



Consolidated Public Debt
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Consolidated Public Debt reaches 74.2% as of February 2021, after increasing more than 20 points vs. February 2020

*The stock of debt of the Non-Financial Public Sector (NFPS) reaches **US\$47,193.9 million** as of February 2021, equivalent to **60.4% of GDP**.*

*NFPS debt grows **US\$8,812.5 million** (+23.0%) during the last 12 months to February 2021, and goes from 43.0% of GDP (02-2020) to 60.4% of GDP (02-2021).*

NFPS debt growth (+23.0%) contrasts with the very sensitive contraction of the economy measured through GDP in US\$ (-12.6%).

*The stock of **Consolidated Public Debt (CPD)** reaches **US\$57,963.5 million** as of February 2021, equivalent to 74.2% of GDP.*

*DPC grew by **US\$9,747.9 million** (+20.2%) during the last 12 months, and went from 54.0% of GDP (02-2020) to 74.2% of GDP (02-2021).*

*DPC is growing at the very worrying average rate of **RD\$1,174 million per day** in the period from December 2016 to February 2021 (50 months).*

***Debt service** (US\$886.9 million until 02-2021) represents 40.2% of the Central Government's revenues, vs. 34.3% until 02-2020.*

***Interest payments** (US\$775.9 million until 02-2021) represent **35.1%** of the Central Government's income, vs. 28.6% until 02-2020.*

After setting a new record level of **US\$44,622.3 million** at the end of December 2020, the non-financial public sector debt (NFPS) continues to grow vigorously in the first two months of 2021 after the successful issuance of sovereign bonds in January 2021 by US\$2,500 million; thus, the NFPS debt stock closes at **US\$47,193.9 million** as of 02-28-2021, that is, an increase of US\$2,571.6 million from beginning of the year, according to the latest statistics from the Directorate General Public Credit (DGCP):

<https://www.creditopublico.gov.do/inicio/estadisticas>.

Due to the combined effect of this new nominal growth of the debt with the downturn in the economy¹, the relative weight of the NFPS debt continues to increase very rapidly, now reaching **60.41% of the estimated GDP** at the end of February 2021 (see details in **Table 1** below). It is important to mention that we have estimated the annualized GDP as of 02-2021 at US\$78,129.0 million, which represents a significant decrease (-12.6%) vs. the annualized GDP value as of 02-2020, which reached US\$89,346.8 million; However, thanks to the acceleration of the economy as of March 2021, together with the higher-than-expected level of inflation, as well as the revaluation of the Dominican peso against the US dollar, we are significantly revising our GDP projections upwards. In US \$, now estimating a powerful rebound to reach **US\$88,676.2 million** at the end of 2021, well above the GDP value of the 2021 budget that was originally projected at just US\$78,689.6 million. This could help contain further increases in the short-term debt ratio.

As will be seen below, the very significant nominal increase in the debt balance observed in this January-February period (**+ US\$2,571.6 million**) is the combined result of:

Increase in debt, due to **the contracting** of new debts that totaled US\$2,623.1 million, of which: externally, a total of **US\$2,502.1 million**, including US \$ 2.1 million received from bilateral and / or multilateral organizations, the rest coming from the issuance of

Sovereign bonds; and US\$120.9 million in the local market, through Treasury bonds equivalent to RD\$7,000.0 million;

Debt reduction, due to **repayments of capital** on previous debts for only **US\$106.4 million** during this two-month period (vs. US\$121.4 million in January-February 2020; and,

Finally, the very sensitive **reevaluation of the Dominican peso** against the US dollar since the end of 2020, which has meant a small increase in the value in US \$ of debts denominated mainly in pesos for **US\$55.0 million** during the month of August.

As a result of these transactions, the NFPS debt now registers a year-on-year increase of **US\$8,812.5 million** vs. the level of US\$38,381.4 million at the end of February 2020; In other words, the debt has suffered a very significant increase of **23.0%** during the last 12 months, while **the annualized GDP in dollars contracted by -12.6%**, going from US \$ 89,346.8 million (02-2020) to **US\$78,129.0 million** (02-2021)

A) Debt growth until February 2021:

A1) Non-Financial Public Sector (SNPF):

Debt has continued to grow from 2016 to February 2021, both nominally (in US\$ and / or RD\$), and relatively (as% of GDP).

As can be seen in Table 1, the debt of the NFPS has already exceeded the dangerous level of 60.0% of GDP, showing a significant growth in the stock of debt, since **the weight of the debt exceeds 42.96% of GDP (02- 2020) to 60.41% (02-2021)**, because the speed of year-on-year growth of debt in dollars (**+23.0%**) contrasts with the rate of year-on-year decrease of the economy measured in US \$ (**-12.6%**).

A gradual decrease in this indicator is expected as the Dominican economy begins to grow, and more especially in the 2nd quarter of 2021 when we project a spectacular growth of 17.3% compared to the 2nd quarter of 2020 when the Dominican economy had collapsed with a historic drop of 16.9% compared to 2019.

Cuadro 1: Evolución del Stock de Deuda del Sector Público No Financiero

Deuda al cierre del período						
	<u>Stock de Deuda</u> (millones US\$)	<u>Stock de Deuda</u> (billones RD\$)	<u>Tipo de Cambio</u> (RD\$/US\$)	<u>Deuda</u> (como % PIB)	<u>PIB</u> (millones de US\$)	
Saldo al 31-12-2016:	\$ 26,757.9	DOP 1,247.2	46.61	35.32%	\$ 75,759.4	
Saldo al 31-12-2017:	\$ 29,543.6	DOP 1,423.7	48.19	36.92%	\$ 80,024.5	
Saldo al 31-12-2018:	\$ 32,158.2	DOP 1,614.3	50.20	37.60%	\$ 85,536.9	
Saldo al 31-12-2019:	\$ 35,942.5	DOP 1,901.4	52.90	40.43%	\$ 88,906.1	
Saldo al 31-12-2020:	\$ 44,622.3	DOP 2,593.0	58.11	56.61%	\$ 78,829.0	
Variación 2019 a 2020 (12 meses):	\$ 8,679.8 24.1%	DOP 691.6 36.4%	5.21 9.8%	16.18%	\$ (10,077.1) -11.3%	
Variación 2016 a 2020 (48 meses):	\$ 17,864.4 66.8%	DOP 1,345.8 107.9%	11.50 24.7%	21.29%	\$ 3,069.6 4.1%	
Saldo al 29-02-2020:	\$ 38,381.4	DOP 2,051.5	53.45	42.96%	\$ 89,346.8	
Saldo al 28-02-2021:	\$ 47,193.9	DOP 2,727.8	57.80	60.41%	\$ 78,129.0	
Variación 2020 a 2021 (12 meses):	\$ 8,812.5 23.0%	DOP 676.3 33.0%	4.35 8.1%	17.45%	\$ (11,217.8) -12.6%	
Variación 2016 a 2021 (50 meses):	\$ 20,436.0 76.4%	DOP 1,480.6 118.7%	11.19 24.0%	25.09%	\$ 2,369.6 3.1%	

Fuente: Elaboración propia con datos de Banco Central y Dirección General de Crédito Público

A2) Consolidated Public Debt as of 02-28-2021 (estimated figures):

Table 2 below shows that the balance of the total debt of the Consolidated Public Sector maintains a strong upward trend, since **the DPC closed in December 2020 at 69.08% of GDP, that is, an increase of 18.55 points of GDP during the year 2020,** and **with a value of US\$54,458.9 million,** vs. the US\$44,928.2 million at the end of the year 2019, that is, a relative growth of 21.2%.

In the same way, during this first two-month period 2021, the DPC has continued its strong upward trend, going from US \$ 54,458.9 million (12-2020) to US \$ 57,963.5 million, that is, a growth of US \$ 3,504.6 million in just 2 months. When compared with the stock of the DPC in

February 2020 when it reached US \$ 48,215.6 million, it can be deduced that the DPC has registered a considerable increase of US \$ 9,747.9 million during the last 12 months, which is equivalent to a jump of 20.2%.

Cuadro 2: Evolución del Stock de la Deuda Pública Consolidada (DPC)

	Deuda consolidada al cierre del período				
	Stock de Deuda (millones US\$)	Stock de Deuda (billones RD\$)	Tipo de Cambio (RD\$/US\$)	Deuda (como % PIB)	PIB (millones de US\$)
Saldo al 31-12-2016:	\$ 34,102.6	DOP 1,589.6	46.61	45.01%	\$ 75,759.4
Saldo al 31-12-2017:	\$ 37,215.0	DOP 1,793.4	48.19	46.50%	\$ 80,024.5
Saldo al 31-12-2018:	\$ 40,975.9	DOP 2,057.0	50.20	47.90%	\$ 85,536.9
Saldo al 31-12-2019:	\$ 44,928.2	DOP 2,376.7	52.90	50.53%	\$ 88,906.1
Saldo al 31-12-2020:	\$ 54,458.9	DOP 3,164.8	58.11	69.08%	\$ 78,829.0
Variación 2019 a 2020 (12 meses):	\$ 9,530.7 21.2%	DOP 788.1 33.2%	5.21 9.9%	18.55%	\$ (10,077.1) -11.3%
Variación 2016 a 2020 (48 meses):	\$ 20,356.3 59.7%	DOP 1,575.2 99.1%	11.50 24.7%	24.07%	\$ 3,069.6 4.1%
Saldo al 29-02-2020:	\$ 48,215.6	DOP 2,577.3	53.45	53.96%	\$ 89,346.8
Saldo al 28-02-2021:	\$ 57,963.5	DOP 3,350.4	57.80	74.19%	\$ 78,129.0
Variación 2020 a 2021 (12 meses):	\$ 9,747.9 20.2%	DOP 773.1 30.0%	4.35 8.1%	20.22%	\$ (11,217.8) -12.6%
Variación 2016 a 2021 (50 meses):	\$ 23,860.9 70.0%	DOP 1,760.8 110.8%	11.19 24.0%	29.18%	\$ 2,369.6 3.1%

Fuente: Elaboración propia con datos del Banco Central y de la Dirección General de Crédito Público

Likewise, it is striking that, going from RD\$1,589.6 trillion (12-2016) to **RD\$3,350.4 trillion (02-2021)**, the stock of debt in pesos has grown by RD\$1,760.8 trillion between 12-2016 and 02-2021, equivalent to a whopping 110.8% growth in 50 months! **This is equivalent to an average growth of RD\$35,216 million per month, or an additional debt equivalent to RD\$1,173.9 million per day!!!**

Despite this positive trend, the proportion of revenues that the Central Government had to dedicate to debt service has grown very significantly so far in 2021, going from 34.3% (2020) to 40.2% (2021), as shown in **Table 4** of this report.

Cuadro 4: Servicio de la Deuda como % de Ingresos Fiscales (02-2021 vs. 02-2020)

(valores en millones)	Cálculo del peso del servicio de la deuda del SPNF		Variaciones	
	Hasta 02-2020	Hasta 02-2021	Absoluta	%
Ingresos Corrientes (RD\$)	DOP 114,856.0	DOP 128,028.0	DOP 13,172.0	11.5%
Tipo de Cambio Promedio	DOP 53.15	DOP 57.95	DOP 4.80	9.0%
Ingresos Corrientes (US\$)	\$ 2,160.9	\$ 2,209.2	\$ 48.3	2.2%
Total Servicio de la Deuda del SPNF	\$ 742.1	\$ 886.9	\$ 144.8	19.5%
Peso del Servicio de la Deuda (% de los ingresos)	34.34%	40.15%	5.80%	16.9%
Pagos de Intereses	\$ 618.3	\$ 775.9	\$ 157.6	25.5%
Peso del Servicio de la Deuda (% de los ingresos)	28.61%	35.12%	6.51%	22.7%

Fuente: Elaboración propia con datos de la Dirección General de Crédito Público y de la Dirección General de Presupuesto

If we consider the weight of debt service for the single component of interest payments, debt service also shows a very significant increase so far in 2021, going from **28.6%** of tax revenues (up to 02- 2020) to **35.1%** (until 02-2021).

In conclusion, the public debt situation, both at the NFPS and the consolidated public sector level, dramatically illustrates the terrible impacts of the COVID-19 crisis on public finances. This has in fact forced a drastic fiscal adjustment in 2021 to try to reduce this deficit to

a level of just 3.0% of GDP equivalent to RD\$145,065 million by 2021, an objective that we continue to consider as too “astringent”.

We now understand that the priority of the priorities will be to organize an intense review of the 2021 budget to make the fiscal deficit target for 2021 more flexible: to aim for a new deficit level of around 4.0% of the re-projected GDP with more inflation and more. growth, that is a fiscal deficit of around RD\$204,634 million.

Finally, being very realistic, I do not think that the Economic Social Council (CES) has enough time to agree on the elements of the Social Pact that were mentioned by President Abinader in his accountability speech on February 27, since the major Reforms derived from this Social Pact should be included in the preliminary draft of the Budget for the year 2022 to be presented in September 2021. Therefore, I understand that it will be up to President Abinader to assume the leadership of this urgent agenda of structural reforms with great pragmatism; In this sense, the 2nd quarter of 2021 promises to be the most decisive quarter in terms of economic policies. The sustainability of the economic recovery that we are beginning to observe will depend on these momentous decisions.

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