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Headline: Rising Rates Slowing Growth Through Higher Debt Servicing Costs

Article Link: https://apolloacademy.com/rising-rates-slowing-growth-through-higher-debt-servicing-costs/

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Tweet: Torsten Sløk @apolloglobal argues that higher debt servicing costs will make it difficult to keep interest rates elevated.

Summary: The annual debt servicing cost of the US government is close to $1 trillion, and the net interest expense as a share of total government revenues is near all-time high levels. Higher rates are not only slowing down consumers and corporates through higher borrowing costs. Higher rates are also a drag on growth through higher debt servicing costs for the government. In other words, higher debt servicing costs are impacting not only consumers and corporates but also the government. The bottom line is that when government debt levels are high, it is more difficult for interest rates to stay elevated for a long time because the negative impact on the economy of higher rates is also working through higher debt servicing costs for the government. Related: Interest Rates Hit 16-Year Record and Is a U.S. Debt Crisis Looming? Is it Even Possible? and US Fiscal Alarm Bells Are Drowning Out a Deeper Problem

Primary Topic: Business Cycle

Topics: Business Cycle, Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Op-Ed/Blog Post

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