

Covid-19 leads to rising global debt

The International Monetary Fund's (IMF) latest Fiscal Monitor report estimates that last year global debt, issued by governments, nonfinancial corporations, and households, reached \$226tn and increased by \$27tn owing to the Covid-19 pandemic



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High and growing levels of public and private debt are associated with risks to financial stability and public finances.

Both the level and the pace of increase are record highs. We know that high and rising debts increase risks to financial stability and public finances,” says Vitor Gaspar, director of the IMF's fiscal affairs department.

Gaspar emphasises that countries with a high credibility fiscal framework benefit from better bond market access. They also experience lower interest rates on sovereign bonds.

“A strong message from the fiscal monitor is that fiscal credibility pays off. Countries that have credible fiscal frameworks benefit from better and cheaper access to bond markets.

“That's a precious asset to have in an uncertain and difficult times like Covid-19. Fiscal credibility pays off,” adds Gaspar.

Low-income countries

He also recognises that while the international community has provided critical support to alleviate fiscal vulnerabilities in low-income countries, still more is needed.

“In 2020, the IMF's rapid financing and the G20 Debt Service Suspension Initiative contribute to make resources available to the countries that need it the most. But more is needed.

“With a general allocation of Special Drawing Rights (SDR) of \$650bn, liquidity has been provided, but much more could be achieved if rich countries would make part of their resources available to the developing world.

By doing so, donors would be contributing to fighting the pandemic and to the achievement of sustainable and inclusive growth,” says Gaspar.

Read the full report <https://www.imf.org/en/Publications/FM/Issues/2021/10/13/fiscal-monitor-october-2021>here

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