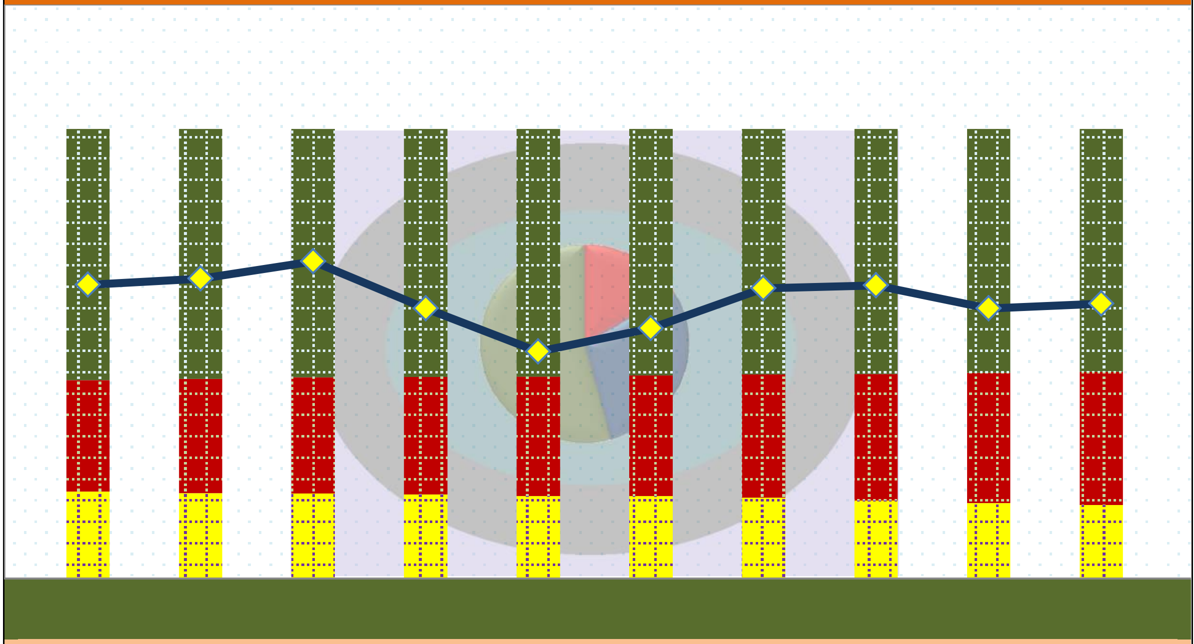
MONTHLY REPORT ON FISCAL-MACRO POSITION

January, 2016



Prepared by:
Macroeconomic Wing
Finance Division, Ministry of Finance, Bangladesh

Contributed by:
Sheikh Farid, Senior Assistant Secretary, Finance Division
Munshi Abdul Ahad, Deputy Secretary

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

Vol. IX, No. 07, January 2016, FY16 As of June, 2016

Contents

List of Tables

List of Charts

Executive Summary

The January 2016 issue of the report on 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 earnings posted a moderate growth by the end (July-June) of FY15. In July-January of FY16, total revenue collection increased by 15.06 percent compared to the same period of previous fiscal year, whereas total government spending decreased by 2.33 percent.

Monetary Sector

Broad Money growth was 13.0 percent in the end of January of FY16 compared to the previous fiscal mainly due to 25.6 percent and 9.3 percent growth in NFA and NDA respectively. Reserve money growth in January FY16 over January FY15 was 15.85 percent.

External Sector

Both export earnings and import payments increased by 8.26 percent and 6.7 percent respectively during July-January of FY16 compared to the same period of the previous fiscal. On the other hand, remittance receipt decreased by 1.05 percent during this period. Similarly, foreign exchange reserve decreased to US$ 27138.91 million in the end of January of FY 16 which was equivalent to import payments of 7.5 months.

Real Sector

According to the provisional estimates of Bangladesh Bureau of Statistics (BBS), real GDP growth in FY16 would stand at 7.05 percent (Base year 2005-06). Per capita GNI in FY16 would reach US$ 1466. The average rate of inflation (12-month average basis) in January 2016 stood at 6.20 percent. On point to point basis, inflation was 6.07 percent in January 2016, of which, food and non-food inflation were 4.33 percent and 8.74 percent, respectively. There was a positive change in Quantum Index of Industrial Production which was 244.1 in January 2015 and became 277.4 in January 2016.

1. FISCAL SECTOR

1.1 Revenue Earnings

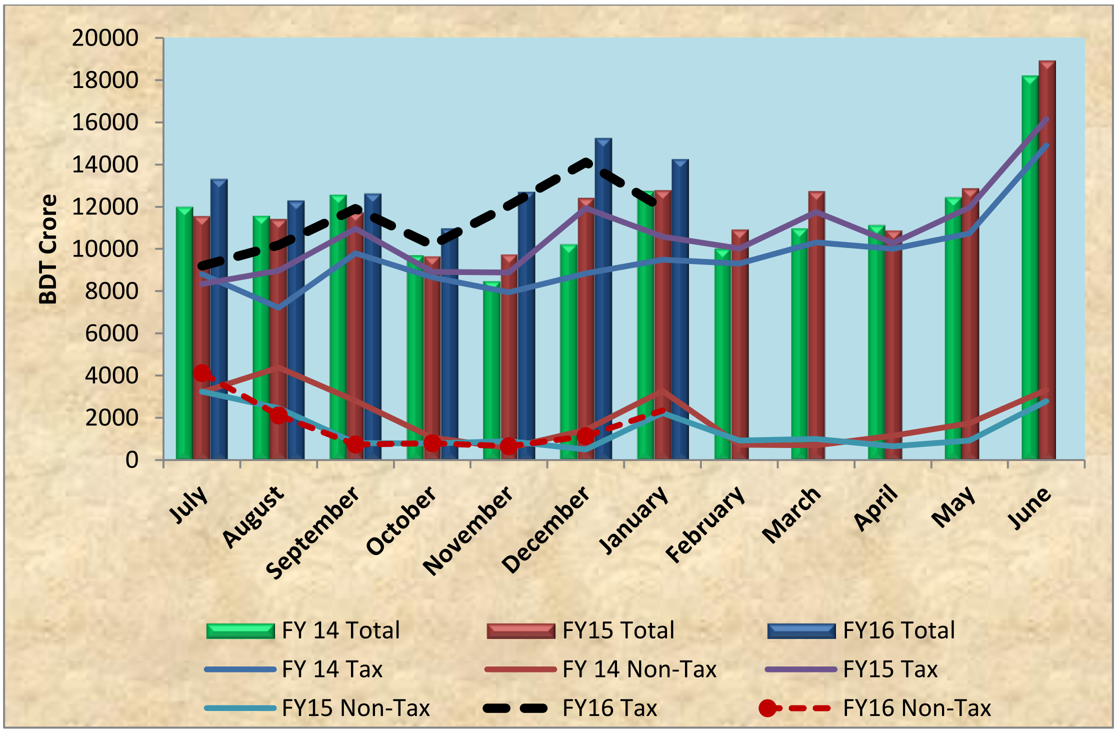
Total revenue earning increased by 15.06 percent during July-January of FY16 compared to the same period of FY 15. Growth rates of Tax and Non-tax revenue during this period were 15.98 percent and 9.32 percent respectively.

Table 1.1: Revenue Earning (In crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2013-14 (Actual)	111421	4608	116029	24341	140370
2014-15 (Actual)	123974	4821	128795	17177	145972
Growth (%)	11.27	4.62	11.00	-29.43	3.99
July-January, FY15	66029	2599	68628	10900	79528
July-January, FY16	76416	3176	79592	11916	91507
Growth(%) over July-January, FY16	15.73	22.20	15.98	9.32	15.06

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

Chart 1.1: Monthly Trend of Revenue earnings (FY14-FY16)



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

1.2 Grants

Actual grant receipts fell by 65.3 percent in FY 15 compared to FY14. During July-January of FY16, grant receipt decreased by 45.1 percent to TK. 256 Crore against TK. 466 Crore over the corresponding period of the last fiscal (table 1.2).

Table 1.2: Grants (In crore taka)

2013-14 (Actual)	2014-15 (Actual)	Growth (%)	FY 15 July-Jan	FY 16 July-Jan	Growth (%) over July -Jan FY14
6357	2204	-65.33	466	256	-45.1

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

1.3 Government Expenditure

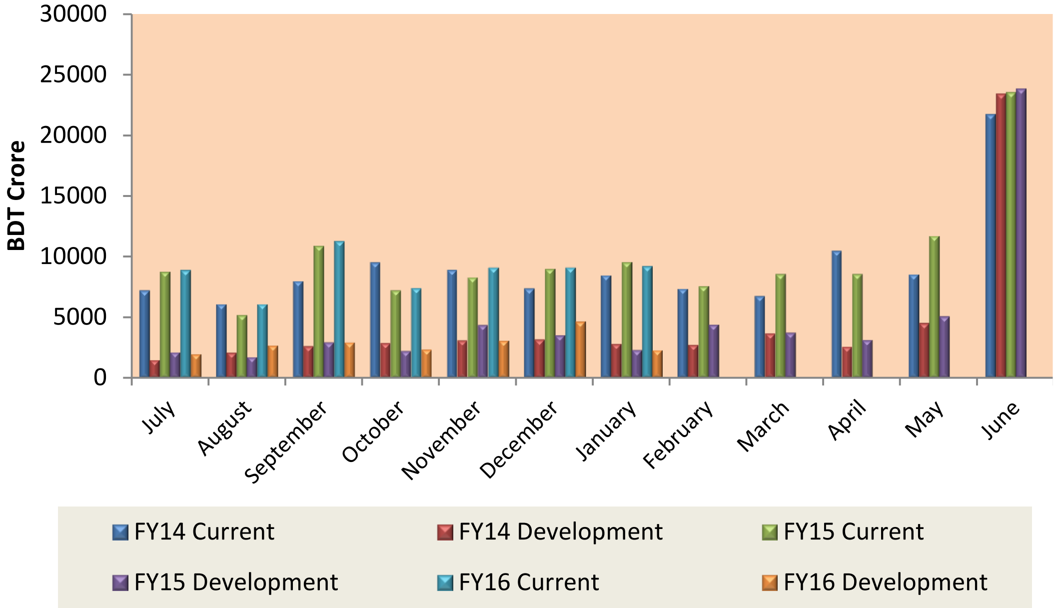
According to iBAS database, total government expenditure decreased by 2.33 percent in July-January of FY16 compared to the same period of the previous fiscal (Table-1.3). On the other hand, development (ADP) expenditure increased by 1.98 percent within the same period. It may be noted here that, according to the report of Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, ADP expenditure (without self-financing) stood at BDT 27542 Crore in July-January of FY16, recording 6.52 percent increase over the same period of the last fiscal year.

Table 1.3: Government Expenditures (In crore taka)

Category of expenditures	FY 14	FY 15	Growth (%)	FY 15 July-January	FY 16 July-January	Growth (%) over July-January, FY15
1. Current Spending	110572	118977	7.60	58956	61108	3.65
Pay and Allowances	26344	28840	9.47	17140	17839	4.08
Goods and Services	15053	16530	9.81	6182	6368	3.01
Interest Payment	28223	30960	9.70	15675	17172	9.55
Domestic	26619	29423	10.53	14691	16160	10.00
Foreign	1604	1537	-4.18	984	1012	2.85
Subsidy and Transfer	40711	42459	4.29	19861	19605	-1.29
Others	241	188	-21.99	98	124	26.53
2. Food Accounts	332	2129	541.27	3372	3198	-5.16
3. Non-ADP Capital & Net Lending	21989	22939	4.32	9211	4729	-48.66
Non-ADP Capital	10442	10595	1.47	5636	5437	-3.53
Net Lending	7727	9051	17.13	2370	-863	-136.41
Non-ADP Project	2077	2346	12.95	1056	0	-100.00
FFW	1026	376	-63.35	0	0	-
Development Expenditure under Revenue Budget	717	571	-20.36	149	155	4.03
4. Development Spending	55325	59706	7.92	19474	19860	1.98
Total (1+2+3+4)	188218	203751	8.25	91013	88895	-2.33
Total Spending (Percent of GDP)	14.01	13.46	-3.90	6.01	5.18	

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

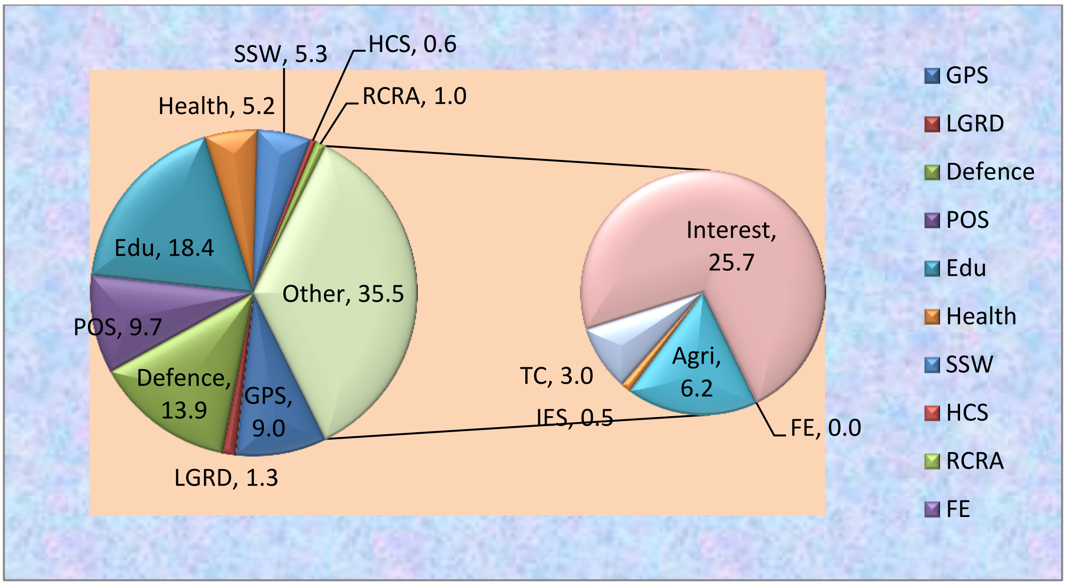
Chart 1.2: Monthly Trend of Current and Development Expenditure (FY 14-16)



1.4 Composition of Revenue Expenditure

Interest payment (25.7%) was the highest spending item followed by education and technology sector (18.4%) in July-January of FY 16(chart 1.3).

Chart 1.3: Sector wise share (%) of Non-Development expenditure (July-Sep of FY 16)

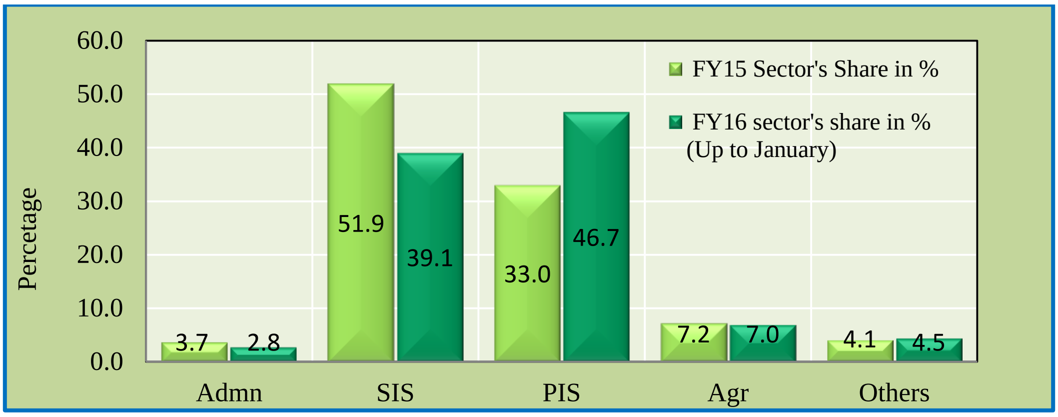


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and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

1.5 Composition of ADP Expenditure

Sector wise analysis of ADP expenditure shows that, over the period of July-January of FY16, highest share of spending went to Physical Infrastructure (46.7%) followed by Social Infrastructure (39.1%).

Chart 1.4: Sector wise share (%) of Development expenditure (July of FY16)



Admn = General Public Services, Defense, 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 including grants at the end of FY15 stood at 3.8 percent of GDP (Base year 2005-06), which was 3.6 percent in FY14. Overall budget balance including grants during July-January of FY16 records a surplus of BDT 2613 crore against a deficit of BDT 11485 crore of the same period of previous fiscal year.

Table 1.4: Budget Balance (In crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2013-14	-47848	-3.56
2014-15	-57643	-3.80
July-Jan FY15	-11485	-0.75
July-Jan FY16	2613	0.15

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

1.7 Deficit Financing

Domestic borrowing from the banking system declined to BDT 515 Crore in FY15 from BDT 18168 Crore in FY 14. On the other hand, borrowing from the non-bank sources increased to BDT 50552 Crore from 19974 Crore within the same period. Net borrowing from the external sources declined to BDT 6608 Crore in FY 15 from BDT 9706 Crore in FY 14. Government debt stock declined by BDT 2611 Crore during July-January of FY 16

Table 1.5: Deficit Financing (In crore taka)

Period	External (net)	Domestic		Total Financing	Financing as % of GDP
		Bank	Non-Bank		
2013-14	9706	18168	19974	47848	3.6
2014-15	6608	515	50552	57675	3.8
July-Jan FY15	1501	3501	6346	11348	0.7
July-Jan FY16	1310	1296	-5217	-2611	-0.2

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

1.8 Net Sale of NSD Certificates

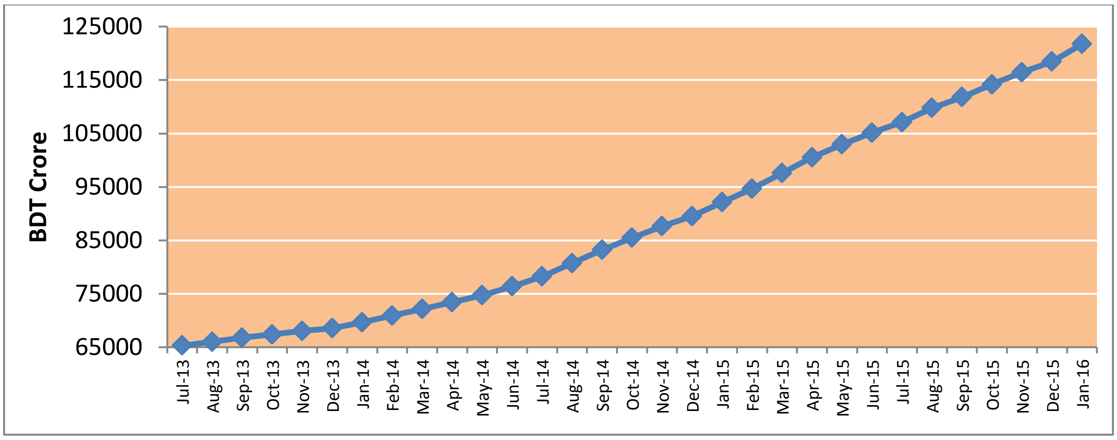
Sale of NSD certificate in July-January period of FY16 stood at Tk. 28093.35 Crore which was 22.44 percent higher than that of the same period of preceding year. As a result, net borrowing through NSD certificates stood at Tk.16602.97 Crore by end of January 2016 (table 1.6).

Table 1.6 Net Sales of NSD Certificates (In crore taka)

Period	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2013-14	24309.59	12602.29	11707.3	76397.48
2014-15	42659.79	13927.13	28732.66	105130.14
Growth (%)	75.49	10.51	145.43	37.61
July-Jan FY15	22945.17	7206.22	15738.95	92136.44
July-Jan FY 16	28093.35	11490.38	16602.97	121733.11
Growth (%)	22.44	59.45	5.49	32.12

Source: National Savings Directorate

Chart 1.5: Outstanding borrowing of government through NSD (In crore taka)



Source: National Savings Directorate

2. MONETARY SECTOR

2.1 Monetary and credit development

Broad money (M2) growth in January, 2016 was 13.0 percent (table 2.1) compared to the same month of previous fiscal. This was mainly due to the growth of both Net Foreign Asset and Domestic Assets of banking system recording 25.6 and 9.3 percent increase respectively. During the month of January 2015, private sector credit expansion was quite remarkable (14.8 percent) which contributed to 10.3 percent of domestic credit growth despite negative growth in public sector credit (-8.7 percent).

Table 2.1 Monetary and credit development (Billion BDT)

Items	Outstanding stock at the end of period			Changes in outstanding stock		Jan FY 15	Percentage changes	
	Jun FY 14	Jun FY 15	Jan FY 16	Up to Jan FY 16	Jan FY16 over Jan FY15		Up to Jan FY 16	Jan FY16 over Jan FY15
Net Foreign Assets	1600.6	1892.3	2105.9	213.6	429.3	1676.6	11.29	25.61
Net Domestic Asset	5405.7	5983.9	6239.1	255.2	530.4	5708.7	4.27	9.29
Domestic Credit	6379.1	7015.3	7400.9	385.7	691.0	6709.9	5.50	10.30
Public Sector	1302.7	1269.3	1178.9	-90.3	-112.2	1291.1	-7.12	-8.69
Govt (Net)	1175.3	1102.6	1000.9	-101.7	-111.2	1112.1	-9.22	-10.00
Other Public Sector	127.4	166.7	178.0	11.3	-0.9	178.9	6.80	-0.51
Private sector	5076.4	5746.0	6222.0	476.0	803.2	5418.8	8.28	14.82
Net Other Item	-973.4	-1031.4	-1161.8	-130.4	-160.6	-1001.2	12.65	16.04
Broad Money	7006.2	7876.1	8345.0	468.9	959.7	7385.3	5.95	13.00

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve money and money multiplier

Reserve money recorded an increase of 15.85 percent at the end of January FY16 over the same period of previous fiscal year (table 2.2). At the same time the value of reserve money multiplier declined to 5.16 at the end of January of FY 16 from 5.30 at the end of FY 15.

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

	Outstanding Stock at the end of period			**Changes in Outstanding Stock**	
	June FY14	**June FY 15**	**January FY16**	**Up to January FY 16**	**January FY 16 over JanuaryFY 15**
Reserve money	1298.8	1484.8	1617.7	132.9 (+8.95)	221.4 (+15.85)
Money multiplier	5.39	5.30	5.16	-0.15	-0.13

Source: Bangladesh Bank. Figures in the brackets indicate percentage change

3. EXTERNAL SECTOR

3.1 Export

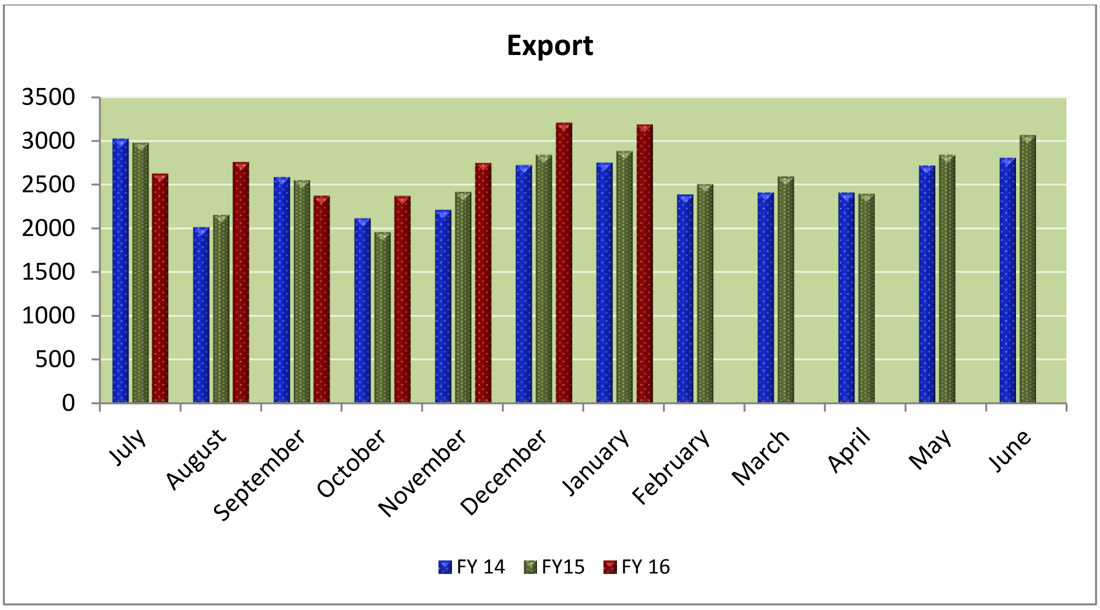
Export earnings increased by 3.4 percent and stood at US$ 31208.94 million during FY15 compared with the same period of last fiscal year (Table 3.1). During July-January of FY16 export earnings increased by 8.26 percent compared to the corresponding period of the previous fiscal. Mentionable that growth in export earnings in the month of January 2016 (year on year basis) was 10.41 percent which was 4.77 percent in the same month of previous fiscal year.

Table 3.1: Export Performance (Million US$)

	FY 14	FY 15	July- Jan FY 16	Jan FY16
Export	30186.62	31208.94	19269.53	3185.63
Growth (%)*	11.69	3.39	8.26	10.41

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)

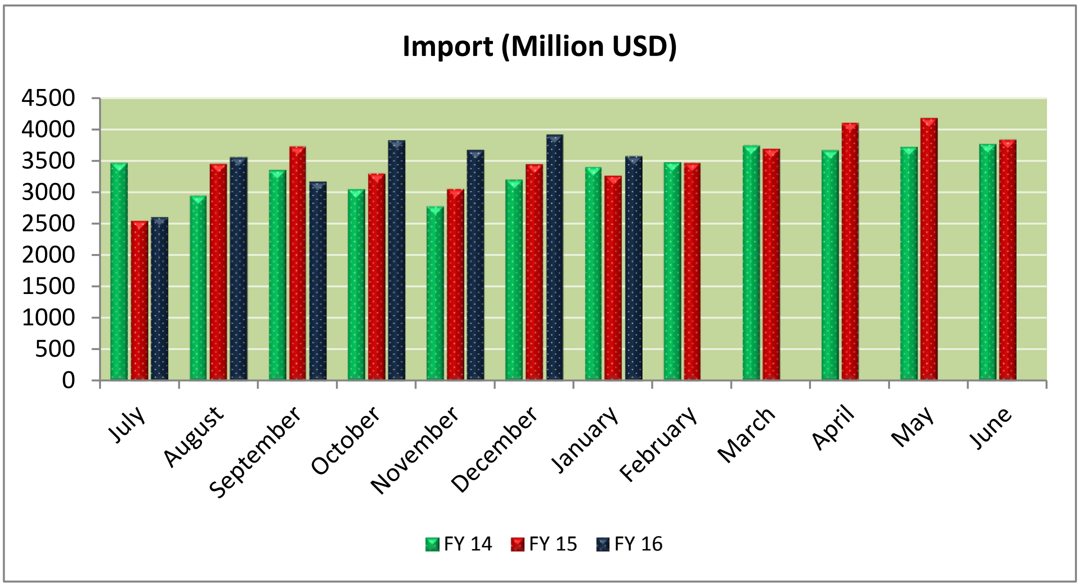
Up to July- January of FY16, import payments increased by 6.73 percent and stood at USD 24360.8 million (Table 3.2). On the other hand, import LCs opening during the same period declined by 1.35 percent. However, there was a positive growth (4.54%) in import LC settlement during this period.

Table 3.2: Import Scenario (Million US$)

Period	FY 14	FY 15	FY 16 (up to January)	FY 16 January
Import payments	40616.40	45190.2	24360.8	3577.2
Growth (%)	8.92	11.26	6.73	9.43
LCs Opened	41818.56	43068.76	24451.9	3387.16
Growth(%)	16.29	2.99	-1.35	-3.26
LCs Settled	37188.84	38455.24	23655.37	3351.55
Growth(%)	14.93	3.41	4.54	10.34

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

Chart 3.2: Monthly Trend of Import Payments (In million US$)



3.3 Remittance

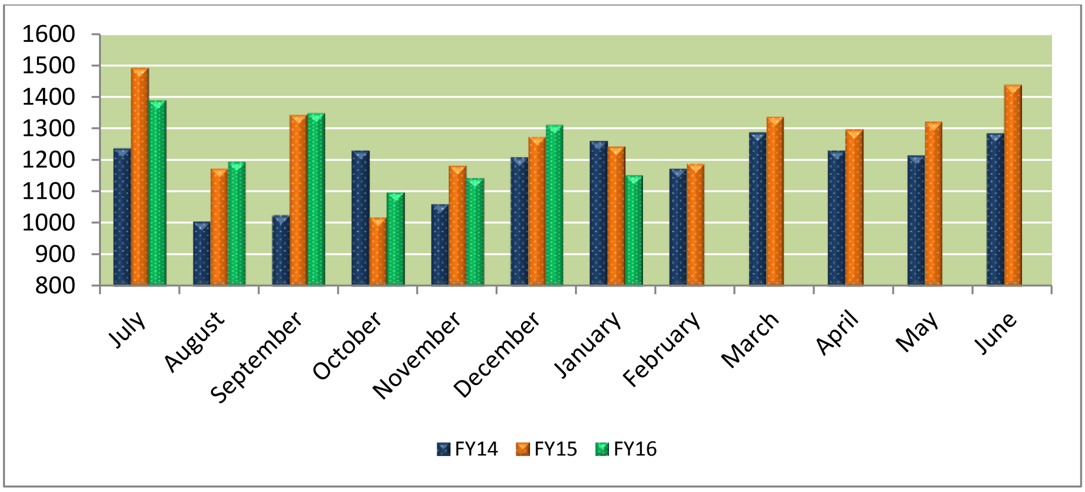
Remittance inflow decreased by 1.05 percent in July-January of FY 16 compared to the same period of the previous fiscal year.

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

	FY 14	FY 15	FY 16 Up to January	FY 16 January
Remittances	14228.3	15316.9	8639.1	1150.64
Growth (%)	-1.61	7.65	-1.05	2.94
As % of GDP	8.23	7.85	3.92	-
As % of Export	47.13	49.08	44.83	36.16

Source: Bangladesh Bank

Chart 3.3: Monthly Trend of Remittances (Million US$)



Source: Bangladesh Bank

3.4 Exchange Rate Movements

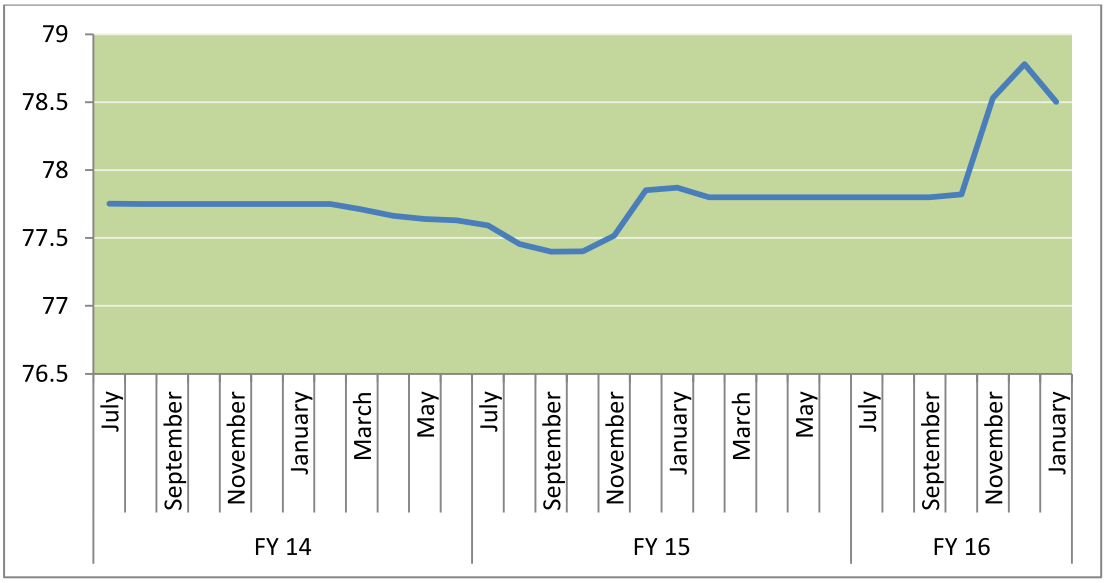
The exchange rate movement (monthly average) from July 2013 to January 2015 has been shown in Chart 3.4 (BDT against USD). BDT showed an appreciation trend from February to January, 2014. However, BDT depreciated by 0.89 percent against US dollar from its level of end June 2015 at the end of January 2016.

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

Period	Average	End of the period
2008-09	68.80	69.06
2009-10	69.18	69.44
2010-11	71.17	74.15
2011-12	79.10	81.82
2012-13	**79.93**	77.77
2013-14	77.72	77.63
2014-15	77.67	77.81
2015-16		
July	77.80	77.80
August	77.80	77.80
September	77.80	77.80
October	77.82	77.99
November	78.53	78.64
December	78.78	78.50
January	78.5	78.5

Source: Bangladesh Bank

Chart 3.4: Period Average Exchange Rate Movements (BDT per US$)



3.5 External Reserve

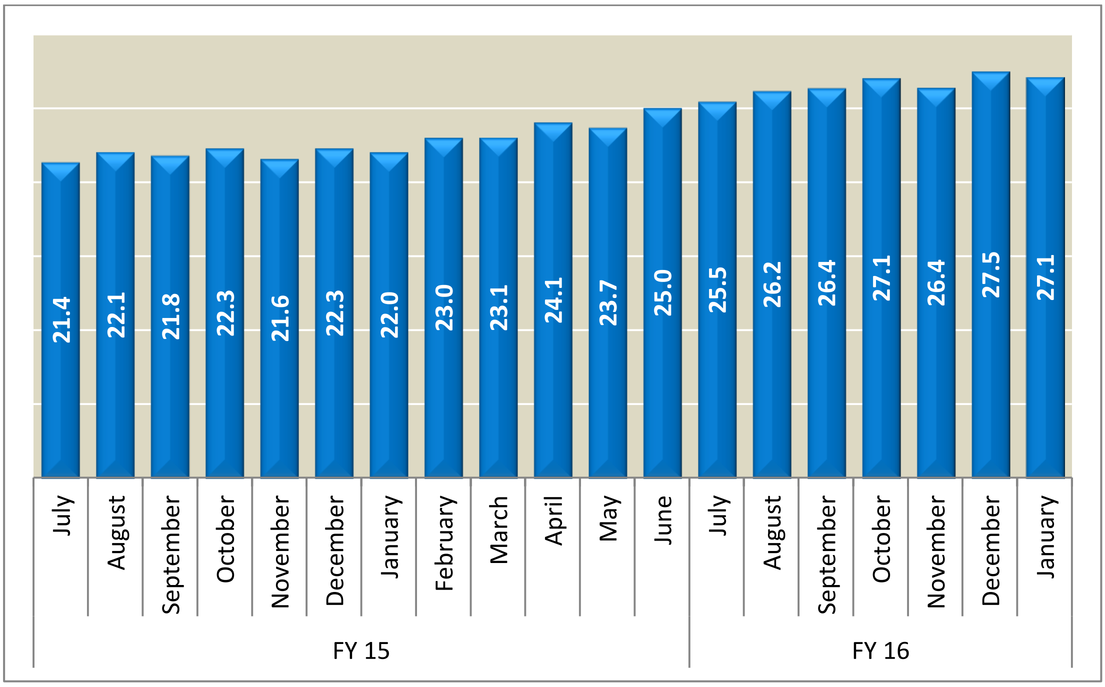
The gross foreign exchange reserve of Bangladesh Bank decreased to US$ 27138.91 million at the end of January of FY 16 from US$ 27493.31 million in the previous month. The gross foreign exchange reserve at the end of January of FY16 is equivalent to import payments of 7.5 months.

Table 3.5: Foreign Exchange Reserve (Million US$)

	FY 13	FY 14	FY 15	As on end of January FY 16
Reserve	15315.23	21508.0	25025.50	27138.91
In month of import payment	4.64	5.89	6.65	7.5

Source: Bangladesh Bank.

Chart 3.5: Outstanding Stock of Gross Foreign Exchange Reserve at the end of the month (Billion US$)



Source: Bangladesh Bank

3.6 Balance of Payments

The country's trade deficit increased to US$ 3753 million in July-January of FY 16 from US$ 3579 million in the corresponding period of the FY15. Nevertheless, current account balance was positive US$ 2268 million. Surplus in both capital and financial account resulted in a surplus of US$ 2676 million in overall balances during in July-January of FY16.

Table 3.6: Balance of Payments (Million US$)

	2013-14[R] (July-June)	2014-15p (July-June)	July-January, FY 15[R]	July-January, FY 16[P]
Trade Balance	-6794	-9917	-3579	-3753
Current Account Balance	1406	-1645	1843	2268
Capital Account	598	491	279	306
Financial Account	2813	5150	310	753
Overall Balance	5483	4373	1706	2676

Source: Bangladesh Bank. R=Revised

4. REAL SECTOR

4.1 Real Sector Indicators

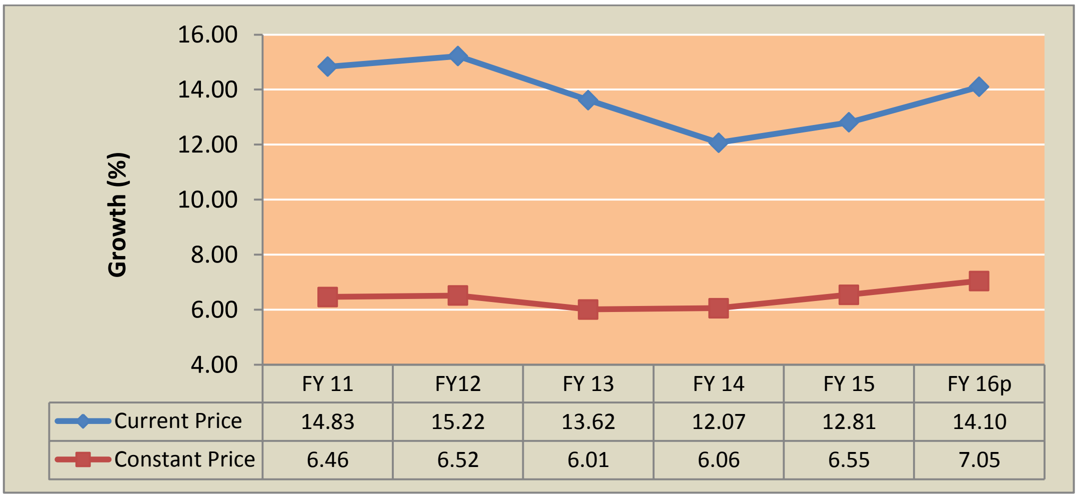
According to Bangladesh Bureau of Statistics (BBS), provisional real GDP growth in FY16 is 7.05 percent (Base year 2005-06). Per capita GNI in FY16 reached US$ 1466.

Table 4.1 Real sector indicators

Concepts	Unit	FY 12	FY 13	FY 14	FY 15	FY16(p)
GDP at constant prices	Billion Tk.	6884.9	7299.0	7741.4	8248.6	8830.5
Growth	%	6.52	6.01	6.06	6.55	7.05
GDP at current prices	Billion Tk.	10552.0	11989.2	13436.7	15158.0	17295.7
Growth	%	15.22	13.62	12.07	12.81	14.10
GNI at current prices	Billion Tk.	11445.1	12953.5	14332.2	16142.0	18315.0
Per capita GDP	Taka	69614	78009	86266	96004	108172
Per capita GNI	Taka	75505	84283	92015	102236	114547
Per capita GDP	US$	880	976	1110	1236	1384
Per capita GNI	US$	955	1054	1184	1316	1466

Source: Bangladesh Bureau of Statistics, P= provisional

Chart 4.1: GDP Growth Rate at current and constant prices (Base year 2005-06)



4.2 Quantum Index of Industrial Production

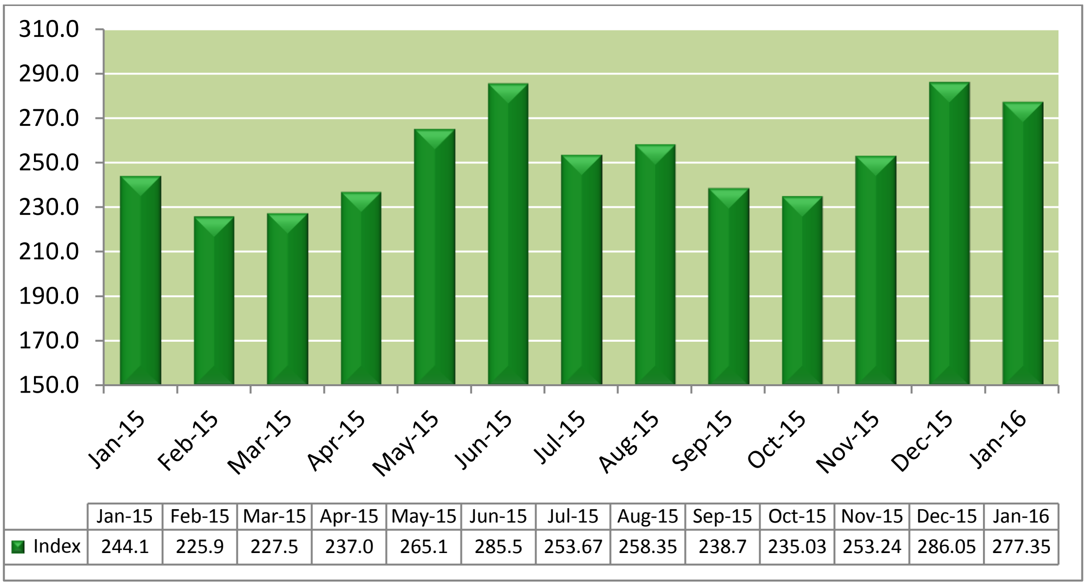
Quantum Index of Industrial Production increased by 13.6 percent and became 277.4 in January 2016 which was 286.05 in the previous month (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 10.7 percent in FY 15 which was 8.2 percent in FY 14.

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

Period	Index	Growth Rate (%)*
2009-10	135.01	5.9
2010-11	157.89	16.9
2011-12	174.92	10.8
2012-13	195.19	11.6
2013-14	213.22	8.2
2015-15	236.1	10.7
January, 2015	244.1	10.7
January, 2016	277.4	13.6

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

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



Source: Bangladesh Bureau of Statistics

4.3Inflation

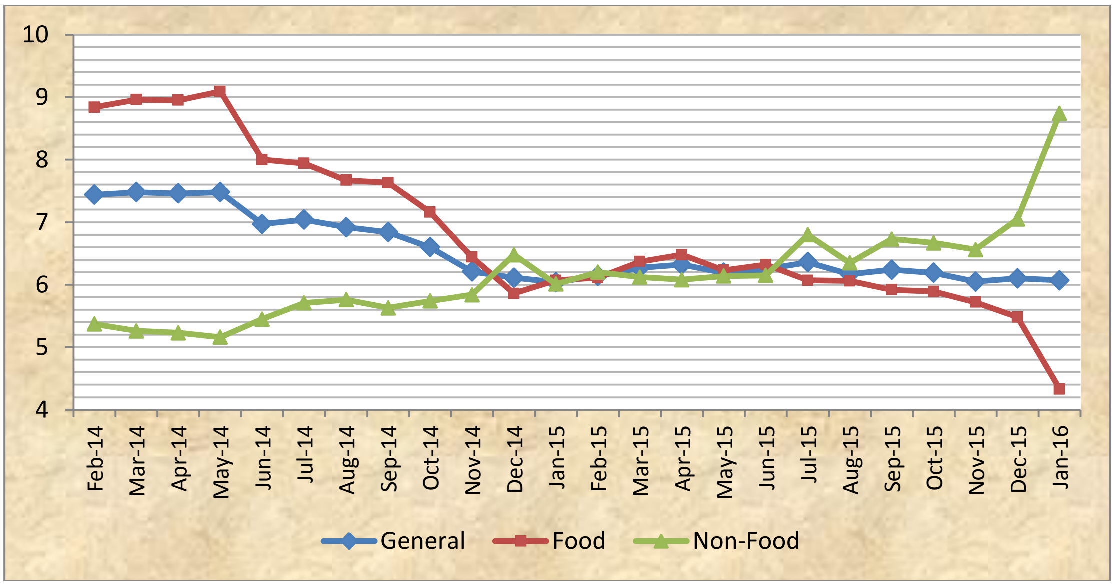
In FY15, the average rate of inflation (12-month average basis) was 6.41 percent (table-4.3). On the twelve month average basis general inflation reduced to 6.10 percent in January 2015, of which food and non-food inflation were 5.48 percent and 7.05 percent, respectively. On the other hand, point to point inflation stood at 6.05 percent in the same month, of which, food and non-food inflation were 5.72 percent and 6.56 percent, respectively (Chart 4.3).

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

Fiscal Year	Twelve-Months Average Basis		
	National	Food	Non-Food
2014-15	6.41	6.68	5.99
2015-16			
July	6.35	6.53	6.08
August	6.29	6.39	6.13
September	6.24	6.25	6.22
October	6.21	6.15	6.30
November	6.20	6.09	6.36
December	6.19	6.05	6.41
January	6.20	5.90	6.65

Source: Bangladesh Bureau of Statistics

Chart 4.3: Trends of Point to Point Inflation (Base 2005-06=100)



Source: Bangladesh Bureau of Statistics