



PUBLIC DEBT-RISK INDICATORS

Table 2: Composition by creditor (PKR in million)

Agency	Count	Amount outstanding (PKR) June 30, 2018	Amount outstanding (PKR) June 30, 2019	% of Total Debt
World Bank	56	169,841	220,106	59.59
ADB	43	99,296	122,887	33.27
Japan	3	11,229	12,321	3.34
Fed. Govt.	22	14,132	13,026	3.53
Others	5	968	1,037	0.28
Total	129	295,466	369,377	100%

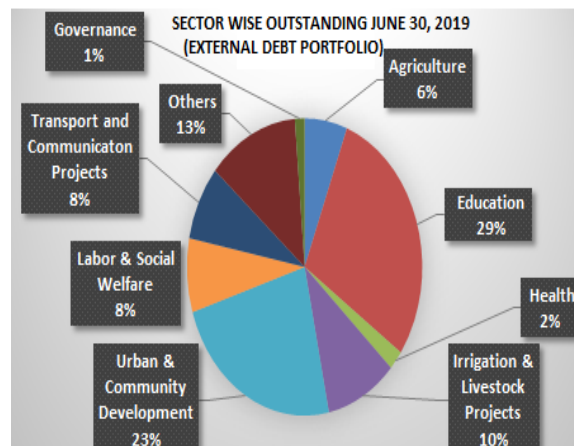


Table-1 : Risk Indicators

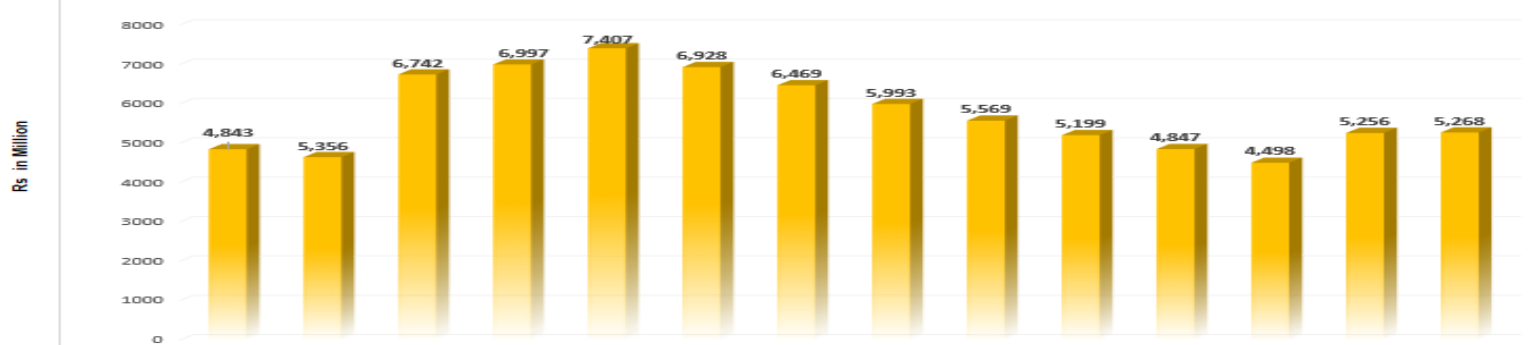
Risk Indicator		Domestic Debt	External Debt	Total Public Debt	Domestic Debt	External Debt	Total Public Debt
		End- June 2018			End- June 2019		
FX risk	FX debt (% of total debt)	-	95.2%	-	-	96.1%	-
Interest rate risk	Debt Re-fixing in 1 yr (% of total)	8.7%	19.3%	18.8%	9.4%	22%	21.5%
	Fixed rate debt (% of total)	100%	86%	85.7%	100%	82.7%	83%
	*ATR(years)	7.3	9.5	9.4	6.6	9.1	9
Refinancing risk	Debt maturing in 1 yr(% of total)	8.7%	4.3%	4.5%	9.4%	4.6%	4.8%
	**ATM(years)	7.3	11.7	11.5	6.6	11.4	11.2

Table 3: Currency Wise Exposure Sindh Debt Portfolio as of June 30, 2019

Currencies	Percentage
US Dollar	64.48%
JPY	3.34%
Pak Rupees	4.95%
SDR	27.23%
Others	0.40%
Total	100%

Graph 1

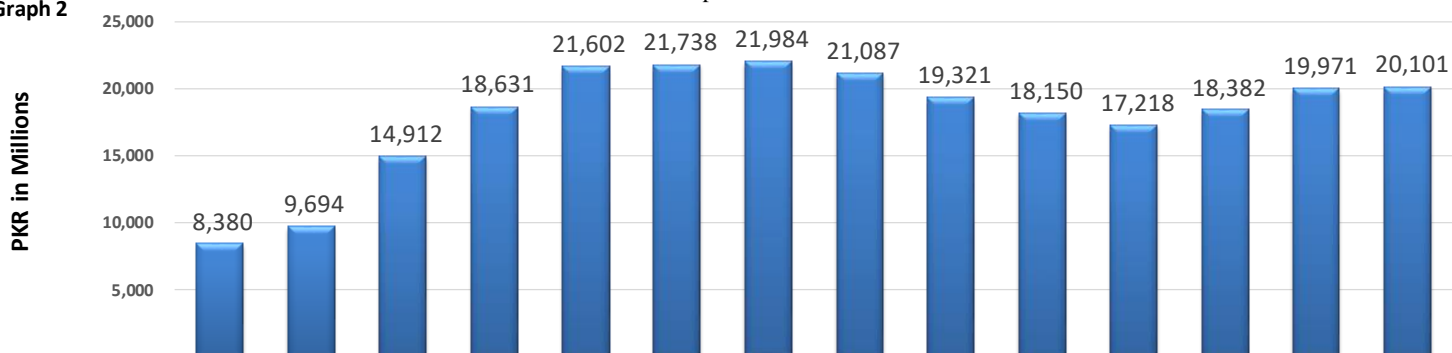
Interest Profile Year Wise



Years	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
External	2,793	3,462	5,008	5,407	5,972	5,680	5,385	5,087	4,793	4,519	4,263	4,017	4,872	4,338
Domestic	2,044	1,894	1,735	1,590	1,435	1,248	1,084	906	776	680	584	481	384	330
Total Interest	4,843	5,356	6,742	6,997	7,407	6,928	6,469	5,993	5,569	5,199	4,847	4,498	5,256	5,268

Principal Profile Year Wise

Graph 2



Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXTERNAL	7,285	8,531	13,806	17,471	20,209	20,457	20,654	20,016	18,516	17,335	16,365	17,605	19,470	19,573
DOMESTIC	1,095	1,163	1,106	1,160	1,393	1,281	1,330	1,071	805	815	853	777	501	528
TOTAL PRINCIPAL	8,380	9,694	14,912	18,631	21,602	21,738	21,984	21,087	19,321	18,150	17,218	18,382	19,971	20,101

* ATR: Average Time to Refixing

**ATM: Average Time to Maturity

Summary:

The publication of Sindh Debt Bulletin as of June 30, 2019 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.

WAIRⁱ (weighted average interest rate) for domestic loan is 12.4% which is relatively high when comparing to external portfolio WAIR for 1.57% 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 13.25% and Sindh Government has not opting for any domestic loans from last few years. In previous debt bulletin as of June 30, 2018, WAIR for external debt portfolio was around 2% which remains in a same range in FY 2018-19.

GRR (General Revenue Receipt), GRE (General Revenue Expenditure) and Debt Servicing (Principal + Interest) were PKR 813.01 billion, PKR 659.2 billion and PKR 21.66 billion in FY 2018-19. On account of GRR and GRE, Debt servicing as % was only 2.7% and 3.30% respectively.

Recent Borrowing Activities:

During last 12 months, amount of PKR 22.078 billion was disbursed on account of 16(sixteen) foreign loans from 02 (two) multilateral agencies (World Bank & Asian Development Bank) and 01 (one) Bilateral agency (South Korea). There are 05 (five) new Loans (Competitive and Livable City of Karachi Project-USD 230 million World Bank-IBRD, Karachi Water and Sewerage services improvement project-USD 105 million World Bank-IBRD/AIIB, Karachi Mobility project (BRT-Yellow Line)- USD 438.9 million World Bank-IBRD), Sindh Solar Energy Project – USD 95.83 million World Bank-IDA and Karachi BRT Red Line project-USD 493 million ADB/AIIB/AFD/GCF are recently approved/signed respectively.

Table 1: Risk Indicators

ⁱⁱFX Risk:

The share of foreign currency denominated loans is 96.1% 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 21.5% 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.

^{iv}ATR (Average time to re-fixing) for complete debt portfolio is 9 years which is high and indicates low risk relatively, while measuring its vulnerability towards interest rate risk.

^vRe-financing Risk:

Debt maturing in 01 (one) year is average 4.8% of total debt portfolio only, which is low, considering its exposure to re-financing risk.

^{vi}ATM (average time to maturity) for complete debt portfolio is 11.2 years, which shows the debt portfolio average maturity period is high and indicates low exposure to re-financing risk.

Table 2: Creditors wise Composition as of June 30, 2019 (Sindh Debt Portfolio)

The amount has increased by total PKR 75.018 billion in FY 2018-19. Total loan disbursements and principal payments recorded for the year were PKR 22.078 billion and PKR 13.806 billion and a currency depreciation effect of PKR 66.557 billion.

Graph: 1 Interest servicing year wise

Interest charges indicates an abrupt increase due to currency depreciation for more than 20% in FY 2018-19. In addition to this, there is also a key impact on account of domestic loan which is 3.53% of total debt portfolio and comprises 25.75% of interest charges share in FY 2018-19. Such a high interest charges share is due to very old domestic loans borrowed on higher rates before FY 2000-01 along with its shorter maturity. Other key reason is gradual increase in foreign loan variable rate category to 17% which is a non-concessional lending from lender agencies.

* ATR: Average Time to Refixing

**ATM: Average Time to Maturity

Graph: 2 Principal Profile year wise

Principle redemption profile shows increase in principal repayment of FY 2018-19 onwards mainly due to currency depreciation for more than 20% and inclusion of few 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.