



## PUBLIC DEBT-RISK INDICATORS

Table 2: Composition by creditors

Agency	Count	DOD Outstanding (PKR) June 30, 2017	DOD Outstanding (PKR) June 30, 2018	% of Total
IDA	55	153,743	169,841	57.48%
ADB	43	92,081	99,296	33.61%
Japan	3	10,783	11,229	3.80%
Fed. Govt.	24	15,295	14,132	4.78%
Others	4	962	968	0.33%
<b>Total</b>	<b>129</b>	<b>272,864</b>	<b>295,466</b>	<b>100%</b>

SECTOR WISE OUTSTANDING JUNE 30, 2018 (EXTERNAL DEBT PORTFOLIO)

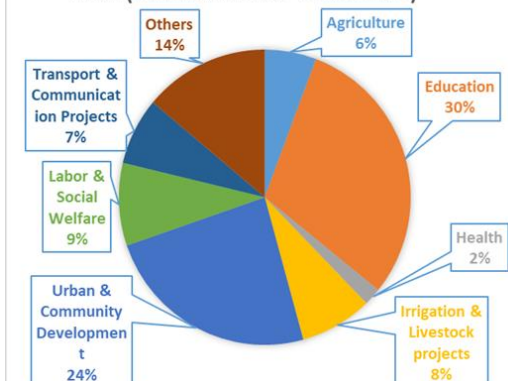


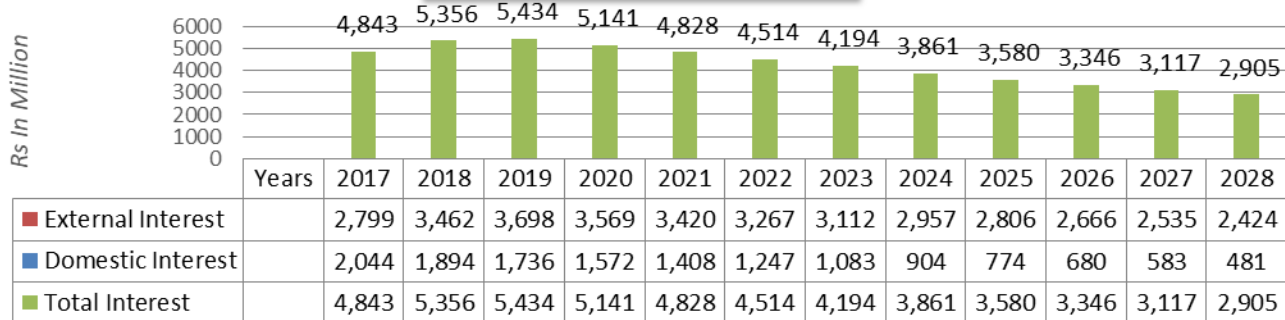
Table-1: Risk Indicators

PKR in Million

Risk Indicators		Domestic Debt	External Debt	Total Public Debt	Domestic Debt	External Debt	Total Public Debt	Table 3: Currency Wise Exposure Sindh Debt Portfolio as of June 30, 2018	
		End-June 2017			End-June 2018			Currencies	Percentage
FX Risk	FX debt (% of total debt)	-	92.6%	-	-	95.2%	-	US Dollar	88.13%
Interest rate risk	Debt Re-fixing in 1yr (% of total)	7.2%	15.4%	14.8%	8.7%	19.3%	18.8%	Pak Rupees	6.61%
	Fixed rate debt (% of total)	100%	87%	88.6%	100%	86%	85.7%	Japanese Yen	3.80%
	*ATR (years)	7.9	9.9	9.8	7.3	9.5	9.4	Others	1.46%
Refinancing risk	Debt maturing in 1yr (% of total)	7.2%	3.1%	3.4%	8.7%	4.3%	4.5%	<b>Total</b>	<b>100.00%</b>
	**ATM (years)	7.9	12.1	11.8	7.3	11.7	11.5		

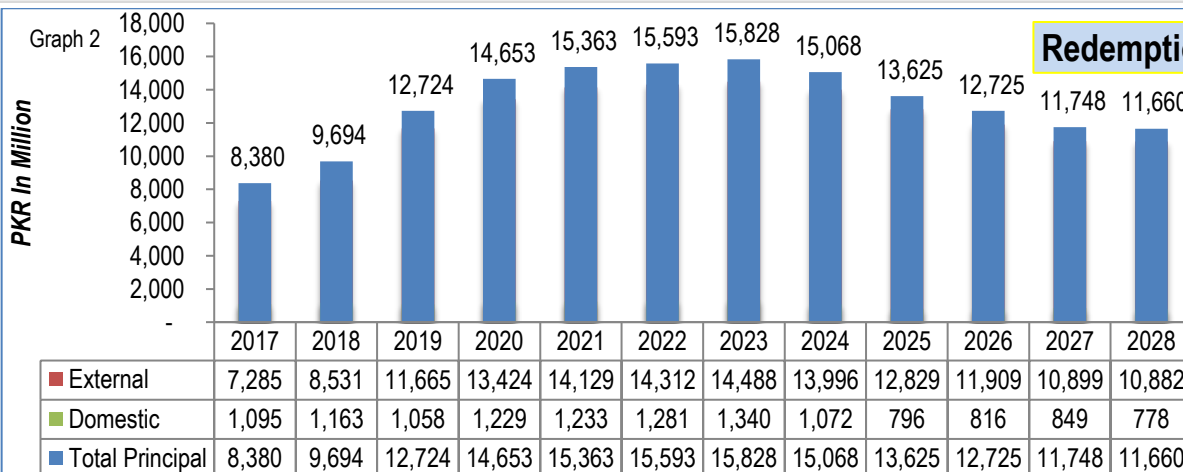
Graph 1

Interest Servicing Year Wise



Graph 2

Redemption Profile



\* ATR: Average Time to Refixing

\*\*ATM: Average Time to Maturity

## **Summary:**

The publication of Sindh Debt Bulletin as of June 30, 2018 determines Government's commitment to transparency and accountability with respect to public debt management. The document provides an account of province's debt stock; its redemption profile; composition and structure of the foreign and domestic debts and risks in the existing debt portfolio. It reports key data and ratios on the public debt portfolio and how those have been changed in last 01 (one) year.

WAIR<sup>i</sup> (weighted average interest rate) for domestic loan is 12.1% which is relatively high when comparing to external portfolio WAIR for 1.51% only, due to old domestic loans before year 2000, on very high rates. Total WAIR for entire portfolio is 2%. Current prevailing SBP (State Bank of Pakistan) discount rate is 7.5% and Sindh Government has not opting for any domestic loans from last few years. In previous debt bulletin as of Dec 31, 2018, WAIR for external debt portfolio was 1.85% and has now increased by 15 bps in last 06 months which depicts new foreign incoming loans on higher rates.

GRR (General Revenue Receipt), GRE (General Revenue Expenditure) and Debt Servicing (Principal + Interest) were PKR 795.715 billion, PKR 685.174 billion and PKR 15.050 billion in FY 2017-18. On account of GRR and GRE, Debt servicing as % was only 1.89% and 2.20% respectively.

## **Recent Borrowing Activities:**

During last 12 months, amount of PKR 21.269 billion was disbursed on account of 16(sixteen) active foreign loans from 02 (two) multilateral agencies (IDA & ADB) and 01 (one) Bilateral agency (South Korea). There are 02(two) new loans initiated, i.e IDA 6242 (Sindh barrages Improvement Project) and Korea PAK-7-KOR-2016 (Children's Hospital Sukkur), in last 06 months tenor.

## **Tabel 1: Risk Indicators**

### **<sup>ii</sup>FX Risk:**

The share of foreign currency denominated loans is 95.2% of total Sindh debt portfolio, which could be termed a higher exposure to Currency risk/Exchange rate risk.

### **<sup>iii</sup>Interest Rate Risk:**

Debt re-fixing in one year as a percentage of total is 18.8% which is on lower side. It includes debt on fixed rate maturing within current year plus 06 (six) LBL (Libor Based loans) category, re-fixed after every 06 months period.

<sup>iv</sup>ATR (Average time to re-fixing) for complete debt portfolio is 9.4 years which is high and indicates low risk relatively, when measuring its vulnerability towards interest rate risk.

### **<sup>v</sup>Re-financing Risk:**

Debt maturing in 01 (one) year is average 4.5% of total debt portfolio only, which is low when considering its exposure to re-financing risk.

<sup>vi</sup>ATM (average time to maturity) for complete debt portfolio is 11.5 years, which shows the debt portfolio average maturity period is high and indicates low exposure to re-financing risk.

## **Table 2: Composition by creditors as of June 30, 2018 (Sindh Debt Portfolio)**

The amount has increased by total PKR 22.602 billion which includes the recovery for amount of approximately PKR 9.694 billion on account of principal repayments of foreign and domestic loans and new disbursements for amount of PKR 21.269 billion in the same tenor.

## **Graph: 1 Interest servicing year wise**

Interest charges indicates a gradual decrease because of reducing of total loan balances, specifically key impact on account of domestic loan which is 4.75% of total debt portfolio and comprises 35.36% of interest charges share in FY 2017-18. Such a high interest charges share is due to very old domestic loans on higher rates before FY 2000-01 along with its shorter maturity. Other major factor is our assumption that there would not be inclusion of any new foreign or domestic loans in next 01 (one) decade.

## **Graph: 2 Redemption Profile for Public Debt**

Redemption profile shows increase in principal on account of foreign loans because of inclusion of new loans with principal payments due in Specific years.

\* ATR: Average Time to Refixing

\*\*ATM: Average Time to Maturity

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- <sup>i</sup> WAIR (weighted average interest rate) is the aggregate **rate of interest** paid on all debt.
  - <sup>ii</sup> **Foreign exchange risk** (also known as **FX risk, exchange rate risk** or **currency risk**) is a financial **risk** that exists when a financial transaction is denominated in a **currency** other than that of the local **currency** of the Country
  - <sup>iii</sup> Interest Rate Risk indicates the exposure of debt portfolio to any variation in interest rates.
  - <sup>iv</sup> ATR (Average Time to Re-fixing) is a measure of weighted average time until all the principal payments in the debt portfolio become subject to a new interest rate
  - <sup>v</sup> Re-financing risk is the risk to measure its vulnerability against rolling over the debt on higher interest rates.
  - <sup>vi</sup> ATM (average time to maturity) measures the weighted average time to maturity of all the principal payments in the portfolio.