IIF Global Debt Monitor

Return of the Bond Vigilantes – Dangerous Dynamics in Debt Markets

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- Nearly $7 trillion was added to global debt in 2024, marking a new record annual high of $318 trillion.
- Total global debt-to-GDP rose for the first time in four years, as GDP growth slowed down, and inflation pressures eased.
- Government debt borrowing set to remain high, in 2025, notably in the U.S., France, China, India and Brazil.

Borrowers more cautious as debt hits records: Global debt increased by nearly $7 trillion in 2024, reaching $318 trillion – the highest year-end figure on record. However, this rise was significantly smaller than last year when the Federal Reserve's easing cycle spurred a surge in borrowing of over $16 trillion. With market expectations for future Fed rate cuts diminishing amid concerns over the implications of the U.S. trade and immigration policies on inflation, we see the slower pace of global borrowing as a precautionary stance given significantly heightened uncertainty. Notably, Q4 2024 saw a marked decline in debt levels (Chart 1).

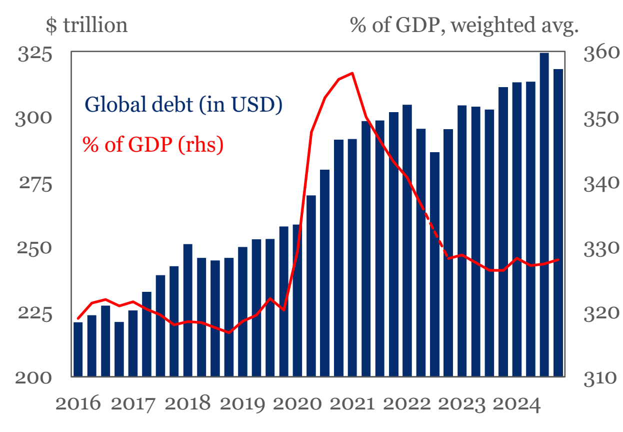
Around 65% of the 2024 rise in global debt came from emerging markets, primarily China, India, Saudi Arabia and Türkiye. In mature markets, debt accumulation was mostly concentrated in the U.S., UK, Canada and Sweden. By sector, nearly two-thirds of the debt increase came from general government with global government debt levels exceeding $95 trillion, up from $70 trillion in the run-up to the pandemic in 2019 (Table 1).

Debt/GDP rises for the first time since 2020: The global debt-to-GDP ratio increased by over 1.5 percentage points, reaching nearly 328% of GDP. This marked the first annual increase in debt ratios since 2020, when the pandemic triggered a surge of over 35 percentage points in global debt-to-GDP. While the continued rise in debt was a key driver behind rising debt ratios last year, the slowdown in economic growth and inflation in 2024 has also contributed to upward pressure on debt ratios. The rise in debt ratios outside the financial sector was steepest in Sweden, Nigeria, China, Israel, and Saudi Arabia, while Argentina, Türkiye, Netherlands, Greece and Ireland witnessed the sharpest declines.

Looking ahead, we anticipate further slowdown in global debt accumulation, particularly in H1 2025. With global economic policy uncertainty at record highs—exceeding levels seen at the peak of the pandemic—and borrowing costs still elevated, the more cautious stance among borrowers is likely to hinder private sector demand for credit.

However, government debt accumulation is expected to remain elevated at over $5 trillion in 2025, largely driven by the U.S., China, India, France, and Brazil. Figures could rise

Chart 1: Global debt increased by nearly $7 trillion in 2024



Source: IIF Global Debt Monitor

Table 1: Sectoral Indebtedness*

$ trillion	Households		Non-financial corporates		Government		Financial sector		Total	
	Q4 2024	*Q4 2023*	*Q4 2024*	*Q4 2023*	*Q4 2024*	*Q4 2023*	*Q4 2024*	*Q4 2023*	*Q4 2024*	*Q4 2023*
Mature markets	40.8	40.5	51.8	51.9	64.6	62.7	57.2	56.9	214.3	211.9
Emerging markets	19.3	19.2	39.5	38.1	30.7	28.1	14.2	13.9	103.7	99.3
Global	60.1	59.7	91.3	90.0	95.3	90.8	71.4	70.8	318.4	311.2

*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.*

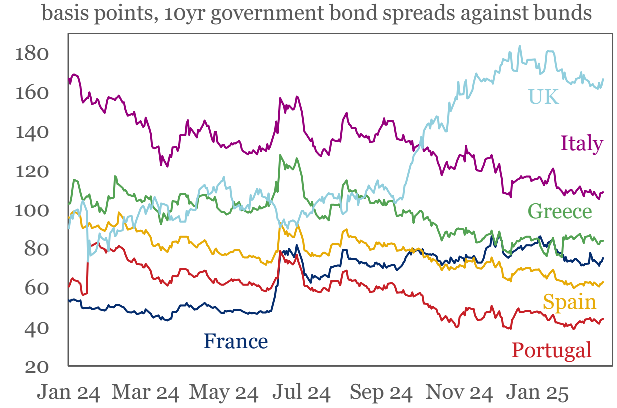
even further as calls for fiscal stimulus and larger military spending become more vocal in the Euro Area, including growing discussions around amending Germany's "debt brake" rule, which has increasingly been seen as a significant factor weighing on Germany's economic performance.

Beware of bond vigilantes – all eyes on budget deficits: The increasing scrutiny of fiscal balances—particularly in countries with highly polarized political landscapes—has been a defining feature of recent years. While market reactions to rising government debt levels in the U.S. have been relatively muted despite its debt remaining on a "non-stabilization path," robust economic activity, productivity growth, and the safe-haven status of U.S. Treasuries continue to mask the deepening weaknesses in U.S. fiscal balances. However, not all countries enjoy such privileges. For example, market reactions to budget discussions in the UK and France have been significant, to the point of shaping political outcomes. In the UK, bond market turmoil played a key role in the brief tenure of Liz Truss as Prime Minister in 2022, while in France, a similar dynamic contributed to the short-lived Barnier government of 2024 (Chart 2).

Emerging markets – key to building resilience to liquidity shocks: Total debt in emerging markets increased by $4.5 trillion in 2024, reaching an all-time high of over 245% of GDP. Although we do not anticipate major debt strains in the near term, many emerging markets have experienced a marked deterioration in their debt-carrying capacity in recent years, as the growth differential between emerging markets and mature economies has become less pronounced and government interest expenses continue to rise (Chart 3).

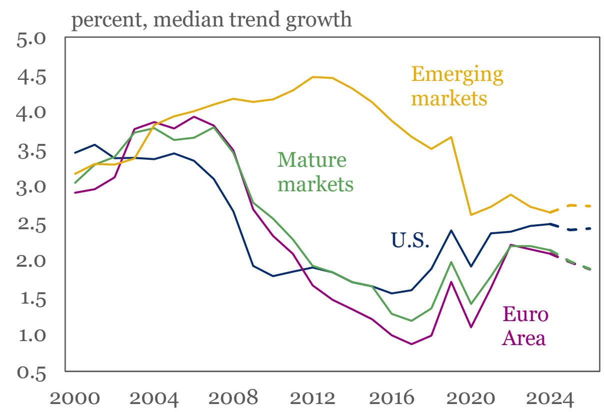
Emerging markets will need to roll over a record $8.2 trillion in debt this year, with around 10% of it denominated in foreign currency. Heightened trade tensions and the Trump administration's decision to freeze U.S. foreign aid, including cuts to USAID (Chart 4), could trigger significant liquidity challenges and curb the ability to roll over and access to FX debt. This underscores the increasing importance of domestic revenue mobilization to build resilience against external shocks. Success on this front largely depends on greater government budget and debt transparency, as well as enhanced investor relations programs. Against the challenging global political backdrop, strengthening the ability of multilateral development banks and development finance institutions to mobilize private capital could provide crucial breathing room for emerging markets and developing countries.

Chart 2: UK and France - bond spread vs. bunds have increased sharply amid heightened scrutiny of fiscal balances



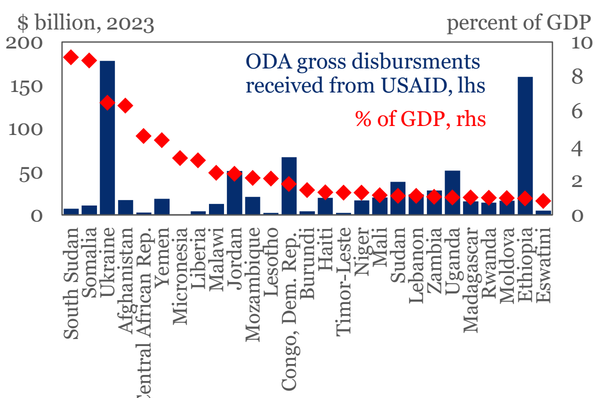
Source: Bloomberg, IIF

Chart 3: The growth dividend that many EMs enjoyed over mature markets in the past 10-15 years has largely disappeared



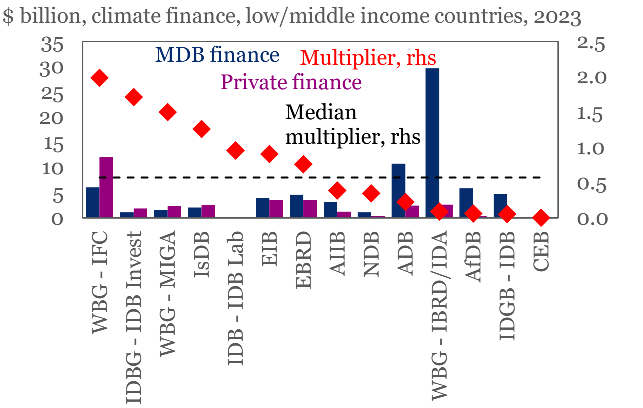
Source: IIF, IMF

Chart 4: USAID has been a major source of external funding for many emerging markets, including Ukraine



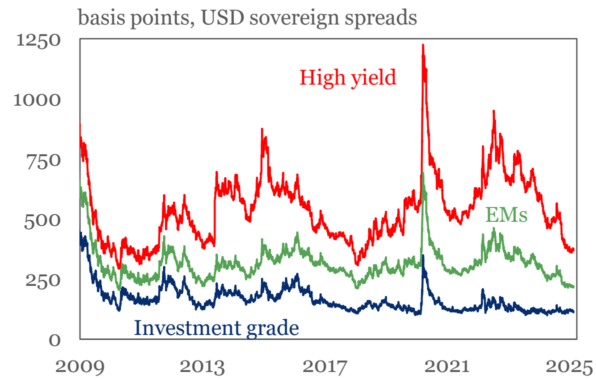
Source: IIF, Center for Global Development analysis of OECD CRS & World Bank World Development Indicators

Chart 5: MDBs' ability to mobilize private capital to emerging markets remains limited



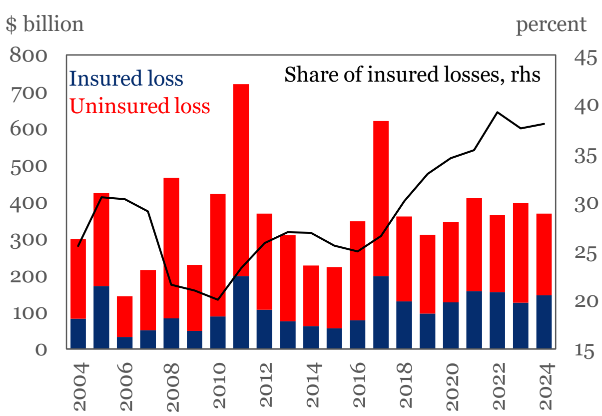
Source: IIF, [Joint Report on MDB's Climate Finance]

Chart 6: EM government spreads are at multi-year lows



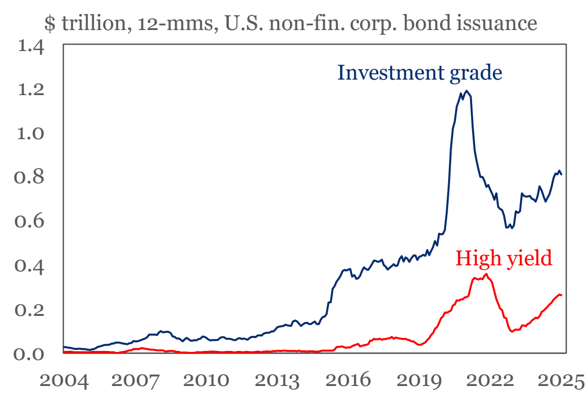
Source: IIF, Bloomberg

Chart 7: High economic losses due to climate change and natural disasters strain government balance sheets



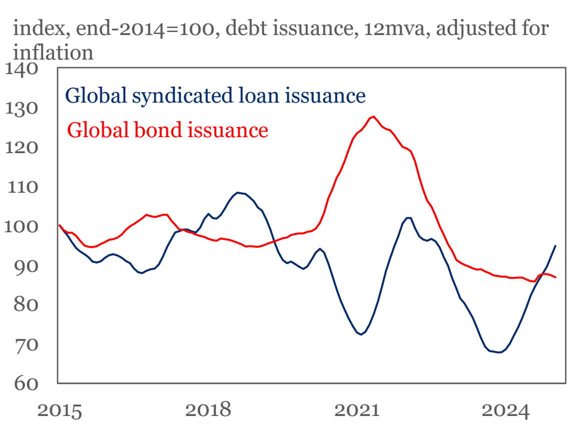
Source: IIF, AON

Chart 8: Corporate bond issuance recovery has slowed



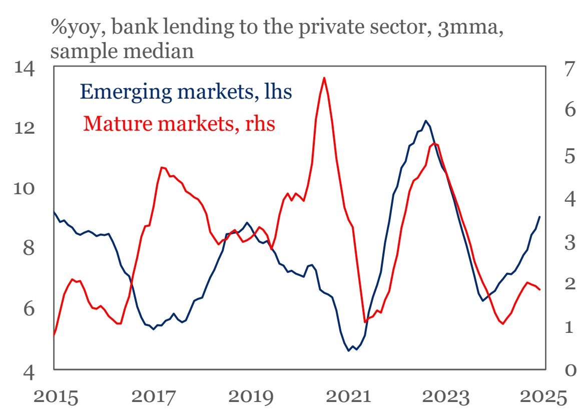
Source: Bloomberg, IIF

Chart 9: Syndicated loan issuance remains strong despite sluggish global bond issuance



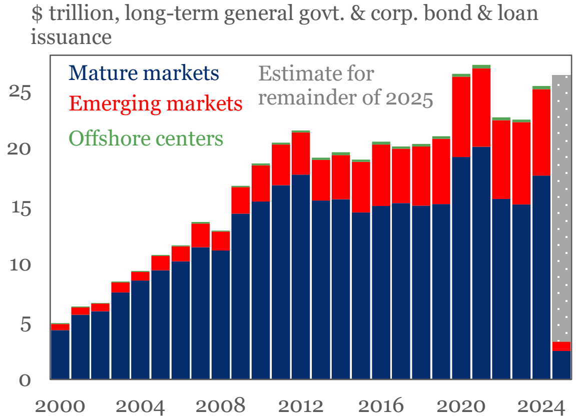
Source: Bloomberg, Haver, IIF

Chart 10: Bank lending decouples between emerging markets and mature markets



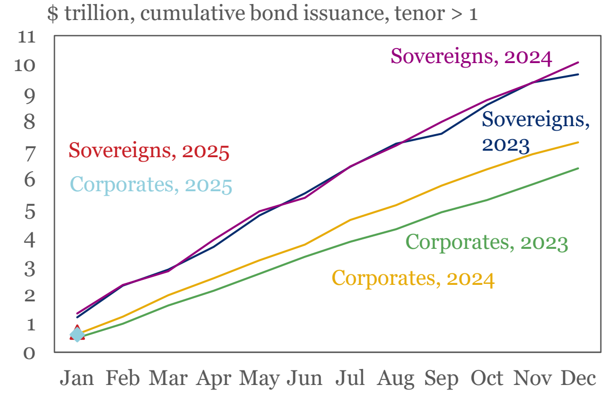
Source: Haver, IIF

Chart 11: Long-term bond and loan issuance activity



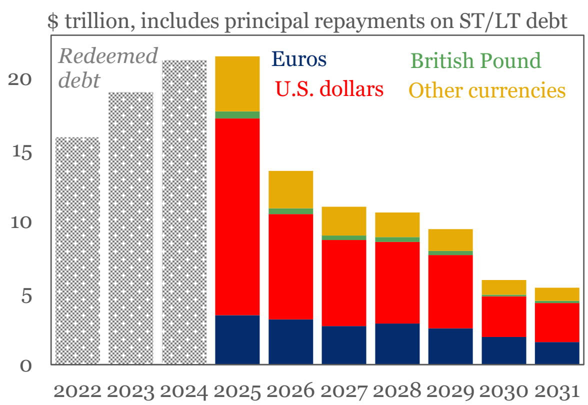
Source: Bloomberg, IIF

Chart 12: Corporate bond issuance surged in 2024, while sovereign issuance remained steady at 2023 levels



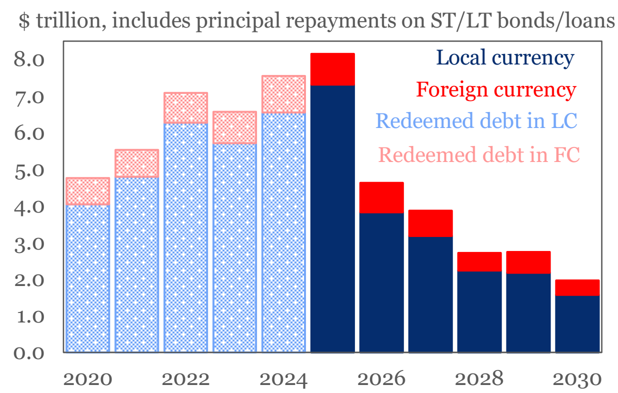
Source: Bloomberg, IIF

Chart 13: Mature markets face over $20 trillion of bond and loan redemption in 2025



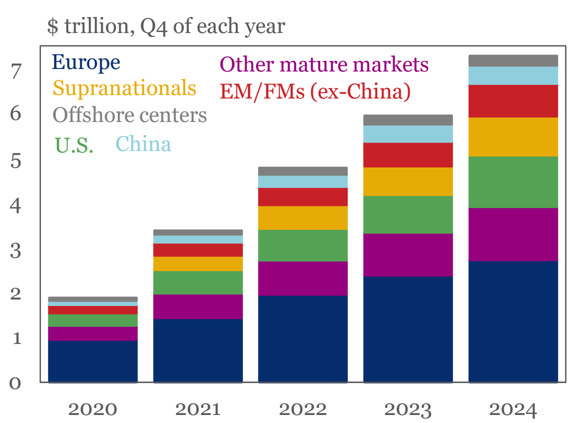
Source: Bloomberg, IIF

Chart 14: EMs face a record high of nearly $8.2 trillion in bond and loan redemptions in 2025



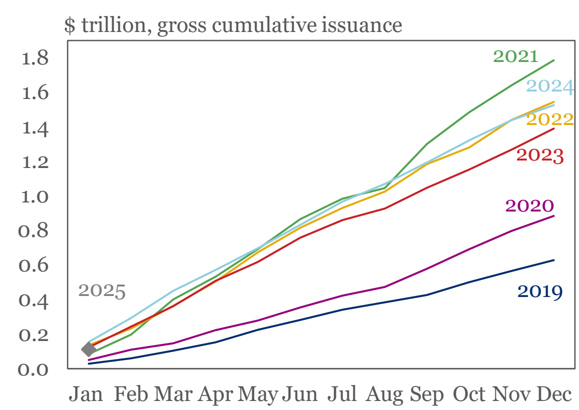
Source: Bloomberg, IIF

Chart 15: The ESG debt universe hit $7.3 trillion in 2024, up from $1.9 trillion in 2020



Source: Bloomberg, IIF Sustainable Debt Monitor

Chart 16: In January 2025, ESG debt issuance surpassed $110 billion—it's expected to reach $1.4 trillion by year-end



Source: Bloomberg, IIF Sustainable Debt Monitor

Table 2: Total Global Debt by Sector

% of GDP	Households		Non-financial corporates		Government		Financial Sector	
	Q4 2024	Q4 2023	Q4 2024	Q4 2023	Q4 2024	Q4 2023	Q4 2024	Q4 2023
Global	**60.3**	**60.7**	**91.5**	**91.7**	**98.5**	**96.3**	**77.7**	**77.7**
Mature markets	**68.9**	**69.4**	**91.1**	**92.1**	**114.0**	**113.5**	**103.4**	**103.8**
U.S.	70.9	71.9	74.4	75.8	120.1	118.1	69.6	70.9
Euro Area	51.6	52.8	105.4	107.1	92.2	91.6	109.5	108.6
Japan	65.7	62.5	115.5	117.3	223.7	229.2	186.6	190.6
UK	76.7	78.1	63.0	63.1	85.4	85.9	157.5	155.6
France	59.8	61.8	153.1	155.0	107.8	107.9	101.7	98.7
Italy	36.4	37.2	58.3	60.9	138.4	134.2	43.1	43.0
Germany	49.6	50.6	92.5	91.7	60.0	60.2	61.6	58.8
Canada	100.6	100.6	117.9	117.5	93.6	89.9	153.9	154.3
Emerging markets	**46.0**	**46.3**	**92.1**	**90.9**	**72.5**	**67.6**	**34.7**	**33.9**
EM Asia	57.4	58.0	115.5	114.1	82.9	76.3	40.7	41.2
China	60.1	60.5	137.9	134.7	92.3	82.0	42.3	44.2
Hong Kong	88.5	93.2	241.3	269.5	75.4	78.2	111.1	130.9
India	43.2	42.3	56.1	55.4	83.2	83.3	3.5	3.0
Indonesia	16.2	16.5	25.0	23.6	39.5	39.1	7.2	6.9
Malaysia	69.3	69.4	86.3	89.7	64.8	64.3	32.5	28.0
Pakistan	1.9	2.1	9.6	10.5	69.2	77.3	0.6	1.1
Philippines	11.6	12.6	27.7	27.6	57.7	56.5	7.9	7.6
S. Korea	91.7	93.6	111.0	113.0	46.1	44.0	86.9	78.3
Singapore	44.7	46.4	128.8	129.4	173.5	170.8	159.0	151.6
Thailand	89.0	92.4	82.7	85.9	56.6	54.3	33.1	32.5
Vietnam	24.9	26.2	107.4	105.0	33.1	34.0	3.4	4.1
EM Europe	19.3	20.2	60.2	59.8	31.9	32.5	19.2	17.6
Czech Republic	31.0	30.7	54.1	52.6	41.5	41.2	33.0	30.7
Hungary	17.2	16.9	72.2	72.7	71.8	71.6	83.5	55.2
Poland	22.9	23.7	34.8	35.8	51.9	48.1	25.1	25.1
Russia	21.3	22.4	79.6	74.5	22.4	21.3	10.5	9.7
Türkiye	10.0	11.3	39.7	47.5	26.6	33.8	16.3	17.3
EM Latam	24.7	24.9	41.4	40.8	66.9	64.5	28.4	23.7
Argentina	3.6	4.0	21.5	30.8	79.3	86.8	8.6	11.6
Brazil	34.2	34.6	54.3	50.8	86.9	84.0	48.8	38.1
Chile	44.8	46.3	94.5	95.0	35.9	37.7	53.4	50.6
Colombia	25.6	27.2	28.7	30.8	65.7	59.7	3.9	3.8
Mexico	16.4	15.5	21.4	20.0	44.0	38.1	9.9	8.6
Peru	13.5	13.7	43.8	43.0	33.6	33.0	8.6	7.9
AFME	27.6	25.7	38.9	37.2	52.7	49.7	19.5	15.8
Egypt	7.2	7.8	20.3	18.8	77.4	81.2	5.8	4.4
Ghana	2.8	2.7	9.1	11.9	79.8	82.9	0.9	0.8
Israel	42.4	42.1	70.3	68.5	69.3	60.7	11.8	10.9
Kenya	9.8	10.4	21.7	20.3	71.1	73.1	0.9	1.9
Nigeria	21.0	14.0	6.5	8.5	55.4	46.4	13.3	8.7
Saudi Arabia	34.6	32.7	46.3	41.9	28.7	26.2	8.6	5.4
South Africa	34.0	34.3	31.6	31.3	78.0	74.1	37.6	34.2
UAE	24.9	22.1	59.1	56.9	31.5	32.4	53.0	43.3

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 Q4-2024	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	134.6	3.3	2.6	0.4	91.5	0.8	0.6	0.2	39.7	2.6	1.8	0.2	60.1	0.0
Hong Kong	41.5	199.7	162.6	16.8	67.3	8.1	4.1	1.6	38.7	72.3	55.2	6.4	85.7	2.8
India	49.4	6.7	5.5	1.0	81.0	2.2	2.2	0.0	1.1	2.4	1.9	0.2	43.2	0.0
Indonesia	17.5	7.6	7.0	0.4	30.8	8.7	7.1	1.3	2.9	4.3	3.8	0.1	16.0	0.1
Malaysia	69.5	16.8	13.9	0.1	62.4	2.4	1.9	0.0	20.5	11.9	9.5	0.8	69.0	0.3
S. Korea	93.5	17.4	14.5	2.3	43.3	2.8	1.9	0.5	67.2	19.7	15.4	2.3	91.0	0.7
Singapore	68.9	59.9	52.2	2.8	173.5	0.0	0.0	0.0	51.2	107.8	69.9	13.6	38.4	6.3
Thailand	71.1	11.6	10.6	0.3	56.4	0.2	0.2	0.0	26.3	6.9	6.1	0.3	88.8	0.2
EM Europe														
Czech Republic	22.6	31.5	0.9	30.2	40.9	0.6	0.0	0.5	27.4	5.6	0.1	5.5	30.8	0.1
Hungary	33.9	38.3	13.1	25.2	48.5	23.3	9.0	13.8	35.3	48.2	12.3	35.7	17.1	0.1
Poland	22.5	12.3	0.8	11.4	38.7	13.2	3.1	9.6	14.4	10.6	2.5	7.6	19.2	3.7
Russia	67.7	11.9	3.7	7.8	18.9	3.4	2.9	0.5	9.2	1.3	1.1	0.1	21.3	0.0
Türkiye	13.3	26.4	9.5	16.5	11.7	15.0	10.0	2.5	1.7	14.6	11.0	3.4	10.0	0.0
EM Latam														
Argentina	13.4	8.1	7.8	0.2	35.1	44.2	34.4	1.3	7.9	0.7	0.3	0.0	3.4	0.1
Brazil	39.5	14.8	13.3	1.1	82.3	4.6	3.8	0.8	39.4	9.4	8.7	0.2	34.2	0.0
Chile	58.4	36.1	35.1	0.2	21.5	14.5	9.6	4.9	45.3	8.2	6.8	0.2	42.8	2.0
Colombia	17.7	11.0	10.1	0.5	43.3	22.4	20.3	0.7	0.4	3.5	3.4	0.1	25.5	0.1
Mexico	8.2	13.3	11.5	1.1	34.4	9.6	5.9	1.2	7.6	2.3	1.9	0.2	16.4	0.0
Peru	23.3	20.5	20.1	0.3	17.5	16.1	14.3	1.8	2.4	6.2	6.0	0.2	12.7	0.9
AFME														
Israel	51.6	18.8	12.6	5.5	59.5	9.9	6.5	2.7	8.0	3.7	3.5	0.3	42.3	0.1
S. Arabia	36.9	9.4	9.0	0.4	17.5	11.1	11.1	0.0	0.6	8.1	7.1	0.1	34.6	0.0
S. Africa	17.1	14.5	8.4	4.0	71.4	6.6	6.5	0.1	27.0	10.6	5.0	1.1	33.6	0.4

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

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