December 2023

Monthly Report on Fiscal-Macro Position

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Executive Summary

The December 2023 issue of the report on the Fiscal-Macro position contains relevant data and analysis on the 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 collection after December FY24 demonstrated uptrend as Tax revenue increase by 11.37 percent and non-tax revenue increased by 34.64 percent than that of July-December FY23. The overall increase in revenue is 13.93 percent on July-December FY24 compared to that of December FY23. Total operating expenses increased by 9.90 percent to Tk. 141,161.84 crore in July-December FY24 compared to Tk. 128,449.10 crore in July-December FY23. However, the ADP implementation in July-December FY24 increased by 26.36 percent compared to that of July-December FY23. Overall government expenditure increased by 19.19 percent in July December FY24 compared to that of July-December FY23[1].

Monetary Sector

Broad money (M2) increased by 8.60 percent at the end of December FY24 compared to that of December FY23. Of the sources of broad money, Net Domestic Asset (NDA) increased by 13.42 percent while Net Foreign Asset decreased by 13.13 percent. Reserve money decreased by 2.03 percent at the end of December 2023 compared to that of December 2022. Money multiplier rose to 5.13 at the end of December 2023 from 4.92 at the end of June 2023.

External Sector

In December FY24, total exports continued to grow above the strategic target. Export increased by 0.84 percent after December FY24 compared to the export after December FY23. Imports decreased by 19.90 percent after December FY24 compared to that of July-December FY23. Import showing down trend due to some tuff monitoring measures taken by Bangladesh Bank. The trend is also seen in the fact that LCs settlement deceased by 18.68 percent after December FY24 compared to that of July-December FY23. Workers' remittances after December FY24 increased by 2.97 percent to USD 10,805.81 million against USD 8,794.16 million after December FY23 and the overall deficit stood at US$ 3.7 billion at the end of December FY24 compared to a 6.4 billion US$ deficit in the same time of the previous year. Gross foreign exchange reserves stood at USD 27.13 billion in December FY24 which was sufficient to pay import liability of 4.8 months, considering the average of the previous 12 months' imports.

Real Sector

The industrial production of Large Scale, SMME Scale and Cottage Scale increased 4.49 percent, 11.05 percent and 4.87 percent respectively during December 2023. Point to point inflation decreased to 9.41 percent in December FY24 from 9.49 percent of November FY24. On twelve-month average basis inflation rose to 9.48 percent in December FY24 from 9.42 percent in November FY24, which is 3.42 percentage point higher than the target of 6.0 percent for FY24.

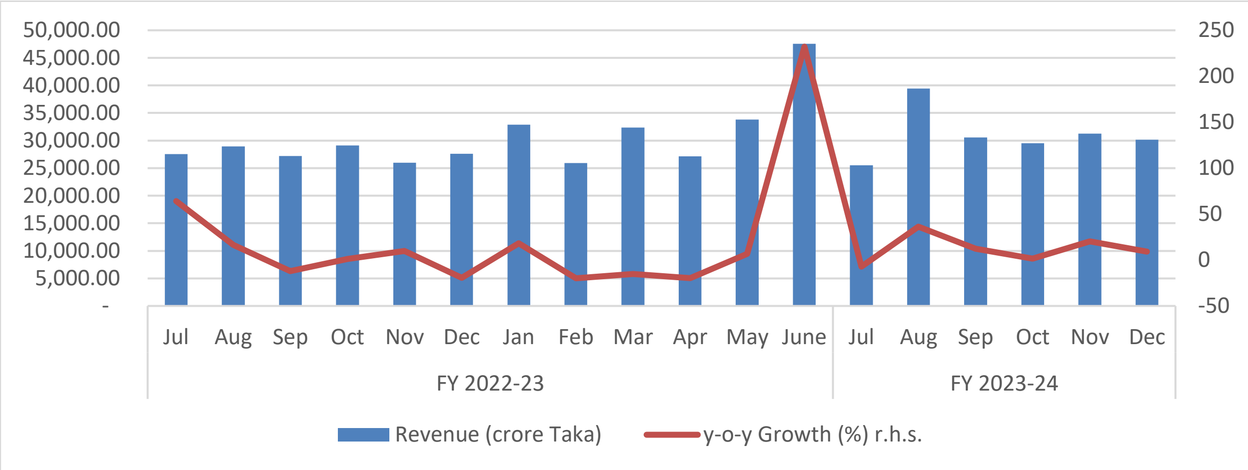
[1] Fiscal sector data collected from iBAS on 7 March 2024

1. FISCAL SECTOR

1.1 Revenue Earnings

Revenue collection after December FY24 demonstrated uptrend as Tax revenue increase by 11.37 percent and non-tax revenue increased by 34.64 percent than that of July-December FY23. The overall increase in revenue is 13.93 percent on July-December FY24 compared to that of December FY23.

Chart 1.1: Trend of Government's monthly revenue earnings



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

Table 1.1: Revenue Earnings (crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2023-24 (July-Dec)	158,384.56	3,877.67	162,262.23	24,297.69	186,559.92
2022-23 (July-Dec)	141,801.68	3,898.76	145,700.44	18,047.06	163,747.50
Growth (%)	11.69	(0.54)	11.37	34.64	13.93
2022-23 (Actual)	319,729.46	7,994.46	327,723.92	38,932.95	366,656.87
2021-22 (Actual)	292,917.36	6,704.42	299,621.78	35,590.62	335,212.40
Growth (%)	9.15	19.24	9.38	9.39	9.38

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

1.2 Government Expenditure

Total operating expenses increased by 9.90 percent to Tk. 141,161.84 crore in July-December FY24 compared to Tk. 128,449.10 crore in July-December FY23. However, the ADP implementation in July-December FY24 increased by 26.36 percent compared to that of July-December FY23. The case of overall development expenditure increased by 27.46 percent than that of previous year. Overall government expenditure increased by 19.19 percent in July-December FY24 compared to that of July-December FY23. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 22.48 percent.

Table 1.2: Government Expenditure (Crore taka)

	2023-24 (July-Dec)	2022-23 (July-Dec)	Growth (%) (July-Dec)	2022-23	2021-22	Yearly Growth (%)
a1. Operating Recurrent Expenditure	137,581.57	123,788.10	11.14	308,463.16	308,680.89	-0.07
Pay and Allowances	28,906.68	29,794.30	-2.98	63,281.00	63,319.00	-0.06
Use of Goods and Services	9,748.37	10,051.66	-3.02	32,100.16	32,248.12	-0.46
Interest Payment	39,925.27	34,767.83	14.83	77,754.99	77,778.95	-0.03
Domestic	37,251.15	32,412.93	14.93	73,201.33	73,225.29	-0.03
Foreign	2,674.12	2,354.89	13.56	4,553.66	4,553.66	0.00
Subsidies and Transfer	59,001.24	49,174.32	19.98	135,327.01	135,334.81	-0.01
a2. Operating Capital Expenditure	3,580.28	4,661.00	-23.19	18,032.03	18,011.79	0.11
a) Total Operating Expenditure (a1+a2)	141,161.84	128,449.10	9.90	326,495.18	326,692.68	-0.06
b) Outlay for Food Accounts	10,037.30	0.00	#DIV/0!	2,434.64	2,436.89	-0.09
c) Loans and Advances-Net	-942.02	0.00	#DIV/0!	-5,104.62	-5,104.65	0.00
d) Development Expenditure	43,677.61	34,267.62	27.46	205,151.43	195,294.98	5.05
Of which ADP	41,841.73	33,113.07	26.36	191,920.59	186,181.94	3.08
Total Expenditure (a+b+c+d)	193,934.73	162,716.72	19.19	528,976.64	519,319.90	1.86
Total Expenditure (as % of GDP)	23.09	21.99	1.10	11.92	13.08	-1.16
Memo Item: GDP	5,039,314.00	4,439,273.00	13.52	4,439,273.00	3,971,716.00	11.77

*Source: Finance Division and Latest BBS Publications with the new base 2015-16. * Projected GDP for FY2023-24.*

1.3 Budget Deficit

The budget deficit (including grants) in December 2024 is Tk 7513.19 crore which is -0.15 percent of the projected GDP for FY24. For the same period of the previous Fiscal Year, the overall budget deficit had been taka -20776.22 crore which was -0.47 percent of GDP of that year.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP	GDP
2023-24 (July-Dec)	-7513.19	-0.15	5,039,314.00
2022-23 (July-Dec)	-20776.22	-0.47	4,439,273.00
2022-23	-204,441.46	-4.61	4,439,273.00
2021-22	-181,785.68	-4.79	3,971,716.00

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

1.4 Deficit Financing

The government arranged its financing requirement from the banking system in the second month of the fiscal year to repay the non-bank borrowing loans undertaken in the past. Therefore, the Government has financed its budget deficit predominantly from the bank in December FY24.

Table 1.4: Deficit financing (Crore taka, Excluding Grants)

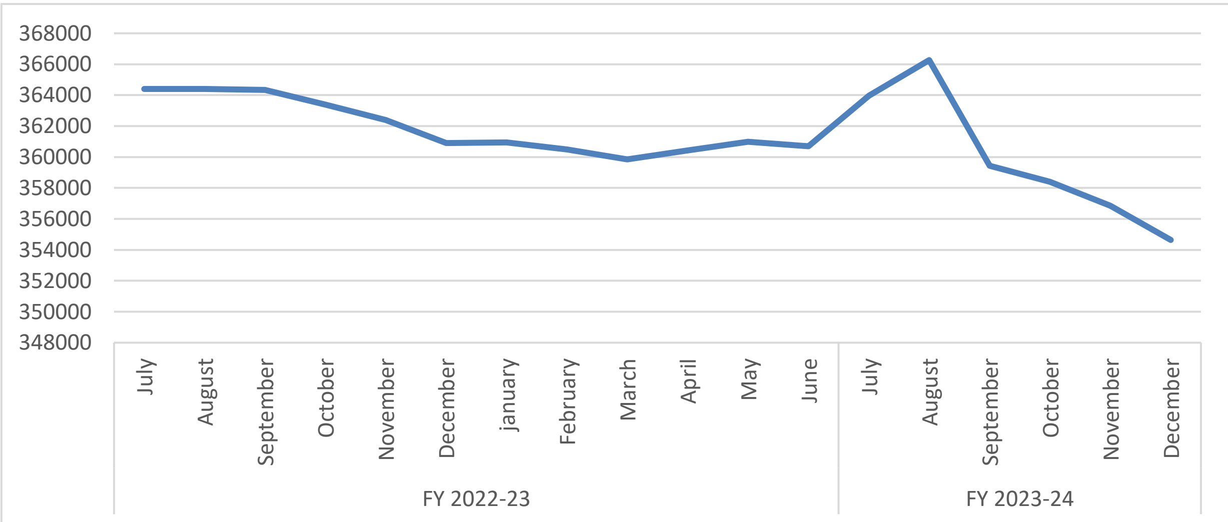
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2023-24 (July-Dec)	10,346.62	8,078.68	-11,366.23	-3,287.55	7,059.07	0.14
2022-23 (July-Dec)	8,164.15	30,249.45	-18,055.21	12,194.23	20,358.38	0.46
2022-23	79,155.82	118,025.05	6,330.56	124,355.61	203,511.42	4.58
2021-22	65,066.48	75,532.53	40,199.25	115,731.78	180,798.25	4.55
Target in 2023-24	102,490.15	132,395.00	23,000	155,395	257,885	5.12
Financing composition	External (Net)	Domestic			Total Financing	
		Bank	Non-Bank	Total		
2023-24 (July-Dec)	146.57%	114.44%	161.02%	46.57%	100.00%	
2022-23 (July-Dec)	40.10%	148.58%	88.69%	59.90%	100.00%	
2022-23	38.90%	57.99%	3.11%	61.10%	100.00%	
2021-22	35.99%	41.78%	22.23%	64.01%	100.00%	
Target in 2023-24	39.74%	51.34%	8.92%	60.26%	100.00%	

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division (Self Calculation for Financing composition)

1.4.1 National Savings Certificates (NSCs)

NSCs sales increased by 2.02 percent for July-December FY24 compared to that of July-December FY23. The net sale of NSCs during July- December of FY24 decreased by 95.16 percent compared to the same period of the previous year. The outstanding stock of NSCs stands at taka 354,641.79 crore at the end of December FY24 which is 1.73 percent lower compared to that of December FY23.

Chart 1.2: Trend of monthly stock of NSC (crore Taka)



Source: Major Economic Indicators, Bangladesh Bank, Growth calculated over the same period of the previous year

Table 1.5 Net Sale and Repayment of NSCs (Crore taka)

Period	Sale	Repayment (Principal)	Net Sale	Outstanding at the end of the period
2023-24 (July-Dec)	41,290.56	47353.81	-6,063.25	354,641.79
2022-23 (July-Dec)	40,471.82	43578.67	-3,106.85	360,894.12
Growth (%)	2.02	8.66	95.16	-1.73
2022-23	80,858.63	84,154.56	-3,295.93	360,714.20
2021-22	108,070.53	88,154.78	19,915.75	364,010.13
Growth (%)	-25.18	-4.54	-116.55	-0.91

Source: Bangladesh Bank; *-Growth calculated over the same month of the previous year.

2. MONETARY SECTOR

2.1 Monetary and Credit Development

Broad money (M2) increased by 8.60 percent at the end of December FY24 compared to that of December FY23. Of the sources of broad money, Net Domestic Asset (NDA) increased by 13.42 percent while Net Foreign Asset decreased by 13.13 percent. Despite strong public sector credit growth, government borrowing from the banking system contributed to the less than expected credit growth in the private sector. Broad money growth in December FY24 was 1.16 percent compared to that of June FY23.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock at the end of the period			% Changes in Outstanding stock	
	Dec-23	Dec-22	Jun-23	Dec-23 over Dec-22	Dec-23 over June-23
A. Net Foreign Assets (NFA)	2,774.64	3,193.97	3,167.28	-13.13	-12.40
B. Net Domestic Asset (NDA)	16,316.84	14,385.72	15,704.40	13.42	3.90
a. Domestic Credit	19,712.22	17,617.62	19,267.69	11.89	2.31
Public Sector	4,005.52	3,356.29	4,325.15	19.34	-7.39
Govt. (Net)	3,516.59	2,936.19	3,873.50	19.77	-9.21
Other Public	488.94	420.10	451.65	16.39	8.26
Private sector	15,706.70	14,261.34	14,942.55	10.13	5.11
b. Other Items (Net)	-3,395.38	-3,231.91	-3,563.30	5.06	-4.71
C. Broad Money (A+B)	19,091.48	17,579.69	18,871.68	8.60	1.16

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money decreased by 2.03 percent at the end of December 2023 compared to that of December 2022. Money multiplier rose to 5.13 at the end of December 2023 from 4.92 at the end of June 2023, resulting from a decrease of reserve deposit ratio. However, the rise of currency deposit ratio had offset the rise of multiplier to some extent.

Table 2.2: Reserve money and money multiplier (Billion BDT)

Items	Outstanding Stock at the end of the period			Changes in Outstanding Stock	
	Dec-23	Dec-22	Jun-23	Dec-23 over Dec-22	Dec-23 over June-23
Reserve money	3,723	3,800	3,836	-2.03%	-2.94%
Money multiplier	5.13	4.63	4.92	0.50	0.21

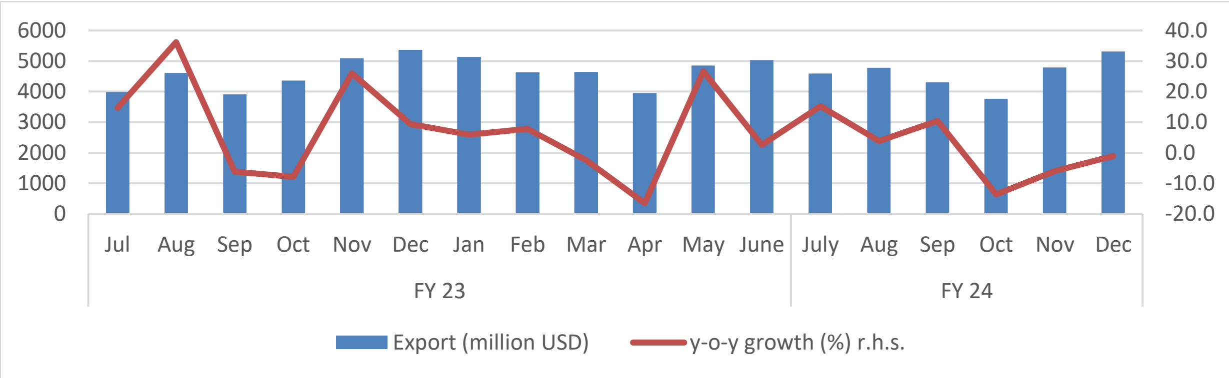
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

In December FY24, total exports continued to grow above the strategic target. Export increased by 0.84 percent after December FY24 compared to the export after December FY23. This higher growth in export is due to strong rebound in demand for apparels in the major export destinations of Bangladesh, as the economies are recovering from the shock of the Covid-19 pandemic.

Chart 3.1: Monthly Trend of Exports



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

Table 3.1: Export Performance (Million US$)

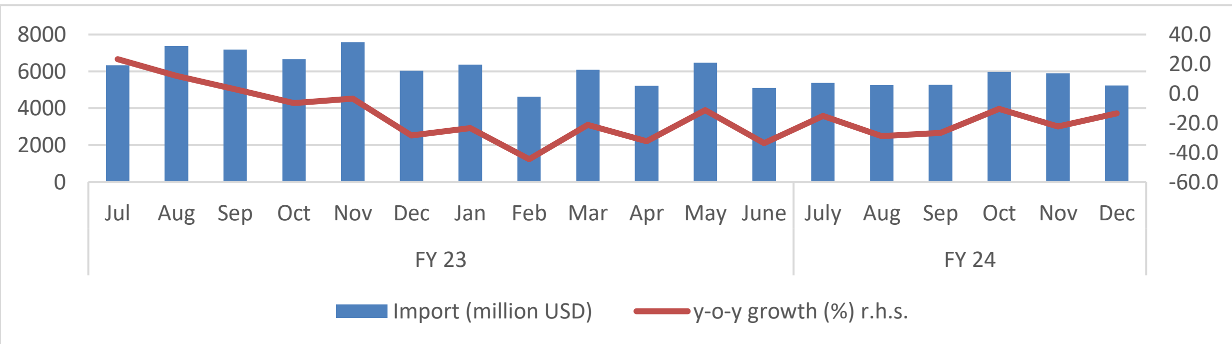
	2023-24 (July-Dec)	2022-23 (July-Dec)	2022-23	2021-22
Export	27,540.37	27,311.25	55,558.14	52,082.66
Growth*(%)	0.84	10.89	6.67	34.38

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

3.2 Imports (C & F)

Imports decreased by 19.90 percent after December FY24 compared to that of July-December FY23. Import showing down trend due to some tuff monitoring measures taken by Bangladesh Bank. The trend is also seen in the fact that LCs settlement deceased by 18.68 percent after December FY24 compared to that of July-December FY23. Due to various measures of the government to curtail import, Letter of Credit (LC) opening started to decreased and on a year-on year basis it was 4.68 percent lower in December FY24 than the same period of the previous FY.

Chart 3.2: Monthly Trend of Import Payments



Source: Bangladesh Bank, *Growth over the same period of the previous year;

Table 3.2: Import Scenario (Million US$)

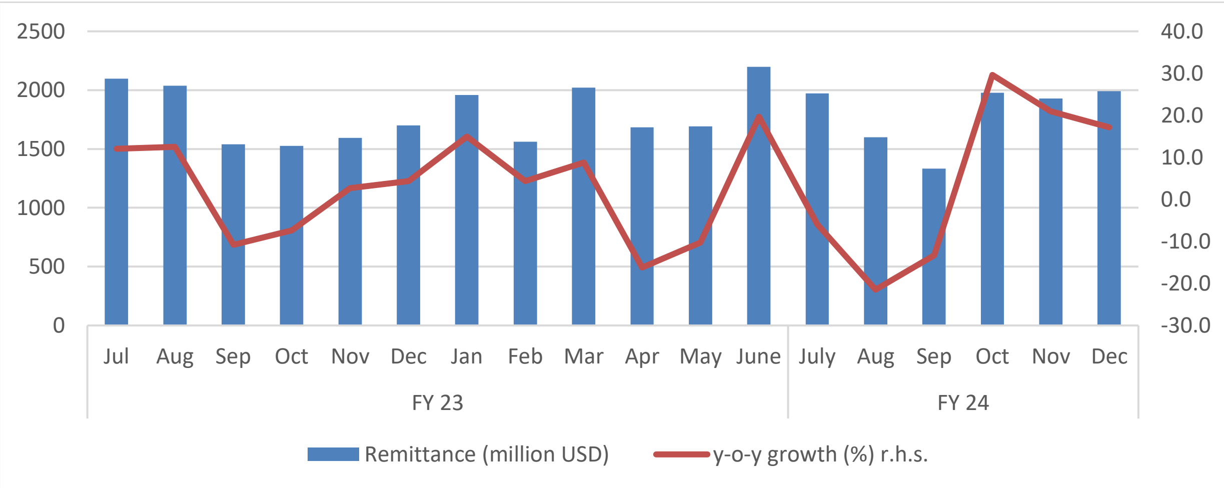
Period	2023-24 (July-Dec)	2022-23 (July-Dec)	2022-23	2021-22
Import payments	32,995.50	41,192.60	75,059.70	89,162.00
Growth (%)	-19.90		-15.82	35.93
LCs Opened	32,929.31	34,546.00	67,832.90	92,234.69
Growth (%)	-4.68		-26.46	57.1199
LCs Settled	33,683.51	41,422.00	72,856.21	83,681.73
Growth (%)	-18.68	-	-12.94	45.9696

Source: Bangladesh Bank, *Growth over the same period of the previous year;

3.3 Remittances

Workers' remittances after December FY24 increased by 2.97 percent to USD 10,805.81 million against USD 8,794.16 million after December FY23. Various initiatives of the Government to incentivize remittance inflow such as 2.5 percent cash incentive, easing the rules on the furnishing of documents and depreciation of exchange rate (BDT/USD) might have worked on the overseas migrants to send remittances through legal channel. The rising number of labour migration in FY22 may also have a positive impact on inward remittances.

Chart 3.3: Monthly Trend of Remittance



Source: Bangladesh Bank, *Growth over the same period of the previous year;

Table 3.3: Remittance Performance (Million US$)

	2023-24 (July-Dec)	2022-23 (July-Dec)	2022-23	2021-22
Remittances	10,805.81	8,794.16	21,612.07	21,031.68
As % of Export	39.24	32.20	38.90	40.38
As % of GDP	31.03	22.85	4.21	4.49
Growth (%)	2.97	4.91	2.76	-14.75

Source: Bangladesh Bank;

3.4 Balance of Payments (BOP)

The trade deficit gap narrowed in July-December of FY24 compared to the same period of the previous fiscal year as the import is put under stern monitoring by the Bangladesh Bank. The current account surplus became US$ 1927 million compared to a deficit of US$ -4922 million for the same period of the previous fiscal year. But due to negative growth in the financial account the overall deficit stood at US$ 3.7 billion at the end of December FY24 compared to a 6.4 billion US$ deficit in the same time of the previous year.

Table 3.4: Balance of Payments (Million US$)

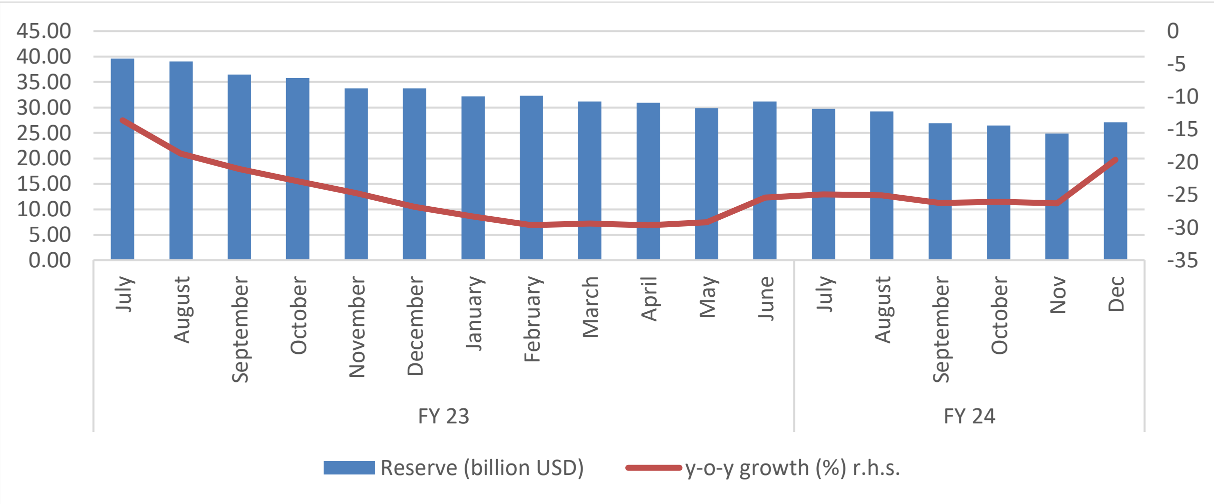
	2023-24 July-Dec	2022-23 July-Dec	2022-23	2021-22
Trade Bal.	-4595	-12312	-17155	-33250
Curr. A/C	1927	-4922	-3334	-18,639
Cap. A/C	160	171	473	181
Fin. A/C	-5,390	144	-2142	15,458
E & O	-369	-1,846	-3220	-3,656
Over. Bal.	-3,672	-6,453	-8222	-6,656

Source: Bangladesh Bank;

3.5 External Reserve

Gross foreign exchange reserves stood at USD 27.13 billion in December FY24 which was sufficient to pay import liability of 4.8 months, considering the average of the previous 12 months' imports.

Chart 3.4: Foreign Exchange Reserve (End of the month)

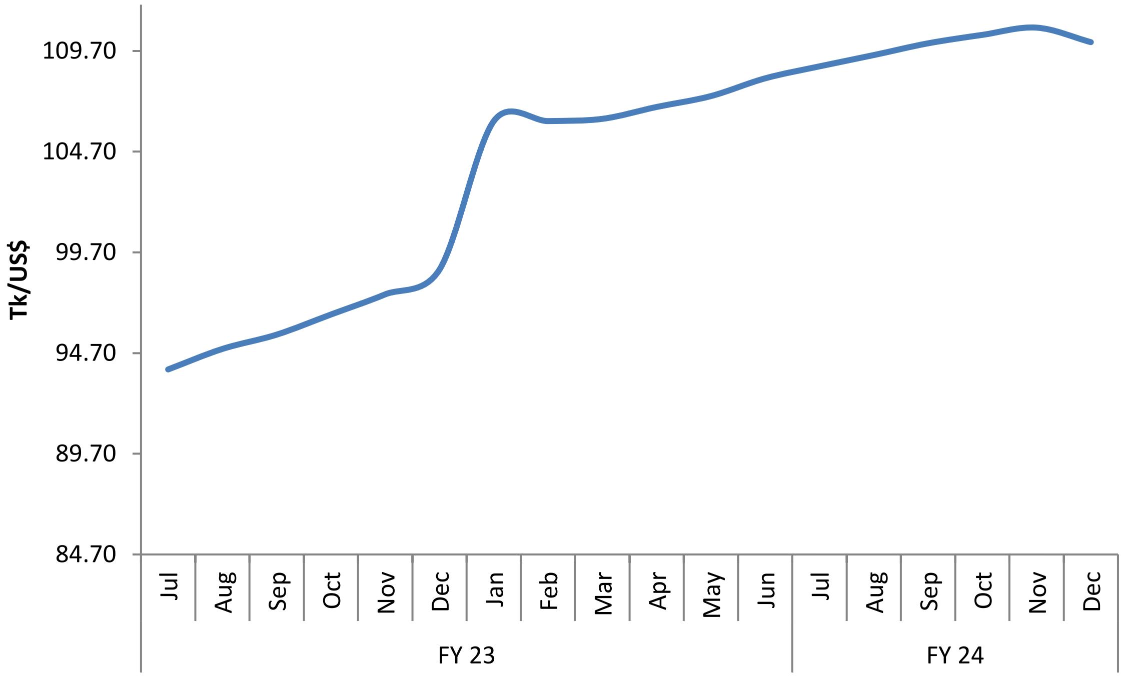


Source: Bangladesh Bank

3.6 Exchange Rate Movements

Exchange rate of Bangladesh Taka, against USD, depreciated by 1.49 percent during July-December of FY24 compared to the July-December of FY23. To contain the persistent foreign exchange pressure during FY23, Bangladesh Bank as well as the government took various policy measures; aided by steady inflow of remittances and lower import payments.

Chart 3.5: Exchange Rate Movement (Taka/US$)



Source: Bangladesh Bank;

4. REAL SECTOR

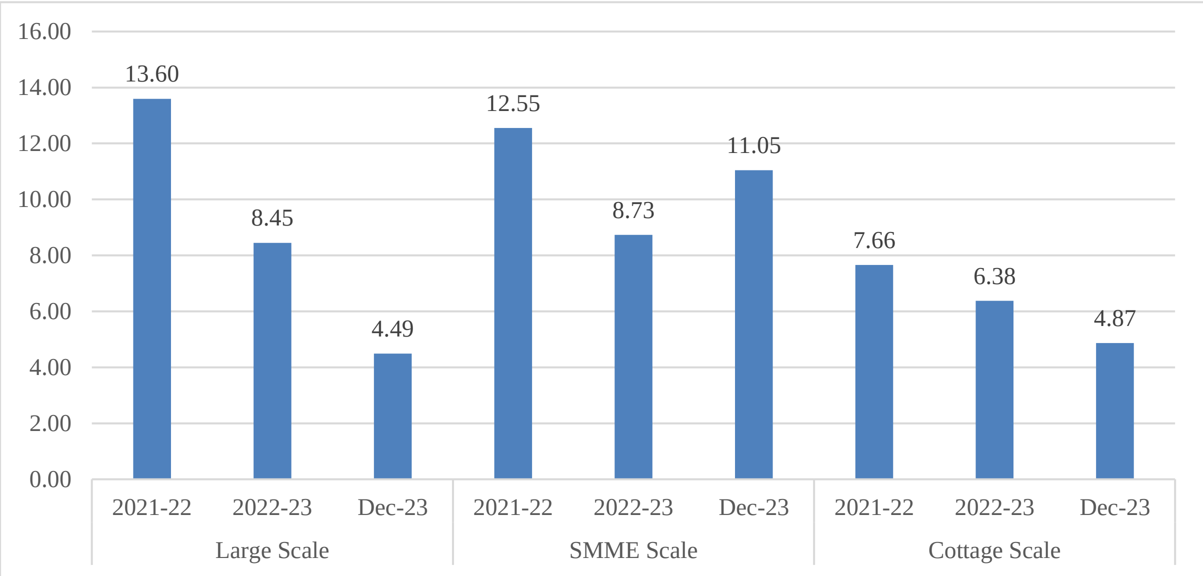
4.1 Industrial Production

The industrial production of Large Scale, SMME Scale and Cottage Scale increased 4.49 percent, 11.05 percent and 4.87 percent respectively during December 2023.

Table 4.1: Industrial Production Statistics, December 2023 (Base: 2005-06=100)

	Monthly Index			2022-23	2021-22
	Dec-23	Dec-22	Change	Change	Change
Large Scale	226.55	216.82	4.49	8.45	13.60
SMME Scale	232.46	209.33	11.05	8.73	12.55
Cottage Scale	198.7	189.47	4.87	6.38	7.66

Chart 4.1: Industrial Production Statistics, December 2023 (Base: 2005-06=100)



Source: BBS

4.2 CPI Inflation

Point to point inflation decreased to 9.41 percent in December FY24 from 9.49 percent of November FY24 where food inflation increased from 10.76 to 9.58 percent, non-food inflation increased from 8.16 to 8.52 percent. On twelve-month average basis inflation rose to 9.48 percent in December FY24 from 9.42 percent in November FY24, which is 3.42 percentage point higher than the target of 6.0 percent for FY24.

Table 4.3: CPI Inflation (National) (Base 2005-06)

Fiscal Year	Twelve-Month Average Basis			Point to Point Basis		
	General	Food	Non-Food	General	Food	Non-Food
2021-22						
December	6.55	5.30	5.93	6.05	5.46	7.00
January	5.62	5.33	6.06	5.86	5.6	6.26
February	5.69	5.4	613	6.17	6.22	6.10
March	5.75	5.47	6.19	6.22	6.34	6.04
April	5.81	5.53	6.26	6.29	6.23	6.39
May	5.99	5.81	6.27	7.42	8.3	6.08
June	6.15	6.05	6.31	7.56	8.37	6.33
2022-23						
July	6.33	6.31	6.35	7.48	8.19	6.39
August	6.66	6.71	6.58	9.52	9.94	8.85
Sep	6.96	7.04	6.84	9.1	9.08	9.13
Oct	7.23	7.32	7.1	8.91	8.5	9.58
Nov	7.48	7.55	7.37	8.85	8.14	9.98
Dec	7.70	7.75	7.62	8.71	7.91	9.96
Jan	7.92	7.92	7.92	8.57	7.76	9.84
Feb	8.14	8.08	8.23	8.78	8.13	9.82
March	8.39	8.31	8.53	9.33	9.09	9.72
April	8.64	8.52	8.81	9.24	8.84	9.72
May	8.8	8.6	9.1	9.94	9.2	10.0
June	9.0	8.7	9.4	9.74	9.7	9.6
2023-24						
July	9.2	8.84	9.64	9.69	9.76	9.47
August	9.24	9.08	9.55	9.92	12.54	7.95
September	9.29	9.37	9.44	9.63	12.37	7.82
October	9.37	9.73	9.33	9.93	12.56	8.3
November	9.42	9.95	9.17	9.49	10.76	8.16
December	9.48	10.08	9.05	9.41	9.58	8.52

Source: Bangladesh Bank

4.3 GDP Growth Outlook

The latest publication of the Bangladesh Bureau of Statistics (BBS) (with the new base 2015-16) shows that GDP grew by 5.78 percent in FY23. With this growth, per capita GNI rose to US$ 2,749 at the end of FY23. According to the Medium-Term Macroeconomic Policy Statement (FY24 to FY26), the growth target for FY24 is 7.50 percent.