



MINISTRY OF ECONOMY

GOVERNMENT DEBT BULLETIN

QUARTER 3 – 2018/2019 FISCAL YEAR

1.0 INTRODUCTION

1.1 The domestic credit growth slowed in April to 7.7 per cent from 8.0 per cent in March as centered in the Reserve Bank of Fiji economic review for the month of May 2019. Growth in private sector credit (8.3 per cent) remained unchanged over the month, recorded slightly higher than 8.0 per cent noted in April 2018. Commercial banks' new lending contracted by 10.7 per cent in the same period due to declines in lending private individuals and some sectors. Commercial banks' outstanding lending rates increased over the month to April while new lending rates fell.

The report further stated that as at 30 April, the Fijian dollar (FJD) strengthened against the Yen (+0.4 per cent) but weakened against the US (-0.5 per cent) and the Euro (-0.1 per cent)¹.

1.2 This report highlights Government debt position for the third quarter ended 30 April 2019 as follows;

- i) Total Government debt stock increased by 10.8 per cent as compared to the corresponding period last year and similarly a 3.2 per cent increase over the quarter;
- ii) Debt as a proportion of GDP stands at 45.6 per cent which is within the debt management policy;
- iii) The overall debt position stands at \$5.50 billion, comprising \$4.05 billion domestic debts and \$1.45 billion for external debts;
- iv) The major source of borrowings for Government remains with the domestic market; and
- v) Debt service due were settled in full during the quarter.

2.0 TOTAL GOVERNMENT DEBT

2.1 At the end of the third quarter, 30 April 2019, total debt stock stood at \$5.50 billion representing an increase by 10.8 per cent year-on-year and 3.2 per cent over the quarter. The growth in debt stock represents increase in issuance of domestic securities. The debt composition is within the debt target ratio maintained at 73.7 per cent for domestic and at 26.3 per cent for external debt.

2.2 Based on the overall Government debt stock, debt as a proportion of GDP recorded a 3.2 percent growth to 45.6 percent when compared to the last quarter.

¹ Reserve Bank of Fiji Economic Review (Vol. 36) for the Month ended May 2019.

Table 1

Debt Stock (\$m)	Apr-18	Jul-18	Oct-18	Jan-19	Apr-19	% Change	
						Qtr to Qtr	Yr to Yr
TOTAL	4,962.0	5,220.5	5,267.5	5,326.3	5,498.8	3.2%	10.8%
Domestic Debt	3,555.4	3,763.0	3,810.3	3,879.3	4,050.6	4.48 %	13.9 %
External Debt	1,406.5	1,457.5	1,457.2	1,447.0	1,448.2	0.08%	3.0%
% of Domestic Debt to Total Debt	71.7%	72.1%	72.3%	72.8%	73.7%	1.1%	2.8%
% of External Debt to Total Debt	28.3%	27.9%	27.7%	27.2%	26.3%	(3.1%)	(7.1%)
% Domestic Debt to GDP	31.3%	33.1%	33.5%	32.2%	33.6%	4.4%	7.3%
% External Debt to GDP	12.4%	12.8%	12.8%	12.0%	12.0%	(0.1%)	(3.0%)
TOTAL Debt to GDP	43.7%	45.9%	46.4%	44.2%	45.6%	3.2%	4.4%

Source: Ministry of Economy

3.0 DEBT SERVICING

- 3.1 At the end of the third quarter, total debt servicing stood at \$473.4 million represents 75.6 per cent of the debt servicing budgeted amount for the fiscal year 2018/2019. The detailed summary is tabulated in Table 2.

Table 2

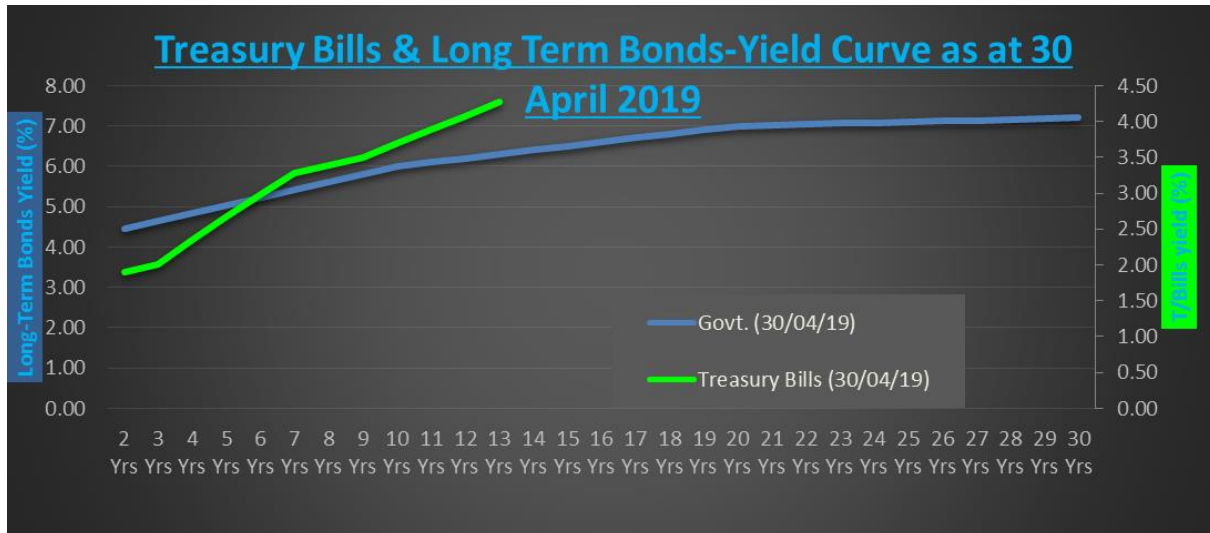
DEBT SERVICING:	(\$millions)
Domestic Debt Servicing	
Principal	179.8
Interest	186.6
Treasury Bills Interest	3.1
Total Domestic Debt Servicing	369.5
External Debt Servicing	
Principal	54.5
Interest	49.3
Total External Debt Servicing	103.9
TOTAL DEBT SERVICING	473.4

Source: Ministry of Economy

Of the total debt servicing, \$369.5 million constitute domestic debt while \$103.9 million for external debt.

4.0 DOMESTIC DEBT

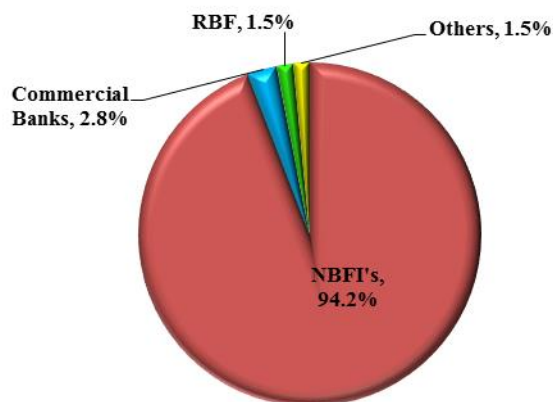
- 4.1 During the nine months period ended 30 April 2019, Government raised a total of \$552.8 million of long term bonds, a significant increase by 84.2 per cent as compared to the amount of \$300.1 million raised in the same period last year.
- 4.2 At the end of the third quarter, 88.3 per cent of the approved domestic borrowing budget was issued. This comprised of \$552.8 million Fiji Infrastructure Bonds (FIBs) and \$4.4 million in Viti Bonds. A total of \$304.5 million was raised from the issuance of Treasury Bills as at end of April 2019.
- 4.3 Outstanding domestic debt recorded a 4.4 percent increase from \$3.87 billion to \$4.05 billion over the quarter. This comprise of \$3.95 billion in Treasury Bonds (Bonds) and \$98.0 million in Treasury Bills (T-bills).
- 4.4 Treasury bills outstanding declined by 30.7 percent over the quarter. This indicates a prudent cash flow management which has reduced the need to borrow short term instruments for the first nine months of the fiscal year 2018/2019.
- 4.5 During the review period, the 20 year, 15 year and 10 year Benchmark FIBs were issued and re-opened.
- 4.6 For Viti Bonds, demands of investors are in the 5 and 10 year maturities. A total of \$4.4 million was raised during the nine months, rising by 43.1 percent over the quarter. This indicates increase in demand of Government's securities and confidence of investment from the public.
- 4.7 The domestic market yield curve continues to show increasing trend with Government securities trading at higher coupons for long term bonds. This indicates that investors estimated rate of return rises with long term Government debt securities.



Source: Reserve Bank of Fiji

- 4.8 In comparing the quarterly yields on T Bills for the 91 days, 182 days, 245 days and 364 days have hardened indicating tight market sentiments as at the close of the quarter. Yield recorded an increase of 0.70 per cent, 0.28 per cent, 0.25 per cent and 0.64 per cent respectively comparing to those prevailing at the end of January 2019.
- 4.9 Of the \$3.95 billion Government bonds outstanding, the non-bank financial institutions (NBFI's) held 94.2 per cent, followed by the commercial banks at 2.8 per cent and the remaining shared equivalently by the Reserve Bank of Fiji (RBF) and other investors including individual households by 1.5 per cent respectively. This is outlined by the below chart.

Government Bond Holders



Source: Reserve Bank of Fiji

5.0 EXTERNAL DEBT

- 5.1 External borrowings are directly channeled towards infrastructure projects. For the 2018/19 fiscal year, offshore funds will be mobilised towards roads, water, agriculture and Information Technology and Communication (ICT) projects.
- 5.2 External debt stock stood at \$1.45 billion as at the third quarter, a marginal increase by 0.1 per cent over the quarter, however, increasing by 3.0 per cent when compared to the same period last year.
- 5.3 The growth in external portfolio is mainly attributed to the disbursement of new commitments from multilateral funded projects.

Creditor Category Composition

- 5.4 In the lender category, multilateral lenders now dominate the external portfolio at 37.3 per cent with bilateral lenders tracked closely at 33.0 per cent and global bonds holding 29.7 per cent. The recent increase in the multilateral lenders portfolio is a result of disbursement of new commitments while on the other hand repayment of loans to EXIM China has resulted in the decline in bilateral lenders.
- 5.5 The multilateral lender category is expected to increase further in the medium term as disbursements of new commitments continue to facilitate capital infrastructure development.
- 5.6 At the end of the third quarter a cumulative total of \$6.5 million was disbursed to facilitate works done under the Transport Infrastructure and the Urban Water Supply and Sanitation, Agriculture and Connectivity projects.

Table 3

COMPOSITION BY CREDITOR	Apr-18	Jul-18	Oct-18	Jan-19	Apr-19	%age of Portfolio
Asian Development Bank	345.90	383.60	385.43	378.04	380.35	26.3%
International Bank for Reconstruction and Development	116.33	150.64	157.01	154.22	157.89	10.9%
International Fund for Agricultural Development	2.25	2.21	2.20	2.28	2.26	0.2%
Exim Bank of China	517.48	489.29	471.84	479.95	468.68	32.4%
Japan International Cooperation Agency	11.49	11.48	10.40	10.58	9.34	0.6%
3rd Global Bond	413.05	420.26	430.29	421.94	429.65	29.7%
TOTAL	1406.51	1457.48	1457.17	1447.00	1448.17	100.0%

Source: Ministry of Economy

Currency Composition

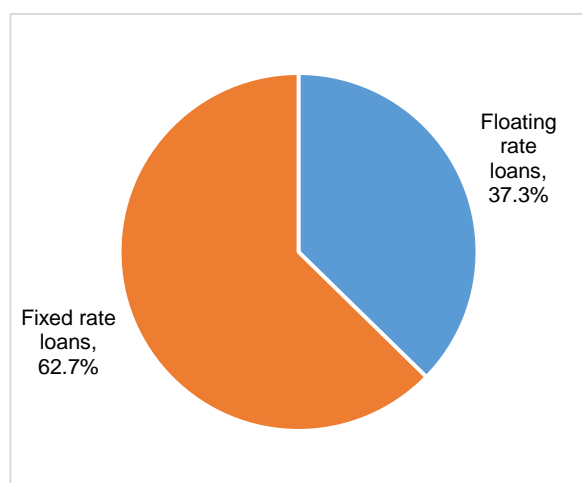
- 5.7 The USD denominated loans has been dominating the external debt portfolio. As at 30 April 2019, USD denominated loans stood at 66.8 per cent, followed by the CNY at 32.4 per cent while the JPY and the Euro constitute 0.7 per cent and 0.2 per cent respectively.
- 5.8 In the USD portfolio, the global bond holds the highest proportion at 44.4 per cent followed by ADB and IBRD at 39.3 per cent and 16.3 per cent respectively.

Table 4

COMPOSITION BY CURRENCY	Apr-18	Jul-18	Oct-18	Jan-19	Apr-19	%age of Portfolio
USD	875.28	954.50	972.73	954.20	967.89	66.84%
CNY	517.48	489.29	471.84	479.95	468.68	32.36%
JPY	11.49	11.48	10.40	10.58	9.34	0.65%
EURO	2.25	2.21	2.20	2.28	2.26	0.16%
TOTAL	1406.51	1457.48	1457.17	1447.00	1448.17	100.00%

Source: Ministry of Economy

5.9 Interest Rate Structure



Source: Ministry of Economy

The interest rate structure for Government's external debt portfolio ranges from floating and fixed interest with 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 while variable interest rates were offered by the multilateral lenders.

6.0 CONTINGENT LIABILITY

- 6.1 Total Contingent liabilities are recorded at \$1,168.7 million and represents 9.69 percent of GDP. This is a reduction by 4.7 per cent or \$30.9 million as compared to the last quarter reporting in January 2019. The reduction was due to guaranteed bonds being redeemed earlier this year for Energy Fiji Limited.
- 6.2 Government Guaranteed loans stood at \$628.89 million and represents 5.21 per cent of GDP. As compared to the corresponding period last year, the guaranteed loans have increased by \$97.6 million or 18.3 per cent due to new guaranteed borrowings by the Fiji Development Bank (FDB) and Fiji Sugar Corporation during the quarter. Additionally, the two entities were the only entities that utilized their guaranteed balances during the period, withdrawing a combined total of \$25.96 million.
- 6.3 The Ministry will continue with its stringent monitoring of activities of guaranteed entities in line with the current fiscal risk framework. The focus will be on qualitative and quantitative indicators. This will also ensure that medium to high risk entities are closely monitored and further discussion on other necessary action should the need arise.

Table 5: Government Guaranteed Debt Portfolio as at 30 April 2019

	Apr-18 \$m	Jul-18 \$m	Oct-18 \$m	Jan-19 \$m	Apr-19 \$m
Fiji Development Bank	195.7	200.0	211.2	259.8	272.1
Energy Fiji Limited	95.7	94.5	93.3	92.1	54.7
Fiji Harwood Corporation Limited	5.2	5.2	5.1	4.6	3.9
Fiji Pine Limited	2.0	1.8	-	-	-
Fiji Sugar Corporation	153.8	210.2	228.4	222.4	217.1
Housing Authority	63.7	59.7	67.0	68.0	68.0
Fiji Sports Council		-	-	-	-
Fiji Broadcasting Corporation	13.2	12.6	12.1	11.0	11.0
Pacific Fishing Company Limited	2.0	2.7	0.9	1.9	1.9
Total Government Guarantees (A) (Explicit)	531.3	586.7	618.1	659.8	628.9
% growth	2.6%	13.4%	5.3%	6.8%	-4.7%
As a share of GDP	4.8%	5.2%	5.1%	5.5%	5.2%

Source: Ministry of Economy

7.0 SUMMARY

- 7.1 During the nine months, demand for longer end maturity on Government securities continued to record increasing trend specifically from superannuation and insurance industry, while appetite for commercial banks are for shorter end term.
- 7.2 Government has utilised 88.3 per cent (\$557.2 million) of its domestic borrowing limit while the balance will be raised in the next three months. Similarly, for external loans, a total of \$71.2 million is still available for drawdown and this will be subject to project implementation.
- 7.3 Generally total Government debt recorded an upward movement and stands at \$5.50 billion, representing 45.6 per cent of GDP. Total Contingent liabilities, on the contrary, recorded \$1,168.7 million that comprises 9.7 per cent of GDP.
- 7.4 Government will continue to ensure that its debt position remains sustainable and within the medium term debt strategy.

File: 2/15
Ministry of Economy
July 2019

Appendix

Central Government Debt Statistics							
Particulars (\$000)	Apr-18	Jul-18	Oct-18	Jan-19	Apr-19	qtr-to-qtr %chge	yr-to-yr %chge
<u>Debt Stock</u>							
TOTAL GOVERNMENT DEBT (\$M)	4,962.0	5,220.5	5,267.5	5,326.3	5,498.8	3.2%	10.8%
DOMESTIC DEBT	3,555.4	3,763.0	3,810.3	3,879.3	4,050.6	4.4%	13.9%
BONDS:	3,480.4	3,575.5	3,640.8	3,737.8	3,952.6	5.7%	13.6%
FNPF	2,162.6	2,265.6	2,308.8	2,398.1	2,624.1	9.4%	21.3%
FNPF Retirement Income Fund	297.8	297.8	305.5	309.5	309.5	0.0%	4.0%
FNPF Special Death Benefit Fund	41.4	41.4	48.4	48.4	48.4	0.0%	16.9%
Insurance companies	635.9	650.3	665.2	680.8	683.7	0.4%	7.5%
Commercial Banks	134.2	110.2	110.1	110.1	110.1	0.0%	-17.9%
RBF	75.7	75.7	75.5	72.3	61.2	-15.4%	-19.2%
Trust Fund	29.9	28.4	27.2	24.1	23.7	-1.7%	-20.5%
Unit Trust of Fiji	24.7	25.7	29.5	26.0	26.0	0.0%	5.4%
Merchant Finance	9.3	9.6	8.6	5.6	5.6	0.0%	-40.0%
Credit Corporation	1.4	1.4	0.9	0.9	0.8	-11.1%	-42.9%
Others	67.7	69.4	61.1	62.0	59.5	-4.0%	-12.1%
T-BILLS	75.0	187.5	169.5	141.5	98.0	-30.7%	30.7%
Commercial Banks	68.2	179.0	163.2	139.2	48.0	-65.5%	-29.7%
FNPF	4.5	4.5	0.0	0.0	0.0	-	-100.0%
RBF	0.0	0.0	0.0	0.0	50.0	-	-
Others	2.2	4.0	6.3	2.3	0.0	-99.4%	-99.3%
EXTERNAL DEBT	1,406.5	1,457.5	1,457.2	1,447.0	1,448.2	0.08%	3.0%
BONDS (Global Bond)	413.1	420.3	430.3	421.9	429.6	1.8%	4.0%
LOANS	993.5	1,037.2	1,026.9	1,025.1	1,018.5	-0.6%	2.5%
ADB	345.9	383.6	385.4	378.0	380.3	0.6%	10.0%
EXIM China	517.5	489.3	471.8	480.0	468.7	-2.3%	-9.4%
JICA	11.5	11.5	10.4	10.6	9.3	-11.7%	-18.7%
IBRD	116.3	150.6	157.0	154.2	157.9	2.4%	35.7%
IFAD	2.3	2.2	2.2	2.3	2.3	-0.9%	0.2%

Source: Ministry of Economy

Debt Servicing							
DEBT SERVICING (Cumulative)	Apr/18	Jul/18	Oct/18	Jan/19	Apr/19	qtr-to-qtr %chge	yr-to-yr %chge
TOTAL	332.0	496.0	177.2	324.1	473.4	46%	42.6%
Domestic Bonds & Loans	260.6	404.1	128.1	270.3	369.5	37%	41.8%
<i>Principal</i>	89.3	160.7	73.5	138.3	179.8	30.1%	101.4%
<i>Interest</i>	171.3	243.4	54.7	132.0	189.7	43.7%	10.7%
External Loans	71.3	91.8	49.1	53.8	103.9	92.9%	45.6%
<i>Principal</i>	26.7	44.8	26.8	27.0	54.5	101.8%	104.3%
<i>Interest</i>	44.6	47.0	22.3	26.8	49.3	84.0%	10.5%
BORROWING (Cumulative)	461.3	875.0	216.0	493.9	868.2	75.8%	88.2%
FIB Bonds/Viti Bonds/Fiji Green Bonds/T-Bills	450.3	800.8	213.3	491.1	861.7	75.5%	91.4%
External loans	11.0	74.2	2.7	2.8	6.5	128.0%	-41.2%

Source: Ministry of Economy

Debt Ratios							
	Apr-18	Jul-18	Oct-18	Oct-18	Apr-19	qtr-to-qtr %chge	yr-to-yr %chge
% of Domestic Debt to Total Debt	71.7%	72.1%	72.3%	72.8%	73.7%	1.1%	2.8%
% of External Debt to Total Debt	28.3%	27.9%	27.7%	27.2%	26.3%	-3.1%	-7.1%
% Domestic Debt to GDP	31.3%	33.1%	33.5%	32.2%	33.6%	4.4%	7.3%
% External Debt to GDP	12.4%	12.8%	12.8%	12.0%	12.0%	0.1%	-3.0%
Total Government Debt to GDP	43.7%	45.9%	46.4%	44.2%	45.6%	3.2%	4.4%

Source: Ministry of Economy

Total Government Contingent Liability summary as at 30 April 2019

	Jan-18	Jul-18	Oct-18	Jan-19	Apr-19
	\$m	\$m	\$m	\$m	\$m
Fiji Development Bank	191.6	200.0	211.2	259.8	272.1
Energy Fiji Limited	96.9	94.5	93.3	92.1	54.7
Fiji Harwood Corporation Limited	5.1	5.2	5.1	4.6	3.9
Fiji Pine Limited	2.2	1.8	-	-	-
Fiji Sugar Corporation	142.9	210.2	228.4	222.4	217.1
Housing Authority	63.7	59.7	67.0	68.0	68.0
Fiji Sports Council	-	-	-	-	-
Fiji Broadcasting Corporation	13.7	12.6	12.1	11.6	11.0
Pacific Fishing Company Limited	1.6	2.7	0.9	0.9	1.9
Total Government Guarantees (A) (Explicit)	517.6	586.7	618.1	659.4	628.9
% growth	-1.5%	13.4%	5.3%	6.7%	-4.6%
As a share of GDP	4.7%	5.2%	5.1%	5.5%	5.2%
International Bank for Reconstruction & Development (IBRD)	229.3	303.0	310.3	304.2	309.8
Asian Development Bank (ADB)	193.4	202.2	207.0	203.0	206.7
Total Other Explicit Contingent Liabilities (B)	422.7	505.2	517.3	507.2	516.5
National Bank of Fiji	2.4	2.4	0.7	0.7	0.7
Provincial Council	1.6	1.4	1.3	1.2	1.3
Municipal Council	24.8	23.8	22.9	22.0	21.3
Total Other Implicit Contingent Liabilities (C)	28.8	27.6	24.9	23.9	23.4
Total Other Contingent Liabilities (B+C)	451.5	532.9	542.2	531.1	539.9
Total Contingent Liabilities (A+B+C)	969.0	1,119.6	1,160.2	1,190.5	1,168.8
% growth	-2.6%	9.8%	3.6%	2.6%	-1.8%
Total Contingent Liabilities to GDP (%)	8.82%	9.85%	9.62%	9.87%	9.69%

Source: Ministry of Economy