



Governments on road to collapse as global supply chain crisis, inflation worsen; Sri Lanka now suspending foreign debt payments

Description

The supply chain crisis caused by entire countries shutting down for months over a virus that had a 99.5 percent survival rate is now being exacerbated by the war in Ukraine and new lockdowns in some producer countries, and is now causing some countries so much economic stress they are defaulting on their debts.

Sri Lanka, which is currently undergoing massive unrest due to a tanking economy, has announced that in order to preserve what dollar reserves it has in order to buy food and energy for its people, it will suspend its debt payments, likely triggering outright defaults that could produce a domino effect.

“Sri Lanka warned of an unprecedented default and halted payments on foreign debt, an extraordinary step taken to preserve its dwindling dollar stockpile for [essential food and fuel imports](#),” Bloomberg Quint reported this week as the situation in the Asian nation deteriorated.

All payments to bondholders, bilateral creditors and institutional lenders that are currently outstanding have been suspended until the Finance Ministry can arrange a debt restructuring plan, according to a Tuesday statement.

Nandalal Weerasinghe, who is the newly appointed governor of Sri Lanka’s central bank, told a press briefing that the government is attempting to negotiate with creditors but is also warning there could be a default. Measures being taken now are “a last resort in order to prevent a further deterioration of the Republic’s financial position,” the finance ministry said.

“It is now apparent that any further delay risks inflicting permanent damage on Sri Lanka’s economy and causing potentially irreversible prejudice to the holders of the country’s external public debts,” the ministry added.

The announcement comes among calls for President Gotabaya Rajapaksa and his brother, Prime Minister Mahinda Rajapaksa, to resign, though so far both have refused to do so. Gotabaya has called instead for “unity and better understanding” earlier this week as he greeted citizens for the Sinhala and

Tamil New Year festival amid rising angst over skyrocketing inflation that is currently running at 20 percent year-over-year and daily electricity cuts that often last as long as three hours.

Gotabaya's party has also lost its parliamentary majority and bailout talks with the International Monetary Fund are likely to be delayed even further, Bloomberg Quint noted.

The Finance Ministry said that government talks with the IMF will be expedited, while officials there said they wanted to avoid a hard default. Rajapaksa's government is also attempting to get financial assistance from India and China, the latter of which is one of Sri Lanka's biggest creditors at present.

"China has been doing its utmost to provide assistance to the socio-economic development of Sri Lanka, and will continue to do so going forward," a said Foreign Ministry representative at a Tuesday briefing.

According to the report, Sri Lanka's dollar bonds, which are due in July, fell 3 cents to a new record low of 45.73 on the dollar. In addition, the rupee also fell while the country's stock market was shuttered this week ahead of the public holidays while trading has been truncated anyway due to daily power outages.

"The market was expecting this default to come," Carl Wong, head of fixed income at Avenue Asset Management, which no longer holds Sri Lankan bonds, told Bloomberg Quint. "Now we have to see how the new government handles the onshore chaos while talking to IMF."

The country has roughly \$12.5 billion in outstanding euro bonds and the next payments are due April 18, according to data seen by Bloomberg. Then, the government is expected to pay out \$36 million in interest on a bond that matures in 2023, as well as \$42.2 million on a 2028 loan. There are a wave of other payments due for Sri Lanka this year as well, including \$1.03 billion in principle and interest on a maturing note that is due July 25.

The [global debt of nations is worsening](#) thanks to the ongoing crisis in the supply chain amid worsening inflation. The collapse is just a matter of time if the trajectory remains the same.

Sources include:

[BloombergQuint.com](https://www.bloombergquint.com)

[NaturalNews.com](https://www.naturalnews.com)

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