



GOVERNMENT OF GRENADA

# QUARTERLY PUBLIC DEBT BULLETIN

QUARTER 3, 2017

COMPILED BY THE DEBT MANAGEMENT UNIT  
OF THE MINISTRY OF FINANCE

# Acronyms & Abbreviations

ATM- Average Time to Maturity

ATR- Average Time to Re-fixing

CDB- Caribbean Development Bank

CDF- Caricom Development Fund

EUR- Euro

GBP- Great Britain Pound

GDP- Gross Domestic Product

GOG-Government of Grenada

IDA – International Development Association

IFAD- International Fund for Agricultural Development

IMF- International Monetary Fund

KWD- Kuwaiti Dinar

MTDS- Medium-Term Debt Strategy

OPEC- Organisation of Petroleum Exporting Countries

RGSM- Regional Government Securities Market

USD- United States Dollar

XCD- Eastern Caribbean Dollar

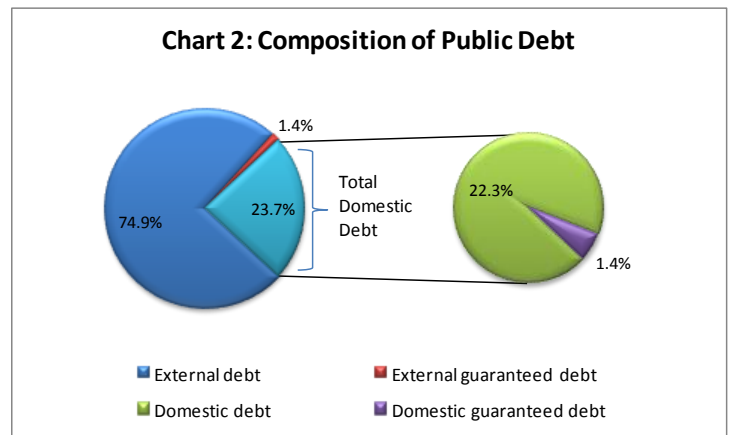
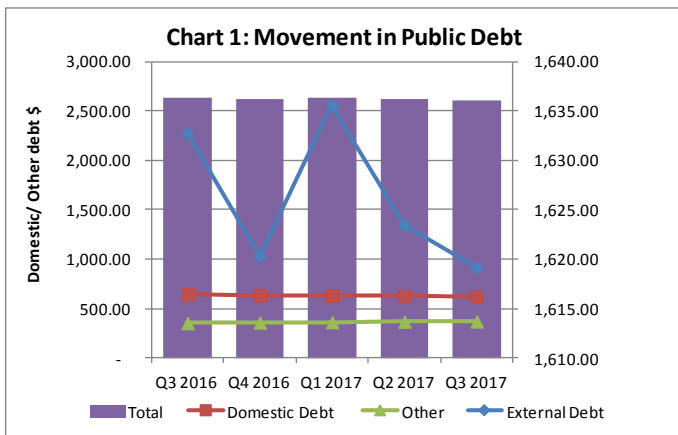
XDR- Special Drawing Rights

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## 1.0 Total Public Debt

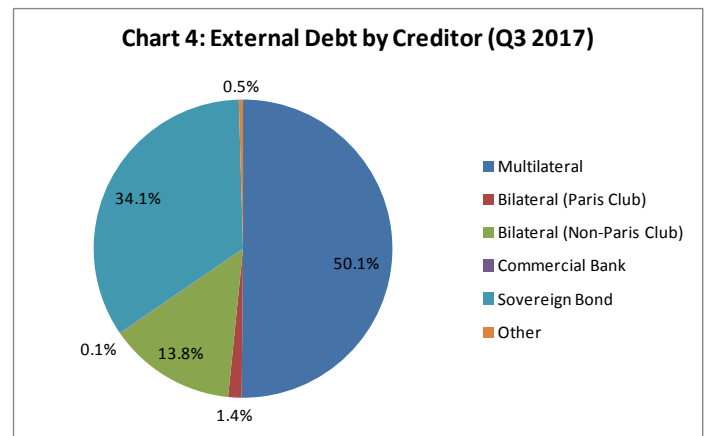
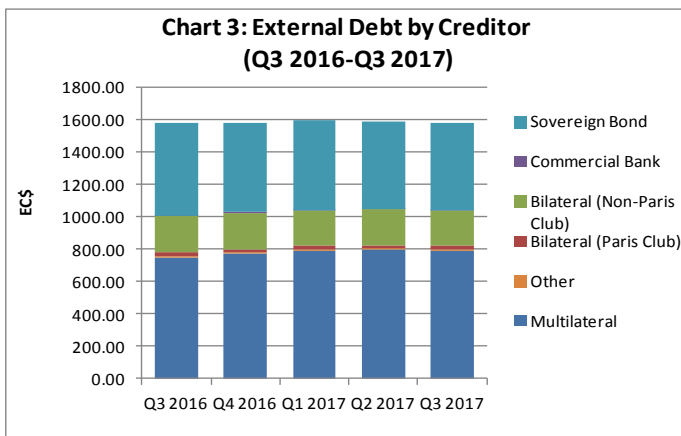
Total public debt at the end of the third quarter of 2017 stood at EC\$ 2,607.76 million or 86.81% of GDP. Total public debt included Central Government's debt, Public Corporations' debt and other debt obligations, which may be contingent liabilities for the Government. As at the end of September 2017, there were reductions in total public debt of EC\$ 24.31 million (0.92%) and EC\$ 10.98 million (0.42%) when compared to the corresponding period in 2016 and the preceding quarter (Chart 1). Domestic debt levels during the period September 2016 to September 2017 were relatively constant, while external debt fluctuated, as a result of debt service payments made and disbursements received. Total public debt comprised of 23.72% domestic debt and 76.28% external debt. Government guaranteed debt as a proportion of total debt was 2.84% of which domestic and external debt were 1.41% & 1.43% respectively (Chart 2). Central Government debt totaled EC\$ 2,163.57 million (72.03% of GDP), of which 26.86% was domestic debt and 73.14% was external.



## 2.0 External Debt

### 2.1 External Debt by Creditor Type

External debt held by the Central Government as at September 2017 amounted to EC\$ 1,582.38 million or 52.68% of GDP; with Multilaterals accounting for the largest portion. This was also the case in the corresponding period in 2016 and the preceding quarter (Chart 3). As at the end of the third quarter of 2017, the composition of external Central Government debt was as follows: multilateral loans 50.14% (EC\$ 793.52m); International Sovereign Bond 34.10% (EC\$ 539.56m); bilateral Non-Paris Club loans 13.80% (EC\$ 218.29m), bilateral loans from Paris Club member countries 1.45% (EC\$ 22.92m); other<sup>1</sup> creditors 0.45% (EC\$ 7.18m) and commercial debt 0.06% (EC\$ 0.91m) (Chart 4).

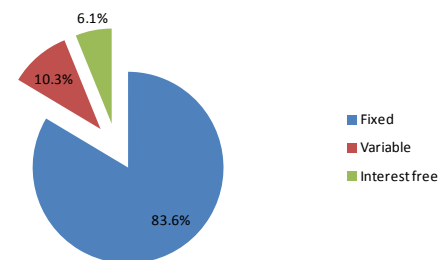


<sup>1</sup> Other: Caricom Development Fund (CDF)

## 2.2 External Debt by Interest Type

The external portfolio is dominated by loans contracted at a fixed interest rate. As at the end of the third quarter of 2017, loans with a fixed interest rate accounted for 83.60% of the portfolio. Loans contracted at variable interest rates accounted for 10.30% of the portfolio and the remaining 6.10% of the portfolio was interest free (Chart 5).

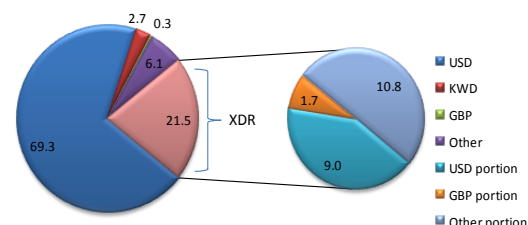
Chart 5: External Debt by Interest Type



## 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 69.32% (US\$ 406.29m) of the external debt stock in the third quarter and the Special Drawing Rights (XDR) accounted for 21.54%, bringing the USD to 78.31% of the portfolio. This is because 41.73% (US\$ 52.67m) of the XDR consists of the USD. Loans denominated in the Kuwaiti Dinars (KWD) accounted for 2.70%, those denominated in the Great Britain Pound (GBP) was 0.34% of the portfolio and other currencies including the Eastern Caribbean dollar (XCD) and the Euro (EUR) made up 6.1% of the external portfolio (Chart 6).

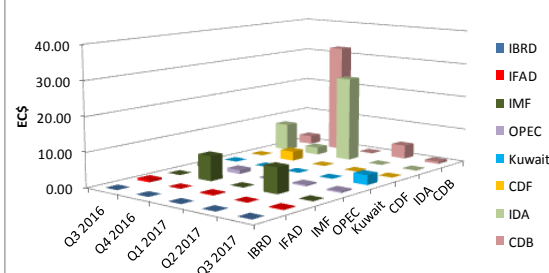
Chart 6: Currency Composition of External Debt



## 3.0 Disbursement by Creditor

In the third quarter of 2017, total disbursements amounted to EC\$ 4.15 million, the majority of which came from multilateral creditors. In the preceding quarter disbursements amounted to EC\$11.88 million and in the corresponding quarter of 2016 they amounted to EC\$ 12.21 million.

Chart 7: Disbursement by creditor

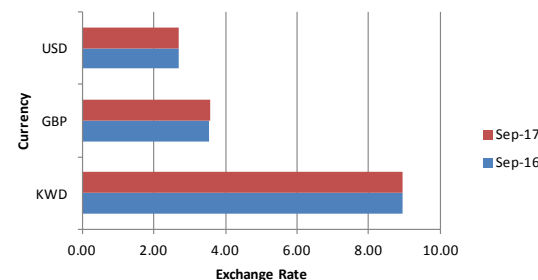


## 4.0 Risk Assessment of the External Portfolio

### 4.1 Foreign Currency Risk

In the third quarter of 2017, the XCD maintained its peg to the USD, which is Government of Grenada's (GOG's) chief borrowing currency. When compared to the third quarter of 2016 the KWD remained stable whereas the XCD appreciated against the GBP by 1.13%. GBP only accounted for 0.34% of the external debt stock in the third quarter, which renders the rate of appreciation of the XCD against the GBP insignificant.

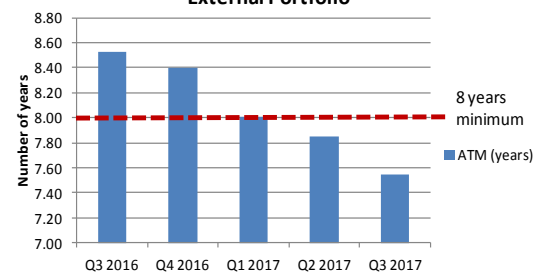
Chart 8: Movement in Exchange Rate



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

As at September 30<sup>th</sup> 2017, the ATM of the external portfolio was 7.55 years; GOG's target ATM is 8 years and above. When compared to the corresponding quarter in 2016 and the previous quarter, the ATM declined because the time to maturity of GOG's concessional loans has been decreasing as shown in Chart 9.

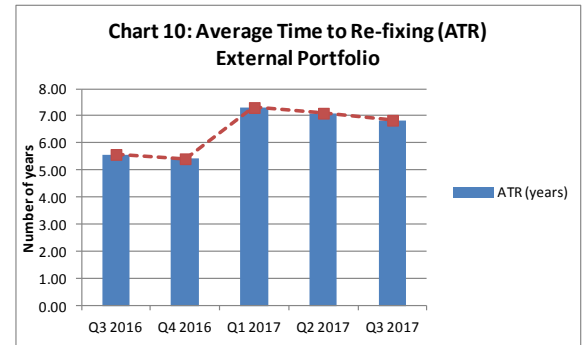
Chart 9: Average Time to Maturity (ATM) of External Portfolio



<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>)

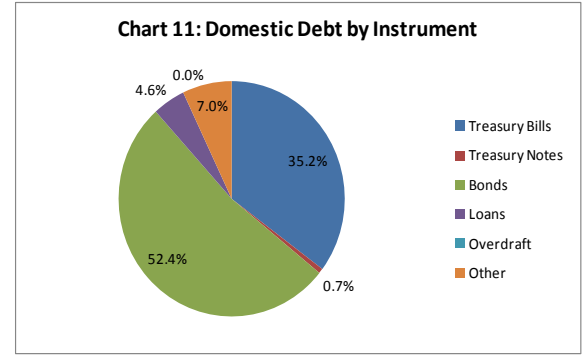
The ATR of the external portfolio as at September 30<sup>th</sup>, 2017 was 6.84 years. This reflects a decline of 0.26 years when compared to the previous quarter and an increase of 1.26 years when compared to the corresponding quarter in 2016 (Chart 10). This indicates lower risk in 2017 as opposed to 2016, as interest rates for a smaller number of loans will be reset.



## 5.0 Domestic Debt

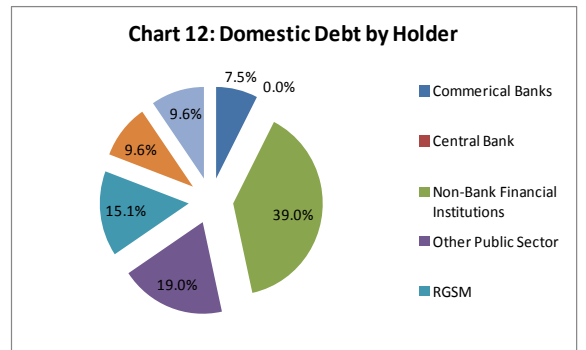
### 5.1 Domestic Debt by Instrument

At the end of the third quarter of 2017, domestic debt was EC\$ 581.19 million (19.35% of GDP). Bonds dominated the domestic portfolio, followed by Treasury bills (Chart 11). In the previous quarter this was also the case but in the corresponding quarter in 2016 Treasury bills dominated the portfolio followed by bonds. This is because a portion of GOG's Treasury bills was converted to bonds in the first quarter of 2017.



### 5.2 Domestic Debt by Holder

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



## 6.0 Regional Government Securities Market (RGSM) Activities

Table 1 shows details on new securities issued in Quarter 3, 2017 including the bid-to-cover ratio<sup>4</sup> of each security. These are as follows: two (2) 91-day Treasury bills totaling EC\$ 31.71 million of which one (1) was a Series A<sup>5</sup> issue of EC\$ 11.71 million; and the other a Series B<sup>6</sup> issue of EC\$ 20 million. There was also one (1) 365-day Treasury bill issued in the amount of EC\$ 27.91 million.

Table 1: RGSM Auction Results (Q3 2017)

T- Bills	Total Units offering	Total Competitive Bids received	Face value of Auction	Total Payment			Bid to Cover Ratio
				Due	Total Discount	Discount Rate (%)	
	<i>In millions of EC\$</i>						
91-day T-bill (series A)	15.00	11.71	15	11.59	0.12	3.96	0.78
91-day T-bill (series B)	20.00	21.49	20	19.83	0.17	3.47	1.07
365-day T-bill	30.00	27.91	30	26.58	1.33	4.76	0.93
<b>TOTAL</b>	<b>65.00</b>	<b>61.11</b>	<b>65</b>	<b>58.00</b>	<b>1.62</b>		

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

<sup>4</sup> Bid-to-cover ratio is the ratio of the number of bids received in a Treasury security auction, to the number of bids accepted.

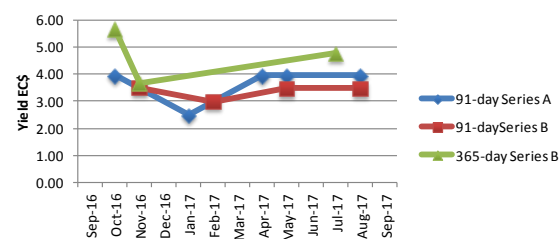
<sup>5</sup> Series A 91-day Treasury bills are valued at EC\$ 10.00 million with an option to take an additional EC\$ 5.00 million.

<sup>6</sup> Series B 91-day Treasury bills are valued at EC\$ 15.00 million with an option to take an additional EC\$ 5.00 million.

## 6.1 Treasury Bills Auction Yields

Interest rates for GOG Treasury bills (Series A & B) from quarter 3, 2016 to quarter 3, 2017 are shown in Chart 13. Both 91-day Treasury bill types showed a steady pattern throughout the year with the exception of the first quarter of 2017, when interest rates on both of them declined. Interest rates on 365-day Treasury bills, on the other hand, are fluctuating based on the competitiveness of the bids made by investors' in this type of security.

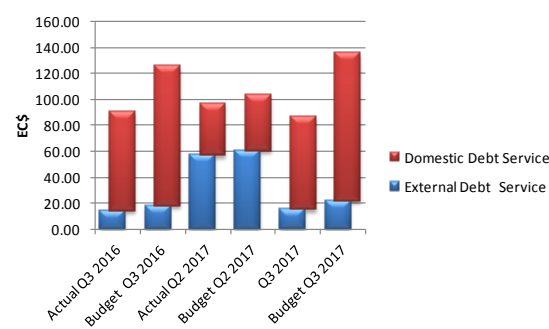
**Chart 13: Interest Rate fluctuations on Treasury Bills (Q3, 2016-Q3, 2017)**



## 7.0 Debt Service

In the third quarter of 2017, total debt service payments amounted to EC\$ 86.41 million against a budgeted EC\$ 135.21 million. Principal repayments amounted to EC\$ 74.98 million of which EC\$ 10.74 million was external debt service and EC\$ 64.24 million domestic. Interest payments totaled EC\$ 11.43 million, of which external debt service accounted for EC\$4.39 million and domestic debt service EC\$7.04 million. Chart 14 compares debt service budgeted and actual payments in quarter 3, 2017, with the corresponding period in 2016 and the preceding period in 2017.

**Chart 14: Debt Service Q32016, Q2-Q3 2017**



## 8.0 Government Guarantees

As at the end of the third quarter of 2017, total outstanding Government guarantees was approximately EC\$ 74.06 million. Compared to quarter two of 2017, the stock of guaranteed debt decreased by 2.61% and when compared to quarter 3 in 2016, it declined by 23.59%. These changes can be seen in Table 2. There were no new issues of Government guaranteed debt in the third quarter of 2017.

Table 2: Guaranteed Debt by Creditor Type as at Q3 2017

Creditor	Sep-16	Jun-17	Sep-17	% Qtrly change	% YTD change
Multilateral	8.20	1.94	1.65	-15.00	-79.83
Commercial	42.13	35.69	35.20	-1.37	-16.45
Social Security	46.55	38.39	37.21	-3.06	-20.06
Statutory body	0.05	0.01	0.00	-71.08	-91.58
<b>Total</b>	<b>96.93</b>	<b>76.04</b>	<b>74.06</b>	<b>-2.61</b>	<b>-23.60</b>

## Appendix

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

Debt Category	Q3 2016	Q2 2017	Q3 2017
<i>In millions of EC\$</i>			
External Debt (including Government Guarantees)	1,632.78	1,623.43	1,619.13
Domestic Debt (including Government Guarantees)	644.72	626.62	618.50
Other	354.57	368.69	370.13
<b>Total</b>	<b>2,632.07</b>	<b>2,618.74</b>	<b>2,607.76</b>

### Appendix 2: External Debt by Creditor

Creditor Category	Q3 2016	Q2 2017	Q3 2017
<i>In millions of EC\$</i>			
Multilateral	752.41	796.37	793.52
Bilateral (Paris Club)	24.35	23.62	22.92
Bilateral (Non-Paris Club)	227.52	218.30	218.29
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	568.08	539.56	539.56
Other	5.11	7.18	7.18
<b>Total</b>	<b>1,578.38</b>	<b>1,585.95</b>	<b>1,582.38</b>

### Appendix 3: External Debt by currency composition

Currency Composition	Q3 2016	Q2 2017	Q3 2017	% share of External Debt Q1 2017	MTDS Target
<i>In millions of EC\$</i>					
USD	1131.18	1104.24	1096.98	69.32	} ≥75% } ≤25%
XDR	310.29	337.45	340.79	21.54	
KWD	45.75	41.12	42.75	2.70	
GBP	5.6	5.63	5.4	0.34	
Other	85.56	97.51	96.46	6.10	
<b>Total</b>	<b>1,578.38</b>	<b>1,585.95</b>	<b>1,582.38</b>		

### Appendix 4: Disbursement by Creditor

Creditor	Q3 2016	Q2 2017	Q3 2017
<i>In millions of EC\$</i>			
CDB	2.50	4.04	0.67
IDA	8.00	0.00	0.07
IBRD	0.00	0.00	0.00
IFAD	0.61	0.00	0.17
IMF	0.00	7.46	0.00
OPEC	1.10	0.38	0.40
Kuwait	0.00	0.00	2.84
CDF	0.00	0.00	0.00
<b>Total</b>	<b>12.21</b>	<b>11.88</b>	<b>4.15</b>

### Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q3 2016	Q2 2017	Q3 2017
<i>In millions of EC\$</i>			
Treasury Bills	312.29	207.03	202.23
Treasury Notes	-	4.00	4.00
Bonds	207.13	306.55	306.42
Loans	41.25	25.92	24.36
Overdraft	-	-	-
Other	41.52	44.56	44.18
<b>Total</b>	<b>602.19</b>	<b>588.06</b>	<b>581.19</b>



**Appendix 6: Domestic Debt by Holder**

Domestic Debt by Holder	Q3 2016	Q2 2017	Q3 2017
<i>In millions of EC\$</i>			
Commerical Banks	53.43	42.78	43.78
Central Bank	2.9	-	-
Non-Bank Financial Institutions	236.03	226.49	226.81
Other Public Sector	94	110.6	110.60
RGSM	97	92.18	88.03
Private	66.23	59.64	55.97
Other	52.6	56.37	56.00
<b>Total</b>	<b>602.19</b>	<b>588.06</b>	<b>581.19</b>

**Appendix 7: Debt Service**

	Actual Q3 2016	Budget Q3 2016	Actual Q2 2017	Budget Q2 2017	Q3 2017	Budget Q3 2017
<b>Total Debt Service</b>	<b>90.06</b>	<b>125.30</b>	<b>96.38</b>	<b>102.85</b>	<b>86.41</b>	<b>135.21</b>
<b>External Debt Service</b>	<b>14.49</b>	<b>17.77</b>	<b>56.98</b>	<b>60.32</b>	<b>15.12</b>	<b>21.82</b>
<i>Principal Repayments</i>	10.32	12.35	31.92	34.27	10.74	16.81
<i>Interest Payments</i>	4.17	5.41	25.07	26.05	4.39	5.01
<b>Domestic Debt Service</b>	<b>75.57</b>	<b>107.53</b>	<b>39.40</b>	<b>42.53</b>	<b>71.28</b>	<b>113.39</b>
<i>Principal Repayments</i>	69.10	96.76	36.73	37.75	64.24	105.32
<i>Interest Payments</i>	6.47	10.78	2.68	4.78	7.04	8.07

**Appendix 8: Risk Indicators**

Risk Indicators	Q3 2016	Q2 2017	Q3 2017	MTDS Target
ATM (years)	8.53	7.85	7.55	<b>&gt;= 8 yrs</b>
% Maturing in 12 months	8	21.5	23.4	-
ATR (years)	5.58	7.1	6.84	-
% Refixing in 12 months	55.03	33.31	34.6	-

APPENDICES 2 TO 7 REFLECT CENTRAL GOVERNMENT DEBT FIGURES ONLY

## Debt Statistics Summary ( In millions \$)

Particulars	Sep-16	Jun-17	Sep-17	Qtrly change (%)	YTD change (%)
<b>Total Public Debt (XCD)</b>					
External Debt (including Government Guarantees)	1,632.78	1,623.43	1,619.13	-0.26	-0.84
Domestic Debt (including Government Guarantees)	644.72	626.62	618.50	-1.30	-4.07
Other Public Sector Debt	354.57	368.69	370.13	0.39	4.39
<b>Public Debt to GDP (%)</b>					
External Debt to GDP	69.69	66.32	66.22	-0.14	-4.97
Domestic Debt to GDP	22.61	20.86	20.59	-1.30	-8.93
<b>Central Government Debt (XCD)</b>					
External Debt	1,578.38	1,585.95	1,582.38	-0.23	0.25
Domestic Debt	602.19	588.06	581.19	-1.17	-3.49
<b>Central Government Debt to GDP (%)</b>					
External Debt	55.35	52.80	52.68	-0.23	-4.83
Domestic Debt	21.12	19.58	19.35	-1.17	-8.38
<b>Government Guarantees</b>					
External	54.40	37.48	36.75	-1.95	-32.44
Domestic	42.53	38.56	37.31	-3.24	-12.27
<b>External debt by Creditor</b>					
Multilateral	757.52	803.55	800.70	-0.36	5.70
Bilateral	251.87	241.92	241.21	-0.30	-4.23
Other	568.99	540.47	540.47	0.00	-5.01
<b>External Debt by Instrument</b>					
Loans	1,010.30	1,046.39	1,042.82	-0.34	3.22
Bonds	568.08	539.56	539.56	0.00	-5.02
<b>Domestic Debt by instrument</b>					
T-bills	312.29	207.03	202.23	-2.32	-35.24
T-Notes	-	4.00	4.00	0.00	0.00
Bonds	207.13	306.55	306.42	-0.04	47.93
Loans	41.25	25.92	24.36	-6.01	-40.93
Other	41.52	44.56	44.18	-0.85	6.41
<b>Foreign Currency Risk (%)</b>					
% of debt in USD	71.67	69.60	69.32	-0.40	-3.27
% of debt in XDR	19.66	21.27	21.54	1.25	9.54
% of debt in Kuwaiti Dinars	2.90	2.59	2.70	4.31	-6.84
% of debt in GBP	0.35	0.35	0.34	-2.50	-2.50
% of debt in other currency	5.42	6.18	6.10	-1.36	12.47
% of foreign debt	72.38	72.95	73.14	0.26	1.04
<b>Total Debt Service</b>					
External	14.49	56.98	15.12	-73.46	4.38
Domestic	75.57	39.40	71.28	80.91	-5.68
Principal	79.42	68.64	74.98	9.23	-5.60
Interest	10.64	27.74	11.43	-58.79	7.44
<b>Fiscal indicators</b>					
Total Debt Service to Revenue	48.31	51.79	48.35	-6.63	0.10
Total Debt Service to GDP	3.16	3.21	2.88	-10.34	-8.92
Interest to Revenue	5.71	14.91	6.40	-57.09	12.08
Interest to Expenditure	6.64	15.81	6.89	-56.44	3.64
<b>Total Public Sector Debt (% of GDP)</b>	<b>92.30</b>	<b>87.18</b>	<b>86.81</b>	-0.42	-5.94
<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>21.60%</b>			

N.B. FIGURES USED FOR GOVERNMENT GUARANTEES AND GDP (2017) ARE ESTIMATES AND ARE SUBJECT TO CHANGE