



GOVERNMENT OF
GRENADA

PUBLIC DEBT QUARTERLY BULLETIN

QUARTER 2
2018



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 Governments Securities Market

USD- United States Dollar

XCD- Eastern Caribbean Dollar

XDR- Special Drawing Rights

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1.0 Total Public Debt

Total public debt as at the end of June 2018 stood at EC\$ 2,015.8 million or 63.4% of Gross Domestic Product (GDP¹). Total public debt comprises Central Government's debt and Public Corporations' (government guaranteed) debt. When compared to the second quarter in 2017 and the preceding quarter (Q1 2018), there were reductions in total public debt of EC\$ 234.2 million (10.4%) and EC\$ 45.5 million (2.2%) respectively (Chart 1). Domestic debt levels during the period June 2017 to June 2018 were relatively constant. External debt, on the other hand, was constant during the second and third quarters of 2017, but in the final quarter of 2017 there was a downward trend. This pattern continued into the first and second quarters of 2018.

Total public debt comprised of 27.4% domestic debt and 72.6% external debt. Government guaranteed debt as a proportion of total debt was 3.3% of which domestic and external debt were 1.6% and 1.7 % respectively (Chart 2).

Chart 1: Movement in Public Debt

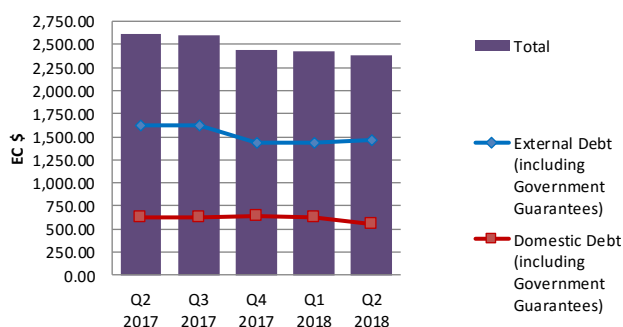
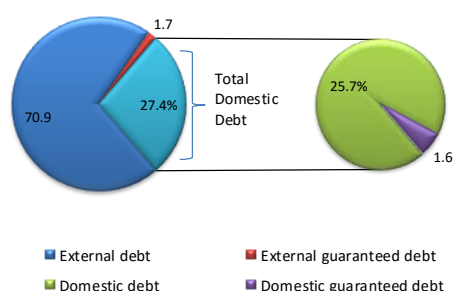


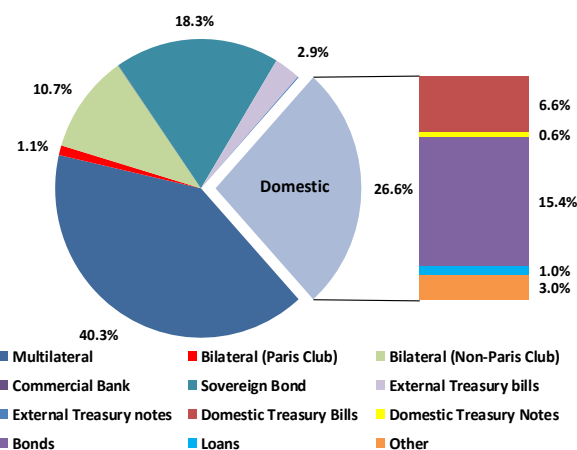
Chart 2: Composition of Public Debt



2.0 Central Government debt

Central Government debt totaled EC\$ 1948.7 million (61.3% of GDP) at the end of the second quarter of 2018 of which 26.6% was domestic debt and 73.4% was external debt (Chart 3). It is noteworthy that Treasury bills and Treasury notes have been separated into domestic and external categories based on the residency of the bidders.

Chart 3: Central Government debt



¹ GDP: Ministry of Finance 2018 projected Gross Domestic Product as at July 13th, 2018

2.1 External Debt

2.1.1 External Debt by Creditor Type

External debt held by the Central Government as at end June 2018 amounted to EC\$ 1,429.8 million (45.0% of GDP); with Multilaterals accounting for the largest portion. This was also the case in the corresponding period in 2017 and the preceding quarter. In the second quarter of 2018, the composition of external Central Government debt was as follows: multilateral loans 54.9% (EC\$ 784.4m); International Sovereign Bond 24.9% (EC\$ 355.7m); bilateral Non-Paris Club loans 14.6% (EC\$ 208.9m), bilateral loans from Paris Club member countries 1.4% (EC\$ 20.6m); treasury bills and treasury notes 4.2% (EC\$ 59.2m) and commercial debt 0.1 % (EC\$ 0.9m) (Chart 4).

Chart 4: External debt by creditor (Q2 2017- Q2 2018)

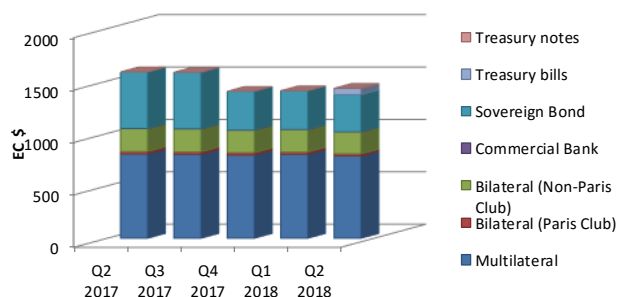
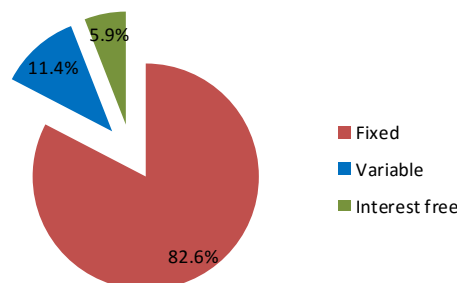


Chart 5: External Debt by Interest type



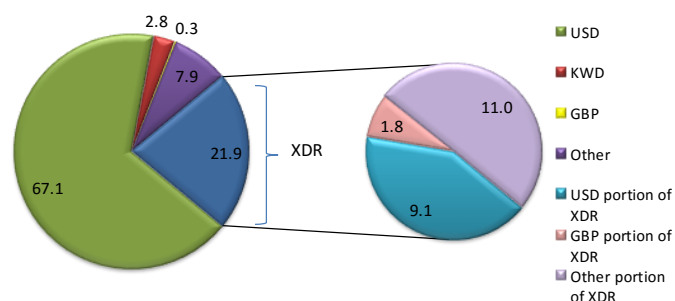
2.1.2 External Debt by Interest Type

As at the end of the second quarter of 2018, the external portfolio consisted primarily of loans contracted at fixed interest rates. These accounted for 82.6% of the portfolio. Loans contracted at variable interest rates and those contracted interest free accounted for 11.4% and 5.9% of the portfolio respectively (Chart 5). There were no new external loans contracted during the second quarter of 2018.

2.1.3 Currency Composition of External debt

The currency composition of external debt is well aligned to GOG's Medium-term Debt Strategy (MTDS) (2018-2020) 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. In the second quarter of 2018 USD loans accounted for 67.1% (US\$ 355.2m) of the external debt stock and the Special Drawing Rights (XDR) accounted for 21.9%, bringing the USD-denominated debt to 76.2% of the portfolio as 41.73% of the XDR consists of the USD. Loans denominated in the Kuwaiti Dinars (KWD) accounted for 2.8%, those denominated in the Great Britain Pound (GBP) accounted for 0.3% of the portfolio and other currencies including the Eastern Caribbean dollar (XCD) and the Euro (EUR) made up 7.9% of the external portfolio (Chart 6). There has been an increase in other currencies as it now includes treasury bills and treasury notes contracted by external creditors.

Chart 6: Currency Composition of External Debt



2.2 Domestic Debt

2.2.1 Domestic Debt by Instrument

At the end of June 2018, domestic debt stood at EC\$ 518.9 million (16.3% of GDP). Bonds dominated the domestic portfolio, followed by Treasury bills (Chart 7). This was also the case in the corresponding quarter in 2017 and the preceding quarter.

2.2.2 Domestic Debt by Holder

Non-bank Financial Institutions remained the leading holders of domestic debt. They were followed by public sector institutions, other creditors², investors in the Regional Government Securities Market (RGSM), commercial banks and private individuals and companies (Chart 8).

**Chart 7 : Domestic debt by instrument
(Q2 2017-Q2 2018)**

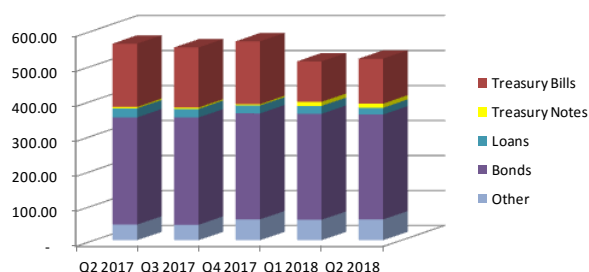
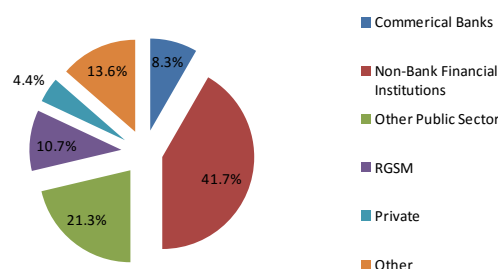


Chart 8: Domestic Debt by Holder



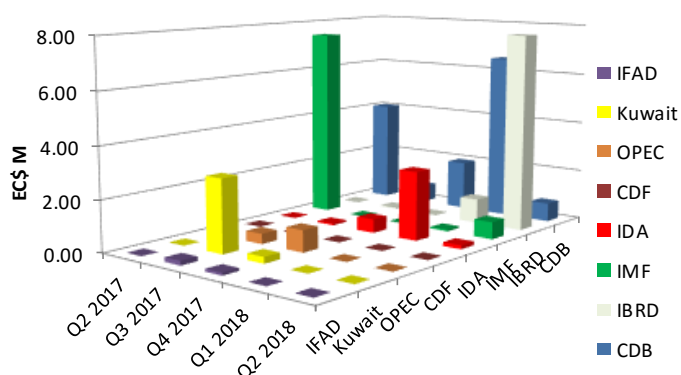
3.0 Other debt

Other debt consists of the debt obligations of Petro Caribe. It was government's decision to capture other debt as it is a contingent liability to government. In quarter 2 of 2018, other debt totaled EC\$ 372.1 million. If included in the total debt stock its total, in the second quarter, would be EC\$2,388.0 million (75.1% of GDP).

4.0 Disbursements

In the second quarter of 2018 total disbursements amounting to EC\$ 9.3 million was received from multilateral creditors. In the preceding quarter disbursements amounted to EC\$10.2 million and in the corresponding quarter of 2017 they amounted to EC\$ 11.9 million (Chart 9).

Chart 9: Disbursement by Creditor



² Other creditors includes outstanding liabilities and compensation claims.

5.0 Debt Service

Total debt service payments in the second quarter of 2018 amounted to EC\$ 77.5 million against a budgeted EC\$ 100.5 million. Principal repayments amounted to EC\$ 56.4 million, of which EC\$ 36.9 million was external amortisation and EC\$ 19.5 million domestic. Interest payments totaled EC\$ 21.1 million, of which external interest payments accounted for EC\$ 18.5 million and domestic payments EC\$ 2.6 million. Chart 10 compares debt service budgeted and actual payments in quarter 2 of 2018 with the corresponding period in 2017 and quarter 1 of 2018. Differences in budgeted and actual figures are due to exchange rate fluctuations and late disbursements.

Chart 10: Debt Service Q2 2017, Q1 2018 & Q2 2018

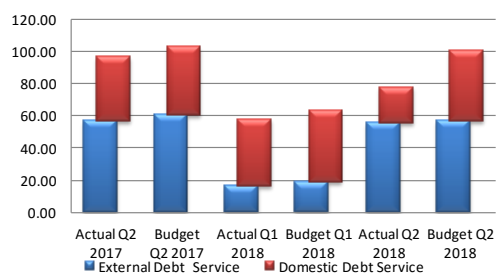
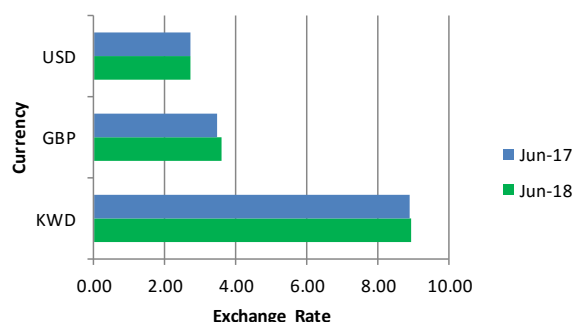


Chart 11: Movement in Exchange Rate



6.0 Risk Assessment of the External Portfolio

6.1 Foreign Currency Risk

The XCD appreciated against the GBP by 4.1% and the KWD by 0.3%. GBP only accounted for 0.4% of the external debt stock at the end of the final quarter, which rendered insignificant, the impact of the rate of appreciation of the XCD against the GBP (Chart 11).

6.2 Average Time to Maturity (ATM³)

As at end June 2018, the ATM of the external portfolio was 8.3 years which is in line with GOGs target ATM of 8 years and above. When compared to the corresponding quarter in 2017 the ATM increased by 0.5 years because of new borrowing with longer terms to maturity. When compared to the previous quarter, March 2018, the ATM decreased by 0.1 years (Chart 12).

6.3 Average Time to Re-fixing (ATR⁴)

The ATR of the external portfolio as at June 30th, 2018 was 7.6 years. There was a decrease in ATR of 0.1 years when compared to the previous quarter and an increase of 0.5 years when compared to the corresponding quarter in 2017 (Chart 13). This increase indicates that a smaller number of instruments will have their interest rates reset in the near future. It comes as a result of new borrowing with longer terms to maturity and the decision made by GOG to issue fewer short-term instruments in 2018.

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

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

Chart 12: Average Time to Maturity ATM (years) of External Portfolio

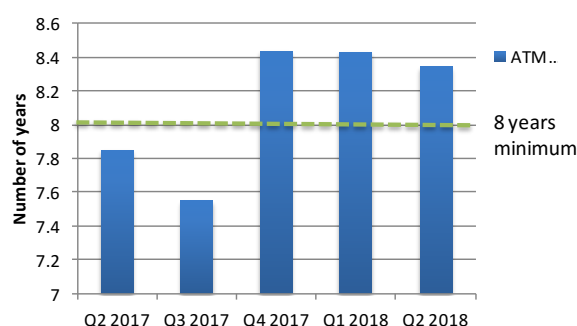
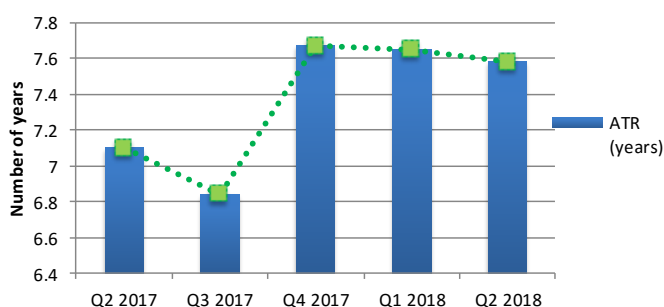


Chart 13: Average Time to Re-fixing ATR (years) of External Portfolio



7.0 Regional Government Securities Market (RGSM) Activities

In the second quarter of 2018 only one (1) Treasury bill was issued. Table 1 shows details on the new Treasury bill and its bid-to-cover ratio⁵. The issue was oversubscribed by EC\$ 5.2 million.

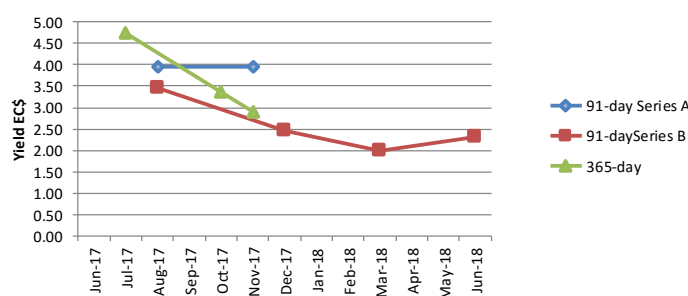
Table 1: RGSM Auction Results (Q2 2018)

Instrument	Total Units offered	Total Competitive Bids received	Face value of Auction	Total Payment Due	Total Discount	Discount Rate (%)	Bid to Cover Ratio
<i>Instrument</i>							
91-day T-bill (series B)	15.00	20.21	15.00	14.91	0.09	2.30	1.35
TOTAL	15.00	20.21	15.00	14.91	0.09		

7.1 Treasury Bills Auction Yields

Interest rates on GOG's Treasury bills from June 2017 to June 2018 are shown in Chart 14. Series A⁶ rates were steady throughout 2017 but these treasury bills have been discontinued in keeping in line with GOG's MTDS. Series B⁷ rates, on the other hand, have declined along with 365-day treasury bill rates. The decline in discount rates on treasury bills is due to the competitiveness of the bids made by investors in these securities.

Chart 14: Interest Rate fluctuations on Treasury Bills (Q2 2017-Q2 2018)



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 treasury bills are valued at EC\$ 10.0 million.

⁷ Series B treasury bills are valued at EC\$ 15.0 million.

8.0 Government Guarantees

Total outstanding Government guarantees in Quarter 2 of 2018 was EC\$ 67.2 million (2.1% of GDP). When compared to the second quarter of 2017 and the previous quarter, the stock of guaranteed debt decreased by 11.7% and 5.8% respectively. These changes can be seen in Table 2. There were no new issues of Government guaranteed debt in the second quarter of 2018.

Table 2: Guaranteed Debt by Creditor Type as at Q2 2018

Creditor	Jun-17	Mar-18	Jun-18	% Qtrly change	% YTD change
<i>In millions of EC\$</i>					
Multilateral	1.94	1.07	0.78	-27.26	-59.88
Commercial	35.69	34.20	33.74	-1.34	-5.45
Social Security	38.40	35.99	32.63	-9.32	-15.01
Statutory body	0.01	0.00	0.00	0.00	-100.00
Total	76.04	71.26	67.16	-5.76	-11.68

Appendix

Appendix 1: Size of Public Debt

Debt Category	Q2 2017	Q1 2018	Q2 2018
<i>In millions of EC\$</i>			
External Debt (including Government Guarantees)	1,623.43	1,442.20	1,464.27
Domestic Debt (including Government Guarantees)	626.62	619.09	551.56
Total	2,250.05	2,061.28	2,015.83

Appendix 2: External Debt by Creditor

Creditor Category	Q2 2017	Q1 2018	Q2 2018
<i>In millions of EC\$</i>			
Multilateral	803.55	800.51	784.39
Bilateral (Paris Club)	23.62	21.70	20.58
Bilateral (Non-Paris Club)	218.30	213.77	208.87
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	539.56	370.02	355.76
Treasury bills	0.00	0.00	56.98
Treasury notes	0.00	0.00	2.25
Total	1585.95	1406.92	1429.75

Appendix 3: External Debt by currency composition

Currency Composition	Q2 2017	Q1 2018	Q2 2018	% share of External Debt Q2 2018	MTDS Target
<i>In millions of EC\$</i>					
USD	1104.24	956.72	958.94	67.07	<div> <div>≥75%</div> <div>≤25%</div> </div>
XDR	337.45	344.79	313.22	21.91	
KWD	41.12	41.13	39.88	2.79	
GBP	5.63	5.25	4.91	0.34	
Other	97.51	59.03	112.80	7.89	
Total	1,585.95	1,406.92	1,429.75		

Appendix 4: Disbursement by Creditor

Creditor	Q2 2017	Q1 2018	Q2 2018
<i>In millions of EC\$</i>			
CDB	4.04	6.54	0.73
IDA	0.00	2.68	0.15
IBRD	0.00	0.95	7.72
IFAD	0.00	0.00	0.00
IMF	7.46	0.06	0.68
OPEC	0.38	0.00	0.00
Kuwait	0.00	0.00	0.00
CDF	0.00	0.00	0.00
Total	11.88	10.24	9.27

Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q2 2017	Q1 2018	Q2 2018
<i>In millions of EC\$</i>			
Treasury Bills	207.03	185.25	128.65
Treasury Notes	4.00	14.00	11.75
Bonds	306.55	302.89	299.88
Loans	25.92	22.51	19.40
Other	44.56	58.442	59.25
Total	588.06	583.10	518.93

Appendix 6: Domestic Debt by Holder

Domestic Debt by Holder	Q2 2017	Q1 2018	Q2 2018
<i>In millions of EC\$</i>			
Commerical Banks	42.78	43.16	43.16
Non-Bank Financial Institutions	226.49	222.32	216.28
Other Public Sector	110.6	110.60	110.60
RGSM	92.18	82.91	55.42
Private	59.64	54.12	22.95
Other	56.37	69.98	70.51
Total	588.06	583.10	518.93

Appendix 7: Debt Service

	Actual Q2 2017	Budget Q2 2017	Actual Q1 2018	Budget Q1 2018	Actual Q2 2018	Budget Q2 2018
<i>In millions of EC\$</i>						
Total Debt Service	96.48	102.85	57.55	62.93	77.53	100.45
External Debt Service	56.98	60.32	16.42	18.20	55.39	57.02
<i>Principal Repayments</i>	31.92	34.27	11.92	13.20	36.94	37.74
<i>Interest Payments</i>	25.07	26.05	4.49	5.01	18.45	19.28
Domestic Debt Service	39.50	42.53	41.14	44.72	22.13	43.44
<i>Principal Repayments</i>	36.73	37.75	38.38	41.30	19.49	39.01
<i>Interest Payments</i>	2.77	4.78	2.76	3.42	2.64	4.42

Appendix 8: Risk Indicators

Risk Indicators	Q2 2017	Q1 2018	Q2 2018	MTDS Target
ATM (years)	7.85	8.43	8.34	>= 8 yrs
% Maturing in 12 months	21.5	13.4	14.5	-
ATR (years)	7.1	7.65	7.58	-
% Refixing in 12 months	33.31	25.77	26.38	-

APPENDICES 2 TO 7 REFLECT CENTRAL GOVERNMENT DEBT FIGURES ONLY

Debt Statistics Summary (In millions \$ unless otherwise stated)

Particulars	Jun-17	Mar-18	Jun-18	Qtrly change (%)	YTD change (%)
Total Public Debt (XCD)					
External Debt (including Government Guarantees)	1,623.43	1,442.20	1,464.27	1.53	-9.80
Domestic Debt (including Government Guarantees)	626.62	619.09	551.56	-10.91	-11.98
Total Public Debt to GDP (%)					
External Debt to GDP	54.04	44.99	46.05	2.37	-14.79
Domestic Debt to GDP	20.86	19.31	17.35	-10.17	-16.84
Central Government Debt (XCD)					
External Debt	1,585.95	1,406.92	1,429.75	1.62	-9.85
Domestic Debt	588.06	583.10	518.93	-11.01	-11.76
Central Government Debt to GDP (%)					
External Debt	52.80	43.89	44.97	2.46	-14.83
Domestic Debt	19.58	18.19	16.32	-10.27	-16.63
Other Debt	368.69	372.14	372.14	0.00	0.94
Other Debt to GDP	12.27	11.61	11.70	0.83	-4.64
Government Guarantees					
External	37.48	35.27	34.52	-2.13	-7.89
Domestic	38.56	35.99	32.63	-9.32	-15.37
External debt by Creditor					
Multilateral	803.55	800.51	784.39	-2.01	-2.38
Bilateral	241.92	235.47	229.45	-2.56	-5.16
Domestic	-	-	59.23	0.00	0.00
Other	540.47	370.93	356.67	-3.84	-34.01
External Debt by Instrument					
T-bills/ T-notes	-	-	59.23	0.00	0.00
Loans	1,046.39	1,036.90	1,014.75	-2.14	-3.02
Bonds	539.56	370.02	355.76	-3.85	-34.06
Domestic Debt by instrument					
T-bills	207.03	185.25	128.65	-30.55	-37.86
T-Notes	4.00	14.00	11.75	-16.07	193.75
Bonds	306.55	302.89	299.88	-0.99	-2.17
Loans	25.92	22.51	19.40	-13.84	-25.17
Other	44.56	58.44	59.25	1.38	32.96
Foreign Currency Risk (%)					
% of debt in USD	69.6	68.00	67.07	-1.37	-3.64
% of debt in XDR	21.27	24.51	21.91	-10.60	3.01
% of debt in Kuwaiti Dinars	2.59	2.92	2.79	-4.56	7.72
% of debt in GBP	0.35	0.37	0.34	-8.90	-2.86
% of debt in other currency	6.18	4.20	7.89	88.05	27.67
% of foreign debt	72.95	70.70	73.37	3.78	0.58
Total Debt Service					
External	56.98	16.42	55.39	237.46	-2.79
Domestic	39.40	41.14	22.13	-46.20	-43.83
Principal	68.64	50.30	56.43	12.19	-17.79
Interest	27.74	7.25	21.10	190.87	-23.95
Disbursements	11.88	10.24	9.27	-9.44	-21.96
Fiscal indicators					
Total Debt Service to Revenue	51.79	28.01	38.98	39.18	-24.73
Total Debt Service to GDP	3.21	1.80	2.44	35.83	-24.00
Interest to Revenue	14.91	3.53	10.61	200.52	-28.84
Interest to Expenditure	15.81	4.34	12.49	187.60	-20.98
Total Public Sector Debt (% of GDP)	74.90	64.30	63.40		

N.B. FIGURES ARE SUBJECT TO CHANGE