

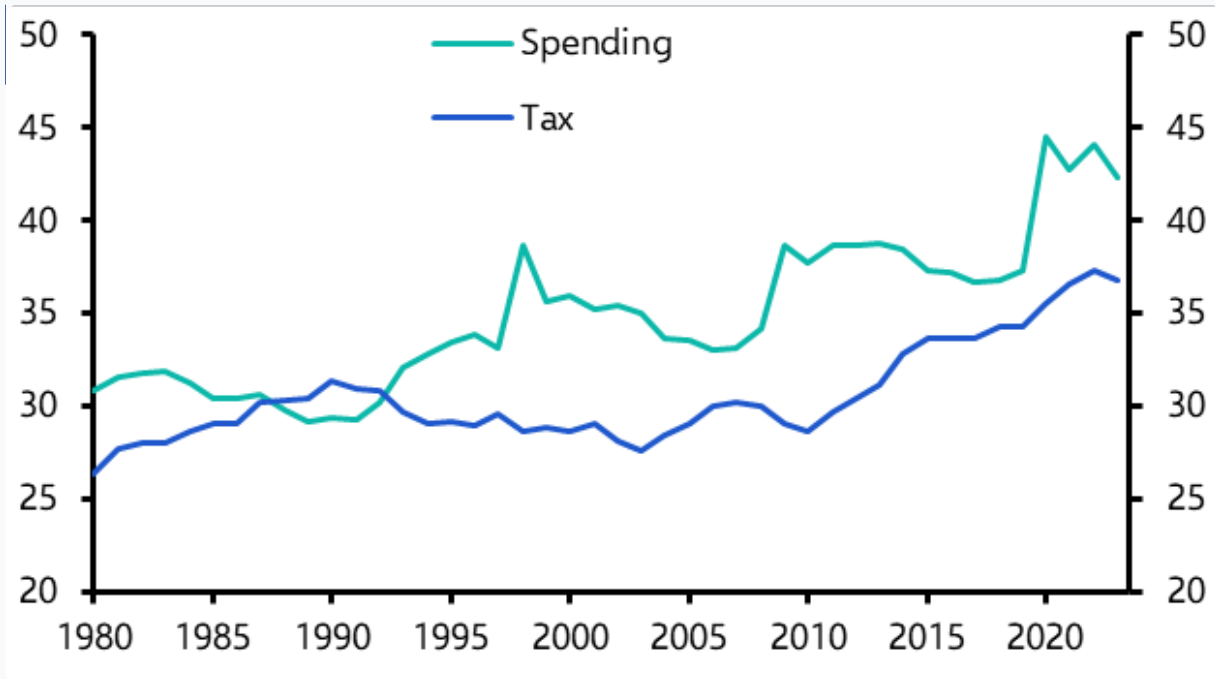


## Fiscal Risks

How government debt positions could point to potential crises

Government debt sustainability is back under the spotlight. On this page, we bring together our insights regarding the odds of a fiscal crisis, where the risks are greatest and what the consequences are for fiscal policy, bond yields and economic growth.

Global risks

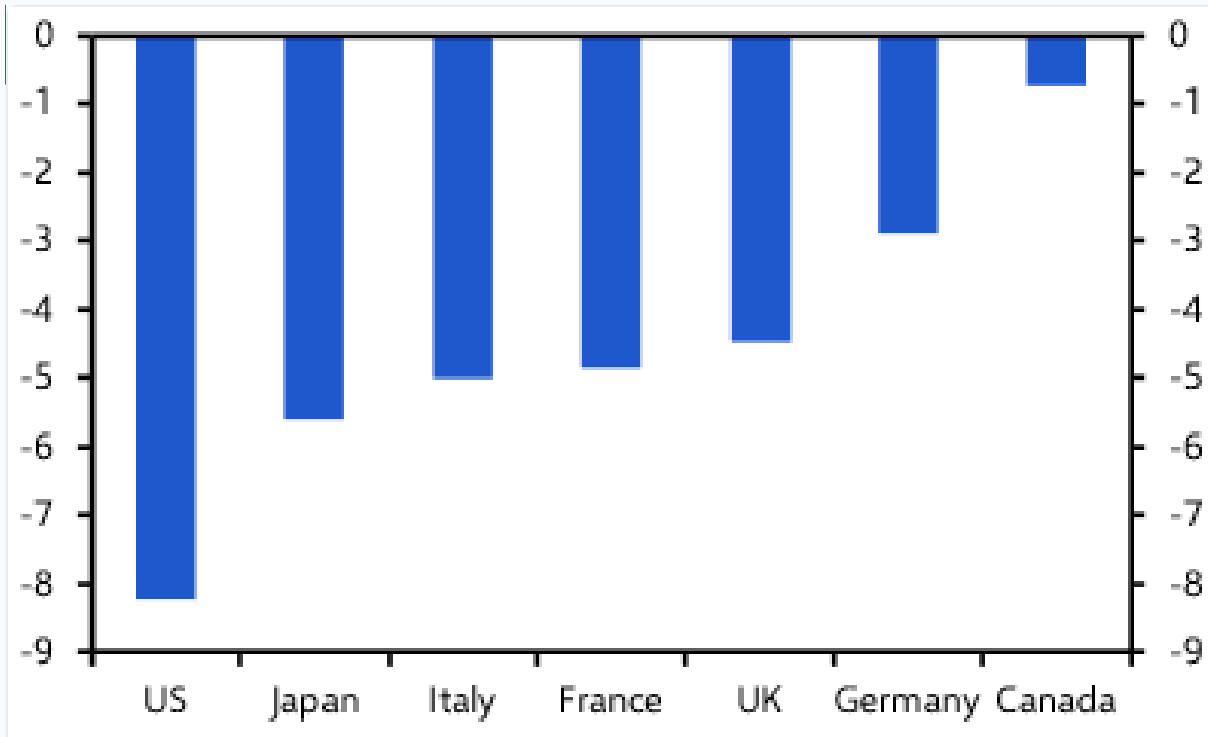


## LONG RUN FOCUS

### The fiscal headache of ageing populations

One of the key problems for countries with ageing populations is how to tackle the associated fiscal costs. Those countries which have a good record for structural reform and/or scope to raise taxes...

26th March 2024 · 24 mins read

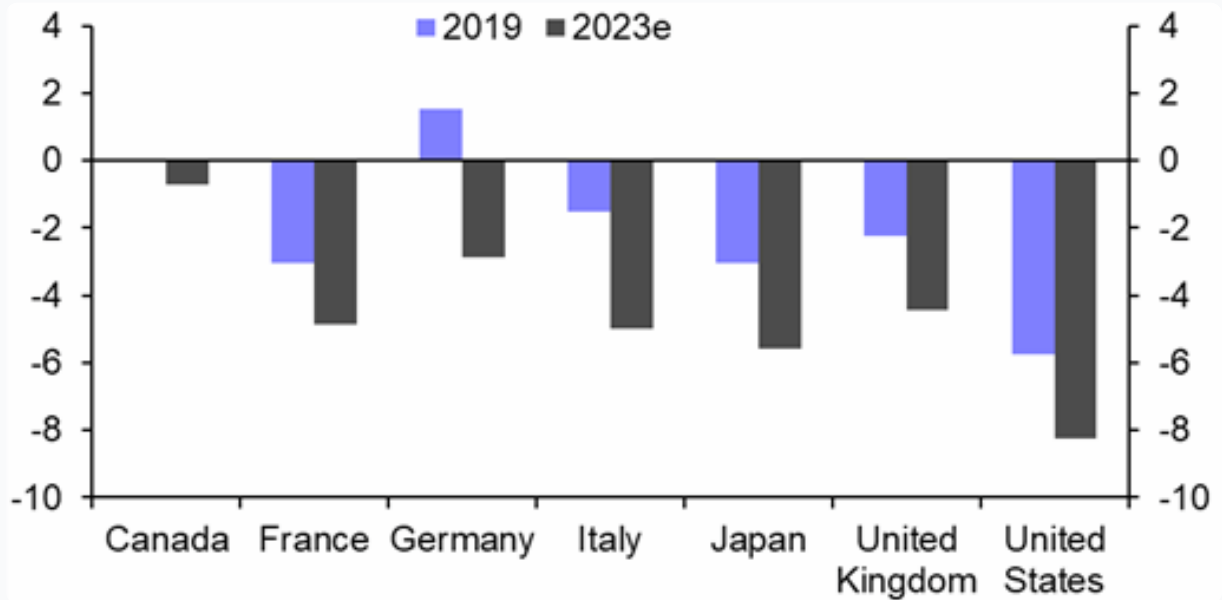


### LONG RUN UPDATE

## Which countries will struggle to shrink fiscal deficits?

Most major DMs need to shrink their primary budget deficits significantly and, for various reasons, most are likely to find it hard to do so. This will exacerbate growing worries about fiscal...

20th December 2023 · 4 mins read

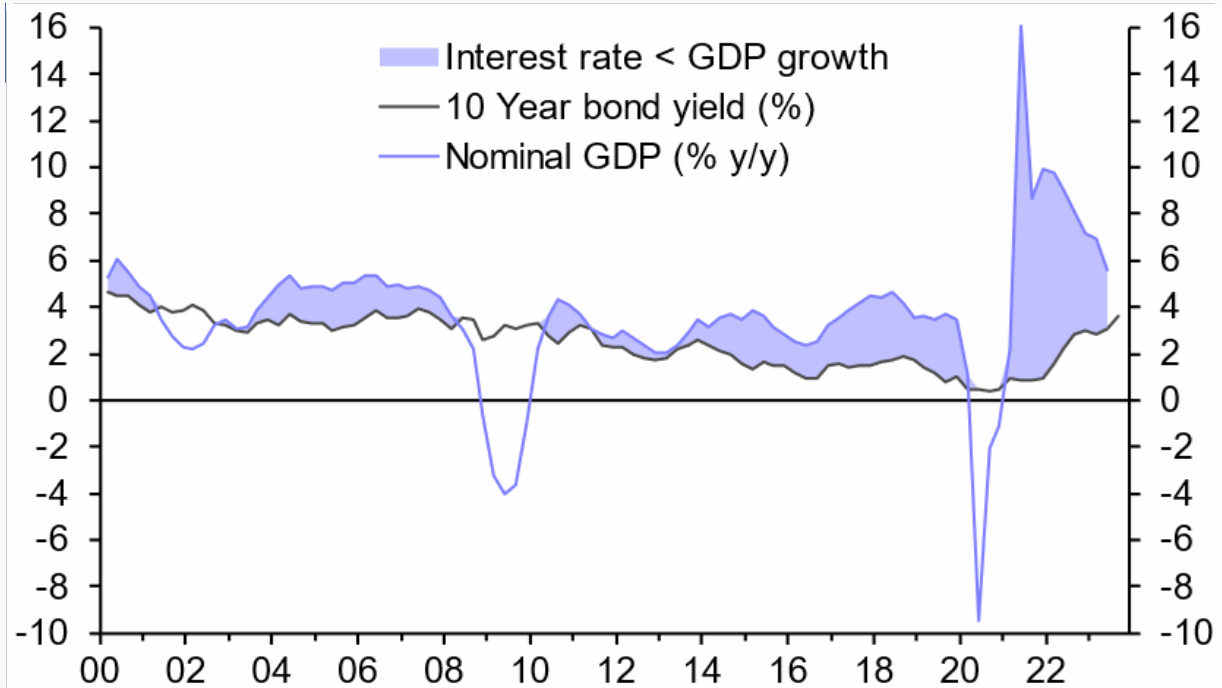


#### CHIEF ECONOMIST'S NOTE

### When it comes to questions of fiscal sustainability, words matter as much as actions

Bond markets have been on the proverbial rollercoaster over the past month, with long-dated yields shooting up over the second half of October only for both long and short-dated yields to collapse...

13th November 2023

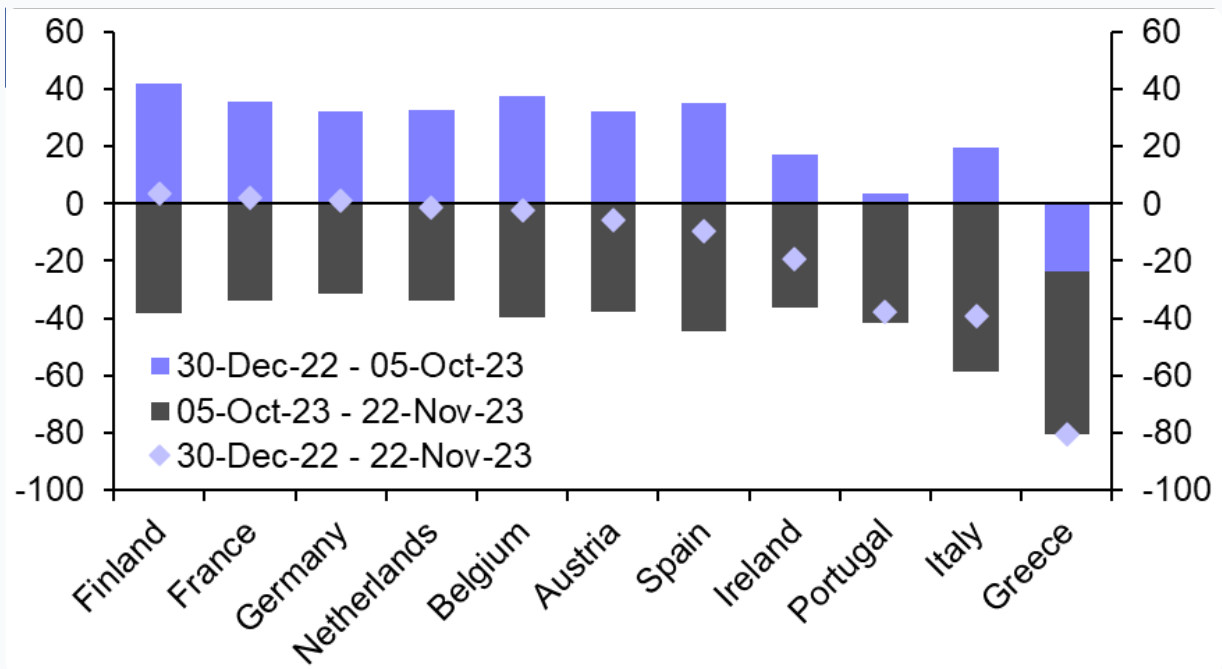


## GLOBAL ECONOMICS FOCUS

### Government debt sustainability back under the spotlight

Shifts in the long-term outlook for interest rates relative to GDP growth have left the fiscal position in most developed economies looking more precarious. Unless governments manage to reduce their...

21st November 2023 · 23 mins read

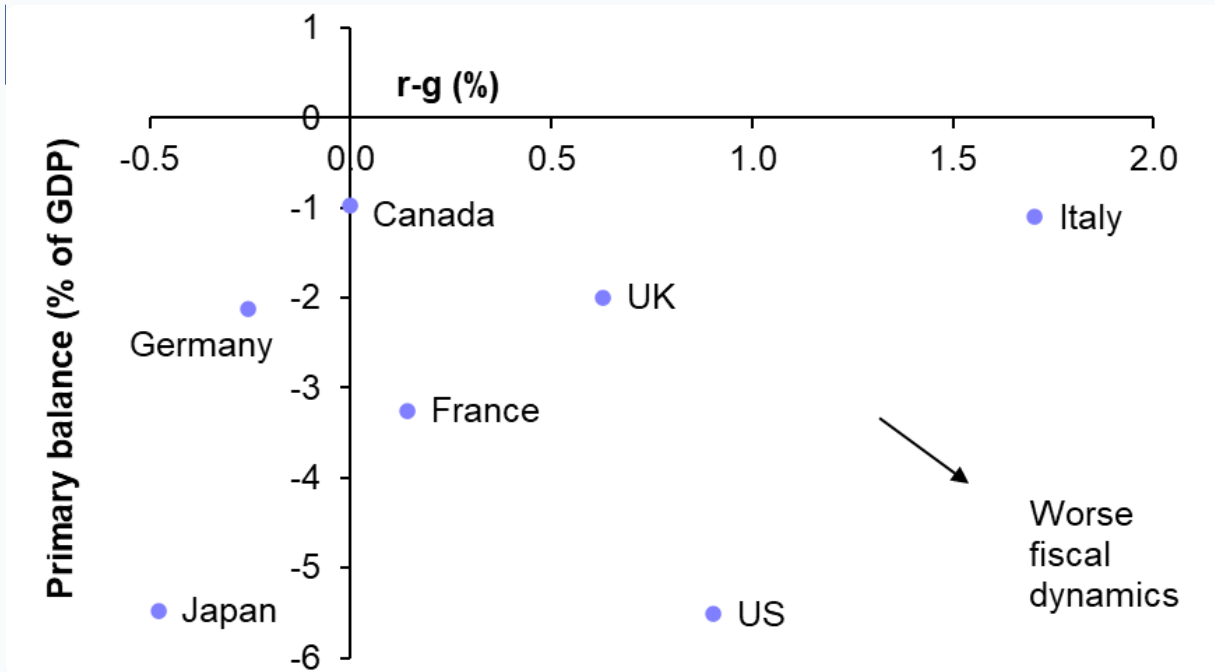


## GLOBAL MARKETS UPDATE

### Fiscal health and the outlook for the euro-zone's bond markets

We continue to forecast a small fall in euro-zone yield spreads over Bunds in the next year or so. However, rising risks to the upside in recent months and differences in fiscal positions between...

22nd November 2023 · 5 mins read



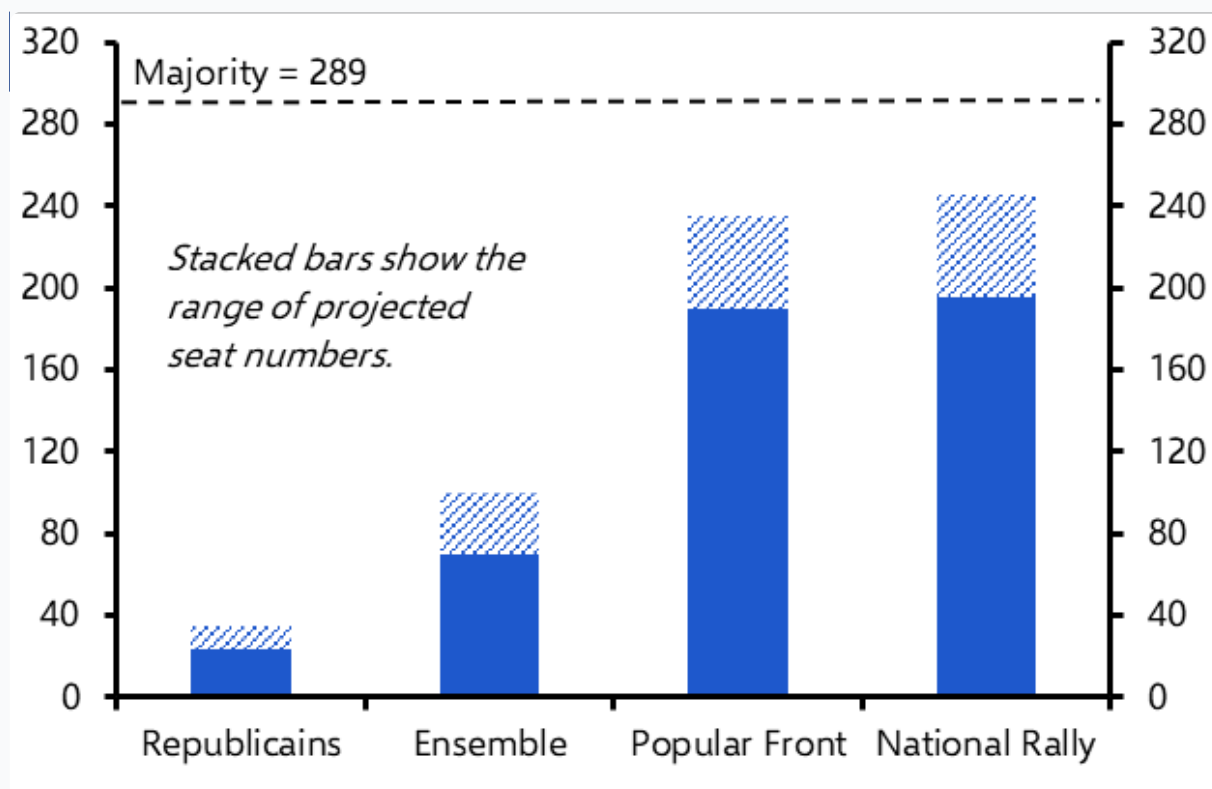
## GLOBAL ECONOMICS UPDATE

### The fiscal implications of the rise in bond yields

Perceptions matter at least as much as actual policies in determining fiscal stability. Accordingly, the surge in bond yields over the past month poses the greatest risk to those countries where the...

16th October 2023 · 6 mins read

## Regional risks



### EUROPE ECONOMICS UPDATE

## French bond sell-off could get worse

We see three scenarios for French fiscal policy in the coming months. Even in the best case the spread of French over German bond yields remains higher than before Macron called an early election. In...

20th June 2024 · 4 mins read





## JAPAN ECONOMICS FOCUS

### **Long-term debt sustainability still under threat**

The recent sharp fall in Japan's ratio of public debt to GDP reflects one-off factors that won't be sustained. While the influence of rising bond yields on the trajectory of the public finances will...

8th January 2024 · 18 mins read

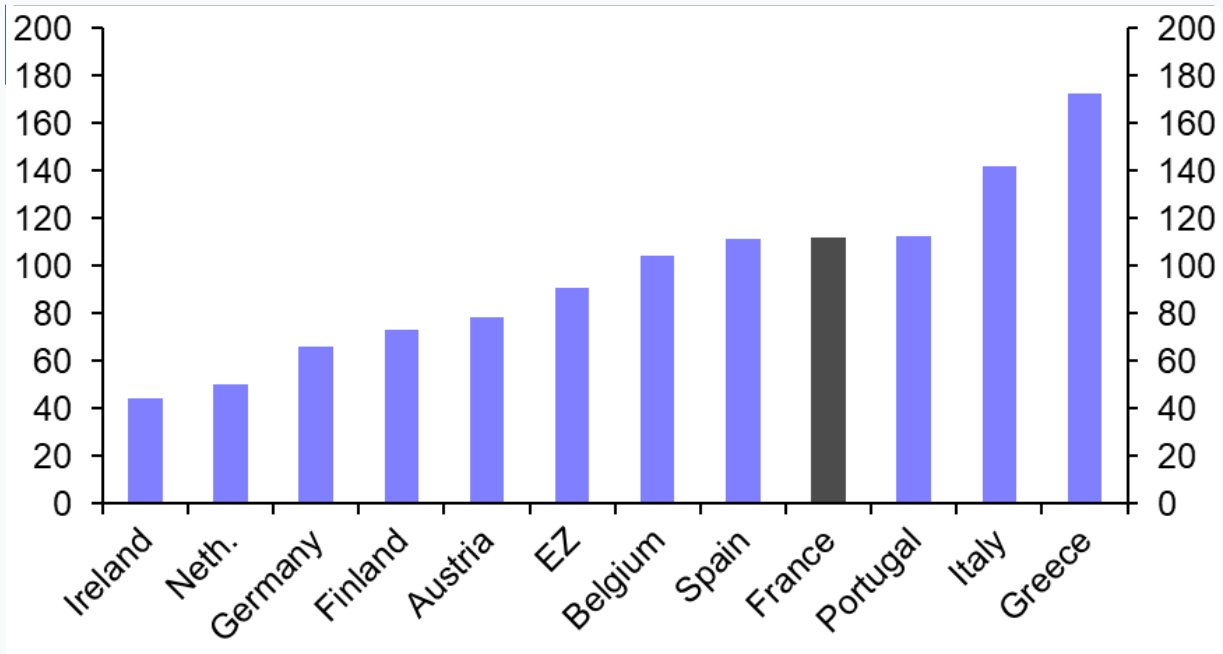


## US ECONOMICS FOCUS

### Could an AI boom transform the budget outlook?

With the budget deficit rebounding over the last year and Congress characterised by partisan dysfunction, the odds of a full-blown fiscal crisis developing over the next decade are rising. The US...

4th December 2023 · 20 mins read

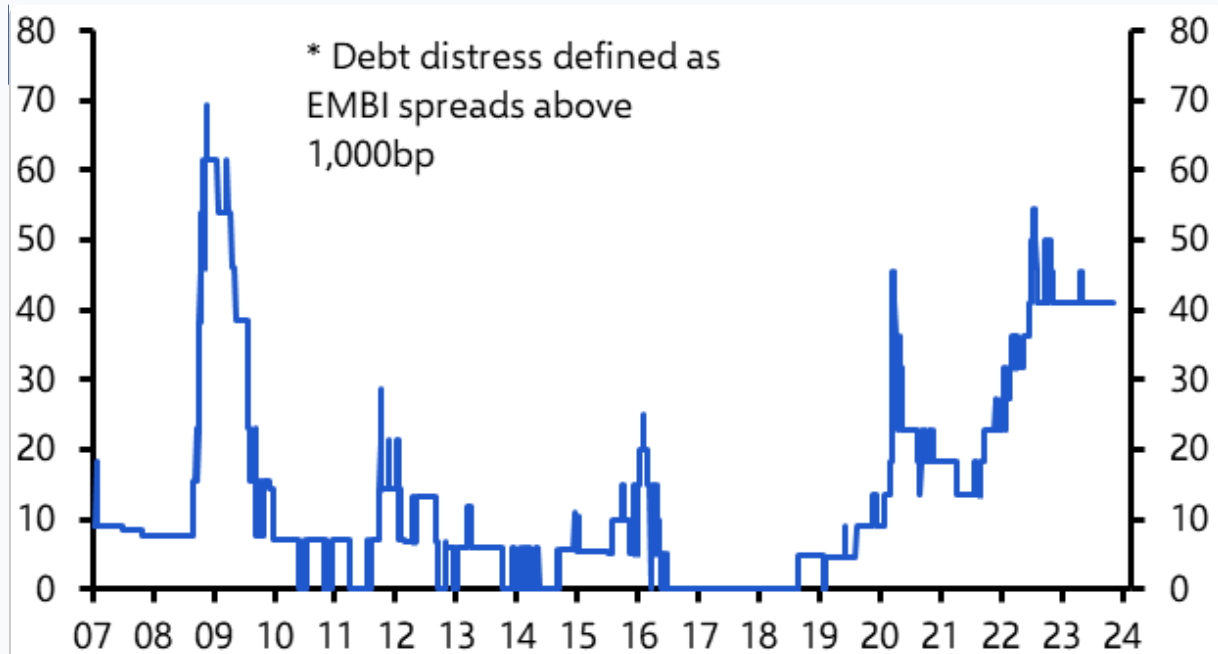


## EUROPE ECONOMICS UPDATE

### How worrying are France's public finances?

The EU's criticism of French fiscal policy is not in itself a major concern. But France's debt-to-GDP ratio may well rise over time rather than declining as the government intends. The key problem is...

21st November 2023 · 5 mins read

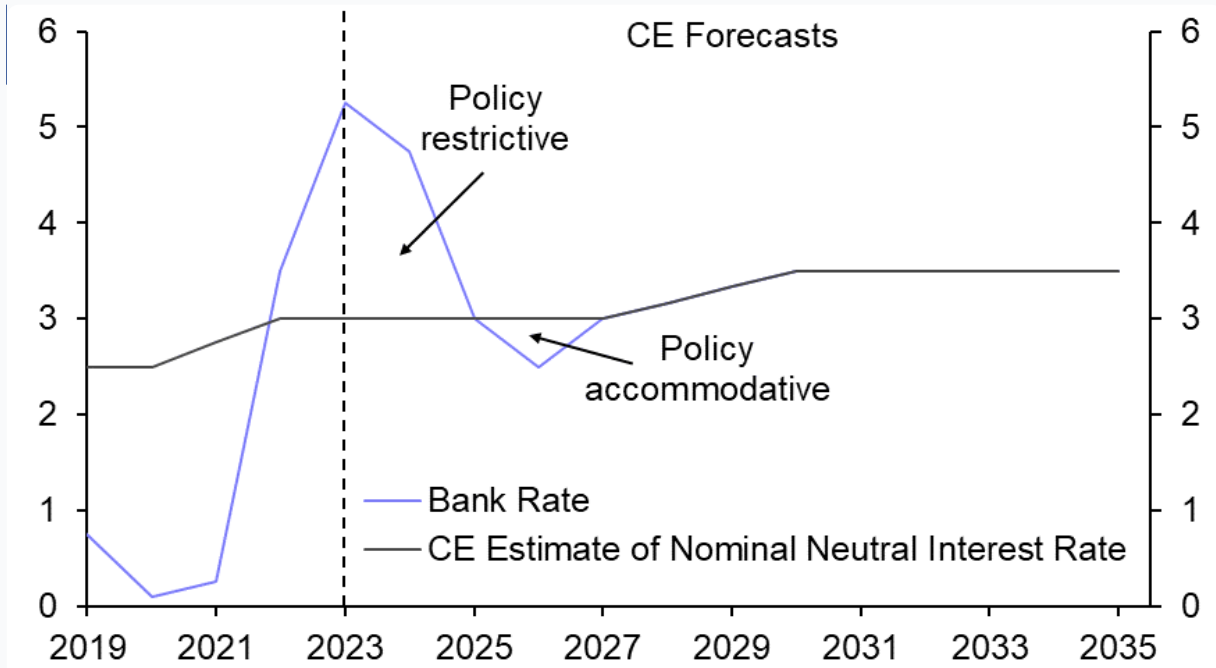


## EMERGING MARKETS ECONOMICS UPDATE

### Public debt risks remain acute in several Frontiers

Sovereign debt risks across Frontier Markets have eased slightly since last quarter. But dollar-bond spreads in Ethiopia have jumped following its request for debt-service suspension earlier this week...

16th November 2023 · 3 mins read

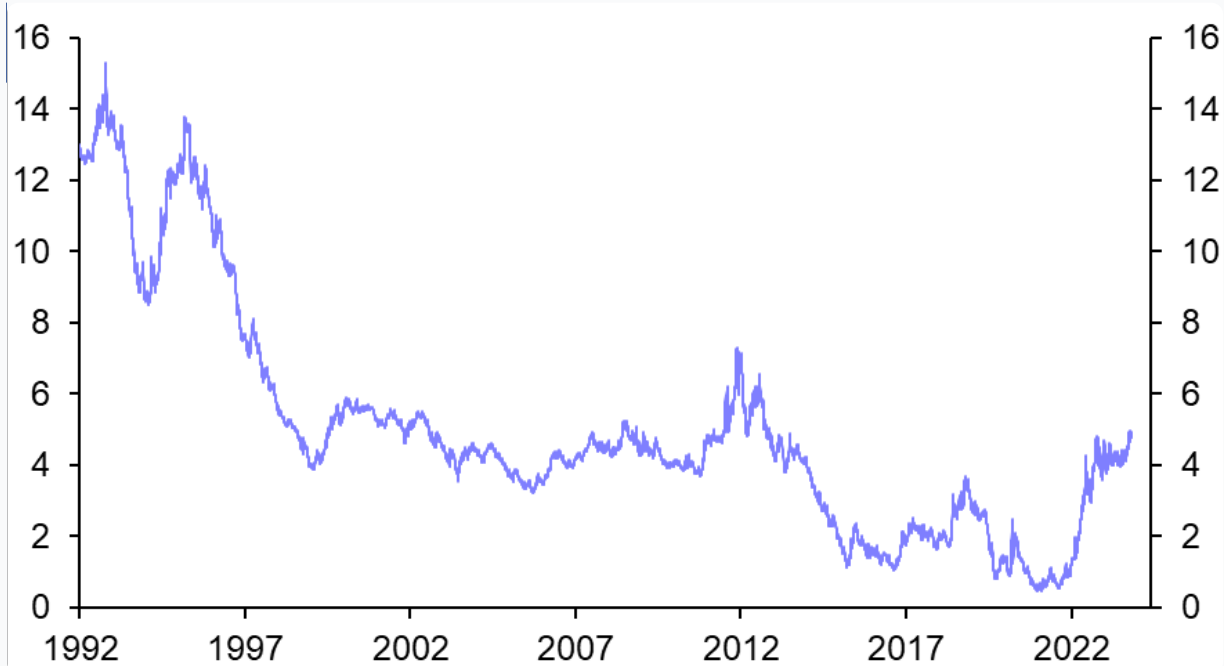


## UK ECONOMICS UPDATE

### Higher $r^*$ - bigger fiscal challenge, headwind for real asset prices

As our new higher estimate of the real neutral interest rate, or  $r^*$ , for 2030 appears to be above the assumption priced into the financial markets, we think that in the 2030s 10-year gilt yields will...

19th October 2023 · 6 mins read



## EUROPE ECONOMICS FOCUS

### High bond yields to push up Italy's debt ratio to 150%

The prospect of a long period of high bond yields and some signs of fiscal slippage by Prime Minister Meloni's government have worsened the outlook for public finances in Italy. We now think the debt...

1st November 2023 · 19 mins read

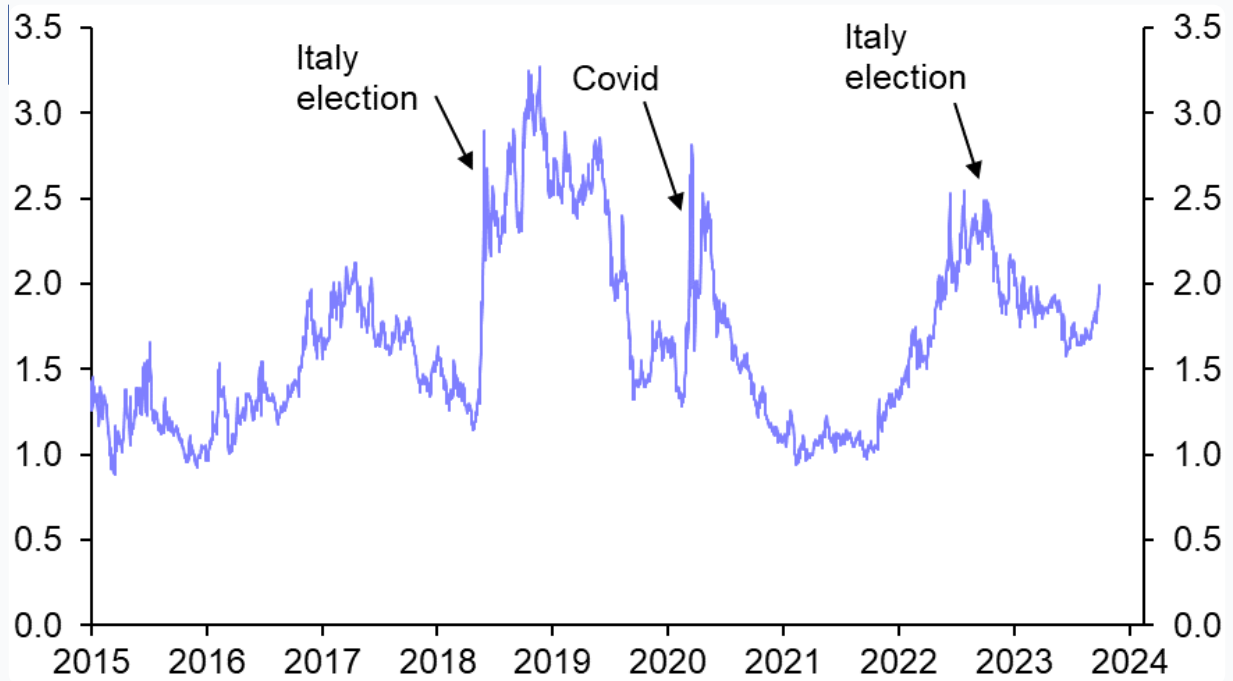


## EMERGING MARKETS ECONOMICS UPDATE

### Assessing fiscal risks from higher interest rates in EMs

Higher bond yields will add to fiscal pressures in those EMs with particularly large public debt burdens and weak debt dynamics. Brazil, South Africa as well as Colombia and Mexico are the EMs from...

26th October 2023 · 5 mins read



#### EUROPE ECONOMICS UPDATE

### How worried should we be about Italy's public debt?

The recent shift towards looser fiscal policy in Italy and increase in sovereign bond yields once again have raised concerns that investors may lose confidence in Italy's ability to sustain its debt...

9th October 2023 · 3 mins read





## EMERGING EUROPE ECONOMICS UPDATE

### **CEE sovereign debt dynamics becoming more fragile**

Governments across Central and Eastern Europe (CEE) need to deliver significant fiscal tightening over the coming years to prevent public debt ratios from grinding higher. The risk of an imminent...

9th November 2023 · 5 mins read

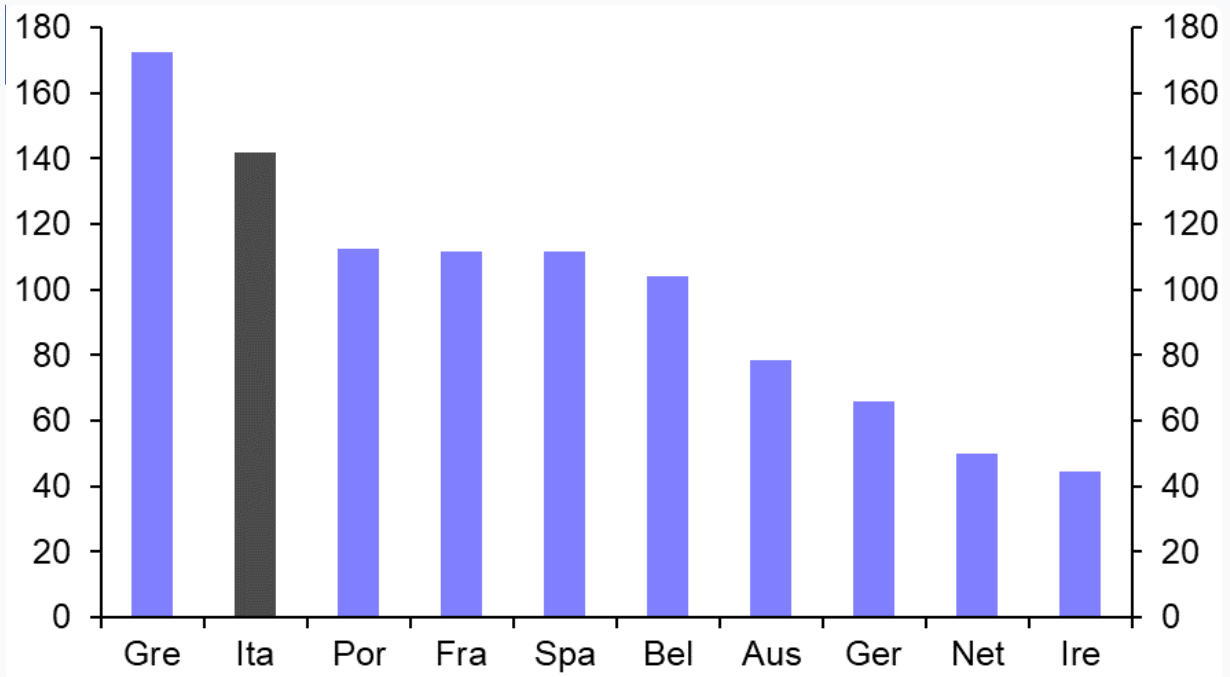
Country	Government Debt (% of GDP, 2022)	Change in Gov. Debt (% of GDP, 2019-2022)	FX-denom. Gov. Debt (% of GDP)	Primary Balance (% of GDP, 2022)	Fiscal Tightening Needed to Stabilise Debt (% of GDP)	JP Morgan EMBI Spread (bp, Latest)
Ghana	92.4	34.0	37.9	-3.7	23.3	2,843
Zambia	56.8	19.2	28.1	-4.6	4.2	406
Cote d'Ivoire	98.5	4.1	69.2	-1.6	1.3	3,915
Mozambique	95.5	-3.5	89.1	-2.1	-15.5	-
Angola	66.7	-46.9	65.1	4.7	15.6	809
South Africa	48.4	10.8	32.4	-2.8	2.2	-
Uganda	68.4	9.3	35.7	-1.4	-0.8	720
Kenya	71.1	15.0	8.0	-0.2	-12.5	363
Nigeria	42.3	3.2	32.6	-1.9	2.5	-
Ethiopia	46.4	-9.4	29.3	-3.5	-0.8	5,081
Tanzania	39.6	10.5	8.8	-2.8	-0.8	664

## AFRICA ECONOMICS UPDATE

### Assessing public debt risks in Africa

In this Update, we present our sovereign debt heat map that provides a snapshot of debt risks across Sub-Saharan Africa. Government debt is still above pre-pandemic levels and most economies we cover...

10th November 2023 · 5 mins read



## EUROPE ECONOMICS UPDATE

### Putting Italy's debt dynamics into context

Italy stands out in the euro-zone for its particularly worrying public debt dynamics. The governments of most euro-zone countries could stabilise their debt ratios while running primary budget...

6th November 2023 · 3 mins read

