Emerging Sovereign Debt Markets NEWS

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EU to provide Armenia with 92 million euros to fight coronavirus

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Moody’s Says Changed Outlook for Belarus’ Banking System to Negative from Stable

Bosnia

Bosnia to get 330 mln euro in IMF crisis financing if entities first agree on funds’ distribution

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Bulgaria can raise up to $5.5 bln in new debt in 2020

Bulgarian parl adopts revised budget targeting 2.9%/GDP deficit

Bulgaria preparing additional support for coronavirus-hit micro-enterprises

Coronavirus Responses Er...
China

IMF encouraged by recovery in China, but pandemic could resurgence

06-Apr-2020
WASHINGTON, April 6 (Reuters) - The International Monetary Fund on Monday cited limited but encouraging signs of recovery in China, the first country to suffer the brunt of the COVID-19 pandemic, but said it could not rule out a resurgence of the pandemic in China and elsewhere.

In a blog, top IMF economists said the pandemic caused by the new coronavirus had pushed the world into a recession that would be worse than the global financial crisis, and called for a global, coordinated health and economic policy response.

“The economic damage is mounting across all countries, tracking the sharp rise in new infections and containment measures put in place by governments,” the IMF experts wrote.

The total confirmed cases of COVID-19 around the world jumped to more than 1,250,000, with 68,400 deaths reported, according to a Reuters tally.

China was seeing a modest improvement in its purchasing manager surveys (PMIs) after sharp declines early in the year, and daily satellite data on nitrogen dioxide concentrations in the atmosphere – a proxy for industrial and transport activity - showed a gradual decline in containment measures, the IMF experts wrote.

“The recovery in China, albeit limited, is encouraging, suggesting that containment measures can succeed in controlling the epidemic and pave the way for a resumption
China open to talks with poor countries on debt challenges

07-Apr-2020
By Andrea Shalal

WASHINGTON, April 7 (Reuters) - China is willing to work on a bilateral basis with low-income countries facing economic challenges due to the coronavirus pandemic and may approve delays in some debt service payments, a Chinese official told Reuters on Tuesday.

The official said China, a major creditor, was still considering a push by the International Monetary Fund and the World Bank for it and other official bilateral lenders to immediately suspend debt payments from the poorest countries.

"Developing countries, especially low-income countries, are facing greater challenges. We are willing to maintain communication with relevant countries through bilateral channels," said the official, who was not authorized to speak publicly.

"We agree that some countries should not be forced to make payments during the crisis."

The IMF and World Bank on March 25 called for a debt moratorium for the world’s poorest countries for about a year as they battle the pandemic and mitigate the impact of sweeping shutdowns aimed at slowing its spread.

The institutions have urged the Group of 20 major economies, which include the United States and China, to endorse the call, but G20 finance officials failed to do so during their last meeting on March 31. A G20 working group is due to meet on Wednesday before the finance officials reconvene on April 15.

Debt relief has been provided before to help the world’s poorest countries, but the dynamics have changed considerably.

Unlike a major IMF and World Bank debt relief program launched in 1996, when countries mainly owed money to wealthy Western countries and multilateral institutions, much of the debt is now held by China and Chinese companies.

China's government, banks and companies lent some $143 billion to Africa between 2000 and 2017, according to Johns Hopkins University. Emerging market debt will be a top priority next year, according to the authors.

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Fitch Ratings: Much of China’s Coronavirus Policy Response is Still Pending
09-Apr-2020
Fitch Ratings-Hong Kong-April 09: The Chinese government’s policy response to the coronavirus pandemic consisted initially of stringent public health and social distancing measures, while economic stimulus has been relatively restrained so far. The upcoming National People’s Congress, tentatively rescheduled for 18-19 April, should provide greater clarity on the magnitude and form of the authorities’ intended economic policy response, and will be a consideration in our future assessment of China’s sovereign rating profile, says Fitch Ratings.
China’s economy is recovering gradually, but we expect activity to remain weak through the first half of the year, and for full-year growth to dip below 2% in 2020, from 6.1% in 2019. Our forecast is subject to considerable uncertainty, including the possibility of further disruptive outbreaks of coronavirus and sustained weakness in external demand. The negative growth shock has already prompted a monetary policy response, including liquidity injections, targeted cuts to banks’ reserve requirement ratios, small reductions in the de-facto policy rate (the medium-term lending facility), and measured regulatory forbearance for the financial sector. There is little evidence that these moves have sparked a surge in credit growth to date, perhaps because demand has been so weak. Fitch’s adjusted measure of aggregate financing rose by less than 11% yoy in February 2020, little changed from a year prior.
The government has also announced around CNY1.3 trillion (1.2% of GDP) in fiscal measures, including increased healthcare spending, various tax relief measures, and more rapid disbursements of unemployment insurance. A Politburo meeting in late March, chaired by President Xi Jinping, announced plans for a further round of macro-stabilisation policies, which would involve raising the fiscal deficit, further expanding the use of local government ‘special bonds’, issuing ‘special’ treasury bonds, as well as additional monetary policy support. Fitch projects the fiscal deficit will rise to 8% of GDP this year, from 5.8% in 2019, based on our estimate that consolidates a broader range of budgetary activities than the official headline series. This stimulus comes on top of the fiscal easing already in place over the last two years, prompted by growth pressures from the US-China ‘trade war’.
China has some room at its existing rating level to accommodate a temporary period of elevated fiscal deficits, as articulated during our affirmation of its ‘A+/Stable rating in November 2019. Government debt is broadly in line with the current ‘A’ median, at about 55% of GDP. The country also has considerable fiscal funding flexibility, given the large size of its debt capital markets. At the same time, Fitch’s assessment of China’s fiscal rating space will also depend on the form of policy easing, in particular the extent to which measures take place transparently, on-budget, or whether they are accompanied by resurgence in off-budget spending, as occurred during the 2015-2016 downturn.
The effects of the coronavirus on the economy have yet to play out fully. Export demand in developed markets will remain weak for months, and financial pressures on enterprises and households are unlikely to diminish while most firms continue to operate below normal output levels. Against this backdrop, China’s economic policy response currently appears modest compared with other major economies, but this judgement could evolve rapidly as the authorities’ shift their policy focus from public health concerns towards economic revitalisation efforts. The growth and budget targets presented at the National People’s Congress will provide an initial preview of the intended scope of policy easing. A more forceful shift in fiscal and monetary policy is likely to take shape if growth emerges as the paramount near-term policy priority, which could in turn have implications for the future trajectory of China’s sovereign rating.

China March loans surge to $405 bln as coronavirus stimulus kicks in
10-Apr-2020
• March new loans 2.85 trln yuan vs forecast 1.80 trln yuan
• March M2 money supply +10.1% y/y, vs forecast of +8.8%
• March TSF 5.15 trln yuan, vs forecast 2.80 trln yuan
• Load demand likely to see “rapid growth” in Q2 – central bank official

By Judy Hua and Kevin Yao
BEIJING, April 10 (Reuters) - New bank lending in China rose sharply to 2.85 trillion yuan ($405 billion) in March, with total social financing hitting a record, as the central bank pumped in more liquidity and cut funding costs to support the coronavirus-ravaged economy.
Chinese policymakers have pledged to combat the impact from the pandemic that looks to have tipped the world’s second-largest economy into...
its first quarterly contraction in at least 30 years.
While economic activity is gradually picking up as people return to work and factories reopen, analysts warn it could take months before the economy returns to normal. The spread of the virus around the world is also sparking fears of a global recession.
New loans in March far exceeded market expectations of 1.8 trillion yuan and were three times more than February's 905.7 billion yuan. That nudged bank lending in the first quarter to a record 7.1 trillion yuan, beating a previous peak of 5.81 trillion yuan in the first quarter of 2019, data from the People's Bank of China (PBOC) showed on Friday.
The record lending was due to various government stimulus policies in the first quarter which helped maintain liquidity in a "reasonable and abundant state", Ruan Jianhong, head of PBOC's statistics department, told reporters at a briefing.
While the PBOC has repeatedly stressed its intention to avoid "flood-like" stimulus in light of debt risks, Ruan forecast "rapid growth" in future loan demand in the second quarter, as key government-backed projects restart and pent-up consumer and real estate demand pick up.
"March data demonstrated the government has been quietly loosening policy more than what it may appear by looking at the magnitude of rate and RRR cuts," Goldman Sachs said in a research note, adding that it reflected a preference for policy flexibility amid uncertainties from the pandemic.

HOUSEHOLD LOANS REBOUND
Household loans, mostly mortgages, rebounded sharply to 989.1 billion yuan in March from a net decline of 413.3 billion yuan in February, Reuters calculated from central bank data.

Corporate loans almost doubled to 2.05 trillion yuan from 1.13 trillion yuan the previous month. Growth of outstanding total social financing (TSF), a broad measure of credit and liquidity in the economy, quickened to 11.5% in March from a year earlier and from 10.7% in February.

TSF includes off-balance sheet forms of financing that exist outside the conventional bank lending system, such as initial public offerings, loans from trust companies and bond sales.

Notably, TSF rose to a record 5.15 trillion yuan in March, from just 855 billion yuan in February, as corporate and local government bond issuance surged. Local governments issued a total 1.6 trillion yuan in bonds in the first quarter of this year, including 1.1 trillion yuan in special bonds, the finance ministry has said.

Analysts polled by Reuters had expected March TSF of 2.8 trillion yuan.

Since early February, the central bank has unveiled a raft of measures from cutting lending rates and bank reserve requirements to providing payment relief to firms that have been hardest hit by the outbreak and virus containment measures.

Policy sources have told Reuters the central bank will continue to ramp up its policy easing to support the economy but debt worries and property risks will prevent it from following the U.S. Federal Reserve's steep rate cuts or quantitative easing moves.

The PBOC will likely boost credit and lower funding costs, especially for small firms, and accommodate increased fiscal spending by the government, and the benchmark lending rate is likely to be cut on April 20, the sources said.

On Friday, a PBOC official said some commercial banks have been reducing their deposit rates due to falling lending rates, adding that the benchmark deposit rate should be "preserved for a long time" as a mechanism.

Broad M2 money supply in March grew 10.1% from a year earlier, higher than 8.8% forecast in the Reuters poll and 8.8% in February, central bank data also showed.

Outstanding yuan loans grew 12.7% from a year earlier compared with 12.1% growth in February. Analysts had expected 12.1% growth. Some analysts, however, maintained the cautious view that China's economic recovery would depend on the extent of coronavirus prevention controls.

"Funding is not the main constraint for the real economy to stabilise," said Yang Yewei, an analyst with Southwest securities.

(Additional reporting and writing by Yawen Chen; Editing by Jacqueline Wong)

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India

Bond investors to test India's yield comfort in first auction of year
08-Apr-2020
By Swati Bhat

MUMBAI, April 8 (Reuters) - Indian bond markets are set to demand punishing high yields at the federal government's first auction of the fiscal year on Thursday as they test both the government's ability to pay as well as the central bank's intent to cap interest rates.

The first auction for the year that begins in April occurs against the backdrop of rising market yields as domestic investors fret over illiquidity wrought by the coronavirus pandemic and heavy borrowing by the government.

Yields on 10-year bonds have climbed nearly 50 basis points, to around 6.44%, since late March, when the Reserve Bank of India (RBI) delivered a bigger-than-hoped 75 bps rate cut and infused large amounts of cash into the system. The benchmark short-term policy rate is at 4.4%.

While traders would not reveal the exact prices they would pay for 10-year, 2-year and 40-year bonds, sources said they would pay for 10

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bonds at Thursday's auction, several said they would likely bid at current market yields.

"There is still need for RBI to announce more measures to support market liquidity and to maintain easier financial conditions, in order to accommodate 10 trillion rupees of excess borrowing by centre and state governments," said A. Prasanna, economist at ICICI Securities Primary Dealership.

The government is set to borrow 4.88 trillion rupees ($63.9 billion), or about 63% of its full-year target, for the April to September period, with its first 190 billion rupees sale scheduled for Thursday.

Traders say that unless the central bank is willing to offer such high yields, underwriters to the auction would be forced to buy some bonds for the first time since September.

"This auction will be difficult. There is no demand at these levels in government bonds going by the volume," said Murthy Nagarajan, head of fixed income at Tata Asset Management. Trading volumes in recent weeks have been around a tenth of the average, according to clearing house data, and the high volatility has prompted the RBI to halve trading hours.

The RBI has in the past aggressively bought bonds via open market operations to ease pressure on yields, spurring hopes for similar support this time.

Still, at an auction of state development loans (SDL) on Tuesday, 19 states managed to raise only 325.6 billion rupees against a planned 375 billion, and yields surged across the board with the Kerala government agreeing to pay 8.96% on its 15-year paper, about 200 bps higher than a 15-year federal government bond.

"Between the last and current auction, yield on 10-year SDLs have increased by more than 50 bps," said Sameer Narang, chief economist at Bank of Baroda.

A calendar outlining the RBI's plans for open market operations would help give markets some clarity and thus ease yields, he said.

Participants are hopeful the central bank will provide support not only through secondary market purchases, but also in primary auctions which are permitted under extraordinary circumstances, DBS Bank economists said in a note.

($1 = 76.3700 Indian rupees)

(Reporting by Swati Bhat; Editing by Vidy Rananganathan and Christian Schmollinger)

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India Central Bank Must Boost Bond Purchases to Record to Aid Virus

09-Apr-2020 t
By Dharam Dhutia and Siddhi Nayak
NewsRise

MUMBAI (Apr 9) -- India’s central bank will need to boost its purchase of federal government debt to a record high as the sovereign looks set for an unprecedented increase in its market borrowings this financial year, analysts said.

The world’s second-most populous country after China has imposed a nationwide lockdown to curb the spread of the novel coronavirus pandemic, hitting economic activity and worsening the outlook for revenue collections. To counter this, however, both federal and state governments are expected to loosen their purse strings to buffer the economy from the impact of pandemic-related disruptions.

"The actual borrowing from the center and states will easily go up to 15%-16% of GDP because tax collections will collapse and there will be a lot more of spending to be done," Ananth Narayan, an independent market expert and former treasury head of Standard Chartered Bank in India, said. "The RBI will have no choice but to print money and monetise some of this deficit."

Moreover, the Reserve Bank of India will also have to start buying corporate bonds, in line with most central banks across the world, Narayan said.

India is approaching the end of its 21-day lockdown that began on Mar. 25, and all indications suggest that the lockdown will be extended as the number of coronavirus cases in the country has spiked to 5,734, with 166 deaths so far. While the federal government announced a 1.7-trillion-rupee relief package for the weaker sections of society, it is yet to unveil any measures to help industry, which has not gone down well with investors.

As a heavy supply of debt looks inevitable, the RBI should buy as much as 3.50 trillion rupees ($45 billion) of government bonds in April-September, almost three-fourths of the gross supply during that period, Dwijendra Srivastava, chief investment officer debt at Sundaram Asset Management Company said.

India aims to borrow 4.88 trillion rupees via bonds in April-September, 62% of annual borrowing. States are due to raise 3.20 trillion rupees for the first nine months of this financial year.

The central bank had bought three trillion rupees of bonds via so-called open market operations in 2018-19, but this quantum was lowered to one trillion rupees last year as it infused liquidity through other instruments.

BofA Securities expects the central bank to buy bonds worth 3.80 trillion rupees this year and shield banks from mark-to-market losses on the additional borrowing by New Delhi.

Nomura and Morgan Stanley now expect India's fiscal deficit to widen to 5% of gross domestic product while Capital Economics sees it to rising to as much as 8% against a budget target of 3.5% for this year.

India’s 10-year benchmark yield has jumped over 50 basis points to 6.50% from a 11-year low hit late March, triggered by sharp rate cuts...
by the central bank and the promise of further easing. However, that has not helped much, and the bond market is flagging. “The bond market is in a bear grip since there is an excessive debt supply and an absence of risk-taking,” Sundaram Asset Management’s Srivastava said. “There is no option left but for the RBI to step in through heavy OMOs to soothe investors’ nerves.”

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**RBI says coronavirus has “drastically altered” India’s growth outlook**

**09-Apr-2020**

By Swati Bhat

MUMBAI, April 9 (Reuters) - The outlook for India’s economic recovery has been sharply altered by the coronavirus outbreak, the central bank said in its Monetary Policy Report, underlining the pandemic’s deepening impact on South Asia’s engine of growth.

"Prior to the outbreak of COVID-19, the outlook for growth for 2020-21 was looking up," the Reserve Bank of India said.

"The COVID-19 pandemic has drastically altered this outlook. The global economy is expected to slump into recession in 2020, as post-COVID projections indicate."

India’s economy expanded at its slowest pace in more than six years in the last three months of 2019 and was projected to clock in full-year growth of 5% which would be the lowest in over a decade.

The nationwide lockdown is set to sharply impact March quarter growth and analysts have cut their 2020/21 GDP growth projections to 1.5-2%, levels unseen in India in decades.

Any benefit seen in the terms of trade from a prolonged downturn in the price of international crude is also unlikely to offset the economic drag from the coronavirus-induced lockdown of the country and loss of external demand, RBI said.

"While efforts are being mounted on a war footing to arrest its spread, COVID-19 would impact economic activity in India directly through domestic lockdown. Second round effects would operate through a severe slowdown in global trade and growth," the central bank said.

The RBI, as it did in its policy statement last month, reiterated that conditions remained highly uncertain and said it is refraining from providing any projections on GDP growth.

Describing the present environment as "highly fluid", the central bank said that it is assessing the "the intensity, spread and duration of COVID-19."

India has reported over 5,000 active coronavirus cases and 166 deaths as of Thursday morning. The RBI in an emergency move last month cut its key lending rate by a bigger-than-hoped 75 basis points and announced several measures to inject rupee and dollar liquidity in the domestic markets.

**INFLATION IMPACT**

The impact of COVID-19 on inflation is ambiguous relative to that on growth, with a possible decline in prices of food items being offset by potential cost-push increases in prices of nonfood items due to supply disruptions, the central bank said.

Indica’s retail inflation is expected to have slowed to a four-month low of 5.93% in March versus 6.58% in February.

The report projects CPI inflation to ease to 4.8% in the June quarter, 4.4% in the September quarter, 2.7% in the December quarter and 2.4% in the March quarter of fiscal year 2020/21.

The RBI said the projections come with the caveat that given the prevailing uncertainty, aggregate demand may weaken more than currently anticipated and push down core inflation further, while supply bottlenecks could exert greater pressures than expected.

The massive liquidity injections too could potentially fuel prices in the longer run but risks around the inflation projections appear balanced at this juncture, the RBI said.

"But COVID-19 hangs over the future, like a spectre," the central bank cautioned.

(Reporting by Swati Bhat

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**Indonesia**

**Fitch Ratings: Indonesia Relaxes Fiscal Rules in Response to Coronavirus**

**07-Apr-2020**

Fitch Ratings-Hong Kong-April 07: The Indonesian government has taken steps to expand its room for policy manoeuvre in the face of challenges posed by the coronavirus pandemic, which will reduce its fiscal buffers, says Fitch Ratings. The impact of these measures on Indonesia's medium-term public and external finances will determine how much pressure is exerted on Indonesia's sovereign rating (BBB/Stable).

The government has scrapped temporarily the 3% of GDP budget deficit cap for 2020-2022 to give policymakers greater flexibility in responding to the pandemic. The move on 31 March came as part of a wider series of announcements in response to the health crisis,
including a fiscal stimulus that officials estimated will push the budget deficit to 5.1% of GDP in 2020, from 2.2% in 2019. We believe that the fiscal loosening will push general government (GG) debt to a peak of 37% of GDP in 2022, from about 30% in 2019, assuming that the fiscal deficit ceiling is reintroduced in 2023 as the authorities intend, and that growth gradually returns to its potential of around 5.5%.

We noted a rapid increase in public debt resulting from budget deficits well over 3% of GDP as a negative rating sensitivity when we affirmed Indonesia’s rating at ’BBB’ with Stable Outlook in January 2020, before the implications of the coronavirus for Indonesia became apparent. Moves such as the government’s reduction in corporate tax rates, to 22% this year from 25% previously and to 20% in 2022, will be permanent, and will thus have a long-term impact on fiscal revenue, which is already the lowest among ’BBB’ category peers as a percentage of GDP. However, Indonesia’s policy record of fiscal prudence, which appears to have broad support across the political spectrum, gives credibility to the authorities’ stated aim to return the public finances to their pre-crisis track.

Another extraordinary measure is the decision to give Bank Indonesia (BI), the central bank, the authority to buy government securities in the primary market. We believe that this is intended as a backstop to ensure market stability in the event that bond market liquidity dries up for a prolonged period. However, the move raises a number of risks, including central bank financing of the fiscal deficit (which could increase the monetary base and raise inflationary expectations), increased political interference in monetary policy decision-making and the erosion of the market's ability to price Indonesian public debt. The disciplined record of monetary policy management that BI has built in recent years under inflation-targeting provides some confidence that BI can protect its credibility.

The impact of the coronavirus on Indonesia’s economy will exert rating pressures more broadly in the near term. We expect Indonesia’s growth to weaken to 2.0% in 2020, from 5.0% last year, with significant downside risks depending on the development of the virus and the steps that policymakers take to contain it. Notably, widespread or extended lockdowns could further crimp the growth outlook.

Indonesia’s external finances, which are heavily dependent on portfolio inflows, could also be challenged, as the pandemic has led to portfolio outflows from emerging markets. A further drop in Indonesia’s foreign-currency reserves could occur if international sentiment stays weak for a sustained period. Reserves fell sharply by USD11 billion, or 8%, over the past two months, to USD121 billion. The risk of a prolonged decline in foreign-currency reserve buffers was another negative rating sensitivity that we noted when we affirmed Indonesia’s rating in January.

Indonesia raises 6.29 trln rupiah from Islamic bonds auction, below target
07-Apr-2020

JAKARTA, April 7 (Reuters) - Indonesia raised 6.29 trillion rupiah ($388 million) from a biweekly Islamic bonds auction on Tuesday, below its indicative target of 7 trillion, the finance ministry said in a statement.

The weighted average yields for the project-based sukuk were mostly lower than the comparable sukuk sold in the previous auction. Bids for Tuesday’s auction totalled 18 trillion rupiah, higher than in the previous auction.

($1 = 16,200 rupiah)

(Reporting by Nilufar Rizki; editing by Jason Neely)

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Indonesia sells Asia’s first 50-year dollar bond to fight pandemic
07-Apr-2020

- Indonesia raises $4.3 bln to fund coronavirus effort
- Issues longest-dated dollar bond in Asia
- Asian life insurers, U.S. funds biggest investors

By Scott Murdoch and Maikel Jefriando

HONG KONG/JAKARTA, April 7 (Reuters) - Indonesia has raised $4.3 billion, including the longest-dated U.S dollar bond ever issued by an Asian nation, to help the government fund its battle against coronavirus, the country’s finance minister said.

The deal was finalised in the United States on Monday and sold in maturities of 10.5 years and 30.5 years, worth $1.65 billion each, with a 50-year tranche worth $1 billion. It was Indonesia’s longest-ever bond, according to a term sheet reviewed by Reuters, which showed Indonesia will use the cash raised to partly “fund its COVID-19 relief and recovery efforts”.

“We took the opportunity for the 50-year bonds because investor preferences for long-term maturities were very strong,” Indonesia Finance Minister Sri Mulyani Indrawati told reporters later on Tuesday.

The 50-year bonds were priced with 4.5% coupon rate, which she said is lower than coupon rate priced for a 10-year government bond issued by Indonesia in 2018.
Asian life insurers, especially some based in Taiwan as well as U.S. fund managers, were the largest investors, according to two sources with direct knowledge of the matter. The sources could not be named because they were not authorised to speak to media. "The mood in the market is starting to feel better, investors are starting to think we could be moving towards the end of the tunnel," a banker working on the deal said.

The deal was carried out virtually, with bankers working on the transaction unable to travel to Jakarta, which would have been normal practice.

Indrawati said the proceed of the bond sales would also help increase foreign exchange reserves at Bank Indonesia, which has seen a drop of $9.4 billion in March to $121 billion as the central bank used some of its reserves to defend the rupiah.

The government is also in talks with a number of multilateral banks to secure loans totalling $7 billion to help finance its COVID-19 relief efforts.

Indonesia's coronavirus cases stood at 2,738 on Tuesday, with 221 confirmed deaths - the highest number of fatalities in Asia outside China.

Fifty-year bond deals priced in local currencies have been held in the past, Refinitiv data showed. South Korea raised 1.1 trillion won through a 50-year bond in September 2016 that at the time was worth $1 billion.

Indonesia's government said on Monday it had raised its estimated 2020 net bond issuance to $49.6 trillion rupiah ($33.55 billion) to cover the country's widening fiscal deficit.

It also listed a plan for sales of 449.9 trillion rupiah ($27.47 billion) worth of "pandemic bonds" to cover additional spending for the COVID-19 response.

($1 = 16,380.0000 rupiah)

(Editing by Jacqueline Wong, Larry King)

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### Jordan

#### Jordan central bank says too early to predict impact of coronavirus on GDP

07-Apr-2020

By Suleiman Al-Khalidi

AMMAN, April 6 (Reuters) - Jordan's central bank governor, Ziad Fariz, said on Monday it was too early to predict the extent of the negative impact on the cash-strapped economy from a nearly month-long lockdown to stem the coronavirus outbreak.

"The forecasts of growth are premature. It's difficult to predict the extent of the negative impact on the growth rate," Fariz told Jordan's Al Mamlaka television news channel. He added, however, that the crisis had resulted in a sharp drop in demand and production and that the once-thriving tourism sector would require at least a year to recover.

The International Monetary Fund (IMF), which last month approved a four-year $1.3 billion programme with the kingdom, had expected Jordan's economy to grow around 2.1% in 2020 but gradually rise in the next few years to 3.3%.

Officials are worried that the effect of the crisis on tourism, which generates around $5 billion annually, will slash growth projections and deepen an economic downturn and a slowdown in domestic consumption that was evident even before the outbreak.

"For nearly a month now the Jordanian economy has nearly stopped," Fariz said.

The country has been quicker than most in the region to take drastic measures to stem the spread of the virus by imposing a tight lockdown that has brought large sectors of the economy to a standstill.

Jordan has stopped all international flights and closed all border crossings for passenger travel with Syria, Iraq, Israel and Saudi Arabia and

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### Israel

#### Israel’s parliament widens budget deficit to fund stimulus plan

07-Apr-2020

JERUSALEM, April 7 (Reuters) - Israel's parliament on Tuesday approved widening the budget deficit in order to fund an 80 billion shekel ($22 billion) plan to stimulate the economy during the coronavirus outbreak.

The budget deficit was originally targeted at 2.5% of gross domestic product, or about 35 billion shekels, but with the emergency approval the government can expand the deficit by an additional 50 billion shekels, the Finance Ministry said in a statement.

Israel's economy has been hard hit by a government lockdown aimed at curbing the spread of the new coronavirus. Increasingly stringent restrictions have largely confined Israelis to their homes, forcing businesses to close and causing unemployment to surge to 25%.

Last week the government unveiled the aid package that will boost welfare services and assist the private sector.

Parliament's decision also allows for adjustments in the management of government debt totaling 40 billion shekels, the Finance Ministry said.

$(1 = 3.5881 shekels)

(Reporting by Ari Rabinovitch; Editing by Tova Cohen)

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imposed a curfew under draconian emergency laws. Jordan has 349 cases and six deaths but the authorities fear the virus could spread quickly.

The central bank took a series of measures last month to mitigate the impact by reducing interest rates and cut compulsory reserves for commercial banks to inject more than 500 million dinars ($705 million) of extra liquidity. It also prodded banks to extend another 500 million dinars at interest rates that do not exceed 2% to help firms that have been hurt by closures.

A main concern was keeping industry and small businesses from faltering, Fariz said, adding a resilient banking sector with over 30 billion dinars in deposits underpinned the country’s monetary stability.

The government said it was considering reopening some industries and small businesses that have been closed since the lockdown in an attempt to ease the impact on the economy. Fariz said the kingdom which imports all its energy needs could benefit from a steep drop in oil prices as the coronavirus pandemic pummels the world economy.

"The reduction in oil prices reduces the burden on the economy."

($1=0.709 dinar)
(Reporting by Suleiman Al-Khalidi in Amman Editing by Sandra Maler and Matthew Lewis) (suleiman.al-khalidi@thomsonreuters.com; +96279-5521407))
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Jordan IMF programme needs adjusting after coronavirus
08-Apr-2020
By Suleiman Al-Khalidi
AMMAN, April 7 (Reuters) - Jordan is in discussions with the IMF seeking to change some of the objectives of a four-year programme of structural reforms because of the negative impact of the coronavirus on the aid-dependent economy, the central bank governor said on Tuesday.

The International Monetary Fund board approved a four-year, $1.3 billion loan program for Jordan two weeks ago, signaling confidence in the country's reform agenda at a time when it is trying to cushion its economy from the fallout of the coronavirus outbreak. Most of the main assumptions of the programme had been designed before the outbreak.

"All the economic variables and economic figures, whether the budget or balance of payments or even in energy, all these variables have changed," Central Bank Governor Ziad Fariz told Jordan's Al Mamlaka television station.

"The IMF is aware the variables have changed and we are in a discussion over this," he added.

The kingdom's economy has suffered since it closed its borders nearly a month ago, followed by a tight lockdown that has shuttered businesses and paralysed public life. Officials say the crisis has made it unlikely the country would meet this year’s deficit target of 2.3% of GDP in the 9.8 billion dinars ($14 billion) budget for 2020.

"The deficit in the budget will increase and the financing needs will change," Fariz added.

The IMF had supported Jordan's moves to spur growth by accelerating reforms that would eventually bring down a $42 billion public debt, equivalent to 97 percent of gross domestic product, that has spiralled in the last decade.

The government had planned this year to boost capital spending and adopt an expansionist policy to revive domestic consumption and investments. Officials were hoping to see a turnaround in an economy that has seen sluggish growth in the last few years, hurt by high unemployment and regional conflict.

Jordan hopes the IMF programme will help it secure low cost financing from the country's major Western donors to expand social spending needed to cushion the country's poor.

Fariz said it was too early to say to what extent an IMF growth forecast at 2.1 percent for 2020 was now in doubt.

The central bank has taken a series of measures to ease the impact of the coronavirus crisis, from reducing interest rates to delaying debt payments and prodding banks to lend to troubled firms.

(Reporting by Suleiman Al-Khalidi Editing by Sonya Hepinstall) (suleiman.al-khalidi@thomsonreuters.com; +96279-5521407))
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Jordan says coronavirus will leave 'deep negative impact' on finances
08-Apr-2020
By Suleiman Al-Khalidi
AMMAN, April 8 (Reuters) - Jordan's state finances will be deeply hurt by a loss of revenue caused by the impact of the novel coronavirus on its economy but the aid-dependant kingdom will be able to repay its foreign debt obligations, the finance minister said.

Mohammed Al Ississ said on state television that the government's 2020 budget priorities would also be affected by a steep fall in economic activity as a result of a lockdown ordered to stem the spread of the virus.

"As far as international and domestic (debt) obligations on Jordan and bonds, we have made all the arrangements to honour them when they become due," Al Ississ said.

The kingdom hopes it will secure extra lending from Western donors under a four-year $1.3 billion reform programme it secured last month that would mitigate some of the adverse impact

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of the crisis. The IMF obliges the kingdom to proceed with structural reforms and fiscal consolidation to reduce a $42 billion public debt, equivalent to 97% of gross domestic product that has spiralled in the last decade by employment in a bloated public sector.

The crisis will not however prompt the country to scale down public spending in its 9.8 billion dinars ($14 billion) budget for 2020, Al Ississ said.

"We won't reduce spending because decreasing at this time will only accelerate the economic slowdown," Al Ississ said.

The government had planned this year to boost capital spending and adopt an expansionist policy to revive domestic consumption and investments.

But budget priorities would change with a focus on more social spending to ease hardships among low-income Jordanians.

The kingdom, which imports almost all its energy needs, hopes however to capitalise on a drop in oil prices to reduce a 2 billion dinars ($2.8 billion) annual bill, Al Ississ said.

The kingdom's economy has suffered since it closed its borders nearly a month ago, followed by a tight lockdown that has shuttered businesses and paralysed public life.

Officialss say the crisis has made it unlikely the country would meet this year's deficit target of 2.3% of GDP.

The crisis has dashed hopes the country would see a turnaround in an economy that has seen sluggish growth in the last few years, hurt by high unemployment and regional conflict.

Jordan's central bank governor, Ziad Fariz, said this week it was too early to say to what extent an IMF growth forecast at 2.1 percent for 2020 was now in doubt.

The central bank has taken a series of measures to ease the impact of the coronavirus crisis, from reducing interest rates to delaying debt payments and prodding banks to lend to troubled firms.

Kuwait

Kuwaiti parliament unlikely to approve current version of debt law

05-Apr-2020

KUWAIT, April 5 (Reuters) - Kuwait's parliament is unlikely to approve the current version of a debt law proposed by the government, the speaker of the Kuwaiti National Assembly said on Sunday.

Kuwait needs to pass the law to be able to borrow more and have additional tools at its disposal to avoid depleting one of its state funds to finance the government deficit.

Speaker Marzouq Al-Ghanim said the law had been on the legislature's agenda since 2018 and aimed to raise the maximum public debt to 25 billion dinars ($81 billion).

On Thursday, the government withdrew the law from early 2018 and submitted a new one that would make the maximum public debt 20 billion dinars, he said.

But the timing of introducing the law was bad and the chances of passing it in parliament are "almost non-existent," Ghanim said in the parliament on Sunday.

He advised the government to withdraw the law and introduce a new one that takes into account the circumstances of the coronavirus outbreak.

"The new law was approved by the cabinet from early to mid-February, that is, before the crisis and before its repercussions, and it has nothing to do with what is happening now," he said.

Kuwait's sovereign wealth fund stands at about 500% of GDP, but the portion available for budgetary purposes is estimated at only around 50% of GDP, S&P Global Ratings said last month.

Should Kuwait not pass the debt law, it is unclear whether it could face budget constraints or start drawing on assets from its Future Generations Fund, which has happened only once before, during the Gulf War, said the agency.

Kuwait last week announced measures aimed at shoring up its economy against the coronavirus pandemic, including soft long-term loans from local banks, and the central bank asked banks to ease loan repayments for companies affected.

A government source told Reuters that in light of the oil price fall, passing a debt law allowing Kuwait to borrow more had become a "government priority".

Oil prices plunged last month after the collapse of an agreement between producers on crude production cuts.

Kuwait has drawn down on its state fund, the General Reserve Fund, to cover its deficit. The source said the government withdrew 43.8 billion Kuwaiti dinars ($139.70 billion) in the five years until the 2018-2019 fiscal year, and 3.7 billion dinars in the 2019-2020 fiscal year.

This means the fund has around 14 billion dinars ($44.65 billion) left, the source said.

($1 = 0.3 Kuwaiti dinars)

(Reporting by Ahmed Hagagy, writing by Davide Barbucia, Editing by Angus MacSwan)

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Kuwait finance minister urges public finance reform with oil price low
07-Apr-2020
CAIRO, April 7 (Reuters) - Kuwait's finance minister on Tuesday called for reforms in the Gulf oil producer's public finances, which have been hit by a plunge in crude prices, but said its financial position was solid.

The rating agency Fitch on Tuesday affirmed its AA rating for Kuwait's sovereign debt, citing strong fiscal and external balance sheets.

But the government is finding resistance in parliament to debt law it needs in order to be able to borrow more and have additional tools at its disposal to finance the budget deficit.

"Affirming Kuwait's sovereign rating reflects the country’s credit strength and the solidity of its financial position, which is fully supported by the size of assets in the Reserve Fund for Future Generations," Finance Minister Barak Ali Al-Shitan was quoted as saying in a ministry tweet.

"But as other rating agencies are reviewing Kuwait’s rating, including Moody’s, there is a need to complete reforms of the public finances and boost the liquidity of the General Reserve Fund ... especially with the sharp drop in oil prices."

Kuwait's sovereign wealth fund stands at about 500% of GDP, but the portion used to cover deficits - the General Reserve Fund - is estimated at only around 50% of GDP, according to S&P Global Ratings.

Should Kuwait not pass the debt law, it is unclear whether it could face budget constraints or start drawing on the Future Generations Fund, which has happened only once before, during the Gulf War, S&P said.

Moody’s last week put Kuwait’s rating on review for a potential downgrade, citing a decline in government revenues due to lower oil prices.

(Reporting by Nayera Abdallah, writing by Davide Barbuscia; Editing by Kevin Liffey)
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Lebanon

Lebanon to audit central bank accounts
06-Apr-2020
BEIRUT, April 6 (Reuters) - Lebanon will audit its central bank's accounts in a bid to show transparency after launching debt restructuring talks with creditors, Prime Minister Hassan Diab said on Monday.

A crippling financial crisis that has gripped Lebanon for months saw it default on its hefty foreign-currency debt for the first time and launch restructuring talks in late March. Lebanon's coronavirus lockdown has compounded woes in a country with a weakening currency, dwindling reserves and soaring inflation.

Diab, whose cabinet has pledged to reshape the crisis-hit banking sector, made the comments on Monday in a speech at a meeting with officials from a Lebanon support group which includes the United States, Russia and France.

"Let me also highlight that His Excellency President Aoun and my government decided to perform an audit of the central bank’s accounts to make good on our promise of transparency and strengthen our negotiating position in this difficult period of Lebanon's history," he said.

(Reporting by Ellen Francis; Editing by Catherine Evans)
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Lebanon draft crisis plan sees need for $10 bln-$15 bln and depositor contribution
08-Apr-2020

• Lebanon drafts crisis plan, decision on IMF not yet taken
  • Plan says external financing of $10 bln-$15 bln needed
  • It says contribution from large depositors also needed

By Eric Knecht and Tom Perry

BEIRUT, April 8 (Reuters) - Lebanon requires net external financing of $10 billion-$15 billion over the next five years to help it through its financial crisis, according to a draft government plan seen by Reuters.

The draft plan, still being discussed by cabinet, marks the most comprehensive blueprint yet on tackling the crisis. In it, the plan is described as a "good basis" in case of negotiations with the IMF.

Lebanon has yet to decide whether it will go to the IMF, though analysts see this as the only way it can get aid. The plan noted investors were expecting Beirut to seek IMF support which would unlock other financing.

Noting the size of losses accumulated in the financial sector, it said a "full a bailout of the financial sector is not an option."

It sets out a restructuring of the central bank and commercial banks to include "a transitory exceptional contribution from large depositors" and outlines a special fund to compensate depositors' losses resulting from restructuring.

"As stated by the prime minister, the plan will make sure the assets of 90% of the depositors are preserved," it said.

Parliament Speaker Nabih Berri has come out strongly against any haircut on bank deposits, calling them sacred.

The government convened a session on Wednesday to continue discussions of financial sector reform.

The "draft for discussion", dated April 6, includes

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other politically difficult steps such as a five-year freeze in state salaries - the value of which is being eroded by inflation - and reforming the costly state pension system. "Lebanese people are faced with several years of economic hardships," it said.

The plan is based on assumptions that include prompt external financial support and successful implementation of reforms - something Lebanon has long failed to do.

It sees the overall government deficit narrowing from 11.3% of GDP in 2019 to 1.3% by 2024 and public debt being cut to 90% of GDP by 2027 from 176% last year.

Lebanon's crisis is rooted in decades of state corruption. Last month, Lebanon defaulted on its hefty foreign currency debt. A coronavirus lockdown has compounded economic problems which include a weakening currency and capital controls that have denied savers access to dollar savings.

Nafez Zouk, emerging markets strategist at Oxford Economics, said it was encouraging the plan acknowledged the size of the problem. "There's a reform programme which sounds like something the IMF would want to see and there's a recognition of the need for consolidation of the banking system," he said.

**EXCHANGE RATE TO WEAKEN**

The plan, drawn up with support from Lebanon's financial adviser Lazard, indicated the exchange rate weakening to 2,607 pounds to the dollar in 2021, and to 2,979 in 2024 from the current peg of 1,507.5 pounds. The pound has lost more than 40% of its value since October on a parallel market.

In the banking sector, the plan projects $83.2 billion of losses stemming from the impairment of assets held by the central bank, the impairment of banks' loans portfolio and government debt restructuring. A phased restructuring of commercial bank balance sheets would include a full bail-in of existing shareholders estimated at $20.8 billion in capital write-offs, with the remaining $62.4 billion covered by the "transitory exceptional contribution from large depositors".

"The exact parameters of the contribution will be defined with the assistance of external advisors and in the context of a broad and good-faith dialogue with the commercial banks."

A special fund would compensate depositors' losses, with the proceeds coming from a programme that will track and recover ill-gotten assets. The plan estimated $40 billion in embedded losses at the central bank, the result of "years of loss-making financial transactions" to accumulate FX reserves to defend the peg and cover a balance of payments funding gap.

(Additional reporting by Tom Arnold in London; Editing by Timothy Heritage)

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**Lebanon's creditors divided over draft financial restructuring plan**

10-Apr-2020

By Tom Arnold and Eric Knecht

LONDON/BEIRUT, April 9 (Reuters) - Lebanon's international and local creditors are at odds over a draft plan on tackling the country's crippling financial crisis.

Some international holders of Lebanon's more than $30 billion Eurobonds are broadly supportive of the proposal, which estimates Lebanon will need external financing of $10 billion-$15 billion over the next five years, and say it can act as a blueprint to seek IMF financial support.

But a letter from investment bank Houlihan Lokey, adviser to the Association of Banks in Lebanon (ABL), to investment bank Lazard, the Lebanese government's adviser, expresses concerns about the plan, its impact on the banking system and its proposal to impose a financial burden on depositors.

"Lebanese commercial banks are the single largest constituency of Eurobonds' holders, which should be used to the advantage of the government and country as a whole to come up with a credible restructuring plan that ensures that the heavy debt burden is addressed while protecting the health of the banking sector and, more importantly, depositor monies," said the letter, seen by Reuters.

The plan, which is still being discussed by cabinet, was drawn up in the wake of Lebanon last month defaulting on its hefty foreign currency debt. A coronavirus lockdown has compounded economic problems which include a weakening currency and capital controls that have denied savers access to dollar savings.

At a media briefing on the government's economic plan on Thursday, finance ministry advisers described it as subject to revision as the government holds talks with various stakeholders.

Figures such as the $83.2 billion in banking sector losses could change amid negotiations with bondholders that will determine the discount taken by foreign and local holders of debt.

Adviser Alain Biffani said the plan did not mean the government would necessarily resort to an IMF programme, but targets on things like the deficit and exchange rate provided a strong starting point and were largely in line with the fund's requirements.

**One of the more contentious parts of the proposal has been a reference to "a transitory exceptional contribution from large depositors."**

Lebanon's Parliament Speaker Nabih Berri this week said people's bank deposits were "sacred" and must not be touched.

"Before asking the public to directly assume responsibility for any portion of this problem, a complete and independent audit of historical
government expenditures and finances must be prepared and made public," the letter from Houlihan Lokey said, adding ABL agreed external funding from the IMF will be necessary. Steffen Reichold, portfolio manager at Stone Harbor Investment Partners, described the plan as a "serious blueprint."

"With a plan like this you could get the IMF onboard," he said. "Putting the debt on a sustainable path, restructuring all key institutions, wiping out all the capital of the banks, introducing a flexible exchange rate, reforming the electricity company – this is all the stuff that would be on the IMF’s likely list of requirements."

Lebanon’s bonds have tumbled to around 15-19 cents on the dollar in recent weeks, with global market turmoil further dimming recovery value prospects for creditors.

"We had been taking a view that a 25-30 cents recovery would be good ballpark for the Eurobonds but taking this document at face value and assuming they’re serious about implementing the reform programme outlined, the recovery value will be better than that," said Nick Eisinger, principal, fixed income emerging markets at Vanguard, which has a small underweight on Lebanon.

Based on calculations from the plan, Reichold said it appeared the government was looking at a roughly 75% haircut on the principal on Eurobonds and domestic debt, which is broadly in the range of what he had expected.

(Reporting by Tom Arnold; Editing by Lisa Shumaker) (Tom.Arnold@thomsonreuters.com; +442075428510; Reuters Messaging: tom.arnold.thomsonreuters.com@reuters.net))
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Malaysia

Moody’s Says Malaysia’s Credit Profile Is Underpinned By Diversified, Competitive Economy, Ample Natural Resources, Strong Medium-Term Growth Prospects

08-Apr-2020

April 8 (Reuters) - Moody’s:

- Moody’s says Malaysia’s credit profile is underpinned by diversified, competitive economy, ample natural resources, strong medium-term growth prospects
- Moody’s says expect real GDP growth in Malaysia to fall to near-zero, weakest since 2009, from more than 4% last year
- Moody’s, on Malaysia, says retrenchment in global demand will result in contraction in exports, while domestic private demand will weaken significantly
- Moody’s, on Malaysia, says large economic stimulus raises fiscal challenges, although the amount of direct spending is relatively modest
- Moody’s, on Malaysia, says political uncertainty remains longer term with change in government
- Moody’s, on Malaysia, says renewed political volatility, uncertainty will weigh on investor sentiment that is already affected by coronavirus outbreak

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Fitch Revises Malaysia’s Outlook to Negative; Affirms at ‘A-’

09-Apr-2020

Fitch Ratings-Hong Kong-April 09:

Fitch Ratings has revised its Outlook on Malaysia’s Long-Term Foreign-Currency Issuer Default Rating (IDR) to Negative from Stable and has affirmed the rating at ‘A-’. KEY RATING DRIVERS

The revision of the Outlook to Negative on Malaysia’s Long-Term IDRs reflects the following key rating drivers:

The Malaysian economy is being heavily affected by the COVID-19 pandemic. A partial lockdown in place since mid-March has reduced domestic economic activity, and the pandemic has also undermined export earnings from commodities, manufacturing and intermediate goods, and tourism receipts. There is high uncertainty about the extent of the deterioration in economic growth and public finances, and the pace at which the pandemic will unwind. Recent political volatility may affect governance standards, which had been improving in the past two years.

Fitch forecasts a 1% contraction in economic activity in 2020 and a rebound to 5.8% growth in 2021, from 4.3% growth in 2019. These forecasts are subject to significant downside risks, depending on the length of the partial lockdown and evolution of the pandemic. The government announced a large stimulus package on 27 March, which should mitigate the decline in growth in 2020 by 2.8pp, according to the authorities’ estimates. The package includes additional government spending on health, transfers to low-income individuals and relief measures for businesses, much of it temporary in nature. Non-fiscal measures include deferment of all bank loan and financing repayments for six months, and allowing withdrawals from the Employees Provident Fund.

Weaker growth, lower oil prices and stimulus spending have weakened the outlook for Malaysia’s public finances. The government raised its 2020 fiscal deficit target to 4.0% of GDP, from 3.4%, itself an increase on the 3.2% target in the initial 2020 budget following an earlier stimulus package. The fiscal forecasts are subject to significant downside risk, in Fitch’s view, in particular given the announcement earlier this week of additional relief measures to small and medium-sized
enterprises. The government expects a tax revenue reduction of 1.0pp of GDP due to weaker economic activity and lower oil prices, but plans to draw on the buffers of government-linked companies (GLCs) through additional dividend payments. Lower capital spending and reduced expenditure on fuel subsidies will offset some of the additional spending.

**General government debt is forecast to rise further above peer levels to 69.6% of GDP in 2020 from 65.3% in 2019, according to our calculations.** The debt figures used by Fitch include officially reported “committed government guarantees” on loans, which are serviced by the government budget, and 1MDB’s net debt, equivalent at end-2019 to 10.7% and 2.1% of GDP, respectively. The government guarantees another 7.5% of GDP in loans it does not service. Debt/revenue is in excess of 300% and well above that of peers. Part of the fiscal stimulus measures are temporary and will roll off next year, and the government has indicated it aims to resume fiscal consolidation in 2021, but it has not yet communicated a concrete strategy. This could, for instance, include measures to put the fiscal finances on a sounder footing, and make less use of temporary backstops to fill the gaps, such as dividends from GLCs and sales of their assets.

The new administration that took office on 1 March 2020 under Prime Minister Muhyiddin Yassin after a short period of political turmoil, is yet to announce its broader policy agenda. The change in power from the previous Prime Minister, Mahathir Mohamad, occurred peacefully, and some policies - such as a medium-term focus on infrastructure development - remain intact. In addition, the new government managed to swiftly create a stimulus package, in coordination with the central bank. Nevertheless, the unexpected transition illustrates heightened policy uncertainty and there is still some doubt about support for the current government in parliament, which reconvenes on 18 May for the first time since the transition.

An important rating driver is the government’s approach to governance reforms. The previous administration made progress on this front, as evidenced by an improvement in Malaysia’s World Bank governance scores for 2019. Whether such progress will be sustained and whether corruption trials of former officials launched under the previous coalition will continue are uncertain. Deterioration in governance and political uncertainty may dampen investor sentiment, constraining economic growth. Malaysia’s ‘A’-1DRs also reflect the following key rating drivers:

- **Malaysia is relatively dependent on foreign financing, with foreign holdings of domestic government bonds around 23% of the total, down from a high of 34% in 2016.** Moreover, external liquidity, as measured by the ratio of the country’s liquid external assets to its liquid external liabilities, is weaker than that of ‘A’ rated peers. Short-term external debt is high relative to foreign-currency reserves (US$103.4 billion at end-February 2020), although a significant part of this is intra-group borrowing between parent and subsidiary banks domestically and abroad, reflecting the open and regional nature of Malaysia's banking sector. At the same time, the country is a net external creditor and continues to run current account surpluses, even though we expect the surplus to narrow to 2.0% of GDP in 2020 from 3.3% in 2019 as a result of lower exports due to supply chain dislocations and reduced prices of export commodities, particularly oil. The share of the government’s foreign currency-denominated debt is also low, at 3% of total debt.

Lower oil prices and weaker economic activity have reduced inflationary pressures, with Fitch now expecting inflation to average 0.3% in 2020. Monetary policy is therefore likely to remain supportive of economic activity, with Bank Negara Malaysia (BNM) reducing its policy rate by 25bp in January and March to 2.5%. Fitch expects another cumulative 50bp in rate cuts in 2020 as COVID-19 related uncertainty continues.

The banking sector maintains its loss absorption capital buffers, including a common equity Tier 1 ratio of 14.3%, and remains liquid with a liquidity coverage ratio of 149%. However, Malaysia’s banking sector outlook has been lowered to negative from stable, reflecting the adverse impact of the pandemic on banks’ asset quality and profitability. Aspects of the policy counter-measures, from interest rate cuts to a moratorium on debt repayment, would help mitigate credit stress, but may also weigh on banks’ interest margins and liquidity. The pace of economic recovery and the effectiveness of relief measures would be key determinants of banks’ asset quality, earnings and capital levels.

ESG - Governance: Malaysia has ESG Relevance Scores of 5 for Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. Theses scores reflect the high weight that the World Bank Governance Indicators (WBGIs) have in our proprietary Sovereign Rating Model. Malaysia has a medium WBGi ranking at the 65th percentile (‘A’ median: 76th), in part reflecting a recent track record of peaceful political transitions, but continued political uncertainty, a moderate level of rights for participation in the political process, moderate institutional capacity, established rules of law and a moderate level of corruption, although with some high-level cases in recent years.

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

Fitch’s proprietary SRM assigns Malaysia a score equivalent to a rating of ‘A-’ on the Long-Term Foreign-Currency (LT FC) IDR scale. Fitch’s sovereign rating committee did not adjust the output from the SRM to arrive at the final LT FC IDR.

Fitch’s SRM is the agency’s proprietary multiple

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

**RATING SENSITIVITIES**
The main factors that could, individually or collectively, lead to negative rating action/downgrade:

- Weaker prospects for a reduction in government debt in the medium term to levels closer in line with peers, for instance due to an insufficient fiscal consolidation strategy after the coronavirus shock or crystallisation of contingent liabilities.
- Deterioration in governance standards, for example indicated by a lower score for the World Bank governance indicators. The main factors that could, individually or collectively, lead to positive rating action/upgrade:
  - Greater confidence in a sustained reduction in government debt over the medium term, for instance due to implementation of a strong fiscal consolidation strategy.
  - An improvement in governance standards relative to peers, for instance through greater transparency and control of corruption.

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

**KEY ASSUMPTIONS**
- Global economic trends and commodity prices are expected to develop as outlined in Fitch’s Global Economic Outlook (published on 2 April 2020).
- The global tourism industry experiences a gradual recovery extending into 2021 after the initial, sharp shock from the coronavirus pandemic this year.

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**
The principal sources of information used in the analysis are described in the Applicable Criteria. ESG Considerations
Malaysia has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch’s SRM and are highly relevant to the rating and a key rating driver with a high weight.

Malaysia has an ESG Relevance Score of 5 for Rule of Law, Institutional Regulatory Quality and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch’s SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight.

Malaysia has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as strong social stability and voice and accountability are reflected in the World Bank Governance Indicators that have the highest weight in the SRM. They are relevant to the rating and a rating driver.

Malaysia has an ESG Relevance Score of 4 for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for Malaysia, as for all sovereigns. Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

**Malaysia:** Long Term Issuer Default Rating; Affirmed; A-; RO:Neg
Short Term Issuer Default Rating; Affirmed; F1
Local Currency Long Term Issuer Default Rating; Affirmed; A-; RO:Neg
Local Currency Short Term Issuer Default Rating; Affirmed; F1
Country Ceiling; Affirmed; A
Senior unsecured; Long Term Rating; Affirmed; A-

**Malaysia Sukuk Global Berhad**
Senior unsecured; Long Term Rating; Affirmed; A-

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**Oman**

**Fitch Ratings: Oman External Funding Risks Rise**
06-Apr-2020
Fitch Ratings–Hong Kong–April 06: Oman (BB/Negative) faces a sharply higher fiscal deficit and drawdown of fiscal reserves this year, says Fitch Ratings. The willingness of lenders to fund Oman’s large external financing needs will be critical to the sustainability of the country’s government finances and the stability of its currency’s US dollar peg.
We now expect Oman’s fiscal deficit to widen to over USD10 billion (around 16% of GDP) in 2020. This forecast reflects our revised assumption that Brent oil prices will average USD35/bbl this year, as well as weaker non-oil revenues due to the coronavirus. We estimate that Oman’s fiscal break-even Brent price of oil was over USD80/bbl in 2019.

Our expectation is that the government’s funding needs in 2020 will be met mostly through a drawdown of over USD5 billion from Oman’s State General Reserve Fund (SGRF) and over USD4 billion in new foreign debt. Foreign maturities of USD1.2 billion are likely to be met from the Petroleum Reserve Fund (PRF), which is deposited at the central bank and reflected in its gross foreign reserves. Some of the new foreign debt could be from non-market sources, as in the past, such as UK export credit facilities, the Arab Fund for Development, and loans with guarantees from the Multilateral Investment Guarantee Agency.

The cost of international debt issuance is currently prohibitive for Oman. We assume improvement in the country’s capacity to access the market later in the year, but this will depend on some combination of a stabilisation in global financial markets, oil price movements in line with our forecast, and a credible fiscal policy response by the government. We believe there is a real prospect for acceleration of fiscal reform under Oman’s new Sultan, but the structural constraints that have held back fiscal consolidation remain, including the need to ensure Oman’s security in an unstable region and to provide economic opportunities to a rapidly growing and young population.

Without any foreign funding this year, SGRF assets are likely to be depleted by 2021, even taking into account further fiscal reform and recovering oil production. The government would then still have recourse to gross official-exchange reserves (USD17 billion at end-2019), including drawdowns of the PRF (USD2.5 billion at end-2019). However, reserves are also crucial to sustaining domestic confidence in the currency peg, and could be eroded quickly if that confidence falters.

Oman may still be able to refinance some of its foreign maturities in the event of a lasting loss of access to the Eurobond market. Most of the maturities in 2021-2022 are bank loans, including USD3.6 billion due in 2022 to a syndicate of Chinese banks.

We expect that near-term privatisation receipts will be small in the context of annual funding needs. The sale of a stake in OQ (formerly Oman Oil Company and Orpic) could be more significant, but we believe this is unlikely before 2023. By contrast, further government funding needs could arise from state-owned enterprises, which had external debt of over USD16 billion at end-2019, or from economic support measures in response to the coronavirus pandemic.

Our forecast does not take into account potential financial support for Oman from other governments in the Gulf Cooperation Council or from multilaterals such as the IMF. Such support might be available if Oman’s funding conditions continue to be stressed, and would strengthen its financing position and its capacity to tap international debt markets.

Fitch downgraded Oman to ‘BB’, from BB+, and assigned a Negative Outlook in March 2020 to reflect erosion of its fiscal and external positions. Further weakening of either the fiscal or external position is a negative rating sensitivity.

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Philippines

Central Bank of the Philippines - Monetary Board approved US$9.7 billion funding for public sector development projects and programs in 2019

08-Apr-2020

The Monetary Board (MB) approved public sector foreign borrowings in 2019 aggregating US$9.7 billion, higher by US$2.3 billion (31.8 percent) from the 2018 level of US$7.4 billion. Of the total amount, US$8.6 billion were foreign borrowings contracted by the National Government (NG) consisting of: (a) four [4] bond issuances aggregating to US$3.5 billion; (b) seven [7] project loans amounting to US$3.7 billion; and (c) four [4] program loans amounting to US$1.4 billion. The balance of US$1.1 billion is a loan by a government-owned and controlled corporation to refinance maturing liabilities arising from its debt and obligations from independent power producers and to augment its working capital requirements.

The NG foreign borrowings will fund projects on transport connectivity (roads and railways), water supply, agriculture development, flood management, and education, local governance and social welfare reform programs of the NG, as well as general financing requirements. Out of the US$8.6 billion total NG foreign borrowings in 2019, about 42.5 percent or US$3.6 billion will fund six (6) infrastructure flagship projects (IFPs) under the ‘Build, Build, Build’ program, which seeks to accelerate infrastructure spending and generate robust economic growth and employment.

External Debt Profile as of Q3 2019

As of end-September 2019, the Philippines’ outstanding external debt stood at US$82.7 billion, up by US$1.4 billion (or 1.7 percent) from the end-June 2019 level of US$81.3 billion. The outstanding public sector external debt stood at US$42.5 billion from US$42.3 billion in the previous quarter. About US$35.6 billion of public sector obligations were NG borrowings.
while the remaining US$7.0 billion pertained to loans of government-owned and controlled corporations, government financial institutions and the BSP. The country’s debt service ratio (DSR) has consistently remained at single digit levels. The DSR improved to 6.4 percent as of end-September 2019 from 7.0 percent for the same period a year ago. The DSR relates principal and interest payments (debt service burden) to exports of goods and receipts from services and primary income. It is a measure of adequacy of the country’s foreign exchange earnings to meet maturing debt obligations.

Meanwhile, the country's external debt ratio (a solvency indicator), or total outstanding debt expressed as a percentage of Gross National Income, decreased (an improvement) to 19.7 percent (end-September 2019) from 19.9 percent a quarter ago. The ratio indicates the country’s sustained strong position to service foreign borrowings in the medium to long-term.

Under Section 20, Article VII of the 1987 Constitution of the Republic of the Philippines, prior approval of the BSP, through its MB, is required for all foreign loans to be contracted or guaranteed by the Republic of the Philippines. Similarly, Letter of Instructions No. 158 dated 21 January 1974 also requires all foreign borrowing proposals by the National Government, government agencies and government financial institutions to be submitted for approval-in-principle by the MB before commencement of actual negotiations. The BSP’s role in external debt management is to keep external debt service requirements at manageable levels to ensure external debt sustainability.

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Orders for Qatar dollar bonds issue top $25 bln
07-Apr-2020
DUBAI, April 7 (Reuters) - Qatar received over $25 billion in combined orders for a planned issue of dollar-denominated bonds in tranches of 5, 10, and 30 years, a document showed on Tuesday.

There was a slight skew towards the 30-year bonds, the document showed. Qatar kept for the time being its initial price guidance unchanged at around 335 basis points over U.S. Treasuries for the 5-year, around +340 bps for the 10-year and around +475 bps for the 30-year tranche. The sale is expected to be completed on Tuesday.

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Qatar sells $10 bln bonds as it postpones project spending
07-Apr-2020
By Davide Barbuscia, Saeed Azhar and Yousef Saba
DUBAI, April 7 (Reuters) - Qatar sold $10 billion in bonds in tranches of 5, 10, and 30 years on Tuesday, the first Gulf state to raise cash in the debt markets against a backdrop of low oil prices and market uncertainty caused by the coronavirus pandemic.

The deal received over $44 billion in demand, two sources said, in a sign of strong investor appetite despite a plunge in crude prices that pushed up borrowing costs for governments of the oil-producing region.

A Dubai-based fund manager said that the deal was "successful" given its size. "They had to probably pay up relative to a normal environment, but you have to expect something like that in these current circumstances," the manager said.

Qatar offered interest equivalent to 300 basis points (bps) over U.S. Treasuries for a $2-billion five-year tranche, 305 bps over the same benchmark for a $3-billion 10-year tranche and 4.4% for the 30-year paper, a document issued by one of the banks leading the deal showed.

That was some 35 basis points below where it started marketing the paper earlier on Tuesday but still around 40 basis points above Qatar’s existing bonds due in 2024, 2029 and 2049, Refinitiv data showed.

The 30-year notes are Formosa bonds, or bonds sold in Taiwan by foreign borrowers and

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Qatar

Qatar to postpone $8 bln of contracts from projects due to coronavirus
07-Apr-2020
DUBAI, April 7 (Reuters) - Qatar’s ruler has asked the government to postpone $8.2 billion in unawarded contracts on capital expenditure projects due to the coronavirus outbreak, a bond prospectus seen by Reuters showed.

The spread of the coronavirus may continue to negatively impact the Qatari economy and financial markets and could lead to a recession, the Gulf state also said in the document, dated April 7.

Qatar on Tuesday started marketing a triple-tranche U.S. dollar-denominated bond.

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denominated in currencies other than the Taiwanese dollar.
"The bond sale's success will depend on the pricing, which will determine investor appetite for a deal," Castlereagh Associates, a London-based research consultancy, said in a note this week. "The Qatari leadership will want to steal ahead of its neighbours and demonstrate there is demand for the issue."
Qatar hired Barclays, Credit Agricole, Deutsche Bank, JPMorgan, QNB Capital, Standard Chartered, and UBS to arrange the debt sale. The presence of an American bank, JPMorgan, in the group of advisers was a sign that Qatar was aiming to tap as much global liquidity as possible, said a source close to the deal. JPMorgan declined to comment.
Only European and Qatari banks had arranged Qatar's public dollar bonds after an embargo imposed on Doha by neighbouring countries since mid-2017 in a row over security issues.

**VIRUS IMPACT**

The bond prospectus, seen by Reuters, said the new coronavirus outbreak could continue to hurt Qatar's economy and financial markets, and could even lead to recession this year.

Qatar's ruler, Emir Sheikh Tamim bin Hamad al-Thani, has asked the government to postpone $8.2 billion of unawarded contracts on capital expenditure projects, the prospectus said. A government spokesman did not respond to a request for comment.
Lower oil prices have "had a significant impact" on state revenues and financial conditions, the prospectus said. The oil and gas sector contributed 83.3% of Qatar's total revenue in 2018 and 34% of its total nominal GDP last year.
"Almost every economy will contract this year, and Qatar has done well with crisis management in the past ten years," said Richard Segal, a senior investment analyst at Manulife Asset Management. "Thus, I don't think investors will be too concerned."
Other governments in the region are also exploring funding options.
"If oil prices are staying on average where they are, the whole Gulf will decide to issue bonds and obviously they'll be competing on liquidity, so (Qatar) pre-empting on all of that and issuing before is not a bad decision," the Dubai fund manager said.

(Editing by David Goodman and Nick Zieminski)

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**Qatar returns to bond market with US$10bn issuance**

08-Apr-2020

On April 7th the government raised US$10bn through the issue of five-, ten- and 30-year international bonds.

**Analysis**

The sale was the first venture into international capital markets by a Gulf sovereign since the coronavirus pandemic took hold in late February, devastating global economies as well as causing world stockmarkets to crash and investors to flee emerging markets. The Qatari budget and economy are heavily dependent on gas and, to a lesser extent, oil revenue-both of which are at record lows owing to the global collapse in energy demand and the oil price slump. We forecast that real GDP will contract in 2020, by 1.5%.

Nonetheless, the sovereign retains a high investment-grade credit rating and a comfortable financial cushion, boasting a strong financial environment. In the event, investors jumped at the generous premium offered over the yield on the state's existing bonds, and orders exceeded US$40bn. The US$2bn five-year and the US$3bn ten-year tranches were priced respectively at 300 and 305 basis points over US Treasuries. The US$5bn of 30-year securities-sold as a Formosa bond (a bond issued in Taiwan but denominated in a currency other than the New Taiwan Dollar)-offered at 4.4% yield. The sovereign's previous bond issue was a US$12bn triple-tranche offering in March 2019.

Despite owning plentiful reserves of both foreign-exchange and assets, the debt-pricing that proved attainable appears to have been judged a cheaper means of funding the impending fiscal shortfall than liquidating holdings-many of which are relatively illiquid-while high levels of global economic and energy market uncertainty argue for conserving cash in case of tougher times ahead. New sovereign
issuance also provides a benchmark for local corporates in both the public and private sectors—likewise feeling the pain of the pandemic’s wide-ranging economic fallout—to access international capital. The government’s intention to take a proactive fiscal stance in tackling the crisis, in the hope of laying the foundations for a swifter economic rebound, was signalled by a QR75bn (US$20.6bn) stimulus package unveiled in mid-March to support the local private sector. Some major state-affiliated corporates may also require direct bail-outs, notably Qatar Airways, the flag carrier, which is struggling to survive the virtual stasis in international passenger travel.

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Saudi Arabia

Moody’s Says Saudi Arabia’s Credit Profile Is Underpinned By Government’s Robust, Albeit Deteriorating, Balance Sheet

08-Apr-2020
April 8 (Reuters) - Moody's:
• Moody's says Saudi Arabia's credit profile is underpinned by government’s robust, albeit deteriorating, balance sheet
• Moody's says Saudi Arabia's government revenue remains vulnerable to declines in oil prices, such as the one triggered by the coronavirus pandemic
• Moody's says Saudi Arabia's credit profile is supported by substantial external liquidity buffers
• Moody's says social pressures, crystallization of geopolitical risks and the oil price shock could slow or reverse Saudi Arabia’s reform progress
• Moody's, on Saudi Arabia, says challenges posed by high unemployment, population growth risk slowing reforms aimed at reducing vulnerability to decline in oil prices
• Moody's says the stable outlook reflects view that risks to Saudi Arabia’s credit profile are broadly balanced
• Moody's, on Saudi Arabia, says credit challenges include political risks stemming from geopolitical tensions

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The Gulf kingdom raised its debt ceiling last month to 50% of GDP from 30%. Less wealthy Gulf oil producers Bahrain and Oman have also approached their usual banks over the past month about potential loans as bond market volatility would make it more expensive for them to issue paper to global investors, sources have said.

(Additional reporting by Yousef Saba and Alexander Cornwell; Editing by David Clarke)

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South Korea

Moody’s Provides Update on Government of Korea Following Forecast Change

06-Apr-2020
April 6 (Reuters) - Moody’s:

- Moody’s provides update on government of Korea following forecast change
- Moody’s says Korea’s credit profile balances very strong fundamentals against exposure to event risk due to persistent geopolitical tensions
- Moody's says AA2 stable on Korea reflects view that Korea’s credit strengths and challenges are balanced
- Moody's - expect Korea’s credit fundamentals to remain strong over next few years & its fiscal, external buffers impart some resilience to adverse shocks
- Moody’s says expect consequent negative impact on Korea’s sovereign profile from outbreak of the coronavirus to be limited
- Moody’s says longer-term credit constraints for Korea are predominantly centered on government’s ability to implement structural reforms
- Moody’s says given the absence of a well-defined path toward permanent peace on the Korean peninsula, it expects tensions to periodically recur

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National debt-2019 South Korea’s national debt tops 1,700 tln won in 2019

07-Apr-2020
National debt-2019
South Korea’s national debt tops 1,700 tln won in 2019
SEOUl, April 7 (Yonhap) -- South Korea’s national debt grew sharply from a year earlier in 2019, breaching the 1,700 trillion-won mark for the first time, a government report showed Tuesday.

The country’s national debt came to 1,743.6 trillion won (US$1.42 trillion) as of end-2019, up 60.2 trillion won from a year earlier, according to the settlement of state accounts, reviewed and endorsed by the Cabinet in a Seoul meeting.

Government debt, which includes debt owed by local governments, came to 728.8 trillion won, also up 48.3 trillion won from 2018 and breaching the 700 trillion-won mark for the first time in history.

The amount translates into about 14.09 million won in per capita debt.

Such a sharp increase in government debt was largely attributed to a rise in outstanding government bonds, which jumped 50.9 trillion won from a year before in 2019, amid a cut in tax revenue and an increase in spending.

The government posted a 1.3 trillion-won deficit in tax revenue last year, while its extraordinary expenditures gained 10.5 trillion won from a year earlier.

Its consolidated fiscal balance came to a 12 trillion-won deficit, marking a turnaround from a 31.2 trillion-won surplus in 2018.

Still, the ratio of the country’s government debt to its gross domestic product came to 38.1 percent at end-2019, nearly unchanged from a year earlier.

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South Korea central bank to conduct outright purchase of 1.5 trln won t-bond

09-Apr-2020
SEOUl, April 9 (Reuters) - South Korea’s central bank said on Thursday it will conduct outright purchases of treasury bonds worth 1.5 trillion won ($1.23 billion) to stabilise the bond market.

“The Bank of Korea plans to carry out outright purchase of treasury bonds to improve the supply and demand conditions in the bond market through the expansion of bond purchasing capacity of financial institutions,” it said in a statement.

The bank also said it will target three different maturities, the 5-, 10-, and 20-year, in its auction to take place on Friday.

($1 = 1,217.1700 won)
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United Arab Emirates

Dubai bailout would spark a complex

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quid-pro-quo

07-Apr-2020
By George Hay

LONDON, April 7 (Reuters Breakingviews) - Dubai could be headed for bailout Groundhog Day. In 2009, the emirate received a $20 billion lifeline from the United Arab Emirates’ central bank and its richer UAE neighbour, Abu Dhabi. Given the mess Covid-19 could make of Dubai’s open economy, a repeat is far from impossible.

Dubai’s $135 billion total debt exceeds its gross domestic product, with over half owed by so-called Government Related Enterprises that were a key headache last time round. With $43 billion of the latter’s borrowings coming due by 2024, a budget deficit, an oversupplied property market and anti-virus measures that Capital Economics reckons could knock 6% off GDP, the risk is foreign investors get nervous. The cost of insuring Dubai’s debt against default has tripled to over 300 basis points since February.

Yet Dubai ruler Sheikh Mohammed bin Rashid al-Maktoum deserves some slack. His domain’s relatively open credentials make it more vulnerable to the coronavirus than regional peers. A third of the economy depends on industries like retail and tourism, and the vast majority of workers are expats or migrants. Dubai property prices have been sliding since 2014. The authorities had pinned their hopes - and a 17% jump in public spending in 2020 – on the World Expo scheduled for later this year. It has now been postponed.

Crown Prince Mohammed bin Zayed al-Nahyan (MBZ), Abu Dhabi’s de facto leader, can afford a bailout. The emirate’s foreign exchange reserves and wealth fund have assets of over $1 trillion, and its current account balances with oil at around $30 a barrel. That means Abu Dhabi can both protect the UAE’s exchange rate, which is pegged to the U.S. dollar, and help struggling neighbours. The question is what MBZ asks for in return.

Following the 2009 bailout Dubai renamed the world’s tallest building, the Burj Khalifa, after Abu Dhabi’s ruler. A similar tribute this time might theoretically see Emirates, Dubai’s profitable airline, handed over to Abu Dhabi, or the Expo rebranded as a pan-UAE event.

Yet Dubai can hardly be blamed for Covid-19 economic fallout. It can also argue that hostility to Iran and the 2017 blockade of Qatar – both initiatives backed by MBZ – have caused economic weakness. A better display of UAE unity might be a bailout with fewer strings attached.

CONTEXT NEWS
- Dubai is in talks to raise funds to shore up its finances to deal with the coronavirus which has shut down much of the economy, Bloomberg reported on April 6.
- The United Arab Emirates’ Department of Finance is holding discussions with banks about a potential bond sale or loan, Bloomberg reported. Talks are at an early stage and no final decision has been made, they said. A representative for Dubai’s Department of Finance declined to comment.
- The UAE last month announced a 50 billion dirham ($13.6 billion) aid package for banks through collateralised, zero-interest loans. Lenders are also allowed to free up capital buffers, which will make another 50 billion dirhams available.

(Editing by Peter Thal Larsen and Karen Kwok) ((george.hay@thomsonreuters.com; Reuters Messaging: george_hay.thomsonreuters.com@reuters.net)) (c) Copyright Thomson Reuters 2020. ©Refinitiv 2020. All rights reserved.

Abu Dhabi sells $7 billion in bonds after Qatar’s jumbo issue

08-Apr-2020
By Davide Barbucia and Yousef Saba

DUBAI, April 8 (Reuters) - Abu Dhabi sold $7 billion in bonds on Wednesday, sources said, following Qatar’s $10 billion debt sale on Tuesday, as Gulf states seek extra liquidity amid low oil prices and the coronavirus outbreak.

Considered the best credit in the region, oil-rich Abu Dhabi - the capital of the United Arab Emirates - received around $44 billion in orders for the debt sale, the sources said. But a plunge in oil prices which has raised borrowing costs of Gulf oil exporters meant it had to offer investors a premium. A spokesman at Abu Dhabi’s department of finance did not respond to requests for comment.

Like Qatar, Abu Dhabi sold debt in three tranches of five, 10 and 30 years. It offered an interest rate equivalent to 220 basis points higher than what S&P and Fitch reckon could knock 6% off GDP, the risk is foreign investors get nervous.

"Whilst the spreads paid on the Abu Dhabi deal may seem outrageous relative to six weeks ago, the issuance is important to set a benchmark for the quasi-sovereign, financial institutions and high grade corporate issues to reference," said Doug Bitcon, head of credit strategies at Rasmala Investment Bank.

STRENGTH
Abdul Kadir Hussain, head of fixed income asset management at Arqaam Capital, said the deal "seems to have generated strong interest with a $44 billion order book ... And while pricing is still wider than pre-crisis levels they were able to tighten it substantially from launch levels."

Earlier on Wednesday, the emirate - rated AA by S&P and Fitch - had started marketing the paper with spreads 45 basis points higher than what was finally offered. Investors sold Gulf debt last month in
consideration of the strain lower oil revenues would put on the budgets of regional governments following the collapse of an output cuts deal among international producers which sent oil prices tumbling. Abu Dhabi hired BofA Securities, Citi, First Abu Dhabi Bank, HSBC, JPMorgan, and Standard Chartered to arrange the debt sale. Qatar got around $45 billion in orders for its $10 billion bonds on Tuesday but ended up offering some 40 bps over its existing curve. "This week, the market has been solid and you don't know when this market shuts down again. So I think everyone just wants to take the money that is available on the plate," a debt banker said. Most governments in the Gulf region are exploring debt-funding options. As of April 8, the UAE had registered a total of 2,659 cases of coronavirus. The pandemic has brought vital sectors of its economy, such as tourism and transportation, to a near standstill.

(Editing by Larry King and Ken Ferris)
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**Uzbekistan**

**Uzbek president orders $3.1 bln central bank support package**

09-Apr-2020

TASHKENT, April 9 (Reuters) - Uzbek President Shavkat Mirziyoyev ordered the central bank on Thursday to provide 30 trillion sum ($3.1 billion) to banks to support local producers' working capital, his office said. The move is designed to help companies maintain output despite the disruptions caused by the coronavirus pandemic, it said in a statement.

The Central Asian nation of 34 million has locked down all of its provinces and some major cities to curb the spread of the virus which has infected 582 people, three of whom have died.

Its economy is also taking a hit from the plunge in energy prices due to its dependence on gas exports and remittances from millions of Uzbek working in Russia, a major oil exporter. To soften the impact, banks - which have already implemented a standstill on consumer loans - must focus on projects that create jobs and consider extending special loans to help companies pay wages and salaries, Mirziyoyev said.

(Reporting by Mukhammadsharif Mamatkulov; writing by Olzhas Ayuezov, Editing by William Maclean, Kirsten Donovan)
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**Vietnam**

**Fitch Revises Outlook on Vietnam to Stable; Affirms at 'BB'**

08-Apr-2020

Fitch Ratings-Hong Kong-April 08: Fitch Ratings has revised the Outlook on Vietnam's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable, from Positive, and has affirmed the rating at 'BB'.

KEY RATING DRIVERS

The Outlook revision reflects the impact of the escalating COVID-19 pandemic on Vietnam's economy through its tourism and export sectors, and weakening domestic demand. The affirmation reflects Vietnam's strong medium-term growth prospects, lengthening record of macrostability, lower government debt levels and stronger external finances compared with peers, including foreign-exchange reserves built up over the previous few years during more favourable economic conditions.

Fitch projects Vietnam's GDP growth to slow to 3.3% in 2020, from 7.0% in 2019, on account of the pandemic. This would be the lowest annual growth rate since the mid-1980s. Growth in 1Q20 slowed to 3.8%, from about 7.0% in 4Q19. The 2020 forecast is highly uncertain and subject to downside risk, depending on the evolution of the pandemic, both within Vietnam and in its major export markets. Vietnam has so far recorded a relatively low number of COVID-19 cases, but these could increase, and large parts of the country are already subject to curbs on economic and business activity to prevent the spread. The tourism and export sectors are particularly vulnerable to weaker activity. Tourism accounts for about 10% of GDP directly, but its contribution to overall GDP is considerably higher through indirect spillovers. Tourist arrivals for March fell by about 68% yoy.
baseline assumes the outbreak is contained by the second-half of this year and the global tourism industry starts to recover at a gradual pace.

We expect exports to contract sharply, given the fall in demand in Vietnam's key export markets, including the US and China, although the latter has begun to recover; about 23% of total exports were to the US at end-2019, while about 16% were to China. Weak export demand will affect foreign direct investment (FDI) inflows into the manufacturing sector. Realised FDI in 1Q20 was down by 6.6% from a year ago.

We expect the current account to shift to a modest deficit in 2020, from a surplus of around 3.0% in 2019, as exports, tourism and remittances decline. However, it should return to surplus in 2021 as the global economy recovers. Fitch has used provisional numbers for the revised GDP series, for these calculations.

Domestic demand is likely to stay muted as strict measures aimed at maintaining social distancing to contain spread of the virus are put in place. The authorities are implementing policies to mitigate the impact, including relief measures to assist households and the tourism and transport sectors. Specifics include payment extensions for value-added, personal income and land taxes for those affected by the outbreak, and cash handouts to workers who have lost jobs.

The relief package to combat COVID-19 so far amounts to VND171 trillion (around 2.1% of GDP). Additional measures may be introduced if downward economic pressures intensify, including an acceleration of infrastructure spending.

Fiscal consolidation is likely to be delayed due to the pandemic relief measures and higher spending to cushion the economic impact of the outbreak. We expect the budget deficit to widen to 6.5% of GDP in 2020, from an estimated 3.4% in 2019, and for gross general government debt to increase to 42.5% of GDP, from about 38% of GDP in 2019, which is in line with the 'BB' median. The projected deficit and debt levels could rise if the outbreak lasts longer than we expect. Our calculations are based on the provisional numbers for the revised GDP series.

The State Bank of Vietnam (SBV) has eased monetary policy since September last year by a cumulative 125bp cut in the policy rate, including 100bp in March. The exchange rate has weakened marginally against the US dollar, and by much less than regional peers. Foreign exchange reserves have increased in recent years, providing the SBV some capacity to stabilise currency volatility. Foreign currency reserves reached a record high of USD78.5 billion in 2019, driven by inflows associated with a large current-account surplus, foreign currency purchases by the SBV and significant FDI inflows as Vietnam benefitted from trade diversion from the US-China trade dispute. Vietnam's external liquidity ratio is likely to remain far above the 'BB' median, at around 300%, under our baseline assumptions.

We expect economic momentum to rebound in 2021, with growth projected at 7.3% as external and domestic demand gradually recover in line with global and regional trends. Exports and tourism are likely to rebound and FDI in the manufacturing sector should pick up, supporting strong medium-term growth prospects.

The 'BB' IDR also reflects the following key rating drivers:

Contingent liability risks associated with legacy issues at large state-owned enterprises are a weakness for Vietnam's broader public finances, although government debt and guarantees have fallen over time. Government guarantees issued to state-owned entities and potential banking-sector recapitalisation costs also weigh on public finances. We estimate gross general government debt/GDP at 37.8% at end-2019.

In September 29, payment on a government-guaranteed loan contracted by the Ministry of Transport was delayed. Authorities say this was due to a lengthy procedure in utilising an accumulation fund for debt repayment of realised government contingent liabilities. Steps have been taken to ensure the smooth and timely execution of future payments, including an allocation of funds for upcoming guaranteed payments in the 2020 budget and a directive to the Ministry of Finance and other agencies to allocate sufficient resources to ensure timely payments. Furthermore, Fitch understands that measures have been taken to improve coordination between the Ministry of Finance, Ministry of Planning and Investment and the Ministry of Transport.

Structural weaknesses in the banking sector weigh on the sovereign rating. The banking system's non-performing loans remain under-reported and asset quality is likely to be weaker than official data indicate. Some banks also continue to grapple with legacy non-performing loans. The economic downturn in 2020 will exert downward pressure on bank balance sheets, and could ultimately pose risks to the sovereign balance sheet. Mitigating these risks is a sharp slowdown in credit growth, which fell to 0.7% at March end-2020 compared to end-2019 level), and progress in reducing non-performing loans; loan recoveries by Vietnam Asset Management Company (VAMC) amounted to VND32.7 trillion in 2019. By end-2019, 12 commercial banks, including Kienlongbank, Joint Stock Commercial Bank For Foreign Trade of Vietnam (BB-/Positive), Vietnam International Commercial Joint Stock Bank and Vietnam Technological And Commercial Joint Stock Bank, had settled all their bad debt through VAMC. By end-March 2020, there were two additional banks, the Joint Stock Commercial Bank for Investment and Development of Vietnam and VietCapital Bank Vietnam's per capita income and human development indicators are weaker than those of peer medians. Fitch estimates per capita income was USD 3,419 at end-2019, against the 'BB' median.
median of USD6,188. Furthermore, Vietnam is in the 38th percentile on the UN Human Development Index, compared with the 'BB' median’s 55th percentile. The country’s World Bank Governance Indicator ranking is in the 41st percentile, still below the peer median. On the Ease of Doing Business Index, however, Vietnam ranks in the 64th percentile, above the 'BB' median of the 60th percentile.

ESG - Governance: Vietnam has an ESG Relevance Score of '5' for Political Stability and Rights as well as for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. These scores reflect the high weight that the World Bank Governance Indicators have in our proprietary Sovereign Rating Model. Vietnam has a medium ranking at the 41st percentile, reflecting a recent peaceful political transition, a moderate level of rights for participation in the political process, moderate institutional capacity, and a high level of corruption compared with peers.

SOVEREIGN RATING MODEL (SRM) AND QUALITATIVE OVERLAY (QO)
Fitch's proprietary SRM assigns Vietnam a score equivalent to a rating of 'BBB' on the Long-Term Foreign-Currency IDR scale. In accordance with its rating criteria, Fitch’s sovereign rating committee decided not to adopt the score indicated by the SRM as the starting point for its analysis at this stage because in our view, the SRM output migration to 'BBB' has the potential to be temporary.

Assuming an SRM output of 'BBB-', Fitch’s sovereign rating committee adjusted the output to arrive at the final Long-Term IDR by applying its QO, relative to rated peers, as follows:

- Structural Factors: -1 notch to reflect risks to macroeconomic stability, including rapid credit growth and unresolved legacy issues in the banking sector, to which Fitch assigns a Bank Systemic Risk indicator of 'b'.
- Public Finances: -1 notch to reflect high contingent liability risks stemming from government guarantees for state-owned enterprises and potential Banking sector recapitalisation costs.

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

RATING SENSITIVITIES
Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:
- Sustained record of macroeconomic stability, demonstrated in part by greater policy flexibility, including that related to the external sector to ensure adequate currency flexibility and maintenance of foreign exchange buffers.
- Improvement in public Finances, reflected in smaller budget deficits or a decline in the general government debt ratio or contingent liabilities.
- A material reduction in risks posed to the sovereign balance sheet from weaknesses in the banking sector.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:
- A shift in the macroeconomic policy mix that results in macroeconomic instability or an increase in macroeconomic imbalances.
- Crystallisation of contingent liabilities on the sovereign's balance sheet.
- Depletion of foreign-exchange reserves; for instance, through a decline in foreign investment on a scale sufficient to destabilise the economy.

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

KEY ASSUMPTIONS
The global tourism industry experiences a gradual recovery extending into 2021 after the initial, sharp shock from the COVID-19 pandemic this year.

Global Economic assumptions are consistent with Fitch’s latest global economic outlook. References for substantially material source cited as key driver of rating
The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations
Vietnam has an ESG Relevance Score of 5 for Political Stability and Rights, as World Bank Governance Indicators have the highest weight in Fitch’s SRM and are highly relevant to the rating and a key rating driver with a high weight.

Vietnam has an ESG Relevance Score of 5 for Rule of Law, Institutional Regulatory Quality and Control of Corruption, as World Bank Governance Indicators have the highest weight in Fitch’s SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight.

Vietnam has an ESG Relevance Score of 4 for Human Rights and Political Freedoms, as strong social stability and voice and accountability are reflected in the World Bank Governance Indicators that have the highest weight in the SRM. They are relevant to the rating and a rating driver.

Vietnam has an ESG Relevance Score of 4 for...
Creditor Rights, as willingness to service and repay debt is relevant to the rating and is a rating driver for the US, as for all sovereigns. Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity (ies), either due to their nature or to the way in which they are being managed by the entity (ies).

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Vietnam in talks to borrow $1 bln as budget deficit seen widening
10-Apr-2020
HANOI, April 10 (Reuters) - Vietnam plans to borrow $1 billion from foreign lenders this year, the Ministry of Finance said Friday, adding that the country's budget deficit is seen widening this year due to the coronavirus outbreak.
"The Finance Ministry is negotiating with potential lenders (IMF, WB and ADB)," the ministry said in a statement posted on its website, referring to the International Monetary Fund, the World Bank and the Asian Development Bank. It did not give further details.
It said Vietnam's budget deficit is expected to widen by 1.5-1.6 percentage point to 5%-5.1% of gross domestic product due to the impact of the coronavirus.
The country will lose 140-150 trillion dong ($5.94-$6.37 billion) in state budget revenue this year, if the virus pandemic is contained within the second quarter, it added.

(1$ = 23,550 dong)
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EU to provide Armenia with 92 million euros to fight coronavirus
09-Apr-2020
YEREVAN, April 9 (Reuters) - The European Union is ready to provide 92 million euros ($100 million) to help support Armenia's economy and healthcare system as it battles to curb the South Caucasus' worst outbreak of the new coronavirus.
In a further boost for Armenia, the International Monetary Fund said its mission had reached an agreement with the government under an existing programme for a funding increase of about $175 million, subject to approval by the IMF's executive board.
The former Soviet republic of around 3 million people had reported 921 cases of the virus by Thursday. Ten people have died after contracting the virus.
The EU said the 92 million euros it will provide will be directed at supplying medical devices and equipment, training for medical and laboratory staff, support for small and medium-size enterprises, the business community and social and humanitarian assistance for those affected by the virus.
The IMF said in a statement that its additional funding would help the authorities meet "urgent medical and socio-economic needs" during the coronavirus outbreak and help preserve the gains in Armenia's "economic potential and inclusion" in recent years.
The Fund said Armenia's economic growth was expected to be -1.5% this year, revising down its previous growth forecast of 4.8%, "given COVID-related restrictions on domestic mobility and activity, substantially lower external demand, tighter financial conditions, and disruptions in global trade and supply chains."
The government in neighbouring Georgia also expects support from international financial institutions.
Selim Cakir, the International Monetary Fund's resident representative in Georgia, said in an open letter that the IMF and a range of international bodies including the World Bank Group and Asian Development Bank as well as France and Germany were discussing a substantial financial relief package.
Bildza Ivanchivili, the ex-Soviet country's richest man and leader of the ruling Georgian Dream Party, transferred 100 million lari ($31 million) to a special support fund. The total amount of transfers from Georgian private companies and businessmen totalled more than...
The country of 3.7 million had reported 218 coronavirus cases as of Thursday, with three deaths.

($1 = 0.9205 euros)

(Nvard Hovhannisyan in Yerevan, Margarita Antidze in Tbilisi; Writing by Margarita Antidze; Editing by Timothy Heritage)

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Belarus

Moody's Says Changed Outlook for Belarus' Banking System to Negative from Stable
08-Apr-2020
April 8 (Reuters) - Moody's:
• Moody's says changed outlook for Belarus' banking system to negative from stable
  • Moody's says outlook reflects expectation that downturn in various sectors of Belarus' economy due to coronavirus outbreak will weigh on GDP growth
  • Moody's - Belarus government's willingness to support banking system will remain high, but capacity to do so will weaken as foreign currency reserves shrink
  • Moody's says it expects Belarus' real GDP to shrink in 2020 due to impact of coronavirus outbreak
  • Moody's says it expects Belarus banks to restructure loans to support borrowers
  • Moody's says Belarus banks' large exposures to state-owned enterprises remain tail risk
  • Moody's says Belarus banking sector's reliance on wholesale market funding will remain low, with customer deposits remaining dominant funding source
  • Moody's says it expects that Belarus government’s foreign-currency reserves will shrink in 2020

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Bosnia

Bosnia to get 330 mln euro in IMF crisis financing if entities first agree on funds' distribution
09-Apr-2020
SARAJEVO (Bosnia and Herzegovina), April 9 (SeeNews) - The International Monetary Fund (IMF) said it has approved doubling its pledge of emergency financing to Bosnia and Herzegovina in the context of the coronavirus crisis to 330 million euro ($360 million), but warned the country will not receive the funding before its authorities agree on how to spend it.

Following a decision by the IMF's Executive Board to increase the amount of emergency assistance available to member countries, the IMF now stands ready to provide 330 million euro to Bosnia under a Rapid Financing Instrument (RFI) to combat the COVID-19 crisis, the IMF resident representative, Andrew Jewell, said in a statement earlier this week.

"However, before the RFI can be approved, the authorities must first reach an agreement on how the RFI funds will be allocated between the two entities. Failure to reach an agreement will result in postponement of the assistance, Jewell said, urging authorities to work together to reach an agreement as soon as possible."

The Executive Board currently has over 90 requests for emergency assistance, and it may be difficult to find another date in the near future for the Board to consider Bosnia's request, he noted.

Bosnia has two autonomous entities - the Federation and the Serb Republic, each with its own government and parliament. The Federation is further divided into ten cantons with their own governments and parliaments. In addition, the country has a state-level government and parliament, mainly in charge with Bosnia's foreign affairs and its relations with international lenders.

Earlier this week, local media cited the member of Bosnia’s tri-partite presidency representing Bosnian Serbs, Milorad Dodik, as saying that the two entities have not yet reached an accord on how to distribute the IMF funding. Dodik has expressed hope such an agreement will be reached in the coming days, adding that within the Federation itself there is still no agreement on how to divide the funding among its ten cantons.

Last month, Bosnia's state-level Prime Minister Zoran Tegeltija said the state government plans to use the IMF financing to support the country's health system, as well as to provide direct support to the local economy.

Last week, Tegeltija asked international financial institutions to provide jointly at least 600 million euro in support of the Bosnian economy and healthcare system affected by the coronavirus crisis.

($=0.915226 euro)

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Bulgaria

Bulgaria can raise up to $5.5 bln in new debt in 2020
06-Apr-2020

PDM Network Weekly Newsletter on Emerging Markets
For information, contact the PDM Network Secretariat at: Publicdebtnet.dt@tesoro.it
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Bulgaria can raise up to 10 billion levs ($5.52 billion) this year, almost five times more than initially planned, to alleviate the economic impact of the coronavirus pandemic and finance an expected fiscal gap, parliament decided on Monday.

The lawmakers rubber-stamped a revision in the 2020 state budget that sets a new fiscal deficit target of 3% of GDP and expects the small, open economy to contract by 3% this year because of the coronavirus crisis.

The Balkan country has closed schools, restaurants and bars and restricted travel between cities to contain the spread of the respiratory disease. Over 40,000 people in the country of 7 million have lost their jobs as businesses limit or halt operations. Infections have risen to 549, including 22 deaths.

"We are at the beginning of an unpredictable economic crisis," Finance Minister Vladislav Goranov told parliament.

"By increasing the limit of the state debt, I will seek the most optimal decisions to finance the budget and let’s hope we would not need to reach the limit," he said.

Bulgaria, one of the poorest but least indebted European Union member states, can tap global markets by up to 4.8 billion euros ($5.18 billion) this year, lawmakers said.

It can also tap the local market, where it has already sold treasury bonds worth 1 billion levs since January. The Finance Ministry plans to auction 10.6-year bonds next Monday and raise a further 200 million levs.

Bulgaria has pegged its leu currency to the euro under a currency board arrangement that prevents the central bank from setting interest rates and leaves fiscal policy as the main tool to influence the economy.

Goranov has said raising debt is the only way for the country under a currency board to ensure enough liquidity. He has rejected for the time being initial plans from his ruling GERB party to have an option for a loan from the International Monetary Fund.

Bulgaria has prepared an aid package that includes portfolio loan guarantees to companies and interest-free loans for small businesses and workers on unpaid leave, as well as covering 60% of workers' salaries in the coronavirus-hit firms. The banks are expected to come up later this week with a plan to delay payments on bank loans.

($1 = 1.8123 leva)
($1 = 0.9262 euros)

(Bulgarian parl adopts revised budget)

07-Apr-2020

SOFIA (Bulgaria), April 7 (SeeNews) - Bulgaria’s parliament said it has adopted changes to the country’s 2020 balanced budget that envisage a deficit equivalent to 2.9% of gross domestic product (GDP), or 3.5 billion levs ($2 billion/1.8 billion euro), to meet spending needs arising from the coronavirus pandemic.

The revision proposed by the government ensures enough funds for counteracting the spread of the novel coronavirus disease in the country and limiting the economic impact of the state of emergency imposed due to the disease, the parliament said in a statement just before midnight on Monday.

The changes also include an increase in the maximum amount of new debt that the government is authorised to take on to 10 billion levs from 2.2 billion levs.

Budget revenue is expected to be 2.44 billion levs lower than initial projections as income from taxes will likely fall short of expectations. The revised budget also includes an additional 1 billion levs in spending for measures in support of employment into the budget.

Initially, budget revenue and expenses were both projected at 46.8 billion levs in 2020. Bulgaria is currently in a state of emergency as cases of the novel coronavirus disease in the country totalled 541 as of Monday.

(1 euro = 1.95583 levs)
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Bulgaria preparing additional support for coronavirus-hit micro-enterprises

09-Apr-2020

SOFIA (Bulgaria), April 9 (SeeNews) - Bulgaria’s government is working on providing additional financial support to micro-enterprises with up to 20 employees in order to help them withstand the coronavirus crisis, deputy Prime Minister Tomislav Donchev said.

This support programme will be worth no less than 200 million levs ($111.7 million/102.3 million euro), Donchev said in a video file published on the website of local private bTV station on Wednesday.

The procedure under which small enterprises can apply for state support and receive it is planned to be very simplified, provided they meet some requirements known in advance, the deputy prime minister noted.

A possible requirement for such companies will be to provide proof that they have recorded a 20% year-on-year drop in revenue since the start of the countrywide state of emergency imposed on March 13 due to the coronavirus disease (COVID-19) pandemic, Donchev also said.

"We should not allow mass bankruptcies to happen," he added.

Earlier this week, the parliament adopted

targeting 2.9%/GDP deficit

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changes to Bulgaria’s 2020 balanced budget that envisage a deficit equivalent to 2.9% of gross domestic product (GDP), or 3.5 billion levs, to meet spending needs arising from the coronavirus pandemic. The changes also include an increase in the maximum amount of new debt that the government is authorised to take on in 2020 to 10 billion levs from 2.2 billion levs.

However, the new debt ceiling does not mean that the country will borrow 10 billion levs, as this is just a framework, Donchev said in the video file, adding there is no guarantee that the proceeds of the debt will be spent in full.

As regards restrictions aimed at containing the spread of the virus, Donchev said that the government is ready to relax them or introduce tougher ones depending on how the situation unfolds. He added that the restrictions will be relaxed only after the peak in reported COVID-19 cases in the country, which is expected around the end of April.

As of Thursday, there are 611 confirmed COVID-19 cases in Bulgaria, including 24 deaths related to the disease as well as 48 recoveries. Bulgaria will be in a state of emergency until May 13.

(1 euro = 1.95583 levs)
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Croatia

Croatian parl endorses rise in 2020 borrowing above 26.8 bln kuna (3.5 bln euro)
07-Apr-2020
ZAGREB (Croatia), April 7 (SeeNews) - The Croatian parliament said on Tuesday it has given the government the green light to increase this year’s borrowing above the 26.8 billion kuna ($3.8 billion/3.5 billion euro) threshold originally set in the 2020 budget bill.

Apart from approving the above budget amendment, at its Tuesday session the parliament also supported the second stimulus package of anti-coronavirus measures adopted by the government earlier in April, the national assembly said in a news release authored by state news agency Hina.

The government said last week that as part of the new measures, it will raise to 4,000 kuna from 3,250 kuna the minimum net wage it is paying out to the employees of troubled companies for the months of April and May. In the first stimulus package adopted in March, the government pledged to pay out 100% of minimum net wages in companies if employers do not lay off workers.

Under the April package, the government is also taking over the payment of social and pension contributions for the increased monthly income, which means a further 1,460 kuna per employee, or an overall 5,460 kuna per employee. Thus, the overall cost of the measure for preserving jobs for March, April and May reaches 8.5 billion kuna.

The new package also frees firms with revenue of less than 7.5 million kuna (93% of all Croatian firms) and a drop of more than 50% in revenue due to the coronavirus crisis, from the need to pay profit tax, income tax or contributions.

In addition, all companies are now able to postpone the payment of value added tax until they receive payment on invoices issued to their counterparties.

The latest measures are complemented by new regulations specifically targeted at supporting agriculture and tourism.

The government adopted its first set of anti-crisis financial measures worth 30 billion kuna ($4.3 billion/3.9 billion euro) in the middle of March, including deferral of payment of income and profit tax, social, health and pension contributions by three months, with an option to be postponed by a further three months. The measures also included interest-free loans to municipalities, cities and counties, as well as to the country’s health and pension insurance institutes up to the amount of the due taxes and contributions whose payment has been deferred.

Moreover, state-owned development bank HBOR and commercial banks are ready to freeze and delay loan repayments, as well as to provide financing for working capital and for restructuring of existing loans.

(1 euro = 7.62862 kuna)
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Croatia will need 70 bln kuna (9.2 bln euro) to meet anti-corona crisis spending in next three months
08-Apr-2020
ZAGREB (Croatia), April 8 (SeeNews) - Croatia will need some 65-70 billion kuna ($93.3-10 billion/8.5-9.2 billion euro) in the next three months to cover the cost of the government's anti-coronavirus economic stimulus measures, finance minister Zdravko Maric said on Wednesday.

"Our focus at this moment is mainly on the domestic market, but parallel to this we are working on all activities needed for tapping the international markets," Maric said in an interview with local broadcaster N1 TV, as seen in a video file on its website.

Maric added that the government is considering not only tapping the international financial markets, but drawing loans from partner financial institutions such as the European Investment Bank, the World Bank and others, as well as the EU and its mechanisms. Earlier in April, the government adopted a second stimulus package of anti-coronavirus...
measures, raising to 4,000 kuna from 3,250 kuna the minimum net wage it is paying out to the employees of troubled companies for the months of April and May. In the first stimulus package adopted in March, the government pledged to pay out 100% of minimum net wages in companies if employers do not lay off workers.

Under the April package, the government is also taking over the payment of social and pension contributions for the increased monthly income, which means a further 1,460 kuna per employee, or an overall 5,460 kuna per employee. Thus, the overall cost of the measure for preserving jobs for March, April and May reaches 8.5 billion kuna.

In addition, the new measures include freeing crisis-hit small businesses from the need to pay profit tax, income tax or contributions; postponing the payment of value added tax for all companies until they receive payment on invoices issued to their counterparties; as well as new regulations specifically targeted at supporting agriculture and tourism.

The government’s first set of anti-crisis financial measures worth 30 billion kuna included deferral of payment of income and profit tax, social, health and pension contributions by three months, with an option to be postponed by a further three months. The measures also included interest-free loans to municipalities, cities and counties, as well as to the country’s health and pension insurance institutes.

Moreover, state-owned development bank HBOR and commercial banks have decided to freeze and delay loan repayments, as well as to provide financing for working capital and for restructuring of existing loans.

(1 euro = 7.62490 kuna)

Cyprus

Cyprus raises 1.75 billion euros via seven, 30-year bonds
07-Apr-2020

LONDON, April 7 (Reuters) - Cyprus raised 1.75 billion euros ($1.91 billion) through the sale of seven and 30-year bonds on Tuesday via a syndicate of banks, according to a pricing sheet seen by Reuters.

The seven-year bond raised 1.25 billion euros and was priced for a yield of 1.564%, while the 30-year raised 500 million euros and priced at a yield of 2.339%, according to the pricing sheet. Barclays, JP Morgan, Morgan Stanley and Societe Generale managed the sale.

($1 = 0.9181 euros)

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Czech Republic

Czechs add bond sales this week amid borrowing spree
06-Apr-2020

PRAGUE, April 6 (Reuters) - The Czech Finance Ministry added three unscheduled auctions of bonds due in 2026, 2028 and 2033 to its April issuance calendar as it massively ramps up borrowing amid the coronavirus epidemic.

The ministry said it would offer a combined 13 billion crowns ($509.30 million) of the three bonds on Wednesday.

The state sold 213 billion crowns in total in six bond and one Treasury bill auctions in the past two weeks. The government has said it would let the deficit swell by five times to 200 billion crowns this year due to lower tax income and rising spending to help the economy.

($1 = 25.5250 Czech crowns)

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Czech government’s $40 billion aid plan may not be enough
10-Apr-2020

PRAGUE, April 10 (Reuters) - A Czech government pledge to offer 100 billion crowns ($4.0 billion) of aid for businesses and 900 billion crowns more in loan guarantees in the face of the coronavirus outbreak may not be enough, the industry minister was quoted on Friday as saying.

The government promised the funds in mid-March as it imposed a virtual lockdown on the country and moved to help businesses hit hard by the disruption.

The government has increased its planned central state budget deficit fivefold to a record 200 billion crowns to pay for the measures intended to combat the coronavirus pandemic.

Karel Havlicek told the news website idnes.cz that the direct aid had nearly all been handed out in the first month.

Asked if more aid would be needed, he said it would be important to see developments in April and the beginning of May. The government envisages that shops start to reopen after the Easter holidays.

Havlicek said a state scheme to pay the majority of wages for employees at firms that have been shut by an official order or have lost customers and suppliers was also important.

“For now we are maintaining a deficit of 200 billion crowns and guaranteeing instruments, but..."
if it will be too little and we see more support is needed, we will have to discuss it again," Havlicek was quoted as saying. The Finance Ministry has estimated that the economy could shrink by more than 5% in 2020 and that unemployment, hitherto the lowest in the European Union, could jump, though it remained at just 3% in March, according to data published last week. The coronavirus outbreak has forced many major factories to suspend production, including the central European country's three car plants, which has disrupted supply chains. Hyundai Motor Co's Czech plant plans to become the first to relaunch on April 14 after a three-week outage.

($1 = 24.9490 Czech crowns)

(Reporting by Jason Hovet
Editing by Gareth Jones)

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**Czech Republic/Hungary/Poland**

**Fitch Ratings: Polish, Czech, Hungarian Coronavirus Responses Erode Fiscal Space**

08-Apr-2020

Fitch Ratings-London-April 08: The Czech Republic, Hungary and Poland are utilising fiscal space to implement substantial responses to the coronavirus crisis, says Fitch Ratings. However, restoring fiscal headroom will be challenging, especially in a post-crisis economic environment that is likely to be tougher than that of recent years. Lockdowns have widened and exacerbated the economic impact of coronavirus beyond the initial manufacturing-sector disruption. The impact on growth will vary depending on the size of the service sector and how embedded the economy is in regional supply chains, with Poland likely to be most resilient. Nonetheless, we expect all three countries to experience a sharp contraction in growth in 2Q20, resulting in declines in real GDP over the full year.

All three countries’ policy responses have primarily focused on fiscal packages mixing tax holidays, temporary income support for targeted companies and workers, higher healthcare spending and the provision of government guarantees. The Czech Republic’s commitment of about 20% of Fitch-forecasted 2020 GDP is one of the largest of all Fitch-rated sovereigns, although the bulk of the commitment (17% of GDP) is in the form of guarantees. In Hungary, the authorities announced plans for measures worth 18%-20% of GDP, which include coverage of wages for those affected by the crisis, and restoring a ‘13th month’ pension bonus. Poland has announced direct budgetary measures worth around 3% of GDP and guarantees worth 3.3% of GDP. All three sovereigns will fund the new measures predominantly by deferring or reallocating some expenditure, new borrowing (which we think will be mostly in domestic markets and local currencies), and deposit drawdowns.

Guarantees do not have an immediate impact on public finances, but some will crystallise on the sovereign balance sheet as economies contract. Automatic stabilisers and revenue losses from below-budgeted growth will exacerbate the deterioration in the fiscal position. All three sovereigns have some space to absorb this impact. Measures to improve revenue collection combined with strong economic growth in recent years, fuelled by domestic consumption and investment (backed by EU funds), have underpinned a notable improvement in public finances and reductions in government debt/GDP. The three sovereigns’ debt levels are captured in their respective ratings: Czech Republic (AA-/Stable), Poland (A-/Stable), and Hungary (BBB/Stable).

However, all three sovereigns will face challenges in implementing post-crisis measures to restore fiscal space, particularly where revenue gains in recent years have been used to boost social spending, increasing budgetary rigidity. While headline fiscal positions have improved across the region, there are divergent trends in the structural fiscal balance (which takes into account the effect of the economic cycle and one-off flows).

Sovereigns with weaker structural positions - most notably Hungary - will find it harder to implement policies to reduce debt to pre-crisis levels. Hungary’s rating incorporates a one-notch adjustment from the output of our Sovereign Rating Model in our Qualitative Overlay to reflect factors including pro-cyclical economic policy.

There is generally less space to ease monetary policy, which had remained loose despite rising inflationary pressures. Both the Czech Republic, where policy was tightest, and Poland have cut policy rates. Poland has introduced quantitative easing (QE) and Hungary has broadened its QE programme. However, risk aversion has seen regional currencies fall by over 5% against the euro in the past month, and exchange-rate pressure saw Hungary tighten monetary conditions.

Virus-containment measures are influencing political dynamics. New legislation in Hungary that allows the prime minister, Viktor Orban, to rule by decree appears to deepen the erosion in checks and balances reflected in the deterioration in World Bank governance indicators in recent years. Political pressure is mounting for the postponement of next month’s Polish presidential elections, which would otherwise complete a lengthy electoral cycle.

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email:
Another $4 billion fund was created to aid economic and employment efforts. Hungary’s economy grew by 4.9% last year but several analysts now expect a recession this year, as big carmakers have already announced temporary shutdowns lasting for weeks, and sectors including tourism have collapsed.

Gulyas also said the central bank acted in a timely manner on Wednesday to stem what he called "a strong speculative attack" against the forint, which caused the currency to weaken to record low levels of 360-370 against the euro this week.

The central bank offered banks a new one-week deposit facility at a rate of 0.9%, a measure that economic analysts called an implicit rate hike. The move successfully reversed the forint's rapid weakening and lifted interbank rates.

(Reporting by Marton Dunai
Editing by Hugh Lawson)

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Hungary will amend budget in two to three months, finance minister says

WARSAW, April 6 (Reuters) - Poland's 2020 budget may be amended in two or three months, at which point a decision will be made on how big the deficit will be, after measures to mitigate the economic damage caused by the coronavirus, finance minister

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Hungary to give subsidized loans to firms, raise budget gap to 2.7%/GDP

BUDAPEST, April 6 (Reuters) - Hungary will raise this year's budget deficit to 2.7% of economic output from 1% to help finance an economic stimulus package including massive subsidized loans to Hungarian companies, Prime Minister Viktor Orban said on Monday.

Orban said the package, which would amount to 18%-20% of GDP including the central bank's emergency and employment efforts.

He said subsidized loans to Hungarian firms would total about 2 trillion forints ($6 billion).

($1 = 335.3300 forints)

(Reporting by Budapest bureau; Editing by Hugh Lawson)

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Hungary prepares $30 billion coronavirus package to jump-start economy

BUDAPEST, April 4 (Reuters) - Hungary has prepared a roughly $30 billion package to jump-start the economy, a top government official said on Saturday, as the coronavirus outbreak shuts factories and raises the spectre of recession.

Parliament, where the ruling Fidesz party has a strong majority, has granted Prime Minister Viktor Orban the right to rule by decree to fight the coronavirus, ignoring calls by opponents and rights groups to put a timeframe on the extra powers.

The move successfully reversed the forint's rapid weakening and lifted interbank rates.

The central bank also set the deposit facility at a rate of 0.9%, a measure that economic analysts called an implicit rate hike.

PM’s aide says forint weakness unwarranted, will reverse

By Marton Dunai

BUDAPEST, April 4 (Reuters) - Hungary is preparing to announce a roughly $30 billion package of measures to help jump-start the economy, a top government official said on Saturday, as the coronavirus outbreak shuts factories and raises the spectre of recession.

Parliament, where the ruling Fidesz party has a strong majority, has granted Prime Minister Viktor Orban the right to rule by decree to fight the coronavirus, ignoring calls by opponents and rights groups to put a timeframe on the extra powers.

Orban, who has been in power for a decade, has flagged the biggest economic package of the country’s history to offset the economic impacts of the pandemic, which has already led to tens of thousands of job losses.

The premier is expected to unveil the measures on Monday, after the government approves them, his chief of staff Gergely Gulyas told a news conference. The National Bank of Hungary will announce steps after its policy-making Monetary Council meets on Tuesday.

Gulyas said the total package would amount to 18%-22% of Hungary's GDP, equivalent to about $30 billion. It was not immediately clear where the cash would be targeted, though some steps have already been taken.

The government has imposed a blanket moratorium on all repayments on corporate and household loans this year, and the central bank has launched a series of steps to provide liquidity for banks.

It has also created a $2 billion special fund to aid the fight against the novel coronavirus, which will include contributions from banks and foreign retailers.

Domestic banks will be expected to pay 55 billion forints ($163 million) into the fund this year, with multinational retailers adding 36 billion forints.
Tadeusz Koscinski told Reuters. Koscinski also called on the European Union to consider how to raise money to fight the coronavirus outside national budgets and how to use EU resources for this purpose.

"We do not need to amend the budget as a matter of urgency. The budget adopted by the parliament is balanced, we have low public debt and we have financed about 90% of this year’s borrowing needs," he said in an interview.

The Polish parliament approved a 2020 budget with no deficit. However, efforts to combat the coronavirus pandemic have slowed forced the state to allocate funds to fight the pandemic and help businesses and citizens, slowing the economy.

"I expect, however, that in two or three months the budget will need to be amended and then the decision will be made on how big this deficit will be," said the finance minister.

"There is a question whether it is possible to immediately decide on a large deficit. And what if the recovery from the crisis is L-shaped rather than U-shaped. In this case, we cannot use all the ammunition we have at once," he said.

Koscinski said that a recession in Poland this year is likely, and the government is preparing a second "anti-crisis shield" providing more proposals for medium and large companies. Koscinski said that Poland supports the European Union's efforts to fight the pandemic, but he warned that the burden of financing it should not fall only on national budgets.

He added that "there are already ideas on the table" on how to use the EU's own resources and they should be used first.

"For example ... a tax on financial transactions, or a digital tax. We have to count this money first, and then reach for the resources of individual countries," said Koscinski, who presented his proposals in a letter to EU institutions.

"The same applies to tax havens. A lot of money is transferred outside the country and goes to tax havens ... This money should remain with us and be used to fight the effects of coronavirus, including to help family businesses," he added.

(Reporting by Pawel Florkiewicz;)
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Poland's Jan-Feb budget deficit at 3.3 bln zlotys
07-Apr-2020
WARSAW, April 7 (Reuters) - Poland's budget deficit stood at 3.3 billion zlotys ($796.26 million) at the end of February, the finance ministry said on Tuesday.

The ruling Law and Justice party (PiS) had forecast no deficit this year because of one-off revenues and rapid economic growth. But government officials have said Poland may have to amend the state budget to cover the costs of fighting the coronavirus outbreak and its economic impact.

($1 = 4.1444 zlotys)
(Reporting by Agnieszka Barteczko, Editing by Timothy Heritage)
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Polish state fund to issue 100 bln zlotys in bonds to fight crisis
08-Apr-2020 16:32:12
WARSAW, April 8 (Reuters) - The Polish state fund PFR will issue bonds worth 100 billion zlotys in total to finance a programme aimed at helping firms plunged into crisis by the coronavirus outbreak, its chief executive, Pawel Borys, said on Wednesday.

"We will probably offer them to domestic investors, so the central bank's role of maintaining liquidity will be important," Borys told a news conference.

Poland's central bank has already announced it will buy PFR-issued bonds from commercial banks.

(Reporting by Anna Koper; Writing by Marcin Gocłowski; Editing by Kevin Liffey)
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S&P Says Poland 'A-/A-2' Ratings Affirmed Outlook Stable
10-Apr-2020
April 10 (Reuters) -
• S&P says Poland 'A-/A-2' ratings affirmed; outlook stable
• S&P says Poland 'A-/A-2' ratings affirmed; outlook stable
• S&P says adverse effects of the coronavirus pandemic will push the polish economy into recession in 2020 and weigh on public finances
• S&P says Poland’s ample policy space, including high monetary flexibility amid strong external and public balance sheets will help mitigate shock from recession
• S&P says expect a strong recovery of Poland in 2021 with a corresponding improvement in the government’s fiscal position
• S&P says Poland’s stable outlook balances macroeconomic risks from outbreak of coronavirus against strong external and government balance sheet

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Romania

Romanian macroeconomic indicators and interest rate forecasts
06-Apr-2020
BUCHAREST, April 6 (Reuters) - The median forecast of a Reuters poll of analysts puts Romanian inflation at 2.8% year-on-year at the end of March, down from 3.1% in February. Analysts expect the coronavirus outbreak to push the budget deficit to 7% this year, and see the economy contracting 4.9% but rebounding in 2021. They expect inflation to fall to 2.5% at the end of this year, within the central bank's 1.5%-3.5% target. The median forecast for the central bank's benchmark interest rate puts it at 1.75% at year-end, down from the current 2.0%. Five of seven polled analysts expect 25-50 basis points cuts through the year, while two expect the bank to stay on hold at 2.0%.

(Ro(Reporting by Luiza Ilie; Editing by Hugh Lawson)
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Turkey

Turkish central bank purchased around $742 million government debt on Tuesday
07-Apr-2020
ISTANBUL, April 7 (Reuters) - Turkey's central bank purchased around a nominal 5 billion lira ($742 million) of government debt from the country's Unemployment Insurance Fund via primary dealers on Tuesday, two bankers told Reuters.

Last week the bank bought about 9.3 billion lira in government bonds in the secondary market, including 5 billion from the unemployment fund. The purchases at record levels were aimed at stemming the fallout from the coronavirus outbreak that has pushed the economy to the brink of its second recession in less than two years.

($1 = 6.7415 liras)
((Reporting by Nevzat Devranoglu; Writing by Ali Kucukgocmen; Editing by Dominic Evans)
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Ukraine

IMF praises Ukraine's decisions on land reform, banking law
04-Apr-2020
KIEV, April 4 (Reuters) - The International Monetary Fund welcomes the Ukraine's initial parliament's adoption of legislation to strengthen the bank resolution framework and looks forward to its final approval, IMF Resident Representative in Ukraine said on Saturday.

Last week Ukraine took some steps to qualify for an $8 billion loan deal from the IMF. Parliament voted to lift a ban on the sale of farmland and approved at the first reading the banking law, though failed to adopt a revised budget for

1.5 billion euros, at 100 basis points above mid swap, the euro zone member country's debt agency ARDAL said on Tuesday. The bonds with 10.5-year maturity were sold directly to predetermined investors via syndicate of three domestic banks, Ceskoslovenska Obchodna Banka, Slovenska Sporitelna and Tatra Banka, the agency said.

(Reporting by Robert Muller, Editing by Franklin Paul)
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Argentina plans payment freeze on up to $10 bln in local-law dollar debt
06-Apr-2020
BUENOS AIRES, April 5 (Reuters) - Argentina plans to postpone payments on up to $10 billion of dollar debt that was issued under local law until the end of the year, the government said in a decree late on Sunday, in a bid to relieve pressure over looming foreign currency payments.

The decree of necessity and urgency (DNU), sent to Reuters, would not affect the just under $70 billion in foreign currency debt issued under international law that Argentina is currently in talks to restructure with creditors.

Argentina's government has previously said it is looking to restructure $83 billion in foreign currency debt under both international and local law as it looks to avert a sovereign default that would hit its access to global markets.

The move to delay payments on the local-law debt could give Argentina breathing room and may enable it more easily to make payments on foreign-law bonds. As the debt was issued under local law, any creditors wanting to take legal action would need to do so in local courts.

The country's economy ministry did not immediately respond to a request for further comment on Sunday.

President Alberto Fernandez and Economy Minister Martin Guzman have repeatedly said Argentina cannot pay its public debts until it is given time to revive an economy that has been mired in recession for the last two years.

Major creditor the International Monetary Fund has supported the country's stance, saying its debts are unsustainable.

Guzman is expected to soon make a proposal to private creditors to restructure the country's foreign law bonds, a process that has been hit by delays amid the global coronavirus pandemic that has led to a nationwide lockdown in Argentina.

(Reporting by Walter Bianchi; Writing by Adam Jourdan; Editing by Edwina Gibbs)
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Fitch downgrades Argentina's foreign-currency rating to 'Restricted Default'
06-Apr-2020
April 6 (Reuters) - Ratings agency Fitch on Monday downgraded Argentina's long-term foreign currency rating to 'Restricted Default' from 'CC', following postponement of upcoming payments on foreign currency debt by the country's government.

(Reporting by Aislinn Laing; Editing by Tom Brown)
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The government in a decree late Sunday said it planned to postpone payments on up to $10 billion of dollar debt, which was issued under local law, until the end of the year. Restricted Default is just a notch above 'default' status, while CC represent very high levels of credit risk.

(Relating by Taru Jain; Editing by Shinjini Ganguli)
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S&P Says Argentina Foreign Currency Ratings Lowered To ‘SD’
07-Apr-2020
April 7 (Reuters) - S&P Global Ratings:
• S&P rates Argentina’s long-term foreign currency at 'SD'
• S&P says Argentina foreign currency ratings lowered to 'SD' on postponement of U.S.-dollar principal and interest payments
• S&P says lowering its long- and short-term foreign currency sovereign credit ratings on Argentina to 'SD/SD' from 'CCC-/C' • S&P says it could lower foreign currency issue (bond) ratings to 'D' when Argentina government finalizes terms for a potential commercial debt restructuring
• S&P says its credit ratings on Argentina reflect its unfavorable debt dynamics and fiscal profile, a volatile exchange rate
• S&P says its credit ratings on Argentina also reflect high inflation, and a deep economic recession
• S&P says it lowered near-term outlook for argentine economy, with hit from covid-19, lockdown measures underpinning a deeper contraction in real GDP

(S&P Global Ratings: For information, contact the PDM Network Secretariat at: Publicdebtnet.dt@tesoro.it
Follow us on Twitter @pdmnet and on our website www.publicdebtnet.org

Fitch upgrades Argentina’s foreign-currency rating back to ‘CC’
07-Apr-2020
April 7 (Reuters) - Ratings agency Fitch on Tuesday changed Argentina’s long-term foreign currency rating to "Restricted Default" from CC on Monday following the government’s decision.

The move by S&P comes after ratings agency Fitch downgraded Argentina’s long-term foreign currency rating to "Restricted Default" from CC on Monday following the government’s decision. Restricted Default is just a notch above "default" status, while CC represents very high levels of credit risk.

Moody’s Investors Service downgraded Argentina on Friday to CA from CAA2 and changed its outlook to negative, saying it was "likely" holders of Argentina’s sovereign debt would incur "substantial losses." Argentina, beset by a persistent economic crisis, is seeking to restructure about $83 billion in foreign currency debt under both international and local law. Delaying payments on local-law debt could give Argentina breathing room and enable it more easily to pay foreign-law bonds.

The coronavirus outbreak has significantly darkened the economic outlook for Argentina, which has registered 1,628 cases and 54 deaths. A central bank poll of economists released on Monday showed gross domestic product was estimated to shrink 4.3% this year. The number was down sharply from a 1.2% contraction forecast in the previous month’s poll.

(Fitch Ratings Global Ratings: For information, contact the PDM Network Secretariat at: Publicdebtnet.dt@tesoro.it
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Brazil lawmakers pass ‘war budget’ as coronavirus cases top 10,000

05-Apr-2020
By Gabriela Mello
SAO PAULO, April 4 (Reuters) - Brazil’s lower house of Congress approved a constitutional amendment for a "war budget" to separate coronavirus-related spending from the government’s main budget and shield the economy as the country surpassed 10,000 confirmed cases.

The war budget still needs the Senate's approval by three-fifths of the votes in two rounds expected to take place next week.

Late on Friday, the lower house approved the main text of the bill with 423 votes in favor and one opposed in a second round of voting after a first score of 505 in favor and two against.

The amendment creates an extraordinary regime to prevent expenses related to a "state of emergency" decree triggered by the pandemic, which is valid until Dec. 31, from being mixed with the federal budget over the same period.

Besides easing fiscal and budgetary constraints to speed up measures tackling the outbreak, the war budget also grants the Brazilian central bank emergency bond-buying powers to stabilize financial markets.

"We must ensure money reaches key sectors, so as of this week we’ll start discussing what we want to buy and what kind of intervention we want to make," Brazil's central bank president, Roberto Campos, said in a live presentation to XP brokerage on Saturday evening.

Campos sees the ongoing crisis as much worse than the 2008 one, noting that the COVID-19 outbreak has unleashed the largest outflow ever seen in emerging markets, with the Brazilian stock exchange and currency among the most affected.

"But we moved quickly to boost market liquidity and we still have an arsenal of measures to adopt," he said, adding the financial system is solid enough and actions altogether have the potential to inject up to 1.2 trillion reais ($224.32 billion) in liquidity.

Campos declined to comment on the duration of social isolation measures, but urged market participants to avoid breaching contracts, echoing earlier remarks by Economy Minister Paulo Guedes.

"We can renegotiate everything, rents, salaries, but we must not default," Guedes told representatives of retail and services industries separately on Saturday.

He recognized, however, that some measures taken to "oxygenate the economy," such as a cut in banks' reserve requirements, are not yet having the desired effect. "Banks are conservative and the credit is not reaching those who need it," he said.

Guedes reiterated that, despite the focus on emergency measures, he believes economic recovery still relies on structural reforms including tax cuts.

"Our way out of this crisis further ahead will be through tax cuts ... Creating jobs must be easy, cheap and stimulating," he said.

BRAZIL OUTBREAK

Brazil's coronavirus death toll rose to 431 from 359, while the number of confirmed cases jumped to 10,278 from 9,056, according to Health Ministry figures released on Saturday afternoon.

Brazil is among a number of countries struggling to get medical supplies from China.

Earlier on Saturday, President Jair Bolsonaro asked Indian Prime Minister Narendra Modi for support in supplying pharmaceutical inputs for the production of hydroxychloroquine.

"Had a productive telephone conversation with President Jair Bolsonaro about how India and Brazil can join forces against the COVID-19 pandemic," Modi wrote on his Twitter account.

Bolsonaro's approval rating has fallen to its lowest level since he took office last year amid mounting criticism of his handling of the public health crisis.

Despite downplaying COVID-19 as a "little flu" multiple times, Bolsonaro called his supporters to "free Brazil from this evil" epidemic.

($1 = 5.3495 reais)
(Reporting by Gabriela Mello; Editing by David Clarke, Alistair Bell, Richard Chang and David Gregorio)
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S&P lowers Brazil outlook to 'stable,' but door still open to upgrade

07-Apr-2020
By Jamie McGeever
April 6 (Reuters) - S&P Global Ratings lowered its outlook on Brazil's sovereign debt to "stable" on Monday, citing huge government spending to soften the economic blow from the coronavirus, but said a credit rating upgrade is still more likely than a downgrade.

While the fiscal deficit is expected to double this year to 12% of gross domestic product, S&P remains confident that the government will resume its drive to get public finances in order once the crisis is over.

S&P's outlook change comes barely three months after it had raised it to "positive." The ratings agency maintained its BB- non-investment grade, or so-called "junk," rating.

"We still see a higher chance of an upgrade than a downgrade," Livia Honsel, S&P's lead sovereign Brazil analyst, told Reuters after the outlook had been lowered.

"There's enough to support an upgrade to the
Brazil's 2020 public sector deficit heading for 500 bln reais
07-Apr-2020
By Jamie McGeever and Isabel Versiani
BRASILIA, April 7 (Reuters) - Brazil's fiscal measures to fight the coronavirus crisis will "comfortably" result in a broad public sector deficit this year of up to 500 billion reais ($95 billion), Treasury Secretary Mansueto Almeida said on Tuesday.
That would be more than eight times larger than last year's shortfall, including central government, states and municipalities, of around 61 billion reais, but fully justified, Almeida said.
"The fiscal gap last year was around 61 billion reais. This year we are comfortably heading towards something around 450-500 billion reais," Almeida said in a live debate hosted by newspapers O Globo and Valor Economico. But although he insisted the government will spend whatever is needed this year to help people and businesses get through the economic difficulties caused by the novel coronavirus, Almeida warned that expenditures from next year onward must be brought back under control.
Almeida said it would be a "mistake" to allow emergency measures being taken this year to turn into permanent spending, which could put the strained public finances under even greater long-term pressure.

Brazil govt’s primary fiscal measures to fight coronavirus now 3.5% of GDP
08-Apr-2020
BRASILIA, April 8 (Reuters) - The Brazilian government's fiscal measures taken so far to minimize the economic damage from the coronavirus crisis have a primary budget impact of 3.5% of gross domestic product, special secretary to the Economy Ministry Waldery Rodrigues said on Wednesday.
That compares with an emerging market average of around 1.6% of GDP, Rodrigues told a virtual news conference, while the ministry also said that new measures this week will allow over 60 million Brazilian workers to withdraw up to 36.2 billion reais ($7 bn) from so-called 'FGTS' workers' funds.

Chile
Chile’s Pinera announces new, $2 billion fund to benefit informal workers
amid coronavirus outbreak
08-Apr-2020
SANTIAGO, April 8 (Reuters) - Chilean president Sebastián Piñera announced on Wednesday a new, $2 billion fund to help support the country’s informal workers as the coronavirus outbreak continues to batter the South American nation’s economy.
Chile’s government had already announced a nearly $12 billion stimulus package, worth nearly 5% of gross domestic product, aimed at saving jobs and protecting small businesses.
The world’s top copper miner has confirmed more than 5,000 cases of coronavirus, among the highest tallies in Latin America.

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Colombia

Colombia increases budget by $4.6 bln amid coronavirus
07-Apr-2020
BOGOTA, April 7 (Reuters) - Colombia has increased its general budget by 18.3 trillion pesos ($4.6 billion) for this year in a bid to manage costs connected with the spread of coronavirus, the finance ministry said on Tuesday.
The government had previously announced a budget addition of 15.1 trillion pesos, but increased the amount as the country continues with a more than month-long nationwide quarantine.
Seven trillion pesos will initially go to fund the health system, the ministry said, while 1.7 trillion will be used to help vulnerable households.
Some 3.2 trillion pesos will be used to aid small- and medium-sized businesses and the rest of the funds can be distributed as necessary.
Business leaders in the Andean country have called for additional measures to help them after the quarantine was extended for an additional two weeks.
Most of the funding, some 15.1 trillion pesos, will come from the country’s savings and pension programs, Finance Vice-Minister Juan Pablo Zarate told Reuters.
“The other 3.2 (trillion pesos) are de-capitalizations from second-tier banks, without any new debt issuances,” Zarate said.
The additional spending will bring the country’s total 2020 budget to 290 trillion pesos.

($1 = 3,978.38 Colombian pesos)
(Reporting by Carlos Vargas and Nelson Bocanegra
 Writing by Julia Symmes Cobb
 Editing by Sonya Hepinstall)

IMF says Colombia requests renewal of $10.8 bln credit line
09-Apr-2020
WASHINGTON, April 9 (Reuters) - The International Monetary Fund said on Thursday that Colombia has requested renewal of a $10.8 billion flexible credit line for 2020 to give the South American country a safeguard against external shocks as it battles the coronavirus pandemic.
“Given Colombia’s very strong policy frameworks and track record, IMF Managing Director Kristalina Georgieva intends to recommend approval of the 2020 FCL arrangement for Colombia when the IMF Executive Board meets again to take a decision in the following weeks,” the IMF said.
It would replace a two-year flexible credit line that expires in May and would provide the same access, equal to about 384% of Colombia’s quota, or IMF shareholding, the Fund said.

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Ecuador

Ecuador launches consent offer on dollar bonds
09-Apr-2020
• Sovereigns puts out offer to get short-term debt relief
By Paul Kilby
NEW YORK, April 9 (IFR) - Ecuador launched a consent solicitation last week on more than US$19bn of dollar bonds as it sought some short-term debt relief and time to address the country’s public finances.
The sovereign is asking bondholders to defer interest due between March 27 and July 15 until August, and reduce interest due after March 27 by US$0.50 on each US$1,000 of principal.
Over that period it also wants to exclude cross-default clauses on certain debt instruments, including social bonds issued earlier this year and sovereign-guaranteed 2020 bonds issued by Petroamazonas.
The Covid-19 pandemic and lower crude prices have exacerbated problems in the oil exporting nation, which had already been struggling to make payments on its debt.
The market had been expecting some sort of larger debt reprofiling after finance minister Richard Martinez said last month that the country would make a US$325m amortisation
payment on the 2020 bond, but would use the grace period on other bonds. "The test will be whether Ecuador convinces bondholders to provide temporary relief through August while they draft a more thorough proposal on reprofiling debt and negotiate another IMF programme," said Siobhan Morden, head of Latin American fixed income strategy at Amherst Pierpoint. "The consent solicitation is basically a few months of coupon deferral so that Ecuador can avoid default and come up with a more serious restructuring plan." **Ecuador also said it was looking to reach a new agreement with the International Monetary fund by August 10.** This is "a first step intended to allow Ecuador and the holders of the securities as well as other creditors, including the IMF and other official sector creditors, to engage proactively ... in a negotiation intended to create new and appropriate conditions of sustainability for Ecuador's debt burden", the government said. Holders who agree to the deferral will receive a consent payment of US$0.50 per US$1,000 in principal. The consent solicitation expires on April 17. Citigroup is consent solicitation agent, while Lazard Freres is financial adviser to Ecuador.

(Fitch Downgrades Ecuador to 'C'
09-Apr-2020
Fitch Ratings–New York-April 09:
Fitch Ratings Downgrades Ecuador’s Long-Term Foreign Currency Issuer Default Rating (IDR) to 'C' from 'CC'.
KEY RATING DRIVERS
The 'C' rating reflects Fitch’s view that a sovereign default of some kind is imminent following the “consent solicitation” made by the Ecuadorian government to defer external bond payments while it pursues a comprehensive restructuring. A deferment in payments, if agreed to by bondholders, would constitute a distressed debt exchange (DDE) in Fitch’s view. If such agreement is not reached, the risk of a missed debt payment is high. Ecuador is currently using a 30-day grace period on two coupon payments, the first of which will expire in late April. Both scenarios would constitute an event of default under Fitch’s Sovereign Rating Criteria. On April 8, the government of Ecuador submitted a "commencement of consent solicitations" to holders of 10 global bonds, requesting deferral of scheduled interest payments totaling over USD800 million until Aug. 15. The authorities have made this request in order to achieve cash flow relief that could better enable them to attend to the health and economic crisis stemming from the coronavirus pandemic. They have also indicated that they intend to use this four-month standstill period to pursue a comprehensive debt restructuring to ensure debt sustainability.
Fitch deems this formal request to be the initiation of a default-like process, consistent with a 'C' rating. Should majorities of creditors agree to the request at the thresholds specified in collective action clauses (CACs), the payment standstill would constitute a DDE under Fitch’s criteria given that it entails a material reduction in terms and is needed to avoid an outright default. Should creditors not agree to the request, the risk of a missed interest payment is high.
Fitch is also downgrading the ratings on Ecuador’s senior unsecured foreign-currency bonds included in the "consent solicitation" to 'C' from 'CC'. This includes all of the bonds rated by Fitch with the exception of two that are not subject to the solicitation (XS0055571789, XS0055572084) and are being affirmed at 'CC'. The sovereign’s liquidity position is exceptionally tight, and social and political pressure for relief from external debt service in order to attend to the domestic crisis has grown considerably. Incentives to seek relief on external debt repayment may also build in order to mitigate risks to the dollarization regime. Central bank international reserves fell below USD2 billion at end-March and cover 43% of the reserve requirements of financial institutions, the lowest levels in the past two decades of dollarization. Fitch downgraded Ecuador’s rating to ‘CC’ on March 24 to indicate probable default of some kind as a result of these pressures.
**ESG - Governance:** Ecuador has an ESG Relevance Score (RS) of 5 for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption, as is the case for all sovereigns. Theses scores reflect the high weight that the World Bank Governance Indicators (Wbgi) has in our proprietary Sovereign Rating Model. Ecuador has a low Wbgi ranking at the 35th percentile, reflecting the absence of a recent track record of peaceful political transitions, balancing weak control of corruption, rule of law and regulatory quality with somewhat better (albeit below-average) political stability, government effectiveness and voice and accountability.
**ESG - Creditor Rights:** Ecuador has an ESG Relevance Score (RS) of 5 for Creditor Rights as willingness to service and repay debt is highly relevant to the rating and is a key rating driver with a high weight. Ecuador has defaulted on its commercial debt obligations repeatedly in the past, and the current rating action taken on Ecuador reflects Fitch’s view that another default event is imminent. **SOVEREIGN RATING MODEL (SRM) AND**
QUALITATIVE OVERLAY (QO)
In accordance with its rating criteria, Fitch’s sovereign rating committee has not utilized the SRM and QO to explain the ratings, which are instead guided by the ratings definitions. Fitch’s SRM is the agency’s proprietary multiple regression rating model that employs 18 variables based on three-year centered averages, including one year of forecasts, to produce a score equivalent to a Long-Term Foreign Currency IDR. Fitch’s QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within Fitch’s criteria that are not fully quantifiable and/or not fully reflected in the SRM.

RATING SENSITIVITIES
The main factors that may, individually or collectively, lead to positive rating action/upgrade are:- Payment of pending coupon payments within stipulated grace periods and sustained alleviation of sovereign financing constraints that would enable timely payment of upcoming debt repayments.

The main factors that may, individually or collectively, lead to a negative rating action/downgrade are:- Acceptance by creditors of the proposed standstill in debt repayment, or any other proposal that entails a material reduction in terms and a DDE.

• Failure to make payment on coupon payments within stipulated grace periods. Best/Worst Case Rating Scenario

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

KEY ASSUMPTIONS
Fitch projects global Brent prices to average USD35/barrel in 2020 and USD45/barrel in 2021, in line with the baseline assumption set out in the April 2020 Global Economic Outlook (GEO) COVID-19 Crisis Update.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING
The principal sources of information used in the analysis are described in the Applicable Criteria. ESG Considerations

Ecuador has an ESG Relevance Score of 5 for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch’s SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight.

Ecuador has an ESG Relevance Score (RS) of 5 for Creditor Rights as willingness to service and repay debt is highly relevant to the rating and is a key rating driver with a high weight. Ecuador has defaulted on its commercial debt obligations repeatedly in the past, and the current rating action taken on Ecuador reflects Fitch’s view that another default event is imminent.

Ecuador has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as strong social stability and voice and accountability are reflected in the World Bank Governance Indicators that have the highest weight in the SRM. They are relevant to the rating and a rating driver.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity (ies), either due to their nature or to the way in which they are being managed by the entity (ies).

Ecuador; Long Term Issuer Default Rating; Downgrade; C Short Term Issuer Default Rating; Affirmed; C Country Ceiling; Affirmed; CCC Senior unsecured; Long Term Rating

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Additional information is available on www.fitchratings.com

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Jamaica

Fitch Revises Jamaica’s Outlook to Stable; Affirms at B+

10-Apr-2020

April 10 (Reuters) - Fitch:

• Fitch revises Jamaica’s outlook to stable; affirms at B+

• Fitch - outlook change reflects shock to Jamaica from coronavirus which is expected to lead to sharp contraction in main sources of foreign currency revs

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Mexico

'Debt phobia': Mexican leader's coronavirus gamble

08-Apr-2020
By Dave Graham

MEXICO CITY, April 8 (Reuters) - If supporters and opponents of Mexican President Andres Manuel Lopez Obrador can agree on anything, it's that he is very stubborn. He says so himself.

Rarely during his 16 months in power has the leftist dug his heels in more than when insisting he will not spend his way out of the economic bind the coronavirus crisis has put Mexico in.

The debate has plunged his relations with business leaders to their lowest ebb, as even some allies urge him to relax his grip on the budget to keep companies afloat in what looks likely to be Mexico's sharpest recession in decades.

Eschewing major stimulus packages floated by other countries, Lopez Obrador on Sunday unveiled a frugal economic support plan, vowing to take a personal pay cut while increasing public sector austerity.

Whatever money Mexico can spare, he says, will go into job-creating schemes, loans to small businesses, and most importantly, the poor - who are also his political base.

Critics on both the left and right said that in bucking conventional economic wisdom, he risks exacerbating a recession that began last year.

If his gamble proves right, Lopez Obrador may emerge stronger from the crisis with public finances in relatively good shape. If not, the administration could be stuck in a deep economic hole with his authority in trouble.

Andres Rozental, a former deputy foreign minister, said Lopez Obrador's hopes of building a lasting legacy would vaporize if he kept pushing the economy toward a "precipice."

Personally austere, and apt to regard past bailouts as breeding grounds for corruption, Lopez Obrador has vowed to reduce Mexico's dependence on foreign powers.

"I'm doing everything I can not to contract debts, because just imagine we get the country into debt," he said on Saturday. "No."

Despite heavy debts at state oil firm Pemex, economists say Mexico has room to maneuver.

Mexico's general government gross debt last year stood at some 55% of gross domestic product (GDP), with Brazil's at 94%, according to the International Monetary Fund.

Lopez Obrador rams home the point that in previous crashes, the poor suffered most. He cites the 1994-95 "Tequila" crisis as a bailout bonanza for banks, saying ordinary people were left holding a devalued currency and mounting public debts.

The rhetoric has infuriated Mexico's top business lobby, whose leader Carlos Salazar was once a prominent defender of the president.

"The private sector has never asked to be rescued. We have never asked for losses to be nationalized and profits to be privatized," Salazar said in a video conference with executives on Tuesday. "You can't listen to this speech anymore."

WARINESS

Neither markets nor the public appear to be warming to Lopez Obrador's strategy.

The peso has lost about a fifth of its value against the dollar in the past month and a gauge of the president's popularity by pollster Consulta Mitofsky showed it had slipped to a record low of 47% on Wednesday.

Mexico is also dealing with a slump in the price of oil, a major source of budget revenue.

After Lopez Obrador unveiled his plan on Sunday, Bank of America said Mexico's economy could shrink even more this year than the 8% contraction it forecast recently.

The president points to figures showing Mexico has low coronavirus infection rates by international standards, and argues the country will bounce back quickly.

But Congressman Porfirio Munoz Ledo, a senior member of Lopez Obrador's National Regeneration Movement, said it was vital the government inject more liquidity into the economy.

To be more worried now about corruption than reviving growth was antiquated thinking, he said in reference to the president.

During major crashes in the 1970s, the 1980s, and the 1990s governments borrowed to reanimate the economy and the old corruption persisted, said Lorenzo Meyer, a historian at the Colegio de Mexico, and friend and supporter of the president.

"That's the core of his debt phobia," he said.

"The debt was so as not to change anything."

The president's bet appears to be that Mexico will emerge stronger by conserving its cash while other countries spend aggressively, Meyer added.

Curbing reliance on creditors is part of Lopez Obrador's goal of making Mexico more self-sufficient, said Jesus Ortega, who ran his first campaign for the presidency in 2006.

"To Andres Manuel, contracting debt means ceding sovereignty," Ortega said.

(Reporting by Dave Graham; Editing by Tom Brown)

Additional reporting by Sharay Angulo; Editing by Daniel Flynn and Tom Brown)

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AFRICA

Africa/China

China must step up on Africa debt

China must step up on Africa debt

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(Reporting by Dave Graham; Editing by Tom Brown)

Additional reporting by Sharay Angulo; Editing by Daniel Flynn and Tom Brown)

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relief
07-Apr-2020
By Joe Bavier
JOHANNESBURG, April 7 (Reuters) - China must do more to help ease the debt burden of African countries facing economic calamity due to the coronavirus pandemic, Ghana's finance minister said.
Africa accounts for just a fraction of global cases of the disease, but its countries are already feeling the impact, with the continent's economies expected to contract, putting about 20 million jobs at risk.
"My feeling is that China has to come on stronger," Ken Ofori-Atta said during a conversation on Monday with Masood Ahmed, president of the Washington-based Center for Global Development (CGD) that was posted on the think-tank's website.
"African debt to China is $145 billion or so, over $8 billion of payments is required this year ... So that needs to be looked at."
African governments are calling for $100 billion in assistance, including support for a moratorium on all external debt and eventually some debt write-offs.
Experts say any effort to pause debt servicing or extend more comprehensive debt relief to developing countries will struggle without China taking on a key role in the process.
China on Tuesday said that it recognised that developing countries faced a greater challenge, but it did not mention any specific debt-relief measures that it would implement.
Foreign ministry spokesman Zhao Lijian said China will communicate with the relevant countries through diplomatic channels.
"For countries who face debt difficulties, China will never force them, but will resolve it through consultation via bilateral channels," he said at a daily press briefing.
The International Monetary Fund (IMF) and World Bank are mobilising resources to support economies reeling from the pandemic. But they are also calling for wealthy nations to suspend payments on bilateral debt owed by poor countries.
"For official bilateral creditors including China, which is the largest creditor to many of these countries, this is the quickest and most effective way to do their share," the CGD's Ahmed told Reuters separately on Tuesday.
Ofori-Atta currently chairs the Development Committee, a ministerial-level forum that advises the World Bank and the IMF on development issues. The two U.S.-based multilaterals will hold virtual annual spring meetings later this month.
Ofori-Atta said African countries were also seeking ways to increase their special drawing rights (SDR), foreign exchange reserves managed by the IMF, to shield against commercial debt defaults.
"This should not happen," he said. "So we should find a way to increase SDRs or for the Europeans to offer their SDRs as a way out."
(Reporting by Joe Bavier; additional reporting by Huizhong Wu in Beijing and Karin Strohecker in London; editing by Larry King and Hugh Lawson)
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Sub-Saharan African Region

Sub-Saharan Africa to fall into recession in 2020, says World Bank
09-Apr-2020
NAIROBI, April 9 (Reuters) - The rapidly-spreading coronavirus outbreak is expected to push sub-Saharan Africa into recession in 2020 for the first time in 25 years, the World Bank said in a new forecast on Thursday.
The bank's Africa's Pulse report said the region's economy will contract 2.1% to 5.1% from growth of 2.4% last year, and that the coronavirus will cost sub-Saharan Africa $37 billion to $79 billion in output losses this year due to trade and value chain disruption, among other factors.
Africa has at least 10,956 confirmed cases of the novel coronavirus, 562 deaths and 1,149 recoveries, according to a Reuters tally based on government statements and WHO data.
"The COVID-19 pandemic is testing the limits of societies and economies across the world, and African countries are likely to be hit particularly hard," World Bank Vice President for Africa Hafez Ghanem said.
The World Bank and International Monetary Fund are racing to provide emergency funds to African countries and others to combat the virus and mitigate the impact of sweeping shutdowns aiming at curbing its spread.
The coronavirus has led to suspension of international passenger travel in many countries on the continent, and hit sectors such as tourism.
Various African governments have announced lockdowns or curfews in response to the virus, which was slow to reach many African countries but is now growing exponentially, according to the World Health Organization.
Real gross domestic product growth was projected to fall sharply particularly in the region's three largest economies – Nigeria, Angola, and South Africa, the World Bank said.
Oil exporting-countries would also be hard-hit; while growth would likely weaken substantially in the West African Economic and Monetary Union, and the East African Community due to weak external demand, disruptions to supply chains and domestic production.
The bank said the spread of the flu-like respiratory disease also had potential to lead to a food security crisis on the continent, with agricultural production forecast to contract 2.6% and up to 7% in the event of trade blockages.
"Food imports would decline substantially (as much as 25% or as little as 13%) due to a...
combination of higher transaction costs and reduced domestic demand," the bank said in a statement accompanying the report. The institutions have also called on China, the United States and other bilateral creditors to temporarily suspend debt payments by the poorest countries so they can use the money to halt the spread of the disease and mitigate its financial impact.

"There will be need for some sort of debt relief from bilateral creditors to secure the resources urgently needed to fight COVID-19 and to help manage or maintain macroeconomic stability in the region," Cesar Calderon, the bank’s lead economist and lead author of the report, said.

The World Bank said African policymakers should focus on saving lives and protecting livelihoods by spending money to strengthen health systems and taking quick actions to minimise disruptions in food supply chains. It also recommended social protection programmes, including cash transfers, food distribution and fee waivers, to support citizens, especially those working in the informal sector.

(Reporting by George Obulutsa in Nairobi and Andrea Shalal in Washington; Editing by Jacqueline Wong)

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Benin

Fitch Revises Benin’s Outlook to Stable; Affirms at ‘B’

09-Apr-2020

April 9 (Reuters) - Fitch:

- Fitch revises Benin’s outlook to stable; affirms at ‘B’
  - Fitch says revised outlook on Benin’s long-term foreign-currency issuer default rating (IDR) to stable from positive
  - Fitch, on Benin, says assuming prolonged border closure with Nigeria until end-2020, we project a 40% contraction of informal trade in 2020
  - Fitch says Benin’s outlook reflects expectation significant economic, fiscal impact of pandemic to worsen shock stemming from continued border closure with Nigeria
  - Fitch says recession in Nigeria in 2020 will also have adverse effects on Benin’s growth beyond border closure given reliance on Nigerian demand

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Cameroon

S&P Says Cameroon Downgraded to 'B-' from 'B'

10-Apr-2020

April 10 (Reuters) - S&P

- S&P says Cameroon downgraded to 'B-' from 'B' on rising external and still-high sociopolitical risks; outlook stable
  - S&P says expect covid-19 outbreak & oil price crash to worsen Cameroon's twin deficits in 2020, to tighten access to external financing
  - S&P says expect Cameroon’s external public debt to continue rising quickly as government draws on contracted-but-undisbursed loans
  - S&P says tensions in Anglophone regions show little sign of abating, especially in northwest, & will continue to weigh on Cameroon’s investment & growth

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Egypt

Egypt sees growth slowing to 4.5% in Q3, 1% in Q4 due to coronavirus

05-Apr-2020

CAIRO, April 5 (Reuters) - Egypt expects economic growth to slow to 4.5% in the third quarter and to 1% in the last three months of the 2019/2020 fiscal year to June due to the effects of the coronavirus, Planning Minister Hala al-Saeed said on Sunday.

The government had been targeting annual growth of 5.6%, but was now looking at 4.2%, she said.

(Reporting by Momen Saied Atallah and Nadine Awadalla; Writing by Ulf Laessing; Editing by Jan Harvey)

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Egypt’s foreign reserves drop to $40.1 bln in March

07-Apr-2020

CAIRO, April 7 (Reuters) - Egypt’s net foreign reserves dropped to $40.1 billion at the end of March, from $45.5 billion in February, the central bank said on Tuesday, blaming the fallout of the coronavirus on the economy.

The fall in reserves follows a steady upward trend in previous months and comes as Egypt tries to cope with the economic impact of the new coronavirus outbreak.

The central bank said it had used $5.4 billion to...
cover portfolio outflows through its mechanism to repatriate hard currency, to support local hard currency needs to fund strategic imports and honour debt obligations.

"The decline ... came on the back of the unprecedented blow to the global financial markets arising from the coronavirus epidemic spread, which resulted in the sharpest portfolio flows reversal on record from emerging markets, including the Egyptian market," the bank said in a statement.

Despite the fall, Egypt's net foreign reserves still covered around eight months of imports and enabled the country to honour its debt obligations, it added.

The Egyptian pound has been stable since the coronavirus started hitting the economy. Egypt has closed its airports and tourist resorts, collapsing the tourism industry. A night curfew has been also imposed.

Egypt has a $1 billion dollar-denominated sovereign bond coming due on April 29, Refinitiv data showed.

The yield on the bond has soared in recent weeks, rising to more than 24% at the end of March after hovering around 3% for most of January and February. Yields stood at just over 14% on Tuesday.

Goldman Sachs expects Egypt's portfolio outflows worth $12 billion in the first half and a decline of foreign reserves by just over $10 billion this year, it said in a note.

"This deterioration in Egypt's external balance sheet could potentially put pressure on the nominal exchange rate, but our base case remains that the Egyptian authorities will seek to maintain the Pound near current levels," the bank said.

It said Egypt wanted to prioritise price stability to protect living standards.

(Reporting by Aidan Lewis, Nayera Abdallah, Karin Strohecker and Sujata Rao-Coverley
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Ethiopia

S&P Rates Ethiopia's Long Term Foreign Currency at 'B', Long Term Local Currency at 'B'; Outlook Negative

10-Apr-2020

April 10 (Reuters) - S&P:

• S&P rates Ethiopia’s long term foreign currency at ‘B’, long term local currency at ‘B’; outlook negative
• S&P says Ethiopia outlook revised to negative on rising pressure on debt and external positions; ‘b/b’ ratings affirmed
• S&P says expect covid-19 pandemic to weaken Ethiopia’s economic, fiscal metrics through 2021, weigh on important sources of foreign currency
• S&P says revising outlook on Ethiopia to negative from stable

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Ivory Coast

Ivory Coast issues domestic bonds worth 110 bln CFA francs

08-Apr-2020

ABIDJAN, April 8 (Reuters) - Ivory Coast has issued 110 billion CFA francs ($183.33 million) in bonds on the West African bourse to help finance its economy, a lead manager of the ongoing auction said on Wednesday.

The auction includes 80 billion CFA francs in ten-year bonds at a 5.90% rate and a 30 billion CFA franc seven-year bond at 5.8%, said the lead manager from BICIBOURSE, the investment banking arm of BICICI, subsidiary of French BNP Paribas.

The bonds, which will be sold in units of 10,000 CFA francs, are being marketed to investors across West Africa’s CFA currency zone from April 6 to 20.

Ivory Coast, Francophone West Africa’s largest economy and the world’s biggest cocoa producer, has tapped international bond markets several times in the past few years.

($1 = 600.0000 CFA francs)

(Reporting by Loucoumane Coulibaly; Editing by Juliette Jakhiro and Nick Macfie)

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Kenya

Fitch Ratings: Kenya Coronavirus Measures Lead to Faster Increase in Debt

08-Apr-2020

Fitch Ratings-Hong Kong-April 08: The economic crisis triggered by the coronavirus will halt Kenya's fiscal consolidation and increase the country’s financing needs, Fitch Ratings says. We expect the government to access the IMF’s Rapid Credit Facility, which would provide up to USD350 million (about 2% of government revenue) in concessional financing. We also believe that the country will conclude a larger IMF support programme, but the shock still entails an increase in risks to Kenya’s fiscal and external positions.

Kenya is in discussions with the IMF about a new programme, which would provide additional official financing, since its Stand-by Agreement lapsed in 2018. The IMF noted

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"significant progress" and "broad agreement on the main principles of a plan" following its 19 February to 3 March mission to Kenya. The removal last year of the interest rate cap enacted in 2016 has helped Kenya move closer to an agreement with the IMF, but Fitch continues to view a path towards medium-term debt sustainability as the key to agreement on a new programme, but the coronavirus crisis has increased the likelihood of an agreement being reached.

Kenya's government was on track to narrow the fiscal deficit in the fiscal year to end-June 2020 (FY20) following several years of wider deficits and increased external borrowing to finance several large development projects. However, the government has announced a series of measures in response to the coronavirus, including various tax cuts and a faster repayment of pending bills to suppliers and of VAT refunds. Some of the tax cuts will be offset by new VAT and capital gains taxes introduced to Parliament on 6 April. But Fitch estimates that these measures, combined with the hit to revenue from lower growth, could lead to a widening of the fiscal deficit to 9% of GDP in FY20 if they are not further offset by new grants or spending cuts. Fitch expects Kenya's general government debt to continue rising through FY22 to reach about 70% of GDP. This is higher than our pre-coronavirus forecasts, which saw debt peaking at 65% of GDP. As domestic Treasury auctions are typically undersold, much of the increased borrowing in FY21 and FY22 will have to come from external sources, leading to an increase in Kenya's external debt, which is already high compared with 'B' rated peers. Fitch affirmed Kenya's 'B+' rating in December 2019 in part due to the country's strong and stable growth outlook. However, a failure to stabilise government debt/GDP levels or a widening of the current account caused by falling export receipts or remittance inflows could lead to a negative rating action.

Fitch now forecasts Kenya's economy to grow by 3% in 2020, down from an estimated 5.6% in 2019, and by 4% in 2021. We expect that international travel to Kenya and tourism, which the World Bank estimates contributes 14% to Kenya's GDP, will fall to near zero for several months. Kenya's export sector, including horticulture and tea (40% of exports), will be affected by travel restrictions, border closings and falling Eurozone demand.

The Central Bank of Kenya (CBK) has responded by cutting the main policy rate by 100bp to 7.25% and lowering banks’ reserve ratio to bolster domestic liquidity. The CBK has required commercial banks to provide loan relief, and to restructure loans to retail and corporate customers. The global shock will also stress Kenya's external balances. Tourism receipts and remittance flows were an estimated USD3.6 billion in 2019 (3.7% of GDP compared with a current account deficit of 4.2% of GDP). Kenya's status as an oil importer will mitigate the external stress due to the fall in oil prices. Import compression will keep the widening of the current account to between 5% and 6% of GDP in 2020. Kenya's flexible exchange rate will limit the drawdown of international reserves.

Kenya's GDP, will fall sharply, with the tourism sector, exports, foreign investment and remittances from Moroccans working abroad - are all expected to be hit hard during the crisis. A recent joint report by the United Nations and the World Bank said the resulting fall in tax and customs revenue and the rise in state spending would deepen the budget deficit to more than 6% of GDP, compared to a government target of 3.7%.

The crisis, aggravated by the effects of a drought on the agriculture sector, will plunge Morocco into recession for the first time in two decades, the report said, with the economy expected to contract by 1.5%.

The government had planned an international bond sale in 2020. Morocco also has the possibility of drawing on International Monetary Fund (IMF) financing of about $2.97 billion in the form of a Precautionary and Liquidity Line. Moody's maintained last week its Ba1 rating with a stable outlook for Morocco.
Morocco draws on IMF credit line as it forecasts economic contraction
08-Apr-2020
RABAT, April 8 (Reuters) - Morocco has drawn on International Monetary Fund (IMF) credit to help offset the economic shock from the coronavirus, the Finance Ministry and central bank said on Wednesday, as the state planning agency forecast a contraction this quarter.
"Drawing on the line would help mitigate the impact of the crisis on our economy and maintain foreign exchange reserves," the ministry and the central bank said in a statement.
The $3 billion liquidity line was first agreed in 2012 and renewed in 2018 as a precautionary measure against any potential extreme economic shocks, and the first withdrawal took place on Tuesday, the statement said.
Morocco imposed a lockdown from March 20 to reduce the spread of the coronavirus, with over a thousand cases confirmed in the country. Meanwhile, poor rainfall has affected agriculture, which makes up 11.7% of the economy.
The economy will contract by 1.8% in the second quarter after growing by 1.1% in the first quarter, the official planning agency said earlier.
It estimated that the lockdown would cut 3.8 percentage points off growth in April alone, equivalent to 10.9 billion dirhams ($1 billion), after a loss 4.1 billion in March.
Morocco's public debt stood at 66.1% of gross domestic product (GDP) in 2019, while foreign exchange reserves totalled 242 billion dirhams at the end of March, official data showed.
Morocco also plans an international bond this year after it suspended the ceiling on foreign debt in preparation for a drop in foreign exchange reserves as the coronavirus hits its exports, remittances, foreign investment and tourism.
Demand for Moroccan exports fell by 3.5% in the first quarter compared with the same period of 2019, and is expected to fall by 6% year-on-year in the second quarter, the planning agency said.
However, demand for fruit and vegetable exports is rising as a labour shortage caused by the coronavirus has hit agricultural production in southern Europe, it added.
The automotive sector, representing 27% of export sales, has been disrupted by falling demand and the temporary closing of Renault and Peugeot assembly plants, it said.
Phosphates and derivatives exports fell by 40% in value in the first quarter due to lower prices, it said. However, falling energy prices will reduce import costs, partly offsetting the lower value of exports, it said.
Money supply grew in the first three months by 3.6% from 3.7% the previous quarter.

Nigeria

Fitch Downgrades Nigeria to 'B'; Outlook Negative
06-Apr-2020
April 6 (Reuters) - Fitch Ratings:
• **Fitch downgrades Nigeria to 'B'; outlook negative**
  - Fitch -downgrade, outlook reflect aggravation of ongoing pressures on Nigeria's external finances following slump in oil prices, pandemic shock
  - Fitch on Nigeria - project general government deficit will widen to 5.8% of GDP (federal government, FGN: 3.1%) in 2020 from 3.8% (FGN: 2.4%) in 2019
  - Fitch - expect pandemic shock to push Nigerian economy into recession with GDP contracting by 1% in 2020

Nigeria seeks $6.9 bln from lenders to fund coronavirus fight
06-Apr-2020
• **Nigeria's revenues hammered by falling oil prices**
  - Abuja seeking funds from IMF, AfDB and World Bank
• **No plan for Nigeria to enter IMF programme - minister**
By Paul Carsten
ABUJA, April 6 (Reuters) - Nigeria has requested $6.9 billion from multilateral lenders to combat the impact of the coronavirus pandemic on Africa's biggest economy, the finance minister said on Monday.
Nigeria, whose revenues have tumbled with the fall in oil prices, has asked for $3.4 billion from the International Monetary Fund, $2.5 billion from the World Bank and $1 billion from the African Development Bank (AfDB), Zainab Ahmed said.
Africa's most populous country and the continent's biggest oil producer, which is still recovering from a recession caused by the last period of weak oil prices, had 232 confirmed cases of the novel coronavirus and five deaths, as of Sunday.
A two-week lockdown was imposed last week on...
Lagos state, home to the nation's sprawling commercial hub, as well as neighbouring Ogun state and the capital territory of Abuja, in an effort to prevent the virus spreading across the country.

The minister told a news conference in Abuja that Nigeria was one of several African states seeking the suspension of debt-servicing obligations for 2020 and 2021 from multilateral lenders.

The requests are part of a wider debate over debt relief. But analysts say securing such relief will be a challenge as it requires winning approval from a disparate array of creditors.

The IMF, which has received requests for help from about 80 nations including 20 in Africa, is making about $50 billion available from its emergency financing facilities to help countries cope with the crisis. The World Bank has approved a $14 billion response package.

Nigeria’s finance minister said IMF support would not be tied to a formal programme and the funds would not have conditions attached because the cash was being borrowed previous Nigerian contributions to the Fund.

CUTTING SPENDING

"It is important to clarify that Nigeria does not intend to negotiate or enter into a formal programme with the International Monetary Fund, at this time, or in the foreseeable future," Ahmed added.

The government said last month that spending in the $34.6 billion budget for 2020 would have to be cut by around $4.9 billion due to low oil prices and the impact of the pandemic, which has driven down global demand for fuel.

The minister said the budget would assume an oil price of $30 a barrel, down from $57, and production of 1.7 million barrels per day (bpd) rather than 2.1 million bpd.

"The emerging health and economic risks resulting from the COVID-19 pandemic and decline in international oil prices pose existential threats to Nigeria’s economy, healthcare system, national security, as well as the lives of our citizens," she said.

Nigeria, where economic growth had been about 2%, is still struggling to shake off a 2016 recession caused by a previous slide in oil prices to below $30 a barrel. In the latest crisis, oil prices plunged to a nearly two-decade low of close to $20.

Fitch on Monday pushed Nigeria’s debt rating deeper into "junk" territory, rating it a "B" and saying it expected the virus pandemic to drive the economy back into recession. It forecast the economy would contract 1% in 2020.

Ahmed said the government had provided 102.5 billion naira ($285 million) to support the healthcare sector, of which 6.5 billion naira had already been made available as critical expenditure for the Nigeria Centre for Disease Control.

Lagos state, where most confirmed cases of the virus in the country have been identified, had received 10 billion naira in emergency funding, the minister said.

The government said on Saturday it planned to create a coronavirus fund to strengthen its healthcare infrastructure. Ahmed said on Monday the president had approved the fund and said backing from lawmakers was being sought to borrow the money from special accounts.

($1 = 360.0000 naira)

(Reporting by Paul Carsten and Alexis Akwagyiram in Lagos; Additional reporting by Camillus Eboh and Felix Onuah in Abuja; Writing by Alexis Akwagyiram; Editing by Larry King and Edmund Blair)

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IMF says considering Nigeria's request for funds to fight pandemic

07-Apr-2020

WASHINGTON, April 7 (Reuters) - The International Monetary Fund on Tuesday said it was considering Nigeria’s request for $3.4 billion in emergency financing to combat the impact of the new coronavirus pandemic on Africa's biggest economy.

IMF Managing Director Kristalina Georgieva said Nigeria’s economy was threatened by the twin shocks of the COVID-19 pandemic and a sharp fall in international oil prices, and the country had asked for funding to help protect the most vulnerable people and companies.

"We are working hard to respond to this request so that a proposal can be considered by the IMF's Executive Board as soon as possible," Georgieva said in a statement.

Nigeria's finance minister, Zainab Ahmed, on Monday said her government had requested a total of $6.9 billion from the IMF and other multilateral lenders. It is also seeking the suspension of debt-servicing obligations for 2020 and 2021 from multilateral lenders.

Georgieva said the Nigerian government was taking a number of measures aimed at containing the spread of the virus and its impact, and was working on an economic stimulus package that will help provide relief for affected households and businesses.

The emergency funding requested under the Fund’s Rapid Financing Instrument would allow the government to address additional and urgent balance of payments needs, and to direct funds to priority health expenditures, she added.

Africa's most populous country and the continent's biggest oil producer, Nigeria was still recovering from a recession caused by weak oil prices. It was rocked by a further drop in revenues in recent weeks.

The IMF has received requests for emergency financing help from over 90 countries, including many in Africa.

The IMF has said it has about $50 billion
available from its emergency financing facilities to help countries cope with the crisis, and hopes to double the amount in coming weeks. The World Bank has approved initial disbursements of $1.9 billion as part of a $14 billion emergency response package.

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South Africa

South Africa's central bank sees up to -4% GDP over coronavirus fallout
06-Apr-2020
By Mfuneko Toyana
April 6 (Reuters) - South Africa’s central bank slashed its growth forecasts on Monday, predicting the economy could shrink by as much as 4% in 2020 due to the novel coronavirus, which has forced a nationwide lockdown and triggered two credit ratings downgrades.

The bank also said growth was unlikely to exceed 1% in 2021, job losses this year could reach 370,000, and business insolvencies would likely increase by 1,600. While painting a grim outlook, it dampened expectations of the kind of radical stimulus measures Western countries have adopted to tackle it.

“South Africa’s pre-existing macroeconomic vulnerabilities make it unrealistic to implement stimulus on the scale seen in the strongest advanced economies,” the South African Reserve Bank (SARB) said in its bi-annual Monetary Policy Review.

Africa’s most advanced economy was already on the ropes when pandemic hit local shores, recording its second recession in two years in the final quarter of 2019, with data from 2020 already showing slack industrial and financial activity.

“Updated estimates show the economy contracting by around 2% to 4% in 2020, although these projections are tentative,” the South African Reserve Bank (SARB) said in its bi-annual Monetary Policy Review.

“There is limited scope for a rebound,” the bank said, adding the were downside risks to the dire forecasts should the lockdown be extended, or if the global economy weakened more than expected.

LOCKDOWN WOES

The country has reported 1,585 coronavirus cases, the highest on continent, with nine deaths, and is in the second week of a 21-day lockdown.

In a teleconference the bank said average growth in past decade was at its weakest since at least the 1980s, due to electricity shortages and the slow pace of structural reforms, while the rising risk premium was keeping the bank from deeper lending cuts.

On Friday ratings agency Fitch cut the country's credit rating deeper into sub-investment territory, forecasting a 3.8% contraction to the economy in 2020. The week before, Moody's also cut the rating to junk.

In response the rand hit an all-time low while bond yields spiked, fuelling fears of a financial and fiscal crisis.

In March the bank launched a bond-buying programme to plug a liquidity drought in credit markets and, before that, cut lending rates by 100 basis points.

On Monday the Governor Lesetja Kganyago said he was pleased with the impact of the liquidity measures.

However, calls for the bank and the National Treasury do more to support the economy have grown louder, especially with unemployment already at 30%.

Kganyago ruled out switching to monthly monetary policy meetings or tapping the Federal Reserve for funds through its recently offered fx swap line.

“We have not considered moving to a monthly meeting. We will however continue watch the data, and if the data is such that we have to meet earlier, there's nothing stopping us,” said Kganyago.

According the bank's calculations, last month's 100 basis point cut to lending rates had put 32 billion rand ($1.7 billion) back into the economy.

($1 = 18.7933 rand) (Editing by Tim Cocks) ((tim.cocks@thomsonreuters.com)) ©Refinitiv 2020. All rights reserved.

Tunisia

Tunisia secures $743 million loan from IMF to counter effects of coronavirus
10-Apr-2020
By Tarek Amara
TUNIS, April 10 (Reuters) - Tunisia secured a $743 million loan from the International Monetary Fund on Friday to help counter the economic effects of the coronavirus, finance minister Nizar Yaich told Reuters.

The loan will be extended under an IMF scheme to support countries during the coronavirus crisis, the official said.

Tunisia has confirmed 643 cases of the virus and 25 deaths. The infection is hammering its vital tourism sector which represents nearly 10% of gross domestic product.

“This loan is very important to Tunisia in this difficult moment as the government is working hard to mobilize financial resources to confront this unprecedented crisis,” Yaich said.

Tunisia has also received 250 million euros ($272 million) of financial aid from the European Union.

Prime Minister Elyes Fakhfakh said this month that the government was allocating more than...
$1 billion to combat the economic and social effects of the pandemic.
The North Africa country has started negotiations with the IMF for a new loan programme.
The government now expects an economic recession, prompting the central bank last month to cut its key interest rate by 100 basis points, its first rate cut since 2011.

($1 = 0.9205 euros)
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GLOBAL

World Bank sees 'major global recession' due to pandemic
04-Apr-2020
WASHINGTON, April 3 (Reuters) - World Bank Group President David Malpass on Friday said the rapidly spreading COVID-19 pandemic was expected to cause a "major global recession" that would likely hit the poorest and most vulnerable countries the hardest.
"We intend to respond forcefully and massively with support programs, especially for poor countries," Malpass said in a posting on the LinkedIn networking site, adding that he planned to speak soon with the leaders of Ethiopia, Kenya and other countries.

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IMF sees coronavirus-induced global downturn 'way worse' than financial crisis
04-Apr-2020
By Andrea Shalal and Stephanie Nebehay
WASHINGTON/GENEVA, April 3 (Reuters) - The coronavirus pandemic has brought the global economy to a standstill and plunged the world into a recession that will be "way worse" than the global financial crisis a decade ago, the head of the International Monetary Fund said on Friday, calling it "humanity's darkest hour."
The IMF's managing director, Kristalina Georgieva, speaking at a rare joint news conference with the leader of the World Health Organization (WHO), called on advanced economies to step up their efforts to help emerging markets and developing countries survive the economic and health impact of the pandemic.
"This is a crisis like no other," she told some 400 reporters on a video conference call. "We have witnessed the world economy coming to a standstill. We are now in recession. It is way worse than the global financial crisis" of 2008-2009. World Bank President David Malpass echoed her outlook in a post on LinkedIn, writing, "Beyond the health impacts from the COVID-19 pandemic, we are expecting a major global recession."

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

Georgieva said the IMF was working with the World Bank and WHO to advance their call for China and other official bilateral creditors to suspend debt collections from the poorest countries for at least a year until the pandemic subsides.

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

In his posting, Malpass said a debt standstill could begin on May 1, providing added liquidity for the poorest countries as they battle the disease. During the suspension period, he said, the World Bank and the IMF could evaluate the sustainability of those countries' debt and the possible need for a debt reduction by official creditors and commercial creditors.

"HUMANITY'S DARKEST HOUR"
Emerging markets and developing economies have been hard hit by the crisis, Georgieva said, noting that nearly $90 billion in investments had already flowed out of emerging markets, far more than during the financial crisis. Some countries are also suffering from sharp drops in commodity prices.

More than 90 countries - nearly half the IMF's 189 members - have asked for emergency funding from the IMF to respond to the pandemic, she said.
The IMF and WHO have called for emergency aid to be used mainly to strengthen health systems, pay doctors and nurses, and buy protective gear.

Georgieva said the IMF stood ready to use as much of its "war chest" of $1 trillion in financing capability as needed.
The IMF has begun disbursing funds to requesting countries, including Rwanda, with requests from two additional African nations to be reviewed on Friday, she said.
"This is, in my lifetime, humanity's darkest hour - a big threat to the whole world - and it requires from us to stand tall, be united, and protect the most vulnerable of our fellow citizens," she said.

She said central banks and finance ministers had already taken unprecedented steps to mitigate the effects of the pandemic and stabilize markets, but more work was needed to keep liquidity flowing, especially to emerging markets.

To that end, the IMF's board in coming days...
would review a proposal to create a new short-term liquidity line to help provide funds to countries facing problems. Georgieva also urged central banks and particularly the U.S. Federal Reserve to continue offering swap lines to emerging economies.

(Reporting by Andrea Shalal in Washington and Stephanie Nebehay in Geneva
Editing by Sonya Hepinstall)
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Global sovereign debt soars to record US$2.15tn
09-Apr-2020

Global sovereign debt issuance soared to a record US$2.15 trillion (HK$16 trillion) in March, data from the Institute of International Finance showed, while the European Central Bank alone said the bloc may need 1.5 trillion euros (HK$12.64 trillion) this year to tackle the economic crisis caused by the Covid-19 epidemic.

The European Union Commission estimated in a video conference meeting that the bloc’s economy could shrink by 10 percent this year, but ministers remained divided on how to boost the economy and failed to agree on a common text.

Global central banks are expected to ramp up easing measures, with the People’s Bank of China previously saying to cut the reserve requirement ratio for the third time this year and lowering the interest rate on banks’ excess reserves for the first time since 2008.

Also, the Hong Kong Monetary Authority has halved local banks’ reserve requirements starting from Wednesday, which will release HK$200 billion to the market and called on banks not to use the capital for dividend or bonus payments.

In America, former Federal Reserve chief Ben Bernanke said the US second-quarter GDP will slump 30 percent, but the recovery will be much shorter than that which followed the financial crisis.

And Japan’s service sector sentiment service hit a record low in March, with a tracking index almost halved from a month ago to 14.2 points. Ifo, a thinktank, also estimated that Germany’s first-quarter GDP will plunge by 9.8 percent, which could be the biggest drop on record.

Despite stimulating measures by governments, global shares slipped yesterday amid a mounting virus death toll. European markets headed lower while futures on three main US indexes swung between modest losses and gains before turning higher.

The mainland SSE Composite Index slid 0.19 percent at 2,815 points. Hong Kong benchmark Hang Seng Index went down 1.17 percent to 23,970 points as the government extended social distancing restrictions.

In commodity markets, oil prices rebounded as the US was also believed to cut production with brent crude rising 0.63 percent to US$32.07 a barrel as of 8.30pm last night.

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