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Emerging Sovereign Debt Markets NEWS

Number 14 Week 28 March – 3 April 2020

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ASIA

GCC Gulf Cooperation Council

Expect rich Gulf States to step in if currency pegs at risk

30-Mar-2020

LONDON, March 30 (Reuters) - **Credit rating**



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agency S&P Global said on Monday it would expect wealthier Gulf states to provide support if any of the region's financially-strained countries saw their currency pegs come under threat.

S&P downgraded a number of Gulf States last week following the year's slump in oil prices, but it said on Monday that it expected the bloc's currency pegs to stay intact despite the growing pressure on finances.

"If the pegs (of recently-downgraded countries)

were under threat then we expect that wealthier GCC (Gulf Cooperation Council) countries would step in," to prevent "contagion" worries about their own pegs, S&P analyst Zahabia Gupta said.

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Bahrain

Bahrain pays back \$1.25 bln in bonds

01-Apr-2020
DUBAI, April 1 (Reuters) - **Bahrain has paid back \$1.25 billion in bonds that matured on March 31, the Ministry of Finance and National Economy said on Wednesday.**

Bahrain was bailed out with a \$10 billion financial aid package by some of its wealthier regional allies in 2018 as the small Gulf state was headed towards a credit crunch.

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China

China announces issue of 1.54 trillion yuan in local govt debt

01-Apr-2020
BEIJING, April 1 (Reuters) - **China's finance ministry said on Wednesday local governments have issued 1.54 trillion yuan (\$204.29 billion) in bonds as of the end of March, or 83.5% of the front-loaded quota announced in February.**

The total amount issued in the first quarter includes 387.5 billion yuan in local government debt and 133.1 billion yuan in local government special debt issued in March, the ministry said on its website

(\$1 = 7.0976 Chinese yuan renminbi)
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China Bond Connect sees record trade in March amid coronavirus panic

01-Apr-2020
SHANGHAI, April 1 (Reuters) - **Offshore investors traded record volumes of bonds through China's Bond Connect programme in March amid a coronavirus outbreak that continued to paralyse the country's economy, and as its spread prompted a flight to safety in global markets.**

Trading volumes through Bond Connect totalled a record 478.2 billion yuan (\$67.52 billion) in March, data from Bond Connect Company showed on Wednesday, up 67.7% from the previous month.

Trading tickets totalled 5,007, also a record, up from 3,608 in February. The Bond Connect data did not include information on offshore bondholdings, which totalled a record 2.3 trillion yuan at the end of February.

Foreign investors have steadily increased their investments in onshore Chinese bonds over the past year, driven by a stable yuan, attractive yields and gradual inclusion in global fixed-income indexes.

But market sources have seen some net selling of Chinese government and policy bank bonds in recent weeks as a global financial panic, sparked by the coronavirus pandemic, led to a rush for dollar liquidity. Market volatility has prompted global index providers to delay the inclusion of Chinese bonds and stocks into their benchmarks. Foreign investors sold a net 67.88 billion yuan worth of mainland A-shares through China's Stock Connect scheme in March, a record outflow, data from Hong Kong Exchanges and Clearing showed.

Analysts say stability in the yuan's exchange rate with the U.S. dollar in recent weeks shows attempts by China's central bank to stabilise sentiment and offset capital outflow pressure.

Launched in July 2017, Bond Connect offers offshore investors access to China's interbank bond market through its "Northbound" leg. China has yet not implemented a "Southbound" leg, which would allow onshore investors to trade bonds in Hong Kong and overseas markets.

(\$1 = 7.0821 Chinese yuan)
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Moody's Provides Update on Government of China Following Change in Forecasts

01-Apr-2020
April 1 (Reuters) - Moody's:



- **Moody's provides update on government of china following change in forecasts**

- Moody's says credit profile of china (A1 stable) is supported by very high economic and fiscal strength, and low external risk

- Moody's says china's economic strength is set at "A1" to reflect Moody's view that the country faces significant structural challenges

- **Moody's says it now forecasts china real GDP growth of 3.3% for 2020**

- Moody's - expect gradual rebound in economic recovery for china in q2 2020 as production resumes, although consumption demand is likely to remain soft

- Moody's says weak external demand will constrain china's export growth as the rest of world grapples with the outbreak

- Moody's - looking ahead to delayed national people's congress, Moody's expects conservative fiscal stance to continue amid modest rise in budgeted expenditure

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China's finance ministry to auction record 107 bln yuan of treasury bonds on April 8

02-Apr-2020

SHANGHAI, April 2 (Reuters) - **China's finance ministry will auction a record 107 billion yuan (\$15.08 billion) of treasury bonds on April 8, three sources told Reuters, as Beijing ramps up stimulus to revive the coronavirus-hit economy.**

The Ministry of Finance will auction 50 billion yuan of two-year bonds, and 57 billion yuan of five-year bonds next Wednesday, said the sources, who declined to be named.

The ministry was not immediately available for comment.

China is loosening its monetary policies and stepping up fiscal stimulus to reboot an economy ravaged by the coronavirus outbreak which stalled businesses, disrupted supply chains and hit exports.

(\$1 = 7.0947 Chinese yuan renminbi)

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Record-high local gov't bond issuance to spur infrastructure investment

02-Apr-2020

BEIJING, April 2 (Xinhua) -- **China's local government bond issuance reached a record high in the first quarter as authorities**

allocated additional quotas for new sales as part of the more proactive fiscal policies to shore up the virus-hit economy, official data showed.

The value of local government bonds issued in March totaled 387.5 billion yuan (about 54.6 billion U.S. dollars), according to the Ministry of Finance (MOF).

The data brought total local government bond issuance to more than 1.6 trillion yuan in the first quarter, a record high.

Among the issuance, new sales amounted to 1.5 trillion yuan, accounting for 83.5 percent of the 1.85-trillion-yuan quotas allocated by the MOF ahead of schedule to mitigate economic impacts from the novel coronavirus outbreak.

A State Council meeting on Tuesday decided to increase the issuance of local government special bonds to support effective investment, stressing that priority should be given to regions with major projects and low risks.

The country will assign some of the local government special bond quotas ahead of schedule, and local authorities should strive to issue the bonds by the end of the second quarter, the meeting said.

As the bond sales are mainly used to fund major infrastructure projects, including railways and water conservation, analysts expect the quickening sales will pull infrastructure investment to double-digital growth.

Gao Ruidong, an analyst with Guotai Junan Securities, predicted the special bonds would spur infrastructure investment by around 2.5 trillion yuan to 3 trillion yuan for 2020, with infrastructure investment growth reaching 10 percent to 12 percent for the year.

Enditem

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India

Bond yields trade higher on Monday

30-Mar-2020

India, March 30 -- **Bond yields edged higher on Monday despite domestic rating agency Icria's stated that India's gross domestic product (GDP) is likely to contract by 4.5 per cent in the April-June 2020 quarter and will rise by only 2 per cent in 2020-21 on the coronavirus impact.**

In the global market, treasury yields fell on Friday as investors shrugged off the passage of a \$2 trillion stimulus bill by the U.S. Congress and sought safety in high-quality assets. Furthermore, crude oil benchmarks dropped, extending last week's losses as the global coronavirus pandemic worsened and the Saudi Arabia-Russia price war showed no signs of abating.

Back home, the yields on new 10 year Government Stock were trading 2 basis points



higher at 6.16% from its previous close of 6.14% on Friday.

The benchmark five-year interest rates were trading 10 basis points higher at 5.69% from its previous close of 5.59% on Friday.

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India may slash borrowing from market in April amid lockdown

30-Mar-2020

MUMBAI/NEW DELHI, March 30 (Reuters) - **India may slash or even cancel its planned borrowings from the market for April, looking at its options amid a nationwide lockdown prompted by the coronavirus outbreak, two finance ministry sources told Reuters.**

The travel curbs have disrupted routine bond market trading and volumes and prompted primary dealers, underwriters to bond issuances, to seek finance ministry intervention.

"We are looking at various options. Market borrowing is challenging in the current environment," a senior finance ministry official said.

"So we are considering options of selling these bonds to LIC (Life Insurance Corp of India) or RBI (Reserve Bank of India). We might still look at a small borrowing from the market, but all options are on the table," he said, adding that the government could also use the central bank's ways-and-means facility - an overdraft facility the RBI offers to the state - to address any immediate cash needs.

Private placement of bonds would ensure the government gets the money it needs for its expenditure while there is no impact on the market.

He also said the government would likely take a month-on-month view on borrowing unlike its normal six-month borrowing calendar.

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India to borrow more aggressively in April-Sept than expected

31-Mar-2020

NEW DELHI, March 31 (Reuters) - **The Indian government plans to borrow more aggressively than anticipated in the April-September period, even as foreign investors have turned into net sellers in the entire Asian market as the coronavirus spreads.**

India aims to borrow 4.88 trillion rupees in the period, nearly 63% of its total annual borrowing plan, Economic Affairs Secretary Atanu Chakraborty said on Tuesday.

The government plans to issue bonds worth 190 billion rupees to 210 billion rupees weekly through the first six months of the fiscal year that begins on April 1.

"It will be interesting to see how the market reacts. Our guess is that they will move up given the frontloading of the borrowing," CARE ratings said in a note.

The benchmark 6.45% bond maturing in 2029 ended at 102.22 rupees, yielding 6.14%, in Mumbai against 101.71 rupees, yielding 6.21%, on Monday.

Chakraborty said the government would do "all necessary things" to support industry, the health system and the poor.

India has reported 1,250 cases of the coronavirus and 32 deaths.

"Government shall do whatever is required to do for the resurgence and recovery of the industries. Our fund-raising resources not only from the markets but also from multilateral agencies are geared towards that," Chakraborty said.

Last week, Finance Minister Nirmala Sitharaman announced a package of 1.7 trillion rupees to help the poor, while the RBI cut its benchmark rates by 75 basis points and announced a host of liquidity measures.

The government is also expected to announce a package for industries that have been hit hard by a 21-day shutdown.

On Monday, Reserve Bank of India (RBI) opened a new category of bonds in which foreign buyers can buy all fresh issuance of 5-, 10- and 30-year bonds starting April 1.

Chakraborty said the move would help in shoring up demand for bonds in the market.

There was anticipation that the government would reduce its borrowings in April but it plans a more aggressive issue than last year. It plans to issue 790 billion rupees of government securities in April.

(Reporting by Aftab Ahmed; Editing by Alex Richardson and Nick Macfie)

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Indonesia

Indonesia plans to relax budget deficit limit amid coronavirus

31-Mar-2020

By Bernadette Christina

JAKARTA, March 31 (Reuters) - **Indonesia is planning to issue an emergency regulation to allow the government to manage a wider fiscal deficit and increase spending in response to COVID-19, a move that will effectively revise the state finances law, a minister said on Tuesday.**

The 2003 state finances law caps the budget deficit at a maximum of 3% of gross domestic

product for a fiscal year.

The new rules will allow the government to exceed that limit for three consecutive fiscal years, but the cap will be reinstated in 2023, Luhut Pandjaitan, a senior minister who oversees investment and natural resources, said in a video statement.

Indonesia recorded its first coronavirus cases on March 2 and has seen numbers climb to 1,414 infections and 122 deaths as of Monday. Some provinces and cities have shut schools and ordered residents to stay at home.

Jakarta Governor Anies Baswedan on Monday told Reuters he had asked President Joko Widodo to approve a regional quarantine, "effectively a lockdown", in the capital due to reports that even more people had died of an unspecified contagious disease.

Pandjaitan said the Jakarta governor and Finance Minister Sri Mulyani Indrawati had discussed budgetary needs in preparation in case the capital goes into a quarantine.

Relaxing the budget deficit limit would accommodate spending in support of such a decision, such as a cash transfer to 20% or 40% of the poorest in the population, he said.

The president will decide on calls for regional quarantine this week, Pandjaitan said.

Indrawati previously identified 62.3 trillion rupiah (\$3.78 billion) of spending in the 2020 budget that could be redirected to the COVID-19 response and called on regional governments to shift their budgets for healthcare. Her latest outlook for the 2020 budget deficit was 2.5% of GDP.

The planned emergency regulation, called "a regulation in lieu of law", can be made effective immediately, but must be approved by parliament in its next session. A key parliamentary committee had already endorsed such move.

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Indonesia president announces \$25 billion spending to fight coronavirus

31-Mar-2020

JAKARTA, March 31 (Reuters) - **Indonesia's President Joko Widodo on Tuesday said he had signed a regulation to let the government significantly raise spending in its fight against the coronavirus and widen the 2020 budget deficit to 5.07% of GDP.**

Widodo also announced a national public health emergency, and said the government would spend 405.1 trillion rupiah (\$24.85 billion) more on COVID-19 response, social welfare programmes and economic stimulus, including a 3 percentage point cut in corporate tax rates to 22%.

The emergency regulation is effective immediately, but parliament must approve it to turn it into a law in its current session.

(\$1 = 16,300.0000 rupiah)

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Indonesia central bank gov: economic growth in 2020 expected between 2.3% - 2.5%

31-Mar-2020

JAKARTA, March 31 (Reuters) - **Indonesia's central bank expects economic growth of between 2.3% - 2.5% in 2020, governor Perry Warjiyo told an investor conference call on Tuesday, as the government declared a national public health emergency over the coronavirus outbreak.**

That compared with an earlier estimate of 4.2% - 4.6% growth.

President Joko Widodo earlier said the government will issue regulation allowing the fiscal deficit to go beyond a 3%-of-GDP cap for three years as it boosts spending in response to the outbreak.

Warjiyo said under the new rules, Bank Indonesia will be allowed to buy government bonds in the primary market when the market is not able to absorb them.

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Moody's Says Indonesia's External and Fiscal Buffers Under Test, As Coronavirus Drives Financial Market Pressures

03-Apr-2020

April 3 (Reuters) - Moody's:

- **Moody's - Indonesia's external and fiscal buffers under test, as coronavirus drives financial market pressures**
- Moody's says now expects Indonesia's real GDP growth to slow to 3.0% in 2020 before recovering to 4.3% in 2021
- Moody's - expects Indonesian government measures will at best buffer impact of economic shock, rather than reverse or resolve it

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Iran

IMF in dialogue with Iranian authorities for financial aid

01-Apr-2020

DUBAI, April 1 (Reuters) - **The International Monetary Fund (IMF) is in dialogue with Iranian authorities after Iran's request for financial aid to help it to contend with the fallout from the coronavirus pandemic, an IMF official said.**

Iran - the worst-hit Middle East nation - has asked the IMF \$5 billion in emergency funding. The IMF is in talks to understand Iran's needs and what is required for Iran's demand to be processed, Jihad Azour, director of the IMF's Middle East and Central Asia Department, said during a virtual panel discussion moderated by the Carnegie Middle East Center.

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Israel

Israel to spend 80 bln shekels to help economy cope with coronavirus crisis

30-Mar-2020

By Ari Rabinovitch and Tova Cohen
JERUSALEM, March 30 (Reuters) - **Israel will spend 80 billion shekels (\$22 billion) to help the economy weather the coronavirus crisis and the finance minister said he expected a gradual return of business activity after the Passover holiday next month.**

Israel's economy has been hard hit by a government lockdown aimed at curbing the spread of the coronavirus. Increasingly stringent restrictions have largely confined Israelis to their homes, forcing businesses to close and causing unemployment to rocket.

Prime Minister Benjamin Netanyahu announced a further tightening of restrictions late on Monday, barring gatherings of more than two people who are not in the same family, with few exceptions, such as for funerals.

The aid package, unveiled by Netanyahu and Finance Minister Moshe Kahlon, includes 70 billion shekels in addition to 10 billion already promised to boost welfare services for those who have lost their jobs or are on unpaid leave and to assist the private sector.

"The coronavirus has brought the country's worst ever economic crisis," Kahlon said.

The number of people seeking unemployment benefits has surged to about 1 million people in less than a month, up from a pre-crisis level of

30,000 unemployed, he said.

"Our job is to formulate as significant and broad response as possible to address the damages from the crisis, and that is what this package is for," Kahlon said.

That includes a 20-billion-shekel social safety net, including stipends for those who lost income, 40 billion shekels earmarked to assist businesses with tax breaks, loans and other services, about 10 billion for the healthcare system and nearly 8 billion will be spent to speed up the recovery.

Kahlon said he estimated the economy "would return, albeit gradually" to normal activity after the Passover holiday, which ends mid-April.

Bank of Israel Governor Amir Yaron, who has said the crisis had arrived when Israel's economy was in a strong position, said the stimulus package would reduce uncertainty.

The central bank has projected an economic contraction of 2.5% in 2020 as long as the nationwide lockdown eases by the end of April.

(\$1 = 3.5655 shekels)

(Additional reporting Steven Scheer. Editing by Jane Merriman)

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Israel: The Bank of Israel will purchase government bonds totaling NIS 50 billion, in order to ease credit conditions and support economic activity

31-Mar-2020

In recent weeks, the economic conditions in the Israeli economy have worsened significantly, in view of the spread of the coronavirus and the measures taken to prevent it. Economic activity has been seriously disrupted, and volatility in the financial markets has increased. In view of this, the Monetary Committee has decided to launch a government bond purchasing program in the secondary market totaling NIS 50 billion, with the aim of easing credit conditions in the economy and supporting economic activity and financial stability.

The Bank of Israel interest rate has for a long time been at low levels, which makes financial conditions easier for the business sector and households. **The bond purchases will enable the Bank of Israel to influence bond yields in the market along the entire unindexed and indexed curves, and to lower the costs of longer-term credit for firms and households, as a complementary tool to the short-term interest rate policy.** The additional monetary support is particularly important at a time when many businesses and households are encountering liquidity difficulties due to the serious crisis that is negatively impacting their income.

In addition, the bond purchasing program will enable the Bank of Israel to moderate serious volatility in bond yields that is caused by the lack of liquidity in the financial markets, and to work toward stabilizing the markets.

In parallel to the bond purchasing program, the Bank of Israel will continue to give financial entities access to repo transactions with it while using government bonds as collateral, as the Bank announced on March 15, 2020, and will also continue the swap tenders program in the shekel-dollar market, as it announced on March 18, 2020.

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Israel to issue dollar-denominated bonds to fund stimulus plan

31-Mar-2020

TEL AVIV, March 31 (Reuters) - **Israel plans to issue dollar-denominated government bonds in maturities of 10, 30 and 100 years over the next 24 hours to help finance a massive economic stimulus package, the Finance Ministry said on Tuesday.**

The ministry said the amount would be determined during the offering.

The government announced on Monday it would spend 80 billion shekels (\$22 billion) to help the economy cope with the coronavirus outbreak.

The decision by Accountant General Rony Hizkiyahu to issue dollar-denominated bonds "was made after extensive consultations with foreign financial bodies with the understanding that there is high demand from the world's biggest investors for the state of Israel's debt," the ministry said.

Barclays, BofA Securities, Citibank and Goldman Sachs will lead the offering.

Israel in January raised a record \$3 billion in foreign debt in an offering of 10 and 30-year bonds that received huge demand of some \$20 billion from investors.

Standard & Poor's rates Israel's sovereign debt at "AA-", while Moody's Investors Service rates Israel at "A1" and Fitch Ratings at "A+".

(\$1 = 3.5655 shekels)

(Reporting by Steven Scheer; Editing by Ari Rabinovitch and Tova Cohen)

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Israel sells rare 'century bonds' in record \$5 bln debt issue

01-Apr-2020

By Steven Scheer

TEL AVIV, April 1 (Reuters) - **Israel sold \$1 billion of 100-year bonds in international**

markets as part of a record \$5 billion fundraising to finance government aid to help the economy cope with the coronavirus outbreak.

Israel joins a handful of countries such as Austria, Mexico and Argentina, which have sold "century bonds."

The Finance Ministry said it sold the 100-year bond at a coupon of 4.5%.

"The 100-year issue is a testament to the country's financial strength and its solidification in international markets. The offering will be an important pillar in financing government activity in the near future," said Accountant General Rony Hizkiyahu.

Israel also sold \$2 billion of 10-year debt at a coupon of 2.75% coupon and \$2 billion of 30-year bonds at a 3.875% coupon. Hizkiyahu said these were relatively low rates for international debt offerings.

The government on Monday said it would spend 80 billion shekels (\$22 billion) to help the economy cope with the coronavirus outbreak.

Demand for the issues topped \$25 billion, the ministry said.

It noted that the sale attracted more than 400 different investors from 40 countries, including the United States, Germany and the United Kingdom, as well as high demand from Asian institutional investors.

Deputy Accountant General Gil Cohen said the ability to conduct a successful sale during high volatility in the markets reflected Israel's economic strength and its relationship with investors around the world.

Barclays, BofA Securities, Citibank and Goldman Sachs underwrote the bond issue.

Israel in January raised \$3 billion in foreign debt in a sale of 10- and 30-year bonds that attracted demand of some \$20 billion from investors.

Standard & Poor's rates Israel's sovereign debt at "AA-", while Moody's Investors Service rates Israel at "A1" and Fitch Ratings at "A+".

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Editing by Ari Rabinovitch and Jane Merriman)

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Kazakhstan

Kazakhstan to borrow \$3 bln abroad this year

02-Apr-2020

NUR-SULTAN, April 2 (Reuters) - **Kazakhstan plans to borrow \$3 billion on foreign capital markets to finance its budget deficit this year, deputy finance minister Berik Sholpankulov said on Thursday.**

The oil-exporting Central Asian nation is increasing its deficit target to 2.4 trillion tenge



(\$5.4 billion), or 3.5% of gross domestic product, due to the plunge in energy prices, the coronavirus outbreak, and additional stimulus spending.

(\$1 = 447.7100 tenge)

(Reporting by Olzhas Auyezov; Editing by Toby Chopra)

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Kuwait

IMF urges Kuwait to reduce oil dependence, boost savings

30-Mar-2020

DUBAI, March 30 (Reuters) - **Kuwait needs to urgently reduce its dependence on oil revenues and boost savings, despite its vast financial buffers and low levels of debt, the International Monetary Fund said on Monday.**

Kuwait - a major oil exporter - saw its overall economic growth decline to 0.7% last year from 1.2% in 2018, as oil production cuts agreed with OPEC and non-OPEC partners weighed on its oil sector, the IMF said in a report.

The report, based on information available as of March 2, was prepared before the coronavirus outbreak became a pandemic, the Washington-based international lender said.

"It, therefore, does not reflect the implications of these developments and related policy priorities ... The outbreak has greatly amplified uncertainty and downside risks around the outlook."

Kuwait's fiscal financing needs, excluding investment income and discounting compulsory transfers to the country's Future Generations Fund (FGF), remained large at 7.7% of GDP in the fiscal year 2018-2019. Kuwait's fiscal year starts on April 1.

"The challenge to reduce dependence on oil and boost savings has become more urgent ... Kuwait has large financial buffers and low debt, but the window of opportunity to tackle its challenges from the position of strength is narrowing," the IMF said, citing subdued forecasts for oil revenues.

Kuwait has lagged behind other Gulf States in introducing reforms aimed at diversifying its economy after oil prices dropped in 2014/2015. Every year, the country deposits 10% of total revenue into the its sovereign wealth fund, FGF.

"At current policies, the overall fiscal balance would turn into a growing deficit, which, after mandatory savings in the FGF, would give rise to large financing needs over the medium term," the IMF said.

In January, Kuwait said it expected a budget deficit of 9.2 billion dinars (\$29.26 billion) in the fiscal year starting on April 1, after taking into account the 10% deposit into FGF.

The IMF said authorities should reform Kuwait's

large public sector bill and shift from generalised subsidies to targeted compensation schemes. The government should also continue to work on the introduction of a value added tax.

"Taxes on corporate income, luxury items, and personal income of the wealthy could be also considered for a more socially-balanced adjustment mix," it said.

To boost the private sector and incentivise Kuwaitis to seek private sector jobs, public sector wages should be aligned with those in the private sector, said the fund.

(\$1 = 0.3144 Kuwaiti dinars)

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Moody's Places Kuwait's Aa2 Rating on Review for Downgrade

31-Mar-2020

March 30 (Reuters) - Moody's:

- **Places Kuwait's AA2 rating on review for downgrade**

- Decision to place Kuwait's rating on review reflects significant decline in government revenues resulting from sharp decline in oil prices

- Judgment regarding effective governance was one of drivers of decision to place Kuwait's rating on review for downgrade

- **To assess Kuwait government's capacity to adjust funding strategy due to ongoing parliamentary impasse regarding legal authorization to issue debt**

- Expects Kuwait government to enact some fiscal adjustment in response to lower oil prices this year

- Expects Kuwait government making significant expenditure reductions in response to lower oil prices will prove challenging

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Malaysia

Moody's, On Malaysia, Says Large Coronavirus Stimulus Package Supports Domestic Demand But Will Raise Fiscal Challenges

03-Apr-2020

April 3 (Reuters) - Moody's:

- Moody's, on Malaysia, says large coronavirus stimulus package supports domestic demand but will raise fiscal challenges

- Moody's says stimulus package leaves Malaysian government with a wider fiscal deficit, at least for 2020



- Moody's says stimulus package increases Malaysian govts' fiscal consolidation challenge over the next few years
- Moody's - Malaysian export-oriented, tourism sectors, including electrical, electronics industry will be hit hard by weak global demand due to covid-19
- Moody's - domestic services in Malaysia will be constrained for as long as movement restrictions due to covid-19 are in place

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Maldives

Fitch Downgrades Maldives to 'B'; Outlook Revised to Negative

30-Mar-2020

Fitch Ratings-Hong Kong-March 30:

Fitch Ratings has downgraded the Maldives' Long-Term Foreign-Currency and Local-Currency Issuer Default Ratings (IDRs) to 'B' from 'B+' and revised the Outlook to Negative from Stable.

KEY RATING DRIVERS

The downgrade of the Maldives' IDRs reflects the following key rating drivers.

Fitch expects the Maldives' economy to be hit hard by the coronavirus pandemic because of the dominance of the tourism sector. The Maldives has recorded few COVID-19 cases so far and can use remote islands for quarantining, if needed, but tourism receipts will nevertheless remain close to zero for months due to global conditions.

A deep recession seems unavoidable, as tourism directly accounts for about 25% of GDP, according to national accounts data, and even more indirectly. Our forecast of a 5% contraction in economic activity in 2020 and a rebound to 10% growth in 2021 are subject to significant uncertainty. **The Maldives faced even more severe economic downturns in 2009, following the global financial crisis (-6.6%) and the 2004 tsunami (-13.4%), which flooded the country.** Economic activity in 2020 is still likely to be supported by construction, even though some projects may face disruption, and imports of materials may get delayed. The government also announced stimulus measures, including temporary subsidies for electricity and water, and support for businesses affected by the pandemic.

Several large infrastructure development projects undertaken simultaneously over the past few years have resulted in a rise in government and government-guaranteed debt. Projects that are ongoing or in the pipeline are, for instance, related to housing, airport development and the construction of another bridge. **In this year of recession we expect government debt to increase further to 73% of GDP, from 60% in 2019.** The government

has enhanced transparency of debt accumulation and aims to limit a further build-up of government guarantees, which rose to 15% of GDP in 2019 from 4% of GDP in 2017.

Inflows of foreign currency and government revenue will fall significantly as a result of the halt in tourism. **Hence, we expect the fiscal deficit to widen to 12% of GDP in 2020 from 5.7% in 2019.** The government may face challenges in financing the deficit, as its otherwise strong ability and propensity to tax the luxury tourism sector will be impaired. However, we expect the Maldives to continue to benefit from financial support from its international partners. India supported the Maldives last year with USD1.4 billion in grants and concessional loans, while international financial institutions provided assistance after the 2004 tsunami.

The Negative Outlook reflects our assessment that risks remain skewed to the downside given the Maldives' limited external buffers.

Gross foreign reserves were USD757 million in January 2020, while reserves net of the monetary authorities' short-term liabilities amounted to USD311 million. The government's external debt service obligations amount to USD118 million this year, while USD217 million in government-guaranteed debt will need to be serviced. However, the government has no foreign marketable debt falling due before June 2022, when its USD250 million international bond matures. Resources in the sovereign development fund, intended in principle for the repayment of the US dollar bonds, have been broadly stable over the past year at around USD130 million.

The Maldives' 'B' IDRs also reflect the following key rating drivers.

The Maldives' success as a prime luxury tourist destination has generated relatively high GDP per capita of USD 10,776 ('B' category median is USD 3,311). **Tourism demand should rebound once the Covid-19 crisis has passed and tourists feel more confident to travel again.** Tourist arrivals showed an increasing trend in recent years, rising to 1.7 million in 2019 from 1.2 million in 2015. Capacity is still expanding, as many new resorts are being built. The development of an additional runway and new terminal at the main international airport, in particular, should allow for a significant increase in the number of tourists in the coming years.

The high dependence on tourism implies that the economy is vulnerable to sudden events that structurally harm the perception of the Maldives as a safe and reliable tourist destination. Political tensions have eased significantly since the election of President Ibrahim Mohamed Solih in September 2018. A strong electoral mandate was confirmed when his Maldivian Democratic Party won a 74% majority in the parliamentary elections in April 2019. There is consensus among the political parties on the central policy objectives to facilitate a thriving tourism sector and expand infrastructure and housing development, but this

government aims to improve governance and restore public confidence in law enforcement, which strengthens the support by international donors.

We expect the current account deficit to widen slightly, to 22.6% of GDP in 2020 from 21.4% of GDP in 2019. Imports will probably drop materially in tandem with the reduction in tourism and a lower oil price, mitigating the impact of the fall in tourism on the current account. This projection is subject to significant uncertainty, as with most other forecasts in the current global environment.

The banking system is well-capitalised, with a reported Tier 1 capital/risk-weighted asset ratio of 38.8% in 2019. Private credit represents only 33% of GDP and a significant proportion of the banking system is foreign-owned, implying that the sovereign's exposure to banking sector risk is relatively low. Non-performing loans were high, however, at 9.4% of total loans, but down from a peak of 20.9% in 2012.

ESG - Governance: The Maldives has an ESG Relevance Score of '5' for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. These scores reflect the high weight that the World Bank Governance Indicators (WBGi) has in our proprietary Sovereign Rating Model. The Maldives has a medium WBGi ranking at the 34th percentile, reflecting a recent peaceful political transition, a moderate level of rights for participation in the political process, moderate institutional capacity, and a high level of corruption compared with peers.

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

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

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

External Finances: -1 notch to reflect low reserve coverage in combination with high dependence on one sector - tourism - and an accumulation of external debt from the execution of large infrastructure projects.

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

RATING SENSITIVITIES

The main factors that may, individually or collectively, lead to a downgrade or other negative rating action are:

- External liquidity pressures, eg due to a

fall in foreign-currency reserves or an increase in external debt higher than Fitch expected.

- A sharper rise in general government debt or government guarantees to state-owned enterprises than we expect, eg due to a prolonged economic downturn or a rise in public investment spending.

The Rating Outlook is Negative. Consequently, Fitch does not currently anticipate developments with a high likelihood of leading to a positive rating change.

However, the main factors that may, individually or collectively, lead to an upgrade or other positive rating action are:

- Strengthening of external buffers through accumulation of foreign-currency reserves.

- A reduction in debt owed or guaranteed by the general government, leading to improved public-debt dynamics.

Best/Worst Case Rating Scenario

Best- and Worst-Case Rating Scenarios - Sovereigns:

International scale credit ratings of sovereign 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'.

KEY ASSUMPTIONS

- The global tourism industry experiences a gradual recovery extending into 2021 after the initial, sharp shock from the coronavirus pandemic this year.

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

The Maldives has an ESG Relevance Score of '5' for Rule of Law, Institutional and Regulatory Quality, and Control of Corruption, as WBGi have the highest weight in the SRM and are therefore highly relevant to the rating and a key rating driver.

The Maldives has an ESG Relevance Score of '4' for Human Rights and Political Freedoms, as WBGi have the highest weight in the SRM and are relevant to the rating and a rating driver.

The Maldives has an ESG Relevance Score of '4' for Creditor Rights, as willingness and ability to service debt are relevant to the rating and a rating driver, as for all sovereigns.

The Maldives has an ESG Relevance Score of '3'

for Human Development, Health and Education, as the global impact of the pandemic will have an adverse effect on tourism receipts and the country's broader external finances, which is relevant to the rating in combination with other factors.

Maldives; Long Term Issuer Default Rating; Downgrade; B; RO:Neg

Short Term Issuer Default Rating; Affirmed; B
Local Currency Long Term Issuer Default Rating; Downgrade; B; RO:Neg

Local Currency Short Term Issuer Default Rating; Affirmed; B

Country Ceiling; Downgrade; B

Senior unsecured; Long Term Rating; Downgrade; B

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Additional information is available on www.fitchratings.com

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Oman

Oman bonds weaken following S&P rating downgrade

30-Mar-2020

DUBAI, March 30 (Reuters) - **Oman's debt fell in value on Monday after S&P cut its sovereign rating deeper into junk territory over the weekend, with the yield on its 10-year bonds due in 2028 rising to 10.6% from 10.3% on Friday.**

Refinitiv data showed the bond had fallen 1.2 cents in price in early trade on Monday, to trade at around 74 cents on the dollar.

The country's 30-year dollar bonds due in 2048 are now yielding 10.2% compared with 9.5% on Friday after the price fell 2.5 cents to around 68 cents on the dollar.

Other Gulf bonds also suffered losses, with Saudi Arabia and Aramco bonds due in 2049 falling 1 cent to 108 cents and around 99 cents on the dollar respectively. Abu Dhabi bonds due in 2047 shed 1 cent to around 107 cents on the dollar.

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Moody's Says Places Oman's Ba2 Rating under Review for Downgrade

30-Mar-2020

March 30 (Reuters) - MOODY'S:

- **Moody's says places Oman's BA2 rating under review for downgrade**
- Moody's says decision to place Oman's



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rating under review reflects increased external vulnerability, government liquidity risks following large oil price shock

- Moody's says judgment regarding effective governance was one of the drivers of decision to place Oman's rating under review

- Moody's says review period to allow it to assess implications of sharp oil price shock & significant financial market turmoil on Oman's financing needs, sources

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Oman bonds weaken on Moody's review as other Gulf debt gains

31-Mar-2020

DUBAI, March 31 (Reuters) - **Oman's debt weakened on Tuesday after Moody's placed its rating under review for a downgrade, while other Gulf bonds gained.**

The sultanate's 30-year dollar bonds due in 2048 lost 1 cent to trade at around 65.3 cents on the dollar, Refinitiv data showed. Oman's 10-year bonds maturing in 2028 lost 0.3 cents to trade at 71.7 cents on the dollar.

Oman's bonds suffered sharper losses than other Gulf States on Monday after it was downgraded deeper into junk status by S&P.

Its Gulf neighbours posted gains on Tuesday, with Saudi Arabia's 30-year bonds due in 2049 gaining 0.4 cents to trade at 107.3 cents on the dollar. Oil giant Saudi Aramco's similar bonds gained 0.9 cents to trade at 98.9 cents.

Qatar's 30-year bonds due in 2049 rose 1.1 cents to trade at 117.3 cents on the dollar, while Abu Dhabi 30-year bonds maturing in 2047 gained 0.8 cents to trade at 107.9 cents.

Bahrain, the only Gulf sovereign besides Oman that is rated junk, gained 0.7 cents on its 30-year bonds due in 2047 to trade at 84.8 cents on the dollar.

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Editing by Alexander Smith)

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South Korea

South Korea's March FX reserves see biggest drop since 2008 on currency intervention

02-Apr-2020

SEOUL, April 3 (Reuters) - **South Korea's foreign exchange reserves fell by the most in more than 11 years at the end of March as authorities sold dollars to steady the local FX market hammered by the coronavirus pandemic and as the greenback firmed, the central bank said on Friday.**

FX reserves held by the Bank of Korea (BOK) totalled a \$400.21 billion as of end-March, the smallest since May 2018. The \$8.96 billion drop from \$409.17 billion at end-February was the most since an \$11.74 billion decline in November 2008.

The decrease in reserves "was driven by the FX authorities' market stabilisation measures as well as the decline in conversion value of its holdings of other currencies on strengthened U.S. dollar", the BOK said in a statement.

The data comes after local FX authorities last month warned against speculation on the currency market following a sharp drop in the won.

The won plunged to 1,296.0 per dollar in mid-March, nearly 10% weaker than the highest trading level of 1179.9 during the month.

Last week, South Korea's vice finance minister said the government expected FX reserves to be reduced temporarily as part of it will be used to ease liquidity shortages in companies and financial institutions.

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Taiwan

Moody's Says Government of Taiwan's Relief Measures Will Ease, But Not Offset, Coronavirus Outbreak's Impact on Economy

03-Apr-2020

April 3 (Reuters) - Moody's Ratings:

- **Moody's says government of Taiwan's relief measures will ease, but not offset, coronavirus outbreak's impact on economy**
- Moody's says expect government's measures to partially offset outbreak's impact on Taiwan's economy
- Moody's says significant slowdown in china's 2020 economic growth, coupled with contraction in U.S. Will weigh on demand for Taiwanese products in 2020
- Moody's says expect weak export volumes for Taiwan in 2020
- Moody's says it expects business closures, increased social-distancing requirements to have negative effect on Taiwan households' spending patterns
- Moody's says it expects business closures, increased social-distancing requirements to lead to labor market weakness in Taiwan

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EUROPE

Andorra

Andorra: Government approves new two-year bond issue of 125 million to refinance public debt

28-Mar-2020

The Government has approved, on Wednesday, on the proposal of the Minister of Finance, Eric Jover, a long-term government debt issue of the Principality of Andorra in the amount of 125,000,000, in the form of bonds, under the fifth public debt issuance program.

Minister Jover emphasizes that the four government debt issues, like all previous issues, have been well received by investors. This issue refinances a previous issue of the same volume and duration.

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Armenia

EU says will provide Armenia with 51 mln euros to fight coronavirus

03-Apr-2020

By Nvard Hovhannisyan and Margarita Antidze
YEREVAN, April 3 (Reuters) - **The European Union is ready to provide 51 million euros to help support Armenia's economy and healthcare system as it battles to curb the South Caucasus' worst outbreak of the new coronavirus.**

The ex-Soviet country of around 3 million had reported 736 cases of the virus by Friday. Seven people have died.

The EU's mission in Armenia said on its Facebook page that the bloc would provide 18 million euros of new funding, with 33 million euros to be redirected from existing projects.

Funds will be used to purchase medical devices and equipment, train medical and laboratory staff and support small and medium-sized enterprises and economic growth in general.

"More is yet to come through access to important regional banking facilities and further restructuring of projects," the EU mission said.

Armenian authorities say the pandemic will slash economic growth that had been forecast at 4.9% this year.

"In 2020 the economic growth in Armenia will be 0.7% which is significantly low from the previous forecast, but it will recover in 2021 and be 7.2%," the central bank said in its quarterly inflation report.

International financial institutions have also pledged support.

The World Bank said on Friday it had allocated

\$3 million to address Armenia's urgent need for medical equipment and supplies, while the Asian Development Bank gave a \$100,000 grant to buy personal protective equipment for medical staff.

The International Monetary Fund mission is currently conducting a review of an \$248 million loan arrangement which the government had previously treated as precautionary.

"Now that the global health pandemic has turned into an economic and financial crisis, (the government) may choose to draw on these resources," the IMF's resident representative in Armenia, Yulia Ustyugova, told Reuters.

She said a \$105.4 million tranche would be available for Armenia once the current review is successfully completed.

Dimitri Gvindadze, who heads the Armenian office of the European Bank for Reconstruction and Development, said it was ready to make funds available for Armenia's private sector, municipal enterprises, energy and infrastructure companies.

"We are ready to deploy a full spectrum of our products and instruments to support Armenia," Gvindadze told Reuters.

(Writing by Margarita Antidze; Editing by Catherine Evans)

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Fitch Revises Outlook on Armenia to Negative Affirms at 'BB-'

03-Apr-2020

April 3 (Reuters) - Fitch:

- **Fitch revises outlook on Armenia to negative; affirms at 'BB-'**
- Fitch says coronavirus shock negatively affects Armenian economy due to its exposures to commodities

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Belarus

Belarus caps price and tariff growth until end of June

01-Apr-2020

MINSK, April 1 (Reuters) - **The Belarusian government ordered companies and entrepreneurs to cap price and tariff increases at 0.5% per month until June 30 to stabilise its domestic market in the face of the coronavirus pandemic, according to a government decree published on Wednesday.**

Belarus, which is facing a risk of economic downturn caused by falling exports amid the coronavirus outbreak, said on Monday it had

asked the International Monetary Fund to provide additional financing of around \$900 million.

The country's gross domestic product was down 0.6% year on year in January-February as its currency depreciated by almost 20% since the start of the year.

Belarus has reported at least 152 coronavirus cases and two deaths.

(Reporting by Andrei Makhovsky, writing by Anton Kolodyazhnyy, editing by Larry King)
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S&P Says Belarus Ratings Affirmed at 'B/B' Outlook Stable

03-Apr-2020

April 3 (Reuters) -

- **S&P says Belarus ratings affirmed at 'B/B'; outlook stable**
- S&P says expect accumulated foreign exchange reserves to allow Belarus to meet public debt payments over next 12 months, even without external capital market access

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Bosnia

Bosnia's Serb Republic to offer 153 mln euro of 5-yr T-notes on April 14

30-Mar-2020

SARAJEVO (Bosnia and Herzegovina), March 30 (SeeNews) - **Bosnia's Serb Republic will offer 300 million marka (\$169 million/153 million euro) worth of five-year Treasury notes at an auction on April 14, the entity's finance ministry said on Monday.**

The Republic's government will offer investors 300,000 securities of 1,000 marka in par value each that will mature on April 16, 2025, the finance ministry said in a statement filed with the Banja Luka Stock Exchange (BLSE).

The securities will have a fixed annual interest of 2%, the statement read, adding that the issue will be indexed to the euro.

Earlier this month, the ministry said it is going to offer 35 million marka worth of five-year T-notes at another auction on April 6.

The Republic last offered five-year T-notes in June 2019, when it sold 37.5 million marka at an effective interest rate of 2.0% and with a 3.5% coupon.

The Serb Republic is one of the two autonomous entities forming Bosnia and Herzegovina. The Federation is the other one.

(1 euro = 1.95583 Bosnian marka)



IMF warns it would halt aid to Bosnia if currency policy endangered

01-Apr-2020

By Daria Sito-Sucic

SARAJEVO, April 1 (Reuters) - **The International Monetary Fund warned Bosnia on Wednesday it would drop assistance agreed to ease the impact from the spread of coronavirus on the health system and economy if the authorities undermine the country's currency arrangement.**

Last month, the IMF announced it may extend a 165 million euros (\$180.5 million) loan to Bosnia under its Rapid Financing Instrument (RFI) to soften the blow.

Following the war in the 1990s, Bosnia's monetary policy has been based on the currency board arrangement pegging the convertible marka to the euro under a fixed rate. The international reserves kept in foreign banks back up the marka.

However, since the outbreak of the epidemic, Bosnian Serb leaders, led by Milorad Dodik who is a Serb member on Bosnia's tripartite inter-ethnic presidency, have pressured the central bank to halve its international reserves and redirect them to the country's two autonomous regions to help businesses.

So far, Bosnia has recorded 465 cases of the coronavirus and 13 deaths.

The impoverished Balkan country, which has introduced a lockdown to curb its spread, is already feeling the effects on its economy, with hundreds of businesses shut down and thousands of workers laid off.

The IMF said on Wednesday the currency board arrangement was a "pillar of stability in this uncertain time", having served Bosnia well for over two decades and contributing to confidence in the currency.

"Any attempt to use the central bank's international reserves for fiscal purposes would undermine the currency board, threaten financial stability and risk significant inflationary developments," Andrew Jewell, the IMF Resident Representative in Bosnia, said in a statement.

Jewell said such intervention would add a financial and currency crisis on top of the economic and humanitarian crisis that Bosnia now faces.

"For this reason, the IMF will not provide any financial assistance to Bosnia under the RFI if the currency board arrangement is compromised," he said.

The lender said it has been preparing to disburse the loan in the second half of April, and that the total disbursement could be even larger if the IMF's Executive Board decided to increase the borrowing limit under the instrument.

The central bank has said that Bosnian banks are liquid and well capitalised and can meet all

the requirements of their depositors. It also said it could decide to cut the required reserve rate for commercial banks if need be.

Bosnia's two regions, the Serb Republic and the Bosniak-Croat Federation, plan to form special stabilisation funds to help economy and businesses, which would include the IMF funds and other funding they plan after revising their respective 2020 budgets.

(\$1 = 0.9142 euros)

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Bulgaria

Bulgaria plans budget revision to allow new debt for mitigating coronavirus impact

30-Mar-2020

SOFIA (Bulgaria), March 30 (SeeNews) - **Bulgaria's finance minister Vladislav Goranov said that he will propose amendments to the 2020 budget this week in order to allow the government to take on new debt to finance its efforts to soften the economic blow from the coronavirus pandemic.**

The budget revision will also include 1 billion leva (\$511 million euro) in funding the government is going to provide to employers in the most affected sectors of the economy who decide to retain their current employees, Goranov said in a press release issued by the finance ministry on Sunday.

Bulgaria targets a balanced budget in 2020.

Last week, Prime Minister Boyko Borissov said that Bulgaria will introduce a package of financial measures worth 4.5 billion leva to support businesses under strain from the coronavirus disease (COVID-19) and preserve jobs.

The measures include increasing the capital of state-owned Bulgarian Development Bank (BDB) to help businesses affected by the COVID-19 pandemic, government-backed payment of 60% of the salaries of employees who might otherwise be fired, delaying the payment of annual corporate tax until June 30 and offering interest-free loans to workers put on leave.

Bulgaria's next auction of government securities is scheduled for April 6, when the country will seek to raise 200 million leva by reopening a five-year Treasury bond issue due in January 2025.

(1 euro = 1.95583 leva)

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Croatia

Croatia's general govt debt up 2.4% in 2019

31-Mar-2020

ZAGREB (Croatia), March 31 (SeeNews) - **Croatia's public debt increased by 2.4% on the year to 293 billion kuna (\$42.1 billion/38.5 billion euro) in 2019, data from the country's central bank indicated on Tuesday.**

On a monthly comparison basis, Croatia's public debt remained virtually unchanged in December, Croatian National Bank data showed.

The domestic component of the general government also remained effectively unchanged on the month at 197.2 billion kuna in December.

The external component edged up slightly on the month - by 0.02% to 95.8 billion kuna.

(1 euro = 7.61926 kuna)

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World Bank lends 100 mln euro to help improve business environment, justice in Croatia

01-Apr-2020

ZAGREB (Croatia), April 1 (SeeNews) - **The World Bank said it has approved a 100 million euro (\$110 million) loan to Croatia to help improve the business regulatory procedures and justice service standards in the country.**

"Increasing the capacity of the state to swiftly respond to the needs of citizens and firms, particularly during these times of crisis, is especially important. Improved justice sector infrastructure and services will benefit both citizens and businesses," the bank's country manager for Croatia and Slovenia, Elisabetta Capannelli, said in a statement.

"Businesses will benefit from having a simpler and more transparent way to interact with government agencies and faster and more responsive mechanisms to interact with the courts, and all citizens will benefit from more effective, efficient and reliable administration of justice and rule of law," she added.

The project is focused on reducing the administrative burden for companies in interacting with the government, removing regulatory barriers for firms to enter the market and operate, simplifying dealing with construction permits and improving market functioning in the construction sector, the statement read.

It will also support the improvement of justice services, such as expanding the use of electronic services to speed up response times and integrate case management systems across different courts.

In addition, the courthouses in Zagreb, Vinkovci, Kutina and Varazdin will be rehabilitated and upgraded for better court performance and user experience, the statement added.

Since joining the World Bank Group in 1993, Croatia has received some \$3.5 billion financing for more than 50 projects for the areas of transport, health, innovation, business environment, land administration, agriculture, and economic development of the Slavonia regions, among others.

(\$=0.911160 euro)

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Fitch Says Revises Outlook on Croatia to Stable Affirms At 'BBB-'

01-Apr-2020

April 1 (Reuters) - Fitch:

- **Fitch says revises outlook on Croatia to stable; affirms at 'BBB-'**
- **Fitch says revised its outlook on Croatia's long-term foreign-currency issuer default rating to stable from positive and affirmed IDR at 'BBB-'**
- Fitch says Croatia's credit growth, which was rising moderately, is expected to slow sharply as demand dries up
- Fitch says under our baseline assumption that Croatia's economy will recover in 2021

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Cyprus

Fitch Revises Cyprus's Outlook to Stable Affirms at 'BBB-'

03-Apr-2020

April 3 (Reuters) -

- **Fitch revises Cyprus's outlook to stable; affirms at 'BBB-'**
- Fitch says Cyprus' outlook revision reflects significant impact of global covid-19 pandemic on Cyprus's economy and on sovereign's fiscal position
- **Fitch says recession, economic policy response to covid-19 will result in a sizeable deterioration of Cyprus' budget balance this year**
- Fitch says risks to Cyprus' baseline forecast are tilted firmly to downside, as it assumes that covid-19 can be contained in 2h20
- Fitch says Cyprus's demonstrated track record of significant fiscal consolidation and prudent fiscal policy is a relevant credit strength

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Czech Republic

Czech budget plans count on economy reopening by July -finance minister

29-Mar-2020

PRAGUE, March 29 (Reuters) - **The Czech government's plans for a five-fold increase in the budget deficit count on a gradual reopening of the economy by mid-year, Finance Minister Alena Schillerova said on Sunday.**

She told a Sunday debate show on Prima TV any delays would lead to further changes to budget legislation.

The government has raised its deficit target to 200 billion crowns (\$8.15 billion) from 40 billion as it loosens public finances to support the economy after most shops, restaurants and many factories were shut to curb the spread of coronavirus.

(\$1 = 24.5390 Czech crowns)

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Czech government approves more aid to ease economic burden of coronavirus

31-Mar-2020

PRAGUE, March 31 (Reuters) - **The Czech government approved more aid for companies affected by the coronavirus outbreak on Tuesday, an effort to prevent massive layoffs because large parts of the economy have ground to a halt.**

Companies will be covered for most of the salaries paid to employees if they retain them, with the exact level depending on how strongly the government's measures against coronavirus affected them, Labor Minister Jana Malacova said.

"It is a signal to companies - don't fire people, we know you are in trouble, we will help you with the biggest expenses, the salaries, and we will help you to keep your firm afloat, so when the crisis passes, you will be able return to normal," she said at a news conference after a special government session.

The self-employed will receive a one-off subsidy of 25,000 crowns (\$1,006.00) upon application and meeting a list of criteria like reporting a 10% drop in income in the first quarter, Finance Minister Alena Schillerova said.

Originally, the ministry proposed to pay the self-employed 15,000 crowns a month.

As the country banned non-essential movement of people and closed pubs and most shops in mid-March, analysts and institutions such as the central bank forecast a steep drop in gross

domestic product this year.

The Finance Ministry will offer the first glimpse of the size of the decline on Wednesday when it releases data on central budget revenue and expenditure for March.

(\$1 = 24.8510 Czech crowns)

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Czech fiscal surplus narrows to 0.27 %/GDP in 2019

01-Apr-2020

PRAGUE, April 1 (Reuters) - **The Czech overall fiscal surplus reached 0.27% of gross domestic product in 2019, compared to a 0.93% surplus in 2018, the Czech Statistics Bureau (CSU) said on Wednesday.**

In a semi-annual notification sent to the European Commission, the CSU said public debt reached 30.79% of GDP in 2019, down from 32.58% in 2018.

The Finance Ministry's latest outlook had seen the overall surplus at 0.3% of GDP in 2019 and public debt down to 31.2% of economic output.

The comparative figures in the table below are from Czech Statistics Bureau (CSU) sent to the European Commission at the end of March, unless noted.

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Czech budget gap soars at end-March, mostly prior to coronavirus impact

01-Apr-2020

PRAGUE, April 1 (Reuters) - **The Czech central state budget posted a 44.7 billion crown (\$1.79 billion) deficit at the end of March, blowing by the government's original full-year target, still reflecting mostly other factors than lost income and fiscal loosening initiated to battle the coronavirus outbreak.**

The March result compares to a 9.2 billion crown deficit recorded a year ago and is up from a 27.4 billion crown gap in February as higher planned spending already pressured public finances.

The budget in March only just starts to take in the costs of the virus that spread in the central European last month and has led to a virtual lockdown of daily life and business.

The ministry said a rise in spending and declining revenue partly reflected government measures. It said March personal income tax revenue fell by 36% while business tax revenue was flat.

The state has already approved a five-fold

increase in the central state budget deficit, to 200 billion crowns from the original plan of 40 billion crowns.

The economy could contract 5% this year, the ministry has estimated, and the government is putting in place schemes to cover workers' wages or help businesses hurt or forced to close by state measures to fight the outbreak.

(\$1 = 24.9930 Czech crowns)
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Estonia

Estonia slashes growth forecast, sees 3% fall in GDP this year

30-Mar-2020

- **Jobless rate to jump to 9%**
- **Central Bank said last week 2020 GDP will fall over 6%**

TALLINN, March 30 (Reuters) - **Estonia's finance ministry said on Monday it expects the economy to contract by 3% this year instead of expanding by 2.2% as it forecast in September, citing the impact of measures to combat the spread of coronavirus.**

It sees unemployment almost doubling, to 9% in 2020 from 4.4% last year.

"Almost paradoxically, one could say that the stronger are the measures to protect the nation's health, the steeper the recession will be," Madis Aben, an analyst at the ministry, told a webcast news conference.

The ministry said its sharply revised gross domestic product forecast was based on developments until March 18 and does not include government measures which have been agreed since then.

Last week, the Estonian central bank said the economy would shrink by at least 6% in 2020 due to the coronavirus outbreak and could contract by up to 14% if the situation does not ease before the beginning of August.

Last week, Estonia agreed a 15-year loan of 750 million euros with the Nordic Investment Bank (NIB) to help finance the Baltic country's battle against the coronavirus. Separately, it issued also short-term bonds worth 200 million euros.

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Estonia sees 2020 budget deficit at 10.1%/GDP

02-Apr-2020

TALLINN, April 2 (Reuters) - **Estonia's 2020 nominal state budget deficit will be 10.1% of**

gross domestic product after coronavirus-linked additions to budget, its finance minister said on Thursday.

"Our debt will at least double, but it will be still the lowest in the euro zone, even when not including measures other countries will make in crisis," Martin Helme told a news conference.

Estonia's government debt totalled 7.4% of GDP at the end of 2019.

The government presented on Thursday to parliament additions to 2020 budget with a package of measures totalling 2.6 billion euros - equivalent to 9% of the country's GDP - including credit guarantees and direct support to troubled sectors.

"In the economy we are facing tough times," Prime Minister Juri Ratas told a news conference. "This is the moment in the economy when the public sector has to come to help."

Estonia expects GDP to fall by as much as 8% this year due to the coronavirus.

"If the measures are working, I hope the drop will be only half of that," said finance minister Helme.

Helme said also the government was ready to take a stake in shipping firm Tallink which has had to close its key routes due to lockdown, with a plan that the government would sell its holding at a later date.

Estonia has closed schools and stopped public events until May 1 and banned foreign travellers from entering the country, which so far has recorded 858 cases of the coronavirus and 11 deaths.

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Georgia

IMF working with Georgia on additional financing to combat pandemic

30-Mar-2020

WASHINGTON, March 30 (Reuters) - **The International Monetary Fund on Monday said it was working closely with authorities in Georgia to provide additional financing for the South Caucasus country as it works to cushion the human and economic impact of the coronavirus pandemic.**

"The IMF is working closely with the authorities to provide support under the Extended Fund Facility arrangement, including through additional financing, to contain the spread of the virus and support the economy and the Georgian people," said Mercedes Vera Martin, mission chief for Georgia at the IMF.

"Besides limiting the impact of the shock, IMF financing should also catalyze donor support."

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Hungary

Hungary central bank to pay HUF 250 bln into budget after its 2019 results

02-Apr-2020

BUDAPEST, April 2 (Reuters) - **The National Bank of Hungary said on Thursday that after its 2019 results it will pay 250 billion forints (\$752.85 million), an amount equalling over 0.52% of GDP, into the state budget as dividends.**

The bank made a profit of 254.7 billion on its operations last year, it said in a statement.

"The payment of HUF 250 billion.. will help finance government expenditures," the NBH said. "This measure provides greater room for manoeuvre to the government in the current pandemic situation caused by the spread of the coronavirus."

(\$1 = 332.0700 forints)

(Reporting by Krisztina Than)

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Hungary to unveil pandemic fund on Saturday, detailed plans on Tuesday

03-Apr-2020

- **Orban flags biggest stimulus package of Hungary's history**
- **Two of four chapters in package to concern employment**
- **Will not return to aid-based economy, will focus on jobs**
- **Says EU is fighting Hungary instead of fighting the virus**

By Marton Dunai

BUDAPEST, April 3 (Reuters) - **Hungary will introduce a new pandemic fund on Saturday and work out the details of the country's biggest economic stimulus package by Tuesday, Prime Minister Viktor Orban said, adding that the plans focus primarily on employment.**

Healthcare workers will receive a 500,000 forint (\$1,500) bonus this year to compensate them for the extra workload and risk that fighting the coronavirus entails, he added.

Hungary, like most other countries, has already been hit hard by the fallout from the coronavirus epidemic, with business grinding to a virtual halt, and the important car manufacturing and tourism sectors all but shutting down.

With tens of thousands of jobs lost in March, Orban said the economic stimulus package would have to react to the crisis and prepare for life afterwards.

"We will have to create as many jobs as the crisis destroys," he told state radio on Friday. A Pandemic Fund will be introduced on Saturday, and detailed economic stimulus plans on

Tuesday, he said.

He said Hungary would not join countries throwing limitless funds at the crisis, but would focus on maintaining a work-centred economic philosophy because any money spent now would have to be made later.

"The circumstances have changed now but our goals remain the same, except the route to them has changed," he said. "I don't want my country to return to an aid-based economy, because that leads to loans, which leads to indebtedness."

In his decade in power, Orban dragged the economy out of a deep debt and deficit trap and maintained rigorous finances, while drawing criticism for unorthodox fiscal moves that often taxed foreign business interests.

Orban also responded to criticism from the European Union, the United States and rights groups this week about his extension of special powers, including the open-ended right to rule by decree until the end of the pandemic.

"Brussels is busy with us, while they should be busy with the virus," he said. "The Hungarian government's emergency powers are roughly the same as the French president has in peacetime. Clearly we are under political attack."

"The main thing is that we stay the course ... this is a network, which would like to strip Hungary of its resources, with George Soros at the helm, with his people in Brussels criticising us."

Soros is a favourite scapegoat for Orban, who was once a protégé of the billionaire financier.

(Reporting by Marton Dunai)

Editing by David Goodman and Giles Elgood

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Moldova

IMF ready to extend \$117 mln to help Moldova limit coronavirus impact

30-Mar-2020

CHISINAU (Moldova), March 30 (SeeNews) - **The International Monetary Fund (IMF) said it is prepared to extend \$117 million (106 million euro) in financing to Moldova to help the country limit the impact of the coronavirus outbreak on its economy.**

"Financing under the RCF/RFI is subject to Executive Board approval and does not involve ex post conditionality or reviews. In case of Moldova, the blend RCF/RFI can support an outright financing of up to 86.25 million special drawing rights (equivalent to \$117 million, or 50 percent of quota), paid out in an expedient manner," the IMF said in a press release on Friday.

An IMF mission led by Ruben Atoyan will hold discussions with Moldovan officials during March 30 - April 1 on economic policies appropriate for

addressing the impact of the pandemic, the IMF added.

Last week, Atoyan said in an interview for Radio Free Europe that the international lender is prepared to extend \$100 million in financing to Moldova to help it tackle the effects of the new coronavirus.

On March 11, the IMF said it is disbursing \$20 million to Moldova under the current 40-month funding arrangements approved in November 2016.

The new disbursement came as a result of the progress Moldova has made in keeping its reform commitments and brings total disbursements under the arrangements to support the country's economic and financial reform programme to about \$178.7 million.

(\$ = 0.9081 euro)

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Poland

Poland hikes debt supply offer up to \$9 bln in April

31-Mar-2020

WARSAW, March 31 (Reuters) - **Poland sharply hiked its debt supply offer in April with treasury bills and bonds worth 18-38 billion zlotys (\$4.34-9.16 billion) in total, as it gathers cash for measures to support the economy during the coronavirus pandemic.**

Poland's parliament was debating on Tuesday a rescue package for the economy, that will cost the state at least 75 billion zlotys.

"Due to the stimulation package announced by the prime minister, the finance ministry is increasing bond issues on the primary market," said Mariusz Zarod from Quercus investment fund.

The finance ministry said in a statement that it plans two bond tenders next month worth 9-17 billion zlotys.

On top of that, it plans four tenders of treasury bills worth 9-21 billion zlotys in total.

That is much more than the 6.8 billion zloty of bonds and bills sold at tenders in March, as Poland braces for a sharp rise in coronavirus infections.

The ministry also said that due to the changing market situation it cannot release full-quarter debt supply information, as it had done until recently. Some economists have said that 2020 borrowing needs may exceed 150 billion zloty.

As of Tuesday, 2,132 people had tested positive for coronavirus in the country of 38 million, while 31 people had died, according to the health ministry.

(\$1 = 4.1470 zlotys)

(Reporting by Marcin Gocłowski, Pawel Florkiewicz, and Alicja Ptak;

Editing by Agnieszka Barteczko and Andrew Cawthorne)

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Poland's parliament approves coronavirus economic rescue package

31-Mar-2020

WARSAW, March 31 (Reuters) - **Poland's parliament on Tuesday approved a coronavirus rescue package to support the economy but rejected many changes proposed by the opposition such as mandatory weekly coronavirus tests for medical workers.**

The move comes as Poland's economy faces a downturn amid the spread of the infection, with Poland's Prime Minister Mateusz Morawiecki saying unemployment is likely to rise and GDP growth could be lower than expected.

The lower house of parliament, the Sejm, controlled by the ruling nationalist Law and Justice (PiS) party, first approved on Saturday a package offering up to 75 billion zloty (\$18.07 billion) of additional budget spending on jobs and infrastructure.

Over the weekend, Poland's ruling nationalists also fast-tracked changes to the electoral code as part of the rescue package to allow seniors and those under quarantine to vote by post in a bid to press ahead with presidential elections in May.

The move was criticised by opposition candidates who want the contest postponed.

The opposition-controlled upper house of parliament, the Senate, on Tuesday morning removed the electoral rules changes and beefed up the economic part of the package.

It called for an additional 20 billion zloty in healthcare spending, mandatory weekly coronavirus tests for all healthcare workers and broadened exemptions for firms to pay social security payments.

The Sejm on Tuesday afternoon rejected the majority of the Senate's proposed changes.

Earlier the government said the whole package, which will also include pro-liquidity measures proposed by the central bank, will amount to 212 billion zloty.

As of Tuesday, 2,215 people had tested positive for coronavirus in the country of 38 million, while 32 people had died, according to the health ministry.

(\$1 = 4.1500 zlotys)

(Reporting by Marcin Gocłowski, Joanna Plucinska and Alicja Ptak, Editing by William Maclean)

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Romania

Romania to issue 3.95 bln lei (819 mln



euro) of domestic debt in April

01-Apr-2020

BUCHAREST (Romania), April 1 (SeeNews) - **Romania's finance ministry said on Wednesday it intends to sell 3.95 billion lei (\$899 million/819 million euro) worth of government securities in April, including 450 million Lei in non-competitive offers.**

The finance ministry plans seven auctions of government securities with residual maturity ranging from 2.3 to 7.7 years and an auction of one-year Treasury bills, according to its April issuance plan published in the Official Gazette.

The ministry managed to sell 4.98 billion lei worth of government securities in March, close to the proposed amount of 5 billion lei.

So far this year, Romania has sold almost 17.9 billion lei and 150 million euro of debt and tapped foreign markets for 3 billion euro worth of 2032 and 2050 Eurobonds.

(1 euro=4.8246 euro)

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Romania fin min says sells 598 mln leu debt

02-Apr-2020

BUCHAREST, April 2 (Reuters) - **Romania's finance ministry sold a lower than planned 598.4 million lei (\$134.60 million) worth of 2024 bonds and one-year treasury bills against a planned 1.0 billion lei, central bank data showed on Thursday.**

So far this year, Romania has sold 18.5 billion lei of local currency bills and bonds as well as 150 million euros worth of euro-denominated paper, and tapped foreign markets for 3 billion euros worth of 2032 and 2050 Eurobonds.

It sold 337.4 million lei worth of treasury bills at 3.33%. It last sold 364-day paper in February at 2.95%.

(\$1 = 4.4459 lei)

(Reporting by Radu Marinas)

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Romania raises intl debt ceiling to 41 bln euro in 2020-2022

03-Apr-2020

BUCHAREST (Romania), April 3 (SeeNews) - **Romania raised by 10 billion euro to a total of 41 billion euro (\$44.3 billion) the borrowing ceiling under its Medium Term Notes (MTN) programme for international markets during the 2020-2022 period, according to a government decree published in the Official Gazette.**

Romania can borrow the funds at any time, in euro or in any other currency, reads the decree which was published in the Official Gazette on

Thursday.

The money raised on international markets via the programme will go to cover Romania's gross financing needs for 2020, 2021 and 2022, the government added.

Romania launched the MTN programme in 2011. During 2012-2020, the ministry sold foreign issues worth 30.6 billion euro, the government said in a footnote to the decree.

For 2020, the finance ministry plans to issue Eurobonds worth about 6 billion euro.

Year-to-date, the ministry has sold some 18.5 billion lei (\$4.14 billion/3.83 billion euro) and 150 million euro worth of government bills and bonds and has tapped foreign markets for 3 billion euro of 2032 and 2050 Eurobonds.

(\$=0.9252 euro)

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Russia

Russia ditches 2020 borrowing limits as coronavirus outbreak weighs

31-Mar-2020

By Andrey Ostroukh and Darya Korsunskaya
MOSCOW, March 31 (Reuters) - **Russian lawmakers on Tuesday cleared the government to raise state borrowing this year beyond budgeted limits, as the country scales up its crisis response to the coronavirus epidemic.**

The economy is on the brink of recession as Russia battles the twin shocks of a crash in the price of oil - one of its key exports - to an 18-year low and the rapid depreciation of the rouble.

Broader business activity is taking a hit from a partial lockdown enforced to stem the outbreak. The number of cases jumped by 500 to 2,337 on Tuesday, with 17 deaths, authorities said.

President Vladimir Putin has praised Russia's traditionally low public debt levels as an economic strength. But the lower house of parliament, or Duma, voted to allow the government to exceed its borrowing ceilings on both domestic and external bond markets next year.

Before the coronavirus-driven global market selloff sliced more than 20% off the rouble's value, the finance ministry had planned to borrow 2.3 trillion roubles in OFZ rouble-denominated bonds and up to \$3 billion in Eurobonds in 2020.

The respective ceilings for outstanding debt this year had been set at 12.98 trillion roubles and at \$64.6 billion and 56.4 billion euros for hard-currency bonds.

The Duma also approved sales of precious metals and gems from state coffers to cover budget needs, beyond a previous limit of 6.5 billion roubles (\$83 million), and freed regional authority budgets from the need to repay loans

in 2020, which could save an estimated 78 billion roubles.

Russian regional governments rely heavily on tax revenue from sectors that are most exposed to the effects of the coronavirus outbreak, rating agency Moody's said this month.

(\$1 = 78.4853 roubles)

(Reporting by Andrey Ostroukh and Darya Korsunskaya)

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Fitch Ratings: Post-2015 Reforms Boost Russia's Capacity to Absorb Shocks

01-Apr-2020

Fitch Ratings-London-April 01: **Reforms over the past five years mean that Russia faces the dual oil price and coronavirus shocks from a stronger position than the 2014-2015 oil price fall, Fitch Ratings says.** Our sovereign rating analysis will focus on whether policy credibility and consistency is maintained in the face of the inevitable hit to GDP growth and constitutional reforms, and how the shocks affect the strength of Russia's public and external balance sheets relative to rating peers.

Russia's stronger sovereign balance sheet, reduced external leverage and improved policy mix underpinned our upgrade to 'BBB'/Stable in August 2019 (we affirmed the rating on 7 February). The authorities' development of an effective policy response to the previous oil price slump has supported macroeconomic stability and created some space to respond to these crises.

Increased credibility and stability coupled with reduced external and foreign-currency debt support high exchange rate flexibility and hence Russia's capacity to absorb external shocks (the rouble has depreciated by 14% against the dollar since 7 March). At the same time, foreign exchange sales under the budget rule (oil-generated foreign-currency earnings are sold when prices are below the base price, set at USD42.4 this year) and from the sale of Sberbank have been brought forward to reduce exchange-rate volatility.

Low inflation (2.3% yoy in February) gives the Central Bank of Russia (CBR) space to respond to the crisis without increasing its policy rate in the near term despite potential exchange rate induced price pressures (it held the rate at 6.0% on 20 March). We think the CBR will be cautious if it chooses to ease policy below its estimated range for neutral interest rates (200-300bp above the 4% inflation target).

The CBR has used macroprudential measures to support domestic liquidity and credit availability. The financial sector's viability has improved since 2014-2015 thanks to clean-up efforts, improved regulation and supervision, lower dollarisation and virtually closed foreign-

exchange positions. A weaker rouble and economic slowdown will put pressure on banks' asset quality and profitability, however.

Fiscal accounts are less exposed to oil shocks than in 2014-2015 thanks to prudent fiscal management, which has reduced the break-even oil price and the non-oil deficit, conservative planning and exchange-rate flexibility. Fitch estimates the federal budget loses 0.5% of GDP in oil revenue for every USD5 decline in oil price but recovers 0.06% for every RUB1 increase against the dollar. Oil savings in the National Wealth Fund (NWF) accumulated under the budget rule will allow the government to maintain existing fiscal commitments. **General government debt is low, at 14.7% of GDP at end-2019, while general government deposits were 15.3% of GDP, including NWF liquid assets.** Low financing requirements (maturities average 0.8% of GDP in 2020-2021) and a recent record of consolidation provide some room for a fiscal policy response.

Announced measures include RUB300 billion of support for directly affected sectors, transfers to households, and tax holidays for SMEs, partly accommodated by budgetary re-allocations. In addition, the government intends to boost non-oil revenue in 2021-2022 through increasing taxes on dividends paid abroad and taxing interest income on financial assets above RUB1 million.

Additional support is likely as domestic containment measures and a weaker global backdrop weigh heavily on GDP. Nevertheless, Fitch expects additional fiscal support to be moderate relative to other countries. This is partly because the authorities want to avoid exacerbating financial market volatility and also because fiscal buffers are lower than in other CIS oil exporters, despite a recent recovery. This is partly compensated for by Russia's more flexible and consistent policy mix, but external financing flexibility is constrained relative to 'BBB' category peers by US sanctions.

Proposed constitutional amendments open the possibility that President Vladimir Putin will run again for office in 2024 (a public vote on the amendments has been postponed). This backdrop means that raising growth and living standards, and preventing an extended economic shock once the health crisis has passed, will be important political considerations. Policymakers' ability to achieve these aims without sacrificing the post-2015 improvements in policy credibility will be important in defining the impact of the crisis on Russia's sovereign credit profile.

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Russia earmarks \$18 bln to tackle coronavirus crisis

01-Apr-2020

By Andrey Ostroukh

MOSCOW, April 1 (Reuters) - **Russia has earmarked nearly \$18 billion to fight the spread of the coronavirus and its economic fallout, its prime minister said on Wednesday, pledging additional measures to steer through the crisis that has put the economy on the brink of recession.**

Russia is scaling up its crisis response to the coronavirus epidemic while also facing the shock of a crash in the price of oil - one of its key exports - to 18-year lows and the rapid depreciation of the rouble.

"All in all, the finance ministry has reserved 1.4 trillion roubles (\$17.8 billion) for the purposes of fighting the coronavirus infection spreading and the anti-crisis actions," Prime Minister Mikhail Mishustin told a government meeting.

Mishustin told the online meeting chaired by President Vladimir Putin that the government was working on a new set of measures "aimed at overcoming the consequences of the spreading of the new coronavirus infection."

Russia has approved tax breaks and eased regulatory requirements for companies that are taking a hit from the coronavirus, such as in the food services, tourism, and sport culture sectors as well as cinemas, Mishustin said.

The new measures aim to support employment and small- and medium-sized companies, he said, on the day when Russia expanded its coronavirus lockdown to cover more of its sprawling territory and as the official tally of infections rose to 2,777, a one-day increase of 440.

Twenty-four people have so far died in Russia, authorities say.

Russia, with more than \$550 billion in reserves, has room to increase state spending as its lawmakers this week cleared the government to raise state borrowing beyond budgeted limits.

The country is more prepared to face the dual oil price and virus shocks than a few years ago, Fitch ratings agency said on Wednesday.

"Fiscal accounts are less exposed to oil shocks than in 2014-2015 thanks to prudent fiscal management, which has reduced the break-even oil price and the non-oil deficit, conservative planning and exchange-rate flexibility," it said.

Still, Russia's economy is expected to slip into recession in the second quarter and return to growth no earlier than next year, a Reuters poll showed.

"We will observe the impact of the coronavirus throughout 2020. Unfortunately, for now we see that all economic indicators look much worse than previously expected," said Oleg Borunov, deputy chairman at Credit Bank of Moscow.

(\$1 = 78.7660 roubles)

(Additional reporting by Darya Korsunskaya and

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Slovakia

Slovak government plans 1 billion euro a month in help for firms, workers

29-Mar-2020

PRAGUE, March 29 (Reuters) - **Slovakia's new government plans an aid package of up to 1 billion euros a month to help firms and employees hurt by the coronavirus pandemic, it said on Sunday.**

Prime Minister Igor Matovic's four-party centre-right coalition took power on March 21 after opposition parties unseated the long-ruling Smer party in a February election.

New finance minister Eduard Heger said the aid package, under which the state will pay 80% of wages for employees at firms forced to shut, would be the biggest in Slovak history.

The state will also contribute help to self-employed people and employees in firms that suffer falling revenue, with payments linked to the size of the revenue drop.

Employers will be allowed to postpone their contributions to state social and health systems and delay some tax payments if they suffer a 40% drop in revenue.

Firms can also offset accumulated losses from past years going back to 2014 against corporate income tax.

On top of the direct aid, the state will offer firms bank guarantees of up to 500 million euros a month.

Slovakia, which has a population of 5.5 million, has so far reported 314 cases of coronavirus and is ramping up testing. Most shops and restaurants have been closed as part of measures to contain the virus's spread while a number of factories, including the country's four car plants, have idled production.

While central Europe is seeing fewer cases of coronavirus than bigger western neighbours like Germany or Italy, the outbreak is set to take a toll on economies that are geared largely towards the car industry and supply chains.

The central bank has predicted the economy will contract by anything between 1.4% and 9.4% this year.

Slovakia had a budget deficit of 2.2 billion euro in 2019. This year's draft budget saw a 2.8 billion euro gap but officials have not estimated what further impact the coronavirus outbreak might have.

The neighbouring Czech Republic has made plans for a five-fold increase in its state budget deficit.

(Reporting by Jason Hovet and Robert Muller; Editing by Catherine Evans)



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Slovak end-March budget gap EUR 1.55 bln as coronavirus hit looms

01-Apr-2020

PRAGUE, April 1 (Reuters) - **The Slovak central government budget deficit reached 1.55 billion euros (\$1.69 billion) at the end of March, wider than a 1.17 billion euro deficit posted a year ago, the Finance Ministry said on Wednesday.**

Total revenue reached 3.21 billion euros at the end of March, while expenditure was 4.75 billion euros. Tax revenue rose slightly to 2.80 billion euros, up from 2.75 billion euros a year ago.

Slovakia, like others Europe, face a budget hit from the coronavirus outbreak this year as the government puts in place measures to help workers and firms and also faces falling revenue.

(\$1 = 0.9155 euros)
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Turkey

Turkey ramps up stimulus with broader bond buying plan

31-Mar-2020

ISTANBUL, March 31 (Reuters) - **Turkey's central bank provided more stimulus for the financial sector and economy on Tuesday, saying it would ramp up government debt buying and offer new pools of cheap funding to stem the fallout from a growing coronavirus outbreak.**

As coronavirus cases have surged in Turkey, the government has so far offered \$15 billion in fiscal support and the central bank has already cut its key interest rate by 100 basis points, loosened reserve requirements and offered cheap lira liquidity.

Under the latest emergency measures, primary dealers will for a temporary period sell the central bank debt they purchased from the Unemployment Insurance Fund, which will be under pressure as jobs disappear and the economy contracts.

The central bank also extended 60 billion lira (\$9 billion) worth of rediscount credits and added more lending options well below its 9.75% policy rate. It said the moves would provide much needed credit to companies and liquidity to government debt markets.

The bank said other outright asset purchases "can be carried out in a front-loaded manner and these limits may be revised depending on the

market conditions."

The actions aimed to "enhance the effectiveness of the monetary transmission mechanism via increasing the market depth, enabling sound asset pricing and providing banks with flexibility," it said.

The bank also said it would hold swap auctions with six-month maturities for lira against dollars, euros or gold at an interest rate 125 basis points lower than the policy rate.

For FX operations, lenders can now use mortgage- and asset-backed securities as collateral, the bank said.

Kunjala Gala, co-portfolio manager at Federated Hermes, said the moves were in line with those of other countries aiming to support their economies going into a global recession.

"That's how you prevent the public health issue becoming a credit issue. If it becomes a full-blown credit crisis then that is a different world we are in, and that is what central banks are trying to prevent," Gala said.

(\$1 = 6.5642 liras)
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Turkey's gross foreign debt falls 1.5% in 2019

31-Mar-2020

ANKARA (Turkey), March 31 (SeeNews) - **Turkey's gross foreign debt totalled \$436.9 billion (398.3 billion euro) at the end of 2019, down 1.5% year on year, the ministry of treasury and finance said on Tuesday.**

The gross foreign debt at the end of 2019 was equivalent to 58% of Turkey's gross domestic product (GDP) estimated for that year, the ministry said in a statement.

The country's net foreign debt stood at \$244.6 billion at the end of 2019, or 32.5% of GDP.

Treasury-guaranteed foreign debt stock amounted to \$14.3 billion as of end-December.

EU-defined general government debt stock amounted to 1.42 trillion lira (\$216.18 billion/197.12 billion euro), or 33.1% of GDP at the end of 2019, whereas public net debt stock totalled 693.1 billion lira, equivalent to 16.2% of the country's GDP.

(\$ = 0.911703 euro)
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Turkey economy: Quick View - High external debt stock is a cause for concern

02-Apr-2020

Turkey's gross external debt stock declined by US\$6.8bn, to US\$436.9bn in 2019 (58% of GDP), according to the Ministry of Treasury and Finance, but lira weakness and higher borrowing costs raise refinancing risks.

Analysis

Turkey's external debt stock is high, making the economy vulnerable to lira weakness and rising investor risk aversion. The coronavirus pandemic has already triggered lira volatility-the currency depreciated by 17% against the US dollar since the start of the year-and led to a 280-basis-point increase in Turkey's ten-year Eurobonds, to 8.2%.

Turkey's gross external debt stock peaked at US\$467bn in the first quarter of 2018 and declined since. However, despite a decline in absolute terms, soft economic growth and lira depreciation led to the gross external debt to GDP ratio to rise to 58% of GDP in 2019, compared with 53.3% in 2017. Although higher borrowing costs have led to private-sector deleveraging, government external borrowing rose to finance the widening fiscal deficit. The public sector accounts for 35% of the gross external debt stock, financial institutions for 26% and other private corporates for 37%.

Although high corporate external debt remains a major source of concern, non-financial corporates also have high foreign-currency liabilities with domestic banks, raising risks to the stability of Turkey's financial system if corporates are increasingly unable to service these debts amid rising rollover costs. That said, corporates have deleveraged over the past year. According to the Central Bank of Turkey, the net foreign currency liabilities of private non-financial corporations amounted to US\$175bn at end 2019, compared with the peak of US\$222bn in early 2018.

Principal and interest payments due on Turkey's gross foreign debt in 2020 will amount to US\$67bn-roughly one-quarter by the government and the rest by the private sector-and liquid foreign-currency reserves amount to US\$75.8bn as at February. On the basis of this difference, we assume that Turkey will be able to roll over its external debt in 2020, although reduced supply of cross-border finance comes as a major risk to Turkey's banks. Turkey has not expressed interest in financial support from the IMF, which would be politically toxic for Recep Tayyip Erdogan, the president, but may seem the only feasible option if the economic situation deteriorates further.

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Ukraine

Ukraine plans to treble 2020 budget deficit: government draft

30-Mar-2020

KIEV, March 30 (Reuters) - **Ukraine's government on Monday proposed trebling the 2020 budget deficit to 298.4 billion hryvnia (\$10.65 billion) from the earlier estimate of 96.3 billion hryvnias due to lower than expected revenues.**

The revenues could drop 11% while Ukraine needs to increase expenditure by 7%, the government said in a draft submitted for parliament's approval.

It did not provide an estimate of the deficit as a percentage of gross domestic product.

Ukraine's Prime Minister Denys Shmygal said late on Sunday the government had revised its macroeconomic forecasts for 2020 as the country would face a sharp economic hit from the coronavirus epidemic.

(\$1 = 28.0130 hryvnias)

(Reporting by Natalia Zinets; editing by Matthias Williams)

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Ukraine government plans to almost double borrowings in 2020

30-Mar-2020

KIEV, March 30 (Reuters) - **Ukraine plans to increase state borrowings to 642.7 bln hryvnias (\$22.8 bln) in 2020 from an earlier projected 365.2 bln hryvnias to cover the larger-than-expected budget deficit and debt payments, the government said on Monday.**

External borrowings may rise to 265.1 bln hryvnias (\$9.4 bln) from 134 billion, it said in a statement submitted to the parliament for a revised 2020 budget. It did not specify the sources of the external borrowings.

At the same time, revenue expectations from privatisations have been cut to 0.5 billion hryvnias from 12 billion.

Ukraine's government on Monday proposed trebling the 2020 budget deficit to 298.4 billion hryvnias (\$10.65 billion) from the earlier estimate of 96.3 billion hryvnias, due to the economic impact of the coronavirus epidemic.

(Reporting by Natalia Zinets; editing by Matthias Williams)

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Ukraine to face sharp economic downturn in 2020 due to coronavirus

03-Apr-2020 15:34:10



By Natalia Zinets

KIEV, April 3 (Reuters) - **Ukraine's economy will shrink 3% this year, reversing last year's growth, due to the economic fallout from the coronavirus, a Reuters monthly poll of analysts showed on Friday.**

The analysts see first quarter growth slowing to 0.2% from 2.9% in the same period last year and expect gross domestic product to decline after that.

"The heaviest losses for the economy are expected in the second quarter of 2020," said Oleksiy Blinov from Alfa-Bank Ukraine.

Blinov said the contraction in the second quarter could vary from between 3% and 15% depending on how long the government restrictions on movement, transport and business operations last.

Ukraine's economy grew 3.2% last year. The poll's prediction for a contraction in 2020 would be the first full-year decline since 2015 when GDP shrank by 9.8% in the wake of Russia's annexation of Crimea and a military conflict with Russia-backed separatists in industrial eastern Ukraine.

Early last month the Ukrainian authorities banned or restricted many business activities except critically important services such as food production and sales, pharmacies, hospitals and police, in order to contain the spread of the coronavirus. The country has reported 942 cases of the virus and 23 deaths from the disease.

On Friday, a few weeks before Easter festivities when Ukrainians would usually congregate in church ceremonies, the government announced even tougher restrictions.

Starting from April 6, people are prohibited to go outside without medical masks and identity documents. People can only go outside alone or in pairs. The restrictions will be reviewed at the end of April.

Hanna Cherednychenko from the International Centre for Policy Studies think tank said key export industries such as steel would suffer from shrinking demand from the European Union, and that workers would receive lower wages.

The analysts forecast industrial output to fall 5% in 2020.

"With each subsequent week of quarantine, the economic downturn will increase with a progressive trend," Blinov said.

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(Editing by Matthias Williams and Susan Fenton)

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LATIN AMERICA AND CARIBBEAN

Argentina

Argentina to lay out debt restructuring 'guideposts' this week

30-Mar-2020

By Adam Jourdan and Rodrigo Campos
BUENOS AIRES/NEW YORK, March 30 (Reuters) - **Argentina's government is set to lay out "guideposts" for its near \$70 billion restructuring of foreign debt, though is not yet ready to make a formal proposal to creditors, a person briefed on the government's plans told Reuters on Monday.**

The South American country, which had initially set the end of March as a deadline for reaching a deal with bondholders, has faced delays in the process due to the coronavirus pandemic that has hammered global economies and shut down borders.

The person, who asked not to be identified because the ongoing talks are not public, added that the Argentine government also intended to make a roughly \$225 million interest payment due on Tuesday as it looked to keep creditors at ease.

Argentina's economy ministry did not immediately respond to a request for comment.

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Editing by Tom Brown)

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Argentina to continue talks with creditors after missing deadline

01-Apr-2020

BUENOS AIRES, March 31 (Reuters) - **Argentina will continue talks this week and next with creditors over restructuring its \$83 billion in foreign debt, Economy Minister Martin Guzman said at a press conference on Tuesday, after missing the March 31 deadline it had set previously.**

The South American country is racing to revamp its foreign currency debt and avoid a default that would put its access to global markets at risk just as the coronavirus outbreak is sweeping through the region.

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Moody's Downgrades Argentina to CA, Changes Outlook to Negative

03-Apr-2020 22:50:31

April 3 (Reuters) - Moody's:

- **Moody's downgrades Argentina to CA, changes outlook to negative**
- Moody's says downgraded government of Argentina's foreign-currency & local-currency long-term issuer and senior unsecured ratings to ca from CAA2
- Moody's says Argentina's senior unsecured ratings for shelf registrations were also downgraded to (P) CA from (P) CAA2
- Moody's says Argentina's negative outlook reflects risk that investor losses under government debt restructuring may be beyond levels consistent with ca rating
- Moody's says Argentina's short-term rating was affirmed at not prime
- Moody's says Argentina's long-term foreign-currency bond ceiling was changed to caa3 from caa1
- Moody's says Argentina's foreign-currency deposit ceiling changed to ca from CAA2

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Brazil

Brazil posts 20.9 billion reais public sector deficit in Feb

31-Mar-2020

BRASILIA, March 31 (Reuters) - **Brazil posted a public sector budget deficit, before interest payments are factored in, of 20.9 billion reais (\$4 billion) in February, the central bank said on Tuesday, more than the 18.85 billion reais forecast in a Reuters poll of economists.**

That was equivalent to 0.8% of gross domestic product over the 12 months to February, the central bank said, adding that the national debt rose to 75.6% of GDP from 76.1% of GDP in January.

(\$1 = 5.20 reais)

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Brazil's coronavirus "war budget" already 2.6% of GDP, more to come

31-Mar-2020

BRASILIA, March 31 (Reuters) - **Brazil's emergency "war budget" of measures to**

tackle the economic and social damage caused by the coronavirus outbreak is already worth 2.6% of gross domestic product and will grow further, Economy Minister Paulo Guedes said on Tuesday.

The measures amount to around 750 billion reais (\$144 billion), Guedes said, adding that in primary budget terms, Brazil's government is spending more on fighting coronavirus than any other country in Latin America.

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Brazil posts \$4.7 bln March trade surplus, but coronavirus impact yet to be felt

01-Apr-2020

By Marcela Ayres and Jamie McGeever

BRASILIA, April 1 (Reuters) - **Brazil posted a trade surplus of \$4.71 billion in March, official data showed on Wednesday, slightly wider than economists' forecasts but a result which did not fully reflect the impact of the coronavirus fallout.**

Brazil's trade flows are expected to be hit much harder in the coming months, the economy ministry said, noting that weak growth and a record low exchange rate will weigh on import demand while collapsing commodity prices will affect exports.

Latin America's largest economy posted a \$4.71 billion trade surplus in March, the economy ministry said, on exports of \$19.24 billion and imports totaling \$14.53 billion.

That was slightly more than the median consensus forecast in a Reuters poll of economists for a \$4 billion surplus.

The ministry said that total trade flows in the first quarter of the year were \$94.1 billion, down 0.8% from the same period last year.

Exports declined 3.7% to \$50.1 billion and the export price index fell 1.9%, while imports rose 2.6% to \$44.0 billion and import price index fell 5.7%.

The ministry said it is delaying the announcement of its 2020 trade balance forecast for a month due to the coronavirus crisis, but said imports could be hit harder than exports.

"It is possible that the exports are less affected than imports, leading to an end-2020 trade balance that might be larger than average forecasts," the ministry said.

The central bank last week revised up its 2020 trade surplus forecast to \$33.5 billion from \$32 billion three months ago, while the average forecast in the central bank's latest weekly 'FOCUS' survey of economists is for a \$35 billion surplus.

The value of commodity exports is likely to

suffer from the steep fall in the price of those goods, which account for a huge slice of Brazilian exports, while the weak domestic economy and record low exchange rate will reduce imports, especially of capital goods.

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S&P reassessing Brazil's BB- credit rating and positive outlook

02-Apr-2020

By Jamie McGeever

BRASILIA, April 2 (Reuters) - **S&P Global Ratings is reassessing its current sovereign credit rating and outlook on Brazil, whose economic, fiscal and political challenges have grown significantly due to the coronavirus crisis.**

In an interview with Reuters, Livia Honsel, S&P's lead sovereign Brazil analyst, said national debt could reach unprecedented levels. It was unclear when and by how much economic growth and the political appetite for fiscal reforms will recover, she added.

The deteriorating economic, fiscal and political climate in the emergency is understandable and does not necessarily mean Brazil's BB- rating or positive outlook will be lowered, she said. But it will have a bearing.

"We changed the outlook to positive in December ... (but) we are reassessing that position. In general, the rating was oriented towards an upgrade. But we need to wait and see," Honsel said.

"It is difficult to be positive in this environment. We are reassessing our position on all sovereigns, including Brazil," Honsel said.

Brazil's gross debt could now reach as much as 90% of gross domestic product (GDP) next year, with net debt close to 70%, she said, as tax revenue falls while crisis-fighting public spending rises. Both would be record levels.

Before the pandemic, government officials were optimistic Brazil would be upgraded, perhaps by the end of 2020, a major step toward regaining the investment-grade status lost in 2015 during one of the Country's worst-ever recessions.

Honsel said in December that an upgrade to BB could happen in 2020 if the deficit was reduced further and economic growth picked up. Pre-coronavirus, the government was forecasting a primary budget deficit of 124 billion reais and economic growth of more than 2%.

But the crisis has bludgeoned Brazil's growth and fiscal prospects, as it has with every country. The government now expects zero growth and a primary deficit of 350 billion reais, or 4.5% of GDP this year.

Honsel said she and her colleagues will try to look through the near-term fog and establish what Brazil's fiscal path is over the medium- to longer-term.

"We need to reassess, not panic," she said.

One key variable is the political climate and appetite for implementing the Government's economic and fiscal reform agenda when the worst of the crisis is over, Honsel said.

While lawmakers are aware of the need to deliver on reforms, the political landscape now is "much more difficult" and the country may be more polarized than ever, she said.

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Brazil Economy Ministry sees 419 bln reais deficit this year, or 5.5% of GDP

03-Apr-2020 00:10:05

BRASILIA, April 2 (Reuters) - **Brazil's government is expected to post a record primary budget deficit this year of 419 billion reais (\$80 billion), equivalent to 5.5% of gross domestic product, a senior Economy Ministry official said on Thursday.**

Speaking at a press conference, Waldery Rodrigues, special secretary to the ministry, said government measures to cushion the impact of the coronavirus crisis announced so far amount to 224.6 billion reais, or 2.97% of GDP.

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Chile

Fitch Ratings: Coronavirus Adds to Chile Growth, Public Finance Risks

01-Apr-2020

Fitch Ratings-New York/London-April 01: **The coronavirus crisis will push Chile into recession and the government's response will amplify the deterioration in public finances that caused us to recently revise the Outlook on Chile's 'A' sovereign rating to Negative, Fitch Ratings says.** Chile's fiscal position is stronger than the peer median and how we resolve the Outlook will reflect the resilience of Chile's sovereign balance sheet, including prospects for fiscal consolidation when the crisis eases, and the medium-term growth outlook. The USD11.75 billion (4.7% of GDP) package

announced by the Ministry of Finance will increase health spending, support affected workers and provide companies with working capital. Measures include transfers to vulnerable individuals, delaying tax payments for companies, speeding up payments to suppliers, and providing additional capital to Banco de Estado. **The central bank has cut policy rates and the Financial Markets Commission announced other measures, such as allowing borrowers to postpone up to three mortgage payments. Many governments are announcing substantial fiscal easing, and Fitch has outlined how it will incorporate these into its sovereign analysis.**

We noted risks to the Chilean economy, including an uncertain global backdrop due to the coronavirus, when we revised Chile's Outlook on 12 March. The rapid spread of the virus and containment measures, and the fall in copper prices (by more than 20% since January) means these risks are materialising. We now expect real GDP to contract by 1.9% this year, having previously forecast growth of 1.2%.

A sharp 2Q20 contraction will be driven by the hit to global growth, copper price weakness, and the impact of containment measures on consumption and certain sectors, such as tourism. Short-lived disruption could allow the economy to bounce back and expand by 2.7% in 2021 (our previous forecast was for 2%). But until the coronavirus is contained, substantial downside risks will be present in Chile and elsewhere.

Social unrest that began last October was already weighing on growth prospects and had prompted a fiscal response, including increases in social spending, implying higher deficits and debt. **Falling GDP, lower tax and copper revenues, and the historically large policy response to coronavirus means we now forecast the fiscal deficit to jump to 9.3% of GDP in 2020, from an estimated 2.8% last year and compared with our 5% forecast when we revised the Outlook. Fitch expects the deficit to fall to 5.3% of GDP in 2021 as some transitory spending fades and new tax measures take effect.**

Risks to the public finances are mitigated by Chile's much lower debt burden than the 'A' category median. Under our revised growth and deficit forecasts, debt/GDP would reach nearly 39% this year and 42% in 2021 - still about 7.5pp lower than the 'A' category median.

Chile's status as Latin America's highest-rated sovereign partly reflects its stronger governance indicators and sovereign balance sheet, which has enabled the government to finance previous easing partly through asset drawdowns from the stabilisation fund. The government used USD2.6 billion of the fund to help meet its 2019 financing needs and will draw an additional USD3 billion this year (the fund totalled USD12 billion at end-2019). It estimates the fiscal impact of the coronavirus package at USD6 billion, two-thirds of which will be financed by additional borrowing.

The Ministry of Finance has reiterated its commitment to the Structural Balance rule and said it still targets a reduction in the structural deficit towards 2% of GDP by end-2022. Prior to the crisis, the government had approved or proposed some structural fiscal reforms that would aid consolidation.

Chile's credible and flexible economic policy framework has been an effective buffer to previous terms-of-trade and financing shocks.

The initial crisis response has boosted President Pinera's approval rating, but policymaking could be hampered by political uncertainty following last year's social unrest and the postponement of April's referendum on constitutional change, in our view. Political uncertainties and social spending pressures could undermine medium-term growth prospects and fiscal consolidation, leading to a persistent rise in debt/GDP. This would be negative for Chile's rating.

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Colombia

Fitch Says Downgrades Colombia's Rating to 'BBB-' Outlook Remains Negative

02-Apr-2020

April 1 (Reuters) - Fitch:

- **Fitch says downgrades Colombia's rating to 'BBB-'; outlook remains negative**
- **Fitch says Colombia's downgrade reflects likely weakening of key fiscal metrics in wake of economic downturn**
- Fitch says expects some fiscal consolidation in 2021 as Colombia's transitory spending fades, government tax revs will remain under pressure
- Fitch says expects a moderate contraction of Colombian economy by 0.5% in 2020, driven by significant slowdown in domestic demand and oil exports
- Fitch says Colombia's negative outlook reflects downside risks to outlook for economic growth & public finances
- Fitch says expects Colombia's central government deficit to widen to 4.5% of GDP in 2020, up from 2.5% of GDP in 2019
- Fitch says uncertainties surrounding length of quarantine, prolonged low oil price environment represent downside risks to Colombia's growth outlook
- Fitch says possibility of social tensions in Colombia, 2022 elections, could detract from implementation of measures to address fiscal weaknesses

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Ecuador

Moody's Downgrades Ecuador's Rating to CAA3 Changes Outlook to Negative

03-Apr-2020

April 3 (Reuters) - Moody's:

- **Moody's downgrades Ecuador's rating to CAA3; changes outlook to negative**
- Moody's says decision to downgrade rating reflects very high probability of a restructuring, distressed exchange or default on Ecuador's market debt

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Guatemala

Fitch Says Downgrades Guatemala to 'BB-'; Outlook Stable

03-Apr-2020 t

April 3 (Reuters) - Fitch:

- **Fitch says downgrades Guatemala to 'BB-'; outlook stable**
- **Fitch says downgrade of Guatemala's IDRS reflects diminishing fiscal flexibility and downward revision to growth prospects related to global pandemic**
- Fitch says Guatemala's continued failure to enact reforms in tax administration and pass new tax measures will lead to further erosion of revenues
- Fitch says downgraded Guatemala's long-term foreign-currency issuer default rating to 'bb-' from 'bb' & revised rating outlook to stable from negative
- Fitch says low tax collection, coupled with high budget rigidity, limits Guatemala government's capacity to address large infrastructure and social needs
- Fitch says Guatemala government's capacity to address large infrastructure & social needs will be further stretched by covid19 & consequent shock to economy
- Fitch says significant unemployment rise in U.S. could disrupt remittances flow & affect Guatemala's private consumption, exchange rate volatility
- Fitch says significant unemployment rise in U.S. could disrupt remittances flow & affect Guatemala's current account balance
- Fitch says Guatemala presidential election's outcome has resulted in a marked improvement in business confidence
- Fitch says corruption scandals and weak judicial institutions underpin Guatemala's weak governance indicators
- Fitch says Guatemala's ratings are supported by track record of prudent monetary

& fiscal policies, macroeconomic stability, low public debt to GDP

- Fitch says Guatemala's ratings are supported by track record of sound external liquidity

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Mexico

Mexico eyes action to firm financial system amid coronavirus crisis

01-Apr-2020

MEXICO CITY, April 1 (Reuters) - **Mexico's financial system stability council said on Wednesday that it will continue to monitor financial markets and the Mexican economy to adopt, if necessary, measures that strengthen the financial system and safeguard its ability to function.**

The council, which groups the finance minister, central bank governor, head of the banking commission, among others, said the coronavirus pandemic is the biggest challenge the global financial system has faced since the 2008-2009 crisis.

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Mexican president rejects calls to ease Mexico's external debts

03-Apr-2020 16:55:18

MEXICO CITY, April 3 (Reuters) - **Mexican President Andres Manuel Lopez Obrador on Friday dismissed calls to ease Mexico's debt obligations with external creditors, saying the country could manage and would continue to meet its commitments.**

"I don't agree with cancelling public debt. I don't agree with that, not even in getting an extension," he told a regular government news conference. "We have the capacity."

Senior politicians in the leftist president's own party have in recent days proposed that creditors ease Mexico's external debts to help the country emerge from the coronavirus crisis.

But Lopez Obrador said he regarded the issue as non-negotiable, noting that foreign powers had in the past used Mexico's debt obligations as a pretext to meddle in the country's affairs, including launching invasions.

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Peru

Peru readying bond issuance to underwrite unprecedented stimulus package

02-Apr-2020

By Marco Aquino

LIMA, April 2 (Reuters) - **Peru is preparing a major bond issuance to help underwrite an unprecedented stimulus package to counter the economic impact of the fast-spreading coronavirus pandemic, the country's central bank president said on Thursday.**

Julio Velarde, head of the central bank, said the issuance would lead to a "quite large" fiscal deficit but that the markets viewed the plan favorably. The bonds would be ready in the "near future," Velarde said.

Peru's government said on Sunday it was preparing a massive economic stimulus package equal to about 12% of gross domestic product to boost the economy during and after the pandemic.

The copper-rich South American nation is planning to spend 90 billion soles (\$26.41 billion) to support citizens and the key mining sector, Economy Minister Maria Antonieta Alva said on Sunday.

The package will have three phases of 30 billion soles each - containing the disease, ensuring companies' payment chains by granting credit guarantees, and reactivating production in the world's second-largest copper producer, Alva said.

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Venezuela

Venezuela's financial crisis exacerbated by oil price war, coronavirus

03-Apr-2020

By Corina Pons and Mayela Armas

CARACAS, April 3 (Reuters) - **A price war between world oil producers has slashed Venezuela's revenue for its top export and exacerbated the country's financial crisis as it also faces the coronavirus pandemic, U.S. sanctions and sliding crude output.**

More than 90% of Venezuela's export revenue comes from oil. The country risks generating less than \$8 billion this year, a third of \$25 billion in 2019, according to Caracas-based economic consultancy Ecoanalitica. Two other

local consultants also projected the government will have less than half the funds it managed last year.

Three weeks ago President Nicolas Maduro called crashing oil market a "brutal blow" that dropped the price below the cost of production.

Last week Venezuela's production fell below 700,000 barrels a day. The oil sector has dealt with years of underinvestment and understaffing, and U.S. sanctions have limited the state oil company's access to international financing and prevented it from marketing crude in the United States.

Russian oil company Rosneft, which had been trading most of Venezuela's oil in the Asian market, last week announced its business in the country would be taken over by another Russian company.

These changes and a drop in global oil demand due to the pandemic have bulged Venezuela's oil inventories at a time when it most needs to sell barrels.

Neither the Information Ministry, Central Bank or state oil company PDVSA responded to Reuters' inquiries about their estimated income this year.

Last year Maduro reduced controls on the economy that allowed companies and individuals to bring in dollars and operate with greater freedom. Now under quarantine, these entities will have fewer resources.

Government funds from operations other than oil, such as gold sales, does not exceed \$2 billion, according to the local firm. The foreign exchange deficit will be around \$7.6 billion, Ecoanalitica calculates.

The International Monetary Fund rejected a request for \$5 billion from Maduro in March. Government officials have approached Chinese banks seeking support.

In 2019, the government imported about \$550 million in food, according to port records, with 40% of shipments coming from China.

"The government has to renegotiate the debt with China and Russia," said Asdrúbal Oliveros, economist and director of the local firm, who pointed out that Maduro will also have to reduce imports of basic goods such as food and gasoline.

Unlike other governments in the region, Maduro has avoided exempting companies and businesses closed during the quarantine from taxes. He has rationed gasoline, hindering food distribution.

"There is concern about maintaining tax revenues, but under these conditions, maintaining them simply deepens the recession," said economist Tamara Herrera, director of the firm Sintesis Financiera.

(Reporting by Corina Pons and Mayela Armas; Writing by Sarah Kinosian; Editing by David Gregorio) ((Sarah.Kinosian@thomsonreuters.com))

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Africa's web of creditors complicates coronavirus debt relief

30-Mar-2020

- **Repeats story first published on March 26 for additional subscribers**
- **Debt-burdened African economies hit hard by pandemic**
- **Commodities crash and weak currencies add to woes**

By Joe Bavier and Karin Strohecker

JOHANNESBURG/LONDON, March 26 (Reuters) - **Africa is crying out for debt relief to weather a perfect storm of coronavirus, plummeting oil and commodity prices, mounting budget deficits and weaker currencies.**

But delivering the relief that would allow governments to pump resources into creaking healthcare systems and shield economies against the fallout from the pandemic is a tall order.

When the International Monetary Fund (IMF) and World Bank launched their Heavily Indebted Poor Countries (HIPC) debt relief programme in 1996, African nations mainly owed money to wealthy countries and multilateral institutions.

No longer.

China's government, banks and companies lent some \$143 billion to Africa between 2000 and 2017, according to Johns Hopkins University, and African governments have raised over \$55 billion on international debt markets in the past two years, the culmination of a decade-long spree of Eurobond issues.

Throw in debt held by other banks, commodity traders and even so-called vulture funds, and Africa's creditor landscape has become far more complex.

That means debt relief frameworks of the past may fail to ease the pressure on government finances unless private lenders are flexible, bondholders consider waiving repayments or interest and China works closely with Western institutions that have often criticised its lending practices, experts say.

"The complicated structure makes it harder, undoubtedly. But let's do what we can," Masood Ahmed, president of the Center for Global Development in Washington, told Reuters.

A former IMF and World Bank official, Ahmed oversaw the development of the HIPC initiative and thinks those institutions need to secure a debt moratorium under the direction of the Group of 20 (G20) major economies.

NO HARDCORE DECISIONS

Wealthy countries in lockdown to curb a pandemic that has killed more than 24,000 people worldwide are pumping trillions of dollars into their economies to combat the fallout.

The G20 also said after an emergency meeting on Thursday it would address risks of debt vulnerabilities in low-income countries but failed to approve an IMF and World Bank

proposal to freeze their bilateral debt payments.

"No real, hardcore decision was taken on this," South African President Cyril Ramaphosa said after the meeting, although Canada, France, Germany and Russia backed the measure.

That leaves some African governments now facing a potentially unsavoury choice between satisfying creditors or spending money on hospitals and bailing out their economies.

In just two years from 2015 to 2017, African external debt payments doubled from an average of 5.9% of government revenue to 11.8%. At 32%, the proportion of debt owed to private lenders is almost on a par with multilateral institutions at 35%.

What's more, 55% of external interest payments are to private creditors, whereas China accounts for 17%, according to the Jubilee Debt Campaign

The IMF is making \$50 billion available from its emergency financing facilities and some 80 countries have already asked for help, including around 20 from Africa. The World Bank has also approved a \$14 billion COVID-19 response package.

But African governments say that won't be enough. Ethiopia said in a proposal submitted ahead of the G20 meeting that Africa needs \$150 billion in stimulus measures.

"COVID-19 is the most significant threat to our way of life and global security in modern times," government spokeswoman Billene Seyoum said. "If it is not met with collective response, the global health crisis will be a global financial crisis."

'NOW IS THE TIME'

Even before the coronavirus outbreak set the stage for a global recession, African governments were feeling the strain. Over the last decade, Africa's public debt has increased by half to about 60% of the continent's gross domestic product.

Seven African countries were in debt distress as of October, according to the IMF, with nine more at high risk. For some, the strain could become too much.

"Zambia does stand out as the country that was already underperforming," Simon Quijano-Evans, chief economist at Gemcorp Capital. "The most constructive way for Zambia would be to go down the path of an IMF programme, very clearly, and now is the time to do it."

As lockdowns shut factories around the world, demand for metals is plunging, hitting countries such as Democratic Republic of Congo and Zambia, Africa's biggest copper producers.

Africa's biggest oil producer, Nigeria, has slashed nearly \$5 billion from its budget and devalued its currency. It factored in an oil price of \$57 a barrel for 2020 but is selling crude for as little as \$20. Other oil producers such as Angola, Gabon, Congo Republic and Chad are also hurting.

Yvette Babb at investment firm William Blair International said the recent performance of

many African Eurobonds reflected investors' concern about the ability, and willingness, of governments to service their debt while the risk of sovereign credit events was rising in the short term.

"We do believe that this over time will be mitigated by strong support from international finance institutions, as well as easing global liquidity conditions," Babb said.

NO HALF MEASURES

While rich countries can borrow at close to zero interest rates to finance their massive stimulus packages, that's not on the menu for African nations where bond yields have spiked.

"If you are South Africa, or one of the other sub-Saharan African countries, and have seen your borrowing costs soar in recent days, you don't have that option," said Charlie Robertson, global chief economist at Renaissance Capital.

Tim Jones at the Jubilee Debt Campaign, which is pushing for the debts of the poorest countries to be cancelled, said the multifaceted nature of Africa's creditors meant handing out more loans to see countries through the crisis won't be enough.

"If their proposal is just to lend a lot of money without a moratorium on debt payments, it's not going to stay in country. It's going to be used to pay back various creditors," he said.

Angola, for example, spent nearly 43% of its total revenue servicing debt in 2019, according to data compiled by Jubilee. Ghana spent 39% and Gambia 38%.

Ethiopia wants interest payments on government loans written off with some debts owed by low-income countries cancelled and the remainder converted into low-interest loans.

African finance ministers went further last week, calling for a waiver of interest and coupon payments on commercial debt and sovereign bonds - a move they said would save Africa \$44 billion this year.

But suspending those debt obligations won't be easy, because getting all the disparate creditors to independently agree to debt relief is unlikely, analysts say.

"The challenge that we're seeing globally is really one of the most profound that the global economy has faced in several generations. This requires a lot of out-of-the-box thinking," said Abebe Aemro Selassie, head of the IMF's Africa Department.

"Now is really not the time for half measures."

(Additional reporting by Libby George in Lagos, Giulia Paravicini in Addis Ababa, Duncan Miriri in Nairobi, Alexander Winning in Pretoria and Julia Payne in London; Editing by Alexandra Zavis and David Clarke) ((joe.bavier@thomsonreuters.com; +27 664877766; Reuters Messaging;

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Africa seeks IMF, World Bank, EU



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backing on debt relief

01-Apr-2020

- **Africa needs \$100 bln to confront coronavirus threat**
- **To protect against defaults \$44 bln needed for debt service**
- **Additional \$50 bln may be required next year**

By Joe Bavier

JOHANNESBURG, April 1 (Reuters) - **African finance ministers want International Monetary Fund, World Bank and EU support for bilateral, multilateral and commercial debt relief amid the coronavirus crisis, the UN Economic Commission for Africa (UNECA) said.**

Africa is facing a perfect storm of an impending global economic downturn, plummeting oil and commodity prices and weaker currencies which threaten to imperil its coronavirus response.

The Continent's confirmed coronavirus cases had climbed to at least 5,300 by Tuesday, with more than 170 recorded deaths, according to a Reuters tally. And while those figures constitute just a fraction of current global cases, experts worry that Africa's creaking health systems could easily be overwhelmed.

Co-chaired by South African Finance Minister Tito Mboweni and Ken Ofori-Atta of Ghana, the ministers met via video conference on Tuesday. Many wore medical masks, said the UNECA, which hosted the meeting.

"The call for debt relief ... should be for all of Africa and should be undertaken in a coordinated and collaborative way," UNECA said in a statement.

African governments have asked for immediate relief from debt service obligations, including at last week's G20 summit, and would like to see a portion of their debts forgiven or converted into long-term, low-interest loans.

But the complexity of Africa's creditor landscape, which includes traditional bilateral and multilateral lenders, China, commercial banks, commodity traders and bond holders, will complicate efforts to ease the continent's debt burden.

Some 55% of external interest payments are to private creditors, according to data compiled by the UK-based Jubilee Debt Campaign.

PROTECTION FROM DEFAULTS

In an initial meeting organised by UNECA last month, ministers called for \$100 billion this year to support African countries during the pandemic.

Following Tuesday's meeting, they clarified that \$44 billion of that amount would be pooled into a special purpose vehicle (SPV) and used to service African nations' external debt.

"This would ensure no default by countries while providing them with the fiscal space needed to respond to the crisis," read a second UNECA statement issued later on Wednesday.

According to one UNECA official, such an SPV would allow for an immediate debt service moratorium while African countries negotiate with creditors for more extensive debt relief.

Another \$50 billion may be required for additional stimulus and a continued stay on interest payments in 2021.

The ministers agreed that Africa's development partners should consider debt relief and interest rate forbearance over a two to three-year period for all African low-income and medium-income countries.

The proposals should be in place and ready for formal approval by the IMF and World Bank at the multilaterals' spring meetings on April 15, they said.

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Angola

Angola to cut budget as fifth year of recession looms large

29-Mar-2020

By Libby George

LAGOS, March 29 (Reuters) - **Angola's finance minister said the country's economy will contract by 1.21% in 2020, marking a fifth year of recession, as the coronavirus and a slump in oil prices batter its finances.**

Finance Minister Vera Daves de Sousa said Africa's third-largest economy is freezing 30% of its "goods and services" budget and recalibrating spending plans based on a maximum oil price of \$35 a barrel - \$20 lower than previously envisaged.

She said the "deterioration of the surrounding economic environment" was having a significant impact on the oil-producing nation.

Crude oil prices - slammed by a coronavirus-related drop in demand and a battle for market share between Saudi Arabia and Russia - have fallen precipitously, with Brent crude settling a little below \$25 a barrel on Friday.

Angola's capital expenditure has been suspended until the budget review is complete, according to a statement issued after a Council of Ministers meeting on Friday, and Daves de Sousa warned that the country will experience an increase in exchange rate depreciation and higher than expected inflation.

She added that the budget freeze would exclude food, medicine, cleaning and sanitation expenditure. She also said that the planned end to subsidised fuel would be postponed and that humanitarian aid and donated imports would be exempt from value added tax and customs duty.

"We will do everything so that this pandemic reaches the smallest number of Angolans," she said.

The Angolan sovereign wealth fund, meanwhile, will release a total of \$1.5 billion, Daves de

Sousa said, on condition of future repayment through increased tax on the Bank of Angola's rolling debts.

Daves de Sousa said that oil production, which provides the bulk of government funds, is expected to fall to 1.36 million barrels per day (bpd) and that the average carat price for diamonds, another key Angolan resource, had dropped to \$100.30 from \$162.

Angola has been mired in recession since 2016, with oil production dropping at its ageing offshore fields.

The government is in the midst of a number of sweeping reforms aimed at diversifying the economy away from oil, streamlining oil regulations to attract investment and reduce bloated state spending.

(Additional Reporting By Victoria Waldersee in Lisbon
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Egypt

Egypt's current account deficit narrowed in second half 2019

30-Mar-2020

CAIRO, March 30 (Reuters) - **Egypt's current account deficit for July to December narrowed to \$4.57 billion from \$5.29 billion in the same six months of 2018, the central bank said on Monday.**

Receipts from tourism climbed to \$7.25 billion from \$6.79 billion, Suez Canal revenue rose to \$3.03 billion from \$2.93 billion and remittances from Egyptians working abroad increased to \$13.68 billion from \$12.05 billion.

(Reporting by Patrick Werr; Editing by Susan Fenton)
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Egypt's 2020-21 draft budget is based on oil at \$61 per barrel

30-Mar-2020

CAIRO, March 30 (Reuters) - **Egypt's 2020-21 draft budget is based on an oil price of \$61 per barrel, the finance ministry said in a statement on Monday.**

The exchange rate of the dollar used in the draft budget is equal to the prevailing average exchange rate in the market between January 1 and the end of March 2020, it added.

(Reporting by Ehab Farouk, writing by Mahmoud Mourad; Editing by Jon Boyle)
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Gabon

Fitch Downgrades Gabon to 'CCC'

03-Apr-2020

April 3 (Reuters) - Fitch Ratings:

- **Fitch downgrades Gabon to 'ccc'**
- **Fitch says downgrade of Gabon's ratings reflects risks to sovereign debt repayment capacity have risen significantly**
- Fitch, on Gabon, says liquidity pressures could become particularly high in June 2020
- Fitch says liquidity pressures are further exacerbated by Gabon's weak public finance management
- Fitch says additional near-term downside risks to growth could arise if a lockdown to contain coronavirus was put in place in Gabon
- Fitch says pressure on Gabon government spending will remain, and exert downward pressure on economic activity
- Fitch says Gabon could face institutional and political challenges to reforms if oil prices were to remain below USD 55-60 per barrel in medium term
- Fitch says Gabon's financing needs are expected to narrow significantly in 2021
- Fitch says Gabon's flexibility to curb current expenditure is constrained by pressure on healthcare spending from coronavirus

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Mauritius

Moody's Changes Outlook on Mauritius's Rating to Negative from Stable, Affirms Baa1 Ratings

01-Apr-2020

April 1 (Reuters) - Moody's:

- **Moody's changes outlook on Mauritius's rating to negative from stable; affirms BAA1 ratings**
- Moody's says negative outlook reflects risks to Mauritius's economic and fiscal metrics as a result of the coronavirus outbreak
- Moody's says expects growth in Mauritius to slow due to coronavirus-induced global growth slowdown, mainly due to lower tourist arrivals and earnings
- Moody's says coronavirus and slower global growth could also reduce foreign direct investment into Mauritius

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Morocco

S&P Says Morocco 'BBB-/A-3' Ratings Affirmed Outlook Stable

03-Apr-2020

April 3 (Reuters) - S&P

- **Says Morocco 'BBB-/A-3' ratings affirmed; outlook stable**
- S&P says stable outlook on Morocco reflects view that adverse impact of COVID-19 pandemic to be contained without lasting, structural damage to credit metrics
- S&P on Morocco says COVID-19 outbreak, its implications for economic activity will, in our view, lead to sharp downturn this year, with GDP near stagnating

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Senegal

Senegal seeks \$221 mln from IMF to mitigate coronavirus shock

02-Apr-2020

JOHANNESBURG, April 2 (Reuters) - **Senegal has wrapped up talks with the International Monetary Fund to secure \$221 million to help it mitigate the economic impact of the coronavirus pandemic, the Fund said on Thursday.**

The West African nation has reported 175 confirmed cases of the disease, according to World Health Organization statistics. The IMF said in a statement that the pandemic had led to a drop in remittances from Senegalese living abroad and a shutdown of its tourism sector.

"This (financing) will allow the authorities to meet the urgent budgetary and balance of payment needs stemming from the deterioration of the global economic conditions and the spread of COVID-19 in Senegal," the IMF said in a statement.

Around \$147 million of the requested funding would be disbursed from the Fund's the Rapid Financing Instrument, with the remaining \$74 million coming from its Rapid Credit Facility.

The financing still requires the approval of the IMF's executive board, which is expected to consider the request by mid-April.

Though they currently account for just a fraction of global coronavirus cases, the pandemic has already sent an economic shockwave through many African nations.

The IMF and other multilateral financial institutions are seeking to ramp up support for vulnerable African countries so they can better fight the disease, which experts say could easily overwhelm their under-resourced health systems.

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Somalia

Somalia to finalize debt forgiveness in bilateral talks

01-Apr-2020

WASHINGTON, March 31 (Reuters) - **Somali Finance Minister Abdirahman Beileh on Tuesday welcomed a decision by the Paris Club, an informal group of wealthy industrialized countries, to forgive at least \$1.4 billion, or 67% of the debt owed by the Horn of Africa country.**

"We had very productive discussions with the Paris Club and we welcome their support in relieving Somalia of a substantial amount of its debt to them," Beileh told Reuters.

He said the Somali government would hold separate bilateral discussions with the creditors to finalize the process. He said his government would continue the economic reforms that enabled the debt relief decision.

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Editing by Chris Reese)
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Paris Club creditors agree to cancel \$1.4 billion of Somali debt

01-Apr-2020

By Andrea Shalal and Leigh Thomas

WASHINGTON/PARIS, March 31 (Reuters) - **The Paris Club of creditor nations agreed on Tuesday to restructure Somalia's debt, including immediately canceling \$1.4 billion owed by the impoverished Horn of Africa country.**

Three decades of conflict have left Somalia all but cut off from the global financial system and relief from its debt is expected to open the way for new sources of financing for the country.

The decision, first reported by Reuters, cancels 67% of the debts owed to Paris Club creditors by Somalia. It came after more than nine hours of discussions by videoconference.

Somali Finance Minister Abdirahman Beileh called the decision a big step forward for his country, which is also grappling with the coronavirus outbreak and a recent desert locust swarm.

"We had very productive discussions with the Paris Club and we welcome their support in relieving Somalia of a substantial amount of its debt to them," Beileh told Reuters.

He said the Somali government would hold separate bilateral discussions with the creditors to finalize the process. He said his government

would continue the economic reforms it had undertaken over the past eight years to enable the debt relief.

An official with the International Monetary Fund said several creditors were expected to grant Somalia additional debt relief on a bilateral basis, and it could eventually see 100% debt cancellation deals with some countries after it completes additional steps under the Heavily Indebted Poor Countries (HIPC) Initiative in about three years.

The IMF and the World Bank said last week that Somalia had taken the necessary steps to begin receiving debt relief.

Several of Somalia's Paris Club creditors, including the United States, the UK and Norway, as well as the World Bank and the IMF, urged Paris Club members to provide "generous" debt relief to Somalia during the negotiations on Tuesday, said one source familiar with the discussions.

Somalia is the 37th country to qualify for debt relief under the HIPC process.

In time, debt relief will help Somalia reduce its external debt to \$557 million in net present value terms from \$5.2 billion at the end of 2018, the IMF and the World Bank said.

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

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South Africa

South Africa sees IMF loan to fight coronavirus as last resort

29-Mar-2020

JOHANNESBURG, March 29 (Reuters) - **South Africa would only consider approaching international agencies such as the International Monetary Fund (IMF) for emergency funding as a last resort to help in the country's fight against the coronavirus, the finance minister said on Sunday.**

South Africa entered a 21-day lockdown on Friday with people restricted to their homes and most businesses shuttered. The country has reported more than 1,180 cases of coronavirus, but no deaths, and now faces a near certain deep recession.

"If we approach the IMF or the World Bank or the Development Bank, it would be only if we run out of finance for health interventions. That's all," Finance Minister Tito Mboweni said in a teleconference. "Our first port of call would be the World Bank."

Approaching multilateral institutions for cash, especially the IMF, has long been unpopular with



the government, with such a move strongly opposed by the radical faction of the ruling party as well as its large trade union allies.

The government, including Mboweni, has also expressed reservations about approaching the IMF for fiscal support, pointing to stringent spending controls the fund would be likely to impose on the country.

That would threaten South Africa's welfare system which is among the World's largest and a key factor behind the African National Congress's electoral dominance.

On Friday, Moody's cut South Africa's debt rating to below investment grade, meaning all three of the big credit ratings agencies rank the country at junk. This is likely to trigger capital outflows of as much as \$12 billion.

Central bank governor Lesetja Kganyago, speaking on the same teleconference, said there would be no need to impose capital controls to limit an anticipated heavy selloff of the rand and local bonds following the downgrade.

A government official said the Treasury had spoken with ratings agency Fitch in the past week. Fitch and S&P Global Ratings, which already rank South Africa at junk, are due to deliver credit reviews in the next few months.

The official said Fitch expressed concerns about rising debt, above 60% of GDP, as well as limited funds the government had to respond to the virus, asking whether the Treasury would be approaching the IMF for bridge finance.

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South Africa's rand crashes to its lowest ever after Moody's pulls the plug

30-Mar-2020

JOHANNESBURG, March 30 (Reuters) - **South Africa's rand plunged to an all-time low on Monday, falling below 18.00 to a dollar after ratings firm Moody's cut the country's last investment grade credit rating, adding to mounting panic about the coronavirus outbreak.**

At 0600 GMT the rand was 1.42% weaker at 17.9100 per dollar, pulling back slightly from the all-time low of 18.0800 it crashed to in Asian trading, indicating that the fallout of the coronavirus-led lockdown is likely to hurt local assets.

Moody's downgraded the rating one notch to 'Ba1' from 'Baa3' and maintained a negative outlook, meaning another downgrade could follow if the economy performs worse or government debt rises faster than expected.

It was the last of the top three ratings firms to downgrade Africa's most industrialised economy to sub-investment grade, following S&P Global and Fitch's downgrades in 2017.

The latest ratings cut will see South Africa kicked out of the benchmark World Government Bond Index (WGBI) of local-currency debt, triggering up to \$12 billion of forced selling, treasury and analysts estimate.

Bonds were also weaker, with yield on the benchmark government bonds due in 2026 rising 72.5 basis points to 11.215%.

"We have previously argued that much of the downgrade has already been priced in and that we do not expect a capital exodus following the decision," analysts at NKC Economics said in a note.

"However, the global economic environment has changed considerably since the start of March."

South Africa's confirmed coronavirus cases increased by 93 to 1,280 on Sunday and the death toll doubled to two. The country is its fourth day of a national lockdown and officials announced new measures to deal with the economic fallout.

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South Africa may approach the IMF for "health funding"

29-Mar-2020

JOHANNESBURG, March 29 (Reuters) - **South Africa may approach the International Monetary Fund and World Bank for funding to fight the coronavirus that threatens to drag the country's economy deeper into recession, Finance Minister Tito Mboweni said in the Sunday Times newspaper.**

"This morning in a conversation with the (central) Reserve Bank and the Treasury I indicated that we should proceed and speak to the IMF and the World Bank about any facility that we can access for health purposes," Mboweni said in an interview with the weekly newspaper.

South Africa entered a 21-day lockdown on Friday, with people restricted to their homes and most businesses shuttered. The country has reported 1,187 cases of coronavirus and now almost certainly faces a deep recession.

On Friday, the country lost its last investment-grade credit rating when Moody's downgraded South Africa to junk, citing persistently weak growth, fast-rising debt and the impact of an unreliable electricity supply.

"We take no ideological position in approaching the IMF and World Bank. They are creating facilities for this environment and SA should also take advantage of those facilities in order to relieve pressure on the fiscus," Mboweni said in the interview.

(Reporting by Mfuneko Toyana; Editing by Catherine Evans)



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South Africa default insurance costs jump after rating cut

30-Mar-2020

LONDON, March 30 (Reuters) - **South Africa's 5-year credit default swaps - used by investors to insure against a government debt default - jumped to their highest level since 2009 on Monday after the country was stripped of its last remaining investment grade rating.**

Moody's downgraded the country to 'junk' status on Friday after more than two years of toing and froing.

It sent the country's CDS up 31 basis points to 439 on Monday, data from IHS Markit showed.

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South Africa should seek IMF funding to deal with pandemic

01-Apr-2020

By Andrea Shalal

WASHINGTON, April 1 (Reuters) - **South Africa should seek funding from the International Monetary Fund given its high debt levels, large capital outflows and a potentially deep recession triggered by the rapidly spreading coronavirus pandemic, a financial industry trade group said.**

The Institute of International Finance said it expected South Africa's economy to contract by 2.5% in 2020, but said waning demand, travel restrictions and pandemic-related closures could lead to a deeper recession.

"We believe it is time for South Africa to turn to multilaterals for support," said the group, which was created by 38 banks in leading industrialized countries in response to the debt crisis of the early 1980s. It called South Africa's economic situation "increasingly untenable."

Entering a program with the IMF could "bring much-needed funding and help shore up investor confidence," it said.

The recommendation is not likely to be well received in South Africa, where Finance Minister Tito Mboweni on Sunday said the country would only consider approaching the IMF as a last resort to help fight the virus.

South Africa entered a 21-day lockdown on Friday, with people restricted to their homes and most businesses closed. It has reported more than 1,300 cases of coronavirus and three deaths.

Approaching multilateral institutions for cash, especially the IMF, has long been unpopular with the government, with such a move strongly opposed by the radical faction of the ruling African National Congress and its large trade union allies.

The government has also expressed reservations about approaching the IMF for fiscal support, fearing stringent spending controls the fund would be likely to impose.

But the IIF said South Africa's fiscal policy space was limited even before the shock caused by COVID-19, the disease caused by the coronavirus, and the situation was complicated by persistently low growth and government debt increases that were among the highest in emerging markets.

Higher borrowing costs and the need for greater social spending were likely to expand fiscal deficits in the future, potentially increasing government debt further.

The situation was further complicated by Friday's decision by Moody's rating agency to cut South Africa's debt rating to below investment grade, which could trigger capital outflows of as much as \$12 billion, IIF said.

The IIF said the downgrade would also result in rising financing costs and pressure on the South African rand.

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Fitch Downgrades South Africa to 'BB' Outlook Negative

03-Apr-2020 18:01:16

April 3 (Reuters) - Fitch:

- **Fitch downgrades South Africa to 'BB'; outlook negative**
- Fitch says South Africa's negative outlook reflects prospect of upside pressure on government debt & downside risks associated with global shock
- **Fitch says downgrade of South Africa's ratings a result of lack of clear path towards government debt stabilisation, expected impact of covid-19 shock**
- Fitch says covid-19 crisis, combined with a recession in h2 2019, means South Africa's GDP is forecast to contract by 3.8% in 2020
- Fitch says coronavirus shock adds further pressure on South Africa's public finances
- Fitch says despite severe disruption in global financial markets, Fitch does not expect acute problems in South Africa's fiscal financing
- Fitch says South Africa's current-account deficit fell to 3.0% in 2019 but is expected to deteriorate to 4.7% of GDP in 2020
- Fitch says while coronavirus crisis likely to hit asset quality, considers risk that South Africa will need to provide support to banking

sector as low

- Fitch says South Africa's country ceiling; downgrade; BB+
- Fitch says South Africa's senior unsecured; long term rating; downgrade; BB
- Fitch says South Africa's short term issuer default rating; affirmed; B
- Fitch says South Africa's local currency long term issuer default rating; downgrade; BB
- Fitch says South Africa's local currency short term issuer default rating; affirmed; B

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Zambia

Zambia's bonds dive as govt calls in debt restructuring advisers

31-Mar-2020

LONDON, March 31 (Reuters) - **Zambian government bonds fell sharply on Tuesday after the finance ministry said it had reached out to would-be advisers for a debt restructuring.**

The bonds dropped by as much as 3.7 cents on the dollar to between 36 and 40 cents having already hit record lows earlier this month.

(Reporting by Marc Jones

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Zambia's central bank establishes medium-term facility to ease liquidity crunch

03-Apr-2020

LUSAKA, April 3 (Reuters) - **Zambia's central bank said on Friday it has established a 10 billion Zambian kwachas (\$533.33-million) medium-term refinancing facility for financial service providers (FSP) as part of emergency policy measures aimed at easing a liquidity crunch triggered by the coronavirus.**

The three to five years facility will be available to eligible FSPs to enable them to restructure or refinance qualifying facilities or lend to eligible clients, the bank said in a statement issued by Governor Denny Kalyalya.

The bank has also "scaled up open market operations" to provide short-term liquidity support to commercial banks on more flexible terms than before the coronavirus outbreak that has infected 39 people and killed one person in the southern African country.

Rules governing the operations of the interbank foreign exchange market will be revised to provide a system for addressing heightened

volatility in the exchange rate in periods of stress, it added.

"The Zambian economy has been facing significant macroeconomic challenges as reflected in low growth, high fiscal deficits, rising inflation and debt service obligations as well as low international reserves," the bank said.

"The outbreak of the COVID-19 pandemic has compounded the situation, resulting in unprecedented global public health and economic crisis."

The bank said although the full impact of the virus on the economy cannot be determined at the moment, "indications are that it will be unprecedented."

African governments including Zambia have become heavily indebted in the past decade and are seeking support from the International Monetary Fund, World Bank and European Union for wide-ranging debt relief.

Africa's No. 2 copper producer's economic activity has also been hampered by widespread power shortages.

On Tuesday, Zambia's ministry of finance said the government is looking for financial advisors to help ensure the sustainability of its debt and manage any loans maturing from next year and beyond.

Other measures implemented by the bank on Friday include revising loan classification and provisioning rules to allow FSPs "to better accommodate lending, refinancing and restructuring of facilities to critical sectors."

(\$1 = 18.7500 Zambian kwachas)

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GLOBAL

Fitch Ratings: Sovereign Debt Relief Momentum is Accelerating

31-Mar-2020

Fitch Ratings-Hong Kong/London-March 31: **Momentum for debt relief for coronavirus-affected low-income countries is building, says Fitch Ratings; but if relief is applied only to debt held by official creditors it will not be counted as a default under our Sovereign Rating Criteria.** A default rating could result if, as is being discussed for vulnerable countries, such initiatives also lead to restructuring of debt to private creditors.

In recent statements, leaders of the IMF and World Bank called for official bilateral creditors to suspend debt payments for countries eligible for support from the International Development Association (IDA) that request it, and declared



that they were preparing to present a framework to move this forward by mid-April. **The IMF is also moving ahead with debt-service relief under its Catastrophe Containment and Relief Trust (CCRT).**

Negotiations on debt relief may be complex, particularly given the rising importance of non-Paris Club creditors, in particular China, which has not previously engaged in collective official sector debt-relief initiatives. According to the World Bank, of the USD14 billion bilateral debt-service payments due in 2020 from IDA-eligible countries, only USD4 billion is owed to members of the Paris Club of mostly western creditors. We believe China accounts for a large part of the remainder.

Nevertheless, the momentum for broad support has accelerated dramatically in response to the coronavirus. **The IMF has reported that donors, such as the UK, Japan and China, have come forward with contributions to replenish the CCRT.** Under its Coronavirus Aid, Relief, and Economic Security Act, the US has also signed off additional resourcing to the IMF's New Arrangements to Borrow scheme, under which certain countries stand ready to extend additional lending to the Fund to boost its capacity to provide support.

In some countries, the coronavirus has added financial stresses on top of those created by existing high external debt levels, and IMF and World Bank leaders have indicated significant debt restructuring could be required. In some cases, creditor countries may be reluctant to offer relief to states unless debt owed to private creditors is also restructured, which would add time and complexity to the process. This is more likely to be the case for countries that the IMF had classified as being at high risk of debt distress even before the coronavirus crisis.

Under Fitch's Sovereign Rating Criteria, we do not view debt relief from official sector creditors as a default, and rating actions would be based on the extent to which the coronavirus shock - the main trigger for the accelerated debt relief - has fundamentally exacerbated credit risk. While not in itself implying default, if official debt relief is tied to restructuring of private-sector debt, such a restructuring could qualify as a distressed debt exchange and thus trigger a move to 'RD'. If debt relief is expanded to cover obligations to the IMF and other multilateral institutions, we anticipate that these entities would be compensated by their shareholders, reflecting their preferred-creditor status.

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World economy could contract by 11% in H1 2020 -BlackRock managing director

01-Apr-2020

By Yousef Saba and Davide Barbuscia
DUBAI, April 1 (Reuters) - **BlackRock's Managing Director Amer Bisat said on Wednesday that the world economy could contract by 11% in the first half of 2020 and lose \$6 trillion in economic output due to the coronavirus pandemic.**

"To put this in context, this will be worse than the contraction that we saw in 2008, it will be worse than the one that people estimate happened during the (1918) Spanish flu," Bisat said.

"It won't be as bad as the (1930s) Global Depression, which is a significantly worse contraction, but it will certainly be the second-worst economic shock that we've seen globally." BlackRock is the world's largest asset manager. Conservatively, 5 million jobs could be lost in January-June, Bisat told a virtual panel discussion moderated by the Carnegie Middle East Center. The picture looks even worse when under-employment, reduced hours and reduced wages are taken into account, he added.

Asked if the policy reaction so far has been commensurate to the shock, Bisat said: "Politically, the answer is categorically no." But he praised the economic measures taken by governments and central banks.

"Just the announced amount of fiscal stimulus that has been thrown globally at the problem between February and March ... is \$5 trillion worth of fiscal inputs that will be thrown over the global economy for the next probably six months or so.

"To that you add 65 cases of interest rate cuts, you have 20-odd countries that have already announced some form of quantitative easing. How do you translate all this into stimulus?" Bisat said. "It's complicated, but the reality is this is unprecedented."

RECOVERY

Bisat likened the economic shock from the pandemic to a natural disaster, which he said usually "leads to a strong recovery afterwards".

The recovery from the coronavirus's impact "is not likely to be as aggressive", however, due to uncertainty around when the shock will end, the possibility the virus will re-emerge, and its global nature.

But after the strong policy measures taken and pent-up demand, "there's no question in my mind that the recovery will be very, very sharp afterwards."

"It will look like a V. The question to me is: will the size of the V be so powerful that it will offset the lost output from the downside? I think the answer is no," Bisat said, adding he estimated "we will lose 2 to 3 percentage points of global

GDP that we will never see again". Speaking about Lebanon, where a financial crisis exacerbated by months of political instability has brought much of the economy to a halt, Bisat said the coronavirus pandemic could push a forecast contraction to "higher double digits". He said the country was in urgent need of external financing, adding: "Any international support right now would desperately need the umbrella of the IMF."

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Fitch Ratings: Deep Global Recession in 2020 as Coronavirus Crisis Escalates

02-Apr-2020

Fitch Ratings-London-April 02: **A deep global recession in 2020 is now Fitch Ratings' baseline forecast according to its latest update of its Global Economic Outlook (GEO) forecasts.**

The speed with which the coronavirus pandemic is evolving has necessitated another round of huge cuts to our GDP forecasts. We now expect world economic activity to decline by 1.9% in 2020 with US, eurozone and UK GDP down by 3.3%, 4.2% and 3.9%, respectively. China's recovery from the disruption in 1Q20 will be sharply curtailed by the global recession and its annual growth will be below 2%.

"The forecast fall in global GDP for the year as a whole is on a par with the global financial crisis but the immediate hit to activity and jobs in the first half of this year will be worse", said Brian Coulton, Fitch's chief economist.

The spread of the pandemic and the actions necessary to control it mean that we now have to incorporate full-scale lockdowns across Europe and the US (and many other countries) in our baseline forecasts. This was not the assumption used in our March 2020 GEO forecast. There are many moving parts, but we now judge that lockdowns could reduce GDP across the EU and US by 7% to 8%, or 28% to 30% annualised, in 2Q20. This is an unprecedented peacetime one-quarter fall in GDP and is similar to what we now estimate occurred in China in 1Q20.

On the assumption that the health crisis is broadly contained by the second half of the year there should be a decent sequential recovery in activity as lockdowns are removed, some spending is re-profiled from 1H20, inventories are rebuilt and policy stimulus takes effect. But this has to be set against the many factors amplifying the depth of the dislocation, including job losses, capex cuts, commodity price shocks and the rout in financial markets.

"Our baseline forecast does not see GDP

reverting to its pre-virus levels until late 2021 in the US and Europe," said Coulton.

The lockdown policies being implemented to control the spread of the virus are having instantaneous and dramatic effects on daily economic activity. Nationwide lockdowns look to be reducing daily activity by about 20% from normal levels. The impact on GDP will depend on how long the lockdowns last. By means of illustration, a two- to three-month crisis with a five-week 'peak stringency' national lockdown period which reduces GDP by 20% a day would translate to a 7% to 8% decline in quarterly GDP (not annualised). This is in line with our latest estimate of the sequential quarter on quarter decline in China's GDP in 1Q20 (which included a full lockdown period of four or five weeks) and we have used this as guide in our baseline forecasts.

The direct impacts of lockdown policies on activity are being amplified through multiple channels. Most noticeable has been the dramatic fallout in the labour market, particularly in the US and Canada, where weekly data for new unemployment benefit claims have smashed all records. Our annual unemployment forecasts for developed countries have been pushed sharply higher across the board and we expect US unemployment to peak at 10% in 2Q20 with 10 million job losses. Companies are also likely to slash capex and consumers will pare back sharply on discretionary spending. This will be exacerbated by the collapse in equity prices.

Rising corporate and emerging market bond yields are tightening global financing conditions and the strengthening of the dollar and falling commodity prices will add further headwinds to emerging market growth. Our 2020 oil price forecast (Brent annual average) has been lowered again to USD35 a barrel. Capital outflows and limited social safety nets are further pressuring economic conditions in emerging markets.

Policymakers are doing all they can to minimise collateral damage from the crisis. The monetary and fiscal policy response has, in many ways, been larger and more rapid than in the midst of the global financial crisis.

In addition to interest rate cuts, central bank balance sheets are expanding at a break-neck pace as they flood the financial system with liquidity to mitigate the risk of sharp adverse credit multipliers. These moves have been accompanied by macro-prudential forbearance and the roll-out of hundred-billion dollar sovereign credit guarantees for private-sector borrowers, with the aim of minimising the risk of wide-scale bankruptcies. Employment subsidies have been increased massively in some countries in a bid to minimise redundancies.

Huge fiscal stimulus packages have been announced in many countries worth 10% of GDP in the US and about 5% in Germany and the UK. "In the midst of the immediate health crisis, higher public spending can play an important part in cushioning the fall in activity but wider

growth benefits from policy stimulus are unlikely to be seen until the health crisis subsides," said Coulton.

On the assumption that the health crisis eases in 2H20 we should see quite a marked rebound in growth. The removal of lockdown measures should result in a discrete jump in activity - as now being witnessed in China - and some expenditure could be re-profiled from the first half of the year. Macro policy stimulus should also contribute to a growth recovery. But the scale of the dislocation means that even assuming that the health crisis subsides we do not envisage GDP returning to pre-virus levels until late 2021.

The uncertainties surrounding these forecasts are extremely high and risks are on the downside. In the event that a longer lockdown period is required to contain the virus the damage to 2020 GDP would be bigger. Our analysis suggests a possible additional 2pp decline in GDP on top of our baseline forecast in the US and Europe in the event that the lockdown period is extended to eight weeks and then removed more slowly. This would also delay the return to pre-crisis GDP levels once the crisis is over. A failure to contain the virus would result in even more adverse outcomes.

Notes for Editors:

Given the speed at which the coronavirus crisis is evolving, Fitch intends to update its global economic forecasts with a much higher frequency over the coming months than its usual quarterly publication cycle.

Fitch's Economics team, led by chief economist Brian Coulton, analyses global macroeconomic trends and their impact on credit markets around the world. The team publishes global macroeconomic research, forecasts and commentary focusing on 20 major advanced and emerging economies. The "Global Economic Outlook", the flagship publication of Fitch's Economics team, and other global economic research and commentary are available at www.fitchratings.com/site/economics.

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Global downturn due to coronavirus 'way worse' than global financial crisis

03-Apr-2020

By Andrea Shalal and Stephanie Nebehay
WASHINGTON/GENEVA, April 3 (Reuters) - **The coronavirus pandemic has brought the global economy to a standstill and plunged the world into a recession that will be "way worse" than the global financial crisis a decade ago, the head of the International Monetary Fund said on Friday.**

IMF Managing Director Kristalina Georgieva, speaking at a rare joint news conference with the leader of the World Health Organization, called on advanced economies to step up their efforts to help emerging markets and developing countries survive the economic and health impact of the pandemic.

"This is a crisis like no other," she told some 400 reporters on a video conference call. "We have witnessed the world economy coming to a standstill. We are now in recession. It is way worse than the global financial crisis" of 2008-2009.

More than 1 million people have been infected with COVID-19, the disease caused by the virus, and more than 53,000 have died, a Reuters tally showed on Friday. Georgieva said the IMF was working with the World Bank and WHO to advance their call for China and other official bilateral creditors to suspend debt collections from the poorest countries for at least a year until the pandemic subsides.

She said China had engaged "constructively" on the issue, and the IMF would work a specific proposal in coming weeks with the Paris Club of creditor nations, the Group of 20 major economies and the World Bank for review at the annual Spring Meetings, which will be held online in about two weeks.

Emerging markets and developing economies were hard hit by the crisis, Georgieva said, noting that nearly \$90 billion in investments had already flowed out of emerging markets, far more than during the financial crisis. Some countries were also suffering from sharp drops in commodity prices.

More than 90 countries - nearly half the IMF's 189 members - have asked for emergency funding from the Fund to respond to the pandemic, she said.

The IMF and WHO have called for emergency aid to be used mainly to strengthen health systems, pay doctors and nurses and buy protective gear. Georgieva said the Fund stood ready to use as much of its "war chest" of \$1 trillion in financing capability as needed.

The IMF has begun disbursing funds to requesting countries, including Rwanda, with requests from two additional African nations to be reviewed on Friday, she said.

"This is, in my lifetime, humanity's darkest hour - a big threat to the whole world - and it requires from us to stand tall, be united, and protect the most vulnerable of our fellow citizens," she said.

She said central banks and finance ministers had already taken unprecedented steps to mitigate the effects of the pandemic and stabilize markets, but more work was needed to keep liquidity flowing, especially to emerging markets. To that end, the Fund's board in coming days would review a proposal to create a new short-term liquidity line to help provide funds to countries facing problems. She also urged central banks and particularly the U.S. Federal Reserve to continue offering swap lines to emerging economies.



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EMERGING MARKETS

Emerging markets bonds, stocks lose \$83.3 bln in March, suffer "sudden stop"

01-Apr-2020

LONDON, April 1 (Reuters) - **Emerging markets have suffered a "sudden stop" in capital flows in March with portfolio investors pulling a record \$83.3 billion from stocks and bonds due to the combination of uncertainty over the coronavirus spread and large oil price and financial shocks.**

The Institute of International Finance (IIF) found in its flows data that outflows from emerging equity funds had reached \$52.4 billion in March. Outflows from China stocks hit \$12.3 billion while the remaining equity universe suffered a loss of \$40.1 billion.

Emerging market debt bled \$31.0 billion, the second-largest monthly outflow on record after October 2008, the IIF found.

"While the impact of COVID-19 was first noticeable in January and then contained to China, a wider spread of the pandemic in recent weeks rattled markets creating a shock to EM more severe than the GFC (great financial crisis) as far as capital flows are concerned," Jonathan Fortun, economist at the IIF said on Wednesday.

(Reporting by Karin Strohecker; editing by Carolyn Cohn)

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IMF, WHO urge leaders to focus on health spending to get virus under control

03-Apr-2020

WASHINGTON, April 3 (Reuters) - **The IMF and the World Health Organization on Friday urged leaders of developing countries to prioritize paying medical staff, buying protective gear and other health expenditures in their response to the COVID-19 pandemic.**

In a joint column in the UK's Telegraph newspaper, the heads of the two institutions said getting the new coronavirus under control was a prerequisite to reviving the global economy, and it was critical to strike the right balance in spending emergency aid.

"Our joint appeal to policymakers, especially in emerging market and developing economies, is

to recognise that protecting public health and putting people back to work go hand-in-hand," wrote International Monetary Fund Managing Director Kristalina Georgieva and WHO Director-General Tedros Adhanom Ghebreyesus.

"As financing to support severely constrained public budgets reaches the countries in need, our joint plea is to place health expenditures at the top of the priority list," they said.

The IMF and WHO leaders also underscored their joint call with the World Bank for debt relief for the poorest countries, a step that has not yet been backed by the Group of 20 (G20) major economies.

More than 1 million people have been infected with COVID-19, the disease caused by the virus, and more than 53,000 have died, a Reuters tally showed on Friday.

Georgieva and Tedros said health expenditures were critical to protect people against the pandemic and should be paired with initiatives to reduce unemployment, minimize bankruptcies and shore up economies devastated by sweeping shutdowns.

Cash transfers, wage subsidies, strengthened unemployment benefits and other such measures should come in addition to - not as a substitute for - health spending and even public awareness campaigns about handwashing, they wrote.

This was critical given the unprepared state of health systems in many countries and the fact that social distancing was impossible in highly congested urban slums, they said.

In India, where healthcare has long been weak and millions live in crowded, unsanitary conditions, critics say a government shutdown was poorly planned and authorities are now scrambling to contain its fallout instead of focusing on COVID-19, the disease caused by the new coronavirus.

The IMF has received requests for some \$20 billion in emergency funding from an unprecedented 85 countries, and has begun disbursing the first amounts to countries such as Kyrgyzstan, Honduras and Rwanda.

The Fund plans to double its emergency funds to \$100 billion from \$50 billion, and its members have acted to shore up its overall lending capacity of \$1 trillion, they wrote.

The World Bank's board on Thursday announced an initial \$1.9 billion in emergency funds for coronavirus response operations in 25 developing countries, with more than half the aid earmarked for India.

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