



# Quarterly Debt Bulletin

## Issue No. 5

### Finance Division, Ministry of Finance Bangladesh

## Abbreviations

*AIIB- Asian Infrastructure Investment Bank*

*ADB- Asian Development Bank*

*BB- Bangladesh Bank*

*BDT- Bangladesh Taka*

*BGTB- Bangladesh Government Treasury Bond*

*CSE- Chattogram Stock Exchange*

*DSA- Debt Sustainability Analysis*

*DSE- Dhaka Stock Exchange*

*ERD- Economic Relations Division*

*CGA- Controller General of Accounts*

*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*

*GPF- General Provident Fund*

*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

### Amendment of BGTB Notification

The Finance Division has made significant changes to the Issuance and Re-issuance of Bangladesh Government Treasury Bonds procedure in order to improve the efficiency and accessibility of secondary market trading of government securities. The amendments include the introduction of a transaction fee to be paid by buyers and sellers for transactions on the BB's Electronic System, permission for enlistment and trading of government securities on domestic and foreign platforms subject to Finance Division approval, and the issuance of guidelines by Bangladesh Bank for the better management of secondary trading. These changes are expected to enhance transparency, boost investor confidence, and contribute to the overall growth and development of the government securities market in Bangladesh.

### Bangladesh Secured IMF Loan

Bangladesh has secured approval from the IMF Executive Board for a total of SDR 3.5 billion (approximately US\$4.7 billion) in loans, including SDR 2.5 billion (about US\$3.3 billion) under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements, and SDR 1 billion (about US\$1.4 billion) under the newly established Resilience and Sustainability Facility (RSF). This marks Bangladesh as the first Asian country to receive funding from the RSF. The first installment of \$476 million was disbursed on 31 January 2023, with the 42-month program aimed at preserving macroeconomic stability, protecting vulnerable population, and paving the way for inclusive and environmentally sustainable growth. The approval of the loan is a

testament to Bangladesh's strong macroeconomic performance amid global economic and political volatility, and builds confidence among development partners in the country's economy.

## Secondary market operations of Government Securities

In Bangladesh, government securities have traditionally been traded on the secondary market via the MI Module platform operated by Bangladesh Bank. However, efforts have been made to enhance the vibrancy of the secondary market for government securities. In FY2021-22, the total secondary trade volume for government securities was BDT 205,324.54 crore. To promote investment by retail investors, a pilot program for securities trading was launched on the DSE and CSE platforms starting from 10 October 2022. Furthermore, Bangladesh Bank has introduced a secondary market yield curve, currently available on a trial basis via its website, which investors can use to evaluate bonds.

## B. Government borrowing status in FY 2022-23

In the first two quarters of the FY23, net government borrowing stood at BDT 48,024 crore which was BDT 75,701 crore in the same period of FY22. Net borrowing from domestic sources was lower compared to external sources. Borrowing from treasury bills and bonds outweigh borrowing from NSD which showed net negative borrowing. Table 1 presents a summary of the borrowing from different sources during these periods.

Table 1: Government Net Borrowing (at a glance)

Borrowing Sources	2022-23 (Jul-Dec)			2021-22 (Jul-Dec)		
	Budget	Net Borrowing	% of Budget	Budget	Net Borrowing	% of Budget
Total Borrowing	241,793	48,024	20%	211,191	75,701	36%
Domestic Borrowing	146,335	20,948	14%	113,453	44,152	39%
Bank	106,334	25,445	24%	76,452	34,560	45%
Treasury Bill	38,142	9,248	24%	24,852	10,035	40%
Treasury Bond	56,192	16,197	29%	51,600	19,525	38%
Sukuk	12,000	-	0%		5,000	
Non-Bank	40,001	(4,497)	-11%	37,001	9,592	26%
NSC	35,000	(3,107)	-9%	32,000	10,026	31%
Others (GPF)*	5,001	(1,390)	-28%	5,001	-434	-9%
External Borrowing**	95,458	27,076	28%	97,738	31,548	32%

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

\*\* Provisional

- The share of domestic and external borrowing was 44 percent and 56 percent, respectively.
- Domestic borrowing totally comprised of Bank borrowing as NSC and GPF both showed net negative borrowing.
- In case of external borrowing net financing in current fiscal is lower than that of previous fiscal.

## Domestic Borrowing: Banking Sources FY 2022-23

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

(Crore taka)

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
91-day T-Bill	66979	57163	9816	106%
182-day T-Bill	17413	17825	-412	-4%
364-day T-Bill	14382	14539	-156	-2%
14- day T-Bill	0	0	0	0%
<b>Total</b>	<b>134682</b>	<b>89527</b>	<b>9248</b>	<b>100%</b>

Source: Bangladesh Bank.

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

(Crore taka)

Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
2 YR BGTB	10500	12500	-2000	-12%
5 YR BGTB	8800	0	8800	54%
10 YR BGTB	8800	4050	4750	29%
15 YR BGTB	3328	600	2728	17%
20 YR BGTB	3435	597	2838	18%
Special Bond	4	923	-918	-6%
<b>Total</b>	<b>34867</b>	<b>18670</b>	<b>16197</b>	<b>100%</b>

Source: Bangladesh Bank.

- Net financing through T-Bill was BDT 9,248 crore in the first half of FY23;
- Long-term instrument (T-bond) has continued to be the preferred instrument. In the first two quarters of FY23, Net borrowing from T-Bond amounted to BDT 16,197 crore.

Table 4: Month-wise Borrowing from Banking Sources

(Crore taka)

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	713	-664
Sep 22	15638	21829	-6191	7685	1673	6127	-64
Oct 22	12928	11881	1047	4009	5397	-397	649
Nov 22	17601	11628	5974	4027	800	3304	9278
Dec 22	27698	24357	3341	5705	800	4900	8241
<b>Total</b>	<b>98775</b>	<b>89527</b>	<b>9248</b>	<b>33654</b>	<b>18670</b>	<b>16197</b>	<b>25445</b>

Source: Bangladesh Bank.

- The borrowing trend shows government borrowing requirements were in the second quarter compared to the first quarter.

## Domestic Borrowing: Non-bank Sources

Table 5: Month-wise Borrowing from NSC

Month	(Crore taka)		
	Gross Issuance	Redemption	Net Borrowing
July'22	7018	6625	393
August	7520	7512	8
September	6973	7044	-71
October	6533	7496	-963
November	6885	7868	-983
December	5542	7033	-1491
<b>Total Borrowing</b>	<b>40472</b>	<b>43579</b>	<b>-3107</b>

Source: Department of national Savings

- Various reform initiatives, such as the online issuance process, logical investment limit, and introduction of multi-tier interest rates contributed to reduce the net sales of the National Savings instruments.

## Cost of Borrowing from Banking Sources

Figure 1: Average Yield of the Treasury Bills

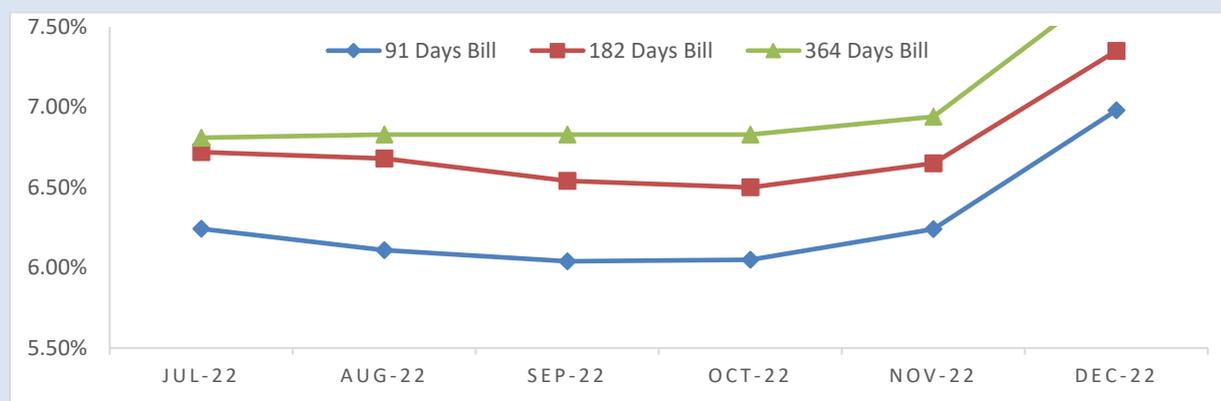
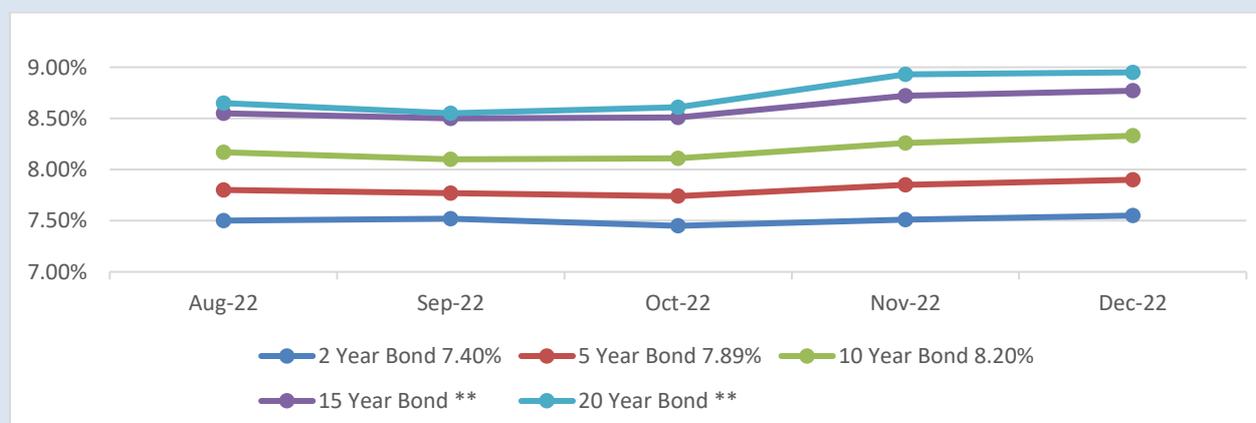


Figure 3: Average Yield of the Treasury Bonds



- Yield curves of the government securities remained stable in the first half of the current fiscal year.
- The yield of different instruments is relatively higher than the later quarter of the Fiscal Year especially the short-term instruments indicated the liquidity crunch of the financial system. One of the reason of liquidity shortage is the exchange rate depreciations which leads the CAB deficit significantly in the 1st half of FY.

## External Borrowing\*

Table 6: Month-wise Borrowing from External Sources

(Crore taka)

Month	Gross Borrowing	Redemption	Net Borrowing
July	4496	1073	3423
August	3359	784	2575
September	4447	1832	2615
October	6273	1430	4843
November	4677	1037	3640
December	11319	1340	9980
<b>Total</b>	<b>34572</b>	<b>7496</b>	<b>27076</b>

Source: Economic Relations Division \*provisional

- Bangladesh still has access to external concessional financing from multi-lateral and bi-lateral partners and prefers this mode of financing. In the first two quarters Bangladesh received BDT 27,076 crore from external financing sources.

Table 7: Commitment & Disbursement FY 23 (Jul-Dec)

(In Million USD)

Major DP's	2022-23		2021-22	
	Commitment	Disbursement	Commitment	Disbursement <sup>3</sup>
ADB	383.25	567.34	819.28	1719.33
IDA	300	540.37	500	421.15
AIIB	250	250	515.29	6.33
JAPAN	3.41	921.61	382.24	817.63
INDIA	0	163.52	0	54.99
CHINA	0	535.06	1127	430.79
RUSSIA	0	439.81	0	357.99
Others	825.55	362.86	1056.15	367.73
<b>Total</b>	<b>1762.21</b>	<b>3780.57</b>	<b>4399.96</b>	<b>4175.94</b>

Source: ERD

- External funding commitment and disbursement have decreased in FY23 compared to FY22.

## C. Interest Expenditure of Government Borrowing

Table 7: FY23 Interest Expenses (Jul-Dec)

(In Crore taka)

Source of Borrowing	Interest Payment	Budget	As % of Budget	As % of Total
Interest on Domestic Borrowing	38,147	73,675	52%	94%
Banking sources	14,657	25,000	59%	36%
Non-bank sources (NSC)	23,490	42,675	55%	58%
GPF	0	6,000	0%	0%
Interest on External Borrowing	2,645	7,200	37%	6%
<b>Total Interest Expenses</b>	<b>40,792</b>	<b>80,875</b>	<b>50%</b>	<b>100%</b>

- In the first half of the FY23 interest expenses of the government was BDT 40,792 crore which is exactly half of the annual budget.
- For domestic part, interest expense was higher than the annual target because of higher interest rates for the government securities are prevailing in the market.
- External interest payment was only 6% of the total government interest expenses.

## D. Structures and Dynamics of the Government Debt

Table 8: Government Debt Stock

(In Crore BDT)

Source of Borrowing	As on 30 June 2022	As on 31 Dec 2022
<b>A. Domestic Debt (1+2)</b>	<b>841,766</b>	<b>864,105</b>
<b>1. Debt from Banking Sources</b>	<b>413,463</b>	<b>438,908</b>
1.1. Treasury Bills	77,024	86,272
1.2. Treasury Bonds & SPTB	318,439	334,636
1.3. Sukuk	18,000	18,000
<b>2. Debt from Non-Bank Sources</b>	<b>428,303</b>	<b>425,196</b>
2.1. Debt from NSCs	365,563	362,456
2.2. Others (GPF) <sup>1</sup>	62,740	62,740
<b>B. External Debt<sup>2</sup></b>	<b>841,766</b>	<b>495,794</b>
<b>C. Total Debt (A+B)</b>	<b>1,337,559</b>	<b>1,359,898</b>
<b>GDP<sup>3</sup></b>	<b>3,971,716</b>	<b>4,449,959</b>
<b>Debt to GDP (%)</b>	<b>32.38%</b>	<b>30.56%</b>
<i>Domestic Debt to GDP</i>	20.47%	19.42%
<i>External Debt to GDP</i>	11.91%	11.14%

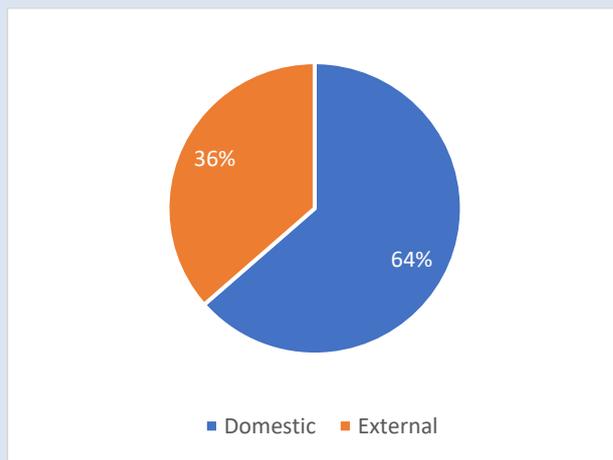
Source: FD, BB, BBS, NSD, CGA, and ERD;

<sup>1</sup> GPF figure is as on 30 June, 2022, <sup>2</sup>External debt data is provisional; <sup>3</sup>GDP of FY22 from BBS calculation, GDP of FY23 from budget projections of FD.

- The total debt-to-GDP ratio was at around 30.56% based on 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-banking source has decreased.
- External debt stock is around 11.14 per cent of GDP at the current market price.

## Total Debt Stock: (Domestic vs External)

Figure 4: Total Debt Stock as on 31 Dec 2022 (domestic vs external)



- Domestic debt constitutes the major share of the total debt stock and financing from the domestic sources is increasing gradually;
- As on 31 December 2022, domestic and external debt was 64 per cent and 36 per cent of the total debt stock, respectively.

### E. Upcoming events

- Debt Sustainability Analysis Report
- Install a customized Debt Database in the Middle Office (FD)
- Formal opening of secondary trading of government securities

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