Figure 1.13. Emerging Market Corporate Debt and Fundamentals

Strong investors’ appetite continues to fuel corporate bond issuance...

1. Nonfinancial Corporate Bond Issuance in Hard Currencies (Billions of U.S. dollars)

- Noninvestment grade
- Investment grade

2011 2013 2014*

Poland China Malaysia Philippines Chile India Turkey Brazil Thailand Mexico Peru Indonesia South Africa Argentina Brazil

Source: Bond Radar.
Note: Includes bond issuance from Argentina, Brazil, Bulgaria, Chile, China, Colombia, India, Indonesia, Malaysia, Mexico, Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine, and Vietnam.
*As at end-June 2014, annualized.

Weak firms are still earning negative returns...

3. Return on Assets (Percent)

- Median of weak firms (five-year average)
- Median of weak firms (2013)
- Median of sample (five-year average)
- Median of sample (2013)

 Poland China Malaysia Philippines Chile India Turkey Brazil Thailand Mexico Peru Indonesia South Africa Argentina

Source: Capital IQ.
Note: Weakest firms are based on the 25th percentile, strongest firms are 75th percentile.

Debt servicing capacity has weakened...

5. Interest Coverage Ratio by Sector, 2011 and 2013

- Weakest firms
- Strongest firms
- Median

Tech/Telecom Energy Materials Industrials Consumer Utilities

Source: Capital IQ.
Note: EMEA = Europe, Middle East, and Africa.

...prompting leverage to rise further.

2. Total Debt, 2011 and 2013 (Percent of total equity)

Source: Capital IQ.
Note: Includes bond issuance from Argentina, Brazil, Bulgaria, Chile, China, Colombia, India, Indonesia, Malaysia, Mexico, Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine, and Vietnam.
*As at end-June 2014, annualized.

...with earnings falling across sectors.

4. Return on Assets, 2011 and 2013 (Percent)

Source: Capital IQ.
Note: Based on sample median.

...and debt-at-risk is still high or rising.

6. Share of Debt from Firms with Interest Coverage below 2 (Percent of total debt)

Source: Capital IQ.
Note: Weak firms refer to those with interest coverage ratios (earnings before interest, taxes, depreciation, and amortization divided by interest expense) below 2.

Weak firms are still earning negative returns...

Source: Capital IQ.
Note: Based on sample median.

Source: Capital IQ.
Note: EMEA = Europe, Middle East, and Africa.