

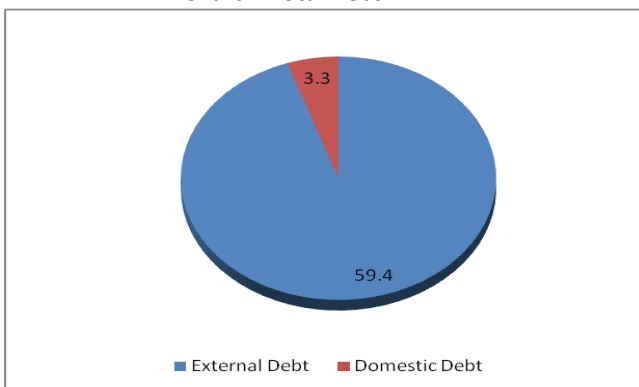


Public Debt

As of September 30, 2022, total public debt stood at \$62.7 million or equivalent to 17.9 percent of GDP. Outstanding debt comprised of external debt and domestic debt of which \$59.4 million or 95.0 percent was for external debt and \$3.3 million or 5.3 percent was for domestic debt (refer to Chart 1). Of this, \$13.7 million was for government guarantees and \$14.3 million was for on-lending. All domestic debt is lines of credit at the FSM Development Bank (FSMDB) secured over assets of the National Government owned Petrocorp.

Public debt decreased by \$2.3 million or -5.6 percent when compared to September 2021. There was a significant annual decline in FY2021, because of principal repayments and US Rural Utilities Services writing off \$8.2 million in debt owed to them by the FSM Telecommunications Corporation.

Chart1: 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.

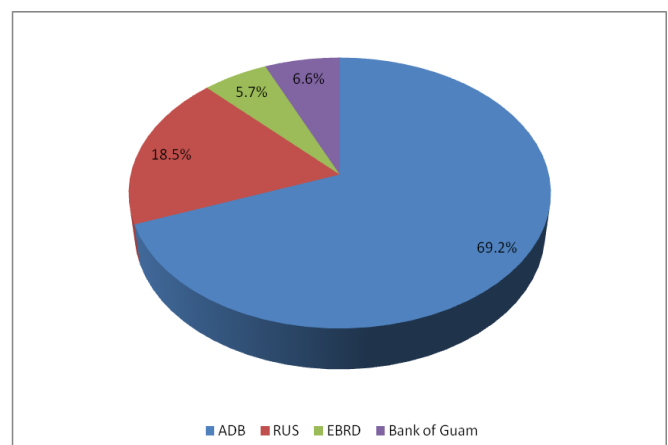
Debt by Lending Institution

External Debt

Total outstanding external debt as of September 30, 2022, stood at \$59.4 million. Of this, \$41.1 million (69.2 percent) is owed to the Asian Development Bank, a further \$11.0 million (18.5 percent) is owed to the US Rural Utilities Services (RUS), \$3.9 million (6.8 percent) is owed to the Bank of Guam, and \$3.4 million (5.7 percent) to the European Bank for Reconstruction and Development (refer Chart 2).

There was very little change in the institutional allocation during the quarter numbers for September 2021 compared to September 2022, but on an annual basis there was a significant drop in debt owed to the RUS declining from \$18 million in FY2020 to \$11.0 million in FY2021.

Chart2: 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 of September 30, 2022, stood at \$3.3 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 company's assets.

The FSM Government does not issue treasury bonds or other domestic debt instruments. There are no new loans contracted over the quarter. FSM is not planning to contract any new loans in the near term.

Debt by Government

By government, as of September 30, 2022, the largest share of public debt, \$27.4 million (43.7 percent), is owed by the National Government and its component units, followed by Yap State Government with \$13.4 million (21.4 percent), then Pohnpei State with \$9.4 million (15.0 percent), then Chuuk State with \$9.6 million (15.3 percent) and Kosrae State \$2.9 million (4.6 percent) (refer Chart 3).

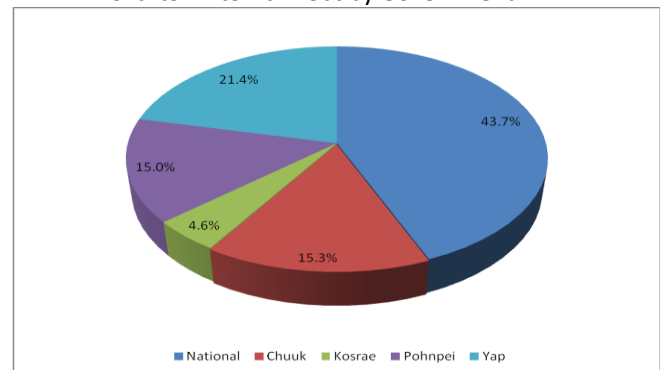
Debt by State Owned Enterprises

Of the total external debt of \$59.4 million at the end of September 30, 2022, \$13.7 million was guaranteed debt and \$14.3 million was on-lent by the National Government. The national guaranteed debt includes FSM PetroCorp, FSM Telecommunication, and Yap

State Public Service Corporation. 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.

Chart3: External Debt by Government



Debt Servicing

FSM's external debt service for the year ended September 30, 2022, was \$2.0 million, an increase of 11.1 percent compared to September 30, 2021. 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 the year ended September, 2022, \$1.5 million was for external debt servicing and \$0.5 thousand was for domestic. Principal payments were \$1.5 million while interest made up only \$0.5 thousand of the total debt servicing. It is expected to increase on an annual basis.

As a share of domestic revenues, debt service was 4.3 percent in FY2022 a slight increase over the ratio of 0.9 percent at the end of FY2021.



Debt Bulletin

Debt Statistics \$m

	FY2018	FY2019	FY2020	FY2021	21-June	21-Sept	22-June	22-Sept	Annual % change
Total Public Debt	83.0	77.9	80.1	66.4	68.4	66.4	65.0	62.7	-5.6%
External debt	78.6	73.9	75.3	62.9	64.5	62.9	61.5	59.4	-5.6%
Guaranteed	24.8	22.7	22.8	13.9	13.9	13.9	13.7	13.7	-1.4%
On-lent	28.7	26.7	26.8	17.3	17.3	17.3	16.2	14.3	-17.3%
Domestic debt	4.4	4.0	4.8	3.5	3.9	3.5	3.5	3.3	-5.7%
Debt to GDP %	23.2	22.5	23.2	19.4	19.9	19.4	18.6	17.3	-6.5%
External debt to GDP	22.0	20.8	21.8	18.3	18.8	18.3	17.6	17.0	-6.4%
Domestic debt	1.2	1.1	1.4	1.0	1.1	1.0	1.0	0.9	-9.1%
Total Public Debt by Government	83.0	77.9	80.1	66.4	68.4	66.4	65.0	62.7	-5.0%
National	39.0	36.5	40.8	29.7	30.9	29.7	29.1	27.4	-7.7%
Chuuk	12.2	11.3	10.7	9.9	10.1	9.9	9.6	9.6	-3.0%
Kosrae	4.0	3.6	3.4	3.1	3.3	3.1	3.0	2.9	-6.5%
Pohnpei	12.4	11.5	10.8	10.1	10.3	10.1	9.9	9.4	-6.9%
Yap	15.4	15.0	14.4	13.6	13.8	13.6	13.4	13.4	-1.5%
External Debt by Creditor	78.6	73.8	75.3	62.9	64.5	62.9	61.5	59.4	-4.7%
ADB	52.5	49.2	47.5	44.5	45.9	44.5	43.2	41.1	-5.9%
RUS	20.3	19.3	19.3	11.0	11.0	11.0	11.0	11.0	0.0%
EBRD	0.9	0.7	3.8	3.4	3.5	3.4	3.4	3.4	-2.9%
Bank of Guam	4.9	4.6	4.7	4.0	4.1	4.0	3.9	3.9	-4.9%
Domestic Debt by Creditor									
FSMDB	4.4	4.0	4.8	3.5	3.9	3.5	3.5	3.3	-5.7%

