Government of St. Vincent and the Grenadines

1st Quarter Debt Bulletin

As at 31st March, 2022

Produced by the Debt Management Unit, Ministry of Finance, Economic Planning and Information Technology

1.0 Introduction

The purpose of this Bulletin is to provide timely updates on public debt developments to the general public and other key stakeholders. The Bulletin will be done quarterly and be published by the 15th of the month following the end of a quarter.

The Bulletin will give a brief overview of the country's total public debt position with comparative analysis to previous quarters. It further analyzes information on the general government debt stock: - by residency, creditor type, currency, instruments, interest rates and residual maturity; debt flows in terms of principal and interest payments; debt ratios and other key risk indicators are also presented.

The Government of St. Vincent and the Grenadines recently maintained its B2 rating on its Credit Analysis Report for 2021 issued by Moody's Investor Services[1]. To this end, the Government undertakes its debt management operations to achieve the following objective:

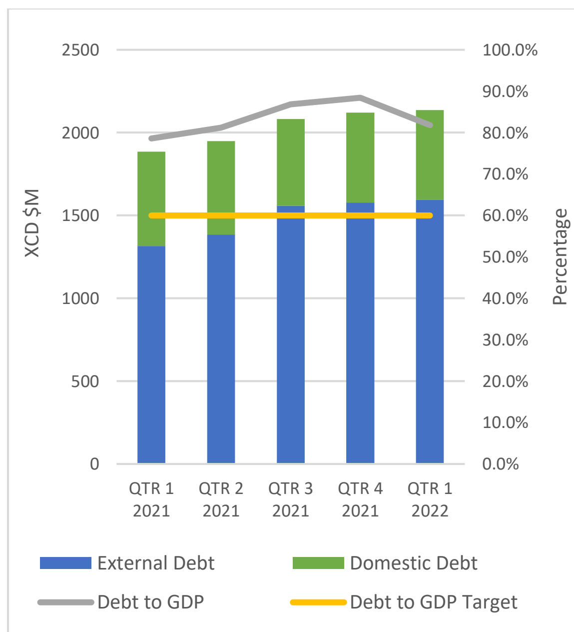
"*To satisfy the financing needs of the public sector at minimum cost over the medium to long-term, in a prudent and sustainable manner thereby, limiting the exchange rate risk and promote the development of an efficient functioning money and capital market in the Eastern Caribbean Currency Union*".

2.0 Total Public Debt

Total public debt as at March 31, 2022 stood at $2.135 billion or 81.8 percent of GDP[2], comprised of $1.999 in Central Government debt and $136.4 million in Public Corporation debt, representing 76.6 percent and 5.2 percent of GDP respectively. Total public debt marginally increased by 0.7 percent at the end of the quarter, as shown in chart 1 below, driven by an increase in the external component of the debt.

The debt to GDP ratio declined on account of an increase in nominal GDP.

Chart 1: Total debt to GDP

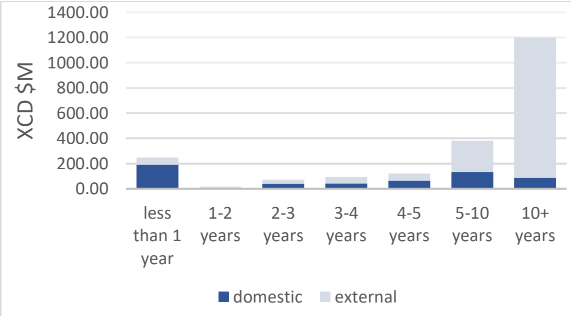


Source: DMU, Ministry of Finance

[1] https://www.gov.vc/index.php/financial-data

[2] 2022 Medium term Economic and Fiscal outlook GDP is $2610.42 million

Chart 2: Total Debt by Remaining Maturity



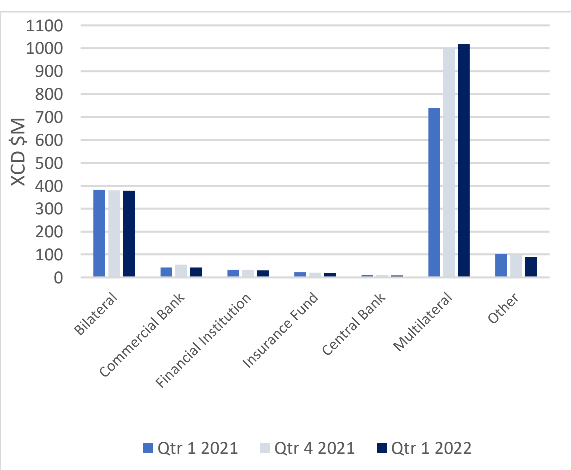
Source: DMU, Ministry of Finance

As depicted in chart 2 above, in the short-term, domestic debt comprised the largest proportion of debt due to mature. Whereas, maturities falling due in the medium to long-term is concentrated in external debt.

3.0 External Debt

Total external debt stood at $1.594 billion or 61.1 percent of GDP, see chart 1, which increased by 1.0 percent when compared with Qtr 4, 2021. Multilateral creditors accounted for the largest proportion of debt, increasing by 37.9 percent.

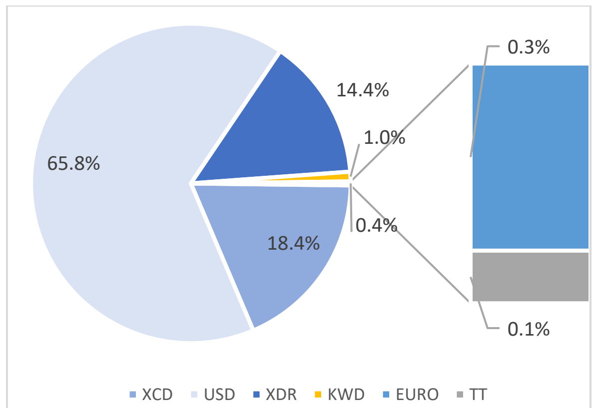
Chart 3: External debt by Creditor Category



Source: DMU, Ministry of Finance

The United State dollar (USD) is the dominant currency in the portfolio with 65.8 percent of all external debt being denominated in this currency. Other currencies such as Kuwait dinars, Euro and TT dollars cumulatively represent 1.4 percent. Special Drawing Rights (SDR) currency comprised 14.4 percent. Altogether these currencies represent the total exposure in the portfolio to exchange rate fluctuations.

Figure 1: External Debt by Currency

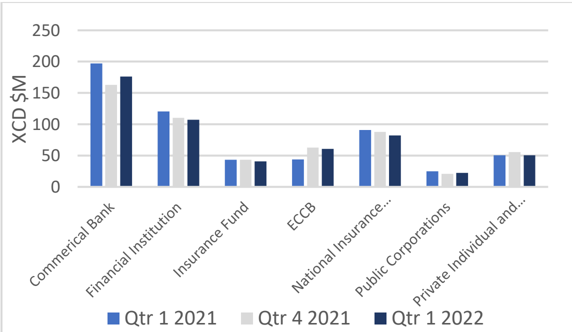


Source: DMU, Ministry of Finance

4.0 Domestic Debt

Total domestic debt stood at $540.8 million, 20.7 percent of GDP, chart 1. All domestic debt is denominated in Eastern Caribbean dollars. Commercial banks comprised the largest creditor category 32.6 percent; followed by Financial Institutions 19.8 percent; NIS 15.2 percent, ECCB 11.2 percent; Private individuals and businesses 9.3 percent; Life Insurance Companies 7.5 percent and Public Corporations 4.1 percent, see figure 2.

Figure 2: Domestic Debt by Creditor

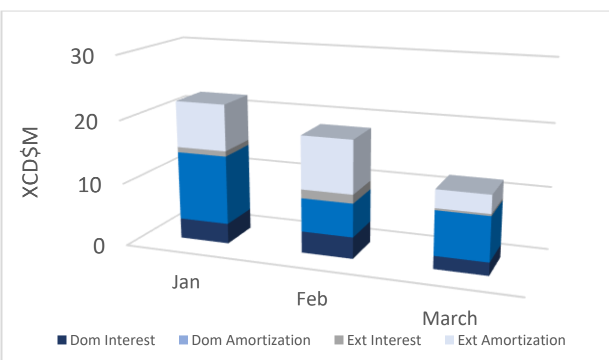


Source: DMU, Ministry of Finance

5.0 Total Debt Service

Central Government debt service amounted to $52.9 million, which represented 35.6 percent of current revenue and 34.6 percent of current expenditure. External and Domestic debt service amounted to $21.1 million and $31.8 million respectively. Total interest payments was $11.2 million and total amortization was $41.7 million. Domestic amortization was mainly bond repayments and external amortization was concentrated in loan repayments to CDB.[3]

Figure 3: Debt Servicing by Month

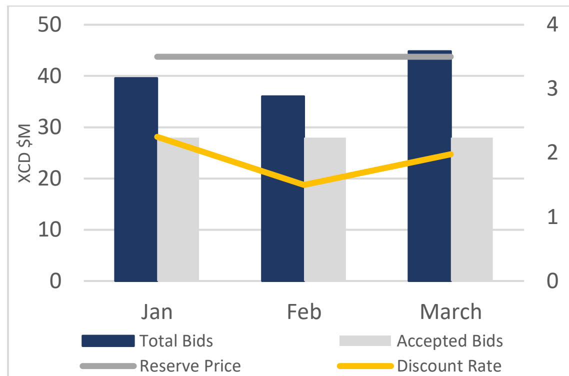


Source: DMU, Ministry of Finance

6.0 Treasury Bills (91-day)

An amount of $84.0 million ($28 m re-issuance monthly) was issued during the quarter. The average discount or interest rate realized was 1.83 percent versus the ceiling benchmark of 3.5 percent) with an average bid to cover ratio of 1.43, representing a fairly good demand for the issuance.

Figure 4: Treasury Bills Performance by Month



Source: DMU, Ministry of Finance

7.0 Loans and Securities Disbursements

A total of $30.9 million was disbursed in loans;

- $16.7 million from CDB
- $11.9 million from IDA
- $1.2 million from OPEC Fund for International Development.
- $1.1 million from Kuwait

A domestic bond was issued in the amount of $15m with an amortize structure over a 5-year period at par with coupon interest rate of 5.50 percent.

[3] CDB debt servicing payments are due in January but reimbursed in February

8.0 Guaranteed Debt

Government Guaranteed debt outstanding totaled $136.4 million. The largest of which are:

- Petro Caribe - $109.55 million
- National Student Loan Company - $20.9 million
- National Lotteries - $3.2 million
- VINLEC - $1.3 million
- SVG Postal Corporation- overdraft facility- $0.9 million

9.0 General Government Risk Indicators

As shown in table 1 across, the main risk indicators in the portfolio are:

i. ATM: - the average time it takes for total debt to mature in the portfolio. This reflects the extent of the re-financing risk inherent in the debt portfolio. The longer is the ATM, the lower is the re-financing risk.

ii. ATR: - the average time it takes for total debt in the portfolio to be subjected to variable interest rate re-fixing. The longer the ATR, the lower is interest rate risk.

iii. Foreign exchange risk- it shows that 11.5 percent of the debt portfolio is exposed to exchange rate fluctuations. The smaller this percentage the more insulated is the portfolio to changes in exchange rates.

Table 1: General Government Total Public Debt

Preliminary Total Debt Risk Indicators				
Indicators		**Ext debt**	**Dom debt**	**Total debt**
Total debt in XCD ($M)		1,594.6	540.8	2,135.5
Total debt in USD ($M)		590.6	200.3	790.9
Nominal debt as % GDP		61.1%	20.7%	81.8%
Refinancing risk	ATM (years)	12.2	4.1	10.4
	Debt maturing in 1yr (% of total)	9.7	39.7	17.3
	Debt maturing in 1yr (% of GDP)	5.9	8.2	14.1
Interest rate risk	ATR (years)	10.6	2.0	8.7
	Debt re-fixing in 1yr (% of total)	33.8	49.4	37.2
	Fixed rate debt (% of total)	75.2	100.0	81.5
FX risk	Non XCD or USD debt (% of total debt)			11.5

Source: CSDRMS, DMU, Ministry of Finance