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Emerging Sovereign Debt Markets NEWS

Number 17 Week 18 – 24 April 2020

Table of contents

ASIA	3	Macao	12
GCC Gulf Cooperation Council	3	Fitch Affirms Macao's 'AA' Ratings, Maintains Negative Outlook	12
Gulf sovereigns raise expensive debt	3	Qatar	14
Bahrain	4	Qatar's emir says to make economy less vulnerable to oil prices volatility	14
Bahrain raised \$1 billion loan to repay bond last month	4	Saudi Arabia	14
Bahrain to cut government agencies' spending by 30% amid coronavirus	4	Saudi banks get small part of \$7 bln bond sale amid liquidity concerns	14
China	4	Saudi Arabia raises 5.55 bln riyals in local sukuk	15
China to allocate another 1-trln-yuan local gov't bond quota	4	South Korea	15
Hong Kong	5	S&P Says Republic Of Korea 'Aa/A-1+' Ratings Affirmed; Outlook Stable	15
Fitch Downgrades Hong Kong to 'AA-' from 'AA'; Outlook Stable	5	South Korea plans third extra budget, bond issuance to safeguard jobs	15
India	7	Sri Lanka	16
First sovereign gold bond of FY21 opens on Monday; should you buy?	7	Fitch Downgrades Sri Lanka to 'B-'; Outlook Negative	16
Sovereign gold bonds trading at a discount on exchange	8	Thailand	18
India Bonds Seen Little Changed As Fiscal Stimulus Package Eyed	8	Thailand approves \$3 bln in relief measures to ease virus impact	18
India central bank special operation leaves traders wary, but bonds rally	9	Moody's changes Thailand's Rating Outlook to Stable from Positive Affirms BAA1 Ratings	18
Indonesia	9	Thailand to borrow \$18.6 bln this fiscal year for anti-coronavirus effort	19
Indonesia central bank makes first direct government bond buys	9	United Arab Emirates	19
Israel	10	Abu Dhabi issues US\$7 billion in multi-tranche bonds	19
New Israel government to approve 2020-2021 budget in 90 days	10	Uzbekistan	20
Fitch Affirms Israel at 'A+' With a Stable Outlook	11	Uzbekistan increases emergency borrowing plan to \$1.6 bln	20
Israel's economy likely to contract 5.4% in 2020	11	Uzbekistan says could receive over \$3 bln from financial institutions	20
Jordan	11	EUROPE	20
Moody's Says Credit View of Jordan Reflects Credit Challenges Posed by High Debt Levels, External Vulnerabilities, Rising Domestic Social Pressures	11	Andorra	20
Lebanon	11	S&P Says Andorra Outlook Revised to Stable from Positive as Covid-19 Causes Deficits to Spike	20
IMF urges Lebanon to enact crisis plan that rebuilds confidence	11	Armenia	20

Armenia economy likely to shrink 2% in 2020.....	20	Argentina	31
Bosnia	21	Argentina creditor group rejects \$41.5 bln debt revamp plan	31
IMF to consider negotiating new, multiyear funding deal with Bosnia.....	21	Argentina creditors refuse to tango on debt restructuring proposal	31
Bulgaria	21	Argentina issues dollar-denominated notes as biggest province readies its own debt offer.....	32
Bulgaria picks lead managers for global bond sale	21	Argentina, slipping towards default, faces \$500 million trip wire.....	33
Bulgaria secures 2 bln euro swap line from ECB	22	Argentina's Buenos Aires seeks three-year grace period, capital cut in debt revamp ...	34
Fitch Revises Bulgaria's Outlook to Stable; Affirms at 'BBB'	22	IMF says continuing "very productive" engagement with Argentina.....	34
Croatia	22	Bolivia	34
Croatia posts 2019 general budget surplus of 0.4% of GDP	22	S&P Says Bolivia Long-Term Ratings Lowered to 'B+' on Weaker External Position; Outlook Stable.....	34
Czech Republic	22	Brazil	35
Czech government approves adjusted 2020 budget, deficit at CZK 300 bln	22	Brazil central bank could cut rates by 100 bps at May meeting, says Barclays.....	35
Czech government loosens record deficit to fight coronavirus.....	23	Brazil posts \$868 mln current account surplus in March.....	35
Georgia	23	Brazil forecasts \$1.5 bln foreign direct investment in April.....	35
IMF sees 4% growth in Georgia in 2021, ready to help with funds	23	Colombia	35
Fitch Revises Georgia's Outlook to Negative; Affirms at 'BB'	24	Fitch Ratings: Colombia's New Deficit Target Highlights Scale of Coronavirus Shock.....	35
Hungary	24	Ecuador	36
Hungary to boost bond issuance as budget deficit grows	24	Ecuador gets reprieve after investors agree to bond consent	36
Moldova	24	Fitch Downgrades Ecuador to 'RD'	36
IMF approves \$235 mln in coronavirus emergency assistance to Moldova	24	Ecuador gets reprieve as investors agree to bond consent	37
Romania	25	El Salvador	37
Fitch revises Romania's outlook to negative from stable, affirms at 'BBB-'	25	S&P Says El Salvador 'B-/B' Ratings Affirmed.....	37
Russia	27	Guatemala	37
Russia to raise as much debt for budget as possible but not at every price	27	Guatemala draws robust demand on new social bond.....	37
Russia may need to borrow more than \$20 bln in additional funds	28	Mexico	38
Russian central bank ready to relax terms for banks to buy state debt	28	Mexico carries out domestic bond swap worth 9.5 bln pesos	38
Slovakia	29	Nicaragua	38
Slovak public debt to rise to around 60%/GDP due to coronavirus	29	S&P Says Nicaragua 'B-/B' Ratings Affirmed; Outlook Remains Stable	38
Slovak budget deficit seen over 5%/GDP in 2020.....	29	Paraguay	38
Domestic economy to fall by 9-10% in 2020	29	Fitch Says Paraguay Fiscal Rule Suspension May Herald Permanent Changes.....	38
Turkey	29	Paraguay becomes latest Latin American sovereign to raise dollars.....	39
Turkey has more fiscal space to fight coronavirus impact, says Fitch	29	Peru	39
Ukraine	30	International sovereign bond issues garner high demand	39
Fitch Revises Ukraine's Outlook to Stable Affirms at 'B'	30	AFRICA	40
LATIN AMERICA AND CARIBBEAN	30	IMF, World Bank urge action to cover \$44	
Latin American economies struggle with massive deficits from coronavirus shock...30			

bln gap in Africa's pandemic needs	40	South Africa says over \$4 bln available from IMF, World Bank to fight COVID-19 ..	43
West Africa	41	Tunisia	44
West African countries to issue \$1.4 billion in coronavirus bonds	41	European Commission proposes 600 mln euros pandemic aid to Tunisia	44
Cameroon	41	Zambia	44
Fitch Revises Cameroon's Outlook to Negative; Affirms at 'B'	41	Zambia to hold IMF talks as coronavirus worsens economic outlook	44
Congo Republic	41	Zambia's budget thrown into disarray due to coronavirus	45
Congo's economy to shrink 2.2% because of coronavirus	41	GLOBAL	45
Egypt	41	Fitch Ratings: Unparalleled Global Recession Underway	45
Egypt to cut fuel subsidies, increase net debt issuance in 2020/21 budget	41	UN agency calls for \$1 trillion developing world debt write-off	46
Egypt economy forecasts reduced as coronavirus hits	42	Saudi G20 presidency urges more donations to fund pandemic response	47
Ghana	42	EMERGING MARKETS	47
Moody's Changes Ghana's Outlook to Negative from Positive, Affirms B3 Rating	42	Debt relief for poor countries not as simple as it sounds	47
Fitch Affirms Ghana at 'B'	42	IMF sees \$50 billion in current demand for new short-term liquidity line	48
Nigeria	43	Developing world needs \$1 trillion debt write-off	49
IMF to consider Nigeria's \$3.4 bln request on April 28	43	Pandemic could fuel demand for 'diaspora bonds', says World Bank	49
South Africa	43		
South African union federation calls for \$53 bln stimulus plan	43		

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ASIA

GCC Gulf Cooperation Council

Gulf sovereigns raise expensive debt

22-Apr-2020

April 16 (PFI) - **Saudi Arabia raised US\$7bn through its triple-tranche sovereign bond offering last week – about US\$1bn more than it was initially targeting – but the main point of interest was the pricing rather than the size.**

After beginning with a premium of about 60bp – smaller than the starting concessions of Qatar and Abu Dhabi the previous week – Saudi squeezed pricing.

After what seemed an age between sending out IPTs and its guidance announcement, final levels showed that pricing on the US\$2.5bn 5.5-year tranche was revised by 55bp to 260bp over Treasuries, as it was on the US\$1.5bn 10.5-year note tranche, to plus 270bp, while the US\$3bn 40-year tranche was tightened by 60bp to 4.55%.

The last Saudi sovereign deal was in January, when it priced a US\$1.25bn February 2027 tranche at 85bp over Treasuries, a US\$1bn

February 2032 at 110bp and a US\$2.75bn January 2055 at a yield of 3.84%.

But after pricing, the 40-year tranche bore some pain. "They priced it way too tight in the long one," said a trader, who said a lack of pricing updates during the execution process had had a knock-on effect in the aftermarket.

"The size was sensible but they were probably guilty on the pricing," said a second trader. "On the other hand, Qatar was probably overly generous because they are 100bp tighter now." Citi, Goldman Sachs, HSBC, Bank of China, Mizuho, MUFG, SMBC and Samba Capital led the deal.

Abu Dhabi priced its US\$3bn 30-year sovereign bond issue at 410bp, or 45bp inside initial guidance. A US\$2bn 10-year tranche was priced at 240bp and a US\$2bn five-year at 220bp.

Bank of America, Citigroup, FAB, HSBC, JP Morgan and Standard Chartered led the deal.

The day before Qatar raised US\$10bn through a US\$5bn 30-year at 440bp, a US\$3bn 10-year at 305bp and a US\$2bn five-year at 300bp. The US\$5bn 30-year tranche will be listed in Luxembourg and Taipei, allowing it to benefit from demand from Taiwanese life insurers who favour longer tenors.

Barclays, Credit Agricole, JP Morgan, Deutsche Bank, QNB Capital, Standard Chartered and UBS led that deal.



Bahrain

Bahrain raised \$1 billion loan to repay bond last month

19-Apr-2020

By Davide Barbuscia and Aziz El Yaakoubi

DUBAI, April 19 (Reuters) - **Bahrain secured a loan of about \$1 billion to repay a bond that was due at the end of March, three sources familiar with the matter said, after the Gulf state suspended plans to issue international debt due to bad market conditions.**

The small Gulf oil producer, rated junk by all the three major credit rating agencies, obtained the loan last month from a group of local and international banks and used it to repay \$1.25 billion in bonds that matured on March 31, the sources said.

A spokesman for the ministry of finance did not immediately respond to a request for comment. Bahrain was bailed out with a \$10 billion financial aid package by some of its wealthier regional allies in 2018 as it was headed towards a credit crunch.

Sources told Reuters in March that the country was in talks with lenders for a loan after it suspended plans to issue international bonds amid market volatility caused by the new coronavirus pandemic and plunging oil prices.

On April 1, the ministry of finance and national economy announced it had repaid the \$1.25 billion bonds.

"The successful repayment demonstrates the strength and robustness of the Kingdom's Fiscal Balance Program," it said.

Bahrain has said it wants to deliver a balanced budget by 2022 as part of a programme of fiscal reforms linked to the \$10 billion financial aid package received in 2018 from Saudi Arabia, Kuwait and the United Arab Emirates.

The government could post a fiscal deficit of 15.7% of GDP this year from a 10.6% deficit in 2019, according to the International Monetary Fund, while the economy could contract by 3.6%. The IMF expects growth to bounce back to 3% in 2021.

(Reporting by Davide Barbuscia and Aziz El Yaakoubi;
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Bahrain to cut government agencies' spending by 30% amid coronavirus

20-Apr-2020

DUBAI, April 20 (Reuters) - **Bahrain will slash**

spending by ministries and government agencies by 30% to help the country weather the coronavirus outbreak, a cabinet statement said on Monday after meeting.

The Gulf island state's government will also reschedule some construction and consulting projects in order to keep spending within the 2020 budget and make room for other spending needs emerging as a result of the disease's spread.

The move comes as other states in the Gulf seek to cut spending as they face fiscal pressure from virus containment measures that have brought to a near halt vital economic sectors such as tourism and transport.

Plunging oil prices and an agreement on production cuts are also expected to weigh on regional budgets this year.

The Bahraini government has agreed to "reschedule a number of construction and consulting projects to make room for more emergency spending to help with the spread of the coronavirus within the ceiling of the 2020 national budget," the statement said on Monday.

The cabinet also issued some amendments to the labor code allowing it to rethink allowances and benefits of public sector employees, it added.

Oman has recently reduced its budgeted expenditure by over \$1 billion through cuts to development and operating budgets, while Saudi Arabia - the largest Arab economy - last month cut almost 5% of its 2020 budget and said it would reassess expenditure according to developments in oil markets and the pandemic.

Bahrain, rated junk by all the three major credit rating agencies, last month obtained a loan of around \$1 billion which it used to repay a maturing bond, sources told Reuters.

The government could post a fiscal deficit of 15.7% of GDP this year from a 10.6% deficit in 2019, according to the International Monetary Fund, while the economy could contract by 3.6%. The IMF expects growth to bounce back to 3% in 2021.

(Reporting by Aziz El Yaakoubi

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China

China to allocate another 1-trln-yuan local gov't bond quota

20-Apr-2020

BEIJING, April 20 (Xinhua) -- **The Chinese government has mulled allocating an additional quota of 1 trillion yuan (about 141.52 billion U.S. dollars) in advance for the issuance of local government special bonds, said the Ministry of Finance (MOF).**

The ministry will work to conclude the bond issuance by the end of May in a bid to shore up the economy, MOF official Wang Keping told a press conference on Monday.

The value of new local government bonds issued nationwide had totaled 1.57 trillion yuan as of April 15, accounting for 85 percent of the quota allocated ahead of schedule, Wang said.

As of April 15, a total of 1.16 trillion yuan of new special bonds had been issued by local governments, mainly for new and under-construction projects, according to Wang.

Infrastructure construction has gathered pace across China as the government ramped up funding to spur investment in the sector, earlier industrial data showed.

Enditem

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Hong Kong

Fitch Downgrades Hong Kong to 'AA-' from 'AA'; Outlook Stable

20-Apr-2020

Fitch Ratings-Hong Kong-April 20:

Fitch Ratings has downgraded Hong Kong's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'AA-' from 'AA'. The Outlook is Stable.

KEY RATING DRIVERS

The downgrade of Hong Kong's IDRs reflects the following key rating drivers:

After prolonged social unrest in 2019, Hong Kong's economy is facing a second major shock from the emergence of the COVID-19 pandemic in January. Government and society-wide social distancing efforts to contain the virus's spread have led to a contraction in economic activity and rise in unemployment, prompting policymakers to announce the most expansionary budget in the territory's history. These challenges have compounded negative rating trends already in place from the reputational damage that anti-government protests were inflicting on international perceptions of Hong Kong's business environment and political stability.

Fitch forecasts real GDP will fall by 5% in 2020, following a 1.2% decline in 2019. High frequency data spanning retail sales, visitor arrivals, airport traffic, and international trade have contracted sharply in early 2020, following declines in 2019, and are likely to remain weak through the first half of the year. Efforts to contain the spread of the virus locally appear to be gaining traction, but risks to our forecast remain to the downside and dependent on the evolution of the pandemic globally, given Hong Kong's status as a small, open economy, with significant international trade and financial linkages. Fitch's baseline assumes growth recovering to 3.5% in 2021, alongside an

expected rebound in global activity.

In April 2020, Hong Kong's Chief Executive announced a further round of economic relief measures totalling HKD137.5 billion (4.8% of GDP) to alleviate the pandemic's impact on employees, enterprises, and the public. This follows HKD120 billion (4.2% of GDP) in relief measures presented during the Financial Secretary's budget speech for the fiscal year 2020-21 that started on 1 April 2020 (FY20) delivered in late-February. **Fitch forecasts the FY20 budget deficit will rise to 11% of GDP, more than double the prior post-handover record of 4.8% in FY01, and up from an estimated deficit of 1.5% in FY19.** As a result, fiscal reserves will fall to 30% of GDP by end-FY20, from 40% at end-FY19, and are likely to decline further over the medium term in the absence of off-setting tax measures.

The anti-government protests, which grew increasingly violent in late 2019, appear to have temporarily receded amid the health crisis. At the same time, Hong Kong's deep-rooted socio-political cleavages remain unresolved, in Fitch's view. This injects lingering uncertainty into the business environment, and entrenches the risk of renewed bouts of public discontent, which could further tarnish international perceptions of the territory's governance, institutions, and political stability.

The downgrade also reflects Fitch's view that Hong Kong's gradual integration into China's (A+/Stable) national governance system and associated rise in economic, financial, and socio-political linkages with the mainland justify a closer alignment of their respective sovereign ratings. These established trends are exemplified by the central authorities taking a more vocal role in Hong Kong affairs than at any time since the 1997 handover.

Hong Kong's 'AA-' IDRs also reflect the following key rating drivers:

The territory's ratings remain underpinned by a strong record of public finance management, robust external buffers, high income levels, and a resilient and flexible economy.

Public finances will remain a rating strength, despite the large budget deficit this year. Fitch's estimate for general government debt of 41% of GDP largely reflects outstanding liabilities used to manage the currency board, which are not fiscal in nature. Excluding these obligations, Hong Kong's government debt burden of about 3% of GDP compares favourably with the historical medians of 40% and 42% for 'AA' and 'A' rated peers, respectively. In addition, years of accumulated budget savings means the current mix of expansionary fiscal policies will be largely funded by fiscal reserves, rather than government debt issuance. Fitch projects the budget deficit will narrow to 2% of GDP in FY21, as one-off relief measures are unwound.

External finances are robust, despite a sobering hit to international trade volumes since early 2019, which will be exacerbated by the massive retrenchment in global activity currently underway. At the same time, Fitch believes



these challenges are unlikely to jeopardise Hong Kong's external balance-sheet strengths. The territory is the second-largest net external creditor among Fitch-rated sovereigns (about 276% of GDP), and will likely remain so given our forecast for the current account to remain in modest surplus this year.

The Hong Kong dollar has strengthened to a level approaching the strong-side of the convertibility band of HKD 7.75 per 1 USD since the onset of the health crisis. This reflects financial market participants' continued confidence in the Linked Exchange Rate System, which benefits from clear intervention guidelines, and is supported by USD438 billion in official reserve assets as of end-March 2020. At roughly 2x the monetary base, Fitch believes foreign reserves are more than sufficient to ensure the continued viability of the currency peg.

Fitch expects most Hong Kong banks' risk mitigation and buffers will be broadly maintained, despite near-term challenges from the pandemic. However, a prolonged outbreak that erodes bank capital buffers and/or liquidity could pressure Hong Kong's operating environment. Property prices have declined by about 7% since the onset of social unrest in mid-2019, and are likely to fall further, but Fitch believes potential spill-overs to the banking system would be cushioned by low loan-to-value ratios on new mortgages of about 55% and relatively low exposure to unsecured consumer lending.

ESG - Governance: Hong Kong has an ESG Relevance Score (RS) of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. These scores reflect the high weight that the World Bank Governance Indicators (WBI) have in our proprietary Sovereign Rating Model. Hong Kong has a medium to high WBI ranking at the 87th percentile ('AA' median: 85th), in part reflecting a track record of peaceful political transitions, a moderate level of rights for participation in the political process, relatively strong institutional capacity and an established rule of law. However, recurring bouts of social unrest have inflicted long-lasting damage to international perceptions of Hong Kong's governance system and tested its political stability.

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

Fitch's proprietary SRM assigns Hong Kong a score equivalent to a rating of 'AA' on the Long-Term Foreign-Currency (LT FC) IDR scale.

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

- **Public Finance:** +1 notch, to reflect that reported government debt mainly constitutes notes issued by the monetary authority to manage the currency board, and is not fiscal in

nature. The territory's fiscal reserve also adds an additional buffer to the credit profile.

- **Structural Features:** -2 notches, to reflect Hong Kong's gradual integration into China's national governance system, and associated rise in economic, financial, and socio-political linkages with lower-rated mainland China (A+/Stable)

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

- An improvement in mainland China's sovereign credit profile.
- Structural reforms that lead to enhanced growth potential and an increase in fiscal buffers.

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

- Deterioration in mainland China's sovereign credit profile.
- Further bouts of social instability sufficient to undermine Hong Kong's role as a leading international financial centre or the soundness of the business environment.

Best/Worst Case Rating Scenario

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

KEY ASSUMPTIONS

- The global economy performs broadly in line with Fitch's latest Global Economic Outlook.
- Hong Kong maintains the Linked Exchange Rate System with the US dollar, and its prescribed autonomy under the Basic Law and 'one country, two systems' framework.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

ESG Considerations

Hong Kong has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight

in Fitch's SRM and are highly relevant to the rating and a key rating driver with a high weight.

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

Hong Kong has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as strong social stability and voice and accountability are reflected in the World Bank Governance Indicators that have the highest weight in the SRM. They are relevant to the rating and a rating driver.

Hong Kong has an ESG Relevance Score of 4 for International Relations and Trade, as Hong Kong's relations with China and its deep economic, financial, and socio-political linkages with the mainland expose it to potential shocks. This is relevant to the rating and a rating driver.

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

Hong Kong has an ESG Relevance Score of 3 for Human Development, Health and Education as managing the impact of the Covid-19 crisis is having an adverse impact on the economy and public finances, which is relevant to the rating in combination with other factors.

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

Senior unsecured; Long Term Rating; Downgrade; AA-

Hong Kong; Long Term Issuer Default Rating; Downgrade; AA-; RO:Sta

Short Term Issuer Default Rating; Affirmed; F1+ Local Currency Long Term Issuer Default Rating; Downgrade; AA-; RO:Sta

Local Currency Short Term Issuer Default Rating; Affirmed; F1+

Country Ceiling; Affirmed; AAA

Senior unsecured; Long Term Rating; Downgrade; AA-

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Additional information is available on www.fitchratings.com

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India

First sovereign gold bond of FY21 opens on Monday; should you buy?

18-Apr-2020

NEW DELHI: The series-I of the Sovereign Gold Bond (SGB) scheme for 2020-21 will open for subscription on Monday. Prospective bidders can bid for a minimum of 1 gm of gold at Rs 4, 639 per gm. Investors who bid online will get a Rs 50 discount on that price.

The issue closes on Friday, April 24. The certificate of bond(s) will be issued on April 28. You can subscribe to the issue through your bank.

Besides, these bonds will also be sold through Stock Holding Corporation of India Limited (SHCIL), designated post offices, NSE and BSE, either directly or through agents. "SGBs are to be treated more as an asset diversification strategy rather than to earn superior returns. Investors can also consider doing an SIP in every tranche of SGBs, especially those who are either underinvested in gold or have regular fresh monies for allocation among various asset classes or need to accumulate gold for weddings or other auspicious occasions," said HDFC Securities.

Investors would get a 2.50 per cent interest on the amount of initial investment, which will take effect from the date of its issue and will be payable every six months. Besides, they can also avail capital gains at the time of redemption, in case the gold price at the time of redemption is higher, said analysts.

SGBs are government securities denominated in grams of gold. They are substitutes for physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.

The bonds are issued by RBI on behalf of the government. The bond will have a tenure of eight years with exit options in fifth, sixth and seventh year, to be exercised on the interest payment dates. Besides, they will be tradable on stock exchanges within a fortnight of the issuance.

Among the benefits of subscribing to SGB are attractive interest with asset appreciation opportunity, redemption being linked to gold price, elimination of risk and cost of storage, exemption from capital gains tax if held till maturity and a hassle-free holding as it eliminates the storage cost of physical gold, said HDFC Securities.

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Sovereign gold bonds trading at a discount on exchange

21-Apr-2020

New Delhi, April 21 -- **The first tranche of sovereign gold bond issue of FY21 opened for subscription on Monday and was priced at Rs.4.639 per unit. The previous issues are trading at a discount to the current issue as well as to the price of physical gold.**

The current issue price of gold bond is calculated based on the average price of the last three business days of the week preceding the issue week. Also, there is a discount of Rs.50 per unit for those buying online.

Every issue of gold bonds has to be listed on exchange within fortnight of the issuance on a date as notified by the Reserve Bank of India.

There are 37 previous issues of gold bonds which are trading on the exchange. As per the trading price of these bonds on 21 April on National Stock Exchange (NSE), all of these are at a discount to the current issue price and to physical gold. The discount is in the range of 1% to 6% depending on the maturity period of the bond.

This basically means that you can buy earlier issues of gold bonds at a price lower than the current price of physical gold or the current issue of gold bonds, from the exchange. However, if you are planning to buy these bonds from the secondary market, you need to understand why these bonds trade at a price lower than the current market price of gold.

"The difference between the trading price of gold bond and the price of physical gold is the cost of providing liquidity to the seller which the seller of the bonds has to pay to offload his or her bond holdings," said, Chintan Kotak, director, IIFL Securities. The buyer of gold bonds on exchange knows that if someone is coming to an exchange to sell his gold bond holdings, he or she must be in need of money and therefore, won't mind selling them on a discount to the market price," Kotak explained further.

"Therefore, the buyer benefits by getting gold bonds at a lower rate than the market price of gold and the seller gets liquidity. The nearer the bond to its maturity lower will be the discount and vice versa," he added. Gold bonds have a maturity of eight years.

If you plan to buy these bonds from the secondary market, you should go for it only if you hold them till maturity as its liquidity is not very high.

On the other hand, if you want to sell them on the exchange, you may have to settle for a price lower than the prevailing market price of gold at that time.

Also, holding gold bonds till maturity is tax efficient as there is no capital gains tax in case you redeem them on maturity.

"For those who are planning to invest in gold, gold bonds is a good option as the investor earns additional 2.5% apart from the capital

appreciation. However, despite this the product has not been very popular due to the lack of awareness," said Sunilkumar Katke, head, commodities and currency at Axis Securities Limited. Published by HT Digital Content Services with permission from MINT. For any query with respect to this article or any other content requirement, please contact Editor at contentservices@htlive.com

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India Bonds Seen Little Changed As Fiscal Stimulus Package Eyed

23-Apr-2020

By Siddhi Nayak
NewsRise

MUMBAI (Apr 23) -- **Indian government bonds may open little changed, as investors still await the likely announcement of a fiscal stimulus package to mitigate the coronavirus pandemic impact.**

The yield on the benchmark 6.45% bond maturing in 2029 is likely to trade in a range of 6.20%-6.25% today, a trader with a state-run bank said. The note ended at 101.59 rupees, yielding 6.22%, yesterday. The Indian rupee was at 76.67 to the dollar at 2:00 p.m. yesterday.

"Once the package is announced, there should be some more clarity on the additional borrowing and the extent of fiscal slippage," the trader said. "Speculations over the Reserve Bank of India's presence in the secondary market should keep sentiment supported."

Investors expect more fiscal stimulus measures by the federal government as the coronavirus outbreak that forced a nationwide lockdown has brought economic activities to a grinding halt and hampered the country's growth outlook. New Delhi will announce a package as and when it is designed, Information and Broadcasting Minister Prakash Javadekar said yesterday.

The government is working with stakeholders to announce in coming days more economic stimulus measures, Finance Minister Nirmala Sitharaman had said last week.

The announcement is likely to put some pressure on the government's finances and may lead to additional borrowing from the debt market, traders said. However, concerns regarding absorption of additional supply have eased on speculations that the central bank has been purchasing Treasury Bills and government securities from bank-primary dealers in the previously held auctions.

Traders are also expecting the Reserve Bank of India to buy the benchmark note from primary dealers at the auction tomorrow. New Delhi will raise 210 billion rupees via a weekly auction tomorrow, which includes 90 billion rupees of the benchmark note.

The RBI should consider monetising the federal

government's fiscal deficit only as a "last resort" and may instead offer regulatory forbearance to banks to aid higher market borrowing, Sajjid Chinoy, a part-time member of the Prime Minister's Economic Advisory Council said yesterday.

India is under a 40-day lockdown until May 3 to curb the spread of the coronavirus that has infected 20,471 people in India so far, and claimed 652 lives.

India is likely to open up a significant part of the country and restore economic activities after the lockdown ends, Sanjeev Sanyal, the finance ministry's principal economic adviser said yesterday.

Crude oil prices rebounded after plunging to multi-year lows yesterday. India imports over 80% of its crude oil requirements.

KEY FACTORS:

*Benchmark Brent crude oil contract trading 2.5% higher at \$20.87 per barrel, adding to yesterday's 5.4% rise.

*Ten-year US yield at 0.6080%.

*Foreign investors sold net \$20.55 million worth of Indian bonds on Apr. 22. Month-to-date these investors are sellers of net \$778.66 million of Indian debt.

*Finance Commission's Economic Advisory Council begins two-day meeting to discuss COVID-19 impact on GDP growth and public spending.

*RBI to conduct targeted long-term repo operation worth 250 billion rupees.

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India central bank special operation leaves traders wary, but bonds rally

23-Apr-2020

By Swati Bhat

MUMBAI, April 23 (Reuters) - **India's central bank said on Thursday it will buy and sell bonds in a special operation this month, leaving traders wondering if it is attempting to partially monetise government debt - but giving the benchmark bond its biggest one-day rally in nearly six months.**

The Reserve Bank of India said it will simultaneously buy and sell 100 billion rupees each of government securities in auctions on April 27 as part of its Open Market Operations, buying back longer-tenor bonds and selling short-term cash management treasury bills.

While the RBI earlier this year conducted similar "twist operations", Thursday's announcement raised eyebrows as the RBI will now be selling T-bills it sold in an auction a day earlier, in what traders say is a clear indication the RBI itself bought a large chunk of that offering.

"The RBI seems to have used this two-step process instead of a direct private placement of part of the government's borrowing programme with itself," said Suyash Choudhary, head of fixed income at IDFC AMC.

With government revenues slumping amid the coronavirus crisis and New Delhi outlining a huge stimulus programme to help the poor amid a 40-day nationwide lockdown, some economists and bankers have speculated that the government would have to turn to the RBI to monetize a portion of its deficit.

Sources also told Reuters in March that the government had asked the RBI to buy some of the government securities being issued, which the Indian central bank has not done in decades, due to fears of inflation spiking.

The RBI and Finance Ministry have remained silent on the issue, leading to doubts in the markets about the government's borrowing programme in recent weeks and leading yields to spike on concern the market may have to mop up much larger than anticipated borrowings.

The benchmark 10-year bond yield rose to 6.51% earlier in the month despite a big interest rate cut on March 27.

On Thursday, yields dropped as much as 21 bps to 6.01% after the OMO announcement, as traders interpreted the move as indirectly signalling the RBI's intention to monetize part of the government's deficit.

While the OMO announcement was a big positive for markets, traders said they wanted the RBI to be more transparent.

"There's no way they can have these papers on their books if they didn't bid at yesterday's auction," said a senior trader at a private bank. "Why do this in such a roundabout way? Why not do a simple open market operation?"

While the RBI did not comment, its governor said in a recent video address that the central bank would continue to use conventional and unconventional tools when necessary to tackle the crisis.

Separately, a source said the central bank has in the past bought treasury bills at primary auctions and will continue to do so as long as it feels there is a need to use it to manage their operations.

(Reporting by Swati Bhat; Editing by Euan Rocha and Hugh Lawson)

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Indonesia

Indonesia central bank makes first direct government bond buys

22-Apr-2020



- **Foreign owners down to 32% of total rupiah bonds**

- **Central bank bought nearly 170 trillion rupiah in secondary market**

By Gayatri Suroyo and Tabita Diela

JAKARTA, April 22 (Reuters) - **Indonesia's central bank made its first direct purchases of sovereign debt in primary auctions this week as foreign investors fled as officials said it had bought 4.65 trillion rupiah (\$302 million) of government bonds.**

The purchases follow a relaxing of rules to help keep yields steady and finance Indonesia's ballooning fiscal deficit as it ramps up government spending to tackle the coronavirus crisis.

Bank Indonesia bought 1.72 trillion rupiah in a regular government Islamic bond auction on Tuesday and 2.93 trillion rupiah on Wednesday in a "greenshoe option", Governor Perry Warjiyo and head of monetary operations Nanang Hendarsah said.

The government raised 4.02 trillion rupiah in the additional auction - with all buyers non-competitive bidders, on top of the 9.98 trillion rupiah it made in Tuesday's auction, according to the finance ministry.

Indonesia's budget deficit is expected to swell to 852.9 trillion rupiah, or 5.07% of GDP, this year, the biggest proportion in more than a decade and compared with an original target of 1.76% of GDP.

And the deficit may widen slightly, by another 12.2 trillion rupiah, if oil prices remain low and Indonesian crude averages \$30.90 a barrel in 2020, the finance ministry warned.

Minas crude is trading at around \$14.64.

The rupiah sovereign bond market has seen some \$9 billion of net capital outflows this year, cutting the proportion of non-resident ownership to 32% from 39% at end-2019, the ministry's data showed.

Warjiyo said Bank Indonesia had bought close to 170 trillion rupiah of bonds in the secondary market, raising its total ownership to about 430 trillion rupiah.

Before rules on the primary market were relaxed, BI was only allowed to buy treasury bills with less than 12 months maturity.

The governor said BI would only make purchases in the primary market as a last resort, limiting its debt buying to 25%-30% per auction, to maintain prudent management and limit the inflationary impact.

"We expect the market to be able to absorb most of what is being sold at regular auctions," Warjiyo told a news briefing, adding that BI has ordered commercial banks to increase their required reserves in the form of government bonds from May, which would support demand during regular auctions.

Warjiyo told a call with investors he aimed to reduce BI's bond holdings next year when overseas risk appetite returned, after ensuring the government had raised enough funding.

(\$1 = 15,400.0000 rupiah)

(Reporting by Gayatri Suroyo and Tabita Diela; Editing

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Israel

New Israel government to approve 2020-2021 budget in 90 days

21-Apr-2020

By Steven Scheer

TEL AVIV, April 21 (Reuters) - **Israel's newly formed government plans to approve a dual-year budget for 2020 and 2021 within 90 days of its inauguration and will include special funding to cope with the coronavirus outbreak, according to the coalition agreement.**

Israeli Prime Minister Benjamin Netanyahu and his centrist rival Benny Gantz signed a deal on Monday to form a national emergency government, ending a year of unprecedented political deadlock.

Under the agreement, the budget will be updated at the beginning of 2021, at which time a 2022 budget will be approved. A budget for 2023 is slated to be approved by the end of 2022.

One of the major challenges for the new coalition will be to help the economy recover from the COVID-19 crisis, which has seen growth hit hard by a government lockdown aimed at curbing the spread of the novel coronavirus.

Increasingly stringent restrictions have largely confined Israelis to their homes, forcing businesses to close and causing unemployment to soar.

The more-than-one-year political stalemate had made it difficult to take proper fiscal steps, since caretaker governments are limited in power.

In the absence of a 2020 state budget, a pro-rated version of the 2019 budget is being used. Israel had a budget deficit in March of 4% of GDP over the past 12 months.

The government has already said it will spend 80 billion shekels (\$22.5 billion) to help the economy, particularly those who lost their jobs, weather the coronavirus crisis.

The coalition deal said the budget would address unemployment, removing unnecessary barriers, financial support for businesses and the self-employed, and other actions to "deal with the difficult recession facing Israel's economy".

The Bank of Israel, which this month cut short-term interest rates for the first time in five years, forecasts an economic contraction of 5.3% in 2020, bouncing back with growth of close to 9% next year as long as the economy soon returns to normal.

(\$1 = 3.5549 shekels)

(Reporting by Steven Scheer; Editing by Catherine



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Fitch Affirms Israel at 'A+' With a Stable Outlook

23-Apr-2020

April 23 (Reuters) – Fitch

- **Fitch affirms Israel at 'A+'; outlook stable**

- Fitch says affirmed Israel's long-term foreign-currency issuer default rating at 'A+' with a stable outlook

- **Fitch says Israel's public finances will further weaken relative to 'a' category sovereign**

- **Fitch says expect repercussions of covid-19 pandemic & domestic containment measures to cause Israel's real GDP to contract by 5.6% in 2020**

- Fitch says lost income, increased leverage will likely weigh on Israel's domestic demand, even as domestic containment measures are lifted

- Fitch says project a rebound for Israel in 2021

- Fitch says expect Israel's deficit to remain large in 2021 at over 4.5% of GDP due to partial revenue recovery

- Fitch says projection for Israel in 2021 assumes a progressive normalisation of health crisis in Israel and globally

- Fitch says expect Israel to return to a robust growth trajectory after 2021

- Fitch says ratings constrained by political, security risks, but Israel's credit profile has shown resilience to periodic conflicts, political shocks

- Fitch says at present, regional tensions appear muted due to health crisis but will likely re-emerge in Israel once coronavirus outbreak recedes

- Fitch says there are periodic flare-ups in Gaza strip, although they are unlikely to present a material security risk to Israel

- Fitch says there has been no tangible progress towards peace between Israel & Palestinians and Fitch assumes no breakthrough in agreeing a peace deal

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Israel's economy likely to contract 5.4% in 2020

23-Apr-2020

JERUSALEM, April 23 (Reuters) - **Israel's economy is expected to contract 5.4% in 2020 due to the impact of the coronavirus crisis, leading to a large budget deficit and a rise in**

the national debt burden, the Finance Ministry said on Thursday.

The ministry said its estimate, which is in line with the central bank's forecast, is based on a relatively quick economic recovery starting in the second half of the year, but the contraction could be worse if recovery is delayed.

The budget deficit is forecast to pass 11% of gross domestic product (GDP) this year, much higher than the original 2.5% target, and the debt-to-GDP ratio, after years of declining, is expected to jump to about 76% from 59.5% in 2019.

Israel has approved an 80 billion shekel (\$27 billion) stimulus plan it hopes will jumpstart the economy and lead to a surge in growth in 2021.

Fitch Ratings on Thursday affirmed Israel's long-term foreign currency issue default rating at "A+" with a Stable Outlook.

(\$1 = 3.5299 shekels)

(Reporting by Ari Rabinovitch

Editing by Steven Scheer)

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Jordan

Moody's Says Credit View of Jordan Reflects Credit Challenges Posed by High Debt Levels, External Vulnerabilities, Rising Domestic Social Pressures

24-Apr-2020

April 24 (Reuters) - Moody's:

- **Moody's says credit view of Jordan reflects credit challenges posed by high debt levels, external vulnerabilities, rising domestic social pressures**

- Moody's says spread of coronavirus pandemic will weaken Jordan's near-term growth prospects and its external position

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Lebanon

IMF urges Lebanon to enact crisis plan that rebuilds confidence

22-Apr-2020

BEIRUT, April 22 (Reuters) - **Lebanon's government needs to enact a rescue plan that rebuilds confidence in the economy and tackles root causes behind the country's financial crisis, a senior International Monetary Fund official said in comments published on Wednesday.**

"The priority for the IMF is the need for the



government to approve a rescue plan that rebuilds confidence in the Lebanese economy and helps improve the situation for citizens," an-Nahar newspaper quoted Jihad Azour, director of the Fund's Middle East and Central Asia Department, as saying.

"And more important is the need for it to address the structural deficiencies that got the country to where it is at the economic and financial level."

A financial and economic crisis without precedent has battered Lebanon for months, halving the value of its currency, hiking prices and fuelling unrest.

A draft government rescue plan floated this month, which is still under debate, said that Lebanon would need \$10 billion to \$15 billion in foreign aid and that IMF funding could play a role.

Lebanon has sought IMF technical help but not a funding programme conditional on reforms. The heavily indebted state, which defaulted on its foreign currency debt last month, has yet to decide whether it will go to the IMF, though some analysts now see this as the only way it can get aid.

Finance Minister Ghazi Wani has told Reuters that the government's plan would meet IMF recommendations.

The Fund said last week it expected Lebanon's GDP would shrink 12% in 2020. A coronavirus outbreak has also compounded woes in the country which sank deep into crisis last year after capital inflows slowed and protests erupted against the ruling elite.

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Macao

Fitch Affirms Macao's 'AA' Ratings, Maintains Negative Outlook

20-Apr-2020

Fitch Ratings-Hong Kong-April 20:

Fitch Ratings has affirmed Macao's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA' and maintained the Negative Outlook.

KEY RATING DRIVERS

Macao's concentration on gaming tourism exposes its economy to substantial disruptions from lockdown measures imposed to contain the coronavirus pandemic. As a result, Fitch expects Macao to experience a much deeper economic contraction in 2020 than other 'AA' rated peers whose economies are less dependent on tourism. This is despite a limited number of locally confirmed cases and a significant counter-cyclical policy response. We think issues over Macao's gradual economic, financial, and socio-political integration with mainland China (A+/Stable) under various policy initiatives remain a relevant rating

consideration.

Fitch projects Macao's economy will shrink for a second year by 24% in 2020, based on our assumption for a drop in gross gaming revenue of roughly 40%, after a 4.7% contraction in 2019. Macao's overwhelming dependence on gaming tourism constitutes one of its principal rating constraints. Macao is one of the world's biggest gaming tourism hubs and Fitch estimates the gaming industry represents 51% of aggregate activity, 22% of employment, and more than 80% of fiscal revenue.

The authorities have enacted stringent measures to contain the local spread of the coronavirus, including a 15-day suspension of gaming operations in February, tighter restrictions on visitors from greater China, and a temporary entry ban on non-residents from the rest of the world. These measures have inevitably inflicted a devastating impact on the gaming industry. Gaming revenue fell by over 80% yoy in February and March, driven by a plunge in tourist arrivals from mainland China, its single largest inbound tourism market.

Our baseline assumes the pandemic will be contained by 2H20, and GDP growth will recover to 12.6% in 2021. Nevertheless, risks to our forecast remain, dependent on the evolution of the pandemic globally. Consumer confidence in travel safety will take time to be fully restored even after travel restrictions are lifted.

The ratings were affirmed as they remain underpinned by exceptionally strong public and external finances, and a demonstrated commitment to fiscal prudence throughout economic downturns.

Public finances remain robust, despite ongoing economic disruptions. The authorities recently unveiled a package of economic relief measures amounting to about MOP52.6 billion, or 15.6% of projected 2020 GDP, to cushion the economic impact of the pandemic.

Based on Fitch's estimates, this will result in the territory reporting its first budget deficit since the 1999 handover, at about 7% of GDP this year. We forecast the budget will revert to a surplus in 2021 in light of Macao's consistent record of fiscal prudence, and a Basic Law requirement that the territory maintain balanced budgets and avoid deficits.

Fitch expects fiscal buffers to remain considerable in the medium term. Macao remains the only Fitch-rated sovereign without any government debt, whereas general government debt for the 'AA' median stood at 40% of GDP in 2019. Macao's fiscal reserves were approximately 133% of GDP at end-2019, equivalent to 5.2x the revised 2020 budgetary expenditure.

The agency projects the territory's external finances will remain equally robust. Macao is a large net external creditor at 233% of GDP and holds considerable sovereign net foreign assets of 200% of GDP, both well above the 'AA' median. We forecast the current account will remain in strong surplus, at around 28% of GDP in 2019-2021, a metric high by any comparison.



Macao has actively participated in the Greater Bay Area (GBA) initiative, a national strategy to enhance regional growth by more closely integrating the city clusters of the Pan-Pearl River Delta region. Macao has built closer ties with Guangdong province since the launch of the GBA master plan in early 2019 through deeper cross-border cooperation in technology innovation, financial service, medicine science, healthcare and education in the Hengqin New Area.

Macao could benefit from a moderate economic diversification from the gaming industry and a shift towards a more stable growth model over time. At the same time, Macao remains susceptible to potential changes in China's broader policy environment. These include policy changes that impact the ability of mainland tourists to travel to Macao, a risk that has recently materialised as a result of the pandemic. Alternatively, an end to the territory's de-jure gaming monopoly across greater China also would be detrimental to Macao's sovereign credit profile, although this falls well outside of Fitch's expectations.

Fitch holds a negative sector outlook on Macao's banking system, which reflects our expectation that the global pandemic will result in pressure on banks' asset quality and profitability. The mainland China exposure (MCE) of Macao banks remains the single biggest financial-sector risk. The agency estimates Macao's MCE rose to 41% of system assets by end-1H19, the highest in the Asia-Pacific region, and double its size at end-2015. A low impaired-loan ratio of less than 0.2% with about 50% of exposures backed by parental guarantees or guarantees from other mainland banks help mitigate the potential challenges.

ESG - Governance: Macao has an ESG Relevance Score of '5' for both Political Stability and Rights and the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, in line with all sovereigns. These scores reflect the high weight that the World Bank Governance Indicators have in our proprietary Sovereign Rating Model. Macao has a medium-to-high ranking at the 79th percentile ('AA' median: 85th) of the World Bank Governance Indicators, reflecting a record of peaceful political transitions, a moderate level of rights for participation in the political process, relatively strong institutional capacity and an established rule of law.

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

Fitch's proprietary SRM assigns Macao a score equivalent to a rating of 'AA' on the Long-Term Foreign-Currency (LT FC) IDR scale.

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

- Public finances: +1 notch, to reflect zero public debt and large fiscal reserves.
- Structural features: -1 notch, to reflect a gradual rise in economic, financial, and socio-

political linkages with lower-rated mainland China.

- Macroeconomic performance, policies and prospects: it was judged that the prior one-notch adjustment for Macao's narrow economic base and high dependency on Chinese gaming tourism was no longer necessary given it is now directly captured by the SRM model output.

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

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A sustained decline in gaming revenue if this leads to an erosion of the sovereign balance sheet.
- A deterioration in mainland China's sovereign credit profile.
- Erosion in the prescribed autonomy of the Macao Special Administrative Region government.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- A robust recovery of the economy and gaming sector, resulting in stronger public finances.
- An improvement in mainland China's sovereign credit profile.

Best/Worst Case Rating Scenario

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

KEY ASSUMPTIONS

- Global economic trends and commodity prices are expected to develop as outlined in Fitch's Global Economic Outlook, published 2 April 2020.
- The global tourism industry experiences a gradual recovery extending into 2021 after the initial, sharp shock from the COVID-19 pandemic this year.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

ESG Considerations

Macao has an ESG Relevance Score of '5' for

Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and are highly relevant to the rating and a key rating driver with a high weight.

Macao 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 Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight.

Macao has an ESG Relevance Score of '4' for Human Rights and Political Freedoms as strong social stability and voice and accountability are reflected in the World Bank Governance Indicators that have the highest weight in the SRM. They are relevant to the rating and a rating driver.

Macao has an ESG Relevance Score of '4' for International Relations and Trade, as the economy's high reliance on Chinese tourism and susceptibility to shifts in China's policies regarding the gaming sector are relevant to the rating and a rating driver.

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

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

Macao; Long Term Issuer Default Rating; Affirmed; AA; RO:Neg
Short Term Issuer Default Rating; Affirmed; F1+
Local Currency Long Term Issuer Default Rating; Affirmed; AA; RO:Neg
Local Currency Short Term Issuer Default Rating; Affirmed; F1+
Country Ceiling; Affirmed; AAA

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Additional information is available on www.fitchratings.com

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Qatar

Qatar's emir says to make economy less vulnerable to oil prices volatility

23-Apr-2020

CAIRO, April 23 (Reuters) - **Qatar's emir said on Thursday he directed the government to carry out structural reforms to reduce the economy's vulnerability to oil prices volatility,**

Al Jazeera television channel reported.

"Our economy should not be held hostage by fluctuations in oil prices and I directed to carry out structural reforms to liberate our economy," Emir Sheikh Tamim bin Hamad al-Thani was quoted as saying.

He added that the government was discussing with specialized committees the right time to reopen different sectors of the economy when the coronavirus outbreak is brought under control.

(Reporting by Ahmed Tolba and Hesham Abdul Khalek; writing by Aziz El Yaakoubi; Editing by Sandra Maler)

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Saudi Arabia

Saudi banks get small part of \$7 bln bond sale amid liquidity concerns

19-Apr-2020

By Davide Barbuscia and Marwa Rashad DUBAI/RIYADH, April 19 (Reuters) - **The Saudi government sold to local banks only a small part of \$7 billion bonds issued last week, three sources told Reuters, amid fears of a liquidity squeeze caused by lower oil prices.**

The three-part bond issuance came after Riyadh last month raised its debt ceiling to 50% of GDP from a previous 30% to finance a widening deficit caused by lower oil prices and the economic downturn caused by the coronavirus outbreak.

A Saudi banker said his and at least two other local banks were not allocated any paper despite placing sizeable orders, adding it was probably due to government's plans to maintain ample liquidity among banks which, he said, "are overextended".

He said that could also suggest the government plans to issue local currency denominated bonds soon.

A source close to Ministry of Finance said: **"Saudi banks were allocated in this transaction on the lower end of the scale. Allocation was difficult due to the very large high quality book."**

The kingdom, acting through the ministry of finance, on Wednesday sold \$2.5 billion in 5-1/2-year bonds, \$1.5 billion in 10-1/2-year bonds and \$3 billion in 40-year bonds.

"The decision was taken to maintain liquidity," said a second Saudi banker who asked not to be identified as the matter is not public.

Saudi Arabia received around \$54 billion in combined orders for the bonds, a sign of strong investor appetite, but its borrowing costs have increased after a sell-off of Gulf bonds last month caused by lower crude prices and the coronavirus outbreak.

In March, the Saudi central bank said it had prepared a 50 billion riyal (\$13.32 billion) package to help banks and small and medium-sized enterprises cope with the economic impact of the pandemic.

Still, some banks in the region have been limiting their lending to minimise potential losses from the crisis and an expected squeeze in dollar availability.

The three-month Saudi interbank offered rate has risen 40% since mid March, Refinitiv data showed, in a sign of tighter liquidity.

Goldman Sachs said in a recent research note Saudi banks' loan growth is expected to be around 2% in 2020, compared with 8% in 2019, driven by a slowdown in corporate activity and project delays.

The Saudi bond sale followed a deal on April 12 among oil producing countries to cut output, a move which should support prices per barrel but may reduce Riyadh's revenue this year.

Finance Minister Mohammed al-Jadaan said last month that the budget deficit could widen to a maximum of 7-9% by the end of the year, from an earlier projection of 6.4%.

(\$1 = 3.7550 riyals)

(Editing by Jason Neely)

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Saudi Arabia raises 5.55 bln riyals in local sukuk

23-Apr-2020

DUBAI, April 23 (Reuters) - **Saudi Arabia has raised 5.55 billion riyals in sukuk, or Islamic bonds, the Finance Ministry said in a statement on Thursday.**

The first tranche of the sukuk issue has a size of 1.3 billion riyals, and a total tranche size of 2.523 billion riyals, maturing in 2027, the ministry said.

The second tranche has a size of 4.25 billion riyals, and a total tranche size of 8.238 billion riyals, maturing in 2035.

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South Korea

S&P Says Republic Of Korea 'Aa/A-1+' Ratings Affirmed; Outlook Stable

21-Apr-2020

April 21 (Reuters) -

- **S&P says republic of Korea 'AA/A-1+'**

ratings affirmed; outlook stable

- S&P says covid-19 outbreak to see Korean economy contract, but believe the sovereign's robust credit metrics can absorb this temporary shock

- **S&P says forecast Korea's fiscal deficit to widen this year owing to stimulus measures before returning to modest surpluses over the medium term**

- S&P says stable outlook reflects expectation that Korean economy will rebound in 2021 and return the government to near-balanced budget positions

- S&P says forecast general government balance to be in deficit of 2.5% of GDP in 2020 due to economic downturn, stimulus measures related to coronavirus

- S&P says outlook predicated on belief geopolitical risks on Korean peninsula to not escalate to point of hurting Korea's economic fundamentals.

- S&P-disruption to economic activity in Korea due to covid19 will lead to sharp downturn this year with GDP contracting by 1.5% before rebounding in 2021

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South Korea plans third extra budget, bond issuance to safeguard jobs

22-Apr-2020

- **New subsidies, loans to keep jobs to help some 2.86 mln people**

- **KDB to issue bonds to fund 40 trln won 'job keeper fund'**

- **Govt to offer loan guarantees for KDB, subject to parliamentary approval**

By Cynthia Kim

SEOUL, April 22 (Reuters) - **South Korea is preparing for a third supplementary budget and a 40 trillion won (\$32.4 billion) fund to sharply increase subsidies to keep more Koreans in jobs and help businesses stay afloat through the course of the coronavirus outbreak.**

In a policy meeting with economic chiefs, President Moon Jae-in said the fund will be created to help businesses keep jobs, while those who recently lost employment from temporary positions or freelance work will be eligible for subsidies up to three months.

The subsidies and cheap loans will help some 2.86 million people as vanishing jobs hit Asia's fourth largest economy after months of self-isolation aimed at containing the coronavirus.

The nation's workforce participation rate suffered its steepest decline since 2009 in March as demand for labour plunged due to the pandemic.

Finance minister Hong Nam-ki said in a briefing that it was "inevitable" a third supplementary budget for this year will be drawn up to finance part of some 10 trillion won needed for additional wage subsidies, job training and other

loans. Most of it will be funded by issuing deficit-covering bonds, he said, without elaborating on the exact amount of the third extra budget.

Wednesday's measures add to the 100-plus trillion won rescue package previously announced to inject liquidity into bond markets and companies struggling to secure a lifeline. The size of the stimulus has now increased to 135 trillion won, which will also be used to buy debt at companies with a low credit rating.

"The government will protect key sectors from failing through the 'key sector stabilization fund'," Moon told the meeting, without detailing specific sectors.

"Keeping jobs is the core part of coping with this national crisis and the most pressing issue related to survival."

To finance the 40 trillion won fund, policy lender Korea Development Bank will issue bonds, while the government will offer loan guarantees. The scheme, as well as the supplementary budget bill, will require parliamentary approval, the government said.

Duty free businesses, exhibition centers and companies that support on-the-ground operations of airlines, such as cleaning and towing aircraft, will be eligible for additional support measures to help them keep jobs, Moon said.

(Additional reporting by Joyce Lee; Editing by Simon Cameron-Moore & Shri Navaratnam)
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Sri Lanka

Fitch Downgrades Sri Lanka to 'B-'; Outlook Negative

24-Apr-2020

Fitch Ratings-Hong Kong-April 24:

Fitch Ratings has downgraded Sri Lanka's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) to 'B-', from 'B'. The Outlook is Negative.

KEY RATING DRIVERS

The downgrade of Sri Lanka's IDRs reflects the following key rating drivers.

The shock to Sri Lanka's economy from the coronavirus pandemic will exacerbate already-rising public and external debt sustainability challenges following tax cuts and an associated shift in fiscal policy late last year. The pandemic will especially hurt the tourism sector, which, combined with weaker domestic demand, will further damage Sri Lanka's public and external finance metrics.

Sri Lanka's external financing challenges have increased in the current environment of global risk aversion and financial market volatility, with large upcoming external debt redemptions and limited foreign-currency (FX) reserves. Its

reserves are about USD7.2 billion, while the sovereign's external debt payments from May to December 2020 amount to USD3.2 billion, including a USD1.0 billion international sovereign bond payment due in October. Fitch estimates Sri Lanka's external liquidity ratio, defined as liquid external assets/external liabilities, at about 64%, among the weakest in the 'B' rating category.

The authorities are seeking to meet external funding needs in 2020 through multilateral and bilateral support, but securing these funds could be challenging due to the pandemic and its effect on global liquidity and financing conditions. Our projections assume the sovereign will not have access to international bond markets in 2020. Fitch understands that the government is in discussion with various parties, including regional central banks on the use of possible bilateral swap lines and the IMF on its Rapid Financing Instrument for Covid-19-related funding. However, even after such support, the country's FX debt service obligations and financing challenges will remain substantial over the medium term. Official figures suggest roughly USD13.8 billion of FX debt will come due over 2021-2023.

Fitch expects the budget deficit to widen to 9.3% of GDP in 2020, from an estimated 6.8% in 2019. This is weaker than the authorities' forecast of 7.5%, as we expect significantly lower revenue due to the impact of the pandemic on economic activity and the spillover of tax cuts announced late last year. We also anticipate that authorities may need to increase spending over time to support the economy, although they have yet to formalise any large scale measures beyond 0.2% of GDP for relief to vulnerable groups.

General government debt is high and the pandemic has increased risks to public debt sustainability. **Our baseline forecast is for gross general government debt/GDP to rise to about 94% in 2020 and 96% in 2021, from an estimated 87% in 2019, and to continue rising, increasing the risk of debt distress.** This will see gross general government debt stay far greater than the 'B' median of 52%.

Fitch forecasts GDP to contract by 1.0% in 2020, from 2.3% growth in 2019, on account of the pandemic. Sri Lanka has so far recorded a relatively small number of coronavirus cases, and authorities have begun to loosen lockdown restrictions. Nevertheless, private consumption, which makes up almost 70% of GDP, is likely to stay muted as a result of partial lockdowns, domestic travel restrictions, and other social distancing measures. Travel and tourism, which the World Bank says accounts for 12.5% of Sri Lanka's GDP, will be particularly hard-hit, with commercial flights into the country suspended. We expect GDP growth of 4% in 2021 on the basis of a gradual recovery in tourism receipts beginning in late 2020. However, this forecast is subject to an unusually high degree of uncertainty and downside risk, depending on the

evolution of the pandemic both within Sri Lanka and globally.

The Negative Outlook reflects our view that risks are skewed clearly to the downside. The central bank has responded to market pressures by ensuring liquidity and allowing the currency to adjust, thereby protecting reserves. Nevertheless, capital outflow pressure and market refinancing risks remain in the current risk-averse environment. The potential for an economic recovery in 2021 hinges on an early return of tourism receipts and increasing domestic activity, which is highly uncertain and is dependent on the course of the pandemic. A second wave of infections that prompt further periodic lockdowns would result in weaker GDP for 2020 and 2021.

Sri Lanka's 'B-' IDR also reflects the following key rating drivers:

Parliamentary elections set for April 2020 have been postponed because of health concerns from the pandemic and have been provisionally rescheduled for June, but the timing could be further delayed as circumstances warrant. The delay has prolonged policy uncertainty. This, in turn, has made it difficult to complete the seventh and final review under the IMF Extended Fund Facility arrangement. Discussions over a new arrangement may be possible only after the parliamentary elections and once next year's budget is approved. The discussions could also be complicated by the challenge of reaching an agreement on policies to place Sri Lanka's public finances on a sustainable path.

A decline in tourism, lower remittances, and weaker exports are likely to widen the current account deficit to 3.3% of GDP this year - despite some relief from lower oil prices - from 2.2% in 2019, before narrowing to 2.3% in 2021, in line with our expectations for a gradual recovery in the global economy.

Large interest payments as a share of revenue of around 65%, according to Fitch estimates for 2020, a low fiscal revenue ratio and high public debt/revenue ratio continue to highlight the weak structure of Sri Lanka's public finances. **The government debt/revenue ratio was about 690% in 2019, significantly higher than the 'B' median of 258%. FX debt continues to be about half of total government debt, leaving Sri Lanka's public finances vulnerable to renewed currency depreciation.**

Sri Lanka's basic human development indicators, including education standards, are high compared with the 'B' and 'BB' medians, based on the UN Human Development Index Score, which positions Sri Lanka in the 60th percentile, well above the 37th percentile for the 'B' median. The country's per capita income of USD3, 939 at end-2019 is also modestly above the 'B' median of USD3.335.

Fitch's banking sector outlook was revised to negative in March, reflecting a more challenging operating environment due to the pandemic, which has pressured banks' asset quality and profitability. Demand for credit is likely to

remain muted in 2020 due to the weaker growth outlook. Authorities took a range of measures since the Easter terrorist attacks in 2019 to accelerate loan growth, including lending rate caps and policy rate cuts totalling 100bp, but Sri Lanka's gross loans rose by just 5.6% in 2019, the slowest rate since 2009.

ESG - Governance: Sri Lanka has an ESG Relevance Score of '5' for Political Stability and Rights as well as for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. These scores reflect the high weight that the World Bank Governance Indicators have in our proprietary Sovereign Rating Model. Sri Lanka has a medium World Bank Governance Indicator ranking in the 46th percentile, reflecting a recent record of peaceful political transitions, a moderate level of rights for participation in the political process, moderate institutional capacity, established rule of law and a moderate level of corruption.

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

Fitch's proprietary SRM assigns Sri Lanka a score equivalent to a rating of 'B' 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 high refinancing needs and greater uncertainty surrounding financing availability in the short term, as well as a low level of FX reserves that leaves the external position vulnerable to adverse shifts in investor sentiment.

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

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Further increase in external funding stress, reflected in a narrowing of funding options and weaker refinancing capacity that threatens the ability to meet external debt repayments
- Prolonged policy uncertainty that contributes to a loss of investor confidence
- Failure to arrest the upward trajectory of the general government debt/GDP ratio, potentially reflecting an inability to constrain the fiscal deficit

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- Improvement in external finances, supported by higher non-debt inflows or a

reduction in external sovereign refinancing risks from an improved liability profile

- Improved policy coherence and credibility, leading to more sustainable public and external finances and a reduction in the risk of debt distress
- Stronger public finances, underpinned by a credible medium-term fiscal consolidation strategy

Best/Worst Case Rating Scenario

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

KEY ASSUMPTIONS

The global tourism industry experiences a gradual recovery from late 2020 or early 2021 after the initial, sharp shock from the pandemic this year.

Global economic assumptions are consistent with Fitch's latest Global Economic Outlook.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

ESG Considerations

Sri Lanka has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and are highly relevant to the rating and a key rating driver with a high weight.

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

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

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

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

by the entity.

Sri Lanka; Long Term Issuer Default Rating; Downgrade; B-; RO:Neg

Short Term Issuer Default Rating; Affirmed; B

Local Currency Long Term Issuer Default Rating; Downgrade; B-; RO:Neg

Local Currency Short Term Issuer Default Rating; Affirmed; B

Country Ceiling; Downgrade; B-

Senior unsecured; Long Term Rating; Downgrade; B-

Additional information is available on

www.fitchratings.com

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Thailand

Thailand approves \$3 bln in relief measures to ease virus impact

21-Apr-2020

BANGKOK, April 21 (Reuters) - Thailand's cabinet approved 98.7 billion baht (\$3 billion) in relief measures on Tuesday to help mitigate the impact of the coronavirus outbreak, which is driving the country towards recession.

Southeast Asia's second-largest economy could lose more than \$40 billion and up to 10 million jobs due to the pandemic.

The government agreed to increase the number of workers receiving cash handouts to 14 million from 9 million, deputy government spokeswoman Rachada Dhnadirek told Reuters.

That will increase its total handout by 75 billion baht. Each worker receives 15,000 baht.

The government will also cut or waive electricity bills worth 23.7 billion baht for 22 million households.

The government has announced a series of steps worth billions of dollars to limit the impact of the outbreak. It plans to borrow 1 trillion baht to finance the measures.

Thailand has a total of 2,811 cases and 48 deaths.

(\$1 = 32.49 baht)

(Reporting by Panarat Thepgumpanat and Orathai Sriring; Editing by Giles Elgood)

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Moody's changes Thailand's Rating Outlook to Stable from Positive Affirms BAA1 Ratings

21-Apr-2020

April 21 (Reuters) - Moody's:

- **Moody's changes Thailand's rating outlook to stable from positive; affirms BAA1 ratings**

- Moody's says affirmed Thailand's foreign currency commercial paper rating at P-2
- Moody's says decision to change Thailand's outlook reflects view that drivers of outlook change to positive last July have become significantly less likely to materialize
- Moody's says government policy unlikely to effectively implement large investment in capacity that would boost Thailand's competitiveness over near to medium term
- Moody's says affirmation of Thailand's ratings reflects view that strong public, external finances provides Thailand with significant room to counter shocks

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Thailand to borrow \$18.6 bln this fiscal year for anti-coronavirus effort

22-Apr-2020

- **To borrow 600 bln baht in current fiscal year**
- **To borrow 400 bln baht in next fiscal year**
- **Plans to borrow at least 80% from domestic market**

BANGKOK, April 22 (Reuters) - Thailand plans to borrow 600 billion baht (\$18.56 billion) in the current fiscal year to September and 400 billion baht in the next fiscal year to finance measures to mitigate the coronavirus impact, a finance ministry official said on Wednesday.

The government will borrow at least 80% from the domestic market via short and long-term debt issues and bank loans, Patricia Mongkhonvanit, the head of the ministry's public debt management office, told reporters.

It will consider loans from international agencies, such as the World Bank and the Asian Development Bank, if terms are appropriate, she said.

The 1 trillion-baht borrowing plan was approved by the king on Sunday.

The government will open bids for four-year promissory notes worth 70 billion baht on April 29, Patricia said.

It also plans sell at least 100 billion baht of savings bonds in the next one to two months, she said.

The new borrowing plan will increase the public debt to 51.84% of GDP in the current fiscal year and to 57.96% in the next fiscal year, she said.

Thailand, which has reported 2,826 people cases and 49 deaths, has announced billions of dollars of economic measures, including cash handouts, to alleviate the outbreak impact.

(\$1 = 32.33 baht)

(Reporting by Kitiphong Thaichareon, writing by Orathai Sriring, editing by Larry King
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United Arab Emirates

Abu Dhabi issues US\$7 billion in multi-tranche bonds

19-Apr-2020

**Abu Dhabi / US\$7 billion / multi/tranche bonds
 ABU DHABI, 19th April, 2020 (WAM) -- The Emirate of Abu Dhabi on 8th April 2020 priced a US\$7 billion multi-tranche international bond offering, which attracted strong interest from international investors.**

In a statement today, Abu Dhabi Department of Finance said the successful issuance is an integral component of Abu Dhabi's medium-term strategy focused on optimising the capital structure of the Emirate. The high demand is testament to investors' continued confidence in the Emirate's credit strength and resilience.

As a result of decades of fiscal prudence, Abu Dhabi has a strong balance sheet and a robust debt profile, which yields substantial capacity to add debt. This capacity led to the development of the global medium-term bond strategy. Accessing diverse funding sources whilst maintaining the current credit ratings is a key component of the strategy. Abu Dhabi is the only AA rated economy in the region, a position which serves to underscore the Emirate's credit capability.

The transaction comprised of three tranches: a \$2 billion 5-year tranche, a \$2 billion 10-year tranche, and a \$3 billion 30-year tranche.

With orders coming from over 100 new accounts and the order book reaching in excess of \$45 billion, the issuance was more than 6.3 times oversubscribed, marking a new record for Abu Dhabi.

The exceptionally strong demand underlines the continued trust in the Emirate's fiscal strength and resilient balance sheet, which is underpinned by modest levels of debt and a solid asset base, including two of the world's largest sovereign wealth funds. The 30-year bonds were particularly well received by international investors, who accounted for 98 percent of the final geographical allocation in this tranche, showcasing trust in Abu Dhabi's ability to deliver sustained, long-term economic growth.

The tranches priced at 220 basis points over US Treasuries for 5-year bonds, 240 basis points over the same benchmark for 10-year bonds, and 271.1 basis points over US Treasuries for 30-year notes.

Commenting on the offering, Jassim Mohammed Buatabh Al Zaabi, the Chairman of the Abu Dhabi Department of Finance, said, "The success of the issuance, particularly amidst the global uncertainties caused by the COVID-19 pandemic and the oil price decline, is testament to the continued confidence placed in our aptitude to generate sustainable economic growth. Our

robust credit fundamentals and strong credit ratings with stable outlooks have enabled us to attract remarkable demand from a diverse pool of investors from the international debt capital markets." He continued, "The debt profile of Abu Dhabi continues to be prudent, underscored by low direct Government debt. As a result, we have substantial fiscal flexibility and the capacity to add debt. On that basis, we seized the opportunity to capitalise on the current available market window. Our debt management strategy is a vital component of Abu Dhabi's economic development and supports the Abu Dhabi Economic Vision 2030." Despite a challenging global economic environment, for the year to date, Abu Dhabi remains the tightest priced sovereign from the MENA region.

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Uzbekistan

Uzbekistan increases emergency borrowing plan to \$1.6 bln

23-Apr-2020

TASHKENT, April 23 (Reuters) - **Uzbekistan plans to borrow \$375 million from the International Monetary Fund, \$500 million from the Asian Development Bank, and \$750 million from the World Bank, Deputy Prime Minister and Economy Minister Jamshid Kuchkarov said on Thursday.**

The Central Asian nation initially planned to raise 10 trillion sums (about \$1 billion) to curb the spread of the novel coronavirus and soften the impact from a global recession.

(Reporting by Mukhammadsharif Mamatkulov
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Uzbekistan says could receive over \$3 bln from financial institutions

24-Apr-2020

TASHKENT, April 24 (Reuters) - **Uzbekistan has secured preliminary agreements for more than \$3 billion in long-term soft loans and grants from international financial institutions, and may attract more, temporarily increasing the cap on borrowings, the government said on Friday.**

The Tashkent government has said it would use the borrowed funds to combat the spread of the novel coronavirus and support its economy amid the global recession.

The Central Asian nation had previously decided to limit annual foreign borrowings by the public sector to \$4 billion, but Deputy Finance Minister Odilbek Isakov said the government planned to review the figure due to the COVID-19 crisis.

The country's financing needs will depend on how long the pandemic continues, Isakov said, and Tashkent will stick to its other self-imposed limit capping foreign debt of the public sector at 50% of gross domestic product.

"...Even in the most optimistic scenario, it does no harm to have additional fiscal buffers," he said.

Isakov said Uzbek state-owned banks and companies, such as the country's biggest lender NBU, still planned to tap the Eurobond market as well either this year or next year.

(Reporting by Mukhammadsharif Mamatkulov;
Writing by Olzhas Auyezov;
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EUROPE

Andorra

S&P Says Andorra Outlook Revised to Stable from Positive as Covid-19 Causes Deficits to Spike

24-Apr-2020

April 24 (Reuters) - S&P:

- **S&P says Andorra outlook revised to stable from positive as covid-19 causes deficits to spike; 'BBB/A-2' ratings affirmed**
- S&P says expect Andorra's economy to contract in 2020 as effects of covid-19 pandemic kick in, before recovering in 2021 and thereafter
- S&P - fiscal stimulus Andorra is applying to economy to lead to larger-than-anticipated fiscal deficits, consequently, substantial rise in government debt
- S&P - revising our outlook on Andorra to stable from positive

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Armenia

Armenia economy likely to shrink 2% in 2020

23-Apr-2020

YEREVAN, April 23 (Reuters) - **Armenia's economy is likely to shrink 2% this year due to the new coronavirus pandemic, finance minister Atom Janjughazyan said in Thursday,**



slashing the government's forecast from its previous call for 4.9% growth.

Janjughazyan told a briefing the government expected to run a budget deficit of about 324 billion dram (\$670 million), equivalent to about 5% of GDP this year.

The deficit is expected to be covered by loans from international financial institutions as well as by proceeds from government bonds issued on the domestic market.

Armenia's parliament will discuss revising the 2020 budget next week, the minister said.

The South Caucasus country of around 3 million has registered 1,523 confirmed cases of the coronavirus and 24 deaths.

(\$1=479.8 drams)

(Reporting by Nvard Hovhannisyanyan; writing by Margarita Antidze; Editing by Hugh Lawson) ((margarita.antidze@thomsonreuters.com; +995322999370; Reuters Messaging: margarita.antidze.thomsonreuters.com@reuters.net)) (c) Copyright Thomson Reuters 2020. © Refinitiv 2020. All rights reserved.

Bosnia

IMF to consider negotiating new, multiyear funding deal with Bosnia

23-Apr-2020

SARAJEVO (Bosnia and Herzegovina), April 23 (SeeNews) - **The International Monetary Fund (IMF) said it will turn its attention to negotiating a new, multiyear funding arrangement with the Bosnian authorities, following this week's approval of 333 million euro (\$359 million) in emergency assistance to the country in the context of the coronavirus pandemic.**

The independence of the banking agencies of Bosnia's two constituent entities - the Federation and the Serb Republic, and the central bank of Bosnia and Herzegovina will be paramount in any new arrangement, the IMF resident representative in Bosnia, Andrew Jewell, said in a statement on Wednesday.

Jewell also said that the IMF is strongly opposed to any proposal that dictates to banks what interest rate they should charge on their loans, as well as to blanket moratoria that apply to all borrowers, regardless of their financial situation. "Imposing a blanket moratorium and prescribing a below-market interest rate would add to banks' losses, deplete their liquidity, and weaken the banking system," Jewell said.

In January, prior to the outbreak of the coronavirus crisis, Bosnia's state-level government said it should facilitate the continuation of the country's existing arrangement with the IMF and clear the way for a new deal with the global lender.

In September 2016, the IMF approved a three-year, 553.3 million euro loan under an Extended Fund Facility (EFF) to support Bosnia's economic reform agenda. However, its implementation had been blocked after Bosnia failed to form a

new government and state institutions more than year following the October 2018 general elections. The country's new government was eventually voted in office in December 2019, pledging to unblock the IMF deal.

In a separate statement on Thursday, Bosnia's central bank said it has received on its accounts the approved emergency assistance of 333 million euro from the IMF, aimed at supporting Bosnia's health system and economy amid the ongoing coronavirus pandemic.

The news about the disbursement of the emergency assistance to the central bank comes despite Tuesday's announcement by Bosnia's government that it has failed to adopt a decision on withdrawing the financing, after several ministers voted against the document, saying its wording needs to be adjusted to the country's original letter of intent sent to the Fund.

On Monday, the IMF noted that the near-term economic impact of the coronavirus pandemic on Bosnia is expected to be substantial, generating a rapid deterioration of external accounts and an urgent balance of payment need. The Fund expects the country's economy to contract by 5% this year before expanding by 3.5% in 2021.

(\$=0.928582 euro)

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Bulgaria

Bulgaria picks lead managers for global bond sale

22-Apr-2020

LONDON, April 22 (IFR) - **Bulgaria has picked Citigroup, JP Morgan, BNP Paribas and UniCredit to lead manage a bond sale on global markets that could be over €2bn, two market sources familiar with the process said on Wednesday.**

The European Union's poorest member state, but also one of the least indebted, needs to finance a fiscal gap estimated at 3% of economic output this year and set aside liquidity buffers to weather the economic impact of the coronavirus pandemic.

Bulgaria needs 4.5 billion leva (US\$2.50bn) in additional financing this year and has amended its 2020 budget law to be able to raise up to 10 billion leva (US\$5.5bn) in new debt.

"Bulgaria has chosen four banks to lead manage a new bond issue, the same who managed its last global bond sale in 2016," one source who asked for anonymity said.

"The bond sale may take place as early as next month and for the time being could be something around plus €2bn, but the size, maturity and the time will be pending market conditions," another source familiar with the plan said.

The Finance Ministry declined to comment.

Earlier, Finance Minister Vladislav Gornanov said



the increased limit on the new public debt was meant to ensure Bulgaria could tap markets when conditions were favourable and be prepared for even a worse-than-projected impact from the crisis.

"We are preparing to take on new debt," Goranov told BTV television.

"I prefer to have enough liquidity buffers in the budget so that we can be certain that all spending and mainly the spending for healthcare, people's pensions, the army, the police and the teachers is guaranteed," he said. Bulgaria, which hopes to join the euro zone's "waiting room" this spring, has already raised bonds worth 1.2 billion levs on the local market since January. It plans to sell another 200 million levs in 5-year treasury bonds on April 27. Rating agencies S&P and Fitch rate Bulgaria at investment grade BBB with a positive outlook and have said that entry into the euro zone's "waiting room" may trigger further upgrades.

(Reporting by Tsvetelia Tsolova)
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Bulgaria secures 2 bln euro swap line from ECB

22-Apr-2020

FRANKFURT, April 22 (Reuters) - **Bulgaria's central bank has secured swap line with the European Central Bank to provide up to 2 billion euros (\$2.16 billion) to the country's banks, the ECB said on Wednesday, as Europe's financial markets face increasing stress amid the coronavirus crisis.**

"The maximum maturity for each drawing will be three months," the ECB said. "The swap line will remain in place until 31 December 2020, unless it is extended."

The swap deal follows a similar agreement signed with the Croatian central bank a week ago.

(\$1 = 0.9248 euros)
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Fitch Revises Bulgaria's Outlook to Stable; Affirms at 'BBB'

24-Apr-2020

April 24 (Reuters) - Fitch Ratings:

- **Fitch revises Bulgaria's outlook to stable; affirms at 'BBB'**
- Fitch says has sharply revised down real GDP growth forecast for Bulgaria to -5.1% in 2020 from +3.2% reflecting impact of lockdown due to covid-19

- Fitch says expects Bulgaria's budgetary performance to deteriorate sharply in 2020 given economic contraction, fiscal easing in response to covid-19 pandemic

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Croatia

Croatia posts 2019 general budget surplus of 0.4% of GDP

22-Apr-2020

ZAGREB, April 22 (Reuters) - **Croatia posted a general budget surplus of 0.4% of gross domestic product (GDP) in 2019 against a surplus of 0.2% a year earlier, the state statistics bureau said on Wednesday.**

It also said the public debt at the end of 2019 amounted to 73.2% of GDP, or 293.02 billion kuna (\$42.12 billion), down from 74.7% in 2018.

The budget surplus amounted to 1.56 billion kuna against 850 million kuna in 2018.

Croatia has vastly improved its fiscal performance in the last few years in a drive to adopt the euro currency in 2023 or 2024. The last time it posted a budget deficit was in 2016.

But the coronavirus outbreak has complicated the plans as Croatia, whose economy relies heavily on tourism receipts, is on the way to posting a high budget gap and an increase in the public debt this year.

The government has not released its revised projections for this year. But the World Bank expects economic output to fall 6.2% against growth of 2.9% last year. It also foresees a 2020 budget gap of 8% of GDP and a rise in the public debt to 84% of GDP.

(\$1 = 6.9567 kuna)
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Czech Republic

Czech government approves adjusted 2020 budget, deficit at CZK 300 bln

20-Apr-2020

PRAGUE, April 20 (Reuters) - **The Czech government approved another adjustment to the 2020 central state budget on Monday, setting the planned deficit at 300 billion crowns (\$11.9 billion) as the country deals with the new coronavirus outbreak, Finance Ministry said.**

Originally, this year's budget was planned with a 40-billion-crown deficit, but the macroeconomic

outlook worsened significantly due to the impact of the global pandemic and measures which the Czech Republic and other states implemented in order to tame the illness.

(\$1 = 25.1780 Czech crowns)
(Reporting by Robert Muller; Editing by Toby Chopra)
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Czech government loosens record deficit to fight coronavirus

20-Apr-2020

Czech government on Monday approved widening the 2020 central state budget deficit target by a further 50% to a record 300 billion crowns (\$12 billion) as it battles the coronavirus outbreak.

The deficit target, which still needs parliamentary approval, is set to rise from an already elevated 200 billion crowns, itself an all-time high after being widened in March from the government's original target of 40 billion crowns. **The newly planned deficit target this year would be more than total deficit spending seen between 2012-2019, when the combined balance of the central state budget in those years showed a shortfall of 292.8 billion crowns.**

The Czech Republic has been running overall fiscal surpluses since 2016 due to solid growth and record low unemployment. Government debt has been among the lowest in the European Union at around 30% of gross domestic product going into the crisis.

"We have to use the fiscal space that we have," Finance Minister Alena Schillerova said.

She said the government could look at possible savings later in the central state budget - which is the biggest chunk of overall public finances - but smaller cuts now would not solve the problem.

On Sunday, Schillerova had said the government expected an even deeper drop in income and higher expenditure related to the crisis than estimates last month. The state also wanted to maintain public investment to support the economy.

The virus outbreak has put most shops and daily life on a virtual lockdown for the past month and idled some major factories, setting the country on course for at least a 5% contraction in 2020, according to official estimates.

The state has ramped up borrowing in the past weeks to record levels amid the outbreak.

Parliament has passed legislation giving the Czech National Bank a freer hand to buy state, corporate and mortgage bonds and other assets from a wider range of counterparties, if needed.

The state's budget council estimated on Monday that a 5.6% decline in the economy, as expected by the Finance Ministry, would lead to an overall fiscal gap of 4.3% of GDP, while a 6.5% drop

this year as forecast by the International Monetary Fund would cause a fiscal gap of 4.8%.

(Reporting by Jason Hovet and Robert Muller; Editing by Toby Chopra and Giles Elgood)
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Georgia

IMF sees 4% growth in Georgia in 2021, ready to help with funds

20-Apr-2020

By Margarita Antidze

TBILISI, April 20 (Reuters) - **The International Monetary Fund sees a recovery in Georgia's economic growth in 2021, after a 4% contraction this year due to the coronavirus outbreak, and stands ready to help the ex-Soviet country raise \$1.6 billion from donors to finance balance of payments needs, an IMF official said.**

"Growth in 2021 is projected at 4%, supported by the lift in containment measures and the pick-up in trading partners' growth," Selim Cakir, the fund's resident representative in Georgia, told Reuters.

The IMF said last week it expected Georgia's gross domestic product (GDP) to decline by 4% in 2020, revising down its previous forecast for growth of 4.3%.

Cakir said that substantial decline in tourism revenues, which amounted to 20% of GDP in 2019, lower exports, remittances and consumption, as well as reduced capital inflows and investment, would contribute to a contraction in growth in 2020.

He said that deteriorating trade, halted tourism and weaker remittances were expected to widen the current account deficit to 11.3% of GDP, while the fiscal deficit was expected to temporarily widen to 8.5% percent of GDP in 2020.

The fund's mission said last week it would recommend the executive board approve the disbursement of \$200 million to the country to help the authorities meet urgent medical and socio-economic needs.

Cakir said another \$215 million was expected to be disbursed in equal tranches in the fourth quarter of this year and in April 2021.

Cakir praised the Georgian government for taking measures aimed at softening the economic shock of the virus. The measures include imposing a moratorium on collecting property and income taxes in the hospitality sector, easing bank lending regulations and increasing spending on infrastructure.

"The authorities have mobilised financing from the IMF and other international partners to finance the increase in health and economic

measures, and build buffers that would allow for additional policy response if downside risks materialise," Cakir said.

He said that urgent balance-of-payments needs arising from the pandemic shock were estimated at about \$1.6 billion in 2020-21, to be met by IMF financing and other donor assistance.

The South Caucasus country of 3.7 million had reported 399 coronavirus cases as of Monday and four deaths.

(Writing by Margarita Antidze; Editing by Alex Richardson)

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Fitch Revises Georgia's Outlook to Negative; Affirms at 'BB'

24-Apr-2020

April 24 (Reuters) - Fitch Ratings:

- **Fitch revises Georgia's outlook to negative; affirms at 'BB'**
- Fitch says has revised outlook on Georgia long-term foreign-currency issuer default rating to negative from stable
- **Fitch says outlook revision on Georgia reflects evolving impact of covid-19 pandemic on Georgia**
- Fitch says significant shock from covid-19 pandemic will lead to a sharp contraction of Georgia's small and open economy
- Fitch says on Georgia a national lockdown, in place since 21 march, will accentuate impact on domestic demand

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Hungary

Hungary to boost bond issuance as budget deficit grows

22-Apr-2020

By Krisztina Than

BUDAPEST, April 22 (Reuters) - **Hungary plans to issue 4 billion euros (\$4.4 billion) of foreign currency bonds this year to help to finance an increased budget deficit, tapping international markets for the first time since 2018 as it grapples with the economic fallout from the coronavirus crisis.**

The AKK government debt agency on Wednesday said that the funding requirement of the 2020 budget increased to 1.601 trillion forints (\$4.9 billion) from the 367 billion forints set out in the original issuance plan.

In recent years Prime Minister Viktor Orban's government has curbed reliance on foreign investors and boosted government debt held by retail investors.

Hungary had originally planned to issue up to 1 billion euros of foreign currency debt, focusing on domestic retail investors and Japanese yen and Chinese yuan markets.

On Wednesday the AKK mandated Citigroup, ING and J.P. Morgan to arrange a benchmark-size eurobond issue. It did not disclose details on timing or the exact size of the issue. Hungary last issued a eurobond in September 2018.

The AKK has also raised the planned volume of gross forint-denominated bond issuance to institutional investors by 1.652 trillion forints to 3.669 trillion forints for this year and said it was primarily building on the weekly three-year and five-year bond auctions while sustaining and carefully increasing issuance of 10, 15 and 20-year government bonds "in line with market conditions".

The agency said that its medium-term goal of increasing the stock of debt held by households to 11 trillion forints by the end of 2023 remained intact.

The AKK also said it was sticking to its other strategic goals of increasing the average term to maturity and keeping the share of foreign currency debt at low levels.

(\$1 = 326.2800 forints)

(\$1 = 0.9206 euros)

(Reporting by Krisztina Than

Editing by David Goodman)

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Moldova

IMF approves \$235 mln in coronavirus emergency assistance to Moldova

21-Apr-2020

CHISINAU (Moldova), April 21 (SeeNews) - **The International Monetary Fund (IMF) said that its board has approved a total disbursement of \$235 million (216 million euro) to meet Moldova's urgent balance of payment needs stemming from the COVID-19 pandemic.**

Moldova will receive a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 57.5 million (about \$78.4 million or 33.3% of quota) and a purchase under the Rapid Financing Instrument (RFI) equivalent to SDR 115 million (about \$156.7 million or 66.7% of quota), the IMF said in a statement on April 17. Moldova's macroeconomic outlook has deteriorated sharply, giving rise to an urgent balance of payments gap estimated at about \$830 million, the IMF added.

While the economic impact of the COVID-19 pandemic remains highly uncertain with risks heavily tilted to the downside, the IMF support will help finance the health and macroeconomic stabilization measures, catalyze donor support, and shore up confidence in Moldova, the international lender also said.

The authorities' policies aim at mitigating the economic and social impact of the crisis and supporting the recovery, while maintaining macroeconomic and financial stability. They imposed temporary economic activity restrictions to arrest coronavirus contagion, ramped-up spending on urgent healthcare needs, and introduced business support and social protection measures.

The National Bank of Moldova eased liquidity and monetary conditions and is rightly focusing on financial system resilience.

"Moldova's economic outlook has deteriorated sharply due to the COVID-19 pandemic. Real GDP is expected to fall and public finances are under significant pressure from declining tax revenues and emergency health and social spending. These developments and negative shocks to confidence, lower remittances inflows, and spillovers from global financial channels have created urgent balance of payments needs. The full impact of the crisis remains highly uncertain," IMF deputy managing director and acting chair Mitsuhiro Furusawa said.

According to Furusawa, Moldovan authorities responded quickly and comprehensively, including a national state of emergency, a travel ban, and a range of fiscal and prudential measures.

Also, the central bank has been ensuring orderly exchange rate adjustment and liquidity provision.

"These measures should help contain the spread of the virus, support the health and social systems, and protect employment and viable businesses, while preserving macroeconomic and financial stability," the IMF official added.

At end-March, the IMF said it is prepared to extend \$117 million in financing to Moldova to help the country limit the impact of the coronavirus outbreak on its economy.

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.

(\$ = 0.9207 euro)

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Romania

Fitch revises Romania's outlook to negative from stable, affirms at 'BBB-'

18-Apr-2020

BUCHAREST (Romania), April 18 (SeeNews) - **Fitch Ratings said it has revised Romania's outlook to negative from stable, while**

affirming its long-term foreign and local currency issuer default ratings (IDR) at 'BBB-'

The revision of the outlook reflects the substantial worsening in Romania's public finances expected in the short-term as the outbreak and spread of the COVID-19 pandemic aggravates an already weak fiscal position, the rating agency said in a statement on Friday evening.

The combination of a sharp economic contraction and a rise in spending will cause a material widening of the public deficit and a sharp rise in debt in 2020.

Although Fitch expects the economy to recover in 2021, uncertainty regarding the scope and length of the pandemic, combined with poor fiscal management in recent years, creates significant challenges in consolidating public finances over the medium term.

In a separate statement published on Saturday, Romania's finance ministry said that Fitch's decision to revise the outlook to negative was prompted both by the COVID-19 pandemic and by the poor fiscal management of the country's past governments.

"In the period following the finance ministry will focus on the implementation of fiscal-budgetary measures aimed at mitigating negative effects of the COVID-19 pandemic and on the measures that are absolutely necessary for Romania's economic recovery," the country's finance minister Florin Citu said.

On April 15, Romania's government revised this year's budget to reflect projections that the country's economy will contract by 1.9% and consolidated budget deficit will widen to 6.7% of the projected gross domestic product (GDP).

Fitch last reviewed Romania in November, when it affirmed Romania's IDR at 'BBB-', with stable outlook, but warned that keeping 2019 budget deficit under 3% would require ad-hoc adjustments.

Fitch also said in the statement:

"KEY RATING DRIVERS

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

We forecast the general government deficit to widen to 8% of GDP in 2020, reflecting a projected sharp fall in revenue as most economic sectors suffer and an increase in expenditure, driven in part by automatic stabilisers. It also reflects a weak starting position, as Romania failed to take advantage of

favourable macroeconomic conditions in recent years to improve its headline and structural deficit, with the general government deficit reaching 4.6% of GDP in 2019 (the highest in the EU and versus the BBB median deficit of 1.6%). **The government has revised its 2020 budget target deficit to 6.7% of GDP (from 3.6% originally), following the introduction of various support measures**, which include higher healthcare spending, various income- and tax-measures for affected companies and workers, and increase in loan guarantees. These measures amount to 3% of GDP (below aid packages pledged by other countries in the region) and are partly financed by drawing down European funds more rapidly.

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

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

MEDIUM

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

In our central scenario, we expect the disruptions from the COVID-19 pandemic to unwind over the course of this year, with most sectors recovering by end-2020 and job losses moderating. We forecast the economy to expand

by over 5% in 2021, driven by strong growth in manufacturing and services exports, a pick-up in investment (both public and private) and a recovery in consumption. Shifting investment priorities by global companies could even benefit some Romanian industries (such as information and communications technology, agriculture) over the medium term. However, we see material downside risk to our short- and medium- term growth forecasts, given uncertainty surrounding the extent and duration of economic and social restrictions.

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

Romania's IDRs also reflect the following key rating drivers:

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

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

We expect Romania to continue to rely heavily on the domestic market to meet its public-financing requirements (which we estimate at 10% of GDP in 2020), helped by the purchase of government securities on the secondary market by the NBR. The government is also relying on external financing from international financial

institutions and could tap international capital markets.

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

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

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

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

Fitch's proprietary SRM assigns Romania a score equivalent to a rating of 'BBB' on the Long-Term LTFC IDR scale.

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

- External Finances:-1 notch, to reflect Romania's higher net external debtor and net investment liabilities positions than the 'BBB' range median, as well as greater external vulnerability than implied by the model.

- Macroeconomics: Fitch has removed the -1 notch in macroeconomics due to lower near-term risks to macroeconomic stability from economic policy and reduced distortion to the SRM output from previous pro-cyclical expansionary policies.

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

RATING SENSITIVITIES

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

- Sharp deterioration in medium-term debt sustainability, for example due to failure to offset or delay increases in recurrent expenditure and/or implement a credible medium-term consolidation strategy post-pandemic shock.

- Weaker medium-term growth prospects, for example reflecting a more pronounced or longer period of economic contraction that leads to permanent sectoral damage.

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

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

- A sustained improvement in external debt ratios."

(1 euro=4.8360 lei)

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Russia

Russia to raise as much debt for budget as possible but not at every price

20-Apr-2020

By Darya Korsunskaya

MOSCOW, April 20 (Reuters) - **Russia plans to raise as much debt at home this year as possible to finance its budget needs amid the coronavirus crisis but not at any price, Konstantin Vyshkovsky, head of the debt department at the finance ministry, told Reuters in an interview.**

The finance ministry has already set aside

around 2.8% of gross domestic product - or nearly 3 trillion roubles (\$40 billion) - to soften the impact of the coronavirus pandemic, using a mixture of budget cash, tax breaks and other tools.

The state's upper debt ceiling - though not the actual plan - was increased last month to 12.98 trillion roubles in OFZ bonds and \$64.4 billion, or its euro equivalent, in hard-currency bonds this year.

The current plan to raise 2.3 trillion roubles in OFZ bonds and up to \$3 billion in Eurobonds this year so far remains unchanged, Vyshkovsky told Reuters.

"If the budget needs an increase we will try to fulfil these needs as much as the market allows. But it should be driven by (market) demand," he said, adding that Russia was ready to offer a "technical premium" of around 5 basis points but not more.

"If you know that a good is sold in a shop cheaper and cheaper with every week you probably won't be buying it, this is a dead-end." Vyshkovsky said the new debt ceiling provided flexibility to "react quickly" to negative factors if they arose but said there was no immediate plan to revise the actual state borrowing level this year.

Foreigners' share among OFZ holders slipped to 30.9% as of April 10, down from 34.1% in early March but the central bank said last week that the exit of foreigners from the OFZ market had stopped in April.

Vyshkovsky said foreigners were selling Russian debt as they needed funds to protect their investments in other emerging markets.

He added that the finance ministry aimed to lengthen the maturity of rouble debt and would target paper with 5 to 10-year maturity, avoiding offerings of short-term debt where possible.

Russia had a total of 47,121 confirmed coronavirus cases as of Monday, with 405 deaths. Russian authorities are offering a wide range of financial support to citizens and businesses.

(\$1 = 74.5847 roubles)

(Reporting by Darya Korsunskaya

Writing by Katya Golubkova

Editing by Gareth Jones)

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Russia may need to borrow more than \$20 bln in additional funds

23-Apr-2020

MOSCOW, April 23 (Reuters) - **Russia may need to borrow an additional 1.5-2 trillion roubles (\$20-26.7 billion) to support its economy as a consequence of the coronavirus outbreak, First Deputy Prime Minister Andrei Belousov said on Thursday.**

"The additional need for borrowing due to the

state budget situation could amount to 1.5-2 trillion roubles," he said.

Belousov, speaking during a video meeting with President Vladimir Putin and other senior government and business figures, said banks are accumulating risks now that could cause problems in the autumn.

(\$1 = 74.9150 roubles)

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Russian central bank ready to relax terms for banks to buy state debt

24-Apr-2020

By Gabrielle Tétrault-Farber, Elena Fabrichnaya and Darya Korsunskaya

MOSCOW, April 24 (Reuters) - **Russia's central bank is ready to relax the terms on which it injects cash into the banking system, it said on Friday, allowing banks to buy state debt to help fund Moscow's fight against the coronavirus.**

The government has earmarked 2.8% of gross domestic product (GDP) to fight the epidemic and its economic fallout. Russia has so far recorded nearly 70,000 coronavirus cases and 615 deaths.

Russia had planned to raise 2.3 trillion roubles (\$31 billion) this year via OFZ-rouble bonds, but this could be doubled because the budget needs more funds to support the economy, a senior government official said this week.

In addition to being hit by the economic impact of lockdowns to contain the outbreak, Russia has also been hit by a heavy fall in the price of oil, its main export.

Andrey Belousov, first deputy prime minister, has said banks could buy the bulk of an additional 1.5 trillion to 2 trillion roubles in debt, having already supported the state debt market during a sell-off last month.

Banks had wanted the central bank to extend the maturity period of repo funds raised at auction - a source of cheap liquidity for the banking system - from the current 1-7 days, the head of state bank VTB, Andrey Kostin, has said.

Central bank Governor Elvira Nabiullina on Friday said that the bank is ready to help.

"In order to support banks' interest towards more long-term assets, including state (debt) paper ... we do not exclude extending repo maturity," she said on Friday without providing further detail.

The central bank resumed repo auctions in early March and will be offering a further 500 billion roubles (\$6.7 billion) at an auction on April 27.

WHAT BANKING CRISIS?

Russian banks will inevitably suffer losses from the coronavirus crisis, but the country's banking system has enough liquidity to absorb shocks

and not slip into a crisis of its own, Nabiullina also said.

The central bank cut its main interest rate on Friday by 50 basis points to 5.5% in an effort to curb the effects of the two-pronged threat of the coronavirus crisis and low oil prices.

"Is a banking crisis possible? No, it isn't," she said after a rate-setting meeting.

"Of course the current situation affects banks ... but they now have a real reserve of both capital and liquidity. They are better prepared for this situation (than for the 2008 financial crisis)."

Nabiullina also warned that the Russian economy could contract by 8% in the second quarter of the year.

Her comments come a day after Belousov warned that the country's banking system could experience a build-up in bad loans in the coming months and only feel the impact later this year.

Some Russian bankers have said they expect the sector to suffer significant losses this year because of low oil prices and the pandemic.

(\$1 = 74.6821 roubles)

(Reporting by Gabrielle Tétrault-Farber, Andrey Ostroukh, Darya Korsunskaya and Elena Fabrichnaya
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Slovakia

Slovak public debt to rise to around 60%/GDP due to coronavirus

22-Apr-2020

PRAGUE, April 22 (Reuters) - **Slovakia's government debt will jump to around 60% of gross domestic product, from 48% in 2019, as a result of the coronavirus crisis, Finance Minister Eduard Heger said on Wednesday.**

Slovakia is bracing for a record budget shortfall in 2020 as the outbreak forces state spending to grow to help companies and workers and an economic contraction cuts state revenue.

The euro zone member state posted a state budget deficit of 1.30% of GDP in 2019, up from 1.05% in 2018.

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Slovak budget deficit seen over 5%/GDP in 2020

22-Apr-2020

PRAGUE, April 22 (Reuters) - **Slovakia is likely to run a state budget deficit of over 5% of gross domestic product in 2020 as it fights the coronavirus outbreak, Finance Minister**

Eduard Heger said on Wednesday.

"It all depends on how long we will be in this situation," Heger told a news conference streamed on the ministry's Facebook page.

"The deficit will not be 2.5% (of GDP), it will be in the order over 5% certainly."

Before the coronavirus outbreak, Slovakia had sought to cut the budget deficit to 0.49% of GDP in 2020, down from 1.30% posted in 2019.

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Domestic economy to fall by 9-10% in 2020

22-Apr-2020

PRAGUE, April 22 (Reuters) - **Slovak central bank (NBS) expects the domestic economy to fall by 9-to-10% this year due to the new coronavirus outbreak, Governor Peter Kazimir said on Wednesday.**

The central bank had said that it expected the economy to fall by 5-10% this year and the fall should be by the lower border of that band, Kazimir said in a televised debate at TA3.

"The number will be closer to (minus) nine, or 10," he said.

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Turkey

Turkey has more fiscal space to fight coronavirus impact, says Fitch

23-Apr-2020

LONDON/ISTANBUL, April 23 (Reuters) - **Turkey's fiscal response to the coronavirus outbreak has been "pretty moderate" compared with other countries facing a similar fallout from the epidemic, and has capacity for further stimulus measures, a Fitch Ratings executive said on Thursday.**

"We definitely think there's more fiscal space than there is monetary policy space, which is a key focus for the BB- credit rating," Douglas Winslow, director, European sovereign ratings at Fitch, said on a webinar about Turkey.

(Reporting by Tom Arnold in London and Ali

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Ukraine

Fitch Revises Ukraine's Outlook to Stable Affirms at 'B'

22-Apr-2020

April 22 (Reuters) - Fitch:

- **Fitch revises Ukraine's outlook to stable; affirms at 'B'**
- Fitch says has revised outlook on Ukraine's long-term foreign-currency issuer default rating to stable from positive and affirmed IDR at 'B'
- Fitch says revision of Ukraine's outlook to stable reflects significant impact of covid-19 pandemic on Ukraine's growth and fiscal accounts
- Fitch says revision of Ukraine's outlook to stable reflects significant impact of covid-19 pandemic on Ukraine's growth and fiscal accounts

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LATIN AMERICA AND CARIBBEAN

Latin American economies struggle with massive deficits from coronavirus shock

23-Apr-2020

By Gabriel Burin

BUENOS AIRES, April 23 (Reuters) - Latin America's biggest economies, Brazil and Mexico, will likely struggle with increasing deficits this year as governments are forced to fight recessions sparked by the coronavirus pandemic, a Reuters poll showed.

But any relapse into longer-term fiscal laxity could threaten the future recovery, adding a new risk to existing concerns over the attitudes of Brazilian President Jair Bolsonaro and his Mexican counterpart Andrés Manuel López Obrador towards the global emergency.

Brazil's gross domestic product (GDP) will contract 2.5% in 2020, according to the median estimate in a survey of 45 analysts taken April 13-21, sinking Latin America's No. 1 economy again into recession after three years of feeble growth.

The grim view, a downgrade from a forecast for a marginal expansion of just 0.3% in a preliminary survey last month, is now coupled with emerging fears about Bolsonaro's "war budget" against the virus.

For 2021, analysts predict growth of 3%, against estimates for 2.3% growth in a poll in March.

Higher spending and lower revenues resulting from the crisis would reverse years of restraint and see Brazil's primary deficit jump to 6.0% of

GDP, pushing gross debt to a record 85% by the end of 2020, according to analyst responses to separate questions.

Officials say these extreme metrics are still manageable and a majority of 10 out of 15 economists in the poll agreed in principle, saying fiscal emergency steps, combined with interest rate cuts by the central bank, should boost growth in 2021.

However, 12 out of 14 analysts who responded to a different question saw risks for the economy skewed to the downside if the country is unable to show clearly how it is going to reinstate austerity once the worst of the coronavirus pandemic is over.

"We need to understand how long will be the pause in reforms that were leading markets to price in positive structural changes and what will be the deviation in expenditure," said Rafael Silotto, portfolio manager at Brasilprev in Sao Paulo.

Brazil's latest recession, currently undergoing its first and worst quarter with an estimated GDP loss of 5.7% in the period, is set to push up the unemployment rate to 13.1% by the end of the year from 11.6% in February.

However, if the base scenario takes shape, it would be more forgiving than the contraction of 2015-2016, when Brazil endured the deepest economic crisis in a generation amid domestic political turbulences.

MEXICO ON FISCAL TIGHTROPE

Tensions related to the overall handling of the pandemic are another source of anxiety, as Bolsonaro clashes with powerful state governors over his plans to reopen the economy quickly, minimizing the disease he calls "a little flu".

Mexico's López Obrador has also drawn fire for downplaying the pandemic, following his initial suggestions last month that people should keep going to restaurants and spending money to keep the economy afloat.

As in Brazil, Mexico's public accounts are in a delicate condition. The primary result is expected to swing to -2.5% of GDP this year from a 1.4% surplus in 2019, while gross debt is forecast at 54%, around 9 percentage points higher.

López Obrador "has a difficult tightrope to walk," said Christian Lawrence, market strategist at Rabobank. "Stimulus is needed but it can't be afforded without risking Mexico's investment grade rating".

Mexico's government also faces a "contingent liability" equivalent to a whopping 9% of GDP, represented by the debt of national oil company Petroleos Mexicanos, which totals \$105.2 billion, Fitch Ratings warned last week.

While some say Mexico is entering its biggest recession since the so called "Tequila Crisis" of the early 1990s, or even worse, the survey actually pointed to a contraction of 5.1%, slightly less than the 5.3% drop in 2009. Analysts predicted a less severe contraction, of 2.6%, in an earlier poll in March.

"Time is the key factor," said Alejandro Saldaña, chief economist at Banco Ve por Más in Mexico

City. "The more the emergency and social distancing steps last, the more time activity will be frozen".

Analysts surveyed expect growth of 2.1% in 2021, higher than 1.7% predicted in a previous poll in March.

The economies of Colombia and Perú will likely fare much better, falling less than their big neighbors this year and picking up faster in 2021. Chile will probably make up for all the lost production, while Argentina just half of it.

Apart from the virus impact, the expected 5.1% collapse in Latin America's No. 3 economy after Brazil and Mexico includes domestic issues, like shunning global markets and funding expenditure via 1980s-style deficit monetization instead.

"The only alternative (for the government) is to print money and since confidence in the local currency is low, there are risks that already high inflation will accelerate," said Miguel Zielonka, associate director of Econviews in Buenos Aires.

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Argentina

Argentina creditor group rejects \$41.5 bln debt revamp plan

20-Apr-2020

By Tom Arnold

LONDON, April 20 (Reuters) - **A group of Argentina's international creditors has rejected the government's debt restructuring proposal, calling for it to engage in meaningful negotiations with bondholders to reach a deal.**

Economy Minister Martin Guzman last week laid out the framework of the proposal involving around \$41.5 billion of relief, mainly in the form of reduced interest payments, as Argentina seeks to recover from the twin blow of recession and the coronavirus pandemic.

The Argentina Creditor Committee (ACC), which comprises holders of Argentina's international bonds, including emerging market specialist Greylock Capital, and says it represents a diverse group of international investors, said it cannot support the proposal.

Achieving a sustainable debt resolution needs good faith negotiations that require the exchange of forward-looking economic and financial information anchored in concrete and feasible economic policies, it said.

"Such information and policies have not been forthcoming and the process followed by Argentina prior to its unilateral bond restructuring offer has fallen well short of bondholders' expectations without meaningful discussions," it said in a statement.

"A sustainable solution to Argentina's debt crisis

remains within reach, provided Argentina is prepared to join bondholders in their commitment to a good faith negotiated process." Argentina is looking to revamp its heavy debt load after political upheaval and a market crash last year drove its bonds into distressed territory.

The proposal includes a sizeable cut to interest payments, amounting to a saving of around \$37.9 billion, or 62% of the current total. The average proposed new rate would be 2.33%.

"This is the offer that Argentina can sustain. In the case that it is accepted, a problem will have been solved. In case it is not accepted, we have already considered that we are in virtual default," Economy Minister Martin Guzman said in an interview with news website El Cohete a la Luna published on Sunday.

In its statement, the ACC said it considered a broad set of bondholders would be prepared to make an equitable contribution via significant cash flow relief during the period that is needed for economic policies, including structural measures, to take hold.

Its group includes mutual funds, family offices, insurance firms and asset managers, the ACC said, adding it was coordinating with other bondholders and that there was broad alignment in the market with its statement.

In a reply to an emailed request from Reuters, ACC declined to give the value of the bonds the group represent.

Speaking in a televised news conference on Thursday, Guzman said the government had still not reached an "understanding" about what would be sustainable with bondholders, who would have around 20 days from the formal launch before the offer closed.

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Argentina creditors refuse to tango on debt restructuring proposal

20-Apr-2020

- **Ad hoc creditor group says cannot and will not support proposal**
- **Creditor group includes BlackRock, Fidelity, T.Rowe Price, Amundi**
- **EXPLAINER-Argentina's \$323 billion debt conundrum**

By Karin Strohecker and Tom Arnold

LONDON, April 20 (Reuters) - **A group of major asset managers who are creditors to Argentina have rejected the government's proposal aimed at overhauling \$66.2 billion of its foreign-law debt, saying it inflicted an unjust amount of financial pain on international bond holders.**

Argentina sketched out its proposal late last week involving a three-year grace period, large



coupon cuts and a smaller reduction in capital that would provide the South American nation with around \$41.5 billion of relief.

The grains producer, which has been grappling with recession, rocketing inflation and a mounting debt crisis, is battling to avoid a messy default and has said it wants to find an amicable path with creditors, though that has proved far from simple.

A creditor group, made up of some of the world's largest asset managers, said in a statement it understood the various economic and political shocks facing the country.

"Regrettably, despite the efforts of the group and other stakeholders, the proposals contained in the recently published press release are not ones which the group can or will support," the statement said.

"The group believes that all stakeholders in Argentina will need to contribute to a solution that puts Argentina on a path toward sustainable growth and financial stability."

The country's proposals "seek to place a disproportionate share of Argentina's longer-term adjustment efforts on the shoulders of international bondholders", the statement said.

Members of the group include AllianceBernstein, Amundi Asset Management, Ashmore, BlackRock Financial Management, BlueBay Asset Management, Fidelity Management & Research Co and T. Rowe Price Associates. Its legal advisor is White & Case.

Together, its members hold more than 25% of Argentina's post-2016 bonds and more than 15% of so-called exchange bonds, issued in the last debt restructuring, it added.

Earlier on Monday, another creditor group - the Argentina Creditor Committee (ACC), which includes emerging market specialist Greylock Capital as well as mutual funds, family offices, insurance firms and asset managers - also said it could not support the proposal.

Argentina's over-the-counter bonds shrugged off the tough start to talks, rising to close an average 2% higher on Monday after a steep jump on Friday, with traders hoping a deal could still be struck despite the rejection.

Argentina's economy ministry did not respond to a request for comment on Monday.

STILL FAR APART

Argentina, which had a total \$323 billion debt pile at the end of 2019, has already moved to push back its peso debt, freeze payments on local-law dollar borrowings until the end of the year and sought relief from major creditors such as the International Monetary Fund (IMF) and the Paris Club.

However, it still faces an uphill struggle to convince its international creditors or face default.

Argentina needs to pay around \$500 million in interest payments on bonds included in the restructuring on April 22. If it misses the payment, it will have a 30-day grace period before triggering a default around May 22.

The creditor group of major asset managers said

it did support a push aimed at deferring near-term maturities to provide more than \$40 billion of cash flow relief in coming years.

It said it also had put forward its own proposed restructuring plan that gave the government financial space to meet economic and social demands in the country in the near term through an extended period of cash flow relief, though no further details were given.

The government proposal would see a three-year halt on payments, a 62% coupon cut, equivalent to a \$37.9 billion reduction, and a 5.4% reduction to principal, amounting to around \$3.6 billion. Bondholders will have around 20 days to make a decision on the offer before the deal closes.

Citigroup analysts said the proposal was unattractive, with the value of the package offered in the low 30-cents-on-the-dollar range for both the U.S. dollar and euro bonds.

Morgan Stanley analyst Fernando D Sedano said that the deadline was looking tight, though the proposal did have consensus among the country's political leaders, predicting a potential agreement was only possible in the third quarter.

"Political support for the proposal means that negotiations cannot drag on forever, as the authorities have other pressing needs to address as the lockdown takes its toll on the economy," Sedano wrote in a note to clients.

However, calculations of the net present value under the proposal - referring to the worth of future bond payments in current terms - meant "both parties will have to concede significant room for that to happen", Sedano added.

The group of large asset managers said its members were ready to continue negotiations, adding they were confident that a solution could be found involving the IMF as well as other private and official sector creditors.

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Argentina issues dollar-denominated notes as biggest province readies its own debt offer

21-Apr-2020

BUENOS AIRES, April 21 (Reuters) - Argentina's government ordered the issuance of \$400 million in foreign currency Treasury bills on Tuesday, funds that could help bridge upcoming payments amid a major debt crunch, while Buenos Aires province readied its own restructuring proposal.

The bills, which will be placed directly with the central bank, come a day before a key \$500 million set of interest payments is due, with a major question mark whether Argentina will pay

after it launched a formal debt restructuring proposal to creditors.

If it does not make the payment, it would start the clock on a 30-day grace period. After that period, if payment has not been made and Argentina has not reached a deal with its creditors, the country would enter default.

The South American nation unveiled a proposal to holders of \$66.2 billion of its foreign debt late last week, which would impose a three-year moratorium on payments, push maturities back to 2030 and beyond, and reduce coupon payments by around 62%.

The major province of Buenos Aires, also grappling to revamp over \$7 billion of foreign debts, is expected to unveil its own proposal to creditors as early as Tuesday, state news agency Telam said, which would be in line with the national offer.

The news agency, citing government sources, said provincial governor Axel Kicillof would make the proposal to revamp around \$7.15 billion, which would be "in line" with the offer made by President Alberto Fernandez and economy minister Martin Guzman.

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Argentina, slipping towards default, faces \$500 million trip wire

21-Apr-2020

By Eliana Raszewski

BUENOS AIRES, April 21 (Reuters) - Argentina could be about to trigger a countdown to a new default if it fails to make interest payments on Wednesday of around \$500 million on bonds included in a huge restructuring proposal to lighten the country's crippling debt burden.

The three dollar-denominated bonds are part of a \$66.2 billion proposal by the government to push maturities on its foreign debt back until the next decade, halt all payments for three years and gain debt relief of over \$40 billion.

Creditors have around 20 days to accept the deal, but the real deadline could end up being payment on the bonds.

Argentina's leaders have suggested that once a formal restructuring proposal was made, it would stop servicing payment on the debt involved. Those payments amount to around \$3.5 billion for the rest of the year, government data show.

The April 22 payment comes with a 30-day grace period until May 22, after which if it remains unpaid and no deal with creditors is struck, Argentina would plunge into default, reviving memories of acrimonious battles with creditors after a major default in 2002.

"The offer, as it stands, I see it very difficult for

it to move forward," said José Echagüe, chief strategy officer at advisory Consultatio in Buenos Aires, adding Argentina could hold off payment but keep it as a trump card in talks.

"The government is keeping that as a negotiation tool in reserve, and could sweeten the deal by paying it in cash."

The proposal was formally filed with the U.S. Securities and Exchange Commission this week, though major creditor committees have already rejected the current terms as overly tough. The government contends that the offer is final.

"This is the offer, this is what they have to decide on," economy ministry Martin Guzman told local publication El Destape on Tuesday, adding creditors would have to decide whether to take it or leave it. "The offer is what it is."

"The expressions of rejection were expected, it's part of a process in which the other party seeks to pressure Argentina to offer more. But it cannot be done because it is unsustainable, and that's not something we are going to do."

Argentina's economy ministry declined to comment on whether it would make the \$500 million payment.

The country, gripped by recession for the last two years, is striving to revamp a larger debt pile that totals around \$323 billion, though it has been hit by the global pandemic that looks likely to drag the country into a deep recession this year.

Argentine bonds, however, have risen since details of the proposal were unveiled, underscoring how the offer - while tough - was not as bad as some had feared, and prompted hope that the two sides could eventually reach an accord.

"Given what was proposed, it's obviously not an appealing offer, but the distance between the offer and what might be accepted isn't so far apart," said Javier Alvarado from consultancy ACM in Buenos Aires.

He suggested that some earlier interest payments could be added as a sweetener without becoming untenable.

JP Morgan said that the \$500 million interest payment could end up being used as a "stick" in negotiations, with the threat of default something investors may want to avoid.

With the economy increasingly frail, however, and investments in key areas like oil exploration already hurt badly by tumbling prices, the investment bank pointed out that there may be less barriers than usual to allowing a default.

Citi said the current offer was unlikely to attract sufficient creditor support, given the low net present values (NPV) - used to calculate haircuts in debt restructurings - which it said were in the low 30s.

"We think participation in the exchange will be fairly low unless Argentina improves the terms of the offer," it said.

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Argentina's Buenos Aires seeks three-year grace period, capital cut in debt revamp

22-Apr-2020

By Nicolás Misculin

BUENOS AIRES, April 21 (Reuters) - The provincial government of Argentina's capital Buenos Aires will propose a three-year grace period and a 7% capital drawdown to creditors as part of a \$7.148 billion debt restructuring, a local government source told Reuters on Tuesday.

The proposal, to be presented in the coming days, is roughly in line with one put by Argentina's federal government to its own creditors as the country struggles with an economic crisis exacerbated by the novel coronavirus pandemic.

The details of the offer by Buenos Aires province, the largest in the country, were agreed after meetings the governor, Axel Kicillof, held with various mayors of the district.

The proposal includes low interest payments starting in 2023, a 55% reduction in overall interest payments between 2020 and 2027, with administrators hoping to achieve total debt relief of \$5 billion between 2020 and 2030 if it is accepted, the source said.

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IMF says continuing "very productive" engagement with Argentina

22-Apr-2020

WASHINGTON, April 22 (Reuters) - The International Monetary Fund's discussions with Argentina have been very productive and the fund is willing to do whatever it can to help get the Argentine economy back on a solid footing, an IMF official told reporters on Wednesday.

The fund is closely tracking Argentina's discussions with its creditors, and is hopeful that an agreement can be reached to restore the South American country's debt sustainability, the official said.

Argentina, gripped by a recession for the last two years, is racing to head off a ninth sovereign default even as the rapidly spreading coronavirus pandemic looks set to trigger a deeper downturn in its economy.

Argentina last week unveiled a proposal to restructure around \$66.2 billion of its foreign debt that would include a three-year moratorium

on payments and reduce coupon payments by around 62%.

"We're continuing to track the ongoing discussions that Argentina is having with private creditors. I think we're hopeful that at some point there's an agreement that can be reached there that would restore debt sustainability," the IMF official said.

The official added that the global lender was exploring options to help countries like Argentina that faced debt challenges, while sticking to its own strict guidelines aimed at safeguarding the fund's resources.

"We've trying to explore every avenue to see what we can do to be of assistance," the official said, but declined to provide further details.

The IMF separately extended Argentina \$44 billion as part of a 2018 agreement. Argentina in February agreed to start Article IV consultations with the IMF and opened the door to a new program, but it has not formally initiated those steps.

"Our conversations with Argentina have been very productive," the official added. "We are willing to do whatever we can to help Argentina get its economy back on a solid footing."

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Bolivia

S&P Says Bolivia Long-Term Ratings Lowered to 'B+' on Weaker External Position; Outlook Stable

18-Apr-2020

April 17 (Reuters) - S&P:

- **S&P rates Bolivia's long-term local currency 'B+' and long-term foreign currency 'B+'; outlook stable**
- S&P says Bolivia long-term ratings lowered to 'B+' on weaker external position; outlook stable
- S&P says are lowering our long-term foreign and local currency sovereign credit ratings on Bolivia to 'b+' from 'BB-
- S&P - downgrade reflects deterioration in Bolivia's external profile as sustained large current account deficits have eroded external buffers
- S&P says despite overvaluation, we don't expect the boliviano to depreciate ahead of the elections

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Brazil

Brazil central bank could cut rates by 100 bps at May meeting, says Barclays

22-Apr-2020 22:17:54

By Jamie McGeever

BRASILIA, April 22 (Reuters) - **Brazil's central bank could cut its benchmark Selic interest rate by 100 basis points to 2.75% at its next policy meeting in May, Barclays chief Brazil economist Roberto Secemski wrote in a note on Wednesday.**

Secemski said a more dovish tilt in policymakers' recent comments and the continued decline in inflation expectations will steer the bank's rate-setting committee known as 'Copom' toward a reduction of "at least" 75 basis points.

"Changes in (central bank) communication with the market suggest to us that the bank intends to deliver a larger cut than what was previously priced by the (rates) curve," Secemski wrote.

"We now expect the Selic rate to be reduced at least 75bp on May 6, to 3.00%, not discarding a 100bp cut should financial conditions be supportive of the move," he said.

Secemski also cited Brazilian media reports of other central bank officials' comments to financial institutions in recent online live events, which were not broadcast publicly and which Reuters cannot verify.

Central bank president Roberto Campos Neto said this week that further easing was part of the bank's crisis-fighting arsenal, and that conditions have changed a lot since Copom's last meeting in March when it said deeper rate cuts could be "counterproductive and result in tighter financial conditions".

The central bank's latest weekly 'FOCUS' survey of economists showed that end-year inflation is now projected to be 2.23%, significantly below the central bank's official goal of 4.00%. The average forecast for next year fell to 3.40%, also further below official 2021 target of 3.75%. Interest rate futures have fallen sharply in recent days. The September 2020 contract fell as low as 2.80% on Wednesday and the January 2021 contract fell to 2.60%, implying significant policy easing in the coming months.

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Brazil posts \$868 mln current account surplus in March

24-Apr-2020

BRASILIA, April 24 (Reuters) - **Brazil posted an \$868 million current account surplus in March, the central bank said on Friday, its first in almost three years, mostly due to a \$2.7**

billion narrowing of the primary income deficit.

This helped narrow the current account deficit to 2.8% of gross domestic product in the 12 months to March from 2.9% the month before, the central bank said. Foreign direct investment in the month totaled \$7.62 billion.

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Brazil forecasts \$1.5 bln foreign direct investment in April

24-Apr-2020

BRASILIA, April 24 (Reuters) - **Brazil's central bank said on Friday it expects foreign direct investment into the country to total \$1.5 billion in April, which would mark a sharp reduction from the \$7.62 billion inflow registered last month.**

The central bank also said it expects Brazil to post a current account surplus of \$2 billion in April, which would be the second consecutive surplus following last month's \$868 million surplus.

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Colombia

Fitch Ratings: Colombia's New Deficit Target Highlights Scale of Coronavirus Shock

20-Apr-2020

Fitch Ratings-New York/London-April 20: **The revision of Colombia's 2020 deficit target by the country's Fiscal Rule Advisory Committee acknowledges the weakening of key fiscal metrics that will stem from the economic downturn amid coronavirus containment measures, Fitch Ratings says.**

The nine-member Committee on 16 April unanimously supported widening the 2020 government deficit limit to 4.9% of GDP from 2.2%. It said that the new target reflects government estimates that the economy would contract by 1.6% in 2020, and that downside risks to this forecast could result in a wider deficit. In addition to the contribution of weaker growth (1.3pp of GDP), the new target incorporates additional spending in response to Venezuelan immigration (0.4pp) and the Committee's invocation of the counter-cyclical

spending clause in Colombia's fiscal rule (20% of the estimated output gap, or 1.7pp).

The new target is close to our own revised 2020 central government deficit forecast of 5% of GDP. This is wider than the 4.5% deficit we forecast when we downgraded Colombia, chiefly because we have revised our real GDP forecasts following the government's recent decision to extend the nationwide lockdown before a gradual re-opening in the coming weeks. We now expect a 2.0% contraction this year, although this will be followed by a stronger recovery, with 3.3% growth forecast in 2021 (up from our previous 2.3% forecast).

Weaker growth and a wider deficit mean we now forecast general government debt/GDP, which has risen steadily over the past six years, to increase to 52% in 2020, a marginal increase from our previous forecast of 51% but up 8pp from 2019, partly due to peso depreciation. The higher deficit will be financed from government funds (FAE and FONPET). The government also will require financial institutions to buy so-called 'Solidarity Bonds', for a value of 3% of demand deposits and 1% of time deposits as of 31 March. It expects this measure to yield around 0.8% of GDP.

The risk that a deeper or longer-lasting recession than we currently forecast puts additional pressure on metrics, such as GDP per capita and economic growth volatility, as well as the fiscal deficit and debt-to-GDP, is reflected in the Negative Outlook on Colombia's sovereign rating.

The Negative Outlook also reflects risks to the capacity and quality of the government's policy response that could limit its effectiveness in decisively cutting deficits and stabilizing debt over the coming years, given the scale of the coronavirus and oil shocks.

We forecast the central government fiscal deficit to drop back to 3.8% of GDP in 2021 as transitory spending fades. But government tax revenue will remain under pressure, in part due to the expected fall in oil revenue.

Prudent and consistent policymaking has underpinned macroeconomic and financial stability in Colombia, and the authorities' record includes introducing revenue-enhancing tax reforms in response to previous shocks. However, frequent revisions to fiscal targets (as allowed by the fiscal rule) and reliance on one-off extraordinary measures had reduced fiscal policy credibility prior to the coronavirus crisis and the latest oil price slump.

The government's annual medium-term fiscal framework, due in June, will give an indication of its fiscal priorities beyond its initial crisis response. Measures to address fiscal deterioration could face social and political constraints given last year's social protests and the expected rise in unemployment as the economy shrinks this year, as well as the approach of presidential elections in 2022.

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Additional information is available on www.fitchratings.com.

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Ecuador

Ecuador gets reprieve after investors agree to bond consent

20-Apr-2020

By Paul Kilby

NEW YORK, April 20 (IFR) - Ecuador received a temporary reprieve late Friday when the government announced that sufficient number of investors had agreed to a consent solicitation to defer interest payments.

The consent targeting some US\$19bn of dollar bonds was launched earlier this month as the embattled sovereign sought some short-term debt relief and time to address its shaky public finances.

The sovereign had asked bondholders to defer interest due between March 27 and July 15 until August, and reduce interest due after March 27 by US\$0.50 on each US\$1,000 of principal.

Over that period it also wants to exclude cross-default clauses on certain debt instruments, including social bonds issued earlier this year and sovereign-guaranteed 2020 bonds issued by Petroamazonas.

The administration of President Lenin Moreno has been seen taking the right actions but has been hit by a series of recent events - namely the Covid-19 pandemic and plummeting crude prices - that have further hurt the finances of the cash-strapped oil exporter.

"Debt holders trust in Ecuador," the country's president Lenin Moreno tweeted late Friday.

"They have accepted to renegotiate [the debt]. We have just saved US\$811m that will serve to help in the national emergency that the country is going through."

Investors holding some 91.52% of outstanding principal amount on over US\$17bn of bonds agreed to the consent, while 82.24% of the holders of the 7.95% 2024s came on board.

The buy-side had been expected to agree to Ecuador's request in the hope that giving the government some breathing space would help it avoid a hard default and messier restructuring talks going forward.

(Reporting By Paul Kilby; Editing by David Bell)

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Fitch Downgrades Ecuador to 'RD'

20-Apr-2020

April 20 (Reuters) - Fitch Ratings:

- **Fitch downgrades Ecuador to 'RD'**
- Fitch says has downgraded Ecuador's long-term foreign-currency issuer default rating to 'RD' from 'C'
- Fitch says downgrade of Ecuador's rating follows agreement by commercial bondholders to government's "consent solicitation" to defer upcoming bond repayments
- Fitch says Ecuador's liquidity position is exceptionally tight
- Fitch, on Ecuador, says social and political pressure for relief from external debt service to attend to domestic crisis has grown considerably

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Ecuador gets reprieve as investors agree to bond consent

24-Apr-2020

LONDON, April 24 (IFR) - **Ecuador received a temporary reprieve this month when the government said that a sufficient number of investors had agreed to a consent solicitation to defer interest payments.**

The consent targeting some US\$19bn of bonds was launched earlier this month as the embattled sovereign sought some short-term debt relief and time to address its shaky public finances.

The sovereign had asked bondholders to defer interest due between March 27 and July 15 until August, and reduce interest due after March 27 by US\$0.50 per US\$1,000 of principal.

Over that period it also wants to exclude cross-default clauses on certain debt instruments, including social bonds issued earlier this year and sovereign-guaranteed 2020 bonds issued by Petroamazonas.

The administration of president Lenin Moreno has been seen taking the right actions but has been hit by a series of recent events - namely the coronavirus pandemic and plummeting crude prices - that have further hurt the finances of the cash-strapped oil exporter.

"Debt holders trust in Ecuador," Moreno tweeted.

"They have accepted to renegotiate [the debt]. We have just saved US\$811m that will serve to help in the national emergency that the country is going through."

Investors holding some 91.52% of principal on more than US\$17bn of bonds agreed to the consent, while 82.24% of the holders of the 7.95% 2024s came on board.

The buy-side had been expected to agree to Ecuador's request in the hope that giving the government some breathing space would help it avoid a hard default and messier restructuring talks.

As a result of the consent, S&P said it was affirming its selective default rating on the sovereign but lowering the ratings on the global

bonds included in the agreement to D from CC. Those bonds are due 2023, 2024, 2026, 2027, 2028, and 2029.

It had already lowered the issue ratings to D on Ecuador's global bonds due 2022, 2025, and 2030, based on the view that "the government would not make the payments in the stated [30-day] grace period regardless of the agreement with bondholders."

S&P said its moves were "in line with our criteria for exchange offers and similar restructurings".

(This story will appear in the April 25 issue of IFR Magazine)

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El Salvador

S&P Says El Salvador 'B-/B' Ratings Affirmed

22-Apr-2020

April 21 (Reuters) - S&P:

- **S&P says El Salvador 'B-/B' ratings affirmed; outlook remains stable**

- S&P says covid-19 pandemic will severely affect El Salvador's economy, resulting in a recession, rising fiscal deficit, and higher external borrowing

- S&P, on El Salvador, says expect funding from IMF, other official creditors, and international markets will provide liquidity and limit rollover risk

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Guatemala

Guatemala draws robust demand on new social bond

24-Apr-2020

NEW YORK, APRIL 24 (IFR) - **Guatemala hit the market last Tuesday as the region's governments rushed to raise funding to fight the Covid-19 pandemic.**

The sovereign raised US\$1.2bn through a dual-tranche bond, comprising a US\$500m 12-year social bond to counteract the impact of the virus, and a US\$700m tap of its 6.125% 2050s.

Guatemala's deal proved a hit with investors that up to then had seen only a few deals after weeks of no issuance. Books swelled to US\$8bn. That demand allowed sole lead Bank of America to tighten pricing a good 50bp from start to finish before landing the 12-year at 5.375% and the tap at 6.125%.

With Guatemala's 4.90% 2030 notes trading at around 4.76%, INTL FC Stone analyst Rafael

Elias thought final pricing attractive. The tap also came with a premium to the secondary market, where the 2050s were being bid last Monday at around 5.75%, according to a banker away from the deal.

Investors also saw the sovereign's fiscal position as comparatively strong, a buffer that should help it weather the health crisis.

"Guatemala is a pretty solid credit and has important buffers," said a New York-based investor.

The country has enjoyed a current account surplus of about 1.7% of GDP, said a London-based investor, providing a boost of confidence in the credit.

"So even if it [account surpluses] swings into deficit, it won't be huge," he said. "That helps to explain the stability of the currency."

Even so, the deal comes after Fitch downgraded Guatemala to BB- from BB earlier this month, as the Covid-19 outbreak stretches the country's finances amid political gridlock and lower tax revenues.

The ratings agency sees GDP growth grinding to a halt this year after a 3.5% expansion in 2019, and the fiscal deficit rising to 3.8% of GDP in 2020, up from 2.3% last year.

"The health crisis is likely to increase government expenditures, adding pressure on an already-growing deficit," Fitch said.

Remittances, which help offset the trade deficit, have also been on the radar as the recent growth in such flows are likely to slow.

"[Guatemala's] expectation that remittances would grow 5% this year seems to be fraught with a decent amount of downside risk," said the UK investor.

Remittances grew to 13.3% in 2019 and are a strong part of the reason why the country runs a current account surplus, he added.

Guatemala was last in the market about a year ago in May 2019. At the time it sold US\$1.2bn in a two-part deal comprising the 6.125% 2050 bond and a 4.9% 2030 note.

Proceeds from this latest issue will finance eligible social investments directly or indirectly related to Covid-19 prevention, containment and mitigation efforts.

The 144A/Reg S senior unsecured bonds are rated Ba1/BB-/BB-.

(This story will appear in the April 25 issue of IFR Magazine)

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Mexico

Mexico carries out domestic bond swap worth 9.5 bln pesos

23-Apr-2020

MEXICO CITY, April 23 (Reuters) - **Mexico has**

carried out a swap of government securities worth some 9.53 billion pesos (\$387.44 million) for market makers in order to support the orderly functioning of the domestic debt market, the finance ministry said on Thursday.

In a statement, the ministry said the transaction consisted of swapping so-called Bonos M bonds with fixed interest rates maturing in 2047 for Bonos M maturing between 2020 and 2042.

(\$1 = 24.5974 Mexican pesos)

(Reporting by Sharay Angulo; Editing by Frank Jack Daniel)

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Nicaragua

S&P Says Nicaragua 'B-/B' Ratings Affirmed; Outlook Remains Stable

21-Apr-2020

April 20 (Reuters) -

• **S&P says Nicaragua 'B-/B' ratings affirmed; outlook remains stable**

• S&P says impact of global downturn, covid-19 pandemic will cause another sharp decline in Nicaragua's economy this year

• S&P says expect that resulting deterioration in Nicaragua's external liquidity and public finances will be contained

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Paraguay

Fitch Says Paraguay Fiscal Rule Suspension May Herald Permanent Changes

22-Apr-2020

April 22 (Reuters) - Fitch:

• **Fitch says Paraguay fiscal rule suspension may herald permanent changes**

• Fitch says Paraguay's low debt burden, prudent macroeconomic policy framework continues to underpin its 'BB+' rating, stable outlook

• Fitch says it expects Paraguay government to extend nationwide quarantine measures before gradually re-opening

• Fitch says forecast Paraguay central government's fiscal deficit to fall to 4.5% of GDP in 2021 as transitory spending fades

• Fitch says Paraguay central government's revenues will remain under pressure, in part due to weak growth in income taxes next year

• Fitch says social and political tensions



could constrain post-crisis consolidation for Paraguay

- Fitch says Paraguay's presidential elections due in 2023 could affect government's willingness & ability to implement fiscal consolidation measures
- Fitch says it still expects Paraguay government to amend fiscal responsibility law in coming months, including longer convergence period

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Paraguay becomes latest Latin American sovereign to raise dollars

23-Apr-2020

By Miluska Berrospi

NEW YORK, April 23 (IFR) - Paraguay was expected to price a US\$1bn bond offering on Thursday, the third Latin American sovereign in the international market this week.

Paraguay was expected to tighten its 10-year note to yield 4.95%, significantly tighter than the initial price talk set in the mid 5% area earlier in the day.

"I looked the deal over, but given where the initial guidance came in - and later where final guidance, pricing came - it was too rich for us," said Sebastian Lema, an analyst with asset manager Noctua Partners.

Paraguay, rated Ba1/BB/BB+, is among one of the first high-yield sovereigns to raise dollars. Guatemala, rated Ba1/BB-/BB- also sold dollar bonds earlier in the week.

And Mexico, which is investment grade, also came to market this week.

Other countries which have recently come to market include Panama and Peru.

Yet the volatile nature of the market paired with Paraguay's abandonment of its fiscal rule earlier this month were factors that would bring the deal wider, some market observers said.

Instead, it came in tighter.

"I was surprised when it came at 4.95%," said an emerging markets strategist, saying he calculated fair pricing at around 4.85%.

Paraguay's 4.7% 2027 note was trading at a 4.62% yield as of Wednesday afternoon, he added.

Robust demand at above US\$5bn may have squeezed pricing tighter, according to two people following the transaction.

Paraguay, which usually dips into international markets only once a year, last raised dollars via a tap of its 5.40% 2050 bond in early January.

At least part of the proceeds from today's transaction could be used to fund the country's Covid-19 response, said a market source.

"The concept of COVID-19 Response bonds is something that we will continue to see as issuers seek to respond to the issues they're having at home," said Noctua's Lema.

The International Monetary Fund announced the

approval of a US\$274m support package to the country earlier this week.

"The issuance doesn't really leave room for further tightening. But I imagine the participants in the deal take comfort in support from the multi-lateral like the IMF," added the EM strategist.

Approval of the IMF's disbursement package announced April 21 was immediate and was targeted toward helping the country meet urgent balance of payments stemming from the outbreak, the fund said in a release.

The country announced a fiscal package worth around 4% of its GDP to combat the ongoing international crisis.

Along with the package, the government also suspended its fiscal responsibility law, which set a deficit limit of 1.5% of GDP, a move which Fitch was examining closely.

"The medium-term fiscal policy stance and framework, including probable changes to the Fiscal Responsibility Law, will be an important component of our sovereign rating assessment through the crisis and its aftermath," it said in a report published on Wednesday.

Fitch estimates the country's deficit to widen further to 5.9% of GDP in 2020, it said.

Leads working on the deal were Citi, Itau, Goldman Sachs, and Santander.

(Reporting by Miluska Berrospi Editing by Jack Doran)
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Peru

International sovereign bond issues garner high demand

22-Apr-2020

Event

On April 16th the government placed US\$3bn in new international bonds-securing historically low coupon rates and unprecedented investor demand-as it funds its efforts to contain the coronavirus (Covid-19) epidemic.

Analysis

The government placed US\$1bn in five-year bonds at a coupon rate of 2.392%, and US\$10bn in ten-year bonds at a coupon rate of 2.783%. The bond issues were oversubscribed more than seven times over, with an order book of over US\$25bn for the two sets of bonds. A long history of fiscal prudence and economic orthodoxy has made Peru a market darling, allowing the sovereign to achieve its lowest financial rates despite the volatile international context.

The bond placement came as the administration led by the president, Martín Vizcarra, fine-tuned its first major recovery programme, Reactiva Perú, which was approved on April 6th and will begin operating on April 23rd. The programme will provide about US\$9bn in low-interest,

government-backed loans to businesses. The administration has also continued approving emergency measures for specific sectors; new programmes unveiled on April 19th will provide a US\$230 monthly stipend to about 1m rural families and give front-line healthcare personnel a one-time bonus of US\$900.

The finance ministry estimated that its various programmes would amount to US\$26bn. This is equivalent to 12% of GDP—the largest response so far by a South American government in GDP terms. In addition to the measures already announced, the administration is finalising details of a public investment plan for the recovery phase that will approach US\$9bn; the plan is expected to be presented by April 26th .

The new bonds are part of a wider financing strategy, but the government is still weighing up its options. It is in talks with the IMF to secure a US\$18bn flexible credit line (like those that Mexico and Colombia have), which we believe is likely to be approved. The government has also indicated that it will draw down an existing US\$2.1bn contingency line with the World Bank. In addition, it is working on loans with regional financial institutions, including the Inter-American Development Bank and the Latin American Development Bank. In terms of domestic sources, the government is expected to increase debt issuance in local capital markets significantly and draw on excess funds from the accounts of state-owned enterprises.

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AFRICA

IMF, World Bank urge action to cover \$44 bln gap in Africa's pandemic needs

18-Apr-2020

By Andrea Shalal and David Lawder
WASHINGTON, April 17 (Reuters) - **African leaders, the IMF and the World Bank on Friday appealed for rapid international action to help African countries respond to the coronavirus pandemic that will cause the continent's economy to shrink by 1.25% in 2020, the worst reading on record.**

IMF Managing Director Kristalina Georgieva told ministers, U.N. officials and others that the African continent lacked the resources and healthcare capacity to address the crisis, and needed at least \$114 billion to cover urgent fiscal needs.

Even after pledges of support from bilateral, multilateral and private creditors, Africa faced a gap of around \$44 billion, officials told the "Mobilizing with Africa" conference held online during the spring meetings of the World Bank and IMF.

"This pandemic has already had a devastating

impact on Africa and its effects will deepen as the rate of infection rises. It is a setback for the progress we have made to eradicate poverty, inequality and underdevelopment," said South African President Cyril Ramaphosa, who chairs the African Union.

"Large financing gaps remain and greater support is needed to ensure that African countries are able to respond effectively to the health crisis and address economic challenges," he said in a joint statement release by the IMF and World Bank.

It said official creditors had mobilized up to \$57 billion in emergency support for Africa in 2020 alone, including upwards of \$18 billion each from the IMF and the World Bank, and private creditor support could amount to an estimated \$13 billion this year. That still left a gap of \$44 billion, and that would remain elevated next year, it said.

In a joint briefing paper, the IMF and World Bank warned that the widespread lack of basic sanitation in Africa and a large share of the population with pre-existing medical conditions risked a wider and more lethal spread of the disease.

Costs could rise substantially if the health shock was prolonged, forcing containment policies to remain in place longer and making economic recovery slower and less robust, it said. Estimates showed that it would cost about \$36 billion to treat patients if 10% of Africa's population became infected with COVID-19, the respiratory disease caused by the virus.

BROADER DEBT RELIEF MAY BE NEEDED
Officials welcomed a decision this week by G20 countries and the Paris Club to suspend bilateral official debt service payments for the poorest countries through year-end, and underscored the importance of private sector buy-in.

In Africa, eligible countries owed private sector creditors \$16 billion in payments in 2020, or 10% of fiscal revenue, compared to \$6 billion owed to official bilateral creditors, the IMF and World Bank briefing paper said.

"Contingent on a more severe growth and revenue downturn, a broader group of countries may require debt relief and existing arrangements extended," it said.

World Bank Group President David Malpass said the Bank had already provided emergency support to 30 countries across Africa, with more to come, and it would continue to advocate for debt relief and increased resources.

"No one can stand on the sidelines; we cannot leave any country behind in our response," he said. Of \$160 billion in emergency funding the World Bank expects to provide over the next 15 months, \$55 billion would go to Africa, he said.

United Nations Secretary-General Antonio Guterres estimated Africa's financial needs ranged as high \$200 billion. He urged creditors to grant a debt standstill for all developing countries, not just the poorest.

Nonprofit groups have called for the IMF to raise additional resourcing by selling some of its gold

reserves or issuing an allocation of Special Drawing Rights, the currency of the global lender. Washington opposes an SDR allocation, which is akin to a central bank "printing" new money.

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West Africa

West African countries to issue \$1.4 billion in coronavirus bonds

23-Apr-2020

ABIDJAN, April 23 (Reuters) - **The members of the West African monetary union UEMOA plan to raise 846 billion CFA francs (\$1.40 billion) on the regional debt market in response to the coronavirus crisis, lead manager UMOA-Titres said on Thursday.**

The issue of the so-called COVID-19 social coupons will begin next Monday, UMOA-Titres said in an emailed announcement, adding that the instrument would benefit from access to a special refinancing office at the regional central bank.

UEMOA's members are Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.

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Cameroon

Fitch Revises Cameroon's Outlook to Negative; Affirms at 'B'

22-Apr-2020

April 22 (Reuters) - Fitch Ratings:

- **Fitch revises Cameroon's outlook to negative; affirms at 'B'**
- Fitch on Cameroon - forecast fiscal deficit on a commitment basis to widen to 5.3% of GDP in 2020 from 2.3% of GDP in 2019
- Fitch says revision of Cameroon's outlook on expectation economic, fiscal impact of coronavirus, plunge in oil prices to cause GDP to contract
- Fitch says expect Cameroon to meet its fiscal financing needs in 2020 and 2021
- Fitch on Cameroon - project a mild recovery in 2021, with GDP growing by 2.8%, below 2019 level (3.7%) and forecast 'B' median of 3.9%
- Fitch on Cameroon - forecast that Cameroon's economy will contract by 2.1% in

2020

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Congo Republic

Congo's economy to shrink 2.2% because of coronavirus

23-Apr-2020

JOHANNESBURG, April 23 (Reuters) - **The coronavirus pandemic will cause Democratic Republic of Congo's economy to contract 2.2% this year, the International Monetary Fund said on Thursday, as its executive board approved \$363 million in financing for the country.**

The IMF said it was slashing its previous growth forecast of 3.2% because of the fall in prices for key exports such as copper and the impact of containment and mitigation measures against the coronavirus.

IMF country representative Philippe Egoumé said in a media briefing that growth could rebound in 2021 to 3.5% if the virus is contained.

"But if it becomes a much bigger epidemic then all bets are off," he said.

The IMF said in a statement late on Wednesday that its executive board had approved the \$363 million disbursement under its Rapid Credit Facility.

The coronavirus outbreak has infected 377 people and killed 25 in Congo, which is also struggling to end a nearly two-year Ebola outbreak in the east.

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Egypt

Egypt to cut fuel subsidies, increase net debt issuance in 2020/21 budget

22-Apr-2020

CAIRO, April 22 (Reuters) - **Egypt plans to cut spending on fuel subsidies by 47% in its 2020/21 budget to 28.193 billion Egyptian pounds (\$1.8 billion), an explanatory note for its draft budget published on Tuesday showed.**

It allocates 52.963 billion pounds for fuel subsidies for the 2020/21 fiscal year, which begins on July 1.

In the most recent data available, the government cut its spending on fuel subsidies by about 69% to 7.25 billion pounds in the July-September 2019 quarter.

The government's draft budget also shows it aims to increase its net debt issuance by 19.7% to 974.482 billion pounds.

Its plans include issuance of treasury bonds worth 700 billion pounds and treasury bills worth 274.482 billion pounds, the document said.

(\$1 = 15.7000 Egyptian pounds)
(Reporting by Ehab Farouk, writing by Amina Ismail; editing by Jason Neely)
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Egypt economy forecasts reduced as coronavirus hits

22-Apr-2020

By Patrick Werr

CAIRO, April 22 (Reuters) - **Egypt's economy is expected to grow 3.5% in the fiscal year starting in July, according to a Reuters poll, down from the 5.9% that economists had been predicting only three months earlier, before the coronavirus outbreak swept the world.**

Growth for the current fiscal year, which ends on June 30, is expected to come in at 3.0%, down from the previous estimate of 5.8%, according to the median of forecasts from 20 economists polled from April 12 to 20.

The economy grew by 5.6% in the first half of 2019/20. In January, the finance ministry had projected 5.8% to 5.9% growth for the whole of 2019/20.

The planning ministry announced on Tuesday that it too had revised its projections downwards, forecasting growth of 4.2% in 2019/20 and 3.5% in 2020/21.

"Lower economic growth reflects weaker consumption, investment and exports," said NKC African, which alone among forecasters predicted Egypt's economy would fall into recession for the whole of 2020/21, with the economy contracting by 1.7%.

Egypt's economy had been boosted in the last three years by an upswing in tourism, strong remittances from Egyptian workers abroad and recently discovered natural gas fields coming onstream.

But since the coronavirus outbreak, tourism has collapsed, the price of gas plummeted and worker remittances come under threat with the decline of oil revenue in Gulf Arab states, where many Egyptians are employed.

Hit by fallout from the coronavirus, non-oil private sector activity in March contracted at the fastest rate since January 2017, shortly after the country implemented IMF-backed austerity measures, according to the IHS Markit Egypt Purchasing Managers' Index.

INFLATION SET TO INCREASE

The analysts expected Egypt's annual urban consumer price inflation to slow to 6.0% in 2019/20 from 9.3% in 2018/19, then rebound to 7.5% in 2020/21. In July 2017,

months after the IMF austerity measures, inflation peaked at 33%.

Inflation would remain subdued "as global and domestic factors related to the Covid-19 pandemic squeeze household and corporate demand," NKC African said. Lower global fuel prices and a strong Egyptian pound should also keep local prices down.

The poll also suggested that the central bank would lower its overnight lending rate to a median 9.75% by the end of June 2020 and 9.25% by the end of June 2021.

At its last Monetary Policy Committee meeting on April 2, the bank left its lending rate unchanged at 10.25%, two weeks after slashing it by three percentage points at a surprise meeting as a "preemptive" move to support the economy in the face of COVID-19.

(Polling by Md Manzer Hussain in Bengaluru; reporting and writing by Patrick Werr; editing by Larry King and Jonathan Oatis)
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Ghana

Moody's Changes Ghana's Outlook to Negative from Positive, Affirms B3 Rating

18-Apr-2020 00:34:51

April 17 (Reuters) -

- **Moody's says changes Ghana's outlook to negative from positive, affirms B3 rating**
- Moody's says outlook change reflects rising risks, emanating from coronavirus outbreak to Ghana's funding, debt service
- Moody's says Ghana's foreign- and local-currency bond and deposit ceilings remain unchanged

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Fitch Affirms Ghana at 'B'

21-Apr-2020

April 21 (Reuters) - Fitch:

- **Fitch affirms Ghana at 'B'; outlook stable**
- Fitch says affirmation of 'b' rating reflects Fitch's expectation of a swift recovery after coronavirus pandemic shock
- Fitch says affirmation of Ghana's rating reflects expectation of availability of additional fiscal and external financing options to sovereign
- Fitch says coronavirus crisis will cause a shock to Ghana's near-term growth and fiscal outturns

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Nigeria

IMF to consider Nigeria's \$3.4 bln request on April 28

24-Apr-2020

ABUJA/LAGOS, April 24 (Reuters) - **The International Monetary Fund on Friday said it would meet on April 28 to consider Nigeria's request for \$3.4 billion in emergency financing to combat the impact of the coronavirus.**

Sources told Reuters that setting a date to take the request before the board is a sign the proposal was slated for approval.

Nigeria, which is reeling from the twin hits of the oil price collapse and the new coronavirus pandemic, requested the emergency funding under the Fund's Rapid Financing Instrument.

Finance Minister Zainab Ahmed is seeking a total of \$6.9 billion from the IMF and other multilateral lenders.

The money would allow the government to address additional and urgent balance of payments needs, and to direct funds to priority health expenditures.

(Reporting By Chijioke Oluocha in Abuja and Libby George and Alexis Akwagiyiram in Lagos; Editing by Ken Ferris)

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South Africa

South African union federation calls for \$53 bln stimulus plan

21-Apr-2020

JOHANNESBURG, April 21 (Reuters) - **South Africa's largest trade union federation COSATU on Tuesday urged the government, companies and financial institutions to fund a roughly 1 trillion rand (\$53 billion) economic stimulus plan to cushion the blow of the coronavirus pandemic.**

COSATU is one of the main partners of the governing African National Congress and sits on the National Economic Development and Labour Council, which President Cyril Ramaphosa has been consulting on ways to mitigate the impact of the virus.

Ramaphosa will address the nation later on Tuesday on a new set of social and economic interventions, after imposing one of the strictest lockdowns on the continent late last month to try to contain the spread of the virus.

Africa's most industrialised economy has the highest number of confirmed cases in sub-Saharan Africa, at 3,300, with 58 deaths, as of

Monday.

COSATU parliamentary coordinator Matthew Parks said the group's stimulus plan would help prevent a massive economic contraction and resultant unemployment, which was already running at 40% by a broad definition before the coronavirus crisis.

"We need a massive stimulus plan which can't just be public funds. From the government side, there could be tax interventions, a scaling-up of social grants, but private firms including the banks should match every cent," he said.

"If you do a meek stimulus plan it gets you back to 40% unemployment. We need something on the scale of the Marshall Plan after World War Two."

Parks said raising the budget deficit beyond a 6.8% of gross domestic product (GDP) projection in February was the lesser of two evils, given the risk that half the country could be out of work without appropriate action.

A spokeswoman for Ramaphosa did not immediately respond to a request for comment.

Some business leaders told Reuters they agreed that there needed be a significant increase in stimulus measures, but thought the figure of 1 trillion rand, equivalent to roughly 20% of South Africa's 2019 GDP, was too high.

The government may also be wary of allowing a steep increase in state expenditure at a time when it is grappling with credit rating downgrades and higher borrowing costs linked to the coronavirus crisis.

(\$1 = 19.0289 rand)

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Editing by Tim Cocks and Kevin Liffey)

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South Africa says over \$4 bln available from IMF, World Bank to fight COVID-19

24-Apr-2020

JOHANNESBURG, April 24 (Reuters) - **South Africa's finance minister said on Friday more than \$4 billion was available from the International Monetary Fund and World Bank for the country to help it fight COVID-19, playing down worries that the money would come with onerous conditions.**

Africa's most industrialised economy has approached international financial institutions to contribute to a 500 billion rand (\$26.4 billion) rescue package aimed at cushioning the blow from the new coronavirus on businesses and poor households.

The approach comes despite deep suspicion in some governing party circles and within the influential trade union movement because of the conditions the IMF and World Bank might impose.

The minister, Tito Mboweni, said those opposed to the government borrowing from the IMF and

World Bank were making "a mountain out of an anthill". An IMF official told Reuters last week that the emergency funds on offer came with no requirement for a structural adjustment programme.

"The critical thing about the IMF facility that we would approach them for is that it is specific to the crisis. This is not the usual budget support or policy intervention or technical assistance and conditionalities. ... I think we need to understand that," Mboweni said.

"The IMF has indicated themselves that South Africa is entitled to apply for up to \$4.2 billion in response to this crisis," Mboweni told a news conference.

He added that South Africa could negotiate for a facility of "maybe between \$55 and \$60 million" at the World Bank.

South Africa is also talking to the African Development Bank and New Development Bank of the BRICS countries to try to source funding. The rest of the money for the rescue package is expected to come from cutting previously planned spending and domestic borrowing.

Separately, National Treasury said in a statement that the 200 billion rand loan guarantee scheme that also forms part of the package would be rolled out over the next few weeks.

The first phase will be for 100 billion rand, with COVID-19 loans available from commercial banks for firms with an annual turnover of less than 300 million rand.

(\$1 = 18.9153 rand)

(Reporting by Alexander Winning and Olivia Kumwenda-Mtambo; Editing by Jon Boyle, William Maclean)

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Tunisia

European Commission proposes 600 mln euros pandemic aid to Tunisia

22-Apr-2020

TUNIS, April 22 (Reuters) - **The European Commission is proposing financial aid to Tunisia of 600 million euros to help it limit the economic fallout of the coronavirus pandemic, subject to approval by the European parliament and EU council, it said on Wednesday.**

The money is part of a wider 3 billion euros assistance package for 10 non-EU countries in and around Europe, and would be made available for 12 months in the form of loans on favourable terms, the commission said on its website.

The first disbursement would be made as soon as possible after beneficiary countries agreed it, with a second instalment at the end of this year or early next year provided policy measures it

was conditioned on were implemented, it said.

Tunisia, reliant on tourism for nearly 10% of economic activity, faces financial disaster this year with the expected loss of revenue due to travel restrictions and lockdowns imposed to curb the spread of the coronavirus.

It has agreed a \$743 million loan to help it navigate the crisis this month from the International Monetary Fund, which forecast that Tunisia's economy would contract by 4.3% this year.

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Zambia

Zambia to hold IMF talks as coronavirus worsens economic outlook

20-Apr-2020

LUSAKA, April 20 (Reuters) - **Zambia will hold talks with the International Monetary Fund (IMF) on the southern Africa's country request for an economic programme, its finance minister Bwalya Ng'andu said on Monday.**

African nations including Zambia have become heavily indebted in the past decade and are seeking support from the IMF, World Bank and European Union for wide-ranging debt relief.

The IMF last week forecast Zambia's economy will contract by 3.5% in 2020, from growth of 1.5% in 2019, as the coronavirus pandemic hits economies across the world. Zambia's economic activity has also been hampered by widespread power shortages.

"Zambia will now discuss with the fund on an appropriate macro-economic framework that will lead to a programme eventually," Ng'andu told reporters.

Talks with the IMF hinged mainly on debt sustainability, Ng'andu said, adding that Zambia had already embarked on measures including reduced borrowing and the suspension of some projects.

Africa's No.2 copper producer has also applied to the African Development Bank and the African Export and Import Bank for support under various coronavirus emergency funds, he said.

It was also in bilateral talks with several G20 countries on the postponement or rescheduling of debt service payments over a period to be agreed.

To cushion local businesses from the fallout of the coronavirus pandemic, Ng'andu said Zambia had waived tax penalties and interest on outstanding tax liabilities and would suspend tax on medical supplies used to tackle the coronavirus.

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Zambia's budget thrown into disarray due to coronavirus

24-Apr-2020

LUSAKA, April 24 (Reuters) - **Zambia's budget has been thrown into disarray by the economic blow from the coronavirus outbreak and the government needs to take action to support businesses, President Edgar Lungu said on Friday.**

The southern African country has confirmed 84 cases of COVID-19 infections and three deaths from the lung disease.

Lungu said he had directed Finance Minister Bwalya Ng'andu to set up a coronavirus recovery fund to assist businesses and ordered the state Citizens Economic Empowerment Fund to invite more proposals for funding.

"Our expenditure on COVID-19 has been unplanned. Our exports are constricted. Copper prices are at all-time low. Tourism has been run aground," Lungu said in a live radio and television broadcast to the nation.

On Monday Ng'andu said Zambia, Africa's No.2 copper producer, would hold talks with the International Monetary Fund on its request for an economic programme.

To cushion local businesses from the fall-out of the pandemic, Ng'andu said Zambia had waived tax penalties and interest on outstanding tax liabilities and would suspend tax on medical supplies used to tackle the coronavirus.

The government will strike a balance between implementing health measures and ensuring that the economy keeps running to sustain people's livelihoods, Lungu said.

He lifted a suspension on religious gatherings but said bars, casinos and gyms would remain closed to curb the spread of COVID-19.

(\$1 = 18.6000 Zambian kwachas)

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GLOBAL

Fitch Ratings: Unparalleled Global Recession Underway

22-Apr-2020

Fitch Ratings-London-April 22: **Fitch Ratings has made further large cuts to global GDP forecasts in its latest Global Economic Outlook**

(GEO) in response to coronavirus-related lockdown extensions and incoming data flows.

"World GDP is now expected to fall by 3.9% in 2020, a recession of unprecedented depth in the post-war period," said Brian Coulton, Chief Economist at Fitch Ratings. "This is twice as large as the decline anticipated in our early April GEO update and would be twice as severe as the 2009 recession."

The decline in GDP equates to a USD2.8 trillion fall in global income levels relative to 2019 and a loss of USD4.5 trillion relative to our pre-virus expectations of 2020 global GDP. Fitch expects eurozone GDP to decline by 7%, US GDP by 5.6%, and UK GDP by 6.3% in 2020.

The biggest downward revisions are in the eurozone, where the measures to halt the spread of the coronavirus have already taken a very heavy toll on activity in 1Q20. We have cut Italy's 2020 GDP forecast to -8% following official indications that GDP already fell 5% in 1Q20 and after a recent extension of the lockdown there. Official estimates also point to France and Spain experiencing near 5% declines in GDP in 1Q20, with the Spanish outlook hit particularly hard by the collapse in tourism. Even allowing for a slightly less negative outlook for Germany - where the headroom for policy easing is greater and the benefits of a recovery in China will be felt more directly - eurozone GDP is expected to shrink by 7% this year.

No country or region has been spared from the devastating economic impact of the global pandemic. We now anticipate that GDP in both the US and the UK - where lockdowns started a little later than in the eurozone - will decline by more than 10% (not annualised) in 2Q20, compared to forecasts of around 7% in our early April update. This will result in annual GDP declines of around 6%, despite aggressive macro policy easing.

A notable feature of this update is sharp further downward revisions to GDP forecasts for emerging markets (EM). Falling commodity prices, capital outflows and more-limited policy flexibility are exacerbating the impact of domestic virus-containment measures; Mexico, Brazil, Russia, South Africa and Turkey have all seen big GDP forecast adjustments. With China and India both now expected to see sub-1% growth, we expect an outright contraction in EM GDP in 2020, a development unprecedented since at least the 1980s. We expect supply responses and a relaxation of lockdowns to help oil prices to recover in 2H20 from current lows, which are being exacerbated by storage capacity issues in the US and elsewhere.

Several major economies recently have extended lockdown measures, and we now need to incorporate national lockdowns of around eight or nine weeks as a central case assumption for most major advanced economies. This contrasts to our previous assumption of around five weeks. An extra month of lockdown would, all else being equal, reduce the annual flow of income (GDP) by around 2pp, as outlined in our previous GEO



update.

In addition, incoming data - including official 'flash' GDP estimates for 1Q20, monthly activity indicators for March and weekly labour market data - point to a daily loss of activity through lockdown episodes of closer to 25% than the 20% assumed previously. This is consistent with the recently released outturn for growth in China when GDP declined by 10% qoq in 1Q20, a period encompassing entry to and exit from a five-week lockdown.

"Macro policy responses have been unprecedented in scale and scope and will serve to cushion the near-term shock. But with job losses occurring on an extreme scale and intense pressures on small and medium-sized businesses, the path back to normality after the health crisis subsides is likely to be slow. Our forecasts now show US and eurozone GDP remaining below pre-virus (4Q19) levels through the whole of 2021," added Coulton.

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UN agency calls for \$1 trillion developing world debt write-off

23-Apr-2020

- **Poor countries face wall of debt service**
- **UN agency says G20 debt suspension not enough**
- **Much of developing world debt must be cancelled**

By Joe Bavier

JOHANNESBURG, April 23 (Reuters) - **Around \$1 trillion of debt owed by developing countries would be cancelled under a global deal proposed by the United Nations Conference on Trade and Development (UNCTAD) on Thursday to help them overcome the impact of the coronavirus pandemic.**

The world's developing economies, which were already struggling with a rapidly growing debt burden, must now confront a record global downturn, plummeting prices for their oil and commodities exports and weakening local currencies.

At the same time, they need to spend more money on healthcare and to protect their economies. Some 64 low-income countries currently spend more on debt service than their health systems, according to UNCTAD.

"This is a world where defaults by developing nations on their debt is inevitable," Richard Kozul-Wright, director of UNCTAD's Division on Globalisation and Development Strategies, said during a video conference with journalists.

In a report calling for a plan to relieve developing countries' debt burden, UNCTAD

estimated their liquidity and financing requirements due to the pandemic amount to at least \$2.5 trillion.

High-income developing countries have debt service obligations of between \$2 to \$2.3 trillion in 2020 and 2021 alone, while middle and low-income countries have debt service obligations of \$700 billion to \$1.1 trillion.

Having poured some \$8 trillion into stimulus for their own economies, the Group of 20 wealthy nations (G20) last week agreed to suspend the bilateral debt service payments by the world's poorest countries until the end of the year.

"It's kicking the can down the road," Kozul-Wright said. "You extend the problem and you pretend it's going to go away in two or three years time if growth picks up in the world economy. We don't think this is credible."

UNCTAD calculated the G20's debt moratorium would cover \$20 billion of public debt to official bilateral creditors. An additional \$8 billion would be included if all private creditors joined the initiative, and a further \$12 billion if all multilateral creditors did as well.

'GLOBAL DEBT DEAL'

That has little impact on the developing world's overall debt burden, the agency said, and the money would need to be paid back with interest at the end of the suspension.

Instead, it called for a "Global Debt Deal" that would grant initial one-year debt standstills on request, which could be extended after a review and would include a stay on all creditor enforcement actions.

Debt relief and restructuring programmes would follow to ensure long-term debt sustainability, a process that would require significant debt cancellation.

Using as a benchmark the case of post-war Germany, which saw about half its debt cancelled, UNCTAD calculated the figure for developing economies would be around \$1 trillion.

An independent debt authority would oversee the process rather than the International Monetary Fund and World Bank, which are among poor countries' leading creditors and therefore not impartial, according to UNCTAD.

Kozul-Wright said it was in the interest of wealthy nations to support a plan allowing developing countries to concentrate their resources on fighting the new coronavirus rather than their external debt.

"This is not a charity exercise," he said. "The health pandemic will eventually hit much of the south. If that happens there will be a blowback in terms of health to countries that thought they had somehow conquered this virus. That's almost inevitable."

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Saudi G20 presidency urges more donations to fund pandemic response

24-Apr-2020

WASHINGTON, April 23 (Reuters) - **The Saudi presidency of the Group of 20 major economies on Thursday called for further immediate donations to fund the emergency response to the coronavirus pandemic and develop needed vaccines.**

The G20 secretariat said \$1.9 billion had been donated by countries, philanthropic organizations and the private sector toward an \$8 billion target set by the Global Preparedness Monitoring Board, but more funds were needed.

"Global challenges demand global solutions and this is our time to stand and support the race for a vaccine and other therapeutic measures to combat COVID-19," Saudi G20 Sherpa Fahad Al-Mubarak said in a statement.

Additional funds were needed to pay for emergency response, diagnostics, treatment, and the development, manufacturing, and deployment of necessary vaccines, the statement said.

The Global Preparedness Monitoring Board, co-convened by the World Bank and the World Health Organization (WHO), in March urged donors to raise \$8 billion to augment funds already being committed by the World Bank and the International Monetary Fund.

It said it was critical to fully fund the WHO to coordinate and prioritize support efforts to the most vulnerable countries, develop new diagnostics, therapeutics and vaccines, strengthen surveillance and ensure sufficient supplies of protective equipment for health workers.

The United States has long been the biggest overall donor to the WHO, contributing over \$400 million in 2019, roughly 15% of its budget. But U.S. President Donald Trump this month suspended U.S. contributions, accusing the WHO of being "China-centric".

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EMERGING MARKETS

Debt relief for poor countries not as simple as it sounds

21-Apr-2020

By Marc Jones and Tom Arnold

LONDON, April 20 (Reuters) - **Some high-profile sovereign creditors are signalling a tentative willingness to help poorer countries with debt relief during the coronavirus pandemic - but many also caution that it won't be as simple as it sounds.**

Last week's agreement by G20 governments to

freeze as many as 77 poorer nations' debt payments for the rest of the year came with a warning from the head of the World Bank that private investors shouldn't expect a "free ride". All are fully aware of the problem. Defaults are already starting and across Africa, where the World Health Organisation is warning of up to 10 million coronavirus cases within six months, countries are facing a combined \$44 billion debt-servicing bill this year alone.

Charity groups estimate too that a wider group of 121 low- and middle-income governments spent more last year servicing their external debts than on their public health systems, now at breaking point, making the moral case for relief impossible to ignore.

"There is clearly a willingness from (private sector) creditors to be constructive, to give some breathing room," said distressed debt veteran Hans Humes of Greylock Capital.

Humes was part of Heavily Indebted Poor Country initiatives in the past, and he is now involved in an Institute of International Finance (IIF) group aiming to coordinate the private sector's support effort.

"The economic contraction has been breathtaking," he added, not to mention the fact that countries needed to prioritise their resources to save lives.

Beyond the goodwill and understanding though, there are serious complications.

David Loevinger, managing director of the Emerging Markets Group at fund manager TCW, said debt relief ultimately amounts to a debt restructuring. Restructurings are complex and typically take far longer than stricken countries now have.

As a result, the so-called International Development Association (IDA) countries in focus will have to decide whether they keep paying their bonds or stop and spend the money on ventilators and medicines instead.

"For many IDA countries, not servicing their debt will be the right decision and as a creditor we understand that and are happy to work with countries," Loevinger said during an IIF web-panel.

"But that will be considered a default by the credit rating agencies and that is an issue we are going to have to deal with."

GOODWILL, BAD RESULT?

The IIF estimates that the total amount of external debt in the countries in the G20 Debt Service Suspension Initiative has more than doubled since 2010 to over \$750 billion. Debt now averages more than 47% of GDP in these countries, too - a high reading considering their stage of development.

TCW's Loevinger cautioned that defaults could leave countries vulnerable to attack from litigious vulture funds. In the past there have been examples of some funds going after governments' assets or property.

Campaign groups have urged that the New York and London laws that govern most sovereign debt contracts be temporarily changed to shield

governments from those risks, but even that could store up problems.

Private investors are already concerned that emergency International Monetary Fund loans would push up countries' debt levels even further. They will also get priority when it comes to repayment in future, leaving less money to service other bonds.

Suspending traditional legal rights would also raise questions about what happens in the next crisis, whether it be another health epidemic or the locust plagues that have recently savaged East Africa, the Middle East and South Asia.

Nick Eisinger, principal for fixed income emerging markets at Vanguard, said the risk of pushing up borrowing costs meant it was very hard for the G20 to "compel" private creditors to participate in any debt relief.

Even the IIF, which is spearheading efforts to coordinate private investor involvement, says any relief from the sector will need to be voluntary and only considered for countries who formally request it.

"At the moment, it will be a gesture of goodwill and not legally binding. There will also be plenty of countries not wanting to jeopardise their Eurobond market access too," Eisinger said.

He estimated that it might not make a huge amount of difference, either. Eurobond coupon repayments for the Sub-Saharan African countries this year add up to around \$2.5 billion in 2020, rising to about \$3 billion for next year, but so called principal payments only add up to a few hundred million.

"To me, if there's an insistence on getting private creditors involved, it will do a lot more damage than support as it will disrupt meaningful sources of private funding".

Greylock's Humes had an additional warning that countries shouldn't try to use it as a quick-fix for their finances.

"Countries trying to use this as a solution for longer-term problems is not constructive".

(Reporting by Marc Jones and Tom Arnold; Additional reporting and Karin Strohecker; Editing by Hugh Lawson)

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IMF sees \$50 billion in current demand for new short-term liquidity line

22-Apr-2020

By Andrea Shalal

WASHINGTON, April 22 (Reuters) - **Current demand for the IMF's new short-term liquidity line could reach \$50 billion from several countries, IMF officials said on Wednesday, saying the facility could help countries address liquidity needs before they morphed into bigger problems.**

The International Monetary Fund is in talks with several unnamed countries about using the facility, the official said, but declined to name them.

The new instrument was approved by the IMF's executive board last week to help some of its members deal with widespread liquidity issues caused by the rapidly spreading COVID-19 pandemic caused by the novel coronavirus, which has triggered a deep global recession.

The global lender is racing to expand its toolkit to help more than 100 of its 189 member countries that are seeking help to deal with the health and economic fallout from the pandemic.

In a blog published on the Fund's website, IMF First Deputy Managing Director Geoffrey Okamoto said the new instrument would provide additional liquidity to countries that could not benefit from swaps offered by the Federal Reserve and other countries, filling a "critical gap in the global financial safety net."

IMF officials said use of the revolving liquidity line will be limited to countries that have very strong fundamentals and policy frameworks, are not eligible for concessional financing, and are not part of the Euro zone, the officials said.

Initially some 10 to 20 countries would be eligible to use it, but the number could change, they said.

"When the global capital pipelines freeze up, a short-term liquidity problem can quickly slide into a deeper and longer-lasting solvency problem. A liquidity line that is available on demand can be a lifeline in such cases," Okamoto wrote.

The IMF's granting of a short-term liquidity line (SLL) to a country will signal the Fund's "endorsement of their very strong policy frameworks and institutions to markets", he said, which in turn could lower their borrowing costs and provide support during volatile times.

The SLL will allow repeated drawdown and repayment during its 12-month duration, acting much like a credit card, where money can be drawn and replenished up to a limit, Okamoto wrote.

Successor arrangements were possible as long as the member continued to qualify, and still had a special balance of payment need, he said. It would carry a fee structure of 8 basis points, or \$800,000 for a \$1 billion credit line.

IMF officials said there had been "robust debate" among members about the IMF's proposal for a new Special Drawing Rights allocation, a move akin to a central bank "printing" new money, with the United States and other members in opposition.

While no allocation was likely "today or tomorrow," the Fund still saw merit in exploring a new allocation, said one of the officials. The IMF was also encouraging richer members to donate their existing SDRs for use in offering concessional lending to poorer countries, the officials said.

(Reporting by Andrea Shalal; additional reporting by



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Developing world needs \$1 trillion debt write-off

23-Apr-2020 17:03:23

JOHANNESBURG, April 23 (Reuters) - **Around \$1 trillion of debt owed by developing countries should be cancelled under a global deal to help them overcome the economic fallout of the COVID-19 pandemic, the United Nations Conference on Trade and Development (UNCTAD) said on Thursday.**

"This is a world where defaults by developing nations on their debt is inevitable," said Richard Kozul-Wright, director of UNCTAD's Division on Globalization and Development Strategies.

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Pandemic could fuel demand for 'diaspora bonds', says World Bank

24-Apr-2020

- **Says developing countries could generate \$50 bln a year**
- **Previous bonds have met with mixed success**
- **Some economists sceptical**

By Andrea Shalal and Tom Arnold
WASHINGTON/LONDON, April 24 (Reuters) - **The coronavirus pandemic and its devastating economic impact on developing countries could fuel fresh interest in so-called diaspora bonds that allow migrants to support their countries of origin, experts from the World Bank and other groups say.**

Dilip Ratha, the World Bank's lead economist on migration and remittances, told Reuters that diaspora bonds could generate about \$50 billion a year in total for developing countries, potentially helping to offset a sharp drop in foreign direct investment that is slated to fall by 37% this year.

However, such claims have met with scepticism in some quarters, given the plight of many migrants who have lost jobs and income during the crisis and as direct transfers of wages to their home countries - known as global remittances - decline sharply.

World Bank officials on Friday warned that developing economies could suffer close to a 3% decline in economic output if consumption and investment do not rebound quickly after the coronavirus pandemic.

Ratha said the World Bank has previously worked with Nigeria and India on diaspora bond issues and that other countries have expressed

interest in recent months as they scramble for resources to fight the virus and mitigate its impact.

Jay Benson, a senior researcher with the One Earth Future Foundation in Denver, Colorado, said potential issuers with large diasporan populations included Ethiopia, Somalia, Kenya, Liberia and the Democratic Republic of Congo. Ratha said diasporan investors were typically less skittish than outside investors.

"They have a connection to a country and have a vested interest, as they might return," he said, noting that migrants also often had greater access to land and assets.

"Then there's the 'feel-good factor' of what you've done for your home country."

Israel, which has raised more than \$40 billion through such bonds, saw uptake soar during its 1967 war.

Benson said Nigeria's first diaspora bond was oversubscribed by 130% and raised \$300 million, though Ethiopia had less convincing results with its 2008 and 2011 bonds.

Such bonds work best if structured carefully and allow early withdrawal if investors want to back other projects in the country concerned, Benson says.

'MOTIVATED'

"It's a tool that could work for any country with a significant pool of potential diaspora investors," he said.

"People are strongly motivated by seeing this kind of investment go toward healthcare and education, and seeing that their families, their friends ... back home are benefiting."

For all the mooted benefits, however, doubts remain over the potential of diaspora bonds in the current environment.

Farouk Soussa, senior Middle East and North Africa economist with Goldman Sachs, said such bonds were most successful during a crisis in the home country, when better-off migrants were able to help, but the coronavirus crisis has hit everyone, everywhere.

"We have heard the World Bank and others warn of sharp fall in remittances and it would seem bizarre for migrants to be sending less money home but to still have an appetite to invest in diaspora bonds," he said.

Scott Morris, senior fellow at the Center for Global Development, was also sceptical, noting that many migrants that sent wages to their home countries had also lost their jobs as a result of sweeping shutdowns in richer countries.

"It's a gimmick," he said of diaspora bonds.

"I think people expect too much of an initiative like that. A lot of people in the diaspora are basically living hand to mouth."

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