Global South debt payments increase almost 50% in two years

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Government external debt payments reach highest level in the last decade following commodity price falls and rising value of the US dollar. Figures released before US Federal Reserve meeting where interest rates are expected to be increased again, which will push debt payments higher.

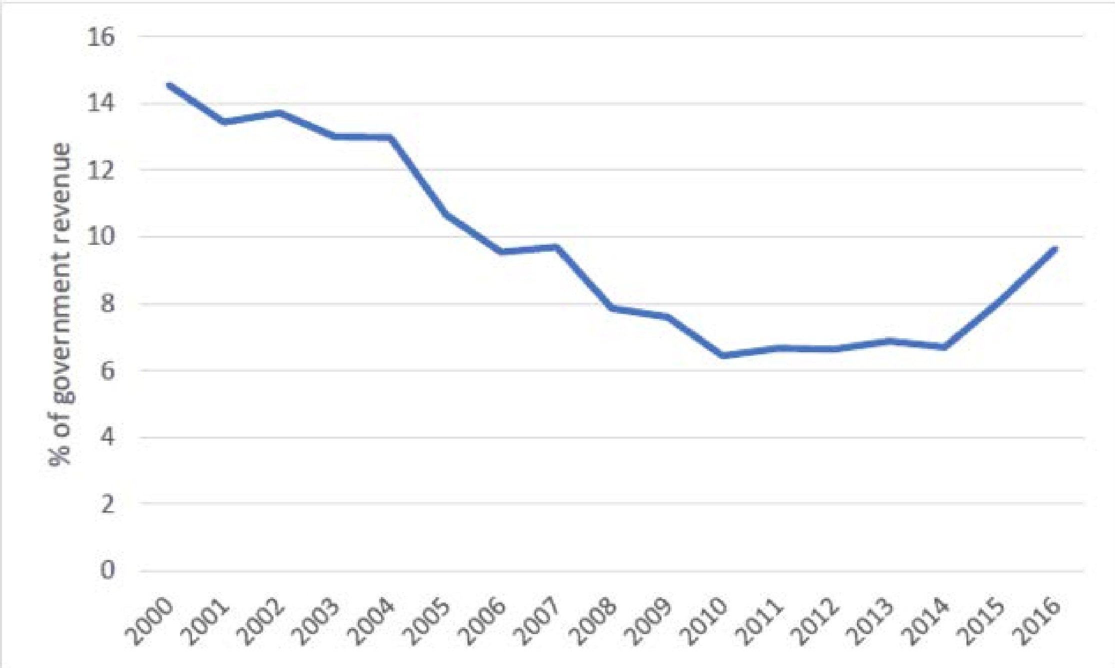
Figures released today by the Jubilee Debt Campaign, based on IMF and World Bank databases, show that developing country debt payments increased by 45% between 2014 and 2016 [1] They are now at the highest level since 2007.

The rapid increase comes after falls in commodity prices in mid-2014 and the rising value of the US dollar. These changes have reduced the income of many governments which are reliant on commodity exports for earnings. They have also caused exchange rates to fall against the US dollar, which increases the relative size of debt payments as external debts tend to be owed in dollars.

Low interest rates in Western countries have also driven a large increase in lending to developing countries in recent years. External loans to low and lower middle income countries have more than quadrupled between 2008 and 2016, from $56 billion to $262 billion.

The new figures from Jubilee Debt Campaign show that average government external debt payments across the 122 developing countries for which data is available have increased from 6.7% of government revenue in 2014 to 9.7% of government revenue in 2016, an increase of 45%. This is the highest level since 2007, when such payments were also 9.7% of government revenue (see graph below).

Developing country government average (mean unweighted) external debt payments, as a proportion of government revenue, 2000 – 2016



Tim Jones, economist at the Jubilee Debt Campaign, said:

"*The rapid increase in debt payments in many countries comes after a boom in lending, a fall in commodity prices, the rising value of the US dollar and now increasing dollar interest rates. This is putting pressure on government budgets, just when more spending is needed to meet the Sustainable Development Goals.*

"In countries where debt crises have arisen, the danger is that IMF and other loans will bail out reckless lenders, increasing debt burdens, and leading to years of economic stagnation, just as in Greece. Instead, reckless lenders should be made to shoulder some of the costs of recent economic shocks by accepting lower payments."

Countries with the highest debt payments in 2016 include:

• Commodity producers which have been hit by price falls, including Ghana, Mozambique, Angola, Laos and Chad

• Countries on the frontline of refugee flows from Syria – Lebanon and Jordan

• Small states which were previously considered 'too rich' to benefit from significant debt relief initiatives, including Grenada, Jamaica and the Dominican Republic.

Mozambique started defaulting on its debt in January 2017. In April 2016, the IMF suspended its loans bailing out Mozambique's previous lenders, after it was revealed that two London banks, Credit Suisse and VTB Capital, had lent $1.1 billion to two companies in Mozambique, with government guarantees, without the loans being made public, agreed by the Mozambique parliament or disclosed to the IMF.

Developing country external debt payments fell between 2000 and 2010 because of rising prices of commodity exports and the Heavily Indebted Poor Countries Initiative, which cancelled almost $130 billion of debts owed to governments and multilateral institutions for 36 low and lower middle income countries.

The twenty countries with the highest debt payments in 2016 were:

Country	**External debt payments as proportion of government revenue**	**Distinguishing features**	**Recipient of HIPC debt relief**
Angola	44%	Oil producer	No
Lebanon	42%	Hosting large refugee population	No
Chad	39.2%	Oil producer	Yes
Ghana	36.8%	Oil and gold producer	Yes
Bhutan	27.1%	Small state, large debts linked to hydropower	No

Country	External debt payments as proportion of government revenue	Distinguishing features	Recipient of HIPC debt relief
Montenegro	26.8%	Recession after 2008 financial crisis	No
Sri Lanka	23.7%	High debt for many years but no meaningful cancellation	No
Grenada	23.5%	Small state, high debt since hurricanes in 2004 and 2005	No
Jamaica	23.1%	Small state, high debt for many years but no meaningful cancellation	No
Gambia	21.9%	Debt from past dictator	Yes
Fiji	21.5%	Small state	No
Belize	20.9%	Small state, high debt for many years but no meaningful cancellation	No
Mozambique	20.2%	Metals and fossil fuels producer	Yes
Malawi	18.3%	Flood and droughts	Yes
Lao PDR	18.2%	Metals producer	No
Jordan	17.5%	Hosting large refugee population	No
Tunisia	16.6%	Debt from past dictator	No
Dominican Rep	16.3%	Small state, high debt for many years but no meaningful cancellation	No
Gabon	16.1%	Oil producer	No
Marshall Islands	15.1%	Small state	No

Some notes:

1. For more detailed information see our briefing: 'The new debt crisis in the global South' which includes full data tables for all 122 countries

2. The IMF's commodity price index fell from 185 in June 2014 to a low of 83 in January 2016. It has since increased to 117 as of January 2017, but this is still 37% below levels in mid-2014.

3. Bloomberg’s dollar spot index has risen from 80 in June 2014 to 102 as of 8 March 2017, an increase of 27.5%.

4. For example, since mid-2014, there have been the following falls in currency against the US dollar:

Mozambique metical: down 56%

Malawian kwacha: down 45%

Angolan kwanza: down 41%

Ghanaian cedi: down 36%

Tunisian dinar: down 27%

Source: http://jubileedebt.org.uk/press-rel...

http://www.cadtm.org/Global-South-debt-payments