

Public Debt Management

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- 1. New Borrowing Instruments and Products**
- 2. Financing during FY20**
- 3. Trends in portfolio of Govt Securities held by Market**
- 4. What to expect during FY21**

1. New Borrowing Instruments and Products

- a. Instruments/Products recently issued / to be issued
- b. 3-year Floating Rate PIBs – features & benefits

1a. Instruments & Products issued/to be issued

- Introduced in recent months
 - 3-year and 5-year Floating-Rate PIBs (since Jun 2020)
 - 5-year Floating-Rate Sukuks (since Apr 2020)
 - 5-year Fixed-Rate Sukuk (since Jul 2020)
 - 15-year Fixed Rate PIBs re-introduced (April 2020)
- Floating-Rate PIBs with quarterly coupons
 - 3-year PIBs to be introduced latest by Sep 2020
 - 5-year and 10-year PIBs are still under consideration
- Coupon Stripping framework

1b(i). 3-year Floating Rate PIBs: Features

Feature	Description
Maturity	Bullet
Profit Payment Frequency	Quarterly
Coupon Rate	Benchmark Rate + Spread
- Benchmark Rate	3-m Weighted Average Yield
- Spread	Relative to 3-m Weighted Average Yield
SLR Eligibility	Similar to 3-m T-bills

1b(ii). 3-year Floating Rate PIBs: Benefits

	Benefits
Market	Higher yields relative to 3-m T-bills
	Interest Rate Risk similar to 3-m T-bills
	Potential for structuring of new products
Government	Higher ATM
	Lower Refinancing Risk
	Lower Gross Financing Needs

2. Financing during FY20

a. Overall Financing

b. Financing through Government Securities

c. Adherence to Auction Targets

2a. Overall Financing: FY2020

	PKR bn	%
Net Financing raised	3,388	100%
Sources of financing:		
Privatization and External Grants and Borrowings	856	25%
Domestic Borrowing	2,532	75%
of which:		
National Saving Schemes	375	11%
Government Securities	2,157	64%

2b. Financing through Govt Sec: FY20

GDP During FY20: 41,727

PKR bn

	Gross Financing (IMF Definition)		Repayment	Net Financing	
	Amount	As % of GDP		Amount	As % of Total
T-bills	5,676	13.6%	(5,501)	175	8%
PIBs	2,752	6.6%	(920)	1,832	85%
Sukuk	198	0.5%	(48)	150	7%
Total	8,626	20.7%	(6,469)	2,157	100%

2c(i). Adherence to Auction Targets: T-bills

PKR bn

	Q1	Q2	Q3	Q4	FY20
Target	6,900	3,300	2,750	2,175	15,125
Bids	8,290	8,210	8,299	6,455	31,255
Benchmark	6,900	3,300	2,750	2,175	15,125
Issuance	6,124	3,340	2,978	1,858	14,301
Deviation	-11%	1%	8%	-15%	-5%

In 4 out of 26 auctions, the deviation was more than 50% of the benchmark.

2c(ii). Adherence to Auction Targets: Floating Rate PIBs

PKR bn

	Q1	Q2	Q3	Q4	FY20
Target	300	150	150	250	850
Bids	336	486	428	359	1,610
Benchmark	300	150	150	250	850
Issuance	220	182	183	243	828
Deviation	-27%	21%	22%	-3%	-3%

No deviation beyond permissible limits in any of the 12 individual auctions

2c(iii). Adherence to Auction Targets: Fixed Rate PIBs

PKR bn

	Q1	Q2	Q3	Q4	FY20
Target	325	300	300	375	1,300
Bids	2,164	942	706	799	4,612
Benchmark	325	300	300	375	1,300
Issuance	843	384	281	415	1,923
Deviation	159%	28%	-6%	11%	48%

In 3 out of 12 auctions, the deviation was more than 50% of the benchmark.

2c(iv). Adherence to Auction Targets: Floating-Rate Sukuks

PKR bn

	Q1	Q2	Q3	Q4	FY20
Target	-	-	-	225	225
Bids	-	-	-	432	432
Benchmark	-	-	-	225	225
Issuance	-	-	-	198	198
Deviation	-	-	-	-12%	-12%

No deviation beyond permissible limits in any of the 3 individual auctions

3. Govt Securities held by the market

- a. Overall Targets of Medium Term Debt Strategy
- b. Trends in Government Securities Portfolio

3a. Overall Targets of MTDS

Indicator	Indicative Benchmarks (FY20-FY23)	FY20	FY21	FY22	FY23
ATM of Domestic Debt (Years)	3.5 (Min)	4.0	4.0	4.0	4.0
Gross Financing Needs (% of Total)	35% (Max)	32	30	27	25
Share of Shariah Compliant Sec. in Govt Sec. (%)	-	2.0	5.0	7.5	10
Share of Fixed Rate Debt in Govt Securities (%)	25% (Min)	30	30	30	30

Note: Total Means Total Public Debt at the end of relevant period

3b. Trends in portfolio of Govt. Sec. held by Mkt.

PKR bn

	30-Jun-2019	%	30-Jun-2020	%	Target
Maturity					
T-bills	4,930	55%	5,557	48%	25% - 35%
PIBs and Sukuks	3,992	45%	6,096	52%	65% - 75%
Fixed v. Floating					
Fixed Rate Debt	3,638	41%	5,020	43%	45% - 55%
Floating Rate Debt	5,285	59%	6,653	57%	45% - 55%
Conventional v. Islamic					
Conventional	8,674	99%	11,273	98%	90%
Islamic	249	1%	399	2%	10%
ATM (years)	1.5		2.7		4.0

4. What to expect during FY21

- T-bills stock to reduce by at least 2% of GDP
 - To be substituted by fixed-rate & floating-rate long-term securities
 - Gradual reduction
- Adherence to targets within permissible limits to be ensured
- Average Time to Maturity (ATM) of government securities to be extended further
- Government's preference for fixed-rate securities at reasonable rates/spreads
- Issuance of Shariah-compliant securities to continue

THANK YOU