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Emerging Sovereign Debt Markets NEWS

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- Moody's says china GDP will likely grow by 1% in 2020, followed by a rebound to 7.1% in 2021, although downside risks remain
- Moody's says combined on-budget and off-budget fiscal measures to support the economy will total more than 8% of china's GDP

(Reuters.Briefs@thomsonreuters.com)

China May local government bond issuance hits monthly record high

03-Jun-2020

BEIJING, June 3 (Reuters) - **China's local governments issued a record 1.3 trillion yuan ($182.90 billion) of bonds in May, the finance ministry said on Wednesday, as Beijing ramps up fiscal support to revive a stuttering economy.**

They issued a total of 2.7 trillion yuan of new bonds in January-May period, accounting for 94.9% of the government quota that was brought forward this year, the ministry said in a statement on its website.

New issuance of local government special bonds stood at 2.15 trillion yuan by end-May, it said.

($1 = 7.1076 Chinese yuan renminbi)
(Reporting by Stella Qiu and Ryan Woo
Editing by Shri Navaratnam)
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Offshore Chinese bond holdings rise in May on yield gap appeal

03-Jun-2020

SHANGHAI, June 3 (Reuters) - **Foreign investors raised their holdings of Chinese bonds in May, official data showed late on Tuesday, extending their purchases as the yield differential over major markets continued to widen.**

Offshore investors held Chinese government bonds worth a total of 1.45 trillion yuan ($204 billion) at the end of May, up 4.3% from April, according to Reuters calculations based on data from the China Central Depository and Clearing Co (CCDC), the country's primary interbank bond market clearing house.

That increase helped to drive up the value of all bonds cleared through CCDC and held by foreign investors to 2.113 trillion yuan. The total volume was up by 111.9 billion yuan for the month.

Rising interest in Chinese bonds has come at a time when the interest rate gap between the World's two largest economies continues to widen as the United States cuts rates to near zero. **The higher yields have made Chinese debt more attractive, in the context of a generally depressed international bond market.**

The yield gap between the benchmark Chinese 10-year government bond and 10-year U.S. Treasuries stood at 206 basis points at the end of last month, compared with 188 basis point at the end of April.

Further investment holdings data from the Shanghai Clearing House was not yet available as of Wednesday. Bonds cleared there have accounted for about 15% of total foreign holdings in recent months.

($1 = 7.1089 Chinese yuan)
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China sees robust growth from local government bond issuance

03-Jun-2020

BEIJING, June 3 (Xinhua) -- **China's local government bond issuance registered steady expansion in the first five months of the year amid the country's efforts to encourage the economy, official data showed.**

Local governments in the country issued nearly 3.2 trillion yuan (about 450 billion U.S. dollars) worth of bonds from January to May, up 65.1 percent year on year, according to the Ministry of Finance (MOF).

In May alone, local government bond issuance reached a record high of over 1.3 trillion yuan, data from the MOF showed.

Financing costs at the local level were reduced, with the average interest rate of the bonds issued in the first five months falling 20 basis points from last year to 3.27 percent.

The average term of the bonds issued during the period was 15.2 years, 4.9 years longer than that of 2019. The longer maturity better meets the financing demands of long-term transport and water conservancy projects, the ministry said.

Funds raised through new special local government bonds flowed to major projects in the sectors of infrastructure construction and public service, contributing to investment expansion and the promotion of economic and social development.

Amid contraction of global trade and investment, China aims to spur effective domestic investment by planning the issuance of more special local government bonds, with priority given to new infrastructure, new urbanization initiatives and key projects spend.

Enditem

India

India Bond Yields Stay Higher As FY20 Fiscal Gap Widens

01-Jun-2020
By Dharam Dhutia
NewsRise
MUMBAI (Jun 1) -- **Indian government bond yields were higher in afternoon session, on concerns over the country's fiscal health after a sharp rise in the budget deficit for the previous financial year, and as a lack of steps so far by the central bank to support the market weighed.**
The benchmark 6.45% bond maturing in 2029 changed hands at 102.99 rupees, yielding 6.03%, at 1:00 p.m. in Mumbai, against 103.08 rupees, and a 6.01% yield, at previous close. The 5.79% 2030 bond was at 99.90 rupees, yielding 5.80%, against 100.04 rupees at previous close. The Indian rupee was at 75.54 to the dollar against 75.62 in the previous session.
"As the RBI is delaying any potential OMO announcement, sentiment is turning cautious and very soon we will see a further spike in bond yields," a trader with a state-run bank said.
India's fiscal deficit for the last financial year came in at 4.59% of gross domestic product, sharply wider than the government's revised target of 3.8%. Fiscal deficit for April was 35.1% of the government's estimate for this financial year.
Deutsche Bank expects the federal government to announce more stimulus measures in the second half of this year, that will push up the fiscal deficit to 8% of GDP in this financial year against the 3.5% target. India has already increased its gross borrowing by 54% to 12 trillion rupees for this financial year.
The federal government is keeping options open for further measures to support growth, a senior finance ministry official said last week.
The country's economic growth in the last fiscal year slowed to an 11-year low of 4.2%, dragged down by the weak pace of expansion in fourth-quarter economic growth, which stood at 3.1% from a year earlier, its slowest rate in at least eight years.
The coronavirus pandemic and the months-long lockdown starting Mar. 25 to contain the deadly virus have stalled economic activities and severely hurt government revenues. India has announced a phased lifting of the nationwide lockdown while maintaining restrictions in areas that are containment zones for the virus. The number of cases has spiked to 190,535, with 5,394 deaths so far.
Crude oil prices fell ahead of an anticipated meeting of the Organization of the Petroleum Exporting Countries as early as this week, to discuss whether to extend record production cuts beyond the end of this month. The benchmark Brent crude oil contract was 0.2% lower at $37.74 per barrel. India imports over 80% of its crude oil requirements.

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Moody's Downgrades India's Ratings to Baa3, Maintains Negative Outlook

01-Jun-2020
June 1 (Reuters) - Moody's:
- **Moody's downgrades India's ratings to baa3, maintains negative outlook**
- Moody's says it downgraded the government of India's foreign-currency and local-currency long-term issuer ratings to baa3 from baa2
- Moody's says India's downgrade reflects view that country's policymaking institutions will be challenged in enacting and implementing some policies
- Moody's says India's downgrade reflects significant further deterioration in general government fiscal position, stress in financial sector
- Moody's says its view is that India's policymaking institutions will be challenged in enacting policies to effectively mitigate risks of relatively low growth
- **Moody's says persistent growth challenges, rising financial sector risks, continue to constrain India's potential**
- Moody's says lower real and nominal GDP growth over medium term will diminish Indian government's ability to reduce its debt burden
- Moody's says expects India's real GDP to contract by 4.0% in fiscal 2020 due to shock from coronavirus pandemic and related lockdown measures
- Moody's says it expects the coronavirus shock to cause India's debt burden to rise higher still, to about 84% of GDP in fiscal 2020
- Moody's says measures to improve India's fiscal strength, have underwhelmed
- Moody's says expects 8.7% growth in fiscal 2021 and closer to 6.0% thereafter for India's real GDP
- **Moody's says it does not expect the credit crunch in India's undercapitalized financial sector to be resolved quickly**
- Moody's says over longer term, India's

real GDP growth rates likely to be materially lower than past, due to persistent weak private sector investment

• Moody's says over longer term, India's real GDP growth rates likely to be materially lower than past, on tepid job creation, impaired financial system

(Reuters.Briefs@thomsonreuters.com)

Moody's cuts India's rating to lowest investment grade with negative outlook

01-Jun-2020
By Aftab Ahmed
NEW DELHI, June 1 (Reuters) - **Moody's Investors Service downgraded India's credit rating to a notch above junk on Monday, citing a prolonged period of slow growth in Asia's third-largest economy, rising debt and persistent stress in parts of the financial system.**
It said the cut to Baa3 from Baa2 was not driven directly by the impact of the coronavirus but that the pandemic had amplified vulnerabilities in India's credit profile that were present and building prior to the shock.
Moody's maintained a negative outlook for the new sovereign rating, citing worsening government finances as the coronavirus continues to hurt the economy.
India's economy grew 3.1% in January-March, its slowest quarterly pace in at least eight years, and Moody's expects a contraction of 4% in the current fiscal year, which runs until March 2021, due to the strict lockdown imposed in April and May.
The change brings Moody's rating into line with Fitch and Standard and Poor's, both of which rate India BBB-, although they assign stable rather than negative outlooks.
Moody's had previously upgraded India's rating from Baa3 to Baa2 in November 2017, which was seen as an endorsement of reforms undertaken by Prime Minister Narendra Modi's government.
The agency said those measures to improve India's fiscal strength, then at the heart of the government's policy framework, had underwhelmed.
Modi's government has announced a number of steps to help the poor and small businesses weather the pandemic, but Moody's said it does not expect the measures to push India's growth rate back towards the 8% that had recently seemed within reach.

(Reporting by Aftab Ahmed in New Delhi and Nishara Karuvalli Pathikkal in Bengaluru; Editing by Uttaresh.V and Catherine Evans)
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Moody's Rating Cut May Impact India's Inclusion in Global Bond Indices, Citi Says

02-Jun-2020
By Dharam Dhutia
NewsRise
MUMBAI (Jun 2) -- **India's sovereign rating downgrade by Moody's Investors Service may affect the country's efforts for inclusion of its debt in global bond indices, Citi said.**
"India's efforts of global bond index inclusion might suffer a setback and even the steady rise in foreign direct investment inflows witnessed over the last few years could falter," Samiran Chakraborty, chief economist, India, at Citi said in a note. "Cost of external credit is likely to go up and hence the domestic credit channels needs to be unclogged quickly to avert complete choking of credit flow."
Moody's on Monday downgraded India's long-term credit rating by one notch to the lowest investment grade of Baa3, citing challenges for policymakers through a period of weak growth amid worsening fiscal situation and financial sector stress. The ratings agency kept the outlook negative, which reflects risks from potentially deeper stresses in the economy and financial system.
India is pushing to list government bonds in at least two global indices in the second-half of this fiscal year as New Delhi expects a spurt in capital inflows post-listing to ease domestic borrowing cost and offer capital to reboot an economy ravaged by the Covid-19 pandemic, two senior government officials had told NewsRise in May.
The proposal was a part of the government's budget announcements made in February. India has been issuing so-called special securities that have no caps on foreign investments.
Investors' focus will now be on whether S&P Global Ratings and Fitch Ratings change their outlook in India or downgrade India's rating, Citi said.
Both S&P and Fitch have a BBB- rating on India with a stable outlook.
"Given the challenges to revive growth, we will not be able to rule out the possibility of a rating downgrade by the other two agencies though timing would be difficult to predict as the first step is likely to be an outlook change," Chakraborty said.

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Indonesia

Indonesia bonds, rupiah jump as yield-hungry investors return

02-Jun-2020

- **Government debt auction four times oversubscribed**
- **Rupiah hits 12-week high, 10yr yield hits 12-week low**
- **Dollar weakness drives search for yield - analyst**

JAKARTA/SINGAPORE, June 2 (Reuters) - **Indonesian government bonds rose and the rupiah hit a 12-week high on Tuesday as foreign investors piled back in to the country's debt market.**

The first government debt auction since the Eid Al-Fitr holidays was more than four times oversubscribed, the finance ministry said, raising 24.35 trillion rupiah ($1.69 billion) from 105.27 trillion rupiah in incoming bids.

That was the strongest showing since mid-February - just before coronavirus worries shook Indonesia's financial markets.

On Tuesday, the yield on benchmark 10-year bonds fell to to 7.226%, its lowest level since mid-March.

A 1.3% jump in the rupiah to 14,450 per dollar was the biggest move of any Asian currency on Tuesday and points to a solid return of international investment, which fled three months ago.

"My sense is that a fortuitous combination of global and domestic factors are at play," said Wellian Wiranto, an economist at OCBC Bank in Singapore.

"The theme that has been running in earnest over the recent weeks is dollar weakness, which tends to correlate with the search-for-yield plays," he said, while Bank Indonesia's reluctance to cut rates has preserved some yield attraction.

Indonesian debt offers the highest yield in Southeast Asia, with the 10-year yield on Philippine government debt at 3.284%, Malaysia under 3% and Thailand at 1.2%.

($1 = 14,380.0000 rupiah)
(Reporting by Tabita Diela and Fransiska Nangoy in Jakarta and Tom Westbrook in Singapore; Editing by Andrew Heavens and Barbara Lewis)
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Indonesia fin min sees 2020 budget deficit widening to 6.34% of GDP

03-Jun-2020

JAKARTA, June 3 (Reuters) - **Indonesia's 2020 budget deficit is expected to widen further to 6.34% of gross domestic product as the government stepped up spending for its coronavirus response and economic stimulus, Finance Minister Sri Mulyani Indrawati said on Wednesday.**

Her previous estimate had been a deficit of 6.27% of GDP.

Total spending for the so-called National Economic Recovery Programme in 2020 is expected to rise to 677.2 trillion rupiah ($47.76 billion), Indrawati said, up from the 641.17 trillion rupiah she had announced.

The changes will boost the size of the 2020 budget to 2,738.4 trillion rupiah ($193.12 billion), she said.

($1=14,180.0000 rupiah)
(Reporting by Gayatri Suroyo and Maikel Jefriando; Editing by Clarence Fernandez)
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Indonesia steps up fiscal spending to keep economy from contracting

03-Jun-2020

- **Budget deficit forecast widens slightly to 6.34% of GDP**
- **2020 GDP growth seen above 0%, but below earlier forecast of 2.3%**

JAKARTA, June 3 (Reuters) - **Indonesia's 2020 budget deficit is expected to widen further as the government steps up fiscal spending to keep the virus-hit economy from shrinking, its finance minister said on Wednesday.**

Sri Mulyani Indrawati expected the 2020 budget deficit to swell to 6.34% of gross domestic product, compared with an earlier estimate of 6.27%, which was already the widest in more than a decade.

Total spending for the so-called National Economic Recovery Programme in 2020 is expected to rise to 677.2 trillion rupiah ($47.76 billion), Indrawati said, up from the 641.17 trillion rupiah she had announced.

The changes will boost the size of the 2020 budget to 2,738.4 trillion rupiah ($193.12 billion), she said in an online news conference.

"With the stimulus that we have announced, we hope to be able to keep economic growth to above 0%, meaning 1% or close to 2.3%," the minister said.

She said the government was maintaining its 2020 GDP forecast of between -0.4% to 2.3%. The economy grew 5.02% in 2019.

The increase in spending represented an extension of some welfare programmes and bigger budget allocations for existing measures, such as subsidies for interest payments for small firms, she said. She did not announce any new measures.

The government and the central bank are finalising a fiscal scheme that provides liquidity support for commercial banks, in which Bank Indonesia (BI) may buy more government bonds directly, BI Governor Perry Warjiyo told the same conference.

Banks are supposed to maximise their holdings

of government bonds by using them in repurchase transactions with the central bank to boost liquidity, Warjiyo said.
The new budget has been discussed within the cabinet and with parliament's budgetary committee, Indrawati said. Under the government's emergency measures for COVID-19, President Joko Widodo is allowed to revise his budget without parliamentary approval.

$1=14,180.0000 rupiah)
(Reporting by Gayatri Suroyo and Maikel Jefriando; Additional reporting by Tabita Diela; Editing by Jacqueline Wong)
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Indonesia eyes budget deficit at about 4% of GDP in 2021, 2022

04-Jun-2020
JAKARTA, June 4 (Reuters) **- Indonesia aims to rein in its budget deficit at above 4% of gross domestic product (GDP) in 2021 and 2022, before further narrowing it in 2023 to less than 3%, a finance ministry official said on Thursday.**
The government announced a wider budget deficit forecast of 6.34% for 2020 on Wednesday as it stepped up spending to avert a GDP contraction due to the coronavirus pandemic.
"For 2021, (the deficit) will not narrow too sharply from 6%. The effect will not be good for macroeconomic stability if it's down too sharply," Febrio Kacaribu, the head of the finance ministry's fiscal policy office, told an online briefing.
"Maybe we will keep above 4%, and then the year after still above 4%, and then go below 3%," he said.

(Reporting by Maikel Jefriando; Writing by Gayatri Suroyo; Editing by Clarence Fernandez)
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Indonesia delays diaspora bond sale to November due to pandemic

04-Jun-2020
JAKARTA, June 4 (Reuters) - **Indonesia has delayed its first offering of 'diaspora bonds' until November because coronavirus lockdowns are making it hard to gauge demand, a finance ministry official said on Thursday.**
Deni Ridwan, director of sovereign bonds at Indonesia's finance ministry, said proceeds from the sale, which was initially planned for August, will be aimed at funding the country's programs, including its response to the coronavirus pandemic.
The diaspora bonds will be rupiah denominated, and have been tentatively set with a three-year tenure and a fixed rate, Ridwan told a video conference with Indonesians living in Japan.
Indonesia expects its budget deficit to widen to 6.34% of gross domestic product this year, officials said this week, as it steps up spending to keep the economy from shrinking as a result of the impact of the coronavirus crisis.
Ridwan said the government also plans to issue U.S.-dollar-denominated Islamic bonds as well as bonds in Japanese yen and euros later this year.

($1 = 14,060.0000 rupiah)
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Kuwait

Kuwait to cut government entities' budget for fiscal year 2020-2021 by at least 20%

04-Jun-2020
CAIRO, June 4 (Reuters) - **Kuwait agreed to cut the government entities' budget for fiscal year 2020-2021 by at least 20%, Kuwait's cabinet said on twitter on Thursday.**
The cabinet also ordered the ministry of finance to coordinate with all the governmental entities to review public services and the value of government subsidies.

(Reporting by Hesham Abdul Khalek
Editing by Chris Reese)
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Lebanon

Lebanon must turn reform ideas into reality, U.S. ambassador says

31-May-2020
BEIRUT, May 31 (Reuters) - **The Lebanese government must turn its reform ideas into reality and take concrete steps to win international support, the U.S. ambassador said in an interview broadcast on Sunday.**
Dorothy Shea also told OTV it was a mistake to scapegoat any one person or institution for Lebanon's economic collapse in response to a question about the role of central bank Governor Riad Salameh, who she said "enjoys great confidence in the international financial community".
Lebanon is suffering an acute financial crisis

seen as the biggest threat to its stability since the 1975-1990 civil war.
Shea said the United States was still assessing the government, formed with backing from the heavily armed, Iran-backed Shi'ite group Hezbollah, listed as a terrorist organisation by Washington.
"The government has demonstrated a good intention to fight corruption and make itself committed to reforms. Now it needs to take that commitment to the next level and begin to make these ideas reality," Shea said.
"Are they willing to push these reforms forward? We haven't yet made a final judgement on that."
The government launched IMF negotiations in May.
Asked what Lebanon must do to secure support, Shea said the international community was looking for concrete reforms. "It is easy to say and much harder to do."
The crisis is rooted in decades of waste and corruption and exploded last year as capital inflows slowed and protests erupted against the ruling elite.
On the role of Salameh, Shea said the United States had worked very closely with him over the years. Central bank appointments were a sovereign matter, she added.
"If the international financial community does not have confidence, however, in the leadership of your government's top financial institutions, then I think you are not going to see the inflows of investment ... that the economy so desperately needs," she said.

(Reporting by Tom Perry; Editing by Peter Cooney)

Lebanon to adopt one approach on financial losses

04-Jun-2020
BEIRUT, June 4 (Reuters) - **Lebanon will decide on one approach on figures it is presenting in IMF negotiations, the presidency said on Thursday, seeking to reconcile different approaches taken by the government and central bank for assessing losses in the financial system.**
After a meeting grouping the president, prime minister, finance minister and central bank governor, the presidency said agreement was reached on the "necessity of unifying the numbers according to one approach".
"A meeting will be held on Monday to decide on the numbers in order to facilitate the negotiations" with the IMF, upon which Lebanon is counting to claw its way out of a financial crisis seen as the biggest threat to its stability since the 1975-1990 civil war.
The U.N. special coordinator for Lebanon, Jan Kubis, has said the discrepancy between the government and the central bank's figures, along with other factors, "only weaken" the country's position in the IMF talks which began last month.
A government economic recovery plan maps out vast holes in the financial system including losses of $83 billion in the banking system. But the plan was rejected by the country's commercial banking association, which said it was not consulted.
The banking association then came up with its own contribution to the recovery plan, which the government welcomed while saying there were issues that would need to be reconciled between the two sides.
The financial crisis exploded last year as capital inflows slowed and protests erupted against the ruling elite. The local currency has since lost more than half its value as unemployment and inflation soar and savers have been largely frozen out of their deposits.

(Reporting by Ellen Francis and Tom Perry
Editing by Chizu Nomiyama)
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Lebanon aims to reconcile financial system loss figures next week

04-Jun-2020
BEIRUT, June 4 (Reuters) - **Lebanon will agree next week on unified figures for losses in its financial system, the presidency said, seeking to reconcile different approaches taken by the government and central bank that have complicated negotiations with the International Monetary Fund.**
The U.N. special coordinator for Lebanon, Jan Kubis, said last week the discrepancy between the government and central bank figures, along with other factors, "only weaken" the country's position in the IMF talks which began last month.
Lebanon is grappling with a financial crisis seen as the biggest threat to its stability since the 1975-90 civil war.
After a meeting grouping the president, prime minister, finance minister and central bank governor, the presidency said an agreement was reached on the "necessity of unifying the numbers according to one approach".
"A meeting will be held on Monday to decide on the numbers in order to facilitate the negotiations" with the IMF, it added.
IMF spokesman Gerry Rice told reporters in Washington that fund staff view estimated losses presented in the Lebanese government's reform plan as "broadly in the right order of magnitude, given the assumptions presented," but more refinement of the estimates was needed.
Rice said he expected the discussions with Lebanon on IMF support to be lengthy due to the complex challenges the country faces and the need for comprehensive reforms and "strong government ownership of its economic program."
A parliamentary sub-committee which has been

seeking to help resolve the discrepancies on estimated losses will hold closed-door meetings with the central bank and government in the next few days to narrow the gap between the figures by Monday, according to Ibrahim Kanaan, a senior MP who chairs the panel.

A majority of parliamentary blocs backed an approach that deals with the losses gradually rather than in one shot, added Kanaan, who heads parliament's budget and finance committee.

A government economic recovery plan sets out holes in the financial system including $83 billion of projected losses in the banking system. The banking association, which rejected the government plan, subsequently has developed its own proposals.

(Reporting by Ellen Francis and Tom Perry
Editing by Chizu Nomiyama, Mark Heinrich and Leslie Adler)
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Oman

Oman to set up investment authority to manage state assets

04-Jun-2020

DUBAI, June 4 (Reuters) - **Oman is setting up the Oman Investment Authority to own and manage most of the country's sovereign wealth fund and finance ministry assets, state TV reported on Thursday, citing a decree from the sultanate's ruler.**

The decree, issued by Sultan Haitham bin Tariq al-Said, will allow the new authority to own all public assets except the Petroleum Development Oman company and government stakes in international institutions.

The investment authority will also replace sovereign wealth funds in the country's official documents, the decree said.

Oman's largest sovereign fund, the State General Reserve Fund, has assets of around $14 billion dollars while its second-largest fund, Oman Investment Fund, has around $3.4 billion, data from research group the Sovereign Wealth Fund Institute showed.

Oman, a small oil producer relative to its Gulf neighbours, is being hit hard by the coronavirus pandemic and low oil prices.

Brent crude futures were trading at around $39 a barrel on Thursday, and Oman would need oil at $86.8 a barrel to balance its budget this year, the International Monetary Fund has estimated.

Oman is emerging as "an increasingly vulnerable spot in the region in light of its mounting debt," the Institute of International Finance said, adding that Oman could experience a 5.3% economic contraction this year while its deficit could widen to 16.1% from 9.4% in 2019.

Oman Investment Authority board members will be appointed by Sultan Haitham, the decree said, adding that all employees of the sultanate's two sovereign funds would transfer to the new entity.

(Reporting by Aziz El Yaakoubi and Davide Barbuscia; Editing by Mark Potter and Jane Merriman)
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South Korea

S. Korea first-quarter GDP slightly upgraded from earlier estimates

02-Jun-2020

SEOUL, June 2 (Reuters) - **South Korea's economy turned out to have shrunk by a seasonally adjusted 1.3% in the January-March period from the previous quarter, revised central bank data showed on Tuesday, an inch better than a 1.4% contraction estimated earlier.**

Private consumption, which generates nearly half of South Korea's gross domestic product, decreased a revised 6.5% in sequential terms, a notch slower than a 6.4% fall estimated earlier, while construction investment growth was revised down to 0.5%, from 1.3% reported earlier.

From a year earlier, Asia's fourth-largest economy grew a revised 1.4% during the first quarter, slightly faster than a 1.3% rise estimated earlier.

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Editing by Matthew Lewis)
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S. Korea unveils biggest extra budget plan to tackle COVID-19 outbreak

03-Jun-2020

SEOUL, June 3 (Xinhua) **-- South Korea unveiled the country's biggest-ever supplementary budget plan Wednesday to tackle an economic fallout from the COVID-19 pandemic.**

The extra budget plan worth 35.3 trillion won (28.5 billion U.S. dollars) will be submitted to the National Assembly for approval, according to the Ministry of Economy and Finance.

If approved, it would be the country's largest-ever supplementary budget. The previous high was 28.4 trillion won (23 billion U.S. dollars) earmarked in 2009 to deal with the global financial crisis.

Of the total, 23.8 trillion won (19.2 billion U.S. dollars) will be financed through the issuance of government bonds, while the remaining 11.5 trillion won (9.3 billion U.S. dollars) will be funded through an adjusted fiscal expenditure.

Minister of Economy and Finance Hong Nam-ki, who doubles as deputy prime minister for economic affairs, told a press briefing that the COVID-19 outbreak roiled domestic demand, such as consumption and investment, as well as export and tourism coming from the global economic downturn.
Hong noted that the worsening of economic situations and the employment shock was coming into a clearer sight, explaining why the government drew up the third extra budget plan in 2020 alone.

Enditem

Moody's Says Korea's Policy Response Has Mixed Credit Implications for Financial Institutions

03-Jun-2020
June 3 (Reuters) -

- **Moody's says Korea's policy response has mixed credit implications for financial institutions**
- Moody's says Korea's measures will support bank asset performance in near term, but may increase asset risk in longer term
- Moody's says credit card companies could see leverage rise, while securities firms and insurers may see some benefits in Korea
- Moody's says expects banks to maintain stable funding and liquidity profiles as most rules will be normalized within next 12 months in Korea

(Reuters.Briefs@thomsonreuters.com)

United Arab Emirates

Abu Dhabi economy to contract by about 7.5% this year

30-May-2020
DUBAI, May 30 (Reuters) - **Abu Dhabi's real gross domestic product (GDP) is expected to contract by 7.5% this year because of lower oil production and the impact of the new coronavirus outbreak, S&P Global Ratings said.**
The fiscal deficit of the oil-rich emirate will rise to about 12% of GDP this year from 0.3% in 2019, the ratings agency estimated.
It added it expects smaller emirates in the United Arab Emirates (UAE) to receive "extraordinary financial support" from the UAE, with the backing of Abu Dhabi, in the event of financial distress.

(Reporting by Davide Barbuscia
Editing by Mark Heinrich)
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Dubai faces 5.5% recession this year as $10 bln debt repayments loom, BofA says

31-May-2020
DUBAI, May 31 (Reuters) - **Dubai could see a recession of around 5.5% in 2020 as it faces about $10 billion in debt maturities this year while revenues are expected to drop in line with the pattern of the 2009 crisis, Bank of America said in a research note.**
Measures to stem the spread of the coronavirus have dealt a blow to Dubai's economy, bringing vital industries like tourism and aviation to a near halt.
Bank of America estimates that Dubai's fiscal deficit could widen to $4.4 billion, or 3.9% of GDP, and could be as high as 5.3% if interest payments on a loan from Emirates NBD, Dubai's biggest lender, are included.
Financing of the fiscal deficit or liquidity injection into government-related entities (GREs) will likely primarily be via loans from ENBD, Bank of America said. Dubai could also draw on $1.4 billion in deposits at ENBD or issue privately placed bonds.
International Monetary Fund data puts Dubai government and GRE debt at 110% of GDP, unchanged in nominal terms since the 2009 global financial crisis, but Bank of America said "more corporate distress" was possible in a sustained downturn.
"Sustained revenue losses could generate corporate solvency concerns if the recovery is shallow," it said.
Citing IMF data, the bank said Dubai and government-related entities face some $10 billion in debt repayments this year.
It said it expected the government and banks to receive support from oil-rich Abu Dhabi and the UAE central bank, if needed, but that debt redemptions from Dubai government companies in the coming years were more at risk.
Sources told Reuters this month that the governments of Abu Dhabi and Dubai were discussing ways to prop up Dubai's economy by linking up assets in the two emirates. Dubai denied the report.

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Emirate of Sharjah sells $1 bln 7-year dollar sukuk

02-Jun-2020
DUBAI, June 2 (Reuters) - **Sharjah, the third-largest emirate of the United Arab Emirates,**

sold $1 billion in seven-year sukuk, or Islamic bonds, on Tuesday, according to a document from one of the banks arranging the deal.
The debt sale comes as several governments in the Gulf seek to bolster their finances to face the economic fallout from the coronavirus pandemic and a historic slide in oil prices.
Sharjah set the final spread at 245 basis points (bps) over midswaps for the sukuk, which are Islamic sharia-compliant bonds, according to the document seen by Reuters.
It tightened the spread by 30 bps from where it began marketing the notes earlier on Tuesday.
Sharjah, rated Baa2 by Moody's ratings agency and BBB by S&P, is a relatively frequent issuer of U.S. dollar Islamic bonds.
HSBC was hired as global coordinator for the transaction. Other banks on the deal were Bank ABC, Dubai Islamic Bank, Gulf International Bank, Mashreqbank and Sharjah Islamic Bank.
In May, the emirate raised 2 billion dirhams ($545 million) in privately placed one-year sukuk to support its economy during the coronavirus pandemic, according to a statement by Bank of Sharjah, which arranged that deal.
"Issued as 12 month dirham-denominated paper in several tranches, the Sharjah Liquidity Support Mechanism (SLSM) sukuk represents the first rated short term local currency tradeable instrument in the UAE, which can be used for liquidity management by banks," the Sharjah Finance Department said in a statement on Tuesday, confirming that deal.
It said it was a first tranche and that further tranches with one or more other banks were expected to expand the SLSM to 4 billion dirhams.
S&P Global Ratings in April revised its outlook on the emirate to negative from stable due to lower oil prices and the impact of the new coronavirus.
"Although we expect GDP growth to recover in 2021, lower-for-longer oil prices and a protracted lockdown period could pressure the emirate's fiscal position," the agency said.

($1 = 3.6728 UAE dirham)
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Abu Dhabi to look at more debt sales to protect finances

03-Jun-2020
DUBAI, June 3 (Reuters) - **Oil-rich Abu Dhabi will consider raising more money via the bond markets to protect its finances from the impact of low oil prices, it said in a statement, after raising $10 billion in bonds this year.**
Abu Dhabi's fiscal balance depends almost entirely on revenue from hydrocarbon royalties and taxes and dividends received from ADNOC, its national oil company.
With the highest credit rating in the Gulf region, Abu Dhabi attracted strong demand from investors for its fundraising this year, which was split into a $7 billion bond in April and a $3 billion re-opening of the same deal last month.
"The emirate's net asset position, which exceeds 200% of GDP despite the recent oil price decrease, ensures that Abu Dhabi continues to be in a strong position to leverage market windows," Abu Dhabi's department of finance said in the statement on Wednesday.
"We will continue to leverage such windows as part of our mandate to safeguard the wealth of the emirate," Jassim Mohammed Buatabh Al Zaabi, chairman of the department, said.
Sources had told Reuters earlier this year that Abu Dhabi planned to engage global fixed income investors on a more regular basis this year because of low oil prices.
S&P Global Ratings said last month Abu Dhabi's real gross domestic product is expected to contract by 7.5% this year because of lower oil production and the impact of the new coronavirus outbreak, and its fiscal deficit will rise to about 12% of GDP this year from 0.3% in 2019.
For the $7 billion bond in April, Abu Dhabi attracted around $45 billion in orders. The $3 billion reopening, or tap, of that bond last month was seven times oversubscribed, the department of finance said.
Abu Dhabi said it would use the proceeds of the bond tap "to accelerate non-hydrocarbon sector growth with a view to building a resilient, sustainable post-COVID-19 economy."

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EUROPE

Albania

Albania's parliament approves issuance of 650 mln euro Eurobond

05-Jun-2020
TIRANA (Albania), June 5 (SeeNews) - **Albania's parliament has approved the decision of the government to issue a 650 million euro ($736.7 million) Eurobond in international capital markets, local media reported.**
The funds will be used to advance reforms in Albania, for priority projects and to refinance a number of activities, Tirana Times reported on Thursday.
The decision approved on Thursday includes last-minute changes proposed by Albanian president Ilir Meta, who has asked the

government to clarify the reasons for the emergency bond issuance.
The minister of finance and economy, Anila Denaj, said during a presentation of the draft law in parliament that the Eurobond will have a maturity of seven to 10 years, ATA news agency reported.
In 2018, Albania issued a 500 million euro seven-year Eurobond with a coupon of 3.50%, down from 5.75% on its five-year Eurobond issued in 2015.

($ = 0.8822 euro)

Bosnia

Bosnia to distribute IMF emergency aid after six week halt

02-Jun-2020
SARAJEVO, June 2 (Reuters) - **Bosnia's central government agreed on Tuesday to distribute emergency aid it has received to combat the coronavirus crisis from the International Monetary Fund after six weeks of political wrangling, Finance Minister Vjekoslav Bevanda said.**
The IMF in April gave Bosnia a loan of 333 million euros ($373 million) under its Rapid Financing Instrument, double the originally agreed amount, but Croat and Bosniak ministers in the national government could not agree on the legal procedure for disbursing the funds.
Bosnia comprises two autonomous regions, the Bosniak-Croat Federation and the Serb Republic, tied via a weak central government. The Federation also comprises 10 cantons.
The government had agreed to distribute 62% of the funds to the Bosniak-Croat Federation and 38% to the Serb Republic, while each region would allocate 0.5% of its share to Bosnia's neutral Brcko District.
But Bosniaks and Croats had been unable to agree on what terms the loan should be accepted.
They compromised after the European Union delegation and U.S. Embassy in Bosnia, both of which had mediated in the dispute, called on the national government to "immediately unblock the IMF funds so they can be used for the good of the citizens".
Andrew Jewell, the IMF resident representative in Bosnia, said the withholding of aid was "unprecedented" and may have an impact on future IMF loans.

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Bulgaria

S&P Says Bulgaria's Outlook Revised to Stable from Positive on COVID-19

30-May-2020
May 29 (Reuters) - S&P:
- **S&P says Bulgaria outlook revised to stable from positive on covid-19-related risks; 'BBB/A-2' ratings affirmed**
- S&P says revising outlook on Bulgaria to stable from positive
- S&P says expect Bulgarian government's measures to contain spread of covid-19 will push country's economy into a recession in 2020
- **S&P says Bulgaria's strong fiscal and external balance sheets will help it absorb the shock before the economy recovers in 2021**
- S&P says Bulgaria aims to join EU's exchange rate mechanism, banking union in near term, which could gradually strengthen its monetary arrangements

(reuters.briefs@thomsonreuters.com)

Bulgaria economic growth slows to 2.4% y/y in Q1

04-Jun-2020
SOFIA, June 4 (Reuters) - **Bulgaria's economic growth slowed to 2.4% on an annual basis in the first quarter, in line with flash estimate and down from 3.1% expansion in fourth quarter due to coronavirus that hit on business activity, data showed on Thursday.**
On a quarterly basis, the economic growth was 0.3% from January to March in seasonally adjusted terms, down from 0.8% increase in the fourth quarter, the statistics office said.
The finance ministry expects the small and open economy to shrink by 3% this year because of the coronavirus crisis. The European Commission estimates the annual drop to 7.2%, while the International Monetary Fund projects contraction of 4% in 2020.
Bulgaria imposed a partial lockdown since March 14, with many businesses shuttered, schools and restaurants closed and people asked to avoid any non-essential travel within the country. The country has some 2,585 cases including 147 deaths.
The government has been easing the restrictions since late April and plans to lift most of them after June 15. Sofia hopes the economy should start recovering in the third quarter if there would not be another wave of the contagion.

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Croatia

Fitch Affirms Croatia at 'BBB-'; Outlook Stable

05-Jun-2020

June 5 (Reuters) - Fitch Ratings:

- **Fitch affirms Croatia at 'BBB-'; outlook stable**
- Fitch - stable outlook reflects confidence that Croatia will maintain medium-term fiscal stability while giving short-term support to combat covid-19

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Czech Republic

Czech end-May budget deficit triples to $6.5 bln as coronavirus hits

01-Jun-2020

PRAGUE, June 1 (Reuters) - **The Czech central state budget showed a 157.4 billion crown ($6.51 billion) deficit at the end of May, up more than three-fold from a year ago, the Finance Ministry said on Monday.**

The result was the largest gap ever for the January-May period.

Overall spending jumped 14.8% while income was down 2.2%. Tax revenue dropped 4.7% year-on-year.

The Czech government had planned a deficit of 40 billion crowns for the full year but has raised the plan to a record 300 billion crowns after the central European economy took a hit from measures taken to halt the coronavirus pandemic.

The government has paid compensation to self-employed people as well as to workers sent home by employers or those taking care of children, many of whom have been out of school since March. Tax returns for businesses and individuals have also been shifted to June, delaying payments.

Value-added tax collection fell 6.9% year-on-year to 105.4 billion crowns, the ministry said.

The budget had already been under pressure as the economy slowed prior to the pandemic, and as the government raised public wages and pensions.

The central budget is the main part of the EU country's overall public sector finances, which also include local and regional administrations, the health insurance system and various off-budget funds.

The overall public sector balance should soar to a deficit of 5.1% in 2020, according to the latest Finance Ministry forecast form April.

($1 = 24.1770 Czech crowns)
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Czech budget gap may head even higher in 2020, says finance minister

03-Jun-2020

PRAGUE, June 3 (Reuters) - **The Czech central state budget deficit could reach up to 500 billion crowns ($21.03 billion) in 2020, more than 12 times the government's original plan due to the impact of the coronavirus outbreak, Finance Minister Alena Schillerova said on Wednesday.**

The government is currently aiming for a budget gap of 300 billion crowns this year after getting lawmaker approval in April to raise it from the target of 40 billion crowns.

In an interview on Czech Television, Schillerova said she could not rule out heading to lawmakers again as spending rises to ease the economic strain of the pandemic and revenue shrinks.

"We can get close (to that figure)," Schillerova said when asked if the deficit was heading toward half a trillion crowns.

A gap that large would more than double the previous record of 192.4 billion crowns seen in 2009 during the global financial crisis.

The state budget gap stood at 157.4 billion crowns at the end of May, with higher spending for state wages and pensions promised before the crisis adding to higher expenditures to fight the impact of the pandemic.

Schillerova said the state was still facing a rising bill for a scheme to compensate workers at firms hurt by the crisis or aid to self-employed, among other measures and spending.

The central European country of 10.7 million has reported a lower number of cases - less than 10,000 - of the new coronavirus than neighbours in Western Europe.

But the shutdowns of shops and many large factories in March and April have taken a toll even as the economy reopens again. The central bank expects the economy to shrink 8% in 2020, a more pessimistic view than the finance ministry's latest outlook.

($1 = 23.7740 Czech crowns)
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Estonia

Ministry of Finance of the Republic of Estonia - High demand from

international investors for Estonia's government bond issue

03-Jun-2020

Estonia's issue of 10-year government bonds on Wednesday, returning to the market for the first time since 2002, resulted in very high demand from investors. 280 institutional investors from all over the world placed EUR 7.7 billion of orders for the bonds.

Given this high level of interest, the Ministry of Finance decided to increase the size of the bond issue from EUR 1 billion to EUR 1.5 billion. The coupon is 0.125%. The bonds will mature in June 2030 and the yield to maturity is 0.235% per annum.

According to the Minister of Finance, Mr Martin Helme, the result of the bond issue was excellent. 'International institutional investors have shown extremely high interest to buy our bonds and, as a result, we have managed to issue them at an extremely favorable interest rate level. This is a big vote of confidence by international investors in Estonia - its government finances, its economic situation and its prospects for the future,' Mr Helme said.

Following Wednesday's successful bond issue, **Estonia may consider one or two further government bond issues over the course of 2020 and 2021, Mr Märten Ross, Deputy Secretary General of the Ministry of Finance said.** 'International capital markets have received this bond issue well and this gives us confidence in planning future issues. The government expects to need additional borrowing in the coming years and today's bond issue demonstrates that we now have a choice of instruments: long-term loans, T-bills and now government bonds,' Mr Märten Ross said.

This issue of a so-called benchmark-sized government bond is also an important step in the development of Estonian capital markets. Estonia had been the only Eurozone member without a government bond issue outstanding. With this issue, there is now a clear pricing reference point for Estonian banks and companies considering their own bond issuance.

Citibank, Société Générale and Nordea Bank were the lead managers for the bond issue. The bonds will be listed on the Euronext Dublin exchange.

Hungary

Hungary central bank governor expects 'modest' economic growth in 2020

02-Jun-2020

BUDAPEST, June 2 (Reuters) - **National Bank of Hungary (NBH) Governor Gyorgy Matolcsy on Tuesday said he expected the central European country's economy to post a modest expansion in 2020, accounting for targeted measures by the bank and the government.**

"Pricing the targeted measures of the government and the NBH we can expect a modestly growing Hungarian economy in 2020," Matolcsy wrote in an opinion piece on the Novekedes.hu news portal.

The government expects the economy to shrink by about 3% this year before bouncing back by 4.8% next year, based on its 2021 budget proposal published late last month.

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Romania

Romanian lawmakers pass child benefit hike, fiscal pressure on govt grows

03-Jun-2020

BUCHAREST, June 3 (Reuters) - **Romanian lawmakers on Wednesday passed a bill that doubles state subsidies for schoolchildren from this month, piling pressure on a minority government already grappling with a rising deficit and economic fallout from the coronavirus epidemic.**

The previous leftist Social Democrat government proposed the child benefit hike in December. The current centrist administration decreed it should be postponed until after August, a ruling that lawmakers led by the Social Democrats - now in opposition - rejected on Wednesday.

Finance Minister Florin Citu said the increase, to 300 lei ($69.40) per month per child, would cost the state 6 billion lei ($1.39 billion) per year and accused the Social Democrats of "economic terrorism".

Even before the pandemic, Romania was struggling with a rising budget deficit, and a 40% pension hike effective Sept. 1, also approved last year by the previous government, has prompted warnings of ratings downgrades.

Prime Minister Ludovic Orban said this week that the pension hike would be less generous.

Bills approved by parliament, which need to be signed into law by the president, can be challenged at the Constitutional Court, and the government could also win time by issuing another decree postponing the hike.

The budget deficit will jump to 6.7% of gross domestic product this year while the economy will contract by 1.9%, the government has estimated.

All three major credit agencies have Romania on their lowest investment grade with negative outlooks. It faces an S&P review on Friday that some analysts have said could feature a downgrade to junk territory.

($1 = 4.3230 lei)

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ECB provides Romanian central bank with 4.5 bln euro credit line

05-Jun-2020

FRANKFURT, June 5 (Reuters) - **The European Central Bank will provide its Romanian counterpart with a 4.5 billion euro ($5.1 billion) credit line to address possible euro liquidity needs in case of market dysfunction during the coronavirus pandemic, it said on Friday.**

The repo line, which allows the National Bank of Romania to borrow against high-quality euro-denominated collateral, will remain in place until Dec. 31.

($1 = 0.8820 euros)
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S&P Says Romania 'BBB-/A-3' Ratings Affirmed; Outlook Remains Negative

05-Jun-2020

June 5 (Reuters) - S&P:

- **S&P says Romania 'BBB-/A-3' ratings affirmed; outlook remains negative**
- S&P says believe Romania's access to external financing & moderate external debt levels mitigate pressures from reduction in FDI & REMITTANCES in 2020
- S&P says affirmed the rating, given Romania's comparatively low net general government and external debt

(Reuters.Briefs@thomsonreuters.com)

Slovakia

Slovak debt agency to issue new 2024, 2027 bonds in June

01-Jun-2020

PRAGUE, June 1 (Reuters) - **Slovakia will issue two new bond lines, due in 2024 and 2027, with the first tranches to be sold at an auction on June 15, debt agency ARDAL said on Monday.**

Each bond will have an issue amount of 2 billion euros, with up to 400 million euro indicated to be sold at the first auction, ARDAL said. The agency will also auction May 2021 Treasury bills on June 22.

Slovakia has boosted borrowing as its funding needs have nearly doubled due to the coronavirus outbreak.

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Turkey

Turkish trade deficit surges in May, minister says worst is over

02-Jun-2020

ISTANBUL, June 2 (Reuters) - **Turkey's exports tumbled nearly 41% in May and the trade deficit widened sharply under the impact of the new coronavirus pandemic, data showed on Tuesday, but the trade minister said the worst was over as exports rose month-on-month.**

Trade with some of Turkey's main partners in Europe and the Middle East slumped as the coronavirus spread across the globe. Exports, a key source of foreign currency for Turkey, began dropping sharply in March.

In May, exports slid 40.8% year-on-year to $9.43 billion and imports fell 28.2% to $12.79 billion, according to the special trade system, trade ministry data showed. Special trade system data excludes imports to customs warehouses.

Turkey's trade deficit for May widened by 78.7% year-on-year to $3.36 billion.

Shortly before the data was released, Trade Minister Ruhsar Pekcan said exports rose 10.8% month-on-month in May, despite fewer working days due to religious and national holidays.

"The worst for exports is behind us. We are beginning to recover," she said, adding that the recovery would continue in June as Turkey relaxes lockdown measures against the pandemic.

Separate data on Tuesday showed sales of passenger cars and light commercial vehicles fell 2.4% year-on-year in May but rose 20.4% over the first five months of the year.

The market halved in size in the same period last year, when the Turkish economy fell into recession.

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Turkish Treasury says May cash deficit 9.7 bln lira

05-Jun-2020
ISTANBUL, June 5 (Reuters) - **The Turkish government's cash balance recorded a deficit of 9.73 billion lira ($1.4 billion) in May and a primary balance, which excludes interest payments, logged a deficit of 1.02 billion lira, data showed on Friday.**

($1 = 6.7833 liras)
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Ukraine

Ukraine: The Ministry of Finance repaid Eurobonds under the US guarantee for 1 billion US dollars

02-Jun-2020
On May 28, the Ministry of Finance of Ukraine repaid the second issue of foreign government bonds (OZDP) under US guarantee. The total payment amounted to more than $ 1 billion.
OZDP was issued under the US guarantee with a nominal amount of $ 1 billion in 2015 with an interest rate of 1.847% per year.
This is the second of three US-guaranteed issues made in 2014-2016 at a rate of less than 2% per annum, the first of which was repaid in May 2019. Repayment of OZDP issued in 2016 will be made by the Ministry of Finance in September 2021.
"Despite the global crisis and challenges for developing countries, Ukraine continues to meet its debt obligations on time and in full. The funds received under the US guarantee during 2014-2016 provided significant support to the state budget at a difficult time for Ukraine and facilitated reforms in Ukraine. We are grateful to our partners in the United States for their help during the previous crisis caused by the armed aggression and annexation of part of Ukraine, and now, during the global economic crisis caused by the spread of coronavirus, "said Yuri Butsa, Government Commissioner for Public Debt Management.
It will be recalled that in 2019 the level of public debt to GDP decreased to 44.3%.
The Ministry of Finance continues to implement the Public Debt Management Strategy, including by implementing a sound public debt management policy, strengthening relations with investors, attracting international investors to the domestic government bond market and improving Ukraine's ratings as a borrower.

LATIN AMERICA AND CARIBBEAN

Argentina

IMF says Argentine bonds would be sustainable under government's restructuring proposal

01-Jun-2020
BUENOS AIRES, June 1 (Reuters) - **Argentine debt would be sustainable under the government's latest bond restructuring proposal, and the recession-racked country has "limited" room to improve the offer, the International Monetary Fund said in a statement on Monday.**
The government, which fell into default in May, is negotiating the revamp of about $65 billion in what it has labeled unsustainable bonds. Talks with creditors are going down to the wire of a Tuesday deadline for reaching a deal. The market expects the government to postpone the deadline.
"Argentine authorities' revised debt restructuring proposal would be consistent with restoring debt sustainability with high probability," the IMF statement said.
"IMF staff's assessment further suggests that there is only limited scope to increase payments to private creditors and still meet the debt and debt service thresholds," it said.

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IMF Staff Technical Statement on Argentina

01-Jun-2020
June 1, 2020
- **IMF staff provides analysis of Argentine authorities' revised debt restructuring proposal as part of ongoing technical assistance.**
- **Analysis finds that Argentine authorities' revised debt restructuring proposal would be consistent with restoring debt sustainability with high probability.**
- **IMF staff's assessment further suggests that there is only limited scope to increase payments to private creditors and still meet the debt and debt service thresholds.**

Washington, DC - Introduction. **To address its unsustainable debt burden, Argentina is in the process of seeking a restructuring of its debt to private creditors. Restoring public debt sustainability with high probability is**

essential for Argentina to return to sustainable and inclusive economic growth.

In the context of their debt negotiations with private creditors and as part of ongoing technical assistance from the IMF, the Argentine authorities requested that IMF staff assess their revised debt restructuring proposal of May 26 against the framework set forth in staff's Technical Note on Public Debt Sustainability, which was published on March 20, 2020. [1]

The underlying macroeconomic assumptions contained in the March Technical Note remain subject to exceptional uncertainties, particularly with respect to the impact of the Covid-19 pandemic, with significant downside risks to Argentina's economic outlook, fiscal position, andpotentially-debt-carrying capacity.

Findings. Staff finds that the authorities' revised debt restructuring proposal of May 26 would be consistent with restoring debt sustainability with high probability under the March Technical Note's macroeconomic assumption and the authorities' financing assumptions contained in their revised debt restructuring proposal of May 26 (see below). However, staff's analysis suggests that there is only limited scope to increase payments to private creditors while still meeting the debt and debt service targets and other conditions set forth in the March Technical Note.

Technical Assessment. Staff assessed the authorities' revised debt restructuring proposal of May 26 under two sets of assumptions. First, staff used the macroeconomic framework elaborated in the March Technical Note and the financing assumptions set forth in the March Technical Note. [2] Second, staff used the macroeconomic framework elaborated in the March Technical Note and the financing assumptions contained in the authorities' revised debt restructuring proposal of May 26. [3] Staff findings-predicated on the downside risks highlighted above not materializing-are as follows:

First, under the macroeconomic framework and financing assumptions contained in the March Technical Note, the authorities' revised debt restructuring proposal of May 26 would result in gross financing needs (GFNs) and debt service denominated in foreign currency (FX debt service) ratios as a share of GDP that exceed the 5 percent of GDP and 3 percent of GDP medium-term thresholds, respectively, that staff deems necessary to restore debt sustainability with high probability. Other important conditions identified in the March Technical Note would be met, however: the debt-to-GDP ratio would remain broadly stable after 2030 and GFNs and FX debt service would remain manageable after 2030. In addition, debt service payments to private creditors in 2020-24 would be sufficiently low to mitigate near-term refinancing risk.

Second, using staff's macroeconomic assumptions contained in the March Technical Note but the authorities' financing assumptions, the authorities' revised debt restructuring proposal would result in GFN and FX debt service ratios as a share of GDP that fall marginally below the 5 percent of GDP GFN and 3 percent of GDP FX debt service medium-term thresholds necessary to restore debt sustainability with high probability.

Moreover, the debt-to-GDP ratio would remain broadly stable after 2030; GFNs and FX debt service would remain manageable after 2030; and debt service payments to private creditors in 2020-24 would be sufficiently low to mitigate near-term refinancing risk.

[1] At the request of the Argentine authorities, IMF staff prepared a Technical Note on Public Debt Sustainability, which was published on March 20, 2020. The March Technical Note provided staff's view on the envelope of debt relief that could underpin a debt restructuring consistent with restoring public debt sustainability with high probability. Specifically, it presented staff's views of manageable levels of gross financing needs (GFNs) and debt service denominated in foreign currency (FX debt service) in the medium-to-long term, conditional on a feasible macroeconomic framework and policy assumptions, and under alternative assumptions about post-restructuring borrowing conditions. The March Technical Note and this Staff Statement are a form of technical assistance under Article V, Section 2(b), of the IMF's Articles of Agreement.

[2] The Technical Note contained three scenarios with different financing assumptions about the terms at which the Argentine government could borrow during 2021-24 to meet the obligations to official creditors falling due during this period (see paragraphs 21-24 of the Technical Note).

[3] The authorities assume the financing gap arising from the official debt service falling due during 2021-24 is refinanced at a weighted average interest rate of 3.5 percent and maturity of 8.8 years. Under the most generous financing scenario in Staff's March Technical Note (Scenario 3), this financing gap was assumed to be refinanced at an interest rate of 5 percent and maturity of 7 years.

Argentina extends deadline of debt negotiations, may sweeten offer

02-Jun-2020

By Hugh Bronstein and Rodrigo Campos

BUENOS AIRES/NEW YORK, June 1 (Reuters) - **Argentina extended the deadline to negotiate with its creditors to June 12 and may sweeten its most recent restructuring offer, the country said on Monday, after a previous proposal was deemed insufficient by some investors.**

The government is assessing "additional adjustments" to its offer "with a view to

maximizing investor support without compromising its debt sustainability goals," it said in a statement.
"We are working on the final amendments to the offer but the margin that remains for adjustment is thin," Economy Minister Martin Guzman said separately, adding that the deadline would be extended again after the offer is amended in order to provide time to ink a final deal.
The government is looking to revamp about $65 billion in bonds rendered unsustainable by a long recession and a currency plunge. Argentina is already in default after having missed an interest payment extension on May 22.
The current offer received backing from the International Monetary Fund, which said on Monday it would set the country on a sustainable debt management path and that Argentina had little room to improve it.
"There is only limited scope to increase payments to private creditors and still meet the debt and debt service thresholds," an IMF statement said.
Failure to reach a comprehensive deal after a 2001 default led to a crisis that tossed millions of middle class Argentines into poverty and prompted years of haggling with bondholders in U.S. courts, The government wants to avoid such consequences as the country's economy gets smashed by the coronavirus pandemic.
"The task is with the government" to get the sides closer, a creditor group that includes BlackRock among its members said in a statement.
"Bondholders have shown a lot of flexibility in making a sustainable offer to Argentina," said Dennis Hranitzky, legal adviser for another creditor group which holds debt that was already restructured in connection to Argentina's 2001 default.
"It is up to Argentina to show a serious desire to bridge the remaining gap," he said in a statement, adding that "the IMF appears to be trying to facilitate a deal."

MORE FLEXIBILITY, GDP WARRANTS

Over the counter Argentina bonds were up 1% on Monday following a 3.5% rise on Friday and steady gains through last month. Creditors are asking for a deal that would provide more than 50 cents on the dollar and the government was offering about 45.
Economists said the government could potentially negotiate down to 50 cents on the dollar, with the remaining gap in bargaining positions bridged by an offer of warrants that would tie the performance of new bonds issued in the restructuring to the future performance of the economy.
"There are some bondholders who want this kind of instrument, so it would help. But the government needs to offer more cash in the first years," said Gabriel Zelpo, director of Buenos Aires economic consultancy Seido.
Holders of default insurance for Argentine bonds moved closer to collecting payouts on Monday when the Americas Credit Determinations Committee said a 'failure to pay' credit event occurred when the government missed an interest payment of $503 million on May 22, after the expiry of a 30-day grace period.
The bonds in the current restructuring talks include a collective action clause (CAC), which means the government needs to meet a threshold of 75% to 85% investor support - depending on the individual bonds in question - to move ahead with comprehensive restructuring.
None of the three creditor groups currently in talks with the government holds enough to trigger the CACs, but together they do have the ability to block a deal.

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Argentina default insurance holders gear up for payout

03-Jun-2020
By Tom Arnold and Karin Strohecker
LONDON, June 3 (Reuters) - **Holders of some $2.2 billion worth of default insurance on Argentina's sovereign debt are getting closer to receiving a payout after a committee ruled that a "failure to pay" credit event had occurred when it missed an interest payment in May.**
Credit default swaps (CDS) allow investors to insure the bonds they own against default and can also be used to bet against a particular sovereign's debt. They are arranged between two private counterparties, meaning Argentina itself -- a serial defaulter -- is not on the hook for a payout this time.
The sovereign's ninth and latest default occurred on May 22 when the government, seeking to revive an economy battered by recession and a plunging currency, missed an interest payment of $503 million, after the expiry of a 30-day grace period.
CDS holders moved a step closer to collecting their money after the Americas Credit Determinations Committee ruled on Monday that the missed payment constituted a "failure to pay".
Comprising more than a dozen major banks, hedge funds and fund managers, the committee is responsible for applying the terms of market-standard credit derivatives contracts to specific cases.
Its members include Elliott Management Corporation, the $40 billion hedge fund headed by Paul Singer, which has brought numerous lawsuits against Argentina over previous defaults.
The decision means an auction of Argentina's

bonds will be held to determine the level of compensation CDS holders will receive.
Around $2.17 billion in net notional Argentina CDS need to be settled, more than at the time of the country's last such auction in 2014. Some $1.24 billion are single-name CDS while $933 million are linked to Argentina's membership of emerging market indexes, said Jonny Goulden, an analyst at JPMorgan.
For an interactive version of the graphic below, click here:
The exact payout CDS holders will receive will depend on where bond prices are trading at the time of the auction.
The bonds used to determine the final settlement, known as "cheapest-to-deliver", could include a yen-denominated par issue which trades below 30 cents on the dollar, Citigroup said in a recent research note. Based on that and upfront five-year CDS trading levels, expected recovery could be around 32 cents, Citi estimated.
CDS holders will keep an eye on how debt restructuring talks on the $65 billion of bonds progress. Argentina's government on Monday extended a deadline for negotiations with creditors to June 12 and said it may sweeten its most recent restructuring offer after a previous proposal was rejected by some investors.
"Views around the discussions with bondholders will determine the recovery rate and that is an unknown at the moment," said Goulden.
"It could be we still don't know what the final outcome of the bond restructuring process will be, and if the bondholders are successful at negotiating up in the process we could be back at higher prices. And if they're not, then we could be back at square one and settling CDS at much lower bond prices."
Creditors are asking for a deal that would provide more than 50 cents on the dollar and the government was offering about 45.
The volume of outstanding Argentina CDS and trading of them has dropped from late 2019 peaks.
This was due to sliding bond prices and rising speculation that Argentina could default again after new president Alberto Fernandez set a goal of overhauling Argentina's debt burden -- originally by March 31.
Some trading is still happening, although less than the one-month moving average.
"There may be some adjustment of positions ahead of the auction or some interest in using the CDS to trade the recovery rate," said Goulden.

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Argentina's Buenos Aires province extends deadline for debt talks

04-Jun-2020
BUENOS AIRES, June 4 (Reuters) - **Argentina's Buenos Aires province extended on Thursday the deadline for debt restructuring talks with its creditors to June 19, saying there could be room for negotiation with its creditors.**
The province pushed out the deadline, previously set for Friday, after failing to reach a deal with bondholders, but said in a statement that it would "intensify the dialogue with investors who have not yet accepted the proposal" for about $7.148 billion in debt.
"There is a certain margin to introduce changes to the offer and, in turn, respect the sustainability framework drawn up by the province," the province's finance minister, Pablo Lopez, said in a statement, adding that officials remain committed to "good faith" communication in order to arrive at the best possible alternative.
Provincial officials need approval by holders of more than 75% of the debt to move forward with a restructuring proposal. Officials previously invited creditors to submit counter-offers after they rejected the province's original offer.
Ratings agency S&P Global cut Buenos Aires's credit rating to "SD" from "CC" after the province missed the deadline for about a $110 million bond payment on May 14.
The provincial debt crunch hits as the federal government has still not hammered out a restructuring deal on about $65 billion in sovereign bonds, leading to the nation's ninth sovereign default in May.

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Brazil

Brazil posts May trade surplus of $4.5 bln

01-Jun-2020
BRASILIA, June 1 (Reuters) - **Brazil posted a trade surplus of $4.5 billion in May, official data showed on Monday, slightly less than the median consensus forecast in a Reuters poll of economists of a $4.7 billion surplus and down 11.1% from the same month last year.**
Exports totaled $17.9 billion and imports were $13.4 billion, the Economy Ministry said, adding that the accumulated January-May surplus of $16.3 billion was 17.9% smaller than the same period last year.

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Brazil to end 2020 with debt at 94% of GDP, treasury secretary says

02-Jun-2020

BRASILIA, June 1 (Reuters) - **Brazil will end 2020 with debt equal to 94% of the nation's gross domestic product, Treasury Secretary Mansueto Almeida said on Monday, adding that Brazil needs to show it is committed to additional fiscal reforms for the figure to fall.**

The government last month revised its official 2020 debt forecast, which is now 93.5% of GDP. But that is based on its assumption that GDP contracts by 4.7%, which is already looking optimistic. The median estimate in a Reuters poll of economists points to a record 6.3% contraction.

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Brazil sells $3.5 bln debt in first dollar bond sale since 2019

04-Jun-2020

By Jamie McGeever

BRASILIA, June 3 (Reuters) - **Brazil waded into the international bond market on Wednesday for the first time since 2019, selling $3.5 billion of dollar-denominated debt in a heavily subscribed offer that suggests the worst of the recent market turmoil may be over.**

The Treasury sold $1.25 billion of 5-year bonds at a rate of 3% and $2.25 billion of 10-year debt at a rate of 4%, which will be used to boost liquidity on the dollar curve and provide a benchmark for local corporates.

Earlier, IFR reported that the sale led by Bank of America, Deutsche Bank, Itau BBA and JP Morgan drew orders of $18 billion.

"The operation was a great success. We chose an extremely favorable window, demand was very strong," said a Treasury source. "Even as we sold all this volume into the market, our bonds across the curve were rising, which is unusual. It was extremely positive."

The last time Brazil borrowed on the dollar market was November 2019, when it sold $500 million of 10-year bonds and $2.5 billion of 30-year debt.

With the dollar weakening and U.S. bond yields around their lowest on record, against the backdrop of Brazil needing to finance its biggest budget deficit in history due to the coronavirus crisis, analysts said now is a good time to borrow on the international market.

"It makes sense, it is a good alternative to finance the increasing emergency expenditures," said Carlos Kawall, director at Asa Bank in Sao Paulo and a former Treasury secretary. "Local markets are still expensive."

Brazilian markets cheered the news as another sign that the worst of the volatility and huge asset sell-off since March may be over.

Brazil's real surged nearly 3% to 5.08 per dollar, the spread between 10-year Brazilian and U.S. bond yields fell to a three-month low of 5.95% and the Bovespa stock market rose 2.2% to over 93,000 points.

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Chile

IMF approves $24 bln flexible credit line for Chile

30-May-2020

WASHINGTON, May 30 (Reuters) - **The International Monetary Fund said late on Friday its executive board approved a $23.9 billion flexible credit line to bolster the commodity exporter's finances as it a battles the coronavirus pandemic and deals with a severe drop in demand.**

The approval had been expected since IMF Managing Director Kristalina Georgieva backed the plan earlier this month due to Chile's "very strong fundamentals" and track record.

In a statement, Georgieva said that Chilean authorities intended to use the credit line as precautionary and temporary financing, with plans to exit the arrangement in two years.

"Notwithstanding its very strong fundamentals and policy settings, Chile's open economy is exposed to substantial external risks as a result of the ongoing COVID-19 outbreak, including a significant deterioration in global demand for Chilean exports, a sharp decline or reversal of capital inflows toward emerging markets, and an abrupt tightening of global financial conditions," Georgieva said.

Chile will have the ability to draw on the credit line, designed for crisis prevention, at any time during the next two years without having to meet policy targets required in traditional IMF-supported programs, the Fund said.

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Chile economy: Quick View - Finance ministry issues US$2bn in foreign currency bonds

03-Jun-2020

In the light of greater funding needs in order

to finance the government's coronavirus relief agenda, the Ministry of Finance has tapped international bond markets, issuing US$2bn (less than 1% of GDP) in dollar- and euro-denominated sovereign bonds.

Analysis

Chile has joined the growing list of Latin American countries accessing the bond market to fund their pandemic relief measures. The issuance (on May 5th) included dollar-denominated bonds worth US$1.46bn with a coupon rate of 2.454% maturing in 2031, and euro-denominated bonds worth EUR500m (US$542m) with a coupon rate of 1.165% maturing in 2025. The issues were 5.7 times and 7 times oversubscribed with US$8.24bn and EUR3.5bn in orders respectively. The proceeds from the issuance will help to fund the government's emergency relief programmes, which have so far amounted to almost US$17bn (7% of GDP). Earlier, in April, Chile's state-owned copper company, Codelco, raised US$800m in a bond to hedge against mounting market uncertainty caused by the pandemic.

The finance ministry said that this issuance would be its last this year. The government has a limit of US$8.7bn in sovereign issues, according to the Budget Law of 2020. So far this year, US$5.3bn has been issued in cross-border markets, surpassing the government's initial plan for up to US$3.3bn in foreign bond issuance. However, the recent resurgence in protests over food shortages highlights the possibility of more emergency spending being carried out in the coming months; we do not rule out the possibility of another issuance in the event of such contingencies.

Furthermore, the continued access to international capital markets and the high demand for sovereign bonds reflect the country's strong macroeconomic fundamentals and confidence in the sovereign, even amid the pandemic. This combined with additional room for issuance in the 2020 Budget Law, means that another issuance will be feasible and well received. Additionally, IMF approval of a two-year precautionary flexible credit line worth US$23.9bn on May 29th will act as a seal of approval, boosting confidence in the sovereign. This will safeguard against downside risks stemming from the coronavirus, ease the sovereign's borrowing costs and open up additional avenues for funding.

Colombia

Colombia current account deficit shrunk to 3.7% of GDP in Q1

01-Jun-2020

BOGOTA, June 1 (Reuters) - **Colombia's current account deficit shrunk to 3.7% of gross domestic product in the first quarter, due to a lower rate of foreign investment outflow and higher remittances from workers outside the country, the central bank said on Monday.**

The deficit between January and March was equivalent to $2.7 billion, below the $3.5 billion in the same period the year before, when it was equivalent to 4.5% of GDP.

The current account of the balance of payments is a broad measure of transactions between the country and the rest of the world. It encompasses trade, interest payments, dividends, remittances and services like tourism.

The decrease in the deficit is due to less outflow of profits and dividends of companies with foreign direct investment, as well as a 14% increase in remittances, the bank said in a report.

Foreign direct investment arriving to Colombia in the first quarter was up 6% to $3.59 billion compared to the same period the year before.

Some 30.7% of investment destined for Latin America's fourth-largest economy went to the mining and oil industries, 18.6% to the electricity sector and 13.8% was designated for financial and professional services. Manufacturing got 9.2% and the commerce and hospitality sector received 8%.

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Colombia sees national income falling by $6.6 bln this year

05-Jun-2020

By Carlos Vargas and Nelson Bocanegra

BOGOTA, June 5 (Reuters) - **Colombia's government estimated national income could fall by 23.7 trillion pesos ($6.58 billion) this year, as the coronavirus lockdown and low oil prices batter the Andean country's economy.**

The country could issue international and local bonds or use an available line of credit with the International Monetary Fund to help make up for lost income, the government said in a Thursday decree published on Friday.

"Those resources will be monetized to settle the lack of cash flow in pesos," the decree said.

Income will fall because the months-long coronavirus quarantine halted much of the economy, the decree said. Though many sectors are gradually reopening, tax collection - especially sales tax - is expected to take a significant hit.

The Finance Ministry has estimated the economy will contract by some 5.5% this year.

Colombia could more than make up for the fall, raising some 23.85 trillion pesos from a variety of sources, the decree said.

Some 15.54 trillion pesos can be raised via international bond issues, the decree said, another 2.64 trillion pesos via issues of so-called TES local bonds and 124 billion pesos from funds from natural gas.

Other sources could provide the remaining 5.54 trillion pesos. Last month the IMF approved a two-year flexible credit line of about $10.8 billion for Colombia, replacing an expiring facility.

Bancolombia, CitiBank and BBVA will structure an issue of 30-year TES, director of public credit Cesar Arias said, adding the government hopes to raise at least 2 trillion pesos with the paper.

"We want to focus on launching the first 30-year Colombian TES bond, with a mind to expand those obligations with time and seek the best possible rates," Arias said in a statement on Friday.

Colombia issued $2.5 billion in 2031 and 2051 international bonds on Monday, after receiving interest for $13.3 billion.

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Costa Rica

Moody's Changes Outlook on Costa Rica's Ratings to Negative from Stable

02-Jun-2020

June 2 (Reuters) - Moody's:

- **Moody's changes the outlook on Costa Rica's ratings to negative from stable; affirms B2 ratings**
- Moody's says negative outlook reflects Costa Rica's increased funding risks due to higher borrowing requirements from pandemic-related economic, fiscal shocks
- Moody's says expects Costa Rica's 2021 funding needs to remain similar to this year's level but with a greater reliance on international capital markets

(Reuters.Briefs@thomsonreuters.com)

Ecuador

Ecuador bondholders form creditor committee

04-Jun-2020

LONDON, June 4 (Reuters) - **Holders of Ecuador sovereign bonds have formed a committee to hold talks with the country's government on a potential reprofiling of the country's external debt, the group said in a statement on Thursday.**

"The Committee is representative of Ecuador's bondholder base and includes holdings across each series of the Bonds," the statement said, though giving no further detail on members.

The group has appointed BroadSpan Capital LLC and UBS Investment Bank as joint financial advisors, it added.

The Andean country has been buckling under its $58 billion debt burden which has been worsened by the coronavirus crisis. President Lenin Moreno said in May the government would renegotiate its debt load, which would save an estimated $1.3 billion in interest payments.

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Jamaica

Moody's, on Jamaica, Says Credit Implications of Coronavirus Outbreak to Remain Contained Despite Severity of Shock

04-Jun-2020

June 4 (Reuters) - Moody's:

- **Moody's, on Jamaica, says credit implications of coronavirus outbreak to remain contained despite severity of shock**
- Moody's, on Jamaica, says coronavirus outbreak will weigh on economic growth as tourism takes a hit
- Moody's says Jamaica's tourism industry is highly reliant on U.S. Tourists with large share of cruise arrivals, meaning tourism may be slow to recover
- Moody's says Jamaica's current account deficit will widen as lower tourism receipts drive a larger external financing gap
- Moody's says weaker tourism earnings will lower Jamaican government's revenue intake, leading to deterioration in fiscal Balance, rise in debt burden

(Reuters.Briefs@thomsonreuters.com)

AFRICA

Algeria

Algeria pins hopes on oil prices to avert cuts and renewed unrest

04-Jun-2020

- **Algeria expects $40-45 oil price this year**
- **Promised budget cuts not detailed**

- **No plans to take on IMF debt**

By Lamine Chikhi

ALGIERS, June 4 (Reuters) - **Algeria faces one of the biggest fiscal crises of any oil producer as a result of slumping energy prices, but after major political protests last year the government is trying to avoid big spending cuts that could stoke more dissent.**

It has not said much about how it will save money and has increased spending to deal with a global pandemic that has crushed oil demand.

Its approach reflects a government view that the lower oil prices are cyclical and will stay between $40 and $45 this year, enough to avert harsh cuts, a senior source at state oil company Sonatrach said.

Algeria already faced a looming fiscal crunch thanks to years of lower energy revenues and a weak private sector. But reforms could aggravate the country's political crisis.

Although the government and parliament publicly acknowledge the need for long-term measures to reduce deficits, they are also facing the biggest challenge to state authority since a civil war in the 1990s.

Any explosion in youth unemployment or cuts in lavish social support could bring more unrest.

"This approach has worked in the past, but the big unknowns this time are how long oil prices stay low and how long the impact of the coronavirus pandemic will last," said Geoff Porter, a North Africa specialist and owner of NARCO consulting.

Weekly protests from February 2019 brought down President Abdelaziz Bouteflika after two decades in power. The mass demonstrations continued until authorities imposed a coronavirus lockdown.

This has left Bouteflika's successor, President Abdelmadjid Tebboune, with few options to fix Algeria's budget without triggering more unrest.

Food subsidies will not be touched although fuel prices have been raised slightly. The government is offering debt and tax holidays and an $80 cash handout to needy families.

"Losses of firms are being assessed. We are ready to provide financial support. Even self-employed people such as taxi drivers and hairdressers will be helped," Tebboune said.

Tebboune's government has promised big spending cuts in a series of increasingly restrictive budgets for this year announced over recent months.

However, while they have detailed a halt in public sector hiring, they have revealed few other details of how money will be saved beyond promising less corruption after the arrest of some senior officials for graft.

A freeze in big construction projects, for example, is officially linked to the coronavirus lockdown rather than the fiscal squeeze, and officials say it will end after the country reopens.

Tebboune has also promised not to turn to the International Monetary Fund, a move that would be unpopular after the country's struggles in the 1990s to repay debts run up during an earlier collapse in energy revenue.

Instead he says Algeria has been offered help from "friendly countries". He did not say who, but a government source said China had offered financial aid.

A Chinese Foreign Ministry spokesman mentioned medical aid Beijing had sent during the coronavirus crisis and said the countries were "traditionally friends, and have a comprehensive strategic partnership".

BURNING THROUGH RESERVES

The Sonatrach source said the government expects the price of Algerian Saharan blend, now about $39 a barrel after falling to $14.69 in April, to stay in a range of $40-45 this year, enough to stave off catastrophe for now.

The forecast assumes the price will rebound after lockdowns around the world are lifted, the source said.

The Energy Ministry did not respond to requests for comment on whether prices would recover to $40-45 a barrel this year.

However, even if prices do rise by that much, it would do little to head off Algeria's longer-term fiscal problems.

The government needs $100 a barrel to balance its budget at recent spending levels. Since the oil price dropped in 2014 it has funded deficits by burning through more than half its foreign currency reserves.

Before 2014, it had revenues of $60 billion a year. They fell to $30 billion last year, and are expected to be at around $20 billion this year, the finance minister says.

Adding to Algeria's revenue difficulties, energy sales have fallen as a result of poor field development, rising local consumption and increased competition in European markets.

Algeria still has reserves of $60 billion and minimal public debt. Food imports cost around $9 billion a year. The government believes it can cover necessities for two years at current spending levels before going into debt, a government source said.

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Angola

Angola seeking G20 debt relief, debt talks with oil importers "advanced"

02-Jun-2020

By Karin Strohecker

LONDON, June 2 (Reuters) - **Angola has asked for G20 debt relief and is in advanced stages of talks with some countries importing its oil on adjusting financing facilities, but expects**

no further debt overhaul to be needed beyond this, the finance ministry said on Tuesday.
The third largest economy in sub-Saharan Africa relies heavily on oil revenues and is saddled with debts that exceed its economic output. It is struggling from the economic fallout of the coronavirus pandemic and an oil price shock that saw crude futures plunge below $20 per barrel in April.
Negotiations with oil importers on reprofiling are at "advanced stages" and talks are expected to conclude in the very near future, the ministry said in a statement. It gave no further details.
Reprofiling generally entails an extension of maturities, though often without attempting to reduce the principal.
"In consultation with the IMF, the Ministry of Finance has decided to avail itself of the G20/DSSI facility and applied to its sovereign peers to negotitate debt service standstill on official, Government to Government direct lending," the statement added.
Angola, which draws a third of state revenues from oil, had been in a fragile position even before the pandemic, with its debt-to-GDP ratio topping 100%. Servicing the debt eats up $9 billion a year.
Angola received a $3.7 billion loan from the International Monetary Fund last year. It also owes billions to China.
A recent recovery in oil prices had provided some relief, said analysts.
"Any re-profiling relief that the country can get from its bilateral lenders, principally China, would be another strong positive," said Simon Quijano-Evans at Gemcorp Capital LLP.
"That, in turn, should help secure additional IMF funding if Angola requests it, and further calm the bond market backdrop, especially as the next Eurobond principal repayment is only in 2025."
The finance ministry said it saw no need for "further re-profiling negotiations with creditors beyond those already in progress".
Angola's Eurobonds, last traded around the 65 cents in the dollar mark across the curve, little changed on the day.
Bonds had tumbled from above 100 cents in the dollar in early March to as low as 30 cents in early April.

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Angola cuts oil shipments to China as it seeks debt relief

05-Jun-2020
By Julia Payne and Dmitry Zhdannikov
LONDON, June 5 (Reuters) - **Angola has cut the number of oil cargoes that it will ship to Chinese state firms to pay down debt to Beijing as it seeks to renegotiate repayment terms to deal with the crippling impact of the coronavirus, three sources familiar with the matter said.**
Angola said this week it had asked for G20 debt relief and was in advanced talks with some countries importing its oil on adjusting financing facilities, but expects no further debt overhaul to be needed beyond this.
The sharp global economic slowdown due to the novel coronavirus pandemic pushed Brent oil prices to their lowest levels since the late 1990s and U.S. oil futures to negative territory for the first time in history.
The price drop has put heavily-indebted Angola into a fragile state as it derives a third of state revenues from oil.
By far, its biggest creditor is China. Analysts say Angola has over $20 billion in bilateral debt with the lion's share owed to China. Much of the cash was borrowed to build roads, hospitals, houses and railways across the southern African country.
On top of its Chinese debt, Luanda secured a $3.7 billion loan from the International Monetary Fund last year and state oil firm Sonangol has borrowed $2.5 billion from banks between end-2018 and mid-2019, the IMF said.
A global oil output cut deal led by the Organization of the Petroleum Exporting Countries (OPEC) has added to Luanda's woes.
As an OPEC member, Angola was pressured to cut oil exports starting from May. The result has left the country with fewer and lower-value cargoes to split between paying off its Chinese debt and filling its depleted coffers.
The sources said that China's state-owned Sinochem would receive five cargoes in July, down from the usual seven or eight, while the trading arm of Chinese giant Sinopec called Unipec would receive none.
Unipec typically receives two to three cargoes earmarked as debt repayment.
Sonangol, Angola's finance ministry, Sinopec and Sinochem did not immediately respond to requests for comment.
China's foreign ministry said on Wednesday that the relevant departments were in contact with Angola over its request for debt relief.
"These oil-backed loans create stronger interdependence (between lender and borrower) than traditional financing. This tactic of diverting cargoes is not new as seen elsewhere," David Mihalyi, a senior economic analyst with the Natural Resource Governance Institute, said.
Chad threatened to cut repayment cargoes to commodities trader and miner Glencore during a major loan restructuring in 2017. Similarly, Congo Republic has cut many repayment oil cargoes to Glencore and commodities trader Trafigura as discussions drag.
Angola is not the only African country heavily indebted to China. The IMF and ratings agency Moody's have raised concerns about debt levels in sub-Saharan Africa particularly with China.

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Botswana

Moody's Says Changes Outlook on Botswana's Ratings to Negative, Affirms A2 Ratings

30-May-2020
May 29 (Reuters) -
- **Moody's says changes outlook on Botswana's ratings to negative, affirms A2 ratings**
- Moody's says changed the outlook on Botswana to negative from stable
- Moody's says negative outlook reflects rising risks to Botswana's fiscal strength due to shock to growth and government's revenue due to pandemic
- Moody's, on Botswana, says lower growth, much weaker government revs & higher borrowing requirements will aggravate deteriorating fiscal trends

(Reuters.Briefs@thomsonreuters.com)

Mauritania

Mauritania will also get Paris Club debt relief under G20 deal

02-Jun-2020
PARIS, June 2 (Reuters) - **The Paris Club of creditor nations have accepted suspending debt service payments from Mauritania until the end of the year as part of a G20 debt relief deal, the group said on Tuesday.**
The Paris Club, an informal group of government creditors, said in a statement that its members would continue to coordinate closely with other concerned parties, especially when the time comes to consider extending the suspension.

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Nigeria

Nigerian Senate approves president's request for $5.5 bln in external borrowing

02-Jun-2020
By Camillus Eboh
ABUJA, June 2 (Reuters) - **Nigeria's upper chamber of parliament on Tuesday approved President Muhammadu Buhari's request for $5.51 billion in external borrowing from international lenders.**
The borrowing is part of a revised budget for 2020. The revisions allow for the effects of the coronavirus pandemic and a sharp drop in oil prices, which has dented Nigeria's spending plans because oil sales make up 90% of its foreign exchange earnings.
The money from the International Monetary Fund, African Development Bank, World Bank and Islamic Development Bank is to fund the deficit.
"As regards the IMF loan, there are no usual onerous conditions for borrowing, such as currency devaluation and deregulation of certain sectors of the economy attached to this loan," a Senate committee on the loans stated.
Buhari submitted a revised budget of 10.51 trillion naira ($29.19 billion) to parliament last week for approval. Lawmakers can make changes to the budget, before it is sent back to the president to pass into law should he agree to any revisions.
Borrowing requests must be approved separately by lawmakers.

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South Africa

South Africa's "junk" bonds back in demand as high-yield lures local, foreign investors

05-Jun-2020
- **Foreign investors lured back by high yields**
- **BRICS 10-year government bond yields**
- **Central bank halves purchases of goverment Securities**

By Mfuneko Toyana
JOHANNESBURG, June 5 (Reuters) - **After selling a record 69.6 billion rand ($4 billion) of South Africa's recently downgraded bonds this year, foreign investors - faced with low to zero returns around the world - are rushing back to grab the high-yielding debt in the ailing economy.**
In the last two weeks foreign investors have been net buyers of local bonds to the tune of more than 4 billion rand, after weeks of being net sellers.This week Goldman Sachs said it was sticking to a "buy" recommendation on South Africa's 10-year issue.
"We continue to favour longs in 10-year SAGBs on an FX-hedged basis given the attractive

carry," the U.S. bank's Kamakshya Trivedi said in a note.
Deutsche Bank and Bank of America also recommend the South African debt, with Deutsche Bank saying it preferred long-dated bonds due in 2035 and 2037.
"After the underperformance and a decline of 16.2 percentage points in foreign holdings since YTD, R186 (2026 bond) is also becoming a more interesting bond once again," said Deutsche's emerging market strategist Christian Wietoska.
Outflows in a stampede out of emerging markets has pushed foreign holdings in South Africa's bonds to an eight-year low, as the coronavirus pandemic and the rating downgrades that followed sucked-up liquidity and spooked investors.
Foreigners held 31.5% of South Africa's bond in May, down from 37.3% in January, according to National Treasury data.
But in the last few weeks, with the global economic recovery increasingly on the cards and the local central bank buying government bonds to ease liquidity strains, foreign investors are doing what locals have done all along.
"Look at some of the most obvious mandates, inflation plus 2% to 4%. If you're being offered a government bond of 11% to 12% and inflation is only 3% or 4%, that's as close to a slam-dunk as you get," said chief executive of Canon Assets Adrian Saville.
On Friday central bank data showed the regulator had bought 10.2 billion rand worth of government securities in May, compared to the 20.6 billion rand it purchased in April, making its bond-buying scheme among the more conservative policies in emerging markets.

($1 = 16.8252 rand)
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Zimbabwe

Zimbabwe raises $20 million in T-bill sales to fight coronavirus

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HARARE, June 3 (Reuters) - **Zimbabwe has raised 500 million Zimbabwe dollars ($20 million) in treasury bill auctions that it will use to help combat the spread of the coronavirus, its finance minister said on Wednesday.**
The outbreak has hit an economy that was experiencing its worst crisis in a decade, marked by shortages of food, medicines and foreign currency.
Minister Mthuli Ncube said the funds would be spent on protective equipment and go towards payouts to those families worst impacted by COVID-19.
In all, the government aimed to raise 1 billion Zimbabwe dollars in emergency coronavirus funding, with the rest coming from "the insurance and pension funds", he told a parliamentary committee, without giving details.
Banks and other local investors are usually the main buyers of Zimbabwe's domestic debt.
Zimbabwe, which has experienced bouts of hyperinflation in the last decade, does not qualify to borrow from international lenders like the Word Bank and International Monetary Fund due to longstanding arrears.
The treasury has resorted to domestic borrowing to help finance the budget, while the central bank frequently provides unbudgeted subsidies to farmers and gold producers, fuelling inflation, which rose beyond 750 year-on-year in April.

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MENA Middle East and North Africa

Fitch Ratings: Outlook on MENA Sovereigns Turning Negative

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Fitch Ratings-Hong Kong/London-04 June 2020: **Fitch Ratings has placed four of the 14 rated Middle East and North Africa (MENA) sovereigns on Negative Outlook, following revisions for Oman (which was also downgraded), Iraq, Jordan and Morocco, reflecting the painful hit to public and external finances and growth as a result of the coronavirus and the fall in oil prices.** In March 2020, Fitch placed Lebanon's Long-Term Foreign-Currency ratings on 'RD'; Fitch does not assign Outlooks for sovereigns in default. The Outlook on Tunisia is Stable after a downgrade to 'B', balancing strong support from official creditors against external vulnerability and risks to fiscal reforms. The funding of sharply wider fiscal and external deficits in a volatile financial market environment is an acute challenge for lower-rated sovereigns. However, debt market access has started to ease, with Bahrain and Egypt issuing Eurobonds. Significant bilateral or multilateral support was an important factor in both cases. **The cost of international debt issuance remains very high for Oman, where this support is not explicit, while uncertainty around the financing plan is partly driving the Negative Outlook on Iraq's ratings.** Even higher-rated sovereigns are revising their funding plans, with Kuwait facing the depletion of the readily accessible portion of its wealth

fund and Saudi Arabia significantly raising it. We now expect most Gulf Cooperation Council (GCC) sovereigns to post fiscal deficits of 15%-25% of GDP in 2020, with only Qatar's deficit staying in single digits. This assumes an average Brent oil price of USD35/barrel (bbl) and full compliance with the OPEC+ deal to limit production. It also assumes that the additional cuts announced by Saudi Arabia, Abu Dhabi and Kuwait will last until end-2020. Oil output will fall by about 10% relative to 2019. Most fiscal break-even prices are between USD65/bbl and USD75/bbl, with Qatar and Bahrain outliers at about USD53/bbl and USD94/bbl, respectively. **All GCC countries have announced economic stimulus packages.** The budgetary effect of stimulus will be 5% of GDP in Saudi Arabia and 1%-2% of GDP elsewhere. Nevertheless, governments with the weakest balance sheets are offsetting this with new austerity measures. Bahrain has announced spending cuts of 30%. Oman and Saudi Arabia are planning cuts of 10% and 12%, respectively. Saudi Arabia is planning to triple VAT to 15% in July 2020. Tourism accounts for 10%-20% of GDP across MENA's non-oil economies (with the exception of Israel where the contribution is lower). Net remittances account for 4%-7% of GDP in current account receipts across Lebanon, Tunisia, Morocco, Jordan and Egypt. Lockdowns are therefore hitting external receipts, employment and GDP growth and worsening budget deficits and government debt trajectories despite the direct benefits from much lower oil prices. Weaker finances in the GCC can also spill over into weaker inflows into the rest of the MENA region.

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EMERGING MARKETS

IMF chief says some countries may need debt restructuring, not just freeze

04-Jun-2020

WASHINGTON, June 3 (Reuters) - **Some of the world's poorest countries and emerging market economies may need to restructure their debt in the future, the head of the International Monetary Fund said on Wednesday, adding that simply freezing debt payments might not suffice.**

IMF Managing Director Kristalina Georgieva said some emerging market countries that pursued prudent and sustainable debt policies were weathering the coronavirus crisis better than others, but a small universe of countries with high debt burdens would likely need help going forward.

She said the Fund had disbursed about $260 billion of its $1 trillion in lending power at this point, with emergency financing provided thus far to 63 of 103 countries that had asked for help since early March.

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