

Global Debt Monitor

Attack of the Debt Tsunami

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- Global debt has surged by over \$15 trillion since 2019, hitting a new record of over \$272 trillion in Q3 2020.
- As the fiscal response to the pandemic continues, we expect global debt to hit \$277 trillion (365% of GDP) by end-2020
- Debt outside the financial sector on track to hit \$210 trillion (274% of GDP) this year—up from \$194 trillion (240%) in 2019
- Emerging market debt (ex-financials) is fast approaching 210% of GDP—up from 185% in 2019 and 140% a decade ago
- Sharply declining revenues have made debt service much more onerous for EM governments—despite low borrowing costs
- Some \$7 trillion of emerging market bonds and syndicated loans come due through end-2021, 15% of that in U.S. dollars

Global debt on track to exceed \$277 trillion in 2020:

Spurred by a sharp rise in government and corporate borrowing as the COVID-19 pandemic wears on, the global debt load increased by \$15 trillion in the first three quarters of 2020 and now stands above \$272 trillion. With little sign of a slowdown in debt issuance, we estimate that global debt will smash through records to hit \$277 trillion by the end of the year (Chart 1).

Debt ratios should stabilize after a sharp surge in 2020:

Following a record surge in global debt-to-GDP (from 320% to around 362% in H1 2020), the rise in Q3 2020 was more modest, at less than 2 percentage points—helped by the strong global recovery. We expect that the global debt-to-GDP ratio will reach some 365% of GDP in 2020.

Debt in mature markets surpassed 432% of GDP in Q3 2020,

up by over 50 percentage points from 2019. The U.S. accounted for nearly half of the rise, with total debt on track to hit \$80 trillion in 2020—up from \$71 trillion in 2019. Most of the rise was in the general government (up \$3.7tn) and non-financial corporate sectors (up \$1.7tn). In the Euro Area, a \$1.5 trillion rise in government debt pushed total debt over \$53 trillion in Q3 2020 (though this is still below the all-time high of \$55 trillion in Q2 2014). Debt in other mature markets rose by over \$3.7 trillion to \$65 trillion in the first three quarters of 2020.

Emerging market debt fast approaching 250% of GDP:

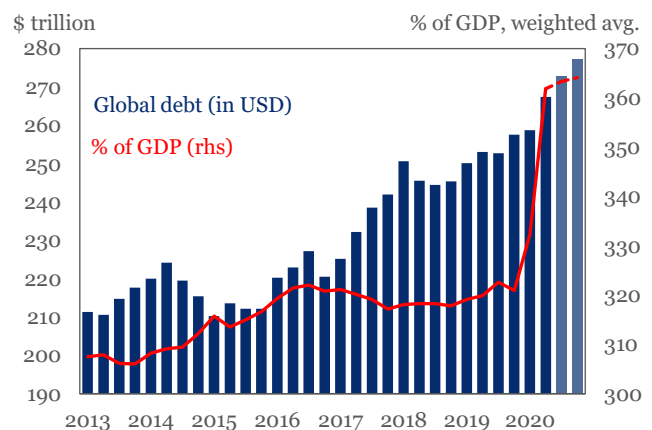
EM debt rose from 222% of GDP in Q4 2019 to over 248% of GDP in Q3 2020. The dollar amount of EM debt now

surpasses \$76 trillion, with the rise was driven by a surge in non-financial corporate debt in China. Excluding China, the USD value of EM debt *declined* from \$31 trillion in Q4 2019 to \$29.3 trillion in Q3 2020, largely reflecting losses in EM currencies against the USD.

Debt outside the financial sector hit \$206 trillion in Q3 2020,

up from \$194 trillion in 2019. Governments accounted for 60% of the \$12 trillion buildup in the world's debt pile (ex-financials). Global non-financial corporate debt rose by over \$4.3 trillion to a fresh high of near \$80 trillion, while household debt rose by \$500 billion, to near \$50 trillion.

Chart 1: Global debt topped \$272 trillion in Q3 2020



Source: IIF, BIS, IMF, National sources

Table 1: Sectoral Indebtedness*

\$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Mature markets	35.5	34.2	46.6	43.2	59.8	52.7	54.3	51.7	196.3	181.8
Emerging markets	13.6	12.8	33.0	30.5	17.8	16.4	12.0	11.1	76.4	70.9
Global	49.2	47.1	79.6	73.7	77.6	69.1	66.3	62.8	272.7	252.7

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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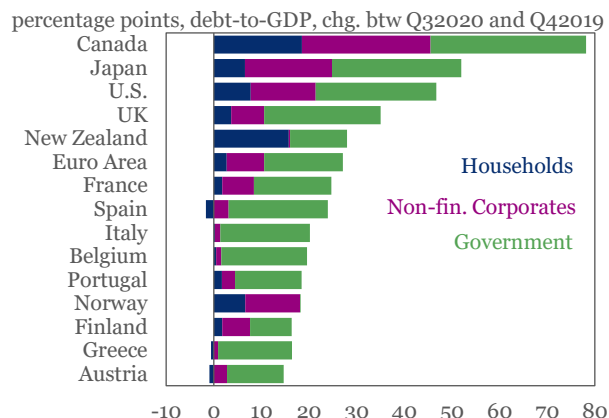
Canada, Japan and the U.S. have seen the biggest increases in non-financial sector debt this year, with the rise in debt-to-GDP ratios varying from 45 percentage points in the U.S. to over 75 percentage points in Canada (Chart 2). Across mature markets, government debt has again been the main driver of the rise, increasing the most in Canada, Japan, the U.S., the UK and Spain. Of note, Ireland is the only country in our sample to see a decline in the total debt ratio, as declines in household and non-financial corporate debt offset the rise in government debt.

Lebanon, China, Malaysia and Turkey have seen the biggest increases in non-financial sector debt ratios since 2019 among EMs (Chart 3). While sharp economic contractions drove surging debt ratios in many cases (notably in Lebanon), the USD value of debt also rose sharply in China, Egypt, Saudi Arabia, the Philippines, and Turkey over the first three quarters of 2020. The rise in non-financial corporate debt in China—from 150% of GDP in Q3 2019 to over 165% in Q3 2020—has been striking. We estimate that China’s total debt-to-GDP topped 335% of GDP—vs 200% of GDP in 2011 (Chart 4).

Rising debt service burdens for emerging markets: Largely reflecting the massive monetary policy response to the pandemic, corporate borrowers have been able to lock in lower funding costs at longer-than-average maturities. With short-term debt securities accounting for over 45% of total issuance in mature markets (Chart 5), lower policy rates have also slashed borrowing costs for governments—a big benefit given widespread COVID-related revenue losses. In emerging markets, however, these revenue losses have made debt service burden much more onerous—despite the benefit from lower borrowing costs (Chart 6). We estimate that some \$7 trillion of EM debt will come due through end-2021, with USD-denominated debt representing 15% of the total.

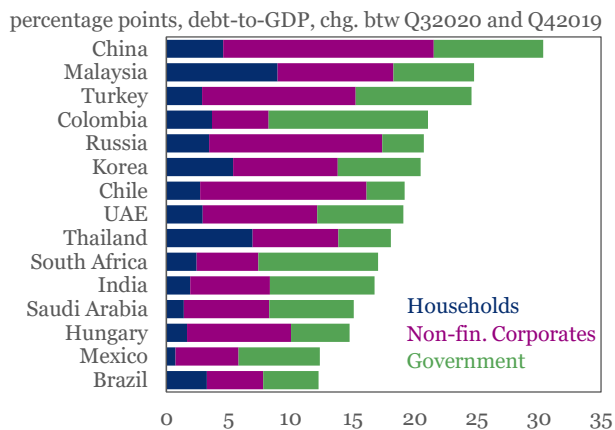
Beyond 2020: The pace of global debt accumulation has been unprecedented since 2016, increasing by over \$52 trillion. While some \$15 trillion of this surge has been recorded in 2020 amid the COVID-19 pandemic, the debt build-up over the past four years has far outstripped the \$6 trillion rise over the previous four years and over earlier comparable periods (Chart 7). As a result, there is significant uncertainty about how the global economy can deleverage in the future without significant adverse implications for economic activity. The next decade could bring a reflationary fiscal response, in sharp contrast to the austerity bias in the 2010s. If the global debt pile continues to grow at the average pace of the last 15 years, our back-of-the-envelope estimates suggest that global debt could exceed \$360 trillion by 2030—over \$85 trillion higher than current levels (Chart 8).

Chart 2: Sharp spike in debt ratios across mature markets



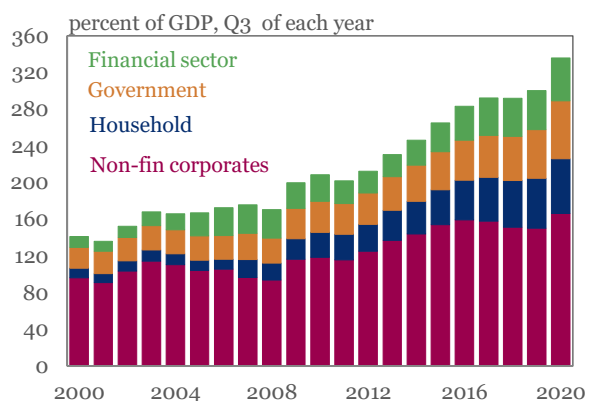
Source: IIF, BIS, IMF, National sources

Chart 3: Unprecedented surge in debt ratios across EMs



Source: IIF, BIS, IMF, National sources

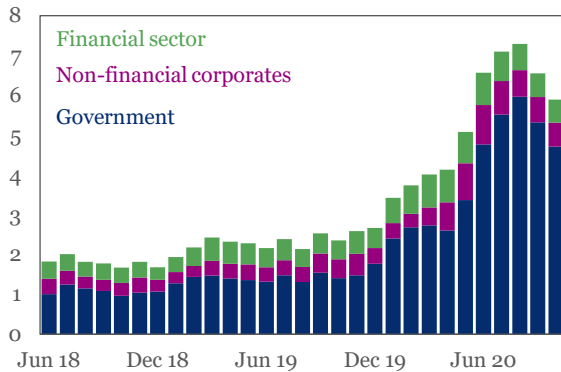
Chart 4: China’s total debt hit 335% of GDP



Source: IIF, BIS, IMF, National sources

Chart 5: COVID-driven debt issuance has slightly slowed in mature markets

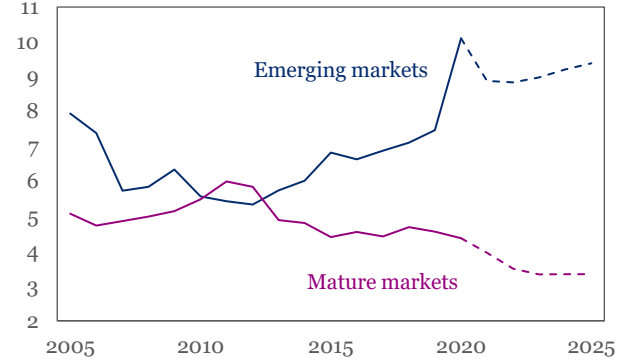
\$ trillion, 3-month moving sum



Source: Bloomberg, IIF.

Chart 6: Government interest expense represents a heavier burden for EMs

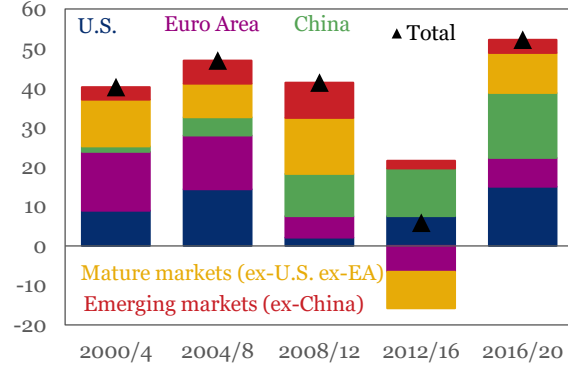
% of general government revenue, interest expense



Source: IIF, IMF

Chart 7: The past four years have seen the largest debt buildup on record

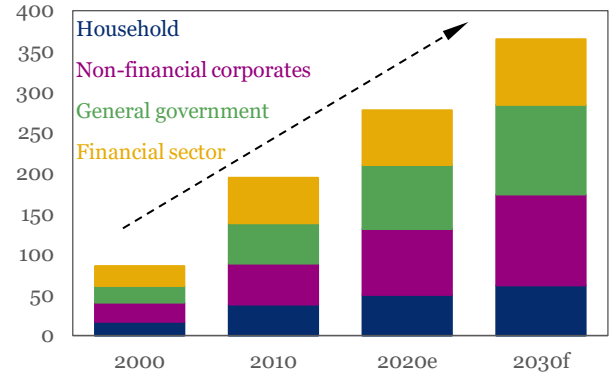
\$ trillion, change in debt, latest reading is Q3 2020



Source: IIF, BIS, IMF, National sources

Chart 8: Global debt will likely surpass \$360 trillion by 2030

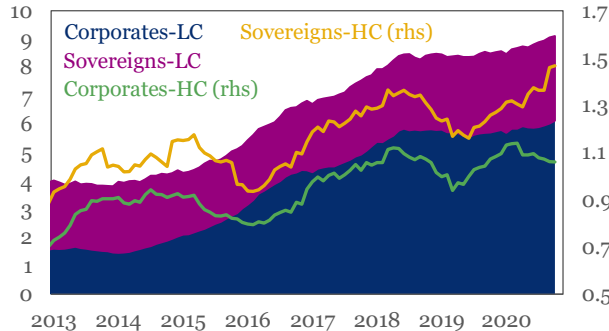
\$ trillion



Source: IIF, BIS, IMF, National sources

Chart 9: Big pickup in EM hard currency sovereign bond issuance

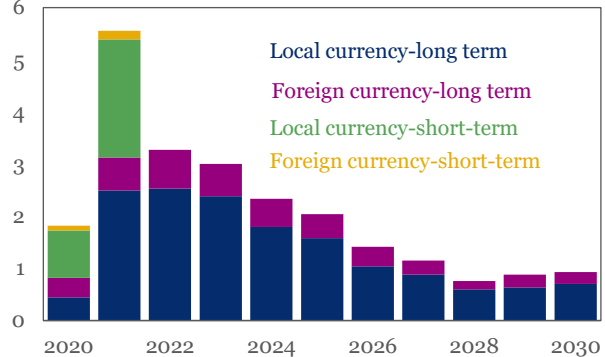
\$ trillion, 12-mms, EM30 corp & sov bonds and loans, till end Oct-2020, includes ST securities



Source: Bloomberg, IIF.

Chart 10: Some \$7 trillion of EM debt will come due through end-2021—including short term COVID-related borrowing

\$ trillion, includes bonds and loans, EM30



Source: Bloomberg, IIF.

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Global	65.3	60.0	103.0	91.9	104.8	88.7	90.2	81.9
Mature markets	78.0	72.0	102.3	91.1	131.4	110.4	120.3	109.9
U.S.	81.2	73.5	88.2	74.9	127.2	101.7	87.0	77.2
Euro Area	60.5	57.7	114.0	108.0	115.1	101.7	126.2	124.7
Japan	65.3	57.5	122.1	101.1	257.2	227.0	188.0	158.6
UK	87.7	84.2	77.7	73.0	130.1	110.4	205.4	191.8
Emerging markets	44.0	39.9	104.1	93.4	60.3	52.5	40.0	35.0
EM Asia	55.0	50.1	132.2	119.1	63.0	54.2	48.1	42.9
China	59.8	54.4	166.3	150.4	63.0	52.9	48.3	42.8
Hong Kong	89.9	79.3	260.0	225.4	65.7	67.2	154.5	146.7
India	14.1	12.0	50.6	44.1	80.2	71.2	4.0	4.0
Indonesia	17.2	17.0	23.9	22.7	36.4	30.2	9.6	8.7
Malaysia	77.1	68.0	77.9	67.6	59.0	53.9	32.2	30.9
Pakistan	2.5	2.7	13.2	13.9	86.8	82.4	1.4	0.7
Philippines	17.2	16.0	33.1	30.1	45.7	37.0	12.0	11.5
S. Korea	100.6	93.6	110.2	100.8	45.9	40.8	101.2	88.1
Singapore	56.6	51.5	140.7	117.0	130.6	120.2	194.1	174.9
Thailand	76.2	68.6	53.8	47.2	38.2	33.7	40.4	38.8
EM Europe	23.4	20.6	75.2	65.7	35.5	29.5	21.2	17.9
Czech Republic	33.4	31.6	59.3	58.0	39.4	33.5	42.3	39.3
Hungary	20.4	18.3	72.3	64.7	75.7	73.5	33.8	26.0
Poland	35.0	35.2	44.8	44.2	57.5	49.8	25.6	22.5
Russia	22.5	18.6	90.6	77.5	18.0	15.1	12.7	9.6
Turkey	18.0	14.7	77.5	65.4	43.6	32.3	28.7	25.2
Ukraine	5.3	5.8	20.1	23.3	61.8	52.7	9.9	10.2
EM Latam	26.5	24.1	43.3	38.2	73.7	68.4	35.5	28.4
Argentina	5.6	5.4	15.7	16.0	95.5	96.5	5.6	6.4
Brazil	33.8	29.8	48.4	42.8	93.1	87.6	54.1	41.2
Chile	50.0	46.9	121.6	105.5	35.8	33.2	55.4	53.5
Colombia	31.2	27.8	38.9	34.7	62.2	51.3	7.5	5.7
Mexico	16.9	16.5	30.4	25.8	42.9	36.4	20.6	16.9
AFME	22.8	20.3	46.6	41.4	47.0	41.5	15.7	13.8
Egypt	8.0	7.3	21.4	21.8	85.9	85.7	4.8	5.3
Ghana	2.5	2.6	17.9	17.8	73.5	62.0	4.2	4.4
Israel	43.1	41.8	69.5	68.8	68.1	60.4	10.7	10.6
Kenya	6.7	7.4	17.4	19.4	65.4	61.7	1.8	1.9
Lebanon	116.4	59.5	159.4	99.2	172.3	169.4	9.0	8.4
Nigeria	15.4	15.5	7.8	7.6	33.6	28.8	4.4	4.4
Saudi Arabia	13.3	11.5	53.9	44.9	29.6	21.8	4.7	3.6
South Africa	36.7	34.1	43.8	40.8	73.7	63.4	32.5	25.5
UAE	24.5	21.6	76.6	67.6	34.2	25.7	52.9	47.2

Sources: IIF, BIS, Haver, National Sources.

Table 3: Currency Breakdown of EM Sectoral Debt

% of GDP	Non-financial corporates				Government				Financial Sector				Households	
<i>As of Q3-2020</i>	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	159.7	6.5	5.6	0.7	62.2	0.8	0.6	0.2	42.0	6.3	5.1	0.5	59.8	0.0
Hong Kong	30.6	229.4	175.6	40.2	64.5	1.2	1.0	0.0	34.1	120.4	92.4	13.3	86.5	3.5
India	43.1	7.5	5.9	1.3	77.9	2.3	2.3	0.0	1.2	2.8	2.5	0.2	14.1	0.0
Indonesia	14.6	9.4	8.7	0.4	26.2	10.2	7.9	1.6	3.5	6.1	5.8	0.2	16.9	0.3
Malaysia	64.2	13.8	10.5	0.0	56.9	2.1	1.6	0.0	11.9	20.3	16.0	2.0	76.8	0.4
S. Korea	92.2	18.0	14.7	2.4	44.8	1.1	0.8	0.3	70.7	30.4	24.3	3.9	99.9	0.7
Singapore	75.6	65.1	58.5	2.2	130.6	0.0	0.0	0.0	51.1	143.0	107.5	17.7	44.4	12.2
Thailand	45.2	8.6	7.3	0.2	38.2	0.0	0.0	0.0	32.1	8.3	7.3	0.5	76.0	0.2
EM Europe														
Czech Republic	30.6	28.7	1.3	26.4	36.0	3.5	0.0	3.4	36.7	5.6	0.3	5.3	33.4	0.1
Hungary	37.9	34.4	4.7	29.6	62.8	12.9	6.1	5.9	12.2	21.6	7.6	13.8	20.3	0.1
Poland	30.4	14.5	0.8	13.6	46.1	11.5	2.2	8.6	15.1	10.5	0.9	3.6	23.8	11.2
Russia	67.8	22.8	9.9	11.0	14.7	3.2	3.1	0.2	7.9	4.9	4.2	0.4	22.4	0.2
Turkey	42.4	35.2	15.3	19.1	19.1	24.4	14.9	6.2	5.6	23.1	18.4	4.7	18.0	0.0
Ukraine	10.9	9.2	7.0	2.1	30.6	31.2	27.3	3.9	0.9	9.0	5.4	3.5	4.3	1.0
EM Latam														
Argentina	6.2	9.5	9.1	0.3	27.1	68.3	50.5	2.4	2.5	3.0	0.8	0.1	5.4	0.2
Brazil	28.0	20.4	18.4	1.7	87.1	6.0	5.3	0.7	41.5	12.6	11.7	0.6	33.8	0.0
Chile	80.8	40.8	39.3	0.8	25.6	10.1	5.5	4.6	42.3	13.1	11.0	0.3	48.1	1.9
Colombia	26.6	12.3	11.1	0.5	41.2	21.0	20.0	0.0	0.7	6.8	6.8	0.0	31.2	0.1
Mexico	6.8	23.6	18.5	3.4	34.7	8.3	5.4	2.1	15.8	4.8	3.4	0.7	16.9	0.0
AFME														
Israel	46.2	23.3	15.6	6.5	55.0	13.0	8.8	4.1	9.3	1.4	1.2	0.2	42.9	0.2
S. Arabia	43.7	10.2	9.7	0.3	17.6	12.0	12.0	0.0	1.4	3.3	3.0	0.1	13.3	0.0
S. Africa	23.7	20.0	12.2	4.4	66.8	6.9	6.6	0.2	16.5	16.0	7.7	1.2	36.3	0.5

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

*LC=local currency; FC=foreign currency

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