Emerging Sovereign Debt Markets NEWS

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China’s Bond Connect program reported robust business

China’s Bond Connect program reported robust business

13-Apr-2020

BEIJING, April 13 (Xinhua) -- Trading volume under China’s Bond Connect program in March reached 478.2 billion yuan (about 68.31 billion U.S. dollars), according to the China Foreign Exchange Trade System (CFETS).

In spite of the global outbreak of COVID-19, the program has been operating in a robust manner, with headway in both primary and secondary markets, the CFETS noted in its monthly report for the program. The program saw a total of 5,007 trade tickets, with an average daily turnover at 21.7 billion yuan last month, the report showed.

In breakdown, policy financial bonds and treasury bonds accounted for 50 percent and 30 percent of the total trading volume in March, respectively.

Turnover of trading in negotiable certificates of deposit accounted for 16 percent of the monthly trading volume, according to CFETS. The Bond Connect program, launched in July 2017, is a mutual market access scheme which allows overseas investors to invest in the Chinese mainland’s interbank bond market using financial institutions on the mainland and in Hong Kong. Enditem

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China
China says it appreciates G20 consensus, will make contributions to debt relief efforts

16-Apr-2020
BEIJING, April 16 (Reuters) - China appreciates the G20 consensus to suspend bilateral debt payments by the poorest countries and will make its contribution to the debt relief efforts, the finance ministry said.

China's Finance Minister Liu Kun made the remarks on April 15 during the G20 finance ministers and central bank governors meeting, the ministry said in a statement on Thursday.

Earlier this week, major international creditors reached an agreement to suspend debt payments of the world's poorest countries this year to help them deal with the coronavirus pandemic that has sparked the steepest downturn in the global economy since the 1930s.

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China urges World Bank to suspend debt payments for poorest countries

17-Apr-2020
By David Lawder
WASHINGTON, April 16 (Reuters) - China on Thursday urged the World Bank to allow its poorest borrowers to suspend debt payments while they deal with the coronavirus pandemic, saying the world's biggest multilateral development bank should "lead by example."

Chinese Finance Minister Liu Kun said in a statement to the World Bank's Development Committee that all parties should take part in joint actions agreed by Group of 20 countries to address debt vulnerabilities amid the pandemic, including commercial, multilateral and ofﬁcial bilateral creditors.

Liu said debt service suspension by the World Bank Group's International Development Association arm would be "net present value-neutral" and would not hurt its credit rating.

If the World Bank Group "fails to participate in collective actions for suspending debt service payments, its role as a global leader in multilateral development will be seriously weakened, and the effectiveness of the initiative will be undermined," Liu said.

On Wednesday, the G20 major economies agreed to suspend bilateral official debt service payments for the world's poorest countries through the end of the year, a move quickly matched by a group of hundreds of private creditors. It was expected to free up more than $20 billion for the countries to spend on fighting the coronavirus outbreak.

"As a responsible bilateral creditor, China will actively engage in bilateral consultations with borrowing countries to put into effect the arrangements for the suspension of debt service payments reached by the G20 through consensus," Liu said.

World Bank President David Malpass, who pushed for the G20 debt initiative, told a meeting of G20 ﬁnance ofﬁcials that debt forbearance by multilateral development banks would require them to maintain creditworthiness.

"Suspendings repayments to MDBs, if not fully compensated by new shareholder contributions, would run the risk of hurting the poor in both the short-term, by reducing our ability to front-load assistance, and in the long-term, by reducing our leveraging capacity," Malpass said in a statement.

CHINA SUPPORTS SDR ISSUE
People's Bank of China Governor Yi Gang said in a separate statement to the International Monetary Fund's steering committee that China supports a general allocation of new Special Drawing Rights, which would boost liquidity for member countries.

U.S. Treasury Secretary Steven Mnuchin on Thursday dashed any hopes for such a new issuance of IMF monetary reserves at the present time, saying it would do little help the poorest countries and most of the beneﬁts would flow to wealthier countries that do not need them.

Sources familiar with the IMF's deliberations on the issue told Reuters this week that the United States was also opposed to the fund's providing new resources to Iran and China with no conditions.

"We also support a timely allocation of Special Drawing Rights (SDRs), which has been proved as an agile and effective measure in previous crises response," Yi said.

In 2009, the IMF allocated $250 billion in new SDRs to its members, providing a liquidity boost during the depths of the last financial crisis.

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India

India's debt-to-GDP ratio likely to rise to 76% owing to wider fiscal deﬁcit, low economic growth: Fitch 16-Apr-2020

India, April 16 -- Fitch Ratings has said that the Indian government has less ﬁscal room to support the economy compared to many of its peers and the country's credit proﬁle would
India needs to look at monetisation of deficit with exit strategy
16-Apr-2020
By Siddhi Nayak
NewsRise
MUMBAI (Apr 16) -- India needs to consider monetisation of deficit as part of an overall funding package to cushion the economic threats posed by the coronavirus outbreak, a member of the Prime Minister’s Economic Advisory Council said today.

“It should come with a clear exit strategy and timeline as well, in which case India can do this without too much of impact on the currency or the inflation risk in the bond yield,” V Anantha Nageswara, CNBC-TV18 channel today, adding that he was making the comments in his personal capacity.

Nageswara also said that India needs to provide working capital support to businesses and offer first-loss guarantee as part of next economic stimulus steps.

The country needs a package now that will address the liquidity and cash availability concerns of businesses, the member said, adding that problems in the financial sector may “become worse” if the sovereign does not step in now.

Indonesia expects narrower budget deficit, economic recovery in 2021
14-Apr-2020
JAKARTA, April 14 (Reuters) - Indonesia's government will try to manage the 2021 budget deficit at around 3%-4% of gross domestic product (GDP), assuming economic growth accelerates to a range of 4.5%-5.5% next year, its finance minister said on Tuesday.

Sri Mulyani Indrawati's forecast for 2020 GDP growth is 2.3%, while her estimate for this year's fiscal deficit is 5.07% of GDP.

Next year’s fiscal policy would be aimed at supporting an economic recovery after the coronavirus outbreak passes, Indrawati told an online news conference.

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beginning this April-June, the country's finance minister said.
Sri Mulyani Indrawati said on Tuesday her worst case scenario, assuming a prolonged outbreak, is for gross domestic product to shrink by as much as 2% in the second quarter, followed by another contraction in the third quarter. "Two times of contraction and we will enter a recession. We strive for this not to happen," she told an online news conference.
Indrawati previously said her baseline scenario is for 2020 GDP growth of 2.3%.

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Bank Indonesia - Indonesia’s External Debt Growth in February 2020 Slowed
15-Apr-2020
Indonesia's external debt experienced slower growth at the end of February 2020. The external debt position was recorded at USD407.5 billion, consisted of public debt (government and central bank) of USD203.3 billion, as well as private debt (including state-owned enterprises) of USD204.2 billion. Indonesia's external debt decelerated to 5.4% (yoy) from 7.6% (yoy) in the previous month, stemming from a lower government external debt growth.

Government external debt growth decelerated from the previous month. Outstanding of government external debt was recorded at USD200.6 billion in February 2020, which grew by 5.1% (yoy), decreasing from 9.5% (yoy) in the previous month. An adverse impact of COVID-19 outbreak has influenced global sentiment, triggered capital outflow from the domestic government securities (SBN) market hence causing a decline in the government’s external debt. The management of government external debt is conducted in a prudent and credible manner to support government spending towards priority sectors to promote economic growth and improve public welfare. These priority sectors include human health & social work activities sector (23.4% of government external debt), education sector (16.3%), construction sector (16.2%), financial & insurance sector (12.8%), and public administration, defense & compulsory social security sector (11.6%).

Private external debt growth was stable. At the end of February 2020, private external debt grew 5.9% (yoy), relatively the same from the previous month. Such development was influenced by a slowed expansion in the nonfinancial corporation external debt amidst an increase in the financial corporation external debt. External debt of nonfinancial corporation grew by 6.9% (yoy) in February 2020, slowed from 7.7% (yoy) in January 2020. Meanwhile, the financial corporation external debt growth accelerated from 0.3% (yoy) in January 2020 to 2.7% (yoy) in February 2020. Several sectors with the largest share of external debt, amounted to 77.4% of total private external debt, were the financial & insurance sector, electricity, gas, steam & air conditioning supply sector, mining & drilling sector, and manufacturing sector.
Indonesia's external debt maintained a healthy structure supported by the prudential principle application in its management. The condition was among others, reflected in the indicator of Indonesia's external debt to Gross Domestic Product (GDP) ratio in February 2020 at 35.9%, down from 36.3% in the last period. In addition, the debt structure remained dominated by long-term debt, accounted for 89.2% of the total external debt.

Bank Indonesia, in close coordination with the Government, continues to monitor external debt by promoting the prudential principle application in its management to maintain a solid external debt structure. Furthermore, external debt's role will also be optimized in supporting development financing without incurring the risks which may affect macroeconomic stability.

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Indonesia central bank may start buying new govt bonds in two weeks
17-Apr-2020
JAKARTA, April 17 (Reuters) - Indonesia's central bank will be prepared to buy government bonds in the primary market in two weeks, governor Perry Warjiyo told reporters on Friday, but reiterated that Bank Indonesia (BI) will buy bonds only as a last resort.
BI and the government is currently smoothing out the technicalities for the policy, announced earlier this month, as the government braces for higher fiscal deficit amid spending expansion for coronavirus response.
Warjiyo said the central bank will only be allowed to buy 25% of the targeted amount in each auction. The Finance ministry hold weekly auction for rupiah debt sales.

(Reporting by Tabita Diela, Fransiska Nangoy, Gayatri Suroyo; Editing by Toby Chopra)
(©Reuters)
outbreak
17-Apr-2020
By Gayatri Suroyo and Tabita Diela
JAKARTA, April 17 (Reuters) - S&P Global Ratings on Friday revised Indonesia's credit rating outlook to "negative" from "stable", indicating the rising financial risks the country faces as it ramps up government spending in response to the coronavirus outbreak.

S&P had raised Indonesia's debt rating to BBB in May 2019, on a par with ratings awarded by two other major credit rating agencies Fitch and Moody's.

A negative outlook means an expectation that a credit issuer's finances may worsen and the agency may downgrade its rating as its next move.

"Indonesia's external position has weakened following considerable depreciation of the rupiah, and the government's debt burden will be materially higher over the next few years owing to strong counter-cyclical fiscal measures," S&P said.

It said it would lower the country's rating if the economy suffers a deeper or more prolonged slowdown over the next two years, or if fiscal or external positions deteriorate more than expected, though it would revise the outlook back to stable if they improve.

Indonesia's rupiah depreciated rapidly last month but has since pared its losses. It is down about 10% so far this year and closed at 15,400 per dollar on Friday.

Meanwhile, the government has shifted its budget dramatically to increase spending on healthcare and welfare programmes to respond to the coronavirus outbreak, which as of Friday has infected 5,923 people and killed 407.

The government has issued an emergency regulation to waive a fiscal deficit ceiling of 3% of GDP to allow for the fiscal deficit to widen to 5.07% in 2020.

S&P expects a deficit of 4.7% of GDP this year, still a multi-decade high, and two more years of deficits above 3%.

The government's outlook for 2020 GDP growth is 2.3%. The rating agency expects 1.8%, the weakest since 1999.

Indonesia's central bank governor Perry Warjiyo told a call with investors that S&P had stressed some positive points, mainly on Indonesia's record of prudent economic management.

"Of course there are some negative notes on that because of the short-term condition," Warjiyo said, adding Bank Indonesia and the finance ministry were committed to ensuring their policies to weather the virus outbreak would remain prudent.

Satria Sambijantoro, an economist at brokerage Bahana Sekuritas, said the fact that Indonesia was not downgraded by S&P despite the significant loosening of fiscal rules was a victory, noting downgrades for some Latin American economies.

(Reporting by Gayatri Suroyo and Tabita Diela
Editing by David Holmes)

Iran
IMF's assessment of Iran funding request is "taking time"
15-Apr-2020
By Davide Barbucia
DUBAI, April 15 (Reuters) - The International Monetary Fund is still assessing Iran's request for $5 billion in emergency financing in a process which is taking time partly because of the IMF's limited engagement with Tehran in recent times, a senior IMF official told Reuters.

Iran, the Middle East country worst affected by the new coronavirus outbreak, approached the IMF last month to request the $5 billion from its Rapid Financing Initiative, an emergency programme that aids countries faced with sudden shocks such as natural disasters.

It was Iran's first request for IMF aid since the country's 1979 Islamic Revolution.

"We have received a request for assistance, and since we have had limited engagement with Iran in recent times, the process of obtaining the information we require to assess the request is taking time," Jihad Azour, director of the IMF's Middle East and Central Asia Department, told Reuters.

The Islamic Republic has been struggling to curb the spread of the coronavirus. But the Tehran government is also concerned that measures to limit public activities could wreck an economy already strained by U.S. sanctions reimposed since 2018, when Washington exited an agreement to lift them in return for curbs to Iran's nuclear programme.

Some businesses - including many shops, factories and workshops - resumed operations across the country in recent days.

As of April 14, Iran's death toll from COVID-19 had reached 4,683 and it had 74,877 cases of infected people.

Tehran has blamed the United States and its "maximum pressure" policy for restricting its ability to respond effectively to the coronavirus pandemic.

Iranian President Hassan Rouhani said last week the IMF would be guilty of discrimination if it withholds the money for the country, which is a member of the IMF.

"Any member of the fund has the same rights of access to the IMF financing and resources subject to the fund's rules and approval by the director board," Azour said.

In its 2020 Regional Economic Outlook for the Middle East and Central Asia, published on Wednesday, the IMF said Iran's economy is...
expected to contract by 6% this year, against a 7.6% contraction in 2019. Inflation - which spiked after the United States reimposed sanctions - is expected to hit 34.2% this year, down from a peak of 41.1% last year. Iran, a leading member of the Organization of the Petroleum Exporting Countries (OPEC), is also being hit by a plunge in oil prices. Brent crude futures traded at $29.60 a barrel on Tuesday; Iran would need an oil price of $389.4 per barrel to balance its budget this year, according to the IMF. The IMF forecast the Iranian government's fiscal deficit to widen to 9.9% of gross domestic product this year from a 5.7% deficit last year.

(Reporting by Davide Barbuscia Editing by Mark Heinrich)

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Jordan

Jordan focusing on higher social spending to soften coronavirus blow

16-Apr-2020
By Suleiman Al-Khalidi

AMMAN, April 16 (Reuters) - Prime Minister Omar al Razzaz said on Thursday Jordan's spending priorities have changed to focus on benefits to alleviate hardships suffered by many people under a strict lockdown to stem the spread of the coronavirus.

State finances have been strained by a sharp contraction in economic activity. Razzaz said the government's focus was now on covering immediate "current expenditure" and expanding social spending to cover losses of income from business closures.

Officials say the crisis has derailed Jordan's $14 billion budget for this year including an ambitious plan of capital spending to revive domestic consumption and spur investments.

They say they are in discussions with the International Monetary Fund (IMF) to adjust a recently approved $1.3 billion four-year programme of reforms designed before the crisis to allow for extra funding in social assistance for the poor.

"We have to protect those whose livelihoods have been hurt as a result of the crisis and restore the wheels of production gradually," Razzaz said.

Razzaz announced a multi-million dollar cash payment plan for eligible daily wage earners who lost jobs. The government has already said it had delivered aid to 200,000 needy families among the country's ten million inhabitants.

Economists warn deepening poverty from an economic recession raised the spectre of social unrest in coming months.

The crisis has dashed the government's goal of a turnaround in an aid-dependent economy that has seen sluggish growth in the last few years, hurt by high unemployment and wars in neighbouring countries.

The IMF had supported Jordan's moves to spur growth by accelerating reforms that would eventually bring down a $42 billion public debt, equivalent to 97% of Gross Domestic Product that has spiralled in the last decade.

Central Bank Governor Ziad Fariz has said the coronavirus crisis has made it unlikely Jordan will meet this year's deficit target of 2.3% of GDP and thrown into doubt IMF-backed growth estimates of some 2.1% for 2020.

Razzaz said the government as of next week would allow some shops and professions to reopen and take steps to ease a nationwide curfew that has shut down most businesses except for supermarkets and paralysed daily life.

"We will announce steps that will allow more sectors and professions to return to work," he said, adding that the authorities would relax a nationwide curfew in the country's Red Sea port city of Aqaba.

The agricultural sector, dairy industries and some export-oriented industries such as pharmaceuticals, potash and phosphates have continued to work but construction projects are on hold and most shops have not been allowed to reopen.

(Kuwait)

Kuwait committee lists ways to raise funds as debt law in doubt

14-Apr-2020
DUBAI, April 14 (Reuters) - The Kuwaiti parliament's budgetary committee on Tuesday discussed a long list of alternative ways to raise funds after the speaker of parliament said a proposed public debt law had "almost non-existent" chances of approval.

The Gulf state has suffered from a deep fall in the oil price as the novel coronavirus has destroyed demand, which has made finding ways to allow increased borrowing more urgent. The head of the Kuwait National Assembly's budgetary committee expressed reservations over the proposed law that would make the maximum public debt 20 billion dinars ($64.82 billion), a statement on the parliament's website said.

The alternatives discussed in parliament included suspending the transfer of 10% of state revenues to Kuwait's Future Generations Fund, the committee head Adnan Abdulrasam said. He added that 12 billion dinars had been...
transferred over the past five years to the fund, which is meant to conserve oil wealth for the long term. Kuwait has only ever drawn down the Future Generations Fund once, during the first Gulf War. Kuwait's sovereign wealth fund the Kuwait Investment Authority also manages a large General Reserve Fund, which acts as the main treasurer for the government and receives all revenues.

Kuwait has already dipped into the General Reserve Fund to cover its deficit and has around 14 billion dinars ($44.65 billion) left, a government source told Reuters on condition of anonymity.

Abdulsamad said the Future Generations Fund could also buy illiquid assets held by the General Reserve, instead of the General Reserve selling its assets at low prices. The committee head said costs received by the state Kuwait Petroleum Corporation (KPC) from the government should also be reviewed, saying it had received 3.75 billion dinars in the last fiscal year, "which the committee considers high and exaggerated".

Other sources of funding could come from the central bank, which could legally lend the government up to 1.5 billion dinars and the Kuwait Fund for Arab Economic Development could lend it up to 25% of its capital for housing projects, Abdulsamad said.

Kuwait has announced measures to shore up its economy against the coronavirus pandemic, including soft long-term loans from local banks, and the central bank has asked banks to ease loan repayments for companies affected. Its finance minister last week called for reforms to the Gulf oil producer's public finances, as has Abdulsamad.

($1 = 0.3086 Kuwaiti dinars)
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**Lebanon**

Crisis-hit Lebanese pound weakens to 3,000 to the dollar for first time

14-Apr-2020

BEIRUT, April 14 (Reuters) - The price of scarce dollars hit 3,050 Lebanese pounds on Tuesday for the first time on the country’s parallel market, where a financial crisis has wiped out half the value of the local currency.

The informal market has become a main source of cash for most people since Lebanon plunged into crisis nearly six months ago, dislodging the currency from an official peg of 1,507.5 in place for two decades.

The Lebanese pound has tumbled even more since the coronavirus pandemic forced the country into lockdown in March, with banks turning off the dollar tap.

Two foreign currency exchange bureaus told Reuters dollars traded at 3,050 to the pound on Tuesday, which they said was a first, up from 2,980 the day before.

Local broadcaster LBC called it “a new record, breaking the threshold of 3,000 at some dealers.” Two importers said they were offered rates higher than 3,000 for the first time.

Banking controls have forced most importers - except buyers of wheat, medicine and fuel - to obtain dollars on the informal market. Cash-strapped banks have curbed access to dollars and blocked transfers abroad since October, after capital inflows dried up and protests erupted against the ruling elite.

A draft of a government crisis plan floated last week saw the exchange rate weakening to 2,979 in 2024 from the official peg, which has so far been retained.

The plan, which is still under debate and has drawn criticism, was drafted in the wake of Lebanon defaulting on its hefty foreign currency debt last month.

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Editing by Mark Heinrich)
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**IMF sees crisis-hit Lebanon’s output shrinking 12% in 2020**

15-Apr-2020

BEIRUT, April 15 (Reuters) - The International Monetary Fund (IMF) on Wednesday said it expected Lebanon's GDP would shrink 12% in 2020, amid a financial crisis that has drained the country of hard currency and prompted IMF funding could play a role.

Coming as part of its 2020 Regional Economic Outlook for the Middle East and Central Asia, a report issued by the IMF said Lebanon's real GDP had contracted by 6.5% in 2019 and that inflation would hit 17% for 2020 versus 2.9% the year before.

Lebanon is in the throes of a sweeping financial crisis that has seen its currency slip some 50% on a parallel market, unemployment soar, and banks impose tight capital controls to hold on to scarce dollars.

In a draft government economic rescue plan that surfaced last week, Lebanon said it would need $10-$15 billion in external financing and major bank restructuring to pull itself from crisis, and said IMF funding could play a role.

That plan has come under heavy criticism however, in particular its proposal to take “a transitory exceptional contribution from large depositors” to help cover huge losses to the financial system.

The government has said it would hold talks with various stakeholders before any plan is finalised. Lebanon has requested IMF technical assistance but not a funding programme tied to reforms. It is hoping any such reforms will help draw billions
of dollars in previously pledged funds from donor countries. "We know that Lebanon is currently working on a reform plan and we look forward when we receive it officially to review it and give our feedback to the authorities," IMF Middle East and Central Asia Department Director Jihad Azour said when asked about the draft plan.

French Foreign Minister Jean-Yves Le Drian said on Wednesday that "urgent reforms that the country needs are not happening" and said the situation was "very worrying", especially in light of the new coronavirus, which would further hamper the economy.

In its previous outlook in October, the IMF forecast Lebanon GDP growth of 0.9% for 2020. That was before sweeping protests against the country's elite erupted on Oct. 17, accelerating a long-brewing economic crisis.

The Fund also said on Wednesday that the government's fiscal deficit would reach 15.3% in 2020, from 10.7% in 2019.

(Reporting by Davide Barbucia Additional reporting by John Irish in Paris Writing by Eric Knecht, Editing by William Maclean) ((eric.knecht@thomsonreuters.com; Reuters Messaging: eric.knecht.thomsonreuters.com@reuters.net)) (c) Copyright Thomson Reuters 2020. © Refinitiv 2020. All rights reserved.

Lebanese premier says 98% of depositors will be untouched by economic rescue plan

16-Apr-2020

BEIRUT, April 16 (Reuters) - Lebanese Prime Minister Hassan Diab said on Thursday that 98% of depositors will be left unscathed by an economic rescue plan that has come under heavy criticism in part because of a proposal to tap deposits to cover huge losses.

A draft plan that emerged last week provided the most detailed blueprint yet on how Lebanon would seek to pull itself from a deep financial crisis that has sunk its currency and led to a sovereign default.

Among the politically difficult measures in the draft was a proposal for "a transitory exceptional contribution from large depositors" to help plug losses in the banking sector, estimated at $83.2 billion.

In a televised address on Thursday, Diab sought to reassure Lebanese already hit by rising prices, soaring unemployment, and capital controls that have cut access to their savings, pledging that most of their deposits were safe.

"After in-depth studies and based on figures from the end of February 2020, I can announce today that no less than 98 percent of depositors will be unaffected," said Diab.

He said that "all proposed solutions" were on the table as the rescue plan was finalised in order to "relieve people who are bearing today the price for the wrong decisions, indebtedness and financial engineering of the past".

Diab said depositors' money "evaporated" in the months before his new government was formed on Jan. 21. "No one will lose their deposits, but when they will get them depends on the restructuring plan," he said after a Cabinet meeting.

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Oman

Oman orders government agencies to cut spending by at least 10%

14-Apr-2020

DUBAI, April 14 (Reuters) - Oman's finance ministry has told all government agencies to cut their operating budgets by at least 10% this year to counter a slide in oil prices, including by reviewing salaries and benefits.

The move comes after the government cut the budget allocated to government agencies for 2020 by 5% last month in response to the financial challenges the oil-exporting nation faces.

The ministry said the decision was being taken as part of efforts "to deal with the financial and economic conditions affecting the Sultanate as a result of the sharp drop in oil prices", state media reported on Tuesday.

All operational budgets would be reviewed and exceptional bonuses for state employees would be halted, according to the finance ministry. It said the decision applied to all ministries, agencies and public entities, as well as security and military bodies.

Oman, whose sovereign bonds are rated 'junk' by all major rating agencies, is expected to see its deficit widen this year because of lower oil prices. Its economy, burdened by high levels of debt, is also struggling under a slowdown caused by the new coronavirus outbreak.

As of April 14, Oman had registered 813 coronavirus cases, with 4 deaths.

(Reporting by Alaa Swilam; Writing by Yousef Saba; Editing by Pravin Char) ((Yousef.Saba@thomsonreuters.com; +971562166204)) (c) Copyright Thomson Reuters 2020. © Refinitiv 2020. All rights reserved.

Pakistan

IMF approves $1.39 bln in emergency pandemic aid for Pakistan

16-Apr-2020

WASHINGTON, April 16 (Reuters) - The IMF approved $1.39 billion in emergency pandemic aid for Pakistan

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International Monetary Fund on Thursday said its executive board had approved $1.386 billion in emergency financing to Pakistan to meet balance of payments needed stemming from the novel coronavirus pandemic.

The funds, to come from the IMF's Rapid Financing Instrument, will help Pakistan deal with a decline in international reserves and allow it to fund targeted and temporary spending increases aimed at containing the pandemic and mitigating its economic impact, the IMF said.

IMF First Deputy Managing Director Geoffrey Okamoto said "expeditious donor support was needed to close the remaining balance of payments gap and ease the adjustment burden."

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Saudi Arabia

Saudi Arabia may tap debt market as oil output cuts hit revenues

13-Apr-2020
By Davide Barbosica and Yousef Saba
DUBAI, April 13 (Reuters) - Saudi Arabia is likely to sell new international bonds soon as Sunday's historic deal to cut oil output among major producers puts further pressure on revenues already hurt by the collapse in crude prices, four banking sources said.

Riyadh increased its debt ceiling to 50% of GDP from a previous 30% in March. Neighbours Qatar and Abu Dhabi emirate successfully sold a combined $17 billion of bonds last week.

"It's the logical next step (for Saudi to issue after Qatar and Abu Dhabi) ... they may wait a bit for the oil market to react to the cuts as their name is more closely associated with oil," said a debt banker.

A spokesman for the Saudi finance ministry did not immediately respond to a Reuters query on debt issuance plans.

Cuts pledged by Saudi Arabia, the world's top oil exporter, under Sunday's pact could wipe nearly $40 billion from state revenues this year, according to one analyst who based that projection on an average oil price of $40 a barrel.

Brent crude futures were trading at $31.64 by 0709 GMT on Monday.

Government coffers have already been strained by the oil price plunge and the impact of measures to stop the spread of the new coronavirus, including imposing curfews and closing most public venues across the kingdom.

To stabilise oil markets, the Organization of the Petroleum Exporting Countries (OPEC) and its allies led by Russia, a grouping known as OPEC+, agreed to cut output in May and June by 9.7 million barrels per day, or around 10% of global supply.

But the upside for crude prices could be limited even after those record cuts.

"We believe that OPEC+'s proposed 9.7 million b/d reduction for May and June will not be sufficient to counter the sharp drop in global demand caused by the pandemic," Monica Malik, chief economist at Abu Dhabi Commercial Bank, said in a research note. "We estimate that Saudi Arabia's oil sector will contract by circa 6.1% in 2020."

Goldman Sachs said it expected oil prices would continue to fall in coming weeks.

**SPENDING CUTS**

Saudi Arabia's 2020 budget projected oil revenues of 513 billion riyals ($136.47 billion). Riyadh does not disclose the oil price it bases its budget on, but some analysts estimated it at $55 per barrel.

Saudi bank Al Rajhi Capital said Saudi Arabia's 2020 oil revenues would be 342 billion riyals given the newly agreed oil output levels and an assumed average crude price of $40.

That compares with an initial forecast of 487 billion riyals by Al Rajhi, which also cut its estimate of non-oil revenues from 346 billion riyals to 276 billion riyals after taxes were postponed and government fees waived to shield businesses from the impact of the coronavirus.

"While we expect revenues to decline, we don't have an estimate on the expected budget deficit because we don't know how much more the government will cut in spending," Mazen Al Sudairi, head of research at Al Rajhi Capital, told Reuters.

"There is room to cut spending further and we expect the government to do so."

Riyadh announced last month a nearly 5% cut in the 2020 government budget and said it would reassess expenditure according to developments in oil markets and the pandemic.

Sudairi said he expected money generated by the Public Investment Fund, Saudi Arabia's sovereign wealth fund, and proceeds from last year's $29 billion initial public offering of Saudi oil giant Aramco, to be channelled into the local economy.

"It is essential to keep this money in the local economy to maintain banking system stability. The Aramco IPO proceeds have kept the deposit and money supply stable over the past few months," he said.

(1$ = 3.7590 riyals)
(Additional reporting by Marwa Rashad; Editing by Catherine Evans)
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**Saudi Arabia sells $7 bln in three-part bonds as oil squeezes budget**

15-Apr-2020
By Yousef Saba and Davide Barbosica
DUBAI, April 15 (Reuters) - Saudi Arabia was
set to raise $7 billion with a three-tranche bond deal on Wednesday, a document showed, as the world’s biggest oil exporter seeks to replenish state coffers battered by low oil prices and expectations of lower output.

Riyadh last month increased its debt ceiling to 50% of GDP from a previous 30% in March as it plans to increase borrowing amid the economic downturn caused by the coronavirus outbreak. The kingdom, acting through the ministry of finance, sold $2.5 billion in 5-1/2-year bonds at 260 basis points (bps) over U.S. Treasuries, $1.5 billion in 10-1/2-year bonds at 270 bps over the same benchmark and $3 billion in 40-year bonds at 4.55%, the document showed. A spokesman for the Saudi Ministry of Finance did not respond to a request for comment.

Saudi Arabia received around $54 billion in combined orders for the bonds, a sign of strong investor appetite, though some fund managers said the bonds did not offer the returns they expected.

"Very tight pricing. No juice for investors of the bonds," a Dubai-based fixed income strategist said.

The 40-year bonds are the longest-dated ever issued in dollars by a Gulf borrower, said Dino Kronfol, chief investment officer of global sukuk and MENA fixed income at Franklin Templeton.

A Saudi banker said the deal seemed to be targeted at foreign investors, given the long maturity and the spreads on offer.

Citi, Goldman Sachs, HSBC, Bank of China, Mizuho, MUFG, SMBC and Samba Capital have been hired to arrange the debt sale.

The Saudi issue follows a historic deal on Wednesday, a document showed, as the world’s biggest oil exporter faces the global crisis from a position of strength, given its strong financial position and reserves, with relatively low government debt, its finance minister said, referring to the impact of the coronavirus outbreak.

The Saudi government’s priorities are necessary resources for the health care system and financial and economic support to those affected by coronavirus, the minister was quoted as saying in a state news agency SPA report published early on Friday.

It is also taking into account the re-prioritization of spending under the current circumstances, Mohammed al-Jadaan said in comments to a virtual meeting of the International Monetary and Financial Committee on Thursday.

The finance minister expected the global economy to fall into ‘the worst recession’ this year, saying it would be much worse than during the global financial crisis.

The minister also stressed the need to adapt time-bound and transparent financial and monetary measures that will help lead to a rapid economic recovery and contain financial risks.

Al-Jadaan reiterated the Kingdom’s readiness to provide further support if necessary, saying they are closely monitoring the overall situation.

He urged the International Monetary Fund (IMF) to continue to have flexibility in responding to the needs of members given the uncertainty amid coronavirus outbreak.

The minister said the Kingdom encourages (IMF) to continue its participation and support for the Middle East and North Africa, pointing out that (IMF) has a good position to support its members, with its ability to support $1 trillion in lending.

(Reporting by Samar Hassan; Editing by Christian Schmollinger and Kim Coghill)

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South Korea

State debt sales-Q1 tally State debt sales hit record high amid virus outbreak in Q1

13-Apr-2020

State debt sales-Q1 tally State debt sales hit record high amid virus outbreak in Q1

SEOUL, April 13 (Yonhap) -- South Korea's state bond sales reached a new high in the first quarter of the year due to more fiscal spending to cushion the economic fallout from the novel coronavirus outbreak, data showed Monday.

The government issued 62.4 trillion won (US$51.5 billion) in state bonds and Treasurys in the January-March period, up 29.6 percent from a year earlier, according to the data from the Korea Financial Investment Association.

The tally is up a whopping 156 percent from the previous quarter and marks the largest all-time quarterly tally. The previous record was 56.2 trillion won set in the second quarter of last year.

The net issuance of state debt, or the value of bonds issued minus those paid back, also soared to an all-time high of 49.7 trillion won in the first quarter.
The jump in first-quarter state debt sales was attributed to a package of government measures to help mitigate the negative impact of the COVID-19 outbreak on the economy.

In mid-March, South Korea’s parliament passed a 11.7 trillion-won supplementary bill, 10.3 trillion won of which comes from state bond issues, to help firms and households struggling under the strain of the disease.

The outbreak of the coronavirus, whose first confirmed case was reported in South Korea on Jan. 20, has hit Asia’s fourth-largest economy hard, sparking a string of projections of negative growth for this year.

As of end-March, the value of outstanding state bonds stood at 737.5 trillion won, up 49.7 trillion won from three months earlier.

Market watchers forecast the issuance of government bonds to keep increasing in the second quarter of the year due to the prolonged coronavirus outbreak.

Top economic policymakers have recently floated the idea of drawing up additional extra budgets in an effort to cope with the economic crisis caused by the coronavirus outbreak.

South Korea to submit extra budget plan shortly, prepare more measures to support labour market, firms

14-Apr-2020
SEUL, April 14 (Reuters) - South Korea's president said on Tuesday the government will submit its supplementary budget plan to parliament soon, while stressing the need to prepare more measures to support the labour market and companies being hit by the coronavirus outbreak.

"The government has decided to provide emergency cash payments for the first time in its constitutional history to give strength and consolation to the citizens who are going through the difficulties from COVID-19," President Moon Jae-in said, adding it will submit the extra budget proposal to the parliament shortly after the April 15 general election. Moon also said the country's economic crisis is beginning in earnest.

(Reporting by Joori Roh; Editing by Kim Coit
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South Korea proposes $6.2 bln extra budget to fund coronavirus cash handouts

16-Apr-2020
By Joori Roh
SEUL, April 16 (Reuters) - South Korea on Thursday proposed a second supplementary budget for this year worth 7.6 trillion won ($6.2 billion) to fund cash payments promised to low and middle income families to ease the economic impact of the coronavirus outbreak.

The nation’s finance ministry said the new extra budget will be funded without issuing additional deficit-covering bonds, but by reallocating money from some of the existing budget for public projects and the foreign exchange stabilisation fund.

The entire 7.6 trillion won will be used to pay families below the top 30 percentile of income, with some four-person households getting about 1 million won.

All up, the aid package is worth 9.7 trillion won, larger than the initial 9.1 trillion won promised by President Moon Jae-in.

Other measures announced in recent weeks include an emergency interest rate cut, an extra 11.7 trillion won budget, plus a 100 trillion won economic rescue package to save companies and put a floor under crashing stocks and bond markets.

"The government will make an all-out effort to respond boldly and swiftly in terms of fiscal, tax and financial policies until this crisis is over," Finance Minister Hong Nam-ki told a briefing. In addition to the extra budget, the government will review measures to minimise bankruptcies and unemployment, and to support the economy’s resilience, Hong added.

A growing number of economists expect the South Korean economy to contract this year due to the virus. During the global financial crisis of 2008, South Korea still managed 0.8% growth but it contracted 5.1% in 1998 during the Asian financial crisis.

Last week, the Bank of Korea Governor Lee Ju-yeol said another interest rate cut could be necessary as the bank sees the economy growing less than 1% this year, below its earlier projection of 2.1%.

The virus has infected around 10,600 people nationwide and killed more than 200. More than 2 million have been infected globally, according to a Reuters tally.

Job losses are mounting as the virus upends businesses from airlines to manufacturing and services sectors. Labour ministry data on Monday showed the government paid 0.9 trillion won in unemployment benefits to around 608,000 people in March, the largest amount on record. Statistics Korea is due to report official unemployment data on Friday.

South Korea can draw up an extra budget when there is a war or large-scale disaster outbreaks, or when there are concerns over economic recessions and mass lay-offs.

This year marks the sixth consecutive year for South Korea to propose an extra budget for stimulus.

To ensure the cash handouts reach citizens as soon as possible, the ministry plans to submit the bill later on Thursday.

($1 = 1,224.9000 won)
Bosnia

Bosnian entities agree on distribution of 330 mln euro in IMF crisis financing
14-Apr-2020
SARAJEVO (Bosnia and Herzegovina), April 14 (SeeNews) - Bosnia's council of ministers said the country's two entities have reached an agreement on how to distribute 330 million euro ($362 million) in emergency coronavirus financing that the International Monetary Fund (IMF) is ready to extend to the Southeast European state.

Bosnia's fiscal council held a session on April 11, harmonising the text of a letter of intent to be sent to the IMF with the request for approval of the emergency financing, the council of ministers said in a statement in the weekend.

At the session, headed by Bosnian Prime Minister Zoran Tegeltija, it was agreed that Bosnia's Federation entity will get 62% of the IMF funding, while the Serb Republic will receive the remaining 38%. In addition, both entities will each allocate 0.5% of their share to the Brcko district, the statement read.

Last week, the IMF said it has approved doubling its pledge of emergency financing to Bosnia in the context of the coronavirus crisis to 330 million euro, but warned the country will not receive the funding before its authorities agree on how to spend it.

The IMF resident representative in the country, Andrew Jewell, has urged local authorities to work together to reach an agreement on how the Rapid Financing Instrument (RFI) funds will be allocated as

Belarus

Belarus due to receive $500-900 mln from IMF
16-Apr-2020
MINSK, April 16 (Reuters) - Belarus Finance Minister Maxim Yermolovich said on Thursday Minsk is due to receive emergency funding of $500-900 million from the International Monetary Fund this year due to the coronavirus crisis.

Belarus plans to cut budget spending, the minister said.

Yermolovich told reporters that Belarus still plans to issue Eurobonds and bonds on the Russian markets in the future after Minsk postponed a Eurobonds issue in March.

Armenia

IMF lends Albania 173.7 mln euro to help ease coronavirus crisis
13-Apr-2020
TIRANA (Albania), April 13 (SeeNews) - The International Monetary Fund (IMF) said it has approved a $190 million (173.7 million euro) loan for Albania to address urgent balance of payment needs caused by the coronavirus outbreak.

Albania's economic activity is likely to contract significantly in 2020 before it bounces back in 2021, but the economic outlook is subject to uncertainty and serious downside risks due to the rapid developments, the IMF said in a statement on Friday.

"A sizeable increase in the fiscal deficit of 2020 is necessary to limit the impact of COVID-19. It will be critical to ensure adequate spending for healthcare and support for the people and firms that are hurt by the COVID-19 pandemic," Tao Zhang, IMF's deputy managing director and acting chair, said in the statement.

Albania's government earlier announced a $370 million relief package to support the coronavirus-affected sectors of the economy, boost health expenditures as well as help people in need.

The number of coronavirus cases in Albania increased to 467 as of Monday, Albanian Daily News reported.

($ = 0.9143 euro)
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soon as possible, since the Fund's Executive Board has over 90 requests for emergency assistance to process, and it may be difficult to find another date in the near future to consider Bosnia's request.

Bosnia has two autonomous entities - the Federation and the Serb Republic, each with its own government and parliament. The Federation is further divided into ten cantons with their own governments and parliaments, while the Brcko district also has its own government and assembly. In addition, the country has a state-level government and parliament, mainly in charge with Bosnia's foreign affairs and its relations with international lenders.

Last month, state-level Prime Minister Tegeltija said Bosnia plans to use the IMF financing to support its health system, as well as to provide direct support to the local economy. In early April, Tegeltija asked international financial institutions to provide jointly at least 600 million euro in support of the Bosnian economy and healthcare system affected by the coronavirus crisis.

($=0.912506 euro)
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Bosnian region boosts 2020 budget to ease coronavirus impact
16-Apr-2020
SARAJEVO, April 16 (Reuters) - Government of Bosnia's autonomous Bosniak-Croat Federation on Thursday revised its 2020 budget up by 11.2% to reflect an increase in spending aimed at shoring up its economy, battered by measures to limit the spread of the novel coronavirus.

The revised budget will amount to 5.51 billion Bosnian marka ($3.06 billion) and will be sent to the parliament to be fast-tracked, the government said.

It expects corporate tax revenues to fall by 21%, while revenues from pension and disability contributions, as well as indirect taxation revenues are forecast to fall 15.2% and 16.7%, respectively, or by up to 493 million marka in total.

The government aims to set up a 500 million marka fund to help stabilise the economy.

It expects to get 400 million marka under the International Monetary Fund’s Rapid Financing Instrument and 20 million euros ($21.79 million) from the World Bank to help the country to cope with the coronavirus impact.

The government also aims to raise 180 million marka through the bond and Treasury bill auctions to help to plug budget gaps and finance maturing debt.

As of Thursday, Bosnia had reported 1,167 confirmed coronavirus cases and 43 deaths. A lockdown introduced by the authorities to halt the COVID-19 has severely affected businesses and jobs.

($1 = 1.7984 marka)
($1 = 0.9179 euros)
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MF to vote 330 mln euro emergency financing to Bosnia on April 20
17-Apr-2020
SARAJEVO (Bosnia and Herzegovina), April 17 (SeeNews) - The International Monetary Fund (IMF) will vote on April 20 on Bosnia's request for 330 million euro ($358 million) in emergency coronavirus financing, local media reported.

The financing will be extended under the IMF's Rapid Financing Instrument (RFI), with the Fund having an overall 90 requests for emergency assistance to discuss and approve, Bosnian news agency Patrija reported earlier this week.

Bosnia's two autonomous entities reached an agreement on how to distribute the emergency IMF financing last week. They agreed that the Federation entity will get 62% of the funding, while the Serb Republic will receive the remaining 38%. In addition, both entities will each allocate 0.5% of their share to the Brcko district.

Prior to that the IMF said it had approved doubling its pledge of emergency financing to Bosnia in the context of the coronavirus crisis to 330 million euro, but warned the country would not receive the funding before its authorities agree on how to spend it.

Last month, state-level Prime Minister Zoran Tegeltija said Bosnia plans to use the IMF financing to support its health system, as well as to provide direct support to the local economy. In early April, Tegeltija asked international financial institutions to provide jointly at least 600 million euro in support of the Bosnian economy and healthcare system affected by the coronavirus crisis.

($=0.921737 euro)
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Bosnia's Federation raises 2020's borrowing ceiling by 404 mln euro
17-Apr-2020
SARAJEVO (Bosnia and Herzegovina), April 17 (SeeNews) - Bosnia’s Federation finance minister Jelka Milicevic said on Friday the entity has raised its borrowing ceiling for the year by 790 million marka ($438 million/404 million euro) to 1.375 million marka in response to the coronavirus crisis, local media reported.

($1 = 0.9179 euros)
The additional borrowing will be used to alleviate the damage to the health system and the local economy caused by the crisis, Fena news agency quoted Milicevic as telling reporters in Sarajevo. On Thursday, the Federation government revised its 2020 budget, increasing the original spending target by 11.2% to 5.5 billion marka to finance expenses arising from the coronavirus spread.

Milicevic said on Friday that according to optimistic projections, tax revenue is expected to drop by some 15% this year. The Federation is one of two autonomous entities that make up Bosnia and Herzegovina. The other is the Serb Republic.

(1 euro = 1.95583 marka)
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Bulgaria

Bulgaria posts 1.0 pct/GDP current account surplus through February
16-Apr-2020
SOFIA, April 16 (Reuters) - Bulgaria posted a current account surplus of 1.0% of gross domestic product in the first two months of 2020, compared with a surplus of 0.4% in the same period a year earlier, central bank data showed on Thursday.

For February alone alone the surplus stood at 571.6 million euros, compared with a surplus of 247.5 million euros a year ago mainly due to an increase in exports.

Foreign direct investment, much needed to boost sustainable growth in the Black Sea state, increased by 37.1 million euros through February, compared with FDI increase of 41.8 million euros in February 2019.

The finance ministry sees current account surplus through February at 1.2% of GDP compared to 0.5% last year. The surplus in January was 0.8% of GDP.

For February alone alone the surplus stood at 571.6 million euros, compared with a surplus of 247.5 million euros a year ago mainly due to an increase in exports.

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Croatia

Croatia accepts $190 million of bank bids in short-term loan auction
14-Apr-2020
ZAGREB, April 14 (Reuters) - The Croatian central bank said on Tuesday it had accepted all bids from banks worth a total of 1.32 billion kuna ($190 million) in a weekly short-term loan auction, an operation in place since last month to ensure liquidity during the COVID-19 crisis.

The interest rate at the auction remained flat at 0.05%. This week's demand was slightly lower than a week ago when it peaked at 1.52 billion kuna.

The central bank held a five-year loan auction a few weeks ago to boost longer-term liquidity. Since mid-March Croatia has been in lockdown with just food stores, pharmacies and petrol stations open and citizens banned to leave their places of residence unless authorised.

Finance Minister Zdravko Maric said last week the country would need about 70 billion kuna ($10 billion) in the next few months to finance measures to combat the crisis.

($1 = 6.9636 kuna)
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Czech Republic

Czech 2021 budget also likely set for coronavirus hit
14-Apr-2020
PRAGUE, April 14 (Reuters) - The record hit to the Czech state budget expected in 2020 due to the coronavirus outbreak will likely be repeated next year as the government does not want to "brutally" cut spending or raise taxes, the finance minister was quoted as saying on Tuesday.

The government has already raised its planned deficit target five-fold to an all-time high of 200 billion crowns ($8.16 billion). When asked in an interview with daily Hospodarske Noviny about how the 2021 budget...
could look, Finance Minister Alena Schillerova said "we will be around similar figures as now."

($1 = 24.5150 Czech crowns)

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Record demand as Czechs keep up borrowing frenzy
15-Apr-2020
PRAGUE, April 15 (Reuters) - Demand for new two-year Czech bonds soared to a record high at an auction on Wednesday as the Finance Ministry kept up a borrowing spree to finance a swelling budget deficit amid the coronavirus outbreak.

Investors bid 102.5 billion crowns ($4.16 billion) for the new paper with a 0.10% coupon, more than 20 times the offer. The Finance Ministry sold 31.4 billion crowns worth of the bonds in the first, competitive round of bidding.

The Czech Republic has ramped up borrowing in the last month as it seeks to finance a five-fold increase in its central state budget deficit target, which is planned at a record 200 billion crowns.

Demand has stayed strong for Czech debt, especially at shorter durations, with the central bank stuck in easing mode after cutting interest rates by 125 basis points in March. The bank has said it was ready to cut more if needed.

Also on Wednesday, the ministry sold 12.1 billion crowns of bonds due in 2027 and 11.3 billion of 2031 bonds, with the yield on the former rising a touch while falling on the latter. 

Going into Wednesday's auction, the ministry had sold 255.8 billion crowns in bond and Treasury bill auctions in the past three weeks.

($1 = 24.6350 Czech crowns)

(Reporting by Mirka Krufova and Jason Hovet; Editing by Jon Boyle)

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Demand for the 2-year government bond exceeded CZK 100 billion
16-Apr-2020
The Ministry of Finance today held another round of medium-term and long-term government bond auctions on the domestic market. This is the fourth time since the announcement of the state of emergency by the Government of the Czech Republic on 12 March 2020. Total demand for all offered bonds exceeded CZK 156 billion, which is the second highest demand for medium- and long-term government bonds on one auction day. Three fixed-rate government bonds were offered at auctions today. New government bond issue maturing in 2022 and two reopening issues with maturities of 2027 and 2031.

Demand for the newly issued two-year government bond issue, 0.10%, 22 exceeded CZK 102 billion, which represents the highest demand for government bond offered in the competitive part of the auction. As in previous auctions, the Ministry of Finance responded to this massive demand from investors and, in addition to the initially planned nominal value, sold these bonds in the competitive bidding round at a total nominal value of CZK 31.4 billion with an average yield of 0.79 % pa, ie lower than the current 2-week repo rate of the Czech National Bank.

For the Czech government bond, 0.25%, 27, investor demand exceeded CZK 30 billion. Of this amount, the Ministry of Finance satisfied orders of CZK 12.1 billion with an average yield of 1.27% pa compared to the original plan. In the case of the Czech government bond, 1.20%, 31, for which demand reached CZK 23.8 billion, the Ministry it met orders with a total nominal value of CZK 11.3 billion at an average yield of 1.40% pa.

Thanks to the sale of medium-term and long-term government bonds on the domestic market, the Ministry of Finance has already received approximately CZK 130 billion beyond this year's CZK government debt repayments, which it can use to cover approximately two thirds of this year's state budget crisis.

Czech state debt jumps after record Q1 bond sales triggered by coronavirus
17-Apr-2020
PRAGUE, April 17 (Reuters) - The Czech Republic's gross central government debt rose to 1.773 trillion crowns ($70.91 billion) at the end of March, the Finance Ministry said, after a record borrowing spree begun in the first quarter in response to the coronavirus outbreak.

State debt was nominally the highest since mid-2017 for the Czech Republic, which has central Europe's best credit rating and had run fiscal surpluses since 2016. The ministry said in a quarterly report on Friday which included an update to its 2020 financing strategy that it had sold 179.7 billion crowns of state bonds and Treasury bills in Q1, excluding rollovers of short-term debt.

It said it had covered its 2020 bond redemptions with first-quarter and April issuance and would look at pre-financing 2021 redemptions with further bond sales. It also wanted to increase the state treasury's liquidity.

The finance ministry said issuance would concentrate on maturities of up to five years, where demand has been strongest, while other maturities would be rolled over.
variable-rate bonds could be used.

Record investor demand was evident in an auction of new two-year bonds on Wednesday that drew the most bids ever for any type of Czech domestic currency bond. It was sold with an average yield of 0.791%.

With government debt at around 30% of gross domestic product, among the lowest in the EU, the country has fiscal room to take measures to mitigate the crisis.

Appetite for government bonds has also been helped by legislation that gives the central bank a wider mandate to buy assets in the market if it sees the need to stabilise it.

Short-term debt yields have mostly attracted local banks, who are shifting money away from rolling funds over in the central bank's two-week repo operations as policymakers cut interest rates and remain in easing mode.

The central bank cut the repo rate by 125 basis points over 10 days in March to 1.0% and markets are pricing in further reductions.

The government is planning a record budget shortfall of 200 billion crowns, five times the original deficit target, this year. The ministry said its financing needs have risen by 139.5 billion crowns as a result, to 410.6 billion crowns.

On foreign currency debts, the ministry said it preferred refinancing through issuing foreign-denominated bonds on domestic markets, but could also go to foreign markets or private placements if needed.

($1 = 25.0030 Czech crowns)

(Reporting by Mirka Krufova and Jason Hovet; Editing by Catherine Evans)

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**Hungary**

**Hungary to ramp up bond sales to finance budget deficit, debt agency CEO says**

16-Apr-2020

By Krisztina Than

BUDAPEST, April 16 (Reuters) - Hungary plans to finance an almost threefold rise in its 2020 budget deficit primarily through more frequent forint-denominated debt auctions to institutional investors, since retail debt sales have dropped, the head of the debt agency told Reuters.

The government has raised the deficit target to 2.7% of gross domestic product from about 1% to finance measures to contain the fallout from the novel coronavirus pandemic, as the economy heads towards a recession.

Based on Reuters calculations, this could raise the net financing requirement to about 1.2 trillion forints ($3.74 billion) from the 367 billion in the original 2020 debt financing plan.

Zoltan Kurali, chief executive of the Government Debt Management Agency, AKK, said the revised financing plan could be completed by next week. He declined to disclose the new targets but said they wanted to handle issuance "realistically" as debt sales to Hungarian households, which surged in 2019, have dropped amid a national lockdown to contain the virus.

"I believe the increased financing need can be covered from the institutional market without burdening the market too much," Kurali said in a phone interview on Wednesday. He said three-year and five-year bonds now held weekly on Thursdays, not biweekly.

He said this allows more flexibility and also matches the central bank's new collateralised loan tenders, which are held weekly on Wednesdays, providing liquidity to banks on various maturities to finance bond purchases and lending.

"The goal is still to keep the foreign currency exposure under control and finance debt primarily from the forint institutional and retail market," Kurali said.

He said the AKK's benchmark of keeping foreign currency debt at 10% to 20% of total debt was still valid.

Kurali said the government could be ready to issue a planned foreign currency-denominated green bond by the end of June, depending on market conditions. The preference is to issue the bond in Japanese yen and/or Chinese renminbi, he said.

The AKK said by mid-April gross debt sales to households totalled 1,365 billion forints, or 33% of the original annual target. Government bond sales via auctions totalled 780 billion forints, or 48% of the annual target.

Asked if Hungary could issue a eurobond to cover its additional issuance need, Kurali said: "I think we can never say never, but as long as we can finance ourselves from the forint market while maintaining the level of duration diversification we want ... the preference is the forint market."

($1 = 321.1600 forints)

(Reporting by Krisztina Than, editing by Larry King)

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**Kosovo**

**IMF lends Kosovo 51.6 mln euro to mitigate coronavirus crisis**

13-Apr-2020

PRISTINA (Kosovo), April 13 (SeeNews) - The International Monetary Fund (IMF) said it has approved a $56.5 million (51.6 million) loan for Kosovo to address urgent balance of payment needs caused by the coronavirus outbreak.

Kosovo's economy is projected to shrink by 5% in 2020 as a result of the outbreak and the
economic outlook, affected by the pandemic and the associated containment measures, is expected to result in external and fiscal financing gaps, the IMF said in a statement on Friday.

"The fund stands ready to support Kosovo to combat the pandemic and help the economy to recover," Tao Zhang, IMF’s deputy managing director and acting chair, said in the statement.

Kosovo’s government earlier approved a 179.6 million euro ($196.4 million) package intended to support coronavirus-affected sectors of the economy, boost health expenditures and assist socially vulnerable people. Kosovo has confirmed 362 coronavirus cases as of Sunday, public service broadcaster RTK reported.

($ = 0.91435 euro)
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Malta

Fitch Revises Malta’s Outlook to Stable; Affirms at ‘A+’
17-Apr-2020
Fitch Ratings-Frankfurt am Main-April 17:
Fitch Ratings has revised Malta’s Outlook to Stable from Positive and affirmed the Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) at 'A+':
A full list of rating actions is at the end of this rating action commentary.
Under EU credit rating agency (CRA) regulation, the publication of sovereign reviews is subject to restrictions and must take place according to a published schedule, except where it is necessary for CRAs to deviate from this in order to comply with their legal obligations. Fitch interprets this provision as allowing us to publish a rating review in situations where there is a material change in the creditworthiness of the issuer that we believe makes it inappropriate for us to wait until the next scheduled review date to update the rating or Outlook/Watch status. The next scheduled review date for Fitch’s sovereign rating on Malta will be 10 July 2020, but Fitch believes that developments in the country warrant such a deviation from the calendar and our rationale for this is laid out below.
KEY RATING DRIVERS
The revision of the Outlook on Malta’s IDRs reflects the following key rating drivers and their relative weights:
High
The Outlook revision reflects the significant impact of the global coronavirus pandemic on Malta’s economy and public finances. Fitch forecasts real GDP to contract 5.9% in 2020, reflecting the health crisis shock to the global economy and tourism, and the government’s containment measures, as both firms’ and households’ spending is put on hold. Growth in public consumption will provide some limited cushion, on the back of increased spending in the healthcare sector. Growth is projected to rebound to 3.6% in 2021, but below 2019’s 4.4%.
Fitch expects the tourism sector in Malta will suffer a sharp contraction in 2Q20, before recovering slowly in 2H20. Overall, we believe hotel occupancy in 2020 to be close to 50% of 2019 levels, with the remaining sectors dependent on tourism to be harshly affected as well. Travel and tourism accounted for about 16% of GDP in 2019 (excluding indirect effects), according to the World Travel Tourism Council.
We see material downside risks to these forecasts. The extent and duration of the restrictions on activity could be greater- and longer-than-expected, or the tourism sector could fail to recover in 2H20, especially if Malta or its trading partners extend their lockdown periods. In that scenario we would expect a larger decline in output in 2020 and a weaker-than-expected recovery in 2021, which could have negative repercussions for growth prospects and public finances over the medium-term.
The government has responded swiftly to health risks associated with coronavirus. The authorities mobilised the healthcare system and implemented comprehensive containment and mitigation measures, including full suspension of inbound flights, social distancing and closure of non-essential shops and services and the lockdown of vulnerable pockets of population. The impact of the shock on the domestic economy will be partially softened by proposed government relief measures to combat the disease and support the economy. On 18 March, the authorities announced a package amounting to EUR1.8 billion (13.6% of 2019 GDP) which included EUR210 million (1.6%) in direct spending measures, EUR700 million (5.3%) in tax deferrals and EUR900 million (6.8%) in loan guarantees. Additional measures announced on 24 March included further fiscal support aimed at raising wage subsidies, at an estimated cost of EUR61 million (0.5%) per month. Healthcare spending is projected to increase by EUR100 million (0.8%). Fitch estimates the general government balance to deteriorate to a deficit of 8.2% of GDP in 2020, from a surplus of 0.8% in 2019, based on the operation of automatic stabilisers and the direct budget impact of close to EUR600 million (4.5% of GDP) from the government measures. Lower spending and a rebound in economic activity would partly shrink the deficit in 2021 to 5% of GDP.
We expect general government debt to increase to 55.7% of GDP in 2020, from an estimated 54.4% in 2019. The authorities estimate up to EUR2 billion (15.1% of 2019 GDP) will be borrowed in 2020, in line with Fitch’s expectations. Malta had EUR379 million (2.9% of GDP) in cash buffers at end-3Q19, which we expect will be partly used to help
finance the large deficit.
The extent of the increase in public borrowing this year, and the pace at which it will unwind, remains uncertain, and crucially depends on the time it will take for economic activity to return to pre-pandemic levels. While Malta is likely to emerge from this crisis with a higher level of public debt, its recent track record of sound fiscal performance, including consecutive fiscal surpluses between 2016 and 2019, means it is better prepared than some of its peers to face the challenges in consolidating public finances over the medium-term.

Malta’s ‘AA’ IDRs also reflect the following key rating drivers:

**We expect the labour market will deteriorate markedly this year, with the unemployment rate set to increase to 6.1% in 2020 from 3.4% in 2019, before edging down to 5.1% in 2021. This would match the level from 2013 but would come short of the maximum registered during the global financial crisis in 2009 at 6.9%. We see upside risks to these projections given that the accommodation and food services employ a large share of foreign labour.**

In spite of the external shock, Fitch projects Malta to maintain a current account surplus of 2.9% of GDP in 2020, albeit markedly down from 2019 (8.1%), as the contraction in imports would not be sufficient to offset the weaker service exports. Nevertheless, Malta has one of the largest net international investment positions in the EU, estimated at 62.7% of GDP at end-2019 and this is expected to continue increasing in the coming years. Malta will remain a large net external creditor (estimated at 166.1% of GDP at end-2019), distorted by its large banking sector.

Financial soundness indicators are strong and provide buffers to the financial system in the event of a sharper contraction than forecast with high common equity Tier 1 ratio (16.8% at end-3Q19 for core domestic banks), return on equity (11.1%) and return on assets (0.96%). While asset quality is likely to deteriorate, non-performing loans (NPLs) had declined to 3.2% at 3Q19 (core domestic banks). The share of loans to non-residents (16.9% at end-3Q19 for core domestic banks) remains high and a risk factor, but they have stabilised around 15%-20% for the past few years. We expect credit to the private sector to contract 2% in 2020, given the effects of the pandemic on the economy.

Fitch expects economic policy continuity under the new government. Robert Abela was instated as Prime Minister on 13 January 2020, after having won Labour Party’s internal elections for new party leader on 11 January. This follows the resignation of the former Prime Minister, Joseph Muscat, on 1 December 2019, after weeks of protests over developments in the investigation into the 2017 killing of journalist Daphne Caruana Galizia and other corruption-related scandals. Abela was elected to parliament in 2017 and acted as a legal adviser to Muscat.

ESG - Governance: Malta has an ESG Relevance Score (RS) of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. Theses scores reflect the high weight that the World Bank Governance Indicators (WBGI) have in our proprietary Sovereign Rating Model (SRM). Malta has a high WBGI ranking at 83.1, despite having deteriorated significantly in 2018, especially in the Control of Corruption and Voice Accountability sections.

**SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)**

Fitch’s proprietary SRM assigns Malta a score equivalent to a rating of ‘AA-’ on the LTFC IDR scale.

Fitch’s sovereign rating committee adjusted the output from the SRM to arrive at the final LTFC IDR by applying its QO, relative to rated peers, as follows:

- **External Finances:** -1 notch, to reflect the small and highly open nature of the Maltese economy, including the large share of tourism in the economic activity, which makes it vulnerable to external shocks, and the large size of recorded foreign direct investment (FDI) inflows together with a high ratio of debt-to-equity, which flatter external-financing metrics.

Fitch’s SRM is the agency’s proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LTFC IDR. Fitch’s QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

**RATING SENSITIVITIES**

Developments that could individually or collectively result in positive rating action/upgrade include:

- General government debt/GDP returning to a firm downward path over the medium-term, for example due to a post-coronavirus-shock fiscal consolidation.
- Confidence that Malta can return to high GDP growth in the medium term, supporting a convergence of GDP per capita with that of higher-rated sovereigns.
- Further progress in addressing key weaknesses in governance, banking supervision and the business environment.

Developments that could individually or collectively result in negative rating action/downgrade include:

- Severe and prolonged economic weakness due to the pandemic, including a larger-than-expected contraction in the tourism sector.
- Persistent increase in general government debt, for example due to a more prolonged period of fiscal loosening, weaker growth prospects or materialisation of contingent liabilities.

Best/Worst Case Rating Scenario
International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance.

**KEY ASSUMPTIONS**

Fitch assumes that in case of need the Maltese government would only be pre-disposed to support core domestic banks, while being unlikely to support international banks and non-core domestic banks.

We assume that the global economy develops in line with our Global Economic Outlook published on 2 April, with the global economy to go through a deep but short-lived recession in 2020 due to the pandemic. In particular, eurozone GDP is forecast to decline 4.2% in 2020, before recovering 2.9% in 2021. Fitch notes that there is an unusually high level of uncertainty around these forecasts and that risks are firmly to the downside.

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria. ESG Considerations

- Malta has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch’s SRM and are therefore highly relevant to the rating and a key rating driver with a high weight.
- Malta has an ESG Relevance Score of 5 for Rule of Law, Institutional Regulatory Quality and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch’s SRM and recent political scandals have the capacity to feed into future governance scores; this is highly relevant to the rating and a key rating driver with a high weight.
- Malta has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as the Voice and Accountability pillar of the World Bank Governance Indicators are relevant to the rating and a rating driver.
- Malta has an ESG Relevance Score of 4 for Creditors Rights as willingness to service and repay debt is relevant to the rating and a rating driver, as for all sovereigns.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity (ies), either due to their nature or to the way in which they are being managed by the entity (ies).

Malta; Long Term Issuer Default Rating; Affirmed; A+; RO:Sta

Short Term Issuer Default Rating; Affirmed; F1+
Local Currency Long Term Issuer Default Rating; Affirmed; A+; RO:Sta
Local Currency Short Term Issuer Default Rating; Affirmed; F1+
Country Ceiling; Affirmed; AAA
Senior unsecured; Long Term Rating; Affirmed; A+

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**North Macedonia**

**IMF lends 176.53 mln euro to North Macedonia to help coronavirus response**

13-Apr-2020

SKOPJE (North Macedonia), April 13 (SeeNews) - The International Monetary Fund (IMF) said it has approved a 176.53 million euro ($192.55 million) loan to North Macedonia under the Rapid Financing Instrument (RFI) to help the country deal with the coronavirus crisis.

The financial assistance will help finance the country’s health and macroeconomic stabilisation measures, as well as meet the urgent balance of payments needs arising from the coronavirus outbreak and catalyze support from the international community, the IMF said in a statement on Friday.

North Macedonia’s real gross domestic product (GDP) is projected to contract by 4% in 2020 due to lower domestic and external demand as a result of the coronavirus outbreak, Tao Zhang, IMF’s deputy managing director and acting chair, said in the statement.

North Macedonia’s finance minister Nina Angelovska said earlier that the budget deficit envisaged for 2020 could widen by up to 1.3 billion euro due to the coronavirus crisis. The government announced a plan to borrow almost 600 million euro from the IMF, the World Bank and through a bridge-to-bond facility to deal with the crisis.

The country has confirmed 828 coronavirus cases and 34 deaths as of Sunday.

($ = 0.9168 euro)
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**Poland**

**Polish central bank should slow bond**

PDM Network Weekly Newsletter on Emerging Markets
For information, contact the PDM Network Secretariat at: Publicdebtnet.dt@tesoro.it
Follow us on Twitter @pdmnet and on our website www.publicdebtnet.org
purchases after pandemic
14-Apr-2020
WARSAW, April 14 (Reuters) - Poland's central bank should bring a gradual halt to bond purchases after the coronavirus epidemic is over, Monetary Policy Council rate-setter Lukasz Hardt wrote in an article published on Tuesday.
The central bank this month cut its benchmark rate for the second month in a row to a record low of 0.5% and said it will do whatever is needed to limit the economic repercussions of the coronavirus outbreak.
In March it proposed large-scale Treasury bond purchases and long-term refinancing operations to combat the outbreak's negative effects on the economy.
"After the pandemic is over, the bond purchases by the central bank should be gradually halted," Hardt, wrote in an article on web portal "Wszystko co najważniejsze".
Hardt also said that fiscal policies are key in fighting the virus and welcomes the government's 330 billion zloty ($79 billion) economic rescue package aimed at helping companies and saving jobs.
Last month, after the first unexpected rate cut, Hardt said the central bank should not signal the option of further rate cuts and that the bank's bond purchases and lower required reserve ratio have to be temporary.

($1 = 4.1656 zlotys)
(Reporting by Agnieszka Barteczko and Pawel Florkiewicz)
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Poland should keep rates low for as long as needed
14-Apr-2020
WARSAW, April 14 (Reuters) - Poland should continue using non-standard measures for as long as necessary while keeping rates low to deal with the economic fallout of the coronavirus, central banker Cezary Kochalski told state-run news agency PAP on Tuesday.
The central bank has cut rates twice in the space of a month, with the benchmark rate now at 0.5%.
It has announced large-scale Treasury bond purchases and long-term refinancing operations and said it will do whatever is needed to limit the economic impact of the outbreak.
"In the current situation, expecting inflation to fall below the inflation target over the monetary policy transmission horizon, the central bank should keep interest rates low and take other non-standard measures as long as they are needed," Kochalski said.
"The (Monetary Policy) Council still has room for further cuts, although less and less," he added.
His comments came after fellow rate-setter Lukasz Hardt wrote in an article published on Tuesday that the central bank should bring a gradual halt to bond purchases after the coronavirus epidemic subsides.
"After the pandemic is over, bond purchases by the central bank should be gradually halted," Hardt wrote on web portal "Wszystko co najważniejsze" (Everything that is Most Important).
Hardt, one of the few hawks on the rate-setting panel, also said that fiscal policies are key in fighting the coronavirus and that he welcomes the government's rescue package.
To help companies and save jobs, the government launched a rescue package worth more than 300 billion zlotys ($72 billion).
Polish government officials signalled on Tuesday that next week the country will start to ease some of the restrictions it launched to stop the spread of the coronavirus, which has infected 7,049 people and killed 251 in the country.
Pawel Borys, the head of state-owned investment fund PFR, was quoted as saying on Tuesday that the Polish economy may shrink by 10% in the second quarter.
Another rate setter, the dovish Eryk Lon, wrote that the central bank could expand its actions to fight the crisis by offering to purchase corporate bonds and to provide loans to companies.
The bank "could be for example providing loans directly to Polish companies, especially small and medium ones," Lon wrote in an article published on the website of Catholic radio station Radio Maryja.

($1 = 4.1656 zlotys)
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Poland to up public debt to stimulate economy amidst coronavirus
15-Apr-2020
WARSAW, April 15 (Reuters) - Poland will increase its public debt to bolster its coronavirus-hit economy, Prime Minister Mateusz Morawiecki said on Wednesday.
"We will definitely increase public debt, because today's state budget and public debt are the main tools to stimulate the economy," Morawiecki told a news conference.
He gave no details.
Poland had announced a balanced budget plan for 2020 before the coronavirus outbreak and has since released a fiscal stimulus package to help the Polish economy weather the pandemic.

(Reporting by Agnieszka Barteczko and Alan Charlish,
Romania

Romania's end-Feb foreign debt rises
14-Apr-2020
BUCHAREST (Romania), April 14 (SeeNews) - Romania's foreign debt increased to 110.6 billion euro ($121 billion) at the end of February 2020 from 105.6 billion euro at the end of 2019, the central bank, BNR, said on Tuesday.

The end-February figure includes 77.99 billion euro in long-term foreign debt, up from 73.6 billion euro at the end of 2019, BNR said in a monthly balance of payments report.

Long-term external debt service ratio fell to 14.6% in February, compared to 18.6% at end-2019.

Goods and services import cover stood at 5.1 months at end-February, from 4.6 months at end-2019.

The ratio of the BNR’s foreign exchange reserves to short-term external debt by remaining maturity increased to 77.9% at end-February, from 73.8% at end-2019.

($= 0.9142 euro)

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Romania's GDP to shrink by 5% in 2020, gain 3.9% in 2021
14-Apr-2020
BUCHAREST (Romania), April 14 (SeeNews) - The International Monetary Fund (IMF) said on Tuesday that Romania’s economy will shrink by 5% in 2020 and then rise by 3.9% in 2021.

In its previous forecast made in October, the IMF said that Romania’s economy will grow by 4% in 2020 and by 3.5% in 2021.

“The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–09 financial crisis,” the IMF said in its April World Economic Outlook report.

Romania’s current account deficit is forecast to widen 5.5% of GDP in 2020 from 4.7% in 2019. In 2021, the deficit is seen narrowing to 4.7%, according to the report.

Romania's consumer price inflation is seen at 2.2% in 2020 and 1.5% in 2021. Unemployment is projected to rise to 10.1% at the end of 2020, from 3.9% in 2019, and then decline to 6% in 2021.

On April 9, the World Bank said that due to the negative impact of COVID-19 pandemic it has sharply lowered its forecast for Romania's economic growth in 2020 to just 0.3%, from 3.8% projected in January.

(1 euro=4.8327 lei)
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Romania to run a budget deficit of 6.7% /GDP in 2020
15-Apr-2020
BUCHAREST, April 15 (Reuters) - Romania's consolidated budget deficit will jump to 6.7% of gross domestic product this year while the economy will contract by 1.9% as a result of the coronavirus outbreak, Finance Minister Florin Citu said ahead of a government meeting on Wednesday.

The European Union state, which has reported 7,216 virus infections and 362 deaths, enforced a lockdown on March 24 and announced a stimulus package worth 3% of GDP.

Citu said the cabinet was preparing a 'Phase-2' package of measures to relaunch the economy just as sizeable. He would not elaborate.

The government was originally targeting a fiscal shortfall of 3.6% /GDP.

(Reporting by Luiza Ilie; Editing by Radu Marinas)
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Romania expects near doubling of budget deficit as coronavirus hits
15-Apr-2020
BUCHAREST, April 15 (Reuters) - Romania's consolidated budget deficit will jump to 6.7% of gross domestic product this year while the economy will contract by 1.9% as a result of the coronavirus crisis, Finance Minister Florin Citu said on Wednesday.

The European Union state, which has reported 7,216 cases of the coronavirus and 362 deaths, enforced a lockdown on March 24 and announced a stimulus package worth 3% of GDP.

These measures ranged from guaranteed lines of credit and subsidized borrowing costs for companies to raising healthcare budgets and granting technical unemployment aid.

Citu said ahead of a government meeting that the cabinet was preparing a ‘Phase-2’ package of measures to relaunch the economy that was just as sizeable. He would not elaborate.

The government will approve a budget revision later on Wednesday, allotting more funds to health and labour ministries, Citu said. He estimated budget revenues will record a net loss of 19.4 billion lei ($4.4 billion) overall this year.

(1 euro=4.8327 lei)
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"This is a revision that supports the first package of measures," Citu said. "We are working on a second package to relaunch the economy, after the end of the state of emergency, which is significant, as important as the one we took." Prior to the global health crisis, the government was targeting a fiscal shortfall of 3.6% of GDP, above the EU's 3% ceiling, as a result of fiscal moves by a previous cabinet ahead of local and parliamentary elections this year. Analysts expect the coronavirus outbreak to push Romania's budget deficit to 7% this year, and see the economy contracting 4.9% but rebounding in 2021, a Reuters poll showed. The Romanian leu was flat against the euro.

Fitch Revises Romania's Outlook to Negative; Affirms at 'BBB'-

17-Apr-2020
Fitch Ratings-Frankfurt am Main-April 17:
Fitch Ratings has revised Romania's Outlook to Negative from Stable, while affirming the Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) at 'BBB'-.

A full list of rating actions is detailed below. Under EU credit rating agency (CRA) regulation, the publication of sovereign reviews is subject to restrictions and must take place according to a published schedule, except where it is necessary for CRAs to deviate from this in order to comply with their legal obligations. Fitch interprets this provision as allowing us to publish a rating review in situations where there is a material change in the creditworthiness of the issuer that we believe makes it inappropriate for us to wait until the next scheduled review date to update the rating or Outlook/Watch status. The next scheduled review date for Fitch's sovereign rating on Romania will be 1 May 2020, but Fitch believes that developments in the country warrant such a deviation from the calendar and our rationale for this is laid out below.

KEY RATING DRIVERS
The revision of the Outlook reflects the substantial worsening in Romania's public finances expected in the short-term as the outbreak and spread of the COVID-19 pandemic aggravates an already weak fiscal position. The combination of a sharp economic contraction and a rise in expenditure will cause a material widening of the public deficit and a sharp rise in debt in 2020. Although Fitch expects the economy to recover in 2021, uncertainty regarding the scope and length of the pandemic, combined with poor fiscal management in recent years, creates significant challenges in consolidating public finances over the medium term.

We forecast the general government deficit to widen to 8% of GDP in 2020, reflecting a projected sharp fall in revenue as most economic sectors suffer and an increase in expenditure, driven in part by automatic stabilisers. It also reflects a weak starting position, as Romania failed to take advantage of favourable macroeconomic conditions in recent years to improve its headline and structural deficit, with the general government deficit reaching 4.6% of GDP in 2019 (the highest in the EU and versus the BBB median deficit of 1.6%). The government has revised its 2020 budget target deficit to 6.7% of GDP (from 3.6% originally), following the introduction of various support measures, which include higher healthcare spending, various income- and tax-measures for affected companies and workers, and increase in loan guarantees. These measures amount to 3% of GDP (below aid packages pledged by other countries in the region) and are partly financed by drawing down European funds more rapidly.

Fitch expects the deficit to narrow in 2021, to 4.2% of GDP, driven in part by a recovery in economic activity. Our forecast rests on the assumption that the government contains the rise in expenditure on non-discretionary items, in particular by reducing or cancelling the 40% increase in public pensions due in September this year approved by the previous government and limits future wage increases. Nevertheless, a complicated political backdrop could hinder such plans and lead to more prolonged deterioration in fiscal metrics. Overall, despite efforts by the current administration (in power since November 2019) to improve fiscal management, Romania’s poor record in fiscal consolidation heightens downside risks to the rating.

Our public-finance projections see the debt ratio rising sharply to almost 45% of GDP in 2020, from 35.2% in 2019. Although this would still be below the projected 'BBB' median of 50%, it would constitute the highest ratio since 1995. Under our baseline assumption, public debt/GDP should rise only moderately in 2021, but this is subject to significant upside risks.

MEDIUM
Fitch forecasts the economy to contract 5.9% in 2020, from a growth of 4.1% in 2019 and a downward revision of 9.2pp since our last rating action in November 2019. Although Romania is less dependent than other countries in the region on services sectors that have been highly affected by COVID-19 (i.e. tourism, transport), we expect a sharp contraction in consumption, investment and exports as global demand collapses and domestic economic activity suffers from lockdown measures and a drop in confidence. We expect the unemployment rate to jump to 8% in 2020 (the highest one year increase on record) from a record low of 3.9% in 2019, reflecting in part the limited scale of government measures to offset the economic shock. According to data by the Labour Ministry, companies have submitted...
requests for temporary unemployment for around 560,000 workers by mid-April.

In our central scenario, we expect the disruptions from the COVID-19 pandemic to unwind over the course of this year, with most sectors recovering by end-2020 and job losses moderating. We forecast the economy to expand by over 5% in 2021, driven by strong growth in manufacturing and services exports, a pick-up in investment (both public and private) and a recovery in consumption. Shifting investment priorities by global companies could even benefit some Romanian industries (such as information and communications technology, agriculture) over the medium term. However, we see material downside risk to our short- and medium-term growth forecasts, given uncertainty surrounding the extent and duration of economic and social restrictions.

Fitch expects GDP per capita to fall sharply in 2020 before rising modestly in 2021, to USD12,800 at market exchange rates. This would be broadly the same level as in 2019 and only 90% of the level of our previous forecast. Nonetheless, it will remain slightly above the 'BBB' median, supporting the rating. Romania’s IDRs also reflect the following key rating drivers:

- Fitch forecasts Romania’s current account deficit (CAD) to narrow to 3% of GDP in 2020 (after reaching an estimated deficit of 5% in 2019, according to Fitch’s estimates based on IMF data), as a projected sharp fall in goods and services exports due to COVID-19 will be offset by a more pronounced contraction in goods and services imports. This adjustment - evident in previous cycles of economic contraction - reflects in part a large import component of investment. Although foreign direct investment (FDI) inflows will slow, capital transfers should remain substantial (reflecting a ramp-up of the EU funding cycle), with non-debt creating inflows covering around 75% of the CAD. A rise in external public borrowing will lead to modest deterioration in net external debt to 17.5% of GDP, almost double the current 'BBB' median.

- Inflation started to moderate in 1Q20 (to 3.1% in March) from a recent high of 4% in December 2019, due in part to a high base rate. This trend is likely to accelerate in coming months given the sharp fall in demand and lower oil prices. We now see inflation averaging 2.5% in 2020 before accelerating slightly in 2021 as the economy recovers. A more benign inflation outlook will provide the National Bank of Romania (NBR) some scope to support the economy by reducing interest rates further, following a 50bp cut to its key rate in March to 2%, the first cut in almost five years. However, given the potential build-up of exchange rate pressures if interest rate cuts are too aggressive, we expect the NBR to primarily focus on maintaining liquidity in the financial system and supporting the money and government bond markets. The NBR has adequate international reserves (EUR39 billion, 17.5% of 2019 GDP) to contain shocks. We expect Romania to continue to rely heavily on the domestic market to meet its public-financing requirements (which we estimate at 10% of GDP in 2020), helped by the purchase of government securities on the secondary market by the NBR. The government is also relying on external financing from international financial institutions and could tap international capital markets.

- Fitch believes the financial sector is in a better position to weather a crisis than in 2008-2009, with a liquid and highly capitalised banking sector that is less reliant on cross-border funding. The capital adequacy ratio was a preliminary 20% at end-2019 (with the final figure likely to be higher given profit inclusions) versus 13.8% at end-2008, while liquid assets-to-short-term liabilities were close to a historical high in 3Q19 (165%). However, economic contraction will lead to deterioration in asset quality (non-performing exposures as per EBA definition stood at a low of 4.1% in end-2019), a rise in impairment charges and will reduce demand for credit. This, combined with pressures on interest margins, will affect profitability and put pressure on banks’ capital positions.

- Romania’s human development indicators are above the ‘BBB’ range median, while its percentile rankings in the World Bank’s composite governance indicator are broadly in line with peers’. Governance indicators have fallen in recent years, in particular in terms of government effectiveness, reflecting in part erratic policymaking that has limited investment and halted structural and fiscal reforms. The PNL government does not have a majority in parliament and relies on either ad-hoc alliances or emergency ordinances to approve legislation. This has left it very vulnerable—it already lost a vote of confidence in February, only to be reinstated in March given the COVID-19 pandemic. Local and parliamentary elections are now likely to take place simultaneously at end-2020, which could provide some scope for the PNL government to approve difficult reforms in the coming months. However, it also raises the risks of political bickering and could delay approval of fiscal measures.

- ESG - Governance: Romania has an ESG Relevance Score (RS) of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. These scores reflect the high weight that the World Bank Governance Indicators (WBGI) have in our proprietary Sovereign Rating Model (SRM). Romania has a moderate WBGI ranking at 56.1 percentile, reflecting a recent track record of peaceful political transitions, a moderate level of rights for participation in the political process; moderate institutional capacity, established rule of law and a moderate level of corruption.

SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)

Fitch’s proprietary SRM assigns Romania a score equivalent to a rating of ‘BBB’ on the Long-Term
LTFD IDR scale. Fitch's sovereign rating committee adjusted the output from the SRM to arrive at the final LTFD IDR by applying its QO, relative to rated peers, as follows:

- **External Finances**: -1 notch, to reflect Romania's higher net external debtor and net investment liabilities positions than the 'BBB' range median, as well as greater external vulnerability than implied by the model.
- **Macroeconomics**: Fitch has removed the -1 notch in macroeconomics due to lower near-term risks to macroeconomic stability from economic policy and reduced distortion to the SRM output from previous pro-cyclical expansionary policies.

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LTFD IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

**RATING SENSITIVITIES**

The main factors that may, individually or collectively, lead to negative rating action/downgrade are:

- Sharp deterioration in medium-term debt sustainability, for example due to failure to offset or delay increases in recurrent expenditure and/or implement a credible medium-term consolidation strategy post-pandemic shock.
- Weaker medium-term growth prospects, for example reflecting a more pronounced or longer period of economic contraction that leads to permanent sectoral damage.

The main factors that could, individually or collectively, lead to positive rating action/upgrade:

- Confidence that general government debt/GDP will stabilise over the medium-term, for example due to a post-pandemic fiscal consolidation.
- A sustained improvement in external debt ratios.

**Best/Worst Case Rating Scenario**

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance.

**KEY ASSUMPTIONS**

We assume that the global economy evolves in line with our Global Economic Outlook published on 2 April 2020. Eurozone GDP is forecast to decline 4.2% in 2020, before recovering 2.9% in 2021.

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

**ESG Considerations**

Romania has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as the Voice and Accountability pillar of the WBGI is relevant to the rating and a rating driver.

Romania has an ESG Relevance Score of 4 for Rule of Law, Institutional Regulatory Quality and Control of Corruption as WBGI have the highest weight in Fitch's SRM and are highly relevant to the rating and a key rating driver with a high weight.

Romania has an ESG Relevance Score of 5 for Rule of Law, Institutional Regulatory Quality and Control of Corruption as WBGI have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight.

Romania has an ESG Relevance Score of 4 for Rule of Law, Institutional Regulatory Quality and Control of Corruption as WBGI have the highest weight in Fitch's SRM and are highly relevant to the rating and a rating driver.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

Romania; Long Term Issuer Default Rating; Affirmed; BBB-; RO:Neg
Short Term Issuer Default Rating; Affirmed; F3
Local Currency Long Term Issuer Default Rating; Affirmed; BBB-; RO:Neg
Local Currency Short Term Issuer Default Rating; Affirmed; F3
Country Ceiling; Affirmed; BBB+
Senior unsecured; Long Term Rating; Affirmed; BBB-

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**Russia**

**Russia's foreign debt shrinks to $450 bln as of April 1**

13-Apr-2020

MOSCOW, April 13 (Reuters) - Russia's total external debt stood at $450 billion as of April 1, decreasing by $40.8 billion since the beginning of the year due to the weaker rouble, the central bank said on Monday.
Russia's foreign debt is in focus as repayments of such liabilities may spur demand for foreign currency and hit the already battered rouble that slid to four-year lows last month.

(Reporting by Elena Fabrichnaya and Andrey Ostroukh; editing by Alexander Marrow)

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**Russia’s foreign debt shrinks to lowest since 2009 as rouble weakens**

13-Apr-2020

By Elena Fabrichnaya

MOSCOW, April 13 (Reuters) - Russia’s total external debt shrank in the first quarter to its lowest level since 2009, the central bank said on Monday, posing few extra risks for the already battered rouble and helping Russia withstand coronavirus-related shocks.

Foreign debt is in focus as repayments of such liabilities may spur demand for foreign currency and hit the Russian currency, as it was the case in 2014 when the rouble slumped amid lower oil and fresh Western sanctions against Moscow.

Russia’s external state and corporate debt was worth $450 billion as of April 1, decreasing by the equivalent of $40.8 billion since the beginning of 2020 mostly because of its revaluation due to the weaker rouble, the central bank said.

Some of Russia’s debt is denominated in roubles and is classed as external debt if it is held by foreigners.

The rouble became one of the worst-performing currencies in the first quarter as it took a hit from a crash in oil prices and the outbreak of the new coronavirus.

Central Bank Governor Elvira Nabiullina said last week there was no extra demand for foreign currency on the market but the central bank stood ready to engage FX repo auctions to provide liquidity if such a need emerges.

A source close to the central bank told Reuters that there was little probability that demand for FX repo will arise.

The slide in foreign debt level may help Russia to retain its investment credit ratings and live through the coronavirus crisis, pundits say.

"Russia is helped by its low state debt level of less than 20% (of gross domestic product), while the foreign debt is fully covered by gold and forex reserves," said Sofya Donets, chief economist at RenCap.

This year, Russia plans to increase state borrowing to finance as needs to finance its recession.\n
Anton Siluanov said on Thursday, warning of budget shortfalls amid low oil prices.

"Russia is helped by its low state debt level of less than 20% (of gross domestic product), while the foreign debt is fully covered by gold and forex reserves," said Sofya Donets, chief economist at RenCap.

The percentage equates to around 3 trillion roubles ($40 billion), based on the size of the Russian economy in 2019 and the current rouble exchange rate.

The new coronavirus has prompted a partial lockdown across Russia that is throttling the already battered rouble and helping Russia withstand coronavirus-related shocks.

The central bank said in its commentary that negative revaluation as a result of depreciation of the Russian rouble played a key role in the trend for this indicator. The most marked influence of this factor was indicated in reduction in the cumulative value of debt on securities of the Russian government and foreign obligations of other sectors.

The foreign debt of public administration bodies reduced $102 billion, or 14.6%, to $59.8 billion in Q1. Debt to nonresidents on Eurobonds dropped by $0.7 billion or 3.3% to $21.6 billion and debt on rouble-denominated government bonds in dollar equivalent fell $9.5 billion or 20.4% to $36.9 billion.

External debt of non-bank sectors declined $24.2 billion or 7.3% to $305.7 billion in Q1. Debts of banks fell $3.5 billion or 4.6% to $73.4 billion. This is the lowest level of debt for banks since July 1, 2006, when it was $66.7 billion.

The Central Bank’s debt reduced $2.8 billion or 20% to $11.1 billion in Q1.

In 2019, Russia's external debt rose $35.8 billion or 7.9% to $490.8 billion from $455.0 billion.

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**Russia’s measures to fight coronavirus crisis to be worth 2.8% of GDP**

16-Apr-2020

By Andrey Ostroukh and Darya Korsunskaya

MOSCOW, April 16 (Reuters) - Russia’s planned measures to fight the new coronavirus pandemic will be worth around 2.8% of its gross domestic product, Finance Minister Anton Siluanov said on Thursday, warning of budget shortfalls amid low oil prices.

The percentage equates to around 3 trillion roubles ($40 billion), based on the size of the Russian economy in 2019 and the current rouble exchange rate.

The new coronavirus has prompted a partial lockdown across Russia that is throttling business activity already dented by the rouble’s recent fall to four-year lows, and a crash in the price of oil, one of Russia’s main exports.

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The figure of 2.8% of GDP includes direct budget spending, tax cuts and tax breaks and direct state support for firms and households, Siluanov said.

Russia confirmed 3,448 new cases on Thursday, a record daily rise that brought its nationwide tally to 27,938. President Vladimir Putin postponed a lavish annual showpiece event - celebrations on May 9 including a huge military parade across Red Square to mark 75 years since the Soviet victory in World War Two.

The finance ministry said it would spend around 2 trillion roubles from the National Wealth Fund this year to cover budget shortfalls due to low oil prices if prices for Russian Urals blend crude stay near current levels of $20 per barrel.

"The global spread of the coronavirus has a negative impact on economic activity in nearly all sectors of the economy, not only in oil and gas," Siluanov said.

Russia, which had $565 billion in gold and foreign exchange reserves as of April 10, will support small and medium-sized enterprises with zero-interest loans and will provide state guarantees to avoid a rise in unemployment, Siluanov said.

Meanwhile, a budget shortfall amid the coronavirus crisis this year may exceed 1 trillion roubles, which the finance ministry will be able to offset using other sources, Siluanov said without elaborating.

The overall state support and budget shortfalls may eventually top 6.5% of GDP in 2020, Siluanov said.

Russia, in need of extra funds, has already scrapped 2020 borrowing limits of 2.3 trillion roubles in OFZs and up to $3 billion in Eurobonds. On Wednesday, there was strong demand for auctions of OFZs as central bank data showed that major Russian banks and foreign investors could help Moscow raise funds to finance its response to the coronavirus outbreak.

($1 = 74.4070 roubles)
(Additional reporting by Gabrielle Tétrault-Farber and Katya Golubkova; Writing by Andrey Ostroukh; Editing by Kevin Liffey)
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Slovakia

Slovakia's economy faces record decline due to coronavirus outbreak
15-Apr-2020
BRATISLAVA, April 15 (Reuters) - Slovakia's economy is likely to contract by a record 7.2% in 2020, the Finance Ministry said on Wednesday, as the coronavirus outbreak hammers foreign and domestic demand and investments because of a lockdown on daily life.

The country's economy is running at only about 70% capacity according to government estimates, as shops and restaurants mostly stay shut and major factories are idle. The Finance Ministry is forecasting the worst economic drop since the 2009 global financial crisis, when the economy shrank by 5.5%.

The Finance Ministry's new economic outlook released on Wednesday assumes significantly subdued activity in Slovakia and its trade partners for two months but the country also faces significant risks if there are any delays to the economy reopening.

Slovakia, which reported 863 cases of the coronavirus and two deaths, has moved more slowly than its neighbours in easing restrictions put in place in the last month to contain the outbreak. The government aims to unveil a plan next week to open up the lockdown.

The ministry's outlook said the recovery could start in the second half of the year, although it will be uneven across sectors, and could reach pre-crisis levels by the end of 2021, when full-year growth was seen at 6.8%.

The epidemic has led to a 9.4 percentage point reduction in this year's gross domestic product forecast. The 2021 growth figure was raised by 4.1 percentage points in the outlook.

The ministry estimates that the economic crisis will lead to the loss of 88,000 jobs and the unemployment rate will reach 8.8%, or 3 percentage points more than in a previous forecast.

Unemployment is expected to drop in the following years but employment will remain weaker than 2019 levels.

With the state stepping in with spending to help businesses and workers hurt by the outbreak's economic disruption, the euro zone country is set to run a record state budget deficit in 2020, Finance Minister Eduard Heger said, but added that estimates would be unveiled later.

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Russian firms face net foreign debt repayment of $22 bln in Q2-Q3
17-Apr-2020
MOSCOW, April 17 (Reuters) - Russian companies will have to carry out net foreign debt repayments of $12.6 billion in the second quarter and $9.4 billion in the third quarter, the Russian central bank said on Friday.

Foreign debt is in focus as repayments of such liabilities may spur demand for foreign currency and hit the Russian currency. Russia's total external debt shrank in the first quarter to its lowest level since 2009.

(Reporting by Anton Kolodyazhnyy; Writing by Andrey Ostroukh; Editing by Jane Merriman)
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Turkey

Turkey not planning to make deal with IMF
12-Apr-2020
ISTANBUL, April 12 (Reuters) - Turkey is not planning to make an agreement with the IMF, a presidential spokesman said on Sunday, as the country eyes funding options to cushion the economic impact of the coronavirus outbreak.
Ibrahim Kalin made the comment in an interview with private broadcaster CNN Turk.

Turkish budget deficit 43.7 bln lira in March
15-Apr-2020
ISTANBUL, April 15 (Reuters) - The Turkish government's budget recorded a deficit of 43.7 billion lira ($6.38 billion) in March, data from the Finance Ministry showed on Wednesday.
In February, the deficit stood at 7.36 billion lira. The primary balance, which excludes interest payments, showed a deficit of 32.4 billion lira in March, the data showed.

Ukraine

Ukrainian parliament approves emergency budget with new deficit of 7.5% of GDP
13-Apr-2020
KIEV, April 13 (Reuters) - Ukraine's parliament on Monday approved a revised budget for 2020 drafted by the government to deal with the economic fallout of the coronavirus epidemic.

The revised budget envisages the deficit rising to 7.5% of gross domestic product, compared with an earlier target of 2.1%, and the economy contracting by 4.8% due to strict lockdown measures imposed in Ukraine and around the world.

LATIN AMERICA AND CARIBBEAN

IMF sees 'lost decade' of no growth in Latin America due to pandemic
17-Apr-2020
WASHINGTON, April 16 (Reuters) - The International Monetary Fund on Thursday said the economic fallout of the coronavirus pandemic, combined with other problems in recent years, meant Latin America and the Caribbean would likely see "no growth" in the decade from 2015 to 2025.
Alejandro Werner, who heads the IMF's Western Hemisphere department, said the global lender was racing to process 16 requests for emergency assistance, about half of which were from Caribbean nations devastated by a halt in tourism.
Other countries, including Barbados and Honduras, had asked about traditional IMF programs or extensions of existing financing arrangements, he said.

In its 2020 World Economic Outlook, the IMF this week forecast the economy of Latin America, where outbreaks have continued to rise, is likely to contract 5.2%.
Werner told reporters in a videoconference briefing that countries in the region were facing the worst economic recession since they started producing national accounts statistics in the 1950s.
Given the dramatic contraction forecast for this year, and the impact of policies aimed at containing the pandemic, a sharp recovery was expected in 2021, as long as the pandemic could be contained, he said.
But that would not be sufficient to compensate for the current crisis, coupled with other events and problems in recent years.
"It's not only this shock; it's the cumulative negative shock that the region will have gone through in the decade going from 2015 and 2025," Werner said. "On average, our expectation is that it is highly likely that in the decade from 2015 to 2025 there will be no growth."
While individual countries would see some growth over the decade, the region as a whole would not, he added.
Werner said the Fund would analyze a $70
Argentina

Argentina to make debt revamp proposal to creditors this week
14-Apr-2020
BUENOS AIRES, April 14 (Reuters) - Argentina is set to make a debt restructuring proposal to international creditors this week amid delays caused by the coronavirus, an economy ministry source said on Tuesday, a key step as the country looks to strike a deal to avoid default.

Argentina's government is locked in talks to revamp close to $70 billion in foreign currency debt issued under international law to push back payments that it says the country cannot pay unless given time to revive stalled economic growth.

"They don't think it will be tomorrow, it's more likely on Thursday. But for sure it will be this week," the person said, declining to be named as the time frame was not yet public.

Argentina had initially set the end of March as a deadline to reach a deal with international creditors, but the negotiations were complicated by the coronavirus outbreak that has sideswiped the economy and led to a nationwide lockdown.

The country's President Alberto Fernández said in an interview over the weekend that an offer to bondholders was coming soon, but would have to be manageable for the country, South America's no. 2 economy.

The delay reaching an agreement with bondholders has stoked risks Argentina may default on its debts. Last week, the country pushed back around $10 billion of payments on dollar debt issued under local law until the end of the year.

(Reporting by Jorge Iorio; Writing by Adam Jourdan; editing by Jonathan Oatis)
does,” he said, a reference to the country’s previous acrimonious negotiations with bondholders, especially after a major default in the 2001-02 crisis that dragged on for over a decade.

Argentina, which also has major debts with the International Monetary Fund, has maintained it wants to find a more amicable path with creditors, though that has proved far from simple.

Many of the bonds currently being renegotiated have collective action clauses that require buy-in from holders of up to 75% of the debt in some cases.

Another hedge fund manager said investors had long taken issue with Argentina’s stance, which he said was "designed to squeeze bondholders to the max while being unrealistic to get the country back on track.”

The proposal, which relates just to foreign-law bonds, is also far from the end of Argentina’s debt saga. Several of its provinces, including the major region of Buenos Aires around the capital, are locked in their own negotiations with creditors.

Sambor said the variety of debt with different collective action clauses as well as the provincial debt pile added to the complexity of Argentina’s crisis. “The timetables are also very different, you have many different stakeholders from distressed guys to hedge funds to real money investors, and there are diverging interest,” he said. "We think it could be a pretty lengthy process.”

(Reporting by Karin Strohecker, Tom Arnold, Marc Jones and Cassandra Garrison; Writing by Cassandra Garrison)

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Argentine issues $4.8 bln in debt swap, part of bid to avoid default

15-Apr-2020

By Walter Bianchi

BUENOS AIRES, April 14 (Reuters) - Argentina’s $4.79 billion in a debt swap aimed at helping stave off a sovereign default. The Economy Ministry exchanged local law instruments is part of Argentina’s broader drive to give itself breathing space to restructure a more significant level of international debt.

Argentine will likely make an offer to creditors to revamp around $70 billion of foreign-law bonds this week, which the country has said it cannot pay unless given time to revive stalled economic growth, an economy ministry source told Reuters this week.

Demand for the new local-law instruments outstripped availability of the old, largely due to the large gap between the two values.

Argentina is also in talks about restructuring its borrowings from the International Monetary Fund, which extended a then $57 billion credit facility to the South American grains producer in 2018. The IMF has so far disbursed around $44 billion.

(Reporting by Walter Bianchi, writing by Aislinn Laing; editing by Jane Wardell)

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Moody’s Says Argentina’s Economic Recession Deepens

16-Apr-2020

April 16 (Reuters) - Moody’s says Argentina’s economic recession deepens with negative implications across sectors.

- Moody’s says Argentina government’s large, impending debt restructuring is likely to result in substantial investor losses on sovereign debt.
- Moody’s says Argentina's economic recession will deteriorate further this year, before a likely recovery in 2021.
- Moody’s says Argentina’s deteriorating economic, operating environment will weigh heavily on corporate credit quality over next 12 months.
- Moody’s on Argentina says does not expect a government default to drive widespread bank defaults by itself.
- Moody’s on Argentina says banks' indirect exposure to sovereign risk remains significant.

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Fitch downgrades Argentina's long-term foreign currency rating

17-Apr-2020

April 17 (Reuters) - Ratings agency Fitch on Friday cut Argentina's long-term foreign currency rating by one notch to 'C' from 'CC', saying a default on debt payments could be imminent if international creditors fail to accept the South American nation's restructuring plan.

The Argentine government proposed a debt relief plan on Thursday, which called for reduced interest payments, as the country grapples with a recession compounded by the coronavirus...
Argentina economy: Quick View - Government launches debt-restructuring offer
17-Apr-2020
On April 16th the government launched an offer to restructure its bonded external debt. The proposal includes a 5.4% capital reduction, a 62% reduction in interest payments and a three-year grace period.

Analysis
In his presentation, the economy minister, Martín Guzmán, reiterated the government’s view that public debt was fundamentally unsustainable, and that Argentina was not in a position to face its repayment obligations under the current circumstances.
To that end, Mr Guzmán deemed the government’s offer a reasonable one. The proposal, which covers US$66bn in foreign-currency bonds issued under foreign legislation, would entail a modest 5.4% reduction in capital (of US$3.6bn) and a much larger 62% reduction in interest payments (of US$39.7bn). Under the proposed debt swap, creditors would grant Argentina a three-year grace period, with no debt servicing in 2020-22. Thereafter, the sovereign would make annual coupon payments at a variable rate (rising incrementally from 0.5% in 2023). However, Mr Guzmán left out a number of important details, including whether the government would request extensions on maturities or capitalise accrued interest during the grace period. The specifics of the debt swap will be outlined on April 17th, when the government will formally present the proposal to bondholders.

The proposed restructuring was focused more on coupon reductions—rather than on principal repayments—than we had initially expected. Nonetheless, on the whole, the government’s offer is significantly more aggressive than we had anticipated. Even without maturity extensions, the government’s proposal would require bondholders to take a huge loss in terms of net present value (NPV). Assuming an exit yield (the average bond yield in secondary markets, typically used for discounting purposes) of 10%, the government’s proposal would imply an NPV loss in the range of 60-70% for creditors. This would be well above the average for recent emerging-market sovereign debt restructurings.
The aggressive offer, therefore, sets the stage for tough negotiations with creditors. Although investors are likely to be willing to work with a framework that preserves principal and provides short-term financing relief through coupon reductions, they are unlikely to accept asset losses of the magnitude currently proposed. For its part, the government’s willingness to placate creditors will be limited, especially in the context of deteriorating economic conditions.

BRAZIL
Brazils government on Tuesday proposed the transfer of 40 billion reais ($7.7 billion) to states and municipalities to help them through the coronavirus crisis as an alternative to an aid package approved by the lower house of Congress on Monday that is double that amount.
The counter proposal highlights the deepening divisions between the executive and legislative branches of government on how local authorities should be compensated for the fall in tax revenue and increase in spending as long as the crisis lasts.
In a press conference in Brasilia, Economy Ministry officials said the 40 billion reais package approved on Monday, which is still awaiting Senate approval, would be for six months.
The officials also said that 22.6 billion reais of local authority debt to the federal government will be suspended for six months, as will a further 14.8 billion reais of debt owed by quasi-national entities to state-owned lenders Caixa Economica Federal and BNDES.
Waldery Rodrigues, special secretary to the Ministry, said the total support for states and municipalities from these measures reaches 77.4 billion reais.
He noted that the lower house’s bill assumed a 30% fall in local authorities’ tax revenues. But the economic downturn could be more severe, resulting in a much bigger fiscal hole.
Economy Minister Paulo Guedes on Monday criticized the bill, saying it was akin to the government signing a “blank check”. One source told Reuters that President Jair Bolsonaro is likely to veto it, despite adjustments to the text to exert more federal control over the spending.
According to the bill, the federal government will make up for the fall in states’ and municipalities’ tax revenues between May and October.
Economy Ministry officials said on Tuesday that government spending fighting the crisis has totaled 300 billion reais so far, three times this year’s total planned discretionary spending,
while support for local authorities stands at 127.3 billion reais.

($1 = 5.20 reais)
(Reporting by Marcela Ayres
Writing by Jamie McGeever
Editing by Chris Reese and Sonya Hepinstall)

Brazil heading for almost 8% of GDP deficit this year
14-Apr-2020
BRASILIA, April 14 (Reuters) - Brazil's
government is on course to post a primary
budget deficit this year of 600 billion reais
($116 billion), almost 8% of gross domestic
product, due to the emergency spending and
fall in revenues triggered by the coronavirus
crisis, Treasury Secretary Mansueto Almeida
said on Tuesday.

Speaking to reporters in Brasilia, Almeida said
the government will resume its fiscal adjustment
process next year and that economic reforms
will be more critical than ever, otherwise the
economy will struggle to grow and it will be
difficult to pay the bill for these emergency measures.

($1 = 5.17 reais)
(Reporting by Marcela Ayres
Writing by Jamie McGeever
Editing by Chris Reese)

Brazil govt poised to hit tenth year of deficits, seeks budget goals flexibility
15-Apr-2020
By Jamie McGeever and Marcela Ayres

BRASILIA, April 15 (Reuters) - Brazil's
government is on course to hit at least its
tenth year of budget deficits, according to
official targets published on Wednesday
by the Economy Ministry, which is seeking more
leeway to shift the goal posts, depending on the
ebb and flow of tax revenues.

The ministry's official budget proposals, which
will now be submitted to Congress, show a
projected budget deficit next year before interest payments of 149.6 billion reais ($28.5 billion), or 1.84% of gross domestic product.

That is more than double earlier indications
before the new coronavirus pandemic tipped the
economy into turmoil, but sharply down from the
600 billion reais or 8% of GDP for this year
that Treasury Secretary Mansueto Almeida said
on Tuesday is now likely.

The official primary deficit goals for 2022 are
127.5 billion reais, or 1.47% of GDP, and for
2023 they stand at 83.3 billion reais, or 0.9% of
GDP, according to the proposals.

The last time Brazil's central government posted
a primary budget surplus was in 2013, just
before the country fell into one of its deepest
recessions on record.

The downturn about to hit this year from the
coronavirus-triggered sudden halt to activity is
widely expected to be the most severe in decades, with the International Monetary Fund
and World Bank both predicting a contraction of
more than 5% for Brazil.

The government is sticking with its zero
cent forecast for this year but that is so
the Economy Ministry can officially change it
in its next bi-monthly revenue and
expenditure report in May. Adolfo Sachsida,
economic policy secretary, said on Wednesday
the economy will certainly contract this year.

Waldery Rodrigues, special secretary to the
ministry, said that the government is proposing
that it be able to adjust the deficit goals in
certain reports throughout the year depending
on how the revenue side of the public finances is
looking.

Uncertainty surrounding the economy is so great
right now that it is virtually impossible to
can the revenue side of the public finances is
confidently and accurately predict tax revenues
so far out, Rodrigues said.

Treasury Secretary Mansueto Almeida said the
government must make a huge effort over the
next two years to boost revenue, citing a
resumption of the government's concessions and
privatization programs which will help to reduce
debt.

The official goals on Wednesday also showed the
government expects GDP growth of 3.3% next
year, 2.4% in 2022 and 2.5% in 2023. It
forecasts gross national debt at 84.3% of GDP
next year, 85.5% of GDP in 2022 and 86.4% in
2023.

($1 = 5.24 reais)
(Reporting by Jamie McGeever; Editing by Bernadette
Baum)

Brazil crisis-fighting measures to have 285 bln reais impact on budget balance
17-Apr-2020
BRASILIA, April 17 (Reuters) - The Brazilian
government's crisis-fighting fiscal measures
taken so far will have a 285.4 billion reais
($54 billion) impact on this year's primary
budget balance, the Economy Ministry said
in a presentation published on Friday.

On an online press conference, ministry officials
said the April-June period will be tough for the
economy, and repeated their view that economic
and fiscal reforms will be the bedrock of the
recovery and resumed once the crisis has
passed.
Chile

Chile economy seen contracting 2% in 2020; Pinera promises 'cautious' reopening
17-Apr-2020

SANTIAGO, April 17 (Reuters) - Chile's economy is expected to contract by 2% in 2020, the government said on Friday, while stimulus measures to combat the coronavirus pandemic will deepen the nation's fiscal deficit to 8%, the largest gap since at least 1990.

The dire predictions from the country's budget office came the same day center-right President Sebastian Pinera promised a gradual reopening of Chile's economy, which has been largely shuttered for more than six weeks amid the crisis.

Pinera, in a televised speech, said while his priority was the health of his fellow citizens, the economy was a close second. He promised a "gradual and cautious reopening" in the coming weeks.

"We are preoccupied with taking measures to protect jobs, family incomes and helping companies to overcome this crisis," Pinera said.

Chile has already announced a "historic" stimulus package of $17 billion, worth more than 5% of gross domestic product. The measures, including beefed-up unemployment checks and government-backed credit lines for small business, are expected to increase the country's total debt to 32.7% of GDP, up from 29.6% previously, the budget office said.

Even with the stimulus, domestic demand will fall by 3.3% in 2020, down from a previous estimate of 1.1% growth. Annual inflation was seen at 3.3%, the agency said in its quarterly public finances report.

The Health Ministry said earlier this week it would begin handing out "health passports" next week to people deemed to have recovered from the illness. Those people, once screened to determine if they have developed antibodies to make them immune to the virus, could immediately rejoin the workforce.

On Friday, Chile confirmed 9,252 cases of the novel coronavirus and 116 deaths.

The economy of the world's top copper producer, heavily reliant on exports, has been hammered by fast-falling prices and flailing demand for the red metal as the global trade withers amid the pandemic.

The budget agency said it expects the price of copper to average $2.36 per pound in 2020, down from a previous forecast of $2.80.

Colombia

Colombia to require banks to buy local public debt to finance COVID-19 response
16-Apr-2020

BOGOTA, April 16 (Reuters) - Colombia will issue public debt bonds worth around 9.8 trillion pesos ($2.5 billion) that banks operating in the country must acquire, to fund the state of emergency declared in response to the new coronavirus, the government said.

The local TDS bonds will be issued with a duration of one year and can be partially or totally extended at the request of the finance ministry, the government said in a decree on Wednesday night.

"With the aim of mitigating the deteriorating economic conditions and the negative consequences generated by the coronavirus pandemic, it's necessary to expand the liquidity mechanisms available to the national government," the decree said.

Latin America's fourth-largest economy has estimated it will have to increase its public debt to support businesses and people affected by a national quarantine that is set to run until April 27, which in the medium-term threatens to leave thousands unemployed.

Banks must subscribe to the securities in percentages that coincide with reductions made to their reserve requirements, a move announced by the central bank on Tuesday night.

The sums raised will go toward the Emergency Mitigation Fund (FOME), which the government is using to finance some of the measures it has adopted to meet social needs as a result of the spread of COVID-19, which has infected more than 3,000 people in Colombia and left at least 131 dead.

The Finance Ministry expects the Colombian Economy to contract between 1.5% to 2% this year, a long way from the previous target of 3.7% growth.

Experts say the fiscal deficit will rise above 4%, far above the government's original 2.2% target.

($1 = 3,920.83 Colombian pesos)

(Reporting by Dave Sherwood and Aislinn Laing; Editing by Sandra Maler and Leslie Adler)

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Colombia 2020 deficit limit widened to 4.9% of GDP due to coronavirus
17-Apr-2020
BOGOTA, April 16 (Reuters) - Colombia's Fiscal Rule Advisory Committee on Thursday widened the government deficit limit for this year to 4.9% of gross domestic product, up from 2.2% of GDP previously, so the government can attend to fiscal needs created by the coronavirus pandemic.
The decision will allow the government to take on more debt, with the committee leaving open the possibility that it could widen the limit in future.
The government of President Ivan Duque has earmarked billions of dollars in extra welfare payments, helping independent workers and shoring up businesses in a bid to stem job cuts and economic losses.
The country is under a nationwide quarantine until Apr. 27.
The nine-member committee of economic experts unanimously backed the decision, it said in a statement, "with the objective of attending to the inescapable needs caused by the current situation."
The so-called fiscal rule, put in place in 2011, is designed to block deterioration in public finances and is seen as key for the country to maintain investor confidence.
"The committee members reviewed government estimates, which according to the most recent information, reflect growth of -1.6% in 2020, under which the fiscal deficit target would be situated at 4.9% of GDP," the statement said.
The committee left the door open to further changes to the limit.
"Many expressed doubts about the trajectory laid out by the government, and suggested that in 2020 growth could be significantly less than -1.6%, which would mean a larger gap and in consequence, possibly a larger fiscal deficit."
The committee said it had requested an additional meeting to analyze various economic scenarios.
Finance Minister Alberto Carrasquilla has said Colombia will need to increase debt to attend to the coronavirus crisis. Tax income will fall by some 10 trillion pesos ($2.55 billion) this year, Carrasquilla has said.
Last month, Fitch Ratings lowered the Andean country's credit rating to BB- from BBB, while Standard and Poor's revised its outlook on the country to negative from stable.
The government expects the economy to contract between 1.5% and 2% this year, well below previously predicted growth of 3.7%.
As a whole, economic output in Latin America is set to contract 5.2%, according to the International Monetary Fund.

(Ecuador)
S&P Says Ecuador Ratings Lowered to 'SD/SD' on Expectation of Missed Interest Payment and Distressed Exchange
14-Apr-2020
April 13 (Reuters) - S&P:
• S&P says Ecuador ratings lowered to 'SD/SD' on expectation of missed interest payment and distressed exchange
• S&P says there is no outlook on long-term rating of Ecuador
• S&P says will reassess forward-looking evaluation of Ecuador's creditworthiness upon completion of likely upcoming commercial debt exchange

Buy side likely to give Ecuador time ahead of bigger debt talks
15-Apr-2020
By Paul Kilby
NEW YORK, April 15 (IFR) - Investors will likely give Ecuador some breathing space and agree to a consent solicitation that expires on Friday, but warn that a bigger debt restructuring is ahead for the beleaguered Andean nation.
With Ecuador facing a possible hard default that could trigger worse consequences, analysts and investors think the buyside will agree to the government's request last week to defer and reduce interest on some US$19bn of bonds until August.
"I think the consent will go through," said one bondholder. "They are unlikely to be able to pay these coupons and the buyside realizes they have to give them some time rather than go into a chaotic mess."
The administration of President Lenin Moreno has been seen taking the right actions but has been hit by a series of recent events - namely the COVID-19 pandemic and plummeting crude prices - that have further hurt the finances of the cash-strapped oil exporter.
Even so, S&P cut Ecuador's rating to selective default this week from CCC-, as the country - one of the worst hit by the Covid-19 pandemic - faces mounting liquidity pressures and opposition to debt payments in Congress.
The government will face a legal default unless the consent solicitation offer is successful before grace periods start to end on April 24.
Yet while a successful consent solicitation will
help avoid a hard default as the country seeks time to renegotiate new terms with the International Monetary Fund, larger restructuring is all but inevitable, say analysts. "I feel bad for Moreno. He has suffered one body blow after another but clearly a broad base, comprehensive restructuring is coming." By giving Moreno some breathing space the buyside is hoping to avoid what could turn out to be tougher debt negotiations following the presidential elections in 2021 should a less market friendly government take power. "Ecuador is not asking for much," said Petar Atanasov, co-head of sovereign research at hedge fund Gramercy, referring to the consent solicitation. "The alternative - hard and disorderly default - is way worse, especially in the sense that it will increase even further the probability of a non-market friendly outcome in the 2021 elections, which is the key risk." How much of a haircut investors might have to take once a true restructuring takes place may just depend on the type of government that wins the election next year. "A more comprehensive restructuring is unavoidable, either as a prior action under a new IMF program later in 2020, or, more likely in my view, in 2021 with the new administration," said Atanasov. "Depending on the nature of the administration and policy direction in 2021, the outcome for investors will be dramatically different, hence significant downside risks on the horizon." Indeed, a comprehensive debt deal in the coming months seems unlikely given all the uncertainty produced by the Covid-19 pandemic and its impact on the economy and oil prices. "The current conditions are not ideal for a realistic debt sustainability analysis framework," wrote Siobhan Morden, the head of Latin America fixed-income strategy at Amherst Pierpont. And a debt restructuring "almost perversely has to be NPV negative if the objective is debt sustainability with sufficient liquidity relief." In a presentation over the weekend, the government said it will consult investors between May and June and expects what it calls a "debt sustainability transaction" sometime between June and July.

(Reporting By Paul Kilby) ((paulj.kilby@thomsonreuters.com; 646 223 4733; Reuters Messaging: paulj.kilby.thomsonreuters.com@reuters.net)) (c) Copyright Thomson Reuters 2020. © Refinitiv 2020. All rights reserved.

Mexico

Fitch cuts Mexico's rating to 'BBB-' 15-Apr-2020 April 15 (Reuters) - Fitch on Wednesday downgraded Mexico's long-term foreign currency issuer default rating to "BBB-" from "BBB", with a stable outlook. The credit ratings agency said the rating cut was based on expectations that the economic shock represented by the coronavirus pandemic would lead to a severe recession in the country this year.

(Reporting by Ahmed Farhatha in Bengaluru, Editing by Anil D'Silva) ((ahmed.farhatha@thomsonreuters.com; within U.S. +1 646 223 8780, extn. 6568; Reuters Messaging: ahmed.farhatha.thomsonreuters.com@reuters.net)) (c) Copyright Thomson Reuters 2020. © Refinitiv 2020. All rights reserved.

Fitch cuts Mexico rating to one notch above 'junk' 16-Apr-2020 By Stefanie Eschenbacher MEXICO CITY, April 15 (Reuters) - Fitch Ratings on Wednesday downgraded Mexico's sovereign rating to one notch above speculative grade on fears that the economic shock caused by the novel coronavirus will cause a "severe recession" in Latin America's second-largest economy this year.

Mexico's declining creditworthiness is a blow to President Andres Manuel Lopez Obrador who has made steep cuts to keep public finances stable but retreated from the previous government's opening of the oil and gas sector. Its new rating is BBB- with a stable outlook. Fitch forecast the Mexican economy will contract by at least 4% this year and the general government deficit will widen.

Even a recovery starting in the second half of this year would likely be held back by the same factors that have hampered recent economic performance, it said. The government of Lopez Obrador also faces the contingent liability represented by the debt of national oil company Petroleos Mexicanos, which totals $105.2 billion, or 9% of gross domestic product.

Pemex "remains a key risk factor, particularly in view of the sharp fall in oil prices and the widening discount of prices to global benchmarks", Fitch said. Earlier this month, Pemex, as the company is known, slid deeper into "junk" territory after Fitch cut the rating of its bonds by another notch with a negative outlook amid concerns its standalone-credit profile will deteriorate further. "The Fitch downgrade is justified because the deterioration of the economic outlook continues," said James Salazar, an analyst at Mexican bank CI Banco. "It is difficult to anticipate how much the fall will be, how deep and for how long." Last month, S&P Global Ratings downgraded both Mexico and Pemex amid similar concerns over the impact of the coronavirus pandemic on the country's already struggling economy and ailing Pemex. Mexico's economy had already tipped into...
Peru
Peru minister says strong demand for $3 bln bond offer despite pandemic
16-Apr-2020
LIMA, April 16 (Reuters) - Peru has received strong demand for its $3 billion offer of sovereign bonds that will finance part of its economic revival, the economy minister said Thursday, despite the complex scenario of the global coronavirus pandemic.
María Antonieta Alva said at a press conference that the high demand will enable the mining country to obtain low interest rates on the debt. She added that the final result of the offer will be known in a few hours.

Moody's Downgrades Mexico's Ratings to BAA1, Maintains Negative Outlook
17-Apr-2020
April 17 (Reuters) -
• Moody's downgrades Mexico's ratings to BAA1, maintains negative outlook
• Moody's says Mexico's medium-term economic growth prospects have materially weakened
• Moody's says has downgraded government of Mexico's long-term foreign-currency and local-currency issuer ratings to baa1 from A3
• Moody's says expects Mexico's medium-term growth to remain depressed, even when removing severe economic contraction due to coronavirus shock
• Moody's says on Mexico continued deterioration in Pemex's financial and operational standing is eroding sovereign's fiscal strength
• Moody's says on Mexico quality of policymaking and institutional capacity to respond to shocks of government have weakened
• Moody's says Mexico's economic contraction in 2020 could be even deeper & recovery could take longer than anticipated

Moody's Says Downgrades Suriname's Rating to B3
14-Apr-2020
April 14 (Reuters) - Moody's:
• Moody's says downgrades Suriname's rating to B3; changes outlook to negative
• Moody's says downgraded long-term issuer & senior unsecured ratings of government of Suriname to B3 from B2
• Moody's says changed Suriname's outlook to negative from stable
• Moody's says Suriname's downgrade to b3 reflects heightened liquidity & external risks
• Moody's, on Suriname - spending pressures to likely emerge ahead of May 25 parliamentary elections, contributing to elevated expenditures through h1 2020
• Moody's - implications of coronavirus pandemic, existing institutional weaknesses limiting policy effectiveness to limit Suriname's fiscal consolidation efforts

AFRICA
Africa may rebound in 2021, but coronavirus impact to endure
15-Apr-2020
• Africa facing biggest economic contraction on record this year
• Recovery could begin in second half of 2020
• Downturn will mean lost growth for years to come
By Joe Bavier
JOHANNESBURG, April 15 (Reuters) - Africa is expected to reverse an economic contraction linked to fallout from the COVID-19 pandemic next year, according to the International Monetary Fund, but the impact will be felt for years to come.
Sub-Saharan Africa's gross domestic product is on track to shrink this year by 1.6% - the lowest level on record - because of the combined effects of the disease and plummeting oil and commodities prices.
Growth of around 4% should follow in 2021, according to the IMF's regional economic outlook for Africa, released on Wednesday.
But the IMF warned that firm forecasts are currently hard to make. And in the event of a more protracted disease outbreak and deeper global recession, it envisions Africa's economy shrinking an additional 2.5% this year.

"I don't think we've ever had as difficult a time trying to do projections in the institution, certainly in my 25 years," Abebe Aemro Selassie, head of the IMF's Africa department, told Reuters in an interview.

The Fund's baseline scenario assumes that measures aimed at containing the disease, including lockdowns, will be concentrated in this year's second quarter.

"We hope to see a rebound after that, with some recovery into next year. In some sectors such as construction or services, there will be pent-up demand and there could be a bounce back in those sectors," Selassie said.

Still, the pandemic will cause persistent, large losses of output "with the level of real per capita GDP expected to be about 4.5% lower by 2024 compared with the pre-COVID-19 projections," the report stated.

African oil exporters can expect a 2.8% contraction this year, according to the IMF report. Other resource-intensive economies will shrink 2.7%.

Non-resource-intensive countries are expected to see growth decline to 2.0% from 6.2% last year. Within this group, however, tourism-dependent countries, including Cape Verde, Comoros, Gambia, Mauritius, São Tomé and Príncipe, and Seychelles, are projected to see a 5.1% contraction.

To give countries breathing room during the crisis, the IMF and World Bank have proposed suspending debt service this year for the world's poorest countries. Wealthy nations are expected to answer the call during a meeting of the Group of 20 (G20) major economies on Wednesday.

The IMF is not at this stage endorsing the kind of broader relief and debt cancellation African finance ministers are calling for.

"Debt sustainability is country specific and a medium to long-term issue. Much will depend on how countries recover from this shock. My sense is they will do so at varied speeds," Selassie said.

Africa's creditor landscape has grown increasingly complex over the past two decades. Debt is held not only by Paris Club members and multilaterals, but also China, commercial banks and Eurobond holders.

"Quite a lot of thinking and work is needed to make sure that we understand and have modalities through which we can do debt relief operations," he said.

"That's really been kick-started with a vengeance as a result of the challenges countries are facing right now ... a new architecture is needed."

(Reporting by Joe Bavier, editing by Larry King)

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IMF's Georgieva underscores need to help Africa, other emerging markets
17-Apr-2020
By Andrea Shalal and David Lawder
WASHINGTON, April 16 (Reuters) - International Monetary Fund chief Kristalina Georgieva urged governments and the private sector to step up their efforts to help African countries and other emerging markets weather the economic and health impacts of the coronavirus pandemic.

Georgieva lauded a decision by the Group of 20 major economies and Paris Club creditors to temporarily suspend debt service payments by the poorest countries. She said the IMF's steering committee had unanimously urged private sector creditors to join in to stem a massive outflow of capital from emerging markets and prevent unnecessary bankruptcies.

G20 officials and Paris Club creditors agreed on Wednesday to suspend debt service payments for the world's poorest countries through the end of the year, a move matched by a group of hundreds of private creditors.

But finance ministers and a growing chorus of non-profit groups are calling for broader debt relief to help other low- and middle-income countries that are also plagued by high debt burdens as they brace for worsening pandemic impacts.

Coronavirus cases in Africa could shoot up from thousands now to 10 million within three to six months according to provisional modeling, a regional World Health Organization (WHO) official said on Thursday.

Speaking after a meeting of the IMF's steering committee, Georgieva told a videoconference news briefing on Thursday that the IMF and the World Bank were looking at ways to "ease the burden" on other countries saddled with high debt levels.

"Of course, there are other countries that are under the burden of debt ... and both the World Bank and the IMF are committed to look into debt sustainability issues on a country by country basis," she said.

MOBILIZING WITH AFRICA

The IMF, World Bank and ministers from African countries will meet online with UN officials and others on Friday to discuss their call for debt relief, Georgieva told reporters.

Nigerian Finance Minister Zainab Ahmed, in remarks prepared for Friday's meeting of the World Bank's Development Committee, backed a call by African leaders for $100 billion on emergency aid, including $44 billion earmarked for immediate debt relief.

African leaders say the continent is facing a perfect storm of high debt levels, the coronavirus pandemic, plummeting oil and commodity prices and mounting budget deficits. Ahmed welcomed the debt relief agreement...
reached to help the poorest countries, but said middle-income countries with debt challenges and fiscal constraints also needed help. Georgieva said Africa was a high priority for the IMF and the World Bank, noting that many countries on the continent had been growing at rates of 6% or more, before the pandemic, providing a boost for a generally sluggish global economy. "Now is the time to make sure that we don't lose the momentum of this Africa on the move," she said. African leaders are calling for broader debt relief after seeing external debt payments double from 2015 to 2017 to 11.8%. U.S. Treasury Secretary Steven Mnuchin, in remarks to the International Monetary and Finance Committee, said Washington was open to further debt relief measures, but gave no details. He said he "strongly supported" Wednesday's debt relief decision by the Group of 20 major economies and the Paris Club, and urged private creditors to take part on a voluntary basis. Enhanced disclosure by borrowers and creditors of public and publicly guaranteed debt would allow detailed analyses of debt sustainability levels by the IMF and World Bank, he said, paving the way for "further action on debt as needed."

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IMF, World Bank say Africa to get $57 bln from official creditors in 2020
17-Apr-2020
WASHINGTON, April 17 (Reuters) - The International Monetary Fund and World Bank said on Friday that official creditors have mobilized up to $57 billion in loans and grants for Africa in 2020 to aid the continent's response and recovery from the coronavirus pandemic. In a joint statement issued after a videoconference with African leaders, the World Bank and IMF said the total includes more than $18 billion from each of the two institutions for front line health services, support the poor and vulnerable and to keep economies afloat amid the worst economic downturn since the 1930s.

(Reporting by David Lawder
Editing by Chizu Nomiyama) ((David.Lawder@tr.com; +1 202 354 5854; Reuters Messaging: david.lawder.thomsonreuters.com@reuters.net))
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Africa/China

China in the driver's seat amid calls for Africa debt relief
13-Apr-2020
- G20 likely to endorse debt moratorium this week - sources
- African nations pushing for broad debt relief
- China now Africa's largest bilateral creditor
- Beijing finds itself in an unfamiliar role
By Joe Bavier, Cheng Leng and Andrea Shalal
JOHANNESBURG/BEIJING/WASHINGTON, April 13 (Reuters) - Support is growing for debt relief to help the world's poorest, indebted nations - most of them in Africa - confront the economic havoc wreaked by COVID-19, but there is one big question mark: China.

A two-decade lending spree has propelled China to the top of Africa's creditor list and any comprehensive debt deal, including write-offs, would require Beijing to take a leading role and swallow losses, analysts say.
"China is in the driver's seat," said Scott Morris, a senior fellow at the Center for Global Development (CGD), a Washington think-tank.
"But this is going to require real pain for creditors, and I'm not sure they've come to terms with that."

Beijing is likely to endorse a temporary freeze on debt payments by African countries as part of an expected agreement by the Group of 20 (G20) major economies this week, two sources familiar with the process told Reuters.
Broader debt relief is the obvious next step but China is unlikely to lead that charge, analysts say, despite the potential opportunity to burnish its soft power credentials.
"The origin of Africa's debt problem is complex, and the debt profile of each country varies," China's foreign ministry said in a response to Reuters' questions.
"We are aware that some countries and international organisations have called for debt relief programmes for African countries, and we are willing to study the possibility of it jointly with the international community."
"A RISING POWER"

Unlike major Western countries that granted debt relief in the past, a large part of China's debt to Africa carries commercial terms and China itself is still an emerging economy with per capita income of $10,153 in 2019, below the average of $45,447 for the top seven major economies, according to data from the International Monetary Fund (IMF).
"China is still a rising power, and it is only a recent ... entrant as a major financial partner in Africa," said Yunnan Chen of the Overseas Development Institute (ODI), a London think-tank.
"It also needs to make financial and economic returns on its investments. We are very unlikely
to see direct loan forgiveness for a substantial bulk of loans."

With its own economy expected to contract for the first time in three decades, China has signalled little appetite to go beyond its well-worn playbook of bilateral negotiations with debt-distressed partners. "We can't answer to every debt relief request without detailed analysis," said He Haifeng, director of the Institute of Financial Policy at the Chinese Academy of Social Science, a government think tank. "Some of the requests could cause moral hazard."

Wealthy governments watching their own economies lurch towards recession are unlikely to pour significant resources into debt relief if they think the money will indirectly support Chinese creditors, analysts say.

**With around 12,500 COVID-19 cases to date, Africa accounts for a small fraction of the more than 1.7 million infections globally.**

Nonetheless African countries have taken a disproportionate hit due to plummeting oil and commodity prices and weaker currencies, which ramp up external debt servicing costs. Their economies are expected to contract sharply this year and could lose 20 million jobs. As an immediate step, the IMF and World Bank are pushing for a payment moratorium on bilateral debt owed by the world's poorest countries.

Last week, IMF chief Kristalina Georgieva said China was "constructively" engaging on the issue. A Chinese official told Reuters that Beijing was willing to work with borrowers on a bilateral basis and agreed some countries should not be forced to service debt during the crisis. The IMF is not currently pushing for a broader initiative, but experts say a payment freeze is a first step towards that.

**NO GRAND GESTURES**

African finance ministers are calling for a $100 billion stimulus package, of which $44 billion would come from not servicing debt - bilateral, multilateral or commercial. They want some debt owed by Africa's poorest nations cancelled and the remainder converted into long-term, low-interest loans.

That's a big ask, say experts. China's government, banks and companies lent some $143 billion to Africa between 2000-2017, much of it for large-scale infrastructure projects, according to data from Johns Hopkins University. By some estimates, Chinese lending now dwarfs World Bank loans in Africa.

The ODI estimates lending from China makes up 33% of external debt service in Kenya, 17% in Ethiopia and 10% in Nigeria.

Terms of Chinese lending have generally been favourable, though a CGD study found they were consistently harder than World Bank terms, particularly for the poorest countries.

Chinese institutions offered fewer grants; grace periods on loans were shorter, and the weighted mean interest rate was higher - 4.14% compared to the World Bank's 2.1%.

Beijing has long rejected criticism, notably from Washington, of its lending policies. "For a long time, China, in a responsible manner, has carried out investment and financing cooperation with African countries based on their willingness and needs," the Chinese foreign ministry statement said.

While China has played a highly publicised role in Africa's fight against the pandemic - with billionaire Jack Ma dispatching planeloads of medical equipment - there's little indication of a similar grand gesture on debt.

Beijing has a history of working with struggling borrowers, but the process often aims to ease short-term pressure to ensure eventual repayment.

The New York-based Rhodium Group research firm, analysing recent negotiations between China and its borrowers, found debt forgiveness was relatively common, though the sums involved were often small and paired with substantial additional lending.

In Sudan, for example, China wrote off $160 million in 2017, 2.5% of the estimated $6.5 billion it was owed.

Ghana's finance minister Ken Ofori-Atta said last week that China needed to do more. A foreign ministry spokesman said China would engage its partners individually.

Experts say China's ad hoc approach cannot work in the current crisis but a coordinated initiative involving all creditors would require Beijing to open its books, something it has repeatedly resisted.

The Trump administration has in the past signalled reluctance to support broad debt relief, given Africa's heavy borrowing from China. U.S. officials did not respond to a request for comment.

Washington's current absence from the conversation has left a leadership vacuum. But analysts say it may bristle at any process over which it deems Beijing to have too much influence.

"I worry that even if China sees this as an opportunity to seize leadership and exploit it, the U.S. could walk away from it," the CGD's Morris said.

(Writing by Joe Bavier;
Additional reporting by Yew Lun Tian in Beijing and Karin Strohecker in London; Editing by Alexandra Zavis, Carmel Crimmins and Gareth Jones)

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Fitch Ratings has downgraded Cabo Verde’s Long-Term Issuer Default Rating (IDR) to ‘B’ from ‘B’. The Outlook is Stable.

Under EU credit rating agency (CRA) regulation, the publication of sovereign reviews is subject to restrictions and must take place according to a published schedule, except where it is necessary for CRAs to deviate from this in order to comply with their legal obligations. Fitch interprets this provision as allowing us to publish a rating review in situations where there is a material change in the creditworthiness of the issuer that we believe makes it inappropriate for us to wait until the next scheduled review date to update the rating or Outlook/Watch status. The next scheduled review date for Fitch’s sovereign rating on Cabo Verde will be 12 June 2020, but Fitch believes that developments in the country warrant such a deviation from the calendar and our rationale for this is laid out below.

**KEY RATING DRIVERS**

The downgrade of Cabo Verde’s IDRs reflects the following key rating drivers and their relative weights:

**High**

Fitch expects Cabo Verde’s economy to be severely affected by the coronavirus pandemic due to the dominance of its tourism sector. COVID-19 cases in the archipelago remain few to-date, but the suspension of passenger flights to Cabo Verde since 17 March and public-health restrictions on movement will result in tourism receipts drying up for many months. We expect the post-crisis recovery in tourism to be slow due to the pandemic’s global impact on aviation and travel patterns. Fitch expects a deep recession in Cabo Verde in 2020 before a rebound in 2021.

On the basis of a projected widening fiscal deficit, Fitch expects Cabo Verde’s gross general government debt (GGGD) to rise sharply in 2020, to 154% of GDP (current ‘B’ median: 52%) due to the impact of the global pandemic on the economy, fiscal revenues, and financing of the government’s pandemic response measures. We expect debt financing to come predominantly from multilateral and official bilateral partners. The higher debt ratio will result in rising debt servicing costs over time and generate refinancing risks. If such financing becomes unavailable, the government may respond by curtailing expenditures, which would be detrimental to growth and development in the near-term.

Prior to the onset of the pandemic, Cabo Verde’s GGGD/GDP ratio, which is the highest among Fitch-rated Sub-Saharan African sovereigns, had fallen for a third consecutive year to 122% of GDP in 2019, from its peak of 128% of GDP in 2016. Fitch revised its Outlook of Cabo Verde’s Long-Term IDRs to Positive in December 2019 to reflect the expected downward trajectory of GGGD/GDP to below 100% by 2025. This trajectory no longer appears attainable in the short term. Government guarantees and contingent liabilities are also likely to rise simultaneously. The government has made available CVE4 billion (2% of GDP) in direct credit lines to support businesses through the crisis, which may be expanded. Financial performance at state-owned enterprises is also likely to be impaired by the impact of the crisis, increasing contingent liability risks for the sovereign. State-owned enterprises’ (SOE) contingent liabilities are already high with aggregate liabilities last estimated at 26% of GDP at end-2017 (net of loans owed to the government), including explicit government guarantees of 7% of GDP. The fiscal deficit should widen sharply as a result of these factors.

**Fitch forecasts the general government deficit to worsen to 10.2% of GDP in 2020 (2% at our December 2019 review), before narrowing to 6% in 2021 (1.8% previously). The collapse of tourism receipts and tax deferments will result in a sharp fall in cash fiscal revenues in 2020. Meanwhile, government expenditures will rise due to increased healthcare costs and income-support measures, including household transfers, 70% wage subsidies in the formal sector, and increased child benefits. Automatic stabilisers are also expected to result in rising social security payments.**

**Medium**

A sharp contraction in economic activity is unavoidable as tourism accounts for about 23% of GDP directly, based on national accounts data, and before incorporating indirect economic effects. Fitch forecasts real GDP growth to contract 14% in 2020, as external demand dries up and private consumption is constrained by lockdown restrictions. International tourism is likely to resume only gradually from 3Q20 as more than 80% of tourists originate from the US and EU countries where the pandemic is currently most intense. Fitch forecasts growth to rebound to 8.5% in 2021, and to average 5% in the medium-term on a recovery in global tourism and foreign direct investments (FDI) into the aviation and tourism sectors.

The fall in tourism receipts will result in a widening of Cabo Verde’s current account deficit (CAD) in 2020. Imports are expected to contract sharply too, but by a smaller extent owing to the small economy’s high import reliance (around 80% of consumption is imported) and as aircraft leasing payments abroad are expected to continue despite flight suspensions. Fitch forecasts the CAD to deteriorate to 12.5% of GDP in 2020, driven by the goods and services trade deficit expanding to 30% of GDP. Emigrant remittances that have been historically strong during national crises may be less stable in this crisis due to the global nature of the pandemic.

The weakening in the external accounts follows exceptionally good performance in 2019 that saw the CAD narrow to 0.2% of GDP and the goods and services trade deficit shrink to 14% of GDP, driven by Cabo Verde Airline’s expansion. We forecast the CAD to narrow to 7% in 2021.

The economic contraction affects domestic
banks' operating environment, and will likely lead to some deterioration in asset quality in the coming years. A far-reaching debt servicing holiday granted through at least to September 2020 will weigh on bank liquidity in the near term. The Bank of Cabo Verde reduced its key policy rate to 0.5% from 3% in March 2020 to support credit supply and bank liquidity. Bank fundamentals prior to the outbreak of the coronavirus crisis were comparable to peers’, with non-performing loans at 12.1% of total loans and strong capitalisation with a Tier 1 capital adequacy ratio of 17% of risk-weighted assets in September 2019.

**Cabo Verde's 'B-' IDRs also reflect the following key rating drivers:**

Fitch expects financing of the wider fiscal and current account deficits in 2020 to come primarily from bilateral and multilateral sources on largely concessional terms. We expect only a small share of the fiscal deficit to be financed through domestic banks due to higher rates and limited capacity of the local capital market. FDI inflows into Cabo Verde are also likely to contract sharply in 2020 as FDI sources are almost entirely from the UK and EU countries, increasing the pressure on external debt financing from official sources. Fitch understands from the government that it has applied for budgetary support from the IMF’s Rapid Credit Facility.

External-finance risks are moderate but rising. The majority of net external debt consists of liabilities of the sovereign, and is high at an estimated 44% of GDP at end-2019 (current ‘B’ median: 28%). Sovereign risks are mitigated by favourable concessional terms. The average maturity of external debt is long at 30.5 years, while the external debt service ratio is only 4.6% of current external receipts (current ‘B’ median: 14.5%).

Cabo Verde outperforms the ‘B’ and ‘BB’ medians on the World Bank’s governance indicators, reflecting its strong democratic institutions and peaceful political transitions. Strong political stability and governance and underpin confidence for concessional financing from bilateral and multilateral partners.

**ESG**

ESG - Governance: Cabo Verde has an ESG Relevance Score of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. Theses scores reflect the high weight that the World Bank Governance Indicators (WBGI) have in our proprietary Sovereign Rating Model (SRM). Cabo Verde has a high WBGI ranking at 68 percentile, reflecting its long track record of stable and peaceful political transitions, well-established rights for participation in the political process, effective rule of law and a relatively low level of corruption.

**SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)**

Fitch’s proprietary SRM assigns Cabo Verde a score equivalent to a rating of ‘B’ on the Long-Term Foreign-Currency (LTFC) IDR scale. Fitch's sovereign rating committee adjusted the output from the SRM to arrive at the final LTFC IDR by applying its QO, relative to rated peers, as follows:

- **Public Finances:** -1 notch, to reflect risks from the large stock of SOE contingent liabilities and government guarantees materialising on the sovereign's balance sheet, and the presence of non-linear risks from high public debt not incorporated in the SRM.
- **Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LTFC IDR. Fitch’s QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

**RATING SENSITIVITIES**

The main factors that could, individually or collectively, lead to positive rating action/upgrade are:

- A lower-than-projected rise in the GGDP/GDP ratio in 2020 or a faster-than-expected medium-term debt reduction, for example due to faster economic rebound from the COVID-19 crisis or smaller-than-expected deterioration in the fiscal deficit.
- A significant improvement in medium-term growth prospects resulting, for example, from increased FDI and expansion of the tourism sector.

The main factors that could, individually or collectively, lead to negative rating action/downgrade:

- Sharp erosion in FX reserves due, for example, to insufficient external financing to cover the CAD.
- Failure to reduce the public debt/GDP ratio in the medium-term, stemming for example from a lack of fiscal consolidation or a materialisation of contingent liabilities on the sovereign’s balance sheet.

**Best/Worst Case Rating Scenario**

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from ‘AAA’ to ‘D’. Best- and worst-case scenario credit ratings are based on historical performance.

**KEY ASSUMPTIONS**

Fitch assumes the Cabo Verdean escudo currency peg with the euro will remain in place. Fitch assumes that concessional financing to Cabo Verde will be forthcoming during the COVID-19 crisis period and continue to decline.
thereafter in line with the country's graduation to middle-income status, resulting in a decline in public investments and a gradual narrowing of the budget deficit.

Fitch expects the global economy to go through a deep but short-lived recession in 2020 due to the COVID-19 pandemic, as outlined in our 2 April 2020 Global Economic Outlook. In particular, eurozone GDP, which the Cabo Verde economy is heavily dependent on, is expected to fall 4.2% in 2020, followed by 2.9% growth in 2021. There is an unusually high level of uncertainty around the forecasts, with risks to the downside.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING
The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations
Cabo Verde has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch’s Sovereign Rating Model and elections in recent decades have concluded smoothly with peaceful transitions of power; this is highly relevant to the rating and a key rating driver with a high weight.

Cabo Verde has an ESG Relevance Score of 5 for Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as institutional capacity constraints and limitations in business facilitation are highly relevant to the rating and a key rating driver with a high weight.

Cabo Verde has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as the Voice and Accountability pillar of the World Bank Governance Indicators is relevant to the rating and a rating driver.

Cabo Verde has an ESG Relevance Score of 4 for Creditors Rights as willingness to service and repay debt is relevant to the rating and a rating driver, as for all sovereigns.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies).

Cabo Verde: Long Term Issuer Default Rating; Downgrade; B-; RO:Sta
Short Term Issuer Default Rating; Affirmed; B
Local Currency Long Term Issuer Default Rating; Downgrade; B-; RO:Sta
Local Currency Short Term Issuer Default Rating; Affirmed; B
Country Ceiling; Downgrade; B

Egypt

Egypt second quarter GDP growth to exceed 1%, deputy minister says
13-Apr-2020
CAIRO, April 13 (Reuters) - Egypt’s economic growth is expected to exceed 1% in the second quarter of 2020, the country’s deputy minister of planning said on Monday.

The country also lowered anticipated tourism revenues, one of its major sources of foreign currency, to $11 billion from $16 billion for the 2019-2020 financial year, which runs from July to June, due to the coronavirus crisis. Tourism had been recovering gradually from political turmoil after the uprising that ousted President Hosni Mubarak in early 2011, enjoying record-high revenue in 2019.

The global coronavirus outbreak has since brought the sector in Egypt to a virtual halt. The Arab world’s most populous country has enforced a nightly curfew, banned large public gatherings and closed schools and universities in a bid to curb the spread of the virus.

As of Sunday, Egypt’s health ministry had registered 2,065 cases of the new coronavirus including 159 deaths.

($1 = 15.7000 Egyptian pounds)
(Reporting by Ahmed Ismail; Writing by Nadine Awadalla; Editing by Alexander Smith and Mike Collett-White)

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Nigeria

Moody’s Affirms Nigeria’s B2 Ratings, Maintains Negative Outlook
15-Apr-2020
April 15 (Reuters) - Moody’s: • Moody’s affirms Nigeria’s B2 ratings, maintains negative outlook
  • Moody’s - Nigeria’s negative outlook continues to reflect material downside risks to creditworthiness identified when outlook was changed to negative
  • Moody’s - Nigeria’s risks to creditworthiness have increased exacerbated by oil price shock, financial, economic implications of coronavirus outbreak
  • Moody’s - in the longer term, impact of coronavirus on Nigeria’s growth, particularly in large informal sector, may weaken economic strength

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Nigeria urges 'appropriate' debt solutions for middle-income countries
17-Apr-2020
WASHINGTON, April 16 (Reuters) - Nigeria’s finance minister said a debt relief agreement reached this week to help the world’s poorest countries deal with the coronavirus pandemic was a welcome first step but that middle-income countries with debt challenges also needed urgent help.
In remarks to be delivered at Friday’s meeting of the World Bank’s Development Committee, Zainab Ahmed said most countries in sub-Saharan African were particularly vulnerable to the pandemic because high rates of self-employment meant social distancing could not be sustained for long.
The African continent, which has some 400 million people living in poverty, also had weak health systems that were grossly inadequate to test for the COVID-19 respiratory disease caused by the coronavirus and manage those infected, she said.
Many African countries have also been hit by a slowdown in remittances from citizens living overseas, a sharp outflow of capital and a collapse in commodity prices. At the same time, export bans were causing shortages of medical supplies and food, she said.
The International Monetary Fund this week forecast that sub-Saharan Africa would see a 1.6% contraction in gross domestic product this year, because of the pandemic, and a host of other challenges.
Coronavirus cases in Africa could shoot up to 10 million within three to six months from thousands now, according to provisional modeling, a regional World Health Organization (WHO) official said on Thursday.
Ahmed, who also spoke on behalf of Angola and South Africa, supported a call by African leaders for $100 billion in aid for the continent to deal with the pandemic, with $44 billion earmarked for immediate debt relief.
She welcomed an agreement by the Group of 20 major economies (G20) and the Paris Club of official creditors to suspend debt payments for the poorest countries through the end of the year, and urged the Bank and other multilateral institutions to explore ways of participating in the debt relief initiative.
"Developing countries need all the assistance they can get to gain the fiscal space required to respond to this pandemic," she said, adding that commercial creditors should also take part on comparable terms.
Ahmed also called on all creditors, working with the World Bank and IMF, to explore a "range of appropriate solutions" for middle-income countries that are also facing fiscal constraints and debt challenges.
"Urgent assistance to these countries is critical given the importance of their economies for the growth and development of their regions," she said.

South Africa
South Africa’s central bank sees economy contracting 6.1% in 2020
14-Apr-2020
JOHANNESBURG, April 14 (Reuters) - South Africa’s central bank expects the economy to contract 6.1% this year due to the COVID-19 pandemic, Governor Lesetja Kganyago said on Tuesday.
The bank earlier unexpectedly cut its main lending rate by 100 basis points to a record low 4.25%, after moving forward its monetary policy committee (MPC) meeting scheduled for May.

South Africa to revise budget as COVID-19 hurts economy
14-Apr-2020
JOHANNESBURG, April 14 (Reuters) - South Africa will revise its budget as the COVID-19 pandemic takes its toll on an economy already in recession, Finance Minister Tito Mboweni said on Tuesday.
"We will naturally revise our fiscal framework to take into account the effect of COVID-19," Mboweni told journalists on a teleconference.
The National Treasury tabled the 2020 budget in parliament in February, forecasting that the budget deficit would hit an 18-year high in the 2020/21 fiscal year.

South Africa rules out IMF programme despite budget woes
14-Apr-2020
- South African economy in trouble before coronavirus
- COVID-19 makes budget, growth forecasts even bleaker
- $4.2 bln available under IMF emergency assistance

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But approaching IMF unpopular with ANC faction, unions
Central bank cuts rates for second time in two months

By Alexander Winning and Mfuneko Toyana
JOHANNESBURG, April 14 (Reuters) - South African Finance Minister Tito Mboweni ruled out an IMF adjustment programme on Tuesday and said the country didn't need budget support, despite acknowledging that there would be a deep recession this year because of the global COVID-19 pandemic.

Mboweni's comments came hours after the central bank unexpectedly cut its main lending rate by 100 basis points to 4.25% and predicted a 6.1% contraction in gross domestic product (GDP) this year.

Africa's most industrialised nation was already in recession before it recorded its first case of the new coronavirus in March. Investors are anxious about how it will fund a budget deficit many analysts expect to exceed 10% of GDP this year.

The country has the most confirmed coronavirus cases in sub-Saharan Africa, at 2,415, and that number is expected to rise significantly as more tests are conducted in far-flung rural areas and overcrowded informal settlements.

Addressing reporters on a conference call, Mboweni gave few clues as to how the government would raise additional funding, saying only that it was "open-minded" about approaching all international financial institutions.

On the possibility of loans from the International Monetary Fund, he said: "We are not looking for budget support. We would be looking for the COVID-19-specific packages that we can access.

"We are looking at programmes which would not be accompanied by any structural adjustment programme," he said. "We know what to do, we know what our structural reform programme is."

UNPOPULAR

Asking multilateral institutions, especially the IMF, for cash is deeply unpopular with a faction in the governing African National Congress and trade unions that the party uses to rally support before elections. The ANC and two allies warned Mboweni earlier this month against seeking IMF assistance.

The IMF's senior resident representative in South Africa told Reuters the government could access up to $4.2 billion from the fund under its Rapid Financing Instrument but that it had not yet requested such support.

Mboweni said cabinet ministers would discuss further possible actions on Wednesday but wouldn't say when an "emergency budget" might happen.

"The budget revisions are happening almost every day, ... At some stage very soon we will have to make a consolidated budget statement," he said.

A copy of the minister's speaking notes circulated by the National Treasury said elements of the fiscal response included re-prioritising some expenditure towards healthcare, a plan to stabilise debt and shutting down South African Airways.

The airline is under a form of bankruptcy protection and depends on government bailouts for its survival.

President Cyril Ramaphosa's government has been praised for imposing restrictions on movement before any coronavirus deaths had been recorded. Cases of COVID-19 - the respiratory disease caused by the coronavirus - are increasing but not at the explosive rate initially feared.

But attention is now turning to the probable economic consequences.

Central bank governor Lesetja Kganyago said on Tuesday the bank's decision to cut rates for the second time in two months was unanimous, after Ramaphosa extended a 21-day lockdown for a further two weeks on Thursday.

The rand weakened after the rate cut and the central bank's bleak assessment of the economy's prospects, trading down around 1.5% versus the U.S. dollar by 1530 GMT.

(Additional reporting by Olivia Kumwenda-Mtambo and Vuyani Ndaba; Editing by Gareth Jones)
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Tunisia

Moody's Places Tunisia's B2 Rating on Review for Downgrade

17-Apr-2020
April 17 (Reuters) -

- Moody's places Tunisia's B2 rating on review for downgrade
- Moody's says decision to place Tunisia's ratings on review reflects acute tightening in global financing conditions
- Moody's says for Tunisia, economic shock transmits mainly through wider risk premia, a drop in tourism revenue that weaken sovereign's liquidity, external position

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Zambia

Fitch Downgrades Zambia to 'CC'

16-Apr-2020
Fitch Ratings-Hong Kong-April 16:
Fitch Ratings has downgraded Zambia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'CC' from 'CCC'.
Fitch typically does not assign Outlooks or apply modifiers for sovereigns with a rating of 'CCC' or below. A full list of rating actions is at the end of

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this rating action commentary.

**KEY RATING DRIVERS**

The downgrade reflects Fitch's view that the shock from the coronavirus pandemic has exacerbated Zambia's already constrained external liquidity, increasing the likelihood of a default event. We see a default as probable, as evidenced by the government's tender of a request for proposals from advisors on a potential liability management exercise. We also see the liability management exercise as a probable precursor to a support programme from the IMF or other international financial institution.

The government is unlikely to be able to fully meet its external debt obligations in 2020 and 2021 in the absence of new external financing sources. The government faces external debt service payments, including principal and interest, totalling USD1.5 billion in 2020; this is approximately 115% of official gross international reserves at end-January 2020. A combination of already programmed external borrowing and mineral royalties will add to reserves. However, much of the external borrowing is directly tied to project financing and will not be readily available for debt servicing. We also expect copper export receipts to fall on lower production and copper prices. As a result, the Bank of Zambia (BOZ) will struggle to maintain the necessary external liquidity to allow for uninterrupted debt servicing, in our view.

**The maintenance of reserves in 2020 will be further challenged by a current account deficit and currency depreciation pressure.** Reserve levels were supported by a current account surplus of 1% of GDP in 2019, but Fitch forecasts the current account will swing to a deficit of 2% of GDP this year. The BOZ was able to bolster reserves in 2019 by opportunistically purchasing hard currency from the foreign-currency market. However, as of 11 April, the kwacha had depreciated by 24% year-to-date, which will make dollar purchases costlier. Reserve accumulation could also exacerbate downward pressure on the foreign-currency rate.

**The sovereign’s medium-term solvency has deteriorated, along with its liquidity.** This will limit the government's refinancing options and is likely to see conditions imposed on new lending. We forecast the general government deficit to expand to close to 10% of GDP in 2020, although the running of domestic payment arrears may keep the deficit lower on a cash basis. We also forecast general government debt to reach 113% of GDP and to continue rising over the long term.

**Zambia’s public finances will be further affected by slowing growth.** Fitch forecasts GDP growth to contract by 0.7% in 2020, and to experience a slight recovery to 1.0% in 2021. Zambia’s growth was already slowing due to a combination of lower copper production, power shortages caused by seasonal droughts, and spotty agricultural production due to poor rain. Zambia’s economy could return to trend growth of approximately 3.0% by 2023, but this is well below the 5.6% average that Zambia experienced in the decade to 2018. The shock to the domestic economy will also further stress Zambia's banks, which have struggled with poor asset quality and low levels of credit provision. Extra stress will inhibit banks' ability to finance the government. The government's domestic debt issuance is already routinely undersubscribed at longer maturities, while yields across the curve have risen steadily. The BOZ has set up a ZMW10 billion liquidity facility, which aims to enable banks to restructure or refinance qualifying facilities or on-lend to eligible clients. The facility will provide some support to the banks and the domestic economy, but will not significantly enhance banks’ ability to provide funding to the government.

**ESG - Governance: Zambia has an ESG Relevance Score of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. Theses scores reflect the high weight that the World Bank Governance Indicators (WBGI) have in our proprietary Sovereign Rating Model. Zambia has a medium WBGI, in the 38th percentile, reflecting a recent record of peaceful political transitions, a moderate level of rights for participation in the political process, moderate institutional capacity, established rule of law and a moderate level of corruption.**

**SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)**

Fitch's has not utilised the SRM or QO to explain the ratings, in accordance with its rating criteria for ratings of ‘CCC+’ and below, which are instead guided by the ratings definitions. Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a Long-Term Foreign-Currency IDR. Fitch’s QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

**RATING SENSITIVITIES**

The main factors that could, individually or collectively, lead to negative rating action/downgrade are:

- Launch of a formal debt renegotiation by the authorities that Fitch deems to constitute a distressed debt exchange.
- Failure to service bonded debt obligations within grace periods stipulated in relevant documentation, or unilateral declaration of a debt moratorium.
- The main factors that could, individually or collectively, lead to positive rating action/upgrade
- An improvement in external liquidity, for example, through the materialisation of new...
financing sources that allow for smooth servicing of Zambia's liabilities.

- Implementation of a fiscal consolidation plan sufficient to increase refinancing options and reduce the probability of a default event.

**Best/Worst Case Rating Scenario**

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance.

**KEY ASSUMPTIONS**

Fitch assumes that copper prices will not experience a sustained fall from current levels.

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

**ESG Considerations**

Zambia has an ESG Relevance Score of 5 for Political Stability and Rights as well as for Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as WBGIs have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight.

Zambia has an ESG Relevance Score of 4 for Human Rights and Political Freedoms, as strong social stability and voice and accountability are reflected in the WBGIs that have the highest weight in the SRM. They are relevant to the rating and a rating driver.

Zambia has an ESG Relevance Score of 4 for Creditor Rights, as willingness to service and repay debt is relevant to the rating and is a rating driver for Zambia, as for all sovereigns.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

Zambia: Long Term Issuer Default Rating; Downgrade; CC
Short Term Issuer Default Rating; Affirmed; C
Local Currency Long Term Issuer Default Rating; Downgrade; CC
Local Currency Short Term Issuer Default Rating; Affirmed; C
Country Ceiling; Affirmed; B-
Senior unsecured; Long Term Rating; Downgrade; CC

**GLOBAL**

Debt levels expected to sharply increase in 2020, stabilize as economies recover

14-Apr-2020

WASHINGTON, April 14 (Reuters) - Global debt is expected to increase significantly over the next year, the top economist of the International Monetary Fund said on Tuesday, while moratoriums on debt payments and debt restructuring may need to be continued as the world economy emerges from the coronavirus pandemic lockdown.

While downside risks prevail in the global economic outlook, debt to output levels will stabilize as economies recover, said Gita Gopinath, the IMF Chief Economist, in a press conference.

She said some countries will require aid including debt restructurings, without specifying details, and called on official creditors to provide debt relief to poor countries.

(Reporting by Andrea Shalal and David Lawder; Additional reporting by Rodrigo Campos in New York Editing by Chizu Nomiyama) (rodrigo.campos@reuters.com; @rodrigocampos; +1.646.223.6344; Reuters Messaging: rodrigo.campos.thomsonreuters.com@reuters.net))

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Global economy in 2020 on track for sharpest downturn since 1930s

14-Apr-2020

By David Lawder

WASHINGTON, April 14 (Reuters) - The global economy is expected to shrink by 3.0% during 2020 in a stunning coronavirus-driven collapse of activity that will mark the steepest downturn since the Great Depression of the 1930s, the International Monetary Fund said on Tuesday.

The IMF, in its 2020 World Economic Outlook, predicted a partial rebound in 2021, with the world economy growing at a 5.8% rate, but said its forecasts were marked by "extreme uncertainty" and that outcomes could be far worse, depending on the course of the pandemic.

"This recovery in 2021 is only partial as the level of economic activity is projected to remain below the level we had projected for 2021, before the virus hit," Gita Gopinath, the IMF's chief economist, told a news conference via a video link.

Under the Fund's best-case scenario, the world...
is likely to lose a cumulative $9 trillion in output over two years - greater than the combined gross domestic product of Germany and Japan, she added.

'GREAT LOCKDOWN'
The IMF's forecasts assume that outbreaks of the novel coronavirus will peak in most countries during the second quarter and fade in the second half of the year, with business closures and other containment measures gradually unwound.

A longer pandemic that lasts through the third quarter could cause a further 3% contraction in 2020 and a slower recovery in 2021, due to the "scarring" effects of bankruptcies and prolonged unemployment. A second outbreak in 2021 that forces more shutdowns could cause a reduction of 5 to 8 percentage points in the global GDP baseline forecast for next year, keeping the world in recession for a second straight year.

"It is very likely that this year the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago," the IMF said in its report. "The Great Lockdown, as one might call it, is projected to shrink global growth dramatically."

The new forecasts provide a somber backdrop to the IMF and World Bank spring meetings, which are being held by videoconference this week to avoid contributing to the spread of the virus. The meetings, which normally draw 10,000 people to Washington, have been stripped to the bare minimum, with many interactions among central bankers, finance ministers and other policymakers not taking place at a critical time.

Gopinath warned that travel restrictions and breakdowns in supply chains threatened to reverse efficiency gains from globalization. She called on countries to refrain from restrictions on exports of medical supplies, saying a healthy recovery will not be sustainable amid de-globalization.

"That would severely reduce productivity in the world, and that is the last thing we want at this time," she added.

NOT 1932
The IMF a decade ago estimated the global economy shrank 0.7% in 2009 but has since adjusted that contraction to 0.1%.

Gopinath said the recession triggered by the coronavirus pandemic will be considerably milder than the Great Depression of 1929-1932, when global output contracted by about 10%. Industrialized economies, where more reliable data is available, showed a GDP collapse of 16% during that time, she added.

In January, before the extent of the current outbreak both inside and outside China was known, the IMF had forecast that the global economy would grow 3.3% in 2020 as U.S.-China trade tensions were easing, with 3.4% growth seen for 2021.

Advanced economies now suffering the worst outbreaks of the virus will bear the brunt of the plunge in activity. The U.S. economy will contract 5.9% in 2020, with a rebound to 4.7% growth in 2021 under the Fund's best-case scenario.

Euro zone economies will contract by 7.5% in 2020, with hard-hit Italy seeing its GDP fall 9.1% and contractions of 8.0% in Spain, 7.0% in Germany and 7.2% in France, the Fund said. It predicted euro-area economies as a whole would match U.S. growth of 4.7% in 2021.

China, where the coronavirus outbreak peaked in the first quarter and business activity is resuming with the help of large fiscal and monetary stimulus, will maintain positive growth of 1.2% in 2020, a reduction from 6% growth in the IMF's January forecast. China's economy is forecast to grow 9.2% in 2021, the IMF said.

India's 2020 fiscal-year growth also is expected to stay in positive territory, but Latin American economies, which are still experiencing growing coronavirus outbreaks, will see a contraction of 5.2%.

GROWINGdebts
IMF Managing Director Kristalina Georgieva said last week that some $8 trillion in fiscal stimulus being poured in by governments to stave off collapse was not likely to be enough.

Gopinath acknowledged that countries are taking on massive amounts of debt to fund health and economic rescue efforts, but said debt-to-GDP levels should begin to stabilize next year.

"As long as interest rates remain very low, as we're seeing, and we get the recovery that we are projecting, then the combination should help in bringing down debt levels slowly over time," Gopinath said, adding that some nations will likely still need help in managing debts, including through restructurings.

The Fund called for central bank liquidity swap lines to be extended to more emerging market countries, which face a double problem of locked-down activity and tightening financial conditions caused by a massive outflow of funds to save-haven assets such as U.S. Treasuries.

It said some countries may need to turn to temporary limits on capital outflows.

(Reporting by David Lawder; Additional reporting by Rodrigo Campos in New York, Editing by Paul Simao)

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Global creditors agree on debt relief for poor countries hit by pandemic
15-Apr-2020
By Andrea Shalal and Leigh Thomas
WASHINGTON/ PARIS, April 14 (Reuters) - Major international creditors will relieve the world's poorest countries of debt payments this year to help them deal with the coronavirus pandemic that has sparked the steepest downturn in the global economy since the 1930s, France announced on Tuesday.

Finance officials from the United States, China and other Group of 20 major economies are
expected to finalize the agreement when they meet online on Wednesday, French Finance Minister Bruno Le Maire told reporters. He said some 76 countries, including 40 in sub-Saharan Africa, would be eligible to have debt payments worth a combined $20 billion suspended by official and private creditors, with a remaining $12 billion in payments due to multilateral institutions still to be sorted out. "We have obtained a debt moratorium at the level of bilateral creditors and private creditors for a total of $20 billion," Le Maire told journalists. He spoke just before Group of Seven (G7) finance ministers and central bank governors met by video conference on Tuesday and threw their support behind temporary debt relief to the poorest countries, as long as it was backed by the G20 and the Paris Club.

In a joint statement, they said they were ready to provide "a time-bound suspension on debt service payments due on official bilateral claims for all countries eligible for World Bank concessional financing" if joined by China and other countries in the Group of 20 major economies, and as agreed with the Paris Club group of creditors.

Sources familiar with the process had told Reuters this week they expected the G20 to endorse a suspension of debt payments at least until the end of the year, despite some resistance from China, which has overtaken the World Bank as a major lender to developing countries, especially in Africa.

IMF chief economist Gita Gopinath told Reuters the agreement offered "hugely welcome" relief for the poorest countries, freeing resources that could be used to improve healthcare systems at a time when resources are strained by plunging commodity prices and massive capital outflows. World Bank President David Malpass, in a tweet, thanked U.S. Treasury Secretary Steven Mnuchin for hosting the G7 meeting and backing his joint call with International Monetary Fund Managing Director Kristalina Georgieva for the temporary debt standstill.

The World Bank and the IMF have begun disbursing emergency aid to countries struggling to suppress the coronavirus and mitigate its economic impact. They first issued their call for debt relief on March 25, but it has not been formally endorsed by the G20 nations.

The IMF, in its 2020 World Economic Outlook, said the pandemic would cause a 3.0% contraction in the global economy, but warned the impact could be far worse. Gopinath said the pandemic could be far more severe in developing economies that had not yet seen the kinds of lockdowns already implemented in China, the United States and Europe, adding a "serious downside risk" to the IMF forecast.

The forecast provided a somber backdrop to the IMF and World Bank spring meetings, which normally draw 10,000 people to Washington but are being held by videoconference this week because of the pandemic.

DEBT CANCELLATION

In their statement, G7 officials also called for more contributions to the IMF’s Catastrophe Containment and Relief Trust (CCRT) and its Poverty Reduction and Growth Trust, which support the poorest countries. They said the debt relief effort should include private creditors on a voluntary basis, as well as efforts to enhance debt transparency.

Western countries for years have been demanding greater transparency about lending by the Chinese government, banks and companies, but Beijing has balked at opening its books.

A French finance ministry official said private creditors have agreed on a voluntary basis to roll over or refinance $8 billion of the debt of the poorest countries, on top of the $12 billion in debt payments to be suspended by countries. A further $12 billion is owed to multilateral lenders, mainly the World Bank, Le Maire said, urging such lenders to join the debt relief initiative.

The IMF on Monday announced $215 million in initial debt relief grants to 25 countries from the CCRT. The trust has about $500 million, but the IMF wants to boost it to $1.4 billion. There are growing calls from nonprofit groups, Pope Francis and others to follow up the temporary suspension of debt payments with cancellation of debts for the poorest countries. The AFL-CIO union federation and nearly 80 other faith groups on Tuesday urged the U.S. government, the IMF and G20 nations to cancel debt payments by developing countries, and to mobilize additional resources to support all countries affected by the rapidly spreading pandemic.

French President Emmanuel Macron on Monday said in a televised address that African countries should be helped by "massively cancelling their debt."

He gave no details, but Le Maire said outright debt cancellation should take place on a case-by-case basis and in coordination with multilateral lenders at the end of the year, depending on the economic situation of the countries as well as developments in commodity markets and capital flows.

(Additional reporting by David Lawder in Washington; Michael Nienaber in Berlin; and Takahiko Wada, Tetsushi Kajimoto and Leika Kihara in Tokyo; Editing by Paul Simao and Tom Brown)

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contract 2.4% this year and cause the United States and euro zone to slump 5.2% and 7.3% respectively.

Though the projections were not as dramatic as the 3% global contraction forecast by the International Monetary Fund earlier in the week, S&P’s move is likely to fan worries about further sovereign and corporate rating downgrades.

"The data flow reflecting the economic impact of measures to curb the spread of COVID-19 has gone from bad to worse," S&P's top global and regional economists said in a new report.

"We now see global GDP falling 2.4% this year, with the U.S. and euro zone contracting 5.2% and 7.3%, respectively. We expect global growth to rebound to 5.9% in 2021," they added.

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**OECD’s Gurria says global economy probably in contraction**

16-Apr-2020
PARIS, April 16 (Reuters) - The impact of the coronavirus outbreak is making economic forecasting highly uncertain, though the global economy is probably in contraction, OECD chief Angel Gurria said on Thursday.

"Given the unprecedented events that are unfolding, it is too early to be confident in setting out new projections for economic growth," Gurria said in written remarks prepared for the IMF's spring meetings.

"It seems likely that global growth will be negative in the first half of 2020, but there is little certainty about the subsequent outlook," he added.

The outbreak's impact could result in a decline of 45% in international tourism alone this year, rising to 70% if the recovery is delayed until September, he said.

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**EMERGING MARKETS**

**Sukuk issuance likely to drop in 2020 on low oil prices, coronavirus**

13-Apr-2020
DUBAI, April 13 (Reuters) - The sukuk market will likely see a significant reduction in issuance volumes in 2020 as lower oil prices and the novel coronavirus hurt key sectors in core Islamic finance countries, S&P Global Ratings said on Monday.

Most government issuers in core Islamic finance countries may turn to conventional bonds rather than sukuk, because sukuk issuance is more complex and there is increasing risk-aversion among investors, S&P said.

S&P expected 2020 sukuk issuance to total $100 billion at best, down almost 40% from 2019, on the back of muted economic performance in the market's core countries as they take measures to combat the spread of the coronavirus.

Several countries have taken measures to "unlock banking sector liquidity", the ratings agency said, making potential issuers turn to banks rather than the sukuk market.

"We observed an increase in the share of foreign currency issuance in the first quarter, however. This is primarily due to the sharp increase in sukuk issuance in foreign currency in Saudi Arabia, while in other markets it remained stable or declined," S&P said.

"We understand such issuances stemmed from the proactive sourcing of funds by the Islamic Development Bank and Riyadh Bank before the market turbulence began." S&P said it expects credit risk to increase sharply.

"Among other things, we might see much higher default rates among sukuk issuers, especially those with low credit quality or business plans that depend on supportive economies and market conditions," it said.

"We expect defaults and the implications for investors will bring the debate on standardization of legal documents back to the forefront."

Sukuk issuers will wait for the best window of opportunity to tap the market this year if they have no alternative, such as loans or conventional bonds.

"The momentum in using blockchain for sukuk and issuing green sukuk will likely slow this year," S&P added, two areas it still expects will play a significant role in opening up the sukuk market when conditions improve.

S&P said the crisis could even lead to developments such as: "social sukuk or a new breed of instruments, for example, one on which the rate of return would decline if the issuer fulfills certain social objectives, such as supporting the healthcare system or helping companies affected by COVID-19 so they don't need to lay off staff."

(Reporting by Yousef Saba; Editing by Kirsten Donovan and Hugh Lawson)
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**IMF to provide debt relief to help 25 countries deal with pandemic**

14-Apr-2020

For information, contact the PDM Network Secretariat at: Publicdebtnet.it@tesoro.it
Follow us on Twitter @pdmmnet and on our website www.publicdebtnet.org
By Andrea Shalal
WASHINGTON, April 13 (Reuters) - The International Monetary Fund said on Monday it would provide immediate debt relief to 25 member countries under its Catastrophe Containment and Relief Trust (CCRT) to allow them to focus more financial resources on fighting the coronavirus pandemic.
IMF Managing Director Kristalina Georgieva said the fund's executive board approved on Monday the first batch of countries to receive grants to cover their debt service obligations to the fund for an initial six months.
She said the CCRT had about $500 million in resources on hand, including new pledges of $185 million from Britain, $100 million from Japan, and undisclosed amounts from China, the Netherlands and others. The fund is pushing to raise the amount available to $1.4 billion.
About $215 million of the total would be used for grants to the first 25 countries over the next six months, with extensions possible up to two years, an IMF spokeswoman said.
"This provides grants to our poorest and most vulnerable members to cover their IMF debt obligations for an initial phase over the next six months and will help them channel more of their scarce financial resources towards vital emergency medical and other relief efforts," Georgieva said in a statement.
She urged other donor countries to help replenish the CCRT and boost the fund's ability to provide additional debt service relief for a full two years to its poorest member countries.
Eric LeCompte, executive director of Jubilee USA Network, a non-profit group, said the grants would help the IMF's poorest members, including the Central African Republic, which has only three critical-care unit beds for a population of 5 million.
"It's a great start, but we need more donors to be able to offer this relief," he said, adding that the IMF should also consider selling some of its gold reserves, now worth an estimated $140 billion, as was done in past crises.
An IMF spokesman said the fund was looking at actions that could be taken quickly, but "another sale of gold reserves is not currently on the table."
The IMF in March approved changes that would allow the CCRT to provide up to two years of debt service relief to the fund's poorest members as they responded to the outbreak of COVID-19, the respiratory illness caused by the novel coronavirus.
The changes enabled countries to request the aid even if the outbreak had not yet caused significant impact.
More than 1.8 million people have been reported to be infected by the coronavirus globally and 115,242 have died, according to a Reuters tally.
A precursor of the CCRT was used for Haiti after the devastating earthquake that struck the island nation in 2010.
Renamed CCRT, it was also used to provide relief to countries affected by the 2014 Ebola outbreak.
The first countries that will receive debt service relief from the CCRT are Afghanistan, Benin, Burkina Faso, Central African Republic, Chad, Comoros, the Democratic Republic of Congo, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Solomon Islands, Tajikistan, Togo and Yemen, the IMF said.

By Rodrigo Campos
NEW YORK, April 14 (Reuters) - Emerging and developing economies are likely to contract about 1% this year as the coronavirus pandemic disrupts economic activity across the world, the International Monetary Fund said on Tuesday, with Asia ticking up to slightly offset the sharp declines expected in emerging Europe and Latin America.
In its 2020 World Economic Outlook, the IMF slashed growth expectation for the region in 2020 to -1% from an estimate of over 4% growth just three months ago. China and India are forecast to grow more than 1% each; Russia, Mexico and Brazil are expected to shrink more than 5%.
"Growth would be even lower if more stringent containment measures are necessitated by a wider spread of the virus among these countries," the IMF said of the region.
Nearly 2 million people are confirmed infected globally in the coronavirus pandemic and about 120,000 have died. Cities across the globe have shrunk economic activity to a minimum in an effort to curtail the infection.
The IMF's forecasts assume that outbreaks of the novel coronavirus will peak in most countries during the second quarter and fade in the second half of the year, with business closures and other containment measures gradually unwound.
UNEVEN IMPACT
In China, where business activity is slowly resuming, the economy is expected to grow at a 1.2% rate in 2020, down from 6% growth in the IMF's January forecast. The world's second-largest economy is forecast to grow 9.2% in 2021.
In Latin America, where outbreaks have continued to rise, the economy is likely to contract 5.2%. Argentina is expected to join Brazil with a contraction of over 5% in 2020. Mexico's projected 6.6% decline would be the largest among the Western Hemisphere's biggest economies, Venezuela not included.
Saudi Arabia is expected to contract 2.3%, Nigeria 3.4% and South Africa 5.8%. In its report, the IMF said the global economy is likely to shrink by 3.0% in 2020, the steepest downturn since the Great Depression of the 1930s. A rebound to 5.8% growth is expected next year.

"Even after the severe downgrade to global growth, risks to the outlook are on the downside," said the Fund, not just because the pandemic could last longer than expected but also because "the effects of the health crisis on economic activity and financial markets could turn out to be stronger and longer lasting." In its base case, the Fund sees emerging and developing economies returning to growth in 2021 at a 6.6% rate.

(Reporting by Rodrigo Campos; additional reporting by David Lawder in Washington; editing by Larry King) (rodrigo.campos.thomsonreuters.com; @rodrigocampos; +1.646.223.6344; Reuters Messaging: rodrigo.campos.thomsonreuters.com@reuters.net) (c) Copyright Thomson Reuters 2020. All rights reserved.

Growth forecast at -3 per cent, as IMF offers debt relief to most vulnerable nations in Africa, Asia, the Middle East and Caribbean

14-Apr-2020

Gita Gopinath, Economic Counsellor and Director of the IMF ‘s Research Department, said in a blog post that following the global lockdown in response to the coronavirus, ‘the magnitude and speed of collapse in activity that has followed is unlike anything experienced in our lifetimes.’

Many countries now face multiple crises - over health, finances, and a collapse in commodity prices - which 'interact in complex ways. Policymakers are providing unprecedented support to households, firms, and financial markets, and, while this is crucial for a strong recovery, there is considerable uncertainty about what the economic landscape will look like when we emerge from this lockdown’, the IMF chief economist wrote.

Under the assumption that the pandemic and required containment, peaks in the second quarter for most countries, and recedes in the second half of the year, 'in the April World Economic Outlook we project global growth in 2020 to fall to -3 percent. This is a downgrade of 6.3 percentage points from January 2020, a major revision over a very short period. This makes the Great Lockdown the worst recession since the Great Depression, and far worse than the Global Financial Crisis.'

2021 rally?

But, there was also some room for optimism for next year, assuming COVID-19 fades and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and systemwide financial strains, 'we project global growth in 2021 to rebound to 5.8 percent’, said Ms. Gopinath.

'This recovery in 2021 is only partial as the level of economic activity is projected to remain below the level we had projected for 2021, before the virus hit. The cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around $9 trillion, greater than the economies of Japan and Germany, combined.

Debt relief for the 25 poorest nations

The International Monetary Fund (IMF) said on Monday it was extending immediate debt service relief to its 25 poorest and most vulnerable member countries - in Africa, Asia, the Middle East and the Caribbean - to help them address the crippling economic effects of the COVID-19 pandemic.

The action, approved by the IMF’s Executive Board on Monday, is being taken under its revamped Catastrophe Containment and Relief Trust measures, which can provide about $500 million in grant-based relief to countries in emergency need.

'This provides grants to our poorest and most vulnerable members to cover their IMF debt obligations for an initial phase over the next six months', said IMF Managing Director Kristalina Georgieva.

'And will help them channel more of their scarce financial resources towards vital emergency medical and other relief efforts’, she added in a statement.

The 25 countries are Afghanistan, Benin, Burkina Faso, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Solomon Islands, Tajikistan, Togo and Yemen.

Relief during Ebola epidemic

Established in February 2015 during the Ebola outbreak in Africa - and modified in March in response to the new coronavirus pandemic - the Catastrophe Containment and Relief Trust extends complement donor financing and IMF concessional lending through the Poverty Reduction and Growth Trust.

Immediately available resources include a recent $185 million pledge by the United Kingdom and another $100 million provided by Japan; and others, including China and the Netherlands, are stepping forward with important contributions as well.

'I urge other donors to help us replenish the Trust’s resources and boost further our ability to provide additional debt service relief for a full two years to our poorest member countries,’ Ms. Georgieva said.

On March 25, the IMF joined the World Bank Group (WBG) in calling upon all official bilateral creditors to suspend debt payments from the world’s 76 poorest countries and enable them to redirect funds towards confronting the economic fallout from the COVID-19 pandemic.
IMF, World Bank leaders praise G20 debt relief initiative

15-Apr-2020
WASHINGTON, April 15 (Reuters) - International Monetary Fund Managing Director Kristalina Georgieva and World Bank David Malpass on Wednesday praised a new G20 debt relief agreement that suspends bilateral debt service payments by poor countries.

A source familiar with a G20 meeting of finance ministers and central bank governors said the debt service suspension would run from May 1 through Dec. 31, with an option for renewal in 2021.

Georgieva, in a statement to a meeting of G20 leaders also said the IMF was "urgently" seeking some $18 billion in new resources for the Fund's Poverty Reduction and Growth Trust for poor countries and was exploring how the use of special drawing rights could aid this effort.

IMF gets $11.7 bln in pledges to aid poor countries, will review resources

16-Apr-2020
By David Lawder and Andrea Shalal
WASHINGTON, April 16 (Reuters) - The International Monetary Fund said on Thursday that five wealthy countries pledged to provide $11.7 billion to an IMF loan and grant facility for poor countries, as the Fund's steering committee vowed to review the adequacy of resources needed to fight the coronavirus pandemic.

IMF Managing Director Kristalina Georgieva said the firm commitments to boost the capacity of the Poverty Reduction and Growth Trust came from Japan, the United Kingdom, France, Canada and Australia, representing nearly 70% of the $17 billion increase she asked for on Wednesday.

The pledges were made during a Thursday morning meeting of the International Monetary and Financial Committee, the global crisis lender's 24-member steering committee, held by videoconference.

Georgieva also said that Germany had pledged funds to another emergency grant facility to provide direct funds for the poorest countries, boosting the Catastrophe Containment and Relief Trust's resources to $600 million.

In a statement, the IMFC reaffirmed its commitment to a strong, quota-based and adequately resourced Fund, and said the IMF should draw on relevant experience from previous crises as it explores options to expand resources.

"We remain committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, by December 15, 2023," the committee said.

The IMF chairman, South African Reserve Bank Governor Lesetja Kganyago, told a news conference that the group showed "unprecedented global solidarity," with rich countries offering resources to the IMF "so that the IMF has got the firepower to deploy to countries that are vulnerable that do not have resources."

Georgieva said there was no consensus for a new Special Drawing Rights allocation, a move that would boost liquidity for all of the Fund's 189 members. U.S. Treasury Secretary Steven Mnuchin on Thursday said the United States opposes such a move, confirming a Reuters report on Wednesday.

Georgieva said IMF members would explore how to deploy existing SDRs - the Fund's monetary unit of exchange - to boost lending to developing countries on a larger scale. There is broad consensus for this, including support from Mnuchin, who oversees the controlling U.S. shareholding in the Fund.

But the IMFC made a reference to new SDR issuance in its statement, saying: "We also call on the IMF to explore additional tools that could serve its members' needs as the crisis evolves, drawing on relevant experiences from previous crises."

In 2009, the IMF created a $250 billion allocation of new SDRs - a move akin to a central bank "printing" new money, which provided a liquidity boost to all IMF members.

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