Introductory Remarks at the Press Conference

October 15, 2025

Good morning! Many thanks Tatiana for your kind introduction. Thanks to you all for your interest in the Fiscal Monitor, covering fiscal policies around the world.

The global public debt prospects and risks have deteriorated further since our last meetings in April. In the Fiscal Monitor, **global public debt is projected to rise above 100 percent of GDP by 2029.** In such a scenario, public debt would be at its highest level since 1948. Moreover, the distribution of risks is tilted towards debt accumulating even faster. With a five percent risk, debt would reach 124 percent in 2029.

The world public debt landscape is very diverse. This map displays the Fund's fiscal risk assessment based on the latest debt sustainability framework from Article IV staff reports. Countries differ widely in their deficit and debt levels. Many major economies have public debt greater (or projected to go over) than 100 percent of GDP. Among the G20 these are Canada, China, France, Italy, Japan, the UK and the US. These countries typically have deep and liquid sovereign bond markets and often broad policy choices, resulting in their fiscal risk ratings being moderate (yellow) or low (green).

In contrast, many emerging markets and low-income countries face tougher fiscal challenges, despite their debt often below 60 percent of GDP. Their policy options and funding access are limited. As the map shows, 55 countries are assessed at high (pink) or distress-level (red) of fiscal risk. In many cases, relatively low debt-to-GDP ratios are accompanied by low debt tolerance.

Beyond the present, fiscal risks loom large. Public debt dynamics have drastically changed in recent years. It is not only the size of debt but also the cost. From the Global Financial Crisis through to the COVID period, ever lower interest rates accompanied rising debts, leading to an overall stable interest bill on budget.

However, the situation is now starkly different. Interest rate increases have raised funding costs and strained budgets. Indeed, interest spending is estimated to increase to 2.9 percent of GDP in 2025 from 2.0 percent in 2020 and is projected to continue to rise to the end of the decade. The financial environment is also exigent. Financial asset valuations are stretched. Eventually a market correction may occur. Among adverse scenarios the most concerning is one where fiscal–financial feedback loops dominate the propagation mechanism of some initial disturbance.

In addition, public spending pressures come from defense to response to natural disasters. At the same time, there is considerable resistance to higher taxes. The conclusion is inescapable: starting from too-high deficits and debts the persistence of spending above tax revenues will push debt to ever higher heights threatening sustainability and financial stability.

Prioritizing fiscal policy is essential to support debt sustainability and prepare fiscal buffers to use in case of severe adverse shocks including financial crises. But while we do recognize that the fiscal equation is very hard to square politically, the time to prepare is now.

Improving growth prospects and enhancing public trust in government help balance the fiscal equation. Fiscal policy is structural policy. Deploying fiscal structural policy improves growth prospects and reinforces complementarities and synergies with the private sector.

The government can change the composition of public spending, while keeping overall envelope. For example, shifting the budget composition toward growth-friendly areas like education and infrastructure can increase the economy's productive capacity and improve growth prospects. Enhancing spending efficiency can also further amplify these benefits. Countries should also prioritize institutional reforms. Good governance, government effectiveness, transparency, and accountability provide foundations for citizens and investors trust helping finance and growth.

My colleagues and I are ready to answer your questions. Thank you for your attention and interest.