



## Ministry of Economy

### Quarterly Debt Bulletin – January 2022

#### 1.0 CENTRAL GOVERNMENT DEBT

Government debt stock was recorded at \$8.2 billion or 79.6 percent<sup>1</sup> of Gross Domestic Product ('GDP') at the end of January 2022. This represents a 2.5 percent increase from the previous quarter and a 19.3 percent increase when compared to the same period last year.

During the quarter, Government received general budget support financing from the Government of Australia in the form of grant amounting to AUD 85.0 million (\$128.8 million). This was made possible through the implementation of reforms under the Asian Development Bank ('ADB'), Fiji Sustainable and Resilient Recovery Program which was supported by the Australian Government to bolster Fiji's fiscal position and economic recovery.

Government has finalised discussions with the Japan International Cooperation Agency ('JICA') in relation to Phase 2 of the COVID-19 Crisis Response Emergency Support Loan which amounts to Japanese Yen ('JPY') 10.0 billion, equivalent to \$187.8 million. This was received in March 2022.

Furthermore, the Fijian Government accessed a total of \$181.2 million in borrowings (\$35.4 million in external loans and \$145.8 million in

domestic bonds) during the quarter while total debt servicing amounted to \$198.2 million (\$101.7 million in principal repayments and \$96.5 million in interest payments).

#### 1.1 DOMESTIC DEBT

Total domestic debt stock stood at \$5.6 billion or 54.7 percent of GDP at the end of January 2022, increasing by 0.9 percent from the last quarter and 10.7 percent when compared to the same period last year. Domestic debt comprises \$5.4 billion in Government bonds and \$273.5 million in Treasury bills ('T-bills').

Fiji Infrastructure Bonds ('FIB') issuances were consistent with the amounts floated during the quarter while T-bills were oversubscribed as a result of the increased appetite for short term investment from commercial banks. A total of \$144.0 million in FIB and \$94.5 million in T-bills was issued during the quarter.

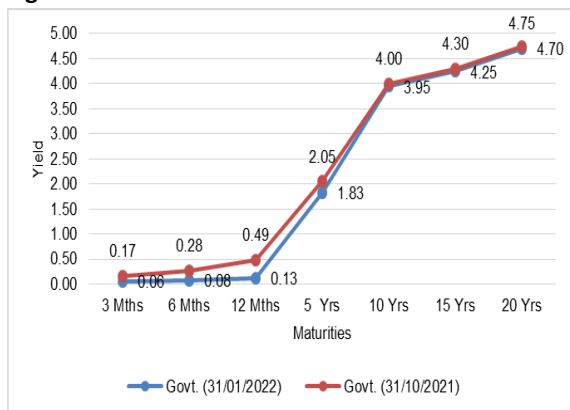
Liquidity<sup>2</sup> in the banking system remained over \$2.1 billion which has kept domestic borrowing rates low. Yields on Government securities recorded further declines with the 3-month to 12-month T-bills dropping below the RBF overnight policy rate as at 31 January 2022<sup>3</sup>.

<sup>1</sup> The Debt to GDP has recorded an increase from 77.7% in the previous quarter to 79.6%.

<sup>2</sup> As at 31 January 2022, liquidity in the banking system was recorded at an all-time high standing at \$2,091.9 million. (RBF Economic Review, January 2022, Vol.39)

<sup>3</sup> As at 31 January 2022, the RBF overnight policy rate remained at 0.25%.

**Figure 1: Government Yield Curve**



Source: Ministry of Economy and RBF

Short term yields for the 3-month, 6-month and 12-month T-bills have declined by 11, 20 and 36 basis points, respectively. Similarly, a 5 basis points decline was recorded for all long term bonds (that is; 10-year, 15-year and 20-year). (Refer to Figure 1)

Total domestic borrowings for the quarter ending January 2022 amounted to \$145.8 million (\$144.0 million from FIB and \$1.8 million from Viti Bonds) while domestic debt servicing amounted to \$189.1 million (\$95.4 million in principal repayments and \$93.7 million in interest payments).

**1.2 EXTERNAL DEBT**

External debt stock stood at \$2.6 billion or 24.9 percent of GDP, increasing by 6.2 percent from the previous quarter as a result of the drawdowns in project loans. External debt has increased significantly (44.0 percent) when compared to the same period last year attributed to loans accessed for responses towards the COVID-19 pandemic and the impact of natural disasters.

Cumulative overseas borrowing for the fiscal year to date stands at \$69.0 million, of which

\$45.4 million was utilised for essential infrastructure and connectivity projects while \$23.6 million were channeled towards programs facilitating recovery from the COVID-19 pandemic.

In terms of currency composition, the USD continues its dominance in the external debt portfolio at 70.4 percent, followed by the Chinese Renminbi Yuan ('CNY') at 18.4 percent and 11.2 percent in the JPY currency.

Approximately 52.3 percent of the total external debt portfolio are subject to floating interest rates while 47.7 percent are under fixed interest rate terms representing both bilateral (JICA and EBOC loans) and multilateral loans (IDA Concessional loans).

On 1 January 2022, the existing Variable Spread Loans based on the London Inter-Bank Offered Rate ('LIBOR') have been replaced by the Secured Overnight Financing Rate ('SOFR'), however the existing Fixed Spread Loans will continue to use the 6-months USD LIBOR as a reference rate until 30 June 2023 and switch to SOFR from 1 July 2023<sup>4</sup>. The loans affected by this transition are held with multilateral development partners such as the World Bank Group, ADB and the Asian Infrastructure Investment Bank ('AIIB').

**2.0 COST AND RISK INDICATORS**

The results of the Medium Term Debt Management Strategy ('MTDS') target indicators are published on a quarterly basis. Table 1 shows the movements in the cost and risk indicators from quarter one to quarter two ending January 2022.

<sup>4</sup> SOFR is the new reference rate that Banks use to price USD denominated derivatives and loans. It is published by the New York

Federal Reserve and currently reflects 0.27 per cent as the prevailing rate.

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

<u>Cost and Risk Indicators</u>		<u>Oct-2021</u>	<u>MTDS Target FY2023</u>	<u>Jan-2022</u>
Nominal debt as percentage of GDP		77.7	83.0	79.6
Cost of Debt	Weighted Av. IR (percent)	4.7	4.7	4.6
Refinancing Risk	ATM (years)	10.6	9.9	10.8
	Debt maturing in 1 year (percent of total)	6.4	6.5	4.4
Interest rate risk	ATR (years)	9.3	8.0	9.5
	Debt re-fixing in 1 year (percent of total)	23.5	30.0	22.4
FX risk	FX debt (percent of total debt)	30.2	32.2	31.3

Source: Ministry of Economy

The results for the second quarter ending January 2022 are summarised below:

#### **i. Foreign Currency Risk Benchmark**

Foreign currency debt as a percentage of total debt increased to 31.3 percent from 30.2 percent recorded in the previous quarter. This is attributed to the weakened FJD currency against all its major currencies, JPY (1.13%), CNY (1.77%) and USD (1.61%) when compared to the last quarter. While this remains within the 30 percent (+/-5%) benchmark, the MTDS review will ensure that any significant changes in foreign exchange exposure is addressed.

#### **ii. Interest Rate Risk Benchmark**

The weighted average interest rate has declined by 10 basis points to 4.6 percent at the end of the quarter due to the drop in interest rates for both short term T-bills and long term bonds. The average time to re-fixing has improved to 9.5 years from 9.3 years at the end of the previous quarter which indicates a slight increase in

average time for Government to re-fix interest rates when debt matures.

#### **iii. Re-financing Risk Benchmark**

The re-financing risk indicator of the total Government debt portfolio remains favorable, with Average Term to Maturity ('ATM') slightly increasing to 10.8 years from 10.6 years in the last quarter and further improving by about a year against the MTDS target. This is attributed to the increased issuance of long term bonds during the quarter.

### **3.0 GOVERNMENT GUARANTEES**

Government guaranteed debt stood at \$1.1 billion, equivalent to 10.9 percent of GDP at the end of January 2022. This represents a 4.7 percent increase over the quarter and an increase of 27.2 percent when compared to the same period last year solely attributed to the utilization of approved guaranteed facilities by Fiji Airways, Fiji Development Bank and the Fiji Sugar Corporation Ltd.

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

#### **Debt Management Unit April 2022.**

## Appendix

<b>CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS)</b>					
<b>Particulars (Quarterly basis)</b>	<b>Jan-21</b>	<b>Apr-21</b>	<b>Jul-21</b>	<b>Oct-21</b>	<b>Jan-22</b>
<b>DEBT STOCK</b>					
<b>TOTAL GOVERNMENT DEBT TO GDP</b>	<b>70.9%</b>	<b>74.5%</b>	<b>79.0%</b>	<b>77.7%</b>	<b>79.6%</b>
<b>TOTAL GOVERNMENT DEBT (\$M)</b>	<b>6,876.0</b>	<b>7,225.3</b>	<b>7,663.7</b>	<b>8,003.8</b>	<b>8,203.8</b>
<b>DOMESTIC DEBT</b>	<b>5,095.7</b>	<b>5,218.4</b>	<b>5,241.2</b>	<b>5,589.0</b>	<b>5,639.4</b>
<b>BONDS:</b>	<b>4,823.0</b>	<b>4,909.4</b>	<b>4,967.7</b>	<b>5,315.5</b>	<b>5,365.9</b>
FNPF	3,095.0	3,149.0	3,146.1	3,216.1	3,149.9
FNPF Retirement Income Fund	326.4	328.4	313.4	330.4	330.4
FNPF Special Death Benefit Fund	58.4	58.4	58.4	63.4	63.4
Insurance companies	746.7	757.2	766.1	781.2	791.1
Commercial Banks	118.7	133.7	203.7	223.6	222.2
RBF	360.4	361.0	360.8	575.9	684.6
Trust Fund	23.7	23.6	21.4	24.2	22.4
Unit Trust of Fiji	22.6	22.6	22.6	22.5	18.5
Merchant Finance	5.1	5.1	5.1	5.1	5.1
Kontiki Finance Limited	18.7	23.7	25.2	25.4	25.4
Others	47.2	46.6	44.9	47.7	52.9
<b>T-BILLS</b>	<b>259.7</b>	<b>302.5</b>	<b>273.5</b>	<b>273.5</b>	<b>273.5</b>
RBF	0.0	0.0	0.0	0.0	0.0
Commercial Banks	259.5	302.3	273.5	273.5	273.5
FNPF	0.0	0.0	0.0	0.0	0.0
Others	0.2	0.2	0.0	0.0	0.0
<b>LOANS</b>					
FNPF	13.0	6.5	0.0	0.0	0.0
<b>% of Domestic Debt to Total Debt</b>	<b>74.1%</b>	<b>72.2%</b>	<b>68.4%</b>	<b>69.8%</b>	<b>68.7%</b>
<b>% Domestic Debt to GDP</b>	<b>52.6%</b>	<b>53.8%</b>	<b>54.1%</b>	<b>54.3%</b>	<b>54.7%</b>
<b>EXTERNAL DEBT</b>	<b>1,780.3</b>	<b>2,006.8</b>	<b>2,422.5</b>	<b>2,414.7</b>	<b>2,564.4</b>
<b>LOANS</b>	<b>1,780.3</b>	<b>2,006.8</b>	<b>2,422.5</b>	<b>2,414.7</b>	<b>2,564.4</b>
Asian Development Bank ('ADB')	909.1	899.3	932.4	921.0	982.9
Asian Infrastructure Investment Bank ('AIIB')	102.1	101.8	104.2	103.2	108.2
Exim Bank of China ('EBOC')	432.0	433.4	444.9	445.0	473.2
Japan International Cooperation Agency ('JICA')	48.0	284.9	290.3	276.9	286.2
World Bank - International Bank for Reconstruction & Development ('IBRD')	169.0	169.1	227.6	227.8	250.5
World Bank - International Development Association ('IDA')	118.0	117.7	422.5	440.8	463.3
International Fund for Agricultural Development ('IFAD')	2.0	0.7	0.7	0.0	0.0
<i>Note: USD loans- ADB, AIIB, World Bank (IBRD/IDA), CNY loans – EBOC; JPY loans –JICA, IFAD loan - EURO</i>					
<b>% of External Debt to Total Debt</b>	<b>25.9%</b>	<b>27.8%</b>	<b>31.6%</b>	<b>30.2%</b>	<b>31.3%</b>
<b>% External Debt to GDP</b>	<b>18.4%</b>	<b>20.7%</b>	<b>25.0%</b>	<b>23.4%</b>	<b>24.9%</b>

<b>DEBT SERVICING AND BORROWING</b>					
<b>TOTAL DEBT SERVICING</b>	<b>123.9</b>	<b>121.8</b>	<b>235.4</b>	<b>155.9</b>	<b>198.2</b>
<b>Domestic Bonds &amp; Loans</b>	<b>118.3</b>	<b>108.6</b>	<b>230.5</b>	<b>141.0</b>	<b>189.1</b>
<i>Principal</i>	25.6	26.1	131.9	60.4	95.4
<i>Interest</i>	92.7	82.5	98.6	80.7	93.7
<b>External Loans</b>	<b>5.7</b>	<b>13.2</b>	<b>4.9</b>	<b>14.9</b>	<b>9.2</b>
<i>Principal</i>	1.5	10.0	1.8	11.6	6.3
<i>Interest</i>	4.1	3.2	3.1	3.3	2.8
<b>TOTAL BORROWING</b>	<b>154.1</b>	<b>350.6</b>	<b>546.7</b>	<b>441.8</b>	<b>181.2</b>
FIB Bonds/Viti Bonds	150.0	106.0	183.7	408.2	145.8
External loans (Includes Cap. Interest)	4.1	244.6	363.0	33.6	35.4
<b>YIELDS ON GOVERNMENT SECURITIES (%)</b>					
3 months	1.21	0.98	0.54	0.17	0.06
6 months	1.64	1.13	0.74	0.28	0.08
12 months	2.25	1.67	1.17	0.49	0.13
10 year	4.50	4.50	4.44	4.00	3.95
15 year	4.80	4.80	4.64	4.30	4.25
20 year	5.25	5.25	4.99	4.75	4.70
<b>GOVERNMENT GUARANTEES (\$ MILLIONS)</b>					
<b>% of Government Guarantees to GDP</b>	<b>9.1%</b>	<b>10.6%</b>	<b>10.8%</b>	<b>10.4%</b>	<b>10.9%</b>
<b>Total Government Guarantees</b>	<b>884.3</b>	<b>1,032.2</b>	<b>1,051.0</b>	<b>1,074.0</b>	<b>1,124.5</b>
Air Pacific Limited trading as Fiji Airways	277.3	391.9	421.7	421.5	467.7
Fiji Development Bank	296.7	329.5	308.8	347.3	361.7
Fiji Harwood Corporation Limited	1.5	1.2	0.7	0.4	0.2
Fiji Sugar Corporation Limited	197.9	199.6	216.9	212.5	212.6
Housing Authority	102.2	102.2	102.2	91.7	81.7
Fiji Broadcasting Corporation	7.5	6.9	-	-	-
Pacific Fishing Company Limited	1.2	0.9	0.8	0.6	1.6

Risk Indicators		QUARTER 1 - FY2021-2022			QUARTER 2 - FY2021-2022		
		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Amount (in millions of FJD)		2,414.7	5,589.0	<b>8,003.7</b>	2,564.4	5,639.4	<b>8,203.8</b>
Nominal debt as percent of GDP		23.4	54.3	<b>77.7</b>	24.9	54.7	<b>79.6</b>
Cost of Debt	Weighted Av. IR (percent)	0.9	6.4	<b>4.7</b>	0.8	6.3	<b>4.6</b>
Refinancing risk	ATM (years)	11.3	10.3	<b>10.6</b>	11.2	10.7	<b>10.8</b>
	Debt maturing in 1 year (percent of total)	2.8	8.1	<b>6.4</b>	1.7	5.6	<b>4.4</b>
Interest rate risk	ATR (years)	7.0	10.3	<b>9.3</b>	7.0	10.7	<b>9.5</b>
	Debt re-fixing in 1 year (percent of total)	56.3	8.9	<b>23.5</b>	55.1	7.1	<b>22.4</b>
Foreign Exchange rate ('FX') risk	FX debt (percent of total debt)	<b>30.2</b>			<b>31.3</b>		

Source: Ministry of Economy and Reserve Bank of Fiji