

# Window On World Debt

March 27, 2019



# Some of the critical questions and issues we will be discussing today

1. How big is the world's debt?
  - ✓ Advanced vs. emerging markets
  - ✓ Government vs. private debt
  - ✓ Is the US a special case?
2. Has the tolerance for debt increased and why?
  - ✓ Has the financial crisis created new dynamics?
  - ✓ Secular Stagnation, Modern Monetary Theory ... has the economic meaning of government debt changed?
  - ✓ What will be the moment of reckoning?
3. How should global business respond?
  - ✓ What fiscal and monetary crisis risks do firms need to hedge against?
  - ✓ Managing corporate and consumer debt



# Today's Panelists



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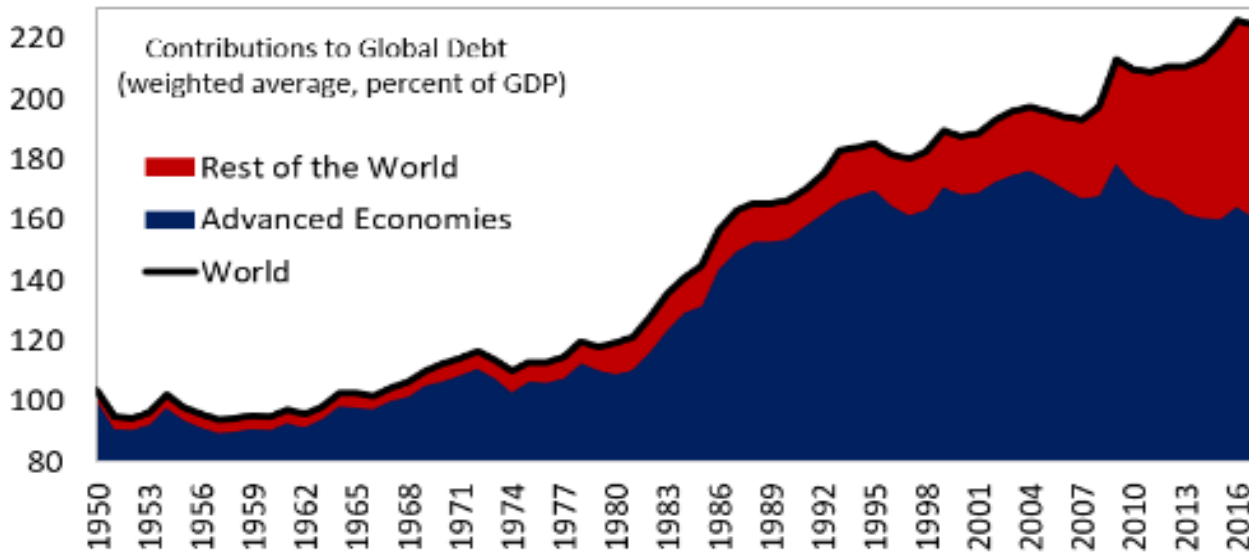
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# Global debt levels are rising, especially in emerging markets

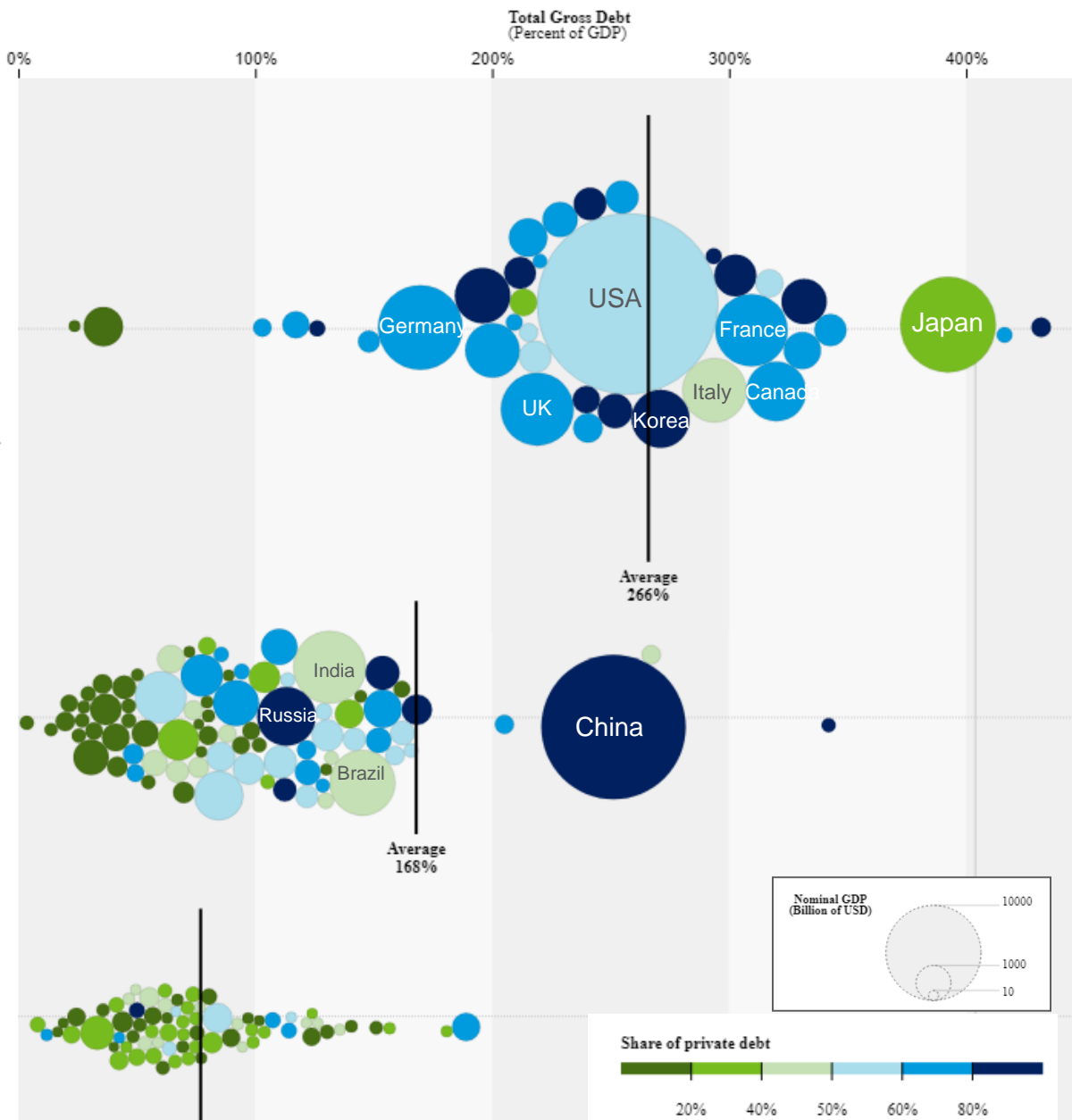
## A history of debt

While global debt has risen dramatically since 1950, the global debt ratio came down in 2017.



Source: IMF, Global Debt Database and <https://blogs.imf.org/2019/01/02/new-data-on-global-debt/>





Advanced economies' debt is still much bigger than emerging markets

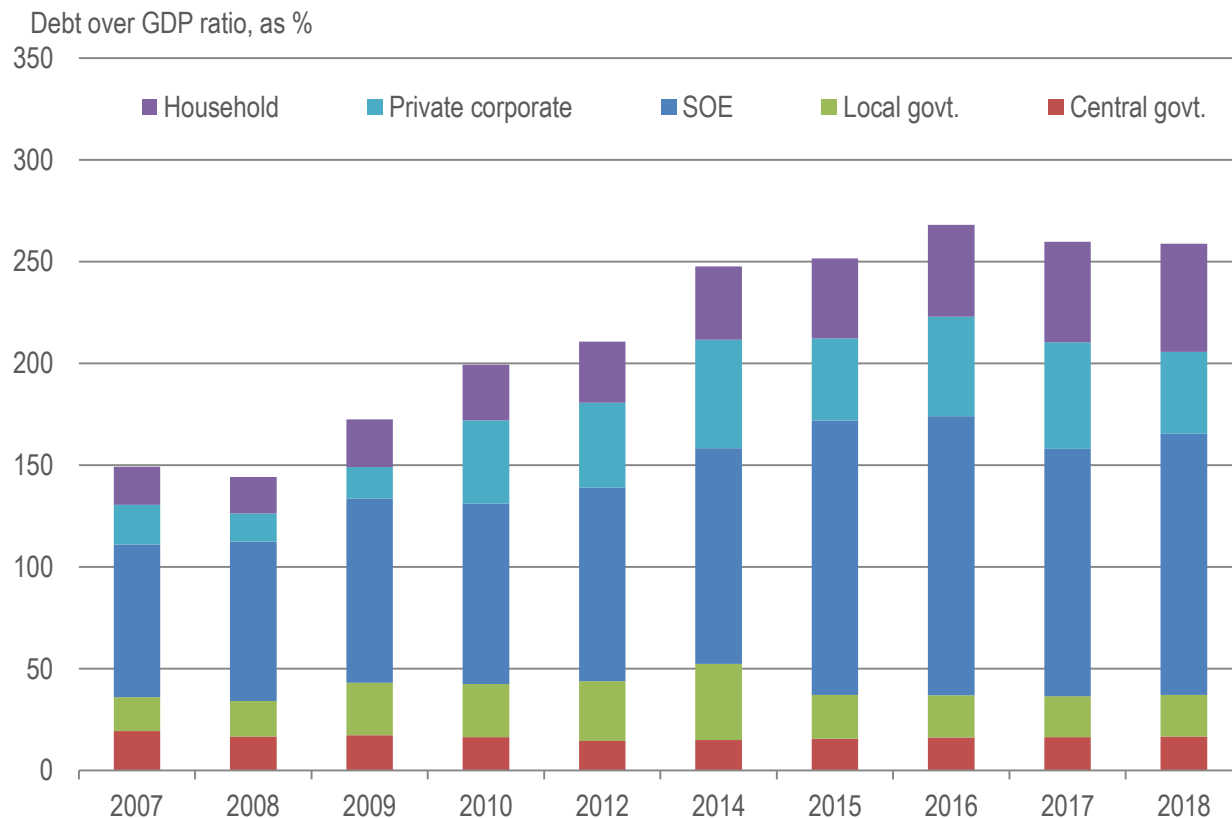
Advanced economies' debt is more tilted towards government debt (with notable exceptions of Japan and Italy)

Also Russia and China have more government debt, although a large chunk resides in businesses

Source: IMF, Global Debt Database and <https://blogs.imf.org/2019/01/02/new-data-on-global-debt/>



## China's central and local governments still have leverage, but household and SOE expansion of debt is hitting a wall



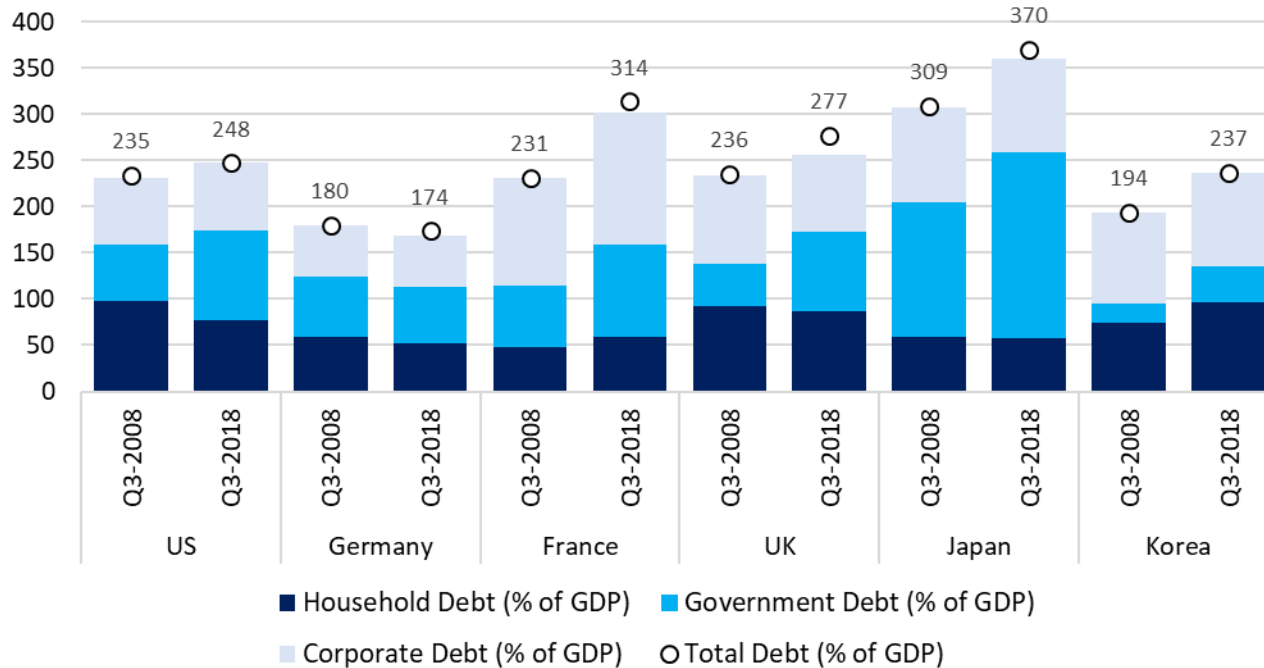
Source: NBS, PBoC CEIC, The Conference Board

Notes: 2011 and 2013 not included because data was missing for local government debt.



# The increase in debt in advanced economies is mostly due to government debt, while household mostly fell

Credit to Non-financial corporations, Q3 2008 and Q3 2018  
(% of GDP)

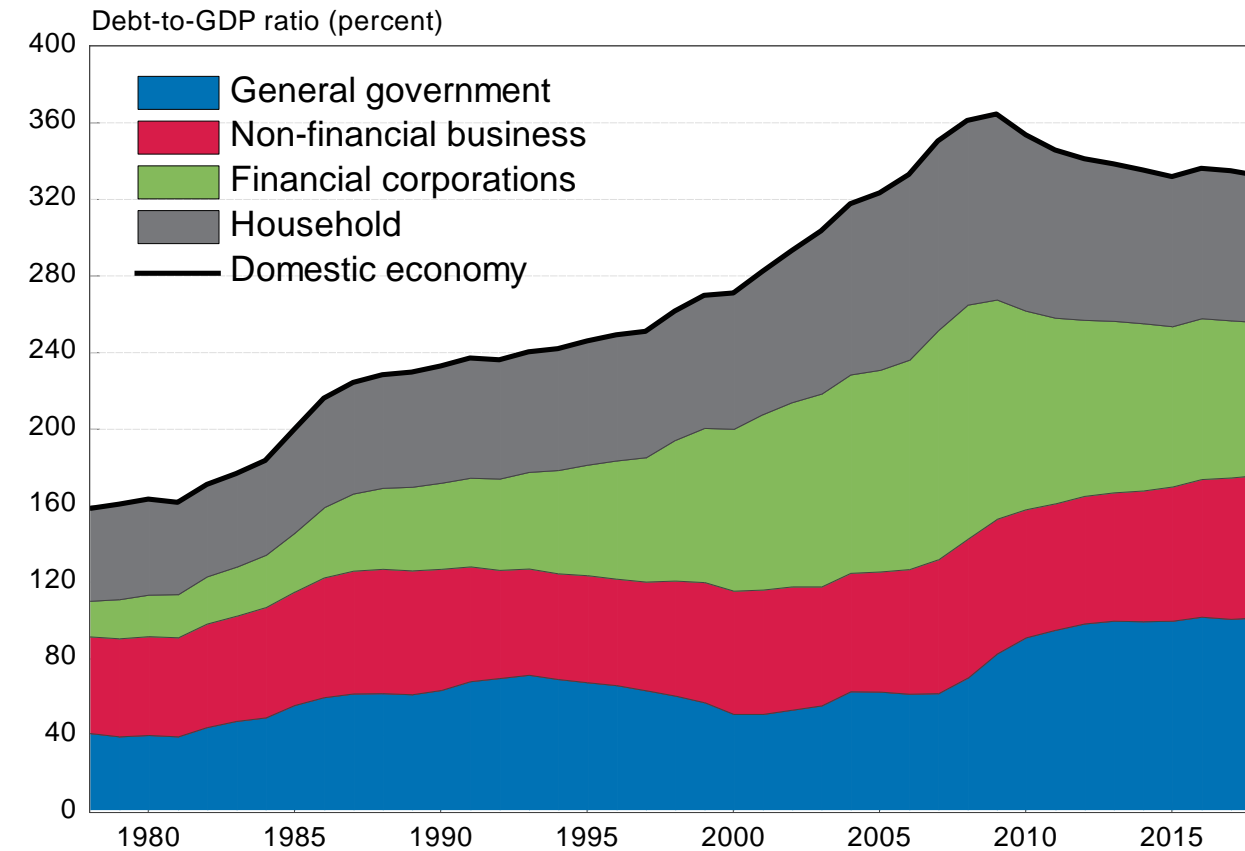


Source: Bank for International Settlements





# Since the Great Recession in the US, non-financial business and government debts have expanded



Source: Federal Reserve



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