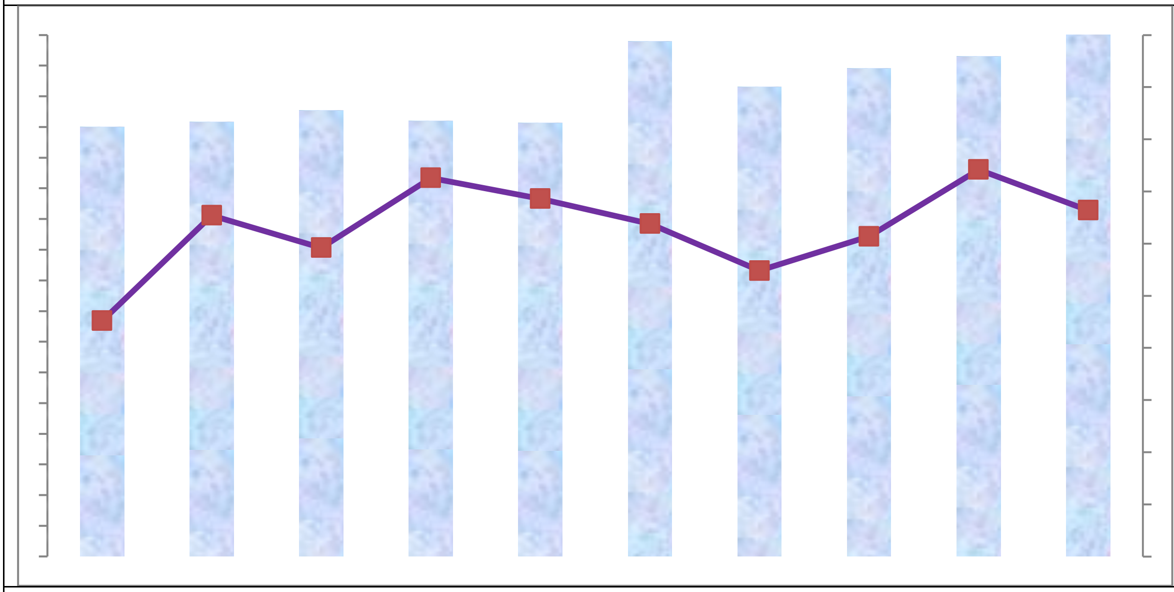
MONTHLY REPORT ON FISCAL-MACRO POSITION

October, 2013



Prepared by:
Macroeconomic Wing
Finance Division
Ministry of Finance
Bangladesh

Contributed by:
Mahedi Masuduzzaman, Senior Assistant Secretary, Finance Division
Farid Ahmed, Assistant Chief, Finance Division

Guided by:
Moinul Islam
Additional Secretary
Finance Division
Ministry of Finance
Bangladesh

Vol. VII, No. 04, October 2013, FY14 As on January 23,2013

Contents

Executive Summary

The October 2013 issue of the report on Fiscal-Macro position contains relevant data and analysis onthe movement of major macroeconomic variables in the current month compared to the same period of the previous year. An overview of the report is given below:

Fiscal Sector

Revenue earnings posted notable growth by the end (July-June) of FY13. During July-October period of FY14 total revenue grew by 7.82 percent compared to the same period of previous fiscal year. During the same period, total government spending grew by around 8.3 percent.

Monetary Sector

Broad Money supply increased by 16.18 percent in October of FY14 compared to the same month of previous year mainly due to 10.78 percent growth in domestic credit. Reserve money growth during this period was 8.37 percent.

External Sector

Export growth was 2.03 percent in the month of October of FY14 over that of the corresponding period of the previous fiscal. Import payments in July-October of FY14 increased by 15.31 percent. However the growth in remittance earning was negative 10.21 percent in the same period. But low pressure in import causes increase in foreign exchange reserve to US$ 17345.70 million that is equivalent to import payments for 5.65 months.

Real Sector

According to base year 2005-06, provisional real GDP growth in FY13 is 6.18 percent. Per capita GNI in FY13 reached US$ 1044. In FY13 the average rate of inflation (Twelve-Month Average Basis) was 6.78 percent. In October 2013, the rate of inflation (national) on point-to-point basis was 7.03 percent slightly decreasing from previous month, of which, food and non-food inflation were 8.38 percent and 5.02 percent respectively. Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 178.59 in September 2012 and became 208.67 in September, 2013.

1. FISCAL SECTOR

1.1 Revenue Earnings

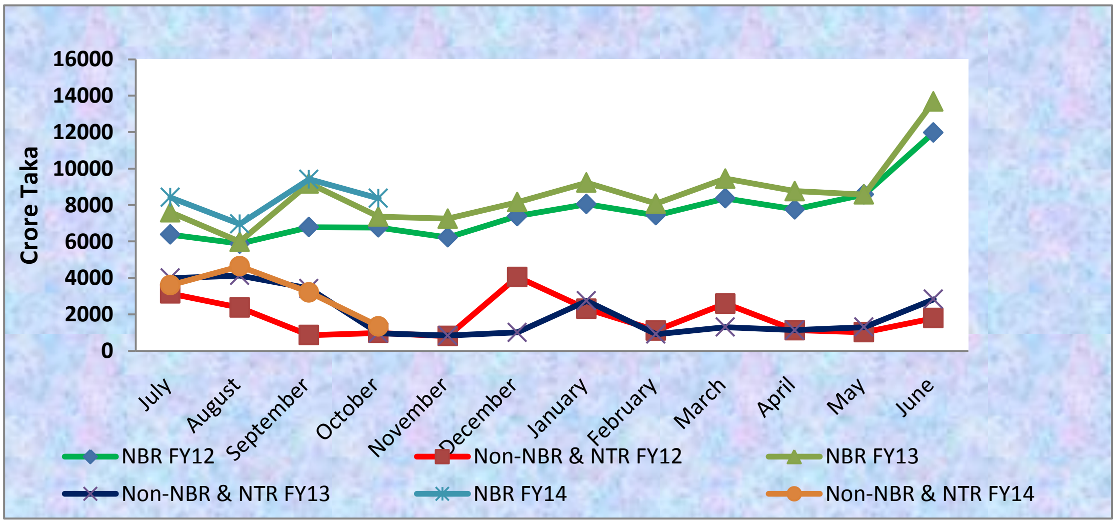
An increasing trend was observed in government revenue earnings over the last fiscal year which slowed slightly during the period of July to October of the current fiscal year. Total revenue collection in FY13 increased by 12.34 percent compared to the same period of previous fiscal year. This rate slowed to 7.82 percent in the first four months (July-October) of the current fiscal year (FY14) compared to the same period of previous fiscal year (table 1.1) mainly due to slow growth in the non-tax revenue sector.

Table 1.1: Revenue Earning (Taka in Crore)

	Tax Revenue		Non-Tax Revenue	Total Revenue
	NBR	Non-NBR		
2011-12	91596	3633	18550	113779
2012-13	103338	4121	21365	128824
Growth (%)	12.82	13.43	9.87	12.34
July-October, FY13	30133	1205	11284	42622
July-October, FY14	33158	1332	11466	45956
Growth(%) over (July-Oct.), FY13	10.04	10.54	1.61	7.82

Source: Integrated Budgeting & Accounting System (iBAS), Finance Division

Chart 1.1: Monthly Trend of Revenue earnings (FY11-FY13)



1.2 Grants

Grants receipts recorded a notable increase of 83.7 percent in FY 13 compared to FY12. The grant receipts increased moderately by around 27 percent to TK. 175 crore during the first four months (July-October) of the current fiscal year (FY14) against TK. 138 crore over the corresponding period of the last fiscal year (table 1.2).

Table 1.2: Grants (Taka in crore)

2011-12	2012-13	Growth (%)	2012-13 July-October	2013-14 July-October	Growth (%) over July-October, FY13
3560	6599	83.7	138	175	26.81

Source: Integrated Budgeting & Accounting System (iBAS), Finance Division.

1.3 Government Expenditure

Total government expenditure, comprising of current and ADP expenditure, increased by 8.3 percent in the first four months (July-October) of current fiscal year compared to the same period of previous fiscal year. According to iBAS database, development spending grew by 7 percent in July to October, 2013 compared to the same period of previous fiscal year (table-1.3). The current spending, on the other hand grew slowly by 0.26 percent in July-October, 2013 compared to the corresponding periods of 2012. Of current spending, spending on interest payment and goods and services grew at a high rate of 29.9 percent and 20.7 percent respectively. Spending on pay and allowances decreased by 2 percent. As percentage of GDP, government expenditure stood at 4.70 percent during July-October of FY13, slightly increasing from 3.78 percent over the same period of FY12. It may be noted here that, according to the report of Implementation, Monitoring and Evaluation Division (IMED) of Planning Ministry, during the period of July-October of FY13, ADP expenditure stood at TK.9906 Crore, recording 9.2 percent decrease over the same period of the last fiscal year.

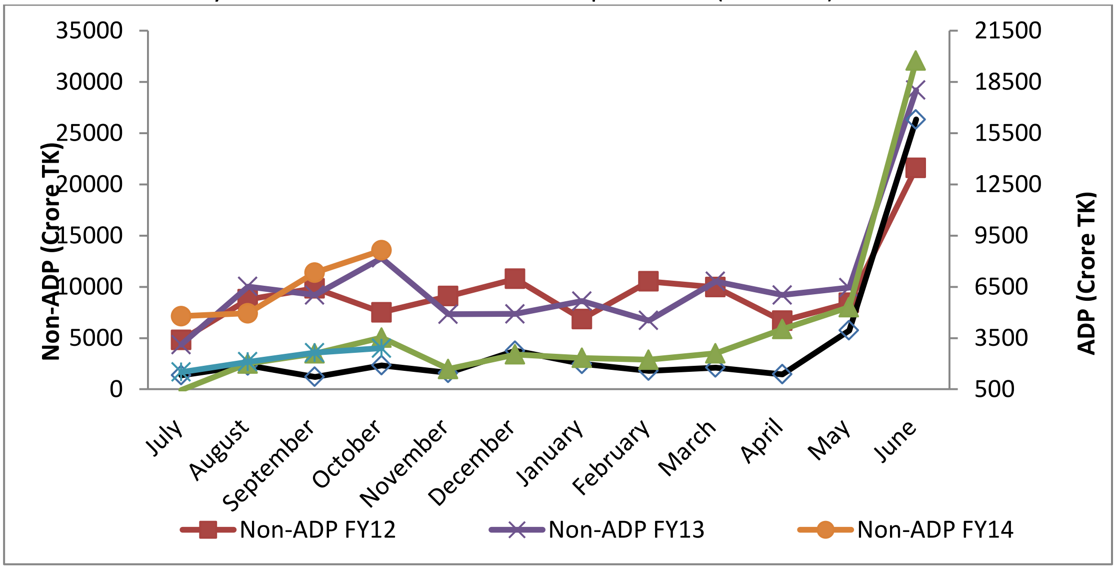
Table 1.3: Government Expenditures (Crore Taka)

	2011-12	2012-13	Growth (%)	2012-13 July -October	2013-14 July - October	Growth (%) over July-October, FY13
1. Current Spending	**89296**	**99698**	**11.65**	**30807**	**30887**	0.26
Pay and Allowances	21065	21725	**3.13**	8975	8790	-2.06
Goods and Services	11081	13086	**18.09**	2182	2635	20.76
Interest Payment	20350	23997	**17.92**	7383	9595	29.96
Domestic	18803	22505	**19.69**	6767	9006	33.09
Foreign	1548	1492	**-3.62**	615	590	-4.07
Subsidy and Transfer	36627	40655	**11.00**	12226	9819	-19.69
Others	172	236	**37.21**	42	46	9.52
2. Food Accounts	**1233**	**-443**	**-135.93**	**2261**	**3237**	43.17
3. Non-ADP Capital & Spending	**24389**	**25962**	**6.45**	**3314**	**5387**	62.55
Non-ADP Capital	7164	5655	**-21.06**	853	1838	115.47
Net Lending	14061	16963	**20.64**	2397	3081	28.54
Non-ADP Project	1465	1456	**-0.61**	48	371	672.92
FFW	1144	1299	**13.55**	0	0	-
Structural Adjustment	0	0	**-**	0	0	-
Development Expenditure	555	590	6.31	16	97	-

under Revenue Budget						
4. Development Spending	**37532**	**49056**	**30.70**	**8574**	**9177**	7.03
Total (1+2+3+4)	**152450**	**174273**	**14.31**	**44956**	**48688**	8.30
Total Spending (Percent of GDP)	**14.64**	**14.67**		**3.78**	**4.10**	

Source: Integrated Budgeting & Accounting System (iBAS), Finance Division

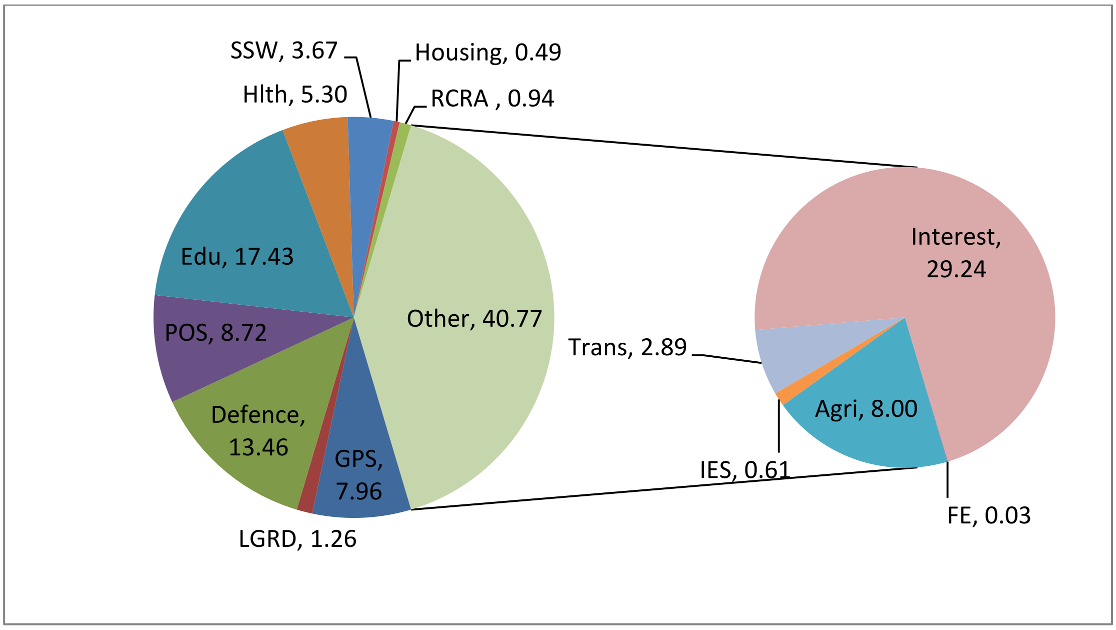
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 12-14)



1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure (July-October, FY13) shows(chart 1.3) that Interest payment (29.2%) was the highest spending item followed by Education and Technology sector (17.4%) and defense service (13.5%).

Chart1.3: Sector wise share (%) of Non-Development expenditure (July-October, FY 14)

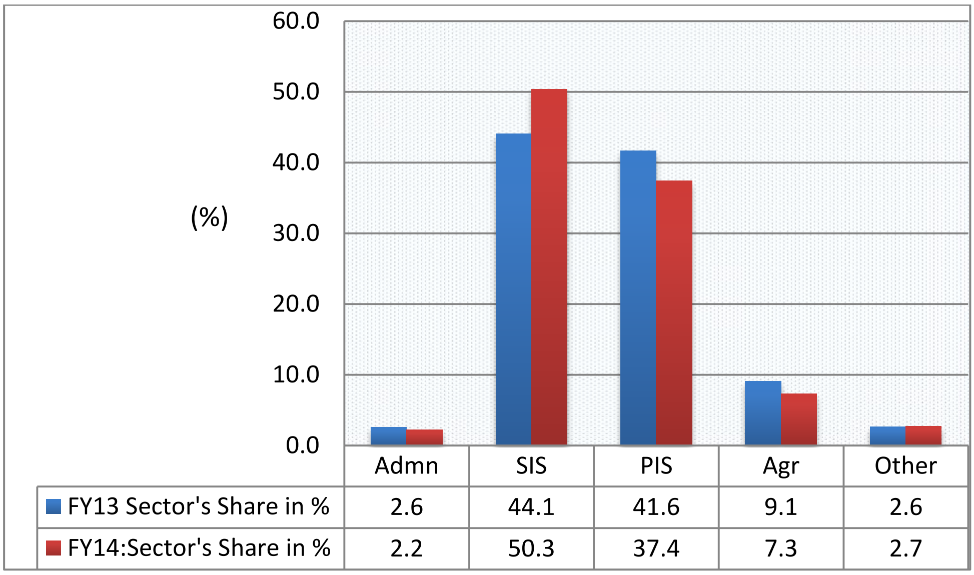


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and Food, FE = Fuel and Energy, IES = Industries, Jute, Textiles, Commerce, Labor & Overseas, Trans = Transport and Communication

1.5 Structure of ADP Expenditure

Sector wise analysis of ADP expenditure shows that, during the first four months (July-October) of current fiscal year (FY14), highest share of spending went to social Infrastructure (44.1%) followed by expenditure on Physical Infrastructure (41.6%).

Chart 1.4: Sector wise share (%) of Development expenditure (July-October, FY14)



Admn = General Public Services, Defence, and Public Order and Safety; SIS = Social Infrastructure, covers Edu, health, Housing and SSW & LGRD; PIS = Physical Infrastructure, covers FE and Trans; Agri= Agricultural sector and others include RCRA and IES

1.6 Budget Deficit

Overall budget deficit at the end of FY13 stood at 3.8 percent of GDP (Base year 2005-06), which was 3.6 percent in FY12. Budget deficit during the first four months (July-October) of the current fiscal year (FY14) stood at 0.2 percent of GDP.

Table 1.4: Budget Balance **(Taka in crore)**

Year	Overall Balance	Overall Balance as % of GDP
2011-12	-37775	-3.6
2012-13	-45451	-3.8
July-October, FY13	-2333	-0.2
July-October, FY14	-2732	-0.2

Source: Integrated Budgeting & Accounting System (iBAS), Finance Division.

1.7 Deficit Financing

Budget deficit was mainly financed by domestic bank borrowings during FY12 and FY13. Bank borrowing was 71.9 percent of total deficit financing in FY 12 which decreased to 60.4 percent in FY13 (table 1.5). In the current fiscal (FY14), during the period of July to October, budget deficit was mainly financed by domestic bank borrowings.

Table 1.5: Deficit Financing (In Crore Taka)

	External (net)	Domestic		Total Financing	Financing as % of GDP
		Bank	Non-Bank		
2011-12	7217	27191	3368	37777	3.6
2012-13	12824	27430	5143	45397	3.8
July-October, FY13	271	8114	-6051	2334	0.2
July-October, FY14	-901	3905	-271	2733	0.2

Source: Integrated Budgeting & Accounting System (iBAS), Finance Division

1.8 Net Sales of NSD Certificates

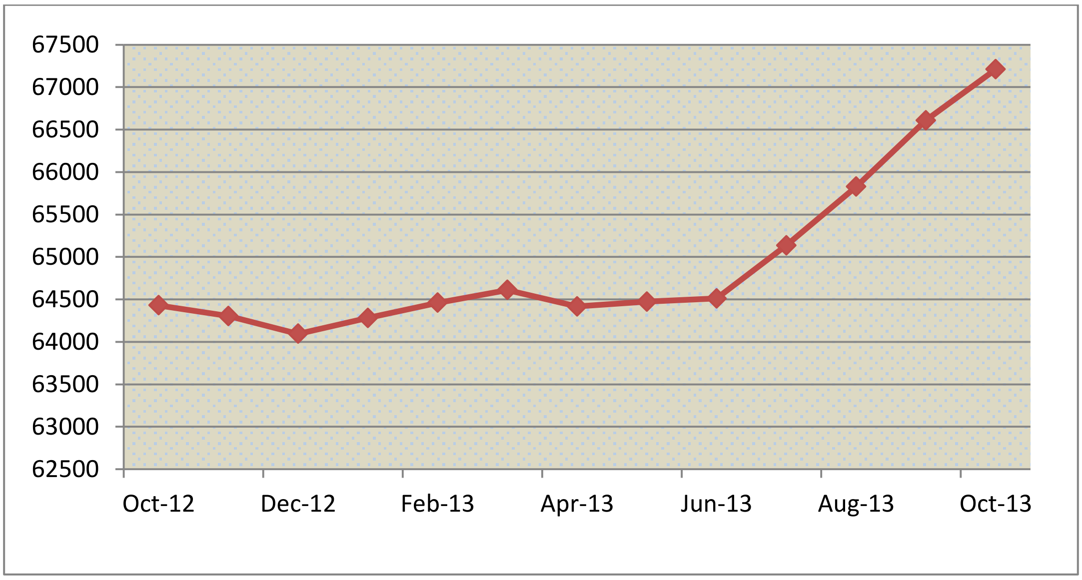
Sale of NSD during July-October 2013 stood at Tk. 7433.91 crore which is 6.3 per cent lower than the amount of sale in the same period preceding year. At the same time net borrowing of the government through NSD certificates during July-October of FY14 stood at Tk. 2698.8 crore against TK. 643.6 Crore compare to the same period of previous year (table 1.6).

Table 1.6 Net Sales of NSD Certificates (Taka in crore)

	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2011-12	18955.35	18476.33	479.02	63917.34
2012-13	23326.77	22553.93	772.84	64510.43
Growth (%)	23.0	22.0	61.3	0.93
July-October, FY13	7933.52	7422.07	511.45	64428.79
July-October, FY14	7433.91	4735.03	2698.88	67209.31
Growth (%)	-6.30	-36.20	643.6	4.32

Source: National Savings Directorate

Chart 1.5: Outstanding borrowing of government through NSD (In Crore TK.)



2. MONETARY SECTOR

2.1 Monetary and credit development

Broad money (M2) growth in October, 2013 was 16.18 percent (table 2.1) compared to the same period of previous year. This was mainly due to the growth of both Net Foreign Asset and Domestic Assets of banking system recording 34.25 and 12.41 percent increase respectively. During the month, domestic credit expansion was quite remarkable (11.52 percent), due to growth of credit to private sector (9.80 percent).

Table-2.1 Monetary and credit development (In Crore Taka)

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June,2012	June, 2013	October, 2013	FY 2013-14 (July-October)	October 2013 over October 2012
Net Foreign Assets of banking system	78818.70	113384.80	127669.60	14284.80 (+12.60)	32571.60 (+34.25)
Net Domestic Assets of Banking System	438290.80	490120.60	512647.70	22527.10 (+4.60)	56589.90 (+12.41)
Domestic Credit	518335.40	582583.30	594620.30	22883.20 (+4.00)	57855.60 (+10.78)
Public Sector	110433.80	130426.10	119579.90	5845.80 (+4.89)	11199.00 (+9.80)
Govt. (net)	92027.90	110352.80	114561.50	4436.80 (+4.03)	15255.30 (+15.36)
Other Public Sector	18405.90	20073.30	10864.20	1409.00 (+14.90)	-4178.30 (-28.36)
Private Sector	407901.60	452157.20	469194.60	17037.40 (+3.77)	46656.60 (+11.04)
Net other items	-80044.60	-98140.60	-81972.60	-356.10 (+0.44)	-1265.70 (+1.57)
Broad Money	517109.5	603505.40	640317.30	36811.90 (+6.10)	89161.50 (+16.18)

Source: Bangladesh Bank, Note: Figure in brackets indicate percentage changes

2.2 Reserve money and money multiplier

Reserve money grew by 8.37 percent in October 2013 (table 2.2) compared to the same period of previous year. At the same time the value of reserve money multiplier increased to 5.28 in October 2013 from 4.93 in September 2012.

Table 2.2: Reserve money and money multiplier

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June,2012	June, 2013	October,2013	FY 2013-14 (July-Oct)	October 2013 over October 2012
Reserve money	97802.7	112489.40	121349.60	8860.20 (+7.88)	9370.20 (+8.37)
Reserve money multiplier	5.29	5.36	5.28	-0.09	0.35

Source: Bangladesh Bank.

3. EXTERNAL SECTOR

3.1 Export

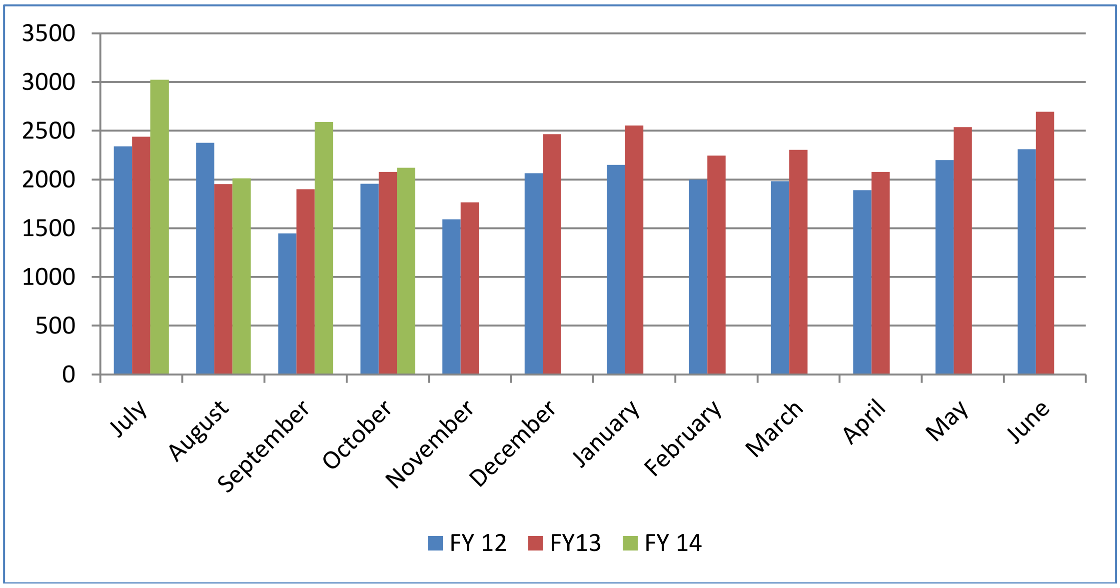
Export earnings rose by 16.47 percent to $9.75 billion during the July-October period of the current fiscal year compared to the same period last year due to increased shipment of garment products in the markets. The country's export earnings in October 2013 also witnessed a higher growth of 2.03 percent (y-o-y) from the earnings of October 2012.

Table 3.1: Export Performance (In million US$)

	2011-12	2012-13	October, 2013	2013-14 (July-Oct)
Export	24287.6	27027.36	2119.20	9747.17
Growth (%)*	5.9	11.28	2.03	16.47

Source: Export Promotion Bureau, *Growth over the same period of the previous time

Chart 3.1: Monthly Trend of Export (Million US$)



3.2 Imports (c & f)

Import payments in October, 2013 increased by 15.31 percent against October 2012. Fresh opening of import LCs in this period increased by 3.49 percent compared to October 2012. The growth of LC's settled also increased during the period.

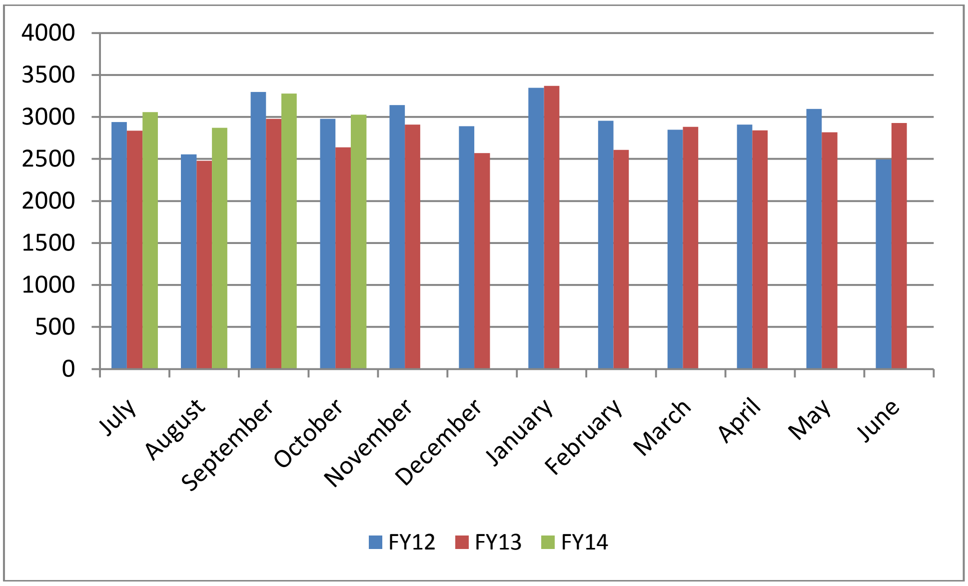
Table 3.2: Import Scenario (In million US$)

	2011-12	2012-13	2013-14 October	2013-14 July-Oct
Import payments	35516.3	33980.6	3028.50	12235.90
Growth (%)	5.5	-4.3	15.31	(+11.65)
LCs Opened	37035.8	35984.6	2873.76	12478.44

Growth (%)	-4.0	-2.8	3.49	(+8.90)
LCs Settled	34814.5	32356.7	2816.85	11648.66
Growth (%)	8.9	-7.1	6.19	(+8.71)

Source: Bangladesh Bank. Growth rate (in percent) over the same period of the previous fiscal year/month.

Chart 3.3: Monthly Trend of Import Payments



3.3 Remittance

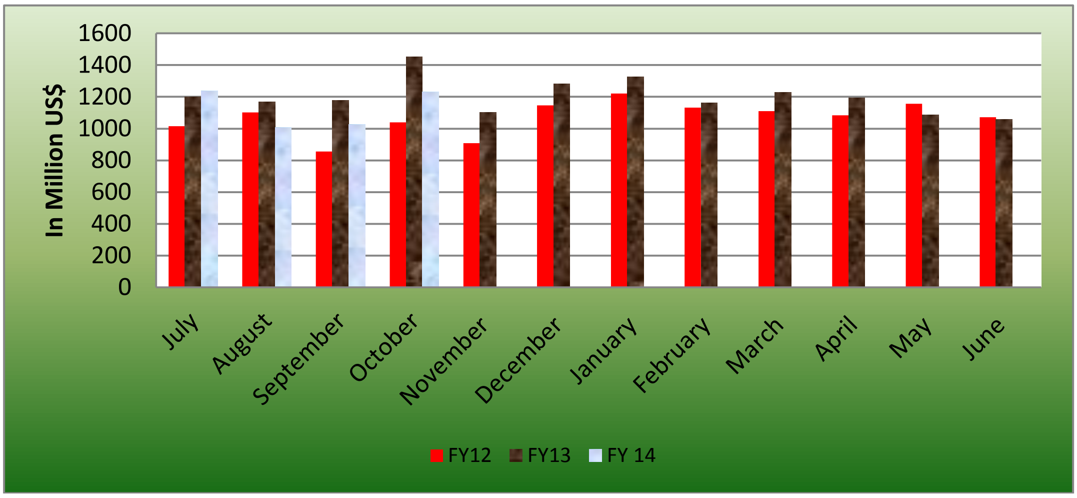
Remittances receipt increased sharply in October, 2013 by 19.99 percent (m-o-m) to USD1230.68 million against USD1025.69 million in September 2013. This figure, however, 15.34 percent (y-o-y) lower than the USD1453.69 million recorded for October 2012. In the first four months of FY14, remittances receipt is down by 10.21 percent compared to the same period of last fiscal.

Table-3.3: Remittance Performance **(In million US$)**

	2011-12	2012-13	2013-14	2013-14
			October	July-Oct
Remittances	12843.4	14461.14	1230.68	4500.64
Growth (%)	10.2	12.6	-15.34	-10.21
As % of GDP	11.1	11.0	-	-
As % of Export	52.8	60.7	58.07	46.17

Source: Bangladesh Bank

Chart 3.4: Monthly Trend of Remittances



3.4 Exchange Rate Movements

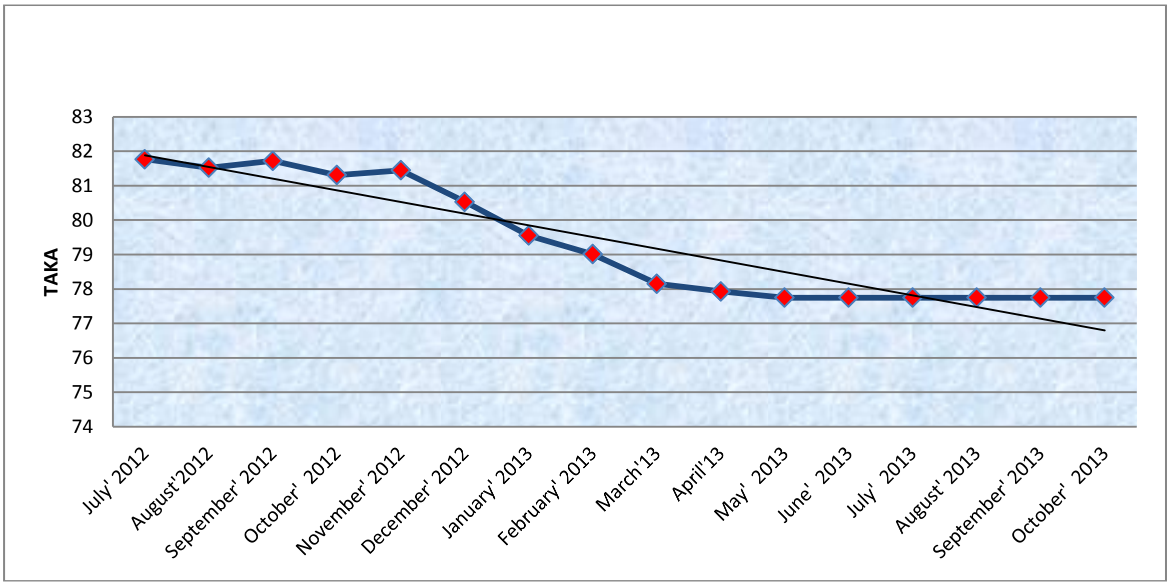
The exchange rate movement (monthly average) from July 2012 to October 2013 has been shown in Chart 3.5 (BDT against USD). Exchange rate of Taka per USD remains market based and volatility is reduced since July 2012. Exchange rate in July-October period of FY14 is almost static.

Table 3.4: Exchange Rate Movements (Taka per US$)

	Average	End of the period
2008-09	68.80	69.06
2009-10	69.18	69.445
2010-11	71.17	74.15
2011-12	79.10	81.87
2012-13	79.93	77.77
	2013-14	
July	77.76	77.75
Aug	77.75	77.75
Sept	77.75	77.75
Oct	77.75	77.75

Source: Bangladesh Bank

Chart 3.5: Period Average Exchange Rate Movements (BDT-US$)



3.5 External Reserve

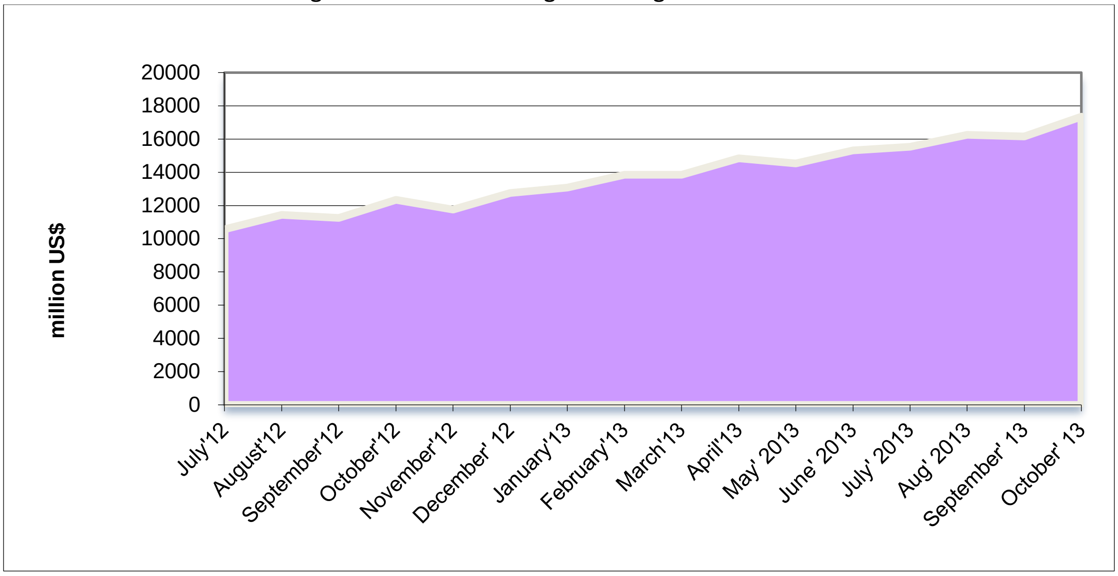
The gross foreign exchange reserves of BB stood higher at USD17345.70 million (with ACU liability of USD889.31 million) as of end October 2013, against USD16154.76 million (with ACU liability of USD479.54 million) as of end September 2013. The gross foreign exchange reserves, without ACU liability is equivalent to import payments of 5.65 months according to imports of USD2913.18 million per month based on the preceding 12 months average (October, 12- September, 13).

Table 3.5: Foreign Exchange Reserve (In million US$)

	2010-11	2011-12	2012-13	As on end of October, 2013
Reserve	10911.5	10364.43	15315.23	17345.70
In month of import payment	3.9	3.2	5.22	5.65

Source: Bangladesh Bank.

Chart 3.6: Outstanding Stock of Gross Foreign Exchange Reserve at the end of the month



3.6 Balance of Payments

The country's trade deficit declined to $1.93 billion in the first four months of the current financial year from $2.52 billion in the corresponding period of the FY13. But the large inflow of workers' remittances in the period contributed to a current account surplus of USD701 million during July-October, 2013. Foreign direct investment and portfolio investment contributed to financial account surplus of USD625 million during the same period. This together results a surplus of USD1649 million in overall balances during July-October, 2013 against a surplus of USD1923 million during July-October, 2012.

Table 3.6: Balance of Payments (In million US$)

	2011-12^R (July-June)	2012-13^P (July-June)	2012-13^R (July-Oct)	2013-14^P (July-Oct)
Trade Balance	-9320	-7010	-2517	-1928
Current Account Balance	-447	2525	721	701
Capital Account	482	588	167	116
Financial Account	1436	2779	1490	625
Overall Balance	494	5128	1923	1649

Source: Bangladesh Bank. R=Revised

4. REAL SECTOR

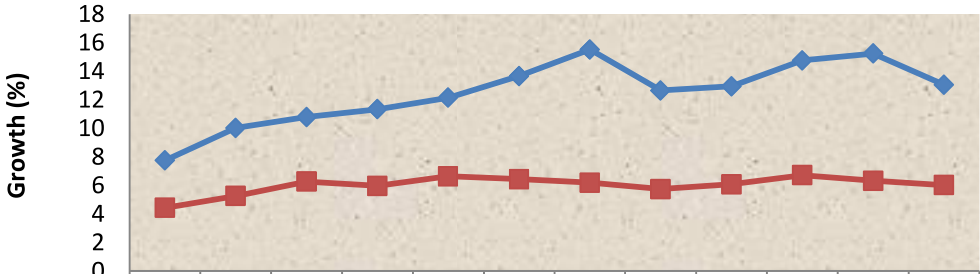
According to base year 2005-06 provisional real GDP growth in FY13 is 6.18 percent.Per capita GNI in FY13 reached US$ 1044.

Table 4.1 Gross Domestic Product (Base year 2005-06)

	2008-09	2009-10	2010-11	2011-12	2012-13[P]
GDP at constant prices(Billion TK.)	5635.4	5963.6	6371.9	6784.8	7204.1
Growth (%)	5.14	5.82	6.85	6.48	6.18
GDP at current prices (Billion TK.)	6933.2	7829.4	8993.3	10412.5	11880.7
Growth (%)	12.19	12.93	14.87	15.78	14.10
GNI at current prices (Billion TK.)	7492.2	8475.4	9718.4	11305.5	12925.6
Per capita GDP (Tk.)	47553	52973	60096	68693	77348
Per capita GNI (Tk.)	51387	57344	64941	74585	84151
Per capita GDP (US$)	691	766	844	868	960
Per capita GNI (US$)	747	829	912	943	1044

Source: Bangladesh Bureau of Statistics, P= provisional

Chart 4.1: GDP Growth Rate at current and constant prices (Base year 1995-96)



	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Current Price	7.75	10.02	10.78	11.33	12.14	13.65	15.52	12.64	12.94	14.75	15.24	13.05
Constant Price	4.42	5.26	6.27	5.96	6.63	6.43	6.19	5.74	6.07	6.71	6.32	6.02

4.2 Quantum Index of Industrial Production

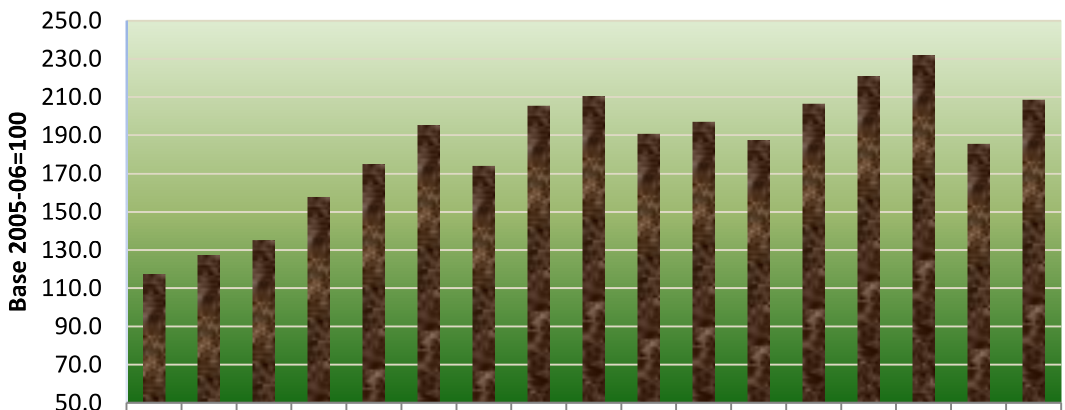
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 178.59 in September2012 and became 208.67 in September 2013 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 11.6 percent in FY 13 which was 10.8 percent in FY 12.

Table 4.2: Quantum Index of Industrial Production (Base: 2005-06=100)

Period	Index	Growth Rate (%)*
2008-09	127.47	8.5
2009-10	135.01	5.9
2010-11	157.89	16.9
2011-12	174.92	10.8
2012-13	195.19	11.6
September, 2012	178.59	2.1
September, 2013	208.67	16.8

Source: BBS, *Growth over the same period of the previous fiscal year

Chart 4.2: Quantum Index of Industrial Production(Base: 2005-06=100)



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
Index	117.	127.	135.	157.	175	195	174	205	210	191	197	187	206	221	232	186	209

Source: BBS

4.3 Inflation

In FY13 the average rate of inflation (Twelve-Month Average Basis) was 6.78 percent (table-4.2). The food and non-food inflation were5.22 percent and 9.17 percent respectively. In October 2013, the rate of inflation (national) on point-to-point basis was 7.03 percent, of which, food and non-food inflation were 8.38 percent and 5.02 percent respectively.

Table-4.3 Twelve-Months Average Inflation (National) (Base 2005-06)

FY	Twelve-Months Average Basis		
	National	Food	Non-Food
2012-13	6.78	5.22	9.17
2013-14	Twelve-Months Average Basis		
July	6.99	5.71	8.96
August	7.19	6.20	8.71
September	7.37	6.73	8.35
October	7.47	7.23	7.83

Source: Bangladesh Bank

Chart 4.3: Trends of Point to Point Inflation (Base 2005-06)