



PUBLIC DEBT-RISK INDICATORS

Table 2: Composition by creditors

Agency	Count	DOD Outstanding (PKR) June 30, 2017	DOD Outstanding (PKR) Dec 31, 2017	% of Total
IDA	55	153,743	163,161	56.65%
ADB	42	92,081	97,534	33.86%
Japan	3	10,783	11,689	4.06%
Fed. Govt.	24	15,295	14,715	5.11%
Others	4	962	929.34	0.32%
Total	128	272,864	288,029	100%

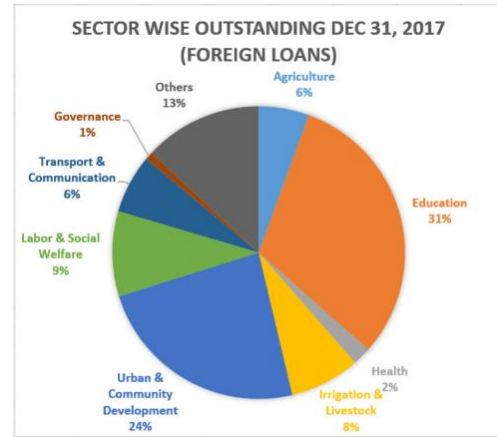
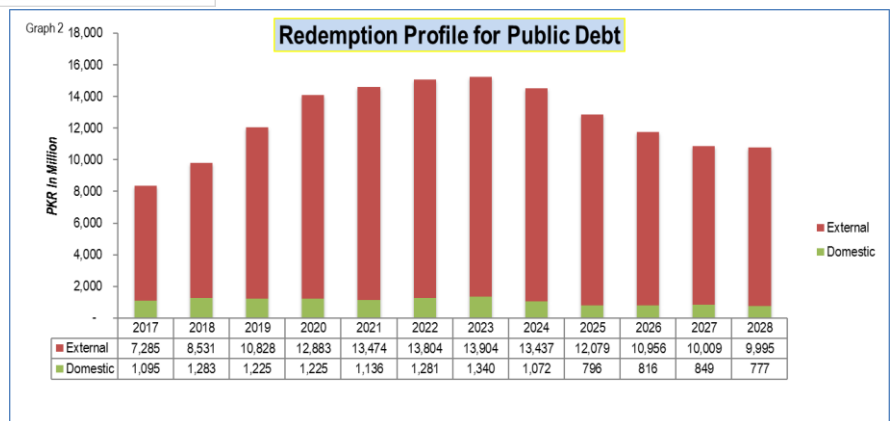
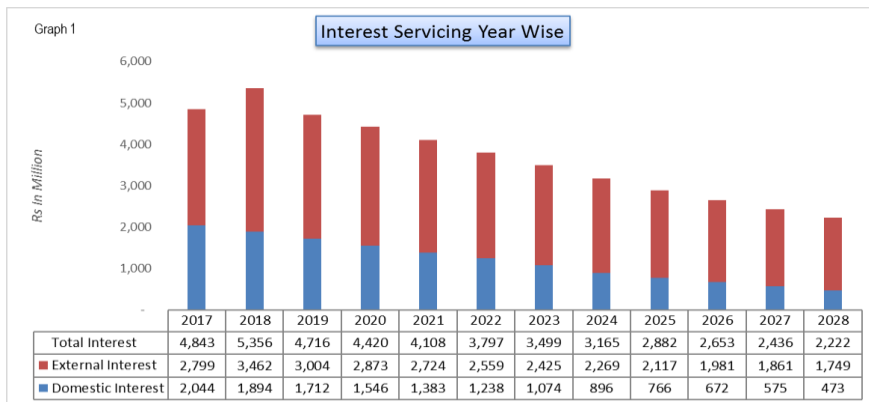


Table-1: Risk Indicators

Risk Indicators		Domestic Debt	External Debt	Total Public Debt	Domestic Debt	External Debt	Total Public Debt
		End-Dec 2017			End-June 2017		
FX risk	FX debt (% of total debt)	-	92.8%	-	-	92.6%	-
Interest rate risk	Debt Re-fix in 1yr (% of total)	6.5%	15.7%	15.1%	7.2%	15.4%	14.8%
	Fixed rate debt (% of total)	100%	86%	87%	100%	87%	88.6%
	*ATR (years)	8.2	10	9.8	7.9	9.9	9.8
Refinancing risk	Debt maturing in 1yr (% of total)	7.6%	3.1%	3.3%	7.2%	3.1%	3.4%
	**ATM (years)	8.2	12.2	11.9	7.9	12.1	11.8

PKR in Million

Currencies	Percentage
US Dollar	87.26%
Pak Rupees	7.20%
Yen	4.05%
Others	1.49%
Total	100%



Summary:

The publication of Sindh Debt Bulletin as of December 31, 2017 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 06 months. All the foreign loans are on lent from Federal Government on the same terms and conditions.

WAIRⁱ (weighted average interest rate) for domestic loan is 8.66% (in actual 11.5% if not excluding 1 foreign loan in PKR) which is relatively high when comparing to external portfolio WAIR for 1.32% only, due to old domestic loans before year 2000, on very high rates. Total WAIR for entire portfolio is 1.85%. Current prevailing SBP (State Bank of Pakistan) discount rate is 6.5% and Sindh Government has not opting for any domestic loans from last few years. In previous debt bulletin as of June 30, 2017, WAIR for external debt portfolio was 1.23% and has now increased by 0.9% 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 732.320 billion, PKR 606.962 billion and PKR 13.223 billion in FY 2016-17. On account of GRR and GRE, Debt servicing as % was only 1.81% and 2.18% respectively.

Recent Borrowing Activities:

During last 06 months, amount of PKR 9.068 billion was disbursed on account of 12(twelve) active foreign loans from 02 (two) multilateral agencies IDA and ADB. There are 03(three) new loans initiated, i.e IDA 6022 (Karachi Neighborhood Improvement Project), IDA 6047(Sindh Enhancing Response Project), and ADB 6008(Karachi Bus Rapid Transit Facility) in last 06 months tenor.

Table 1: Risk Indicators

ⁱFX Risk:

The share of foreign currency denominated loans is 92.8% of total Sindh debt portfolio, which could be termed a higher exposure to Currency risk/Exchange rate risk.

ⁱⁱⁱInterest Rate Risk:

Debt re-fixing in one year as a percentage of total is 15.1% which is low side. It includes debt on fixed rate maturing within current year plus 04 (four) LBL (Libor Based loans) category, re-fixed after every 06 months period.

^{iv}ATR (Average time to re-fixing) for complete debt portfolio is 9.8 years which is high and indicates low risk relatively, when measuring its vulnerability towards interest rate risk.

^vRe-financing Risk:

Debt maturing in 01 (one) year is average 3.4% of total debt portfolio only, which is low when considering its exposure to re-financing risk.

^{vi}ATM (average time to maturity) for complete debt portfolio is 11.9 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 December 31, 2017 (Sindh Debt Portfolio)

The amount has increased by PKR 15.16 billion mainly due to depreciation of PKR vs other portfolio currencies by approximately 4%, i.e USD 109.75, Yen 1.03 and SDR 159.62. It includes the recovery for amount of approximately PKR 7.92 billion on account of principal repayments of foreign and domestic loans and new disbursements for amount of PKR 9.068 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 5.3% of total debt portfolio and comprises 35.4% 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.

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.

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- ⁱ WAIR (weighted average interest rate) is the aggregate **rate of interest** paid on all debt.
 - ⁱⁱ **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
 - ⁱⁱⁱ Interest Rate Risk indicates the exposure of debt portfolio to any variation in interest rates.

 - ^{iv} 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
 - ^v Re-financing risk is the risk to measure its vulnerability against rolling over the debt on higher interest rates.

 - ^{vi} ATM (average time to maturity) measures the weighted average time to maturity of all the principal payments in the portfolio.

* ATR: Average Time to Refixing

**ATM: Average Time to Maturity