Central banks hiked interest rates to bring down stubborn inflation, testing the resilience of the financial system.

The global banking system is sound, but an adverse stagflationary scenario could result in many weak banks.

Unlocking private climate finance in emerging market and developing economies will be crucial for a successful climate transition.

### POLICIES

- **Central banks should remain determined in their fight against inflation.**
- **Emerging market and developing economies should strengthen efforts to contain risks associated with their high debt vulnerabilities.**
- **National authorities should deploy stringent stress tests to estimate the potential effect of rising interest rates on borrowers’ repayment capacity.**

### POLICIES

- **Enhance financial sector regulation and supervision**
- **Sharpen risk assessments**
- **Increase the severity of stress tests**
- **Ensure adequate capital against interest rate risks**
- **Prepare for access to central bank lending facilities**

### Annual Mitigation Financing Needs by 2030 to Achieve Net Zero by 2050

**Emerging market and developing economies**

- Current share of private climate finance: **40%**
- Required share of private sector by 2030: **82%**

**Global Advanced economies**

- Current share of private climate finance: **27%**
- Required share of private sector by 2030: **43%**

**Emerging markets**

- Current share of private climate finance: **3%**
- Required share of private sector by 2030: **1%**

**Weak Banks: Share of Total Assets by Region (Banks below CET1 ratio of 7 percent)**

- **Global:** 3% Baseline, 36% Adverse
- **Advanced economies:** 4% Baseline, 27% Adverse
- **Emerging markets:** 1% Baseline, 54% Adverse