



Quarterly Debt Bulletin

Issue 10

Finance Division, Ministry of Finance Government of the People's Republic of Bangladesh

Abbreviations

AIB- Asian Infrastructure Investment Bank
ADB- Asian Development Bank
ALS- Assured Liquidity Support
BB- Bangladesh Bank
BDT- Bangladesh Taka
BGTB- Bangladesh Government Treasury Bond
BBS- Bangladesh Bureau of Statistics
CRR- Cash Reserve Ratio
DSE- Dhaka Stock Exchange
ERD- Economic Relations Division
FD- Finance Division
GDP- Gross Domestic Product

IDA- International Development Association
IPP- Independent Power Producer
IMF- International Monetary Fund
IRD- Internal Resources Division
IMF- International Monetary Fund
NSC- National Savings Certificate
NSD- Department of National Savings
SLR- Statutory Liquidity Ratio
SOE- State-Owned Enterprise
SPTB- Special Purpose Treasury Bond
WB- World Bank

A. Recent Events

Issuance of Special Purpose Treasury Bond (SPTB)

The Government decided to issue SPTBs to clear the accumulated subsidy arrears in the power and fertilizer sectors. Up to March 2024, the commercial banks received SPTBs worth BDT 10,598.85 crore and 9,753.14 crore against the loans of the IPPs and fertilizer importers, respectively. The yield of the SPTBs is equivalent to the going repo rate. The bonds can be used as SLR. These bondholders are also eligible for ALS.

Government borrowing status (July-March FY24)

Net government borrowing stood at BDT 80,101 crore which was 31% of the budget target¹. Net borrowing from external sources was higher compared to domestic sources. Borrowing from treasury bills and bonds outweighed borrowing from NSD which was net negative. Table 1 presents a summary of the borrowing from different sources during this period:

Table 1: Government Net Borrowing (July-March FY24)

Source of Borrowing	Net Borrowing	Budget 2023-24	As % of Budget
Domestic Borrowing	38,407	1,55,395	25%
Borrowing from banking sources	53,407	1,32,395	40%
<i>Treasury Bill</i>	9,183	45,815	20%
<i>Treasury Bond</i>	44,224	86,580	51%
Borrowing from non-banking sources	-15,000	23,000	-
<i>National Savings Certificate</i>	-12,545	18,000	-
<i>Others (GPF)</i>	-2,455	5,000	-
External Borrowing	41,694	1,02,490	41%
Total Borrowing	80,101	2,57,885	31%

Source: BB, NSD, FD.

¹ End March 2024 Calculation.

- Domestic and external borrowing was 25 per cent and 41 per cent of the budget, respectively.
- As borrowings from NSC and GPF were net negative, net domestic financing depended entirely on the banking sector.
- Domestic Borrowing: Government Securities (July-March FY24)**
 - Instrument-wise**

Table 2(a): Instrument-wise Borrowing: Treasury Bills (July-March FY24)

Crore BDT				
Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
91-day T-Bill	1,20,218	1,05,149	15,069	164%
182-day T-Bill	34,077	58,430	-24,353	-265%
364-day T-Bill	48,182	29,715	18,467	201%
14- day T-Bill	21,167	21,167	0	0%
Total	2,23,644	2,14,461	9,183	100%

Source: BB.

Table 2(b): Instrument-wise Borrowing: Treasury Bonds (July-March FY24)

Crore BDT				
Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
2 YR BGTB	18,415	13,000	5,415	12%
5 YR BGTB	17,155	13,100	4,055	9%
10 YR BGTB	12,985	4,050	8,935	20%
15 YR BGTB	2,895	1,350	1,545	4%
20 YR BGTB	3,922	0	3,922	9%
Special Bond	20,352	0	20,352	46%
Total	75,724	31,500	44,224	100%

Source: BB.

- Net financing through T-Bill was BDT 9,183 crore up to the third quarter of FY24;
- Long-term instrument (T-bond) continued to be the preferred instrument. Up to the third quarter of FY24, net borrowing from T-Bond amounted to BDT 44,224 crore.

Table 3: Borrowing through the Government Securities (July-March FY24)

Month	Treasury Bill			Treasury Bond			Total Net Borrowing
	Gross Issuance	Redemption	Net Borrowing	Gross Issuance	Redemption	Net Borrowing	
Jul	33,520	19,389	14,131	8,000	8,750	-750	13,381
Aug	26,379	18,968	7,412	8,500	4,650	3,850	11,262
Sep	18,291	21,306	-3,015	6,831	150	6,681	3,666
Oct	21,088	27,085	-5,997	2,908	150	2,758	-3,239
Nov	26,820	25,429	1,391	3,866	9,050	-5,184	-3,793
Dec	24,653	33,515	-8,862	5,417	150	5,267	-3,595
Jan	19,941	21,140	-1,199	15,863	150	15,713	14,514
Feb	26,648	23,963	2,685	15,386	150	15,236	17,921
Mar	26,304	23,667	2,637	8,952	8,300	652	3,289
Total	2,23,644	2,14,462	9,183	75,724	31,500	44,224	53,407

Source: BB.

▪ **Domestic Borrowing: Retail Instruments (July-March FY24)**

Table 4: Borrowing from NSCs

Creore BDT

Month	Gross Issuance	Redemption	Net Borrowing
July-23	7,860	8,208	-348
Aug-23	7,050	7,819	-769
Sep-23	6,746	6,894	-148
Oct-23	7,420	8,460	-1,040
Nov-23	6,794	8,348	-1,554
Dec-23	5,420	7,624	-2,204
Jan-24	7,964	9,251	-1,287
Feb-24	6,692	8,233	-1,541
Mar-24	6,291	9,945	-3,653
Total	62,238	74,783	-12,545

Source: Department of National Savings

- Various reform initiatives, such as the online issuance process, rationalized investment limit, and the introduction of multi-tier interest rates along with inflation-induced pressure on savings, contributed to the reduction of the net sales of the National Savings instruments.

External Borrowing

Table 5: External Borrowing: Month-wise

Creore BDT

Month	Borrowing	Principal Payment	Net Borrowing
July-23	4,408	1,593	2,815
Aug-23	3,524	1,178	2,346
Sep-23	5,542	2,616	2,926
Oct-23	3,642	1,570	2,072
Nov-23	7,152	1,506	5,645
Dec-23	18,460	1,721	16,739
Jan-24	3,652	1,868	1,783
Feb-24	6,192	1,408	4,784
Mar-24	5,802	3,219	2,584
Total	58,374	16,679	41,694

Source: ERD.

Figure 1 (a) Debt Stock of Top five Bilateral DP

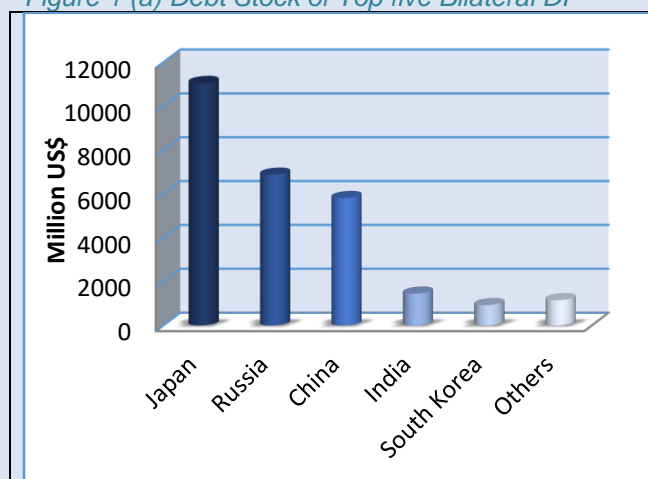
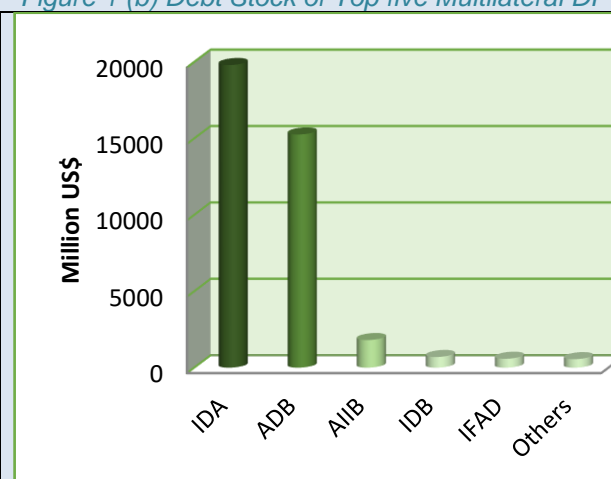


Figure 1 (b) Debt Stock of Top five Multilateral DP



Source: ERD.

- Bangladesh still has access to concessional external financing and prefers this mode of financing. During July-March FY24, Bangladesh received BDT 41,694 crore as external financing inclusive of concessional and non-concessional financing.

B. Structures and Dynamics of the Government Debt

Table 6: Government Debt Stock

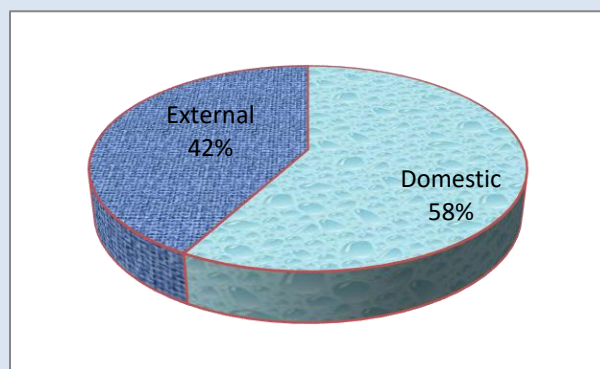
Source of Borrowing	Core BDT			
	As of 30 June 2021	As of 30 June 2022	As of 30 June 2023	As of 31 March 2024
A. Domestic Debt (1+2)	7,23,939	8,47,930	9,44,335	9,82,743
1. Debt from Banking Sources	3,34,252	4,19,627	5,07,763	5,61,171
1.1. Treasury Bills	51,268	77,024	1,23,681	1,32,864
1.2. Treasury Bonds & SPTB	2,74,983	3,24,603	3,66,083	4,10,307
1.3. Sukuk	8,000	18,000	18,000	18,000
2. Debt from Non-Bank Sources	3,89,686	4,28,303	4,36,572	4,21,572
2.1. Debt from NSCs	3,45,655	3,65,562	3,65,233	3,52,688
2.2. Others (GPF) ¹	44,031	62,741	71,339	68,884
B. External Debt	4,20,357	4,95,793	6,72,978	7,14,672
C. Total Debt (A+B)	11,44,296	13,43,723	16,17,313	16,97,415
GDP	35,30,184	39,76,462	44,49,959	50,24,817
Debt to GDP (%)	32.41%	33.79%	36.34%	33.78%
Domestic Debt to GDP	20.51%	21.32%	21.22%	19.56%
External Debt to GDP	11.91%	12.47%	15.12%	14.22%

Source: FD's calculation.

- The total debt-to-GDP ratio was 33.78 per cent based on the GDP projection for FY24 by BBS and is significantly lower than the IMF threshold of 55 per cent.
- Financing from government securities has gradually outweighed financing from retail or non-market sources. As a result, the outstanding stock of debt from government securities has gradually increased and surpassed the debt stock originating from retail or non-market sources since FY23.
- External debt stock was 14.22 per cent of GDP at the current market price.

▪ Total Debt Stock: Domestic vs. External (July-March FY24)

Figure 2 Debt Stock: Domestic vs External

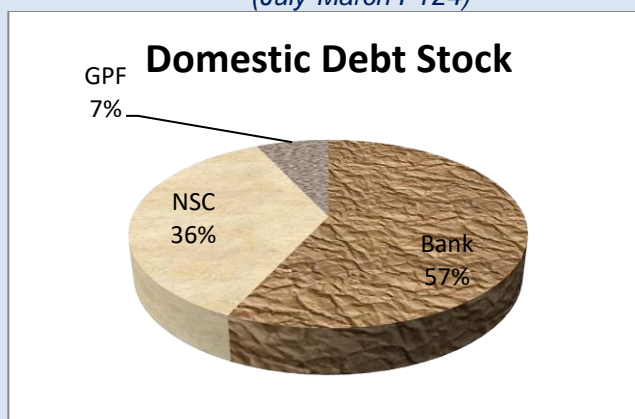


- Domestic debt constitutes the major share of the total debt stock and financing from domestic sources is increasing gradually;
- As of 31 March 2024, domestic and external debt was 58 per cent and 42 per cent of the total debt stock, respectively.

▪ **Total Domestic Debt Stock: Contribution from different sources**

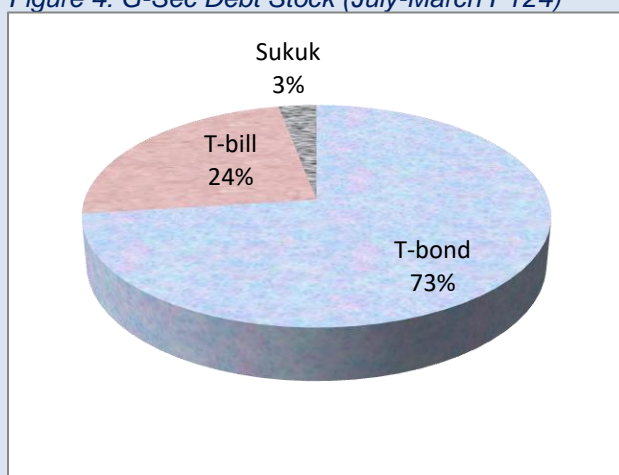
Figure 3: Domestic Debt Stock by Sources (July-March FY24)

- Financing from the Banking sector constitutes 57 per cent of the total domestic debt followed by NSCs, 36 per cent, and the rest were financed from the GPF.
- It is expected that the reforms in the NSC will gradually reduce its contribution to deficit financing.



▪ **Composition of Debt Stock: Government Securities**

Figure 4: G-Sec Debt Stock (July-March FY24)



- 73% of the financing through G-Sec originates from T-Bonds and SPTBs reflecting the government's preference for long-term instruments;
- T-Bills are issued mostly for cash management purposes and to create a balance between short and long-term financing.

C. Interest Expenditure

Table 7: Interest Expenditure

Source of Borrowing	Crore BDT			
	2022-23 (July-March)	2023-24 (July-March)	Increase/Decrease	Rate of Increase
Interest on Domestic Borrowing	55,969	59,589	3,620	7%
Banking sources	20,955	25,375	4,420	21%
Non-bank sources (NSC)	35,014	34,214	-800	-
Interest on External Borrowing	4,435	11,602	7,167	162%
Total Interest Expenses	60,404	71,191	10,787	18%

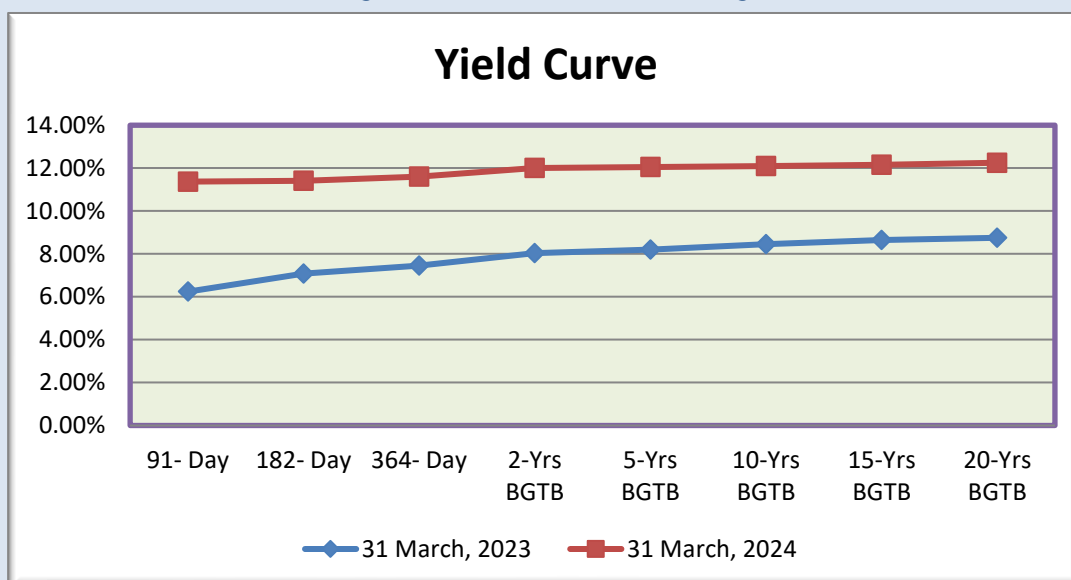
*Source: FD's Calculation.

** Interest on GPF is calculated at the end of FY.

- Up-to 3rd quarter of FY24, interest expense was 18% higher compared to the same time of FY23.
- External interest payment increased by 162% during July-March FY24 relative to the same period in FY23. This is due to the start of interest payments on some major foreign loans.

▪ **Market Cost of Borrowing**

Figure 5: Market Cost of Borrowing



- Yield curves reflect the rising cost of borrowing through government securities up to 3rd quarter of FY24 vis-à-vis the same period in FY23.

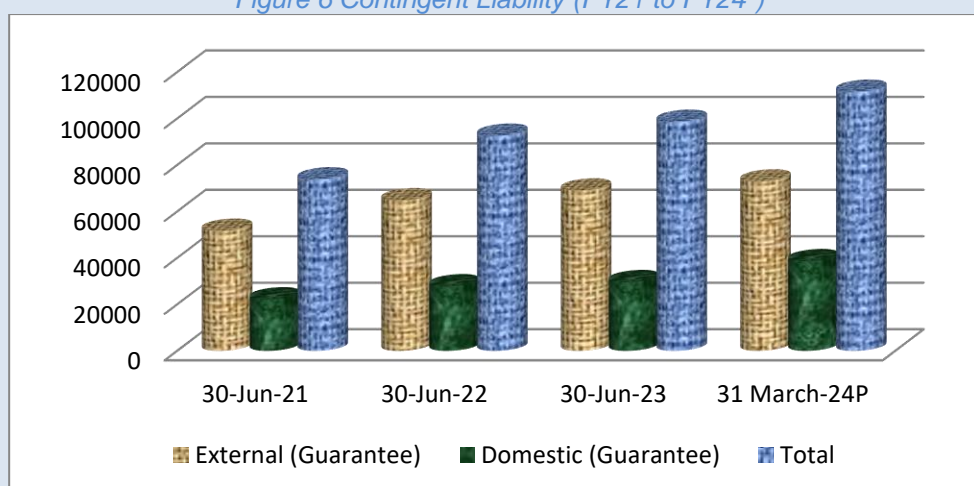
D. Contingent Liability

Table 8: Contingent Liability

Contingent liability	30 June-21	30 June-22	30 June-23	31 March-24 ^P
External (Guarantee)	51,685	64,821	69,014	72,930
Domestic (Guarantee)	22,151	27,780	29,577	38,600
Total	73,836	92,601	98,591	1,11,530

Source: FD.

Figure 6 Contingent Liability (FY21 to FY24*)



Source: FD.

*July-March FY24

- As of 31 March 2024, the outstanding stock of government guarantee was BDT 1,11,530 crore. Among this contingent liability, BDT 72,930 crore originated from external sources while BDT 38,600 crore came from domestic sources.

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