



Quarterly Debt Bulletin

Issue No.8

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

Abbreviations

AIB- Asian Infrastructure Investment Bank	GDP- Gross Domestic Product
ADB- Asian Development Bank	IDA- International Development Association
BB- Bangladesh Bank	IRD- Internal Resources Division
BDT- Bangladesh Taka	IMF- International Monetary Fund
BGTB- Bangladesh Government Treasury Bond	NSC- National Savings Certificate
BBS- Bangladesh Bureau of Statistics	NSD- Department of National Savings
DSE- Dhaka Stock Exchange	SOE- State-Owned Enterprise
ERD- Economic Relations Division	SPTB- Special Purpose Treasury Bond
FD- Finance Division	WB- World Bank

A. Recent Events

The IMF approved 2nd instalment of the loan

The IMF has approved US\$689.8 million as the second instalment of the total loan of US\$4.7 billion under Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements for Bangladesh.

Government hikes interest rate on dollar bonds

The government has raised the interest rates of two US dollar-denominated bonds by up to two percentage points to enable the non-resident Bangladeshis (NRBs) to put their money in safe government-backed instruments and also hoping that the much-needed remittances will be channelled via official routes.

Government borrowing status as of 30 September, 2023 for the FY 2023-24

According to the provisional calculation up to September 2023, net government borrowing stood at BDT 33,667 crore which was 13% 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 net negative.

Table 1: Government Net Borrowing as of 30 September 2023

Source of Borrowing	Net Borrowing ^P	Budget 2023-24	As % of Budget
Domestic Borrowing	25,580	155,395	16%
Borrowing from banking sources	28,308	132,395	21%
<i>Treasury Bill</i>	18,527	45,815	40%
<i>Treasury Bond</i>	9,781	86,580	11%
Borrowing from non-banking sources	-2,728	23,000	-12%
<i>National Savings Certificate</i>	-1,265	18,000	-7%
* <i>Others (GPF)</i>	-1,463	5,000	-29%
**External Borrowing	8,087	102,490	8%
Total Borrowing	33,667	257,885	13%

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

** Provisional

Borrowing Composition FY2023-24 (as of 30 September 2023)

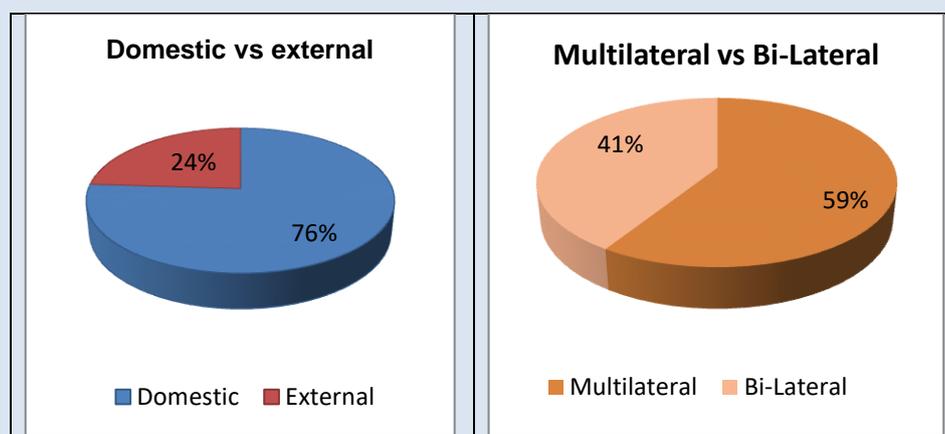


Figure 1: Borrowing Compositions

- Domestic and external borrowing was 76 per cent and 24 per cent, respectively, of the total.
- As borrowing from NSC and GPF were net negative, domestic financing was sourced from the banking sector.
- Bilateral sources accounted for around 41 per cent and the rest 59 per cent was from multilateral sources.

❖ Domestic Borrowing: Banking Sources FY2023-24 (as of 30 September 2023)

Table 2: Instrument-wise Borrowing: Treasury Bills (July-September FY 23-24)

Crore BDT				
Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
91-day T-Bill	34656	35619	-963	-5%
182-day T-Bill	18562	18052	510	3%
364-day T-Bill	24972	5992	18,980	102%
14- day T-Bill	0	0	0	0%
Total	78190	59663	18527	100%

Source: Bangladesh Bank.

Table 3: Instrument-wise Borrowing: Treasury Bonds (July-September FY 23-24)

Crore BDT				
Instrument	Gross Borrowing	Maturity	Net Borrowing	As % of total
2 YR BGTB	8,700	4500	4200	43%
5 YR BGTB	9,683	7400	2283	23%
10 YR BGTB	4536	1200	3336	34%
15 YR BGTB	214	450	-236	-2%
20 YR BGTB	198	0	198	2%
Special Bond	0	0	0	0%
Total	23,331	13550	9781	100%

Source: Bangladesh Bank.

- Net financing through T-Bill was BDT 18,527 crore in the first quarter of FY 2023-24;
- In the first quarter of FY 2023-24, net borrowing from T-Bond amounted to BDT 9,781 crore.

Table 4: Month-wise Borrowing from Banking Sources (July,2023-September,2023)

Month	Treasury Bill			Treasury Bond			Total Net Borrowing
	Gross Issuance	Redemption	Net Borrowing	Gross Issuance	Redemption	Net Borrowing	
Jul-23	33520	19389	14131	8000	8750	-750	13381
Aug-23	26379	18968	7411	8500	4650	3850	11261
Sep-23	18291	21306	-3015	6831	150	6681	3666
Total	78190	59663	18527	23331	13550	9781	28308

Source: Bangladesh Bank.

Domestic Borrowing: Non-bank Sources

Table 5: Month-wise Borrowing from NSC (July,2023-September,2023)

Month	Gross Issuance	Redemption	Net Borrowing
Jul-23	7860	8208	-348
Aug-23	7050	7819	-769
Sep-23	6746	6894	-148
Total	21656	22921	-1265

Source: Department of National Savings

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

External Borrowing

Table 6: Month-wise Borrowing from External Sources (July,2023-September,2023)

Month	Gross Issuance	Redemption	Net Borrowing
Jul-23	4408	1593	2815
Aug-23	3524	1178	2346
Sep-23	5542	2616	2926
Total	13474	5387	8087

Source: Economic Relations Division.

- Bangladesh still has access to concessional external financing from multi-lateral and bilateral partners and prefers this mode of financing. Up to 30 September 2023 (FY2023-24), Bangladesh received BDT 8,087 crore from external financing sources.

❖ Cost of Borrowing from Banking Sources

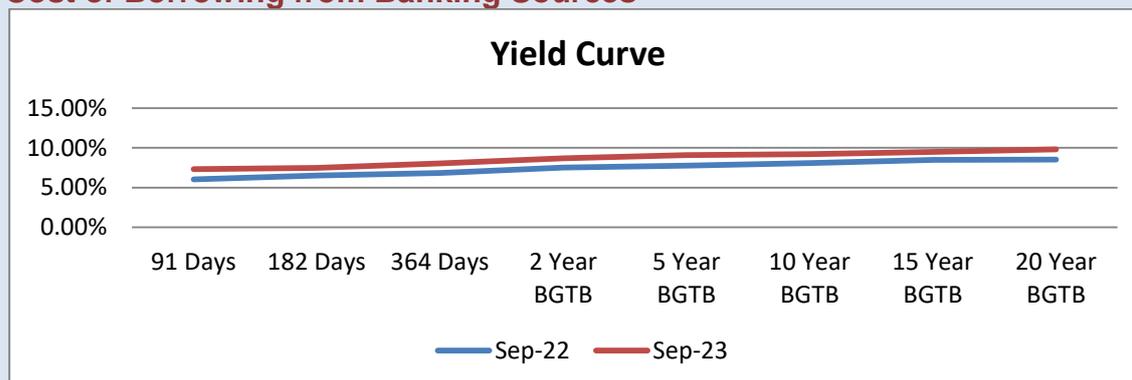


Figure 2: Cost of Borrowing from Banking Sour

- Yield curves reflect the rising cost of borrowing through government securities for the first quarter of FY24 vis-à-vis the same period in FY23.

B. Interest Expenditure

Table 7: Interest Expenditure

Source of Borrowing	2022-23 (July-Sep)	2023-24 (July- Sep)	Increase/Decrease	Rate of Increase
Domestic Borrowing	17796	18871	1075	6%
Banking sources	5747	8056	2308	40%
T-bill	617	1600	982	159%
T-bond	5130	6338	1208	24%
Non-bank sources (NSC)	12,049	10815	-1233	-10%
External Borrowing	1297	4147	2850	220%
Total Interest Expenses	19093	23018	3925	21%

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

- In the 1st quarter of FY24, interest expense was 21% higher than that of FY23.
- External interest payment increased by 220% in the first quarter of FY24 compared to the same period in FY23.

C. Structures and Dynamics of the Government Debt

Table 8: Government Debt Stock

Source of Borrowing	As of 30 June 2023 ^P	As of 30 September 2023 ^P
A. Domestic Debt (1+2)	944,335	974,092
1. Debt from Banking Sources	507,763	538,785
1.1. Treasury Bills	123,681	142,208
1.2. Treasury Bonds & SPTB	366,083	378,577
1.3. Sukuk	18,000	18,000
2. Debt from Non-Bank Sources	436,572	435,307
2.1. Debt from NSCs	365,233	363,968
2.2. Others (GPF) ¹	71,339	71,339
B. External Debt	672,977	681,064
C. Total Debt (A+B)	1,617,313	1,655,156
GDP	4,449,959	4,962,509
Debt to GDP (%)	36.34%	33.35%
Domestic Debt to GDP	21.22%	19.63%
External Debt to GDP	15.12%	13.72%

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

^P Provisional.;

- The total debt-to-GDP ratio was 33.35% based on the GDP projection for FY24 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 increased.
- External debt stock was 13.72% of GDP at the current market price.

Total Debt Stock: (Domestic vs External)

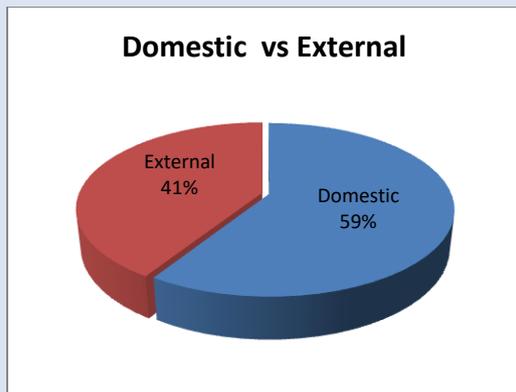


Figure 3: Total Debt Stock as of 30 Sep, 2023

- Domestic debt constitutes the major share of the total debt stock and financing from the domestic sources is increasing gradually;
- As of 30 September 2023, domestic and external debt was 59 per cent and 41 per cent of the total debt stock, respectively.

Total Domestic Debt Stock: Contribution from different sources

- Financing from the Banking sector constitutes 56 per cent of the total domestic debt followed by NSCs, 37 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.

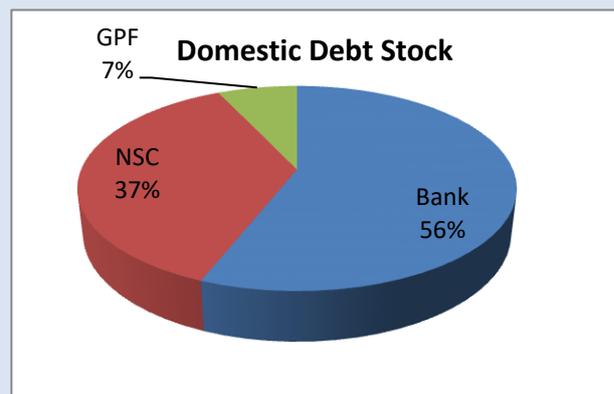


Figure 4: Domestic Debt Stock by sources as on 30 September, 2023

Debt from the Banking Source: Composition

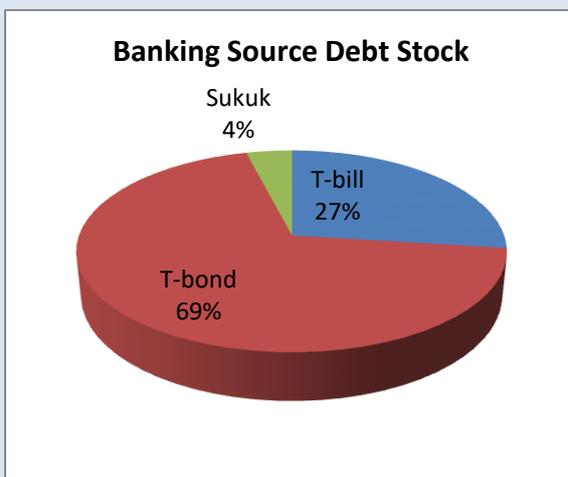


Figure 5: Debt from the banking sources

- 69% of the banking sector financing is sourced from treasury bonds and SPTB reflecting 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.

D. Contingent Liability

As of 30 September, 2023 the outstanding stock of government guarantee was BDT 95,942.21 crore. Among this contingent liability, BDT 63,669.6 crore originated from external sources while BDT 32,272.61 crore came from domestic sources.

E. Upcoming events

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

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