

Quarterly Debt Bulletin

Issue No. 7

Finance Division, Ministry of Finance

Government of the People's Republic of Bangladesh



Abbreviations

AIB- Asian Infrastructure Investment Bank

ADB- Asian Development Bank

BB- Bangladesh Bank

BDT- Bangladesh Taka

BGTB- Bangladesh Government Treasury Bond

BBS- Bangladesh Bureau of Statistics

CGA- Controller General of Accounts

DSE- Dhaka Stock Exchange

DSA- Debt Sustainability Analysis

ERD- Economic Relations Division

FD- Finance Division

GDP- Gross Domestic Product

IDA- International Development Association

IRD- Internal Resources Division

IMF- International Monetary Fund

NSC- National Savings Certificate

NSD- Department of National Savings

DMFAS- Debt Management & Financial Analysis System

SOE- State-Owned Enterprise

SPFMS- Strengthening Public Financial Management

Program to Enable Service Delivery

SPTB- Special Purpose Treasury Bond

WB- World Bank

A. Recent Events

The IMF recently completed a technical assistance mission focused on the development of the Local Currency Bond Market (LCBM), offering valuable multi-sectoral recommendations. The government is actively considering the recommendations to enhance the depth and vibrancy of the LCMB which includes but is not limited to the secondary market for government securities.

Government Borrowing Status for FY 2022-23

According to the provisional calculation in FY23, net government borrowing stood at BDT 172,285 crore which was 77% of the budget target. Net borrowing from domestic sources was higher compared to external sources. Borrowing from treasury bills and bonds outweighed borrowing from NSD which was negative in net amount. Table 1 presents a summary of the borrowing from different sources during the period.

Table 1: Government Net Borrowing for FY23

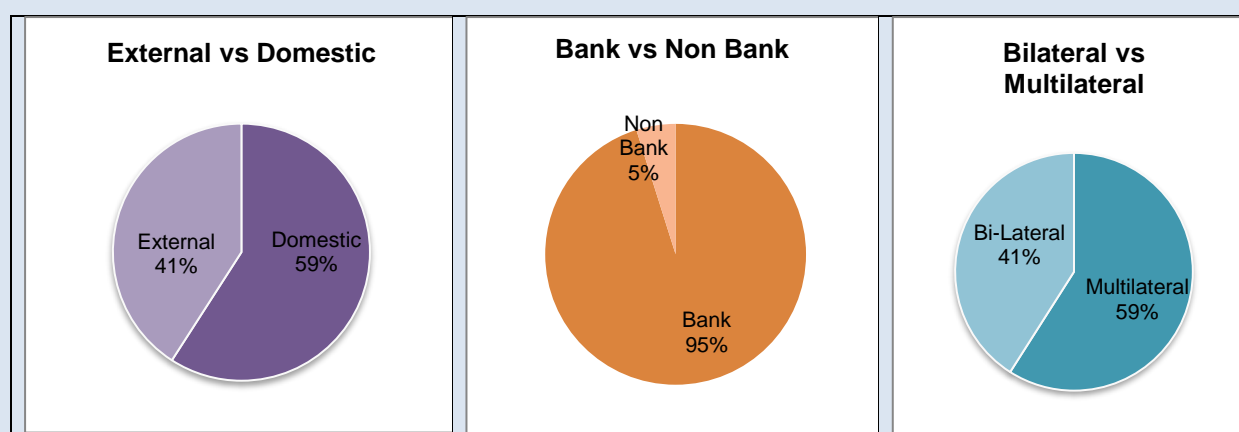
Source of Borrowing	Net Borrowing ^P	In Crore BDT	
		Budget 2022-23	As % of Budget
Domestic Borrowing	101,714	140,425	72%
Borrowing from banking sources	97,014	115,425	84%
<i>Treasury Bill</i>	46,657	73,900	63%
<i>Treasury Bond</i>	50,357	41,525	121%
Borrowing from non-banking sources	4,700	25,000	19%
<i>National Savings Certificate</i>	-3,296	20,000	-16%
<i>*Others (GPF)</i>	7996	5,000	160%
**External Borrowing	70,572	83,819	84%
Total Borrowing	172,285	224,244	77%

* Net receipt and payment (interest included and opening balance excluded)

** Provisional

Borrowing Composition FY23

Figure 1: Borrowing Compositions



- Domestic and external borrowing was 59 per cent and 41 per cent, respectively.
- Bank borrowing was 95% of the total domestic borrowing which was much higher than that of the non-bank sources (5%).
- In the external financing bilateral sources accounted for around 41 per cent and the rest, 59 per cent, was from multilateral sources.

❖ Domestic Borrowing: Banking Sources FY23

Table 2: Instrument-wise Borrowing: Treasury Bills (FY23)

(In Crore BDT)

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
91-day T-Bill	130099	124350	5749	12%
182-day T-Bill	57280	35239	22042	47%
364-day T-Bill	48195	29328	18866	40%
14- day T-Bill	0	0	0	0%
Total	235574	188918	46657	100%

Source: Bangladesh Bank.

Table 3: Instrument-wise Borrowing: Treasury Bonds (FY23)

(In Crore BDT)

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
2 YR BGTB	28515	21300	7215	16%
5 YR BGTB	25828	0	25828	56%
10 YR BGTB	16292	7950	8342	18%
15 YR BGTB	4709	1200	3509	8%
20 YR BGTB	4788	0	4788	10%
Special Bond	4	3455	-3451	-7%
Total	80137	33905	46232	100%

Source: Bangladesh Bank.

- Net financing through T-Bill was BDT 46,657 crore in FY23;
- In FY23 net borrowing from T-Bond amounted to BDT 46,232 crore.

Table 4: Month-wise Borrowing from Banking Sources

(In Crore BDT)

Month	Treasury Bill			Treasury Bond			Total Net Borrowing
	Gross Issuance	Redemption	Net Borrowing	Gross Issuance	Redemption	Net Borrowing	
Jul-22	15539	9084	6455	6800	5250	1550	8005
Aug-22	9371	10748	-1377	5429	4750	679	-698
Sep-22	15638	21829	-6191	7685	1673	6012	-179
Oct-22	12928	11881	1047	4009	5397	-1389	-342
Nov-22	17601	11628	5974	4027	800	3227	9201
Dec-22	27698	24357	3341	5705	800	4905	8246
Jan-23	20272	13376	6896	7949	5300	2649	9545
Feb-23	17959	15473	2486	9906	800	9106	11591
Mar-23	22656	22085	571	10070	1900	8170	8741
Apr-23	25047	15489	9557	5502	5100	402	9959
May-23	23923	16429	7494	7559	100	7459	14953
Jun-23	26943	16538	10404	5497	2035	3462	13866
Total	235574	188918	46657	80137	33905	46232	92889

Source: Bangladesh Bank.

- Government borrowing picked up in the fourth quarter following the same trend as in the previous years.

Domestic Borrowing: Non-bank Sources

Table 5: Month-wise Borrowing from NSC (July '22-June'23)

(In Crore BDT)

Month	Gross Issuance	Redemption	Net Borrowing
Jul-22	7018	6625	393
Aug-22	7520	7512	8
Sep-22	6973	7044	-71
Oct-22	6533	7496	-963
Nov-22	6885	7868	-983
Dec-22	5542	7033	-1491
Jan-23	8285	8248	37
Feb-23	7105	7545	-440
Mar-23	6795	7447	-652
Apr-23	5381	4799	582
May-23	6680	6129	551
Jun-23	6140	6407	-267
Total Borrowing	80859	84155	-3296

Source: Department of National Savings

- Various reform initiatives, such as the online issuance process, logical investment limit, and introduction of multi-tier interest rates along with relatively higher inflation contributed to the reduction in the net sales of National Savings instruments.

External Borrowing*

Table 6: Month-wise Borrowing from External Sources

(In Crore BDT)

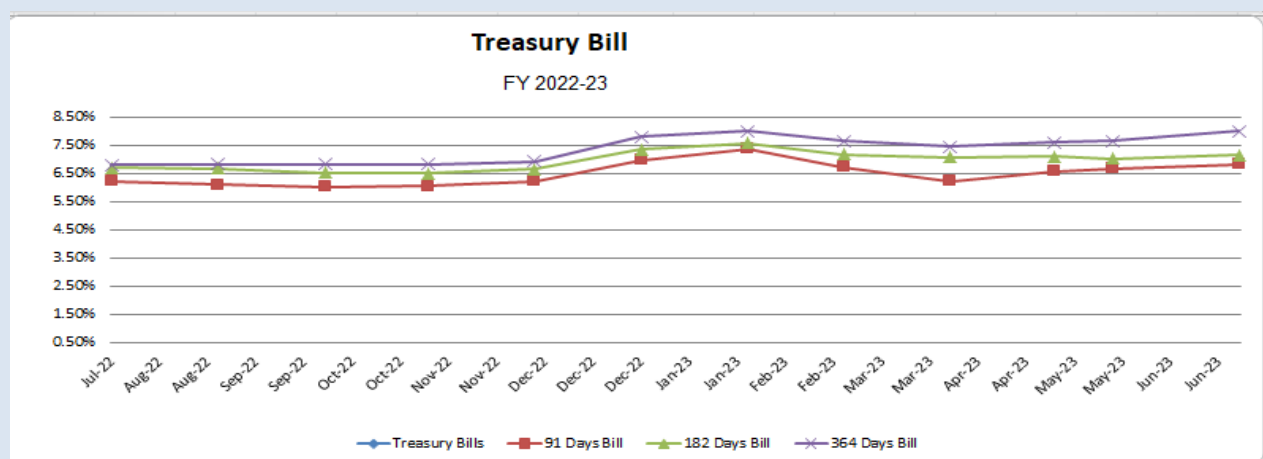
Month	Gross Issuance	Redemption	Net Borrowing
Jul-22	4373	1073	3300
Aug-22	3359	784	2575
Sep-22	4447	1832	2615
Oct-22	6273	1430	4843
Nov-22	4677	1360	3317
Dec-22	11319	1340	9980
Jan-23	4756	1074	3682
Feb-23	5912	1032	4880
Mar-23	4047	2277	1769
Apr-23	5370	1423	3947
May-23	11074	2103	8971
Jun-23	22285	1592	20693
Total Borrowing	87892	17320	70572

Source: Economic Relations Division

- Bangladesh still has access to concessional external financing from multilateral and bilateral development partners, and prefers this mode of financing. In FY23, Bangladesh received BDT 70,572 crore from external financing sources.

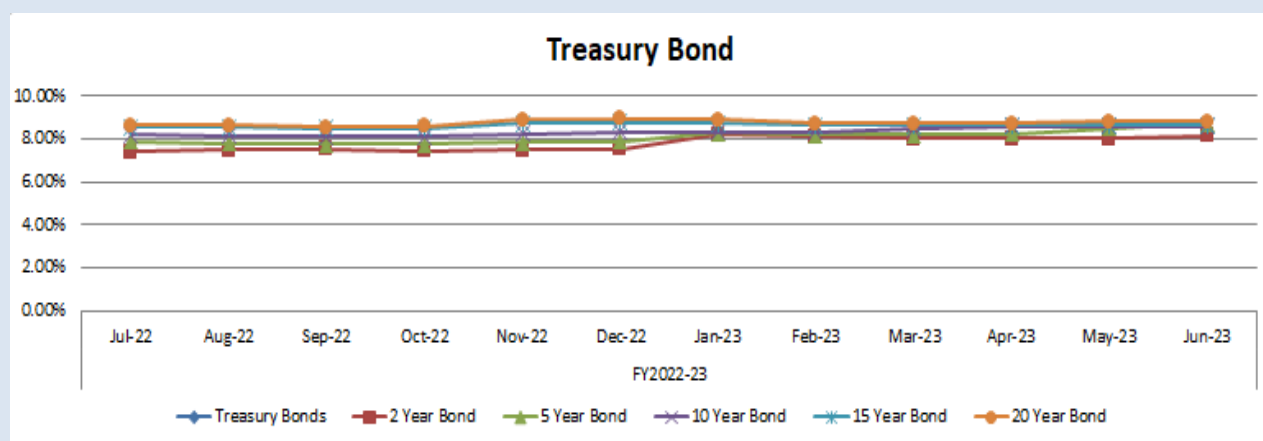
Cost of Borrowing from Banking Sources

Figure 2: Average Yield of the Treasury Bills (up to June '23)



Source: Bangladesh Bank.

Figure 3: Average Yield of the Treasury Bonds (up to June '23)



Source: Bangladesh Bank.

B. Interest Expenditure of Government borrowing

Table 7: Interest Expenses (up to June '23)

(In Crore BDT)

Source of Borrowing	Interest Payment	Budget	As % of Budget	As% of Total
Interest on Domestic Borrowing	83086	80691	103%	90%
Banking sources	30290	28546	106%	33%
Non-bank sources (NSC)	44800	45100	99%	48%
GPF	7996	7045	113%	9%
Interest on External Borrowing	9452	9322	101%	10%
Total Interest Expenses	92538	90013	103%	100%

Source: FD, BB, BBS, NSD, CGA, and ERD

- For the domestic part, interest expense was 90% of total expenses due to the higher interest rates for the government securities prevailing in the market.
- External interest payment was only 12% of the total government interest expenses.

C. Structures and Dynamics of the Government Debt

Table 8: Government Debt Stock

(In Crore BDT)

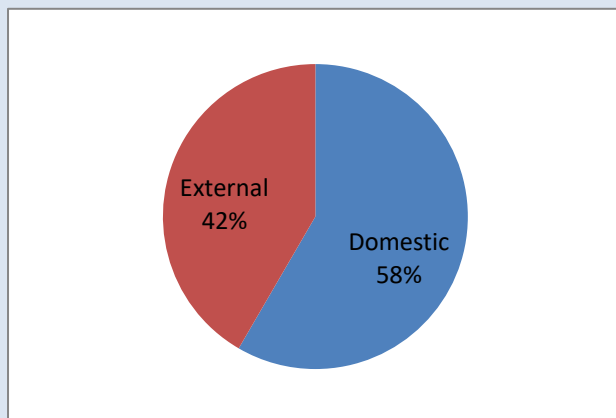
Source of Borrowing	As of 30 June 2022	As of 30 June 2023 ^P
A. Domestic Debt (1+2)	847,930	944,335
1. Debt from Banking Sources	419,627	507,763
1.1. Treasury Bills	77,024	123,681
1.2. Treasury Bonds & SPTB	324,603	366,083
1.3. Sukuk	18,000	18,000
2. Debt from Non-Bank Sources	428,303	436,572
2.1. Debt from NSCs	365,563	365,233
2.2. Others (GPF) ¹	62,740	71,339
B. External Debt	495,794	672,977
C. Total Debt (A+B)	1,343,724	1,617,313
GDP	3,976,462	4,449,959
Debt to GDP (%)	33.79%	36.34%
Domestic Debt to GDP	21.32%	21.22%
External Debt to GDP	12.47%	15.12%

Source: FD, BB, BBS, NSD, CGA, and ERD; ^P Provisional

- The total debt-to-GDP ratio was at around 36.34% based on the GDP projection for FY23 by BBS and is significantly lower than the IMF threshold of 55 per cent.
- The gap between the debt from the banking source and debt from the non-bank source has decreased.
- External debt stock is around 15.12 per cent of GDP at the current market prices.

Total Debt Stock: (Domestic vs External)

Figure 4: Total Debt Stock as of 30 June 2023



- Domestic debt constitutes the major share of the total debt stock and financing from the domestic sources is increasing gradually;
- As of 30 June 2023, 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

- Financing from the Banking sector constitutes 53 percent of the total domestic debt followed by NSCs, which is 39 per cent, and the rest was financed from the provident fund.
- It is expected that the ongoing NSC reforms will help reduce the need to finance from the NSCs.

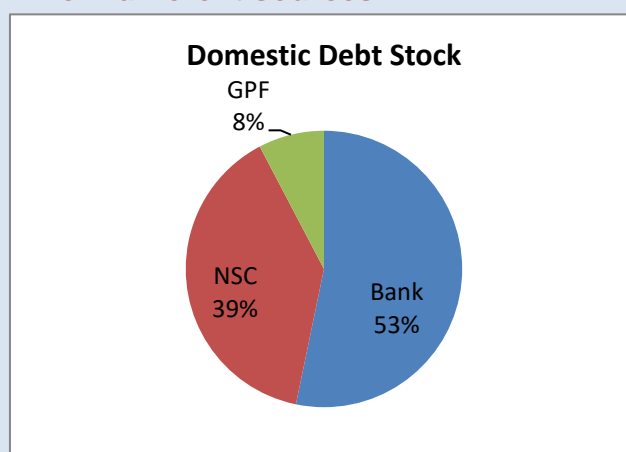
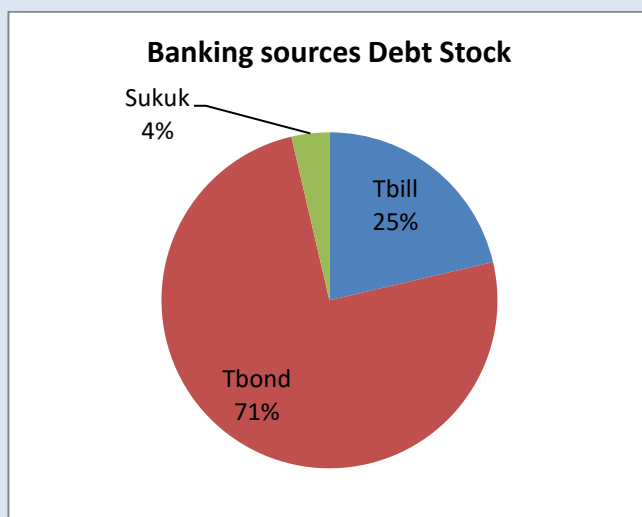


Figure 5: Domestic Debt Stock by sources as on 30 June 2023

Debt from the Bank Source: Contribution from different Government Securities



- 71% of the banking sector financing is sourced from treasury bonds and SPTB which reflects the government's preference for long-term instruments;
- Treasury bills are issued mostly for cash management purposes, and to create a balance between short- and long-term financing;
- Recently introduced Shariah-compliant Islamic Bond has experienced a good response.

D. Contingent Liability

As of June 30, 2023, the outstanding stock of government-guarantee was BDT 101,259 crore. Among this, BDT 63,526 crore originated from external sources, while BDT 37,732 crore came from domestic sources.

Upcoming events

- Debt Sustainability Analysis Report
- Medium-Term Debt Strategy
- Installation of a customized Debt Database in the Middle Office (FD)

Quarterly Debt Bulletin 7th issue October 2023 The contents of the bulletin may be quoted or reproduced without further permission. Due acknowledgement is requested.	Published by Debt Management Branch Treasury and Debt Management Wing Finance Division, Ministry of Finance Bangladesh. www.mof.gov.bd
---	--