Record debt, resilient markets—justifiable optimism?

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- Will growth save the day? Global debt hit a record of nearly $353T, but global debt/GDP ratio remained stable at 305%.
- Middle East tensions have had limited spillovers beyond energy markets to date: after an initial hit, global risk appetite has recovered quickly, with few signs of imminent debt market stress.
- Cross-border investors have shown some signs of diversification away from U.S. Treasuries in favor of EU and Japanese government bonds; meanwhile U.S. corporate bond markets continue to boom—supported by AI-related issuance and strong overseas inflows.
- Emerging markets are seeing higher debt/GDP ratios, but EM debt remains resilient, with spreads near record lows—supported by a softer dollar, solid fundamentals, and sustained access to international markets.
- This issue of the Global Debt Monitor reclassifies Czechia, Hong Kong, Israel, Singapore, and South Korea as mature markets. Bulgaria has also been added to our database as part of the mature market sample and included in the Euro Area aggregate.

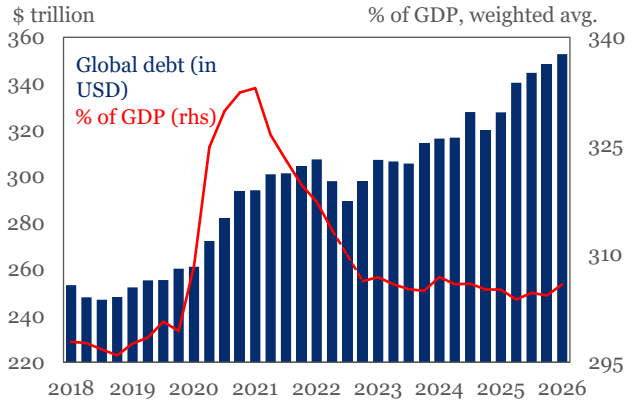
Global debt rose for a fifth consecutive quarter in Q1 2026, increasing by more than $4.4 trillion to reach a record high of nearly $353 trillion. This pace of accumulation marked the fastest increase since Q2 2025.

In absolute terms, the rise has been concentrated in China and the U.S., driven largely by government borrowing. A notable development in early 2026 was a sharp acceleration in debt accumulation by Chinese non-financial corporates—predominantly state-owned enterprises—which significantly outpaced sovereign borrowing in China. Outside these two economies, debt across mature markets edged lower, while total debt in emerging markets excluding China rose modestly to a record $36.8 trillion, with governments accounting for the bulk of the increase.

As a share of GDP, global debt has remained broadly stable at around 305% since early 2023. Debt ratios continue to trend downward in mature markets while rising steadily in emerging markets. The most pronounced increases over this period were observed in Norway, Kuwait, China, Bahrain, and Saudi Arabia—each recording gains of more than 30 percentage points of GDP.

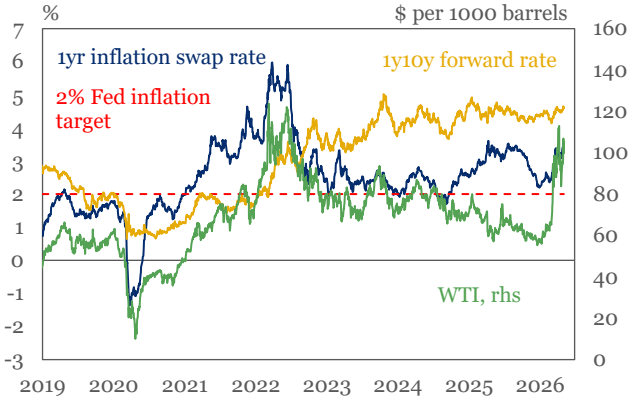
The risks are real: Looking ahead, structural pressures—including aging populations, rising defense spending, energy security and diversification needs, cybersecurity, and AI-related capital expenditure—are expected to push government and corporate debt levels higher over the medium- to long-term. The recent conflict in the Middle East is set to further intensify some of these pressures. In the near term, however, the trajectory of debt accumulation will depend significantly

Chart 1: Global debt sets records—but solid global growth has kept debt/GDP ratios under control



Source: IIF Global Debt Monitor

Chart 2: Oil price surge boosts inflation expectations, but projected long-term borrowing costs haven't risen



Source: Bloomberg, IIF

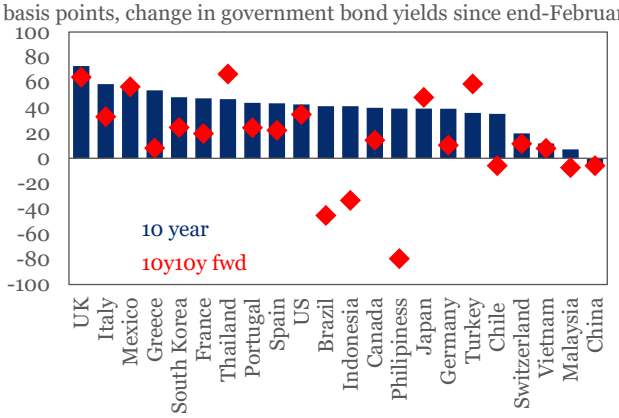
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on developments in the region and the response of fiscal and monetary authorities (Chart 2).

Rising inflationary pressures—driven by higher energy and food prices—will compel many sovereigns, particularly energy importers, to mitigate the economic impact through fiscal support, leading to wider deficits, additional borrowing, and higher debt levels—especially in emerging markets with limited fiscal buffers. While higher inflation may temporarily help reduce debt ratios, the relief won't be sustained if inflation becomes entrenched. If the Middle East conflict persists, prolonged price pressures will feed through to borrowing costs, particularly at the long end of the curve, even if central banks—increasingly constrained by rising public debt—do not act aggressively to rein in inflation.

Investor risk appetite holds firm amid geopolitical uncertainty: The impact of the Middle East conflict on markets beyond energy has so far been limited and short-lived, with spillovers to debt and credit markets remaining contained (Chart 3). Investor sentiment has also proven resilient, recovering relatively quickly compared to previous stress episodes, including last year's trade shock and the Russia–Ukraine war (Chart 4).

Chart 3: Risk still on: most governments have not seen higher borrowing costs, despite the Middle East conflict



Source: Bloomberg, IIF

Chart 4: Global risk appetite is holding up quite well



Source: IIF, Bloomberg; The first principal component of VIX, Move, BBB spreads, Global FX volatility, EM FX volatility, EM eurobond spreads, U.S. Treasury term premium

That said, the current conflict forms part of a broader trend of intensifying geopolitical tensions and armed conflicts since the onset of COVID-19. Over time, the longer-term implications are likely to become more apparent—prompting governments and corporates to prioritize supply chain resilience and forge new partnerships and trade routes, as reflected in the UAE's recent strategic realignment away from OPEC+. These shifts carry significant fiscal implications, with meaningful consequences for interest rates and inflation dynamics.

Signs of diversification away from U.S. assets, de-dollarization in focus: Recent market developments point to early signs of portfolio diversification, particularly in cross-border investments in government securities. International demand for Japanese and European government bonds has strengthened, while demand for U.S. Treasuries has remained broadly stable this year (Chart 5).

These trends partly reflect diverging debt trajectories, which are increasingly influencing investor allocation decisions. Under current policies, the U.S. debt-to-GDP ratio is expected to continue rising, and recent Congressional Budget Office projections indicate a further deterioration in the long-term fiscal

Table 1: Sectoral Indebtedness

$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q1 2026	*Q1 2025*	*Q1 2026*	*Q1 2025*	*Q1 2026*	*Q1 2025*	*Q1 2026*	*Q1 2025*	*Q1 2026*	*Q1 2025*
Mature markets	46.1	43.4	60.3	56.9	73.9	68.2	65.7	62.1	246.0	230.5
Emerging markets*	19.0	17.7	41.5	37.7	34.6	30.3	11.6	11.5	106.7	97.1
Global	65.1	61.1	101.8	94.5	108.5	98.5	77.3	73.5	352.7	327.6

*Source: See the IIF Global Debt Monitor database for the full list of sources and methodology; *includes over 60 countries*

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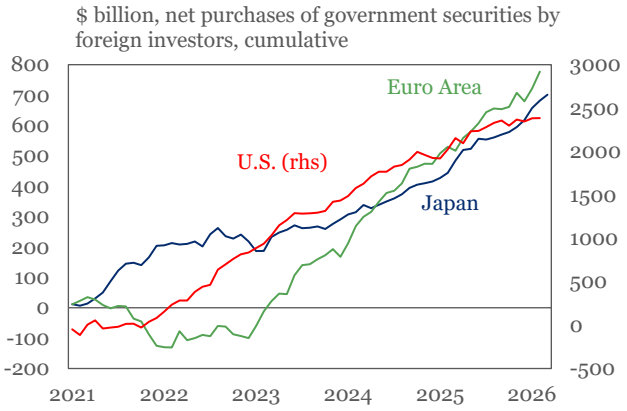
outlook over the past year. By contrast, debt ratios in the Euro Area and Japan are projected to follow a more moderate path, even with continued fiscal expansion. However, all major regions are expected to face rising interest expenses in the coming years, with the sharpest increase anticipated in Japan (Chart 6).

Similar evidence of some diversification away from U.S. assets can be seen in corporate bond markets. The share of USD-denominated issuance by non-U.S. borrowers has remained broadly stable at around 12% of global issuance in recent years. In contrast, EUR-denominated issuance by borrowers outside the Euro Area has continued its gradual rise, approaching 6% in the first four months of 2026, pointing to stronger demand for euro-denominated assets compared to U.S. dollar assets (Chart 7).

All that said, despite rising U.S. government debt levels and moderating international demand, U.S. Treasury markets show no signs of imminent liquidity stress, continuing to attract inflows from domestic investors, including banks and hedge funds (Chart 8). Similarly, U.S. corporate debt issuance remains strong across both high-yield and investment-grade segments (Chart 9), with the latter supported by AI-related companies issuing debt at a record pace to finance ambitious capital expenditure plans (Chart 10). Foreign investor demand for U.S. corporate bonds has been particularly strong this year, outpacing demand for U.S. Treasuries by roughly fourfold. Of note, despite market concerns over valuations of software firms amid AI-driven disruption—and private credit firms' significant exposure to the sector—no defaults have materialized to date this year (Chart 11).

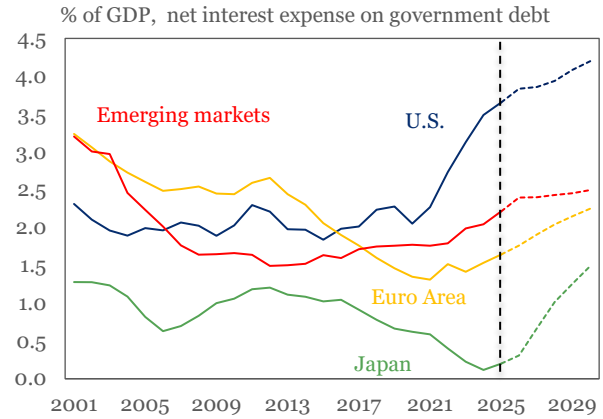
Resilience in emerging markets: As noted during the Spring Meetings, the impact of the Mideast conflict on EM issuance has been limited. Spreads have tightened to pre-conflict levels and now hover near multi-decade lows, reflecting solid risk appetite for EM assets. Historically, during stress episodes such as the COVID-19 pandemic, EM sovereigns have tended to rely more heavily on domestic markets to meet financing needs. This time, however, the pattern has been somewhat different. Expectations of a weaker U.S. dollar have provided additional support for EM local currency assets (Chart 12), while EM sovereign eurobond issuance has continued at a record pace (Chart 13). Indeed, the share of government funding raised in hard currency has reached around 10%, well above the five-year average of about 4%. This trend can even be seen in developing countries with debt vulnerabilities: for example, the Democratic Republic of the Congo successfully placed its debut eurobond in April.

Chart 5: Signs of diversification away from U.S. Treasuries



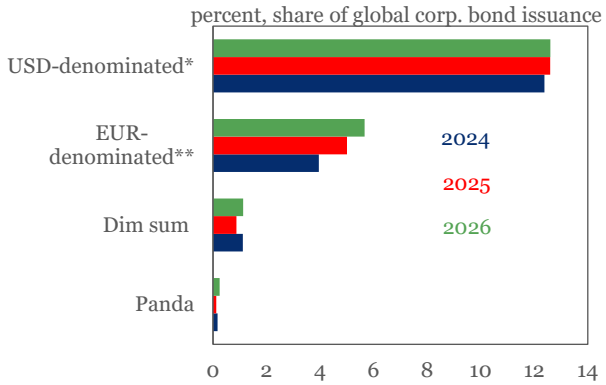
Source: National sources, IIF

Chart 6: Higher government debt levels—in tandem with higher interest rates—signal higher debt service ahead: interest expense/GDP is set to surge in mature markets



Source: IMF, IIF

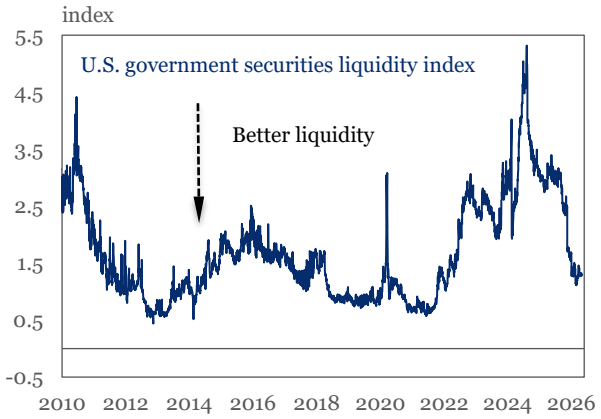
Chart 7: Gradual shift toward EUR and RMB debt issuance in 2026



*Source: Bloomberg, IIF; *issuance by non-U.S. firms' ** issuance by non-Euro Area firms*

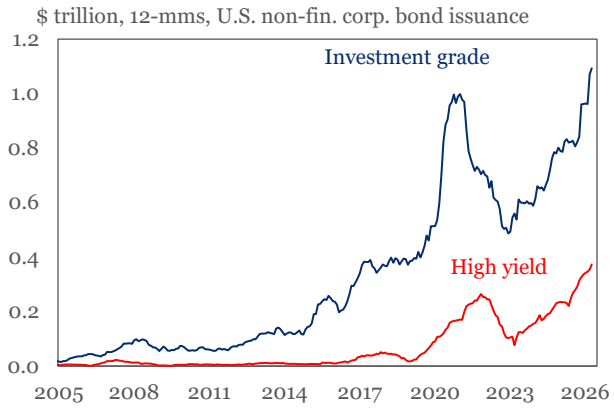
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Chart 8: Liquidity in U.S. Treasury markets is holding up well



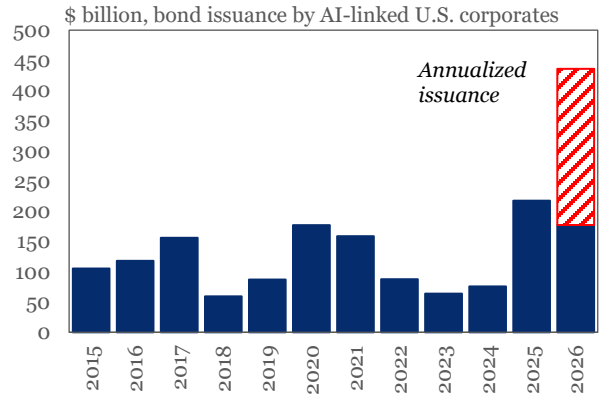
Source: Bloomberg, IIF

Chart 9: U.S. corporate bond issuance surges to record levels, led by investment-grade borrowers



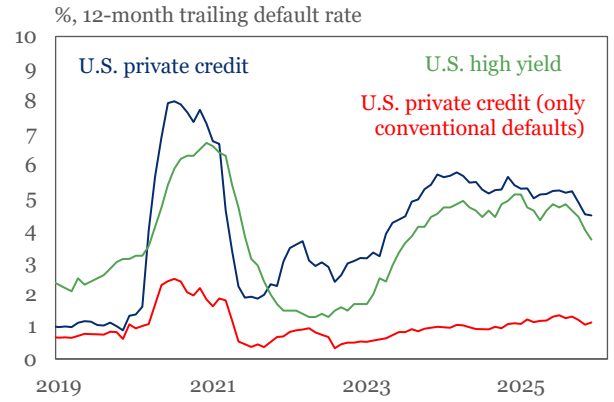
Source: Bloomberg, IIF

Chart 10: More leverage in the AI sector: bond issuance by AI-linked U.S. corporates is running at a record pace



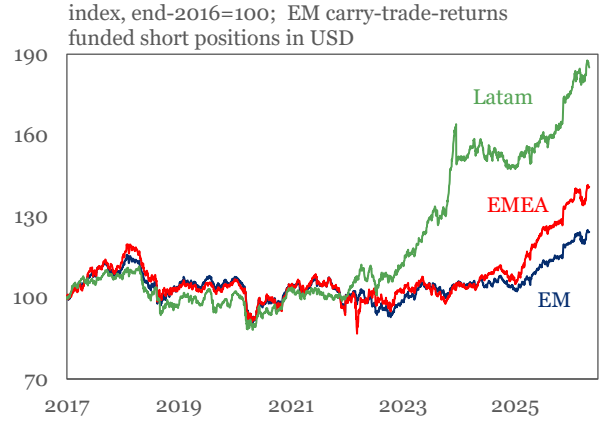
Source: Bloomberg, IIF

Chart 11: With all eyes on private credit markets, defaults in this sector have been similar to those in high-yield markets in recent years



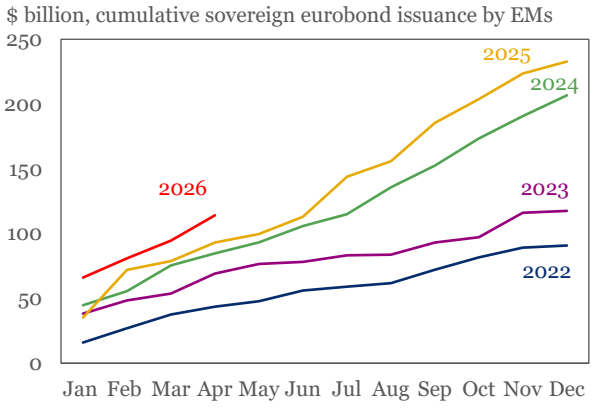
Source: S&P Global, IIF

Chart 12: The softer U.S. dollar has been supporting appetite for EM local currency debt



Source: Bloomberg, IIF

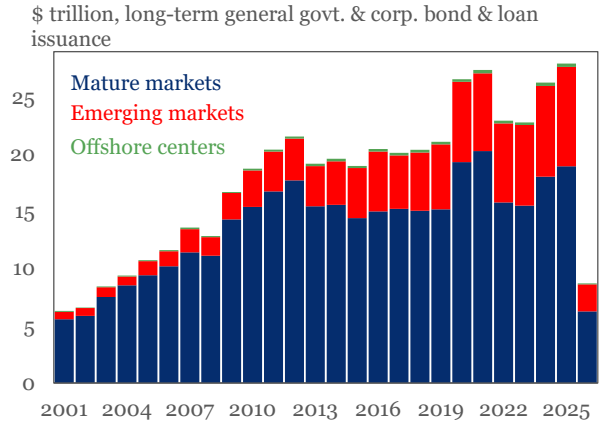
Chart 13: EM sovereign eurobond issuance is running at a record pace in 2026; stronger fundamentals have helped



Source: Bloomberg, IIF

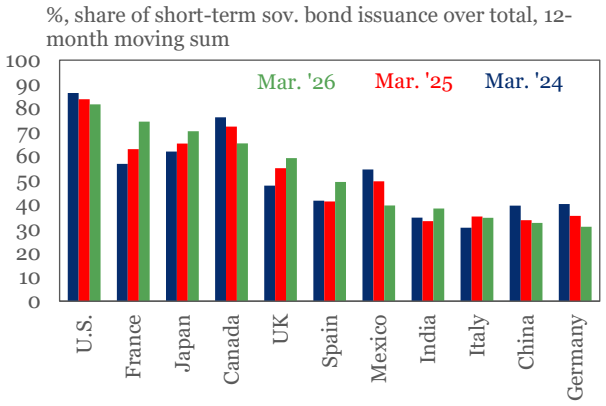
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Chart 14: Long-term debt issuance hits another record high



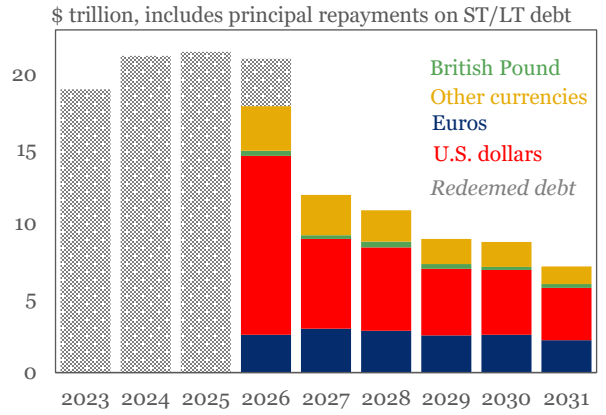
Source: Bloomberg, IIF

Chart 15: Reliance on short-term funding remains elevated



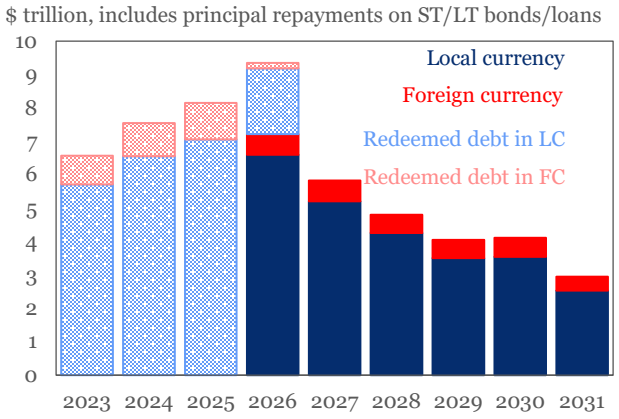
Source: Bloomberg, IIF

Chart 16: Mature markets face over $17trn of bond and loan (debt) redemptions in 2026



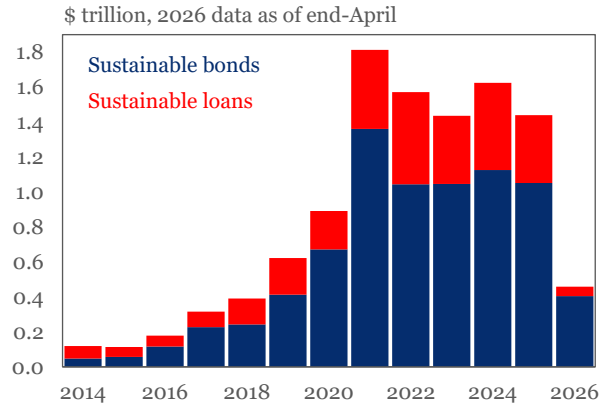
Source: Bloomberg, IIF

Chart 17: Emerging markets face a record high of over $7trn in debt redemptions in 2026



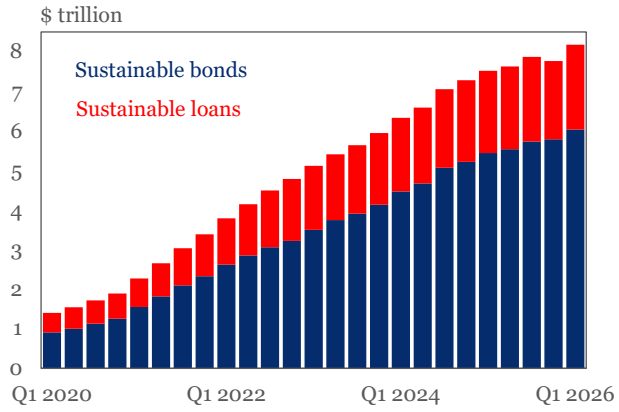
Source: Bloomberg, IIF

Chart 18: In the first four months of 2026, sustainable debt issuance topped $450 billion



Source: Bloomberg, IIF

Chart 19: Despite the U.S. ESG backlash, the sustainable debt universe topped a record $8trn in Q1 2026



Source: Bloomberg, IIF

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Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q1 2026	Q1 2025	Q1 2026	Q1 2025	Q1 2026	Q1 2025	Q1 2026	Q1 2025
Global	**56.2**	**56.7**	**88.8**	**88.7**	**94.8**	**92.1**	**65.9**	**67.5**
Mature markets	**67.2**	**67.8**	**88.7**	**89.6**	**109.3**	**107.5**	**95.7**	**97.0**
U.S.	67.8	68.8	72.3	73.1	124.1	119.6	68.3	69.5
Euro Area	50.2	50.7	102.3	104.8	92.7	91.9	105.7	107.4
Japan	59.1	59.2	113.8	110.8	194.9	206.3	171.9	182.2
UK	73.6	74.5	59.7	58.6	84.4	80.2	147.2	147.5
France	58.9	59.5	155.0	154.9	112.3	110.3	118.4	116.1
Italy	35.8	35.9	57.8	58.7	140.6	137.9	40.6	42.1
Germany	48.3	48.9	86.8	89.0	63.9	61.8	64.3	58.3
Canada	99.8	99.4	118.6	118.6	96.9	95.3	163.1	162.0
Emerging markets*	**41.1**	**41.3**	**89.0**	**87.4**	**74.6**	**70.9**	**24.7**	**26.6**
EM Asia	52.3	52.8	115.8	113.6	87.7	83.0	28.9	31.3
Bangladesh	6.3	6.8	30.4	30.7	42.0	41.3	0.8	1.0
China	60.0	60.2	144.9	141.7	98.1	90.3	37.9	41.4
India	43.2	44.7	50.3	51.1	78.5	84.1	3.3	3.2
Indonesia	15.2	16.0	24.6	23.7	40.3	40.6	8.4	7.6
Lao P.D.R.	11.3	10.9	12.0	12.0	79.0	90.8	8.7	7.6
Malaysia	69.3	69.6	87.3	87.4	64.6	65.5	37.4	33.7
Maldives	18.6	17.4	16.4	19.3	126.4	131.2	0.0	0.0
Mongolia	22.2	21.9	23.2	25.0	44.7	45.2	1.6	2.1
Pakistan	2.1	2.0	10.7	9.8	72.1	70.9	0.4	0.5
Papua New Guinea	4.2	4.6	7.4	8.4	51.4	53.0	0.0	0.0
Philippines	10.8	11.4	26.8	25.8	59.6	57.2	7.3	7.8
Sri Lanka	10.0	11.2	71.2	68.2	0.0	0.0	0.6	0.9
Tajikistan	11.2	11.0	6.1	5.4	21.7	24.5	0.0	0.0
Thailand	86.9	87.5	79.0	81.2	59.9	57.2	33.3	33.3
Uzbekistan	0.0	0.0	0.0	0.0	28.3	30.7	6.4	7.4
Vietnam	22.3	24.1	107.5	105.3	30.2	31.1	3.5	3.5
EM Europe	17.7	17.6	56.4	54.1	36.6	34.0	13.7	15.1
Hungary	18.6	17.2	68.3	68.9	74.7	72.5	47.1	63.1
Kazakhstan	16.6	16.5	13.1	15.5	24.7	25.3	4.8	6.9
Poland	21.9	22.3	35.2	34.7	60.2	55.5	23.7	26.5
Romania	11.8	12.4	29.0	29.1	60.9	58.6	6.6	5.7
Russia	21.1	20.9	83.7	77.8	27.1	22.7	7.5	8.2
Serbia	17.4	15.8	23.2	22.9	42.5	43.7	1.6	1.2
Türkiye	10.0	10.0	37.7	38.5	26.2	27.2	17.3	17.1
EM Latam	25.0	24.9	36.5	38.8	67.3	65.7	20.4	22.9
Argentina	5.5	5.0	20.8	18.7	74.9	75.8	8.7	8.3
Brazil	36.0	36.5	49.6	54.9	91.4	87.8	37.2	42.9
Chile	41.2	45.2	81.3	91.6	33.2	39.4	46.8	49.3
Colombia	25.5	25.3	27.8	28.7	65.3	63.8	2.3	3.0
Costa Rica	31.9	33.2	13.4	14.7	60.6	59.2	2.0	2.4
Dominican Republic	14.3	13.7	16.6	16.4	58.8	58.7	2.3	3.0
Ecuador	29.3	26.8	45.5	40.4	54.1	54.0	2.1	1.7
El Salvador	21.2	22.8	24.9	23.9	86.5	88.8	2.1	2.3
Grenada	37.9	37.5	67.0	54.2	70.9	74.2	0.0	0.0
Honduras	0.0	0.0	0.0	0.0	41.9	41.3	4.9	6.2
Jamaica	19.1	19.6	36.8	33.6	67.6	64.1	6.0	5.3
Mexico	18.0	16.9	21.7	22.2	49.2	46.8	9.5	10.6
Peru	12.6	13.0	41.8	41.5	30.2	31.6	7.1	6.6
Trinidad and Tobago	35.0	31.7	35.1	32.5	83.8	82.0	15.5	13.5

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Africa	13.5	14.3	19.5	18.5	62.1	63.3	9.8	10.0
Angola	1.3	1.4	8.0	5.9	51.4	55.4	0.3	0.2
Benin	4.6	5.1	15.8	15.5	57.3	59.7	0.7	0.3
Cameroon	2.9	3.2	10.1	8.6	40.1	42.6	0.5	0.5
Congo, Rep. of	3.0	3.1	35.2	33.7	95.4	97.7	0.2	0.3
Côte d'Ivoire	8.7	8.6	17.3	17.7	56.0	58.6	1.6	1.0
Egypt	7.3	7.1	20.4	19.8	78.9	77.7	5.1	4.8
Ethiopia	5.3	5.2	16.2	15.9	42.3	36.3	6.4	7.4
Gambia	6.8	6.6	6.0	4.8	72.4	77.2	0.9	1.1
Ghana	2.9	2.5	4.7	7.8	50.0	62.9	0.5	0.8
Kenya	8.9	9.6	23.5	22.1	69.1	67.5	1.3	1.0
Morocco	19.8	21.8	36.7	36.1	66.7	67.6	0.9	0.8
Mozambique	10.5	9.2	11.9	12.9	110.7	97.0	0.8	0.8
Nigeria	12.1	15.3	7.7	4.7	34.6	38.4	7.7	9.2
Rwanda	11.5	11.0	27.9	25.1	65.2	63.6	0.5	0.5
Senegal	4.9	5.8	28.6	28.3	130.7	134.2	1.1	1.3
South Africa	33.8	33.9	34.3	33.5	78.8	77.6	37.6	37.1
Tanzania	7.2	7.4	7.0	6.1	49.4	50.1	0.9	1.2
Tunisia	24.3	26.3	38.5	38.8	82.2	85.1	0.9	1.0
Zambia	5.0	7.1	7.1	8.9	85.3	115.9	0.6	0.5
Middle East	30.3	29.4	52.4	49.4	35.4	31.5	27.5	23.2
Bahrain	24.3	23.9	57.0	56.1	148.8	136.4	136.6	134.0
Jordan	24.2	25.9	55.9	54.4	82.6	82.4	3.3	3.5
Kuwait	40.4	39.2	83.6	81.2	16.7	5.7	32.4	21.4
Oman	23.8	23.7	44.0	44.7	34.9	35.5	9.6	8.9
Saudi Arabia	31.2	30.9	46.4	43.0	32.5	27.2	12.2	8.9
UAE	27.4	24.7	57.3	54.1	33.5	34.8	58.1	52.1

*Sources: See the IIF Global Debt Monitor database for the full list of sources and methodology; *includes over 60 countries*

This issue of the Global Debt Monitor reclassifies Czechia, Hong Kong, Israel, Singapore, and South Korea as mature markets, moving them from the previous emerging markets list as part of our efforts to better align country classifications with the BIS and IMF. In addition, following Bulgaria's entry into the Euro Area in 2026, Bulgaria has been added to our database as part of the mature market sample and included in the Euro Area aggregate.

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Table 3: Currency Breakdown of Select Countries' Sectoral Debt

% of GDP	Non-financial corporates				Government				Financial Sector				Households	
As of Q1-2026	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
Global markets by country														
Asia														
China	142.1	2.8	2.1	0.2	97.4	0.7	0.5	0.2	35.9	2.0	1.3	0.1	60.0	0.0
Hong Kong	20.2	207.7	167.1	16.5	72.5	10.0	4.3	2.0	39.6	67.6	52.1	5.1	82.3	3.0
India	44.3	6.0	4.7	1.1	76.4	2.1	2.1	0.0	0.9	2.5	2.0	0.2	43.2	0.0
Indonesia	17.8	6.8	6.2	0.4	32.9	7.3	4.9	1.9	3.3	5.1	4.5	0.1	15.1	0.0
Malaysia	70.3	16.9	14.3	0.2	63.5	1.2	0.9	0.0	26.5	10.9	8.4	1.1	69.0	0.3
S. Korea	92.4	18.4	16.5	1.5	40.0	4.8	3.1	0.7	66.9	21.4	16.1	2.8	87.1	0.7
Singapore	66.9	57.1	47.4	4.8	165.3	0.0	0.0	0.0	45.5	110.5	65.5	13.9	37.9	6.4
Thailand	67.7	11.3	10.0	0.5	59.7	0.2	0.2	0.0	26.9	6.4	5.8	0.3	86.7	0.2
Europe														
Czech Republic	23.2	29.3	1.5	26.6	42.1	0.5	0.0	0.5	30.2	6.7	0.5	6.1	31.4	0.1
Hungary	33.2	35.1	9.1	25.9	55.7	19.0	8.4	10.1	19.3	27.9	6.0	21.7	18.6	0.1
Poland	22.8	12.4	0.8	11.5	47.5	12.7	3.3	8.8	13.9	9.7	2.6	6.8	18.9	3.1
Russia	73.1	10.6	2.5	7.9	24.2	2.9	2.3	0.5	6.7	0.8	0.7	0.1	21.1	0.0
Türkiye	8.6	29.1	10.8	17.8	12.3	13.9	8.6	2.4	1.1	16.2	12.3	3.8	10.0	0.0
Latam														
Argentina	10.1	10.7	10.3	0.3	34.5	40.5	30.3	1.3	7.2	1.5	0.9	0.1	5.2	0.3
Brazil	37.0	12.6	11.2	1.1	87.4	4.0	3.3	0.7	31.2	6.0	5.5	0.2	36.0	0.0
Chile	50.3	31.0	30.1	0.2	24.5	8.7	5.3	3.4	39.0	7.8	6.7	0.1	39.3	1.9
Colombia	19.2	8.6	7.8	0.5	49.1	16.2	13.4	2.4	0.1	2.2	2.1	0.1	25.1	0.3
Mexico	9.7	12.0	10.6	0.8	41.0	8.2	4.8	1.4	7.2	2.4	1.9	0.2	18.0	0.0
Peru	22.3	19.6	18.8	0.6	18.2	11.9	10.6	1.4	2.3	4.8	4.6	0.1	11.9	0.7
AFME														
Israel	55.0	17.4	13.0	4.1	59.2	9.4	6.5	2.3	7.4	3.5	3.2	0.2	42.3	0.1
S. Arabia	35.5	10.9	10.3	0.5	19.9	12.6	12.6	0.0	0.9	11.4	10.2	0.2	31.2	0.0
S. Africa	20.7	13.6	7.0	4.1	72.4	6.3	6.2	0.1	27.8	9.8	5.1	1.2	33.4	0.4

Sources: IIF estimates. See the IIF Global Debt Monitor database for the full list of sources and methodology.

**LC=local currency; FC=foreign currency*

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