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Emerging Sovereign Debt Markets NEWS

Number 31 Week 25 – 31 July 2020

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ASIA

China

Fitch Affirms China at 'A+'; Outlook Stable

28-Jul-2020

Fitch Ratings has affirmed China's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with a Stable Outlook.

KEY RATING DRIVERS

China's ratings are supported by the country's robust external finances, a track record of strong macroeconomic performance, and size as the world's second-largest economy. The ratings are primarily constrained by large structural vulnerabilities in the financial sector, relatively low per capita income, and weaker governance metrics than those of 'A' peers.

After a severe blow to economic activity during the first quarter of this year from the imposition of stringent social distancing measures to contain the spread of the coronavirus, China's economy is now staging a remarkable recovery. Real GDP rose by 3.2% yoy during 2Q20, above Fitch's prior expectations, and up from a 6.8% contraction in 1Q20. While the economic recovery remains uneven, with consumer-driven activity lagging the industrial sector, monthly data outturns continue to gain pace amid low domestic infection rates.

Fitch forecasts real GDP growth of 2.7% in 2020 (previously 1.2%), among the highest across Fitch-rated sovereigns this year, though well below China's five-year historical trend of 6.7%. The risk of further coronavirus outbreaks cannot be ruled out, but the authorities' recent success in rapidly containing a spike in infections in Beijing points to a growing capacity to manage outbreaks locally, without resorting to the kind of large-scale lockdown that would be highly damaging to economic activity. Fitch's baseline assumes growth will temporarily accelerate to 7.5% in 2021, before returning to our estimated trend rate of 5.5% in 2022.

Fiscal policy has become highly expansionary to support the economy through the pandemic. **The official budget deficit target was raised to 3.6% of GDP at this year's National People's Congress, up from 2.8% in 2019.** In addition, significant fiscal resources are being mobilised through the issuance of special purpose bonds to fund infrastructure investment and public health initiatives. These expenditures are recognised by the authorities as official budgetary activities, but largely fall outside of the headline deficit. On a Fitch consolidated basis, the agency estimates the general government deficit will rise to 11.1% of GDP this year, up significantly from 4.9% in 2019, though not dissimilar to the scale of fiscal deteriorations globally this year.

Fitch estimates general government debt will rise to 56% of GDP by end-2020 due to the wider deficit, up by 9pp since end-2019, though still in line with the current median of 'A' rated peers. Our baseline assumes fiscal support will be scaled back at a sufficient pace to stabilise government debt at about 58% of GDP by 2022, a view premised on our understanding that sizeable revenue and expenditure components of the pandemic response are non-recurring.

The authorities' fiscal response has thus far not been accompanied by a large rise in off-budget quasi-fiscal spending, perhaps because official financing channels are more plentiful. Fitch estimates the stock of onshore bonds issued by local government financing vehicles rose to 10% of GDP as of mid-July 2020, from 9.3% at end-2019. Quasi-fiscal entities also rely on less transparent financing channels, but data limitations complicate high-frequency surveillance.

The monetary policy response has been relatively restrained, and has included 150bp in cuts to banks' required reserve ratios, a 30bp reduction in the de facto policy rate, and administrative adjustments to reduce financing costs for borrowers. As a result, credit growth has accelerated, with Fitch's aggregate financing measure rising by 12.8% at end-June 2020, up from 11.5% a year prior. With nominal GDP growth at a multi-year low, this will lead to a sharp rise in economy-wide leverage this year, to an estimated 274% of GDP by end-2020 from 253% at end-2019, based on official data.

Nevertheless, Fitch expects this trend to be short-lived and for leverage ratios to stabilise in 2021, due to stronger projected economic growth and the continued prominence financial de-risking policies are given in major policy forums.

External finances are robust relative to 'A' peers. China is a net external creditor on both a sovereign and economy-wide basis at a forecast 21.9% and 22.5% of GDP, respectively, at end-2020. Foreign reserves have remained stable at about USD3.1 trillion throughout the pandemic, equivalent to 15x current-external payments, and well above that of 'A' rated peers. Exports have suffered amid the sharp retrenchment in global activity, which if sustained, could prolong China's economic recovery, though the impact on its external accounts has been blunted by strong import compression. Fitch forecasts a modest rise in the current account surplus to 1.2% of GDP this year, largely due to a sharp decline in outbound tourism flows.

Geopolitical tensions between China and a number of major economies, including the US, have escalated sharply across a spectrum of issues, including the pandemic, policies towards Hong Kong, territorial claims and a protracted trade dispute. Fitch believes these tensions will persist, even while China's vast global supply-chain linkages and the extensiveness of global business interests operating in the country will impose a moderating force on them. In the short term, heightened tensions have not had an impact on China's credit fundamentals, and the degree to which they translate into policies that are supportive, neutral, or detrimental to the sovereign rating will only become evident over time.

The level of interconnectedness and contagion risks within China's financial system has moderated since 2017, but the size of the potential credit overhang remains large. Near-term profitability and asset-quality pressures from the pandemic are high, as banks are expected to reduce lending rates to support the economy. At the same time, Fitch believes the need to preserve capital buffers will continue to limit banks' ability to expand excessively.

China's level of income and development remains low compared with that of peers, even after more than 40 years of rapid growth since market-oriented reforms began in 1978. Per capita income of about USD10, 246 is well below the 'A' peers' median of USD 19,041. Governance standards also lag those of 'A' peers based on surveys such as the World Bank's Governance Indicators.

ESG - Governance: China has an ESG Relevance Score (RS) of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. Theses scores reflect the high weight that the World Bank Governance Indicators (WBGI) has in our proprietary Sovereign Rating Model. China has a low WBGI ranking at the 43rd percentile, reflecting relatively weak rights for participation in the political process, uneven application of the rule of law, and elevated levels of corruption.

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

Fitch's proprietary SRM assigns China a score equivalent to a rating of 'A' 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:
- Structural: -1 notch, to reflect vulnerabilities in the financial sector, which pose a contingent liability risk for the sovereign balance sheet, given the sector's large size as a share of GDP.
- External: +1 notch, to reflect strengths in China's external finances not fully captured in SRM, such as its net external creditor status and the size of its foreign reserve holdings.
- Macro: +1 notch, we have introduced a new positive notch to offset the deterioration of the GDP volatility and GDP growth variables in SRM driven by the impact of the coronavirus, which we believe will be temporary, and would otherwise add excess volatility to the rating.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade are:
- Structural: A material reduction in financial sector risks, for example, through credit growth decelerating to levels below nominal GDP growth over a multi-year period, which would cause the removal of the -1 QO notch on Structural Features.
- External finances: Widespread adoption of the Chinese yuan as a reserve currency, as reflected in a substantial increase in the share of yuan-denominated claims in the IMF's currency composition of official foreign exchange reserves (COFER) database.

Factors that could, individually or collectively, lead to negative rating action/downgrade:
- Structural: A sharp rise in financial vulnerabilities, for example through failure to taper credit growth to a level close to nominal GDP growth over the next few years.
- Public finances: Failure to reduce the budget deficit after the initial shock from the pandemic that leads to a sustained upward trend in government debt/GDP, or evidence of a substantial rise in contingent liabilities associated with off-budget quasi-fiscal spending.
- External finances: Sustained capital outflows sufficient to erode China's external balance-sheet strengths relative to 'A' category peers, which would cause the removal of the +1 QO notch on External Finances.

BEST/WORST CASE RATING SCENARIO

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

KEY ASSUMPTIONS

The global economy performs broadly in line with Fitch's latest Global Economic Outlook.

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

China has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and are highly relevant to the rating and a key rating driver with a high weight.
China has an ESG Relevance Score of 5 for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight.
China has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as the voice and accountability pillar of the World Bank Governance Indicators is relevant to the rating and a rating driver.
China 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 China, as for all sovereigns.
Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.
China; Long Term Issuer Default Rating; Affirmed; A+; RO: Stable
Short Term Issuer Default Rating; Affirmed; F1+
Local Currency Long Term Issuer Default Rating; Affirmed; A+; RO: Stable
Local Currency Short Term Issuer Default Rating; Affirmed; F1+
Country Ceiling; Affirmed; A+
Senior unsecured; Long Term Rating; Affirmed; A+

Media Relations: Alanis Ko, Hong Kong, Tel: +852 2263 9953, Email: alanis.ko@thefitchgroup.com
Wai Lun Wan, Hong Kong, Tel: +852 2263 9935, Email: wailun.wan@thefitchgroup.com
Additional information is available on www.fitchratings.com

China to boost local-government special bond issuance

29-Jul-2020

BEIJING, July 29 (Xinhua) -- **China will accelerate the issuance of local-government special bonds, the Ministry of Finance announced in a circular on Wednesday.**

The issuance of new special bonds should be coordinated with that of special bonds for COVID-19 control and general bonds to keep the bond market stable, with the issuance to be completed by the end of October, said the circular.
The maturity of the bonds should be decided in accordance with actual circumstances, according to the document.
Meanwhile, the allocation of the new special bonds should be optimized, the circular said, with the funds used in areas including transport infrastructure, energy projects, agricultural and water conservancy, and environmental protection projects.
The circular strictly forbids using the new special bonds for the replacement of outstanding debt, as well as recurring expenditure, unit operating expenses, payment of pensions, paychecks or interest payments.
Special bonds that have been issued should be put to use properly and in a timely manner, said the circular, while the ministry will keep a close eye on the issuance and use of the bonds to ensure the efficiency and quality of the funded projects.

Enditem

India

India RBI Must Refrain from Direct Monetisation of Debt, Morgan Stanley Says

30-Jul-2020
By Dharam Dhutia
NewsRise
MUMBAI (Jul 30) -- **India's central bank must use ways other than direct monetisation of debt to aid the government's borrowing programme amid the coronavirus pandemic, Morgan Stanley said today.**
"We think monetizing the deficit could be a risky strategy for India, as it is likely to increase macro stability concerns, leading to negative feedback through currency depreciation and tighter financial conditions," economists Upasana Chachra and Bani Gambhir said in a note.
Instead, sizable open market purchases and more short-term funding options for the government would be prudent, the economists said. The central bank can also look at bond switches and long-term liquidity infusions to manage the bond yield curve, they added.
India aims to gross borrow a record 12 trillion rupees via bonds this year, as revenues have been hit due to the coronavirus pandemic and lockdowns. Market participants expect New Delhi to raise the borrowing aim again.
This has increased calls for monetisation and open market operations. The central bank has bought 1.2 trillion rupees of bonds in the secondary market and switched bonds worth 200 billion rupees so far this financial year that started Apr. 1.
Morgan Stanley expects India's general fiscal deficit to rise to 11.2% of gross domestic product this year with New Delhi's budget gap widening to 6.7% of GDP against the budget target of 3.5%.
India is the third worst hit country with coronavirus cases rising to 1.58 million. Lockdowns have been relaxed but several activities continue to be hampered.
Prime Minister Narendra Modi has detailed a nearly 21-trillion-rupee package, but the actual fiscal impact of that is seen at around two trillion rupees.

- By Dharam Dhutia; dharam.dhutia@newsrise.org; 91-22-61353308
- Edited by Mrigank Dhaniwala
- Send Feedback to feedback@NewsRise.org

India Bond Yields Down For 6th Month, MPC Policy Meet Caps Fall

31-Jul-2020
By Dharam Dhutia
NewsRise
MUMBAI (Jul 31) **-- Indian government bond yields ended lower for the sixth consecutive month as traders continued to anticipate steps from the central bank, even as the fall reversed somewhat towards the later part of the session, ahead of the monetary policy decision next week.**
The benchmark 5.79% bond maturing in 2030 ended at 99.63 rupees, yielding 5.84% against 99.72 rupees and 5.83% yesterday. The yield fell five basis points in July, after falling 12 bps last month, and an aggregate of 71 basis points in the last five months. The yield however gained two bps this week, its third such move, and has risen by eight basis points in the last three weeks. The Indian rupee was at 74.81 to the dollar, up 0.9% in July.
"We are expecting the MPC to pause in August, as the MPC would want to save whatever little monetary space it has for the time when it will be most impactful, but we do not expect bond yields to fall much, even if there is a rate cut, because broadly the market will remain in a sticky range till the RBI announces measures to absorb excess supply. Said Pankaj Pathak, debt fund manager at Quantum Mutual Fund. "There is a large possibility that the RBI will announce OMOs only in the second half, and may control the temporary spike in yields via special OMOs for now. For a sustained fall in yields, the RBI needs to conduct OMOs worth at least four trillion rupees this year."
Bond yields had fallen in the earlier part of the month on hopes that the central bank will follow

with more rounds of special open market operations, after it conducted one such auction at the beginning of July. However, the lack of any such operations later led to some reversal in sentiment.
India’s rate-setting Monetary Policy Committee will meet next week, and its decision is due on Aug. 6. Market participants are divided over the policy outcome, as bets of aggressive rate cuts tapered off after a spike in retail inflation to 6.09% in June.
The rate-setting body may prefer to cut interest rates to boost economic activity but any unconventional measure is likely only in the second half of the year to support the government’s funding needs, according to economists.
“The central bank may not be very comfortable in bringing out a heavy OMO or special OMO calendar, as that will give a perception that they are defending current level of yields, which they may not want to give. So, if they do not want to act immediately, then a 25-basis- points rate cut is the best-preferred option,” said Abhishek Upadhyay, senior economist at ICICI Securities Primary Dealership.
While State Bank of India, HSBC, DBS and Nomura expect a pause in policy rates, Barclays, Deutsche Bank, Capital Economics and Kotak Mahindra Bank favor a rate cut.
“The RBI will wait for a quarter or two to announce measures like an open-market operations calendar or a held-to-maturity limit hike,” said Upasna Bhardwaj, an economist at Kotak Mahindra Bank.
New Delhi today sold a new 10-year bond at a 5.77% cutoff yield, which was slightly higher than market expectations. This note, which will replace the existing benchmark bond in the coming weeks, ended at 99.99 rupees, yielding 5.77%.
The government has hiked its annual market borrowing for this year by 54% to a record-high 12 trillion rupees and is widely expected to go in for another round of additional borrowing in the second half amid a slump in revenue due to the coronavirus pandemic, which has severely dented economic activity.
The RBI must use ways other than direct monetisation of debt to aid the government’s borrowing programme amid the coronavirus pandemic, Morgan Stanley has said. Instead, the brokerage prefers sizable open market purchases and more short-term funding options for the government.
India is the third worst-hit country by the virus, with cases at 1.64 million. Lockdowns have been relaxed but several activities continue to be hampered.
The benchmark Brent crude oil contract was trading at $43.35 per barrel, up 5.4% in July. India imports nearly 85% of its crude oil requirements.

- By Dharam Dhutia; dharam.dhutia@newsrise.org; 91-22-61353308
- Edited by Sunil Nair
- Send Feedback to feedback@NewsRise.org

Indonesia

Indonesia says to lend more to regions to support economy

27-Jul-2020
JAKARTA, July 27 (Reuters) - Indonesia is placing 11.5 trillion rupiah ($793 million) in state funds with some regional development banks and extending loans to provincial governments to support economic recovery amid the pandemic, the finance minister said on Monday.
Minister Sri Mulyani Indrawati said the programme is a follow-up to the 30 trillion rupiah allocated to state lenders which carries similar requirements and targets.
The funds will be placed with regional development banks in the capital Jakarta and the provinces of West Java, Central Java, East Java, and North Sulawesi. The government is also considering fund placements at regional development banks in Bali and Yogyakarta provinces.
Indrawati also announced during an online briefing a 15 trillion rupiah loan scheme for the provincial governments of Jakarta and West Java, the Countries top economic and industrial hubs, to revive economic activity.
The funds were raised by the central bank buying government bonds, which will allow for low interest costs for the provincial governments to build roads, markets and health infrastructure, Indrawati said.
"The aim is to restart projects that were postponed due to (budget) refocusing efforts and support economic growth while upholding COVID-19 health protocols," Indrawati said.
Indonesia's economy is expected to contract or at best barely grow this year, according to the finance ministry, as the pandemic slashes economic activity.

($1 = 14,500.0000 rupiah)
(Reporting by Tabita Diela; Editing by Fransiska Nangoy and Ed Davies)
(tabita.diela@thomsonreuters.com; +628111135032)

Government to start selling bonds to BI under private placement next week

27-Jul-2020
Adrian Wail Akhlas, The Jakarta Post, Jakarta
The government will begin selling sovereign debt papers (SBNs) to Bank Indonesia (BI) under private placement next week as part of the "burden-sharing" scheme to fund the country's coronavirus response and reduce the government's debt burden.

The Finance Ministry's financing and risk management director general, Luky Alfirman, said on Friday the government would conduct the private placement gradually based on the government's budget needs.
"We are currently setting up a special account at the central bank and hopefully next week we may start the implementation," Luky told reporters in a press briefing. The government bonds bought by the central bank will have five to eight years' maturity, he added.
The government and BI agreed on Monday to a burden-sharing scheme worth Rp 574.59 trillion (US$39.4 billion) to finance the nation's COVID-19 response and bolster economic recovery efforts.
The scheme will see BI buying Rp 397.5 trillion in government bonds at a maximum coupon rate to correspond with BI's benchmark interest rate of 4.25 percent to fund health care and the social safety net. The central bank will then return the yield to the government in full on the same day it is paid.
BI, together with the government, will also bear the debt costs of the government's stimulus package for small and medium enterprises (SMEs) and large businesses, which is estimated to generate Rp 177 trillion in debt.
Several economists have raised concerns that the debt monetization will result in higher inflation caused by a rising money supply and may weaken the rupiah exchange rate, while some economists have raised concerns over rising sovereign risk perception in the long run.
The government and the central bank pledged to monitor its impact on inflation, Luky went on to say, expecting inflation to remain at a safe level this year.
Meanwhile, BI senior deputy governor Destry Damayanti said recently the central bank had a "strategy in place" to respond to the risks posed by debt monetization in the long run, adding that BI was currently focusing on bolstering economic growth.
Indonesia's economy may shrink 0.4 percent at worst or may grow by 1 percent this year depending on the severity of the coronavirus crisis. The government has allocated a Rp 695.2 trillion stimulus program to speed up economic recovery and prevent the country's economy falling into recession this year.

Indonesia's 2021 fiscal deficit seen expanding to 5.2% of GDP

28-Jul-2020
JAKARTA, July 28 (Reuters) - **Indonesia's government will propose to parliament expanding its 2021 fiscal deficit assumption in Southeast Asia's biggest economy to 5.2% of gross domestic product (GDP), Finance Minister Sri Mulyani Indrawati said on Tuesday.**
Speaking after a cabinet meeting, she said President Joko Widodo wanted more fiscal room next year to weather uncertainty over the end of coronavirus pandemic and the availability of a vaccine.
"With a 5.2% of GDP deficit we will have 179 trillion rupiah ($12.36 billion) additional spending room that will be prioritised for economic recovery next year," Indrawati said.
The government is yet to specify total spending allocated for its 2021 state budget.
Indrawati has previously said the 2021 fiscal deficit was expected to be between 4.17%-4.7% of GDP.
The budget assumes the economy will grow 4.5%-5.5% next year, but Indrawati said the government will push to reach the higher end of the growth target range.

($1 = 14,480.0000 rupiah)
(Reporting by Maikel Jefriando
Writing by Fransiska Nangoy
Editing by Ed Davies)
(Fransiska.Nangoy@thomsonreuters.com; +62 21 2992 7610; Reuters Messaging: fransiska.nangoy.thomsonreuters.com@reuters.net))

Israel

Israel returns to yen market

31-Jul-2020 11:49:12
By Takahiro Okamoto
TOKYO, July 31 (IFR) - **The State of Israel returned to the yen market on July 22 for a private placement of a ¥16bn (US$153m) 0.315% three-year bond to a Japanese investor.**
A year ago, the sovereign privately offered a ¥15bn 0.15% seven-year bond.
Goldman Sachs led both yen deals.
As was the case last time, the new bond was bought by a single Japanese investor, a spokesperson at Israel's Ministry of Finance told IFR.
"Our funding strategy includes investor diversification," the spokesperson said, although it is not connected to any specific currency.
While a first banker away expressed scepticism that any Japanese investor is buying Israeli credits, a second one said there are few because of the country's A1/AA–/A+ ratings.
"Israel is categorised as a highly rated credit," he said, while noting there was some Japanese participation in January when the country priced US$1bn 10-year and US$2bn 30-year bonds.
As part of investor diversification, Israel issued a debut US$5bn 40-year bond in the Formosa market in April, which was 59% allocated to Asian investors.
According to Reuters, accountant general Rony Hizkiyahu, who has handled the sovereign's bond offerings, announced on July 26 that he

would be stepping down. However, this is not expected to affect the funding strategy. "Our funding strategies are part of a multi-year plan that we do not currently expect to materially change in the near future," the spokesperson said.

(Reporting by Takahiro Okamoto; Editing by Vincent Baby)
(Takahiro.Okamoto@thomsonreuters.com)

Lebanon

Moody's Says Downgrades Lebanon's Rating to C from CA

27-Jul-2020
July 27 (Reuters) - MOODY'S:

- **Moody's says downgrades Lebanon's rating to C from CA**
- Moody's says c rating reflects Moody's assessment that the losses incurred by bondholders through Lebanon's current default are likely to exceed 65%
- Moody's says downgraded Lebanon's senior unsecured medium-term note program rating to (P) C from (P) CA
- **Moody's says decision not to assign an outlook to Lebanon's rating is based on very high likelihood of significant losses for private creditors**
- Moody's on Lebanon says very weak institutions and governance strength undermine the first reform steps to restore some stability

(Reuters.Briefs@thomsonreuters.com)

Oman

Oman picks FAB and Bank Muscat to arrange $2 billion loan

27-Jul-2020
By Davide Barbuscia and Yousef Saba
DUBAI, July 27 (Reuters) - **The government of Oman has picked First Abu Dhabi Bank and Bank Muscat to coordinate a $2 billion bridge loan it is seeking to borrow from international and regional banks, according to two sources familiar with the matter.**
Oman is taking out the one-year loan - which would subsequently be repaid with money raised from an international bond - to bolster state coffers hit by low oil prices and the economic downturn caused by the coronavirus crisis.
It started talks with banks for the loan in June, sources told Reuters earlier this month.
First Abu Dhabi Bank and Bank Muscat have been chosen to coordinate the deal, two sources said.
The fundraising has received good interest from banks, said one of them, and should be finalised in the coming weeks.
Oman's ministry of finance, First Abu Dhabi Bank and Bank Muscat did not immediately respond to requests for comment.
Oman, a relatively small crude oil producer burdened by high levels of debt, is more vulnerable to oil price swings than most of its wealthier Gulf neighbours.
Ratings agency Moody's downgraded it last month further into junk territory to Ba3 from Ba2, citing risks related to its financing needs and diminishing buffers.
Oman's fiscal deficit could widen to 16.9% of gross domestic product this year from a 7% deficit last year, the International Monetary Fund has estimated.
It has over $10 billion in external debt due in 2021 and 2022 that could add pressure to foreign exchange reserves if it is not rolled over.
Oman had said it planned to raise over $5 billion in debt this year to partly cover an estimated deficit of $6.5 billion, but that was before the pandemic and the oil price crash.
Should it not issue debt in the international markets, Oman may need to lean on aid from its wealthier Gulf neighbours or resort to help from the IMF, an analyst at Japan's MUFG said last week.

(Additional reporting by Saeed Azhar; Editing by Kevin Liffey)
((Davide.Barbuscia@thomsonreuters.com; +971522604297; Reuters Messaging: davide.barbuscia.reuters.com@reuters.net))

Omani central bank issues 520-mln-USD gov't bonds

28-Jul-2020
MUSCAT, July 28 (Xinhua) **-- The Central Bank of Oman (CBO) announced on Tuesday the issue of government development bonds worth 200 million Omani rials (about 520 million U.S. dollars).**
The issue will be open for subscription from Aug. 9 to Aug. 13, the CBO said in a statement.
The auction will be held on Aug. 16, and the bonds will be issued on Aug. 18, the bank said.
It said that the maturity period of these bonds is seven years, at an annual interest rate of 5.50 percent.
The bank indicated that the subscription is available to all categories of investors from both inside and outside the sultanate, regardless of their nationalities.
The bonds will be issued in a competitive offering method and investors can submit their bids through commercial banks operating in the country.

Enditem

Philippines

Philippines' debt soars past 180 bln USD in June as gov't borrows more to bankroll COVID-19 response

29-Jul-2020

MANILA, July 29 (Xinhua) -- **The Philippines' outstanding debt soared past 9 trillion pesos (roughly 183.9 billion U.S. dollars) as of end-June as the government borrowed more to fight the COVID-19 pandemic, the country's Bureau of Treasury said on Wednesday.**

In a statement, the treasury bureau said the total debt stock for the month reached 9.05 trillion pesos, an increase of 163.3 billion pesos (roughly 3.3 billion U.S. dollars) or 1.8 percent compared to May "due to the net issuance and availment of domestic and external financing."

Of the total outstanding debt stock, the bureau said 32 percent were sourced externally while 68 percent are domestic debt.

Data from the Department of Finance (DOF) of the Philippines showed that from January to June, the government has availed program loans worth 216.3 billion pesos (roughly 4.4 billion U.S. dollars) for coronavirus response, with 130.5 billion pesos (roughly 2.6 billion U.S. dollars) from the Asian Development Bank and 85.8 billion pesos (roughly 1.74 billion U.S. dollars) from the World Bank.

The Philippines' debt-to-GDP ratio before the COVID-19 strike was at only 39.6 percent in 2019.

Ndiame Diop, the newly designated country director of the World Bank for Brunei, Malaysia, the Philippines and Thailand, said that with the Philippines' debt of equivalent to just 40 percent the size of its economy at the time when the coronavirus pandemic struck, the Philippine government has enough fiscal space to address the emergency triggered by the COVID-19 crisis.

Enditem

Saudi Arabia

Saudi Arabia completes portion of outstanding bonds valued at of 34.26 bln riyals

27-Jul-2020

CAIRO, July 27 (Reuters) - **Saudi Arabia announced on Monday the completion of an early redemption of a portion of outstanding bonds maturing in August, September, November and December of this year with a total value of 34.26 billion riyals ($9.14 billion).**

The kingdom has also issued new sukuk under its local sukuk programme, the finance ministry said in a statement.

The new sukuk issuances comprise four tranches with a total value of 34.645 billion riyals.

HSBC Saudi Arabia and Samba Capital & Investment Management Company were appointed joint placement agents and dealer managers with respect of this project.

($1 = 3.7502 riyals)
(Reporting by Nayera Abdallah; Writing by Maha El Dahan;
Editing by Jonathan Oatis)
(Nayera.Abdallah@thomsonreuters.com)

Saudi Arabia posts $29 bln deficit in Q2 as oil revenues slump

28-Jul-2020

By Davide Barbuscia

DUBAI, July 28 (Reuters) - **Saudi Arabia posted a deficit of 109.2 billion riyals ($29.12 billion) in the second quarter this year as low oil prices hurt revenues, a finance ministry report published on Tuesday showed.**

The coronavirus crisis has hurt the non-oil sectors of the world's largest oil exporter this year, adding to the impact of historic price lows on the economy.

Second quarter oil revenues fell by 45% year-on-year to $25.5 billion. Total revenues dropped 49% to nearly $36 billion.

Total second-quarter expenditures dropped annually by 17% to around $65 billion, the report on quarterly budget performance showed, although spending increased when compared to Q1 by 7.5%.

"A pullback in spending is essential for containing the deficit," said Monica Malik, chief economist at Abu Dhabi Commercial Bank. "The proactive stance of the government was already reflected in the austerity measures announced in April. However, these will dampen the recovery outlook," she said.

Facing deep recession this year, Riyadh has introduced steps such as removing a cost-of-living allowance for state employees and tripling value-added tax to 15% to bolster state revenues.

Economists have said this could restrict recovery as curbs aimed at reducing the spread of the coronavirus are lifted.

RESERVES

The IMF has estimated the economy could shrink by 6.8% this year, a figure Saudi officials have said was "pessimistic".

Saudi Arabia, which in the first three months of 2020 posted a $9 billion deficit, has raised $12 billion in international markets so far this year and has borrowed 41.1 billion riyals ($10.96 billion) in the domestic market, the document showed.

Finance Minister Mohammed al-Jadaan said this month the kingdom plans to tap international debt investors at least once more this year.

In addition to borrowing, the government has

used around $13 billion in government reserves in the second quarter to finance its deficit, budget data showed. That is largely within a $32 billion drawdown limit targeted by the government this year.
Between March and April, however, the kingdom used $40 billion in foreign reserves to back overseas investments of its sovereign fund, the Public Investment Fund.

($1 = 3.7497 riyals)
(Reporting by Davide Barbuscia; editing by Jon Boyle, Larry King, William Maclean)
((Davide.Barbuscia@thomsonreuters.com; +971522604297; Reuters Messaging: davide.barbuscia.reuters.com@reuters.net))

S. Arabia completes portion of outstanding bonds valued at 34.26 bln riyals

28-Jul-2020
CAIRO, July 27 (Reuters) - **Saudi Arabia announced on Monday the completion of an early redemption of a portion of outstanding bonds maturing in August, September, November and December of this year with a total value of 34.26 billion riyals ($9.14 billion).**
The kingdom has also issued new sukuk under its local sukuk programme, the finance ministry said in a statement.
The new sukuk issuances comprise four tranches with a total value of 34.645 billion riyals.
The first tranche with an amount of SAR 8.97 billion matures in 2024, the second tranche with an amount of SAR 6.025 billion matures in 2028, the third tranche with an amount of SAR 6.5 billion matures in 2032, and the fourth tranche with an amount of SAR 13.15 billion matures in 2035.
HSBC Saudi Arabia and Samba Capital & Investment Management Company were appointed joint placement agents and dealer managers.

($1 = 3.7502 riyals)
(Reporting by Nayera Abdallah and Samar Hassan; Writing by Maha El Dahan;
Editing by Sonya Hepinstall and Clarence Fernandez)
(Nayera.Abdallah@thomsonreuters.com)

South Korea

South Korea central bank extends Fed currency swap line for six months

30-Jul-2020
SEOUL, July 30 (Reuters) - **South Korea's central bank on Thursday said it has agreed to renew an existing currency swap agreement with the U.S. Federal Reserve by six months to at least March 31 2021.**
The $60 billion currency swap deal has been in place since March as part of a number of dollar swap lines the Fed signed with central banks around the world to cushion the global economic blow from the coronavirus pandemic.
The Bank of Korea said it will conduct auctions to inject dollar liquidity into onshore markets if needed.
The BOK's recent dollar auctions from the Fed swap hasn't been fully taken up, in a sign the market has stabilized somewhat.

(Reporting by Cynthia Kim
Editing by Shri Navaratnam)
(Cynthia.Kim@thomsonreuters.com; 822 3704 5655; Reuters Messaging: cynthia.kim.thomsonreuters.com@reuters.net)

Treasury bills-August sales S. Korea to sell 5 tln won worth of Treasury bills in August

31-Jul-2020
S. Korea to sell 5 tln won worth of Treasury bills in August
SEJONG, July 31 (Yonhap) -- **South Korea plans to sell 5 trillion won (US$4.2 billion) worth of Treasury bills next month to support its expansionary fiscal policy, the finance ministry said Friday.**
The bills, which have a maturity of 63 days, will be sold in four separate auctions throughout August, according to the Ministry of Economy and Finance.
Treasury bills are usually floated to raise money to cover short-term financial shortfalls and thus are generally sold with a maturity of less than a year.
The ministry said the proceeds from the Treasury sales will be used to speed up the front-loading of state spending in the coming months.
The balance of Treasury bills is expected to reach 9 trillion won by the end of August, the ministry said.

kdh@yna.co.kr

Thailand

Thailand set for Bt30bn green bond in August

27-Jul-2020
SINGAPORE, July 27 (IFR) - **The Kingdom of Thailand has released more details on its inaugural sustainability baht-denominated bond offering ahead of an investor roadshow**

this Wednesday.
The plan is to sell 15-year green bonds of up to Bt30bn (US$951.7m) to partly fund a stimulus programme to boost the coronavirus-hit economy.
Bookbuilding is scheduled for August 13 with the bonds to be offered to institutional investors, said Public Debt Management Office head Patricia Mongkhonyanit last Friday. The Ministry of Finance's PDMO is managing the fundraising.
Global investors will attend the virtual roadshow organised by Bangkok Bank, Bank of Ayudhya and Standard Chartered Bank Thai.
Of the Bt30bn to be raised, Bt20bn will used to finance the economic support measures in a Bt1.9trn stimulus package, with the remaining Bt10bn to fund Mass Rapid Transit Authority of Thailand projects.
The government launched the stimulus package at end-May to support an economy that has been badly hit by the coronavirus outbreak. It has projected that it would need to raise some Bt1trn through various options to fund the stimulus programme.

(Reporting by Kit Yin Boey; Editing by Vincent Baby)
(kityin.boey@thomsonreuters.com; +65 64174549; Reuters Messaging: kityin.boey.thomsonreuters.com@reuters.net)

EUROPE

Belarus

Belarus' external state debt up 5.3% to $18bn in H1 2020

31-Jul-2020
MINSK, 31 July (BelTA) – **As of 1 July 2020, Belarus' external state debt totaled $18 billion, up by $0.9 billion or 5.3% from the start of 2020 (taking into account differences in currency exchange rates), BelTA learned from the Belarusian Finance Ministry.**
In January-June 2020, the Belarusian government borrowed $1,817.8 million abroad, including $362.6 million from the Russian government and banks, $1,391.5 million of bonds floated on foreign financial markets, $41.4 million from the Export–Import Bank of China, $16.6 million from the International Bank for Reconstruction and Development (IBRD), and $5.7 million from the European Bank for Reconstruction and Development (EBRD) and the Nordic Investment Bank (NIB).
In H1 2020, Belarus spent $786.2 million to repay the external state debt, including $343.4 million to the Russian government, $209.4 million to Chinese banks, $176.6 million to the Eurasian Fund for Stabilization and Development (EFSD), $54.8 million to the IBRD, $1.3 million to the EBRD and NIB, and $0.7 million to the U.S. Commodity Credit Corporation.
As of 1 July 2020, Belarus' state debt totaled Br52.6 billion, up by Br7.8 billion, or 17.5%, from the beginning of the year.
The internal state debt amounted to Br9.3 billion as of 1 July. Taking into account differences in currency exchange rates, the internal state debt went up by Br557.5 million or 6.4% from the beginning of the year.
In January-June 2020, the Belarusian government sold $210 million worth of domestic government bonds nominated in foreign currencies to individuals and corporations and redeemed $360.4 million and Br161.2 million worth of government bonds nominated in foreign and national currencies from corporations and individuals.

Bulgaria

Bulgaria's gross foreign debt falls 1% y/y at end-May

29-Jul-2020
SOFIA (Bulgaria), July 29 (SeeNews) - **Bulgaria's gross foreign debt fell by an annual 1% to 34 billion euro ($40 billion) at the end of May, the central bank said on Wednesday.**
The gross foreign debt at the end of May was equivalent to 59.9% of the projected 2020 gross domestic product (GDP), the Bulgarian National Bank said in a statement.
At the end of May, Bulgaria's external debt was 0.3% lower compared to the end of 2019.

($ = 0.8510 euro)

Bulgaria expects budget surplus of 1.5% of GDP at end-July

31-Jul-2020
SOFIA, July 31 (Reuters) - **Bulgaria expects to have a fiscal surplus equal to 1.5% of gross domestic product in the first seven months, compared with a surplus of 2.8% over the same period a year ago, the finance ministry said on Friday.**
The Balkan country is still running fiscal surpluses despite the hit from the coronavirus on its small and open economy, data showed.
Sofia registered a fiscal surplus of 1.6 billion levs ($967.00 million) or 1.4% of economic output in the first half of the year, the ministry said in a statement.
Bulgaria plans to end 2020 with a fiscal shortfall of 3% of GDP, as it boosts spending to support jobs and incomes hit by the coronavirus pandemic.
Government revenues were 21.4 billion levs at

the end of June, down 855 million levs from the same period in 2019. Spending was 19.8 billion levs, up from 19.1 billion a year ago, mainly due to an increase in public pensions and other social spending, the finance ministry said.
Fiscal reserves, held under a currency regime pegging the lev to the euro, stood at 9.89 billion levs at the end of June.
The government expects the coronavirus crisis to shrink the country's economy by 3% this year. The European Commission is less optimistic and sees Bulgaria's gross domestic product down 7.2% in 2020.

($1 = 1.6546 leva)
(Reporting by Tsvetelia Tsolova; Editing by Alex Richardson)
(tsvetelia.tsolova@thomsonreuters.com)

Croatia

Croatian govt seeks parliament approval for 660 mln euro loan deals

27-Jul-2020
ZAGREB (Croatia), July 27 (SeeNews) - **The Croatian government said it submitted to parliament for approval three loan deals worth a combined 660 million euro ($775 million) to be signed with the World Bank and the Council of Europe Development Bank (CEB), aimed at mitigating the effects of the coronavirus crisis and the earthquake that hit the capital Zagreb in March.**
Two of the loans - a 276 million euro crisis response and development loan and a 184 million euro loan that will finance Croatia's earthquake recovery and public health system - will be signed with the World Bank's International Bank for Reconstruction and Development (IBRD), the government said in a statement on Friday.
The loans were already approved by the World Bank at the end of June.
The two loans will be repaid in 14.5 years with a five-year grace period, and a variable interest rate of 6-month Euribor plus 0.75% fixed interest margin, finance minister Zdravko Maric said in the statement.
The third loan, which is worth 200 million euro, will be signed with CEB and will support public sector financing.
The CEB loan will be repaid in 12 years with a three-year grace period, and a fixed interest rate of 0.24% or a variable interest rate based on the six-month Euribor plus 0.36% fixed interest margin.
The proceeds of the loan will support the health sector, providing for a broad access to medical services, pharmaceutical products, medical equipment and protective equipment, and will finance the provision of public utility services by local and regional municipal and governmental units faced with shrinking revenues amid the pandemic.

($=0.8517 euro)

Croatia secures most of 2020 financing needs

30-Jul-2020
ZAGREB (Croatia), July 30 (SeeNews) **- The Croatian government has secured most of its 2020 financing needs totalling 63.4 billion kuna ($9.9 billion/8.5 billion euro), finance minister Zdravko Maric said on Thursday.**
The government initially planned to end the year with a 1.5 billion kuna budget surplus but the coronavirus outbreak made it revise its fiscal plans and project a deficit of some 25 billion kuna, Maric said in a statement on the government's website, following discussions in parliament on the endorsement of three loan deals worth a combined 660 million euro ($775 million) with the World Bank and the Council of Europe Development Bank (CEB). The loans will go to mitigate the effects of the coronavirus crisis and the earthquake that hit the capital Zagreb in March.
Maric also said that the government will revise its macroeconomic forecasts at the end of August or the beginning of September.
Earlier this month, the country's central bank said the domestic economy could shrink by 9.7% this year, hit by the coronavirus pandemic and related lower tourism revenues.
Also earlier in July, the European Commission revised its forecast on Croatia's economic performance this year, now expecting a 10.8% drop in economic output, deeper than the 9.1% decline it predicted in May. For 2021, the Commission expects 7.5% expansion.

(1 euro = 7.4875 kuna)

Czech Republic

EU funds inflow into Czech Republic rises to 50.1 bln crowns in 2020

29-Jul-2020
PRAGUE, July 29 (Reuters) - **The net inflow of European Union funds into the Czech Republic rose by 50.1 billion crowns ($2.24 billion) in the first half of 2020, its highest in four years, the Finance Ministry said on Wednesday.**
The positive balance of the Czech Republic against the EU budget was due to revenues from the Structural Funds and the Cohesion Fund in the amount of 52.4 billion crowns and revenues from the funds of the Common Agricultural Policy in the amount of 29.7 billion crowns, the ministry said.

Since joining the EU in 2004, the Czechs have a taken in net 859.9 billion crowns in funds.

($1 = 22.3930 Czech crowns)
(Reporting by Mirka Krufova; Editing by Michael Kahn)
(robert.muller@thomsonreuters.com; +420224190475; Reuters Messaging: robert.muller.thomsonreuters.com@reuters.net)

Czech economy's record fall in Q2 not as deep as expected

31-Jul-2020

PRAGUE, July 31 (Reuters) - **The Czech economy shrank at a record pace in the second quarter after coronavirus lockdown measures shut factories and businesses for an extended period, but the contraction was not as bad as widely feared.**

The economy contracted in the quarter by 8.4% versus the previous three months, according to a flash estimate by the Czech Statistics Office.

On a year-on-year basis, the economy declined by 10.7% in real terms. This was also the biggest drop on record.

In a Reuters poll, analysts had expected a 12.9% quarter-on-quarter contraction in gross domestic product and a 14.7% year-on-year decline. The most optimistic forecast had been for an 8.1% fall and the most pessimistic predicted an 18% decline.

The statistics office gave no breakdown of the preliminary data but said the contraction was fuelled by a significant drop in foreign demand and lower household consumption and investments. It will publish detailed second-quarter figures on Sept. 1.

Analysts believe the bottom will be hit in the second quarter although it is uncertain what impact a second wave of the COVID-19 pandemic would have. The full impact has also not yet been felt on the labour market, which has so far been buoyed by government schemes helping firms cover salaries.

(Reporting by Mirka Krufova and Jason, Editing by Timothy Heritage)
(prague.newsroom@thomsonreuters.com, +420 234 721 617) (Reuters Messaging: mirka.krufova.thomsonreuters.com@reuters.net)

Moldova

IMF, Moldova reach staff-level agreement on economic programme supported by $558 mln loan

27-Jul-2020

CHISINAU (Moldova), July 27 (SeeNews) - **The International Monetary Fund (IMF) said on Monday it has reached a staff-level agreement with the Moldovan government on an economic reform programme supported by a $558 million (481 million euro) loan.**

Access under this arrangement is proposed to be set at 400 million special drawing right, namely 232% of Moldova’s quota in the fund and about $558 million, the IMF said in a press release.

The staff-level agreement is subject to an approval by the IMF management and the IMF executive board. Considerations of the new programme by the executive board is expected in September, subject to the authorities’ implementation of a number of prior actions, including in areas of the central bank independence, financial sector oversight, and fiscal transparency, the IMF said.

"The new ECF/EFF arrangements will help maintain macroeconomic stability, provide an anchor for authorities’ policies to support the post-pandemic recovery, and catalyse external financing from other donors. Building on progress made under the previous programme, the new arrangement will also strive to advance ambitious institutional reforms aimed at tackling widespread vulnerabilities in areas of fiscal governance, non-bank financial sector oversight, market regulation, anti-corruption, and rule of law," Ruben Atoyan, who led the IMF staff team, said.

"The successful clean-up of the banking sector in the aftermath of the major bank fraud is a credit to the supervisory work of the NBM. Unequivocal commitment to the irreversibility of the banking sector reforms is critical for the financial sector stability," he added.

In April, the IMF approved a total disbursement of $235 million to meet Moldova’s urgent balance of payment needs stemming from the COVID-19 pandemic.

Moldova’s macroeconomic outlook has deteriorated sharply, giving rise to an urgent balance of payments gap estimated at about $830 million, the IMF said at the time.

On March 11, the IMF said it is disbursing $20 million to Moldova under the current 40-month funding arrangements approved in November 2016. The new disbursement came as a result of the progress Moldova had made in keeping its reform commitments and brings total disbursements under the arrangements to support the country’s economic and financial reform programme to about $178.7 million.

The IMF said in April that Moldova's economy will shrink by 3% in 2020 before growing by 4.1% in 2021.

($ = 0.8619 euro)

North Macedonia

North Macedonia to offer 2.3 bln denars (37 mln euro) of govt paper on Aug 4

29-Jul-2020
SKOPJE (North Macedonia), July 29 (SeeNews) – **North Macedonia's finance ministry will offer two issues of government securities worth a combined 2.3 billion denars ($44 million/37 million euro) at auctions on August 4, according to notices published by the country's central bank.**
The offer comprises 1.4 billion denars worth of one-year treasury bills and 900 million denars of 30-year government bonds.
The central bank will sell the government securities on behalf of the finance ministry through a volume tender, in which the price and coupon are set in advance and primary dealers bid only with amounts.

(1 euro = 61.70 denars)

Poland

Poland sees GDP growth of 4.0% in 2021, according to budget

28-Jul-2020
WARSAW, July 28 (Reuters) - **The Polish government expects the country's economy to expand by 4.0% in 2021, after shrinking by 4.6% in 2020, according to forecasts for next year's budget confirmed by the government on Tuesday.**
The largest economy in the European Union's eastern wing was hit hard by the coronavirus pandemic, but economists expect it to make a quick recovery compared with many others.
The forecasts for the 2021 budget assume inflation will be 1.8%, down from the estimated 3.3% in 2020.
According to the forecasts, the unemployment rate will be 7.5% in 2021, down from 8.0% at the end of 2020.
The government also accepted a proposal for the minimum wage to rise by 7.7% to 2,800 zlotys ($745.95) a month in 2021.

($1 = 3.7536 zlotys)
(Reporting by Alan Charlish)
(alan.charlish@thomsonreuters.com; +48 22 104 25 27)

Romania

Romania budget deficit jumps to 4.17%/GDP at end-June

28-Jul-2020
BUCHAREST, July 28 (Reuters) - **Romania's consolidated budget deficit widened to 4.17% of gross domestic product in the first half from a gap of 3.6% at the end of May as the coronavirus outbreak led to a spike in spending, the finance ministry said on Tuesday.**
In nominal terms, the deficit stood at 45.17 billion lei ($10.97 billion). Revenues amounted to 146.25 billion lei, or 13.5% of GDP, down 1.6% on the year, as the government reimbursed VAT and postponed tax payments.
Spending stood at 191.43 billion lei, up 13.6% on the year. Investment spending, including EU funds, was up 30.8% on the year. **The European Union state ran a deficit of 1.94% of GDP in the first half of last year. The government estimates the deficit will reach 6.7% of GDP this year.**

($1 = 4.1185 lei)
(Reporting by Luiza Ilie)
(luiza.ilie@thomsonreuters.com; +4021 527 0312; https://www.reuters.com/journalists/luiza-ilie)

Slovakia

S&P Says Slovakia Outlook Revised to Negative on Rising Economic Risks

25-Jul-2020
July 24 (Reuters) - S&P:
- **S&P says it rates Slovakia's long term local and foreign currency at A+**
- S&P says it rates Slovakia's short term local and foreign currency at A-1
- S&P says it rates Slovakia's outlook at negative
- S&P says Slovakia outlook revised to negative on rising economic risks; affirmed at 'A+/A-1'
- S&P says it is revising outlook on Slovakia's 'A+' long-term ratings to negative from stable
- **S&P says Slovakia outlook revised to reflect erosion of fiscal space due to covid-19, risks it could persist without robust economic recovery**

(Reuters.Briefs@thomsonreuters.com)

Slovak current account in 101 million euro deficit in May

29-Jul-2020
PRAGUE, July 29 (Reuters) **- Slovakia's current account showed a deficit of 101 million euros ($118.65 million) in May after a revised gap of 667 million euros in April, the central bank said on Wednesday.**

The April figure was revised from an originally reported deficit of 789 million euros.

($1 = 0.8512 euros)
(Reporting by Mirka Krufova
Editing by Jason Hovet)
(prague.newsroom@thomsonreuters.com) (+420 234 721 617) (Reuters Messaging: jason.hovet.thomsonreuters.com@reuters.net)

Turkey

Turkey issues $3 bln of USD-denominated bonds, lease certificates

28-Jul-2020

ANKARA (Turkey), July 28 (SeeNews) - **Turkey's finance ministry said it issued three-year fixed-rate government bonds and three-year fixed-rent rate lease certificates denominated in U.S. dollars worth a total of $3 billion (2.6 billion euro) on July 28.**

The ministry issued $2.5 billion worth of fixed-rate government bonds and $500 million worth of fixed-rent rate lease certificates, it said in a statement on Tuesday.

Both issues will mature on July 26, 2023 and carry a coupon rate of 1.5%, paid semiannually, according to an earlier statement by the ministry.

($ = 0.8522 euro)

Ukraine

Ukraine: Public debt in June: the cost of borrowing decreases

31-Jul-2020

For the second month in a row, the rates at which the Ministry of Finance attracts funds to the state budget have fallen. If at the auctions in early June the weighted average yield on government bonds with a maturity of three, six months and one year was 9.84%, 10.11% and 10.86%, then at the end of the month the cost of borrowing fell to 7.24% (- 260 basis points), 7.74% (-237 bp) and 10.47% (-39 bp), respectively.

In total, in June, the Ministry of Finance successfully held all five planned auctions for the placement of IGLBs, as a result of which UAH 30.23 billion was attracted to the state budget. Most instruments are national currency-denominated government bonds. Only once were investors offered securities denominated in foreign currency. Thus, at the auction on June 9, 353.3 million euros (equivalent to 10.65 billion hryvnias) were attracted to the state budget. The weighted average yield was 2.2%.

According to the depository of the National Bank of Ukraine last month, the volume of government bonds decreased by UAH 7.2 billion. The portfolio of non-residents decreased by UAH 5.4 billion and amounted to 11.42% at the end of the month. The share was reduced due to government securities, which have already been repaid.

The total public and state-guaranteed debt of Ukraine in the national currency equivalent increased by 2.7% to UAH 2,269.17 billion, and in the foreign currency equivalent - by 3.85% to USD 85.01 billion USA. In general, during the reporting period, expenditures on public debt repayment amounted to UAH 41.5 billion, and on servicing - UAH 7.5 billion.

LATIN AMERICA AND CARIBBEAN

Argentina

Argentina says it will not raise 'last' debt offer, willing to tweak legal terms

25-Jul-2020

BUENOS AIRES, July 25 (Reuters) - **Argentina's government reaffirmed on Saturday that it would not budge from its latest proposal to restructure around the $65 billion in debt, but signaled it would be willing to negotiate on the fine print around the deal.**

The South American country is facing a standoff with bondholders after creditor groups joined forces to reject the government's proposal earlier in July and put forward one of their own.

The government has repeatedly said it cannot offer more, though sources told Reuters this week it would be willing to negotiate key contractual terms.)

"Argentina wishes to and will contribute to the development of contractual instruments that enhance the success of sovereign restructuring initiatives when they enjoy meaningful creditor support," the Economy Ministry said in a statement.

The ministry said the bondholder group's counterproposal called for "yet more generous financial terms for the creditors compared to Argentina's current offer," while requesting that Argentina cover fees and expenses of the creditors' advisors.

"Those aspects of the counterproposal that seek to impose additional burdens on an economy that is choking in the midst of the COVID-19 crisis ... cannot be accommodated," the ministry said in the statement.

Analysts say a gap of about 3 cents on the dollar between the sides at the negotiating table should be bridged in last-ditch talks ahead of a current Aug. 4 deadline for a deal to avoid a

messy legal standoff.
Creditors' legal demands include that amendments be made to the 2016 indenture for new debt issued in exchange for 'Macri' bonds, to prevent the government from using 'Pac-Man' style measures to make future changes to any agreement.
Argentina has been in default since May, the Country's ninth, and is headed for 10-12% economic contraction this year due to the impact of COVID-19, deepening a recession that began in 2018.

(Reporting by Eliana Raszewski and Jorge Iorio; Writing by Dave Sherwood; Editing by Sandra Maler)
(dave.sherwood@thomsonreuters.com; +56 9 9138 1047, +56 2 2370 4224;))

Argentina main creditors say support for joint proposal broadens with more funds

28-Jul-2020
By Cassandra Garrison and Rodrigo Campos
BUENOS AIRES, July 27 (Reuters) - **Argentina's main creditors said on Monday their latest debt restructuring proposal has support from investors holding more than half the country's foreign debt, bolstering their base for countering the government's most recent offer.**
Financial institutions representing 60% of outstanding exchange bonds and 51% of outstanding global bonds have pledged support for a joint proposal submitted to the government by three main creditor groups on July 20, according to a letter by the creditors to Economy Minister Martin Guzman seen by Reuters.
The letter was signed by about 30 investment funds, including those part of the Ad Hoc Bondholder group, the Exchange Bondholder group and the Argentina Creditor Committee.
BlueBay Asset Management LLP, Fidelity Management & Research Co. and Amundi Asset Management were among the other funds who signed.
Argentina is facing a standoff with bondholders over the restructuring of about $65 billion in foreign debt after its creditor groups joined forces to reject the government's proposal earlier in July.
"We are confident that a consensual resolution will provide a path towards even greater and more sustained investment in Argentina's growth sectors," the letter said.
A spokesman for Argentina's ministry of economy did not immediately respond to a request for comment.
The South American country has insisted it will not budge from its "final offer" but signaled it would be willing to negotiate on the fine print around the deal.
The two sides have wrangled over collective action clauses (CACs) that determine the requirements for any future changes made to the bond agreements.
Argentina is pushing for enhanced CACs, which allow borrowers to bundle together multiple bonds, making it even harder for minority hold-outs pushing for a better deal to disrupt the process. Enhanced CACs require a single threshold for approval, generally set at 75%.

(Reporting by Cassandra Garrison and Rodrigo Campos in New York; Editing by Sam Holmes)
(Cassandra.garrison@thomsonreuters.com)

Argentina may delay debt restructuring deadline amid impasse

29-Jul-2020
By Jorge Iorio
BUENOS AIRES, July 29 (Reuters) **- Argentina's government is considering pushing back a deadline for creditors to respond to its foreign debt restructuring proposal until mid-to-late August, a source close to the negotiations told Reuters on Wednesday.**
The cut-off for the $65 billion deal is currently Aug. 4, though the two sides are at an impasse over the value and legal terms of the final offer, with a large group of creditors rallying behind a counter proposal.
The debt deal is key for recession-hit Argentina to avoid a protracted and messy legal standoff with creditors after tumbling into default in May on its foreign debt.
"It is possible (the date could be delayed)," the person said. "It could go even until the end of August. Although there is also talk of around a 15-day delay."

(Reporting by Jorge Iorio
Writing by Adam Jourdan; Editing by Tom Brown)
(adam.jourdan@thomsonreuters.com; +54 1155446882; Reuters Messaging: adam.jourdan.thomsonreuters.com@reuters.net))

Argentine bonds dip as debt talks impasse raises deal risk

29-Jul-2020
By Jorge Otaola
BUENOS AIRES, July 28 (Reuters) - **Argentine over-the-counter bonds fell an average 0.9% on Tuesday amid concerns about an impasse between the government and its international creditors who are racing to restructure around $65 billion in debt that has become unsustainable.**
Argentina and its bondholders have come within striking distance of a deal after months of negotiations, but differences remain between the country's "final" offer and what creditors have sought in a counterproposal that has gained wide support.
The government is willing to cede ground on key legal terms to reach a deal, but will not

increase overall cash flow in the payout, sources told Reuters last week. The economy ministry has since confirmed that position.
Bondholders this week rallied behind a counterproposal demanding a higher payout.
The government and creditor proposals are around 3 cents on the dollar apart.
Gustavo Ber, chief economist at consultancy firm Estudio Ber, said the "inflexibility" of the creditor groups along with the high amount of bonds they now represented meant there was rising uncertainty how the final act would play out.
"In this final stage of negotiations, the authorities say they are not willing to modify the economic offer again, but only legal differences. Under this scenario, it would be uncertain what the level of acceptance would be," he said.
Argentine officials have dug in their heels that the formal offer made in early July remains the maximum effort the recession-hit country can make, especially given the economic impact from the coronavirus pandemic. The government has set an Aug. 4 deadline for creditors to accept that proposal.
"All creditors must know that health and life are our priorities, and that we are not going to leave behind any Argentine to pay an unsustainable debt," center-left President Alberto Fernandez said in a tweet on Tuesday.

(Reporting by Jorge Otaola; writing by Hugh Bronstein and Adam Jourdan; Editing by Jonathan Oatis)
(hugh.bronstein@thomsonreuters.com; 5411 4318 0655; Reuters Messaging: hugh.bronstein.thomsonreuters.com@reuters.net))

Argentina's Guzman says debt offer "maximum" effort, hints at deadline delay

30-Jul-2020
BUENOS AIRES, July 30 (Reuters) **- Argentina economy minister Martin Guzman emphasized on Thursday that the country's proposal to creditors to restructure around $65 billion in foreign debt was the maximum effort it could make, and hinted the deadline for a deal could be extended.**
The South American nation is racing to clinch a deal to avoid a messy and protracted legal standoff with creditors after it slipped into default for the ninth time in May. The deadline for a deal set by the government is currently Aug. 4.
Negotiations, however, are at something on impasse after creditors grouped behind a counter proposal and rejected the "final" government offer made in early July.
Asked about extending the deadline, Guzman said that the government was "assessing all the options" and would make a decision soon, although he added that it had previously been the plan to set a later deadline.
"We initially had the intention of having a longer deadline on the offer we made. There was a technical issue that prevented that from happening," he said during a virtual conference hosted by Washington-based think tank the Atlantic Council.
Reuters reported on Wednesday, citing a source close to the talks, that Argentina's government was considering pushing back the deadline until mid-to-late August.
Guzman said that regardless of what happens with a debt deal with private creditors, the government would initiate talks with the International Monetary Fund for a new program to replace a $57 billion line of credit agreed in 2018.
Guzman said he wanted to reach a quick deal with creditors, but that it had to be sustainable. Creditors are demanding a higher payout and changes to legal clauses in the offer.
"We made a massive effort which basically shows our full commitment of achieving a consensual deal," said Guzman. "This is clearly the maximum effort that Argentina can make and we very much hope creditors come on board and decide to put an end to this situation."

(Reporting by Adam Jourdan, writing by Cassandra Garrison; editing by Richard Pullin)
(Cassandra.Garrison@thomsonreuters.com; +54 11 5830 7443)

Brazil

Brazil posts record current account surplus for June, attracts portfolio inflows

28-Jul-2020
By Jamie McGeever and Isabel Versiani
BRASILIA, July 28 (Reuters) - **Brazil posted a current account surplus in June for the third straight month, data showed on Tuesday, the first time this has happened since 2007, and attracted portfolio inflows for the first time since before the onset of the coronavirus pandemic.**
The current account surplus last month was $2.2 billion, the central bank said, less than the $3.8 billion economists in a Reuters poll had forecast, but a record for any June since the central bank began compiling data in 1995.
The surplus was partly driven by a widening trade surplus to $6.9 billion as the economic crisis hit imports much harder than exports, and narrowed the overall current account gap over the preceding 12 months to 2.35% of gross domestic product.
That is the narrowest deficit in just over a year, central bank figures showed.
The central bank said it revised the figures for March to an $11 million deficit from a $868 million surplus, meaning Brazil has now recorded a surplus for three consecutive months instead of four.
Brazil reversed months of portfolio outflows, attracting a net $5.5 billion into its equity and

debt markets, the first inflow since January. Almost all of that, just over $5 billion, was bond inflows, the central bank said.
That reduced the net portfolio outflow so far this year to $25.9 billion.
A broader measure of portfolio flows, however, showed a slightly smaller $4.3 billion inflow in June. That brought the outflow in the first half of the year to $31.3 billion, a record since the central bank began comparable records in 1995.
Foreign direct investment in June totaled $4.75 billion, the central bank said, more than the $3.58 billion economists in a Reuters poll had predicted.
For July, the central bank said it expects a current account surplus of $500 million, and FDI of $2 billion.

(Reporting by Jamie McGeever, Marcela Ayres and Isabel Versiani; Editing by Alex Richardson and Bernadette Baum)
(jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net)

Moody's warns Brazil on tinkering with spending cap rule

28-Jul-2020
BRASILIA, July 28 (Reuters) - **Credit rating agency Moody's on Tuesday warned Brazil's government that changes to its fiscal rule limiting the growth in non-obligatory public spending to inflation puts its long-term goal of reducing the national debt in jeopardy.**
The statement from Moody's came after a local media report on Tuesday said the Economy Ministry was open to relaxing the "spending cap" rule, which it has always insisted is the pillar upon which its fiscal policy is built and not up for debate.
"Introducing changes to the spending ceiling would raise concerns about the trajectory of Brazil's debt burden and the prospects of stabilizing and reducing debt gradually," said Samar Maziad, Moody's lead Brazil analyst.
"Significantly lower inflation increases the challenge of compliance with the spending ceiling next year. From a sovereign perspective, lifting the spending ceiling without compensating measures to ensure fiscal sustainability would be a negative development."
Moody's has a "stable" outlook on its "Ba2" sub-investment grade sovereign credit rating on Brazil. Maziad warned in May that a permanent deterioration in the fiscal situation from emergency, crisis-fighting spending "would be the critical trigger for a rethink on the outlook."
According to the Economy Ministry's latest forecasts, the primary budget deficit excluding interest payments will reach a record 787 billion reais ($153 billion) this year, 11% of GDP. The broader public sector deficit will be closer to 800 billion reais and 12% of GDP.
The 2020 target before COVID-19 was for a shortfall of 124 billion reais. Emergency fiscal policy to tackle the crisis will be limited to this year and the spending cap rule will not be altered, officials have consistently said.
The government's wiggle room for spending in coming years is virtually non-existent due to the record high deficit and debt, combined with historically low inflation of around 2%. Public investment, for example, is the lowest on record.

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

Brazil's federal public debt up 3.27% to 4.39 trillion reais in June

29-Jul-2020
BRASILIA, July 29 (Reuters) - **Brazil's federal public debt rose 3.27% in June to 4.39 trillion reais ($85 billion) from the month before, the Treasury said on Wednesday.**
Treasury also said that non-residents increased their debt holdings by 9.8 billion reais in June, keeping their share of the overall total at 9.1%, the lowest share held by foreigners since December 2009.

($1 = 5.1650 reais)
(Reporting by Marcela Ayres
Writing by Jamie McGeever; editing by Diane Craft)
(jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net)

Brazil trims 2020 budget deficit, debt forecasts

30-Jul-2020
By Isabel Versiani
BRASILIA, July 30 (Reuters) - **Brazil's Economy Ministry on Thursday lowered its 2020 public sector deficit and national debt outlook, reflecting a less severe fall in the economy this year than that which formed the basis of its previous forecast, a senior ministry official said.**
The consolidated public sector is now expected to post a record primary deficit excluding interest payments of 812.2 billion reais ($156 billion), equal to 11.3% of gross domestic product, special secretary to the ministry Waldery Rodrigues said.
That is based on the government's estimate that gross domestic product will shrink 4.7% this year. The previous forecast of a 828.6 billion reais deficit worth 12% of GDP was based on market expectations at the time for a 6.5% fall in GDP.
In a presentation to Congress, Rodrigues also

said Brazil's gross debt will total 94.7% of GDP and net debt will reach 67.2% of GDP. That compares with previous forecasts of 98.2% and 67.2% of GDP, respectively.
Rodrigues repeated his insistence that there will be no tinkering with the government's spending cap rule and that it will be kept intact this year and next.
"The ceiling will be maintained in its entirety, and all (spending) programs being drawn up take this premise into account," he said. "It is the super fiscal anchor."
Government officials and many economists say the rule, which limits growth in non-obligatory public spending to the rate of inflation, is most important pillar of Brazil's public finances.
Treasury Secretary Bruno Funchal also said on Thursday that the spending cap is crucial to keeping interest rates low. He was speaking after figures showed a record 194.7 billion reais ($38 bln) central government deficit in June due to the COVID-19 crisis, far more than economists had expected.
The official central government budget forecast for this year, announced last week, is for a 787.4 billion reais deficit.

($1 = 5.16 reais)
(Reporting by Isabel Versiani
Writing by Jamie McGeever; Editing by Steve Orlofsky)
(jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net)

Record Brazil deficit, debt figures highlight huge public finances challenge

31-Jul-2020
By Jamie McGeever
BRASILIA, July 31 (Reuters) - **Brazil's national debt rose to a record 85.5% of gross domestic product and the public sector registered a record $36.5 billion primary deficit in June, the central bank said on Friday, as the COVID-19 crisis hammered the government's finances.**
The figures were greater than economists had expected, and come after senior Economy Ministry and Treasury officials this week reiterated their commitment to the government's spending cap rule, widely seen as public finances' main pillar.
"We expect the fiscal and public debt picture to deteriorate significantly throughout 2020," said Alberto Ramos, head of Latin American research at Goldman Sachs, projecting a public sector primary deficit of at least 13% of GDP.
"Addressing the unsustainable public debt dynamics and building fiscal buffers remains, unquestionably, the key macro challenge facing both the executive and legislative branches once the pandemic is brought under control," he said.
The public sector deficit excluding interest payments was 188.7 billion reais ($36.5 billion) in June, the central bank said, more than the expected 163.5 billion reais shortfall to bring the deficit in the first half of the year to 402.7 billion reais.
The deficit in the same period last year was just 5.7 billion reais, the central bank said.
The accumulated primary deficit in the 12 months through June was equal to 6.38% of gross domestic product. The Economy Ministry on Thursday said it expects a public sector primary deficit of 812.2 billion reais, equal to 11.3% of GDP.
Brazil's gross debt of 85.5% of GDP in June was higher than the 83.8% forecast in a Reuters poll of economists, rising toward the government's year-end forecast of 94.7% of GDP.
Net debt rose to 58.1% of GDP in June, also higher than expected.
The nominal public sector deficit including interest payments surged to 210.2 billion reais in June, the central bank said. In the 12 months to June, the shortfall totaled 818.6 billion reais, equivalent to 11.4% of GDP.

($1 = 5.18 reais)
(Reporting by Marcela Ayres and Jamie McGeever
Editing by John Stonestreet and Jonathan Oatis)
(jamie.mcgeever@thomsonreuters.com; +55 (0) 11 97189 3169; Reuters Messaging: jamie.mcgeever.reuters.com@reuters.net)

Colombia

Colombia's government sends $84 bln budget proposal for 2021 to congress

29-Jul-2020
BOGOTA, July 29 (Reuters) - **Colombia's government on Wednesday sent a 2021 budget proposal of 314 trillion pesos ($84.4 billion) - 8.3% higher than this year's - to Congress, the finance ministry said.**
The 2020 budget was increased to 290 trillion pesos from a lower original figure to meet needs arising from the coronavirus pandemic.
The bill, which must be approved by Congress before Oct. 20, includes proposed investment of 53.1 trillion pesos in 2021, up 23% on 2020 investment forecasts.
Latin America's fourth-largest economy was forced to abandon plans to keep lowering its fiscal deficit, as it had in recent years, amid increased demand for resources during a COVID-19 lockdown. Colombia is expected to increase its debt load drastically this year and next, risking its credit ratings.
"This government is committed to recovering the growth trends and job creation seen before the arrival of the pandemic," Finance Minister Alberto Carrasquilla said in a statement.
The budget is predicated on an economic growth target of 6% for 2021, compared with a forecast contraction of 5.5% in 2020, and

uses a fiscal deficit target for 2021 of 5.1% of gross domestic product.
The proposal allocates 185 trillion pesos for government operating costs, 11% more than this year, while proposed debt payments will rise 42% to 75.9 trillion pesos.
The government will also allocate 42.5 trillion pesos for pensions, while the education, defense and health sectors will receive 47 trillion pesos, 39 trillion pesos and 36 trillion pesos, respectively.

($1 = 3,718.69 Colombian pesos)
(Reporting by Nelson Bocanegra;
Writing by Oliver Griffin; Editing by Dan Grebler)
(Oliver.Griffin@thomsonreuters.com; +57 304-583-8931))

Ecuador

Ecuador spat reveals sovereign-debt market cracks

30-Jul-2020
By Anna Szymanski
NEW YORK, July 30 (Reuters Breakingviews) - **Some of Ecuador's creditors have gone off script. Funds run by Contrarian Capital and GMO filed a lawsuit against the country on Wednesday hoping to scuttle its offer to restructure $17.4 billion of debt before a Friday deadline.** They argue Ecuador, which defaulted on its foreign-currency debt at least nine times through 2010, depending on who's asked, is deceiving and coercing bondholders. The case is a long shot.
Until recently the restructuring deal looked like a layup. Creditors know the dollarized oil exporter needs relief – the International Monetary Fund reckons its economy is likely to shrink 6% this year. They overwhelmingly approved an April request to delay $811 million in interest payments. And last week Ecuador commenced an exchange offer that had the support of the majority of bondholders, including BlackRock and Ashmore.
Quito appeared to be on the way to repairing its bad-boy image in the sovereign debt market. Investors, meanwhile, were about to have a textbook case to show how well they respond when defaulting countries play well – usefully timed for the ruckus that is Argentina's $65 billion restructuring.
But the plaintiffs have a point. They say Ecuador wants to change the collective action clause in the original bonds' contract – using a voting maneuver called an exit consent – so that it can leave dissenting bondholders with lousier instruments than those who back it.
Quito may claim collective action clauses allow this. These were, after all, added to sovereign-bond contracts to stop litigious investors from scotching well-supported deals. But one of the main reasons investors agreed to accept them was to prevent borrowers mucking around with exit consents. Yet what Ecuador is doing isn't just questionable, it creates rancor CACs were specifically designed to avoid. And it's catnip for litigators.
This gambit is a smear on Ecuador's otherwise market-friendly makeover. And it's not the only country playing fast and loose. Argentina recently opened a Pandora's box by suggesting some of its CACs would let it play with voting rules to pressure a majority of bondholders to accept an unpopular debt deal.
Whatever happens with the bondholder lawsuit and the Ecuador deal's Friday vote, the mess may at least prompt an overhaul of how this part of the sovereign-debt market works. If not, creditors may refuse to accept these well-intentioned tools at all, benefitting contrarians everywhere.
CONTEXT NEWS
- A group of Ecuador's creditors – including funds run by Contrarian Capital and GMO – filed a class-action lawsuit against the country in New York on July 29 in relation to halt its $17.4 billion restructuring offer that expires on July 31.
- They claim Ecuador is violating securities law by making false and misleading comments in a July 27 press release and related documents. They also say the tender offer is coercive and that bondholders would suffer irreparable harm if it goes through because they will either have to agree to what they call unfavorable terms or receive less favorable treatment as a non-tendering bondholder.
- On July 13, a steering committee representing dissenting creditors urged the government to improve its tentative terms and proposed its own terms.
- On July 20, Ecuador released its official exchange offer, and creditors who said they held over 53% of Ecuador's total outstanding sovereign bonds and around 50% of almost every individual bond series said that they supported the deal.

(Editing by Antony Currie and Amanda Gomez)
(anna.szymanski@thomsonreuters.com; Reuters Messaging:
anna.szymanski.thomsonreuters.com@reuters.net)

Ecuador extends $17.4 bln debt restructuring to Aug 3

31-Jul-2020
QUITO, July 30 (Reuters) - **Ecuador will extend the deadline for creditors to vote on its $17.4 billion debt restructuring plan to Monday following a lawsuit by a small group of bondholders, the finance ministry said on Thursday.**
The South American nation originally said the vote would end on Friday, but pushed the deadline back at the request of the U.S. Court for the Southern District of New York following a

suit by investment funds Contrarian Capital Management and GMO.
"In an act of good faith, Ecuador agreed to extend by 24 business hours, the closing of the vote," the ministry said in a statement. "The voting process is ongoing and continues positively, with a high probability of reaching the necessary consent, according to preliminary reports."
Contrarian and GMO said the government's offer to swap 10 sovereign notes for three new bonds maturing in 2030, 2035 and 2040 was "coercive."
Ecuador's government says the investors who object to the proposal hold a minor fraction of total outstanding bonds.
"We will defend the interests of Ecuadorians and we will not allow an isolated group of holders, with a small position, to try to economically and socially harm the country," Economy Minister Richard Martinez said in the statement.
Ecuador's plan has the support of its largest creditor group, which holds over 53% of outstanding sovereign bonds and includes asset managers such as AllianceBernstein, BlackRock and Ashmore.
Other creditors in recent weeks have pushed for better terms. They include Contrarian, Amundi, and T Rowe Price Associates, and represent more than 25 institutional investors. They have not said how much of the total outstanding bonds they hold.
For the proposal to go forward, Ecuador needs approval from investors holding 66% of the outstanding issues and 75% of the notes that mature in 2024.
The International Monetary Fund and other multilateral organizations have described the debt restructuring plan for Ecuador, which is experiencing serious liquidity problems, as positive.

(Reporting by Alexandra Valencia and Brian Ellsworth; editing by Richard Pullin)
(brian.ellsworth@thomsonreuters.com; 58 212 655 2660; Reuters Messaging: brian.ellsworth.thomsonreuters.com@reuters.net, @ReutersVzla))

AFRICA

Egypt

Egypt's 9-month current account deficit at $7.3 bln vs $9.8 bln in previous year

27-Jul-2020
CAIRO, July 27 (Reuters) - **Egypt's current account deficit fell to $7.3 billion in the first nine months of the 2019/20 fiscal year to end of June versus $9.8 billion in the same period the previous year, the central bank said on Monday.**
"The improvement was particularly pronounced in the January/March period of 2020, as the deficit declined by 39.2% to approximately $2.8 billion (from $4.5 billion during the same period in the previous fiscal year)," the central bank said in a statement.

(Reporting by Nayera Abdallah, Ulf Laessing and Nadine Awadalla; Editing by Alison Williams)
(Ulf.Laessing@thomsonreuters.com; Reuters Messaging: follow me on twitter https://twitter.com/ulflaessing))

Egypt's budget deficit falls to 7.8% in FY 2019/20

29-Jul-2020
CAIRO, July 29 (Reuters) - **Egypt's total budget deficit fell to 7.8% of gross domestic product (GDP) in the fiscal year 2019/20, down from 8.2% in the FY 2018/19, the cabinet said in a statement on Wednesday.**
The North African country had expected a deficit of 7.2% in the fiscal year to June 30, before the coronavirus pandemic hit its economy hard.
The primary surplus of 1.8% of GDP was below the 2% forecast, but the cabinet called the figure "a very good result amid the exceptional circumstances".
Egypt is now expected to post GDP growth of 3.8% for the last fiscal year, compared with an initial projection of 6%, the cabinet statement quoted Finance minister Mohamed Maait as saying during the weekly government meeting on Wednesday.
The country's debt ratio is expected to decline to 86.2% of GDP at the end of June from 90.4% a year earlier, Maait added.
The country's economy was boosted in the last three years by an upswing in tourism, strong remittances from Egyptian workers abroad and recently discovered natural gas fields coming onstream.
But the pandemic has seen tourism has collapse and the price of gas plummet, while worker remittances have come under threat with the decline of oil revenues in Gulf Arab states, where many Egyptians are employed.
A Reuters poll earlier this month showed Egypt's economic growth slowing to 3.1% in the 2020/21 fiscal year due to the pandemic, down from the 3.5% forecast in a similar poll three months ago.

(Reporting by Moamen Said Ataallah;
Writing by Mahmoud Mourad;
Editing by Jon Boyle, Kirsten Donovan)
(mahmoud.mourad@thomsonreuters.com)

Ghana

Ghana central bank keeps benchmark policy rate steady at 14.5%

27-Jul-2020

ACCRA, July 27 (Reuters) - **Ghana's central bank on Monday left its policy rate at 14.5%, citing a need for macro-economic stability despite a slowdown brought on by the coronavirus pandemic.**

Ghana's economy, which relies on natural resources like cocoa, gold and oil, is expected to grow in 2020 at its slowest rate in nearly 40 years, leading the government last week to announce a $17.4 billion support programme.

Bank of Ghana Governor Ernest Addison described mixed economic indicators during a monthly news conference, noting a gradual rebound in credit growth and "reassuring results" from stress tests conducted on banks this month.

However, he said the budget deficit for the first half of 2020 stood at 6.3% compared with the 3% target and is expected to reach 11.4% by the end of the year versus a 4.7% target.

"The 2021 budget should be focused on instituting measures to return to the fiscal consolidation path with the view to building resilience and strengthening the pillars of the economy for a return to macro-economic stability," he said.

Standard Chartered Bank said one of the central bank's most important announcements was that it would limit bond purchases to a total of 10 billion cedis ($1.745 billion), of which it has already purchased 5.5 billion cedis.

Addison said he expected inflation to return to the bank's medium-term target band of around 8% by the second quarter of 2021, provided that adequate fiscal measures are taken.

($1 = 5.73 cedis)
(Reporting by Christian Akorlie; Writing by Aaron Ross; Editing by Bate Felix and Hugh Lawson)
(Aaron.Ross@thomsonreuters.com; +221 77 569 1702))

Kenya

Kenya to sell 11-year infrastructure bond in August

28-Jul-2020

NAIROBI, July 28 (Reuters) **- Kenya will sell an 11-year, amortised infrastructure bond to raise 70 billion shillings ($650.26 million) next month, the central bank said on Tuesday.**

The bank said in a statement it would receive bids for the bond until Aug.18, and auction it a day later.

($1 = 107.6500 Kenyan shillings)
(Reporting by George Obulutsa; editing by Elias Biryabarema)
(george.obulutsa@thomsonreuters.com; Tel: +254 20 499 1234; Reuters Messaging: george.obulutsa.thomsonreuters.com@reuters.net)

Morocco

Morocco plans $12.8 bln stimulus to aid recovery from COVID-19 crisis, king says

30-Jul-2020

RABAT, July 29 (Reuters) - **Morocco will inject a stimulus of 120 billion dirhams ($12.8 bln), representing 11% of its gross domestic product, into the economy to help it recover from the coronavirus crisis, King Mohammed VI said on Wednesday.**

The government has already said it expects the economy to contract by 5%, the fiscal deficit to widen to 7.5%, and treasury debt to rise to 75.3% of GDP this year.

The king, in a speech, also ordered the creation of a strategic investment fund to support economic activity, including major projects.

"The repercussions of this health crisis will be harsh despite our efforts to reduce its impact," said the king, who has the final say on most major state decisions in Morocco.

He also urged state welfare to be extended to all Moroccans within five years, noting that the pandemic has revealed the inadequacy of social safety nets and the large size of the informal economy.

More than a third of Moroccan workers already work in unregistered businesses without social protection, doing manual labour or selling in the streets, accounting for 14% of GDP, according to the planning agency.

Unemployment is expected to surge to 14.8% in 2020 from about 9.2% before the pandemic, the agency said.

Morocco has registered 22,213 cases of the coronavirus including 334 deaths and 17,125 recoveries.

(Reporting by Ahmed Eljechtimi, editing by Angus McDowall and Tom Brown)
(ahmed.eljechtimi@thomsonreuters.com)

Mozambique

Fitch Ratings: Progress on LNG Project Boosts Mozambique's Medium-Term GDP Prospects

29-Jul-2020

Fitch Ratings-Hong Kong-29 July 2020: **A large financing agreement for one of Mozambique's**

large LNG projects shows continued progress on project implementation despite security challenges and lower medium-term hydrocarbon prices, raising the prospect of significant positive effects on Mozambique's growth and public finances in the longer run, Fitch Rating says. Total SE (AA-/Stable), whose Mozambican subsidiary is the operator of the LNG project related to the development of the Golfinho and Atum gas fields, announced on 17 July 2020 it secured a USD14.9 billion financing (98% of Mozambique's 2020 GDP). The funding was sourced from a mix of export-credit institutions, commercial banks and the African Development Bank (USD400 million). The project requires overall investment of USD20 billion (132% of Mozambique's GDP) and involves the construction of two gas liquefaction trains, the first of which is scheduled to come on stream in 2024. However, delays could occur for example if global energy companies' capital budgets are reduced further due to further changes in long-term energy price assumptions energy prices or if security risks cause operational interruptions. Terrorist attacks in the northern province of Cabo Delgado, where the projects are located have increased in recent months. Although LNG facilities have not yet been directly attacked, contractors for Total were targeted in June 2020. While the Total project is moving forward, the decline in global energy prices and need to cut investment globally led ExxonMobil, leader of a separate USD30 billion (around 200% of GDP) project related to the development of the onshore Mamba field, to postpone its final investment decision to next year. This will delay the start of production of the two onshore trains by one or two years, which would delay the start of production to around 2025-2026. The third LNG project (USD8 billion) in the Coral South field, led by Eni SpA (A-/Stable), for which a final investment decision was made in 2017, is unaffected with production scheduled for late 2023, although delays cannot be ruled out. The LNG production from the three projects is expected to have a significant effect on growth in the medium-term. **The combined capacity of the three projects is roughly equivalent to twice the size of Mozambique's 2020 GDP. Fiscal benefits would start to emerge only well after production commences as LNG development costs are likely to offset the rise in government LNG revenues for at least five years.** In addition, the interest rate on Mozambique's restructured Eurobond (USD900 million) will increase to 9% in 2023 from 5% currently. The implementation of the LNG projects, which require large imports of capital and intermediate goods, is generating extraordinarily large current-account deficits (CADs). We project the CAD to deteriorate to 64% of GDP in 2020 from 21% in 2019. The CAD related to mega projects (including indirect effects) is expected to be 50% of GDP in 2020, rising to 56% in 2021 and 70% in 2022, with an overall CAD of 68% and 80% respectively. The CAD is essentially financed by foreign direct investments (FDI) and private loans, mostly directed towards the LNG projects (around 50% of GDP in total in 2020), by government and bank borrowing (around 7% of GDP in 2020) and by drawing down on international reserves. **In the short-term, Mozambique is facing substantial credit risks, which are reflected in its 'CCC' rating.** Fiscal and external financing needs are high as the hit to public and external finances due to the pandemic related shock came as the country was still recovering from the devastating effects of the two cyclones that hit the country in 2019. These risks are compounded by high levels of general government debt (106% of GDP in 2020) and the unresolved liabilities of state-owned-enterprises Proindicus and MAM.

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email: peter.fitzpatrick@thefitchgroup.com
Wai Lun Wan, Hong Kong, Tel: +852 2263 9935, Email: wailun.wan@thefitchgroup.com
Additional information is available on www.fitchratings.com

South Africa

IMF board approves $4.3 bln loan to help South Africa to fight pandemic

27-Jul-2020

WASHINGTON, July 27 (Reuters) **- The International Monetary Fund said on Monday its executive board approved $4.3 billion in emergency financing for South Africa to help the country address the "severe economic impact" and health challenges of the coronavirus pandemic.**

The IMF said the Rapid Financing Instrument (RFI) loan, equal to 100% of South Africa's IMF quota, or shareholding, will help fill urgent balance of payments needs from pandemic-caused fiscal pressures.

It also will "limit regional spillovers, and catalyze additional financing from other international financial institutions," the Fund added in a statement.

Africa's most industrialized economy, which relies on foreign investors to fund its twin current account and budget deficits, was in recession even before COVID-19 started ravaging its economy.

Forecasts are for gross domestic product to shrink by at least 7% this year, and a budget deficit of around 15% of GDP.

South Africa plans to borrow around $7 billion from international financial institutions to cushion the economic impact of COVID-19 and help struggling businesses and households.

Of that $7 billion, the New Development Bank of the BRICS group of nations - of which South **Africa is a member - has already approved a**

$1 billion loan, and the African Development Bank has said it will lend the government roughly 5 billion rand ($304.55 million). Talks with the World Bank are ongoing.
"Going forward, our fiscal measures will build on our policy strengths and limit the existing economic vulnerabilities which have been exacerbated by the COVID-19 pandemic," Minister of Finance Tito Mboweni said in a statement after the IMF announcement.
The government has been at pains to stress that it does not want an IMF structural adjustment programme, reflecting deep suspicion in the governing African National Congress (ANC) party and influential trade union movement because of the possible austerity conditions of such a programme.
IMF's First Deputy Managing Director and Chair Geoffrey Okamoto said there is a pressing need for South Africa to "strengthen economic fundamentals and ensure debt sustainability by carrying out fiscal consolidation, improving the governance and operations of state-owned enterprises and implementing other growth-enhancing structural reforms."
South Africa has recorded more than 400,000 coronavirus cases, the most in Africa, with cases rising at one of the fastest daily rates worldwide in recent weeks.

($1 = 16.4177 rand)
(Reporting by David Lawder and Nqobile Dludla
Editing by Chris Reese and Aurora Ellis)
(David.Lawder@tr.com; +1 202 354 5854; Reuters Messaging:
david.lawder.thomsonreuters.com@reuters.net)

South Africa's economy to contract 7.2%, even after loan injection

28-Jul-2020
JOHANNESBURG, July 28 (Reuters) - **South Africa's economy is likely to contract by 7.2% this year due to the impact of the new coronavirus, and growing debt repayments will hamper its recovery, the International Monetary Fund (IMF) said on Tuesday.**
The Washington-based lender approved $4.3 billion in emergency financing for Africa's most advanced economy late on Monday.
The IMF loan is part of $7 billion in planned borrowing from international financial institutions. **The BRICS Bank has approved a $1 billion loan, and the African Development Bank says it will lend the government 5 billion rand ($304.55 million). Talks with the World Bank are ongoing.**
In a country report complied by its executive team published on Tuesday, the IMF said the recession would limit the government's ability to reduce debt and a bulging fiscal deficit.
"Despite the sizable relief package, the pandemic will drive the economy into a deep recession in 2020, with adverse implications for the fiscal deficit and debt," the IMF said.
President Cyril Ramaphosa announced a 500 billion rand stimulus package in April after imposing a strict lockdown in late March to curb infections, which passed 450,000 this week, the most on the continent.
The IMF sees the consolidated budget deficit hitting 16% of gross domestic product (GDP), with public debt at 78.1% of GDP in 2020 and 82.4% in 2021.
It said forecasts were "subject to prominent downside risks", citing increased bond issuance, social instability and bailouts to state-owned firms, especially power utility Eskom, as risks.
"Specific and well-defined fiscal consolidation and reform commitments in the October MTBPS (medium term budget) will be a critical first step to establish the credibility of the reform efforts, followed by steadfast implementation," the IMF said.
In a letter to the IMF signed by the finance minister and the central bank governor, South Africa said it was "open to introducing a debt ceiling in addition to the nominal spending ceiling currently in place" to reduce deficits.

(South African rand = $0.0605)
(Reporting by Mfuneko Toyana; Editing by Kevin Liffey and Barbara Lewis)
(mfuneko.toyana@thomsonreuters.com; +27117753153; Reuters Messaging:
mfuneko.toyana.thomsonreuters.com@reuters.net)

South Africa records $1.3 bln budget deficit in June

30-Jul-2020
JOHANNESBURG, July 30 (Reuters) - **South Africa recorded a 22.30 billion rand ($1.33 billion) budget deficit in June, compared to a surplus of 23.61 billion rand in same month last year, National Treasury data showed on Thursday.**
The tables below show revenue and expenditure for the third month of the 2020/21 fiscal year (April to March), compared with the previous financial year.
These are also expressed as a percentage of the 2020/21 budget and the preliminary outcome for 2019/20.

($1 = 16.7642 rand)
(Reporting by Olivia Kumwenda-Mtambo
Editing by Alexander Winning)
(Olivia.Kumwenda@thomsonreuters.com; +27 10 346 1084))

South Africa economy could contract 8.2% if second COVID-19 wave hits, OECD says

31-Jul-2020
JOHANNESBURG, July 31 (Reuters) **- South Africa's economy could contract 8.2% this**

year, and grow just 0.6% in 2021, if a second wave of COVID-19 cases hits the country and its main trading partners, the OECD said on Friday.
If a second wave of infections is avoided, the economy will contract 7.5% in 2020 before rebounding 2.5% next year, the OECD said in a report on Africa's most industrialised economy.
South Africa was in recession before the pandemic struck, with recurring power cuts by struggling state utility Eskom and weak business confidence dampening economic activity.
President Cyril Ramaphosa's government has promised to fast-track reforms to raise economic growth potential, but some investors are becoming restless about the pace of change.
"South Africa cannot afford to delay reforms. It is essential to undertake reforms to restore long-run fiscal sustainability and growth, while continuing to support the economy in the short run," Alvaro Pereira, the OECD's economics department country studies director, told a news conference.
National Treasury Director-General Dondo Mogajane told the news conference that low levels of productivity and competitiveness were inhibiting job creation and investment, and said the government was focused on addressing those problems.
In its report, the OECD - a global organisation that seeks to promote economic growth, prosperity and sustainable development - suggested the South African government was right to prioritise reining in the public sector wage bill, which it said was high by OECD standards.
The OECD proposed indexing civil servants' salaries below inflation for three years, a move likely to exacerbate existing conflict between the government and trade unions, who are already fighting in the courts over promised wage increases.
Other recommendations included developing tourism, raising investment in transport infrastructure, easing regulatory restrictions and reforming the pension system to boost coverage.

(Reporting by Alexander Winning; editing by Olivia Kumwenda-Mtambo and Timothy Heritage)
(alexander.winning@tr.com; +27 11 595 2801))

GLOBAL

Gold rush! Jittery investors chase safe-haven assets

31-Jul-2020
LONDON, July 31 (Reuters) - **Money managers allocated $3.9 billion into gold, the second largest weekly inflow ever, as well as $5.6 billion into cash, Bank of America's weekly fund flows statistics showed on Friday.**
A net total of $1.1 trillion dollars have been put into cash so far in 2020 as COVID-19 led lockdowns roiled global economies.
Bond funds attracted $17.2 billion, of which $12.6 billion went into investment grade bonds, the weekly data showed. There have been net inflows to high yielding bonds in 17 of the past 18 weeks.
A net $1.9 billion flowed out of equities, with the United States equities seeing their largest outflows in 4 weeks, while money flowed in to European equities for the third consecutive week.
"In our view, the bigger story is the coming era of bigger government, smaller world, unconventional fiscal policy accelerated by pandemic, heralded by higher gold and weaker U.S. dollar," BofA said.

(Reporting by Elizabeth Howcroft; editing by Thyagaraju Adinarayan)
(Elizabeth.Howcroft@thomsonreuters.com; +44 02075427104))