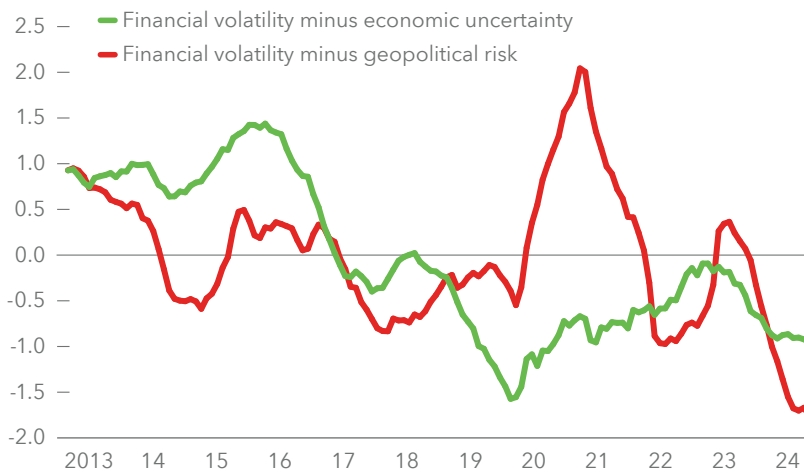


Near-term financial stability risks remain contained although uncertainty is elevated and vulnerabilities are mounting

Disconnect Between High Geopolitical Risk and Low Financial Market Volatility

(Differences in historical z-scores)



Source: Bloomberg Finance L.P.

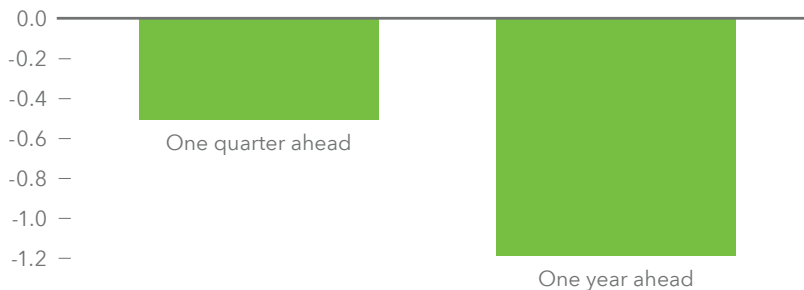
POLICIES

- Gradually ease monetary policy where inflation momentum is set to slow further, push-back against overly optimistic investor expectation for easing where inflation remains above target
- Focus on gradual and sustainable fiscal adjustment to rebuild buffers and reduce debt risks
- Mitigate vulnerabilities: ensure bank resilience against credit risk, address nonbank leverage and liquidity mismatches
- Engage in international cooperation on trade and climate

Higher macroeconomic uncertainty raises risks to macrofinancial stability.

Effect of Macroeconomic Uncertainty on Growth-at-Risk at Different Horizons

(percentage points, lowest decile of cumulative GDP growth distribution)



Source: IMF, Global Data Source and International Financial Statistics databases; Organisation for Economic Co-operation and Development, Main Economic Indicators database; and IMF staff calculations.

POLICIES

- Establish credible policy frameworks
- Clearly communicate policies
- Adopt adequate macroprudential policies
- Limit the buildup of public debt
- Build reserve buffers and allow exchange rate flexibility to cushion against spillovers from global uncertainty

Artificial intelligence adoption and capital markets.

Risks Associated with Large-Scale Adoption of Sophisticated AI

(Share of market participant responses)

KEY RISKS:

- Herding and market concentration
- Vendor concentration
- Market fragility and manipulation
- Cyber risks
- Job replacement



OTHER RISKS:

- Model explainability
- Hallucinations
- High costs
- Unauthorized data
- Reputational risks
- EMDE fragmentation



POLICIES

- Address increased market speed and volatility under stress
- Promote transparency and AI monitoring
- Reduce operational risks on concentrated AI service providers
- Ensure market integrity in over-the-counter markets

Source: IMF, October 2024 Global Financial Stability Report market intelligence; and IMF staff calculations. Note: Deepfake risks are included in cyber risk. The size and color of the bubbles represent the share of relevant AI risks according to market participants. AI = artificial intelligence; EMDE = emerging market and developing economies.