

The International Monetary Fund has warned that rising leverage among private-credit borrowers and growing liquidity pressures could amplify financial stress if global economic conditions deteriorate.

In its *Global Financial Stability Report*, released on Tuesday, October 13, the IMF highlighted vulnerabilities in private credit, including growing borrower leverage and the risk that funding pressures could restrict lending.

The global direct-lending market is worth about \$2 trillion, according to figures cited by the IMF during an April 2026 press briefing. The market comprises investment funds and other non-bank lenders that provide loans directly to companies, offering an alternative to conventional bank financing.

The sector's expansion has increased its importance to financial stability. Although private credit gives businesses another source of funding, the IMF has warned that high debt levels and limited liquidity could leave some borrowers and lenders exposed when financial conditions tighten.

In its latest report, the fund said global financial markets had remained resilient despite multiple economic and geopolitical shocks. However, it cautioned that resilience should not be mistaken for an absence of risk.

The IMF identified several threats to financial stability, including rising government bond yields, elevated debt and the possibility of a correction in artificial intelligence-related investments. It also warned that vulnerabilities among non-bank financial institutions could amplify market shocks.

Private-credit funds are among the institutions facing scrutiny because they lend to companies while often holding assets that cannot be sold quickly without losses. If borrowers struggle to repay loans or investors seek to withdraw money from funds that permit redemptions, liquidity pressures could intensify.

During its April briefing, the IMF estimated that about 15% of the global direct-lending market, equivalent to roughly \$300 billion, was held in semi-liquid structures that allow investors to redeem their money periodically. It said default rates, then estimated at around 2% to 3%, could rise to between 4% and 6% under adverse conditions.

The fund also warned that financial stress could spread through links between non-

bank lenders and traditional banks, insurers and pension funds. These connections mean losses or funding difficulties in one part of the financial system could affect other institutions.

The IMF's October report said banks remained broadly resilient under stress tests, although weaker institutions and vulnerabilities among non-bank financial firms could magnify a downturn.

Private credit continues to provide financing to businesses worldwide, but the IMF's findings highlight the importance of monitoring debt levels, liquidity arrangements and links between financial institutions as the market grows.

The nearly \$2 trillion estimate refers to the global direct-lending market, not Africa specifically. The IMF's findings concern international financial stability and should not be interpreted as a warning directed specifically at African borrowers.