



GOVERNMENT OF
GRENADA



2020
QUARTER 3

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

CDB- Caribbean Development Bank

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

In quarter 3 (Q3) of 2020, total public debt¹ stood at EC\$1,996.0 million (71.4% of GDP²) and comprised of external and domestic Central Government (CG) debt only. Chart 1 compares total public debt in the period under review with that of the previous quarter and Q3 2019. External debt increased due to disbursements, chiefly on new loans, from multilateral creditors throughout 2020, the majority of which was received to finance emergency spending as a result of the Covid-19 crisis. External debt was also higher as a result of the Debt Service Suspension Initiative (DSSI) (section 8). Domestic debt, on the other hand, decreased in comparison to Q2 2020 and Q3 2019. This decrease can be attributed to domestic amortization and the redistribution, on the Regional Governments' Securities Market (RGSM), of investors based on residency. External and domestic CG debts were 76.6% and 23.4% respectively of total public debt in Q3 2020 (Chart 2).

Chart 1: Movement in Public Debt

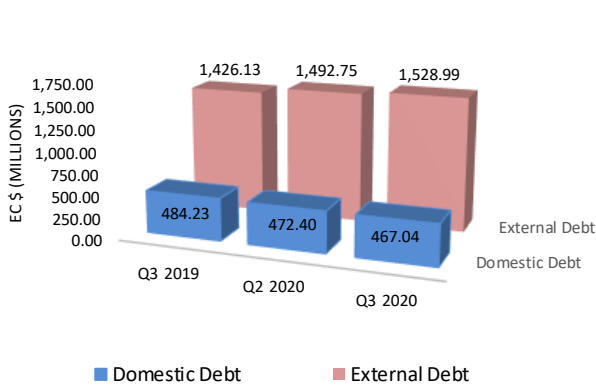
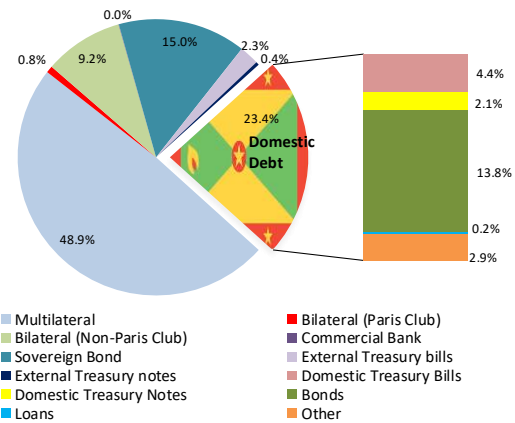


Chart 2: Central Government debt



1.1 External Debt

External debt stood at EC\$ 1,529.0 million (54.7% of GDP) at the end of Q3 2020.

Chart 3: External debt by Creditor

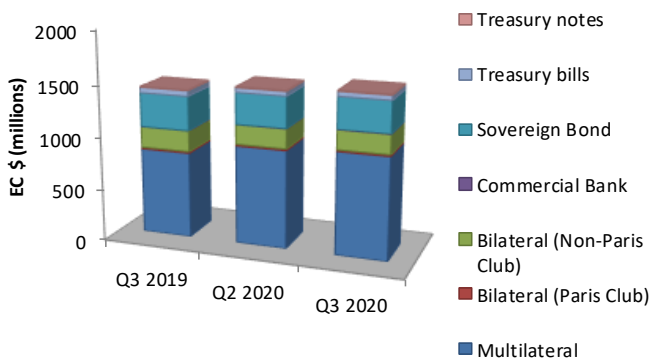
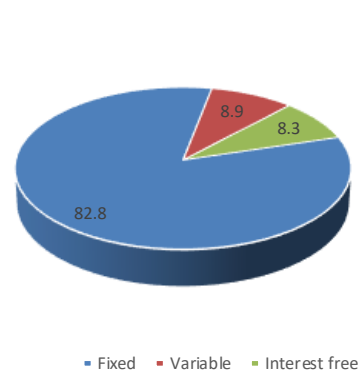


Chart 4: External Debt by Interest type



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 estimated Gross Domestic Product for Grenada (\$2,797.2 million). GDP has declined based on the impact of the Covid-19 crisis on the economy.

1.1.1 External Debt by Creditor Category

In Q3 2020, external debt comprised chiefly of debt contracted from multilateral creditors (63.8%). Chart 3 compares external debt at the end of Q3 2020 with that of the previous quarter and Q3 2019.

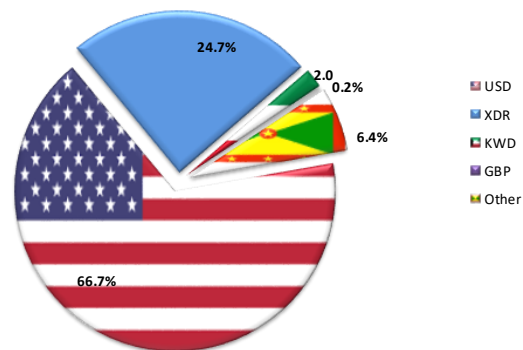
1.1.2 External Debt by Interest Type

Loans contracted at fixed interest rates continued to dominate the external portfolio in Q3 of 2020 (82.8%) (Chart 4).

1.1.3 Currency Composition of External Debt

In Q3 2020, the external portfolio comprised primarily of instruments contracted in United States Dollars (USD) (66.7%). This was followed by instruments contracted in Special Drawing Rights (XDR) (24.7%) and other currencies³ (6.4%). (Chart 5).

Chart 5: Currency Composition of External Debt



1.2 Domestic Debt⁴

At the end of Q3 2020 domestic debt stood at EC\$467.0 million (16.7% of GDP).

1.2.1 Domestic Debt by Instrument Type & Holder

Bonds dominate the domestic portfolio (Chart 6) and non-bank financial institutions are the chief holders of domestic debt (Chart 7).

Chart 6: Domestic Debt by Instrument

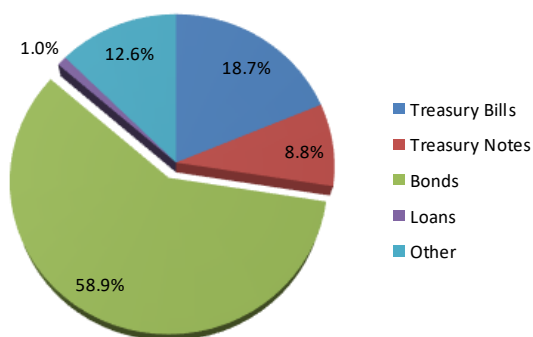
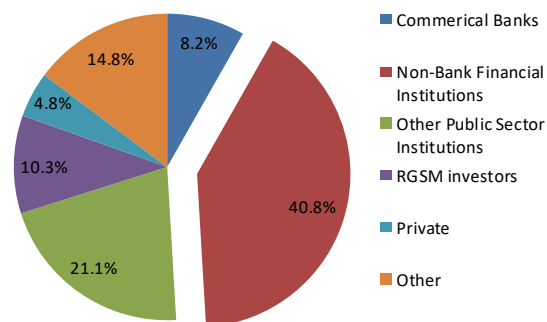


Chart 7: Domestic Debt by Holder



1.2.2 Domestic Debt by Interest Type

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

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.

2.0 Debt of State-Owned Enterprises

At the end of Q2 2020⁵, with the exception of two (2) State-owned enterprises (SOEs), the total debt stock of SOEs was EC\$543.4 million (19.4% of GDP). This is inclusive of the debt obligations of Petro Caribe which is EC\$372.1 million (13.3% of GDP). All loans contracted by SOEs are long-term loans and the majority are denominated in XCD.

3.0 Disbursements

Total disbursements received during Q3 2020 amounted to EC\$38.2 million. Multilateral creditors were the only source of disbursements during the period with the majority disbursed by the Caribbean Development Bank (CDB) in part for Covid-19 support. In the preceding quarter, disbursements amounted to EC\$ 69.3 million and in Q3 2019 disbursements amounted to EC\$10.0 million (Chart 8).

4.0 Debt Service

In Q3 2020, total debt service payments amounted to EC\$64.8 million against a budgeted EC\$111.1 million, 24.2% was external debt service and 75.8% domestic debt service. Differences in budgeted and actual payments can be attributed principally to late disbursements resulting in changes to forecasted payment schedules, the Debt Service Suspension Initiative (DSSI) (section 8) and to a lesser extent interest rate and exchange rate fluctuations. Chart 9 compares budgeted and actual debt service figures in Q3 2020, to Q2 2020 and Q3 2019.

5.0 Risk Assessment of the Portfolio

5.1 Foreign Currency Risk

During the period Q3 2019 to Q3 2020, the Eastern Caribbean Dollar (XCD) appreciated against the Kuwaiti Dinar (KWD) by 0.6% but depreciated against the Euro (EUR) and Great Britain Pound (GBP) by 7.0% and 5.1% respectively. The GBP only accounts for 0.2% of the external portfolio and the EUR 0.1%. This renders the rate of depreciation of the XCD against both currencies insignificant (Chart 10).

Chart 8: Disbursement by Creditor

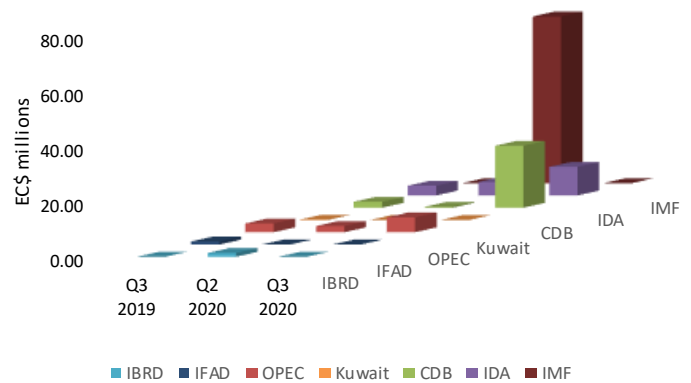


Chart 9: Debt Service budgeted & actual payments

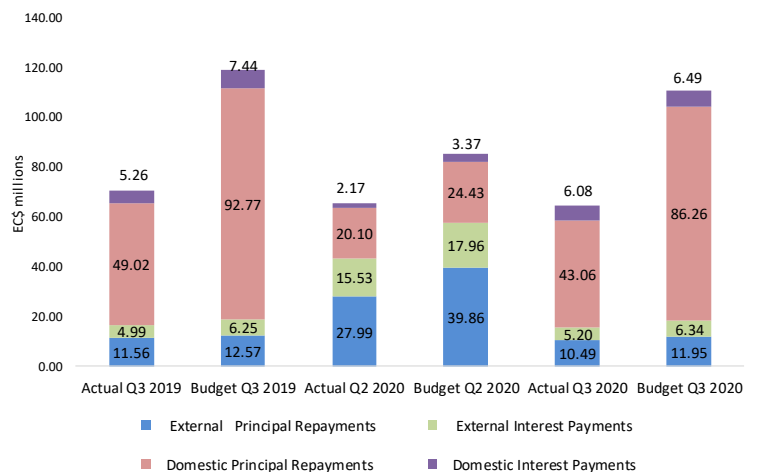
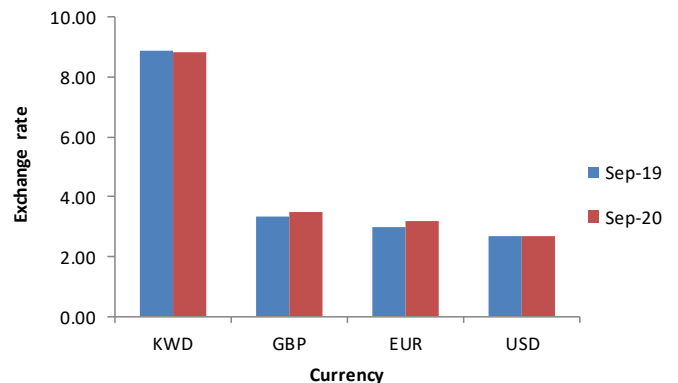


Chart 10: Movement in Exchange Rate



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

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

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 Q3 2019 and Q2 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 decreased when compared to Q3 2019 and Q2 2020 by 1.1 and 1.3 years respectively. The ATR of the external portfolio decreased by 0.3 years when compared to Q3 2019 but increased by 0.6 years when compared to the previous quarter. The ATR of the domestic portfolio decreased when compared to Q3 2019 and Q2 2020 by 1.1 years and 1.3 years respectively. A higher ATR indicates that the interest rates of a smaller number of instruments will be reset in the near future.

Table 1: Risk Indicators

Risk Indicators (years)	Q3 2019	Q2 2020	Q3 2020
ATM of external portfolio	9.61	9.39	10.00
ATR of external portfolio	9.68	8.82	9.40
ATM of domestic portfolio	7.16	7.35	6.10
ATR of domestic portfolio	7.16	7.35	6.10

6.0 Regional Governments Securities Market (RGSM) Activities

In the third quarter of 2020, two (2) treasury bills were reissued, one (1) 91-day and one (1) 365-day. They were both oversubscribed and had the same discount rate of 2.25%. Table 2 shows details of the auctions and the bid-to-cover ratio⁸ of each instrument.

Table 2: RGSM Auction Results (Q3 2020)

Instrument type	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	28.87	14.92	0.08	2.25	1.92
365-day T-bill	25.00	47.55	24.45	0.55	2.25	1.90
TOTAL	40.00	76.42	39.37	0.63		

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

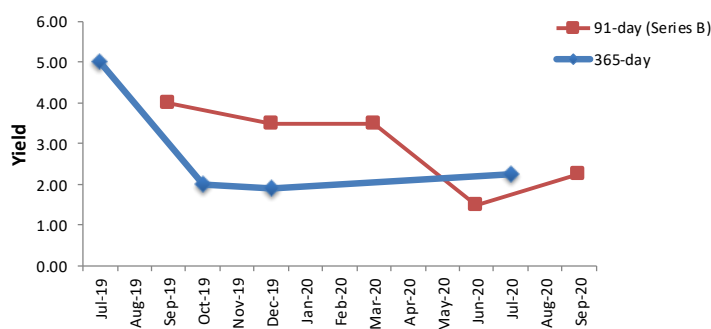
⁷ ATR indicates the average time required to reset the interest rate in the debt profile.

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.

6.1 Treasury Bills Auction Yields

Chart 11 shows interest rates on GoG's treasury bills for the period Q3 2019 to Q3 2020. The discount rates on GoG's 91-day and 365-day treasury bills were significantly lower in Q3 2020 as opposed to Q3 2019 as there has been increased investors' confidence in the management of Grenada's public finances.

Chart 11: Interest Rate fluctuations on Treasury Bills (Q3 2019-Q3 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.

8.0 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 Rapid Credit Facility (RCF). This has been done to help manage the severe impact of the pandemic. As a result, debt service payments to three (3) 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 XDR 16.4 million was received from the facility.

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	Q3 2019	Q2 2020	Q3 2020
<i>In millions of EC\$</i>			
External Debt (including Government Guarantees)	1,426.13	1,492.75	1,528.99
Domestic Debt	484.23	472.40	467.04
Total	1,910.36	1,965.15	1,996.03

Appendix 2: External Debt by Creditor

Creditor Category	Q3 2019	Q2 2020	Q3 2020
<i>In millions of EC\$</i>			
Multilateral	823.16	938.61	975.78
Bilateral (Paris Club)	15.76	15.77	16.00
Bilateral (Non-Paris Club)	200.32	186.75	184.27
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	327.25	298.73	298.73
Treasury bills	52.82	44.35	45.68
Treasury notes	5.87	7.62	7.62
Total	1426.09	1492.75	1528.99

Appendix 3: External Debt by currency composition

Currency Composition	Q3 2019	Q2 2020	Q3 2020
<i>In millions of EC\$</i>			
United States Dollar	972.33	990.44	1020.30
Special Drawing Rights	309.99	372.27	378.28
Kuwaiti Dinar	34.83	30.48	29.29
Great Britain Pound	3.39	3.37	3.52
Other currencies	105.55	96.19	97.60
Total	1,426.09	1,492.75	1,528.99

Appendix 4: Disbursement by Creditor

Creditor	Q3 2019	Q2 2020	Q3 2020
<i>In millions of EC\$</i>			
Caribbean Development Bank	2.13	0.29	22.47
International Development Association	3.52	4.94	10.37
International Bank for Reconstruction & Development	0.00	1.37	0.00
International Fund for Agricultural Development	1.09	0.00	0.00
International Monetary Fund	0.00	60.48	0.00
Organisation of Petroleum Exporting Countries	3.18	2.24	5.40
Kuwait Fund for Arab Economic Development	0.09	0.00	0.00
CARICOM Development Fund	0.00	0.00	0.00
Total	10.00	69.33	38.23

Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q3 2019	Q2 2020	Q3 2020
<i>In millions of EC\$</i>			
Treasury Bills	81.95	88.56	87.43
Treasury Notes	42.90	41.15	40.92
Bonds	289.23	277.50	275.05
Loans	11.31	6.34	4.79
Other	58.85	58.85	58.85
Total	484.23	472.40	467.04

Appendix 6: Domestic Debt by Holder

Domestic Debt by Holder	Q3 2019	Q2 2020	Q3 2020
<i>In millions of EC\$</i>			
Commerical Banks	41.77	38.38	38.38
Non-Bank Financial Institutions	201.56	192.32	190.76
Other Public Sector Institutions	103.83	100.64	98.29
RGSM investors	44.47	49.33	48.21
Private	23.04	22.74	22.42
Other	69.55	68.99	68.99
Total	484.23	472.40	467.04

Appendix 7: Debt Service

Debt service	Actual Q3 2019	Budget Q3 2019	Actual Q2 2020	Budget Q2 2020	Actual Q3 2020	Budget Q3 2020
<i>In millions of EC\$</i>						
Total Debt Service	70.83	119.03	65.79	85.61	64.83	111.05
External Debt Service	16.55	18.82	43.52	57.82	15.69	18.30
<i>External Principal Repayments</i>	11.56	12.57	27.99	39.86	10.49	11.95
<i>External Interest Payments</i>	4.99	6.25	15.53	17.96	5.20	6.34
Domestic Debt Service	54.28	100.21	22.27	27.80	49.14	92.75
<i>Domestic Principal Repayments</i>	49.02	92.77	20.10	24.43	43.06	86.26
<i>Domestic Interest Payments</i>	5.26	7.44	2.17	3.37	6.08	6.49

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

Particulars	Sep-19	Jun-20	Sep-20	Qtrly change (%)	YTD change (%)
Total Public Debt (XCD)					
External Debt (including Government Guarantees)	1,426.13	1,492.75	1,528.99	2.43	7.21
Domestic Debt (including Government Guarantees)	484.23	472.40	467.04	-1.13	-3.55
Total Public Debt to GDP (%)					
External Debt to GDP	43.59	53.37	54.66	2.43	25.39
Domestic Debt to GDP	14.80	16.89	16.70	-1.13	12.80
Total Public Debt (Central Government's Debt) (XCD)					
External Debt	1,426.09	1,492.75	1,528.99	2.43	7.22
Domestic Debt	484.23	472.40	467.04	-1.13	-3.55
Central Government Debt to GDP (%)					
External Debt	43.59	53.37	54.66	2.43	25.39
Domestic Debt	14.80	16.89	16.70	-1.13	12.80
Other Debt*	372.14	372.14	372.14	0.00	0.00
Other Debt to GDP	11.38	13.30	13.30	0.00	16.95
Government Guarantees					
External	0.04	-	-	0.00	-100.00
Domestic	-	-	-	0.00	0.00
External debt by Creditor					
Multilateral	823.16	938.61	975.78	3.96	18.54
Bilateral	216.08	202.52	200.27	-1.11	-7.32
Domestic instruments contracted from external creditors	58.69	51.97	53.30	2.56	-9.17
Other	328.16	299.64	299.64	0.00	-8.69
External Debt by Instrument					
T-bills/ T-notes	58.69	51.97	53.30	2.56	-9.17
Loans	1,040.15	1,142.05	1,176.95	3.06	13.15
Bonds	327.25	298.73	298.73	0.00	-8.71
Domestic Debt by instrument					
T-bills	81.95	88.56	87.43	-1.27	6.69
T-Notes	42.90	41.15	40.92	-0.55	-4.60
Bonds	289.23	277.50	275.05	-0.88	-4.90
Loans	11.31	6.34	4.79	-24.50	-57.68
Other	58.85	58.85	58.85	-0.01	0.00
Foreign Currency Risk (%)					
% of debt in USD	68.18	66.35	66.73	0.57	-2.13
% of debt in XDR	21.74	24.94	24.74	-0.79	13.82
% of debt in Kuwaiti Dinars	2.44	2.04	1.92	-6.18	-21.57
% of debt in GBP	0.24	0.23	0.23	1.98	-3.15
% of debt in other currency	7.40	6.44	6.38	-0.94	-13.76
% of foreign debt	74.65	75.96	76.60	0.84	2.61
Total Debt Service					
External	16.55	43.52	15.69	-63.94	-5.18
Domestic	55.37	22.27	49.14	120.66	-11.25
Principal	60.58	48.09	53.55	11.36	-11.60
Interest	11.34	17.70	11.28	-36.27	-0.55
Disbursements	10.00	69.33	38.23	-44.86	282.19
Fiscal indicators					
Total Debt Service to Revenue	34.18	41.43	35.37	-14.63	3.46
Total Debt Service to GDP	2.17	2.35	2.32	-1.46	7.05
Interest to Revenue	4.95	11.14	6.15	-44.78	24.40
Interest to Expenditure	5.63	9.56	6.02	-37.01	6.82
Total Public Sector Debt (% of GDP)	58.40	70.26	71.36		

* Includes the debt obligations of Petro Caribe

N.B. FIGURES ARE SUBJECT TO CHANGE