GOVERNMENT OF GRENADA

# PROSPECTUS FOR GOVERNMENT SECURITIES

## FOR THE PERIOD

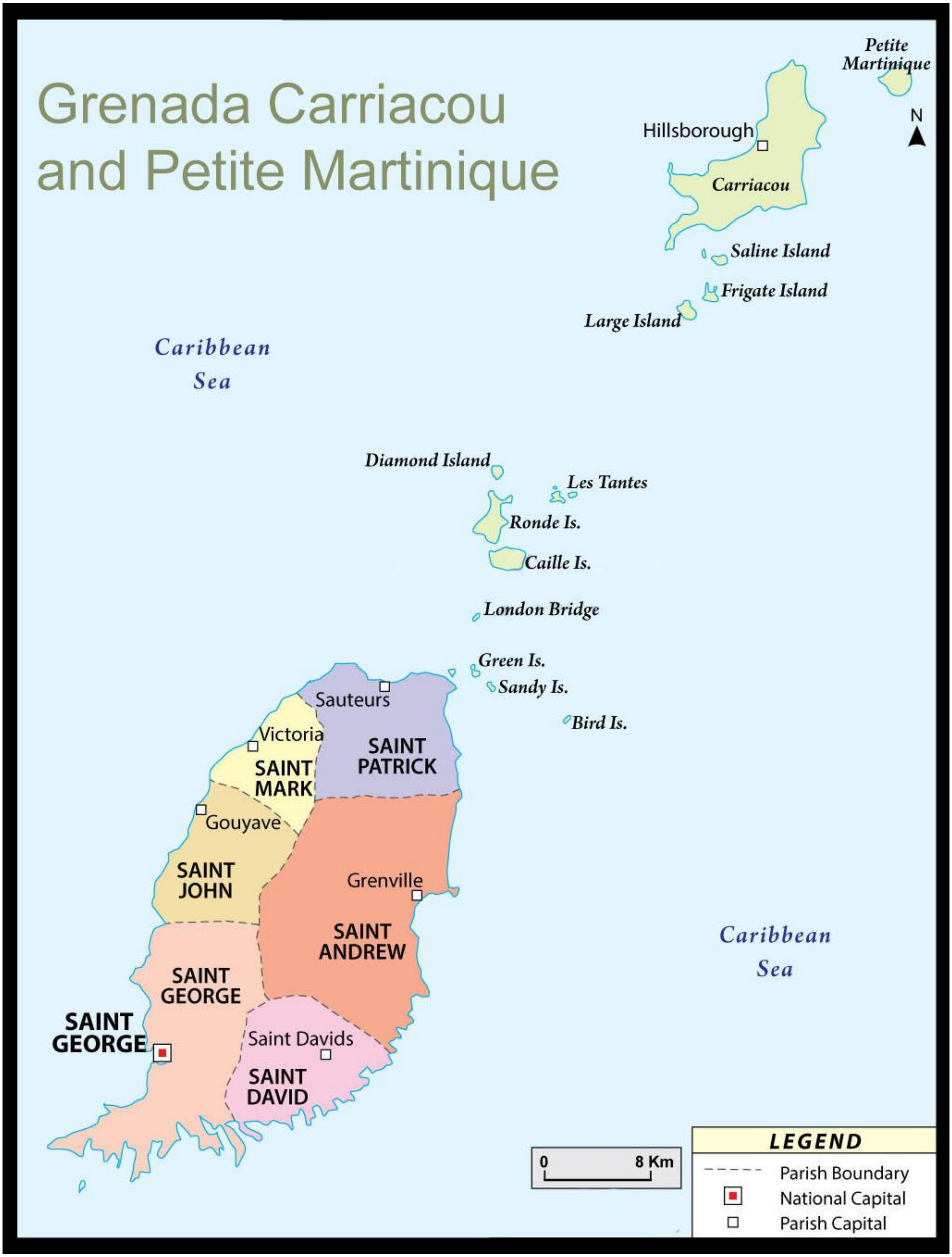
DECEMBER 2018 – DECEMBER 2019

**EC$45 MILLION 91-DAY TREASURY BILLS**

**EC$55 MILLION 365-DAY TREASURY BILLS**

MINISTRY OF FINANCE
FINANCIAL COMPLEX
CARENAGE
ST.GEORGE'S
TEL: 473-440-2731
FAX: 473-440-4115
EMAIL: finance@gov.gd

DATE OF PROSPECTUS: DECEMBER 2018



Grenada Carriacou and Petite Martinique
Petite Martinique
N
Hillsborough
Carriacou
Saline Island
Frigate Island
Large Island
Caribbean Sea
Diamond Island
Les Tantes
Ronde Is.
Caille Is.
London Bridge
Green Is.
Sandy Is.
Bird Is.
Sauteurs
Victoria
SAINT PATRICK
SAINT MARK
Gouyave
SAINT JOHN
Grenville
SAINT ANDREW
Caribbean Sea
SAINT GEORGE
SAINT GEORGE
Saint Davids
SAINT DAVID
0
8 Km
LEGEND
Parish Boundary
National Capital
Parish Capital

# ***ABOUT THE STATE OF GRENADA***

The State of Grenada consists of three islands; Grenada, Carriacou and Petit Martinique situated between the Caribbean Sea and the Atlantic Ocean, 12.7 degrees north latitude and 61.4 degrees west longitude.

The Grenada Constitutional Order of 1973, which established the Constitution of Grenada, granted Grenada independence from the United Kingdom on 07 February 1974.

A Governor General (Grenada's Head of State), is appointed by and represents the British Monarch and a Prime Minister is both leader of the majority party and the Head of Government. The Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The last general election was held in March 2018 and the New National Party (NNP), which was in power for the preceding five years contested and won 15 out of the 15 seats in the House of Assembly. Grenada's judicial system is based on the English system, including the principles and practice of English common law. Table 1 sets out selected social indicators for Grenada.

***Table 1: Grenada Selected Social Development Indicators***

| | |
|---|---|
| *Human development rank out of 189 countries (2017)* | *75* |
| *Life expectancy at birth in years (2017)* | *73.8* |
| *Share of seats in Parliament (% held by women) (2018)* | *46.7 percent* |
| *Gross National Income (GNI) per capita (2011 PPP$) (2017)* | *12,864* |
| *Population rate of growth (per cent)(2016)* | *0.7 per cent* |
| *Infant mortality per 1,000 live births (2016)* | *14.4* |
| *Labour force participation rate (2015)* | *71.2 per cent* |

*Source: World Bank (WDI 2017), UNDP HDI 2018 and Ministry of Finance*

# NOTICE TO INVESTORS

*The Government of Grenada is issuing this prospectus to provide information to the public. The Government accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries to ensure the accuracy of this. To the best of its knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading.*

*The Prospectus has been drawn up in accordance with the rules of the Regional Government Securities Market. The Regional Debt Co-ordinating Committee and Eastern Caribbean Central Bank accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus.*

*This Prospectus and its content are issued to cover the series of Government's securities to be issued over the period December 2018 to December 2019. If in need of financial or investment advice, please consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of Government instruments or other securities.*

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## 1.0 ABSTRACT

During the period December 2018 to December 2019, the Government of Grenada is seeking to issue the following Government securities on the Regional Governments Securities Market to refinance its existing treasury bills currently on the market as follows:

91 Day Treasury Bills

**Three issues of fifteen million (EC$15.0M) each.**

***The maximum coupon rate of the new bills being 4 per cent per annum.***

365 Day Treasury Bills

- Twenty-five million (EC$25.0M) in 365 day treasury bills on July 25, 2019.
- Ten million (EC$10.0M) in 365 day treasury bills on October 16, 2019.
- Twenty million (EC$20.0M) in 365 day treasury bills on December 05, 2019.

***The maximum coupon rate of the new bills being 5 per cent per annum.***

In this Prospectus, references to "Grenada" are to the State of Grenada and references to the "Government" are to the Government of Grenada. The Treasury bill issues are being raised under the authority of the Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada. The Constitution of Grenada stipulates that Principal and Interest payments are direct charges on the Consolidated Fund.

All Government of Grenada treasury bills will be opened for bidding at 9:00 a.m. and close at 12:00 noon on the respective auction dates.

A competitive uniform price auction will be used.

## 2.0 INFORMATION ABOUT THE 2018-2019 SECURITY ISSUANCE

**Table 2: Securities Details**

| *SYMBOL* | *AUCTION DATES* | *ISSUE/SETTLEMENT DATE* | *MATURITY DATE* | *ISSUE AMT. EC$M* | *TENOR* | *INTEREST RATE CEILING* |
|---|---|---|---|---|---|---|
| GDB130319 | 11-Dec-18 | 12-Dec-18 | 13-Mar-19 | 15 | 91 Days | 4% |
| GDB140619 | 14-Mar-19 | 15-Mar-19 | 14-Jun-19 | 15 | 91 Days | 4% |
| GDB170919 | 17-Jun-19 | 18-Jun-19 | 17-Sep-19 | 15 | 91 Days | 4% |
| GDB250720 | 25-Jul-19 | 26-Jul-19 | 25-Jul-20 | 25 | 365 Days | 5% |
| GDB161020 | 16-Oct-19 | 17-Oct-19 | 16-Oct-20 | 10 | 365 Days | 5% |
| GDB051220 | 5-Dec-19 | 6-Dec-19 | 5-Dec-20 | 20 | 365 Days | 5% |

**All ISSUES ON THE MARKET ARE IN EC DOLLARS**

**SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED**

## 3.0 GENERAL INFORMATION

| | |
|---|---|
| **Issuer:** | Government of Grenada |
| **Address:** | Ministry of Finance<br>Financial Complex<br>Carenage<br>St. George's<br>Grenada |
| **Email:** | financegrenada@financegrenada.com |
| **Telephone No.:** | 473-440-2731 / 440-2928 |
| **Facsimile No.:** | 473-440-4115 |
| **Contact Persons:** | Dr. The Right Honorable Keith Mitchell, Minister for Finance, finance@gov.gd<br>Mrs. Ophelia Wells-Cornwall, Permanent Secretary Ag. psfinancegrenada@gmail.com<br>Mr. Kendall Alexander, Deputy Permanent Secretary Ag. psfinancegrenada@gmail.com<br>Ms. Quinta Charles, Accountant General qkcharles@agd.gd<br>Mr. Kerry Pierre, Head Debt Management Unit kerrypierre@gmail.com;kerrypierre@dmu.gov.gd |
| **Date of Issue:** | December 2018 – December 2019 |
| **Type of Security:** | Treasury Bills |
| **Amount of Issue:** | EC$100 million |
| **Purpose Security Issue**: | The Treasury bills are being issued as part of Government's Debt Management Strategy to lower the cost of Government's borrowing by reducing reliance on the overdraft facility. |
| **Legislative Authority:** | Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada. |
| **Bidding Period:** | 9:00 am to 12:00 noon on auction days |

| | |
|---|---|
| **Method of Issue**: | The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding. |
| **Listing:** | The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE). |
| **Placement of Bids:** | Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange. |
| **Maximum Bid Price:** | $95.00 (5.00 per cent). |
| **Minimum Bid:** | EC$5,000 |
| **Bid Multiplier:** | EC$1,000 |
| **Bids per Investor:** | Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period. |
| **Taxation:** | Yields will not be subject to any tax, duty or levy by the Participating Governments of the Eastern Caribbean Currency Union (ECCU). The countries are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines. |
| **Licensed Intermediaries:** | Investors will participate in the auction through the services of licensed intermediaries that are members of the Eastern Caribbean Securities Exchange. |

- Bank of Nevis Limited
- Bank of Saint. Lucia Ltd.
- Bank of St Vincent and the Grenadines Ltd.
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd. (Saint Lucia)
- Grenada Co-operative Bank Ltd.

| | |
|---|---|
| **Currency:** | All currency references will be the Eastern Caribbean dollar unless otherwise stated. |

## 4.0 EXECUTIVE SUMMARY

Preliminary estimates based on data for the first quarter indicate that the economy will continue along a positive trajectory in 2018. Real growth of 3.5 percent is projected for 2018 a slight deceleration from the 5.1 percent growth experienced in 2017. Inflation is expected to edge up in 2018 and public finances is anticipated to be strong, based on the outturns for the first half of the year. A Primary and Overall Surplus are provisionally estimated at $176.3 million (5.5 percent of GDP) and $108.6 million (3.4 percent of GDP) respectively.

Public debt to GDP ratio has progressively declined from 106.1 percent in 2014 to 81.3 percent at the end of 2017. Debt restructuring during this period resulted in stock reductions of $372.3 million or 12 percent of 2017 GDP. Contingent upon achieving mid-year fiscal projections, Central Government's debt stock is estimated to decline further relative to 2017. Results from the Ministry of Finance's in-house Debt Sustainability Analysis (DSA) indicate that Grenada's medium to long term debt path is sustainable. Debt sustainability prospects have been greatly enhanced and concerns have waned.

The Financial and Monetary sectors continue to strengthen as foreign assets increased and both commercial banks and credit unions deposits grew. As the value of imports increased, the current account deficit has widened. Economic prospects are positive, but can be affected by a mix of upside and downside risks. Short-term risks are titled to the downside.

The Debt Management Unit (DMU), which resides in the Ministry of Finance, has responsibility for the management of Central Government's public debt to enable greater efficiencies and reduce the cost of debt servicing. The DMU is also responsible for developing and publishing the Medium-Term Debt Strategy (MTDS) that provides Government with a plan to achieve a desired debt portfolio consistent with its debt management objectives.

## 5. 0 FINANCIAL ADMINISTRATION & MANAGEMENT

The Public Finance Management Act 17 was enacted in 2015. In June of that same year, the Public Debt Management Act was passed by Parliament, as well as a Fiscal Responsibility Act which sets the public debt target at 55% of GDP.

The 2015 Public Debt Management Act which was enacted in August 2016 outlines in some detail the functions and deliverables of the DMU, which reports, through the Minister of Finance, to the Parliament and people of Grenada. The Act also puts into law requirements such as the preparation and implementation of a Medium-Term Debt Strategy, Debt Sustainability Analysis and Annual Borrowing Plans. Further, it constitutes the Public Debt Co-ordinating Committee, which is a technical committee that monitors the cash flow and assists with the planning and execution of debt payments and debt contraction decisions.

### *Debt Management Objectives*

Part I Section (4) of the 2015 Public Debt Management Act outlines Grenada's debt management objectives as follows;

(a) ensuring that the financing needs of the Government are met on a timely basis and that its debt service obligations are met at the lowest cost over the medium-to-long term, in a manner that is consistent with an acceptable and prudent degree of risk;

(b) providing a framework for management of public debt in a manner that achieves and maintains sustainable debt; and

(c) ensuring that public debt management operations support the establishment of a well-developed domestic debt market in the medium-to long term.

As part of its mandate, the DMU is therefore committed to continue striving towards actively managing Grenada's debt portfolio by adopting debt management objectives principally aimed at reducing public debt to its Fiscal Responsibility Legislation (FRL) target and keeping it on a sustainable path over the medium to long term. This principal objective is to be met by:

- ❖ Reducing the cost of debt servicing by borrowing primarily on concessional terms;
- ❖ Reorganizing the structure of the debt portfolio to increase efficiency, avoid bunching and ensure effective utilization of the proceeds;
- ❖ Supporting the development of the Regional Government Securities Market; and
- ❖ Managing the risk and financial cost associated with borrowing choices by refinancing higher cost debt and in so doing, adjusting the maturity profile of the portfolio, which will ultimately lead to lower debt service costs.

## *Risk Management Framework*

The Government, to minimize its risk, has adopted an integrated approach to the management of Government finances and debt management. Some of these measures include:

- ❖ The requirement for Parliament to approve new debt contracted by Government except for Treasury Bills;
- ❖ The legal authority for borrowing in any one year is the loan authorization Bill for that year;
- ❖ The legal authority for the issuance of Treasury Bills is the Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada;
- ❖ The 2015 Public Finance Management Act and the 2015 Financial Responsibility Legislation, which authorize only the Minister of Finance to contract debt on the country's behalf and sets a public debt to GDP target;
- ❖ In –house monitoring of macroeconomic variables, debt sustainability indicators as well as evaluating new loan contracts;
- ❖ An ex-ante analysis of new public debt by the DMU in the Ministry of Finance

## 6.0 MACRO-ECONOMIC PERFORMANCE

Appendix II is a five-year (2014-2018) trend analysis of selected macroeconomic indicators.

### PERFORMANCE OF THE DOMESTIC ECONOMY

Macroeconomic data for the first three months of the year indicate that growth continues an upward trajectory with the economy on course to record its sixth consecutive year of growth in 2018. Preliminary estimates show real GDP growth of 3.5 percent (at market prices) in 2018, on the heels of a revised estimate of 5.1 percent growth in 2017. Robust expansion in the Construction sector, coupled with relatively moderate increases in the Tourism, Private Education and Transport sectors underlie the 2018 outturn. Conversely, the Agriculture sector is expected to remain flat for the year due to weather and pest-related challenges. Based on the estimates, Grenada was the fastest growing economy in the ECCU in 2017 and is poised to continue along a healthy growth path over the medium term, barring unexpected shocks (Table 3).

**Table 3: Real GDP Growth Rates-ECCU (At Market Prices, Per cent)**

| | | | Preliminary Estimate | Projected |
|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** |
| Anguilla | 3.1 | -1.3 | -7.7 | -5.0 |
| Antigua | 4.1 | 5.3 | 3.1 | 3.9 |
| Dominica | -2.6 | 2.5 | -9.5 | -6.4 |
| Grenada | 6.4 | 3.7 | 5.1 | 3.5 |
| Monsterrat | -1.9 | 0.5 | -2.8 | 3.7 |
| St. Kitts & Nevis | 2.1 | 2.2 | 1.3 | 2.4 |
| St. Lucia | -0.9 | 3.4 | 3.8 | 2.1 |
| St. Vincent & the Grenadines | 1.8 | 1.3 | 0.5 | 1.2 |
| **ECCU** | **2.0** | **3.1** | **1.4** | **1.7** |

Source: ECCB, MOF

***Agriculture & Fishing***

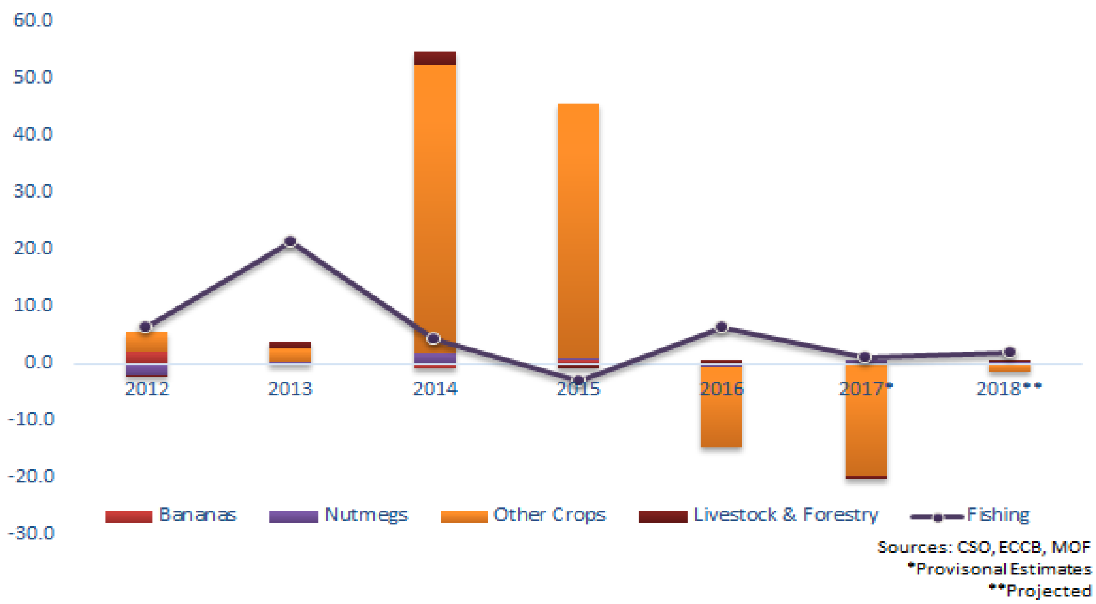
The Agriculture Sector is off to a fair start in 2018. Preliminary first quarter data show increased production in nutmegs and cocoa compared to the same period in 2017 of 7.1 and 17.3 percent respectively. This is encouraging, especially for cocoa, as large amounts of spoilage (due to damp weather conditions) were reported in the early months of 2018. Conversely, banana production was down 5.5 percent, while moist weather conditions adversely affected mace production which declined by 20.2 percent in the same period.

Additionally, the Marketing and National Importing Board (MNIB) purchases of "other crops" which is the main indicator used to measure fresh fruits, vegetables and root crop production was down 16.4 percent in the first quarter of 2018. However, it should be noted that several farmers and farmers' co-operatives have begun selling directly to hotels and supermarkets, thus by-passing the MNIB in the supply chain. These developments have the potential to affect the correlation between MNIB purchases and production in the "other crops" sub sector.

Uncertainty remains with regards to growth in the agriculture sector in 2018. The variable weather conditions continue to affect the production of some crops while persistent challenges with pests and disease remain a cause for concern. Given the observed data so far, production in 2018 is expected to remain flat relative to 2017.

Data collection issues remain in the fishing sector in 2018. The statistics department has yet to receive any data on fish production for the year as at the end of June 2018.

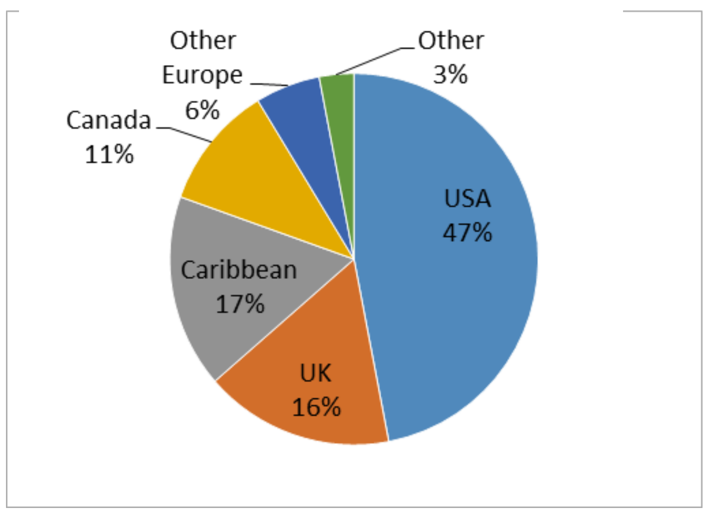
**Figure 1: Growth in Agriculture, Livestock, Forestry and Fishing**




***Tourism***

Stay over arrivals increased by 10.7 percent in the first half of 2018 compared to the same period in the previous year. The majority of these arrivals (47.0 percent) came from the US source market, followed by the Caribbean (16.8 percent), UK (16.6 percent) and Canada (10.8 percent). The increase in stay-over arrivals could be attributed to additional flights from Canada and the Caribbean as well as increased marketing efforts in targeted source markets during the period. Additionally, there were various regional and international events hosted in Grenada during the first half, including the Grenada invitational and the Pure Grenada Music Festival, as well as several regional meetings and conferences. Grenada hosted the UWI Open Campus games in July of this year, however

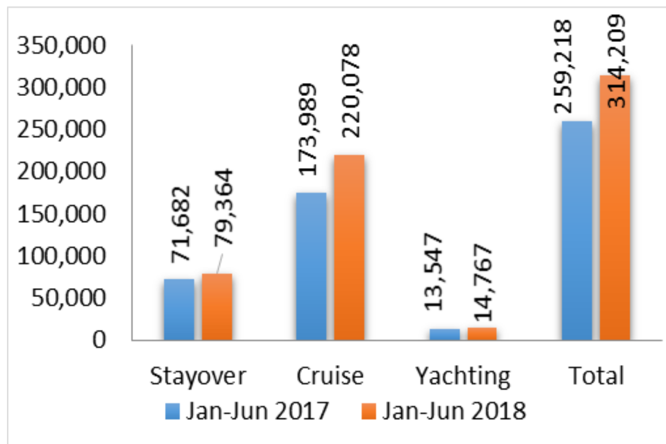
**Figure 2: Stay-over Visitors by Source Market (Jan-June 2018)**



arrivals and accommodation data for this event was not yet available for inclusion in this analysis (Figure 2).

In terms of accommodation, there was a 3.5 percent increase in persons staying in Hotels while persons staying at apartments/guest houses increased by 17.6 percent. There was also a 7.8 percent rise in persons staying at cottages/villas. In terms of bed nights which is the main indicator for growth in Hotels, preliminary estimates show an increase of 4.4 percent for the period.

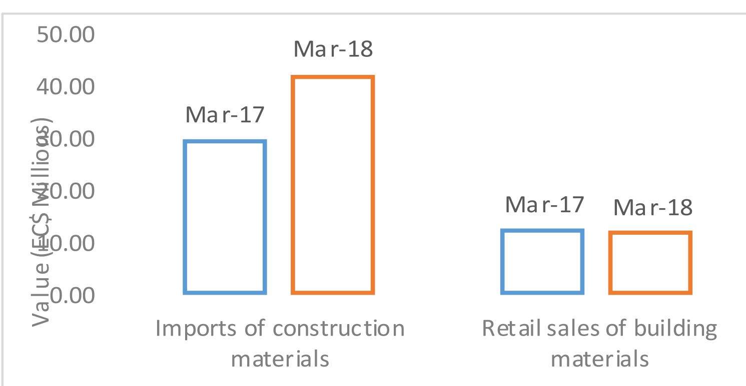
**Figure 3: Visitor Types (Jan-June 2018)**




Cruise passenger arrivals also increased by 26.5 percent while yachting arrivals expanded by 9.0 percent. The notable increase in cruise passengers is partially attributed to ships diverting to the southern caribbean as a result of the damage caused by Hurricanes Maria and Irma in the nothern islands. There is optimisim that this trend will persist for the remainder of 2018 with a bumper cruise season scheduled for the latter months of the year. An increase in yacht passengers is also expected, especially as Grenada is often used to dock vessels safely during the hurricane season (Figure 3).

***Construction***

**Figure 4: Real Sector Performance**




Preliminary data indicate that growth continues to be robust in the Construction Sector. The value of imports of construction material which is the main indicator for growth in the sector, increased by 42.6 percent in the first three months of 2018 compared to the same period in 2017. Conversely, retail sales of construction material declined by 4.7 percent in the same period. The difference in first quarter outturns of these two indicators could be explained by the tendency for larger projects to import construction materials instead of purchasing locally (Figure 4).

Activity in the Construction Sector shows no signs of slowing, even with the completion of the Parliament building, the winding down of the SGU expansion and phase one of the Silver Sands Resort scheduled to be completed by the end of 2018. A number of new private sector projects have already started this year including the construction and refurbishment of several hotels, with even more projects carded to commence in 2019. Major public sector projects such as roads works and the Maurice Bishop International Airport (MBIA) expansion project are also scheduled to start later this year and run into the next year. Overall, the sector is estimated to expand by approximately 11.3 percent in 2018 with a similar growth pattern expected over the medium term.

***Wholesale & Retail Trade***

Preliminary indicators show real growth in Wholesale and Retail Trade of approximately 17.3 percent in the first quarter of 2018 compared to the same period in 2017. The main indicators for growth in the sector are imports, which expanded by 26.5 percent, and retails sales which grew by 8.1 percent during the period under review. The pickup of growth in this sector can be linked to increased spending power of persons as a result of the uptick of economic activity and reduction in the unemployment rate. The Wholesale and Retail Trade Sector is expected to expand by approximately 6.5 percent in 2018.

***Other Sectors***

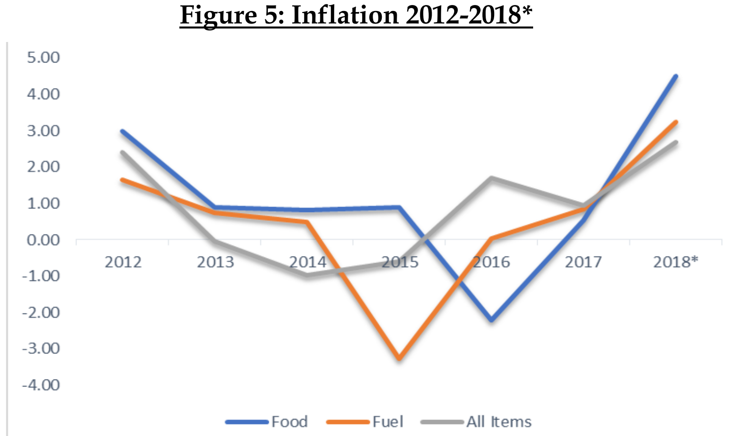
Marginal growth of 1.8 was recorded in the value of manufactured goods produced in the first quarter of 2018 over the comparable period in the previous year. Strong expansion in beverage production of 14.0 percent and a 13.6 percent increase in the production of chemical and paints were able to offset the 29.1 percent decline in flour production during the period. Production of animal feed also rose by 0.9 percent during the period under review.

As expected, given the level of economic activity, electricity consumption also increased in the first quarter of 2018 by 3.5 percent against the comparable period in 2017. Commercial and Industrial electricity consumption grew by 5.2 and 9.3 percent respectively, while domestic consumption rose by 1.1 percent. Water Production also increased by 4.2 percent during the period.

Growth is also expected to be robust in the Transport Sector as indicated by an 18.2 percent increase in cargo movements in the January to March period of 2018 compared to the same period in 2017. It is anticipated that the level of road transport activity will increase in tandem with growth in the Construction Sector as well as the Wholesale and Retail Sector. An optimistic cruise outlook and the likely increase in stay-over visitors will have a positive impact on sea and air transport respectively. Growth in the Transport Sector is estimated to be 7.6 percent in 2018.

***Inflation***

**Figure 5: Inflation 2012-2018***




Average inflation, as measured by the Consumer Price Index, remained subdued in 2017, measuring 0.9 percent. In the first quarter of 2018, inflation averaged 0.5 percent mainly due to marginal increases in the price of food, fuel, communication and education compared to the first quarter of 2017. However, prices are expected to rise in the latter part of 2018 principally due to forecasted increases in international food and fuel prices. As Grenada's inflation is largely imported, these increases are expected to directly affect consumer prices. Overall, inflation is forecasted to average 2.7 percent in 2018 (Figure 5).

## 7.0 GOVERNMENT FISCAL PERFORMANCE

Grenada's fiscal account continued to perform positively after the completion of the Home-grown Structural Adjustment Programme. Highlights of the fiscal results achieved over the 2015-2018 period are summarised in Table 4.

**Table 4: Fiscal Performance 2015-2018(e)**

| | 2015 | 2016 | 2017(e) | 2018(e) |
|---|---|---|---|---|
| **Total Revenue & Grants** | **649.5** | **751.6** | **774.4** | **824.8** |
| **Total Revenue** | **571.2** | **651.6** | **678.7** | **728.3** |
| Tax Revenue | 511.8 | 600.5 | 632.6 | 679.4 |
| Non-tax Revenue | 59.4 | 51.1 | 46.1 | 48.9 |
| *of which CBI* | 16.3 | 3.4 | 5.2 | 1.2 |
| **Total Grants** | **78.3** | **100.0** | **95.7** | **96.5** |
| | | | | |
| **Total Expenditure** | **689** | **685.6** | **708.8** | **716.0** |
| Current Expenditure | 468.9 | 565.5 | 591.3 | 614.0 |
| Capital Expenditure | 220.1 | 120.1 | 117.5 | 102.0 |
| | | | | |
| **Primary Balance (after Grants)** | **52.4** | **148.3** | **140.9** | **176.5** |
| **Overall Balance (after Grants)** | **-39.3** | **66.0** | **65.6** | **108.8** |

(e) - estimated

Source: MOF

A primary surplus (including grants) of $176.3 million (5.5 percent of GDP) is estimated for 2018, exceeding the Primary Balance rule of 3.5 percent of GDP as set out in the Fiscal Responsibility Law. The 2018 estimated outturn will be the fourth consecutive year in which the fiscal operations of the Central Government have resulted in a primary surplus. The Overall Balance for 2018 is estimated at $108.6 million (3.4 percent of GDP).

The strong fiscal performance was mainly because of continued expenditure restraint, reforms in both the Inland Revenue Department and the Customs & Excise Division to enhance revenue collection, and overall increased economic activity.

## 8.0 PUBLIC DEBT ANALYSIS

Total Public Sector debt is estimated to be $2,388.0 million or 75.1 percent of projected GDP[1] at the end of second quarter 2018. This is an estimated decline of 8.8 percent when compared to the same period in 2017 (January – June). Total public sector debt comprised of Central Government debt ($1,948.7 million or 61.3 percent), Government Guaranteed debt to state owned enterprises ($67.2 million or 2.1 percent) and other public debt[2] ($372.1 million or 11.7 percent).

***Central Government External Debt***

As at the end June 2018, external debt held by Central Government stood at $1,370.5 million or 43.1 percent of GDP. Compared to the same period in 2017, external debt declined by 13.6 percent. This decline in external debt was primarily attributed to the additional debt relief (EC$ 158.3 million) secured in the fourth quarter of 2017 as the second phase of the haircut on the restructured 2030 sovereign bonds was finalized and an additional 3 percent in stock reduction was secured on obligation with a bilateral partner.

***External Debt by Creditor Type and Interest Rate Type***

In the lender category, multilateral lenders continued to dominate the external portfolio at 57.2 percent (EC$ 784.4m), followed by commercial debt which accounted for 25.9 percent (EC$ 356.7m). Non-Paris Club bilateral loans accounted for 15.2 percent (EC$ 208.9m) and

[1] MoF preliminary estimate as at June 2018.

[2] Other Public Debt captures outstanding obligations of an entity which government considers as an implicit contingent liability.

Paris Club bilateral loans for 1.5 percent (EC$ 20.6m) of the external portfolio as shown in (Figure 7).

Debt contracted at fixed interest was the principal interest type of debt in the external portfolio and accounted for $1,122.2 million (81.9 percent) as at the end of June 2018. Variable interest rate and interest free debt accounted for $163.6 million (11.9 percent) and $84.7 million (6.2 percent) respectively refer to (Figure 8).

**Figure 7 External Debt by Creditor as at June 2018**

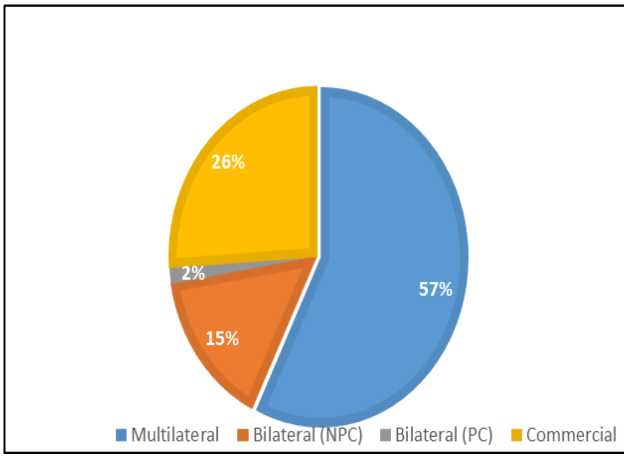
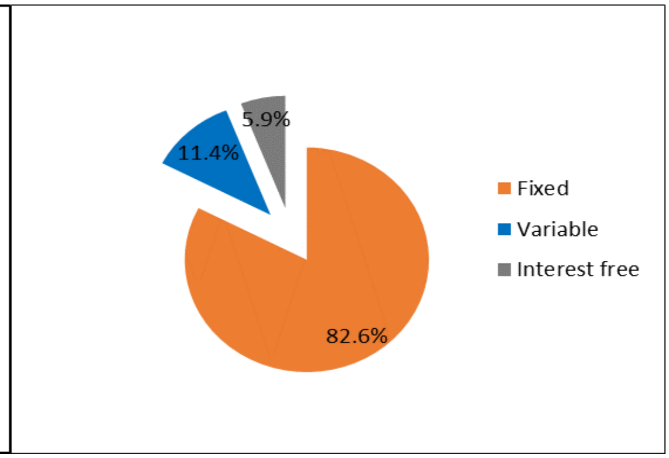
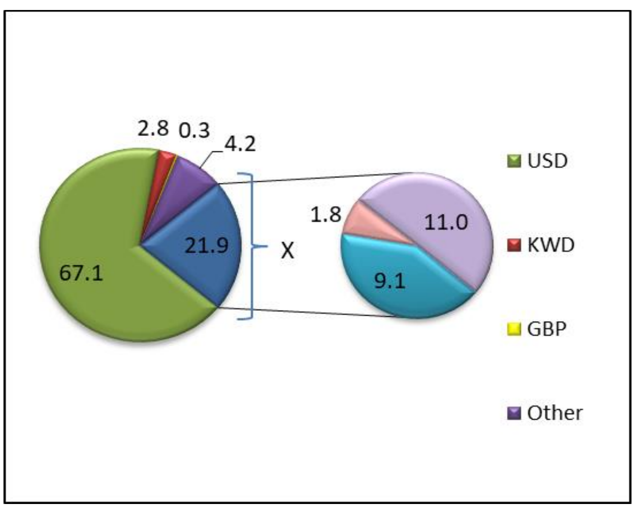



**Figure 8 Interest Type of External Debt as at June 2018**




## *Currency Composition of External Debt*

**Figure 9: External Debt by Currency as at June 2018**




Source: MOF

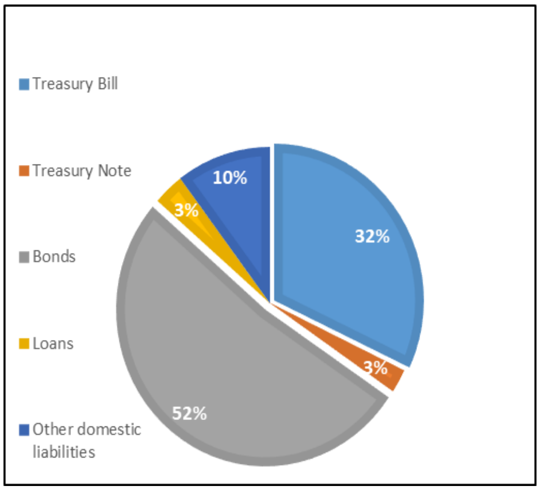
The dominant currency in the external portfolio is USD. Loans contracted in USD accounted for 70 percent ($958.9 million), followed by SDRs (XDR), which accounted for 22.9 percent ($313.2 million), Kuwaiti Dinar (KWD) accounted for 2.9 percent ($39.9 million), Sterling (GBP) 0.4 percent ($4.9 million), and other currencies 3.9 percent ($53.6 million) (Figure 9).

***Central Government Domestic Debt***

*Domestic Debt by Instrument*

Domestic debt as at the end of June 2018 was EC$ 577.6 million whereas for the corresponding period of 2017, domestic debt amounted to $588.2 million (1.8 percent decline). The marginal decline was mainly attributed to redemption of selected short term instruments over the period.

**Figure 10 Domestic Debt by Instrument as at June 2018**



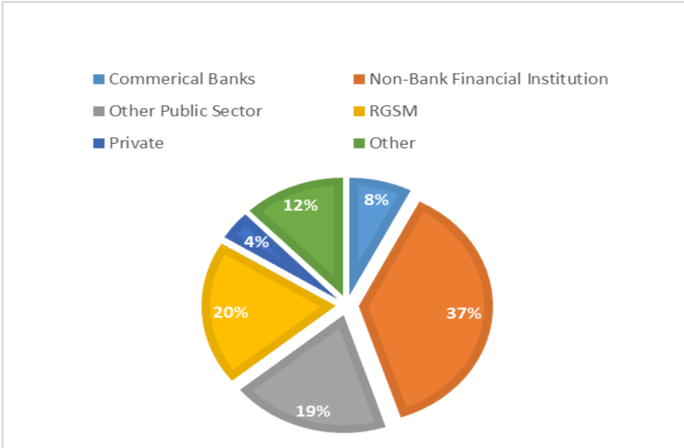

As illustrated in figure 8 below, domestic debt is primarily held as bonds accounting for 52 percent or EC$ 299.9 million, followed by T-bills which amounted to 32.0 percent or EC$185.0 million, loans 3.4 percent or EC$19.4 million, T-note amounted to 2.4 percent (EC$14 million) and other domestic liabilities amounted to 10.3 percent or EC$59.2 million, of the portfolio as shown in (Figure 10).

Source: MOF

***Domestic Debt by Holder***

Non-bank financial institutions were the majority holders of Government of Grenada domestic debt accounting for $216.3 million (37.4 percent). They were followed by investors on the Regional Government Securities Market $ 114.07 million (19.7 percent) while public sector institutions closely followed and accounted for $ 110.6 million (19.1 percent). The residual of government domestic liabilities were shared between Commercial Banks 43.2 million (7.5 percent), Private individuals $ 22.9 million (4 percent) and other accounted for $ 7.5 million (12.2 percent) (Figure 11).

**Figure 11 Domestic Debt by Holder as at June 2018**




Source: MOF

## *Debt Service*

Debt service for the first half of 2018 (January to June) amounted to $135.1 million, an 18.0 percent decrease compared to the same period in 2017 where debt service accounted for $164.7 million. External debt service accounted for $71.8 million (5.7 percent decline from 2017) while domestic debt service accounted for $63.3 million (28.5 percent decline from 2017). This significant decline in debt service obligation on the domestic portfolio was primarily due to redemption of short term instruments in 2017.

## *Update on Debt Restructuring*

Grenada commenced restructuring negotiations in 2014 and having successfully completed the IMF supported Home Grown Structural Adjustment Program at the end of 2016, Grenada received a stock reduction of $155.3 million in November 2017 on its US & EC 2030 Commercial Bonds. Additionally, another reduction of $2.96 million was received in December 2017 on the stock of the People's Republic of China (Taiwan) debt. As a result of debt restructuring during the period 2014-2017, Grenada has benefited from stock reductions totaling $372.3 million or 14.3 percent of total Public Sector debt as at December 31, 2017.

The Government continues to engage bilateral creditors such as Algeria and Trinidad and Tobago with the aim of concluding negotiations. Discussions are ongoing with domestic bond holders to restructure their outstanding debt. Table 5 is a summary of the various debt restructuring completed during the period 2014-2017.

**Table 5: Summary of Debt Restructuring (2014-2017) (EC$M unless otherwise stated)**

| Creditors | Instrument Type | DOD [1] (Pre) | DOD (Post) | Hair Cut | Hair Cut (%) | Grace Period | Maturity Period | Interest Type | Interest Rate |
|---|---|---|---|---|---|---|---|---|---|
| **External** | | | | | | | | | |
| Paris Club_Arrears_1 | Loan | 8.10 | 8.10 | 0.00 | 0 | 0 | 0 | NA | NA |
| Paris Club_Arrears_2 | Loan | 8.10 | 8.10 | 0.00 | 0 | 8 | 15 | V&F | |
| Paris Club_Program Years | Loan | 5.43 | 5.43 | 0.00 | 0 | 8 | 15 | V&F | |
| Taiwan [1] | Loan | 98.80 | 49.40 | 49.40 | 50 | 3 | 15 | Fixed | 7.0 |
| US$ Bond due 2030 [2] | Bond | 614.44 | 315.32 | 262.73 | 50 | 0.5 | 15 | Fixed | 7.0 |
| FICS Judgement | Bond | 2.55 | 3.804 | - | 0 | - | 5 | Fixed | NA |
| **FICS (proposed)** | Bond | 6.38 | 3.92 | - | 50 | - | 15 | Fixed | 7 |
| **Sub-total External** | | **743.81** | **394.08** | **312.13** | | | | | |
| **Domestic** | | | | | | | | | |
| EC$ Bond 2030 [2] | Bond | 108.17 | 53.25 | 46.40 | 50 | 0.5 | 15 | Fixed | 7.0 |
| RBL Loan | Loan | 5.91 | 3.56 | 2.95 | 50 | 1 | 12 | Fixed | 7.0 |
| RBL (T-Bill) | Bond | 3.30 | 3.35 | 0.000 | 0 | 2 | 7 | Fixed | 3.0 |
| Grenada Port Authority (T-bill) | Bond | 16.79 | 8.39 | 8.40 | 50 | 0.5 | 15 | Fixed | 3.5 |
| Grenada Housing Authority (Loan) | Bond | 3.77 | 6.72 | 0.00 | 0 | 10 | 25 | Fixed | 3.0 |
| Gravel and Concrete (Loan) | Bond | 4.84 | 4.40 | 2.42 | 50 | 0 | 15 | Fixed | 7.0 |
| NIS (T-Bill) | Bond | 19.67 | 20.87 | 0.00 | 0 | 2 | 7 | Fixed | 3.0 |
| NIS (Contributions) | Loan | 31.20 | 31.20 | 0.00 | 0 | 0 | 5 | Fixed | 3.0 |
| NIS (Serial Bond ) | Bond | 23.20 | 25.29 | 0.00 | 0 | 10 | 25 | Fixed | 3.0 |
| NIS (Bond 2025) | Bond | 92.17 | 100.93 | 0.00 | 0 | 10 | 25 | Fixed | 3.0 |
| Petro Caribe (T-bill) | Bond | 94.00 | 94.00 | 0.00 | 0 | 2 | 20 | Fixed | 3.0 |
| Petro Caribe (2014/2016 Serial Bond) | Bond | 12.60 | 12.60 | 0.00 | 0 | 2 | 15 | Fixed | 3.0 |
| Bank of Commerce (T-Bill) | Bond | 9.53 | 9.53 | 0.00 | 0 | 2 | 7 | Fixed | 3.0 |
| **Sub-total Domestic** | | **425.15** | **374.09** | **60.17** | | | | | |
| **Total** | | **1,168.96** | **768.17** | **372.30** | | | | | |

[2] *International Bond (US and EC portions) 25% reduction upfront (2015) with the remaining 25% applied in Nov 2017.*

[1] *Taiwan 47% reduction was received upfront (2014) with the remaining 3% applied in Dec 2017.*

Source: MOF

## ***Credit Rating***

Since 2012 Standard & Poor's has lowered Grenada's foreign currency sovereign credit rating to "SD," or selective default, from "B-/B," and has also lowered its local currency sovereign credit ratings to "CCC+/C" from "B-/B." Grenada has not had another international credit rating since then and has not issued any new debt on the international capital market. Notwithstanding this however, the economy has grown steadily since and is poised to record its sixth consecutive year of growth in 2018. Government has continued to service its external and domestic debt obligations including the US & EC Bonds due 2030 and Treasury Bills on the Regional Governments Securities Market (RGSM) as they fall due.

Coming out of the recently completed Home Grown Structural Adjustment Program that was supported by the IMF, consideration is now being given toward acquiring a credit rating once again. In this regard, the authorities are taking the necessary preparatory steps, to ensure that it can do so within a reasonable timeframe. Government recognizes the important signal that sovereign credit ratings provide to investors as they make their investment decisions. The Government also sees this as an opportunity to highlight Grenada's economic achievements in recent times and its commitment to active debt management.

***<u>Medium-Term Debt Strategy</u>***

Grenada's Medium-Term Debt Strategy (MTDS[3]) 2018-2020 is a plan aimed at achieving a desired debt portfolio that is consistent with debt management objectives. Government debt management, therefore, is the process of establishing and executing a strategy for managing public sector debt. Effective debt management ensures that the Government's funding needs are met with due consideration of its risk and cost objectives and any additional debt management goals such as developing and maintaining an efficient market for Government securities. The MTDS 2018-2020 is expected to bring into effect these objectives.

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[3] IMF and World Bank (2009). "*Developing a Medium-Term Debt Management Strategy – Guidance Note for Country Authorities*" http://www.imf.org/external/np/pp/eng/2009/030309a.pdf.

***Cost and Risk Indicators of the Existing Portfolio***

With regards to the risks of the existing portfolio, the interest rate is subject to a moderate risk with an Average Time to Re-Fixing of 7.8 years in which 24.1 percent of the portfolio is subject to a change in interest rates in one year. This risk resides predominantly in the domestic portfolio in which 35.9 percent of this debt is subject to re-fixing in one year due to short-term treasury bills in the portfolio. The refinancing risk profile of the portfolio has an Average Time to Maturity of 8.2 years which slightly exceeds the set target of greater than 8 years (Table 6). The current portfolio is moderately subjected to foreign exchange risk as most of the foreign currency debt is denominated in USD to which the EC dollar is currently pegged.

**Table 6 Cost and Risk Indicator of Central Government Debt Portfolio as at end 2017**[4]

| Risk Indicators | | External debt | Domestic debt | Total debt |
|---|---|---|---|---|
| Amount (in millions of XCD) | | 1,404.6 | 571.5 | 1,976.1 |
| Amount (in millions of USD) | | 520.2 | 211.7 | 731.9 |
| Debt as % of Nominal GDP | | 46.8 | 19.0 | 65.8 |
| PV as % of GDP | | 39.2 | 19.0 | 58.2 |
| Cost of debt | Interest payment as % GDP | 1.5 | 0.5 | 2.1 |
| | Weighted Av. IR (%) | 3.3 | 2.7 | 3.1 |
| Refinancing risk | ATM (years) | 8.8 | 6.8 | 8.2 |
| | Debt maturing in 1yr (% of total) | 10.5 | 35.9 | 17.9 |
| | Debt maturing in 1yr (% of GDP) | 4.9 | 6.8 | 11.7 |
| Interest rate risk | ATR (years) | 8.2 | 6.8 | 7.8 |
| | Debt refixing in 1yr (% of total) | 19.2 | 35.9 | 24.1 |
| | Fixed rate debt (% of total) | 90.4 | 100.0 | 93.2 |
| FX risk | Non-USD debt (% of total debt) | | | 19.3 |
| | ST Non-USD debt (% of reserves) | | | 2.0 |

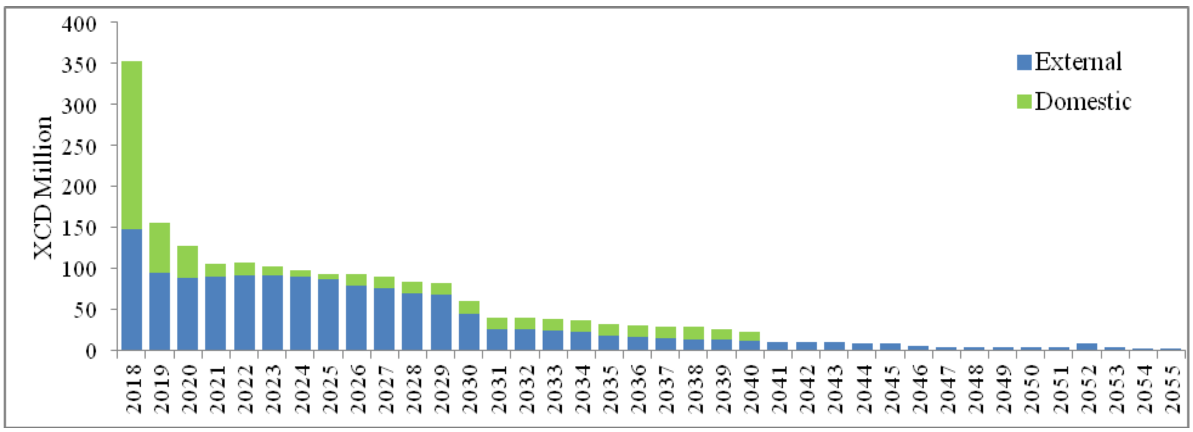
Source: MOF

[4] Adopted from Government of Grenada Medium-Term Debt Management Strategy 2018-2020 published on Ministry of Finance website. http://finance.gd/docs/Medium%20Term%20Debt%20Management%20Strategy%202018-2020.pdf

*__Redemption Profile__*

The redemption profile of Central Government's debt portfolio reflects the inherent risks in the existing portfolio (Figure 12). The domestic debt portfolio shows a high proportion of debts falling due in 2018 because of scheduled repayments of short-term instruments (Treasury Bills) in the debt portfolio. Conversely, external debt is mainly characterized by multilateral (concessional) loans, hence showing a smoother and longer redemption profile.

**__Figure 12 Grenada Redemption Profile as at end December 2017__**



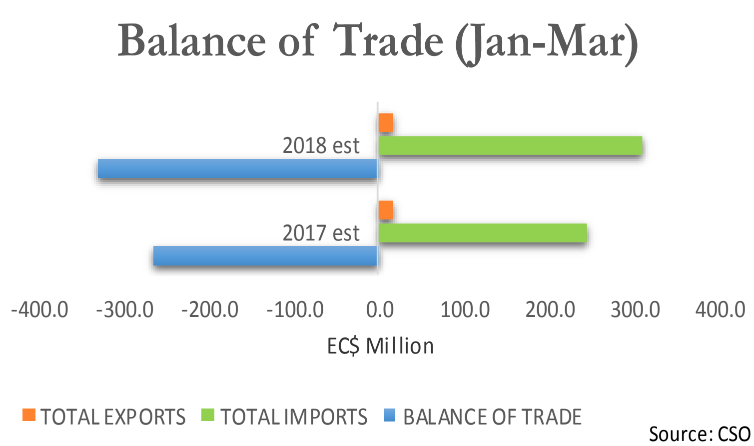

Source: MOF

*__Selected Strategy__*

The selected strategy for 2018-2020 fills the financing gap by apportioning part of the financing to potential multilateral and bilateral partners. Additionally, domestic financing would be raised in part from domestic investors (RGSM) while extending the maturity of a portion of the short-term over-the-counter debt. It bridges the financing gap solely by use of potential bilateral creditors in the outer years. The strategy assumes that the financing gap will be filled by assigning 35 percent of new financing to multilateral and bilateral partners while 65 percent will be apportioned to domestic financing mainly through the RGSM. Various stress scenarios including interest and exchange rate shocks of moderate and extreme degrees were applied to the strategy during analysis. This strategy represented the most feasible strategy for financing Government needs whilst adhering to the debt management targets and objectives as set forth in the Public Debt Management Act 2015.

## 9.0 EXTERNAL ACCOUNT

**Figure 13: Balance of Trade**

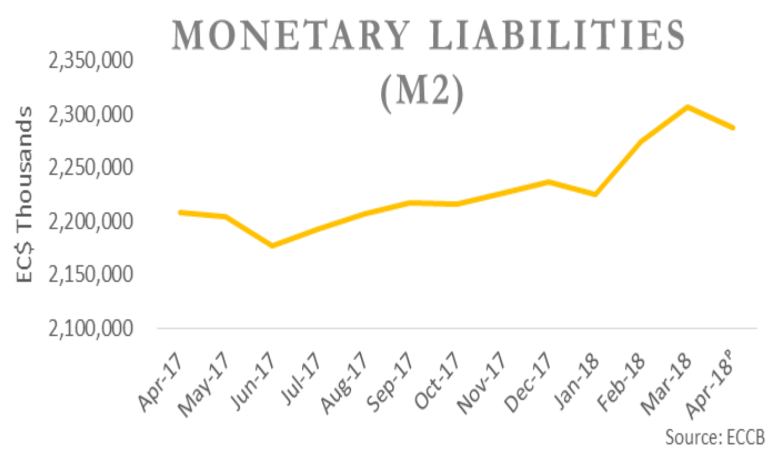



The merchandise trade balance continued to deteriorate at the end of the first quarter of 2018. A trade deficit of EC$ 329.8 million was recorded at the end of March 2018 compared to a deficit of EC$ 264.7 million during the same period of 2017. This deterioration was driven by an EC$ 65.3 million or 26.5 percent increase in imports during the period taking the total value of imports to EC$ 311.9 million at the end of the first quarter 2018. Visible exports continued to decline during the first three months of 2018 totaling EC$ 17.9 million compared to EC$ 18.1 million in the same period of 2017.

## 10.0 MONETARY AND FINANCIAL SECTOR ANALYSIS

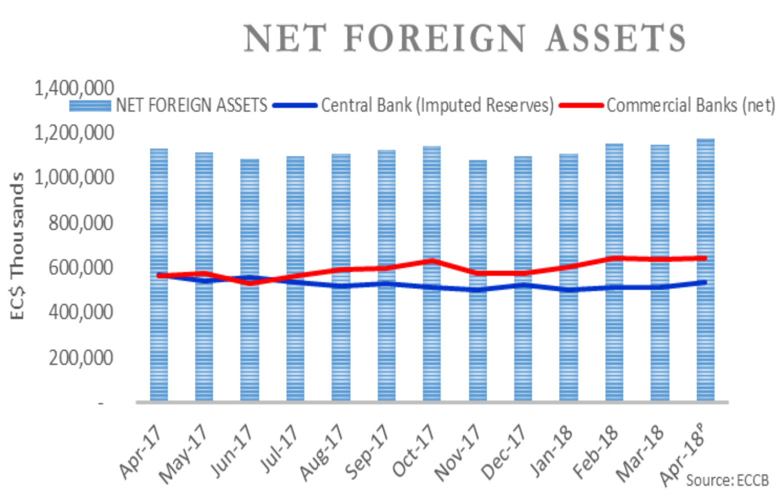
During the first three months of 2018, the Monetary and Financial Sector continued to strengthen as foreign assets were gained during the period alongside improvements domestically as deposits displayed a continued upward trend in both the commercial banks and credit unions.

**Figure 14: Monetary Liabilities**




Monetary Liabilities continued to expand during the first four months of 2018, from EC$ 2,236.2 million at end December 2017 to EC$ 2,287.9 million at end April 2018. The largest contributor, Quasi money showed a slight improvement, moving from EC$ 1,611.2 million to the EC $1,617.6 million over the same period. This was a mere increase of 0.4 percent driven by improvements in private sector savings deposits (2.3 %). The money supply also expanded by 7.2 percent to EC$ 670.3 million at end April 2018, influenced by EC dollar cheques and drafts issued (14.4%) and private sector demand deposits (11.6%).

**Figure 15: Net Foreign Assets**

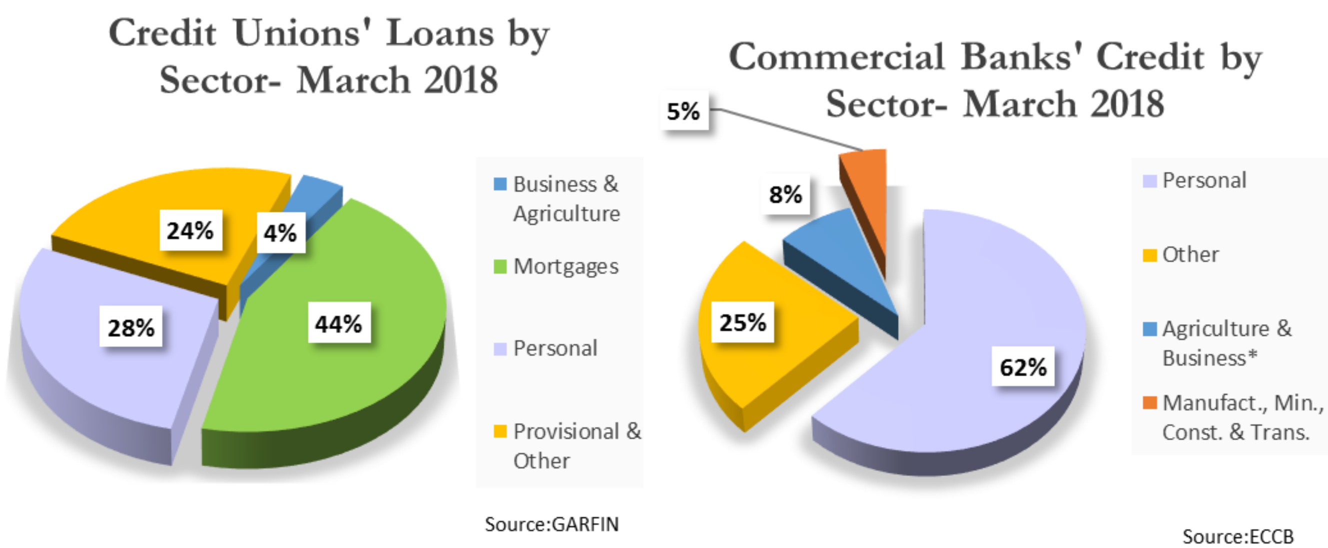



Net Foreign Assets increased by 6.9 percent during the first 4 months of 2018 to EC$ 1,174.2 million motivated by slight increases in central bank imputed reserves (1.1%) and commercial banks net (12.3%). Net Domestic Assets decelerated by 2.2 percent during the first 4 months of 2018 to EC$ 1,113.7 motivated by slowdowns in the level of Other Items (net) and domestic credit by 22.7 percent and 3.3 percent, respectively. Domestic credit for the period reduced to EC$ 1,116.6 million. The sub-categories of private sector credit such as household credit (-0.04%), business credit

(0.7%) and non- bank financial institutions (-2.2%) showed little to no improvement during the period.

The level of credit extended to the various sectors of the economy recorded slight upticks for commercial banks while credit unions continued to register growth in the level of loans offered.

**Figure 16: Distribution of Loan Portfolio**

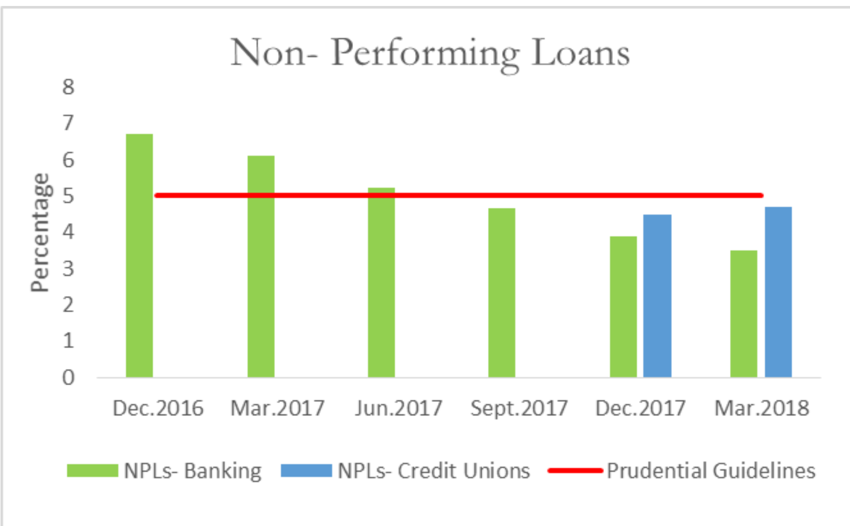



For the first quarter of 2018, commercial banks registered a minimal increase in credit of 0.3 percent. However, over the one year period March 2017 to March 2018, this translated into a 1.0 percent increase. Despite these increases being marginal, they signified a turning point in the level of credit offered by commercial banks following an extended downward credit trajectory. The expansion occurred mainly in the sectors of Mining and Quarrying (203.1%), Tourism (8.2%), Entertainment and Fisheries (2.5% and 2.7% respectively). Similarly, credit unions reported a 0.7 percent increase for the first three months of 2018 and a 16.5 percent increase during the period March 2017 to March2018 .This larger increase is perhaps due to personal preferences being transferred away from the banking sector with its de-risking methodologies and into credit unions' loan portfolios.

Commercial banks' lending portfolio as at end March 2018 continued to be dominated by the personal category (62.0%) which consists mostly of loans for the acquisition of property. Similarly, credit unions' loan portfolio for the same period was dominated by personal loans and mortgages at 28 percent and 44 percent respectively.

Total deposits in the system for the first three months of 2018 increased by 3.6 percent to EC$ 3,011.9 million while deposits in the credit union sector rose by 3.2 percent during the same period. With deposits outpacing the level of credit offered, both systems continue to suffer from excess liquidity. The banking system noted increased liquidity with a total loan-to-total deposit ratio of 54.4 percent as at end March 2018, while credit unions registered a larger ratio of 86.4 percent during the same period.

**Figure 17: Non-Performing Loans**



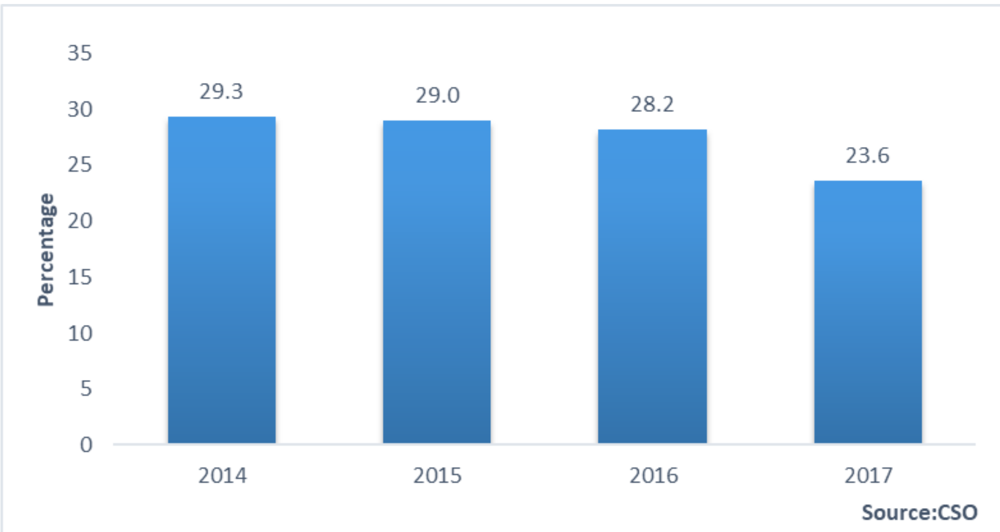
Source: ECCB, GARFIN

Non-performing Loans (NPLs) in the banking sector has seen tremendous improvements- moving from system averages of 6.7 percent at end 2016 to below the prudential guidelines of 5 percent to 3.5 percent at the end of the March 2018. Credit Unions have consistently maintained an average NPL level below the prudential guidelines. However, within the last two quarters, the banking system has maintained levels below that of the credit unions. The overall financial system has maintained a prudential position in their levels of NPLs, highlighting improved servicing of loans or balance sheet restructuring.

## 12.0 UNEMPLOYMENT

Based on the preliminary results of the 2017 Labour Force Survey (LFS) carried out by the Central Statistical Office (CSO), the labour force is estimated to have decreased by 3.0 percent, from 56,998 persons in 2016 to 55,268 persons in 2017, of which 42,011 were employed and 13,257 were unemployed. There was also a decline in the unemployment rate from 28.2 percent in 2016 to 23.6 percent in 2017 (Figure 18).

**Figure 18: The Unemployment Rate**




## 13.0 PROSPECTS FOR 2019

Projections suggest that the baseline medium-term outlook is positive (Table 7), as the recovery effort is consolidated and growth gains momentum, partly in response to the structural reform measures that were implemented under the recently-completed Home-grown Structural Adjustment Programme.

Over the 2019 - 2021 period, real economic growth is projected to average 3.7 percent. Growth will also be carried by public infrastructure development, as well as the expected continuation of the relatively strong performances in the Construction and Tourism sectors. The Tourism sector is likely to benefit from continued vigorous marketing, as well as the anticipated strengthening of the economies of Grenada's major tourist source markets, especially that of the US. The unemployment rate is expected to be further reduced with increased economic activity over the medium term, but the rate is likely to remain in the high double digits until reforms to address structural rigidities become entrenched.

Public finances are expected to remain healthy, with continued prudent fiscal policies, consistent with the rules-based fiscal framework as prescribed by Fiscal Responsibility Law. Primary surpluses, averaging 5.0 percent of GDP are projected over the medium term, which would help to keep public debt on a downward and sustainable path.

**Table 7: Medium Term Projections**

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| Real GDP Growth (%) | 4.0 | 3.5 | 3.6 |
| Nominal GDP (EC$M) | 3,322.4 | 3,485.1 | 3,609.4 |
| Total Revenue & Grants (% of GDP) | 25.4 | 25.4 | 25.3 |
| Total Expenditure (% of GDP) | 22.4 | 22.1 | 22.2 |
| Overall Balance (% of GDP) | 3.0 | 3.3 | 3.2 |
| Primary Balance (% of GDP) | 5.0 | 5.1 | 4.9 |
| Central Government Debt (% of GDP) | 59.0 | 54.1 | 49.1 |

***Source: MOF***

## ***Risks to Outlook***

The risks to Grenada's outlook are organised into two broad categories: (i) Operational and (ii) Other. The following are deemed to be the most significant operational risks to public finances, and by extension, the attainment of the wider strategic objectives over the medium term: (i)weaker-than-projected economic growth; (ii) lower-than-expected grant receipts and inflows from the CBI Programme; and (iii) higher-than-estimated costs associated with pension reform, other liabilities and the implementation of national health insurance. Other risks include natural disasters.

*OPERATIONAL RISKS*

**Macroeconomic Risks**

- **Weaker-than-Projected Economic Growth**

As indicated by the International Monetary Fund in its World Economic Outlook Report that was updated in July 2018, global risks are tilted to the downside over the medium term. Though the global economic recovery has picked up pace, the projected growth in the economies of Grenada's main trading partners is tenuous and vulnerable to setbacks. Indeed, risks of protectionism, further increases in global oil prices, and a potential escalation of trade wars in advanced economies, are rising. Furthermore, the medium-term economic propspects for the Euro Area especially are weak given its low productivity growth and ageing population.

These global headwinds pose potential downside risks for Grenada through lower tourist arrivals, remittances and foreign direct investment, which can significantly affect public finances. Furthermore, the cessation of oil refining by Trinidad's State-owned company – Petrotrin, which was the main exporter of fuel to Grenada, can cause short-run disruptions that might increase the local price of fuel, as well as cost of production, with negative consequences for economic activity. Relatedly, the estimated 2,600 permament workers[5] to be laid off by Petrotrin can negatively affect Grenada's tourist arrivals from Trinidad. Trinidad and Tobago accounts for a relatively large share (22.0 percent on average in the past decade) of Grenada's total Caribbean tourist arrivals.

- **Lower-than-Expected Grant Receipts and Inflows from the Citizenship-By- Investment Programme**

[5] Source: Petrotrin's Media Release dated 28 August, 2018.

Grant inflows from traditional partners, such as the European Union (EU) could moderate over the medium term as a consequence of Britain's exit from the EU, with adverse implications for the projected fiscal outruns in the medium term. Furthermore, the fiscal outlook can also be negatively affected should inflows from the CBI programme not be as strong as expected. In this context, continued fiscal prudence will be important to contain discretionary spending, prioritise strategic capital investments and improve revenue administration and collection. Additionally, improving country-readiness systems will be required to reduce the reliance on external resources for the preparation of critical pre-investment work. There may therefore be a need for more strategic partnerships to mobilise resources from alternative sources.

- **Higher-than-Estimated Costs Associated with Pension Reform, the Implementation of National Health Insurance and Other Liabilities**

Pension reform, as well as the implementation of the NHI, if not properly managed, can pose significant risks to public finances. Therefore, the respective ongoing processes must be guided by the parameters of the FRL to prevent any major fiscal fallout. In relation to both initiatives, it is crucially important that they be carried out in a phased and fiscally-sound manner.

Fiscal risk can also arise from adverse court judgments, as well as from the materialisation of contingent liabilities, and an unwinding of Petrocaribe's operations given Venezuela's prevailing socioeconomic context. As at December 31, 2017 (the most recent period for which data is available), compensation claims totaled $58.3 million, of which interest due amounted to $35.1 million and principal owing $23.2 million. Total outstanding Government guarantees in Quarter 2 of 2018 was EC$ 67.2 million (2.1% of GDP). Mitigation measures are being contemplated, including liquidation of some of the high-interest bearing judgment claims and aggressive follow up with Venezuelan officials to give effect the 50.0 percent haircut on the Petrocaribe debt, which is a regional initiative between participating ECCU Governments and the Government of Venezuela through ALBA Bank.

*OTHER RISKS*

- **Natural Disasters**

This is an inherent risk that Grenada faces given its vulnerability to natural hazards and environmental shocks. Environmental shocks have the potential to severely affect the productive sectors, as well as infrastructure, with adverse fiscal consequences. Therefore, efforts will continue to build resilience to natural hazards and environmental shocks, through among other measures, climate-risk screening of all infrastructure projects using the C-CORAL Assessment Tool.

Furthermore, Government will continue to set aside 40.0 percent of its monthly receipts for arrears clearance, debt reduction and natural disaster relief, as required by the FRL. Moreover, Grenada stands to benefit from insurance payments in the aftermath of a qualifying natural disaster, being a member of the Caribbean Catastrophe Risk Insurance Facility. Table 8 provides a Risk Assessment Summary.

**Table 8: Risk Assessment Summary**

| Risk Type | Risk Description | Source of Risk | Risk Rating | Measures to Manage/Mitigate Risks |
|---|---|---|---|---|
| **Operational** | Macroeconomic | Weaker-than projected economic growth. | | Continue to implement reforms to build economic resilience, boost competitiveness, productivity and growth. Additionally, continue to build fiscal buffers by strengthening Government's cash position and increasing savings. |
| | | Lower-than-expected Grant receipts and CBI | | Continue to exercise fiscal prudence to contain discretionary expenditure, prioritise strategic capital investments and improve revenue administration and |

| | | | | |
|---|---|---|---|---|
| | | inflows. | | collection. Additionally, further strengthen country-readiness systems to enhance the preparation of critical pre-investment work. |
| | | Higher-than estimated liabilities. | | Properly manage the ongoing NHI and pension restoration processes to contain costs within the parameters of the FRL. Strengthen surveillance of SOEs, liquidate high-interest bearing judgment debts and actively pursue the operationalization of the 50.0 percent haircut on Petrocaribe debt. |
| **Other** | Natural Disasters | Hurricanes, tropical storms, and flooding. | | Continue efforts to build resilience to natural hazards and environmental shocks. Continue climate-risk screening of all infrastructure projects using the C-CORAL Assessment Tool. Continue to set aside funds for disaster relief from the CBI month inflows. |

| | Key |
|---|---|
| | High Risk |
| | Medium Risk |

## 14.0 SECURITY ISSUANCE PROCEDURES AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES

The treasury bills will be issued on the Regional Government Securities Market using the Eastern Caribbean Securities Exchange trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of a competitive uniform price auction with open bidding. The ECSE and its subsidiaries are responsible for processing, clearance and settlement of securities and providing the intermediaries with access to their settlement projections report, which indicates the obligations of the intermediary. Intermediaries are responsible for interfacing with prospective creditors, collecting applications for subscription and processing bids on the ECSE platform. A list of licensed intermediaries is provided in Appendix I.

Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the intermediaries. As an issuer on the RGSM the Government of Grenada will be subject to the rules and procedures established by the Regional Debt Co-ordinating Committee for the operation of the market including ongoing reporting and disclosure requirements.

## 15.0 CURRENT ISSUES OF GOVERNMENT SECURITIES ON THE REGIONAL GOVERNMENT SECURITIES MARKET

**RGSM TREASURY BILLS AND BONDS**

| | |
|---|---|
| Issues Outstanding | EC$ 80.0M |
| Type of Issue | Government of Grenada Treasury Bills and Bonds |
| Maturity in Days | 91 and 365 Days |
| Maturity in Years | 2 Years |
| Date of Issues | October 2017 to July 2018 |
| Yields | Max 5.5 per cent |
| Discount Price | EC$94.50 |

Treasury Bills and bonds outstanding as at August 31st, 2018 are listed in Table 9.

**Table 9: Outstanding Treasury Bills and bonds listed on RGSM as at August 31st 2018**

| Auction Name | Issue Date | Maturity Date | Tenor | Value of Bids (EC$M) | Issued Amount (EC$M) | Amount Accepted (EC$M) | Yield (%) | Total Bids | Successful Bids |
|---|---|---|---|---|---|---|---|---|---|
| GDB111018 | 11-Oct-17 | 11-Oct-18 | 365 days | 13.08 | 10 | 10 | 3.5 | 15 | 6 |
| GDB301118 | 30-Nov-17 | 30-Nov-18 | 365 days | 38.19 | 20 | 20 | 3.0 | 17 | 11 |
| GDN090220 | 9-Feb-18 | 9-Feb-20 | 2 years | 10.75 | 10 | 10 | 5.5 | 14 | 14 |
| GDB060918 | 7-Jun-18 | 6-Sep-18 | 91 days | 20.21 | 15 | 15 | 2.3 | 11 | 8 |
| GDB240719 | 24-Jul-18 | 24-Jul-19 | 365 days | 38.94 | 25 | 25 | 2.75 | 25 | 14 |

### *Secondary Market Activities on the RGSM*

**Table 10: Value of Trades on the secondary market (ECSE platform only) in EC$ millions 2011-2018[6]**

| Country | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Grand Total |
|---|---|---|---|---|---|---|---|---|---|
| Antigua & Barbuda | 7.96 | | | | 0.31 | 9.44 | 3.42 | 1.11 | **22.24** |
| Commonwealth of Dominica | | | | | | 2.08 | | 1.21 | **3.29** |
| Grenada | 1.49 | | | 0.75 | | | | | **2.23** |
| St Kitts & Nevis | | 0.09 | | | | 2.51 | 1.83 | | **4.43** |
| Saint Lucia | 4.92 | 0.51 | 10.33 | 20.62 | 0.68 | 2.18 | 17.18 | 13.20 | **69.61** |
| St Vincent & the Grenadines | | 0.07 | | | | | | 5.34 | **5.41** |
| **Grand Total** | **14.36** | **0.67** | **10.33** | **21.37** | **0.99** | **16.21** | **22.42** | **20.86** | **107.21** |

**Source: ECSE, ECCB**

## 16.0 UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2018

| *SYMBOL* | *AUCTION DATES* | *ISSUE/SETTLEMENT DATE* | *MATURITY DATE* | *ISSUE AMT. EC$M* | *TENOR* | *INTEREST RATE CEILING* |
|---|---|---|---|---|---|---|
| GDB130319 | 11-Dec-18 | 12-Dec-18 | 13-Mar-19 | 15 | 91 Days | 4% |
| GDB140619 | 14-Mar-19 | 15-Mar-19 | 14-Jun-19 | 15 | 91 Days | 4% |
| GDB170919 | 17-Jun-19 | 18-Jun-19 | 17-Sep-19 | 15 | 91 Days | 4% |
| GDB250720 | 25-Jul-19 | 26-Jul-19 | 25-Jul-20 | 25 | 365 Days | 5% |
| GDB161020 | 16-Oct-19 | 17-Oct-19 | 16-Oct-20 | 10 | 365 Days | 5% |
| GDB051220 | 5-Dec-19 | 6-Dec-19 | 5-Dec-20 | 20 | 365 Days | 5% |

**All ISSUES ON THE MARKET ARE IN EC DOLLARS**
**SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED**

[6] Data for 2018 are for the period January to July only

## APPENDIX I[7]: LIST OF LICENSED ECSE MEMBER BROKER DEALERS

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
|---|---|---|
| **Grenada** | | |
| Grenada Co-operative Bank Limited | No. 8 Church Street<br>St. George's<br><br>**Tel: 473 440 2111**<br>Fax: 473 440 6600<br>Email: info@grenadaco-opbank.com | **Principal**<br>Aaron Logie<br>Allana Joseph<br><br>**Representatives**<br>Carla Sylvester<br>Keisha Greenidge<br>Kishel Francis |
| **St Kitts and Nevis** | | |
| St Kitts Nevis Anguilla National Bank Ltd | P O Box 343<br>Central Street<br>Basseterre<br><br>**Tel: 869 465 2204**<br>Fax: 869 465 1050<br>Email: national_bank@sknanb.com | **Principals**<br>Anthony Galloway<br><br>**Representatives**<br>Petronella Edmeade-Crooke<br>Angelica Lewis<br>Marlene Nisbett |
| The Bank of Nevis Ltd | P O Box 450<br>Main Street<br>Charlestown<br><br>**Tel: 869 469 5564 / 5796**<br>Fax: 869 469 5798<br>E mail: info@thebankofnevis.com | **Principals**<br>Brian Carey<br>Monique Williams<br><br>**Representatives**<br>Judy Claxton<br>Denicia Small |
| **St Lucia** | | |
| Bank of Saint Lucia | 5th Floor, Financial Centre Building<br>1 Bridge Street<br>Castries<br><br>**Tel: 758 456 6826 / 457 7233**<br>Fax: 758 456 6733 | **Principals**<br>Medford Francis<br>Lawrence Jean<br><br>**Representatives**<br>Deesha Lewis<br>Cedric Charles |

[7] Revised

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
|---|---|---|
| | | |
| First Citizens Investment Services Limited | P.O. Box 1294<br>John Compton Highway<br>Sans Souci<br>Castries<br><br>**Tel: 758 450 2662**<br>Fax: 758 451 7984<br>Website: www.firstcitizenstt.com/fcis<br>E-mail : invest@firstcitizensslu.com | **Principals**<br>Arletta Huntley-Wells<br>Omar Burch-Smith<br>Temelia Providence<br><br>**Representative**<br>Samuel Agiste<br>Shaka St Ange |
| **St Vincent and the Grenadines** | | |
| Bank of St Vincent and the Grenadines Ltd | P O Box 880<br>Cnr. Bedford and Grenville Streets<br>Kingstown<br><br>**Tel: 784 457 1844**<br>Fax: 784 456 2612/ 451 2589<br>Email: info@bosvg.com | **Principal**<br>Monifa Latham<br>Laurent Hadley<br><br>**Representatives**<br>Patricia John<br>Chez Quow |

## APPENDIX II: SELECTED MACROECONOMIC INDICATORS 2014-2018(e)

| | 2014 | 2015 | 2016 | 2017 | 2018 (e) |
|---|---|---|---|---|---|
| **Real Sector** | | | | | |
| Real GDP Growth (Market Prices, %) | 7.3 | 6.4 | 3.7 | 5.1 | 3.5 |
| Inflation (period average, %) | -1.0 | -0.6 | 1.7 | 0.9 | 2.7 |
| Unemployment Rate (%) | 29.3 | 29.0 | 28.2 | 23.6 | |
| | | | | | |
| Nutmeg Production (million lbs) | 1.2 | 1.3 | 1.1 | 1.3 | 1.4 |
| MNIB Purchases (million lbs) | 2.5 | 3.8 | 3.0 | 2.3 | 2.1 |
| Imports of Building Material (EC$ million) | 91.9 | 95.7 | 112.1 | 145.1 | 161.5 |
| Sales of Building Material (EC$ million) | 36.3 | 42.2 | 46.7 | 48.5 | 44.6 |
| | | | | | |
| SGU Enrollment (no. of students) | 6,586 | 7,026 | 7,479 | 7,703 | 7,973 |
| Stay Over Arrivals (no. of persons) | 133,526 | 132,547 | 135,381 | 146,359 | 160,995 |
| Cruise Ship Visitor Arrivals (no. of persons) | 235,140 | 280,518 | 314,913 | 299,449 | 329,394 |
| | | | | | |
| **Fiscal Account** | | | | | |
| Total Revenue & Grants (% of GDP) | 24.5 | 24.1 | 26.4 | 25.9 | 25.9 |
| Tax Revenue (% of GDP) | 18.2 | 19.0 | 21.1 | 21.7 | 21.4 |
| Non-tax Revenue (% of GDP) | 2.2 | 2.2 | 1.8 | 1.6 | 1.5 |
| Grants (% of GDP) | 4.1 | 2.9 | 3.5 | 2.6 | 3.0 |
| | | | | | |
| Total Expenditure (% of GDP) | 29.2 | 25.6 | 24.0 | 22.9 | 22.5 |
| Current Expenditure (% of GDP) | 20.0 | 17.4 | 19.8 | 20.2 | 19.3 |
| Capital Expenditure (% of GDP) | 9.2 | 8.2 | 4.2 | 2.7 | 3.2 |
| | | | | | |
| Primary Balance (including grants, % of GDP) | -1.2 | 1.9 | 5.2 | 5.7 | 5.5 |
| Overall Balance (including grants, % of GDP) | -4.7 | -1.5 | 2.3 | 3.0 | 3.4 |

* provisional estimates for 2018

| | | | | | |
|---|---|---|---|---|---|
| Public Sector Debt (% of GDP) | 106.1 | 100.1 | 93.2 | 81.4 | 76.5 |
| Principal Repayments (EC$ million) | 268.6 | 261.7 | 294.4 | 292.2 | 306.2 |
| Interest Payments (EC$ million) | 86.8 | 91.7 | 82.3 | 75.3 | 67.3 |
| | | | | | |
| **External Account*** | | | | | |
| Exports of Goods & Services (EC$ million) | 1,480.44 | 1,561.47 | 1,599.92 | 1,547.28 | 1,569.55 |
| Imports (EC$ million) | 1,449.71 | 1,526.74 | 1,493.23 | 1,489.89 | 1,503.29 |
| Gross Imputed Reserves (EC$ million) | 427.30 | 509.00 | 543.71 | 533.83 | 503.46 |
| Gross International Reserves (in months of total imports) | 3.54 | 4.00 | 4.37 | 4.30 | 4.02 |
| | | | | | |
| **Money and Banking**** | | | | | |
| Net Foreign Assets (EC$ million) | 582.20 | 852.50 | 1,003.20 | 1,098.36 | 1,234.66 |
| Domestic Credit (EC$ million) | 1,526.90 | 1,320.10 | 1,240.90 | 1,205.66 | 1,175.54 |
| o/w Households (EC$ million) | 1,119.40 | 1,073.60 | 1,054.60 | 1,033.00 | 1,029.26 |
| Firms (EC$ million) | 485.40 | 469.50 | 485.30 | 508.59 | 527.25 |
| Non-Bank Institutions (EC$ million) | 9.11 | 9.34 | 8.70 | 6.19 | 6.36 |
| Other Public Sector (net, EC$ million) | (104.31) | (166.44) | (248.90) | (237.08) | (238.12) |
| Central Government (EC$ million) | 17.30 | (65.90) | (58.80) | (105.03) | (149.20) |
| Currency in Circulation (EC$ million) | 124.10 | 131.50 | 194.80 | 171.34 | 180.20 |

* 2017 and 2018 figures are estimated

** 2018 figures represent values as at May 30th, 2018

(p) provisional estimates for 2017

Sources: CSO, ECCB, MOF