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Foreigners buy Asian bonds for sixth straight month in October

13-Nov-2019

Nov 13 (Reuters) - Foreigners were net buyers of Asian bonds for a sixth straight month as hopes of an interim U.S.-China trade deal improved risk sentiment and benefited the highest-yielding bonds in the region.

Bonds received a combined net inflow of $2.14 billion last month, the highest since July, according to data from regional banks and bond market associations in Indonesia, Malaysia, Thailand, South Korea and India.

Overseas investors purchased $2.07 billion worth of Indonesian bonds in October, which was the highest in four months. Indian bonds attracted $518 million in inflows.

"This implies that the global search for yield remains robust. The two markets are also expected to make further interest rate cuts," said Khoon Goh, head of Asia research at ANZ in Singapore.

Bank Indonesia cut interest rates for the fourth time in four months in October.

Anticipation of more reforms from Indian Prime Minister Narendra Modi's government, after its corporate tax cut in September, lifted flows into Indian bonds, analysts said.

South Korea, Thailand and Malaysian bonds saw net outflows in the past month.

Expectations for phase one of a trade agreement between China and the United States helped bond flows last month, but lack of progress on an agreement has raised doubts about whether a trade deal will take place at all.

"Investors will want to see the formal signing of the phase one deal and signs of continued improvement in economic activity before they make further fund injections," ANZ's Goh said.

(Reporting by Gaurav Dogra and Patturaja Murugaboopathy in Bengaluru; editing by Larry King)

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India

Foreign Investors to Prefer Short-End India Bonds, Await Fiscal Clarity
11-Nov-2019
By Dharam D hutia and Siddhi Nayak
NewsRise
MUMBAI (Nov 11) -- Foreign investors are likely to continue buying Indian government debt but will restrict investments to the short-end of the yield curve due to fears of a fiscal slippage, analysts said.

"Foreign investment at the short-end of the yield curve will continue as we forecast additional rate cuts, including one in December as well as in February," Rini Sen, India economist at ANZ Research said. "The recent announcement of corporate tax cut and revoking of certain budget announcements regarding foreign investor flows have seen renewed inflows both in equity and debt.”

India aims fiscal deficit at 3.3% of gross domestic product this financial year. The target is expected to be missed due to a shortfall in tax revenues. However, the central bank is expected to continue cutting rates to rev up economic growth that slipped to 5% in April-June.

"Fiscal concern had kept foreign investors on back foot for some time now," Pratik Shroff, vice president - treasury, Industrial and Commercial Bank of China’s Mumbai Branch, said. “However, with the government asserting to maintain the fiscal discipline and with real rates as high as 1.75%-2.00% in the shorter end of the curve, money has flown to the domestic rupee-denominated bonds.”

Overseas investors have bought $675 million of Indian government and corporate bonds this month, after buying $582 million last month and selling $833 million in September.

The bulk of the recent purchases are concentrated in two-year to five-year bonds, data from Clearing Corp of India showed. India’s new 10-year bond yield is up 12 basis points since its issuance on Oct. 4 while the five-year rate is down 11 basis points since Sep. 30. The risks of fiscal slippage, including any additional market borrowings, would be apparent closer to the budget likely due in February, ANZ’s Sen said.

Moody’s Investors Service last week cut India’s credit outlook to negative from stable, while keeping the rating steady at Baa2. It cited slowing economic growth and lower government and policy effectiveness at addressing long-standing economic and institutional weaknesses as reasons for the rating action.

"With a relatively high term premia in the 3-5 year segments, with 5 year bond trading in the range of 6.15%-6.25% and economy at the fag end of rate cut cycle, the shorter end of the curve is an attractive bet,” ICBC’s Shroff said.

India Bonds Fall As Fiscal Woes Persist, Inflation Seen Rising
11-Nov-2019
By Dharam Dhutia
NewsRise
MUMBAI (Nov 11) -- Indian government bonds fell for the third consecutive session as lingering fiscal worries continued to weigh on sentiment while a state debt sale added to supply.

Expectations that retail inflation would go beyond the central bank’s target also compounded the negative sentiment on bonds. The benchmark 6.45% bond maturing in 2029 ended at 99.16 rupees, the lowest since its issuance on Oct. 4, yielding 6.57% in Mumbai, against 99.21 rupees and a 6.56% yield on Nov. 8. The 7.26% bond maturing in 2029 ended at 103.28 rupees, yielding 6.77%, against 103.40 rupees and a 6.75% yield at previous close.

The Indian rupee ended at a near-one-month low of 71.46 to the dollar against 71.29 at previous close. Indian financial markets will be closed tomorrow for a local holiday.

"Fiscal worries have taken centrestage as we are moving closer towards the year end, and hence sentiment is likely to remain negative,” said Abhishek Upadhyay, senior economist at ICICI Securities Primary Dealership. “Also, retail inflation is expected to rise over 4.3% which is also getting factored in bond prices.”

Indian states today raised $37.50 billion rupees via sale of bonds and the cutoff yields were largely along expected lines.

The likelihood of the government missing its fiscal deficit target of 3.3% of gross domestic product for this financial year amid lower-than-estimated revenues continued to be a dampener on the market.

Traders now await India’s retail inflation data for October, due on Nov. 13, and expect inflation to have risen above the Reserve Bank of India’s 4% target. A Reuters poll pegs October’s print at 4.25%, higher than 3.99% in September.

Still, India's rate-setting Monetary Policy Committee is widely expected to cut policy rates in December to spur economic growth. The MPC has cut rates by 135 basis points so far in 2019 to 5.15%. The next decision is due on Dec. 5.

India’s economic growth slowed to an over-six-year low of 5% in April-June and is expected to have eased further. The data for July-September is due later this month.

Indian bonds fell last week after Moody’s Investors Service cut India’s rating outlook to 'negative' from ‘stable’, citing concerns over the nation’s economic growth. The benchmark yield rose 11 basis points last week.
Ration agencies S&P or Fitch changing their outlook for India to 'negative' from 'stable' is a "critical factor" for the markets and such a move will open up the risk of one of them downgrading the country’s rating to below investment grade, Citi said.

On the trade front, United States President Donald Trump said over the weekend that trade talks with China were moving along "very nicely," but Washington would only make a deal with Beijing if it was the right deal for the U.S., Reuters reported.

The benchmark Brent crude contract was down 1.3% at $61.69 per barrel. India imports over 80% of its crude oil requirements.

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India government bond yields fall as market exercises caution

14-Nov-2019

New Delhi, Nov. 14 -- The yield on the 10-year government bond opened marginally lower on Thursday as traders exercised caution anticipating larger monetary easing because of deteriorating economic growth amid a jump in retail inflation.

The yield on the 10-year India government bond was at 6.515% compared with its previous close of 6.53%.

Exceeding the Reserve Bank of India’s (RBI) medium-term target for the first time since July 2018, India's retail inflation unexpectedly jumped to a 16-month high of 4.62% in October as prices of kitchen staples such as onion and tomato skyrocketed.

Analysts said the market will now focus on India’s September quarter gross domestic product data, due on 29 November, that is likely to show a deeper slowdown and in turn may lead to a larger rate cut from the RBI.

"Slowing growth will dominate the attention of the central bank rather than temporary spike in food inflation. Flow of frequency indicators reaffirms the broad-based slowdown in economic growth. Near term growth momentum is projected to remain lacklustre with FY20 GDP growth estimated at 6.0% with downside risks. It is imperative for the RBI to remain accommodative and support growth. With CPI inflation projected to average below 4% amid widening negative output gap, we expect RBI to deliver another 25-40 bps in the rest of FY20, before getting into a prolonged pause," said Amar Ambani, head of research - Institutional Equities at YES Securities.

Data released earlier showed that India’s factory output contracted 4.3% in September, recording its worst show since at least April 2012. With factory output at an eight-year low, analysts expect India's economy to have grown at less than 5% during the September quarter.

"For the RBI, it, however, presents a tough policy dilemma of overshooting inflation, undershooting growth and fragile fiscal state. However, we think the current underlying growth-inflation mix continues to be favourable for counter-cyclical monetary stance. The domestic demand state, as reflected in various activity indicators, has weakened further in recent months, while fragile external growth backdrop convolutes the domestic slowdown further. We think the monetary accommodation has further steam of 50-65bps cut more in the cycle, contingent on data outcomes. We will closely watch out for the evolution of inflation amid various domestic and global idiosyncrasies, and fiscal fragilities that could impact the MPC’s reaction function," said Madhavi Arora, economist, forex and rates, Edelweiss Securities.

Meanwhile, the rupee traded marginally lower amid mixed cues from Asian currencies. The rupee was at 72.05 a dollar, down 0.06% from Wednesday's close of 72.09.

Traders weighed President Donald Trump's remarks that tariffs could be raised if there's no US-China trade agreement, even though he said that a deal could happen soon.

In the year so far, the rupee has weakened 2.6%, while foreign investors have bought nearly $11.81 billion in Indian equities and $5.36 billion in debt.

Asian currencies traded mixed after Federal Reserve Chairman Jerome Powell indicated the US central bank was likely to keep interest rates steady as long as the economic outlook remains on track.

South Korean won was down 0.24%, Taiwan dollar 0.2%, Malaysian ringgit 0.13%, Indonesian rupiah 0.13%. However, Philippines peso was up 0.17%, Japanese yen 0.1%, China offshore 0.1%, Thai Baht 0.07%.

The dollar index, which measures the US currency's strength against a basket of major currencies, was at 98.354, down 0.02% from its previous close of 98.373.

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Indonesia

Indonesia raises 8 trln rupiah from Islamic bonds auction, above target

12-Nov-2019

JAKARTA, Nov 12 (Reuters) -
- Indonesia raised 8 trillion rupiah ($569.96 million) in a biweekly Islamic bond auction on Tuesday, above an indicative target of 7 trillion rupiah, according to the financing and risk management office at the Finance Ministry.
- The weighted average yields of project-

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Edited By Sunil Nair
based sukuk sold on Tuesday were mixed compared with yields of comparable sukuk at the previous auction on Oct. 29
• Total incoming bids for Tuesday’s auction were 24.3 trillion rupiah
($1 = 14,036.0000 rupiah)
(Reporting by Tabita Diela; Editing by Catherine Evans)
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Kazakhstan

IMF says Kazakh tenge valuation in line with economic data
12-Nov-2019
NUR-SULTAN, Nov 12 (Reuters) - The exchange rate of the Kazakh tenge is in line with Kazakhstan’s key economic indicators, International Monetary Fund mission head Mark Horton said on Tuesday.

The tenge has weakened 1.2% against the dollar this year, while the rouble currency of Kazakhstan’s main trading partner and fellow oil exporter Russia has gained 9.1%.

Some Kazakh market players say the ex-Soviet Central Asian nation is artificially weakening its currency, although it officially has a freely floating exchange rate. A weaker tenge boosts exports and budget revenues.

Kazakhstan’s central bank has reported no direct interventions on the foreign exchange market for the last six months, but it can intervene indirectly by buying or selling dollars on behalf of the two state funds it manages, the $60 billion sovereign fund and the $27 billion state pension fund.

Horton said the IMF welcomed the central bank’s plans to publish a report on sovereign fund operations "in coming months".

(Reporting by Tamara Vaal; Writing by Olzhas Auyezov; Editing by Alex Richardson)
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Lebanon

Lebanon to delay $2 bln Eurobond issuance, committed to paying maturities on time
09-Nov-2019
BEIRUT, Nov 9 (Reuters) - The Lebanese government is delaying a Eurobond issuance of $2 billion that had been planned for the end of the month but is fully committed to paying its maturing Eurobonds on time, caretaker Finance Minister Ali Hassan Khalil said on Saturday.

“Lebanon is committed to paying maturing treasury bonds in foreign currency, Eurobonds, at their predetermined dates and this commitment is confirmed,” Khalil told Reuters. He added that a plan for a forthcoming Eurobond issuance had been delayed. “It had been expected to be issued at the end of this month at the value of $2 billion,” he said.

Lebanon has a $1.5 billion Eurobond maturing this month.

The central bank has said it stands ready to pay off Lebanon’s forthcoming maturing foreign currency debt.

(Reporting by Laila Bassam; Writing by Tom Perry; Editing by Andrew Heavens)
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Templeton sees Lebanon on road to debt default as crisis rages
14-Nov-2019
CPI FINANCIAL

Last week, Moody’s downgraded Lebanon deeper into junk, citing the increased likelihood of what may constitute a default under its definition.

Franklin Templeton, which oversees more than $690 billion of assets worldwide, said that the Lebanese government will have to renegotiate its $30 billion of eurobonds debt load to stave off an economic collapse, reported Bloomberg.

Mohieddine Kronfol, Franklin Templeton’s Chief Investment Officer for MENA fixed income, said, “The system is broken, and the credibility is gone, we need to see some decisive action and some engagement with some multilateral agency or some donor countries to move forward.”

Lebanon has an unblemished record of bond repayment through war and political strife and government officials have repeatedly ruled out a default. But investor confidence in its ability to meet liabilities has crumbled following weeks of street protests that have led to Prime Minister Saad Hariri’s resignation.

The nation’s Eurobonds are the world’s worst performers in emerging markets this quarter despite a package of emergency measures rolled out in October 2019.

The yield on the government’s $2.1 billion of notes maturing in April 2021 has almost quadrupled this year to 42 per cent, with the price collapsing to 66 cents on the dollar. Its debt risk, as measured by five-year credit-default swaps, has risen the most in the world since the end of September 2019, to 1,615 basis points.

The Arab nation has $30 billion of dollar bonds outstanding; the figure is $46 billion when interest is included.

Attempts to secure financial assistance from Gulf allies have so far come up empty. Lebanon’s finances are becoming ever more precarious as it suffers shortages of foreign currency and even fuel, while struggling to attract bank deposits, a
key source of funding for the government. "Time is passing by and if they cannot move forward, the concept of a voluntary debt restructuring starts diminishing and it becomes a very hard landing or a collapse," said Kronfol, who also oversees Templeton's Global Sukuk business.

"Lebanon is not a trade that we consider in the short term, at least until we see some institutional developments," added Kronfol.

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S&P downgrades Lebanon’s credit rating amidst ongoing protests
15-Nov-2019

Nov 15 (Reuters) - S&P Global Ratings said on Friday that it lowered Lebanon's long-term and short-term foreign and local currency sovereign credit ratings to 'CCC/C' from 'B-/B', citing rising financial and monetary risks.

The outlook on Lebanon is negative, S&P said, specifying that it reflects the risk to Lebanon's creditworthiness from rising financial and monetary pressures tied to recent widespread protests and the resignation of the government.

Nationwide protests driven in part by the worst economic crisis since the country's 1975-1990 civil war have shut banks and paralysed the country, limiting the ability of many importers to purchase from abroad.

Saad al-Hariri quit as prime minister on Oct. 29 in the face of the protests against ruling politicians who are blamed for rampant state corruption.

Mohammad Safadi, a former finance minister, has agreed to be Lebanon's prime minister if he wins the support of the leading parties, Foreign Minister Gebran Bassil said earlier on Friday.

Confidence in the country’s governance and its economy is falling, which has led to a reversal in bank deposit inflows, S&P noted, adding that the Lebanese government will need external donor support or a major domestic reform package to continue its general government debt.

On Thursday, the ratings agency lowered the ratings on three Lebanese banks - Bank Audi, Blom Bank and Bankmed - further into junk, citing rising liquidity pressures.

(Reporting by Kanishka Singh in Bengaluru; Editing by Sandra Maler)

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Malaysia

Malaysia’s economy loses steam in Q3, raising rate cut bets
15-Nov-2019

- Q3 GDP +4.4% y/y vs Q2 +4.9% (Reuters poll +4.4%)
- Central bank says not on "any preset course" on rate cuts
- Keeps full-year growth target of 4.3%-4.8%

Writes through, adds economists' comments

By Joseph Sipalan
KUALA LUMPUR, Nov 15 (Reuters) - Malaysia’s economy grew at its weakest pace in a year in the third quarter hit by sharp falls in exports and mining, fueling expectations for another dose of policy stimulus from the central bank early next year.

Gross domestic product expanded 4.4% in the July-September quarter, Bank Negara Malaysia (BNM) said on Friday. The pace was as expected but weaker than 4.9% growth the previous quarter.

Growth in Southeast Asia’s third-largest economy slowed across all sectors in the third quarter, particularly in mining, which contracted 4.3% compared with a 2.9% expansion in the April-June period, central bank data showed.

BNM Governor Nor Shamsiah Mohd Yunus said growth was expected to rebound in the final quarter of 2019 on a resumption in mining and construction activities and resilient private sector spending, but did not discount a cut to the overnight policy rate if things take a turn for the worse.

"We are not on any preset course," she told reporters. "We continue to monitor external developments and how it affects our outlook for growth and inflation. And we will always be data dependent."

BNM last cut its key policy rate in May to support growth on concerns over slowing global demand and U.S.-China trade tensions.

A U.S. official said on Thursday that the world’s two largest economies are getting close to a trade agreement, but that will only help if it is implemented soon, said Julia Goh, a Kuala Lumpur-based economist with UOB Bank.

"If some of the tariffs can be removed within six months, that would pave the way for some recovery in exports. But if they just sign on the dotted line with no sign of where they will go on tariffs, it won't help sentiments," Goh said, adding she expects a rate cut in the first quarter.

Exports contracted 1.9% in the third quarter versus a 0.4% fall in the previous three months, on weak demand for electrical and electronic shipments and commodities.

Domestic demand also slowed as the full effects of a reinstated sales and services tax kicked in, though it remains resilient and reflects a normalisation in line with BNM’s long-term average projection of 7%, BNM’s Nor Shamsiah said.

"We are not immune to developments that happen globally because we are such an open economy, but the diversified nature of our exports provide some cushion against external headwinds," she said.

SLOWDOWN TO PERSIST
Nor Shamsiah said they expect growth to remain positive in the fourth quarter, sticking to BNM’s full-year forecast of 4.3%-4.8%, and for the pace to sustain going into 2020. But the broad slowdown indicates that there will likely be no repeat of Malaysia’s outperformance over the first half of 2019, said Charu Chanana, an economist with Continuum Economics.

“Trade remains very volatile...industrial production data has been pretty weak, and if we continue to see more weakness there, BNM would be prompted sooner than later to go for another cut,” Chanana said.

Last week, the central bank unexpectedly cut banks’ statutory reserve requirement to inject liquidity, the first in three years and only days after it left its key policy interest rate unchanged.

The central bank said it was also working on addressing any concerns of FTSE Russell, which in September gave the country at least another six months to escape eviction from its widely-tracked government bond index.

Nor Shamsiah said the central bank’s recent measures had given greater flexibility to offshore investors to hedge positions onshore and that forex transaction volumes were growing and cost of transactions coming down.

The ringgit fell 1.1% against the U.S. dollar in the third quarter, which BNM attributed to heightened risk aversion amid the protracted Sino-U.S. trade war.

Malaysia’s current account surplus fell to 11.5 billion ringgit ($2.78 billion) in the third quarter, from the 14.3 billion ringgit in the previous period.

The headline inflation rate came in at 1.3% in the third quarter but is expected to be “low” in 2019, and modest though higher in 2020, BNM said.

($1 = 4.1380 ringgit)
(Additional reporting by Krishna N. Das and Rozanna Latif; Editing by Jacqueline Wong)

Uzbekistan

Uzbekistan mulls foreign debt limit, local-currency Eurobonds

14-Nov-2019

TASHKENT, Nov 14 (Reuters) - Uzbekistan is considering capping foreign borrowing by the public sector at $4 billion per year and issuing international bonds denominated in the local sum currency in order to mitigate foreign exchange risk, officials said on Thursday.

The former Soviet republic issued its debut, dual-tranche, dollar Eurobond last February, raising $1 billion. It also started issuing domestic treasury bills late last year. But Central Asia’s most populous nation of 33 million wants to avoid excessive leverage and protect itself against other risks, officials from the Finance Ministry and the Capital Markets Development Agency (CMDA) said.

The Tashkent government plans to cap foreign borrowing at $1.5 billion a year for the sovereign itself and $4 billion for the public sector as a whole, including large state-owned companies, Finance Minister Djamshid Kuchkarov told reporters at a conference.

Uzbekistan also plans to keep its total public debt, foreign and domestic, within 50% of gross domestic product, he said. According to Deputy Prime Minister Ulyukayev, the national debt ratio may reach 49% of GDP at the end of the year.

The national debt-GDP ratio will rise to 39.8 percent from 37.1 percent over the cited period.

The BOK cut this year's economic growth outlook to 2.2 percent in July from a previous forecast of 2.5 percent. However, the BOK's latest projection is higher than forecasts by private organizations.

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South Korea

Treasury bond-issuance S. Korea dismisses worries over next year’s bond issuance

14-Nov-2019

Treasury bond-issuance

S. Korea dismisses worries over next year’s bond issuance

SEJONG, Nov. 14 (Yonhap) -- South Korea on Thursday dismissed worries that a hike in next year's Treasury bond issuance may have an impact on bond yields, but said it would flexibly allocate bond issuance to minimize any fallout from the planned massive debt sale.

The government is seeking an approval from the National Assembly to sell a net 60.2 trillion won (US$51.4 billion) worth of state bonds to fund next year's estimated fiscal deficit, which would stem from its aggressive spending plan to prop up the slowing economy.

Vice Finance Minister Kim Yong-beom said the planned hike in government bond issuance would have a limited impact on market yields, citing strong demand.

Kim made the remarks at a meeting with senior officials from the finance ministry, the Bank of Korea (BOK) and financial regulators. Kim said the government would flexibly allocate bond issuance next year after keeping a close tab on market situations.

The government has proposed a record 513.5 trillion-won budget for 2020 to boost its slowing economy beset by a deepening U.S.-China trade row and more recently its own with Japan.

Next year’s fiscal deficit is estimated at 3.6 percent of the country's gross domestic product (GDP), compared with 1.9 percent for 2019. The national debt-GDP ratio will rise to 39.8 percent from 37.1 percent over the cited period.

The BOK cut this year's economic growth outlook to 2.2 percent in July from a previous forecast of 2.5 percent. However, the BOK's latest projection is higher than forecasts by private organizations.

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Finance Minister Odilbek Isakov, this ratio will stand at 25% by the end of this year. Isakov said the government had yet to finalise its 2020 borrowing plans. "We may potentially come (to the markets) but that very much depends on the government’s decision to proceed," he said.

Another official, CMDA head Atabek Nazirov said Uzbekistan, whose sum currency has weakened 12% against the dollar this year, would seek to minimise the foreign exchange risk when borrowing abroad. "We are discussing the possibility, for example, of issuing bonds, also abroad, denominated in local currency so that investors can take also the forex risk," Nazirov said.

(Reporting by Mukhammadsharif Mamatkulov; Writing by Olzhas Auyezov; Editing by Subhranshu Sahu and Bernadette Baum)

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EUROPE

Bosnia

IBRD to lend 28.3 mln euro to Bosnia’s Federation banking sector
15-Nov-2019

SARAJEVO (Bosnia and Herzegovina), November 15 (SeeNews) - Bosnia’s Federation will get a 28.3 million euro ($31.2 million) loan from the International Bank for Reconstruction and Development (IBRD), part of the World Bank Group, to support its banking sector, the entity’s parliament said on Friday.

In particular, the upper house of the Federation’s parliament has approved a decision to accept the financing, which represents 50% of a bigger 56.6 million euro IBRD loan intended to support the banking sector in the whole of Bosnia and Herzegovina, the parliament said in a statement.

The Federation is one of the two independent entities which comprise Bosnia and Herzegovina. The other is the Serb Republic.

Under the agreement, the Federation has to repay the financing in 32 years with a 7-year grace period. It has a variable LIBOR-based interest rate, a starting fee of 0.25% and a loan maintenance fee of 0.25%.

The project aims to improve the regulation and supervision of domestic banks, to resolve the weakness in the banking system, to establishing a new restructuring framework for banks, as well as to strengthen the governance and operations of the development banks in Bosnia’s two entities.

($ = 0.907555 euro)

Bulgaria

Bulgarian economic growth slows to 3.7% y/y in Q3-stats
14-Nov-2019

SOFIA, Nov 14 (Reuters) - The Bulgarian economy grew by 3.7% on an annual basis in the third quarter, down from 3.8% in the previous three months, a flash estimate of the statistics office showed on Thursday.

On a quarterly basis, the economic growth slowed to 0.7% from July to August in seasonally adjusted terms from 0.9% increase in the second quarter due to weaker investment. The Finance Ministry estimates the small, open economy will expand by 3.4% this year, up from 3.1% in 2018 with domestic demand expected to grow at a moderate pace.

(Reporting by Angel Krasimirov; Editing by Toby Chopra)

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Croatia

Croatia prepares new bonds to refinance domestic debt
13-Nov-2019

ZAGREB, Nov 13 (Reuters) - Croatia is preparing to refinance a bond maturing in late November with new debt, probably with two different maturities, a source familiar with the matter said on Wednesday.

On Nov. 29 the finance ministry has to refinance a 15-year local bond worth 1.0 billion euros ($1.10 billion). “Probably the new issue will take place next week. It is likely that there will be two papers on offer, a five-year and a 15-year bond, one denominated in the national Kuna currency and the other in euro. The targeted amount is seen around 10 billion Kuna ($1.48 billion),” the source said.

With this issue Croatia will complete its refinancing needs in long-term paper for this year.

The next round of issuance is expected in the first quarter of 2020 as a 10-year bond worth 5.0 billion Kuna and a 10-year bond worth 1.0 billion euros mature on March 5.

($1 = 0.9074 euros)

($1 = 6.7398 Kuna)

(Reporting by Igor Ilic, Editing by Alexandra Hudson)

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Croatian parliament approves 2020 budget, surplus of 0.2%/GDP
14-Nov-2019
ZAGREB, Nov 14 (Reuters) - Croatia’s parliament approved on Thursday the government’s 2020 budget, which envisages economic growth of 2.5% and an overall surplus of 0.2% of gross domestic product. Croatia wants to keep the general budget in surplus in the coming years to be able to further reduce its public debt, currently at slightly more than 70% of GDP, and thus fulfill one of the key criteria for adopting the euro by 2024.

For this year the government plans a general budget gap of 0.1% of GDP on a growth projection of 2.8%.

The 2020 budget was approved by 80 deputies in the 151-seat parliament.

“The revenue side of the (central government) budget is rationally planned, without excessive optimism. On the other hand, the spending side is not tackled as it could have been to make a consolidation even stronger,” Alen Kovac, chief economist at Erste Bank in Zagreb, said.

The budget assumes a 5.4% rise in central government revenues in 2020 to 145.1 billion Kuna ($21.53 billion). The highest portion of revenues, or 55.9 billion Kuna, is seen pouring in from value-added tax.

Government expenditure is set at 147.3 billion Kuna, or 8.3 billion Kuna more than this year. The biggest spending goes on salaries in the public sector and pensions. The government announced last month a 6% rise in public sector wages in 2020.

As a result, the central government budget is set to have a deficit of 0.5% of GDP in 2020, but will turn a surplus thanks to revenues from various state agencies and public companies.

($1 = 6.7398 Kuna)

(Reporting by Igor Ilic; Editing by Susan Fenton)

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Cyprus

DBRS Morningstar Confirms Republic of Cyprus at BBB (low), Trend Changed to Positive
15-Nov-2019
DBRS Morningstar Confirms Republic of Cyprus at BBB (low), Trend Changed to Positive
Industry: Sovereigns

DBRS Ratings Limited (DBRS Morningstar) confirmed the Republic of Cyprus’s Long-Term Foreign and Local Currency - Issuer Ratings at BBB (low) and changed the trend to Positive from Stable. At the same time, DBRS confirmed the Republic of Cyprus’s Short-Term Foreign and Local Currency - Issuer Ratings at R-2 (middle) and changed the trend to Positive from Stable.

KEY RATING CONSIDERATIONS

The Positive trend reflects DBRS Morningstar’s view that the outlook for the downward trajectory in the public debt ratio has improved, driven by sustained robust economic growth, large primary surpluses and early debt repayments. While moderating, economic growth in Cyprus is projected at around 3% in 2019 and 2020, among the strongest in the Euro area. Cyprus’s fiscal position has also continued to improve, with the fiscal surplus reaching sizable levels, and the government is planning to repay the IMF loan in advance next year. The materialisation of fiscal risks could delay the reduction in public debt, but strong growth, together with large fiscal surpluses and early debt repayments, is still expected to contribute to the decline in the government debt-to-GDP ratio over the coming years. The improvement in DBRS Morningstar’s building block of “Debt and Liquidity” was the key factor for the trend change.

The BBB (low) ratings are supported by Cyprus’s solid budget position, its prudent public debt management framework, its Eurozone membership fostering sustainable macroeconomic policies, and its openness to investment encouraging a favourable business environment. Nevertheless, Cyprus also faces significant credit challenges related to sizable non-performing exposures (NPEs) in the banking sector and the economy, high levels of private and public sector debt, external imbalances, and the small size of its service-driven economy, which exposes Cyprus to adverse changes in external demand.

RATING DRIVERS

The ratings could be upgraded if healthy economic growth is sustained and the fiscal position remains sound, contributing to the downward trajectory in the public debt ratio.

Further progress in substantially reducing banks’ NPEs and private sector debt, and the strengthening of the banking sector would also be positive for the ratings. However, the Positive trend could be changed back to Stable if growth weakens significantly and the fiscal position worsens substantially. A reversal of the downward trajectory in NPEs could also be negative for the ratings.

RATING RATIONALE

The Public Debt Ratio Is Resuming Its Downward Trend and the Fiscal Performance Remains Sound

After a large increase in 2018, the government debt-to-GDP ratio is expected to decline at a relatively rapid pace over the next years. The government’s support associated with the sale of Cyprus Cooperative Bank (CCB) impacted government debt in 2018. But the debt ratio is projected at 95.6% in 2019, according to the latest government forecasts, down from 100.6% in 2018. By 2021, IMF and European Commission projections point to a debt ratio well below 90%. The factors contributing to the rapid
debt reduction are strong economic growth, large primary surpluses of around 5% of GDP, and early debt repayments. The government repaid the Russian loan in September 2019 and is looking to fully repay the IMF loan in advance in 2020. Although debt dynamics are vulnerable to adverse shocks, particularly a materialisation of contingent liabilities, public debt management is prudent. This has resulted in a favourable debt profile that reduces refinancing risks. Debt maturities have been extended, with the average maturity of marketable government debt rising to 6.3 years in September 2019. A liquidity buffer covers at least 9-month funding needs. Moreover, the weighted average cost of debt has declined, reaching 2.2% in September 2019 compared to a peak of 4.2% in 2012. Debt is largely denominated in euros. A sound fiscal position is expected to be maintained, contributing to the reduction of debt. Following the one-off negative effect related to the sale of CCB in 2018, which shifted the fiscal surplus into deficit, the government is targeting a surplus of 3.8% in 2019 and 2.7% in 2020, supported by strong revenues and contained expenditure. The government is also aiming to maintain a structural surplus, above its medium-term objective of a structural balance. Adopted reforms to strengthen fiscal management in recent years, including the reform to the wage indexation system, together with expenditure ceilings embedded in the Fiscal Responsibility and Budget Law, reinforce the sustainability of public finances. Risks to the fiscal outlook include the pending Supreme Court ruling on the public sector wage cuts during the crisis and risks associated to the financial sector. While the government has started the gradual reversal of wage cuts, a court ruling against the government could lead to an immediate reversal, impacting fiscal accounts in the near term. Related to the financial sector and as part of the CCB transaction, an Asset Protection Scheme (APS) guaranteed by the state was created, increasing the government’s contingent liabilities. The APS will cover potential unexpected losses on certain assets acquired by Hellenic Bank. The government estimates that potential unexpected losses will not exceed EUR 155 million (equivalent to 0.7% of GDP) over 12 years. Any calls on the APS guarantees would be covered by the state’s Asset Management Company without drawing on the budget.

The Cypriot Economy Continues to Perform Strongly

Cyprus’s economic growth remains strong, albeit moderating. Growth has been largely driven by private consumption and investment. It has also been broad-based, with construction, tourism, shipping, professional services, and manufacturing, contributing. Employment growth has been strong, the unemployment rate has fallen to 6.6% in September 2019 and wages are rising. This, together with low inflation, is supporting disposable incomes. Since 2015, annual real GDP growth has averaged 4.6%. And after posting a 4.1% in 2018, real GDP growth is projected at a more moderate but still robust 3.1% in 2019 and 2.9% in 2020 by the IMF. The deceleration this year largely reflects a less favourable external environment. In 2020, private consumption is expected to be weighed down by debt repayments and contributions to the new national health system, introduced in March 2019 and to be adjusted upwards from March 2020. Downside risks to the outlook are related to an even less favourable external environment and adverse developments in the financial sector, while upside risks include the broader economic impact from a large casino-resort, currently under construction, and other projects. Cyprus’s capacity to grow has improved in recent years, with potential GDP growth rising close to 2.5%, according to IMF estimates. The recovery in investment has been a key driver of the improvement. Cyprus is an attractive business services centre, shipping centre, and tourist destination. The tourism sector is diversifying into new products and markets, making it more resilient. The expected exploitation of off-shore gas reserves represents another potential source of growth in the longer term. Nevertheless, the small size of its service-driven economy exposes Cyprus to adverse changes in external demand.

Risks to Financial Stability Have Declined But Remain Relatively High

NPEs remain the main risk to financial stability in Cyprus. This weighs on DBRS Morningstar’s assessment of the Monetary Policy and Financial Stability building block. Cypriot banks’ NPEs declined materially in 2018. As reported by the Central Bank of Cyprus, the stock of the banking sector’s NPEs dropped from EUR 20.9 billion in December 2017 to EUR 10.4 billion in December 2018. The largest reduction in banks’ NPEs resulted from the resolution of state-owned Cyprus Cooperative Bank, which involved selling part of its assets to Hellenic Bank and effectively removed EUR 5.8 billion of NPEs from the Cypriot banking system. These NPEs are now in the state’s Asset Management Company (AMC) and expected to be disposed of over time. The government also strengthened the insolvency and foreclosure frameworks and the sales-of-loans law and adopted a law on securitisations in July 2018. At the same time, Cypriot banks stepped up their efforts to reduce NPEs. Supported by the strengthened legal framework, Bank of Cyprus, the largest bank in the country, sold an NPE portfolio of EUR 2.7 billion in 2018. This follows Hellenic Bank’s NPE sale earlier in the year. Core domestic banks also set up independent debt servicing companies with foreign debt specialists. Together, the orderly liquidation of Cyprus Cooperative Bank and the banks’ sale of NPE portfolios almost halved the stock of the banking sector’s NPEs in 2018. From their 2015 peak to May 2019, the stock of NPEs is down by 65%. So far in 2019, the reduction in
NPEs has continued but it has been limited. In the year to May - the latest data available - the stock of NPEs has fallen by just over 1%. The total NPE ratio has remained at 31.0%, although down from a 49.0% peak in May 2016. In part, the still high ratio reflects the reduction in bank loan portfolios as households and businesses deleverage. The NPE reduction this year has been mainly organic, including through cash repayments, debt-for-assets swaps, and write-offs. By segment, the SME NPE ratio fell to 37.2% in May 2019 from 39.2% in December 2018, the large non-financial corporations NPE ratio declined to 18.1% from 19.0%, while the household NPE ratio has remained virtually unchanged at 37.7%. In September 2019, the government started to implement its social scheme (‘ESTIA’), a main pillar of its NPE reduction strategy aimed at tackling NPEs related to retail mortgages, which account for about half of total NPEs. The scheme has been designed to help only eligible households repay their loans, and thus exclude strategic defaults. But the scheme seems unlikely to lead a material reduction of NPEs in the Cypriot economy, as the level of participation has been low so far. The scheme is now expected to address well below the up to EUR 3.4 billion of NPEs initially estimated by the government that could potentially be eligible, a large part of which are within the AMC. Looking ahead, DBRS expects further progress in NPE reduction to be largely driven by the banks’ efforts. Sales of banks’ NPE portfolios are expected next year. Cypriot banks remain profitable, and their capital levels and loss loan provisioning have been raised to adequate levels and above the European average. Factors also helping with the reduction of NPEs are falling unemployment, rising house prices, and solid economic growth. Partly driven by the strengthening of the Cypriot economy, the housing market has continued to recover, with prices growing by 2.7% year-on-year in Q1 2019, according to the Central Bank of Cyprus index.

**Political Stability Supports the Government’s Capacity to Addressing Economic Challenges**

Cyprus benefits from a stable political environment and sound institutions. The government also remains committed to addressing the country’s challenges. The government lacks a majority in the House of Representatives (HoR), and this has resulted in delays in adopting pending reforms, including those of the public administration and the local governments. The government, nevertheless, managed to get approval of the legislation related to its strategy for the reduction of the NPEs in July 2018. The reform of the judicial system to improve its efficiency, and which should enhance the efforts for the NPEs reduction, is ongoing. However, the HoR presented an amendment to the foreclosure law in August 2019, raising concerns about backtracking on the enhancement of the legal framework adopted last year. This latest amendment has not been adopted and has been submitted to the Supreme Court.

**External Imbalances Persist But Are Contained**

Given its small economy, Cyprus’s current account is influenced by large exports and imports of transport equipment related to investment, mainly ships. Cyprus’s current account improved in 2018, recording a deficit of 4.4% of GDP compared to a deficit of 5.1% in 2017, mainly driven by higher growth in exports of goods. Cyprus’s negative net international investment position (NIIP) remained large at 121.3% of GDP in 2018 but it continues to improve. The current account deficit and the NIIP reflect in large part activities in the international business centre and special purpose entities (SPEs) operating in the shipping sector, with limited production in the domestic economy. This supports DBRS Morningstar’s assessment for the Balance of Payments building block. Adjusted for the impact of SPEs transactions, the current account deficit was 3.4% of GDP and the negative NIIP was 39.5% in 2018. For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments.

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**Czech Republic**

**Czech growth slowest on quarterly basis since 2016**

14-Nov-2019

PRAGUE, Nov 14 (Reuters) - The Czech economy expanded at its slowest pace on a quarterly basis in more than three years between July and September as industrial production lost momentum, preliminary Statistics Office data showed on Thursday. The Czech Republic’s export-dependent economy, like others in central Europe, has been driven by strong domestic demand as unemployment sits at all-time lows and pushes wage growth higher. That has helped keep the region immune so far to a slowdown in euro zone trade partners like economic powerhouse Germany, which just avoided a recession last quarter. But signs of a slowdown in the region are appearing.

The Czech economy expanded by 0.3% quarter-on-quarter in the third quarter, just below analysts’ expectations of 0.4% and the weakest pace since the start of 2016 after growth of 0.7% in the second quarter. On a year-on-year basis, the economy grew by 2.5% in real terms, below expectations of 2.7%. The statistics office did not give a detailed data breakdown but said domestic and external demand contributed positively and that most economic activities developed favourably.
"Construction continued to be successful, while industry decreased its growth dynamics compared to the first half of 2019," the office said.

Analysts have expected the slowdown and see it continuing in the fourth quarter as the effects of a U.S.-China trade war and uncertainty over Britain's exit from the European Union - which have both rattled markets in trade partners - take their toll.

"Industry as a result of its export orientation is more sensitive to slowing economic growth in the euro zone," said Generali Investments CEE's chief economist, Radomir Jac.

He added that Czech year-on-year growth could slow to 2% or below in the last quarter of 2019, a view shared by other analysts.

(Reporting by Mirka Krufova and Jason Hovet Editing by Gareth Jones)
**Romania**

Fitch affirms Romania at 'BBB-', outlook stable, warns on growing budget gap

09-Nov-2019

BUCHAREST (Romania), November 9 (SeeNews) - Fitch Ratings said it has affirmed Romania’s long-term foreign and local currency issuer default ratings (IDR) at 'BBB-', with stable outlooks, but warned that keeping 2019 budget deficit under 3% would require ad-hoc adjustments.

The issue ratings on Romania's senior unsecured foreign and local currency bonds have also been affirmed at 'BBB+/F3', while the country ceiling has been affirmed at 'BBB+' and the short-term foreign currency IDR at 'F3', the rating agency said in a statement on Friday evening.

Fitch said that Romania’s investment-grade ratings are supported by moderate levels of government debt, and GDP per capita and human development indicators that are above 'BBB' category peers. These are balanced against twin budget and current accounts deficits, reflecting pro-cyclical fiscal policy that poses risks to macroeconomic stability, and net external indebtedness that is higher than its rating peers, it added.

The ratings agency said that the structure of the deficit is increasingly rigid, as almost two-thirds of expenditure comprises wages and social transfers, while efforts to increase tax efficiency have been unsuccessful.

"We believe there is still scope for the deficit to be only slightly above 3% of GDP deficit by end-2019 (and therefore avoid the Excessive Deficit Procedure), but this would require ad-hoc adjustments, which will not represent structural improvements in fiscal accounts," Fitch warned.

In a separate statement published on Saturday, Romania's finance ministry said that Fitch's decision to affirm ratings was supported both by the moderate level of public debt, which is much lower than the level of 40% of the countries in the same rating category with Romania, but also by the positive evolution of GDP per capita.

"In the following period, the finance ministry's efforts will focus on implementing the budgetary rectification and on the construction of the 2020 budget, which we consider absolutely necessary for strengthening macroeconomic stability," Romania's finance minister Florin Citu said.

Fitch last reviewed Romania in May, when it affirmed Romania's IDR at 'BBB-', with stable outlook, but warned that 2019 budget relies on unrealistic macroeconomic assumptions.

Romania's 2019 budget is built on projections for 5.5% economic growth and deficit equivalent to 2.76% of GDP.

Fitch also said in the statement:

"**KEY RATING DRIVERS**

Romania's investment-grade ratings are supported by moderate levels of government debt, and GDP per capita and human development indicators that are above 'BBB' category peers. These are balanced against twin budget and current accounts deficits, reflecting pro-cyclical fiscal policy that poses risks to macroeconomic stability, and net external indebtedness that is higher than its rating peers.

The toppling of the PSD government in October has raised political and policy uncertainty at a time when fiscal and external metrics are weakening. The centre-right PNL managed to form a government in early November but with less than one-quarter of the seats in parliament it will have to rely on support for smaller parties with divergent policy interest to implement legislation. A busy electoral calendar--presidential elections will be held in November, local elections in June 2020 and the next parliamentary elections should take place in 4Q20 or 1Q21--further complicates the outlook, as parties are unlikely to agree to major corrective economic measures. Vying for voter support could result in political paralysis. Early elections could provide a clearer mandate for reform, but agreeing to them will also prove challenging.

In the current political context, Fitch’s baseline scenario is of a further gradual weakening of the public finances over the short to medium term.

The general budget deficit reached 2.6% of GDP in January-September 2019 (compared with 1.8%, 0.8% and 0.5% in the same period in 2018, 2017 and 2016, respectively), with expenditure increasing by 15.3% yoy in the period on the back of higher personnel, transfers and capital spending. Moreover, the structure of the deficit is increasingly rigid (almost two-thirds of expenditure comprises wages and social transfers) while efforts to increase tax efficiency have been unsuccessful.

We believe there is still scope for the deficit to be only slightly above 3% of GDP deficit by end-2019 (and therefore avoid the Excessive Deficit Procedure), but this would require ad-hoc adjustments, which will not represent structural improvements in fiscal accounts.

The fiscal outlook will become significantly more challenging in 2020-2021 given a weaker macro backdrop and already legislated pension hikes (leading to an annual average pension increase of 24% in 2020 and 26% in 2021). Fitch expects the deficit to widen to 4% of GDP by 2021, assuming that some offsetting measures to the pension increase are found (including potentially a delay or moderation of the pension measures, changes to discretionary expenditure, one-off revenue measures). This would push public debt levels to 38% of GDP in 2021 (from 35% in 2018), still below the current 'BBB' median of 40%. Failure to put corrective fiscal measures in place constitutes a key downside risk to the forecasts and Romania’s rating. According to the IMF, under a no-offsetting policy scenario, the pension increase would add 3.2% of GDP to..."
expenditure by 2022 and could lead to public debt increasing by 20pp by 2024. The current account deficit (CAD) remains under pressure from weakening external demand and strong import growth underpinned largely by expansionary fiscal policies. On a 12-month rolling basis the CAD has been close to 5% of GDP since May, driven by increasing trade deficit (up 23% yoy in January August). Fitch expects the deficit to remain around 5% of GDP during the forecast period (compared with the current 'BBB' median of 1%), assuming no sharp fiscal deterioration and a gradual recovery in external demand by 2021. Non-debt creating inflows (net equity FDI and capital transfers) covered only 74% of the CAD in 2018 and we expect coverage to fall to 60% in 2019-2021 as FDI inflows remain stagnant. This will lead to a modest widening of Romania's net external debt position to 18% of GDP by 2021 from 15.2% in 2018 and compared with the current 'BBB' net external position of 7.5%. On the positive side, the country maintains adequate foreign reserve coverage (over four months of current external payments coverage) and a relatively flexible exchange rate that serve as buffers to external volatility. Fitch continues to forecast a gradual slowdown in economic activity over the next two years, although a stronger investment performance in 1H19 has led us to revise our 2019-2021 growth forecasts to 3.5% (from 3.1% previously and above the current peer median of 3%). Private consumption will remain the key growth driver in the forecast, albeit at a lesser pace as wages moderate from recent highs (gross average wages rose by 14% in January-August). Although volatile, investment will be supported by rising EU fund absorption, as was the case in the previous financing cycle. External dynamics represent the main downside risk to growth. Weaker external demand, particularly in Germany (Romania’s main trading partner) has had a clear negative effect on overall export performance and in industrial sector activity. Industrial output has declined since March in yoy terms, with the August print (latest available data) the weakest in almost nine years. A more pronounced or prolonged deterioration could start to spill over to other segments, contributing to further GDP slowdown. Recent CPI data point to ongoing pressure from domestic factors but risks of sharply higher inflation are low, with inflation moderating to 3.50% in September from a high of 4.12% in July. Underlying trends suggest a gradual easing of inflation in the coming quarters, but this will depend in part on adjustments to administrative prices. Fitch currently expects inflation to average 3.4% in 2020-2021, within the upper limit of the National Bank of Romania inflation target (2.5% plus minus 1.0%). Romania’s banking sector remains sound, with high levels of capital adequacy (19.6% in June) and liquidity. The credit cycle appears moderate in the context of very rapid economic growth in recent years, with lending growth to private sector remaining broadly flat in 3Q (around 7% yoy). The ratio of non-performing loans is at a 10-year low (4.6% in June) while household and corporate indebtedness are well below the EU average. Romania’s percentile rankings in the World Bank's composite governance indicator are broadly in line with the 'BBB' range median, although they have fallen in recent years, in particular in terms of government effectiveness. Weak institutions and erratic policymaking have halted structural reforms and limited investment, while concerns surrounding corruption cases affecting top public officials and controversial judicial measures have fuelled political and social tensions. A new political backdrop could help reverse the deterioration but addressing institutional weaknesses will take time. **ESG CONSIDERATIONS** • Romania has an ESG Relevance Score of 4 for Human Rights and Political Freedoms as World Bank Governance Indicators have the highest weight in Fitch's Sovereign Rating Model (SRM) and are therefore relevant to the rating and a rating driver. • Romania 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 a key rating driver with a high weight. • Romania 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 a key rating driver with a high weight. • Romania has an ESG Relevance Score of 4 for Creditors Rights as willingness to service and repay debt is relevant to the rating and a rating driver, as for all sovereigns. **SRM and QUALITATIVE OVERLAY (QO)** Fitch’s proprietary SRM assigns Romania a score equivalent to a rating of 'BBB+' on the Long-Term Foreign-Currency (LT FC) IDR scale. Fitch’s sovereign rating committee adjusted the output from the SRM to arrive at the final LT FC IDR by applying its QO, relative to rated peers, as follows: • Macroeconomics:-1 notch, to reflect the risk of macroeconomic instability posed by procyclical and /or unpredictable fiscal and wage policies, and a position in the economic cycle that has boosted some economic variables beyond sustainable levels and flattering Romania’s SRM output. • External Finances:-1 notch, to reflect Romania’s higher net external debtor and net investment liabilities positions than the ‘BBB’ range median, as well as its widening CAD. Fitch’s SRM is the agency’s proprietary multiple regression rating model that employs 18
variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

**RATING SENSITIVITIES**
The main factors that could, individually or collectively, lead to positive rating action are: - Reduced risks of macroeconomic instability and improved macroeconomic policy credibility - Implementation of fiscal consolidation that improves the long-term trajectory of public debt/GDP -Sustained improvement in external finances
The main factors that could, individually or collectively, trigger negative rating action are:

- Reduced confidence in policymakers' ability to avoid higher-than-projected fiscal deficits, or adverse policy actions that leads to a rapid increase in government deficits and debt/GDP -An overheating of the economy or hard landing that undermines macroeconomic stability -A sharp deterioration in the balance of payments

**KEY ASSUMPTIONS**
Fitch assumes Romania’s main economic partners in the EU will grow in line with its September 2019 forecasts in the Global Economic Outlook.
The full list of rating actions is as follows: Long-Term Foreign-Currency IDR affirmed at 'BBB-'; Outlook Stable Long-Term Local-Currency IDR affirmed at 'BBB-'; Outlook Stable Short-Term Foreign-Currency IDR affirmed at 'F3' Short-Term Local-Currency IDR affirmed at 'F3' Country Ceiling affirmed at 'BBB+' Issue ratings on long-term senior unsecured debt affirmed at 'BBB-'

(1 euro = 4.7615 lei)
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**Romania’s Jan-Sept trade deficit widens to 12.05 bln euros - 11-Nov-2019**

BUCHAREST, Nov 11 (Reuters) - Romania’s foreign trade deficit widened by roughly a fifth on the year in the first nine months to 12.05 billion euros ($13.28 billion), the National Statistics Board said on Monday.
The shortfall in September was 1.189 billion euros, compared with 1.37 billion euros in August and 973 million euros in the same month of 2018.
The statistics board said January-September CIF (cost/insurance/freight) imports were 63.9 billion euros, up 5.1% on the year, while exports were 51.85 billion euros, up 2.0%.

($1 = 0.9074 euros)

(Reporting by Luiza Ilie) (luiza.ilie@thomsonreuters.com; +4021 527 0312; Reuters Messaging:
luiza.ilie.thomsonreuters.com@reuters.net))
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**Romania’s end-September foreign debt rises**

13-Nov-2019

BUCHAREST (Romania), November 13 (SeeNews) - Romania’s foreign debt increased to 108.239 billion euro (119.2 billion) at the end of September from 99.8 billion euro at the end of 2018, the central bank, BNR, said on Wednesday.
The end-September figure includes 74.8 billion euro in long-term foreign debt, up from 68.2 billion euro at the end of 2018, BNR said in a monthly balance of payments report.
Long-term external debt service ratio fell to 17.1% at end-September, compared to 22.6% at end-2018.
Goods and services import cover stood at 5 months at end-September, from 4.9 months at end-2018.
The ratio of the BNR’s foreign exchange reserves to short-term external debt by remaining maturity decreased to 75% at end-September, compared to 74.1% at end-2018.

($) = 0.908 euro
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**Romania’s budget deficit could exceed 4%/GDP this year**

14-Nov-2019

BUCHAREST, Nov 14 (Reuters) - Romania’s consolidated budget deficit could exceed 4% of gross domestic product this year, well above target, if the government doesn’t quickly introduce additional fiscal measures, Finance Minister Florin Citu said on Thursday.
A deficit of that level would also be sharply the European Commission’s 3% ceiling.
The EU member state ran a deficit of 2.84% of GDP in the first 10 months of this year, its target for the full year, said Citu, whose Liberal minority government came to power this month after the collapse of the previous Social Democrat government following a no-confidence vote.
“If we do nothing in the next month and a half, the deficit will go over 4% of GDP at the end of this year,” Citu told reporters.
He said he was looking for solutions to keep the deficit in check including to improve tax collection, but said there wasn’t much time left for significant results. He did not elaborate.
Citu also said he was considering filing a complaint with prosecutors against the previous Social Democrat government.
Throughout their three years in power, the Social Democrats went back and forth on their tax plans, hiked state wages and pensions at the expense of infrastructure investment and introduced measures without impact assessment
and public debate. Romania’s economic growth slowed down to 3% in the third quarter, below market expectations of 3.8%, data from the National Statistics Board released on Thursday showed.

The Romanian leu was flat against the euro on Thursday, but has lost 2.3% this year, the region’s second-worst performer after the Hungarian forint, weighed down by widening budget and current account deficits. Citu said the ministry was working on a 2020 budget plan that would bring the deficit closer to agreed targets.

(Reporting by Liiza Ilie; Editing by Susan Fenton)

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Russia

Russia Jan-Oct budget surplus at 3.5%/GDP

14-Nov-2019

MOSCOW, Nov 14 (Reuters) - Russia ran a budget surplus of 3.07 trillion roubles ($48.11 billion), or 3.5% of gross domestic product, in the first 10 months of the year, the Finance Ministry said on Thursday, citing preliminary data.

The ministry also revised its January-September budget surplus estimate to 3.9% from the 3.8% it provided last month.

($1 = 63.8166 roubles)

(Reporting by Darya Korsunskaya; writing by Maria Kiselyova; editing by Gabrielle Tétrault-Farber)

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Serbia

Serbia’s economy grows 4.7% in Q3

13-Nov-2019

BELGRADE, Nov 13 (Reuters) - The Serbian economy grew 4.7% in the third quarter of 2019, Prime Minister Ana Brnabic said on Wednesday, mainly on the back of investment inflows and falling unemployment, despite a slowdown in European Union economies.

The International Monetary Fund and the Serbian central bank said the Balkan nation’s gross domestic product (GDP) would grow 3.5% this year and around 4% in 2020, still below peers in Central and Eastern Europe.

Serbia’s economy grew 2.5% in the first quarter and 2.9% in the second. The Statistics Office will announce its own flash estimate for the third quarter on Dec. 2.

Speaking at a business conference in Belgrade, Brnabic said foreign investment of 2.44 billion euros ($2.69 billion) between January and August - 35% more than the same period last year - was a main contributor to growth along with a drop in unemployment, currently at 10.4%.

The jobless rate will continue falling, she said. "For the first time (in decades) we will go below the 10% (unemployment) figure in the third quarter, we will go single digit," Brnabic said.

Critics say the EU candidate country’s ageing population, and a significant outflow of workforce to the West, are major contributors to the drop in unemployment.

Brnabic rejected that.

Last month the IMF, which has a non-financial and advisory arrangement with Belgrade, praised its macroeconomic performance in 2019, but urged it to monitor spending and accelerate public sector reforms.

In its 2020 spending plan, the government envisages a deficit of 20.2 billion dinars ($189.65 million), or 0.3% of GDP, below the 0.5% target agreed with the IMF.

($1 = 0.9074 euros)

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decline and turn to a deficit in coming months. “After October, (the positive impact from tourism revenue) goes away and, in addition to that, recovery in the economy and growth becoming palpable, domestic demand picking up will have an impact on us posting a deficit in the current account balance again,” he said in a note.

Turkey's trade deficit, the largest components of the current account, more than tripled from a year ago to stand at $1.77 billion in October, data from the Trade Ministry showed.

(Reporting by Ali Kucukgocmen and Behiye Selin Taner Editing by Dominic Evans) (ali.kucukgocmen@thomsonreuters.com, +902123507067; Reuters Messaging: Reuters Messaging: ali.kucukgocmen.thomsonreuters.com@reuters.net) (c) Copyright Thomson Reuters 2019.

Istanbul mayor seeks to bond with investors on London charm offensive
14-Nov-2019
By Yoruk Bahceli and Karin Strohecker
LONDON, Nov 14 (Reuters) - Istanbul Mayor Ekrem Imamoglu, a political opponent of Turkish President Tayyip Erdogan, said on Thursday he was on a mission in London to allay investor concerns over negative headlines about Turkey and predicted its economic woes were temporary.

Turkey's relationship with Western allies has soured over a raft of issues in recent months. They widely condemned Ankara's military push into Syria, while Turkey's purchase of a Russian missile defence system raised hackles with its NATO partners, and could trigger sanctions from the EU.

"Today we are speaking of an [economic] slowdown, and it is true that foreign policy has had an effect. We have to think that all of this is temporary," said the mayor of Istanbul, home to one-fifth of Turkey's 82 million people.

Turkey has seen its currency weaken for seven straight years and relies heavily on foreign investor flows. The mayor's London visit came with Istanbul in talks to borrow in international markets to finance ongoing rail projects.

Imamoglu was elected Istanbul's mayor in June after a re-run vote that shocked Erdogan and his ruling AK Party, which with its predecessors had run Turkey's largest city for decades.

Imamoglu is seen by some as a contender for president under his opposition Republican People's Party (CHP), and he has toured European capitals to meet his mayoral counterparts, investors and Turks abroad.

In Berlin he chatted with German Chancellor Merkel at celebrations marking the 30th anniversary of the fall of the Berlin Wall. His trip to Paris earned him a 86-million-euro loan deal from the French Development Agency for the Istanbul metro.

Asked if his visit was part of an effort to clear the path for his entry into national politics, Imamoglu said his immediate focus was "governing Istanbul and serving Istanbul". However, he also predicted that political change was on the cards.

"Change includes a lot of things and of course this includes a change of government. The current spirit in Istanbul has emerged with the administration changing there."

Speaking about the Syrian refugee crisis, Imamoglu said most countries were focused on their own interests while Turkey needed help from European countries to deal with the situation.

"There are very high level problems with the way the world is looking at this process... These people should absolutely return to their homeland and at the end of the day the conditions for them to form their own lives should be ensured."

The EU relies on Ankara, which hosts more than 3.5 million refugees - many of them in Istanbul - to curb the arrival of migrants into Europe following a 2016 agreement to seal off the Aegean sea route.

(Reporting by Yoruk Bahceli and Karin Strohecker Writing by Karin Strohecker Editing by Mark Heinrich) ((karin.strohecker@thomsonreuters.com; +442075427262; Reuters Messaging: karin.strohecker.reuters.com@reuters.net)) (c) Copyright Thomson Reuters 2019.

Turkish Oct budget deficit 14.9 billion lira
15-Nov-2019
ANKARA, Nov 15 (Reuters) - The Turkish budget showed a deficit of 14.9 billion lira ($2.58 billion) in October, data from the Finance Ministry showed on Friday.

The October budget showed a primary deficit, which excludes interest payments, of 8.1 billion lira, the ministry said.

The budget recorded a deficit of 100.7 billion lira in the first ten months of the year, the data showed, compared to 62.1 billion lira in the same period last year.

In its three-year economic programme, Ankara estimated a deficit of 125.0 billion lira for 2019 year-end.

($1 = 5.7684 liras) (Reporting by Ece Toksabay Editing by Dominic Evans) (ece.toksabay@tr.com; +90 312 2927022; Reuters Messaging: ece.toksabay.reuters.com@reuters.net)) (c) Copyright Thomson Reuters 2019.
Ukraine

IMF mission to resume talks on new Ukraine loan deal
12-Nov-2019
KIEV, Nov 12 (Reuters) - A visiting International Monetary Fund mission will resume negotiations on a new loan programme for Ukraine on Thursday, it said in a statement.

Ukraine and the IMF have been in talks on a new programme to replace a $3.9 billion stand-by arrangement that expires in January.

Ukraine must satisfy the Fund on issues such as the central bank's independence and the future of PrivatBank, the country's largest lender, which was nationalised against the wishes of its owners in 2016.

(Reporting by Natalia Zinets; Writing by Matthias Williams; Editing by Andrew Heavens)

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Nicaragua

S&P says Nicaragua Outlook revised to stable from negative; 'B-/B' ratings affirmed
09-Nov-2019
Nov 8 (Reuters) - S&P:

- S&P says Nicaragua outlook revised to stable from negative on stabilization of liquidity conditions; 'b-/b' ratings affirmed
- S&P says outlook revision reflects our view that Nicaragua's fiscal and financial profiles are likely to stabilize following notable deterioration
- S&P says could lower rating in the next 12-24 months if Nicaragua's access to domestic and external financing deteriorates again
- S&P says could raise Nicaragua ratings over next 12-24 months if political, policy developments raise investor confidence, reverse recent contraction in GDP
- S&P says expects Nicaragua's economy to contract by 5% in 2019 and 1% in 2020
- S&P says assume fiscal imbalances will increase slightly as current spending will rise related to the general election scheduled for 2021
- S&P says Nicaragua will record current account surpluses in 2019-2020, reflecting continuing import compression and steady remittances inflows
- S&P says now expect inflation of 5% at year-end 2019, given weak demand, inflation should fall to around 4% in 2020-2022 in Nicaragua

(Reuters.Briefs@thomsonreuters.com)
**AFRICA**

**Cameroon**

Fitch Affirms Cameroon at 'B'; Outlook Stable
15-Nov-2019
Nov 15 (Reuters) - Fitch:
- Fitch affirms Cameroon at 'b'; outlook stable
- Fitch says political instability weighs on Cameroon's rating

**Egypt**

Egypt targets 6.4% growth, 6.2% deficit in fiscal 2020/2021
11-Nov-2019
CAIRO, Nov 11 (Reuters) - Egypt is targeting 6.4% growth and a budget deficit of 6.2% in fiscal year 2020/2021, the finance ministry said on Monday.

The government is targeting a debt-to-GDP ratio of 80%, the ministry said in a preliminary financial statement for next fiscal year's budget.

"The fiscal year 2020/21 budget is considered a structural reform budget, as it focuses on implementing deep and wide-ranging structural reforms in a large number of areas, with the aim of pushing the private sector to drive the engine of economic growth," said Finance Minister Mohamed Maait in a statement.

The government is targeting 6% growth in gross domestic product (GDP) this fiscal year, a deficit of 7.2% and a debt-to-GDP ratio of 82%.

The new budget is aimed at "...raising the efficiency of government performance, improving the standard of living of citizens, and improving the services provided to them", in line with Egypt's "vision 2030", the ministry said.

Egypt is drawing to a close a three-year economic reform programme tied to a $12 billion loan from the International Monetary Fund, which has been disbursed in full.

That programme included sharply devaluing the currency, slashing fuel subsidies and introducing a value-added tax. The tough measures have strained living conditions for millions of Egyptians, about a third of whom live below the government-set poverty line of 8,827 Egyptian pounds ($548.60) per month.

($1 = 16.0900 Egyptian pounds)

(Reporting by Ehab Farouk and Yousef Saba; Writing by Yousef Saba; Editing by Alex Richardson)
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**Ghana**

Ghana's government proposes 21% budget increase for 2020
13-Nov-2019
ACCRA, Nov 13 (Reuters) - Ghana's government on Wednesday proposed a 21% budget increase for 2020, an election year in which President Nana Akufo-Addo will stand for re-election against his predecessor.

The budget proposal from the finance ministry calls for spending of 85.9 billion cedis ($15.67 billion) and forecasts inflation next year of 8%. It said the budget deficit would rise to 4.7% of GDP from 4.5% in 2019.

The government said it plans to raise up to $3 billion through bonds and syndicated loans to support spending in 2020 and manage debts.

GDP growth for the first half of 2019 stood at 6.2%, up from 5.4% for the same period the previous year, the government said.

(Reporting by Christian Akorlie; Writing by Juliette Jabkhiro; Editing by Aaron Ross)
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Ivory Coast

Fitch Revises Outlook on Cote d'Ivoire's Long-Term Foreign-Currency Issuer Default Rating to Positive
12-Nov-2019
Nov 12 (Reuters) - Fitch Ratings:
• Fitch revises Cote d’Ivoire’s outlook to positive; affirms at ‘B+’
• Fitch says has revised outlook on Cote d’Ivoire’s long-term foreign-currency issuer default rating to positive from stable
• Fitch says Cote d’Ivoire’s economy continues to show resilience and stability despite worsening external backdrop
• Fitch says government’s adherence to fiscal prudence sets Cote d’Ivoire on track for government debt to stabilise well below current ‘b’ median over medium term
• Fitch says medium-term outlook for Cote d’Ivoire’s economic activity remains robust

Kenya

Kenya’s Finance Ministry asks parliament to hike 2019/20 budget by 86 bnl shillings
13-Nov-2019 D
NAIROBI, Nov 13 (Reuters) - Kenya’s Finance Ministry has requested the parliament to increase the 2019/20 (July-June) budget by an extra 86.4 billion shillings ($844 million), local Business Daily and Daily Nation newspapers reported on Wednesday.
The papers, citing documents submitted to parliament on Tuesday, said the ministry had asked parliament to cut recurrent expenditure by 5.6 billion shillings, but raise development expenditure by 85.5 billion shillings and add another 6.5 billion shillings to go to regional county governments.

Kenya’s budget update sees higher 2019/20 spending, deficit
13-Nov-2019
By George Obulutsa and Duncan Miriri
NAIROBI, Nov 13 (Reuters) - Kenya’s government spending will increase by 3% this financial year and its budget deficit will rise, as it reallocates money to priority projects after lowering its revenue collection target, new estimates from the Treasury showed on Wednesday.
Overall spending will increase by 86.60 billion shillings ($844 million) while recurrent expenditures are cut by 5.6 billion shillings, the supplementary budget seen by Reuters showed.
Development spending will rise by 85.76 billion shillings.
"We have taken money from recurrent (spending) and financed either new or existing development projects. We also re-prioritised some of the development projects," acting finance minister Ukur Yatani told Reuters.
More spending has been earmarked for roads, health, and projects to support the manufacturing sector, in line with President Uhuru Kenyatta’s priorities, Yatani said.
The supplementary budget, which requires parliamentary approval, sees the fiscal deficit at 6.3% of GDP in financial year 2019-20, which began in July, up from an earlier target of 5.9%.
Yatani attributed the wider gap to the Treasury's reduction of its revenue collection target for the year.
"The revenue projection, we reduced by over a 100 billion (shillings) because there is consistency in terms of underperformance," Yatani said.
Last week, lawmakers raised the government’s debt ceiling to 9 trillion shillings, abandoning a 50 percent of gross domestic product limit, which had already been breached.
Yatani said the move will allow the government to change the composition of its debt to focus on affordable loans.
"We want to have a space to navigate and retire some of those expensive loans and just concentrate on concessional borrowing," the minister said.
The East African nation has issued a number of Eurobonds since 2014 as well as taking syndicated loans from commercial lenders.
With increased borrowing from China in recent years to fund projects like the construction of a new railway line linking the port of Mombasa with the hinterland, the country's growing debt pile has raised concerns among the public.
Total public debt stood at 62.3% of GDP as of June, the World Bank said in late October, having breached the threshold 50% of GDP in financial year 2015-16.
When Kenyatta took power in 2013, total public debt stood at about 42% of GDP. The government has defended the higher borrowing, saying it is required to fund infrastructure.
Yatani, who was appointed to the finance ministry post in July after the previous minister was charged with graft offences, said he was committed to cutting the deficit by reducing government spending and boosting revenue collection.
"We might not achieve 100 percent a zero-deficit budget at the moment, but moving forward we want to see every year this amount going down," he said.
Rwanda

IMF revises up Rwanda 2019 growth forecast to 8.5%
13-Nov-2019

KIGALI, Nov 13 (Reuters) - The IMF on Wednesday revised up its growth forecast for Rwanda this year to 8.5%, from its previous projection of 7.8%, crediting strong growth in the first half of the year and new public and private investments in construction.

The small east African nation's economy grew at more than 10% in the first half of 2019, said the International Monetary Fund's Laure Redifer, speaking at a news conference at the end of a two-week mission she led.

"All the leading indications show a continued growth," she said. Citing "big construction projects", increased private borrowing and increased activity in the tourism and transport sectors, she said: "It's a mix of a lot of things."

Tourism revenues were $380 million in 2018 and the government projects revenues of $405 million this year, the chief economist of Rwanda's central bank, Thomas Kigabo, said at the news conference.

President Paul Kagame, in office since 2000, has won international praise for overseeing a peaceful and rapid economic recovery of the country since the 1994 genocide, when an estimated 800,000 people were killed. Critics say this growth has come at the expense of civil liberties.

(Reporting by Clement Uwiringiyimana; Editing by Maggie Fick and Alex Richardson)

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South Africa

South Africa boozes in last chance debt saloon
12-Nov-2019

By Ed Cropley

LONDON, Nov 12 (Reuters Breakingviews) - South Africa is running up a chunky tab in the last chance debt saloon. A ballooning deficit, dismal growth and loss-making state companies are putting the Rainbow Nation's borrowing on an unsustainable course. The government can keep drinking thanks to domestic banks and investors' support, but may soon have to face a politically fraught austerity squeeze.

The latest cause for alarm was Finance Minister Tito Mboweni's admission that he was failing to rein in spending. This year's budget deficit is likely to be 5.9% of GDP, up from initial forecasts of 4.5%. Debt, currently 61% of GDP, will reach 71% by 2023. Throw in the $30 billion that state power utility Eskom owes and it hits 80%.

Pretoria's last investment grade credit rating – from Moody's – looks likely to go next year, although that may not trigger a crisis. Foreigners have already trimmed exposure over the past two years as hopes for economic reform under President Cyril Ramaphosa receded.

Outsiders' holdings of domestic bonds dropped to 37% in October from 42% when he took over two years ago.

And, luckily, South Africa's foreign currency debt is still low. Pretoria's dollar-denominated borrowing is $95 billion, 45% of total debt. External interest payments are equivalent to less than 5% of government revenue, far below the 18% that starts triggering International Monetary Fund alarm bells.

Deep local bond markets provide another buffer. Banks and pension funds have stepped in to fund the government, and now own 42% of its bonds. The snag is that the more banks are exposed to sovereign debt, the less they can support the economy and the more fragile they are when bond prices fall.

The government is promising to tighten its belt in February's budget. But interest costs are eating up 13% of state revenue – almost as much as health. That narrows the options, and an austerity squeeze in what remains one of the world's most unequal societies could be politically destabilising. Pressure to restructure debt could grow.

History points to a breaking point. Internationally isolated and with mining strikes crippling the economy, the 1980s apartheid government was forced to borrow, with interest costs chewing up 15% of state revenue by the time it crumbled in 1990. On the current trajectory, South Africa reaches that point in two years.

CONTEXT NEWS

- South African Finance Minister Tito Mboweni said on Oct. 30 this financial year's budget deficit would widen to 5.9% of GDP, from a previous estimate of 4.5%, as weakening economic growth led to revenue shortfalls.

- In his three-year medium-term budget policy statement, Mboweni also lifted his deficit forecast for the year ending March 2021 to 6.5% of GDP, and predicted that total government debt would hit 71.3% of GDP by 2023.

- Ratings agency Moody's on Nov. 1 downgraded its outlook on South African government debt to “negative” from “stable”. Its “Baa3” rating is its lowest investment grade. S&P Global Ratings and Fitch Ratings already rate South Africa as sub-investment grade.

- South Africa's benchmark 2026 bond fell sharply after the interim budget, with its yield...
clogging from 8.2% before the release to as high as 8.6% on Oct. 31. The yield had dropped to 8.475% on Nov. 12.

(Editing by Neil Unmack and Oliver Taslić. Graphic by Vincent Flasseur.)

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Zimbabwe

Zimbabwe’s economy forecast to grow 3% next year

14-Nov-2019

HARARE, Nov 14 (Reuters) - Zimbabwe’s economy is forecast to grow by 3% next year from a projected contraction of 6.5% this year, helped by improvements in agricultural output and electricity supplies, Finance Minister Mthuli Ncube said on Thursday.

Presenting the 2020 budget to parliament, Ncube also said the country’s budget deficit is projected at 1.5% of gross domestic product (GDP) in 2020 from 4% of GDP this year.

(Reporting by MacDonald Dzirutwe, writing by Olivia Kumwenda-Mtambo; editing by Andrew Heavens)

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GLOBAL

Investors wary as social unrest spreads from Hong Kong to Santiago

11-Nov-2019

By Rodrigo Campos

NEW YORK, Nov 11 (Reuters) - Social unrest worldwide is alarming some global investors, who say protests from Hong Kong and Lebanon to Chile are forcing them to be more cautious even though the impact on financial markets has been spotty so far.

Investors at the Reuters Global 2020 Investment Outlook Summit last week were particularly concerned about Hong Kong, where pro-democracy protests have been raging over the past six months. Some said they saw a theme building up with factors such as the impact of globalization, wealth inequality and climate change creating political uncertainty over the next five to 10 years that would influence markets.

"It is a risk that is with us and at these quite stretched financial market valuations it causes us pause and leads us to be more cautious in markets than we would be otherwise," said Dan Ivascyn, group chief investment officer at PIMCO, one of the world’s largest asset managers.

For him, "this more extreme global political friction is here to stay."

Michael Novogratz, the hedge fund manager turned crypto-currency and blockchain investor, said global protests have a unifying theme.
"Globalization was the global narrative that we all bought into up until 2015," Novogratz said at the Summit in New York.

"Then with Brexit and (the U.S. election of nationalist Republican Donald) Trump and now the insurrection in Chile and Hong Kong ... all of this is happening because we lost true north as a planet. And we’re waiting till the new narrative shows up."

Wealth created since the Great Recession has disproportionately gone to those who rely on their money to make more money, while those who must work for it have stagnated. In market-speak, return on capital has been much higher than return on labor, widening the gap between those who have and those who don’t.

"Trump got elected, Brexit happened, because the bottom half got gutted, the middle class got gutted," said Novogratz. "To me it means we’re going to need more redistribution, somehow, some way."

To be sure, the reaction from financial markets to the unrest has so far been patchy. Chile’s stock market, for example, posted in October its largest monthly decline in nearly two years. Over the weekend, President Sebastian Pinera acknowledged "abuses" in the handling of massive social protests that have shaken the country for three weeks.

Some Lebanese bond yields recently hit record time highs. That is because the relatively small economies with conflicts have not yet forced a widespread modification of strategies among the largest investors.

Absent a violent crackdown from China in Hong Kong, the current situation is not "enough to influence the major economies, the major-goods trades going on," said Anne Mathias, a senior strategist for global macro, rates and foreign currency at Vanguard.

Mathias said the idea of these protests as a harbinger of a global movement that does not worry her. "I respect everything that is going on. I would worry, I think, if the Chinese did something aggressive in Hong Kong."

Other investors said the protests have long-term implications.

"We are concerned about the social impact of what has occurred since the global financial crisis," said Mark Konyn, chief investment officer of insurer AIA, at the Summit in Hong Kong.

"That is a long-term theme that does concern us, and ultimately it must have an impact on corporate governance, the role the companies have within the broader community," he said.

(Reporting by Rodrigo Campos in New York; Additional reporting by Jennifer Hughes in Hong Kong; Editing by Andrew Heavens)
11-Nov-2019
By Marc Jones

London, Nov 11 (Reuters) - Rating agency Moody's cut its global sovereign outlook for 2020 to 'negative' from 'stable' on Monday, saying disruptive and unpredictable world politics would slow growth and increase the risk of economic or financial shocks.

Moody's, which has already slapped downgrade warnings on Britain, South Africa, India, Mexico, Turkey and Hong Kong, said there were three main drivers behind the move.

Unpredictable politics and trade wars such as that between the United States and China would weaken open and commodity-exporting economies.

The increasingly antagonistic environment was also likely to damage global and national institutions, which together with lower growth, raises the probability of crises but reduces the capacity to deal with them.

"In an unpredictable environment, growth and credit risks are tilted to the downside," Moody's said in a report on the 142 countries it rates and their $63.2 trillion of sovereign debt.

"There are few silver linings, and a rising risk of more negative outcomes," it added. "Unpredictable politics create an unpredictable economic and financial environment."

While the starkest example remains the U.S.-China trade spat, tensions that diminish growth have also risen in the Gulf, between Japan and Korea, India and Pakistan, the U.S. and the EU, and the EU and Britain.

The first-order effect of these strains - for example, the impact of tariff increases on trade volumes - is not always severe, but the knock-on impact on investment and capital flows is likely to damage both near- and medium-term growth prospects across all regions.

Moody's now expects growth in G20 group of top world economies to stay around 2.6% next year, after 3% in 2018.

Countries embedded in global supply chains that rely on trade for growth - such as Hong Kong (Aa2 negative), Singapore (Aaa stable), Ireland (A2 stable), Vietnam (Ba3 rating under review for a downgrade), Belgium (Aa3 stable), Czech Republic (Aa3 stable) and Malaysia (A3 stable) - face a slowdown in their economies.

Others with large current account deficits and most reliant on external capital - Lebanon (Caa2 RUR-), Mongolia (B3 stable), Tunisia (B2 negative), Pakistan (B3 negative), Sri Lanka (B2 stable), Argentina (Caa2 RUR-), Turkey (B1 negative), and to a lesser extent Indonesia (Baa2 stable) and South Africa (Baa3 negative) - are most exposed to financing shocks meanwhile.

"Recent years offer ample evidence of the scope for reversals in capital flows, which, if sustained, can profoundly damage recipient country fundamentals," the report said.

(Reporting by Marc Jones; Editing by Giles Elgood)

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14-Nov-2019
Nov 14 (Reuters) - Moody's says Global Economic Growth will remain sluggish as pessimistic business sentiment and trade uncertainty cloud 2020 outlook

Moody's says emerging economies will stabilize or pick up pace in 2020 and 2021

Moody's says business sentiment across major economies has become downbeat with a growing concern that a recession is only a shock away

Moody's says does not expect global economy to enter a recession in 2020 or 2021

Moody's says g-20 economies expected to collectively grow at an annual rate of 2.6% in 2020, the same rate as in 2019

Moody's says in 2020, Moody's forecasts that g-20 emerging market countries will post growth of 4.7%, followed by 4.8% in 2021

Moody's says expects continued deceleration for the us and china in 2020

Moody's says central banks in major advanced economies continue to face unusual conundrum where inflation expectations, realized inflation remain below target.

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15-Nov-2019
By Marc Jones

London, Nov 15 (Reuters) - Global debt is on course to end 2019 at a record high of more than $255 trillion, the Institute of International Finance estimated on Friday -- nearly $32,500 for each of the 7.7 billion people on planet.

The amount, which is also more than three times the world's annual economic output, has been driven by a $7.5 trillion surge in the first half of the year that shows no signs of slowing.

Around 60% of that jump came from the United States and China. Government debt alone is set to top $70 trillion this year, as will overall debt...
(government, corporate and financial sector) of emerging-market countries. "With few signs of slowdown in the pace of debt accumulation, we estimate that global debt will surpass $255 trillion this year," the IIF said in a report.

Across sectors, government debt saw the biggest rise in the first half of the year, increasing by 1.5 percentage points, followed by non-financial companies, with a 1 percentage point rise.

Moreover, with state-owned companies now accounting for over half of non-financial corporate debt in emerging markets, sovereign-related borrowing has been the single most important driver of global debt over the past decade.

Separate analysis from Bank of America Merrill Lynch on Friday calculated that since the collapse of U.S. investment bank Lehman Brothers, governments have borrowed $30 trillion, companies have taken on $25 trillion, households $9 trillion and banks $2 trillion.

The IIF's data, which are based on Bank for International Settlements and International Monetary Fund figures as well as its own, also said the amount of debt outside the financial sector now topped 240% of world gross domestic product at $190 trillion.

Global bond markets have increased from $87 trillion in 2009 to over $115 trillion. Government bonds now make up 47% of the market compared with 40% in 2009. Bank bonds have dropped to below 40% from over 50% in 2009.

(Reporting by Marc Jones, editing by Larry King) 
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