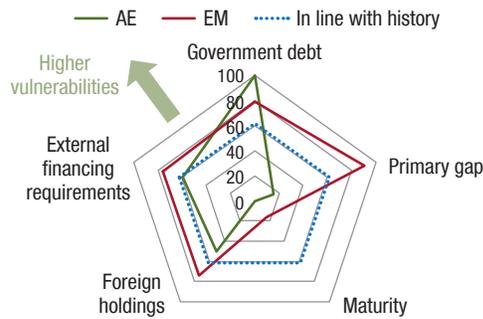


Figure 1.5. Balance Sheet Vulnerabilities

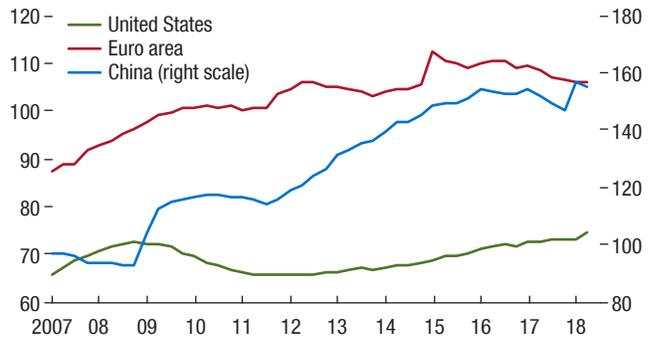
Sovereign vulnerabilities are elevated in both advanced and emerging market economies.

1. Sovereigns: Vulnerability Indicators for Advanced and Emerging Market Economies (Z-scores)



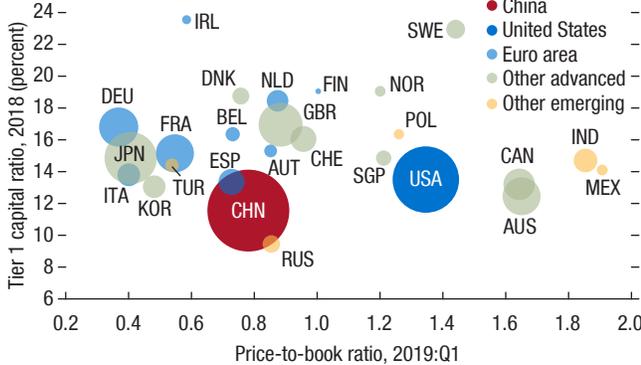
Corporate debt has expanded faster than GDP in several systemically important economies.

2. Nonfinancial Firms: Debt to GDP, by Region (Percent)



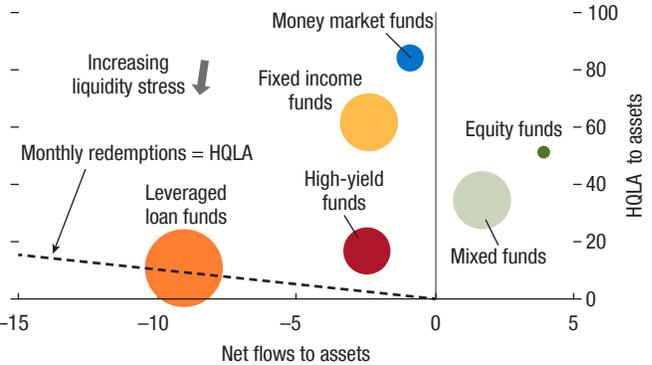
Some banking systems need to continue strengthening their balance sheets.

3. Banks: Capitalization and Market Valuation (Percent of risk-weighted assets; ratio)



Investment funds invested in less liquid assets have experienced higher redemptions during recent stress.

4. Redemptions versus High-Quality Liquid Assets, December 2018 (Percent)



Sources: Bank for International Settlements; Bloomberg Finance L.P.; Haver Analytics; IMF, Financial Soundness Indicators database; Moody's; Standard & Poor's Global Market Intelligence; Arslanalp and Tsuda (2014); Standard & Poor's Leveraged Commentary and Data; and IMF staff calculations. Note: Panel 1 plots rescaled average z-scores for each of the parameters for 29 systemic countries over 2000 to 2018 calculated within AEs and EMs separately. For more details, see Online Technical Annex 1.1. Primary gap refers to the difference between government revenue and expenditure excluding interest payments and is measured as a percentage of GDP, as are government debt and external financing requirements. Foreign holdings are measured as a percentage of total government debt and maturity is measured as the average remaining number of years until maturity of government debt. In panel 3, the price-to-book ratio is the average for banks headquartered in each country and the size of circles is proportional to bank assets in US dollars. Data labels use International Organization for Standardization (ISO) codes. In panel 4, HQLA measures are assuming that 50 percent of equities, 67.5 percent of corporate IG bonds, and 93 percent of sovereign bonds are liquid assets. Securitized assets were split into IG and non-IG debt. The assigned values are based on Basel III liquidity coverage ratio principles. Bubble sizes indicate the degree of dispersion of observations and relate to one half of the geometric distances between sector averages and most distant observations among those with extreme values for net flows and liquidity within respective sector samples. Sample includes the 50 largest global funds within each fund category reported in Bloomberg. Average HQLA and net flows are computed on asset-weighted base. AE = advanced economy; EM = emerging market; HQLA = high-quality liquid assets; IG = investment grade.