GLOBAL FINANCIAL STABILITY REPORT
Key Highlights

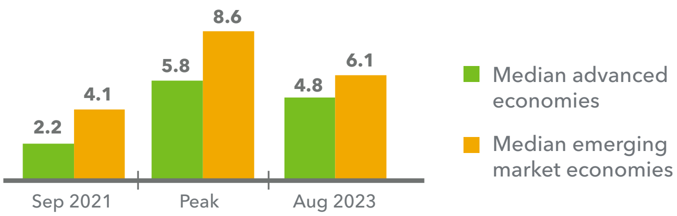
2023
OCT

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

Average rate hikes in advanced economies: **400** basis points

Average rate hikes in emerging market economies: **780** basis points

Core inflation (%)

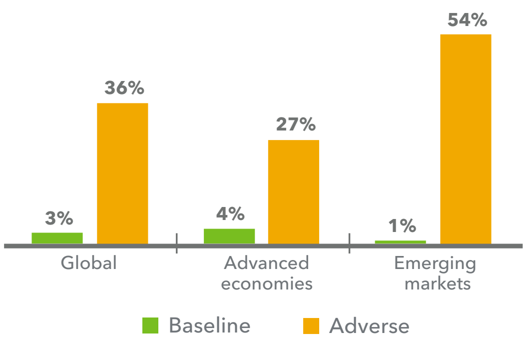


POLICIES

- 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.

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

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

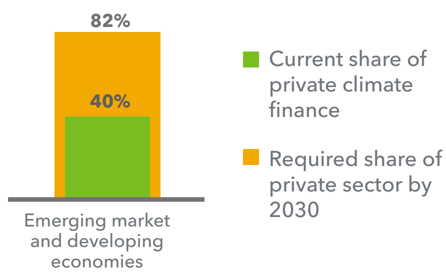


POLICIES

- 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

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

Annual Mitigation Financing Needs by 2030 to Achieve Net Zero by 2050
(Share of private in total climate investment)



POLICIES

- A broad mix of policies is needed to unlock climate finance.
- Enhance focus of financial policies on climate impact.
- The IMF's Resilience and Sustainability Facility can help create a more attractive climate investment environment by supporting reforms.