

Monthly Report On
Government Borrowing from Domestic Sources¹

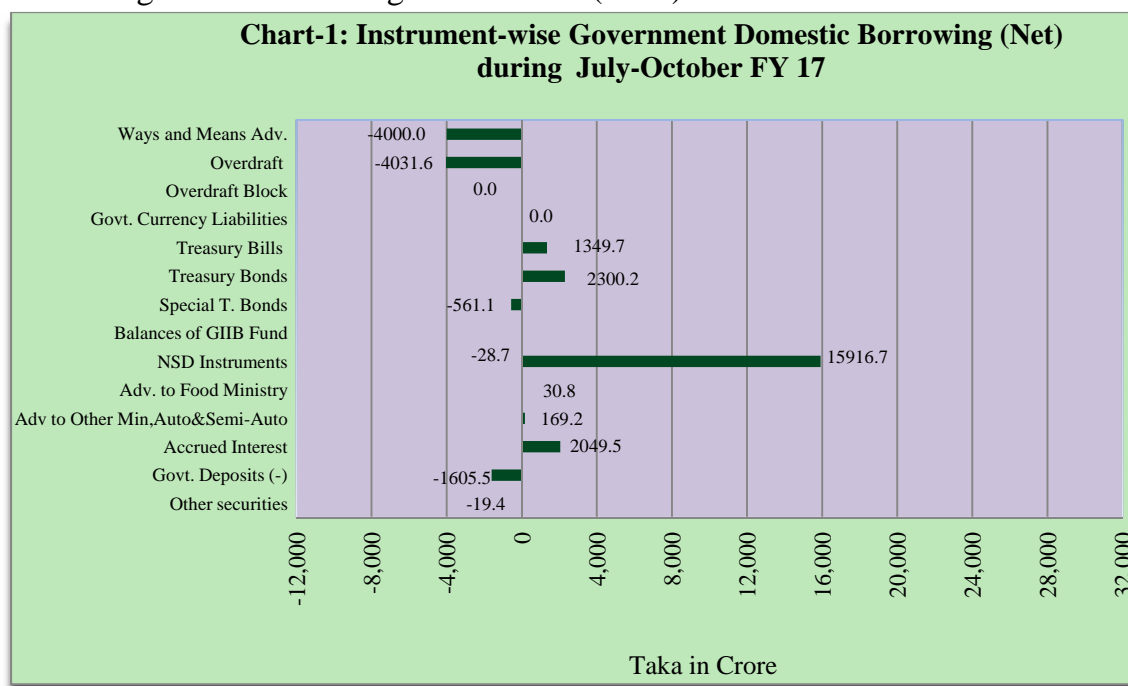


Research Department
Bangladesh Bank

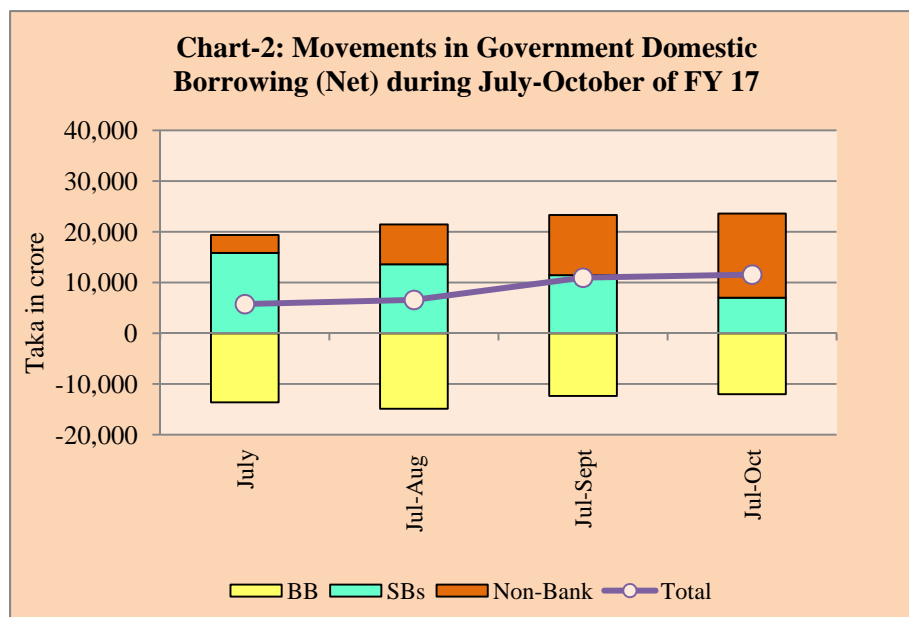
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. Government Borrowing from Domestic Sources during July-October of FY17

Government (Govt.) borrows both from domestic and external sources to meet its fiscal deficits. The sources of Govt. domestic borrowings are banks (Bangladesh Bank and Scheduled Banks) and other than banks. Govt. borrows from banking system through Treasury Bills (T-Bills) and Bonds; in addition to that govt. borrows from non-banking sources through National Savings Directorate (NSD).

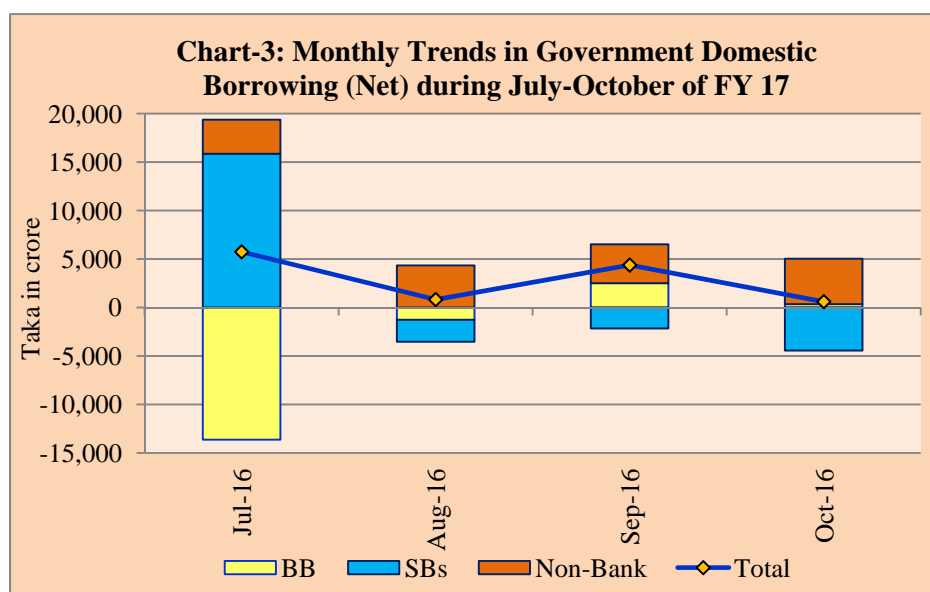


Govt. domestic borrowing (net) stood at Tk.11569.8 crore during July-October of FY17 after the adjustments with T-Bills and Bonds, NSD, Ways and Means Advances (WMA), advances to Food Ministry and other Ministries, Overdraft (OD) current and block accounts, accrued interest, and advances and deposits of autonomous and semi-autonomous bodies, balances of GIIB (Government Islamic Investment Bond) fund as well as deduction of cash balance in the form of govt. deposits with Bangladesh Bank and scheduled banks (i.e. including banking and nonbanking sources). It is observed that the govt. borrowed Tk.1739.1 crore (net) through Treasury Bonds and Tk.1349.7 crore (net) through T-Bills during July-October of FY17. Govt. borrowed Tk.15916.7 crore through NSD instruments during the period under report. During the period, govt. deposits increased by Tk.1605.5 crore (net) with the banking system. Deposits with Bangladesh Bank (BB) decreased by Tk. 2514.8 crore whereas deposits with scheduled banks (SBs) increased by Tk.909.3 crore. Instrument-wise net govt. domestic borrowing during July-October' 16 is depicted in chart-1.



After the adjustments with repayments, deposits and advances of autonomous and semi-autonomous bodies, the govt. has borrowed less than the amount of repayment and holding cash balances through banking system during July-October of FY17.

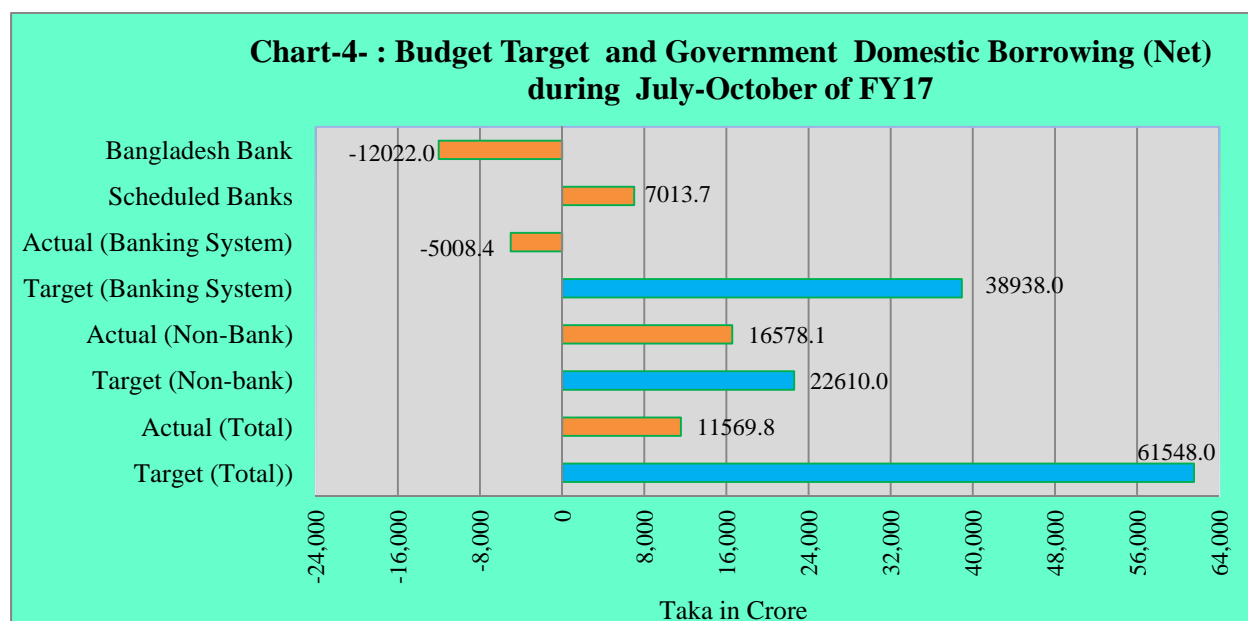
Govt. borrowing from the banking system decreased by Tk.5008.4 crore during July-October of FY17. On the other hand total non-bank govt. borrowing (net) stood at Tk.16578.1 crore during the period. As a result, govt. borrowing (net) from the domestic sources during July-October of FY17 stood at Tk.11569.8 crore. The movement in net govt. borrowing from different domestic sources during July-October of FY17 is demonstrated in chart-2.



Monthly movement of government's net domestic borrowing is represented in chart-3. During the month of October 2016, Govt. borrowed Tk.608.1 crore from domestic sources which was lower than the previous month.

In the budget of FY17, Tk.61548.0 crore has been fixed for borrowing from domestic sources by the government of which Tk.38938.0 crore and Tk.22610 crore have been targeted to borrow from banking and non-banking sources respectively. During July-

October of FY17, the net repayment and holding of cash balances with Bangladesh Bank stood at Tk. 12022.0 crore. On the other hand, the net borrowing from scheduled banks stood at Tk. 7013.7 crore during the same period.



During the period, govt. borrowed (net) Tk. 2427.3 crore through T-Bills and Treasury Bonds from the banking system. Moreover, government borrowed Tk. 16578.1 crore from other than banks (including NSD, T-Bills and Bonds). Government borrowed Tk. 15916.7 crore through NSD instruments during the period. The total net government domestic borrowings (banking and non-banking sources) stood at Tk. 11569.8 crore after the adjustment with government deposits and other items during July-October of FY17. A comparative picture of government total budget target and actual domestic borrowing situation during July-October of FY17 is shown in chart-4.

Major Changes/Findings of the Govt. Borrowings from Domestic Sources:

- During July-October of FY17 total Govt. domestic borrowings (net) from banking system decreased by Tk.50.1 billion i.e., during this period govt. did not borrow rather repaid Tk. 50.1 billion from the previous borrowings.
- Govt. borrowed Tk. 165.8 billion (of which Tk. 159.2 billion through NSD instruments) from other than banks during July-October of FY17, which is 73.3 percent of the total budget target from non-banking sources. As the interest rate of NSD certificate is significantly higher than any other interest rate prevailing in the market, Govt. borrowings is increasing much through NSD certificate.

Table I : Government Borrowing Position from the Banking System during July-October of FY17

							(Provisional) (Taka in crore)	
Sl. No.	Particulars	Issue and Maturity date	Objectives	Outstanding as on 30 June 2016	Outstanding as on 30 September 2016	Outstanding as on 31 October 2016	Change (+) / (-)	
							October 2016	July-October 2016
1	2	3	4	5	6	7	8=(7-6)	9=(7-5)
A. Bangladesh Bank								
1.	Ways and Means Advances		To increase Government cash balance	4000.0	0.0	0.0	0.0	-4000.0
2.	Overdraft			4031.6	0.0	0.0	0.00	-4031.6
3.	Overdraft Block			7185.0	7185.0	7185.0	0.0	0.0
4.	Devolverment			4678.6	5391.8	4997.0	-394.8	318.5
a)	Treasury Bills			1562.9	1701.2	1306.4	-394.8	-256.5
b)	Treasury Bonds			3115.7	3690.6	3690.6	0.0	575.0
5.	Government Currency Liability:			2026.3	2026.3	2026.3	0.0	0.0
6.	Advances to Autonomous and Semi-autonomous Bodie			0.0	0.0	0.0	0.0	0.0
7.	Accrued Interest			73.9	97.5	95.9	-1.6	22.0
8.	Government Deposits ^{1/} (-)			-47.1	-2477.9	-2561.9	-84.0	-2514.8
9.	BB's Balances of GIB Fund (-)			-8590.3	-11233.2	-10406.4	826.8	-1816.1
A. Total : (1 +...+ 8)*				13358.0	989.5	1335.9	346.4	-12022.0
B. Deposit Money Banks (DMBs)								
1. Government Treasury Bills				24061.1	27585.0	25693.5	-1891.5	1632.4
	i) Treasury Bills (Less than 1 year)		To increase Government cash balance	24061.1	27585.0	25693.5	-1891.5	1632.4
2. Bangladesh Govt. Treasury Bonds (BGTB)				100829.5	101351.8	101867.2	515.3	1037.6
	i) 2-years Bangladesh Govt. Treasury Bonds		To increase long-term investment of different banks, non-bank financial institutions and employees GF of different	8521.5	7926.5	7934.7	8.2	-586.8
	ii) 5-years Bangladesh Govt. Treasury Bonds			26336.6	26694.1	26634.8	-59.3	298.2
	iii) 10-years Bangladesh Govt. Treasury Bonds			38596.0	39020.4	39146.6	126.2	550.6
	iv) 15-years Bangladesh Govt. Treasury Bonds			15365.0	15536.3	15747.1	210.8	382.1
	v) 20-years Bangladesh Govt. Treasury Bonds			12010.5	12174.5	12404.1	229.5	393.5
3. Others Treasury Bonds (a-b)				13887.7	13885.0	13326.6	-558.4	-561.1
a) 1 Year and above but less than 5 years (Specialized Bonds)								
	i) 3-Years and 4-years (BPC) Treasury Bond bearing 7.0 percent interest ^{2/}	Issued 5 Oct-2011 and maturity date 5 October 2014 & 2015 respectively	To repay the loan of Bangladesh Petroleum Corporation					
b) 5 Years and above (Specialized Bonds)				13887.7	13885.0	13326.6	-558.4	-561.1
	i) 6, 7 & 10-years (BJMC&BTMC) interest free Treasury Bond-2016, 2017 & 2020	Issued 16 Jan-2011 and maturity date 16 January 2017, 18 & 21 respectively	To repay the loan of BJMC & BTMC	677.9	677.9	677.9	0.0	0.0
	ii) 25-years (Jute) Treasury Bond-2018 bearing 5.0 percent interest	Issued 1 Nov-1993 and maturity date 1 Nov-2018	To compensate for the liquidation of jute sector credit	53.2	53.2	53.2	0.0	0.0
	iii) 25-years (Jute) Treasury Bond-2019 bearing 5.0 percent interest ^{5/}	Issued 30 Jun-1994 and maturity date 30 Jun-2019	To compensate for the liquidation of jute sector credit	36.9	36.9	36.9	0.0	0.0
	iv) 25-years (Jute) Treasury Bond-2020 bearing 5.0 percent interest ^{6/}	Issued 1 Jul-1995 and maturity date 1 Jul-2020	To reimburse one-third of the debt due to jute mills' loan write-off by the private banks.	11.6	8.9	8.9	0.0	-2.7
	v) 10-years to 15-years (BPC) Treasury Bond bearing 5.0 percent interest ^{2/}	Issued 25 Sep-2007 and Maturity date from 25 Sep-2014 to 25 Sep-2022	To repay the loan of Bangladesh Petroleum Corporation	2922.5	2922.5	2922.5	0.0	0.0
	vi) 5-years and 6-years (BPC) Treasury Bond bearing 7.0 percent interest	Issued 5 Oct 2011 and 26 Dec 2011 and Maturity date 5 Oct-2016 and 26 Dec-2017	To repay the loan of Bangladesh Petroleum Corporation	2100.0	2100.0	1900.0	-200.0	-200.0
	vii) 5-years to 13-years BJMC Treasury Bond bearing 5.0 percent interest	Issued 23 Oct-2011 and maturity date 23 October 2016, 20, 22 & 24 respectively	To repay the loan of BJMC	2150.4	2150.4	1792.0	-358.4	-358.4
	viii) 7-years SPTB-2020 bearing 7.0 percent interest	Issued 29 June-2013 and maturity date 29 June-2020	To increase Government cash balance	2000.0	2000.0	2000.0	0.0	0.0
	ix) 8-years SPTB-2021 bearing 7.0 percent interest	Issued 29 June-2013 and maturity date 29 June-2021		2000.0	2000.0	2000.0	0.0	0.0
	x) 10-years SPTB-2023 bearing 7.0 percent interest	Issued 29 June-2013 and maturity date 29 June-2023		1935.1	1935.1	1935.1	0.0	0.0
4. Sub-Total : (1+2+3)				138778.4	142821.8	140887.2	-1934.6	2108.9
5.	Prize Bond/Income Tax Bond			30.5	23.4	9.4	-14.0	-21.1
6.	Government's other Securities			2.8	4.0	4.5	0.5	1.7
7.	Advances to Food Ministry			549.4	760.1	580.2	-179.9	30.8
8.	Advances to Other Ministries			1453.8	1584.9	1532.8	-52.1	79.0
9.	Advances to Auto./Semi-Autonomous Bodies			1908.4	1775.6	1998.6	223.0	90.2
10.	Accrued Interest			2908.7	4367.9	4936.2	568.3	2027.5
11.	Deposits of Ministries and Departments (-)			-21805.5	-20527.0	-21041.5	-514.5	764.0
12.	Deposits of Auto./Semi-Autonomous Bodies (-)			-34069.1	-32229.4	-33923.8	-1694.4	145.3
13. SBs's Balances of GIB Fund (i+ii)								
	i) Investment to GIB Fund			12189.1	13699.7	13351.5	-348.2	1162.4
	ii) Borrowing from GIB Fund (-)			-3774.6	-2664.6	-3149.6	-485.0	625.0
B. Total : (4+...+13)				98171.9	109616.4	105185.5	-4430.9	7013.7
Grand Total : (A+B)*				111529.8	110605.9	106521.5	-4084.4	-5,008.4

Notes: @/ Including other deposits.

1/ 2 year Bangladesh Government Treasury Bond was introduced in May 201

2/ An amount of Tk. 2.7 crore was paid in July 2016 against the outstanding of Tk. 11.6 crore in June 2016

3/ *Including GIB Fund

4/ An amount of Tk. 16.4 crore was paid in June 2016 against the outstanding of Tk. 53.3 crore in June 2015

5/ An amount of Tk. 200.0 crore was paid in October 2016 against the outstanding of Tk. 2100 crore in June 2016

6/ An amount of Tk. 358.4 crore was paid in October 2016 against the outstanding of Tk. 2150.4 crore in June 2016

Source: Debt Management Department, Statistics Department, Bangladesh Bank (Figures of Treasury Bills and Bonds (Including Special Bonds) are collected from DMD).

Table-II: Government Borrowing (Net) from Other than Banks during July-October of FY17

(Taka in Crore)

Sl. No.	Particulars	July-October 2015				July-October 2016			
		Sale	Repayment		Net Sale	Sale	Repayment		Net Sale
			Principal	Interest			Principal	Interest	
1	2	3	4	5	6 = (3-4)	7	8	9	10 = (7-8)
	<u>NSD Instruments</u>								
1.	Defence Savings Certificate	0.0	3.0	2.1	-3.0	0.0	0.7	0.9	-0.7
2.	5-year Bangladesh Savings Certificate	2023.4	1012.5	415.5	1010.9	1972.1	506.9	165.2	1465.2
3.	3-year Savings Certificate	0.0	6.9	0.0	-6.9	0.0	0.0	0.0	0.0
4.	Bonus Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.	6-month interest bearing Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6.	Family Savings Certificate	5036.5	1089.3	1476.0	3947.2	8547.2	1931.9	1984.9	6615.3
7.	3-month interest bearing Savings Certificate	3989.1	1843.9	777.7	2145.2	5749.7	1960.7	955.1	3789.0
8.	Jamanat Savings Certificate	0.0	1.4	0.0	-1.4	0.0	0.0	0.0	0.0
9.	Pensioner Savings Certificate	931.0	595.3	255.4	335.7	1605.7	507.1	300.2	1098.7
10.	Post Office Savings Bank	2670.5	1493.1	414.2	1177.5	4281.9	1746.4	443.1	2535.5
	a) General Account	537.9	409.3	12.9	128.7	753.7	525.1	38.2	228.5
	b) Fixed Account	2132.6	1083.8	401.3	1048.8	3528.2	1221.3	405.0	2306.9
	c) Bonus Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.	Postal Life Insurance	24.3	32.8	0.2	-8.5	29.7	27.7	8.2	2.0
12.	Prize Bond	19.8	12.6	4.4	7.2	25.6	11.8	4.9	13.8
13.	Wage Earners' Development Bond	349.6	71.2	199.4	278.5	418.8	51.4	132.5	367.4
14.	3-year National Investment Bond	0.0	0.5	0.1	-0.5	0.0	0.4	0.1	-0.4
15.	US \$ Premium Bond	12.3	10.2	4.5	2.1	9.4	9.3	7.2	0.1
16.	US \$ Investment Bond	201.9	52.2	31.4	149.6	114.9	84.1	14.8	30.9
17.	Total : (1+...+15)	15258.3	6224.6	3580.8	9033.7	22755.1	6838.4	4017.1	15916.7
		Outstandings as on October 2015			Net Changes	Outstandings as on October 2016			Net Changes
18.	Govt. Treasury Bills/Bonds		23538.9		-37.1		24755.0		661.5
	i) Government Treasury Bills		861.2		-23.5		286.1		-26.2
	ii) Bangladesh Govt. Treasury Bonds (BGTBs)		22677.7		-13.6		24468.8		687.6
	a) 2-year Bangladesh Government Treasury Bonds		418.7		-446.9		515.5		46.8
	b) 5-year Bangladesh Government Treasury Bonds		6040.4		171.1		6057.0		-32.7
	c) 10-year Bangladesh Government Treasury Bonds		9147.1		331.0		10118.4		296.2
	d) 15-year Bangladesh Government Treasury Bonds		2908.6		52.7		3253.4		190.9
	e) 20-year Bangladesh Government Treasury Bonds		4163.0		-121.6		4524.6		186.5
19.	Total Non-bank Government Borrowing (net) : (17+18)				8996.6				16578.1

Sources : National Savings Directorate, Debt Management Department, BB.