



QUARTERLY DEBT BULLETIN as at 30 June 2012

This report summarises the Government's debt position during the FY 2011/12 from 1 July to 30 June 2012, in millions of Pa'anga. Comparisons have been made to the previous quarter (March 2012), and to the previous year (30 June 2011). The information covers external, domestic, on-lent and guaranteed debt.

1. Total public disbursed outstanding debt (DOD) as at 30 June 2012 is estimated at \$352.1m (*at 45.1% of GDP*). Total public debt increased by \$47.8m between June 2011 and June 2012. This was mainly due to disbursements from Export-Import Bank of China (EXIM) estimated at \$47.5m, for the CBD project (\$23.9m) and for the Roads project (\$23.6m).

2. External debt is recorded at \$322.6m (*41.3% of GDP*) with the main creditors of Export-Import Bank of China (EXIM) at \$198.4m (*61.5%*), the Asian Development Bank (ADB) at \$66m (*20.5%*) and IDA (International Development Agency World Bank) at \$40.3m (*12.5%*). The main outstanding loan currency denomination is in the Chinese Yuan Renminbi currency (CNY) at \$205.3m (*63.6%*) and the Special Drawing Rights (SDR) at \$115.1m (*35.7%*). During the 1 year period (June 2011 to June 2012), the Pa'anga depreciated against the Chinese Yuan (5.3%), and had appreciated against the Euro (10.6%), Australian Dollar (2.3%), Special Drawing Right (1.7%). There were no external loan payment arrears

3. Domestic debt is recorded at \$29.5m (*3.8% of GDP*), for Government bonds on issue. The main bond holders are Financial Institutions (FI) at \$19.3m (*66%*), Retirement Fund Board (RFB) at \$5.0m (*17%*) and Individuals at \$3.9m (*13%*). During the 1 year period (June 2011 to June 2012), noted changes in bond holdings recorded a decrease by RFB of \$1.1m (*18%*) and an increase by FI of \$1.0m (*5%*). There were no domestic loan payment arrears.

4. Total debt service (expenditure) as at 30 June 2012 is estimated at \$15.4m, for *domestic debt* at \$4.9m (*32%*) and for *external debt* at \$10.5m (*68%*). This is equivalent to *1.97% of GDP* (at \$781.5m), and in ratio to recurrent revenue (GoT) of *10.5%* (at \$146.7m), and in ratio to recurrent expenditure of *9.3%* (at \$165.2m). There were no public debt payment arrears.

For *external debt*, the main projected repayment months are September 2011 at \$3.2m (*31%*) and March 2012 at \$2.6m (*25%*) being mainly to EXIM; and for *domestic debt* is August 2011 at \$1.5m (*31%*) and October 2011 at \$1.4m (*29%*) for bond principal and interest.

The following Chart shows the position of the annual debt service over the 10 year period (FY 2010/11 to 2019/20) and the significant increase from 2013/14 for

Table 1: Sovereign Debt Sustainability Indicators

| Indicators | IMF Threshold (%) | GoT Threshold (%) | FYTD 2011/12 (%) |
|--------------------------------|-------------------|-------------------|------------------|
| <i>NPV of external debt as</i> | | | |
| % of GDP | 30 | 40 | 41.3 |
| % of exports & remittances | 90 | 100 | 162.7 |
| % of recurrent revenue | 200 | 200 | 219.9 |
| <i>Debt Service as:</i> | | | |
| % of exports & remittances | 14 | 15 | 7.8 |
| % of recurrent revenue | 25 | 25 | 10.5 |

Chart 1: Total Public Debt to GDP as at 30 June 2012

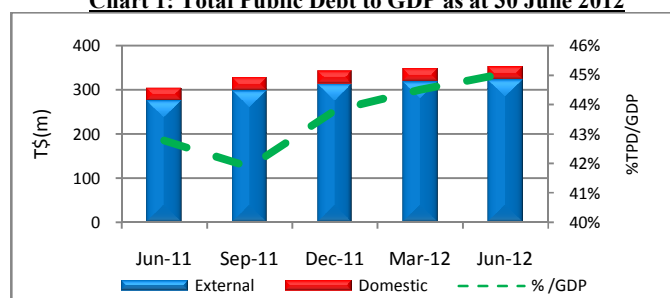


Chart 2: External DOD by Creditor as at 30 June 2012

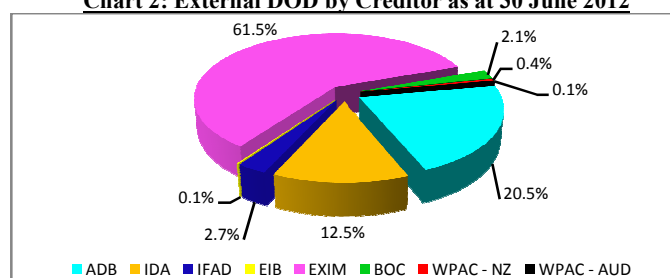


Chart 3: External DOD by Currency as at 30 June 2012

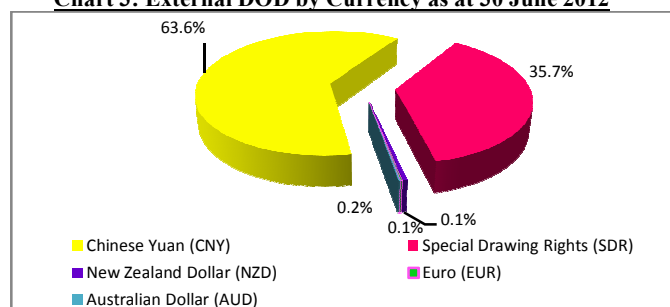
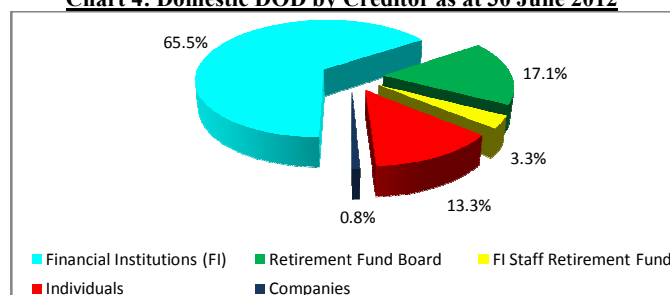


Chart 4: Domestic DOD by Creditor as at 30 June 2012

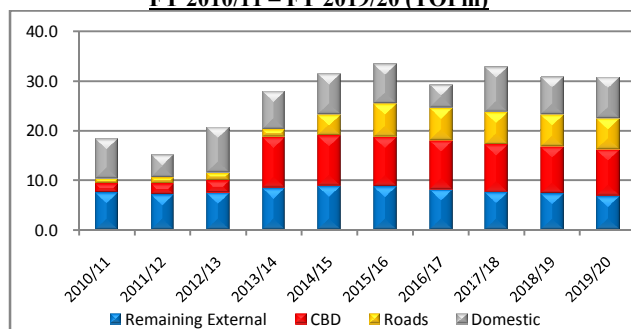




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external debt service is estimated at \$9.5m (at 1.2% of GDP). This effect is due to the principal repayments beginning for the CBD and Roads loans to EXIM over the next 15 years.

Chart 5: Total Debt Service
FY 2010/11 – FY 2019/20 (TOPm)



5. Total on-lent loans as at 30 June 2012 due to the Government from various public and other enterprises is estimated at \$63.9m (8.2% of GDP; and 19.8% of total external loans). During March 2012 to June 2012 there was an increase of \$23.5m due to inclusion of the loans

to Tungi Colonnade and City Assets (Molisi). The main Borrowers are Tungi Colonnade at T\$16.6m (26%), Janfull IDH Ltd. at \$10.5m (16.4%), OG Sanft Ltd. at \$10.2m (16%), MF Taumoepeau Ltd. at \$7.2m (11%), City Assets (Molisi) at \$6.8m (10.6%) and to Royco Amalgamated Co. Ltd at \$2.2m (3%) for loans from EXIM China. The **total on-lent loan payment arrears** is estimated at \$12.8m, for loans due from Janfull at \$7.1m (55%) and Seastar at \$5.7m (45%). **Total debt service (revenue)** as at 30 June 2012 is estimated at \$0.98m, for on-lent loan repayments from Tonga Development Bank (TDB) \$0.58m (59%), Tonga Communications Corporation (TCC) \$0.29m (30%) and Royco (RACL) \$0.11m (11%).

6. Total guaranteed debt as at 30 June 2012 is estimated at \$7.8m (1 % of GDP and 2% of total public debt). This is for loans at WBOT taken by Tonga Power Limited at \$7.4m (95%), Janfull IDH Ltd at \$0.32m (4%) and Bond issued by TDB at \$0.15 (1%). There were no guaranteed loan payment arrears.

Table 2: Summary Debt Ratios

| Particulars | Jun-11 | Mar-12 | Jun-12 | QTRLY change (%) | YTD change (%) |
|---|--------------|--------------|--------------|------------------|----------------|
| Total Public Debt (USD\$) | 179.9 | 203.1 | 200.8 | -1.1 | 11.6 |
| Total Public Debt (TOP\$) | 304.3 | 347.8 | 352.1 | 1.2 | 15.7 |
| Domestic Debt | 29.5 | 29.5 | 29.5 | - | - |
| External Debt | 274.8 | 318.3 | 322.6 | 1.4 | 17.4 |
| Total Public Debt to GDP (%) | 43.1 | 44.2 | 45.1 | 2.0 | 4.6 |
| External Debt to GDP | 38.9 | 40.5 | 41.3 | 2.0 | 6.2 |
| Domestic Debt to GDP | 4.2 | 3.7 | 3.8 | 2.7 | -9.5 |
| Total Debt Service (\$) | 22.8 | 12.3 | 15.4 | 24.2 | -32.5 |
| Principal | 16.4 | 6.8 | 8.7 | 27.9 | -47.0 |
| Interest | 6.4 | 5.5 | 6.7 | 19.6 | 4.7 |
| External | 10.3 | 8.2 | 10.5 | 28.0 | 1.9 |
| Domestic | 12.5 | 4.1 | 4.8 | 17.1 | -61.6 |
| Other | - | 0.1 | 0.1 | - | - |
| External Debt by Creditor category (\$) | 274.8 | 318.3 | 322.6 | 1.4 | 17.4 |
| Multilateral | 121.9 | 117.0 | 115.5 | -1.3 | -5.3 |
| Bilateral | 150.9 | 199.5 | 205.3 | 2.9 | 36.1 |
| Commercial | 2.0 | 1.9 | 1.8 | -5.3 | -10.0 |
| Debt Composition by Instrument Type (\$) | 304.3 | 347.8 | 352.1 | 1.2 | 15.7 |
| Loans | 274.8 | 318.3 | 322.6 | 1.4 | 17.4 |
| Bonds/Notes | 29.5 | 29.5 | 29.5 | - | - |
| Foreign Currency Risk (%) | | | | | |
| % of debt in Chinese Yuan | 54.9 | 62.7 | 63.6 | 1.4 | 15.8 |
| % of debt in SDR | 44.2 | 36.6 | 35.7 | -2.5 | -19.2 |
| % of debt in other currencies | 0.9 | 0.7 | 0.7 | - | -22.2 |
| Fiscal Indicators (%) | | | | | |
| Total Debt Service to Expenditure | 12.9 | 7.2 | 9.3 | 29.2 | -27.9 |
| Total Debt Service to Revenue | 14.1 | 8.6 | 10.5 | 22.1 | -25.5 |
| Interest cost to Expenditure | 3.6 | 3.2 | 4.1 | 28.1 | 13.9 |
| Vulnerability Indicators (%) | | | | | |
| Reserves to External Debt | 64.0 | 72.1 | 76.3 | 29.5 | 19.2 |
| External Debt Service to Exps/Remits | 4.4 | 3.8 | 5.3 | 39.5 | 20.5 |
| External Debt Service to Exports | 12.8 | 9.8 | 12.2 | 24.5 | -4.7 |

Source: MoFNP and NRBT