



**MINISTRY OF ECONOMY**

# Government Debt Bulletin

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*Quarter 3 – 2017/2018 Fiscal Year*

*Prepared by the Debt Management Unit of the Ministry of Economy*

## 1.0 INTRODUCTION

- Government's debt status for the third quarter of fiscal year 2017/2018 showed an overall increase of around 2.8 per cent when compared to the previous debt bulletin issued as at January 2018. This was mainly attributed to the increase in Domestic debt issuance in the domestic market for Government's long term bonds together with a slight increase in the disbursements of external loan funded projects.
- The overall increase in External debt of approximately 1.4 per cent over the quarter was mainly attributed to disbursements arising from the active ADB loans. One of the main highlights of the quarter was the increase in the US Libor rates as well as the appreciation of the Chinese Yuan and USD exchange rates against the Fiji Dollar which has resulted in the inflated debt servicing costs for the Chinese and US denominated loans.
- This bulletin will continue to show the trend of Government's overall debt changes on total outstanding debt for domestic and external as well as the contingent liability update for the quarter ending April 2018.

### Total Government Debt Stock

- Government's debt stock as at the third quarter ending April 2018 showed an overall increase of 2.8 per cent, mainly attributed to the increase in Government borrowing in the domestic market. This is illustrated in Table 1 below.

**Table 1**

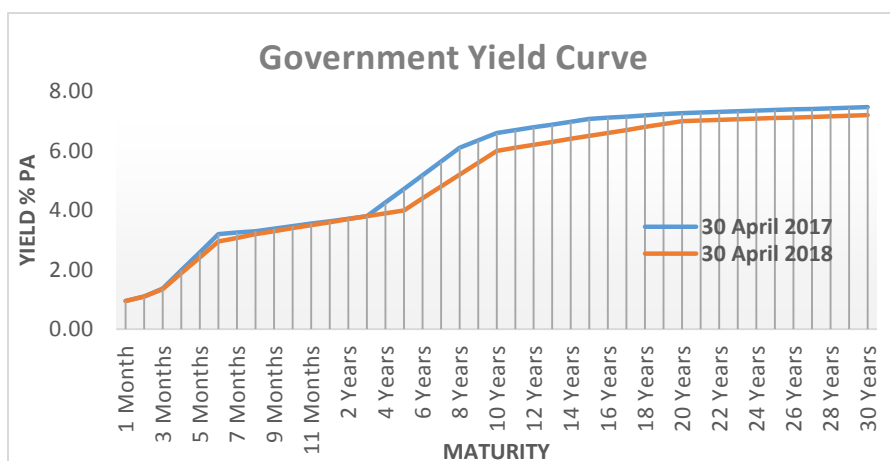
Debt Stock (\$m)	Apr-17	Jul-17(r)	Oct-17(r)	Jan-18(r)	Apr-18	% Change	
						Qtr to Qtr	Yr to Yr
<b>TOTAL</b>	<b>4,533.6</b>	<b>4,671.7</b>	<b>4,758.9</b>	<b>4,824.6</b>	<b>4,962.0</b>	<b>2.8%</b>	<b>9.4%</b>
Domestic Debt	3,214.2	3,300.8	3,354.0	3,437.7	3,555.4	3.4%	10.6%
External Debt	1,319.3	1,370.9	1,404.9	1,386.9	1,406.5	1.4%	6.6%
% of Domestic Debt to Total Debt	70.9%	70.7%	70.5%	71.3%	71.7%	0.6%	1.1%
% of External Debt to Total Debt	29.1%	29.3%	29.5%	28.7%	28.3%	-1.4%	-2.6%
% Domestic Debt to GDP	31.3%	32.2%	30.5%	31.3%	32.4%	3.5%	3.5%
% External Debt to GDP	12.9%	13.4%	12.8%	12.6%	12.8%	1.6%	-0.8%
<b>TOTAL Debt to GDP</b>	<b>44.20%</b>	<b>45.6%</b>	<b>43.3%</b>	<b>43.9%</b>	<b>45.2%</b>	<b>3.0%</b>	<b>2.3%</b>

Source: Ministry of Economy

From Table 1, total Government's debt stock increased by 2.8 per cent to \$4,961.96 million over the quarter. This growth was mainly driven by net issuance of domestic securities in the domestic market. Debt as a proportion of GDP subsequently increased to 45.2 per cent when compared to a 43.9 per cent in the previous quarter. In terms of debt mix (domestic/external), Government has still maintained its target ratio of 70/30 (+5 / -5) at the end of the third quarter.

## 2.0 DOMESTIC DEBT

- Domestic market continues to be the major source of borrowing for Government. As at the third quarter of this fiscal year, Government raised \$365.3 million in the domestic market, an increase of approximately 42.8 per cent from the previous quarter.
- Outstanding domestic debt rose by 3.4 per cent from \$3,437.7 million to \$3,555.4 million over the quarter. Of the total outlay, bonds comprise \$3,480.5 million and \$75.0 million in Treasury Bills (T-Bills).
- As of April 2018, approximately 69.6 per cent of the approved domestic borrowing budget was issued. This comprised of \$300.1 million Fiji Infrastructure Bonds (FIBs), \$60.0 million in Green Bond and \$5.2 million Viti Bonds.
- An increase by 66.7 per cent in outstanding T-bills was noted when compared to the last quarter. This is attributed to increased needs to borrow short term instruments.
- During the third quarter of the fiscal year 2017/18, 10 year and 15 year Benchmark FIBs were re-opened.
- The domestic market yield curve continues to show a relatively increasing trend with Government securities trading at higher coupons for long term bonds, which implies that investors estimated rate of return increases with long term Government debt securities.

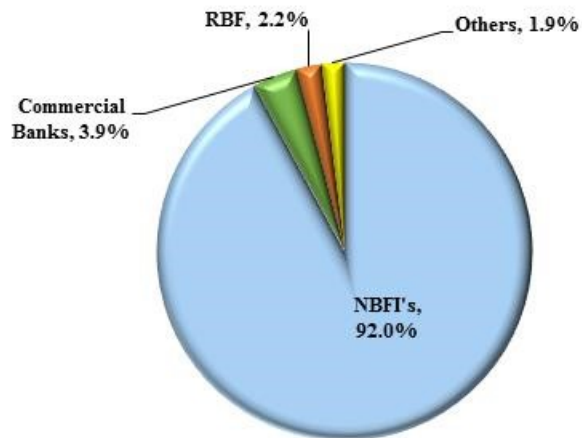


Yields on Government bonds are anticipated to drop slightly across the maturity spectrum in 2018 due to the excess liquidity in the banking system. In addition there is a high likelihood for interest rates to decline further by the end of this fiscal year.

Source: Reserve Bank of Fiji

- Of the \$3,480.5 million Government bonds outstanding, the non-bank financial institutions (NBFI's) held 92.0 per cent, followed by the commercial banks holding 3.9 per cent, the Reserve Bank of Fiji (RBF) at 2.2 per cent and the remaining 1.9 per cent held by other investors including individual households as depicted by the below chart.

### Government Bond Holders



Source: Reserve Bank of Fiji

## 3.0 EXTERNAL DEBT

- External borrowings are directly channeled to finance infrastructure projects. For the 2017/18 fiscal year, offshore funds will be mobilized towards roads, water and agriculture projects that are mainly funded by multilateral institutions.
- At the end of Quarter 3, the external debt stock stood at \$1,406.5 million, increasing by 1.4 per cent over the quarter, and by 6.6 per cent when compared to the same period last year.
- The growth in external portfolio is mainly attributed to disbursements of new commitments from ADB funded projects.

### Creditor Category Composition

- In the lender category, bilateral lenders continue to dominate the portfolio at 37.6 per cent followed closely by multilateral lenders at 33.0 per cent with the global bond holding 29.4 per cent. EXIM China has the largest holding in the bilateral lender category at 36.8 per cent while ADB is the largest holder in the multilateral category at 24.6 per cent.
- Over the quarter the bilateral lender category declined by 1.0 per cent and by 1.6 per cent when compared to the same period last fiscal year. This decrease is attributed to the

repayments of the EXIM China loans and the debt forgiveness of the Interest-free loans from the China Development Bank.

- The multilateral lender category is expected to increase in the medium-long term as disbursements of new commitments continue to facilitate capital infrastructure development.
- At the end of Quarter 3 a total of \$6.7 million was disbursed to facilitate capital infrastructural development, particularly, the roads and transport infrastructure projects.

<b>Creditor Composition</b>	<b>17-Apr</b>	<b>17-Jul</b>	<b>17-Oct</b>	<b>18-Jan</b>	<b>18-Apr</b>	<b>yr.-to-yr. %chg.</b>	<b>Qtr.-to-Qtr. %chg.</b>
Asian Development Bank	252.7	344.3	350.3	341.5	345.9	36.90%	1.30%
International Bank for Reconstruction and Development	106.7	107.6	110.9	107.5	116.3	9.00%	8.20%
International Fund for Agricultural Development	2.1	2.1	2.2	2.2	2.3	9.60%	0.70%
EXIM China	511.7	501.3	514.3	522.2	517.5	1.10%	-0.90%
China Development Bank	12.2	0	0	0	0	-100.00%	-
JICA	13.8	13.2	12.2	12.3	11.5	-16.50%	-7%
JP Morgan	420.2	402.3	414.9	401.3	413.1	-1.70%	3%
<b>Total</b>	<b>1,319.30</b>	<b>1,370.90</b>	<b>1,404.90</b>	<b>1,386.90</b>	<b>1,406.50</b>	<b>-61.60%</b>	<b>5.60%</b>

Source: Ministry of Economy

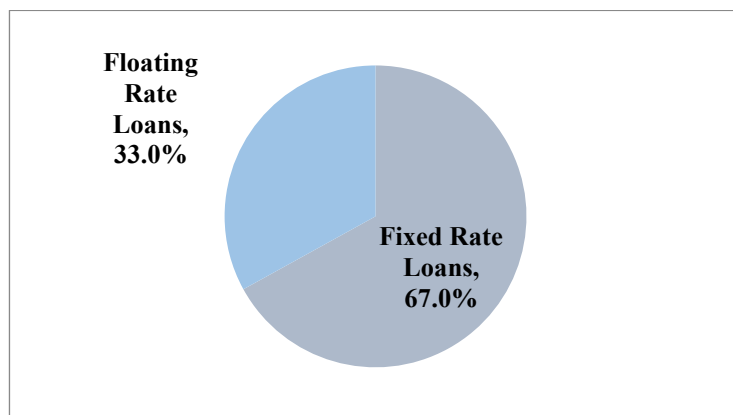
### Currency Composition

- As of 31 January 2018, the external debt portfolio is dominated by the USD denominated loans at 61.3 per cent, followed by the CNY at 37.6 per cent while the JPY and the Euro trail at 0.9 per cent and 0.2 per cent respectively.
- In the USD portfolio, the global bond holds the highest proportion at 28.9 per cent followed by ADB 24.6 per cent and finally the IBRD at 7.7 per cent.

<b>Currency Composition as at 30/04/2018</b>	<b>17-Apr</b>	<b>17-Jul</b>	<b>17-Oct</b>	<b>18-Jan</b>	<b>30-Apr-18</b>	<b>% of Portfolio</b>
USD	777.6	854.2	876.2	850.2	875.3	62.20%
CNY	523.9	501.3	514.3	522.2	517.5	36.80%
EURO	2.1	2.1	2.2	2.2	2.3	0.20%
JPY	15.7	13.2	12.2	12.3	11.5	0.80%
<b>TOTAL</b>	<b>1,319.3</b>	<b>1,370.9</b>	<b>1,404.9</b>	<b>1,386.9</b>	<b>1,406.51</b>	<b>100.00%</b>

Source: Ministry of Economy

## Interest Rate Structure



Source: Ministry of Economy

The interest rate structure for Government's external debt portfolio ranges from floating and fixed interest with the majority of the external debt portfolio having fixed interest rates. Fixed interest rate loans were offered by the bilateral lenders together with the global bond. Variable interest rate loans on the other hand were offered by the multilateral lender.

## 4.0 RISK ANALYSIS

The key risk indicators and costs associated with Government debt borrowings are tabulated below:

Risk Indicators as at April 2017-2018		External Debt	Domestic Debt	Total Debt
Amount (in millions of FJD)		1,406.6	3,555.5	<b>4,962.05</b>
Amount (in millions of USD)		681.1	1,721.5	<b>2,402.62</b>
Refinancing Risk	ATM (years)	6.5	7.8	<b>7.3</b>
	Debt maturing in 1 yr. (%)	4.0	9.2	<b>7.7</b>
Interest rate risk	ATR (years)	3.4	7.6	<b>6.4</b>
	Debt refixing in 1 yr. (%)	35.9	9.2	<b>16.8</b>
	Weighted Av. IR %	3.3	7.1	<b>6.0</b>
Foreign Exchange risk	FX debt (% of total debt)	<b>28.3%</b>		

Source: Ministry of Economy

### Note:

**Av. IR** – Average Interest Rate  
**ATM** – Average Term to Maturity  
**ATR** – Average Time to Refixing  
**FX** – Foreign Exchange

The refinancing risk for Government at the end of the third quarter is relatively low with an ATM of 7.3 years. This implies that Government has an average of 7 years to refinance its total debt portfolio and around 6.5 years for external and 7.8 years for domestic debt, respectively. On the other hand, debt maturing within a year as a percentage of total debt is 7.7 per cent with 4.0 per cent of external debt and 9.2 per cent of domestic debt due for settlement within a year.

In terms of interest rate risk, the ATR for total debt is 6.4 years with external debt at 3.4 years and domestic debt at 7.6 years. This implies that Government has adequate time to fix the interest rates in terms of market shocks, for instance interest rate shocks. The weighted average interest rate on the other hand is relatively low at 6.0 per cent for the total debt stock with external debt having an average interest rate of 3.3 per cent compared to domestic at 7.1 per cent.

In terms of exposure to foreign exchange rate risk, 28.3 per cent of the total debt portfolio is exposed to exchange rate volatility. This is still in line with Government's debt management objective which is to maintain foreign debt composition at 30 per cent (+/-5).

## 5.0 CONTINGENT LIABILITY

At the end of Quarter 3, total Contingent Liabilities (CL) increased by 2.6 per cent to \$994.3 million compared to \$969.3 million in Quarter 2. The increase in CL is associated with increases in explicit contingent liabilities underpinned by new guarantees and slight increase in implicit guarantees. As a percentage of GDP, this comprised 9.0 per cent.

To strengthen the monitoring of guaranteed entities, Government will continue to undertake financial analysis of SOEs in line with Fiscal Risk Framework which focuses on the perceived fiscal risk to Government. This fiscal risks assessment will also cover implicit guarantees and high risk entities will be closely monitored.

### Contingent Liability

<u>Year</u>	<u>16-Jul</u>	<u>17-Jul</u>	<u>17-Oct</u>	<u>18-Jan</u>	<u>19-Apr</u>
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Government Guarantee (Explicit)	787.4	562.2	525.3	517.6	531.3
As % of GDP	8.3%	5.5%	4.8%	4.7%	4.8%
<b>Total Contingent liabilities</b>	<b>1259.2</b>	<b>1019.8</b>	<b>995.3</b>	<b>969.0</b>	<b>994.3</b>
<b>As % of GDP</b>	<b>13.2%</b>	<b>9.9%</b>	<b>9.1%</b>	<b>8.8%</b>	<b>9.0%</b>

Source: Ministry of Economy

## **6.0 SUMMARY**

In summary, though total Government Debt stock has modestly risen to \$4,962.0 million or 2.8 per cent over the quarter, the Debt to GDP ratio stands at 45.2 per cent compared to 45.6 per cent at the end of 2016/17.

Government has a balance of \$167.5 million bonds to borrow through issuances in the domestic bond market in the next three months. Similarly, approximately \$173 million to be disbursed from overseas loans and this will depend on project implementation and planning. The superannuation fund and insurance industries continue to demand more long term Government securities as it suits its investment appetite and Asset – Liability Management.

Following successful floatation of Green bond from the previous quarter, Government anticipates to issue more Green bonds with a balance of \$40 million as demand for Fiji's Green Bond will increase following the listing at the London Stock Exchange. Additional publicity and awareness of Fiji's Green Bond will augur well for the economy and increase its demand in the primary and secondary market.

Total Contingent Liabilities increased by 2.6 per cent to \$994.3 million compared to \$969.0 million in Quarter 2. Government will closely monitor the operations of SOE, under the Fiscal Risk Framework high risk entities and implicit guarantees to be monitored closely.

Risk analyses on the current portfolio indicate market and refinancing risks at prudent levels. This will be undertaken on a period basis to ascertain any impending risk(s) to Government's overall debt portfolio.

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**Appendix**

<b>Central Government Debt Statistics</b>							
<b>Particulars (\$000)</b>	<b>Apr-17</b>	<b>Jul-17</b>	<b>Oct-17</b>	<b>Jan-18</b>	<b>Apr-18</b>	<b>qtr-to-qtr %chge</b>	<b>yr-to-yr %chge</b>
<b><u>Debt Stock</u></b>	-	-	-	-	-	-	-
<b>TOTAL GOVERNMENT DEBT (\$M)</b>	<b>4,533.6</b>	<b>4,671.7</b>	<b>4,758.9</b>	<b>4,824.6</b>	<b>4,962.0</b>	<b>2.8%</b>	<b>9.4%</b>
<b>DOMESTIC DEBT</b>	<b>3,214.2</b>	<b>3,300.8</b>	<b>3,354.0</b>	<b>3,437.7</b>	<b>3,555.45</b>	<b>3.4%</b>	<b>10.6%</b>
<b>BONDS:</b>	<b>3,181.3</b>	<b>3,204.4</b>	<b>3,275.5</b>	<b>3,392.7</b>	<b>3,480.4</b>	<b>2.6%</b>	<b>9.4%</b>
FNPF	1,931.2	1,973.9	2,041.7	2,100.8	2,162.6	2.9%	12.0%
FNPF Retirement Income Fund	285.0	285.0	285.0	294.9	297.8	1.0%	4.5%
FNPF Special Death Benefit Fund	32.0	32.0	32.0	40.0	41.4	3.5%	29.4%
Insurance companies	602.6	603.4	616.1	628.5	635.9	1.2%	5.5%
Commercial Banks	126.4	108.6	99.6	119.3	134.2	12.5%	6.1%
RBF	79.1	75.8	75.1	75.6	75.7	0.2%	-4.2%
Trust Fund	29.9	30.1	30.1	29.8	29.9	0.3%	-0.2%
Unit Trust of Fiji	22.3	23.0	23.9	24.7	24.7	0.0%	10.9%
Merchant Finance	9.3	9.3	9.3	9.3	9.3	0.0%	0.0%
Credit Corporation	1.4	1.4	1.4	1.4	1.4	0.0%	0.0%
Others	62.1	62.0	61.3	68.5	67.7	-1.2%	8.9%
<b>T-BILLS</b>	<b>32.9</b>	<b>96.4</b>	<b>78.5</b>	<b>45.0</b>	<b>75.0</b>	<b>66.7%</b>	<b>128.0%</b>
Commercial Banks	32.9	96.4	78.5	38.2	68.2	78.5%	107.4%
FNPF	0.0	0.0	0.0	4.5	4.5	0.0%	-
Insurance companies	0.0	0.0	0.0	0.0	0.0	-	-
Others	0.0	0.0	0.0	2.2	2.2	0.0%	-
<b>EXTERNAL DEBT</b>	<b>1,319.3</b>	<b>1,370.9</b>	<b>1,404.9</b>	<b>1,386.9</b>	<b>1,406.51</b>	<b>1.4%</b>	<b>6.6%</b>
<b>BONDS (Global Bond)</b>	<b>420.2</b>	<b>402.3</b>	<b>414.9</b>	<b>401.3</b>	<b>413.1</b>	<b>2.9%</b>	<b>-1.7%</b>
<b>LOANS</b>	<b>899.2</b>	<b>968.6</b>	<b>989.9</b>	<b>985.6</b>	<b>993.5</b>	<b>0.8%</b>	<b>10.5%</b>
ADB	252.7	344.3	350.3	341.5	345.9	1.3%	36.9%
EXIM China	511.7	501.3	514.3	522.2	517.5	-0.9%	1.1%
CDB	12.2	0.0	0.0	0.0	0.0	-	-100.0%
JICA	13.8	13.2	12.2	12.3	11.5	-6.6%	-16.5%
IBRD	106.7	107.6	110.9	107.5	116.3	8.2%	9.0%
IFAD	2.1	2.1	2.2	2.2	2.3	0.7%	9.6%

Source: Ministry of Economy

<u>Debt Servicing</u>							
DEBT SERVICING (Cumulative)	Apr/17	Jul/17	Oct/17	Jan/18	Apr/18	qtr-to-qtr %chge	yr-to-yr %chge
<b>TOTAL</b>	<b>312.1</b>	<b>422.6</b>	<b>121.2</b>	<b>226.9</b>	<b>349.5</b>	<b>54%</b>	<b>12.0%</b>
<b>Domestic Bonds &amp; Loans</b>	<b>222.0</b>	<b>328.9</b>	<b>82.6</b>	<b>185.2</b>	<b>260.2</b>	<b>40%</b>	<b>17.2%</b>
<i>Principal</i>	60.3	99.6	33.6	67.6	89.3	32.1%	48.1%
<i>Interest</i>	161.7	229.2	49.0	117.6	170.9	45.3%	5.7%
<b>External Loans</b>	<b>90.1</b>	<b>93.7</b>	<b>38.6</b>	<b>41.7</b>	<b>89.3</b>	<b>114.1%</b>	<b>-0.9%</b>
<i>Principal</i>	47.4	49.3	17.7	17.9	44.6	149.0%	-5.9%
<i>Interest</i>	42.7	44.4	20.9	23.8	44.6	87.8%	4.6%
<b>BORROWING (Cumulative)</b>	<b>413.9</b>	<b>688.9</b>	<b>106.3</b>	<b>285.2</b>	<b>461.3</b>	<b>61.8%</b>	<b>11.5%</b>
FIB Bonds/Viti Bonds/Fiji Green Bonds	304.9	465.8	104.7	280.9	450.3	60.3%	47.7%
External loans	109.0	223.0	1.6	4.3	11.0	155.2%	-89.9%

Source: Ministry of Economy

<u>Debt Ratios</u>							
	<u>Apr-17</u>	<u>Jul-17</u>	<u>Oct-17</u>	<u>Jan-18</u>	<u>Apr-18</u>	<u>qtr-to-qtr %chge</u>	<u>yr-to-yr %chge</u>
% of Domestic Debt to Total Debt	70.9%	70.7%	70.5%	71.3%	71.7%	0.6%	1.1%
% of External Debt to Total Debt	29.1%	29.3%	29.5%	28.7%	28.3%	-1.4%	-2.6%
% Domestic Debt to GDP	31.3%	32.2%	30.5%	31.3%	32.4%	3.4%	3.2%
% External Debt to GDP	12.9%	13.4%	12.8%	12.6%	12.8%	1.4%	-0.5%
<b>Total Government Debt to GDP</b>	<b>44.2%</b>	<b>45.6%</b>	<b>43.3%</b>	<b>43.9%</b>	<b>45.2%</b>	<b>2.8%</b>	<b>2.1%</b>

Source: Ministry of Economy