Global Economy and Development at BROOKINGS

The Global Burden of Debt: Technical Notes

Eswar Prasad and Mengjie Ding

1. Data Sources and Description

We use debt data--both actual and forecasts--from the IMF's Fiscal Monitor (FM, May 14, 2010) and nominal GDP data from the IMF's World Economic Outlook Database (WEO, April 2010). The FM provides ratios of debt to GDP. We use the nominal GDP data, which are available in current price US dollars, to generate data on absolute levels of nominal debt. It has been assumed in FM and WEO that real effective exchange rates remain constant at their average levels during February 23–March 23, 2010, except for the currencies participating in the European exchange rate mechanism II (ERM II), which are assumed to remain constant in nominal terms relative to the euro. The implied nominal exchange rates are used in the GDP calculations. We take population data from WEO, April 2010 and labor force data from the International Labor Organization's Economically Active Population Estimates and Projections (5th edition, revision 2009) to compute ratios of debt to population and to labor force.

2. Gross vs. Net Debt

Gross debt is available for all countries on a reasonably consistent basis and is relevant for assessing debt rollover risks. Net debt is a better measure for evaluating the impact of debt accumulation on interest paid on borrowings. In the case of the United States, for example, net debt refers to the debt held by the public, while gross debt refers to the sum of debt held by the public and debt held by the government agencies. The interest paid on the debt held by government agencies accrues to the government, which does not add to the debt burden born by the government. Moreover, the differences between gross and net debt tend not to be very large for most countries for which we have both gross and net debt data.

Hence, our approach is to use net debt data for all countries for which that measure is available. For the remaining countries, we use gross debt data. This latter group of countries includes the following Advanced Economies--Czech Republic, Finland, Greece, Korea, Singapore, Slovak Rep and Slovenia; and Emerging Markets--Argentina, China, India, Indonesia, Malaysia, Pakistan, Peru, Philippines, Romania, Russia and Thailand.

3. Countries Included in the Analysis

Advanced Economies: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Korea, Netherlands, New Zealand, Portugal, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States.

Emerging Markets: Argentina, Brazil, Bulgaria, Chile, China, Colombia, Estonia, Hungary, India, Indonesia, Kenya, Latvia, Lithuania, Malaysia, Mexico, Nigeria, Pakistan, Peru, Philippines, Poland, Romania, Russia, Saudi Arabia, South Africa, Thailand, Turkey and Ukraine.

These countries together account for about 93 percent of world GDP at market exchange rates.