PUBLICDEBT-RISKINDICATORS

Table-1:RiskIndicators

RiskIndicators		**Domestic Debt**	**External Debt**	**Total Public Debt**
		End-June2017		
FXrisk	FXdebt(%of totaldebt)	-	92.6%	-
Interestrate risk	DebtRe-fixingin1yr (%of total)	7.2%	15.4%	14.8%
	WAIR (weighted average interest rate)	9.1%	1.2%	1.8%
	Fixedratedebt (%of total)	100%	87%	88.6%
	*ATR(years)	7.9	9.9	9.8
Refinancing risk	Debtmaturingin1yr (%of total)	7.2%	3.1%	3.4%
	**ATM(years)	7.9	12.1	11.8

PKR in Million

Table 2: Composition by creditor as of June 30, 2017

Agency	Count	DOD outstanding (PKR)	% of total
IDA	53	153,743	56.34%
ADB	42	92,081	33.75%
IFAD	2	228	0.08%
IBRD	1	292	0.11%
OPEC	1	442	0.16%
Japan	3	10,783	3.95%
Fed. Govt.	24	15,295	5.61
Total	126	272,864	100%

Graph 1

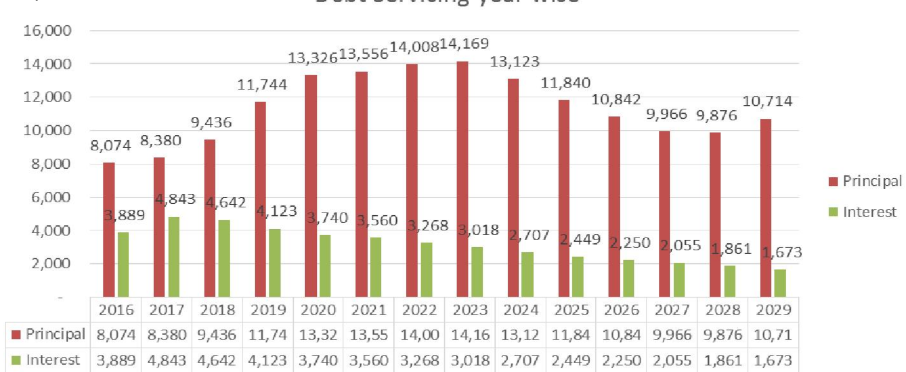

Table 3: Currency Wise Exposure Sindh Debt Portfolio 30.06.2017

Currencies	Percentage
Pak Rupees	7.64%
US Dollar	86.99%
Special Drawing Right	1.42%
JPY	3.95%
Total	100.00%

Graph 2

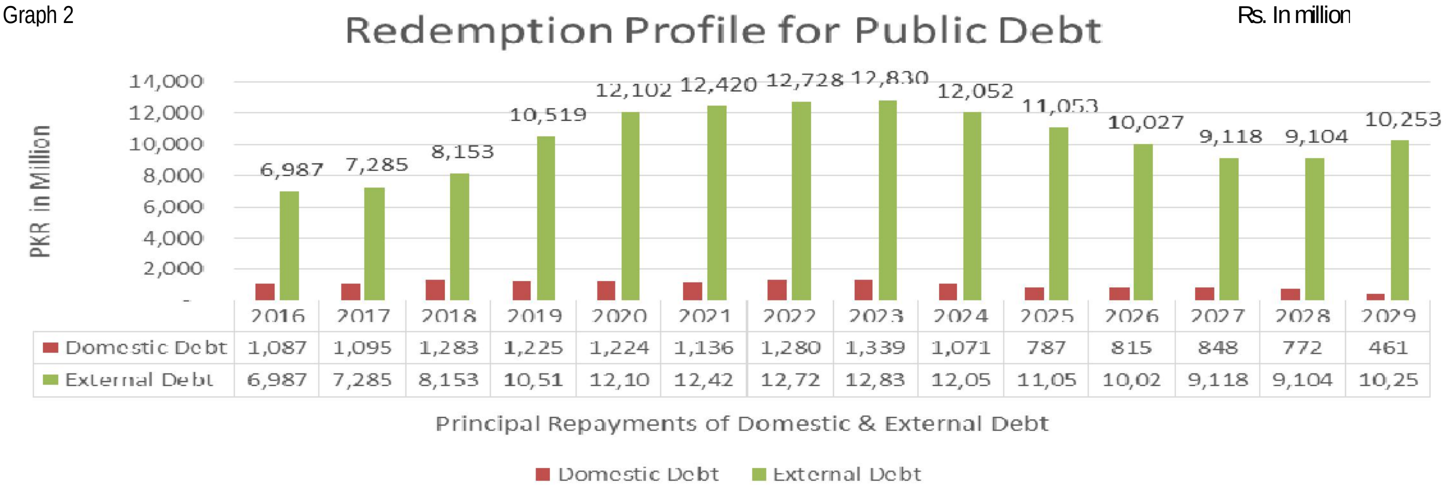

Table 1: Risk Indicators

* ATR: Average Time to Refixing
**ATM: Average Time to Maturity

[i]FX Risk:

- The share of foreign currency denominated loans is 92.6% of total Sindh debt portfolio, which is relatively on higher side when refers an exposure to Currency risk/Exchange rate risk.

[ii]Interest Rate Risk:

- Debt re-fixing in one year as a percentage of total is 14.8% which is relatively on lower side. It includes debt on fixed rate maturing within current year plus 02 (two) ADB (Asian Development Bank) loans on LBL (Libor Based loans) category, re-fixed after every 06 months period.
- [iii]ATR (Average time to re-fixing) for complete debt portfolio is 9.8 years which is quite high and indicates low risk relatively, when measuring its vulnerability towards interest rate risk.
- WAIR[iv] (weighted average interest rate) for domestic loan is 9.1% (in actual 12.5% if not excluding 1 foreign loan in PKR) which is relatively high when comparing to external portfolio WAIR for 1.2% only. Total WAIR for entire portfolio is 1.8%.

[v]Re-financing Risk:

- Debt maturing in 01 (one) year is average 3.4% of total debt portfolio only, which is quite low when considering its exposure to re-financing risk.
- [vi]ATM (average time to maturity) for complete debt portfolio is 11.8%, which shows the debt portfolio average maturity period is still quite high and indicates low exposure to re-financing risk.

Table 2: Composition by creditors as of June 30, 2017 (Sindh Debt Portfolio)

Table:2 depicts an external funding mostly obtained through World Bank-IDA loans, Asian Development Bank loans and Federal Government constitutes 56.34%, 33.75% and 5.61% respectively of total Sindh debt portfolio. There is another major source of funding JICA indicating 3.95% and rest are almost negligible.

Table 3: Currency Wise Public Debt

Sindh Debt portfolio comprises of 03 foreign currencies i.e. USD, JPY and SDR. The major exposure of exchange rate risk comes from USD denominated loans with 86.99%, Japanese Yen 3.95% followed by SDR with 1.42% respectively.

Graph: 1 Debt servicing year wise

There are 02 (two) variables of Debt servicing, principal and interest charges. On account of principal, it would gradually rise in next few years because of inclusion of new loans with principal servicing due in specific years. However, Interest charges indicates a gradual decrease because of reducing of total loan balances, specifically key impact on account of domestic loan which is 5.6% of total debt portfolio and comprises 42.2% of interest charges share in FY 216-17.

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. However, there will be a gradual decrease in domestic loan amount align with the reduction in loan balances each year.

* ATR: Average Time to Refixing
**ATM: Average Time to Maturity

[i] 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

[ii] Interest Rate Risk indicates the exposure of debt portfolio to any variation in interest rates.

[iii] 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

[iv] WAIR (weighted average interest rate) is the aggregate rate of interest paid on all debt.

[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