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Emerging Sovereign Debt Markets NEWS

Number 26 Week 20 – 26 June 2020

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ASIA

ADB approves $1.5 bln in Kazakhstan, Uzbekistan COVID-19 loans

25-Jun-2020
ALMATY, June 25 (Reuters) - **The Asian Development Bank (ADB) on Thursday approved a $1.0 billion assistance package to help Kazakhstan mitigate the impact of the coronavirus pandemic and a similar $500 million loan to Uzbekistan, the bank said.**
ADB said its aid would "support the comprehensive COVID-19 health policy response, social protection and employment protection measures, and economic stimulus plan introduced by the government to mitigate the adverse impacts of the pandemic".
The pandemic has caused Uzbekistan's economic growth projections to drop to 1.5% this year from 6% forecast previously, while the economy of Kazakhstan, also suffering from a drop in the price of oil, its key export, is expected to shrink.
Both countries introduced hard lockdowns between March and May, which hurt businesses and led to a surge in unemployment.

(Reporting by Olzhas Auyezov
Editing by Alexandra Hudson)
((olzhas.auyezov@thomsonreuters.com; +7 727 2508 500; Reuters Messaging: olzhas.auyezov.thomsonreuters.com@reuters.net))

China

China's bond issuance flat in May

20-Jun-2020
BEIJING, June 20 (Xinhua) -- **The value of bonds issued in China last month totaled 4.8 trillion yuan (about 676.9 billion U.S. dollars), the same as the amount issued in April, data from the country's central bank showed.**
Treasury bonds issued last month stood at 677.32 billion yuan, while local government bond issuance was 1.3 trillion yuan, according to the People's Bank of China (PBOC).
Financial bonds issued last month were valued at 849.05 billion yuan, and corporate debenture issuance topped 829.81 billion yuan.
The trust balance of the bond market totaled 106 trillion yuan at the end of May.
China has the world's second-largest bond market, which is growing rapidly and opening wider to overseas investors.
Last year, the country issued bonds worth 45.3 trillion yuan, up 3.1 percent from the previous year, PBOC data showed.

Enditem

China local govt special bonds net issuance at 2.19 trln yuan as of June 15

23-Jun-2020
BEIJING, June 23 (Reuters) - **China's special bonds net issuance by local governments totalled 2.19 trillion yuan ($309 billion) as of June 15, the finance ministry said on Tuesday.**
More than 80% of the proceeds were invested in transportation projects, municipal and industrial park infrastructure, and services for people's livelihood, the ministry said in a statement on its website.

($1 = 7.0859 yuan)
(Reporting by Lusha Zhang and Se Young Lee; Editing by Tom Hogue)
((LushaZhang1@thomsonreuters.com; 8610-56692106))

China's debt relief to support some stressed emerging markets

24-Jun-2020
By Tom Arnold
LONDON, June 24 (Reuters) - **China's pledge to relieve the debt burden owed to it by some emerging market governments could ease near-term liquidity pressures in nations struggling with the fallout from the coronavirus pandemic, Fitch Ratings said on Wednesday.**
Kenya, the Maldives, Ethiopia, Cameroon, Pakistan, Angola, Laos, Mozambique, Congo and Zambia are among countries with a significant share of their debt owed to China and eligible for debt relief, Fitch said.
The Chinese government has committed to participation in the group of 20 major nations' (G20) debt service suspension initiative (DSSI), which temporarily suspends debt repayments for 77 developing nations falling due between May and December.
Chinese financial institutions should consult with African countries to work out arrangements for loans with sovereign guarantees, President Xi Jinping said in a speech last week. Fitch said it viewed such loans as bilateral debt.
"China's involvement in the G20 initiative marks the first time it is participating in coordinated, multilateral global debt relief efforts," Fitch said in a note on Wednesday. "Relief from debt service obligations owed to China could play a role in easing liquidity strains faced by a small subset of the countries eligible for the DSSI."
China accounted for more than a quarter of the total external debt of DSSI-eligible countries, the International Institute of Finance (IIF) has estimated, making it the single largest bilateral creditor to those countries.
Some, including Kenya, have said they will not seek debt relief, fearing it could harm their ability to tap capital markets, while others, such

as Angola, may agree more extensive relief than is envisaged under the initiative, Fitch said.
In the same speech last week, President Xi also said China will exempt some African countries from repaying zero-interest rate loans due by the end of 2020. Interest-free loans form only a small part of total bilateral debt owed to China for most countries, Fitch said.

(Editing by Raissa Kasolowsky)
((Tom.Arnold@thomsonreuters.com; +442075428510; Reuters Messaging: tom.arnold.thomsonreuters.com@reuters.net))

Hong Kong

S&P Says Hong Kong 'AA+/A-1+' Ratings Affirmed; Outlook Remains Stable

26-Jun-2020
June 26 (Reuters) - S&P:
- **S&P says Hong Kong 'AA+/A-1+' ratings affirmed; outlook remains stable**
- S&P says Hong Kong's economy will likely suffer another deep contraction in 2020
- S&P says expect Hong Kong's fiscal deficit to widen with rollout of additional fiscal stimulus
- S&P says Hong Kong's stable outlook reflects expectation that economic conditions will stabilize, recover from covid-19 pandemic
- S&P - outlook reflects expectation that political developments between mainland china & Hong Kong to not fundamentally jeopardize HK's economic development
- S&P says it expects a significant economic contraction for Hong Kong in 2020
- S&P - outlook reflects expectation that institutional changes due to security legislation won't affect Hong Kong's autonomy in setting economic policies
- S&P says expect Hong Kong's economic activity to gradually recover toward the end of 2020 and rebound more firmly in 2021
- S&P - view Hong Kong's institutions, policymaking process as generally effective in promoting sustainable public finance & robust economic growth
- S&P says expect Hong Kong government to maintain its substantial net external asset position for the foreseeable future
- S&P says believe Hong Kong's financial sector poses moderate risk of contingent liability to government due to large banking-sector balance sheet
- **S&P says expect Hong Kong's fiscal deficit to increase to about 9.8% of GDP this fiscal year and about 3.7% over 2020-2023**
- S&P says project Hong Kong government's holding of liquid assets will decline from about 40% currently to a still-sizeable 28% of GDP by 2023

(Reuters.Briefs@thomsonreuters.com)

India

India Bond Yields Seen Little Changed; RBI Measures Awaited

22-Jun-2020
By Siddhi Nayak
NewsRise
MUMBAI (Jun 22) -- **Indian government bonds yields are likely to trade largely unchanged in early session, as market participants still await steps from the central bank to absorb the heavy debt supply.**
The yield on the benchmark 5.79% bond maturing in 2030 is likely to trade in a range of 5.82%-5.88% today, a trader with a primary dealership said. The note ended at 99.55 rupees, yielding 5.85%, on Jun. 19. The yield rose five basis points last week. The Indian rupee was at 76.19 to the dollar at 5:00 p.m. on Jun. 19.
"There is a lot of speculation that the Reserve Bank of India may announce an open market operation only in the next quarter, which should keep participants on the sidelines for the time being," the trader said. "There is scope for a sustained rally only if there is sufficient clarity on the supply front and RBI's intervention."
New Delhi hiked its annual borrowing target by 54% to a record high of 12 trillion rupees for this fiscal year and is widely expected to go in for another round of additional borrowing in the second half, as calls for additional spending have risen amid the coronavirus pandemic.
Traders have pinned hopes on the RBI to do most of the heavy lifting, and announce a quantum-heavy OMO to alleviate supply concerns in the debt market. Barclays sees an OMO calendar of three trillion rupees. The RBI has yet to announce an OMO in this fiscal year.
The government has raised an additional 360 billion rupees over and above the auction size in the last seven auctions, as state-run banks have been mopping up most of the excess supply due to surplus banking system liquidity, traders said. This trend is probably leading to a delay in RBI's OMO announcement, they added.
Fitch Ratings lowered its outlook on India's Long-Term Foreign-Currency Issuer Default rating to 'negative' from 'stable' citing weak growth and challenging fiscal metrics, but kept its sovereign rating steady at investment grade BBB-. Fitch expects the economy to contract 5% in this fiscal year.
Although financial markets did not react much to the outlook downgrade, bond traders said that the risk of a rating cut will continue to linger on bonds, amid rising fears of a fiscal slippage and a weak growth outlook.
India is emerging from a months-long lockdown with most restrictions lifted in areas that are not

so-called containment zones. The number of reported Covid-19 cases has risen to 410,461 so far, resulting in 13,254 deaths.
Crude oil prices rose on tighter supplies from major producers. India imports over 80% of its crude oil requirements.
KEY FACTORS:
*Benchmark Brent crude oil contract 0.5% higher at $42.40 per barrel, adding to last week's near-9% climb.
*Ten-year US yield at 0.6954%.
*Foreign investors bought net $20.32 million worth of Indian bonds on Jun. 19. In June so far, these investors sold net $439.34 million of Indian debt.
*Fitch Ratings' webinar on "Outlook for Asia-Pacific Sovereigns: Recovery amid lingering rating pressures."

*RBI likely to announce details of 300 billion rupees weekly bond auction.
- By Siddhi Nayak; siddhi.nayak@newsrise.org; 91-22-61353307
- Edited by Gourab Das
- Send Feedback to feedback@NewsRise.org

India's Finance Commission Expects Sharp Recovery Next Year, Eyes Fiscal Roadmap

26-Jun-2020
By Mukesh Jagota
NewsRise
NEW DELHI (Jun 26) -- **India's economy will post a sharp recovery beyond this year as the novel coronavirus pandemic threatens fiscal projections, chairman of the country's 15th Finance Commission said today.**
"This year we must not concentrate on fiscal deficit or debt but to minimise the pain," N.K. Singh told reporters. "Going beyond this year government has to consider how to return to the path of fiscal consolidation."
The Commission is working on a roadmap for sharing of resources between the centre and states while using projections for growth, fiscal deficit and other economic indicators till financial year 2026.
India's economy is expected to contract this year as a months-long lockdown brought most activities to a near halt. Economic growth slowed to an 11-year low of 4.2% in the last fiscal year that ended Mar. 31, while the fiscal deficit widened to 4.59% against a revised aim of 3.8%.
The federal and state governments' borrowing requirement have risen and the higher cost of borrowing for states is also a matter for concern, the chairman said.
However, higher growth in the coming years could help the fiscal trajectory, Singh added.
The chairman expressed doubts over borrowing by GST Council to pay compensation to states. Any such borrowing will be a part of the general government debt, he added.
The impact of the coronavirus pandemic on India's economy and on fiscal positions of the federal and state governments is still highly uncertain, members of Commission's advisory council had said today.
Earlier this month, Moody's Investors Service cut India's long-term credit rating by one notch to Baa3, the lowest investment grade, while maintaining a negative outlook. Fitch Ratings lowered its outlook on India's rating to negative from stable.

- By Mukesh Jagota; mukesh.jagota@newsrise.org; 01166767709
- Edited by Mrigank Dhaniwala
- Send Feedback to feedback@NewsRise.org

Indonesia

Debt to swell further to fund economic recovery

22-Jun-2020
Adrian Wail Akhlas, The Jakarta Post, Jakarta
Indonesia's debt will swell significantly next year as the government increases spending to help the country recover from the COVID-19 pandemic, an official has said.
The Finance Ministry's Fiscal Policy Agency head Febrio Nathan Kacaribu said Indonesia's debt-to-GDP ratio would swell to between 33.8 percent and 35.8 percent next year, up from 29.8 percent at the end of last year, to cover a widening budget deficit during the pandemic.
"This is a direct consequence of a countercyclical policy to support economic recovery and strengthen economic fundamentals in 2020 and 2021," Febrio said at a discussion on Wednesday. "We will continue to look at various financing sources to maintain the health of the debt ratio."
The government expects the budget deficit to reach 6.34 percent of GDP this year to cover a Rp 695.2 trillion (US$49.23 billion) stimulus package. In 2021, the government expects the budget deficit to hover between 3.05 percent and 4.01 percent.
The government is planning to issue another Rp 990 trillion worth of government bonds from June to December this year to finance the widening deficit. It had sold Rp 369 trillion worth of government bonds as of May, an increase of 98.3 percent from the same period last year. Next year's state budget figures are still under discussion.
"The government realizes that fiscal discipline is crucial to speed up economic recovery," Febrio added. "We expect the budget deficit will be able to return below 3 percent in 2022."
The government has relaxed the state budget

deficit ceiling of 3 percent of GDP, a cap introduced after the 1998 Asian financial crisis, which has never before been exceeded. The government has chosen to exceed the limit to fight the health, social and economic impacts of the pandemic.
However, the law that has allowed the government to circumvent the ceiling stipulates that the government must reinstate the 3 percent cap by 2023.
"Our fiscal policy for next year is speeding up economic recovery and strengthening sectoral reforms to prevent us from falling into the middle-income trap," Febrio said.
The government expects the economy to grow between 4.5 percent and 5.5 percent in 2021 and projects this year's growth will hover between 2.3 percent and negative 0.4 percent. Finance Minister Sri Mulyani Indrawati, however, said this year's growth looked more likely to be within the range of zero to 1 percent as the second-quarter economy was projected to shrink by 3.1 percent.
Indonesia booked its lowest GDP growth in 19 years in the first quarter: 2.97 percent. The coronavirus outbreak forced people to stay at home, disrupting business and economic activity.
Fitch Ratings director for sovereigns and supranationals Thomas Rookmaker expected Indonesia's government debt ratio to swell to 38 percent by the end of the year, adding that it would still be below the BBB rating peer median of 53 percent of GDP.
"A rapid increase in public debt resulting from rising budget deficits is a negative rating sensibility from our last review when we affirmed Indonesia's rating at BBB with a stable outlook, but that was before the coronavirus pandemic," Rookmaker told The Jakarta Post on Wednesday.
The key question from a ratings perspective is how the government will use the fiscal space and what impact it will have on Indonesia's medium-term public finances, he said.
"Indonesia has a policy record of fiscal prudence supported by the political spectrum. This gives credibility to the authorities to return public finance back to their precrisis track and could be supportive of the rating," Rookmaker stated.
World Bank senior economist for Indonesia Ralph van Doorn said last month that the country's debt would rise to 37 percent of GDP this year, driven by an increase in borrowing to cover for the widening budget deficit and to cope with the economic slowdown and rupiah exchange rate depreciation.
"Indonesia must maintain its hard-earned market confidence, which can be lost very easily, as credit rating agencies have signaled concerns [about debts] in the medium term," Van Doorn said.
"It must reinstate the deficit ceiling and end Bank Indonesia's partial financing of the deficit" after the virus threat subsides, he added.

Indonesia: AIIB lends US$1bn to Indonesia to combat virus

23-Jun-2020
The Asian Infrastructure Investment Bank has approved a total of US$1bn in loans for two projects in Indonesia to support the government's plans to strengthen its social safety nets, bolster health response and stem the economic downturn from the coronavirus pandemic.
The first loan for US$750m is co-financed with the Asian Development Bank and will go toward bolstering economic aid for businesses, including small and medium-sized enterprises, support for poor and vulnerable households, and strengthening the country's healthcare systems, according to a press release on Tuesday.
AIIB, in partnership with the World Bank, approved an additional US$250m to further strengthen the government's immediate response to the health crisis, which includes readiness for testing, surveillance, prevention and treatment of Covid-19, as well as hospital readiness.
"The Covid-19 pandemic has forced many developing countries to make difficult trade-offs to meet the urgent needs of their citizens," said DJ Pandian, AIIB's vice president, investment operations. "AIIB's support for Indonesia will contribute to the government's efforts to navigate these challenges during highly uncertain times."
Indonesia's projections for economic growth in 2020 forecast a sharp drop from the pre-Covid-19 projection of 5% to 2.3%, according to the government. It is further estimated that job losses due to the shutdown of the economy could be in the range of one million to seven million.

((Chien Mi Wong: +852 2912 6611, chienmi.wong@refinitiv.com, Twitter: @LPCLoans))
(Editing by Prakash Chakravarti)

Kuwait

Kuwait considers halting automatic 10% transfer to wealth fund, says govt official

21-Jun-2020
KUWAIT, June 21 (Reuters) - **Kuwait is considering making an annual 10% transfer of state revenue to its wealth fund conditional on budget surpluses, a government official told Reuters, as it seeks to bolster its finances amid low oil prices and the coronavirus pandemic.**
Despite its vast financial wealth, the oil

exporting nation could see its deficit widen to over 11% of gross domestic product (GDP) this year from a 4.8% surplus last year, the International Monetary Fund has estimated.
Kuwait cannot access international debt due to parliament opposition to a debt law proposed by the government.
The Future Generations Fund, which is managed by the Kuwait Investment Authority (KIA), automatically receives 10% of the state's oil revenue every year. The KIA also manages the General Reserve Fund, which has been depleting at a fast rate to plug the budget deficit.
The official, confirming a report by local newspaper Al Qabas, said the government wants to make the 10% revenue transfer conditional on achieving a budget surplus. He said the government would submit legislation on that to parliament but did not specify when.
The move could save more than 1 billion dinars ($3.25 billion) in the current fiscal year, the official said on condition of anonymity.
Established in 1976, the Future Generations Fund invests state revenue abroad.
Ratings agency Fitch this year estimated KIA's assets at $527 billion, equivalent to 380% of Kuwait's GDP at the end of the financial year ending in March.
The Future Generations Fund accounted for about $489 billion of KIA's total assets, while the rest is in the General Reserve Fund, Fitch said.
S&P Global Ratings in March cut Kuwait's rating by one notch due to the economic and fiscal effects of lower oil prices.

($1 = 0.3079 Kuwaiti dinars)
(Reporting by Ahmed Hagagy, writing by Davide Barbuscia, editing by Nick Macfie)
((Davide.Barbuscia@thomsonreuters.com; +971522604297; Reuters Messaging: davide.barbuscia.reuters.com@reuters.net))

Malaysia

S&P Rates Malaysia's Long Term Local Currency 'A', Long Term Foreign Currency 'A-'; Outlook 'Negative'

26-Jun-2020
June 26 (Reuters) -

- **S&P rates Malaysia's long-term local currency 'A' and long-term foreign currency 'A-'; outlook 'negative'**
- S&P says Malaysia outlook revised to negative; 'A-/A-2' foreign currency and 'A/A-1' local currency ratings affirmed
- **S&P says Malaysia outlook reflects additional downside risk to government's fiscal metrics, due to weak global economic climate, heightened policy uncertainty**
- S&P says economic impact of covid-19, with depressed oil prices and fiscal stimulus, will weaken Malaysian government's debt position for next few YRS
- S&P says in 2021, expect a strong rebound in growth of Malaysian economy largely on base effects

(Reuters.Briefs@thomsonreuters.com)

Oman

Oman switches to fiscal surplus after spending cuts

23-Jun-2020
By Davide Barbuscia
DUBAI, June 23 (Reuters) - **Oman switched to a fiscal surplus in the first four months of the year after it cut public spending amid low oil prices and the coronavirus crisis, official figures showed.**
While other Gulf States resorted to debt to fill state coffers, Oman - which has over $20 billion in outstanding bonds rated junk by major rating agencies - has avoided international markets after a spike in borrowing costs in recent months.
But severe cuts in public expenditure have led to a surplus of 134.2 million rials ($349.48 million) in January-April from a deficit of 133.2 million rials a year earlier, the figures released by the national statistics agency showed.
"Fiscal consolidation through expenditure rationalisation and sharper non-oil revenue generation is showing up in the statistics," said Ehsan Khoman, head of MENA research and strategy at MUFG.
Between March and April Oman's finance ministry directed government agencies to implement several cuts to their operational and development budgets.
It reduced spending for defence and security from January to April by over 17% year on year to 838.8 million rials and development expenditure for civil ministries during the same period by nearly 48% to 171.2 million rials, the figures showed.
The data may give some reassurance to investors in Oman's debt, concerned over the slow pace of fiscal reforms and economic diversification efforts.
Potential financial support from Oman's richer Gulf neighbours, particularly if conditional on fiscal consolidation measures, would give investors additional comfort, Khoman said.
Still, Oman faces one of the widest fiscal deficits in the region this year, estimated at over 16% of GDP by both MUFG and the International Monetary Fund.
Recent figures "really showed the proactive stance in pulling back the expenditure," said Monica Malik, chief economist at Abu Dhabi Commercial Bank.
But she added that expenditures tend to increase at the end of the year. "We still have to be cautious."

($1 = 42,000.0000 rials)
(Reporting by Davide Barbuscia, Editing by William Maclean)
((Davide.Barbuscia@thomsonreuters.com; +971522604297; Reuters Messaging: davide.barbuscia.reuters.com@reuters.net))

Moody's cuts Oman's rating by one notch to 'Ba3'

24-Jun-2020

June 23 (Reuters) - **Moody's Investors Service on Tuesday downgraded Oman's sovereign rating to "Ba3" from "Ba2", saying it is likely that the Middle Eastern country will be unable to offset revenue lost due to weaker oil prices and avoid a deterioration in its debt metrics.**
The ratings agency also changed Oman's outlook to negative from stable, on risks related to the Gulf nation's liquidity and external vulnerability.
Moody's said lower oil prices in the medium term will sharply raise Oman's debt and erode its debt affordability.
Oman is one of the weakest economies in the oil-rich Gulf region and has relied on debt to offset the impact of falling crude revenues.
Lockdowns to curb the COVID-19 pandemic have eroded oil demand, while prices tumbled further after Saudi Arabia and Russia in March threatened to flood the market with more oil.
Oman's recently announced fiscal consolidation measures to offset some oil revenue losses will not be sufficient to reduce Oman's debt, Moody's said.

(Reporting by Chinmay Rautmare in Bengaluru; Editing by Devika Syamnath)
((Chinmay.Rautmare@thomsonreuters.com))

Philippines

Central Bank of the Philippines - End-May 2020 GIR Level Surges to All-Time High of US$93.3 Billion

23-Jun-2020

The country's gross international reserves (GIR) level, based on preliminary data, rose by US$2.35 billion to US$93.29 billion as of end-May 2020 from the end-April 2020 level of US$90.94 billion. The month-on-month increase in the GIR level reflected inflows mainly from a) the National Government's foreign currency deposits with the BSP of proceeds from its issuance of ROP Global Bonds, and b) the BSP's foreign exchange operations. These inflows were partly offset, however, by the foreign currency withdrawals made by the NG to pay its foreign currency debt obligations.
The hefty level of GIR represents an external liquidity buffer which can cushion the domestic economy against external shocks. Specifically, it ensures availability of foreign exchange to meet balance of payments financing needs, such as for payment of imports and debt service, in extreme conditions when there are no export earnings or foreign loans. As of end-May 2020, the current GIR level is equivalent to 8.4 months' worth of imports of goods and payments of services and primary income.1 Moreover, it can cover 7 times the country's short-term external debt based on original maturity and 4.6 times based on residual maturity.
Net international reserves (NIR), which refers to the difference between the BSP's GIR and total short-term liabilities, likewise increased by US$2.34 billion to US$93.27 billion as of end-May 2020 from the end-April 2020 level of US$90.93 billion.

Philippines plans record $86 bln 2021 budget for post-pandemic recovery

24-Jun-2020

MANILA, June 24 (Reuters) - **The Philippine government is seeking a record 4.3 trillion peso ($85.89 billion) budget for 2021 focused on reviving a coronavirus-hit economy expected this year to shrink for the first time in two decades, a top official said on Wednesday.**
The administration of President Rodrigo Duterte faces the enormous task of resuscitating growth and creating jobs in 2021, before his six-year term ends in June of the following year.
The budget proposal, set to be submitted to Congress when it resumes session next month, is 5% higher than this year's 4.1 trillion pesos.
Budget Secretary Wendel Avisado said the proposal would help the government move past the pandemic and "provide the kind of programmes, activities and projects for our people, especially those who lost their jobs".
The Southeast Asian country, which used to enjoy one of the world's fastest economic growth rates before the coronavirus wreaked havoc on global business, is projected to suffer a 2% to 3.4% decline in gross domestic product this year, government officials have said.
Next year's spending is geared toward further buttressing the healthcare system, ensuring food security, hastening the government's digital transformation, and helping communities to rebound, according to a budget briefing document.
The proposed budget is separate from a 1.3 trillion peso stimulus bill that the lower house passed early this month, and another stimulus plan under discussion at the Senate.
The country's economic managers, however, have raised concerns about the stimulus packages proposed by Congress and the absence of excess revenues to fund them.

($1 = 50.0660 Philippine pesos)
(Reporting by Enrico Dela Cruz; Editing by Martin Petty)
(enrico.delacruz@tr.com)

Qatar

Fitch Affirms Qatar at 'Aa-' Outlook Stable

24-Jun-2020
June 24 (Reuters) - FITCH:

- **Fitch affirms Qatar at 'AA-'; outlook stable**
- Fitch says Qatar's ratings reflect strong sovereign net foreign asset position
- Fitch says expect that weaker hydrocarbon revenue & disruptions to non-hydrocarbon income will lead to low-single-digit deficits in 2020-2021 for Qatar
- Fitch says Qatar's ratings reflect robust response to limit fiscal impact of coronavirus pandemic
- **Fitch says expect Qatar's government debt/GDP to fall to 59% by 2021**
- Fitch says Qatar's contingent liabilities are large, in particular stemming from banks, which have assets of over 200% of GDP
- Fitch says in Fitch's view, Qatar is exposed to potential escalation of geopolitical tensions in region
- Fitch says Qatar's banks are at risk of potential volatility in external funding conditions
- Fitch says Qatar's contingent liabilities from non-bank sector are also significant

(Reuters.Briefs@thomsonreuters.com)

Saudi Arabia

IMF sees sharper than anticipated recession in Saudi Arabia

24-Jun-2020
By Davide Barbuscia
DUBAI, June 24 (Reuters) - **Saudi Arabia's economy will shrink by 6.8% this year, the International Monetary Fund (IMF) said on Wednesday, a sharper decline than the 2.3% contraction estimated in April, as low oil prices and the coronavirus pandemic hit the kingdom hard.**
In an update of its April World Economic Outlook forecast, the IMF said it now expects a deeper global recession in 2020 and a slower recovery in 2021, as the coronavirus crisis intensifies in many emerging and developing countries.
In Saudi Arabia, the world's largest oil exporter and the Gulf's largest economy, virus containment measures have crippled nascent sectors of the non-oil economy such as tourism and entertainment, and lower oil prices have slashed state revenues.
"The disruptions due to the pandemic, as well as significantly lower disposable income for oil exporters after the dramatic fuel price decline, imply sharp recessions," said the IMF in reference to several oil producing countries.
It projected Saudi Arabia's gross domestic product (GDP) to shrink by 6.8% this year but to bounce back to a 3.1% growth in 2021. In April, the Washington-based international crisis lender had forecast a 2.3% GDP contraction this year and a 2.9% growth in 2021.
In response to the crisis, Riyadh raised $7 billion in the international debt markets and used some $40 billion of foreign reserves to boost the firepower of its sovereign fund PIF, which bought billions of dollars of stakes in overseas companies.
It also ordered the tripling of value-added tax and suspended cost of living allowances for state employees, shocking private sector businesses and ordinary Saudis who were expecting more countercyclical support from the government.
"Saudi Arabia is taking massive risks with its contractionary fiscal policies and the next year could be brutal," Tarek Fadlallah, chief executive of Nomura Asset Management Middle East, said in a report this week.
"But given the failure of past attempts to restructure the economy, at least this one is bold."

(Reporting by Davide Barbuscia, Editing by William Maclean)
((Davide.Barbuscia@thomsonreuters.com; +971522604297; Reuters Messaging: davide.barbuscia.reuters.com@reuters.net))

South Korea

South Korea eyes foreign currency bond

26-Jun-2020
HONG KONG, June 26 (IFR) - **The Republic of Korea has sent banks a request for proposals for a potential foreign currency bond offering, according to a market source.**
The issue is capped at US$1.5bn, as announced earlier this month in the country's economic plan for the second half of this year. The finance ministry said it was reviewing a possible issuance of foreign currency bonds this year to manage its foreign exchange reserves.
The timing and currency of the potential offering are yet to be decided.
There are no international bonds due this year from the government, according to a finance ministry official.
South Korea last visited the international bond market in June 2019 with a US$1.5bn dual-trancher that included a five-year green

and sustainability portion. The sovereign issued renminbi bonds in 2015 and a euro tranche in 2014.

(This story will appear in the June 27 issue of IFR Magazine)
((Jihye.Hwang@refinitiv.com; +852 2843 1679; Reuters Messaging: Jihye.Hwang@thomsonreuters.com @reuters.net))
B South Korea 1

EUROPE

Bosnia

Bosnia, IMF could start talks on new funding arrangement in H2

24-Jun-2020
SARAJEVO (Bosnia and Herzegovina), June 24 (SeeNews) - **Bosnia could start talks with the International Monetary Fund (IMF) on signing a new funding arrangement in the second half of 2020, local media reported on Wednesday, quoting the Fund's resident representative Andrew Jewell.**
"The size of the arrangement still needs to be determined. In the meantime, we are in a regular dialogue with the authorities on the reforms in the health sector and the public sector," news daily Glas Sprske quoted Jewell as saying.
In April, the IMF said it’s turning its attention to negotiating a new, multiyear funding arrangement with the Bosnian authorities, following the approval of 333 million euro ($375 million) in emergency assistance to the country in the context of the coronavirus pandemic.
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.

($=0.887669 euro)

Bulgaria

Bulgaria to borrow 500 mln euro under EU's SURE programme

25-Jun-2020
SOFIA (Bulgaria), June 25 (SeeNews) - **Bulgaria's government will apply for a loan of some 500 million euro ($560.4 million) under the SURE programme, the European Commission's instrument for supporting employment during the coronavirus crisis, local media reported.**
This will results in an increase in the limit of state guarantees that Bulgaria can provide from its budget, by 310 million levs ($177.8 million/158.5 million euro) to 1.84 billion levs, public radio BNR quoted deputy finance minister Marinela Petrova as saying on Wednesday.
If Bulgaria's application is approved, the country will have to contribute about 210 million levs as guarantees under the SURE wage subsidy scheme.
Such a loan can be considered an alternative to foreign debt, but at a much better price, Petrova explained.
In April, the European Commission approved the Bulgarian government's 1.5 billion levs programme for preserving employment in the sectors most affected by coronavirus restrictions.
Under the scheme, the government is financing 60% of the wage costs, including the employers' social security contributions, of undertakings that would otherwise lay off staff due to the coronavirus outbreak. The measure is restricted to undertakings active in the sectors most affected by the current public health crisis, such as retail, tourism, passenger transport and culture.
According to the latest data, released by the government's employment agency earlier this month, the registered unemployment rate rose by 3.7 percentage points on an annual comparison basis in May. At the end of May, the number of registered unemployed people was 295,453, or 2,643 more compared to a month earlier.

(1 euro = 1.95583 levs)

Bulgaria's gross foreign debt falls 0.9% y/y at end-April

26-Jun-2020
SOFIA (Bulgaria), June 26 (SeeNews) - **Bulgaria's gross foreign debt fell by an annual 0.9% to 34.2 billion euro ($38.4 billion) at the end of April, the central bank said on Friday.**
The gross foreign debt at the end of April was equivalent to 52.6% of the projected 2020 gross domestic product (GDP), the Bulgarian National

Bank said in a statement.
At the end of April, Bulgaria's external debt was 0.3% higher compared to the end of 2019.

($ = 0.8913 euro)

Czech Republic

Czech end-March foreign debt 164.52 bln euros

22-Jun-2020
Prague, June 22 (Reuters) - **The Czech Republic's total foreign indebtedness dipped to 164.52 billion euros at the end of March from 172.25 billion euros at the end of December, the central bank's data showed on Monday.**
Private sector debt makes up 75.5% of the total volume.
Public sector debt, which includes the government sector, private subjects with government guarantees and subjects majority-owned by the state, makes up the remaining 24.5%.

(Reporting by Mirka Krufova, Editing by Robert Muller)((prague.newsroom@thomsonreuters.com; +420 234 721 617; Reuters Meaging: mirka.krufova.thomsonreuters.com@reuters.net))

Czech finance minister says 2020 GDP drop likely to be worse than 5.6% forecast

24-Jun-2020
PRAGUE, June 24 (Reuters) - **The Czech economy will likely drop more this year than the ministry had predicted in April, Finance Minister Alena Schillerova said on Wednesday.**
The ministry had forecast a 5.6% gross domestic product decline in its April quarterly macroeconomic outlook, while the central bank predicts an 8% fall.
Schillerova said at a presentation that the ministry would also skip releasing a July quarterly forecast update due to volatile developments, and prepare a new outlook only with the 2021 budget draft which is due in October.

(Reporting by Robert Muller
Writing by Jan Lopatka)
((jan.lopatka@thomsonreuters.com; +420 234 721 614; Reuters Messaging: jan.lopatka.thomsonreuters.com@reuters.net))

Czech government spent 1% of GDP on direct coronavirus aid so far

24-Jun-2020
PRAGUE, June 24 (Reuters) - **The Czech government has spent 56.7 billion crowns ($2.4 billion) so far on direct aid to companies and individuals to battle the economic impact of the coronavirus outbreak, Finance Minister Alena Schillerova said on Wednesday.**
The amount equals 1% of the country's 2019 gross domestic product.
The biggest chunks were direct compensation payments to the self-employed and payments to firms under a job furloughing scheme. Other aid included deferrals of tax and social or health insurance payments.
The amount represents roughly one fifth of 271 billion crowns planned in direct aid by the government. That amount includes not just aid to business but also extra costs of hospital care or payments for personal protective equipment.
The government has pledged to provide an overall stimulus of 20.8% of gross domestic product, the vast majority of which is to come through state-guaranteed credit provided by commercial banks.
These programmes have been criticised by businesses for coming too slowly. Schillerova said 15.3 billion crowns have been approved in loans from the programmes. A central bank statistic put the amount of actually drawn credit at 7.4 billion as of June 12.
In commercial loans guarantees, which make up three quarters of the government's anti-coronavirus package, the take-up has been just 15.3 billion crowns of the 851.5 billion planned, data presented by Schillerova at a business gathering showed.
The Czech economy is expected to shrink by 8% this year, according central bank forecasts, roughly in line with predictions by analysts in a poll assembled by the Finance Ministry.

($1 = 23.6320 Czech crowns)
(Reporting by Robert Muller and Jan Lopatka; Editing by Toby Chopra)
((robert.muller@thomsonreuters.com; +420 234 721 615; Reuters Messaging: robert.muller.thomsonreuters.com@reuters.net))

Czech govt has covered big portion of 2020 financing needs, ministry says

26-Jun-2020
PRAGUE, June 26 (Reuters) - **The Czech Republic's financing needs for 2020 have risen to 730.6 billion crowns ($30.6 billion), or 13% of its expected economic output, as the government ramps up spending to cushion the blow from the coronavirus crisis, the Finance Ministry said on Friday.**
The ministry said in an updated funding strategy that it had covered around 77% of its total 2020 crown-denominated financing needs in the first

half, leading to expectations of "smooth coverage" for the rest of the year.
The rise in financing needs almost matches the growth in the central state budget deficit, which has ballooned to an expected 500 billion crowns in 2020, a target for which the government is currently seeking lawmakers' approval.
But the country has had little trouble in borrowing thanks to demand staying strong, while the central bank has slashed interest rates to help an economy heading for a forecast 8% contraction in 2020. At auctions, investors have bid several times what the ministry offered and record amounts have been sold.
The yield on the benchmark 10-year bond has dropped to 0.80% from 1.63% since the start of the year.
In its borrowing strategy for the rest of the year, the ministry said it would re-open domestic bonds with maturities from 2022 and also issue a new bond maturing either in 2028, 2029 or 2035.
It also said it still preferred financing its euro-denominated needs on local markets and plans to issue a new zero-coupon bond in euros in July, with a maturity of 5-10 years.
It said it may look to foreign markets if domestic conditions deteriorated.
On secondary markets, the ministry said it would continue with tap sales and swaps. It also said it could launch buybacks, possibly to manage the state debt maturity profile.

(Reporting by Jason Hovet and Robert Muller; Editing by Hugh Lawson)
((jason.hovet@thomsonreuters.com; +420 234 721 613))

Hungary

Moody's Says Hungary's Credit Profile Supported by Diversified Economy and Commitment to Fiscal Consolidation

22-Jun-2020
June 22 (Reuters) - Moody's:

- **Moody's says Hungary's credit profile supported by diversified economy and commitment to fiscal consolidation**
- Moody's says Hungary's sizeable fiscal stimulus package will temporarily reverse fiscal improvements of recent years
- Moody's says it expects Hungary's economy to start to recover from coronavirus outbreak in h2 2020, supporting real GDP growth of 4% in 2021
- Moody's says coronavirus outbreak will cause Hungary's economy to contract in 2020 & lead to temporary rise in debt burden to 73.6% of GDP In 2020
- **Moody's says Hungary's sizeable public debt remains a key credit challenge**

(Reuters.Briefs@thomsonreuters.com)

Hungary's government still projects 3% recession this year

25-Jun-2020
BUDAPEST, June 25 (Reuters) - **Hungary's government still projects a 3% economic downturn this year due to the coronavirus pandemic, Prime Minister Viktor Orban's chief of staff Gergely Gulyas said on Thursday.**
Gulyas added, however, that there was no consensus within the cabinet about this year's economic performance, with some expecting a milder recession, while other officials predicting a more severe downturn.

(Reporting by Gergely Szakacs; Editing by Toby Chopra)
((gergely.szakacs@reuters.com; https://twitter.com/szakacsg; +36 1 882 3606; https://www.reuters.com/journalists/gergely-szakacs))

Hungary eyes green Samurai

26-Jun-2020
TOKYO, June 26 (IFR) - **Hungary has mandated banks for a potential yen green bond offering.**
The sovereign, rated Baa3/BBB/BBB/A–, has mandated Daiwa, Nomura and SMBC Nikko as coordinators for a roadshow in the week beginning July 13 ahead of the potential offering.
Hungary intends to update investors on its credit and the green bond framework.
The roadshow will be conducted via conference calls or video meetings and target mainly Japanese institutional investors.
A Samurai bond transaction in green format may follow.
The sovereign last visited the Samurai market in March 2018, when it sold ¥30bn (US$280m) of three-year bonds via Daiwa and SMBC Nikko.

(This story will appear in the June 27 issue of IFR Magazine)
((Takahiro.Okamoto@thomsonreuters.com))
C Hungary

Poland

Poland's budget deficit rises to 25.9 bln zlotys at end-May

21-Jun-2020
WARSAW, June 21 (Reuters) - **Poland's budget deficit at the end of May was 25.9 billion zlotys ($6.49 billion), the Finance Ministry said on Saturday, up from 18.9 billion zlotys**

at the end of April as the country battles the fallout of the coronavirus pandemic.
The largest economy in the European Union's eastern wing had been aiming for its first balanced budget this year since the fall of communism three decades ago.
Poland has announced a package of spending, guarantees and liquidity measures worth over 300 billion zlotys to help the economy during the pandemic.

($1 = 3.9900 zlotys)
(Reporting by Alan Charlish and Pawel Florkiewicz; editing by Nick Macfie)
((alan.charlish@thomsonreuters.com; +48 22 653 9723))

Poland aims to propose amended 2020 budget within 2 weeks

22-Jun-2020
WARSAW, June 22 (Reuters) - **Poland's finance minister aims to propose an amended 2020 budget in about a week and a half, he said on Monday, to reflect changing circumstances because of the COVID-19 pandemic.**
"I expect that in a week and a half or two weeks we will be able to propose the amended budget." Tadeusz Koscinski said during an appearance at the online European Economic Congress.
"We want to implement the amendment by the end of July," he added.

(Reporting by Alan Charlish
Editing by David Goodman)
((alan.charlish@thomsonreuters.com; +48 22 653 9723))

Romania

Romania sells above target 1.045 bln lei (216 mln euro) 2028 T-bonds, yield falls

22-Jun-2020
BUCHAREST (Romania), June 22 (SeeNews) - **Romania sold on Monday sold 1.045 billion lei ($242 million/216 million euro) worth of Treasury notes on January 26 2028, above initial target, central bank data showed.**
The average accepted yield fell to 3.87% from 4.43% achieved at the previous auction of government securities of the same issue held in May, the data indicated.
Demand for the T-notes, which carry an annual coupon of 4.15%, rose to 1.593 billion lei from 825 million lei at the previous auction.
The issue will be reopened on Tuesday when the finance ministry hopes to raise 75 million lei in a non-competitive tender.
The finance ministry intends to sell 5 billion lei worth of government securities in June, including 510 million lei in non-competitive offers.
Year-to-date, the ministry has sold some 39 billion lei and 150 million euro worth of government bills and bonds and has tapped foreign markets for 6.3 billion euro of 2026, 2030, 2032 and 2050 Eurobonds.

(1 euro=4.8415 lei)

Romania budget deficit jumps to 3.6%/GDP at end-May

26-Jun-2020
BUCHAREST, June 26 (Reuters) - **Romania's consolidated budget deficit expanded to 3.6% of gross domestic product in January-May against a 2.5% gap at the end of April, as a state of emergency imposed to fight the new coronavirus hit revenue, the finance ministry said on Friday.**
In nominal terms, the deficit was 38.8 billion lei ($9.01 billion). It said the impact mostly came from delayed tax payments over the past months.
It said revenues amounted to 119.6 billion lei, 3.4% down on the year, amounting to 11.1% of GDP. Spending stood at 158.4 billion lei.

($1 = 4.3074 lei)
(Reporting by Radu Marinas)
((radu.marinas@thomsonreuters.com))

Russia

Fitch Ratings: Temporary Relaxation of Russia's Fiscal Rule Consistent with Macro Stability

24-Jun-2020
Fitch Ratings-London/Frankfurt-24 June 2020: **Russia's likely temporary relaxation of its fiscal rule as part of its coronavirus response is not expected to damage recent progress in improving macroeconomic stability and reducing oil dependence, Fitch Ratings says in a new report.** A temporary increase in the primary spending ceiling is likely, but we do not currently expect additional changes to, or a suspension of, the rule. The current rule has been more effective than previous ones in delinking Russia's economic growth and public finances from oil price movements. It has helped underpin an improved policy mix incorporating exchange-rate flexibility and a strong commitment to inflation targeting, and has boosted Russia's resilience to shocks compared with the oil price fall of 2014/2015. **More credible and consistent policymaking, resulting in improved macroeconomic stability, together with a stronger sovereign**

balance sheet also contributed to our upgrade of Russia to 'BBB'/Stable in August 2019 (affirmed in February 2020). Russia's coronavirus response has included interest rate cuts, including a 100bp cut on 19 June to a record low of 4.5% since inflation targeting was introduced in 2014, and a moderate fiscal response, worth 2.9% of GDP including guarantees. This is consistent with our view that fiscal settings will remain prudent to preserve fiscal buffers as well as macroeconomic stability and market confidence. Adopted in 2017, the fiscal rule uses a baseline oil price assumption. When prices are above this assumption, excess oil and gas revenue is saved in the National Wealth Fund (NWF). If oil prices are below the assumption, the government can draw down money from the NWF to replace the revenue shortfall (drawdowns are capped if the fund's liquid assets fall below 5% of GDP). The baseline assumption for 2020 was USD42 a barrel, compared with Fitch's forecast of USD35 a barrel. Nevertheless, the economic impact of the coronavirus and oil price shocks (Fitch forecasts real GDP to contract 5% in 2020) means we expect additional borrowing to compensate for the loss of non-oil revenue and support anti-crisis spending. **We expect this to lift the structural primary deficit in 2020 to 1.9% of GDP, above the 0.5% of GDP level in the fiscal rule. This could increase sovereign debt issuance in 2020 by RUB1.5 billion.**

Slovenia

Slovenia sells T-bills worth total 208 mln euro

22-Jun-2020

LJUBLJANA (Slovenia), June 22 (SeeNews) – **Slovenia's finance ministry said it sold a combined 36 million euro ($ million) worth of three-month and six-month Treasury bills, and 18-month Treasury bills worth 172 million euro.**

The ministry sold three-month Treasury bills worth 15 million euro, below the 50 million euro target and the 20 million euro demand, it said in a statement earlier this month.

The issue yielded a negative 0.35%, compared with a negative yield of 0.25% at the previous auction of three-month government securities held in May. The newly sold securities will mature on September 10, 2020.

The finance ministry also auctioned 21 million euro worth of six-month Treasury bills, lower than the 60 million euro target and below the 41 million euro demand. The issue, which matures on December 10, 2020, yielded a negative 0.30%, compared with a negative yield of 0.20% achieved at the previous auction in May.

In addition, 18-month securities worth 172 million euro were sold, above the 150 million euro target but below the 287.5 million euro demand. They yielded a negative 0.16%, compared with a negative yield of 0.01% in the May auction.

The newly issued papers mature on October 14, 2021.

In May, Slovenia sold 25 million euro worth of three-month securities, meeting demand, 28.3 million euro worth of six-month debt, lower than the 39.8 million euro demand, and 306 million euro of 18-month securities, below the 481.5 million euro demand.

Turkey

Turkey's central govt debt up 34% y/y at end-May

23-Jun-2020

ANKARA (Turkey), June 23 (SeeNews) - **Turkey's central government debt totalled 1.63 trillion lira ($238 billion/210 billion euro) at the end of May, up 34% year-on-year, the finance ministry said.**

Some 808.2 billion lira of the debt stock is denominated in the local currency while the remaining 825.2 billion lira is in foreign currency, the ministry said in a statement on Monday.

Turkey's central government debt totalled 1.22 trillion lira as of the end of May 2019.

(1 euro = 7.73988 lira)

Ukraine

Ukraine's state debt 0.6% up in hryvnia, 0.8% in dollars in May

26-Jun-2020

KYIV. May 26 (Interfax-Ukraine) - **The total government debt of Ukraine in May 2020 increased by 0.6% in hryvnias, to UAH 2.209 trillion, and in U.S. dollar terms by 0.8%, to $82.12 billion, according to the website of the Ministry of Finance.**

The agency also indicated that all four auctions planned for May were held and allowed to attract UAH 51.6 billion to finance the state budget, of which UAH 41.8 billion in hryvnias.

It is noted that in May investors were only once offered bonds denominated in foreign currency: on May 19 six-month bonds worth $368.8 million were placed.

"Against the backdrop of a growing demand and stabilizing economic conditions, the average

weighted yield on government domestic loan bonds decreased, in particular for three-month government bonds from 11.26% in early May to 10.19% at the end of the month. The decrease in rates for six-month government bonds was 95 basis points, to 10.33% per annum," the ministry said.
According to him, in May Ukraine paid off the second issue of Eurobonds under U.S. guarantees in the amount of more than $1 billion.
"Thanks to the re-profiling of external government bonds in the National Bank's portfolio, conducted in 2017, for inflation-linked bonds, the Ministry of Finance significantly saves on servicing these government bonds," the ministry added.
As reported, the coupon rate on bonds that are in the NBU's portfolio for a total of UAH 145.2 billion in the reporting period amounted to 4.5% per annum compared with the rate of 12.6%, which was before re-profiling.
Repayments in May amounted to UAH 43.2 billion for state debt principal and UAH 12.7 billion for servicing.
"Fluctuations in the foreign exchange market in May were minimal (according to the NBU, the hryvnia against the U.S. dollar strengthened by about 0.3%). Accordingly, the impact on the state of public debt was insignificant," the Finance Ministry said.
According to its report, in May this year direct government debt increased by 0.9% in dollar terms, to $72.4 billion, and in hryvnias by 0.7%, to UAH 1.948 trillion. In particular, external direct debt in May decreased by 2.2%, to $39.32 billion (in hryvnias it decreased by 2.3%, to UAH 1.058 trillion).
State-guaranteed debt last month grew by a mere 0.02%, to UAH 261.51 billion, in dollars by 0.3%, to $9.72 billion. In particular, external debt decreased by 0.05%, to UAH 245.533 billion, and in dollars it grew by 0.3%, to $9.103 billion.

LATIN AMERICA AND CARIBBEAN

Argentina

Argentina extends $65 bln debt deadline to July 24 after talks stall

20-Jun-2020
By Adam Jourdan, Eliana Raszewski and Jorge Iorio
BUENOS AIRES, June 19 (Reuters) - **Argentina will extend a deadline for $65 billion debt restructuring talks by more than a month, the country's economy ministry said late on Friday, after negotiations with creditors stalled this week leaving a deal hanging in the balance.**
The extension to July 24 comes with creditors and the government at an impasse, with one bondholder group slamming the negotiations this week as a "failure". Reuters reported that the Friday deadline would be pushed back.
The delay gives breathing room for the two sides to defuse tensions and bridge the remaining divide after having made significant progress over recent months.
The South American grains producer, long a boom-and-bust economy that in May defaulted for a ninth time, has twice improved a proposal to revamp its foreign debt. A deal is key to averting a long and messy legal standoff.
"We are going to pick ourselves up and we are going to find an agreement," center-left Peronist President Alberto Fernandez, who took office last December, said in a radio broadcast on Friday, adding he was "confident" a deal could be reached.
Creditor groups are demanding Argentina improve the offer further, while the government stance is that it cannot cede ground after raising its proposal to around 50 cents on the dollar, plus an additional export-linked sweetener.
Two of the main groups said in a statement on Friday they remained ready to engage constructively with Argentina, though were disappointed with the government's decision to "terminate dialogue" with creditors.
Despite the tensions, the two sides should eventually be able to reach a deal, analysts said.
"While it would have been better that negotiations continued with more constructive statements, this is not the first time the restructuring would seem to be at an impasse," Morgan Stanley said in a note.
It said that at a 10% exit yield, the government's offer was worth around 49.7 cents, while the most aggressive counter from two groups, including names like BlackRock, Fidelity and AllianceBernstein, was worth around 57 cents.
"At less than 8 points difference, it would not benefit either side to completely break away from negotiations," the investment bank said, adding it stuck by its view that a deal would be reached in the third quarter of the year.
'DANCING AROUND A DEAL'
Goldman Sachs said while risks had risen, the two sides may ultimately find a way to bridge a gap it calculated at 5 cents and "avoid a disorderly and contentious default."
The country's over-the-counter bonds rose on average 1.2% on Friday after losing ground a day earlier.
Argentina's government now faces bond repayments looming at the end of the month that have a 30-day grace period. It defaulted on three interest payments in May.
Siobhan Morden at Amherst Pierpont said in a note the options appeared to be returning to talks or using coercive tactics to force a resolution, adding that "both sides lose from a

protracted impasse or unresolved debt crisis."
"Dialogue is still open, but it is very challenging," said a source familiar with the government's thinking.
"Creditors do not yet realize that the government has reached the absolute limit of what they are able to offer."
A bondholder with knowledge of the negotiations said the two sides seemed to be skirting around a deal.
"It's like we're sort of dancing around it. It's a game, they are treating this like a continuation of a poker game that they want to keep playing," he said.

(Reporting by Adam Jourdan, Jorge Iorio, Jorge Otaola and Eliana Raszewski in Buenos Aires, Rodrigo Campos in New York, Marc Jones and Karin Strohecker in London; writing by Hugh Bronstein, Editing by Nick Zieminski, Dan Grebler, Grant McCool and Sonya Hepinstall)
((adam.jourdan@thomsonreuters.com; +54 1155446882; Reuters Messaging: adam.jourdan.thomsonreuters.com@reuters.net))

Argentina says May primary fiscal deficit was 251.287 bln pesos

22-Jun-2020
BUENOS AIRES, June 22 (Reuters) - **Argentina had a primary fiscal deficit of 251.287 billion pesos ($3.66 billion) in May versus a surplus of 25.974 billion pesos in the same period a year earlier, the economy ministry said on Monday.**
Argentina had a primary fiscal deficit of 228.82 billion pesos ($3.42 billion) in April of this year.

(Reporting by Jorge Iorio; writing Cassandra Garrison; Editing by Sandra Maler)
((Cassandra.Garrison@thomsonreuters.com; +54 11 5830 7443))

Bahamas

Moody's Downgrades Bahamas to BA2, Changes Outlook to Negative, Concluding Review for Downgrade

26-Jun-2020
June 25 (Reuters) - Moody's:

- **Moody's downgrades Bahamas to BA2, changes outlook to negative, concluding review for downgrade**
- Moody's says large shock caused by coronavirus crisis will weigh significantly on Bahamas' economic & fiscal strength over medium term
- Moody's says funding conditions will become more constrained for Bahamas government because of larger financing needs
- Moody's says it expects a loss of over 50% of tourism flows for Bahamas in 2020 relative to 2019
- Moody's says large GDP contraction in 2020 will weigh on Bahamas' fiscal accounts through FY that ends in June 2021
- Moody's says given Bahamas' higher borrowing requirements for fiscal 2020/21, government could face more pronounced liquidity challenges than currently expected
- **Moody's says Bahamas' outlook reflects expectations that government's credit profile will be exposed to downside risks related to tourism sector recovery**
- Moody's says downside risks to Bahamas' credit profile will remain over next 2 YRS

(Reuters.Briefs@thomsonreuters.com)

Brazil

Brazil posts $1.3 bln current account surplus in May

24-Jun-2020
BRASILIA, June 24 (Reuters) - **Brazil posted a current account surplus of $1.3 billion in May, the central bank said on Wednesday, which helped narrow the overall deficit slightly over the preceding 12 months to 2.5% of gross domestic product.**
That was less than the $1.9 billion surplus forecast in a Reuters poll of economists. Foreign direct investment in May totaled $2.55 billion, the central bank said, more than the $1.65 billion forecast in a Reuters poll.

(Reporting by Jamie McGeever; Editing by Andrew Heavens)
((jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net))

Brazil's primary deficit this year could exceed 11% of GDP

24-Jun-2020
BRASILIA, June 24 (Reuters) - **Brazil's primary budget deficit this year could reach 800 billion reais ($152 billion), or more than 11% of gross domestic product, Treasury Secretary Mansueto Almeida said on Wednesday, which would be higher than current official forecasts.**
Speaking in an online live event hosted by Citi, Almeida also said the economy is likely to shrink by 6-7% this year, again more than the government's official projection of a 4.7% decline.

($1 = 5.25 reais)
(Reporting by Jamie McGeever)

((jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net))

Brazil federal public debt up 2.17% in May to 4.25 trillion reais

24-Jun-2020

BRASILIA, June 24 (Reuters) - **Brazil's federal public debt rose 2.17% in May to 4.25 trillion reais ($806 billion) from the month before, the Treasury said on Wednesday.**
Treasury also said that non-residents' debt holdings fell to 9.1% of the overall total from 9.4% in April, which is the lowest share held by foreigners since December, 2009.

($1 = 5.27 reais)
(Reporting by Jamie McGeever)
((jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net))

Colombia

Fiscal effects of coronavirus, oil could last years in Colombia

23-Jun-2020

BOGOTA, June 23 (Reuters) - **The fiscal fallout of the coronavirus pandemic and low oil prices could affect Colombia for several years, Richard Francis, director of sovereign ratings at ratings agency Fitch, said on Tuesday.**
Colombia's government predicts the usually healthy economy will contract 5.5% this year. The country has suspended its fiscal deficit limits for 2020 and 2021 and issued billions in bonds as unemployment rises and businesses close during a months-long quarantine.
Fitch Ratings in April lowered Colombia's credit rating to BBB- from BBB, while Standard and Poor's in March revised its outlook on the country to negative from stable.
"In the case of Colombia, it was not just the factor of the pandemic, it was also the fall in the oil price," Francis said in a video interview broadcast by financial magazine Dinero.
That fall will have "an effect on the fiscal side not this year but next year," he said. "It means a loss of not only a year but probably two or three years at least, so the adjustment will be harder in the case of Colombia."
Fitch has predicted GDP contraction of 4.5% for this year, but will likely soon change that estimate, Francis said.
The agency has doubts about whether the government will be able to return to fiscal deficit limits and lower debt, he said, adding Fitch currently predicts a fiscal deficit of 7% this year but it could be larger.
"We still have doubts about the government's path."
Whatever the government can do to help businesses, especially small ones, in the face of spiking unemployment and bankruptcies will be very important for economic reactivation, Francis said.
There is likely still room for the central bank to further lower the 2.75% interest rate, he added.
Policymakers, who cut the rate by 50 basis points in the last three months, will meet next week.

(Reporting by Julia Symmes Cobb)
((julia.cobb@thomsonreuters.com; +57-316-389-7187))

Mexico

Mexico to offer $11 billion in auctions via Fed swap mechanism

22-Jun-2020

MEXICO CITY, June 22 (Reuters) - **Mexico will put up a total of $11 billion in two auctions via a swap mechanism agreed with the U.S. Federal Reserve earlier this year, Mexico's currency commission said on Monday.**
The two auctions, worth $7 billion and $4 billion respectively, would be held on June 24 and June 29, the commission said in a statement.

(Reporting by Dave Graham; Editing by Frank Jack Daniel)
((dave.graham@thomsonreuters.com; +52 1 55 5282 7146; Reuters Messaging: dave.graham.thomsonreuters.com@reuters.net))

Mexico to increase amount of debt sold in third quarter

26-Jun-2020

MEXICO CITY, June 26 (Reuters) - **Mexico said on Friday it would increase the amount of 3-year, 10-year, and 30-year inflation-linked development bonds, or Udibonos, sold in the government's debt issuance program during the third quarter.**
The finance ministry said in a statement that compared to the second quarter, it will also increase the amount of 3-year, 5-year, 10-year, 20-year and 30-year fixed interest bonds, or Bonos M, issued.
Weekly issuance of Cetes, or treasury bills, will remain unchanged at between 5 billion and 15 billion pesos.
The government will lower the amount of 5-year Bondes D bonds it sells to 7 billion pesos ($304.5 million), from 8 billion pesos.

($1 = 22.9914 Mexican pesos)
(Reporting by Anthony Esposito; editing by Jonathan

Oatis)
((anthony.esposito@thomsonreuters.com; +5255 5282 7140; Reuters Messaging: anthony.esposito.thomsonreuters.com@reuters.net))

Uruguay

Uruguay dials back clock with rare inflation linker

24-Jun-2020
By Paul Kilby
NEW YORK, June 24 (IFR) - **Uruguay hit the market on Wednesday with a US$1.5bn equivalent two-part bond trade, as it seeks to raise funding to buffer the country against fallout from the Covid-19 pandemic and take out outstanding debt.**
The South American nation has set a final yield of 3.875% on a new inflation-linked Ps47.097bn (US$1.1bn) 2040 bond, the tight end of guidance of 4% (+/-12.5bp) and inside initial talk of low 4% area.
It is also set to price a US$400m tap of its 4.375% 2031 bond at US Treasuries plus 180bp, well inside IPTs of 200bp area.
The inflation-linked amortizer, which has a 19-year average life and is payable in US dollars, marks a change in strategy for Uruguay which has been focusing on issuing peso bonds to foreigners with nominal rates.
Indeed, Uruguay has not sold an inflation linked bond to international accounts since 2011.
The country hit a milestone in 2017 when it funded itself fully that year in peso bonds but through its first ever local currency fixed-rate securities.
"They have had a long standing desire to go nominal over inflation linked peso bonds so they could have a fixed cost on their balance sheet," said a banker.
But nominal fixed-rated peso bonds are now less alluring to foreign accounts amid heightened FX volatility and its pass-through impact on inflation, which is running at an annual rate of around 11% in Uruguay.
Uruguay inflation-linkers, which have been offering real rates of around 3.5%, are a different story, however. And at a final yield 3.875%, today's deal looks attractive.
"The reason real rates (in Uruguay) typically trade above fair value is because foreigners cannot hedge the FX risk through non-deliverable forwards - NDFs," said Siobhan Morden, head of Latin America fixed-income strategy at Amherst Pierpont.
Morden puts fair value on today's bond at around 3.65% - 3.75%, noting the inflation adjusted spreads will in any case offer a partial hedge against FX risks.
And in a world where real rates are often negative, as central banks push to stimulate economic growth in the wake of Covid-19 pandemic, the yield on Uruguay's linkers are all the more appealing.
The downside is that unlike the nominal fixed-rate peso bonds, they are not eligible for indices such as the Barclays Aggregate, leaving pension funds as the main drivers of today's trade.
Yet that underlying local bid is another positive for accounts that have the flexibility to go off index.
"Pension funds are the key natural buyers of inflation linked products so they are really an anchor for an ongoing bid in the secondary that will drive international demand," said the banker.
Proceeds from the deal are partly going to support a social safety net to protect vulnerable sectors in Uruguay.
They will also help fund a cash tender for outstanding inflation-linked Global peso bonds, namely the 4.25% 2027s, the 4.375% 2028s and the 4% 2030, with tender prices set 104.00, 105.623 and 103.30, respectively.
Citigroup, HSBC and Itau are acting as leads on the trade, which is expected to be rated Baa2/BBB/BBB- and is pricing today.

(Reporting By Paul Kilby
Editing by Jack Doran and David Bell)
((jack.doran@thomsonreuters.com; 646-345-6302))

AFRICA

Pompeo says China's Africa lending creates unsustainable debt burdens

24-Jun-2020
WASHINGTON, June 24 (Reuters) - **U.S. Secretary of State Mike Pompeo on Wednesday blasted China's policy on lending to African countries, reiterating Washington's charges that it creates unsustainable debt burdens.**
China's President Xi Jinping indicated in a speech at a China-Africa summit last week that Chinese financial institutions should consult with African countries to work out arrangements for loans with sovereign guarantees, Fitch Ratings said in a report earlier on Wednesday.
Xi also told the summit that Beijing would exempt some African countries from repaying zero-interest rate loans due at the end of 2020 and that it was willing to give priority to African countries once COVID-19 vaccines were ready for use.
Pompeo, a persistent critic of China, accused Beijing of "more empty promises and tired platitudes."
In a statement, Pompeo said Xi had failed to promise real transparency and accountability for China's role in "unleashing" the novel coronavirus, which began in China, and charged that Beijing was creating "an unsustainable debt burden" in Africa.
Noting that China was "by far the largest bilateral creditor to African governments,"

Pompeo said most U.S. foreign assistance was made in the form of grants rather than loans, "to promote transparent, private sector-led economic growth that benefits all parties."
Fitch said China's pledge to relieve the debt burden owed to it by some emerging-market governments could ease near-term liquidity pressures in nations struggling with the fallout from the coronavirus pandemic.
It said Kenya, the Maldives, Ethiopia, Cameroon, Pakistan, Angola, Laos, Mozambique, Congo and Zambia were among the countries with a significant share of their debt owed to China and eligible for relief.
Beijing has committed to participation in the Group of 20 major nations' (G20) debt service suspension initiative (DSSI), which temporarily suspends debt repayments for 77 developing nations falling due between May and December.

(Reporting by Lisa Lambert and David Brunnstrom; Editing by Chizu Nomiyama and Paul Simao) ((lisa.lambert@thomsonreuters.com; +1 202 898 8328; Reuters Messaging: lisa.lambert.thomsonreuters.com@reuters.net))

Botswana

Botswana needs $3.4 billion in stimulus, to plug budget deficits

26-Jun-2020
GABORONE, June 26 (Reuters) - **Botswana needs a total of 40 billion pula ($3.40 billion) over the next 2-1/2 years to revive its coronavirus-hit economy and to cover expected budget deficits, estimates by the ministry of finance showed on Friday.**
Botswana has a relatively low number of COVID-19 infections with only three active cases remaining and one death, but the economy has been severely impacted by lockdowns to curb the outbreak with the budget deficit expected to more than double as reduced diamond sales and exports hit revenues.
"The estimated total cost of Economic Recovery and Transformation Plan (ERTP) spending is 20 billion pula over 2.5 years," read a draft of the plan seen by Reuters.
"In addition, the anticipated budget deficit over the same period is 20 billion pula, making a total of approximately 40 billion pula to be funded," it said.
Industries earmarked for investment include agriculture, health infrastructure, transport and the tourism sector which has ground to a halt due to global travel restrictions and a nationwide lockdown.
Funding for the economic recovery plan and the deficits is expected to be sourced mostly from domestic borrowing, drawing down on government savings, and taxes.
Botswana recently ended a 48-day lockdown allowing businesses and schools to reopen under strict conditions as it seeks to restart the economy.

($1 = 11.7509 pulas)
(Reporting by Brian Benza;
Editing Tanisha Heiberg and Emelia Sithole-Matarise) ((Tanisha.Heiberg@thomsonreuters.com; +27117753034; Reuters Messaging: tanisha.heiberg.thomsonreuters.com@reuters.net))

Egypt

Egypt's sovereign loan in market

24-Jun-2020
Egypt's US$1.5bn one-year sovereign loan is in syndication via coordinators and bookrunners First Abu Dhabi Bank and Emirates NBD.
The deal, which includes an option to be increased up to US$2bn, is expected to close by the middle of July.
"Appetite is very good. The Egyptian economy is doing very well and also there are not a lot of quality assets in the market at this point in time and banks need assets," said one banker looking at the deal.
In May, Egypt raised a US$5bn bond that closed four times subscribed. Egypt sold US$1.25bn in four-year notes at 5.75%, US$1.75bn in 12-year bonds at 7.625% and US$2bn in 30-year notes at 8.875%.
Appetite for Egypt, rated B2/B/B+, has been helped by a one-year US$2.77bn in emergency financing from the International Monetary Fund that was agreed in May.
Egypt's foreign reserves declined by US$1bn in May as the Covid-19 crisis has squeezed some of the country's main sources of foreign currency, especially tourism and remittances from workers abroad.

((Sandrine Bradley: +44 207 542 0651, Sandrine.bradley@refinitiv.com, Twitter: @LPCLoans))

Guinea

IMF approves $148 million emergency credit for Guinea

20-Jun-2020
DAKAR, June 20 (Reuters) - **The International Monetary Fund (IMF) has approved $148 million in emergency credit to Guinea to bolster the West African country's economy during the COVID-19 pandemic, it said in a statement.**
"Worsening global conditions and a rapidly spreading local outbreak have deteriorated Guinea's short-term growth prospects and hindered mining exports and tax revenues," the IMF said.

(Reporting by Saliou Samb; writing by Edward McAllister; editing by Jason Neely)
((edward.mcallister@tr.com; +221 33 864 5782))

Morocco

World Bank lends Morocco $500 mln to improve access to online finance

23-Jun-2020

RABAT, June 23 (Reuters) - **The World Bank has approved a $500 million loan to help Morocco improve access to online finance and government services for businesses, particularly startups led by young people, it said on Tuesday.**

The Moroccan central bank expects government debt to surge to 75.3% of gross domestic product in 2020 from 65% last year. It forecasts the economy will contract by 5.2% this year compared with 2.5% last year.

(Reporting by Ahmed Eljechtimi)
((ahmed.eljechtimi@thomsonreuters.com))

Namibia

Fitch Revises Outlook on Namibia to Negative Affirms at 'BB'

22-Jun-2020

June 22 (Reuters) -

- **Fitch revises outlook on Namibia to negative; affirms at 'BB'**
- Fitch says negative outlook reflects impact of coronavirus pandemic on Namibia's economy & public finances
- Fitch says believes subdued growth outlook & high inequality will present challenging environment for Namibia's resumption of fiscal reforms

(Reuters.Briefs@thomsonreuters.com)

Nigeria

World Bank approves $750 mln loan for Nigeria's power sector

24-Jun-2020

ABUJA, June 24 (Reuters) - **The World Bank has approved a $750 million loan for Nigeria's power sector, the first release of funds after years of stalled talks over long-term reforms, it said.**

Nigeria's decrepit power sector has hobbled the growth of Africa's largest economy for decades.

Problems include decaying infrastructure, mounting debts, low tariffs for electricity and a dilapidated government-owned grid that would collapse if all the country's power generators operated at full tilt.

The loan will cut tariff shortfalls, protect the poor from price adjustments, and increase power supplied to the grid, the World Bank said in a statement late on Tuesday.

Nigeria's low tariffs, imposed by the government, have forced the central bank to spend billions of dollars making up the difference owed by power distributors to companies generating electricity.

The World Bank said the aim of the loan was to help Nigeria move away from "from highly regressive tariff shortfall financing".

The lender often requires reforms to release funds, but it did not say whether any conditions were tied to the money or future tranches.

(Reporting by Paul Carsten; Editing by Jason Neely and Jan Harvey)
((paul.carsten@tr.com; Reuters Messaging: paul.carsten.thomsonreuters.com@reuters.net / Twitter: https://twitter.com/PaulCarsten))

Nigeria's rating at risk as debt, financing gap rise

24-Jun-2020

By Chijioke Ohuocha and Alexis Akwagyiram

LONDON, June 24 (IFR) - **A sharp rise in Nigeria's sovereign debt and a ballooning financing gap could trigger a rating downgrade as policymakers in Africa's biggest economy struggle to deal with the fallout from a coronavirus-induced oil price crash, a director at Fitch said.**

The global ratings agency downgraded Nigeria to "B" in April with a negative outlook from "B+" citing aggravation of pressure on external finances.

Moody's said in April it would likely downgrade the country if the government was unable to alleviate the damage to its revenue and balance sheet. S&P cut Nigeria's rating in March on weakening external finances.

Nigeria - also Africa's top oil exporter - is under increasing pressure to stimulate growth and cut debt after its first quarter current account turned negative, overvaluing its naira currency. The oil price slump has slashed government revenues.

"We have two elements that could lead us to take a negative rating action/downgrade on Nigeria. Aggravation of external liquidity pressures and a sharp rise in government debt to revenues ratio," Mahmoud Harb, sovereign ratings director at Fitch, told Reuters.

The debt to revenue ratio for Nigeria is set to worsen to 538% by the end of 2020, from 348% a year earlier, before improving slightly next year, Harb said. The medium debt ratio for "B" rated countries is 350%, he said.

Nigeria will need US$23bn to meet its external

financing needs this year, Fitch estimates, noting that the country only has few options, including running down its reserves, after shelving plans to issue Eurobonds.
Abuja's foreign currency reserves could fall to US$23.3bn this year if foreign exchange access is normalised, Harb said, from around US$36bn.
Nigeria has been restricting access since the pandemic to boost the naira, similar to a step it took when oil prices crashed in 2015, which worsened a 2016 recession.
The central bank is yet to provide currency to investors that need to leave Nigeria, weakening sentiment. Analysts estimate that around US$2bn needs to exit Nigeria.
Nigeria could avoid a ratings downgrade if it strengthens its finances, reforms its forex policy and shows a path to reducing its deficit by boosting non-oil revenues, Fitch's Harb said.

(Writing by Chijioke Ohuocha)
((Robert.Hogg@thomsonreuters.com; +44 207 542 9077))

Nigeria's central bank aims to boost foreign reserves to support naira

25-Jun-2020
ABUJA, June 25 (Reuters) - **Nigeria's central bank will strive to increase its foreign reserves to safeguard the value of the naira currency and has put in place measures to curb speculation, it said on Thursday.**
The statement came as Nigeria's economy takes a battering from both the new coronavirus pandemic and a global oil price crash. In an effort to stem the worst effects, the government is turning to foreign reserves and ramping up debt.
Nigeria's reserves declined $8.5 billion to around $36 billion in May, the central bank said. The naira, quoted at 360 on the official market, is trading on the unofficial black market at around 455 to the dollar.
Dollar shortages have plagued Nigeria's economy since the global oil price crash slashed government revenues and weakened the naira.
The central bank statement did not say by how much it wants to increase reserves or whether it saw an equilibrium exchange rate of the naira against the U.S. dollar.
On Wednesday the bank said it would work towards the gradual unification of exchange rates across all forex windows, echoing a similar call by the finance minister a week earlier.
Nigeria, Africa's largest economy, operates a multiple exchange rate regime, which it has used to manage pressure on the currency and to absorb the impact of low oil prices.

(Reporting by Camillus Eboh and Chijioke Ohuocha;
Writing by Paul Carsten
Editing by Gareth Jones)
((paul.carsten@tr.com; Reuters Messaging:
paul.carsten.thomsonreuters.com@reuters.net /
Twitter: https://twitter.com/PaulCarsten))

South Africa

South Africa's budget deficit to widen sharply, remain high after COVID-19

23-Jun-2020
- **2020 Budget deficit is expected to widen to 14% of GDP**
- **Treasury to target IMF and weekly auctions for funding**
- **Budget update due Wednesday, June 24 after 1300 GMT**

By Vuyani Ndaba
JOHANNESBURG, June 22 (Reuters) - **South Africa's consolidated budget deficit is expected to widen markedly this year, a Reuters poll found, with its National Treasury struggling to squeeze it back to levels it anticipated before the coronavirus pandemic disrupted economic activity.**
The poll, taken over the past week, showed a median of 21 economists expect the government budget deficit for this year to widen to a record 14% of gross domestic product, from an official estimate of 6.3% of GDP in the last financial year.
Finance Minister Tito Mboweni is due to deliver an emergency budget on Wednesday in response to the COVID-19 crisis.
"The focus in this budget will be partly on the magnitude of the deficits and, in turn, funding requirement, and perhaps even more importantly whether government can credibly project debt stabilisation in the medium-term," said Standard Bank's Elna Moolman.
Forecasts in the poll for the budget deficit over the next two years show a median of just over 10.1% of GDP next year and 9.5% the following year.
South Africa's last budget announcement, made in February before the novel coronavirus outbreak took hold, had assumed the deficit would widen slightly to 6.2% of GDP, before narrowing to 5.7% of GDP.
February's budget estimates by the government were based on economic growth forecasts OF 0.9% for the 2020/21 year, then 1.3% and 1.6% for the next two years.
The latest Reuters poll estimated the economy would shrink 6.5% this calendar year. Next year it is forecast to grow 2.9% and then 1.5% in calendar year 2022.
ADDITIONAL FUNDING
Answers to an additional poll question that asked what were the three most probable options the government would use to raise additional revenue included an International Monetary Fund (IMF) loan and scaling up local weekly Treasury auctions.
JP Morgan analysts wrote the official sector would meet most of the increase in this year's funding needs, with likely around 2% of GDP

funding from multilateral lenders (the IMF, World Bank, New Development Bank), 2% from the South African Reserve Bank in the form of bond purchases, and a further 2.5% of GDP from either open market operations or a COVID-19 bond.
In the case of the IMF it would take the form of its Rapid Finance Instrument (RFI) - a loan with fewer conditions than fully fledged programme. Two months, ago South Africa said it could qualify for as much as $4.2 billion at 1%.
Since then, RFI limits to lending amounts have been bumped up in response to the COVID-19 emergency.
The New Development Bank, established by the BRICS group of emerging nations, has approved a $1 billion COVID-19 emergency loan to South Africa, the National Treasury said on Saturday.

($1 = 17.4151 rand)
(Reporting by Vuyani Ndaba; Additional reporting Khushboo Mittal in Bengaluru; Editing by Alex Richardson)
((vuyani.ndaba@thomsonreuters.com; +27 11 775 3157))

South Africa's debt grows into hippo "eating our children's inheritance"

24-Jun-2020

- **Consolidated budget deficit seen at 15.7% of GDP**
- **Gross debt projected at nearly 82% of GDP**
- **Finance minister says "debt is our weakness"**

JOHANNESBURG/CAPE TOWN, June 24 (Reuters) - **South Africa's budget deficit will be the highest in the post-apartheid era, and the finance minister warned in his emergency budget speech on Wednesday that debt had become a hippo eating their children's inheritance.**
Public debt is projected to be more than three quarters of gross domestic product, as the coronavirus crisis stifles the economy, the Treasury said on Wednesday.
Finance Minister Tito Mboweni warned that future generations will pay dearly unless South Africa takes tough action to get in control of its borrowing.
"Debt is our weakness. We have accumulated far too much debt; this downturn will add more," Mboweni said.
"Our Herculean task is to close the mouth of the hippopotamus. It is eating our children's inheritance. We need to stop it now," he added.
Africa's most advanced economy was in recession before the COVID-19 outbreak ravaged the economy, and the lockdown that followed late in March has put further strain on businesses and consumers.
This week the number cases in South Africa crossed 100,000 in total, with more than 2,100 deaths, the highest on the continent.
To cushion the economic blow of the pandemic on the economy, President Cyril Ramaphosa announced a 500 billion rand ($28.86 billion) relief package in April, equivalent to 10% of South Africa's GDP.
In a supplementary budget in response to the coronavirus crisis, the Treasury projected the main budget deficit would widen to 14.6% of GDP in the current 2020/21 fiscal year - the highest in since South Africa threw off the shackles of its globally isolated apartheid rule in 1994.
The consolidated budget deficit, which also includes spending financed from revenues raised by provinces, social security funds and public entities, was seen hitting 15.7% of GDP.
Meanwhile, the Treasury projected that gross government debt would rise to 81.8% of GDP in 2020/21 from 63.5% last year.
The rand extended losses on the day in response to the budget.
The economy is seen contracting 7.2% this year, after the strict nationwide lockdown severely curtailed production across key sectors such as mining and retail.
Some lockdown restrictions have since been eased to allow key sectors to resume operations.
South Africa has approached the International Monetary Fund (IMF), World Bank, New Development Bank of the BRICS and African Development Bank to source funding to contribute to the rescue package.
The government has also repriotised previously planned spending to help fight the virus, with the supplementary budget making provision for 145 billion rand for immediate COVID-19 interventions.

($1 = 17.3266 rand)
(Reporting by Olivia Kumwenda-Mtambo, Alexander Winning; Mfuneko Toyana and Wendell Roelf; Editing by Tim Cocks and Alison Williams)
((Olivia.Kumwenda@thomsonreuters.com; +27 11 595 2817; Reuters Messaging: olivia.kumwenda.thomsonreuters.com@reuters.net))

Moody's says South Africa unlikely to stabilise debt by 2023

25-Jun-2020
By Olivia Kumwenda-Mtambo
JOHANNESBURG, June 25 (Reuters) - **The South African government target to stabilise its ballooning debt by 2023 will be very difficult to achieve and unlikely, ratings agency Moody's said on Thursday.**
The Treasury on Wednesday presented a supplementary budget in response to the coronavirus crisis that projected a wider budget deficit, while public debt was estimated to be more than three quarters of gross domestic product in the medium term.
"In its 'active scenario', the government hopes to achieve a primary surplus by fiscal 2023 that would stabilise debt," Moody's said in a research

note on the budget.
"Given South Africa's weak track record of fiscal consolidation in recent years and the weak medium-term economic outlook, debt stabilisation by 2023 will be very difficult to achieve."
The economy was in recession before the COVID-19 outbreak ravaged it, and the lockdown that followed late in March has put further strain on businesses and consumers.
The Treasury projects the economy will contract 7.2% this year.

(Reporting by Olivia Kumwenda-Mtambo; Editing by Angus MacSwan)
((Olivia.Kumwenda@thomsonreuters.com; +27 11 595 2817; Reuters Messaging: olivia.kumwenda.thomsonreuters.com@reuters.net))

Sudan

IMF, Sudan reach agreement on macroeconomic policies structural reforms

24-Jun-2020
CAIRO, June 23 (Reuters) - **International Monetary Fund (IMF) staff and Sudan have reached agreement on macroeconomic policies structural reforms that would underpin a 12-month staff-monitored program, the fund said in a statement on Tuesday.**
Sudan said earlier in June that it began talks with the IMF on a non-funded programme that could pave the way for international financial support.
Khartoum is in desperate need of financial help to reorganise its economy. Inflation has been exceeding 100% and the currency tumbling as the government prints money to subsidise bread, fuel and electricity.
With Sudan's economy at risk of freefall, the government is pinning its hopes on a conference of potential donors in Berlin this week.
An IMF mission led by Daniel Kanda held virtual meetings with the Sudanese authorities from 8-21 June to discuss their reform package.
"The Sudanese authorities and IMF staff have reached a staff-level agreement on policies and reforms that can underpin an SMP (staff-monitored program), subject to approval by the IMF's management and Executive Board," the statement quoted Kanda as saying at the end of the mission.
"The SMP aims at narrowing large macroeconomic imbalances, reducing structural distortions that hamper economic activity and job creation, strengthening governance and social safety nets, and making progress towards eventual (Heavily Indebted Poor Country) HIPC debt relief," he added.
Sudan presented a package that includes "reforming energy subsidies to create room for increased spending on social programs," the IMF said on Tuesday.
Until now Sudan has been unable to tap the IMF or the World Bank for support because it is still listed by the United States as a state sponsor of terrorism and has $1.3 billion of IMF arrears.
The U.S. indicated after President Omar al-Bashir was removed from power in April 2019 that it was willing to work to remove Sudan from the terrorism list.

(Reporting by Hesham Abdul Khalek and Aidan Lewis; Writing by Mahmoud Mourad; Editing by Leslie Adler and Grant McCool)
((mahmoud.mourad@thomsonreuters.com; +201001331428))

Uganda

Fitch Says Revises Outlook on Uganda to Negative Affirms At 'B+'

24-Jun-2020
June 24 (Reuters) - FITCH:
- **Fitch says revises outlook on Uganda to negative; affirms at 'B+'**
- Fitch says, expect Uganda's GDP growth to slow sharply as a result of sweeping coronavirus-related disruptions to economic activity
- **Fitch says expect Uganda's government to cover fiscal deficit primarily through foreign borrowing mostly on concessional terms**
- Fitch says revision of outlook on Uganda's IDRS reflects downside risks to public finances and growth from coronavirus shock
- Fitch says revision of outlook on Uganda's IDRS amid build-up of government debt & persistent twin deficits, which it expects will continue into medium term

(Reuters.Briefs@thomsonreuters.com)

Zambia

Zambia approves $438 million COVID-19 economic stimulus package

23-Jun-2020
LUSAKA, June 23 (Reuters) - **Zambia's cabinet approved a 8 billion kwacha ($439 million) economic stimulus package financed through a COVID-19 bond in an effort to alleviate the pandemic's impact, the presidency said on Tuesday.**
Zambia, Africa's second largest copper producer, has been wrestling with growing public debt even before the coronavirus outbreak forced lockdowns across the globe, crimping international demand for raw materials.
Zambia has reported 1,416 confirmed

coronavirus cases and 11 deaths so far.
"Cabinet resolved that it is necessary to provide an economic stimulus through the issuance of the COVID-19 bond in order to improve liquidity levels in the economy," it said.
The proceeds from the bond will go towards needy areas, including payment of retirees, contractors and suppliers, which have been hit by reduced liquidity due to COVID-19, the presidency said.
Zambia's budgeted revenue is estimated to fall short of target by close to 20% as a result of economic adjustments due to COVID-19, the finance ministry said in April.
The central bank projected in May gross domestic product (GDP) would shrink 2.6% in 2020, its first economic contraction in more than 20 years.

($1 = 18.24 Zambian kwachas)
(Reporting by Chris Mfula; Editing by Angus MacSwan)
((chris.mfula@thomsonreuters.com; +260966882814))

Zambia's bondholders form group for debt talks

23-Jun-2020
By Marc Jones
LONDON, June 23 (Reuters) - **Ten of Zambia's international bondholders have formed a creditor group ahead of what is expected to be a complex restructuring of its debts, they said on Tuesday.**
One of the world's largest copper producers, Zambia owes money to four main types of creditor. It has $3 billion of Eurobonds outstanding and owes $2 billion to commercial banks, $2 billion to multilateral lenders like the IMF and World Bank and a further $3 billion to China.
The new bondholder committee did not name any of its 10 members but said they were all based in the United States or Europe and in aggregate hold approximately 35% of the total amount of Zambia's outstanding Eurodollar bonds.
"The Committee has organized to engage with Zambia with regard to its present situation, to facilitate communication among creditors, and to pursue any appropriate actions," the group said in a statement from advisors Newstate Partners.
It added that it was "in close contact" with other bondholders representing an additional 30% of Zambia's outstanding Eurobonds and that many of the holders were also significant investors in the Zambian domestic government bond market.
The move comes after Zambia's government appointed debt specialists Lazard in May to advise on a foreign-currency debt restructuring. **The government has said that debt totalled $11.3 billion as of the end of 2018.**

(Reporting by Marc Jones; Editing by Angus MacSwan)
((marc.jones@thomsonreuters.com; +44 (0) 207 542 9033; Reuters Messaging: marc.jones.thomsonreuters.com@reuters.net Twitter https://twitter.com/marcjonesrtrs))

Zambia bondholders appoint restructuring adviser

26-Jun-2020
By Christopher Spink
LONDON, June 26 (IFR) - **Holders of Zambia's bonds have formed a committee to engage with the sovereign about its proposed liability management exercise, and appointed Newstate Partners to represent it in negotiations.**
The committee holds 35% of the total outstanding amount of Zambia's Eurobonds and is made up of 10 financial institutions, who are also investors in domestic government bonds.
The committee said it was also in contact with other holders representing an additional 30% of Zambia's outstanding Eurobonds. These investors are understood to be supportive of the committee.
Last month Zambia appointed Lazard to advise it on talks with its creditors about restructuring its debts, which stand at US$11.2bn.
The bulk of the copper exporter's debts are held by China and associated entities. In the past, Chinese lenders have agreed to extend their debts to struggling emerging markets borrowers but with US$3bn at stake here that may not be possible.
Commodities traders have also provided the African country with financing facilities in the past and those will also need to be factored into negotiations.
In total there are U$3bn of Eurobonds outstanding. Fitch rates Zambia's debt at CC. The Eurobonds are trading at around 50 cents in the dollar, indicating a severe haircut is expected.
Zambia has set out a US$438m economic stimulus package in an effort to offset a forecast 20% fall in government revenues. The country's GDP is predicted to fall 2.6% in 2020.
The International Monetary Fund is currently assessing the country's financial situation as well. Zambia has applied for access to a rapid credit facility from the multilateral body. Those come with fewer conditions than a loan under a fully-fledged programme. Zambia already owes the IMF US$2bn.
Zambia has applied for debt relief from bilateral lenders for the remainder of this year under the scheme agreed by the G20 in April but has not yet had this granted.

(Reporting by Christopher Spink. This story will appear in the June 27 issue of IFR Magazine.)
((chris.spink@refinitiv.com; +44 20 7542 3814; @ChristophSpink;))
10B 300

GLOBAL

Coronavirus doing almost double the debt damage as financial crash

22-Jun-2020

LONDON, June 22 (Reuters) - **The coronavirus will push debt levels in the world's richest nations up by almost 20 percentage points on average this year, credit rating agency Moody's said on Monday, almost double the damage seen during the financial crash.**

A new report by Moody's looked at 14 countries from the United States and Japan to Italy and Britain and assessed how coronavirus-induced economic slowdowns would scar their finances.

"We estimate that on average in this group, government debt/GDP ratios will rise by around 19 percentage points, nearly twice as much as in 2009 during the Great Financial Crisis".

"Compared with the GFC, the rise in debt burdens will be more immediate and pervasive, reflecting the acuteness and breadth of the shock posed by the coronavirus".

Italy, Japan and Britain are expected to suffer the biggest debt increases at around 25 percentage points of their respective GDPs, while the United States, France, Spain, Canada and New Zealand will all see theirs jump roughly 20 ppts.

Data from the UK last week showed public borrowing hitting a record high in May and a measure of public sector debt passing 100% of economic output.

A failure to bring debt levels back down would leave countries with weaker credit profiles more vulnerable to future economic or financial shocks, and sovereign credit rating downgrades, Moody's added.

"Rating implications will depend on governments' ability to reverse debt trajectories ahead of potential future shocks," the report said.

"Italy and Japan will be particularly dependent on growth trends since scope to narrow and sustain materially stronger financial balances than before the shock is limited".

(Reporting by Marc Jones; Editing by Kirsten Donovan) ((marc.jones@thomsonreuters.com; +44 (0) 207 542 9033; Reuters Messaging: marc.jones.thomsonreuters.com@reuters.net Twitter https://twitter.com/marcjonesrtrs))

IMF growth revisions, still optimistic for 2021

24-Jun-2020

By Divyang Shah

LONDON, June 24 (IFR) - **After forecasting 3% contraction in April the IMF now sees global growth this year falling by 4.9%. For 2021 the IMF sees growth of 5.4% which is down from 5.8% previously. Overall the net effect is for growth at end-2021 to be 2.4% points lower but the IMF is still looking for the lost growth recovered by end-2021.** This seems a little optimistic given that EZ and US growth outlook are biased toward at best making up the lost growth by end-2022.

At the heart of its forecasts the IMF assumes that strict lockdowns will not be reinstated which is in keeping with a growing view that localised lockdowns will be favoured over national lockdowns. What is highlighted by the IMF is the disconnect between financial markets and economic prospects and while the IMF worries about a tightening of financial conditions it seems likely that global central banks will stand ready to ensure that equity/bond markets remain supported.

The risks are clearly toward further downward revisions to growth as the expected recovery is likely to disappoint in H2 2020. In prior downturns global growth was only partially synchronised to the downside and when the degree of correlation was high there were bright spots that aided recovery. In the current environment the degree of synchronicity is high and with the traditional growth engine of the US looking inwards and still in its 1st Covid-19 wave a global recovery is going to be very slow.

(Reporting by Divyang Shah)
((divyang.shah@thomsonreuters.com))

IMF's Georgieva says virus crisis could ultimately test $1 trillion war chest

26-Jun-2020

By David Lawder

WASHINGTON, June 26 (Reuters) - **International Monetary Fund Managing Director Kristalina Georgieva said on Friday that the global economic crisis spurred by the coronavirus could ultimately test the Fund's $1 trillion in total resources, "but we're not there yet."**

Georgieva told a Reuters Newsmaker webcast event that it was now clear that an economic recovery would have to get underway without a medical breakthrough and the virus' presence still widespread throughout the world. IMF member countries were standing by to provide more support to the Fund if necessary, she said.

The IMF on Tuesday forecast a deeper global recession than initially anticipated, as business closures, travel restrictions and social distancing measures persist in most countries. It now anticipates a global GDP contraction of 4.9% this year and a total output loss of $12 trillion through the end of 2021.

"We still have about three quarters of our lending capacity available," Georgieva said. "I wouldn't put it beyond us that we might be in a place where the IMF resources are being tested, but we're not there yet."

Regarding the possibility of additional resources, she said: "Our members are telling us, 'Everything is on the table. You come to us if

you need to do more of something, we are there for you.'"
The IMF has been rapidly deploying some $100 billion in emergency financing and has now provided loans and grants to 72 countries in just over seven weeks, Georgieva said.
The Fund later on Friday approved a new, $5.2 billion 12-month loan program aimed at helping Egypt to cope with the coronavirus and plug budget and balance of payment gaps.
The IMF is providing technical assistance to Argentina in the country's debt negotiations with private creditors.
"What I learned as a crisis commissioner: pray for the best, prepare for the worst," she said of the talks.
The Fund stands ready to negotiate a new program to replace Argentina's $57 billion 2018 bailout, one that is good for growth, the private sector and poverty reduction, Georgieva added.

(Reporting by David Lawder
Editing by Chizu Nomiyama, Jonathan Oatis and Aurora Ellis)
((David.Lawder@tr.com; +1 202 354 5854; Reuters Messaging: david.lawder.thomsonreuters.com@reuters.net))

EMERGING MARKETS

World Bank chief calls for more private sector buy-in on G20 debt relief

23-Jun-2020
By Andrea Shalal
WASHINGTON, June 22 (Reuters) - **The Group of 20 major economies' debt relief initiative for the world's poorest countries has made good progress but additional relief and greater participation by private sector creditors are needed, World Bank President David Malpass said on Monday.**
Malpass told Reuters in an interview that 35 of 73 eligible countries were participating in the G20 initiative, which will freeze debt service payments on official bilateral debt through year-end, and more had expressed interest.
The Debt Service Suspension Initiative (DSSI) will free up $12 billion that countries can use to deal with the health and economic strains caused by the coronavirus, a new World Bank database shows.
Malpass said the pandemic had clearly delivered a "very serious, long-lasting setback" to the global economy that was hitting the poorest countries especially hard.
The relief agreed by G20 members and the Paris Club of official creditors in April was helping, but further steps would be needed to prevent the economic crisis from widening rates of poverty, he said.
He did not endorse calls by African countries and others for an extension of the debt holiday through 2022 and cancellation of some debts, but said further steps would be needed.
"We need to look for ways to provide additional debt relief for the poorest countries and then look at the broader situation facing developing countries," he said.
He also urged the private sector to boost its participation.
"It doesn't really make sense for the commercial creditors to continue taking in, requiring and legally enforcing payments from the ... poorest countries that have been struck by both the pandemic and the deepest economic recessions since World War Two," he said.
Some countries have been reluctant to seek such relief out of concern it could harm their credit ratings and access to international capital markets.
The new database would provide increased transparency about debt levels and creditors, a key step in creating an attractive investment climate to promote future growth, Malpass said.
Eric LeCompte, executive director of Jubilee USA Network, said having the data in one place would make it easier to deal with an impending wave of debt restructurings.
"It's no longer a question of if, now it's just a matter of when," he said.
The G20's International Financial Architecture Working Group is due to meet virtually on Tuesday to discuss the initiative and private sector participation, LeCompte said.

(Reporting by Andrea Shalal; Editing by Sandra Maler, Kim Coghill and Sonya Hepinstall)
((andrea.shalal@tr.com; +1 202-815-7432))