Quarterly Debt Bulletin

Issue 17

Finance Division, Ministry of Finance

Government of the People's Republic of Bangladesh

Abbreviations

AIIB- Asian Infrastructure Investment Bank
ADB- Asian Development Bank
ALS- Assured Liquidity Support
BB- Bangladesh Bank
BDT- Bangladesh Taka
BGTB- Bangladesh Government Treasury Bond
BBS- Bangladesh Bureau of Statistics

CRR- Cash Reserve Ratio
DSE- Dhaka Stock Exchange
ERD- Economic Relations Division
FD-Finance Division
GDP-Gross Domestic Product
G-Sec-Government Securities
IDA- International Development Association
IPP- Independent Power Producer
IMF- International Monetary Fund
IRD- Internal Resources Division
IMF- International Monetary Fund
NSC- National Savings Certificate
NSD- Department of National Savings
PD-Primary Dealers
SLR- Statutory Liquidity Ratio
SOE- State-Owned Enterprise
SPTB- Special Purpose Treasury Bond
WB- World Bank

A. Recent Events

The Primary Dealer Guidelines:

Following recent approval by the competent authority, the "Guidelines for the Enlistment and Operations of Primary Dealers in Government Securities, 2025 (Amended)" represent a transformative leap in Bangladesh's fiscal regulatory framework. By superseding the 2007 version, these guidelines shift the primary mandate for PD oversight to the Finance Division, while retaining Bangladesh Bank as the essential operational agent for auction execution and market monitoring. These guidelines aim to align the market with evolving digital dynamics and global best practices.

B. Government Borrowing Status (July-December FY 26)

The borrowing trajectory in the first half of FY26 signifies a strategic pivot toward domestic market instruments, a shift largely driven by the low disbursement of foreign loans from International Financial Institutions (IFIs). This transition serves as a vital safeguard, minimizing currency risks and protecting the national budget from the volatility associated with external debt.

While increased domestic borrowing often raises concerns about "crowding out," the current landscape suggests a unique window of opportunity. The prevalence of higher liquidity, particularly among the stronger, high-performing banks in the financial sector, indicates that there is ample capacity to absorb government requirements. Coupled with a downward trend in government security yields and the prevalence of subdued appetite for credit in the private sector in recent times, this strategy allows the government to finance its operations sustainably. By leveraging this internal liquidity, the state is building a more resilient and self-reliant fiscal framework that maintains stability without straining the private credit market.

For July to December 2025, aggregate net government borrowing amounted to BDT 62,428 crore, representing 28% of the total budgetary estimate for the fiscal year. Table 1 presents a summary of the borrowing from different sources during this period:

Table 1: Government Net Borrowing (July-December FY 26)

(Crore BDT)

Source of Borrowing	2024-25 (July-Dec)			2025-26 (July-Dec)			Incr/ Dec
	Budget (Revised)	Actual Borrowing	% of Budget	Budget	Actual Borrowing	% of Budget	
Domestic Borrowing (Net)	1,17,000	30,818	26%	1,25,000	52,298	42%	70%
Borrowing from market sources	99,000	34,119	34%	1,04,000	53,058	51%	56%
Short-Term (T-Bill)	-15,163	18,720	--	-16,000	-4,918	31%	--
Short-Term (WMA & OD)	--	-48,806	--	--	19,470	--	--
Long-Term (T- Bond, Sukuk)	1,14,163	64,205	56%	1,20,000	38,506	32%	-40%
Borrowing from non-market sources	18,000	-3,301	--	21,000	-760	--	--
NSC	14,000	-551	--	12,500	2,461	20%	--
Others (GPF)	4000	-2,750	--	8,500	-3,221	--	--
External Borrowing (Net)	1,04,600	24,581	24%	96,000	10,130	11%	-59%
Total Borrowing	2,21,600	55,399	25%	2,21,000	62,428	28%	13%

Source: BB, NSD, ERD.

- Domestic and external borrowing were 42 per cent and 11 per cent of the budget, respectively;
- During the period reviewed, the government relied primarily on domestic borrowing to meet its financing needs. Most of this was raised through the government securities. A key feature of the government's approach was a clear shift toward long-term debt.

Domestic Borrowing

Government Securities (July-December FY 26)

- **Instrument-wise**

Table 2(a): Instrument-wise Borrowing: Treasury Bills (July-December FY 26)

Crore BDT

Instrument	Gross Borrowing	Redemption	Net Borrowing	As % of total of T-bill
91-day T-Bill	75,102	77,530	(2,428)	--
182-day T-Bill	52,131	48,482	3,649	--
364-day T-Bill	30,859	36,998	(6,139)	--
14-day T-Bill	29,880	29,880	--	--
Total	1,87,972	1,92,890	(4,918)	--

Source: BB.

Table 2(b): Instrument-wise Borrowing: Treasury Bonds (July-December FY 26)

Crore BDT

Instrument	Gross Borrowing	Redemption	Net Borrowing	As % of total of T-Bond
2 YR BGTB	20,141	14,360	5,781	15%
3 YR BGTB	3,000	0.00	3,000	8%
5 YR BGTB	21,000	12,500	8,500	22%
10 YR BGTB	13,100	3,000	10,100	26%
15 YR BGTB	6,000	870	5,130	13%
20 YR BGTB	6,000	0.00	6,000	16%
Special Bond	0.00	4.00	-4.00	-

Sukuk	0.00	0.00	0.00	-
Total	69,241	30,734	38,506	-

Source: BB.

- Net financing through T-Bill was BDT (4,918) crore up to the 2nd quarter of FY26. This indicates that the volume of debt retired exceeded new issuances during this period;
- Long-term instrument (T-bond) continued to be the preferred instrument up to the 2nd quarter of FY26, net borrowing from long-term instruments amounted to BDT 38,506 crore. The 10 YR BGTB emerged as the largest net borrowing source within the T-Bond category, contributing 26% of the total net T-Bond borrowing.

Table 3: Month-wise borrowing through the Government Securities (July-December FY 26)

Crore BDT

Month	Treasury Bill			Treasury Bond		
	Gross Issuance	Redemption	Net Borrowing	Gross Issuance	Redemption	Net Borrowing
Jul-25	32,678	36,587	-3,908	12,641	10,640	2,000
Aug-25	30,475	31,104	-629	8,600	3,140	5,460
Sep-25	34,755	39,430	-4,675	9,000	5,736	3,264
Oct-25	28,697	30,686	-1,989	11,000	4,150	6,850
Nov-25	29,867	25,909	3,957	17,000	2,918	14,082
Dec-25	31,500	29,173	2,327	11,000	4,150	6,850
Total	1,87,972	192,890	-4,918	69,241	30,734	38,506

Source: BB.

National Savings Certificates/Retail Instruments (July-December FY 26)

Table 4: Borrowing from NSCs

Crore BDT

Month	Gross Issuance	Redemption	Net Borrowing
July-25	7,916	6,623	1,293
Aug-25	7,861	7,582	279
Sep-25	8,633	8,260	373
Oct-25	8,179	7,755	424
Nov-25	7,968	8,261	(293)
Dec-25	7,190	6,805	385
Total	47,746	45,285	2,461

Source:NSD

- National Savings Certificates (NSCs) continue to lead the market for conservative retail investors. A combination of investment security and superior returns—outpacing inflation and standard bank offerings—ensures steady demand. For the individual and other retail investors, the NSC remains an indispensable instrument for securing long-term savings against market volatility.

External Borrowing

Table 5: Month-wise External Borrowing

Crore BDT

Month	Borrowing	Principal Payment	Net Borrowing	% of total external borrowing
July-25	2,469	3,997	-1,528	-15%
Aug-25	6,554	1,961	4,593	45%
Sep-25	3,619	3,996	-376	-4%
Oct-25	6,284	2,528	3,756	37%
Nov-25	3,422	2,341	1,081	11%
Dec-25	5,170	2,566	2,604	26%
Total	27,517	17,387	10,130	--

Source: ERD.

Figure 1 (a) External Debt Liabilities to Major Creditors (MC)

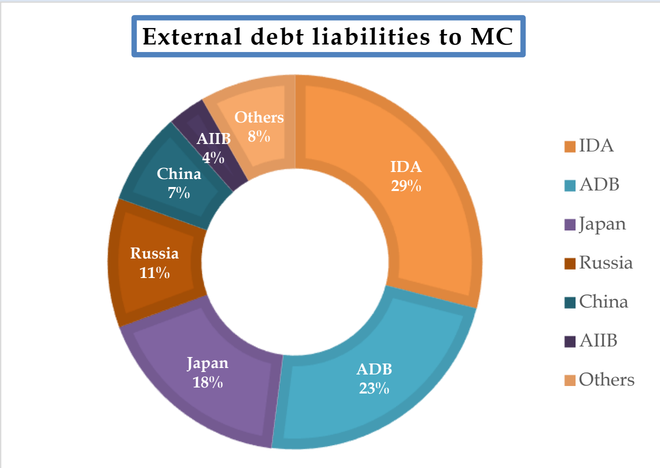


Figure 1 (b) Currency Composition of external Debt

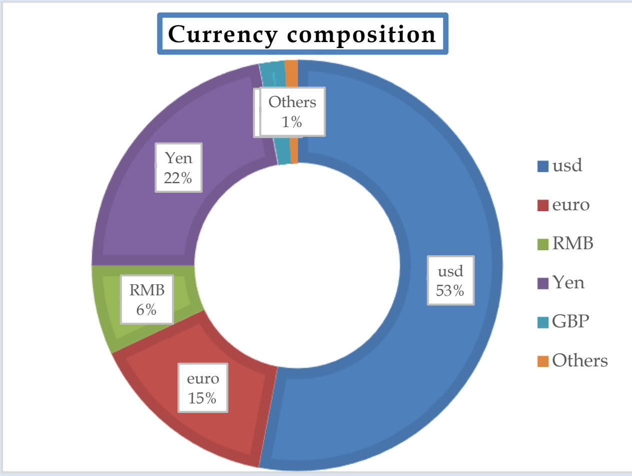


Figure 1 (c) Debt Stock of Top five Bilateral Creditors (BC)

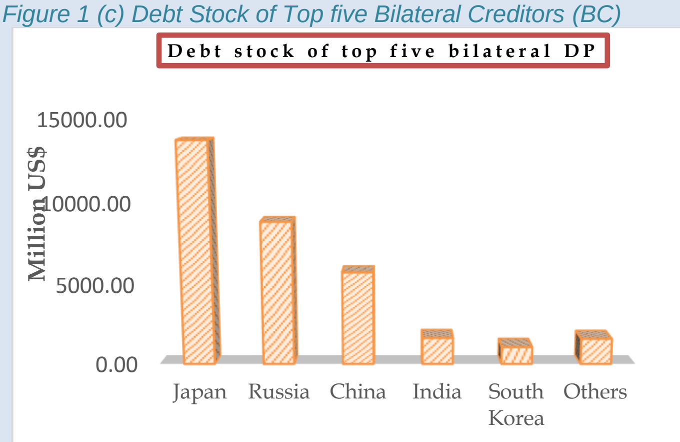
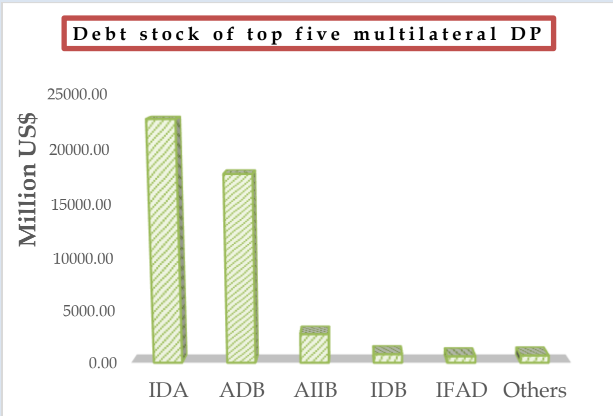


Figure 1 (d) Debt Stock of Top five Multilateral Creditors (MC)



Source: ERD.

- During the 2nd quarter of FY26, Bangladesh's net external borrowing was BDT 10,130 crore;
- The World Bank, ADB, Japan, and Russia are Bangladesh's top external lenders. To minimize exchange rate risk, the government maintains a diversified currency mix: 53% in USD, with the balance spread across the JPY, Euro, and RMB. This structured approach ensures a more stable debt-servicing profile by reducing over-reliance on a single foreign currency.

C. Structures and Dynamics of the Government Debt

Table 6: Government Debt Stock

Crore BDT

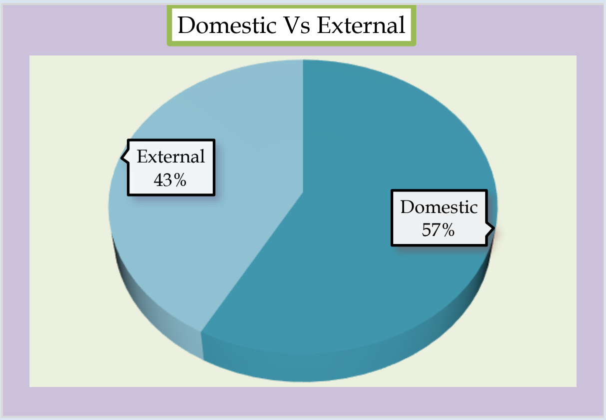
Source of Borrowing	As of 30 June 2022	As of 30 June 2023	As of 30 June 2024	As of 30 June 2025	As of 31 Dec 2025**
A. Domestic Debt (1+2)	8,48,650	9,61,850	10,76,700	11,94,853	12,47,151
1. Debt from Market Sources	4,20,350	5,28,280	6,56,330	7,74,909	8,27,967
1.1. Central Bank Facilities	730	17,800	56,750	6,057	25,527
1.2. Treasury Bills	77,020	1,23,680	1,33,450	1,75,135	1,70,217
1.3. Treasury Bonds & SPTB	3,24,600	3,68,800	4,47,130	5,69,717	6,08,223
1.4. Sukuk	18,000	18,000	19,000	24,000	24,000
2. Debt from non-market sources	4,28,300	4,33,570	4,20,370	4,19,944	4,19,184
2.1. Debt from NSCs	3,65,560	3,62,230	3,41,140	3,35,077	3,37,538
2.2. Others (GPF)	62,740	71,340	79,230	84,867	81,646
B. External Debt**	4,95,793	6,72,978	8,12,077	9,49,181	9,59,311
C. Total Debt (A+B)	13,44,443	16,34,828	18,88,787	21,44,034	22,06,462
Debt to GDP (%) *	33.79	36.34	36.30	38.61	--
Domestic Debt to GDP (%)	21.32	21.22	20.21	21.51	--
External Debt to GDP (%)	12.47	15.12	16.09	17.10	--

Source: BB, NSD, ERD.
* The debt-to-GDP ratio has not been published as GDP figures for FY26 is yet to be finalized.
** Provisional

- The government continues to prioritize domestic borrowing over external debt to insulate the economy from foreign currency risks. By focusing on the local market, the government is successfully deepening domestic liquidity while reducing its exposure to exchange rate fluctuations.

Total Debt Stock: Domestic vs. External up to Dec FY26

Figure 2: Debt Stock: Domestic vs External

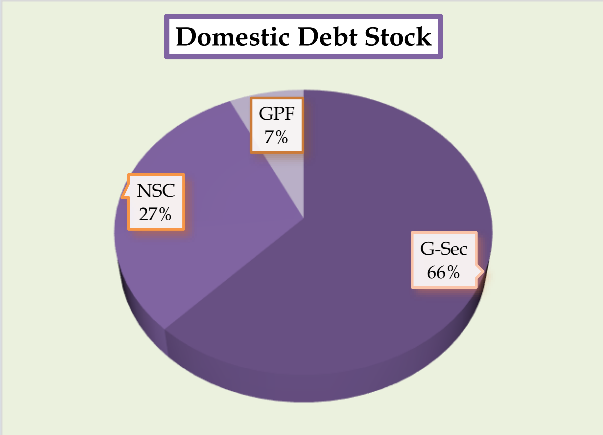


- Domestic borrowing dominates the Government's overall debt portfolio;
- Specifically, on December 31, 2025, the domestic and external liabilities constituted 57 per cent and 43 per cent of the total Government Debt Stock, respectively, underscoring the enduring significance of domestic markets in public finance.

Total Domestic Debt Stock up to Dec FY26: Contribution from different sources

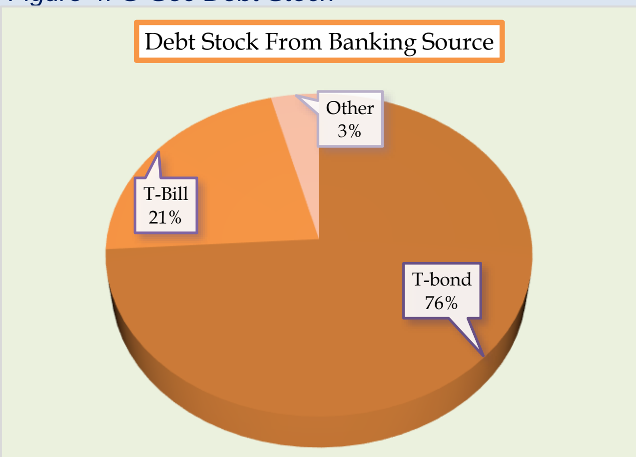
- Financing through the government securities constitutes 66 per cent of the total domestic debt, followed by NSCs, 27 per cent, and the rest was financed from the GPF.
- The reforms in the NSC is expected to reduce fiscal pressure & promote a balanced debt portfolio gradually.

Figure 3: Domestic Debt Stock by Sources



Composition of Marketable Debt Stock up to Dec FY26: Government Securities

Figure 4: G-Sec Debt Stock



- The primary composition of debt financing secured through G-Secs is highly concentrated in long-term instruments, with approximately 76% originating specifically from T-Bonds and SPTBs. This distribution underscores the government's strategic preference for long-duration instruments to secure stable & sustained financing while mitigating refinancing risk.
- Conversely, T-Bills are issued predominantly for efficient short-term cash management and liquidity adjustment, thereby ensuring a balanced and optimized distribution between the government's short-term and long-term financing streams.

D. Interest Expenditure

Table 7: Interest Expenditure (July-December FY 26)

Crore BDT

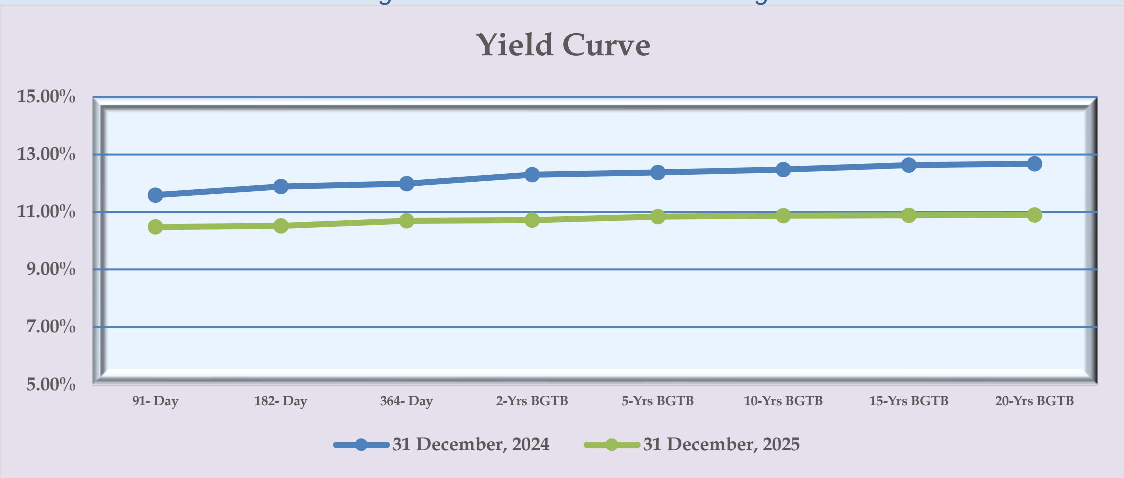
Source of Borrowing	2024-25	2025-26	Budget (25-26)	Increase/ Decrease (3-2)	Rate of Inc./dec.
1	2	3	4	5	6
Interest on Domestic Borrowing	49,492	61,866	1,00,000	12,374	25%
Treasury Securities	29,334	37,896	49,000	8,562	29%
NSC	20,158	23,970	43,000	3,812	19%
Interest on External Borrowing	8,900	9,387	22,000	487	5%
Total Interest Expenses	58,392	71,253	1,22,000	12,861	22%

Source: FD, BB, ERD.
*Budget for Interest on GPF is 8,000 crore BDT, which will be calculated at the end of FY.

- Up to the 2nd quarter of FY26, interest expense was 22% higher compared to the same time of FY25. Interest expenses of treasury securities increased by 29% compared to the same time of FY25;
- External interest payment increased by 5% during July-Dec, FY26 relative to the same period in FY25.

Market cost of borrowing from government securities

Figure 5: Market Cost of Borrowing



- The yield curves during the second quarter of FY26 demonstrate a notable decline in the cost of borrowing through government securities compared to the same period in FY25. While this downward trend signals improving market conditions, the full fiscal benefits of lower interest rates will materialize with a lag in future years.

E. Contingent Liability

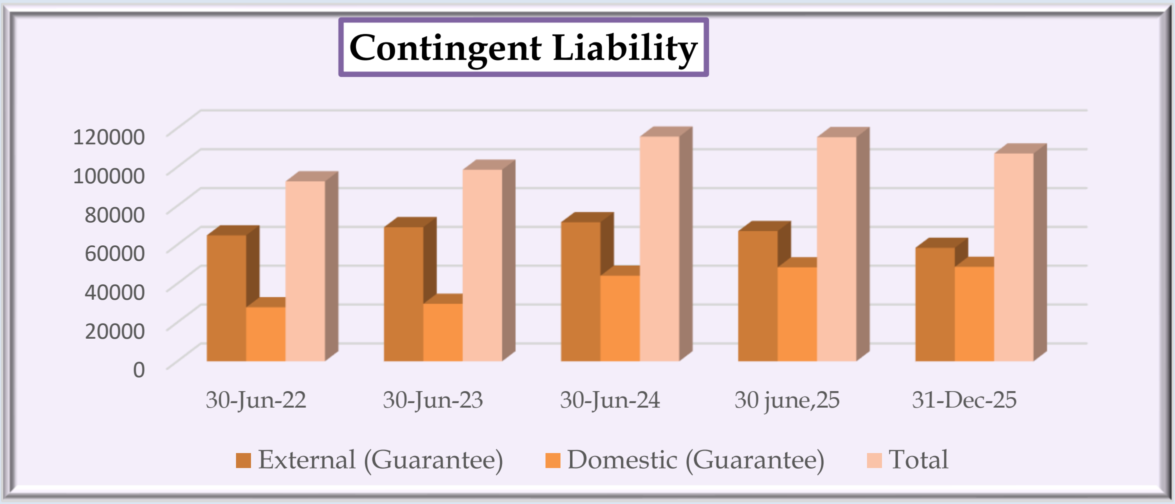
Table 8: Contingent Liability

Crore BDT

Contingent liability	30 June-22	30 June-23	30 June-24	30 June-25	31 Dec-25
a) External (Guarantee)	64,821	69,014	71,586	67,006	58,383
% of GDP	1.63%	1.55%	1.42%	1.19%	--
b) Domestic (Guarantee)	27,780	29,577	44,050	48,364	48,590
% of GDP	0.70%	0.66%	0.87%	0.86%	--
Total (a+b)	92,601	98,591	1,15,636	1,15,370	1,06,973
% of GDP(Total)	2.33%	2.22%	2.29%	2.06%	--

Source: FD.

Figure 6 Contingent Liability (FY22 to FY26)*



Source: FD. *Up to Dec FY26

- As of 31 December 2025, total outstanding government guarantees were BDT 1,06,973 crore. Of this, BDT 58,383 crore was externally sourced, while BDT 48,590 crore originated from domestic sources;
- These sovereign guarantees were primarily issued to entities operating in crucial infrastructure and strategic sectors, including power generation and mineral production and supply, fertilizer manufacturing and public corporations such as Bangladesh Biman and the Trading Corporation of Bangladesh (TCB).

F. Upcoming events

- Liability Management Operation (LMO);
- Debt Sustainability Analysis (DSA) Report;
- Medium-term Debt Strategy (MTDS)

Prepared By: **Mahedi Masuduzzaman**
Joint Secretary
and
Pranati Biswas
Deputy Secretary

Guided By: **Mohd Rashedul Amin**
Joint Secretary

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