



GOVERNMENT OF
GRENADA

2020
QUARTER 2

PUBLIC DEBT
QUARTERLY
BULLETIN

A PRODUCTION OF THE DEBT MANAGEMENT UNIT
MINISTRY OF FINANCE

Acronyms & Abbreviations

ATM- Average Time to Maturity

ATR- Average Time to Re-fixing

DSSI- Debt Service Suspension Initiative

ECCB- Eastern Caribbean Central Bank

EUR- Euro

GBP- Great Britain Pound

GDP- Gross Domestic Product

GoG- Government of Grenada

IMF- International Monetary Fund

KWD- Kuwaiti Dinar

MTDS- Medium-Term Debt Strategy

RCF- Rapid Credit Facility

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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1.0 Total Public Debt

Total public debt¹ in the second quarter of 2020 (Q2), stood at EC\$1,965.2 million (70.3% of GDP²) and comprised of external and domestic Central Government (CG) debt alone. In chart 1 there's a comparison of total public debt in Q2 of 2020 with that of the previous quarter and Q2 2019. External debt increased due to disbursements received from multilateral creditors in Q1 and further in Q2 2020. Domestic debt, however, decreased between Q2 2019 and Q1 2020 but increased marginally in Q2 2020 above Q1 2020. External and domestic CG debts were 76.0% and 24.0% respectively of total public debt (Chart 2).

Chart 1: Movement in Public Debt

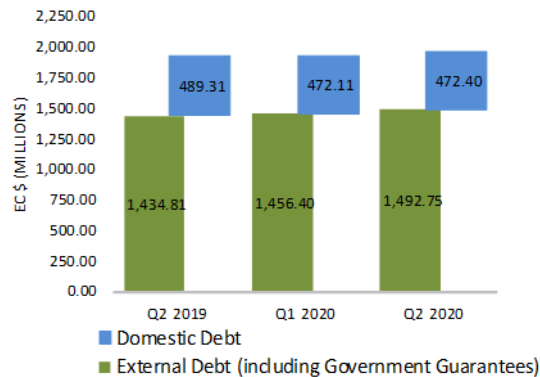
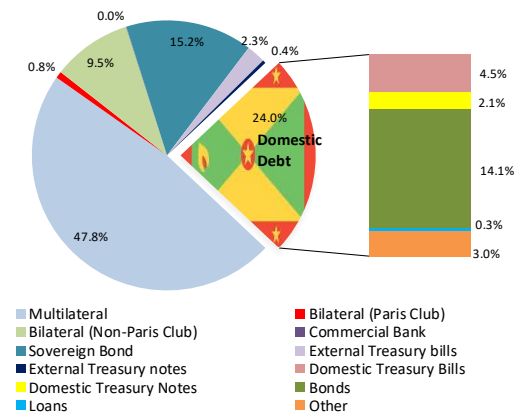


Chart 2: Central Government debt



1.1 External Debt

External debt stood at EC\$ 1,492.8 million (53.4% of GDP) at the end of Q2 2020.

1.1.1 External Debt by Creditor Category

External debt comprised chiefly of debt contracted from multilateral creditors (62.9%) in the period under review. Chart 3 compares external debt at the end of Q2 2020 with that of the previous quarter and Q2 2019.

1.1.2 External Debt by Interest Type

In Q2 2020, loans contracted at fixed interest rates dominated the external portfolio (82.4%) (Chart 4).

Chart 3: External debt by creditor

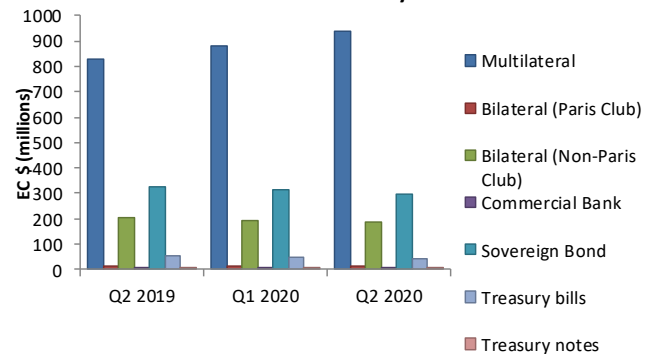
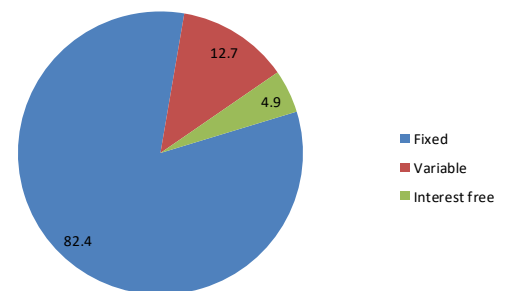


Chart 4: External Debt by Interest type



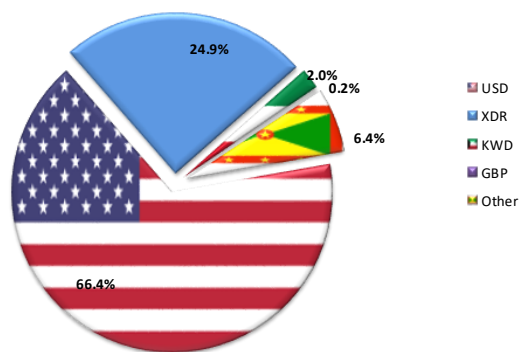
¹ Total public debt includes both the domestic and external debt of Central Government and the Government guaranteed debt, if any, of Grenada's state-owned enterprises.

² GDP: Eastern Caribbean Central Bank's (ECCB) 2020 projected Gross Domestic Product for Grenada (\$2,797.2 million). GDP has declined based on the impact of the Covid-19 crisis on the economy.

1.1.3 Currency Composition of External Debt

The external portfolio comprised primarily of instruments contracted in United States Dollars (USD) (66.4%) in Q2 2020. This was followed by instruments contracted in Special Drawing Rights (XDR) (24.9%) and other currencies³ (6.4%). (Chart 5).

Chart 5: Currency Composition of External Debt



1.2 Domestic Debt⁴

At the end of Q2 2020 domestic debt stood at EC\$472.4 million (16.9% of GDP).

1.2.1 Domestic Debt by Instrument Type & Holder

In Q2 2020, bonds dominated the domestic portfolio (Chart 6). Non-bank financial institutions are the chief holders of domestic debt (Chart 7).

Chart 6: Domestic Debt by Instrument

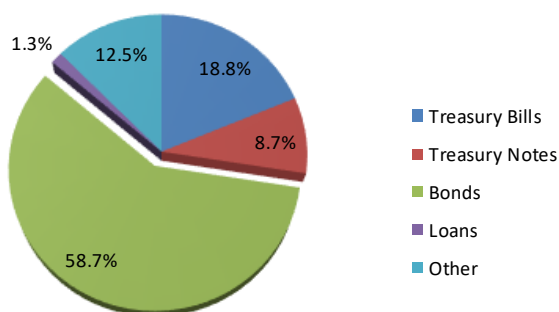
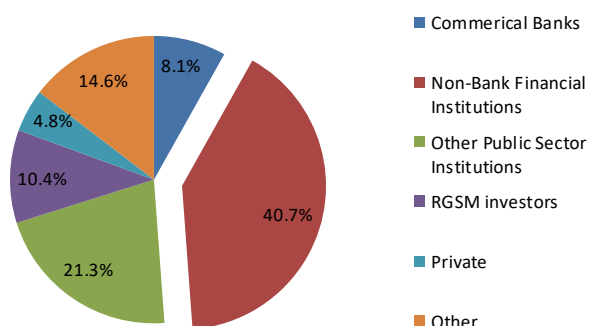


Chart 7: Domestic Debt by Holder



1.2.2 Domestic Debt by Interest Type

GOG's domestic instruments have all been contracted at fixed interest rates.

2.0 Debt of State-Owned Enterprises

At the end of Q1 2020⁵, with the exception of three (3) State-owned enterprises (SOEs), the total debt stock of SOEs was EC\$505.5 million (18.1% of GDP). This is inclusive of the debt obligations of Petro Caribe which is EC\$372.1 million (13.3% of GDP).

³ "Other currencies" consists chiefly of the Eastern Caribbean Dollar and to a lesser extent, the Euro.

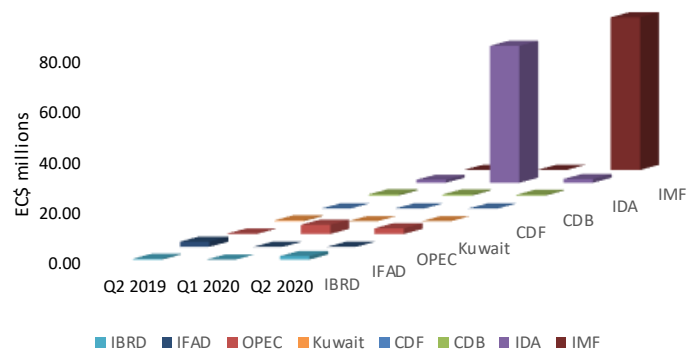
⁴ Domestic debt includes all debt contracted by creditors whose residency is Grenada.

⁵ March 2020 is the latest period for which SOE debt data is available.

3.0 Disbursements

At the end of Q2 2020, total disbursements amounting to \$65.9 million was received. Multilateral creditors were the only source of disbursements during the period with the majority disbursed by the International Monetary Fund (IMF) as part of its Rapid Credit Facility (RCF) (section 8). In the preceding quarter, disbursements amounted to EC\$ 58.3 million and in Q2 2019 disbursements amounted to EC\$4.5 million (Chart 8).

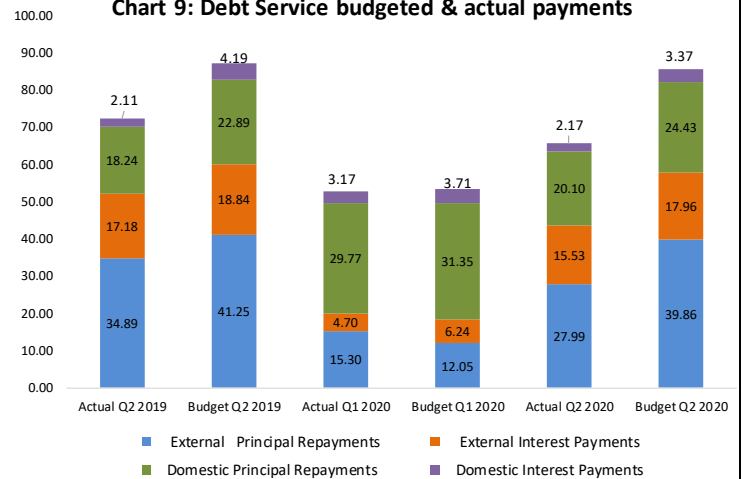
Chart 8: Disbursement by creditor



4.0 Debt Service

Chart 9 compares budgeted and actual debt service figures in Q2 2020, to Q1 2020 and Q2 2019. In Q2 2020, total debt service payments amounted to EC\$65.8 million against a budgeted EC\$85.6 million, 66.2% was external debt service and 33.8% domestic debt service. Differences in budgeted and actual payments can be attributed principally to late disbursements resulting in changes to forecasted payment schedules, Debt Service Suspension Initiative (DSSI) (section 8) and to a lesser extent interest rate and exchange rate fluctuations.

Chart 9: Debt Service budgeted & actual payments

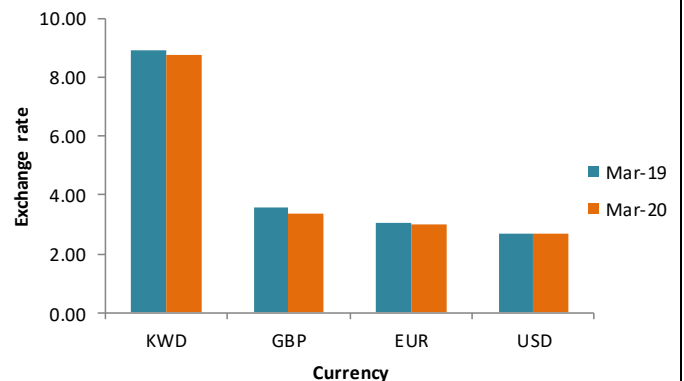


5.0 Risk Assessment of the Portfolio

5.1 Foreign Currency Risk

During the period Q2 2019 to Q2 2020, the Eastern Caribbean Dollar (XCD) appreciated against the Euro (EUR), Kuwaiti Dinar (KWD) and Great Britain Pound (GBP) by 0.3%, 1.3% and 1.2% respectively. There has been depreciation in exchange rates in the context of decreased economic activity as a result of the Covid-19 crisis (Chart 10).

Chart 10: Movement in Exchange Rate



5.2 Average Time to Maturity (ATM⁶) & Average Time to Re-fixing (ATR⁷)

Table 1: Risk Indicators

Risk Indicators (years)	Q2 2019	Q1 2020	Q2 2020
ATM of external portfolio	9.61	9.44	9.39
ATR of external portfolio	9.68	8.81	8.82
ATM of domestic portfolio	7.16	7.59	7.35
ATR of domestic portfolio	7.16	7.59	7.35

⁶ ATM shows how long it takes on average to roll over or refinance the debt portfolio.

⁷ ATR indicates the average time required to reset the interest rate in the debt profile.

Table 1 shows the ATM and ATR of both the domestic and external portfolio for the period under review and compares it to that of Q2 2019 and Q1 2020. The ATM of the external portfolio remained in line with the Government’s target of 8 years and above. The ATM of the domestic portfolio increased when compared to Q2 2019 by 0.2 years but decreased by the same when compared to Q1 2020. The ATR of the external portfolio decreased by 0.9 years when compared to Q2 2019 but increased negligibly by 0.01 years when compared to the previous quarter. The ATR of the domestic portfolio increased when compared to Q2 2019 by 0.2 years but decreased by 0.2 years when compared to Q1 2020. A higher ATR indicates that the interest rates of a smaller number of instruments will be reset in the near future.

6.0 Regional Governments Securities Market (RGSM) Activities

GoG recorded its lowest discount rate ever on the RGSM in the second quarter of 2020. On June 26, 2020, a 91-day treasury bill was re-issued in the amount of EC\$15.0 million at an astonishing discount rate of 1.5%. The auction was oversubscribed by EC\$21.3 million. It was the only auction in Q2. Table 2 shows its details including its bid-to-cover ratio⁸. The low discount rate shows that there has been increased investors’ confidence in the management of Grenada’s finances.

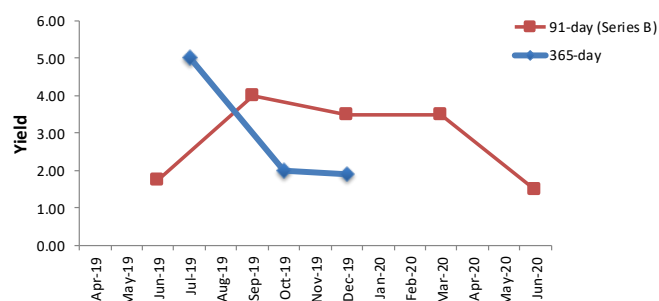
Table 2: RGSM Auction Results (Q2 2020)

Instrument type	Total Units offered	Total Competitive Bids received	Total Payment Due	Total Discount	Discount Rate (%)	Interest rate (%)	Bid to Cover Ratio
<i>In millions of EC\$ unless otherwise stated</i>							
91-day T-bill	15.00	36.29	14.94	0.06	1.50	0.00	2.42
TOTAL	15.00	36.29	14.94	0.06			

6.1 Treasury Bills Auction Yields

Chart 11 shows interest rates on GOG’s treasury bills for the period Q2 2019 to Q2 2020. The discount rate on GoG’s 91-day treasury bill was highest when reissued in September 2019, as technical difficulties hindered the participation of a few investors on the day it was reissued. However, it decreased with each re-issuance thereafter. Rates on 365-day treasury bills have also decreased throughout the period.

Chart 11: Interest Rate fluctuations on Treasury Bills (Q2 2019-Q2 2020)



7.0 Government Guarantees

GoG is free of guaranteed debt obligations. In Q2 2019, Government guaranteed debt was EC\$0.1 million. This amount has been serviced and there have been no new issues of Government guaranteed debt to date.

⁸ Bid-to-cover ratio is the ratio of the number of bids received in a Treasury security auction, to the number of bids accepted.

8.0 Covid-19 relief efforts

8.1 Debt Service Suspension Initiative (DSSI)

Due to the Covid-19 pandemic, many countries across the world have been faced with unprecedented challenges. Consequently, on April 15, 2020, G-20 Finance Ministers endorsed the G20-DSSI, which came in response to the call by the World Bank and the IMF to grant amortization and interest payment suspension to all International Development Association (IDA) countries, from bilateral creditors. Debt service is suspended once there is a formal request from countries that are benefitting from the IMF's RCF. This has been done to help manage the severe impact of the pandemic. As a result, debt service payments to three of GoG's bilateral creditors have been suspended for the duration of the DSSI which is May 1st to December 30th, 2020. The total agreed debt service suspended is EC\$ 4.1 million.

8.2 IMF's Rapid Credit Facility

The IMF, in response to calls for emergency financing during the pandemic, provided financing to many countries, Grenada included, as part of its RCF. The RCF provides low-access, rapid and concessional financial assistance to low-income countries facing urgent balance of payment needs, without ex-post conditionality. It can provide support in a wide variety of circumstances, including shocks, natural disasters and emergencies resulting from fragility.⁹

⁹ IMF, "IMF Factsheet", April 9, 2020, <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/08/Rapid-Credit-Facility>.

Appendices

Appendix 1: Size of Public Debt

Debt Category	Q2 2019	Q1 2020	Q2 2020
<i>In millions of EC\$</i>			
External Debt (including Government Guarantees)	1,434.81	1,456.40	1,492.75
Domestic Debt	489.31	472.11	472.40
Total	1,924.12	1,928.52	1,965.15

Appendix 2: External Debt by Creditor

Creditor Category	Q2 2019	Q1 2020	Q2 2020
<i>In millions of EC\$</i>			
Multilateral	827.84	879.19	938.61
Bilateral (Paris Club)	16.61	15.77	15.77
Bilateral (Non-Paris Club)	202.10	190.54	186.75
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	327.25	312.99	298.73
Treasury bills	54.14	49.38	44.35
Treasury notes	5.87	7.62	7.62
Total	1434.73	1456.40	1492.75

Appendix 3: External Debt by currency composition

Currency Composition	Q2 2019	Q1 2020	Q2 2020
<i>In millions of EC\$</i>			
United States Dollar	971.73	1010.93	990.44
Special Drawing Rights	313.49	308.23	372.27
Kuwaiti Dinar	36.61	30.52	30.48
Great Britain Pound	3.48	3.39	3.37
Other currencies	109.42	103.33	96.19
Total	1,434.73	1,456.40	1,492.75

Appendix 4: Disbursement by Creditor

Creditor	Q2 2019	Q1 2020	Q2 2020
<i>In millions of EC\$</i>			
Caribbean Development Bank	0.53	0.44	0.29
International Development Association	1.18	54.25	1.48
International Bank for Reconstruction & Deve	0.31	0.00	1.37
International Fund for Agricultural Developm	2.03	0.00	0.00
International Monetary Fund	0.00	0.00	60.48
Organisation of Petroleum Exporting Countri	0.17	3.64	2.24
Kuwait Fund for Arab Economic Developmen	0.32	0.00	0.00
CARICOM Development Fund	0.00	0.00	0.00
Total	4.54	58.33	65.86

Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q2 2019	Q1 2020	Q2 2020
<i>In millions of EC\$</i>			
Treasury Bills	104.80	83.53	88.56
Treasury Notes	20.67	41.15	41.15
Bonds	292.12	280.69	277.50
Loans	12.87	7.90	6.34
Other	58.85	58.85	58.85
Total	489.31	472.11	472.40

Appendix 6: Domestic Debt by Holder

Domestic Debt by Holder	Q2 2019	Q1 2020	Q2 2020
<i>In millions of EC\$</i>			
Commerical Banks	41.80	38.48	38.38
Non-Bank Financial Institutions	203.12	196.16	192.32
Other Public Sector Institutions	106.60	101.06	100.64
RGSM investors	45.09	44.30	49.33
Private	24.69	22.84	22.74
Other	68.01	69.27	68.99
Total	489.31	472.11	472.40

Appendix 7: Debt Service

	Actual Q2 2019	Budget Q2 2019	Actual Q1 2020	Budget Q1 2020	Actual Q2 2020	Budget Q2 2020
<i>In millions of EC\$</i>						
Debt service	72.42	87.17	52.93	53.34	65.79	85.61
External Debt Service	52.07	60.09	20.00	18.28	43.52	57.82
<i>External Principal Repayments</i>	34.89	41.25	15.30	12.05	27.99	39.86
<i>External Interest Payments</i>	17.18	18.84	4.70	6.24	15.53	17.96
Domestic Debt Service	20.35	27.08	32.93	35.06	22.27	27.80
<i>Domestic Principal Repayments</i>	18.24	22.89	29.77	31.35	20.10	24.43
<i>Domestic Interest Payments</i>	2.11	4.19	3.17	3.71	2.17	3.37

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

Particulars	Jun-19	Mar-20	Jun-20	Qtrly change (%)	YTD change (%)
Total Public Debt (XCD)					
External Debt (including Government Guarantees)	1,434.81	1,456.40	1,492.75	2.50	4.04
Domestic Debt (including Government Guarantees)	489.31	472.11	472.40	0.06	-3.46
Total Public Debt to GDP (%)					
External Debt to GDP	43.86	50.03	53.37	6.68	21.68
Domestic Debt to GDP	14.96	16.22	16.89	4.14	12.91
Central Government Debt (XCD)					
External Debt	1,434.73	1,456.40	1,492.75	2.50	4.04
Domestic Debt	489.31	472.11	472.40	0.06	-3.46
Central Government Debt to GDP (%)					
External Debt	43.86	50.03	53.37	6.68	21.68
Domestic Debt	14.96	16.22	16.89	4.14	12.91
Other Debt*	372.14	372.14	372.14	0.00	0.00
Other Debt to GDP	11.38	12.78	13.30	4.08	16.95
Government Guarantees					
External	0.08	-	-	0.00	-100.00
Domestic	-	-	-	0.00	0.00
External debt by Creditor					
Multilateral	827.84	879.19	938.61	6.76	13.38
Bilateral	218.71	206.31	202.52	-1.84	-7.40
Domestic instruments contracted from external creditors	60.01	57.00	51.97	-8.82	-13.40
Other	328.16	313.90	299.64	-4.54	-8.69
External Debt by Instrument					
T-bills/ T-notes	60.01	57.00	51.97	-8.82	-13.40
Loans	1,047.46	1,086.41	1,142.05	5.12	9.03
Bonds	327.25	312.99	298.73	-4.56	-8.71
Domestic Debt by instrument					
T-bills	104.80	83.53	88.56	6.02	-15.50
T-Notes	20.67	41.15	41.15	0.00	99.06
Bonds	292.12	280.69	277.50	-1.14	-5.00
Loans	12.87	7.90	6.34	-19.71	-50.70
Other	58.85	58.85	58.85	0.00	0.00
Foreign Currency Risk (%)					
% of debt in USD	67.73	69.41	66.35	-4.41	-2.04
% of debt in XDR	21.85	21.16	24.94	17.86	14.13
% of debt in Kuwaiti Dinars	2.55	2.10	2.04	-2.77	-19.98
% of debt in GBP	0.24	0.23	0.23	-1.84	-6.92
% of debt in other currency	7.63	7.09	6.44	-9.11	-15.51
% of foreign debt	74.57	75.52	75.96	0.59	1.87
Total Debt Service					
External	52.07	20.00	43.52	117.65	-16.42
Domestic	20.35	32.93	22.27	-32.39	9.43
Principal	53.12	45.07	48.09	6.70	-9.47
Interest	19.30	7.86	17.70	125.12	-8.30
Disbursements	4.54	58.33	65.86	12.91	1350.66**
Fiscal indicators					
Total Debt Service to Revenue	33.57	23.32	41.43	77.67	23.39
Total Debt Service to GDP	2.21	1.82	2.35	29.36	6.24
Interest to Revenue	8.95	3.46	11.14	221.80	24.56
Interest to Expenditure	11.08	4.61	9.56	107.37	-13.75
Total Public Sector Debt (% of GDP)	58.82	66.24	70.26		

* Includes the debt obligations of Petro Caribe

**Disbursements from multilateral creditors in Q2 2020 surpassed that of Q2 2019 significantly.

N.B. FIGURES ARE SUBJECT TO CHANGE