Global Debt Monitor

Politics, Policy, and Debt Markets – What to Watch in 2024

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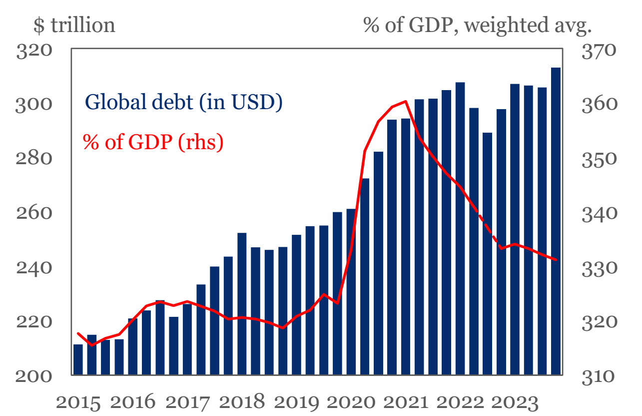
Emre Tiftik, Director, Sustainability Research, etiftik@iif.com
Khadija Mahmood, Economist, kmahmood@iif.com
Raymond Aycock, Senior Research Analyst, raycock@iif.com
Editor: Sonja Gibbs, Managing Director, and Head of Sustainable Finance, sgibbs@iif.com

- Over $15 trillion was added to the global debt mountain last year, bringing the total to a new record high of $313 trillion.
- The global debt-to-GDP ratio declined for a third consecutive year, largely driven by mature markets. However, the rate of decline in debt/GDP slowed sharply in 2023, as growth and inflation both weakened.
- In contrast, debt-to-GDP ratio in emerging markets (EM) reached new highs in 2023, with the largest increases observed in India, Argentina, China, Russia, Malaysia, and Saudi Arabia.
- Uncertainty around the trajectory of U.S. rates and the U.S. dollar could increase volatility in international funding conditions, limiting the willingness and ability of EM sovereigns to tap international debt markets.
- Of particular concern: Deepening geoeconomic fragmentation, geopolitical conflicts and rising trade protectionism may lead to more frequent and abrupt changes in global risk sentiment. Any escalation of these risks could exacerbate debt vulnerabilities.

Global debt surged by over $15 trillion in 2023: Following a decline of around $7 trillion in 2022, the global debt pile increased by more than $15 trillion in 2023, reaching a new record high of $313 trillion. Around 55% of this rise originated from mature markets, mainly driven by the U.S., France, and Germany. In emerging markets, the debt accumulation was mostly concentrated in China, India, and Brazil. By sector, general governments saw the largest increases in the USD value of outstanding debt, followed by non-financial corporates (Table 1). Debt outside the financial sector hit $244 trillion, which is now over $45 trillion above pre-pandemic levels.

Limited moderation in debt ratios: The global debt-to-GDP ratio saw a decline of around 2 percentage points (%pts) to nearly 330% in 2023 (Chart 1). This marked the third consecutive annual drop. However, the pace of moderation last year was significantly slower than in 2021-22, amid slower economic growth and falling inflation. The reduction in debt ratios was particularly notable in mature markets, largely driven by European countries. Malta and Norway were the only mature market economies registering an increase in their total debt ratios. In sharp contrast, the EM debt-to-GDP ratio hit a new fresh high of 225%, with the biggest increases seen in India, Argentina, China, Russia,

Chart 1: Total global debt stock at record $313 trillion



Source: IIF

Table 1: Sectoral Indebtedness*

$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q4 2023	*Q4 2022*	*Q4 2023*	*Q4 2022*	*Q4 2023*	*Q4 2022*	*Q4 2023*	*Q4 2022*	*Q4 2023*	*Q4 2022*
Mature markets	40.2	39.0	50.7	49.4	61.7	58.3	55.6	53.3	208.3	200.0
Emerging markets	19.1	18.0	43.6	40.7	28.2	25.3	13.8	13.8	104.6	97.7
Global	59.3	57.0	94.4	90.0	89.9	83.6	69.4	67.1	313.0	297.7

*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 from the IMF-WEO database. For details, see the "General Information" section of our database.*

Malaysia, and South Africa. On the other hand, Chile, Colombia, Türkiye, and Poland experienced declines of around 10%pts in their total debt ratios.

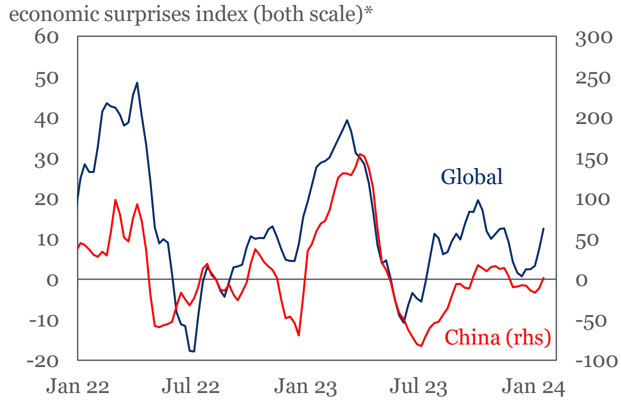
Resilience in challenging circumstances: Despite growth still below potential, and rising interest expenses, the global economy is proving resilient to volatility in borrowing costs. Indeed, incoming economic data has been surpassing expectations across major countries, leading to a rebound in investor sentiment (Chart 2). This shift has been accompanied by a significant pickup in borrowing activity earlier this year. Particularly noteworthy is the increased issuance of sovereign Eurobonds by emerging markets, including low-income countries that have suffered considerably from limited access to international debt markets in recent years. If sustained, this upbeat sentiment should also reverse the ongoing deleveraging by European governments and non-financial corporates in mature markets, both of which are now less indebted than in the run-up to the pandemic (Chart 3). However, risks and vulnerabilities remain:

- With Fed rate cuts on the horizon, uncertainty surrounding the trajectory of U.S. policy rates and the U.S. dollar could further increase market volatility and induce tighter funding conditions for countries with relatively high reliance on external borrowing (Chart 4).

- We anticipate a significant slowdown in the pace of balance sheet reduction by central banks as inflation approaches its target (Chart 5). However, if inflationary pressures were to resume, regardless of the drivers—whether an escalation in trade tensions, a boost to growth from the adoption of AI technologies, growing concerns over budget discipline, higher energy prices amid accelerating clean energy transition—this could hasten central bank balance sheet runoff, negatively impacting the outlook for global debt markets through higher borrowing costs.

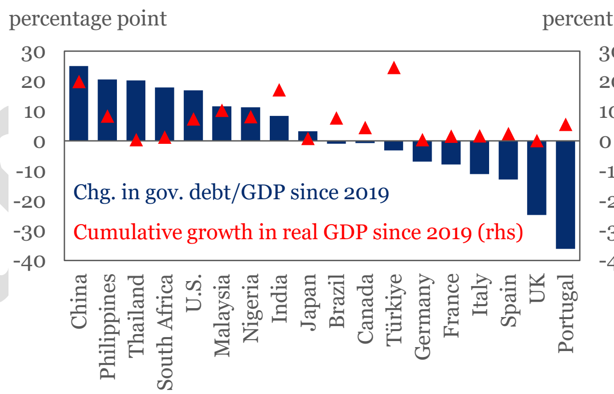
- With geopolitics rapidly emerging as a structural market risk, deeper geoeconomic fragmentation and the resurgence of geopolitical blocs raise concerns about increased government borrowing and fiscal discipline. Government budget deficits are still running well above pre-pandemic levels, and an acceleration in regional conflicts could trigger an abrupt surge in defense spending. Growing trade protectionism and geopolitical conflicts could also further exacerbate supply chain constraints, driving higher government spending to mitigate the adverse implications of increased fragmentation of trade and capital flows.

Chart 2: More upbeat economic news revives appetite for borrowing



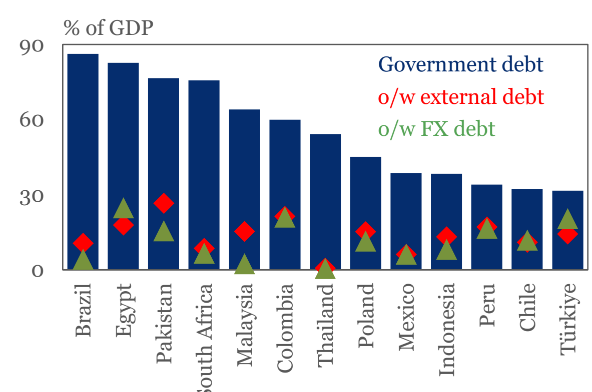
*Source: Bloomberg, Citi, IIF; *a positive reading means that data releases have been stronger than expected*

Chart 3: Government debt ratios in Europe are well below pre-pandemic levels



Source: National sources, IMF, IIF

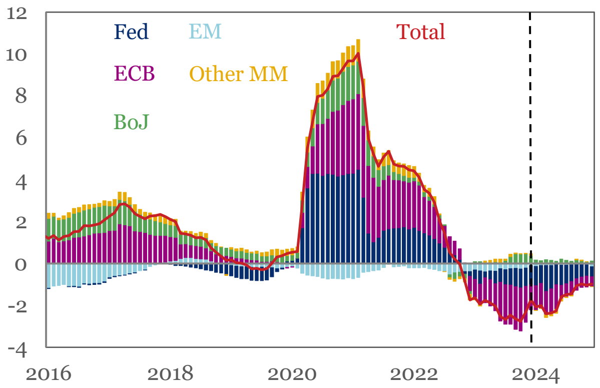
Chart 4: Heavy reliance on external funding leaves emerging markets more exposed to abrupt shifts in global risk sentiment



Source: National sources, Bloomberg, IIF

Chart 5: Liquidity withdrawal by central banks

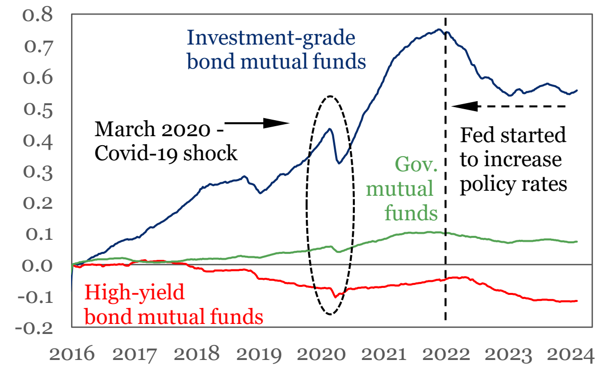
% of GDP, 12m rolling sum of monthly chg. in CB balance sheets



Source: National sources, Bloomberg, IIF

Chart 6: Expectations over lower policy rates has not yet lifted demand for bond mutual funds

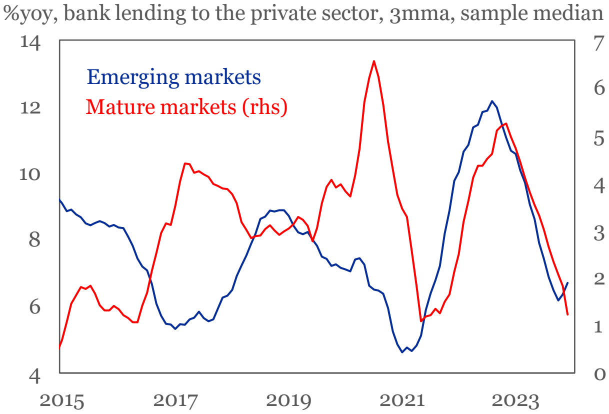
$ trillion, cumulative bond mutual fund flows



Source: ICI, IIF

Chart 7: Bank lending bottoming-out in emerging markets

%yoy, bank lending to the private sector, 3mma, sample median

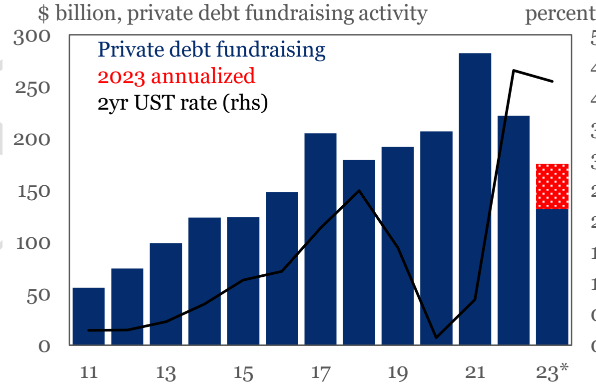


Source: Bloomberg, IIF

Chart 8: Sharp slowdown in private debt markets

$ billion, private debt fundraising activity

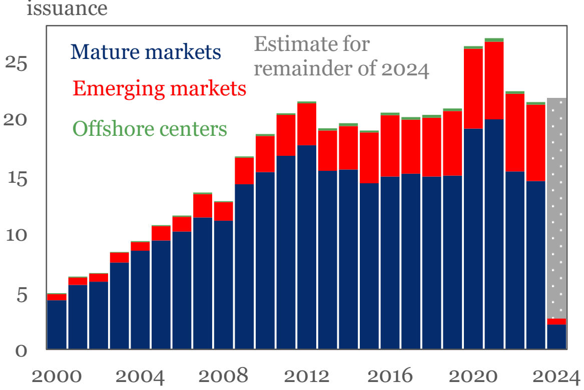
percent



*Source: PitchBook, IIF; *as of Q3 2023*

Chart 9: Long-term bond and loan issuance activity runs slightly above pre-pandemic levels

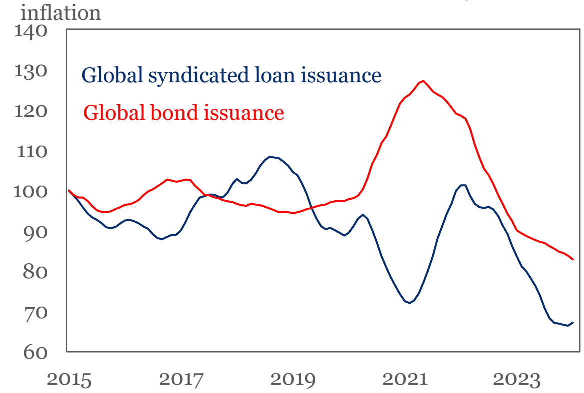
$ trillion, long-term general govt. & corp. bond & loan issuance



Source: Bloomberg, IIF

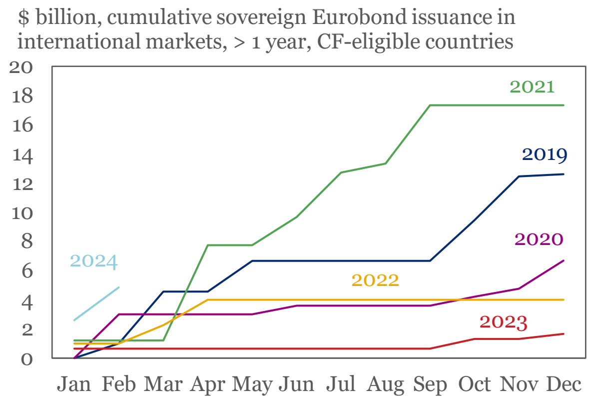
Chart 10: Tentative signs of bottoming-out in syndicated loan activity

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



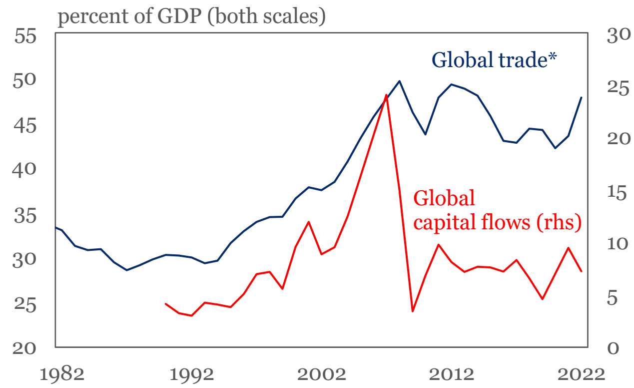
Source: Bloomberg, Haver, IIF

Chart 11: Recent months have witnessed a marked improvement in market access of some low-income countries



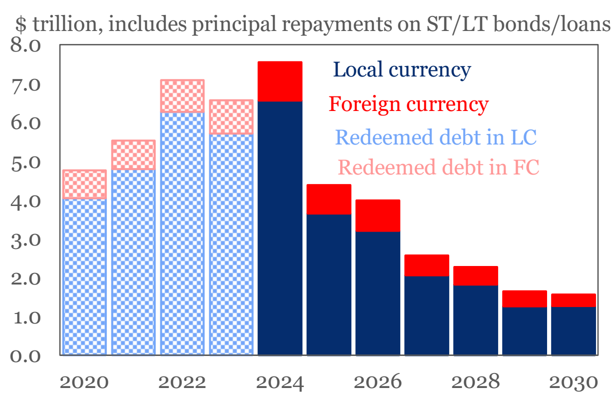
Source: Bloomberg, IIF; as of February 14, 2024

Chart 12: A decade of stagnation in global trade and capital flows reflects the rise in global economic fragmentation



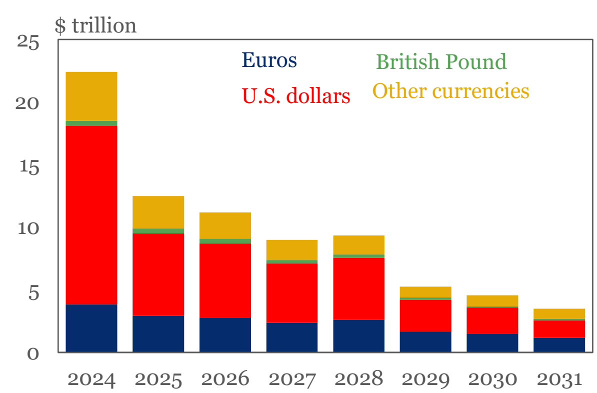
*Source: IMF BOP, IMF DOTS, IIF; *sum of exports and imports*

Chart 13: EMs face some $7.5 trillion of bond and loan redemption until year-end*



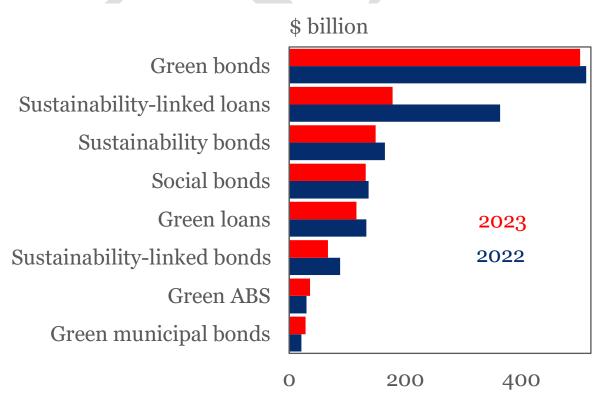
Source: Bloomberg, IIF. **The exhibit does not imply an improvement in funding strains starting in 2023. While local currency-denominated securities with a maturity less than 12 months are still an important source of funding in many jurisdictions, the redemption figures for 2023 will increase as we continue to see further issuance of short-term securities through 2023*

Chart 14: MMs face some $22 trillion of bond and loan redemption until year-end*



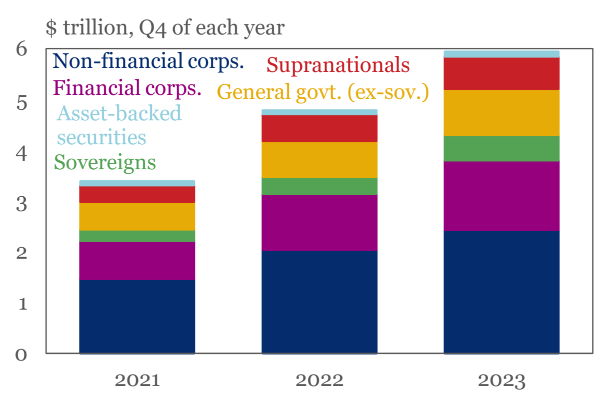
Source: Bloomberg, IIF. **The exhibit does not imply an improvement in funding strains starting in 2023. While local currency-denominated securities with a maturity less than 12 months are still an important source of funding in many jurisdictions, the redemption figures for 2023 will increase as we continue to see further issuance of short-term securities through 2023*

Chart 15: In line with weakness in traditional loan markets, 2023 saw a slump in sustainability-linked loan issuance



Source: Bloomberg, IIF

Chart 16: ESG debt universe hits a new record of $6 trillion



Source: IIF Sustainable Debt Monitor

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022
Global	**61.5**	**62.6**	**95.6**	**96.2**	**96.7**	**95.6**	**77.4**	**78.8**
Mature markets	**70.3**	**72.6**	**89.8**	**93.1**	**113.3**	**113.9**	**103.2**	**104.6**
U.S.	72.8	75.3	78.4	80.6	119.9	116.8	70.4	75.1
Euro Area	54.1	56.9	95.9	100.8	90.1	93.0	108.7	107.2
Japan	64.1	65.1	114.5	118.1	229.9	236.7	195.0	185.8
UK	78.5	83.1	62.1	66.7	80.9	86.5	150.2	159.3
Emerging markets	**46.8**	**46.0**	**105.3**	**101.4**	**69.0**	**64.9**	**34.3**	**35.7**
EM Asia	59.8	58.7	135.3	129.6	78.6	72.9	42.1	43.9
China	62.3	61.6	166.5	158.8	85.7	77.0	45.3	47.0
Hong Kong	93.3	96.1	258.0	278.1	76.8	79.9	136.6	154.8
India	45.5	36.4	60.7	53.7	82.7	81.8	2.7	2.6
Indonesia	16.6	16.2	24.3	23.8	38.3	38.9	6.6	7.0
Malaysia	68.9	66.8	90.0	87.8	64.0	60.3	28.4	22.4
Pakistan	2.1	2.3	10.4	11.3	76.6	76.2	1.1	1.1
Philippines	12.6	13.8	27.5	29.9	57.5	57.5	7.5	9.8
S. Korea	100.1	104.5	125.2	121.0	45.1	44.4	79.9	86.4
Singapore	47.3	48.6	130.6	131.3	173.1	167.8	162.9	161.8
Thailand	91.6	92.4	86.2	86.3	54.2	53.6	32.8	31.1
Vietnam	26.5	27.2	105.1	102.9	34.4	35.1	4.3	4.4
EM Europe	20.6	19.9	63.2	61.9	31.1	31.5	15.6	15.2
Czech Republic	31.5	32.6	47.9	50.6	39.7	39.9	32.0	35.1
Hungary	17.0	18.6	75.4	82.2	66.7	63.3	10.8	10.5
Poland	23.7	26.6	35.8	40.5	45.2	44.6	22.8	25.0
Russia	22.9	20.3	81.3	72.9	21.2	20.6	10.3	7.5
Türkiye	11.6	11.3	49.0	54.8	31.7	35.7	17.3	18.7
EM Latam	24.0	24.7	39.4	40.8	65.9	63.7	23.7	26.9
Argentina	3.9	4.1	18.6	17.9	91.1	78.1	12.3	9.7
Brazil	32.4	34.0	51.2	52.1	86.2	83.9	37.9	44.8
Chile	46.0	46.5	90.4	98.9	32.2	36.1	51.0	50.9
Colombia	26.4	28.6	30.7	32.5	60.0	65.1	3.8	5.2
Mexico	16.1	15.3	20.8	21.7	38.6	37.7	8.7	10.1
Peru	13.7	13.9	42.5	46.7	34.0	34.2	7.5	8.6
AFME	20.3	19.3	43.5	41.9	48.4	47.3	16.4	15.3
Egypt	8.1	8.8	20.6	21.0	82.7	79.0	3.8	4.9
Ghana	2.6	2.8	11.2	13.4	84.8	92.4	1.6	4.6
Israel	41.4	44.0	67.6	69.4	60.9	59.7	10.9	10.3
Kenya	10.5	11.2	20.7	19.5	71.7	67.8	2.3	1.9
Nigeria	14.0	7.7	8.4	10.6	40.4	39.6	9.6	5.8
Saudi Arabia	13.2	12.8	63.8	55.6	25.1	23.8	7.3	5.2
South Africa	34.3	34.3	31.8	33.1	75.6	72.7	34.3	30.4
UAE	22.5	20.1	57.9	56.6	29.4	31.1	43.4	46.5

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 Q4-2023	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	162.4	4.1	3.4	0.5	84.7	1.0	0.7	0.3	42.4	2.8	2.1	0.2	62.2	0.0
Hong Kong	55.3	202.7	145.0	35.8	67.6	9.2	5.0	1.7	41.4	95.2	73.0	7.2	90.4	2.9
India	53.3	7.4	6.2	1.0	80.4	2.3	2.3	0.0	0.6	2.1	1.8	0.2	45.5	0.0
Indonesia	16.4	7.9	7.3	0.4	30.0	8.4	6.7	1.4	2.5	4.1	3.7	0.1	16.3	0.3
Malaysia	72.5	17.5	14.9	0.1	61.5	2.5	2.0	0.0	13.6	14.9	11.8	0.7	68.6	0.3
S. Korea	102.9	22.3	18.4	3.1	44.2	1.0	0.4	0.5	63.1	16.8	13.1	2.1	99.3	0.9
Singapore	68.4	62.2	56.0	2.8	173.1	0.0	0.0	0.0	45.7	117.2	71.5	14.4	40.4	7.0
Thailand	73.8	12.4	11.3	0.6	53.8	0.4	0.4	0.0	25.4	7.4	6.5	0.3	91.5	0.2
EM Europe														
Czech Republic	20.3	27.5	0.8	26.3	39.1	0.5	0.0	0.5	26.6	5.4	0.4	4.9	31.4	0.1
Hungary	39.3	36.1	11.8	24.3	48.4	18.3	7.4	10.3	4.8	6.0	2.3	3.7	17.0	0.1
Poland	23.5	12.2	0.6	11.6	34.3	10.9	1.8	8.6	14.9	7.9	2.3	4.8	19.0	4.6
Russia	68.8	12.6	5.5	6.5	18.2	3.0	2.5	0.5	8.4	1.9	1.6	0.2	22.9	0.0
Türkiye	25.4	23.6	9.3	13.9	11.3	20.3	13.4	4.0	2.4	14.9	10.8	3.8	11.6	0.0
EM Latam														
Argentina	10.9	7.7	7.5	0.2	25.5	65.6	52.5	1.7	11.3	0.9	0.4	0.0	3.8	0.1
Brazil	38.2	13.0	11.6	1.0	82.3	3.9	3.2	0.8	32.7	5.2	4.9	0.1	32.4	0.0
Chile	57.4	33.0	31.9	0.4	21.3	11.0	7.4	3.5	43.0	8.0	6.6	0.2	43.9	2.1
Colombia	21.1	9.6	8.8	0.4	39.3	20.7	17.8	0.7	0.5	3.3	3.1	0.1	26.3	0.1
Mexico	8.6	12.1	10.4	1.1	32.5	6.1	4.6	1.0	6.4	2.3	1.9	0.1	16.1	0.0
Peru	22.6	19.9	19.3	0.5	16.9	17.1	14.9	2.3	2.6	4.9	4.7	0.2	12.8	0.9
AFME														
Israel	48.8	18.8	13.1	5.0	52.1	8.8	5.3	3.4	7.8	3.1	2.8	0.3	41.3	0.1
S. Arabia	53.6	10.2	9.8	0.4	16.1	9.0	9.0	0.0	0.5	6.8	5.9	0.1	13.2	0.0
S. Africa	17.2	14.7	8.4	4.3	68.2	7.4	7.3	0.2	24.7	9.6	4.5	1.2	34.0	0.3

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

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

