



Quarterly Debt Bulletin

Issue 13

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

Abbreviations

<i>AIB- Asian Infrastructure Investment Bank</i>	<i>IDA- International Development Association</i>
<i>ADB- Asian Development Bank</i>	<i>IPP- Independent Power Producer</i>
<i>ALS- Assured Liquidity Support</i>	<i>IMF- International Monetary Fund</i>
<i>BB- Bangladesh Bank</i>	<i>IRD- Internal Resources Division</i>
<i>BDT- Bangladesh Taka</i>	<i>IMF- International Monetary Fund</i>
<i>BGTB- Bangladesh Government Treasury Bond</i>	<i>NSC- National Savings Certificate</i>
<i>BBS- Bangladesh Bureau of Statistics</i>	<i>NSD- Department of National Savings</i>
<i>CRR- Cash Reserve Ratio</i>	<i>SLR- Statutory Liquidity Ratio</i>
<i>DSE- Dhaka Stock Exchange</i>	<i>SOE- State-Owned Enterprise</i>
<i>ERD- Economic Relations Division</i>	<i>SPTB- Special Purpose Treasury Bond</i>
<i>FD- Finance Division</i>	<i>WB- World Bank</i>
<i>GDP- Gross Domestic Product</i>	

A. Recent Events

Aligning NSC interest rates with market rates

To ensure National Savings Certificates (NSCs) remain attractive while balancing fiscal discipline, aligning NSC interest rates with market rates was approved by the government in December 2024 effective from January 2025. Now NSC interest rates are linked to the yields of government bonds (such as the 5-year Treasury bond), allowing for adjustments in response to market movements. This will prevent a large divergence between NSC and market-based rates. This reform will ensure that NSC rates reflect prevailing market conditions, thereby reducing distortions in the domestic debt market.

B. Government Borrowing Status (July- December FY25)

The government plans to focus on deepening the domestic debt market to reduce foreign currency exposure risk in medium term. But, as the liquidity position in the financial market remains tight, there will be some challenges to implement the strategy. Net government borrowing stood at BDT 55,399 crore which was 22% of the budget target¹. Net borrowing from domestic sources was higher compared to external 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:

¹ End December 2024 Calculation.

Table 1: Government Net Borrowing (July-December FY25)

(Crore BDT)

Source of Borrowing	Net Borrowing	Budget 2024-25	As % of Budget
Domestic Borrowing	30,818	1,60,900	19%
Borrowing from banking sources	34,119	1,37,500	25%
Short-Term (T-Bill, WMA & OD)	-30,086	64,818	-46%
Long-Term (T-Bond, Sukuk, S-bond)	64,205	72,682	88%
Borrowing from non-banking sources	-3,301	23,400	-14%
National Savings Certificate (NSC)	-551	15,400	-4%
Others (GPF)	-2,750	8,000	-34%
External Borrowing	24,581	90,700	27%
Total Borrowing	55,399	2,51,600	22%

Source: BB, NSD, ERD.

- Domestic and external borrowing was 19 per cent and 27 per cent of the budget, respectively;
- Short term borrowing from banking sources is calculated after adjusting the ways and means(WMA) and overdraft(OD) advances from the central bank;
- As borrowings from NSC was net negative, net domestic financing depended mostly on the banking sector.

Domestic Borrowing: Government Securities (July-December FY25)

Instrument-wise

Table 2(a): Instrument-wise Borrowing: Treasury Bills (July-December FY25)

Crore BDT

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total of T-bill
91-day T-Bill	1,24,505	1,36,758	-12,253	-66%
182-day T-Bill	40,972	13,860	27,112	145%
364-day T-Bill	36,998	33,137	3,861	21%
14- day T-Bill	0	0	0	0%
Total	2,02,475	1,83,755	18,720	--

Source: BB.

Table 2(b): Instrument-wise Borrowing: Treasury Bonds (July- December FY25)

Crore BDT

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total of T-Bond
2 YR BGTB	20,460	8,500	11,960	19%
3 YR BGTB	1,230	00	1,229	2%
5 YR BGTB	20,889	7,500	13,390	21%
10 YR BGTB	15,941	3,440	12,500	19%
15 YR BGTB	5,657	731	4,926	8%
20 YR BGTB	8,374	00	8,374	13%
Special Bond	12,542	717	11,825	18%
Total	85,093	20,888	64,205	--

Source: BB.

- Net financing through T-Bill was BDT 18,720 crore up to the 2nd quarter of FY25;
- Long-term instrument (T-bond) continued to be the preferred instrument. Up to the 2nd quarter of FY25, net borrowing from T-Bond amounted to BDT 64,204 crore.

Table 3: Borrowing through the Government Securities (July- December FY25)

Month	Treasury Bill			Treasury Bond		
	Gross Issuance	Redemption	Net Borrowing (% of total T-bill)	Gross Issuance	Redemption	Net Borrowing (% of total T-bond)
Jul-24	34,858	29,480	5,377 (29%)	7,674	8,750	-1,075 (-2%)
Aug-24	30,873	30,796	77 (0.4%)	16,180	150	16,030 (25%)
Sep-24	42,499	34,933	7,566 (40%)	17,486	131	17,355 (27%)
Oct-24	30,509	31,291	-782 (-4%)	20,503	5,367	15,136 (24%)
Nov-24	27,468	26,509	958 (5%)	11,449	1,840	9,609 (15%)
Dec-24	36,269	30,745	5,524 (29.6%)	11,800	4,650	7,150 (11%)
Total	2,02,476	1,83,756	18,720	85,093	20,888	64,205

Source: BB.

Domestic Borrowing: Retail Instruments (July- December FY25)

Table 4: Borrowing from NSCs

Month	Gross Issuance	Redemption	Net Borrowing	% of total NSC
July-24	4,921	4,567	354	-64%
Aug-24	4,068	5,067	-999	181%
Sep-24	5,929	6,122	-193	35%
Oct-24	5,843	5,364	479	-87%
Nov-24	4,632	4,831	-199	36%
Dec-24	4,622	4,615	7	-1%
Total	30,015	30,566	-551	--

Source: NSD

- The NSC is transitioning from a regulated interest bearing instrument to a more market based interest bearing tool. Success hinges on balancing fiscal sustainability with market based interest cost for the government and embedded features with inflation-adjusted returns for the investors. The successful implementation of these reforms will contribute to more sustainable debt management and fiscal stability in Bangladesh.

External Borrowing

Table 5: Month-wise External Borrowing

Month	Borrowing	Principal Payment	Net Borrowing	% of total external borrowing
July-24	3,384	3,124	260	1%
Aug-24	1,186	1,724	-538	-2%
Sep-24	3,320	1,748	1,572	6%
Oct-24	4,173	3,828	344	1%
Nov-24	4,045	1,924	2,122	9%
Dec-24	22,960	2,139	20,821	85%
Total	39,068	14,487	24,581	--

Source: ERD.

Figure 1 (a) External Debt Liabilities to Major DP



Figure 1 (b) Currency Composition of external Debt



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



Figure 1 (d) 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-December FY25, Bangladesh received BDT 24,581(p) crore as external financing inclusive of concessional and non-concessional financing;
- However, Bangladesh has been gradually facing exposure to the non-concessional loan by official creditors due to persistent economic development and higher per capita income in recent times. Moreover, the cost of borrowing from commercial lender has been increasing due to global monetary tightening, higher domestic inflation and depreciation of local currency. It is expected that inflation will be decreased substantially in the next financial year and currency exchange rate will be stabilized due to current initiative by the central bank;
- The majority of the external debt is denominated in US dollars, which accounts for around 53 percent of the total external debt stock followed by Japanese yen, euro and RMB. This composition underscores the strategic choices in currency allocation, aiming to balance between major world currencies to manage exchange rate risks effectively.

C. Structures and Dynamics of the Government Debt

Table 6: Government Debt Stock

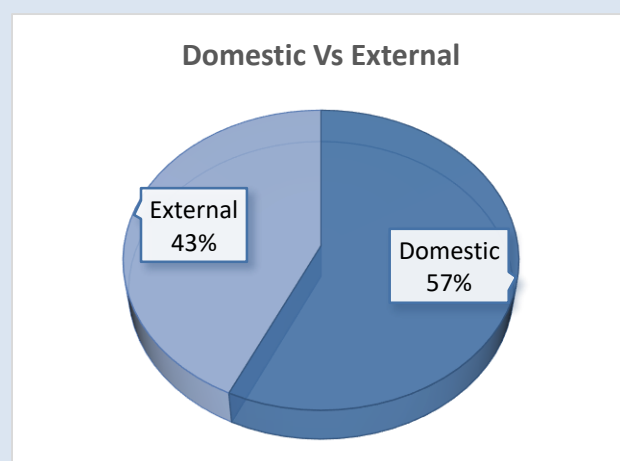
				Crore BDT
Source of Borrowing	As of 30 June 2022 R*	As of 30 June 2023R*	As of 30 June 2024 R*	As of 31 Dec 2024
A. Domestic Debt (1+2)	8,48,650	9,61,850	10,76,700	11,07,513
1. Debt from Banking Sources	4,20,350	5,28,280	6,56,330	6,90,444
1.1. Central Bank Facilities	730	17,800	56,750	7,939
1.2. Treasury Bills	77,020	1,23,680	1,33,450	1,52,170
1.3. Treasury Bonds & SPTB	3,24,600	3,68,800	4,47,130	5,11,335
1.4. Sukuk	18,000	18,000	19,000	19,000
2. Debt from Non-Bank Sources	4,28,300	4,33,570	4,20,370	4,17,069
2.1. Debt from NSCs	3,65,560	3,62,230	3,41,140	3,40,589
2.2. Others (GPF)	62,740	71,340	79,230	76,480
B. External Debt	4,95,793	6,72,978	8,12,077	8,36,658
C. Total Debt (A+B)	13,44,443	16,34,828	18,88,787	19,44,171

Source: BB, NSD, ERD. R*-Revised

- 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.

Total Debt Stock: Domestic vs. External (July-December FY25)

Figure 2 Debt Stock: Domestic vs External

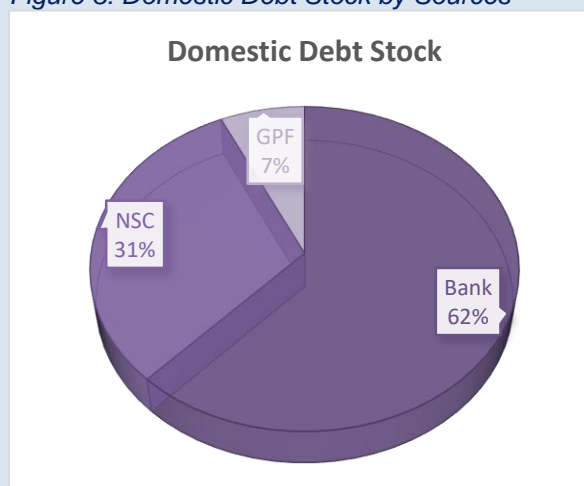


- Domestic debt constitutes the major share of the total debt stock and financing from domestic sources is increasing gradually;
- As of December 31, 2024, domestic and external debt was 57 per cent and 43 per cent of the total debt stock, respectively.

Total Domestic Debt Stock: Contribution from different sources

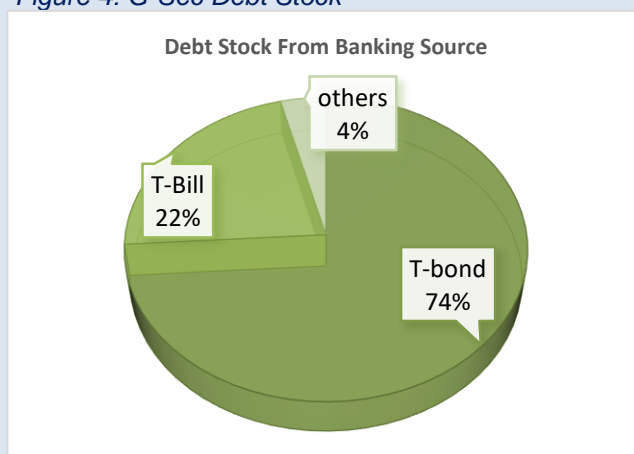
- Financing from the Banking sector constitutes 62 per cent of the total domestic debt followed by NSCs, 31 per cent, and the rest were financed from the GPF.
- The reforms in the NSC will gradually reduce fiscal pressure & promote a balanced debt portfolio.

Figure 3: Domestic Debt Stock by Sources



Composition of Banking Sector Debt Stock: Government Securities

Figure 4: G-Sec Debt Stock



- 74% 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.

D. Interest Expenditure

Table 7: Interest Expenditure

Source of Borrowing	Crore BDT			
	2023-24 (July-December)	2024-25 (July-December)	Increase/Decrease	Rate of Increase
Interest on Domestic Borrowing	46,030	49,492	-3,462	8%
Treasury Securities	23,563	29,334	-5,771	24%
National Savings Certificates	22,467	20,158	2,309	-10%
Interest on External Borrowing	7,048	8,900	-1,852	26%
Total Interest Expenses	53,078	58,392	-5,314	10%

*Source: FD's Calculation.

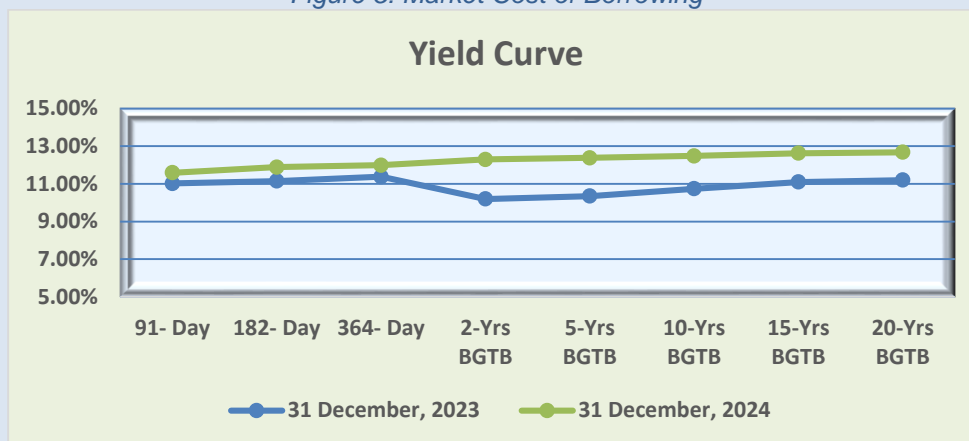
- External interest payment increased by 26% during July-December FY25 relative to the same period in FY24. So now effective management of external debt interest payments is not just a matter of sound financial management for Bangladesh; it is fundamental to ensuring macroeconomic stability, protecting its

foreign exchange reserves, fostering sustainable economic growth, maintaining international creditworthiness, and securing its future development prospects;

- Up-to 2nd quarter of FY25, interest expense was 10% higher compared to the same time of FY24.

Market cost of borrowing from government securities

Figure 5: Market Cost of Borrowing



- Yield curves reflect the rising cost of borrowing through government securities up to 2nd quarter of FY25 vis-à-vis the same period in FY24.

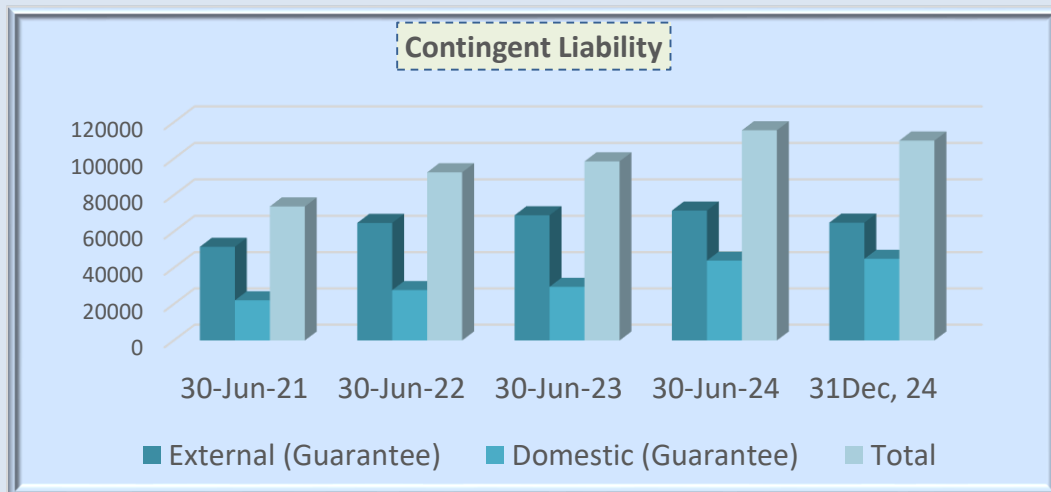
E. Contingent Liability

Table 8: Contingent Liability

Contingent liability	Crore BDT				
	30 June-21	30 June-22	30 June-23	30 June-24	31 Dec, 24 ^P
a) External (Guarantee)	51,685	64,821	69,014	71,586	64,961
% of GDP (Ex. Guarantee)	1.46%	1.63%	1.55%	1.42%	1.16%
b) Domestic (Guarantee)	22,151	27,780	29,577	44,050	45,026
% of GDP (Dom. Guarantee)	0.63%	0.70%	0.66%	0.87%	0.80%
Total (a+b)	73,836	92,601	98,591	1,15,636	1,09,988
% of GDP (Total)	2.09%	2.33%	2.22%	2.29%	1.96%

Source: FD.

Figure 6 Contingent Liability (FY21 to FY25*)



Source: FD. * July-Dec FY25

- As of 31 December 2024, the outstanding stock of government guarantee was BDT 1,09,988 crore. Among this contingent liability, BDT 64,961 crore originated from external sources while BDT 45,026 crore came from domestic sources;
- These guarantees were primarily issued to entities involved in power and mineral production & supply, fertilizer production, organization such as Bangladesh Biman TCB.

F. Upcoming events

- Debt Sustainability Analysis (DSA) Report.
- Medium Term Debt Management Strategy (MTDS).
- Liability Management Operation (LMO)

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