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>> PDM Network

>> Emerging Markets Weekly Newsletter

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Emerging Sovereign Debt Markets NEWS

Number 22 Week 23 – 29 May 2020

Table of contents

ASIA

China

China central bank injects 670 bln yuan via reverse repos for week, rate unchanged

29-May-2020

SHANGHAI, May 29 (Reuters) - **China's central bank kept the interest rate on seven-day reverse repurchase agreements unchanged at 2.20% on Friday.**

The People's Bank of China (PBOC) said it injected 300 billion yuan ($41.96 billion) into money markets on the day, according to a statement published on its website.

The central bank said the funds were intended to counteract the impact from factors including government bond issuance and corporate income tax settlement and in order to keep banking system liquidity "reasonably ample".

Friday's injection has brought the PBOC's weekly cash injection through open market operations to 670 billion yuan on a net basis, the biggest weekly injection since mid-January, according to Reuters calculations based on official data.

($1 = 7.1500 Chinese yuan)
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India

May issue of sovereign gold bonds sees highest-ever subscription

25-May-2020

New Delhi, May 25 -- **The government sold 25 lakh units of gold bonds worth Rs.1.168 crore in the May issue, as per the data released by the Reserve Bank of India (RBI).** This is the highest-ever amount mobilized by the government from the sale of sovereign gold bonds. The issue opened for subscription on 11 May and closed on 15 May. The issue was priced at Rs.4.590 per unit (one unit of gold bond is equal to one gram of gold).

There have been 39 issues of gold bonds so far. Before the May issue, the highest amount mobilized stood at Rs.1.082 crore from the October 2016 issue in which the government sold 35.98 lakh units. In the April 2020 issue (first tranche of gold bonds for FY21), investors subscribed to 17.73 lakh units of gold bonds worth Rs.822 crore.

The reason for higher subscription is due to the increased investment demand for the yellow metal, which is considered as a safe haven asset during the turbulent times. Gold has delivered a return of around 40% in the past one year. As per the World Gold Council report, Q1 of 2020 has seen robust investment demand. "Total investment demand for gold increased by 80% year-on-year to 539.6 tonnes," said the report.

There is a lot of uncertainty with regard to the economic impact of the covid-19 pandemic. Institutions such as The International Monetary Fund (IMF), The Organisation for Economic Co-operation and Development (OECD), Moody's and the World Bank have downgraded their global growth forecasts sharply.

"Considering the sharp increase in gold prices and fear surrounding other assets, resulting in gold becoming the asset of choice as a safe haven, there has been a lot of interest in gold recently," said Vishal Dhawan, founder, Plan Ahead Wealth Advisors.

Prices of gold have once again crossed a high of Rs.47.000 per 10 grams. The near-term outlook for the commodity is positive. "We expect that prices over the next 12 months could be headed higher. We expect a target of around Rs.54.000," said Navneet Damani, vice president-research, currency and commodities, Motilal Oswal Financial Services Ltd.

Gold bonds are considered as one of the best alternatives of investing in the yellow metal for the long term, as they not only benefit from the appreciation in the prices, but an investor can also earn a guaranteed fixed interest of 2.5% on the investment amount.

If you are planning to invest in gold for the long term, gold bonds are one of the best alternatives available, but remember that these bonds have a tenure of eight years with premature withdrawals available only from fifth year onwards. Although these bonds are listed on the exchanges, the liquidity is generally poor. Therefore, exiting them before maturity can be difficult.

Also, don't go overboard with your allocation in gold and invest in line with your asset allocation. "Investors need to be careful to ensure that gold does not form more than 10% of their overall portfolio," said Dhawan.

Meanwhile, RBI has issued the calendar for the upcoming sovereign gold bonds. The next issue will open for subscription on 8 June. Published by HT Digital Content Services with permission from MINT.

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State government bonds back in favour, yields drop

26-May-2020

Mumbai: **Investors betting on state government debt are set to gain as the yield gap between the sovereign and state bonds (SDL) is narrowing.** The spread, or differential, with the benchmark yield narrowed significantly, making it easy for the natural calamity-hit states to borrow cheaply. Yield spreads dropped about 60 basis points since April 8.

"State bonds are coming back gradually as investors are regaining confidence in them, " said Ajay Manglunia, head of fixed income at JM Financial. "The narrowing spread is a reflection of that. Institutional investors now prefer state bonds over any private sector entities, where risk aversion still persists.

"Cheaper Funds The gap between the SDL Index and the 10-year benchmark paper stood at 59 basis points until last Friday, compared with 118 basis points on April 8. Markets were shut on Monday due to Eid. **The Reserve Bank of India (RBI) has permitted the states to withdraw from the consolidated sinking fund to meet their redemption commitments.**

This could cover 45% of their payments for this fiscal. Last week, the central government decided to increase borrowing limits of states from 3% to 5% of GSDP for FY 21. "We continue to invest in SDLs selectively as they continue to offer attractive yields," said Kumaresh Ramakrishnan, CIO - fixed income, PGM India Mutual Fund.

"In general, the SDL yield trajectory has followed G-Secs, although supply pressure from SDLs to fund expanding deficits is likely to prevent any spread compression over G-Secs. "Nine states will seek to collectively raise 18, 200 crore in an RBI auction on Tuesday.

Indian Economy to Shrink 5% This Year on Coronavirus-Led Lockdown, Fitch Says

27-May-2020
By Dharam Dhutia
NewsRise

MUMBAI (May 27) -- **India's economy is likely to shrink by 5% in the current financial year as against its previous forecast of a 0.8% contraction, Fitch Ratings said.**

The rating agency expects the global economy to contract by 4.6% in 2020 against its previous prediction of 3.9%. The biggest revision in its forecast has been for India.

"India has had a very stringent lockdown policy that has lasted a lot longer than initially expected, and incoming economic activity data have been spectacularly weak," Fitch said in a report.

Asia's third-largest economy has been under a lockdown since Mar. 25 as authorities strive to contain the virus outbreak. Even though there have been some relaxations in the third and fourth phase of the lockdown, most economic activity has come to a standstill. The restrictions are in place till May 31.

The number of coronavirus cases in the country rose to 145,380, resulting in 4,167 deaths, as on yesterday morning. India is now among the top 10 countries with the highest number of patients.

Fitch expects the economy to shrink by 12.8% in April-June, followed by -0.62% and -3.0% readings in July-September and October-December. The rating agency then expects growth to crawl in positive territory and show a 2.2% reading in January-March.

India's GDP data for the January-March quarter and the last fiscal year will be detailed on May 29. Fitch estimates the reading at 0.6% for the quarter.

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India Bond Yields Likely Little Changed As RBI OMO Bets Linger

28-May-2020
By Siddhi Nayak
NewsRise

MUMBAI (May 28) -- **Indian government bond yields are likely to trade largely unchanged in early session, as traders await the much-anticipated announcement of an open market operation by the central bank.**

The yield on the benchmark 6.45% bond maturing in 2029 is likely to trade in a range of 5.96%-6.00% today, a trader with a private bank said. The note ended at 103.29 rupees, yielding 5.98% yesterday. The new 10-year 5.79% 2030 bond ended at 100.27 rupees, yielding 5.75%. The Indian rupee was at 75.72 to the dollar at 2:00 p.m. yesterday.

"We are likely to see yet another round of consolidation today, but if the Reserve Bank of India does not support the market in time, yields will slowly start inching upwards," the trader said. "The gross domestic product data should be an indicator to gauge the extent of rate cut required to boost the economy further."

New Delhi will raise 800 billion rupees through sale of cash management bills today and 300 billion rupees via bonds tomorrow, which includes 110 billion rupees of a new 14-year paper.

Bond yields saw some consolidation yesterday on hopes that the RBI may announce a heavy note purchase plan to ease supply concerns in

the debt market. New Delhi increased its market borrowing by nearly 54% to 12 trillion rupees for this fiscal year, amid lower revenues and increased spending in the wake of the novel coronavirus.

Market participants are expecting an open market calendar to the tune of three trillion rupees to four trillion rupees. Bond yields may spike if the RBI keeps delaying the announcement, analysts said.

The RBI is also expected to continue its rate cut trajectory to help the economy recover from the impact of the pandemic. The Monetary Policy Committee reduced interest rates by 40 basis points last week to a record low of 4%, and retained its accommodative stance.

India's gross domestic product data for the January-March quarter will be released tomorrow. The economy is likely to have expanded at 2.1% in the March quarter from a year ago, its slowest pace in at least eight years, a Reuters poll predicted.

India's economy is likely to shrink 5% this financial year due to the impact of the novel coronavirus pandemic, CRISIL said. About 10% of GDP in real terms could be "permanently lost," and going back to the growth rates seen before the pandemic is unlikely in the next three fiscals, it said.

Coronavirus cases in India have spiked to 151,767, resulting in 4,337 deaths so far. India is under a nationwide lockdown till May 31, with relaxations in some areas.

Crude oil prices fell after U.S. crude, gasoline and heating oil inventories rose more than expected, raising concerns over excess supply. India imports over 80% of its crude oil requirements.

KEY FACTORS:

*Benchmark Brent crude oil contract 1.3% lower at $34.29 per barrel, adding to yesterday's 4% fall.

*Ten-year US yield at 0.6933%.

*Foreign investors sold net $331.88 million worth of Indian bonds on May 27. In May so far, these investors sold net $2.51 billion of Indian debt.

*Financial Stability and Development Council meeting.

*RBI to conduct 84-day cash management bill auction worth 800 billion rupees.

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Indonesia

Bond financing set to swell as ministry plans samurai bond issuance

25-May-2020

Adrian Wail Akhlas, The Jakarta Post, Jakarta

The government's bond financing jumped sharply in April and is expected to further increase in the following months as the Finance Ministry plans to issue yen-denominated samurai bonds to cover its widening budget deficit caused by coronavirus mitigation and economic recovery programs.

According to Deputy Finance Minister Suahasil Nazara, the government financed Rp 231.6 trillion (US$15.73 billion) in government bonds as of April this year, a 44.3 percent jump from the same period last year.

"This is bigger not only because of the widening deficit but also to ensure the availability of funds for COVID-19 mitigation, including for healthcare spending, social spending and funds for businesses," Suahasil told reporters in a streamed media briefing on Wednesday.

The government has sold Rp 376.5 trillion worth of government bonds as of April and plans to issue another Rp 697.3 trillion from May until the end of this year.

However, the Finance Ministry's director general for financing and risk management, Luky Alfirman, estimated that the ministry would issue an additional Rp 175 trillion worth following a plan to revise assumptions underpinning the 2020 budget.

The government now expects the budget deficit to reach Rp 1.02 quadrillion or 6.27 percent of GDP this year, rising from the initial estimate of 5.07 percent, as President Joko "Jokowi" Widodo ramps up the economic recovery stimulus to Rp 641.7 trillion to counter the pandemic's impacts.

It also plans to issue samurai bonds later this year to help cover the widening deficit, after offering $4.3 billion in dollar-denominated bonds in early April, including the longest-dated 50-year tranche.

"Samurai bonds are in the pipeline and we will always be opportunistic in issuing global bonds," Luky told reporters. "We will look at market conditions to get the best prices."

The Finance Ministry recorded a budget deficit of Rp 74.5 trillion, or 0.44 percent of GDP, as of April this year as state revenue grew while state spending shrank. It looks small as not all the funds allocated for COVID-19 mitigation and economic recovery programs have been realized.

State revenue stood at Rp 549.5 trillion as of April this year, up 3.2 percent, driven by nontax income and income from tobacco excise, while income from taxes dropped.

Ministry data on Wednesday revealed that tax revenue had contracted 3.1 percent to Rp 548.8 trillion, mainly driven by weakening oil and gas tax collection following a slump in commodity prices, as well as driven by a drop in trade and

mining industries.
Meanwhile, state spending has reached Rp 624 trillion as of April, down 1.4 percent from the same period last year, as central government spending grew 3.4 percent to Rp 382.5 trillion as capital and social spending increased despite a contraction of 8 percent in direct regional transfers to Rp 241.7 trillion.
The government is rolling out a Rp 641.17 trillion economic recovery stimulus package, bigger than previous allocations, to soften the impact of COVID-19 on micro, small and medium enterprises (MSMEs) and state-owned enterprises (SOEs).
The COVID-19 pandemic has infected more than 19,000 individuals across the country and killed more than 1,200, hitting the economy hard and triggering massive layoffs. Indonesia's economy grew 2.97 percent as household spending growth slowed.
Meanwhile, researchers at the Center for Indonesia Taxation Analysis said the government should not make further sudden changes to the state budget in the near-term, adding the move would confuse businesses and threaten fiscal credibility.
"The government should use all of its resources to maximize the [economic] potential," the researchers said in a statement. "However, they must not be careless despite a widening budget deficit. We do not want to fall into an unwanted economic situation."

Indonesia expects to raise $67 bln from bonds and loans in 2020

27-May-2020
JAKARTA, May 27 (Reuters) - **Indonesia expects to raise 989 trillion rupiah ($67 billion) from bonds and loans in the remainder of 2020 to fund its swelling budget deficit, Luky Alfirman, the finance ministry's head of risk and financing department said on Wednesday.**
Alfirman made the comment in a weekly call with investors.
The government is working on a second revision to the 2020 state budget to accommodate a bigger spending to combat the coronavirus pandemic, which is expected to widen the fiscal deficit to 6.27% of gross domestic product.

($1 = 14,670.0000 rupiah)
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World Bank approves $250 mln loan for Indonesia's fight against coronavirus

29-May-2020
JAKARTA, May 29 (Reuters) - **The World Bank on Friday said it has approved a $250 million loan for Indonesia as it tackles the new coronavirus pandemic, helping the Southeast Asian country plug a ballooning fiscal deficit.**
The money will be used to equip COVID-19 referral facilities, improve the capacity for intensive care and availability of personal protective equipment, and to strengthen the laboratory network and surveillance system, the bank said in a statement.
The loan was provided as part of coordinated financing efforts with other multinational banks, the Washington-based lender said.
It added that Indonesia would also receive $250 million in co-financing from the Asian Infrastructure Investment Bank and $200 million in parallel financing from the Islamic Development Bank.
Indonesia expects to run a fiscal deficit equivalent to 6.3% of gross domestic product this year, the widest in more than a decade, as it allocates $43 billion in spending on COVID-19 response and economic stimulus.
The country had already secured a $1.5 billion loan from the Manila-based Asian Development Bank in April.
The country's total number of coronavirus cases as of Friday was 25,216, with 1,520 fatalities.

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Laos

Laos primes loan market debut

29-May-2020
- **Loans/Bonds: Range of funding options key to meeting obligations amid Covid-19 crisis**

By Evelynn Lin and Kit Yin Boey
HONG KONG, May 29 (LPC) - **The Lao People's Democratic Republic is making its syndicated loan market debut as part of a fundraising plan to meet significant debt obligations falling due from next month.**
The Ministry of Finance has launched a four-year loan via mandated lead arrangers and bookrunners Cathay United Bank and Union Bank of Taiwan with an initial target of US$50m plus an unspecified greenshoe. Bank of the Lao PDR, the country’s central bank, is also preparing its return to the syndicated loan market, potentially going head to head with the government's deal.
Adding to the challenge is the threat of a downgrade to the country's B3/B–

(Moody's/Fitch) credit rating, after Fitch put its rating on negative outlook on May 15, noting that the coronavirus shock has compounded external financing risks associated with coming debt maturities and low foreign exchange reserves. Laos only obtained its first international rating in January, and a downgrade at this point would take it in to the unloved Triple C category.

"It's difficult for us to get the internal approval this time given the downgrade [to negative outlook] as we are not familiar with the Laotian market and we are concerned about the country risk," said a Taiwanese loan banker whose institution has participated in previous loans for the Laos central bank.

Even though pricing is rich by Asian standards with a top-level all-in of 447bp via an interest margin of 435bp over Libor, few lenders are keen to take exposure.

Taiwanese banks have actively supported Laotian loans since the Bank of the Lao PDR became the first from the country to tap the offshore syndicated loan market in December 2015.

Fourteen out of 15 lenders participating in a US$158m four-year term loan for the Laotian central bank that year were Taiwanese, including MLABs Cathay United and First Commercial Bank.

Still, the introduction of international ratings has increased Laos's appeal for some lenders.

"Credit ratings play a useful role in enabling governments and companies to raise money in the capital markets, and obviously Laos is looking to expand its pool of international investors," said another Taipei-based loan banker.

"It's a good start to see some transparency in its regulatory framework and we can ask for higher pricing to offset the greater credit risk."

FUNDING OPTIONS

The MoF's borrowing has rarity value as no Asian sovereign has tapped the loan markets since last November when the Islamic Republic of Pakistan raised US$250m through an Islamic financing.

The syndicated loan, however, is unlikely to cover US$900m in debt obligations for the rest of the year, including an outstanding Bt5bn (US$157m) bond maturing on June 25 and a Bt2.79bn note due on October 5.

The country will also need to tap every available source of funding to refinance about US$1bn in external debt annually from 2021 to 2023. Its foreign exchange reserves stand at a meagre US$1bn.

Last year, the Bank of the Lao PDR raised a US$100m five-year bilateral from Credit Suisse and a US$116.5m four-year loan in March for which Cathay United was sole bookrunner. The latter deal attracted 14 other Taiwanese banks. Later in the year, the central bank raised US$100m from a two-year facility via Taipei Fubon Commercial Bank as sole MLAB.

Some bankers say the MoF has some breathing room as it will draw down on a US$150m-equivalent five-year bilateral loan from Credit Suisse that was put in place in June last year. This should help it meet the bond maturing in June 2020.

The MoF recently received approval to sell a baht-denominated bond over a nine-month period to January 1 2021, an official with Thailand's Public Debt Management Office said.

Thai bankers said the proposed bond would be targeted to refinance the October 2020 bond, but questioned if there would be sufficient demand as most of the investors are close to the single-borrower limits for the sovereign credit.

One Thai banker said the sovereign was also exploring another US dollar bond placement out of Singapore. Laos printed a US$150m 18-month 6.875% bond at a yield of 8.5% to a small group of investors in January via sole bookrunner Oppenheimer.

It hired Credit Suisse, JP Morgan and Standard Chartered in November last year for a debut in the US dollar international bond market, but no deal has materialised out of that mandate.

Fitch said that additional bilateral and multilateral funding, especially from China, was likely to fill any financing gap.

"Although the country obtained low-cost funding from bilaterals in the past few years, especially from Chinese banks, the potential financing and liquidity pressures would force it to seek additional market funding," said a third loan banker.

Last Thursday, the Asian Development Bank approved a US$20m financing for Laos to support its response to the coronavirus pandemic.

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Lebanon

Lebanese MPs await IMF remarks on capital control law

28-May-2020

BEIRUT, May 28 (Reuters) - **Lebanese lawmakers are awaiting recommendations from the IMF to include in a draft law which blocks capital transfers from Lebanon for all but limited reasons, one of the MPs said on Thursday, as Beirut continues its talks with the Fund for aid.**

The draft capital law aims to protect what is left of Lebanon's hard currency reserves, Member of Parliament Alain Aoun told Reuters.

Lebanon is in throes of an acute financial crisis seen as the biggest threat to its stability since the 1975-90 civil war. The local currency has lost more than half of its value since October as hard currency has become ever more scarce and depositors have been frozen out of their accounts.

With no law to stop capital flight, banks have been applying informal restrictions on cash withdrawals and blocking most transfers abroad since the crisis erupted. But critics say these restrictions have been selectively applied and money has continued to leave the system.

The draft allows annual transfers up $50,000 for reasons including medical bills, loans, foreign taxes and the purchase of essential goods. It would be in place for one year and could be extended.

"The aim is prevent selective transfers of funds done by the banks for some privileged clients - transferring millions abroad for some while some here cannot get $100 from their account," Aoun said.

"We have to integrate many remarks, including from the IMF," he said. "We were informed by the (government) negotiation team yesterday that (the IMF) have some and that they will transmit them to us when received," he said. "We will be working on it in the coming two weeks, maybe more."

The government discussed the law in talks with the IMF on Wednesday, the Finance Ministry said.

The restrictions would not apply to funds transferred into Lebanon from Oct. 17, 2019, the date of the eruption of mass protests against the ruling elite, the shock that tipped Lebanon into a full-blown crisis.

(Reporting by Tom Perry;
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On debt-stricken Lebanon, investors see little room for optimism

28-May-2020

- **Little debt rally since IMF talks**
- **Four different crisis: creditor**
- **Recovery value may be 20 cents or lower**
- **Heightened stress in emerging markets after COVID-19**

By Tom Arnold

LONDON, May 28 (Reuters) - **Emerging market investors are no strangers to sovereign debt crises, but few have been as perilous as the one facing Lebanon given a toxic combination of financial and political weaknesses and no obvious economic platform on which to build a recovery.**

Since defaulting for the first time on its foreign currency debt in March, Lebanon has formed a rescue plan and started negotiations with the International Monetary Fund on $10 billion of aid, both moves that would normally be read as positive for a country mired in debt.

But the country's $31 billion of sovereign dollar-bonds have generally rallied only a few cents in the last two months and are languishing at around 17 cents in the dollar. This is much lower than bonds of Argentina and Ecuador, two other distressed names in the throes of overhauling their debt and far below the average recovery value from emerging markets sovereign defaults at 69 cents.

Lebanon may be looking at a recovery value of only a third of that level, analysts said, citing references in the rescue plan of "significant" expected losses for foreign holders of Eurobonds.

One emerging markets veteran said he hadn't seen a country face such dire straits in his lifetime.

"Its nothing like Ecuador or Argentina," said the creditor, who holds a small amount of the paper. "Lebanon will take a very long time to resolve. It faces four different crises: balance of payments crisis, debt crisis, bank crisis, political crisis and all are linked."

For years, Lebanon's economy was sustained through overseas diaspora capital funnelled from the banks to fund a government beset by state waste, corruption and bad governance. But that system collapsed when the flow of money dried up and anti-government protesters took to the streets in October last year, leaving the state facing a gaping balance of payments hole, a debt-to-GDP ratio of 176% and a $20.6 billion wipe out in banks' shareholder capital.

And while consensus gradually appears to be building between banks, which are among the state's biggest creditors, and the government on a rescue plan, concerns linger about the appetite of a government dominated by sectarian power-brokers and former warlords to push through painful reforms expected to be demanded by the IMF.

Another foreign creditor highlighted what they saw as a discrepancy in the plan related to future balance of payments financing requirements, seemingly indicating the government was not facing up to the scale of the challenge.

COMPLEX STORY

Lebanon's bonds were valued at 14 cents in the dollar at an auction last month to determine the payout on credit default swaps (CDS), tools used to price the risk of a default by a borrower. That was lower than many other sovereign CDS auctions in recent years, including troubled Venezuela which priced at 24.5 cents in December 2017. With little sign of progress on the debt restructuring there, those bonds have sagged to less than 10 cents.

Lebanon's CDS auction should not be relied upon as an infallible guide to eventual debt restructuring levels, Bank of America said in a research note. Though given that the government's rescue plan included a nominal face-value cut to Eurobonds of 75%, recovery values would be below 20 cents, the bank added.

"Keeping to the very low coupon rate they (the government)talked of and keeping it as a bullet bond for now... the weaker exchange rate would bring the base case recovery down to somewhere in the low 20s," said Nick Eisinger, principal, fixed income emerging markets at

Vanguard, which holds a small amount of Lebanese debt.
Lebanon's restructuring comes at a time of heightened stress in emerging markets in the wake of the devastation left by COVID-19.
Also hit by the oil price plunge, Ecuador last month struck a deal with the holders of nearly $20 billion in sovereign bonds to delay interest payments, while Zambia applied for financial help from the IMF and picked French company Lazard Freres to advise it on its debt. Sri Lanka is also under strain.
Opportunities elsewhere and Lebanon's particular challenges means some fund managers, including distressed debt traders, who might normally eye a bargain at this level have so far been reluctant to step in.
The volume of trading of the Eurobonds surged to $3.9 billion in March, but fell back by more than two-thirds of that amount in April and further still in May after it engaged with the IMF and drew up a rescue plan, MarketAxess data shows.
Allianz Global Investors was looking more at emerging markets with a strong oil sector or export base that might be facing temporary issues, said Giulia Pellegrini, senior portfolio manager at Allianz. Lebanon has neither.
"Its a more complex story and that's why people have been taking it with a pinch of salt instead of being more excited as you're trading around the 20 area and there's room for higher recovery values if you think about the average EM experience," she said.
Ashmore Group, one of the largest holders of the foreign debt, has declined to comment on Lebanon. But it has previously suggested there was potential for higher recovery when sovereign debt was trading at such distressed levels, particularly as some governments might be worried about being cut adrift from debt capital markets in future.

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Lebanon has scant chance of getting IMF aid, opposition figure says

29-May-2020
By Samia Nakhoul and Tom Perry
BEIRUT, May 29 (Reuters) - **Lebanon has scant chance of securing badly needed aid from the International Monetary Fund as the government fails to enact reforms demanded by donors to address its financial crisis, opposition politician Samir Geagea said on Friday.**
"Unfortunately, (matters) are going from bad to worse," he said. "It could, in my opinion, reach social unrest, and social violence."
The long-brewing financial crisis, the biggest threat to Lebanon's stability since the 1975-90 civil war, came to a head last October when big protests erupted against the corruption and bad governance of the sectarian elite.
The local currency has since more than halved in value and savers have been frozen out of bank accounts. Unemployment and inflation have soared in the import-dependent country.
Geagea heads the Lebanese Forces, the second-biggest Christian party in parliament, and opposes the Iran-backed Shi'ite group Hezbollah and its Christian ally, President Michel Aoun's Free Patriotic Movement, which both back the government.
"The situation in Lebanon is not unsalvageable. But from the moment the crisis erupted on October 17, did you see any change in the management of the state?" said Geagea, who is politically aligned with the United States and its Gulf Arab allies.
"If the behaviour at the top of the state remains the way it is, how can we save the country?"
Geagea, whose party quit government early into the October protests, said Prime Minister Hassan Diab's government had not enacted any reforms.
With no alternative ways to secure aid, the government launched IMF negotiations in May. But Geagea said the chances of securing support were "very, very scant".
"From the moment this government took office the whole world was waiting for reforms. So far, not one of the required reforms have happened," Geagea said. "Nobody is going to give Lebanon any assistance before the state carries out the required reforms."
The government has produced an economic recovery plan which sets out vast losses in the financial system and is serving as the basis for the IMF negotiations.
Geagea said the government had failed to fix two big problems: smuggling to Syria, which he blamed on Hezbollah, and a state-run electricity sector that bleeds up to $2 billion a year, which he blamed on the Free Patriotic Movement.
Hezbollah, which is heavily armed and listed as a terrorist group by the United States, has long denied it has anything to do with smuggling to Syria. Free Patriotic Movement leader Gebran Bassil, Aoun's son-in-law, has said plans for fixing Lebanon's electricity have been obstructed by others.

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Mongolia

Fitch Affirms Mongolia at 'B'; Outlook Stable

29-May-2020
Fitch Ratings has affirmed Mongolia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B'. The Outlook is Stable.
A full list of rating actions is at the end of this

commentary.

KEY RATING DRIVERS

Mongolia's commodity-dependent economy is facing a sharp slowdown in GDP and export growth, deterioration in the public finances and an erosion in external buffers this year due to the coronavirus shock. Nevertheless, the affirmation of the rating with a Stable Outlook reflects Fitch's assessment that the impact of the shock will be largely temporary, with the economy rebounding strongly and government debt/GDP starting to decline again in 2021. Significant downside risks are captured at the 'B' rating level, and Mongolia's strong structural factors combined with expected access to financing from multilateral and bilateral creditors provide support to the sovereign ratings.

Fitch forecasts the economy to contract by 2% in 2020, before rebounding to 7.9% in 2021. Our baseline assumes demand from China, which accounts for around 90% of Mongolia's exports, will pick up during the second half of this year. This is underscored by a gradual improvement in China's industrial production and investment spending since April. At the same time, downside risks to Mongolia's growth outlook remain amid uncertainty on how the pandemic develops globally, as well as the speed of China's recovery.

Real GDP fell by 10.7% yoy in the first quarter, driven in large part by measures to prevent the local spread of the coronavirus. This included a temporary suspension of coal exports to China during February and March, tight restrictions on international flights and railways, and strict social-distancing measures. Mongolia has seen relative success in containing the coronavirus, with 141 officially reported cases.

Fitch forecasts a budget deficit of 7.1% of GDP in 2020, up from a 1.4% surplus last year. Our forecast is wider than the government's baseline of 2.5%, due mainly to our view that the revenue decline will be more severe. In March, the authorities unveiled an economic stimulus package valued at around 13% of projected 2020 GDP. However, this includes reordering of expenditure priorities, and Fitch estimates that measures that will add directly to the budget deficit are around 4% of GDP. Key fiscal priorities include select infrastructure projects, as well as fiscal and tax relief measures. The risk of a sharp rise in pre-election spending ahead of parliamentary elections on 24 June, as was the case in 2016, has thus far not materialised, and Fitch now anticipates fiscal restraint to remain broadly intact.

Fitch projects that the fiscal deficit and growth contraction will drive up the general government gross debt (GGGD) to around 70% of GDP by end-2020, from 65% of GDP in 2019. We expect GGGD to resume its downward trend in 2021 and decline to 57% by 2024, below the current 'B' median level of 60%. Prior to the coronavirus outbreak, Mongolia had made significant progress in reducing public debt from 93% of GDP in 2016, underpinned by strong budget outcomes aided by robust growth and supportive commodity prices.

We forecast foreign-currency reserves (USD4.1 billion in 1Q20) to decline to USD3.1 billion by end-2020, equivalent to 4.1x current-external payments. The sovereign faces no marketable external bond maturities until April 2021, after a USD500 million private-sector external bond carrying a government guarantee matured in May 2020. Fitch forecasts the current account deficit to widen to 14.7% of GDP in 2020 (4.6% of GDP net of FDI, or USD645 million), before narrowing to 11.9% in 2021. Nevertheless, reserves are low and a rating weakness, particularly in view of a substantial step up in amortisation in 2021-2023.

IMF staff have completed discussions on a USD99 million loan under its Rapid Financing Instrument (RFI) to help meet the country's budgetary and balance of payments needs, and we expect IMF board approval in early June. In completing the discussions, IMF staff noted Mongolia's progress in reducing public debt and accumulating reserves under the three-year Extended Fund Facility (EFF) that expired on 23 May. The Asian Development Bank (ADB) has also recently approved new loans and a grant worth USD233 million in budget support and project financing. The authorities are also exploring a possible follow-on program to the EFF, as reflected in the IMF's media statement following staff discussions on the RFI.

The Mongolian parliament unanimously passed a resolution last November requiring the government to review ways to improve the Oyu Tolgoi investment agreement. Fitch believes this underscores the longstanding strained relations between the government and Rio Tinto over taxation, delays and other aspects of the large-scale copper mining project, as well as the potential for heightened political volatility around resource nationalism. However, Fitch does not believe this will lead to a material disruption in Oyu Tolgoi's development, given the significant implications this would have for Mongolia's macroeconomic stability, and the considerable investment that Rio Tinto has already deployed into the country.

Mongolia's rating is supported by World Bank Governance Indicators (WBGIs), GDP per capita, and World Bank Doing Business rankings that are stronger than the 'B' range median. GDP growth potential is high. However, net external debt is high at 176% of GDP at end-2019.

Fitch has a negative sector outlook on Mongolian banks, which reflects our expectation that the pandemic will put additional pressure on banks' asset quality. The banking sector non-performing loan ratio stood at 10.9% as of end-April 2020. A combination of the Bank of Mongolia cutting interest rates by 200bp so far in 2020, slower credit growth than previously expected and a higher credit-loss provision is likely to put pressure on banks' profitability.

ESG - Governance: Mongolia has an ESG Relevance Score of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. Theses scores reflect the high weight that the WBGIs have in our proprietary Sovereign Rating Model. Mongolia has a medium WBGIs ranking in the 53th percentile, reflecting a recent record of peaceful political transitions, a moderate level of rights for participation in the political process, moderate institutional capacity, established rule of law and a moderate level of corruption.

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

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

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

- External Finances: -1 notch, to reflect high vulnerability to external shocks, given the country's narrow economic base, which is exposed to commodity prices and developments in China, moderate level of foreign-currency reserves, substantial amortisations on external marketable debt, and high net external debt ratios.
- Structural Features: -1 notch, to reflect uncertainty ahead of forthcoming parliamentary elections and strained relationships with major foreign investors, which increases the risk of political and economic shocks.
- Macroeconomics: +1 notch, to reflect Mongolia's strong medium-term growth prospects. The committee introduced a new positive notch because it believes strong medium-term growth prospects are not reflected in the current SRM output. The SRM output has fallen by one notch since the last review mainly owing to the impact of the coronavirus shock on GDP growth, which Fitch believes will be temporary and which would otherwise add excessive cyclicality to the rating.

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

RATING SENSITIVITIES

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

- The accumulation of larger foreign-currency reserve buffers and the implementation of a debt-management strategy that lowers refinancing risks and maintains external debt sustainability.
- **A reduction of fiscal deficits that puts GGGD/GDP back on a downward trajectory after the increase in 2020 related to the coronavirus shock.**
- A resumption of stronger economic growth and export trends without the emergence of imbalances, and the maintenance of a favourable business environment conducive to robust FDI inflows.

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

- Evidence of heightened external financing stress, for example if official multilateral and/or bilateral inflows are not forthcoming or in the event of a marked decline in foreign reserves.
- Failure to reduce the budget deficit and stabilise the GGGD/GDP ratio after the increase in 2020 related to the coronavirus shock.
- Political instability sufficient to significantly disrupt strategic mining projects or FDI inflows.

BEST/WORST CASE RATING SCENARIO

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

KEY ASSUMPTIONS

- The global economy performs in line with Fitch's 26 May 2020 global economic outlook, particularly China, which is a key source of external trade and financing.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

ESG Considerations

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

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

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

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

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit

impact on the entity (IES), either due to their nature or to the way in which they are being managed by the entity (IES).
Mongolia; Long Term Issuer Default Rating; Affirmed; B; RO: Stable
Short Term Issuer Default Rating; Affirmed; B
Local Currency Long Term Issuer Default Rating; Affirmed; B; RO: Stable
Local Currency Short Term Issuer Default Rating; Affirmed; B
Country Ceiling; Affirmed; B+
Senior unsecured; Long Term Rating; Affirmed; B

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Pakistan

Pakistan plans to raise $1.5bln in Eurobonds, officials say

29-May-2020
By Asif Shahzad
ISLAMABAD, May 29 (Reuters) - **Pakistan plans to raise $1.5 billion through Eurobonds to bridge a balance of payments gap for the financial year beginning July 1, two government officials said on Friday.**
With the country's fiscal deficit likely to rise as high as 9.4% and a shortfall in revenues due to COVID-19 economic losses, Pakistan desperately needs funds to stave off balance of payment pressure caused by dwindling foreign reserves and a current account deficit.
"Pakistan plans to launch these bonds in next fiscal year. Exact dates and amount can't be confirmed at the moment as it depends on market situation," an official at the finance ministry told Reuters.
Another official at Pakistan's ministry of economic affairs said Pakistan wants to raise an estimate $1.5 billion. Both officials requested anonymity.
The Pakistani economy is likely to contract -1% to -1.5% in the current financial year, which ends in just over a month, on June 30, according to the International Monetary Fund and the country's finance ministry.
The plan is subject to approval from Pakistan's cabinet. Its terms would be made public at launching.
In the current financial year, Pakistan attracted over $4.4 billion in carry-trade funds through government financial instruments, including treasury bills and bonds, offering rates as high as 13%.
Pakistan's central bank recently cut its policy rate drastically to cope with the coronavirus. Over $4.1 billion has flowed out of government instruments to date as the effects of the global pandemic hit markets.
Pakistan is also expecting more multilateral and bilateral external inflows in next financial year, including the IMF, as well as debt relief from G20 countries.
Moody's has placed Pakistan's local and foreign currency long-term issuer B3 ratings under review for downgrade, citing a potential default on private sector debt.

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Philippines

Philippines gets $400 million ADB loan to develop capital market

26-May-2020
MANILA, May 26 (Reuters) - **The Philippines has secured a $400 million loan from the Asian Development Bank (ADB) to strengthen its domestic capital market and mobilise funds for the infrastructure projects it hopes can spur an economic recovery next year.**
The policy-based loan, the ADB said, will help the Southeast Asian economy grow its government and corporate bond markets and expand its investor base.
The Philippines, which is on the edge of a recession after the coronavirus-induced lockdown shuttered business and sapped domestic demand, is banking on its multi-billion dollar "Build, Build, Build" infrastructure programme to help the economy rebound.
Philippine President Rodrigo Duterte has promised to usher in a "golden age of infrastructure" by raising annual spending on roads, airports, ports to 7% of gross domestic product by 2022 from less than 3% previously and above the 5% average of neighbouring countries.

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S&P Says Philippines 'BBB+/A-2' Ratings Affirmed Outlook Stable

29-May-2020
May 29 (Reuters) -
- **S&P says Philippines 'BBB+/A-2' ratings affirmed; outlook stable**
- S&P says Philippines' economy should achieve strong recovery from 2021, after deep slowdown from covid-19

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World Bank lends Philippines $500 mln to counter virus impact

29-May-2020 12:32:15
MANILA, May 29 (Reuters) - **The World Bank Group approved a $500 million loan for the Philippines to help it cope with the economic impact of the novel coronavirus pandemic, the Bank said on Friday.**
The Philippine government will begin easing from June 1 one of the world's toughest and longest lockdowns for residents in the capital and other key cities, restoring much-needed activity to an economy facing its deepest contraction in nearly three decades.
"The COVID-19 pandemic has badly hurt millions of poor and vulnerable Filipino families, particularly daily wage earners," said Achim Fock, World Bank acting country director for Brunei, Malaysia, Philippines and Thailand.
The loan will support efforts to provide immediate relief to poor Filipinos and small business workers who have lost their jobs during the lockdown since mid-March, Finance Secretary Carlos Dominguez said in a statement.
The World Bank last month approved two sets of loans totalling $600 million to support the Philippines' emergency response to the coronavirus outbreak that has infected more than 15,000 and killed more than 900 in the Philippines.

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Saudi Arabia

Saudi Arabia's PIF gets $40 bln from foreign reserves to fund overseas investments

29-May-2020
By Marwa Rashad
RIYADH, May 29 (Reuters) - **Saudi Arabia transferred a total of 150 billion riyals ($40 billion) from central bank foreign reserves to fund investments by sovereign wealth fund PIF in March and April, the finance minister said on Friday.**
Saudi Arabia's central bank foreign reserves fell in March by nearly $27 billion month-on-month, their fastest rate in at least 20 years, to around $464.5 billion, according to Reuters calculations based on central bank data. April figures are not yet available.
Finance Minister Mohammed al-Jadaan said in a statement that the transfers to PIF were done on an "exceptional basis."
The statement did not give a breakdown but a finance ministry official told Reuters that the government transferred $15 billion to the Public Investment Fund in March and another $25 billion in April, saying foreign reserves are expected to drop in April at about the same rate as the previous month.
The official said PIF had also converted into U.S. dollars part of its own riyal-denominated liquidity to back investments. The government did not expect a significant drop in central bank foreign reserves going forward and fluctuations will be in line with previous years, added the official, who asked not to be named because the details are not yet public.
"While foreign exchange flows since the start of the year are on average within historical levels, this measure (transfers to PIF) resulted in a reduction in net foreign reserves assets to support investment plans," Jadaan said in the statement, adding that PIF investments would not be reflected in published central bank data.
"Maximising returns on the kingdom's assets will reflect positively on economic performance and public finances and limit negative effects of the coronavirus pandemic. Returns on PIF investments will be available to support public finances when needed," he said.
In April, the head of PIF, Yasir al-Rumayyan, said it was looking in to investment opportunities in areas such as aviation, oil and gas and entertainment.
The fund, which manages over $300 billion in assets and has stakes in Uber Technologies Inc and electric car company Lucid Motors, had this year accumulated stakes in four major European oil companies and disclosed an 8.2% stake in cruise operator Carnival Corp.
Earlier this month, it also disclosed stakes in Boeing Co, Citigroup Inc, Facebook Inc, Walt Disney Co and Marriott.
Jadaan also said in the statement that the government would continue to implement development plans to diversify the economy, increase local content and support private sector growth, whether through the general budget or through PIF and development funds.
The kingdom, the world's largest oil exporter, slipped into a $9 billion budget deficit in the first quarter as oil revenue collapsed.
The finance ministry official said PIF is still going ahead with investments in domestic mega-projects under Crown Prince Mohammed bin Salman's diversification drive, including the $500 billion NEOM economic zone, the Red Sea tourism project, and Qiddiya, an entertainment development that will include a Six Flags theme park.
He said the fund has significant liquidity in riyals from its own portfolio and from proceeds from last December's initial public offering of state oil giant Saudi Aramco.

($1 = 3.7545 riyals)
(Reporting by Marwa Rashad in Riyadh;
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South Korea

South Korea cuts rates, flags worst year for economy since 1998

28-May-2020

- **Most analysts saw BOK cutting rates**
- **BOK cuts S. Korea's 2020 GDP forecast to -0.2% vs 2.1% before**
- **Governor Lee says will ramp up Treasury bond buying if needed**

Recasts after Governor Lee Ju-yeol's press conference

By Cynthia Kim and Joori Roh

SEOUL, May 28 (Reuters) - **South Korea's central bank cut interest rates to a record low on Thursday as it warned the coronavirus pandemic would be worse for Asia's fourth-largest economy than the 2008 global financial crisis.**

The Bank of Korea's board voted unanimously to cut its policy rate by a quarter of a percentage point to 0.5%, the lowest since the bank adopted the current system in 1999. The move was expected by 12 of 19 economists polled by Reuters.

The bank also downgraded its 2020 economic projection to a 0.2% decline from 2.1% growth forecast in February. That would be the biggest contraction since 1998, during the Asian financial crisis.

The BOK also sees inflation at 0.3% this year, down from its February forecast of 1.0%.

Governor Lee Ju-yeol said the bank is ready to ramp up government bond buying to soak up the massive public debt needed to cover the cost of new stimulus.

"We plan to actively purchase treasury bonds to stabilise markets should long-term yield volatility increase," Lee said in a press conference.

"With the rate cut, the policy interest rate is now very close to the effective lower bound," Lee added.

That prompted some analyst to expect the easing cycle may have reached its end although Lee declined to comment on whether or not additional easing was needed.

The BOK is working in tandem with the government to extend liquidity to businesses hit by the coronavirus pandemic.

South Korea has rolled out a 245 trillion won ($197.9 billion) package -- 12.8% of gross domestic product -- to combat the virus fallout. It is also preparing a third supplementary budget after April exports suffered the worst slump in 11 years and jobs vanished at the fastest pace since 1999.

The BOK had previously pledged unlimited liquidity through to June via repurchase agreements and began lending to securities firms for the first time in its 70-year history.

South Korea's central bank joins counterparts in the United States, Australia, UK and New Zealand in bond-buying operations to nurse the economy through the pandemic.

As the bank ramped up stimulus on Thursday, South Korea reported 79 new coronavirus cases, the largest one-day increase since April 5, raising fears of a second wave of infections after the country managed to bring down that number to around 10 in early May. The country has reported 11,344 infections and 269 deaths.

Bond futures rallied after the economic outlook was downgraded and Lee's hints of Treasury bond buying, with June futures on three-year treasury bonds up 0.13 points at 112.25.

"The BOK did all it can, giving even a negative growth outlook," said Yoon Yeo-sam, a fixed-income strategist at Meritz Securities. "With the cut today, there is now market expectations for another cut to 0.25%."

($1 = 1,237.8800 won)
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Sri Lanka

With debt crunch looming, Sri Lanka needs help from its friends

27-May-2020

- **Markets flash warning signs over debt levels**
- **Only Lebanon spends more on servicing debt than Sri Lanka -S&P**
- **Has veered away from recent IMF programme**
- **China is major bilateral lender to Sri Lanka**

By Marc Jones

LONDON, May 27 (Reuters) - **Sri Lanka's finances were fragile long before the coronavirus delivered its blow, but unless the country can secure aid from allies like China, economists say it may have to make a fresh appeal to the IMF or default on its debt.**

All the tell-tale crisis signs are there: a tumbling currency, credit rating downgrades, bonds at half their face value, debt-to-GDP levels above 90% and almost 70% of government revenues being spent on interest payments alone.

The IMF seems the obvious option -- Sri Lanka has already asked the Fund for a 'Rapid Credit Facility' -- but securing a new longer-term arrangement might not be straight forward.

The new government veered off its soon-to-expire current IMF programme late last year by slashing taxes, including VAT and the 'nation-building' tax brought in after the island's long-running civil war in 2009.

In February, the IMF warned Colombo was set to miss its 2019 primary surplus target "by a sizable margin", and the economic outlook has

deteriorated dramatically since then.
Sri Lanka's central bank sought to allay fears of a default in a statement last week, calling speculation "baseless" and vowing the country will "honour all its debt service obligations in the period ahead".
External debt payments between now and December amount to $3.2 billion. Other costs could bring that up to $6.5 billion in the next 12 months, Morgan Stanley estimates, and with FX reserves of just $7.2 billion, it has described the situation as a 'tightrope walk'. The crunch point looks likely to be a $1 billion international sovereign bond payment due in October.
"The market is pricing in the risk of a credit event there," said Aberdeen Standard Investments' Kevin Daly, pointing to the recent drop in some of country's bonds to under 50 cents on the dollar and rise in borrowing costs to over 20%.
"If they were to seek an IMF funding programme that would at least address some concerns, but let's not forget the last fiscal measures sent the wrong signal."
One view, dismissed by the central bank, is that delayed parliamentary elections may have hampered decisive policymaking, including how to navigate the economic hit from the pandemic.
Ratings firm S&P Global estimates that only recently-defaulted Lebanon spends a larger proportion of revenue on bond interest payments.
Add to that the hammerblow from the virus. Tourism, which accounts for nearly 12% of the country's economy and 11% of jobs according to World Bank, has been floored again just a year after the Easter Sunday suicide bombing attacks.
IMF OR BUST?
Sri Lanka's sizable textiles industry has been shredded too as global retailers shut up shop during lockdowns. **Morgan Stanley forecasts the fiscal deficit will reach 9.4% of GDP this year, while a primary balance deficit of 3% of GDP would be more than 4 percentage points off stabilising debt levels.**
"The room to kick the can down the road is not really there any more," said Mark Evans, an analyst at Ninety One, formerly Investec Asset Management.
Sri Lanka "probably has the capacity to service its debt obligations this year," he added. "But much beyond that it becomes more questionable without a credible (fiscal consolidation) plan that could unlock IMF and other multilateral support."
Other bilateral support could potentially come from China, especially as Beijing was a backer of President Gotabaya Rajapaksa's elder brother Mahinda, who ruled the island from 2005 to 2015 and is now its Prime Minister.
With one of the deepest ports in the world, Sri Lanka has also long been a target of Beijing's ambitious Belt and Road scheme, while regional power India has been vying for deals to counter China's influence.
China's foreign ministry didn't immediately respond to a request for comment on the possibility of help. Sri Lanka's central bank said last week it was engaging with "all investment and development partners".
It is working on currency swap and credit lines with both India's central bank and the People's Bank of China and Beijing, and also seeking assistance from the Asian Infrastructure Investment Bank (AIIB) and other multilaterals.
Aberdeen's Daly said any signals of debt help from China could trigger a relief rally in bond prices but IMF support was still likely to be needed and that would come with stringent conditions.
"They would have to do an about face to get an IMF programme, but that is probably one of only things they can to address the concerns about debt sustainability."

(Additional reporting by Swati Shetye in Mumbai and David Lawder in Washington, additional graphic by Tom Arnold in London; Editing by Kirsten Donovan) ((marc.jones@thomsonreuters.com; +44 (0) 207 542 9033; Reuters Messaging: marc.jones.thomsonreuters.com@reuters.net Twitter https://twitter.com/marcjonesrtrs))

EUROPE

Bosnia

Bosnian Serb region adjusts 2020 budget for coronavirus costs

23-May-2020
BANJA LUKA, Bosnia, May 23 (Reuters) - **Bosnia's autonomous Serb Republic revised its 2020 budget up by 5.5% on Saturday to fill gaps in revenues due to the coronavirus crisis with new debt and to re-direct spending to support the health sector and businesses.**
The budget was increased by 188 million Bosnian marka ($105.7 million) to 3.6 billion marka after the government projected a deficit of 412 million marka, up from 20 million marka first forecast.
Finance Minister Zora Vidovic said the government made savings of 41 million marka through cuts in salaries, services, grants, investments and other costs.
She said that spending would rise to pay for measures needed to ease the impact of the coronavirus, and that 151 million marka from the budget would be transferred to a compensation fund to support businesses and the health sector, and 52 million marka would be earmarked for the region's health fund.
The parliament approved a 115% debt increase to 678 million marka, of which 354 million marka would be raised via domestic debt issuance and 324 million borrowed from international financial institutions.
Vidovic said the region's total debt of nearly 6

billion marka would not exceed allowed ceiling of 60% of GDP. She based the debt calculation on the World Bank best-case scenario forecasting the fall of 2020 GDP in Bosnia of around 3.5%.
But Jelena Trivic, an opposition MP and economics professor, warned the debt would reach 70% of GDP taking into account 1 billion marka debt accumulated by the health fund.
The Bosniak-Croat Federation, Bosnia's other autonomous region, in April revised its 2020 budget up by 11.2% to reflect an increase in spending aimed at shoring up its economy battered by coronavirus containment measures.

(1$ = 1.778 Bosnian marka)
(Reporting by Daria Sito-Sucic, Additional Reporting by Gordana Katana in Banja Luka; Editing by Ros Russell)
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IMF says Bosnia's failure to disburse IMF emergency aid is unprecedented

29-May-2020
By Daria Sito-Sucic
SARAJEVO, May 29 (Reuters) - **Five weeks after the International Monetary Fund gave Bosnia $370.46 million in emergency aid to help combat the coronavirus crisis, the funds have still not been disbursed due to a disagreement between its rival ethnic leaders, officials said.**
Even though the lender had doubled the original amount, the leaders have not reached a consensus on how to split the funds, which have remained blocked at the central bank ever since.
The aid was approved and handed over only after a political deal was reached under which the Federation would receive 62% and the Serb Republic 38% of the funds, while each region would allocate 0.5% of its share to Bosnia's neutral Brcko District.
In the Letter of Intent signed with the IMF, the leaders of the Bosniak-Croat Federation also agreed to allocate 50% of the funds to its 10 cantons, the pledge that was later reflected in the region's revised budget for 2020.
But in reality, Croat and Bosniak ministers in the national government have persistently argued over the legal procedure needed for the disbursal of the funds.
"I would have never imagined that it would have dragged so long," said Andrew Jewell, the IMF resident representative in Bosnia. "To my knowledge, this situation is unprecedented, for a country to request emergency assistance and not use it."
Reuters tried to contact Bosnia's prime minister for comment but he was not immediately available to comment.
Bosnia comprises two autonomous regions, the Bosniak-Croat Federation and the Serb Republic, tied via a weak central government.
Jewell said the IMF transferred the funds under its Rapid Financing Instrument on April 22, following an agreement among the Bosnian Serb, Croat and Bosniak (Bosnian Muslim) leaders on how to distribute them.
The European Union delegation and U.S. Embassy in Bosnia, both of which have mediated in removing the impasse, have called on the national government to issue a decision to allocate the funds in accordance with the Letter of Intent.
"Bosnia-Herzegovina politicians should immediately unblock the IMF funds so they can be used for the good of the citizens," they said in a joint statement on Thursday.
Finance Minister Vjekoslav Bevanda, a Croat, said on Thursday that such a decision was not necessary, while the central bank governor, Senad Softic, a Bosniak, said the bank would not disburse the funds to the regions without the decision that is reflecting the Letter of Intent with the IMF.
Jewell said that holding of the emergency assistance may have an impact of the future IMF loans.
"In this environment when they are sitting on 333 million euros it's highly unlikely that we would start negotiations on a new programme," he told Reuters.

($1 = 0.8989 euros)
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Bulgaria

Bulgaria's gross foreign debt falls 2.2% y/y at end-March

28-May-2020
SOFIA (Bulgaria), May 28 (SeeNews) - **Bulgaria's gross foreign debt fell by an annual 2.2% to 33.5 billion euro ($36.9 billion) at the end of March, the central bank said on Thursday.**
The gross foreign debt at the end of March was equivalent to 51.5% of the projected 2020 gross domestic product (GDP), the Bulgarian National Bank said in a statement.
At the end of March, Bulgaria's external debt was 1.7% lower compared to the end of 2019.

($ = 0.9082 euro)

Bulgaria expects budget surplus of 1.1% of GDP at end-May

29-May-2020
SOFIA, May 29 (Reuters) - **Bulgaria expects to**

have a fiscal surplus equal to 1.1% of gross domestic product at the end of May, compared with a recorded surplus of 2.6% a year ago, the finance ministry said on Friday.
The ministry, however, said that the Balkan country expects a deficit of 353 million levs ($200 million) for May alone due to the hit to revenues from measures to tackle the coronavirus pandemic.
The country recorded a surplus of 1.63 billion levs in the first four months of the year, it said.
Government revenues were 14.6 billion levs at the end of April, some 32.9% of the planned revenues for the year. Spending was 13 billion levs, up from 12.5 billion a year ago, mainly due to an increase in public pensions, the finance ministry said.
Fiscal reserves, held under a currency regime pegging the lev to the euro, stood at 11 billion levs at the end of April.
Bulgaria, one of the poorest but also least indebted EU members, maintains tight fiscal discipline, but the government expects stringent measures around the world to halt the coronavirus will shrink the country's small and open economy by 3% this year, and increase its fiscal gap to 3% of economic output.

($1 = 1.7616 leva)
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Editing by Frances Kerry)
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Croatia

Croatia plans to issue Eurobond in June

28-May-2020
ZAGREB (Croatia), May 28 (SeeNews) - **Croatia's finance ministry is planning to issue a Eurobond next month, local media reported.**
The volume of the issue has not been defined yet, news daily Poslovni Dnevnik reported late on Wednesday.
The finance ministry has hired Deutsche Bank, JP Morgan, Barclays and Intesa/PBZ as agents on the planned issue, Poslovni added.
In April, finance minister Zdravko Maric said that Croatia will need some 65-70 billion kuna ($9.4-10.1 billion/8.6-9.2 billion euro) in the next three months to cover the cost of the government's anti-coronavirus economic stimulus measures.
The government's focus back then was mainly on the domestic market, but it was working in parallel on tapping international markets, Maric has said.
Also in April, the government gave the green light to the finance ministry to make an additional borrowing of up to 24 billion kuna above the 26.9 billion kuna debt ceiling set in the 2020 budget bill in order to tackle the coronavirus crisis.

(1 euro = 7.58716 kuna)

Cyprus

Cyprus doesn't foresee need at present to tap ESM credit line

27-May-2020
NICOSIA, May 27 (Reuters) - **Cyprus has no need to tap the European pandemic credit line at present, the island's finance ministry said on Wednesday.**
"The ESM credit line is also being evaluated but no political decision has been taken...to utilise the said instrument," it said in a statement to Reuters.
"It should be noted that as currently things stand in the area of public finances, we do not foresee a utilisation of the ESM's credit line."

(Reporting by Michele Kambas
Editing by Mark Heinrich)
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Czech Republic

Czechs ease borrowing pace in June, to auction up to CZK 16 bln in bonds

25-May-2020
PRAGUE, May 25 (Reuters) - **The Czech Finance Ministry will offer up to 16 billion crowns ($640.05 million) worth of domestic government bonds in five primary auctions in June, the ministry said on Monday.**
The ministry also confirmed the maximum expected nominal value of bonds sold in auctions in the second quarter was planned at 350 billion crowns.
The ministry added it would also offer up to 20 billion crowns worth of short-term Treasury bills through two auctions scheduled for June. It also confirmed the expected nominal value of T-bills sold in the second quarter is 50 billion crowns excluding roll-over.

($1 = 24.9980 Czech crowns)
(Reporting by Mirka Krufova; Editing by Jason Hovet)
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Estonia

Estonia to issue 10-year bond to raise

at least 1 bln euros

26-May-2020

TALLINN, May 26 (Reuters) - **Estonia said on Tuesday it plans to issue its first benchmark bond in 18 years, seeking to raise at least 1 billion euros ($1.1 billion) with a 10-year note to help cover a budget deficit caused by the new coronavirus.**

Citibank, Societe Generale and Nordea will manage the issuance, the Finance Ministry said in a statement.

Government debt in the small euro zone country totalled 7.4% of GDP at the end of 2019.

"Had it not been for the emergency caused by the coronavirus, the Estonian state would not have issued the bond even now," Finance Minister Martin Helme said in a statement.

"In order for the state to have enough money to cover its expenses, we have to take on additional debt obligations in the current difficult economic situation," he added.

Estonia expects GDP to fall by as much as 8% this year, and the ministry said it plans to launch 1-2 additional benchmark bonds in 2020-2021 to finance the deficit.

By end-March, the nominal state budget deficit had increased to 438 million euros or 1.7% of GDP and it is set to reach 10.1% by the end of 2020.

($1 = 0.9115 euros)
(Reporting by Tarmo Virki;
Editing by Alison Williams and Ed Osmond)
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Estonia to borrow at least 1 bln euros in 2021

28-May-2020

TALLINN, May 28 (Reuters) - **Estonia's government will borrow at least 1 billion euros ($1.1 billion) from markets in 2021, Finance Minister Martin Helme told a news conference on Thursday.**

Earlier this week, Estonia said it planned to issue its first benchmark bond in 18 years to help cover a budget deficit caused by the new coronavirus.

($1 = 0.9086 euros)
(Reporting by Tarmo Virki; Editing by Hugh Lawson)
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Hungary

Hungary's 2021 budget to target 2.9%/GDP deficit

26-May-2020

BUDAPEST, May 26 (Reuters) - **Hungary's 2021 budget will target a deficit worth 2.9% of gross domestic product, Finance Minister Mihaly Varga said when submitting the budget draft to parliament on Tuesday.**

The targeted shortfall is slightly higher than a 2.7% of GDP deficit projected in Hungary's euro convergence programme submitted to Brussels but would still be below the EU's 3% of GDP fiscal ceiling.

The government has raised this year's budget deficit goal to 3.8% as the country tries to limit the economic fallout from the coronavirus pandemic, which is expected to send the economy, which grew by 4.9% last year, into recession.

"The protection of jobs and the creation of jobs instead of those lost will be a priority," Varga told an online news conference. He said the government would continue its family support programmes and raise pensions in the 2021 pre-election year.

The budget is based on a forecast the economy would grow by 4.8% next year.

Varga said the government would set aside reserves of 270 billion forints ($844.73 million) in the 2021 budget to tackle any unforeseen contingencies.

The size of reserves however, at just 0.5% of GDP, is lower than the 1% originally planned for 2020.

The budget estimates 2021 average inflation at around 3%, in line with the policy target of the Hungarian central bank, which meets on Tuesday to discuss policy. Economists polled by Reuters expect no change in key interest rates.

Varga said the 2021 budget draft was planned with an average exchange rate of 356.6 forints per euro, slightly weaker than the 353.8 level seen this year and also weaker than the forint's current trading levels around the 350 mark.

($1 = 319.63 forints)
(Reporting by Gergely Szakacs; editing by Barbara Lewis)
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Hungary raises 2020 debt issuance to finance higher budget deficit

26-May-2020

BUDAPEST, May 26 (Reuters) - **Hungary will boost gross debt issuance this year as the funding requirement of the central budget has increased by 289 billion forints ($908.78 million) after the government raised the deficit target to 3.8% of GDP, the debt agency (AKK) said on Tuesday.**

The AKK said it would boost domestic wholesale issuance by 419 billion forints to 4.088 trillion forints, primarily building on weekly auctions of 3-year and 5-year bonds.

It has also amended its original 4 billion euro total foreign currency issuance target to 4 billion euros worth of foreign bond issuance, plus half a billion euros worth of long-term international loans. Hungary already issued 2 billion euros worth of eurobonds earlier this year.

($1 = 318.0100 forints)
(Reporting by Krisztina Than)
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Hungary central bank says bond purchases to be used only to extent necessary

26-May-2020
BUDAPEST, May 26 (Reuters) - **Hungary's central bank considers its quantitative easing programme a crisis management measure and will use government bond purchases only for a period and to an extent necessary, the National Bank of Hungary said on Tuesday.**
"In the Monetary Council's view, the current set of monetary policy instruments is appropriate to respond to the economic and financial challenges posed by the coronavirus pandemic," it said after leaving all key rates on hold, as expected.
"In the Council's assessment, the previously set goals have been achieved by the transformed set of instruments."

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North Macedonia

North Macedonia issues 700 mln euro Eurobond

28-May-2020
SKOPJE (North Macedonia), May 28 (SeeNews) - **North Macedonia has issued a six-year Eurobond worth 700 million euro ($770.9 million) on May 27, the finance ministry said.**
The Eurobond bears an interest rate of 3.67%, the second-lowest after the interest rate of 2.75% on the Eurobond issued in 2018, the finance ministry said in a statement on Wednesday.
Investor demand for the new Eurobond, the Country's seventh so far, was five times higher than the amount issued.
North Macedonia will use the funds raised from the new Eurobond issue, together with loans from the International Monetary Fund (IMF), the World Bank and the European Union, to fully cover its financial needs for this year, the finance ministry said.
The government expects to close 2020 with a budget deficit equivalent to 6.8% of GDP. Payments on the country's debt maturing this year amount to 705 million euro, the finance ministry said.

($ = 0.9080 euro)

Poland

Poland's budget deficit doubles to 18.9 bln zlotys at end of April

25-May-2020
WARSAW, May 25 (Reuters) - **Poland's budget deficit was 18.9 billion zlotys ($4.6 billion) at the end of April, the Finance Ministry said on Monday, up from 9.4 billion zlotys at the end of March as the country ramps up spending to protect the economy from the coronavirus pandemic.**
The largest economy in the European Union's eastern wing had been aiming for its first balanced budget since the fall of communism three decades ago in 2020.
Poland has announced a package of spending, guarantees and liquidity measures worth over 300 billion zlotys to help the economy during the pandemic.

($1 = 4.1252 zlotys)
(Reporting by Agnieszka Barteczko and Alan Charlish; Editing by Alison Williams)
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))

Poland's budget is ready for higher borrowing needs

29-May-2020
WARSAW, May 29 (Reuters) - **Poland is prepared for an expected increase in borrowing needs, as the country has 100 billion zlotys ($25.02 billion) on its accounts and with 2020 needs fully financed, the finance ministry said on Friday.**
Poland's budget deficit was 18.9 billion zlotys last month, up from 9.4 billion zlotys at the end of March as the country ramps up spending to protect the economy from the coronavirus pandemic.

($1 = 3.9964 zlotys)
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Romania

Romania raises 3.3 bln euro in Eurobonds amid strong demand

27-May-2020

BUCHAREST (Romania), May 27 (SeeNews) - **Romania's finance ministry said on Wednesday it has raised 3.3 billion euro ($3.62 billion) through the sale of 5-year and 10-year Eurobonds, with total demand reaching 12 billion euro.**

Romania raised 1.3 billion euro from the sale of a new issue of 5-year government paper at a 2.750% interest rate, while an additional 2 billion euro was raised from the 10-year Eurobond at an interest rate of 3.624%, the finance ministry said in a press release.

This is the Romania's second sale of Eurobonds this year.

The 5-year Eurobonds had a yield of 2.793%, while the 10-year government securities yielded 3.624%.

Demand for both issues was strong with 585 orders placed worth almost 12 billion euro in total.

"The success of this transaction demonstrates once again the confidence that Romania enjoys from the international community of investors, even in this challenging period, generated by the COVID-19 pandemic. The government remains fully committed to the fight against the SARS-CoV-2 virus, and the loan will be used to cover the growing financing needs resulting from the budget deficit and the volume of public debt refinancing," finance minister Florin Citu said.

Geographically, the distribution of investors in the new 5-year Romanian Eurobond issue was: 22% from Great Britain and Ireland, 16% from southern Europe, 15% from Germany and Austria, 14% from the USA, 7% from Italy, 6% from Romania, 6% from central and eastern Europe, 5% from Switzerland, 4% from Asia, and 6% from France.

According to the type of investors, fund managers predominated with 56%, followed by commercial banks with 23%, pension funds and insurance companies with 11% and other types of investors with 6%.

The distribution of investors in the new 10-year Romanian Eurobond issue was: 35% from Great Britain and Ireland, 23% from the USA, 9% from Germany and Austria, 8% from Romania, 7% from southern Europe, 6% from central and Eastern Europe, 5% from Switzerland, 2% from Italy, 2% from France, and 3% from Asia.

According to the type of investors, fund managers led with 70%, followed by commercial banks with 13%, investment funds with 11%, pension funds and insurance companies with 3%, and other types of investors with 3%.

The issue was managed by BNP Paribas, Erste Group Bank, ING Bank, J.P. Morgan Securities, Raiffeisen Bank International and UniCredit Bank.

In April, Romania raised by 10 billion euro to 41 billion euro the borrowing ceiling under its Medium Term Notes (MTN) programme for international markets during the 2020-2022 period. The country can borrow the funds at any time, in euro or in any other currency, read the decree published at the time by the Official Gazette.

Year-to-date, the finance ministry has sold some 31.2 billion lei ($7.1 billion/ 6.4 billion euro) and 150 million euro worth of government bills and bonds and has tapped foreign markets for a total of 6.3 billion euro.

($=0.9124 euro)

Romania's budget deficit jumps to 2.5% of GDP at end-April

27-May-2020

BUCHAREST, May 27 (Reuters) - **Romania's consolidated budget deficit jumped to 2.5% of gross domestic product in January-April against a 1.7% gap at the end of March, as coronavirus-related tax payment postponements sapped revenue, the finance ministry said on Wednesday.**

In nominal terms, the deficit was 26.8 billion lei.

"More than half of the deficit comes from the money that remained in the economy as a result of tax incentives granted (by the government) to companies to help offset the impact of the COVID-19 pandemic," the ministry said in a statement.

It said revenues amounted to 98.2 billion lei, 1.3% down on the year, amounting to 9.1% of GDP. Spending stood at 125 billion lei.

(Reporting by Radu Marinas)
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Romania aims to sell 5.01 bln lei debt in June

28-May-2020

BUCHAREST, May 28 (Reuters) - **Romania's finance ministry aims to sell domestic debt worth 5.01 billion lei ($1.14 billion) in June, including 510 million lei at non-competitive tenders, it said on Thursday.**

The ministry sold a massive 7.67 billion lei worth of domestic debt and tapped foreign markets for 3.3 billion euros in May, as the economic damage from the new coronavirus outbreak nearly doubled its deficit target.

In June, it scheduled seven bond tenders with residual maturities ranging from 2.1 to 11.3 years, as well as two auctions for six-month and one-year treasury bills.

So far this year, Romania has sold 31.23 billion lei of local currency bills and bonds as well as

150 million euros worth of euro-denominated paper, and tapped foreign markets for 6.3 billion euros worth of 2026, 2030, 2032 and 2050 Eurobonds.

($1 = 4.3989 lei)
(Reporting by Luiza Ilie; Editing by Radu Marinas)
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Slovakia

Slovak current account shows deficit of 631 million euros in March

26-May-2020
PRAGUE, May 26 (Reuters) - **Slovakia's current account showed a deficit of 631 million euros ($692.02 million) in March after a revised deficit of 263 million euros in February, the central bank said on Tuesday.**
The February figure was revised from an originally reported deficit of 266 million euros.

($1 = 0.9118 euros)
(Reporting by Mirka Krufova
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Turkey

Turkey holding swap talks with several countries

27-May-2020
ANKARA, May 27 (Reuters) - **Turkey is in talks with several countries over possible swap agreements, Finance Minister Berat Albayrak said on Wednesday, saying the initiative was part of Ankara's campaign to prioritise trading in local currencies.**
"From now on, we will look at our local currency trade and we are holding talks with several countries on swaps," Albayrak said in an interview with state broadcaster TRT Haber.
Without specifying whether Turkey was actively discussing swaps with all of them, Albayrak mentioned the United States, China, Japan, South Korea, Malaysia and India. "This is about the bilateral trade between two countries, based on the ties they have developed," he said.
Last week Qatar tripled an existing swap line with Turkey to a value of $15 billion, and officials have told Reuters Ankara had also sought to expand a swap facility with China and set up swap lines with Japan and the United Kingdom.

(Reporting by Tuvan Gumrukcu
Editing by Dominic Evans)
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Ukraine

Ukraine's state debt down by 2.7% in hryvnias, up by 1.3% in dollars in April 2020

26-May-2020
KYIV. May 26 (Interfax-Ukraine) **- In April 2020, the total state debt of Ukraine decreased by 2.7% in hryvnias, to UAH 1.196 trillion, and in U.S. dollar terms increased by 1.3%, to $81.4 billion, the Finance Ministry said on its website.**
"Generally, the key factor in influencing the state debt was fluctuations in the foreign exchange market. According to the NBU, the hryvnia revaluation against the U.S. dollar amounted to 4.04% in April 2020," the Finance Ministry said in a statement.
The Finance Ministry also said that of the four auctions planned for April, only one was held. As a result of the auction on April 28, some UAH 9.8 billion was raised to finance the national budget.
"More than half of the funds raised are government domestic loan bonds denominated in hryvnias. The average weighted yield rate on three-month bonds amounted to 11.24%, and the amount of raised resources was more than UAH 5.3 billion. The national budget received about UAH 4.5 billion from flotation of six- and eight-month bonds denominated in U.S. dollars. The average weighted yield rate on these bonds was 3.29% and 3.5%, respectively," the Finance Ministry said in the statement.
Repayments on state debt amounted to UAH 9.9 billion and services UAH 9 billion in April.
"To ensure the stability of public finances among external sources of financing, the priority for the Ministry of Finance remains the cooperation with international financial organizations and partner countries," the Finance Ministry said.

Ukraine expects $5 bln IMF loan approval and initial payout next week

29-May-2020
- **Ukraine's economy badly battered by coronavirus**
- **Ukraine also expecting EU loan - Shmygal**
- **Second quarter could see GDP decline of 12%, PM says**
- **No grain export restrictions for two months**

By Natalia Zinets and Matthias Williams

KIEV, May 29 (Reuters) - **Ukraine is expecting the International Monetary Fund (IMF) to approve a $5 billion loan package on June 5 and to disburse the first tranche of $1.9 billion the next day, Prime Minister Denys Shmygal told Reuters on Friday.**
President Volodymyr Zelenskiy has said Ukraine risked defaulting without the money, which Shmygal said he expected to be approved at an IMF board meeting. Kiev struggled for months to pass the reforms the fund was asking for amid concerns over corruption and influence-peddling.
The country's precarious financial position and horse-trading over reform comes at a time when Zelenskiy is trying to negotiate with Russia, which annexed Ukraine's Crimea region in 2014 and backed a pro-Russian uprising in eastern Ukraine.
The IMF declined to comment on Shmygal's statement. His remarks offered the most precise timing the government has yet given for when it expects the disbursement of the IMF loan tranches, money the government sorely needs to weather an economic shock caused by the coronavirus pandemic.
"Today, together with the president, we will have a phone call with Mrs Kristalina [Georgieva], the head of the IMF. The board meeting will be held on June 5, and probably on June 6 Ukrainian time we expect to receive the tranche," he said.
The second tranche, worth $1.6 billion, is expected from September onwards and the third tranche, of $1.5 billion, would come next year, Shmygal said. Ukraine additionally expects to receive 600 million euros from the European Union shortly after the first IMF tranche.
SHARP ECONOMIC DECLINE
Shmygal also disclosed a preliminary estimate for economic growth in the second quarter of this year, saying gross domestic product could fall by 12%.
The government has previously said the economy would shrink by nearly 5% for the full year.
The government expects the second quarter to be the worst affected, and Shmygal said Ukraine could bounce back to growth of 3.6-4% next year.
Ukraine moved quickly to impose lockdown measures in March to contain the coronavirus pandemic. It has recorded fewer cases than much of Western Europe, but many businesses were either closed or restricted.
The prime minister also said that the government would not restrict wheat exports for the next two months, even though the quota the government previously agreed with traders has been exhausted.
Ukraine is one of the world's top grain exporters and had previously signalled it might not allow exports beyond the quota. But Shmygal said the additional overseas sales were a vital source of foreign exchange and a way to support farmers.
The sharp economic downturn caused by the pandemic had also focused attention on Ukraine's ability to service its debts this year.
Shmygal said the government had repaid a $1 billion Eurobond this week, which he said "shows that we can and are able to service external and internal debt absolutely calmly."
"The support of our creditor partners is necessary for Ukraine for economic development," he said.
Ukraine was able to repay the money without dipping into central bank reserves, which stand at $26.2 billion, he said.
While Ukraine continues to borrow on the domestic market, "today, in the current situation, there is no urgent need to go to foreign markets and borrow there, firstly because the situation is unfavourable."

(Editing by Andrew Osborn and Frances Kerry)
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LATIN AMERICA AND CARIBBEAN

Argentina

Argentina, creditors get ready to resume debt talks after ninth sovereign default

23-May-2020
By Cassandra Garrison and Rodrigo Campos
BUENOS AIRES, May 23 (Reuters) - **A major Argentina creditor group said on Saturday it had been invited to sign a non-disclosure agreement by Argentina's government, signaling that talks could be moving to the next phase after the South American country defaulted a day earlier.**
The Exchange Bondholder Group, which comprises 18 investment institutions and represents 15% of Argentina's exchange bonds, said in a statement that Argentina approached its representatives and other creditor groups about signing a non-disclosure agreement "in contemplation of engaging in negotiations with the Ministry of Economy."
It is common during debt restructurings for creditor committees to agree to limit the flow of information near the end of talks, as some of it may be material and non-public, a source from another creditor committee said. In some cases when multiple creditor groups are involved, as is the case with Argentina, a non-disclosure agreement is introduced, the source said.
Argentine officials are currently weighing counter-offers from its major creditor groups after their original proposal to restructure about $65 billion in foreign debt was stiffly rejected.
The South American country failed to reach an agreement by a May 22 deadline, prompting it to miss about $500 million in already delayed bond coupons, marking its ninth sovereign default.

At least one main creditor group has signed the non-disclosure agreement, a source from that committee said.
A spokesman from the Ministry of Economy did not immediately respond to request for comment.
Despite missing the deadline on Friday, a source close to the negotiations and familiar with the government's thinking told Reuters on Friday that talks could reach a breakthrough "in a matter of days."
Executives from major credit agencies were optimistic Argentina would eventually strike a deal, but warned that the country's economic woes were far from over.
"Argentina has a history on this issue and many think that it will not be the last," Gabriel Torres, a Moody's vice president, said of Argentina's default while speaking to local station Radio Milenium, adding that the country will eventually "have to pay what it has agreed to."
Todd Martinez, director of Latin America sovereigns at Fitch Ratings in New York, cautioned that progress could be more challenging the longer the talks drag on.
"Should it be a default without signs of progress toward a resolution, it could heighten uncertainties and have some destabilizing effects, but these could be minimal if recent progress towards a deal continues," Martinez said.

(Reporting by Cassandra Garrison; Additional reporting by Rodrigo Campos and Marc Jones; Editing by Ros Russell and Andrea Ricci)
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S&P Says Ratings on Four Argentina Foreign Currency Bonds Lowered to 'D' From 'CC' on Expiry of Grace Period

26-May-2020
May 26 (Reuters) - S&P:
- **S&P says ratings on four Argentina foreign currency bonds lowered to 'd' from 'CC' on expiry of grace period**
- S&P says also lowered the issue rating on an argentine-law U.S. Dollar-denominated bond, the bonar 2024, to 'd' from 'CC'
- S&P, on four Argentina foreign currency bonds, says there is no outlook on the 'D' issue ratings

(Reuters.Briefs@thomsonreuters.com)

Argentine bonds rise after default as Fitch, S&P cut ratings

26-May-2020
By Walter Bianchi and Hugh Bronstein
BUENOS AIRES, May 26 (Reuters) - **Argentine bonds rose strongly on Tuesday on optimism that a restructuring deal being brokered with creditors could be in reach, even as ratings agencies slapped the country with downgrades after it defaulted for the ninth time last week.**
Over-the-counter bonds rose 3.8%, while country risk tightened 243 basis points to 2,535 over U.S. Treasuries, amid hopes negotiations to revamp $65 billion in debt would take "days, not months".
Argentina and its creditors are in talks to reach a deal by an already pushed-back deadline of June 2 to avoid the country falling into a messy default that could spark years of legal wrangling over payouts.
Fitch on Tuesday downgraded Argentina's sovereign rating to restricted default due to the missed payment relating to three bonds on Friday after a 30-day grace period on the payments expired. It cut the ratings on the bonds themselves to default.
S&P cut the three bonds and a fourth local-law dollar bond to default and said they would remain there "pending conclusion of the debt renegotiations that are currently underway."
Fitch acknowledged restructuring talks were moving forward, though it said an agreement would need to fulfill collective action clauses on the bonds.
"The parties involved have indicated recent progress toward a comprehensive restructuring, although uncertainty remains around the prospects for reaching a deal," it said.
It added that once a deal was achieved and relations with creditors were normalized that would warrant upgrading the country's sovereign rating.
The Credit Derivatives Determinations Committees, which determine when credit default swaps should be triggered, was asked on Tuesday whether a failure to pay credit event had occurred in Argentina. It will make a ruling at a later date.
The country's largest province, Buenos Aires, is carrying out parallel restructuring talks to revamp $7 billion in foreign debt. It has extended negotiations until June 5.

(Reporting by Walter Bianchi and Hugh Bronstein in Buenos Aires
Writing by Adam Jourdan
Editing by Tom Brown and Matthew Lewis)
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Argentina says April primary fiscal deficit was 228.82 bln pesos

27-May-2020
BUENOS AIRES, May 26 (Reuters) - **Argentina had a primary fiscal deficit of 228.82 billion pesos ($3.42 billion) in April versus a surplus of 449 million pesos in the same period a year**

earlier, the economy ministry said on Tuesday.
Argentina had a primary fiscal deficit of 124.7 billion pesos ($1.9 billion) in March of this year.

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Argentina bonds pop as new debt offers raise deal hopes

29-May-2020
By Adam Jourdan and Marc Jones
BUENOS AIRES/LONDON, May 29 (Reuters) - **Argentine bonds jumped on Friday after the government and key bondholders exchanged new proposals to revamp around $65 billion in debt that edged the two sides closer together and bolstered hopes that a deal can be stuck eventually.**
Buenos Aires unveiled an amended proposal on Thursday with slightly earlier maturities and a shorter two-year grace period on coupon payments. Earlier, it had knocked back a new counter-offer from two key creditor groups.
The Ad Hoc Bondholder Group including AllianceBernstein, BlackRock, Ashmore and others gave more details about its joint offer on Friday, which it said involved a 32% cut in interest payments, taking the average coupon rate to 4.25%.
The South American country's economy minister said the new proposal from bondholders was a step in the "right direction," but fell short of what the country needed to dig itself out from its debt crisis during a lengthy recession.
"More work is still needed yet the two sides are getting ever closer," Morgan Stanley said in a note. It calculated the net present value (NPV) of Argentina's new offer to be around 41.5 cents on the dollar, up from 33 cents in the original offer.
"An NPV of 41.5 is a decent improvement and gets much closer to the 45-50 area where we think that a deal can be reached," the investment bank said, adding one could be struck in the third quarter with "further goodwill on both sides".
Citi said the shorter grace period and smaller principal haircut meant the government's new offer was around 5-7 points better than the initial one made in April, while a new bond to compensate for accrued coupons added value.
Argentina's over-the-counter bonds, mostly trading between 30-40 cents on the dollar after a sharp fall last year, rose an average 3.3% on Friday, while a country risk index fell.
Argentina is locked in talks to revamp a foreign debt pile that has become unsustainable. The major grains producer last week failed to make around $500 million of bond payments, its ninth sovereign default.
The government has extended a deadline for talks to June 2, though people close to the negotiations say the cut-off could be pushed back further.
Siobhan Morden at Amherst Pierpont said in a note on Friday that the extended deadlines and improved offer suggested a compromise could be found.
"There is still no official breakthrough between Argentina and bondholders; however there is latent optimism of reaching a compromise under the moderate influence of President (Alberto) Fernandez," she wrote.

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Bolivia

Moody's on Government of Bolivia says Coronavirus Will Weaken Economy, Erode Reserve Buffers

26-May-2020
May 26 (Reuters) -

- **Moody's on government of Bolivia says coronavirus will weaken economy, erode reserve buffers; new administration to manage fallout**
- Moody's says coronavirus will lead to Bolivia's first economic recession in decades, will accelerate erosion of fiscal & foreign exchange reserves
- Moody's says Bolivia’s economy will contract this year before recovering to new, lower potential
- Moody's says coronavirus will exacerbate Bolivia's existing liquidity, exchange rate pressures in absence of policy efforts to rein in imbalances
- Moody's says expect Bolivia's political risk, policy uncertainty to remain high irrespective of outcome of Bolivia's upcoming elections

(Reuters.Briefs@thomsonreuters.com)

Brazil

Brazil sells 18 bln reais short-term debt, biggest sale this year

23-May-2020
By Gabriel Ponte and Jamie McGeever
BRASILIA, May 22 (Reuters) - **Brazil sold just**

over 18 billion reais ($3.2 billion) of short-term debt on Thursday, its biggest sale of the year and part of the government's strategy of borrowing at the short end of the curve, Treasury Secretary Mansueto Almeida said on Friday.
Speaking in an online event hosted by business group Lide Pernambuco, Almeida said the Treasury aims to maintain Brazil's average debt maturity profile at just over four years as it ramps up borrowing to fund emergency spending measures.
Almeida said Thursday's auction was mostly made up of fixed rate 6-month paper sold at 2.58%, and a 6-year LFT floating rate note tied to the central bank's benchmark Selic rate, which is currently 3.0.
"We are selling more short-term debt. Even before the crisis purchases of bonds of 10 years or longer from pension funds and foreign investors were declining," he said.
Earlier on Friday, the Economy Ministry revised its deficit and debt forecasts to record levels in light of the hit to revenues and need for crisis-fighting fiscal measures during the coronavirus crisis.
Almeida also said that 'printing money', essentially funding the government's deficit spending by newly-created money from the central bank, and zero interest rates, would risk debasing the currency.
"Unfortunately, Brazil is not like other (developed) countries where if rates fall to zero investors still have confidence in the currency," Almeida said.
"Financing the deficit by printing money does not work in Brazil, and in my opinion, is very dangerous," he said, echoing comments on this subject made earlier on Friday by central bank director Fabio Kanczuk.
While borrowing and debt are rising, Brazil's interest payment bill this year will be lower than last year due to the record low Selic rate, Almeida said.

($1 = 5.55 reais)
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Brazil posts record $3.8 bln current account surplus in April

26-May-2020
BRASILIA, May 26 (Reuters) - **Brazil posted a record current account surplus of $3.8 billion in April, the central bank said on Tuesday, which helped narrow the overall deficit over the preceding 12 months to 2.61% of gross domestic product.**
That was the largest monthly surplus since comparable records began in 1995, the central bank said, adding that foreign direct investment in April fell to just $234 million. That was far less than the $1.9 billion median forecast in a Reuters poll of economists.

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Foreigners cut holdings of Brazilian public debt to lowest since 2009

27-May-2020
By Jamie McGeever
BRASILIA, May 27 (Reuters) - **Foreigners reduced their holdings of Brazilian bonds in April to the lowest since 2009, figures on Wednesday showed, against the backdrop of rising financial market turmoil fueled by the coronavirus crisis and domestic political uncertainty.**
Non-residents reduced their holdings by 24.3 billion reais ($4.6 billion) in the month, bringing the total reduction so far this year to over 56 billion reais and to almost 100 billion during the last 12 months, a Treasury presentation showed.
Non-residents now hold just 9.4% of Brazil's federal domestic debt securities, the lowest since December 2009 when they held 8.8% of the total, according to Luis Felipe Vital, public debt manager at the Treasury.
With Brazil's federal domestic securities debt in April totaling 3.94 trillion reais, non-residents' holdings stood at around 370 billion reais.
The figures back up central bank data published on Tuesday that showed a near-$5 billion outflow from Brazilian debt markets in April, which followed a bigger stampede for the exits the month before.
Treasury said that the coronavirus outbreak fueled demand for fixed rate, short-dated bonds in April and hampered its ability to issue debt. But Vital said conditions this month are much improved.
"Throughout May the global picture got better and Treasury issuance so far this month have been significantly higher," Vital said. Brazil has adequate liquidity buffers and its cash position will be strengthened by May's net issuance, he said.
Treasury Secretary Mansueto Almeida said last week that Brazil sold just over 18 billion reais of short-term debt on Thursday, its biggest sale of the year.
Treasury also said on Wednesday that the average cost of servicing Brazil's federal debt fell to a record low 8.03% in April. That debt load fell 1.28% in April to 4.16 trillion reais from the month before.

($1 = 5.30 reais)
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Brazil's national debt hits record high 79.7% of GDP in April

29-May-2020
By Jamie McGeever
BRASILIA, May 29 (Reuters) - **Brazil's national debt and public sector deficit ballooned to record levels in April, official figures showed on Friday, clear signs of the toll the coronavirus crisis is having on the country's finances.**

Treasury and Economy Ministry officials have warned that both will continue to hit new highs in the months ahead as the steep economic decline batters tax revenues and prompts emergency government spending to limit the damage.

Central bank figures on Friday show April was the first month to fully reflect the effect of the crisis.

The national debt rose to a record 79.7% of gross domestic product, slightly less than expected, while the country's net debt position at the end of last month rose to 52.7% of GDP, more than expected and the first rise this year.

The government last week revised its 2020 debt and deficit forecasts, and said it now expects the national debt to reach 93.5% of GDP this year.

But that is based on its assumption that GDP contracts by 4.7%, which is already looking optimistic. The median estimate in a Reuters poll of economists points to a record 6.3% contraction.

The overall public sector posted a primary budget deficit excluding interest payments of 94.3 billion reais ($17.5 billion) in April, the central bank said, less than the 118.6 billion reais deficit forecast in a Reuters poll but still the largest shortfall on record.

As a share of GDP over the 12 months to April the primary deficit widened to 2.25% from 0.9% in the 12 months to March. That was the widest deficit since November 2017.

The government said last week it now expects a broad public primary deficit this year of 708.7 billion reais, or 9.9% of GDP, assuming emergency measures yet to be approved are officially given the green light.

($1 = 5.40 reais)
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Brazil GDP falls most since 2015 as COVID-19 hits family budgets

29-May-2020
By Jamie McGeever
BRASILIA, May 29 (Reuters) - **Brazil's economy contracted in the first quarter by the most in nearly five years, data showed on Friday, as the coronavirus outbreak slammed the brakes on a fragile recovery and pushed the country toward what looks like a deep recession.**

The pandemic triggered a 1.5% drop in gross domestic product (GDP) from the prior quarter, government statistics agency IBGE said, cutting activity in Latin America's largest economy back to the same level as 2012.

The economic fallout has been far worse in the second quarter, as the outbreak and public quarantine measures only gained steam in the second half of March.

The main driver of the first-quarter slump was a 2% fall in household consumption, which accounts for around two thirds of demand. It was the biggest decline since 2001.

"The fall in household consumption was startling. In the last few years GDP has been weak but household consumption was always a strong point. This was a drastic change," said Rafaela Vitoria, chief economist at Banco Inter in Belo Horizonte.

Brazil's Economy Ministry said the figures were heavily skewed by social distancing and lockdown measures imposed in the last two weeks of March. In a statement, the ministry reiterated that a return to fiscal discipline and its pro-market reform agenda are crucial to fostering a "rapid recovery."

Figures from the central bank on Friday showed that Brazil's national debt and public sector deficit hit record highs in April due to a surge in government spending to cushion the economic hit from the pandemic.

The 1.5% GDP contraction in the January-March period, in line with the median estimate in the Reuters poll, was the biggest quarterly drop since the second quarter of 2015, when Brazil was in the midst of one of its deepest recessions ever.

Activity across the services sector fell 1.6% in the quarter, while industrial output fell 1.4% and net trade was a drag on growth, IBGE said. On the other side, agriculture, government spending and fixed business investment all rose.

With GDP seen falling a record 12.7% in the second quarter in annual terms, according to the Reuters consensus, Brazil is heading for a record annual drop of more than 6% and one of its worst recessions ever.

Economists at Goldman Sachs trimmed their 2020 GDP forecast to -7.7% from -7.4% following the first quarter figures.

That is likely to pile pressure on President Jair Bolsonaro, whose popularity has suffered from his handling of the exploding COVID-19 outbreak in Brazil, second only to the United States with nearly 440,000 confirmed cases.

The prospect of the steepest economic downturn on record and inflation falling to the lowest level since the 'Real Plan' was launched in 1994 has prompted the central bank to cut interest rates to an all-time low of 3.0%, with the pledge to cut again significantly in June if appropriate.
The government has also rolled out a range of emergency fiscal measures to support workers, jobs and businesses, which it says will cost almost 350 billion reais ($66 billion).

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Colombia

Colombia benchmark interest rate to likely see further cuts

27-May-2020
BOGOTA, May 27 (Reuters) **- Colombia's central bank will likely cut the benchmark interest rate further, the bank's board chief said Wednesday, as the country contends with the impact of measures to contain the spread of coronavirus and falling international oil prices.**
Central bank income in 2020 is expected to fall to 6 trillion pesos ($1.61 billion), from 7.1 trillion pesos in 2019, with sharper declines expected in the coming years, Juan Jose Echavarria said at a Senate hearing.
Latin America's fourth-largest economy has been cratered by the economic hit from COVID-19, the respiratory illness caused by the coronavirus, and a slump in oil prices, with thousands of businesses forced to close during restrictions on movement as part of a national quarantine.
The central bank has already slashed the interest rate to 3.25% in a bid to alleviate financial costs.
"We have lowered the interest rate 100 points, and it is possible there will be further reductions," Echavarria said, adding cuts will be implemented gradually.
While the bank could loan money to the government, Echavarria said such measures would be taken as a last resort.
He also warned businesses would come under increasing pressure.
"We will have more problems regarding the solvency of companies," he said.
The central bank board is due to meet this Friday and is expected to cut the interest rate by a further 50 basis points to a historic low of 2.75%.
Colombia's economy expanded 1.1% in the first quarter, likely its last positive figure before a recession. The finance ministry predicts a contraction of 5.5% in 2020.
The central bank's technical team expects the economy will contract between 2% and 7% this year.

($1 = 3,725.56 pesos)
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Guyana

Guyana received $4.9 million in royalties in 1st qtr

25-May-2020
GEORGETOWN, May 25 (Reuters) - **Guyana received $4.9 million in royalty payments for oil production at the offshore Stabroek block in the first quarter, the finance ministry said on Monday, a period that included the South American country's first crude exports.**
The crude produced by an Exxon Mobil Corp-led consortium at the Stabroek's Liza field was priced for the purposes of royalty payments at $61.87 per barrel in January, $54.35 per barrel in February, and $36.79 in March, the ministry said.
Crude prices worldwide plunged throughout that period due to a drop in demand from the spread of the novel coronavirus, as well as a price war between top producers Russia and Saudi Arabia.

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Mexico

Bank of Mexico sees economy shrinking up to 8.8%, outlook hazy

27-May-2020
By Anthony Esposito
MEXICO CITY, May 27 (Reuters) - **Mexico's central bank on Wednesday predicted the economy could contract by as much as 8.8% in 2020 as it hedged its bets with a range of forecasts due to uncertainty caused by the coronavirus pandemic.**
Presenting its latest quarterly report, Bank of Mexico, as the Bank of Mexico is known, said a recovery was likely next year.
Pummeled by lockdown measures against coronavirus, Mexico's economy is expected to suffer its biggest contraction in decades this year, with private sector analysts forecasting it will shrink by up to 10% or more.
Bank of Mexico upwardly revised its inflation forecasts, in part due to a depreciation of the

peso currency, which has fallen by almost 15% against the U.S. dollar over the past three months.
Headline inflation was seen running at 3.5% in the fourth quarter, up from a previous forecast of 3.2%.
Cautioning that forecasts were difficult to make during the pandemic, the bank gave three scenarios for the outbreak's impact on Latin America's second-largest economy.
Depending on the severity of the recession, and whether the recovery is V-shaped or U-shaped, the bank forecast 2020 economic growth of between -8.8% and -4.6%.
For 2021, Mexican growth was seen in a range of -0.5% to 4.1%.
Bank of Mexico estimated Mexico could shed between 800,000 and 1.4 million jobs in 2020.
"The shocks resulting from the pandemic are significantly and simultaneously impacting economic activity, financial conditions and the inflationary process in Mexico, implying a complicated scenario for monetary policy," Bank of Mexico said.
Since February, the bank has cut the key interest rate, which included two out-of-cycle policy meetings, by a total of 175 basis points to 5.5%.
Goldman Sachs economist Alberto Ramos said Bank of Mexico "remains cautions and will likely continue to be prudent in the near-term calibration of monetary policy."

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Venezuela

Venezuela reaches deal with U.N. to buy food, medicine with gold

27-May-2020
By Deisy Buitrago
CARACAS, May 27 (Reuters) - **Venezuela has reached a deal with the U.N. Development Programme (UNDP) to destine part of its gold in Bank of England accounts to finance the purchase of food and medicine during the coronavirus pandemic, its central bank governor said on Wednesday.**
The deal comes after the central bank made a legal claim earlier this month to try to force the bank to hand over part of the 31 tonnes of gold in accounts belonging to the government of President Nicolas Maduro, who Britain does not recognize as Venezuela's legitimate leader due to allegations he rigged his 2018 re-election.
Central bank governor Calixto Ortega told Reuters that under the arrangement, the UNDP would receive the funds directly, a move meant to assuage concerns about potential corruption in the management of the money.
"It's not my word, it's not me saying that I am going to buy food, medicine and medical equipment," Ortega said in an interview in his downtown Caracas office. "It's the United Nations who is saying that, and they are not going to be involved in anything dark that is not neutral and independent."
Neither the UNDP nor the Bank of England immediately responded to requests for comment.
Ortega said he was optimistic the legal case in Britain would be resolved in the coming weeks.

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AFRICA

Cameroon

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

27-May-2020
May 27 (Reuters) - Moody's:
- **Moody's says places Cameroon's B2 rating on review for downgrade**
- Moody's says places Cameroon's ratings on review for downgrade as participation in G20 Dssi raises risk of private sector creditors incurring losses
- Moody's says for Cameroon, shock created by covid-19, manifests mainly in lower growth, government revenue and exports receipts

(Reuters.Briefs@thomsonreuters.com))

Ethiopia

Ethiopia passes supplementary budget to help absorb virus impact

29-May-2020
- **Supplementary budget for year ending July 7**
- **Some 30 mln people need humanitarian assistance -minister**
- **Economic growth forecast lowered to 5-6% from 9%**

ADDIS ABABA, May 29 (Reuters) - **Ethiopia's parliament on Friday approved a supplementary budget worth 48.56 billion birr**

($1.43 billion) for the financial year ending July to help the economy weather the impact from the novel coronavirus.
Authorities have put in place several measures to curb the spread of the virus including banning public gatherings, closing schools and borders which have hurt economic activity.
"The economy is being highly impacted due to corona and the government have to assist," Finance Minister Ahmed Shide told lawmakers.
He said 30 million people in the country more than 110 million now needed humanitarian assistance as result of economic disruptions triggered by the coronavirus outbreak.
The Horn of Africa country has recorded 831 cases of COVID-19 and seven deaths.
Shide said the money in the supplementary budget will be used to provide humanitarian assistance and to buy medical supplies to help in the fight against COVID-19.
A document from Prime Minister Abiy Ahmed's office presented to parliament showed Ethiopia's economy is now expected to grow by 5-6% in 2019/2020 which ends July 7 from a previous forecast of 9%.
The supplementary budget will be funded with a mix of external and domestic loans, Ahmed said.

($1 = 34.0100 birr)
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Kenya

Kenya central bank governor says small businesses need urgent help

28-May-2020
By George Obulutsa
NAIROBI, May 28 (Reuters) - **Kenya's small and medium businesses need urgent help to survive the economic slowdown caused by the novel coronavirus, and many are at risk of shutting down by the end of June, the head of the central bank said on Thursday.**
On Wednesday, the bank said business were expected to take advantage of credit available to them once a planned credit- guarantee scheme was in place.
"I wanted to underscore the urgency of ... putting in place the credit guarantee scheme," central bank Governor Patrick Njoroge told a virtual news conference. "This is extremely urgent. We cannot do this as business as usual."
At its March meeting, the central bank's monetary policy committee reduced the amount of cash banks are required to set aside, releasing 35.2 billion shillings for lending. Bank loans worth 273 billion shillings have also been restructured due to coronavirus-related hardships.
The monetary policy committee has also cut its main interest rate by a total of 125 basis points over two meetings to support the economy. On Wednesday, it left its benchmark rate at 7.0%, saying that its accommodative stance remained appropriate.
In early May, the International Monetary Fund's executive board approved $739 million in emergency financing to help Kenya respond to the pandemic.
Citing a study in April, Njoroge said 75% of businesses surveyed had said without help they would close by the end of June because they lacked credit buffers and other resources to survive the slowdown.
Njoroge said details of the credit guarantee scheme were still being worked on. Last month, he said it could be around 100 billion shillings ($935.89 million).
Kenya has 1,618 confirmed coronavirus cases and 58 deaths. To limit its spread, Kenya has suspended commercial flights in and out of the country, imposed a dusk-to-dawn curfew and banned public gatherings. It has also halted movement in and out of five regions, including Nairobi, the capital.

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Ivory Coast

Ivory Coast issues domestic bonds worth 110 bln CFA francs

27-May-2020
ABIDJAN, May 27 (Reuters) - **Ivory Coast is issuing 110 billion CFA francs ($184 million) in bonds on the West African bourse to help finance its economy, a lead manager of the ongoing auction told Reuters on Wednesday.**
The auction includes 80 billion CFA francs in seven-year bond at a 5.8% rate and a 30 billion CFA francs ten-year bond at 5.9%, said the lead manager from NSIA bank.
The bonds, which will be sold in units of 10,000 CFA francs, are being marketed to investors across West Africa’s CFA currency zone from May 19 to June 11.
Ivory Coast, Francophone West Africa’s largest economy and the world’s biggest cocoa producer, has tapped international bond markets several times in the past few years.

($1 = 598.2200 CFA francs)
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Nigeria

Nigeria's economy expands 1.87% y/y in Q1

25-May-2020

- **Nigeria Q1 growth slowest in 18 months -stats office**
- **Expected recession could be worst in 40 years -World Bank**
- **Oil production at highest in over 4 years -stats office**

By Paul Carsten

ABUJA, May 25 (Reuters) - **Nigeria's economy grew 1.87% in the first three months of 2020 from a year earlier, the statistics office said on Monday, shrinking from the previous quarter as oil prices and international trade fell due to the coronavirus pandemic.**

It is the slowest quarterly growth rate in one-and-a-half years, and comes as Nigeria has still not recovered from a 2016 recession that sent more than 13 million people into unemployment.

The slowdown reflects "the earliest effects of the disruption" from the global outbreak, said Nigeria's National Bureau of Statistics, and comes as the government expects Africa's largest economy to contract this year as much as 8.9% in a worst case scenario.

Nigeria's crude production was 2.07 million barrels a day, the statistics office said, the country's highest level in more than four years.

But a global oil price crash due to reduced demand from the pandemic threatens to offset those gains, with annual growth in the oil sector contracting 1.3% from the previous quarter to 5.06%.

The non-oil sector was also hit: growing by just 1.55%, which was down 0.72% from the last three months of 2019, the statistics office said.

The World Bank expects the coming recession to be "much more pronounced" than in 2016 and potentially Nigeria's worst financial crisis in four decades.

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Nigeria's president submits revised 2020 budget to Parliament

28-May-2020

By Camillus Eboh

ABUJA, May 28 (Reuters) - **Nigerian President Muhammadu Buhari on Thursday submitted a revised 2020 budget of 10.51 trillion naira ($29.19 billion) to Parliament for approval.**

The coronavirus pandemic and an oil price plunge have magnified headwinds in Africa's biggest economy, which relies heavily on crude sales for government revenues. The problems triggered a decline in growth and large financing needs as well as weakening the naira currency.

The government has said since March that the budget passed in December would be revised down. It must be approved by lawmakers, who can make changes, before being sent back to the president to pass into law after he has agreed to any revisions.

Amid the steep fall in global oil prices, the government previously said this year's budget would shrink by about 15%.

The proposal sent to both chambers of Parliament on Thursday is only marginally lower than the record 10.59 trillion naira budget approved in December by Buhari. It follows the inclusion of new items, much of which is related to healthcare as part of the country's response to the coronavirus pandemic.

The revised budget includes local and foreign borrowing, including $5.51 billion from multilateral lenders.

($1 = 360.0000 naira)
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South Africa

South Africa plans $20.5 bln of public works to spur economy

27-May-2020

JOHANNESBURG, May 27 (Reuters) - **South Africa is planning projects worth $20.5 billion in sectors such as transport, energy and water as it looks to drive an economic recovery from the coronavirus crisis, a top official in the governing African National Congress (ANC) said on Wednesday.**

Paul Mashatile, the ANC's treasurer general, told a video conference organised by think tank Chatham House that the infrastructure projects would soon be approved by President Cyril Ramaphosa's cabinet after talks with the private sector and multilateral development banks.

The projects would focus on areas such as railways, ports, energy, information technology, water and sanitation and housing, he added.

Africa's most industrialised economy was already in recession before the COVID-19 pandemic struck, with the central bank now predicting a 7% gross domestic product contraction this year and some economists forecasting a double-digit budget deficit.

"It is clear that given the scale of the damage to our economy, the post-COVID-19 reconstruction effort will be no mean feat," Mashatile said.

Enoch Godongwana, who heads the ANC's economic transformation subcomittee, told the same video conference that the government

hoped to stimulate economic demand via the infrastructure programme, drawing on lessons from the 2010 soccer World Cup the country hosted.
"Global trade is going to be subdued, therefore exports will be minimal, we have got to look at how we stimulate demand in our given circumstances," Godongwana said.

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South Africa's April budget deficit narrows year on year

29-May-2020
JOHANNESBURG, May 29 (Reuters) - **South Africa's April budget deficit narrowed to 51.16 billion rand ($2.93 billion) compared with a 63.53 billion rand shortfall in the corresponding period of the previous year, Treasury data showed on Friday.**

($1 = 17.4590 rand)
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Zambia

Zambia picks French firm Lazard Freres as debt advisers

27-May-2020
LUSAKA, May 27 (Reuters) - **Zambia has picked French company Lazard Freres to provide advisory services regarding liability management for its debt portfolio, Secretary to the Treasury Fredson Yamba said on Wednesday.**
The finance ministry said in March it was looking for financial advisers to help ensure the sustainability of its debt and manage any loans maturing from next year and beyond.
The proposed contract is a maximum of $5 million, which is negotiable by mutual agreement and payable based on work done in three years, Yamba said in a statement.
"The government of Zambia intends to use the services of the financial advisers in line with signed agreements with lenders - multilateral, bilateral and private," Yamba said.
Zambia's public debt is on an unsustainable path, International Monetary Fund (IMF) Director of Communications Gerry Rice told a news conference on May 21, while noting the government's commitment to restore debt sustainability through fiscal policy adjustment and debt management.
Even before the coronavirus outbreak forced lockdowns across the globe, crimping international demand for raw materials, Zambia, Africa's second largest copper producer, had been wrestling with growing public debt.

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GLOBAL

Coronavirus pushes global credit rating downgrade threat to record high

27-May-2020
By Marc Jones
LONDON, May 27 (Reuters) - **The number of companies or countries at risk of having their credit ratings cut has been pushed to an all-time high by the coronavirus pandemic, S&P Global analysis shows.**
A total of 1,287 of S&P's ratings are now on a downgrade warning -- either with 'negative outlooks' where a move might take two years, or on 'CreditWatch with negative implications' where the risk is almost immediate.
It tops 1,028 in the wake of the financial crisis in 2009 and comes despite nearly 700 downgrades already being impacted by COVID-19 in recent months.
"Almost two-thirds of issuers face downgrade potential due to the unprecedented challenges posed by COVID-related containment measures," S&P said in its analysis.
Media and leisure firms, carmakers and transportation companies have the highest proportion of at-risk ratings, the data also showed.
Hotels and entertainment firms have the highest percentage of CreditWatch negatives as a share of total potential downgrades, with 74% compared to 35% for other companies in media and entertainment, 49% in automotive, and 43% in transportation.
A total of 17 countries have negative outlooks on their sovereign ratings, ranging from triple-A Australia to default- threatened Zambia, as do a third of all banks in emerging markets.
The number of potential "fallen angels" - companies or countries whose ratings could get downgraded to so-called 'junk' from 'investment grade' is also now at a record high.
There have been 24 such moves already, including major global names like Ford, Kraft Heinz, Renault, Delta Air Lines, and Macy's that have been stripped of their investment-grade stripes.
It has impacted over $300 billion in debt, S&P estimates, while the 111 of potential fallen angels still at risk have another $444 billion of bonds.
"We expect heavy credit erosion in coming months as issuers, especially those in the lower-rated spectrum come under heavy fire from poor

earnings, continued difficulties in managing cost structures, and market volatility," S&P said.

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Central bankers must devise strategy for return to normal policy, BIS head says

27-May-2020
By Brenna Hughes Neghaiwi
ZURICH, May 27 (Reuters) - **Central bankers must work to get monetary policy back to normal and create an exit strategy from aggressive measures "as soon as possible" to counteract high debt worldwide, the general manager of the Bank for International Settlements said on Wednesday.**
A weak economic recovery and high levels of debt have persisted since the 2008-2009 financial crisis, and were only gradually being overcome, Agustín Carstens said during a virtual discussion hosted by Swiss bank UBS.
Now, "this recession induced by the pandemic is putting a halt to the process of reordering," Carstens said.
"More debt will be created and therefore additional efforts need to be put in place so that at some point in the future, monetary policy can return to a new normal," Carstens said.
Central banks and governments have already unveiled an estimated $15 trillion of stimulus, or about 17% of global economic output, to shield their economies from the coronavirus pandemic - record sums that will swell balance sheets and deficits to peacetime highs.
Such measures have prevented a "disastrous" impact from the pandemic, precluding a more difficult recovery down the road, he said. But high levels of debt, particularly government debt, must be reigned in eventually.
"At this very early stage, we have to start thinking about how to implement and make possible an exit strategy," he said, adding such a strategy should be established as soon as possible. "At some point, central banks should start sending signals this will not last forever."
Referring to low growth across the globe, Carstens urged borders be kept open to stimulate trade and growth, calling tensions between China and the United States potentially costly for the world economy.
"The dimension of China against the U.S. does not help. Those are the two largest economies in the world," he said. "We do not need that type of noise at this particular stage."

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EMERGING MARKETS

Government local bond yields in emerging markets slide to record low

26-May-2020
By Tom Arnold
LONDON, May 26 (Reuters) - **Yields on emerging market sovereign local currency debt have plumbed new lows this month, signalling an easing of some stress for countries that were hit with a spike in borrowing costs in the aftermath of the coronavirus pandemic**.
The slide follows aggressive rate cuts by central banks to help stem the fallout from the pandemic and reflects what is likely to be a subdued outlook for economic growth, even as economies begin to reopen from lockdowns.
"These yields are hardly the stuff of funding stress," said Jan Dehn, head of research at emerging markets investment manager Ashmore Group. "Local bond markets are where emerging markets get 90% of their financing from. The only countries that are in distress are those that don't have local bond markets - it’s a small funding issue in a select number of countries."
In a bid to help the poorest nations struggling to deal with the pandemic, the Group of 20 major economies in April backed a debt relief proposal. The Paris Club of creditor nations last week said it had agreed to suspend debt service payments from Mali and the Caribbean island of Dominica, the first two states to benefit from the initiative.
The yield on JPMorgan's widely-tracked Government Bond Index Emerging Markets Global Diversified spiked in March as the global spread of the virus unnerved investors. But yields have since fallen to around 4.553 amid a general pull lower globally.
Governments in several developed markets, including Japan, Germany and Britain, have sold debt yielding less than 0%, reflecting the likelihood of a severe global recession and bond-buying by central banks to mitigate its impact.
Investors are pondering the prospect of negative interest rates in the United States.
"EM local currency yields surged in early March on the negative shock and curves steepened, and then they started to rally from mid-March as EM central banks cut rates. This has continued in May," said Michael Biggs, investment manager at GAM Investments.
"Curves steepened in March given growth uncertainty, but they have stabilised and even tightened in some places in May as people become slightly more reconciled to the growth outlook."
China's economy contracted 6.8% in the first quarter, its steepest drop in decades, while gloomy readings for the same period are expected this week for Turkey, Mexico, Brazil

and India.
"It will definitely help at the margin that policy rates and bond yields are lower, but EM recovery is likely to depend more on global macro developments and domestic developments in the virus/policy response," said Biggs.
BlackRock said this week it was staying neutral on emerging market local currency debt, citing the risk of further currency declines, which could wipe out the asset class's attractive coupon income.
Most emerging market currencies have stabilised after falling to three-year lows at the end of March. They are down about 6% as a whole since the start of 2020, according to MSCI's index on the asset class.

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Private creditors lay out debt relief blueprint for poor countries

28-May-2020
By Marc Jones
LONDON, May 28 (Reuters) - **Private sector creditors on Thursday laid out a "toolkit" they said would pave the way for poor countries side-swiped by the new coronavirus to get debt relief this year.**
The group has been working with the Washington-based Institute of International Finance (IIF) after the G20 economies called on the private sector to match their own initiative to suspend debt payments from some 77 low income countries.
The IIF proposal said relief could be provided on a case-by-case and voluntary basis if countries requested it, rather than by a one-size-fits-all process like the G20 proposal known as the Debt Service Suspension Initiative (DSSI).
"The IIF has been adamant that creditors of every type and size have a role to play in making sure the world's most vulnerable countries have the liquidity needed to combat the COVID-19 pandemic," said Tim Adams, IIF President and CEO.
Adam said the "Terms of Reference" toolkit represented efforts by the private sector "to do the right thing" in helping poor countries, though he acknowledged that some challenges remain in terms of implementing the DSSI.
The IIF, a trade association comprising over 450 banks, hedge funds and other global financial firms, had engaged more than 100 private creditors over the last couple of months, representing more than $45 trillion in assets under management.
The process also included coordination with the International Monetary Fund, World Bank, Paris Club, United Nations Economic Commission for Africa, and more than a dozen finance and development ministers representing DSSI-eligible countries.
United Nations officials are due to meet a dozen world leaders on Thursday to consider expanding the G20-led plans.
They say it is imperative to enable developing economies to pump up spending to stop the spread of the coronavirus, mitigate the economic impact and limit what economists worry is an inevitable debt crisis.
"We have had a very constructive dialogue with the public sector about these and feel confident that this process has resulted in a framework that will facilitate maximum cash flow relief, given numerous legal and practical constraints," Adams said.

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IMF sees reversal in capital flows out of emerging markets

28-May-2020
WASHINGTON, May 28 (Reuters) - **The International Monetary Fund on Thursday said it estimates that emerging market economies have raised some $77 billion in debt in April and May, partially reversing massive capital outflows of $100 billion seen after the coronavirus outbreak.**
IMF Managing Director Kristalina Georgieva told a UN conference the Fund had provided $22 billion in emergency financing to 60 of the 103 countries that had asked for help, while offering grants to cover IMF debt service payments for 27 of its poorest members for six months.
African Union special envoy Tidjane Thiam told the conference a Group of 20 debt relief initiative for the poorest countries through the end of the year was a good start, but a longer debt standstill of two years was needed.

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Debt relief plans for world's poor countries inch forward

28-May-2020
By Marc Jones and Andrea Shalal
LONDON/WASHINGTON, May 28 (Reuters) - **Plans for debt relief for the world's poorest countries inched forward on Thursday as private creditors laid out a blueprint for their involvement, though it received immediate criticism for not going far enough.**
The proposal shepherded by the Institute of International Finance (IIF) said creditors would grant debt breaks on a case-by-case and

voluntary basis this year, after concluding a one-size-fits-all approach would have been "practically impossible."

It was the culmination of work involving more than 100 top money managers after the Group of 20 economies had called on the private sector to match their recent Debt Service Suspension Initiative (DSSI) to help 77 low-income countries.

"The IIF has been adamant that creditors of every type and size have a role to play in making sure the world's most vulnerable countries have the liquidity needed to combat the COVID-19 pandemic," said IIF President and CEO Tim Adams.

The G20 proposal and the IIF plan cover only to the end of the year, and with no cure for coronavirus expected in the coming months, it may not be enough.

U.N. chief Antonio Guterres called on Thursday for debt relief to be expanded, and urged the International Monetary Fund to increase allocations of its Special Drawing Rights (SDR) currency to give countries more access to funding.

African countries face a combined $44 billion debt-servicing bill this year alone. It is estimated that the pandemic and the economic shutdowns could push as many as 60 million people into extreme poverty around the world.

"Alleviating crushing debt cannot be limited to the Least Developed Countries," Guterres told a high-level U.N. meeting on how to handle the pandemic's economic fallout. "It must be extended to all developing and middle-income countries that request forbearance as they lose access to financial markets."

NOT ENOUGH

World Bank President David Malpass also warned at the conference that "much more" debt relief would be needed. He said around half the 77 countries eligible for the G20 debt relief had applied for help so far, and more were signing up.

All official bilateral creditors should offer help, he stressed, and said commercial creditors should "participate on comparable terms and not exploit the debt relief of others."

He rejected calls, though, for the World Bank and other multilateral development banks to freeze debt payments, saying that would harm their ability to provide much-needed funding.

The Saudi G20 secretariat, in a statement issued after an extraordinary working group meeting, said the debt relief initiative could provide $14 billion in liquidity as more countries signed up. But it said the amount could be even higher if additional creditors such as multilateral development banks and private-sector creditors joined the initiative.

The IIF's plan included coordination with the International Monetary Fund, World Bank, Paris Club, United Nations Economic Commission for Africa, and more than a dozen finance and development ministers representing DSSI-eligible countries.

U.N. officials say debt relief is imperative to enable developing economies to spend more on containing the coronavirus and limiting what economists worry is an inevitable debt crisis.

Tim Jones, head of policy at Jubilee Debt Campaign, a charity that focuses on reducing poverty, was critical.

"Overall, the G20 agreement in April and IIF proposal today go nowhere near responding to the unprecedented nature of the coronavirus debt crisis," Jones said.

Some countries could end up paying far more in the medium-term due to accrued interest, he said, and some lenders could ignore the plan, which is voluntary.

(Additional reporting by Michelle Nichols at the United Nations, Editing by William Maclean, Jon Boyle and Leslie Adler)
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