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Emerging Sovereign Debt Markets NEWS

Number 13 Week 21 – 27 March 2020

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ASIA

GCC Gulf Cooperation Council

IMF urges targeted anti-coronavirus fiscal measures in Gulf States

26-Mar-2020

By Davide Barbuscia

DUBAI, March 26 (Reuters) - **The dual shock of the coronavirus outbreak and plunging oil prices should push Gulf states to prioritise fiscal support for affected sectors of their non-oil economies, which are expected to slow this year, the International Monetary Fund said.**

Gulf oil exporters' governments and central banks have so far launched broad-based stimulus packages to mitigate the economic impact of the pandemic.

To best support their economies, and preserve their ability to recover after the pandemic, Gulf authorities should adopt a targeted approach, said Jihad Azour, director of the Fund's Middle East and Central Asia Department.

"Not all sectors of the economy are affected this year and therefore you don't need at the beginning to have a blanket type of measures," he told Reuters.

"...It has to be focused and well designed," he said, adding that central banks and governments needed to coordinate their measures.

He mentioned the tourism sectors in Bahrain and Qatar, and transportation and logistics in the United Arab Emirates, as sectors that should benefit from fiscal support.

Stimulus packages offered so far come to nearly 30% of GDP in Bahrain and Oman, more than 10% in the United Arab Emirates and Qatar and over 4% in Saudi Arabia, according to Fitch Ratings.

"The ability to address the problems that are faced by the economy is on a country by country basis and is more important than the size of the (stimulus) package," Azour said.

"But one has to accept that this year growth will slow and for the oil-exporting countries especially the non-oil sector will slow."

The IMF said this week the coronavirus outbreak will cause a global recession in 2020 that could

be worse than the one triggered by the financial crisis of 2008-2009.
The market turmoil caused by the pandemic could affect accessibility to financing for some governments, said Azour.
While Gulf oil exporters can count in the short term on external financing and use some of their reserves, "the real challenge is more for oil-importing countries with high levels of debt."
Gulf crude exporters have introduced fiscal policies such as value-added taxes to diversify revenues away from oil since the fall in oil prices in 2014/15.
"This is something that will help them over time ... (and) this is also an opportunity for countries to revisit some of their previous policies," he said.

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Azerbaijan

S&P Says Azerbaijan 'BB+/B' Ratings Affirmed; Outlook Stable

26-Mar-2020
March 26 (Reuters) - S&P:
- **S&P says Azerbaijan 'BB+/B' ratings affirmed; outlook stable**
- S&P says Azerbaijan's government and external balance sheets are currently strong and provide buffer against external shocks

((Reuters.Briefs@thomsonreuters.com))

China

Chinese local gov'ts issue over 1 trln yuan new special bonds

21-Mar-2020
BEIJING, March 21 (Xinhua) -- **China's local government special bonds worth about 1.02 trillion yuan (about 144 billion U.S. dollars) had been issued as of March 19, according to a report from the China Securities Journal.**
Many of such bonds were used to help finance infrastructure projects including transportation, ecological environment protection and park construction, the report said.
New infrastructure projects such as 5G networks and data centers were also key fields for this year's special local government bonds investment, the report said, citing analysts.
China will expedite the issuance and utilization of local government special bonds and urge solid preparation work for 4,000 new projects scheduled to break ground this year, according to a State Council executive meeting on Tuesday.
As the Ministry of Finance granted more quotas for new issuance, bond sales are set to accelerate to fund projects and spur investments to mitigate economic impacts from the novel coronavirus outbreak.

Enditem

China's stable yuan belies capital outflow pressure

26-Mar-2020
- **Yuan relatively steady vs USD but basket index near 20-mth high**
- **PBOC has used stronger-than-expected fixings, supporting yuan**
- **Foreign investors seen as net sellers of stocks, govt bonds**

By Winni Zhou and Andrew Galbraith
SHANGHAI, March 26 (Reuters) - **The uncanny stability of China's yuan in global markets that have been battered by the coronavirus pandemic betrays domestic concerns about investor sentiment and possible capital outflows.**
As foreign investors pull out of Chinese stocks and bonds, analysts reckon policymakers are trying to prevent sharp currency losses, even as exporters struggle to get back on their feet after the coronavirus shock.
The yuan's trade-weighted index has risen steadily this year, showing the currency was not falling as sharply as most others against a surging U.S. dollar. The People's Bank of China's adjustments to its daily yuan mid-point also hint at efforts to contain its decline.
Meanwhile, huge sums of domestic and foreign investments have been flowing out as investors flee to the safety of dollars.
"Policymakers want to keep FX reserves stable and prevent large outflows, so Beijing will not allow the yuan to depreciate too quickly against the dollar," said Xing Zhaopeng, markets economist at ANZ in Shanghai.
"But an excessively strong yuan against basket currencies will pressure exports. As a result, it will depreciate in small steps."
In 2016 and 2017, China burned through a trillion dollars worth of foreign exchange reserves in an unsuccessful effort to support the yuan. The currency has since breached the 7-per-dollar level, previously seen as a red line, but Beijing has been resolute in keeping reserves above $3 trillion.
"Slowing the pace of yuan depreciation against the dollar is helpful for stabilising market confidence," said Ken Cheung, chief Asian FX strategist at Mizuho Bank in Hong Kong. At the same time, "protecting reserves at above $3 trillion is probably key at the moment."
Falling values of other foreign assets in dollar

terms could further threaten China's official reserves, said a Chinese bank trader in Shanghai.

While the yuan has fallen 2.8% against the dollar from its March 9 highs, the yen has tumbled more than 9% and sterling recently touched a 35-year low.

That relative yuan stability against the dollar has meant the trade-weighted basket of currencies against which the PBOC manages the yuan is near 20-month highs.

The PBOC has also set its fixing much stronger than expected in several recent sessions, suggesting it is using a closely guarded counter-cyclical factor to limit yuan losses.

CAPITAL FLOWS OUT

The capital flows into China's stock and bond markets that had supported the yuan through 2019 and early this year have in the meantime dried up or reversed.

"Capital inflows via the Stock Connect have already turned into outflows, and it should also affect companies' ability to pay back their dollar debt," said Mizuho's Cheung.

Net sales by foreign investors of mainland A-shares through China's Stock Connect scheme have exceeded 70 billion yuan ($9.85 billion) in March, and are on track for a monthly record.

In a further setback, index provider FTSE Russell said on Tuesday that it would split a tranche of A-shares scheduled for inclusion in its global equity benchmarks into two, reducing inflows in March.

The dash for cash has even affected Chinese government bonds, which have seen net inflows every month since March 2019 based on inclusion in major global indexes, a stable yuan and attractive yields.

Foreign investors, squeezed by a lack of U.S. liquidity, were net sellers of these bonds last week, said a portfolio manager in Hong Kong.

Even as inflows evaporate, Chinese investors have flocked to overseas investment funds, threatening to exhaust foreign exchange quotas.

"When investors accumulate a certain amount of wealth, they will naturally have needs for global asset allocation," said Zhang Yu, chief macro analyst at Huachuang Securities.

But Zhang said portfolio movements are only one driver of outflows, in contrast to European and Japanese markets where liquidating investors drove demand for dollars.

"But for us, we are actually purchasing. We are buying oil and making payments to settle imports amid work resumption."

($1 = 7.1080 Chinese yuan)
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Fitch Ratings: China GDP Tracker Pointing to 4% yoy Decline in 1Q20

26-Mar-2020

Fitch Ratings-London-March 26: **High-frequency data released through February suggest that GDP in China may have fallen by around 4% y/y in 1Q20, Fitch Ratings' Economics team says in its latest chart of the month.**

The Chinese economy was the first to be impacted by the COVID-19 outbreak, primarily as a result of the measures implemented to contain the virus. These included the full lockdown of large parts of the economy. These actions were put in place from end- January, before being gradually relaxed since early March as the number of new cases within the country dropped dramatically. As such we now have a number of monthly macroeconomic data points that cover the lockdown period - this can help shed some light on how more recent lockdowns in other economies may affect activity.

The hit to economic activity has been particularly acute. Data covering the months of January and February show that the economy has experienced its steepest contraction since the Cultural Revolution era.

Industrial output collapsed 13.5% in January-February from a year ago, retail sales were down 21% and fixed asset investment tumbled 24.5%.

GDP - which is the most comprehensive measure of economic activity - for 1Q20 will be published on 17 April. In the meantime, Fitch has developed a statistical forecasting model of quarterly GDP growth, using a so-called "Activity Tracker" or "AT". Our AT is built using a set of 15 timely monthly series, including those mentioned above. Credit growth and the PMI business surveys are also embedded into the analysis.

We used a statistical method (called "principal component analysis") to summarise the information content of our broad set of monthly variables. This method enables us to extract one single series - an activity proxy - which is a weighted index of our 15 series. Our AT is then transformed into GDP-equivalent terms by relying on the long-term relationship between GDP and the AT. Our measure also accounts for a secular downward trend in Chinese GDP growth.

The chart of the month shows that our AT replicates fairly well official GDP statistics, though the latter display less volatility. For instance, our AT suggests that growth had slowed more abruptly in 2018-2019 than displayed by the official GDP measure. High-frequency data hinted at some growth damage from renewed trade tensions with the US.

According to our AT, Chinese GDP probably tumbled 4% yoy in 1Q20, a steep and sharp decline from the 6% growth registered in the previous quarter. A 4% yoy decline would imply that GDP fell 8% in quarter-on-quarter terms, further underlying the material disruption to activity caused by the lockdown.

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India

India Bonds Stay Down As Rupee Hits Record Low Amid Virus Fears

23-Mar-2020
By Dharam Dhutia
NewsRise
MUMBAI (Mar 23) -- **Indian government bonds stayed lower in afternoon session, as the local currency slipped to another record low and stocks hit the lower circuit amid heightened fears over the economic impact of the novel coronavirus.**
The benchmark 6.45% bond maturing in 2029 changed hands at 101.00 rupees, yielding 6.31%, at 1:00 p.m. in Mumbai against 101.35 rupees and a 6.26% yield at previous close.
The Indian rupee tumbled to a record low of 76.14 to the dollar from 75.24 in the previous session, adding to fears of further foreign outflows. The benchmark BSE Sensex fell 10%, hitting the lower circuit, leading to a temporary halt in trading.
"Bonds have fallen tracking the rupee's move, and as the nation has nearly shut down, which will worsen the economic impact of the virus," a trader with a private bank said.
India's Prime Minister Narendra Modi will seek feedback from industry bodies on the fast-spreading coronavirus today, a representative of an industry body said.
Modi has set up a task force to deal with the economic impact of the coronavirus.
Several Indian states have imposed some form of lockdown for varying periods. The federal government, meanwhile, ordered the closure of all passenger trains till Mar. 31 and placed 75 most affected districts under a complete lockdown.
The number of coronavirus cases the world over increased to more than 292,000, and the official number of confirmed cases in India is so far at 415, with seven deaths.
Still, sentiment remains supported as the Reserve Bank of India will conduct open market note purchases worth 300 billion rupees in two tranches tomorrow and on Mar. 30. The central bank is also expected to cut rates at or ahead of its meeting on Mar. 31-Apr. 3.
The U.S. Federal Reserve and several other central banks across the world have reduced interest rates as the coronavirus pushed economies into recession. The U.S. administration is also boosting its spending.
The yield on the U.S. 10-year Treasury note was at 0.8050%, down 12 basis points from Friday's close. The benchmark Brent crude oil contract was down 3.4% at $26.07 per barrel. India imports over 80% of its crude oil requirements.
Indian bonds volumes were low as several market participants are working remotely, traders said.

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India central bank to infuse $13.2 bln via repos, advances bond purchase

23-Mar-2020
MUMBAI, March 23 (Reuters) - **The Reserve Bank of India stepped in to calm markets once again by bringing forward its open market purchase of bonds worth up to 150 billion rupees while also announcing a fresh round of fund infusion via variable rate repos on Monday.**
The RBI will now buy four bonds maturing between 2022 to 2028 bonds for a total of 150 billion rupees on March 26, bringing forward the auction date from March 30.
The RBI said on a review of the current liquidity and financial conditions, they have decided to advance the second tranche of the OMO purchase.
Separately, as a pre-emptive measure to tide over any frictional liquidity requirements on account of dislocations due to COVID-19, the RBI said it would conduct 16-day variable rate repo auctions for 1 trillion rupees ($13.2 billion) in two equal tranches on Monday and Tuesday.
Over the weekend in India, the virus drove several companies to shut operations and the government sent states into lockdown, bringing normal life to a grinding halt. As of Sunday, India had registered 341 cases of coronavirus, with seven deaths.
As a special case, the central bank said it would also allow standalone primary dealers, the underwriters to debt sales, to participate in the repo auctions along with other eligible participants.
Though traders said the measures were likely to have limited impact in the current scenario, the benchmark 10-year bond yield touched the day's low of 6.24% after the announcement.
"The Reserve Bank will calibrate its operations to meet any need for additional liquidity support, if warranted, to ensure normal functioning of markets, promote staff welfare and preserve financial stability," the RBI said.

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India Bond Spreads to Remain Wide Despite RBI Steps as Virus Saps Credit Demand

24-Mar-2020
By Dharam Dhutia and Siddhi Nayak
NewsRise

MUMBAI (Mar 24) -- **The Indian central bank's massive liquidity injections intended to calm the financial markets are unlikely to help narrow the widening spreads between sovereign and corporate bonds as appetite for credit remains weak amid the coronavirus pandemic, analysts said.**

"No one wants to take any risk right now with fresh investments," said Sandeep Bagla, an associate director at Trust Capital. "If everybody wants to reduce risk, rates are bound to shoot up and remain on the high side. In such risk events, spreads widen, and these wider spreads are here to stay."

Yields on Indian government bonds maturing in two to six years have shot up by 50 to 70 basis points in the last 10 sessions, while yields on corporate bonds of similar maturity have gained 75 to 140 basis points as investors realign their portfolios. Investors are shunning corporate debt amid rising fears that several companies could go bankrupt in near future as the spreading coronavirus outbreak forces lockdowns, slashing consumer demand and draining cash flows of businesses.

The raging pandemic has roiled financial markets around the world in recent weeks, prompting central banks to unleash unprecedented measures including deeper rate cuts to restore investor confidence. The U.S. Federal Reserve yesterday unveiled several steps including an open-ended quantitative easing, establishment of two facilities to support credit to large employers, and a mechanism to bolster the flow of credit to consumers and businesses.

As part of its measures to shore up liquidity, the Reserve Bank of India will inject 500 billion rupees via 16-day repo today, after infusing 315 billion rupees through a similar tool yesterday. The RBI will also conduct open market bond purchases worth 150 billion rupees each today and on Mar. 26, after it conducted similar auction worth 100 billion rupees on Mar. 20. The steps come as India's benchmark Sensex has lost over 30% in March, while the rupee has plunged to record lows against the dollar.

As virus cases continue to rise in India, several parts of the country have come under a lockdown and businesses are grinding to a halt.

"There are no buyers for corporate debt," said Vijay Sharma, a senior executive vice president at PNB Gilts. "And the situation will remain the same in the near term."

Sharma said "government bonds may see some support" because of the RBI's open market operations and the probability of another rate cut at the next interest rate review by the country's Monetary Policy Committee on Apr. 3.

The widening spreads have also led to companies canceling their bond sales. Yesterday, state-run NABARD withdrew its planned government-serviced bonds maturing in 10 years and another issue of 15-year notes as it received lower-than-expected bids. ONGC Petro additions pulled out an issue of three- and five-year bonds due to higher coupon bids, according to traders.

Investors are demanding higher coupons as concerns about the coronavirus pandemic deepen. India's state-owned highways operator NHAI raised 47.91 billion rupees via 16-year bonds at 7.52% coupon last week, which was 35 basis points higher than what the company had paid for a 15-year bond a month ago.

Yields of shorter-tenure commercial papers have also spiked, with hardly any primary issue taking place in the last few sessions. Yesterday, state-run NTPC paid a yield of 7% to raise funds for three-months, compared with the 5.10% it offered on similar notes on March 6.

"There is a technical sell-off seen in corporate bonds, with most companies facing redemption pressures due to the global market sell-off," said Dwijendra Srivastava, the chief investment officer - debt at Sundaram Mutual Fund. "Only AAA-rated papers are able to raise funds in a liquidity-squeezed market. Spreads will remain wide unless foreign investors return as net buyers in global bonds."

Foreign investors have net sold Indian corporate bonds worth around 110 billion rupees in the last one month. This comes on the back of about 360 billion rupees of sales in April-December, data from National Securities Depository Ltd. showed.

Most of such selloff by overseas investors was due to the crisis in India's shadow-banking sector, triggered by the defaults at Infrastructure Leasing & Financial Services (IL&FS) starting in September 2018. IL&FS's defaults triggered a severe cash crunch among several non-banking finance companies in the country.

A recent move by the government to supersede the board of private lender Yes Bank and write off its Tier I bonds further damped investor sentiment. Earlier this month, Yes Bank was placed under moratorium and its board superseded. Additional tier I bonds worth over 84 billion rupees were also written off completely.

"The panic after the Yes Bank crisis has created some hesitation to invest in corporate bonds, leading to widening of spreads vis a vis government bonds," said Yogesh Kalinge, a vice president at A.K. Capital. "Spreads should widen more or at best stay at current levels in the near term as the virus scare is persisting."

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India to announce fiscal package to help economy face coronavirus

24-Mar-2020

March 24 (Reuters) - **India's government will soon announce a fiscal package to help the economy face the impact of the coronavirus, Finance Minister Nirmala Sitharaman said in a video conference with reporters on Tuesday.**

Sitharaman relaxed a number of tax compliance rules for individuals and firms and also raised the threshold of triggering insolvency cases to 10 mln rupees from 100,000 rupees currently.

India has reported 482 cases of the coronavirus but health experts have warned that a big jump could be imminent.

(Editing by Andrew Heavens)

India outlines $22.6 billion economic stimulus to help poor hit by lockdown

26-Mar-2020

NEW DELHI, March 26 (Reuters) - **India on Thursday announced a 1.7 trillion rupee ($22.6 billion) economic stimulus plan that will be released through direct cash transfers and food security measures aimed at giving relief to millions of poor hit by the nationwide lockdown in the country.**

"We have come with a package which will immediately take care of the welfare concerns of the poor and suffering workers, and those who need immediate help," said Indian Finance Minister Nirmala Sitharaman, at a press briefing.

The moves comes two days after Prime Minister Narendra Modi ordered a 21-day nationwide lockdown to try to protect India's 1.3 billion people from the fast-spreading coronavirus.

($1 = 75.2500 Indian rupees)
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Indonesia

World Bank approves $300 mln loan for Indonesia's financial sector reforms

23-Mar-2020

JAKARTA, March 23 (Reuters) - **The World Bank said on Monday it has approved a $300 million loan for Indonesia to assist in financial sector reforms.**

The loan will provide budget support for Indonesia's reform agenda by expanding financial market outreach, allowing more focus on technology, and promoting sustainable finance practice, it said in a statement.

The approval came after the Indonesian government announced that the 2020 budget deficit may widen beyond its current forecast of 2.5% of gross domestic product amid pressures from coronavirus outbreak.

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Indonesia parliamentary committee recommends higher fiscal deficit limit amid virus

24-Mar-2020

JAKARTA, March 24 (Reuters) - **Indonesia's parliamentary budget committee recommended the government raise a cap on the state budget deficit to 5% of gross domestic product, to allow for more budget maneuvering as it tackles the spread of coronavirus.**

Said Abdullah, the head of the committee, urged the government in a statement late on Monday to issue a regulation in lieu of a law that will allow it so surpass the budget deficit limit of 3% of GDP stated in a 2003 law.

The finance ministry has widened its deficit estimate to around 2.5% of GDP this year, but a deputy minister said it won't rule out possibility of an even larger figure.

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Indonesia considering raising fiscal deficit above 3% to fight virus

24-Mar-2020

By Tabita Diela and Fransiska Nangoy

JAKARTA, March 24 (Reuters) - **Indonesia is discussing raising the limit on the country's fiscal deficit as a proportion of GDP above an existing 3% legal limit to aid the fight against coronavirus and to shield the economy, its deputy finance minister said on Tuesday.**

The Finance Ministry has widened its deficit estimate to around 2.5% of gross domestic product (GDP) this year, up from 1.8% initially planned, but deputy minister Suahasil Nazara said it could go further.

Parliament's budget committee recommended on

Monday the government raise the cap to 5% to allow more budget maneuvering and issue a regulation in lieu of a law to allow it to surpass the 3% limit stipulated in a 2003 law.
In a conference call on Tuesday, Nazara said the government was now in talks with parliament on the issue and "I can tell you that a higher than 3% deficit is an option on the table."
Indonesia is raising health spending to 1.5% of GDP from 0.8% by reallocating other spending, but he said the government is gearing up for even more spending as the outbreak continue.
Nazara said cash transfers to around 15 million poor families will be increased to support their purchasing power as the economy suffers disruptions due to the outbreak.
Indonesia has already launched two stimulus package that include tax breaks to certain industries and easing import rules.
Meanwhile, President Joko Widodo said in a speech on Tuesday he had asked provincial governors to slash non-priority spending and noted "the current fiscal condition is not easy."
"We need to refocus and reallocate the budget to tackle issues that are caused by COVID-19," he said.
Finance Minister Sri Mulyani Indrawati has identified 62.3 trillion rupiah ($3.78 billion) of spending in the 2020 budget that could be redirected to the COVID-19 response.
Meanwhile, the budget is facing pressures on the revenue side as the government saw revenues from corporate taxes in drop by nearly 20% in January and February from year ago levels.
Widodo said the government had prepared various scenarios for the impact on government's finances and under its "medium impact scenario", if the outbreak lasted until September, labourers' income could fall by as much as 25% and farmers' income by 34% in some provinces.
Bank Indonesia has revised down its economic growth outlook for this year to 4.2%-4.6% from 5.0%-5.4% previously.

($1 = 16,465 rupiah)
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Indonesia plans bonds to fund cheap loans for business

26-Mar-2020
JAKARTA, March 26 (Reuters) - **Indonesia's government is planning to issue bonds aimed at raising funds for struggling businesses under plans to cushion Southeast Asia's biggest economy against the impact of the coronavirus disruption, an official said on Thursday.**
To support businesses and save jobs, the government has launched measures for certain sectors, including tax breaks and relaxing rules on imports.
The planned new bonds will be issued in rupiah and the government is aiming to sell them to the central bank or private sector buyers, Susiwijono, secretary general at the Coordinating Ministry for Economic Affairs, told reporters.
The proceeds are expected to be disbursed through special loans for businesses.
"The terms for the special loan will be as easy as possible, so entrepreneurs can use the credit to support their businesses," said Susiwijono, who uses one name.
Companies wanting to apply for the special loans have to maintain at least 90% of their workforce without cutting their salaries, he said.
The government plans to issue a regulation to ease restrictions on Bank Indonesia buying bonds directly from the government.
The central bank, by law, is currently only allowed to buy government bonds in the primary market as a non-competitive bidder for notes with less than one-year in maturity.
The government hopes to have a draft for the new rules on Friday, Susiwijono said.

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Indonesia has no plan for capital controls, to ramp up fiscal stimulus

26-Mar-2020
JAKARTA, March 26 (Reuters) - **Indonesian central bank governor Perry Warjiyo on Thursday said the country has no plan to implement capital control measures to stop outflows due to coronavirus fears, saying that its foreign exchange reserve is more than enough to prop up the currency.**
"I have to stress that our assessment so far, we want to ensure the proper market mechanism, the proper flows - inflows and outflows - and so far we've managed to do that," he said in a teleconference with investors.
The Indonesian rupiah is the worst hit currency in emerging Asia, losing around 14% so far this year as virus fears prompt emerging markets outflows.
Meanwhile, Suahasil Nazara, vice finance minister said the government is preparing to "upgrade" its fiscal stimulus to cushion the economy from the virus outbreak disruption.

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Iran

Iran has limited scope for coronavirus economic stimulus

26-Mar-2020

Repeats story published on March 25 for additional subscribers

- **Government has promised cash handouts, other measures**
- **Sanctions on oil sales, lower non-oil exports hurt finances**
- **Some think economy will resist with domestic industry**
- **Iran asks IMF for $5 bln emergency funding**
- **Monetary tools limited because of high inflation**

By Davide Barbuscia and Parisa Hafezi

DUBAI, March 25 (Reuters) - **Shut out of international capital markets and facing a further hit to its finances with the collapse in oil prices coming on top of U.S. sanctions, Iran is struggling to shield its economy from the coronavirus pandemic.**

While Iran has the worst reported outbreak in the Middle East with a death toll that lags only Italy, China and Spain, it is spending only a fraction of the amounts its wealthier neighbours are throwing at their economies.

In a sign of its financial stress, Iran has asked the International Monetary Fund (IMF) for $5 billion in emergency funding, its first request since the overthrow of the Shah and the foundation of the Islamic Republic in 1979.

To mitigate some of the economic pressure, Iran has delayed business taxes and loan repayments until May and said about 3 million lower-income families without permanent jobs would get handouts of up to six million rials ($400) in four stages.

But with state coffers battered by U.S. curbs on oil sales and with other exports declining following the closure of several borders to Iranian trade because of the outbreak, Tehran's financing options are limited.

The IMF estimated that Iran's foreign exchange reserves would drop to nearly $70 billion this year from $86 billion in 2019, and that was before the coronavirus crisis hit.

Cut out of international capital markets, Iran can raise funds domestically though analysts say borrowing costs will be high and add pressure to its budget because of rampant inflation, which is being exacerbated by a weaker currency.

"Debt servicing costs will go up because of the high yields local bond investors ask for in light of the high inflation expectations," said Niels de Hoog, economist at credit insurer Atradius.

The rial dropped against the dollar this month to its weakest since September 2018, when U.S. President Donald Trump pulled out of the 2015 nuclear deal and reimposed sanctions.

According to foreign exchange website Bonbast.com, the dollar was offered for as much as 159,500 rials on Wednesday, far weaker than its official rate of 42,000 rials.

The Statistical Centre of Iran said the inflation rate was 34.8% in the 12 months ending on March 19 while the IMF has projected a rate of 31% for 2020.

'FAR FROM COLLAPSE'

Iran's Supreme Leader Ayatollah Ali Khamenei has said the country has the capability to overcome any kind of crisis or challenge, including the coronavirus outbreak.

Saeed Leylaz, an economist based in Iran, said the country may face national poverty but the economy was far from collapse.

"Iran has the domestic production capacity ... there is a long way for Iran's economy to collapse. Iran's heavy industry and agriculture sectors, both main parts of the real economy, have remained intact," he said.

"All the aid packages count for around 7% of Iran's budget ... this is not a huge amount," said Leylaz. "Iran's main problem now is containing the outbreak."

Iran's pledged financial support is equivalent to about 0.2% of its gross domestic product (GDP), according to Scott Livermore, chief economist at Oxford Economics Middle East.

By comparison, stimulus packages come to nearly 30% of GDP in Bahrain and Oman, more than 10% in the United Arab Emirates and Qatar and over 4% in Tehran's regional rival Saudi Arabia, according to Fitch Ratings.

"Even factoring in other measures, then it is unlikely the government is offering major support. This reflects the difficult finances with the budget deficit expected to be over 7% of GDP in 2020," said Livermore.

Andrine Skjelland, head of MENA country risk at Fitch Solutions, also said printing money to provide more stimulus would not necessarily improve livelihoods.

"This would add to already elevated money supply growth and fuel inflation, thus capping the positive effect on household consumption," she said.

Some help is coming from the European Union, which plans to send 20 million euros ($21.6 million) in humanitarian aid and support Tehran's request for IMF help.

But for now, the worst hit are the Iranians with no permanent jobs, such as street vendors and construction workers.

"All the construction in my city has stopped. I have no job, no money and no (health) insurance," said construction worker Hassan Hajati, 42, from the city of Rasht. "Where should my three children live? In the street?"

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Israel

Bank of Israel to buy 50 billion shekels in government bonds

23-Mar-2020

JERUSALEM, March 23 (Reuters) - **The Bank of Israel said on Monday it will purchase 50 billion shekels ($14 billion) in government bonds to ease credit conditions and to support economic activity and financial stability.**

"In recent weeks, the economic conditions in the Israeli economy have worsened significantly, in view of the spread of the coronavirus and the measures taken to prevent it," the bank said. "Economic activity has been seriously disrupted, and volatility in the financial markets has increased."

The bond purchases will enable it to lower costs of longer-term credit for firms and households as a complementary tool to the short-term interest rate policy, it said.

The purchases will enable the bank to influence bond yields in the market, including in the nominal and inflation-linked curves, and to moderate serious volatility in bond yields caused by the lack of market liquidity.

"The additional monetary support is particularly important at a time when many businesses and households are encountering liquidity difficulties due to the serious crisis that is negatively impacting their income," the central bank said.

In parallel to the bond purchasing programme, the Bank of Israel will continue to give financial institutions access to repo transactions while using government bonds as collateral and will also continue swap tenders in the shekel-dollar market.

The central bank said last week it would buy government bonds of various types and maturities in the open market but did not give an amount.

($1 = 3.6697 shekels)
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Israel drafting emergency economic plan to combat coronavirus impact

23-Mar-2020

TEL AVIV, March 23 (Reuters) - **Israel's Finance Ministry is putting together an emergency stimulus plan to help businesses and the economy deal with the effects of the coronavirus outbreak, a ministry spokeswoman said on Monday.**

The plan will be presented in the coming days to Prime Minister Benjamin Netanyahu, who on Sunday met with Israel's economic leaders and instructed them to devise a strategy for managing the economy as unemployment claims skyrocket.

Netanyahu said the relief package should focus on assistance for the self-employed, wage earners, businesses and households. It builds on an initial government aid package of 15 billion shekels ($4.1 billion).

Israel is on partial lockdown. People have been told to stay home as much as possible and many businesses have closed. Israel has 1,238 confirmed coronavirus cases, and most patients have only mild symptoms.

Data show that more than 500,000 Israelis have become unemployed since the start of March, which would bring the jobless rate to about 16.5%, up from 3.6% in the fourth quarter.

Israel's largest workers union, Histadrut, said the government must inject money into the economy now to prevent a domino effect that would lead to a recession and unending unemployment checks.

The Bank of Israel, which announced on Monday it would purchase 50 billion shekels in government bonds to ease credit conditions and support financial stability, will submit its own economic plan as well.

($1 = 3.6697 shekels)
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Bank of Israel sees -2.5% growth in 2020, signals no rate cut for now

24-Mar-2020

JERUSALEM, March 24 (Reuters) - **Israel's central bank on Tuesday projected an economic contraction of 2.5% in 2020 as long as the country's partial lockdown starts to ease up by the end of April, and the bank governor signalled no rate reduction was planned for now.**

Bank of Israel Governor Amir Yaron told a video press conference that the benchmark interest rate, which stands at 0.25%, is already low and he had not seen a need to lower it, although all options remain on the table.

The central bank expects the budget deficit to jump to 7% of gross domestic product this year on the heels of heavy stimulus spending due to the effects of the coronavirus outbreak, while saying it would add as much credit to the market as needed.

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Jordan

Jordan fin min says IMF approves $1.3 bln reform programme

25-Mar-2020

AMMAN, March 25 (Reuters) - **Jordanian Finance Minister Mohammad Al Ississ said on Wednesday the IMF board had approved a four-year $1.3 bln extended fund facility programme that signalled confidence in the country's reform agenda at a time it was taking measures to cushion its economy from the fallout of coronavirus.**

Al Ississ said in a statement sent to Reuters that the progamme's approval would help his country get more donor and investor funds in the coming period as it pushes forward major structural reforms.

"It signals confidence in Jordan's economic reform process, and support for our efforts to mitigate the impact of the virus on vulnerable economic sectors and individuals," Al Ississ said.

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Kuwait

S&P Says Kuwait Ratings Lowered to 'AA-' On Lower Oil Prices and Slow Reform Progress Outlook Stable

26-Mar-2020

March 26 (Reuters) - S&P:

- **S&P says Kuwait ratings lowered to 'AA-' on lower oil prices and slow reform progress; outlook stable**
- S&P says materially lower oil prices in 2020 and 2021 will have negative economic and fiscal implications for Kuwait
- S&P says lowering long-term ratings on Kuwait to 'AA-' from 'AA'.
- S&P says in S&P's view, the terms-of-trade shock will hamper Kuwait's economy

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Kyrgyzstan

Kyrgyzstan in talks to restructure foreign debt

23-Mar-2020

BISHKEK, March 23 (Reuters) - **Kyrgyzstan is in talks with creditors to restructure its sovereign foreign debt, Deputy Prime Minister Erkin Asrandiyev told a briefing on Monday, commenting on the impact of the coronavirus outbreak and the global economic downturn.**

Asrandiyev provided no details about the talks, but said the Central Asian nation has also requested aid from international donors to combat the spread of coronavirus.

Kyrgyzstan has about $4 billion in outstanding foreign debt and among its main creditors are the Export-Import Bank of China, the World Bank, and the Asian Development Bank.

The former Soviet republic's economy depends heavily on remittances from Kyrgyz migrant labourers working in Russia. The Kyrgyz som currency has come under pressure this month after the Russian rouble plunged on the drop in oil prices.

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IMF approves $120.9 mln disbursement for Kyrgyzstan to fight coronavirus

27-Mar-2020

WASHINGTON, March 26 (Reuters) - **The International Monetary Fund said on Thursday its board has approved a $120.9 mln disbursement for Kyrgyzstan to help the Central Asian country fight coronavirus, the first emergency loan approved by the Fund since the outbreak started.**

The IMF said the disbursement consists of an $80.6 million loan under the Rapid Financing Instrument program and a $40.3 million loan under the Rapid Credit Facility to meet Kyrgyzstan's urgent balance of payment needs stemming from the crisis.

It added that the pandemic "has weakened the outlook for the Kyrgyz Republic and opened a balance of payments gap estimated at about$400 million."

IMF Managing Director Kristalina Georgieva said earlier this week that more than 80 countries have sought IMF rapid financing assistance to help them deal with the coronavirus outbreak.

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Lebanon

Lebanon to stop paying all dollar Eurobonds, finance ministry says

23-Mar-2020

BEIRUT, March 23 (Reuters) - **Lebanon will discontinue payments on all its foreign currency Eurobonds, the government said on Monday, as it seeks to devise a way out of the country's crippling financial crisis.**

The heavily indebted state suspended a $1.2 billion Eurobond repayment this month, declaring it could not repay debt with foreign currency reserves falling to "dangerous" levels.

It called for debt restructuring talks with creditors, opening a new phase in a crisis without precedent since Lebanon's independence in 1943.

"The government has decided to discontinue payments on all its outstanding $US-denominated Eurobonds" as pressure mounts on "Lebanon's access to foreign currency," the finance ministry said in a statement on Monday.

The government "intends to engage in good faith negotiations as soon as possible" and the ministry will hold an investor presentation on March 27, it said.

Finance Minister Ghazi Wazni told Reuters earlier this month that initial contacts with creditors had started via the government's financial adviser, U.S. investment bank Lazard, as Lebanon waited to see whether bondholders would cooperate or sue.

He also said the crisis plan would be ready in weeks and meet IMF advice.

Economy Minister Raoul Nehme told Reuters last week that the impact of the coronavirus may make harder to get help from foreign states and that Lebanon should consider IMF aid as one option.

(Reporting by Eric Knecht and Ellen Francis; writing by Ellen Francis; editing by Larry King
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Lebanon to impose overnight shutdown to confront coronavirus

26-Mar-2020

BEIRUT, March 26 (Reuters) - **Lebanon will begin an overnight shutdown from 7 p.m. to 5 a.m., with some exceptions to be announced later, as it steps up measures to combat coronavirus, Information Minister Manal Abdel Samad said on Thursday.**

Earlier, Finance Minister Ghazi Wazni issued a circular asking all public institutions to suspend application of an article of a previous circular until further notice, the Finance Ministry statement said.

Lebanon has so far recorded 368 cases of coronavirus and six deaths.

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Creditors fear haircut on sovereign debt

25-Mar-2020

The government is considering applying a haircut on the portion of Eurobonds held by commercial banks, as the country's banking sector comes under increasing strain.

Analysis

Lebanon's domestic banks are reeling in the aftermath of the country's March 9th Eurobond default, which they strongly opposed since they form a major portion of the bondholders-the banks hold about US$14.5bn of Lebanon's total Eurobond issuance of about US$29.6bn. **The government of the Prime Minister, Hassan Diab, has instructed banks to prepare for substantial changes, in particular an anticipated restructuring of the repayment schedule for their sizeable holdings of public debt.** Banks will be hit by the debt restructuring, and the anticipated restructuring of local-currency Treasury bills, all of which will have a massive impact on banks' capital bases.

Although ministers have dismissed the prospect of a haircut on bank deposits, bankers are clearly not prepared to take them at their word. Although officials have mooted a form of "bail-in", under which depositors would be given shares in banks as part of a recapitalisation process, this would be a de facto haircut-as depositors would be offered shares in what are in effect insolvent banks. **Even if the haircut is concentrated only on the largest depositors, the sector faces tough decisions over which banks to save and which to allow to fail.** Lebanon's banking sector will not look the same after this protracted process, with only a small group of banks expected to survive. Furthermore, their long-standing funding models are unlikely to survive. Attracting diaspora deposits has been a core strategy for Lebanese banks, but this will be more difficult in Lebanon's post-default era of low confidence. Lower deposit levels will lessen bank's capacity to continue supporting the government in future capital-raising efforts.

Meanwhile, the banking sector must also contend with the impact of the coronavirus outbreak. Banks have faced criticism from the government, after the Association of Banks in Lebanon decided to close its members' doors between March 17th and March 29th in order to ensure their employees' safety. The government has demanded they remain open, and have urged prosecutors to take action. Relations between the government and the banking sector are now at their lowest-ever ebb.

Lebanon in talks with IMF over help to combat coronavirus

27-Mar-2020

WASHINGTON, March 27 (Reuters) - **Lebanon has expressed interest in receiving emergency financing from the International Monetary Fund to combat the rapidly spreading coronavirus pandemic, but has not filed a formal request for funds, IMF officials said on Friday.**

IMF staff are in discussions with Lebanese authorities who have inquired about Lebanon's eligibility to receive funds from the $50 billion in emergency funding made available by the IMF earlier this month, the officials said.

Eighty-one countries have either requested or expressed interest in such coronavirus aid, IMF Managing Director Kristalina Georgieva told reporters on Friday.

The IMF's steering committee on Friday discussed doubling the funds available to $100 billion, given the huge and growing number of requests for assistance.

The IMF's board on Thursday granted the first emergency loan to fight the outbreak, a $120.9 million disbursement for the Central Asian country of Kyrgyzstan.

Lebanon, one of the world's most indebted countries, on Friday launched formal debt restructuring talks with a pledge to implement an economic turnaround plan by year-end.

The country is suffering its worst financial crisis since independence in 1943, but the impact of the coronavirus pandemic and falling oil prices may have damaged Lebanon's chances of securing aid from foreign states.

As of Friday, Lebanon had reported 391 cases of coronavirus and seven deaths.

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

The inquiry about targeted aid to help respond to the coronavirus is separate from that process, the IMF officials said.

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

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Malaysia

Malaysia extends movement curbs, prepares economic stimulus as coronavirus cases surge

25-Mar-2020

By Rozanna Latiff

KUALA LUMPUR, March 25 (Reuters) - **Malaysia will extend a two-week restriction of movement order and unveil a second economic stimulus package as the number of coronavirus cases continue to climb, Prime Minister Muhyiddin Yassin said on Wednesday.**

The measures come as Malaysia reported 172 new coronavirus cases, taking the total to 1,796, the highest in Southeast Asia.

Since last week, Malaysia has closed its borders to travellers, restricted internal movement, and ordered schools, universities and non-essential businesses to shut until March 31.

Muhyiddin said the curbs on movement would be extended another two weeks to April 14 as Malaysia had yet to see a decline in the number of new virus cases.

"I know you feel burdened but I don’t have a choice," Muhyiddin told Malaysians in a televised address. "I have to extend the Movement Control Order for your own safety."

The government will also unveil a "more comprehensive, people-oriented" economic stimulus package on Friday, Muhyiddin said.

The package is expected to be in addition to the 20 billion ringgit ($4.56 billion) stimulus announced last month to cushion the impact of the virus outbreak on tourism and other industries.

"Whether you are a taxi driver, a farmer, a restaurant owner... the government will ensure that you will all benefit," Muhyiddin said, adding that food supply was "enough for everybody".

The government also plans to carry out mass testing for the coronavirus in high-risk areas, Muhyiddin said.

Malaysia has recorded 17 virus deaths so far.

It has linked nearly two-thirds of its infections to a religious gathering last month near the capital, Kuala Lumpur, that the government says drew more than 16,000 people. The event is also linked to more than 100 cases across Southeast Asia.

($1 = 4.3850 ringgit)
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Malaysia announces $58-bln stimulus package to cushion impact of coronavirus

27-Mar-2020

By Joseph Sipalan

KUALA LUMPUR, March 27 (Reuters) - **Malaysia announced a stimulus package worth 250 billion ringgit ($58.28 billion) on Friday, its second in a month, to help cushion the economic blow from the coronavirus**

pandemic.

The number of confirmed infections in Malaysia has doubled this week to over 2,000, the highest in Southeast Asia, with 23 deaths. The government has extended curbs on travel and movement until April 14 in an attempt to contain its spread.

The new package includes a 25 billion ringgit direct fiscal injection by the government aimed at helping families and business owners weather the economic downturn caused by the coronavirus outbreak.

"We are a nation at war with invisible forces. The situation we are now facing is unprecedented in history," Prime Minister Muhyiddin Yassin said in a televised address.

"This unprecedented situation, of course, requires unprecedented measures."

He said the stimulus package was mostly "one-off" measures and was designed to make sure the government's finances remained sound over the medium term.

"The government will ensure that the fiscal current account is in surplus and does not use borrowings to fund operational expenditure," he said, adding that fiscal consolidation measures would be needed in the medium term "to create fiscal space for the long term."

The new package largely includes one-off payments and discounts on utilities for people whose livelihoods have been affected by the pandemic, and to help small and medium-sized enterprises stay afloat and retain their staff.

To ensure food security, the government has set aside 1 billion ringgit for a food security fund on top of continued aid to the agriculture sector to boost food production.

The government will also set up a 50 billion ringgit loan scheme for larger companies, which will offer guarantees of up to 80% of the sum borrowed to shore up working capital in the corporate sector.

About 128 billion ringgit will be spent on public welfare measures, with 100 billion used to support businesses.

The package is in addition to a 20 billion ringgit stimulus plan announced last month.

Muhyiddin said the government will also proceed with major projects included under the 2020 Budget, including the multi-billion dollar east coast rail line (ECRL), and 2 billion ringgit in infrastructure micro-projects scheduled to begin in April.

($1=4.2900 ringgit)
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Oman

Oman credit default swaps inch up

23-Mar-2020

DUBAI, March 23 (Reuters) - **The cost of insuring against a potential default by Gulf oil producer Oman inched up by 2 basis points on Monday from last week's close, according to IHS Markit, a financial information services company.**

Conventional spreads on Oman's five-year credit default swaps (CDS), which are used to insure against debt defaults, rose to 660 basis points on Monday from 658 at Friday's close.

Bahrain and Qatar CDS inched up one basis point while there were no changes for Saudi Arabia and Abu Dhabi, IHS Markit said.

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Oman puts loan talks on hold after oil price crash

24-Mar-2020

By Davide Barbuscia

DUBAI, March 24 (Reuters) - **Oman has put on hold discussions to raise debt via loans as the Gulf oil exporting country deals with the coronavirus outbreak and plunging oil prices, sources familiar with the matter said.**

The Gulf state had been in talks with banks for several funding options, including for a loan of around $2 billion, sources have previously said.

But the talks have been put on hold after a production cuts agreement between OPEC and non-OPEC partners collapsed, sending oil prices tumbling, three sources familiar with the matter said. **Oman - burdened by high levels of debt - is more vulnerable to oil price swings than most of its wealthier Gulf neighbours.**

Just after the recent oil price plunge, triggered by a price war between Saudi Arabia and Russia aimed at gaining market share, Oman was downgraded by both Moody's and Fitch, which placed it further down into 'junk' territory.

The government had explored different financing options including bank loans with maturities of five, seven or even 10 years, but those talks have been suspended, said a source close to the Omani ministry of finance.

"Everything has been put on hold after oil prices collapsed," the source said.

Oman, which did not respond to a request for comment, is not pursuing a deal at this stage, the source added.

Gulf exporters' bond spreads have spiked over the past few weeks due to weaker oil prices and global concerns over the coronavirus pandemic.

Oman and Saudi Arabia have implemented a 5%

cut on their 2020 budget.
Oman's bonds due in 2047 were yielding around 6.5% before the OPEC deal collapsed on March 6, and are now yielding around 11%, Refinitiv data showed.

WHATEVER THEY CAN GET

Oman had said in January it expected a deficit of 2.5 billion Omani rials ($6.50 billion), or 8% of GDP, this year and planned to cover some 80% of that amount through foreign and domestic borrowing.

"Of course they want the money! They needed the money when oil was at $50," said a fund manager. "It might get really serious with them, if they don't manage to secure the loan," the manager, who did not wish to be named, said.

Brent crude was trading at $27.5 a barrel on Tuesday at 1415 GMT.

Oman's rapid pace of debt accumulation over the past few years has raised concerns over its sustainability in view of the slow pace of fiscal and economic reform.

"Whatever money they can get they should take. Especially if oil stays here for long, and I think it will," the fund manager said.

Oman's new ruler, Sultan Haitham bin Tariq al-Said, who assumed power in January, said the government would work to reduce public debt and restructure public institutions and companies to bolster the economy.

($1 = 0.3847 Omani rials)
(Reporting by Davide Barbuscia, Editing by William Maclean)
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S&P Says Oman Downgraded To 'BB-' On Higher External Risks & Indebtedness

26-Mar-2020
March 26 (Reuters) - S&P

- **S&P says Oman downgraded to 'BB-' on higher external risks & indebtedness; outlook negative**
- S&P says sharp drop in oil prices in 2020 will intensify Oman's fiscal, external pressures, leading to faster deterioration in government's balance sheet
- **S&P says large upcoming external debt maturities in 2021-2022, along with high fiscal deficits, could raise Oman's funding pressures & borrowing costs**
- S&P says negative outlook reflects risk despite Oman's medium-term fiscal consolidation plans, implementation could be insufficient to stem rise in debt
- S&P says revised transfer & convertibility assessment on Oman to 'bb' from 'BB+'
- S&P says Oman's debt structure is vulnerable to sharp decline in foreign investor sentiment at time of uncertainty partly triggered by covid-19 pandemic

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Pakistan

IMF says Pakistan requests emergency coronavirus financing

27-Mar-2020
WASHINGTON, March 27 (Reuters) - **Pakistan has requested an emergency loan disbursement from the International Monetary Fund to help fight the coronavirus under the fund's Rapid Financing Instrument program, IMF Managing Director Kristalina Georgieva said on Friday.**

She did not identify the size of the loan, but under the program, Pakistan would be able to borrow up to its full quota -- about $2.76 billion -- over two years, or $1.43 billion over a single year to meet urgent balance-of-payments needs.

Pakistan already has an IMF $6 billion Extended Fund Facility loan program and Georgieva said the Pakistani authorities "have reaffirmed their commitment to the reform policies included in the current arrangement."

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Saudi Arabia

S&P affirms Saudi Arabia rating at 'A-/A-2' with stable outlook

26-Mar-2020
March 26 (Reuters) - **S&P Global on Thursday affirmed Saudi Arabia's sovereign credit ratings at 'A-/A-2' with a stable outlook, saying its estimate of the Gulf nation's strong net asset-stock position on its fiscal and external balances continues to be a key ratings support.**

However, prolonged low oil prices without a significant fiscal adjustment could lead to an erosion of the net asset stock position and put pressure on Saudi Arabia's ratings, the agency said in a statement.

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South Korea

South Korea says will make all-out effort to prevent credit crunch

23-Mar-2020

SEOUL, March 23 (Reuters) - **South Korea's government will make an all-out effort to prevent market volatility from turning into a credit crunch as the coronavirus pandemic hammers stocks and bonds across emerging economies, its vice finance minister said on Monday.**

Kim Yong-beom also said a new task force within the finance ministry will hold a policy meeting every day to monitor markets and assess if policy actions are needed to stabilize financial markets.

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Bank of Korea to step up repo operations to boost liquidity

23-Mar-2020

SEOUL, March 23 (Reuters) - **South Korea's central bank said on Monday it will conduct repo operations of 14-day or 28-day maturities on Tuesday to ensure financial institutions have access to short-term credit as the coronavirus causes chaos in global financial markets.**

That follows an injection of 1 trillion won ($789 million) in repo operations by the Bank of Korea last week.

The BOK did not disclose the amount of repo operations and did not elaborate further.

($1 = 1,266.3500 won)
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South Korea to unveil measures to ease credit, equity market jitters on Tuesday

23-Mar-2020

SEOUL, March 23 (Reuters) - **South Korea will unveil details of crisis funds it is preparing to put a floor under crashing bond and stock markets on Tuesday as the coronavirus roils global financial markets.**

The measures will include setting up of funds to buy corporate bonds to help companies facing a credit crunch, and steps to boost short-term money market liquidity, the presidential office said.

South Korea on March 19 pledged 50 trillion won ($39 billion) in emergency financing for small businesses and other stimulus measures.

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South Korea to temporarily loosen capital flow rules further, inject dollars

25-Mar-2020

- **South Korea has various layers of tools to boost FX liquidity**
- **BOK to inject dollar liquidity into onshore markets this week**

By Cynthia Kim

SEOUL, March 25 (Reuters) - **South Korea said on Wednesday it will further loosen key capital flow rules temporarily to encourage local financial institutions to supply more dollars as the coronavirus pandemic continues to send shock waves through global markets.**

The government plans to temporarily relax the FX liquidity coverage ratio (LCR) for banks and waive a levy on foreign currency borrowing, finance minister Hong Nam-Ki said in a policy meeting, according to a written copy of his speech.

The FX LCR ratio requires banks to hold high-quality assets that can readily be converted into cash within 30 days.

Currently, the government asks domestic banks to meet 80% FX liquidity coverage ratio, meaning the amount of easy-to-sell foreign assets must be at least 80% of its expected cash outflows in times of stress.

The new ratio will be announced later this week, Hong said.

"The government will assess local dollar liquidity conditions on a daily basis and prepare various layers of tools to supply dollars in a timely manner, in order to make sure companies and financial institutions don't experience dollar shortages," Hong said.

South Korea has deployed a number of steps since 2010 to smooth hot money flows that often cause sharp swings in the won.

The revision of capital flow rules adds to a series of steps Asia's fourth-largest economy has taken to put a floor on crashing markets across currencies and equities, including a 100 trillion won ($80 billion) rescue package announced on Tuesday to save distressed businesses and loosening of currency forward rules for banks.

The Bank of Korea is also one of nine central banks the U.S. Federal Reserve has signed new dollar swap lines with in a coordinated action to prevent the coronavirus pandemic from causing a global economic rout.

The agreement with South Korea is a $60 billion bilateral currency swap facility for at least six

months.
A senior BOK official said on Wednesday the central bank plans to inject dollars into local financial markets this week using the swap with the Fed to ease a growing dollar shortage, which is likely to be "much bigger" than $4 billion in its first batch.

(Editing by Raju Gopalakrishnan and Jacqueline Wong)
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Thailand

Thailand plans $3 bln liquidity support fund amid coronavirus outbreak

22-Mar-2020 10:04:30
BANGKOK, March 22 (Reuters) - **Thailand on Sunday introduced measures, including a liquidity support fund worth 70 billion to 100 billion baht ($2.14 billion to $3.06 billion) to reduce risk in the debt market amid the spread of the coronavirus outbreak.**
Thai financial institutions are still strong with high liquidity and authorities will ensure sufficient liquidity and the functioning of the debt market, Bank of Thailand Governor Veerathai Santiprabhob told a news conference.
Thailand on Sunday reported 188 new cases of infections, taking the total to almost 600.

($1 = 32.7100 baht)
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Thailand approves $3.6 bln stimulus to ease coronavirus impact

24-Mar-2020
- **Stimulus includes handouts, soft loans, tax breaks**
- **Thailand has 827 cases of infections, 4 deaths**
- **One-month emergency mode to be declared on Thursday - PM**

BANGKOK, March 24 (Reuters) - **Thailand's cabinet approved on Tuesday a package of stimulus measures worth at least 117 billion baht ($3.56 billion) to try and mitigate the impact of the coronavirus outbreak that has infected more than 800 people in the country.**
Even before the outbreak, Southeast Asia's second-largest economy had been hit by declining exports and weak investment.
The measures include cash handouts worth 45 billion baht for 3 million workers outside the social security system, who will also be offered soft loans worth 60 billion baht as well as tax breaks, government officials told a news conference.
Separately, small firms will be offered 10 billion baht of loans while the government will also delay business tax payments for companies to help boost their liquidity.
"The measures announced today should be sufficient for now," said Deputy Prime Minister Somkid Jatusripitak.
"But there will be another package of stimulus... to help farmers affected by drought and to spur the economy," he said.
Earlier this month, the government also approved stimulus measures estimated to inject 400 billion baht into the already flagging economy.
The economy grew 2.4% last year, the weakest pace in five years. Some economists expect an economic contraction this year owing to the outbreak.
Thailand reported on Tuesday 106 new coronavirus cases and 3 more deaths, taking the total to 827 cases and 4 deaths.
Thailand will be in emergency mode from March 26 for a month to deal with the outbreak, Prime Minister Prayuth Chan-ocha said on Tuesday.

($1 = 32.88 baht)
(Reporting by Kitiphong Thaichareon; Satawasin Staporncharnchai and Orathai Sriring; Editing by Louise Heavens and Emelia Sithole-Matarise)
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Thailand has 'big scheme' to ease virus impact as recession looms

27-Mar-2020
- **Ready to issue decree to borrow for new stimulus - deputy PM**
- **Says most economic activity has ground to a halt**
- **Thailand has 1,136 coronavirus cases, 5 deaths**

By Orathai Sriring and Kitiphong Thaichareon
BANGKOK, March 27 (Reuters) - **Thailand will have a "big scheme" to help stimulate the economy ravaged by the coronavirus outbreak that has infected more than 1,000 in the country, a deputy prime minister said on Friday.**
The finance ministry has been asked to plan the scheme, which will focus on preserving jobs over the next 2-3 months, Somkid Jatusripitak told reporters after a meeting with the finance minister and the central bank governor.
"Most economic activity has stopped as people have been asked to stay home to curb the spread of the virus," Somkid said.
"The government must try to end the outbreak as soon as possible, so the economy can quickly recover. The later, the more difficult," he added.
The size of the stimulus has yet to be decided but the government is ready to issue a decree to borrow funds, Somkid said. "The figures are no limitation for the finance ministry".

The government recently introduced a series of stimulus measures worth billions of dollars to cushion the virus impact on Southeast Asia's second-largest economy which is heading into a recession.
Thailand on Friday reported 91 new cases of infections and one death, taking the total to 1,136 and five, respectively.
A state of emergency took effect on Thursday, with entry of non-resident foreigners banned.
The Bank of Thailand (BOT) also introduced steps to support the financial markets, and last week made a surprise rate cut to a record low of 0.75%.
On Wednesday, the BOT left its policy rate steady but slashed its growth forecast this year to a 5.3% contraction from 2.8% growth seen earlier.
BOT Governor Veerathai Santiprabhob said on Friday monetary policy was not a targeted measure as fiscal policy in helping the economy.
Even before the outbreak, the trade-reliant economy has been hurt by declining exports amid global trade tensions, sluggish investment and a drought. Last year's growth was 2.4%, the weakest pace in five years.

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EUROPE

Belarus

Belarus considers restructuring part of its foreign debt

23-Mar-2020
MINSK, March 23 (Reuters) - **Belarus is considering restructuring part of its foreign debt due to the crisis caused by the spread of the coronavirus, state news agency Belta cited First Deputy Prime Minister Dmitry Krutoi as saying on Monday.**
Belarus may also resume loan talks with the International Monetary Fund after the presidential election, which is due this summer, Belta added.
Belarus needs to spend $3.5 billion on the reduction and servicing of foreign exchange debt in 2020. The country planned to issue a Eurobond to refinance part of the debt repayments, but postponed this placement due to the coronavirus.

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Belarus guarantees it will fulfil its sovereign debt payments in 2020

26-Mar-2020
MINSK, March 26 (Reuters) - **Belarus has enough reserves to fulfil its debt payments in 2020 and is not holding any talks about restructuring its external sovereign debt, Belarusian Finance Minister Maxim Yermolovich said on Thursday.**
Belarus may borrow more on the domestic market this year, he added.

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Bulgaria

Bulgaria's gross foreign debt edges down 0.3% y/y at end-Jan

27-Mar-2020
SOFIA (Bulgaria), March 27 (SeeNews) - **Bulgaria's gross foreign debt totalled 33.8 billion euro ($37.2 billion) at the end of January, down by an annual 0.3%, the central bank said on Friday.**
The gross foreign debt at the end of 2019 was equivalent to 52% of the projected 2020 gross domestic product (GDP), the Bulgarian National Bank said in a statement.
At the end of January, Bulgaria's external debt was 0.8% lower compared to a month earlier.

($ = 0.9089 euro)

Czech Republic

Czech government plans record budget deficit to fight coronavirus

23-Mar-2020
PRAGUE, March 23 (Reuters) - **The Czech government on Monday approved a five-fold rise in this year's budget deficit, putting it on course for a record, as it offers help to businesses hit hard by the coronavirus outbreak.**
The Finance Ministry also slashed its 2020 economic outlook to a 5.1% contraction versus previous estimates of 2.2% growth.
Finance Minister Alena Schillerova said the real impact of the outbreak was not yet known, as measures to fight the coronavirus keep people at home while most shops and restaurants are shut and a growing number of factories on hiatus.
The government approved new measures on Monday, including a "kurzarbeit" system where

the state contributes to workers' wages at companies that are forced to halt or limit production, helping them avoid layoffs.
The state will also give the self-employed a six-month holiday on payments into the state social and health systems, which lawmakers are expected to pass in a special session on Tuesday.
The new measures are part of state pledges promising 100 billion crowns ($3.87 billion) in direct aid and another 900 billion crowns in loan guarantees.
The government approved raising the 2020 central budget deficit to 200 billion crowns, from an original target of 40 billion crowns.
That would surpass the 192.4 billion crown deficit in 2009 at the height of the global financial crisis.
Since 2016, the state's overall finances have been in surplus, helped by strong economic growth and falling joblessness. State debt at 31.2% of gross domestic product is one of the lowest in the European Union.
"The deficit rise should help cover higher expenditure of the state which we have to invest into companies, invest into people so that we maintain employment and keep the worst-hit companies in some shape," Schillerova told a news conference.
Business leaders and analysts have said they feared a bigger economic hit than in the last crisis just over a decade ago and wanted help administered quickly.
Most shops and restaurants, except grocery stores, pharmacies, drug stores, gas stations and food establishments offering takeaways, have been shut for nearly 10 days and the government extended that ban on Monday to April 1.
People's movements are limited to trips to work or to visit family, also until April 1, while international travel will stay shut down for longer.

($1 = 25.8410 Czech crowns)
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Czech prime minister: new legislation does not mean immediate bond buying by central bank

24-Mar-2020
PRAGUE, March 24 (Reuters) - **Czech central bank legislation the government aims to fast-track through parliament will untie the central bank's hands to be active in the bond market but does not mean any immediate purchases, Prime Minister Andrej Babis said on Tuesday.**
"We will untie the central bank's hands by this law," Babis told the lower house of parliament.
"The central bank will be able to enter the bond market but I am pointing out again that all further steps will be under the authority of the Czech National Bank (CNB). It does not mean the CNB will be buying bonds immediately."
The Finance Ministry said in a document accompanying the bill that the government was just fast-tracking, as part of its response to the coronavirus pandemic, an earlier proposed law to widen the central bank's powers to act.

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Czech finance minister to discuss expanding central bank's scope in bond market

26-Mar-2020
PRAGUE, March 26 (Reuters) - **Czech Finance Minister Alena Schillerova will discuss a compromise with parliamentary parties for expanding central bank's powers to act on the bond market, she said on Thursday.**
The government failed to fast-track a bill earlier this week which would enable the central bank to buy from banks and other institutions papers with longer maturity than one year.
The bank has long sought an amendment that would widen the types of assets and counterparties it can trade with to conduct monetary policy.

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Estonia

Short-term bonds worth EUR 200mn issued to fight effects of coronavirus

23-Mar-2020
On 23 March 2020, the Estonian Ministry of Finance issued short-term bonds worth EUR 200mn (USD 230.69mn) with a maturity of 1 year. In total, 2,000 bonds with a nominal value of EUR 100,000 each were sold. The average yield over the term of the bond is -0.296%. The highest yield at which bonds were issued was -0.2%. The bond issue is part of the government's response to the economic crisis caused by the effects of the ongoing coronavirus pandemic.

Georgia

World Bank approves 45 mln euro loan for Georgia, others pledge support

27-Mar-2020
By Margarita Antidze
TBILISI, March 27 (Reuters) - **The World Bank has approved a 45 million euro loan to support ex-Soviet Georgia's economic growth and help the country mitigate the impact of the coronavirus pandemic.**
The country of 3.7 million in the South Caucasus had reported 81 coronavirus cases as of Friday but no deaths. Thirteen patients have recovered from the virus.
"Improved economic management and enhanced competitiveness will help strengthen Georgia's economy, raise people's living standards, and support a faster recovery in economic activity once the COVID-19 pandemic is over," Sebastian Molineus, the World Bank's regional director for the South Caucasus, said in a statement.
Georgian authorities say the coronavirus is likely to threaten Georgia's economic growth forecast of 4.5% this year.
Other international financial institutions also pledged support to Georgia.
The International Monetary Fund's representative in the country, Selim Cakir, said last week that the IMF "is committed to provide support to Georgia under these challenging and uncertain circumstances."
The Fund is now holding on-line discussions with Georgian authorities to discuss possible assistance.
The Asia Development Bank (ADB) is also ready to provide emergency assistance to Georgia.
"We are committed to finding all possible ways to help Georgia through the current crisis and invest in long-term growth," Shane Rosenthal, the ADB resident representative in Georgia, told Reuters.
The ADB last week announced a $6.5 billion initial package to address the immediate needs of its developing member countries as they respond to the coronavirus.
"We are focused on the immediate response to the crisis, and ways Georgia can position itself to rebound relatively quickly once the global pandemic recedes," Rosenthal said, adding that the timing and schedule for disbursement would be defined in individual programmes and projects.
The European Bank for Reconstruction and Development (EBRD), which announced a 1 billion euro emergency package, is holding talks with the Georgian government and central bank on ways to address immediate needs amid the coronavirus outbreak.
"We are coordinating with all partner (international financial institutions) so that we can channel our efforts as best as we can to help sustain the economy of Georgia," Catarina Bjorlin Hansen, the EBRD regional director for the South Caucasus, told Reuters.
"We are standing ready to support the economy, the private sector through investments as well as policy dialogue engagements."

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Hungary

Hungary central banker Nagy flags further steps to help economy

24-Mar-2020
BUDAPEST, March 24 (Reuters) - **Hungary's economy will need lots of fiscal steps as well to support a V-shaped recovery and the National Bank of Hungary also has further tools at its disposal to use later, Deputy Governor Marton Nagy said on Tuesday.**
When asked about the possibility of the central bank buying government bonds, Nagy said the Monetary Council "currently" did not consider this option, and launched the liquidity instrument instead. He said this tool was more flexible than a usual QE measure.
Nagy also said there would be further steps by the central bank, but did not go into detail.

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Hungary could dip into small recession in 2020 in alternative scenario

26-Mar-2020
BUDAPEST, March 26 (Reuters) - **Hungary's economy could dip into a small recession this year under a bearish economic scenario if the global impact of the coronavirus pandemic is lasting, the central bank said in its latest inflation report published on Thursday.**
"We assume that the euro area economy will sink into recession for 2020 as a whole," it said in one of the alternative scenarios drawn up in the report.
"Hungary's economic expansion will continue at a more moderate pace, but the growth surplus of at least 2 percentage points compared to the euro area will remain in place."

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Lithuania

Lithuanian economy will shrink by 11.4% to 20.8% in 2020

26-Mar-2020

VILNIUS, March 26 (Reuters) - **The Lithuanian economy will shrink will by 11.4% if a lockdown due to the coronavirus outbreak lasts for two months or by 20.8% if it is extended to four months, the country's central bank said on Thursday.**

This was a significant downgrade from forecasts published by the central bank only last week after the lockdown was announced, when it said it expected the economy to contract by 1.2%.

On March 17, Lithuania's finance ministry said it saw the economy contracting between 1.3% and 2.8%. Its latest forecast, from September, was for growth of 2.4%.

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Romania

Romanian govt to raise its 2020-2022 eurobond issuance ceiling by 10 bln euros

26-Mar-2020

BUCHAREST, March 26 (Reuters) - **Romania's finance ministry plans to tap foreign markets for further issues worth 10 billion euros ($10.9 billion) during 2020-2022, according to a draft decree the government aims to approve on Thursday.**

The decree raises the maximum amount the ministry could borrow through its medium term note programme (MTN), a non-binding foreign debt issuance plan that allows debt managers to tap markets through standardised documents.

The ministry sold foreign issues worth 30.6 billion euros during 2012-2020, nearly tapping out the MTN's current top value of 31 billion euros. The ministry added foreign issues worth 3.8 billion euros will mature this year and in 2022.

"Supplementing the MTN programme by 10 billion euros is necessary to ... enable the foreign financing plan," the draft said.

Romania's finance ministry has said it aims to issue 6 billion euros worth of eurobonds this year, of which it already tapped 3 billion euros worth of 2032 and 2050 Eurobonds in January.

($1 = 0.9164 euros)
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Romania records 0.7%/GDP fiscal deficit in Jan-Feb

27-Mar-2020

BUCHAREST, March 27 (Reuters) - **Romania recorded a consolidated budget deficit of 0.7% of gross domestic product at the end of February against a slim, 0.04% shortfall in January, the finance ministry said on Friday.**

The ministry said the gap was 8.3 billion lei ($1.91 billion) in nominal terms, with budget spending accounting for 5.2% of GDP to reach 59.6 billion lei in January-February.

ING Bank said in a note the "year-end fiscal gap which we think could land anywhere between 7 and 9% of GDP. It depends not only on the already difficult to predict GDP dynamics, but also on how revenues will perform in this unprecedented coronavirus-related) situation."

($1 = 4.3531 lei)
(Reporting by Radu Marinas)
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Russia

Russian economy facing slowdown amid oil price drop and coronavirus

23-Mar-2020

By Andrey Ostroukh and Darya Korsunskaya

MOSCOW, March 23 (Reuters) - **The Russian economy faces mounting risks of a slowdown after a pick up in February as the government is preparing to revise its spending priorities amid a drop in oil prices and stalling business activity due to the global coronavirus outbreak.**

In February, economic growth in Russia accelerated to 2.9% in year-on-year terms from 1.7% in January, the Economy Ministry said on Monday.

The ministry said growth was mostly driven by the retail sales sector and higher industrial output, providing no forward-looking guidance amid the worsening external backdrop.

But in March, Russia's commodity-dependent economy is set to take a hit from prices for oil that rapidly halved to around $26 per barrel, below the level of $42.4 factored into 2020 budget.

The rouble has crashed to four-year lows, fuelling concerns that it may squash business activity and fan inflation, like in the during previous rouble depreciations.

The outbreak of the coronavirus also poses a risk to businesses, from gyms to shopping malls, as people increasingly spend time at home to socially distance to stop the pandemic.

"We expect Russia to follow the rest of the world into recession in the next couple of quarters,"

said Vladimir Tikhomiov, chief economist at BCS brokerage, predicting economy to shrink starting from the second quarter after growing by 1.3% in the first.
Prime Minister Mikhail Mishustin ordered his ministries to present new anti-crisis measures this week, according to a document published on the government website on Monday.
The Finance Ministry said on Monday it had no plans to cut federal budget spending, while it would allocate funds to support the economy and its social sector.
The ministry echoed its earlier pledge not to cut approved spending plans, designed to fulfil orders by President Vladimir Putin aimed at improving living standards.
The idea is to reallocate spending to focus on fighting the coronavirus and its aftermath, while postponing non-essential costs, a government official who asked not to be named told Reuters.
Russia had 438 confirmed cases of coronavirus and one virus-related death as of Monday, less than many European countries.
The Economy Ministry is to present new measures to support small- and medium-enterprises and steps to substitute imports on Thursday.
Together with the Finance Ministry, the ministry will also need to suggest ways to "prioritise spending of the federal budget for the anti-crisis purposes", the government website said.
It was not immediately clear how the ministries will optimise spending of the budget, which, after the oil price crash, is now on track to post deficit this year.
The central bank, while keeping rates on hold, said last week it would soon revise its economic forecasts that used to envisages 1.5-2% GDP growth this year.

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S&P affirms Russia's rating at 'BBB-/A-3' with stable outlook

26-Mar-2020
March 26 (Reuters) - **Ratings agency S&P Global on Thursday affirmed Russia's foreign-currency sovereign credit rating at 'BBB-/A-3' with a stable outlook, saying a strong balance sheet and stringent fiscal policy will help its economy cushion the impact from low oil prices.**
However, the agency noted the country's ratings could be pressured by geopolitical tensions in the longer term and its dependence on revenue from oil and gas exports.

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Serbia

Serbia's c-bank supplies liquidity to banks via govt debt purchases

25-Mar-2020
BELGRADE (Serbia), March 25 (SeeNews) - **Serbia's central bank has supplied commercial banks with 25.2 billion dinars ($231.9 million/214.5 million euro) of liquidity via two auctions for direct purchase of dinar-denominated government bonds held on March 24, it said.**
By these auctions the central bank aims to provide support to Serbia's financial system amidst the spread of the coronavirus disease, it said in a statement on Tuesday.
At the auctions, the central bank provided to banks 4.7 billion dinars for a period of seven days and 20.5 billion dinars for three months at an interest rate of 0.75%, equal to the deposit facility rate.
On Monday, the central bank bought 127 million euro from commercial banks at an additional three-month forex swap auction, supplying them with a total of 14.9 billion dinars at an interest rate of 0.85%.
Serbia's central bank introduced last week a 90-day moratorium on loan repayment by customers of commercial banks and financial leasing companies in order to mitigate the impact of the coronavirus crisis on the country's economy.

(1 euro = 117.470 dinars)

Slovakia

Slovak January current account shows 279 million euro deficit

24-Mar-2020
PRAGUE, March 24 (Reuters) - **Slovakia's current account showed a deficit of 279 million euros ($302.24 million) in January after a revised deficit of 319 million euros in December, the central bank said on Tuesday.**
The December figure was revised from an originally reported deficit of 328 million euros.

($1 = 0.9231 euros)
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Slovenia

Slovenia mandates lead managers for new 3-yr govt debt issue

24-Mar-2020

LJUBLJANA (Slovenia), March 24 (SeeNews) - **The Slovenian government said on Tuesday it has mandated six international banks as lead managers for a new euro-denominated issue of three-year government debt.**

Parallel with that, Barclays Bank PLC, BNP Paribas, Commerzbank, Credit Agricole CIB, Goldman Sachs International Bank and HSBC will also lead manage an increase of Slovenia's outstanding 1.1875% notes due on March 14, 2029, the government said in a statement.

The new three-year debt will mature in March 2023, the statement read, adding that the transaction is expected to be launched in the near future, subject to market conditions.

Earlier on Tuesday, the Slovenian government presented the main elements of its new so-called corona law, aimed at mitigating the coronavirus impact on local individuals and businesses.

According to a report by state news agency STA, the measures included envisaged in the new law are estimated at some 2.0 billion euro ($2.16 billion).

($= 0.924028 euro)

Slovenia issues 1.1 bln euro in new govt debt

25-Mar-2020

LJUBLJANA (Slovenia), March 25 (SeeNews) - **Slovenia has sold a new 850 million euro ($919 million) issue of three-year government debt and has placed a further 250 million euro as an increase of its outstanding 1.1875% notes due on March 14, 2029, the finance ministry said.**

The transaction was carried out at 15:23 CET on Tuesday at a re-offer price of 99.842% for the 3-year notes and 104.262% for the March 2029 tap, the ministry said in a statement late on Tuesday.

This represents a re-offer yield of 0.253% and 0.695%, respectively, it added.

"Given the temporary relief in the markets and the COVID-19 backdrop, Slovenia announced initial price guidance at 10:06 CET, at MS+50bps and MS+65bps for the 3yr (Mar-23) and the Mar-29 tap, respectively. Momentum continued into the morning and by 11:41 CET a book update was released in excess of EUR1.75bn," the ministry said.

It added that by 14:02 CET, when the transaction was launched and the size of the issues were set at 850 million euro for the 3-year benchmark and at 250 million euro for the Mar-29 tap, books were in excess of 1.35 billion euro and 380 million euro, respectively.

The lead managers of the issue were Barclays, BNP Paribas (B&D), Commerzbank, Credit Agricole CIB, Goldman Sachs International Bank and HSBC.

Most of the buyers of the three-year benchmark came from France (32%), Slovenia (13%), Germany and Austria (12%), and Benelux (10%), while the rest of Europe and Asia accounted for 9% each.

In terms of institutional distribution, 51% of the investors were banks/treasuries, 28% fund managers, 13% official institutions, 7% hedge funds and 1% pension/insurance firms.

The statistics for the March 2029 tap are similar.

($=0.9251 euro)

Ukraine

IMF sees good progress in talks with Ukraine on new funding arrangement

27-Mar-2020

WASHINGTON, March 26 (Reuters) - **The International Monetary Fund on Thursday said it was making progress in its talks with Ukraine about a new funding arrangement, and certain legislative changes could allow the country to move forward quickly with a bigger than expected package.**

Ukraine's Finance Minister Ihor Umansky told Reuters this week that his country was close to finishing talks for more loans from the IMF but had no plans to restructure its debt to cope with the fallout from the coronavirus epidemic.

On Thursday, IMF Managing Director Kristalina Georgieva said the Fund had made "very good progress" in discussions with the Ukrainian authorities on a new Extended Fund Facility (EFF) arrangement.

"Adoption of legislation to improve the bank resolution framework and on land reform would allow moving forward quickly with finalizing the parameters of the new arrangement, with larger access than previously envisaged," she said in a brief statement. She gave no further details.

Ukraine provisionally agreed a $5.5 billion loan deal with the IMF in December but disbursement is contingent on Ukraine passing banking and land reforms, as well as taking steps to tackle corruption.

Turbulence from the epidemic has dragged down the hryvnia currency and prompted the government to ask the IMF for additional emergency assistance. The government has not disclosed how much more money it would like.

Ukraine restructured its debts in 2015 in a previous crisis triggered by Russia's annexation of the Crimea peninsula in 2014 and the outbreak of conflict in the eastern Donbass region.

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Ukrainian president says IMF to increase loan to $8 bln

27-Mar-2020
KIEV, March 27 (Reuters) - **Ukrainian President Volodymyr Zelenskiy said on Friday that the International Monetary Fund would expand its financial assistance to Ukraine to minimum $8 billion from $5.5 billion, which was preliminary agreed last December.**
Zelenskiy told journalists the key international lender may disburse $1.75-2 billion under the new program soon after Ukraine's parliament next week will approve land reform and amendments to banking law.
The IMF on Thursday said it was making progress in its talks with Ukraine about a new funding arrangement.

(Reporting by Natalia Zinets)
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LATIN AMERICA AND CARIBBEAN

Argentina

Argentina lays out key economic road map amid debt talks

21-Mar-2020
By Adam Jourdan
BUENOS AIRES, March 20 (Reuters) - **Argentina's government laid out its most in-depth economic road map on Friday, a key step in debt talks after creditors clamored for more detailed information about the country's plans as both sides look to strike a restructuring deal.**
Economy Minister Martin Guzman said that under realistic fiscal and growth forecasts Argentina could not service its current debt load of over $110 billion in foreign-law bonds and credit facilities from global bodies.
"I would characterize the debt situation of the country today as unfinanceable, unaffordable and unsustainable," Guzman said. "If nothing was done, if there wasn't a debt operation, the debt path would be explosive."
Argentina President Alberto Fernandez said in a statement later on Friday that his government and the International Monetary Fund had agreed that Argentina would be unable to make payments in foreign currency on its debt for four years.
Guzmman said further tightening was not possible given high levels of poverty in the country.
"Argentina has already made a massive adjustment of primary fiscal spending. There is no room in the short-term for continuing this dynamic, no room at all," he said.
Guzman laid out frameworks for growth of 1.5%-2% in the medium-to-long term, and a primary fiscal surplus over the same time frame of 0.8%-1.2%. He said the country was aiming for gross foreign reserves of $65 billion by 2024.
The minister said, however, that the coronavirus pandemic could impact Argentina's economic analysis, especially in the short-term for 2020 and potentially even 2021.
"Today it's clear we are living in times of very high uncertainty and that's something that has to be taken into account," he said. "This is something that was true before the coronavirus and it's even more true now."
Guzman said the government was discussing steps toward a new program with the IMF, which extended a $57 billion credit facility to Argentina in 2018.
The IMF said earlier on Friday that Argentina needed substantial relief from private creditors and that there was "virtually no scope" for its servicing bond payments in the medium term.

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Argentina issues $217 mln of 2020 Peso debt in swap auction

26-Mar-2020
BUENOS AIRES, March 26 (Reuters) - **Argentina's economy ministry said on Thursday it had issued 13.96 billion pesos ($217 million) of new instruments maturing in July and August in a debt swap auction, part of a push to re-profile the country's debts and push back repayments.**

(Reporting by Adam Jourdan)
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Brazil

Brazil's coronavirus-fighting economic measures only for 2020

25-Mar-2020

By Marcela Ayres

SAO PAULO, March 25 (Reuters) - **Brazil does not have the capacity to announce huge fiscal packages to fight the coronavirus crisis and whatever it does deliver will only be for this year, a top Economy Ministry official said on Wednesday.**

Economic Policy Secretary Adolfo Sachsida said a cautious approach must be applied to the government's spending decisions, and again warned that fiscal stability in coming years cannot be put at risk by overspending this year.

Brazil's government has proposed fiscal measures protecting the most vulnerable and safeguarding jobs amounting to about 180 billion reais ($36 billion), but virtually none of that comprises new spending.

Speaking online at a virtual event organized by Necton Investimentos, Sachsida said economic support will be offered in stages.

"It's difficult for us to make a big announcement. Other, richer countries have the luxury of unveiling grand plans and if they mess up, they have money. We don't," he said.

Rodrigo Maia, speaker of the lower house of Congress, this week proposed that Brazil should spend between 300 billion and 400 billion reais ($58-78 billion) in emergency funds, creating a "war budget" under which ordinary fiscal rules do not apply.

Meanwhile, Sachsida also said that the government has revised its 2020 primary budget deficit goal from its original target of 124 billion reais. Asked if it is now 200 billion reais, he said it is, "a little bit more, a little bit less."

The government last week cut its 2020 economic growth forecast to zero form 2.1%, owing to the anticipated hit to demand, supply and investment from the coronavirus shock.

Many private sector economists say the economy could contract significantly.

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Brazil's current account deficit widest in over four years

25-Mar-2020

By Jamie McGeever

BRASILIA, March 25 (Reuters) - **Brazil's current account deficit widened and financial market outflows accelerated in February, figures showed on Wednesday, highlighting the country's deteriorating financial position even before any impact from the coronavirus outbreak had been felt.**

The current account deficit widened to 2.91% of gross domestic product, the widest since December 2015, while investors pulled more than $3 billion out of Brazilian investment funds, the central bank said.

Including Brazilian stocks traded abroad, the net outflow of $4.4 billion in February was the biggest since October 2008, the central bank said.

The figures reflect the intensifying pressure on Brazil's currency, which has lost more than 20% of its value against the dollar this year and earlier this month traded at a record low near 5.25 per dollar.

The monthly current account deficit was $3.9 billion, wider than the $3.45 billion shortfall forecast in a Reuters poll, while foreign direct investment was exactly in line with the forecast of $6 billion.

The central bank said it expects the deficit to shrink to $1 billion and net FDI flows to rise to $7 billion in March, but said a full-year deficit and FDI flows forecast will be announced on Thursday in its quarterly inflation report.

A goods trade surplus of $2.5 billion in February was wiped out by a services deficit of $2.6 billion and a primary income deficit of $3.9 billion, the central bank said.

On the portfolio side, a net $4.5 billion was pulled from Brazilian stock funds in February and $1.1 billion was poured into domestic debt securities. This resulted in a net portfolio outflow of $3.4 billion, the central bank said.

That brought net portfolio outflows in the first two months of the year to $1.9 billion, compared with a net inflow $10.7 billion in the same period last year.

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Brazil's federal public debt rises to 4.281 trillion reais in Feb

25-Mar-2020

BRASILIA, March 25 (Reuters) - **Brazil's federal public debt rose 1.22% in February from January to 4.281 trillion reais ($856 billion), the Treasury said on Wednesday, adding that the stock of domestic public debt securities rose 1.05% to 4.057 trillion reais.**

The Treasury also said that local markets have been volatile this month, and that heightened risk aversion owing to the coronavirus and oil crises, as well as domestic concerns, have hampered price discovery.

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Brazil central bank asks for authorization to buy debt directly

27-Mar-2020

BRASILIA, March 27 (Reuters) - **Brazil's central bank will ask Congress for a constitutional amendment allowing it to buy debt directly to help ease market stress during the coronavirus outbreak, bank chief Roberto Campos Neto said on Friday.**

Speaking to reporters in Brasilia, Campos Neto said the central bank has an enormous balance sheet and buying debt directly, as other central banks around the world do, will be a powerful tool in its crisis-fighting arsenal.

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Colombia

S&P Says Colombia Outlook Revised To Negative

26-Mar-2020

March 26 (Reuters) - S&P:

- **S&P says Colombia outlook revised to negative on increased risks to external liquidity, debt, and growth; ratings affirmed**
- S&P says recent drop in oil prices, compounded by negative global impact of covid-19, has weakened Colombia's external profile
- S&P says there is risk that negative external shocks could undermine Colombia's GDP growth prospects

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Costa Rica

S&P Says Costa Rica 'B+' Sovereign Ratings Affirmed; Outlook Remains Negative

26-Mar-2020

March 26 (Reuters) - S&P

- **S&P says Costa Rica 'B+' sovereign ratings affirmed; outlook remains negative**
- S&P says expect Costa Rica's fiscal profile to continue weakening in 2020, given hit to economy amid covid-19 pandemic

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Ecuador

Fitch cuts Ecuador to CC, its second downgrade in days

24-Mar-2020

By Paul Kilby

NEW YORK, March 24 (IFR) - **Fitch cut Ecuador rating to CC on Tuesday after the government said it would use the grace period on certain bonds to delay payments as it sought to garner funding for the health crisis spurred by the coronavirus.**

The move comes less than a week after the rating agency lowered its rating a notch to CCC, citing the sovereign's debt repayment abilities and difficulties in accessing capital markets.

Fitch expects "a default of some kind is probable following announcements by the authorities of their intent to renegotiate the terms of commercial debt liabilities while using the grace period on bond coupons due this week."

Should the government fail to renegotiate its debt in what is likely to be a distressed exchange, there is a risk that pending coupon payments will be missed when the grace period elapses, it said.

Finance Minister Richard Martinez said on Monday that the country would make a US$325m amortization payment on the 2020 bond due today, but would use the grace period on the sovereigns 2022s, 2025s and 2030s to forestall about US$200m of coupon payments due on those bonds later this month.

The country's bonds are now trading in the 20s, down from the 30s just a week ago.

"Fitch believes that Ecuador's ability to continue paying bond coupons may be increasingly difficult to sustain in political and economic terms in the coming months, should a debt renegotiation not be reached," it said.

While the health emergency could have multilaterals provide more funding to the country, it would prove insufficient to overcome debt repayment challenges, Fitch said.

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Ecuador bonds sink as it delays debt payments for health crisis

24-Mar-2020

By Paul Kilby

NEW YORK, March 24 (IFR) - **Ecuador bonds have sunk to the low 20s after the government said it would cover a bond payment due today but use grace periods on interest due on other bonds later this month to retain funds for the health emergency caused by the coronavirus.**

The sovereign's 8.875% 2027s were being

quoted earlier today at 22.25, while its 7.875% 2028s were changing hands at 22.28, according to MarketAxess data.
Both those bonds had been trading with dollar prices in the 30s, just last week.
Markets are increasingly concerned about growing default risks in the cash-strapped country, where the global pandemic and falling oil prices have only exacerbated its difficulties in raising funding to cover debt payments.
Finance Minister Richard Martinez said on Monday that the country would make a US$325m amortization payment on the 2020 bond due today, but would use the grace period on the sovereigns 2022s, 2025s and 2030s to forestall about US$200m of coupon payments due on those bonds later this month.
The government has been walking a fine line between carrying out belt tightening on the back of an IMF program while also attending to social unrest and the crisis caused by the coronavirus.
The National Assembly has asked the government to temporarily suspend external debt payments during the coronavirus emergency, but Martinez has said this would undermine financial aid from the multilaterals, according to a report by Oxford Economics.
Martinez said that he expects to receive US$500m from the IMF in April and another US$500m from other multilaterals as well as about US$1bn from bilateral sources such as China.
"Our objective is to provide immediate support to help Ecuador address the effects of a mounting global health crisis," Kristalina Georgieva, managing director of the IMF, said in a statement.
The government is seeking financial support from the IMF's Rapid Financing Instrument (RFI) to help it quickly direct funds where needed.
"If officials seek liquidity relief, this would also allow for much higher recovery value perhaps closer to 50 than historic recovery value of 30 and current prices in the 20s," wrote Siobhan Morden, head of Latin America fixed-income at Amherst Pierpont.
"The (country's) debt ratios do not suggest a solvency problem and it's too early to assess debt sustainability under current conditions."
Oxford Economics believes the government may try a friendly debt reprofiling with private creditors by postponing coupons through 2020 and making interest reductions on the 2022 bonds.
"Perhaps the easiest approach is similar to the Province of Buenos Aires for a consent solicitation to delay coupon payments for say six months so that the Moreno administration can best assess an effective economic plan," said Morden.
With crude prices touching 18-year lows recently, the oil exporting nation is likely to see funding costs rise, just as it starts to face a wall of debt payments.
Aside from the US$1.6bn interest due this year, Ecuador must come up with US$1.9bn in interest in 2021 and faces about US$4.6bn in interest and principal in 2022, according to Sarah Glendon, senior analyst at Columbia Threadneedle Investments.
"We believe that the grace period is not long enough," Rafael Elias, an analysts at INTL FCStone, wrote in a report on Tuesday.
"We certainly don't see international oil prices recovering within this period of time to levels that would really make a meaningful impact on Ecuador's finances."

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Ecuador to delay bond interest payment to fund coronavirus effort

24-Mar-2020
By Alexandra Valencia
QUITO, March 23 (Reuters) - **Ecuador will use a 30-day grace period on some bonds to delay making around $200 million in interest payments due this week, and will devote those funds toward containing the coronavirus outbreak, Finance Minister Richard Martinez said on Monday.**
The cash-strapped Andean nation will nonetheless make a $325 million principal payment on its 2020 bond due on Tuesday, Martinez told reporters. Ecuador's economy depends on oil exports, and a plunge in crude prices in recent weeks threatens to slash government revenues.
"This decision means we will begin dialogue with commercial, bilateral and multilateral creditors to reach a good, sensible arrangement," Martinez said, adding that he had been in touch with the U.S. Treasury and the Chinese government as well as the International Monetary Fund (IMF) and private creditors.
China has given Ecuador billions of dollars in financing in the past decade, much of which the Andean nation pays back with crude oil shipments. Martinez said the goal of the country's talks with China was to reduce "financial pressure" this year and ensure access to new sources of financing.
Ecuador has been among the hardest-hit countries in Latin America by the coronavirus, with 981 cases and 18 deaths as of Monday. President Lenin Moreno has come under increasing pressure in recent days to suspend debt payments in order to devote more resources to the health system.
Martinez said the government had also reached a deal with the IMF for $500 million in financing, which he said would arrive in April. Ecuador will also receive another $500 million jointly from the World Bank, Inter-American Development Bank, and Latin American lender CAF.
IMF Managing Director Kristalina Georgieva

provided no numbers, but said IMF staff would work with Ecuador to quickly address its request for coronavirus-related funding through the Fund's Rapid Financing Instrument, and set up a new funding arrangement to bolster Ecuador's economy.
"Our objective is to provide immediate support to help Ecuador address the effects of a mounting global health crisis, while continuing to support the authorities' unwavering commitment to implement much-needed economic and structural reforms aimed at fostering strong, sustainable and inclusive growth," she said in a statement.

(Reporting by Alexandra Valencia; Additional reporting by Andrea Shalal in Washington
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S&P Says Ecuador Ratings Lowered To 'CCC-/C'

25-Mar-2020
March 25 (Reuters) –

- **S&P says Ecuador ratings lowered to 'CCC-/C' and placed on Credit watch negative on risks to debt service**
- **S&P says Ecuador's large budgetary financing needs have been exacerbated by plunge in oil prices & negative economic impact of covid-19 pandemic**
- S&P says lowering long- and short-term sovereign credit ratings on Ecuador to 'CCC-/C' from 'B-/B'
- S&P says ratings on Ecuador constrained by elevated financing needs, external vulnerabilities, weak institutions, relatively low wealth levels

((Reuters.Briefs@thomsonreuters.com))

Markets brace for debt reprofiling in Ecuador

27-Mar-2020

- **Latin America Sovereign to invoke grace periods on bonds**

By Paul Kilby
NEW YORK, March 27 (IFR) - **Markets are now bracing for some sort of reprofiling of Ecuador's debt as the coronavirus health emergency and lower oil prices exacerbate the cash-strapped country's ability to make payments on its bonds.**
Last week the government said it will cover a bond payment that was due on March 24 but use grace periods on interest due on other bonds later this month to retain funds for the health emergency.
Ratings agencies reacted quickly to the news as the administration of president Lenin Moreno said that it intends to talk to commercial and bilateral creditors about a consensual reprofiling.
On Tuesday, Fitch cut the country's rating for a second time in less than a week, bringing it down to CC from CCC. S&P followed suit, downgrading it to CCC- from B-.
"A default of some kind is probable following announcements by the authorities of their intent to renegotiate the terms of commercial debt liabilities while using the grace period on bond coupons due this week," Fitch said.
Should the government fail to renegotiate its debt in what is likely to be a distressed exchange, there is a risk that pending coupon payments will be missed when the grace period elapses, it said.
Finance minister Richard Martinez said on Monday that the country will make a US$325m amortisation payment on the 2020 bond due last Tuesday, but would use the grace period on the sovereign's 2022s, 2025s and 2030s to forestall about US$200m of coupon payments due on those bonds later this month.
"Fitch believes that Ecuador's ability to continue paying bond coupons may be increasingly difficult to sustain in political and economic terms in the coming months, should a debt renegotiation not be reached," it said.
While the health emergency could have multilaterals provide more funding to the country, it will be insufficient to overcome debt repayment challenges, Fitch said.
The sovereign's 8.875% 2027s were quoted last week bid at 22.25, while its 7.875% 2028s were at 22.28, according to MarketAxess data.
Both those bonds had been trading with dollar prices in the 30s just a week before.
Markets are increasingly concerned about growing default risks in the cash-strapped country, where the global pandemic and falling oil prices have exacerbated its difficulties in raising funding to cover debt payments.
The government has been walking a fine line between carrying out belt tightening on the back of an International Monetary Fund programme while also attending to social unrest and the crisis caused by the coronavirus.
The National Assembly has asked the government to temporarily suspend external debt payments during the coronavirus emergency, but Martinez has said this will undermine financial aid from the multilaterals, according to a report by Oxford Economics.
Martinez said that he expects to receive US$500m from the IMF in April and another US$500m from other multilaterals as well as about US$1bn from bilateral sources such as China.
"Our objective is to provide immediate support to help Ecuador address the effects of a mounting global health crisis," Kristalina Georgieva, managing director of the IMF, said in a statement.
The government is seeking financial support

from the IMF's Rapid Financing Instrument (RFI) to help it quickly direct funds where needed.
But multilateral aid could prove insufficient, say analysts.
"If this commodity shock continues then non-payment risk continues," wrote Siobhan Morden, head of Latin America fixed income at Amherst Pierpont.
"It would require almost extraordinary budgetary support of an exceptional access IMF programme to avoid a default on its liabilities."
Oxford Economics said the government may try a friendly debt reprofiling with private creditors by postponing coupons in 2020 and making interest reductions on the 2022 bonds.
"Perhaps the easiest approach is similar to the Province of Buenos Aires for a consent solicitation to delay coupon payments for say six months so that the Moreno administration can best assess an effective economic plan," said Morden.
With crude prices touching 18-year lows recently, the oil exporting nation is likely to see funding costs rise, just as it starts to face a wall of debt payments.
Aside from US$1.6bn interest due this year, Ecuador must come up with US$1.9bn in interest in 2021 and faces about US$4.6bn in interest and principal in 2022, according to Sarah Glendon, senior analyst at Columbia Threadneedle Investments.
"We believe that the grace period is not long enough," Rafael Elias, an analysts at INTL FCStone, wrote in a report on Tuesday.
"We certainly don't see international oil prices recovering within this period of time to levels that would really make a meaningful impact on Ecuador's finances."

(This story will appear in the March 28 issue of IFR Magazine)
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D Ecuador box

Mexico

S&P Says Mexico Foreign Currency Rating Lowered to 'BBB' and Local Currency to 'BBB+'

26-Mar-2020
March 26 (Reuters) - S&P:
- **S&P says Mexico foreign currency rating lowered to 'BBB' and local currency to 'BBB+' on hit to trend growth; outlook negative**
- S&P says covid-19 and oil price shocks, while temporary, will worsen Mexico's already weak trend GDP growth dynamics for 2020-2023
- S&P says expect pronounced hit to Mexican economy following combined shocks of covid-19 in Mexico & U.S. Along with lower global oil prices
- S&P says lowering its long-term foreign currency sovereign credit rating on Mexico to 'BBB' from 'BBB+'
- S&P says lowering its long-term local currency sovereign credit rating to 'BBB+' from 'a-' on Mexico
- **S&P says it assumes that Mexico government will take steps to contain projected widening of fiscal deficit and increase in the sovereign's debt burden**
- S&P says in addition, potential increases in contingent liabilities from energy sector could worsen Mexico's debt burden and lead to a downgrade
- S&P says financial profile of Pemex has weakened significantly over the past 5 YRS and has become more vulnerable amid decline in oil prices
- S&P says shift in energy policy under administration of president López Obrador increases reliance on Pemex for oil production, investment in Mexico
- S&P says downgrade of Mexico reflects revised expectations that real per capita GDP growth will stay below peers with similar economic development
- S&P says it its view, negative shocks outweigh possible support for growth in 2020 in Mexico from national infrastructure plan or passage of USMCA
- S&P says in addition to the hit to domestic demand from covid-19 in Mexico, we are also now forecasting contraction in the U.S.

((Reuters.Briefs@thomsonreuters.com))

Puerto Rico

Puerto Rico oversight board to ask for delay in debt restructuring due to coronavirus

21-Mar-2020
March 21 (Reuters) - **Puerto Rico's federally created financial oversight board will ask a court to delay the U.S. commonwealth's debt restructuring hearing due to the coronavirus outbreak, it said on Saturday.**
"The Oversight Board will present a motion in court to adjourn consideration of the proposed Plan of Adjustment's disclosure hearing until further notice", the Financial Oversight and Management Board for Puerto Rico said.
Puerto Rico commenced a form of municipal bankruptcy in May 2017 to restructure about $120 billion of debt and liabilities.
The oversight board said last month it was aiming for Puerto Rico to exit bankruptcy by the end of the year after it had reached a deal with an expanded group of bondholders to cut the commonwealth's debt by $24 billion.
The board asked Judge Laura Taylor Swain to approve a schedule that would culminate with a

confirmation hearing on a so-called plan of adjustment for Puerto Rico's core government debt and pension obligations starting in October. The government of Puerto Rico had objected to moving forward with the new debt plan.

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Trinidad and Tobago

S&P Says Trinidad and Tobago Sovereign Rating Lowered to 'BBB-' From 'BBB' on Lower Hydrocarbon Price Assumptions

26-Mar-2020
March 26 (Reuters) -

- **S&P says Trinidad and Tobago sovereign rating lowered to 'BBB-' from 'BBB' on lower hydrocarbon price assumptions**
- S&P says lowering Trinidad and Tobago's short-term foreign and local currency sovereign credit ratings to 'A-3' from 'A-2'
- S&P, on Trinidad and Tobago, says also revising down our transfer and convertibility assessment to 'BBB' from 'BBB+'
- S&P says expect lower oil & gas prices over next several years will weaken Trinidad and Tobago's government revenues
- S&P, on Trinidad and Tobago, says expect lower oil & gas prices over next several years will lead to larger increases in net general government debt
- S&P, on Trinidad and Tobago, says stable outlook balances risk that lower hydrocarbon prices may lead to greater deterioration in country's growth

((Reuters.Briefs@thomsonreuters.com))

Venezuela

Venezuela in talks with China over support amid pandemic, oil price drop

25-Mar-2020
By Corina Pons and Mayela Armas
CARACAS, March 25 (Reuters) - **Venezuela has opened talks with China over possible financial support to cope with a sharp drop in oil prices and the arrival of the novel coronavirus, four sources familiar with the negotiations said.**
The government of President Nicolas Maduro is hoping to renegotiate oil-for-loan deals agreed nearly 15 years ago under late socialist leader Hugo Chavez, when the two nations developed an economic alliance built around oil shipments.
China halted new loans several years ago as Venezuela's economy descended into a hyperinflationary collapse, but Beijing has maintained diplomatic ties with Caracas and openly opposes Washington's oil sanctions against Maduro.
The talks were initiated by Maduro's government and are ongoing, the sources said.
"Without (China), we are left helpless," said one of the sources, who asked not to be identified because they are not allowed to speak publicly about the issue.
Venezuela's information ministry and China's embassy in Caracas did not respond to emails seeking comment.
Venezuela is considered to be highly vulnerable to coronavirus due to constant blackouts in many parts of the country as well as the lack of running water and medical supplies in public hospitals.
Maduro has called for U.S. sanctions to be lifted to improve the country's health system.
Last week, his government asked the International Monetary Fund (IMF) for $5 billion in financing to confront the virus - a request that was flatly rejected, as several member governments including the United States, recognize opposition leader Juan Guaido as Venezuela's rightful leader.
Maduro's government is instead counting on significant support from China, said the sources, adding that Maduro had already begun talks with Beijing when he made the request to the International Monetary Fund. Caracas has no official channel of communication with the multilateral lender, the sources said.
The IMF did not respond to a request for comment.
Maduro's government is seeking a grace period on loan payments, one of the sources said, possibly one that is similar to an arrangement created in 2016 under which Venezuela for over a year made interest-only payments on the loans.
The government is also interested in continuing to import food from China in exchange for oil to overcome the complications caused by the measures of the government of U.S. President Donald Trump, another source said.
Between April and December 2019, at least 40% of food imports by Venezuelan state entities came from China, according to port data seen by Reuters.
The imports primarily comprised staple items such as milk, oil, and meat that are used in the government's food distribution programs.
Venezuela owes $3 billion in oil shipments to China this year based on current prices, according to one of the sources, equivalent to a quarter of the value of its 2019 crude exports.
China since 2007 has lent Venezuela more than $50 billion. The total outstanding dropped below $20 billion within the last five years, but state oil company PDVSA no longer publishes the pending balance.
PDVSA did not respond to a request for comment.

Last year, Venezuela began accumulating funds in China thanks to payments in yuan for oil exports, and the government last year discussed using yuan to pay contractors.
Maduro last week said Venezuelan began receiving medical supplies from China to fight coronavirus, which the sources said were being provided independently of the current talks.

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AFRICA

African finance ministers call for $100 bln stimulus, debt holiday

23-Mar-2020
JOHANNESBURG, March 23 (Reuters) - **African finance ministers have called for a $100 billion stimulus package, including a suspension of debt service payments, to help the continent combat coronavirus.**
Some $44 billion would come from not servicing debt and they would also tap existing facilities in the World Bank, International Monetary Fund (IMF), African Development Bank (AfDB) and other regional institutions.
The ministers held a virtual conference on Thursday to discuss how to deal with the social and economic impacts of the pandemic on African nations, a statement by the United Nations Economic Commission for Africa said on Monday.
It did not specify which countries participated in the meeting.
Africa is facing the combined shock of coronavirus, which threatens to strain under-funded health systems, as well as a sharp drop in revenues due to plunging oil and commodities prices.
"Africa needs an immediate emergency economic stimulus to the tune of $100 billion," the statement said.
The proposed interest payment waiver would include not only interest payments on public debt but also on sovereign bonds. It would save governments an estimated $44 billion this year, and would possibly need to be extended to the medium term, it added.
"(A waiver) would provide immediate fiscal space and liquidity to the governments in their efforts to respond to the COVID-19 pandemic," the statement said.
For fragile states, the ministers agreed that waiving repayment of both principal and interest should be considered.
Though African nations currently count only a fraction of global coronavirus cases, experts worry that their cash-strapped and under-equipped healthcare systems make them ill prepared to tackled large-scale outbreaks.
Meanwhile, sub-Saharan Africa's debt has ballooned to nearly 60% of GDP over the past decade, meaning many government must devote significant resources to debt service.
Still, seven countries - Eritrea, Gambia, Mozambique, Congo Republic, Sao Tome and Principe, South Sudan and Zimbabwe - were already in debt distress before the pandemic, according to the International Monetary Fund.
Nine others including Ethiopia, Ghana and Cameroon are at high risk of debt distress.

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Moody's Says Coronavirus Shock Poses Significant Growth and Fiscal Challenges for African Sovereigns

26-Mar-2020
March 26 (Reuters) - Moody's:
- **Moody's says coronavirus shock poses significant growth and fiscal challenges for African sovereigns**
- Moody's says severe macroeconomic and financial impact for African sovereigns from coronavirus
- Moody's, on African sovereigns, says declining export revenue due to coronavirus will increase pressure on balance of payments, aggravate external vulnerability

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Angola

S&P Says Angola Ratings Lowered to 'CCC+' on Increasing External Financing Risks Tied to Sharp Fall in Oil Price

26-Mar-2020 o
March 26 (Reuters) - S&P:
- **S&P says Angola ratings lowered to 'CCC+' on increasing external financing risks tied to sharp fall in oil price; outlook stable**
- S&P says lowered Angola's long-term foreign and local ratings to 'CCC+' from 'B-'
- S&P says also lowered short-term sovereign credit ratings on Angola to 'c' from 'B'
- S&P says IMF program support is likely to be insufficient to cover funding needs, forcing Angola to pursue external commercial sources

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Egypt

Fitch Ratings: Coronavirus Hits Egypt's External Accounts

23-Mar-2020

Fitch Ratings-Hong Kong-March 23: **The coronavirus shock will affect Egypt's external finances, GDP growth and fiscal performance, and will probably lead to substantial portfolio investment outflows from the local-currency debt market, says Fitch Ratings.** However, high levels of international reserves and a recent record of fiscal consolidation and prudent monetary policy may help to mitigate the impact on the country's credit position.

The broad travel and tourism sector contributes around 12% of Egypt's GDP and 10% of employment, with gross tourism receipts estimated by Fitch at USD13 billion (almost 4% of GDP) in 2019. Such earnings will dwindle to insignificant levels so long as international tourism flows remain at a near-standstill as a result of the pandemic, and may take time to recover to pre-crisis levels even once travel restrictions start to be lifted. This will hit the country's external position and economic growth.

Weaker international demand will also curb Egypt's merchandise exports and earnings from traffic through the Suez Canal, which we estimate at around USD17billion and USDD5.8 billion, respectively, in 2019. Remittances, worth around USD25 billion last year, could also be hurt. Softer domestic demand will depress imports, but will not be sufficient to prevent a significant widening of the current account deficit overall. The scale of the deterioration will depend on how long the pandemic will affect external demand, which remains unclear.

Global financial market turmoil is likely to have caused portfolio outflows in March, and could lead to further outflows over the next six months. Foreign investors held USD20 billion worth of Egyptian pound-denominated T-bills at end-February, and also hold an amount - albeit much smaller - of T-bonds.

The wider current account deficit, coupled with portfolio investment outflows, will put downward pressure on international reserves and/or on the exchange rate. Egypt reported official reserves of USD45.5 billion at end-February, with the Central Bank of Egypt (CBE) also reporting USD7 billion of foreign-currency (FC) deposits not included in the official reserves. This should be sufficient to provide a buffer against short-term volatility caused by capital outflows; but reserves may be rapidly eroded if such outflows are sustained.

For example, a scenario that saw portfolio outflows of USD15 billion coupled with a USD10 billion-15 billion widening of the current account deficit - and the central bank resisting depreciation - could halve CBE's international reserves and FC deposits. Nevertheless, a decline in the banking sector's net foreign-asset position could cushion reserve erosion to some extent, as in the case of portfolio outflows in 2H18.

We expect the government's fiscal consolidation efforts to falter in the near term, given weaker economic growth and revenue collection. The government has also announced an EGP100 billion (around 1.7% of GDP) fiscal stimulus. We feel its measures are modest, mostly temporary, and fairly easily reversible, but will add to pressures on the public finances.

When we affirmed Egypt's sovereign rating at B+ in December 2019, we pointed out that a failure to keep the government debt/GDP ratio on a downward path, or the reversal of fiscal or monetary reforms, could lead to negative rating action. Nonetheless, in assessing the impact of Egypt's supplementary fiscal measures on its sovereign rating we will take into account the country's recent record of fiscal consolidation when analysing whether the coronavirus pandemic will affect public finances over the medium term.

We had also commented that renewed signs of external vulnerability could be a negative rating sensitivity. Egypt's access to external financing will remain an important rating consideration. In a stress scenario, Egypt may be able to access IMF funds, following the country's successful completion of an IMF progamme in November 2019.

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Egypt reduces GDP growth target for FY 2019/20 to 5.1%

26-Mar-2020

CAIRO, March 26 (Reuters) - **Egypt's GDP growth for the fiscal year that begins on July 1 could fall to 3.5% if the coronavirus crisis continues until December, Planning Minister Hala al-Saeed said on Thursday, down from previous estimates of around 6%.**

Growth of gross domestic production (GDP) in the current fiscal year was likely to fall to 5.1% from 5.6% as the coronavirus crisis hits the global economy, she said, adding that growth was expected to slow to 5.2% in the January-March 2020 quarter and 4% in April-June.

If the coronavirus crisis ends by end-June, the North African country could grow in the coming fiscal year by a quicker 4.5%, Saeed said.

She said she expected an extended economic slowdown both in Egypt and internationally that would hurt the labour market.

"There are sectors that will be severely affected by the crisis such as tourism, restaurants and the entertainment industry," Saeed said.

Egypt, with a rapidly growing population that just topped 100 million, had been counting on high growth to absorb hundreds of thousands of workers who enter the labour force each year.
Inflation is expected to rise to 9.8% if the crisis continues until December, as demand for medical supplies, cleansers and other products increases and as a lack of imported inputs hinders local production capacity, she said, speaking after a cabinet meeting held by video conference.
Finance Minister Mohamed Maait, also speaking after the meeting, said the cabinet had approved the draft law of the FY 2020-21 budget.
The 2020/21 budget aimed to reduce the total deficit to 6.3% of GDP and increase the primary budget surplus to 2%. This would result in a public debt of 82.7% of GDP as of end-June 2021, he said.

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Malawi

IMF sees Malawi medium-term economic growth rising to as much as 7%

24-Mar-2020
JOHANNESBURG, March 24 (Reuters) - **The International Monetary Fund (IMF) said on Tuesday Malawi's economic growth may rise further to 6-7% in the medium-term and inflation is expected to fall to 9.3% in 2020 from 11.5% in 2019, notwithstanding the effects of coronavirus on its economy.**
In a statement at the end of an IMF staff visit, Mission Chief for Malawi Pritha Mitra said economic growth will be supported by "infrastructure that is more resilient to shocks from climate change, improved access to finance, crop diversification, and an improved business climate."
Inflation will decline as elevated food inflation moderates, gradually converging to 5% over the medium term.
The small southern African nation's economy is largely reliant on sales of tobacco, tea and sugarcane, with growth having slowed in recent years because of an El Nino-induced drought, electricity shortages and political uncertainty.
Cyclone Idai, the worst cyclone in Africa for decades, lashed Mozambique, Zimbabwe and Malawi a year ago, killing thousands and wrecking infrastructure.
"The authorities regained control over the budget in the first half of FY 2019/20, but maintaining this performance for the second half of the fiscal year will be challenging. Pressures from COVID-19 and political uncertainties ahead of the new Presidential elections are weighing on revenues," Mitra said.
"Malawi's debt has risen but both its external and overall risk of debt distress remain "moderate"."
In January, Malawi's central bank said gross domestic product would grow by as much as 6% in 2020 as the country recovered from drought and agricultural output rose.

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Nigeria

In wait-and-see mode, Nigeria's central bank holds rates

24-Mar-2020
ABUJA, March 24 (Reuters) - **Nigeria's central bank held its benchmark lending rate at 13.5% on Tuesday, as its governor said it would take time to assess measures already taken to support the economy in response to the coronavirus outbreak.**
Godwin Emefiele said the bank's monetary policy committee voted unanimously to retain the rate.
Nigeria relies on crude sales for 90% of foreign exchange earnings and has come under pressure after oil prices plunged amid a price war between Russia and Saudi Arabia. The pandemic has also hit global demand for oil.
Last week the bank devalued Nigeria's naira currency and announced a stimulus package to support Africa's biggest economy.
Emefiele said that, in light of recent actions already taken by the bank, the committee "resolved to allow time for the measures to permeate the economy" before deciding on any other steps that may be required.
The move bucks a global trend of monetary easing. Other African countries - including Ghana, Kenya and Congo - have cut their main lending rates in the last few days.
As of Monday, Nigeria had 40 confirmed coronavirus cases and one death, a 67-year-old former oil official.

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S&P Says Nigeria Long-Term Rating Lowered to 'B-'

26-Mar-2020

March 26 (Reuters) - S&P:

- **S&P says Nigeria long-term rating lowered to 'B-' on weakening external position tied to sharp fall in oil prices; outlook stable**
- S&P says lowered its long-term foreign and local currency sovereign credit ratings on Nigeria to 'B-' from 'B'
- S&P says lower oil prices will hurt Nigeria's external and fiscal positions in the near term

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Somalia

IMF, World Bank clear Somalia for debt relief, normal ties to world

25-Mar-2020

By Andrea Shalal

WASHINGTON, March 25 (Reuters) - **The IMF and the World Bank on Wednesday said Somalia had taken the necessary steps to begin receiving debt relief, a key move that will allow the Horn of Africa country to lower its $5.2 billion in external debt to around $557 million.**

The decision will immediately normalize Somalia's relations with the world after 30 years outside the international financial system, the International Monetary Fund and the World Bank's International Development Association said.

Somalia's Paris Club creditors - including the United States, Russia, Italy and France - are expected to make a decision on debt relief for Somalia by the end of March, they said in a joint statement.

The announcement by the IMF and the World Bank will send a powerful signal to Somalia's Paris Club and non-Paris Club creditors about the country's future and the intense reform efforts it has undertaken over the past eight years.

Somalia, with a population of 15 million, is the 37th country to reach this "Decision Point" under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

The decision comes at a critical time for Somalia, which is grappling with the coronavirus outbreak, a recent desert locust swarm and is gearing up for elections later this year.

"Debt relief will help Somalia make lasting change for its people by allowing its debt to be irrevocably reduced from US$5.2 billion at end-2018 to US$557 million in net present value terms (NPV) once it reaches the HIPC Completion Point in about three years' time," the bank and the fund said.

The IMF said its Executive Board also approved a new three-year $395 million financing arrangement for Somalia under its Extended Credit Facility (ECF) and Extended Fund Facility (EFF).

The World Bank was also considering a range of new IDA instruments to help Somali communities impacted by flooding, the locust invasion and prepare for the coronavirus threat.

That program would support Somalia's implementation of its "ambitious reform agenda and catalyze concessional donor financing," the IMF said.

Normalization of relations with the international community will re-open Somalia's access to critical additional financial resources to strengthen the economy, help improve social conditions, raise millions out of poverty, and generate sustainable employment for Somalis, the IMF and World Bank said.

"We welcome Somalia's efforts to restore stability, engage with creditors, and adopt a poverty reduction strategy," said World Bank Group President David Malpass. "Resumption of regular financing to Somalia is an important landmark, and we look forward to further economic and social progress."

IMF Managing Director Kristalina Georgieva congratulated Somalia for the intense efforts that had laid the foundation for inclusive economic growth, but underscored the need for Somali authorities to sustain and implement their reforms.

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South Africa

South Africa's February budget surplus narrows year on year

27-Mar-2020

JOHANNESBURG, March 27 (Reuters) - **South Africa's February budget surplus narrowed to 2.15 billion rand ($122.63 million) compared with a 10.86 billion rand surplus in the corresponding period of the previous year, Treasury data showed on Friday.**

The tables below show revenue and expenditure for the eleventh month of the 2019/20 fiscal year (April to March), compared with the previous financial year.

These are also expressed as a percentage of the 2019/20 budget and the audited outcome for 2018/19.

($1 = 17.5328 rand)
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Moody's Downgrades South Africa's Ratings to BA1, Maintains Negative Outlook

27-Mar-2020

March 27 (Reuters) -

- **Moody's downgrades South Africa's ratings to BA1, maintains negative outlook**
- Moody's says downgraded government of South Africa's long-term foreign-currency and local-currency issuer ratings to BA1 from BAA3
- **Moody's says key driver behind rating downgrade on South Africa is continuing deterioration in fiscal strength and structurally very weak growth**
- Moody's says South Africa's debt burden will rise over the next five years under any plausible economic and fiscal scenario
- Moody's says all South Africa's long-term country risk ceilings were revised down by one notch
- Moody's says unreliable electricity supply, persistent weak business confidence and investment continue to constrain South Africa's economic growth
- Moody's says long-standing structural labour market rigidities continue to constrain South Africa's economic growth
- Moody's says deterioration in global economic outlook caused by spread of coronavirus will exacerbate South Africa's economic and fiscal challenges

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Tunisia

Tunisia discussing new IMF programme

23-Mar-2020

By Tarek Amara

TUNIS, March 23 (Reuters) - **Tunisia has started negotiations with the International Monetary Fund for a new loan programme, but a plan to issue bonds is on hold because of the coronavirus, the finance minister said on Monday.**

Nizar Yaich told Reuters in an interview that the value of the new programme had not yet been decided, but that it should last for four or five years.

Tunisia's current IMF programme, worth $2.8 billion, was scheduled to end in April but Tunisia has agreed with the IMF to suspend it. Only $ 1.6 billion of that programme was dispersed because some of the reforms lenders wanted were not implemented.

Tunisia had previously said it plans to issue bonds of up to 800 million euros in the international market this year.

However, Yaich said that plan was "my last option now, as market reaction is still unpredictable and lending rates are very high".

He added that the government is studying plans to issue bonds on the local market, without giving details on amount.

He said international lenders, including the World Bank, are interested in helping the young democracy through the current difficult period.

Prime Minister Elyes Fakhfakh said on Saturday that the government was allocating $850 million to combat the economic and social effects of the crisis.

Tunisia now expects an economic recession, prompting the central bank on Tuesday to cut its key interest rate by 100 basis points.

Fakhfakh has said the government reduced its growth forecast this year to 1% from 2.7% in part due of coronavirus crisis:

The North African country has been hailed as the Arab Spring's only democratic success because protests toppled autocrat Zine El Abidine Ben Ali in 2011 without triggering violent upheaval, as happened in Syria and Libya.

But since 2011, nine cabinets have failed to resolve Tunisia's economic problems, which include high inflation and unemployment, and impatience is rising among lenders.

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GLOBAL

Goldman Sachs sees 1% drop in global GDP due to "coronacrisis"

23-Mar-2020

LONDON, March 23 (Reuters) - **Goldman Sachs said it expected global real gross domestic product to contract by about 1% in 2020, a sharper economic decline than in the year following the 2008 global financial crisis.**

Global governments have been taking unprecedented measures to contain the coronavirus outbreak which is threatening to spark a worldwide economic contraction.

"The coronacrisis — or more precisely, the response to that crisis — represents a physical (as opposed to financial) constraint on economic activity that is unprecedented in postwar history," the investment bank said in a note to its clients published late on Sunday.

It sees the real GDP in advanced economies contracting "very sharply" in the second quarter, including a 24% drop in the United States, a whopping two-and-a-half times as large as the previous postwar record.

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IMF sees pandemic causing global recession in 2020, recovery in 2021

23-Mar-2020

By Andrea Shalal and David Lawder

WASHINGTON, March 23 (Reuters) - **The coronavirus pandemic will cause a global recession in 2020 that could be worse than the one triggered by the global financial crisis of 2008-2009, but world economic output should recover in 2021, the International Monetary Fund said on Monday.**

IMF Managing Director Kristalina Georgieva welcomed extraordinary fiscal actions already taken by many countries to boost health systems and protect affected companies and workers, and steps taken by central banks to ease monetary policy. "Even more will be needed, especially on the fiscal front," she said.

Georgieva issued the new outlook after a conference call of finance ministers and central bankers from the Group of 20 of the world's largest economies, who she said agreed on the need for solidarity across the globe.

"The human costs of the coronavirus pandemic are already immeasurable and all countries need to work together to protect people and limit the economic damage," Georgieva said.

More countries are imposing lockdown measures to contain the rapidly spreading virus, which has infected 337,500 people across the world and killed over 14,600.

Georgieva said the outlook for global growth was negative and the IMF now expected "a recession at least as bad as during the global financial crisis or worse."

Earlier this month, Georgieva had warned that 2020 world growth would be below the 2.9% rate seen in 2019, but stopped short of predicting a recession. Trade wars pushed global growth last year to the lowest rate since a 0.7% contraction in 2009.

On Monday Georgieva said a recovery was expected in 2021, but to reach it countries would need to prioritize containment and strengthen health systems.

"The economic impact is and will be severe, but the faster the virus stops, the quicker and stronger the recovery will be," she said.

Georgieva said the IMF would massively step up emergency finance, noting that 80 countries have already requested help and that the IMF stood ready to deploy all of its $1 trillion in lending capacity.

Advanced economies were generally in better shape to deal with the crisis, but many emerging markets and low-income countries face significant challenges, including outward capital flows.

Investors have already removed $83 billion from emerging markets since the start of the crisis, the largest capital outflow ever recorded, Georgieva said.

The IMF is particularly concerned about low-income countries in debt distress and was working closely with them to address those concerns, she added.

The IMF called again on members to contribute funds to replenish its Catastrophe Containment and Relief Trust to help the poorest countries.

Georgieva said the IMF was exploring other options with its members. Several low- and middle-income countries have asked for an allocation for the Special Drawing Right, an international reserve asset created by the IMF in 1969 to supplement its member countries' official reserves, as was done during the global financial crisis, she said.

IMF members also needed to provide additional swap lines with emerging market countries to address a global liquidity crunch, she said.

The IMF was also exploring a proposal that would help facilitate a broader network of swap lines, including through an IMF-swap-type facility.

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Malpass says World Bank finalizing $160 bln coronavirus relief package

26-Mar-2020

WASHINGTON, March 26 (Reuters) - **The World Bank's board is finalizing a package of coronavirus relief valued at up to $160 billion over the next 15 months, the development lender's president, David Malpass said on Thursday.**

"The goals are to shorten the time to recovery, create conditions for growth, support small and medium enterprises, and help protect the poor and vulnerable," Malpass said in a statement issued after a G20 leaders call on Thursday.

He added that the health crisis hit close to home, as former World Bank U.S. executive director Carole Brookins has died of COVID-19, the disease caused by the coronavirus.

The World Bank earlier this month approved $14 billion in loans and grants to bolster coronavirus medical responses, an amount that is included in the $160 billion.

Malpass said the bank now has new COVID-19-related projects underway in 56 countries and is encouraging other multilateral development banks to co-finance follow-up tranches. World Bank Group entities are restructuring existing projects in 24 countries to direct funds to the health emergency.

"I’m particularly concerned about poor, densely populated countries such as India, where weak health systems need massively scalable investments in human capital, supplies and infrastructure," Malpass said. "We are working hard to provide support through our public and private sector tools.

The International Finance Corp, the World Bank's private sector arm, is working on new investments in 300 companies and is extending trade finance and working capital lines of credit, he added.
Malpass and International Monetary Fund Managing Director Kristalina Georgieva on Wednesday urged bilateral creditors to extend debt relief to help the poorest countries deal with the pandemic.

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World Bank, IMF urge debt relief for poorer countries hit by coronavirus

27-Mar-2020
By Andrea Shalal
WASHINGTON, March 27 (Reuters) - **The heads of the World Bank and International Monetary Fund on Friday underscored the need to provide debt relief to poorer countries hit by the coronavirus pandemic, and said official bilateral creditors would have to play a major role.**
The IMF and the World Bank have both launched emergency programs to offer grants and loans to member countries, with a heavy focus on developing countries and emerging markets, some of which are already in debt distress. They have also called on official bilateral creditors to provide immediate debt relief to the world's poorest countries.
"Poorer countries will take the hardest hit, especially ones that were already heavily indebted before the crisis," the World Bank's president, David Malpass, told the International Monetary and Financial Committee, the steering committee of the IMF.
"Many countries will need debt relief. This is the only way they can concentrate any new resources on fighting the pandemic and its economic and social consequences," he said, according to a text of his remarks.
Malpass said the bank had emergency operations under way in 60 countries, and its board was considering the first 25 projects valued at nearly $2 billion under a $14 billion fast-track facility to help fund immediate health-care needs.
The World Bank was also working with 35 countries to redirect existing resources to the pandemic, with almost $1 billion of those projects already approved. Overall, the bank plans to spend $160 billion over the next 15 month, he said.
Malpass said the IMF and World Bank would present a joint plan for debt relief at the institution's virtual Spring Meetings in April, but gave no details.
The poorest countries face official bilateral debt service payments of $14 billion in 2020, including interest and amortization payments, Malpass said, of which less than $4 billion was owed to the United States and other Paris Club members. China, a major creditor, is not a Paris Club member.
Given the large share of debt held by official bilateral creditors, Malpass said it was critical to ensure their "broad and equitable participation" in addressing the crisis.
The IMF's managing director, Kristalina Georgieva, warned that half of the low-income countries were already in "high debt distress" and much would depend on the official creditors.
She said there were already discussions among the world's 20 largest economies, the Group of 20, and in the Paris Club, but there would also be a role for private creditors, as was the case during the global financial crisis of 2008-2009.
"The sooner we do it, the better," she said. "The same way the fund during the global financial crisis brought together both official creditors and private creditors to assess a good pathway through a dramatic crisis, we have to do it this time around as well."

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EMERGING MARKETS

Emerging markets face $34 bln in maturing dollar debt as liquidity squeeze tightens

23-Mar-2020
LONDON, March 23 (Reuters) - **Emerging market countries have around $34 billion of U.S. dollar debt maturing in the next 12 months, with Bahrain and Ecuador facing the steepest repayment schedules relative to their foreign exchange reserves, Goldman Sachs said in a research note.**
Battered by a global sell-off, emerging markets are striving to contain the spread of coronavirus by restricting the movement of people, while using monetary and fiscal firepower to soften the blow to their economies.
And with debt markets for new issuance largely shut, investors are closely watching whether countries have sufficient reserves to cover their maturing international obligations, particularly as dollar funding is squeezed.
Most countries have sufficient reserves to cover their international bond maturities over the next 12 months, assuming they were not spent on other financing needs, Goldman Sachs said in the note, published on Sunday.
Oil exporters Bahrain and Ecuador were more

vulnerable, its data found. Bahrain had more than $2 billion maturing over the period, accounting for more than 50% of FX reserves, the data showed, while Ecuador had nearly $1.5 billion in debt maturing, just under 50% of FX reserves.

Bahrain is in talks with banks for a loan of about $1 billion, sources told Reuters last week. The state was bailed out by some of its wealthier Gulf allies in 2018 to stave off the risk of a credit crisis after a prolonged period of lower oil prices.

Citing the sharp fall in oil prices, loss of capital market access and the likely hindrance of disbursement of funds from the IMF and others, Fitch Ratings last week downgraded Ecuador's long-term foreign currency issuer default rating to 'CCC' from 'B-'.

Goldman's analysis excluded data from Argentina and Lebanon, both of which are looking to restructure their international debt.

Kyrgyzstan on Monday became the latest country to seek repayment relief when Deputy Prime Minister Erkin Asrandiyev said it was in talks on restructuring its sovereign foreign debt.

Emerging markets faced a steeper maturity schedule in 2022, with around $60 billion of dollar debt coming due, Goldman said.

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