



GOVERNMENT OF GRENADA

QUARTERLY PUBLIC DEBT BULLETIN

QUARTER 4, 2017

COMPILED BY THE DEBT MANAGEMENT UNIT
OF THE MINISTRY OF FINANCE

Acronyms & Abbreviations

ATM- Average Time to Maturity

ATR- Average Time to Re-fixing

CDB- Caribbean Development Bank

CDF- Caricom Development Fund

EUR- Euro

GBP- Great Britain Pound

GDP- Gross Domestic Product

GOG-Government of Grenada

IDA – International Development Association

IFAD- International Fund for Agricultural Development

IMF- International Monetary Fund

KWD- Kuwaiti Dinar

MTDS- Medium-Term Debt Strategy

OPEC- Organisation of Petroleum Exporting Countries

RGSM- Regional Government Securities Market

USD- United States Dollar

XCD- Eastern Caribbean Dollar

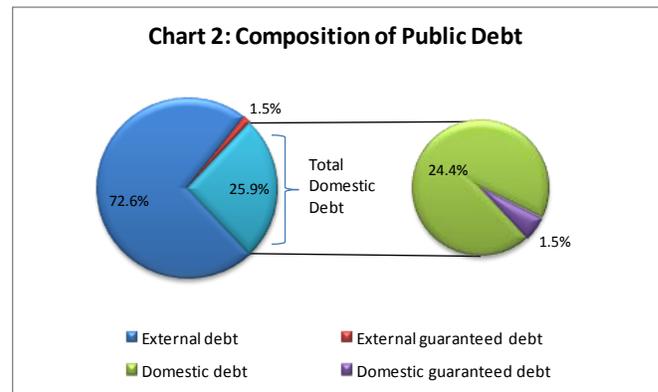
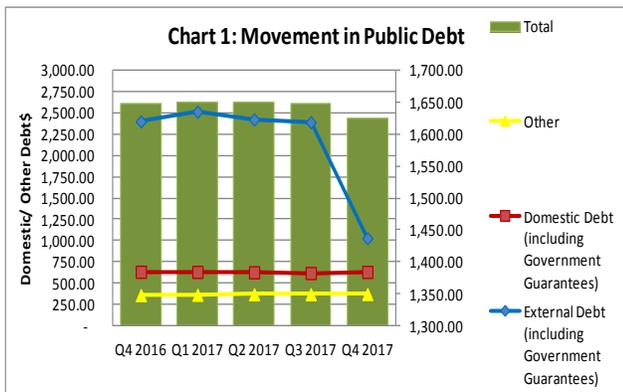
XDR- Special Drawing Rights

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1.0 Total Public Debt

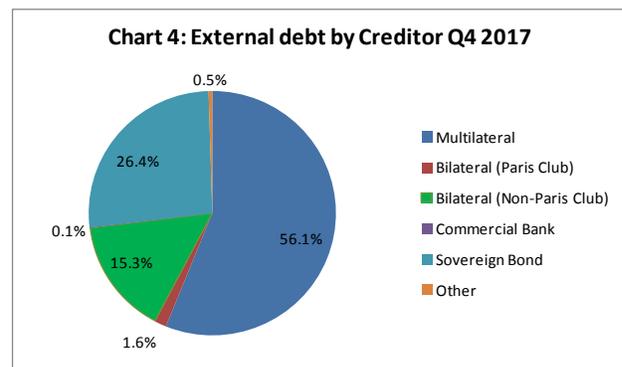
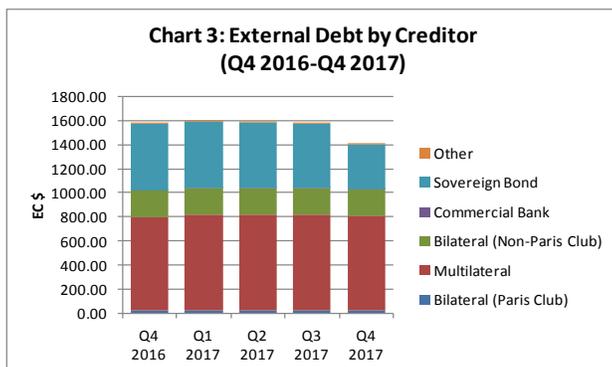
At the end of the final quarter of 2017, total public debt stood at EC\$ 2,441.44 million or 81.3% of gross domestic product (GDP¹). Total public debt includes Central Government's debt, Public Corporations' debt and other debt obligations, which may be contingent liabilities for the Government. There were reductions in total public debt of EC\$ 171.46 million (6.6%) and EC\$ 166.64 million (6.4%) when compared to the final quarter in 2016 and the preceding quarter in 2017 (Chart 1). Domestic debt levels during the period December 2016 to December 2017 were relatively constant. However, external debt fluctuated during that period with a downward trajectory in the final quarter, as GOG underwent its final phase of debt restructuring. The completion of the debt restructuring resulted in principal reductions on Government of Grenada's (GOG's) debt stock, particularly its USD and XCD 2015-2030 international bond and its loan from Taiwan, totaling EC\$158.25 million. Total public debt comprised of 25.9% domestic debt and 74.1% external debt. Government guaranteed debt as a proportion of total debt was 3.0% of which both domestic and external debt were 1.5% (Chart 2). Central Government debt totaled EC\$ 1,997.14 million (66.5% of GDP), of which 29.8% was domestic debt and 70.2% was external. Public debt including Central Government's debt and Public Corporations' debt (Government guarantees) only, was EC\$ 2,069.29 million (68.9% of GDP).



2.0 External Debt

2.1 External Debt by Creditor Type

As at December 2017, external debt held by the Central Government amounted to EC\$ 1,401.29 million (46.6% of GDP); with Multilaterals accounting for the largest portion. This was also the case in the corresponding period in 2016 and the preceding quarter in 2017 (Chart 3). As at the end of 2017, the composition of external Central Government debt was as follows: multilateral loans 56.1% (EC\$ 786.60m); International Sovereign Bond 26.4% (EC\$ 370.03m); bilateral Non-Paris Club loans 15.3% (EC\$ 214.88m), bilateral loans from Paris Club member countries 1.6% (EC\$ 22.07m); other² creditors 0.5% (EC\$ 6.80m) and commercial debt 0.1% (EC\$ 0.91m) (Chart 4).



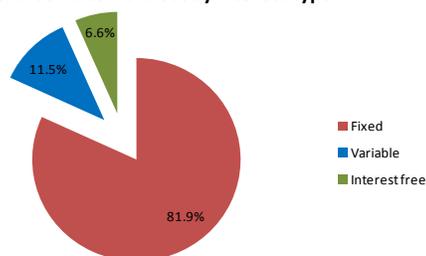
¹ GDP: 2017 projected Gross Domestic Product

² Other: Caricom Development Fund (CDF)

2.2 External Debt by Interest Type

The external portfolio is dominated by loans contracted at a fixed interest rate. As at the end of the final quarter of 2017, loans with a fixed interest rate accounted for 81.9% of the portfolio. Loans contracted at variable interest rates accounted for 11.5% of the portfolio and the remaining 6.6% of the portfolio was interest free (Chart 5).

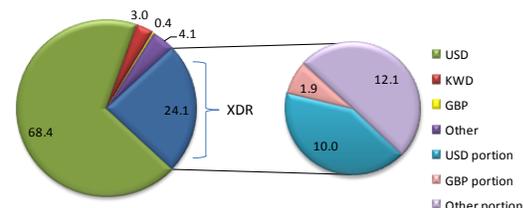
Chart 5: External Debt by Interest type



2.3 Currency Composition

The currency composition of external debt is well aligned with the Medium-term Debt Strategy (MTDS) target for loans in the external portfolio, which is $\geq 75\%$ for US dollar (USD) loans and $\leq 25\%$ for loans denominated in other currencies. USD loans accounted for 68.4% (US\$ 354.95m) of the external debt stock in the final quarter and the Special Drawing Rights (XDR) accounted for 24.1%, bringing the USD-denominated debt to 78.4% of the portfolio (this is because 41.73% of the XDR consists of the USD). Loans denominated in the Kuwaiti Dinars (KWD) accounted for 3.0%, those denominated in the Great Britain Pound (GBP) accounted for 0.4% of the portfolio and other currencies including the Eastern Caribbean dollar (XCD) and the Euro (EUR) made up 4.1% of the external portfolio (Chart 6).

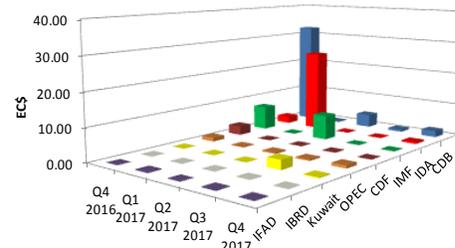
Chart 6: Currency Composition of External Debt



3.0 Disbursement by Creditor

In the final quarter of 2017, total disbursements amounted to EC\$ 3.71 million, the majority of which came from multilateral creditors. In the preceding quarter disbursements amounted to EC\$4.19 million and in the corresponding quarter of 2016 they amounted to EC\$ 45.57 million.

Chart 7: Disbursement by Creditor

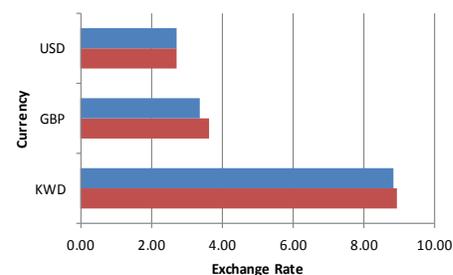


4.0 Risk Assessment of the External Portfolio

4.1 Foreign Currency Risk

In December 2017, the XCD maintained its peg to the USD, which is Government of Grenada's (GOG's) chief borrowing currency. When compared to December 2016 the XCD appreciated against the GBP by 7.30% and the KWD by 1.20%. GBP only accounted for 0.4% of the external debt stock as at the end of the final quarter, which rendered insignificant, the impact of the rate of appreciation of the XCD against the GBP.

Chart 8: Movement in Exchange Rate



4.2 Average Time to Maturity (ATM)³

The ATM of the external portfolio as at the fourth quarter of 2017 was 8.44 years which is line with GOGs target ATM of 8 years and above. When compared to the corresponding quarter in 2016 and the previous quarter in 2017, the ATM increased by 0.04 years and 0.89 years respectively. This is due to new borrowing in the final quarter of 2017 with a longer term to maturity.

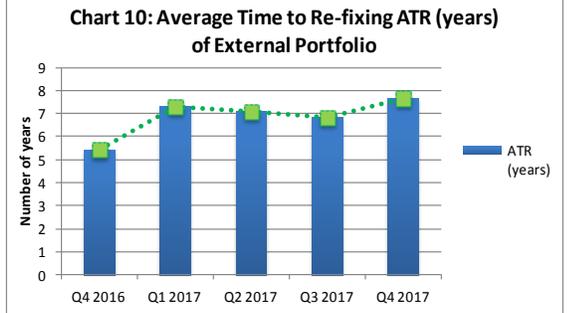
Chart 9: Average Time to Maturity ATM (years) of External Portfolio



³ ATM shows how long it takes on average to rollover or refinance the debt portfolio.

4.3 Average Time to Re-fixing (ATR⁴)

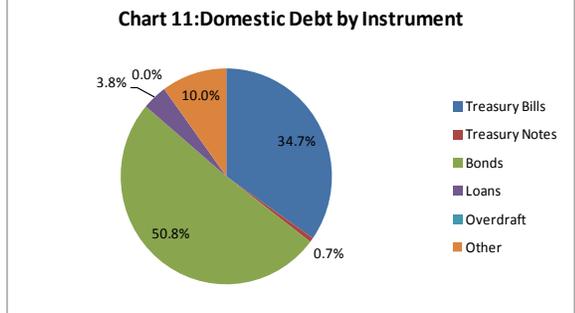
The ATR of the external portfolio as at December 31st, 2017 was 7.67 years. There was an increase in ATR of 0.83 years and 2.25 years when compared to the previous quarter and the corresponding quarter in 2016 respectively (Chart 10). This indicates lower risk in 2017 as opposed to 2016, as interest rates for a smaller number of loans will be reset.



5.0 Domestic Debt

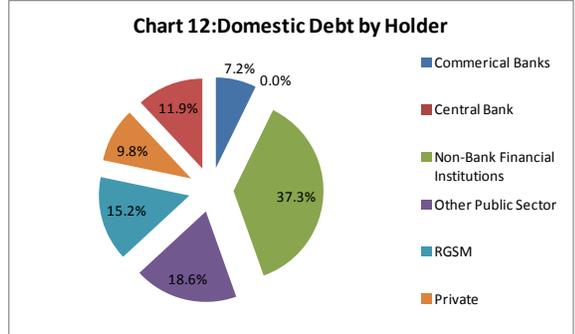
5.1 Domestic Debt by Instrument

At the end of the final quarter of 2017, domestic debt was EC\$ 595.85 million (19.8% of GDP). Bonds dominated the domestic portfolio, followed by Treasury bills (Chart 11). In the previous quarter this was also the case but in the corresponding quarter in 2016 Treasury bills dominated the portfolio followed by bonds. This is because a portion of GOG's Treasury bills was converted to bonds in the first quarter of 2017.



5.2 Domestic Debt by Holder

Non-bank Financial Institutions remain the leading holders of domestic debt as at the end of 2017. They were followed by public sector institutions, investors in the Regional Government Securities Market (RGSM), other creditors, private individuals and companies, and commercial banks (Chart 12).



6.0 Regional Government Securities Market (RGSM) Activities

Table 1 shows details on new securities issued in Quarter 4, 2017 including the bid-to-cover ratio⁵ of each security. These are as follows: two (2) 91-day Treasury bills totaling EC\$ 32.43 million of which one (1) was a Series A⁶ issue of EC\$ 12.43 million; and the other a Series B⁷ issue of EC\$ 20.00 million. There were also two (2) 365-day Treasury bills issued totaling EC\$ 30.00 million, one at EC\$ 10.00 million and the other at EC\$ 20.00 million.

Table 1: RGSM Auction Results (Q4 2017)

T- Bills	Total Units offering	Total Competitive Bids received	Face value of Auction	Total Payment Due	Total Discount	Discount Rate (%)	Bid to Cover Ratio
	<i>In millions of EC\$</i>						
91-day T-bill (series A)	15.00	12.43	12.43	12.30	0.13	3.96	0.83
91-day T-bill (series B)	20.00	45.37	20.00	19.88	0.12	2.48	2.27
365-day T-bill	10.00	13.08	10.00	9.66	0.34	3.38	1.31
365-day T-bill	20.00	38.19	20.00	19.42	0.58	2.91	1.91
TOTAL	65.00	109.06	62.43	61.26	1.17		

⁴ ATR indicates the average time required to reset the interest rate in the debt profile.

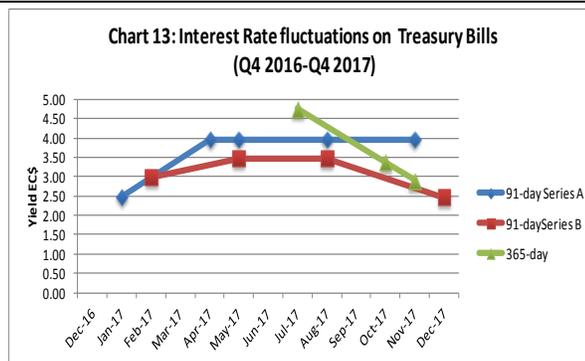
⁵ Bid-to-cover ratio is the ratio of the number of bids received in a Treasury security auction, to the number of bids accepted.

⁶ Series A, 91-day Treasury bills are valued at EC\$ 10.00 million with an option to take an additional EC\$ 5.00 million.

⁷ Series B, 91-day Treasury bills are valued at EC\$ 15.00 million with an option to take an additional EC\$ 5.00 million.

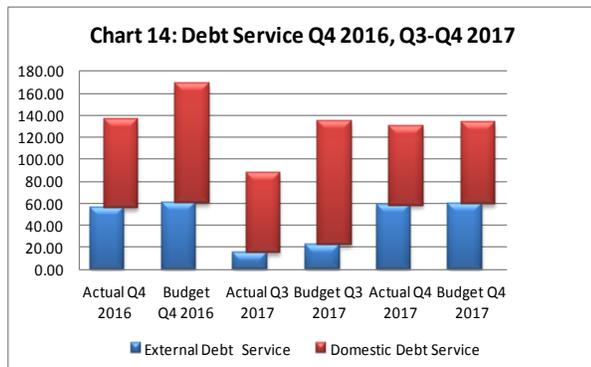
6.1 Treasury Bills Auction Yields

Interest rates for GOG's Treasury bills from December 2016 to December 2017 are shown in Chart 13. Series A rates were lower in the first quarter of 2017 but showed a higher, yet steady pattern throughout the rest of 2017. Series B rates were lowest in the first and final quarters but at a higher more steady rate in the second and third quarters of 2017. Interest rates on 365-day Treasury bills, on the other hand, are declining due to the competitiveness of the bids made by investors' in this type of security.



7.0 Debt Service

Total debt service payments in the final quarter of 2017 amounted to EC\$ 130.01 million against a budgeted EC\$ 133.36 million. Principal repayments amounted to EC\$ 97.42 million, of which EC\$ 33.79 million was external amortisation and EC\$ 63.63 million domestic. Interest payments totaled EC\$ 32.59 million, of which external interest payments accounted for EC\$ 24.67 million and domestic payments EC\$ 7.92 million. Chart 14 compares debt service budgeted and actual payments in quarter 4, 2017, with the corresponding period in 2016 and quarter 3, 2017.



8.0 Government Guarantees

As at the end of the final quarter of 2017, total outstanding Government guarantees was EC\$ 72.16 million (2.4% of GDP). When compared to the third quarter of 2017 and final quarter of 2016, the stock of guaranteed debt decreased by 2.56% and 8.33% respectively. These changes can be seen in Table 2. There were no new issues of Government guaranteed debt in 2017.

Table 2: Guaranteed Debt by Creditor Type as at Q4 2017

Creditor	Dec-16	Sep-17	Dec-17	% Qtrly change	% YTD change
Multilateral	2.53	1.65	1.36	-17.64	-46.15
Commercial	35.80	35.20	34.70	-1.41	-3.07
Social Security	40.35	37.20	36.10	-2.97	-10.54
Statutory body	0.04	0.00	0.00	-100.00	-100.00
Total	78.72	74.06	72.16	-2.56	-8.33

9.0 Debt restructuring

Having successfully completed the IMF-supported Home-Grown Structural Adjustment Programme in quarter 2 of 2017, GOG received final principal stock reductions in quarter 4 of 2017 on its USD and XCD portions of its 2015-2030 international bond and its loan from Taiwan, in the amounts of EC\$ 132.09 million (US\$ 48.92 million), EC\$ 23.20 million and EC\$ 2.96 million respectively. These reductions totaled EC\$ 158.25 million, bringing GOG's total haircut between 2014 and 2017 (the period of debt restructuring) to EC\$ 372.28 million (12.4% of GDP). Table 3 summarises the debt restructuring.

Table 3
Debt Restructuring 2014-2017

Creditors	Instrument Type	DOD ¹ (Pre) EC\$M	DOD (Post) EC\$M	Hair Cut (EC\$M)	Hair Cut (%)	Grace Period	Maturity Period	Interest Type	Interest Rate
External									
Paris Club_Arrears_1	Loan	8.10	8.10	0.00	0	0	0	NA	NA
Paris Club_Arrears_2	Loan	8.10	8.10	0.00	0	8	15	V&F	
Paris Club_Program Years	Loan	5.43	5.43	0.00	0	8	15	V&F	
Taiwan ¹	Loan	98.80	49.40	49.40	50	3	15	Fixed	7.0
US\$ Bond due 2030 ²	Bond	614.44	315.32	262.73	50	0.5	15	Fixed	7.0
Trinidad	Loan	87.25	87.25	0.00	0	0	0	Fixed	
Libya	Loan	13.50	13.50	0.00	0	0	0	Fixed	
Algeria	Loan	5.13	5.13	0.00	0	0	0	Fixed	
FICS Judgement	Bond	2.55	3.804	-	0	-	5	Fixed	NA
FICS (proposed)	Bond	6.38	6.38	0	0	-	2	Fixed	7.76
Sub-total External		849.69	502.42	312.13					
Domestic									
EC\$ Bond 2030 ²	Bond	108.17	53.25	46.40	50	0.5	15	Fixed	7.0
RBL Loan	Loan	5.91	3.56	2.95	50	1	12	Fixed	7.0
RBL (T-Bill)	Bond	3.30	3.35	0.000	0	2	7	Fixed	3.0
Grenada Port Authority (T-bill)	Bond	16.77	8.39	8.38	50	0.5	15	Fixed	3.5
Grenada Housing Authority (Loan)	Bond	3.77	6.72	0.00	0	10	25	Fixed	3.0
Gravel and Concrete (Loan)	Bond	4.84	4.40	2.42	50	0	15	Fixed	7.0
NIS (T-Bill)	Bond	19.67	20.87	0.00	0	2	7	Fixed	3.0
NIS (Contributions)	Loan	31.20	31.20	0.00	0	0	5	Fixed	3.0
NIS (Serial Bond)	Bond	23.20	25.29	0.00	0	10	25	Fixed	3.0
NIS (Bond 2025)	Bond	92.17	100.93	0.00	0	10	25	Fixed	3.0
Petro Caribe (T-bill)	Bond	94.00	94.00	0.00	0	2	20	Fixed	3.0
Petro Caribe (2014/2016 Serial Bond)	Bond	12.60	12.60	0.00	0	2	15	Fixed	3.0
Bank of Commerce (T-Bill)	Bond	9.53	9.53	0.00	0	2	7	Fixed	3.0
Sub-total Domestic		425.13	374.09	60.15					
Total		1,274.82	876.51	372.28					

Appendix

Appendix 1: Size of Public Debt as at end December 2017, in millions

Debt Category	Q4 2016	Q3 2017	Q4 2017
<i>In millions of EC\$</i>			
External Debt (including Government Guarantees)	1,620.27	1,619.19	1,437.30
Domestic Debt (including Government Guarantees)	633.37	618.76	631.99
Other	359.26	370.13	372.14
Total	2,612.90	2,608.08	2,441.44

Appendix 2: External Debt by Creditor

Creditor Category	Q4 2016	Q3 2017	Q4 2017
<i>In millions of EC\$</i>			
Multilateral	770.58	793.75	786.60
Bilateral (Paris Club)	23.98	22.92	22.07
Bilateral (Non-Paris Club)	225.39	218.29	214.88
Commercial Bank	0.90	0.91	0.91
Sovereign Bond	553.82	539.56	370.03
Other	7.56	7.00	6.80
Total	1582.23	1582.43	1401.29

Appendix 3: External Debt by currency composition

Currency Composition	Q4 2016	Q3 2017	Q4 2017	% share of External Debt Q1 2017	MTDS Target
<i>In millions of EC\$</i>					
USD	1158.30	1097.03	958.37	68.39	≥75%
XDR	289.37	340.79	337.35	24.07	
KWD	43.62	42.75	42.23	3.01	≤25%
GBP	5.33	5.40	5.04	0.36	
Other	85.61	96.46	58.30	4.16	
Total	1,582.23	1,582.43	1,401.29		

Appendix 4: Disbursement by Creditor

Creditor	Q4 2016	Q3 2017	Q4 2017
<i>In millions of EC\$</i>			
CDB	32.30	0.67	1.94
IDA	2.14	0.07	0.54
IBRD	0.00	0.04	0.01
IFAD	0.00	0.17	0.11
IMF	7.26	0.00	0.00
OPEC	1.12	0.40	0.85
Kuwait	0.00	2.84	0.25
CDF	2.75	0.00	0.00
Total	45.57	4.19	3.71

Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q4 2016	Q3 2017	Q4 2017
<i>In millions of EC\$</i>			
Treasury Bills	305.80	202.23	206.79
Treasury Notes	-	4.00	4.00
Bonds	206.85	306.68	302.89
Loans	38.51	24.36	22.51
Overdraft	-	-	-
Other	41.52	44.18	59.65
Total	592.68	581.45	595.85

Appendix 6: Domestic Debt by Holder

Domestic Debt by Holder	Q4 2016	Q3 2017	Q4 2017
<i>In millions of EC\$</i>			
Commerical Banks	52.25	43.78	43.16
Central Bank	-	-	-
Non-Bank Financial Institutions	233.17	226.81	222.33
Other Public Sector	94	110.60	110.60
RGSM	93.41	88.03	90.34
Private	66.23	56.23	58.23
Other	53.62	56.00	71.19
Total	592.68	581.45	595.85

Appendix 7: Debt Service

	Actual Q4 2016	Budget Q4 2016	Actual Q3 2017	Budget Q3 2017	Actual Q4 2017	Budget Q4 2017
Total Debt Service	135.51	168.76	87.03	135.21	130.01	133.36
External Debt Service	56.29	60.60	15.12	21.82	58.46	59.71
<i>Principal Repayments</i>	31.11	32.22	10.74	16.81	33.79	34.18
<i>Interest Payments</i>	25.18	28.38	4.39	5.01	24.67	25.53
Domestic Debt Service	79.22	108.16	71.90	113.39	71.55	73.65
<i>Principal Repayments</i>	68.71	96.94	64.24	105.32	63.63	65.07
<i>Interest Payments</i>	10.51	11.22	7.67	8.07	7.92	8.58

Appendix 8: Risk Indicators

Risk Indicators	Q4 2016	Q3 2017	Q4 2017	MTDS Target
ATM (years)	8.4	7.55	8.44	>= 8 yrs
% Maturing in 12 months	8.1	23.4	14.3	-
ATR (years)	5.42	6.84	7.67	-
% Refixing in 12 months	55.35	34.6	26.57	-

APPENDICES 2 TO 7 REFLECT CENTRAL GOVERNMENT DEBT FIGURES ONLY

Debt Statistics Summary (In millions \$)

Particulars	Dec-16	Sep-17 (revised)	Dec-17	Qtrly change (%)	YTD change (%)
Total Public Debt (XCD)					
External Debt (including Government Guarantees)	1,620.27	1,619.19	1,437.30	-11.23	-11.29
Domestic Debt (including Government Guarantees)	633.37	618.76	631.99	2.14	-0.22
Other Public Sector Debt	359.26	370.13	372.14	0.54	3.59
Total Public Debt to GDP (%)					
External Debt to GDP	71.06	66.22	60.24	-9.04	-15.23
Domestic Debt to GDP	23.00	20.60	21.04	2.14	-8.53
Central Government Debt (XCD)					
External Debt	1,582.23	1,582.43	1,401.29	-11.45	-11.44
Domestic Debt	592.68	581.45	595.85	2.48	0.53
Central Government Debt to GDP (%)					
External Debt	55.48	52.68	46.65	-11.45	-15.92
Domestic Debt	20.78	19.36	19.84	2.48	-4.56
Government Guarantees					
External	38.03	36.75	36.02	-1.99	-5.29
Domestic	40.69	37.31	36.15	-3.12	-11.17
External debt by Creditor					
Multilateral	778.14	800.75	793.41	-0.92	1.96
Bilateral	249.37	241.21	236.95	-1.77	-4.98
Other	554.72	540.47	370.94	-31.37	-33.13
External Debt by Instrument					
Loans	1,028.41	1,042.87	1,031.26	-1.11	0.28
Bonds	553.82	539.56	370.03	-31.42	-33.19
Domestic Debt by instrument					
T-bills	305.80	202.23	206.79	2.26	-32.38
T-Notes	-	4.00	4.00	0.00	0.00
Bonds	206.85	306.68	302.89	-1.24	46.43
Loans	38.51	24.36	22.51	-7.60	-41.54
Other	41.52	44.18	59.65	35.02	43.67
Foreign Currency Risk (%)					
% of debt in USD	73.21	69.33	68.39	-1.35	-6.58
% of debt in XDR	18.29	21.54	24.07	11.77	31.63
% of debt in Kuwaiti Dinars	2.76	2.70	3.01	11.62	9.31
% of debt in GBP	0.34	0.34	0.36	5.85	6.83
% of debt in other currency	5.41	6.09	4.16	-31.68	-23.11
% of foreign debt	72.75	73.13	70.16	-4.05	-3.55
Total Debt Service					
External	56.29	15.12	58.46	286.52	3.85
Domestic	79.22	71.90	71.55	-0.50	-9.68
Principal	99.82	74.98	97.42	29.93	-2.41
Interest	35.69	12.05	32.59	170.39	-8.69
Fiscal indicators (%)					
Total Debt Service to Revenue	68.10	46.34	62.93	35.79	-7.59
Total Debt Service to GDP	4.75	2.90	4.33	49.38	-8.92
Interest to Revenue	17.93	6.42	15.77	145.79	-12.05
Interest to Expenditure	17.70	7.17	17.68	146.48	-0.11
Total Public Sector Debt (% of GDP)	91.63	86.82	81.28	-6.39	-11.30

N.B. FIGURES ARE SUBJECT TO CHANGE