



GOVERNMENT OF GRENADA

# QUARTERLY PUBLIC DEBT BULLETIN

QUARTER 2, 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

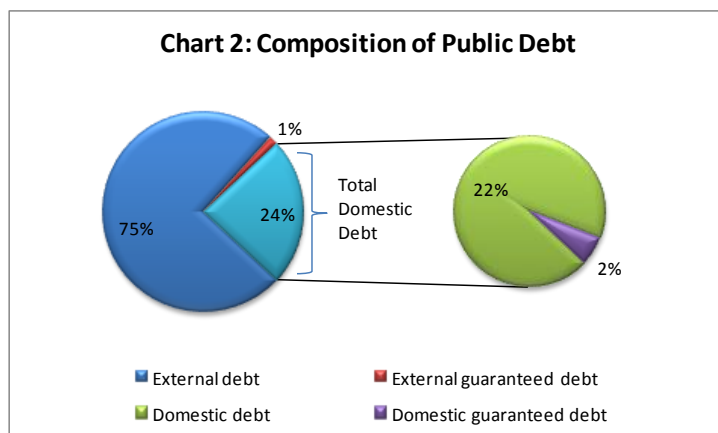
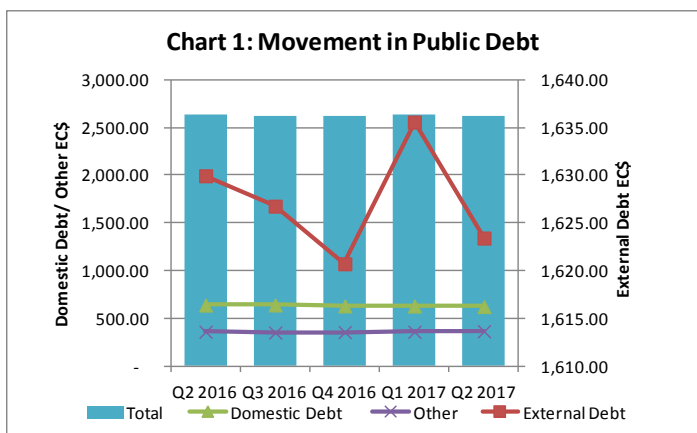
XDR- Special Drawing Rights

# Table of Contents

- 1.0 Total Public Debt ..... - 1 -
- 2.0 External Debt ..... - 1 -
  - 2.1 External Debt by creditor type ..... - 1 -
  - 2.2 External Debt by Interest Type ..... - 2 -
  - 2.3 Currency Composition ..... - 2 -
- 3.0 Disbursement by creditor ..... - 2 -
- 4.0 Risk Assessment of the Portfolio..... - 2 -
  - 4.1 Foreign Currency Risk ..... - 2 -
  - 4.2 Average time to maturity (ATM)..... - 2 -
    - 4.3 Average time to re-fixing (ATR)..... - 3 -
- 5.0 Domestic Debt ..... - 3 -
  - 5.1 Domestic Debt by instrument ..... - 3 -
  - 5.2 Domestic Debt by holder ..... - 3 -
- 6.0 Regional Government Securities Market (RGSM) Activities..... - 3 -
  - 6.1 91- Day Treasury bills auction yields ..... - 4 -
- 7.0 Debt Service ..... - 4 -
- 8.0 Government Guarantees ..... - 4 -
- Appendix ..... - 5 -
- Debt Statistics Summary ..... - 7 -

## 1.0 Total Public Debt

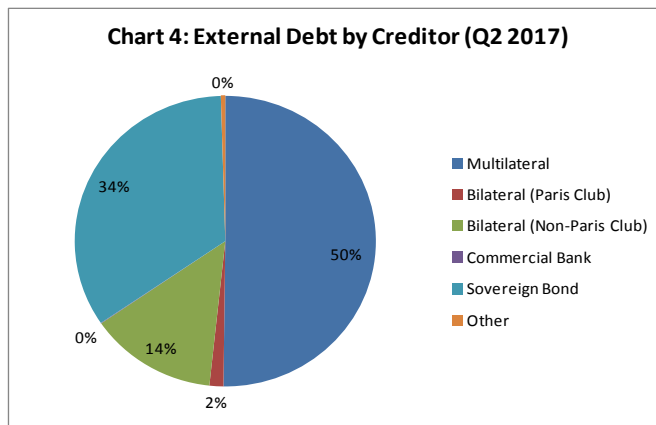
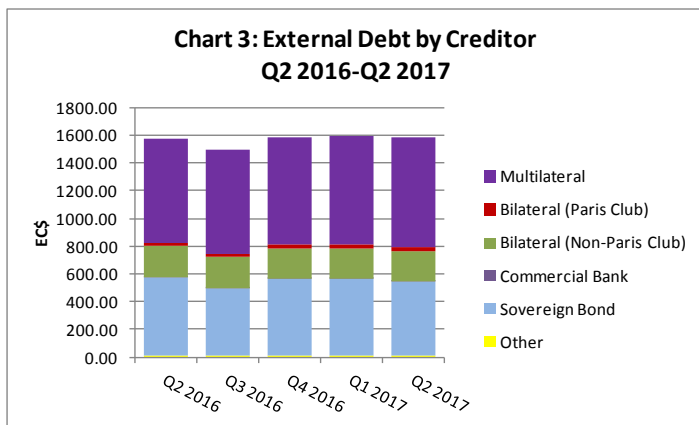
Total Public debt at the end of the second quarter of 2017 stood at EC\$ 2,618.74 million or 87.21% of GDP. Total Public debt included Central Government's debt, Public Corporations' debt and other debt obligations, which may be contingent liabilities for the Government. As at end-June 2017 there were reductions of EC\$ 16.21 million (0.62%) and EC\$ 11.49 million (0.44%) when compared to the corresponding period in 2016 and the preceding quarter, when Total Public debt stood at EC\$ 2,634.95 million and EC\$ 2,630.23 million respectively (Chart 1). Domestic debt levels during the second quarter of 2016 and the second quarter of 2017 were relatively constant while external debt fluctuated, reflecting disbursements primarily from external creditors and debt service payments likewise. Total Public debt comprised of 24% domestic debt and 76% external debt. Government guaranteed debt as a proportion of domestic and external debt was 2% & 1% respectively (Chart 2). Central Government debt totaled EC\$ 2,174.02 million (72.40% of GDP), of which 27.05% was domestic debt and 72.95% was external.



## 2.0 External Debt

### 2.1 External Debt by Creditor Type

External debt held by the Central Government as at June 2017 amounted to EC\$ 1,585.95 million or 52.81% of GDP; with Multilaterals accounting for the largest portion. This was also the case in the corresponding period in 2016 and the preceding period (Chart 3). In the second quarter of 2017, the composition of external debt was as follows: multilateral loans 50.21% (EC\$ 796.37m); International Sovereign Bond 34.02% (EC\$ 539.56m); bilateral Non-Paris Club loans 13.76% (EC\$ 218.30m), bilateral loans from Paris Club member countries 1.50% (EC\$ 23.62m); other<sup>1</sup> creditors 0.45% (EC\$ 7.18m) and commercial debt 0.06 % (EC\$ 0.91m) (Chart 4).

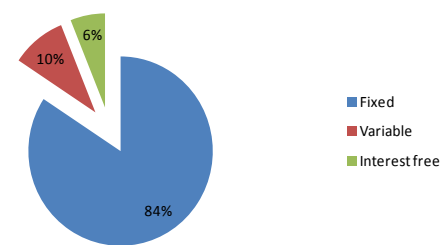


<sup>1</sup> Other: Caricom Development Fund (CDF)

## 2.2 External Debt by Interest Type

The external portfolio is dominated by loans contracted at a fixed interest rate. This was also the case in the corresponding quarter in 2016 and the preceding quarter. In the second quarter of 2017, loans with a fixed interest rate accounted for 84% of the portfolio. Loans contracted at variable interest rates accounted for 10% of the portfolio and the remaining 6% of the portfolio was interest free. (Chart 5)

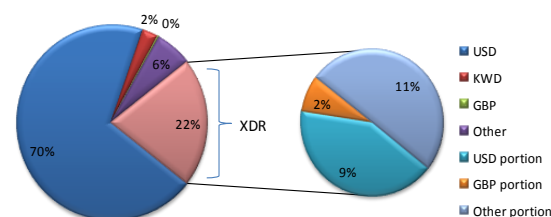
Chart 5: External Debt by Interest type



## 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 69.63 % of the external debt stock in the second quarter and the Special Drawing Rights (XDR) accounted for 21.28% bringing the USD to 78.51% of the portfolio. This is because 41.73% of the XDR consists of the USD. Loans denominated in the Kuwaiti Dinars (KWD) accounted for 2.59%, those denominated in the Great Britain Pound (GBP) was 0.35% of the portfolio and other currencies including the Eastern Caribbean dollar (XCD) and the Euro (EUR) made up 6.15% of the external portfolio (Chart 6).

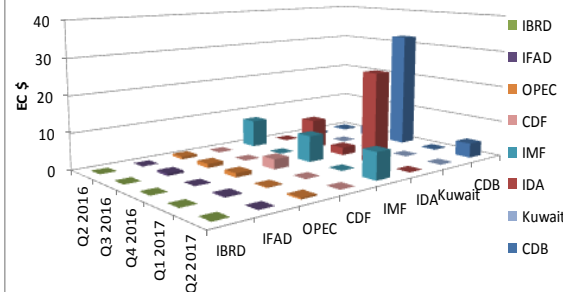
Chart 6: Currency Composition of External Debt



## 3.0 Disbursement by Creditor

Total disbursements in the second quarter of 2017 amounted to EC\$ 11.88 million, the majority of which came from multilateral creditors. In the preceding quarter disbursements amounted to EC\$25.47 million and in the corresponding quarter of 2016 they amounted to EC\$ 9.25 million.

Chart 7: Disbursement by creditor

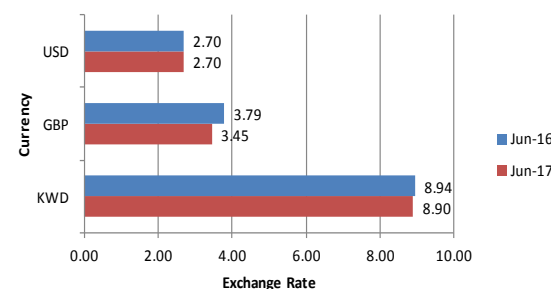


## 4.0 Risk Assessment of the External Portfolio

### 4.1 Foreign Currency Risk

The XCD maintained its peg to the USD, which is Government of Grenada's chief borrowing currency. When compared to the second quarter 2016 the XCD appreciated against the GBP and KWD by 8.97% and 0.45% respectively. GBP only accounted for 0.35% of the external debt stock in the second quarter which renders the high rate of appreciation of the XCD against the GBP insignificant.

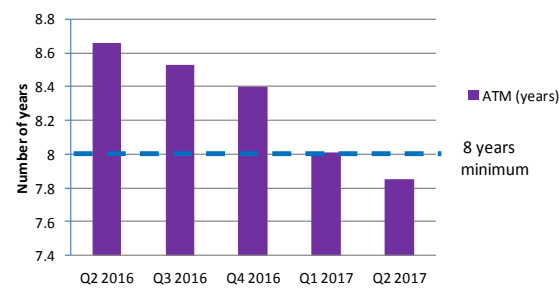
Chart 8: Movement in Exchange rate



### 4.2 Average Time to Maturity (ATM<sup>2</sup>)

As at June 30<sup>th</sup> 2017, the ATM of the external portfolio was 7.85 years. GOGs target ATM is 8 years and above. When compared to the corresponding quarter in 2016 and the previous quarter the ATM has declined. This is because the time to maturity of GOG's concessional loans has been decreasing as shown in Chart 9.

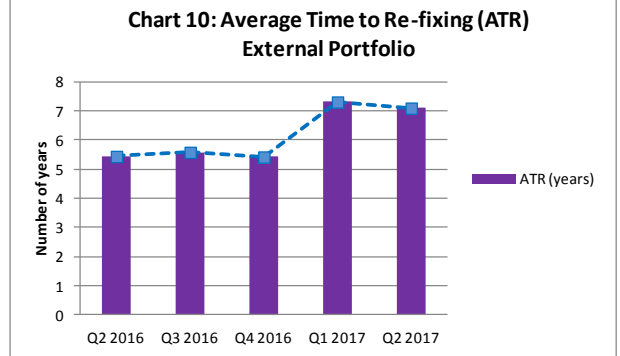
Chart 9: Average Time to Maturity External Portfolio



<sup>2</sup> ATM shows how long it takes on average to rollover or refinance the debt portfolio.

### 4.3 Average Time to Re-fixing (ATR<sup>3</sup>)

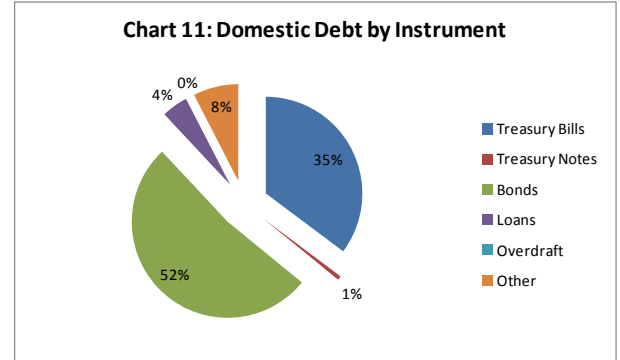
The ATR of the external portfolio as at June 30<sup>th</sup>, 2017 was 7.1 years. This reflects a decline of 0.21 years when compared to the previous quarter and an increase of 1.68 years when compared to the corresponding quarter in 2016 (Chart 10). This indicates lower risk in 2017 as interest rates for a smaller number of loans will be reset.



## 5.0 Domestic Debt

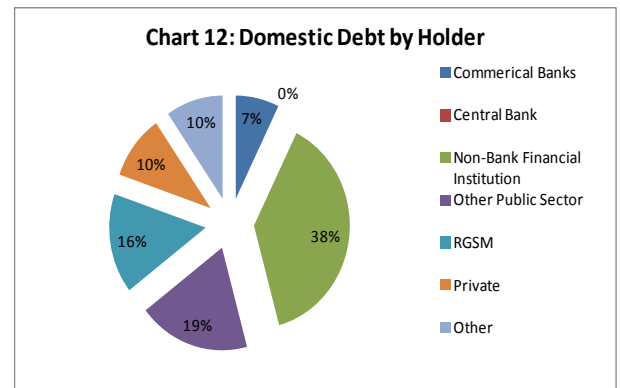
### 5.1 Domestic Debt by Instrument

At the end of the second quarter of 2017, domestic debt was EC\$ 588.06 million (19.58% 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 some GOG Treasury bills were 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. They are followed by public sector institutions, investors in the Regional Government Securities Market (RGSM), Private individuals and companies, and commercial banks (Chart 12).



## 6.0 Regional Government Securities Market (RGSM) Activities

Table 1 shows new security issues in Quarter 2, 2017 as follows: three (3) 91-day Treasury bill issues totaling EC\$ 50 million; two (2) Series A issues, which were both EC\$ 15 million; and one (1) Series B of EC\$ 20 million.

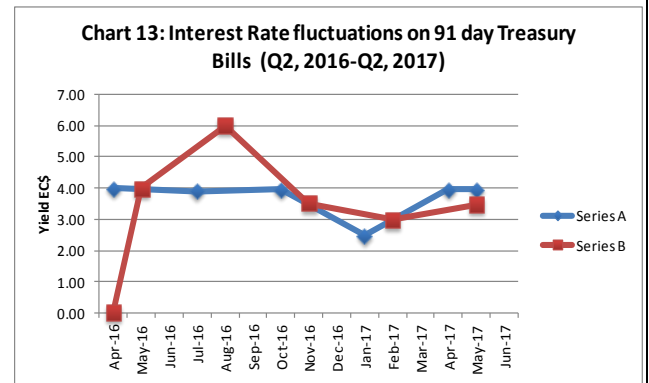
Table 1: RGSM Auction Results (Q2 2017)

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	4.02	15	3.98	0.04	3.96	0.27
91-day T-bill (series A)	15	9.75	15	9.65	0.10	3.96	0.65
91-day T-bill (series B)	20	21.53	20	19.83	0.17	3.47	1.08
<b>TOTAL</b>	<b>50</b>	<b>35.3</b>	<b>50</b>	<b>33.46</b>	<b>0.31</b>		

<sup>3</sup> ATR indicates the average time required to reset the interest rate in the debt profile.

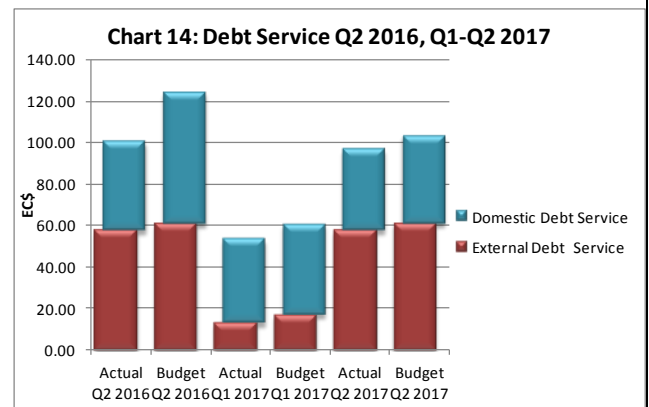
## 6.1 91- Day Treasury Bills Auction Yields

Interest rates for GOG 91-day Treasury bills (Series A & B) during the period June 2016 to June 2017 are shown in Chart 13. The interest rate on Series A remained constant between April 2016 and October 2016. However, the rate declined in the first quarter of 2017 and subsequently increased during the second quarter. Series B however, had fluctuations in interest rates ranging from 2.98% to 6%.



## 7.0 Debt Service

Total debt service for the second quarter of 2017 amounted to EC\$ 96.38 million against a budgeted EC\$ 102.85 million. Principal repayments amounted to EC\$68.64 million of which EC\$ 31.92 million was external debt service and EC\$ 36.73 million domestic. Interest payments totaled EC\$ 27.74 million of which external debt service accounted for EC\$25.07 million and domestic debt service EC\$2.68 million. Chart 14 compares debt service budgeted and actual payments in quarter 2, 2017 with the corresponding period in 2016 and the preceding period in 2017.



## 8.0 Government Guarantees

Total outstanding Government guarantees for the second quarter of 2017 was EC\$ 76.04 million. Compared to quarter one of 2017, the stock of guaranteed debt decreased by 3.64% and when compared to quarter 2 in 2016, it declined by 22.89%. These changes can be seen in Table 2 below. There were no new issues of Government guaranteed debt in the second quarter of 2017.

Table 2: Guaranteed Debt by Creditor Type as at Q2 2017

Creditor	Jun-16	Mar-17	Jun-17	% Qtrly change	% YTD change
Multilateral	8.46	2.24	1.94	-13.39	-77.07
Commercial	46.57	36.35	35.69	-1.82	-23.36
Social Security	43.52	40.30	38.40	-4.71	-11.76
Statutory body	0.06	0.02	0.01	-50.00	-83.33
<b>Total</b>	<b>98.61</b>	<b>78.91</b>	<b>76.04</b>	<b>-3.64</b>	<b>-22.89</b>

## Appendix

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

Debt Category	Q2 2016	% of GDP	Q1 2017	% of GDP	Q2 2017	% of GDP
<i>In millions of EC\$</i>						
External Debt	1,629.95	58.23	1,635.57	55.84	1,623.43	54.06
Domestic Debt	641.86	22.93	631.82	21.57	626.62	20.87
Other	363.14	12.97	362.84	12.39	368.69	12.28
<b>Total</b>	<b>2,634.95</b>	<b>94.14</b>	<b>2,630.23</b>	<b>89.79</b>	<b>2,618.74</b>	<b>87.21</b>

### Appendix 2: External Debt by Creditor

Creditor Category	Q2 2016	Q1 2017	Q2 2017
<i>In millions of EC\$</i>			
Multilateral	747.99	789.13	796.37
Bilateral (Paris Club)	25.01	24.67	23.62
Bilateral (Non-Paris Club)	228.13	221.12	218.30
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	568.13	553.82	539.56
Other	5.11	7.56	7.18
<b>Total</b>	<b>1575.29</b>	<b>1597.21</b>	<b>1585.95</b>

### Appendix 3: External Debt by currency composition

Currency Composition	Q2 2016	Q1 2017	Q2 2017	% share of External Debt Q1 2017	MTDS Target
<i>In millions of EC\$</i>					
USD	1140.01	1122	1104.24	69.63	} ≥75% } ≤25%
XDR	303.4	327.82	337.45	21.28	
KWD	46.8	42.38	41.12	2.59	
GBP	6.6	5.89	5.63	0.35	
Other	78.48	99.12	97.51	6.15	
<b>Total</b>	<b>1,575.29</b>	<b>1,597.21</b>	<b>1,585.95</b>		

### Appendix 4: Disbursement by Creditor

Creditor	Q2 2016	Q1 2017	Q2 2017
<i>In millions of EC\$</i>			
CDB	0.28	0.13	4.04
IDA	0	24.95	0
IBRD	0	0	0
IFAD	0	0.23	0
IMF	7.59	0	7.46
OPEC	0.69	0.16	0.38
Kuwait	0.69	0	0
CDF	0	0	0
<b>Total</b>	<b>9.25</b>	<b>25.47</b>	<b>11.88</b>



**Appendix 5: Domestic Debt by Instrument**

Domestic Debt by Instrument	Q2 2016	Q1 2017	Q2 2017
<i>In millions of EC\$</i>			
Treasury Bills	306.45	208.27	207.03
Treasury Notes	-	4.00	4.00
Bonds	206.26	310.00	306.55
Loans	43.69	27.48	25.92
Overdraft	-	-	-
Other	41.52	41.52	44.56
<b>Total</b>	<b>597.92</b>	<b>591.27</b>	<b>588.06</b>

**Appendix 6: Domestic Debt by Holder**

Domestic Debt by Holder	Q2 2016	Q1 2017	Q2 2017
<i>In millions of EC\$</i>			
Commerical Banks	54.32	42.78	42.78
Central Bank	6.56	-	0
Non-Bank Financial Institution	236.71	231.22	226.49
Other Public Sector	94	98	110.6
RGSM	97	93.41	92.18
Private	56.73	72.23	59.64
Other	52.6	53.63	56.37
<b>Total</b>	<b>597.92</b>	<b>591.27</b>	<b>588.06</b>

**Appendix 7: Debt Service**

	Actual Q2 2016	Budget Q2 2016	Actual Q1 2017	Budget Q1 2017	Actual Q2 2017	Budget Q2 2017
<b>Total Debt Service</b>	<b>99.87</b>	<b>123.62</b>	<b>53.23</b>	<b>60.48</b>	<b>96.38</b>	<b>102.85</b>
<b>External Debt Service</b>	<b>57.05</b>	<b>60.30</b>	<b>12.71</b>	<b>16.81</b>	<b>56.98</b>	<b>60.32</b>
<i>Principal Repayments</i>	31.35	31.92	8.86	11.40	31.92	34.27
<i>Interest Payments</i>	25.70	28.38	3.85	5.41	25.07	26.05
<b>Domestic Debt Service</b>	<b>42.82</b>	<b>63.33</b>	<b>40.52</b>	<b>43.66</b>	<b>39.40</b>	<b>42.53</b>
<i>Principal Repayments</i>	37.26	56.56	36.96	38.54	36.73	37.75
<i>Interest Payments</i>	5.56	6.76	3.56	5.13	2.68	4.78

**Appendix 8: Risk Indicators**

Risk Indicators	Q2 2016	Q1 2017	Q2 2017	MTDS Target
ATM (years)	8.66	8.01	7.85	>= 8 yrs
% Maturing in 12 months	7.8	20.20	21.5	-
ATR (years)	5.44	7.31	7.1	-
% Refixing in 12 months	55.16	32.17	33.31	-

## Debt Statistics Summary ( In millions \$)

Particulars	Jun-16	Mar-17	Jun-17	Qtrly change (%)	YTD change (%)
<b>Total Public Debt (XCD)</b>					
External Debt	1629.95	1635.57	1,623.43	-0.01	-0.40
Domestic Debt	641.86	631.82	626.62	-0.01	-2.37
Other Public Sector	363.14	362.84	368.69	0.02	1.53
<b>Public Debt to GDP (%)</b>					
External Debt to GDP	71.21	71.73	66.34	-7.51	-6.83
Domestic Debt to GDP	22.93	22.67	20.87	-7.94	-8.99
<b>Central Government Debt (XCD)</b>					
External Debt	1575.29	1597.21	1585.95	-0.70	0.68
Domestic Debt	597.92	591.27	588.06	-0.54	-1.65
<b>Central Government Debt to GDP (%)</b>					
External Debt	56.28	54.53	52.81	-3.14	-6.16
Domestic Debt	21.36	20.18	19.58	-2.98	-8.33
<b>Government Guarantees</b>					
External	54.66	38.36	37.48	-2.29	-31.43
Domestic	43.94	40.55	38.56	-4.91	-12.24
<b>External debt by Creditor</b>					
Multilateral	753.10	796.69	803.56	0.86	6.70
Bilateral	253.14	245.79	241.92	-1.57	-4.43
Other	569.05	554.73	540.47	-2.57	-5.02
<b>External Debt by Instrument</b>					
Loans	1007.16	1043.39	1046.39	0.29	3.90
Bonds	568.13	553.82	539.56	-2.57	-5.03
<b>Domestic Debt by instrument</b>					
T-bills	306.45	302.27	207.03	-31.51	-32.44
T-Notes	0.00	4.00	4.00	0.00	0.00
Bonds	206.26	216.00	306.55	41.92	48.62
Loans	43.69	27.48	25.92	-5.68	-40.68
Other	41.52	41.52	44.56	7.32	7.33
<b>Foreign Currency Risk (%)</b>					
% of debt in USD	72.37	70.25	69.60	-0.93	-3.83
% of debt in XDR	19.26	20.52	21.27	3.65	10.44
% of debt in Kuwaiti Dinars	2.97	2.65	2.59	-2.26	-12.79
% of debt in GBP	0.42	0.37	0.35	-5.41	-16.67
% of debt in other currency	4.98	6.21	6.18	-0.48	24.10
% of foreign debt	72.49	72.98	72.95	-0.04	0.64
<b>Total Debt Service</b>					
External	57.05	20.62	56.98	176.33	-0.13
Domestic	42.82	41.35	39.40	-4.72	-7.99
Principal	68.61	53.93	68.64	27.28	0.05
Interest	31.26	8.04	27.74	245.02	-11.27
<b>Fiscal indicators</b>					
Total Debt Service to Revenue	50.90	34.46	51.79	50.28	1.74
Total Debt Service to GDP	3.57	2.33	3.21	37.85	-10.05
Interest to Revenue	15.93	4.30	14.91	246.64	-6.44
Interest to Expenditure	18.56	5.47	15.81	189.01	-14.85
<b>Total Public Sector Debt (% of GDP)</b>	<b>94.14</b>	<b>89.79</b>	<b>87.21</b>	-2.88	-7.36
<b>Average Fixed Interest Rate</b>	<b>3.60%</b>				
<b>Average Variable Interest Rate</b>	<b>3.00%</b>				
<b>Average Grace Period</b>	<b>6.7 Years</b>				
<b>Average Grant Element</b>	<b>22.40%</b>				