



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

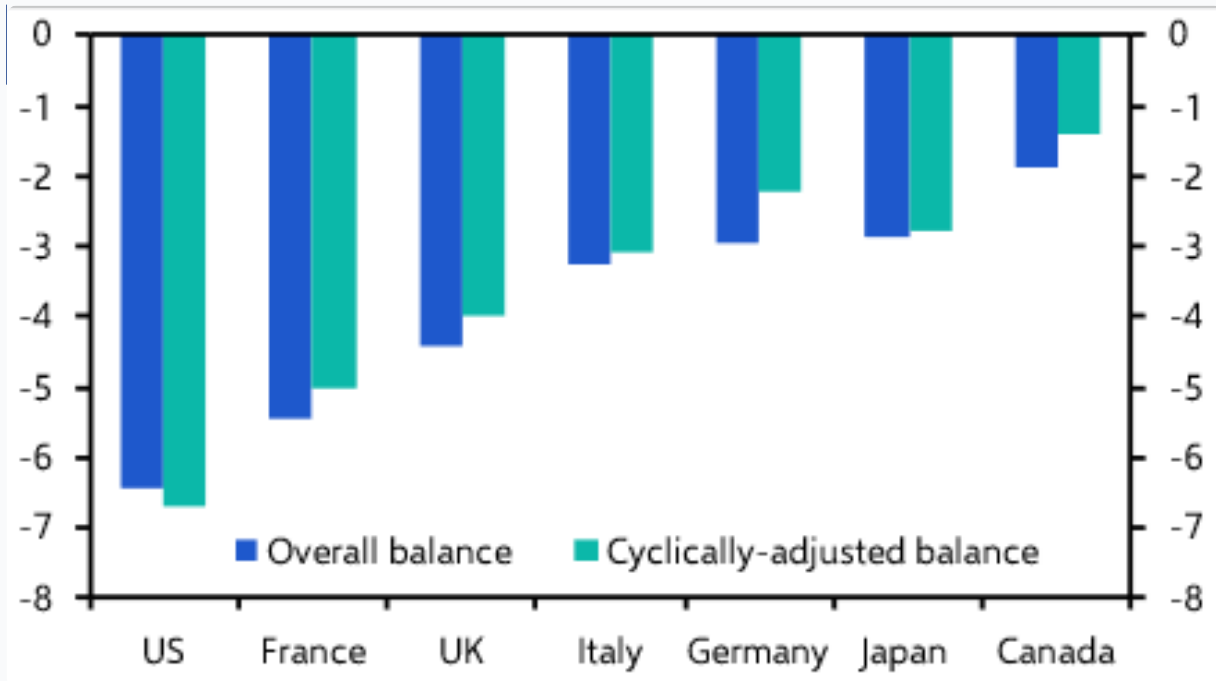


EMERGING MARKETS ECONOMICS UPDATE

EM fiscal risks - a story of growing country differences

EM sovereign debt risks remain much higher than in the pre-pandemic period. There are positive stories of declining risk in those EMs undergoing reforms (e.g. Argentina) and low fiscal risks in the...

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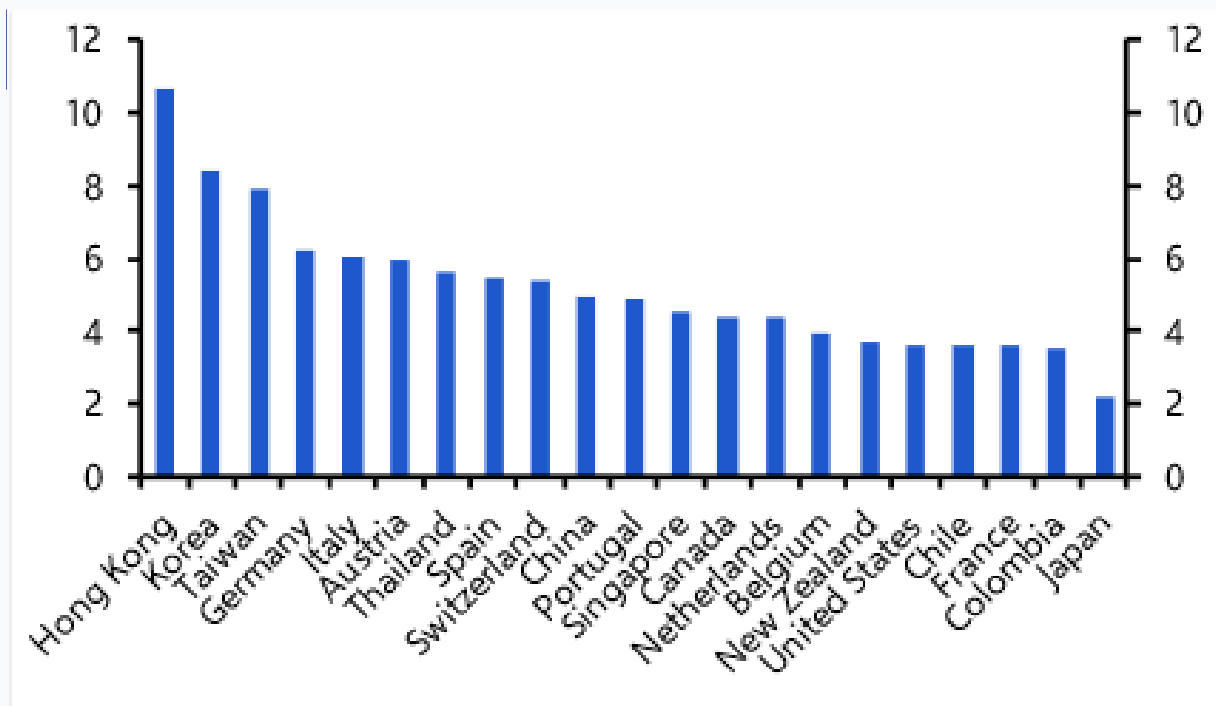


GLOBAL ECONOMICS UPDATE

Where do fiscal deficits need to shrink most?

Most major DMs need to shrink their primary budget deficits significantly and most will find it hard to do so. This will exacerbate growing worries about fiscal sustainability. The US and France have...

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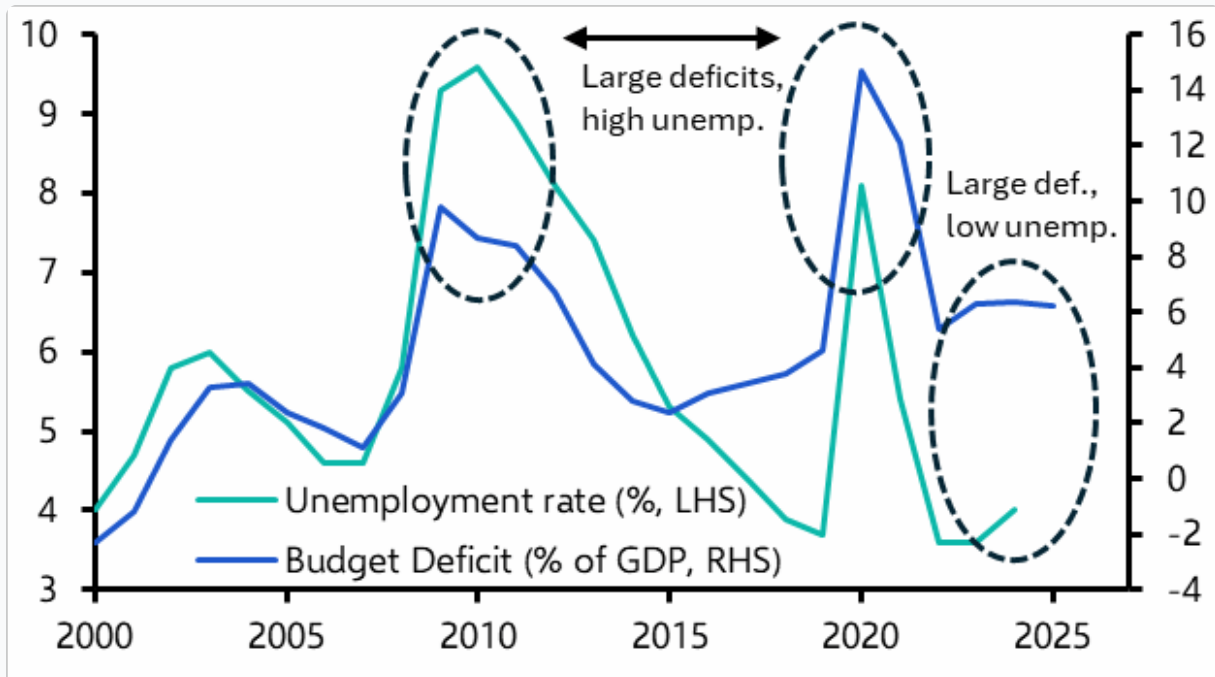


GLOBAL ECONOMICS UPDATE

Demographics adding to fiscal pressures

As time marches on, the once distant threat of demographic pressures for many countries, especially those in Europe, is fast becoming a reality. This adds to the other pressures on the public finances...

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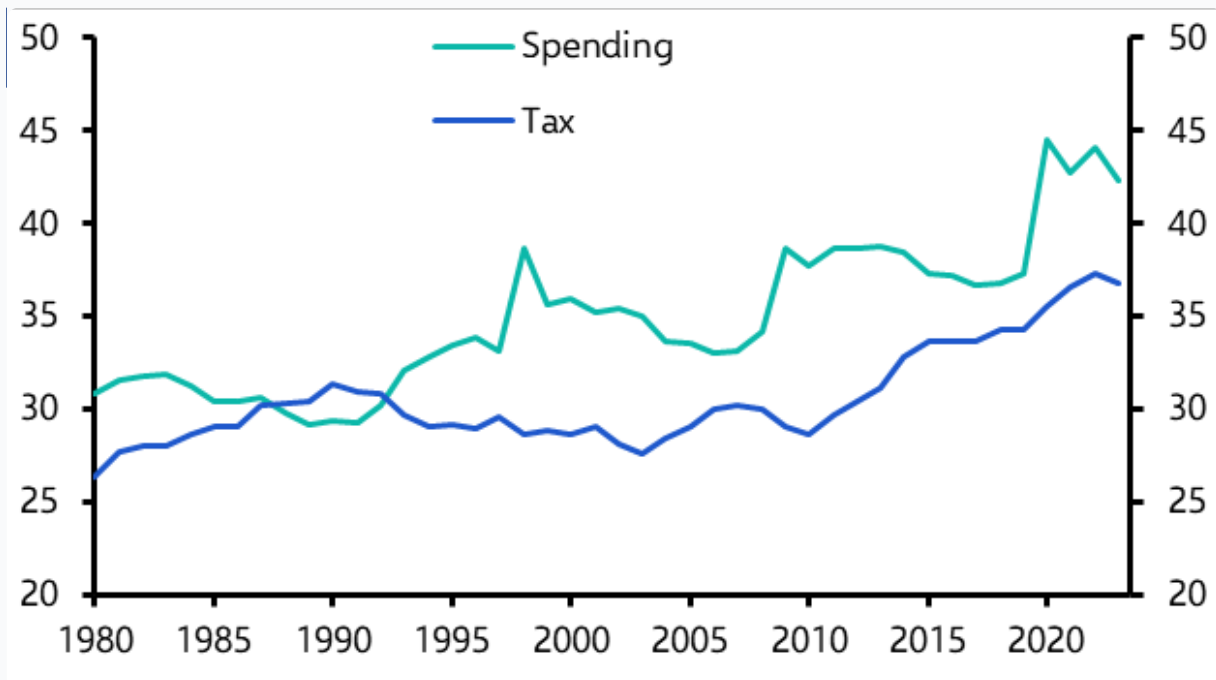


CHIEF ECONOMIST'S NOTE

Fiscal stability is now as much about people as policy

The public finances of several key advanced economies are, to put it mildly, in a mess. Recent attention has been on the United States, where the 'One, Big, Beautiful Act' has entrenched large federal...

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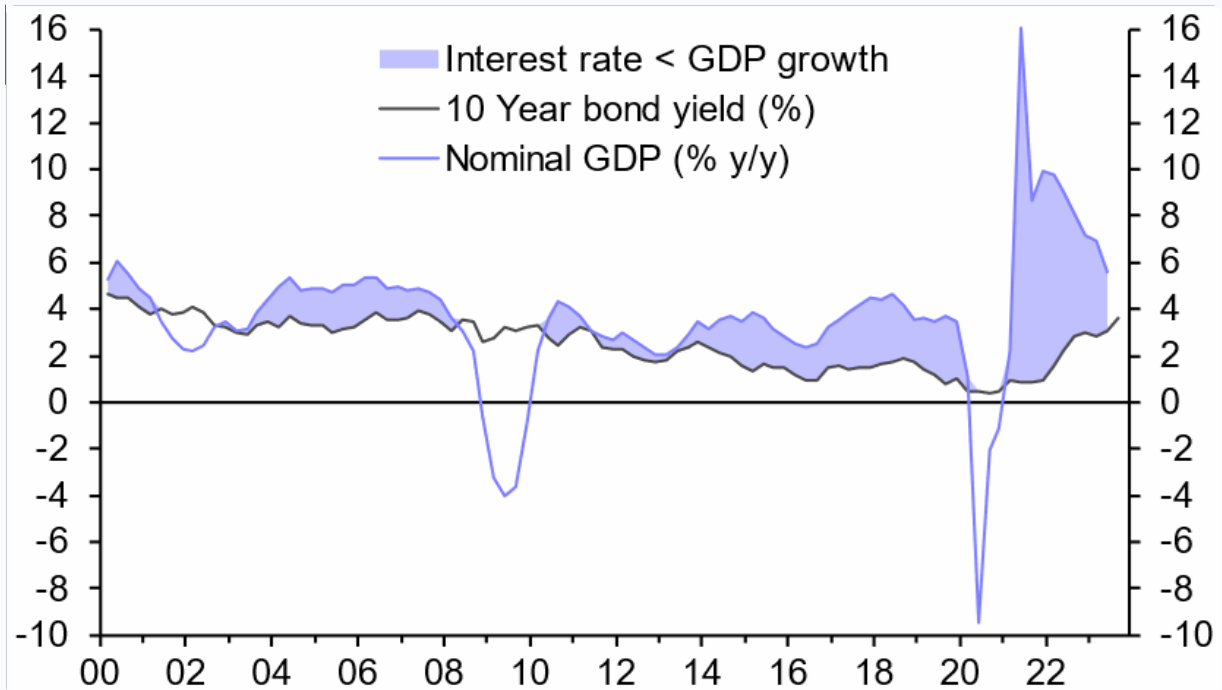


LONG RUN FOCUS

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...

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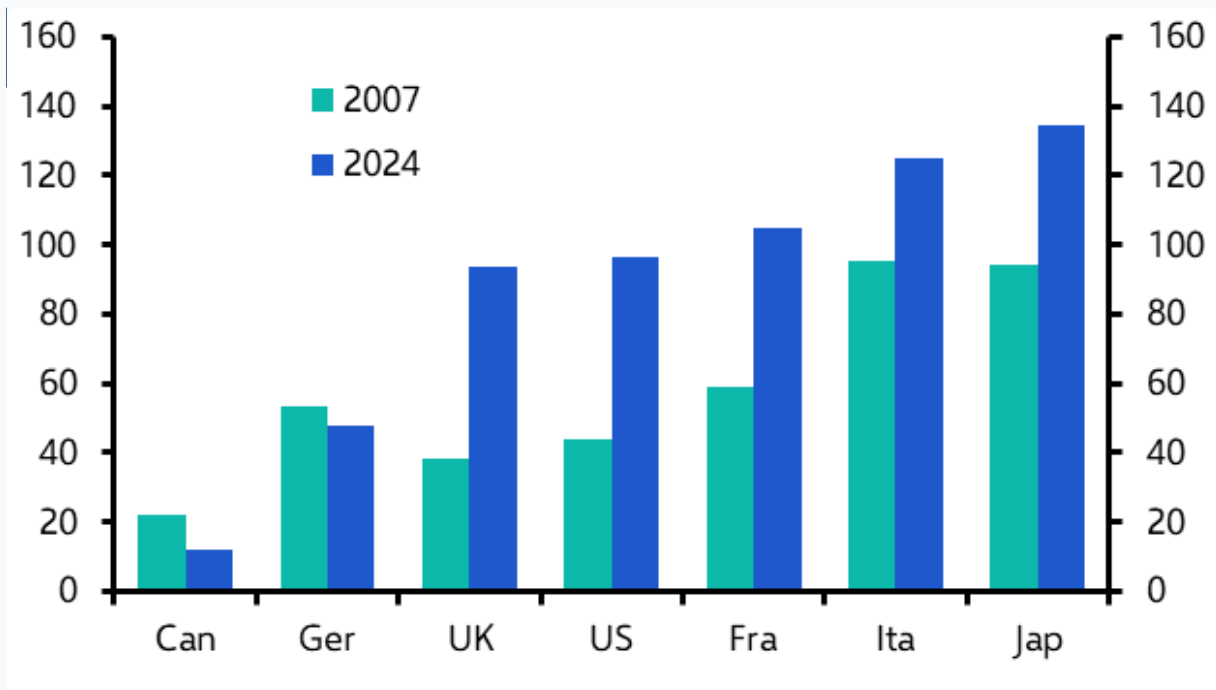
GLOBAL ECONOMICS FOCUS

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...

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Regional risks



US ECONOMICS FOCUS

Risk of US fiscal crisis rising

The Federal debt is undoubtedly on an unsustainable path. The debt burden is already close to 100% of GDP and, with the budget deficit likely to remain close to 6% of GDP for the foreseeable future...

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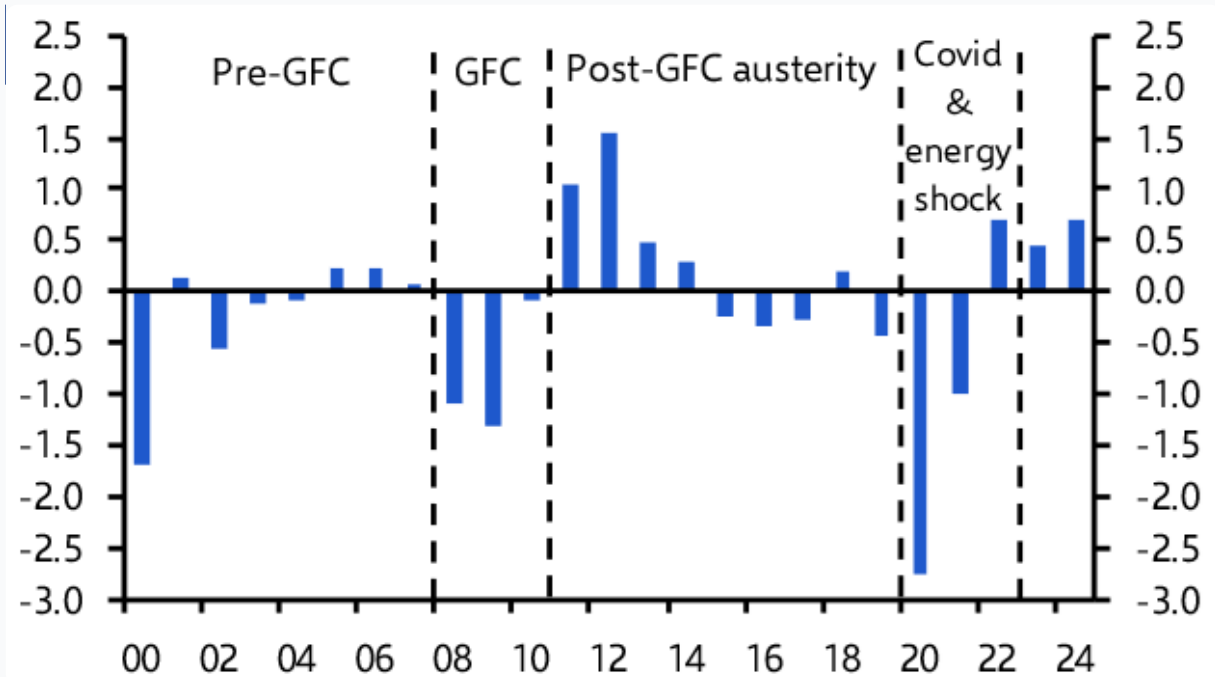


US ECONOMICS UPDATE

Tariff revenue should largely offset new tax cuts

The budget reconciliation bill currently working its way through the House of Representatives, which includes a permanent extension of the original Trump tax cuts plus cut-down versions of his...

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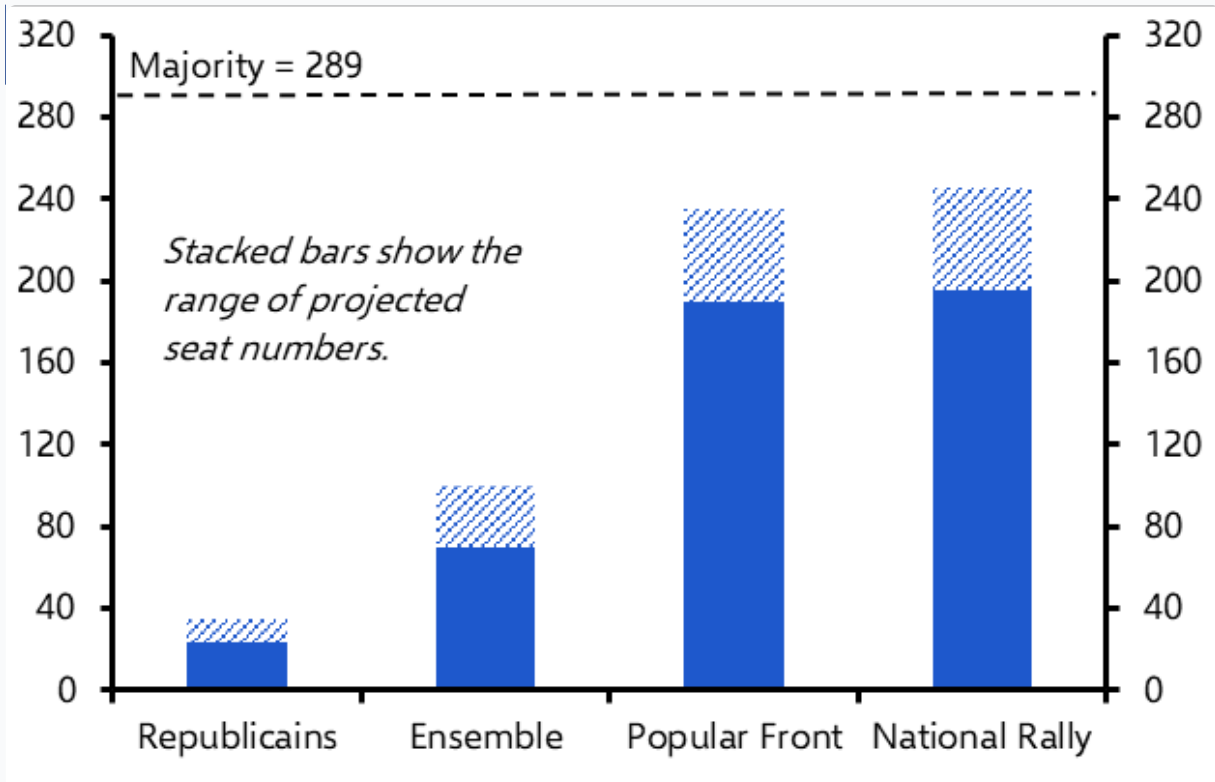


EUROPE ECONOMICS FOCUS

Euro-zone debt dynamics: no longer core vs periphery

Most euro-zone governments look set to continue running large budget deficits in the coming years. This will support aggregate demand and is a key reason why ECB interest rates will stay higher than...

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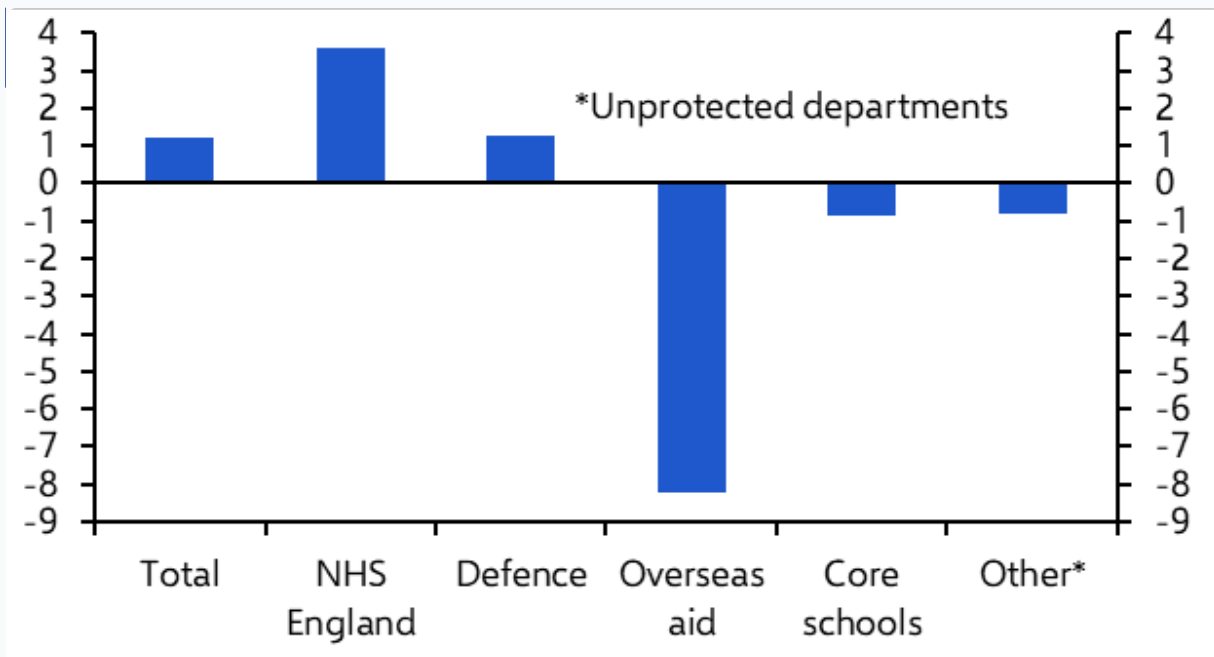


EUROPE ECONOMICS UPDATE

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...

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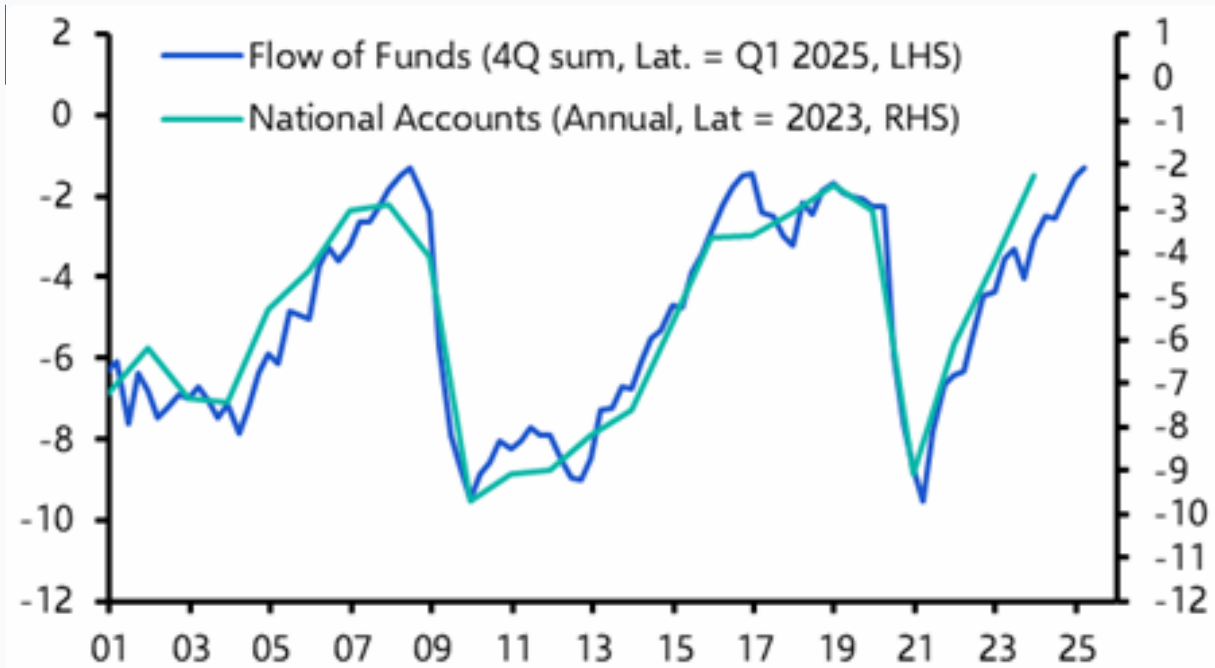


UK ECONOMICS UPDATE

Spending pressures to lead to higher UK taxes and borrowing

U-turns on benefit and welfare spending, increased pressure to ramp up defence spending and higher borrowing costs have left the Chancellor, Rachel Reeves, in a sticky position. If she wishes to avoid...

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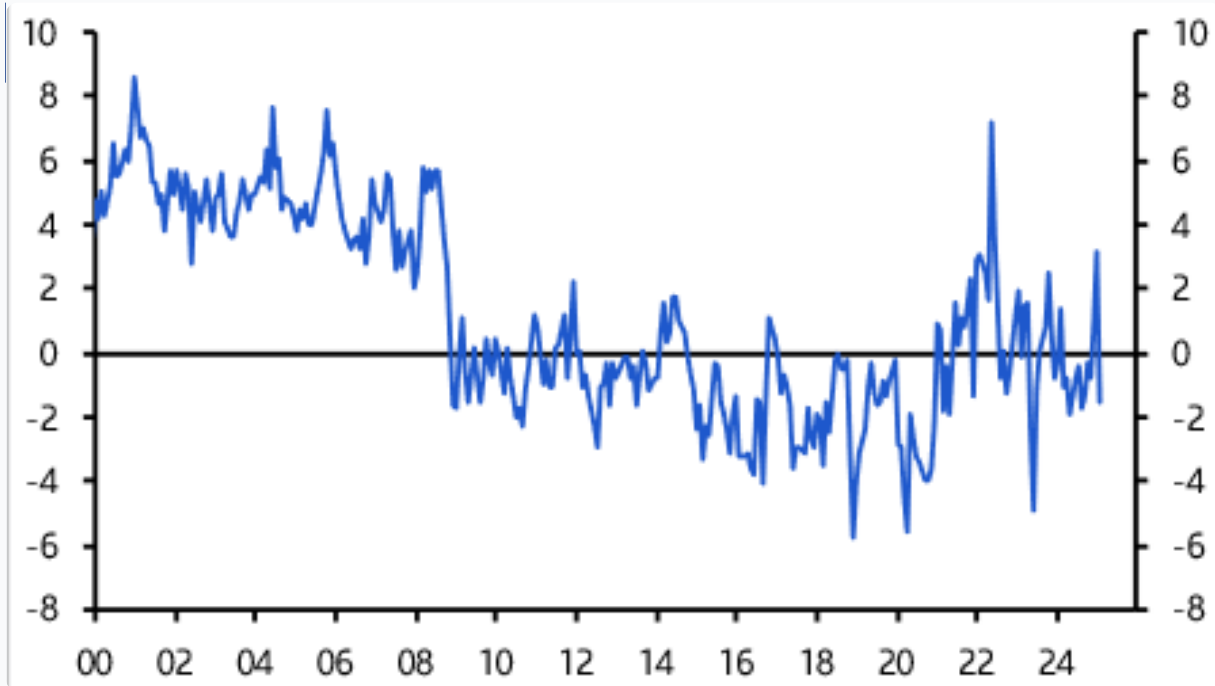


JAPAN ECONOMICS UPDATE

Improvement in fiscal health has further to run

The flow of funds data suggest that Japan's budget deficit has continued to narrow after reaching a 30-year low in 2023. And while the recent plunge in the ratio of government debt to GDP partly...

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CANADA ECONOMICS WEEKLY

Canada Weekly: Carney should find support for stimulus despite minority

Although Mark Carney's Liberal Party just missed out on a majority in the election this week, the conciliatory tones from the Bloc Québécois suggest that the government should find the support needed...

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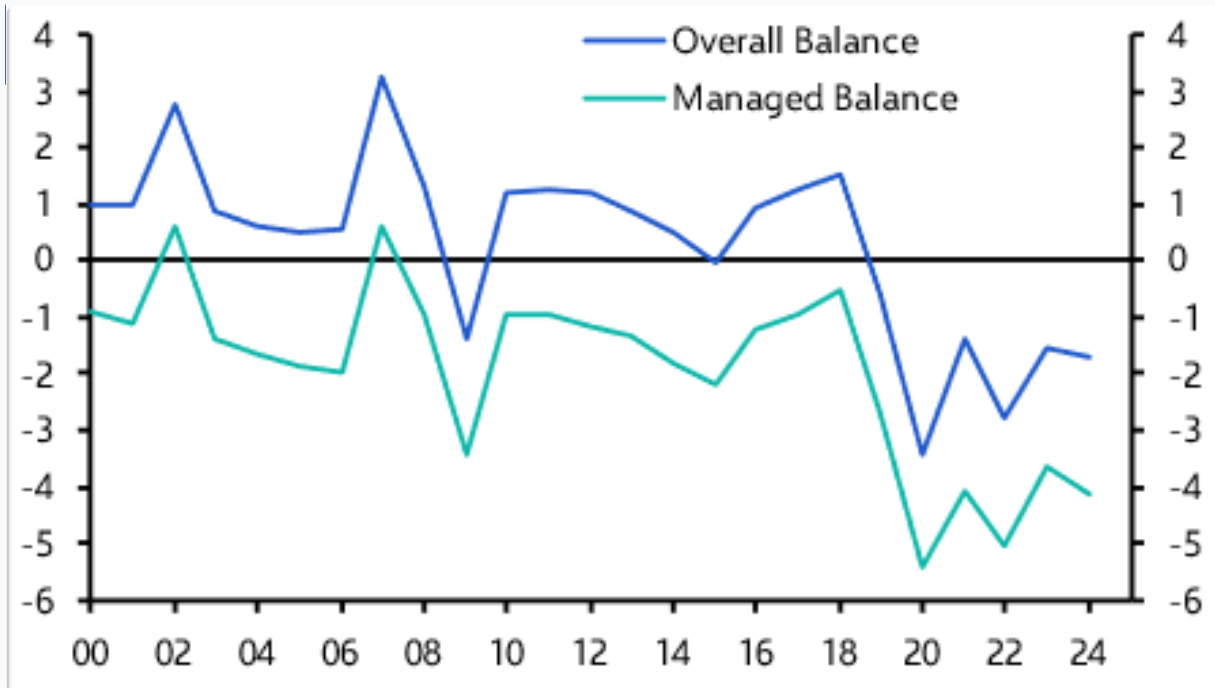


LATIN AMERICA ECONOMICS UPDATE

Petro dashes Colombia's fiscal credibility

The Colombian government's fiscal plans unveiled late on Friday will have dashed any lingering hopes that policymakers would try to stabilise the public debt-to-GDP ratio, at least ahead of next year...

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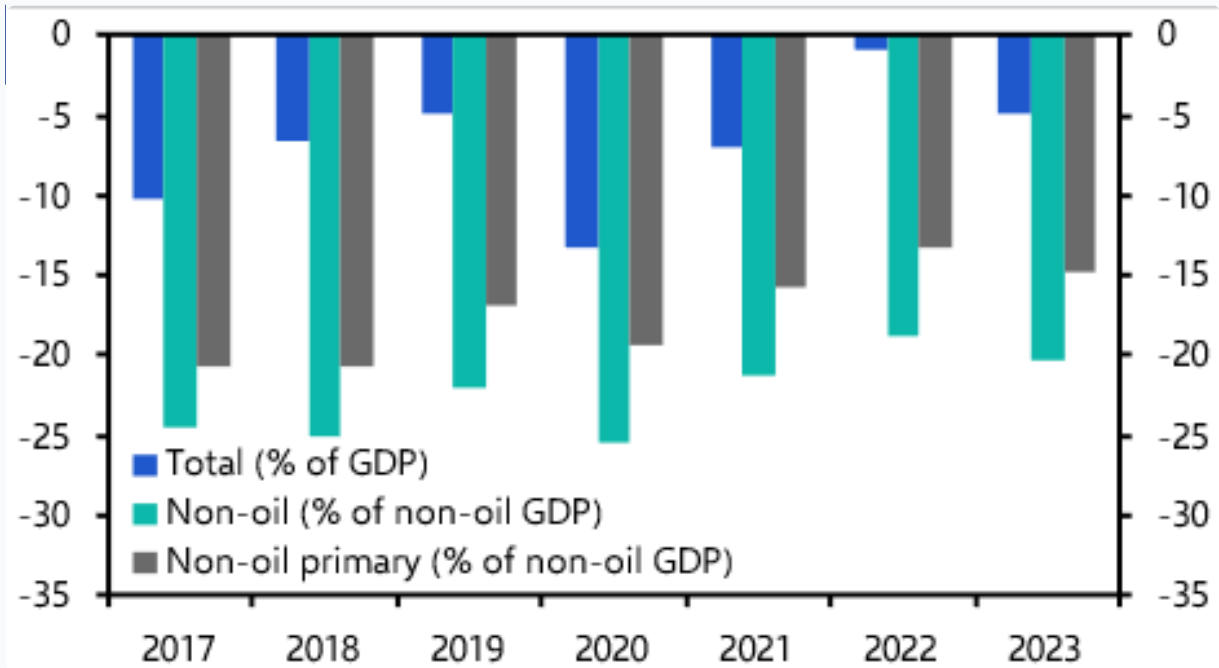


ASIA ECONOMICS UPDATE

Can Korea afford post-election stimulus?

President Lee's pledge to provide fiscal stimulus would, if implemented, provide a much-needed lift to Korea's economy. The country's public finances could easily accommodate a temporary rise in...

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MIDDLE EAST & NORTH AFRICA ECONOMICS UPDATE

Bahrain's fiscal plan may not negate need for Gulf support

The recently-announced fiscal plan in Bahrain is a welcome shift towards fiscal consolidation, but there's a high risk of slippage and the public debt dynamics are alarming. Although other Gulf states...

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LATIN AMERICA ECONOMICS UPDATE

Mexico: budget deficit gives no room to cushion tariff hit

The blowout in Mexico's budget deficit to its largest level since the 1980s last year means that the government has little scope to offset the hit to the economy from US tariffs. There'll probably be...

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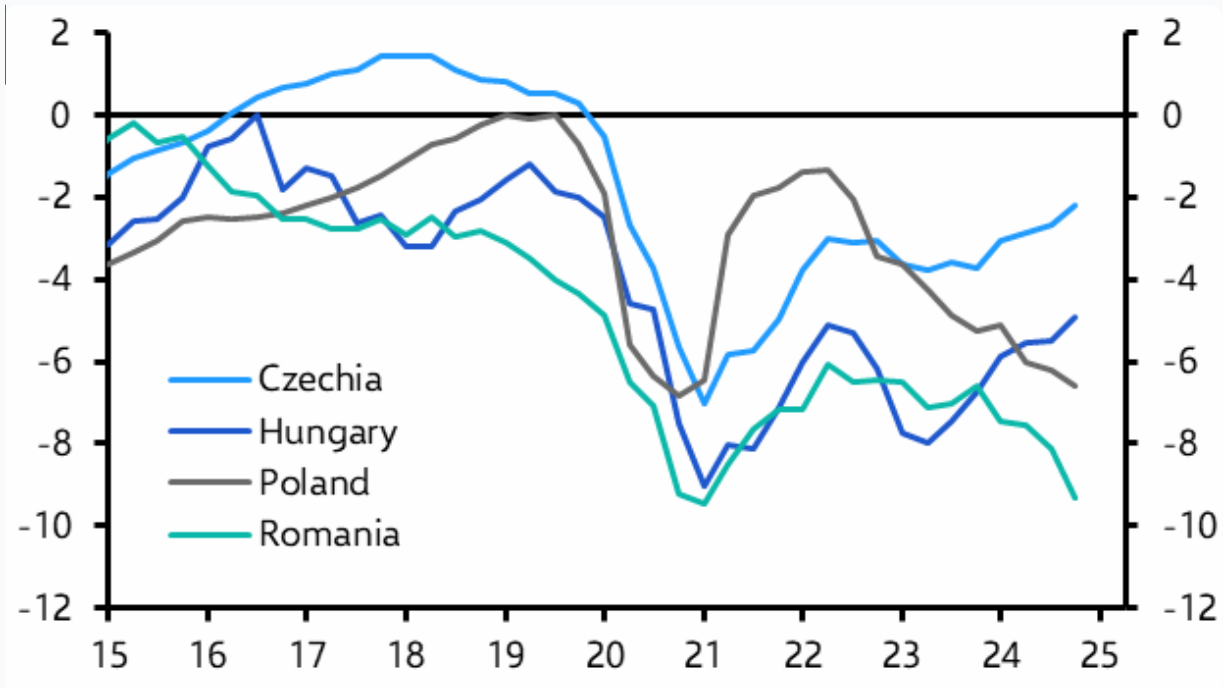


AFRICA ECONOMICS UPDATE

Kenya's sovereign default risks will continue to build

Kenya's 2025/26 budget has set out ambitious revenue-raising plans that we think will be tough to achieve and some fiscal slippage is inevitable. The result is that, in the absence of further fiscal...

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EMERGING EUROPE ECONOMICS UPDATE

Fiscal risks still simmering across CEE

Measures of fiscal risk premia have generally eased across Central and Eastern Europe (CEE) over the past few months, but the region's public debt dynamics remain a point of concern. Budget deficits...

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