



# Debt Bulletin

## Public Debt

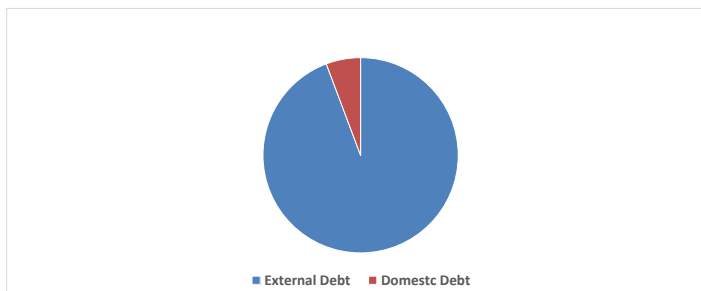
As at September 30, 2021, total Public debt stood at \$66.4 million, or equivalent to 15.2 percent of GDP. Outstanding debt comprised of domestic debt of \$62.9 million or 94.7 percent. Of this, \$13.9 million was government guarantees and \$17.8 million was on-lending. Domestic debt was \$3.5 million or 5.3 percent as at September 30, 2021 (refer Chart 1). All domestic debt are lines of credit at the FSM Development Bank (FSMDB) secured over assets of the National Government owned Petro-corp.

Public debt decreased by \$2.0 million or 2.9 percent when compared to June 30, 2021 and by \$13.7 million or 17.1 percent annually.

The annual decline is significant and reflects the US Rural Utilities Services writing off \$8.2 million in debt owed to them by the FSM Telecommunications

Corpo-

Chart 1: Total Debt



After a period of sizeable borrowing in the early 1990s, to finance development projects, external debt has fallen significantly, and in more recent times the FSM has maintained a prudent external debt profile.

The external Debt-to-GDP ratio is low by developing country standards. However, the FSM is deemed to be at high risk of debt distress by the International Monetary Fund due to the high level of uncertainty around the expiring of the economic provisions in the Amended Compact in 2023 and the possible need to borrow to maintain operations of State Governments.

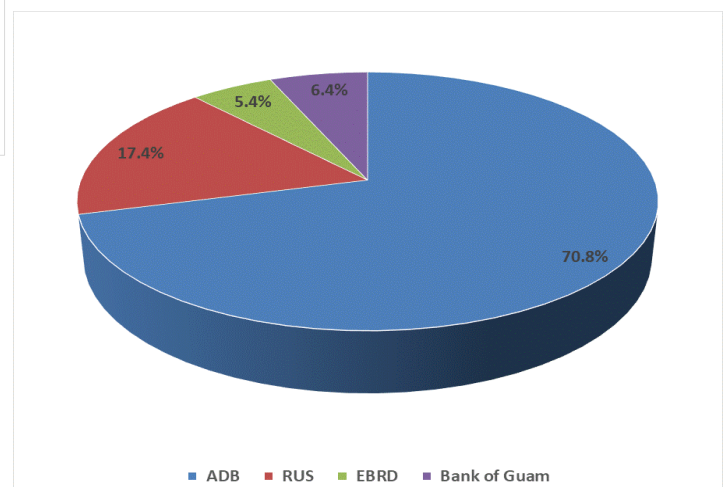
## Debt by Lending Institution

### External Debt

Total outstanding external debt as at September 30, 2021, stood at \$66.4 million. Of this, \$44.5 million (70.8 percent) is owed to the Asian Development Bank, a further \$11.0 million (17.4 percent) is owed to the US Rural Utilities Services (RUS), \$4.0 million (6.4 percent) is owed to the Bank of Guam, and \$3.3 million (5.4 percent) to the European Bank for Reconstruction and Development (refer Chart 2).

There was very little change in the institutional allocation during the quarter but on an annual basis there was a significant drop in debt owed to the RUS declining from \$18 million as at September 30 2020, to \$11.0 million as at September 30 2021.

Chart 2: External Debt by institution





This was a result of the RUS restructuring its debt portfolio with the FSM Telecommunications Corporation. As well as writing off an \$8.2 million loan it also provided relief on principal payments for two-years in recognition of the economic difficulties of trading during these COVID-19 times.

## Domestic Debt

Total outstanding external debt as at September 30, 2021, stood at \$3.5 million. All domestic debt is owed to the FSMDB. The only entity currently borrowing in the domestic market is the National Government owned Petrocorp. The domestic debt is in the form of lines of credit, secured over the companies assets.

The FSM Government does not issue treasury bonds or other domestic debt instruments.

## Debt by Government

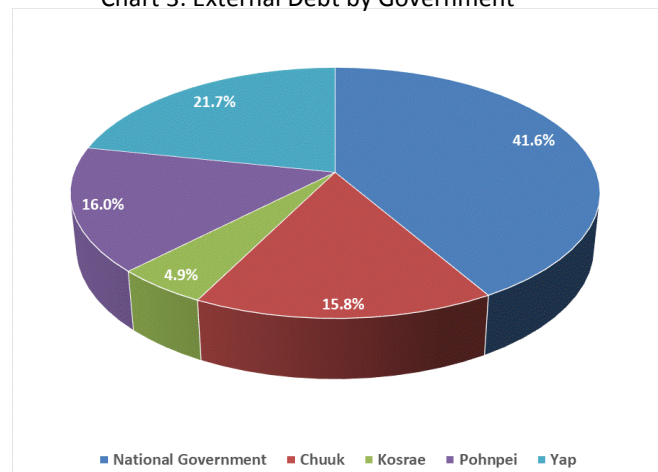
By government, as of September 30, 2021 the largest share of public debt, \$26.2 million (41.6 percent), is owed by the National Government and its component units, followed by Yap State Government with \$13.6 million (21.7 percent), then Pohnpei State with \$10.1 million (15.8 percent), then Chuuk State with \$9.9 million (16.2 percent, and Kosrae State \$3.1 million (5.0 percent) (refer Chart 3).

## Debt by State Owned Enterprises

Of the total external debt of \$62.9 million at the end of September 30, 2021, \$13.9 million was guaranteed debt and \$17.3 million was on-lent by the National Government. At the State level \$22.0 million of this debt is held by the utility companies.

Generally, this debt is on-lent at the same favourable concessionary terms that the National Government receives from the ADB.

Chart 3: External Debt by Government



## Debt Servicing

FSM's external debt service for the year ended September 30, 2021 was \$7.4 million an increase on the previous year's debt servicing of \$5.2 million. FY2020 was an unusual year due to the COVID-19 pandemic and as a result debt relief was provided on RUS loans whereby principal payments were placed on hold.

Of the total debt servicing for FY2021 \$6.1 million was for external debt servicing and \$1.3 million was domestic. Principal payments were \$3.0 million in FY2020 while interest made up \$4.4 million of the total debt servicing.

As a share of domestic revenues, debt service was 3.1 percent in FY2021 a slight increase over the ratio of 2.0 percent at the end of FY2020. Debt service ratios remain very favourable by international standards, reflecting the concessionary nature of FSM's outstanding debt.



FSM DEPARTMENT OF FINANCE & ADMINISTRATION

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## Debt Statistics \$m

	FY2017	FY2018	FY2019	Sep 20	Jun 21	Sep 21	Annual % change
<b>Total Public Debt</b>	<b>84.4</b>	<b>83.0</b>	<b>77.8</b>	<b>80.1</b>	<b>68.4</b>	<b>66.4</b>	<b>-17.1</b>
External debt	78.5	78.6	73.9	75.3	64.5	62.9	-16.5
Guaranteed	22.1	24.8	22.7	22.8	13.9	13.9	-39.1
On-lent	26.1	28.7	26.7	26.8	17.3	17.3	-35.4
Domestic debt	5.9	4.4	4.0	4.8	3.9	3.5	-17.1
<b>Debt to GDP %</b>	<b>23.3</b>	<b>20.9</b>	<b>19.7</b>	<b>19.3</b>	<b>15.9</b>	<b>15.2</b>	<b>-21.2</b>
External debt to GDP	21.7	19.8	18.7	18.1	15.0	14.4	-20.1
Domestic debt	1.6	1.1	1.0	1.2	0.9	0.8	-33.3
<b>Total Public Debt by Government</b>	<b>85.4</b>	<b>83.9</b>	<b>77.9</b>	<b>80</b>	<b>68.3</b>	<b>66.4</b>	<b>-17.1</b>
National	39.2	39.8	36.5	40.8	30.9	29.7	-17.2
Chuuk	13.2	12.3	11.3	10.7	10.1	9.9	-7.7
Kosrae	4.4	4.0	3.6	3.3	3.2	3.1	-6.1
Pohnpei	13.2	12.4	11.5	10.8	10.3	10.1	-6.5
Yap	15.4	15.4	15.0	14.4	13.8	13.6	-5.6
<b>External Debt by Creditor</b>	<b>79.4</b>	<b>79.4</b>	<b>73.8</b>	<b>75.3</b>	<b>64.5</b>	<b>62.9</b>	<b>-16.5</b>
ADB	55.0	52.5	49.2	47.5	45.9	44.5	-6.3
RUS	22.7	20.7	19.3	19.3	11.0	11.0	-43.0
EBRD	1.0	0.9	0.7	3.8	3.5	3.4	-10.1
Bank of Guam	0.7	5.3	4.6	4.7	4.1	4.0	-14.9
<b>Domestic Debt by Creditor</b>							
FSMDB	5.9	4.4	4.0	4.8	3.9	3.5	-17.1



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## Debt Statistics (cont.) \$m

	FY2017	FY2018	FY2019	Sep 20	Jun 21	Sep 21	Annual % change
<b>Total Public Debt Service</b>	<b>6.1</b>	<b>7.8</b>	<b>8.9</b>	<b>5.2</b>	<b>0.1</b>	<b>7.4</b>	<b>42.3</b>
External debt	6.0	7.6	8.1	4.6	0.0	6.1	17.3
Principal	4.1	5.7	6.1	2.6	0.0	4.2	161.6
interest	1.9	1.9	2.0	2.0	0.0	1.9	-5.0
Domestic debt	0.1	0.2	0.8	0.6	0.1	1.3	216.7
Principal	0.1	0.1	0.7	0.5	0.1	1.1	202.0
interest	0.0	0.1	0.1	0.1	0.0	0.1	0.0