



## Ministry of Finance

# Government Debt Report Quarter 2, 2022-2023

### 1.0 GOVERNMENT DEBT STOCK

Government debt stock stood at \$9,445.5 million or 79.9 percent of Gross Domestic Product (GDP) at the end of January 2023. This represents a 0.1 percent decline from the previous quarter and a 15.1 percent increase when compared to the same period last year.

The decline noted over the quarter is attributed to the decrease in Government overseas borrowings, while the annual increase reflects increased borrowing from both domestic and external financing sources.

Government accessed a total of \$211.7 million in borrowings (\$39.6 million in external loans and \$172.1 million in domestic bonds) during the quarter while total debt servicing amounted to \$190.8 million (\$78.9 million in principal repayments and \$111.9 million in interest payments).

Furthermore, the debt composition (domestic/external) of Government debt portfolio has remained within its domestic limits of the 70/30 (+5/-5) benchmark at 63.2 percent but has slightly deviated from its external debt target which now comprises 36.6 percent at the end of the second quarter.

### 2.0 DOMESTIC DEBT

The domestic market remains the major financing source for Government. During the six months period Government raised a cumulative total of \$326.5 million of long term bonds, a significant decline of 41.4 percent from the amount of \$554.0 million that was raised in the corresponding period last year. This represents 48.2 percent of the approved domestic borrowing limit for the Fiscal Year 2022-2023 (FY2023).

At the end of January 2023, 48.2 percent of the FY2023 approved domestic borrowing was issued comprising \$170.0 million in Fiji Infrastructure Bonds (FIB) and \$2.1 million in Viti Bonds. A sum of \$89.0 million was raised through the issuance of Treasury Bills (T-Bills) with \$277.0 million outstanding at the end of January 2023.

Domestic debt outstanding rose by 1.9 percent from \$5,875.1 million to \$5,983.9 million over the quarter. Of the total outlay, bonds comprise \$5,706.9 million and \$277.0 million in T-Bills.

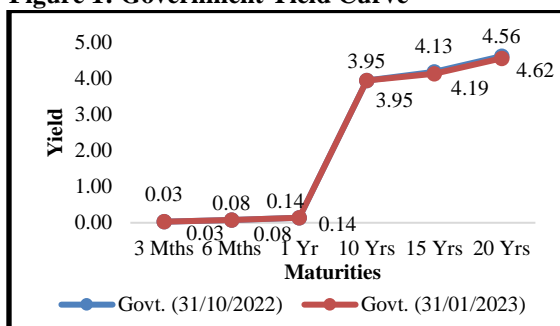
T-Bills outstanding declined by 1.6 percent over the quarter reflecting appropriate cash flow management reducing the need to borrow short term

instruments during the first six months of FY2023.

Domestic debt servicing increased by \$15 million or 11.2% over the quarter and declined by \$40.5 million over the same period last year.

Yields on Government securities for the 15-year and 20-year tenors dropped by 1.4 percent and 1.3 percent, respectively when compared to the same period last year; however, as depicted in Figure 1, there was no movement in yields for the shorter tenors up to the 10-year tenor.

**Figure 1: Government Yield Curve**



Source: RBF

## 2.1 EXTERNAL DEBT

External borrowings for the quarter financed key Government infrastructural projects such as transport, water supply and sanitation including loan funded projects supporting Government’s recovery works post COVID-19 pandemic. Recovery works focused on the strengthening of the national systems in public health preparedness including works to enhance the social protection systems.

During the quarter, a sum of \$39.6 million was disbursed to finance the above-mentioned projects utilising \$36.5 million

in the transport sector projects, \$1.6 million in the water supply and sanitation projects and \$1.5 million towards Government’s COVID-19 recovery efforts.

Cumulative overseas borrowing now stands at \$191.4 million utilising 38.1 percent of the FY2023 overseas borrowing ceiling.

External debt stock was recorded at \$3,461.6 million or 29.3 percent of GDP, decreasing by 3.3 percent over the quarter but has increased by 35.0 percent when compared to the same period last year. The decrease over the quarter is attributed to the decline in overseas borrowing and the weakening of the United States Dollar (USD); as of 31 January 2023, 76.3 percent of the external debt portfolio was denominated in USD.

Debt servicing declined by \$9.4 million over the quarter recording \$20.1 million in principal repayments and \$22.1 million in interest payments. Cumulative debt servicing now stands at \$93.8 million as at January 2023, a significant increase from \$24.1 million when compared to the same period last year. This was attributed to the servicing of bilateral loans (\$29.7 million) that were under the debt service suspension initiative in 2020 and 2021 as well as the commencing of principal repayments on programmatic loans contracted in 2016.

## 3.0 COST AND RISK INDICATORS

The Medium Term Debt Management Strategy (‘MTDS’) target indicators are being monitored and published quarterly. Table 1 provides a summary of

movements comparing the quarter ending July 2022 against the targeted cost and risk indicators in the MTDS.

**Table 1: 2023 Target Indicators vs Results**

<b>Cost and Risk Indicators</b>		<b>FY 2022</b>	<b>MTDS Target FY2023</b>	<b>Jan-23</b>
Nominal debt as percentage of GDP		91.1	83	79.9
Cost of Debt	Weighted Av. IR (percent)	4.6	4.7	4.2
Refinancing Risk	ATM (years)	10.7	9.9	11.1
	Debt maturing in 1 year (percent of total)	6.2	6.5	3.3
Interest rate risk	ATR (years)	9.3	8	9.6
	Debt re-fixing in 1 year (percent of total)	25.3	30	24.5
FX risk	FX debt (percent of total debt)	36.8	32.2	36.6

The cost and risk indicators for the first quarter of FY2023 showed further improvement to the average term to maturity (ATM) to 11 years attributed to the issuance of long term bonds in the domestic market, and the average time to refixing (ATR) at around 10 years allowing Government more time to adjust to change in interest rate.

Over the quarter, the percentage of debt maturing within one year declined further to 3.3 percent as opposed to 6.2 percent at the end of FY2022 solely attributed to the redemptions of bonds and repayment of external loans in the first half of FY2023.

The foreign currency risks exposure

slightly declined by 20 basis points to 36.6 percent when compared to the FY2022 period. With reference to the Fiji Dollar performance (FJD) over the quarter, the FJD weakened against the CNY (-1.04%) and the JPY (-6.52%) but gained against the USD (+5.97%). When compared to the same period last year, the FJD strengthened against the CNY (+5.16%) and the JPY (+11.10%) but it weakened against the USD (-0.63%).

Government will continue to ensure its exposure to foreign exchange rate risk is managed in line with the debt targets set forth in the medium term.

#### **4.0 GOVERNMENT GUARANTEES**

As of 31 January 2023, Government guaranteed debt stood at \$1,137.4 million, equivalent to 9.6 percent of GDP. This represents a decrease of 0.2 percent over the quarter and an increase of 1.1 percent over the year. The increase is solely attributed to the utilisation of approved guaranteed facilities guarantees by Housing Authority.

Government continues to strictly monitor the costs and risks associated with the Government guarantees and ensure that fiscal risks are prudently minimised.

**Debt Management Unit  
April 2023**

## Appendix

<b>CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS)</b>					
<b>Particulars</b>	<b>Jan-22</b>	<b>Apr-22</b>	<b>Jul-22</b>	<b>Oct-22</b>	<b>Jan-23</b>
<b>Total Government Debt to GDP</b>	<b>81.9%</b>	<b>85.8%</b>	<b>91.1%</b>	<b>79.9%</b>	<b>79.9%</b>
<b>TOTAL GOVERNMENT DEBT</b>	<b>8,203.8</b>	<b>8,599.9</b>	<b>9,131.5</b>	<b>9,454.1</b>	<b>9,445.5</b>
<b>DOMESTIC DEBT</b>	<b>5,639.4</b>	<b>5,901.1</b>	<b>5,767.4</b>	<b>5,875.1</b>	<b>5,983.9</b>
<b>BONDS:</b>	<b>5,365.9</b>	<b>5,448.6</b>	<b>5,483.9</b>	<b>5,593.6</b>	<b>5,706.9</b>
FNPF	3,149.9	3,225.3	3,260.3	3,324.3	3,404.0
FNPF Retirement Income Fund	330.4	338.4	341.4	343.4	345.9
FNPF Special Death Benefit Fund	63.4	66.4	66.4	68.4	68.5
Insurance companies	791.1	810.4	792.2	789.5	822.7
Commercial Banks	222.2	190.4	188.2	224.8	224.0
RBF	684.6	695.0	694.8	695.5	695.2
Trust Fund	22.4	21.2	20.9	21.5	21.5
Unit Trust of Fiji	18.5	22.5	21.0	20.4	20.4
Merchant Finance	5.1	5.1	5.0	5.0	3.0
Kontiki Finance Limited	25.4	25.4	45.4	50.6	50.6
Others	52.9	48.6	48.4	50.3	51.3
<b>T-BILLS:</b>	<b>273.5</b>	<b>452.5</b>	<b>283.5</b>	<b>281.5</b>	<b>277.0</b>
RBF	0.0	0.0	0.0	0.0	0.0
Commercial Banks	273.5	452.5	283.5	281.5	277.0
Insurance companies	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
<b>% of Domestic Debt to Total Debt</b>	<b>68.7%</b>	<b>68.6%</b>	<b>63.2%</b>	<b>62.1%</b>	<b>63.4%</b>
<b>% Domestic Debt to GDP</b>	<b>56.3%</b>	<b>58.9%</b>	<b>57.6%</b>	<b>58.6%</b>	<b>50.6%</b>
<b>EXTERNAL DEBT</b>	<b>2,564.4</b>	<b>2,698.8</b>	<b>3,364.1</b>	<b>3,579.0</b>	<b>3,461.6</b>
<b>LOANS:</b>	<b>2,564.4</b>	<b>2,698.8</b>	<b>3,364.1</b>	<b>3,579.0</b>	<b>3,461.6</b>
Asian Development Bank (USD)	982.9	993.0	1,349.4	1,434.0	1,359.6
Asian Infrastructure Investment Bank (USD)	108.2	108.8	110.3	231.6	217.8
Exim Bank of China (CNY)	473.2	433.2	431.4	396.5	400.6
Japan International Cooperation Agency (JPY)	286.2	418.8	413.7	393.7	419.4
World Bank - International Bank for Reconstruction & Development (USD)	250.5	260.9	377.8	406.6	388.8
World Bank - International Development Association (USD)	463.3	465.8	663.0	697.0	656.9
European Investment Bank (USD)	0.0	18.4	18.6	19.6	18.4
<b>% of External Debt to Total Debt</b>	<b>31.3%</b>	<b>31.4%</b>	<b>36.8%</b>	<b>37.9%</b>	<b>36.6%</b>
<b>% External Debt to GDP</b>	<b>25.6%</b>	<b>26.9%</b>	<b>33.6%</b>	<b>35.7%</b>	<b>29.3%</b>
<b>DEBT SERVICING</b>					
	<b>Jan-22</b>	<b>Apr-22</b>	<b>Jul-22</b>	<b>Oct-22</b>	<b>Jan-23</b>
<b>TOTAL</b>	<b>198.2</b>	<b>182.0</b>	<b>182.5</b>	<b>185.1</b>	<b>190.8</b>

<b>Domestic Bonds &amp; Loans</b>	<b>189.1</b>	<b>137.3</b>	<b>170.5</b>	<b>133.6</b>	<b>148.6</b>		
Principal	95.4	49.1	77.9	44.8	58.8		
Interest	93.7	88.2	92.6	88.8	89.8		
<b>External Loans</b>	<b>9.2</b>	<b>44.7</b>	<b>12.0</b>	<b>51.6</b>	<b>42.2</b>		
Principal	6.3	36.5	8.7	39.2	20.1		
Interest	2.8	8.2	3.3	12.4	22.1		
<b>BORROWING</b>							
<b>TOTAL</b>	<b>181.2</b>	<b>352.1</b>	<b>772.9</b>	<b>306.2</b>	<b>211.7</b>		
FIB Bonds/Viti Bonds/COVID	145.8	131.8	113.2	154.4	172.1		
External loans (Includes Cap. Interest)	35.4	220.3	659.7	151.8	39.6		
<b>YIELDS ON GOVERNMENT SECURITIES</b>							
3 months	0.06	0.04	0.04	0.03	0.03		
6 months	0.08	0.07	0.09	0.08	0.08		
12 months	0.13	0.13	0.15	0.14	0.14		
10 year	3.95	3.95	3.95	3.95	3.95		
15 year	4.25	4.25	4.25	4.19	4.13		
20 year	4.70	4.68	4.68	4.62	4.56		
<b>GOVERNMENT GUARANTEES</b>							
<b>% of Government Guarantees to GDP</b>	<b>11.2%</b>	<b>10.9%</b>	<b>10.7%</b>	<b>9.6%</b>	<b>9.6%</b>		
<b>Total Government Guarantees</b>	<b>1,124.5</b>	<b>1,096.7</b>	<b>1,068.5</b>	<b>1,139.4</b>	<b>1,137.4</b>		
Air Pacific Limited trading as Fiji Airways	467.7	461.8	439.4	476.8	470.6		
Fiji Development Bank	361.7	330.0	301.5	309.9	289.9		
Fiji Harwood Corporation Limited	0.2	0.0	0.0	0.0	0.0		
Fiji Sugar Corporation	212.6	222.3	243.0	273.0	267.0		
Housing Authority	81.7	81.7	81.7	76.7	109.1		
Pacific Fishing Company Limited	0.6	1.0	3.0	3.0	0.8		
<b>RISK INDICATORS</b>							
		<b>FY2021-2022</b>			<b>Jan – 23</b>		
		<b>External debt</b>	<b>Domestic debt</b>	<b>Total debt</b>	<b>External debt</b>	<b>Domestic debt</b>	<b>Total debt</b>
Amount (in millions of FJD)		3,364.1	5,767.4	<b>9,131.5</b>	3,461.6	5,983.9	<b>9,445.5</b>
Amount (in millions of USD)		1,525.5	2,614.9	<b>4,140.4</b>	1,589.2	2,747.2	<b>4,336.4</b>
Nominal debt as percent of GDP		33.6	57.6	<b>91.1</b>	29.3	50.6	<b>79.9</b>
Refinancing risk	ATM (years)	11.4	10.3	<b>10.7</b>	11.5	10.9	<b>11.1</b>
	Debt maturing in 1 year (percent of total)	3.4	8.0	<b>6.2</b>	1.7	4.2	<b>3.3</b>
Interest rate risk	ATR (years)	7.5	10.3	<b>9.3</b>	7.3	10.9	<b>9.6</b>
	Debt re-fixing in 1 year (percent of total)	54.4	8.0	<b>25.3</b>	55.8	5.8	<b>24.5</b>
	Weighted Av. IR (percent)	1.9	6.1	<b>4.6</b>	2.5	5.2	<b>4.2</b>
Foreign Exchange rate ('FX') risk	FX debt (percent of total debt)	<b>36.8</b>			<b>36.6</b>		