ROSA & ROUBINI
ASSOCIATES

Policy Picture

The Coming Surge: Global Debt Heads for New Highs

By

Lāsma Kokina

27 November 2025

Lāsma Kokina

The Coming Surge: Global Debt Heads for New Highs

27 November 2025

Table of Contents

Lāsma Kokina

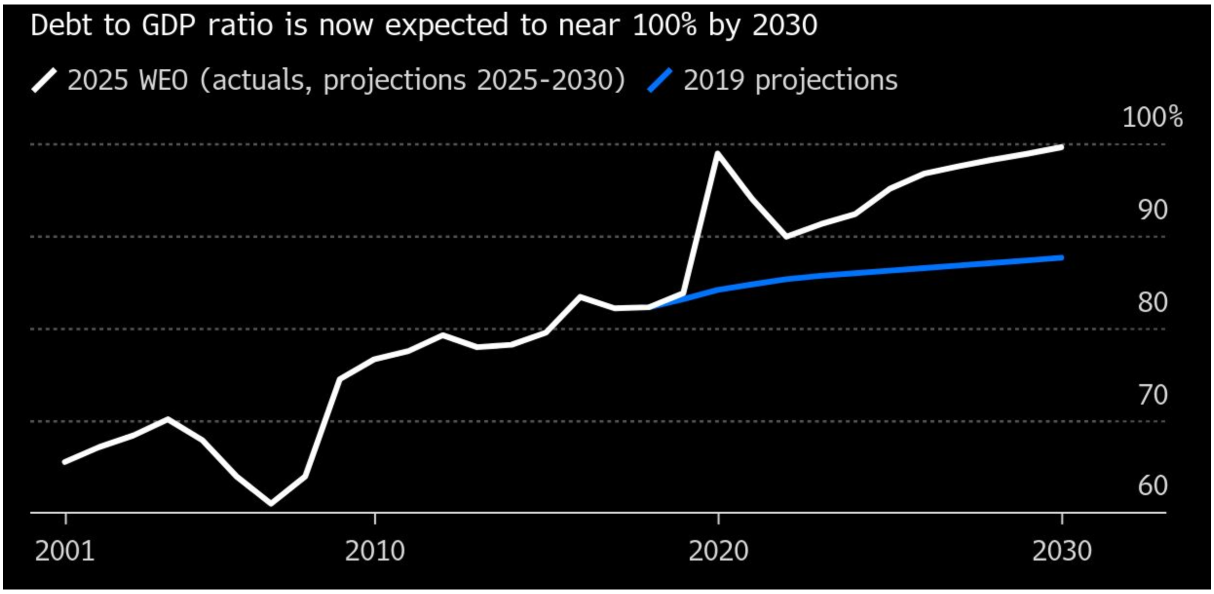
The Coming Surge: Global Debt Heads for New Highs

27 November 2025

Executive Summary

- Global public debt is projected to reach 100% of world GDP by 2029.
- Advanced economies such as the US, Japan, Italy, France, the UK, Canada, and China are set to remain the most heavily indebted, while many emerging and low-income countries face acute debt distress despite lower debt-to-GDP ratios.
- The IMF warns that a combination of persistent deficits, higher spending pressures, and political resistance to tax increases risks pushing global debt to unsustainable levels.
- Heightened geopolitical tensions, climate-related shocks, demographic change, and large investment needs are increasing fiscal demands at a time when buffers are thin.
- The IMF advocates "smart consolidation": gradual fiscal adjustment paired with targeted investment - particularly in productivity-enhancing areas - to strengthen long-term growth and rebuild fiscal resilience.

Key Picture: Global Public Debt Rising (2001-2030)



Source: IMF on Bloomberg

1. The Global Debt Outlook

Government debt worldwide is set to reach 100% of global GDP by 2029, according to the International Monetary Fund - the highest level since the years following the Second World War. According to the IMF, overall government debt had been rising faster than expected even before the Covid pandemic, when policymakers intervened to support citizens and bail out businesses that were hit hard.[1]

Vitor Gaspar, who leads the IMF's fiscal affairs department, warned that global public debt could climb to 123% of GDP by the decade's end in an "adverse, but plausible scenario," a level just below the record 132% seen right after World War Two. That could trigger a dangerous cycle between public finances and the financial sector - similar to the one seen during the European sovereign debt crisis that started in 2010.[2]

In addition, the IMF notes that the challenge lies not only in the scale of public debt but also in its rising cost. After more than a decade of unusually low interest rates following the global financial crisis, borrowing conditions have tightened, and it remains unclear how quickly rates might fall again. At the same time, governments face mounting demands on their budgets, driven by defence needs, climate-related disasters, technological transitions, demographic pressures, and development goals, while political resistance to higher taxes limits revenue options. With deficits remaining large and spending consistently outpacing tax income, the IMF argues that debt levels are likely to continue climbing, posing risks to fiscal and financial stability.[3]

2. Differences Among Countries

According to the IMF, public debt levels differ widely across countries, with several major economies - including Canada, China, France, Italy, Japan, the UK, and the US - either already above or on track to exceed debt equal to their entire GDP. Although fewer nations will hold such high debt over the next five years, their share of global GDP is expected to grow. These advanced economies typically face only moderate fiscal risk because they have large, well-functioning bond markets, more policy flexibility,[4] and strong institutions.[5]

By contrast, many emerging and low-income countries have limited policy tools and restricted access to financing, leaving them vulnerable even with comparatively low debt levels - more than 50 of them are already in, or close to, debt distress.[6] Even though their debt is smaller relative to the size of their economies, they still contend with much higher borrowing costs and have far fewer avenues to refinance or adjust their obligations.[7] The IMF stressed that when countries struggle to meet their obligations, swift debt restructuring is essential to limit the fallout.[8]

While the IMF slightly raised its global growth outlook for 2025 in October, citing milder-than-expected effects from tariffs, it still cautioned that the recently intensified US–China trade tensions could sharply curb economic output. Therefore, the uncertain environment still makes fiscal reforms crucial, with the IMF urging both advanced and developing nations to lower debt, reduce deficits, and strengthen their financial buffers.[9]

3. Suggested solutions

As suggested by the IMF, the right approach will vary depending on each economy's circumstances and resources. Nations with tighter budgets might opt for steady, credible consolidation plans, while those with more fiscal flexibility could manage their resources within clearer medium-term frameworks. Advanced economies face long-term challenges linked to ageing populations, which could be eased through shifts in spending priorities or reforms to pensions, healthcare, and taxation; meanwhile, developing economies may find gains in improving tax systems and maintaining fiscal adjustments, especially where financing is scarce or debt distress is present.[10]

Overall, the IMF encourages countries to strengthen long-term growth by improving private-sector productivity, streamlining public spending, lowering debt levels, and narrowing large current-account gaps.[11] The IMF emphasises a strategy of "smart consolidation," meaning tighter fiscal policy where feasible, while still protecting or expanding investment in areas that boost long-term productivity. It argues that delaying fiscal adjustment will only make future challenges harder to manage and that shifting spending toward education, infrastructure, and other productive sectors can help support growth even as budgets tighten. According to the IMF, moving just one percent of GDP from routine expenditures into human-capital investment could raise output by more than 3 percent in advanced economies by 2050, with even larger gains projected for emerging and developing countries.[12]

Taken together, these points suggest that there is no one-size-fits-all path to fiscal sustainability, but that countries may benefit from a balanced approach combining gradual consolidation with targeted investment. Economies with limited fiscal space might need steadier, more disciplined adjustments, while those with more room can plan reforms over a longer horizon. Across all income levels, however, the IMF's emphasis on "smart consolidation" points to the idea that strategic spending, particularly on education, infrastructure, and other productivity-enhancing areas, can help offset the pressures of tightening budgets. In essence, thoughtful reallocation rather than across-the-board cuts may offer a way to strengthen long-term growth while easing future fiscal strains.

NOTES

[1] Heather Stewart, "Global government debt on course to hit 100% of GDP by 2029, IMF warns", *The Guardian*, accessed 22 November 2025, https://www.theguardian.com/business/2025/oct/15/global-government-debt-100-percent-of-gdp-by-2029-imf-uk#:~:text=Government%20debt%20across%20the%20world,of%20the%20second%20world%20war.

[2] Andrea Shalal, "IMF sounds alarm about high global public debt, urges countries to build buffers", Reuters, accessed 22 November 2025, https://www.reuters.com/world/asia-pacific/imf-sounds-alarm-about-high-global-public-debt-urges-countries-build-buffers-2025-10-15/.

[3] Gianluca Di Donfrancesco, "IMF: Global public debt over 100 per cent of GDP in 2029", accessed 22 November 2025, https://en.ilsole24ore.com/art/fmi-global-public-debt-over-100-per-cent-gdp-2029-AHiRzvAD.

[4] Bunmi Aduloju, "IMF says global debt-to-GDP could exceed 100% by 2029", accessed 22 November 2025, https://www.thecable.ng/imf-says-global-debt-to-gdp-could-exceed-100-by-2029/.

[5] Samuel Nwite, "IMF warns global public debt to exceed 100% global GDP by 2029, urges fiscal buffers", accessed 22 November 2025, https://www.tekedia.com/imf-warns-global-public-debt-to-exceed-100-global-gdp-by-2029-urges-fiscal-buffers/.

[6] Bunmi Aduloju, "IMF says global debt-to-GDP could exceed 100% by 2029".

[7] Samuel Nwite, "IMF warns global public debt to exceed 100% global GDP by 2029, urges fiscal buffers".

[8] Bunmi Aduloju, "IMF says global debt-to-GDP could exceed 100% by 2029".

[9] Andrea Shalal, "IMF sounds alarm about high global public debt, urges countries to build buffers", Reuters.

[10] "Countries urged to address rising global public debt", New Business Ethiopia, accessed 22 November 2025, https://newbusinessethiopia.com/economy/countries-urged-to-address-rising-global-public-debt/.

[11] Andrea Shalal, "IMF chief says global economy doing 'better than feared,' downside risks dominate", Reuters, accessed 22 November 2025, https://www.reuters.com/world/china/imf-chief-says-global-economy-doing-better-than-feared-risks-remain-2025-10-08/.

[12] Samuel Nwite, "IMF warns global public debt to exceed 100% global GDP by 2029, urges fiscal buffers".