GOVERNMENT OF GRENADA

PROSPECTUS FOR GOVERNMENT SECURITIES

FOR THE PERIOD

FEBRUARY 2018 – DECEMBER 2018

EC$45 MILLION 91-DAY TREASURY BILLS

EC$55 MILLION 365-DAY TREASURY BILLS

EC$10 MILLION 2-YEAR TREASURY NOTES

MINISTRY OF FINANCE
FINANCIAL COMPLEX
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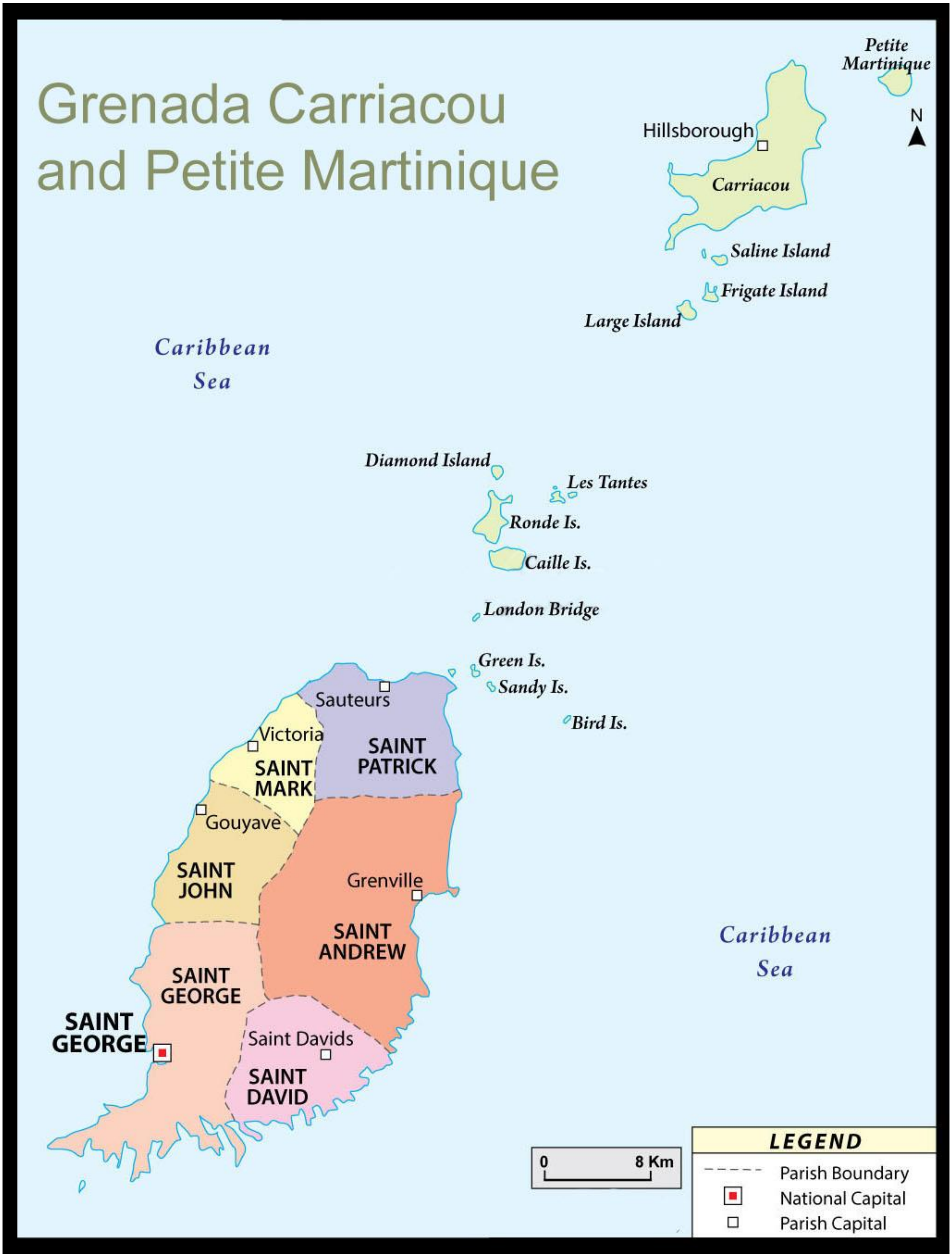
DATE OF PROSPECTUS: FEBRUARY 2018


Grenada Carriacou and Petite Martinique
Petite Martinique
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Hillsborough
Carriacou
Saline Island
Frigate Island
Large Island
Caribbean Sea
Diamond Island
Les Tantes
Ronde Is.
Caille Is.
London Bridge
Green Is.
Sandy Is.
Bird Is.
Sauteurs
Victoria
SAINT PATRICK
SAINT MARK
Gouyave
SAINT JOHN
Grenville
SAINT ANDREW
Caribbean Sea
SAINT GEORGE
SAINT GEORGE
Saint Davids
SAINT DAVID
0
8 Km
LEGEND
Parish Boundary
National Capital
Parish Capital

ABOUT THE STATE OF GRENADA

The State of Grenada consists of three islands; Grenada, Carriacou and Petit Martinique situated between the Caribbean Sea and the Atlantic Ocean, 12.7 degrees north latitude and 61.4 degrees west longitude.

The Grenada Constitutional Order of 1973, which established the Constitution of Grenada, granted Grenada independence from the United Kingdom on 07 February 1974.

A Governor General (Grenada's Head of State), is appointed by and represents the British Monarch and a Prime Minister is both leader of the majority party and the Head of Government. The Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The last general election was held in February 2013 and the New National Party (NNP), which was in opposition in the preceding five years contested and won 15 out of the 15 seats in the House of Assembly. Grenada's judicial system is based on the English system, including the principles and practice of English common law. Table 1 sets out **selected social indicators for Grenada**.

Table 1: Grenada Selected Social Development Indicators

Human development rank out of 187 countries (2016)	***79.0***
Life expectancy at birth in years (2016)	***73.6***
Adult literacy rate in per cent (2007)	***96.0 per cent***
GDP per capita (2011 PPP) in U.S.$ (2016)	***12,203***
Population rate of growth (per cent)(2010/2016 Est)	***0.7 per cent***
Infant mortality per 1,000 live births (2016)	***10.8***
Access to improved water source (2010) (per cent of population)	***97 per cent***

Source: 2016 United Nations Human Development Report and Ministry of Finance

<u>NOTICE TO INVESTORS</u>

The Government of Grenada is issuing this prospectus for the purpose of providing information to the public. The Government accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries to ensure the accuracy of this. To the best of its knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading.

The Prospectus has been drawn up in accordance with the rules of the Regional Government Securities Market. The Regional Debt Co-ordinating Committee and Eastern Caribbean Central Bank accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus and its content are issued to cover the series of Government's securities to be issued over the period February 2018 to December 2018. If in need of financial or investment advice please consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of Government instruments or other securities.

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1.0 ABSTRACT

During the period February 2018 to December 2018, the Government of Grenada is seeking to issue the following Government securities on the Regional Governments Securities Market to refinance its existing treasury bills currently on the market as follows:

91 Day Treasury Bills

Fifteen Million (EC$15.0M) in each of 3 issues

The maximum coupon rate of the new bills being 4 per cent per annum.

365 Day Treasury Bills

- Twenty-five million (EC$25.0M) in 365 day treasury bills on July 23, 2018.
- Ten million (EC$10.0M) in 365 day treasury bills on October 12, 2018.
- Twenty million (EC$20.0M) in 365 day treasury bills on December 03, 2018.

The maximum coupon rate of the new bills being 5 per cent per annum.

2 Year Treasury Note

- Ten million (EC$10.0M) in 2 year treasury note on February 8, 2018.

The maximum coupon rate of the new note being 5.5 per cent per annum.

In this Prospectus, references to "Grenada" are to the State of Grenada and references to the "Government" are to the Government of Grenada. The Treasury bill and note issues are being raised under the authority of the Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada. The Constitution of Grenada stipulates that Principal and Interest payments are direct charges on the Consolidated Fund.

All Government of Grenada treasury bills and notes will be opened for bidding at 9:00 a.m. and close at 12:00 noon on the respective auction dates.
A competitive uniform price auction will be used.

2.0 INFORMATION ABOUT THE 2018 SECURITY ISSUANCE

Table 2: Securities Details

SYMBOL	*AUCTION DATES*	*ISSUE/SETTLEMENT DATE*	*MATURITY DATE*	*ISSUE AMT. EC$M*	*TENOR*	*INTEREST RATE CEILING*
GDN090220	8-Feb	9-Feb	9-Feb-20	10	2 Years	5.5%
GDB060618	6-Mar	7-Mar	6-Jun	15	91 Days	4%
GDB060918	6-Jun	7-Jun	6-Sep	15	91 Days	4%
GDB101218	7-Sep	10-Sep	10-Dec	15	91 Days	4%
GDB240719	23-Jul	24-Jul	24-Jul-19	25	365 Days	5%
GDB151019	12-Oct	15-Oct	15-Oct-19	10	365 Days	5%
GDB041219	3-Dec	4-Dec	4-Dec-19	20	365 Days	5%

<u>Further Information about the 2 –year Treasury Notes</u>

The Government of Grenada proposes to auction EC$10.0 million Government Treasury Notes on the Regional Governments Securities Market (RGSM) and to be traded on the Eastern Caribbean Securities Exchange (ECSE). The 2-year Treasury note with symbol GDN090220 will replace an existing 91-day Treasury bill with trading symbol GDB070218.

Repayment: Interest payments will be made semi-annually every 8th February and August beginning 8th August 2018 until maturity.

***Principal Payment*:** Principal will be repaid at maturity on 8th February 2020.

All ISSUES ON THE MARKET ARE IN EC DOLLARS

SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED

3.0 GENERAL INFORMATION

Issuer:	Government of Grenada
Address:	Ministry of Finance Financial Complex Carenage St. George's Grenada
Email:	financegrenada@financegrenada.com
Telephone No.:	473-440-2731 / 440-2928
Facsimile No.:	473-440-4115
Contact Persons:	Dr. The Right Honorable Keith Mitchell, Minister for Finance, financegrenada@financegrenada.com Ms. Kim Frederick, Permanent Secretary Ag. psfinancegrenada@gmail.com Mrs. Ophelia Wells-Cornwall, Deputy Permanent Secretary Ag. psfinancegrenada@gmail.com Mrs. Isha Mc Donald-Abraham, Accountant General Ag. accountant.general@agd.gd
Date of Issue:	February 2018 – December 2018
Type of Security:	Treasury Bills and Treasury Notes
Amount of Issue:	EC$110 million
Purpose Security Issue:	The Treasury bills and notes are being issued as part of Government's Debt Management Strategy to lower the cost of Government's borrowing by reducing reliance on the overdraft facility.
Legislative Authority:	Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada.
Bidding Period:	9:00 am to 12:00 noon on auction days

Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury Bills and Treasury Notes will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange.
Maximum Bid Price:	$94.50 (5.50 per cent).
Minimum Bid:	EC$5,000
Bid Multiplier:	EC$1,000
Bids Per Investor:	Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period.
Taxation:	Yields will not be subject to any tax, duty or levy by the Participating Governments of the Eastern Caribbean Currency Union (ECCU). The countries are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines.
Licensed Intermediaries:	Investors will participate in the auction through the services of licensed intermediaries that are members of the Eastern Caribbean Securities Exchange.

- Bank of Nevis Limited
- Bank of Saint. Lucia Ltd.
- Bank of St Vincent and the Grenadines Ltd.
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd. (Saint Lucia)
- Grenada Co-operative Bank Ltd.

Currency: All currency references will be the Eastern Caribbean dollar unless otherwise stated.

4.0 EXECUTIVE SUMMARY

Grenada has one of the most diversified economies in the OECS region. As such, its growth prospects are not dependent on a single major sector, but on several sectors. The economy grew by 3.7 per cent in 2016 and is poised to experience its fifth consecutive year of economic growth in 2017 of approximately 4.5 per cent, with strong performances being recorded by the Construction, Tourism, Manufacturing and Private Education sectors. Inflation is projected to remain positive, primarily the result of the prices of food and fuel, which continue to rise internationally.

Public finances continued to be healthy in 2017. Both Recurrent Revenue and Recurrent Expenditure performed better than their respective targets. A Primary and Overall Surplus are provisionally estimated at $141.4 million (4.7 percent of GDP) and $66.1 million (2.2 percent of GDP) respectively.

The external current account deficit also improved, attributed to a softening in import values. Financial markets remained relatively stable as the banking system maintained its focus on strengthening its balance sheet.

Public Debt to GDP ratio has steadily declined from 109.1 percent in 2013 to 93.2 percent in 2016. It is estimated to further decline to 81.4 percent of projected GDP at the end of 2017. Having successfully completed the IMF-supported Home-Grown Structural Adjustment program, Grenada received stock reductions totaling $372.3 million as at end December 31, 2017. The Government continues to meet its debt servicing obligations regularly and on time with a total of $251.3 million paid in debt service as at end September, 2017. Despite the restructuring, Grenada maintains an exemplary record on the Regional Governments Securities Market (RGSM). All issues of treasury bills have been repaid upon maturity since Government’s entry into the market in 2013. Results from the Ministry of Finance's in-house Debt Sustainability Analysis indicate that risks to debt sustainability have subsided and public debt is on a sustainable course over the medium term, in keeping with the rules-based fiscal framework.

The Debt Management Unit (DMU), which resides in the Ministry of Finance, has responsibility for the management of Central Government's public debt to enable greater efficiencies and reduce the cost of debt servicing. The DMU is also responsible for developing and publishing the Medium-Term Debt Strategy (MTDS) that provides Government with a plan to achieve a desired debt portfolio consistent with its debt management objectives.

5. 0 FINANCIAL ADMINISTRATION & MANAGEMENT

The Public Finance Management Act 17 was enacted in 2015. In June of that same year, the Public Debt Management Act was passed by Parliament, as well as a Fiscal Responsibility Act which sets the public debt target at 55% of GDP.

The 2015 Public Debt Management, Act which was enacted in August 2016 outlines in some detail the functions and deliverables of the DMU, which reports, through the Minister of Finance, to the Parliament and people of Grenada. The Act also puts into law requirements such as the preparation and implementation of a Medium-Term Debt Strategy, Debt Sustainability Analysis and Annual Borrowing Plans. Further, it constitutes the Public Debt Co-ordinating Committee, which is a technical committee that monitors the cash flow and assists with the planning and execution of debt payments and debt contraction decisions.

Debt Management Objectives

Part I Section (4) of the 2015 Public Debt Management Act outlines Grenada's debt management objectives as follows;

(a) ensuring that the financing needs of the Government are met on a timely basis and that its debt service obligations are met at the lowest cost over the medium-to-long term, in a manner that is consistent with an acceptable and prudent degree of risk;
(b) providing a framework for management of public debt in a manner that achieves and maintains sustainable debt; and
(c) ensuring that public debt management operations support the establishment of a well-developed domestic debt market in the medium-to long term.

As part of its mandate, the DMU is therefore committed to continue striving towards actively managing Grenada's debt portfolio by adopting debt management objectives principally aimed at reducing public debt to its Fiscal Responsibility Legislation (FRL) target and keeping it on a sustainable path over the medium to long term. This principal objective is to be met by:

- Reducing the cost of debt servicing by borrowing primarily on concessional terms;
- Reorganizing the structure of the debt portfolio to increase efficiency, avoid bunching and ensure effective utilization of the proceeds;
- Supporting the development of the Regional Government Securities Market; and
- Managing the risk and financial cost associated with borrowing choices by refinancing higher cost debt and in so doing, adjusting the maturity profile of the portfolio, which will ultimately lead to lower debt service costs.

Risk Management Framework

The Government, to minimize its risk, has adopted an integrated approach to the management of Government finances and debt management. Some of these measures include:

- The requirement for Parliament to approve new debt contracted by Government except for Treasury Bills;
- The legal authority for borrowing in any one year is the loan authorization Bill for that year;

- The legal authority for the issuance of Treasury Bills is the Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada;
- The 2015 Public Finance Management Act and the 2015 Financial Responsibility Legislation, which authorize only the Minister of Finance to contract debt on the country's behalf and sets a public debt to GDP target;
- In –house monitoring of macroeconomic variables, debt sustainability indicators as well as evaluating new loan contracts;
- An ex-ante analysis of new public debt by the DMU in the Ministry of Finance

6.0 MACRO-ECONOMIC PERFORMANCE

Appendix 1 is a five-year (2013-2017) trend analysis of selected macroeconomic indicators.

PERFORMANCE OF THE DOMESTIC ECONOMY[1]

Macroeconomic data for the first nine months of the year indicate that growth continues an upward trajectory with the economy on course to record its fifth consecutive year of growth in 2017. Preliminary estimates show real GDP growth of 4.5 percent (at market prices) in 2017, on the heels of a revised estimate of 3.7 percent growth in 2016. Robust expansion in the Construction sector, coupled with relatively moderate increases in the Tourism, Private Education and Manufacturing sectors underlie the 2017 outturn. Conversely, the Agriculture sector is expected to decline slightly for the year due to weather and pest-related challenges. Based on the estimates, Grenada was the fastest growing economy in the ECCU in 2017 and is poised to continue along a healthy growth path over the medium term, barring unexpected shocks (Table 1).

[1] Excerpts from the Government of Grenada 2017 Economic Review & Medium Term Outlook published with the 2018 National Budget Address

Table 3: Real GDP Growth Rates-ECCU (At Market Prices, Per cent)

			Estimate	Projections
	2015	2016	2017	2018
Anguilla	3.2	1.1	-3.5	5.1
Antigua and Barbuda	4.1	5.3	2.7	5.3
Dominica	-2.5	2.6	-8.3	7.6
Grenada	**6.4**	**3.7**	**4.5**	**3.3**
Montserrat	0.4	2.0	2.4	1.5
St Kitts and Nevis	4.0	2.2	2.1	3.8
Saint Lucia	2.0	1.7	2.8	3.6
St. Vincent and the Grenadines	1.8	1.3	0.8	1.5
ECCU	**3.0**	**2.8**	**1.3**	**3.9**

Source: ECCB, MOF

Agriculture

Preliminary production data for the first nine months of 2017 indicate that the Agriculture sector will contract for the second consecutive year. Decreased production was recorded in all major crops over the period, except for nutmeg and mace. Weather and pest-related challenges were reported as the main factors contributing to decreased production. An unusually rainy first half of the year would have affected the flowering process of some crops, while also creating the ideal environment for the proliferation of certain pests and diseases.

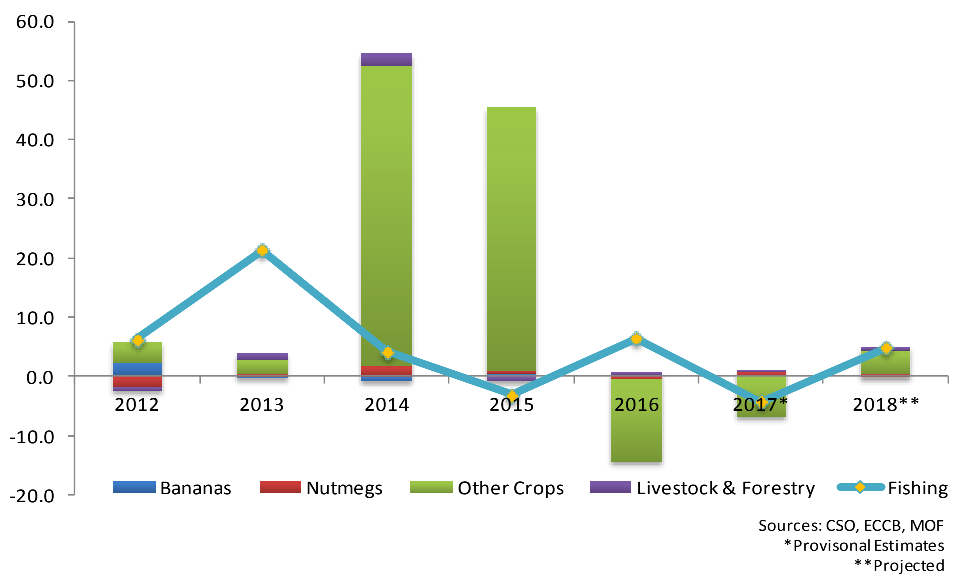
For the first three quarters of 2017, nutmeg production increased by 33.4 percent relative to the corresponding period in 2016. Mace production also increased by 33.6 percent for the first three quarters of 2017 compared to the January to September 2016 period, consistent with growth in nutmeg production. Given recent production patterns and barring any major weather disruptions in the last quarter of the year, it is expected that nutmeg and mace will record significant growth in 2017 over 2016 levels. Cocoa production for the period January to September 2017 declined by 3.2 percent relative to the corresponding period in 2016. Production has reportedly been hindered by unusually high levels of rainfall in the latter months of 2016 and first quarter of 2017, which negatively affected the trees' flowering process. However, given proper farm maintenance and current rainfall patterns, a relatively large harvest is expected in the last quarter of 2017.

From January to September 2017, the quantity of MNIB purchases of 'other crops[2]' (excluding cocoa) fell by 24.4 percent compared to the corresponding period in 2016. Unusual weather patterns and pest and diseases were reported as the main issues affecting production of these crops in the first nine months of 2017. Shortages of several crop types were experienced, resulting in reduced purchases. Another issue in this sub sector was the unavailability of inputs, such as seeds. Any recovery in the sector in the last quarter of 2017 may not be enough to offset the declines experienced in the previous quarters. An overall reduction in the production of "other crops" is therefore expected in 2017.

Fishing

Preliminary data indicate a contraction in the fishing sector, as evidenced by reduced catch for the period January to June 2017 of 9.3 percent compared to the same period in 2016. Though some improvement is expected in the second half of 2017, the re-emergence of the Sargassum seaweed on the east coast of the island can potentially hinder fishing efforts. Overall, the sector is expected to decline by 7.5 percent in 2017 (Figure 1).

Figure 1: Growth in Agriculture, Livestock, Forestry and Fishing



[2]"Other Crops" means all crops with the exception of Nutmegs and Bananas.

Tourism

For the first nine months of 2017, Grenada welcomed 109,289 stay-over visitors, exceeding the comparable period in 2016 by 6.9 percent. This growth was led by a 13.5 percent increase in arrivals from the US market because of the addition of 57 flights from the US in the first three quarters. Arrivals from the other Caribbean countries increased by 7.6 percent compared to the January to September period of the previous year, despite a 26.9 percent reduction in the number of flights from a leading regional carrier. There was also an 11.9 percent increase in arrivals from Europe, but a decline of 6.8 percent was recorded in visitors from the UK market, presumably a delayed reaction to BREXIT coupled with the effects of the weakening pound sterling. On the Canadian market, despite a depreciation of the Canadian dollar, arrivals from that country increased by 7.5 percent on account of more aggressive marketing efforts and the availability of direct airlift year-round in 2017.

Cruise ship arrivals fell by 16.5 percent in the first three quarters of the year from 211,649 in 2016 to 176,648 in 2017, despite a 7.4 percent increase in cruise ship calls. The 2017/2018 cruise season is optimistic however, as cruise lines adjust routes from the northern Caribbean islands which were seriously affected by the active 2017 hurricane season. The revised cruise schedule shows the addition of 10 new cruise ships this season, which commenced in October 2017. The influx of passengers in the last quarter is expected to fully offset the lag in the previous quarters culminating in a 3.0 percent growth in cruise arrivals in 2017 (Table 2).

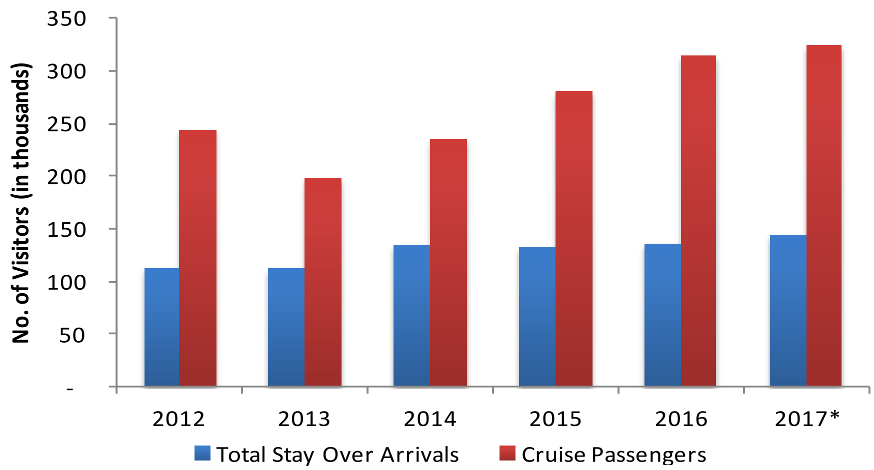
Table 4: Visitor Arrivals as at September

Visitor Arrivals	As at September		% Change
	2016	2017	2017/2016
United States	43,760	49,671	13.5
Continental Europe	4,666	5,221	11.9
United Kingdom	20,645	19,234	-6.8
Canada	10,412	11,189	7.5
Caribbean	19,536	21,016	7.6
Other	3,178	2,958	-6.9
Total Stay Over Arrivals	**102,197**	**109,289**	**6.9**
Cruise Passengers	**211,649**	**176,648**	**-16.5**

Source: GTA

Based on the trends in stay-over arrivals in the past five years (Figure 2), the near-term outlook for tourism is positive. The sector should benefit from the continuing recovery of household incomes in the major source markets, as well as hosting of regional and international sporting and other events. The certification of the Kirani James Athletic and Football Stadium by the IAAF creates new prospects for Grenada in Sports Tourism, with additional athletic and football competitions carded for 2018.

Figure 2: Visitor Arrivals: 2012-2017*



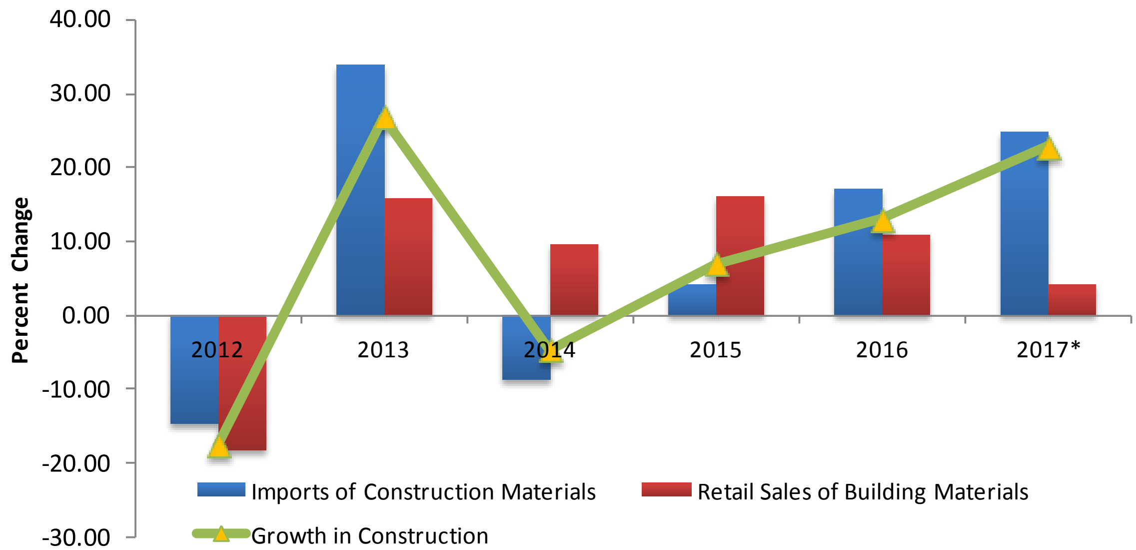
Sources: MOF, CSO
*Provisional Estimates

Construction

Preliminary data indicate robust activity in the construction sector with an expansion of 22.8 percent estimated for 2017, on the heels of 13.1 percent growth in the sector in 2016. During the January to September period, the value of construction material imported expanded 26.3 percent compared to the corresponding period in 2016, while retail sales of building materials increased by 5.8 percent during the same period (Figure 3).

This uptick in activity also induced growth in the transport sector, particularly road transport, which is projected to expand by approximately 10.7 percent in 2017. The Construction sector is projected to continue its positive growth in 2018 with several ongoing private sector developments being complemented with public sector investments, including the completion of the Parliament building, the Lance Bridge Construction Project and other projects under the UK-Caribbean Infrastructure Fund.

Figure 3: Construction Indicators and Sector Growth: 2012-2017



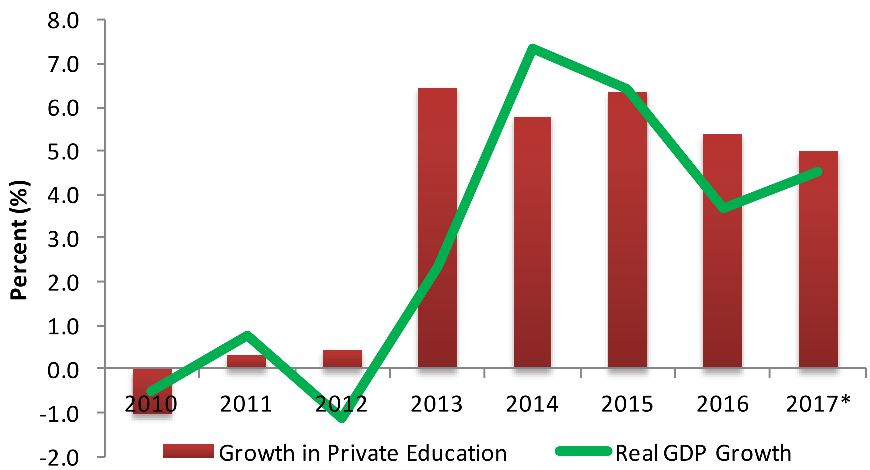
Sources: MOF, CSO
*Provisional Estimates

Private Education

Private Education continues to be the largest contributor to GDP, accounting for 22.7 percent in 2017, and has also been one of the main drivers of economic growth over the past five years (Figure 4).

Consistent increases in student enrolment, as well as major investment in infrastructure at the St. George's University indicate that growth in the sector remains strong with expansion of 5.0 percent estimated in 2017. There was a decline in enrolment of students from Trinidad and Tobago since the reform of that country's Government Assistance for Tuition Expenses (GATE) programme, which included the discontinuation of tuition support to Trinidadian students attending SGU. Additionally, potential revisions to the provisions made on the US Federal Student Loan Programme by the current Administration, poses a serious threat to SGU's ability to attract students from the US, its main source market. The University is however seeking to reduce this risk by actively recruiting students from alternative source markets. Growth in private education is projected to average 4.0 percent over the medium term.

Figure 4: Growth in Private Education and GDP Growth, 2010-2017



Source: MOF, CSO
*Provisional Estimates

Other Sectors

Positive growth is estimated for the Wholesale & Retail sector and the Transport sector, with marginal improvement expected in the Communications sector. Expansion is also estimated in the Other Service sectors. Additionally, the manufacturing sector is expected to expand by 11.3 percent in 2017 continuing from 4.6 percent growth in 2016. Preliminary estimates of production for the first nine months show a 23.6 percent increase in beverages manufactured compared to the corresponding period in 2016. Most notably, production of soft drinks more than doubled during the period under review. Increased beverage production is demand driven, a result of the general uptick in economic activity. A further boost is expected in the last quarter, during the festive season. Additionally, production of animal feed increased in the period under review by 3.5 percent, while flour declined by 11.7 percent. Competition from imported flour and the disruption of exports to neighbouring islands because of devastation caused by the active hurricane season were the main challenges affecting the production of flour.

7.0 GOVERNMENT FISCAL PERFORMANCE

Grenada's fiscal account continued to perform positively after the completion of the Home-grown Structural Adjustment Programme. Highlights of the fiscal results achieved over the 2014-2017 period are summarised in Table 3.

Table 5: Fiscal Performance 2014-2017
EC$ million

	2014	2015	2016	2017(e)
Total Revenue & Grants	**602.8**	**649.5**	**751.6**	**774.4**
Total Revenue	**502.3**	**571.2**	**651.6**	**678.6**
Tax Revenue	448.1	511.8	600.5	632.6
Non-tax Revenue	54.2	59.4	51.1	46.1
of which CBI	0.3	16.3	3.4	5.2
Total Grants	**100.5**	**78.3**	**100.0**	**95.7**
Total Expenditure	**718.1**	**689**	**685.6**	**708.3**
Current Expenditure	491.4	468.9	565.5	590.8
Capital Expenditure	226.7	220.1	120.1	117.5
Primary Balance (after Grants)	**-28.4**	**52.4**	**148.3**	**141.4**
Overall Balance (after Grants)	**-115.2**	**-39.3**	**66.0**	**66.1**

(e) - estimated

Source: MOF

A primary surplus (including grants) of $141.4 million (4.7 percent of GDP) is estimated for 2017, exceeding the Primary Balance rule of 3.5 percent of GDP as set out in the Fiscal Responsibility Law. The 2017 estimated outturn will be the third consecutive year in which the fiscal operations of the Central Government have resulted in a primary surplus. The Overall Balance for 2017 is estimated at $66.1 million (2.2 percent of GDP), roughly the same as in 2016.

The strong fiscal performance was mainly as a result of expenditure restraint, reforms in both the Inland Revenue Department and the Customs & Excise Division to enhance revenue collection, and overall increased economic activity.

8.0 PUBLIC DEBT ANALYSIS

The total Public Sector debt is estimated to be $2446.3 million or 81.4 percent of projected GDP at the end of 2017. This is an estimated decline of 6.4 percent when compared to the end of December 2016 figure of $2612.9 million. Total public sector debt is expected to comprise of Central Government debt of $1992.3 million, other public debt of $377.4 million and Government Guarantees of $76.6 million or 66.3 percent, 12.6 percent and 2.6% of projected GDP respectively.

External Debt

As at the end of December 2016, external debt held by Central Government stood at $1582.2 million or 55.5 percent of GDP which was a decrease of 0.8 percent when compared to the same period of 2015. This amount represented 60.6 percent of total public sector debt whereas for the analogous period of 2015, Central Government external debt accounted for 60.1 percent of total public sector debt. The marginal increase was attributed to disbursements by Central Government on loans for major public sector projects.

External Debt by Creditor Type and Interest Rate Type

Multilaterals accounted for the greater proportion of external debt as at the end of December 2016 which was also the case at the end of 2015. As at 31 December, 2016, multilateral loans accounted for 49% (EC$ 770.58m), Paris Club bilateral loans for 2% (EC$ 23.98m), Non-Paris Club bilateral loans for 14% (EC$ 225.39m), international sovereign bond for 35% (EC$ 553.82m) and other[3] creditors almost 0.1% (EC$ 7.56m) (Figure 5).

Fixed rate interest was the principal interest rate of Government of Grenada external debt and accounted for $1,337.7 million (84.5 percent) of the portfolio as at the end of December 2016. Variable interest rate and interest free loans accounted for $151.2 million (9.6 percent) and $93.3 million (5.9 percent) respectively (Figure 6).

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[3] Other: Caricom Development Fund (CDF)

Figure 5 External Debt by Creditor as at Dec. 31, 2016

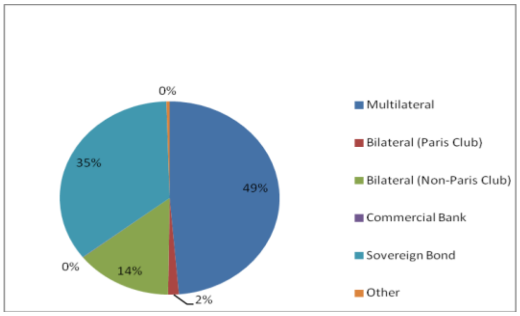
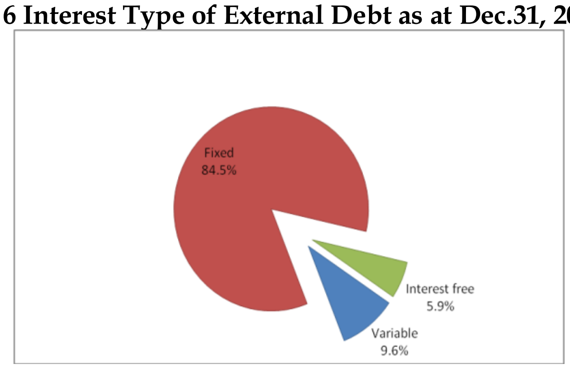


Figure 6 Interest Type of External Debt as at Dec.31, 2016

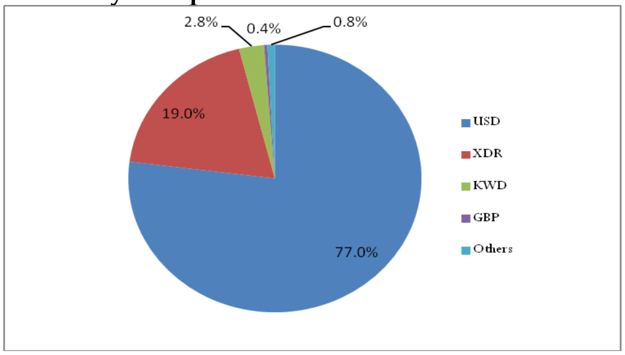


Source: MOF

Currency Composition of External Debt

USD loans accounted for 77 percent ($1218.8 million) of the external debt stock as at December 31st 2016. This was followed by SDRs (XDR), which accounted for 19 percent ($301.4 million), Kuwaiti Dinar (KWD) accounted for 2.8 percent ($43.6 million), other currencies 0.8 percent ($12.5 million) and Sterling (GBP) 0.4 percent ($5.8 million) respectively (Figure 7).

Figure 7 Currency Composition of External Debt as at Dec. 31, 2016



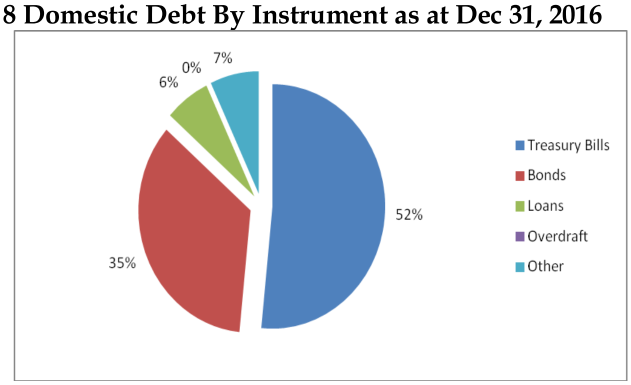
Source: MOF

Domestic Debt

Domestic Debt by Instrument

Domestic debt as at the end of December 2016 was EC$ 592.7 million whereas for the corresponding period of 2015, domestic debt amounted to $594.4 million. The marginal decline was mainly attributed to debt restructuring activities done over the period. Treasury bills amounted to 52% or EC$305.8 million, bonds 35% or EC$206.9 million, loans 6% or EC$38.5 million and other domestic liabilities amounted to 7% or EC$41.5 million, of the portfolio as at the end of December 2016 (Figure 8).

Figure 8 Domestic Debt By Instrument as at Dec 31, 2016

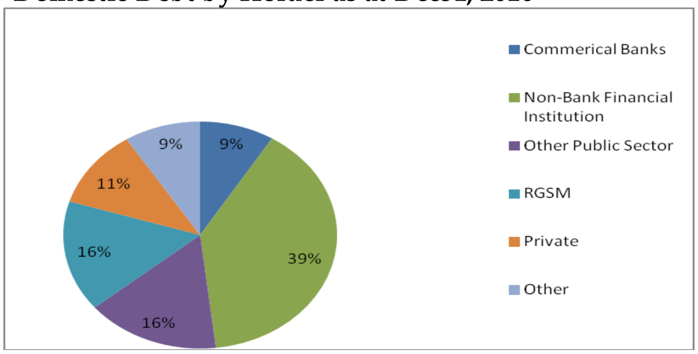


Source: MOF

Domestic Debt by Holder

Non-bank financial institutions were the majority holders of Government of Grenada domestic debt as at the end of 2016 accounting for $233.2 million (39 percent). They were followed by public sector institutions with $94 million (16 percent); investors in the Regional Government Securities Market that held $93.4 million (16 percent), private individuals and companies with $66.2 million (11 percent), other holders with $53.6 million (9 percent) and finally commercial banks with $52.3 million (9 percent) (Figure 9).

Figure 9 Domestic Debt by Holder as at Dec31, 2016



Source: MOF

Debt Service

Total debt service for the year ended Dec 31st 2016 amounted to $376.7 million or a 6.6 percent increase over 2015 figure of $353.4 million. This represented 13.2 percent of GDP. The increase in debt service was attributed primarily to amortization payments. Amortization and interest payments for the period were $294.4 million and $82.3 million respectively compared to $261.7 million and $91.7 million in 2015. Domestic principal payments amounted to $212 million whilst external principal payments totaled $82.4 million. Additionally, domestic and external interest payments amounted to $23 million and $59.3 million respectively in 2016.

Public Debt Summary and Debt Service as at September 30, 2017

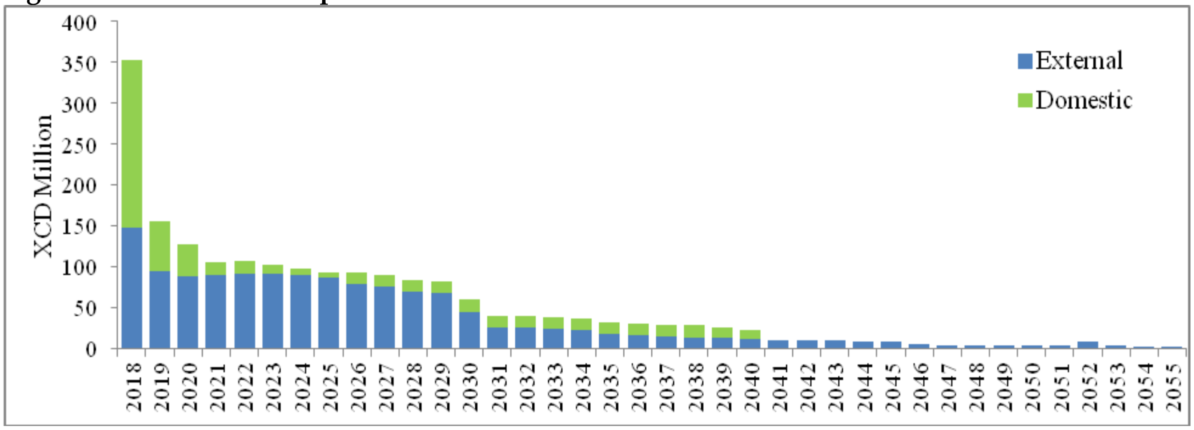
Preliminary estimates as at September 30, 2017 indicated that total Public Debt stood at $2,607.8 million or 86.8% of GDP. This total included Central Government's debt, other public sector debt and Government guarantees of $2163.6 million, $370.1 million and $74.1 million respectively. As at the end of September 2017, there were reductions in total public debt of $24.3 million (0.9 percent) when compared to the corresponding period of 2016.

Domestic debt levels during the period September 2016 to September 2017 were relatively constant, while external debt fluctuated, because of debt service payments made and disbursements received. Total public debt comprised of $618.5 million (23.7 percent) domestic debt and $1,989.3 million (76.3 percent) external debt. Government guaranteed debt as a proportion of total debt was $74.1 million (2.8 percent) of which domestic and guaranteed external debt were $37.3 million and $36.7 million respectively . Central Government debt totaled $2,163.6 million (72 percent of GDP), of which 26.9 percent was domestic debt and 73.1 percent was external.

With regards to debt servicing, Government continues to honor its debt servicing obligations regularly and on time. Preliminary data for the first nine months of the year ending September 30,2017 indicated that total debt service amounted to $251 million. This is an increase of 3.1 percent over the corresponding period of 2016 primarily due to amortization, which increased by $28.9 million or 16.6 percent. External and domestic amortization payments amounted to $56.5 million and $146.8 million respectively whilst external and domestic interest payments totaled $34.8 milion and $12.9 million respectively.

The redemption profile of Central Government's debt portfolio reflects the inherent risks in the existing portfolio (Figure 10). The domestic debt portfolio shows a high proportion of debts falling due in 2018 because of scheduled repayments of short-term instruments (Treasury Bills) in the debt portfolio. Conversely, external debt is mainly characterized by multilateral (concessional) loans, hence showing a smoother and longer redemption profile.

Figure 10 Grenada Redemption Profile as at end December 2017



Source: MOF

Update on Debt Restructuring

Grenada commenced restructuring negotiations in 2014 and has received stock reductions of $214.05 million as at September 30, 2017. Having successfully completed the IMF supported Home Grown Structural Adjustment Program at the end of 2016, Grenada received a stock reduction of $155.3 million in November 2017 on its US & EC 2030 Serial Bonds. Additionally, another reduction of $2.96 million was received in December 2017 on the stock of the People's Republic of China (Taiwan) debt. As a result of these successful debt restructuring exercises, Grenada has benefited from stock reductions totaling $372.3 million or 14.3 percent of total Public Sector debt as at December 31, 2017.

The authorities have executed agreements with the UK and Russia in the first half of 2017, thus completing the restructuring of all Paris Club debt. The Government continues to engage other bilateral creditors such as Algeria and Trinidad and Tobago with an aim to conclude negotiations. Domestic debt owing to Petro Caribe Grenada and a portion of the 2014/2016 Serial Bond have also been restructured. Discussions are ongoing with domestic bond holders to restructure their outstanding debt. Table 4 is a summary of the various debt restructuring completed during the period 2014-2017.

Table 6: Summary of Debt Restructuring (2014-2017) (EC$M unless otherwise stated)

	Creditors	Instrument Type	DOD [1] (Pre)	DOD (Post)	Hair Cut	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
	FICS Judgement	Bond	2.55	3.804	-	0	-	5	Fixed	NA
	FICS (proposed)	Bond	6.38	3.92	-	50	-	15	Fixed	7
Sub-total External			**743.81**	**394.08**	**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	16.79	8.39	8.40	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			**425.15**	**374.09**	**60.17**					
Total			**1,168.96**	**768.17**	**372.30**					

[2] *International Bond (US and EC portions) 25% reduction upfront (2015) with the remaining 25% applied in Nov 2017.*

[1] *Taiwan 47% reduction was received upfront (2014) with the remaining 3% applied in Dec 2017.*

Source: MOF

Credit Rating

On October 9th 2012[4], Standard & Poor's lowered its foreign currency sovereign credit ratings to "SD," or selective default, from "B-/B," while also lowering its local currency sovereign credit ratings to "CCC+/C" from "B-/B." Its outlook on Grenada's long-term local currency ratings is negative." The report alluded that "The downgrade to "SD" follows the government's failure to pay the coupon due Sept.15, 2012 on its $193 million bond due in 2025."

[4] Grenada has not had an international credit rating since 2012 and has not issued any new debt on the international capital market since then.

"According to our criteria, we consider an obligation in default unless payment is made within five business days of the due date, regardless of any grace period. Once the government cures its foreign currency debt default, we will assign forward looking foreign currency ratings," stated Richard Francis, a credit analyst for Standard and Poors.

Grenada responded by issuing a release, which stated that the action by Standard & Poor's was premature considering the terms of the agreement for the 2025 Notes, which provide a grace period of thirty (30) days after the due date and the notice was duly issued by Government to note-holders before the due date. This 30-day grace period had not yet expired. On October 16th 2012, Standard and Poors partially reversed the rating action as the bondholders were paid on October 15th with the paying agent receiving the funds on October 12, 2012.

To ensure no adverse impact on the banking system, Government also announced as it had done in 2005 after the passage of hurricane Ivan in 2004 that it would ***continue to service its domestic debt obligations including Treasury Bills on the Regional Governments Securities Market (RGSM) as they fall due.*** Government has continued to honour this commitment by ensuring that its obligations on the RGSM are met and continues to access the market for its short-term liquidity needs.

With the restructuring of the bonds completed the Government commenced payments on the 2030 US and Eastern Caribbean dollar bond and has made payments totaling $133.7 million since May 2016.

Medium-Term Debt Strategy

Grenada's Medium-Term Debt Strategy (MTDS[5]) 2018-2020 is a plan aimed at achieving a desired debt portfolio that is consistent with debt management objectives. Government debt management, therefore, is the process of establishing and executing a strategy for managing public sector debt. Effective debt management ensures that the Government's funding needs are met with due consideration of its risk and cost objectives and any additional debt management goals such as developing and maintaining an efficient market for government securities. The MTDS 2018-2020 is expected to bring into effect these objectives.

Cost and Risk Indicators of the Existing Portfolio

With regards to the risks of the existing portfolio, the interest rate is subject to a moderate risk with an Average Time to Re-Fixing of 7.8 years in which 24.1 percent of the portfolio is subject to a change in interest rates in one year. This risk resides predominantly in the domestic portfolio in which 35.9 percent of this debt is subject to re-fixing in one year due to short-term treasury bills in the portfolio. The refinancing risk profile of the portfolio has an Average Time to Maturity of 8.2 years which slightly exceeds the set target of greater than 8 years (Table 5). The current portfolio is moderately subjected to foreign exchange risk as most of the foreign currency debt is denominated in USD to which the EC dollar is currently pegged.

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[5] IMF and World Bank (2009). "*Developing a Medium-Term Debt Management Strategy – Guidance Note for Country Authorities*" http://www.imf.org/external/np/pp/eng/2009/030309a.pdf.

Table 7 Cost and Risk Indicator of Existing Debt Portfolio as at end 2017[6]

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of XCD)		1,404.6	571.5	1,976.1
Amount (in millions of USD)		520.2	211.7	731.9
Debt as % of Nominal GDP		46.8	19.0	65.8
PV as % of GDP		39.2	19.0	58.2
Cost of debt	Interest payment as % GDP	1.5	0.5	2.1
	Weighted Av. IR (%)	3.3	2.7	3.1
Refinancing risk	ATM (years)	8.8	6.8	8.2
	Debt maturing in 1yr (% of total)	10.5	35.9	17.9
	Debt maturing in 1yr (% of GDP)	4.9	6.8	11.7
Interest rate risk	ATR (years)	8.2	6.8	7.8
	Debt refixing in 1yr (% of total)	19.2	35.9	24.1
	Fixed rate debt (% of total)	90.4	100.0	93.2
FX risk	Non-USD debt (% of total debt)			19.3
	ST Non-USD debt (% of reserves)			2.0

Source: MOF

The selected strategy for 2018-2020 fills the financing gap by apportioning part of the financing to potential multilateral and bilateral partners. Additionally, domestic financing would be raised in part from domestic investors (RGSM) while extending the maturity of a portion of the short-term over-the-counter debt. It bridges the financing gap solely by use of potential bilateral creditors in the outer years. The strategy assumes that the financing gap will be filled by assigning 35 percent of new financing to multilateral and bilateral partners while 65 percent will be apportioned to domestic financing mainly through the RGSM. Various stress scenarios including interest and exchange rate shocks of moderate and extreme degrees were applied to the strategy during analysis. This strategy represented the most feasible strategy for financing government needs whilst adhering to

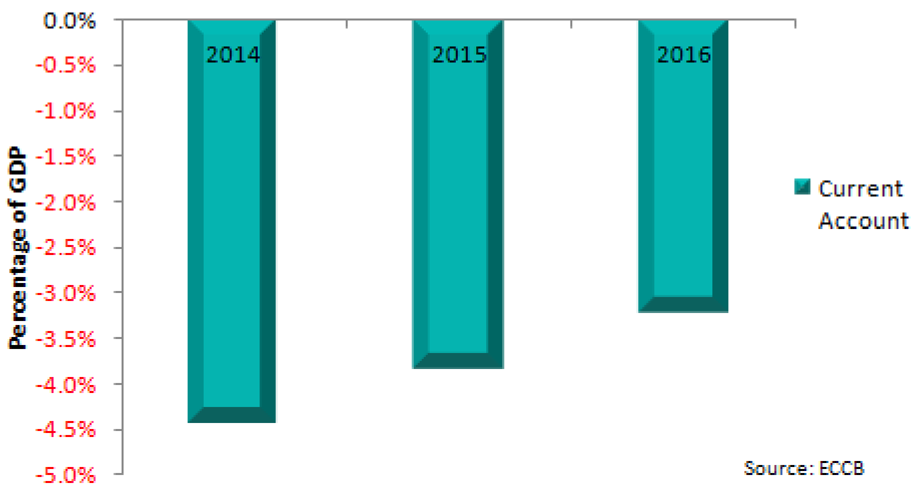
[6] Adopted from Government of Grenada Medium-Term Debt Management Strategy 2018-2020 published on Ministry of Finance website. http://finance.gd/docs/Medium%20Term%20Debt%20Management%20Strategy%202018-2020.pdf

the debt management targets and objectives as set forth in the Public Debt Management Act 2015.

9.0 EXTERNAL ACCOUNT

The Current Account deficit narrowed at end 2016[7], reflective of net increases in Goods and Services and Primary Income, as well as changes in the Balance of Payment (BOP) reporting manual from BPM5 to BPM[8]6 and includes the removal of the imputation of change of ownership and the reclassification of 'merchanting' from services to goods (Figure 11).

Figure 11: Current Account Balance: 2014-2016



The Balance of Trade remained negative in 2016, but showed improvement – narrowing to negative $866.6 million at end-December 2016 from negative $ 916.5 million in 2015.

10.0 MONETARY AND FINANCIAL SECTOR ANALYSIS

During the first seven months of 2017, the banking system continued to gain foreign assets, while domestic monetary developments moderated with slight growth in domestic deposits and a continued downward trend in domestic credit.

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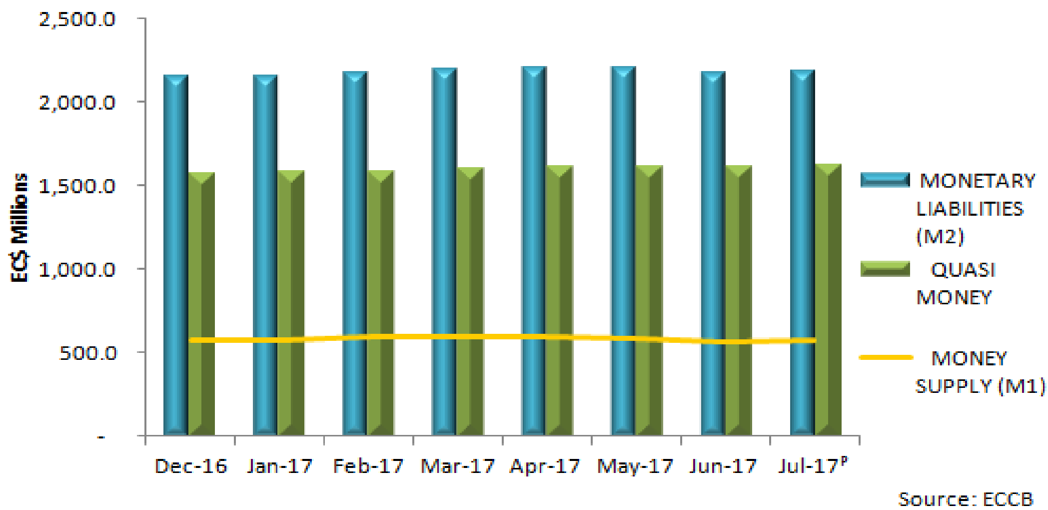
[7] The latest period for which data is available

[8] This refers to the reporting manual which provides guidance on the recording of cross-border transactions and positions in accordance with a set of internationally-agreed guidelines for the Balance of Payments (BOP) and the International Investment Position (IIP).

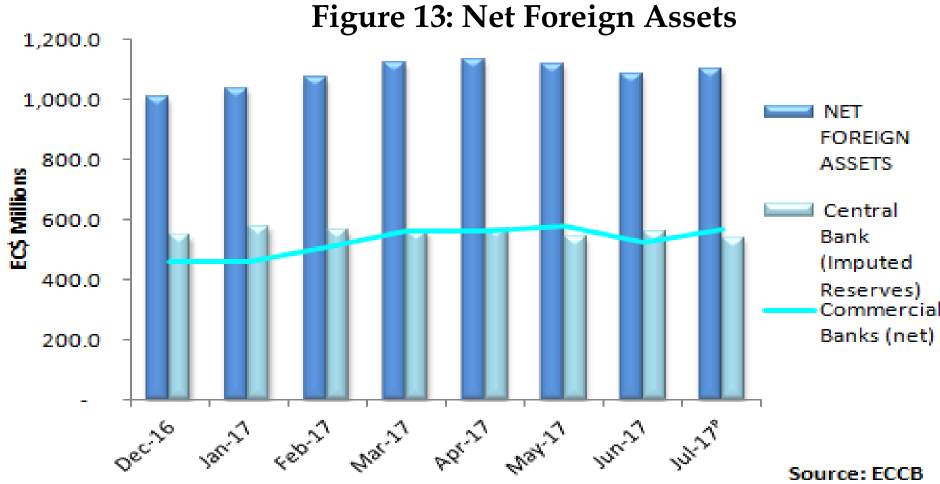
Growth in Monetary Liabilities (M2) slowed from 2.1 percent at the end of July 2016 to 1.9 percent at end- July 2017. Growth in M2 was underpinned by an upward movement in the Money Supply (M1) in 2016 (6.4 percent) and Quasi Money in 2017 (3.0 percent) (Figure 12).

Figure 12: Monetary Liabilities



At end-July 2017, Net Foreign Assets rose by 9.5 percent to $ 1,098.4 million, $204 million more than that of July 2016. This jump was primarily due to a 22.9 percent increase in Commercial Banks (Net) (Figure 13), as a result of a 44.4 percent expansion in its sub component, External (Net). The 2017 increase was due to a surge in private sector foreign currency deposits of 25.1 percent.

Figure 13: Net Foreign Assets



Net Domestic Assets declined by 4.7 percent during the first seven months of 2017 to $ 1,094.2 million. This reduction was primarily due to a 2.8 percent contraction in domestic credit on account of a 28.6 percent reduction in Non-Bank Financial Institutions' credit during the same period. At end- July 2017, Private Sector credit experienced a minor decline of 0.1 percent, driven by a 2.1 percent decrease in household credit. Growth in business credit of 4.8 percent was however not large enough to offset the overall decline in Private Sector credit.

Commercial Bank Credit declined from $1,639.4 million at end- July 2016 to $1,621.9 million at end- July 2017. Credit to key sectors declined year on year as shown in Table 6.

Table 8: Commercial Banks' Credit to Specific Sectors

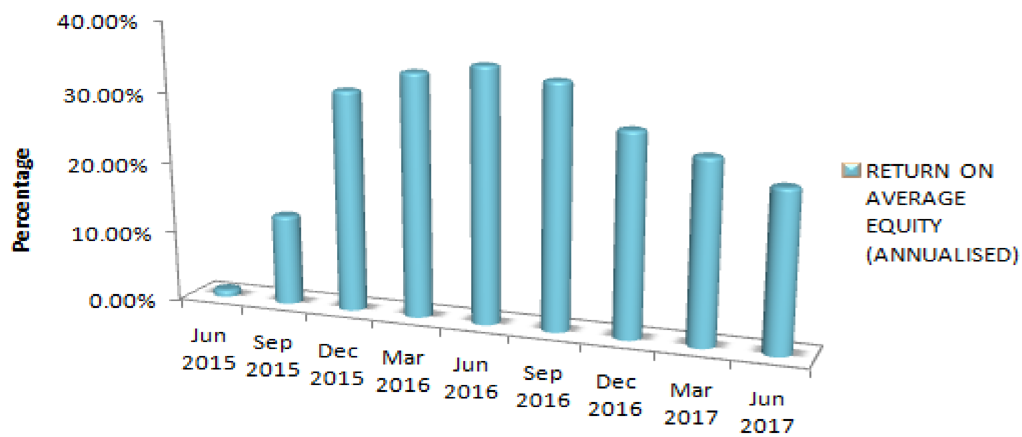
	Jun-15	Jun-16	Jun-17	2016/2017
		EC$ Million		(%)
Agriculture	23.1	18.2	19.9	9.2%
Tourism	142.4	138.0	131.1	-5.0%
Personal	1,129.9	1,098.6	1,071.5	-2.5%
Professional and Other	129.8	109.6	106.5	-2.8%
Construction	41.0	37.3	34.5	-7.6%
Fisheries	5.0	5.6	5.0	-11.0%
Manufacturing	30.8	35.4	20.3	-42.6%
Total Loans	**1,729.5**	**1,693.4**	**1,621.9**	-4.2%

Source: ECCB

The continued build up of deposits and downturn in credit contributed to a surfeit of liquidity in the banking system. During the first seven months of 2017, Net Liquid Assets to Deposits rose to 45.7 percent, 5.9 percentage points more than that of the corresponding period in 2016. Similarly, the ratio of total loans to total deposits during the first seven months of 2017 contracted to 56.3 percent, highlighting the presence of excess liquidity in the system. The weighted average lending rate fell to 8.2 percent during the first half of 2017 from 8.5 percent in the comparable period of 2016, consistent with excess liquidity in the banking system.

Altogether, the banking system remained stable with strong performance in its Financial Soundness Indicators (FSIs). Commercial banks remained profitable, with a Return on Average Equity of 22.5 percent at the end of June 2017 (Figure 14); and is adequately capitalized with a registered Capital Adequacy Ratio of 15.0 percent, 1.7 percentage points higher than June 2016.

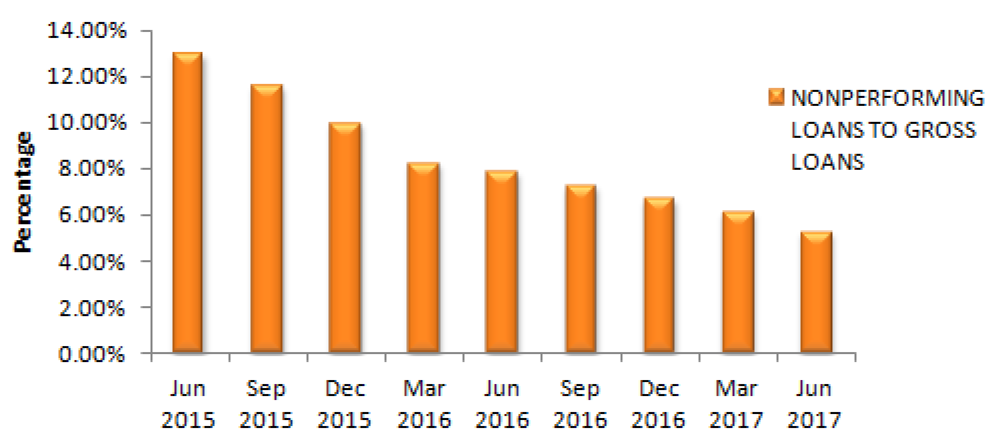
Figure 14: Return on Average Equity



Source: ECCB

The Non-performing Loans (NPLs) ratio continued on a downward trajectory moving from 7.9 percent end-June 2016 to 5.3 percent at end-June 2017 (Figure 15). Despite this improvement, the NPLs ratio remains above the prudential benchmark of 5.0 percent. This however, is a marked improvement relative to the ratio of 14.5 percent three years ago. Return on Assets increased by 1.3 percent while the interest rate spread narrowed to 6.8 percentage points, and large exposures to capital declined to 20.9 percent.

Figure 15: Non-Performing Loans

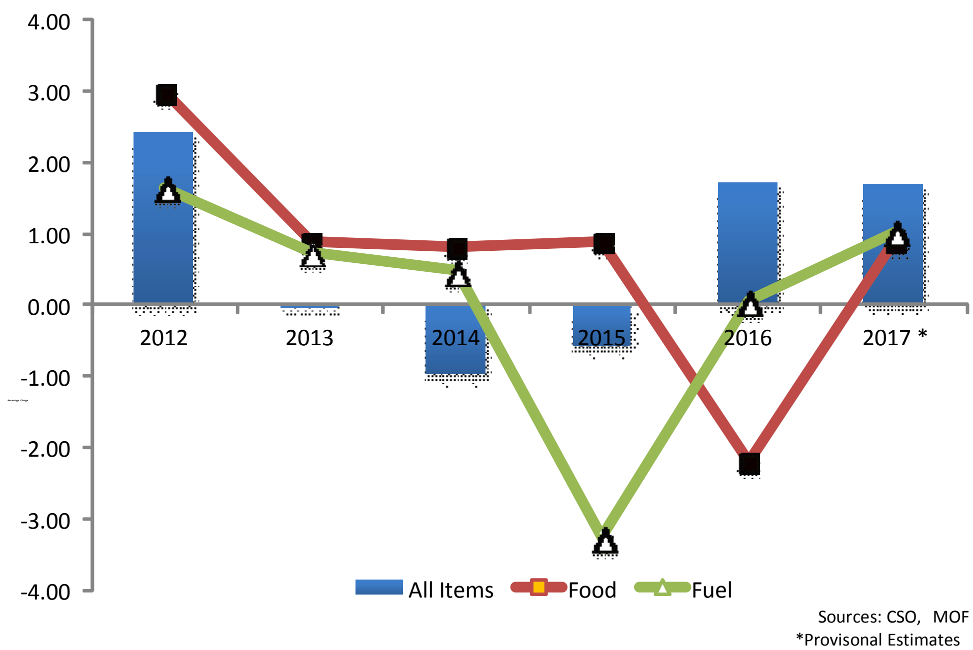


Source: ECCB

11.0 INFLATION[9]

The average rate of inflation, as measured by the Consumer Price Index is estimated at 1.7 percent in 2017. As Grenada's inflation is mainly imported, increases in international oil and food prices, as well the pickup in US inflation, are responsible for pushing up local prices. Price increases are expected to continue over the medium term, with inflation averaging 2.0 percent. (Figure 16)

Figure 16: Inflation (CPI) 2012-2017

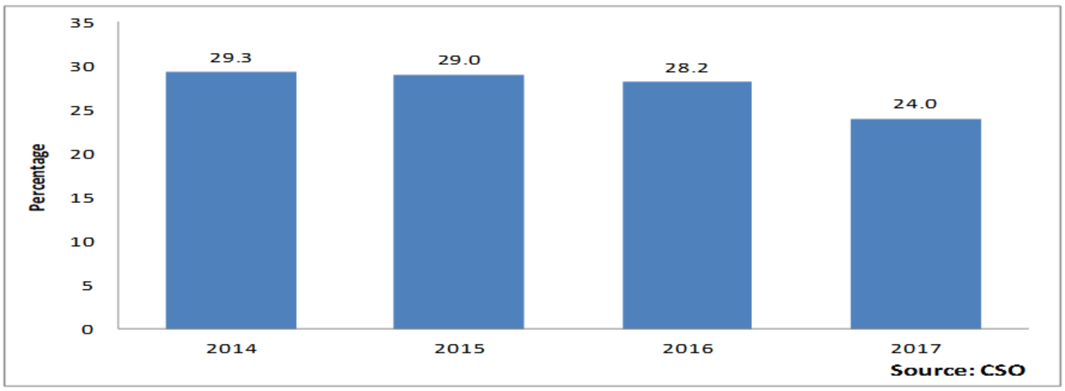


[9] Adopted from 2017 Economic Review and Medium Term Outlook, 2018 Budget Statement Grenada

12.0 UNEMPLOYMENT

Based on the preliminary results of the 2017 Labour Force Survey (LFS) carried out by the Central Statistical Office (CSO), the labour force is estimated to have decreased by 3.0 percent, from 56,998 persons in 2016 to 55,268 persons in 2017, of which 42,011 were employed and 13,257 were unemployed. There was also a decline in the unemployment rate from 28.2 percent in 2016 to 24.0 percent in 2017 (Figure 17)

Figure 17: The Unemployment Rate



13.0 PROSPECTS FOR 2018[10]

Projections suggest that the baseline medium-term outlook is positive (Table 9), as the recovery effort is consolidated and growth gains momentum, partly in response to the structural reform measures that were implemented under the recently-completed Home-grown Structural Adjustment Programme.

Over the 2018-2020 period, real economic growth is projected to average 3.3 percent on the assumption that the country will attract new private investment. Growth will also be carried by public infrastructure development, as well as the expected continuation of the relatively strong performance in the Tourism sector. The Tourism sector is likely to benefit

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[10] Adopted from the 2017 Economic Review and Medium-Term Outlook, published in the Government of Grenada 2018 Budget Statement, page 46

from continued vigorous marketing, as well as the anticipated strengthening of the economies of Grenada's major tourist source markets, especially that of the US. The unemployment rate is expected to be further reduced with increased economic activity over the medium term, but the rate is likely to remain in the high double digits until reforms to address structural rigidities become entrenched.

Public finances are expected to remain healthy, with continued prudent fiscal policies, consistent with the rules-based fiscal framework as prescribed by Fiscal Responsibility Law. Primary surpluses, averaging 4.7 percent of GDP are projected over the medium term, which would help to keep public debt on a downward and sustainable path.

Table 9: Key Macroeconomic Variables

	2017	**2018**	**2019**	**2020**
GDP (%)	4.5	3.3	3.2	3.3
Total Revenue (% of GDP)	22.6	22.5	22.4	22.3
Total Expenditure (% of GDP)	23.6	24.7	22.4	21.7
Overall Fiscal Balance (after Grants) (% of GDP)	2.2	2.5	2.6	3.0
Primary Balance (after Grants) (% of GDP)	4.7	4.7	4.5	4.8
Public Debt (% of GDP)	68.9	64.7	61.9	58.6
Interest Payments (% of Current Revenue)	11.1	9.5	8.7	7.8

Source: MOF

<u>Risks to Outlook</u>

The Government is committed to accelerating economic growth, reducing public debt to meet the operational target of 55.0 percent of GDP as set out in the Fiscal Responsibility Act, and ensuring the sustainability of public finances. Table 8 summarises the risks that can affect the achievement of these objectives in the short-to-medium term. The following are deemed to be the most significant operational risks to baseline projections over the medium term: (i) lower-than-projected economic growth; (ii) lower-than-expected grant receipts; and (iii) higher-than-anticipated pension liabilities. Other risks include natural disasters.

Table 10: Risk Assessment Summary

Risk Type	Risk Description	Source of Risk	Risk Rating	Measures to Manage/Mitigate Risks
Operational	Macroeconomic	Lower-than-projected economic growth.		Continue to implement reforms to build economic resilience, boost competitiveness, productivity and growth. Additionally, continue to build fiscal buffers by strengthening Government's cash position and increasing savings.
		Lower-than-expected grant receipts.		Continue to exercise fiscal prudence to contain discretionary expenditure, prioritise strategic capital investments and improve revenue administration and collection. Additionally, further strengthen country-readiness systems to reduce reliance on external resources for the preparation of critical pre-investment work.
		Higher-than-anticipated pension		Complete assessment of records of public officers to determine the exact number of public officers eligible for pension and

		liabilities.		undertake pension restoration and reform in a phased and fiscally-sound manner.
		Operations of State-owned Enterprises.		Ensure that up-to-date audited financial statements are submitted in a timely manner and closely monitor management performance within the SOEs to ensure that they pursue their respective stipulated mandates in the most cost -efficient and cost-effective manner.
Other	Natural Disasters	Hurricanes, tropical storms, and flooding.		Continue efforts to strengthen internal capacity to build resilience to natural hazards. The National Transformation Fund (NTF) Regulations require 40.0% of the monthly receipts to be set aside for arrears clearance, debt reduction and natural disaster relief. Given the downward trajectory of the debt stock, this arrangement should allow for a progressively larger share of NTF resources to be available for disaster relief. Additionally, the successful negotiation of the

				inclusion of natural disaster clauses in the debt restructuring agreements will allow for a specified moratorium in debt service following a qualifying natural disaster. Further, as a member of the Caribbean Catastrophe Risk Insurance Facility, Grenada stands to benefit from insurance payments in the aftermath of a qualifying natural disaster.

	Key
	High Risk
	Medium Risk

14.0 SECURITY ISSUANCE PROCEDURES AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES

The treasury bills and notes will be issued on the Regional Government Securities Market using the Eastern Caribbean Securities Exchange trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of a competitive uniform price auction with open bidding. The ECSE and its subsidiaries are responsible for processing, clearance and settlement of securities and providing the intermediaries with access to their settlement projections report, which indicates the obligations of the intermediary. Intermediaries are responsible for interfacing with prospective creditors, collecting applications for subscription and processing bids on the ECSE platform. A list of licensed intermediaries is provided in Appendix I.

Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the intermediaries. As an issuer on the RGSM the Government of Grenada will be subject to the rules and procedures established by the Regional Debt Co-ordinating Committee for the operation of the market including ongoing reporting and disclosure requirements.

15.0 CURRENT ISSUES OF GOVERNMENT SECURITIES ON THE REGIONAL AND INTERNATIONAL MARKETS

RGSM TREASURY BILLS

Issues Outstanding	EC$90.34M
Type of Issue	Government of Grenada Treasury Bills
Maturity in Days	91 and 365 Days
Date of Issues	January 2017 to December 2017
Yields	Max 5.0 per cent,
Discount Price	EC$95.00

Treasury Bills outstanding as at December 31st, 2017 are listed in Table 9

Table 11: Outstanding Treasury Bills listed on RGSM as at December 31st 2017

Auction Name	Issue Date	Maturity Date	Tenor	Value of Bids (EC$M)	Issued Amount (EC$M)	Amount Accepted (EC$M)	Yield (%)	Total Bids	Successful Bids
GDB210718	21-Jul-17	21-Jul-18	365 days	27.91	30	27.91	5	23	23
GDB111018	11-Oct-17	11-Oct-18	365 days	13.08	10	10	3.5	15	6
GDB070218	8-Nov-17	7-Feb-18	91 days	12.43	15	12.43	4	14	14
GDB301118	30-Nov-17	30-Nov-18	365 days	38.19	20	20	3	17	11
GDB050318	4-Dec-17	5-Mar-18	91 days	45.37	20	20	2.5	21	12

Secondary Market Activities on the RGSM

Table12: Value of Trades on the secondary market (ECSE platform only) in EC$ millions 2010-2017[11]

Country	2010	2011	2012	2013	2014	2015	2016	2017	Grand Total
Antigua & Barbuda	2.98	7.96				0.31	9.44	0.78	**21.47**
Dominica							2.08		**2.08**
Grenada		1.49			0.75				**2.23**
St Kitts & Nevis	0.05		0.09				2.51	0.68	**3.33**
Saint Lucia	8.09	4.92	0.51	10.33	20.62	0.68	2.18	11.47	**58.79**
St Vincent & the Grenadines	1.29		0.07						**1.36**
Grand Total	**12.41**	**14.36**	**0.67**	**10.33**	**21.37**	**0.99**	**16.21**	**12.93**	**89.26**

Source: ECSE, ECCB

16.0 UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2018

SYMBOL	*AUCTION DATES*	*ISSUE/SETTLEMENT DATE*	*MATURITY DATE*	*ISSUE AMT. EC$M*	*TENOR*	*INTEREST RATE CEILING*
GDN090220	8-Feb	9-Feb	9-Feb-20	10	2 Years	5.5%
GDB060618	6-Mar	7-Mar	6-Jun	15	91 Days	4%
GDB060918	6-Jun	7-Jun	6-Sep	15	91 Days	4%
GDB101218	7-Sep	10-Sep	10-Dec	15	91 Days	4%
GDB240719	23-Jul	24-Jul	24-Jul-19	25	365 Days	5%
GDB151019	12-Oct	15-Oct	15-Oct-19	10	365 Days	5%
GDB041219	3-Dec	4-Dec	4-Dec-19	20	365 Days	5%

All ISSUES ON THE MARKET ARE IN EC DOLLARS

SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED

[11] Data for 2017 are for the period January to October only

APPENDIX I[12]: LIST OF LICENSED ECSE MEMBER BROKER DEALERS

Territory	Institution	Name of Licencee	Type of Licence
ST KITTS AND NEVIS	St Kitts-Nevis-Anguilla National Bank Ltd	Anthony Galloway	Principal
		Angelica Lewis	Representative
		Marlene Nisbett	Representative
		Petronella Crooke	Representative
	The Bank of Nevis Ltd	Brian Carey	Principal
		Judy Claxton	Representative
SAINT LUCIA	Bank of St. Lucia Ltd	Medford Francis	Principal
		Lawrence Jean	Principal
		Cedric Charles	Representative
		Deesha Lewis	Representative
	First Citizens Investment Services Ltd	Arletta Huntly-Wells	Principal
		Omar Burch-Smith	Principal
		Samuel Agiste	Representative
		Shaka St Ange	Representative
ST VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd	Monifa Latham	Principal
		Patricia John	Representative
		Laurent Hadley	Representative
		Chez Quow	Representative
GRENADA	Grenada Co-operative Bank	Mr. Aron Logie	Principal
		Kishel Francis	Representative
		Keisha Greenidge	Representative
		Carla Sylvester	Representative

[12] Revised

APPENDIX II: SELECTED MACROECONOMIC INDICATORS 2013-2017

	2013	2014	2015	2016	2017 (p)
Real Sector					
Real GDP Growth (Market Prices, %)	2.4	7.3	6.4	3.7	4.5
Inflation (period average, %)	0.0	-1.0	-0.6	1.7	1.7
Unemployment Rate (%)	32.2	29.3	29.0	28.2	24.0
Nutmeg Production (million lbs)	0.8	1.2	1.3	1.1	1.3
MNIB Purchases (million lbs)	1.5	2.5	3.8	3.0	2.4
Imports of Building Material (EC$ million)	100.7	91.9	95.7	112.1	140.0
Sales of Building Material (EC$ million)	33.1	36.3	42.2	46.7	52.5
SGU Enrollment (no. of students)	6,302	6,586	7,026	7,479	7,703
Stay Over Arrivals (no. of persons)	112,812	133,526	132,547	135,381	144,282
Cruise Ship Visitor Arrivals (no. of persons)	197,308	235,140	280,518	314,913	324,240
Fiscal Account					
Total Revenue & Grants (% of GDP)	20.7	24.5	24.1	26.4	25.8
Tax Revenue (% of GDP)	16.6	18.2	19.0	21.1	21.1
Non-tax Revenue (% of GDP)	2.8	2.2	2.2	1.8	1.5
Grants (% of GDP)	1.4	4.1	2.9	3.5	3.2
Total Expenditure (% of GDP)	27.8	29.2	25.6	24.0	23.6
Current Expenditure (% of GDP)	20.7	20.0	17.4	19.8	19.7
Capital Expenditure (% of GDP)	7.1	9.2	8.2	4.2	3.9
Primary Balance (including grants, % of GDP)	-3.5	-1.2	1.9	5.2	4.7
Overall Balance (including grants, % of GDP)	-7.1	-4.7	-1.5	2.3	2.2
Public Sector Debt (% of GDP)	109.1	106.1	100.1	93.2	81.4
Principal Repayments (EC$ million)	260.6	268.6	261.7	294.4	298.1
Interest Payments (EC$ million)	80.3	86.8	91.7	82.3	77.4
External Account*					
Exports of Goods & Services (EC$ million)	99.4	99.8	87.9	79.8	24.7
Imports (EC$ million)	994.8	916.8	1004.4	946.4	965.6
Gross Imputed Reserves	365.6	427.3	509.0	543.7	533.8
Gross International Reserves (in months of total imports)	4.4	5.6	6.6	6.9	6.6
Money and Banking**					
Net Foreign Assets (EC$ million)	352.4	582.2	852.5	1003.2	1098.4
Domestic Credit (EC$ million)	1695.4	1526.9	1320.1	1240.9	1205.7
o/w Households (EC$ million)	1147.7	1119.4	1073.6	1054.6	1033.0
Firms (EC$ million)	541.6	485.4	469.5	485.3	508.6
Non-Bank Institutions (EC$ million)	11.0	9.1	9.3	8.7	6.2
Other Public Sector (net, EC$ million)	-57.2	-104.3	-166.4	-248.9	-237.1
Central Government (EC$ million)	52.3	17.3	-65.9	-58.8	-105.0
Currency in Circulation (EC$ million)	115.7	124.1	131.5	194.8	171.3

* 2017 figures represent values as at June 30th, 2017

** 2017 figures represent values as at July 30th, 2017

(p) provisional estimates for 2017

Sources: CSO, ECCB, MOF