



# MONTHLY REPORT ON FISCAL-MACRO POSITION

July 2021

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## Executive Summary

*The July 2021 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**

*A decrease in tax and non-tax revenue by 10.30 per cent and 58.19 per cent resulted in total revenue falling by 18.11 per cent in the first month of FY<sup>1</sup>22. At the same time, total government spending went down by 10.30 per cent. The Overall budget balance including grants has been 0.08 per cent of GDP at the end of the first month of FY22.*

### **Monetary Sector**

*Broad Money (M2) increased by 12.33 per cent at the end of the first month of FY22 which resulted from 23.41 per cent growth in the Net Foreign Asset (NFA) and 9.18 per cent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 19.74 per cent resulting in a fall in the money multiplier by 0.30.*

### **External Sector**

*Export has registered a decrease of 11.19 per cent at the end of the first month of FY22 compared to the export of the same period of the previous year. For the same period, import payment has increased by 21.60 per cent. However, remittance inflow decreased by 27.97 per cent and foreign exchange reserve has stood at US\$ 45.84 billion, which is equivalent to import payments of 8.87 months, at the end of the first month of FY22.*

### **Real Sector**

*Compared to July 2020, in July 2021, the quantum Index of the large and medium scale manufacturing industry increased by 2.83 per cent. During this period, Leather & related products experienced 146.80 per cent growth followed by Pharmaceuticals with 22.33 per cent, textile with 15.00 per cent. The CPI inflation (12-month moving average) marginally edged down to 5.54 per cent, of which, food and non-food inflation are 5.68 per cent and 5.33 per cent respectively at the end of the first month of the FY21.*

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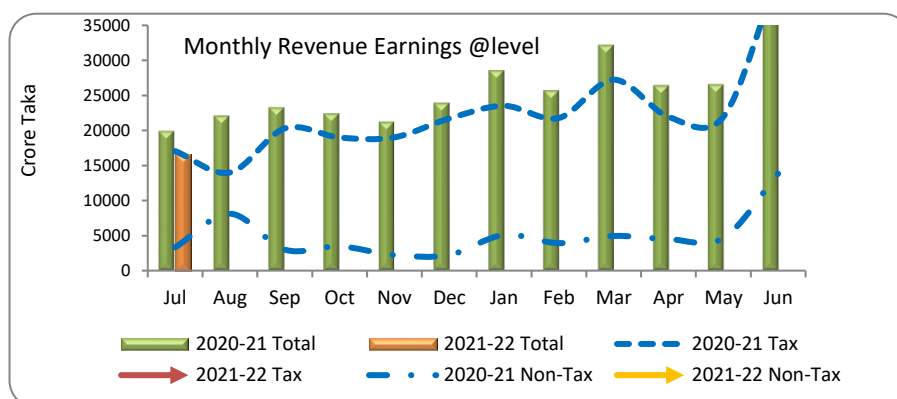
<sup>1</sup> FY22 stands for the fiscal year 2021-22 starts from 1 July 2021 and ends on 30 June 2022

## 1. FISCAL SECTOR

### 1.1 Revenue Earnings

Revenue collection in FY22 has been continuing to demonstrate the impact of the COVID-19 pandemic as Tax revenue fell by 10.30 per cent and non-tax revenue by 58.19 on July 21 compared to that of July 20. The overall fall in revenue is 18.11 per cent on July 21 compared to that of July 20.

Chart 1.1: Trend of Government's 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		
2021-22 (July)	15,087.61	214.07	15,301.68	1,389.90	16,691.58
2020-21 (July)	16,572.57	485.85	17,058.42	3,324.47	20,382.89
Growth (%)	(8.96)	(55.94)	(10.30)	(58.19)	(18.11)
2020-21 (Actual)	263,724.24	6,067.09	269,791.34	58,858.51	328,649.84
2019-20 (Actual)	216,037.43	5,944.11	221,981.55	43,927.49	265,909.03
Growth (%)	22.07	2.07	21.54	33.99	23.59

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

### 1.2 Government Expenditure

Total operating expenses decreased slightly by 2.67 per cent to Tk. 18,097.32 crore on July 2021 compared to Tk. 18,594.57 crore July 2020. However, the ADP implementation on July 2021 has decreased by 46.09 per cent compared to that of July 2020, overall development expenditure has increased by 46.10 per cent. Total government expenditure decreased by 10.30 per cent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 13.65 per cent in FY21.

**Table 1.2: Government Expenditure (Crore taka)**

	2021-22 (July)	2020-21 (July)	Growth (%) (July)	2020-21	2019-20	Yearly Growth (%)
<b>a1. Operating Recurrent Expenditure</b>	18,004.87	18,448.76	-2.41	263,066.98	236,134.51	11.41
Pay and Allowances	5,071.69	6,102.76	-16.90	58,868.14	56,903.75	3.45
Use of Goods and Services	377.04	671.71	-43.87	30,457.06	28,987.62	5.07
Interest Payment	5,672.78	4,092.23	38.62	70,586.57	58,315.78	21.04
Domestic	5,114.26	3,657.97	39.81	66,299.21	53,997.90	22.78
Foreign	558.52	434.27	28.61	4,287.36	4,317.87	-0.71
Subsidies and Transfer	6,883.37	7,582.06	-9.22	103,155.20	91,927.36	12.21
<b>a2. Operating Capital Expenditure</b>	92.45	145.80	-36.60	19,928.72	20,488.83	-2.73
<b>a) Total Operating Expenditure (a1+a2)</b>	18,097.32	18,594.57	-2.67	282,995.70	256,623.34	10.28
<b>b) Outlay for Food</b>	125.03	136.81	-8.61	6,024.28	2,278.07	164.45
<b>c) Loans and Advances</b>	-219.18	124.08	-276.64	579.44	1,204.95	-51.91
<b>d) Development Expenditure</b>	1,641.70	3,045.84	-46.10	168,095.12	161,837.87	3.87
Of which ADP	1,641.46	3,044.73	-46.09	159,099.77	155,421.32	2.37
<b>Total Expenditure</b>	19,644.86	21,901.30	-10.30	457,694.55	421,944.23	8.47
<b>Total Expenditure (% of</b>	6.05	7.44	-1.39	12.97	13.31	-0.34
<b>Memo item: Nominal GDP</b>	3,896,200.0	3,530,184.8	10.37	3,530,184.8	3,170,469	11.35

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division, \* Latest BBS Publications with a new base (1015-16) "Gross Domestic Product (GDP) of Bangladesh 2020-2021(p)" and "Gross Domestic Product (GDP) of Bangladesh 2019-2020 (Final)".

### 1.3 Budget Deficit

The downward movement in revenue collection has resulted in the overall budget balance (including grants) worsening by 0.04 percentage point of GDP on July 21 compared to the same period of the previous year.

**Table 1.3: Budget Balance (Crore taka)**

Year	Overall Balance	Overall Balance as % of GDP
2021-22 (July)	-2953.29	-0.08
2020-21 (July)	-1518.41	-0.04
2020-21	-151,730.42	-4.30
2019-20	-151,730.42	-4.79

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

### 1.4 Deficit Financing

The government arranged its financing requirement from the banking system and the external sources in the first eight months of the fiscal year to repay the non-bank borrowing undertaken in the past. Therefore, the Government has financed its budget deficit predominantly from the bank sources on July 21.

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

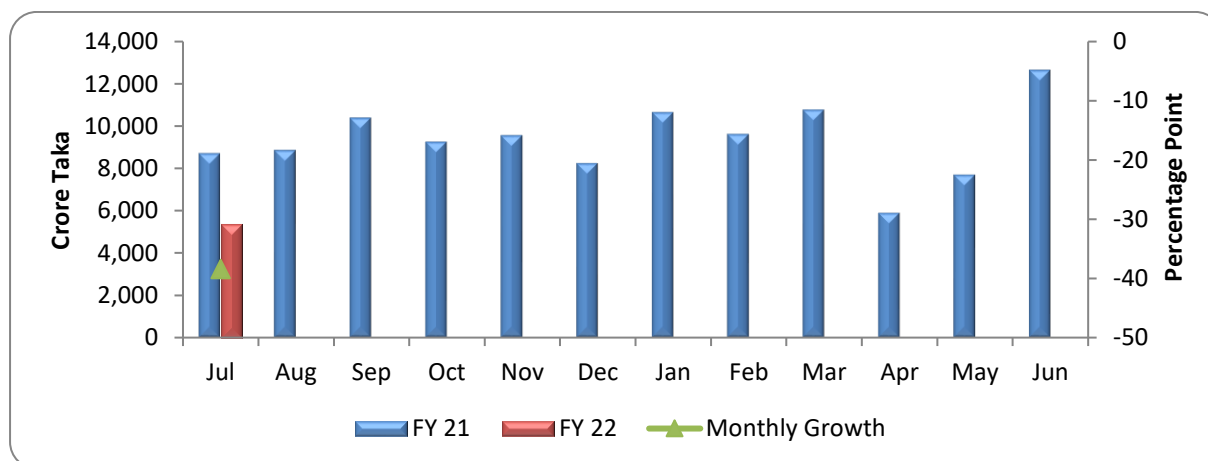
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2021-22 (July)	536.93	10,211.07	-7,795.01	2,416.06	2,952.99	0.08
2020-21 (July)	-686.83	10,637.00	-9,823.62	813.39	126.55	0.00
2020-21	44,529.61	28,431.86	49,002.56	77,434.41	121,964.03	3.45
2019-20	41,610.11	79,268.37	30,523.89	109,792.2	151,402.37	4.78
<b>Target in 2021-22</b>	97,738.00	76,452.00	37,001	113,453	211,191	5.42
Financing composition	External (Net)	Domestic			Total Financing	Total Financing
		Bank	Non-Bank	Total		
2021-22 (July)	18.18%	345.79%	263.97%	81.82%	100.00%	
2020-21 (July)	542.73%	8405.32%	7762.59%	642.73%	100.00%	
2020-21	36.51%	23.31%	40.18%	63.49%	100.00%	
2019-20	27.48%	52.36%	20.16%	72.52%	100.00%	
<b>Target in 2021-22</b>	46.28%	36.20%	17.52%	53.72%	100.00%	

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

#### 1.4.1 National Savings Certificates (NSCs)

NSCs sales decreased 39.39 per cent on July 21 compared to that of July 20 due to the effectiveness of the various reforms undertaken by the government to control NSC sales. The outstanding stock of NSCs stands at 346,197.89 crore taka at the end of July 21 which is 13.19 per cent higher compared to that of July 20.

**Chart 1.2: Monthly trend of the NSCs Sale**



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
2021-22 (July)	5365.01	3261.01	2,104.00	346,197.89
2020-21 (July)	8,852.29	4997.39	3,854.90	305,842.59
Growth (%)	-39.39	-34.75	-45.42	13.19
2020-21	67,127.75	52,699.40	14,428.35	302,134.35
2019-20	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.

## 2. MONETARY SECTOR

### 2.1 Monetary and Credit Development

Broad money (M2) growth has increased by 12.33 per cent at the end of July 2021 compared to that of July 2020. Of the sources of broad money, Net Domestic Asset (NDA) increased by 9.18 per cent and Net foreign asset increased by 23.41 per cent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed to growth in the net domestic asset despite less than expected credit growth in the private sector

**Table 2.1: Monetary and Credit Development**

Items	Outstanding stock			% Changes in	
	at the end of the period			Outstanding stock	
	Jul-21	Jul-20	Jun-21	July-21 over July-20	July-21 over June-21
<b>A. Net Foreign Assets (NFA)</b>	3,836.90	3,108.97	2,973.36	23.41	29.04
<b>B. Net Domestic Asset (NDA)</b>	11,943.56	10,939.81	10,763.99	9.18	10.96
a. Domestic Credit	14,462.83	13,209.55	14,398.98	9.49	0.44
Public Sector	2,592.72	2,257.53	2,510.42	14.85	3.28
Govt. (Net)	2,291.35	1,966.95	2,210.25	16.49	3.67
Other Public	301.37	290.58	300.17	3.71	0.40
Private sector	11,870.11	10,952.02	11,888.56	8.38	-0.16
b. Other Items (Net)	-2,519.27	-2,269.74	-2,611.82	10.99	-3.54
<b>C. Broad Money (A+B)</b>	15,780.46	14,048.78	13,737.35	12.33	14.87

Source: Monthly Economic Trends, Bangladesh Bank

### 2.2 Reserve Money Development

Reserve money increased by 19.74 per cent at the end of July 2021 compared to that of July 2020. Higher growth of reserve money has resulted in a slight decline in the money multiplier by 0.30 in the same period.

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

Items	Outstanding Stock at the end of the period			Changes in Outstanding Stock	
	Jul-21	Jul-20	Jun-21	July-21 over July-20	July-21 over June-21
<b>Reserve money</b>	3,496	2,919	3,481	19.74%	0.43%
<b>Money multiplier</b>	4.51	4.81	3.95	-0.30	0.57

Source: Major Economic Indicators, Bangladesh Bank

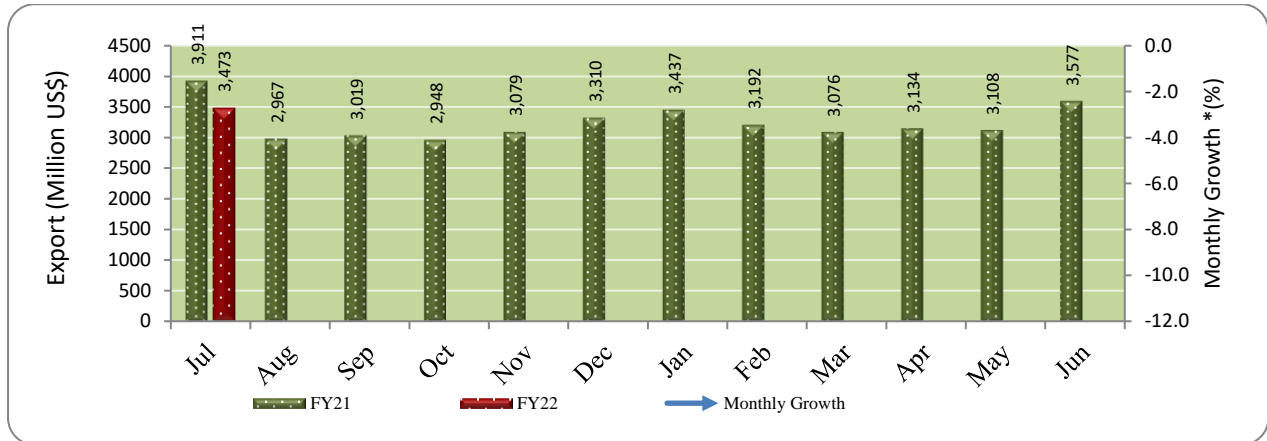


## 3. EXTERNAL SECTOR

### 3.1 Exports

Merchandise export decreased by 11.19 per cent on July 21 compared to the export of July 20. This demonstrates that the recovery of export is still suffering from instability due to the arrival of the third wave 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\$)**

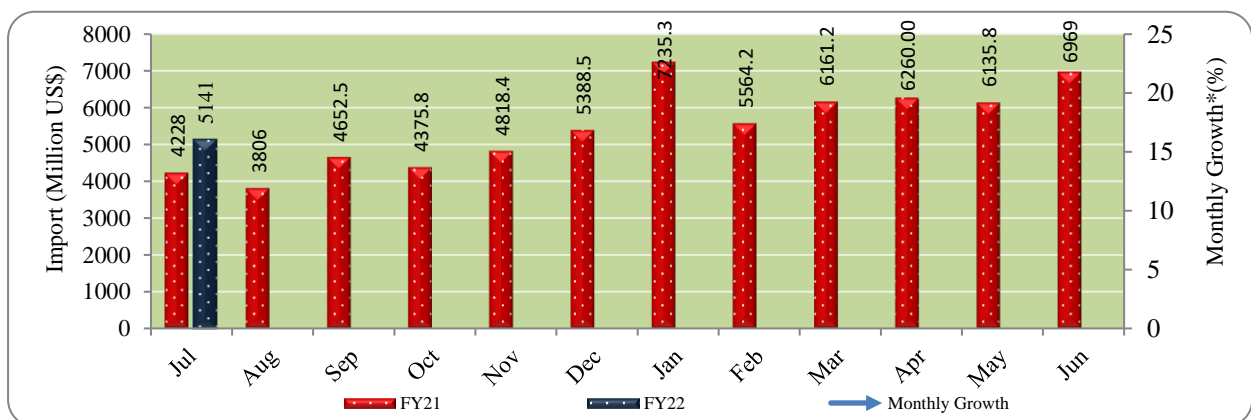
	2021-22	2020-21	2020-21	2019-20
	(July)	(July)		
Export	3,473.43	3,910.92	38,758.31	33,674.12
Growth*(%)	-11.19	0.59	15.10	-16.93

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

### 3.2 Imports (C & F)

Imports has risen by 21.60 per cent on July 21 compared to that of July 20. Mentionable that most of the part of the last fiscal year, import increased over the level of the previous year as the import of industrial raw materials and capital machinery went up. At the same time, Letter of Credit (LC) opening raised by 10.80 per cent and LCs settlement by 25.97 per cent in July 21 compared to that of July 20.

**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\$)

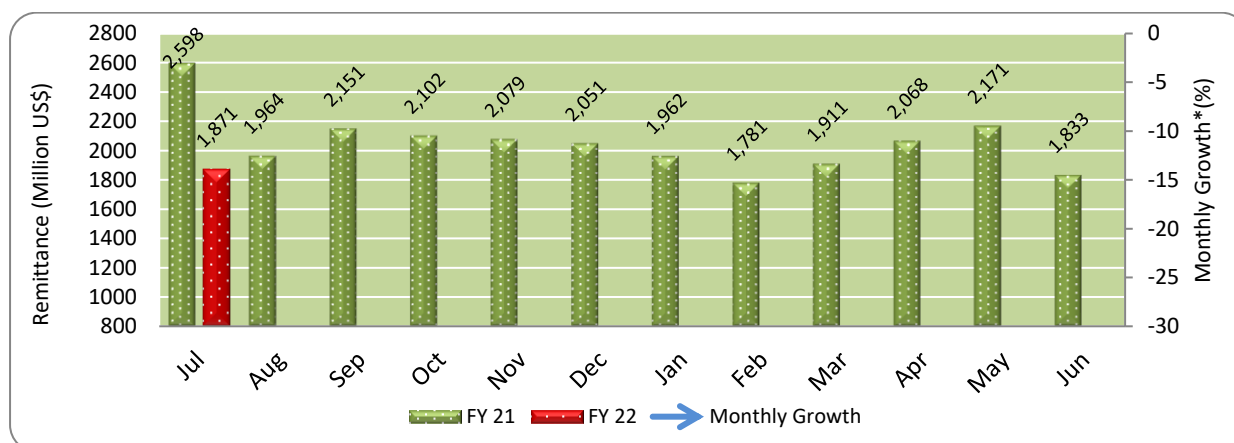
Period	2021-22	2020-21	2020-21	2019-20
	(July)	(July)		
Import payments	5,141.10	4,228.00	65,594.70	54,784.70
Growth (%)	21.60	-19.42	19.73	-8.56
LCs Opened	4,946.37	4,464.33	67,037.42	53,119.86
Growth (%)	10.80	-	26.20	-9.511411
LCs Settled	4,658.79	3,698.34	57,256.40	51,091.47
Growth (%)	25.97	-	12.07	-10.87898

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

### 3.3 Remittances

Though remittance inflow had been bullish over the last fiscal year on the back of 2.0 per cent fiscal incentives by the government, remittances inflow has decreased by 27.97 per cent on July 21 compared to that of July 20.

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\$)

	2021-22 (July)	2020-21 (July)	FY 2020-21	FY 2019-20
Remittances	1,871.49	2,598.21	24,669.51	18,205.11
As % of Export	53.88	66.43	63.65	54.06
As % of GDP	5.47	8.34	5.93	4.82
Growth (%)	-27.97	62.62	35.51	10.87

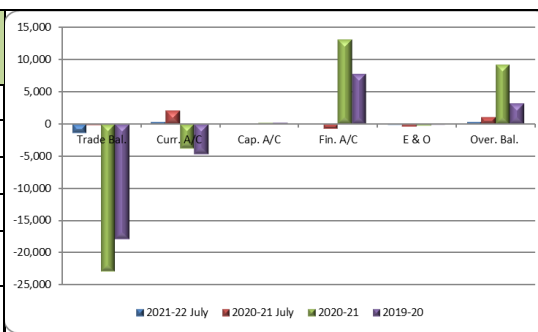
Source: Bangladesh Bank;

### 3.4 Balance of Payments (BOP)

The country's trade balance deteriorated on July 21 as the import grows more than export earnings. However, the current account balance has *reduced* on the back of *decreased* remittance inflow.

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

	2021-22 (July)	2020-21 (July)	2020-21	2019-20
Trade Balance	-1336	-85	-22799	-17858
Current Account	336	2135	-3808	-4,724
Capital Account	11	17	221	256
Financial	83	-682	13080	7,809
Error & Omission	-114	-343		-172
Overall Balance	316	1,127	9274	3,169



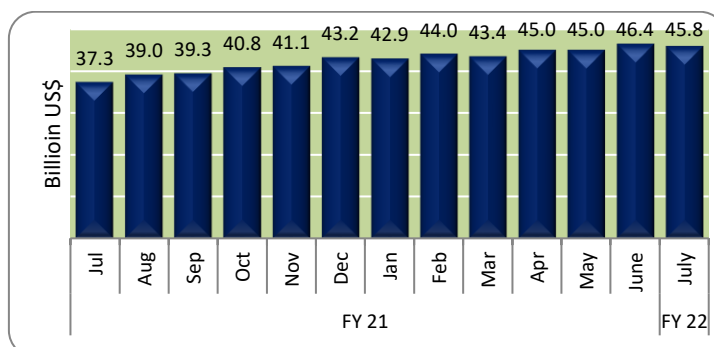
Source: Bangladesh Bank;

### 3.5 External Reserve

The gross foreign exchange reserve stood at 45.84 billion at the end of July 21, which is enough to cover import payments of 8.87 months based on the average import liability of the previous 12 months. Overall foreign exchange reserve had surged in the last fiscal year on the back of higher remittance inflow and lower import payments.

**Table 3.5: Foreign Exchange Reserve (End of the month)**

Reserve	2021-22	2020-21	2020-21
	(End of July)	(End of July)	(End of June)
Million US\$	45,842.20	37,288.43	46391.44
Months of import payment	8.87	6.66	7.87



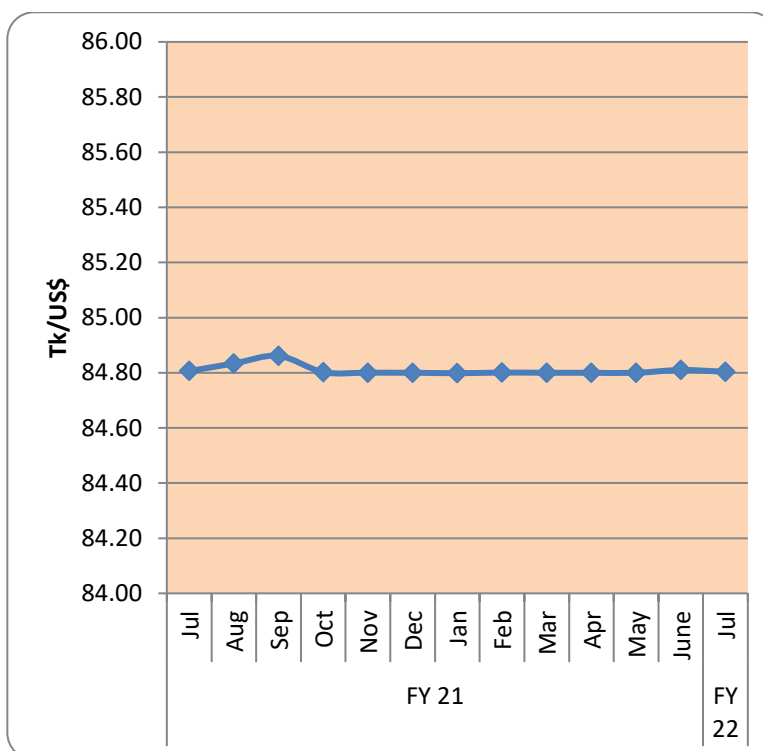
Source: Bangladesh Bank

### 3.6 Exchange Rate Movements

The 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 (84.7-85.0 Tk/US\$) in the last year.

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

Period	Average	End period
2016-17	79.12	80.60
2017-18	83.70	83.70
2018-19	84.02	84.50
2019-20	84.78	84.90
<b>2020-21</b>		
July	84.81	84.80
August	84.83	84.83
September	84.86	84.84
October	84.80	84.80
November	84.80	84.80
December	84.80	84.80
January	84.80	84.80
February	84.80	84.80
March	84.80	84.80
April	84.80	84.80
May	84.80	84.80
June	84.81	84.80
<b>2020-21</b>		
Jul	84.80	84.80



Source: Bangladesh Bank;

## 4. REAL SECTOR

### 4.1 Quantum Index of Industrial Production

### 4.2 CPI Inflation

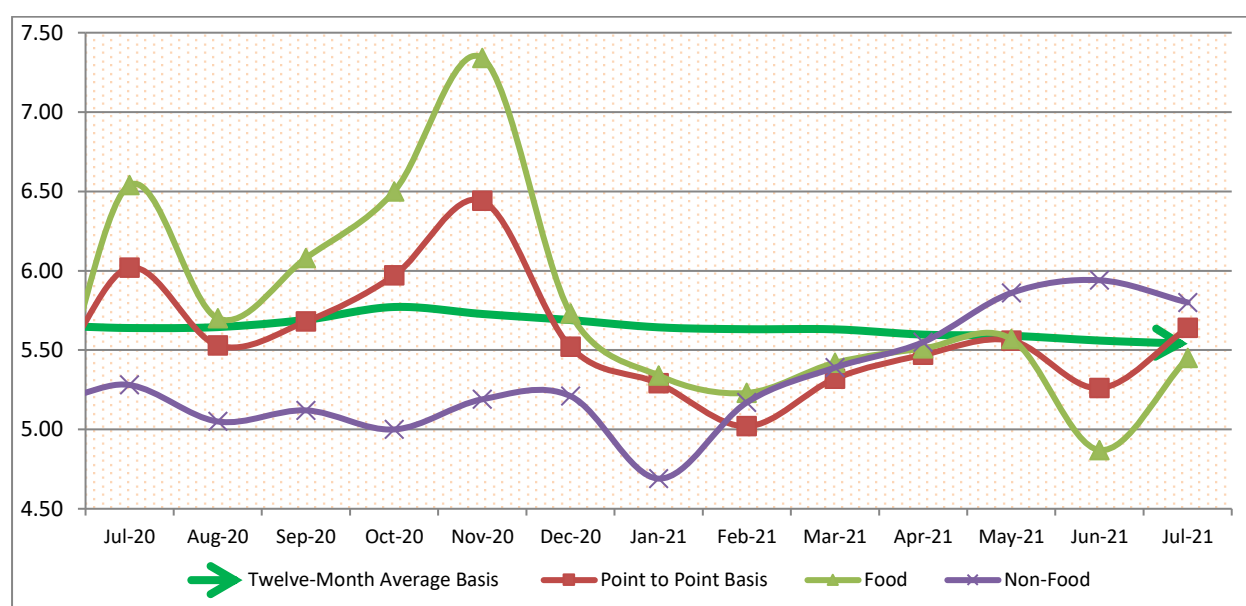
Moderation of Non-food inflation (from 5.73 to 5.68) edged down the overall CPI inflation marginally to 5.54 percent (Twelve-month average basis) in July 21, although food inflation rose to 5.33 in July 21 from 5.29 in June 20.

**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
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
September	5.69	5.71	5.66	5.97	6.50	5.12
October	5.77	5.87	5.62	6.44	7.34	5.00
November	5.73	5.81	5.60	5.52	5.73	5.19
December	5.69	5.77	5.56	5.29	5.34	5.21
January	5.64	5.78	5.43	5.02	5.23	4.69
February	5.63	5.81	5.34	5.32	5.42	5.17
March	5.63	5.70	5.26	5.47	5.51	5.39
April	5.60	5.84	5.22	5.56	5.57	5.55
May	5.59	5.82	5.23	5.26	4.87	5.86
June	5.56	5.73	5.29	5.64	5.45	5.94
2020-21						
July	5.54	5.68	5.33	5.36	5.08	5.8

Source: Bangladesh Bank

Chart 4.2: Trend in CPI Inflation (Base 2005-06=100)



### **4.3 GDP Growth Outlook**

The latest publication of the Bangladesh Bureau of Statistics (BBS) (with the new base 2015-16) shows that GDP has grown by 3.45 percent in FY20 (final), which is 1.79 percent lower than that of the provisional estimate. With this growth, per capita GNI rose to US\$ 2,591 at the end of FY20. BBS's provisional estimate also shows that GDP grew at a rate of 6.94 percent for FY21 whereas the Government's target was 8.2 percent set at the start of the fiscal year based on the pace of the economic recovery and available high frequency data.