



Ministry of Economy

Quarterly Debt Bulletin – January 2021

1.0 CENTRAL GOVERNMENT DEBT

Government debt stock stood at \$6.9 billion or 69.4 percent of GDP at the end of January 2021. This represents an increase of 18.6 percent on a year-on-year basis and 0.7 percent when compared to the previous quarter. Domestic debt accounted for \$5.1 billion (74.1 percent) and external debt at \$1.8 billion (25.9 percent).

Key highlights for the quarter include the publication of the Fijian Government's first Medium Term Debt Management Strategy ('MTDS')¹. The MTDS articulates Government's debt objectives and outlines the framework for formulation and implementation of a prudent borrowing program for fiscal years 2021 to 2023. This will be reviewed annually in light of changing economic and market conditions.

Additionally, the Government had secured a US\$50.0 million financing from the International Development Association ('IDA') for the Fiji Social Protection COVID-19 Response and System Development Project, which aims to mitigate the impact of the COVID-19 crisis on the income of the unemployed and underemployed and to increase efficiency and adaptability of the social protection system.

During the quarter, total debt servicing amounted to \$123.9 million, comprising \$27.1 million in principal repayments and \$96.8 million in interest payments.

1.1 DOMESTIC DEBT

At the end of January, the total domestic debt stood at approximately \$5.1 billion, equivalent to 51.4 percent of GDP. This is composed of \$4.8 billion in bonds and \$259.7 million in treasury bills.

The market appetite for longer-term bonds continued to decline through the second quarter owing largely to the on-going impact of the COVID-19 pandemic on the cash flows of key investors. On the other hand, T-bills were oversubscribed as a result of increased demand for shorter-term instruments by commercial banks. Financing via T-bills amounted to \$96.9 million while bonds totalled \$150.0 million during the quarter.

Market yields for Government securities have further dropped from the previous quarter due to the high level of liquidity in the market². The shorter end of the yield curve (3-month, 6-month and 12-month) fell by 29, 41 and 52 basis points respectively, while the longer end (10-year, 15-year, and 20-year) reduced by 10, 15 and 10 basis points, respectively.

Domestic debt servicing amounted to \$118.3 million during the quarter, composed of \$25.6 million in principal repayments and \$92.7 million in interest payments.

1.2 EXTERNAL DEBT

¹ This is available on the Ministry of Economy website at www.economy.gov.fj

² Total banks' demand deposits as of January 2021, hover at \$884.3 million. Source: RBF Economic Review for the month ending January 2021, Vol. 38.

External debt at the end of the month stood at approximately \$1.8 billion, equivalent to 18.0 percent of GDP.

During the quarter, financing via external sources totalled \$4.1 million, attributed to capital projects funded by the Asian Development Bank (\$3.4 million)³ and the World Bank (\$0.7 million)⁴

In terms of external debt composition by currency, the United States dollar ('USD') continues to dominate the portfolio with 72.9 percent, trailed by the Chinese Renminbi Yuan ('CNY') at 24.3 percent and the remaining by the Japanese Yen ('JPY') and Euros ('EURO') at 2.7 percent and 0.1 percent respectively.

External debt servicing amounted to \$5.7 million, composing of \$1.5 million loan repayments and \$4.1 million in interest payments.

2.0 COST AND RISK INDICATORS

The **weighted average cost** of the total debt portfolio has remained at 5.2 percent from the previous quarter.

Foreign Currency Risk - As of January 2021, Government's exposure to foreign exchange rate fluctuations has declined to 25.9 percent from 27.1 percent recorded in the previous quarter.

Interest Rate Risk – The percentage of fixed-rate debt currently stands at 81.5 percent, increasing from 80.5 percent in the previous quarter. Additionally, the average time to re-fixing ('ATR') interest rates has also increased to

8 years from 7.7 years, thus minimizing interest rate risks for Government.

Re-financing Risk - The Average Time to Maturity ('ATM') has slightly increased to 9.6 years as compared 9.4 years in the last quarter, mainly attributed to increased financing from longer-term domestic bonds and external loans.

3.0 GOVERNMENT GUARANTEES

As of 31 January 2021, Government guaranteed debt stood at \$884.3 million, equivalent to 8.9 percent of GDP. This represents a 0.5 percent decrease over the quarter and an increase of 28.0 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 due to the newly approved guarantee facility for Fiji Airways.

The Ministry 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

March 2021

³ADB Transport Infrastructure Investment Project and Urban Water Supply Wastewater Management Project.

⁴ World Bank Transport Infrastructure Investment Project

Appendix

<u>CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS)</u>					
Particulars (<i>Quarterly basis</i>)	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21
<u>DEBT STOCK</u>					
TOTAL GOVERNMENT DEBT TO GDP	56.8%	62.3%	65.5%	68.9%	69.4%
TOTAL GOVERNMENT DEBT (\$M)	5,798.4	6,361.0	6,686.0	6,828.4	6,876.0
DOMESTIC DEBT	4,330.3	4,612.6	4,976.5	4,981.3	5,095.7
BONDS:	4,055.3	4,343.9	4,681.0	4,692.2	4,823.0
FNPF	2,710.6	2,849.1	3,004.6	3,005.5	3,095.0
FNPF Retirement Income Fund	318.4	321.4	321.4	321.4	326.4
FNPF Special Death Benefit Fund	53.4	53.4	53.4	53.4	58.4
Insurance companies	716.1	720.4	727.9	735.4	746.7
Commercial Banks	89.7	80.4	98.7	98.7	118.7
RBF	60.1	210.2	360.1	360.3	360.4
Trust Fund	22.1	21.5	20.8	23.7	23.7
Unit Trust of Fiji	19.5	20.3	22.7	18.6	22.6
Merchant Finance	5.6	5.1	5.1	5.1	5.1
Credit Corporation	0.8	-	-	-	-
Kontiki Finance Limited	-	17.0	18.7	18.7	18.7
Others	59.1	45.1	47.5	51.3	47.2
T-BILLS	275.0	268.7	269.7	269.7	259.7
RBF	48.5	42.0	-	-	-
Commercial Banks	212.5	214.7	269.5	269.4	259.5
FNPF	10.0	10.0	-	-	-
Others	4.0	2.0	0.2	0.3	0.2
LOANS					
FNPF	-	-	25.8	19.4	13.0
% of Domestic Debt to Total Debt	74.7%	72.5%	74.4%	72.9%	74.1%
% Domestic Debt to GDP	42.4%	45.2%	48.7%	50.3%	51.4%
EXTERNAL DEBT	1,468.1	1,748.4	1,709.5	1,847.1	1,780.3
BONDS (Global Bond)	438.0	446.6	424.3	-	-
LOANS	1,030.0	1,301.8	1,285.3	1,847.1	1,780.3
Asian Development Bank ('ADB')	406.8	552.2	525.4	951.6	909.1
Asian Infrastructure Investment Bank ('AIIB')	-	-	-	107.1	102.1
Exim Bank of China ('EBOC')	445.2	426.4	409.0	435.4	432.0
Japan International Cooperation Agency ('JICA')	8.5	7.6	50.9	50.2	48.0
World Bank - International Bank for Reconstruction & Development ('IBRD')	166.9	184.1	175.2	176.9	169.0
World Bank - International Development Association ('IDA')	-	128.9	122.5	123.6	118.0
International Fund for Agricultural Development ('IFAD')	2.5	2.6	2.3	2.3	2.0
<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	25.3%	27.5%	25.6%	27.1%	25.9%
% of External Debt to GDP	14.4%	17.1%	16.7%	18.6%	18.0%

DEBT SERVICING							
		Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	
TOTAL		135.1	156.7	151.1	571.2	123.9	
Domestic Bonds & Loans		130.1	104.6	144.2	116.1	118.3	
<i>Principal</i>		48.0	35.9	57.2	39.0	25.6	
<i>Interest</i>		82.1	68.7	86.9	77.1	92.7	
External Loans		5.0	52.1	6.9	455.1	5.7	
<i>Principal</i>		0.2	29.2	1.6	438.8	1.5	
<i>Interest</i>		4.7	22.9	5.3	16.3	4.1	
BORROWINGS							
TOTAL		91.0	612.9	438.2	576.1	154.1	
FIB Bonds/Viti Bonds/COVID		82.9	324.5	391.1	43.8	150.0	
External loans (Includes Cap. Interest)		8.1	288.4	47.2	532.3	4.1	
YIELDS ON GOVERNMENT SECURITIES (%)							
3 months		2.25	2.00	1.75	1.50	1.21	
6 months		2.98	2.75	2.28	2.05	1.64	
12 months		3.55	3.40	2.93	2.77	2.25	
10 year		6.00	5.75	5.44	4.60	4.50	
15 year		6.50	6.25	5.85	4.95	4.80	
20 year		7.00	6.75	6.35	5.35	5.25	
GOVERNMENT GUARANTEES (\$ MILLIONS)							
ENTITIES		Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	
% of Government Guarantees to GDP		6.8% (R)	6.6%	9.2%	9.0%	8.93%	
Total Government Guarantees		691.0 (R)	674.1	939.0	888.6	884.3	
Fiji Airways		-	-	279.0	278.0	277.3	
Fiji Development Bank		290.9 (R)	302.0 (R)	307.8	305.6	296.7	
Energy Fiji Limited		52.1	51.1	50.2	8.0	-	
Fiji Harwood Corporation Limited		2.0	1.7	1.7	1.6	1.5	
Fiji Sugar Corporation		243.8	218.5	199.2	197.4	197.9	
Housing Authority		90.2	90.2	90.2	87.2	102.2	
Fiji Broadcasting Corporation		9.4	8.8	8.3	8.0	7.5	
Pacific Fishing Company Limited		2.7	1.8	2.5	2.8	1.2	
Risk Indicators		QUARTER 1 - FY2020-2021			QUARTER 2 - FY2020-2021		
		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Amount (in millions of FJD)		1,847.1	4,981.3	6,828.4	1,780.3	5,095.7	6,876.0
Nominal debt as percent of GDP		18.6	50.3	68.9	18.0	51.4	69.4
Cost of Debt	Weighted Av. IR (percent)	0.9	6.7	5.2	0.8	6.8	5.2
Refinancing risk	ATM (years)	9.2	9.4	9.4	9.2	9.7	9.6
	Debt maturing in 1 year (percent of total)	1.7	9.1	7.1	1.7	8.2	6.5
Interest rate risk	ATR (years)	3.2	9.4	7.7	3.2	9.7	8.0
	Debt re-fixing in 1 year (percent of total)	71.9	9.1	26.4	71.2	8.2	24.8
	Fixed rate debt incl. T-Bills (percent of total)	29.2	100.0	80.5	29.8	100.0	81.5
Foreign Exchange rate ('FX') risk	FX debt (percent of total debt)	27.1			25.9		

Source: Ministry of Economy and Reserve Bank of Fiji