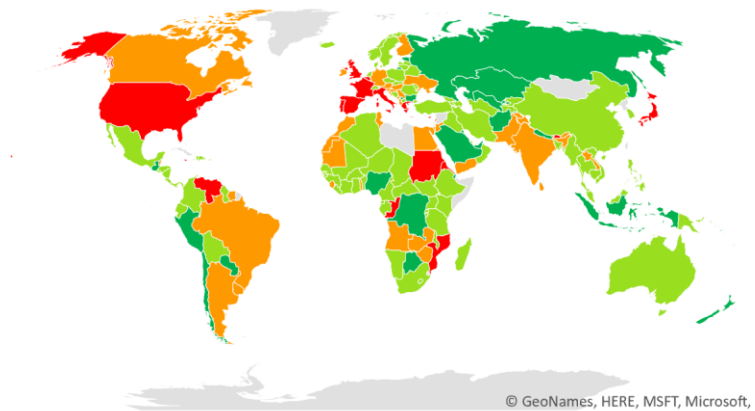
Global non-financial corporate debt-to-GDP, 2018 (or latest) *



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Global government debt-to-GDP, 2018 (or latest) *



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