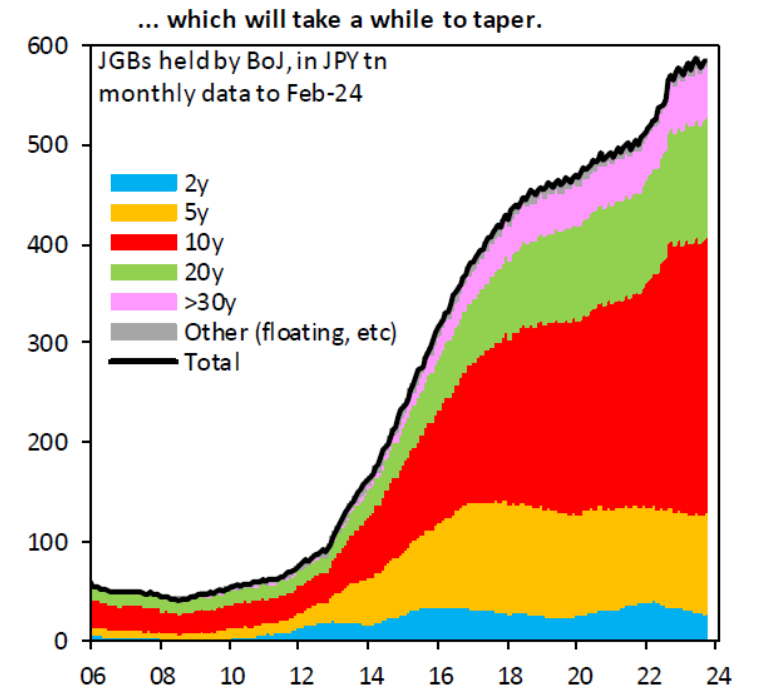
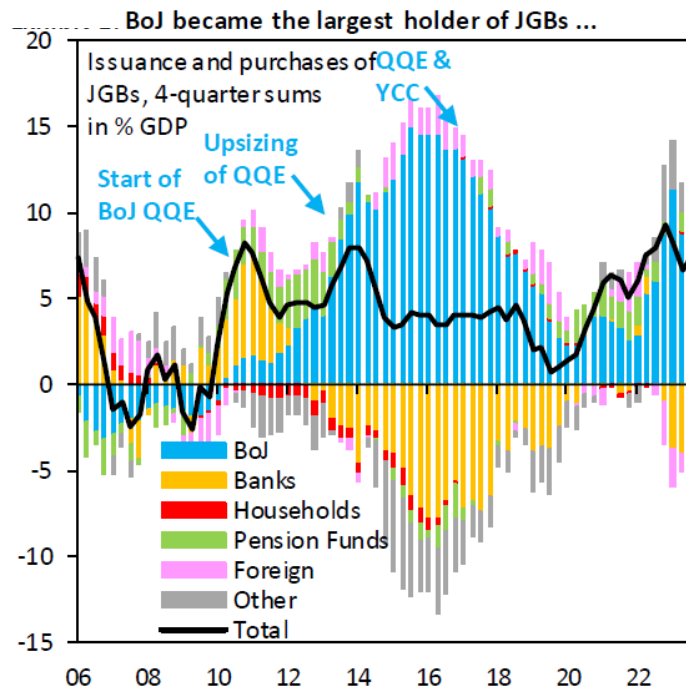
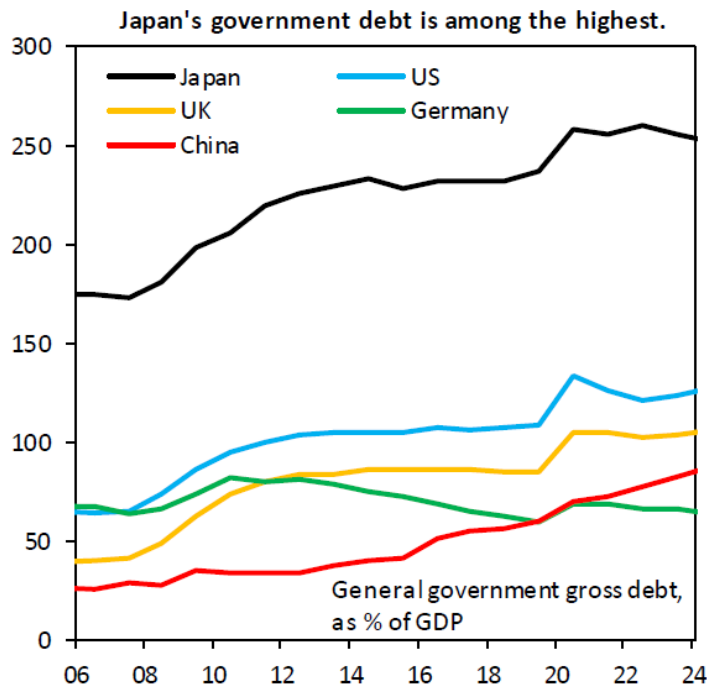


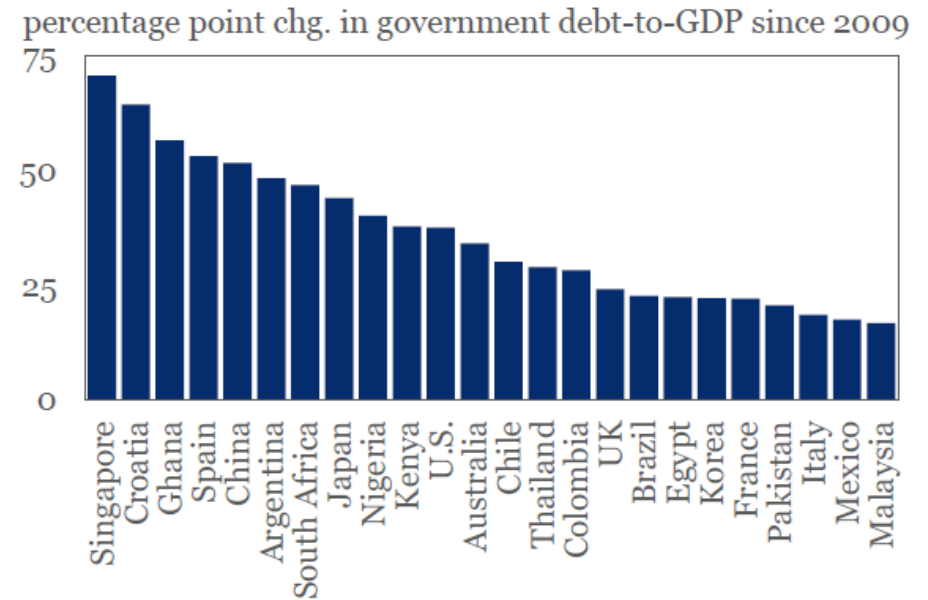
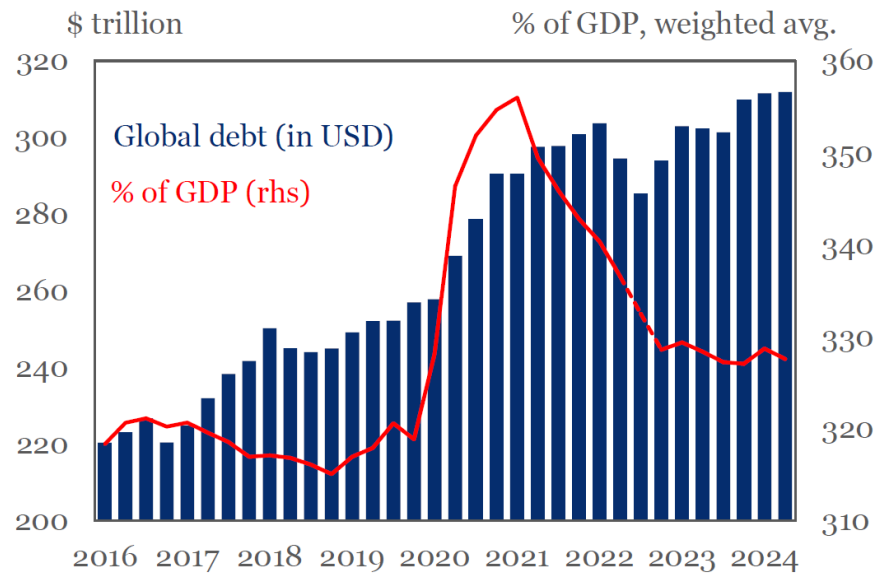
# Japan

- US\$ 9.2tn (>2.5x GDP)
- Artificial financial cost capping (NIRP, YCC)
- BoJ Tapering risk
- Paradoxically greater need of issuance for Fin Stab.



# EM debt shooting up

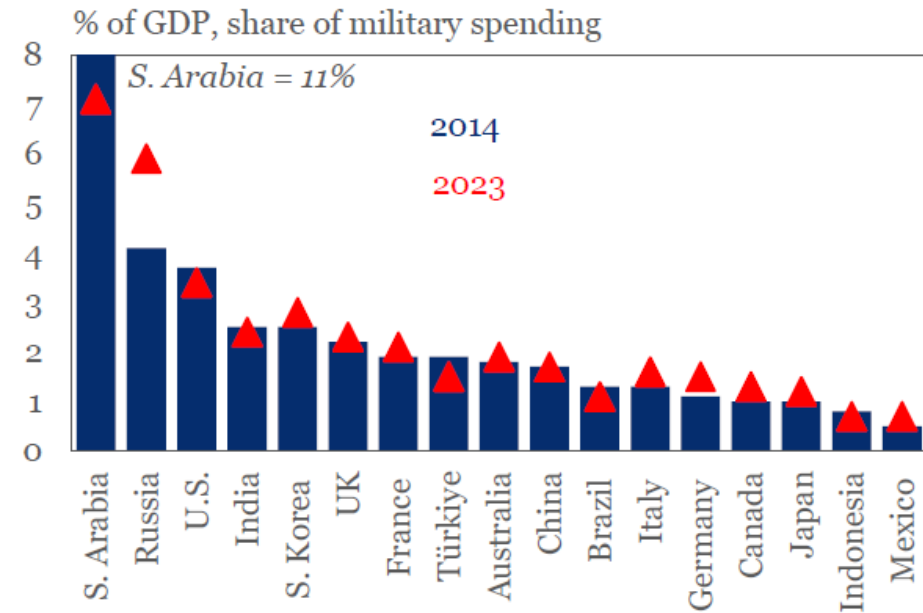
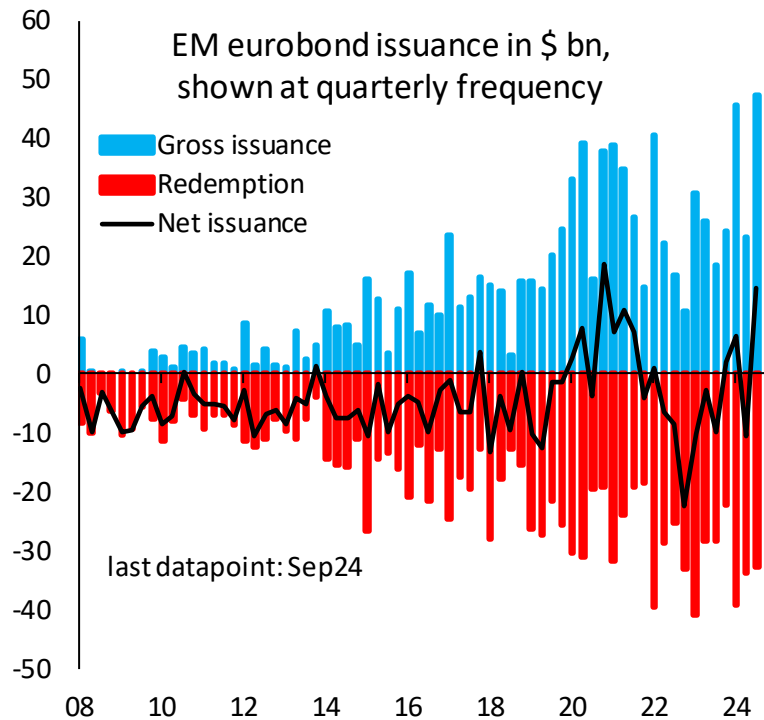
- Over US\$ 310tn
- EM debt /GDP ratio: 245% ( $\Delta 25\%$  vs pre pandemic)
- Transitioning from HH to Gov debt



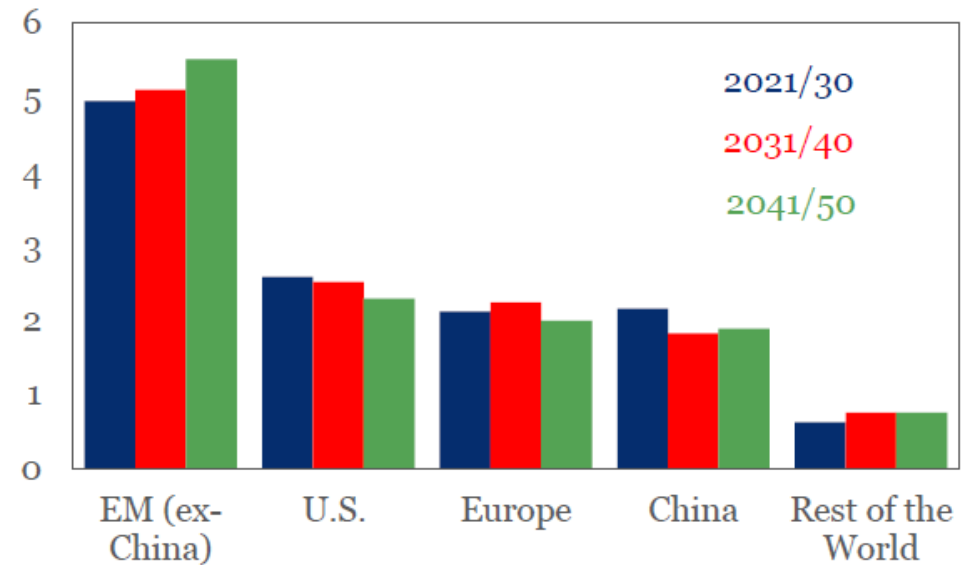
\$ tn	HHs		Non-fin Corp		Gov		Financial		Total	
	24Q2	23Q2	24Q2	23Q2	24Q2	23Q2	24Q2	23Q2	24Q2	23Q2
<b>DM</b>	40.3	40.0	50.4	50.3	62.9	60.9	56.9	56.1	<b>210.5</b>	<b>207.3</b>
<b>EM</b>	19.3	18.4	39.2	36.7	28.8	26.1	14.0	13.8	<b>101.3</b>	<b>95.0</b>
<b>Total</b>	<b>59.6</b>	<b>58.4</b>	<b>89.6</b>	<b>87.0</b>	<b>91.7</b>	<b>87.0</b>	<b>70.9</b>	<b>69.9</b>	<b>311.8</b>	<b>302.3</b>

# Drivers of debt expansion

- Even under higher rates, issuance is up
- Carry trade
- Defense
- Energy transition

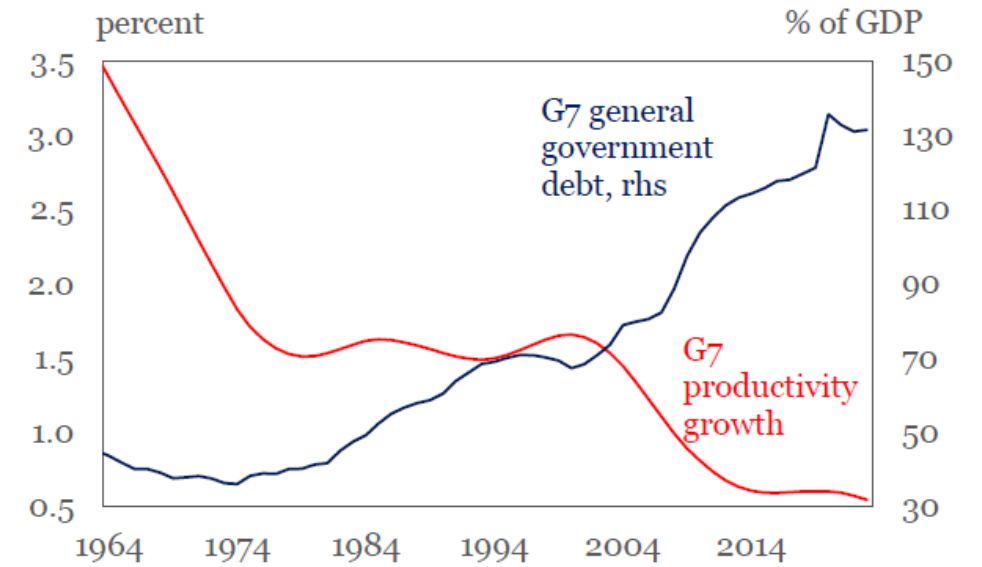
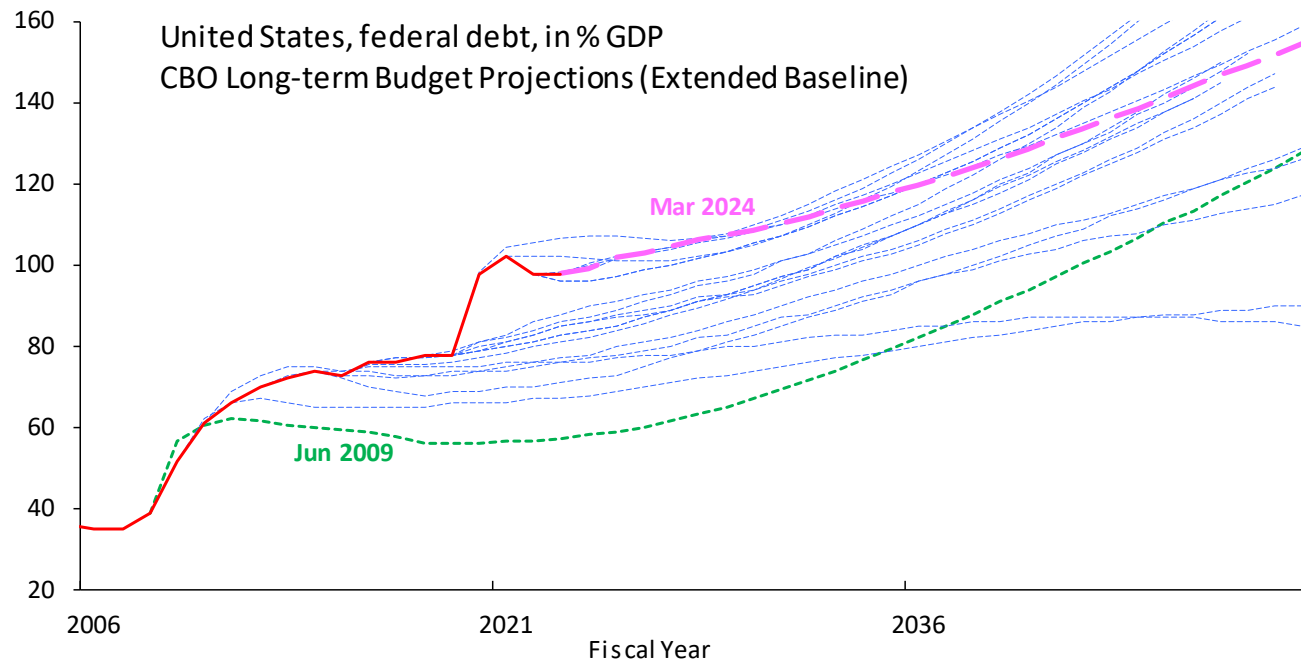


\$ trillion, change in govt. debt due to additional spending for energy transition in power and transport sectors



# Potential Pitfalls

- Chronic under-estimation of financing needs
- Increased reliance on gov spending may be weighting on productivity
- (Lack of) harmonization on rules and restructuring
- Demographics



## EMs face some \$3 trillion of bond and loan redemptions until year-end

