

Macro Roundup Article

Headline: [The Corporate Debt Maturity Wall: Implications for Capex and Employment](#)

Article Link: <https://www.gspublishing.com/content/research/en/reports/2023/08/07/d2ab6cef-d9ea-453f-b4fa-912d22ab09ee.html>

Author(s)	Ronnie Walker and Sienna Mori
Publication	Goldman Sachs
Publication Date	August 07, 2023

Tweet: [@GoldmanSachs](#) notes the mean interest rate on corporate debt will rise from 4.2% this year to 4.5% in 2025, adding that “for each additional dollar of interest expense, firms lower their capital expenditures by 10¢ and labor costs by 20¢”

Summary: We estimate that the average interest rate on the current stock of corporate debt will rise from 4.20% in 2023 to 4.30% in 2024 and 4.50% in 2025, based on our assumptions about the future path of Fed policy and market interest rates. This would imply that private sector interest expense as a share of current private sector gross output will rise from 3.35% in 2023 to 3.40% in 2024 and 3.60% in 2025, an increase of 0.25pp from 2023 to 2025. The increase in interest expense that we estimate would therefore reduce capex growth by 0.10pp in 2024 and 0.25pp in 2025 and labor cost growth by 0.05pp in 2024 and 0.15pp in 2025.

Related Articles: [Data Update 3 for 2023: Interest Rates and Bond Returns](#)

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Other Source

Permalink: <https://www.edwardconard.com/macro-roundup/goldmansachs-notes-the-mean-interest-rate-on-corporate-debt-will-rise-from-4-2-this-year-to-4-5-in-2025-adding-that-for-each-additional-dollar-of-interest-expense-firms-lower-their-capita?view=detail>

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2023/08/Rolling-Over-Debt.png>