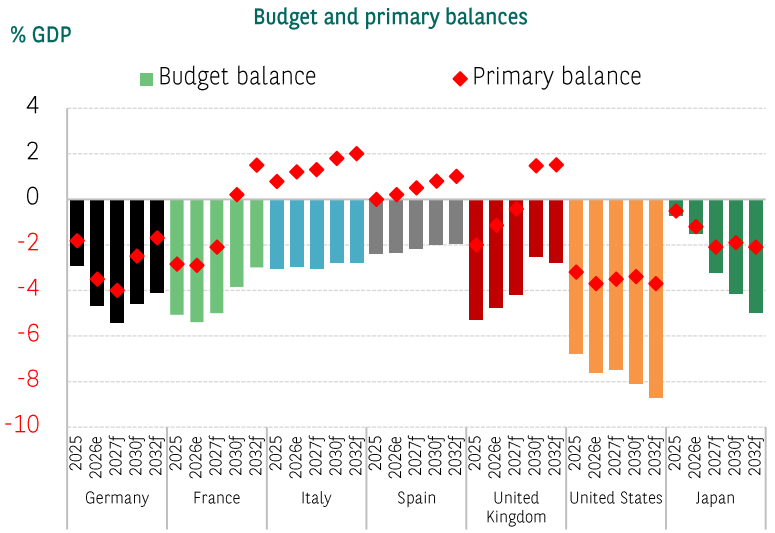
Summary: Rising interest rate pressure does not prevent several countries from reducing their debt

Consolidation in Europe but not in Japan or the United States

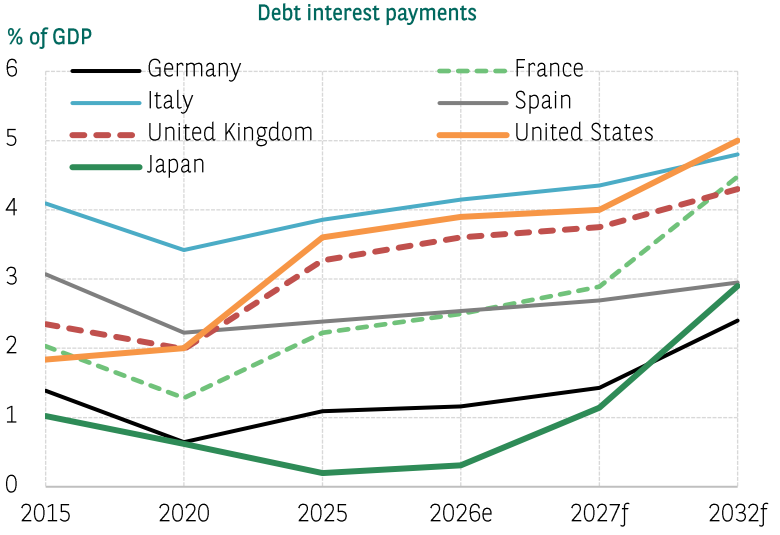


Source: IMF, BNP Paribas

Fiscal policies are heading in opposite directions. In the United States, the public deficit is set to continue widening, reaching nearly 9% of GDP by 2032 (including a federal deficit of 7.2%), due to a lack of effort to improve the primary balance.

The public deficit is also set to rise in Germany (investment plans) and Japan (pro-growth policies). Conversely, the United Kingdom and France (with a greater risk of deviation from the central scenario in France) are expected to continue their fiscal consolidation and return to a primary surplus before 2030. The budget deficit in Italy and Spain is expected to remain below 3% of GDP. In Italy, the primary surplus is expected to be largely absorbed by interest payments.

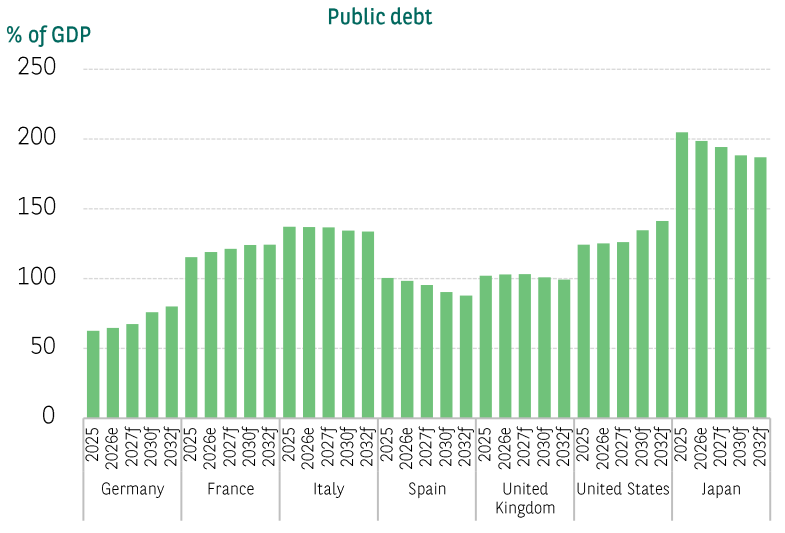
A generalised rise in interest payments by 2032



Source: IMF, BNP Paribas

Interest payments are set to rise in all countries, as debt issued at low rates gradually matures and must be refinanced on current terms. France would experience the sharpest rise: its interest payments would double by 2032 and approach the Italian level. Germany and Japan would also see their interest payments more than double from low levels. The United States would reach the highest level in the sample (5% of GDP). Signalling a shift in the economic regime, the gap between the apparent interest rate and nominal growth would become unfavourable in most European countries. As growth alone cannot, under these conditions, guarantee a reduction in debt ratios, primary surpluses will be necessary.

Rising debt ratios in the United States, Germany and France, but a decline elsewhere

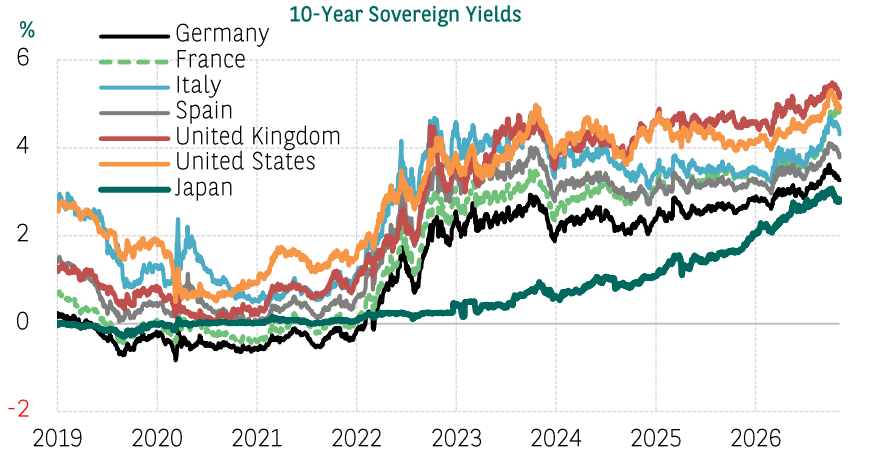


Source: IMF, BNP Paribas

By 2032, debt trends will remain mixed. Debt is set to rise sharply in Germany and the United States, where it would exceed Italy's level as early as 2030. In France, it is expected to rise further before stabilising in 2032 at around 124.5% of GDP. Conversely, Spain and Japan are projected to reduce their debt levels significantly, thanks to sustained nominal growth and a more moderate rise in their interest burden. Italy and the United Kingdom would see a slight decline in their debt levels. Risks remain skewed to the upside: a combined shock to interest rates and growth would weigh heavily, particularly on countries with the highest financing needs, starting with the United States and Japan.

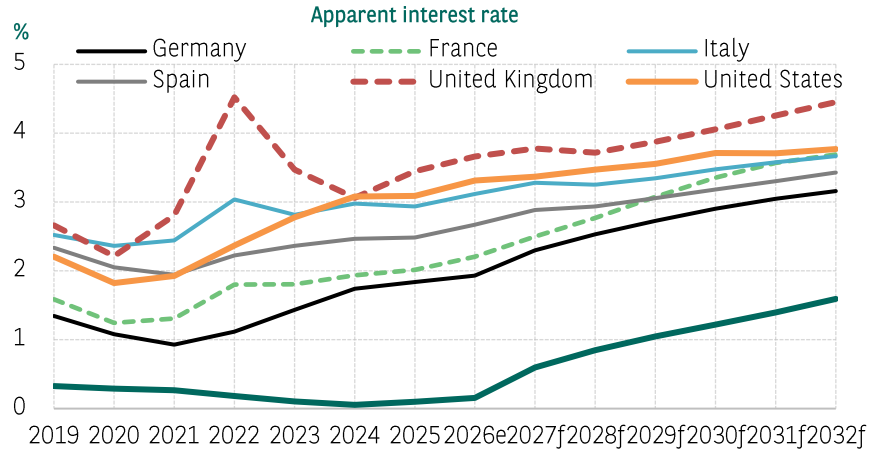
The cost of debt will continue to rise

A return to market rates not seen for 25 years



Source: IMF, European Commission, BNP Paribas

The rise in market rates is feeding through to nominal rates



Source: IMF, European Commission, BNP Paribas

	Date	Germany	France	Italy	Spain	UK	US	Japan
Average residual maturity (years)	Sept. 2026	8.3	8.1	7.0	7.6	13.1	5.8	8.6
	Dec. 2019	8.0	7.8	6.9	7.6	15.7	5.7	8.0
Net debt[1] (% of GDP)	2025	47.1	108.4	127.7	86.0	93.6	96.7	132.4
% short-term debt (< 1 year)	2025	3.4	5.7	4.3	4.7	2.9	17.1	12.2
% held by non-residents	-	51.3	59.7	34.3	48.9	33.6	31.9	13.1
% inflation-indexed	2025	2.1	8.9	8.8	5.4	22.3	5.6	0.0
% debt held by the Central Bank	Sept. 2026	28.1	18.5	18.2	23.9	23.3	23.8	41.2
	Dec. 2019	33.3	21.4	18.1	24.9	23.0	15.0	43.7
Primary expenditures (% of GDP)	2025	49.0	55.0	47.3	42.9	40.2	34.0	36.8
Revenues (% of GDP)	2025	47.2	52.2	48.1	42.9	38.2	30.5	36.3

[1] *Net debt: the sum of all liabilities minus financial assets that are debt instruments (IMF)*

Source: IMF, European Commission, national Source