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Bangladesh: Recent Economic Developments

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BANGLADESH

Recent Economic Developments

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Approved by the Asia and Pacific Department

January 10, 2000

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Bangladesh: Basic Data, 1994/95-1998/99 1/

Land area:	147,570 square kilometers
GDP (1998/99):	US\$44 billion
GDP per capita (1998/99):	US\$345
Population (1998):	126 million
Quota :	SDR 392.5 million

	1994/95	1995/96	1996/97	1997/98	1998/99 Est.
National income and prices (percent change)					
Real GDP 2/	5.9	4.6	5.4	5.2	4.2
Inflation (annual average)	8.9	6.6	2.6	7.0	9.0
Central government budget (percent of GDP)					
Total revenue	9.4	9.1	9.4	9.6	9.5
Tax	7.4	7.3	7.5	7.6	7.6
Total expenditure	14.7	13.5	13.8	13.8	14.6
Current expenditure	6.8	6.9	7.0	7.4	8.0
Food account balance	0.5	0.3	0.2	0.2	0.3
Annual Development Program	6.7	5.8	6.1	5.8	5.9
Other capital and net lending	0.8	0.5	0.5	0.4	0.3
Overall balance	-5.3	-4.5	-4.4	-4.2	-5.1
Incl. grants			-2.7	-2.9	-3.7
Domestic financing	1.5	1.7	1.5	1.7	2.1
Banks	0.3	0.9	1.0	0.7	1.0
Foreign financing	3.8	2.8	2.9	2.5	2.6
Central government debt	53.3	49.3	47.2	44.5	47.7
Money and credit (end-year, percent change)					
Domestic credit	23.2	20.4	13.7	12.6	13.1
Private sector	25.0	20.8	12.1	13.0	13.8
Broad money	16.0	8.2	10.8	10.4	12.8
Balance of payments (US\$ mn.)					
Exports, f.o.b.	3,473	3,882	4418	5172	5324
(Annual percent change)	37.1	11.8	13.8	17.1	2.9
Imports, c.i.f.	5,834	6,881	7162	7520	8337
(Annual percent change)	39.2	17.9	4.1	5.0	10.9
Current account (incl. current transfers) 3/	-728	-1,316	-543	-249	-823
(Percent of GDP)	-1.9	-3.3	-1.3	-0.6	-1.9
Foreign investment		-14	-120	336	653
Aid disbursements (loans and capital transfers)	1,375	1,124	1133	1075	1215
Overall balance	232	-901	-163	82	-171
Gross official reserves (US\$ mn.)					
(In months of imports)	6.3	3.6	2.7	2.6	2.1
Medium and long-term external debt (US\$ mn.)					
Total debt (percent of GDP)	44.6	37.6	36.3	32.8	35.0
Debt service (percent of current earnings)	10.4	9.4	8.7	8.0	7.9
Terms of trade	-0.2	0.4	7.2	2.2	-4.3

Sources: Bangladesh authorities; and Fund staff estimates.

1/ Fiscal year begins July 1.

2/ National accounts based on 1989/90 benchmark and prices.

3/ Previously current transfers were reported in the capital account.

Bangladesh: Social Indicators

	1980	Recent Estimates 1/
Human resources		
Population (millions)	87	126 2/
Age dependency ratio	1.0	0.8
Urban (in percent of population)	11.3	18.9
Population growth rate	2.5	1.6 2/
Urban	6.1	4.7
Natural resources		
Density (population per sq. km)	666	965 2/
Cropland (percent of land area)	70	67
Income distribution		
Share of top 20 percent (percent of total income)	45.3	37.9 3/
Share of bottom 20 percent (percent of total income)	6.6	9.4 3/
Fuel and power		
Energy consumption per capita (kg of oil eq.)	32	67
Poverty (headcount index in percent of population)		
National	49.9	35.6
Rural	52.2	39.8
Urban	30.7	14.3
Education		
Gross enrollment ratios		
Primary (percent of school age)	61	92
Pupil/teacher ratio	54	63 4/
Secondary (percent of school age)	18	21 4/
Illiteracy (percent of pop. 15+)	71	62
Health		
Hospital bed (per 1,000 people)	0.2	0.3
Mortality (per thousand live births)		
Infants	132	57 5/
Under 5	207	112
Immunization (percent children under 12 months)		
Measles	1.0	98
DPT	1.0	97
Child malnutrition under 5 (percent of age group)	70	68
Life expectancy (years)	48	60.8 2/
Total fertility rate (births per woman)	6.1	3.3 6/
Maternal mortality rate (per 10,000 live births)	3,000	850

Sources: The World Bank, *World Development Indicators*, 1998; and Bangladesh Bureau of Statistics, *Statistical Yearbook of Bangladesh 1993*.

1/ 1995/96 estimates, unless otherwise indicated.

2/ 1998 estimates.

3/ 1992 estimates.

4/ 1990 estimates.

5/ 1994 estimates.

6/ 1997 estimates.

I. INTRODUCTION AND OVERVIEW

1. **Recent economic and financial developments in Bangladesh were greatly marked by the massive floods that struck in July-September 1998.** The floods caused heavy damage to infrastructure, wreaked havoc on production and distribution, and resulted in a major disruption of exports. To alleviate the economic and social impact of the floods, the government mounted a large-scale flood relief operation and sharply increased food imports, with considerable donor assistance, including from the Fund in the form of an emergency loan in October 1998. In the end, the setback to output growth and price stability turned out to be less severe than feared. With the help of an unexpectedly bountiful spring rice crop, GDP growth fell only modestly below trend in 1998/99 (July-June) and the upturn in inflation, as a result of higher food prices, was decidedly temporary. However, the recovery of manufacturing activity and exports has remained sluggish in the face of intense competitive pressures and severe infrastructure bottlenecks.

2. **Fiscal and monetary policies were adapted in October 1998 under the government's emergency flood assistance program, with a view to funding relief and rehabilitation measures without undermining macroeconomic stability.** To keep the overrun in the budget deficit within prudent limits, the revised macroeconomic policy framework for 1998/99 envisaged a number of measures to curtail nonflood-related fiscal expenditures and to raise additional revenues. The monetary program for 1998/99 was designed to accommodate the expected increase in the rate of inflation and to meet the productive sectors' credit needs (including the temporary post-flood credit requirements of the agricultural sector), while also aiming to protect the level of reserves. In the event, both fiscal and monetary policies turned out to be somewhat more expansionary than envisaged in the emergency assistance program. Despite substantial external support, the overall balance of payments shifted into deficit in 1998/99, and the level of official reserves declined to the equivalent of 2.1 months of imports by the end of the fiscal year.

3. **Preliminary indications suggest that macroeconomic policies were eased further in the early months of 1999/2000.** While inflation has remained on a declining trend, and the external current account deficit is likely to have narrowed in the face of declining food imports and weak investment demand, inadequate progress in addressing the economy's structural weaknesses, together with an uncertain political environment, have tended to discourage private and official capital inflows. As a result, the external reserve position remained fragile during the first half of 1999/2000.

II. REAL SECTOR DEVELOPMENTS¹

A. Growth, Savings, and Investment

4. **Reflecting the impact of the floods—the most severe in living memory in Bangladesh—output growth is estimated to have declined in 1998/99 to 4.2 percent (based on the revised national accounts with 1989/90 benchmark), compared with an average of 5.3 percent in the two preceding years (Chart 1 and Tables 1 and 2).** Improved weather conditions, together with the government-supported rehabilitation efforts, led to an impressive rebound in agricultural production. In particular, a bumper boro rice crop toward the end of the fiscal year was the principal factor generating a growth rate in 1998/99 considerably higher than the 3 percent projected in the government's post-flood adjustment program. Bangladesh's recent output performance does not appear to have been significantly affected by the Asian crisis.

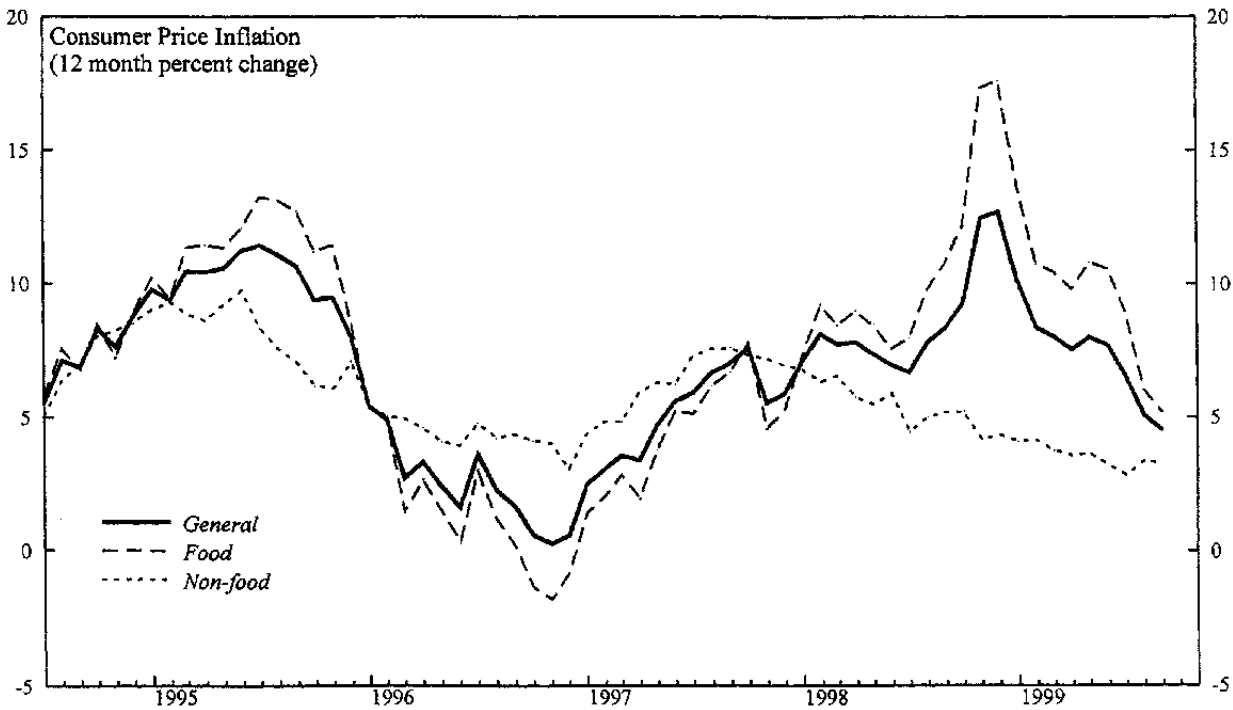
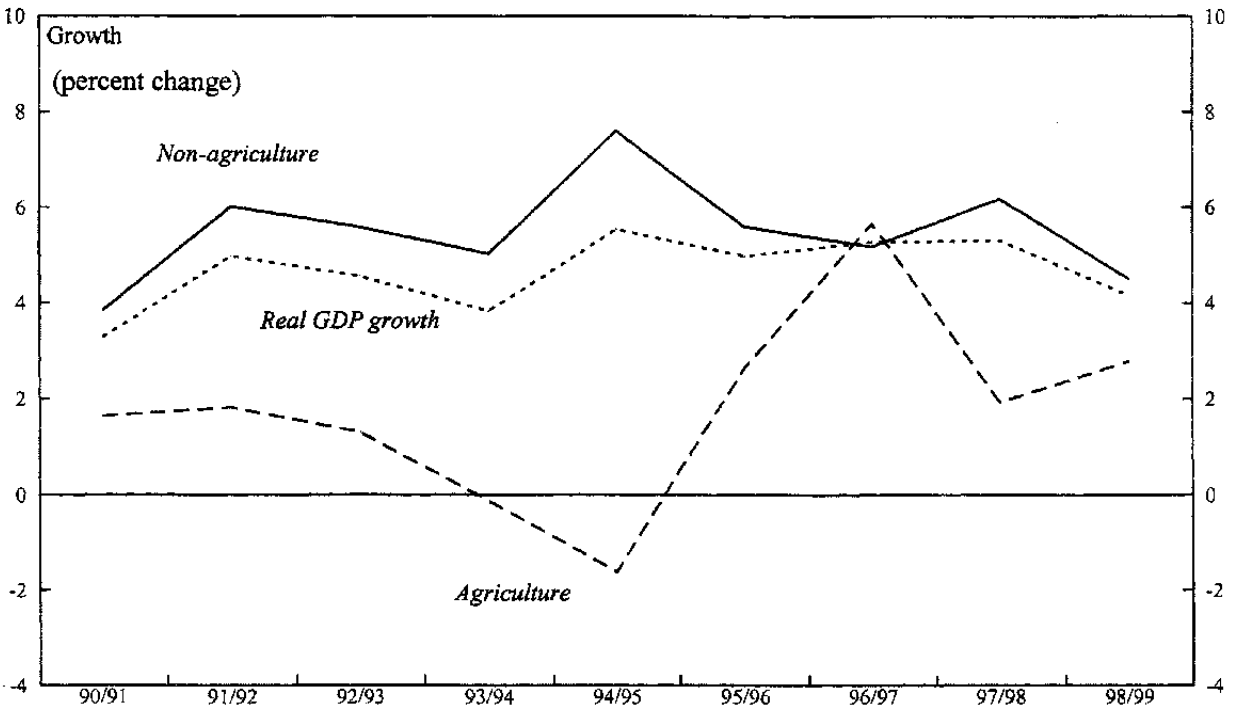
5. **The resilience shown by agriculture, while also evident in some other sectors, such as wholesale and retail trade and construction, was not extended to the manufacturing sector, which had been an engine of growth in previous years.** Growth in manufacturing output, which had already begun to weaken before the floods, dropped to a significantly negative rate, and began to pick up only in the later months of 1998/99. The slowdown in manufacturing output growth was reflected in a marked deceleration of export growth in 1998/99, particularly in the dominant garments sector. These developments reflected the combined effects of competitive pressures associated with an appreciated real exchange rate, critical infrastructural problems (with respect to power and transportation, in particular), labor difficulties, and the poor financial condition of many industrial (particularly state-owned) enterprises.

6. **Private investment growth appears to have decelerated in 1998/99 (Table 3).** The available estimates of aggregate demand are subject to a wide margin of error and need to be interpreted with caution.² Nevertheless, the evidence of slowing investment growth is consistent with signs of a weakening of investor confidence, which reflects in large part the lack of visible progress in addressing the country's major structural problems. In 1999, the investment climate has been further undermined by intensified political confrontation and civil unrest caused by a widening rift between the government and the main opposition parties. These developments are disappointing in view of Bangladesh's need to boost economic growth in order to make a substantial dent in the country's pervasive poverty. The slowdown in investment growth was moderated during 1998/99 by the expansion of flood-

¹Prepared by Ronald Hicks.

²The statistical discrepancy in the national accounts has risen steadily in recent years and rose above 10 percent of GDP in 1998/99, underscoring the need to further strengthen the national accounts estimation process in Bangladesh.

CHART 1. BANGLADESH
GROWTH AND INFLATION



Sources: Bureau of Statistics; and staff estimates.

related and donor-financed public investment. However, this pattern of investment could prove difficult to sustain in the period ahead. Thus, while gross investment is estimated to have remained at about 22 percent of GDP in 1998/99, the investment-to-GDP ratio would likely decrease in the period ahead if financing constraints and lagging donor support lead to a reversion to a lower pace of public investment.

B. Sectoral Developments

Agriculture

7. **Foodgrain production is estimated to have risen by nearly 4 percent in 1998/99, compared with 0.5 percent in 1997/98 and an average of 3 percent in the preceding five years.** Even with the large decline in the aus and aman rice crops stemming from the floods, which affected about 1.5 million hectares of land in 1998/99, a record boro rice crop of over 10 million metric tons toward the end of the year (compared with 8.1 million tons in 1997/98) contributed to a positive growth of rice output over the year (Table 4). Production of wheat increased strongly to 2.0 million metric tons, compared with 1.8 million tons in 1997/98. Emphasis was placed in 1998/99 on increasing yield per hectare for foodgrain output, rather than increasing crop acreage, achieved through a shift from local variety to high-yielding varieties and hybrid seed. Altogether, foodgrain production is estimated to have risen to 21.3 million metric tons in 1998/99 despite an estimated output loss of about 2 million tons on account of the floods.

8. **In these circumstances, and assuming a daily foodgrain requirement of 455 grams per capita per day, a food gap of about 1.9 million tons emerged in 1998/99, of which 1.2 million tons was covered by foreign assistance, and the remainder by government and private imports.** Following the floods, the government sought to maintain a food security stock of at least three to four months of foodgrain requirements. To that end, commercial imports of rice more than tripled from 92,000 tons in 1997/98 to 334,000 tons in 1998/99, while wheat imports rose from 155,000 tons in 1997/98 to 429,000 tons in 1998/99.

9. **Apart from foodgrain, the second most important component of the crop and horticulture subsector—jute—performed poorly in 1998/99, with a decline in output from 560,000 metric tons to 510,000 tons (Table 5).** Although the floods were an important contributing factor, a continuing slump in world export prices, together with the entrenched weaknesses in the management of the government-owned Bangladesh Jute Mills Corporation, severely compressed profitability, undermined output performance, and increased the jute sector's overdue bank loans. The 1999/2000 budget envisaged the repayment of some of these loans by the government and a continuing provision of subsidies to cover the wage costs of defunct state-owned jute mills. Nevertheless, in the face of a continuing increase in operating losses, the government has also come under pressure to significantly increase the existing subsidies for jute exports.

10. **Altogether, value added in agriculture rose by 2.8 percent in 1998/99, compared with 1.9 percent in 1997/98 and 1.7 percent on average in the preceding years of the**

decade. In the non-crop subsector—principally fisheries, livestock, and forestry—growth in value added amounted to 6.3 percent in 1998/99, which was a modest acceleration despite major flood-induced losses in livestock and poultry. While shrimp cultivation was adversely affected by the floods, total inland and marine catches are estimated to have been substantially higher than in the previous year.

11. **In the period ahead, the government plans to continue to support the agricultural sector through a number of policy interventions, with a view to promoting food self-sufficiency as envisaged in the Fifth Five-Year Plan (1997-2002).** The foodgrain production target for 1999/2000 has been set at 22.3 million metric tons, representing an increase of 4.7 percent from 1998/99. To help meet these objectives, the government is continuing to take steps to ensure adequate supplies of fertilizer at subsidized prices, and prices for internal procurement of rice are continuing to be set to cover the cost of production and a profit margin, albeit at a substantial cost to the budget. Emphasis is also being placed on raising public sector seed distribution, strengthening research in new variety seeds, and encouraging greater use of organic and bio-fertilizers. Efforts to expand the disbursement of directed bank credit to agriculture, which nearly doubled in the wake of the floods in 1998/99, are also being intensified. The target for total disbursement of agricultural credit through the banking system has been set at Tk 33.3 billion for 1999/2000, an increase of 10.8 percent from the already elevated level of 1998/99.

Manufacturing

12. **Production in both large-scale (particularly garments, textiles, fertilizer, and cement) and medium-scale manufacturing industries, which had reached a peak in February 1998, subsequently followed a declining growth trend and was basically stagnant over the first three quarters of 1998/99.** While there was a modest pick-up of activity thereafter, its rate of growth remained sluggish. Output of ready-made garments (RMG), in particular, a major export commodity, performed poorly over much of the period, following several years of strong growth. Indigenous raw material-based industries, such as jute, fertilizer, sugar, tea, and cement, have also not performed well, while production of small and cottage industries was especially affected by the floods. Overall, manufacturing production rose by less than 2 percent in 1998/99, compared with a growth rate of more than 9 percent in 1997/98 and an average growth rate of more than 7½ percent in the preceding years of the decade (Table 8). The growth in the value added by small-scale industries, in particular, was virtually nil in 1998/99.

13. **The pervasive sluggishness in manufacturing activity points to deeply rooted problems in this sector.** Apart from the effects of the floods and declining world commodity prices, an array of escalating infrastructural problems, including power shortages and transportation bottlenecks, together with a significant loss of external competitiveness, have been important contributing factors. The problems have been compounded by poor commercial and financial management, particularly in state-owned enterprises (SOEs) and commercial banks. This has given rise to large SOE losses despite recourse to explicit or implicit subsidization from the budget, and a massive accumulation of nonperforming bank

loans. The problems have often been exacerbated by trade union militancy. All these factors highlight the urgent need for a comprehensive reform strategy to help realize the potential of the industrial sector, including by improving the operation of SOEs, the financial sector, and the labor market, and by removing impediments to private investment, especially in the energy and transport sectors.

14. **In the RMG and related sectors, to reduce the heavy dependence on imported inputs and increase the domestic value added of exports significantly above the current rate of about 30 percent, government policies have been aimed at promoting backward linkages with a view to attaining eventual self-sufficiency in textiles.** Access to adequate credit facilities for new investment and working capital, as well as reduced import duties for needed machinery and quantitative restrictions on textile imports, are part of this policy strategy. However, an efficient development of these backward linkages can be achieved only if progress is made with the overall structural reform effort, particularly to provide an environment conducive to viable private investment in these sectors and to eliminate trade restrictions that result in smuggling of textile products from neighboring countries.

Construction and Mining

15. **Construction activity, which had been slack in the early months of 1998/99, picked up strongly as various housing and infrastructural reconstruction projects were undertaken following the floods.** The expansion was especially pronounced in the public sector, where major repair and maintenance works for roads and bridges and other infrastructural projects were undertaken. Overall, output in the construction sector is estimated to have risen by 8.1 percent in 1998/99. Output in mining and quarrying, which was adversely affected by the floods, registered only modest growth for the year as a whole.

Power

16. **The output of the power sector is estimated to have picked up significantly in 1998/99, reflecting the coming on stream of three new barge-mounted power units (see below) and a continuing expansion of gas output (Table 9).** However, these increases have proved insufficient to meet the economy's increasing demand for energy. As a result, significant shortages of natural gas and electricity have persisted, with an important adverse impact on production and investment in other sectors, especially in manufacturing and services.

17. **To alleviate these shortages, the government has taken important steps to encourage private sector involvement in the power and energy sectors.** The Private Sector Power Generation Policy provides for various fiscal incentives to attract private investment. Following the government's decision in 1996 to seek proposals from the international private sector for independent power producer (IPP) plants, competitive bids have been solicited for four fast-track barge-mounted plants. The first of these commenced operations in October 1998, and two more were commissioned in May and June 1999. In addition, the government has put up for bid contracts for two large capacity gas-fired

combined cycle plants and a gas turbine plant. In the energy sector, while private sector participation has been hampered by a lack of transparency in bidding and selection procedures, a number of Production Sharing Contracts (PSCs) for gas exploration and development are now in full operation and/or are about to be offered for a second round of bidding.

18. **As of June 1999, cumulative past production and remaining recoverable reserves of gas were estimated officially at 3.574 trillion cubic feet and 10.216 trillion cubic feet, respectively.** Beyond this, proven reserves are estimated privately at an additional 3 trillion cubic feet, with much larger gas resources considered highly probable. At the present rate of daily consumption, the remaining recoverable reserves, based on official estimates, are projected to meet domestic demand for about 30 years. However, if the demand for gas increases at an annual average rate of 7 percent, it is estimated that the present recoverable reserves would be exhausted by 2012/13. The government has stated that, if substantial new reserves are proven in the near future, it might take steps to increase gas utilization; however, it would consider exporting gas only after meeting the country's long-term gas demand.

Services

19. **The services sector—which comprises trade, hotels and restaurants, transport, housing, banking, insurance, and professional services—was only marginally affected by the floods.** Growth in the services sector is estimated to have been broadly maintained in 1998/99 at 4.3 percent, with the depressing effect of the floods offset by the boost to the trade services sector from the growth in agricultural output.

C. Prices, Wages and Employment

Prices

20. **Inflation rose from an average of 7 percent in 1997/98 to 9 percent in 1998/99, but it declined rapidly as the flood-induced surge in food prices began to be reversed.** On a year-on-year basis, inflation reached a peak of 12.7 percent in December 1998 in the face of intensifying food supply constraints, but eased back to 7.7 percent by June 1999. The year-on-year rate of inflation remained on a steadily declining trend in subsequent months and it had fallen to 3½ percent by October 1999. Food inflation, which peaked at 17.6 percent in December 1998, had declined to 10.6 percent by June 1999, falling further to 4 percent as of October 1999. While the drop in food inflation initially reflected the impact of the extensive food assistance in the immediate post-flood period, the record boro rice crop was apparently an important contributing factor in the closing months of 1998/99. Nonfood inflation, responding to the overall weakness in economic activity in the nonagricultural sector, fell steadily from a peak of 7.6 percent in September 1997 to 3.2 percent by June 1999, and declined further to 2.5 percent in October 1999, its lowest rate in many years. However, to the extent that this decline was attributable to the restraining effects on prices stemming from the recent appreciation of the real effective exchange rate, it is likely to have been partially reversed following the depreciation of the taka in November 1999 (see below).

In addition, the government's relatively rigid policy on administered prices, especially on petroleum products, is likely to have helped keep inflation at an artificially low, albeit not sustainable, level during the second half of 1999 (Tables 10 and 11).

Wages and Salaries

21. **A national pay scale applies for all employees of the central government and nationalized corporations, except defense and police officers and workers in state-owned manufacturing industries.** During the 1990s, two adjustments in national pay scales were introduced, one in 1991 and the other effective from July 1, 1997. While the wage adjustment in 1991 was introduced in one step, the 1997 compensation package increase was introduced in three phases over the years 1997/98–1999/2000. The 1997 national pay scale is comprised of 20 scales, within which all civil servants are accommodated, with the highest and lowest monthly scales fixed at Tk 15,000 and Tk 1,500, respectively, as against Tk 10,000 and Tk 900 in 1991.

22. **The first phase of the 1997 civil service compensation increase, covering the period July 1, 1997-June 30, 1998, provided for 60 percent of the difference between the gross salary accruing under the 1991 pay scale and the gross salary receivable in terms of the revised 1997 pay scale.** The remaining 40 percent was paid in phase two (July 1, 1998-June 30, 1999). The final increase in the overall compensation package, which affected allowances for house rent, medical expenses, and other fringe benefits, was introduced in phase three (July 1, 1999-June 30, 2000). According to the 1998/99 budget statement, implementation of the 1997 pay scale entailed a budgetary cost of Tk 20.75 billion spread over three years, with Tk 8.88 billion payable in 1997/98, Tk 4.95 billion in 1998/99 and Tk 6.91 billion in 1999/2000.

23. **In response to pressing wage demands from labor unions, the government appointed a "Wages and Productivity Commission" in May 1998 to recommend an improved wage structure for public sector industrial workers and employees working at the factory level.** The existing wage structure is in line with the recommendations of a similar Commission appointed in January 1992, which were implemented with retroactive effect to July 1, 1991. According to its terms of reference, the Commission would consider the cost of living, capacity to pay of the industrial concerns, and productivity of the workers in recommending changes in the wage structure and other benefits. The Commission, which commenced its activities in February 1999, is expected to submit its report shortly. Meanwhile, due to the delay in the submission of that report, and under pressure from the trade unions, the authorities have granted some interim benefits to the workers, which would be counted against the increases expected to be granted under the new wage scale. These are: a one time grant of Tk 1,000 and Tk 500, respectively, for the regular and casual workers in August 1999, and Tk 300 and Tk 150 per month for all regular and casual workers, respectively, effective July 1, 1999.

24. **Apart from the above, the Minimum Wage Board, a permanent body under the Ministry of Labor and Manpower, has been recommending minimum wages for**

workers in various private sector industries since 1960. Until 1996, this Board has recommended minimum wages for 38 categories of industrial activities. Recently, the government has requested the Board to recommend revised minimum wages for the unskilled and juvenile workers in the private sector.

Employment

25. **Employment statistics for Bangladesh are dated, the latest Labor Force Survey having been conducted in 1995/96 (Table 12).** Aggregate employment increased in the first half of the 1990s at a somewhat faster pace than the population, and this trend is likely to have continued during the latter years of the decade. An increase in the participation rate, especially for women, accounts for this. The share of agriculture in total employment has declined, a trend that is likely to continue with further improvements in agricultural productivity and continuing rural-urban migration. The shift in the labor force to urban areas has been directed importantly to the service sectors, where trade, transport and communication services in particular have provided expanding employment opportunities. A striking development has been an apparent decline in the share of employment in the manufacturing sector between 1990/91 and 1995/96. Although the sharp expansion, until recently, of the garments industry has strongly increased its demand for labor, especially female labor, the lack of dynamism in much of the industrial sector, especially in the state-owned enterprises, has significantly inhibited productive employment opportunities. A key concern over coming years will be the need to absorb labor from the informal sector (principally the non-farm rural sector), partly through appropriate training and other facilities, into potentially more remunerative labor-intensive activities. Markedly higher economic growth rates and labor market flexibility will be a prerequisite for expanded job opportunities and reduced underemployment and poverty in Bangladesh.

III. FISCAL DEVELOPMENTS³

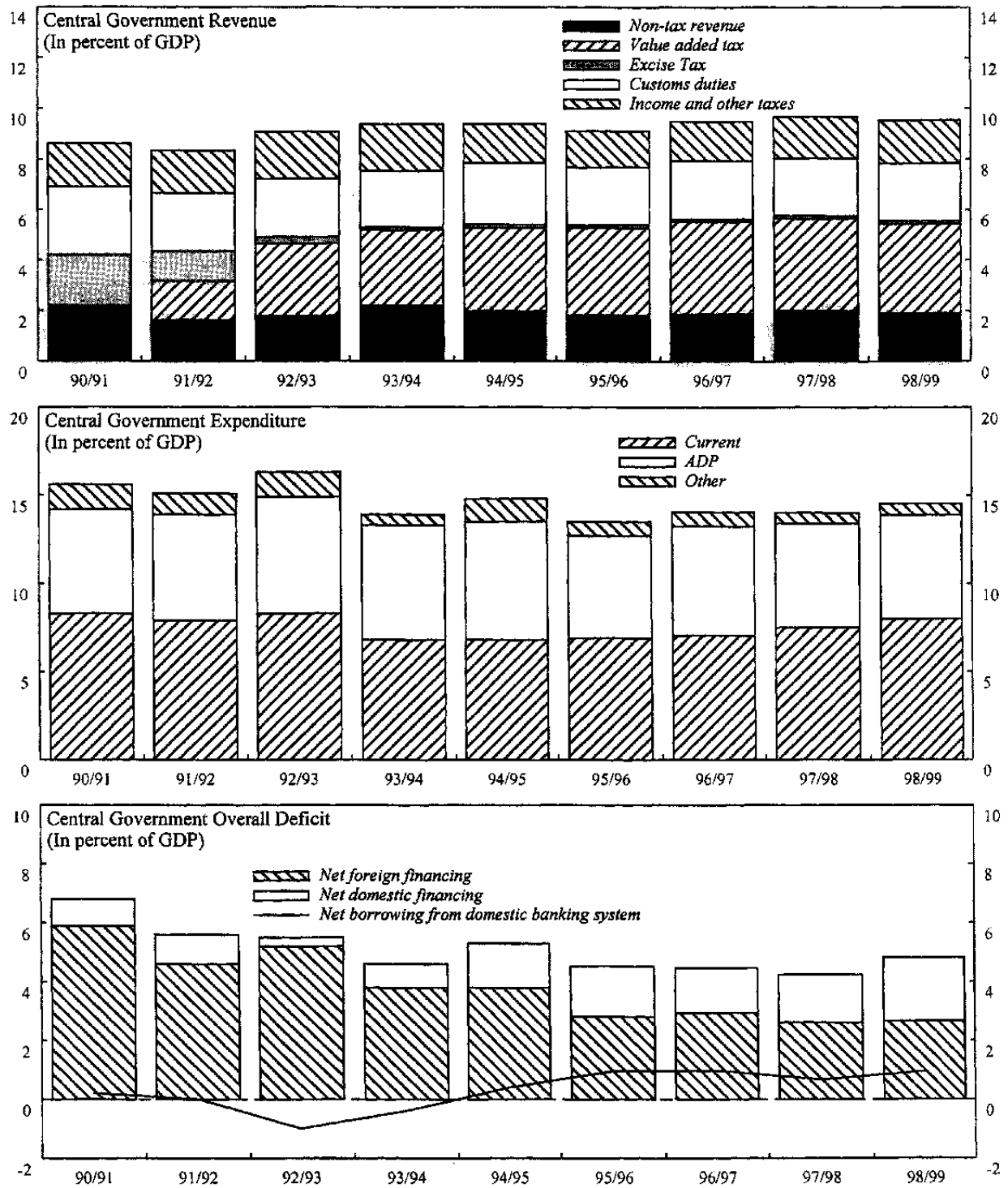
A. Central Government Finances

Developments in 1998/99

26. **The overall fiscal deficit (excluding grants) is estimated to have widened from 4.2 percent of GDP in 1997/98 to 5.1 percent of GDP in 1998/99 (Chart 2 and Table 13).** While the deficit outturn exceeded the initial budget target by over ½ percentage point of GDP, it was only slightly above the post-flood emergency assistance program target. Although revenues fell significantly short of the post-flood target, and there was a higher-than-projected pick-up in current expenditures, delays in the implementation of development expenditure programs helped restrain the overall impact on the deficit. With the pace of project-aid disbursements also slowing, net external financing remained at its 1997/98 level

³Prepared by Era Dabla-Norris.

CHART 2. BANGLADESH
FISCAL DEVELOPMENTS



Sources: Bangladesh authorities; and staff estimates.

of about 2½ percent of GDP, despite the surge in flood-related assistance. The government's domestic borrowing requirement rose to more than 2 percent of GDP in 1998/99 or about ½ percentage point above the average level recorded in preceding years. As a result, government borrowing from the banking system, which had been targeted to remain at 0.7 percent under the emergency assistance program, rose to 1 percent of GDP in 1998/99.

27. **The revenue ratio edged down to 9.5 percent in 1998/99, which was nearly ½ percentage point below the post-flood revenue target, notwithstanding the revenue measures adopted in October 1998 (Table 14).**⁴ The tax ratio, at 7.6 percent of GDP, remained one of the lowest in the world, including among countries at Bangladesh's level of development. Shortfalls in tax revenue relative to the original budget target reflected the poor performance of VAT and customs duties following flood-related disruptions in commercial imports and industrial activities. Domestic VAT receipts, however, were in line with the budget target due to efforts to intensify tax collections in the second half of the fiscal year and higher-than-expected receipts from the construction and service sectors. The strong performance of income tax receipts was largely attributable to measures introduced in the 1998/99 budget, including an expansion of the withholding tax, and making deduction at source the final settlement of liability in many cases. Nontax revenues were depressed by the lower-than-targeted dividends from public enterprises, including lower profits remitted by the state-owned telecommunications company.

28. **Total expenditure rose to 14½ percent of GDP in 1998/99 or more than ½ percentage point of GDP above the previous year's level.** While overall spending was in line with the initial budget target—and well within the post-flood target—this reflected a significant overrun on current expenditure which was offset by implementation delays in the Annual Development Program (ADP) (Tables 15 and 16). Current expenditure increased from 7½ percent of GDP in 1997/98 to 8.0 percent of GDP in 1998/99, well above the post-flood target, reflecting an unbudgeted 10 percent increase in pay and allowances and larger-than-anticipated domestic interest payments. Subsidies and current transfers also increased sharply due to higher pay support for nongovernment workers, large pension outlays, higher-than-budgeted transfers to the jute and textile sectors, and flood relief outlays. The food account deficit was significantly below the post-flood target as a bumper boro rice harvest in the second half of the fiscal year mitigated the need for higher food imports.

29. **The composition of current expenditures has changed somewhat in recent years.** The largest component of current expenditures continues to be payment for goods and services, including pay and allowances to civil servants and operations and maintenance.

⁴Among the measures adopted in the context of the emergency flood assistance program were the rationalization of some tariffs, the imposition of a temporary 2½ percent customs duty surcharge, and the introduction of tax surcharges on interest income and on telecommunications services.

However, the share of this component in total current expenditures declined from 65 percent in 1994/95 to about 50 percent in 1998/99, owing to a substantial compression of the nonwage element. By contrast, the shares of subsidies and current transfers and interest payments rose steadily over the same period, reflecting the rapid accumulation of domestic public debt, rising export subsidies, and the increasing drain on the budget from loss-making SOEs.

30. **The financing of ADP expenditures, which comprise a significant portion of total expenditures, has also changed significantly in recent years, with domestically financed expenditures now accounting for a larger share of total ADP spending.** In 1998/99, delays in project implementation and flood-induced disruptions helped restrain total ADP expenditure to about 6 percent of GDP or well within the post-flood emergency assistance program target. However, this reflected exclusively a shortfall in the foreign-financed portion of ADP, with the domestic portion slightly exceeding the budget target. Progress in improving the quality of ADP expenditures has remained slow in recent years owing to a combination of factors, including administrative weaknesses, the mid-year launching of projects approved outside normal budgetary mechanisms, and the failure to link budgetary support to project performance and evaluation.

31. **As regards the sectoral breakdown of ADP, agriculture (including rural development and water resources) and transport continued to be accorded high priority, together accounting for 40 percent of total ADP spending in 1998/99.** In the social sector, while the total share of education and health expenditures has remained broadly stable in recent years, the share of education expenditure, which had been on a declining trend since the mid-1990s, partially recovered, rising to 13.5 percent of total ADP spending in 1998/99. By contrast, the share of health, population and family planning expenditures, which had increased somewhat since the mid-1990s, declined from 9.6 percent of ADP spending in 1997/98 to 8.2 percent in 1998/99 as a result of delays in launching new programs. In relation to GDP, health and education expenditures have averaged 1 percent and 2.2 percent, respectively, over the 1995/96 – 1998/99 period.

The 1999/2000 Budget

32. **The 1999/2000 budget envisages a reduction in the overall deficit to 4.6 percent of GDP, somewhat higher than the pre-flood ratio recorded in 1997/98.** Total revenue is budgeted to increase by almost 1 percentage point in relation to GDP. Despite revenue losses likely to result from import tariff reductions and other tax relief measures, tax revenues are budgeted to increase with the help of improvements in tax and customs administration, an expansion of tax withholding, and a broadening of the base for the VAT (Box 1). Nontax revenues are also budgeted to increase substantially, on account of higher dividends and profit transfers from nonfinancial SOEs, a recovery in telecommunications profits associated with the installation of new telephone lines, and growth in interest income.

33. **Total expenditure is budgeted to expand further to about 15 percent of GDP in 1999/2000.** While total current expenditures are slated to decline in relation to GDP from

Box 1. Bangladesh: Tax Measures in the 1999/2000 Budget

The 1999/2000 budget included a number of revenue measures to streamline the tax and tariff structures, extend the VAT net, and strengthen tax and customs administration. The highlights of these measures are as follows.

Income Tax

- Personal income tax rates were restructured and the general basic exemption limit raised from Tk 60, 000 to Tk 75,000.
- The exemption on interest earnings from high yielding government savings certificates was eliminated and the base of the withholding tax expanded.
- A presumptive tax on automobiles was introduced and existing rates on trucks and lorries increased.
- The 0.25 percent tax at source on exports was eliminated.

Customs duties

- The tariff structure has been simplified and the top rate (including a 2.5-percent import duty surcharge) reduced from 42.5 percent to 40 percent.
- Customs duty was harmonized at the lower rates on commodities falling under the same H.S. Code.
- New exemptions to import tariffs were granted in a number of areas, and tariffs on raw materials and intermediate goods were reduced.

VAT, supplementary duties and excises

- The coverage of the VAT was extended to 31 new retail items and a few professional services.
- The electricity duty was replaced with VAT applied on a truncated basis.
- The exemption limit on the turnover tax was increased from Tk 1.5 million to Tk 2 million.
- A 2.5 percent supplementary duty was introduced on imported finished goods (without domestic substitutes) subject to the top customs duty rate.
- A 10 percent supplementary duty on 272 items (subject to a customs duty rate of over 5 percent) is to be introduced on the date of introduction of mandatory pre-shipment inspection (PSI).

Tax and customs administration

- Assessment procedures were simplified and measures were taken to improve accountability and organizational structure in customs administration.
- Introduction of a unique tax payer identification number (TIN) was announced.
- The establishment of a large taxpayer unit (LTU) was announced.
- Replacement of the voluntary PSI system by mandatory PSI was announced.

their 1998/99 levels, subsidies and transfers are budgeted to remain significantly over their 1997/98 levels and incorporate a wide range of subsidies to select industries, in particular, the export sector. ADP spending, which is budgeted to rise by about 0.7 percentage points of GDP in 1999/2000, is to be partly offset by limiting the growth of recurrent expenditures. The share of education spending in total ADP is budgeted to fall back towards its 1997/98 levels, while the previous year's decline in the share of outlays on health, population and family planning is to be more than reversed.

34. Preliminary data point to a worse-than-budgeted outturn during the early part of 1999/2000, which could make it difficult to adhere to the full-year budget target in the absence of additional corrective measures. Delays in the implementation of the mandatory pre-shipment inspection system envisaged in the budget, combined with weak import VAT and customs duty collections in the first quarter of the fiscal year, raise doubts as to the feasibility of meeting the budget's ambitious full-year tax revenue target. Preliminary indications also point to a significant shortfall in nontax revenue, largely owing to lower-than-budgeted transfers from financially weak SOEs. On the expenditure side, larger-than-expected interest payments and the possibility of granting higher subsidies to SOEs for incipient wage increases (which would likely be applied retroactively), can be expected to result in an overrun in current expenditures. Moreover, a slow pace of foreign aid disbursements to date suggests that the trend toward increased recourse to domestically-financed ADP spending is set to be extended. While data on actual expenditure outcomes are unavailable, a significant acceleration in the government's net recourse to bank credit in the early months of 1999/2000 suggests that expenditures may indeed be expanding more rapidly than targeted. According to preliminary data, net government borrowing from the banking system surged by more than Tk 20 billion during the first five months of 1999/2000 (July-November 1999), exceeding the government's net bank borrowing during all of 1998/99. The government would need to make substantial net repayments on its net borrowing from the banking system in order to bring it back within the Tk 15 billion target by the end of the fiscal year, as envisaged in the 1999/2000 budget.

B. Public Enterprises

35. The financial performance of the ailing SOE sector continued to deteriorate in 1998/99. As growth in operating costs, including higher outlays on wages and salaries, outpaced the increase in revenues, the public enterprises' aggregate operating surplus to assets, which measures the return as a share of capital employed, fell by 0.5 percentage points from the already low level recorded in 1997/98, thus reverting to a negative number (Table 18). With gross fixed capital formation recording a large increase, net borrowing by the nonfinancial SOEs, excluding equity injections from the budget but including the continuing accumulation of arrears, surged from Tk 12.5 billion (0.7 percent of GDP) in 1997/98 to Tk 33.5 billion (1.6 percent of GDP) in 1998/99. The consolidated losses of nonfinancial SOEs rose from Tk 4.9 billion in 1997/98 to Tk 8.1 billion in 1998/99, with the petroleum and gas monopolies being among the few enterprises that remitted profits to the central government (Table 19). The resultant delays in servicing SOE debts to the government and banks, the inability to pay dividends as envisaged in the budget, and the

higher subsidies obtained to finance the SOEs' operations have placed a growing burden on the central government's accounts.⁵

36. The lack of progress with respect to the restructuring and privatization of public enterprises reflects deep-seated inefficiencies and governance problems, including political interference, lack of managerial accountability, and soft budget constraints. These factors have served to perpetuate the poor performance of enterprises in the jute, textile, power, and fertilizer sectors. Delays in the needed adjustment of administered prices, in particular, have seriously undermined the profit potential of Petrobangla and the Bangladesh Petroleum Corporation.⁶ Vested interests, technical difficulties with respect to the valuation of the enterprises' assets, and trade union militancy have been important factors thwarting efforts toward privatization. Of the 44 enterprises identified for privatization during 1998/99 by the Privatization Board, only a handful have so far been privatized.

37. The government's reform agenda in the SOE sector for 1999/2000 appears to be limited to the closure of three textile mills and one steel mill. While the 1999/2000 budget speech acknowledged the serious financial difficulties of some SOEs, including an increasing stock of overdue loans to the banking system (especially by the jute sector), the only envisaged government actions are to begin to repay some of these loans to banks and to provide additional government loans to loss-making SOEs. The budget included no measures to introduce hard budget constraints on SOEs nor did it propose any steps to further rationalize natural gas, electricity, petroleum and fertilizer prices. While the Privatization Board has identified 50 enterprises for privatization in 1999/2000, progress to date with enactment of the Privatization Law has been slow and the government has yet to build the political consensus required to adopt a concrete program of SOE reform and privatization

38. In the energy and power sectors, the government's reform efforts have focused on restoring the profitability of existing operations and encouraging private investment in power generation by IPPs. However, despite heavy subsidization of natural gas prices—especially for the fertilizer and power sectors—these sectors continue to incur substantial losses. In the power sector, which continues to suffer from serious billing and collection problems, electricity tariffs were recently raised on average by 4 percent in two installments (in July 1998 and September 1999). However, little progress has been made to restructure this sector through the needed unbundling of the generation, transmission, and distribution of power.

⁵Total SOE debt stood at Tk 470 billion or 26.8 percent of GDP as of June 1997, with debt on foreign loans owed to the government accounting for over 40 percent of the total.

⁶Petrobangla's profit increased from Tk 1.3 billion in 1997/98 to Tk 1.8 billion in 1998/99 following a 15 percent hike in natural gas prices in December 1998. The adjustment in natural gas prices, however, was significantly below that required to align prices with those prevailing in international markets.

IV. MONETARY AND FINANCIAL SECTOR DEVELOPMENTS⁷

A. Monetary Developments

39. **The indicative monetary program for 1998/99, adopted in conjunction with the emergency flood assistance program in October 1998, envisaged an acceleration of broad money growth from 10½ percent in 1997/1998 to 12½ percent in 1998/99 (Table 20).** This was projected to be adequate to allow for sufficient credit to the productive sectors, while also accommodating a modest acceleration in inflation without exerting pressure on gross official reserves. Consistent with these objectives, and in line with the post-flood budget, bank credit to government was targeted to expand by 0.7 percent of GDP (Tk 15 billion) in 1998/99. This was expected to leave enough room for private sector credit (including flood-related credit to agriculture) to expand by 14.8 percent in 1998/99.

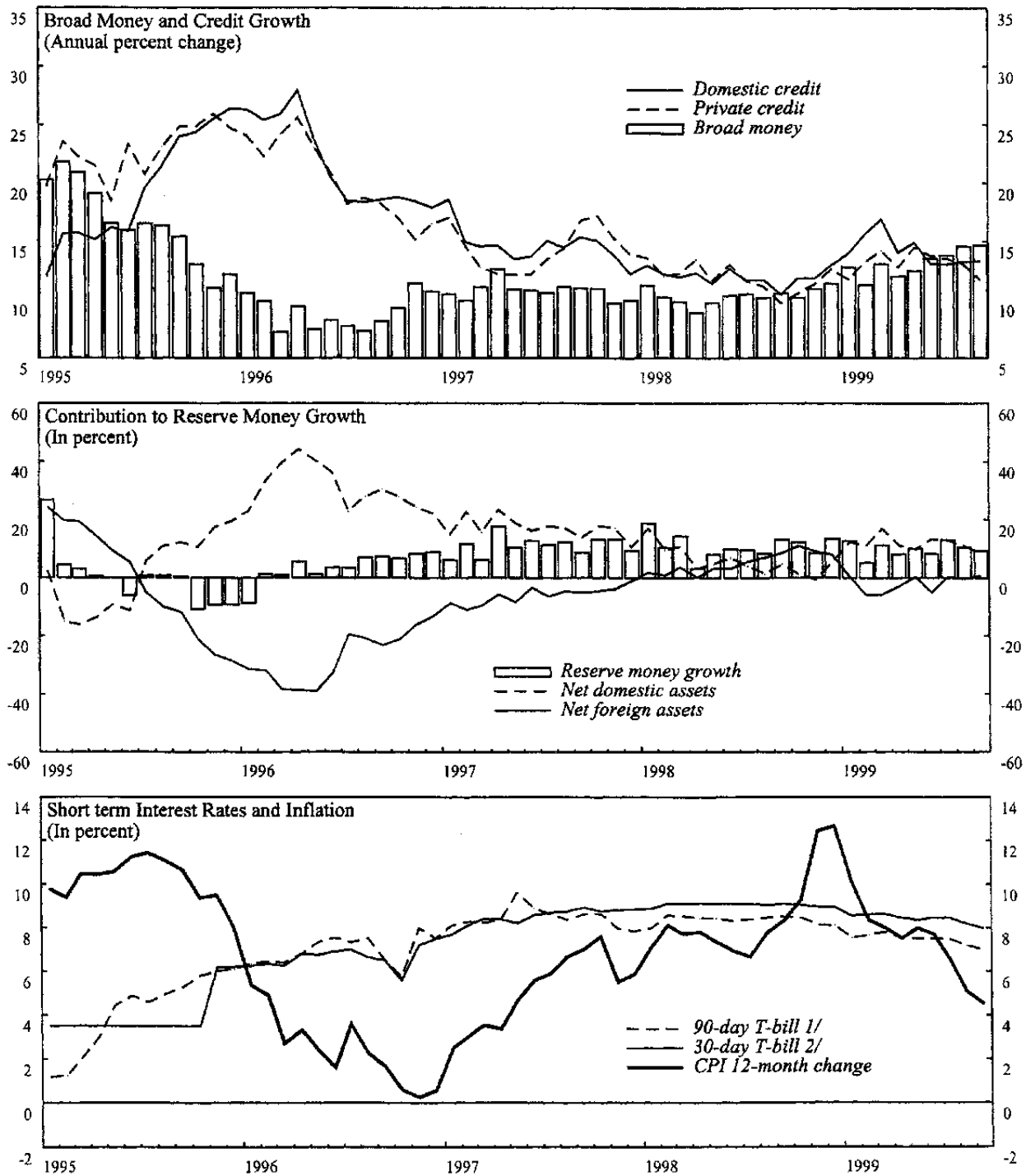
40. **In the event, monetary policy turned out to be somewhat more expansionary than programmed in 1998/99.** Broad money accelerated at a slightly faster rate than had been programmed, fueled by a rapid growth in the net domestic assets of Bangladesh Bank, which led, in turn, to a sustained expansion of reserve money (Chart 3 and Table 21).⁸ With Bangladesh Bank accounting for about half of the increase in total net bank credit to government, the overrun in the government's bank borrowing was a principal factor underlying the monetary expansion. The other main factor underpinning reserve money creation was the sustained growth in Bangladesh Bank credit to specialized credit institutions. While the emergency assistance program envisaged that exceptional credit from Bangladesh Bank (up to Tk 9 billion), which was to finance the rescheduling of bank loans of small holders in agriculture and industry and Grameen Bank, was to be provided on a strictly temporary basis of 6-12 months, the repayment record on these loans was worse than anticipated. In all, while credit to the private sector remained well within the official target, the growth in total net domestic assets of the banking system, at 15.4 percent, overshot the target by some 2 percentage points. As a result, net foreign assets of the monetary system failed to improve as programmed in 1998/99, and declined instead.

41. **The liquidity position of the deposit money banks strengthened in the course of 1998/99.** Excess liquid assets of the deposit banks rose from the equivalent of about 4 percent of deposits in June 1998 to 6 percent of deposits as of June 1999 (Table 22). It would appear

⁷Prepared by Birgir Arnason.

⁸The reserve money multiplier fluctuated in a relatively narrow range in 1997/98-1998/99. Throughout that period, most commercial banks were subject to a statutory liquidity requirement (SLR) of 20 percent, of which 5 percent had to be held as a cash reserve (CRR); for the four Islamic banks, the SLR has been 10 percent. The specialized banks have been subject to the CRR only.

CHART 3. BANGLADESH
MONETARY DEVELOPMENTS
January 1995 - September 1999



Sources: Bangladesh Bank; and staff estimates.

1/ Bangladesh Bank bill rates till October 1998.

2/ Bangladesh Bank bill rates till October 1998.

that this strengthened liquidity position may, to some extent, reflect more prudent practices by commercial banks in the extension of credit to less-than-creditworthy borrowers.

42. **During 1998/99, there was a sustained decline in the yields on treasury bills at auction.**⁹ This decline was more pronounced on the long end than the short end of the term spectrum (a flattening of the yield curve), suggesting that lowered inflation expectations may have played a role, in addition to the improved liquidity position of the banking system. The yields on one- and two-month treasury bills fell by about ½-1 percentage point in 1998/1999, to 7½-8½ percent in June 1999 (Table 23). By comparison, the yields on one- and two-year bills fell by 1.3 percentage points and 2.5 percentage points, respectively. Deposit and lending rates of deposit money banks, by contrast, do not appear to have changed much in the course of 1998/99. These developments point to some sluggishness in the responsiveness of commercial bank interest rates to money market conditions, which is due largely to the deep-seated inefficiencies and structural problems in the banking system.

43. **Monetary and credit conditions continued to be eased during the early months of 1999/2000.** As already noted, the weakening of the public finances led to an accelerating expansion of net bank credit to government, including from Bangladesh Bank, during the first five months of 1999/2000. In August 1999, Bangladesh Bank lowered its bank rate from 8 percent to 7 percent. The effects of the continuing increase in excess liquidity in the banking system were further amplified in October by a reduction in the CRR by 1 percentage point, which was aimed at easing pressures on commercial bank profit margins and facilitating a narrowing of interest rate spreads. Thus, short-term treasury bill rates fell by another 1½-2 percentage points during the first half of 1999/2000, to a level of 6-6½ percent by mid-December. Steps were also taken to spur the growth of credit to the private sector. Aside from the already-noted plans to further expand the disbursement of directed credit to agriculture, which is targeted to increase by 11 percent in 1999/2000, the government launched a new scheme to encourage term-lending by commercial banks, with funding to be secured through the issuance abroad of foreign-currency, government-guaranteed certificates of deposit by the nationalized commercial banks (NCBs). While the growth in credit to the private sector did not show any sign of picking up during the first four months of 1999/2000, this was probably attributable, as already noted, to intensified efforts to improve the quality of bank assets, including by halting lending to defaulters. The year-on-year rate of growth of broad money accelerated to nearly 16 percent in October 1999.

⁹As part of a gradual shift since the mid-1980s away from a highly centralized system of monetary management to a more liberalized system, interest rates have been generally liberalized and indirect monetary instruments have been introduced. Treasury bills have been auctioned on a bi-weekly basis since late 1995. Floors on deposit rates were lifted in early 1997 and, after ceilings on interest rates to agriculture and small and cottage industries were lifted in July 1999, loan rate ceilings are only in effect for export loans.

B. Banking Sector Developments¹⁰

44. **The banking sector in Bangladesh has been in distress for more than a decade.**¹¹ It has been estimated that the cost to the government of rehabilitating the banking system—through the assumption of bad SOE loans, the scaling back of redundant NCB staff, and the recapitalization of the NCBs—would be at least on the order of 10 percent of GDP, depending on how quickly and decisively the rehabilitation effort can be launched.¹²

45. **The government has taken important steps to improve the regulatory and legal environment for banks, but bolder actions will be needed to remove the remaining weaknesses in the effectiveness of central bank supervision and in the governance of publicly owned banks.** Prudential regulation and supervision have been strengthened over the last five years under a program to progressively move towards the application of international standards of loan classification and provisioning. Following the last phase of that program, which took effect in January 1999, these standards have been considerably tightened (Box 2). Bangladesh Bank has also taken steps to discipline private bank directors and managers who were in default on their own loan obligations, and the courts have recently upheld these actions. This, together with ongoing efforts to improve the operation of the legal system, appears to have strengthened many borrowers' incentives to settle overdue loans from private domestic banks (PDBs). Thus, the incidence of nonperforming loans in the PDBs fell steadily from more than 40 percent in the mid-1990s to about 30 percent as of June 1999 (Table 29). By contrast, the share of classified loans in the NCBs, which have much more limited managerial autonomy and whose lending operations may be subject to political interference, rose from 32 percent to 47 percent over the same period, while the share of classified loans in the state-owned specialized banks has risen to 68 percent.

46. **The serious challenges for both private and state-owned domestic banks are highlighted by the large remaining gaps with respect to capital adequacy and provisioning requirements.** While the aggregate capital adequacy ratio of PDBs had risen above the 8-percent minimum requirement by June 1999, it was more than 30 percent short

¹⁰Bangladesh's banking system problems were analyzed thoroughly in Chapter III in Selected Issues (SM/98/241), October 6, 1998. This section updates some of the information presented in that chapter.

¹¹The banking system dominates the financial sector in Bangladesh, accounting for about 97 percent of the market in terms of assets (Table 26). Among commercial banks (not including the specialized banks), four NCBs have consistently accounted for over 60 percent of assets since the mid-1990s, while private domestic banks (PDBs) accounted for about 32 percent, and foreign banks for the remaining 6–7 percent. The total assets of the specialized banks are equivalent to about a fifth of those of the commercial banks.

¹²See chapter I in Selected Issues (SM/98/241), October 6, 1998.

of that requirement for the NCBs. The NCBs' total shortfall in capital and provisions actually doubled from about Tk 22 billion in December 1996 to Tk 44 billion as of June 1999 (Tables 30 and 31). For the PDBs and the specialized banks, that shortfall fell marginally in nominal terms over the same period. However, the shortfall in provisioning remained well in excess of actual capital for all four NCBs—as well as for a number of PDBs—thus rendering these institutions technically insolvent.

Box 2. Bangladesh: Classification and Provisioning Rules

Bangladesh Bank's loan classification and loss provisioning rules and criteria have gradually been tightened in recent years to bring them into line with international standards. The latest change in regulations, issued on December 12, 1998, took effect on January 1, 1999.

Beginning in 1997, continuous and demand loans were classified as "substandard" when overdue for 9–24 months, "doubtful" if overdue for 24–36 months, and "bad" if overdue for more than 36 months. Under the existing regulations in effect since January 1999, the corresponding thresholds have been reduced to 3–6 months, 6–12 months, and more than 12 months, respectively. Term loans with a maturity of less than five years are classified as "substandard" if overdue 6–12 months, as "doubtful" if overdue 12–18 months, and "bad" if overdue more than 18 months. For term loans with maturities of more than five years, the corresponding thresholds are "substandard" 12–18 months, "doubtful" 18–24 months, and more than 24 months "bad".

The only change in provisioning rules introduced in January 1999 was an increase in the required provisioning for "substandard" loans from 10 percent to 20 percent. Otherwise the provisioning requirements remained the same: 1 percent for unclassified loans, 50 percent for "doubtful" loans and 100 percent for "bad" loans.

With these changes, loan classification and provisioning rules in Bangladesh have been brought to a considerable degree into line with best international practice. The main remaining difference is that short-term agricultural loans and micro-credit are subject to substantially less rigorous classification criteria: "substandard" if overdue 12–36 months, "doubtful" if overdue 36–60 months, and bad if overdue more than 60 months. For these types of loans, the provisioning requirements are also different: 5 percent for all loans not classified as "bad" (including unclassified loans) and 100 percent for "bad" loans.

47. Significant changes in bank legislation, together with greater political commitment to reform, will be required to address these problems. In particular, Bangladesh Bank's effective autonomy and authority in the conduct of bank supervision will need to be greatly enhanced to enable it to deal decisively with poorly governed private as well as public banks. In addition, decisive reforms will need to be introduced in NCBs and specialized banks, to enhance managerial autonomy, improve the process of selecting and

appointing managers, and limit the role of social and political considerations in lending operations.

C. Capital Market Developments

48. **The equity market in Bangladesh has yet to recover from the bursting of a stock price bubble in 1996/97.** The Dhaka Stock Exchange (DSE) all-share price index continued to fall rapidly during 1997/98, and it remained on a broadly declining trend thereafter, albeit at a slowing pace. As of end-1999, the DSE index had fallen below 500, less than half the end-June 1997 level and some 10 percent down from June 1999. The sustained weakening of stock prices reflects in part the poor performance of many enterprises, and the impact of political unrest and the uncertain business environment, as well as a lack of investor confidence stemming from serious governance problems (including insider trading). To address some of these problems, the government has taken steps to improve settlement procedures and enhance the supervisory powers of the Securities and Exchange Commission (SEC). However, much more remains to be done, and the AsDB is involved with the authorities in a long-range project aimed at further strengthening market regulation and supervision, establishing a more modern market infrastructure, increasing the supply of securities, and developing institutional sources of capital.

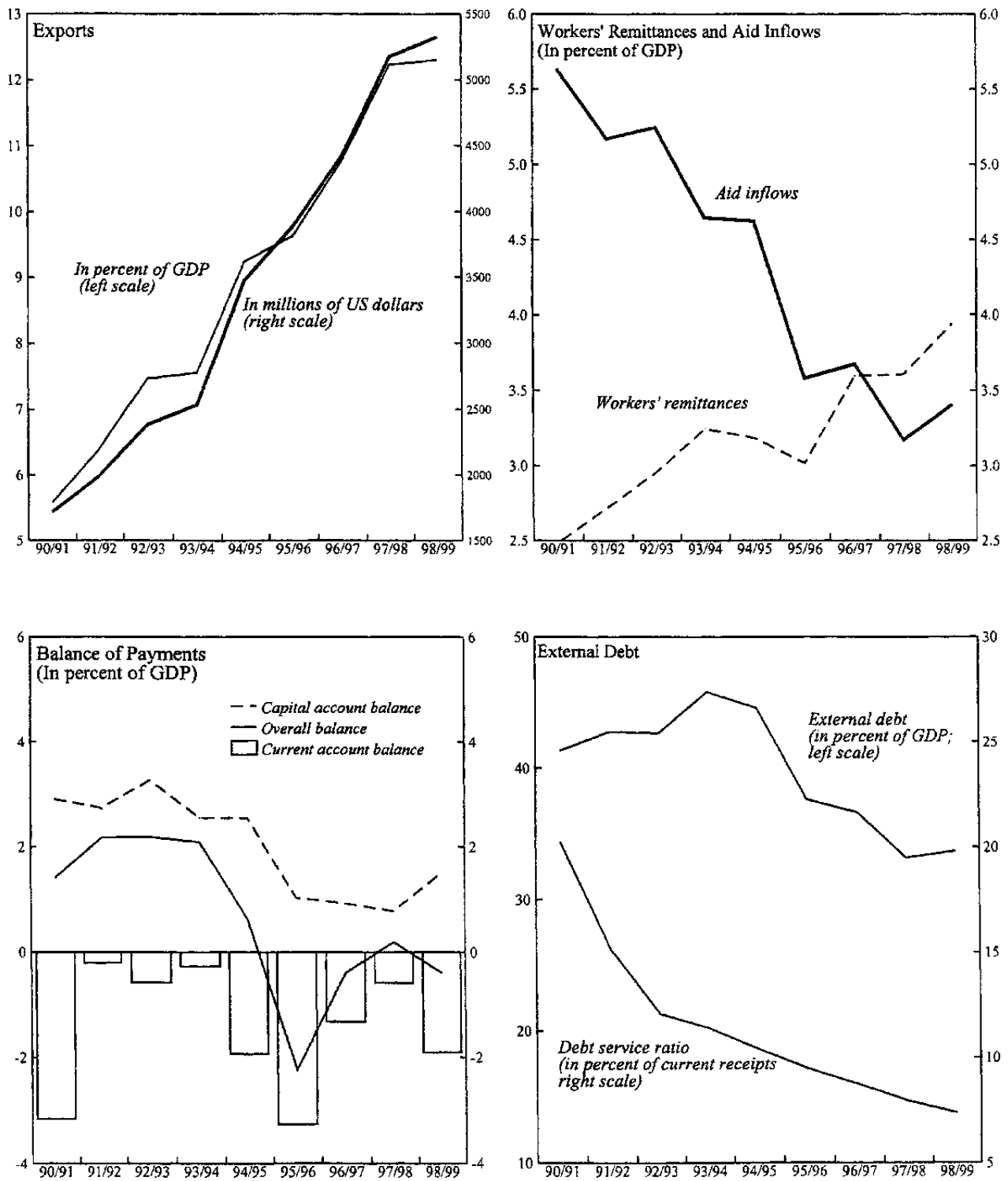
V. EXTERNAL SECTOR DEVELOPMENTS¹³

A. Exports, Imports, and the Current Account

49. **External sector developments have been greatly affected by the massive floods in the third quarter of 1998 and the apparent loss of competitiveness of the export sector in the wake of the Asian crisis.** The current account deficit (including official current transfers) increased to almost 2 percent of GDP in 1998/99 from about ½ percent in 1997/98, thereby breaking the improving trend of the previous two years (Chart 4 and Table 32). This was due primarily to a sharp slowdown in the export growth rate, coupled with the flood-induced surge in food imports. The preliminary external sector data for the early months of 1999/2000 are difficult to interpret because of the floods, which heavily influenced the 1998/99 numbers. Exports now appear to have reverted to their 1997/98 levels, after having fallen sharply in the early months of 1998/99, while nonfood imports are picking up. However, with food imports falling sharply in the wake of the recent bumper crops, the pressure on the external accounts has so far remained subdued. Official reserves had leveled off at about \$1.6 billion or the equivalent of 2.2 months of imports as of end-1999.

¹³Prepared by Jens Dalsgaard.

CHART 4. BANGLADESH
EXTERNAL SECTOR DEVELOPMENTS



Sources: Bangladesh Bank; and staff estimates.

Exports

50. **The strong growth in export receipts, which had averaged about 20 percent annually during 1994/95-1997/98, came to a sudden end in 1998/99, when the growth rate dropped below 3 percent.** The slowdown in export growth was broad-based, pointing to a significant loss of competitiveness following the sustained real effective appreciation of the taka (see below). Most importantly, the growth rate in exports of ready-made garments (RMG) and knitwear and hosiery products, which account for more than 75 percent of total exports, slowed from an average of more than 25 percent during 1994/95-1997/98 to only 6 percent in 1998/99 (Table 33). While hosiery and knitwear exports rebounded during the first four months of 1999/2000, RMG exports had barely increased from the depressed level recorded during the same period in 1998/99. Exports of other major sectors, including raw jute, tea, leather, and frozen shrimps and fish contracted significantly in 1998/99, reflecting the combined effects of declining world prices in these sectors and, in some cases, falling export volumes in the aftermath of the floods.

51. **Data on the geographical distribution of exports, which are only available through 1997/98, reflect primarily the dynamism of Bangladesh's RMG sector up to that point.** The main markets for this sector are in North America and Western Europe, which have in recent years accounted for close to 80 percent of total exports (Table 34). To some extent, the heavy concentration of exports in these markets, in which Bangladesh's access is protected by quotas or other privileges, may have served to shelter Bangladesh from the first-round effects of the East Asian crisis. At the same time, however, this concentration makes Bangladesh more vulnerable to exogenous shocks and other changes in the trade regime.¹⁴ In this context, the Bangladeshi authorities have recently initiated an export diversification program, supported by the World Bank.

Imports

52. **Import growth is estimated to have jumped from an average annual rate of about 5 percent in 1996/97-1997/98 to about 11 percent in 1998/99.** This increase mainly reflected the extraordinary need to import rice, wheat, edible oils, and other food items following the floods (Table 34). However, the increase in foodgrain imports was partially reversed after a successful boro crop in the spring of 1999. With the notable exception of imports of capital goods, which are estimated to have increased by 11 percent following the continued flow of foreign direct investment into the energy sector, imports of most other

¹⁴Bangladesh benefits from preferential treatment with respect to exports of RMG products to the United States, Canada, and the European Union. These special privileges are to expire by end-2004 and, at that point, Bangladesh will have to compete on an equal footing with other countries in world export markets.

product categories remained broadly flat or decreased during 1998/99, reflecting the weakness in domestic investment and business activity.¹⁵

53. **The geographical distribution of imports is rather diverse.** The main countries of origin of Bangladesh's imports are India (15 percent), followed by Western Europe (13 percent), China (10 percent), Japan (9 percent), Korea (7 percent), North America (6 percent), and Hong Kong SAR (6 percent).¹⁶ The combined share of Asia's other emerging economies in Bangladesh's imports was about 10 percent in 1997/98.

54. **Despite significant steps to liberalize the trade regime during the first half of the 1990s, the relative size of the external sector in Bangladesh continues to be small in an international perspective, although it is about average in a regional context.** Bangladesh's total external trade reached about 31 percent of GDP in 1998/99, an increase of about 6 percentage points from 1994/95. By comparison, total trade in India, Pakistan, Nepal, and Sri Lanka is estimated at about 22 percent, 28 percent, 47 percent and 72 percent of GDP, respectively.

The Current Account

55. **The impact of the increase in the trade deficit in 1998/99 was partially offset by an increase of about 20 percent in workers' remittances relative to the level in 1995/96–1997/98.** Remittances from the Middle East (mainly Saudi Arabia, Kuwait and the United Arab Emirates), which is traditionally the largest outlet for Bangladesh expatriate labor, increased especially strongly, as did remittances from the United States and Japan (Table 36).¹⁷ Although remittances from Malaysia declined, other countries affected by the East Asian countries have been relatively minor sources of Bangladeshi emigrants' remittances.

56. **While the share of workers' remittances in foreign exchange inflows has remained broadly constant in recent years, at a level of around 30 percent of export**

¹⁵Staff estimates of capital goods imports in 1998/99 exceed the official preliminary estimates, reflecting an adjustment to account for under-recorded FDI-related imports.

¹⁶While India's share in total imports rose significantly during the 1990s, the official data are likely to understate this share, as there is reportedly a substantial amount of unrecorded border trade. Because India's share in recorded exports has remained virtually flat at 1 percent, Bangladesh's large bilateral trade deficit vis-à-vis India is a politically sensitive issue, which is often used as an argument against further trade liberalization.

¹⁷The official estimate of workers' remittances is based entirely on information from the banking system. It is thus likely that significant transfers, which are made outside the official channels, are not included in the recorded statistics.

earnings, current official transfers have decreased both in absolute and relative terms. Total official current grants fell from an annual average level of about \$350 million or more than 8 percent of exports in 1995/96–1996/97 to well below \$300 million or no more than 5 percent of exports in 1997/98–1998/99. The reduction in the level of official grants during 1998/99 was particularly noteworthy, as it occurred in spite of the extra aid commitments secured following the floods.¹⁸ These developments may be a first sign of an increasing reluctance among donors to continue to channel large amounts of aid to Bangladesh in the face of the slow speed of economic reforms.

57. **The service balance turned negative in 1998/99 after two years of surplus (Table 37).** While receipts remained broadly constant, payments related to the increasing number of energy projects are estimated to have jumped significantly, accounting for the change in the sign of the balance.¹⁹

B. The Capital Account

58. **Capital account developments during 1994/95–1998/99 have been dominated by the continuing increase in FDI inflows.**²⁰ To a large degree this increase reflects the government's policy to attract foreign investment in the power generation and gas sectors. The disbursement of commodity loans and project aid (loans and capital grants) has remained broadly constant during 1995/96–1997/98, while the level of commodity loans rose sharply in 1998/99 following the floods (Tables 38 and 39).

59. **The surge in FDI inflows into the power and gas sectors raises important issues with respect to longer-term external sustainability, as the inflows—so far—have not had any direct impact on export prospects.** When the projects come on-stream they are expected to lead to an increase in net outflows of profits and dividends. This may put pressure on the current account and possibly on the budget, as many of the projects directly or indirectly carry a government guarantee. These risks will have to be taken into account and weighed against the benefits of the new FDI in easing production bottlenecks and consideration may need to be given to the possibility of promoting the export of natural gas.

¹⁸While the disbursement of total grants, including project-related capital grants, rose in 1998/99, this reflected mainly the increase in food-related aid (Table 38).

¹⁹According to staff estimates, service payments associated with past FDI are significantly higher than the preliminary official estimate.

²⁰The FDI estimated by staff for 1998/99 is significantly higher than the official preliminary estimate. The official estimate only partially covers FDI in the power sector, as the surveys conducted by the authorities suffer from a low response ratio.

60. **In spite of the increasing foreign debt stock, amortization payments have remained broadly constant in recent years, owing to the typically long grace and repayment periods on concessional debt.** The item "other short term capital, including trade credits" in the balance of payments is defined by the authorities as the difference between the export estimates derived from payments statistics from the banking system and estimates based on information from the Export Promotion Bureau. In addition to trade credits, the item also covers capital flight and a number of known inconsistencies between the two sets of statistics. The authorities are working to eliminate these inconsistencies which include some double counting with respect to the treatment of trade transactions by Export Processing Zones (EPZs) and the treatment of some private amortization payments which are not channeled through the domestic banking system. "Other short-term capital" outflows have in recent years been larger than the total current account deficit, highlighting the remaining weaknesses in balance of payments statistics, which make it difficult to draw meaningful interpretations of the recent developments with any degree of accuracy.

61. **The overall balance of payments turned negative in 1998/99, as the improvement in the capital account was not sufficient to reverse the worsening of the current account.** Official reserves, therefore, declined by some \$200 million, to around \$1.5 billion at the end of the fiscal year, or the equivalent of 2.1 months of imports. With the need for food imports abating, reserves recovered somewhat in subsequent months, but the recovery was arrested as nonfood imports began to pick up, while exports remained weak. As of end-1999, official reserves had leveled off at about \$1.6 billion.

C. Foreign Debt

62. **As a result of the strict capital account restrictions and the poor creditworthiness of most private enterprises, the private sector has in the past accumulated only limited foreign debt (Box 3).** The foreign debt of Bangladesh is accordingly almost entirely public (or publicly guaranteed), with private debt estimated at around 5 percent of the total debt (Table 40). As of mid-1998, most of the existing debt stock carried long maturities and concessional interest rates, with more than two-thirds of the debt owed to multilateral institutions, including the World Bank and the Asian Development Bank, which accounted for 43 percent and 25 percent of the total debt, respectively. The bulk of the remaining debt was from official bilateral donors, mainly Japan (which accounted for 20 percent of total debt). As Bangladesh's past loans from the Fund under the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF) have been progressively repaid, total debt to the Fund has decreased steadily both in absolute and relative terms over the last few years, and it now constitutes only about 2 percent of the total external debt.

63. **The external debt to GDP ratio has decreased steadily over the last few years from more than 45 percent in 1993/94 to about 35 percent in 1998/99.** This decrease has been a result of the steady growth of nominal GDP, coupled with the restrained pace of expansion of new external borrowing. Valuation adjustments stemming from changes in the cross-exchange rates between the major currencies in which the bulk of the debt is

denominated have also influenced Bangladesh's short-term debt dynamics in recent years. In particular, the depreciation of the Japanese yen relative to the U.S. dollar from mid-1997 to mid-1998 was a main factor behind the recorded decline in the total external debt measured in US dollars during this period.²¹ That decline was largely reversed in 1998/99, as the value of the yen recovered strongly. While the external debt of Bangladesh is moderate when measured in relation to GDP and, based on the current level and trends, the debt situation would be classified as sustainable, the low diversification of the Bangladeshi export sector and the country's almost complete dependence on official donor support make the external sector vulnerable to shocks. Debt servicing could accordingly become a problem under adverse circumstances, especially if the new opportunities available for FDI lead to less prudent external debt management policies in the period ahead.

Box 3. Bangladesh: External Debt Management

Bangladesh has consistently remained current on its external debt obligations. The Economic Relations Department (ERD) under the Ministry of Finance has managed the external public debt of Bangladesh (both direct and publicly guaranteed) for a number of years within a framework of an internationally used debt management software provided by UNCTAD. However, the benefits of this software have not yet been fully reaped, as evidenced by the fact that the authorities have not yet been able to compile external debt statistics for end-1998/99. Specifically, difficulties have been faced in entering debt to multilateral agencies into the database. Also the exchange of information on debt service payments with Bangladesh Bank needs to be streamlined. UNCTAD has initiated a project, with financial support from Norway, to address these problems.

Private external debt has not been monitored as closely as public debt in the past, largely because there was no significant amount of borrowing abroad by Bangladeshi enterprises. However, the ongoing boom in FDI and related inflows, together with the associated future servicing obligations, have recently highlighted the need to improve the availability and quality of data on private external debt. To that end, a monitoring system was recently established under the jurisdiction of the Board of Investment's Scrutiny Committee, on which Bangladesh Bank is also represented. During the first nine months of 1999, that Committee approved \$450 million of new private sector external loans. Technical assistance to help improve the compilation and monitoring of private sector external debt is being provided by the Asian Development Bank.

²¹As of mid-1998, 36 percent of Bangladesh's external debt was denominated in SDRs, 34 percent was denominated in Japanese yen, 19 percent in US dollars, and 11 percent in other (mainly European) currencies.

D. The Exchange Rate System

64. **The taka is pegged to a basket of Bangladesh's major trading partners' currencies.** The reference currency in day-to-day exchange rate management is the U.S. dollar.²² The Bangladeshi authorities have followed a policy of gradual, stepwise depreciations in the taka/U.S. dollar rate since mid-1995. The taka has accordingly been adjusted (devalued) more than 20 times since then. The typical rate of each adjustment has been on the order of 1-2 percent, with a frequency of about 2-3 devaluations per year. During 1999, the taka was devalued by 2 percent vis-à-vis the U.S. dollar in July 1999 and by another 3 percent in November (Chart 5).

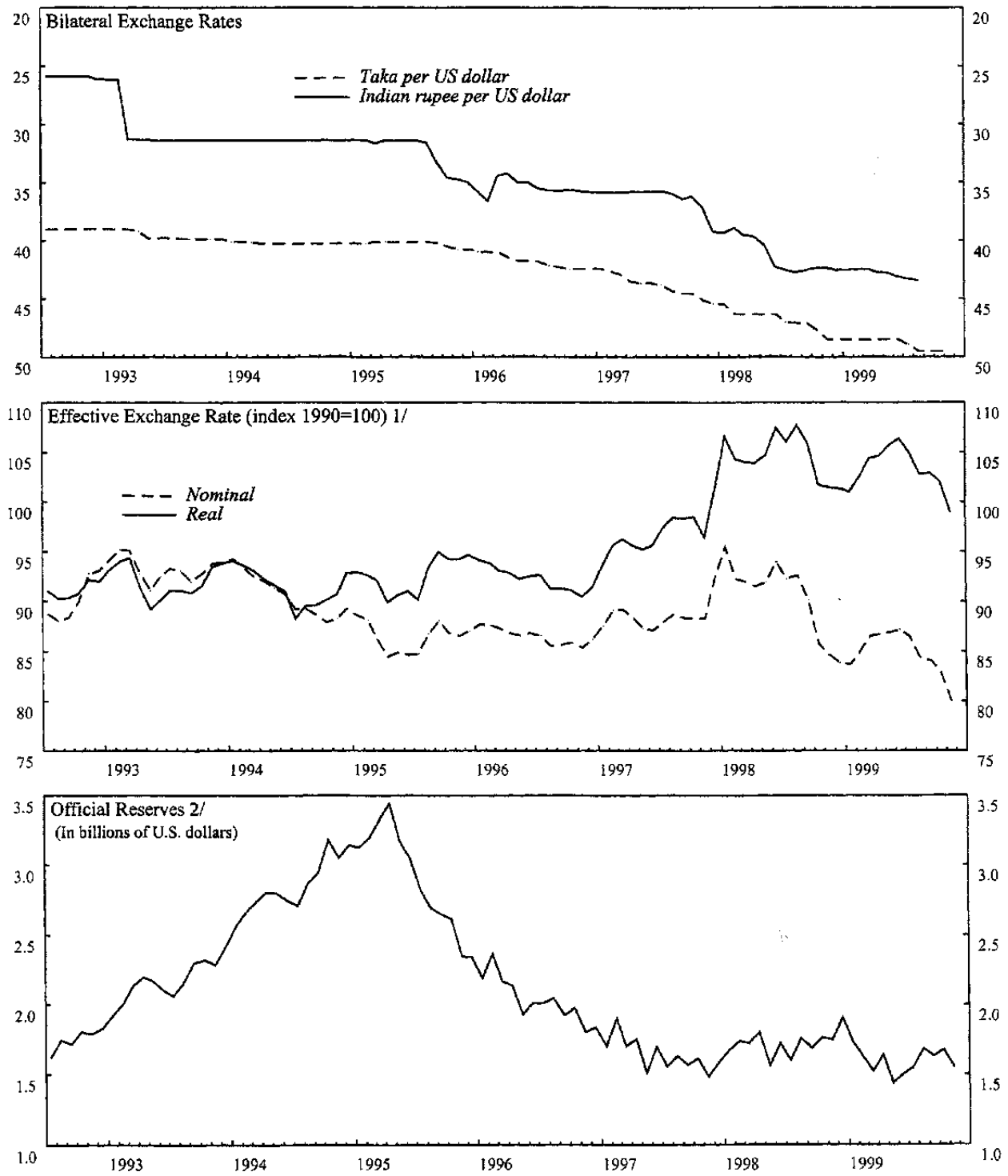
65. **The real effective exchange rate (REER) of the taka, after having remained broadly stable in 1995-96, appreciated by more than 10 percent in 1997-98.** This reflected the combined effects of the sharp depreciation of key competitor country currencies in the wake of the East Asian crisis, together with a pickup in the rate of inflation in Bangladesh relative to partner countries. The REER continued to appreciate through the middle of 1999. However, the rapid decline in domestic inflation, together with the two adjustments of the taka in July and November 1999 against the background of a sustained recovery of East Asian currencies, are estimated to have since helped more than reverse the appreciation in the REER that had occurred in the first half of 1999. Even so, as of end-1999, the REER remained at a level significantly above that prevailing in 1995-96.

66. **Bangladesh accepted the obligations under Article VIII, Sections 2, 3, and 4 in 1994 and has since then maintained full convertibility of the current account.** In recent years, a number of bilateral payment arrangements have been phased out and none are now active.

67. **Steps have also been taken to liberalize some capital account transactions in recent years.** There are now no restrictions on the repatriation of proceeds from the sale of equity along with capital gains, profits and dividends from FDI (in the industrial sector), as long as the FDI has been registered with the Board of Investment (BOI). Similarly, inflows and disinvestment outflows of nonresidents' portfolio investments are freely permitted. However, non-residents are not allowed to buy money market instruments or treasury bills. Likewise, residents' portfolio investments abroad are not allowed, while outward direct investments are permitted only on a case-by-case basis. Short-term borrowing abroad by residents is only allowed for export purposes and requires a special permission by Bangladesh Bank, whereas long-term loans need approval by the BOI and can be only for

²²Since 1996, Bangladesh Bank has been trading with authorized dealers in U.S. dollars only. Bangladesh Bank is not active in the foreign exchange forward market.

CHART 5. BANGLADESH
EXCHANGE RATES AND OFFICIAL RESERVES



Sources: Data provided by the Bangladesh authorities; IMF, Information Notice System and International Financial Statistics.

1/ Downward movement indicates depreciation.

2/ Total official reserves minus gold.

industrial purposes.²³ Also banks' borrowing abroad requires special prior approval by Bangladesh Bank. Finally, residents are required to repatriate export proceeds and other earnings from abroad.

E. The Trade System

68. **The gradual liberalization of trade in Bangladesh, which was initiated in the mid-1980s, gained momentum under the Fund-supported ESAF program in the early 1990s, but progress has slowed down considerably since then.** Compared to the starting point in the 1980s, the liberalization has been significant with the elimination of a large number of quantitative restrictions, and a substantial reduction in maximum and average tariff rates.²⁴ However, the effective protection of import competing domestic industries still remains substantial due to low or zero tariff rates on raw materials and intermediate goods. According to World Bank estimates, the average nominal protection rate has remained 5–7 percentage points higher than the average unweighted tariff rate.

69. **Under the 1999/2000 budget, the structure of tariff rates has continued to be simplified, and the average tariff rate declined further, albeit in an uneven fashion.** The maximum tariff rate was lowered from 40 percent in 1998/99 to 37½ percent (excluding a 2½ percent infrastructure development surcharge) in 1999/2000, and the number of bands was reduced from 6 (0, 7½, 15, 25, 30, and 40 percent) to 5 (0, 5, 15, 25, and 37½ percent). At the same time, the duty rate on commodities previously subject to a rate of 30 percent was lowered to 25 percent, while the rate on raw materials was reduced from 7½ to 5 percent. In addition, the infrastructure development surcharge was withdrawn for imports of some fertilizers, agricultural machinery, and key raw materials for the leather and textile industries. A number of new import duty exemptions were also granted under the 1999/2000 budget, including for imports of machinery and spare parts for the textile industry and capital equipment used in the tourism industry, and customs duties (previously set at 7½ percent) were abolished for imported wood and certain types of machinery and pumps. By contrast, customs duties were raised on a number of goods, including raw silk yarn, certain polythenes, paper pulp, most books, retail packing and bulk import of bottled dry health drinks, and treated wood pole.

70. **While tariff rates have remained on a broadly declining trend in recent years, tariff dispersion increased markedly.** The average unweighted tariff rate (including the infrastructure development surcharge) is estimated to have fallen by about 4 percentage

²³During 1999, some applications for short-term foreign loans were denied because the loans were intended for real estate purchases.

²⁴The trade regime in the mid-1980s was extremely restrictive and was characterized by pervasive quantitative restrictions and prohibitively high import tariffs on many consumer goods.

points, to a level of about 19 percent in 1999/2000. The weighted average tariff rate was estimated to be about 16½ percent as of 1998/99. While this was significantly lower than the corresponding rate (24 percent) in 1991/92, it was only marginally lower than the rate reached in 1995/96 (17 percent). Moreover, reflecting the policy of systematically reducing tariff rates and/or granting new exemptions for raw materials and intermediate inputs for import-competing industries, tariff dispersion, after having fluctuated in a narrow range around 70 percent since 1991/92, is estimated to have risen to more than 80 percent in 1999/2000.

71. **Nontariff trade barriers continue to include a number of import bans and quantitative restrictions.** Trade-related bans remain in effect on imports of chicken, salt, sugar (except in the case of imports by the state monopoly), cartons, petroleum products (by other than the state monopoly) and a number of textile items. A number of other import bans are in place for national security, environmental, health and religious reasons. These include bans on imports of firearms, narcotics, certain insecticides, and live pigs. An additional list of other products are subject to import quotas and require a special permit to import. These include cement, certain fertilizers, coal, and a number of textiles and knitted fabrics. All items that are not banned or subject to quantitative restrictions can be freely imported by registered importers.

72. **All registered importers have to pay an annual registration fee of Tk 500–5,000 (\$10–100), depending on turnover and a permit fee of 2½ percent associated with Letter of Credit Authorizations (LCAs) above a threshold.** Certain exemptions to these fees exist. Furthermore, an infrastructure development surcharge of 2 ½ percent was introduced in 1997/98. An additional temporary surcharge, which was introduced after the floods in 1998, has since been removed.

73. **There are relatively fewer restrictions on exports, but some export bans do exist.** Exports of a number of petroleum products are thus prohibited (except in the case of exports by foreign firms operating on production sharing contracts) as are exports of some agricultural/food products (oil, jute and sun hemp seeds, molasses, cane in whole form, wheat, rice bran, edible oil, onions, some saline water shrimps, and unfrozen and unprocessed prawns and shrimps).²⁵ There is also a ban on exports of bamboo, wood logs, raw hides, and wet blue leather. Finally, nontrade-related bans are in effect on exports of firearms, fissionable material, rare archeological items, human skeletons, and materials

²⁵The possibility of exporting natural gas is a politically controversial issue. Some arguments against exports of gas are based on projections of future domestic demand suggesting a very strong increase in domestic energy consumption, which could exhaust proven reserves in a relatively short period of time. However, another important factor may be that geographical considerations could imply that India would be the country most likely to show interest in importing large amounts of natural gas from Bangladesh, implying an increasing dependence of the Bangladeshi economy on developments in India.

produced from human blood. Exports of a number of products require special permits, which are granted on a case-by-case basis.²⁶

74. **A number of EPZs have been established in recent years in Bangladesh.** Imports to and exports from these zones are exempt from all tariffs and income taxes (for up to 10 years). The EPZs' share in foreign trade has increased during the last few years, rising from about 8 percent of total exports in 1996/97 to about 11 percent in 1998/99, and the EPZs' trade balance has shifted from a deficit into a surplus. Fully export-oriented enterprises outside the EPZs are treated as if they were established in an EPZ and enjoy the same tax advantages.

75. **An increasing number of direct and indirect export subsidies have been introduced in recent years.** These include a 50 percent tax rebate on export earnings, duty drawback schemes, which over-compensate exporters, and a 10 percent export subsidy on the value of jute exports. Enterprises in the leather industry exporting at least 80 percent of their production are treated as fully export-oriented as are other industries exporting at least 80 percent of their production. Airfreight at subsidized rates is also made available to export industries. The 1999/2000 budget introduced a number of new export subsidies, including for the leather industry, exports of quilts and fresh and artificial flowers.

76. **Based on the IMF's standardized index to measure trade restrictiveness, Bangladesh presently scores 6 on a scale of 1 to 10, with 10 being the most restrictive.** Both tariff rates and the extent of nontariff barriers are classified as "moderate" according to this classification. The present score is down from 10 in 1991/92, from 8 during 1992/93–1993/94 and from 7 during 1995/96–1998/99. The index accordingly confirms that there has been a slowdown in the pace of trade liberalization since the mid-1990s. Furthermore, the trade restrictiveness index would probably be higher, if the asymmetric application of VAT and supplementary duties on imported and domestically produced goods and the LCA fee were taken into account. In a regional context, the trade restrictiveness index for Bangladesh remains relatively high. Thus, while it is lower than in India (10) and around the same as in Pakistan (7), it remains higher than in Malaysia (5), Korea (4), Indonesia (4), and Nepal (2).

²⁶In order to comply with RMG import quotas of the United States and Canada, the quotas are distributed to domestic producers according to a fixed schedule.

Table 1. Bangladesh: Gross Domestic Product at Current Prices, 1994/95-1998/99 1/

	1994/95	1995/96	1996/97	1997/98	Prov. 1998/99
	(In billions of taka)				
Agriculture and Forestry	307	322	337	358	400
Crops and horticulture	216	225	234	247	279
Animal farming	62	66	70	74	80
Forest and related services	29	31	34	37	42
Fishing	68	76	80	85	96
Mining and Quarrying	16	18	19	20	21
Natural gas and crude petroleum	9	10	10	10	10
Other mining and quarrying	7	8	9	9	10
Manufacturing	253	277	303	351	347
Large and medium scale	186	204	219	253	247
Small scale	67	74	84	99	100
Electricity, Gas and Water	23	25	27	28	29
Electricity	20	22	23	24	25
Gas	2	2	3	3	3
Water	1	1	1	1	1
Construction	104	117	126	142	158
Wholesale and Retail Trade	221	242	259	284	307
Hotel and Restaurants	9	10	10	11	13
Transport, Storage and Communication	162	172	184	195	206
Land transport	104	111	119	128	137
Water transport	41	42	94	45	45
Air transport	2	3	2	3	3
Support transport services, storage	5	5	5	5	6
Post and telecommunications	10	11	14	14	15
Financial Intermediation	21	24	26	28	31
Bank	18	20	21	22	23
Insurance	3	4	5	6	7
Others	...	...	...	...	1
Real Estate, Renting and Business Activities	131	151	163	176	195
Public Administration and Defence	33	36	40	44	50
Education	23	25	27	32	35
Health and Social Works	16	17	19	20	22
Community, Social and Personal Services	124	136	146	162	174
GDP at current market price	1,512	1,648	1,765	1,938	2,081

Source: Bangladesh Bureau of Statistics

1/ Data based on 1989/90 benchmark and prices.

Table 2. Bangladesh: Sectoral Growth Rates at Constant Prices, 1994/95-1998/99 1/

	1994/95	1995/96	1996/97	1997/98	Prov. 1998/99
	(Annual percent change)				
Agriculture and Forestry	-1.6	2.6	5.7	1.9	2.8
Crops and horticulture	-3.6	2.1	6.2	1.0	2.0
Animal farming	4.1	4.2	4.3	4.3	1.4
Forest and related services	3.1	3.6	1.0	1.5	5.2
Fishing	6.1	7.8	8.6	8.7	8.6
Mining and Quarrying	10.5	8.5	1.8	1.3	1.6
Natural gas and crude petroleum	9.9	7.4	-0.9	1.8	-2.4
Other mining and quarrying	11.7	10.2	6.7	3.2	8.5
Manufacturing	10.4	6.4	6.2	9.2	1.6
Large and medium scale	11.1	5.2	5.1	9.2	1.9
Small scale	8.5	8.5	8.4	8.4	0.8
Electricity, Gas and Water	5.2	6.4	3.2	2.7	6.3
Electricity	5.2	6.3	2.0	0.8	6.8
Gas	7.5	7.7	11.6	19.0	0.2
Water	2.2	6.8	20.4	15.5	10.3
Construction	10.8	7.9	5.4	8.0	8.1
Wholesale and Retail Trade	14.3	4.8	6.2	5.4	5.0
Hotel and Restaurants	5.0	5.0	5.0	5.0	5.5
Transport, Storage and Communication	5.2	4.9	5.6	1.3	6.2
Land transport	5.7	5.6	5.1	5.9	8.4
Water transport	1.3	0.2	3.0	0.8	-0.3
Air transport	-8.5	6.2	-8.0	7.7	1.2
Support transport services, storage	17.2	10.9	-2.4	0.0	9.0
Post and telecommunications	19.0	14.6	26.1	1.6	7.5
Financial Intermediation	5.1	4.9	5.2	5.0	5.1
Bank	2.7	1.1	2.3	3.0	2.4
Insurance	22.5	27.6	19.1	13.2	10.8
Real Estate, Renting and Business Activiti	3.3	3.5	3.6	3.7	3.6
Public Administration and Defence	4.5	3.1	5.2	5.6	5.1
Education	4.9	3.4	1.7	11.6	4.7
Health and Social Works	3.1	3.0	3.1	3.4	2.2
Community, Socialy and Personal Service	3.0	3.0	3.0	3.0	3.1
GDP at constant market price	5.9	4.6	5.4	5.2	4.2

Source: Bangladesh Bureau of Statistics.

1/ Data based on 1989/90 benchmark and prices.

Table 3. Bangladesh: Gross Domestic Product by Expenditure at Current Prices, 1994/95-1998/99 1/

	1994/95	1995/96	1996/97	1997/98	1998/99 Est.
	(in billions of taka)				
Consumption	1,329	1,461	1,598	1,788	1,979
Public	69	73	80	95	102
Private	1,260	1,389	1,518	1,693	1,877
Gross fixed capital formation 1/	313	343	371	427	462
Public 1/	113	105	116	120	130
Private	200	237	255	307	332
Domestic demand	1,642	1,804	1,969	2,215	2,441
Net exports	-99	-127	-109	-99	-119
Exports of goods and nfs.	166	184	217	267	291
Imports of goods and nfs.	265	311	326	366	410
Gross domestic expenditure (GDE)	1,444	1,677	1,860	2,116	2,322
GDP at market prices	1,512	1,648	1,765	1,939	2,095
Statistical discrepancy	68	-29	-95	-177	-227
Net factor income from abroad	56	60	71	74	88
Gross national product	1,500	1,737	1,931	2,190	2,410
Official current transfers	36	28	31	22	25
Gross natl. disposable income	1,536	1,765	1,962	2,212	2,435
National saving	207	304	364	424	456
Gross domestic saving 2/	115	216	262	328	343
Gross domestic saving 3/	183	187	167	151	116
Foreign saving 4/	-106	-39	-7	-3	-6
	(in percent of GDP)				
Consumption	87.9	88.6	90.5	92.2	94.5
Public	4.6	4.4	4.5	4.9	4.9
Private	83.3	84.2	86.0	87.3	89.6
Gross fixed capital formation 1/	20.7	20.8	21.0	22.0	22.0
Public 1/	7.5	6.4	6.6	6.2	6.2
Private	13.2	14.4	14.4	15.8	15.8
Domestic demand	108.6	109.4	111.6	114.2	116.5
Net exports	-6.5	-7.7	-6.2	-5.1	-5.7
Exports of goods and nfs.	11.0	11.2	12.3	13.8	13.9
Imports of goods and nfs.	17.5	18.9	18.4	18.9	19.6
Statistical discrepancy	4.5	-1.7	-5.4	-9.1	-10.8
GDP at market prices	100.0	100.0	100.0	100.0	100.0
Memorandum items:					
National saving	13.7	18.4	20.6	21.9	21.8
Gross domestic saving 2/	7.6	13.1	14.8	16.9	16.4
Gross domestic saving 3/	12.1	11.4	9.5	7.8	5.5
Foreign saving 4/	-7.0	-2.4	-0.4	-0.2	-0.3

Sources: Bangladesh Bureau of Statistics; and Fund staff estimates.

1/ Data based on 1989/90 benchmark and prices; public investment estimates based on estimates for ADP and non-ADP capital expenditure as reflected in the central government's accounts.

2/ GDE minus consumption.

3/ GDP minus consumption.

4/ National saving minus gross investment.

Table 4. Bangladesh: Agricultural Production, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	Prov. 1998/99
(In millions of metric tons; unless otherwise indicated)					
Foodgrain	18.1	19.1	20.4	20.5	21.3
Rice	16.8	17.7	18.9	18.8	19.3
Aus	1.8	1.7	1.9	1.9	1.6 1/
Aman	8.5	8.8	9.5	8.8	7.7 1/
Boro	6.5	7.2	7.5	8.1	10.0
Wheat	1.3	1.4	1.5	1.8	2.0
Jute (million bales)	5.2	4.1	4.9	5.8	4.5 1/
Tea (million kilograms)	51.7	47.7	53.0	51.0	...
Cotton ('000 bales)	69.8	75.9	95.8	100.0	...
Oilseed	0.5	0.5	0.4	0.5	...
Pulses	0.5	0.5	0.5	0.5	...
Potatoes	1.9	1.9	1.9	1.9	2.0
Tobacco ('000 metric tons)	37.8	39.4	38.0	37.0	...
Sugarcane	7.5	7.2	7.5	7.4	...
Fruits	1.6	1.6	1.5	1.6	...
Vegetables	1.3	1.2	1.2	1.4	...
(In millions of acres)					
Area under cultivation	33.2	33.4	33.9	34.0	...
Foodgrain	25.5	26.3	27.4	27.4	...
Rice	24.0	24.6	25.6	25.4	...
Aus	14.2	3.8	3.9	3.9	3.5
Aman	13.9	14.0	14.3	14.5	1.8
Boro	6.1	6.8	7.4	7.0	...
Wheat	1.6	1.7	1.8	2.0	...
Jute	1.4	1.1	1.3	1.4	1.2
Other	...	6.0	5.2	5.2	...
(In thousands; end of period)					
Operating irrigation equipment					
Deep tubewells	26.7	27.1	25.2	25.0	...
Shallow tubewells	488.9	576.2	629.8	689.6	...
Low-lift pumps	57.1	60.6	62.9	64.2	...

Sources: Bangladesh Bureau of Statistics, Ministry of Agriculture, and Ministry of Food.

1/ Indicates final estimates.

Table 5. Bangladesh: Jute Goods Statistics, 1994/95-1998/99

	1994/95	1995/96	1996/97	Est. 1997/98	Prel. Est. 1998/99
(In thousands of metric tons)					
Total availability	607.8	555.0	549.0	611.0	651.0
Initial stock	77.3	37.0	29.0	51.0	141.0
Production	530.5	518.0	520.0	560.0	510.0
Domestic use	74.4	82.0	90.0	100.0	87.0
Exports 1/	480.6	444.0	407.0	370.0	433.0
Hessian	112.5	98.0	79.0	70.0	105.8
Sacking	188.2	162.0	153.0	140.0	137.7
Carpet backing	48.3	54.0	33.0	30.0	25.6
Other	131.6	130.0	142.0	130.0	163.9
Adjustments	16.2	0.0	0.0	0.0	-38.0
Closing stock	37.0	29.0	51.0	141.0	93.0
(In U.S. dollars per metric ton)					
Memorandum item:					
Export prices					
Hessian	658	825.2	873.0	710.0	626.0
Sacking	395	466.2	581.0	545.0	409.0
Carpet backing	710	809.4	806.0	750.0	715.0

Sources: Prices provided by the Bangladesh Jute Mills Corporation; and other data provided by the Ministry of Jute.

1/ Figures shown do not correspond to balance of payments data; some private mills' production of jute yarns and tine is not included.

Table 6. Bangladesh: Public Food Distribution, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	Prel. 1998/99
(In thousands of metric tons)					
Opening stocks	542	772	933	861	629
Rice	238	378	613	395	351
Wheat	304	394	320	466	278
Domestic procurement	276	422	616	617	752
Rice	246	353	513	399	495
Wheat	30	69	103	218	257
Imports	1,555	1577	730	796	1,996
Rice	230	488	19	92	393
Aid imports	0.0	1	10	0	59
Commercial imports	230	487	9	92	334
Wheat	1,325	1089	711	704	1,603
Aid imports	935	737	608	549	1,174
Commercial imports	390	352	103	155	429
Offtake	1,573	1794	1392	1,621	2,134
Rice	329	593	739	529	530
Ration sales	107	119	121	125	142
Food-for-Work	7	1.0	127.0	3.0	8
Food for education	6	4.0	210.0	71.0	60
VGD, VGF, & relief	53	65	281	167	318
Open market sales	156	404	0	163	2
Wheat	1,244	1,201	653	1,092	1,604
Ration sales	143	114	68	102	109
Food-for-work	492	468	111	466	690
Food for education	168	237.0	332.0	270.0	227
VGD, VGF, & relief	337	372	92	247	571
Flour mills	33	10	50	8	7
Open market sales	70	0	0	0	0
Losses	28	44	26	24	46
Rice	7	13	11	6	14
Wheat	21	31	15	18	31
Closing stocks	772	933	861	629	1,198
Rice	378	613	395	351	695
Wheat	394	320	466	278	503

Source: Ministry of Food.

Table 7. Bangladesh: Fertilizer Statistics, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99
(In thousands of metric tons)					
Total availability	3,197	2,840	2,708	2,319	2,286
Opening stock	407	191	277	130	452
Domestic production	2,140	2,241	1,985	1,883	1,607
Imports	650	408	446	306	227
Sales	3,006	2,563	2,578	1,867	1,898
Local	2,564	2,165	2,234	1,867	1,874
Exports	442	398	344	0	24
Closing stock	191	277	130	452	388
(In taka per metric ton)					
Domestic wholesale prices					
Urea	3,725	3,725	4,800	4,800	4,800
Single super phosphate	3,600	3,600	3,600	3,900	3,900
Triple superphosphate	6,860	6,860	6,860	8,500	8,500

Sources: Bangladesh Chemical Industries Corporation (BCIC), Bangladesh Agricultural Development Corporation (BADC).

Table 8. Bangladesh: Manufacturing Production by Main Categories, 1994/95-1998/99 1/

	Weights	1994/95	1995/96	1996/97	1997/98	Prov. 1998/99
(Volume Index; 1988/89 = 100)						
Overall	100.0	163.3	173.5	179.3	195.9	199.6
Food, beverages, and tobacco	22.1	172.1	164.6	162.6	170.7	171.2
Jute, textiles, and leather	38.2	159.2	180.3	195.7	222.3	240.6
<i>Of which</i>						
Garments	9.4	281.0	440.0	507.2	667.1	699.6
Wood products	0.2	129.7	137.3	150.6	158.4	178.5
Paper and paper products	4.7	242.1	259.8	258.6	259.9	294.3
Chemicals, fertilizer, petroleum, and rubber	24.0	168.9	182.4	178.8	183.2	173.8
Nonmetallic products	2.8	96.9	113.7	141.4	149.9	152.3
Basic metal products	2.1	182.9	159.2	172.6	186.4	160.4
Fabricated metal products	5.9	100.0	20.8	95.8	102.7	104.5
(Annual percent change)						
Overall	100.0	6.1	6.2	3.3	9.3	1.9
Food, beverages, and tobacco	22.1	13.8	-4.4	-1.2	5.0	0.3
Jute, textiles, and leather	38.2	-0.7	13.2	8.5	17.2	4.9
<i>Of which</i>						
Garments	9.1	2.7	56.6	15.3	31.5	4.9
Wood products	0.2	10.2	5.8	9.7	5.2	12.7
Paper and paper products	4.7	13.3	7.3	-0.5	0.5	13.2
Chemicals, fertilizer, petroleum, and rubber	24.0	5.4	8.0	-2.0	2.5	-5.1
Nonmetallic products	2.8	-8.0	17.3	24.4	6.0	1.6
Basic metal products	2.1	66.5	-13.0	8.4	8.0	-13.9
Fabricated metal products	5.9	12.2	-9.2	5.5	7.2	1.7

Source: Bangladesh Bureau of Statistics.

1/ Excluding mining and electricity.

Table 9. Bangladesh: Energy Statistics, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	Prov. 1998/99
(In thousands of metric tons)					
Petroleum products					
Imports	1,115	1,508	1,644	1,422	2,222
Domestically refined	1,371	1,160	1,300	1,426	973
Consumption	2,416	2,484	2,834	2,578	3,000
Exports and change in stocks	70	184	140	270	195
(In millions of cubic feet)					
Natural gas					
Production	247,413	265,565	260,990	282,007	307,476
Consumption	233,817	252,887	244,609	265,432	291,042
Power	107,462	110,898	110,820	123,551	140,817
Fertilizer	80,411	90,978	77,834	80,074	82,707
Industry	24,155	27,305	28,678	32,315	35,793
Commercial	3,708	2,997	4,494	4,607	4,705
Domestic	18,081	20,709	22,843	24,885	27,020
System losses	13,596	12,629	16,381	16,575	16,434
(In millions of kilowatt hours)					
Electricity					
Generation	10,806	11,474	11,858	12,882	13,872
Of which					
Based on natural gas	9,512	9,994	10,021	10,896	12,278
System losses	2,435	2,478	2,411	2,492	...

Source: Data provided by the Bangladesh authorities, PDB, BOGMC and BPC.

Table 10. Bangladesh: Retail Prices of Petroleum Products, 1994/95-1998/99
(End of period)

	1994/95	1995/96	1996/97	1997/98	1998/99	December 1999
	(In taka per liter)					
Premium gasoline	14.65	14.65	14.65	23.00	23.00	23.00
Regular gasoline	13.70	13.70	13.70	21.00	21.00	21.00
Kerosene	12.70	12.70	12.70	12.95	12.95	12.95
Diesel oil	12.70	12.70	12.70	12.95	12.95	12.95
Fuel oil	4.51	4.51	4.51	5.0	5.0	5.0
Jet oil	16.62	16.62	16.62	16.62	16.62	16.62
	(In U.S. dollar per gallon)					
Premium gasoline	1.38	1.33	1.27	1.85	1.79	1.71
Regular gasoline	1.29	1.24	1.19	1.68	1.63	1.56
Kerosene	1.20	1.15	1.10	1.03	1.01	0.96
Diesel oil	1.20	1.15	1.10	1.03	1.01	0.96
Fuel oil	0.43	0.41	0.39	0.41	0.39	0.37
Jet oil	1.57	1.51	1.44	1.32	1.29	1.24
Memorandum:						
Average crude price (US\$/barrel)	17.20	17.76	20.90	12.48	12.61	24.16 1/

Source: Bangladesh Petroleum Corporation; and staff estimates.

1/ As of November 1999.

Table 11. Bangladesh: Consumer Price Index, National
(1985/86=100)
(Percent changes)

Period	General	Food beverages & tobacco	Non-food	Of which:						
				Clothing & footwear	Gross rent fuel & lighting	Furniture furnishing household equipments & operation	Medical care and health expenses	Transport and communi- cations	Recreation enter- tainment, education & cultural services	Misc. goods & services
	100.00	64.47	35.53	5.90	14.98	2.61	1.39	3.32	3.04	4.29
Annual average percentage changes										
1991/92	4.57	4.18	5.28	3.08	6.19	4.16	7.64	1.86	8.54	5.34
1992/93	2.74	1.86	4.33	3.50	5.14	3.02	6.12	1.25	5.62	4.45
1993/94	3.29	2.95	3.89	1.58	4.60	2.27	4.26	2.27	5.77	4.98
1994/95	8.86	9.25	8.17	1.87	11.37	2.25	4.49	10.48	10.08	5.67
1995/96	6.57	6.99	5.82	4.52	7.31	5.16	2.64	1.36	10.37	3.91
1996/97	2.63	1.44	4.74	4.66	5.30	6.26	1.14	3.02	5.70	4.14
1997/98	6.98	7.13	6.71	4.57	6.30	9.80	4.76	5.84	6.84	10.49
1998/99	8.97	11.76	4.13	3.98	4.18	3.32	6.75	1.41	7.11	3.25
End of period percentage changes										
<u>1996/97</u>										
Jul	3.60	2.96	4.76	5.95	4.16	8.81	0.30	4.27	6.56	4.32
Aug	2.27	1.18	4.23	5.19	4.01	6.90	0.30	4.96	4.34	3.51
Sept	1.65	0.17	4.34	4.89	4.63	5.64	0.29	4.08	5.18	3.11
Oct	0.57	-1.37	4.11	4.76	4.30	5.14	-0.03	2.10	6.14	3.92
Nov	0.24	-1.81	4.02	4.51	4.18	5.59	-0.03	1.25	6.14	4.35
Dec	0.56	-0.83	3.05	-0.88	4.55	2.24	-0.20	0.14	6.27	3.77
Jan	2.50	1.42	4.39	5.32	4.93	6.27	0.89	2.65	5.05	2.77
Feb	3.05	2.05	4.83	5.53	5.42	6.92	1.18	3.35	5.33	3.09
Mar	3.56	2.83	4.83	4.94	5.43	6.41	1.77	3.63	5.61	3.21
Apl	3.38	1.97	5.90	5.36	6.93	6.64	2.99	3.04	6.78	5.26
May	4.69	3.77	6.30	5.24	7.52	7.29	3.29	3.59	6.62	5.76
June	5.54	5.21	6.11	5.44	7.43	7.46	2.98	3.29	4.45	6.53
<u>1997/98</u>										
Jul	5.90	5.12	7.28	5.50	7.95	8.32	2.97	5.60	7.83	9.04
Aug	6.67	6.17	7.55	5.36	7.97	10.69	3.55	5.14	7.77	10.44
Sept	7.02	6.69	7.59	4.56	7.84	11.58	4.43	5.81	6.43	11.97
Oct	7.62	7.78	7.32	4.34	7.12	11.56	5.23	7.41	5.37	11.81
Nov	5.53	4.58	7.17	4.32	7.06	10.82	5.23	7.41	5.37	11.16
Dec	5.87	5.26	6.94	4.31	6.50	10.31	5.23	7.41	5.36	11.51
Jan	7.10	7.28	6.78	4.72	6.33	9.82	4.10	6.38	5.88	11.56
Feb	8.12	9.17	6.33	4.39	5.77	9.26	4.08	5.81	5.46	11.35
Mar	7.75	8.45	6.55	4.48	5.76	9.46	5.23	5.80	6.64	11.58
Apl	7.80	8.97	5.78	4.45	4.59	9.23	5.52	5.09	7.41	9.25
May	7.37	8.46	5.49	4.45	4.15	8.71	5.51	4.53	8.06	8.60
June	6.94	7.57	5.84	4.00	4.91	8.00	5.94	3.84	10.58	7.81
<u>1998/99</u>										
Jul	6.68	7.96	4.48	3.75	4.38	3.63	7.78	1.68	7.78	4.38
Aug	7.78	9.76	4.32	3.53	4.54	3.82	7.14	1.03	7.72	3.42
Sept	8.35	10.79	4.11	3.63	4.53	3.00	6.04	0.51	8.23	2.47
Oct	9.27	12.17	4.21	3.92	4.56	3.38	6.18	0.64	8.04	2.69
Nov	12.45	17.34	4.17	4.14	4.18	3.38	6.46	0.77	8.29	3.04
Dec	12.67	17.59	4.34	4.44	4.32	3.78	7.02	0.89	8.40	3.03
Jan	10.09	13.57	4.10	3.80	4.06	4.18	7.02	0.89	7.56	3.14
Feb	8.34	10.74	4.14	4.10	4.08	3.16	7.28	1.02	7.83	3.14
Mar	8.02	10.45	3.75	3.98	3.86	2.75	6.07	0.66	6.48	3.01
Apl	7.53	9.79	3.57	3.55	3.69	2.75	6.06	1.15	5.42	3.01
May	7.99	10.79	3.64	4.36	4.50	2.97	6.99	3.44	5.41	3.72
June	7.69	10.56	3.21	4.50	3.46	3.04	6.99	4.27	4.46	3.92
<u>1999/2000</u>										
Jul	6.54	8.93	2.84	4.22	3.12	3.39	5.89	4.01	4.19	3.04
Aug	5.08	6.02	3.37	4.34	2.77	2.99	5.61	4.16	3.60	3.00
Sept	4.51	5.18	3.28	4.18	2.51	3.02	5.90	4.91	3.30	2.86
Oct	3.47	4.00	2.48	2.99	1.62	1.73	5.56	5.58	2.24	1.86

Source: Bangladesh Bureau of Statistics.

Table 12. Bangladesh: Labour Market Statistics, 1990/91-1995/96 1/

	1990/91	1995/96
Total population (in million)	111.5	122.1 (128.1)
Male	57.3	62.7
Female	54.2	59.4
Population growth rate (percent) 2/	1.9	1.8 (1.5)
Total labour force (In million) 3/	51	56
Male	31	35
Female	20	21
Types of employment (In percent)	100.0	100.0
Formal	11.7	12.4
Non-formal	87.9	87.6
Family based	47.2	40.1
Daily basis	13.9	17.9
Self employment	26.8	29.6
Activity-wise employment (In percent)	100.0	100.0
Agriculture, forest, fisheries	66.4	63.2
Mining and quarrying	...	...
Manufacturing	11.8	7.5
Electricity, gas and water	0.1	0.2
Construction	1.0	1.8
Trade services	8.5	11.2
Transport and communication	3.2	4.2
Finance, business service	0.6	0.4
Community, personal service	3.8	9.3
Others	4.5	2.2
Wage rate index (general) (1969-70=100)	1,482	1,900 (2,259)
Agriculture	1,321	1,738 (1,950)
Manufacturing	1,575	2,064 (2,522)
Construction	1,487	1,754 (2,163)
CPI for industrial workers (1969-70=100)	1,386	1,674 (1,921)

Source: Bangladesh Bureau of Statistics and Ministry of Finance.

1/ Based on labour force surveys. Figures in paranthesis refer to 1998/99.

2/ Natural growth rate (Crude Birth Rate minus Crude Death Rate).

3/ Aged 10 years and above.

Table 13. Bangladesh: Central Government Operations, 1994/95-1999/2000

	1994/95	1995/96	1996/97	1997/98	Initial	Post-flood	Est.	Budget 1999/2000
					Budget 1/ 1998/99	Budget		
(In billions of taka)								
Total revenue	141.8	150.3	165.9	185.5	210.0	206.0	198.1	241.2
Tax	111.9	120.0	133.1	147.0	167.3	164.0	158.4	185.1
Taxes on income and profits	14.8	15.0	16.4	20.0	24.5	23.0	23.5	27.8
VAT	34.6	38.2	42.8	46.4	51.0	50.4	48.4	56.4
Supplementary VAT and excises	17.1	20.4	23.0	25.6	29.8	30.2	27.1	29.6
Taxes on international trade	36.8	37.7	40.1	43.5	50.3	48.7	47.4	57.5
Nontax	29.9	30.2	32.8	38.5	42.7	42.0	39.7	56.2
Total expenditure	223.0	222.8	244.0	267.0	303.4	307.8	303.7	347.4
Current expenditure	103.1	113.1	123.6	143.2	157.5	162.2	167.3	177.4
Pay and allowances	39.6	42.1	43.9	46.5	48.6	...	51.0	55.8
Interest	13.2	17.3	17.6	23.3	25.7	...	29.4	28.1
Subsidies and transfers	25.3	26.7	31.9	41.3	42.2	...	51.5	50.1
Food account surplus(-)/deficit(+)	7.0	5.0	4.0	3.2	3.7	8.7	5.9	6.0
Annual Development Program (ADP) 2/	100.9	96.1	108.5	113.0	134.2	129.0	123.2	152.5
Non-ADP capital and net lending 3/	12.0	8.6	8.0	7.5	8.0	8.0	7.2	11.5
Residual 4/	-1.4	2.0	0.0	0.0	0.0	0.0	-7.4	0.0
Overall budget deficit	79.8	74.5	78.2	81.5	93.4	-101.8	105.6	106.1
Net foreign financing 5/	57.6	46.3	51.3	48.6	55.2	67.5	53.7	65.1
Disbursements	68.6	59.2	65.3	64.1	71.4	83.7	69.9	83.6
Amortization	-11.0	-12.9	-14.0	-15.5	-16.2	-16.2	-16.3	-18.5
Net domestic financing	22.2	28.1	26.8	32.9	38.2	34.3	44.5	41.0
Banking system 6/	5.2	15.6	17.1	12.6	15.0	15.0	19.8	15.0
Other domestic 7/	17.0	12.5	9.7	20.3	23.2	19.3	24.7	26.1
(In percent of GDP)								
Total revenue	9.4	9.1	9.4	9.6	10.1	9.9	9.5	10.4
Tax revenue	7.4	7.3	7.5	7.6	8.0	7.9	7.6	8.0
Nontax	2.0	1.8	1.9	2.0	2.1	0.4	1.9	2.4
Total expenditure	14.7	13.5	13.8	13.8	14.6	14.8	14.6	14.9
Current expenditure	6.8	6.9	7.0	7.4	7.6	7.8	8.0	7.6
Food account surplus(-)/deficit(+)	0.5	0.3	0.2	0.2	0.2	0.4	0.3	0.3
Annual Development Program (ADP) 2/	6.7	5.8	6.1	5.8	6.4	6.2	5.9	6.6
Non-ADP capital and net lending 3/	0.8	0.5	0.5	0.4	0.4	0.4	0.3	0.5
Overall budget balance	-5.3	-4.5	-4.4	-4.2	-4.5	-4.9	-5.1	-4.6
Net foreign financing 5/	3.8	2.8	2.9	2.5	2.7	3.2	2.6	2.8
Net domestic financing	1.5	1.7	1.5	1.7	1.8	1.6	2.1	1.8
Banking system 6/	0.3	0.9	1.0	0.7	0.7	0.7	1.0	0.6
Other domestic 7/	1.1	0.8	0.5	1.0	1.1	0.9	1.2	1.1
Memorandum items:								
Public debt	53.3	49.3	47.2	44.5	47.4	47.7	47.7	47.4
External	42.4	37.6	34.8	31.4	33.4	33.4	33.4	32.7
Domestic	10.9	11.7	12.5	13.0	14.0	14.3	14.3	14.8

Sources: Data provided by the Bangladesh authorities; and Fund staff estimates.

1/ The Initial Budget column is based on pre-flood estimates.

2/ Consists of capital spending, net lending, also some current spending, and from 1997/98, the Food-for-Work Program.

3/ Includes the Food-for-Work program, miscellaneous investment, loans and advances, and other expenditures, until 1996/97; from 1997/98 the Food-for-Work Program is classified under ADP.

4/ Difference between the balance of revenues and expenditures from the fiscal accounts and the estimates of total financing.

5/ Includes foreign grants and loans.

6/ Consistent with net claims on central government in the monetary accounts; excludes net claims on railways, telephone and telegraph, and other bodies.

7/ Includes financing through National Savings schemes, prize and wage bonds, and the surplus of the National Provident Fund.

Table 14. Bangladesh: Central Government Revenues, 1994/95-1999/2000

	1994/95	1995/96	1996/97	1997/98	Initial		Budget
					Budget 1/ 1998/99	Est. 1999/2000	
(In billions of taka)							
Total revenue	141.8	150.3	165.9	185.5	210.0	198.1	241.2
Tax revenue	111.9	120.0	133.1	147.0	167.3	158.4	185.1
NBR taxes	105.0	113.2	124.4	138.0	158.1	148.4	173.7
VAT and Supplementary duties	49.9	56.8	63.8	69.8	78.5	73.2	83.7
VAT	34.6	38.2	42.8	46.4	51.0	48.4	56.4
Import stage	22.2	25.6	27.9	29.5	32.5	30.4	36.2
Domestic stage	12.4	12.6	14.9	16.9	18.5	18.0	20.2
Supplementary duties	15.3	18.6	21.0	23.4	27.5	24.8	27.3
Supplementary import	1.9	3.6	4.5	6.2	6.5	7.7	9.0
Supplementary domestic	13.4	15.0	16.4	17.2	21.0	17.1	18.3
Excise taxes	1.8	1.8	2.0	2.2	2.3	2.2	2.3
Customs duties	36.8	37.7	40.1	43.5	50.3	47.4	57.5
Income and profits taxes	14.8	15.0	16.4	20.0	24.5	23.5	27.8
Other taxes	1.8	1.9	2.1	2.5	2.6	2.0	2.4
Other non NBR taxes	6.9	6.8	8.7	9.0	9.2	10.1	11.4
Nontax revenue	29.9	30.2	32.8	38.5	42.7	39.7	56.2
(In percent of GDP)							
Total revenue	9.4	9.1	9.4	9.6	10.1	9.5	10.5
Tax revenue	7.4	7.3	7.5	7.6	8.0	7.6	8.1
NBR taxes	6.9	6.9	7.0	7.1	7.6	7.1	7.6
VAT and Supplementary duties	3.3	3.4	3.5	3.5	3.8	3.5	3.6
VAT	2.3	2.3	2.4	2.4	2.5	2.3	2.5
Supplementary duties	1.0	1.1	1.2	1.2	1.3	1.2	1.2
Excise taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Customs duties	2.4	2.3	2.3	2.3	2.4	2.3	2.5
Income and profits taxes	1.0	0.9	0.9	1.0	1.2	1.1	1.2
Other taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other non NBR taxes	0.5	0.4	0.5	0.5	0.4	0.5	0.5
Nontax revenue	2.0	1.8	1.9	2.0	2.1	1.9	2.4

Sources: Bangladesh authorities; and Fund staff estimates.

1/ Figures reflect pre-flood budget estimates.

Table 15. Bangladesh: Central Government Current Expenditure by Economic Classification, 1994/95-1999/2000

	1994/95	1995/96	1996/97	1997/98	Initial Budget 1/ 1998/99	Est. 1999/2000	Budget 1999/2000
(In billions of taka)							
Current expenditure	103.1	113.1	123.6	143.2	157.5	167.3	177.4
Goods and services	67.4	71.7	76.0	78.6	80.7	83.2	88.9
Pay and allowances	39.6	42.1	43.9	46.5	48.6	51.0	55.8
Operations and maintenance	7.8	8.3	8.4	6.2	6.2	8.2	8.0
Works	1.9	2.0	2.1	2.3	2.3	2.4	2.8
Other - contingencies	18.1	19.4	21.6	23.7	23.6	21.6	22.2
Interest payments	13.2	17.3	17.6	23.3	25.7	29.4	28.1
Domestic	7.1	11.0	10.8	16.0	18.5	22.2	20.6
Foreign	6.0	6.2	6.8	7.3	7.3	7.2	7.5
Subsidies and current transfers	25.3	26.7	31.9	41.3	42.2	51.5	50.1
Targeted food distribution	3.3	3.5	4.7	5.2	4.3	9.4	4.2
Local governments	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Grants in aid	13.6	14.1	16.3	24.7	21.6	23.2	23.2
<i>Of which</i>							
Fund for elderly	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension and retirement	5.6	6.5	7.1	7.8	8.7	10.8	12.1
Other subsidies	0.5	0.1	1.9	1.6	5.8	6.0	8.9
<i>Of which</i>							
Fertilizer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Railways loss	1.3	1.5	0.9	0.8	0.8	0.8	0.6
Post Office loss	0.4	0.2	0.3	0.4	0.4	0.5	0.4
Unallocated	0.0	0.0	0.3	0.7	9.6	3.9	10.8
Recoveries (-)	-2.7	-2.7	-2.1	-0.7	-0.7	-0.5	-0.5
(In percent of GDP)							
Current expenditure	6.8	6.9	7.0	7.4	7.6	8.0	7.7
Goods and services	4.5	4.4	4.2	4.0	3.9	4.0	3.9
Pay and allowances	2.6	2.6	2.5	2.4	2.3	2.5	2.4
Interest payments	0.9	1.0	1.0	1.2	1.2	1.4	1.2
Subsidies and current transfers	1.7	1.6	1.8	2.1	2.0	2.5	2.2

Sources: Bangladesh authorities; and Fund staff estimates.

1/ Figures reflect pre-flood budget estimates.

Table 16. Bangladesh: Annual Development Program by Sector, 1994/95-1999/2000 1/

	1994/95	1995/96	1996/97	1997/98	Initial Budget 1/ 1998/99	Est. Budget 1999/2000	
(In billions of taka)							
Agriculture and water resources	18.7	17.0	27.3	25.4	27.3	27.5	34.5
Agriculture	5.4	4.5	6.4	6.0	7.4	6.1	8.4
Rural Development	6.8	6.8	10.3	9.0	11.1	12.7	16.0
Water and flood control	6.5	5.6	10.6	10.4	8.8	8.8	10.2
Industry	1.3	1.5	1.9	1.2	1.4	1.0	2.0
Power, scientific research, and natural resources	17.7	18.0	19.3	18.8	21.2	21.0	26.1
Transport 3/	19.5	20.1	23.3	22.6	23.9	22.5	24.7
Communication	4.5	3.1	2.7	3.9	5.1	3.9	5.0
Physical planning and housing	4.8	4.6	6.8	6.0	8.0	6.7	10.2
Education	14.7	13.0	15.8	14.9	16.8	16.9	19.6
Health, population, and family planning	8.4	6.9	10.8	11.7	13.7	10.2	15.3
Social welfare 4/	0.7	0.9	1.9	1.6	1.9	1.7	2.2
Other sectoral	2.1	3.0	2.0	1.4	1.7	0.9	2.4
Total sectoral allocations	92.4	86.5	109.8	106.4	119.7	111.4	140.1
Block allocations	5.3	2.6	2.4	10.9	11.3	8.7	9.2
<i>Of which: Food for Work</i>				5.7	5.4	5.3	2.4
Technical assistance	3.1	3.4	3.2	3.0	3.2	3.2	3.2
Self-financing	2.2	0.0	1.6	1.7	1.8	1.8	2.5
Domestic	1.6	4.1	1.6	1.7	1.8	1.8	2.5
Foreign	0.6	-4.1	0.0	0.0	0.0	0.0	0.0
Total ADP	103.0	92.5	117.0	122.0	136.0	125.1	155.0
Agriculture and water resources	18.2	18.4	23.3	20.8	20.0	22.0	22.3
Agriculture	5.2	4.9	5.5	4.9	5.4	4.9	5.4
Rural Development	6.6	7.4	8.8	7.4	8.1	10.1	10.3
Water and flood control	6.3	6.1	9.0	8.5	6.5	7.0	6.5
Industry	1.3	1.6	1.6	1.0	1.0	0.8	1.3
Power, scientific research, and natural resources	17.2	19.4	16.5	15.4	15.6	16.8	16.8
Transport 3/	18.9	21.7	19.9	18.5	17.6	17.9	15.9
Communication	4.4	3.3	2.3	3.2	3.7	3.1	3.2
Physical planning and housing	4.7	5.0	5.8	5.0	5.9	5.4	6.6
Education	14.3	14.1	13.5	12.2	12.4	13.5	12.6
Health, population, and family planning	8.2	7.4	9.2	9.6	10.1	8.2	9.9
Social welfare 4/	0.7	1.0	1.6	1.3	1.4	1.3	1.4
Other sectoral	2.0	3.2	1.7	1.2	1.3	0.8	1.6
Nonsectoral	10.3	6.5	6.1	12.8	12.0	11.0	9.6
<i>Of which: Food for Work</i>	0.0	0.0	0.0	4.6	4.0	4.2	1.6
Total ADP	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum items:							
ADP financing (in billions of Taka)							
Domestic	59.9	53.0	67.8	70.9	78.0	79.1	90.7
Foreign	43.1	39.6	49.2	51.1	58.0	46.0	64.3

Sources: Ministry of Planning, Implementation, Monitoring, and Evaluation Division (IMED); and Fund staff estimates.

1/ The aggregate ADP expenditure figures provided by the ERD may not correspond to those calculated by the IMED; initial budget figures for 1998/99 reflect pre-flood estimates.

2/ The 1997/98 estimates represent the revised budget.

3/ Includes Jamuna Bridge.

4/ Includes employment.

Table 17. Bangladesh: Central Government Food Account, 1994/95-1999/2000

(In billions of taka)

	1994/95	1995/96	1996/97	1997/98	Initial	Est.	Budget
					Budget 1/ 1998/99			1999/2000
Expenditures	18.1	21.9	19.0	21.3	22.6	28.3	24.5
Imports	11.3	14.3	6.7	10.0	9.0	17.6	11.9
Grants and loans	6.1	6.0	5.5	5.7	5.4	8.1	7.4
Commercial (cash)	5.2	8.3	1.2	4.3	3.5	9.5	4.5
Domestic procurement	3.5	4.4	8.8	8.0	10.4	7.0	8.7
External freight	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Operating expenses 2/	3.0	3.0	3.3	3.1	3.1	3.5	3.7
Receipts	11.0	16.9	15.0	18.1	18.9	22.4	18.5
Gross sales receipts	3.3	7.9	4.1	6.8	7.7	4.9	7.5
Nonmonetized distribution 3/	7.7	9.1	10.9	11.4	11.2	17.5	11.0
Food for Work	4.2	5.0	6.2	6.2	6.2	7.2	6.2
Vulnerable Group	3.5	4.0	4.7	5.2	5.0	10.3	4.9
Food account balance	-7.0	-5.0	-4.0	-3.2	-3.7	-5.9	-6.0
Subsidies on sales	-2.7	-3.0	-3.5	-3.9	-4.1	-3.3	-3.8
Expenditure on change	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In stocks	-4.4	-2.0	-0.6	0.7	0.4	-2.6	-2.2

Sources: Ministry of Finance, Ministry of Food; and Fund staff estimates.

1/ Figures reflect pre-flood budget estimates.

2/ As of 1989/90, establishment costs are included in operating expenses.

3/ This item represents the valuation of nonmonetized distribution. In effect, it represents transfers to the food account from other expenditure categories.

Table 18. Bangladesh: Consolidated Accounts of Nonfinancial Public Enterprises, 1994/95-1999/2000

(In billions of taka)

	1994/95	1995/96	1996/97	1997/98	Budget 1998/99	Est.	Budget 1999/2000
Operating revenue 1/	156.1	163.8	169.1	186.7	214.9	210.6	235.6
Operating expenditure	152.1	161.8	176.2	183.6	211.7	211.5	235.0
Wages and salaries	14.6	15.6	15.4	15.9	18.2	17.5	19.3
Purchases of goods and services	119.2	134.1	145.7	151.2	177.3	175.8	194.8
Depreciation	18.3	12.1	15.1	16.5	16.2	18.2	20.9
Operating surplus	4.0	2.0	-7.1	3.1	3.2	-0.9	0.6
Nonoperating income	-0.2	5.3	2.8	3.6	2.3	3.7	2.5
Interest payments	-8.0	-7.5	-8.4	-9.8	-9.3	-10.2	-10.0
Income before taxes	-4.2	-0.2	-12.7	-3.1	-3.8	-7.4	-6.9
Profit distributions	2.2	2.3	1.7	2.0	4.3	3.3	5.0
Dividends	2.0	2.1	1.5	1.8	4.0	3.1	5.0
Profit sharing	0.2	0.2	0.2	0.2	0.3	0.2	0.3
Income tax	2.1	1.5	1.0	1.2	1.6	1.5	1.9
After-tax retained income	-8.4	-4.0	-15.4	-6.3	-9.7	-12.2	14.1
Gross savings 2/	9.9	8.1	-0.3	10.2	6.5	6.5	7.6
Gross fixed capital formation	24.3	26.2	24.8	31.6	48.4	50.9	80.2
Financing	14.4	18.1	24.9	21.4	41.8	44.4	72.6
Net long-term borrowing	1.2	9.4	4.5	5.6	9.0	13.7	31.9
Drawings	14.7	21.2	14.9	18.6	21.3	30.3	50.5
Repayments	-13.5	-11.8	-10.4	-13.0	-12.3	-16.6	-18.6
Equity injection	9.1	6.8	10.8	8.9	20.0	10.9	17.0
Finance deficit 3/	4.1	1.9	9.6	6.9	12.8	19.8	22.1
Memorandum items:							
Total assets	631.1	634.0	680.0	717.3	777.3	759.4	796.1
Equity	212.4	214.6	231.3	234.3	251.8	230.7	287.8
Debt	418.7	419.4	448.7	483.0	525.5	528.7	508.3
Employment (thousands)	256.9	258.4	253.4	252.5	244.0	249.5	251.8
Profitability (in percent)							
Operating surplus/operating revenues	2.5	1.2	-4.2	1.7	1.5	-0.4	0.3
Operating surplus/assets	0.6	0.3	-1.0	0.4	0.4	-0.1	0.1

Source: Ministry of Finance, Autonomous Bodies Wing and Finance Division; and staff estimates.

1/ Does not include changes in inventories.

2/ Defined as after-tax retained income plus depreciation.

3/ Includes arrears to Government and changes in domestic bank debt (including arrears).

Table 19. Bangladesh: Profits of Nonfinancial Public Enterprises, 1994/95-1999/2000

(In millions of taka)

	1994/95	1995/96	1996/97	1997/98	Budget 1998/99	Est.	Budget 1999/2000
Manufacturing							
BTMC	-1168.70	-1340.00	-1632.50	-927.20	-380.00	-887.30	-473.68
BJMC	-314.30	-961.80	-2517.10	-2759.00	-1975.00	-2873.60	-2535.00
BSEC	-683.60	-645.00	-1032.80	-1124.30	-971.00	-977.70	-986.00
BSFIC	78.00	-377.60	-652.80	-392.50	-324	-360.00	570.00
BCIC	-754.70	-1213.50	-2389.70	-671.40	-620.00	-1607.10	-613.70
BFIDC	10.80	-30.00	-17.70	-70.00	71.00	60.90	71.00
Electricity, Gas, Water							
PDB	-4810.50	-764.90	-3234.40	-1871.60	-3434.00	-3659.70	-6889.90
DESA	-1985.50	-1392.00	-1442.70	-1513.60	-1652.00	-1910.60	-1276.30
CWASA	-25.60	-33.06	-19.04	-35.18	-24.00	-24.36	-24.80
DWASA	-20.00	-41.60	-33.49	28.50	63.00	70.70	69.73
BOGMC	1170.00	1436.30	1260.90	1321.00	2844.00	1793.90	2398.30
Transport and Communication							
BSC	-128.90	171.10	85.30	-92.10	51.00	19.20	61.60
BIWTC	-6.60	17.20	90.20	70.10	18.00	-155.00	-156.70
CPA	640.80	924.00	1109.80	1025.00	641.00	675.90	614.10
MPA	203.20	204.60	171.10	207.90	105.00	111.70	88.30
BIMAN	631.50	496.00	-574.20	-582.80	552.00	-370.90	460.60
BRTC	-88.40	-54.10	-46.80	-77.70	-49.00	-80.00	-134.00
Commercial							
BPC	1427.40	973.30	-3461.10	1492.20	352.00	1220.60	-146.40
BJC	-63.00	-18.70	-14.00	7.90	-9.00	2.40	3.60
TCB	16.40	-153.00	-375.00	-21.80	6.00	-5.50	-13.20
Agriculture & Fishery							
BFDC	31.50	2.10	20.50	0.00	-13.00	4.20	11.60
BADC	-117.80	-134.00	-158.00	64.70	-293.00	-307.60	-339.30
CDA	39.30	37.70	37.90	19.30	616.00	31.00	53.80
RAJUK	191.40	174.10	50.90	24.50	41.00	135.00	122.00
KDA	67.50	42.60	51.90	53.50	111.00	79.70	40.30
RDA	0.15	7.20	13.70	10.90	0.00	9.58	5.70
Services							
BFDC	2.70	8.50	2.10	2.40	12.00	-4.30	-1.50
BFFWT	22.30	48.30	99.10	125.00	67.00	80.40	121.60
BTB	-6.00	3.70	2.30	20.10		5.20	2.90
BIWTA	-166.20	-215.40	-193.90	-260.60	-76.00	-53.90	-78.60
BPRC	24.10	12.40	12.00	14.20	37.00	22.00	24.40
BWDB	93.20	32.00	14.60	18.30	0.00	25.80	26.90
REB	170.00	245.90	175.00	200.00	191.00	220.60	248.40
BSCIC	-7.00	-19.10	-37.70	-42.70	-63.00	-80.60	-94.10
EPZA	51.80	89.40	130.70	123.90	69.00	72.20	64.90
CAAB	615.90	717.10	701.80	769.10	0.00	658.10	614.90
BHB	2.10	0.80	0.00	0.00	0.00	0.00	0.00
BSB	0.00	0.00	0.00	0.00	-2.00	0.00	-2.06
Total	-4856.90	-1756.66	-13816.83	-4854.88	-4038.00	-8070.72	-8096.31

Source: Ministry of Finance, Autonomous Bodies Wing and Finance Division; and staff estimates.

Table 20. Bangladesh: Monetary Survey, 1996/97-1999/2000

	1996/97	1997/98	1998/99					1999/2000	
			Sept.	Dec.	Mar.	Jun.		Sept.	Oct.
						Official Program	Est.		
(In billions of taka; end of period)									
Net Foreign Assets	65.4	67.9	69.8	77.0	59.9	72.6	64.0	72.8	75.6
Monetary authorities	50.1	54.0	59.4	59.6	48.2	57.3	47.1	58.5	59.1
Deposit money banks	15.3	14.0	10.4	17.4	11.7	65.3	16.9	14.3	16.5
Net domestic assets	440.8	490.8	494.0	520.6	539.8	555.9	566.2	573.8	578.0
Domestic credit	494.0	556.4	562.2	590.9	615.3	633.9	629.1	636.9	645.8
Public sector	138.9	155.2	155.5	158.4	176.4	173.4	172.7	182.6	187.8
Government (net)	80.2	92.7	94.1	97.4	114.0	107.7	112.5	122.4	127.9
Other	58.7	62.5	61.4	61.0	62.4	65.8	60.2	60.2	59.9
Private sector	355.0	401.2	406.7	432.5	438.9	460.4	456.4	459.3	13.7
Other items (net)	-53.1	-65.6	-68.2	-70.3	-75.5	-78.0	-62.8	-63.1	-67.8
Broad money	506.3	558.7	563.8	597.6	599.7	628.5	630.3	646.5	653.6
Currency in circulation	75.7	81.5	83.3	80.8	90.4	84.9	86.9	90.0	90.0
Deposits	430.5	477.2	480.5	516.8	509.3	543.6	543.4	556.5	563.6
(Annual percentage change)									
Net Foreign Assets 1/	-0.4	0.5	1.0	2.4	-0.8	0.8	-0.7	4.3	7.4
Net domestic assets	13.2	11.3	10.7	10.3	15.8	13.3	15.4	16.2	17.1
Domestic credit	13.7	12.6	10.4	13.0	16.9	13.9	13.1	13.3	13.4
Public	17.8	11.7	12.4	14.0	24.2	11.8	11.3	17.4	19.7
Private	12.1	13.0	9.7	12.6	14.2	14.8	13.8	11.7	11.0
Other items (net) 1/	-1.8	-2.5	-1.1	-3.6	-2.8	-2.2	0.5	0.9	1.4
Broad money	10.8	10.4	10.3	11.4	13.0	12.5	12.8	14.7	15.9

Sources: Data provided by the Bangladesh Bank; and Fund staff estimates.

1/ Contribution to broad money growth.

Table 21. Bangladesh: Accounts of the Monetary Authorities, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98				1998/99			
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
(In billions of taka; end of period)											
Net foreign assets	88.6	53.9	50.1	49.1	49.3	55.6	54.0	59.4	59.6	48.2	47.1
Of which: Gross reserves	123.1	84.2	73.9	69.8	71.1	79.2	79.0	79.6	93.5	75.5	73.6
Other net foreign assets	-34.5	-30.3	-23.8	20.7	-21.8	-23.6	-25.0	-20.2	-33.9	-27.3	-26.5
Net domestic assets	22.7	59.1	73.8	70.2	73.7	73.3	82.2	75.4	79.9	95.0	100.3
Domestic credit	54.5	76.6	93.0	84.5	84.7	92.7	104.7	94.1	102.8	124.5	124.5
Central government 1/ NFPEs	16.5	30.4	44.9	35.7	36.4	40.1	53.0	43.3	48.0	66.1	63.6
Official financial institutions 2/ Deposit money banks	10.1	11.5	11.5	11.5	11.5	11.4	11.9	11.8	11.7	12.7	12.6
Other items (net)	27.3	34.1	36.0	36.7	36.2	39.0	37.5	36.7	41.0	43.6	46.2
Bangladesh bills	-31.8	-17.5	-19.2	-14.3	-11.0	-19.4	-22.5	-18.7	-22.9	-29.5	-24.2
Other (net)	-5.0	-3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (net)	-26.8	-14.5	-19.2	-14.3	-11.0	-19.4	-22.5	-18.7	-22.9	-29.5	-24.2
Reserve money	111.3	113.0	123.9	119.3	123.0	128.9	136.2	134.8	139.5	143.2	147.4
(Annual percentage change)											
Net foreign assets 3/	5.3	-31.2	-3.4	-4.9	-1.5	3.3	3.1	8.6	8.4	-5.7	-5.1
Net domestic assets	-30.4	160.4	24.9	16.2	7.3	2.2	11.4	7.4	8.4	29.6	22.0
Domestic credit	-3.2	40.6	21.4	9.7	-0.6	-4.0	12.6	11.4	21.4	34.3	18.9
Central government 1/ Deposit money banks	17.0	84.2	47.7	12.6	-5.7	1.8	18.0	21.3	31.9	64.8	20.0
Other items (net) 3/	5.8	24.9	5.6	10.5	4.6	3.7	4.2	0.0	13.3	11.8	23.2
Other items (net) 3/	-7.0	12.8	-1.5	2.0	4.6	-11.5	-2.7	-3.7	-9.7	-7.8	-1.2
Reserve money	-3.3	1.5	9.6	3.6	2.7	4.6	9.9	13.0	13.4	11.1	8.2
Memorandum items:											
Reserve money multiplier	3.8	4.0	4.1	4.3	4.4	4.1	4.1	4.2	4.3	4.3	4.3
Currency/deposit ratio (in percent)	18.4	18.4	17.6	17.9	16.5	18.2	17.1	17.3	15.6	17.8	16.0
Excess liquidity (in percent of deposits)	4.0	2.5	3.5	2.4	2.6	3.2	3.9	3.8	3.8	2.8	3.6

Source: Data provided by the Bangladesh Bank.

1/ Includes net claims on railways, post office, and telephone and telegraph.

2/ Includes mainly the Investment Corporation of Bangladesh and the Bangladesh House Building Finance Corporation.

3/ Contribution to reserve money growth.

Table 22. Bangladesh: Reserves of Deposit Money Banks, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98				1998/99			
				Sept.	Dec.	Sept.	Jun.	Sept.	Dec.	Mar.	Jun.
(In billions of taka; end of period)											
Required liquid assets 1/	73.0	80.0	88.8	88.0	94.4	92.1	97.5	98.8	99.8	104.6	104.7
NCBs 2/	49.2	54.2	58.8	58.8	63.0	61.1	64.5	64.6	62.6	68.6	67.7
Private banks	19.7	20.9	23.6	22.6	24.5	23.8	25.3	25.8	28.6	27.4	28.1
Foreign banks	4.1	4.9	6.4	6.6	6.9	7.2	7.7	8.4	8.5	8.7	9.0
Actual liquid assets	96.7	93.4	105.8	104.1	114.7	107.5	117.1	128.0	141.7	129.7	138.2
NCBs 2/	64.9	59.6	63.8	63.3	71.4	65.2	72.5	76.8	85.7	74.0	80.0
Private banks	24.9	26.5	30.1	29.1	32.5	30.8	33.0	34.6	38.8	36.2	39.8
Foreign banks	6.9	7.3	11.9	11.7	10.8	11.5	11.6	16.6	17.2	19.6	18.3
Excess liquidity	23.7	13.4	17.0	16.1	20.3	15.4	19.6	29.2	42.0	25.1	33.4
NCBs 2/	15.7	5.4	5.0	4.5	8.4	4.2	8.0	12.2	23.2	5.4	12.4
Private banks	5.2	5.6	6.5	6.6	8.0	6.9	7.7	8.8	10.1	8.8	11.7
Foreign banks	2.8	2.4	5.5	5.0	3.9	4.3	3.9	8.2	8.7	10.9	9.3
Total deposits	373.1	409.6	454.8	451.2	484.5	472.7	500.0	507.8	545.7	535.5	567.7
NCBs 2/	245.9	271.1	293.9	294.3	315.3	305.4	322.4	323.0	351.7	337.9	354.9
Private banks	106.7	113.7	128.9	123.9	134.6	131.0	139.2	142.8	150.6	153.2	165.8
Foreign banks	20.5	24.8	32.0	33.0	34.6	36.3	38.4	42.0	43.4	44.4	47.1
(In percent of respective deposits)											
Memorandum items:											
Excess liquidity	6.4	3.3	3.7	3.6	4.2	3.3	3.9	5.8	7.7	4.7	5.9
NCBs 2/	6.4	2.0	1.7	1.5	2.7	1.4	2.5	3.8	6.6	1.6	3.5
Private banks	4.9	4.9	5.0	5.3	5.9	5.3	5.5	6.2	6.7	5.8	7.1
Foreign banks	13.7	9.7	17.2	15.2	11.3	11.8	10.2	19.5	20.0	24.6	19.8

Source: Bangladesh Bank, Banking Control Department.

1/ Liquid asset requirements against all deposits, including government and interbank deposits, were 25 percent from October 29, 1987; 24 percent from April 4, 1991; 23 percent from April 25, 1991; 22 percent from December 5, 1991; 21 percent from April 1, 1992; and 20 percent from May 28, 1992 to the present. Specialized banks are excluded from the requirement, while the requirement for the Islami Bank, Al Baraka Bank, Al Arafah Islami Bank and Social Investment Bank Ltd. is 10 percent of deposits.

2/ Nationalized commercial banks.

Table 23. Bangladesh: Interest Rate Structure of the Banking Sector, 1994/95-1998/99
(In percent per annum; end of period)

	1994/95	1995/96	1996/97	1997/98				1998/99			
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Bangladesh Bank rate 1/	5.50	6.50	7.50 8/	7.50	8.00	8.00	8.0	8.0	8.0	8.0	8.0
Deposit money banks' minimum deposit rates 2/											
Special notice accounts	...										
Savings accounts											
With checking facilities	4.50	6.00 7/	5.5 - 8.0	5.5 - 8.0	5.5 - 8.0	5.5 - 8.0	5.5 - 8.5	5.5 - 8.5	5.5 - 8.5	5.5 - 8.5	5.5 - 8.5
For rural areas	4.50	6.00 7/	6.5 - 7.5	6.5 - 7.5	6.5 - 7.5	6.5 - 7.5	6.5 - 7.75	6.5 - 7.75	6.5 - 7.75	6.5 - 7.75	6.5 - 7.75
Fixed-term deposits											
3 months to under 6 months	5.00	6.25 7/	6.75 - 9.0	6.75 - 9.0	6.75 - 9.0	6.75 - 9.0	7.0 - 10.5	7.0 - 10.5	7.0 - 10.5	7.0 - 10.5	7.0 - 10.5
6 months to under 1 year	5.00	6.25 7/	7.0 - 10.25	7.0 - 10.25	7.0 - 10.25	7.0 - 10.25	7.25 - 10.75	7.25 - 10.75	7.25 - 10.75	7.25 - 10.75	7.25 - 10.75
1 year to under 2 years	5.00	6.25 7/	7.25 - 10.5	7.25 - 10.5	7.25 - 10.5	7.25 - 10.5	7.5 - 11.5	7.5 - 11.5	7.5 - 11.5	7.5 - 11.5	7.5 - 11.5
2 years to under 3 years	5.00	6.25 7/	7.5 - 11.0	7.5 - 11.0	7.5 - 11.0	7.5 - 11.0	7.5 - 11.25	8.75 - 11.25	8.75 - 11.25	4.5 - 12.0	4.5 - 12.0
3 years and over	5.00	6.25 7/	8.5 - 11.0	8.5 - 11.0	8.5 - 11.0	8.5 - 11.0	9.0 - 11.25	9.0 - 11.0	9.0 - 11.0	9.0 - 12.5	9.0 - 12.5
Deposit money banks' lending rate bands											
Export credit 3/	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0
Agriculture 4/	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0	10.0-14.0
Memorandum items:											
30-day treasury bill note	4.9	7.5	8.9	8.6	7.8	8.5	8.3	8.5	8.1	7.8	7.5
90-day treasury bill note	3.5	6.9	8.6	8.9	8.8	9.1	9.1	9.1	9.0	8.6	8.5

Source: Bangladesh Bank, Banking Regulation and Policy Department.

1/ Effective April 1, 1992, Bangladesh Bank removed all ceilings on deposit rates and all floors and ceilings on all lending rates with the exception of the rates applicable to the export, agriculture, and small cottage industries sectors. The deposit rates quoted are the floor rates for the various maturities.

2/ Deposit money banks also pay interest, which varies monthly, on nonresident foreign currency deposit accounts.

3/ From September 1985 to December 1989, a rate of 7 percent was applied to a small number of newly emerging nontraditional export items. This special rate was abolished effective January 1, 1990.

4/ Includes service charge of 4 percent.

5/ Loans given to the less developed areas, including Chittagong Hill Tracts, in pursuance of socioeconomic objectives.

6/ Effective October 31, 1996

7/ Interest rate controls on deposits were abolished with effect from February 19, 1997.

8/ Effective May 19, 1997.

Table 24. Bangladesh: Interest Rate Structure of Nonbank Financial Institutions and Government Debt, 1994/95-1998/99

(In percent per annum)

	1994/95	1995/96	1996/97	1997/98				1998/99			
				Sep.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Interest rates on deposits with Post Office Savings Bank											
Ordinary account	8.0	8.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Fixed deposit account											
For one year	10.0	9.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
For two years	11.0	10.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
For three years	12.0	11.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Interest rates on government ways and means advances	5.0	5.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Interest rates on selected savings instruments											
8-year Defense Savings Certificates	17.0	16.5	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
5-year Bangladesh Savings Certificates	14.0	13.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
5-year Wage Earners' Development Bonds	15.8	14.2	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8

Source: Bangladesh Bank, Statistics Department and Currency Management and Accounts Department.

Table 25. Bangladesh: Deposit Money Banks' Credit by Economic Sector, 1994/95-1998/99 1/

(In billions of taka; end of period)

	1994/95	1995/96	1996/97	1997/98				1998/99			
				Sep.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Total credit	373.2	425.0	472.0	496.5	514.2	510.6	531.00	547.90	579.20	579.80	599.60
Advances	283.3	334.8	372.8	389.1	402.9	403.1	420.70	425.80	449.80	456.90	474.80
Agriculture	58.9	64.3	67.4	66.3	66.4	68.3	69.9	71.7	74.8	...	...
Public	6.1	5.0	5.3	5.6	5.9	6.5	6.2	6.9	7.4	...	...
Private	52.8	59.3	62.1	60.7	60.5	62.2	63.7	64.5	67.4	...	...
<i>Of which</i>											
Crop finance	54.5	59.7	62.8	61.6	61.7	62.0	63.9	64.3	67.4	...	...
Public	6.0	5.0	5.3	5.4	5.7	5.9	5.8	5.8	6.2	...	...
Private	48.5	54.7	57.5	56.2	56.0	56.1	58.1	58.5	61.2	...	...
Manufacturing	117.3	136.3	161.2	164.1	172.6	185.5	192.3	196.3	283.6	...	...
Public	24.1	21.9	28.6	29.6	32.4	29.9	28.6	30.4	32.3	...	...
Private	93.2	114.4	132.6	134.5	140.2	155.6	163.7	165.4	71.3	...	...
Wholesale and retail	56.3	63.6	68.9	66.7	69.3	67.2	69.3	70.9	77.2	...	...
Public	5.4	1.1	2.1	0.3	0.3	0.1	0.3	0.9	1.0	...	...
Private	50.9	62.5	66.8	66.4	69.0	67.1	69.0	70.8	76.2	...	...
Transportation	5.1	5.3	6.6	6.8	6.5	8.5	9.4	9.1	7.5	...	...
Public	0.7	0.8	1.5	0.6	1.0	1.7	1.7	1.9	0.4	...	...
Private	4.4	4.5	5.1	6.2	5.5	6.8	7.7	7.2	6.7	...	...
Community	22.4	28.8	31.9	34.6	35.8	37.5	41.3	43.3	44.3	...	...
Public	1.4	1.4	1.6	2.8	2.1	1.6	1.9	1.5	1.9	...	...
Private	21.0	27.4	30.3	31.8	33.7	35.9	39.4	41.8	42.4	...	...
Other	23.3	36.5	36.8	50.6	52.3	36.1	38.5	34.5	42.8	...	...
Public	7.0	8.0	2.5	4.8	2.1	4.2	6.8	2.8	1.7	...	...
Private	16.3	28.5	34.3	45.8	50.2	31.9	31.7	31.7	41.1	...	...
Internal bills	11.2	12.3	16.8	18.4	18.1	18.6	20.1	19.8	22.0	20.6	20.4
Public	0.9	0.4	1.7	2.0	1.2	0.6	0.7	0.5	0.9	0.8	1.0
Government	0.4	0.2	0.3	0.2	0.2	0.2	0.3	0.2	0.3	0.4	0.6
Other	0.5	0.2	1.4	1.8	1.0	0.4	0.4	0.3	0.6	0.4	0.4
Private	10.3	11.9	15.1	16.4	16.9	18.0	19.4	19.3	21.1	19.8	19.4
Investment	78.7	77.9	82.4	89.0	93.2	88.9	90.2	102.3	107.4	102.3	104.4
Public	70.7	69.5	73.8	80.3	85.4	82.2	53.8	96.0	101.2	94.7	96.3
Government 2/	61.9	61.5	66.3	72.8	77.6	74.5	76.3	53.6	93.7	87.4	89.3
Other 3/	8.8	8.0	7.5	7.5	7.8	7.7	7.5	7.4	7.5	7.3	7.0
Private	8.0	8.4	8.6	8.7	7.8	6.7	6.4	6.3	6.2	7.6	8.1

Source: Bangladesh Bank, Statistics Department.

1/ This table is not fully consistent with the monetary survey owing to coverage and timing differences.

2/ Includes government securities and treasury bills.

3/ Includes House Building Finance Corporation and Investment Corporation of Bangladesh.

Table 26. Bangladesh: Financial System, June 1999

Nationalized Commercial Banks	Private Commercial Banks	Foreign Banks	Specialized Banks	Specialized Institutions	Cooperative Institutions	Other Public Institutions	Leasing and Finance Companies
Sonali Bank	Arab-Bangladesh Bank	ANZ Grindlays Bank	Bangladesh Shilpa Bank 2/	Bangladesh House Building Finance Corporation	Land Mortgage Cooperative Bank	Grameen Bank	United Leasing Company Ltd.
Janata Bank	The Citibank	American Express Bank	Rajshahi Krishi Unnayan Bank	Investment Corporation of Bangladesh	Other Cooperative Banks/Societies	Sadharan Bima Corporation (insurance)	Industrial Development Leasing Company of Bangladesh Ltd.
Agrani Bank	Dhaka Bank 1/	Standard Chartered Bank	Bangladesh Shilpa Rin Sangstha 2/		Bangladesh Samabaya Bank	Jiban Bima Corporation (insurance)	Industrial Promotion & Development Company of Bangladesh Ltd.
Rupali Bank	International Finance Investment and Commerce Bank	Habib Bank	Bangladesh Krishi Bank	Bank of Small Industries and Commerce, Bangladesh 8/		Bangladesh Post Office Savings Scheme	Saudi-Bangladesh Industrial & Agriculture Investment Company Ltd.
	National Bank	State Bank of India				Life Insurance Scheme	Phonix Leasing Company Ltd.
	National Credit and Commerce Bank	Credit Agricole Indosuez (The Bank) 6/					Peregrine Capital Ltd.
	Prime Bank 3/	National Bank of Pakistan 7/					Uttara Finance and Investment company Ltd.
	Pubali Bank	Citibank NA 8/					The UAE-Bangladesh Investment Company Ltd.
	Southeast Bank 4/	Societe Generale (The Bank) 15/					International Leasing and Financial Services Ltd.
	Uttara Bank	Hanil Bank 16/					GSP Finance Company (Bangladesh) Ltd.
	United Commercial Bank 5/	The Hongkong Shanghai Banking Corporation Ltd. 17/					Prime Finance & Investment Ltd.
	Al-Baraka Bank 10/	Faysal Islami Bank of Bahrain Bahrain EC 18/					Bahrain-Bangladesh Finance & Investment Company Ltd.
	Islami Bank Bangladesh 10/						Bay Leasing & Investment Ltd.
	Eastern Bank 11/						Delta-BRAC Housing Finance Corporation Ltd.
	Al-Arafah, Islamic Bank 12/						Vanik Bangladesh Ltd.
	Social Investment Bank 13/						Peoples Leasing & Financial Services Ltd.
	Dutch Bangla Bank Ltd. 14/						Infrastructure Development Company Ltd. (IDCOL)
							Bangladesh Industrial Finance Company Ltd.

Source: Bangladesh Bank, Banking Control Department.

1/ Effective July 5, 1995.

2/ Bangladesh Shilpa Rin Sangstha was converted into a specialized bank effective February 9, 1993.

3/ Effective April 17, 1995

4/ Effective May 25, 1995

5/ Effective September 21, 1994

6/ Former Banque Indosuez was converted into Credit Agricole Indosuez (The Bank) effective November 18, 1994.

7/ Effective August 31, 1994.

8/ Effective June 24, 1995

9/ Effective July 8, 1995

10/ Operates according to Islamic banking practices.

11/ Former Bank of Credit and Commerce International, Ltd.

was converted into Eastern Bank, Ltd. effective August 16, 1992.

12/ Effective September 25, 1995.

13/ Effective November 22, 1995.

14/ Effective June 3, 1996.

15/ Effective March 28, 1996.

16/ Effective September 21, 1996.

17/ Effective December 3, 1996.

18/ Effective August 10, 1997.

19/ Effective June 2, 1999.

20/ Effective August 10, 1997.

21/ Effective June 2, 1999.

22/ Effective November 1996

23/ Effective September 22, 1998.

Table 27. Bangladesh: Agricultural Credit Disbursement and Recovery, 1994/95-1998/99 1/

(In billions of taka)

	1994/95	1995/96	1996/97	1997/98	1998/99
Overdue at beginning of period	42.04	44.91	49.20	53.13	54.89
Current amount due	13.72	4.29	3.93	1.76	-0.98
Total amount due	55.76	49.20	53.13	54.89	53.91
Amount recovered	10.97	12.73	15.94	16.99	19.16
Gross disbursements	14.80	14.82	15.17	16.43	30.06
Net disbursements	3.83	2.09	-0.77	-0.56	10.90
Outstanding credit at end-period	70.69	77.69	82.56	85.15	96.96
Change in outstanding credit	8.47	7.00	4.87	2.59	11.81
Implied interest capitalization	4.64	4.91	5.64	3.15	0.91
Proportion of recovery to:					
Gross disbursements	74.1	85.9	105.1	103.4	63.7
Total amount due	19.7	25.9	30.0	31.0	35.5
Current amount due	80.0	296.7	405.6	965.3	1955.1
Growth in outstanding credit	13.6	9.9	6.3	3.1	13.9
Overdue amounts/outstanding credit 2/	67.6	63.5	63.3	64.4	64.5

Sources: Bangladesh Bank, Agricultural Credit Department; and staff estimates.

1/ Includes operations of the nationalized commercial banks and the Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, Bangladesh Samabaya Bank, Ltd. and Bangladesh Rural Development Board.

2/ Ratio of overdue amounts at the beginning of the period to credit outstanding at end of the previous period.

Table 28. Bangladesh: Industrial Loan Recovery by Bangladesh Shilpa Bank, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99
	(In millions of taka)				
Overdue at beginning of period	7,504	8,638	9,316	10,367	11,537
Principal due in current period	649	590	726	901	1,483
Total due	8,153	9,228	10,042	11,268	13,019
Amount recovered	637	488	609	779	653
Reschedulings, adjustments, and transfers	220	338	288	511	1,328
Accrued interest 1/	1,342	914	1,222	2,090	1,079
Overdue at end of period	8,638	9,316	10,367	11,536	11,545
Gross disbursements	647	1,132	203	961	...
Total outstanding credit	15,608	16,586	17,501	19,439	19,866
	(Percent)				
Memorandum items:					
Amount recovered/total due	7.8	5.3	6.1	6.9	5.0
Total overdue/outstanding credit (end of period)	55.3	56.2	59.2	59.3	58.1

Source: Bangladesh Shilpa Bank.

1/ Including write-offs and waived and rescheduled interest.

Table 29. Bangladesh: Summary Performance Indicators in the Banking System, 1994-99

(In percent)

	1994	1995	1996	1997	1998	1999
	Dec.	Dec.	Dec.	Dec.	Dec.	June
Classified loans by group of bank 1/	34.8	32.0	31.5	32.7	35.4	38.3
Domestic banks	36.3	33.9	33.3	34.8	37.7	40.7
Nationalized commercial banks	32.1	31.0	32.6	36.6	40.4	47.0
Private domestic banks	44.5	39.4	34.8	31.4	32.7	29.0
Foreign banks	8.8	5.4	4.7	3.4	4.1	4.2
Memorandum item: Specialized development banks	...	...	50.9	65.7	66.7	67.9
Total classified loans by category 1/ 3/	34.8	32.0	31.5	32.7	35.4	38.3
Substandard 2/	19.2	13.1	13.4	10.6	5.2	8.0
Doubtful 2/	17.6	12.4	12.3	15.7	8.2	11.7
Bad 2/	58.6	69.8	74.3	73.8	86.7	80.3
Loan market shares 1/	100.0	100.0	100.0	100.0	100.0	100.0
Domestic banks	94.6	93.6	93.7	93.4	93.1	93.3
Nationalized commercial banks	62.7	61.9	62.1	61.5	60.7	60.8
Private domestic banks	32.0	31.7	31.6	31.9	32.4	32.5
Foreign banks	5.4	6.4	6.3	6.6	6.9	6.7
Actual provisioning in percent of required provisioning	60.3	48.3	53.9	48.6	44.2	42.8
Domestic banks	59.4	47.0	52.8	47.4	43.0	41.8
Nationalized commercial banks	67.0	47.2	50.0	45.2	38.5	36.2
Private domestic banks	45.8	46.6	58.3	52.2	54.4	56.8
Foreign banks	103.2	112.5	122.4	137.5	132.4	128.3

Source: Banking Regulation and Policy Department, Bangladesh Bank.

1/ In percent of total loans.

2/ In percent of classified loans.

3/ Includes overdue agriculture short-term loans of 4.6 and 4.8 percent of all classified loans in 1994 and 1995, respectively.

4/ Adjusted to exclude interest suspense and in percent of total loans excluding interest suspense.

Table 30. Bangladesh: Commercial Bank Loan Classification and Provisioning, 1994-1999
(In billions of taka)

	1994	1995	1996	1997	1998	1999
	Dec.	Dec.	Dec.	Dec.	Dec.	June
Total commercial bank loans 1/	262.9	310.3	351.0	395.8	438.7	461.1
Domestic banks	248.9	290.5	328.8	369.6	408.3	430.1
Nationalized commercial banks	164.7	192.1	217.9	243.5	266.4	280.3
Private domestic banks	84.0	98.5	110.9	126.1	141.9	149.8
Foreign banks	14.1	19.8	22.2	26.2	30.4	31.0
Total including specialisee banks	...	...	435.0	462.3	527.3	550.5
Specialized development banks 2/	...	...	84.0	66.5	88.7	89.4
Total classified loans by sector 3/	91.6	99.4	110.5	129.6	155.2	176.4
Domestic banks	90.3	98.4	109.5	128.7	154.0	175.1
Nationalized commercial banks	52.9	59.5	70.9	89.1	107.6	131.7
Private domestic banks	37.4	38.8	38.6	39.6	46.4	43.4
Foreign banks	1.2	1.1	1.0	0.9	1.3	1.3
Total including specialisee banks	...	...	153.3	173.3	214.4	237.1
Specialized development banks 2/	...	...	42.8	43.7	59.1	60.7
Total classified loans by category 3/	91.6	99.4	110.5	129.6	214.4	237.1
Substandard 4/	17.6	13.0	14.8	13.7	9.1	15.8
Doubtful 4/	16.1	12.3	13.6	20.3	15.5	23.9
Bad 4/	53.7	69.4	82.2	95.6	189.8	197.4
Required provision	40.7	48.0	51.7	60.3	72.8	78.6
Domestic banks	39.8	47.2	50.9	59.5	71.9	77.8
Nationalized commercial banks	25.5	30.9	33.6	40.6	51.4	56.4
Private domestic banks	14.4	16.3	17.3	18.9	20.5	21.4
Foreign banks	0.8	0.8	0.8	0.8	1.0	0.9
Total including specialisee banks	...	...	68.1	76.4	93.0	98.6
Specialized development banks 2/	...	...	16.4	16.1	20.1	19.9
Actual provision	24.5	21.2	27.9	29.3	32.2	33.6
Domestic banks	23.7	22.2	26.8	28.2	30.9	32.5
Nationalized commercial banks	17.1	14.6	16.8	18.4	19.8	20.4
Private domestic banks	6.6	7.6	10.1	9.9	11.2	12.1
Foreign banks	0.8	0.9	1.0	1.1	1.3	1.1
Total including specialisee banks	...	...	42.0	43.4	48.7	50.2
Specialized development banks 2/	...	...	14.1	14.1	16.5	16.5
Provision shortfall	16.2	24.8	23.8	31.0	41.0	45.2
Domestic banks	16.2	25.0	24.0	31.3	41.0	45.2
Nationalized commercial banks	8.4	16.3	16.8	22.2	31.6	36.0
Private domestic banks	7.8	8.7	7.2	9.0	9.3	9.2
Foreign banks	0.0	-0.1	-0.2	-0.3	...	...
Total including specialisee banks	...	...	26.2	33.0	44.3	48.4
Specialized development banks	...	...	2.3	2.0	3.6	3.4

Source: Banking Regulation and Policy Department, Bangladesh Bank.

1/ Excluding staff loans and including agriculture loans (both short-term and medium/long-term). Excludes specialized bank loans. Includes interest suspense, as per authorities' reporting.

2/ Includes BSB, BKB, RAKUB and BSRS, although BSRS data are incomplete. BASIC is classified here as a private commercial bank.

3/ Including classified agriculture short-term loans.

4/ Data for 1994 and 1995 exclude overdue agriculture short-term loans. Figures include interest suspense, which is not allocated between categories, in official figures.

Table 31. Bangladesh: Capital Adequacy, 1996-1999

	1996	1997	1998	1999
	Dec.	Dec.	Dec.	June
	(In billions of taka)			
Total bank assets	1,486.5	1,370.0	1,598.2	1,732.1
Domestic commercial banks	1,292.7	1,168.4	1,314.0	1,439.3
NCBs	1,059.2	947.1	1,031.4	1,152.8
Specialized	133.7	119.1	187.9	194.1
Private banks	233.5	221.3	282.6	286.8
Foreign banks	60.1	82.5	96.3	98.7
Risk weighted assets	434.8	463.3	510.9	576.6
Domestic commercial banks	326.8	339.8	359.6	425.0
NCBs	229.8	237.0	241.6	300.0
Specialized	86.6	93.2	116.5	114.8
Private banks	97.0	102.8	118.1	124.9
Foreign banks	21.4	30.3	34.8	36.8
Required capital	35.9	38.0	41.4	46.6
Domestic commercial banks	26.8	27.7	28.9	34.1
NCBs	18.4	19.0	19.3	24.0
Specialized	7.0	7.5	9.3	9.2
Private banks	8.5	8.7	9.6	10.1
Foreign banks	2.1	2.9	3.2	3.3
Actual capital	28.9	34.9	37.5	41.3
Domestic commercial banks	19.7	24.3	23.5	27.7
NCBs	12.8	15.7	12.6	16.1
Specialized	5.4	5.6	8.1	8.2
Private banks	6.9	8.6	10.9	11.5
Foreign banks	3.8	5.0	5.9	5.4
Capital surplus (-) or shortfall (+)	7.0	3.1	3.9	5.2
Domestic commercial banks	7.1	3.4	5.4	7.3
NCBs	5.6	3.3	6.7	7.9
Specialized	1.6	1.9	1.3	0.1
Private banks	1.5	0.1	-1.3	-1.5
Foreign banks	-1.7	-2.1	-2.8	-2.2
Provisioning surplus (-) or shortfall (+)	26.2	33.0	44.3	48.4
Domestic commercial banks	24.0	31.3	41.2	45.2
NCBs	16.8	22.2	31.6	36.0
Specialized	2.3	2.0	3.4	3.4
Private banks	7.2	9.0	9.6	9.2
Foreign banks	-0.2	-0.3	-0.3	-0.2
Shortfall (+) in capital cum prov.	33.2	36.1	48.2	53.6
Domestic commercial banks	31.1	34.6	46.6	52.5
NCBs	22.4	25.5	38.3	43.9
Specialized	3.9	3.9	4.7	3.5
Private banks	8.7	9.2	8.3	7.7
Foreign banks	-1.9	-2.4	-3.1	-2.4
	(In percent)			
Capital adequacy ratio	6.6	7.5	7.3	7.2
Domestic commercial banks	6.0	7.2	6.5	6.5
NCBs	5.6	6.6	5.2	5.4
Specialized	6.2	6.0	7.0	7.1
Private banks	7.1	8.4	9.2	9.2
Foreign banks	17.8	16.5	17.0	14.7
Actual capital in percent of required capital	80.5	91.8	90.6	88.6
Domestic commercial banks	73.5	87.9	81.3	81.2
NCBs	69.6	82.8	65.3	67.1
Specialized	77.1	75.1	87.1	89.1
Private banks	81.2	98.9	113.5	113.9
Foreign banks	181.0	172.4	184.4	163.6

Source: DBOD, Bangladesh Bank.

Table 32. Bangladesh: Balance of Payments 1994/95-1998/99
(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Trade balance	-2,361.0	-2,998.6	-2,743.8	-2,347.8	-3,012.3
Exports	3,473.0	3,882.4	4,418.3	5,172.2	5,324.4
Imports	-5,834.0	-6,881.0	-7,162.1	-7,520.0	-8,336.6
Foodgrain	-476.0	-586.0	-184.0	-369.0	-997.0
Capital goods	-1,688.0	-1,918.0	-1,937.0	-2,072.0	-2,299.9
Other	-3,670.0	-4,377.0	-5,041.1	-5,079.0	-5,039.7
Net Services	-95.1	-112.9	55.9	82.5	-45.6
Receipts	819.3	808.2	745.0	797.9	818.2
Payments	-914.4	-921.1	-689.1	-715.4	-863.8
Transfers	1,728.0	1,795.0	2,145.0	2,016.8	2,234.8
Official current transfers	364.0	320.0	375.0	266.8	259.8
Private transfers	1,426.0	1,475.0	1,770.0	1,750.0	1,975.0
of which workers' remittances	1,198.0	1,217.0	1,475.4	1,526.0	1,706.0
Current account balance 1/	-728.1	-1,316.5	-542.9	-248.5	-823.1
Capital account balance	835.8	283.0	190.7	379.3	522.2
Aid disbursements 2/	1,375.0	1,124.0	1,133.0	1,075.0	1,214.5
Commodity loans	106.0	47.0	16.0	42.0	205.2
Project aid 3/	1,269.0	1,077.0	1,117.0	1,033.0	1,009.3
Concessional debt amortization	-314.0	-316.0	-329.0	-308.0	-340.0
Other medium-long term capital, net	-43.2	28.0	45.7	-49.7	-30.3
Foreign direct and portfolio investment	67.0	-14.0	-120.0	336.0	653.0
Other capital flows (trade credits) 4/	-249.0	-539.0	-539.0	-674.0	-975.0
Errors and omissions	124.3	132.5	189.2	-48.7	129.6
Overall balance	232.0	-901.0	-163.0	82.1	-171.2
Financing items	-232.0	901.0	163.0	-82.1	171.2
Bangladesh Bank	-160.0	926.0	180.0	-131.1	218.2
Assets (- increase)	-274.0	1,062.0	320.1	-14.1	209.7
Liabilities	114.0	-136.0	-140.1	-117.0	8.5
Fund credit, net	-60.0	-66.0	-114.0	-107.0	27.0
ESAF and other Fund disbursements	0.0	0.0	0.0	0.0	138.0
Fund repayments	-60.0	-66.0	-114.0	-107.0	-111.0
Other, net	-14.0	-70.0	-26.1	-10.0	-18.5
Adjustment 5/	188.0	0.0	0.0	0.0	0.0
Commercial banks	-72.0	-25.0	-17.0	49.0	-47.0
Memorandum items:					
Current account balance/GDP 1/	-1.9	-3.3	-1.3	-0.6	-1.9
Current account balance/GDP (incl. All grants)	-0.5	-2.4	-0.4	0.1	-1.1
Gross reserves (\$ mn.) 5/	3,070	2,039	1,719	1,733	1,523
(In months of imports of goods and NF services)	5.6	3.2	2.7	2.6	2.1
Medium and long-term external public debt (\$ mn.)	16,767	15,170	15,025	14,033	15,145
External debt/GDP	44.6	37.6	36.6	33.2	35.0
Debt-service ratio 6/	10.4	9.4	8.7	7.9	7.8
Debt-services/GDP	1.6	1.4	1.5	1.4	1.5
Exchange rate (taka/\$, annual average)	40.2	40.9	42.7	45.4	47.8
Nominal GDP (mn. US\$)	37,613	40,343	41,040	42,308	43,292

Sources: Bangladesh authorities, and staff estimates.

1/ Excludes official capital grants. Previously, all grants were reported in the capital account.

2/ Includes official capital grants.

3/ Includes non-ADP financing and capital grants.

4/ Includes valuation adjustment.

5/ Gross foreign reserves of Bangladesh Bank, including nonresident foreign currency deposits and other special accounts.

6/ In percent of current receipts.

Table 33. Bangladesh: Exports by Main Product Categories, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	Est. 1998/99
	(In millions of U.S. dollars)				
Raw jute	79.0	90.7	116.0	107.8	71.8
Volume (millions of bales)	1.4	1.4	1.7	1.8	1.8
Average unit value	56.0	64.4	66.5	59.1	41.1
Jute goods (excl. carpets)	310.0	324.8	313.3	278.6	301.9
Volume ('000 of tons)	539.6	536.9	487.9	446.5	488.2
Average unit value	574.5	605.0	642.2	624.0	618.5
Tea	33.0	33.1	38.0	47.5	38.6
Volume (millions of kgs)	25.2	21.4	24.8	26.7	22.7
Average unit value	1.3	1.5	1.5	1.8	1.7
Leather and leather products	202.0	211.7	195.0	190.3	168.2
Volume (millions of square feet)	161.7	155.8	128.6	127.7	186.9
Average unit value	1.2	1.4	1.5	1.5	0.9
Frozen shrimps and fish	306.0	313.7	320.0	293.8	274.3
Volume (millions of pounds)	78.4	75.1	86.0	73.4	70.3
Average unit value	3.9	4.2	3.7	4.0	3.9
Ready-made garments	1,839.0	1,948.8	2,238.0	2,843.3	2,984.7
Volume (million dozens)	47.2	48.8	53.5	65.6	64.8
Average unit value index	39.0	39.9	41.9	43.4	46.1
Knitwear and hosiery products	393.0	598.3	763.3	940.3	1,035.4
Volume (million dozens)	15.3	23.2	27.5	32.6	36.7
Average unit value index	25.7	25.8	27.7	28.8	28.2
Naphtha, furnace oil and bitumen	0.64	0.66	0.68	0.73	0.76
	14.0	10.9	16.5	10.9	5.3
Chemical Products (fertilizers)	91.0	94.7	104.1	58.7	58.7
Agricultural Products	...	26.0	0.0	0.0	0.0
Other exports	206.0	229.6	312.5	390.0	374.0
Total exports	3,473.0	3,882.4	4,418.3	5,161.2	5,312.9
	(Annual Percentage Change)				
Memorandum items:					
Value	37.1	11.8	13.8	17.1	2.9
Volume	31.2	7.3	9.0	22.1	5.9
Unit price	4.4	4.2	4.4	-4.1	-2.8

Sources: Bangladesh Bank; and staff estimates.

Table 34. Bangladesh: Imports by Main Product Categories, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	Est. 1/ 1998/99
(In millions of U. S. dollars)					
Foodgrains	476.0	586.0	184.0	369.0	1,031.0
Rice	220.0	358.0	28.0	247.0	680.0
Wheat	256.0	228.0	156.0	122.0	351.0
Edible oil	220.0	179.0	216.0	216.0	287.0
Oilseeds	80.0	89.0	62.0	93.0	100.0
Petroleum products	206.0	290.0	341.0	295.0	270.0
Crude petroleum	177.0	166.0	174.0	140.0	118.0
Cotton	135.0	185.0	195.0	207.0	233.0
Staple fiber	40.0	43.0	45.0	48.0	39.0
Yarn	200.0	296.0	395.0	327.0	283.0
Fertilizer	142.0	97.0	150.0	108.0	120.0
Cement	116.0	171.0	156.0	152.0	105.0
Textiles	1,025.0	1,043.0	1,098.0	1,264.0	1,109.0
Capital goods	1,688.0	1,918.0	1,937.0	2,072.0	1,969.0
Aircraft	0.0	101.0	0.0	0.0	0.0
Other	1,100.0	1,450.0	1,729.1	2,229.0	2,390.0
Total	5,834.0	6,881.0	7,162.1	7,520.0	8,054.0
(Annual Percentage Change)					
Memorandum items:					
Value	39.2	17.9	4.1	5.1	10.9 2/
Volume	33.0	13.2	6.8	13.9	...
Unit price	4.7	4.2	-2.5	-7.7	...

Sources: Bangladesh Bank; and staff estimates.

1/ Official estimates for total imports in 1998/99 are lower than the staff estimates presented in Appendix Table 32, because the latter have been adjusted to account for unrecorded imports financed by recent foreign direct investment inflows.

2/ Adjusted growth rate based on data presented in Appendix Table 32.

Table 35. Bangladesh: Geographical Distribution of Foreign Trade, 1994/95-1997/98
(In percent of total)

	1994/95	1995/96	1996/97	Est. 1997/98
Exports				
United States	34.0	30.0	31.3	32.0
Canada	2.0	2.0	1.7	2.0
Western Europe	42.0	49.0	47.9	49.0
Eastern Europe	1.0	1.0	1.3	1.0
India	1.0	1.0	0.8	1.0
Pakistan	1.0	1.0	1.2	1.2
Japan	3.0	4.0	2.5	2.7
Hong Kong, Province of China	4.0	4.0	2.8	3.0
Singapore	1.0	1.0	0.5	1.0
Iran, Islamic Republic of	1.0	1.0	1.2	1.0
China	0.0	1.0	1.2	1.0
Other	10.0	5.0	7.6	5.1
Total	100.0	100.0	100.0	100.0
Imports				
United States	5.0	5.0	4.5	5.0
Canada	3.0	1.0	1.1	1.0
Western Europe	15.0	11.0	12.7	13.0
Eastern Europe	2.0	1.0	1.8	2.0
India	10.0	16.0	13.8	15.0
Pakistan	2.0	2.0	1.0	1.0
China	7.0	10.0	8.6	10.0
Hong Kong, Province of China	7.0	6.0	6.1	6.0
Singapore	6.0	5.0	4.4	5.0
Korea, Republic of	5.0	5.0	5.4	7.0
Malaysia	1.0	1.0	2.9	3.0
Indonesia	2.0	1.0	1.9	1.0
Thailand	1.0	1.0	1.2	1.0
Saudi Arabia	2.0	1.0	1.3	1.0
Australia	2.0	1.0	2.5	2.0
Japan	13.0	9.0	8.8	9.0
Other	17.0	24.0	22.0	18.0
Total	100.0	100.0	100.0	100.0

Source: Bangladesh Bank.

Table 36. Bangladesh: Worker's Remittances, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	Est. 1998/99
Bahrain	34	30	32	32	39
Germany	8	5	3	2	5
Iran, Islamic Republic of	0	0	0	1	0
Iraq	0	0	0	0	0
Japan	31	23	26	20	39
Kuwait	165	174	212	213	230
Libya	1	0	0	1	0
Malaysia	50	74	95	78	68
Oman	81	82	94	88	92
Qatar	72	53	53	58	64
Saudi Arabia	477	498	587	589	685
United Arab Emirates	81	84	90	107	125
United Kingdom	47	41	56	65	54
United States	112	115	157	203	239
Others	39	38	70	68	66
Total	1,198	1,217	1,475	1,525	1,706

Source: Bangladesh Bank and Fund staff estimates.

Table 37. Bangladesh: Services Account, 1995/96-1998/99

(In millions of U. S. Dollars)

	1995/96	1996/97	1997/98	Est. 1/ 1998/99
Services (net)	-112.9	55.9	82.2	92.7
Nonfactor services (net)	-107.0	163.3	182.3	228.0
Receipts	626.1	656.4	707.1	735.6
Transportation	66.4	86.3	93.0	92.9
Travel	27.5	42.1	67.9	49.3
Other	532.2	528.0	546.2	593.4
Payments	-733.1	-493.1	-524.8	-507.6
Transportation	-149.1	-165.2	-178.5	-190.9
Travel	-161.7	-153.2	-165.8	-141.7
Other	-422.3	-174.7	-180.5	-175.0
Investment income (net)	-5.9	-107.4	-100.1	-135.3
Receipts	182.1	88.6	90.8	91.1
Payments	-188.0	-196.0	-190.9	-226.4
Interest payments	-180.5	-155.1	-147.2	-154.8
Profits and dividends	-7.5	-40.9	-43.7	-71.6

Source: Bangladesh Bank.

1/ The official estimates of investment income payments presented in this table are significantly lower than the staff estimates embedded in Table 32, reflecting the adjustments in staff estimates to account for service payments on unrecorded FDI inflows.

Table 38. Bangladesh: External Aid Commitments and Disbursements, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	Est. 1998/99
Food Aid					
Opening Pipeline	133.9	128.0	100.9	159.8	118.6
Commitments	132.0	132.0	137.9	49.8	268.8
Disbursements	137.0	138.0	100.9	99.0	176.9
Grants 1/	137.0	138.0	100.9	99.0	176.9
Loans	0.0	0.0	0.0	0.0	0.0
Adjustment 2/	0.0	0.8	0.0	8.0	0.0
Closing pipeline	128.9	122.8	159.8	118.6	210.5
Commodity Aid					
Opening Pipeline	442.0	498.8	400.8	29.9	124.3
Commitments	354.0	163.1	170.5	233.0	362.5
Disbursements	333.0	229.4	263.1	187.0	261.2
Grants 1/	227.0	182.4	247.6	145.0	56.0
Loans	106.0	47.0	15.5	42.0	205.2
Adjustment 2/	-60.0	-31.7	-278.3	48.4	-8.4
Closing pipeline	403.0	400.8	29.9	124.3	217.2
Project Aid					
Opening Pipeline	5,419.1	5,603.8	4,907.6	4,507.4	4,652.7
Commitments	1,126.0	983.6	1,352.8	1,901.5	2,017.3
Disbursements	1,269.0	1,076.4	1,117.1	1,033.1	1,035.2
Grants 3/	526.0	357.0	387.5	327.1	373.7
Loans	743.0	719.4	729.6	706.0	661.5
Adjustment 2/	-112.0	-603.4	0.0	-723.1	-29.7
Closing pipeline	5,164.1	4,907.6	4,507.4	4,652.7	5,605.1
Total Aid					
Opening Pipeline	5,995.0	6,230.6	5,431.2	4,697.1	4,895.6
Commitments	1,612.0	1,278.7	1,661.2	2,184.3	2,648.6
Disbursements	1,739.0	1,443.8	1,481.1	1,319.1	1,473.3
Grants	890.0	677.4	736.0	571.1	669.3
Loans	849.0	766.4	745.1	748.0	866.7
Adjustment 2/	-172.0	-634.3	-278.3	-666.7	-38.1
Closing pipeline	5,696.0	5,431.2	4,697.1	4,895.6	6,032.8

Source: Economic Relations Division, Ministry of Finance

1/ Included in "Official current transfers" in the current account in Table 32; from 1996/97 onwards, data recorded as "official current transfers" include technical assistance-related inflows and, as a result, exceed the sum of food, aid and commodity aid grants as recorded in this table.

2/ Includes cancellation and exchange rate adjustments.

3/ Included in "Project aid" in the capital account in Table 32.

Table 39. Bangladesh: External Aid Disbursements by Donors, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	Est. 1998/99
Bilateral donors	915.8	756.9	717.2	608.8	638.4
Australia	10.0	11.1	15.7	9.1	6.9
Belgium	2.3	2.7	1.1	0.0	0.0
Canada	47.1	24.8	30.4	21.1	26.8
China	0.0	0.0	9.9	2.2	0.0
Denmark	30.8	13.6	22.7	25.0	32.6
France	30.3	9.7	27.0	20.6	10.7
Finland	2.2	3.8	3.2	0.0	0.0
Germany	111.7	64.1	33.8	40.0	36.7
India	0.0	1.0	0.5	0.2	6.6
Japan	356.5	331.1	368.2	301.7	235.0
Kuwait	0.1	9.6	10.4	5.0	5.7
Netherlands	17.9	32.9	71.9	25.0	43.1
Norway	34.1	29.8	16.7	29.3	9.5
Saudi Arabia	18.7	30.8	10.1	7.0	4.2
Sweden	12.7	5.2	22.1	23.4	22.2
Switzerland	4.9	1.6	2.5	2.0	9.3
United Kingdom	53.4	33.3	20.6	28.0	52.1
United States	114.6	51.3	35.3	38.6	69.1
U.S.S.R. 1/	0.0	0.0	0.6	0.1	0.0
Suppliers' credits	57.5	97.6	12.3	25.0	46.0
Other	11.0	2.9	2.2	5.5	21.9
Multilateral donors	823.2	686.9	764.0	809.8	834.9
Asian Development Bank	336.8	279.0	254.9	310.0	217.5
IDA	286.0	225.6	313.8	327.0	477.0
European Union	64.3	90.9	62.0	60.0	39.2
IFAD	7.5	6.2	9.8	8.2	10.9
UNDP	27.6	3.1	8.8	20.0	25.2
World Food Program	36.8	34.3	18.3	43.2	82.6
UNICEF	50.4	20.9	60.2	22.0	19.2
Islamic Development Bank	5.9	11.0	19.3	16.3	12.3
OPEC Fund	5.6	15.9	17.4	3.0	3.5
Other	2.3	0.0	0.0	0.0	-52.5
Total aid disbursements	1,739.0	1,443.8	1481.2	1418.6	1473.3

Source: Economic Relations Division, Ministry of Finance and Fund staff projections.

1/ The Baltics, Russia, and other former Soviet Union Countries.

Table 40. Bangladesh: External Debt, 1994/95-1998/99

(In millions of U.S. dollars, end of period)

	1994/95	1995/96	1996/97	1997/98	Est. 1998/99
Outstanding debt (end-June)	16,766.5	15,170.4	15,024.7	14,033.4	15,145.0
Medium- and long-term debt 1/	15,970.1	14,524.4	14,399.1	13,432.6	14,540.6
Food credits	0.0	0.0	0.0	0.0	0.0
Aircraft loans	89.7	153.1	148.3	270.2	251.7
Petroleum loans	0.0	0.0	0.0	0.0	0.0
IMF/2	687.5	568.1	440.8	319.6	353.5
Other	19.2	-75.2	36.6	11.0	-0.8
Debt service payments	-594.0	-582.5	-602.9	-611.9	-597.6
IMF/2	-66.5	-71.5	-116.6	-108.4	-116.3
Other	-527.5	-511.0	-486.4	-503.5	-481.3
Principal payments	-417.2	-402.0	-447.8	-464.7	-442.8
IMF/2	-60.0	-66.0	-114.0	-107.0	-111.0
Other	-357.2	-336.0	-333.8	-357.7	-331.8
Interest payments	-176.8	-180.5	-155.1	-147.2	-154.8
IMF/2	-6.5	-5.5	-2.6	-1.4	-5.3
Other	-170.3	-175.0	-152.5	-145.8	-149.5
Debt indicators					
Outstanding debt					
In percent of GDP	44.6	37.6	36.6	33.2	35.0
In percent of current receipts	293.2	246.0	216.7	181.8	186.6
Outstanding IMF credit/2					
In percent of GDP	1.8	1.4	1.1	0.8	0.8
In percent of total debt	4.1	3.7	2.9	2.3	2.3
Debt service					
In percent of GDP	1.6	1.4	1.5	1.4	1.5
In percent of current receipts	10.4	9.4	8.7	7.9	7.8
Debt service to the IMF/2					
In percent of GDP	0.2	0.2	0.3	0.3	0.3
In percent of current receipts 1/	1.2	1.2	1.7	1.4	1.4
In percent of total debt service	11.2	12.3	19.3	17.7	18.3

Source: Economic Relations Division, Ministry of Finance; the World Bank; and staff estimates.

1/Debt recorded by the Economic Relations Division of the Ministry of Finance. On an original maturity basis.

2/Excludes the IMF Trust Fund.

Table 41. Bangladesh: Gross Official Reserves, 1994/95-1998/99

(End of period; in millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Gold 1/	27.3	27.0	25.4	23.4	20.7
SDRs	67.6	159.1	48.2	25.6	9.5
Foreign exchange	2,974.7	1,831.6	1,619.9	1,701.8	1492.2
Other	26.1	16.0	...	...	...
Total /2	3,069.6	2,017.7	1,693.5	1,750.7	1522.4

Source: Bangladesh Bank.

1/ National valuation.

2/ The figures for total reserves may differ from the ones presented in the official balance of payments because of valuation differences.