Country Commentary

LONDON FORFAITING COMPANY LTD

First Quarter 2025

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1. Operating Environment

The global credit environment ended 2024 on a high note with the year characterized by a combination of US economic resilience, capital markets strength and positive ratings trends. Aggressive monetary tightening in 2023 did not result in a US recession or even a rapid growth deterioration. US consumer spending stayed surprisingly strong while disinflation opened space for the Federal Reserve to start cutting rates. The Eurozone also saw a turn in its economic cycle and began reaccelerating, albeit slowly. China's economy continued to be hampered by weak consumer demand linked to persistent housing market dislocation, but this was offset by strong export growth. Rate cuts and investor optimism supported bullish credit markets, with spreads tightening to cycle lows.

A key unknown is to what extent the stabilization of economic and credit conditions from the pandemic era will continue in 2025. Among the most notable uncertainty is the incoming Trump administration. The election result, which yielded the presidency and control of both houses of Congress to the Republican party, will mark a significant shift in US policy and it will be felt globally. Both the Eurozone and China are facing structural pressures hampering the potential of a significant positive turn in the economic cycle.

Fitch forecasts median real GDP growth for rated emerging market (EM) sovereigns will rise to 3.6% in 2025 from 3.1% in 2024, but this partly reflects a stronger performance by smaller EM economies. Macro credit conditions will generally be bolstered by lower interest rates in most EMs, as lower US interest rates give additional space for domestic monetary easing, while also reducing foreign currency borrowing costs.

2. Angola

in 2025 Angola's economy expanded at the fastest pace in almost a decade as oil, agriculture and mining production jumped. In Dec-24 Fitch affirmed Angola's rating at B-, stable outlook. Weak governance indicators, high inflation, high levels of foreign-currency denominated government debt are balanced by high international reserves, current account surpluses and manageable debt repayment risks due to a still supportive oil price environment. On 27th Dec-24 Angola issued a new $1.2bln Eurobond maturing in Dec-30 and now trading at S+6.70% pa. The price of all Angolan Eurobonds rallied following this news.

3. Egypt

Egypt and the IMF have reached a staff-level agreement on the fourth review under the Extended Fund Facility (EFF), enabling the country to receive $1.2bln. In March-24 the IMF agreed to lend Egypt $8bn to implement a structural reform program and support its ailing economy. The IMF stressed maintaining sound monetary policies, with the Central Bank of Egypt (CBE) keeping a flexible exchange rate and tightening monetary policy to control inflation. The CBE is moving to an inflation-targeting regime and aims to improve governance in the banking sector. "Bolstering financial sector resilience and the governance practices and competition in the banking sector should also be key priorities," the IMF said.

Egypt is rated CCC+, positive outlook by Moody's, B- positive outlook by S&P, B with stable outlook by Fitch.

4. Nigeria

The Nigerian authorities' pursuit of orthodox economic policies since the election of President Bola Tinubu in 2023 and which anchored the recent USD2.2 billion Eurobond issuance. Fitch rating report published Dec-24 advised this improved the prospects for the sovereign's credit profile. Nevertheless, several challenges remain including ad hoc or insufficiently communicated policy implementation that constrain investor confidence. Changes that the central bank has introduced, including the simplification of the exchange-rate regime and tightening of monetary policy through higher interest rates, have

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	reduced distortions in the economy and improved policy credibility. If the electronic matching platform for all foreign-exchange (FX) transactions, launched on 2 December, is successful, it will mark another step towards a more transparent and efficient FX regime.
	5. Panama Panama faces a significant risk of losing its investment grade rating in 2025. The warning comes after Moody's revised Panama's BBB- rating outlook to negative from stable in Dec-24, effectively giving the country approximately 12 months to implement adjustments and avoid a further downgrade. With Fitch already rating Panama below investment grade, a potential downgrade from Moody's would result in two major agencies placing the country below investment grade. The Ministry of Economy and Finance acknowledged that Moody's assessment highlighted concerns about deteriorating fiscal balance and potentially unsustainable debt growth. Standard & Poor's has also recently downgraded Panama's sovereign rating to BBB- from BBB, emphasising the need to strengthen tax collection.
	6. Sri Lanka In Jan-25 Moody's upgraded the country to CCC+ after the nation's creditors approved a $12.55 billion debt restructuring. In May 2022, Sri Lanka defaulted on its foreign debt for the first time ever due to the country's high debt burden and falling foreign exchange reserves. Fitch Ratings also upgraded the island nation's long-term foreign-currency default rating to "CCC" compared to its earlier level of "restricted default". The Finance Ministry of Sri Lanka, in a statement, said that the debt default crisis has officially ended for the nation.

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