Global Debt Monitor
High debt may exacerbate climate risk

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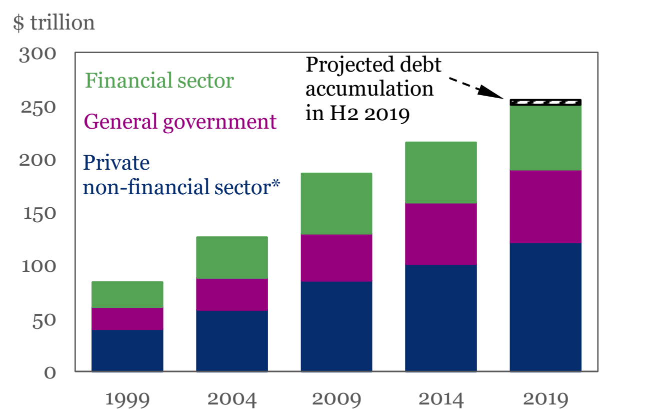
- Global debt surged by $7.5 trillion in H1 2019, hitting a new record of over $250 trillion. With no sign of a slowdown, we expect the global debt load to exceed $255 trillion in 2019—largely driven by the U.S. and China.
- EM debt topped $71.4 trillion in Q2 2019, reaching a fresh record of 220% of GDP; state-owned enterprises account for over half of all EM non-financial corporate debt. EM bonds now comprise over 47% of total EM debt outside the household sector—up from 43% in 2009. Spurred by low global rates, FX debt is on the rise again across emerging markets.
- Lack of transparency could exacerbate risks for some vulnerable sovereign borrowers. Heavy debt burdens may also weigh on efforts to mitigate climate change—a significant source of concern particularly for some EMs and low-income countries.
- Some $9.4 trillion of EM bonds/syndicated loans come due through end-2021, highlighting upcoming refinancing risks.

- **Global debt on track to exceed $255 trillion in 2019:** Spurred by looser financial conditions, the ballooning global debt load increased by $7.5 trillion in H1 2019—and now hovers near a new record of over $250 trillion (320% of GDP). China and the U.S. accounted for over 60% of the increase. Similarly, EM debt also hit a new record of $71.4 trillion (220% of GDP). With few signs of slowdown in the pace of debt accumulation (see below), we estimate that global debt will surpass $255 trillion this year (Chart 1).
- **Debt outside the financial sector hits $190 trillion:** With non-financial sector debt rising faster than global economic activity, the world's debt pile (ex-financials) now tops 240% of GDP (or $190 trillion). Across sectors, government debt (+1.5%pts) saw the biggest rise in H119, followed by non-financial corporates (+1%pt). We estimate that global government debt will top $70trn in 2019, up from $65.7trn in 2018—driven mainly by the surge in U.S. federal debt. With net borrowing by the Chinese corporate sector on the rise again, we expect global non-financial corporate debt to rise by 6% to over $75 trillion this year.
- **Watch out for contingent liabilities:** The big increase in global debt over the past decade—over $70 trillion—has been driven mainly by governments and the non-financial corporate sector (each up by some $27 trillion). For mature markets, the rise has mainly been in general government debt (up $17 trillion to over $52 trillion). However, for emerging markets the bulk of the rise has been in non-financial corporate debt (up $20 trillion to over $30 trillion). Moreover, available data suggest that state-owned enterprises (SOEs) now account for over half of EM non-financial corporate debt—meaning that sovereign-related borrowing has been the single most important driver of global debt over the past decade. This trend also highlights the challenges many EM governments are likely to face in managing contingent liabilities related to SOE borrowing (see for example our recent note on South Africa).

Chart 1: Global debt on track to surpass $255 trillion in 2019



Source: IIF, BIS, IMF

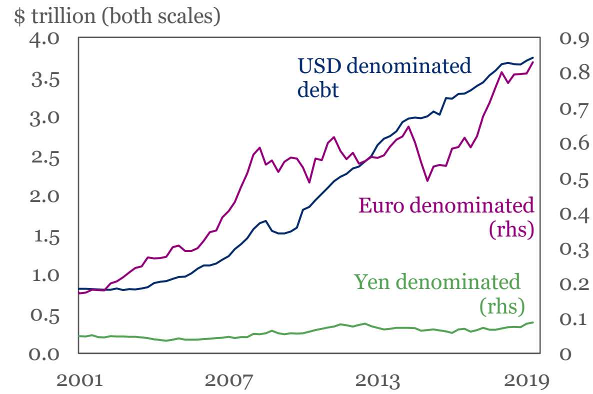
Table 1: Sectoral Indebtedness*

$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q2 2019	*Q2 2018*	*Q2 2019*	*Q2 2018*	*Q2 2019*	*Q2 2018*	*Q2 2019*	*Q2 2018*	*Q2 2019*	*Q2 2018*
Mature markets	34.4	33.8	43.2	42.4	52.1	50.8	49.8	49.8	179.5	176.8
Emerging markets	12.9	11.7	31.0	29.5	16.3	14.9	11.2	10.7	71.4	66.8
Global	47.2	45.6	74.2	71.9	68.4	65.6	61.0	60.5	250.9	243.6

*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.*

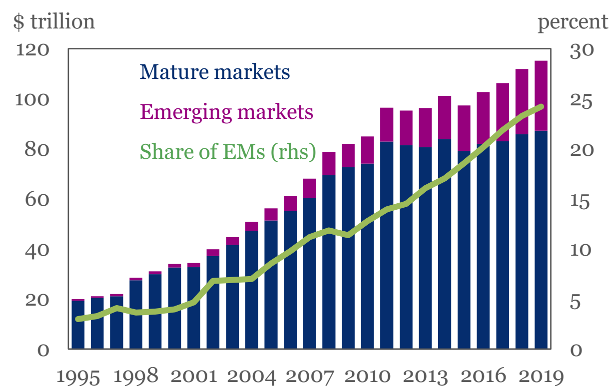
- **Limits to debt-fueled growth:** With over 60% of the world's countries expected to see below-potential growth in 2020, accommodative central bank policy allows both corporates and sovereigns to borrow and refinance at low rates. However, with diminishing scope for further monetary easing in many parts of the world, countries with high levels of government debt (Italy, Lebanon)—as well as those where government debt is growing rapidly (Argentina, Brazil, South Africa, and Greece)—may find it harder to turn to fiscal stimulus. Moreover, investor appetite for funding the corporate sector in high-debt countries is sensitive to shifts in global risk sentiment; if this appetite wanes, it could weigh on capex and new job creation. With FX debt in EMs at record highs (Chart 2), greater reliance on FX borrowing in some countries (Argentina, Saudi Arabia, Turkey, Mexico, Chile) could exacerbate the risks if growth slows further (see Charts 11-16).
- **Bond issuance fuels global debt accumulation:** A striking feature of the past decade has been the rapid growth of capital markets. With the size of global bond markets increasing from $87 trillion in 2009 to over $115 trillion in mid-2019 (Chart 2), debt securities (mainly bonds) at present compose 56% of global debt outside the household sector—broadly stable at 2009 levels. Market growth has been most evident in government bonds—which now make up 47% of global bond markets compared to 40% in 2009. (In contrast, deleveraging has brought the share of bonds issued by financial institutions to below 40% from over 50% in 2009). The bond universe has grown most rapidly in emerging markets, swelling by over $17 trillion to near $28 trillion since 2009 (Chart 3). Bonds now account for over 47% of EM debt (ex-households), up from 43% in 2009.
- **High debt burdens could curb efforts to tackle climate risk:** Global climate finance flows remain far short of what's needed for an effective transition to a low-carbon economy. Total global issuance of sustainable loans and securities to date amounts to slightly over $1 trillion: for context, the IPCC estimates suggest that an average of $3.5 trillion ($3 trillion) in 2010 U.S. dollars is needed annually to prevent global temperatures from increasing 1.5 (2.0) degrees Celsius by 2050. To achieve this goal, public and private climate finance flows will have to be scaled up rapidly. This is a growing source of concern for high-debt countries that also have high exposure to climate risk (e.g. Japan, Singapore, Korea and even the U.S.). Climate-vulnerable countries with weak tax bases will face even more challenges: in emerging markets these include India and South Africa; among low-income countries The Gambia, Zambia, and Tanzania stand out (Chart 4). Lack of transparency in some cases—associated with "hidden debt" and/or poorly understood contingent liabilities—creates additional uncertainty and risks; and could leave some sovereigns struggling to source international and domestic capital—including to combat climate change.

Chart 2: Emerging markets' FX debt at record highs*



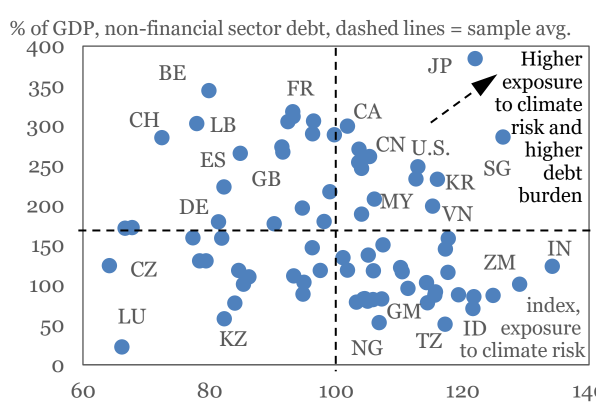
*Source: BIS, IIF' *excludes banks*

Chart 3: EMs account for nearly one-quarter of the global bond universe—up from 11% in 2009



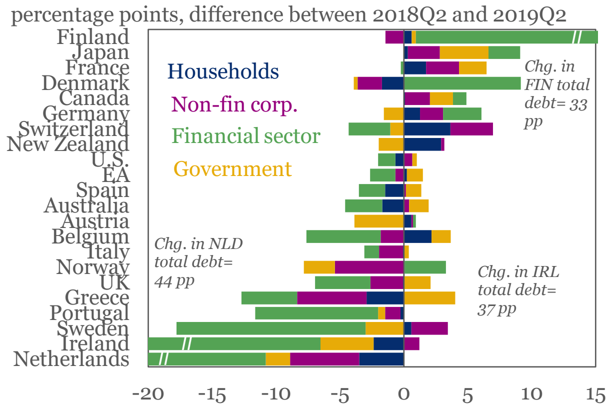
Source: Bloomberg, BIS, IIF

Chart 4: High debt burdens could curb efforts to climate mitigation



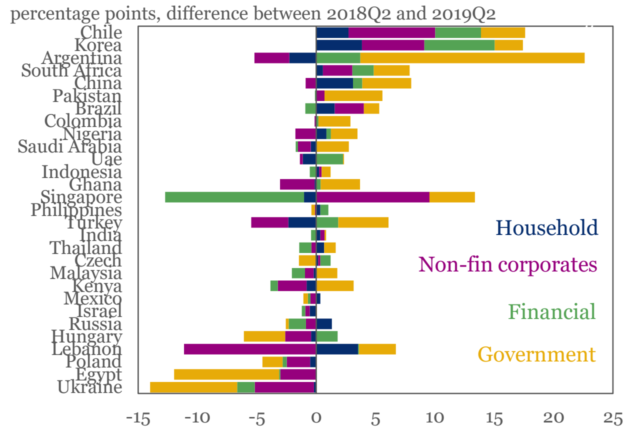
Source: Notre Dame Global Adoption Initiative, IIF.

Chart 5: Sharp rise in debt in Finland, Japan and France



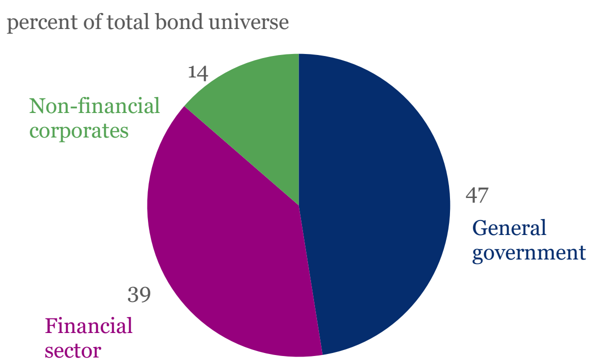
Source: BIS, Fed, ECB, BoJ, Haver, IIF.

Chart 6: Debt in Chile, Korea and Argentina on the rise



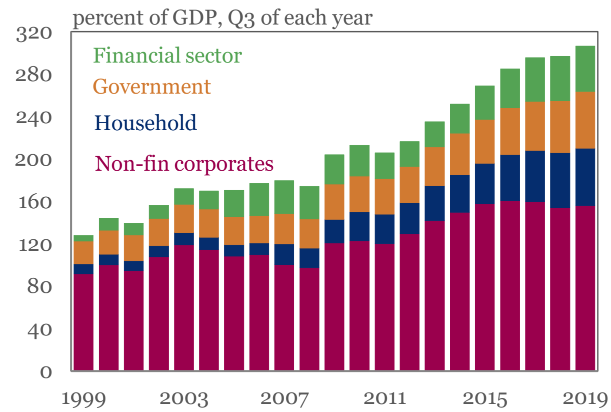
Source: BIS, Haver, IIF.

Chart 7: Corporates account for +50% of the bond universe



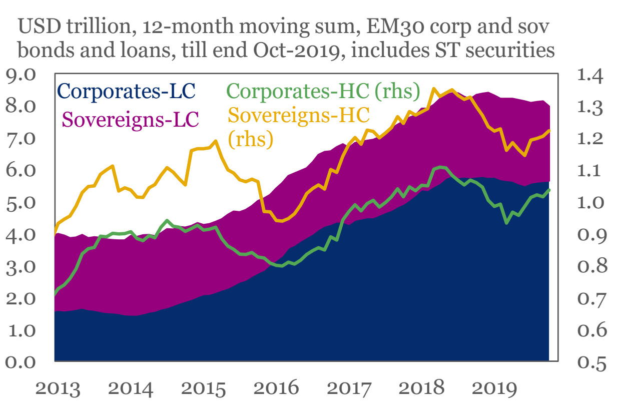
Source BIS, IMF, Bloomberg, National source, IIF.

Chart 8: China's total debt tops 306% of GDP



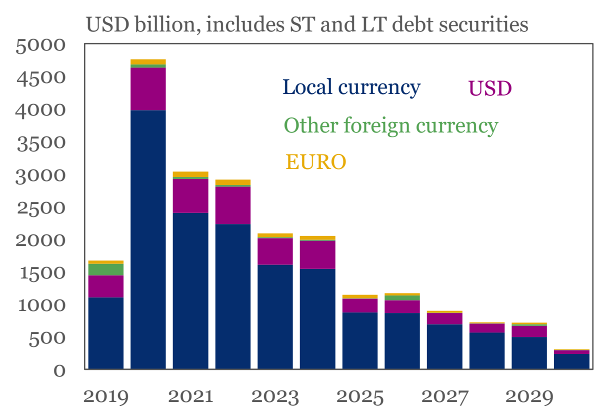
Source BIS, IMF, National source, IIF.

Chart 9: Softer USD could be helpful to stimulating capital-market lending



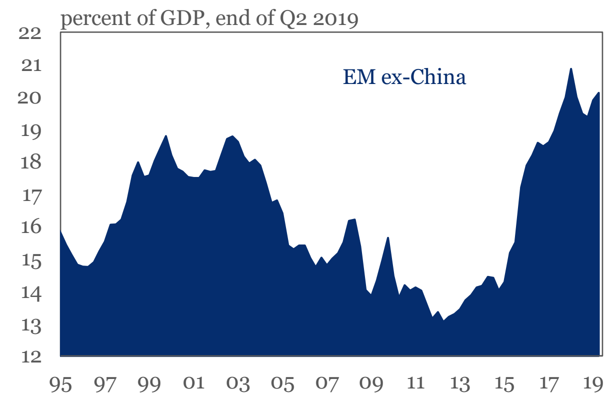
Source: Bloomberg, IIF; HC = hard currency, LC = local currency

Chart 10: Bumpy road to EM redemptions



Source: Bloomberg, IIF.

Chart 11: EM (ex-China)—FX debt of non-bank borrowers

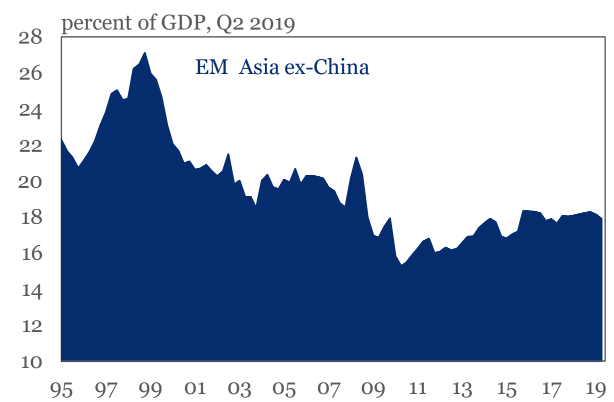


Source: BIS, IIF; 95Q1-99Q4 figures are estimated using BIS debt and banking statistics; only includes USD, EUR and JPY debt.

Chart 12: China—FX debt of non-bank borrowers

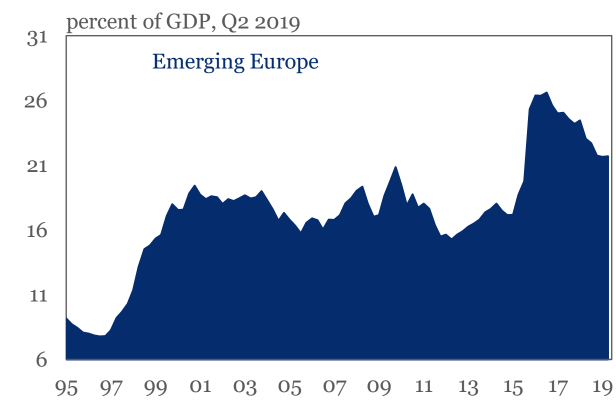
Source: BIS, IIF; 95Q1-99Q4 figures are estimated using BIS debt and banking statistics; only includes USD, EUR and JPY debt.

Chart 13: EM Asia (ex-China)—FX debt of non-bank borrowers



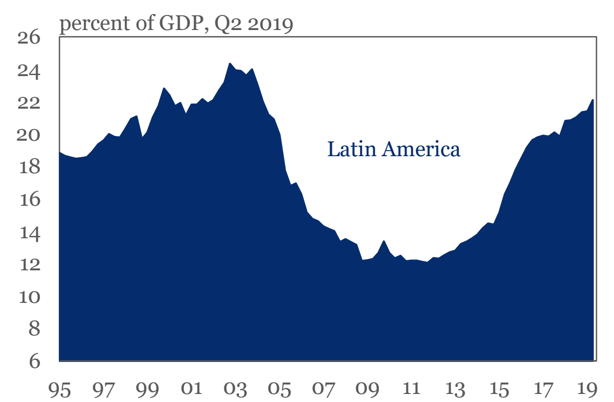
Source: BIS, IIF; 95Q1-99Q4 figures are estimated using BIS debt and banking statistics; only includes USD, EUR and JPY debt.

Chart 14: EM Europe—FX debt of non-bank borrowers



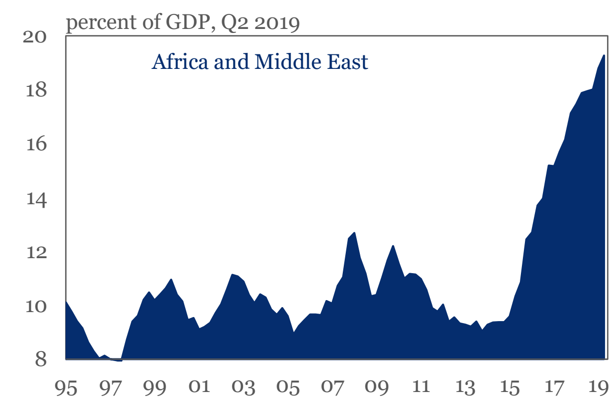
Source: BIS, IIF; 95Q1-99Q4 figures are estimated using BIS debt and banking statistics; only includes USD, EUR and JPY debt.

Chart 15: LatAm—FX debt of non-bank borrowers



Source: BIS, IIF; 1995Q1-1999Q4 figures are estimated using BIS debt and banking statistics; only includes USD, EUR and JPY debt.

Chart 16: Africa/Middle East—FX debt of non-bank borrowers



Source: BIS, IIF; 1995Q1-1999Q4 figures are estimated using BIS debt and banking statistics; only includes USD, EUR and JPY debt.

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Global	**59.9**	**59.4**	**92.0**	**91.8**	**87.7**	**86.1**	**80.4**	**81.2**
Mature markets	**72.0**	**72.2**	**90.9**	**90.6**	**109.3**	**108.2**	**107.5**	**108.9**
U.S.	74.2	74.9	73.8	73.1	100.5	100.1	77.3	78.7
Euro Area	57.8	57.5	107.8	108.4	100.8	99.5	122.4	124.3
Japan	55.5	55.2	100.8	98.3	227.9	224.1	151.9	149.4
UK	83.4	83.5	78.6	81.2	105.0	102.9	174.4	178.7
Emerging markets	**39.5**	**37.8**	**93.7**	**93.9**	**51.5**	**49.2**	**35.1**	**34.9**
EM Asia	49.7	47.3	122.2	122.2	52.7	50.0	42.5	42.3
China	53.8	50.7	155.3	156.2	52.3	48.2	42.5	41.7
Hong Kong	73.9	71.5	224.0	231.5	47.1	66.4	132.2	157.8
India	11.4	11.0	44.6	44.3	67.5	67.4	4.0	4.4
Indonesia	17.1	16.9	23.1	22.9	30.2	29.5	9.3	9.8
Malaysia	67.7	67.9	68.1	68.8	53.3	51.5	31.4	32.5
Pakistan	2.8	2.8	14.3	13.6	74.3	69.5	0.8	0.9
Philippines	16.6	16.2	31.6	31.7	39.1	39.4	11.4	10.7
S. Korea	94.1	90.3	99.4	94.1	39.3	36.9	87.5	81.6
Singapore	54.2	55.2	117.8	108.3	113.8	110.0	184.2	195.9
Thailand	68.9	68.2	47.7	48.1	33.8	32.8	37.4	38.5
EM Europe	20.0	20.1	52.3	54.0	30.5	30.3	19.0	19.2
Czech Republic	32.0	31.8	57.2	57.0	35.2	36.7	36.2	35.3
Hungary	18.0	18.4	67.6	69.8	73.2	76.7	24.6	22.8
Poland	34.9	35.4	44.8	46.8	50.6	52.3	24.5	24.8
Russia	17.6	16.3	46.1	47.0	14.8	15.1	10.3	11.8
Turkey	14.5	16.8	69.0	72.1	35.0	30.8	27.8	25.9
Ukraine	5.6	5.8	24.2	29.2	58.6	65.9	10.5	12.0
EM Latam	23.2	22.5	37.4	36.3	68.5	65.3	29.6	29.4
Argentina	5.0	7.3	13.1	16.1	98.7	79.8	19.9	16.2
Brazil	28.3	26.7	42.4	39.9	88.0	86.7	41.2	42.1
Chile	46.7	44.0	101.4	94.1	28.7	25.0	49.2	45.3
Colombia	26.7	26.8	35.0	35.1	54.3	51.6	5.5	5.4
Mexico	16.4	16.1	25.9	26.4	35.3	35.7	16.5	16.7
AFME	20.2	20.3	41.8	42.8	40.7	40.0	13.6	13.1
Egypt	7.1	7.1	22.9	25.9	88.4	97.3	5.4	5.5
Ghana	2.6	2.7	18.2	21.1	61.7	58.4	4.1	3.8
Israel	41.4	41.9	69.8	70.2	60.3	60.2	10.2	10.5
Kenya	7.4	8.2	19.6	22.0	60.9	57.8	1.7	2.3
Lebanon	55.0	51.5	94.3	105.4	153.1	150.0	8.3	8.2
Nigeria	16.0	15.2	8.2	10.0	28.6	26.4	4.4	4.0
Saudi Arabia	11.5	12.0	44.7	45.8	20.9	18.2	3.8	4.0
South Africa	33.8	33.2	41.0	38.5	59.5	56.5	25.7	23.9
UAE	22.1	23.2	68.6	68.8	19.6	19.6	45.9	43.6

Sources: IIF, BIS, Haver, National Sources.

Table 3: Currency Breakdown of EM Sectoral Debt

% of GDP	Non-financial corporates				Government				Financial Sector				Households	
As of Nov-2019	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	149.2	6.1	5.3	0.6	51.9	0.4	0.4	0.0	36.4	6.1	4.8	0.7	53.8	0.0
Hong Kong	36.6	187.4	151.1	25.9	46.8	0.3	0.3	0.0	24.8	107.4	81.2	12.1	71.4	2.5
India	38.3	6.4	5.2	1.0	65.6	1.9	1.9	0.0	0.8	3.2	2.8	0.2	11.4	0.0
Indonesia	15.3	7.8	7.4	0.2	21.2	9.0	7.3	1.1	4.5	4.8	4.5	0.1	16.8	0.3
Malaysia	56.8	11.2	8.0	0.1	51.4	1.9	1.4	0.0	11.9	19.5	14.4	2.1	67.4	0.3
S. Korea	83.4	16.0	13.5	1.7	38.9	0.4	0.3	0.1	61.5	26.0	20.9	3.4	93.5	0.6
Singapore	62.3	55.6	47.6	3.5	113.8	0.0	0.0	0.0	46.5	137.7	104.5	15.1	43.1	11.1
Thailand	40.4	7.3	5.9	0.4	33.6	0.1	0.1	0.0	30.6	6.9	6.1	0.4	68.7	0.1
EM Europe														
Czech Republic	33.5	23.7	1.1	21.9	31.7	3.6	0.0	3.4	31.1	5.1	0.4	4.7	31.9	0.1
Hungary	36.6	31.0	2.9	28.1	59.3	13.9	9.6	3.7	8.5	16.0	8.1	7.7	17.9	0.1
Poland	31.3	13.5	0.9	12.6	35.9	14.7	2.7	11.4	15.5	8.9	1.2	3.3	22.7	12.2
Russia	33.4	12.8	5.9	5.7	11.4	3.4	3.2	0.2	6.1	4.3	3.4	0.5	17.5	0.2
Turkey	30.4	38.6	16.6	21.2	17.5	17.5	10.3	5.5	5.1	22.7	17.4	5.2	14.5	0.0
EM Latam														
Argentina	2.8	10.4	10.0	0.3	18.9	79.8	64.5	8.6	2.4	17.6	1.2	0.1	4.9	0.2
Brazil	27.3	15.1	13.5	1.3	84.8	3.2	2.7	0.5	32.2	9.0	8.6	0.2	28.3	0.0
Chile	70.3	31.1	30.3	0.5	25.1	3.6	2.0	1.7	39.6	9.6	8.1	0.2	44.8	1.9
Colombia	26.3	8.7	7.8	0.4	42.2	12.1	11.3	0.6	0.7	4.8	4.8	0.0	26.6	0.1
Mexico	9.1	16.8	12.6	2.9	29.2	6.2	4.3	1.3	13.8	2.7	2.1	0.4	16.4	0.0
AFME														
Israel	45.8	24.0	16.9	5.1	50.1	10.2	6.4	3.7	8.7	1.5	1.3	0.2	41.1	0.2
S. Arabia	34.9	9.8	9.5	0.2	11.2	9.8	9.8	0.0	1.1	2.6	2.3	0.1	11.5	0.0
S. Africa	25.1	15.9	9.5	3.2	52.9	6.6	5.6	0.6	14.1	11.6	5.4	1.0	33.4	0.4

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

**LC=local currency; FC=foreign currency; o/w = of which*

