

Global Debt Monitor

COVID Drives Debt Surge—Stabilization Ahead?

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Emre Tiftik, Director of Sustainability Research, etiftik@iif.com

Khadija Mahmood, Economist, kmahmood@iif.com

Editor: Sonja Gibbs, Managing Director and Head of Sustainable Finance, sgibbs@iif.com

- Pandemic response helped add \$24 trillion to the global debt mountain in 2020, bringing it to a new high of \$281 trillion.
- Debt in mature markets is fast approaching \$205 trillion—up from \$183 trillion in 2019. Factoring in a sharp economic contraction, European countries saw some of the biggest increases in debt ratios in 2020—notably France, Spain and Greece.
- EM debt/GDP topped 250% in 2020, up from 220% in 2019—biggest increases in Brazil, Korea, Turkey, UAE, and China.
- The non-financial corporates sector is increasing reliant on government support—exacerbating pre-existing vulnerabilities
- We have added Peru and Vietnam to our debt monitor and revised historical debt series for mature market economies.

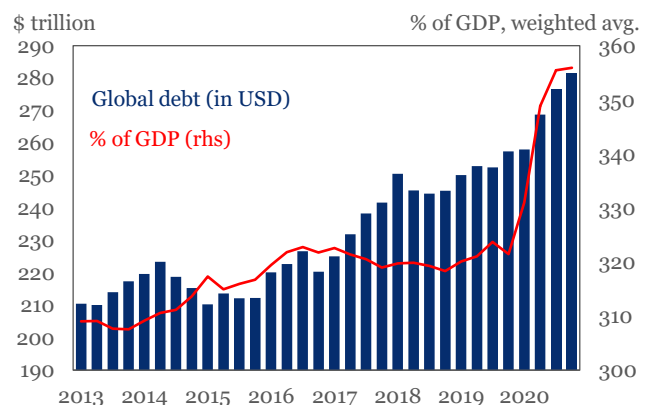
Global debt soared to a new record high of \$281 trillion in 2020: Coupled with a sharp pandemic-driven decline in government and corporate revenues, total private and public debt for the 61 countries in our sample rose by \$24 trillion last year, making up over a quarter of the \$88 trillion rise over the past decade (Chart 1). Debt outside the financial sector hit \$214 trillion, up from \$194 trillion in 2019 (Table 1).

Few signs of stabilization—yet: Global debt-to-GDP ratio surged by 35 percentage points (%pts) to over 355% of GDP in 2020. The upswing was well beyond the rise seen during the 2008 global financial crisis. Back in 2008 and 2009, the increase in global debt ratio was limited to 10%pts and 15%pts, respectively. With global debt issuance still running above pre-COVID levels (supported by still-low borrowing costs), the rise in global debt ratios is expected to be relatively modest this year; the projected rebound in GDP will help. However, debt trajectories may vary significantly—the pace of vaccination differs considerably across countries, and difficulty in vaccine rollout could delay recovery, prompting further debt accumulation. For highly indebted countries facing ongoing fiscal constraints, [difficulty in accessing and distributing vaccines](#) could thus contribute to further debt strains, particularly in [low-income countries](#).

Government debt tops 105% of GDP—up from 88% in 2019: General government debt accounted for more than half of rise—up over \$12 trillion in 2020 vs \$4.3 trillion in 2019. Unsurprisingly, mature markets saw the biggest increase in government debt (+\$10.7 trillion) as the fiscal response to the pandemic was constrained in most emerging markets. While

some pandemic-related fiscal measures will likely expire in 2021, budget deficits are set to remain well above pre-pandemic levels. We expect global government debt to increase by another \$10 trillion this year and surpass \$92 trillion by end-2021. Although sizeable budget deficits have been essential to tackle the crisis, finding the right exit strategy could be even more challenging than after the 2008/09 financial crisis. Political and social pressure could limit governments' efforts to reduce deficits and debt, jeopardizing their ability to cope with future crises. This could also constrain [policy responses](#) to mitigate the adverse impacts of climate change and natural capital loss—see our latest [Sustainable Debt Monitor](#).

Chart 1: Global debt hits a fresh record high in 2020



Source: IIF, BIS, IMF, National sources

Table 1: Sectoral Indebtedness*

\$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019	Q4 2020	Q4 2019	Q4 2020	Q4 2019	Q4 2020	Q4 2019
Mature markets	37.3	34.9	47.3	43.2	63.5	52.8	55.6	52.0	203.7	182.8
Emerging markets	13.7	13.6	33.3	32.0	18.8	17.3	11.9	11.7	77.7	74.6
Global	51.1	48.5	80.6	75.2	82.3	70.1	67.5	63.6	281.5	257.4

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](#).

Non-financial private sector debt (household and corporate) hit 165% of GDP in 2020, up from 124% in 2019. Supportive government measures such as debt moratoria and loan guarantee programs—while much needed—pushed non-financial corporate debt some 8 percentage points higher, to 100% of GDP. Firm level data [suggest](#) that many large firms, particularly in the U.S. and Japan, have used this additional borrowing to build up their cash holdings, though small firms have had more difficulty building these buffers. Household debt increased by 4%pts to 65% of GDP in 2020, in part reflecting loan moratoria and the resilience of residential real estate markets to the pandemic.

Financial corporates saw the largest annual jump in debt ratios in over a decade: Debt in the financial sector rose by over 5%pts to 86% of GDP in 2020. This was the largest increase since 2007 and the first annual rise since 2016.

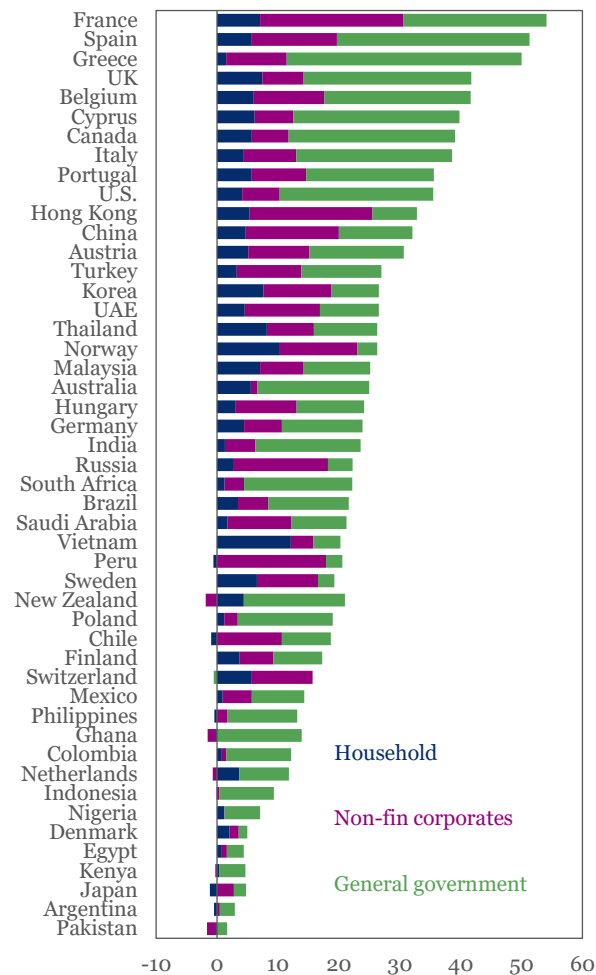
Mature markets saw the biggest increases in debt ratios last year (outside the financial sector). The upswing was particularly sharp in Europe, with non-financial sector debt-to-GDP ratios in France, Spain, and Greece increasing some 50%pts (Chart 2). The rapid debt build-up was mostly driven by general governments, particularly in Greece, Spain, the UK, and Canada. Switzerland was the only mature market economy in our sample recording a modest decline in government debt ratio. Balance sheet vulnerabilities in non-financial corporate sector have also increased significantly across many countries, particularly in France.

In emerging markets, China saw the biggest rise in debt ratios (ex-financials), followed by Turkey, Korea, and the UAE. South Africa and India recorded largest increases in government debt ratios while the run-up in corporate debt was the largest in Peru and Russia. Emerging market FX debt remained broadly stable at \$8.6 trillion in 2020 as sharp losses in EM currencies reduced firms' incentives to borrow in foreign currency. Debt build-up was relatively limited across frontier markets and low-income countries, in part reflecting the limited fiscal space to support firms and households.

Corporate zombification: As global recovery gathers pace, governments will be developing exit strategies from exceptional fiscal support measures. Government guarantees and debt moratoria to date have been successful in preventing a surge in business bankruptcies. The decline in the number of firms filing for insolvency has been extraordinary across many European countries, though China and Turkey have seen some pickup—see our latest [Weekly Insight: Chinese Debt—still on the rise](#) (Chart 3). Premature withdrawal of supportive government measures could mean a surge in bankruptcies and a new wave of non-performing loans, with financial stability implications for the banking sector. However, sustained reliance on government support could pose systemic risks to financial system as well. A prolonged period of loan guarantees—coupled with sustained low interest rates—could well encourage still more debt accumulation by the weakest and most indebted corporates.

Chart 2: Sharp surge in debt-to-GDP ratios

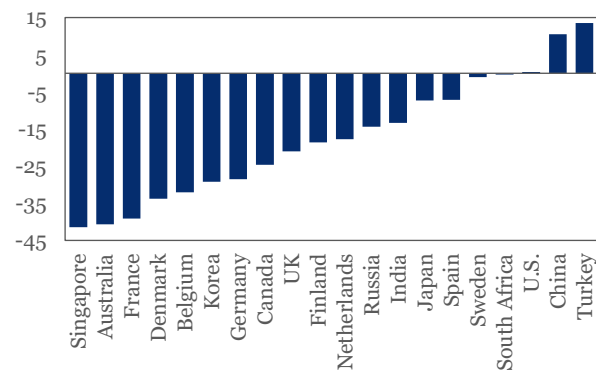
percentage points, estimated change in debt ratios in 2020



Source: IIF, BIS, IMF, National sources

Chart 3: Big decline in corporate insolvencies as governments step in to help

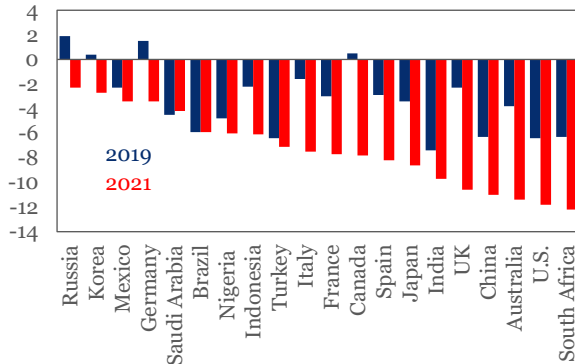
yoy chg. in business bankruptcies, as of Dec 2020 (or latest)



Source: IIF, Bloomberg, Trading Economics, National sources

Chart 4: Surge in fiscal deficits worldwide

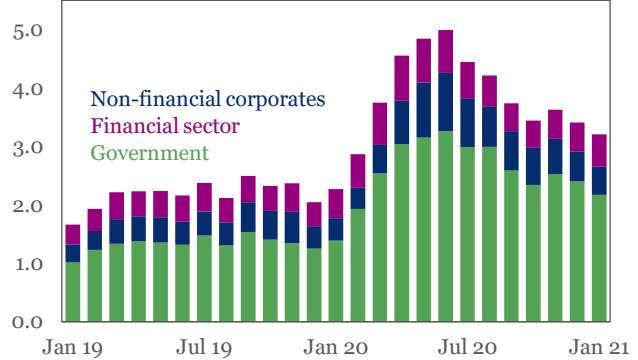
percent of GDP



Source: IMF, IIF.

Chart 5: G10 debt issuance is running above pre-COVID levels

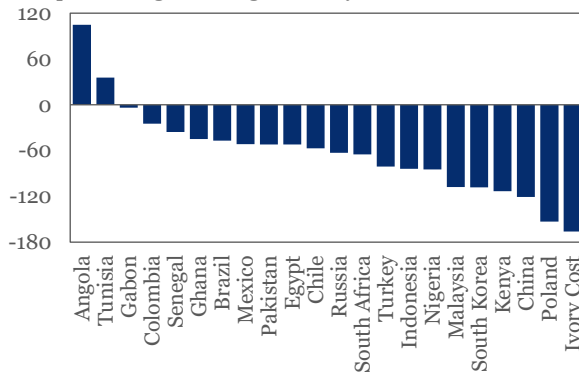
\$ trillion, 3-month moving sum, G10 countries. tenor >= 1yr



Source: Bloomberg, IIF.

Chart 6: Sharp drop in EM external borrowing costs

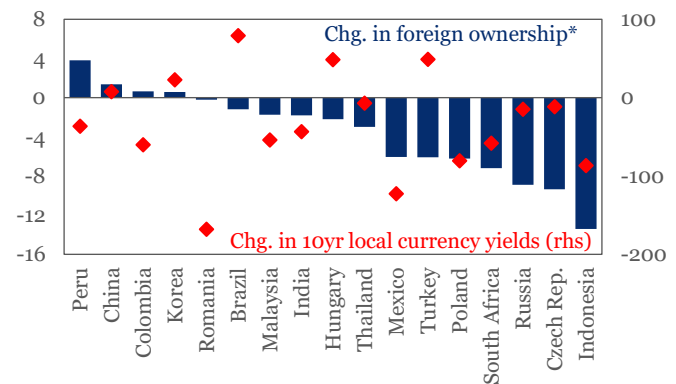
basis points, chg. in USD gov. bond yields since end-2019



Source: ICE, Bloomberg, IIF

Chart 7: Less external demand for EM local currency bonds

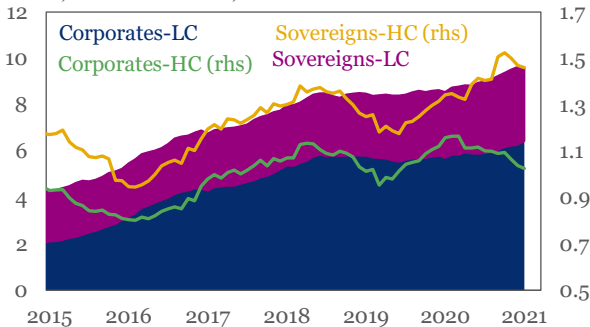
percentage points, since end-2019 basis points, since end-2019



Source: Bloomberg, National sources, IIF. *includes government bonds

Chart 8: EM corporate borrowers have favored local currency debt over foreign currency debt

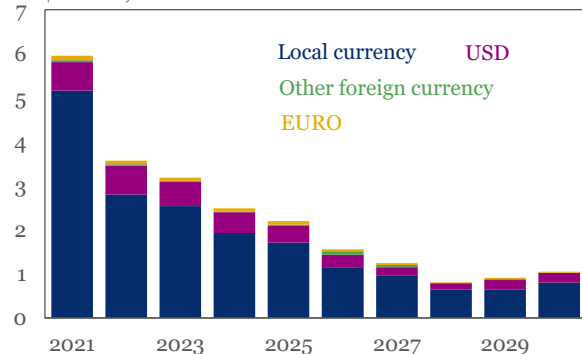
\$ trillion, 12-month moving sum, EM32 corp & sov bonds & loans, till end Jan-2021, includes ST securities



Source: Bloomberg, IIF.

Chart 9: \$10 trillion of EM bonds/loans come due through end-2022

\$ trillion, includes ST and LT debt securities



Source: Bloomberg, IIF.

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019	Q4 2020	Q4 2019	Q4 2020	Q4 2019
Global	64.4	60.4	100.1	91.9	105.4	88.3	85.9	80.8
Mature markets	76.8	72.5	98.2	91.1	130.4	109.7	113.5	108.3
U.S.	78.8	74.7	81.8	75.7	128.6	103.3	82.4	77.8
Euro Area	63.1	57.8	117.0	106.2	120.4	98.5	121.6	120.3
Japan	56.4	57.5	104.4	101.6	227.3	225.3	169.3	154.9
UK	91.4	84.0	78.9	72.2	133.1	105.4	202.4	185.3
Emerging markets	43.8	40.2	103.5	93.1	63.5	52.4	39.8	34.9
EM Asia	54.8	50.5	131.0	118.8	66.2	54.2	46.3	42.8
China	59.9	55.2	164.7	149.4	65.0	52.9	45.8	43.5
Hong Kong	86.4	81.1	245.1	224.8	73.7	66.4	164.6	154.2
India	13.5	12.2	49.2	44.2	89.1	71.8	4.0	3.7
Indonesia	16.9	17.0	23.0	22.7	39.1	30.1	9.3	8.5
Malaysia	75.3	68.2	75.7	68.6	63.5	52.5	32.1	28.6
Pakistan	2.5	2.7	12.8	14.3	87.2	85.6	1.3	1.1
Philippines	16.0	16.4	32.6	30.8	48.4	37.0	11.8	11.5
S. Korea	102.8	95.2	112.9	101.8	47.1	39.2	100.5	87.9
Singapore	56.3	51.8	142.3	124.5	147.5	126.3	198.9	170.9
Thailand	77.4	69.2	54.6	46.9	44.4	34.0	43.4	39.5
Vietnam	33.0	20.8	126.4	122.7	59.3	54.8	5.4	5.0
EM Europe	23.3	20.8	75.7	65.1	38.3	29.1	22.7	17.9
Czech Republic	33.7	31.6	59.0	56.7	43.9	31.8	42.9	38.2
Hungary	21.4	18.4	73.1	63.0	81.1	70.0	35.0	25.7
Poland	35.7	34.5	46.2	44.0	63.2	47.6	27.4	21.1
Russia	21.9	19.1	92.1	76.7	18.6	14.6	13.1	11.0
Turkey	18.4	15.2	75.8	65.2	47.3	34.2	32.5	23.6
Ukraine	5.2	5.8	21.0	22.9	65.7	50.1	11.0	10.6
EM Latam	25.6	23.9	43.7	38.7	76.3	66.5	39.6	27.5
Argentina	4.9	5.4	14.9	14.4	96.5	94.0	5.2	5.6
Brazil	34.0	30.5	48.9	43.9	101.8	88.7	62.4	41.2
Chile	46.3	47.3	119.0	108.3	40.7	32.7	67.8	51.9
Colombia	28.3	27.6	35.2	34.3	60.0	49.4	8.7	5.5
Mexico	17.1	16.2	30.1	25.3	45.0	36.4	22.7	17.2
Peru	15.2	15.8	60.1	42.3	29.8	27.1	13.6	12.6
AFME	23.3	20.6	47.9	41.6	54.9	45.6	16.6	13.9
Egypt	8.1	7.4	21.9	20.9	86.6	83.8	4.3	5.3
Ghana	2.5	2.7	18.2	19.6	76.7	62.8	4.4	4.3
Israel	44.0	41.8	69.7	69.4	73.4	59.6	10.4	10.9
Kenya	7.9	7.5	19.3	19.6	66.4	62.1	1.6	2.0
Nigeria	18.3	17.1	7.3	7.3	35.0	29.1	4.4	4.5
Saudi Arabia	13.6	11.9	57.5	47.0	31.9	22.8	4.4	3.4
South Africa	35.5	34.3	42.0	38.8	81.8	64.1	35.6	25.4
UAE	26.2	21.7	79.8	67.5	36.9	27.3	57.0	47.9

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 Q4-2020</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	158.3	6.4	5.5	0.7	64.1	0.9	0.7	0.3	38.9	6.9	4.8	0.6	59.9	0.0	
Hong Kong	29.8	215.2	165.7	35.0	71.3	2.5	2.2	0.0	35.1	129.4	99.6	14.4	83.2	3.2	
India	41.2	8.0	6.4	1.4	85.6	3.4	3.2	0.1	1.2	2.7	2.4	0.2	13.5	0.0	
Indonesia	14.0	9.0	8.3	0.4	28.9	10.2	7.9	1.7	3.5	5.8	5.5	0.2	16.7	0.3	
Malaysia	61.3	14.4	11.1	0.1	61.0	2.5	2.0	0.0	12.2	19.9	15.8	2.0	74.9	0.3	
S. Korea	95.3	17.6	11.7	3.0	46.1	1.0	0.7	0.3	71.1	29.4	23.3	3.8	102.1	0.7	
Singapore	78.0	64.3	57.3	2.2	147.5	0.0	0.0	0.0	52.3	146.6	107.3	18.7	44.2	12.0	
Thailand	45.9	8.7	7.4	0.2	44.4	0.0	0.0	0.0	35.2	8.2	7.3	0.5	77.2	0.2	
EM Europe															
Czech Republic	30.6	28.4	1.2	26.2	40.2	3.7	0.0	3.6	37.5	5.4	0.4	4.9	33.6	0.1	
Hungary	39.4	33.6	5.0	28.6	62.7	18.4	6.2	11.3	12.6	22.4	8.0	14.4	21.3	0.1	
Poland	31.4	14.8	0.7	14.0	46.2	17.0	2.1	14.4	18.5	8.9	1.8	2.6	24.5	11.2	
Russia	69.1	23.1	9.9	11.4	15.1	3.5	3.1	0.4	8.0	5.1	4.4	0.4	21.7	0.1	
Turkey	41.4	34.4	15.1	18.4	20.8	26.6	16.5	6.7	6.8	25.7	20.0	5.6	18.4	0.0	
Ukraine	11.4	9.6	7.3	2.2	33.7	32.0	28.0	4.0	0.9	10.1	5.9	4.1	4.3	0.9	
EM Latam															
Argentina	5.6	9.3	9.1	0.2	24.8	71.6	53.5	2.5	2.6	2.6	0.8	0.1	4.8	0.1	
Brazil	25.6	23.3	21.0	1.9	97.4	4.5	4.3	0.1	48.6	13.8	13.0	0.5	34.0	0.0	
Chile	75.5	43.5	42.1	0.7	32.5	8.2	4.2	4.0	55.7	12.2	10.0	0.4	44.5	1.8	
Colombia	19.8	15.4	13.7	0.9	47.6	12.5	6.6	5.8	0.8	7.8	7.8	0.0	28.2	0.1	
Mexico	4.5	25.6	20.1	3.7	35.8	9.2	6.8	1.8	17.5	5.2	3.8	0.8	17.1	0.0	
AFME															
Israel	46.0	23.8	16.4	6.1	60.1	13.3	8.6	4.6	9.0	1.4	1.2	0.2	43.8	0.2	
S. Arabia	46.1	11.4	11.0	0.3	20.2	11.7	11.7	0.0	1.4	3.0	2.7	0.1	13.6	0.0	
S. Africa	21.2	20.8	12.7	5.2	74.3	7.5	7.3	0.2	18.0	17.6	8.1	1.3	35.1	0.4	

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

*LC=local currency; FC=foreign currency