

# Public Debt Management

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# Public Debt Management

1. Consolidation of Floating Rate PIBs
2. Financing during H1 FY21
3. Trends in portfolio of Govt Securities held by Market
4. What to expect during H2 FY21

# 1. Consolidation of Floating Rate PIBs

- Floating Rate PIBs proposed to be discontinued
  - 3-year maturity, semi-annual coupon
  - 5-year maturity, quarterly coupon
  - 10-year maturity, quarterly coupon
- Proposed treatment of such PIBs already held by the market
  - Option to market to swap into a similar instrument at the same yield
- FMA and CFASP are requested to give their feedback

## **2. Financing during H1 FY21**

- a. Overall Financing
- b. Financing through Government Securities
- c. Adherence to Auction Targets

## 2a. Overall Financing: H1 FY21

|   | PKR bn       | %           |
|---|--------------|-------------|
| <b>Net Financing raised</b>                             | <b>1,490</b> | <b>100%</b> |
| Sources of financing:                                   |              |             |
| <b>Privatization and External Grants and Borrowings</b> | <b>450</b>   | <b>30%</b>  |
| <b>Domestic Borrowing</b>                               | <b>1,040</b> | <b>70%</b>  |
| of which:   |              |             |
| National Saving Schemes                                 | (3)          | -0.2%       |
| Government Securities                                   | 1,043        | 70.2%       |

## 2b. Financing through Govt Sec: H1 FY21

Estimated GDP for FY20: Rs 45,323 bn

PKR bn

|                      | Gross Financing |            | Repayment      | Net Financing |             |
|----------------------|-----------------|------------|----------------|---------------|-------------|
|                      | Amount          | % of GDP   | Amount         | Amount        | % of Total  |
| T-bills              | 5,169           | 11%        | (5,748)        | (579)         | -44%        |
| Fixed Rate PIBs      | 297             | 1%         | (101)          | 196           | 15%         |
| Floating Rate PIBs   | 1,328           | 3%         | -              | 1,328         | 102%        |
| Fixed Rate Sukuks    | 45              | 0%         | -              | 45            | 3%          |
| Floating Rate Sukuks | 317             | 1%         | -              | 317           | 24%         |
| <b>Total</b>         | <b>7,157</b>    | <b>16%</b> | <b>(5,849)</b> | <b>1,308</b>  | <b>100%</b> |

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

PKR bn

|                  | Q1         | Q2         | H1 FY21 |
|------------------|------------|------------|---------|
| Target           | 1,800      | 2,700      | 4,500   |
| Bids             | 5,143      | 4,911      | 10,053  |
| Benchmark        | 1,800      | 2,700      | 4,500   |
| Issuance         | 1,981      | 3,189      | 5,169   |
| <b>Deviation</b> | <b>10%</b> | <b>18%</b> | -       |

In 1 out of 14 auctions, the deviation was more than 50% of the benchmark.

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

PKR bn

|                  | Q1        | Q2          | H1 FY21 |
|------------------|-----------|-------------|---------|
| Target           | 820       | 930         | 1,750   |
| Bids             | 1,985     | 595         | 2,580   |
| Benchmark        | 820       | 595         | 1,750   |
| Issuance         | 854       | 473         | 1,326   |
| <b>Deviation</b> | <b>4%</b> | <b>-21%</b> | -       |

In 2 out of 14 auctions, the deviation was more than 50% of the benchmark.



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

PKR bn

|                  | Q1          | Q2          | H1 FY21  |
|------------------|-------------|-------------|----------|
| Target           | 420         | 405         | 825      |
| Bids             | 464         | 181         | 645      |
| Benchmark        | 420         | 181         | 645      |
| Issuance         | 254         | 44          | 297      |
| <b>Deviation</b> | <b>-40%</b> | <b>-76%</b> | <b>-</b> |

In 5 out of 6 auctions, the deviation was more than 50% of the benchmark.

## 2c(iv). Adherence to Auction Targets: Sukuks

PKR bn

|                  | Q1        | Q2         | H1 FY21 |
|------------------|-----------|------------|---------|
| Target           | 150       | 150        | 300     |
| Bids             | 271       | 318        | 588     |
| Benchmark        | 150       | 150        | 300     |
| Issuance         | 161       | 201        | 362     |
| <b>Deviation</b> | <b>7%</b> | <b>34%</b> | -       |

In 0 out of 6 auctions, the deviation was more than 50% of the benchmark.

# **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) | Target by FY23 |
|---|-----------------------------------|----------------|
| ATM of Domestic Debt (Years)                                      | 3.5 (Min)                         | 4.0            |
| Proportion of Public Debt maturing in 1 year (%)                  | 35% (Max)                         | 25             |
| Share of Shariah Compliant Sec. in Govt Sec. (%)                  | -                                 | 10             |
| Share of Fixed Rate Debt in Govt Securities (%)                   | 25% (Min)                         | 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  | %   | 31-Dec-2020   | %   | Target    |
|-----------------------|--------------|-----|---------------|-----|-----------|
| <b>Total Govt Sec</b> | <b>8,140</b> |     | <b>12,174</b> |     |           |
| T-bills               | 4,932        | 61% | 5,098         | 42% | 25% - 35% |
| PIBs and Sukuks       | 3,208        | 39% | 7,076         | 58% | 65% - 75% |
| <b>ATM (years)</b>    | 1.5          |     | 2.6           |     | 4.0       |

# 4. Priorities during H2 FY21

- Objectives:
  - Lengthening of Average Time to Maturity (ATM) of Government Securities
  - Increasing the proportion of Shariah Compliant Debt
- Strategy:
  - Raising more debt through PIBs & Sukuks instead of T-bills.
  - Adherence to auction targets within permissible limits.
  - Greater issuance of fixed-rate securities at reasonable rates/spreads.
  - Continue issuance of Shariah-compliant securities.

**THANK YOU**