



Ministry of Economy

Quarterly Debt Bulletin – October 2020

1.0 CENTRAL GOVERNMENT DEBT

Government debt has increased substantially over the year owing largely to declining revenue streams and subdued economic activities caused by the coronavirus pandemic ('COVID-19'). As at 31 October 2020, Government debt stood at \$6.8 billion, an increase of 2.1 percent over the quarter and 18.4 percent when compared to the same period last year¹. As a percentage of GDP, total debt stood at 68.9 percent.

Key highlights for the quarter include the successful refinancing of the US\$200 million global bond on 2 October 2020 through funding secured from multilateral lenders and the successful drawdown of loans relating to the Sustained Private Sector-Led Growth Reform Program ('Program') amounting to US\$250 million.

As a percentage of total debt, domestic debt accounted for 72.9 percent (\$5.0 billion) while external debt accounted for the remaining 27.1 percent (\$1.8 billion).

Total debt servicing for the quarter amounted to \$571.2 million, comprising \$477.8 million in principal repayments and \$93.4 million in interest payments.

1.1 DOMESTIC DEBT

Total domestic debt stood at approximately \$5.0 billion at the end of October 2020, a

¹ Refers to Fiscal Year of the Government of the Republic of Fiji, commencing from 1 August 2019 to 31 July 2020.

marginal increase of 0.1 percent over the quarter and an increase of 15.3 percent as compared to October 2019. This comprised of \$4.7 billion in bonds and \$269.7 million in treasury bills ('T-bills').

Fiji Infrastructure Bonds ('FIB') were mostly undersubscribed during the quarter due to the reduced market appetite for longer term bonds attributed to the impact of the pandemic on the cash flows of key investors. A total of \$43.8 million in FIB was issued during the quarter. On the other hand, T-bills were oversubscribed as a result of the increased appetite for short-term bills from commercial banks. Financing via T-bills totaled \$59.0 million for the quarter.

Market yields for Government securities have been declining owing to the high level of liquidity² in the market. The shorter-end of the yield curve (3-month, 6-month and 12-month) declined by 25, 23 and 16 basis points respectively, while the longer-end (10-year, 15-year, 20-year) decreased by 84, 90 and 100 basis points, respectively.

Total domestic debt servicing amounted to \$116.1 million during the quarter, comprising of \$39.0 million in principal repayments and \$77.1 million in interest payments.

1.2 EXTERNAL DEBT

² Banking system liquidity increased significantly compared to the previous quarter, recording over \$1 billion in August and September while it declined to \$912 million at end of October 2020, although still higher compared to July 2020 quarter (\$765.2million). Source: RBF Economic Review for the month ending October 2020, Vol. 37.

External debt stood at \$1.8 billion at the end of the quarter, increasing by 8.0 percent from the previous quarter and 27.7 percent over the same period last year.

During the quarter, Government successfully accessed two policy based loans for Subprogram 3³ of the Program from the Asian Development Bank ('ADB') and the Asian Infrastructure Investment Bank ('AIIB'), amounting to US\$200 million (FJ\$424.5 million) and US\$50 million (FJ\$106.2 million) respectively. For loan funded capital projects, a total of \$1.4 million was disbursed for the Urban Water Supply and Wastewater Management Investment Program.

In terms of external debt composition by currency, the United States dollar ('USD') denominated loans dominates the portfolio with 73.6 percent, trailed by the Chinese Renminbi Yuan ('CNY') loans at 23.6 percent and the remaining external debt by the Japanese Yen ('JPY') and Euro dollar ('EURO') at 2.7 percent and 0.1 percent respectively.

Total external debt servicing amounted to \$455.1 million, which comprises of \$438.8 million loan repayments and \$16.3 million in interest payments. The significant repayments are mostly attributed to the redemption of the US\$200 million global bonds in the month of October 2020.

2.0 COST AND RISK INDICATORS

The weighted average cost of the total debt portfolio has dropped to 5.2 percent, noting a 40 basis points reduction from the previous

³The Program consists of 3 subprograms which targets the realisation of reform actions to achieve broad based reform goals such as to improve fiscal management, supporting a conducive business and investment environment and enhancing the performance of state-owned enterprises agreed by the Fijian Government and development partners. The Program was co-financed by the ADB, AIIB and other development partners.

quarter. This was a direct result of refinancing the global bond via lower cost policy based loans compared to the high coupon rate of the global bond.

Foreign Currency Risk - Foreign debt as a percentage of total debt is maintained at 27.1 percent as of 31 October 2020.

Interest Rate Risk – Government maintains a fixed rate debt of greater than or equal to 70 percent (+/-5 percent) to stabilise debt service costs. As a percentage of total debt, fixed rate debt comprises 80.5 percent which mostly relates to domestic bonds and bilateral external loans.

Re-financing Risk - The average time to maturity ('ATM') has slightly increased from 8.7 years at end of July 2020 to 9.4 years. This is attributed to the issuance of longer term domestic bonds and contracting of external loans with longer repayment periods.

3.0 GOVERNMENT GUARANTEES

As of 30 October 2020, Government guaranteed debt outstanding stood at \$888.6 million, equivalent to 9.0 percent of GDP. This represents a 5.4 percent decrease over the quarter and an increase of 28.1 percent when compared to the same period last year. The quarterly reduction was mainly attributed to the servicing of guaranteed loans' whilst the annual increase was largely due to the newly approved guarantee facility for Fiji Airways.

Government will continue to manage the costs and risks associated with borrowings and Government guarantees, to ensure that fiscal risks are prudently managed.

**Debt Management Unit
January 2021.**

Appendix

| CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS) | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Particulars (Quarterly basis) | Oct-19 | Jan-20 | Apr-20 | Jul-20 | Oct-20 |
| DEBT STOCK | | | | | |
| TOTAL GOVERNMENT DEBT TO GDP | 56.5% | 56.8% | 62.3% | 65.5% | 68.9% |
| TOTAL GOVERNMENT DEBT (\$M) | 5,766.5 | 5,798.4 | 6,361.0 | 6,686.0 | 6,828.4 |
| DOMESTIC DEBT | 4,320.5 | 4,330.3 | 4,612.6 | 4,976.5 | 4,981.3 |
| BONDS: | 4,020.5 | 4,055.3 | 4,343.9 | 4,681.0 | 4,692.2 |
| FNPF | 2,688.4 | 2,710.6 | 2,849.1 | 3,004.6 | 3,005.5 |
| FNPF Retirement Income Fund | 315.4 | 318.4 | 321.4 | 321.4 | 321.4 |
| FNPF Special Death Benefit Fund | 53.4 | 53.4 | 53.4 | 53.4 | 53.4 |
| Insurance companies | 701.1 | 716.1 | 720.4 | 727.9 | 735.4 |
| Commercial Banks | 101.8 | 89.7 | 80.4 | 98.7 | 98.7 |
| RBF | 59.8 | 60.1 | 210.2 | 360.1 | 360.3 |
| Trust Fund | 22.3 | 22.1 | 21.5 | 20.8 | 23.7 |
| Unit Trust of Fiji | 19.3 | 19.5 | 20.3 | 22.7 | 18.6 |
| Merchant Finance | 5.6 | 5.6 | 5.1 | 5.1 | 5.1 |
| Credit Corporation | 0.8 | 0.8 | - | - | - |
| Kontiki Finance Limited | - | - | 17 | 18.7 | 18.7 |
| Others | 52.6 | 59.1 | 45.1 | 47.5 | 51.3 |
| T-BILLS | 300 | 275 | 268.7 | 269.7 | 269.7 |
| RBF | 80 | 48.5 | 42 | - | - |
| Commercial Banks | 206 | 212.5 | 214.7 | 269.5 | 269.4 |
| FNPF | 10 | 10 | 10 | - | - |
| Others | 4 | 4 | 2 | 0.2 | 0.3 |
| LOANS | | | | | |
| FNPF | - | - | - | 25.8 | 19.4 |
| % of Domestic Debt to Total Debt | 74.9% | 74.7% | 72.5% | 74.4% | 72.9% |
| % Domestic Debt to GDP | 42.3% | 42.4% | 45.2% | 48.7% | 50.3% |
| EXTERNAL DEBT | 1,446.00 | 1,468.10 | 1,748.40 | 1,709.50 | 1,847.10 |
| BONDS (Global Bond) | 436.1 | 438.00 | 446.6 | 424.3 | - |
| LOANS | 1,009.90 | 1,030.00 | 1,301.80 | 1,285.30 | 1,847.10 |
| Asian Development Bank ('ADB') | 397.2 | 406.8 | 552.2 | 525.4 | 951.6 |
| Asian Infrastructure Investment Bank ('AIIB') | - | - | - | - | 107.1 |
| Exim Bank of China ('EBOC') | 435.8 | 445.2 | 426.4 | 409 | 435.4 |
| Japan International Cooperation Agency ('JICA') | 8.5 | 8.5 | 7.6 | 50.9 | 50.2 |
| World Bank - International Bank for Reconstruction & Development ('IBRD') | 165.8 | 166.9 | 184.1 | 175.2 | 176.9 |
| World Bank - International Development Association ('IDA') | - | - | 128.9 | 122.5 | 123.6 |
| International Fund for Agricultural Development ('IFAD') | 2.6 | 2.5 | 2.6 | 2.3 | 2.3 |
| <i>Note: USD loans- ADB, AIIB, World Bank (IBRD/IDA), Global bond; CNY loans – EBOC; JPY loans – JICA; EURO loans - IFAD</i> | | | | | |
| % of External Debt to Total Debt | 25.1% | 25.3% | 27.5% | 25.6% | 27.1% |
| % of External Debt to GDP | 14.2% | 14.4% | 17.1% | 16.7% | 18.6% |

| DEBT SERVICING | | | | | | | |
|--|---|----------------------|-------------------|--------------------------------|----------------------|-------------------|------|
| | Oct-19 | Jan-20 | Apr-20 | Jul-20 | Oct-20 | | |
| TOTAL | 166.3 | 135.1 | 156.7 | 151.1 | 571.2 | | |
| Domestic Bonds & Loans | 115.7 | 130.1 | 104.6 | 144.2 | 116.1 | | |
| <i>Principal</i> | 53.0 | 48.0 | 35.9 | 57.2 | 39 | | |
| <i>Interest</i> | 62.7 | 82.1 | 68.7 | 86.9 | 77.1 | | |
| External Loans | 50.6 | 5 | 52.1 | 6.9 | 455.1 | | |
| <i>Principal</i> | 27.7 | 0.2 | 29.2 | 1.6 | 438.8 | | |
| <i>Interest</i> | 22.9 | 4.7 | 22.9 | 5.3 | 16.3 | | |
| BORROWING | 120.5 | 91 | 612.9 | 441.5 | 576.1 | | |
| FIB Bonds/Viti Bonds/COVID | 102.5 | 82.9 | 324.5 | 394.3 | 43.8 | | |
| External loans (Includes Cap. Interest) | 18 | 8.1 | 288.4 | 47.2 | 532.3 | | |
| YIELDS ON GOVERNMENT SECURITIES (%) | | | | | | | |
| 3 months | 2.35 | 2.25 | 2.00 | 1.75 | 1.50 | | |
| 6 months | 3.07 | 2.98 | 2.75 | 2.28 | 2.05 | | |
| 12 months | 5.00 | 3.55 | 3.40 | 2.93 | 2.77 | | |
| 10 year | 6.00 | 6.00 | 5.75 | 5.44 | 4.60 | | |
| 15 year | 6.50 | 6.50 | 6.25 | 5.85 | 4.95 | | |
| 20 year | 7.00 | 7.00 | 6.75 | 6.35 | 5.35 | | |
| GOVERNMENT GUARANTEES (\$ MILLIONS) | | | | | | | |
| ENTITIES | Oct-19 | Jan-20 | Apr-20 | Jul-20 | Oct-20 | | |
| % of Government Guarantees to GDP | 6.8% | 6.8% (R) | 6.6% | 9.2% | 9.0% | | |
| Total Government Guarantees | 693.9 (R) | 691.0 (R) | 674.1 | 939.0 | 888.6 | | |
| Fiji Airways | - | - | - | 279.0 | 278.0 | | |
| Fiji Development Bank | 303.2 | 290.9 (R) | 302.0 (R) | 307.8 | 305.6 | | |
| Energy Fiji Limited | 53.0 | 52.1 | 51.1 | 50.2 | 8.0 | | |
| Fiji Harwood Corporation Limited | 3.6 | 2.0 | 1.7 | 1.7 | 1.6 | | |
| Fiji Sugar Corporation | 241.6 (R) | 243.8 | 218.5 | 199.2 | 197.4 | | |
| Housing Authority | 80.2 | 90.2 | 90.2 | 90.2 | 87.2 | | |
| Fiji Broadcasting Corporation | 9.9 | 9.4 | 8.8 | 8.3 | 8.0 | | |
| Pacific Fishing Company Limited | 2.5 | 2.7 | 1.8 | 2.5 | 2.8 | | |
| Risk Indicators | QUARTER 4 - FY2019-2020 | | | QUARTER 1 - FY2020-2021 | | | |
| | External debt | Domestic debt | Total debt | External debt | Domestic debt | Total debt | |
| Amount (in millions of FJD) | 1,709.5 | 4,976.5 | 6,686.0 | 1,847.1 | 4,981.3 | 6,828.4 | |
| Nominal debt as percent of GDP | 16.7 | 48.7 | 65.5 | 18.6 | 50.3 | 68.9 | |
| Cost of Debt | Weighted Av. IR (percent) | 2.3 | 6.7 | 5.6 | 0.9 | 6.7 | 5.2 |
| Refinancing risk | ATM (years) | 7.2 | 9.3 | 8.7 | 9.2 | 9.4 | 9.4 |
| | Debt maturing in 1 year (percent of total) | 28.3 | 9.9 | 14.6 | 1.7 | 9.1 | 7.1 |
| Interest rate risk | ATR (years) | 2.4 | 9.3 | 7.5 | 3.2 | 9.4 | 7.7 |
| | Debt re-fixing in 1 year (percent of total) | 75.6 | 9.9 | 26.9 | 71.9 | 9.1 | 26.4 |
| Foreign Exchange rate ('FX') risk | FX debt (percent of total debt) | 25.6 | | 27.1 | | | |

Source: Ministry of Economy and Reserve Bank of Fiji