

# Credit Outlook

13 August 2020

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The risk of broad-ranging private-sector losses appears to have diminished, but there remains a risk that private-sector creditors will be drawn in to provide relief some individual cases.

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## GTT Communications' delayed filing of second-quarter results is credit negative

Originally [published](#) on 11 August 2020

On 10 August, [GTT Communications, Inc.](#) (B2 negative) announced that it would not be able to file its second-quarter 2020 results with the US Securities and Exchange Commission on time because of issues discovered in computing the company's cost of goods sold during the second quarter, a credit negative.

The company has received approval from the majority of its term loan lenders to amend the senior facilities agreement to waive the filing requirements and extend them to 30 October. The amendment cost GTT a fee of 25 basis points.

GTT's revolving credit facility requires the company to comply with financial covenants in case the company draws more than 30% of this facility. Given the delay in filing its accounts, and the resulting inability to prove covenant compliance, GTT's access to its \$250 million revolving credit facility is currently limited to 30% of the total size, or \$75 million, and \$20 million of letters of credit.

At the end of first-quarter 2020, GTT had \$106.4 million of cash and cash equivalents, and had drawn \$65 million under its revolving credit facility. Our assessment of the company's liquidity is supported by our expectation that GTT will generate positive free cash flow in 2020.

Under the 2024 unsecured notes indenture, GTT has until 1 September to provide the trustee of the notes with the 10-Q for the quarter that ended 30 June. After this date, noteholders are allowed to file a notice, giving the company another 60 days (to 31 October) to provide the missing quarterly financial results before triggering an event of default.

We expect the company to resolve the audit issues before the amended facilities agreement's extended deadline of 30 October. Any further delay could make us reassess our view of GTT's liquidity. Our assessment will balance the filing delays and ensuing repercussions on GTT's liquidity and capital structure with the benefits of the anticipated proceeds from the announced sale of GTT's infrastructure assets.

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## PetVet's largely debt-financed acquisition of MAVANA increases leverage, a credit negative

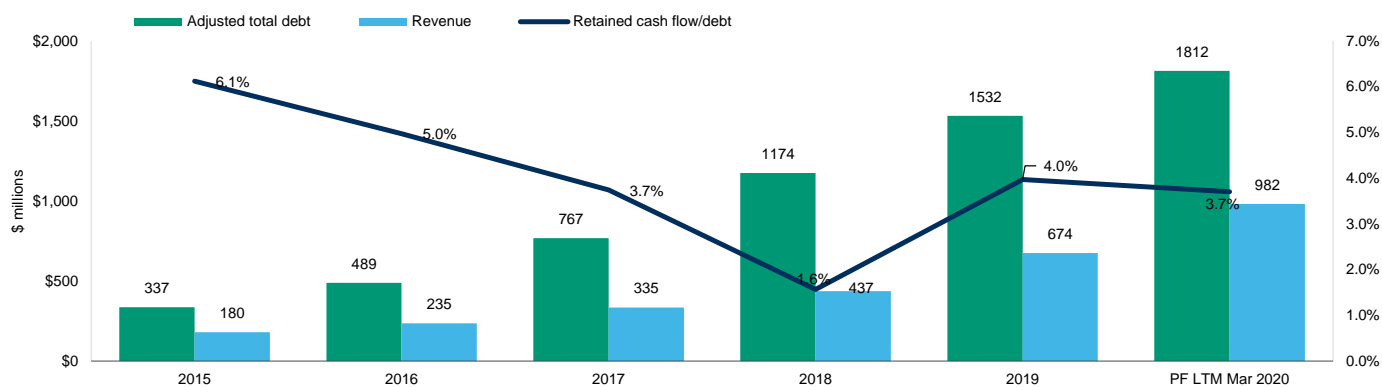
Originally [published](#) on 12 August 2020

On 12 August, [PetVet Care Centers, LLC](#) (B3 stable) announced that it had reached a definitive agreement to acquire MAVANA, Inc., a group of 27 hospitals that generated last-12-month revenue of nearly \$130 million, for an undisclosed price. The acquisition, funded by a \$200 million add-on to PetVet's existing senior secured first-lien term loan, as well as approximately \$95 million of new equity (from existing MAVANA ownership), will increase Moody's-adjusted leverage to 8.5x from 8.1x for the 12-month period that ended 30 June 2020. A portion of the debt proceeds will be added to PetVet's balance sheet, and have been earmarked to fund future acquisitions.

Although the acquisition is strategically sensible, the transaction is credit negative because leverage will rise and slow PetVet's deleveraging trajectory. There is no effect on the company's ratings, including the B3 corporate family rating, the B2 ratings on its senior secured first lien credit facilities, and the Caa2 ratings on the company's second lien debt. The outlook is stable.

While acquisition of MAVANA is materially larger than PetVet's historical acquisitions, we do not expect integration to be significantly more challenging. Despite the aggressive growth strategy, PetVet has a track record of successfully integrating its acquisitions. The high purchase price multiple for acquisition of MAVANA of roughly 12.5x (compared to historical average range of 8.0x-8.5x) is mitigated by the meaningful equity contribution, resulting in cash multiple closer in line with historical average. Furthermore, even with the high level of acquisition costs and rising interest burden, we expect that the company will continue to generate positive free cash flow (see exhibit). These factors support the credit profile despite the very high leverage in the mid-8x range on a pro forma basis.

### PetVet has remained free cash flow positive despite aggressive, debt-funded M&A posture



Pro forma for acquisition of MAVANA  
Source: Moody's Financial Metrics

We expect that PetVet will remain acquisitive and incur additional debt to fund its growth strategy. Assuming the company uses the cash to make acquisitions at enterprise value-to-EBITDA multiples similar to recent transactions, we estimate that pro forma adjusted debt-to-EBITDA will remain very high – in the low 8.0x range. This figure also gives credit for the full-year effect of acquisitions made over the past year and adds back a significant amount of costs associated with acquisitions. That said, we expect that these costs will continue given the company's strategy is to grow through acquisitions. Not adding these costs back, debt/EBITDA would be substantially higher (roughly 11.0x).

PetVet's credit profile is also supported by the company's good liquidity position. PetVet will have approximately \$154 million of cash on balance sheet, pro forma for the MAVANA acquisition, and a \$200 million term loan add-on. However, we expect that cash balances will decline rapidly as the company funds future acquisitions. Cash on hand, together with our expectation for free cash flow of about \$20-\$25 million over the next 12 months, provide sufficient coverage for the required 1% mandatory amortization of its first-

lien term loans (\$13 million). PetVet's \$75 million revolving credit facility expiring in 2023 (undrawn at the close of the transaction) will provide additional liquidity. The revolver has a springing maximum total leverage covenant (12.9x), tested when 35% of its capacity is used. We do not expect the covenant will be tested over the next 12-18 months.

Based in Westport, Connecticut, PetVet Care Centers, LLC is a national veterinary hospital consolidator offering a full range of medical products and services and operating 248 locally-branded animal hospitals across 29 states. PetVet was acquired by Kohlberg Kravis Roberts & Co. L.P. in February 2018. Pro forma revenue for the 12 months that ended 30 June 2020 was approximately \$850 million.

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## China State Construction International's disposal of port joint venture is credit positive

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On 6 August, [China State Construction International Holdings Limited](#) (CSCI, Baa2 stable) announced that it had reached agreement with a third-party buyer for the sale of all its 60% stake in China Shipping Port (Laizhou) Co. Ltd. (CSPCL) for RMB1.18 billion (\$169.3 million), subject to the fulfillment of certain conditions. The transaction, if completed, would be credit positive because it will help lower CSCI's debt.

CSCI plans to use all the sale proceeds for general working capital, which would otherwise be funded by debt. We estimate that CSCI's leverage, as measured by adjusted debt/EBITDA, will decrease by around 0.1x after the transaction, if all other factors remain unchanged. CSCI's debt/EBITDA was 5.4x at the end of 2019, and we expect that debt/EBITDA will temporarily peak at 5.8x-5.9x in the next 12-18 months amid coronavirus-induced disruptions.

Selling the port subsidiary reflects CSCI's efforts to control its debt growth because this asset sale allows it to quickly recycle capital. In addition, CSCI is expected to book a pretax gain of around RMB484 million from the transaction.

CSPCL is mainly engaged in port business at Laizhou, Shandong, and is accounted for under a joint venture of CSCI. CSPCL reported net profit of around RMB105 million in 2019. CSCI's 60% stake in CSPCL had a book value of around RMB698 million as of 30 June 2019.

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## GPT Group's first-half net loss is credit negative, but results also show benefits of diversity

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On 10 August, [The GPT Group](#) (A2 stable) announced its half-year results for the six months that ended 30 June 2020. The results are credit negative because of the disruptions caused by the coronavirus pandemic on earnings and asset valuation.

However, the Australia-based real estate investment trust (REIT) continues to benefit from the diversity and quality of its asset portfolio. It showed improved performance amid strong demand for logistics assets and its good quality office portfolio offset a weakness in retail. Despite a weakening in gearing and leverage, GPT's credit metrics remained within the thresholds for its rating. The group also benefits from strong liquidity, with no near-term debt maturities.

GPT reported a statutory net loss after tax of AUD519.1 million because of substantial negative revaluations mostly to the group's retail asset holdings in the period.

The valuation of the retail portfolio, which makes up around 40% of GPT's assets, declined by 10.5% (AUD662 million) in the period. The retail segment faced trading disruptions, which resulted in weak cash collection (see Exhibit 1). The most heavily affected tenancies were those under government restrictions because of the coronavirus outbreak, including cinemas, dining and retail services, with average sales declines of 16.9% for the period. Total specialty sales were down 11%. The group has seen some recovery in retail sales and rent collections since July 2020, but the recent lockdowns in the Australian state of [Victoria](#) (Treasury Corporation of Victoria, Aaa stable) will add to further weakness in retail earnings.

Exhibit 1

### GPT retail rent collection affected by trading interruptions and rent negotiations

Rent Collection	Office	Logistics	Retail	Total
Q1 2020	99%	100%	90%	95%
Q2 2020	94%	98%	36%	67%
1H 2020	97%	99%	63%	81%

Source: GPT Group

We expect coronavirus disruption to continue to suppress economic activity in Australia, leading to uncertainty in the office market. It remains to be seen if, in the longer term, demand for office space is reduced because working from home remains widespread, even after the immediate health crisis subsides. However, GPT's high-quality, well-located office portfolio (around 42% of assets), is likely to remain resilient relative to the broader market and support its credit profile. In the six months to June 2020, GPT's office segment recorded comparable net income growth of 1.2% and collected 97% of rents. Asset values declined 1.7%, mainly because of lower expectations around market rental growth, increased incentives and downtime assumptions.

GPT's logistics portfolio (18% of total portfolio) performed well, with comparable net income growth of 13.7%. Valuations were solid, with 2.3% growth, supported by increased e-commerce trade and strong investor demand in the sector.

We expect the company's logistics segment to continue to benefit from the increase in e-commerce and a shortage in supply of industrial land. Logistics property is likely to be best placed in the commercial property subsectors in the current weak economy.

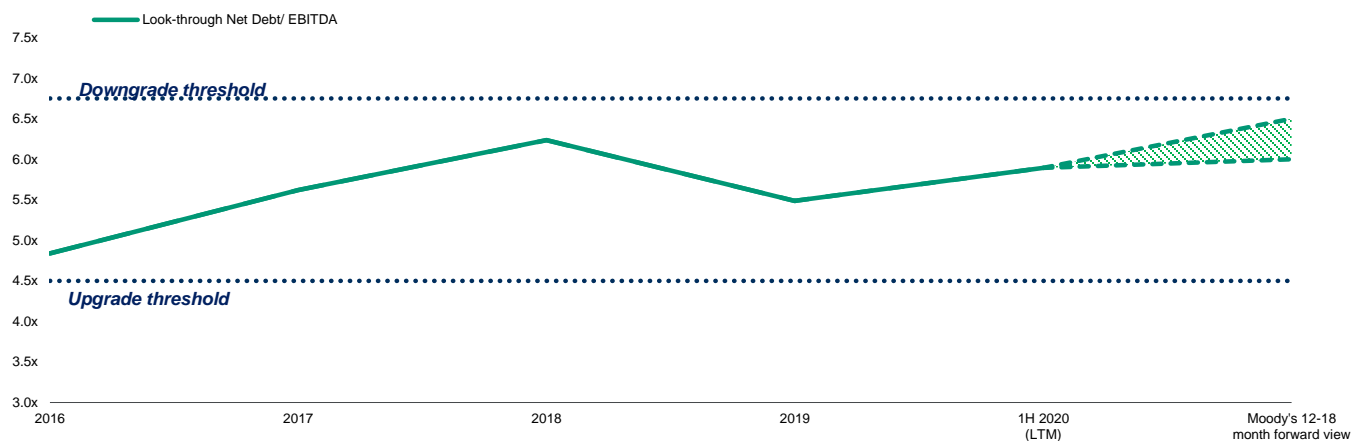
Fund management income increased 6.6% for the period, reflecting acquisitions and developments in GPT Wholesale Office Fund, partially offset by devaluations in GPT Wholesale Shopping Centre Fund (GWSCF).

To manage the impact of the coronavirus outbreak, GPT has taken a number of cost and capital measures. It announced in April 2020 that it had withdrawn short- and long-term incentives schemes and deferred the planned retail expansion of its Rouse Hill Town Centre in Sydney's west and its Melbourne Central office and retail development.

GPT's record of conservative financial management and a solid financial profile means that, at the onset of the coronavirus outbreak, the group had strong balance sheet buffers to accommodate economic disruption. Despite a weakening, we expect GPT's credit metrics to remain within thresholds set for the rating. The group's leverage for the 12 months to June 2020, as measured by net debt/EBITDA, increased to 5.9x (6.4x including impairments) from 5.5x at December 2019 and look-through gearing increased to 27.0%, from 24.7%, off the back of negative valuations in the period. Interest coverage improved to 5.4x (4.9x including impairments) from 5.0x because of a lower cost of debt.

Exhibit 2

**Despite a weakening, we expect leverage to remain within rating thresholds**



Ratios calculated using Moody's standard accounting adjustments. Look-through financial metrics reflect the proportional consolidation of equity accounted investments.  
 Source: Moody's Investors Service

GPT's strong liquidity supports its credit profile. The group had AUD1.2 billion of available cash and undrawn facilities at 30 June 2020 with less than AUD5 million of debt maturities before 2022.

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## Loan-payment deferrals mask US banks' deteriorating asset quality

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In this pulse of the consumer report, we provide key take-aways from the 6 August release of the New York Federal Reserve Bank's [Household Debt and Credit report](#).

In the four years leading up to the coronavirus crisis, the rate of new consumer loan delinquencies has remained around historical lows<sup>1</sup>, largely because of the exceptionally strong job market. With a spike in unemployment such as that following the onset of the pandemic, delinquencies would typically rise. But the rate of new delinquencies actually declined in second quarter of 2020 to 3.99% from 4.67% a year earlier because of lenders' large-scale disaster-relief loan payment deferral and forbearance programs<sup>2</sup> along with extensive US government fiscal stimulus. However, as borrowers leave forbearance and as stimulus programs abate, we expect delinquencies and charge-offs will increase rapidly.

Aggregate household debt balances declined by \$34 billion in the second quarter from first quarter, and ended the quarter at \$14.27 trillion. This was the first quarterly decline since second-quarter 2014 and was largely driven by a \$76 billion decline in credit card balances, reflecting the sharp drop in consumer spending during the quarter as well as lenders' tightening credit underwriting standards. As a result, year-over-year household debt growth slowed to 3.0% in the second quarter from 4.6% in the first quarter (see exhibit). We expect credit card and auto loan demand to remain soft, with retail and auto loan sales likely to remain weak for the rest of the year. However, credit card loan demand will be propped up by some consumers' use of cards to help offset income declines, as the prospect of further fiscal stimulus recedes. Given economic weakness, we expect home sales over the next year to be weak, resulting in at best modest residential mortgage balance growth.

**Rate of new delinquencies surprisingly declines in second quarter, but as borrowers leave forbearance and stimulus programs abate, we expect performance will rapidly deteriorate**

Loan growth rate and rate of new delinquencies

	Loan Growth Rate			Rate of New Delinquencies		
	Q2 2020 YoY growth rate	Q2 2019 YoY growth rate	3-year annualized growth rate	Current quarter	1-year ago (Q2 2019)	1-year projected trend
Total household debt	3.0%	4.3%	3.6%	3.99%	4.67%	Increase materially
Credit cards	-5.9%	4.8%	1.4%	6.20%	6.86%	Increase very materially
Auto loans	3.5%	4.8%	4.1%	6.29%	6.93%	Increase very materially
Residential mortgages	3.9%	4.6%	4.0%	3.10%	3.43%	Increase materially

Sources: Federal Reserve Bank of New York and Moody's Investors Service

[Click here](#) for the full report.

### Endnotes

- <sup>1</sup> The start date for the household debt and credit data is Q1 2003.
- <sup>2</sup> The delinquency status of loans in forbearance is typically reported as it was when the loan entered forbearance. For example, if a loan was current entering forbearance, the lender may report the loan as current while in forbearance. Or if the loan was 30 days delinquent entering forbearance, the lender may continue to report the loan as 30 days delinquent while in forbearance.

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## Barings BDC's acquisition of MVC Capital increases asset quality risks but also potential returns

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On 10 August, [Barings BDC, Inc.](#) (BBDC, Baa3 stable), a North Carolina-based business development company, agreed to acquire New York-based MVC Capital, Inc. for approximately \$177.5 million. The acquisition is credit negative for BBDC's standalone credit profile because the acquired MVC portfolio includes junior credit and equity investments in middle-market companies that will weaken BBDC's otherwise conservative portfolio composition. Additionally, though modest in scale, the acquisition is occurring during a challenging operating environment and amid volatile market conditions, which creates uncertainty regarding the performance of the acquired assets and amplifies integration risks.

However, we believe that the probability of support of BBDC by [Massachusetts Mutual Life Insurance Company](#) (MassMutual, Aa3 stable), the parent of BBDC's external manager and part-owner Barings LLC (Barings), remains unchanged by the transaction, resulting in stability of BBDC's overall credit profile.

The transaction price, based on BBDC's net asset value of \$10.23 per share at 30 June 2020, comprises \$7 million of cash contributed by Barings and \$170.5 million of newly issued BBDC shares. Based on BBDC's \$8.31 share price on 10 August, MVC shareholders will receive a 21% premium over MVC's \$6.80 share price on the same date. The acquisition increases the fair value of BBDC's portfolio of middle-market investments to approximately \$1.2 billion from \$1.0 billion at 30 June 2020.

BBDC expects that its increased scale following the transaction, combined with its stable expense base including lower revised management fees, will result in earnings and net asset value accretion beginning in the first quarter post-closing. Additionally, the transaction will have little effect on the company's debt/equity leverage owing to the newly issued shares, cash from Barings and repayment of MVC's debt at closing. BBDC's net debt/equity ratio was 1.0x at 30 June 2020; BBDC expects net leverage to be approximately 1.0x in the first quarter after the transaction closes.

BBDC's portfolio composition will weaken as a result of the acquisition, as pro forma first-lien loans decline to around 82% of the portfolio from 95.4% as of 30 June, and disproportionately riskier investments increase to around 18% from 4.6%. Investments high in the capital stack of portfolio companies, such as first-lien loans, have lower expected loss and less volatile fair values compared to more junior investments. Because business development companies are required to fair value their investments quarterly, currently weakened and volatile credit conditions increase risks to investment fair values and the strength of their capital cushions versus regulatory and loan covenant minimum asset coverage requirements.

The transaction structure includes a unique feature that partially offsets risks. Barings will enter into a support agreement that provides protection from realized and unrealized losses over 10 years. At the end of 10 years, Barings will pay up to \$23 million to make BBDC whole from losses realized on the acquired investments. Additionally, the credit support agreement is a derivative whose fair value will move opposite the value of the portfolio investments, providing protection from increased fair value volatility of the acquired assets, thereby offsetting risks to capital strength. To further enhance stability, BBDC will provide up to \$15 million in share repurchase support during the 12 months following the closing of the transaction, in the event that BBDC's net asset value trades below a specific net asset value per share threshold.

BBDC is acquiring the MVC assets at a discount to book value and cost, which provides an additional buffer against performance uncertainty. BBDC ascribed a \$211 million value to MVC's investment portfolio, which had a reported fair value of \$226 million and an amortized cost of \$346 million at 30 April 2020, the latest financial report available. The purchase discount also creates the possibility of upside to income and net asset value performance, potentially strengthening BBDC's credit profile should the company's asset management prove effective and the operating environment improve.

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## Turkish lira falls to record low against US dollar, a credit negative for the country's banks

On 10 August, [Turkey's](#) (B1 negative) currency, the lira (TRY), declined to a record low of TRY7.34 against the US dollar, a 5% fall in the past week and an 18% decline this year. The depreciation comes after gross foreign-currency [reserves](#) have been cut almost in half since the end of 2019 in a bid to defend the currency's value. For Turkish banks, lira depreciation is credit negative, with the prolonged weakness likely to increase problem loans and loan-loss charges, and reduce profitability and capital ratios. This latest currency weakness will exacerbate coronavirus-related disruptions and raise the risk that the availability of foreign wholesale funding will decline.

As of June, 35% of Turkish bank loans were denominated in foreign currencies, primarily US dollars and euros. A sustained depreciation of the lira will reduce the repayment capacity of corporate borrowers with no foreign-currency revenue and that are unhedged. The resulting higher loan-loss provisions will weaken profitability.

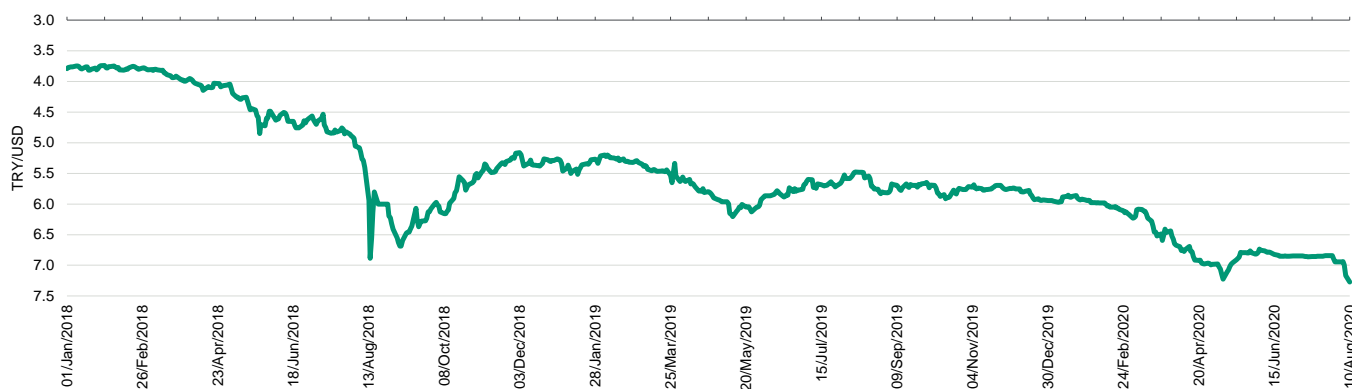
Additionally, the risk-weighted assets of foreign-currency-denominated loans will increase with a weaker currency, reducing banks' capital ratios. Three major private banks that have already reported first-half results – [Akbank T.A.S.](#) (B3/B1 negative, b3<sup>1</sup>, [Turkiye Garanti Bankasi A.S.](#) (B3/B1 negative, b3) and [Yapi ve Kredi Bankasi A.S.](#) (B3/B1 negative, b3) – would have recorded Capital Adequacy Ratios (CAR) declines of 100-290 basis points without the benefit of [regulatory forbearance](#) primarily fixing the exchange rate at the beginning of the year.<sup>2</sup>

Moreover, the large state-owned banks [T.C. Ziraat Bankasi A.S.](#) (B3/B2 negative, caa1), [Turkiye Vakiflar Bankasi T.A.O.](#) (B3/B2 negative, caa2) and [Turkiye Halk Bankasi A.S.](#) (B3/B3 negative, caa3) have accumulated an unusually large short foreign-currency position of \$10 billion as of the end of July in a bid to defend the value of the lira this year (the foreign-currency position was broadly flat at year-end) and this foreign-currency risk will reduce the banks' capital ratios if the lira continues depreciating.

We expect that investor concerns about Turkey and the solvency of Turkish banks will reduce access to foreign-currency funding, a key vulnerability of Turkish banks because of their large short-term foreign-currency wholesale refinancing needs of \$54 billion at end-June. Turkish banks' access to international capital markets is currently constrained amid the coronavirus pandemic, with only Akbank issuing a Eurobond so far this year.

Investor confidence was primarily hit by weakening foreign-currency reserves at the central bank, and by concerns on the dysfunction of the lira foreign-exchange swap market, with lira liquidity drying up and overnight lira swap rates surging to 280% as of 3 August, from 6.8% the previous week. Turkish banks experienced a similar period of exchange-rate weakening in 2018 (see exhibit).

### Turkey's lira has depreciated to record lows



Source: Central Bank of the Republic of Turkey

At that time, it took very significant interest rate hikes (which have since been unwound) to restore confidence. This time, the lira depreciation exacerbates a very weak operating environment for Turkish banks, and the economy is already under significant stress because of the effects of the pandemic on economic activity. We expect a 5% GDP contraction in Turkey to drive deteriorating asset quality, capital and profitability at banks this year. Nevertheless, the Turkish banks in the first half of 2020 were more resilient than our expectations, with the aggregate problem loan ratio declining by 100 basis points to 4.4% compared to year-end, stable return on assets of 0.6% compared to June 2019 levels and CAR increasing by about 200 basis points to 20% compared to year-end. Those results were underpinned by regulatory-driven loan growth, forbearance and capital strengthening at state banks.

## Endnotes

- [1](#) The bank ratings shown in this report are the bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment.)
- [2](#) Forbearance also fixed the mark-to-market of securities at the beginning of this year.

## Heightened tensions around Belarus' presidential election increase political risks, a credit negative

Originally [published](#) on 10 August 2020

According to preliminary results from [Belarus'](#) (B3 stable) Central Election Commission, incumbent Alexander Lukashenko obtained 80.2% of the vote in the 9 August presidential election, significantly more than his nearest rival, Svetlana Tikhanovskaya, who received 9.9%.<sup>1</sup> While elections generally do not pose a risk to policy direction in Belarus, the restrictive election environment and lack of significant competition prompted larger-than-usual protests, which have continued in the wake of the election results.

The heightened tensions around the elections, with the banning of the two main opposition candidates, a crackdown by authorities on peaceful protesters and activists, and the opposition's refusal to accept the results are credit negative and confirm our view that domestic political risk has increased. The risk of large and sustained protests in the aftermath of the elections and new sanctions from Western partners would further weigh on Belarus' credit profile.

In our view, the reelection of Lukashenko, who has been in power since 1994, will not lead to a marked change in policy direction, although the replacement of the entire cabinet on 3 June does raise some uncertainty around the continuity of planned reforms, including the politically sensitive reform of the country's pension system.

Belarus has undertaken significant improvement in some macroeconomic and fiscal policies over the last few years, particularly with regard to exchange-rate flexibility and a more prudent fiscal position, which have supported macroeconomic stability. The president's recent official parliamentary address did not include any major policy announcements; instead, he reaffirmed broad goals to raise GDP growth and incomes. While there remains a risk of additional spending outlays to quell further protests, the available fiscal space is limited because the coronavirus outbreak will likely lead to a marked economic contraction this year and weigh on government finances.

Unusually heightened tensions accompanied this election period, which have led to increased political instability and strained ties with Belarus' international partners. Protests in the run-up to the elections were on a larger scale than those that occurred around the time of previous elections, reflecting increasing public dissatisfaction with the authorities and lack of democratic freedoms in the country.<sup>2</sup> In response, the authorities detained a number of protesters, opposition activists and politicians, including the main opposition presidential candidate Viktor Babaryka, who was a former chairman of Belgazprombank. Tikhanovskaya, the wife of another jailed candidate, was the main opposition candidate.

The protests have also reflected dissatisfaction around the government's efforts to limit the spread of the coronavirus, which have been less intense than the restrictions that many other countries imposed. Sustained protests in the aftermath of the election could further increase political instability and risk disrupting the domestic political balance that has been in place since the mid-1990s.

The increased instability could also lead to heightened tensions and limit further integration with Western partners such as the [European Union](#) (EU, Aaa stable) and the [US](#) (Aaa stable), following improved relations in recent years. The EU has condemned the recent arrests and restrictive election environment, saying that the situation may prompt a review of its policy toward Belarus, including new sanctions on officials. The EU had previously broadened sanctions, in place since 2004, following violations of international electoral standards and crackdowns on protests during previous elections.

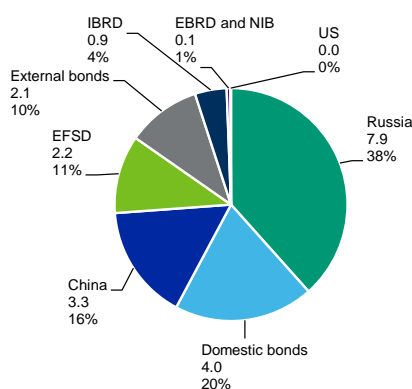
Belarus is seeking to begin negotiations for a Framework Agreement with the EU under the Eastern Partnership programme, although the heightened instability will likely affect any near-term progress. In addition, the US State Department recently urged Belarus to respect fundamental freedoms and indicated that bilateral co-operation – Belarus and the US had recently started discussions to review Belarus' designation as a nonmarket economy – would depend on the enforcement of human rights in the lead-up to the elections.

The heightened political instability may also limit access to bilateral and multilateral financing, particularly from the West. This could increase Belarus' reliance on funding from [Russia](#) (Baa3 stable), which can be subject to disruption, and [China](#) (A1 stable). Belarus has applied for a \$900 million facility under the International Monetary Fund's Rapid Financing Instrument, which is still subject to approval. It is also seeking sector-specific support packages to deal with the implications of the coronavirus pandemic from other international financing institutions including the World Bank, the [European Investment Bank](#) (EIB, Aaa stable) and the [European Bank for Reconstruction and Development](#) (EBRD, Aaa stable).

Belarus is also eligible to benefit from €500 million allocated under the EU's European Fund for Sustainable Development. The government faces increased financing requirements this year as the economic downturn and fiscal support have raised borrowing needs at the same time as it confronts an elevated debt-repayment schedule (see exhibit). However, the recent issuance of a eurobond that raised \$1.25 billion has helped alleviate pressure on government liquidity.

**Belarus is reliant on multilateral and bilateral loans for most of its financing**

Public debt by creditor (\$ billions and % of total) as of 31 March 2020



Key: EFSD = Eurasian Fund for Stabilization and Development, IBRD = International Bank for Reconstruction and Development, EBRD = European Bank for Reconstruction and Development, and NIB = Nordic Investment Bank  
Sources: Belarus' Ministry of Finance and Moody's Investors Service

**Endnotes**

- 1 The preliminary results were as of 8 a.m. CET on 10 August.
- 2 The Organization for Security and Cooperation in Europe and Council of Europe have both determined that past elections have not met international democratic standards, while a recent Freedom House report noted that the government has sought to increase control of the public sphere through restrictions on journalists, online media and demonstrations.

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## Erosion of Turkey's reserves heightens risks to economy and public finances

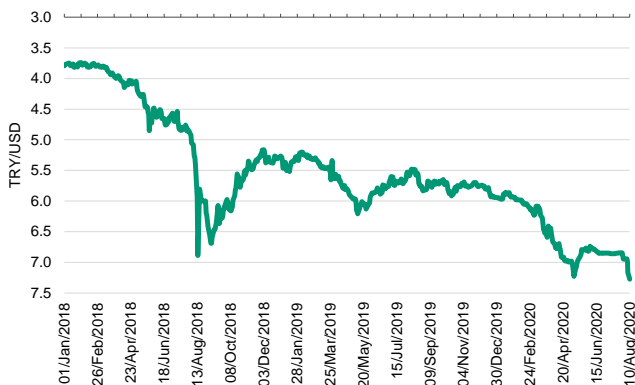
Originally [published](#) on 10 August 2020

On 7 August, [Turkey's](#) (B1 negative) lira had depreciated steadily to TRY7.16 per the US dollar from TRY6.94 on 3 August, a 3.2% depreciation. This drop in the currency came after gross foreign-currency reserves had been cut almost in half since the end of 2019 in a bid to defend the value of the currency. The steady erosion of reserves, a structural current-account deficit and a large external debt burden pose significant risks to the government's strategy of defending the lira. A weaker lira will further weaken the economy because of the high import content of exports and high levels of private-sector external indebtedness. It will also erode the government's fiscal flexibility further given high levels of foreign-currency debt.

Turkey has been here before when it experienced a similar period of exchange-rate weakening in 2018 (Exhibit 1). At that time, it took a combination of very significant interest rate hikes (which have since been unwound) and the announcement of a package of structural reform measures (that have generally not been followed up with concrete action) to restore some elements of stability. This time, more aggressive policy action may be needed to achieve the same effect because the foreign-currency buffers are weaker and the economy is already under significant stress from the coronavirus crisis effects on economic activity (Exhibit 2).

Exhibit 1

**After a brief period of stabilisation, the lira has depreciated to record lows**

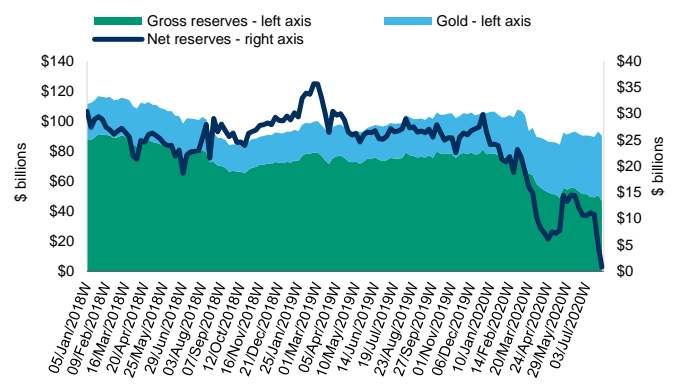


Sources: Central Bank of Turkey and Moody's Investors Service

Exhibit 2

**Central bank reserves have been depleted in an unsuccessful attempt to support the currency**

Gross and net foreign-currency reserves (excluding gold)

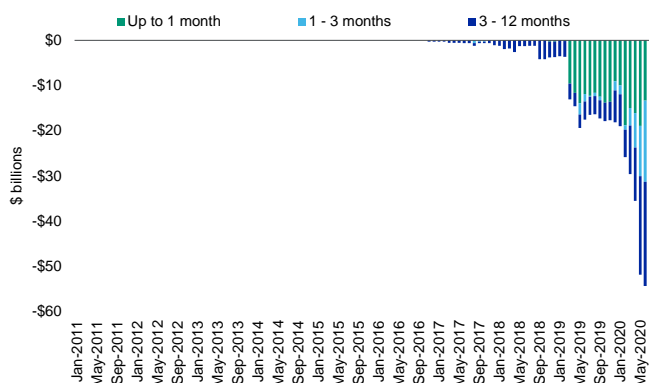


Sources: Central Bank of Turkey and Moody's Investors Service

Turkey's foreign-currency reserve position has never been strong, but it is now particularly weak. Gross reserves (excluding gold) were \$46.7 billion on 2 August 2020, and with banks' reserve requirements excluded net reserves are at around \$3 billion. Given that short foreign-exchange (FX) swap positions stood at \$54 billion at the end of June, the central bank's reserve position is very weak. The state banks have tried to support the value of the lira as well, but in so doing they have accumulated an unusually large short FX position rather quickly; in late January, data from the banking regulator indicates that these short positions stood at \$2 billion but they have now increased to \$10 billion (and nearly \$2 billion of that short position has been accumulated in July alone).

Exhibit 3

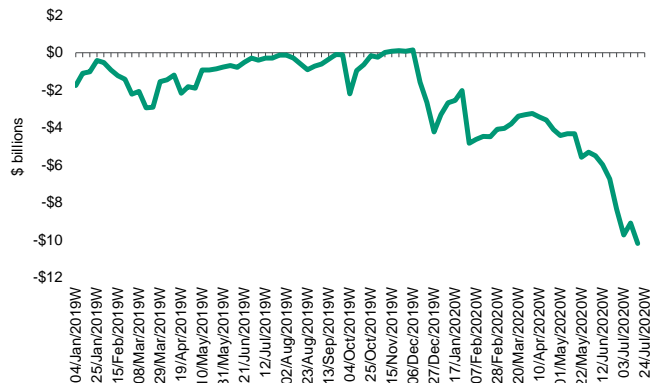
The central bank's short FX swap position has grown significantly...



Sources: Central Bank of Turkey and Moody's Investors Service

Exhibit 4

...as has the net short foreign-currency position in state-owned banks



Sources: Bankacılık Düzenleme ve Denetleme Kurumu and Moody's Investors Service

We are currently forecasting a 5% contraction in real GDP growth in 2020. The tourism sector, which contributes 11% of Turkey's GDP according to the World Travel & Tourism Council, is an important source of economic growth, employment, and hard currency. It has been hard-hit from the coronavirus pandemic. Tourist arrivals have collapsed relative to where they would normally be in the peak summer season; according to the Turkish Culture and Tourism Ministry, 4.5 million foreign visitors traveled to Turkey in H1 2020, down from 18 million visitors in H1 2019. Moreover, elevated inflation (11.8% year-on-year in July), a slowdown in lending as a result of regulatory actions, and growing unemployment (14% in May) will continue to curtail private consumption and investment.

A further, significant weakening in the currency could have important potential credit consequences for Turkey. In the absence of a tourism sector that is operating as normal, a weaker lira, on balance, brings risks for economic growth because of the high import content of exports and high levels of private-sector external indebtedness. It also weighs on the government's fiscal flexibility. While Turkey's overall level of government debt is quite modest at 40% of GDP forecast for 2020, about half of that debt is foreign-currency denominated and so the debt burden is quite sensitive to currency shocks.

Ultimately, though, the significant accumulation of external vulnerabilities as discussed above means that Turkey's current choices in terms of monetary and fiscal policies to reverse current trends are likely to prove ineffective and ultimately detrimental to growth and financial stability. And given the country's track record over the past five years, there is significant uncertainty regarding the willingness of the government and central bank to change course and implement policies that would sustainably address the country's credit challenges and steer the economy away from a more credit-negative path.

## Lebanon government's resignation is likely to further delay reform, extend economic and social devastation

Originally [published](#) on 11 August 2020

On 10 August, [Lebanon's](#) (C no outlook) Prime Minister Hassan Diab announced the resignation of his government amid intensifying protests in the wake of a devastating chemical explosion at the port of Beirut on 4 August. The process for selecting a new government and eventually holding elections is likely to be protracted given Lebanon's sectarian politics.<sup>1</sup> A prolonged leadership vacuum increases the risks of further social unrest in light of protestors' demands for increased accountability, and delays to reforms that would unlock critical official sector financing for Lebanon to start to recover from economic depression.

The explosion – which caused over 150 deaths, wounded over 6,000 people, made more than 300,000 people homeless and inflicted material property damage to a large part of the city – triggered wide-ranging protests amid claims of mismanagement and widespread corruption as causes for the disaster. This follows months of widespread demonstrations that broke out in October 2019 in response to the deepening economic and financial crisis.

The international donor community and the International Monetary Fund (IMF) have reiterated their commitment to providing Lebanon with financial support to bear the costs of the disaster. The office of French President Emmanuel Macron confirmed on 9 August that an emergency donor conference raised financial commitments worth over €250 million (almost \$300 million) in immediate humanitarian relief and called on other countries to extend similar relief.

The IMF has reiterated it is prepared to support Lebanon over the longer term subject to specific reform steps, including the restoration of solvency of the public finances and of the banking system via a comprehensive debt restructuring; legislation to formalize capital controls and the elimination of the current multiple exchange rate system; comprehensive audits of the central bank and of state-owned enterprises; and the expansion of a social safety net to support Lebanon's most vulnerable that are bearing the brunt of the economic crisis.

However, the government's resignation increases the risk of further reform delays. Although the outgoing prime minister has voiced his support for elections in the next few weeks, Lebanon has a track record of lengthy negotiations following elections given its fractured political landscape. It took eight months to form a new government following the most recent parliamentary elections held in May 2018. During this time necessary reforms to unlock an \$11 billion (20% of 2018 GDP, disbursed over five years) investment aid package pledged by the international donor community during the Paris IV conference in April 2018 were spurned. This has contributed to a rapid loss of confidence in Lebanon's economic crisis management capacity over the past two years.

Similarly, after succeeding former Prime Minister Saad Hariri's government three months after it resigned in the wake of widespread protests in October 2019, Diab's government had the mandate to advance economic reforms in a technocratic capacity and to negotiate an external financial support package with the IMF to accompany the government debt restructuring after the default in March 2020. However, negotiations with the IMF have stalled amid broad disagreements on the restructuring details among domestic stakeholders over the past three months before the explosion.

Limited progress has been achieved in key prerequisites outlined by the IMF over the past few months, including a forensic audit of the Banque du Liban (the central bank), the adoption of comprehensive capital controls legislation, and a general consensus among domestic stakeholders in favor of the government's debt restructuring and reform plan.

The sovereign's C rating reflects the deep economic, financial and social crisis, which very weak institutions and governance strength appear unable to address. The collapse of the currency in the parallel market and the concomitant surge in inflation fuel a highly unstable macroeconomic environment.

In the absence of a political consensus to jettison traditional power sharing structures in support of a technocratic reform implementation plan under the umbrella of an IMF program, the government's resignation is likely to further delay any nascent reform drive and with it prospects of significant official financial support beyond the immediate emergency needs.

## Endnotes

- <sup>1</sup> Under Lebanon's constitution and sect-based power-sharing system, the role of president is reserved for a Maronite Christian, the prime minister for a Sunni Muslim, and the parliamentary speaker for a Shia Muslim.

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## Approval to reopen New York's schools marks credit-positive step in state's economic recovery

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On 7 August, [New York](#) (Aa1 negative) Governor Andrew Cuomo said that schools in the state will be allowed to reopen as long as the positive test rate for the coronavirus remains below 5% statewide. The announcement, coupled with the state's low overall 1% infection rate, is credit positive for [New York City](#) (Aa1 negative) and the state because it would allow more parents to return to work rather than stay at home to care for children, helping tax revenue recover. It is also credit positive for the [Metropolitan Transportation Authority](#) (MTA, A2 negative) because children returning to school and their parents returning to work would lead to more transit ridership. Improved sales tax revenue resulting from a successful school reopening would also be a positive for local governments, particularly school districts reliant on state aid funded in part with sales tax and counties, some of which derive nearly half their revenue from sales tax.

While there is no certainty that allowing schools to reopen will draw significant numbers of office and other workers back — many offices may remain closed due to the pandemic — the governor's action is a step towards economic recovery. The state's unemployment rate was 15.7% in June and the city's was 20.4%. At the nadir of the pandemic in New York City in April, consumer spending was nearly 44% lower than a January 2020 baseline, but the figure had improved to 12.1% by late July, according to the Economic Tracker of the Opportunity Insights Team. If children in school allows parents to return to the office, growth potential would expand. Sales taxes accounted for 12% of total city tax revenue in fiscal year 2020 (ended June 30, 2020) or \$7.3 billion, which was 11% lower than the city forecast in January 2020.

The revenue struggle is similar for the state where sales taxes are about 20% of the total and nearly 50% of the state's total personal income is derived from the city. Similar to the city, a school reopening would provide the state an economic boost. Also, if reopened schools lure parents and students back to mass transit, the upside is even greater for the MTA: for the week between August 2 and August 9 subway ridership was down 76% compared to 2019 averages (see Exhibit 1).

Exhibit 1

### Substantial declines in use of MTA's transportation system continue Percentage change from 2019 weekday/Saturday/Sunday averages

Subway	Bus	LIRR	MNRR	Bridges & tunnels
-76%	-38%	-76%	-80%	-16%

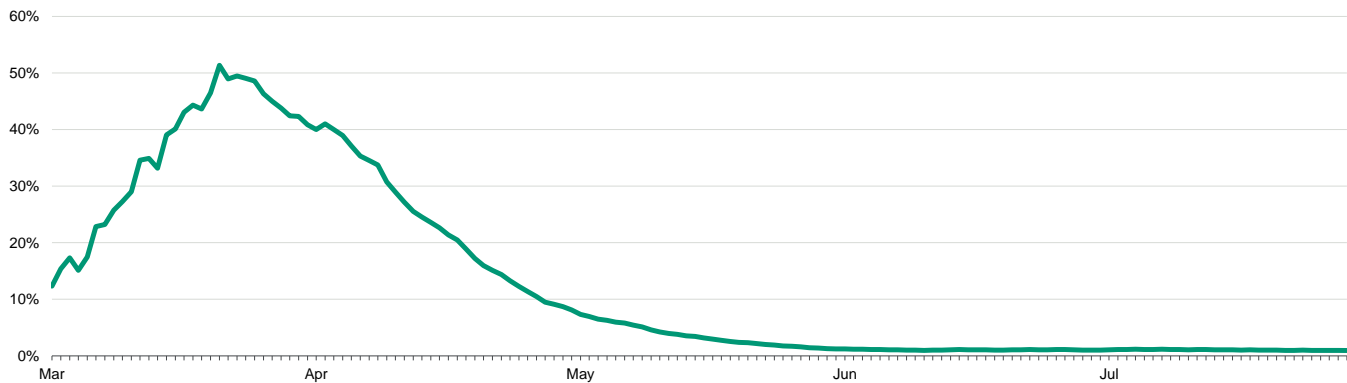
Data reflect August 2 to August 9. LIRR is Long Island Railroad and MNRR is Metro-North Railroad.  
Source: *Metropolitan Transportation Authority*

The potential growth could be short-lived, however, if New York's infection rates begin to increase again. In addition to the governor's 5% benchmark, New York City Mayor Bill de Blasio has said schools would close if the infection rate rises above 3%. There is also no certainty that school reopenings will sync with significant numbers of parents returning to the office and as much as 26% of New York City public school students have chosen a virtual option for the school year starting next month.

New York closed schools statewide on March 18 as coronavirus cases spiked across the state, especially in New York City. A statewide stay-at-home order was issued four days later and remained in place for nearly two months. While it was the epicenter of the US pandemic through the spring, New York has successfully brought new infections down with a statewide daily average positive test rate of just 1.1% for more than two months. New York City itself had the nation's highest infection rates through the spring, but through July had the lowest average daily new infections per 100,000 residents of the 22 largest US cities (see Exhibits 2 and 3).

Exhibit 2

**New York's statewide positive test rate has remained at about 1% for two months**  
Daily reported infection rates per 100,000 people



Source: The [Economic Tracker](#) of the Opportunity Insights Team

Exhibit 3

**Once the pandemic's US epicenter, new cases in New York City are rising more slowly than other big cities**

City	Daily new cases per 100k people (monthly average)							Jan.21 - Jul.12	GDP at risk (share of US total GDP) Metropolitan Statistical Area
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.		
<b>High and rising</b>									
Los Angeles	0.0	0.0	0.6	6.2	9.6	15.1	24.2		5.4%
Dallas	0.0	0.0	0.5	3.4	7.9	12.7	33.9		2.6%
Houston	0.0	0.0	0.3	3.9	4.0	12.1	22.2		2.4%
Atlanta	0.0	0.0	1.2	7.1	5.1	6.6	25.2		1.9%
Miami	0.0	0.0	1.4	12.7	7.1	17.8	74.4		1.6%
Phoenix	0.0	0.0	0.4	2.2	3.9	24.4	57.8		1.3%
Tampa	0.0	0.0	0.5	1.9	2.1	15.5	45.0		0.8%
<b>Rising</b>									
San Francisco	0.0	0.0	1.1	4.3	3.8	3.7	7.3		2.4%
Seattle	0.0	0.0	2.8	6.0	2.9	2.7	6.2		1.9%
San Diego	0.0	0.0	0.5	2.7	3.9	5.7	13.9		1.3%
San Jose	0.0	0.0	1.1	2.5	1.0	2.3	7.4		1.3%
Minneapolis	0.0	0.0	0.4	3.4	16.1	9.6	10.0		1.3%
Denver	0.0	0.0	1.6	10.6	12.3	6.8	8.1		1.0%
Portland	0.0	0.0	0.3	2.4	1.8	4.0	6.2		0.8%
Sacramento	0.0	0.0	0.3	1.9	0.6	3.0	11.8		0.8%
<b>Improving</b>									
New York City	0.0	0.0	11.9	53.6	15.9	5.3	3.7		8.4%
Chicago	0.0	0.0	1.8	18.9	27.2	9.0	7.6		3.3%
Washington, D.C.	0.0	0.0	1.5	17.0	21.0	8.1	5.5		2.5%
Boston	0.0	0.0	3.3	45.8	23.5	8.5	4.4		2.2%
Philadelphia	0.0	0.0	1.5	25.8	18.7	7.5	7.4		2.0%
Detroit	0.0	0.0	4.3	26.1	7.6	4.7	5.3		1.2%
Baltimore	0.0	0.0	0.6	10.1	18.2	11.9	11.5		1.0%

Sources: US Bureau of Economic Analysis, the [Economic Tracker](#), and *How Did COVID-19 and Stabilization Policies Affect Spending and Employment? A New Real-Time Economic Tracker Based on Private Sector Data*, by Raj Chetty, John Friedman, Nathaniel Hendren, Michael Stepner and the Opportunity Insights Team, June 2020, and Moody's Investors Service

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# FAQ on the evolution of credit risks related to G-20's debt service suspension initiative

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The G-20's calls for private sector involvement in the debt service suspension initiative (DSSI) increased the risk of default for participating sovereigns, leading us to place some ratings under review for downgrade. We recently concluded these reviews for [Ethiopia](#) (B2 negative), [Pakistan](#) (B3 stable), [Cameroon](#) (B2 stable), [Senegal](#) (Ba3 negative) and [Cote d'Ivoire's](#) (Ba3 stable) based on our assessment of how the risks have evolved over the last few months.

This FAQ explains what risks have diminished and what risks remain.

- » **Have the risks of private-sector involvement (PSI) in the DSSI diminished?** Yes, and the risks have changed in nature from DSSI-wide to idiosyncratic risks. Since the G-20's initial announcement, there has been no visible progress in discussions on how PSI would be implemented as part of the DSSI. Moreover, the G-20 has recently stated that PSI would require the support of the borrowing government and a number of participating governments have already asserted that they are not contemplating this. There is also evidence that some governments are continuing to make debt payments to private-sector creditors while participating in the DSSI. As a result, the risk of PSI in all or most DSSI cases appears to have diminished.
- » **Does it mean that there is no risk of PSI at all?** There remains a risk that in some individual cases private-sector creditors could be drawn in to provide relief and incur losses in doing so. The tension that we have highlighted between the G-20's stated desire for PSI in the DSSI and borrowing countries' intention to continue servicing their private-sector debt obligations has not been resolved. However, at this stage, we assess that these risks are adequately reflected in the current ratings of DSSI-participating sovereigns.
- » **Does the DSSI ease the credit risks of participating governments?** The amount of liquidity relief offered by the DSSI is small compared to the governments' financing requirements, especially in light of the severe economic, social and financial shock posed by the coronavirus.<sup>1</sup> Moreover, the scope of relief by all G-20 bilateral lenders remains unclear. We currently assign negative outlooks to a number of DSSI-eligible sovereigns underscoring the challenge they face, irrespective of the initiative, in restoring macroeconomic stability, financing burgeoning budget deficits, and preserving foreign-exchange reserves in the wake of the coronavirus shock.

### Credit risks associated with implementation of DSSI for participating sovereigns

Announced in April and in effect from 1 May until at least the end of the year, the DSSI aims to free up the fiscal resources of low-income countries for coronavirus-related health, humanitarian and stimulus spending by suspending debt-service obligations. Relief from interest and principal owed by participating sovereigns to official and bilateral creditors does not in itself have rating implications. In fact, the debt-service relief offered by DSSI will help alleviate short-term liquidity and balance of payments pressures arising from the coronavirus shock. That said, the effects are very modest relative to the magnitude of the external funding gap evident this year for many low-income countries.

However, suspension of debt-service obligations to private creditors would likely constitute a default under our definition. The lack of clarity regarding the scope and application of the initiative and in particular the call in the G-20's 15 April term sheet for private creditors to participate in debt-service relief on comparable terms to official creditors underpinned our decision to initiate reviews for downgrades where current ratings and/or stable outlooks were potentially inconsistent with the level of risks.<sup>2</sup>

In light of developments in the implementation of DSSI, we concluded the ratings reviews on 7 August.<sup>3</sup>

### Have the risks of private-sector involvement in the DSSI diminished?

In the last few weeks, we have considered the evidence of implementation of the DSSI for a range of rated sovereigns and statements by G-20 officials. While a risk of losses to private creditors as a result of DSSI participation remains, it has changed in nature as explained below. A number of factors, when combined, suggest that the risk of involvement of private-sector creditors in all or most DSSI cases is now lower than assessed when the reviews were initiated, allowing for the conclusion of reviews.

First, there does not appear to have been any material progress in clarifying where and how private sector creditors would be asked to provide debt-service relief. The Institute of International Finance (IIF), acting in a capacity of representative of private sector views, has drafted terms of reference for voluntary private sector participation in DSSI.<sup>4</sup> But beyond that, no action in terms of private participation in DSSI has been forthcoming. Moreover, the IIF indicated some members expressed reticence to participate in any forbearance, citing lack of transparency in DSSI implementation and debt-service projections,<sup>5</sup> and emphasised private sector participation would only occur "if approached by a borrowing country for forbearance".<sup>6</sup>

Second, while the most recent communique issued by the G-20 Finance Ministers and Central Bank Governors on 18 July noted that sponsors continue to "strongly encourage private creditors to participate in the DSSI on comparable terms", the additional language "when requested by eligible countries" qualifies – and, we assume, clarifies somewhat – the insistence on PSI, which was not the case in the initial official communication.<sup>7</sup> Most DSSI-participating governments have stated explicitly that they do not intend to engage with private sector creditors regarding debt relief.

Finally, there is evidence of debt payments continuing to be made to private sector creditors while countries are participating in DSSI, without any apparent reaction from key sponsors or ramifications regarding the flow of official sector support. For example, Ethiopia made a coupon payment on its sole eurobond in June, while Senegal and Cote d'Ivoire continued to make payments to private sector creditors in July. Pakistan and Cameroon had both made coupon payments on outstanding eurobonds in May and June, in line with the respective payment schedules, and immediately around the time when DSSI participation came into effect.

### Does this mean that there is no risk of PSI at all?

No. While the risks of broad-ranging involvement of private-sector creditors in many or most DSSI cases appear to have diminished, risks remain regarding the possibility that in particular cases DSSI is implemented with private sector creditors also being drawn in to provide debt service relief and incurring losses in doing so.

Repeated calls by some G-20 members and the clearly stated view of the key sponsors of the DSSI, specifically the IMF and World Bank, that private creditors should participate in the DSSI on comparable terms stand in stark contrast to statements by participating

governments regarding their intentions to avoid involving private sector creditors.<sup>8</sup> It remains unclear what influence is being applied to participating sovereigns to treat private creditors in a comparable manner to official sector creditors.

Recent statements by the IIF suggest that some DSSI participants have had informal discussions with private sector creditors regarding deferral of interest,<sup>9</sup> underscoring the risk of potential losses for private creditors reflecting sovereign-specific liquidity and external vulnerabilities. The IIF has also stated that its members have not received any formal request from any country.

Should the probability of losses to private sector creditors increase as implementation of DSSI becomes clearer, we would reflect any related changes in risks to private creditors in further rating announcements. A rising probability of private sector participation in DSSI would likely point to lower ratings, at least for those sovereigns whose ratings do not reflect the losses likely to be incurred.

### Does the DSSI ease the credit risks of participating governments?

Debt service relief on official and bilateral lending helps eligible governments to reallocate scarce resources and in doing so eases, albeit in a very limited way, the negative credit impact of the coronavirus shock on the weakest sovereigns' credit profiles. The amount of liquidity relief offered by DSSI is small relative to the amounts they owe both this year and in the coming year or two.

We estimate that the suspension of debt-service payments to bilateral lenders could reduce the funding needs of Moody's-rated DSSI-eligible sovereigns by about \$10 billion over the eight-month period of the initiative, of which \$6 billion is in Africa. However, this would only cover a fraction of the external gap, leaving an outstanding shortage of around \$40 billion for the period to the end of 2020.<sup>10</sup> Moreover, while relief is currently offered until the end of the year, we estimate that external funding gaps will persist next year.

Furthermore, the savings from relief on bilateral lending may be narrower than initially envisaged as the precise scope is being defined, potentially on a case-by-case basis. For example, in its restated 2020 budget, Cameroon indicated DSSI savings will amount to \$210 million (CFAF 118 billion),<sup>11</sup> lower than the original \$276 million estimate of potential savings estimated by the World Bank,<sup>12</sup> While the [Government of Angola](#) (B3 RUR-) announced in early June it was nearing completion of negotiations with some of its oil-importing partners to reprofile existing financing facilities and obtain significant liquidity relief,<sup>13</sup> there has been no announcement regarding the successful conclusion of those negotiations; relief remains prospective.

In the meantime, with the magnitude of the economic and financial shock exceeding estimates at the time of DSSI conception, the liquidity and external pressures on many low-income countries continue. We currently assign negative outlooks to a number of sovereigns underscoring the challenge they face, irrespective of the initiative, in restoring macroeconomic stability, financing burgeoning budget deficits, and preserving foreign exchange reserves in the wake of the coronavirus shock.

### Endnotes

<sup>1</sup> For more information, please see our report "[G-20 debt service freeze supports liquidity, high debt level challenges will intensify](#)"

<sup>2</sup> We did not initiate reviews on several other DSSI-participating sovereigns, given the absence of private sector debt outstanding according to our analysis (e.g. [Kyrgyz Republic](#) (B2 stable), [Mali](#) (B3 stable), [Democratic Republic of Congo](#) (Caa1 stable)) or existing low ratings already sufficiently commensurate with potential losses (e.g. [Zambia](#) (Ca stable), [Republic of Congo](#) (Caa2 stable)).

<sup>3</sup> On 7 August, we concluded reviews for downgrade initiated in May and June following the decisions of [Ethiopia](#) (B2 negative), [Pakistan](#) (B3 stable), [Cameroon](#) (B2 stable), [Senegal](#) (Ba3 negative) and [Cote d'Ivoire](#) (Ba3 stable) to participate in the G-20 debt service suspension initiative.

<sup>4</sup> Institute of International Finance, [Terms of Reference for Voluntary Private Sector Participation in the G20/Paris Club DSSI](#), 28 May 2020.

<sup>5</sup> Institute of International Finance, [Progress Update on Private Sector Engagement in the G20 Debt Service Suspension Initiative \(DSSI\)](#), 14 July 2020

<sup>6</sup> [Institute of International Finance, Progress Update on Private Sector Engagement in the G20 Debt Service Suspension Initiative \(DSSI\)](#), 14 July 2020

<sup>7</sup> [G20 communique](#), 18 July 2020

<sup>8</sup> See comments made by World Bank President David Malpass to the G20 July meeting: "Comparable treatment needs to extend to commercial creditors of DSSI-participating governments. They should discontinue their collection of payments from the poorest countries, particularly from those IDA countries at elevated risk of debt distress that receive IDA grant resources. I've been disappointed by the lack of progress so far in the midst of a global emergency, and urge the commercial creditors to form an effective group to help discontinue their collections from the poorest countries." [World Bank Group President David Malpass: Remarks for G20 Finance Ministers and Central Bank Governors Meeting](#), 18 July 2020

<sup>9</sup> Institute of International Finance, [Progress Update on Private Sector Engagement in the G20 Debt Service Suspension Initiative \(DSSI\)](#), 14 July 2020

<sup>10</sup> See Sovereigns – [Global: G-20 debt service freeze supports liquidity, high debt level challenges will intensify](#), May 2020

[11 Government of Cameroon press release](#), 3 June 2020.

[12 World Bank release](#), 19 June 2020

[13](#) Please see our report, "[Angola's debt-restructuring plans entail mixed credit implications for private bondholders](#)", 4 June 2020]

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## Editors

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