

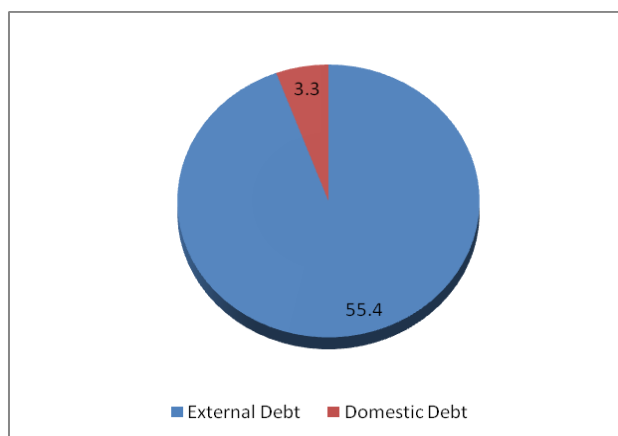


Public Debt

As of March 31, 2023, total public debt stood at \$58.7 million or equivalent to 17.0 percent of GDP. Outstanding debt comprised of external debt and domestic debt of which \$55.4 million or 94.4 percent was for external debt and \$3.3 million or 5.6 percent was for domestic debt (refer to Chart 1). Of this, \$12.8 million was for government guarantees and \$12.3 million was for on-lending. All domestic debt is lines of credit at the FSM Development Bank (FSMDB) secured over assets of the National Government owned Petrocorp.

Public debt decreased by \$1.9 million or -3.1 percent when compared to December 2022. There was a significant annual decline in FY2021, because of principal repayments and US Rural Utilities Services writing off \$8.2 million in debt owed to them by the FSM Telecommunications Corporation.

Chart 1: Total Debt



After a period of sizeable borrowing in the early 1990s, to finance development projects, external debt has fallen significantly, and in more recent times the FSM has maintained a prudent external debt profile.

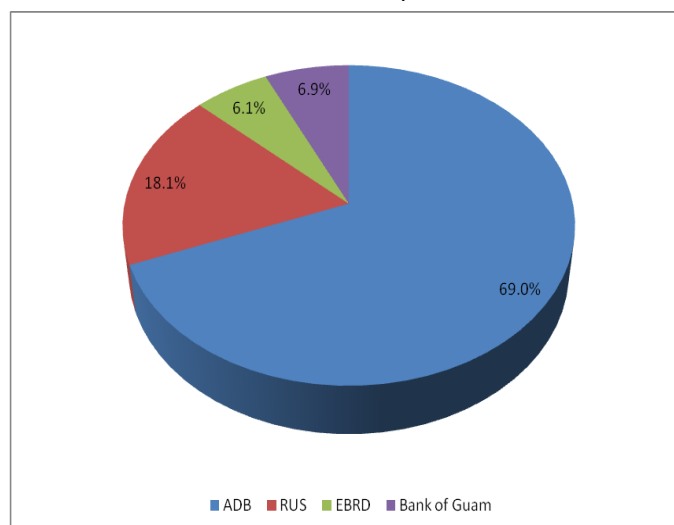
The external Debt-to-GDP ratio is low by developing country standards. However, the FSM is deemed to be at high risk of debt distress by the International Monetary Fund due to the high level of uncertainty around the expiring of the economic provisions in the Amended Compact in 2023 and the possible need to borrow to maintain operations of State Governments.

Debt by Lending Institution

External Debt

Total outstanding external debt as of March 31, 2023, stood at \$55.4 million. Of this, \$38.2 million (68.9 percent) is owed to the Asian Development Bank, a further \$10.0 million (18.1 percent) is owed to the US Rural Utilities Services (RUS), \$3.8 million (6.9 percent) is owed to the Bank of Guam, and \$3.3 million (6.0 percent) to the European Bank for Reconstruction and Development (refer Chart 2).

Chart 2: External Debt by institution





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This was a result of the RUS restructuring its debt portfolio with the FSM Telecommunications Corporation. As well as writing off an \$8.2 million loan it also provided relief on principal payments for two-years in recognition of the economic difficulties of trading during these COVID-19 times.

Domestic Debt

Total outstanding domestic debt as of March 31, 2023, stood at \$3.3 million. All domestic debt is owed to the FSMDB. The only entity currently borrowing in the domestic market is the National Government owned Petrocorp. The domestic debt is in the form of lines of credit, secured over the company's assets.

The FSM Government does not issue treasury bonds or other domestic debt instruments. There are no new loans contracted over the quarter. FSM is not planning to contract any new loans in the near term.

Debt by Government

By government, as of March 31, 2023, the largest share of public debt, \$27.0 million (46.0 percent), is owed by the National Government and its component units, followed by Yap State Government with \$12.3 million (21.0 percent), then Pohnpei State with \$8.2 million (14.0 percent), then Chuuk State with \$8.9 million (15.2 percent) and Kosrae State \$2.3 million (3.9) (refer Chart 3).

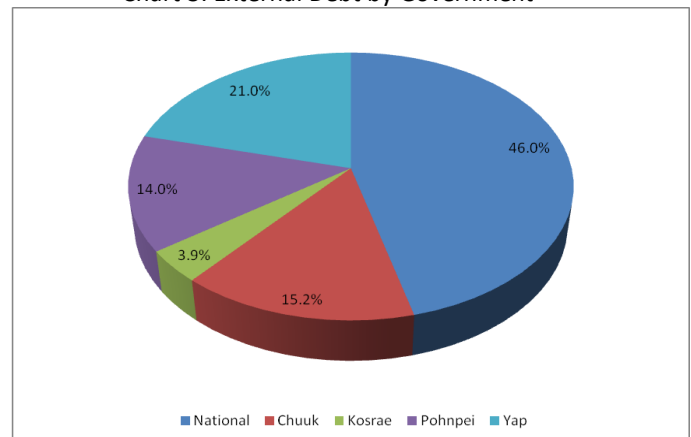
Debt by State Owned Enterprises

Of the total external debt of \$55.4 million at the end of March 31, 2023, \$12.8 million was guaranteed debt and \$12.3 million was on-lent by the National Government. The national guaranteed debt includes FSM PetroCorp, FSM Telecommunication, and Yap

State Public Service Corporation. At the State level, \$21.3 million of this debt is held by the utility companies.

Generally, this debt is on-lent at the same favourable concessionary terms that the National Government receives from the ADB.

Chart 3: External Debt by Government



Debt Servicing

FSM's external debt service for the quarter ended March 31, 2023, was \$2.0 million, a slight decrease compared to December 2022 Quarter.

Of the total debt servicing for the quarter ended March 31, 2023, \$1.5 million was for external debt servicing and \$0.5 thousand was for domestic. Principal payments were \$1.9 million while interest made up only \$0.3 thousand of the total debt servicing. It is expected to increase on an annual basis.

As a share of domestic revenues, debt service was 4.6 percent in FY2022 a slight increase over the ratio of 0.7 percent at the end of FY2021. A quarterly share of domestic revenue debt services for March 31, 2023 was 1.2 percent and will expect to be around an average of 4.0 percent annually.



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Debt Statistics \$m

	FY2019	FY2020	FY2021	FY2022	22-Sep	22-Dec	23-Mar	Annual % change
Total Public Debt	77.9	80.1	66.4	62.7	62.7	60.6	58.7	-3.1%
External debt	73.9	75.3	62.9	59.4	59.4	57.3	55.4	-3.3%
Guaranteed	22.7	22.8	13.9	13.7	13.7	13.4	12.8	-4.5%
On-lent	26.7	26.8	17.3	14.3	14.3	12.9	12.3	-4.7%
Domestic debt	4.0	4.8	3.5	3.3	3.3	3.3	3.3	0.0%
Debt to GDP %	22.5	23.2	19.4	17.9	17.9	17.3	17.0	-1.7%
External debt to GDP	20.8	21.8	18.3	17.0	17.0	16.4	16.1	-1.8%
Domestic debt	1.1	1.4	1.0	0.9	0.9	0.9	0.9	0.0%
Total Public Debt by Government	77.9	80.1	66.4	62.7	62.7	60.6	58.7	-3.1%
National	36.5	40.8	29.7	27.4	27.4	27.3	27.0	-1.1%
Chuuk	11.3	10.7	9.9	9.6	9.6	9.4	8.9	-5.3%
Kosrae	3.6	3.4	3.1	2.9	2.9	2.4	2.3	-4.2%
Pohnpei	11.5	10.8	10.1	9.4	9.4	9.0	8.2	-8.9%
Yap	15.0	14.4	13.6	13.4	13.4	12.5	12.3	-1.6%
External Debt by Creditor	73.8	75.3	62.9	59.4	59.4	57.3	55.4	-3.3%
ADB	49.2	47.5	44.5	41.1	41.1	39.1	38.2	-2.3%
RUS	19.3	19.3	11.0	11	11.0	11.0	10.0	-9.1%
EBRD	0.7	3.8	3.4	3.4	3.4	3.4	3.4	0.0%
Bank of Guam	4.6	4.7	4.0	3.9	3.9	3.8	3.8	0.0%
Domestic Debt by Creditor								
FSMDB	4.0	4.8	3.5	3.3	3.3	3.3	3.3	0.0%



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Debt Statistics (cont.) \$m

	FY2019	FY2020	FY2021	FY2022	22-Sep	22-Dec	23-Mar	Annual % change
Total Public Debt Service	8.9	5.2	7.3	6.0	2.0	2.8	2.0	-28.6%
External debt	8.1	4.6	6.1	5.4	1.5	2.3	1.5	-34.8%
Principal	6.1	2.6	4.2	4.4	1.1	2.0	1.3	-35.0%
interest	2.0	2.0	1.9	1	0.4	0.3	0.2	-33.3%
Domestic debt	0.8	0.6	1.2	0.6	0.5	0.5	0.5	0.0%
Principal	0.7	0.5	1.1	0.5	0.4	0.4	0.4	0.0%
interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0%

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Public Debt Service Schedule	6.0	6.8	6.6	6.5	6.1	6.4	4.3
External debt	5.4	6.2	6.0	5.9	5.5	5.8	3.7
Principal	4.4	5.1	5.1	5.1	4.8	5.2	3.3
interest	1.0	1.1	1.0	0.8	0.7	0.6	0.5
Domestic debt	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Principal	0.5	0.5	0.5	0.5	0.5	0.5	0.5
interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1