LONDON FORFAITING

Country List & Commentary

3rd Quarter 2018

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ANGOLA

Despite Moody’s cutting Angola’s ratings to B- from B, mentioning high liquidity risks and high government debt as main reasons for the downgrade, in 2Q18 the government successfully secured new credit lines and in May it issued a new Eurobond that received strong demand from the market ($1Bln issued against combined orders over $9Bln).

Going forward the president, João Manuel Gonçalves Lourenço, will continue to take steps to reduce the influence of his predecessor, José Eduardo dos Santos, who stood down as national leader at the August 2017 pools, after 38 years in power. Devaluation and the attendant inflationary pressures are likely to have a negative impact on private consumption in 2018, constraining growth to 1.8%. The imposition of VAT from 2019 is also likely to have a dampening effect, given that firms are likely to pass on cost increases to consumers. Angola is expected to run current-account deficits during 2018-22. Total export earnings remain dominated by oil and will fluctuate in line with oil prices in 2018-22.

BANGLADESH

Earlier in the year Fitch affirmed Bangladesh rating at BB-, outlook stable. Bangladesh's ratings balance strong foreign-currency earnings and high real GDP growth against weak structural indicators, significant political risk and weak.

The banking sector's health and governance standard remain generally weak, particularly in public-sector banks.

In June’18 the finance minister announced the budget for FY19 with GDP growth expected at 7.65% in FY18, beating expectations of most international economic agencies and economists. For FY19, GDP growth target has been set at 7.8%.

GHANA

Since 2015 economic policy in Ghana has been drawn up in the context of an extended credit facility (ECF) with the IMF. The end-date was originally April 2018, but that has been extended to April 2019. Key priorities include fiscal consolidation, the restructuring of the debt-ridden, state-dominated energy sector and efforts to strengthen the local banking sector. In May the IMF approved a USD191mn disbursement for Ghana following completion of the fifth and sixth reviews under its programme. Total disbursement under the programme now amount to $764mn. Ghana's underlying political stability is expected to endure over the entire forecast period, despite a highly acrimonious party-political landscape (next national elections due in 2020). Overall real GDP growth prospects remain favourable for 2018-19, with growth forecast at 7.1% and 5.9% respectively, boosted by the ramping-up of new oil and gas projects.

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TURKEY

The most relevant event in 2Q18 was surely the presidential election that took place in June and saw Erdogan emerging as winner once again. The Turkish markets reacted positively with sovereign bonds gaining as relief was felt from the end to the political uncertainty. Yet risks remain. The medium to long-term picture for Turkey remains challenging and the much required structural deep reforms are now unlikely to materialize anytime soon. Turkey continues to struggle with many macro vulnerabilities, including persistent double-digit inflation, a wide current-account deficit, low savings ratio, loosening fiscal policy and a large external financing requirement.

Turkish banks remain under pressure with Fitch placing all their rating on “Watch Negative”, hinting at a possible downgrade. Moody’s took action in early June, downgrading 17 banks reflective of the agency’s view that the operating environment in Turkey has deteriorated, with negative implications for the institutions' funding profiles.

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