



GOVERNMENT OF GRENADA

QUARTERLY PUBLIC DEBT BULLETIN SEPTEMBER 2016

COMPILED BY THE DEBT MANAGEMENT UNIT
OF THE MINISTRY OF FINANCE

Table of Contents

1.0	Total Public Debt.....	3
2.0	External Debt	4
2.1	External Debt by Creditor Type	4
2.2	External Debt by Interest Type.....	4
2.3	Currency Composition	4
3.0	Disbursement by Creditor.....	5
4.0	Risk Assessment of External Portfolio	6
4.1	Foreign Currency Risk	6
4.2	Average Time to Maturity (ATM).....	6
4.3	Average Time to Re-fixing (ATR)	7
5.0	Domestic Debt.....	7
5.1	Domestic Debt by Instrument.....	7
5.2	Domestic Debt by Holder.....	7
6.0	Regional Government Securities Market (RGSM)	8
6.1	Activity on the RGSM	8
6.2	Historical T-bills auction Yield (91-Day)	8
6.3	Historical T-bills Yield (365 Day).....	9
7.0	Debt Service	9
8.0	Government Guarantees – Public Corporation Debt	9
9.0	Debt Restructuring	10
	Appendix I	11

1.0 Total Public Debt

Total Public debt including Central Government, Public Corporation and “other¹” public sector debt as at end of September 2016 (Q3 2016) stood at EC\$2,624.61 m or 93.8 per cent of GDP (see chart 1). Compared to the previous quarter (Q2 2016), the stock of debt marginally declined by 0.2 per cent primarily due to decline in other public sector liabilities. However, for the same period last year (Jan – Sept 2015) the debt stock increased by 1.8 per cent primarily due to

increase in domestic debt largely due to the reclassification of debt in the domestic portfolio. As at end of Q3 2016, total outstanding liabilities consisted of 75 per cent or EC\$1,981.34 external debt and 25 per cent or EC\$ 643.27m domestic debt (*see chart 2 below*).

On average debt to GDP has declined by 0.76 per cent over the reported twelve month period (Q3 2015 – Q3 2016). The steep decline in the debt ratio from Q4 2015 to Q 1 2016 is on account of a strong growth in GDP from the previous year as well as a 3.2 per cent decline in the debt level in part due to the debt restructuring of 2015.

The remainder of the report focuses on the debt obligations of central government.

Chart 1: Movement in Public Debt

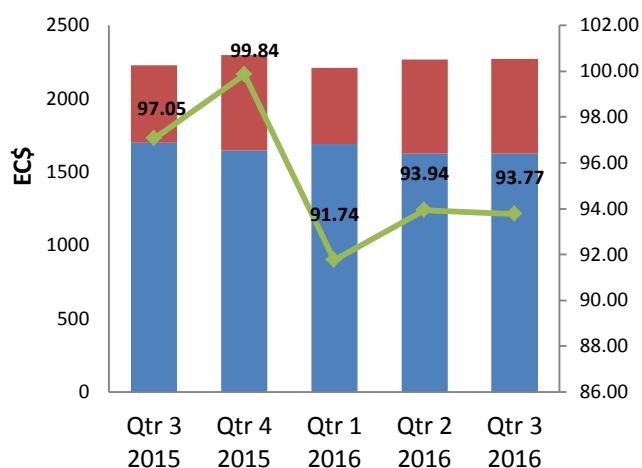
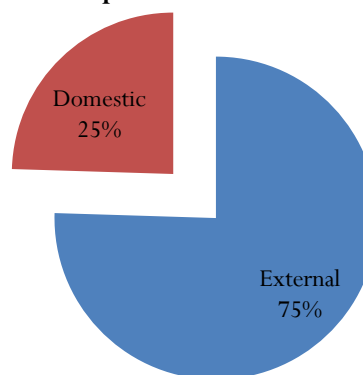


Chart 2: Composition of Public Debt



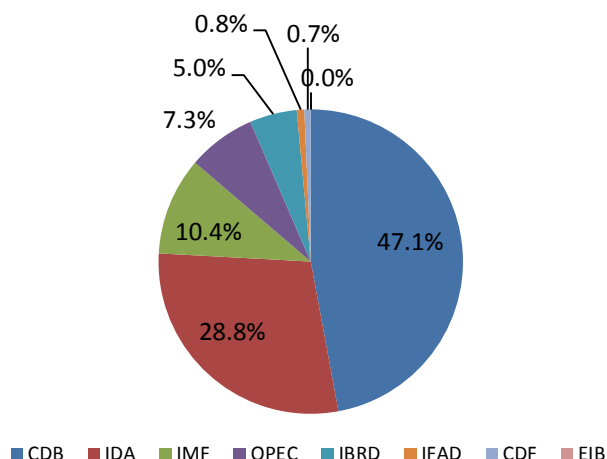
¹ Other: includes debt obligations of Petrocaribe which forms a contingent liability of the Government of Grenada.

2.0 External Debt

2.1 External Debt by Creditor Type

External debt held by the central government as at third quarter 2016 stood at EC\$1,578.5 (56.4 per cent of GDP). Main creditor categories include multilaterals which accounts for EC\$754.4m (48 per cent), bilateral which accounts for EC\$251m (16 per cent), Commercial debt accounts for EC\$569m (36 per cent) and other² accounts for EC\$5.1m (0.3 per cent) of the external portfolio. The main multilaterals include CDB, IDA and the IMF (see chart 3).

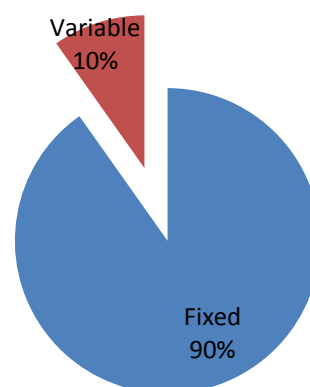
Chart 3: % of External DOD by Creditor as at Sept 31, 2016



2.2 External Debt by Interest Type

A significant share (90 per cent or EC\$1,420.7m) of the external debt was contracted at a fixed interest rate however loans contracted from multilaterals including IBRD, CDB (OCR) and bilateral Paris Club attracted a variable rate (see chart 4). Floating rate debt only accounts for 10 per cent or EC\$157.6m of external debt which minimizes the effect of interest re-fixing risk on the debt portfolio.

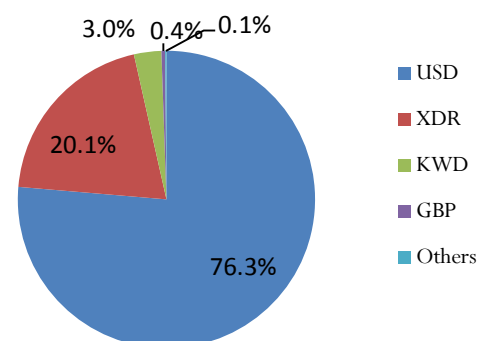
Chart 4: Interest Type of External Debt as at September 2016



2.3 Currency Composition

As it relates to the currency composition of the external portfolio, the main outstanding loan currency denomination is USD at EC\$1,174.2m (76.3 per cent), SDR at EC\$309.8m (20.1 per

Chart 5: Currency Composition of External Debt



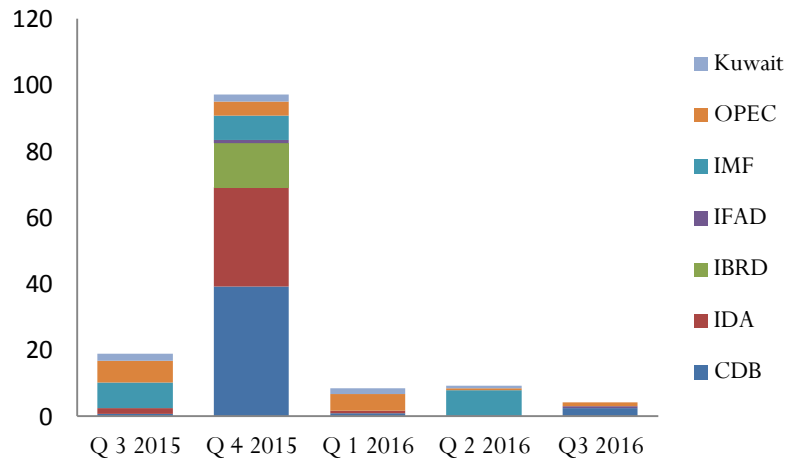
² Other: Caricom Development Fund

cent), Kuwaiti Dinars (3.0 per cent) and other EC\$ 8.3m (0.5 per cent). Refer to chart 5.

3.0 Disbursement by Creditor

Total disbursement received from external creditors during Q3 2016 amounted to EC\$ 4.21m mainly to finance capital expenditure. Of which EC\$2.5m was disbursed from Caribbean Development Bank to fund the following recurrent infrastructural projects: School rehabilitation and Reconstruction Phase I & II, Market Access and Rural Enterprise Development Project, Extreme

Chart 6: Disbursement by Creditor



Rainfall and Education Enhancement Project. A total of EC\$1.1m was disbursed from OPEC Fund and was utilized to finance the St. Patrick’s Road project and Agriculture Feeder Road. EC\$ 0.61m was received from IFAD³ to fund Market Access Rural Enterprise Project. Disbursements over the three quarters of 2016 has been considerably less compared to December 2015 (where total disbursement amounted to EC\$97m) primarily due to the program loans (DPL 2 and PBL 2)⁴ received from the World Bank and the Caribbean Development Bank respectively to provide budget support.

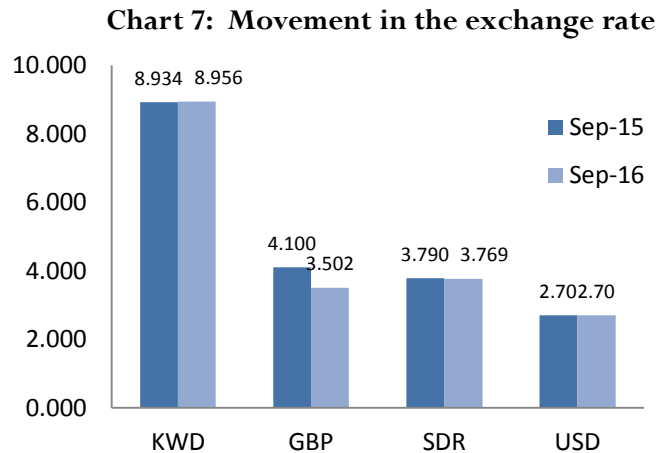
³ IFAD: International Fund for Agricultural Development

⁴ DPL 2: Second Programmatic Resilience Building Development Policy Loan
PBL 2: Second Growth and Resilience Building Policy Based Loan

4.0 Risk Assessment of External Portfolio

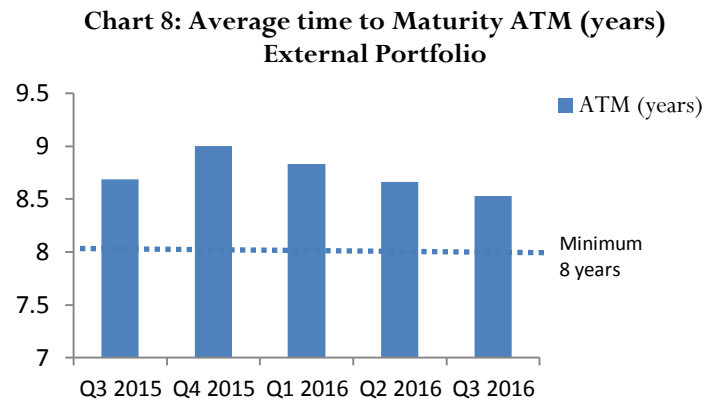
4.1 Foreign Currency Risk

Foreign currency risk was minimized over the reported period as the EC Dollar maintained the peg to the USD. The movement of the Eastern Caribbean Dollar against the other borrowing currencies during September 2015 and September 2016 showed an appreciation of the EC Dollar against the GBP by 15%, an incremental appreciation against the SDR by 0.56% and a slight depreciation of the EC Dollar against the KWD by 0.25%. Refer to chart 7. The effect of 15 per cent appreciation of the EC dollar on the debt stock was insignificant given the small volume (EC\$ 6.2 m) of debt denominated in GBP.



4.2 Average Time to Maturity (ATM)⁵

The average time to maturity (ATM) of the external portfolio as at the end of Q3 2016 was 8.53 years primarily due to the significant share of concessional debt in the external portfolio. Compared to the previous quarter Q2, the ATM declined by 1.5 per cent and declined by 5.2 per cent compared to end December 2015 attributable to the increase in the external debt stock by approximately EC\$90.0 m on account of disbursement on policy based loans from multilateral partners.

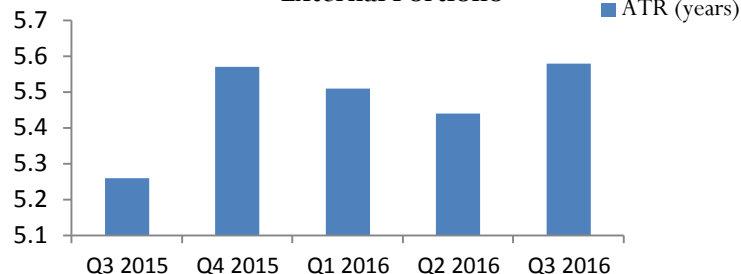


⁵ **ATM:** The average time to maturity (ATM) of the debt portfolio provides information on how long it takes on average to rollover or refinance the debt portfolio.

4.3 Average Time to Re-fixing (ATR)⁶

The Average Time to Re-fixing (ATR) of the external portfolio as at the end of Q3 2016 was 5.6 years. Thus on average it will take approximately 5.6 years to reset the interest rates of the external debt portfolio. Compared to the previous quarter Q2, the ATR increased by 2.6 per cent and increased by 0.2 per cent compared to end December 2015.

Chart 9: Average Time to Refixing ATR (years)
External Portfolio

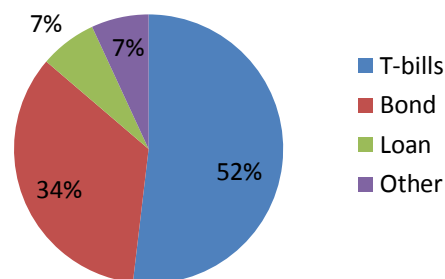


5.0 Domestic Debt

5.1 Domestic Debt by Instrument

Domestic debt as at end of third quarter 2016 was recorded at EC\$602.3m or 21.5 per cent of GDP which comprise predominantly of treasury bills EC\$312.39m, bonds EC\$207.13m, loans EC\$41.25m and other category EC\$41.52m. (Refer to chart 10).

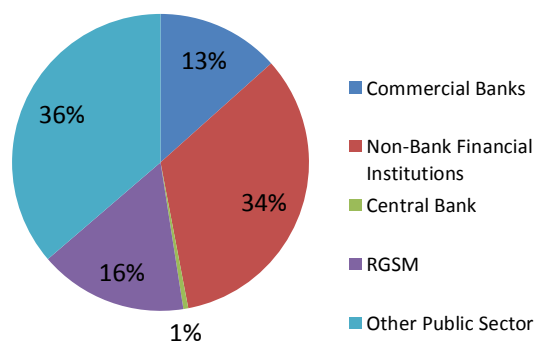
Chart 10: Domestic Debt by Instrument



5.2 Domestic Debt by Holder

The primary holders of government debt include private individuals & private companies, non-bank financial institutions, investors on the regional government securities market and commercial bank (refer to chart 11).

Chart 11: Domestic debt by Holder



⁶ The average time to re-fixing (ATR) indicates the average time required to reset the interest rate in the debt profile.

6.0 Regional Government Securities Market (RGSM)

6.1 Activity on the RGSM

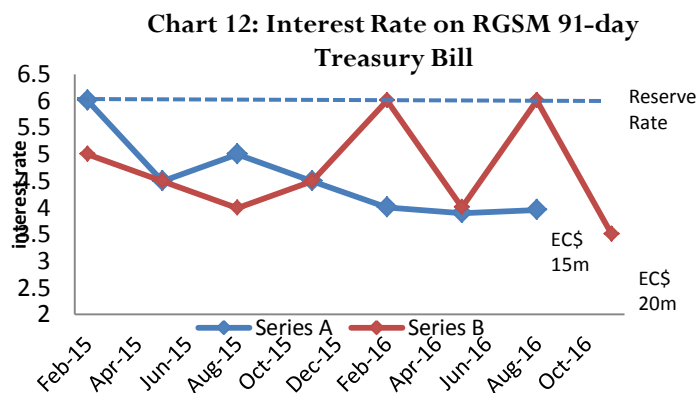
During the period July – September 2016 (Q3 2016) the government of Grenada successfully issued the following securities on the RGSM: Series A (91-day) EC\$15m, Series B (91-day) EC\$20m and 365-Day EC\$30m. All three securities were oversubscribed with a bid to cover ratio⁷ of 1.597, 1.170 & 1.216 respectively. Yield on the t-bills ranged from 3.9, 5.0 to 6.0 per cent. The results of the auctions are highlighted in table 1 below.

Table 1: End Q3 2016 Auction Results

T- Bills	Total Units offering	Total Competitive Bids received	Allocated Amt.	Total Payment Due	Total Discount	Discount Rate (%)	Bid to Cover Ratio
<i>In millions of EC\$</i>							
91-day T-bill (series A)	15	23.96	15	14.9	0.144	3.90	1.597
91-day T-bill (series B)	20	23.4	20	19.7	0.295	6.00	1.170
365-day T-bill	30	36.47	30	28.6	1.429	5.00	1.216
TOTAL	65	83.83	65	63.13	1.87		

6.2 Historical T-bills auction Yield (91-Day)

Chart 12 shows monthly trends in interest rates for the 91-day Treasury bill (Series A & B) since February 2015. The yield on the series A securities has been relatively stable over the period; while the yield on Series B has shown more variation. Based on the trend, interest rate fluctuated between 3.9 and the reserve price of 6.0 per cent since 2015 to Q3 2016 on both securities. As at the end of Q3 2016 interest rate on the Series A t-bill fell by 10



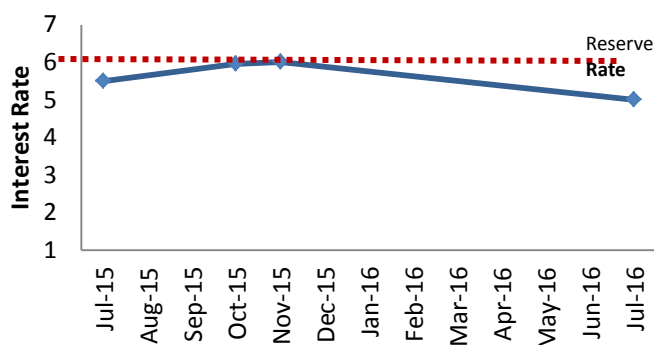
⁷ **Bid to Cover Ratio:** measures the demand for securities at an auction. It is the ratio of the value of all bids received to the value of the bids accepted.

basis points from (4 to 3.9 per cent) while interest on the Series B t-bill increased by 210 basis from (3.9 to 6.0 per cent).

6.3 Historical T-bills Yield (365 Day)

Chart 13 shows trends in interest rates for the 365-day Treasury bill since July 2015. As at July 2016 the interest rate on the 365 day Treasury Bill decreased by 100 basis points to 5.0 per cent from 6.0 per cent at the last auction in November 2015.

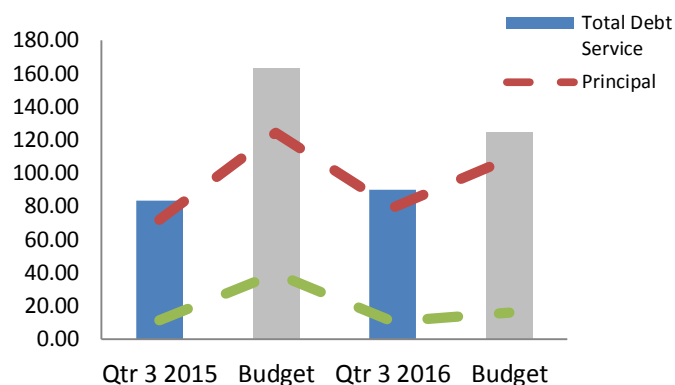
Chart 13: Interest Rate RGSM 365 day Treasury Bill



7.0 Debt Service

Total public debt service for the quarter was EC\$90.06m against a budgeted amount of EC\$ 125.3m which consisted of EC\$ 79.4m in principal payment and EC\$10.6m in interest payment. Debt service increased by 7.8 per cent compared to Q3 2015. External debt service was EC\$ 14.5 m and domestic debt service was EC\$ 75.6m. Refer to chart 14.

Chart 14: Total Debt Service



8.0 Government Guarantees – Public Corporation Debt

The total government guarantees outstanding as at end Q3 2016 was EC\$ 93.77m. The guarantees stock decreased by 0.54 per cent and 18.1 per cent compared to Q2 2016 and Q4 2015 quarter respectively. NIS (46 per cent) and Ansa Financial Holdings Ltd (44.6 per cent) are the main creditors of Government guaranteed debt of Public Corporations.

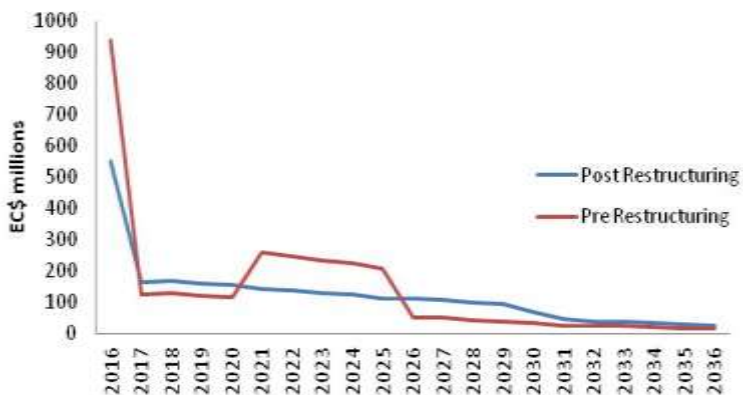
Table 2: Guaranteed Debt by Creditor as at Q3 2016

Creditor	Sep-15	Jun-16	Sep-16	% Qtrly change	% YTD change
Caribbean Development Bank	4.56	8.46	8.20	-3.2	44.4
FINCOR	6.62	-	-	-	0.0
Ansa Financial Holdings Ltd	44.5	41.80	41.8	0.0	-6.5
RBTT	0.514	0.45	0.483	7.2	-6.4
NIS	54.49	43.51	43.24	-0.6	-26.0
Grenada Development Bank	0.09	0.06	0.048	-18.8	-87.5
Total	110.77	94.28	93.77	-0.54	-18.1

9.0 Debt Restructuring

Since the announcement of debt restructuring in 2013, the government has made significant progress in successfully completing negotiations with its external creditors including holders of the 2025 International Bond, the Export-Import Bank of China and Paris Club creditors. The government has also finalized agreements with several major domestic investors including the National Insurance Scheme (part holders of the 2025 bond), commercial banks, and other private investors.

Chart 15: Debt Service - Pre & Post Restructuring



The restructuring took the form of face value and interest rate reduction as well as an extension of maturity where appropriate. The outcome of the restructuring resulted in reduction of the debt stock and also resulted in a smoother debt service profile over the projected time horizon. To date, a total of EC\$1,107.10m or 39.5 per cent of GDP⁸ of government debt obligations was restructured during the period 2014/2015. The outcome post restructuring saw reduction in the debt stock to the tune of EC\$ 214.10m as well as cash flow ease throughout the forward years. The restructuring has resulted in the smoothing out of the debt service profile and eliminated need for large repayment in 2021 through to 2025. Assuming successful completion of the ECF program and the restructuring of remaining outstanding debt the debt stock is expected to be reduced by a further EC\$ 156.4m.

⁸ GDP at market prices in 2016

Appendix I

Table 1: Size of Public Debt

Debt Category	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<i>In millions of EC\$</i>					
External Debt	1,701.21	1,648.73	1,692.16	1,624.83	1,626.77
Domestic Debt	526.22	647.88	517.17	641.50	643.27
Other	351.24	356.34	358.54	363.14	354.57
Total	2,578.67	2,652.95	2,567.87	2,629.47	2,624.61

Table 2: External Debt by Creditor

Creditor Category	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<i>In millions of EC\$</i>					
Multilateral	676.0	754.6	757.7	751.1	754.4
Bilateral (Paris Club)	22.3	26.8	26.6	24.9	23.6
Bilateral (Non-Paris Club)	228.4	227.7	229.0	228.1	227.5
Commercial Bank	0.9	0.9	0.9	0.9	0.9
International Sovereign Bond	537.7	498.9	498.9	486.8	486.8
Other	5.3	5.3	5.2	5.1	5.1
Total	1,470.6	1,514.2	1,518.3	1,496.9	1,498.3

Table 3: External Debt by currency composition

Currency Composition	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<i>In millions of EC\$</i>					
USD	1134.1	1184.34	1183.65	1177.27	1174.07
XDR	273.13	301.5	305.09	303.4	309.78
KWD	46.7	45.96	47.18	46.36	45.75
GBP	7.2	7.02	6.81	6.37	6.14
Other	2.4	2.16	2.24	2.19	2.2
	1,463.53	1,540.98	1,544.97	1,535.59	1,537.94

Table 4: Disbursement by Creditor

Creditor	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<i>In millions of EC\$</i>					
CDB	0.798	39.13	0.92	0.28	2.5
IDA	1.75	29.93	0.72	0	0
IBRD	0.00	13.50	0	0	0

IFAD	0.00	0.88	0	0	0.61
IMF	7.57	7.42	0	7.59	0
OPEC	6.71	4.17	5.07	0.69	1.1
Kuwait	2.17	2.13	1.67	0.69	0
Total	18.99	97.16	8.38	9.25	4.21

Risk Indicators	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Target
ATM (years)	8.69	9	8.83	8.66	8.53	>= 8 yrs
% Maturing in 12 months	7.7	7.4	7.7	7.8	8	-
ATR (years)	5.26	5.57	5.51	5.44	5.58	-
% Re-fixing in 12 months	56.72	55.71	55.57	55.16	55.03	-

Table 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<i>In millions of EC\$</i>					
Treasury Bills	335.67	318.25	306.45	306.45	312.39
Bonds	60.63	184.51	206.26	206.26	207.13
Loans	19.82	50.09	41.73	43.69	41.25
Overdraft	13.49	-	-	-	-
Other	41.52	41.52	41.52	41.52	41.52
Total	471.13	594.37	595.96	597.92	602.29

Table 6: Domestic Debt by Holder

Domestic Debt by Holder	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<i>In millions of EC\$</i>					
Commerical Banks	68.37	54.0	50.8	54.32	53.43
Central Bank	6.56	6.56	6.56	6.56	2.9
Non-Bank Financial Institution	72.57	233.38	238.27	236.71	236.03
Other Public Sector	94	94	94	94	94
RGSM	97	97	97	97	97
Private	79.93	56.73	56.73	56.73	66.33
Other	52.7	52.7	52.6	52.6	52.6
Total	471.13	594.37	595.96	597.92	602.29

Table 7: Debt Service Payment

	Q3 2015	Budget	Q3 2016	Budget
Total Debt Service	83.5	163.9	90.1	125.3
External Debt Service	11.7	47.6	14.5	17.8
<i>Principal Repayments</i>	8.1	19.3	10.3	12.4
<i>Interest Payments</i>	3.6	28.4	4.2	5.4
Domestic Debt Service	71.9	116.3	75.6	107.5
<i>Principal Repayments</i>	64.0	105.1	69.1	96.8
<i>Interest Payments</i>	7.9	11.2	6.5	10.8

Summary Debt Ratios

Particulars	Sep-15	Jun-16	Sep-16	Qtrly change (%)	YTD change (%)
Total Public Debt (XCD)					
External Debt	1,701.21	1,625.56	1,628.50	0.18	-4.27
Domestic Debt	526.2	641.5	646.1	0.71	22.77
Other Public Sector	351.24	363.14	354.57	-2.4	0.95
Public Debt to GDP (%)					
External Debt to GDP	79.6	75.6	75.5	0.0	-5.2
Domestic Debt to GDP	20.4	24.4	24.6	0.0	20.6
Central Government Debt					
External Debt	1,645.53	1,575.29	1,578.51	0.2	-4.1
Domestic Debt	471.1	597.9	602.3	0.7	27.8
Government Guarantees					
External	55.7	50.3	50.0	-0.6	-10.2
Domestic	55.1	43.6	43.8	0.4	-20.6
External debt by Creditor					
Multilateral	681.3	756.2	759.5	0.4	11.5
Bilateral	250.7	253.0	251.1	-0.8	0.2
Other	538.6	487.7	487.7	0.0	-9.5
External Debt by Instrument					
Loans	932.9	1,010.10	1,011.50	0.1	8.4
Bonds	537.7	486.8	486.8	0.0	-9.5
Domestic Debt by instrument					
T-bills	335.7	306.4	312.4	1.9	-6.9
Bonds	60.6	206.3	207.1	0.4	241.7
Loans	19.8	43.7	41.2	-5.6	108.1
Other	55.0	41.5	41.5	0.0	-24.5
Foreign Currency Risk (%)					
% of debt in USD	77.5	76.7	76.3	-0.5	-1.5
% of debt in XDR	18.7	19.8	20.1	1.9	7.9
% of debt in Kuwaiti Dinars	3.2	3.0	3.0	-0.5	-5.8
% of debt in GBP	0.5	0.4	0.4	-3.7	-18.7
% of debt in other currency	0.2	0.1	0.1	0.0	-11.6
% of foreign debt	77.7	72.5	72.4	-0.1	-6.9
Total Debt Service					
External	31.0	57.1	14.5	-74.6	-53.2
Domestic	184.1	42.2	75.6	79.2	-58.9
Principal	187.5	68.6	79.4	15.8	-57.6
Interest	23.5	31.3	10.6	-66.0	-54.8

Fiscal indicators					
Total Debt Service to Revenue	135.3	50.6	48.3	-4.5	-64.3
Total Debt Service to GDP	8.1	3.5	3.2	-9.2	-60.2
Interest to Revenue	14.8	15.9	5.7	-64.2	-61.5
Interest to Expenditure	13.2	18.6	6.6	-64.2	-49.7
External Debt Service to Exports	148.6	186.3	-		
Total Public Debt (% of GDP)	97.1	93.9	93.8	-0.1	-3.4