



Ministry of Economy

Quarterly Debt Bulletin – October 2022

1.0 CENTRAL GOVERNMENT DEBT

Government debt stock stood at \$9,454.1 million or 79.9 percent of Gross Domestic Product (GDP)¹ at the end of October 2022. This represents an increase of 3.5 percent from the previous quarter and 18.1 percent increase when compared to the same period last year.

During the quarter, Government received budget support financing from the Asian Infrastructure Investment Bank (AIIB) under the Fiji Sustainable and Resilient Recovery Program amounting to USD 50.0 million (\$113.0 million).

On 18 October 2022, Government secured a USD 40.0 million loan and USD 10.0 million grant financing from the Australian Infrastructure Financing Facility for the Pacific (AIFFP). This USD 50.0 million (approximately \$115.8 million) financing is secured for the Fiji Transport Infrastructure Restoration Project (Project). The Project aims to support quality and resilient transport infrastructure in Fiji, by supporting the Fiji Roads Authority's program.

Furthermore, Government accessed a total of \$306.2 million in borrowings of which \$151.8 million were sourced from external loans and \$154.4 million from domestic

sources during the quarter while total debt servicing amounted to \$185.1 million (\$83.9 million in principal repayments and \$101.2 million in interest payments).

1.1 DOMESTIC DEBT

Total domestic debt stood at \$5,875.1 million or 49.7 percent of GDP at the end of October 2022, increasing by 1.9 percent from the last quarter and by 5.1 percent when compared to the same period last year. Domestic debt comprises \$5,593.6 million in Government bonds and \$281.5 million in Treasury Bills (T-Bills).

During the quarter, Government securities were oversubscribed due to an increase in appetite for investments in both short-term and long-term domestic debt instruments. Government raised \$154.4 million which comprised of \$150.0 million Fiji Infrastructure Bonds (FIB) and \$4.4 million Viti Bonds while debt servicing declined by 21.6 percent during the quarter attributed to the decline in Government bond maturity within the period.

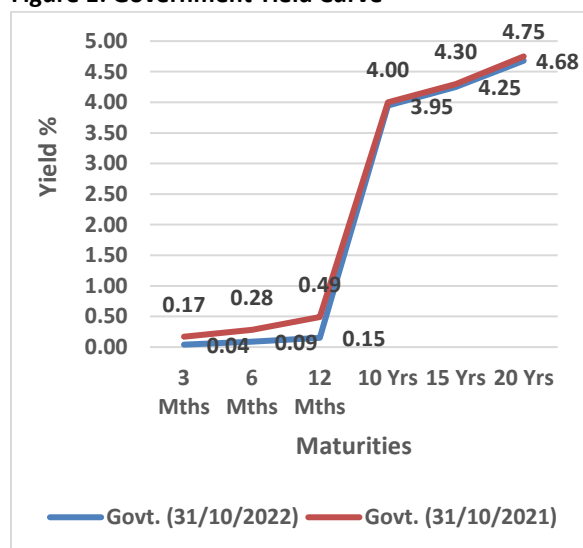
The non-bank financial institutions held the highest percentage of domestic debt composition at 82.7 percent, followed by the Reserve Bank of Fiji (RBF) at 12.4 percent,

¹ The Debt to GDP has recorded a decline from 91.1% in the previous quarter to 79.9% largely due to the strong growth in nominal GDP over the previous FY2021-22

commercial banks at 4.0 percent and other investors including individuals at 0.9 percent.

Yields on Government securities continued to drop across the maturity spectrum in the first quarter as compared to the same period last year due to excess liquidity in the banking system.

Figure 1: Government Yield Curve



Source: Ministry of Economy and RBF

1.2 EXTERNAL DEBT

The external debt position was recorded at \$3,579.0 million representing 30.3 percent of GDP. This has increased by 6.4 percent when compared to the last quarter and by 48.2 percent when compared to the same period last year.

Cumulative overseas borrowing as at October 2022 was recorded at \$151.8 million while debt servicing amounted to \$51.6 million (\$39.2 million in principal repayments and \$12.4 million in interest payments).

New borrowings declined by 31.1 percent and 58.2 percent when compared to July

2022 and October 2021, respectively. AIIB loan amounting to USD 50.0 million (\$113.0 million) was utilised in a single tranche disbursement which constituted 74.5 percent of the first quarter’s overseas borrowings. The remaining 25.5 percent (\$38.8 million) of overseas borrowing was channeled towards essential capital projects with \$6.2 million utilised under the Urban Water Supply and Wastewater Management Investment Project, \$31.9 million for the Transport Infrastructure Investment Sector Project and \$0.7 million towards the COVID-19 Emergency Response Projects including the Social Protection and System Development Projects.

An increase is noted in the debt servicing for this quarter to \$51.5 million from \$12.0 million in July 2022 and from \$14.9 million in the same period last year. This reflects 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.

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

Table 1: 2023 Target Indicators vs Results

Cost and Risk Indicators		FY 2022	MTDS Target FY2023	Oct-22
Nominal debt as percentage of GDP		91.1	83	79.9
Cost of Debt	Weighted Av. IR (percent)	4.6	4.7	4.6
Refinancing Risk	ATM (years)	10.7	9.9	10.8
	Debt maturing in 1 year (percent of total)	6.2	6.5	5.8
Interest rate risk	ATR (years)	9.3	8	9.2
	Debt re-fixing in 1 year (percent of total)	25.3	30	26.4
FX risk	FX debt (percent of total debt)	36.8	32.2	37.1

The cost and risk indicators for the first quarter of FY2023 showed slight improvement to the average term to maturity attributed to the issuance of long term bonds in the domestic market, however, the foreign exchange rate risk of Government is slightly above the set benchmark.

Over the quarter, the percentage of debt maturing within one year declined to 5.8 percent as opposed to 6.2 percent at the end of FY2022 solely attributed to the redemptions of bonds and repayment of external loans.

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

3.0 GOVERNMENT GUARANTEES

As at 31 October 2022, Government guaranteed debt stood at \$1,139.4 million, equivalent to 9.6 percent of GDP. This represents an increase of 6.6 percent over the quarter and 6.1 percent over the year. The increase is solely attributed to the utilisation of approved guaranteed facilities by Fiji Airways, Fiji Development Bank, Fiji Sugar Corporation Limited and Pacific Fishing Company Limited.

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

Debt Management Unit January 2023

Appendix

CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS)					
Particulars	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22
Total Government Debt to GDP	79.9%	81.9%	85.8%	91.1%	79.9%
TOTAL GOVERNMENT DEBT	8,003.8	8,203.8	8,599.9	9,131.5	9,454.1
DOMESTIC DEBT	5,589.0	5,639.4	5,901.1	5,767.4	5,875.1
BONDS:	5,315.5	5,365.9	5,448.6	5,483.9	5,593.6
FNPF	3,216.1	3,149.9	3,225.3	3,260.3	3,324.3
FNPF Retirement Income Fund	330.4	330.4	338.4	341.4	343.4
FNPF Special Death Benefit Fund	63.4	63.4	66.4	66.4	68.4
Insurance companies	781.2	791.1	810.4	792.2	789.5
Commercial Banks	223.6	222.2	190.4	188.2	224.8
RBF	575.9	684.6	695.0	694.8	695.5
Trust Fund	24.2	22.4	21.2	20.9	21.5
Unit Trust of Fiji	22.5	18.5	22.5	21.0	20.4
Merchant Finance	5.1	5.1	5.1	5.0	5.0
Kontiki Finance Limited	25.4	25.4	25.4	45.4	50.6
Others	47.7	52.9	48.6	48.4	50.3
T-BILLS:	273.5	273.5	452.5	283.5	281.5
RBF	0.0	0.0	0.0	0.0	0.0
Commercial Banks	273.5	273.5	452.5	283.5	281.5
Insurance companies	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
% of Domestic Debt to Total Debt	69.8%	68.7%	68.6%	63.2%	62.1%
% Domestic Debt to GDP	55.8%	56.3%	58.9%	57.6%	49.7%
EXTERNAL DEBT	2,414.7	2,564.4	2,698.8	3,364.1	3,579.0
LOANS:	2,414.7	2,564.4	2,698.8	3,364.1	3,579.0
Asian Development Bank (USD)	921.0	982.9	993.0	1,349.4	1,434.0
Asian Infrastructure Investment Bank (USD)	103.2	108.2	108.8	110.3	231.6
Exim Bank of China (CNY)	445.0	473.2	433.2	431.4	396.5
Japan International Cooperation Agency (JPY)	276.9	286.2	418.8	413.7	393.7
World Bank - International Bank for Reconstruction & Development (USD)	227.8	250.5	260.9	377.8	406.6
World Bank - International Development Association (USD)	440.8	463.3	465.8	663.0	697.0
European Investment Bank (USD)	0.0	0.0	18.4	18.6	19.6
% of External Debt to Total Debt	30.2%	31.3%	31.4%	36.8%	37.9%
% External Debt to GDP	24.1%	25.6%	26.9%	33.6%	30.3%

DEBT SERVICING							
	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22		
TOTAL	155.9	198.2	182.0	182.5	185.1		
Domestic Bonds & Loans	141.0	189.1	137.3	170.5	133.6		
Principal	60.4	95.4	49.1	77.9	44.8		
Interest	80.7	93.7	88.2	92.6	88.8		
External Loans	14.9	9.2	44.7	12.0	51.5		
Principal	11.6	6.3	36.5	8.7	39.2		
Interest	3.3	2.8	8.2	3.3	12.4		
BORROWING							
TOTAL	441.8	181.2	352.1	772.9	306.2		
FIB Bonds/Viti Bonds/COVID	408.2	145.8	131.8	113.2	154.4		
External loans (Includes Cap. Interest)	33.6	35.4	220.3	659.7	151.8		
YIELDS ON GOVERNMENT SECURITIES							
3 months	0.17	0.06	0.04	0.04	0.04		
6 months	0.28	0.08	0.07	0.09	0.09		
12 months	0.49	0.13	0.13	0.15	0.15		
10 year	4.00	3.95	3.95	3.95	3.95		
15 year	4.30	4.25	4.25	4.25	4.25		
20 year	4.75	4.70	4.68	4.68	4.68		
GOVERNMENT GUARANTEES							
% of Government Guarantees to GDP	10.7%	11.2%	10.9%	10.7%	9.6%		
Total Government Guarantees	1,074.0	1,124.5	1,096.7	1,068.5	1,139.4		
Air Pacific Limited trading as Fiji Airways	421.5	467.7	461.8	439.4	476.8		
Fiji Development Bank	347.3	361.7	330.0	301.5	309.9		
Fiji Harwood Corporation Limited	0.4	0.2	0.0	0.0	0.0		
Fiji Sugar Corporation	212.5	212.6	222.3	243.0	273.0		
Housing Authority	91.7	81.7	81.7	81.7	76.7		
Pacific Fishing Company Limited	0.6	0.6	1.0	3.0	3.0		
RISK INDICATORS							
	FY2020-2022			Oct-22			
	External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt	
Amount (in millions of FJD)	3,364.1	5,767.4	9,131.5	3,579.0	5,875.1	9,454.1	
Amount (in millions of USD)	1,525.5	2,614.9	4,140.4	1,545.1	2,536.3	4,081.3	
Nominal debt as percent of GDP	33.6	57.6	91.1	30.3	49.7	79.9	
Refinancing risk	ATM (years)	11.4	10.3	10.7	11.5	10.3	10.8
	Debt maturing in 1 year (percent of total)	3.4	8.0	6.2	2.2	8.0	5.8
Interest rate risk	ATR (years)	7.5	10.3	9.3	7.3	10.3	9.2
	Debt re-fixing in 1 year (percent of total)	54.4	8.0	25.3	56.8	8.0	26.4

	Weighted Av. IR (percent)	1.9	6.1	4.6	2.0	6.1	4.6
Foreign Exchange rate ('FX') risk	FX debt (percent of total debt)	36.8			37.9		