



DEPARTMENT OF TREASURY

FINANCIAL MANAGEMENT DIVISION



2014 ANNUAL DOMESTIC DEBT ISSUANCE PLAN UPDATE

Friday 7th February 2014

The Government of the Independent State of Papua New Guinea announced on 19 November 2013 its 2014 National Budget. The Medium Term Debt Strategy 2013-2017 (the Debt Strategy) was updated, and the three existing strategies were reaffirmed:

1. Maintain Government Debt at sustainable levels.

- The Government's debt to GDP ratio is expected to increase to around 35% in 2014 but remain consistent with the Medium Term Fiscal Strategy 2013 – 2017 (MTFS) and the Fiscal Responsibility Act 2006 (FRA). The projected increase from 33.5% by end of 2013 to 35.2% at the end of 2014 is to achieve the required financing amount in order to meet Government's development agenda
- PNG has set itself a target of BBB rating. A BBB rating means the Rating Agencies consider PNG as having adequate ability to meet its financial obligations. PNG's current sovereign credit rating is B plus with a Stable outlook from Standard and Poor (S&P).

2. Reducing the excessive financial risks in the debt portfolio by:

- Maintaining foreign currency debt at around 40% of the total Central Government debt portfolio by restricting the amount of new foreign currency loans it enters into.
- Reducing the amount of short-term, variable rate debt (Treasury Bills) from the current level of about 47% of domestic debt to 41% by 2014.

3. Gradually making improvements to the domestic debt market

- In order to increase the capacity and reduce the cost of borrowing domestically, the debt strategy aims to facilitate the development of the domestic debt market.
- Treasury seeks to be transparent and predictable in its debt issuance through providing information publically on debt issuance and periodically meeting investors.

Summary of 2014 Debt Issuance Plan

Set out below is an outline of the debt issuance plan for 2014. Further details on the strategy and issuance plan are shown in Chapter 6 and Appendix 3 (Table(s) 9a, 10 and 12) of Volume 1 of the 2014 National Budget Papers. This information is available on the website: http://www.treasury.gov.pg/html/national_budget/national_budget_2014.html

Summary of Repayments and New Issuance during 2014 in Millions of Kina

	Balance 31/12/13	Repayment 2014	New Issuance 2014	Projected Balance 31/12/14	Net Change 2013
Treasury Bills	4,106.2	4,956.3	5,101.1	4,250.9	144.7
Inscribed Stock	4,644.8	357.1	1,920.0	6,207.7	1,562.9
Other Domestic Debt	-	-	-	-	-
FX Debt	2,849.5	223.4	871.2	3,497.3	647.8
Total Government Debt	11,600.5	5,536.8	7,892.3	13,955.9	2,355.4

GDP	34,611.0	39,591.6
------------	-----------------	-----------------

Debt as % of GDP	33.5	35.2
-------------------------	-------------	-------------

Treasury Bills

Treasury Bills will continue to be auctioned on Wednesdays, and settled three days later on the Friday. Department of Treasury determines the amount of Treasury Bills required to ensure there are sufficient cash balances in the Government's bank account so as to pay the Government's expenses that are due. Bank of Papua New Guinea in its role as the debt management issuing agent of the Department of Treasury will announce to investors by close of business on Tuesdays the amount and type of Treasury Bills to be sold. The Government will continue to issue mainly 6 month and 12 month Treasury Bills.

Inscribed Stock

Inscribed Stock will be auctioned on the third Tuesday of each month and settled three days later on the Friday. The Government in 2014 will offer K200 million per month from January to May and in the months of August and November; K110 million in June and July; K100 million in September, October and December. The Bank of Papua New Guinea, in its role as the debt management issuing agent of the Department of Treasury, will announce to investors during the first week of each month the amount of each Inscribed Stock series to be auctioned (each series has a specific maturity and coupon). Refer to the issuance calendar below for more information.

2014 Issuance Calendar – Inscribed Stock

Issue Date	Amount on Offer	Maturities & Coupon Rates
Tue, January 21, 2014	K200.0 million	To be announced at the beginning of each month
Tue, February 18, 2014	K200.0 million	To be announced at the beginning of each month
Tue, March 18, 2014	K200.0 million	To be announced at the beginning of each month
Tue, April 15, 2014	K200.0 million	To be announced at the beginning of each month
Tue, May 20, 2014	K200.0 million	To be announced at the beginning of each month
Tue, June 17, 2014	K110.0 million	To be announced at the beginning of each month
Tue, July 15, 2014	K110.0 million	To be announced at the beginning of each month
Tue, August 19, 2014	K200.0 million	To be announced at the beginning of each month
Tue, September 16, 2014	K100.0 million	To be announced at the beginning of each month
Tue, October 21, 2014	K100.0 million	To be announced at the beginning of each month
Tue, November 18, 2014	K200.0 million	To be announced at the beginning of each month
Tue, December 16, 2012	K100.0 million	To be announced at the beginning of each month
Total Issuance	K1, 920.0 million	

Updates of the debt issuance plan

The above issuance plan is based on projections in the 2014 Budget, and if there are any changes, they will be made as part of a Supplementary Budget in 2014. The above issuance plan is subject to change and investors will be notified accordingly if changes are made.

By the beginning of each quarter Treasury will announce:

- The amount of Treasury Bills that mature over the next three months and the likely amount of Treasury Bills to be offered at; and
- The series (maturity and coupon) of Inscribed Stock to be auctioned over the next three months

Additional information

Further information on the historical results of auctions is available on the Public Debt folder of the Department of Treasury's website: www.treasury.gov.pg. If you have any questions please contact the Securities Execution Branch on telephone numbers: 323 5600, 343 5222 or 343 7190.

Major Activities for first six months of 2014

- By the beginning of February 2014 Treasury will seek formal feedback from major investors and provide them with a summary of the Government's debt management activities for 2014. Treasury will develop and distribute to investors a summary of the feedback received, and the major activities that Treasury and BPNG will undertake in the second half of 2014.

JOHN A. UWARE

First Assistant Secretary