

Global Debt Monitor

Politics and Climate Finance in a High-Debt World

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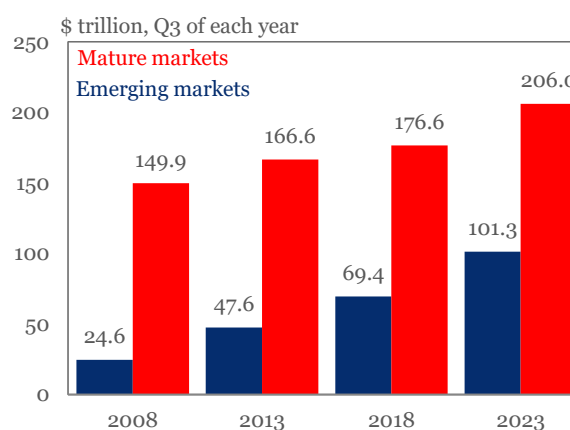
- Global debt reached a staggering \$307 trillion in Q3 2023, with a big increase across the board in both mature markets (U.S., Japan, France, and the UK) and emerging markets (China, India, Brazil, and Mexico).
- The global debt-to-GDP ratio has remained stable just below 335%, but EM debt ratios are higher—notably in Russia, China, Malaysia, Saudi Arabia. In contrast, debt-to-GDP fell in mature markets, partly due to weaker corporate/household loan growth.
- Looking ahead to 2024, a swathe of elections and ongoing geopolitical frictions raise concerns about increased government borrowing and fiscal discipline, including India, South Africa, Pakistan, and the U.S.
- Of particular concern ahead of COP28: tighter funding conditions and reduced corporate borrowing appetite are acting as a constraint on climate finance—as evidenced by a downturn in ESG debt issuance.

Government debt continues to rise: The global debt stock rose by over \$9.5 trillion during the first three quarters of 2023, surpassing \$307 trillion—over \$60 trillion higher than in 2018 (Chart 1). Two-thirds of this originated from mature markets (MM). The biggest increases were seen in the U.S., Japan, France, and the UK. In emerging markets (EM), the debt buildup was sharpest in China, India, Brazil, and Mexico. By sector, the increase in debt levels has been more evident in the government sector, with fiscal budget deficits remaining well above pre-pandemic levels in many mature and emerging market economies. We anticipate that global debt will reach \$310 trillion by the end of the year.

EM debt-to-GDP hits an all-time high: The global debt-to-GDP has remained broadly stable at around 333% this year. Across geographies, the decline in MM debt ratios has broadly offset the rise in EM debt ratios. However, EM debt ratios topped 255% in Q3 2023—over 32 percentage points higher than in Q3 2018. The surge in EM debt ratios was more evident in Russia, China, Saudi Arabia, and Malaysia, while Chile, Colombia and Ghana experienced the largest de-

clines. Around 80% of the MM countries in our sample witnessed a decline in debt ratios, while Malta, Norway, Japan, France, Estonia, and Lithuania were the exceptions, posting higher debt ratios. Looking ahead, we anticipate the global debt ratio to resume its upward trend as [global growth momentum](#) remains weak, and inflationary pressures continue to ease (Chart 2).

Chart 1: Total global debt stock has exceeded \$307 trillion



Source: IIF

Table 1: Sectoral Indebtedness*

\$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Mature markets	39.5	37.7	48.9	46.8	61.1	57.1	56.5	52.8	206	194.4
Emerging markets	18.4	17.3	42.2	39.5	27.0	24.4	13.8	13.3	101.3	94.5
Global	57.9	55.1	91.1	86.3	88.1	81.5	70.3	66.1	307.4	289.0

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.

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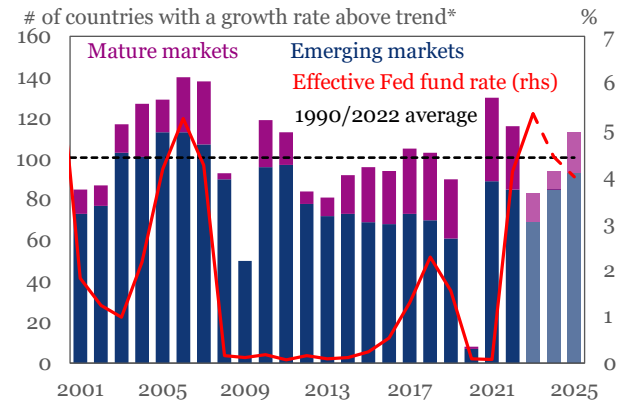
A shift towards populism could trigger still-higher debt levels:

With elections looming in over 50 countries and regions in 2024 (Table 4) and heightened geopolitical tensions due to U.S.-China strategic competition and the tragic war in Gaza, rising political polarization raises challenging questions. If upcoming elections lead to populist policies aimed at controlling social tensions, the result could be still more government borrowing and still less fiscal restraint. Budget deficits are already running well above pre-pandemic levels in many major economies and are expected to add around \$5.3 trillion per year to the global government debt stock between 2024 and 2027. Many sovereigns, particularly Egypt, India, Malaysia, Pakistan, South Africa, Türkiye, and the U.S. are already allocating a growing share of revenues to interest expense. An abrupt surge in government expenditures during this global election cycle could further increase the interest burden for many sovereign debtors—from already high levels (Chart 3). This scenario could also impact investor sentiment in a higher-for-longer interest rate environment, potentially leading to mini boom-bust cycles in fixed income markets. Case in point: the recent volatility in the [U.S. Treasury market](#) partially triggered by speculation about a significant potential rise in government borrowing.

Reassessing debt vulnerabilities in the private non-financial sector:

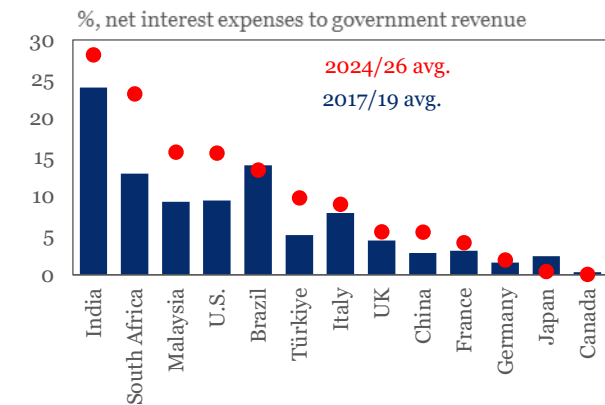
The debt service burden of the private non-financial sector (households and corporates) continues to increase across major countries. This trend is particularly pronounced in China, reflecting years of rapid debt accumulation, a structural economic slowdown, and ongoing stress in the real estate sector (Chart 4). While private sector debt remains largely manageable in many countries, rising interest rates have heightened vulnerabilities in certain segments of their economies — posing significant concerns for ruling parties as the 2024 elections approach. In the U.S., the rise in consumer debt vulnerabilities has been more evident among younger voters, including Generation Z and Millennials. Notably, the share of credit card borrowers’ newly delinquency rates reached multi-year highs of 2% in Q3 2023. Globally, with bank credit creation to private sector borrowers on the wane in many countries, signs of increasing vulnerability among firms with low credit ratings—especially in Europe—have become more apparent. This trend is also reflected in the rising number of corporate bankruptcies (Charts 5 to 7). With firms’ borrowing appetite at multi-year lows amid still-tightening funding conditions and heightened geoeconomic fragmentation, the prospects for climate finance look increasingly at risk in recent quarters, as evidenced by a marked slowdown in [ESG debt issuance](#).

Chart 2: Below-trend growth increases debt burdens



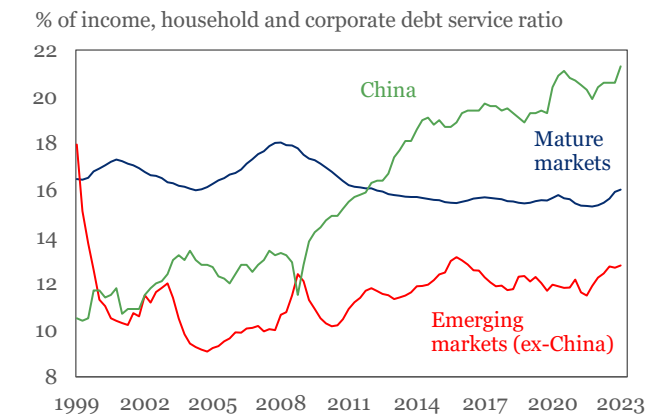
Source: IMF, IIF; trend growth is defined as the average growth over the preceding 20 years

Chart 3: Secular rise in government interest expenses raises questions about debt management practices



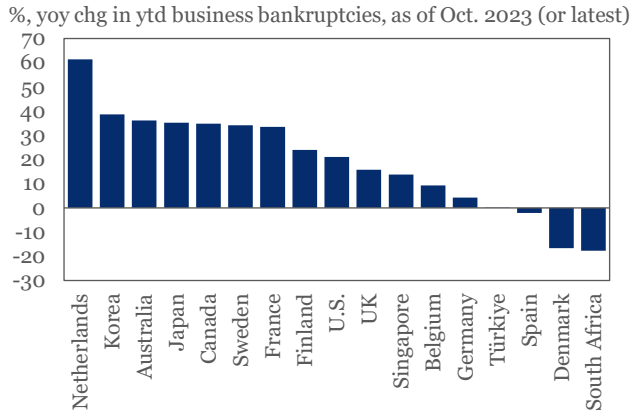
Source: National sources, CBO, IMF, IIF

Chart 4: The debt service burden of households and corporates is on the rise



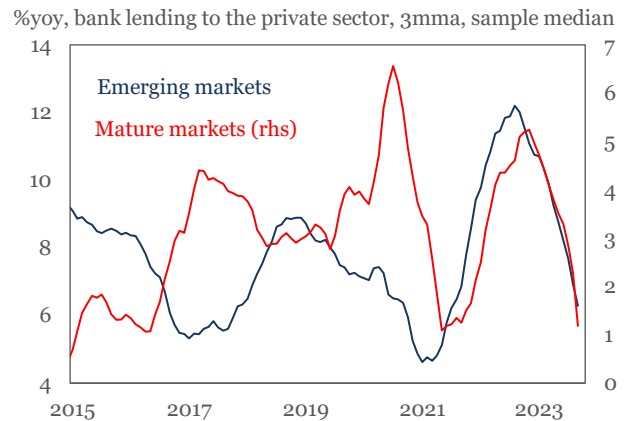
Source: BIS, IIF

Chart 5: Sharp increase in corporate bankruptcies amid tighter funding conditions



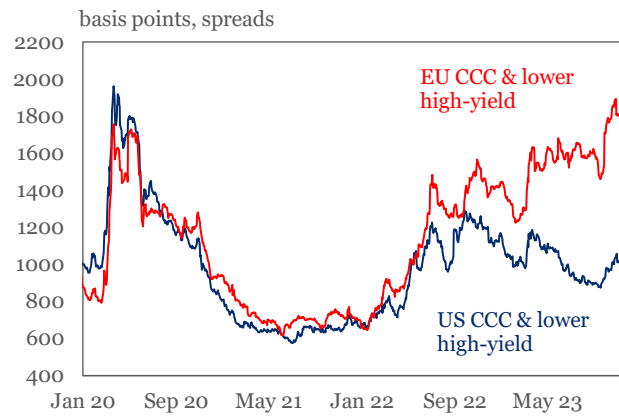
Source: National sources, IIF

Chart 6: Sharp slowdown in bank credit growth



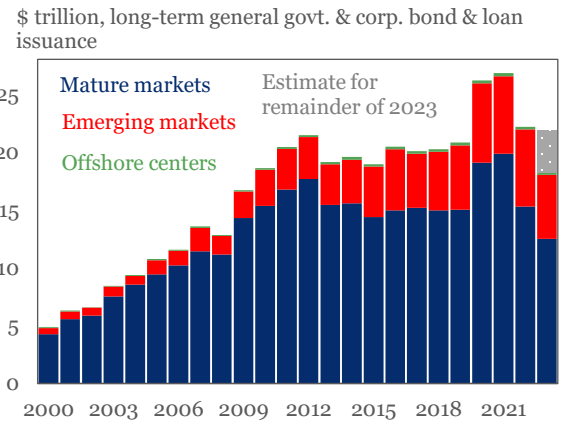
Source: National sources, Haver, IIF

Chart 7: Diverging trends in risk premiums across US and European firms



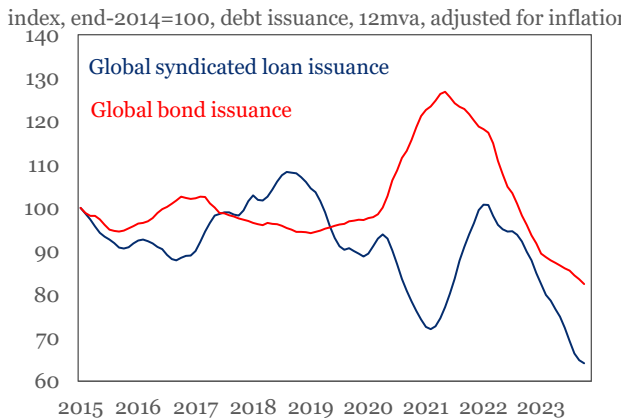
Source: Bloomberg, IIF

Chart 8: Long-term bond and loan issuance runs slightly above pre-pandemic levels



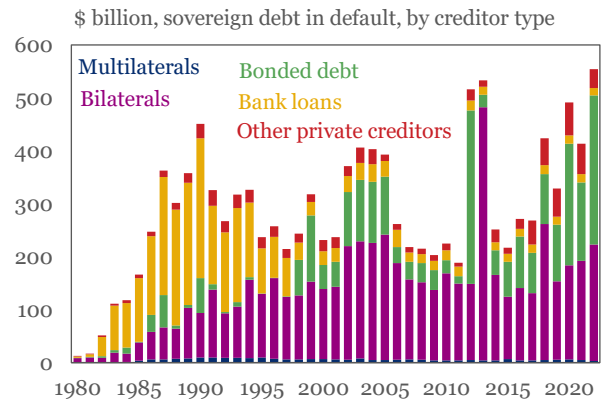
Source: Bloomberg, IIF

Chart 9: Banking sector stress, higher borrowing costs, and stubborn inflation dampen syndicated loan activity



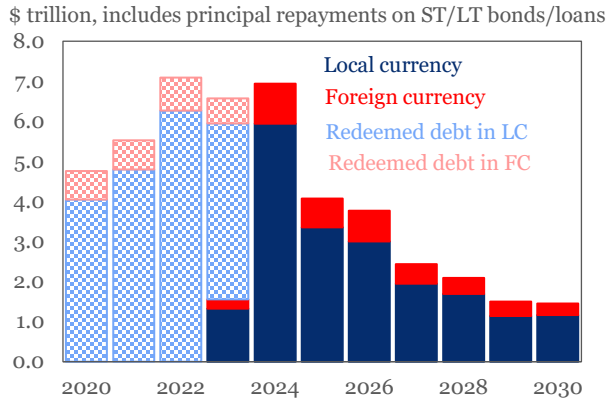
Source: Bloomberg, Haver, IIF

Chart 10: Outstanding sovereign debt in default—much owed to bondholders—has hit record highs



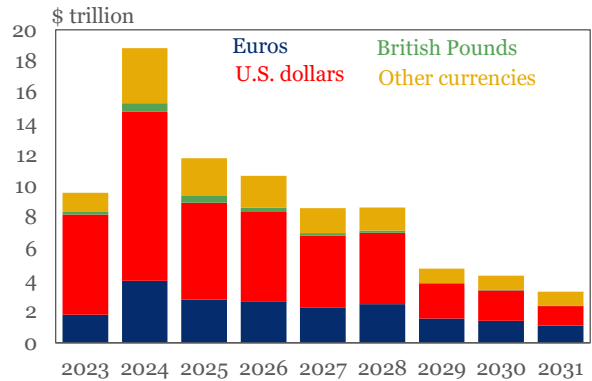
Source: CRAG/Bank of Canada, IIF

Chart 11: EMs face some \$1.5 trillion of bond and loan redemption until year-end*



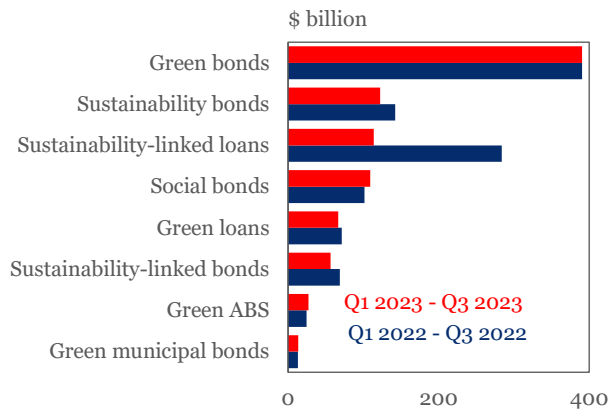
Source: Bloomberg, IIF. *The exhibit does not imply an improvement in funding strains starting in 2023. While local currency-denominated securities with a maturity less than 12 months are still an important source of funding in many jurisdictions, the redemption figures for 2023 will increase as we continue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

Chart 12: MMs face some \$9 trillion of bond and loan redemption until year-end*



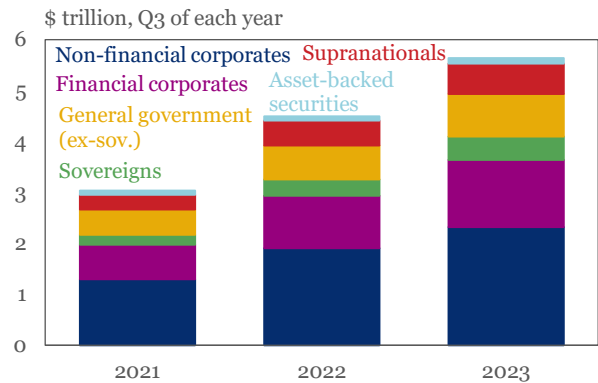
Source: Bloomberg, IIF. *The exhibit does not imply an improvement in funding strains starting in 2023. While local currency-denominated securities with a maturity less than 12 months are still an important source of funding in many jurisdictions, the redemption figures for 2023 will increase as we continue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

Chart 13: Sustainability-linked loan volumes have slumped the most while green bond sales remain strong 2023ytd



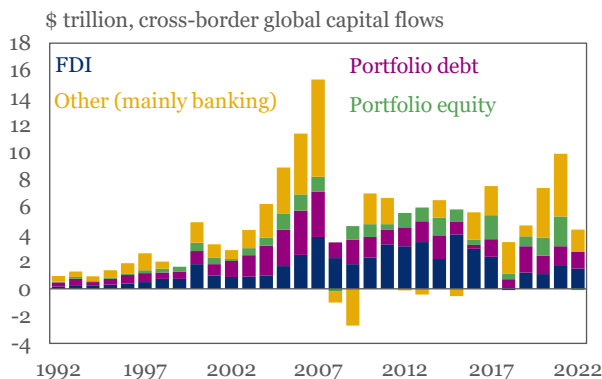
Source: Bloomberg, IIF

Chart 14: ESG debt universe nears a record \$6 trillion, largely driven by non-financial corporates



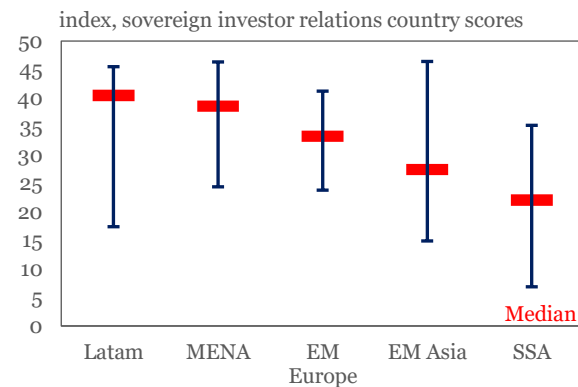
Source: Bloomberg, IIF

Chart 15: Secular stagnation of global capital flows weighs on prospects for climate finance



Source: IMF, IIF

Chart 16: Mobilizing international capital to EMs for climate action at scale largely depends on enhancing sovereign investor relations



Source: IIF Investor Relations Survey

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Global	61.7	63.1	94.9	96.0	97.0	96.7	79.5	81.5
Mature markets	70.7	73.3	88.7	92.9	114.2	115.9	105.8	108.5
U.S.	73.2	75.9	76.1	78.3	117.6	117.9	75.9	77.4
Euro Area	54.6	57.7	95.5	103.5	92.6	95.7	106.6	112.3
Japan	64.7	65.2	115.2	117.7	239.9	241.5	198.3	192.7
UK	78.5	83.5	65.0	68.6	82.5	87.4	156.3	168.6
Emerging markets	46.7	46.0	105.2	101.4	68.2	64.5	35.5	36.2
EM Asia	59.5	58.6	134.9	129.2	77.8	72.3	43.6	44.1
China	62.7	61.5	166.9	158.3	83.0	75.9	46.3	46.1
Hong Kong	95.2	95.0	267.9	279.7	103.4	80.1	139.3	164.9
India	41.1	35.6	55.1	52.5	83.3	82.3	2.6	3.0
Indonesia	16.0	16.3	23.3	24.3	37.6	39.1	6.6	7.0
Malaysia	67.8	67.3	86.9	89.5	64.4	61.5	27.2	23.8
Pakistan	2.1	2.3	10.7	11.3	76.5	75.6	1.3	1.3
Philippines	12.9	14.3	28.3	31.1	57.5	57.8	8.4	11.2
S. Korea	100.2	104.8	126.1	120.4	48.9	44.2	88.0	88.9
Singapore	47.3	50.0	125.0	130.1	170.8	168.1	168.9	173.7
Thailand	91.5	92.4	85.1	87.9	54.8	53.6	34.9	32.6
Vietnam	24.3	25.3	107.0	104.5	34.9	36.1	4.5	4.7
EM Europe	21.1	20.2	64.4	61.8	32.1	31.8	16.0	15.3
Czech Republic	31.7	33.2	48.5	52.6	40.8	40.3	34.5	33.7
Hungary	17.2	19.3	74.4	88.3	63.7	63.8	10.1	11.4
Poland	24.2	28.6	36.5	42.5	43.9	45.4	24.9	22.8
Russia	23.3	19.8	81.6	68.2	23.0	20.1	9.8	6.8
Türkiye	12.3	11.6	53.0	60.1	33.8	37.1	17.8	22.1
EM Latam	24.3	24.8	39.5	41.8	64.2	63.7	25.2	28.6
Argentina	3.7	4.2	16.9	17.8	82.1	74.0	10.0	10.0
Brazil	33.1	34.2	51.4	52.8	84.4	84.5	41.4	48.8
Chile	45.6	45.7	90.7	105.4	30.0	34.4	52.3	50.1
Colombia	26.4	28.7	30.5	32.6	59.2	64.5	3.9	4.9
Mexico	16.2	15.5	21.5	22.6	39.9	38.9	9.4	10.3
Peru	13.7	13.9	43.0	47.7	34.1	34.7	8.0	9.1
AFME	19.9	19.4	43.8	42.7	48.0	47.8	16.5	15.8
Egypt	8.1	8.8	20.7	20.6	81.4	81.0	4.3	3.8
Ghana	2.6	2.8	11.8	15.5	85.9	92.8	2.4	6.6
Israel	42.0	44.3	69.2	70.2	58.8	61.0	12.0	11.5
Kenya	10.7	11.1	20.2	19.0	70.3	67.4	2.2	2.0
Nigeria	11.8	7.4	9.2	10.6	40.4	39.2	8.8	5.8
Saudi Arabia	12.9	13.1	62.5	57.0	24.9	24.2	6.7	4.6
South Africa	34.2	34.1	33.5	33.2	75.4	72.8	34.3	29.7
UAE	21.8	20.4	58.2	59.0	29.8	31.7	44.1	51.4

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 Q3-2023</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	162.6	4.4	3.7	0.5	81.9	1.1	0.8	0.3	43.5	2.8	2.1	0.2	62.7	0.0
Hong Kong	60.0	207.9	149.5	36.6	91.5	11.8	6.4	2.1	41.6	97.7	74.3	8.4	92.4	2.8
India	48.0	7.1	6.0	1.0	81.0	2.3	2.3	0.0	0.6	1.9	1.7	0.2	41.1	0.0
Indonesia	15.6	7.6	7.1	0.4	29.7	7.9	6.5	1.1	2.5	4.1	3.7	0.1	15.7	0.3
Malaysia	70.0	16.9	14.3	0.1	62.0	2.4	2.0	0.0	12.6	14.7	11.9	0.7	67.5	0.3
S. Korea	105.2	20.9	16.9	3.1	47.8	1.0	0.5	0.5	69.5	18.5	14.4	2.3	99.4	0.8
Singapore	66.2	58.8	53.3	2.3	170.8	0.0	0.0	0.0	50.0	118.9	71.9	16.0	40.2	7.1
Thailand	72.6	12.5	11.0	0.5	54.4	0.5	0.5	0.0	26.8	8.1	7.1	0.3	91.3	0.2
EM Europe														
Czech Republic	21.1	27.4	0.8	26.1	40.4	0.4	0.0	0.4	28.7	5.8	0.7	5.0	31.6	0.1
Hungary	40.1	34.3	10.2	24.1	45.5	18.3	7.9	9.8	4.6	5.5	2.1	3.4	17.1	0.1
Poland	23.2	13.3	0.8	12.4	32.7	11.2	1.9	8.9	16.5	8.4	1.8	5.8	19.0	5.2
Russia	67.9	13.6	6.2	6.8	19.3	3.7	3.0	0.6	8.0	1.9	1.6	0.2	23.3	0.0
Türkiye	32.5	20.5	8.4	11.8	12.0	21.8	14.6	4.2	2.5	15.3	11.0	4.1	12.3	0.0
EM Latam														
Argentina	11.0	5.9	5.7	0.1	27.7	54.4	50.6	1.6	9.3	0.8	0.3	0.0	3.6	0.1
Brazil	38.2	13.3	11.9	1.0	80.2	4.1	3.3	0.8	34.7	6.7	6.1	0.2	33.1	0.0
Chile	56.6	34.0	32.9	0.4	19.0	11.0	7.6	3.4	44.1	8.2	6.8	0.2	43.4	2.2
Colombia	20.4	10.2	9.3	0.5	38.4	20.8	17.8	0.7	0.4	3.5	3.3	0.1	26.3	0.1
Mexico	8.4	13.1	11.1	1.2	33.4	6.5	4.9	1.0	6.8	2.5	2.1	0.1	16.2	0.0
Peru	22.3	20.6	20.1	0.5	17.5	16.5	14.3	2.2	2.6	5.5	5.3	0.2	12.8	0.9
AFME														
Israel	49.0	20.2	13.8	5.5	50.8	8.0	5.3	2.6	8.2	3.8	3.4	0.4	41.9	0.1
S. Arabia	52.6	9.9	9.5	0.4	16.0	8.9	8.9	0.0	0.5	6.2	5.5	0.1	12.9	0.0
S. Africa	18.2	15.3	8.7	4.5	68.8	6.6	6.4	0.2	24.8	9.5	4.3	1.2	33.9	0.3

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

*LC=local currency; FC=foreign currency

Table 4: 2024 Election Calendar

	<u>Q1 2024</u>	<u>Q2 2024</u>	<u>Q3 2024</u>	<u>Q4 2024</u>
<u>Mature markets</u>				
Austria				TBD, later 2024 legislative elections
Australia			August-October, territorial elections	
Belgium		June 9, legislative elections		October, local elections
Canada				October, provincial elections
Finland	January 28, presidential election			
Germany			September, state elections	
Iceland		June 1, presidential election		
Ireland		June, local elections		
Spain			August, regional elections	
U.K.	Northern Ireland Assembly election	May, local elections		
U.S.				November 5, general election
European Union		June 6-9, EU Parliament		
<u>Emerging markets</u>				
<i>EM Asia</i>				
Bhutan	January, legislative election			
Cambodia	February 25, legislative election			
India		TBD, Q2 2024 general election		
Indonesia	February 14, general election			November, local elections
Pakistan	February 8, general election(s)			
Palau				November 12, general election
S. Korea		April 8, legislative		
Sri Lanka		presidential election to be held before September		
Taiwan, Province of China	January 13, general election			
<i>EM Europe</i>				
Belarus	February 25, legislative election			
Bosnia and Herzegovina				October 6, local elections
Croatia			September 22, legislative elections	December, presidential election
Georgia				October 26, general election
Lithuania		May, presidential election		October, legislative election
Moldova			TBD, presidential election	
North Macedonia		TBD, general election		
Portugal	March 10, legislative election			
Romania				November, presidential election
Russia	March 17, presidential election			
Slovakia		TBD, presidential election		
Türkiye	March 31, local elections			

Table 4: 2024 Election Calendar (cont.)

	<u>Q1 2024</u>	<u>Q2 2024</u>	<u>Q3 2024</u>	<u>Q4 2024</u>
Ukraine		Spring presidential election, TBD		
<i>Latam & Caribbean</i>				
Brazil				October, municipal elections
Dominican Republic		May 19, general election		
El Salvador	February 4 & March 3 general election			
Mexico		June 2, general election		
Panama		May 5, general election		
Uruguay				October 27, general election
Venezuela				TBD, latter half of 2024 presidential election
<i>AFME</i>				
Algeria				December, presidential election
Botswana				October, general election
Chad				October, presidential and legislative elections
Comoros	January, presidential election			
Ghana				December 7, general election
Mauritania		June, presidential election		
Mauritius	General election to be held in 2024			
Mozambique				October 9, general election
Namibia				November, general election
Rwanda			August, general election	
Senegal	February 25, presidential election			
South Africa		May, general election		
South Sudan	General election to be held in 2024			
Tunisia	Presidential election to be held in 2024			

Source: National sources, IIF