Global Debt Monitor

A Many-faceted Crisis

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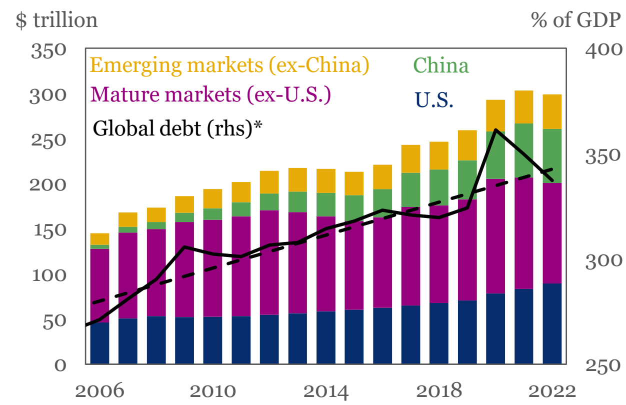
- The nominal USD value of global debt declined by some $4 trillion to slightly below $300 trillion in 2022.
- Helped by stronger growth and inflation, global debt/GDP fell again in 2022 – but is still above pre-pandemic levels.
- Debt in mature markets declined for the first time since 2015, notably in Europe and Japan.
- However, U.S. debt accumulation accelerated amidst a strong rebound in corporate borrowing.
- With rising borrowing costs and heavy borrowing needs, EM debt hit a new record of $98trn 2022, from $75trn in 2019.
- The external public debt burden of many developing countries surged due to sharp losses in local currencies vs. the USD.
- The ESG debt universe is fast approaching the $5 trillion mark, with emerging markets representing 15% of the market.
- The role of non-banks in credit intermediation declined slightly in 2022 in the face of a sharp slowdown in global bond issuance and a retrenchment in investment fund flows.

Global debt declined by $4 trillion in 2022: Following a substantial surge in 2020-21 during the pandemic, the global debt pile shrank by some $4 trillion to $299 trillion in 2022 (Table 1). This marks the first annual decline since 2015. With borrowing costs on the rise—particularly for emerging markets—the retrenchment was driven entirely by mature markets, which saw total debt decline to some $200 trillion—down from over $206 trillion a year ago. In sharp contrast, debt in emerging markets continued its upward trend, hitting a fresh record high of $98 trillion in 2022. Russia, Singapore, India, Mexico, and Vietnam saw the largest rise in the USD value of their outstanding debt.

Further drop in debt ratios: Helped by strong economic activity and high inflation, the global debt-to-GDP ratio declined over 12 percentage points (%pts) to 338% of GDP in 2022—the second annual drop in a row (Chart 1). Mature markets recorded the largest falls with total debt ratio declining by over 20%pts to 390% of GDP. The sharpest drop was among European countries, led by Cyprus, Norway, and the UK. While many emerging markets witnessed a slight decline in debt ratios last year, the total EM debt ratio rose by 2%pts to 250% of GDP, largely driven by Singapore and China.

Chart 1: Global debt-to-GDP dropped for the second year in a row, mainly in mature markets



*Source: IIF; *dashed line shows the trendline implied by the pre-COVID period*

Table 1: Sectoral Indebtedness*

$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q4 2022	*Q4 2021*	*Q4 2022*	*Q4 2021*	*Q4 2022*	*Q4 2021*	*Q4 2022*	*Q4 2021*	*Q4 2022*	*Q4 2021*
Mature markets	39.0	38.7	48.9	49.1	59.1	63.2	53.8	55.7	200.8	206.7
Emerging markets	18.0	18.1	40.9	39.8	25.0	24.2	14.3	14.2	98.2	96.2
Global	57.0	56.8	89.7	88.9	84.1	87.4	68.1	69.9	299	303

*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.

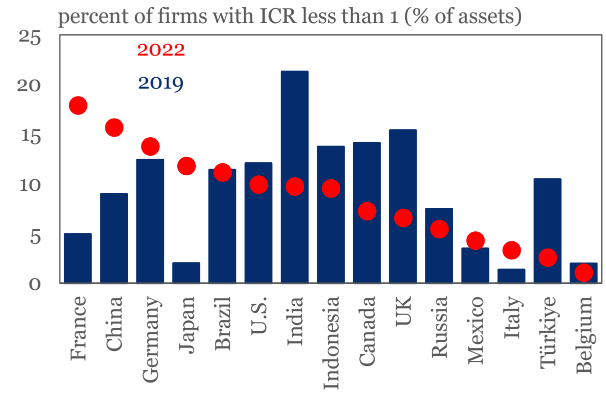
EM government debt vulnerabilities: By sector, the fall in debt ratios was sharpest in government debt, largely driven by mature markets. However, EM government debt rose further, nearing 65% of GDP in 2022. While EM sovereign Eurobonds have benefited from recent risk-on sentiment, the external public debt burden of many developing countries has worsened due to sharp losses in local currencies against the USD. The weakness in EM currencies has pushed international investor demand for local currency EM debt to multi-year lows, with no sign of imminent recovery.

Record surge in U.S. corporate borrowing: The pace of debt accumulation in the non-financial corporate sector decelerated significantly last year. Less than $900 billion was added to the global corporate debt mountain in 2022, though this still brought the total to a new record high of near $90 trillion. While higher funding costs along with fears over a global slowdown cut corporate borrowing in much of the world (Chart 2), the strength of the U.S. economy prompted a surge in borrowing among U.S. corporates. In fact, 2022 saw U.S. non-financial corporate debt hit over $20 trillion, increasing by over $1.7 trillion from 2021 levels—the largest annual increase on record.

A new wave of debt? A close look at quarterly debt figures suggest that Q4 2022 might have marked an inflection point. With the PBOC and the BoJ now providing substantial market liquidity, a softening U.S. dollar has markedly reduced international funding pressures for many borrowers in recent months (Chart 3). Against the backdrop of increased central bank liquidity, our calculations suggest that the global debt pile increased by over $10 trillion in Q4 2022, partially erasing the large declines in debt levels recorded over the previous quarters in 2022.

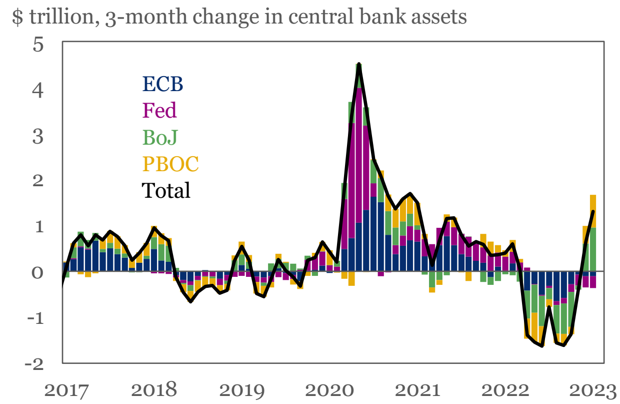
Eyes on non-bank credit intermediation: The massive rise in global debt levels over the past decade has been accompanied by the rapid expansion of "shadow banking" worldwide, and growing attention to potential associated risks. However, the growing role of these non-bank financial institutions (NBFIs)—investment funds, private equity, and hedge funds—has allowed many borrowers to have better international market access and diversify their creditor base. Moreover, while 2022 saw NBFIs do less credit intermediation amidst large outflows from investment funds, we expect NBFIs to play a key role in mobilizing private capital for climate action, which should in turn help to break the links between debt accumulation and carbon emissions (Chart 4)—see our latest IIF Sustainable Debt Monitor.

Chart 2: Many firms in France, Japan, and China face high interest burden amid surging debt levels



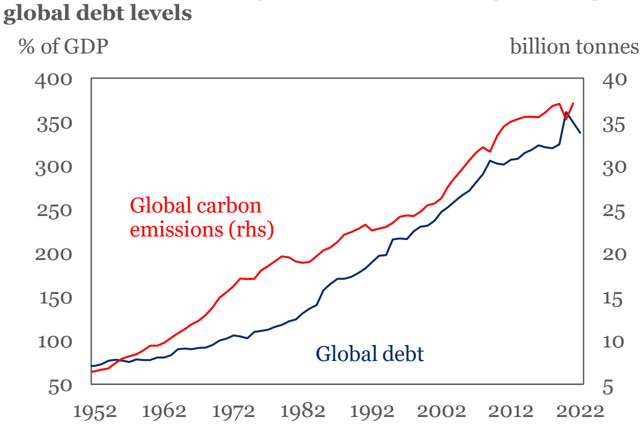
*Source: Bloomberg, IIF ; *ICR = Interest Coverage Ratio = EBIT/ interest expense*

Chart 3: A new wave of central bank liquidity encourages borrowing



Source: IIF, national sources

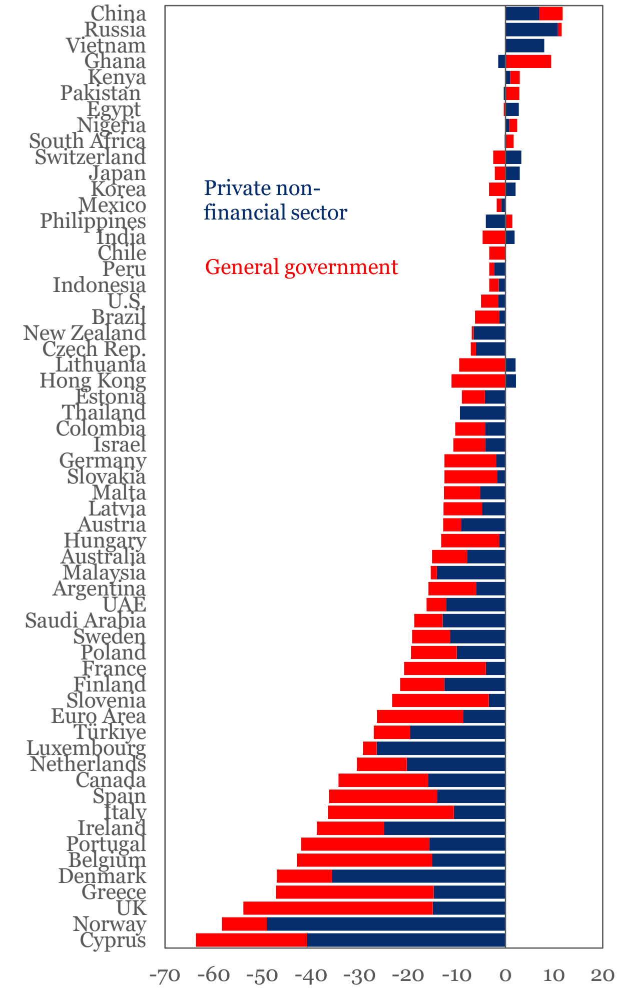
Chart 4: A slow-burning crisis - climate change and high global debt levels



Source: IIF, OWID

Chart 5: Normalization in debt-to-GDP ratios continues

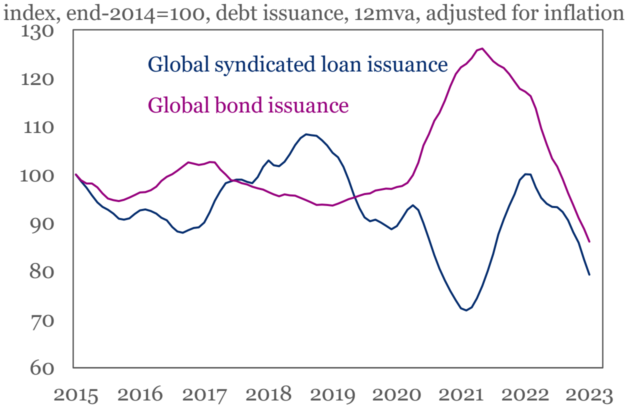
percentage points, estimated chg. in debt ratios since end-2021



Source: IIF, BIS, IMF, National sources

Chart 6: Persistent slowdown in capital market financing

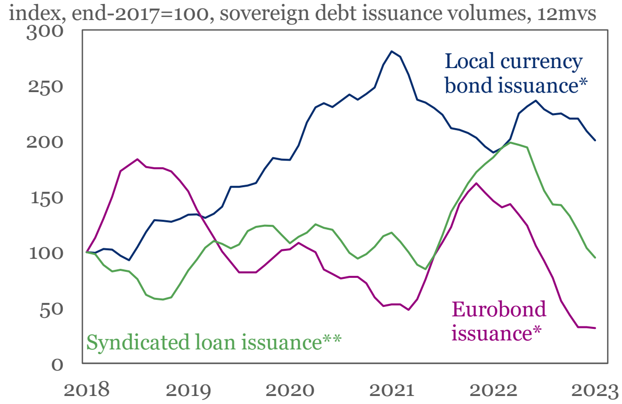
index, end-2014=100, debt issuance, 12mva, adjusted for inflation



Source: Bloomberg, IIF

Chart 7: Continued slowdown in debt issuance across lower-middle and low-income countries

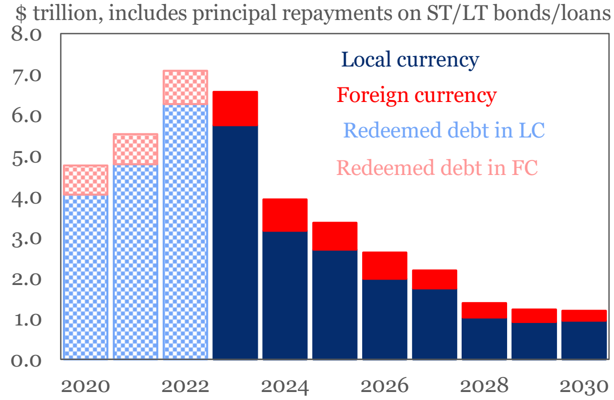
index, end-2017=100, sovereign debt issuance volumes, 12mvs



*Source: Bloomberg, IMF, IIF;*tenor >1yr, **incl. both FX and LC loans*

Chart 8: EMs face some $7 trillion of bond and loan re-demption until year-end*

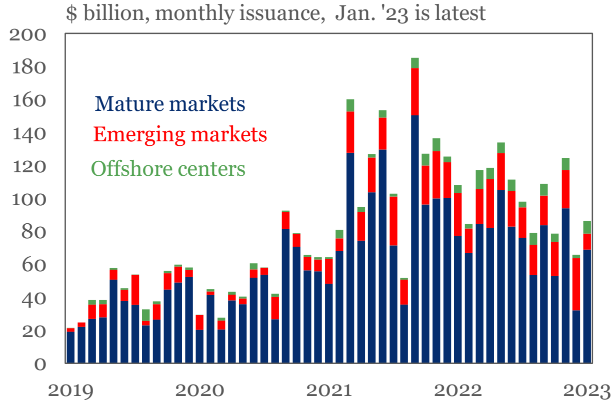
$ trillion, includes principal repayments on ST/LT bonds/loans



*Source: Bloomberg, IIF. *The exhibit does not imply an improvement in funding strains starting in 2023. 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 2023 will increase as we continue to see further issuance in short-term securities through 2022.*

Chart 9: January 2023 ESG debt issuance is 20% below the same period last year

$ billion, monthly issuance, Jan. '23 is latest



Source: Bloomberg, IIF

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
Global	**63.0**	**64.6**	**97.0**	**98.1**	**97.0**	**103.2**	**80.3**	**83.7**
Mature markets	**73.1**	**75.4**	**93.7**	**96.7**	**116.4**	**126.8**	**106.1**	**111.4**
U.S.	75.5	76.9	80.1	80.1	119.0	122.6	77.2	77.5
Euro Area	56.9	59.9	105.7	111.4	95.1	112.9	107.4	115.6
Japan	67.6	64.8	116.7	116.5	239.9	242.1	184.7	192.6
UK	82.3	86.9	66.3	76.7	87.2	126.2	158.6	183.3
Emerging markets	**46.1**	**46.6**	**102.3**	**100.3**	**64.5**	**63.9**	**37.2**	**37.4**
EM Asia	58.7	58.9	129.2	125.3	72.6	69.7	46.4	45.1
China	61.8	61.5	159.2	152.6	76.3	71.5	49.0	47.7
Hong Kong	95.7	93.1	274.6	275.0	68.5	79.7	163.9	165.1
India	37.3	35.9	53.4	52.9	80.1	84.8	2.7	3.3
Indonesia	16.1	17.3	24.3	24.6	38.7	40.6	7.4	7.6
Malaysia	66.9	73.1	61.4	69.4	62.2	63.4	25.1	25.9
Pakistan	2.3	2.4	11.2	11.4	77.8	74.9	1.2	0.8
Philippines	13.8	15.6	29.8	32.1	58.4	57.0	10.0	10.5
S. Korea	102.8	105.8	118.7	113.7	42.1	45.5	89.6	84.1
Singapore	54.1	58.3	133.8	162.8	200.1	145.9	205.4	191.7
Thailand	85.7	90.9	84.6	88.7	52.9	52.8	32.2	35.6
Vietnam	25.6	26.0	109.8	101.5	39.4	39.3	4.5	5.0
EM Europe	20.9	22.8	70.5	70.5	30.5	34.2	14.8	19.5
Czech Republic	32.3	34.6	48.0	51.7	39.2	40.3	28.7	40.9
Hungary	18.6	21.0	79.4	78.2	62.3	74.2	9.4	9.2
Poland	26.5	32.3	39.6	43.8	43.1	52.6	19.7	25.4
Russia	22.2	21.8	90.2	79.8	19.3	18.5	8.9	9.3
Turkey	11.9	15.2	58.1	74.3	35.5	43.0	20.0	30.9
EM Latam	23.8	24.5	41.4	42.5	63.3	67.5	25.3	28.3
Argentina	3.5	4.5	13.3	18.3	69.0	78.8	8.4	4.5
Brazil	31.7	32.9	53.0	53.0	85.1	90.1	42.0	45.9
Chile	44.7	44.7	101.9	101.8	32.5	35.8	48.3	52.8
Colombia	28.8	30.5	32.0	34.6	62.4	68.5	5.1	6.0
Mexico	16.1	15.9	23.2	24.2	38.8	39.8	9.5	14.7
Peru	13.8	14.1	46.6	48.6	35.3	36.4	8.4	9.2
AFME	19.4	20.5	42.1	46.4	47.7	50.1	15.9	17.4
Egypt	9.2	8.5	21.8	19.7	81.9	82.2	4.8	3.8
Ghana	2.9	2.8	13.3	14.9	91.5	82.1	5.6	5.1
Israel	43.1	43.9	68.0	71.3	60.5	67.1	11.4	11.8
Kenya	6.9	7.2	19.6	18.3	69.8	67.8	2.0	1.1
Nigeria	7.7	7.9	10.8	9.8	38.2	36.6	5.7	5.6
Saudi Arabia	13.5	16.0	56.6	67.0	24.2	30.0	5.0	6.0
South Africa	34.1	34.2	32.0	32.0	72.1	70.3	29.7	28.4
UAE	20.5	22.8	58.7	68.6	31.0	35.1	49.9	60.5

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 Q4-2022	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	154.3	4.8	4.2	0.5	75.1	1.2	0.9	0.3	44.9	4.1	3.2	0.3	61.8	0.0
Hong Kong	55.7	218.8	162.9	36.2	64.5	4.1	2.2	0.6	42.0	121.9	93.6	11.3	92.7	3.0
India	46.1	7.3	6.3	0.9	77.8	2.4	2.3	0.0	0.7	2.0	1.6	0.2	37.3	0.0
Indonesia	15.8	8.5	7.9	0.4	32.0	6.7	5.5	0.9	2.8	4.6	4.4	0.1	15.8	0.3
Malaysia	48.0	13.4	11.4	0.0	60.0	2.2	1.7	0.0	10.8	14.2	11.6	1.4	66.6	0.3
S. Korea	95.6	23.2	18.7	3.5	41.4	0.8	0.4	0.3	69.6	20.0	16.1	2.5	102.1	0.7
Singapore	68.0	65.8	60.7	2.3	200.1	0.0	0.0	0.0	53.6	151.8	99.2	15.9	45.5	8.6
Thailand	71.6	13.0	11.9	0.3	52.8	0.2	0.2	0.0	24.7	7.5	6.8	0.3	85.5	0.2
EM Europe														
Czech Republic	22.5	25.5	0.8	23.4	39.0	0.2	0.0	0.2	24.3	4.4	0.3	4.1	32.1	0.1
Hungary	46.7	32.7	7.9	24.7	48.1	14.1	6.8	6.5	4.4	5.0	1.1	3.8	18.5	0.1
Poland	25.9	13.7	1.1	12.5	32.3	10.8	1.3	9.2	13.7	6.0	0.6	2.8	19.9	6.6
Russia	78.3	11.8	6.3	4.8	16.4	2.9	2.4	0.5	6.9	2.0	1.7	0.2	22.1	0.0
Turkey	27.7	30.3	14.1	15.9	12.2	23.2	15.3	4.6	2.4	17.6	13.7	3.9	11.9	0.0
EM Latam														
Argentina	8.3	5.0	4.9	0.1	22.8	46.1	36.4	1.3	7.8	0.5	0.3	0.1	3.5	0.1
Brazil	38.5	14.4	13.5	0.7	80.5	4.5	3.7	0.9	34.4	7.5	6.4	0.2	31.7	0.0
Chile	67.2	34.8	33.9	0.3	20.4	12.1	8.2	3.9	40.7	7.5	6.2	0.2	42.7	1.9
Colombia	19.2	12.8	11.8	0.5	38.7	23.7	22.8	0.9	0.5	4.5	4.4	0.1	28.8	0.1
Mexico	8.2	15.1	12.9	1.4	31.8	7.0	5.2	1.2	6.7	2.8	2.0	0.4	16.1	0.0
AFME														
Israel	48.3	19.6	14.0	4.9	51.5	9.0	6.0	2.9	7.9	3.5	3.1	0.3	43.0	0.1
S. Arabia	46.7	9.8	9.6	0.2	16.6	7.6	7.6	0.0	0.8	4.2	3.8	0.1	13.5	0.0
S. Africa	17.7	14.3	8.1	4.3	66.2	5.9	5.8	0.1	21.1	8.6	4.0	0.9	33.8	0.4

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

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