



Government of
Grenada

2021

QUARTER 2

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

IMF- International Monetary Fund

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

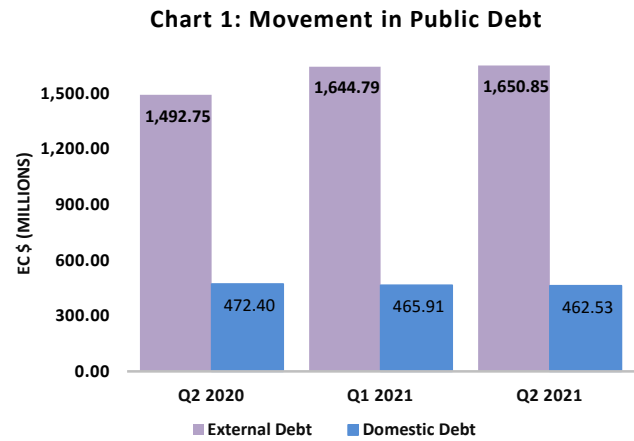
XDR- Special Drawing Rights

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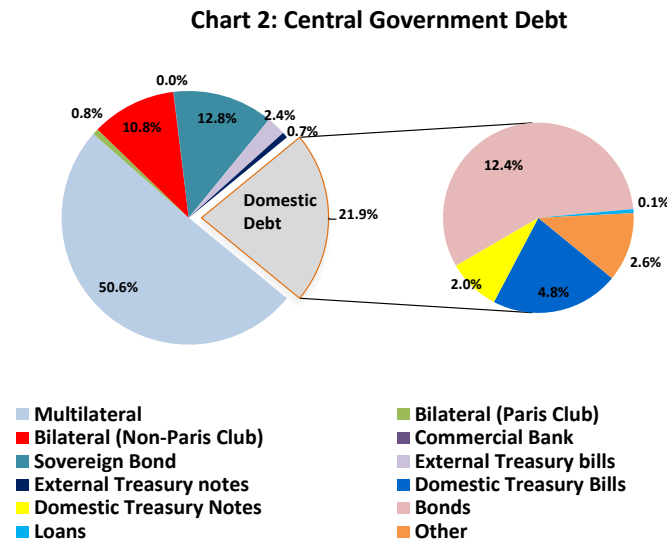
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1.0 Total Public Debt

At the end of quarter 2 (Q2) of 2021 total public debt¹ stood at EC\$ 2,113.4 million. It increased when compared to Q2 of 2020 and Q1 2021 by EC\$ 148.2 million and EC\$2.7 million respectively, primarily due to disbursements during the 1-year period on Covid-19 response loans and China’s St. George’s Airport Runway and Road Upgrade loan. Total public debt at the end of Q2 2021 was 71.5% of Gross Domestic Product (GDP)² and comprised principally of Central Government’s (CG) external and domestic debt. Chart 1 depicts a comparison of total public debt at the end of Q2 2021 relative to end Q2 2020, and end Q1 2021.



External debt increased between Q2 2020 and Q2 2021 as the majority of new funding was contracted from external creditors. Conversely, domestic debt decreased during the 1-year period due to domestic amortization as well as the redistribution of investors on the Regional Governments’ Securities Market (RGSM), based on their residency. Of total public debt, external and domestic CG debts were 78.1% and 21.9% respectively at the end of Q2 2021. (Chart 2).



1.1 External Debt

At the end of Q2 2021 external debt was EC\$1,650.9 million (55.8% of GDP).

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 June 2021 (\$2,956.62 million).

1.1.1 External Debt by Creditor Category

At the end of Q2 2021, multilateral creditors were the principal source of external debt, comprising 64.7% of the external portfolio. This was also the case in the periods under comparison and a recommendation of the 2021-2023 Medium-Term Debt Management Strategy (MTDS) (Chart 3).

1.1.2 External Debt by Interest Type

At the end of Q2 2021, loans contracted at fixed interest rates continued to dominate the external portfolio (84.2%) (Chart 4).

Chart 3: External Debt by Creditor

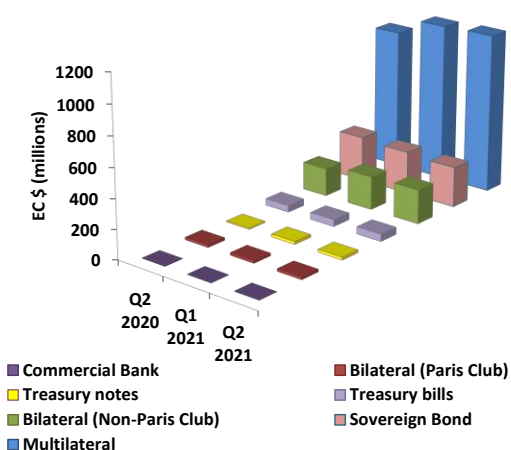
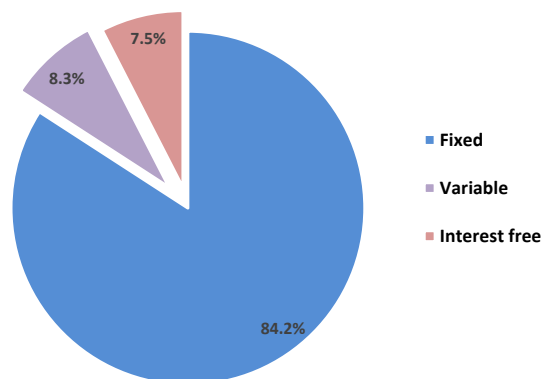


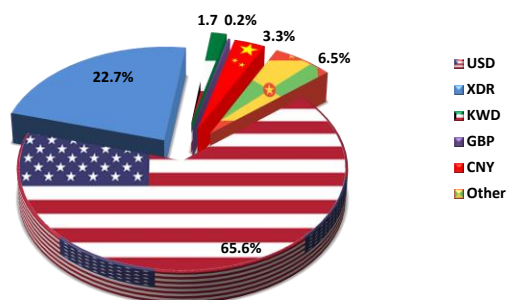
Chart 4: External Debt by Interest type



1.1.3 Currency Composition of External Debt

The United States Dollars (USD) remained the dominant currency in GoG’s portfolio, as loans contracted in the USD held the largest share of 65.6%. This was followed by instruments contracted in Special Drawing Rights (XDR) (22.7%) (Chart 5).

Chart 5: Currency Composition of External Debt



1.2 Domestic Debt³

Domestic debt stood at EC\$462.5 million (15.6% of GDP) at the end of Q2 2021.

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

1.2.1 Domestic Debt by Instrument Type & Holder

In Q2 2021, bonds dominated the domestic portfolio, followed by Treasury Bills (Chart 6) and non-bank financial institutions were the chief holders of domestic debt (Chart 7).

Chart 6: Domestic Debt by Instrument

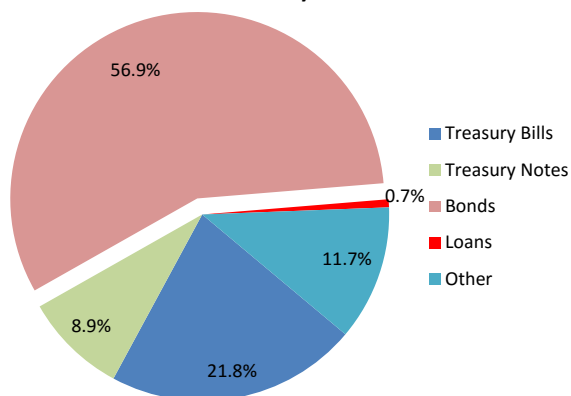
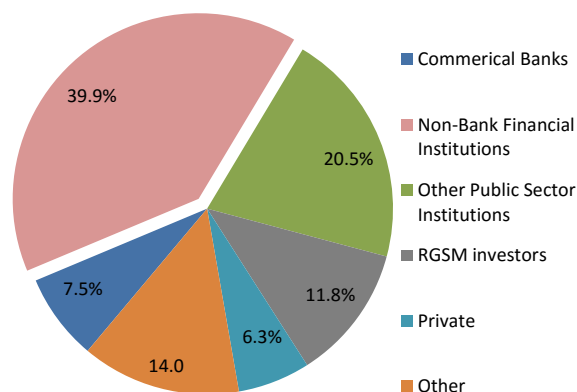


Chart 7: Domestic Debt by Holder



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 2020⁴, with the exception of one (1) state-owned enterprise (SOE), the total debt stock of SOEs was EC\$503.3 million (17.0% of GDP). This is inclusive of the debt obligations of Petro Caribe which was EC\$372.1 million (12.6% of GDP). All loans contracted by SOEs are long-term loans. Domestic and external SOE debt stood at 65.6% and 34.4% respectively at the end of 2020.

3.0 Disbursements

In Q2 2021, disbursements were received from multilateral creditors and a single bilateral, non-Paris Club creditor (Chart 8). Total disbursements received in Q2 amounted to EC\$33.4 million. When compared to the preceding quarter and the same quarter in 2020, disbursements received were significantly lower. This is because during the period Q2 2020 to Q1 2021, disbursements were received on China's Airport Runway and Road Upgrade loan and on GoG's Covid-19 response loans. Approximately 96% of Covid-19 response loans was disbursed during the period Q2 2020 to Q1 2021.

4.0 Debt Service

Total actual debt service payments amounted to EC\$75.8 million against a budgeted EC\$81.7 million in Q2 2021, 69.2% was external debt service and 30.8% domestic debt service. The differences in budgeted and actual debt service payments can be attributed primarily to interest rate and exchange rate fluctuations and late disbursements resulting in changes to payment schedules. Chart 9 compares budgeted and actual debt service figures in the period under review with that of the previous quarter and Q2 2020.

⁴ 2020 is the latest period for which SOE debt data is available.

Chart 8: Disbursement by Creditor

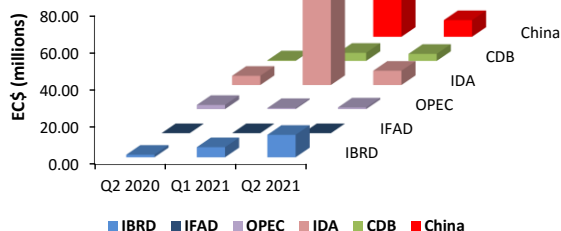
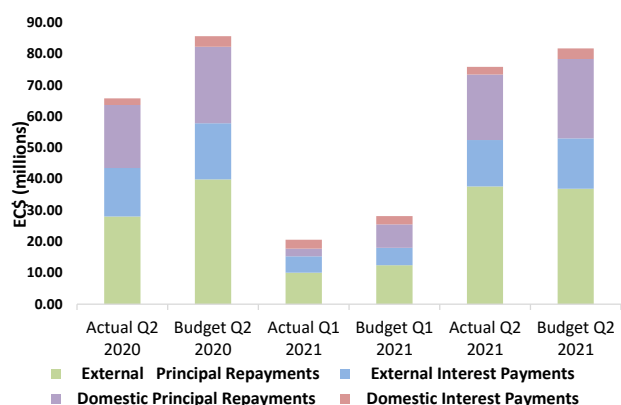


Chart 9: Debt Service Budgeted & Actual Payments

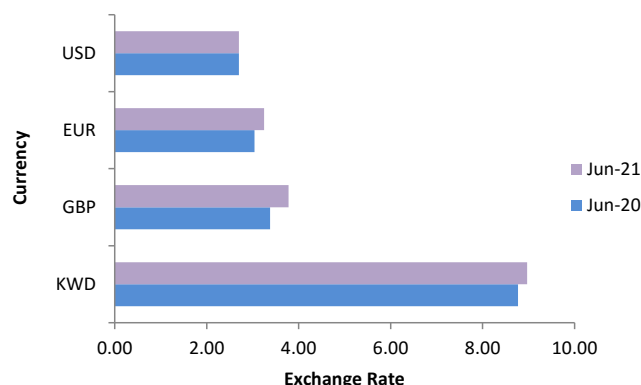


5.0 Risk Assessment of the Portfolio

5.1 Foreign Currency Risk

During the period Q2 2020 to Q2 2021, the Eastern Caribbean Dollar (XCD) depreciated against the Kuwaiti Dinar (KWD) by 2.3%, the Euro (EUR) by 6.9% and Great Britain Pound (GBP) by 11.8%. The KWD only accounted for 1.7% of the external portfolio, the GBP only 0.2% and the EUR a negligible 0.1%. This rendered the rate of depreciation of the XCD against these currencies insignificant (Chart 10).

Chart 10: Movement in Exchange Rate



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

Table 1 shows the ATM and ATR of both the domestic and external portfolios for the period under review and compares them to that of Q1 2021 and Q2 2020. The ATM of the external portfolio remained in line with Government's target of 8 years and above and increased due to new borrowing with average maturity periods of up to forty (40) years. The ATM of the domestic portfolio was 6.9 years. It decreased from the previous quarter and Q2 2020 by 0.2 years and 0.5 years respectively. The ATR of the external portfolio was 9.6 years. It increased by an insignificant 0.1 years when compared to the previous quarter and by 0.8 years when compared to the same period in 2020. Of the domestic portfolio, ATR decreased when compared to Q1 2021 by 0.2 years and when compared to Q2 2020 by 0.5 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.

Table 1: Risk Indicators

Risk Indicators (years)	Q2 2020	Q1 2021	Q2 2021
ATM of external portfolio	9.39	10.00	10.09
ATR of external portfolio	8.82	9.46	9.58
ATM of domestic portfolio	7.35	7.08	6.89
ATR of domestic portfolio	7.35	7.08	6.89

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 Q2 2021, there was only one auction of a 91-day Treasury Bill on the RGSM. Table 2 shows details of the auction and its bid-to-cover ratio⁷.

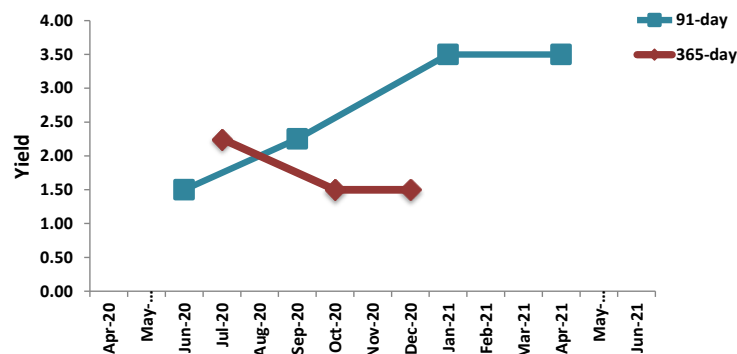
Table 2: RGSM Auction Results (Q2 2021)

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>								
91d-day T-bill	15.00	5.00	20.00	21.46	19.83	0.17	3.50	1.07
TOTAL	15.00	5.00	20.00	21.46	19.83	0.17		

6.1 Treasury Bills Auction Yields

Auction yields over the 1-year period Q2 2020 to Q2 2021 can be found in Chart 11. Interest rates on 91-day T/bills in 2020 were lower than rates received in the first half of 2021. The most recent rate received on a 365-day T/bill was 1.5% in December 2020 which was the lowest discount rate ever recorded by GoG but there were no new issues in the first half of 2021. The discount rates received are based on the competitiveness of bids during the auctions.

Chart 11: Interest Rate fluctuations on Treasury Bills (Q2 2020-Q2 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	Q2 2020	Q1 2021	Q2 2021
<i>In millions of EC\$</i>			
External Debt	1,492.75	1,644.79	1,650.85
Domestic Debt	472.40	465.91	462.53
Total	1,965.15	2,110.69	2,113.39

Appendix 2: External Debt by Creditor

Creditor Category	Q2 2020	Q1 2021	Q2 2021
<i>In millions of EC\$</i>			
Multilateral	938.61	1,055.24	1,068.37
Bilateral (Paris Club)	15.77	16.27	16.30
Bilateral (Non-Paris Club)	186.75	223.50	228.11
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	298.73	284.48	270.22
Treasury bills	44.35	48.81	51.36
Treasury notes	7.62	15.59	15.59
Total	1492.75	1644.79	1650.85

Appendix 3: External Debt by Currency Composition

Currency Composition	Q2 2020	Q1 2021	Q2 2021
<i>In millions of EC\$</i>			
United States Dollar	990.44	1085.94	1082.65
Special Drawing Rights	372.27	375.29	374.94
Kuwaiti Dinar	30.48	27.90	27.58
Great Britain Pound	3.37	3.79	3.80
Chinese Yuan	0.00	45.27	54.88
Other currencies	96.19	106.60	107.00
Total	1492.75	1644.79	1650.85

Appendix 4: Disbursement by Creditor

Creditor	Q2 2020	Q1 2021	Q2 2021
<i>In millions of EC\$</i>			
Caribbean Development Bank	0.29	4.36	3.79
International Development Association	4.94	71.80	7.68
International Bank for Reconstruction & Development	1.37	5.45	12.11
International Fund for Agricultural Development	0.00	0.00	0.00
Organisation of Petroleum Exporting Countries	2.24	0.56	0.87
Exim Bank of the Republic of China	0.00	45.76	8.98
Total	69.33	127.92	33.43

Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q2 2020	Q1 2021	Q2 2021
<i>In millions of EC\$</i>			
Treasury Bills	88.56	100.11	100.66
Treasury Notes	41.15	41.21	41.21
Bonds	277.50	266.52	263.23
Loans	6.34	2.94	3.22
Other	58.85	55.13	54.21
Total	472.40	465.91	462.53

Appendix 6: Domestic Debt by Holder

Domestic Debt by Holder	Q2 2020	Q1 2021	Q2 2021
<i>In millions of EC\$</i>			
Commerical Banks	38.38	35.09	34.99
Non-Bank Financial Institutions	192.32	186.91	184.63
Other Public Sector Institutions	100.64	95.52	95.10
RGSM investors	49.33	54.04	54.59
Private	22.74	29.36	29.16
Other	68.99	64.99	64.08
Total	472.40	465.91	462.53

Appendix 7: Debt Service

Debt service	Actual Q2 2020	Budget Q2 2020	Actual Q1 2021	Budget Q1 2021	Actual Q2 2021	Budget Q2 2021
<i>In millions of EC\$</i>						
Total Debt Service	66.28	85.61	20.57	28.17	75.83	81.73
External Debt Service	44.01	57.82	15.30	17.99	52.45	53.01
<i>External Principal Repayments</i>	28.43	39.86	10.08	12.43	37.60	36.90
<i>External Interest Payments</i>	15.58	17.96	5.23	5.55	14.85	16.11
Domestic Debt Service	22.27	27.80	5.26	10.18	23.38	28.72
<i>Domestic Principal Repayments</i>	20.10	24.43	2.47	7.52	20.93	25.33
<i>Domestic Interest Payments</i>	2.17	3.37	2.79	2.66	2.45	3.39

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

Particulars	Jun-20	Mar-21	Jun-21	Qtrly change (%)	YTD change (%)
Total Public Debt (Central Government's Debt) (XCD)					
External Debt	1492.75	1644.79	1,650.85	0.37	10.59
Domestic Debt	472.40	465.91	462.53	-0.72	-2.09
Total Public Debt (Central Government's Debt) to GDP (%)					
External Debt	53.37	52.39	55.84	6.58	4.63
Domestic Debt	16.89	14.84	15.64	5.42	-7.37
Other Debt*	372.14	372.14	372.14	0.00	0.00
Other Debt to GDP	13.30	11.85	12.59	6.19	-5.39
External debt by Creditor (XCD)					
Multilateral	938.61	1055.24	1,068.37	1.24	13.82
Bilateral	202.52	239.77	244.41	1.93	20.68
Domestic instruments contracted from external creditors	51.97	64.40	66.95	3.96	28.81
Other	299.64	285.39	271.13	-5.00	-9.52
External Debt by Instrument (XCD)					
T-bills/ T-notes	51.97	64.40	66.95	3.96	28.81
Loans	1142.05	1295.92	1,313.69	1.37	15.03
Bonds	298.73	284.48	270.22	-5.01	-9.54
Domestic Debt by instrument (XCD)					
T-bills	88.56	100.11	100.66	0.55	13.67
T-Notes	41.15	41.21	41.21	0.00	0.16
Bonds	277.50	266.52	263.23	-1.23	-5.14
Loans	6.34	2.94	3.22	9.61	-49.25
Other	58.85	55.13	54.21	-1.66	-7.88
Foreign Currency Risk (%)					
% of debt in USD	66.35	66.02	65.58	-0.67	-1.16
% of debt in XDR	24.94	22.82	22.71	-0.46	-8.93
% of debt in Kuwaiti Dinars	2.04	1.70	1.67	-1.51	-18.18
% of debt in GBP	0.23	0.23	0.23	-0.10	1.96
% of debt in Chinese Yuan	0.00	2.75	3.32	20.78	0.00
% of debt in other currency	6.44	6.48	6.48	0.01	0.59
% of foreign debt	75.96	77.93	78.11	0.24	2.83
Total Debt Service (XCD)					
External	44.01	15.30	52.45	242.73	19.18
Domestic	22.27	5.26	23.38	344.15	4.99
Principal	48.53	12.55	58.53	366.45	20.60
Interest	17.75	8.02	17.30	115.76	-2.51
Disbursements	69.33	127.92	33.43	-73.86	-51.77
Fiscal indicators (%)					
Total Debt Service to Revenue	41.74	10.20	37.21	264.85	-10.85
Total Debt Service to GDP	2.37	0.66	2.56	291.47	8.24
Interest to Revenue	11.18	3.98	8.49	113.49	-24.06
Interest to Expenditure	9.58	4.64	8.82	89.97	-7.95
Total Public Sector Debt (% of GDP)	70.26	67.23	71.48		

* Includes the debt obligations of Petro Caribe

N.B. FIGURES ARE SUBJECT TO CHANGE