



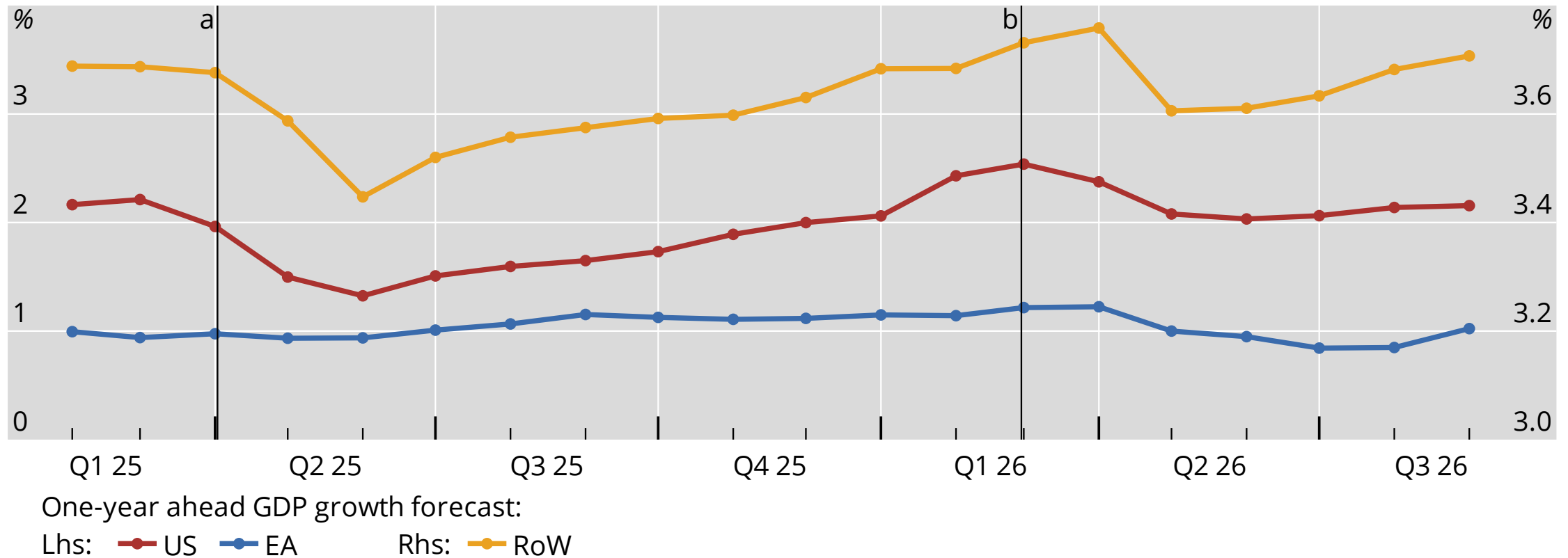
Resilience of the financial system: Where do we stand? The BIS perspective

Andréa M Maechler, Deputy General Manager, Bank for International Settlements

Policy presentation at BCC 14th Annual Conference: *Resilience of the financial system: Where do we stand?*

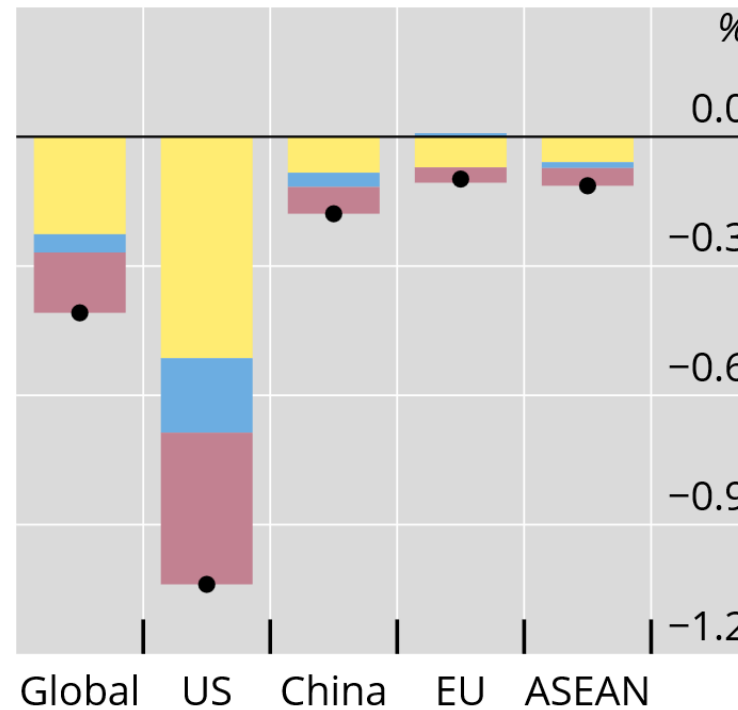
The views expressed here are those of the presenter and do not necessarily reflect those of the BIS.

GDP growth was initially downgraded on tariff and middle east news, but bounced back – why has the global economy been so resilient?



^a US President Trump announces tariffs (2 April 2025). ^b Start of conflict in Iran (28 February 2026).

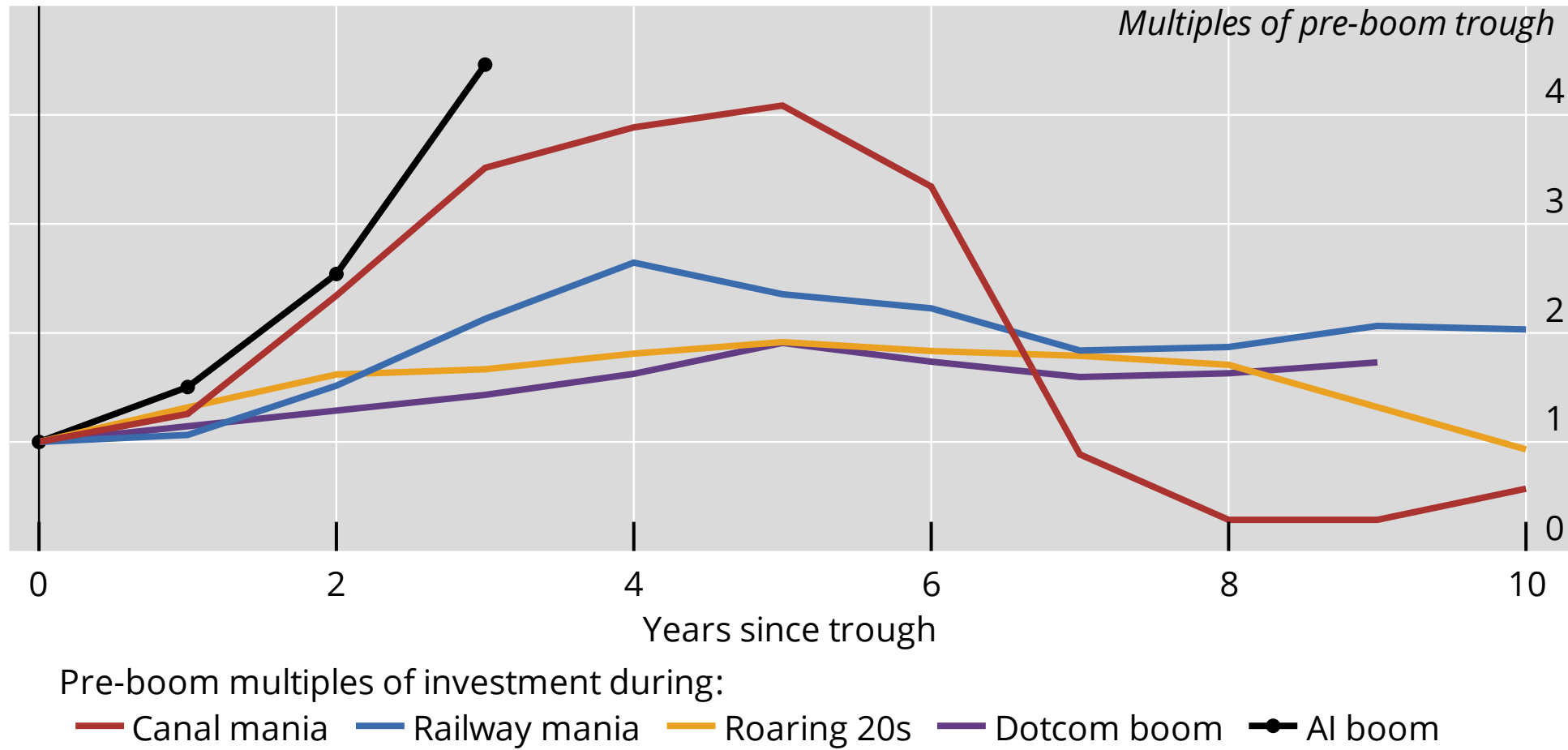
Lower-than-expected tariffs and trade diversion boosted global growth ...



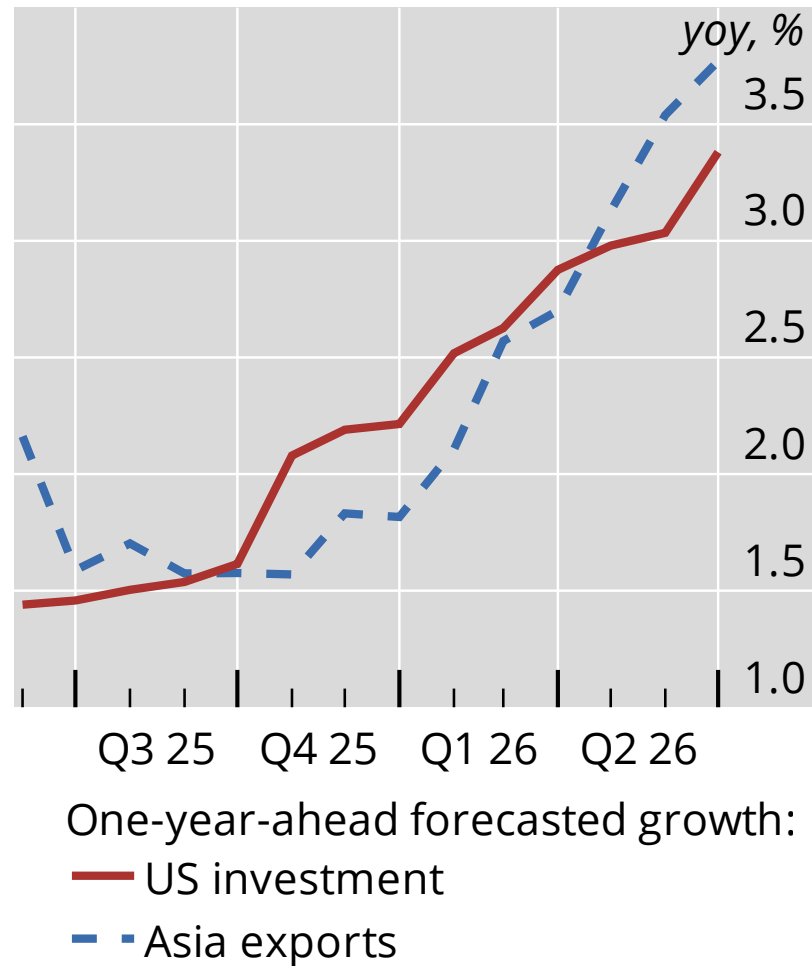
Tariffs' impact on output:

- Estimate as of Aug 2025
- Smaller tariff shock revision
- Trade diversion revision
- Current estimate

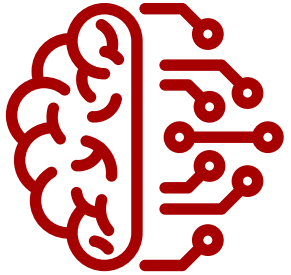
Optimism about AI spurred a capital expenditure boom



The AI boom has spilled over globally through supply chains



Multiple pressure points for the global outlook



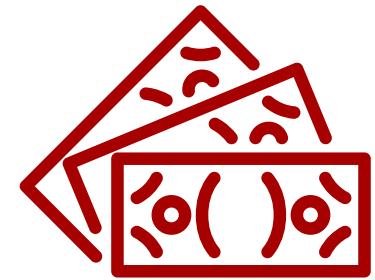
AI



Inflation

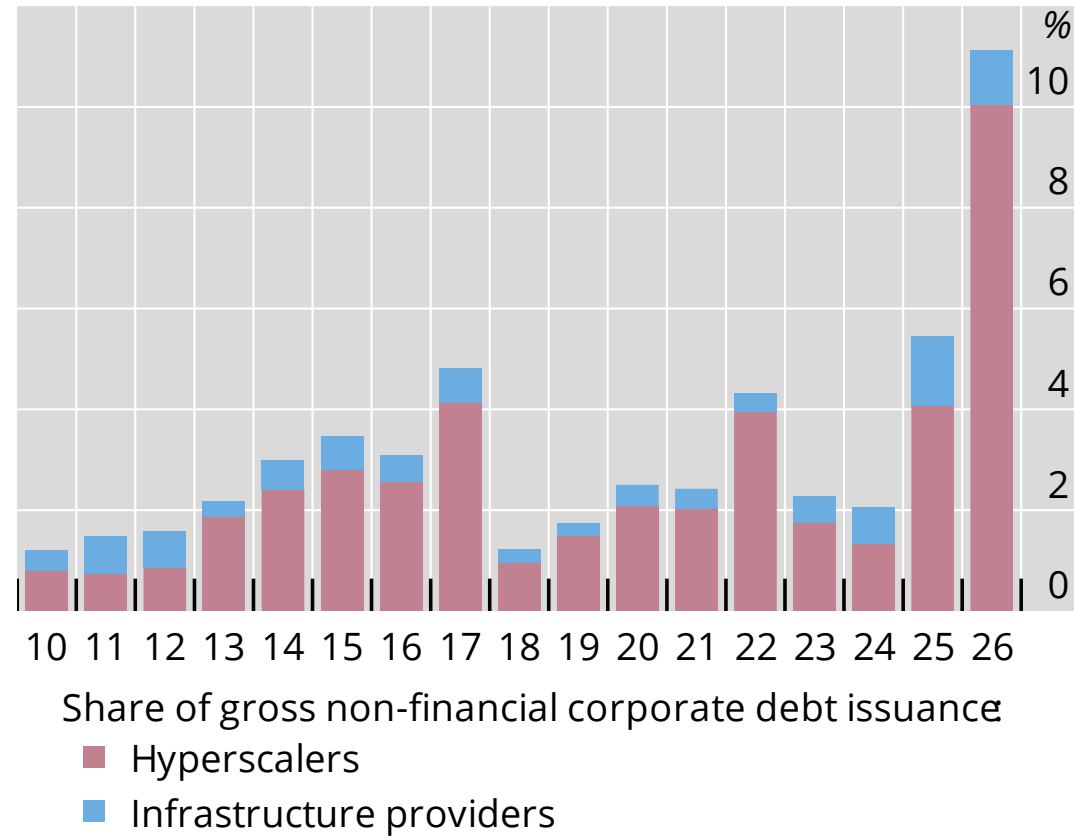


Supply shocks

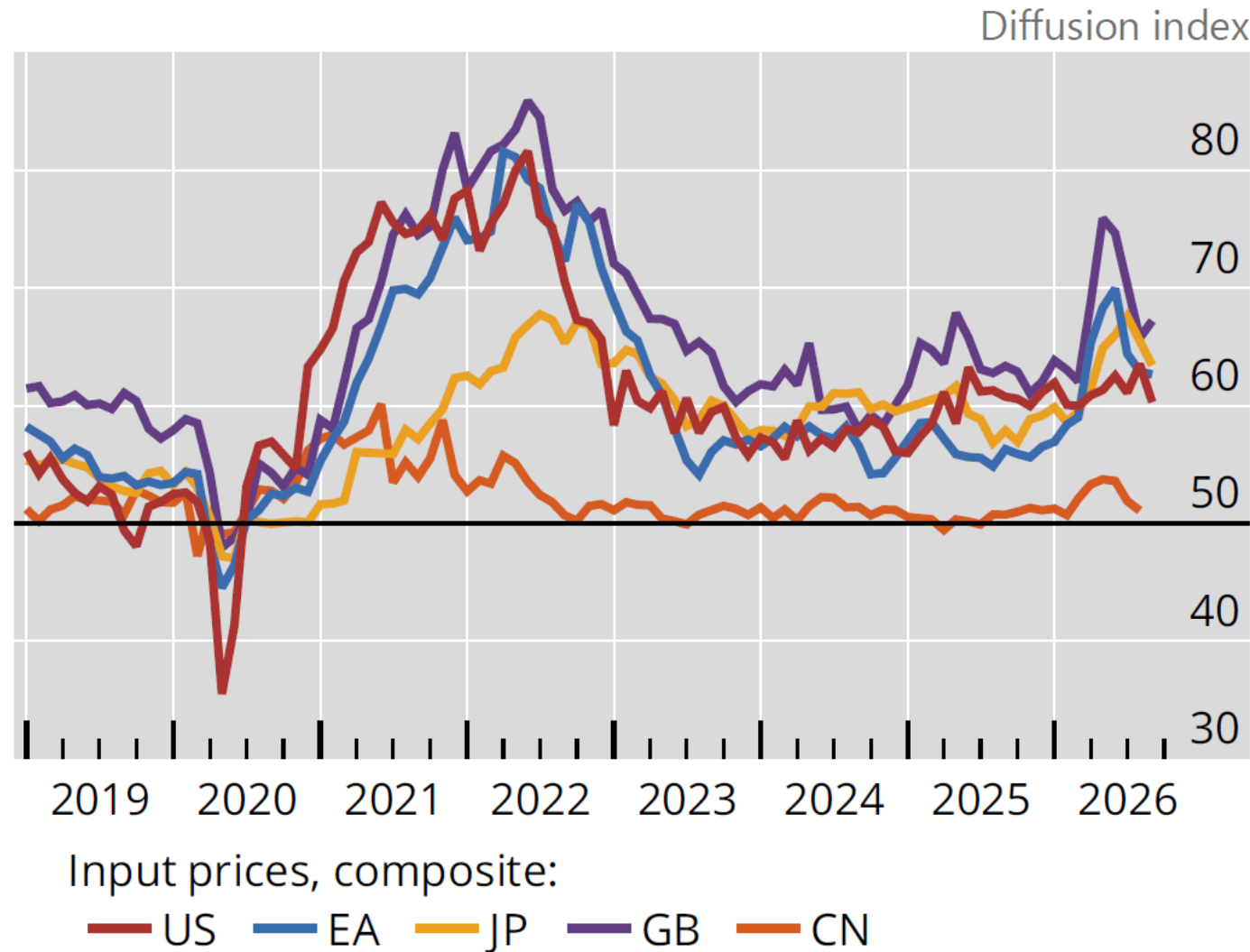


Public
finance

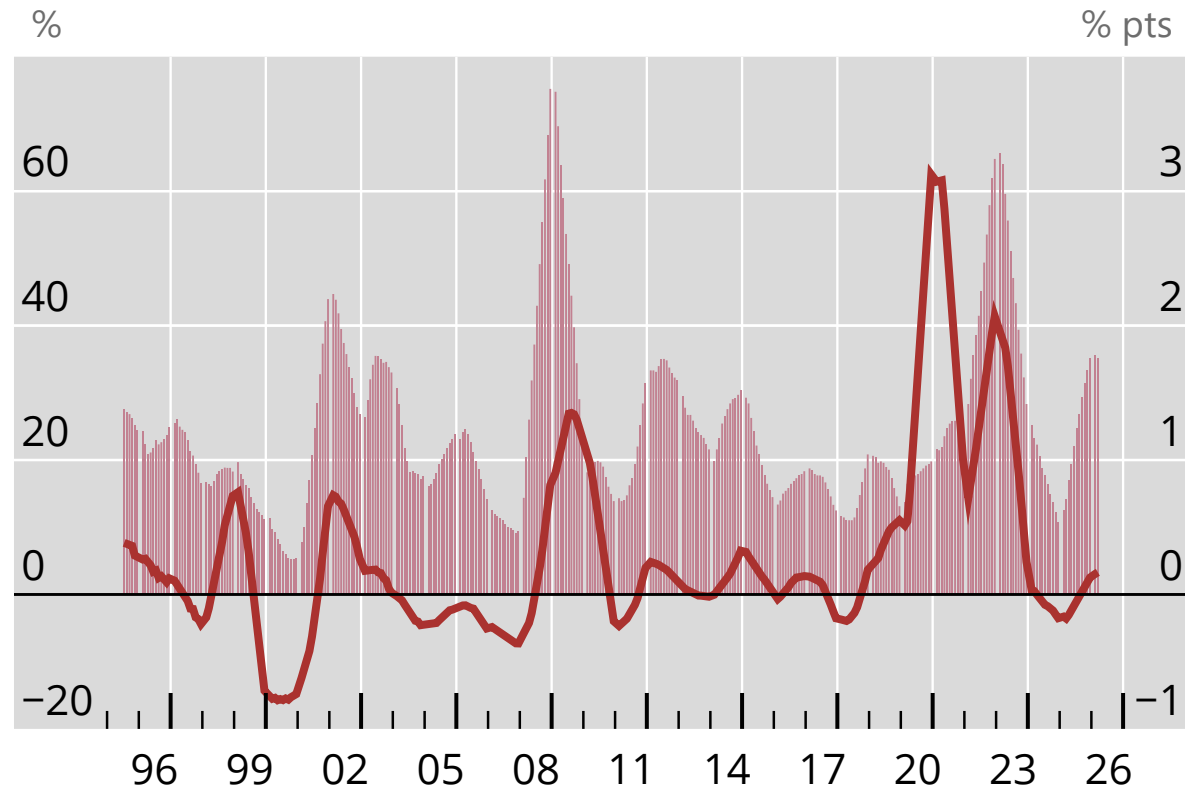
AI firms' investments are increasingly financed by debt, increasing vulnerabilities if AI under delivers



Signs of rising inflation, following the very strong pandemic-era inflation pressures



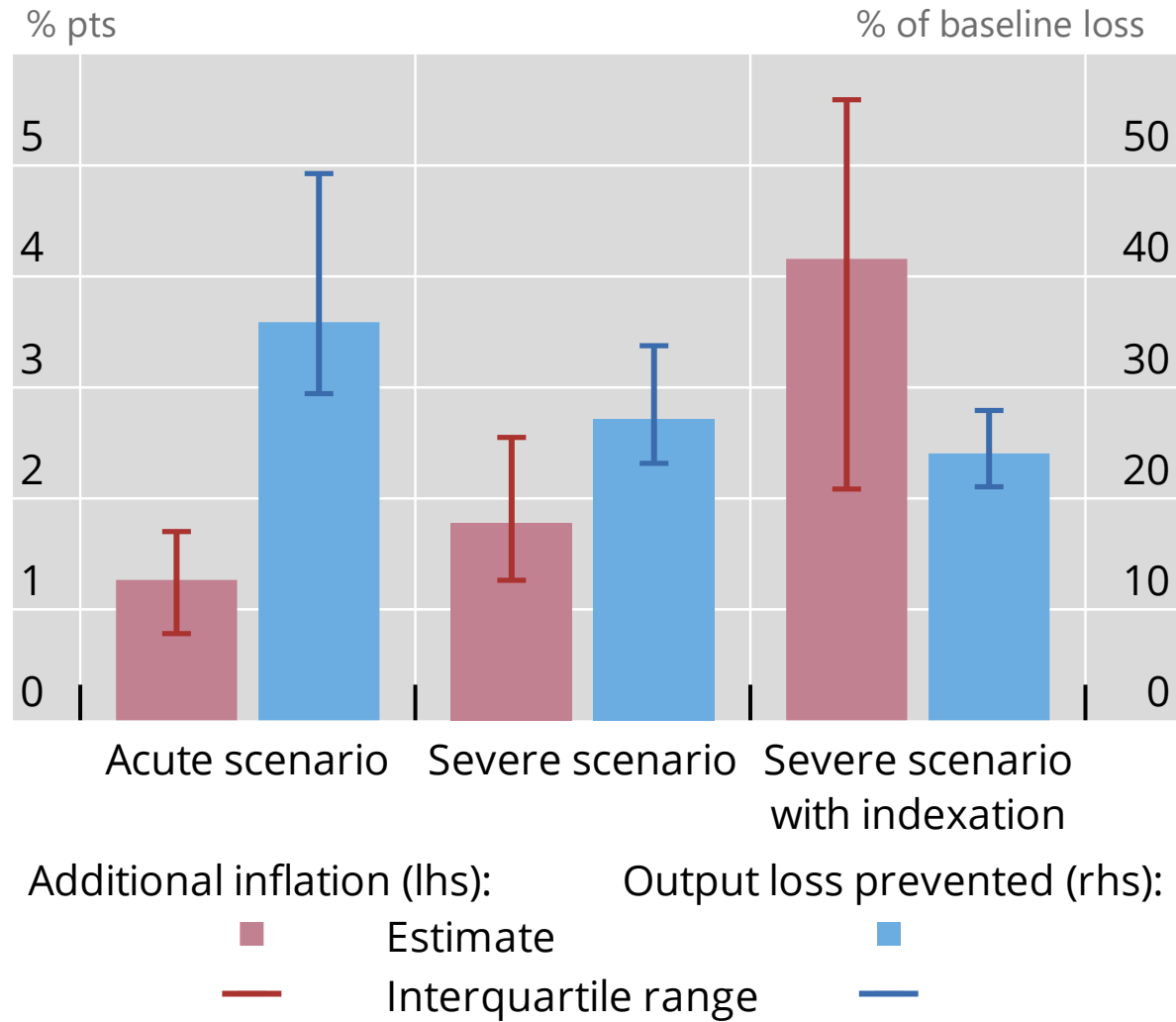
Adverse supply shocks have become more frequent and disruptive



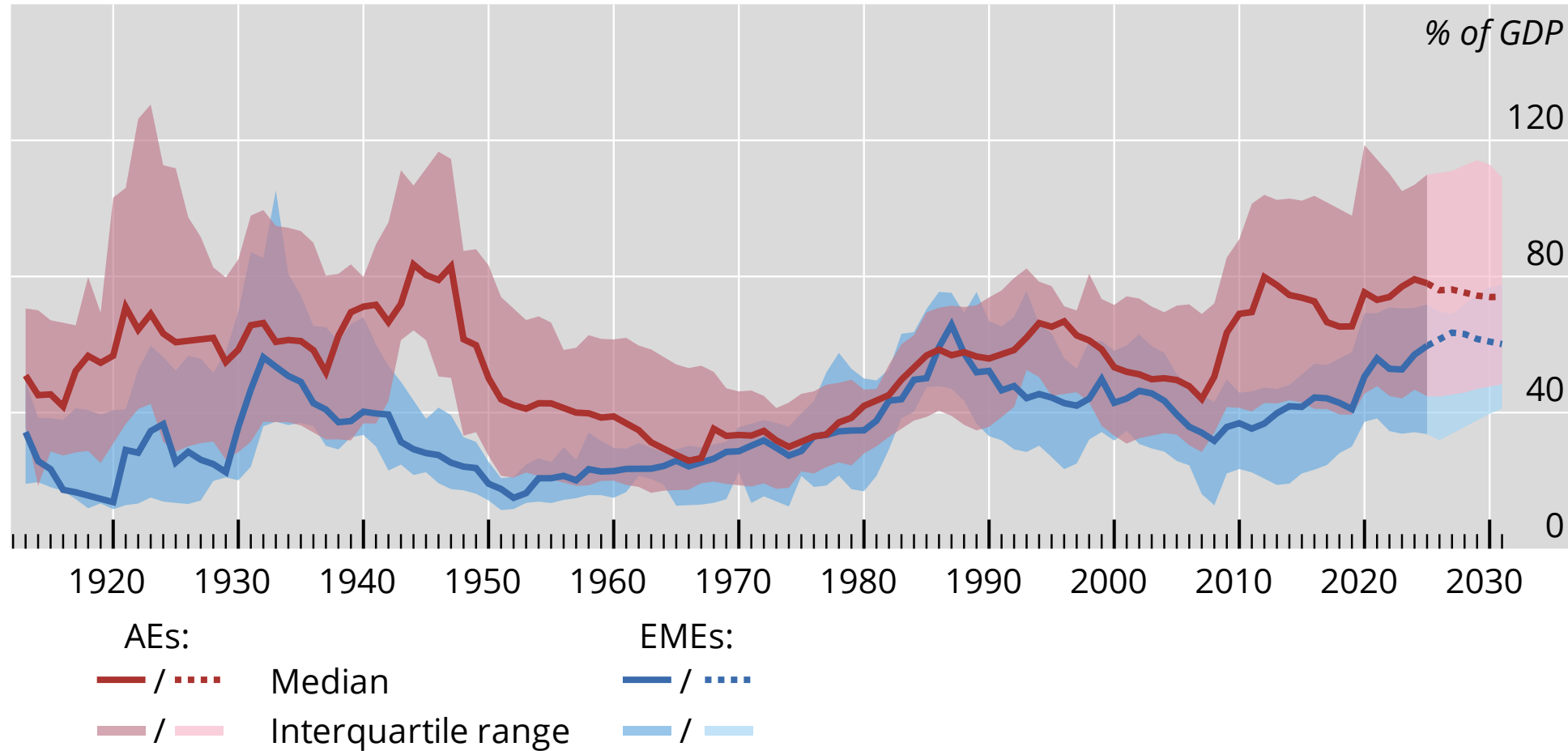
Adverse supply shocks:

■ Breadth (lhs) — Intensity (rhs)

Output-inflation trade-offs worsen as supply shocks grow more severe

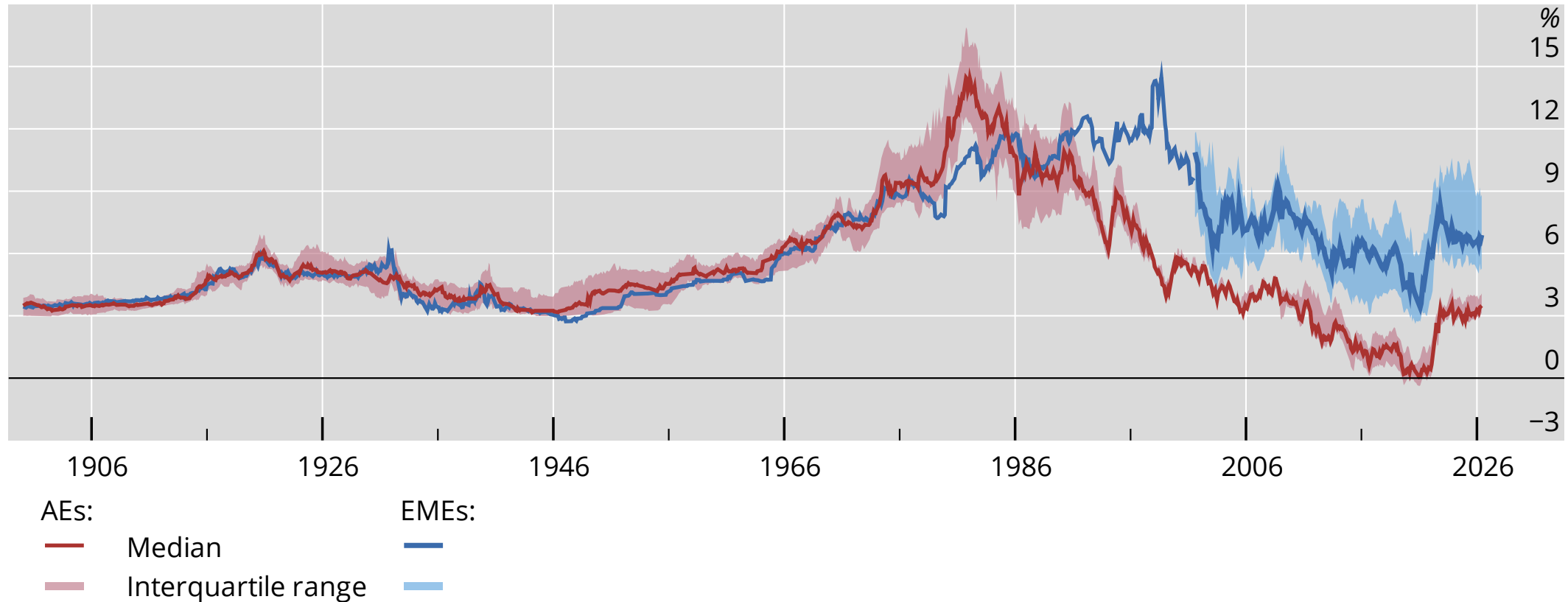


Public debt is now near post-World War II highs



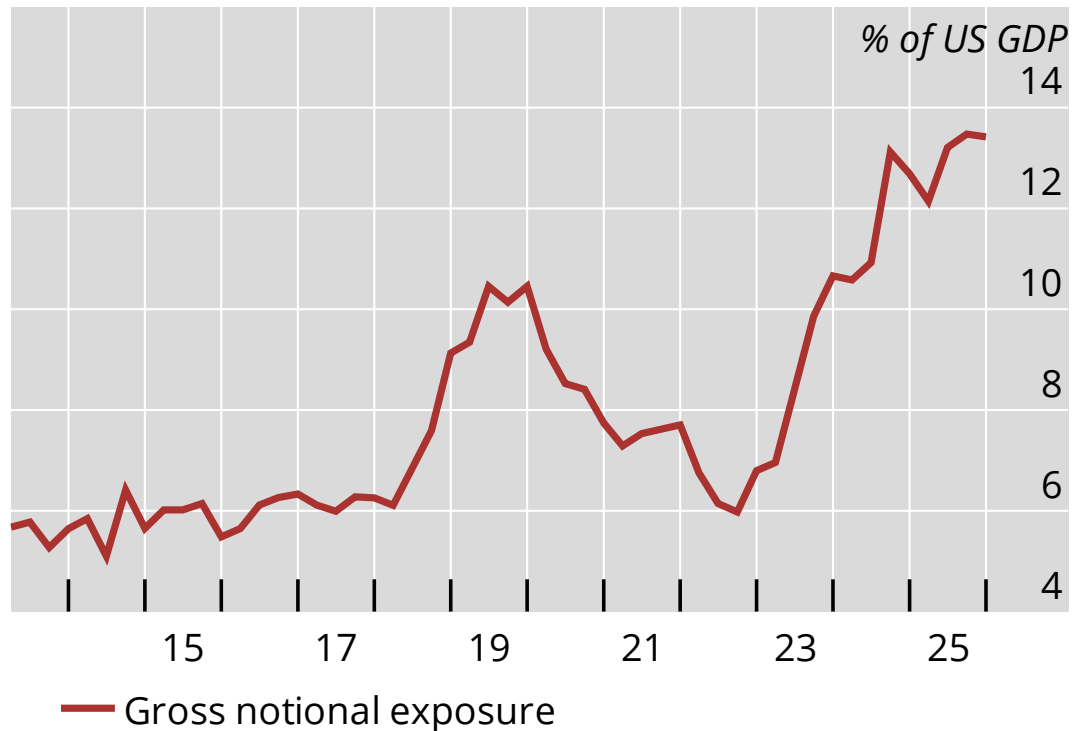
The dotted lines and lighter shaded areas indicate forecasts.

Sovereign bond yields have increased significantly in the past year. A higher interest burden will add further strain to stretched government finances

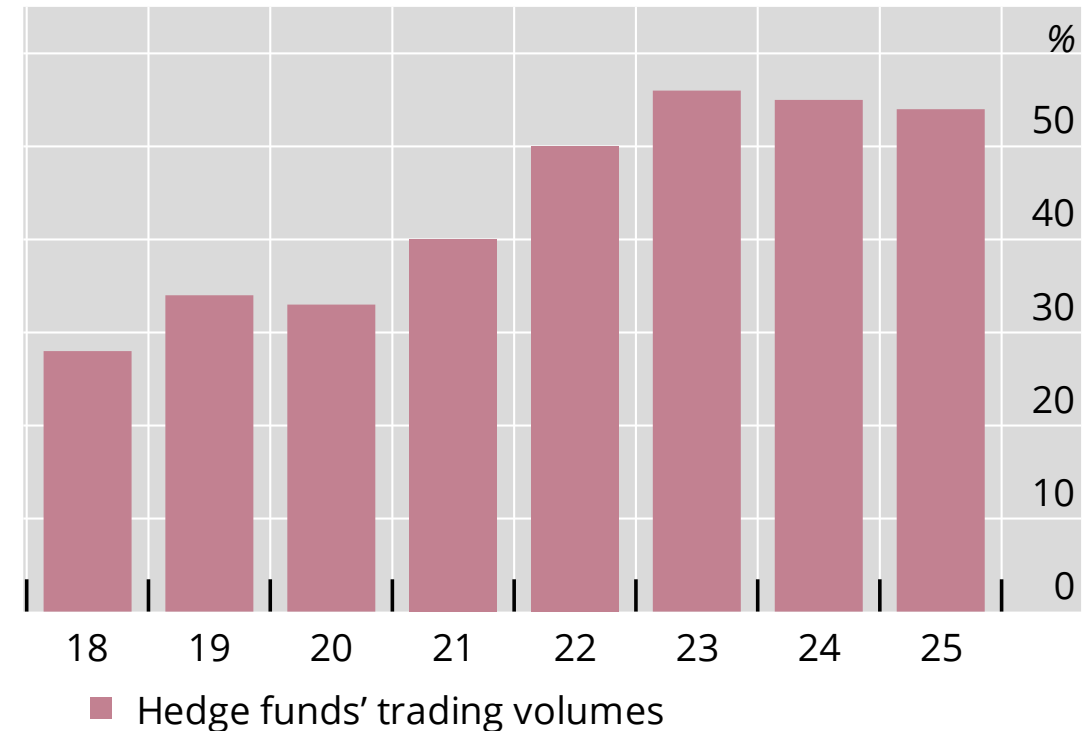


The changing structure of sovereign bond markets introduces new sources of demand for sovereign bonds – and also new risks

Hedge funds' US sovereign debt exposure has grown...

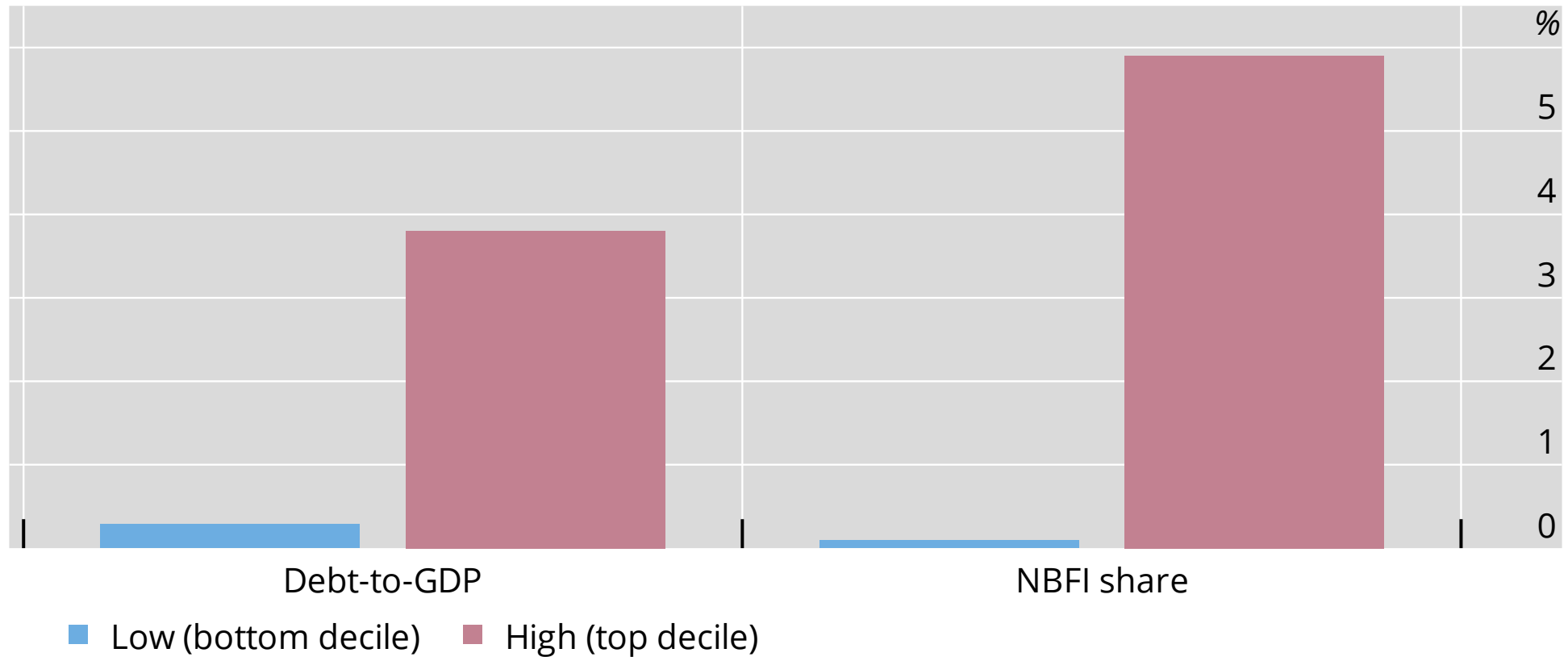


... and their footprint in European markets has also expanded¹



¹ Share of electronic market trading volumes in euro area government bonds.

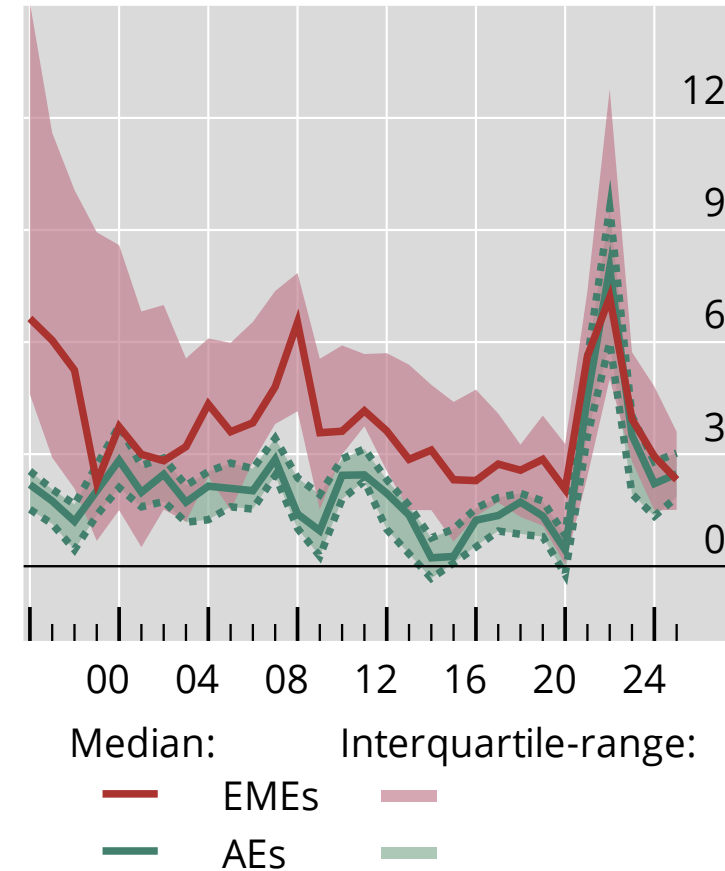
High public debt and a large NBFIs footprint raise the probability of experiencing severe market dysfunction



Emerging market economies have been resilient to recent shocks ...

- Stronger macroeconomic fundamentals
 - Deeper integration in global supply chains
 - Improved central bank credibility
 - Larger policy buffers
-
- Three EME-specific risks on the horizon

CPI inflation



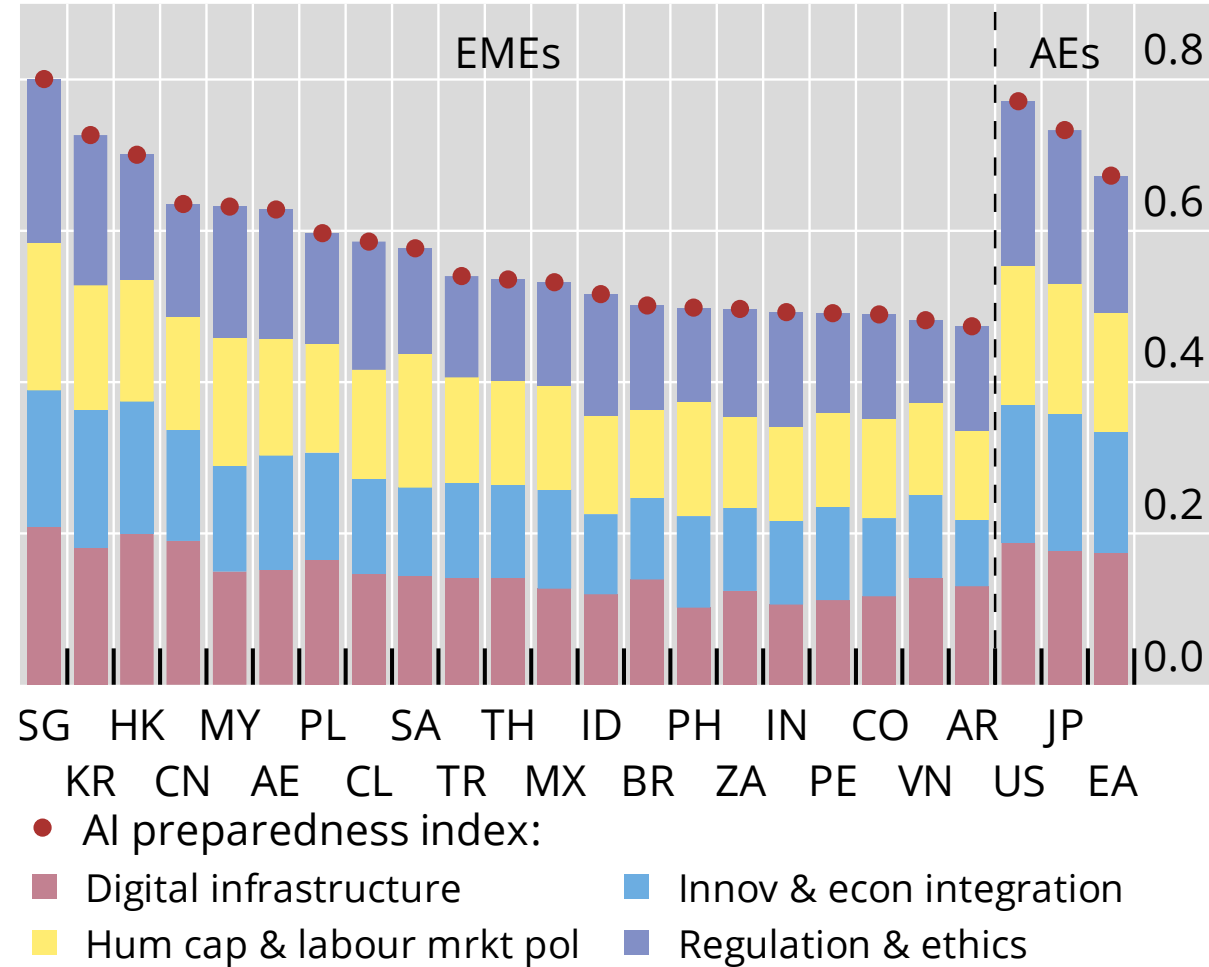
Geopolitical and trade tensions threaten EME growth models

- EMEs increasingly embedded in global supply chains
- Supply chain fragmentation could be disruptive

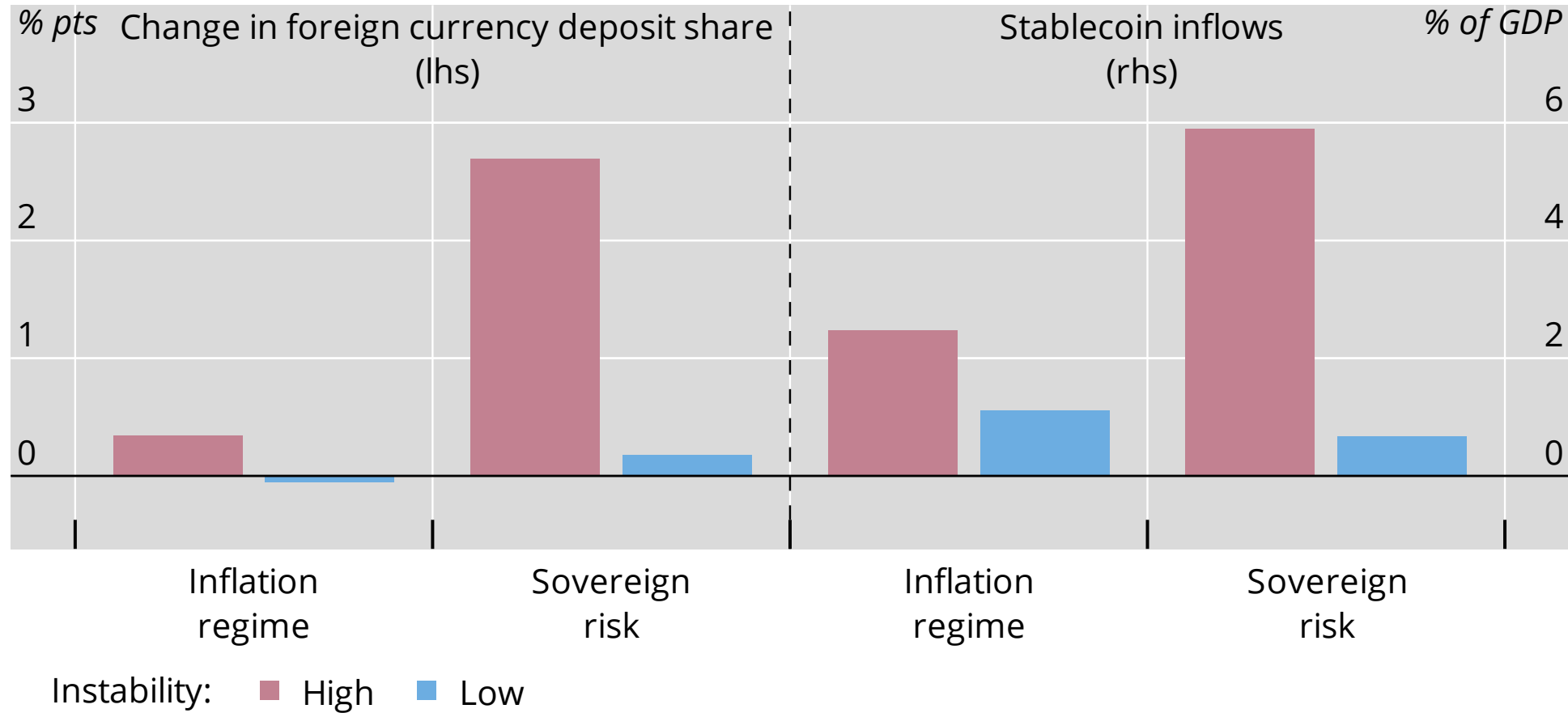
EMEs are typically less prepared for harnessing AI ...



... because of weaker digital infrastructure, human capital and regulation



Weak fundamentals in EMs led to greater dollarisation and foreign stablecoin adoption

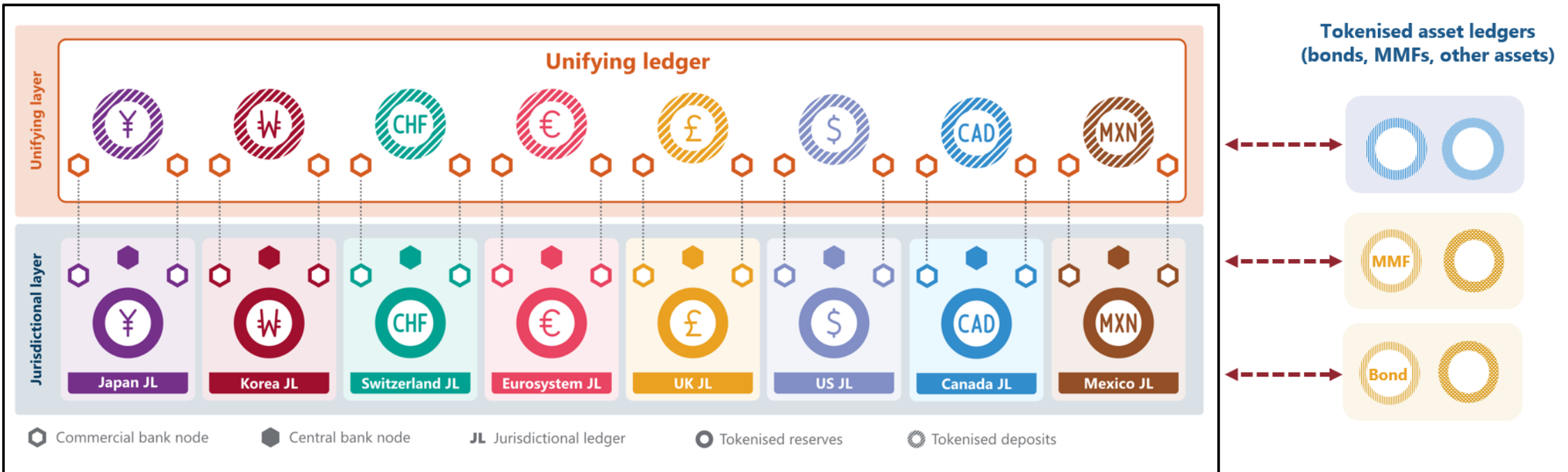


Widespread foreign currency stablecoin adoption brings material macro-financial policy implications

- Reduced monetary sovereignty and “dollarisation”
- More volatile capital flows with limited control
- International coordination needed to prevent disruptive spillovers

An Agorá-type platform creates the foundation for a broader tokenised ecosystem with central bank reserves as a trust anchor

Project Agorá



Sources: adapted from BIS (2026a) and BIS (2026c).

Policy implications



Monetary
policy must
remain alert



Fiscal policy on
sustainable
footing