



# 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

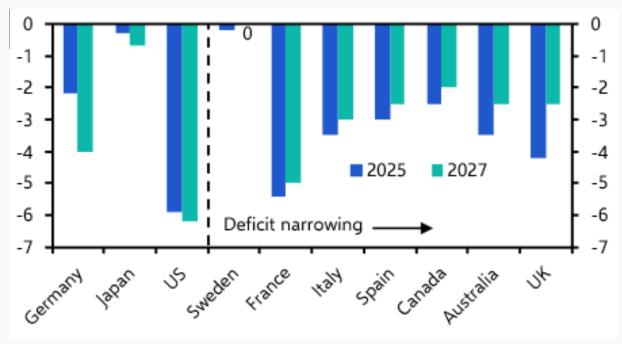


**GLOBAL ECONOMICS FOCUS** 

## The causes of fiscal crises and their economic impact

History shows that there are no debt or deficit thresholds beyond which a fiscal crisis is inevitable. Rather, crises stem from a mix of high debt, poor debt dynamics, and weak fiscal credibility...

24th July 2025 · 26 mins read

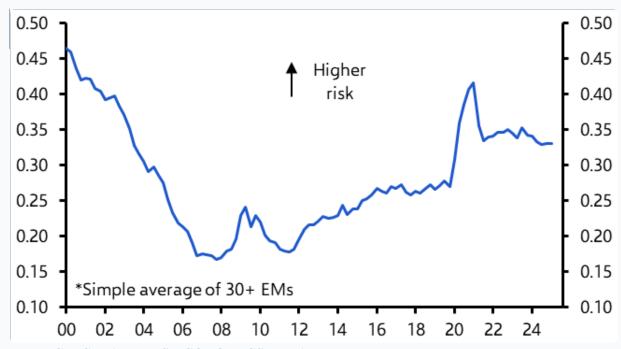


GLOBAL ECONOMICS FOCUS

## **Crowding out:** Assessing the fiscal risks to growth

Big budget deficits are fuelling fears about fiscal sustainability, but the potential negative effects on growth are receiving less attention. While Germany is embarking on a major fiscal expansion...

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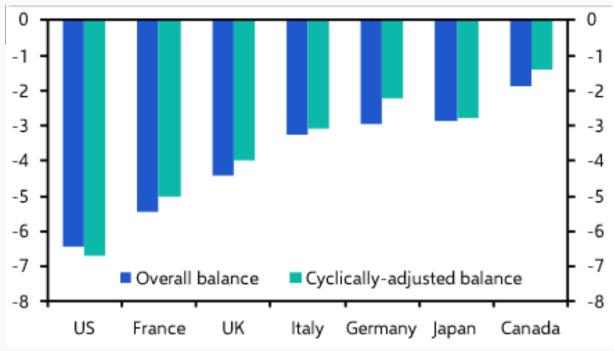


EMERGING MARKETS ECONOMICS UPDATE

## 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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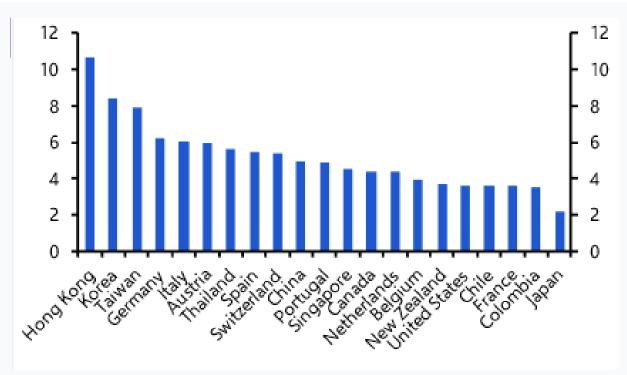


GLOBAL ECONOMICS UPDATE

#### 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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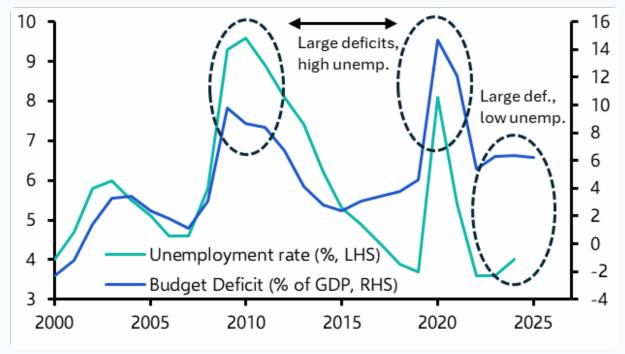


#### GLOBAL ECONOMICS UPDATE

# 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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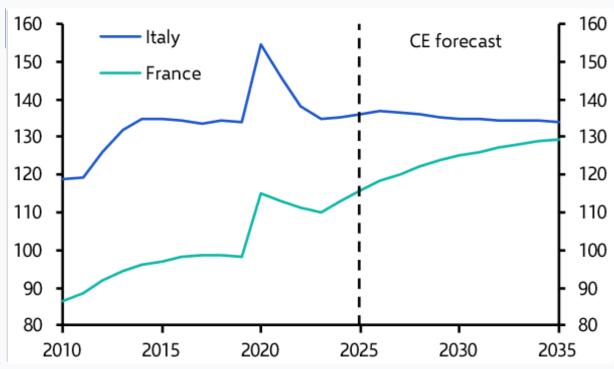
**CHIEF ECONOMIST'S NOTE** 

## 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...

14th July 2025

#### Regional risks



**EUROPE ECONOMICS FOCUS** 

## The fallout from France's ongoing political deadlock

The latest political developments in Paris underline that France is heading for some kind of fiscal crisis which in turn means the risk premium on its debt is likely to rise in the coming year or two...

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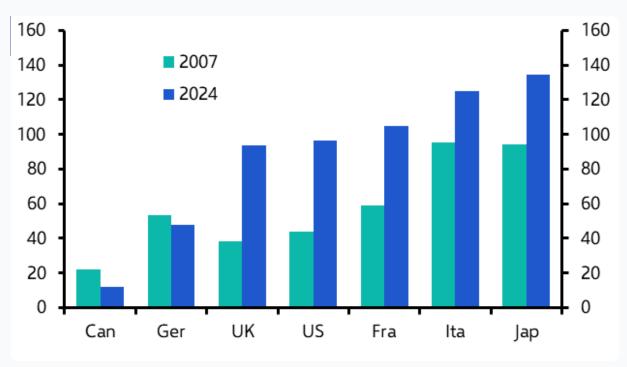


**UK ECONOMICS UPDATE** 

## What could trigger a fiscal crisis in the UK?

Many of the conditions which have led to fiscal crises in the past are now in place. This does not mean a fiscal crisis in the UK is imminent or inevitable. The missing ingredient is a trigger. If a...

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**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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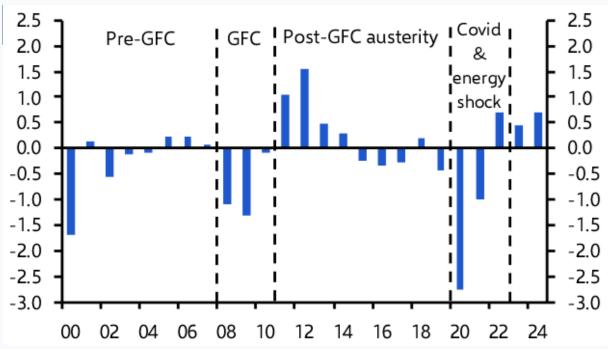


US ECONOMICS UPDATE

## 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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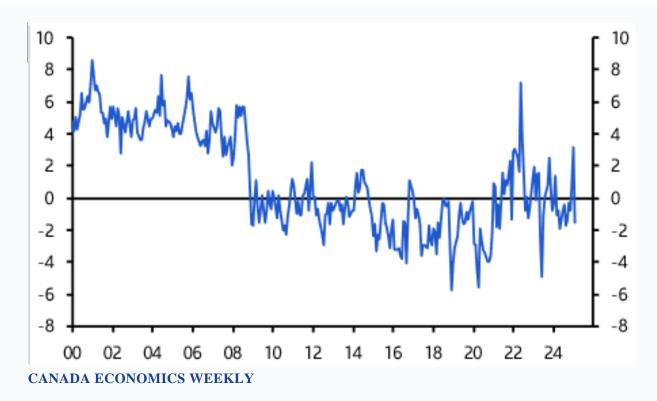


**JAPAN ECONOMICS FOCUS** 

## Japan won't experience a fiscal crisis anytime soon

Most of the recent increase in long-term bond yields appears to have been driven by higher expectations for short-term interest rates as well as reduced demand from traditional investors in long-dated...

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# 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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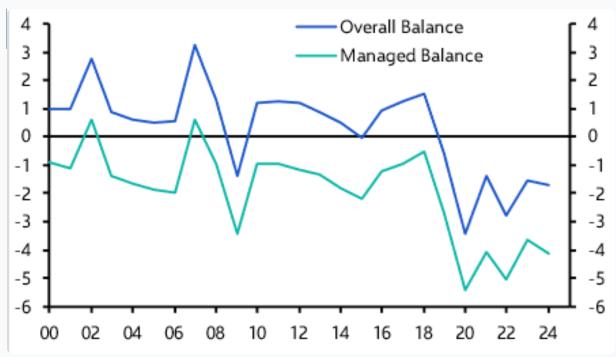


LATIN AMERICA ECONOMICS UPDATE

## 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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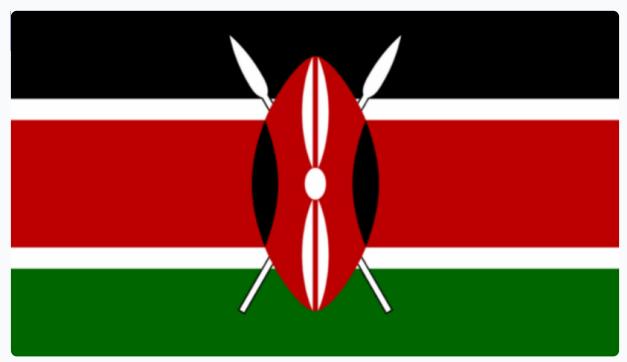


LATIN AMERICA ECONOMICS UPDATE

## 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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EMERGING MARKETS ECONOMICS UPDATE

# Fiscal realities now biting in some major oil producers

The 2026 budgets announced in Russia and Saudi Arabia in the past week point to significant fiscal tightening following declines in oil revenues and budget blowouts this year. Pressures for fiscal...

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#### Dashboards



**EUROPE ECONOMICS** 

# **Euro-zone Debt Sustainability Monitor**

An interactive guide to the fiscal sustainability challenges faced by euro-zone economies.



**UK ECONOMICS** 

## **UK Fiscal Headroom Monitor**

An interactive guide to the impact of market interest rate expectations on the fiscal policy space available to the Chancellor.

