Country Commentary

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LONDON FORFAITING COMPANY LTD

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1. Global Economies Update

Central banks all around the globe are expected to continue increasing base rates in an effort to fight inflation. Tighter financial conditions, a decline in purchasing power, and weaker growth in developed economies are likely to affect real GDP growth prospects in many emerging market (EM) economies in 4Q22 and in 2023. The IMF is now expected to revise downwards the 2023 global growth forecast as pandemic-related shocks, the Russia-Ukraine war, and climate disasters have contributed to the "darkening" of the global economic outlook.

2. Egypt

Egypt continues to benefit from the government's pro-active crisis response and track record of economic and fiscal reform implementation over the past six years. FX reserves are under pressure (now at around $33bln, enough to cover 3.5 months of imports) but supported by funding from the IMF and friendly countries ($5bln deposited by Saudi Arabia in March-22 and $3bln by UAE).

3. Ivory Coast

BB- rated by all three rating agencies, the rating supported by the economy's resilience (tested during the pandemic shock), growing diversification and healthy growth prospects. Other important factors are the continuing improvement in public finance management as well as in the structure of general government debt in terms of extending its maturity and significantly reducing exchange rate risk. In Sept-22 the government signed €250m in loans with France for its 2022 and next years' budget. A resolute implementation of reforms under the national development program would boost medium-term growth, the IMF said in June.

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4. Pakistan

Pakistan is now at high risk of default. In Oct-22 Moody's downgraded its rating to CCC+, negative outlook as the agency sees increased government liquidity risks and higher debt sustainability risks, in the aftermath of devastating floods that hit the country since June 2022. The floods have exacerbated Pakistan's liquidity and external credit weaknesses and vastly increase social spending needs, while government revenue is severely hit. Debt affordability, a long-standing credit weakness for Pakistan, will remain extremely weak for the foreseeable future. The CCC+ rating reflects Moody's view that Pakistan will remain highly reliant on financing from multilateral partners and other official sector creditors to meet its debt payments, in the absence of access to market financing at affordable costs.

5. Tanzania

Rated "B", positive outlook, by Moody's. The outlook changed to positive on 10th Oct22, reflecting Moody's view that political risks have lessened under the government's new approach to promoting economic development and engagement with the international community. The IMF continues to support Tanzania, as evidenced by the new financing package approved on 18 July-22, equal to USD 1Bln.

6. Uzbekistan

Uzbekistan has robust external and fiscal buffers, low government debt and record of high growth relative to "BB" rated peers. Trade exposure to Russia is high, 20% of Imports come from Russia and 24% of exports goes to Russia. The net effect of the War will be lower growth, leading to a higher current account deficit and higher inflation in 2022 and 2023 but these challenges are expected to be cushioned by Uzbekistan's robust sovereign balance sheet and improved policy framework.