



By: TA | AP Brief

# IMF chief urges wealthy nations to rein in debt to ease global economic pressure



The U.S. and other wealthy nations need to urgently tackle mounting global debt levels that are weighing most heavily on low-income countries and straining the global financial system, the head of the International Monetary Fund said Wednesday.

IMF Managing Director **Kristalina Georgieva** said Treasury Secretary Scott Bessent and other U.S. leaders recognize that the federal deficit and national debt are too high.

But economic growth alone would not be enough to address the country's more than \$40 trillion in national debt, she said.

Meanwhile, **rising bond yields**, reflecting higher premiums demanded by investors for taking on greater risk, have been disrupting financial markets.

"We believe that growth, of course, helps, but it cannot deliver fast enough the necessary adjustments," Georgieva said at the autumn meeting of the IMF and World Bank in Bangkok.

"There is no magic," she said, adding that other measures would be needed. "You have to go in a direction of tightening, bringing it down, bringing the deficit down."

## 'Fiscal consolidation' faces challenges

Rising debt levels and global inflation, partly resulting from high energy costs due to the Iran war, have pushed interest rates to multidecade highs, adding to the burdens of the world's poorest nations.

Efforts to bring debt under control with what Georgieva and other experts call "fiscal consolidation" have suffered setbacks from heavy spending during the COVID-19 pandemic and since.

"Fiscal risks are rising, and a proper reaction is largely absent in many countries," said Rodrigo Valdes, director of the IMF's Fiscal Affairs

Department. "And in major advanced economies, the effect of fiscal indiscipline does not stop at the border. It travels to the rest of the world."

**Among the world's poorest countries, interest payments have reached historic highs relative to revenue**

"Among the world's poorest countries, interest payments have reached historic highs relative to revenue, and declining amounts of aid are creating gaps that some countries have been unable to finance," the IMF's latest Fiscal Monitor said.

That is forcing countries to make hard choices between supporting their most vulnerable people and meeting their debt repayment obligations.

"The Global South is paying the price for rising interest rates in wealthier countries," U.K. Foreign Secretary Ed Miliband said at an event on the sidelines of the IMF meetings.

"We need a new deal on debt, a deal that supports countries to repay over longer time horizons and, crucially, refinancing with better rates to give developing countries precious fiscal space," he said.