Fitch Ratings

CREDIT ENCYCLOPEDIA SERIES

Frontier Markets Primer

October 2023

CONTENTS

INTRODUCTION 3

RATINGS SUMMARY BY REGION 5

OVERVIEW: FRONTIER MARKETS FACE CHALLENGES, BUT BRIGHT SPOTS EXIST 7

DESCRIPTIONS OF FRONTIER MARKETS BY REGION 14

MIDDLE EAST & AFRICA 15

LATIN AMERICA & THE CARIBBEAN 30

ASIA-PACIFIC 38

EMERGING EUROPE 44

CONTACTS 49

INTRODUCTION

Fitch's Frontier Markets Encyclopedia is based on our in-house analysis and research on global frontier markets, as defined by JP Morgan's NEXGEM Index. Fitch rates most of the sovereigns currently included in this index, with coverage spanning the Middle East & Africa, Latin America & the Caribbean, Asia-Pacific and Emerging Europe.

This publication is meant to serve as a reference guide for investors, issuers and other market participants looking to better understand frontier markets. At Fitch, our seasoned teams of analysts collaborate across sectors to provide global, integrated analysis and commentary – for our latest insights on frontier markets, please visit our Frontier Markets page, or subscribe to our Quarterly Frontier Markets Recap.

WHAT ARE FRONTIER MARKETS AND WHY COVER THEM?

Frontier markets (FMs) are generally viewed as a more risky subset of emerging market countries. They are typically less developed than the more established emerging markets, with lower human development indicators and GDP levels, and often poor legal and governance frameworks. The qualitative analysis Fitch performs to determine sovereign ratings is particularly important in these markets, as structural and institutional characteristics can have a dramatic impact on the trajectory of the economy, not to mention the decision-making processes of government officials and regulators, as well as the private sector. Political and geopolitical aspects may further add to the complexity of analyzing the riskiness of these markets.

Investors started to expand their investment universe beyond traditional emerging markets more aggressively over a decade ago, as they sought opportunities to boost returns and diversify portfolios. Back then, frontier markets (particularly in Africa) were in vogue, as debt-relief programs freed resources for increased investment to support growth of local economies; though much of this investment came from cash-rich emerging markets, such as China. Substantial natural resources were discovered in several African countries, highlighting Africa's mineral potential.

Frontier markets typically have limited funding opportunities within their shallow and illiquid domestic markets and therefore rely heavily on external financing from official creditors and international capital markets. This provides global investors with access to markets that exhibit significant growth potential but with high exposure to exchange rate fluctuations and global financial conditions. The past decade, which has seen significant commodity price volatility, as well as the shocks from the Covid-19 pandemic and the war in Ukraine, has been a bumpy road for frontier markets. The first part of this period was characterized by a low-yield environment that led to a significant increase in frontier markets' debt ratios, leaving them weakened when the pandemic hit in 2020. Subsequently, external financing conditions tightened, which resulted in some countries losing access to international capital markets.

Fitch closely follows developments in its rated frontier market universe, providing investors with timely analysis to facilitate their decision-making when it comes to these more risky regions.

FITCH'S FRONTIER MARKETS COVERAGE

Fitch rates 30 of the 36 sovereigns currently contained in JP Morgan's NEXGEM index, as well as many other economies that were either previously part of this index (such as Egypt, the Dominican Republic, Cameroon, Ecuador, and Belarus) or that could potentially become part of the index in the future. Our Frontier Markets page includes all of these non-investment-grade markets, but for our frontier markets publications, including this one, we generally follow the composition of JP Morgan's NEXGEM index.

While we tend to focus on Sovereigns in our frontier markets newsletters and chart packs, it is worth mentioning that Fitch also maintains a sizeable number of ratings in other sectors, most notably in the Financial Institutions sector, as illustrated by the table below. (Note that here we only show the number of Long-Term Foreign-Currency Issuer Default Ratings Fitch has assigned in countries that are part of JP Morgan's NEXGEM index).

FITCH'S FM COVERAGE BY SECTOR & REGION - NEXGEM INDEX ONLY (LT FC IDRS)

	Sovereigns	Corporates	Financial Institutions	Subnationals	Public Finance	Supranationals	Total Ratings
Sub-Saharan Africa	11	2	28	2	0	2	45
Middle East & North Africa	3	0	12	0	0	0	15
EM Europe	4	11	28	2	3	0	48
EM Asia	5	12	12	0	1	0	30
LatAm & the Caribbean	7	11	16	1	0	1	36
Total	30	36	96	5	4	3	174

WHAT IS INCLUDED IN THIS PUBLICATION?

This publication provides an overview of recent frontier market developments and macroeconomic projections, followed by a description of each Fitch-rated frontier market included in JP Morgan's NEXGEM index, listing its key rating strengths and weaknesses, and discussing the latest sovereign rating action and fundamentals. The overview is preceded by a summary table that shows all frontier markets by region, with their current rating and rating Outlook, as well as the date and type of their latest rating action. To simplify the process, the report focuses on Long-Term Foreign-Currency Issuer Default Ratings (LT FC IDRs), unless specified.

Ratings Summary by Region

RATINGS SUMMARY BY REGION

Long-Term Foreign-Currency IDRs for countries included in JP Morgan's NEXGEM Index

Country	Current Ratings	Last Rating Action	Outlook/Rating Watch	Rating Action Type
Middle East & Africa				
Angola	B-	23-Jun-2023	▶	Affirmation
Cote D-Ivoire	BB-	04-Aug-2023	▶	Affirmation
Ethiopia	CCC-	20-Dec-2022	-	Downgrade
Gabon	B-	05-Sep-2023	▼	RWN
Ghana	RD	28-Jul-2023	-	Affirmation
Iraq	B-	21-Dec-2022	▶	Affirmation
Jordan	BB-	12-May-2023	▶	Affirmation
Kenya	B	20-Jul-2023	▼	Affirmation
Mozambique	CCC+	11-Aug-2023	-	Affirmation
Namibia	BB-	02-Jun-2023	▶	Affirmation
Nigeria	B-	05-May-2023	▶	Affirmation
Rwanda	B+	06-Oct-2023	▶	Affirmation
Senegal	n.a.	-	-	-
Tunisia	CCC-	09-Jun-2023	-	Downgrade
Zambia	RD	06-Dec-2022	-	Affirmation
Latin America & The Caribbean				
Barbados	B	20-Oct-2022	▶	New Rating
Belize	n.a.	-	-	-
Bolivia	B-	14-Mar-2023	▼	Downgrade
Costa Rica	BB-	11-Mar-2023	▶	Upgrade
El Salvador	CCC+	05-May-2023	-	Upgrade
Guatemala	BB	16-Feb-2023	▶	Upgrade
Honduras	n.a.	-	-	-
Jamaica	B+	07-Mar-2023	▲	Affirmation
Paraguay	BB+	22-Nov-2022	▶	Affirmation
Suriname	n.a.	-	-	-
Asia-Pacific				
Maldives	B-	09-Oct-2023	▼	Affirmation
Mongolia	B	15-May-2023	▶	Affirmation
Pakistan	CCC	10-Jul-2023	-	Upgrade
Papua New Guinea	n.a.	-	-	-
Sri Lanka	RD	28-Sep-2023	-	Affirmation
Vietnam	BB	31-May-2023	▲	Affirmation
Emerging Europe				
Armenia	BB-	28-Jul-2023	▶	Upgrade
Azerbaijan	BB+	15-Sep-2023	▲	Affirmation
Georgia	BB	14-Jul-2023	▲	Affirmation
Tajikistan	n.a.	-	-	-
Uzbekistan	BB-	25-Aug-2023	▶	Affirmation

Legend

▲ (positive), ▶ (stable), or ▼ (negative) n.a. = no (rating) available

Overview: Frontier Markets Face Challenges, but Bright Spots Exist

FRONTIER MARKETS FACE CHALLENGES, BUT BRIGHT SPOTS EXIST

After a difficult 2022, in which FMs saw 19 downgrades across 10 sovereigns, rating actions have been broadly balanced in 2023 year-to-date (YTD). Frontier markets' rating performance started the year strong, with positive rating actions outweighing negative ones by 5:3 in the first quarter. However, the positive rating momentum has dissipated since then – an indication that many FMs are facing mounting challenges, including lower GDP growth, still high inflation and rates, an upward trajectory in debt, and limited market access. Some regions are faring better than others, with Central America and FM Europe being the bright spots, and FMs from the Middle East & Africa (MEA) facing the greatest difficulties.

Positive Rating Actions Concentrated in the Americas and FM Europe: The actions have been triggered by better-than-expected economic, fiscal and external performance, with the former region benefiting from its limited exposure to Europe and conservative policy settings, and the latter seeing positive spillovers from the exodus of labor and capital from Russia due to the war in Ukraine. Both regions saw the largest number of positive rating actions in 2023 YTD. On the other hand, negative rating actions have been driven by weaker economic growth prospects, as well as deteriorating external and fiscal positions, with most of them taking place in FMs in MEA. Other regions had either no negative rating actions (FM Europe) or very few, with downgrades followed by upgrades in the case of Pakistan and El Salvador.

Rating Outlooks Balanced: The rating actions in the second and third quarter erased the Positive Outlook bias of 7:3 observed at end-1Q23, with Rating Outlooks now being more balanced. FM Europe boasts the largest proportion of Positive Outlooks, while the Americas and Asia each exhibit one (Jamaica and Vietnam). On the other hand, FM MEA has no Positive Outlooks after oil-exporters Angola and Gabon's Outlooks were revised to Stable from Positive but exhibits one Negative Outlook (Kenya). Furthermore, Gabon was placed on Rating Watch Negative in early September, following its military coup on August 30. Latin America and Asia each have one FM on Negative Outlook (Bolivia and the Maldives).

COMMON FRAMEWORK GOT SLOW START IN RESOLVING DEFAULTS

Record Number of Defaults: While most FMs are on Stable or Positive Outlook, they are generally in a weaker position than they were a few years ago. Half of all Fitch-rated FMs are currently rated 'B-' or less (no Outlooks are assigned below B-), and defaults have reached record levels, with five sovereigns rated 'RD': Zambia, Ghana, Sri Lanka, Belarus, and Lebanon (the latter two are not in JP Morgan's NEXGEM index). El Salvador also defaulted this year, but was upgraded to 'CCC+' immediately after its Distressed Debt Exchange. The steady rise in debt over the last decade, combined with a series of shocks from the pandemic, war in Ukraine, global inflation, and subsequent monetary tightening, has weakened many FMs, and those with thinner buffers have struggled to cope. Interest-to-revenue ratios have been rising due to growing government debt, and the trend has been compounded by recent hikes in global interest rates.

Defaults Have Been Taking Longer to Resolve Than in the Past: The median duration of Fitch-rated sovereign defaults has been 107 days since 2020, compared with 35 days for all defaults since 2000. The Common Framework (CF), intended to facilitate creditor coordination, has not been as effective as was hoped in resolving crises quickly over the past two years. A key reason appeared to be weak coordination among Chinese stakeholders, and China's demands that multilateral debt is included in debt restructuring and that there are no haircuts, just maturity reprofiling. However, China is no longer pushing for multilateral debt to be included and Zambia's recent deal with government creditors indicates that some of China's former reservations may have been addressed. Zambia's debt deal gives hope that FM sovereign restructurings could be resolved more quickly going forward.

Zambia's Debt Deal Revision Clause Could Set Precedent: Zambia's agreement in June with the official creditor committee on terms to restructure USD6.3 billion in bilateral debt paved the way for the next stage in its restructuring process, which would involve private creditors. The deal extends debt maturities rather than involving any write-downs and contains a unique revision clause that could set a precedent for future cases. The adjustment clause allows for higher interest rates and for the final maturity date to be brought forward if Zambia's economy outperforms the assumptions in the IMF's and World Bank's Debt Sustainability Analysis (DSA), improving its debt-carrying capacity to medium from weak. It should be noted that, while the IMF currently classifies Zambia as a country with weak debt-carrying capacity, in its September 2022 assessment Zambia's DSA composite indicator was already close to the "medium" threshold.

IMF AGREEMENTS NOT ENOUGH TO EMERGE FROM DEFAULT

Zambia's debt deal allowed the country to successfully complete the first review of its IMF Extended Credit Facility (ECF) agreement on July 13, and to secure the immediate release of USD189 million in IMF funding as part of a 38-month USD1.3 billion loan program. However, a debt treatment with private creditors is still necessary for Zambia to emerge from its current state of default. If private creditors are able to include conditional adjustment clauses in their debt treatment similar to the ones agreed on with official creditors, this could smooth the path to an agreement.

Ghana was able to obtain approval from the IMF Executive Board for a USD3 billion ECF arrangement on May 17, following the establishment of the OCC for external debt treatment under the CF and the provision of financing assurances by the OCC. To reestablish debt sustainability, the IMF is requesting a debt reduction of up to USD10.5 billion over 2023-2026, or about 30% of Ghana's public sector external debt at end-2022. We expect the OCC and authorities to agree on the debt treatment parameters by end-2023, before an agreement with private creditors on comparable terms is expected for mid-2024, paving the way for Ghana moving out of default.

Pakistan reached an agreement with the IMF on a new nine-month Stand-by Arrangement (SBA), after the previous Extended Fund Facility (EFF) arrangement expired in late June without conclusion of the final review. The SBA was approved by the IMF board in mid-July, catalyzing other funding and anchoring policies around parliamentary elections due by October. Nevertheless, program implementation and external funding risks remain high due to a volatile political climate and large external financing requirement.

For Sri Lanka, the IMF Executive Board approved a USD3 billion disbursement under its new EFF arrangement in March to support the country's economic policies and reforms. However, Sri Lanka's LT FC IDR will not be moved out of 'RD' until the debt restructuring has been completed. On July 5, Sri Lanka's LT LC IDR was downgraded to 'C', after parliament approved the government's domestic debt restructuring plan. The LT LC IDR was further downgraded to 'RD' on September 14, reflecting the partial conclusion of a distressed debt exchange as part of the broader domestic debt optimization (DDO) plan launched in July. On September 28, Sri Lanka's LT LC IDR was upgraded to 'CCC-', after the local-currency portion of Sri Lanka's DDO plan was completed.

In the case of Tunisia, our central scenario assumes an agreement with the IMF by year-end, but this is much later than our previous expectation, and risks remain elevated. The IMF board did not approve a new USD1.9 billion 48-month EFF planned in December 2022, as prior actions were not met. This has led to uncertainty around Tunisia's ability to meet its large financing needs.

GOVERNMENT DEBT/GDP TRAJECTORIES DIVERGE

Downward or Stable Trends in the Americas and Asia: In Central America & the Caribbean, government debt/GDP is projected to decline in Costa Rica, El Salvador, Jamaica and Barbados, and remain stable at low levels in Guatemala, thanks to continued fiscal prudence. Similar trends are expected for some Asian FMs. In Mongolia, government debt edged down to 60% of GDP in 2022 on strong nominal growth and improved fiscal balances. We expect debt to continue on a downward path broadly in line with the 'B' median, reaching about 55% of GDP by 2024. Vietnam's general government debt/GDP is expected to stabilize at 38% in 2023 and 2024, far below the 'BB' median. The Maldives' debt ratio is projected to remain on a modestly upward trajectory at a high level, from 98.6% to 101.4% of GDP between 2023-2025. Sri Lanka's general government debt is expected to start declining this year, to 108.3% from a peak of 113.8% in 2022, and to continue on a slight downward trend in 2024-2025.

Similar Trends Expected in Europe: In FM Europe, government debt/GDP is also anticipated to either stabilize or decline. Azerbaijan and Armenia are expected to reduce their debt by more than 8% of GDP between 2019 and 2025. Uzbekistan's government debt, at 34.4% of GDP at end-2022, is well below the current 'BB' median of 55%, and we expect it to be around 37% to end-2025. While exchange rate risk is high, as about 95% of its government debt is

FC-denominated, this is partly mitigated by a large share of concessional debt, as well as long maturities. Similarly, we project Georgia's public debt/GDP will stay at around 38% to end-2025.

Upward Trend Continues in MEA: On the other hand, general government debt/GDP is set to rise in many African countries, including Nigeria, Angola, Namibia, and Rwanda. Nigeria's debt ratio is projected to increase to 46.5% by end-2024 but will remain far below the 'B' median of 59%. Nigeria's public debt has relatively long maturities and is mostly LC-denominated, but its interest/revenue ratio is among the highest of Fitch-rated sovereigns at 42%. Angola, Namibia, and Rwanda's debt ratios are all projected to exceed 70% in 2023 - well above their peer medians. On the other hand, Tunisia's debt is anticipated to decline slightly to 78.9% in 2023 and to reach 78.3% in 2024, provided the reform path is not derailed.

The Americas Dominate Debt Issuance in 2023 YTD: There were five debt issuances by Fitch-rated FMs so far this year, with four taking place in the Americas, where Costa Rica ('BB-'/Stable) led the way in March, issuing USD1.5 billion in bonds at 6.55% maturing in 2034. In January, Mongolia ('B'/Stable) issued a USD650 million 5-year bond, allowing the country to refinance its debt maturing in 2023 and 2024 and becoming the first single-B rated sovereign in Asia-Pacific to successfully enter the international capital markets in 2023. Guatemala ('BB'/Stable) followed with a USD1 billion note and Paraguay ('BB+'/Stable) with a USD500 million bond issuance, both in June. In late September, Guatemala issued an additional USD565 million in notes at 7.05%.

HIGH INFLATION STILL A CONCERN FOR MANY FMS

Inflation has started to show signs of abating but is still high for most FMs. The CPI Inflation rate jumped last year due to higher food and energy prices, disruptions to supply chains and, in some cases, exchange-rate depreciation. In Armenia and Georgia, large migrant inflows from the Ukraine war caused exchange rate appreciation but also stoked domestic demand, which has been reflected in high rental inflation. Extreme weather conditions and recent developments in the Russia-Ukraine war may lead to renewed spikes in food and energy prices.

In FM Europe, headline inflation has declined this year owing to the impact of policy rate increases, strong base effects (notably for lower commodity prices) and exchange rate appreciation in Armenia and Georgia (inflation is close to zero in both). However, core inflation remains high across the region. Monetary policy effectiveness is relatively weak in FM Europe, due to high dollarization (Georgia, Armenia), low credit penetration and prevalence of preferential lending (notably in Uzbekistan), high sensitivity to exchange-rate fluctuations and underdeveloped policy frameworks (mainly in Azerbaijan). A prolonged period of high inflation could destabilize inflation expectations and negate some of the positive gains made in the region, such as robust growth and improved fiscal and external metrics, which led to Georgia, Armenia, and Azerbaijan's Positive Outlook revisions, and Armenia's subsequent upgrade in July 2023.

In MEA, inflation has started to come down in a few countries, such as Kenya and Rwanda, but remains stubbornly high and on an upward trend in many other cases. Fitch now forecasts Angola's inflation to average 14.7% in 2023 and to increase to 17.1% in 2024, owing to the depreciation of the kwanza and the country's reliance on imported food. In Nigeria, high food price inflation, naira depreciation, fuel subsidy reform, and deficit monetization add pressures to an already high structural inflation. Projected inflation averages of 24.5% in 2023 and 24.3% in 2024 are well above their respective 'B' medians of 6.4% and 4.9%. Despite aggressive policy rate hikes, tightening reserve requirements and the phaseout of credit support schemes, liquidity and credit growth remain strong.

In the Americas, inflation pressures are easing, as proactive monetary tightening ahead of the Fed helped to tame inflation and stabilize exchange rates. Costa Rica had one of the strongest declines in inflation, with July inflation at -2.3% versus its August 2022 peak of 12.1%. As a result, Costa Rica, as well as other smaller countries such as the Dominican Republic (formerly a FM) have started to cut rates. A sharper-than-expected economic slowdown or faster disinflation could lead to more sizeable cuts. Higher inflation in some countries has had a positive initial fiscal impact by lifting government revenues, but could turn more negative in coming years as inflation-linked spending (wages, pensions) catches up.

In FM Asia, headline inflation appears to have peaked in certain markets, including Mongolia, where we expect it to average 11% in 2023, versus 15.2% in 2022, before moderating to 9% in 2024, slightly above the BOM's 4%-8% target. Full normalization of trade with China and lower global commodity prices should pull down inflation, although international sanctions on Russia are still leading to elevated import costs. In Sri Lanka, inflation is expected to drop drastically from its peak of 49.3% in 2022 to 22.1% in 2023 and 8.7% in 2024. On the other hand, Pakistan's inflation is expected to remain high in the near future, more than doubling from an average of about 12% in 2022 to 29% in 2023, before dropping to 22% in 2024 and 12% in 2025. The Maldives and Vietnam both exhibit relatively stable inflation trends, within the low single digits.

MIXED TRENDS IN EXTERNAL LIQUIDITY

FX reserves have rebounded in some FMs, while others have seen their FX reserves deplete even further, in some cases reaching dangerously-low levels, though there has been some easing more recently given IMF disbursements for some countries.

In FM Asia, most FMs have seen their external buffers strengthening in 1H23. Mongolia's reserves have risen significantly from their recent low in August 2022, thanks to strong growth in exports and the sovereign's continued access to capital markets. However, external vulnerabilities are still substantial due to Mongolia's large current account deficits (CADs) and high net external debt burden. Vietnam's reserves have grown slightly after falling 21% in 2022, partly reflecting a widening of the goods trade surplus in 1H23, as weaker domestic demand has curbed imports, offsetting the effects of a continued contraction in exports. Pakistan's reserves rose by around USD3.8 billion in July after the country agreed to a nine-month Stand-by Arrangement with the IMF, prompting its upgrade to 'CCC'. The country's reserves had reached critically low levels at less than three weeks of imports in February 2023, which combined with difficult funding conditions, had prompted its downgrade to 'CCC-'. Sri Lanka's reserves have also increased substantially from their trough in October 2022 but remain well below their USD7.3 billion average over 2014-2019. The USD3 billion IMF financing secured in March helped improve external liquidity, and the completion of its LC debt restructuring in September could accelerate progress towards the restructuring of external debt. The country's reserves levels will influence the rating only once we have moved it out of 'RD'. On the other hand, the Maldives' reserves fell by around 17% in 8M23, reversing the improvement in reserves in late 2022 following the conclusion of a USD200 million bilateral currency swap with India.

In the Americas, Bolivia's downgrade in March also reflected the depletion of its external liquidity buffers, posing a major macroeconomic risk in light of a pegged currency and suspension of data reporting on this important variable. On the other hand, external liquidity has fared better in Central America & the Caribbean despite an unfavorable terms-of-trade-shock due to the war in Ukraine, thanks to ongoing growth in exports (Guatemala), free trade zones (Costa Rica) and remittances (Jamaica, Guatemala), a recovery in the tourism sector (Jamaica, Costa Rica), and increased government access to external financing (Costa Rica, Jamaica). Reserves in Jamaica and Guatemala are both far above their respective peer medians. For the latter, this has been achieved without major sovereign external borrowing, pushing the sovereign net foreign asset position to one of the highest among 'BB' peers and the highest in Latin America. Jamaica has no need to issue debt on the global capital markets given its prudent fiscal stance and low external maturities. Costa Rica's legislative assembly approved external bond issuance of up to USD5 billion for 2023-25, the first approval since Congress authorized just USD1.5 billion in 2019.

In the Middle East & Africa, the decline in Kenya's usable official FX reserves to their lowest level since 2015 in May 2023 highlights mounting external liquidity strains. The sovereign was downgraded in December 2022 and its Outlook was revised from Stable to Negative in July 2023, due to its persistent fiscal and external deficits, relatively high debt, deteriorating external liquidity, and high external financing costs, which presently constrain access to international capital markets. External liquidity also remains tight in Tunisia, due to the country's large CADs and crimped sources of external borrowing in the absence of an IMF deal. Ghana's lack of external liquidity has led to its suspension of payments on select external debt and to seek debt restructuring with official creditors under the G20 CF in January 2023. Although the suspension of debt service lowers Ghana's CAD, lack of access to international capital markets will continue to weigh on reserves, albeit more moderately than in 2022, due to the IMF's approval of a USD3 billion 36-month ECF in May, which led to immediate disbursements of about USD600 million.

In FM Europe, an influx of migrants from Russia, Ukraine, and Belarus has strengthened the external and fiscal performances of both Armenia and Georgia, triggering their Outlook revisions to Positive in 1Q23 and Armenia's subsequent upgrade in 3Q23. Armenia registered the first current account surplus in its history in 2022. Net external debt fell by 20 ppt to 24.6% of GDP in 2022, and the IMF SBA will serve as a policy anchor and buffer for negative external shocks. Authorities estimate immigrants from war-affected countries at 50,000-65,000 for Armenia and over 100,000 for Georgia. The large influx of people from war-affected countries has resulted in a 175% jump in money transfers for Armenia and a 102% surge for Georgia in the year from March 2022. Georgia also saw a rebound in tourism revenues to pre-pandemic levels. Both of these factors combined led to a narrowing of Georgia's CAD by 6.4pp to 4.0% of GDP in 2022. We expect Armenia to maintain moderate deficits in 2023-24 and Georgia's CAD to widen to an average 5%, largely reflecting strong domestic demand lifting imports. In

both cases the CADs should be almost entirely funded by net inflows of FDI. We are now more confident that last year's migrant and capital flows will not sharply reverse, due to the protractive nature of the war in Ukraine and as migrants become more integrated into these countries' economies.

POSITIVE RATING ACTIONS DRIVEN BY STRONG ECONOMIC & FISCAL PERFORMANCE

Strong GDP and Tax Revenue Growth in FM Europe: The positive rating actions for Armenia and Georgia also reflect strong GDP growth and fiscal outperformance. Armenia's economy grew by 12.6% in 2022, a 15-year high, boosted by the large influx of migrants, which also provides an upside to potential growth. Growth is expected to be 7.2% in 2023 and 5.3% in 2024, driven by personal consumption and public investment. Georgia's economy expanded by 10.1% in 2022, following 10.4% in 2021. GDP growth should moderate to 6.9% in 2023, due to fading support from Russian inflows and weaker external demand. Both Georgia and Armenia's fiscal deficits halved last year as a percentage of GDP, falling below government targets. This was largely driven by a substantial increase in tax revenues. Strengthened balance of payments led to currency appreciation, which helped pull down public debt significantly in both countries, owing to the large share of FX-denominated debt.

Conservative Policy Stands Main Driver in the Americas: In Central America & the Caribbean, Costa Rica's two-notch upgrade to 'BB-' in March 2023 was largely driven by the sharp structural improvements of its fiscal position, which led to a central government primary surplus of 2.1% of GDP in 2022, the highest since 2008 and well above the 0.7% EFF target. Government adherence to the fiscal rule, first implemented in 2020, has been pivotal to the consolidation. General government debt declined to levels roughly in line with the 'BB' median, marking a sharp reversal of steady fiscal deterioration that led to debt/GDP tripling between 2008-2021. We expect a downward debt trajectory over the next five years, largely reflecting a better primary surplus. Guatemala's upgrade also reflects its strong fiscal and economic recovery, in addition to improved external metrics following the pandemic and global price shocks. The post-pandemic recovery of real GDP growth was one of the strongest among rating and regional peers and has been achieved without large-scale policy support and despite an adverse terms-of-trade shock. Economic activity is expected to slow modestly this year due to a deceleration in global growth. Fiscal deficits and debt remain the lowest in the 'BB' category and have benefitted from improved tax collections. The Outlook revision to Positive of Jamaica reflected significant progress with debt reduction, its stability-oriented institutional framework and favorable financing conditions. Public debt resumed a downward trajectory in 2021 and fell to 84.4% of GDP in 2022, below its pre-pandemic level but much higher than the 'B' median of 57%. General government debt should continue to decline to around 70% in 2026. The budget balance has improved significantly since 2020, when pandemic support measures led to the first budget deficit since 2012, with Jamaica registering a primary budget surplus of 1.8% in 2022. Finally, while El Salvador's pension-related debt exchange triggered its downgrade to 'RD' on May 5, the sovereign was subsequently upgraded to a higher rating ('CCC+') than prior to the exchange ('CC'), reflecting improved fiscal and external liquidity positions after sizeable global bond amortizations earlier this year, as well as a significant consolidation effort, which reduced its fiscal deficit to 2.5% of GDP in 2022, from 5.5% in 2021 and 10.1% in 2020.

The above overview comprises updated excerpts from our Quarterly Frontier Markets Recaps.

FRONTIER VISION CHART PACK

Fitch's quarterly 'Frontier Vision' chart pack tracks high-frequency macroeconomic data for the countries included in the J.P. Morgan's Next Generation Markets (NEXGEM) Index. The charts cover five years of historical data and the choice of data series has been harmonized to the extent possible across all countries to facilitate comparisons. The index comprises countries representing sub-Saharan Africa, Latin America & the Caribbean, the Middle East & North Africa, Europe, Asia and Oceania. The Frontier Vision Chart Pack and its accompanying commentary can be found on Fitch Ratings' Frontier Market and Sovereign pages. The below text is an updated version of the original commentary published in July 2023.

2Q23 Frontier Vision: Frontier Markets' Exports Slow as World Trade Growth Falls

FMs' exports are slowing as global trade growth falls. Export growth has fallen in recent months in Rwanda and Mongolia and has recently turned negative in year-on-year (yoy) terms in Angola, Armenia, Ethiopia, Ghana, Mozambique, Nigeria, Vietnam, El Salvador, Papua New Guinea and Sri Lanka.

The decline in exports in the two biggest FM economies is particularly pronounced. In Nigeria, predominantly an oil exporter, nominal exports fell by 20% yoy in April, according to latest available data. In Vietnam, which has a large and diversified manufacturing export basket – ranging from mobile phones, electronic products and machine equipment to textiles and garments – nominal exports declined by 2% yoy in July and contracted on a yoy basis in each month since March 2023.

Headline CPI inflation rates continue to fall in: Armenia, Azerbaijan, Costa Rica, El Salvador, Georgia, Guatemala, Honduras, Iraq, Jordan, Maldives, Rwanda, Uzbekistan and Sri Lanka, among others.

GDP outturns for 1Q23 present a fairly gloomy picture by and large, with yoy GDP growth weakening relative to 4Q22 in Angola, Azerbaijan, El Salvador, Honduras, Nigeria and Vietnam, while in Sri Lanka GDP fell by 12.18% in 1Q23, the fifth consecutive quarterly yoy contraction. However, GDP in 2Q23 in Costa Rica, Vietnam and Mozambique showed a slight recovery in growth at 5.1% yoy, 4.1% yoy and 4.7% yoy, respectively.

Descriptions of Frontier Markets by Region

MIDDLE EAST & AFRICA

ANGOLA

Angola's IDRs balance weak governance indicators, high inflation and one of the highest levels of commodity dependence among Fitch-rated sovereigns, with higher international reserves relative to peers and manageable debt repayment risks due to a still supportive oil price environment over the next two years (USD80/bbl in 2023, USD75/bbl in 2024).

Fitch revised the Outlook on Angola's LT FC IDR on June 23, 2023, to Stable from Positive and affirmed the IDR at 'B-'. The Outlook revision reflects weaker economic growth prospects, expected higher inflation and an increase in government debt/GDP as a result of the sharp depreciation of the Angolan kwanza.

Weaker Growth Outlook: We forecast Angola's real GDP growth to decelerate to 1.5% in 2023 and 2.0% in 2024, from 3.1% in 2022, below the 3% we expect for the 'B' median in both years, albeit still above its average growth rate of -1.5% between 2016 and 2021. Weaker growth will mainly reflect lower oil production relative to 2022.

Inflation to Increase: Fitch forecasts inflation to average 14.7% in 2023 and increase to 17.1% in 2024, having previously expected it to fall to single digits in 2024, owing to the depreciation of the kwanza, particularly given the country's reliance on imported food.

Government Debt Increase: Fitch forecasts general government debt to GDP to increase to 83.9% at end-2023 from 65.5% in 2022. This largely reflects the depreciation of the kwanza, as 71% of the total debt stock is foreign-currency denominated.

Rating Factors

Strengths

- Strong fiscal buffers
- High level of foreign reserves
- Significant record of stability-oriented economic reform and commitment to fiscal consolidation

Weaknesses

- High commodity dependence–well above that of other African oil exporters
- High external public debt-servicing costs
- Large FC share of government debt, accounting for 70% of the total debt stock
- Weak governance and human development indicators
- High inflation relative to peers

COTE D'IVOIRE

Cote d'Ivoire's 'BB-' rating balances its strong growth prospects against low development indicators and high commodity dependence. It also reflects the record of fiscal management, which supports Fitch's view that the authorities will implement the necessary reforms and adjustments to gradually reverse the recent deterioration in the budget balance. Fitch affirmed Cote d'Ivoire's LT FC IDR on August 4, 2023, with a Stable Outlook.

IMF Program Anchors Consolidation Plan: Cote d'Ivoire's new IMF program is anchored on a commitment to reduce the budget deficit. Under the USD3.5 billion 40-month program, agreed in May, the authorities plan to reduce the deficit to 3% of GDP (the West African Economic and Monetary Union, WAEMU, target) by 2025, from 6.8% in 2022.

Rating Factors

Strengths

- We expect GDP growth to average 6.5% in 2022-2024, among the fastest of Fitch-rated sovereigns and well above the 'BB' median.
- Cote d'Ivoire's position as a regional hub, as well as ample agriculture and mining resources, support prospects for private-sector development and FDIs' attractiveness.
- Good relations with the international community since 2012 have guaranteed continued support from official creditors.
- The country has benefitted from a stable currency and comparatively moderate inflation, reflecting membership of the West African Economic and Monetary Union (WAEMU).

Weaknesses

- Commodity dependence is high, reflecting the large share of agricultural products in exports, employment and tax revenues, exacerbating vulnerability to weather hazards and swings in global prices.
- Development indicators remain weak. Although GDP per capita has trebled since 2000, it had limited impact on poverty rates, which remain high.
- Deep political and regional divisions have led to violent conflicts, including a post-election spat in 2011. Stability has prevailed since then, but political and security risks linger.

ETHIOPIA

Ethiopia's 'CCC-' rating reflects the significant risk of a default event that may result from the government's participation in the G20 Common Framework (CF) debt relief initiative, given the mechanism's guiding principle of comparable treatment for both official and private creditors.

Fitch downgraded Ethiopia's LT FC IDR to 'CCC-' on December 20, 2022 due to the lack of identified external financing necessary to meet substantial external financing gaps, along with a material decline in Ethiopia's external liquidity. This is balanced against the November 2022 peace agreement reached in the Tigray War, which will improve the medium-term macro and fiscal outlooks; the expected easing of global supply chain constraints, which will help to ease inflationary and external pressures; and the improvement of public debt metrics.

Worsening External Liquidity: In the absence of a CF debt treatment that would reduce Ethiopia's external debt servicing burden and facilitate the disbursement of additional external financing, the country's external liquidity will continue to worsen.

Rating Factors

Strengths

- Ethiopia has a record of strong real GDP growth relative to peers, while having moderate volatility.
- Budget deficits have remained below the 'B' median since 2009. General government debt is moderate, averaging 31.5% over the three years to FY22, well below the historical 'B'/'C'/'D' category median of 88.3%.
- Most of Ethiopia's external debt is concessional, resulting in low public and external debt interest service.

Weaknesses

- Governance and development indicators rank below the 'B'/'C'/'D' median.
- Gross national income per capita is one of lowest among Fitch-rated countries, and poverty rates are very high.
- The rate of inflation is higher and more volatile than for most 'B' category peers.
- The economy is poorly diversified. Agriculture accounts for 80% of employment and 40% of GDP, exposing the country to commodity market fluctuations and extreme weather.
- SOE debt is high, reaching 18.2% of GDP in FY22, most of which is non-concessional. This represents a contingent liability for the sovereign on which transparency is limited.

GABON

Gabon's 'B-' rating balances its high GDP per capita and our expectation that government debt/GDP will remain on a downward trend, supported by high oil prices and better mobilization of non-oil revenues, against a dependence on oil revenues and a weak public finance management (PFM) record. Fitch placed Gabon's LT FC and LT LC IDRs on Rating Watch Negative (RWN) on September 5, 2023, reflecting high political uncertainty following the military coup on August 30.

Risk of Sanctions: While the Economic and Monetary Community of Central Africa (CEMAC) and the Economic Community of Central African States (ECCAS) have no record of imposing sanctions that could affect debt payments, such measures cannot be excluded at this stage. Gabon's deposits are partly held at the regional central bank and are therefore vulnerable to sanctions.

Capacity and Willingness to Pay: While the Committee for the Transition and Restoration of Institutions (CTRI) declared it will respect Gabon's domestic and external commitments, the willingness to pay is uncertain. In addition, the coup may have further weakened the operational capacity of institutions responsible for treasury and debt payment, although in the near term, Eurobond payments appear manageable.

Financing Flexibility: Although fiscal surpluses have reduced fiscal financing needs, Gabon also depends on access to the regional debt market for financing, which may be affected by the coup and the political uncertainty.

Rating Factors

Strengths

- Gabon's GDP per capita is higher than the 'B' and 'BB' peer medians.
- The IMF three-year EFF program running until 2024 will build on the significant improvement in tax collection during the previous program and contribute to improve fiscal trends and keep debt on a downward trajectory.
- The CEMAC currency arrangement with France has ensured the stability of the exchange rate and low inflation. This reduces the risk of a balance-of-payments crisis.
- High government debt, estimated at 54.9% of GDP in 2022, is declining owing to government's active debt management and nominal GDP growth.

Weaknesses

- Gabon remains dependent on the oil sector, with oil revenue representing a forecast 45% of government receipts, 30% of GDP and 64% of total goods exports in 2022. No significant buffer is built while oil prices are high.
- Weak PFM resulted in the accumulation of external and domestic arrears.
- Gabon has faced recurrent delays in obtaining committed multilateral financing.
- Data quality, transparency and timeliness are poor, especially for balance-of-payments statistics.

GHANA

A deterioration of Ghana's public finances, which contributed to a prolonged lack of access to Eurobond markets and in turn led to a significant decline in external liquidity, triggered Ghana's downgrade to 'CCC' last year, which was followed by further downgrades that culminated in the country's placement on restricted default ('RD') in early 2023. Fitch affirmed both the LTFC and the LTLC IDRs at 'RD' on July 28, 2023.

Eurobond Default Continues: Fitch downgraded Ghana's LTFC IDR to 'RD' from 'C' on 21 February 2023 following the expiration of the grace period for a missed Eurobond coupon payment. Ghana has since made progress with official creditors for a restructuring of its external debt under the G20 Common Framework. Authorities are looking to restructure USD20 billion of external debt, including official bilateral debt, export credit agencies-backed commercial loans, Eurobonds and non-insured commercial loans.

IMF Funding Approved: Financing assurances have been provided by the official creditor committee (OCC) at its first meeting on 12 May 2023, unlocking IMF board approval for a USD3 billion three-year Extended Credit Facility. Fitch expects the OCC to reach an agreement with authorities by end-2023 and a treatment of private creditors' claims on comparable terms by mid-2024. The IMF estimates the financing from external debt restructuring must amount to USD10.5 billion in 2023-2026.

Solvency Concerns Remain Critical: Fitch expects public sector debt to reach 99% of GDP at end-2023, from 88% at end-2022, driven by a depreciation of the cedi against the US dollar. Absent a Common Framework restructuring, public sector debt would decline to 95% of GDP in 2024 and 94% in 2025, amid continued fiscal consolidation and a stabilization of the cedi.

Rating Factors

Strengths

- Foreign-currency debt composes less than 40% of Ghana's total public debt, well below the 'B' median.
- Ghana has stronger levels of governance than the 'B' median, and a record of democratic elections, with peaceful transitions of power since 1992.

Weaknesses

- General government debt was high at 561.5% of revenue at end-2022, well above 'B' category peers.
- Net external debt is higher than the 'B' median, and the international liquidity position is low.
- Per-capita income and human development indicators are low.
- Ghana's exports are concentrated in oil, gold and cocoa, exposing it to volatility in commodity prices.

IRAQ

Credit Fundamentals: Iraq's 'B-'/Stable rating reflects its high commodity dependence, weak governance, political risk, and an undeveloped banking sector, balanced by high FX reserves and low interest costs on government debt. Buoyant oil prices have improved many of Iraq's credit metrics, but the absence of structural, economic or fiscal reforms and persistence of political risk constrain the rating.

Political Risk Key Weakness: Domestic and regional political risks and weak governance will continue to constrain the rating. Iraq's persistently low scores across World Bank governance indicators reflect political instability, corruption, government ineffectiveness, weak institutions and insecurity (although the bulk of oil production and export facilities are located away from areas that have presented the highest security risk).

Rating Factors

Strengths

- Iraq's FX reserves are estimated at more than 18 months of CXP in 2023, much stronger than the 'B' median, and the sovereign's external funding needs are small.
- Debt service costs are low. We forecast government interest/revenue to rise to 4.2% in 2024, significantly lower than the 'B' median.

Weaknesses

- Insecurity and political risk are among the highest faced by any rated sovereign.
- Iraq scores among the lowest of all Fitch-rated sovereigns on the composite World Bank governance indicator, reflecting not only insecurity and political instability, but also corruption, government ineffectiveness and weak institutions.
- Commodity dependence is among the highest of all rated sovereigns. Oil accounts for more than 50% of GDP, close to 90% of fiscal receipts and nearly all current external receipts.
- The banking sector is underdeveloped, fundamentally weak and dominated by state-owned banks with opaque finances.

JORDAN

Reforms, Resilient Funding: Jordan's ‘BB’/Stable ratings are supported by a record of macroeconomic stability, progress in fiscal and economic reforms, and resilient financing linked to the liquid banking sector, public pension fund and international support. The ratings are constrained by high government debt, weak growth, risks stemming from domestic and regional politics, a sizeable current account deficit and net external debt that is higher than rating peers. Fitch affirmed Jordan's LT FC IDR on May 12, 2023.

Reform-Driven Fiscal Consolidation, Risks Remain: Fitch estimates that Jordan's general government budget deficit declined to 2.7% of GDP in 2022, down from 2021, below our 3.8% forecast made in August and below the estimated 3.7% for the 'BB median, due to continued growth in tax collection combined with expenditure restraint and reprioritization to accommodating temporary fuel subsidies (phased out at end 2022). We forecast fiscal consolidation to gradually continue, with the deficit declining to 2.3% and 1.9% in 2023-2024. These projections balance efficiency and compliance-driven tax revenue growth and current spending restraint against the decision to keep strategic goods subsidies, as the government intends to make reforms sustainable in social terms.

High Government Debt, Slow Decline: General government debt, including guarantees related principally to the water and electricity sectors, peaked at 95.2% of GDP in 2022. About 59% of external debt (not including domestically issued US dollar bonds) is to official creditors.

Rating Factors

Strengths

- Jordan has maintained macroeconomic stability throughout successive large external shocks.
- Jordan has strong relations with the IMF, whose programs have provided a policy anchor and have contributed to a record of gradual fiscal and economic reforms.
- The liquid domestic banking sector and large and growing Social Security Corporation (SSC) assets support the sovereign’s domestic financing flexibility.
- Jordan’s financing flexibility is underpinned by strong relations with multilateral organizations and financially supportive allies, including the US and partners in the region.

Weaknesses

- Most public-sector debt metrics are far weaker than for ‘BB’ peers.
- Gross external financing needs are large, amid persistent CADs and a steady pace of debt maturities.
- The medium-term real GDP growth outlook, at 2.7%, remains weaker than for ‘BB’ peers.
- GDP per capita is below the ‘BB’ median.
- Jordan continues to face domestic and regional political risks. Lackluster GDP growth has led to persistent unemployment and social pressures, exacerbated by an influx of refugees from Syria. Regional events have weighed on exports and overall economic performance.

KENYA

Kenya's 'B' rating balances relatively high government debt and external indebtedness and a narrow revenue base against the authorities' commitment to fiscal consolidation anchored by the IMF program and strong medium-term growth prospects. Fitch affirmed Kenya's LT FC IDR and revised its Outlook to Negative from Stable on July 20, 2023.

Negative Outlook: The revision of Kenya's Outlook to Negative reflects increased external financing constraints amid high funding requirements, including a USD2 billion Eurobond maturity in 2024, weakening international reserves, rising financing costs, and uncertainty regarding the fiscal trajectory, for example, due to execution risks of the announced tax hikes amid social unrest.

Increased External Financing Challenges: Sovereign external debt service (amortizations and interest) will rise sharply to USD4.3 billion in the financial year ending June 2024 (FY24), including the USD2 billion Eurobond repayment due in June 2024, up from USD2.8 billion in FY23. Fitch assumes that the government will meet its financing obligations in FY24 through a combination of official lending, syndicated loans and a drawdown in reserves.

Increased Pressures on Reserves: Gross international reserves fell to USD7 billion in March, from USD8 billion at end-2022. External official and commercial disbursements helped reserves recover in June, but we project reserves will decline to USD7 billion at end-2024, reflecting financing constraints and persistent current account deficits.

Ratings Factors

Strengths

- Kenya's growth performance has been robust and we forecast growth to average 5.4% in 2023-2024, above the current 'B' category median of 3.3%.
- Kenya's domestic debt market is relatively developed and the government has extended its average time for domestic debt maturity to 7.8 years from below 6 years, providing some financing flexibility.
- Kenya is not heavily dependent on commodities for exports or tax revenues.

Weaknesses

- Private external commercial debt now makes up 27% of total external debt versus 0% at the start of the 2000s.
- FDI has been low, resulting in an unfavorable funding mix, including reliance on short-term capital flows and debt financing.
- Per capital GDP is less than half of the 'B' median and Kenya is in the 25th percentile of the UN Human Development Index.

MOZAMBIQUE

Mozambique's 'CCC+' LT FC IDR reflects elevated government debt levels, persistent fiscal deficits, weak public financial management, low GDP per capita, weak governance indicators and a challenging security situation. The agreement of a three-year USD456 million Extended Credit Facility (ECF) with the IMF in 2022, positive momentum in the development of the liquefied natural gas (LNG) sector, and measures to address the fiscal slippage of 2022, provide some support to creditworthiness. Fitch affirmed Mozambique's LT FC IDR on August 11, 2023, and withdrew its 'CCC+' LT LC IDR due to insufficient domestic bond market information.

Strong Economic Growth: Fitch expects real GDP growth to accelerate to 6.4% in 2023 and to average 4.9% over 2024-2025, from 4% in 2022. This will primarily reflect an LNG-led increase in the output of the extractive sector, as the production capacity from Eni's Coral South floating LNG platform increases to 70% and 90% in 2023 and 2024, respectively.

Debt/GDP to Decline on Strong Growth: General government debt declined to 100.5% of GDP in 2022, from 110% in 2021, driven by strong nominal GDP growth of 16%. Fitch expects debt/GDP to decline further over the forecast horizon to 87.2% in 2025, reflecting nominal GDP growth of 40% over the period. Mozambique's debt/GDP ratio is exposed to significant exchange-rate risks as 77% of the total debt stock is foreign-currency denominated.

Ratings Factors

Strengths

- Coming on-stream of important LNG projects supports strong prospects for investment and growth.
- The concessional nature of public external debt with low servicing costs.
- IMF program easing external financing pressures and acting as policy anchor.
- The central bank's commitment to lowering inflation and exchange-rate flexibility.

Weaknesses

- Weak repayment record, including a default on sole Eurobond in 2016.
- High government debt and being significantly exposed to exchange-rate risks.
- Limited external financing sources and shallow domestic market.
- High external financing needs.
- Significantly negative net international investment position.
- Weak governance indicators, partly reflecting high insecurity in the north of the country.
- Economy exposed to severe weather-related risks.

NAMIBIA

Namibia's 'BB-' ratings are supported by its strong governance indicators and institutional framework, and fiscal financing flexibility supported by the large non-banking financial sector (NBFS). This is balanced against elevated fiscal deficits, rigid fiscal structure, high government debt levels, and moderate medium-term growth prospects. Fitch affirmed Namibia's LT FC IDR on June 2, 2023. The Stable Outlook reflects Fitch's view that the government's fiscal consolidation efforts will limit the rise in government debt and lead to its stabilization over the medium term.

Ratings Factors

Strengths

- Governance indicators provide key support to Namibia's ratings. Strong rule of law and a record of political stability underpin institutional strength.
- Namibia has a wealth of natural resources, including uranium, diamonds, gold, copper, other industrial metals and oil reserves. This helps to attract inflows of foreign investment and supports exports and growth.
- Over two-thirds of general government debt is denominated in local currency and held by a captive domestic investor base, reducing refinancing risks. Namibia has a large and developed financial sector, which supports the sovereign's financing flexibility.

Weaknesses

- Income inequality is among the highest in the world and unemployment is high. This leads to pressures on policymaking and public finances to tackle social issues.
- The volatility of Southern African Customs Union (SACU) transfers (about a third of total budget revenue) raises risks for public and external finances.
- Namibia's dependence on the mining sector.

NIGERIA

Nigeria's 'B'/Stable rating is supported by a favorable public debt/GDP ratio, a large economy, a developed and liquid domestic debt market, and large oil and gas reserves. The rating is constrained by weak governance, security challenges, high inflation, structurally very low non-oil revenue, high hydrocarbon dependence, and weakness in the exchange-rate framework. Fitch affirmed Nigeria's LT FC IDR on May 5, 2023.

The new government's quicker-than-expected removal of the fuel subsidy and unification of the exchange rate are positive developments for Nigeria's credit profile. Oil production has also picked up from last year's lows and we think the domestic debt market has sufficient capacity to compensate for severely constrained access to Eurobond financing. However, higher debt servicing costs, and inflationary constraints to continuing deficit monetization present risks to public finances.

Rating Factors

Strengths

- Nigeria is the largest economy in Africa, with GDP of USD474 billion in 2022.
- Nigeria has large oil and gas reserves, as well as strong untapped potential in agriculture and solid minerals.
- Nigeria has a developed and liquid domestic debt market that supports the sovereign's financing flexibility.
- General Government (GG) debt, at 35% of GDP at end-2022, is well below the 'B' median of 59%.

Weaknesses

- Dependence on the hydrocarbon sector is high, with oil and gas revenue accounting for around 42% of GG revenue and 55% of current account receipts on average a year over the past five years.
- The GG revenue-to-GDP ratio is the lowest among Fitch-rated sovereigns, partly reflecting structurally weak non-oil GG revenue mobilization. This translates into high GG debt/revenue and interest payment/revenue ratios and weakens debt sustainability.
- World Bank Worldwide Governance Indicators (WBGI) are much weaker than 'B' medians. Security challenges from terrorism, banditry and communal violence cause repeated disruptions to economic activity.
- Inflation is well above peers', with a three-year average of 18.5%, versus a historical 'B' category median of 5.5%.

RWANDA

Rwanda's 'B+' rating reflects its low level of GDP per capita and persistent twin budget and current account deficits, which have resulted in relatively high public and external indebtedness. These weaknesses are balanced by the highly concessional nature of the country's debt, strong governance relative to peers and high medium-term growth potential. Fitch revised the Outlook on Rwanda's LT FC IDR to Stable from Negative and upgraded the Country Ceiling to 'BB-' from 'B+' on October 6, 2023.

Government Debt/GDP to Stabilize: Fitch expects Rwanda's public debt/GDP to stabilize near current levels over the forecast horizon, following a significant increase during the pandemic. General government debt declined to 67.5% of GDP at end-2022 (from 73.4% in 2021), and we forecast it will increase moderately to 68.7% at end-2023 and 71.8% in 2025 before stabilizing as strong nominal GDP growth partly offsets the impact of substantial fiscal deficits. Rwanda's government debt will remain high relative to the 'B' median (which we forecast to average 55% of GDP over 2023-2025), but this is mitigated by the highly concessional nature of its debt.

Strong Economic Growth: We expect Rwanda's real GDP growth to remain high relative to peers, following a strong recovery from the pandemic. The economy returned to its pre-pandemic level in 2021 as real GDP expanded by a robust 10.8% (after a 3.4% contraction in 2020), followed by growth of 8.2% in 2022. We forecast GDP growth will decelerate to an average of 5.9% over 2023-2025, reflecting weaker public investment, but will remain supported by an improving labor market, the recovery of tourism and the construction of Bugesera airport. Rwanda's growth will remain well above the 'B' median, which we forecast to average 3.3% over 2023-2025.

Political Risks: Fitch's base case is that international inflows of grants and concessional financing will not be adversely affected by the perceived role of forces linked to Rwanda in the escalation of the conflict in the Democratic Republic of Congo. Nevertheless, there is a risk that these developments could lead to delays or reductions in external financing, which play a critical role in financing budget and CAD and supporting economic growth.

Rating Factors

Strengths

- Record of strong performance under IMF program
- Medium-term growth outlook above peers
- Highly concessional nature of public debt
- Strong access to external official sector disbursements

Weaknesses

- Income per capita significantly below ‘B’ median
- Land-locked and small market constrain attractiveness for foreign direct investment
- Net external debt well above the ‘B’ median though it is mostly long-term concessional government debt
- Public debt and twin deficit well above the ‘B’ median

TUNISIA

Intensified Financing Risk: The downgrade of Tunisia's LT FC IDR to 'CCC-' on June 9, 2023, reflects uncertainty around Tunisia's ability to mobilize sufficient funding to meet its large financing requirement. This reflects the failure to implement prior actions for an agreed IMF program, which would be necessary to release the associated bilateral financing that underpinned Tunisia's financing plan. Our central scenario assumes an agreement between Tunisia and the IMF by year-end, but this is much later than our previous expectation and risks remain elevated.

High Government Financing Needs: We forecast that government financing needs will be high at around 16% of GDP in 2023 (about USD7.7 billion) and 14% of GDP in 2024 (USD7.4 billion), well above the 2015-2019 average of 9%, and one of the highest of 'C'/'D' rated peers. This is the result of high fiscal deficits and large debt maturities, both domestically - as the government has increasingly relied on shorter-term domestic financing to compensate for scarce external financing - and externally, including Eurobond repayments (EUR500 million in 2023 and EUR850 million in 2024).

Foreign Exchange Reserves at Risk: We forecast the current account deficit (CAD) will narrow to 6.7% of GDP in 2023 and 6.2% in 2024 from 8.5% in 2022. The improvement will be driven by a significant recovery of tourism receipts, largely offset by deepening energy and food balance deficits, despite the decrease in international prices.

Rating Factors

Strengths

- Tunisia's economy is fairly diversified, with high potential in agriculture, mining, tourism and manufacturing.
- Tunisia outperforms the rating category in structural features.
- The country benefits from high remittance flows, which have proved resilient to global shocks in recent years.
- Tunisia has a clean debt-service record.
- Tunisia benefits from strong official creditors willingness to support its democratic transition, underpinned by its geopolitical positioning.

Weaknesses

- Continued political and social instability in the context of the democratic transition has hindered reform implementation. Recurrent labor protests have disrupted activity in mining and other sectors.
- The structure of budget spending is rigid. The public payroll is particularly high, and together with interest and subsidy costs, consumes more than 90% of government revenue (excluding grants).
- Several SOEs are financially weak and require budget transfers to cover their liquidity shortfalls. Ailing SOEs play important roles in several sectors and constrain the country's economic growth.

ZAMBIA

Zambia's 'RD' LT FC rating reflects that the country remains in default on its foreign-currency government debt, following the sovereign's failure to honor a Eurobond interest payment in October 2020. Subsequently, the government announced that it would stop servicing all of its external debt, excluding multilateral debt and some priority project loans, and applied for debt relief under the G20 Common Framework.

In June 2023, the official creditor committee (OCC) for Zambia and the Zambian authorities reached an agreement on restructuring USD6.3 billion in bilateral debt, allowing the country to complete the first review of its IMF Extended Credit Facility (ECF), and paving the way for the release of USD189 million in IMF financing. A memorandum of understanding between Zambia and the OCC has yet to be signed, but statements from officials suggest the deal will extend debt maturities to 2043, implying an average extension of more than 12 years, rather than involving any write-downs (a key Chinese demand).

The agreement contains an adjustment clause if Zambia's economy outperforms the assumptions in the IMF's and World Bank's Debt Sustainability Analysis (DSA), improving its debt-carrying capacity to medium from weak. A debt treatment with private creditors is still necessary for Zambia to emerge from its current state of default. Private investors are asking for treatment that is at least as favorable as those agreed with official creditors; if they are able to include conditional adjustment clauses in their debt treatment, we believe this could smooth the path to an agreement.

Rating Factors

Strengths

- Political stability is much greater than in 'B' and 'BB' peers, as Zambia has no history of political violence or election-related instability.
- Zambia's ranking in the World Bank's Ease of Doing Business indicator is above the 'B' median.

Weaknesses

- The budget deficit is high, averaging 8.7% of GDP since 2017, compared to 3.5% in 2009-2013.
- Income per capita and human development scores remain well below the 'B' median.
- FX reserves are low, at an average 2.4 months of current external payments (CXP) in 2018-22, and an estimated 2.5 months in 2023.
- Zambia's public debt servicing costs are high. Interest payments were 30.5% of revenue in 2022.

FRONTIER MARKETS IN AFRICA & THE MIDDLE EAST

TURKEY
SYRIA
TUNISIA (CCC-)
JORDAN (BB-)
IRAQ (B-)
MOROCCO
ALGERIA
LIBYA
EGYPT
Western Sahara
SAUDI ARABIA
MAURITANIA
MALI
NIGER
CHAD
SUDAN
YEMEN
THE GAMBIA
GUINEA-BISSAU
BURKINA FASO
GUINEA
NIGERIA (B-)
ETHIOPIA (CCC-)
SIERRA LEONE
CENTRAL AFRICAN REPUBLIC
SOUTH SUDAN
LIBERIA
CAMEROON
COTE D'IVOIRE (BB-)
GHANA (RD)
REP. OF THE CONGO
UGANDA
KENYA (B)
GABON (B-)
RWANDA (B+)
DEM. REP. OF THE CONGO
TANZANIA
ANGOLA (B-)
ZAMBIA (RD)
ZIMBABWE
NAMIBIA (BB-)
MOZAMBIQUE (CCC+)
BOTSWANA
SOUTH AFRICA

LATIN AMERICA & THE CARIBBEAN

BARBADOS

Fitch started covering Barbados on October 20, 2022 by assigning a Long-Term Foreign-Currency Issuer Default Rating of 'B' with a Stable Rating Outlook.

Strong Governance; High Debt: Barbados's ratings balance high GDP per capita and governance scores, a strengthened external liquidity position, and a more favorable debt repayment profile following a comprehensive 2018-2019 restructuring, against its vulnerability to external shocks due to its heavy reliance on tourism, high public debt levels and limited appetite for domestic debt from local commercial banks. The rating is supported by access to the IMF's Resilience and Sustainability Trust (RST), with an accompanying Extended Fund Facility (EFF) program, which underpins reform momentum and alleviates financing constraints, as well as Fitch's expectation of a relatively quick reduction in the debt burden from high levels in the forecast period.

Tourism Recovery Begins: The economy is recovering from the sharp pandemic downturn, expanding by 12% in 2022, driven by both base effects and a recovery of the tourism sector. However, the rebound has been slower than for regional peers and one of the slowest among Fitch-rated Latin American sovereigns to return to its pre-pandemic levels of real GDP.

Rating Factors

Strengths

- High governance score (78th percentile) relative to 'B' median (37th percentile), reflecting strong social and political stability.
- GDP per capita and human development indicators are well above rating peers.
- Favorable debt service schedule following domestic and external debt restructuring in 2018-2019.
- Strengthened external liquidity position following support from IFIs.

Weaknesses

- One of the highest government debt levels among Fitch-rated sovereigns (123% of GDP in 2022).
- Vulnerability to external shocks from high dependence on tourism and exposure to natural disasters.
- Structurally high current account deficits (CADs) due to dependence on imports for most goods, food and fuel.
- Limited domestic market financing flexibility following the 2018 domestic debt restructuring.

BOLIVIA

Downgrade, Negative Outlook: The downgrade of Bolivia's ratings to 'B-' from 'B' on March 14, 2023 reflects the depletion of its external liquidity buffers, which, in light of a de facto currency peg, has greatly heightened near-term uncertainty and risks to macroeconomic stability. The continued fall in international reserves at low levels has rendered them vulnerable to risk of a confidence shock, which has materialized in 1Q23. External bond market access has been lost and there are no concrete prospects for large-scale support from official creditors.

Mounting External Pressure: Bolivia's external position has dramatically deteriorated in the past decade as a result of expansionary policies and falling domestic hydrocarbon production, which has turned the country into a net energy importer in 2022. The current account flipped back to a deficit of 0.3% of GDP in 2022 from a surplus of 2.1% in 2021, and we project further deterioration in 2023.

Eurobond Repayment Doesn't Negate Underlying Pressures: Bolivia's ability to have made the final payment on its 2023 bond on August 22 was in line with our expectations but does not eliminate vulnerabilities from depleted external liquidity, continued CADs and limited net new external financing. Low near-term external commercial debt service is a key support of Bolivia's 'B-' sovereign rating; however, external pressures and depleted buffers that are putting considerable strain on the economy are reflected in the Negative Outlook.

Rating Factors

Strengths

- Government debt is fairly high but has a favorable cost and maturity profile, given the concessional nature of multilateral loans and BCB financing, and a small Eurobond stock.
- Bolivia has important commodity resources (energy, lithium), though an adverse business climate has hindered their development.

Weaknesses

- Governance scores rank low in the 25th percentile, reflecting political instability and weak rule of law and regulatory quality. Tensions within the governing party add to policy uncertainty, having hindered important legislation.
- Data quality and timeliness is deteriorating, specifically with respect to FX reserves.
- Commodity dependence is high, exposing fiscal and external metrics to risk from price shocks.
- Reserves are very low in the context of a stabilized exchange rate and commodity dependence (just 10% of broad money in the last available data).

COSTA RICA

Two-Notch Upgrade, Stable Outlook: The two-notch upgrade of Costa Rica's ratings to 'BB-' from ‘B’ on March 2, 2023 reflects the sharp structural improvement of its fiscal position and easing of government constraints to finance its budget. Sustained access to multilateral lending further eased financing constraints and high borrowing costs. The strict implementation of the fiscal rule over the past few years represents an important shift from a decade of fiscal deterioration that drove a sharp increase in the debt/GDP ratio. The government has consistently outperformed the fiscal targets embedded in the IMF Extended Fund Facility (EFF) program agreed in 2021 by a wide margin.

Credit Fundamentals: Costa Rica's 'BB-' rating is supported by structural strengths relative to the 'BB' category, including strong governance indicators, higher economic development and per-capita income well above peers. An economic model centered on high-value-added manufacturing and service activities continues to support macroeconomic stability and strong FDI flows. Strict compliance with its fiscal rule (which caps government spending based on past nominal GDP growth) has resulted in a significant improvement in public finances trends. This is counterbalanced by relatively high financing needs in the near term and high interest payments reflecting the steep increase of the debt burden over the past decade. Political gridlock continues to result in uncertainty about the government's external financing capacity, although this has improved in the near term in the context of the global bond issuance approval by the legislative assembly for the next three years.

Rating Factors

Strengths

- High GDP per capita, social development and governance indicators relative to similarly rated peers.
- An economic model centered on high-value added manufacturing and service activities, supporting foreign direct investment (FDI) and stable economic growth.
- A diversified export profile and adequate reserve levels support external solvency.

Weaknesses

- High financing needs despite the significant fiscal balance improvement because of large domestic debt amortizations.
- Interest payments as a percentage of revenue are high relative to rating peers and have been fast increasing due to a high debt burden and elevated borrowing costs.
- Decades of a gridlock-prone political system hinders efforts to implement reforms and external debt approvals in a timely manner.
- Banks have adequate capitalization and liquidity, but credit dollarization remains relatively high and largely unhedged.

EL SALVADOR

Fitch's rating actions on May 5, 2023 involved the downgrade of El Salvador's LT FC IDR to 'RD' from 'CC' following the execution of an exchange of domestic pension-related debt. Subsequently, reflecting the completion of the debt exchange, Fitch upgraded El Salvador's LT FC IDR to 'CCC+' from 'RD.'

Default Event: Fitch deemed the above-mentioned operation a Distressed Debt Exchange (DDE), constituting a default under Fitch's criteria. The exchange involved an adverse change in terms via the extension of maturities and the addition of a grace period on the majority of the public securities in question. In Fitch's view, the exchange operation was aimed at reducing the sovereign's financing needs against the backdrop of El Salvador's tight financing constraints and financial distress.

Rating Upgrade: The upgrade of El Salvador's IDR followed the successful completion of the exchange. This reflects Fitch's view that another default event no longer appears probable but remains a real possibility in light of compromised repayment capacity. El Salvador's 'CCC+' rating reflects fiscal and external liquidity positions that have improved relative to Fitch's prior expectations and following the payment of sizeable global bond amortizations earlier in the year, but remain tight, as well as constrained market access and high reliance on short-term debt.

Fiscal Consolidation Efforts: The government's fiscal deficit declined significantly to 2.5% of GDP in 2022, from 5.5% in 2021 and 10.1% in 2020. The ongoing fiscal consolidation has been driven both by robust tax collection and expenditure restraint. Fitch anticipates the fiscal consolidation will continue this year as the debt-exchange has materially diminished pension-related expenditures.

Financing Sources Remain Limited: External borrowing costs remain prohibitively high, rendering the government dependent on short-term domestic debt (LETES and CETES).

Rating Factors

Strengths

- Official dollarization has supported macroeconomic stability and limited the possibility of a currency crisis and of devaluation-induced debt increases since its adoption in 2001.
- Economic growth, inflation and real effective exchange rate volatilities are below the respective category medians.
- El Salvador has higher social development and governance indicators than peers.
- Governability has improved, and the political gridlock ended after president Nayib Bukele's party, Nuevas Ideas, gained a qualified majority in the National Assembly in 2021.

Weaknesses

- High public debt at 75.9% is well above the 'B' median of 57%.
- Interest payments are nearly 20% compared to the 'B' median of 11.5%.
- Domestic financial reliance on short-term debt raises rollover risk and places budget execution at a risk.

GUATEMALA

The upgrade of Guatemala's LT FC and LC IDRs to 'BB' from 'BB-' on February 16, 2023 reflects very strong fiscal and economic recovery, and further improved external metrics, following the pandemic and global price shocks. The recovery of real GDP was one of the fastest in Latin America. Fiscal deficits and debt remain the lowest in the 'BB' category, and have benefitted from improved tax collections. Current account surpluses have improved already strong external liquidity and solvency metrics.

The presidential election in August is unlikely to lead to major shifts in macroeconomic policy settings, which are anchored by a track record of fiscal conservatism and an independent central bank. The incoming President, Bernardo Arevalo of the center-left Seed Movement, will be challenged to implement plans to increase the state's role in social provision that could lead to higher deficits amid strong pushback from the political establishment, which has long resisted both tax hikes and debt accumulation. Further, a fragmented Congress should limit any attempt by Arevalo to pass any radical reforms that could materially change macroeconomic policies.

The election campaign highlighted weaknesses in governance, which are a key constraint on Guatemala's sovereign creditworthiness. Governance indicators have deteriorated further since 2019 amid the Morales administration's expelling of a UN-backed anti-corruption mission and the Giammattei government's perceived backtracking on anti-corruption efforts. In the 2023 elections, several presidential candidates were disqualified from standing on technicalities, and the certification of the first-round results was delayed after legal challenges from some political parties.

Economic Resilience Post-Pandemic: GDP grew 4.1% in 2022 after a sharp recovery of 8.0% in 2021 and small contraction of 1.8% in 2020. The strong performance was driven by surging remittances inflows, strong credit, and robust exports. Over the medium term, growth prospects remain constrained by longstanding human-capital and infrastructure bottlenecks, but face some upside from the global "nearshoring" trend and ongoing urbanization.

Rating Factors

Strengths

- Government debt/GDP is the lowest in the 'BB' category and projected to remain stable. Long-dated maturities and legal prioritization of debt service reduce financing risks.
- The fiscal deficit and financing needs are low. The sovereign relies on the local market for most financing, but benefits from strong access to multilaterals and the foreign bond market.
- A strong record of prudent fiscal and monetary policies supports macroeconomic stability. Real GDP volatility has historically been very low.
- Guatemala runs a current account surplus, even in 2023 despite an adverse terms-of-trade shock.
- External solvency and liquidity metrics are strong. A sovereign net foreign assets position of 10% of GDP is among the best in the 'BB' category. Foreign reserves are high.

Weaknesses

- Worldwide Governance Indicators are very low relative to 'BB' and 'B' peers, particularly rule of law (14th percentile) and control of corruption (12th percentile).
- Human development indicators are well below the 'BB' and 'B' medians. GDP per capita is below the peer median but compares more favorably.
- The revenue/GDP is particularly low compared with peers. Debt/revenue and interest/revenue are slightly above the peer medians.
- Previous legislative gridlock has made it difficult to secure congressional approval of reforms, budgets or external loans.

JAMAICA

Positive Outlook: The Outlook revision to Positive from Stable on March 7, 2023 reflects Jamaica's significant progress with debt reduction, despite the pandemic shock, its stability-oriented institutional framework and favorable financing conditions, reinforced by the new IMF facilities. Public debt has resumed its declining trajectory following the temporary increase in 2020 to 84.4% of GDP at the end of 2022, below its pre-pandemic level, although still much higher than the current 'B' median of 57% of GDP.

Structural Strengths and Weaknesses: Jamaica's 'B+' rating is also supported by World Bank Worldwide Governance Indicators that are substantially stronger than the 'B' median. The ratings remain constraint by deep structural weaknesses, including a high crime rate, low productivity and weak demographics, reflected in subdued underlying growth potential estimated between 1%-2%.

Declining Debt Trajectory: Fitch forecasts general government debt to GDP declines to 78.7% by the end of 2023 and to around 70% in 2026, but meeting the government's 60% debt target by 2028 looks challenging. Sizeable primary budget surpluses are expected to be the key driver of the debt decline.

Rating Factors

Strengths

- Governance indicators are high at the composite score of 58. This is significantly stronger than the 'B' median of 37 and also exceeds the 'BB' median of 43.
- Jamaica has a prudent fiscal stance, an overall budget surplus and a primary surplus above 5% of GDP. Both indicators are stronger than the peer median.
- The CAD is smaller than the peer median and remittances provide counter-cyclical financing.
- There is a broad political consensus of the stability-oriented economic policy framework.

Weaknesses

- General government debt-to-GDP and interest-to-revenue ratios are much higher than the 'B' or 'BB' medians.
- Growth potential is weak relative to rating peers. The three-year average growth is below the peer median.
- The economy is highly dependent on tourism, which aggravated the pandemic shock, as reflected in the high GDP volatility.
- Jamaica is in the hurricane belt, exposed to extreme weather shocks.
- The inflation rate is higher than the 'B' and 'BB' medians, reflecting to a large extent the global energy and food shocks. Jamaica relies to a large extent on imported energy and food.

PARAGUAY

Paraguay's 'BB+'/Stable ratings reflect its track record of prudent and consistent macroeconomic policies, low government debt relative to rating peers, and robust external liquidity. Its ratings are mainly constrained by weak governance indicators, a shallow local capital market that narrows fiscal financing flexibility, and vulnerability to adverse climactic shocks reflected in high GDP volatility.

The victory of Santiago Peña from the ruling conservative Colorado Party in April's presidential election should result in economic policy continuity. Fiscal consolidation that arrests a rising debt level would be important for any potential ratings uplift, along with reforms that brighten economic prospects relative to peers and deepen local-currency funding markets. Economic growth supported Paraguay's 2018 upgrade but has since lagged that of other Latin American 'BB' sovereigns. We expect a strong economic rebound in 2023, with real GDP growth of 5.2% forecast, after severe drought restricted growth to just 0.1% last year.

We think Peña's government will prioritize returning to compliance with the 1.5% of GDP fiscal deficit rule in 2024, following several years of deviation due to external shocks. Last year's 3% of GDP target was met, but hitting the 2.3% target for 2023 could be more challenging. Compliance with the fiscal rule is important to preserving Paraguay's track record of fiscal prudence, which supports the sovereign rating, and for stabilizing debt/GDP, which remains low at 33.8% in 2022 but has risen substantially from 17.8% since Paraguay's upgrade in 2018.

Rating Factors

Strengths

- Paraguay has a strong track record of fiscal prudence and macroeconomic stability.
- General government debt, at around 33%, is one of the lowest in the 'BB' category.
- A strong external liquidity position, reflecting a large stock of international reserves, and improved exchange-rate flexibility provide capacity to manage external shocks.
- Paraguay's inflation-targeting regime has anchored inflation expectations.

Weaknesses

- The high dependence on agricultural commodities (especially soya and beef) and hydroelectric generation increases the vulnerability of growth and the external accounts to droughts.
- About 90% of government debt is FX denominated and the government depends on external markets for financing; local capital markets are still developing.
- Governance indicators compare unfavorably with 'BB' medians, particularly in the areas of control of corruption, government effectiveness and the rule of law.

FRONTIER MARKETS IN LATIN AMERICA & THE CARIBBEAN

ASIA-PACIFIC

MALDIVES

The 'B-' rating reflects a favorable GDP growth outlook, based on strong prospects for the tourism sector over the medium term, high per capita GDP relative to 'B' category peers and continued bilateral and multilateral financing support facilitated by the country's geopolitical strategic importance. This is balanced against the country's high and rising government debt burden, low foreign-reserve buffers, and its vulnerability to shocks that could undermine prospects for the tourism industry.

Negative Outlook: The Negative Outlook reflects the risk of heightened external financing and liquidity strains, which could imperil the currency peg to the US dollar amid rising external debt servicing, weakening foreign reserves and tight global financial conditions. We expect foreign reserves to remain under considerable pressure in light of sizeable import bills on elevated energy and food prices, and continued intervention by the Maldives Monetary Authority (MMA) to support the currency peg. We estimate foreign-reserve coverage of current external payments at 1.1 months in 2023, well below the projected 'B' median of 3.5 months.

Political Stability: Opposition candidate Dr Mohamed Muizzu won the presidential run-off vote on 30 September 2023. The change in government implies some near-term policy uncertainty, but we expect a smooth political transition and continuation of economic policies to support the tourism sector and boost infrastructure development in the medium term. Muizzu has pledged to raise GDP per capita to USD17,000 within five years, boost foreign reserves net of the MMA's short-term foreign-currency liabilities to more than USD500 million and facilitate fiscal consolidation, although details are few so far.

Strong Growth Prospects: Fitch forecasts the economy will expand by 7.2% in 2023 and average 6.6% in 2024-2025. We expect tourist arrivals will hit a record high of 1.9 million in 2023, or 11.6% above its 2019 level. Medium-term growth prospects will be underpinned by stronger tourism inflows and continued infrastructure developments, including a new passenger terminal scheduled to become operational in 1H25.

Rating Factors

Strengths

- The Maldives has made beneficial use of its unique natural settings and diverse marine life to attract high-spending tourists, lifting per capita income to USD10,757, well above the ‘B’ median of USD4,224.
- The government has a strong ability to generate revenue from the tourism sector. Foreign-currency debt as a percentage of total debt remains lower than the ‘B’ median.
- The banking system is well-capitalized, and non-performing loans have declined substantially since peaking in 2012.

Weaknesses

- Foreign-reserve buffers remain small, and current account deficits are persistent due to the country’s heavy reliance on imports of basic food products, investments and energy. The current account deficit is partly financed by net FDI, flowing primarily to tourist resorts.
- The economy’s high dependence on tourism makes it vulnerable to events that could suddenly make the Maldives a less attractive tourist destination. Long-term developments, such as climate change, could also affect tourism at some stage.
- Volatile real GDP growth and consumer price inflation reflect the sensitivity of the small, very open economy to exogenous shocks.
- The government’s debt burden is high at an estimated 100.4% of GDP in 2023, against the ‘B’ median of 57.6%. The government has also extended significant explicit guarantees to state-owned enterprises for current and future borrowing

MONGOLIA

Strong Growth, External Vulnerabilities: Mongolia's 'B'/Stable ratings are underpinned by favorable medium-term growth prospects and high per capita income relative to 'B' rated peers. The ratings are constrained by the country's high reliance on external funding and commodity exports to China amid high external debt and low foreign-exchange reserves. Mongolia scores well on World Bank Governance Indicators relative to 'B' peers, but has suffered from political volatility around issues of resource nationalism. Fitch affirmed Mongolia's ratings on May 15, 2023.

Growth Rebound: We forecast real GDP growth of 5% in 2023, similar to 2022, on stronger mining activity and steady domestic demand. Growth will likely accelerate in 2024. Coal exports are rebounding after China's removal of border pandemic controls. Export capacity will rise further once cross-border rail links become fully operational in the next one-two years. Medium-term growth will be supported by mining and infrastructure projects, including the underground phase of the Oyu Tolgoi copper mine, which began production in March 2023.

Rating Factors

Strengths

- Mongolia scores above its 'B' category peers in the World Bank Governance Indicators, although it has suffered from political volatility around issues of resource nationalism.
- Per capita GDP is above peer levels.
- At 5%-6%, Mongolia's medium-term growth is much stronger than the 'B' median (about 3%).

Weaknesses

- At 160% of GDP in 2023, net external debt will be more than 6x the 'B' median, although a significant chunk of this is FDI and the government's concessional borrowing.
- A high proportion of foreign-currency debt in total debt (about 90%) makes the public finances vulnerable to exchange rate and refinancing risks.
  External liquidity metrics are weak. Reserves are expected to remain at around three months of current external payments (somewhat worse than the 'B' median). Net reserves are much lower.
- Gross external financing needs are high, at about 100% of gross reserves in 2023-2024.
- Mongolia is highly dependent on commodity exports to China, which account for 90% of total external receipts and 30% of government revenue.

PAKISTAN

Easing External Financing Risks: The upgrade of Pakistan's LT FC IDR to 'CCC' from 'CCC-' on July 10, 2023 reflects Pakistan's improved external liquidity and funding conditions following its Staff-Level Agreement (SLA) with the IMF on a nine-month Stand-by Arrangement (SBA) in June. The SLA was approved by the IMF board in July, catalyzing other funding and anchoring policies around parliamentary elections due by October. Nevertheless, program implementation and external funding risks remain due to a volatile political climate and large external financing requirement. It should be noted that Pakistan's LT FC IDR had previously been downgraded to 'CCC-' from 'CCC+' on February 14, 2023 due to a sharp deterioration in external funding conditions and the decline of FX reserves to critically low levels.

IMF-Driven Reforms: Pakistan has recently taken measures to address shortfalls in government revenue collection, energy subsidies and policies inconsistent with a market-determined exchange rate, including import financing restrictions. These issues held up the last three reviews of Pakistan's previous IMF program, before its expiry in June 2023. In June, the government amended its proposed budget for FY24 to introduce new revenue measures and cut spending, following additional tax measures and subsidy reforms in February.

Implementation Risks: Pakistan has an extensive record of going off-track on its commitments to the IMF. We understand the government has already made all the required policy actions under the SBA. Nevertheless, there is still scope for delays and challenges to implementation as well as new policy missteps ahead of the October elections and uncertainty over the post-election commitment to the program.

Rating Factors

Strengths

- Pakistan's FX share of debt, at just over 30%, is low relative to that of most sovereigns in the 'B' category or below.
- Pakistan's demographic profile is supportive of solid medium-term economic growth of around 5%. The UN projects that the share of working-age population in the country's total population will only peak in the 2070s.

Weaknesses

- Low reserve coverage and high gross financing needs make Pakistan vulnerable to shifts in investor confidence and bilateral funding.
- GDP per capita and World Bank Governance Indicators (WBGI) are weaker than for the 'B' median.
- Security threats, though considerably reduced in recent years, and geopolitical tensions continue to dampen economic fundamentals and weigh on the sovereign's creditworthiness relative to peers.
- Debt/revenue (over 600%) and interest/revenue (nearly 60%) are far worse than those of peers, owing to very low revenue/GDP.

SRI LANKA

External Debt Restructuring: The sovereign remains in default on foreign-currency obligations and has initiated a debt restructuring with official and private external creditors. Fitch had downgraded the LT FC IDR to 'RD' following the expiry of the 30-day grace period on coupon payments that were due on April 18, 2022. In March 2023, the IMF Executive Board approved a USD3 billion disbursement under its new EFF arrangement to support the country's economic policies and reforms. However, Sri Lanka's LT FC IDR will not be moved out of 'RD' until the debt restructuring has been completed.

Local-Currency Debt Exchange Completed: Sri Lanka's LT LC IDR was upgraded to 'CCC-' from 'RD' on September 28, 2023 upon the completion of the local-currency portion of the country's domestic debt optimization (DDO) plan launched in July 2023, following the exchange of the Central Bank's treasury bills and provisional advance into new treasury bonds and bills on 21 September 2023. The debt restructuring should lower Sri Lanka's gross financing needs over the medium term, in line with the targets under the IMF's Extended Fund Facility, and support an improvement in the country's debt metrics over time. LC-restructuring could accelerate progress towards the restructuring of FC debt.

Government Debt Remains High: General government debt and the interest costs faced by the government will remain high, despite the debt restructuring. Sri Lanka's gross general government debt-to-GDP ratio is set to fall only gradually to just above 100% of GDP by 2028, from 113.8% of GDP in 2022, according to IMF program forecasts published in March 2023, which incorporated a local- and foreign-currency debt restructuring scenario. The IMF scenario forecast the government interest-to-revenue ratio will decline to 42% by 2028, from 77.8% in 2022.

Lower Financing Needs: The authorities expect the completion of the local-currency debt exchange to lower Sri Lanka's gross government financing needs (GFN) by about 1.5pp over 2027-2032, according to documents published in July. External debt restructuring, which authorities expect will reduce GFN by an additional 2.6pp, remains critical to achieving the target of reducing GFN below 13% by 2027-2032, from 34% in 2022.

Stronger Revenue Generation Key: We believe IMF program implementation, in particular fiscal measures, will be central to achieving debt sustainability. Authorities have taken several tax measures since May 2022 to improve revenue collection, including raising the corporate income tax rate to 30% from 24%, increasing the VAT rate to 15% from 8%, and raising fuel excise taxes. This resulted in revenue collection rising 43% yoy in 1H23. Additional measures in the pipeline include removing product-specific VAT exemptions before 2024 and introducing a property tax before 2025.

Slow Economic Recovery: GDP contracted by 2.7% yoy in 2Q23, slowing from the 12% contraction in 1Q23. Agriculture and services grew in 2Q23, but industry continued to shrink, although at a slower pace from 1Q23. We expect GDP to contract by 1.4% yoy in 2023 before growing by 3.3% and 3.5% in 2024 and 2025, respectively.

Rating Factors

Strengths

- Sri Lanka's governance standards and human development indicators are stronger than the peer median.

Weaknesses

- Stressed external finances. Sri Lanka remains in default on its foreign-currency debt obligations and its external debt is being restructured.
- High government indebtedness. A rising share of local-currency debt as a share of GDP, with substantial domestic interest payments.
- A low general government revenue-to-GDP ratio, which is far below that of the peer median.
- Limited domestic financing options, which is reflected in increased reliance on the central bank for deficit financing and high domestic borrowing costs.

VIETNAM

Vietnam's 'BB' rating with a Positive Outlook reflects its strong medium-term growth prospects, a favorable external liquidity profile and lower government debt compared with the 'BB' median. Ongoing stresses in the property market create uncertainty about our growth forecasts in the near term, but Fitch expects strong FDI inflows and demographics to support high growth rates in the medium term. The rating was affirmed on May 31, 2023.

Fiscal Deficits to Narrow: The authorities aim to lower the budget deficit to or below 3% of GDP, and keep the general government debt-to-GDP ratio at less than 50% by 2030. The projected reduction is premised on a fiscal strategy that includes measures aimed at broadening the tax base, improving the capacity of tax authorities, simplifying import tariffs and providing electronic and digital services to taxpayers.

Strong Medium-Term Growth Prospects: We expect growth to remain strong, supported by large FDI inflows. We forecast GDP growth of 4.4% in 2023, despite a slowdown in growth to 3.3% in 1Q23, and 6.3% in 2024, driven by expansion in services and manufacturing. Inflation is expected to reach 3.0% in 2023 and to gradually decrease to 2.7% in 2025.

Foreign-Currency Reserves to Recover: Intervention by the State Bank of Vietnam (SBV) and capital outflows, led to a sharp drop in reserves to USD88 billion in 2022. We expect reserves to improve in 2024, with coverage of current external payments averaging about 2.7 months.

Rating Factors

Strengths

- Medium-term growth outlook remains strong, supported by high FDI inflows into the export-led manufacturing sector.
- External debt that is owed mostly to bilateral and multilateral partners and lowers the external interest payment burden. External debt service at end-2022 was 5.2% of current external receipts (CXR), lower than the 'BB' median.
- Government debt/GDP ratio that is below the 'BB' median.

Weaknesses

- Governance standards, GDP per capita and levels of human development are much lower than the peer median.
- Data on external finances – in particular the international investment position and financials of SOEs and the banking sector - are limited in scope.
- Contingent liability risks associated with legacy issues at SOEs and a large banking sector with structural weaknesses such as thin capitalization and under-reporting of problem loans.

FRONTIER MARKETS IN ASIA-PACIFIC

EMERGING EUROPE

ARMENIA

Fitch's upgrade of Armenia's IDRs to 'BB-'/Stable from 'B+' on July 28, 2023 reflected solid economic growth prospects, a stabilization of government debt at levels below peer medians, forecast stable fiscal performance, and an improving external balance sheet. Armenia's economy has rebounded strongly from successive shocks since its downgrade in 2020, and Fitch expects this dynamism to continue in light of an extraordinary inflow of migrants. Since the start of the war in Ukraine in 2022, an estimated 50,000-65,000 immigrants (equivalent to 2.2% of Armenia's pre-conflict population) from Russia, Ukraine and Belarus have settled in the country. This supported strong growth of 12.6% in 2022, and Fitch expects the economy to grow by 7.2% in 2023, 5.3% in 2024 and 4.5% in 2025.

Debt Stabilizing at Low Level: Government debt/GDP fell sharply to 46.7% in 2022 from 60.2% in 2021 due mainly to currency appreciation, but also the strong nominal GDP rebound and fiscal consolidation. Fitch expects stabilization at around 44.6% in 2023-25, below its pre-pandemic 2019 level of 53.7% and the current 'BB' median of 54.1%. The share of FX-denominated debt of around 60% is above the 'BB' median of 55%, although this has declined from 71.2% at end-2021 due to sharp dram appreciation as well a shift to greater local borrowing.

Rating Factors

Strengths

- Income per capita is 1.4x the current 'B' median. Armenia also outperforms the 'B' and 'BB' medians on the World Bank's Human Development and overall governance indicators.
- Adherence to the macroeconomic policy framework underpinned by the IMF program is strong, and encompasses the flexible exchange-rate regime, inflation targeting and fiscal rules.
- Average maturity of central government debt is relatively long, at 7.5 years as of May 2023 (although below the government benchmark of 8-11 years).
- Interest-rate risk is relatively low, as 84.1% of public debt is at fixed interest rates, as of May 2023.
- Armenia benefits from strong official creditor support; as of May 2023, 40.1% of general government debt was owed to official lenders.

Weaknesses

- General government debt is highly exposed to exchange-rate risks, with 60.5% denominated in foreign currency as of 1Q23.
- Net external debt is above peer medians, although the gap narrowed substantially in 2022.
- The economy is heavily exposed to Russia, which is the largest destination for exports, and source of imports, FDI and tourism.
- Political and geopolitical risks remain related to the fallout from the Nagorno-Karabakh conflict and implications from relations with Russia.
- Transmission of monetary policy is constrained by relatively high dollarization.

AZERBAIJAN

Rating Fundamentals, Positive Outlook: The 'BB-'/Positive rating is supported by Azerbaijan's very strong external balance sheet, the lowest public debt in its peer group, and financing flexibility from large sovereign wealth fund assets. Set against these factors are weak governance indicators, lack of predictability of economic policy-making, high financial dollarization, heavy dependence on the hydrocarbon sector, and geopolitical risks. The Positive Outlook reflects continued strengthening of external and fiscal buffers due to higher-than-budgeted energy prices, and greater expenditure restraint than in previous energy sector windfalls.

Strengthening External Position: The current account surplus will decline 19pp in 2023, but remains the highest in the 'BB' category. We expect surpluses in double digits in 2024-2025 despite lower oil prices (oil and gas revenues equal 90% of total exports). Fitch projects Azerbaijan's net sovereign asset position to increase by 14pp to 63% of GDP in 2023 and 72% by 2025, the highest in the peer group.

Rating Factors

Strengths

- Sovereign net foreign assets (mainly accruing to SOFAZ) at 58% of GDP at end-2022 set Azerbaijan apart from 'BB' and 'BBB' medians.
- The current account balance recovered from a deficit of 0.5% of GDP in 2020 to a surplus of nearly 30% in 2022.
- Public debt is low at 11.6% of GDP at end-2022, versus the 'BB' median of 54.6%. However, contingent liabilities are sizeable with on-lending and guarantees totaling 17% of GDP.

Weaknesses

- The policy framework is opaque and lacks cohesion between institutions, resulting in delayed and ineffective responses to shocks.
- Azerbaijan is heavily reliant on oil and gas (accounting for nearly 40% of GDP and more than 90% of exports).
- Governance indicators are significantly lower than the 'BB' medians.
- GDP growth averaged 1.0% in 2015-2022, well below the 'BB' median of 2.2%. Inflation is more volatile than the peer group median.
- Dollarization is high with 48% of deposits in FX, limiting monetary policy flexibility. Dollarization surged after devaluations in 2015 but has since recovered.
- The banking sector is relatively weak, with high state involvement, high concentration and poor financing capacity. In 2017, Azerbaijan's largest bank, IBA, required restructuring.

GEORGIA

Fundamental Rating Strengths and Weaknesses: The ‘BB’/Positive rating is supported by Georgia's strong governance and economic development indicators relative to the 'BB' medians, its credible macro-fiscal policy framework, moderate level of public debt, and sound banking sector. These factors are balanced by high financial dollarization and exposure of public debt to foreign-currency risk, and weaker external finances, including high net external debt and a large negative international investment position.

Positive Rating Outlook: The Positive Outlook reflects very strong economic recovery combined with a fall in inflation and an improved external position. Macro-policy settings remain sound and Georgia's record of fiscal prudence helps underpin our expectation of low and stable general government deficits. Fitch also has greater confidence that migrant and capital inflows from Russia will not sharply reverse, although this remains a downside risk.

Rating Factors

Strengths

- Georgia’s Governance Indicators (as measured by the World Bank), at the 61st percentile, are higher than the ‘BB’ peer median (44th percentile).
- Credible monetary and fiscal policy framework, with a strong record of official creditor support.
- Record of stable fiscal performance, and general government debt below the peer group median.
- The Georgian banking sector is stable and well-capitalized (Tier 1 capital ratio of 17.5%), with a non-performing loans (NPLs) ratio of 3.8%.

Weaknesses

- Very high exposure to FX risks, given that 75% of total public debt is denominated in foreign currency.
- High dollarization, with about 45% of loans and 50% of deposits denominated in foreign currency.
- Structurally large current account deficits, and a large negative net international investment position.
- Geopolitical risks associated with Russia, and domestic political challenges.

UZBEKISTAN

Uzbekistan's 'BB-'/Stable ratings, affirmed on August 25, 2023, balance robust external and fiscal buffers, low government debt and a record of high growth relative to 'BB' rated peers', against high commodity dependence and structural weaknesses in terms of low GDP per capita, an uncompetitive and large, albeit reducing, state presence in the economy, and weak, but improving, governance levels.

Strong Commitment to Reforms: Uzbekistan's government is progressing with key structural economic reforms, including privatization of state-owned enterprises and a continued reduction in preferential lending to stimulate competition in the economy. The government plans to revive its energy tariff reform, after putting off implementation in May 2023, which will benefit long-term public finances.

Political & Geopolitical Risks: President Mirziyoyev won snap elections in July under a new constitution that extends presidential terms to seven from five years. The economy has proved resilient to spillovers from the Ukraine war and Russia sanctions so far, with Uzbek banks implementing controls to comply with western sanctions. Commercial ties with Russia will remain deep, and the government will continue balancing this with strong ties with western countries as it seeks to avoid becoming subject to secondary sanctions.

Rating Factors

Strengths

- Robust external liquidity and international reserves coverage (July 2023: 9.4 months of CXP) mitigates risks from the traditionally large CADs, commodity dependence and high financial dollarization.
- Government debt is low, with official debt accounting for 89% of external debt.
- Uzbekistan has a record of high growth, and prospects are strong due to favorable demographics and increasing competition in the economy.
- Uzbekistan is taking steps to introduce market-oriented reforms, reducing the state's footprint in the economy and improving institutional quality.

Weaknesses

- GDP per capita is low and governance standards measured by the World Bank are well below the 'BB' median, although they are improving.
- Uzbekistan is exposed to geopolitical risks, owing to a high dependence on Russia for trade and remittances, and potential for secondary sanctions.
- Commodities (gold, natural gas, copper) represent a high share (36%) of exports and the state budget's revenue (34%); gold has a high weight in international reserves (65%).
- Monetary policy is constrained by high inflation expectations, financial dollarization (31.7% of loans and 24.4% of deposits as of July 2023) and underdeveloped local capital markets.
- The current account has consistently recorded large deficits, with the strong performance in 2022 driven by one-off factors.

FRONTIER MARKETS IN EMERGING EUROPE

CONTACTS

Frank Laurents
Global Strategist
Emerging Markets, Sovereigns
+1 212-908-9127
frank.laurents@fitchratings.com

Aymeric Poizot, C.F.A
Global Head of Investor Development
Country Head France, Belgium, Luxembourg
+33 1 44 29 92 76
aymeric.poizot@fitchratings.com

Helen Wong
Head of APAC
Investor Development
+852 2263 9934
helen.wong@fitchratings.com

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/SITE/DEFINITIONS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE. Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. DC-177