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

Leverage is expected to continue coming down in the baseline scenario ... but slowly for most economies.

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

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

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

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

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

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

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

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

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

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

5. Dollar Bond Default Rate (Percent)

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

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

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

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

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

Note: Default rate calculated on the stock of high-yield debt. F = forecast.