



Ministry of Economy

Quarterly Debt Bulletin – April 2022

1.0 CENTRAL GOVERNMENT DEBT

Government debt stock stood at \$8.6 billion or 83.5 percent¹ of Gross Domestic Product ('GDP') at the end of April 2022. This represents a 4.8 percent increase from the previous quarter and a 19.0 percent increase when compared to the same period last year.

During the quarter, Government successfully accessed Phase 2 of the COVID-19 Crisis Response Emergency Support loan from the Japan International Cooperation Agency ('JICA') which amounts to JPY 10 billion (\$176.8 million). It aimed at supporting the implementation of economic, fiscal and health countermeasures to improve public financial management, policy-making function and business/investment climate and to strengthen the health system by providing financial support in Fiji. The loan co-financed the Asian Development Bank ('ADB') Sustainable and Resilient Recovery Program.

The Fijian Government also drew down the first tranche of reimbursement for the Fiji Water and Wastewater project from the European Investment Bank ('EIB') in the sum of USD 8.4 million (\$17.9 million). EIB is a co-financier of the Urban Water Supply and Wastewater Management Program alongside the ADB and the Green Climate Fund.

Government is in advanced discussions for the completion of policy reforms with the World

Bank group ('WB') for the Fiji Recovery and Resilience Second Development Policy Operations loan which amounts to USD 100.0 million. Similarly, Government is also in the final stages of discussion with the ADB in relation to the Sustainable and Resilient Recovery Program loan amounting to USD 150.0 million and these funds are anticipated to be received in June and July respectively of this financial year.

Furthermore, the Fijian Government accessed a total of \$352.1 million in borrowings (\$220.3 million in external loans and \$131.8 million in domestic bonds) while total debt servicing amounted to \$182.0 million (\$85.6 million in principal repayments and \$96.5 million in interest payments) during the quarter.

1.1 DOMESTIC DEBT

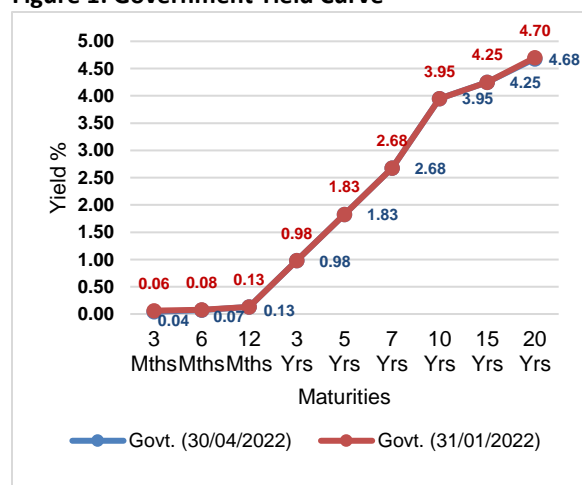
Total domestic debt stock stood at \$5.9 billion equivalent to 57.3 percent of GDP at the end of April 2022, increasing by 4.6 percent from the last quarter and 13.1 percent when compared to the same period last year. Domestic debt comprises \$5.4 billion in Government bonds and \$452.5 million in Treasury bills ('T-bills').

Fiji Infrastructure Bonds ('FIB') issuances and T-bills were mainly oversubscribed during the quarter as a result of the increased appetite for both long and short-term investments.

¹ The Debt to GDP has recorded an increase from 79.6% in the previous quarter to 83.5%.

Liquidity² in the banking system remained high at over \$2.1 billion which has kept domestic borrowing rates low with yields on T-Bills remaining below the RBF overnight policy rate as at end of April 2022³.

Figure 1: Government Yield Curve



Source: Ministry of Economy and RBF

Short-term yields for the 3-month and 6-month T-bills declined by 2 basis points and 1 basis point respectively while the 12-month T-bills remained constant when compared to the previous quarter. Similarly, long-term yields for the 10-year and 15-year bond remained constant except for the 20-year bond which declined by 2 basis points. (Refer to Figure 1)

Total domestic borrowings for the quarter ending April 2022 amounted to \$131.8 million (\$129.5 million from FIB and \$2.3 million from Viti Bonds) while domestic debt servicing amounted to \$137.3 million (\$49.1 million in principal repayments and \$88.2 million in interest payments).

1.2 EXTERNAL DEBT

External debt stock stood at \$2.7 billion equivalent to 26.2 percent of GDP, increasing by 5.2 percent from the previous quarter as a result

of the drawdowns from the JICA COVID-19 Crisis Response Emergency Support Phase 2 loan, the EIB first tranche withdrawal and the drawdowns from the project loans. External debt has increased significantly by 34.5 percent when compared to the same period last year attributed to loans accessed for responses to the COVID-19 pandemic and the impact of natural disasters.

In terms of the creditor category, the multilateral lender category holds the majority of the external debt portfolio at 68.4 percent while the remaining 31.6 percent is comprised of bilateral lenders. The multilateral lender component increased by 2.3 percent over the quarter attributed to capital project financing.

Approximately 52.8 percent of the total external debt portfolio is subject to floating interest rates while 47.2 percent are under fixed interest rate terms representing both bilateral (JICA and EBOC loans) and multilateral loans (EIB and IDA Concessional loans).

2.0 COST AND RISK INDICATORS

The results of the Medium Term Debt Management Strategy ('MTDS') target indicators are summarized in Table 1 below including a comparison of cost and risk indicators between quarter two and quarter three of 2021-2022 financial year.

Table 1: 2023 MTDS Target Indicators vs Results

Cost and Risk Indicators		Jan-2022	MTDS Target FY2023	Apr-2022
Nominal debt as percentage of GDP		79.6	83.0	83.5
Cost of Debt	Weighted Av. IR (percent)	4.6	4.7	4.2
	ATM (years)	10.8	9.9	10.9

² As at 29 April 2022, liquidity in the banking system was recorded at an all-time high standing at \$2,077.1 million. ([RBF April Economic Review: at a glance](#))

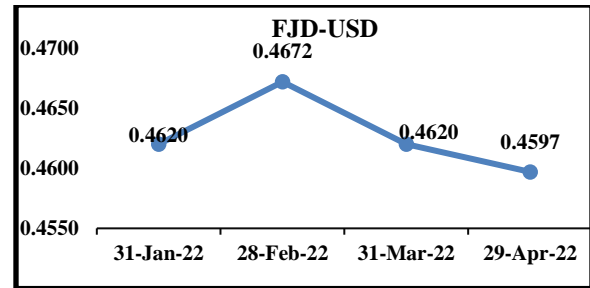
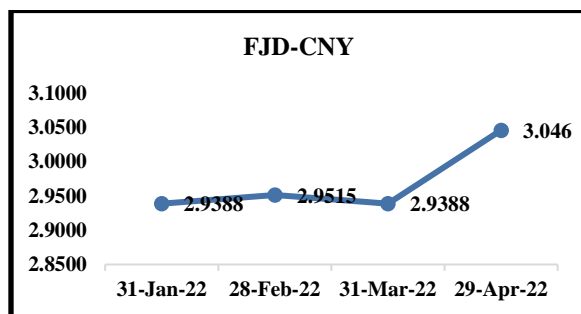
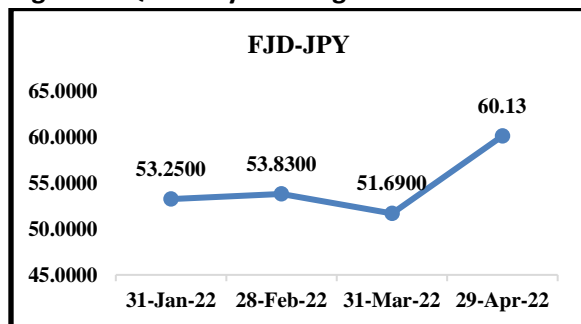
³ As at 29 April 2022, the RBF overnight policy rate remained at 0.25%.

<u>Cost and Risk Indicators</u>		<u>Jan-2022</u>	<u>MTDS Target FY2023</u>	<u>Apr-2022</u>
Refinancing Risk	Debt maturing in 1 year (percent of total)	4.4	6.5	3.3
Interest rate risk	ATR (years)	9.5	8.0	9.5
	Debt re-fixing in 1 year (percent of total)	22.4	30.0	23.1
FX risk	FX debt (percent of total debt)	31.3	32.2	31.4

Source: Ministry of Economy

Foreign Currency Risk Benchmark - Foreign currency debt as a percentage of total debt increased to 31.4 percent from 31.3 percent recorded in the previous quarter which is within the 30 percent (+/-5%) benchmark. The slight increase is attributed to the strengthened FJD currency against JPY and CNY however weakened against the USD when compared to the last quarter as depicted in Figure 2.

Figure 2: Quarterly Exchange Rate Movements



Source: Ministry of Economy

Interest Rate Risk Benchmark - The weighted average interest rate has declined to 4.2 percent at the end of the quarter as Government continues to borrow at significantly low-interest rates with declines in interest rates for both short-term T-bills, long-term bonds and access to JICA loans with interest rates of 0.01%. The average time to re-fixing has remained at 9.5 years since the end of the previous quarter.

Re-financing Risk Benchmark - The re-financing risk indicator of the total Government debt portfolio remains favourable, with the Average Term to Maturity ('ATM') slightly increasing to 10.9 years from 10.8 years in the last quarter. This is attributed to the increased issuance of long-term bonds and external loans during the quarter.

3.0 GOVERNMENT GUARANTEES

At the end of April 2022, Government guaranteed debt stood at \$1.1 billion, equivalent to 10.6 percent of GDP. This represents a 2.5 percent decline over the quarter attributed to continuous debt servicing by entities. An increase of 28 percent was recorded when compared to the same period last year, owing largely to the utilisation of approved guaranteed facilities by Fiji Airways, Fiji Development Bank and the Fiji Sugar Corporation Ltd.

To ensure that fiscal risks are prudently managed, the Ministry will work with guaranteed entities and continue to monitor the

costs and risks associated with Government guarantees.

**Debt Management Unit
June 2022.**

Appendix

CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS)					
Particulars (<i>Quarterly basis</i>)	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22
DEBT STOCK					
TOTAL GOVERNMENT DEBT TO GDP	74.5%	79.0%	77.7%	79.6%	83.5%
TOTAL GOVERNMENT DEBT (\$M)	7,225.3	7,663.7	8,003.8	8,203.8	8,599.9
DOMESTIC DEBT	5,218.4	5,241.2	5,589.0	5,639.4	5,901.1
BONDS:	4,909.4	4,967.7	5,315.5	5,365.9	5,448.6
FNPF	3,149.1	3,146.1	3,216.1	3,149.9	3,195.3
FNPF Retirement Income Fund	328.4	313.4	330.4	330.4	338.4
FNPF Special Death Benefit Fund	58.4	58.4	63.4	63.4	66.4
Insurance companies	757.2	766.1	781.2	791.1	810.4
Commercial Banks	133.7	203.7	223.6	222.2	220.4
RBF	361.0	360.8	575.9	684.6	694.8
Trust Fund	23.6	21.4	24.2	22.4	21.2
Unit Trust of Fiji	22.6	22.6	22.5	18.5	22.5
Merchant Finance	5.1	5.1	5.1	5.1	5.1
Kontiki Finance Limited	23.7	25.2	25.4	25.4	25.4
Others	46.6	44.9	47.7	52.9	48.7
T-BILLS	302.5	273.5	273.5	273.5	452.5
RBF	0.0	0.0	0.0	0.0	0.0
Commercial Banks	302.3	273.5	273.5	273.5	452.5
Others	0.2	0.0	0.0	0.0	0.0
LOAN	6.5	0.0	0.0	0.0	0.0
FNPF	6.5	0.0	0.0	0.0	0.0
% of Domestic Debt to Total Debt	72.2%	68.4%	69.8%	68.7%	68.6%
% Domestic Debt to GDP	53.8%	54.1%	54.3%	54.7%	57.3%
EXTERNAL DEBT					
LOANS	2,006.8	2,422.5	2,414.7	2,564.4	2,698.8
Asian Development Bank ('ADB')	899.3	932.4	921.0	982.9	993.0
Asian Infrastructure Investment Bank ('AIIB')	101.8	104.2	103.2	108.2	108.8
Exim Bank of China ('EBOC')	433.4	444.9	445.0	473.2	433.2
Japan International Cooperation Agency ('JICA')	284.9	290.3	276.9	286.2	418.8
World Bank - International Bank for Reconstruction & Development ('IBRD')	169.1	227.6	227.8	250.5	260.9
World Bank - International Development Association ('IDA')	117.7	422.5	440.8	463.3	465.8
International Fund for Agricultural Development ('IFAD')	0.7	0.7	0.0	0.0	0.0
European Investment Bank ('EIB')	0.0	0.0	0.0	0.0	18.4
<i>Note: USD loans- ADB, AIIB, World Bank (IBRD/IDA), EIB, CNY loans – EBOC; JPY loans –JICA; EURO loans - IFAD</i>					
% of External Debt to Total Debt	27.8%	31.6%	30.2%	31.3%	31.4%
% External Debt to GDP	20.7%	25.0%	23.4%	24.9%	26.2%
DEBT SERVICING					
TOTAL	121.8	235.4	155.9	198.2	182.0
Domestic Bonds & Loans	108.6	230.5	141.0	189.1	137.3
<i>Principal</i>	26.1	131.9	60.4	95.4	49.1
<i>Interest</i>	82.5	98.6	80.7	93.7	88.2

CENTRAL GOVERNMENT DEBT STATISTICS (FJ\$ MILLIONS)							
Particulars (Quarterly basis)		Apr-21	Jul-21	Oct-21	Jan-22	Apr-22	
External Loans		13.2	4.9	14.9	9.2	44.7	
<i>Principal</i>		10.0	1.8	11.6	6.3	36.5	
<i>Interest</i>		3.2	3.1	3.3	2.8	8.2	
TOTAL BORROWING		350.6	546.7	441.8	181.2	352.1	
FIB Bonds/Viti Bonds		106.0	183.7	408.2	145.8	131.8	
External loans (Includes Cap. Interest)		244.6	363.0	33.6	35.4	220.3	
YIELDS ON GOVERNMENT SECURITIES (%)							
3 months		1.0	0.5	0.2	0.0	0.0	
6 months		1.1	0.7	0.3	0.1	0.1	
12 months		1.7	1.2	0.5	0.1	0.2	
10 year		4.5	4.4	4.0	4.0	4.0	
15 year		4.8	4.6	4.3	4.3	4.3	
20 year		5.3	5.0	4.8	4.7	4.7	
GOVERNMENT GUARANTEES (\$ MILLIONS)							
% of Government Guarantees to GDP		10.6%	10.8%	10.4%	10.9%	10.6%	
Total Government Guarantees		1,032.2	1,051.0	1,074.0	1,124.5	1,096.5	
Air Pacific Limited trading as Fiji Airways		391.9	421.7	421.5	467.7	461.8	
Fiji Development Bank		329.5	308.8	347.3	361.7	330.0	
Fiji Harwood Corporation Limited		1.2	0.7	0.4	0.2	-	
Fiji Sugar Corporation Limited		199.6	216.9	212.5	212.6	222.0	
Housing Authority		102.2	102.2	91.7	81.7	81.7	
Fiji Broadcasting Corporation		6.9	-	-	-	-	
Pacific Fishing Company Limited		0.9	0.8	0.6	0.6 (r)	1.0	
Risk Indicators		QUARTER 2 - FY2021-2022			QUARTER 3 - FY2021-2022		
		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Amount (in millions of FJD)		2,564.4	5,639.4	8,203.8	2,698.8	5,901.1	8,599.9
Nominal debt as percent of GDP		24.9	54.7	79.6	26.2	57.3	83.5
Cost of Debt	Weighted Av. IR (percent)	0.8	6.3	4.6	0.3	6.0	4.2
Refinancing risk	ATM (years)	11.2	10.7	10.8	11.3	10.7	10.9
	Debt maturing in 1 year (percent of total)	1.7	5.6	4.4	0.3	4.7	3.3
Interest rate risk	ATR (years)	7.0	10.7	9.5	7.1	10.7	9.5
	Debt re-fixing in 1 year (percent of total)	55.1	7.1	22.4	53.0	9.0	23.1
Foreign Exchange rate ('FX') risk	FX debt (percent of total debt)	31.3			31.4		

Source: Ministry of Economy and Reserve Bank of Fiji