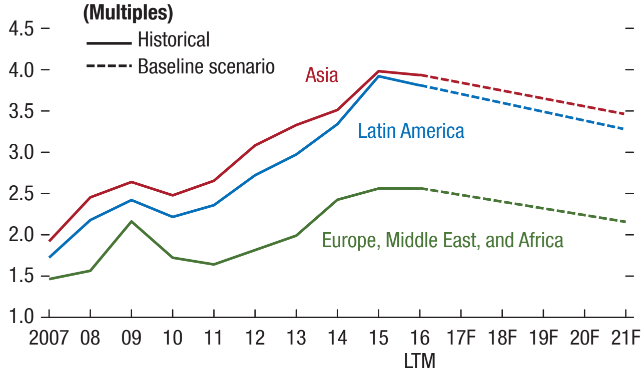
Figure 1.24. Scenarios for Deleveraging in Emerging Market Firms and Default Rates

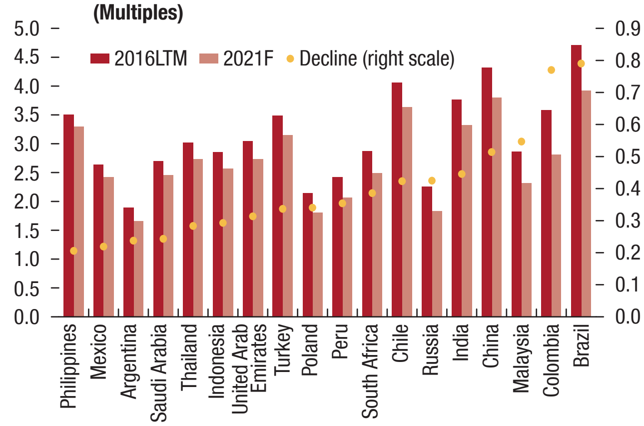
Leverage is expected to continue coming down in the baseline scenario ...

1. Debt to EBITDA by Region and Forecast
(Multiples)



... but slowly for most economies.

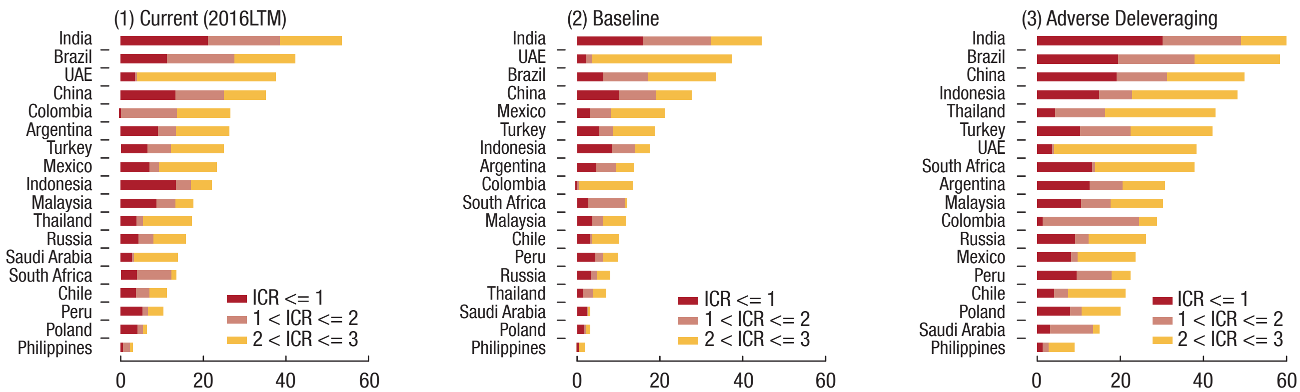
2. Debt to EBITDA in Selected Major Emerging Market Economies
(Multiples)



Sources: S&P Capital IQ; and IMF staff calculations.
Note: EBITDA = earnings before interest, taxes, depreciation, and amortization; F = forecast; LTM = last 12 months.

Debt-at-risk threatens to rise significantly, in an adverse deleveraging scenario.

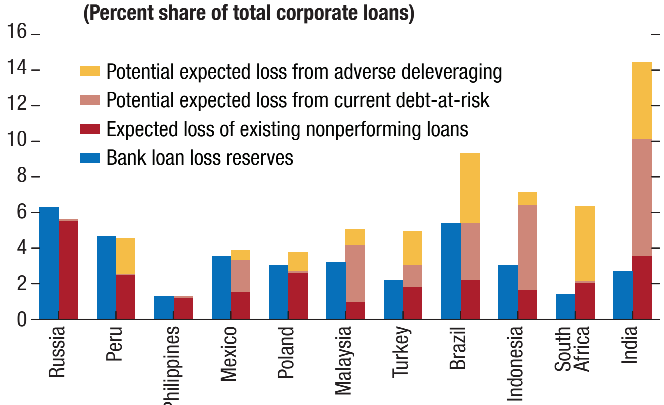
3. Share of Corporate Debt by Interest Coverage Ratio Bucket
(Percent)



Sources: S&P Capital IQ; and IMF staff calculations.
Note: ICR = interest coverage ratio; LTM = last 12 months; UAE = United Arab Emirates.

Additional nonperforming loans from debt-at-risk could overwhelm bank buffers in some emerging market economies.

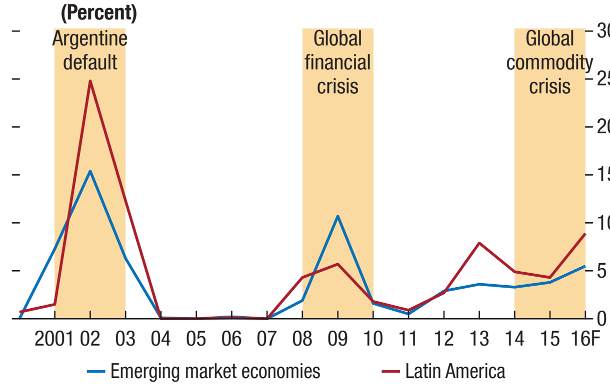
4. Additional Nonperforming Market Loans from Debt-at-Risk
(Percent share of total corporate loans)



Sources: Fitch; IMF, Financial Soundness Indicators database; national sources; S&P Capital IQ; and IMF staff calculations.

The increase in emerging market corporate default rates is led by firms in Latin America.

5. Dollar Bond Default Rate
(Percent)



Source: JPMorgan Chase & Co.
Note: Default rate calculated on the stock of high-yield debt. F = forecast.