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Country List & Commentary

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Ghana

Ghana will be the fastest-growing economy in the world this year, according to the International Monetary Fund. The lender's growth forecast of 8.8 percent for the producer of cocoa, gold and oil dwarfs the 6.6 percent median in a Bloomberg survey. The IMF's projection in its latest World Economic Outlook published Tuesday is "way too generous," Neville Mandimika, an analyst at FirstRand Group Ltd.'s Rand Merchant Bank, said on Twitter.

Mexico

2Q19 could be another eventful quarter for Mexico. Some of the themes that will likely capture investors' attention include: an assessment about GDP growth and its implications for the overall macro-economy; any news about specific government measures to support state-owned Pemex; and likely increased noise about the three-country ratification process of the revised North American Free Trade Agreement (NAFTA). On the ratings front, it is likely that two of the main three ratings agencies may issue a statement on Mexico this quarter. Moody's has issued a credit opinion or analysis on Mexico's sovereign rating every April in the past three years, with the latest one being a change in the outlook on the debt from negative to stable on 11 April 2018.

Nigeria

Despite the overall increase in public debt, the Debt Management Office said that further progress had been made towards achieving the government's objective of rebalancing the nation's obligations away from relatively more expensive domestic debt markets and towards external debt. Nigeria's public debt-to-GDP ratio (at an estimated 17.9% at end-2018) remains low by international standards, but debt-service payments accounted for 46.2% of recurrent expenditure in the fourth quarter of 2018. Although this is an improvement from a ratio of 55.6% recorded a year earlier, it is still clearly unsustainable. On the political front, the election of President Muhammadu Buhari for a second four-year term will probably mean more political interference in Nigeria's economy and slower growth. Buhari's victory reflects skepticism that the market-friendly reforms proposed by challenger Atiku Abubakar would have delivered material gains for the wider population.

Russia

In February, US Senators revealed the details of the new sanctions bill that will be submitted to the US Congress. The initial sell-off faded in about two days and in a few weeks' time the rouble, bonds and rates were trading stronger than before the announcement as investors are taking a more cynical approach, focusing more on strong economic fundamentals rather than on sanctions headlines. The increase in VAT from 1 January and a drop in oil output (as per OPEC+ agreement) did not have the negative an impact on consumer and investment demands that most of the analysis were expecting. According to Rosstat, real GDP growth picked up to 2.3% in 2018 from 1.6% in 2017 and the expectation is for a 1.6% growth in 2019 and 2.0% in 2020.

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TURKEY

Turkey's biggest financial pledge in 18 years to bolster its banks may not be the silver bullet needed to pull economy out of recession. The government plans to inject fresh capital into state-owned banks and oversee the formation of two funds to take onsome of the sector's bad loans, Treasury and Finance Minister Berat Albayrak told reporters in Istanbul. To back the effort, the government will issue 28 billion liras ($4.9 billion) of bonds and place them at state banks. Albayrak unveiled the measures as part of a package of reforms to resurrect the recession-hit economy, which has banks struggling to escape a rising pile of bad loans and increased demands from companies to restructure borrowings. The blueprint echoes the $77 billion rescue during the 2001 financial crisis, of which $22 billion went to state banks, and marks the second intervention since October to shore up lenders after last year's currency crash.

Some of Turkey's largest businesses have been flooding banks with requests to reorganize their borrowings after a plunge in the lira caused the cost of their dollar and euro obligations to soar. The corporate sector's foreign-exchange liabilities stood at $313 billion as at the end January, almost 40 percent of the country's gross domestic product. Even when netted against their foreign-exchange assets, the shortfall is $195 billion, according to Central Bank data.

Albayrak's road map also included programs to reorganize soured real estate and energy borrowings through debt and equity swaps. Banks will work to carve out non-performing loans in the sectors and transfer them to two funds, which will be run by banks as well as local and international investors.

Non-performing loans as a percentage of total credit rose to 4.1 percent in February from 2.95 percent at the beginning of 2018, according to the banking regulator BRSA, which predicted the ratio could climb to 6 percent this year. The energy industry alone has more than $51 billion in outstanding debt.

- IMF forecasts GDP to return growth at 2.5% in 2020 and 3.5% over mid-term
- Current account seen to post surplus of 0.7% of GDP in 2019
- IMF recommends cautious stance in envisaged fiscal consolidation

According to the IMF, Turkey needs a comprehensive and credible policy mix to secure macroeconomic stability. It recommended the government to be cautious in the fiscal tightening measures, promised in its mid-term economic program. The pace of fiscal consolidation should be appropriately calibrated given the subdued growth outlook and the limited scope for monetary easing amid high inflation expectations. It also recommended to the government to rationalize spending via public-private partnership (PPP) projects and ensure greater transparency about these projects and the health of the financial sector.

Turkey's governing AK Party will officially make a request to authorities for a new election in the closely contested March 31 mayoral vote in Istanbul only after a partial recount currently underway is completed. The recount i n some districts of Turkey's largest city could take a few more days, following which the AKP will submit a so-called "extraordinary objection" to the high election board known as YSK, according to Recep Ozel, the ruling party representative on the board. The AKP says it's demanding a repeat of last month's vote because "widespread irregularities" tainted the election where Erdogan's candidate was beaten by an opposition alliance, according to an unofficial tally of the recount so far.

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