



MONTHLY REPORT ON FISCAL-MACRO POSITION

August 2020

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Executive Summary

The August 2020 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

Increase in non-tax revenue by 32.66 percent despite fall in tax revenue by 0.05 percent has resulted increase in total revenue by 6.85 percent in July-August of FY¹21. At the same time, total government spending fall by 6.69 percent as the development expenditure fall by 37.77 percent on the back of slow implementation of the development projects due to COVID19 pandemic. Overall budget balance including grants remains surplus of 3,039.36 crore BDT at the end of August of FY21.

Monetary Sector

Broad Money (M2) increased by 13.57 percent at the end of August of FY21 resulted from 12.50 percent growth in the Net Domestic Asset (NDA) and 17.35 percent growth in the Net Foreign Asset (NFA). At the same time, reserve money grew by 12.19 percent that resulted increase in money multiplier by 0.06.

External Sector

Export increased by 4.32 percent while import payments fell by 6.55 percent in August 20 compared to that of August 19. At the same time, remittance inflow increased by 35.94 percent. Strong remittance inflow and lower import payments have contributed to build foreign exchange reserve that stood at US\$ 39.04 billion, which is equivalent to import payments of 8.47 months, at the end of August of FY21.

Real Sector

The quantum Index of large and medium manufacturing industry has increased by 8.93 percent in July 20 over July 19. Leather & related products, Pharmaceutical and Food Industry have performed well in July 20. The CPI inflation (12-month moving average) marginally edged up to 5.65 percent, of which, food and non-food inflation are 5.61 percent and 5.72 percent respectively at the end of August of FY21.

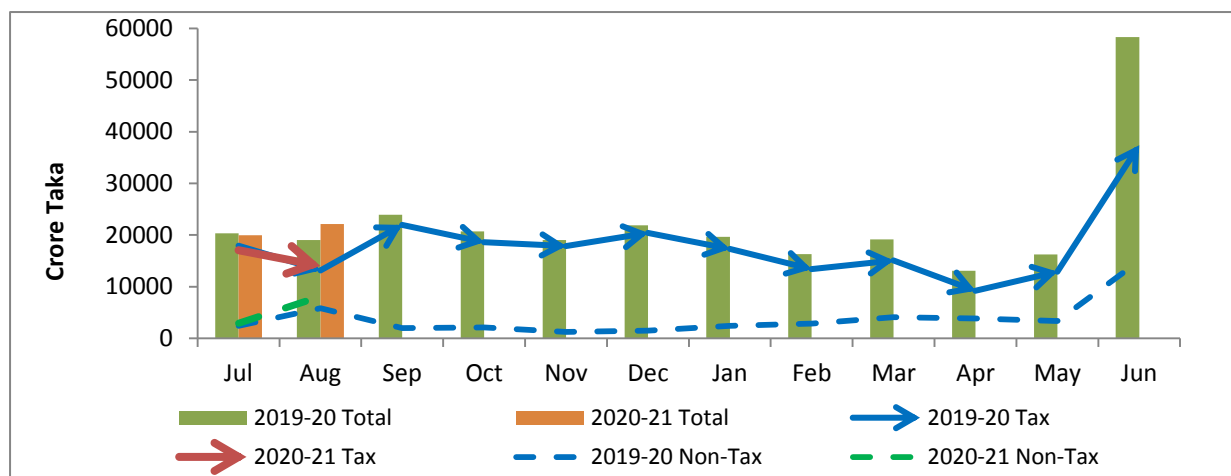
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

NBR tax revenue marginally increased by 0.79 percentage point while fall in non-tax revenue by 22.57 percentage point have resulted negative tax revenue collection by 0.05 percentage point in the first two month (July-August) of FY21 compared to that of the previous year. At the same time, increase in non-tax revenue by 32.66 percentage point has helped total revenue collection to grow by 6.85 percentage point.

Chart 1.1: Monthly trend of 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		
2020-21 (July-August)	30,188.03	860.75	31,048.78	11,018.42	42,067.20
2019-20 (July-August)	29,951.62	1,111.68	31,063.30	8,305.54	39,368.83
Growth (%)	0.79	-22.57	-0.05	32.66	6.85
2019-20	214,836.41	5,943.57	214,836.41	42,282.45	263,062.42
2018-19	218,624.87	7,342.64	225,967.51	25,924.43	251,891.94
Growth (%)	-1.73	-19.05	-4.93	63.10	4.43

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

1.2 Government Expenditure

Government's operating expenditure increased by 10.01 percent in July-August of FY21 compared to that of July-August of FY20 as subsidies and transferred increased by 32.13 percent since the government has been implementing a huge stimulus package to stimulate the economy that dampened by the COVID19 pandemic. At the same time, declining in development expenditure by 37.77 percent has resulted total government expenditure to fall by 6.69 percent. According to Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, execution rate of ADP is 23.47 percent in July-August period of FY21.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July-August)	2019-20 (July-August)	Growth (%) (July-August)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	33,484.54	29,723.96	12.65	232,932.03	217,785.97	6.95
Pay and Allowances	10,204.84	9,739.36	4.78	55,483.05	53,400.24	3.90
Use of Goods and Services	1,690.87	1,748.78	-3.31	28,434.80	28,562.22	-0.45
Interest Payment	8,225.62	8,121.87	1.28	57,395.45	49,460.72	16.04
Domestic	7,493.74	7,462.94	0.41	53,077.58	46,050.52	15.26
Foreign	731.88	658.93	11.07	4,317.87	3,446.21	25.29
Subsidies and Transfer	13,363.21	10,113.96	32.13	91,618.53	86,362.78	6.09
a2. Operating Capital Expenditure	501.51	1,152.91	-56.50	18,387.30	20,302.41	-9.43
a) Operating Expenditure	33,986.05	30,876.87	10.07	251,319.33	238,088.38	5.56
b) Outlay for Food Accounts	1,141.79	2,219.52	-48.56	2,325.57	4,233.43	-45.07
c) Net lending	-1,914.83	-614.77	211.47	1,207.01	-1,707.78	-170.68
d) Development Expenditure	5,814.83	9,344.77	-37.77	160,652.41	151,055.35	6.35
Of which ADP	5,808.88	9,338.14	-37.79	154,238.27	147,400.38	4.64
Total Expenditure (a+b+c+d)	39,027.84	41,826.38	-6.69	415,504.32	391,669.38	6.09
Total Expenditure (% of GDP)	7.38	8.97	-1.59	14.86	15.40	-0.55
Memo item: GDP	3,171,824.04*	2,796,378.20	13.43	27,96,378.20	25,42,482.60	9.99

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division, *-Projected Nominal GDP @budget preparation

1.3 Budget Deficit

Overall budget balance (including grants) remains surplus by 3, 039.36 crore taka as the government expenditure fall 6.69 percent while total revenue increases by 6.85 percent in July-August of FY21. This balance was BDT 2457.55 crore deficit during July-August of FY20.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2020-21 (July-August)	3,039.36	0.10
2019-20 (July-August)	-2,457.55	-0.09
2019-20	-150,503.84	-5.38
2018-19	-138,359.49	-5.44

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

1.4 Deficit Financing

Despite surplus budget balance in July-August of FY21, the government had to borrow BDT. 10, 992.33 crore from the banking system and BDT 327.03 crore from the external sources to make repayment of the loan incurred in the past.

Table 1.4: Deficit financing (Crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21 (July-August)	327.03	10,992.33	-14,362.03	-3,369.70	-3,042.68	-0.10
2019-20 (July-August)	-812.14	25,054.39	-21,674.70	3,379.70	2,567.56	0.09
2019-20	45,116.39	81,717.96	23,364.97	105,082.93	150,199.32	5.37
2018-19	31,289.03	29,479.41	72,480.95	101,960.36	133,249.38	5.24
Target in 2020-21	76,004.00	84,979.99	25,003.00	109,982.99	185,986.99	5.86

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

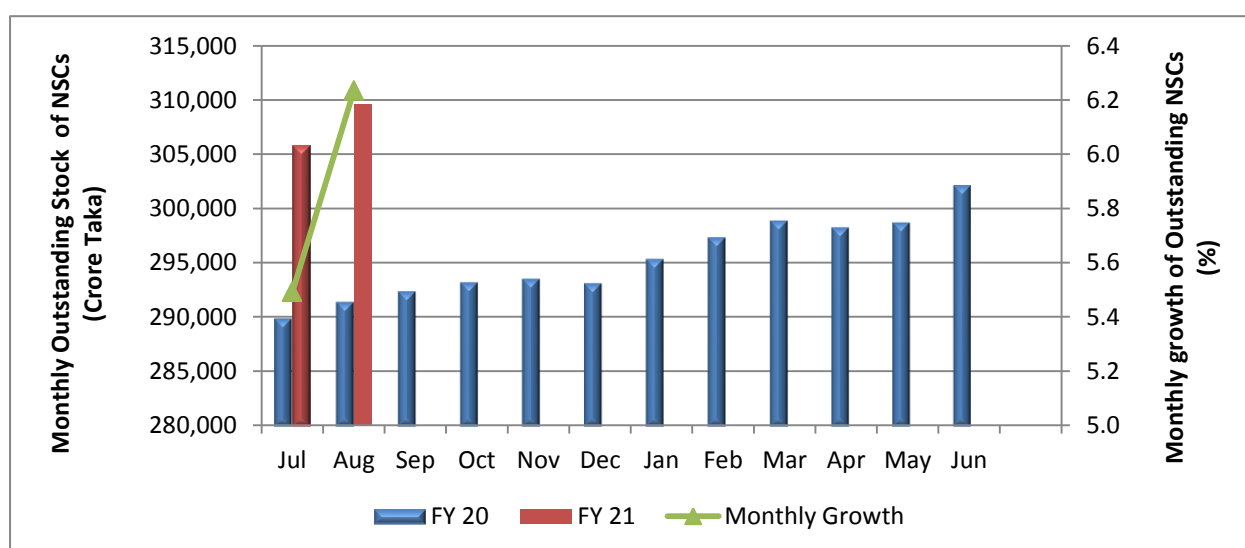
1.4.1 National Savings Certificates (NSCs)

The trend of NSCs sale that has been slowed down in the last fiscal year appears to be reversed as sale of NSCs increased by 55.29 percent and net sale of NSCs more than doubled in July-August of FY21. As a result, outstanding NSC has increased by 6.23 percent at the end of August20 compared to that of August 19.

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

Period	Sale	Repayment (Principal)	Net Sale	Outstanding at the end of period
2020-21 (July-August)	17,557.91	10,105.87	7,452.05	309,586.39
2019-20 (July-August)	11,306.25	7,593.90	3,712.36	291,418.36
Growth* (%)	55.29	33.08	100.74	6.23
2019-20	67,127.75	52,699.40	14,428.35	302,134.35
2018-19	90,342.39	40,402.91	49,939.48	287,706.00
Growth (%)	-25.70	30.43	-71.11	5.01

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

Chart 1.2: Monthly trend of the outstanding stock of NSCs

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

2. MONETARY SECTOR

2.1 Monetary and Credit Development

Broad money (M2) grew by 13.57 percent at the end of August 20 from that of August 19. Of the sources of broad money, Net Domestic Asset (NDA) increased by 12.50 percent and Net foreign asset (NFA) increased by 17.35 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed higher growth in the net domestic asset despite moderate credit growth in the private sector.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)	
	Aug-20	Aug-19	Jun-20	Aug-20 over Aug-19	Aug-20 over Jun-20
A. Net Foreign Assets (NFA)	3,222.50	2,745.94	2,973.36	17.35	8.38
B. Net Domestic Asset (NDA)	10,931.62	9,717.11	10,763.99	12.50	1.56
a. Domestic Credit	13,264.00	11,701.78	13,076.34	13.35	1.44
Public Sector	2,247.24	1,627.80	2,103.66	38.05	6.83
Govt. (Net)	1,951.88	1,383.78	1,811.51	41.05	7.75
Other Public	295.36	244.03	292.15	21.04	1.10
Private sector	11,016.76	10,073.98	10,972.68	9.36	0.40
b. Net Other assets	-2,332.37	-1,984.67	-2,312.35	17.52	0.87
C. Broad Money (A+B)	14,154.12	12,463.05	13,737.35	13.57	3.03

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 12.19 percent at the end of August 20 from that of August 2019. Lower growth of reserve money compared to broad money has resulted increase of money multiplier by 0.06. However, reserve money declined by 0.87 percent in August 20 compared to that of June 20.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Aug-20	Aug-19	Jun-20	Aug-20 over Aug-19	Aug-20 over Jun-20
Reserve money	2,820	2,514	2,845	12.19%	-0.87%
Money multiplier	5.02	4.96	4.83	0.06	0.19

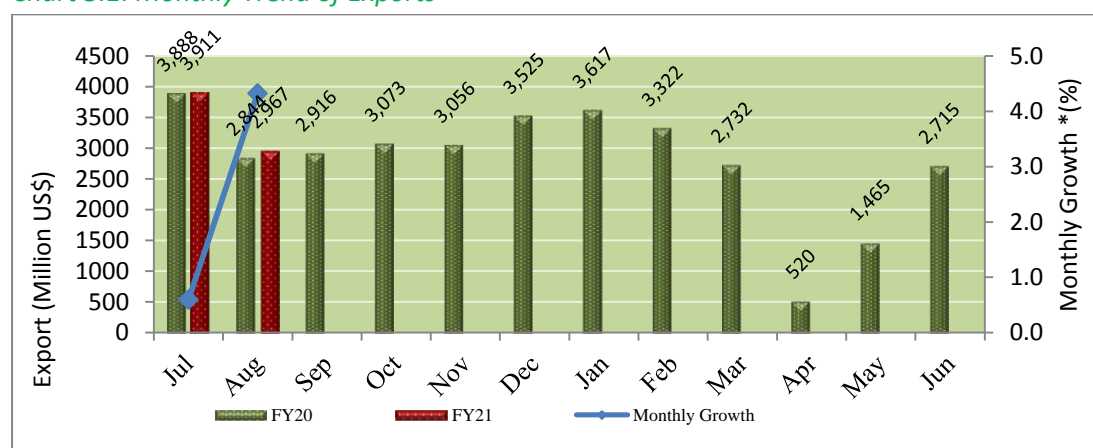
Source: Monthly Economic Trends, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export marginally increased by 4.32 percent to 2.97 billion USD in August 2020 compared to that of August 2019. With this growth, cumulative export marginally increased by 2.17 percent to 6.88 billion USD in July-August of FY21 compared to that of the previous year. This demonstrates slight recovery of exports from the slump caused by the COVID19 pandemic in the last quarter of FY20.

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\$)

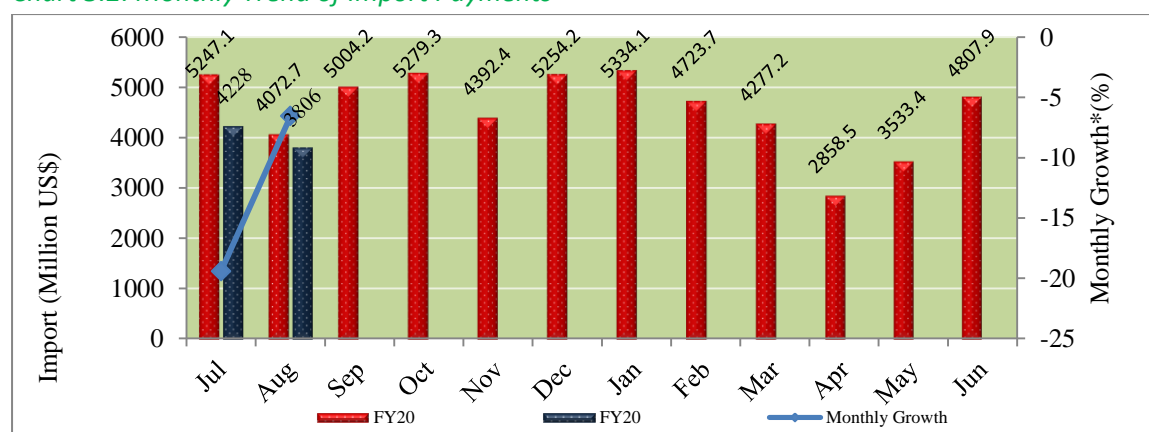
	2020-21 (July-August)	2019-20 (July-August)	2019-20	2018-19
Exports	6,878.08	6,732.17	33,674.12	40,535.04
Growth*(%)	2.17	-0.92	-16.93	10.55

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

3.2 Imports (C & F)

Import payment fell by 6.55 percent to 3.8 billion USD in August 2020 compared to that of August 2019 as import of industrial raw materials and capital machinery slowed down. Meanwhile, cumulative import payment dropped by 13.80 percent to 8.03 billion USD in July-August of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening fell by 16.25 percent and LCs settlement fell by 17.98 percent.

Chart 3.2: Monthly Trend of Import Payments



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

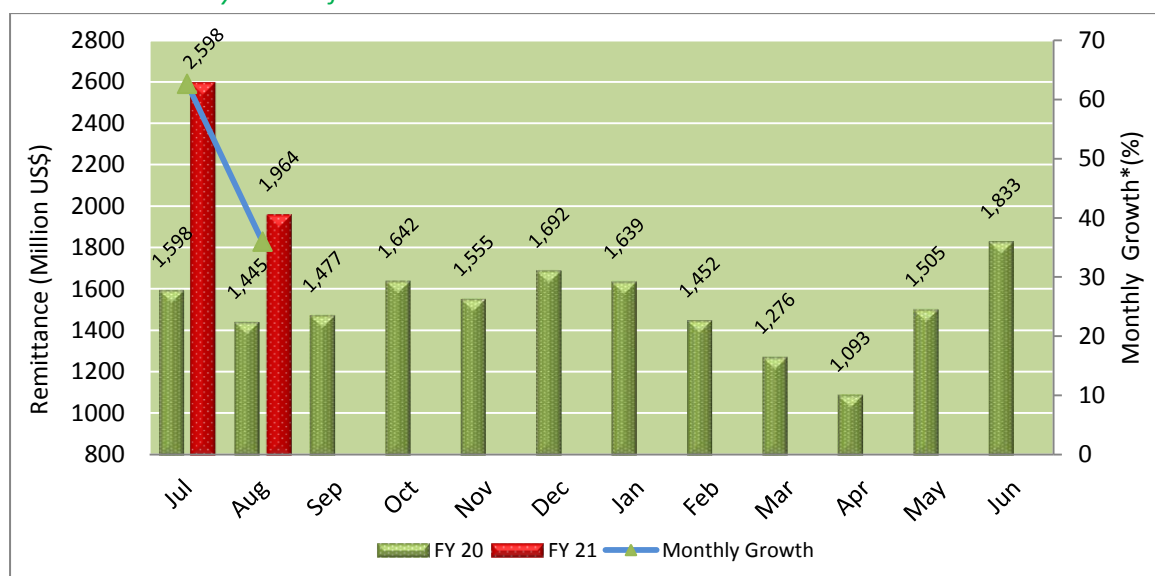
Table 3.2: Import Scenario (Million US\$)

Item	2020-21 (July-August)	2019-20 (July-August)	2019-20	2018-19
Import payments	8,034.00	9,319.80	54,784.70	59,914.70
Growth* (%)	-13.80	-2.29	-8.56	1.78
LCs Opened	7,955.78	9,499.32	53,119.86	58,703.38
Growth* (%)	-16.25	-9.90	-9.51	-16.81
LCs Settled	7,360.83	8,973.99	51,091.47	57,328.19
Growth* (%)	-17.98	-0.67	-10.88	6.03

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

3.3 Remittances

Remittance inflow continued to perform well in August20 (increased by 35.94 percent compared to that of August19). Cumulative remittance inflow grew by 49.95 percent in July-August 20 compared to that of the previous year. The government has been providing 2.0 percent fiscal incentives for each dollar remittance inflow into the economy. Reforms in the financial sector, such as Improvement in the mobile financial service, agent banking and financial inclusion have resulted jump in remittancein the formal channel.

Chart 3.3: Monthly Trend of Remittance

Source: Bangladesh Bank

Table 3.3: Remittance Performance (Million US\$)

	2020-21 (July-August)	2019-20 (July-August)	2019-20	2018-19
Remittances	4,562.15	3,042.44	18,205.11	16,419.63
As % of Export	66.33	45.19	54.06	40.51
As % of GDP	7.32	5.53	5.52	5.43
Growth (%)	49.95	11.48	10.87	9.62

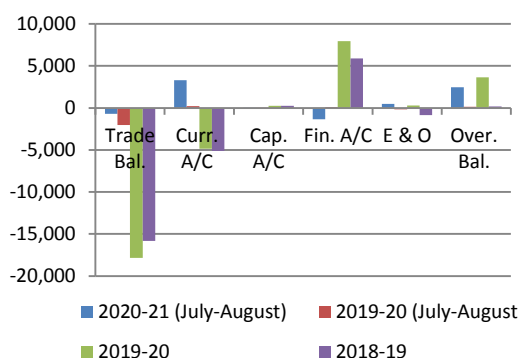
Source: Bangladesh Bank

3.4 Balance of Payments (BOP)

Fall in import payments has contributed to improve the trade balance in July-August of FY21. During the period, higher remittance inflow has improved the current account balance. At the same time, overall balance also improved despite negative inflow in the financial account.

Table 3.4: Balance of Payments (Million US\$)

	2020-21 (July- August)	2019-20 (July- August)	2019-20	2018-19
Trade Balance	-698	-2,050	-17,861	-15,835
Current Account	3,296	204	-4,849	-5,102
Capital Account	17	4	256	239
Financial Account	-1,328	106	7,952	5,907
Error & Omission	485	-175	296	-865
Overall Balance	2,470	139	3,655	179



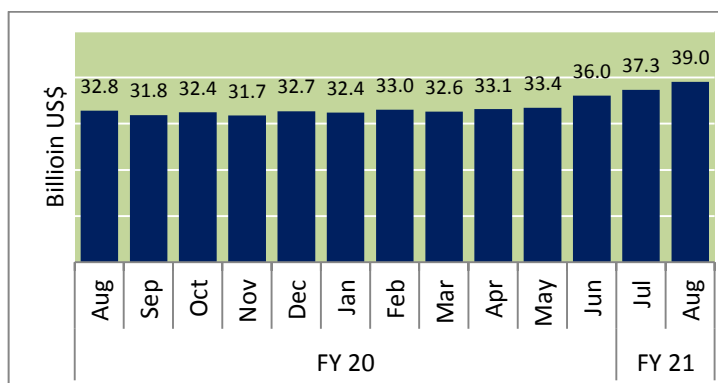
Source: Bangladesh Bank;

3.5 External Reserve

The gross foreign exchange reserve stood at 39.04 billion at the end of August20, which is enough to cover import payments of 8.47 months based on average import liability of the previous 12 months. Foreign exchange reserve has surged at the end of August20 on the back of higher remittance inflow and lesser import payments.

Table 3.5: Foreign Exchange Reserve (end of the month)

Reserve	2020-21 (August)	2019-20 (August)	2019-20 (June)
Million US\$	39,040.04	32,775.77	36,037.03
Months of import payment	8.47	6.32	7.87



Source: Bangladesh Bank

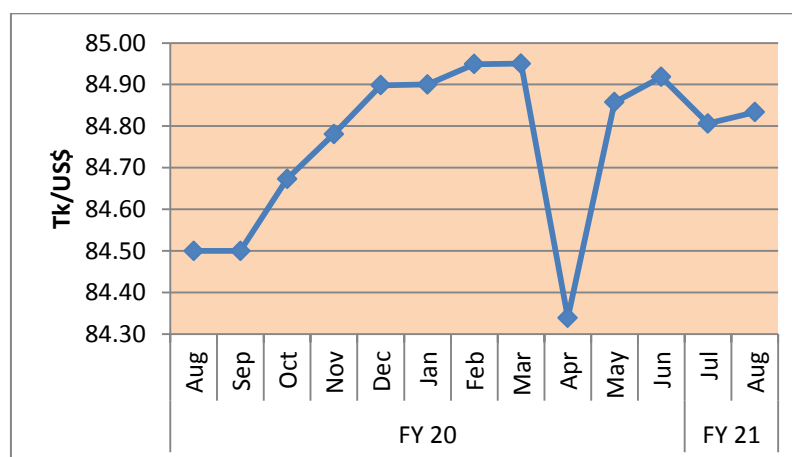
3.6 Exchange Rate Movements

Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency (BDT) moved within a narrow band (84.3-85.0 Tk/US\$) in the last one year. In this period, Taka depreciated by 0.39 percent against US dollar in August20 from that of August 2019.

Table 3.6: Exchange Rate Movement (Taka/US\$)

Period	Average	End period
2014-15	77.67	77.81
2015-16	78.40	78.40
2016-17	79.12	80.60
2017-18	83.70	83.70
2018-19	84.02	84.50
2019-20	84.78	84.90
2020-21		
July	84.81	84.80
August	84.83	84.83

Source: Bangladesh Bank



4. REAL SECTOR

4.1 Quantum Index of Industrial Production

Quantum Index of large and medium scale manufacturing industry, which accounts for 87.54 percent of the industrial production, has increased by 8.93 percent in July 20 over that of July 19. Industrial production has rebounded somewhat in July 20 from the COVID19 fallout in April and May 2020.

Table 4.1: Quantum Index of large and medium scale manufacturing industry (Base: 2005-06=100)

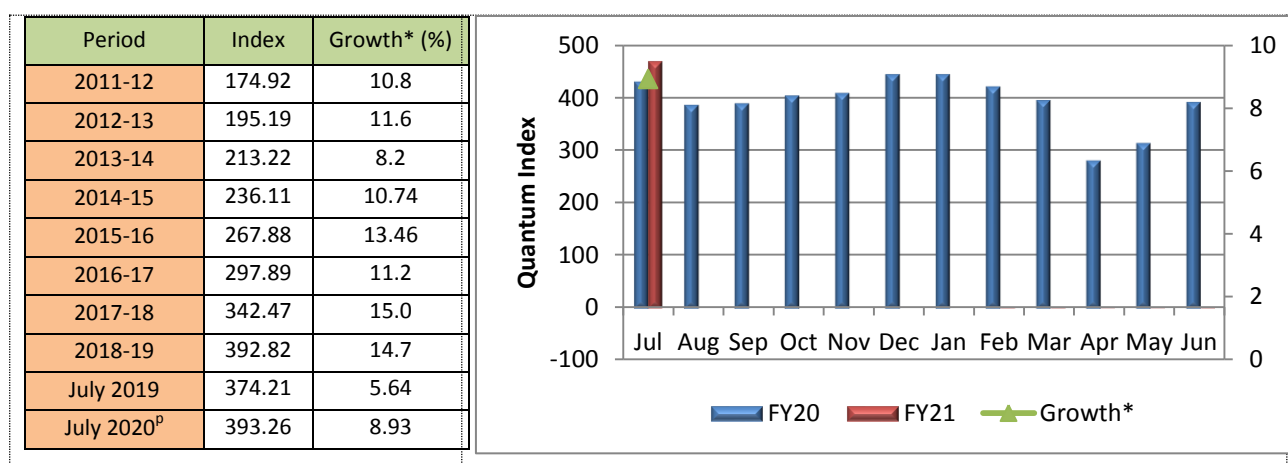


Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

Major Industry Group	Weight	Index			Change of Index	
		July '19	June'20	July '20	July '20 over July 19 (%)	July '20 over June'20 (%)
General Index	100	430.59	393.26	470.58	9.29	19.66
Of which Wearing apparel	34.84	514.68	375.5	512.88	-0.35	36.59
Textile	14.07	236	218	240.86	2.06	10.49
Food products	10.84	529.15	575.21	602.36	13.84	4.72
Pharmaceuticals	8.23	766.98	944.03	956.89	24.76	1.36
Non-metallic mineral Products	7.12	474.81	485.29	524.88	10.55	8.16
Leather & related products	4.4	328.61	321.83	556.97	69.49	73.06

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

Industrial production by major industry group shows that Leather & related products has rebounded in July 20 with 73.1 percent growth and Pharmaceuticals industry has also performed well (24.76 growth) followed by Food industry (13.8 percent growth). Wearing apparel and Textile industry are still struggling with the slower external demand caused by COVID19 pandemic. However, all industries performed better in July'20 than that of June'20 that demonstrates clear sign of recovery from the pandemic.

4.2 CPI Inflation

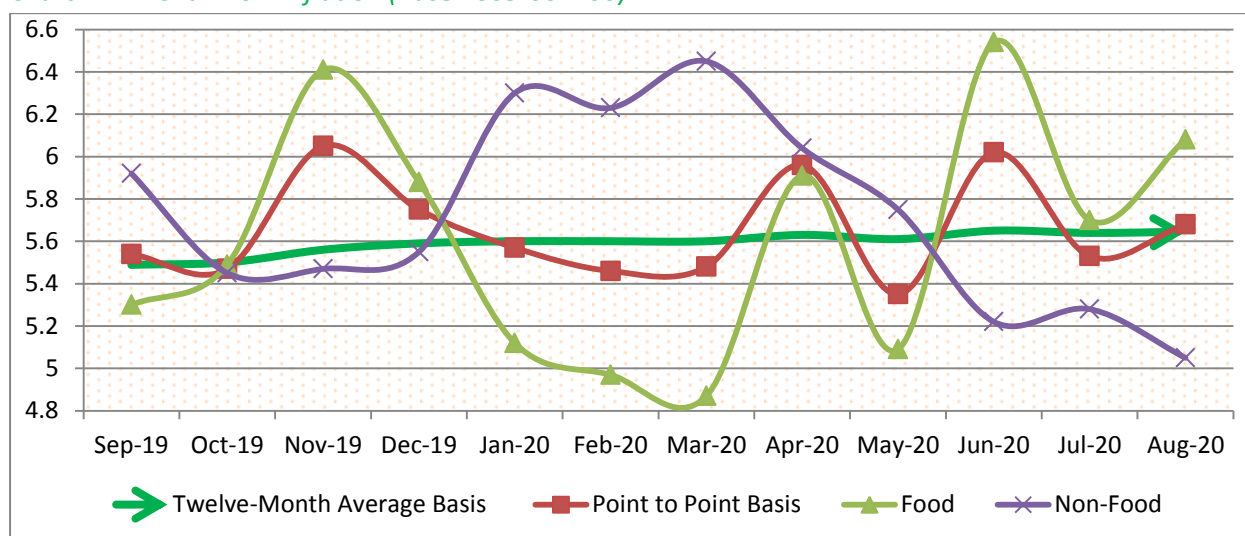
The CPI inflation (Twelve-month average basis) has slightly edged up to 5.65 where food inflation is 5.61 and non-food inflation is 5.72 in August 20 as the food inflation increased during this period. CPI inflation has been targeted 5.40 percent in FY21. In the last fiscal year, spike in food inflation due to the flood and cyclone and supply chain disruption drove the overall inflation higher than the target (5.5).

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
2014-15	6.41	6.68	5.99	6.25	8.00	5.45
2015-16	5.92	4.90	7.47	5.53	6.32	6.15
2016-17	5.44	6.02	4.57	5.94	7.51	3.67
2017-18	5.78	7.13	3.74	5.54	5.98	4.87
2018-19	5.48	5.51	5.42	5.52	5.40	5.71
2019-20	5.65	5.52	5.85	5.65	5.56	5.85
2020-21						
July	5.64	5.54	5.79	5.53	5.70	5.28
August	5.65	5.61	5.72	5.68	6.08	5.05

Source: Bangladesh Bank

Chart 4.1: Trend in CPI Inflation (Base 2005-06=100)



4.3 GDP Growth Outlook

Bangladesh Bureau of statistics (BBS) provisional data show that GDP has grown by 5.24 percent, which is 2.96 percent lower than that of government's target in FY20. Private consumption (2.47) and private investment (1.59) are the two largest contributors to this estimated growth. On the supply side, growth was mainly driven by services (5.32) and industrial sector (6.48). At the same time, per capita GNI has rose to US\$2064 at the end of FY20. The government has projected GDP to grow at 8.2 percent to 31,71,824 crore at the time of budget declaration and with this growth per capita income would rise to 2,326US\$ in FY21. However, the projected growth largely depends upon how quickly the economy makes a turnaround from COVID19 pandemic.