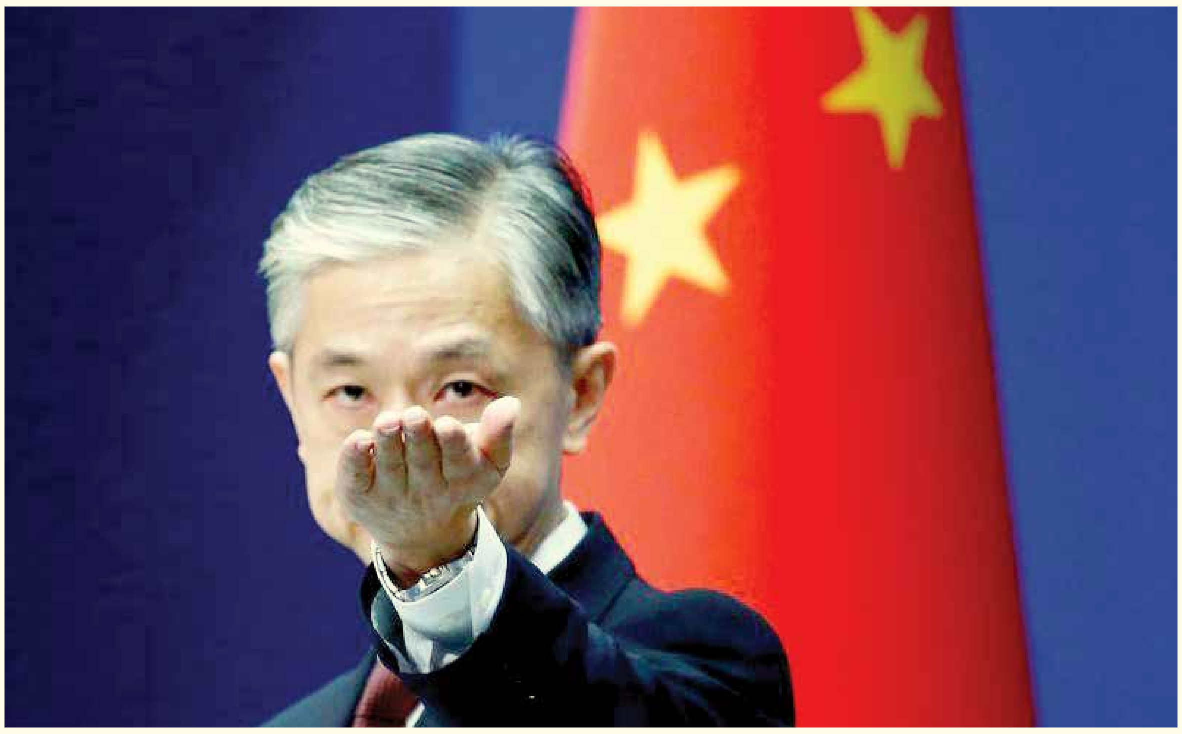
West is the main creditor of developing countries: China



Chinese Foreign Ministry spokesman Wang Wenbin
● TINGSHU WANG/REUTERS

Chinese Foreign Ministry spokesperson maintained that the increasing debt of developing countries has mainly come from Western commercial creditors and multilateral institutions in recent years.
Wang Wenbin added that developing countries' long-term debt payments have mainly flowed to Western commercial creditors and multilateral institutions, according to Reuters.
Wenbin was refuting an accusation made by a top adviser to U.S. Treasury Secretary Janet Yellen, who warned on Tuesday that China's so-called foot-dragging on debt relief could burden dozens of low- and middle-income countries with years of debt servicing problems, lower growth and underinvestment.
Yellen's counselor Brent Neiman criticized what he sees as China's "unconventional" debt practices and its failure to move forward with debt relief at an event at the Peterson Institute for International Economics.
"China's enormous scale as a lender means its participation is essential," Neiman admitted in the speech, citing estimates that China has $500 billion to $1 trillion in outstanding official loans, mainly to low and middle-income countries.
Many of those countries are facing debt distress after borrowing heavily to combat COVID-19 and its economic fallout.
Now, the Ukraine War, Neiman said, has caused food and energy prices to soar, while rising interest rates in advanced economies have triggered the biggest net capital outflows from emerging markets since the global financial crisis.
He said a systemic debt crisis had not materialized, but economic stresses and domestic vulnerabilities were increasing and could grow worse.
Neiman placed a unique responsibility on China on debt issues since it is the world's largest bilateral creditor, with claims surpassing those of the World Bank, the International Monetary Fund and all Paris Club official creditors combined.
During a regular media briefing, Wenbin explained that Western commercial and multilateral creditors were the main creditors of developing nations, not China.
"The relevant remarks by the U.S. side are not in accordance with the facts."
Neiman's critique of China's debt practices marks the latest salvo by Western officials and the leaders of the World Bank and IMF.
As many as 44 countries each owed debt equivalent to more than 10% of their gross domestic product to Chinese lenders.
Beijing signed up to the Common Framework for debt treatments agreed by the Group of 20 major economies and the Paris Club in late 2020.
Neiman cited China's past actions on Ecuador's debt in 2020 and its refusal to restructure its debt service for Argentina, even though Paris Club creditors were likely to do so.
"In many of these cases, China is not the only creditor holding back quick and effective implementation of the typical (debt restructuring) playbook. But across the international lending landscape, China's lack of participation in coordinated debt relief is the most common and the most consequential."

Reserve Bank of Australia takes $30bn hit on bond purchases

Australia's central bank has revealed that it has lost A$44.9 billion ($30 billion; £26.3 billion) on the bonds it bought as part of its efforts to support the country's economy during the pandemic.
The Reserve Bank of Australia's (RBA) deputy governor says that it wiped out the bank's profit for the 2021–22 year, leaving a net loss of A$36.7 billion, BBC reported.
The bonds were accumulated under a A$300 billion emergency stimulus programme.
However, the bank says the loss will not affect its normal operations.
"If any commercial entity had negative equity, assets would be insufficient to meet liabilities and therefore the company would not be a going concern," RBA deputy governor Michele Bullock said.
"Since it has the ability to create money, the bank can continue to meet its obligations as they become due," she added.
The RBA said it plans to keep the bonds until they mature, which means it is likely to eventually make a profit.
Bullock also highlighted that other central banks around the world face similar losses on their emergency stimulus programmes.
For example, in July the Swiss National Bank reported a first-half loss of 95.2 billion Swiss francs ($98.7 billion; £87 billion). That was its biggest loss since it was founded more than a century ago.
On Tuesday, the minutes of the RBA's last meeting said its interest rates are now getting closer to "normal settings" after a series of cuts during the pandemic.
The bank raised its main interest rate by half a percentage point for the fourth month in a row at its meeting on 6 September.
Central banks around the world are putting up the cost of borrowing and removing other emergency economic stimulus measures as try to keep the soaring cost of living in check.

A pedestrian walks past the main entrance to the Reserve Bank of Australia head office in central Sydney, Australia, on September 6, 2021.
● DAVID GRAY/BLOOMBERG

Greece extends energy bill subsidies ahead of 'winter battle'

A high-voltage power station is seen near the open-pit mine field of Megalopolis, Greece, on June 9, 2022.
● VASSILIS TRIANDAFYLLOU/REUTERS

Greece will pay out a further 1.1 billion euros ($1.09 billion) in power bill subsidies in October to shield households and businesses from the impact of soaring energy prices ahead of winter, Energy Minister Kostas Skrekas said on Wednesday.
Like other European countries, the financially troubled country of Greece is grappling with a sharp rise in power bills in recent months, driven by rocketing gas prices, according to Reuters.
So far, it has devoted over nine billion euros to power subsidies and other measures since last September to help households, businesses and farmers pay their electricity and gas bills.
Starting in October, the government will implement three scales of subsidies for electricity bills, with the total amount worth 1.1 billion euros, Skrekas said.
For households with monthly electricity consumption of up to 500 kilowatt hours — the majority of Greek homes — the subsidy will reach 436 euros per megawatt hour, absorbing 90% of the rise in bills.
For those consuming 501 to 1,001 kilowatt hours per month, and those consuming over 1,001 kilowatt hours, the subsidy will absorb 70–80% of the increase.
Consumers who cut their average daily consumption by 15% compared to last year will be given an additional 50-euro subsidy per megawatt hour, Skrekas said.
For businesses consuming over 2,000 kilowatt hours, the subsidy will reach 398 euros per megawatt hour, and farmers will be given a subsidy of 436 euros per megawatt hour.
Greece has imposed a cap on payments to power producers to reflect their real production costs, effectively scrapping a surcharge on electricity bills, with proceeds earmarked to help it finance power subsidies.

Sri Lanka inflation rate surges to 70.2% in August

Sri Lankan rupees are seen in a bowl at a vegetable vendor's shop amid the rampant food inflation, amid Sri Lanka's economic crisis, in Colombo, Sri Lanka, on July 29, 2022.
● KIM KYUNG-HOON/REUTERS

Consumer inflation in Sri Lanka accelerated to 70.2% in August, the country's statistics department said on Wednesday, as the island nation reels under its worst economic crisis in decades.
The National Consumer Price Index (NCPI) (LKNCPI=ECI) rose 70.2% last month from a year earlier, after a 66.7% increase in July, Reuters reported.
In a statement issued by the Department of Census and Statistics, it was detailed that food prices climbed 84.6%, while prices of non-food items rose 57.1%.
The Central Bank of Sri Lanka (CBSL) said in August that the inflation rate would moderate after peaking at about 70% as the country's economy slowed.
The NCPI captures broader retail price inflation and is released with a lag of 21 days every month.
The more closely monitored Colombo Consumer Price Index (CCPI) (LKCCPI=ECI), released at the end of each month, rose 64.3% in August.
It acts as a leading indicator for national prices and shows how inflation is evolving in Sri Lanka's biggest city.
Sri Lanka's economy shrank 8.4% in the quarter through June from a year ago in one of the steepest declines seen in a three-month period, amid fertiliser and fuel shortages.
"Inflation is expected to taper from September," said Dimantha Mathew, head of research for Colombo-based investment firm First Capital.
"However, inflation is only likely to moderate and reach single digits in the second half of 2023."
An acute dollar shortage, caused by economic mismanagement and the impact of the COVID-19 pandemic, has left Sri Lanka struggling to pay for essential imports including food, fuel, fertiliser and medicine.
The country earlier this month reached a preliminary deal with the International Monetary Fund for a loan of about $2.9 billion, contingent on it receiving financing assurances from official creditors and negotiations with private creditors.