Bangladesh

Key Rating Drivers

High GDP Growth: Bangladesh's high economic growth has proved resilient to a number of shocks over the past decade, including political crises and natural disasters. The country exhibits one of the highest real GDP growth rates of all sovereigns. The government estimates 8.1% growth for the financial year ended June 2019 (FY19), underpinned by strong domestic demand, remittances, and net exports. Fitch Ratings forecasts growth of 7.5% in FY20 and 7.2% in FY21.

Comfortable Reserve Buffers: Foreign-exchange reserve buffers amounted to USD31.7 billion in November 2019 – 5.5 months of current external payments, compared with 4.3 months for 'BB' category peers. Bangladesh continues to run a modest current account deficit, of 2.2% of GDP in 2019. Remittances continue to perform strongly, rising by 10% yoy to USD17.1 billion in the 12 months through September.

Slowing Export Growth: Bangladeshi ready-made garments, which make up 84% of total exports, generated export earnings of USD34.1 billion in FY19, USD3.5 billion more than in FY18. Export growth is likely to slow this fiscal year. Bangladesh's share in the global apparel market rose gradually to 6.5% in 2017, but it now faces a weaker global trade environment, and is not appearing to benefit much from trade diversion related to the US-China trade spat.

Wider Fiscal Deficits: Fitch estimates the fiscal deficit to have widened slightly to 4.8% of GDP in FY19, from 4.6% in FY18, due to weak revenue. We expect the revenue ratio to have fallen to 9.6% of GDP, the lowest among all Fitch-rated sovereigns with the exception of Nigeria. Fitch expects fiscal deficits of just under 5.0% of GDP for the next few years, which implies a gradually rising general government debt ratio from 34.0% of GDP in FY18. Risk to the debt trajectory arises from possible further capital injections into public entities.

Weak Banking Sector Health: The official gross non-performing loan (NPL) ratio was 11.7% in June 2019, up from 10.4% a year earlier, although the ratio net of provisions was significantly lower at 2.5%. The IMF has stated that the published NPL ratios are likely to underestimate stress in the sector, and that problem assets have risen to over 20%. The capital-adequacy ratio for the sector is low, at 11.7%, and 8.5% for state-owned banks.

Lagging Structural Indicators: Bangladesh scores low on the World Bank governance indicators at the 22nd percentile versus the 'BB' median of 44th percentile; this constrains the effectiveness of economic policies. The country ranks lowest among peers in the 'BB' category in the Ease of Doing Business index, at 168th of 190 countries.

Rating Sensitivities

Fiscal Change: Sustained improvement in the structure of public finances in terms of higher government revenue and lower risk of contingent liabilities would be positive for the credit profile. Conversely, a significant rise in the government debt/GDP ratio due to the crystallisation of contingent liabilities related to banks or other state-owned enterprises, would be negative.

Governance and Political Risk: Improved governance that strengthens the business climate and banking-sector health would enhance the credit profile. A substantial slowdown in GDP growth, for example, related to materialising political risk or a deterioration in security would weaken the profile.

External Finances: A drop in foreign-exchange reserves, for instance in combination with a widening of the current account deficit, would be negative.

Ratings

Foreign Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Country Ceiling	BB-

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Rating Derivation

Component	Outcome
Sovereign Rating Model (SRM)	BB
Qualitative Overlay (QO)	-1
Structural features	-1
Macroeconomic	0
Public finances	0
External finances	0
Long-Term Foreign-Currency IDR	BB-

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (May 2019)
Country Ceilings Criteria (July 2019)

Related Research

Global Economic Outlook (December 2019)
APAC Sovereign Overview 3Q19 (September 2019)

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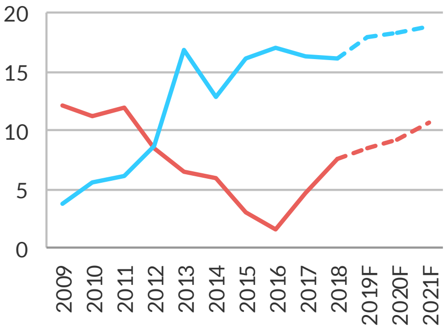
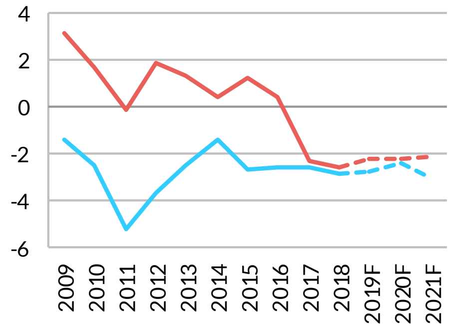
Peer Comparison

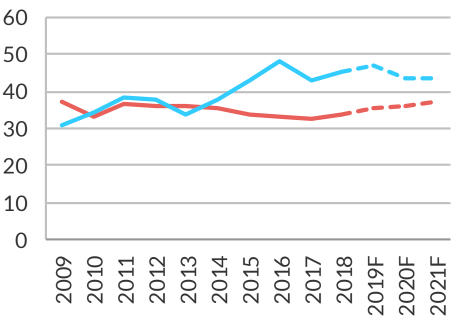
Net External Debt
% of GDP



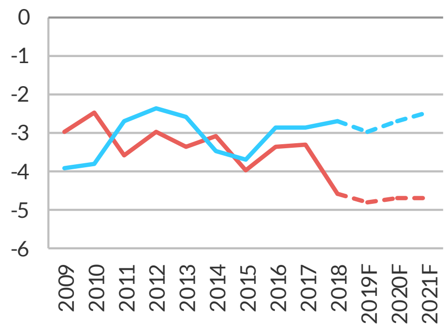
Current Account Balance
% of GDP



General Government Debt
% of GDP

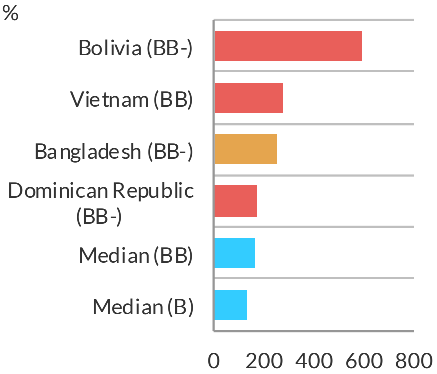


General Government Balance
% of GDP

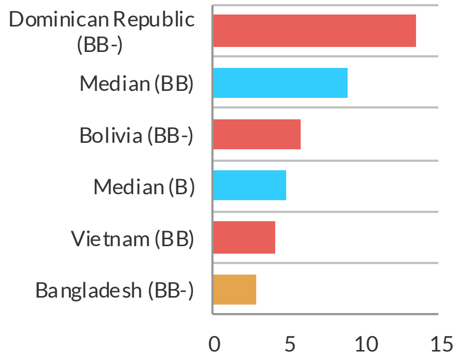


Bangladesh   Median (BB)

International Liquidity Ratio, 2019F
%



GDP Per Capita Income, 2019F
At market exchange rates, USA = 100



Note: Medians based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period.
Source: Fitch Ratings

Financial Data

Bangladesh	
(USDbn)	**2019**
GDP	320.0
GDP per head (USD, 000)	1.9
Population (million)	168.2
International reserves	32.5
Net external debt (% GDP)	8.5
Central government total debt (% GDP)	35.2
CG foreign-currency debt	41.7
CG domestically issued debt (BDTbn)	5,370.7

Source: Fitch Ratings

Rating Factors

Summary: Strengths and Weaknesses

Rating factor	Structural features	Macroeconomic	Public finances	External finances
Status	Weakness	Neutral	Neutral	Neutral
Trend	Stable	Stable	Negative	Stable

Note: Relative to 'BB' category
Source: Fitch Ratings

Strengths

- Official foreign-exchange reserve levels compare favourably with that of peers.
- Real GDP growth is strong and stable. Growth has proved resilient to a number of severe shocks, including political crises and natural disasters.
- Bangladesh enjoys a demographic dividend from a large and young population and low wage structure that have generated large and resilient remittances and facilitated exports of ready-made garments.
- The country has a good external-debt repayment record in the recent past, which stands out from its 'BB' peers. Indeed, public debt was below the threshold for multilateral debt relief initiatives in the 2000s.

Weaknesses

- Banking sector's balance sheets and governance are weak, illustrated by high-profile scandals in recent years. The central bank has taken measures to improve governance of the banking sector, including appointing observers on bank boards.
- Bangladesh scores weaker than peers for governance and business environment indicators. It ranks 149 out of 180 countries in the corruption perception index of Transparency International. There is a large infrastructure gap.
- Political risk is relatively high. Bangladesh ranks in the 14th percentile on the World Bank indicator for political stability and absence of violence and terrorism, lower than that of virtually all its peers – and a deterioration from the 17th percentile four years ago.
- Bangladesh is lagging on structural indicators, such as per capita GDP and its ranking for the UN's Human Development Index. Nonetheless, major improvements have taken place in the past decade on a number of social metrics.

Local-Currency Rating

Bangladesh's Long-Term Local-Currency IDR is aligned with its Foreign-Currency IDR at 'BB-'. Its credit profile does not feature either of two key factors that could support upward notching of the Local-Currency IDR – strong public finance relative to external finance fundamentals, and preferential treatment of local-currency creditors relative to foreign-currency creditors.

Country Ceiling

Fitch assesses Bangladesh's Country Ceiling, which captures transfer and convertibility risk, to be aligned with its Foreign-Currency Long-Term IDR at 'BB-'. The taka is convertible for current-account transactions, but capital account restrictions are in place.

Peer Group

Rating	Country
BB	Georgia
	Guatemala
	Namibia
	Seychelles
	Vietnam
BB-	**Bangladesh**
	Armenia
	Bahrain
	Brazil
	Dominican Republic
	Greece
	Jordan
	Turkey
	Uzbekistan
B+	Bolivia
	Costa Rica
	Cote d'Ivoire
	Egypt
	Jamaica
	Kenya
	Maldives
	Nigeria
	Rwanda
	Tunisia
	Uganda

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
29 Aug 2014	BB-	BB-

Strengths and Weaknesses: Comparative Analysis

2019	Bangladesh BB-	BB median[a]	B median[a]	Vietnam BB	Bolivia BB-	Dominican Republic BB-
Structural features						
GDP per capita (USD, mkt exchange rates)	1,903	5,847	3,470	2,744	3,726	8,713
GNI per capita (PPP, USD, latest)	4,560	13,910	8,375	7,030	7,330	16,960
GDP (USDbn)	320.0			268.0	42.5	90.0
Human development index (percentile, latest)	28.1	50.8	36.8	38.2	37.7	50.5
Governance indicator (percentile, latest)[b]	21.2	43.9	38.2	40.9	29.4	42.0
Broad money (% GDP)	45.1	47.8	37.5	160.5	73.6	33.0
Default record (year cured)[c]	-	-	-	1998	2006	2005
Ease of doing business (percentile, latest)	11.7	52.2	38.7	64.1	18.0	46.6
Trade openness (avg. of CXR + CXP % GDP)	21.0	46.5	40.2	109.6	31.1	32.5
Gross domestic savings (% GDP)	22.8	17.9	15.6	24.6	14.3	20.6
Gross domestic investment (% GDP)	31.2	21.8	23.0	20.9	20.6	25.7
Private credit (% GDP)	37.4	37.3	25.1	135.2	62.2	23.9
Bank systemic risk indicators[d]	n.a./1			b/2	b/1	b/1
Bank system capital ratio (% assets)	11.7	15.7	15.6	12.1	-	-
Foreign bank ownership (% assets)	5.0	35.2	36.4	-	12.0	-
Public bank ownership (% assets)	30.0	16.5	18.8	-	-	-
Macroeconomic performance and policies						
Real GDP (5yr average % change)	7.4	4.2	4.6	6.7	4.2	6.0
Volatility of GDP (10yr rolling SD)	0.8	2.5	2.7	0.6	0.9	1.9
Consumer prices (5yr average)	5.8	5.6	7.7	2.9	2.9	2.8
Volatility of CPI (10yr rolling SD)	1.3	3.3	4.4	5.1	2.4	2.2
Unemployment rate (%)	4.3	9.0	9.0	2.2	4.1	6.0
Type of exchange rate regime	Crawl-like arrangement			Stablised arrangement	Stablised arrangement	Crawl-like arrangement
Dollarisation ratio (% of bank deposits)	1.8	39.8	32.7	12.2	-	-
REER volatility (10yr rolling SD)	6.0	6.2	6.5	5.8	5.4	1.9

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Cont.)

2019	Bangladesh[g] BB-	BB median[a]	B median[a]	Vietnam BB	Bolivia BB-	Dominican Republic BB-
Public finances[e]						
Budget balance (% GDP)	-4.8	-2.7	-3.7	-3.8	-6.5	-3.2
Primary balance (% GDP)	-3.1	-0.6	-1.3	-1.9	-5.5	-0.8
Gross debt (% revenue)	366.9	155.6	213.6	203.2	148.1	275.2
Gross debt (% GDP)	35.2	39.0	49.7	48.1	40.6	39.2
Net debt (% GDP)	31.2	32.9	42.2	40.6	33.1	37.4
Foreign currency debt (% total debt)	37.1	60.7	67.4	38.8	57.5	66.9
Interest payments (% revenue)	17.6	9.2	8.6	7.8	3.4	17.1
Revenues and grants (% GDP)	9.6	25.0	23.4	23.7	27.4	14.3
Volatility of revenues/GDP ratio	6.7	6.2	8.8	6.3	13.6	3.6
Central govt. debt maturities (% GDP)	0.5	5.0	5.7	5.1	1.7	2.8
External finances						
Current account balance + net FDI (% GDP)	-1.1	0.8	-1.4	8.6	-5.3	0.3
Current account balance (% GDP)	-2.2	-2.7	-4.4	4.0	-6.1	-2.8
Net external debt (% GDP)	8.5	9.6	17.6	-0.3	-4.5	16.9
Gross external debt (% CXR)	112.6	114.0	141.4	37.5	107.1	129.1
Gross sovereign external debt (% GXD)	62.2	47.2	61.1	49.6	80.1	70.8
Sovereign net foreign assets (% GDP)	-3.8	-2.5	-14.4	3.7	-7.3	-21.3
Ext. interest service ratio (% CXR)	1.5	3.9	3.8	1.0	3.2	5.9
Ext. debt service ratio (% CXR)	3.6	13.8	12.1	4.8	10.6	13.2
Foreign exchange reserves (months of CXP)	5.5	4.3	3.9	2.7	5.9	3.1
Liquidity ratio (latest)[f]	247.8	150.7	161.4	275.6	589.8	169.7
Share of currency in global reserves (%)	0	0	0	0	0	0
Commodity export dependence (% CXR, latest)	2.6	22.5	34.2	16.0	70.3	16.8
Sovereign net foreign currency debt (% GDP)	2.9	2.2	14.8	-5.9	6.7	17.6

[a] Medians based on actual data since 2000 (excl. forecasts) for all sovereign-year observations where the sovereign was in the respective rating category at year-end. Three-year centred averages are used for the more dynamic variables (e.g. current account and fiscal balance)
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model: Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Bangladesh has not restructured any loans through the Paris Club
[d] Bank systemic indicator, which equates to a weighted average Viability Rating; and macro prudential indicator, with 1 'low' systemic risk through to 3 'high'
[e] General government unless stated
[f] Ratio of liquid external assets, defined as the stock of official FX reserves including gold at the end of the previous calendar year plus banks' liquid external assets, to liquid external liabilities, defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at the end of the previous calendar year
[g] For Bangladesh, the macroeconomic performance and public finance data relate to fiscal years, while structural features and external finances relate to calendar years
Note: Acronyms used: Consumer Price Inflation (CPI), Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Gross National Income (GNI), Purchasing Power Parity (PPP), Standard Deviation (SD), Foreign Direct Investment (FDI)
Source: Fitch Ratings

Key Credit Developments

GDP Growth Outlook Weaker, but Still Strong

Fitch forecasts GDP growth to remain above 7% in the next few years, higher than that of most peers. External demand for Bangladeshi exports is likely to continue falling, however, as elsewhere. Growth was underpinned in FY18 by strong domestic demand and net exports. Public-sector investment grew by 10% as a result of several mega infrastructure projects. Private consumption, accounting for 70% of GDP, grew strongly on the back of solid remittances and wage growth.

Foreign-reserve buffers remain comfortable, supported by prolonged strong earnings from both exports and remittances. Bangladeshi ready-made garments generated export revenue of USD34.1 billion in FY19, up by 11% from FY18. Export growth has been decelerating in recent months, a trend we expect to continue during the rest of FY20. Bangladesh is facing a weaker global trade environment, and so far does not seem to have benefitted from trade diversion associated with the US-China trade dispute. A relatively stable exchange rate against the US dollar has resulted in real effective exchange-rate appreciation. The loss of competitiveness has been partially offset by subsidies for the ready-made garments exporters.

Credit growth to the private sector slowed to 11.3% in FY19 from 16.9% a year prior, as deposit growth was low due to a government directive to cap deposit rates at 6%. Bangladesh Bank has indicated in its latest half-yearly Monetary Policy Statement to “cautiously accommodate monetary and credit expansion needs” in line with the targets of GDP growth of 8.2% and an inflation ceiling of 5.5%.

Changes in the Way the Government Deficit Is Financed

The government has managed to keep its deficits below the recurring annual fiscal deficit target of 5.0% for a number of years. Fitch estimates a fiscal deficit of 4.7% in FY20, broadly unchanged from FY19. The FY20 budget aims to reduce the use of national savings certificates at double-digit interest rates and increase domestic bank borrowing. This will bring down the government’s average effective interest rate, but may also crowd out private-sector borrowing.

Bangladesh is still dependent on foreign assistance, receiving USD6.3 billion (2.2% of GDP) in FY18, half of which was related to the transport and power sectors. Eligibility for foreign assistance will decline once the country graduates from the Least Developed Countries list of the United Nations, expected in 2024. Bangladesh reached lower-middle-income status in 2015, according to the World Bank.

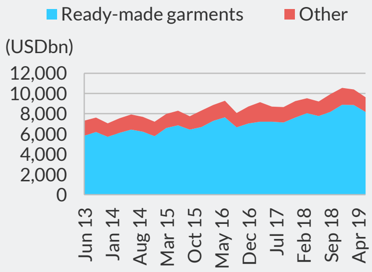
Total debt-servicing liabilities of state-owned enterprises (SOEs) stood at BDT2.15 trillion (8.5% of GDP) at end-December 2018, of which 45% was owed by the Bangladesh Power Development Board (BPDB). The authorities estimate net losses of SOEs in FY19 at BDT43 billion (0.2% of GDP), with the largest loss attributed to BPDB (BDT100 billion) and the largest profit to Bangladesh Petroleum Corporation (BDT19 billion). Total grants and subsidies by the government to the SOEs in FY19 are estimated at BDT14 billion, while the SOEs paid BDT11 billion in dividends to the exchequer.

Public Investment Strong, but Private Investment Constrained

The government is focused on upgrading physical and social infrastructure, given a large infrastructure deficit. This should support GDP growth in the medium term. Traffic in Dhaka alone is estimated to result in 5 million lost working hours, costing around BDT370 billion per year (1.5% of GDP), according to a recent study by the Bangladesh University of Engineering and Technology. The average speed of public transport in the city reportedly dropped to 5km per hour.

Bangladeshi Exports

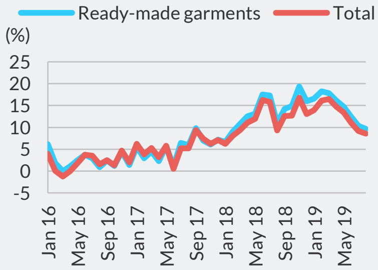
Quarterly data



Source: Fitch Ratings, CEIC and Bangladesh Bank

Export Growth

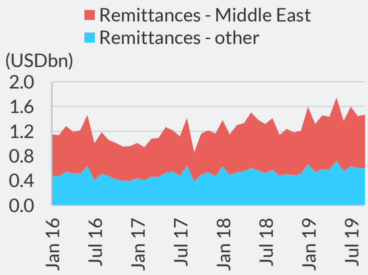
BDT value yoy; 3mma



Source: Fitch Ratings, Bangladesh Bank and CEIC

Remittance Inflows

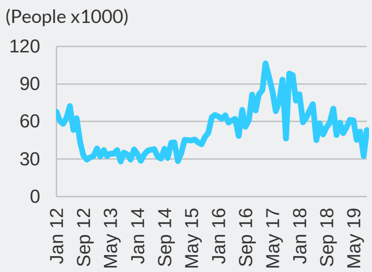
Monthly data



Source: Fitch Ratings, CEIC and Bangladesh Bank

Overseas Workers

Monthly emigration



Source: Fitch Ratings, CEIC and Bangladesh Bank

Public investment is concentrated in the power, roads, ports development and education sectors. Some progress has been made in improving efficiency, for example in power-generation capacity, which has roughly doubled in the past six years. Prominent projects include the Padma Multi-purpose Bridge, connecting south-eastern parts of the country to Dhaka, and part of China's Belt and Road Initiative, as well as an over-ground metro project in Dhaka and a few power projects, including a USD13.4 billion (4.5% GDP) nuclear power plant which is in the preliminary stages of being built by Russia.

Bangladeshi companies are very successful in selling garments to foreign buyers, but the investment climate for multinationals is generally considered challenging relative to peers, as illustrated by the World Bank's Ease of Doing Business indicators. Areas of particular note include weak enforcement of contracts (189th out of 190 countries), poor access to electricity (176th), difficulty in registering property (184th), and trading across borders (176th). The average applied most-favoured-nation tariff in Bangladesh was 14.0% in 2018, the highest in Asia-Pacific (APAC) after India (17.1) and the ninth-highest globally, according to WTO data.

Banking Sector Health Compromised by Weak Governance Standards

Gross NPLs in state-owned commercial banks went up to 31.6% in June 2019 from 28.2% a year prior (11.7% for the entire sector, up from 10.4%). According to the World Bank, there are concerns that the reported NPLs are underestimated – considering significant under-provisioning, regulatory forbearance and legal loopholes. The capital adequacy ratio (CAR) is low at 11.7% for the sector as a whole and 8.5% for the state-owned commercial banks, while the latter went up from 2.0% a year earlier following changes in loan classification and write-off rules.

High NPLs have their origin in generally weak banking-sector governance. These are demonstrated by financial fraud, lacking due diligence, political influence in loan disbursement, lax efforts to recover loans, and failure to undertake effective measures against loan defaulters, according to the World Bank. Governance standards in public-sector banks are notorious since big loan scams involving BASIC Bank in 2014 and Sonali Bank in 2012. Bangladesh Bank had reportedly found anomalies in BASIC Bank of BDT45 billion in 2014, while Sonali Bank had reportedly provided loans in an irregular way in 2012 for BDT36.5 billion that involved fictitious Letters of Credit counterparts.

Governance standards are also weak among nine private-sector banks that obtained licences in 2012. For example, the chairman and managing director of a relatively new bank, Farmers Bank, were forced by the central bank to step down in 2018 after the bank was no longer in a positon to repay depositors. The bank has been renamed Padma Bank, and has been supported with capital from state-owned commercial banks, risking moral hazard.

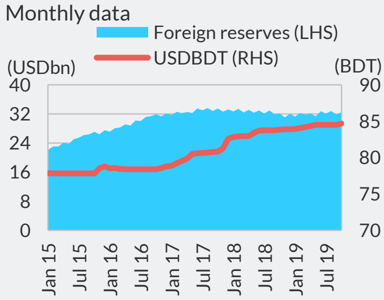
Lower Immediate Political Uncertainty, but Polarisation Remains

The security situation in Bangladesh seems to have improved significantly over recent years and no longer seems to deter foreign visitors, even though recurrence of security incidents and political turmoil cannot be ruled out. Political uncertainty has also decreased after the elections in December 2018 and Prime Minister Sheikh Hasina and her Awami League government remained in power. However, Bangladesh has a recent history of strong political polarisation, and political violence and blockades could resurface. The main opposition leader, Khaleda Zia (Bangladesh Nationalist Party), had been sentenced to a five-year prison term in February 2018 in a graft case, and was unable to run in the elections.

Controversies surrounding parliamentary elections in 2014 and boycotts by the main opposition party instigated political violence. Economic activities were also disrupted after protests to mark the first anniversary of the incident also turned violent, as non-stop blockades and general strikes led to blocked roads and closed schools in parts of central Dhaka. However, the economy generally proved resilient to these shocks, and garment exports still found their way to global markets.

Foreign Exchange

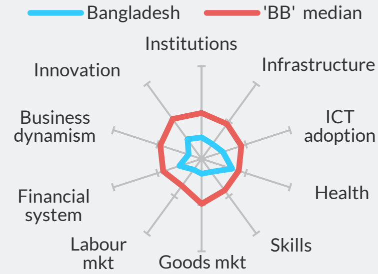
Monthly data



Source: Fitch Ratings, CEIC and Bangladesh Bank

Competitiveness Indicators

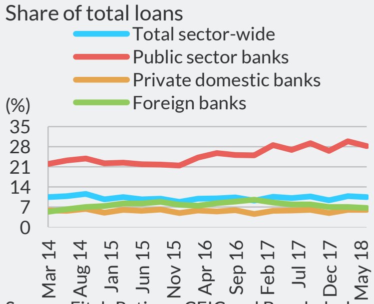
Percentile rank



Source: Fitch Ratings, World Economic Forum (2019)

Gross NPLs

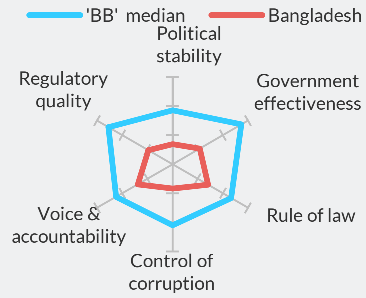
Share of total loans



Source: Fitch Ratings, CEIC and Bangladesh Bank

Governance Indicators

Percentile rank



Source: Fitch Ratings

Public Debt Dynamics

Fitch expects general government debt to gradually rise, assuming that the government will continue to have fiscal deficits of close to 5% of GDP. The debt level should cross the 2019 'BB' median in 2024 and reach 42.2% of GDP by 2028. If the government decides to return to the average fiscal deficit of 3.5% in the five years through 2017, government debt would fall to around 30% of GDP by 2028.

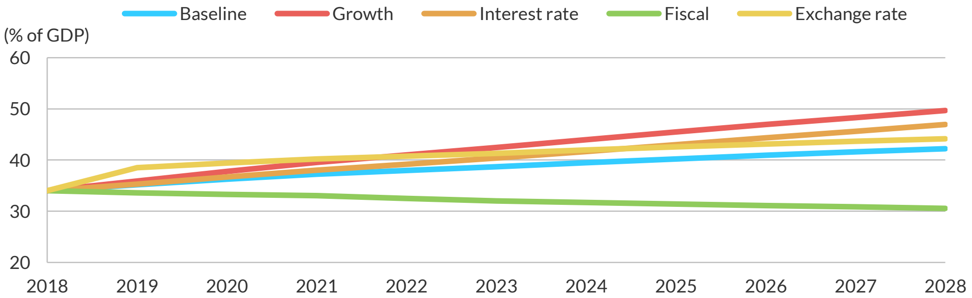
Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

Debt Dynamics: Fitch's Baseline Assumptions (Fiscal Years)

	2018	2019	2020	2021	2022	2023	2028
Gross general government debt (% of GDP)	34.0	35.2	36.3	37.3	38.0	38.7	42.2
Primary balance (% of GDP)	-3.0	-3.1	-3.0	-2.9	-3.0	-3.0	-3.0
Real GDP growth (%)	7.9	8.1	7.5	7.2	7.0	6.8	6.5
Avg. nominal effective interest rate (%)	5.8	5.8	5.9	5.9	5.9	5.9	6.0
BDT/USD (annual avg.)	83.47	84.45	86.28	88.86	90.18	90.18	90.18
GDP deflator (%)	5.6	4.2	5.2	5.5	5.5	5.5	5.5

Source: Fitch Ratings

Sensitivity Analysis
Gross general government debt



Source: Fitch Ratings, debt dynamics model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 2.5 pp lower
Interest rate	Marginal interest rate 250bp higher
Fiscal	Stable primary balance deficit of 1.5% of GDP starting 2019
Exchange rate	25% devaluation at end-2019

Source: Fitch Ratings

Forecast Summary

	2015	2016	2017	2018	2019f	2020f	2021f
Macroeconomic indicators and policy[a]							
Real GDP growth (%)	6.6	7.1	7.3	7.9	8.1	7.5	7.2
Unemployment (%)	4.4	4.4	4.4	4.3	4.3	4.4	4.5
Consumer prices (annual average % change)	6.4	5.9	5.4	5.8	5.5	5.5	5.5
Short-term interest rate (bank policy annual avg) (%)	7.3	7.0	6.8	6.4	6.0	6.0	6.0
General government balance (% of GDP)	-4.0	-3.4	-3.3	-4.6	-4.8	-4.7	-4.7
General government debt (% of GDP)	33.7	33.3	32.6	34.0	35.2	36.3	37.3
BDT per USD (annual average)	77.95	78.47	80.44	83.47	84.45	86.28	88.86
Real effective exchange rate (2000 = 100)	120.8	127.2	126.9	126.3	128.6	129.7	129.7
Real private sector credit growth (%)	6.4	10.3	9.7	10.5	5.5	5.2	5.2
External finance[b]							
Current account balance (% of GDP)	1.2	0.4	-2.3	-2.6	-2.2	-2.2	-2.1
Current account balance plus net FDI (% of GDP)	2.6	1.4	-1.6	-1.6	-1.1	-1.2	-1.1
Net external debt (% of GDP)	3.0	1.6	4.7	7.7	8.5	9.3	10.7
Net external debt (% of CXR)	12.2	7.3	23.1	36.4	42.7	49.8	56.1
Official international reserves including gold (USDbn)	27.5	32.4	33.4	32.1	32.5	32.9	33.7
Official international reserves (months of CXP cover)	6.8	7.6	6.8	5.7	5.5	5.3	5.2
External interest service (% of CXR)	0.9	0.9	1.0	1.2	1.5	1.6	1.7
Gross external financing requirement (% int. reserves)	-5.2	1.6	22.8	26.8	26.5	27.9	27.2
Real GDP growth (%)							
US	2.9	1.6	2.4	2.9	2.3	1.7	1.7
China	6.9	6.7	6.9	6.6	6.1	5.7	5.7
Eurozone	2.1	2.0	2.4	1.9	1.1	1.1	1.2
World	2.9	2.6	3.4	3.2	2.6	2.5	2.7
Oil (USD/barrel)	53.0	45.1	54.9	71.6	65.0	62.5	60.0

[a] Fiscal years (2015= FY2014-15)
[b] Calendar years
Source: Fitch Ratings

Fiscal Accounts Summary (Fiscal Years)

(% of GDP)	2016	2017	2018	2019f	2020f	2021f
General government						
Revenue	**10.1**	**10.2**	**9.7**	**9.6**	**9.5**	**9.5**
Expenditure	**13.4**	**13.6**	**14.3**	**14.3**	**14.2**	**14.2**
O/w interest payments	1.9	1.6	1.7	1.7	1.7	1.7
Primary balance	-1.5	-1.7	-3.0	-3.1	-3.0	-2.9
Overall balance	**-3.4**	**-3.3**	**-4.6**	**-4.8**	**-4.7**	**-4.7**
General government debt[a]	**33.3**	**32.6**	**34.0**	**35.2**	**36.3**	**37.3**
% of general government revenue	330.5	319.2	351.8	366.9	381.2	391.7
Central government deposits	4.6	4.5	4.5	4.0	3.5	3.1
Net general government debt	28.7	28.1	29.5	31.2	32.7	34.1
Central government						
Revenue	**10.1**	**10.2**	**9.7**	**9.6**	**9.5**	**9.5**
O/w grants	0.1	0.1	0.0	0.0	0.0	0.0
Expenditure and net lending	**13.4**	**13.6**	**14.3**	**14.3**	**14.2**	**14.2**
O/w current expenditure and transfers	7.8	7.8	8.3	8.4	8.3	8.3
- Interest	1.9	1.6	1.7	1.7	1.7	1.7
O/w capital expenditure	5.6	5.7	6.0	6.0	5.9	5.9
Current balance	2.2	2.4	1.3	1.2	1.2	1.2
Primary balance	-1.5	-1.7	-3.0	-3.1	-3.0	-2.9
Overall balance	**-3.4**	**-3.3**	**-4.6**	**-4.8**	**-4.7**	**-4.7**
Central government debt	33.3	32.6	34.0	35.2	36.3	37.3
% of central government revenues	330.5	319.2	351.8	366.9	381.2	391.7
Central government debt (BDTbn)	**5,775.9**	**6,445.2**	**7,649.0**	**8,917.0**	**10,400.9**	**12,085.0**
By residency of holder						
Domestic	3,646.3	3,846.3	4,477.9	5,370.7	6,432.9	7,642.5
Foreign	2,129.6	2,598.8	3,171.1	3,546.3	3,968.0	4,442.5
By currency denomination						
Local currency	3,646.3	3,846.3	4,477.9	5,370.7	6,432.9	7,642.5
Foreign currency	2,129.6	2,598.8	3,171.1	3,546.3	3,968.0	4,442.5
In USD equivalent (eop exchange rate)	27.1	31.4	37.8	41.7	45.3	49.3
Average maturity (years)	21.5	21.5	21.5	21.5	21.5	21.5
Memo						
Nominal GDP (BDTbn)	17,328.6	19,758.2	22,504.8	25,361.8	28,681.6	32,437.8

Source: Fitch Ratings' estimates and forecasts, Ministry of Finance

External Debt and Assets

(USDbn)	2014	2015	2016	2017	2018	2019f
Gross external debt	**39.3**	**40.5**	**42.1**	**52.1**	**62.5**	**71.5**
% of GDP	21.3	19.4	17.8	19.8	21.8	22.4
% of CXR	80.5	79.5	81.0	97.5	103.2	112.6
By maturity						
Medium- and long-term	32.6	32.4	34.1	41.5	50.5	57.8
Short-term	6.7	8.1	8.0	10.5	12.0	13.7
% of total debt	17.0	19.9	19.1	20.2	19.1	19.1
By debtor						
Sovereign	**28.7**	**28.0**	**29.7**	**35.3**	**40.1**	**44.5**
Monetary authorities	2.4	2.6	2.5	3.0	2.1	2.5
General government	26.3	25.4	27.1	32.3	38.0	42.0
O/w central government	26.2	25.2	27.1	31.4	37.8	41.7
Banks	**3.2**	**3.4**	**3.7**	**5.0**	**6.1**	**7.1**
Other sectors	**7.4**	**9.2**	**8.7**	**11.8**	**16.2**	**19.9**
Gross external assets (non-equity)	**28.3**	**34.3**	**38.3**	**39.7**	**40.4**	**44.4**
International reserves, incl. gold	22.3	27.5	32.4	33.4	32.1	32.5
Other sovereign assets nes	0.1	0.1	0.2	0.2	0.2	0.2
Deposit money banks' foreign assets	3.5	3.7	2.9	2.8	3.7	5.0
Other sector foreign assets	2.6	3.2	3.2	3.5	4.8	6.9
Net external debt	**11.0**	**6.2**	**3.8**	**12.3**	**22.0**	**27.1**
% of GDP	6.0	3.0	1.6	4.7	7.7	8.5
Net sovereign external debt	6.3	0.4	-2.8	1.7	8.0	12.0
Net bank external debt	-0.1	-0.1	1.0	2.3	2.6	2.1
Net other external debt	4.7	6.0	5.5	8.3	11.4	13.0
Net international investment position	**-21.1**	**-19.2**	**-18.8**	**-28.1**	**-39.7**	**-47.4**
% of GDP	-11.5	-9.2	-8.0	-10.7	-13.8	-14.8
Sovereign net foreign assets	**-6.3**	**-0.4**	**2.8**	**-1.7**	**-8.0**	**-12.0**
% of GDP	-3.4	-0.2	1.2	-0.6	-2.8	-3.8
Debt service (principal & interest)	**1.8**	**1.9**	**1.8**	**1.9**	**2.1**	**2.3**
Debt service (% of CXR)	3.8	3.7	3.5	3.6	3.5	3.6
Interest (% of CXR)	1.0	0.9	0.9	1.0	1.2	1.5
Liquidity ratio (%)	271.5	295.1	310.5	347.7	283.0	247.8
Net sovereign FX debt (% of GDP)	2.1	-1.1	-2.2	-0.8	2.0	2.9
Memo						
Nominal GDP	184.1	208.4	236.3	262.7	286.7	320.0
Inter-company loans	2.1	2.3	2.2	2.3	3.7	4.7

Source: Fitch Ratings' estimates and forecasts, Central Bank, IMF, World Bank

Balance of Payments

(USDbn)	2016	2017	2018	2019f	2020f	2021f
Current account balance	**0.9**	**-6.0**	**-7.6**	**-7.1**	**-7.7**	**-7.6**
% of GDP	0.4	-2.3	-2.6	-2.2	-2.2	-2.1
% of CXR	1.8	-11.2	-12.5	-11.2	-11.6	-10.9
Trade balance	**-6.2**	**-13.0**	**-16.9**	**-17.1**	**-18.0**	**-18.1**
Exports, fob	34.1	35.3	38.7	39.8	41.8	44.8
Imports, fob	40.4	48.3	55.6	57.0	59.8	62.8
Services, net	**-4.3**	**-4.6**	**-4.4**	**-4.0**	**-4.0**	**-4.0**
Services, credit	3.5	3.9	5.5	6.5	7.0	7.0
Services, debit	7.8	8.5	9.9	10.5	11.0	11.0
Income, net	**-2.7**	**-2.4**	**-2.3**	**-2.9**	**-2.9**	**-2.9**
Income, credit	0.1	0.1	0.1	0.2	0.2	0.2
Income, debit	2.8	2.5	2.5	3.0	3.0	3.0
O/w: Interest payments	0.5	0.5	0.7	0.9	1.1	1.2
Current transfers, net	**14.1**	**14.0**	**16.1**	**16.9**	**17.2**	**17.4**
Capital and financial accounts						
Non-debt-creating inflows (net)	2.6	1.9	2.3	3.0	3.1	3.1
O/w equity FDI	2.1	1.4	2.1	2.5	2.5	2.5
O/w portfolio equity	0.1	0.3	0.0	0.2	0.3	0.3
O/w other flows	0.4	0.3	0.3	0.3	0.3	0.3
Change in reserves	5.1	0.6	-1.1	0.3	0.4	0.8
Gross external financing requirement	**0.4**	**7.4**	**9.0**	**8.5**	**9.1**	**8.9**
Stock of international reserves, incl. gold	**32.4**	**33.4**	**32.1**	**32.5**	**32.9**	**33.7**

Source: Fitch Ratings' estimates and forecasts, IMF

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