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Emerging Sovereign Debt Markets NEWS

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ASIA

GCC Gulf Cooperation Council

Gulf debt issues on hold after oil price war sell-off

15-Mar-2020

- **Coronavirus concerns, low oil prices hit Gulf markets**
- **Some issues will be postponed, bankers say**
- **Weak credits may face difficulties in accessing market**
- **Banks liquid but oil prices seen hitting profits**

By Yousef Saba

DUBAI, March 15 (Reuters) - **With over $30 billion in Gulf bonds due in 2020, the oil-dependent region's issuers will have to urgently reassess their funding plans, as low oil prices and huge volatility impact their ability to access debt markets.**

Gulf bond sales have already screeched to a halt after investor panic over the coronavirus pandemic, aggravated by an oil price war between Saudi Arabia and Russia that last week sent oil prices to their lowest levels since 2016.

Regional bond yields have spiked and fund managers say the volatility looks likely to last for a while. "It's horrible and not stopping any time soon," a Dubai-based fixed income manager said.

Some debt sales have already been shelved, such as a dollar sukuk sale by Dubai Islamic Bank announced last month, and bankers and fund managers said a slate of issuers will delay planned fundraising exercises.

But this might be problematic for borrowers with upcoming debt maturities and little cash to allow them to repay them without raising new debt. Rising borrowing costs might complicate things further for issuers with weak credit ratings.

"Issuers based in Oman or Bahrain, plus some of those in Dubai, may face obstacles in refinancing their maturing debt or deficits," S&P said in a report.

Oman and Bahrain are rated 'junk' by all major credit rating agencies.

SELL-OFF

The yields of bonds by the Saudi government and oil giant Aramco due in 2049 rose by roughly one percentage point last week while Abu Dhabi - one of the best credits in the region - saw its 30-year bond yields rise to 3.4% from 2.8%.

The losses were sharper for less wealthy Oman and Bahrain, with yields on 30-year bonds rising about 3.7 percentage points and 2 percentage points, respectively.

As oil prices plunged, Moody's and Fitch downgraded Oman further into junk territory - to 'Ba2' and 'BB' respectively - citing the continued erosion of the country's fiscal and external balance sheets.

Doug Bitcon, head of credit strategies at Rasmala Investment Bank, said no borrower would issue bonds in the current conditions.

"At some point, you'll need the governments to come back into the market to set a benchmark and say, 'okay, this is where pricing is' and everyone prices off that benchmark," he said.

Bitcon said the situation was less critical for regional banks - which, according to Refinitiv, have more $20 billion in maturing bonds this year - as they are "flush with liquidity."

Nevertheless, banks' profitability is likely to take a hit because of both lower oil prices and the economic slowdown due to the coronavirus outbreak.

"A prolonged period of oil price volatility and low oil prices will be credit negative for the solvency and liquidity of banks operating in the Gulf Cooperation Council states," Moody's said.

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Gulf bonds extend losses as coronavirus fears, oil price war deepen

16-Mar-2020

DUBAI, March 16 (Reuters) - International bonds issued by borrowers in the Gulf extended losses on Monday, including Saudi government bonds and those issued by its oil giant Saudi Aramco, as the coronavirus outbreak and tumbling oil prices continued to hit the region's debt and equity markets.

The region's debt markets have been hit hard over the past 10 days, as uncertainty grew over the virus and by the fallout from an oil price war between Saudi Arabia and Russia that last week sent oil prices to their lowest levels since 2016.

Saudi government and Aramco 30-year dollar bonds, due in 2049, shed 0.8 cents on the dollar in early trade, Refinitiv data showed.

Aramco's shares also slumped 3% on Monday, a day after the company reported a nearly 21% drop in its yearly profit and a plan to cut capital spending this year.

Abu Dhabi, seen as one of the region's strongest credits, lost 0.5 cents on its 30-year bonds maturing in 2047 in early trade, while Qatar's 30-year bonds due in 2049 fell 0.7 cents.

Oman, rated "junk" by all three ratings agencies, saw steeper losses, shedding 1.5 cents on its bonds due in 2048.

Oman was downgraded deeper into junk territory by Fitch on Thursday, which followed Moody's similar move the week before.

Bahrain, also rated junk, lost 0.5 cents on its bonds maturing in 2047.
Ten-year bonds from the region also posted losses in early trade: notes from Saudi Arabia, Abu Dhabi and Oman all shed 0.5 cents or more.

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Bahrain

Sovereign in talks for US$1bn

20-Mar-2020
March 20 - **Bahrain is in talks with banks for a loan of about US$1bn after the Gulf state's plans to issue international bonds were suspended due to bad market conditions, according to people familiar with the matter.**
The small Gulf oil producer, rated junk by all the three major credit ratings agencies, is seeking funds amid a slump in global oil prices that is hurting its finances.
Bahrain was bailed out by some of its wealthier Gulf allies in 2018 to stave off the risk of a credit crisis after a prolonged period of lower oil prices pushed its public debt to nearly 93% of annual economic output.
The latest plunge in crude prices – due to a market share war between Saudi Arabia and Russia and the fallout from coronavirus – is now straining the finances of Gulf Arab states, with Bahrain and Oman particularly vulnerable.
Bahrain hired a group of banks weeks ago for a potential US dollar bond issue, but the deal was suspended due to worsening market conditions caused by the global spread of the virus.
The Gulf state has now started talks with a small group of relationship banks to raise about US$1bn through a loan.
A loan would partly shield Bahrain from requests from investors for higher rates. While loan rates are linked to bond market rates, other considerations such as banking relationships and banks' ancillary businesses make loan prices less dependent on the performance of bonds.
"A loan in this market is faster and easier to go," said one person. "Also, you avoid a roadshow, which is difficult these days with all the travel disruptions."

(This story will appear in the March 21 issue of IFR Magazine)
C Bahrain 1

China

China has room to appropriately raise budget deficit ratio

16-Mar-2020
BEIJING, March 16 (Reuters) - **China's government has room to appropriately raise its budget deficit ratio, a spokesman for the country's statistics bureau said on Monday, adding to signals of stepped up efforts by Beijing to stimulate an economy reeling from the coronavirus epidemic.**
National Bureau of Statistics spokesman Mao Shengyong also told reporters during a press briefing that China will expand investment and boost consumption.

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India

Govt's liabilities rise by 3.2% to Rs 93.89 lakh crore at end of December 2019

19-Mar-2020
India, March 19 -- Finance ministry's data has showed that total liabilities of the government increased to Rs 93.89 lakh crore at the end of December 2019, up 3.2 percent as compared to the previous quarter. The liabilities, including those under the public account, had stood at Rs 91.01484 crore at the end of September 2019. Public debt accounted for 90.4 percent of total outstanding liabilities at the end of December 2019.
It further highlighted the proportion of debt (dated securities) maturing in less than one year was higher at 6.64 percent at the end of December 2019 as compared to its previous quarter level of 5.41 percent. The proportion of debt maturing within 1-5 years was also higher at 25.09 percent at the end of December 2019, compared with 23.65 percent at end-September 2019.
Besides, debt maturing in the next five years worked out to 31.7 percent of total outstanding debt at the end of December 2019 or 6.3 percent of outstanding stock, on an average, needs to be repaid every year over the next five years. The yields on G-Secs moved in a narrow range during October-November 2019, before hardening in the first fortnight of December 2019. This reflected the impact of several developments, namely reduction in the repo rate by RBI, contraction in IIP for the month of October and simultaneous purchase and sale of government securities in December 2019.

India Bonds Stay Lower amid Rupee's Slump; US Yield Spike Hurts

19-Mar-2020
By Dharam Dhutia
NewsRise
MUMBAI (Mar 19) -- **Indian federal government bonds stayed lower in afternoon session after the local currency crashed to a record low against the dollar and as U.S. Treasury yields continued to rise.**

The benchmark 6.45% bond maturing in 2029 changed hands at 100.43 rupees, yielding 6.39%, at 1:00 p.m. in Mumbai against 101.09 rupees, and a 6.30% yield, yesterday. The note hit 100.00 rupees, its lowest since Feb. 14, with the yield rising to 6.45%.

The Indian rupee slumped to a record low of 75.15 to dollar, tracking a sharp fall in Asian currencies after the dollar index jumped to its highest in three years.

"There is heavy selling pressure in bonds due to rupee and U.S. yields, but for the time being, it seems 6.45% yield is seen as upper limit for the session," a trader with a private bank said.

U.S. Treasuries, which are considered a safe haven, declined sharply as investors sold notes even as governments and central banks across the globe stepped up efforts to combat the economic impact of the virus.

Yield on the U.S. 10-year Treasury note jumped 26 basis points yesterday, after rising by 27 basis points on Mar. 17 and was back above 1.25%, despite the Federal Reserve having cut rates by 150 basis points to near- zero in the last two weeks. The yield was at 1.2790%, its three-week high, nearly 100 basis points up from 0.3150% hit on Mar. 9.

Foreign investors have sold Indian government bonds worth 343 billion rupees in the last six sessions, and a lower rupee and higher U.S. yields may lead to further outflows, traders said. These investors have net sold nearly $5 billion of Indian shares so far this month, data showed.

The coronavirus pandemic has claimed over 7,800 lives while affecting over 191,000 people worldwide. India has officially reported 169 cases so far, with three deaths. Indian Prime Minister Narendra Modi will address the nation tonight in the wake of the virus outbreak.

The Reserve Bank of India will buy bonds worth 100 billion rupees via an open market operation tomorrow. The nation's Monetary Policy Committee policy decision is due on due on Apr. 3, wherein it is widely expected to deliver a rate cut. Bofa Securities expects the MPC to deliver a 100 bps rate cut in the next financial year.

The benchmark Brent crude oil contract slipped below $25 per barrel yesterday to a 17-year low. It was last trading at $25.72 per barrel. India imports over 80% of its crude oil requirement.

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Govt working to make sovereign bonds part of global indices

19-Mar-2020

Amid the chaos in the financial markets, the Indian government is working with about half a dozen global banks to structure sovereign bonds that would be eligible for inclusion in global bond indices, three people familiar with the matter told ET. Bonds maturing in four to 10 years could be sold without any overseas investor limit under this. This series of bonds is likely to be part of the borrowing programme for the new financial year beginning April 1.

The government, Reserve Bank of India and the banks are also figuring out ways on the settlement processes. Barclays India, Citi Bank, Deutsche Bank, State Bank of India and ICICI Bank are among the banks that the government is working with. These banks are said to have shared their suggestions on structuring such sovereign papers for overseas investors.

Foreign portfolio investors now cannot invest more than 30% in local sovereign papers. The Department of Economic Affairs, Barclays, SBI and ICICI Bank didn't respond to emails seeking comment till press time Wednesday. Deutsche Bank and Citi declined to comment.

Both the RBI and the government are said be working on the settlement process where Euroclear, a global platform for settling securities transactions, may well be involved. But no decision has been taken."The plan may involve domestic and global investors utilising the same infrastructure for settlement to avoid arbitrage," said one of the people.

JPMorgan Emerging Market Bond Index and Bloomberg Barclays Index are primarily two indices where Indian sovereign bonds could become part of. India is at the lowest investment grade category and with that rating, it cannot be part of the FTSE World Government Bond Index. New Delhi is bracing up for global bond index inclusion because of the sliding US Treasury yields, said a senior executive involved in the process.

The widening interest rate differential is expected to play in once the dust settles over the coronavirus, as global investors facing near-zero rate would be interested to own India government papers. The benchmark Treasury bonds are yielding 1.10% in the US, compared with 6. 30% in India. The latest central budget had made a case for lifting the limit for non-resident investors in investing in certain government bonds. It was seen as a move to draw a roadmap for India's inclusion in the emerging market bond index.

Indonesia

Indonesia govt opens to budget deficit going wider than 2.5% of GDP

19-Mar-2020

JAKARTA, March 19 (Reuters) - **Indonesia's government may allow the 2020 budget deficit to widen beyond its current forecast of 2.5% of gross domestic product and had had discussions on relaxing a requirement to keep it at 3%, deputy finance minister said on Thursday.**

Suahasil Nazara said changing the deficit cap requires a revision to Indonesia's law on government finances, officials have continued to discuss the idea in case a bigger fiscal stimulus is needed to support the economy during the coronavirus outbreak.

"It will depend on what kind of economic slowdown we face and what kind of recovery," Nazara told a conference call with investors.

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Indonesia to raise more from rupiah, foreign currency bonds

19-Mar-2020

JAKARTA, March 19 (Reuters) - **Indonesia will finance the expected widening in 2020 budget deficit by issuing more rupiah and foreign currency bonds, Luky Alfirman, head of the finance ministry's financing department, told an investors conference call.**

Alfirman said the government would also use carryover cash from 2019 of 136 trillion rupiah ($8.55 billion) and might borrow from multilateral banks to cover for the widening deficit. The government will look for the right time for its planned sales of bonds in U.S. dollar, Japanese yen and euro.

Officials have said they expected 2020 budget deficit to widen to 2.5% of GDP, though Deputy Finance Minister Suahasil Nazara told the same call the government was open to a deficit even bigger than that.

($1 = 15,900.0000 rupiah)
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Indonesia raises crisis protocol status, warns risk of no GDP growth

20-Mar-2020

- **GDP growth seen at above 4% but could fall to 0%-2.5%**
- **Rupiah down nearly 2% to lowest since 1998**
- **Finance minister pledges measures for stabilisation**

By Tabita Diela and Maikel Jefriando

JAKARTA, March 20 (Reuters) - **Indonesia's finance minister on Friday raised the country's crisis management protocol level to one notch below "crisis" and warned that if the COVID-19 outbreak persisted, economic growth could fall to between 0%-2.5%.**

Minister Sri Mulyani Indrawati said her baseline scenario was for GDP growth at above 4%, but that if the coronavirus outbreak lasted three to six months, global trade slumped, and Indonesia went into lockdown, the result could be no growth.

Indonesia's GDP grew 5.02% last year.

The central bank's growth outlook for 2020 is 4.2%-4.6%. President Joko Widodo said this week he wasn't considering any kind of lockdown.

Indrawati's comment came as the rupiah fell as much as 1.9% to 16,200 a dollar, its weakest since June 1998 when the Asian financial crisis forced Suharto to step down.

The main stock index also touched its lowest in nearly seven years, while bond yields jumped.

"We're raising the (crisis management protocol) level from 'alert' to 'standby', so we can adjust our response," Indrawati told an online news conference, referring to a protocol to reduce market volatility.

"We will conduct a number of actions to maintain financial market stability, despite heavy pressure," she said, adding the measures would be the same as during the 2008 global financial crisis, though with some modification.

She did not explain what authorities might do. But the protocol covers authorities' response to swings in government bond yields, the rupiah exchange rate, the main equity index and the proportion of foreign ownership in bonds, according to a finance ministry monthly newsletter in March.

The article said the government may start buying back bonds from the secondary market or postponing auctions, with the protocol's 'standby' level the second to highest, just below 'crisis'.

Bank Indonesia (BI) Governor Perry Warjiyo told the same news conference the central bank had pumped 300 trillion rupiah ($18.58 billion) into the money market and the banking system.

BI cut its benchmark rate for a second time on Thursday and announced market operations to help soften the blow on Southeast Asia's largest economy.

The number of confirmed cases and deaths from COVID-19 has spiked in Indonesia less than three weeks since it reported its first patients. As of Friday, it had 369 reported cases and 32 deaths, according to a health ministry official.

A total of 62.3 trillion rupiah ($3.85 billion) in government spending will be shifted to finance the country's COVID-19 response, Indrawati said, up from 17.17 trillion rupiah previously announced.

($1 = 16,175.0000 rupiah)
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Rupiah at 1998 crisis level pressures reserves, debt

20-Mar-2020
Adrian Wail Akhlas and Made Anthony Iswara, The Jakarta Post, Jakarta

Stacks of cash: Wearing a protective suit, a worker arranges rupiah bills at state-owned lender Bank Mandiri's cash center in Jakarta on Friday. (JP/Dhoni Setiawan)

The rupiah breached 16,000 against the United States dollar on Friday, the weakest since the 1998 crisis, taking its toll on central bank reserves, corporate debt obligations and import-reliant industries as the COVID-19 pandemic prompts an Indonesian asset selloff.

Bank Indonesia (BI) Governor Perry Warjiyo said on Friday that the central bank had spent Rp 163 trillion (US$10.1 billion) to buy government bonds in the secondary market to stabilize the rupiah as foreign investors exited the market.

"The stabilization efforts that we've taken focus on providing a supply of dollars, which we will continue doing through intervention," Perry told a teleconferenced press briefing, referring to the central bank's bond buying and intervention in spot and non-deliverable forward markets.

As of 4:59 p.m. in Jakarta on Friday, the rupiah had weakened more than 15 percent against the US dollar this year. It broke the Rp 16,000 mark during the day, a level unseen since the 1998 crisis. The benchmark stock index, the Jakarta Composite Index (JCI), has lost a third of its value this year.

As of Thursday, a Rp 105.1 trillion capital outflow had been recorded this year as foreign investors dumped Rp 92.8 trillion worth of government bonds and Rp 8.3 trillion in stocks, BI data shows.

"Our foreign exchange reserves are more than enough," Perry said when asked about the impact of the market rout on the central bank's dollar reserves. At $130.4 billion in February, Indonesia's dollar reserves represent 7.7 months of imports, well above the three-month international adequacy standard.

Bahana Sekuritas economist Satria Sambijantoro said the potential rebound of the rupiah would depend on the government's efforts to contain the COVID-19 pandemic.

"We think most of the rupiah's weakness was driven by psychological -- not fundamental -- factors due to the 'two-tier pricing' in the forex market that discourages exporters and bond investors from holding on to their rupiah-denominated assets, fearing further depreciation," he wrote.

The government has pledged to allocate Rp 120 trillion from the 2020 state budget to stimulate the economy, which may grow at the lowest level in 15 years, just above 4 percent, Finance Minsiter Sri Mulyani Indrawati said.

State-Owned Enterprises Minister Erick Thohir said the weakening of the rupiah against the US dollar could also impact state firms' debts, including flag carrier Garuda Indonesia.

"We have been negotiating regarding the airline's [condition] for more than a month," Erick said in a teleconferenced press briefing on Friday. Garuda may need to restructure its foreign-denominated debts as it has struggled to pay its obligations as the pandemic hits the travel industry hard, he added.

Garuda Indonesia issued $496.8 million in global sukuk (sharia-compliant financial assets) on June 3, 2015. They are due to mature on June 3 with an annual return of 5.95 percent, according to the company's financial report released in September of last year.

For import-reliant producers, the rupiah depreciation will increase costs in a sector already hit by supply chain shocks resulting from the COVID-19 pandemic.

"If manufacturers want to keep their products competitive in the market, they have to pick a factor of their costs that they can cut, which is their workforce," said Indef Center of Industry, Trade and Investment researcher Andry Satrio Nugroho.

Andry predicted that the factory activity benchmark, the HIS Markit Purchasing Manager's Index (PMI), would fall drastically in March. The index managed to climb to expansion for the first time since June at 51.9 in February. A reading above 50 indicates expansion, and one below 50 indicates contraction.

Chamber of Industry and Commerce (Kadin) vice chairman for industrial affairs Johnny Darmawan said on Thursday that the depreciating rupiah would be a further drag on already sluggish business activities due to social distancing measures taken by consumers and enterprises.

Manufacturing industry players have complained about the disruption in the supply of raw materials as measures to contain COVID-19 binder factory production across Indonesia. Between 20 and 50 percent of raw materials for domestic industry are sourced from China, Indonesia's biggest trade partner.

Israel

Bank of Israel launches QE measures to ease market volatility

15-Mar-2020

JERUSALEM, March 15 (Reuters) - **The Bank of Israel said on Sunday it would carry out a series of quantitative easing measures for the first time since the global financial crisis, aimed at moderating volatility in markets caused by the coronavirus outbreak.**

The central bank said it would buy government bonds of various types and maturities in the open market to ensure its smooth functioning. It will also offer repo, or repurchase, transactions to financial institutions with government bonds as collateral.

The measures would boost liquidity in markets and increase the effectiveness of monetary policy, it added.

The central bank last bought bonds between March and August 2009.

Bank of Israel Governor Amir Yaron said the steps would support capital markets, assist in implementing monetary policy and help banks.

"We are prepared for any development and will continue to take steps as needed and in line with various developments," Yaron said in a statement.

"Monetary policy continues to be expansive and supportive of economic activity. The Bank of Israel ... has a variety of tools to support economic and financial activities in the market."

The Bank of Israel's next interest rate decision is scheduled for April 6, with some economists expecting a rate reduction similar to those made by other central banks such as the Federal Reserve and Bank of England in recent days.

Over the first two weeks of March, the main Tel Aviv 125 index fell more than 22%, while government bond prices slid and the shekel weakened sharply.

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Israel economy to grow near zero if virus impact short

16-Mar-2020

TEL AVIV, March 16 (Reuters) - **Israel's economy will likely grow zero to 1% in 2020 as long as the coronavirus impact subsides by June, with a recession inevitable if the crisis continues for a longer period, the Finance Ministry's chief economist said.**

Israel's economy grew 3.5% in 2019 and Shira Greenberg had previously estimated a rate of 3% in 2020 but she now expects the virus outbreak to wipe out most of the growth this year.

"We are dealing with an issue that has a lot of uncertainty. In the optimistic scenario where the current situation will be over in the summer, our forecasts predict an estimated 2%-2.5% decrease in GDP. If the effects are felt longer, we can expect a more serious downturn," Greenberg told Reuters.

She noted the crisis comes at a time when the economy is solid -- relatively high growth, low debt-to-GDP ratio of 60%, and low unemployment rates -- and this will help the country deal with the challenges.

Israel is spending billions of shekels to help businesses and bolster the health system and Greenberg said this, for now, can be done within the current budget, in which Israel is using a version of the 2019 budget given the year-long political stalemate.

"Should more money be needed to fund the response, we can turn to parliament," Greenberg said.

Similarly, the debt-to-GDP ratio is liable to rise "because you need to stimulate the economy," she said.

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Jordan

Jordan's central bank cuts bank reserves to inject liquidity

15-Mar-2020

AMMAN, March 15 (Reuters) - **Jordan's central bank cut compulsory reserves for commercial banks to 5% from 7% on Sunday to inject more than 500 million dinars ($705 million) of extra liquidity to mitigate the negative impact of coronavirus on the debt-straddled economy.**

Central Bank Governor Zaid Fariz told Reuters that Jordan's commercial banks were also asked to delay payments of loan instalments by companies and to allow rescheduling of retail loans without penalties to ease losses incurred by the private sector and to help individual borrowers.

The kingdom has seven confirmed cases of the virus. On Saturday it announced a tighter lockdown to contain the spread of the epidemic, with a ban on all incoming and outgoing flights to the country as of Tuesday.

It has also closed border crossings with Syria, Egypt, Israel and Iraq but kept commercial traffic open and officials say the country has a six month strategic stockpile of basic commodities.

Officials are worried the crisis that has hit the thriving tourist sector, which generates around $5 billion annually, will slash growth projections and deepen an economic downturn and a slowdown in domestic consumption.

The International Monetary Fund (IMF) expects Jordan's economy to grow around 2.1% in 2020 but gradually rise in the next few years to 3.3%.

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Lebanon

Coronavirus, oil price may dash Lebanon's aid hopes

17-Mar-2020

- **Work continues on economic rescue plans**
- **Has requested technical assistance from IMF**
- **Arab neighbours less able to help as oil money shrinks**

By Tom Perry

BEIRUT, March 17 (Reuters) - **The impact of the coronavirus and falling oil prices may have damaged Lebanon's chances of securing aid from foreign states, the economy minister said on Tuesday, adding that IMF aid should be considered as an option alongside others.**

Lebanon is suffering its worst financial crisis since independence in 1943.

It has been unable to pay foreign currency sovereign debt for the first time and its currency has lost some 40% of its value, while dollar reserves are critically low.

Raoul Nehme told Reuters work to draw up economic rescue plans continued despite a shutdown to curb the spread of the new virus. Major aspects of the plan, including how the state will cut the deficit and boost revenues, will probably be ready in two to three weeks' time, he said by phone.

The full plan requires another two months or so, he added.

Lebanon has requested technical assistance from the IMF but not financial aid that would typically come with conditions.

Some politicians have voiced concern the IMF would impose conditions Lebanon could not meet, but many analysts believe the IMF is Lebanon's only solution.

States that have helped Beirut in the past have said they will not help this time unless long-delayed reforms take place.

Nehme said it was still too early to gauge the impact of the coronavirus.

But he said aid from states to which Lebanon has been looking for support "can be less significant" if they suffer their own financial problems.

"We will certainly seek the support of our friends in the Arab world but their revenues are going down drastically with the price of oil going down under $30 practically so that puts limitations on their capacity to assist us," he added.

Asked if the crisis would affect access to potential IMF financial aid, he said: "No that would not be affected."

"In my opinion depending on discussions with the IMF and so on, yes why not ... We cannot say we don't have this option, and we cannot say this is the only option. But it is certainly an option, it is a good one," he said.

The powerful Hezbollah, which has previously said it was against allowing the IMF to manage the crisis in Lebanon, softened its position on Friday.

Its leader, Sayyed Hassan Nasrallah, said the group was not against foreign aid even it came from the IMF as long as the terms did not harm the national interest.

(Reporting by Tom Perry; editing by Barbara Lewis)

Fitch Downgrades Lebanon's Long-Term Foreign-Currency IDR to 'RD'

18-Mar-2020

Fitch Ratings-Hong Kong-March 18:

Fitch Ratings has downgraded Lebanon's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'RD' from 'C'.

The issue rating on the USD1.2bn Eurobond on which the government has defaulted was downgraded to 'D' and withdrawn for the following reason: Bankruptcy of the rated entity, debt restructuring or issue/tranche default.

A number of Long-Term Foreign Currency issue ratings were affirmed at 'C' and withdrawn for the following reason: no longer considered by Fitch to be relevant to the agency's coverage.

KEY RATING DRIVERS

The downgrade of the IDR follows the end of the grace period for payment of the USD1.2 billion Eurobond that matured on 9 March. This means the sovereign is in 'Restricted Default' and the 9 March bond has been downgraded to 'D' and simultaneously withdrawn as it has defaulted and is now past its maturity date.

We have affirmed and withdrawn the ratings (at 'C') for the remaining Eurobonds, which have not yet defaulted, because Fitch no longer considers these ratings to be relevant to the agency's coverage given that the sovereign has announced its intention to restructure all of these Eurobonds. Fitch expects all of these remaining Eurobonds to default in due course, either as the sovereign misses debt service payments or as an agreement is reached on restructuring the bonds.

The prime minister, Hassan Diab, said on 7 March that with the country's foreign reserves dwindling, Lebanon would no longer prioritise foreign debt payments over funding basic imports and that the government will pursue negotiations with creditors in order to restructure the government's debt.

The government statement is not explicit on whether debt restructuring will involve local-currency debt (just over 100% of GDP), as well as the stock of Eurobonds (USD31 billion, approaching 60% of GDP). Nonetheless, the government's reference to making overall debt sustainable suggests that there will be some restructuring of local-currency debt and Fitch believes this is highly probable (along with broader restructuring of financial sector balance sheets). However, as yet, a timeline for this is unclear.

Therefore, for now, we maintain the Local-Currency IDR at 'CC'. This would move to 'C' as and when a timeline and plan emerges for restructuring. Until then the government is likely to remain current with its local currency debt obligations.

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

In accordance with its rating criteria, for ratings of 'CCC' and below, Fitch's sovereign rating committee has not utilised the SRM and QO to explain the ratings, which are guided instead by our 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 LT FC 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 factor that could lead to positive rating action is:

-Once Lebanon reaches an agreement with bondholders on restructuring its long-term foreign currency debt and completes that restructuring process (for example, by issuing new bonds to replace the existing stock of bonds), Fitch will assign ratings based on a forward-looking analysis of the sovereign's willingness and capacity to honour its new foreign currency debt obligations.

The main factor that could lead to negative rating action is:

-The Long-Term Local-Currency IDR would be downgraded to 'C' if the government clearly announces plans to restructure its Lebanese pound-denominated debt. The rating would be downgraded to 'RD' in the event that the government defaults on the Lebanese pound debt before any restructuring announcement.

KEY ASSUMPTIONS

Fitch expects global indicators to move broadly in line with Fitch's Global Economic Outlook forecasts.

ESG CONSIDERATIONS

Lebanon has an ESG Relevance Score of 5 for Creditors' Rights as willingness to service and repay debt is highly relevant to the rating and a key rating driver with a high weight.

Lebanon 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 is therefore highly relevant to the rating and a key rating driver with a high weight.

Lebanon has an ESG Relevance Score of 5 for Rule of Law, Institutional Regulatory Quality and Control of Corruption as World Bank Governance Indicators (for which Lebanon scores well below peers) have the highest weight in Fitch's SRM and is therefore highly relevant to the rating and a key rating driver with a high weight.

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

Lebanon; Long Term Issuer Default Rating; Downgrade; RD

Short Term Issuer Default Rating; Affirmed; C

Local Currency Long Term Issuer Default Rating; Affirmed; CC

Local Currency Short Term Issuer Default Rating; Affirmed; C

Country Ceiling; Affirmed; CCC

Senior unsecured; Long Term Rating; Affirmed; C

Senior unsecured; Long Term Rating; Downgrade; D

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Malaysia

Malaysia's central bank cuts statutory reserve ratio to 2.00%

19-Mar-2020

KUALA LUMPUR, March 19 (Reuters) - **Malaysia's central bank cut its statutory reserve ratio (SRR) on Thursday by 100 basis points to 2.00%, releasing 30 billion ringgit ($6.81 billion) into the banking system, as the economy grapples with a coronavirus outbreak and plunging oil prices.**

The cut takes the SRR, a financial tool used by Bank Negara Malaysia to manage liquidity, to its lowest since the global financial crisis in 2009, when it was brought down to 1%.

Thursday's cut is the second in four months, and it comes just weeks after the bank slashed its key interest rate to 2.5%, its lowest rate in 10 years, to soften the blow from the virus to Malaysia's exports and tourism.

Until March 31, the central bank said, it would also allow each principal dealer to recognise up to 1 billion ringgit ($227 million) in

Malaysian government bonds, as part of compliance measures with the statutory reserve ratio.
"These combined measures will release approximately 30 billion ringgit worth of liquidity into the banking system," BNM said in a statement.
On Wednesday, Malaysia adopted curbs on travel and business to rein in a spike in virus infections, which totalled 900 by Thursday. The health ministry has linked more than half to a mosque gathering of 16,000 people in Muslim-majority Malaysia.
The restricted movement order will run till the end of March, but could be extended if it does not halt the virus spread, the government said on Thursday.

($1 = 4.4070 ringgit)
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Oman

Oman to review budget every three months amid coronavirus fears, low oil prices

19-Mar-2020
DUBAI, March 19 (Reuters) **- Oman will review its budget every three months amid coronavirus concerns, after having cut by 5% the budget allocated to government agencies for 2020, state TV said on Twitter.**
The finance ministry cut the budget of civil, military and security agencies for this year by 5%, according to a circular dated March 12 and seen by Reuters earlier this week.
"The financial affairs and energy resources council will follow up on the commitment of government bodies to implement these measures, and on the evaluation of the actual performance of the state's general budget every 3 months", state TV said,
The council had its second meeting of the year on Thursday, and discussed "coronavirus and the drop in oil prices, and their significant negative impacts on the financial situation of the state", state TV reported.
The oil-producing Gulf state's finances are being strained by the economic impact of the coronavirus outbreak and also by a plunge in oil prices due to a price war between Saudi Arabia and Russia.
Oman has reported 39 cases of coronavirus.
The Omani government said on Thursday it had taken measures to help small businesses in the sultanate, including tourism and municipality tax breaks, free government storage facilities and postponement of credit instalment payments.
Meanwhile, Oman's central bank is preparing to provide some 8 billion Omani rials ($20 billion) in extra liquidity to banks as part of measures aimed at supporting the economy.
The regulator said this week banks were allowed to lower capital conservation buffers, should accept requests for deferment of loan instalments and increase lending ratios for various economic sectors, including healthcare services.
It also implemented cuts on various interest rates to grant cheaper liquidity to the banking sector.
Oman's economy, burdened by high levels of debt, is particularly vulnerable to oil price swings. Oman had projected a budget deficit of 2.5 billion rials ($6.50 billion) in 2020, corresponding to a fiscal deficit of 8% of gross domestic product.
Oman got a new ruler, Sultan Haitham bin Tariq al-Said, in January after the death of Sultan Qaboos bin Said, who had ruled the country for half a century.

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Saudi Arabia

Saudi central bank to intervene if liquidity affected

15-Mar-2020
DUBAI, March 15 (Reuters) - **Saudi Arabia's central bank will intervene to support the kingdom's economy if liquidity is tight or credit is affected, its governor told state-owned Al Arabiya TV on Sunday, reiterating the commitment to the riyal's peg to the dollar.**
"The challenges are the coronavirus and the lower oil price globally, but we are monitoring liquidity indicators and monitoring indicators of capital availability at banks," said Saudi Arabian Monetary Authority (SAMA) Governor Ahmed al-Kholifey.
He added such indicators were "very good" and did not require intervention at this stage.
The Saudi riyal, pegged to the U.S. dollar, weakened last week in the forward market after oil prices plunged.
"The change in the riyal price is not big," Al-Kholifey said, adding that there was no discussion on changing the peg.
SAMA said on Saturday it had prepared a 50 billion riyal ($13.32 billion) package to help small and medium-sized enterprises cope with the economic impact of coronavirus.

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Saudi 2020 budget deficit could reach 9%/GDP amid coronavirus, oil price drop

20-Mar-2020
RIYADH, March 20 (Reuters) - **Saudi Arabia's budget deficit this year could expand to up to 9% of gross domestic product, from around 6.4% previously forecast, due to plummeting oil prices and the impact from the coronavirus outbreak, the kingdom's finance minister said on Friday.**
Mohammed al-Jadaan said in a news conference broadcast on state television that the government has a contingency plan and flexibility through a mixture of spending cuts, borrowing and tapping reserves.

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South Korea

South Korea approves $9.4 bln extra budget to combat coronavirus impact

17-Mar-2020
SEOUL, March 17 (Reuters) - **South Korea's parliament approved late on Tuesday a supplementary budget of 11.7 trillion won ($9.43 billion) to combat the economic fallout from the coronavirus outbreak and help shore up vulnerable businesses and domestic consumption.**
In a 222-1 vote, the single-chamber National Assembly approved the bill, which was nearly unchanged from the March draft proposal.
Of the total 11.7 trillion won, 0.8 trillion won will make up for the revenue deficit, well below the 3.2 trillion won proposed earlier, while 10.9 trillion won will be used as an additional fiscal injection, compared with a previously planned 8.5 trillion.
The government has proposed issuing about 10.3 trillion won worth of treasury bonds to fund the supplementary budget, though details on the size of bond issuance were not disclosed.

($1 = 1,240.3500 won)
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South Korea warns of global credit crunch, will support dollar funding needs

19-Mar-2020
SEOUL, March 19 (Reuters) **- South Korea's vice finance minister on Thursday said the government is preparing for a possible global credit crunch due to the disruptions caused by the coronavirus pandemic and vowed to deploy market stabilizing measures in a timely manner.**
"It isn't just an issue for us (Korea) but foreign investment from equity are flowing out of the country across emerging markets and are adding pressures to stocks and FX markets," Kim Yong-beom said in a policy meeting.
Kim said the government will support dollar funding needs of local companies, and may inject funds into local bond market if needed.

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Sri Lanka

Sri Lanka's central bank cuts rates by 25 bps in surprise move

16-Mar-2020
BENGALURU, March 16 (Reuters) - **Sri Lanka's central bank in a surprise move on Monday cut its benchmark policy rates by 25 basis points, to support the island nation's economy in the wake of the coronavirus pandemic.**
The Central Bank of Sri Lanka (CBSL) cut the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) to 6.25% and 7.25%, respectively.
The bank also cut the statutory reserve ratio (SRR) by 1% to 4%, it said.
CBSL's board arrived at the rate cut decision in preparation to counter the possible spread of the virus in Sri Lanka, the bank said in a statement.

(Reporting by Derek Francis in Bengaluru; Editing by Shailesh Kuber)
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Thailand

Thai central bank has bought $1 bln of bonds to boost liquidity

17-Mar-2020
BANGKOK, March 17 (Reuters) - **Thailand's central bank said on Tuesday it bought short**

and long-term government bonds worth 35 billion baht ($1.08 billion) to increase liquidity and reduce market volatility.
The Bank of Thailand will closely monitor developments and is ready to take action to help financial markets and financial transactions continue functioning, Assistant Governor Vachira Arromdee said in a statement.
The central bank has also conducted transactions to ensure sufficient dollar liquidity to meet demand in the market, she said.

($1 = 32.3200 baht)
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Fitch Revises Outlook on Thailand to Stable; Affirms at 'BBB+'

17-Mar-2020
Fitch Ratings-Hong Kong-March 17:
Fitch Ratings has revised its Outlook on Thailand's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable from Positive and has affirmed the rating at 'BBB+'.
KEY RATING DRIVERS
The Outlook revision reflects the evolving impact of the global COVID-19 outbreak on Thailand's economy through its tourism sector as well as lingering uncertainty in Thailand's political environment following the country's transition to civilian rule. The 'BBB+' rating reflects Thailand's sound external and public finances, which serve as cushions against economic and financial shocks. These strengths are balanced by weaker structural features relative to peers, including lower World Bank governance scores and, to a lesser extent, lower income per capita.
Fitch forecasts that Thailand's economic growth will weaken to 1.0% in 2020, from 2.4% in 2019, on account of the COVID-19 pandemic. This would mark a second consecutive year of slowing growth, and the lowest pace of expansion since 2014. A combination of factors led to the economic slowdown last year to 2.4%, from 4.2% in 2018, including weaker external demand amid US-China trade tensions, a sharp appreciation of the baht, delayed approval of the budget for the fiscal year ending-September 2020 (FY20), and drought conditions in the agricultural sector.
The growth outlook for 2020 is subject to considerable downside risk due to the uncertainty surrounding the duration of the virus shock. Thailand's tourism sector is especially vulnerable. The sector and related business account for around 20% of GDP, according to the Bank of Thailand (BoT). Preliminary figures indicate that tourist arrivals for the month of February declined by almost 44% year-on-year. Our baseline assumes the global outbreak is gradually contained, setting the stage for a gradual recovery of tourism inflow.
In the meantime, there are other factors supporting growth. In particular, the long-awaited approval of the FY20 budget will help to boost infrastructure investment in the remainder of 2020; the budget was delayed by over four months due to the lengthy formation of the new government coalition and legal issues about the validity of some parliamentary votes. The government has also adopted various relief measures to support tourism and other sectors, such as extending the income-tax return deadline from March to June 2020 and tax deductions. More recently, the government approved an estimated THB400 billion (2.4% of GDP) stimulus package, which includes targeted soft loans for small and medium enterprises (SMEs) to alleviate the impact of COVID-19 on the slowing economy. **Additional stimulus measures, such as tax benefits, debt payment extensions and financial assistance, may be adopted to maintain the debt-service ability of households and small private businesses if downward pressure on the economy persists in the next couple of quarters.**
We expect momentum to regain traction in 2021, with growth projected at 3.8% as external and domestic demand gradually recover in line with regional trends. Continued public expenditure and implementation of the government's infrastructure programme under the 20-year national strategy and the Eastern Economic Corridor should support modest economic growth in the coming years, which Fitch estimates at 3.5% over the medium term. Thailand will nevertheless continue to face structural challenges from an ageing population and human capital constraints.
The BoT cut its benchmark policy rate by 25bp to a historical low of 1.0% at its last policy meeting on 5 February, adding to two rate cuts of a cumulative 50bp since August. We expect one more rate cut in 2020 to bolster the economy in the near term. Headline consumer inflation increased to 0.7% year-on-year in February 2020, well below the BoT's 1%-3% target band. We expect inflationary pressure to remain muted for the remainder of 2020.
Fitch expects Thailand's record of sound fiscal management to remain intact, supported by the enactment of the Fiscal Responsibility Act in April 2018. We forecast a wider general government deficit (Government Finance Statistics basis) of 1.3% of GDP in FY20, from 0.8% in FY19, due to the reduced government revenue and the government's stimulus measures. Fiscal measures from the recent stimulus package are unlikely to significantly widen the FY20 budget deficit, and we project the government to have fiscal space to counter a prolonged economic downturn. We expect the general government debt-to-GDP ratio to gradually increase to 43.3% by FY24, from 35.9% in FY19, as the government utilises its fiscal space to boost infrastructure investment. Thereafter, we project the debt ratio to revert to

a downward trend.

Fitch forecasts Thailand's external finances to remain robust relative to peers, a core strength of the country's credit profile. We forecast the current account surplus to remain high at 5.8% of GDP in 2020. Official reserves covered an average of 8.2 months of current external payments in 2018-2019; we forecast coverage of 8.7 months and a net external creditor position at around 44% of GDP in 2020, both well above the 'BBB' and 'A' median peer levels.

Thailand's political environment remains divisive, exacerbated by the ruling coalition's thin parliamentary majority and vocal opposition. However, the coalition's majority increased somewhat after nine members of parliament from the Future Forward Party joined a coalition party supporting the government. As such, the coalition government will likely be less constrained in parliament, reducing risks around its ability to implement its policy agenda and ensures policy continuity.

Nevertheless, a degree of lingering political uncertainty remains. In late February 2020 Thailand's Constitutional Court dissolved the Future Forward Party

- a main opposition party that received the third-highest share of seats in the legislature - over claims of illegal donations to political parties. These actions have led to limited discontent at university campuses.

Fitch believes financial-sector risks will be contained amid the economic downturn. Thailand's household debt-to-GDP ratio at the end of 3Q19 was 79.1% (seasonally adjusted), which remains high compared with peers, and households' ability to service debts may worsen as economic conditions deteriorate. However, Thai banks are well-capitalised, with high excess provisions and sound liquidity, providing a buffer against potential shocks, particularly for low-income households.

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

Fitch's proprietary SRM assigns Thailand a score equivalent to a rating of 'BBB+' on the Long-Term Foreign-Currency IDR scale.

Fitch's sovereign rating committee adjusted the output from the SRM to arrive at the final Long-Term Foreign-Currency IDR by applying its QO, relative to rated peers, as follows:

- External Finances: +1 notch, to reflect strengths in Thailand's external finances not captured in the SRM, including its large net creditor position and strong external liquidity.
- Structural Features: -1 notch, to reflect lingering uncertainty in Thailand's political environment.

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, trigger positive rating action are:

- A resumption of resilient growth without the emergence of imbalances.
- Lower social and political tensions, for instance, reflected by improved governance and development indicators or a record of political stability.

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

- Renewed political disruption on a scale sufficient to negatively affect Thailand's economy.
- A significant and sustained rise in Thailand's government-debt ratios; for example, due to fiscal deterioration or the appearance of contingent liabilities on the sovereign balance sheet.

KEY ASSUMPTIONS

The tourism sector is subject to a slow recovery as the global COVID-19 outbreak is gradually contained.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3' - ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

Thailand has an ESG Relevance Score of '5' for Political Stability and Rights, as World Bank Governance Indicators have the highest weight in the SRM and are therefore highly relevant to the rating and a key rating driver with a high weight. Thailand's rating reflects a higher level of risks in the political environment relative to peers.

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

Thailand has an ESG Relevance Score of '4' for Human Rights and Political Freedoms, as World Bank Governance Indicators have the highest weight in the SRM and are relevant to the rating and a rating driver.

Thailand has an ESG Relevance Score of '4' for Creditors Rights, as willingness and ability to service debt are relevant to the rating and a rating driver, as for all sovereigns.

Thailand; Long Term Issuer Default Rating; Affirmed; BBB+; RO:Sta

Short Term Issuer Default Rating; Affirmed; F1

Local Currency Long Term Issuer Default Rating; Affirmed; BBB+; RO:Sta

Local Currency Short Term Issuer Default Rating; Affirmed; F1

Country Ceiling; Affirmed; A-

Senior unsecured; Long Term Rating; Affirmed; BBB+

Senior unsecured; Short Term Rating; Affirmed; F1

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Thai central bank buys $1.4 bln of bonds to boost liquidity

19-Mar-2020
BANGKOK, March 19 (Reuters) - **Thailand's central bank bought another 45 billion baht ($1.38 billion) of bonds on Thursday and is ready to continue to buy them to ensure sufficient liquidity and to reduce market volatility, a deputy governor said.**
In the March 13-19 period, the central bank purchased more than 100 billion baht of bonds, Deputy Governor Mathee Supapongse said in a statement on Thursday.
The central bank also plans to cut the amount of its bond auctions to help boost liquidity, he said.
Given high volatility in the Thai debt market, "the central bank has purchased both short and long-term government bonds", Mathee said.

($1 = 32.6200 baht)
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United Arab Emirates

Moody's Says UAE Support Scheme Will Soften Coronavirus' Blow to Economy and Banks

17-Mar-2020
March 17 (Reuters) - Moody's:

- **Moody's says UAE support scheme will soften coronavirus’ blow to economy and banks**
- **Moody's says support measures will limit UAE banks' likely material asset quality deterioration from the coronavirus outbreak**
- Moody's says expect coronavirus to negatively affect the UAE's key non-oil sectors of tourism, transportation, trade and real estate
- Moody's says expect borrowers in the UAE's tourism, transportation, trade and real estate sectors to be most affected by coronavirus
- Moody's says UAE's new funding scheme will not mute banks’ significant asset quality challenges, particularly should the pandemic be persistent
- Moody's says substantial ongoing restructuring of corporate debt to limit reported problem loans, but will increase potential problem loan formation for UAE
- Moody's - travel bans, curtailment of nonessential travel to & from affected areas is negatively affecting tourism, hospitality, transportation in UAE
- Moody's says it expects UAE's small and medium enterprises to be particularly vulnerable to economic shocks

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Uzbekistan

Uzbekistan to borrow $1 bln to fight coronavirus, aid economy

19-Mar-2020
TASHKENT, March 19 (Reuters) - **President Shavkat Mirziyoyev ordered Uzbekistan's government on Thursday to borrow up to $1 billion abroad to finance measures to curb the spread of the coronavirus and counter its impact on the national economy.**
The gas- and gold-exporting Central Asian nation could lose up to $1.1 billion from projected export revenue this year, and GDP growth could be 3.7% compared to the previously anticipated 5.5%, the justice ministry said in a statement citing a government meeting.
Mirziyoyev ordered the government to set up a 10 trillion sum ($1.05 billion) fund under the finance ministry and to finance it with soft loans from international financial institutions and other sources.
The money is intended not only to help curb the spread of the coronavirus, which has infected 23 people in the country of 34 million, but also to help maintain employment levels and fill gaps in local budgets.

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EUROPE

Albania

Albania to offer 4 bln leks (32.3 mln euro) of 5-yr T-notes on March 24

20-Mar-2020
TIRANA (Albania), March 20 (SeeNews) – **Albania will offer 4 billion leks ($34.9**

million/32.3 million euro) worth of five-year Treasury notes at an auction on March 24, the debt issuance calendar of the finance ministry shows.
At the last auction of five-year T-notes held in November, the finance ministry sold 3.6 billion leks worth of government paper, below its 4 billion leks plan. The coupon rate was 4.2%, unchanged from the previous auction of five-year T-notes held in September, according to figures published by the finance ministry.

(1 euro = 121.756 leks)

Bosnia

IMF ready to lend Bosnia 165 mln euro to mitigate coronavirus crisis

18-Mar-2020
SARAJEVO (Bosnia and Herzegovina), **March 18 (SeeNews) - The International Monetary Fund (IMF) is ready to lend Bosnia some 165 million euro in extraordinary support to help mitigate the coronavirus impact in the country, the government said.**
The financing is part of a larger $50 billion credit line which the IMF has earmarked for supporting all its member states in times of emergency and extraordinary circumstances, Bosnia's council of ministers said in a statement on Tuesday, following a meeting between Prime Minister Zoran Tegeltija and the IMF resident representative to Bosnia, Andrew Jewell.
Each IMF member state is eligible to receive a special credit of up to 50% of its quota, which in the case of Bosnia is some 165 million euro, the statement read.
In this case, the credit will be approved in a speedy procedure, with the funds expected to become operational for Bosnia in May.
Tegeltija said in the statement that the government is ready to start talks with the IMF on the financing very soon, adding Bosnia plans to use the funds to support its health system, as well as to provide direct support to the domestic economy.
On Tuesday, the Bosnian government declared a state of emergency in an attempt to curb the spread of the coronavirus disease in the country. The number of infected people has reached 27 as of March 16.

Bosnia's Serb Republic to offer 18 mln euro of 5-yr T-notes on April 6

18-Mar-2020
SARAJEVO (Bosnia and Herzegovina), March 18 (SeeNews) – **Bosnia's Serb Republic will offer 35 million marka ($19.6 million/17.9 million euro) worth of five-year Treasury notes at an auction on April 6, the entity's finance ministry said on Wednesday.**
The Republic's government will offer investors 35,000 securities of 1,000 marka in par value each that will mature on April 8, 2025, the finance ministry said in a statement filed with the Banja Luka Stock Exchange (BLSE).
The securities will have a fixed annual interest of 2%, the statement read.
At the last auction of five-year T-notes held on June 17, 2019, the Serb Republic's finance ministry sold government securities worth 37.5 million marka at an effective interest rate of 2.0% and with a 3.5% coupon.
The Serb Republic is one of the two autonomous entities forming Bosnia and Herzegovina. The Federation is the other one.

(1 euro = 1.95583 Bosnian marka)

Bulgaria

Bulgaria posts 0.2 pct/GDP current account surplus in January

20-Mar-2020
SOFIA, March 20 (Reuters) - **Bulgaria posted a current account surplus of 0.2% of gross domestic product in the first month of 2020, compared with a deficit of 0.01% in the same period a year earlier, central bank data showed on Friday.**
The surplus stood at 115.2 million euros ($123.47 million) in January on an annual basis from 7.6 million euros in the first month of 2019 mainly due to an increase in exports.
Foreign direct investment, much needed to boost sustainable growth in the Black Sea state, increased by 15 million euros through January, compared with FDI decrease of 164.1 million in January 2019.
The finance ministry sees current account surplus decreasing to 4.1% of GDP as it expects a pickup in imports supported by domestic demand.

($1 = 0.9330 euros)
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Czech Republic

Czech central bank will use 2019 profit to cover past losses, despite call to fund budget

19-Mar-2020

PRAGUE, March 19 (Reuters) - **The Czech central bank's board decided on Thursday to use last year's 57.9 billion crown ($2.27 billion) profit it booked mainly on reserves management to cover part of its past losses, the bank said.**

The decision went against the suggestion by board member Ales Michl that the bank could send half of the profit to the state budget to help fund costs of the coronavirus pandemic.

The bank said the decision was based on the law which stipulated the obligation to use profits preferentially to cover past losses.

It said the profit was largely of an unrealised nature and stemmed from the rise of stock markets - which were now in falling.

The bank will hold 129.2 billion crowns in past losses on its balance sheet after the operation.

($1 = 25.5390 Czech crowns)
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Czech 2020 budget deficit could grow five-fold

20-Mar-2020

PRAGUE, March 20 (Reuters) - **The Czech central state budget deficit could swell to as much as 200 billion crowns ($7.82 billion) this year, five times larger than originally planned as the government fights the coronavirus outbreak's impact, Prime Minister Andrej Babis told Czech Television on Friday.**

The government had originally planned a 40 billion crown gap in this year's budget. The deepening deficit could surpass a 192.4 billion crown shortfall seen in 2009 after the global financial crisis.

"On Monday the government will definitely accept some huge measures (for businesses), and one thing is the budget, which we want to aim at a 200 billion (crown deficit)," Babis told the broadcaster.

($1 = 25.5650 Czech crowns)
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Estonia

Estonia to raise up to 1 bln euros to tackle coronavirus outbreak

14-Mar-2020

TALLINN, March 14 (Reuters) - **Estonia is preparing to raise up to 1 billion euros ($1.1 billion) to cope with the coronavirus outbreak, including via short-dated bonds, the Finance Ministry said on Saturday.**

As a first step, the maximum allowed issuance of short-term bonds would be raised to 1 billion euros from 400 million euros, the ministry said.

"I think it makes sense to create a strong cash buffer immediately as the situation on the financial market is unpredictable and later the price and availability of the needed assets could weaken," Finance Minister Martin Helme said.

($1 = 0.9005 euros)
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Estonia agrees on 2 bln euro package to boost economy

19-Mar-2020

TALLINN, March 19 (Reuters) - **Estonia's government agreed on Thursday on a package totalling 2 billion euros ($2.16 billion) - equivalent to 7% of the country's gross domestic product - to support the economy during the coronavirus pandemic, Prime Minister Juri Ratas said on Thursday.**

"The measures are aimed at easing the most complicated early phase of the crisis, supporting Estonian workers and companies," Ratas told a news conference.

The package includes state loan guarantees to ease payment schedules for existing loans of up to 1 billion euros, and additional revolving loans of up to 500 million to help firms with liquidity problems, the government said in a statement.

The package includes also direct salary support totalling 250 million euros to the companies hit worst by the virus.

The government said it was working also on additional investments and changes to legislation, and it would present an additional budget for 2020 by mid-April.

Estonia has closed schools and public events until May 1 and stopped foreign travellers from entering the country, which so far has recorded 267 cases of the coronavirus.

($1 = 0.9241 euros)
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Georgia

Georgia's central bank keeps refinancing rate at 9%

18-Mar-2020
By Margarita Antidze
TBILISI, March 18 (Reuters) - **Georgia's central bank left its key refinancing rate unchanged at 9% on Wednesday, while saying it did not rule out holding an extraordinary meeting on the rate before the scheduled date of April 29.**
The central bank had been raising rates since September as annual inflation exceeded its 3% target but kept the rate unchanged at 9% at the last meeting in January.
Consumer prices in Georgia rose 0.3% month-on-month in February after rising 0.7% in January. Annual inflation in February stood at 6.4%, up from 2.3% in February 2019 but in line with January this year.
"Taking into account that the situation is changing very quickly, the central bank does not rule out holding a monetary policy extraordinary meeting before April 29," the central bank chief, Koba Gvenetadze, told a briefing.
The coronavirus crisis has caused a fall in the lari currency, which traded at an historic low on Wednesday of 3.08 to the U.S. dollar, putting pressure on inflation.
Gvenetadze said that if this continued, the central bank did not rule out monetary policy tightening. The further spread of coronavirus was likely to threaten Georgia's economic growth forecast of 4.5% this year, he added.
The South Caucasus country of 3.7 million reported 5.1% year-on-year growth in January.
Georgia has closed its borders with neighbouring countries, banned entry of foreigners, closed winters resorts, restaurants, cafes, nightclubs, gyms and swimming pools and banned minibuses in an effort to slow the spread of COVID-19.
It has reported 38 confirmed cases of coronavirus. One patient has recovered, more than 1,200 people with suspected infections remain in quarantine, while 216 are being monitored in hospitals, authorities said.
Finance Minister Ivane Machavariani said Georgia will soon unveil a "substantial financial stimulus package". Georgia plans to draft measures to support the economy together with donor organisations, and the International Monetary Fund will be playing a key role in this process, he said.
The Fund's representative, Selim Cakir, told a briefing the IMF "is committed to provide support to Georgia under these challenging and uncertain circumstances."

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Hungary

Hungary can expect very slow economic recovery from virus hit

19-Mar-2020
BUDAPEST, March 19 (Reuters) - **Hungary's finance minister said on Thursday that the economy will recover from the blow it suffered from the coronavirus pandemic only very slowly and the ship has sailed for the economy this year.**
Finance Minister Mihaly Varga told private television channel ATV that his ministry would submit a new 2020 budget proposal to the government within a few weeks, with resources targeted for helping the economy recover.
When asked about the forint's slide to new record lows past 359 to the euro on Thursday, Varga reiterated the government had no exchange rate target.

(Reporting by Krisztina Than)
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Lithuania

Lithuanian central bank sees recession in 2020 due to coronavirus

16-Mar-2020
VILNIUS, March 16 (Reuters) - **Lithuania's central bank said on Monday it expected the economy to contract 1.2% this year due to the effects of the coronavirus, compared to a December forecast of growth of 2.3%.**
"I would say this is an optimistic scenario," central bank governor Vitas Vasiliauskas told reporters. "It all depends whether the recovery will be V-shaped, U-shaped or if it happens at all."
The central bank said that Lithuanian lenders are well-capitalized and could meet capital adequacy requirements even in case of a much sharper economic downturn.

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Lithuanian parliament votes to allow government to borrow as much as needed to fight coronavirus

17-Mar-2020
VILNIUS, March 17 (Reuters) - **The Lithuanian parliament voted on Tuesday to the raise borrowing limit by 4.5 billion euros, and to**

allow the government to borrow over the limit to fight effects of the coronavirus.
In its submission to the parliament, the government said it expects tax income in the 50 billion euro economy to be at least 20%, or 4.2 billion euros, less than previously expected due to effects of the virus.
The ministry said on Tuesday it saw the economy contracting between 1.3% and 2.8% in 2020. Its latest forecast, from September, was for growth of 2.4%.

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Moldova

IMF ready to extend 100 mln financing to help Moldova limit coronavirus impact

20-Mar-2020
CHISINAU (Moldova), March 20 (SeeNews) - **The International Monetary Fund (IMF) is prepared to extend $100 million (93 million euro) in financing to Moldova to help the country reduce the impact of coronavirus on its economy, an IMF official said.**
"The IMF is ready to support Moldova through this type of financing. So far no official request has been made, but Moldova's government investigated the possibility of requesting such a support facility," the IMF chief negotiator for Moldova, Ruben Atoyan, said in an interview for Radio Free Europe on Thursday.
According to Atoyan, the coronavirus pandemic poses great problems for states around the world, and Moldova is at risk because its main partners are greatly affected, as many remittances come from Italy, a country strongly hit by the virus. Also, the country has many ties with Russia, which is now dealing with the coronavirus epidemic and lower oil prices.
"Therefore, we believe that for countries like Moldova, the areas that will be most affected are trade, remittances, while the biggest challenges are the lack of financial potential and the effects of the virus on domestic affairs," Atoyan added.
On March 11, the IMF said it is disbursing $20 million to Moldova under the current 40-month funding arrangements approved in November 2016.
The new disbursement came as a result of the progress Moldova has made in keeping its reform commitments and brings total disbursements under the arrangements to support the country's economic and financial reform programme to about $178.7 million.

($ = 0.9262 euro)

Moldova central bank unexpectedly cuts its key rate

20-Mar-2020
CHISINAU, March 20 (Reuters) - **Moldova's central bank cut its main interest rate for the second time in March to 3.25% from 4.50%, at an extraordinary meeting on Friday in order to support banking system amid markets volatility due to the coronavirus spread.**
"The National Bank's decision comes to further strengthen the level of liquidity in the banking sector in support of the economy and business environment amid the recent developments in the global and national economy," the bank said in a statement.

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Poland

Polish central bank pumps $1.8 billion into bond market

16-Mar-2020
By Alan Charlish
WARSAW, March 16 (Reuters) - **The Polish central bank (NBP) provided 7.26 billion zlotys ($1.84 billion) to banks in a repo operation, it said on Monday, an extraordinary measure to improve liquidity in bond markets and reassure investors shaken by the coronavirus pandemic.**
Some analysts expect the central bank to cut interest rates for the first time in five years at a meeting on Tuesday, a sign of the stress the Polish economy is facing.
Polish forward rate agreements are currently pricing in more than three 25-basis point cuts to the 1.5% benchmark rate this year.
"They announced a reverse repo, so they are ready to provide liquidity if anyone needs it," a Warsaw-based bond dealer said.
"This is in their regular tool pack but I don't think they ever used this or if they did use it, it was post-Lehman Brothers," the dealer said, referring to the collapse of the investment bank.
The minimum interest rate for the four-day repo operation was 1.5%, according to Refinitiv Eikon data.
"This kind of operation is aimed at supporting liquidity on the bond market, as there was no liquidity there. Banks are giving the central bank bonds as a collateral," said Grzegorz Maliszewski, chief economist at Bank Millennium.
Krystian Jaworski, senior economist at Credit Agricole in Warsaw, said the operation was designed to reassure markets.
"This a way of the NBP saying to the markets and investors that everything is OK, that they

keep a close eye on the situation by providing liquidity for the banks and ensuring banking sector stability," he said.
Reuters was unable to immediately contact the central bank press office for comment.
At 1401 GMT the Polish zloty was down 0.83% against the euro at 4.4120. Benchmark 10-year yields were up 40 basis points at 2.238%.

($1 = 3.9403 zlotys)
(Reporting by Alan Charlish, Alicja Ptak, and Marcin Goclowski; editing by Larry King, Kirsten Donovan)
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Romania

Romania's foreign debt rises in Jan

16-Mar-2020
BUCHAREST (Romania), March 16 (SeeNews) - **Romania's foreign debt increased to 109.9 billion euro ($123 billion) at the end of January from 106 billion euro at the end of 2018, the central bank, BNR, said on Monday.**
The end-January figure includes 77.3 billion euro in long-term foreign debt, up from 72.7 billion euro at the end of 2019, BNR said in a monthly balance of payments report.
Long-term external debt service ratio fell to 11.7% in January, compared to 18% at end-2019.
Goods and services import cover stood at 5 months at end-January, 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 77.3% at end-January, from 72.2% at end-2019.

($= 0.8955 euro)

Romania's central bank delivers surprise rate cut, loosens policy

20-Mar-2020
BUCHAREST, March 20 (Reuters) - **Romania's central bank cut its benchmark interest rate by 50 basis points to 2.0% in a surprise meeting on Friday and narrowed the corridor between its lending and deposit facilities, it said in a statement.**
The unexpected rate cut, which the bank said was aimed at curbing the economic fallout from the coronavirus outbreak, will be enforced from March 23.
The bank also cut its lending rate facility to 2.50% from 3.50%, while holding its deposit rate at 1.50%.
It will provide liquidity to banks via repo transactions and purchase leu-denominated debt on the secondary market to consolidate structural liquidity in the banking system, which analysts said amounted to quantitative easing.
Liquidity injections coupled with the narrowing corridor will ensure interbank rates stay close to the benchmark rate, boosting the effectiveness of the cut.
"Depending on how the situation evolves, the central bank board stands ready to also proceed to cutting the minimum reserve requirement ratios on leu- and foreign currency-denominated liabilities of credit institutions," the bank said.
"In view of the elevated uncertainty surrounding economic and financial developments, the board also decided to suspend the previously announced calendar of monetary policy meetings and hold monetary policy meetings whenever necessary."
The European Union state, which has recorded 308 coronavirus infections but no deaths, declared a state of emergency on Monday. The centrist minority government approved a set of measures amounting to 2% of GDP, including granting unemployment aid and guaranteed lines of credit.
After keeping rates unchanged since May 2018, the central bank's move follows similar actions by many of its peers around the world which have cut rates and begun liquidity injections to stave off the economic impact from the virus outbreak.
"These are unprecedented measures, and they show how determined the central bank is," said Ionut Dumitru, chief economist at Raiffeisen Bank Romania.
"They will have a major impact and will show immediate results, especially the liquidity injections."
Romania's finance ministry has failed to sell debt at its last four consecutive tenders.
The Romanian leu traded at 4.8520 per euro at 1610 GMT, unchanged in the day.

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Russia

Russia faces $39 bln budget shortfall in 2020 from lower oil, gas revenues

18-Mar-2020
MOSCOW, March 18 (Reuters) - **Russia faces a budget shortfall of 3 trillion roubles ($39 billion) this year due to falling oil and gas prices, Finance Minister Anton Siluanov said on Wednesday, signalling tough times ahead for the Russian economy.**
Oil prices collapsed to four-year lows in March, having lost about 17% only this week as the outlook for fuel demand darkened because of travel and lockdowns in place to curb the spread of the coronavirus epidemic.
"Unfortunately, the situation is developing in not

the best way and we are thus deviating from economic forecasts that we had formed for this year," Siluanov said

Siluanov's had initially estimated a 2 trillion rouble shortfall in budget revenues, with deficit of 0.9% of gross domestic product (GDP). In nominal terms, this budget deficit is equal to around 1 trillion roubles, according to analysts' estimates.

The government is rewriting its forecasts as prices for Brent crude <LCOc1>, a global benchmark for Russia's main export, fell to $27.83 on Wednesday, well below an average level of $42.4 envisaged by Russia's 2020 budget plan.

"It's rather hard for authorities to forecast how strong the fall in the economy and in budget revenues could be. But it's clear that the impact will be really serious," Raiffeisen Bank analysts said.

Even despite the budget deficit risks, the finance ministry has sufficient reserves to carry out its spending, including with its National Wealth Fund, Gazprombank analysts said.

The Fund "has enough to cover for the shortfalls in income from lower oil prices for more than five years," the bank said in a note.

As of March 1, the NWF held 8.2 trillion roubles, or 7.3% of GDP, according to the ministry.

The ministry has said that the country could weather oil prices of $25 to 30$ per barrel for between six and 10 years.

The Kremlin said last week that Russia's economy had sufficient international reserves of nearly $580 billion and was rather robust to weather any temporary market instability.

($1 = 76.91 roubles)
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Slovakia

Coronavirus impact on Slovak budget hard to predict, minister says

16-Mar-2020

BRATISLAVA, March 16 (Reuters) - **The impact Slovakia's state budget faces from the coronavirus spread is difficult to predict, Economy Minister Peter Ziga said on Monday after announcing several measures the state would adopt to help businesses weather the outbreak.**

Ziga said he would talk to banks about deferring loan payments and simplifying rules for short-term, low-interest loans among other initiatives.

He also said he wants to initiate talks on the European Union level to flexibly use funds for the crisis.

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Ukraine

Ukraine central bank has no plans to impose forex restrictions for now

17-Mar-2020

KIEV, March 17 (Reuters) - **Ukraine's central bank does not plan to impose restrictions on the foreign currency market for now, Deputy Governor Oleh Churiy said on Tuesday, adding the central bank had reserves of $25 billion to continue market interventions.**

The hryvnia currency has lost more than 5% against dollar since the beginning of March amid the coronavirus outbreak and an outflow of non-resident capital from domestic bonds. It weakened to 27 to the U.S. dollar on Tuesday for the first time since June 2019.

(Reporting by Natalia Zinets; writing by Matthias Williams; editing by Andrew Heavens)
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Ukraine central bank: emergency IMF package could go partly into state budget

20-Mar-2020

KIEV, March 20 (Reuters) - **Ukraine is negotiating an emergency package from the International Monetary Fund to contain the economic fallout from the coronavirus, and some of the money may go into the state budget, Central Bank Governor Yakiv Smoliy said on Friday.**

Allowing money to flow directly into the state budget would be a departure from recent IMF loan deals, which were used to build up the central bank's foreign exchange reserves.

It was too early to say what the size of the emergency package would be, Smoliy said, adding that its conditions would be separate to a previously agreed $5.5 billion deal agreed in December, which Ukraine's government also wants to finalise.

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LATIN AMERICA AND CARIBBEAN

Argentina

Argentina swaps $4 bln in peso debt for later-maturing bonds

19-Mar-2020
BUENOS AIRES, March 19 (Reuters) - **Argentina's economy ministry said on Thursday it had exchanged around 257 billion pesos ($4 billion) in a debt swap for new instruments maturing between 2021-2024, as the government looks to restructure its debt amid a credit crunch.**
The value of the new instruments totaled 304 billion pesos ($4.794 billion), the ministry said.
The auction, reported exclusively by Reuters on Wednesday, was part of Argentina's broader drive to gain more time to make payments amid a widespread debt crisis that risks pushing the country into default.
Argentina has been focused on rolling over its local bonds though a series of debt swap auctions, but it faces a tougher challenge with its international debt. The country is racing to strike a deal with foreign creditors by the end of the month.
It is also in talks about revamping its borrowings from the International Monetary Fund, which extended a then $57 billion credit facility to the South American grains producer in 2018. It has so far disbursed around $44 billion.

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Argentina has "no room at all" in short term for further fiscal adjustments

20-Mar-2020
BUENOS AIRES, March 20 (Reuters) - **Argentina has "no room at all" in the short term for further fiscal adjustments, Economy Minister Martin Guzman said on Friday.**
Guzman said the current high levels of uncertainty, such as the coronavirus outbreak, need to be taken into account in debt restructuring.
The comments were part of a teleconference by Guzman on the country's ongoing public debt negotiations.

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Brazil

Brazil's Guedes urges Congress to act, help avoid 40 bln reais budget freeze

18-Mar-2020
By Jamie McGeever and Marcela Ayres
BRASILIA, March 18 (Reuters) - **Brazil's Economy Minister Paulo Guedes on Wednesday urged Congress to declare a state of emergency, which would free up the government to ramp up urgent financial support to an economy buckling under the coronavirus pandemic.**
Speaking alongside President Jair Bolsonaro and cabinet colleagues in Brasilia, Guedes said this would allow the government to suspend its deficit goals for this year and help avoid budget freezes of up to 40 billion reais ($7.7 billion).
That would be this year's projected shortfall, thanks to sharply lower revenues from cheaper oil and a 16 billion reais budget hole if, as looks likely, the privatization of utility Eletrobras does not go ahead as planned.
The government's 2020 primary deficit target, before interest payments are accounted for, stands at 124.1 billion reais, marking the seventh consecutive year of deficit.
"This (budget freeze) would not be right. Health and protecting Brazilians' jobs take precedence above all other interests," Guedes said.
Guedes also unveiled a program to direct 15 billion reais to informal workers over the next three months, which will be made possible by Congress declaring a state of emergency.
Without giving details, Guedes added that domestic airlines' debts will be renegotiated. Airline shares have been battered more than most sectors during the crisis and the companies face a desperate battle for survival.
Brazil's government on Monday announced emergency measures to inject nearly 150 billion reais into the economy, although the package does not contain new money.

($1 = 5.23 reais)
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Brazil govt to cut 2020 GDP outlook Friday 'in line with the market'

19-Mar-2020
BRASILIA, March 19 (Reuters) - **Brazil's government will announce its new economic growth forecasts on Friday, which will be "well below" the 2.1% revised outlook announced only last week, special secretary to the Economy Ministry Waldery Rodrigues said late on Wednesday.**
"(It) is in line with the market. In fact, several

projections have already indicated values between 0.5% and 0%. Our numbers reflect all these changes", Rodrigues said.
The government last week reduced its 2020 gross domestic product forecast to 2.1% from 2.4%, and as recently as last Friday Economy Minister Paulo Guedes was optimistic growth could reach 2.5%.
But a wave of private sector forecasts in recent days factoring in the likely impact from the global coronavirus pandemic suggests Brazil will barely grow at all this year, and will probably fall into recession.

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Brazil 2020 recession? Could be depression, as some brace for biggest crash ever

20-Mar-2020
BRASILIA, March 20 (Reuters) - **The outlook for Brazil's economy is darkening rapidly, with the expected damage from the global coronavirus outbreak threatening to turn a likely recession into a depression and the biggest crash on record, according to new forecasts on Friday.**
A paper published by the Center for Applied Macroeconomics and Getulio Vargas Foundation (FGV) showed that the worst-case combination of simultaneous international and domestic shocks could see Brazil's gross domestic product shrink by 4.4% this year.
Monica de Bolle, senior fellow at the Peterson Institute for International Economics in Washington, went further, predicting that the sudden stop to much of the country's economic activity will unleash a 6.0% contraction, that is, depression.
Both would represent the biggest annual slump in Brazilian economic activity on record. According to central bank data going back to 1962, the biggest annual fall in gross domestic product was the 4.25% decline in 1981.
The FGV based its worst-case forecast on a combination of a global shock, similar to the 2008 crisis, and domestic shock, like the truckers' strike in 2018. This scenario was "closer to reality" than the other three models of no crisis, 2008 shock, and 2018 shock.
"Very reasonable assumptions about how these two channels will actually play out in Brazil suggest that the (current) crisis will have a high economic cost," FGV said.
De Bolle at the PIIE in Washington also factored in the added risk of widespread social unrest, as the government struggles to contain the damaging economic and health fallout.
"Economists in Brazil are underestimating the magnitude of this crisis. It has no precedent," she said.
These latest potential scenarios and forecasts trump even the most gloomy predictions in the recent wave of downward revisions from economists.
This week, Jose Francisco Goncalves, chief economist at Banco Fator in Sao Paulo, said the economy could shrink by as much as 3.6% this year, and Carlos Kawall, director at Asa Bank in Sao Paulo, predicted a 3.0% contraction.
The government pledged to inject 150 billion reais ($30 billion) into the economy to help workers and businesses, although virtually none of that is new money, while the central bank cut interest rates to a new low of 3.75%.
Many economists say the government and central bank, despite the challenges and limitations they face, will have to do much more in the coming weeks and months.

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Brazil central bank buys $3 bln of dollar-denominated sovereign debt this week

20-Mar-2020
BRASILIA, March 20 (Reuters) - **Brazil's central bank bought almost $3 billion of dollar-denominated Brazilian sovereign bonds from domestic banks this week, it said in a statement on Friday, part of its repurchase program to minimize volatility and provide liquidity to the market.**
The total purchased was $2.95 billion, from a total outstanding available amount of $31 billion.

(Reporting by Jamie McGeever
Editing by Chris Reese)
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Chile

Chile's Pinera unveils $11.7 billion coronavirus aid package

19-Mar-2020
By Dave Sherwood
SANTIAGO, March 19 (Reuters) - **Chilean President Sebastian Pinera on Thursday announced an $11.7 billion package of emergency measures aimed at saving jobs and protecting small businesses while easing the coronavirus outbreak's impact on the world's top copper producer.**
Pinera said he would invoke a special clause in the country's constitution to immediately free up funds without congressional approval. In total,

spending on the package will equal 4.7% of Chile's gross domestic product, he said.
"This is an emergency without precedents and requires, as a consequence, that we take extraordinary actions," Pinera said.
The measures include extending unemployment insurance to those who are sick or unable to work from home, delaying tax payments for small businesses, a cash bonus for approximately 2 million workers who lack formal employment, and emergency funds for municipalities.
Finance Minister Ignacio Briones, who spoke after Pinera at the presidential palace, said the plan was aimed at ensuring the "short-term impacts of the coronavirus do not become permanent."
Briones noted that Chile's comparatively low fiscal deficit and good-standing with creditors give it unusual flexibility to deal with the crisis.
Still, Latin America's most open and export-oriented economy is bracing for the worst. The local peso currency and markets are already floundering after months of anti-government protests in late 2019 that lingered through March.
Credit Suisse said earlier this week it expects **Chile's GDP to contract 1.5% this year compared with its earlier forecast of 1.8% growth. The country's coffers are already suffering from a plunge in the price of copper, its top export.**
Chile's health ministry has confirmed 342 coronavirus cases in the country, among the highest tallies in Latin America. No one in Chile has died from COVID-19, the respiratory illness cause by the virus.
Pinera on Wednesday announced a "state of catastrophe" to confront the growing outbreak in Chile, giving the government extraordinary powers to restrict freedom of movement and assure food supply and basic services.
The South American nation has already closed schools, shut down its borders and limited public gatherings as the number of coronavirus cases soared.

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Ecuador

Fitch downgrades Ecuador to CCC

19-Mar-2020
By Paul Kilby
NEW YORK, March 19 (IFR) - **Fitch downgraded Ecuador one notch to CCC on Thursday, citing the sovereign's debt repayment abilities following a fall in oil prices and difficulties accessing capital markets.**
A dramatic drop in oil prices and the potential economic impact from the coronavirus pandemic comes at a bad time for the country, which is balancing social unrest with belt tightening amid a heavy debt load.
Moody's downgraded the sovereign in February to Caa1 from B3, while S&P affirmed its B- rating in March.
"The external shock has further complicated the sovereign's weak fiscal position in 2020, after a turbulent 2019, when political difficulties and social unrest hindered deficit reduction efforts," Fitch said today.
Ecuador bonds are now trading at distressed levels, with its most recently issued 7.875% 2025s and its 9.5% 2030s changing hands in the low 30s, crashing from the mid 90s just over two months ago, according to Refinitiv data.
The country faces a US$325m amortization on March 24 which most analysts think it can cover, but longer term bond payments could prove tricky depending on the economic impact of the pandemic, the price of oil and any political shifts following the elections.
With about US$800m in Treasury deposits and another US$3bn in reserves, the government has sufficient funds to cover the bond payment due on Tuesday.
But more significant risks lie with its ability to cover another US$1.6bn in interest payments due during the remainder of 2020, said Sarah Glendon, senior analyst at Columbia Threadneedle Investments.
Fitch estimates that Ecuador faces a financing gap of US$3.5bn in 2020, assuming it receives expected funds from the IMF Extended Fund Facility (EFF) and other multilateral banks.
"It is unclear how Ecuador can fill this financing gap," Fitch said.
"The authorities have said they are working to secure US$2.4bn in external funding from unidentified sources, but this would not fully close the funding gap, by Fitch's estimates, and it may consist of unconventional borrowing arrangements with opaque costs and terms, as seen in the past."
The authorities are also looking to re-profile debt to China, but it is unclear how quickly they can do this given the uncertainties generated from the coronavirus outbreak, it said.
"Debt repayment prospects become more uncertain in 2021, when Fitch estimates financing needs to remain high at around US$9bn," it said.
"The outcome of February elections could have major implications for repayment capacity and willingness."

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Ecuador default risks rise

20-Mar-2020

NEW YORK, March 20 (IFR) - **The coronavirus and the dramatic drop in crude oil prices could not have come at a worst time for Ecuador, which was already facing rising default risks as the government tried to attend to social unrest while also tightening its belt amid a heavy debt load.**

The country has a US$325m amortisation on March 24 that most analysts think it can cover, but longer term, bond payments could prove tricky depending on the economic impact of the pandemic, the price of oil and any political shifts following the elections in early 2021.

"The backdrop is very challenging already, but the possibility of default will increase in 2021 if the political environment changes in a non-market friendly direction," said Petar Atanasov, co-head of sovereign research at hedge fund Gramercy.

Ecuador bonds are now trading at distressed levels, with its most recently issued 7.875% 2025s and its 9.5% 2030s now quoted in the low 30s, crashing from the mid 90s just over two months ago, according to Refinitiv data.

Fitch cut its rating a notch to CCC last week, citing the sovereign's debt repayment abilities and difficulties accessing capital markets.

It follows Moody's, which downgraded the sovereign in February to Caa1 from B3. S&P, meanwhile, still has the country in Single B territory, affirming its B– rating in March.

Difficulties in Ecuador, which is a member of the Organization of the Petroleum Exporting Countries (OPEC) and relies on oil revenues, have only been exacerbated by plummeting crude prices, which reached 18-year lows last week.

"The lower oil price and the sharp appreciation of the US dollar (legal tender in Ecuador) also represent a severe balance-of-payments shock for the country," said Fitch on Thursday.

The government has been tightening its belt introducing a US$2.252bn austerity package this month, but could face push back at a time when the global economy faces a downturn.

"It'll be important to monitor whether crisis motivates for more serious economic reform or whether social pressures weaken commitment," said Siobhan Morden, head of Latin America strategy at Amherst Pierpont.

"The next litmus test is the willingness to pay the US$325m amortisation of the Eurobond on March 24."

With about US$800m in Treasury deposits and another US$3bn in reserves, the government has sufficient funds to cover the bond payment due on Tuesday.

But more significant risks lie with its ability to come up with another US$1.6bn in interest payments due during the rest of 2020, said Sarah Glendon, senior analyst at Columbia Threadneedle Investments.

With capital markets closed to the country, the government has said it is working on securing US$2.4bn in external funding from unidentified sources, said Fitch.

But the rating agency warned that this may involve "unconventional borrowing arrangements with opaque costs and terms, as seen in the past".

Nor is Fitch sure that the country can secure new repo agreements from foreign banks on favourable terms, given the collapse in the value of its bonds and its commitment to the IMF not to pledge central bank gold assets as collateral.

"The authorities are working to re-profile bilateral debt to China, but it is unclear how quickly this could occur or if fresh funding can be secured amid coronavirus-related uncertainties," Fitch said.

"Oil pre-sale facilities could be the most viable option."

The country is also expected to receive some US$3.6bn from the IMF's extended fund facility and other multilaterals to fill this year's financing gap, though that comes with conditions that may be difficult to keep.

And while it potentially has some breathing space next year when there are no principal payments, Glendon says it does have US$1.9bn in interest in 2021 and faces about US$4.6bn in interest and principal in 2022.

An election early next year could also complicate matters should the populace turn against the administration of President Lenin Moreno.

"Presidential elections are scheduled for February 2021 and social discontent/disenchantment with austerity measures and the IMF increase the risk of an anti-establishment candidate garnering significant support at the polls," said Glendon.

A return of a more populist government could result in a repeat performance of the selective default carried out by the former president Rafael Correa in 2008.

"A Correista administration [likely] in 2021 will definitely attempt to restructure the Eurobonds," said Atanasov.

(This story will appear in the March 21 issue of IFR Magazine)
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D Ecuador

Mexico

Fitch Says Mexico's Increasing Unemployment Rate A Negative For Structured Finance

20-Mar-2020

March 20 (Reuters) -

- **Fitch says Mexico's increasing unemployment rate a negative for structured finance**
- Fitch says coronavirus will compound

already weakening economic conditions in Mexico and further stress abs and RMBS collateral performance

- **Fitch says revised its 2020 GDP growth forecast for Mexico to 0% from 1%**

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AFRICA

Egypt

Egypt's central bank ready to intervene if necessary

15-Mar-2020

CAIRO, March 15 (Reuters) - **Egypt's central bank said on Sunday it was ready to intervene immediately to maintain banking and monetary stability if necessary, after the government announced steps to contain the coronavirus outbreak.**

The central bank instructed banks to cancel fees and commissions for six months on ATM withdrawals, e-payments and transactions made on retail point-of-sale machines. It also told banks to postpone loan repayment demands for small and medium businesses and to suspend penalties for late payments.

The statement said the measures were "in line with the state's direction concerning coronavirus developments and to ensure the stability and security of the banking sector."

Egypt closed schools and universities for two weeks on Sunday to prevent the spread of the virus as the number of cases rose, reaching 110 on Saturday. Two people have died.

The suspension of classes follows previously announced measures including the cancellation of large public gatherings, restrictions on the time allocated for mass prayers and the halting of local football league matches for two weeks.

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Equatorial Guinea

Equatorial Guinea: Issuance of Treasury Bonds of the Republic of Equatorial Guinea

14-Mar-2020

Public Treasury proceeded on March 11 to the second issue of bonds for this year by means of an assimilable allotment of 52 weeks, that is, until March 12, 2021, setting the reimbursement to "in fine", according to the statement published by the Bank of Central African States (BEAC), a monetary institution that groups Equatorial Guinea, Cameroon, Gabon, Congo, Chad and the Central African Republic.

The Bond Issue statement, which starts from the Ministry of Finance, Economy and Planning of Malabo, adds that the form of securities are dematerialized, having as issue number (in million FCFA), equivalent to 15,000 FCFA, with a nominal value unit of 1,000,000 FCFA.

It also informs that the interest rate will be discounted on the unit nominal value (in FCFA), having as subscription places the banks, financial centers of the Economic and Monetary Community of Central Africa (CEMAC) authorized as specialists in Treasury securities by the Equatorial Guinea's Ministry of Finance. The payment date is set next Friday, March 13, until 3:00 p.m. and the value date, the same Friday, March 13, 2020.

Ghana

Ghana Central Bank cuts key rate to 14.5% due to coronavirus

18-Mar-2020

ACCRA, March 18 (Reuters) - **Ghana's Central Bank has cut its interest rate to 14.5% from 16% due to the negative economic impacts it anticipates from the spread of the coronavirus, it said in a statement on Wednesday.**

It said that in a worst case scenario, economic growth could drop to 2.5% this year from a previous forecast of 6.8%.

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Morocco

Fitch Ratings: Coronavirus Increases Pressure on Morocco's External Finances

16-Mar-2020

Fitch Ratings-Hong Kong-March 16: **Downside risks for Morocco's current account deficit (CAD) and external finances have increased significantly due to the COVID-19 pandemic global shock, Fitch Ratings says.** Nonetheless, Morocco has buffers to manage increased pressures, including recently displayed willingness to adjust the flexibility of the exchange rate regime.

Disruptions to the global economy from the COVID-19 pandemic will pressure Morocco's CAD. **The CAD was 4.6% of GDP in 2019, much higher than the current 'BBB' median of 0.9% of GDP. The collapse in leisure travel will hit Morocco's tourism sector, an important growth driver and source of FX earnings (on average 6.7% of GDP in 2017-2019).** Disruptions to global value chains could also affect the automotive industry, which accounts for the largest share of Morocco's exports, with sales equivalent to 6% of GDP in 2017-2019.

The slowdown in world growth could weigh on Morocco's other exports, chiefly phosphates (4.4% of GDP), as well on remittances (6% of GDP), which mostly emanate from the Moroccan diaspora in the eurozone and the Gulf. Meanwhile, ongoing drought will impact agricultural exports. The slump in oil prices will provide some relief, as Morocco's energy imports are high (6.9% of GDP) and some demand compression could reduce imports.

On 9 March, the Moroccan authorities widened the dirham's fluctuation bands to +/-5% from +/-2.5% around an unchanged basket comprising the euro (60%) and the US dollar (40%). The bands had been broadened from +/-0.3% in January 2018. The adjustments signal willingness to enhance the dirham's flexibility, although Fitch still expects the transition to a fully-flexible exchange rate in line with IMF recommendations to be staged over several years. Further flexibility would significantly enhance Morocco's shock absorption capacity and enable Bank al-Maghrib (BAM) to transition to an inflation-targeting monetary policy regime.

Market volatility of the dirham has remained muted since January 2018 and the exchange rate index has been remarkably stable within -/+2% range around its 2017 average, even after the pandemic shock and the widening of the band. BAM has not intervened on the FX market since end-March 2018 until at least January 2020 (the most recent data point for interbank market transactions), while banks have mostly covered their FX needs on the interbank market. Dirham stability points to well-anchored expectations, although moral suasion by the central bank cannot be excluded.

Morocco's external resilience is supported by an ongoing 2018-2020 USD3 billion precautionary arrangement with the IMF, on which the government has not drawn. Morocco also has relatively comfortable FX reserves of USD25.7 billion (around five months of current account payments). Restrictions on overseas financial transactions by residents limit risks of capital flight. Prior to the pandemic shock, Morocco's fundamentals did not point to significant short-term risks to macroeconomic or exchange rate stability. Inflation is low, and the real effective exchange rate has not significantly appreciated in recent years.

The economy's vulnerability to dirham depreciation is contained. The share of FX debt **in general government debt is moderate, at around 30%.** Retail bank lending is in local currency. Moroccan banks do not rely on international capital markets and have very small net open FX positions. However, banks are largely deposit-funded and emigrant transfers represent around 20% of total sector deposits. Exchange rate fluctuations could affect inflows of such funds.

We affirmed Morocco at 'BBB-' with a Stable Outlook on 10 December. At the time, we highlighted the evolution in external finances among our key rating sensitivities.

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Mozambique

Mozambique queried $535 million loan guarantee, VTB says in court filing

16-Mar-2020

JOHANNESBURG, March 16 (Reuters) - **Mozambique has "implicitly suggested" that a government guarantee on a $535 million loan might not be valid, state-run Russian bank VTB, which lent most of the money, said in a London court filing.**

The money lent by VTB was one of three multi-million dollar loans that funded a project encompassing tuna fishing, maritime security and shipyard development in Mozambique and is now at the heart of a $2 billion debt scandal.

Hundreds of millions of dollars went missing in what U.S. authorities have alleged was an elaborate front for a bribery and kickback scheme.

Mozambique remains on the hook for the money, but has contested the validity of a government guarantee on one of the other loans, $622 million which was lent by Credit Suisse.

The Swiss bank has denied a claim it is liable to pay any damages to Mozambique and has submitted a counter claim arguing that the African state should have to repay its loan.

Mozambique has tried to restructure the loan from VTB, which in December filed a lawsuit against state-run Mozambique Asset Management (MAM) and the state after talks failed.

"In correspondence, [the Republic of Mozambique] (both directly and indirectly through its solicitors) has purported to reserve its rights in relation to the MAM guarantee and has implicitly suggested that the MAM facility and/or the MAM guarantee may not be valid and binding," the filing, submitted to the London High Court and dated Feb. 24, said.

Mozambique's attorney general's office did not immediately respond to a message seeking comment. A representative for VTB did not immediately respond outside office hours.
VTB was seeking a declaration that the guarantees are in fact enforceable, the filing shows. VTB is seeking a sum of just over $670 million, the outstanding balance of the loan plus interest, or damages for breach of contract.
The filing is the first suggestion that Mozambique could try to nullify the guarantee on the loan by VTB, which had previously not been involved in any related court proceedings.
VTB filed its lawsuit in a year when Mozambique and Russia were working to strengthen ties, with Mozambican President Filipe Nyusi visiting Russia twice in 2019.
The debt scandal has already sparked court cases spanning London, New York and South Africa, involving global investment bank Credit Suisse, three of its former bankers, Mozambique's former finance minister and a past president's son.
Credit Suisse, which Reuters reported on Monday is now a target of investigations by U.S. authorities, and VTB provided or arranged loans totalling around $2 billion for the project, but the supposed benefits never materialised.
Credit Suisse has said it is cooperating with authorities.
Mozambique did not disclose some of the loans, which were guaranteed by the state. The International Monetary Fund and other donors cut off support when they came to light in 2016, triggering a currency collapse and a debt default.

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Nigeria

Nigeria central bank to inject 1 trln naira into coronavirus

18-Mar-2020
By Camillus Eboh
ABUJA, March 18 (Reuters) - **Nigeria's central bank will inject 1 trillion naira ($3.27 billion) into local manufacturing and import substitution to stimulate the economy, it said in a statement on Wednesday.**
Nigeria's economy, the largest in Africa, is stumbling as the shockwaves of the coronavirus outbreak hit the country. It is struggling for foreign income from oil production amid a price crash caused by a decline in demand from China and a price war between Saudi Arabia and Russia.
"Given the continuing impact of the disease on global supply chains, (the bank) will increase its intervention in boosting local manufacturing and import substitution," said Godwin Emefiele, the central bank governor.
The bank is also offering 100 billion naira in loans to the health sector, as Africa's most populous country announced its eighth confirmed coronavirus case on Wednesday.
The health sector loan aims to "support the health authorities to ensure laboratories, researchers and innovators work with global scientists to patent and/or produce vaccines and test kits in Nigeria to prepare for any major crises ahead," Emefiele said.
Earlier this week the central bank said it would create a 50 billion naira fund to combat the impact of the coronavirus outbreak on the country.

($1 = 306.0000 naira)
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Nigeria eyes $4.9 bln budget cut amid coronavirus

18-Mar-2020
By Felix Onuah
ABUJA, March 18 (Reuters) - **Nigeria is looking at reducing its budget by 1.5 trillion naira ($4.90 billion) as the global spread of the coronavirus takes a massive toll on Africa's largest economy and one of the continent's biggest oil producers, the finance minister said on Wednesday.**
Roughly 90% of the Nigerian government's foreign exchange earnings come from sales of oil, prices of which have taken a beating amid lower Chinese demand and a price war between Saudi Arabia and Russia.
Finance Minister Zainab Ahmed last week said the 2020 budget would have to be cut. The spending plan, which was calculated assuming crude production of 2.18 million barrels a day at a price of $57 per barrel, was passed in December.
"We are working on a worst-case scenario of an oil benchmark of $30 per barrel and a production of 2.1 million (barrels a day)," Ahmed told reporters at a briefing after a regular Cabinet meeting.
International benchmark Brent crude on Wednesday reached a 16-year low of about $25 a barrel, dragged down by concerns about the impact of the coronavirus on the global economy, a collapse in oil demand and a supply glut.
Nigeria is still struggling to shake off a 2016 recession, which was caused by the oil price collapse of late 2014, with economic growth currently at around 2%.
The West African country, which has deep trade ties with China, has also felt the impact of the

coronavirus due to disrupted supply chains.

($1 = 306.0000 naira)
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South Africa

South Africa pumps-up liquidity, mulls shorter trade hours to ease coronavirus strain

21-Mar-2020

Changes paragraph four to clarify that bourse operator already prohibits uncovered short-selling, and will now implement stricter enforcement rather than ban it

- **Central bank raises credit lines to cash-strained banks**
- **Bourse considers shorter trade as volumes, margin calls jump**

By Mfuneko Toyana

JOHANNESBURG, March 21 (Reuters) - **South Africa's central bank announced a raft of emergency liquidity measures on Friday to ease the stress on banks caused by the coronavirus outbreak, while the stock exchange regulator may take its own steps as surging volatility tests financial stability.**

The South African Reserve Bank's (SARB) move follows a 100 basis point cut to its main lending rate on Thursday to help the flagging economy and comes amid severe liquidity strains in funding markets.

Central banks the world over have been slashing interest rates and pumping trillions of dollars into the financial system, helping trigger a 1% recovery in global stock markets on Friday.

The head of the Johannesburg Stock Exchange (JSE), which is Africa's biggest and one of the top 20 in the world by market capitalisation, told Reuters on Friday the bourse was considering shortening trading hours and enforcing stricter enforcement of rules prohibiting uncovered short-selling to ease the growing liquidity crunch.

"What's concerning about the current selloff is it's been persistent and lasting ... for over two weeks now," Leila Fourie, chief executive of the JSE, said in an interview.

"Our market cap was 17 trillion rand at the beginning of the year. Now it's at 12.5 trillion. That's 4.5 trillion rand wiped off the exchange."

LIQUIDITY CRISIS

South African assets have come under huge strain in the past two weeks as the coronavirus has rapidly spread around the world, and some local banks have struggled to access short-term funds.

As of Friday South Africa had more than 200 confirmed coronavirus cases, but no reported deaths yet.

Since the beginning of February the rand has plunged more than 10%, bond yields have risen to all-time highs and around 4.5 trillion rand ($259 billion) has exited the JSE in heavy selling across emerging markets.

The effects of South Africa's selloff have been magnified by an economic recession and a looming credit downgrade to subinvestment by Moody's.

A jump in volatility to levels last seen a decade ago, and thinning liquidity caused by increasing margin calls and algorithm-triggered selling, drained money from markets.

"In recent days, as financial markets have come under increased pressure with the spread of the COVID-19 pandemic, the SARB has observed liquidity strains in various funding markets," the bank said in a statement, less than 24 hours after announcing its policy decision.

THREE MEASURES

The bank announced three changes on Friday aimed at the money market, which facilitates shorter-term borrowing by banks and the government, usually through instruments with durations ranging from overnight to 12 months.

"The Standing Facilities lending rate – the rate at which the SARB provides liquidity to the commercial banks – will be adjusted lower to the repo rate, from the prevailing rate of the repo rate plus 100 basis points," the bank said in its statement.

Other measures included daily fixed-rate auctions to provide liquidity to clearing banks, with an interest rate equal to the repurchase rate, currently at 5.25%.

The bank said additional money market liquidity would result in the current money market shortage declining below the current target level of 56 billion rand ($3.24 billion).

"The (rate) cut yesterday did not do enough to normalise interbank market conditions," said George Glynos, director and head of research at ETM Analytics.

"This is an indication that pressures on interbank markets through credit constraints is building significantly. The measures are timely and the SARB has been quick off the mark, but we'll have to wait and see if they work," said Glynos.

The equity exchange said it was still considering emergency measures after seeing volumes more than double to around 680,000 deals a day from an average of 280,000, while mandatory trading halts leapt 2,000%.

"The margin calls have been unprecedented, and at exorbitant levels," said JSE chief Fourie.

"We are in the process of engaging about whether to shorten trading times and widening the circuit breakers. We should make a decision in the not too distant future."

($1 = 17.3861 rand)
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GLOBAL

IMF chief says over 20 countries seek aid, calls for coordinated spending

17-Mar-2020
By David Lawder
WASHINGTON, March 16 (Reuters) - **IMF Managing Director Kristalina Georgieva on Monday said over 20 additional countries have asked about receiving aid from the global lender as the coronavirus pandemic halts economic activity, and she called for strong, coordinated fiscal stimulus to limit the damage.**
In a blog post on the International Monetary Fund's website, Georgieva said the IMF was ready to mobilize its full $1 trillion lending capacity to help member countries deal with the crisis.
"As the virus spreads, the case for a coordinated and synchronized global fiscal stimulus is becoming stronger by the hour," Georgieva said.
Some of the countries expressing an interest in IMF financing to deal with the crisis already have IMF loan programs, while others do not, an IMF spokesman said, adding that these inquiries do not necessarily constitute formal requests.
The spokesman declined to identify any of the countries, but said the most logical options for many of them would be several emergency financing facilities under which Georgieva said $50 billion would be rapidly available to ease the economic blow from the coronavirus outbreak.
Iran, hit hard by the outbreak, last week said it was seeking a $5 billion emergency loan from the IMF.
The fund currently has loan and financial backstop programs with about 40 countries valued at about $200 billion.
The IMF chief issued her message shortly before a call with leaders of the G7 wealthy democracies, several of which are battling severe coronavirus outbreaks. The leaders pledged to "do whatever is necessary" to battle the pandemic and protect public health, jobs and growth.
SPENDING LIKE IT'S 2009
Georgieva, in her blog, suggested that coordinated fiscal action on the scale of the 2008-2009 financial crisis may be necessary.
In 2009 alone, she said, Group of 20 countries deployed about 2% of their gross domestic product in stimulus, or about $900 billion in today's money, "so there is a lot more work to do."
She said governments should continue to prioritize health spending and provide support to the most affected people and businesses with policies such as paid sick leave and targeted tax relief.
On the monetary policy front, she said central banks "should continue to support demand and boost confidence by easing financial conditions and ensuring the flow of credit to the real economy," citing emergency actions by the U.S. Federal Reserve and other central banks on Sunday as an example.
EMERGING MARKET RISKS
Georgieva applauded the opening of swap lines between major central banks, adding that such swap lines may need to be extended to emerging market countries, which have suffered large capital outflows, in the future.
"In times of crisis such as at present, foreign exchange interventions and capital flow management measures can usefully complement interest rate and other monetary policy actions," Georgieva said.
She said financial system supervisors should aim to preserve stability, ensuring banking system soundness while sustaining economic activity.
"This crisis will test whether the change made in the wake of the financial crisis will serve their purpose," she said, referring to increased capital requirements and other policies put in place over the past decade to rein in financial market excesses.
Georgieva said banks should be encouraged to use their capital and liquidity buffers and renegotiate loan terms for stressed borrowers.
Georgieva said all of the fiscal, monetary and regulatory actions would be "most effective when done cooperatively." She said IMF research shows that spending increases have a multiplier effect when countries act together.

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Coronavirus to cause global recession, surge in defaults

17-Mar-2020
LONDON, March 17 (Reuters) - **The sudden economic stop caused by coronavirus containment measures will cause a global recession this year and could see U.S. corporate default rates spike above 10% in the next 12 months, ratings agency S&P Global warned on Tuesday.**
"The sudden economic stop caused by COVID-19 containment measures will lead to a global recession this year," S&P said in a new report
A cash flow slump and much tighter financing conditions as well as the simultaneous oil price shock will hurt creditworthiness it added.
"These factors will likely result in a surge in defaults, with a default rate on nonfinancial corporates in the U.S that may rise above 10% and into the high single digits in Europe over the

next 12 months."

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Fitch Says Coronavirus Crisis Is Crushing Global GDP Growth

19-Mar-2020

March 19 (Reuters) - Fitch:

- **Fitch says coronavirus crisis is crushing global GDP growth**
- Fitch says we are in global recession territory
- Fitch says delayed impact of supply-chain disruptions on rest of world will continue to be felt profoundly for some time
- Fitch says have nearly halved Fitch baseline global growth forecast for 2020 - to 1.3% from 2.5% in December 2019 geo
- Fitch says delayed impact of lower Chinese demand on rest of world will continue to be felt profoundly for some time
- Fitch says delayed impact of supply-chain disruptions and lower Chinese demand on rest of world will continue to be felt profoundly for some time
- **Fitch says could very easily see outright decline in global GDP this year if more pervasive lockdown measures have to be rolled out across all g7 economies**
- **Fitch says policy easing should help GDP normalize and recover quickly in second half of year on assumption that health crisis subsides**

((Reuters.Briefs@thomsonreuters.com))