Figure 1.37. Bank-Corporate-Sovereign Nexus

- **Sovereigns**: Highly indebted
  - Increased sovereign contingent liabilities
  - Weaker economic growth
  - Higher corporate bond yields

- **Banks**: Thin buffers
  - Higher funding costs
  - Higher nonperforming loans, Lender forbearance

- **Corporates**: Debt overhang, Weak profits
  - Constrained lending, Higher interest rates on loans

Source: IMF staff.