



# International Monetary Fund

April 2025



## Global Financial Stability Report

For SUERF

Jason Wu

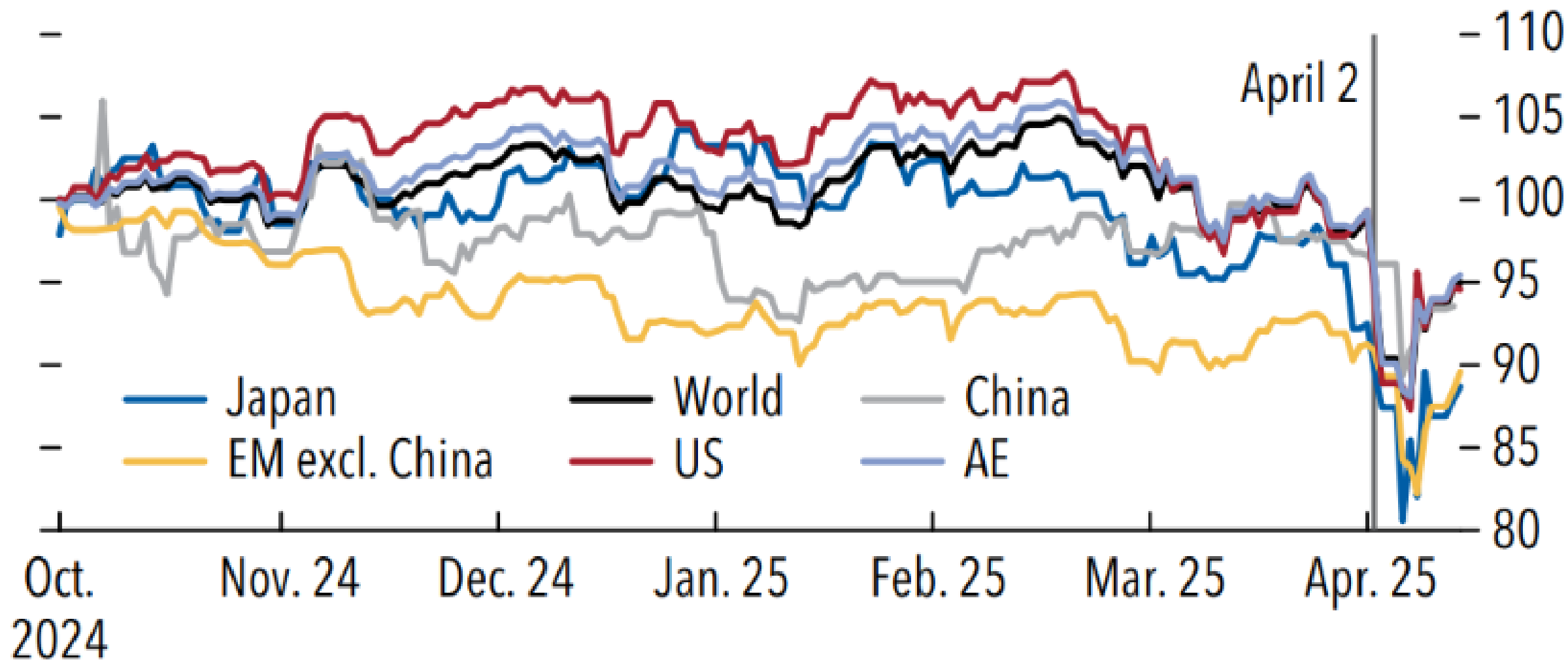
*Assistant Director*

*Monetary and Capital Markets Department*

## Markets reacted swiftly to tariffs

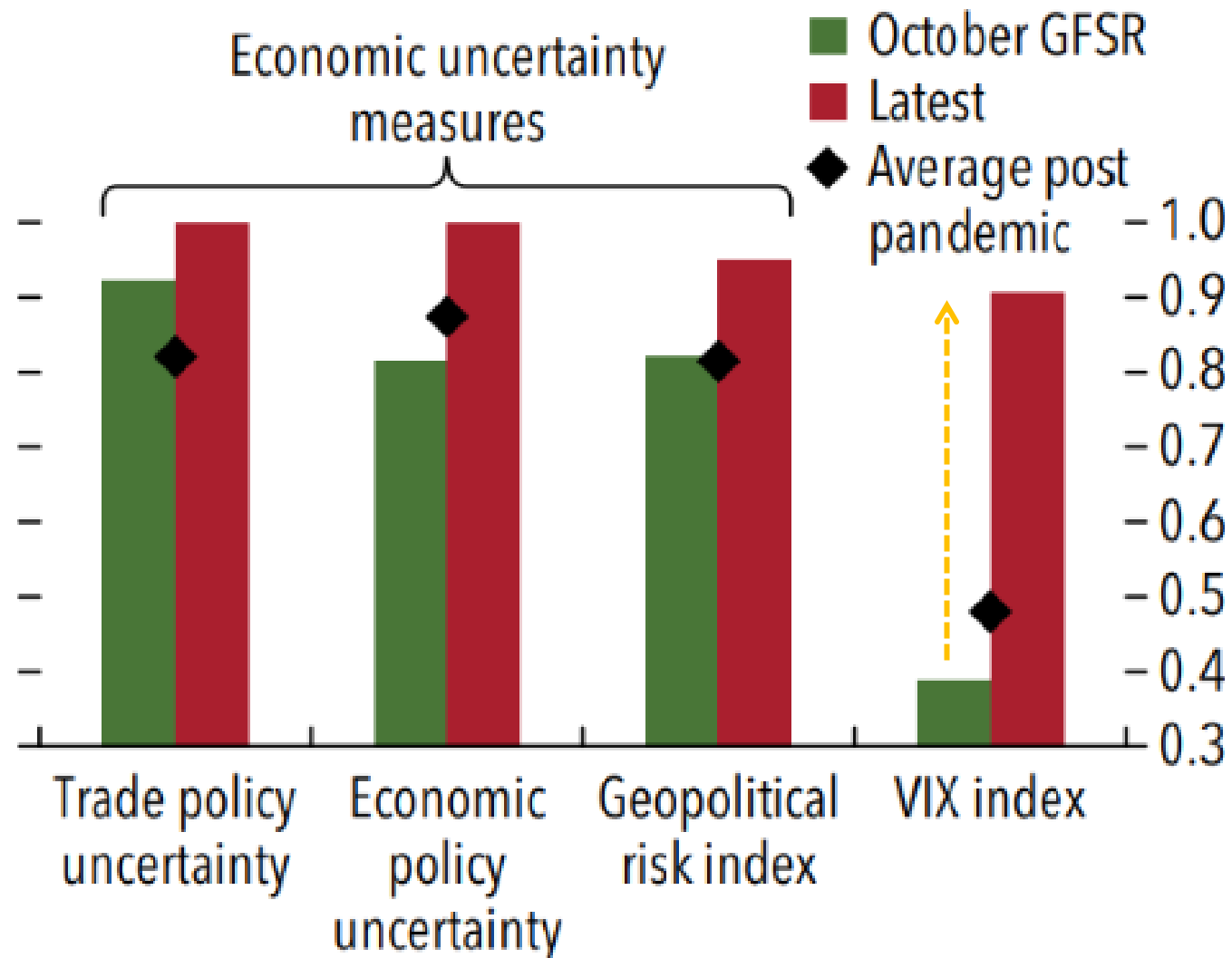
## Performance of stock prices

(Index; October 1, 2024 = 100)



# Volatility caught up to uncertainty

## Economic uncertainty and financial volatility (Percentile)



# Trade uncertainty has real consequences

	2024	Projections		Difference from January 2025 WEO Update <sup>1</sup>	
		2025	2026	2025	2026
<b>World Output</b>	<b>3.3</b>	<b>2.8</b>	<b>3.0</b>	<b>-0.5</b>	<b>-0.3</b>
<b>Advanced Economies</b>	<b>1.8</b>	<b>1.4</b>	<b>1.5</b>	<b>-0.5</b>	<b>-0.3</b>
United States	2.8	1.8	1.7	-0.9	-0.4
Euro Area	0.9	0.8	1.2	-0.2	-0.2
Germany	-0.2	0.0	0.9	-0.3	-0.2
France	1.1	0.6	1.0	-0.2	-0.1
Italy	0.7	0.4	0.8	-0.3	-0.1
Spain	3.2	2.5	1.8	0.2	0.0
Japan	0.1	0.6	0.6	-0.5	-0.2
United Kingdom	1.1	1.1	1.4	-0.5	-0.1
Canada	1.5	1.4	1.6	-0.6	-0.4
Other Advanced Economies <sup>2</sup>	2.2	1.8	2.0	-0.3	-0.3
<b>Emerging Market and Developing Economies</b>	<b>4.3</b>	<b>3.7</b>	<b>3.9</b>	<b>-0.5</b>	<b>-0.4</b>
Emerging and Developing Asia	5.3	4.5	4.6	-0.6	-0.5
China	5.0	4.0	4.0	-0.6	-0.5
India <sup>3</sup>	6.5	6.2	6.3	-0.3	-0.2
Emerging and Developing Europe	3.4	2.1	2.1	-0.1	-0.3
Russia	4.1	1.5	0.9	0.1	-0.3
Latin America and the Caribbean	2.4	2.0	2.4	-0.5	-0.3
Brazil	3.4	2.0	2.0	-0.2	-0.2
Mexico	1.5	-0.3	1.4	-1.7	-0.6
Middle East and Central Asia	2.4	3.0	3.5	-0.6	-0.4
Saudi Arabia	1.3	3.0	3.7	-0.3	-0.4
Sub-Saharan Africa	4.0	3.8	4.2	-0.4	0.0
Nigeria	3.4	3.0	2.7	-0.2	-0.3
South Africa	0.6	1.0	1.3	-0.5	-0.3
<i>Memorandum</i>					
World Growth Based on Market Exchange Rates	2.8	2.3	2.4	-0.6	-0.4
European Union	1.1	1.2	1.5	-0.2	-0.2
ASEAN-5 <sup>4</sup>	4.6	4.0	3.9	-0.6	-0.6
Middle East and North Africa	1.8	2.6	3.4	-0.9	-0.5
Emerging Market and Middle-Income Economies	4.3	3.7	3.8	-0.5	-0.4
Low-Income Developing Countries	4.0	4.2	5.2	-0.4	-0.2
<b>World Trade Volume (goods and services)</b>	<b>3.8</b>	<b>1.7</b>	<b>2.5</b>	<b>-1.5</b>	<b>-0.8</b>

# Trade uncertainty has real consequences

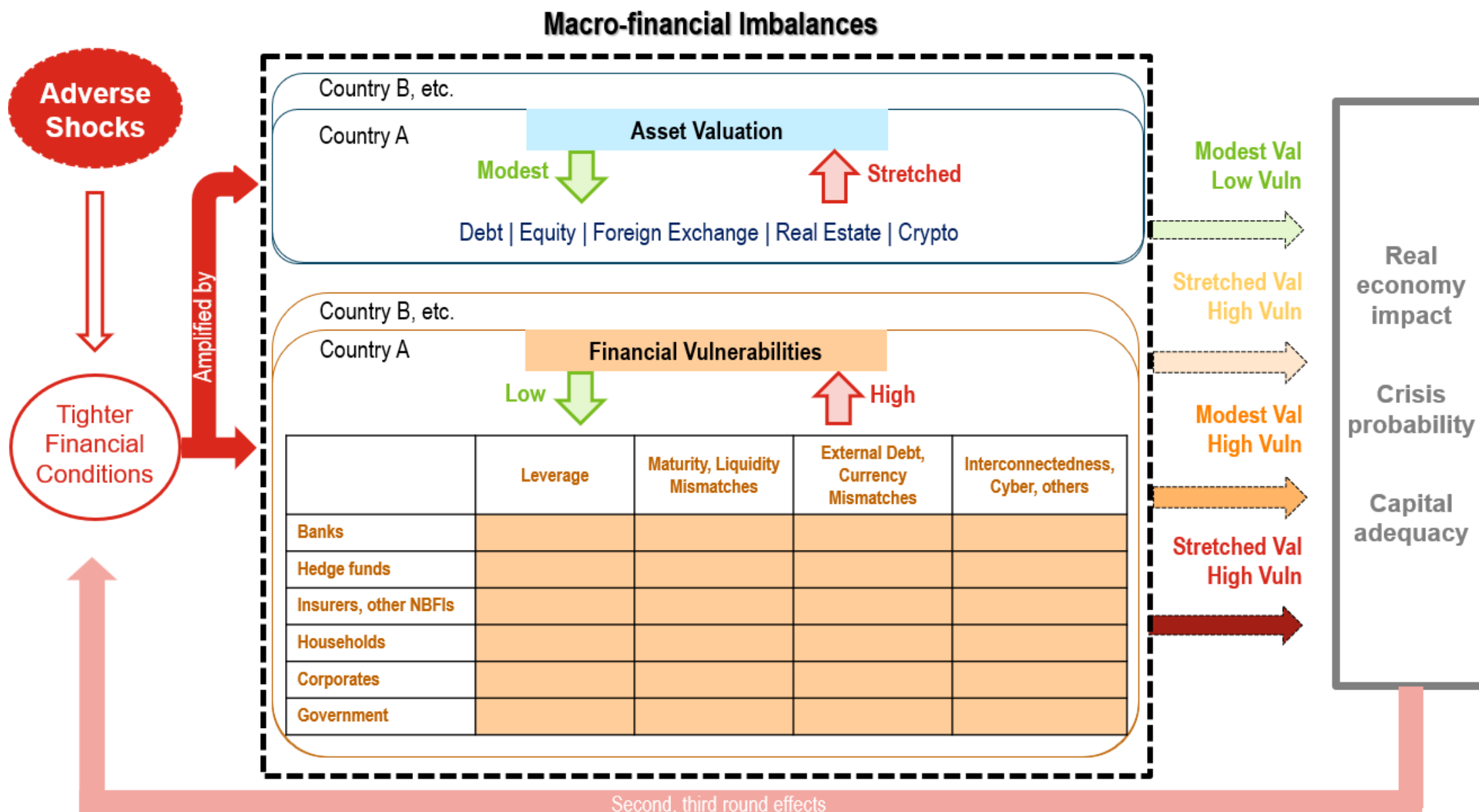
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## **Detour: Financial stability framework**



# Financial stability monitoring framework



# Banking sector solvency stress tests or scenario analysis

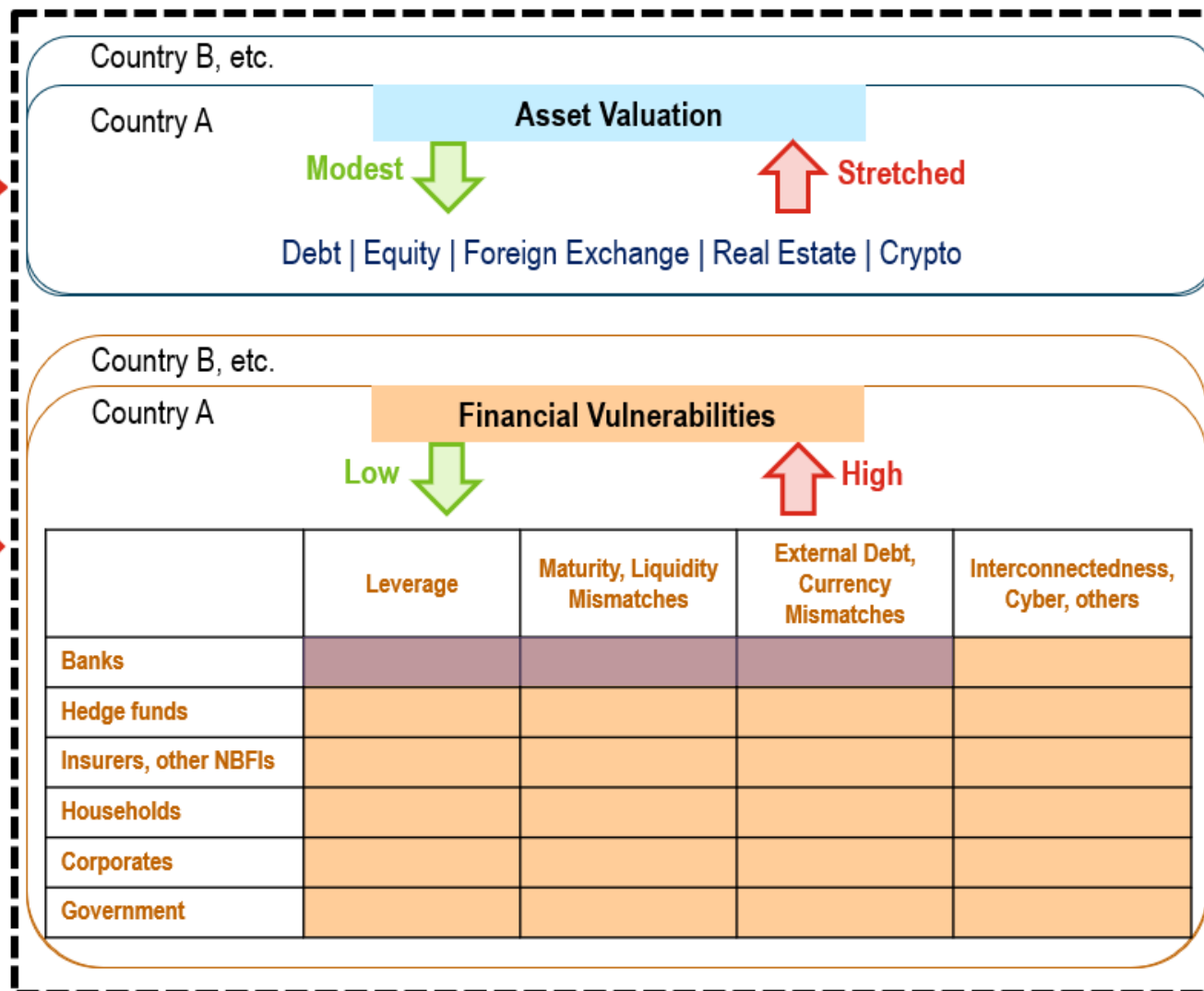
Specific shock or scenario



Tighter Financial Conditions

Amplified by

## Macro-financial Imbalances



Modest Val  
Low Vuln

Stretched Val  
High Vuln

Modest Val  
High Vuln

Stretched Val  
High Vuln

Real economy impact

Crisis probability

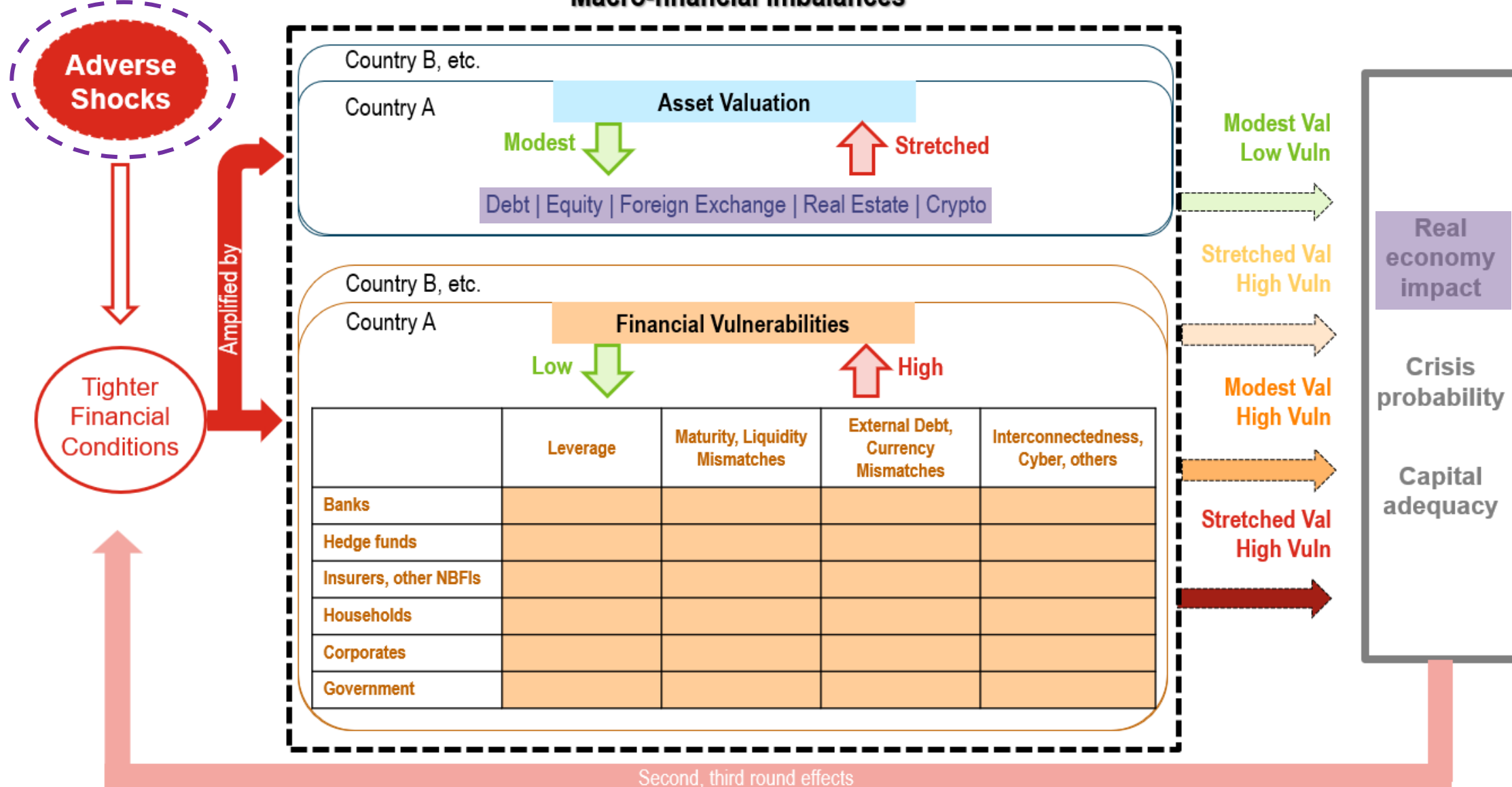
Capital adequacy

Second, third round effects

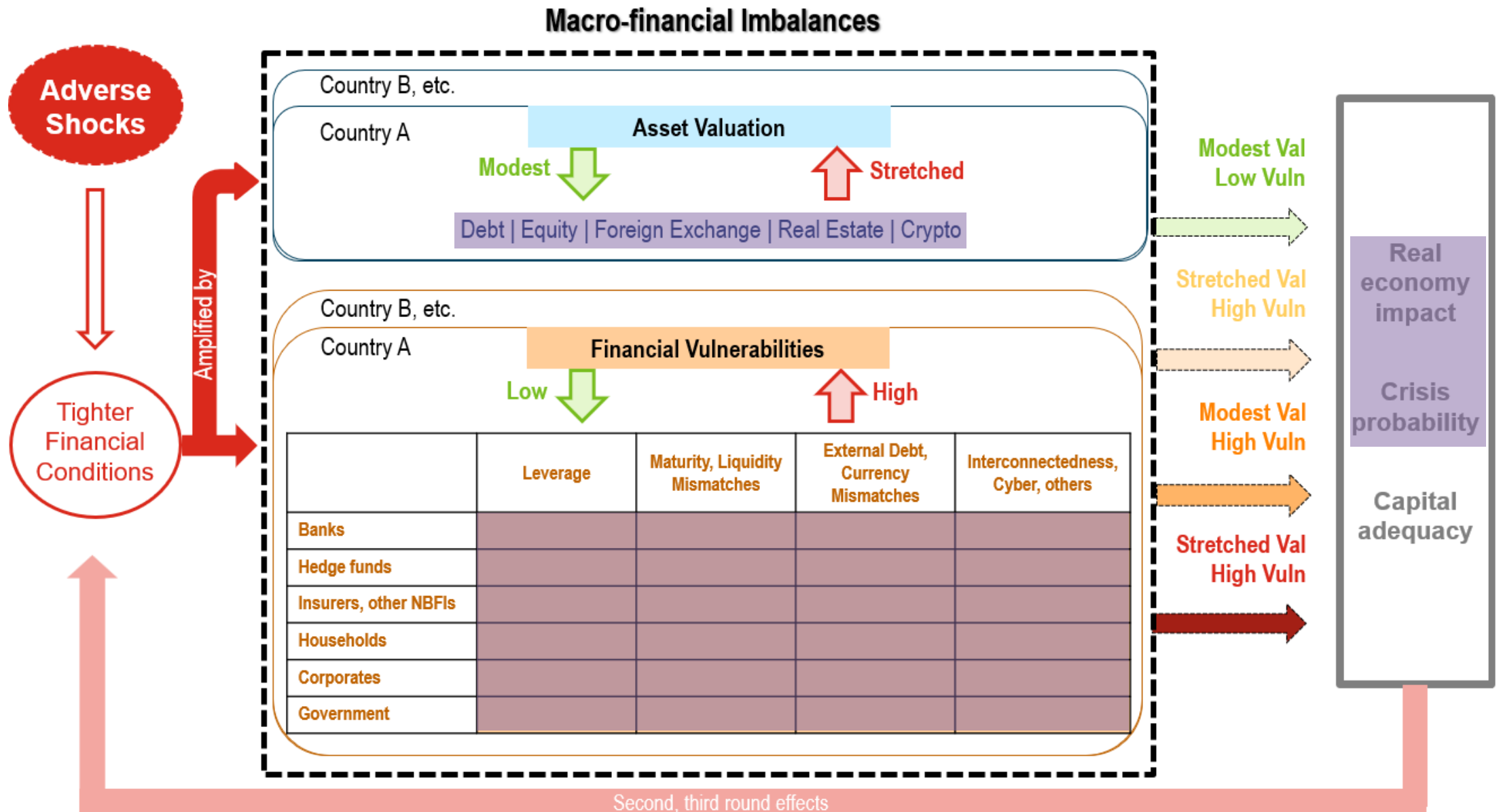


# Investor risk surveys (e.g., Bank of America)

Many types of shocks



# The GFSR, many central bank FSRs



# Growth-at-Risk\*

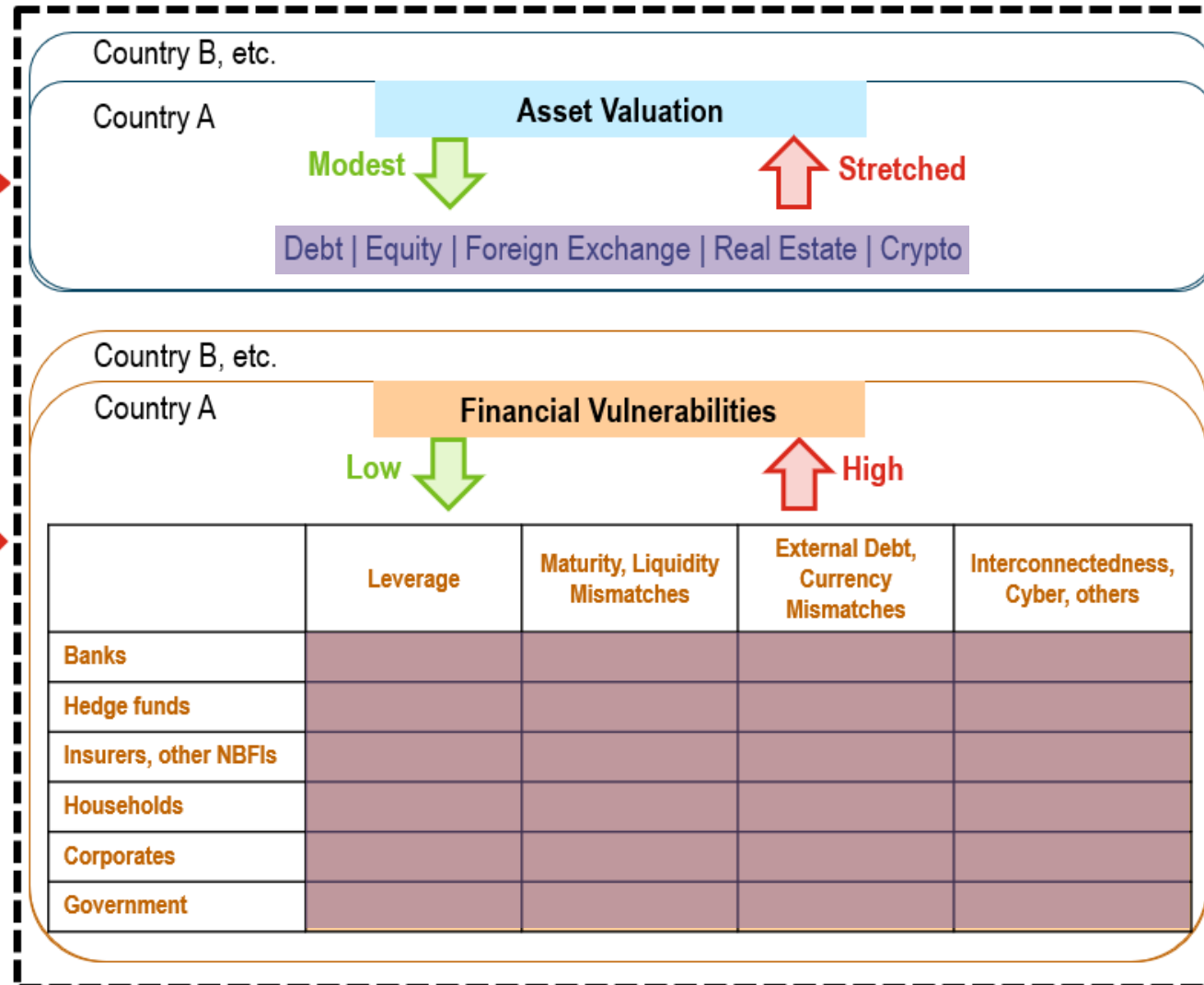
Looking across past shocks



Tighter Financial Conditions

Amplified by

## Macro-financial Imbalances



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Low Vuln

Stretched Val  
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Real economy impact

Crisis probability

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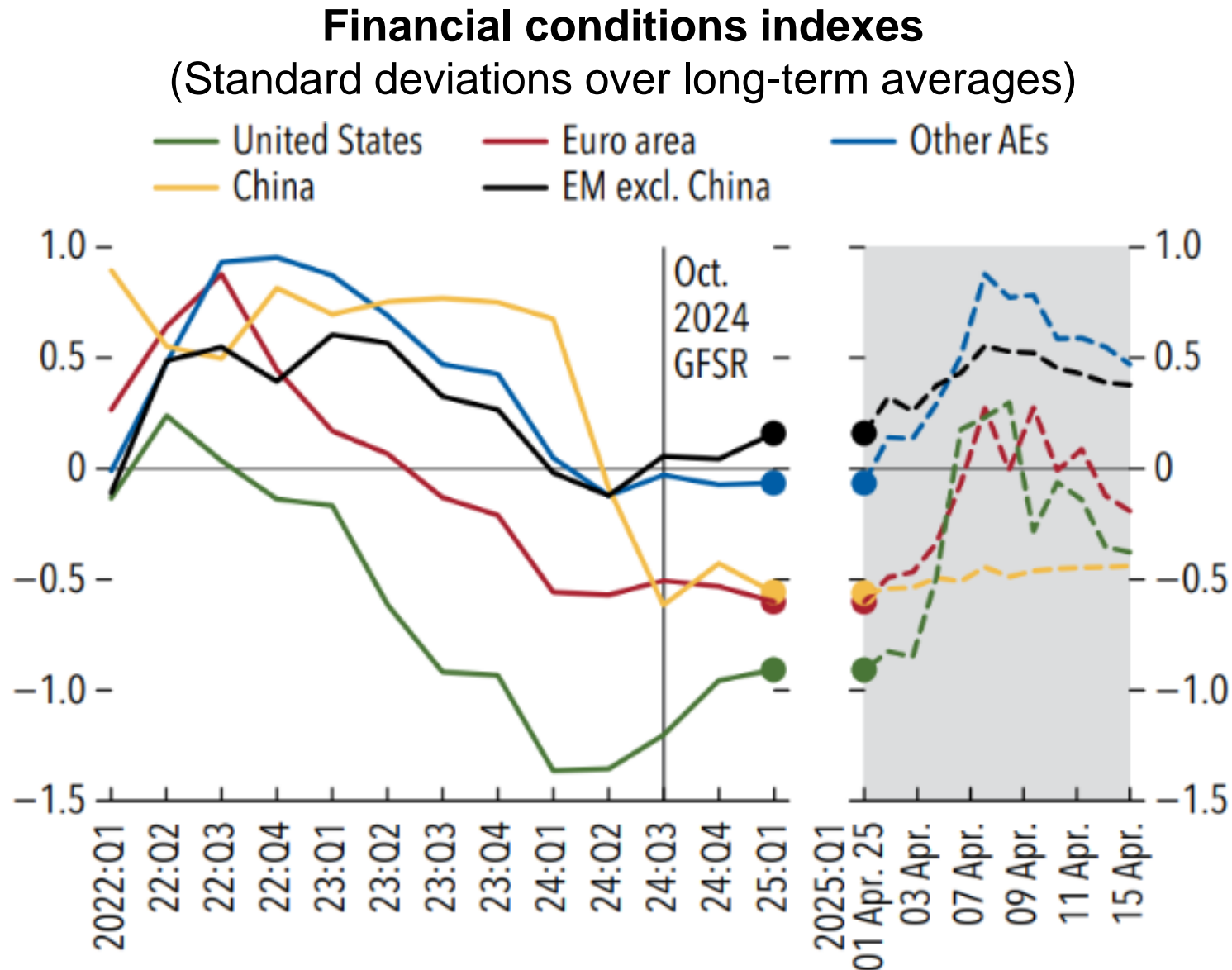
Second, third round effects

\*Incorporates asset valuations and vulnerabilities at a non-granular, high level



## **Financial stability assessment**

# Global financial conditions have tightened



# Financial stability risk has increased significantly

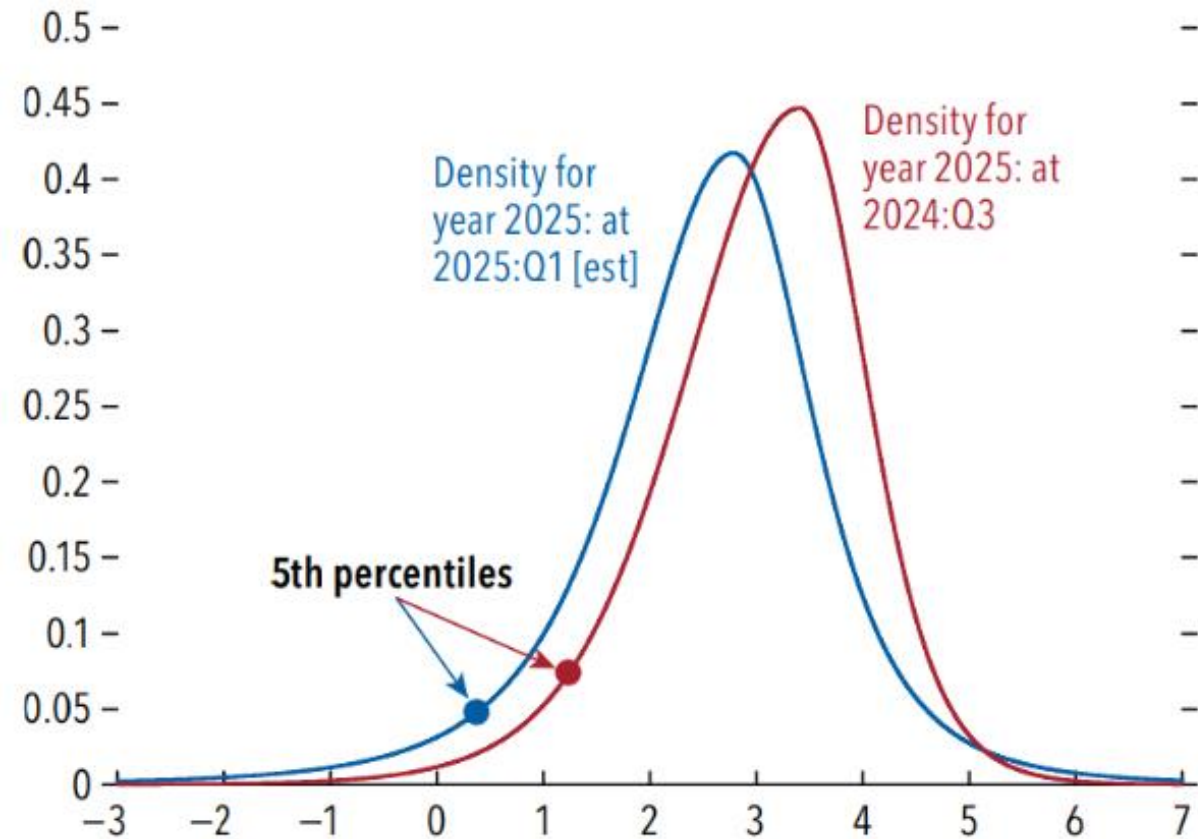
## Growth-at-Risk:

*Global real GDP growth<sub>t+1</sub>, with 5% probability*  
 $= f(\text{financial conditions}_t, \text{credit growth}_t)$

## Corroborated by three forward-looking vulnerabilities:

- 1) Further asset price corrections—valuations are still high,
- 2) Financial institutions could come under strains—especially highly leveraged ones,
- 3) Further turbulence in sovereign bond markets—high debt levels, market functioning issues.

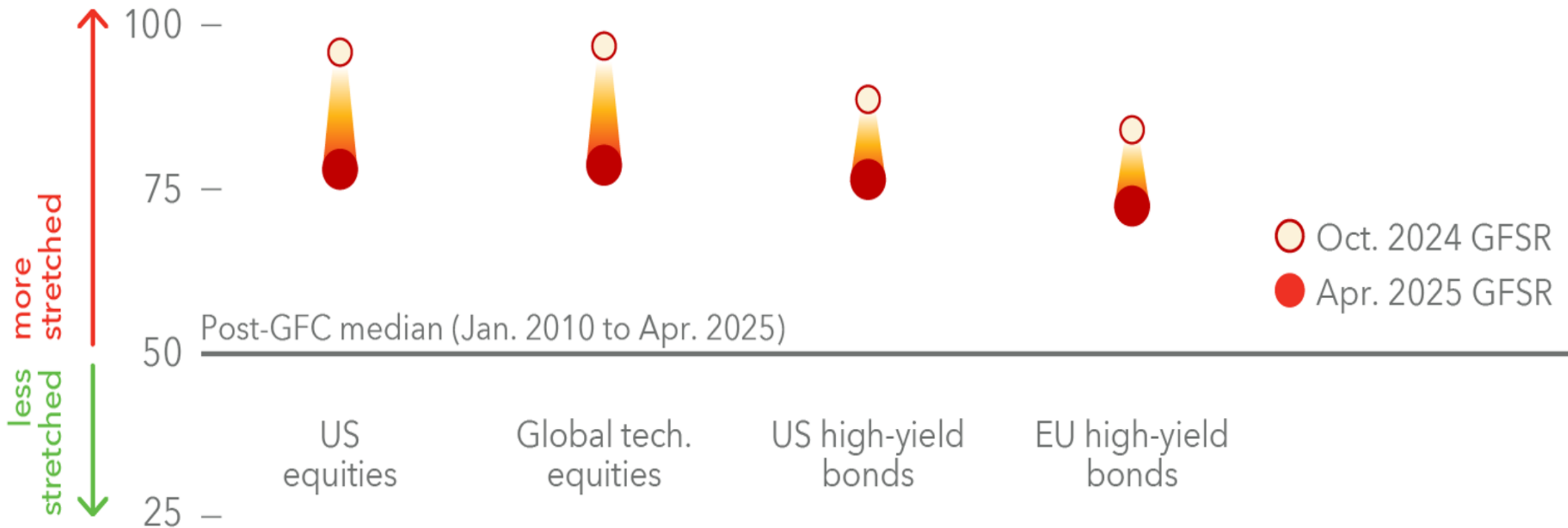
One year-ahead global growth densities  
(Probability density)





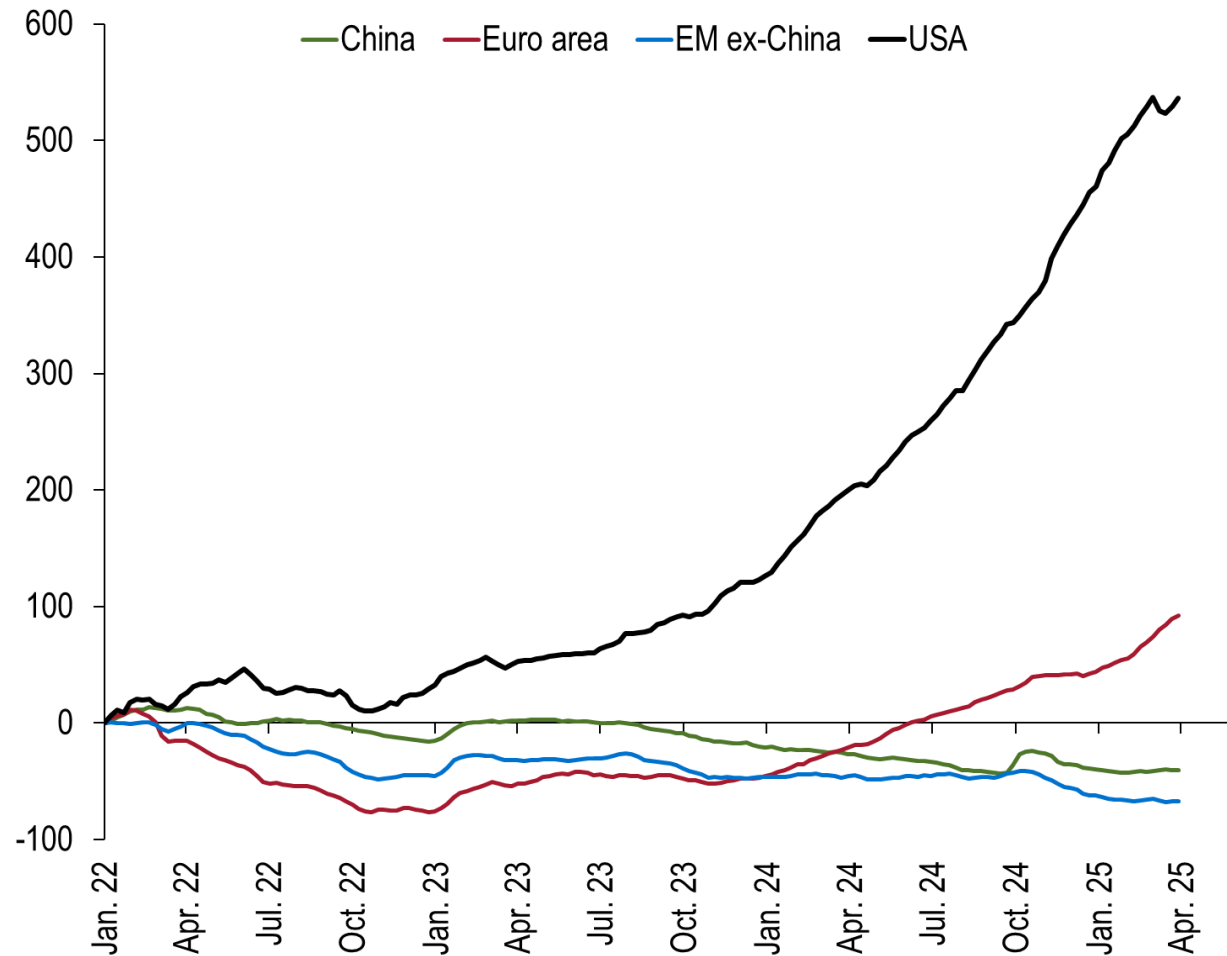
# Further asset price corrections could be ahead...

## Equities and corporate bond valuations (Historical percentiles)

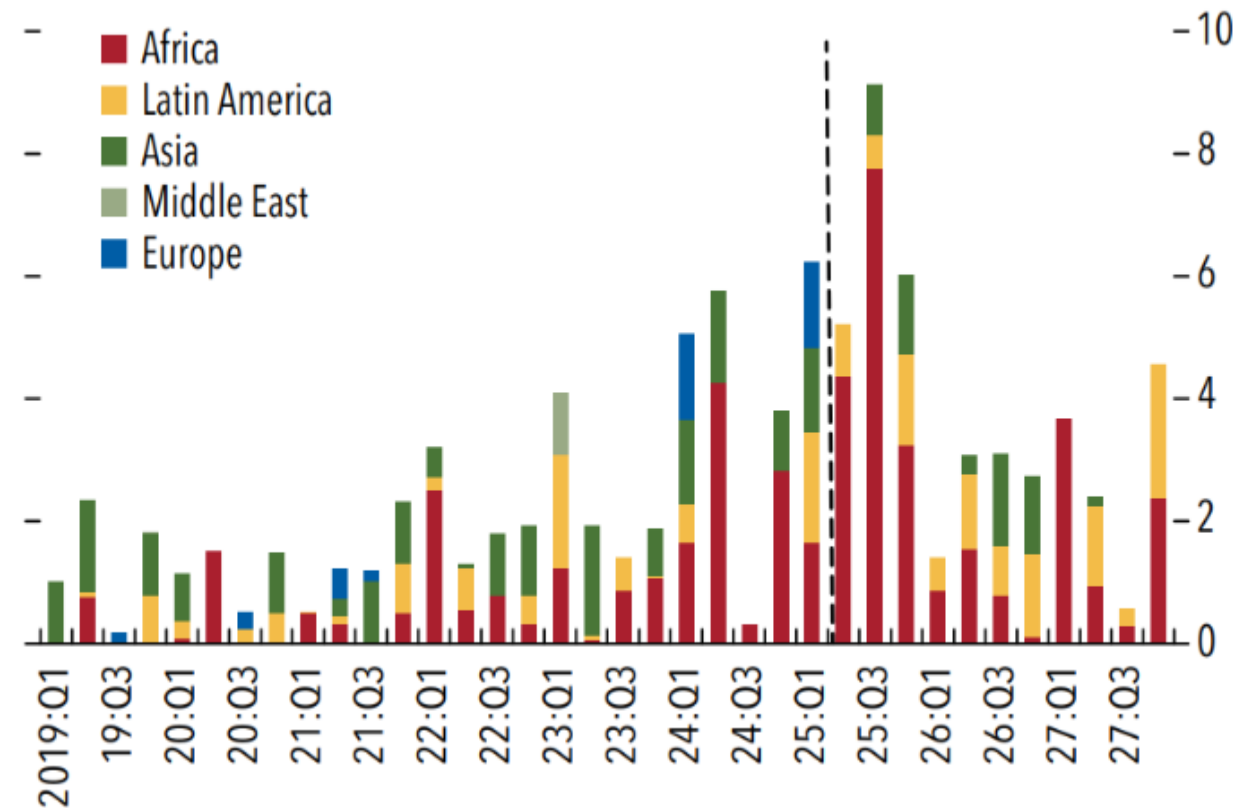


# ...challenging Emerging Market financial markets

**Cross-border fund flows**  
(Billions of dollar; cumulative)

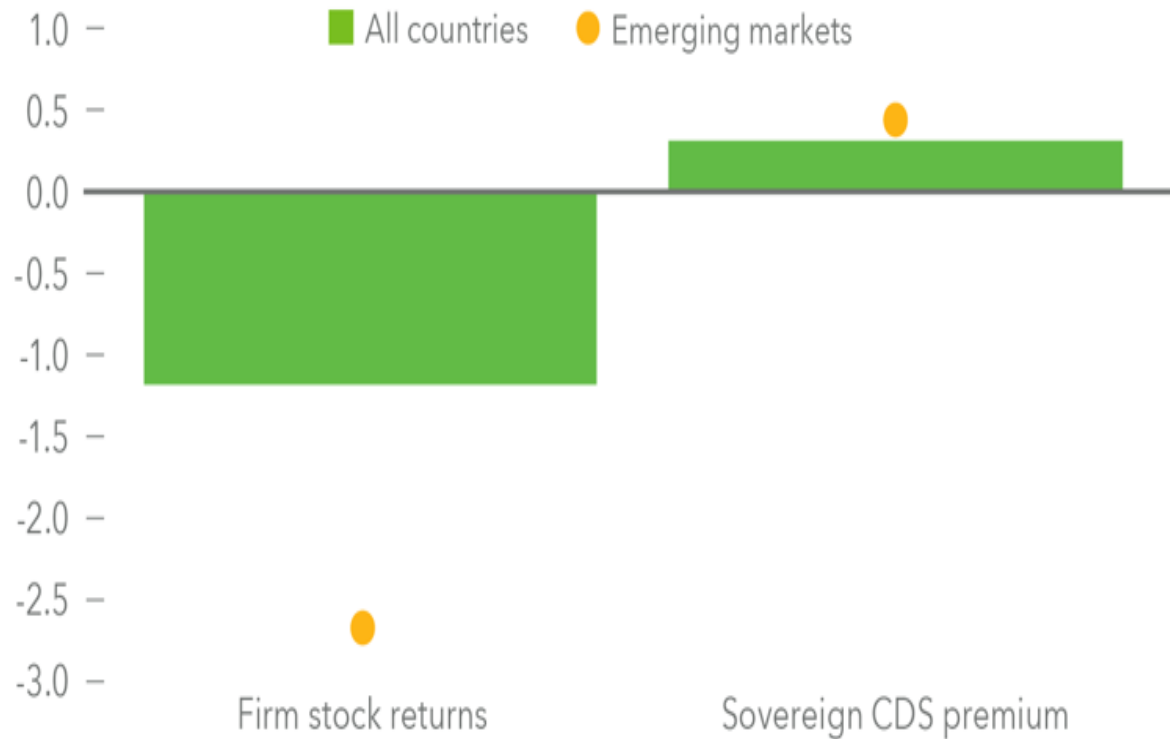


**Maturing debt of Frontier economies**  
(Billions of dollars)

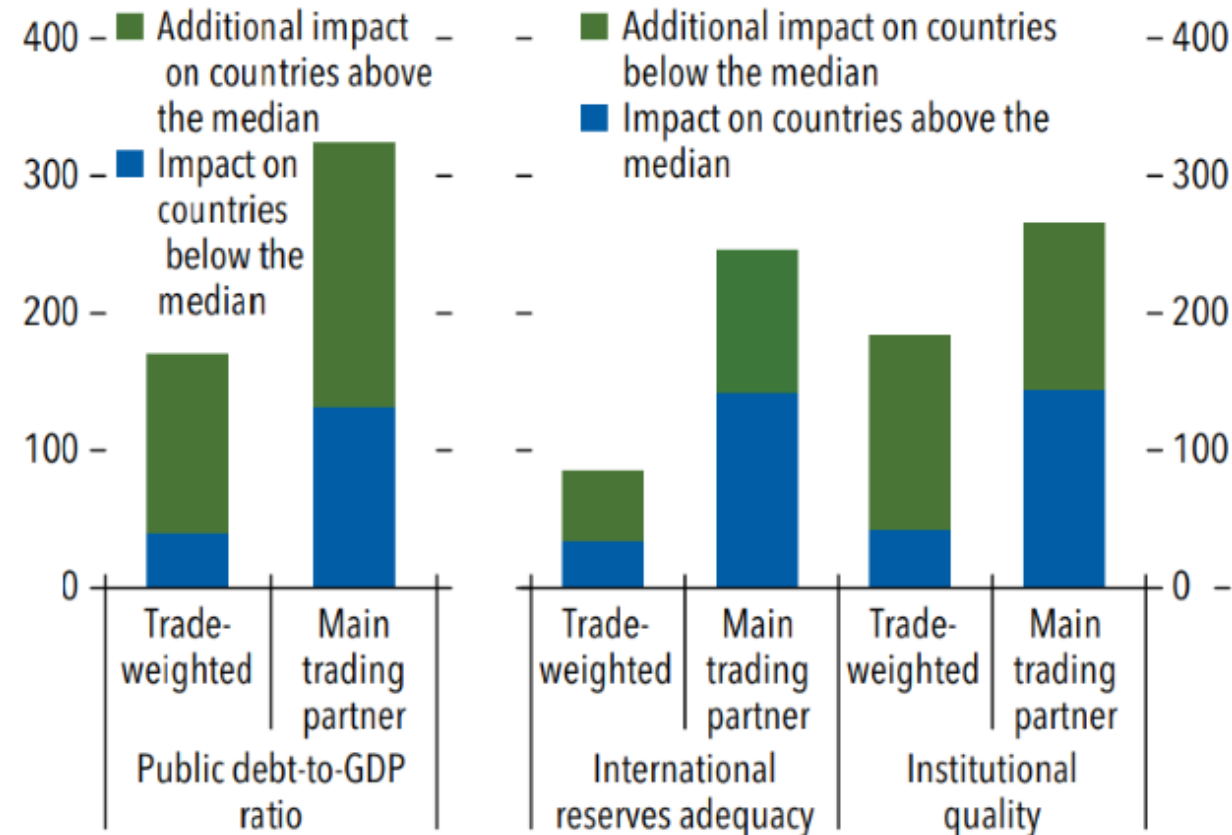


# Repricing large during geopolitical events, especially for EMs

**Average response of stocks and CDS spreads to domestic geopolitical events**  
(Percentage points)

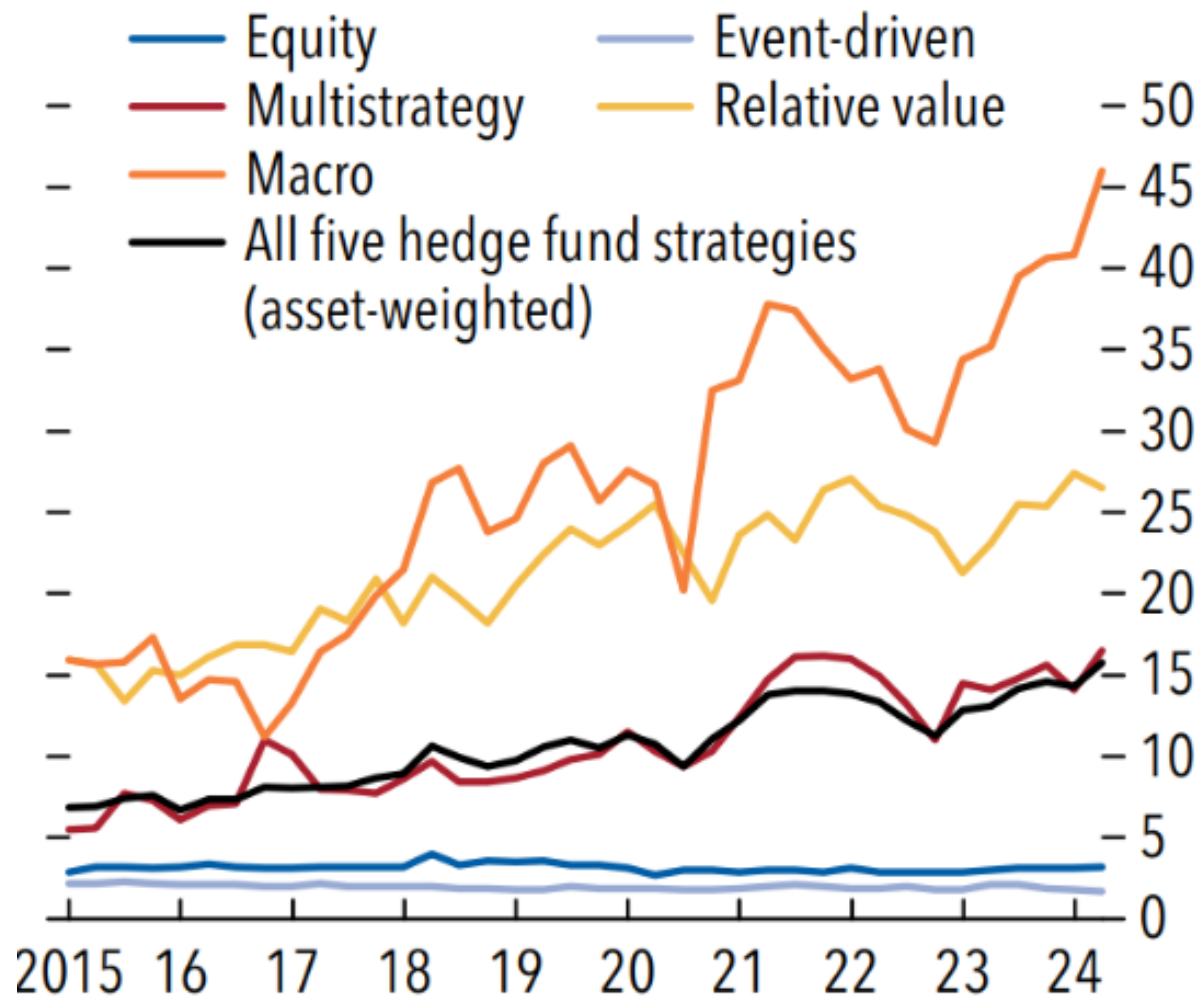


**Response of EM CDS spreads to trading partners' involvement in international military conflicts**  
(Basis points)

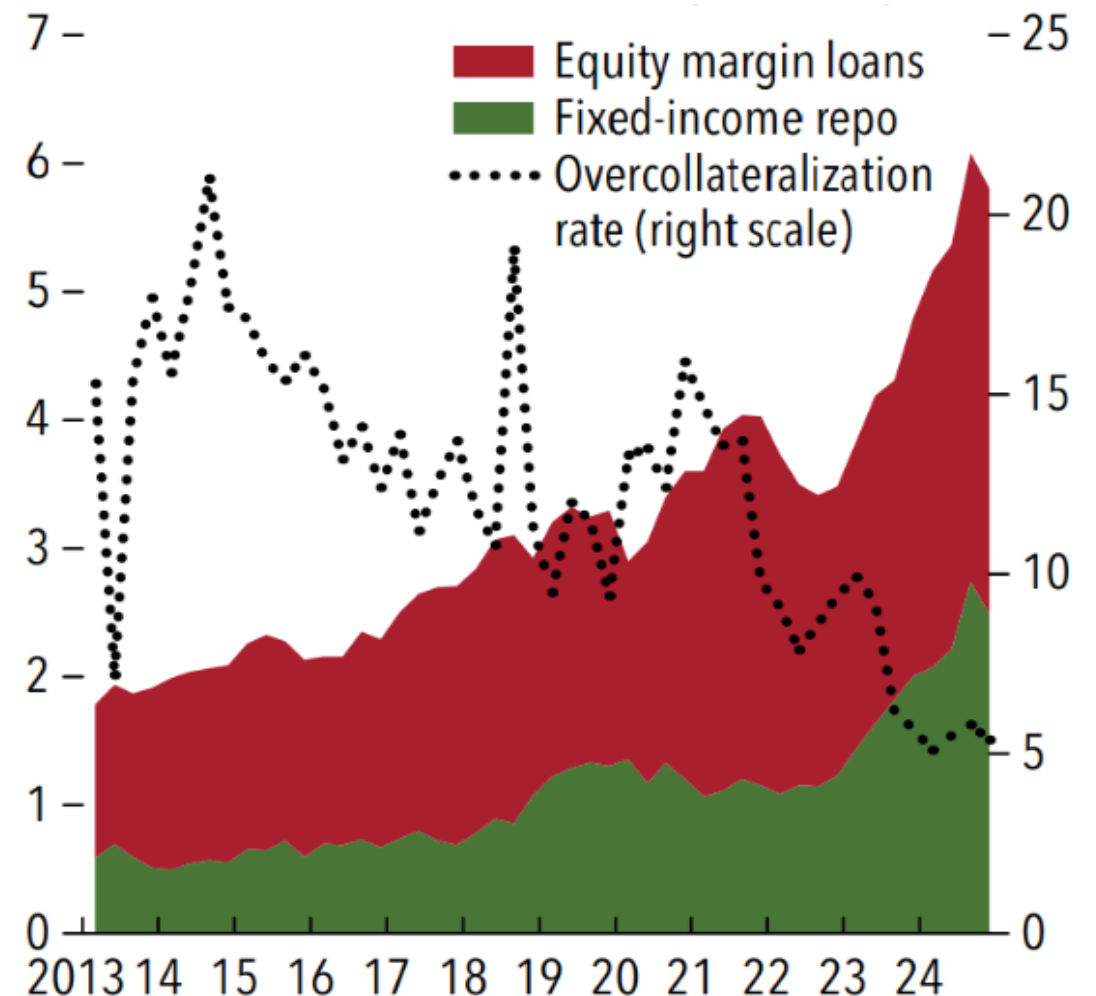


# Some financial institutions may come under strains—nonbanks?

Hedge fund gross notional exposure to net asset value (ratio)

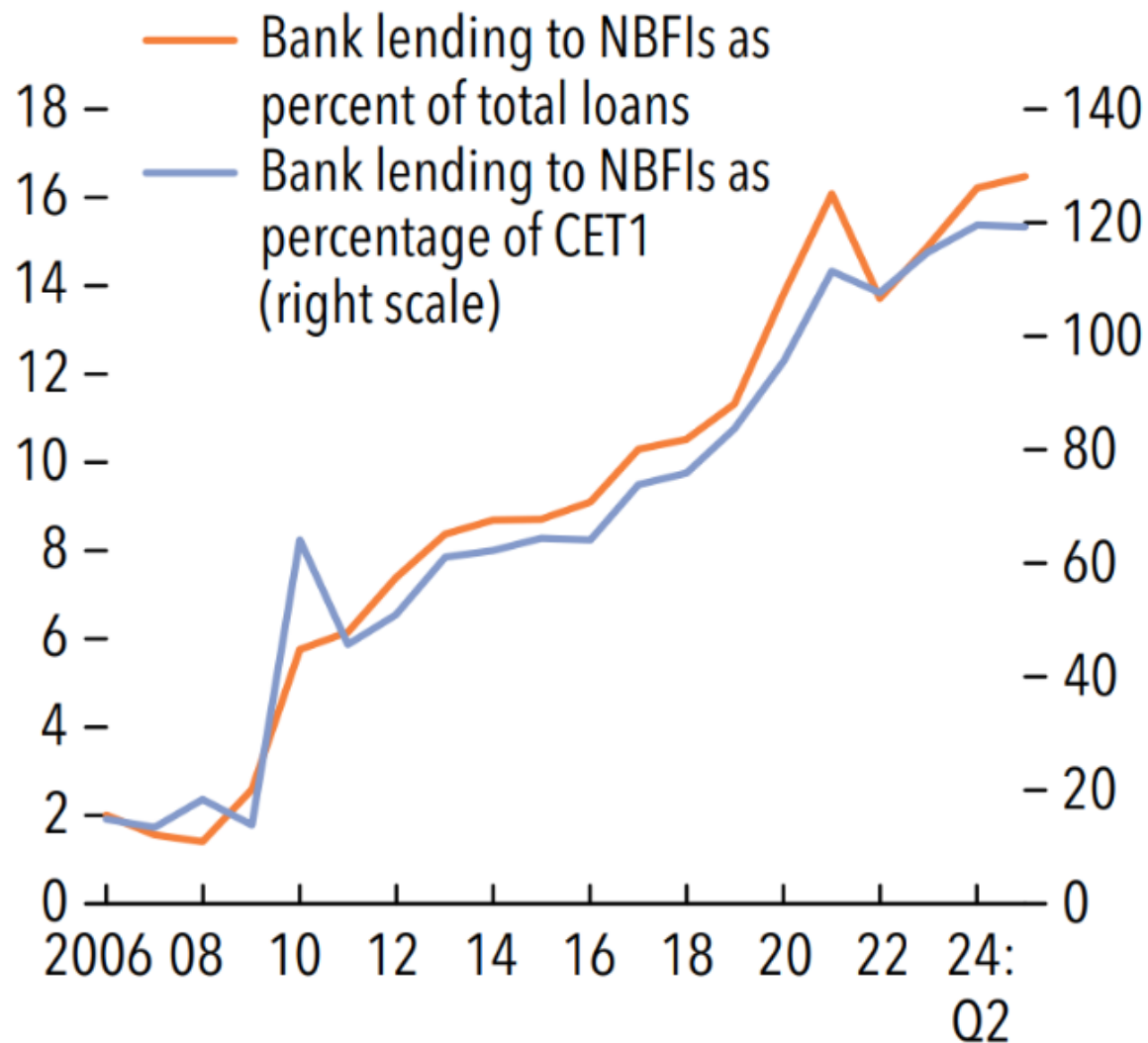


Hedge fund borrowing from dealers by type  
(Trillions of dollars; percent)

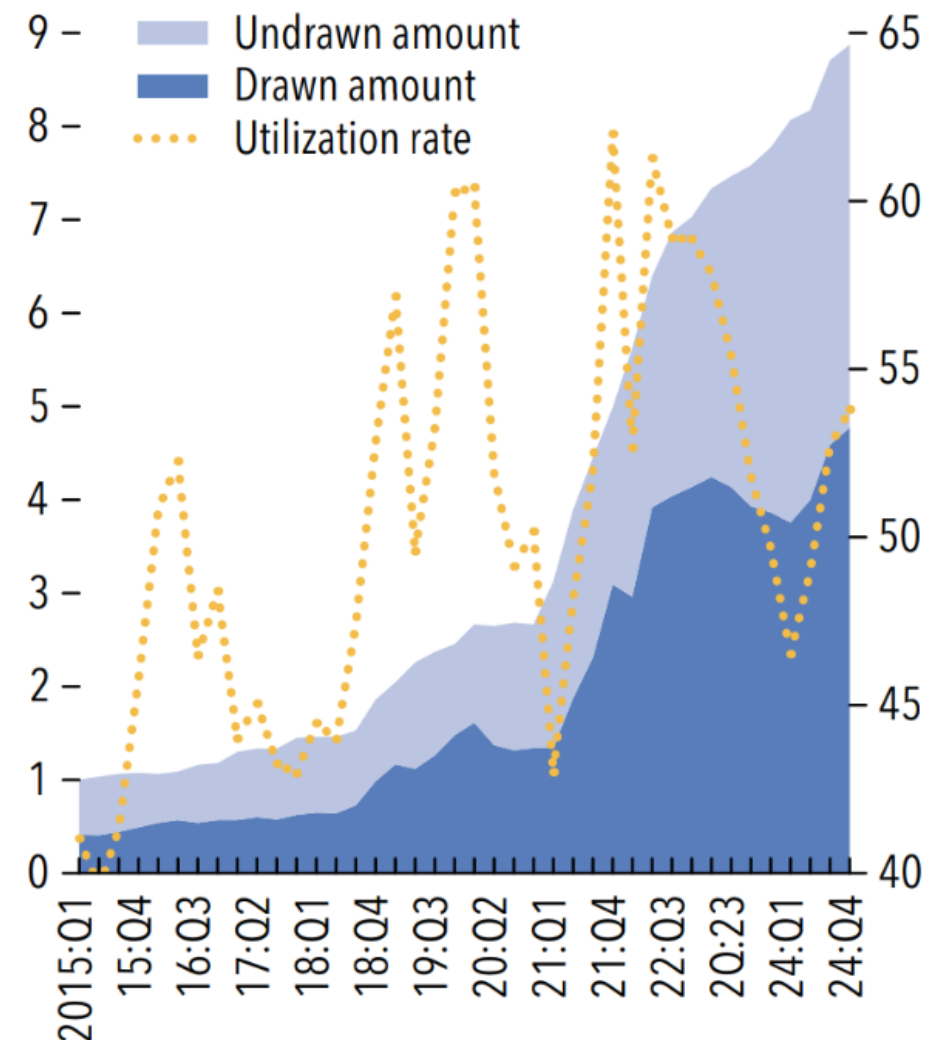


# Which could spillover to the banking sector

**US banks' credits to nonbanks**  
(Percent)



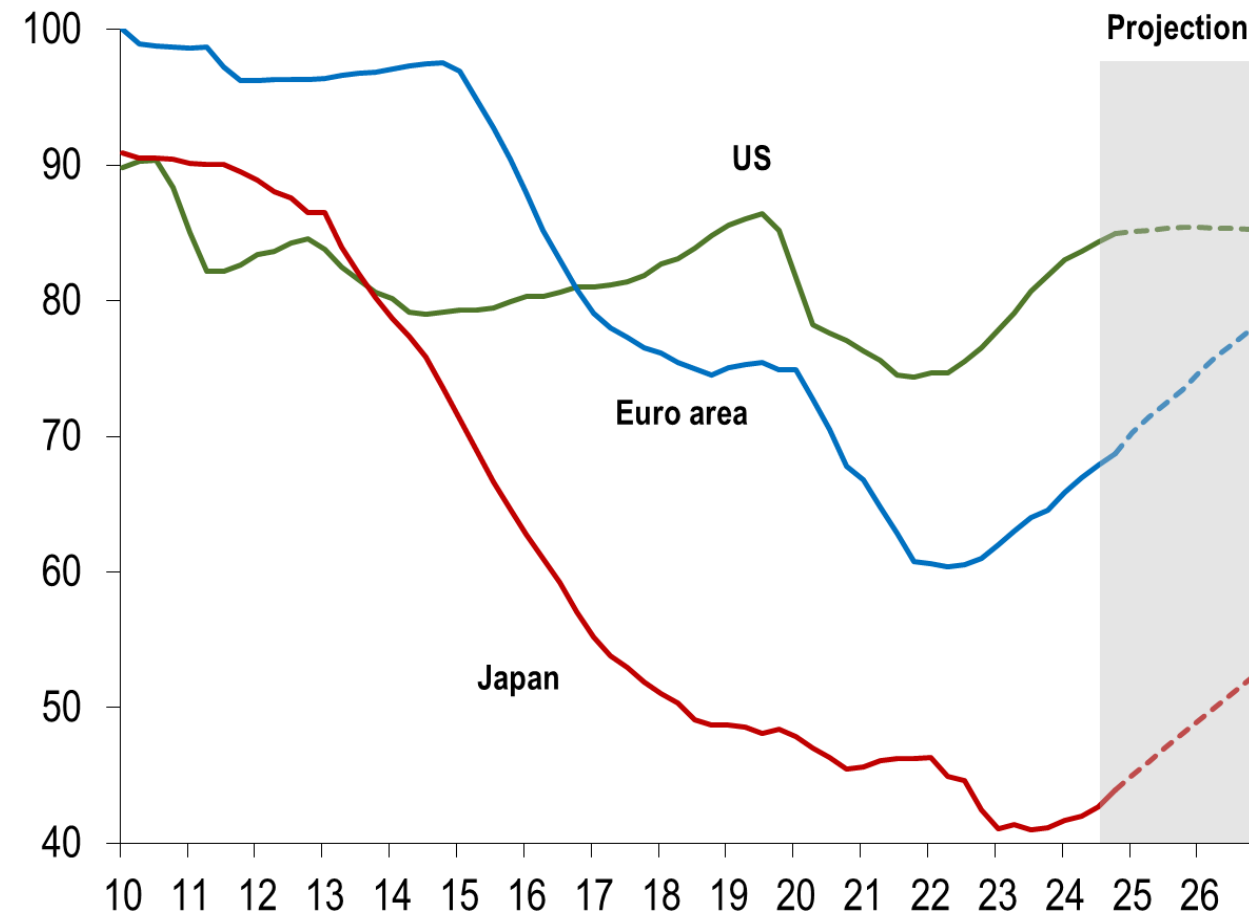
**Bank borrowings of private credit (BDCs)**  
(2015:Q1=1; percent)



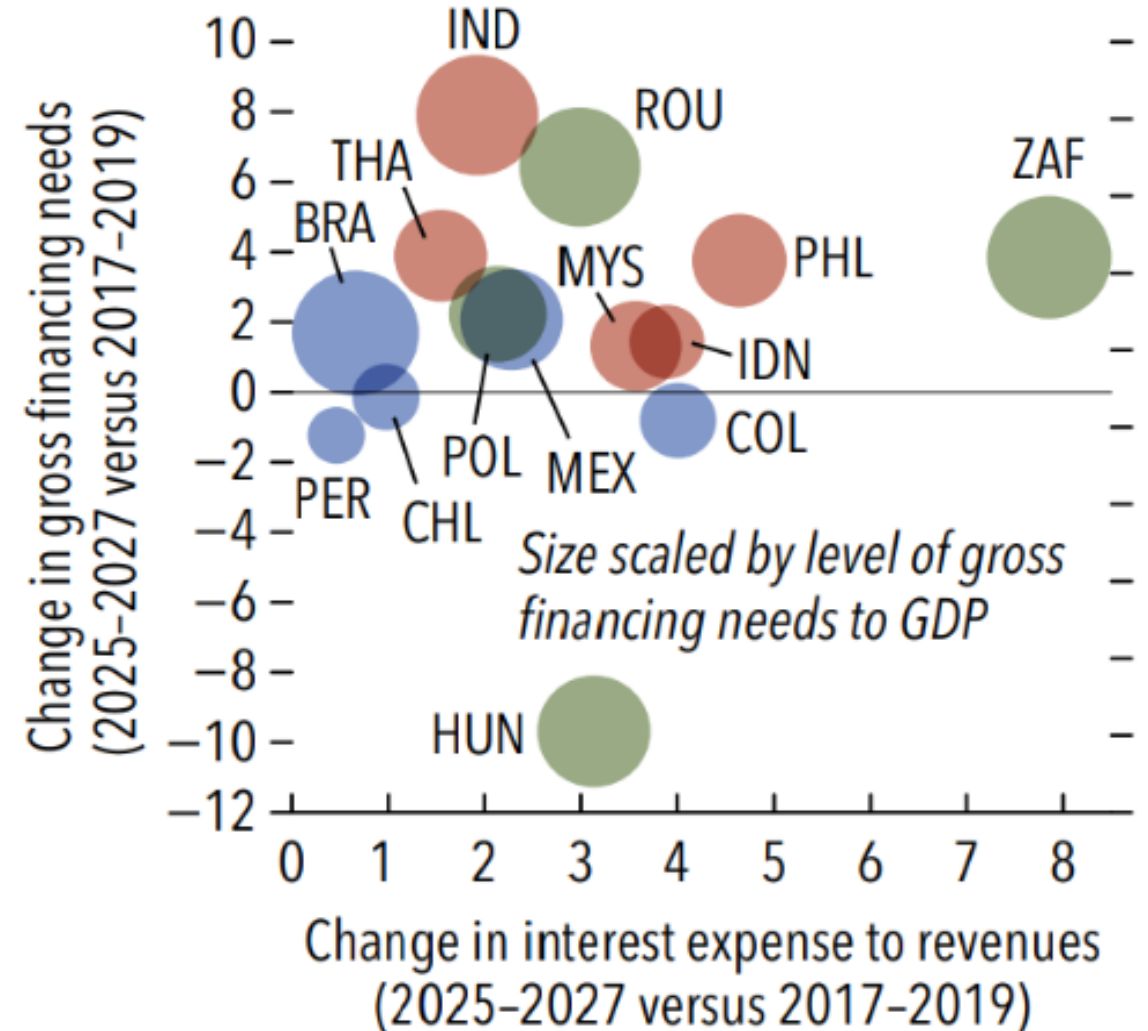


# High sovereign debt levels and costs

**Share of G3 government bonds held by private investors (Percent)**



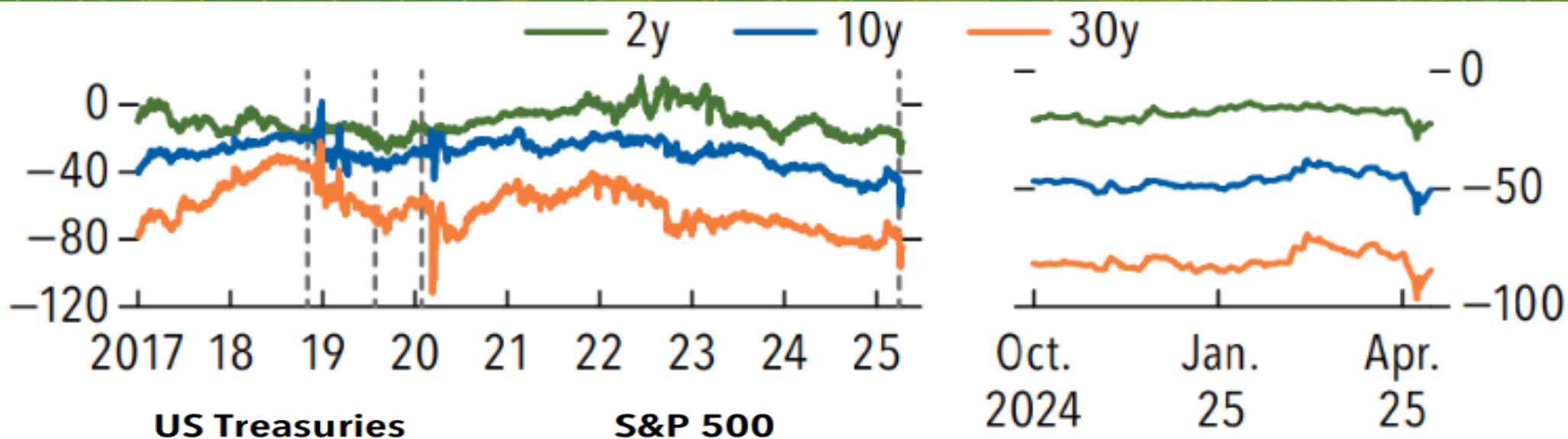
**Change in gross financing needs and interest expenses (Percent of GDP)**



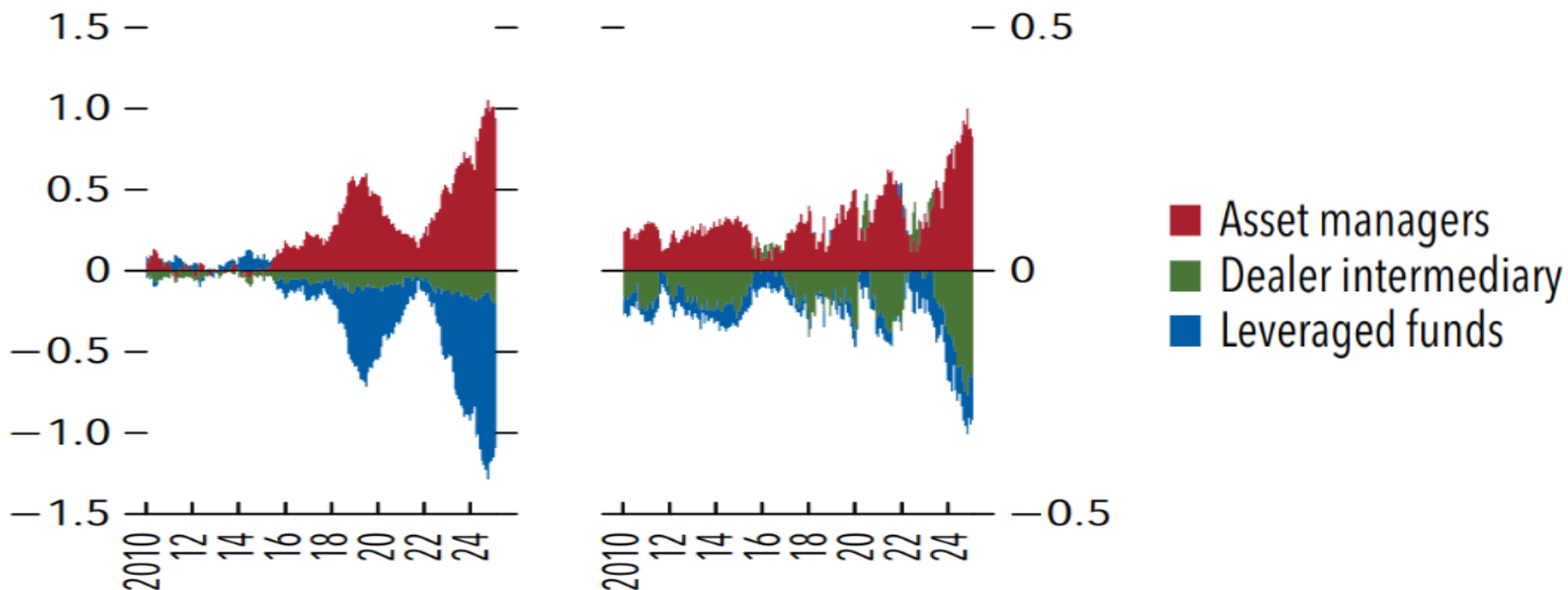


# Odds of market functioning issues in core bond markets rising

**Treasury swap spreads**  
(Basis points)



**Speculative futures positioning**  
(Trillions of dollars)



## Other vulnerabilities documented in the report

- 1) Corporate credit quality still solid, although trade policy uncertainty is challenging firms, especially in Emerging Markets,
- 2) Private credit borrowers under more pressure,
- 3) Household vulnerabilities increasing due to their elevated holdings of equities,
- 4) Sentiment in Commercial Real Estate has stabilized, but headwinds remain.

# Policies to enhance resilience amid uncertainty



Prepare to manage and mitigate risks from severe market turmoil



Identify, quantify, and manage geopolitical risks while holding adequate capital and liquidity buffers



Implement international prudential standards including Basel III and measures aimed at mitigating risks of nonbank leverage



Develop and deepen financial markets in developing economies to help investors manage geopolitical risks



Enhance multilateral surveillance and global financial safety net



Rebuild fiscal buffers credibly



INTERNATIONAL MONETARY FUND

## GLOBAL FINANCIAL STABILITY REPORT

Enhancing Resilience  
amid Uncertainty

2025  
APR

