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Emerging Sovereign Debt Markets NEWS

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ASIA

Middle East

IMF calls for Mideast sovereign wealth funds to boost local economies

27-Apr-2020

By Davide Barbuscia

DUBAI, April 27 (Reuters) - **Sovereign wealth funds in the Middle East should be used to boost growth, an International Monetary Fund (IMF) official said on Monday, as regional economies struggle with the coronavirus pandemic and the crippling impact of lower oil prices.**

Oil exporters in the Middle East and North Africa (MENA) region are expected to see a yearly decline in oil export receipts this year of $226 billion, according to the IMF.

This is likely to weigh on their budgets, widening fiscal deficits and potentially limiting governments' firepower to boost economic growth.

For Gulf oil exporters this is problematic as government spending has been a key engine of economic transformation plans launched over the past few years to diversify their economies away from oil revenues.

Jihad Azour, director of the IMF's Middle East and Central Asia Department, said oil exporters needed to find new areas of growth amid the current downturn caused by plunging oil prices and the new coronavirus outbreak.

"Sovereign wealth funds can play a role, regional institutions can play a role," he said during an online conference.

Oil prices have slumped this year as lockdowns across the world aimed at containing the pandemic have hammered demand.

The sovereign wealth funds of oil-rich governments such as Abu Dhabi, Kuwait, Saudi Arabia, and Qatar are among the world's largest, but they could see their assets decline by $296 billion by the end of this year, the Institute of International Finance has estimated.

MENA oil exporters are likely to see a 4.2% real GDP contraction this year, Azour said, down from a previous projection of 2.1% growth.

He called for an acceleration of reforms aimed at diversifying the regional economies.

"There are a certain numbers of taboos that lived with us for some time, that oil exporting economies for example have to be pro-cyclical, this is something that we could break ... Or that instruments cannot be redirected, that sovereign wealth funds cannot be redirected to help the economy grow," he said.

Twelve countries in the region - Bahrain, Iran, Morocco, Saudi Arabia, the United Arab Emirates, Egypt, Tunisia, Kuwait, Libya, Mauritania, Sudan, and Iraq - have provided $64 billion in combined fiscal support in response to the pandemic, corresponding to an average of 2.7% of GDP, the IMF said.

Central banks in Bahrain, Qatar, the UAE, Morocco, Jordan, Saudi Arabia, and Tunisia, have provided $47 billion in combined additional liquidity support.

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China

China issues additional special bond quotas to three provinces

28-Apr-2020

BEIJING/SHANGHAI, April 28 (Reuters) - **China's finance ministry has given three provinces additional advanced quotas for the issuance of local government special bonds, five sources with knowledge of the matter said.**

The southeastern province of Jiangxi is already in discussions with underwriters and is preparing to issue special bonds worth 51 billion yuan ($7.20 billion) on May 26, one source familiar with the province's plans told Reuters.

The eastern province of Jiangsu plans to issue 52.9 billion yuan worth of special bonds on May 28, and northern Shandong province is also preparing to issue bonds, the sources said Tuesday on condition of anonymity as they were not authorised to speak with media.

In response to a Reuters request for comment, the Ministry of Finance said official statements would appear on its website.

The provinces' new issuance plans come after the finance ministry said on April 20 that it planned to issue an additional 1 trillion yuan in advanced quotas for special bonds, which are used by local governments to fund major infrastructure projects.

China usually sets its yearly quotas for local government bond issuance at its annual

parliamentary meeting, which has been delayed due to the coronavirus outbreak.
The coronavirus has infected 82,836 people in the mainland and killed more than 4,600, the country's National Health Commission said on Tuesday.

($1 = 7.0832 Chinese yuan)
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India

Fitch warns India against further deterioration in fiscal outlook

28-Apr-2020
By Swati Bhat
MUMBAI, April 28 (Reuters) - **India's sovereign rating could come under pressure if its fiscal outlook deteriorates further as the government tries to steer the country through the coronavirus crisis, rating agency Fitch said on Tuesday.**
Fitch currently rates India at BBB-, with a stable outlook, but any downgrade would consign its sovereign debt to junk bond territory.
The rating agency noted that India is likely to post dismal economic growth this year as a result of the coronavirus pandemic, and the government has limited room to provide fiscal stimulus.
"The government may tighten fiscal policy again once the pandemic is under control, but India's record of meeting fiscal targets and implementing fiscal rules has been mixed in recent years, which will colour our assessment of any official commitment to tighten fiscal policy over the medium term," Fitch warned.
Fitch did not provide an estimate for fiscal deficit but Morgan Stanley in a note last week said the central government deficit could rise to 6.2% of GDP in 2020/21 versus the budgeted target of 3.5% based on its growth projection of 0.5% for FY21.
Fitch also cut the country's GDP growth forecast for fiscal year ending March 2021 to 0.8%, sharply down from its previous forecast of 5.6% before the coronavirus outbreak.
"We expect growth to rebound to 6.7% in FY22, but there is a risk that the crisis could amplify fiscal and financial sector strains and hurt the country's growth prospects over the medium term."
Risks to the medium-term economic outlook will increase if India experiences another bout of stress in its financial system, the agency said.
The current slowdown will reverse at least some of the improvement of the past few years in banking-sector health while prolonged financial-sector weakness could weigh on credit growth, economic output, investment and productivity, it added.
To slow the coronavirus outbreak, the government has put the country under a lockdown that has already lasted for more than a month, and while it is set to end on May 3 an extension until at the least the middle of the May is possible.
The country has recorded over 29,400 coronavirus cases and 934 deaths, while global cases have risen to over 3 million.
Fitch had affirmed India's current rating and outlook in December, before the onset of the coronavirus.
The rating agency believes the country has limited fiscal space to respond to the challenges posed by the health crisis and the government debt is likely to rise to over 77% of GDP in FY21 versus 70% of GDP in FY20 on the back of fall in growth, wider fiscal deficits and assuming a restrained fiscal response.
The median debt to GDP for 'BBB' rated countries stands at 42% of GDP but India's relatively robust external position supports its sovereign rating currently and has helped offset its comparatively weaker fiscal metrics, according to Fitch.
McKinsey and Company in April had projected the economy could contract sharply by around 20% in the three months through June if the lockdown gets extended to mid-May with full year growth likely falling 2% to 3%.

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India Faces Increased Risk of Rating Downgrade by Moody’s, Nomura Says

29-Apr-2020
By Dharam Dhutia
NewsRise
MUMBAI (Apr 29) -- **India is facing increased risk of a sovereign rating downgrade by Moody’s Investors Service as the coronavirus pandemic worsens the country’s economic outlook, Nomura said.**
The impact of the outbreak and the resultant lockdown could also cause Fitch Ratings to lower its India credit rating outlook to negative, Nomura said in a note.
“India’s Achilles heel on ratings is its parlous state of fiscal affairs and the risk of a sharp deterioration of general government debt from about 70% of GDP to potentially about 75-80% of GDP,” economist Sonal Varma wrote in a note. “A further risk is the deterioration in economic growth, partly intertwined with financial sector concerns.”
Moody’s currently rates India at Baa2 with a

negative outlook, while Fitch rates India at BBB- with a stable outlook. S&P Global Ratings has a BBB- rating on India with a stable outlook.
India has been under a 40-day lockdown till May 3 to curb the spread of coronavirus. Some states have asked for an extension of the lockdown as the virus cases continue to rise. The contagion has infected 31,332 people in the country and killed 1,007 so far. Moody's yesterday lowered India's economic growth forecast to 0.2% in 2020 from the 2.5% expansion it had predicted in March most businesses remain shut amid the pandemic.
"In terms of timing, we believe that Moody's may wait to get a better handle on the government's fiscal plans to make a more complete assessment of the growth and fiscal impact. It will also most probably be closely monitoring developments on financial stability with banks and shadow banks facing the first bout of liquidity pressures from the COVID-19 disruptions," Nomura said.
In November 2017, Moody's raised India's ratings from Baa3, even as the other two rating agencies refrained from any such action. The rating agency, however, cut its outlook to negative in November 2019 citing slowing economic growth.
In December, Fitch reaffirmed India's ratings with a stable outlook but highlighted financial sector and weak fiscal risks. In February, S&P maintained its rating and outlook on India based on the conviction that economic growth will stabilise and the fiscal deficit, while elevated, should remain broadly in line with its forecasts.
"In our view, for S&P to consider a downgrade in its outlook, just fiscal deterioration may not be enough of a trigger. Rather, it would need to be convinced that the ongoing economic pain has structural legs and involves changes to institutional factors like the risk to social cohesion, diminished capacity of institutions, weak labour market, or evidence of tapering in reform momentum," Nomura said.
India aims to maintain its fiscal deficit at 3.5% of the GDP this year, but most brokerages expect the government to miss the target due to shortfall in revenue and higher expenditure to meet economic needs.
Nomura said the likely rating downgrade from Moody's may not significantly surprise markets, and there may be only a small and short-lived negative impact on Indian rupee.
"The bigger risk for INR stems from the other rating agencies (S&P and Fitch), where India is rated BBB- and stable. If India's outlook is moved to negative, then the next step is a potential downgrade."
Meanwhile, the possibilities of rating downgrades could dent prospects for India bond inflows in the medium term. "In the near term, as discussed above, the Moody's downgrade is largely priced-in. For India bonds, the key focus is on the extent of fiscal slippage and RBI support for additional issuance."

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India Bonds Set For Third Weekly Gain on More Special OMO Hopes

30-Apr-2020
By Dharam Dhutia
NewsRise
MUMBAI (Apr 30) -- **India's federal government bonds are set to post their third consecutive weekly gain amid anticipation of more special market operations from the central bank, which will help clear excess debt supply.**
The benchmark 6.45% bond maturing in 2029 changed hands at 102.43 rupees, yielding 6.11%, at 1:00 p.m. in Mumbai, against 102.30 rupees and a 6.12% yield yesterday. The yield was lower by six basis points for the week. The Indian rupee was at 75.18 to the dollar against 75.69 at 2:00 p.m. yesterday.
India today raised 230 billion rupees against 190 billion rupees target via sale of bonds, amid aggressive demand from traders. The government exercised greenshoe option and raised additional 20 billion rupees each via 2024 and 2033 papers.
"Bonds yields would have easily fallen more, had fiscal concerns and additional supply fears not been there," a trader with a private bank said.
Earlier this week, the Reserve Bank of India bought six-year to 10-year bonds, and sold cash management bills and Treasury Bills for 100 billion rupees. Market participants expect more such auctions and hopes of inclusion of the benchmark paper.
However, bonds were trading flat-to-lower today as traders expect the federal government will soon announce an economic package to buffer the impact of the novel coronavirus outbreak that led to the ongoing 40-day nationwide lockdown.
The clamour for a stimulus package has grown as the lockdown has brought most economic activities to a halt and led to job losses and pay cuts across sectors. Analysts expect the economy to see a sharp slowdown and possibly even contract this year. The virus has infected 33,050 people in India, resulting in 1,084 deaths so far.
India's economic package is being worked on and should be coming out soon, the finance ministry's Chief Economic Adviser, Krishnamurthy Subramanian, said yesterday.
India will considerably relax restrictions in many areas from May 4 while ensuring that gains from the lockdown are not squandered away, according to a spokesperson for the ministry of home affairs.
Higher government expenditure may lead to additional supply of bonds in the later part of the year, leading to calls for more support from the

central bank, including a series of secondary market bond purchases and a tweak in valuation norms to shield banks from market-to-market losses.
India's fiscal deficit rising above the budget target of 3.5% of gross domestic product this financial year is unavoidable, as government measures are key to combat the impact of the pandemic, Reserve Bank of India Governor Shaktikanta Das has said.
The direct monetisation of federal government debt by the central bank should be the last resort, H.R. Khan, a former deputy governor at the RBI, said yesterday.
Crude oil prices rose on signs that U.S. crude oil supplies are not growing as fast as expected and that demand will improve once coronavirus concerns in major economies ease. The benchmark Brent crude oil contract was up 10.5% at $24.20 per barrel, hovering near over-one-week highs. India imports over 80% of its crude oil requirements.

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Indonesia

Indonesia to keep debt sustainable, says ADB

27-Apr-2020
Adrian Wail Akhlas, The Jakarta Post, Jakarta
Indonesia's debt is expected to remain sustainable this year despite a steep increase in the planned issuance of government bonds to finance the country's widening budget due to a big COVID-19 stimulus check, the Asian Development Bank (ADB) has said.
ADB Indonesia country economist Yurendra Basnett said that the country had entered the COVID-19 crisis with one of the lowest debt-to-GDP ratios in the world, while the government's lower revenue and higher state spending would likely push the ratio higher.
"The important point is that the increasing debt-to-GDP ratio will still remain at the sustainable level of below 40 percent," he told reporters during a limited media briefing on Thursday. Basnett projected that Indonesia's debt-to-GDP ratio would reach 37.8 percent this year.
Indonesia had a debt-to-GDP ratio of 29.8 percent at the end of 2019, lower than that of many countries, including Japan (238 percent), Singapore (112 percent), the United States (106 percent) and Malaysia (50.7 percent). Under Law No. 17/2013 on state finance, the government must maintain a debt-to-GDP ratio of below 60 percent.
The government has increased this year's budget financing by raising Rp 1 quadrillion (US$64.35 billion) in loans, a 286 percent jump from the original target of Rp 351.9 billion as stipulated under the newly enacted Presidential Regulation (Perpres) No. 54/2020 on the revised 2020 state budget.
Under the regulation, the government also plans to offer Rp 549.6 trillion in sovereign debt papers, 41.2 percent higher than Rp 389.3 trillion as originally planned, while it also plans to raise Rp 450 trillion through the issuance of "pandemic bonds".
"The Indonesian government has been quite prudent in its debt management so far," ADB vice president for Southeast Asia, East Asia and the Pacific Ahmed M. Saeed said during the press briefing. He added that the significant contraction in economic activity, both around the world and in Indonesia, was "absolutely essential" as a way out of the health crisis.
"Raising debt and spending it on the COVID-19 fight is appropriate and the right thing for the government to do," Saeed said.
The ADB has approved a $1.5 billion loan to help finance Indonesia's efforts to mitigate the impacts of the COVID-19 outbreak on public health and the economy.
Indonesia has set aside Rp 436.1 trillion of the 2020 state budget, or 2.5 percent of GDP, to fund public health needs, safety net programs, relief assistance for small and medium businesses, and relief assistance for manufacturing and tourism companies that have been affected by the outbreak.
Official data on Sunday afternoon showed that the virus had infected 8,882 people in Indonesia, with a death toll of 743.
The government is looking to finalize by next week a new Rp 35.3 trillion tax incentive for 18 sectors that have been battered by COVID-19, including the tourist and the food and beverage sectors. The incentive package offers individual income tax exemptions, import tax deferrals and corporate tax discounts, similar to the earlier stimulus package offered to the manufacturing sector.
Perbanas Institute economist Piter Abdullah said on Friday that Indonesia's debt-to-GDP ratio would increase to only around 35 percent with the current stimulus packages.
"However, there is a huge possibility that the stimulus [packages] will grow, as it is not enough," Piter told The Jakarta Post, saying that the government would need to provide between $70.5 billion and $90 billion to stimulate the health sector and the economy.
"Thus, the debt burden will rise but the debt-to-GDP ratio will remain below 40 percent and below the current legal limit," he said.

Indonesia central bank says yields bid

too high at govt bond auction

29-Apr-2020

- **Not all of $91 bln govt debt to be raised in bonds – central bank**
- **Central bank sees 425 trln rupiah bond offering for rest of 2020**
- **Capital inflows seen pushing yields down - governor**

JAKARTA, April 29 (Reuters) - **Bond investors should not bet on Indonesia selling debt at higher yields, as the amount to be raised for the rest of the year will be manageable and capital inflows will push yields lower, central bank governor Perry Warjiyo said on Wednesday.**

Warjiyo's comments come a day after the government raised 16.62 trillion rupiah ($1.08 billion) at its regular bi-weekly auction, below target, despite total incoming bids of 44.4 trillion rupiah.

The government called for a greenshoe option auction on Wednesday for a maximum of 23.8 trillion rupiah, covering for the target it did not meet the previous day.

Warjiyo told an online news conference the central bank bought 2.3 trillion rupiah in Tuesday's auction as a non-competitive bidder and may purchase more in the additional auction.

The governor suggested investors had bet the government would pay higher yields due to its ballooning budget deficit this year as it ramps up funding to fight the COVID-19 pandemic.

"The market will see, at the beginning they bid for yields that are too high, thinking the sum that will be raised will be so large," Warjiyo said, adding that the 8.08% weighted average yield awarded for 10-year bonds on Tuesday was too high.

"The yield differential between our bonds and other countries is so high and that's attractive. If the market realises this, slowly bids will come with lower yields," he said.

The government's fiscal deficit is expected to swell to 5.07% of GDP this year, the widest in more than a decade, and far higher than an earlier plan for a 1.76% deficit.

This means the government would have to bump up its gross issuance of debt to 1,400 trillion rupiah ($91.32 billion) this year.

Warjiyo said the government would not raise all of that in the bond market as its cash and loans from development banks were expected to cover for some 500 trillion rupiah. BI's new secondary reserve requirement ratio would also mean commercial banks will buy another 100 trillion rupiah.

The total amount to be raised in the bond market for the rest of 2020 was seen at around 425 trillion rupiah, indicating that the target in each auction will not jump very much, he said.

By early May, BI would have injected a total of 503.8 trillion rupiah of additional liquidity to the financial system to help cushion the economic impact of the virus outbreak, in operations Warjiyo called "quantitative easing".

($1 = 15,330 rupiah)

(Reporting by Gayatri Suroyo, Tabita Diela and Fransiska Nangoy; Editing by Jacqueline Wong)
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Indonesia govt to defend coronavirus spending in top court

29-Apr-2020

JAKARTA, April 29 (Reuters) - **The Indonesian government will defend its emergency regulation for a massive spending increase to cushion its economy against the impact of the novel coronavirus pandemic, an official said on Wednesday, as the Constitutional Court reviewed its legality.**

President Joko Widodo announced the regulation in lieu of a law known by its Indonesian abbreviation "Perppu" in late March, as he declared a public health emergency over the COVID-19 outbreak in the world's fourth most populous country.

The Perppu, which took effect immediately but must be approved by parliament to remain effective, allows Widodo to roll out some $25 billion of spending for COVID-19 response, including for welfare programmes and economic stimulus.

It also contains provisions that waive a cap on the maximum budget deficit per fiscal year for three years, cut the corporate tax rate and set out a new financial crisis management protocol.

The Constitutional Court has already begun hearing three requests for judicial review against the Perppu earlier this week, but has asked petitioners to improve their papers and resubmit before May 11, it said in a statement.

The petitioners include Amien Rais, former head of the People's Consultative Assembly - Indonesia's highest parliamentary body, former chairman of Islamic group Muhammadiyah, Din Syamsuddin and senior economic professor at the University of Indonesia Sri Edi Swasono.

They argue that there was no immediate emergency behind the Perppu, while the regulation's content took away too much power from parliament and gave impunity to policymakers, according to the court.

Luky Alfirman, the finance ministry's head of financing department, said the government would defending its regulation in the court and seek parliamentary approval.

"The government is committed to see what's going on about this (Perppu) in these two areas," he said in a call with investors.

Finance Minister Sri Mulyani Indrawati has previously said the Perppu gave legal protection for policymakers who must make an immediate decision in the face of a crisis. She has also pledged good governance.

Indonesia has officially reported 9,511 coronavirus cases, with 773 deaths, although some medical experts are concerned relatively low testing is masking a much higher rate of infection.

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Indonesia plans to sell $58 bln worth of bonds by end-2020

30-Apr-2020

- **Indonesia to sell 856.8 trln rupiah of bonds this year - finmin**
- **Indrawati's bond issuance estimate double of central bank governor's**
- **2020 gross issuance of debt estimated at 1,439.8 trln rupiah**

JAKARTA, April 30 (Reuters) - **Indonesia plans to sell 856.8 trillion rupiah ($57.8 billion) of bonds in the second quarter through to the end of the year to cover a widening budget deficit for its COVID-19 response, Finance Minister Sri Mulyani Indrawati said on Thursday.**

The planned bond sale is more than double the central bank's estimate of 425 trillion rupiah for the rest of the year given by Governor Perry Warjiyo a day earlier.

Indrawati projected total gross issuance of debt in 2020 at 1,439.8 trillion rupiah, including deficit financing, government programmes that are not included in the formal budget and payment of maturing loans.

She said the government expected to raise 150.5 trillion rupiah from loans from development banks and the rest in the bond market, with total bond sales from April to December seen at 856.8 trillion rupiah.

"We will raise this through auctions in the domestic market, retail bonds as well as private placement, and we also still see a possibility to issue bonds in foreign currencies," Indrawati told a hearing with parliament's finance commission.

Bank Indonesia Governor Warjiyo on Wednesday gave a smaller estimate for bond sales and said yields were bid too high at auctions and investors should not bet on such high returns. He reiterated his calculation at the same parliamentary hearing.

He said the government should be able to cover for around 500 trillion rupiah of the total debt using its carry-over cash and development loans, reducing the amount to be raised in the bond market significantly.

A central bank spokesman declined to comment on Indrawati's remarks to parliament, while the finance ministry's head of debt department Luky Alfirman did not respond to a request for comment on the central bank's estimate.

The government sold 221.4 trillion rupiah of bonds in the first quarter, finance ministry data showed.

In the global market, the country sold $4.3 billion of U.S.-dollar denominated bonds earlier this month and over $3 billion in U.S.-dollar and euro-denominated bonds in January.

Officials have said more bond offerings in U.S. dollars, including Islamic bonds, Japanese yen and euro may be pursued this year.

($1 = 14,825.0000 rupiah)
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BI buys $11.2b in govt bonds to support rupiah, financing needs

01-May-2020

Adrian Wail Akhlas, The Jakarta Post, Jakarta

Bank Indonesia (BI) has bought up to Rp 173.1 trillion (US$11.24 billion) worth of government bonds from primary and secondary markets in a bid to stabilize the rupiah and support the government's financing needs.

BI Governor Perry Warjiyo said the central had bought Rp 166.2 trillion worth of government bonds from foreign investors in the secondary market since early this year amid the decline of the rupiah against the US dollar.

He said the Rp 2.3 billion worth of government debt papers were purchased during the government's regular auction on Tuesday. This is in addition to Rp 1.72 trillion worth of bonds bought by BI in a regular auction on Tuesday last week and Rp 2.93 trillion bought by the central bank in a "greenshoe option" on Wednesday last week.

"We see that the government's financing needs will be fulfilled by the market," Perry told reporters in a virtual press conference on Wednesday, adding that bond investors should not bet on Indonesia selling debt at higher yields, as the amount to be raised for the rest of the year will be manageable and the inflow of foreign funds would push yields lower.

The government on Tuesday raised Rp 16.62 trillion, below the target of around Rp 20 trillion to Rp 40 trillion, despite total incoming bids of Rp 44.4 trillion as investors bid yields that were too high.

"The market will see, at the beginning they bid for yields that were too high, thinking the sum to be raised would be large," Perry said, suggesting that investors had bet the government would pay higher yields as it would need a large amount of funds to finance the extra spending for COVID-19 mitigation efforts.

The country's budget deficit is expected to widen to 5.07 percent of GDP this year as the government would have to increase its gross issuance of debt to Rp 1.4 quadrillion this year to finance the COVID-19 mitigation and rescue program, according to Perry.

However, Perry says, the central bank sees only Rp 425 trillion in bond offerings for the rest of 2020 as the government maximizes spending from other sources, including its own cash, as well as loans from development banks, among others.

The government plans to provide another Rp 35.3 trillion in new tax incentives for 18 sectors, including those hardest-hit by the COVID-19 pandemic, such as tourism and the food and beverage sector.

This is on top of the Rp 436.1 trillion stimulus packages previously announced by the government to strengthen social safety nets, boost healthcare spending and for economic recovery programs.

The government raised another Rp 62.62 trillion from government debt papers on Monday and seeks to secure $750 million in loans from development banks, according to Finance Minister Sri Mulyani Indrawati and Finance Ministry data.

Previously, Indonesia had raised $4.3 billion in dollar-denominated bonds, including the longest-dated 50-year dollar bond ever issued by an Asian nation, earlier this month. It also sold around Rp 14 trillion in sharia sovereign bonds last week.

By early May, BI will have injected a total of Rp 503.8 trillion in additional liquidity to banks and the financial system to help cushion the economic impact of the virus outbreak and to strengthen the rupiah as part of its quantitative easing measures.

The rupiah gained against the greenback over the last few weeks, strengthening to Rp 15,394 per dollar as per 11 a.m. on Wednesday from this year's low of 16,625 per US dollar, according to Bloomberg data.

The currency has depreciated as much as 18 percent this year before bouncing back to the current level as the central bank moved to support the rupiah by buying government bonds from foreign investors as they dumped Indonesian assets over fears related to COVID-19.

Israel

Israel breaks into Formosa market

01-May-2020

LONDON, May 1 (IFR) - **Israel made a strong debut in the Formosa market on Monday, raising US$5bn through a 40-year bond at a yield of 3.80%.**

The note landed at the tight end of initial guidance of 3.80% - 3.90%, with the final books passing US$11bn.

"An outstanding result," said a banker away from the trade. "High quality and high ratings but it was offering yield so ticked all the boxes for Taiwanese investors, yet it also didn't preclude other investors."

An Israeli finance ministry spokesperson said that the sovereign had been looking to tap the Formosa market for a number of years, and the deal came off some significant reverse enquiries. The listing allowed local Taiwanese investors to buy the bonds with their onshore portfolios and participate in size.

A lead said that 59% of the bonds had gone to Asia, compared to an allocation in the single digits in Israel's last transaction, a conventional US$5bn triple-tranche offering on March 31 that included a century bond.

"The tactic was to underpin it with core insurance money from Asia, where there was clearly the appetite and reverse enquiries for it, then open it out to a broader audience," said the lead, who said the main focus had been on a 40-year rather than, say, 30-year bond.

"Investors get a bit of incremental headline yield because of the curve, but it's more about hitting absolute yield hurdles that maximise demand. It shows how deep the market is that they were able to do that size without including US onshore accounts."

The size was at the upper end of Israel's target, and leads saw the final premium at 25bp.

The sale means Israel has raised US$10bn through the public markets in the past few weeks.

Like all nations, Israel's fiscal metrics are expected to weaken as it combats the effects of the coronavirus. However, as Moody's said on April 24 in changing the outlook on its A1 rating to stable from positive, "Israel's fiscal performance has materially worsened over the last two years".

The general government budget deficit, for example, reached an estimated 4% of GDP last year, compared with an average deficit of just over 1% in 2015-2017.

The spokesperson said that Israel's deep domestic markets will provide most of the sovereign's funding needs, while international issues, which are typically front-loaded, will materialise when the opportunity arises.

"The international market offers Israel access to very attractive funding on a historical basis, with depth," said the lead. "They can then revert to the local market as the year progresses."

Goldman Sachs was global coordinator and was joined on the books by Deutsche Bank and Merrill Lynch.

(This story will appear in the May 2 issue of IFR Magazine)
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Jordan

Jordan eases coronavirus curfew and reopens more businesses

27-Apr-2020
By Suleiman Al-Khalidi
AMMAN, April 27 (Reuters) - **Jordan on Monday eased restrictions on movement aimed at containing the spread of the coronavirus and allowed more businesses to reopen to help jump-start the cash-strapped economy, officials said.**
Residents of the capital can now drive their private vehicles as of Wednesday between 0800 and 1800 in the first such move since a nationwide curfew nearly 40 days ago that ordered the country's population of 10 million to stay at home.
Public transport and taxi services would also now resume with passenger restrictions and compulsory wearing of face masks and gloves, government spokesman Amjad Adailah.
The relaxation in curbs on movement in the capital follows a similar move last week in southern Jordan, including the Red Sea port city of Aqaba.
The government imposed the curfew shortly after the monarch enacted an emergency law that paralyzed daily life, and ordered shops and firms to close, leaving many daily wage earners struggling without pay.
Minister of Trade and Industry Tariq Hammouri said barbershops, beauty parlors, dryclean and cosmetics shops could now open in the latest string of small businesses from garments to flower shops and furniture outlets that can resume normal work.
"We hope to ease all restrictive measures with the passing of days as the (virus) threat recedes," Hammouri said.
The government of Prime Minister Omar al Razzaz won praise for quick moves that were some of the world's strictest measures to contain the COVID-19 pandemic, but the economic impact has deepened, with growing criticism by business lobbies.
It has carried out over 60,000 tests and detected 449 cases, many of whom have recovered. There have been seven deaths.
"Our duty now is to revive our economy and our health and we are able to do that," Health Minister Saad Jaber said.
Government offices however will remain shut until after the fasting month of Ramadan which is expected to end around May 23 and also schools and universities.
The country's airports and border crossing with its neighbours Syria, Iraq, Saudi Arabia and Israel are still closed to passenger traffic.
The economy has been battered with the tourism sector, a main source of foreign currency especially hard hit due to global travel disruptions.
The latest relaxation allow construction firms and many firms beyond pharmaceuticals, fertilisers and the agriculture sector that have kept operating but with lower staffing levels.
The crisis has thrown into doubt International Monetary Fund-backed growth estimates of 2.1 % for 2020 and officials expect the economy to contract for the first time since 1990.
The country's record $42 billion public debt, equivalent to 97 percent of GDP, is expected to exceed 100%, with extra financing to cushion the negative impact of the crisis, officials say.

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Kazakhstan

Fitch Says Foreign Exchange Rate Flexibility Supports Kazakhstan's External Resilience, but Fiscals Weaken

29-Apr-2020
April 29 (Reuters) - Fitch:
- **Fitch says foreign exchange rate flexibility supports Kazakhstan's external resilience, but fiscals weaken**
- Fitch says greater exchange rate flexibility in Kazakhstan will ease impact of this year's plunge in oil prices on external balance sheet
- Fitch, on Kazakhstan, says lower prices for oil, other minerals, OPEC+ production curbs to widen current account deficit
- Fitch, on Kazakhstan says prior to coronavirus, oil shocks, with frequent breaches of & changes to nascent fiscal rules & use of quasi-fiscal spending

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Kyrgyzstan

Kyrgyzstan in talks to restructure $1.8 bln in debt to China

29-Apr-2020
BISHKEK, April 29 (Reuters) - **Kyrgyzstan is in talks with the Export-Import Bank of China to restructure its debt, Deputy Prime Minister Erkin Asrandiyev said on Wednesday.**
The Central Asian nation, which owes the Eximbank $1.8 billion, said last month it would seek debt relief due to the impact of the coronavorus pandemic on its economy.

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Lebanon

With economy in "free fall", Lebanon aims for IMF aid

30-Apr-2020

BEIRUT, April 30 (Reuters) - **Lebanon plans to seek International Monetary Fund aid after approving an economic rescue plan setting out vast losses in its financial system as it aims to chart a way out of a crisis seen as the biggest risk to stability since the 1975-90 civil war.**

Rooted in decades of state waste, corruption and bad governance, the crisis is causing mounting economic hardship and fuelling unrest. A protester was killed during rioting in the northern city of Tripoli this week and dozens of soldiers have been wounded in the unrest.

Lebanon will use the rescue plan to negotiate an IMF programme, Prime Minister Hassan Diab said after it was approved by cabinet. The 53-page plan says the economy "is in free fall" and an international financial rescue package urgently needed.

"If we get (IMF support), and God willing we will, it will help us to pass through this difficult economic phase, which could be three, four or five years," said Diab, a little-known academic until he was nominated premier in January by the Iran-backed Shi'ite group Hezbollah and its political allies, including President Michel Aoun's party.

"The road ahead will not be easy, but our determination and optimism will help us."

The crisis has brought economic difficulties on a scale unseen before in Lebanon, even during its civil war.

Saddled with one of the world's biggest public debt burdens, the state defaulted on its sovereign debt in March for the first time. The government declared hard currency reserves had hit critically low levels and were needed for vital imports.

The local currency has shed more than half its value and savers have been largely shut out of their deposits since October, when countrywide protests erupted against ruling politicians.

Consumer goods prices in the import-dependent country have shot up by 50% since then.

The IMF is widely seen as Lebanon's only way to secure financing. Foreign governments that have supported Lebanon in the past have said it must implement long-delayed reforms before it gets any aid this time.

Lebanon is seeking external finance support in excess of $10 billion, Diab said. That is in addition to some $11 billion of funds pledged by donors in 2018 for infrastructure projects but which were conditional on long-delayed reforms.

HUGE LOSSES

The new plan maps out tens of billions of dollars of losses in the financial system, which has helped to bankroll decades of large state budget deficits.

"We will seek to absorb losses fairly, that is without any burdens on those who have not benefited from past policies," Diab said. The plan aims to protect depositors' money and strengthen and restructure banks, he added.

But the government would seek a contribution from those who had benefited from extremely high interest rates and from financial engineering, he said, referring to central bank operations used to attract dollars from abroad.

Contributions would also be sought from "those who broke the laws and have stolen public funds".

Diab said the plan would also be used to launch negotiations to restructure the sovereign debt. It would take six to nine months to be clear how much $31 billion of Eurobonds could be reduced, he said.

The plan projects losses in the financial system using an exchange rate of 3,500 pounds to the dollar, close to the current rate in a parallel market but some 57% weaker than the official peg that has been in place since 1997.

Losses at Lebanese institutions were estimated at 241 trillion Lebanese pounds, or $69.9 billion at the weaker rate.

It attributed 177 trillion pounds in losses to the central bank and 64 trillion to commercial banks.

To restore central bank strength, the plan called for the creation of a public asset management company holding key government assets, excluding oil and gas, the profits of which would fund central bank capital increases.

"Going forward, the government intends to move to a more flexible exchange rate," the plan says. A graph indicated the pound weakening to 4,297 by 2024.

It projected output shrinking by 13.8% in 2020 and 4.4% in 2021, before a gradual recovery that would enable the economy to grow by 3.1% in 2024.

(Reporting by Tom Perry, Samia Nakhoul, Eric Knecht and Laila Bassam; Writing by Tom Perry; Editing by Alex Richardson/Jason Neely/Ken Ferris)
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Lebanon signs request for IMF assistance

01-May-2020

BEIRUT, May 1 (Reuters) - **Lebanon's government on Friday signed a request for assistance from the International Monetary Fund, a statement from Prime Minister Hassan Diab's office said.**

"This is a historic moment in the history of Lebanon. We have taken the first step on the path of saving Lebanon from the deep financial

gap; and it would be difficult to get out of it without efficient and impactful help," the statement said.
Beirut passed an economic rescue plan on Thursday and said it would be the basis for seeking IMF help.

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Philippines

Fitch Rates Philippines' USD Bonds 'BBB (EXP)'

27-Apr-2020
Fitch Ratings-Hong Kong-April 27:
Fitch Ratings has assigned the Philippines' forthcoming US dollar bonds an expected rating of 'BBB (EXP)'.
KEY RATING DRIVERS
The expected rating is in line with the Philippines' Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'BBB' with a Positive Outlook.
Fitch affirmed the Philippines' Long-Term Foreign- and Local-Currency IDRs at 'BBB' and revised the Outlook to Positive from Stable in February 2020.
RATING SENSITIVITIES
Factors that could, individually or collectively, lead to positive rating action/upgrade:
- Continued strong growth while maintaining macroeconomic stability
- Strengthening of governance standards towards those of the rating category peer median
- Sustained broadening of the government's revenue base that enhances fiscal finances and improves debt dynamics.

Factors that could, individually or collectively, lead to negative rating action/downgrade:
- Reversal of reforms or a departure from the existing policy framework that leads to macro instability
- Deterioration in external indicators, including foreign-exchange reserves, the current account deficit and net external debt, that reduces the resilience of the economy to shocks.
- Instability in the financial system, possibly triggered by a sustained period of high credit growth.

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

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Philippines raises $2.35 bln in dollar bonds at record low rates

28-Apr-2020
MANILA, April 28 (Reuters) - **The Philippines said on Tuesday it raised $2.35 billion through the sale of 10-year and 25-year U.S. dollar bonds, to help finance this year's budget and measures to mitigate the economic impact of the coronavirus outbreak.**
The 10-year and 25-year bonds were sold at 2.457% and 2.95%, respectively. They were the lowest coupon rates for the debts, National Treasurer Rosalia de Leon said in a statement.
Subscriptions for the issue reached $10.5 billion, or 4.5 times more the size of the offering.
"The strong demand for this bond issue demonstrates the resiliency of investor interest in the Philippine economy despite the global economic fallout from the COVID-19 pandemic," Finance Secretary Carlos Dominguez said in the same statement.
In January, the Philippines, one of Asia's most active issuers of sovereign debt, raised 1.2 billion euros ($1.30 billion) by selling its first ever zero-coupon three-year euro-denominated bond and securing the lowest coupon ever for a nine-year deal.
The Philippines is raising funds to help finance its 4.1 trillion pesos ($80.93 billion) budget this year, part of which has been used to fund measures to address the economic and health impact of the coronavirus outbreak.

($1 = 0.9240 euros)
($1 = 50.6600 Philippine pesos)
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Editing by Shri Navaratnam)
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Saudi Arabia

Banks pitching for potential Saudi Arabia euro-denominated bonds

28-Apr-2020
By Davide Barbuscia and Yousef Saba
DUBAI, April 28 (Reuters) - **Saudi Arabia is likely to issue euro-denominated bonds this year and some banks have started pitching for the possible debt sale, two sources familiar with the matter said, as the kingdom plans to boost borrowing to offset a sharp drop in oil revenue.**
The Saudi issuance is likely to be around June and about the same size as the country's last euro bond issuance, one of the sources said. The desert kingdom raised 3 billion euros from its debut bonds denominated in euros last July.
A spokesman for the Saudi finance ministry did not immediately respond to a request for comment.
The Saudi government has already raised $12 billion in international bonds this year.
Finance Minister Mohammed al-Jadaan said last week total borrowing for the year could go up to around $58 billion as the country - the world's largest oil exporter - seeks to plug a widening fiscal deficit caused by historically low oil prices and the coronavirus pandemic.
"It's not that it's their first time in the euro market, they've done one. So there's this sort of name recognition, credit familiarity with the euro investors for them to go back and do an issuance again," one of the sources said.
The sources did not name the banks in talks with the Saudis about the potential sale.
Morgan Stanley said in a research note this week that it expects Saudi Arabia to raise another $6 billion from the international debt markets but did not rule out the country raising as much as $10-15 billion.
"We pencil in another $6 billion worth of Eurobond issuance and the remainder to be funded via loans. The issuance will likely be in EUR markets as the sovereign has revisited USD markets twice in 2020," the bank said.
Riyadh last month raised its debt ceiling to 50% of gross domestic product from a previous 30%.
Meanwhile, it is also looking to lower spending after having announced a nearly 5% cut in the state's 2020 budget in March.
Oil production cuts pledged by Saudi Arabia under a recent pact with international producers could wipe tens of billions of dollars from state revenues this year, analysts have said.
According to the International Monetary Fund, oil exporters in the Middle East and North Africa are expected to see a yearly decline in oil export receipts this year of $226 billion.

($1 = 3.7600 riyals)
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Moody's Changes Outlook on Saudi Arabia's Rating to Negative, Affirms A1 Rating

01-May-2020
May 1 (Reuters) - Moody's:
- **Moody's changes outlook on Saudi Arabia's rating to negative, affirms A1 rating**
- **Moody's says negative outlook reflects increased downside risks to Saudi Arabia's fiscal strength stemming from severe shock to global oil demand**
- Moody's says negative outlook reflects increased downside risks to Saudi Arabia's fiscal strength stemming from prices triggered by the coronavirus pandemic
- Moody's says changed outlook to negative from stable on the government of Saudi Arabia's issuer rating
- Moody's, on Saudi Arabia, says sharp oil price shock to increase debt and erode sovereign's fiscal buffers
- Moody's says Saudi Arabia's A1 rating is supported by government's still relatively robust, albeit deteriorating, balance sheet
- Moody's, on Saudi Arabia, says government will likely compensate some of the revenue loss this year and in 2021 through spending cuts
- Moody's, on Saudi Arabia, says now expects government revenues will drop by about 33% in 2020 and about 25% in 2021 relative to 2019
- Moody's, on Saudi Arabia, says now sharp slowdown in GDP growth will also depress revenue from the non-oil sector
- Moody's says over the medium term, projects that Saudi Arabia's government debt will rise to around 45% of GDP.
- Moody's, on Saudi Arabia, says expects higher health spending related to containing pandemic will be accommodated within reduced expenditure envelope
- Moody's says Saudi Arabia's balance sheet has weakened since previous oil price shock in 2015-16, despite some recent improvements in budget execution

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South Korea

South Korea President says economic impact of coronavirus will increase

28-Apr-2020
SEOUL, April 28 (Reuters) - **South Korea President Moon Jae-in on Tuesday said the deepening impact from the coronavirus pandemic will worsen going forward, and said**

massive job losses are of his particular concern.
Speaking at a policy meeting, Moon said the third supplementary budget of this year is on its way, as growth readings for Asia's fourth-largest economy are likely to worsen in the second quarter.
The coronavirus pandemic pushed South Korea's economy in the first quarter into its biggest contraction since 2008, as self-isolation measures reduced consumption and global trade slumped.

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South Korea vice finance minister sees trade balance deficit in April

29-Apr-2020
SEOUL, April 29 (Reuters) - **South Korea's Vice Finance Minister Kim Yong-beom said on Wednesday the country's monthly trade balance reading could swing to a deficit in April for the first time since 2012 as the coronavirus takes a heavy toll on the trade-reliant economy.**
Kim also said the ministry sees exports in April posting the worst contraction since the global financial crisis and that the exports slump will continue for some time given the virus pandemic.
He added that a temporary recovery seen in March industrial output data was unlikely to continue.

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South Korea parliament approves second supplementary budget this year

29-Apr-2020
SEOUL, April 30 (Reuters) - **South Korea's parliament on Thursday approved the government's second supplementary budget of this year to fund cash payments promised to all families amid the coronavirus pandemic, the finance ministry said in a statement.**
Lawmakers from the ruling Democratic and opposition parties approved the bill at a revised 12.2 trillion won ($10.06 billion), bringing the government's total spending to 531.1 trillion won for this year.
The government will issue an additional 3.4 trillion won of deficit-covering bonds.

($1 = 1,213.0800 won)
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Sri Lanka

Fitch downgrades Sri Lanka to B–

27-Apr-2020
HONG KONG, April 27 (IFR) - **Fitch has cut Sri Lanka's long-term foreign and local-currency issuer default ratings to B– from B, with a negative outlook, citing mounting financing stress exacerbated by the coronavirus pandemic.**
The rating agency also expects the sovereign will not have access to international bond markets this year.
Sri Lanka faces external debt payments of US$3.2bn from May to December this year, while its reserves are about US$7.2bn, according to Fitch. The obligations include a US$1bn international sovereign bond payment due in October.
The 2020s were bid at a cash price of 87.95 on Monday, recovering some losses posted in March, according to Refinitiv data. The bonds dropped over 32 points in March to bid cash price of 68.
Fitch estimates Sri Lanka's external liquidity ratio at about 64%, among the weakest in the Single B rating category.
Despite the authorities' efforts to meet external funding needs through support from regional central banks and the IMF, securing the funds could be challenging as the pandemic tightens global liquidity and financing conditions, said Fitch.
"Even after such support, the country's FX debt service obligations and financing challenges will remain substantial over the medium-term. Official figures suggest roughly US$13.8bn of FX debt will come due over 2021-2023," said the Fitch report.
The agency expects the budget deficit to widen to 9.3% of GDP in 2020, from an estimated 6.8% last year, due to significantly lower revenues and the spillover of tax cuts announced in late 2019, while government spending is likely to increase for virus-relief purposes.
"Our baseline forecast is for gross general government debt/GDP to rise to about 94% in 2020 and 96% in 2021, from an estimated 87% in 2019, and to continue rising, increasing the risk of debt distress," said the report.
Fitch said the Single B median of gross general government debt is 52%.
It forecasts Sri Lanka's GDP to contract by 1% this year from 2.3% growth in 2019 as private consumption will stay muted while the virus outbreak will also hurt tourism, which accounts for 12.5% of GDP according to the World Bank.
Earlier this month, Moody's placed Sri Lanka's

long-term foreign currency issuer and senior unsecured B2 ratings under review for downgrade.

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Thailand

Thailand approves $5.6 bln in coronavirus aid for farmers, workers

28-Apr-2020
BANGKOK, April 28 (Reuters) - **Thailand's cabinet approved 180 billion baht ($5.6 billion) worth of additional cash handouts on Tuesday to help protect farmers and workers against the coronavirus pandemic that is driving the country towards recession.**
Southeast Asia's second-largest economy, which has recorded 2,938 virus infections and 54 deaths, stands to shrink the most since the Asian financial crisis of 1997/98 and lose up to 10 million jobs because of the outbreak.
The government agreed to provide cash of 150 billion baht for 10 million farmers. Each farmer will get 15,000 baht, government spokeswoman Naruemon Pinyosinwat told reporters.
It also increased the number of eligible workers to 16 million from 14 million. That swells the total handout by 30 billion baht. Each worker will receive 15,000 baht.
With economic measures to limit the impact of the pandemic running into billions of dollars, the government plans to borrow 1 trillion baht to help fund them.

($1=32.45 baht)
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United Arab Emirates

Moody's Says Dubai's Economy and Most Exposed Among Emirates to Coronavirus Impact

28-Apr-2020
April 28 (Reuters) - Moody's:

- **Moody's says Dubai's economy and most exposed among emirates to coronavirus impact**
- **Moody's - coronavirus outbreak and pandemic's indirect impact on global growth & trade pose significant shock to economic growth in United Arab Emirates**
- Moody's says negative growth and fiscal implications of covid-19 are most acute in Dubai due to its reliance on the tourism and transportation sectors
- Moody's says coronavirus is a major shock for the UAE's open economy, extent of which will only be marginally softened by stimulus measures
- Moody's says Dubai's debt remains most exposed to macro risks because of its holdings in real estate, transportation, tourism sectors

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EUROPE

Andorra

A new bond issue is approved to finance economic and social measures to alleviate the health emergency situation

01-May-2020
The Government has approved this Wednesday, at the proposal of the Minister of Finance, Eric Jover, a short-term public debt issue of the Principality of Andorra for an amount of 125,000,000, in the form of bonds, which covers the fifth program of public debt issuance of March 25, 2020.
Minister Jover highlighted the good reception of the various bond issues and in particular the last issue last March, despite the context of the health crisis. Thus, said Jover, the Government has decided to put into circulation a new bond issue, insured entirely by a set of Andorran entities, intended to attract new funds to finance part of the exceptional and urgent measures, economic and to alleviate the health emergency situation caused by COVID-19.

Armenia

Armenia forecasts economy to shrink 2% in 2020 due to coronavirus

29-Apr-2020
YEREVAN, April 29 (Reuters) - **Armenia's parliament on Wednesday revised the ex-Soviet country's state budget, downgrading its economic forecast to a contraction of 2% this year from its previous call for 4.9% growth.**
The budget deficit has been revised down to around 324 billion dram ($670 million), or equivalent to about 5% of this year's gross domestic product.

The deficit is expected to be covered by loans from international financial institutions, as well as by proceeds from government bonds issued on the domestic market.
The South Caucasus country of around 3 million will need to borrow an additional 260 billion drams to cover the deficit, the Finance Minister Atom Janjughazyan told the parliament.
He said that tax revenues would drop to 1.4 trillion drams, from the earlier expected 1.6 trillion drams, while spending would remain almost the same at around 1.9 trillion drams.
Earlier in April the government had reached an agreement with the International Monetary Fund on an increased financial support package, with the first tranche of $280 million available in May. Other international financial institutions have also pledged support.
The government is implementing 150 billion dram relief programme to mitigate the economic impact of the COVID-19 outbreak. Armenia has registered 1,932 confirmed cases of the novel coronavirus and 30 deaths so far.

($1=480 drams)
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Bulgaria

Bulgaria's gross foreign debt falls 0.6% y/y at end-Feb

28-Apr-2020
SOFIA (Bulgaria), April 28 (SeeNews) - **Bulgaria's gross foreign debt totalled 33.8 billion euro ($36.7 billion) at the end of February, down by an annual 0.6%, the central bank said on Tuesday.**
The gross foreign debt at the end of February was equivalent to 52% of the projected 2020 gross domestic product (GDP), the Bulgarian National Bank said in a statement.
At the end of February, Bulgaria's external debt was 0.7% lower compared to the end of 2019.

($ = 0.919862 euro)

Bulgaria expects budget surplus of 1.4% of GDP in April

30-Apr-2020
SOFIA, April 30 (Reuters) - **Bulgaria expects to have a fiscal surplus equal to 1.4% of gross domestic product at the end of April, seven weeks after the country declared a state of emergency to contain the spread of the coronavirus, the finance ministry said on Thursday.**
Bulgaria's consolidated fiscal programme recorded a fiscal surplus of 10.98 million levs ($6.14 million) at the end of March, the ministry said in a statement, adding the negative effects on revenues from measures to tackle the pandemic would have a delayed effect on the programme.
Government revenues were 8.6 billion levs in March, some 23% of the planned revenues for the year. Spending was 9.55 billion levs, up from 9.05 billion a year ago, mainly due to an increase in public pensions, the finance ministry said.
Fiscal reserves, held under a currency regime pegging the lev to the euro, stood at 10.3 billion levs at the end of March.
Bulgaria, one of the poorest but also least indebted EU members, maintains tight fiscal discipline, but the government expects stringent measures across the globe to halt the coronavirus will shrink Bulgaria's small and open economy by 3% this year, and boost its fiscal gap to 3% of economic output.
Prime Minister Boyko Borissov has said the government will have enough funds to weather the coronavirus pandemic, but will need billions to restart the economy afterwards.

($1 = 1.7892 leva)
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Croatia

Croatia plans new seven-year euro domestic bond for next week

27-Apr-2020
ZAGREB, April 27 (Reuters) - **Croatia plans to tap the domestic debt market next week with a new seven-year issue denominated in euros, an arranger said on Monday.**
"The books will open on May 4. Other details on the issue will be released later," the arranger said.
Five leading domestic banks are chosen as arrangers.
Croatian Finance Minister Zdravko Maric said this month Croatia would need almost 70 billion kuna ($10.07 billion) in the next few months to cover the budgetary needs and soften the impact of the coronavirus pandemic.
He said the country would focus on raising debt on the domestic and international markets, but also rely on the assistance from the European Union and international financial institutions.

($1 = 6.9526 kuna)
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Investors shun Croatia's T-bill auction awaiting new issues

28-Apr-2020
ZAGREB, April 28 (Reuters) - **Croatia's finance ministry sold just 200 million kuna ($28.83 million) of one-year treasury bills, falling short of its target as the investors gear up for much stronger state borrowing in the coming days, ministry data showed on Tuesday.**
The yield remained unchanged at 0.06%. The auction target was originally set at 500 million kuna.
All the bills were bought by banks.
The ministry sometimes also offers three-month and six-month bills as well as those denominated in euros, although in recent months the focus has almost exclusively been on one-year kuna denominated bills.
After the auction, Croatia's short-term local currency debt fell to 17.42 billion kuna from 17.91 billion.
Later this week Croatia will also auction one-year euro denominated bills worth 1 billion euros ($1.09 billion), while next week it plans to tap the domestic market with a new seven-year euro-denominated bond.

($1 = 6.9383 kuna)
($1 = 0.9189 euros)
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Croatia's GDP to fall 9.4% in 2020 due to coronavirus

30-Apr-2020
ZAGREB (Croatia), April 30 (SeeNews) - **Croatia's government projects an economic contraction of 9.4% this year as a result of the coronavirus crisis but expects the economy to return to growth next year with a rise in output of 6.1%, finance minister Zdravko Maric said on Thursday.**
"All GDP components will drop this year, apart from state spending which is influenced by health care spending and support extended to the economy," Maric said, as quoted in an article by state news agency HINA posted on the government's website.
The general government budget is expected to be in deficit of 24.8 billion kuna ($3.6 billion/3.3 billion euro) equivalent to 6.8% of GDP this year, Maric said, adding that the deficit is projected to shrink to 2.4% of GDP in 2021.
Furthermore, the government debt-to-GDP ratio is expected to increase by 13.5 percentage points year-on-year to 86.7% at the end of 2020 as a result of higher borrowing needs arising from the coronavirus pandemic.
The debt-to-GDP ratio is expected to fall to 83.2% at the end of 2021.
Consumer prices are projected to drop by an annual 0.3% in 2020.
The number of unemployed is seen rising 3.3% this year, with the government's anti-crisis measures significantly softening the shocks on the labour market. The jobless rate will reach 9.5% in 2020, before falling to 9.0% next year.
The government's direct fiscal support to the economy in the context of the crisis is estimated at 14.9 billion kuna, including the deferral and write-off of state taxes and dues, as well as state support for preserving jobs and the expenses for buying medical equipment and protective gear.
Another 15 billion kuna will be made available to the economy in the form of favourable credit lines by Croatian development bank HBOR and the state innovation and investment agency HAMAG-BICRO.
The International Monetary Fund (IMF) said earlier this month that it expects the Croatian economy to shrink by 9% this year as a result of the coronavirus pandemic, before expanding by 4.9% in 2021.
Also earlier this month, the World Bank said it sees the economy of the Adriatic country contracting 6.2% this year, before rebounding to 4.6% growth in 2021.
At the same time, Erste Group warned that a double-digit contraction of Croatia's gross domestic product in 2020 is not to be ruled out amidst the ongoing coronavirus crisis. Erste forecasts a drop of at least 7.5% this year, with downside risks, before a rise of 5.8% next year.

(1 euro = 7.57452 kuna)

Czech Republic

Czech fiscal gap seen widening to 5.1%/GDP in 2020

27-Apr-2020
PRAGUE, April 27 (Reuters) - **The Czech Republic's overall fiscal deficit could jump to 5.1% of gross domestic product in 2020, the highest since 2009, after showing surpluses since 2016, the Finance Ministry forecast in a new convergence report, CTK news agency reported on Monday.**
The fiscal gap was seen easing to 4.1% of GDP in 2021, while state debt would climb to 37% of GDP this year and 40% in 2021, from 30.8% in 2019, CTK reported citing the report.

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Czech state debt to jump amid return to deficits

30-Apr-2020

PRAGUE, April 30 (Reuters) - **The Czech Finance Ministry expects the country's overall fiscal deficit to reach 5.1% of gross domestic product in 2020, snapping a period of surpluses seen since 2016, it said in an updated convergence report released on Thursday.**

The fiscal gap should ease in 2021 but stay above the European Union-mandated 3% of GDP ceiling. The overall balance showed a 0.3% surplus in 2019.

State debt, well below the EU average going into the crisis caused by the coronavirus outbreak, was seen rising to 37% this year and climbing to 40% in 2021.

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Lithuania

Lithuanian govt proposes new measures to cushion pandemic slump

29-Apr-2020

VILNIUS, April 29 (Reuters) - **The Lithuanian government proposed spending measures to the parliament totaling more than 900 million euros ($976 million) to support employment as it eases lockdown measures introduced to limit spread of the novel coronavirus.**

"The measures are set to keep as much people as possible in the labour market," Prime Minister Saulius Skvernelis said in a statement.

If passed by parliament, 381 million euros would be paid to subsidize salaries of furloughed workers as they returned to work, as well as to the newly employed, according to documents published on the government's website.

Monthly stipends of 200 euros would be paid to the estimated 200,000 newly unemployed for six months, at a cost of 265 million euros, while a one-time payment of 200 euros would be provided to pensioners, a measure costing 182 million euros.

($1 = 0.9220 euros)
(Reporting by Andrius Sytas; editing by Niklas Pollard)
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Government issues EUR 2bn worth of Eurobonds

29-Apr-2020

The Lithuanian government issued two Eurobond issues for a total sum of EUR 2bn on international capital markets, the Ministry of Finance announced. The first bond of EUR 750mn has a maturity of five years and an annual interest of 0.25%, while the second bond of EUR 1.250bn has a maturity of ten years and an annual interest of 0.750%. The transaction was lead-managed by BNP Paribas, Citi, and Erste Group. Finance Minister Vilius Sapoka noted that the Eurobond issue was the largest ever in the country's history.

Poland

Govt expects Poland's economy to shrink 3.4% in 2020

28-Apr-2020

WARSAW, April 28 (Reuters) - **Poland's economy will shrink in 2020 by 3.4% percent, while the general government deficit is set to rise to 8.4% of gross domestic product, according to a government forecast in an economic report for the EU, a Polish daily reported on Tuesday.**

The public debt is set to rise to 55.2% of gross domestic product from 46% last year, Dziennik Gazeta Prawna said in the article published on its website.

(Reporting by Marcin Goclowski, Editing by Joanna Plucinska and Catherine Evans)
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Moody's says Poland's credit profile balances a relatively resilient economy against a gradual erosion of institutional strength

30-Apr-2020

April 30 (Reuters) - MOODY'S:

- **Moody's says Poland's credit profile balances a relatively resilient economy against a gradual erosion of institutional strength**
- Moody's, on Poland says, coronavirus and weaker external demand will lead to first economic contraction since 1991
- Moody's, on Poland says, lower EU funds and adverse demographic trends present medium- to long-term challenges
- Moody's says expects coronavirus shock to result in a short recession in 2020 and temporarily weaker fiscal metrics in Poland
- Moody's says Poland's less open economy compared with regional peers makes it less vulnerable to fluctuations in external demand
- Moody's, on Poland, says credit challenges include potential for structural fiscal

deficit to widen

Romania

Moody's Changes Romania's Outlook to Negative from Stable; Affirms Baa3 Rating

25-Apr-2020
April 24 (Reuters) - Moody's:

- **Moody's changes Romania's outlook to negative from stable; affirms BAA3 rating**
- Moody's says long-term country ceilings of Romania for local and foreign currency bonds and for local currency bank deposits remain unchanged at A3
- Moody's says long-term country ceiling of Romania for foreign currency bank deposits remains unchanged at BAA3

Romanian budget deficit widens to 1.7%/GDP in Q1-finmin data

27-Apr-2020
BUCHAREST, April 27 (Reuters) - **Romania's consolidated budget deficit widened to 1.7% of gross domestic product in the first quarter compared with a gap of 0.7% at the end of February as the coronavirus outbreak led to a plunge in revenue, finance ministry data showed on Monday.**
In nominal terms, the deficit stood at 18.06 billion lei. Revenues, which contracted 25% on the year in March, amounted to 72.2 billion lei, or 6.7% of GDP. Spending stood at 90.3 billion lei. Investment spending, including EU funds, was up 20.4% on the year to 5.9 billion lei.
The European Union state ran a deficit of 0.5% of GDP in the first quarter of last year.
Romania's consolidated budget deficit will nearly double from its initial target to 6.7% of GDP this year while the economy will contract by 1.9%, the finance ministry said.

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Slovakia

Moody's Says Slovakia's Credit Profile Reflects Robust Growth Record and Moderate Debt Coronavirus to Have Significant Impact

28-Apr-2020
April 28 (Reuters) - MOODY'S:

- **Moody's says Slovakia's credit profile reflects robust growth record and moderate debt; coronavirus to have significant impact**
- Moody's on Slovakia says economic contraction and increased deficit will lead to a sizeable increase in the debt burden
- Moody's says coronavirus & emergency measures to halt spread in Slovakia & key EU export partners will cause Slovakian economy to contract sharply in 2020
- Moody's says Slovakia's fiscal metrics were already deteriorating before the coronavirus outbreak

Slovenia

Slovenia sees public debt rising to 82.4% of GDP due to coronavirus

30-Apr-2020

- **GDP seen shrinking 8.1% this year**
- **GDP growth of 3.5% seen in 2021**
- **Exports seen down by 19.4% this year**

By Marja Novak
LJUBLJANA, April 30 (Reuters) - **Slovenia expects public debt to soar to 82.4% of gross domestic product (GDP) this year from 66.1% in 2019, mainly due to the fallout from the coronavirus pandemic which is expected to cause GDP to drop 8.1% this year, the government said on Thursday.**
Public debt as a percentage of GDP, which has been falling over the past four years, will thus move close to the highest level in Slovenia's history, which was reached in 2015 when debt amounted to 82.6% of GDP, statistics office data showed.
The government also said economic growth of 3.5% can be expected in 2021 while exports are seen rising by 10% next year versus a fall of 19.4% in 2020. It, however, cautioned that forecasts are "very uncertain".
Slovenia has so far confirmed 1,429 coronavirus cases and 91 deaths.
"The government believes that (the) COVID-19 epidemic represents exceptional circumstances and that extensive measures of the fiscal policy are needed," the government said in a statement.
It confirmed its earlier forecast that the country will incur a budget deficit of 8.1% of GDP versus a surplus of 0.5% reached last year.
The government secured a 3 billion euro ($3.28 billion) package to help citizens and companies hurt by the new coronavirus.
It also offered state guarantees of up to 2 billion euros for loans given to companies hit by the pandemic.
Since the middle of March a number of

companies had to suspend production for one month or more amid lack of production parts, lower demand or with an aim to reduce the spread of the virus.
The country's economy, which is based on exports, rose by 2.4% last year. Main exports include cars, car parts, pharmaceuticals and household appliances. Most Slovenian products are sold in other EU states.
Slovenia has since March closed all schools, bars, restaurants, hotels, shops, apart from food and drug stores, cultural and sports institutions and suspended public transport. It prohibited any socialising in public spaces.
A number of shops are due to reopen on Monday while public transport will gradually restart from May 11. Schools are expected to reopen for some pupils on May 18 but most pupils will continue with online classes until the end of the school year in late June.

($1 = 0.9158 euros)
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Turkey

Turkey's steps to support economy over COVID-19 reach $29 bln

25-Apr-2020
ISTANBUL, April 25 (Reuters) - **The Turkish government's steps to support the economy in the face of the coronavirus pandemic have reached a value of 200 billion lira ($28.7 billion), Finance Minister Berat Albayrak said on Saturday.**
President Tayyip Erdogan initially announced a 100 billion lira package to support the economy on March 18, postponing debt payments and reducing tax burdens in some sectors. Since then, Ankara has gradually widened such measures.
Turkey's confirmed cases of COVID-19 increased by 3,122 on Friday with the death toll rising to 2,600.
With the pandemic forcing businesses to furlough or lay off millions of staff, the government has also stepped in to top up income or pay daily stipends, while small businesses are being given access to fresh loans.
"The total value of the steps we have taken so far has reached 200 billion lira," Albayrak said in a video posted on his Twitter account.
Among the measures, financing amount to 107.4 billion lira has been provided to some 120,000 companies to support them during the outbreak, he said. An additional 16.8 billion lira has been provided in support to traders.
Also, 1 lira in financial support has been paid to each of 4.4 million families, with a total of 22.3 billion lira set aside to meet the basic needs of some 4 million citizens, Albayrak said.

($1 = 6.9720 liras)
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Turkish central bank makes big one-day bond buy, yields tumble

27-Apr-2020
ISTANBUL, April 27 (Reuters) - **Turkey's central bank bought 5 billion lira ($715 million) in debt from the Unemployment Insurance Fund on Monday, continuing its economic stimulus and pushing bond yields lower in the face of the coronavirus pandemic, according to two bankers.**
Since the outbreak hit Turkey, the central bank has ramped up purchases from primary dealers in order to backstop the fund that will cover some lost wages, and also to provide market liquidity and keep credit flowing.
The bank - which has also continued to slash interest rates - has bought a total of 33.5 billion lira of government bonds in secondary markets since the end of March, including 21.6 billion lira from the unemployment fund.
With the pandemic forcing businesses to furlough or lay off millions of staff, Ankara has tapped the unemployment fund to top up income or pay daily stipends, while small businesses are being given access to fresh loans.
Yields on government bonds have fallen due to both the central bank purchases and to a decision by a regulator to impose a new asset-ratio rule on lenders, which analysts said would prompt private banks to ramp up buying.
Turkey's two-year benchmark yield fell 351 basis points last week after the move by the BDDK watchdog. The yield on the 10-year benchmark bond was 11.84% on Friday, down from 14.13% a week earlier.
In all, the government has spent 200 billion lira to support the economy, Finance Minister Berat Albayrak said on Saturday, including 107.4 billion lira provided to some 120,000 companies and 16.8 billion lira to support traders.
The central bank has cut its policy rate by 200 basis points since mid-March, in addition to 1,325 basis points of monetary easing since July.

($1 = 6.9835 liras)
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Ukraine

In March despite currency fluctuations the situation with public debt repayment is under control

30-Apr-2020

Fluctuations in the foreign exchange market continue to affect the national debt of Ukraine. According to the National Bank data, the hryvnia has devalued against the US dollar in March 2020 by 12.4%. Against this backdrop, in March 2020, the total public debt and publicly guaranteed debt of Ukraine in national currency grew by 10.1% up to UAH 2 255.5 billion, while in foreign currency equivalent it decreased by 3.6% to USD 80.38 billion.

COVID-19 pandemic announcement, as well as the anticipation of a possible recession in the world economy, could not but affect the activity of investors in the capital market. In March, the Ministry of Finance conducted three auctions for the domestic government bonds placement out of the five planned, which resulted in UAH 33 billion being raised for financing the state budget.

Funds were attracted mainly in foreign currency, but at low rates. At the most recent auction on March 24, the average rates of return on the USD and Euro-denominated government bonds with a maturity of 3 months and 1.2 years made up 3% and 2.22%, respectively. The yield on six-month UAH denominated bonds at the March 3 auction was 9.9%.

Over the reporting period, public debt repayment costs totaled UAH 9.6 billion, including Ukraine repaying a CAD 200 million (USD 141.8 million) loan issued by the Export Development Canada (EDC) in 2015. The loan was leveraged for a period of 5 years at a 1.43% rate aimed to stabilize the economy of Ukraine.

State Budget expenditures on servicing public debt amounted to UAH 20.1 billion.

Cooperation with international financial organizations and partner countries remains a priority for the Ministry of Finance with an aim to ensure the stability of public finances among external sources of financing.

LATIN AMERICA AND CARIBBEAN

Brazil

UBS lowers Brazil 2020 GDP growth forecast to -5.5% from -2.0%

28-Apr-2020

BRASILIA, April 28 (Reuters) - **Economists at Swiss bank UBS on Tuesday lowered their outlook for Brazil's economy this year, and are now forecasting gross domestic product to shrink by 5.5% compared with a 2.0% contraction previously.**

That would mark the biggest annual fall in GDP in at least half a century, according to central bank data. UBS economists Tony Volpon and Fabio Ramos said GDP could even fall 10.1% in the most pessimistic scenario of the coronavirus pandemic lasting into next year.

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Brazil government deficit narrows in March but crisis impact yet to be felt

29-Apr-2020

By Jamie McGeever and Marcela Ayres

BRASILIA, April 29 (Reuters) - **Brazil's central government budget deficit narrowed in March from a year earlier, figures released on Wednesday showed, but the coronavirus pandemic's impact had yet to be felt and the shortfall is expected to widen significantly in the coming months.**

Treasury Secretary Mansueto Almeida said the April deficit is likely to be larger than the entire deficit accrued over the course of last year due to the surge in coronavirus-fighting spending and slump in tax revenues.

That would imply a deficit in April before interest rate payments of more than 195 billion reais ($36 billion), the accumulated primary deficit last year that equated to 1.3% of gross domestic product.

The Treasury said on Wednesday that the total primary deficit for this year is likely to come in at around 600 billion reais, or 8% of GDP, while the nominal deficit including interest payments will be around 12% to 13% of GDP.

The 21.2 billion reais deficit in March was 2.8% narrower in real terms from the same month last year, while the January-March deficit of 2.9 billion reais was 70% smaller in real terms, the Treasury said.

It also said the government's fiscal measures taken so far to combat the crisis include more than 300 billion reais worth of new spending and payments, but warned that the increase in borrowing and debt will require an even greater fiscal consolidation effort next year.

Vice President Hamilton Mourao said on Wednesday that the government is unlikely to balance its budget until 2023 or 2024 at the earliest, while Economy Minister Paulo Guedes added that the government must not "continue

digging" an already deep hole in the public finances.
Almeida said an aid package of up to 130 billion reais for states and municipalities mentioned by Guedes includes measures already announced, and that the federal government is mulling the transfer of around 55 billion reais to local authorities to compensate the loss of tax revenue.
He also said he has had discussions with ratings agencies Moody's and Fitch to explain the measures Brazil has taken and to assure them that temporary spending will not turn into a permanent budget increase.

($1 = 5.40 reais)
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Brazil central bank could print money, buy domestic debt

30-Apr-2020
BRASILIA, April 30 (Reuters) - **Brazil's Economy Minister Paulo Guedes said on Thursday that the central bank could print money and buy domestic government debt, effectively monetizing the debt without creating inflation, as a potential tool in its crisis-fighting arsenal.**
"In a situation where inflation virtually goes to zero, interest rates collapse and there is what we call a liquidity trap, the central bank can indeed issue a lot of currency and even buy domestic debt," Guedes said in a live parliamentary committee hearing.
"We are attentive to all possibilities," he added.

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Brazil national debt jumps to 78.4% of GDP, nears new record

30-Apr-2020
By Jamie McGeever
BRASILIA, April 30 (Reuters) - **Brazilian public sector debt and deficit figures for March released on Thursday gave a glimpse of the fiscal strain to come from the coronavirus crisis, as the national debt surged toward the highest on record and deficits widened sharply.**
The public sector primary deficit in March was the widest in 18 months, the nominal deficit was the fourth largest in two decades, and the national debt posted its biggest month-on-month leap in at least 14 years.
With the lockdowns and sudden stop to large parts of the economy triggering a crisis-fighting spending splurge from the government and a slump in tax revenues, analysts say it is not a question of whether deficits and debt rises, but by how much.
"We expect the fiscal and public debt picture to deteriorate significantly in coming months," Alberto Ramos, head of Latin American research at Goldman Sachs in New York, wrote in a note.
"We now expect the consolidated public sector to record a primary fiscal deficit of at least 8% of GDP (likely higher) ... leading to a sharp increase of gross public debt to close to 90% of GDP," he said.
The overall public sector posted a primary budget deficit excluding interest payments of 23.7 billion reais ($4.3 billion) in March, the central bank said, slightly less than the 24.8 billion reais deficit forecast in a Reuters poll.
That was the widest primary deficit since September 2018. As a share of gross domestic product over the 12 months to March the primary deficit widened to 0.9%.
Treasury Secretary Mansueto Almeida said this week that the primary deficit this year will likely balloon to 600 billion reais, or 8% of GDP.
The nominal deficit swelled to 79.7 billion reais in March, the central bank said. According to their historical data, that was the fourth largest in 19 years, only behind three months during the 2015-16 recession.
Gross national debt rose to 5.76 trillion reais, or 78.4% of GDP, driven by increased gross debt issuance, nominal interest rates and the impact of a weaker currency, the central bank said.
The 1.7-percentage-point increase from February marked the biggest rise since at least 2006, according to Refinitiv data, and takes the national debt back up toward last year's all-time high of 79% of GDP.
Net debt, however, fell to 51.1% of GDP, the lowest since September 2018, in large part due to the real's 15.6% depreciation against the dollar in the month, the central bank said.

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Brazil announces new measures to boost lending, liquidity

01-May-2020
By Jamie McGeever
BRASILIA, April 30 (Reuters) - **Brazil's National Monetary Council on Thursday announced extra measures to boost credit flow and liquidity in the financial system, the latest**

steps to soften the economic blow from the coronavirus pandemic.
The CMN, Brazil's highest economic policy body that includes the economy minister and central bank president, said the measures include reducing capital requirements for small banks and temporarily waiving some requirements for rural credit operations.
Though relatively small, the moves will add to the 1.2 trillion reais ($220 billion) worth of measures the central bank has already taken to boost market liquidity.
That is the equivalent of 16.7% of gross domestic product, according to the central bank.
The latest measures also include raising the limit on non-bank institutions' foreign exchange operations to $300,000 from $100,000. This will affect 80 institutions.
According to the central bank, over 13% of Brazilian export foreign exchange operations last year ranged from $100,000 to $300,000, while transactions of that magnitude accounted for more than 9% of imports.
Consumer finance firms will now be allowed to issue bank deposit certificates to raise funds, the central bank said on Thursday.

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Chile

S&P revises down Chile's outlook to negative

28-Apr-2020
April 27 (Reuters) - **Ratings agency Standard & Poor's on Monday revised down Chile's outlook to negative from stable and said it could possibly downgrade the Latin American country's credit rating in the next two years owing to the risk of a prolonged period of low economic growth.**
Rising global uncertainty and risks of weak recovery in global trade, along with recent public protests, could limit Chile's economic output growth and erode its public finances, leading to a downgrade, the agency said in a statement.
S&P maintained Chile's sovereign rating at 'A+/A-1'.

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Ecuador

Ecuador proposes delayed payment for state oil company's bonds

29-Apr-2020
QUITO, April 29 (Reuters) - **Ecuador late on Tuesday proposed that holders of state oil company Petroamazonas' bonds accept a delay in a $175 million principal payment until next year, as the cash-strapped country seeks to restructure its debt.**
The bondholders have until May 4 to respond, the finance ministry said in a statement. The proposal comes after the Andean country reached a deal with sovereign bondholders to delay $811 million in payments until August to free up cash for the government to combat the coronavirus outbreak.
The delayed payment on the Petroamazonas bond, which the company issued in 2017 to obtain liquidity and cover overdue debts with private services companies, would free up resources for the same purpose, according to the ministry.
The statement added that the company would still make $5.4 million in interest payments due this year, and that capital payments would resume between January and December 2021 in lower installments.
Finance Minister Richard Martinez wrote on Twitter he was hopeful that bondholders would accept the proposal. He has said the country, which is facing one of the worst COVID-19 outbreaks in Latin America, would receive some $2 billion in the coming weeks from multilateral development banks and China.
Ecuador's sovereign debt totaled some $58 billion as of March, or 52.9% of gross domestic product, according to the finance ministry.

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Mexico

New bonds issued at higher cost

27-Apr-2020
Event
Despite recent downgrades to the country's credit ratings, the Ministry of Finance on April 2nd placed US$6bn in dollar-denominated bonds of varying maturity on April 22nd.
Analysis
The US$6bn placement was composed of three separate bonds. This first was a US$1bn bond with a five-year maturity, which was placed with a 3.9% coupon (4.125% yield to maturity). The second was a US$2.5bn bond with a 12-year maturity and a 4.75% coupon (5% yield). The third was for an identical amount to the second issuance, but with a 31-year maturity, which was placed with a 5% coupon (5.5% yield).

According to the finance ministry, the placement is in line with current financing requirements and, as such, does not represent additional indebtedness.
The bond placements were heavily oversubscribed by a factor of 4.8 times the total amount, equivalent to nearly US$30bn in bids. This suggests that there is still considerable appetite for Mexican bonds, despite recent downgrades to the sovereign's credit rating. All three of the major credit ratings agencies downgraded Mexico between March 26th and April 17th, the most critical of which has been that of Fitch, which at BBB- puts Mexico just above the junk bond threshold.
Despite lower global interest rates, the yields on this bond placement were higher than that of either of the two bond placements made in January. For example, a ten-year reference bond issued on January 7th managed a 3.25% yield to maturity, while a 30-year bond obtained a 4.04% yield. Together, these bonds were six times oversubscribed. **Mexico's recent bonds have also compared less favourably with other Latin American issues**. A 31-year Paraguayan bond issued in February came with a 5.4% yield and was oversubscribed seven times, despite the country's lower credit rating. A Peruvian bond issue just two days before Mexico's managed to obtain a yield of 2.4% for its five-year note and 2.8% for its ten-year note. It was oversubscribed by more than eight times.
The strong demand for Mexico's new bonds thus appears to obey-to greater or lesser extent-a search for yield in the current low-interest environment. Although it shows the ample liquidity available for Mexican dollar-denominated assets, the higher yields compared with similarly structured bonds elsewhere suggest there is still considerable uncertainty regarding Mexico's outlook.

Panama

S&P Says Panama Outlook Revised to Negative on Risk of Weaker Fiscal and Economic Trajectories; 'BBB+/A-2' Ratings Affirmed

25-Apr-2020 01:02:47
April 24 (Reuters) - S&P Global Ratings:
- **S&P says panama outlook revised to negative on risk of weaker fiscal and economic trajectories; 'BBB+/A-2' ratings affirmed**
- S&P says covid-19 pandemic will temporarily halt economic growth and fiscal consolidation in panama
- S&P says panama government's fiscal deficit will increase in 2020, and its debt will follow an upward trajectory over the next few years
- S&P says revising rating outlook on panama to negative from stable and affirming our 'BBB+/A-2' sovereign credit ratings
- S&P says negative outlook reflects view of downside risks to panama's economic and fiscal metrics over the next six to 24 months
- S&P says expect panama's economy to contract around 2% this year before recovering by 4% in the following three years

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Uruguay

S&P Says Uruguay 'BBB/A-2' Ratings Affirmed; Outlook Remains Stable

01-May-2020
April 30 (Reuters) -
- **S&P says Uruguay 'BBB/A-2' ratings affirmed; outlook remains stable**
- S&P says impact of covid-19 pandemic, global economic downturn in 2020 to hurt Uruguayan economy, increase country's already high fiscal deficit
- S&P says expect ongoing investment projects and fiscal correction will improve the economic outlook for Uruguay once the pandemic subsides

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AFRICA

Congo Republic

Congo's economy expected to contract due to coronavirus

30-Apr-2020
KINSHASA, April 30 (Reuters) - **Democratic Republic of Congo has cut its 2020 economic growth forecast to -1.9% and is expecting its economy to contract due to the negative impact of the coronavirus pandemic, the country's central bank said in a statement on Thursday.**
The country's extractive industry output is expected to drop 5.6% year-on-year. The pandemic has caused global trade to slow, forcing countries across central Africa to slash growth projections.

(Reporting by Hereward Holland, Writing by Juliette Jabkhiro; Editing by Sandra Maler)
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Egypt

Egypt asking IMF for support during coronavirus crisis

26-Apr-2020

CAIRO, April 26 (Reuters) - **Egypt has asked the International Monetary Fund for financial support to help it deal with the coronavirus crisis and will begin talks with it within days, Prime Minister Mostafa Madbouly said on Sunday.**

The government is seeking help because the virus is putting pressure on Egypt's tourism sector, an important contributor to the economy, as well as other sectors, Madbouly said.

"We will begin discussions with the IMF concerning the new finance within the next few days," Madbouly said.

The IMF said in a statement that it expects an Egyptian request for rapid financing to be presented to its board within weeks.

"We fully support the government's aim to safeguard the significant gains made under the successfully completed three-year Extended Fund Facility last year," Kristalina Georgieva, Managing Director of the IMF, said in the statement.

"This comprehensive package of financial support, if approved, would help strengthen confidence in the Egyptian economy, make further progress to protect the most vulnerable and provide the basis for a strong economic recovery," Georgieva said.

The crisis has shut down Egypt's tourism industry, which accounts for 12%-15% of gross domestic product, after the country closed its airports to most traffic in March. It is also threatening remittances from Egyptians working abroad, exports of natural gas and income from the Suez Canal.

Egypt is hoping to tap the IMF's Rapid Financing Instrument (RFI) and its Stand-By Arrangement, the cabinet said in a statement. The two programmes are designed for countries facing urgent or potential balance of payments problems.

Central Bank Governor Tarek Amer told the joint news conference with Madbouly that Egypt was seeking a one-year financial support programme. He added that the country had sufficient foreign reserves to help it cope with the epidemic for one or two years.

Deputy Central Bank Governor Rami Aboul Naga told state news agency MENA that the amount Egypt is asking for had yet to be decided but that it aimed to receive the funds under the RFI immediately on signing an agreement and would seek to repay over up to five years.

"It makes perfect sense to build additional cushions given the uncertainty," said Mohamed Abu Basha, an economist with EFG Hermes.

Radwa El-Swaify, head of research at Pharos Security Brokerage, estimated that Egypt would seek around $3 billion-$4 billion from the IMF.

"The new loan will most likely be used to support the budget deficit and to restructure a number of loans after a fall in Egypt's sources of dollars until after the corona crisis is over," she said.

In February, before the virus arrived in the North African country, Egypt had said it was in talks with the IMF about technical assistance on non-financial structural reforms.

Egypt signed a three-year, $12 billion Extended Fund Facility with the IMF in November 2016 after allowing its currency to weaken sharply, implementing a valued-added tax and raising fuel prices to reduce its balance of payments budget and deficits.

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

27-Apr-2020

Egypt's fuel subsidy bill drops by 69% year on year July-Sept: Minister

Egypt plans to cut spending on fuel subsidies by 47% in its 2020/21 budget to EGP 28.193 billion ($1.8 billion), an explanatory note for its draft budget published on Tuesday showed.

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

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

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

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

Ethiopia

IMF approves $411 mln in coronavirus aid for Ethiopia

01-May-2020

WASHINGTON, April 30 (Reuters) - **The International Monetary Fund approved $411 million in emergency assistance for Ethiopia on Thursday to help the east African country with the coronavirus pandemic.**

The IMF said in a statement that it also approved Ethiopia's request for a suspension of debt service payments to the Fund, of about $12

million through Oct. 13. The suspension could be extended up to April 13, 2022, subject to the availability of resources in the IMF's Catastrophe Containment and Relief Trust for poor countries.
With the approvals, disbursements under Ethiopia's existing $2.9 billion IMF loan programs approved in December 2019 would get a "re-phasing." Access to the Extended Fund Facility would be reduced to "maximize" financial support under the Rapid Financing Facility loan, the IMF said.
"The COVID-19 pandemic has created severe health risks and weighed heavily on the Ethiopian economy. If the pandemic is not contained, it will put severe pressure on the health system with devastating social consequences," the IMF said.

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Kenya

Kenya's GDP growth to plunge to 1.5% in 2020 due to coronavirus

29-Apr-2020
By George Obulutsa and Omar Mohammed
NAIROBI, April 29 (Reuters) - **Kenya's economic growth is expected to drop to 1.5% this year, and contract 1% in the worst-case scenario under the impact of the coronavirus outbreak that has hit tourism, agricultural exports and remittances, the World Bank said on Wednesday.**
As of Tuesday, Kenya had 374 confirmed cases of the novel coronavirus, with 14 deaths. To stem the disease's spread, Kenya has suspended commercial flights in and out of the country, imposed a dusk-to-dawn curfew and banned public gatherings. It has also halted movement into and out of Kenya's five regions most affected by the virus, including the capital Nairobi.
Tourism and horticulture, foreign exchange earners and major employers are some of the sectors most affected by the outbreak-induced slowdown.
"The COVID-19 shock is expected to further reduce growth... with large impacts on services (transport, retail trade, tourism, events, leisure, etc), industry (manufacturing and construction), and agriculture," the World Bank said in its economic update for Kenya released on Wednesday.
"Measures taken to slow down the rate of infection, including home confinement, travel restrictions, the closure of schools and entertainment spots, the suspension of public gatherings and conferences, and a nightly curfew are expected to affect both production and consumption..."
In January, the World Bank forecast 6% economic growth this year in Kenya, East Africa's largest economy.
The bank said a more severe global recession would hit Kenya's export demand, tourism earnings and remittances, while weather-related shocks and a widening fiscal deficit could also present more downward risks.
"This is a type of shock that is applying for everyone. This is a truly exogenous shock," Peter Chacha, senior economist for World Bank Kenya, said in a conference call on Monday before the report's release.
The bank said Kenya's economic growth could rebound to 5.2% in 2021 if its virus containment measures ease by the second half of this year.
On Tuesday, Finance Minister Ukur Yatani said 2020 economic growth would decline to 2.5% but may fall to 1.8%, compared with 5.4% in 2019, because of the coronavirus outbreak.
Yatani said Kenya expects to access 75 billion shillings ($701.26 million) from an International Monetary Fund standby facility by mid-May to help the economy withstand the effects of the COVID-19 pandemic.
Kenya has limited financial room to navigate the crisis after years of increased borrowing to fund a range of infrastructure projects including a new, Chinese-built railway, left it with gaping budget deficits.
"The extent of COVID-19's impact on the economy could add excess fiscal pressures resulting in another round of fiscal slippage, which could derail efforts to contain debt growth and further crowd out private sector-led growth after the crisis," the bank said in its report.
The Nairobi government has passed a series of tax cuts aimed at cushioning individuals and companies from the impact of the coronavirus.

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Morocco

Morocco suspends foreign debt ceiling

30-Apr-2020
RABAT, April 30 (Reuters) - **The Moroccan parliament approved on Thursday a government decision to suspend a 31 billion dirham ($3 billion) foreign debt ceiling, allowing it to borrow more hard currency to deal with the repercussions of the coronavirus.**
This would help the government offset a drop in foreign exchange reserves due to a dip in exports, remittances of Moroccans living abroad and tourist arrivals, Finance Minister Mohamed Benchaaboun told members of parliament.
By April 17, Morocco's foreign exchange reserves

stood at 286 billion dirhams, enough to cover five months and 11 days of import needs.
Morocco, which plans an international bond sale this year, drew this month on an International Monetary Fund liquidity line of $3 billion to finance its balance of payments.
The 2020 budget bill will be reviewed in light of the new challenges posed by the pandemic, the finance ministry said in a statement on Wednesday.

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Nigeria

Nigeria's senate approves president's 850 bln naira borrowing scheme

28-Apr-2020
ABUJA, April 28 (Reuters) - **Nigeria's upper house of parliament on Tuesday approved President Muhammadu Buhari's request to borrow 850 billion naira ($2.36 billion) domestically to finance the country's 2020 budget.**
That would replace the original plan to borrow the equivalent amount in overseas debt, due to "less attractive" conditions in international capital markets because of the coronavirus pandemic and low global oil prices, according to a letter from the president to the upper house.

($1 = 360.0000 naira)
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Nigeria seeks $2.36 bln in domestic loans; external markets unfavourable

28-Apr-2020
By Camillus Eboh
ABUJA, April 28 (Reuters) - **Nigeria's President Muhammadu Buhari is seeking approval to borrow 850 billion naira ($2.36 billion) from the domestic capital markets to fund the 2020 budget, according to a request read in the upper house of parliament on Tuesday.**
Buhari said the debt is needed to replace previously approved external loans, as conditions on international capital markets are "not conducive" to borrowing.
Parliament's upper house - the Senate - had approved foreign borrowings of $22.7 billion before the coronavirus outbreak forced nations worldwide, including Nigeria, into lockdown.
The shutdowns have decimated global economic growth and slashed oil consumption by roughly a third.
Nigeria, Africa's largest crude producer, has already cut nearly $5 billion from its 2020 budget. The revised version uses a benchmark of $30 per barrel oil, though Brent crude was trading at just under $20 on Tuesday.
Nigeria is also seeking almost $7 billion in emergency loans from multilateral institutions including the International Monetary Fund, the World Bank and the African Development Bank.
Tuesday is the first day that lawmakers have conducted a full session since late March, when the capital Abuja went into lockdown.

($1 = 360.0000 naira)
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Nigeria switches to domestic naira markets to finance 2020 budget

28-Apr-2020
By Camillus Eboh
ABUJA, April 28 (Reuters) - **Nigeria will shelve plans to borrow 850 billion naira ($2.36 bln) from international markets and instead tap domestic markets to finance its 2020 budget, President Muhammadu Buhari said after the new coronavirus pandemic triggered an oil price plunge.**
Nigeria relies on crude oil sales for around 90% of foreign exchange earnings and they make up the bulk of government revenues.
In total, the government had planned to borrow $3.3 billion from international markets this year to finance its 2020 budget and to refinance a $500 million eurobond due in January.
The Senate had previously approved 744.9 billion naira in domestic borrowings for 2020 and another 850 billion naira from offshore sources.
Buhari said he preferred to tap local markets in naira to ensure adequate funds for the budget.
He said the money is needed to replace previously approved external loans, as conditions on offshore markets are "not conducive" to borrowing. The government would refinance the new naira loan into U.S. dollars once conditions improve, Buhari said.
Nigeria, Africa's largest crude oil producer, has cut nearly $5 billion from its 2020 budget as oil prices collapsed. The revised version uses a benchmark of $30 per barrel oil, though Brent crude was trading at just under $20 on Tuesday.
President Buhari sent a request to the Senate to approve the naira borrowings, a letter read out in the Senate on Tuesday said.
The move signals a policy shift for a government that has touted private sector investment and pushed for low interest rates to channel funds into the development of rail and road infrastructure.

The central bank has kept liquidity tight to lure foreign investors into high-yielding government securities to support the naira currency, which has hit new lows on the black market in recent weeks.
Lockdowns caused by the new coronavirus pandemic have crushed global economic growth and reduced oil consumption by roughly a third.
The Senate, the upper house of parliament, had approved foreign borrowings of $22.7 billion for infrastructure projects before the coronavirus outbreak forced countries around the world, including Nigeria, into lockdown.
Nigeria is also seeking almost $7 billion in emergency loans from multilateral institutions, including the International Monetary Fund, the World Bank and the African Development Bank.)
Tuesday is the first day that lawmakers have conducted a full session since late March, when the capital Abuja went into lockdown.

($1 = 360.00 naira)
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Rwanda

Rwanda in talks to delay debt payments as coronavirus hits economy

27-Apr-2020
KIGALI, April 27 (Reuters) - **Rwanda's economy will probably only grow by around 3.5% this year, undercut by the effects of the coronavirus, and the government is in talks with lenders to postpone debt repayments, President Paul Kagame said on Monday.**
In January, before the pandemic spread globally, the International Monetary Fund had forecast Rwanda's economy would grow 8% this year and estimated it expanded by 8.5% last year.
But the east African country is expected to be hard hit by the coronavirus as it relies heavily on revenues from foreign visitors.
"We are going to see it (growth) come down to... around 3.5%," Kagame said at a news conference, without giving further details.
Rwanda will need about a billion dollars to recover from the economic slowdown caused by virus, he said, adding that his government would source the money through a mix of debt and grants, without elaborating.
The country was also in negotiations with some of its lenders to postpone debt repayments, he said, but did not name the lenders.
"We have been in touch with lenders relating to the debt problem... if they could put a standstill on the debt for at least two years that money would be retained and reinvested in our systems," he said.
Rwanda has so far recorded 191 cases of COVID-19, and no deaths. The country is implementing one of Africa's strictest lockdowns including shutting all businesses except the most essential.

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South Africa

Moody's sees South Africa GDP shrinking 6.5% in fiscal 2020

25-Apr-2020
JOHANNESBURG, April 24 (Reuters) - **Ratings agency Moody's cut its forecast for South Africa's economy to a 6.5% contraction in fiscal 2020, saying the country's 500 billion rand ($26.29 billion) rescue package will weaken its public finances and constrain government's ability to provide support to state-owned firms.**
Moody's, which predicted on April 14 that South Africa's GDP in the year ending March 31, 2021, would contract 2.5%, also said in a research report on Friday economic growth will recover by 4.5% in 2021.
President Cyril Ramaphosa announced the rescue package, equivalent to 10% of the GDP of Africa's most industrialised nation, on Tuesday to try to cushion the economic blow of the coronavirus pandemic.
Ramaphosa said South Africa had approached global financial institutions like the World Bank, International Monetary Fund, the BRICS New Development Bank and the African Development Bank, primarily to fund healthcare interventions.
The rest of the package would be financed by a mix of 130 billion rand of reprioritised spending and other local sources.
"The package is key to helping the country's weakest households and enterprises to weather a period of lower revenue inflows amid the domestic lockdown and slowdown in global trade," Moody's said.
"However, the support measures are unlikely to prevent a sharp economic contraction this year."
With the impact of the weak economy on revenue, the ratings agency now expects the government to record a budget deficit of 13.5% of GDP in fiscal year 2020, up from an estimated 8.5% last Tuesday.
The sharp widening in deficit will push the country's debt burden up 15 percentage points, to 84% of GDP by the end of fiscal 2020, it said.
"The fiscal pressures associated with the economic downturn and support package reduce the space the government has available to

provide further support to SOEs. While the initial fiscal impact for the government is neutral, the scheme will increase the government's contingent liability risks," it said.
Several state-owned firms, like power utility Eskom and South African Airways, are facing financial difficulties and piling pressure on Ramaphosa's cash-strapped government.

($1 = 19.0213 rand)
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S&P downgrades South Africa further into "junk"

30-Apr-2020

JOHANNESBURG, April 30 (Reuters) - **S&P Global Ratings has downgraded South Africa's credit rating further into non-investment grade territory, saying COVID-19-related pressures will have significant adverse implications for its already ailing economy and for tax revenues.**
S&P lowered its long-term foreign-currency rating on South Africa to 'BB-' from 'BB' and and its long-term local-currency rating to 'BB' from 'BB+'.
The ratings agency assigned a stable outlook on both the foreign- and local-currency ratings.
"South Africa's already contracting economy will face a further sharp COVID-19-related downturn in 2020," S&P said in a statement late on Wednesday.
"The COVID-19 health crisis will create additional and even more substantial headwinds to GDP growth, owing to a strict five-week domestic lockdown, the markedly weaker external demand outlook, and tighter credit conditions."
S&P said it forecast the South African economy to shrink by 4.5% this year compared with its November 2019 estimate of 1.6% growth.
South Africa has spent five weeks under restrictions requiring most of the population to stay at home apart from essential trips, leaving many businesses and individuals struggling without income in the recession-hit economy.
South Africa plans to reopen its agriculture sector and allow some manufacturing and retail to resume on May 1, as it seeks to balance the need to restart economic output and curb the spread of the new coronavirus.
S&P said South Africa's decision to go into a strict lockdown relatively early has so far limited the health impact of COVID-19.
"Nevertheless, the broader economic fallout will be very difficult to handle, and South Africa entered the crisis from a weak fiscal and economic position," S&P said.
The National Treasury said in a statement late on Wednesday that the government was disappointed by S&P's decision to downgrade South Africa's sovereign rating at a time when the country was facing one of its most challenging times.
"Now, more than ever, structural reforms need to be urgently implemented in order to get the economy moving in the right direction," the statement read.
"Tough decisions have to be made."
South Africa's local-currency debt was set to be ejected from the benchmark World Government Bond Index on Thursday night, after Moody's stripped the country of its last investment grade credit rating in March.

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South Africa's March budget deficit widens year on year

30-Apr-2020

JOHANNESBURG, April 30 (Reuters) - **South Africa's March budget deficit widened to 51.17 billion rand ($2.83 billion) compared with a 18.88 billion rand shortfall in the corresponding period of the previous year, Treasury data showed on Thursday.**
The tables below show revenue and expenditure for last month of the 2019/20 fiscal year (April to March), compared with the previous financial year.
These are also expressed as a percentage of the 2019/20 budget and the audited outcome for 2018/19.

($1 = 18.0589 rand)
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Local investors cushion impact of South Africa bond index exit

30-Apr-2020

- **South Africa exits WGBI after Moody's downgrade**
- **Foreigners sell $3.2 bln govt bonds year-to-date**
- **Bonds still sought-after among local investors**
- **Longer term, focus shifts to COVID-19 fiscal shock**

By Alexander Winning and Tom Arnold
JOHANNESBURG/LONDON, April 30 (Reuters) - **South Africa's exclusion from a major global bond index on Thursday appears to have been**

a less severe blow than expected, with foreign investors having been given a full month's warning to exit the market and local investors stepping in to buy.

But if the bonds have so far avoided a sudden shock, they remain vulnerable to a plunge in sentiment because of the impact of the coronavirus on an already vulnerable economy.

South Africa lost its last investment grade rating in March, forcing it to be excluded from the World Government Bond Index (WGBI) on Thursday. That means some large overseas funds will no longer be able to hold the country's debt.

Analysts had predicted that exiting the index could lead to at least $5 billion of forced selling of the government's rand-denominated bonds, based on its weight in the roughly $1 trillion index.

But with the downgrade arriving on March 27 in the midst of the coronavirus market rout, index provider FTSE Russell decided to postpone its WGBI rebalancing until the end of April. That meant investors had plenty of time to adjust their portfolios and avoid an abrupt exit.

Local asset managers do not expect a severe sudden blow, partly because so much foreign selling has already happened: finance ministry data shows foreign investors have already sold 57 billion rand ($3.2 billion) of bonds this year.

Meanwhile, local investors have stepped in, said Nolan Wapenaar, co-Chief Investment Officer at Anchor Capital in Johannesburg, pointing to an auction of a 2026 instrument on Tuesday which saw bids of more than eight times the amount on offer.

Giulia Pellegrini, senior portfolio manager at Allianz Global Investors in London, said some emerging market (EM) investors still took a shine to South African debt.

"The relative attractiveness of South African local bonds to other EM peers as well as the depth of the South African domestic market ... helps cushion this exclusion," she said.

VULNERABLE POSITION

South Africa joined the WGBI in 2012, becoming the first and only African government bond market in the index.

Getting kicked out is a severe symbolic blow. But with the coronavirus now dominating investment decisions, it is no longer perceived as the game-changing event it might once have seemed.

Wikus Furstenberg, portfolio manager at Futuregrowth Asset Management in Cape Town, said economic fundamentals, rather than membership in an index, were the big issues.

"We don't know how bad the recession will be," he said. "South Africa started this crisis in a vulnerable fiscal position, and it's not getting better."

Africa's most industrialised nation was already predicting a budget deficit of almost 7% of gross domestic product (GDP) before the new coronavirus struck. Now this year's deficit will probably reach double that, economists say.

That could push its debt-to-GDP ratio close to 80% compared to around 50% as recently as 2016.

"That is uncomfortable. That is saying the yield curve should continue to steepen and explains why the government is selling more short-dated bonds, because the longer-term bonds are going to battle to sell," said Anchor Capital's Wapenaar.

After South Africa's exit, attention could shift to Mexico, whose investment-grade credit ratings are seen under threat.

The WGBI is dominated by developed markets but Poland, Malaysia and Israel from May are also part of the index.

($1 = 18.0740 rand)

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GLOBAL

Moody's Says Global Recession is Deepening Rapidly as Restrictions Exact High Economic Cost

28-Apr-2020

April 28 (Reuters) - MOODY'S:

- **Moody's says global recession is deepening rapidly as restrictions exact high economic cost**
- Moody's says oil prices to remain low in 2020 and likely move up only gradually in 2021 as demand recovers
- Moody's says coronavirus pandemic will drive a deep recession in 2020 and leave some longer-term marks on global economy
- **Moody's says it expects g-20 advanced economies as a group to contract by 5.8% in 2020**
- **Moody's says even with a gradual recovery, 2021 real GDP in most advanced economies is expected to be below pre-coronavirus levels**
- Moody's says oil demand will gradually improve in the second half of the year in tandem with a relaxation of social distancing measures
- Moody's says contraction in economic activity in second quarter will be severe and overall recovery in second half of year will be gradual
- Moody's says china's economy is forecasted to grow by 1.0% in 2020
- Moody's says longer or repeated shutdowns would severely harm the real economy, with the potential to trigger a financial crisis
- Moody's says it expects oil prices to remain low, with Brent averaging $35 per barrel and wti spot at $30 per barrel for 2020

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EMERGING MARKETS

Emerging sovereigns set for borrowing binge but weaker names struggle

29-Apr-2020

- **Scramble to borrow after COVID-19, oil rout**
- **EM sovereign sales could hit record - banker**
- **Investment-grade names to tap multiple times**
- **But weaker nations to struggle without help**

By Tom Arnold

LONDON, April 29 (Reuters) - **A flurry of international debt issuance by investment-grade emerging market sovereigns in 2020 should help offset a dearth of sales by lower-rated names, barred from capital markets until they can muster support in the form of debt relief or emergency funding.**

Gulf governments such as Qatar, Abu Dhabi and Saudi Arabia, have provided a significant chunk of 2020 bond sales so far, accounting for around half of the sovereign emerging sales as they scrambled to raise cash to plug budget shortfalls caused by plunging oil prices.

Israel and Indonesia have also raised money in the wake of the COVID-19 outbreak.

With $100 billon already issued year to date, despite a drought in March, emerging sovereign debt issuance could surpass the record of $178.3 billion in 2017, said Stefan Weiler, head of Central and Eastern Europe, Middle East and Africa debt capital markets at JPMorgan.

"If the market is supportive and there are no setbacks with respect to the virus infection rates and the loosening of restrictions on economies therefore continues to unfold as currently anticipated, I expect that market access will broaden and sovereign issuance further accelerate," he said.

"The low interest rate environment should again drive investors to emerging markets and sovereigns - being the most liquid - will benefit first."

Much of the issuance is expected to be driven by investment-grade names repeatedly tapping the market. Israel has issued more than once this year, for example.

Saudi Arabia has said it could borrow around $26 billion more this year, while Kazakhstan plans to borrow $3 billion on foreign capital markets.

With yields higher than at the start of the year, borrowers have paid a premium to issue. And with institutional investors looking to lock in juicy returns, longer-dated issues have proven popular.

Israel this month sold $1 billion of 100-year bonds, while Indonesia raised $4.3 billion, including a 50-year tranche worth $1 billion.

SUB-INVESTMENT GRADE STRUGGLE

A glimmer of light for high-yield names emerged last week when BB-rated Guatemala and Paraguay both issued, with the former drawing some $8 billion in demand for its $1.2 billion issue.

But other lower-rated countries may struggle to issue as investors prove more selective.

"In the BB-rated space, some countries are likely to get access," said Sara Grut, Goldman Sachs emerging markets strategist. "Oman would be a country that might struggle to come to market. Oman will have an external funding gap this year, and would need to get funding elsewhere, but under the current low oil price environment, it would be difficult for the country to access the international market."

Oman will likely require support from its wealthier investment-grade neighbours or a recovery in oil prices, Grut said.

Bahrain, which received $10 billion in support from Saudi Arabia and other Gulf states in 2018, will likely require additional support in 2020, Grut noted.

International debt markets are expected to remain off limits for single-B rated oil exporters such as Nigeria and Angola.

"For sub-Saharan Africa, it becomes more difficult to issue as they are more vulnerable" from a fiscal perspective, said Citigroup emerging market strategist Luis Costa.

This month, G20 governments agreed to freeze around 77 poorer nations' debt payments for the rest of the year, while the IMF is seeking some $18 billion in new resources to help further.

"Before single-Bs can come back to the primary market, there are three things they need to think about. IMF emergency funding, and debt relief from the G20 and Chinese," said Andrew MacFarlane at Bank of America, referring to the large amount of debt African nations owe China.

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