

EBS/04/99
Correction 1

August 5, 2004

To: Members of the Executive Board

From: The Secretary

Subject: **Bangladesh—Second Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility (PRGF) and Requests for Waiver of Performance Criteria, Activation of the Trade Integration Mechanism (TIM), and Augmentation of the Access Under the PRGF Arrangement in Accordance with the TIM**

The following correction to EBS/04/99 (7/14/04) has been provided by the staff, based on the suggestion by an Executive Director to include the net exports of the ready-made garment (RMG) sector in Table 7:

Page 38, Table 7: Additional rows have been added to the table (net RMG exports and RMG-related imports).

Questions may be referred to Mr. Weerasinghe (ext. 38780) and Ms. O. Liu (ext. 36134) in APD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

Table 6. Bangladesh: Monetary Program, June 2003-June 2005

	Jun-03		Sep-03		Dec-03		Mar-04		Jun-04 Rev. Prog.	Sep-04	Dec-04		Jun-05
	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Actual			Revised program for FY05		
(End of period; in billions of taka)													
Net foreign assets	124	140	123	149	151	156	156	157	158	172	177	182	187
Net domestic assets	985	1,000	1,013	1,027	1,072	1,053	1,074	1,067	1,118	1,139	1,177	1,211	1,249
Domestic credit	1,059	1,034	1,089	1,055	1,111	1,081	1,096	1,099	1,152	1,176	1,217	1,255	1,294
Net credit to central government	202	173	213	172	176	167	177	174	204	199	217	222	230
Credit to other nonfinancial public sector	61	55	62	55	55	61	59	63	59	59	58	58	57
Credit to private sector	797	806	814	828	880	852	860	863	889	919	942	975	1,007
Other items, net 1/	-74	-34	-76	-28	-39	-28	-22	-32	-34	-37	-40	-44	-45
Broad money (M2)	1,110	1,140	1,135	1,176	1,223	1,209	1,230	1,223	1,276	1,311	1,354	1,393	1,436
(Change since start of fiscal year; in billions of taka)													
Net foreign assets	29	45	-1	9	11	16	16	16	18	14	19	24	29
Net domestic assets	95	109	27	27	73	53	75	67	118	22	59	93	131
Domestic credit	102	76	29	21	77	47	62	65	118	25	65	103	142
Net credit to central government	18	-11	11	-1	3	-6	4	1	31	-5	13	18	26
Credit to other nonfinancial public sector	2	-3	1	0	0	6	4	8	4	-1	-1	-2	-2
Credit to private sector	82	90	17	22	74	47	54	57	83	30	53	87	118
Other items, net	-7	33	-2	6	-5	6	12	2	0	-3	-6	-10	-11
Broad money (M2)	124	154	26	36	83	69	91	84	136	35	78	117	160
(Year-on-year percent change)													
Net foreign assets	30.2	46.8	12.1	35.9	48.7	54.0	46.0	46.3	13.0	15.5	13.5	16.4	18.3
Net domestic assets	10.6	12.2	11.7	13.3	10.8	8.8	12.0	11.2	11.8	11.0	11.8	13.5	11.8
Domestic credit	10.6	8.0	12.7	9.2	7.8	4.8	6.4	6.7	11.4	11.5	12.6	14.1	12.4
Net credit to central government	9.7	-5.8	15.5	-6.6	-6.8	-11.4	-3.2	-5.1	17.7	15.6	29.6	27.7	12.8
Credit to other nonfinancial public sector	4.2	-5.7	13.6	0.5	-11.9	-2.2	4.2	10.7	6.9	6.6	-5.3	-8.6	-3.4
Credit to private sector	11.4	12.6	11.9	13.9	12.9	9.3	8.8	9.2	10.3	11.0	10.5	13.1	13.3
Other items, net	10.6	-48.8	26.9	-52.7	-38.8	-55.8	-69.0	-54.2	-0.5	30.8	42.4	35.6	32.3
Broad money (M2)	12.5	15.6	11.8	15.7	14.4	13.1	15.4	14.8	11.9	11.6	12.0	13.9	12.6
(In billions of taka, unless otherwise noted)													
Memorandum items													
Broad money multiplier	5.17	5.32	5.21	5.54	5.46	5.46	5.44	5.39	5.49	5.53	5.56	5.59	5.61
Broad money velocity	2.70	2.64	2.70	2.63	2.57	2.62	2.65	2.66	2.62	2.61	2.59	2.58	2.57
Net domestic financing of central government (since beginning of FY)	56	38	20	15	31	24	41	39	76	4	33	53	71
Bank	18	-11	11	-1	3	-6	4	1	31	-5	13	18	26
Nonbanks	38	48	9	16	28	30	37	39	45	9	20	35	45

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

1/ The large change in other items, net in June 2003 was due in part to writeoffs by commercial banks of longstanding nonperforming loans, in response to changes in regulatory guidelines by Bangladesh Bank.

Table 7. Bangladesh: Projected Balance of Payments Impact of the Removal of MFA Quotas, FY04-06 1/
(In millions of U.S. dollars)

	2003/04	2004/05	2005/06	2006/07	FY05-06
	Projections				
Projections under the First PRGF review 2/					
Trade balance	-3,109	-3,082	-3,107	-3,088	-6,189
Exports	6,959	7,389	7,940	8,600	15,329
(in percent change)	7.2	6.2	7.5	8.3	6.8
Of which : RMG exports	5,379	5,675	5,987	6,316	11,662
(in percent change)	9.5	5.5	5.5	5.5	5.5
Net RMG exports	3,335	3,473	3,686	3,867	7,159
Imports (fob)	10,068	10,471	11,047	11,688	21,518
Of which : RMG-related imports	2,044	2,202	2,301	2,449	4,503
Services (net)	-1,211	-1,356	-1,388	-1,479	-2,744
Overall balance	270	-307	-272	-328	-579
NIR accumulation	270	300	310	254	610
Financing gap	0	607	582	582	1,189
Post MFA quota removal, without policy adjustment					
Trade balance	-2,718	-3,422	-4,131	-4,165	-7,553
Exports	7,353	7,110	6,706	6,937	13,817
(in percent change)	13.3	-3.3	-5.7	3.4	-4.5
Of which : RMG exports	5,600	5,081	4,502	4,813	9,583
(in percent change)	14.0	-9.3	-11.4	6.9	-10.3
Net RMG exports	3,472	3,109	2,772	2,947	5,881
Imports (fob)	10,071	10,532	10,838	11,101	21,370
Of which : RMG-related imports	2,128	1,972	1,730	1,866	3,702
Services (net)	-1,075	-1,391	-1,376	-1,398	-2,766
Overall balance	221	-872	-1,480	-1,530	-2,352
NIR accumulation 3/	221	103	-102	62	1
Financing gap	0	975	1,379	1,592	2,353
Post MFA quota removal, with policy adjustment, under the second PRGF review					
Trade balance	-2,718	-3,124	-3,598	-3,675	-6,722
Exports	7,353	7,566	7,429	7,786	14,995
(In percent change)	13.3	2.9	-1.8	4.8	0.5
Of which : RMG exports	5,600	5,628	5,313	5,384	10,940
(in percent change)	14.0	0.5	-5.6	1.3	-2.6
Net RMG exports	3,472	3,444	3,271	3,296	6,916
Imports (fob)	10,071	10,690	11,027	11,461	21,717
Of which : RMG-related imports	2,128	2,184	2,042	2,088	4,312
Services (net)	-1,075	-1,390	-1,419	-1,465	-2,809
Overall balance	221	-521	-828	-765	-1,348
NIR accumulation	221	350	-190	89	159
Financing gap	0	870	637	854	1,507
Impact of MFA Quota Removal					
Before policy adjustment					
Trade balance	391	-340	-1,024	-1,077	-1,364
(in percent of GDP)	0.7	-0.6	-1.5	-1.5	-1.1
Net RMG exports	137	-363	-915	-920	-1,278
Services (net)	136	-35	12	81	-22
Overall balance	-49	-565	-1,208	-1,202	-1,773
NIR accumulation	-49	-197	-412	-192	-609
Additional financing gap	0	368	797	1,010	1,164
With policy adjustment					
Trade balance	391	-42	-491	-587	-533
(in percent of GDP)	0.7	-0.1	-0.7	-0.8	-0.4
Net RMG exports	137	-29	-415	-571	-444
Services (net)	136	-34	-31	14	-65
Overall balance	-49	-214	-556	-437	-769
NIR accumulation	-49	50	-500	-165	-451
Additional financing gap	0	263	55	273	318
Memorandum items					
Nominal GDP (in millions of U.S. dollars)	56,136	61,614	67,866	73,919	...
Quotas (in millions of SDR)	533	533	533	533	533

1/ The removal of quotas is not expected to materially affect balance of payments entries not explicitly included in the table.

2/ These projections incorporate very preliminary estimates of the potential MFA impact, based on partial data.

3/ For maintaining about 3 months of import cover.