



Government of
Grenada

2021

QUARTER 3

PUBLIC DEBT QUARTERLY BULLETIN

A PRODUCTION OF THE DEBT MANAGEMENT UNIT
MINISTRY OF FINANCE GRENADA



Acronyms & Abbreviations

ATM- Average Time to Maturity

ATR- Average Time to Re-fixing

CDB- Caribbean Development Bank

CNY- Chinese Yuan

EUR- Euro

GBP- Great Britain Pound

GDP- Gross Domestic Product

GoG- Government of Grenada

IBRD- International Bank for Reconstruction and Development

IDA- International Development Association

KWD- Kuwaiti Dinar

MTDS- Medium-Term Debt Management Strategy

OPEC- Organisation of Petroleum Exporting Countries

RGSM- Regional Governments' Securities Market

SOE- State-owned Enterprise

USD- United States Dollar

XCD- Eastern Caribbean Dollar

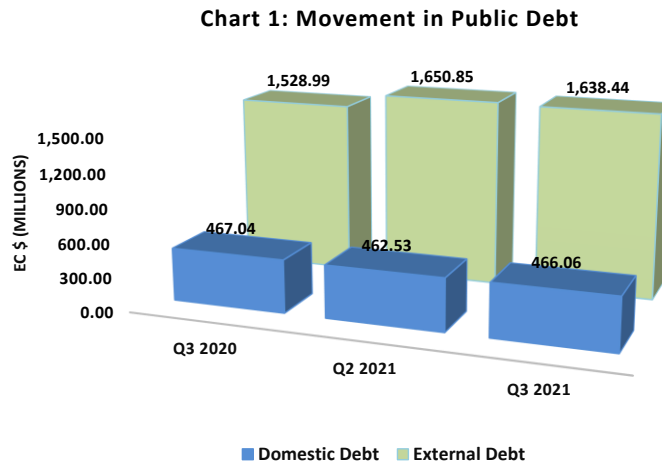
XDR- Special Drawing Rights

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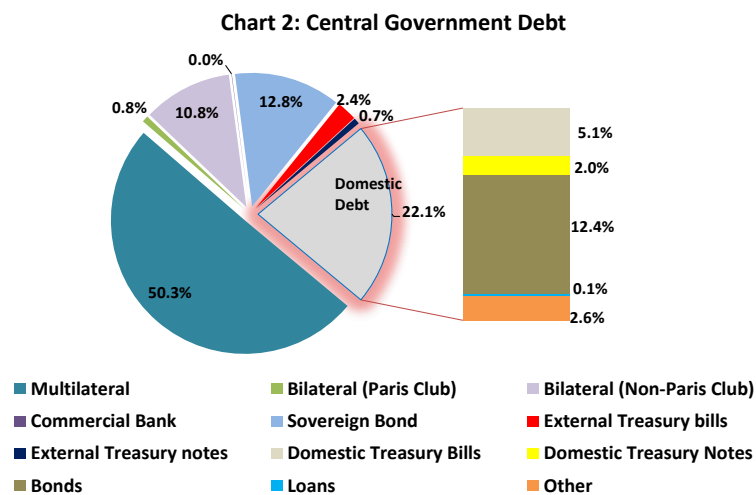
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1.0 Total Public Debt

Total public debt¹ at the end of quarter 3 (Q3) 2021 was EC\$2,104.5 million. It increased over a 1-year period by EC\$ 108.5 million (5.4%) primarily due to disbursements received on loans contracted for Covid-19 relief and on existing loans. Also, there was an increase in the total amount issued on the Regional Governments' Securities Market (RGSM) in 2021. This brought total RGSM Treasury bills to EC\$86.9 million at the end of September 2021, as opposed to EC\$70.0 million. Alternatively, when compared to the previous quarter, total public debt decreased by EC\$ 8.9 million (0.4%) as existing loans are being amortized and disbursements in Q3 were minimal.



Total public debt at the end of Q3 2021 was 70.7% of Gross Domestic Product (GDP)² and comprised principally of Central Government's (CG) external and domestic debt. Chart 1 compares total public debt at the end of Q3 2021 to end Q2 2021, and end Q3 2020. External debt increased by 7.2% over the 1-year period (Q3 2020 to Q3 2021), as the majority of disbursements were contracted from external creditors. Despite the increase of EC\$16.9 million on the RGSM, there was domestic bond amortization and payments on judgment claims, which resulted in a negligible decrease in domestic debt of 0.2% during the 1-year period. External and domestic CG debts were 77.9% and 22.1% respectively, of total public debt (Chart 2).



¹ Total public debt includes both the domestic and external debt of Central Government and the Government guaranteed debt, if any, of Grenada's State-owned enterprises.

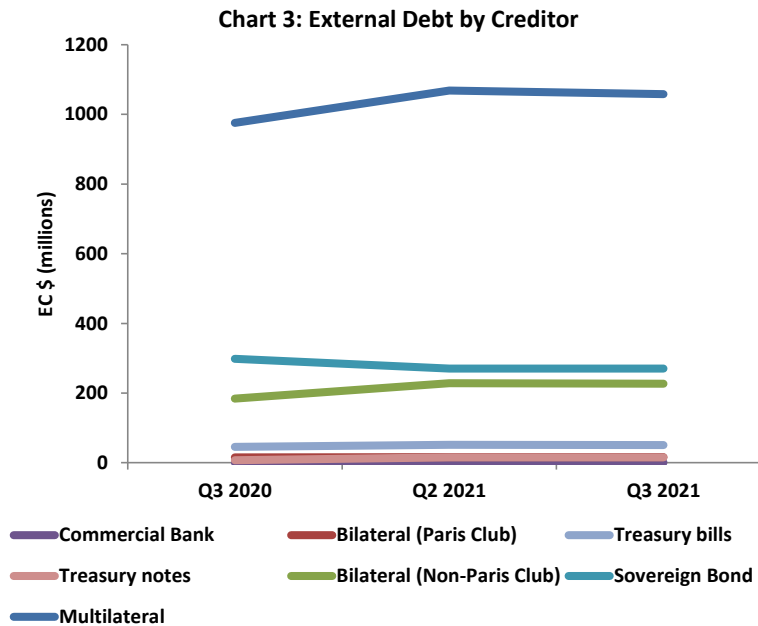
² GDP: Ministry of Finance estimated Gross Domestic Product as at end October 2021 (\$2,978.8 million).

1.1 External Debt

In the third quarter of 2021, external debt was EC\$1,638.4 million (55.0% of GDP).

1.1.1 External Debt by Creditor Category

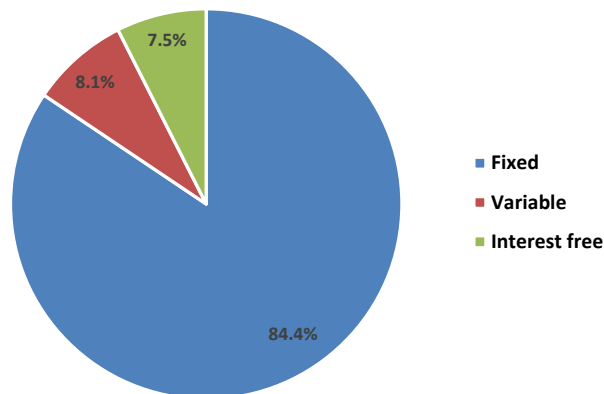
External debt consisted predominantly of multilateral creditors in Q3 and the periods under comparison (Chart 3). This was a recommendation of the 2021-2023 Medium-Term Debt Management Strategy (MTDS). In Q3 2021, multilaterals comprised 64.6% of the external portfolio.



1.1.2 External Debt by Interest Type

External debt comprised chiefly of fixed interest rate loans (84.4%) at the end of Q3 2021 (Chart 4).

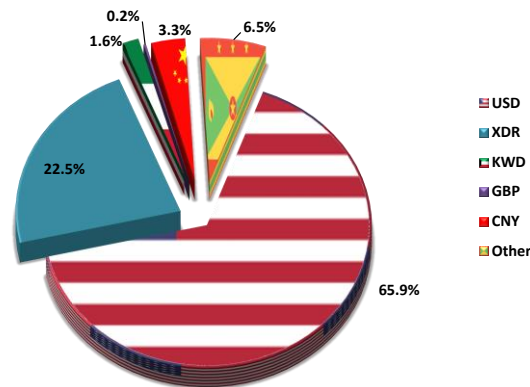
Chart 4: External Debt by Interest type



1.1.3 Currency Composition of External Debt

Loans contracted in the United States Dollars (USD) held the largest portion of the external portfolio (65.9%) at the end of Q3 2021. This was followed by instruments contracted in Special Drawing Rights (XDR) (22.5%) (Chart 5).

Chart 5: Currency Composition of External Debt



1.2 Domestic Debt³

At the end of Q3 2021, domestic debt stood at EC\$466.1 million (15.7% of GDP). The 2021-2023 MTDS suggested the development of the domestic capital market and recommended the extension of the maturity of the domestic portfolio by gradually introducing longer-dated securities. In line with the MTDS, in Q3, two (2) 2-year Treasury Notes were replaced with 5-year notes.

1.2.1 Domestic Debt by Instrument Type & Holder

In Q3 2021, the instrument type holding the highest share in Government of Grenada’s (GoG’s) domestic portfolio, was bonds (56.0%). This was followed by Treasury Bills (22.9%) (Chart 6). Non-bank financial institutions were the chief holders of domestic debt in Q3 2021 (39.6%) (Chart 7).

Chart 6: Domestic Debt by Instrument

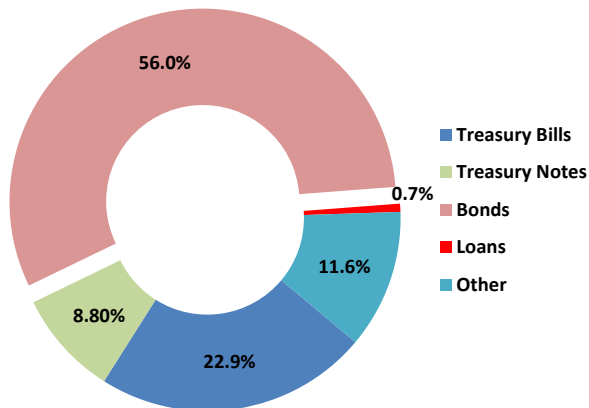
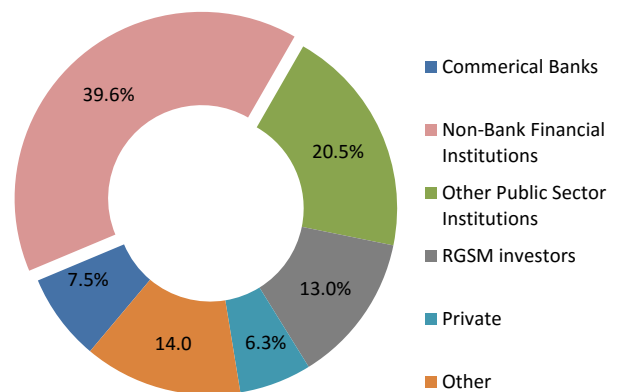


Chart 7: Domestic Debt by Holder



³ Domestic debt includes all debt contracted by creditors whose residency is Grenada.

1.2.2 Domestic Debt by Interest Type

All domestic instruments in GoG’s portfolio have been contracted at fixed interest rates.

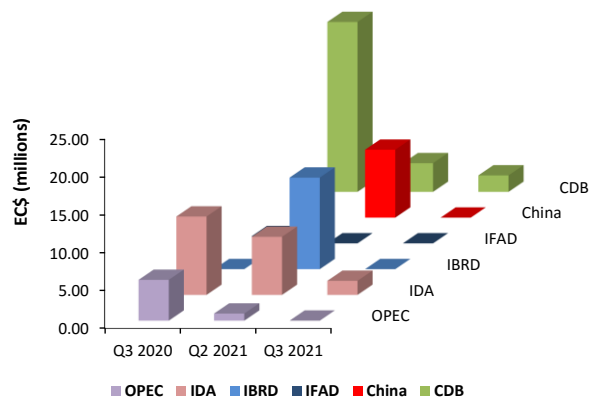
2.0 Debt of State-Owned Enterprises (SOEs)

At the end of Q2 2021⁴, the total debt stock of SOEs was EC\$527.9 million (17.7% of GDP). This is inclusive of the debt obligations of Petro Caribe, which was EC\$372.1 million (12.5% of GDP). All loans contracted by SOEs are long-term loans. Domestic and external SOE debts were 70.9% and 29.1% respectively at the end of 2020.

3.0 Disbursements

In Q3 2021, disbursements totaling EC\$4.0 million were received from multilateral creditors only (Chart 8). When compared to the preceding quarter and Q3 2020 disbursements decreased by EC\$29.5 million and EC\$35.2 million respectively as disbursements on new and existing loans were received during those periods.

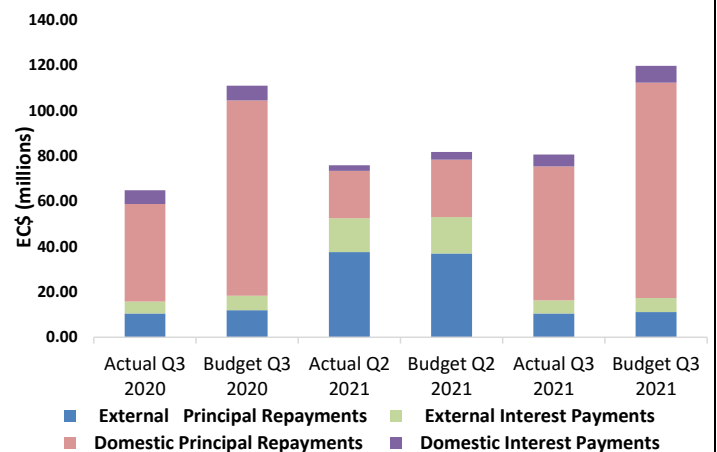
Chart 8: Disbursement by Creditor



4.0 Debt Service

In Q3 2021, total actual debt service payments amounted to EC\$80.6 million against a budgeted EC\$120.1 million, 20.1% was external debt service and 79.9% was domestic debt service. The difference between budgeted and actual debt service was mainly on the domestic side due to the roll-over of matured Treasury Bills as an alternative to amortization, and on the external side to a lesser extent, interest rate and exchange rate fluctuations. Chart 9 compares budgeted and actual debt service figures in the period under review with that of the previous quarter and Q3 2020.

Chart 9: Debt Service Budgeted & Actual Payments



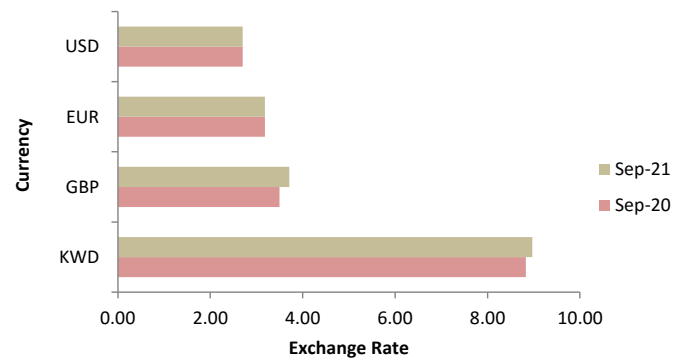
⁴ Q2 2021 is the latest period for which SOE debt data is available.

5.0 Risk Assessment of the Portfolio

5.1 Foreign Currency Risk

During the period Q3 2020 to Q3 2021, the Eastern Caribbean Dollar (XCD) depreciated against the Kuwaiti Dinar (KWD) by 1.6% and the Great Britain Pound (GBP) by 6.0%. The KWD only accounted for 1.6% of the external portfolio and the GBP only 0.2%. This rendered the rate of depreciation of the XCD against these currencies insignificant. The average Euro rate in September 2021 was the same as it was in September 2020 (Chart 10).

Chart 10: Movement in Exchange Rate



5.2 Average Time to Maturity (ATM⁵) & Average Time to Re-fixing (ATR⁶)

Charts 11 and 12 depict the ATM and ATR of both the domestic and external portfolios for the period under review and compares them to that of the previous quarter and Q3 2020. The ATM of the external portfolio remained in line with Government's target of 8.0 years and above. The ATM of the domestic portfolio was 7.0 years. It increased from the previous quarter by 0.1 years and Q3 2020 by 0.9 years. The increase can be attributed to the gradual introduction of longer-dated domestic instruments. The ATR of the external portfolio was 9.5 years. It decreased by an insignificant 0.1 years when compared to the previous quarter but increased by 0.1 years when compared to the same period in 2020. Of the domestic portfolio, ATR increased when compared to Q2 2021 by 0.1 years and Q3 2020 by 0.9 years. A higher ATR indicates that the interest rates of a smaller number of instruments will be reset in the near future. Domestic ATM and ATR are usually lower than external as most domestic instruments are short-termed.

Chart 11: Average Time to Maturity (ATM) of Domestic & External Portfolio

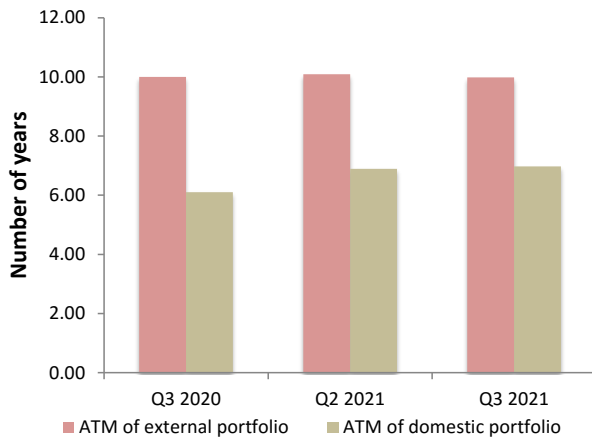
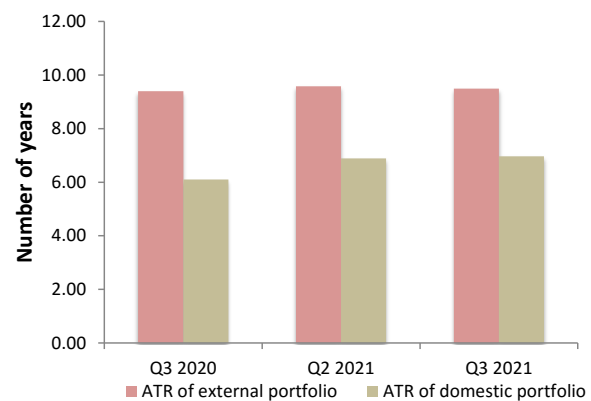


Chart 12: Average Time to Re-fixing (ATR) of Domestic & External Portfolios



⁵ ATM shows how long it takes on average to roll over or refinance the debt portfolio.

⁶ ATR indicates the average time required to reset the interest rate in the debt profile.

6.0 Regional Governments' Securities Market (RGSM) Activities

In Q3 2021, there were two Treasury Bill auctions, one (1) 91-day and one (1) 365-day. Table 1 shows details of the auctions and the bid-to-cover ratio⁷ of each.

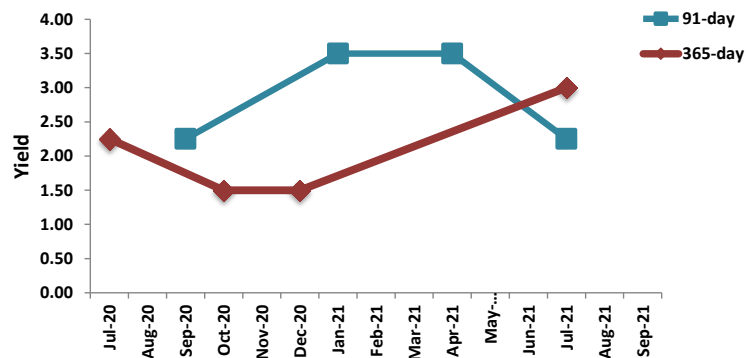
Table 1: RGSM Auction Results (Q3 2021)

Instrument type	Issue amount	Oversubscription amount allowed	Total units offered	Total Competitive Bids received	Total Payment Due	Total Discount	Discount Rate (%)	Bid to Cover Ratio
<i>In millions of EC\$ unless otherwise stated</i>								
91-day T-bill	15.00	5.00	20.00	23.77	19.89	0.11	2.25	1.19
365 day T-bill	25.00	5.00	30.00	45.92	29.13	0.87	3.00	1.53
TOTAL	40.00	10.00	50.00	69.69	49.02	0.98		

6.1 Treasury Bills Auction Yields

Chart 11 depicts auction yields over the 1-year period Q3 2020 to Q3 2021. Interest rates on 91-day Treasury Bills were lower in Q3 2021 than the previous quarter but was the same as Q3 2020. Interest rates on 365-day Treasury Bills were lower in 2020 than in 2021 based on the competitiveness of bids during the auctions.

Chart 13: Interest Rate fluctuations on Treasury Bills (Q3 2020-Q3 2021)



7.0 Government Guarantees

GoG is free of guaranteed debt obligations.

⁷ Bid-to-cover ratio is the ratio of the number of bids received in a Treasury security auction, to the number of bids accepted.

Appendices

Appendix 1: Size of Public Debt

Debt Category	Q3 2020	Q2 2021	Q3 2021
<i>In millions of EC\$</i>			
External Debt	1,528.99	1,650.85	1,638.44
Domestic Debt	467.04	462.53	466.06
Total	1,996.03	2,113.39	2,104.50

Appendix 2: External Debt by Creditor

Creditor Category	Q3 2020	Q2 2021	Q3 2021
<i>In millions of EC\$</i>			
Multilateral	975.78	1,068.37	1,058.40
Bilateral (Paris Club)	16.00	16.30	16.18
Bilateral (Non-Paris Club)	184.27	228.11	226.68
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	298.73	270.22	270.22
Treasury bills	45.68	51.36	50.47
Treasury notes	7.62	15.59	15.59
Total	1,528.99	1,650.85	1,638.44

Appendix 3: External Debt by Currency Composition

Currency Composition	Q3 2020	Q2 2021	Q3 2021
<i>In millions of EC\$</i>			
United States Dollar	1,020.30	1,082.65	1,079.07
Special Drawing Rights	378.28	374.94	368.56
Kuwaiti Dinar	29.29	27.58	26.18
Great Britain Pound	3.52	3.80	3.69
Chinese Yuan	0.00	54.88	54.85
Other currencies	97.60	107.00	106.09
Total	1,528.99	1,650.85	1,638.44

Appendix 4: Disbursement by Creditor

Creditor	Q3 2020	Q2 2021	Q3 2021
<i>In millions of EC\$</i>			
Caribbean Development Bank	22.47	3.79	2.18
International Development Association	10.37	7.68	1.86
International Bank for Reconstruction & Development	0.00	12.11	0.00
International Fund for Agricultural Development	0.96	0.00	0.00
Organisation of Petroleum Exporting Countries	5.40	0.94	0.00
Exim Bank of the Republic of China	0.00	8.98	0.00
Total	39.19	33.50	4.04

Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q3 2020	Q2 2021	Q3 2021
<i>In millions of EC\$</i>			
Treasury Bills	87.43	100.66	106.55
Treasury Notes	40.92	41.21	41.21
Bonds	275.05	263.23	260.88
Loans	4.79	3.22	3.20
Other	58.85	54.21	54.22
Total	467.04	462.53	466.06

Appendix 6: Domestic Debt by Holder

Domestic Debt by Holder	Q3 2020	Q2 2021	Q3 2021
<i>In millions of EC\$</i>			
Commerical Banks	38.38	34.99	35.25
Non-Bank Financial Institutions	190.76	184.63	184.63
Other Public Sector Institutions	98.29	95.10	92.75
RGSM investors	48.21	54.59	60.48
Private	22.42	29.16	29.16
Other	68.99	64.08	63.80
Total	467.04	462.53	466.06

Appendix 7: Debt Service

Debt service	Actual Q3 2020	Budget Q3 2020	Actual Q2 2021	Budget Q2 2021	Actual Q3 2021	Budget Q3 2021
<i>In millions of EC\$</i>						
Total Debt Service	64.83	111.05	75.83	81.73	80.58	120.08
External Debt Service	15.69	18.30	52.45	53.01	16.22	17.31
<i>External Principal Repayments</i>	10.49	11.95	37.60	36.90	10.49	11.11
<i>External Interest Payments</i>	5.20	6.34	14.85	16.11	5.72	6.20
Domestic Debt Service	49.14	92.75	23.38	28.72	64.36	102.77
<i>Domestic Principal Repayments</i>	43.06	86.26	20.93	25.33	59.17	95.06
<i>Domestic Interest Payments</i>	6.08	6.49	2.45	3.39	5.19	7.71

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

Particulars	Sep-20	Jun-21	Sep-21	Qtrly change (%)	YTD change (%)
Total Public Debt (Central Government's Debt) (XCD)					
External Debt	1,528.99	1,650.85	1,638.44	-0.75	7.16
Domestic Debt	467.04	462.53	466.06	0.76	-0.21
Total Public Debt (Central Government's Debt) to GDP (%)					
External Debt	54.27	55.84	55.00	-1.49	1.34
Domestic Debt	16.58	15.64	15.65	0.01	-5.62
Other Debt*	372.14	372.14	372.14	0.00	0.00
Other Debt to GDP	13.21	12.59	12.49	-0.74	-5.42
External debt by Creditor (XCD)					
Multilateral	975.78	1,068.37	1,058.40	-0.93	8.47
Bilateral	200.27	244.41	242.86	-0.63	21.27
Domestic instruments contracted from external creditors	53.30	66.95	66.06	-1.33	23.92
Other	299.64	271.13	271.13	0.00	-9.52
External Debt by Instrument (XCD)					
T-bills/ T-notes	53.30	66.95	66.06	-1.33	23.92
Loans	1,176.95	1,313.69	1,302.17	-0.88	10.64
Bonds	298.73	270.22	270.22	0.00	-9.55
Domestic Debt by instrument (XCD)					
T-bills	87.43	100.66	106.55	5.85	21.87
T-Notes	40.92	41.21	41.21	0.00	0.71
Bonds	275.05	263.23	260.88	-0.89	-5.15
Loans	4.79	3.22	3.20	-0.60	-33.19
Other	58.85	54.21	54.22	0.01	-7.86
Foreign Currency Risk (%)					
% of debt in USD	66.73	65.58	65.86	0.42	-1.30
% of debt in XDR	24.74	22.71	22.49	-0.96	-9.08
% of debt in Kuwaiti Dinars	1.92	1.67	1.60	-4.36	-16.59
% of debt in GBP	0.23	0.23	0.23	-2.16	-2.17
% of debt in Chinese Yuan	0.00	3.32	3.35	0.70	0.00
% of debt in other currency	6.38	6.48	6.48	-0.10	1.44
% of foreign debt	76.60	78.11	77.85	-0.33	1.63
Total Debt Service (XCD)					
External	15.69	52.45	16.22	-69.08	3.35
Domestic	49.14	23.38	64.36	175.30	30.98
Principal	53.55	58.53	69.67	19.03	30.08
Interest	11.28	17.30	10.92	-36.91	-3.19
Disbursements	39.19	33.50	4.04	-87.95	-89.70
Fiscal indicators (%)					
Total Debt Service to Revenue	35.37	37.21	32.17	-13.55	-9.05
Total Debt Service to GDP	2.30	2.56	2.71	5.47	17.55
Interest to Revenue	6.15	8.49	4.36	-48.65	-29.16
Interest to Expenditure	6.02	8.82	4.64	-47.35	-22.83
Total Public Sector Debt (% of GDP)	70.85	71.48	70.65		

N.B. FIGURES ARE SUBJECT TO CHANGE