



# MONTHLY REPORT ON FISCAL-MACRO POSITION

**August 2021**

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## Executive Summary

The August 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 fall in non-tax revenue by 42.59 percent despite an Increase in tax revenue by 12.03 percent has resulted in a fall in total revenue by 2.93 percent in July-August of FY22. At the same time, total government spending rose by 4.39 percent as the development expenditure rose by 17.94 percent. Overall budget balance including grants demonstrated a deficit of 927 crore BDT at the end of August of FY22.

### Monetary Sector

Broad Money (M2) increased by 11.60 percent at the end of August of FY22 resulted from 9.07 percent growth in the Net Domestic Asset (NDA) and 20.17 percent growth in the Net Foreign Asset (NFA). At the same time, reserve money grew by 15.55 percent that resulted increase in money multiplier by 0.17.

### External Sector

Export registered a marginal decrease of 0.31 percent while import payments rose by 45.93 percent in July-August period of FY22 compared to that of August 21. At the same time, remittance inflow decreased by 19.30 percent. Foreign exchange reserve that stood at US\$ 48.06 billion, which is equivalent to import payments of 8.87months, at the end of August of FY22.

### Real Sector

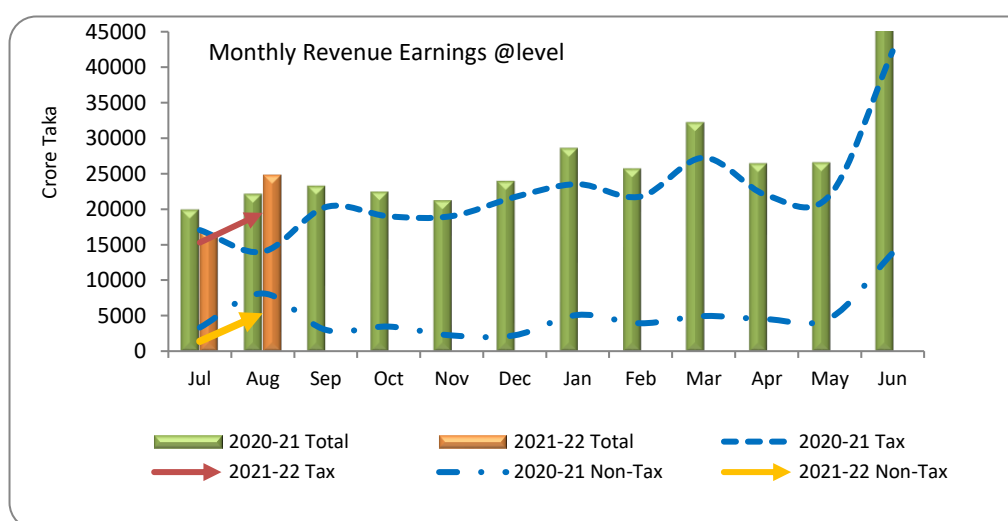
The quantum Index of large and medium manufacturing industry has increased by 19 percent in August 2022 over August 2021. Leather & related products, non-metallic mineral products and textile Industry have performed well in August 2022. The CPI inflation (12-month moving average) marginally edged up to 5.53 percent, of which, food and non-food inflation are 5.60 percent and 5.43 percent respectively at the end of August of FY22.

## 1. FISCAL SECTOR

### 1.1 Revenue Earnings

NBR tax revenue increased encouragingly by 12.99 percentage point while fall in non-NBR tax revenue by 21.74 percentage point. However, the tax revenue collection has recorded a growth of 12.03 percentage point in the first two moth (July-August) of FY22 compared to that of the previous year. On the other hand, a decrease in non-tax revenue by 42.59 percentage point has pulled down the total revenue collection to register a negative growth of 2.93 percentage point.

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-August)	34,098.79	673.68	34,772.47	6,724.46	41,496.93
2020-21 (July-August)	30,177.70	860.78	31,038.48	11,712.56	42,751.04
Growth (%)	12.99	(21.74)	12.03	(42.59)	(2.93)
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 expenditure decreased slightly by 2.81 percent to Tk. 32,919.91 crore in the first two moth (July-August) of FY22 compared to Tk. 30,177.70 crore for the same period of the previous year. However, the ADP implementation in July-August period of FY22 has increased by 17.93 percent compared to that of the previous FY. Overall development expenditure has increased by 17.94 percent. Total government expenditure Increased by 4.39 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 22.94 percent in FY22.

Table 1.2: Government Expenditure (Crore taka)

	2021-22 (July-August)	2020-21 (July-August)	Growth (%) (July-August)	2020-21	2019-20	Yearly Growth (%)
<b>a1. Operating Recurrent Expenditure</b>	32,919.91	33,872.26	-2.81	265,892.77	236,316.20	12.52
Pay and Allowances	9,722.97	10,374.64	-6.28	58,891.01	56,903.75	3.49
Use of Goods and Services	1,372.58	1,776.90	-22.75	30,517.64	28,996.83	5.24
Interest Payment	9,929.85	8,225.62	20.72	70,605.96	58,315.78	21.08
Domestic	9,102.53	7,493.74	21.47	66,318.59	53,997.91	22.82
Foreign	827.32	731.88	13.04	4,287.36	4,317.87	-0.71
Subsidies and Transfer	11,894.50	13,495.10	-11.86	105,878.16	92,099.84	14.96
<b>a2. Operating Capital Expenditure</b>	533.21	501.85	6.25	19,936.98	20,473.31	-2.62
<b>a) Total Operating Expenditure (a1+a2)</b>	33,453.11	34,374.11	-2.68	285,829.76	256,789.51	11.31
<b>b) Outlay for Food Accounts</b>	2,223.28	1,141.77	94.72	4,246.28	2,325.85	82.57
<b>c) Loans and Advances (Net)</b>	-860.34	-1,329.38	-35.28	592.91	1,204.95	-50.79
<b>d) Development Expenditure</b>	7,597.71	6,442.22	17.94	168,600.11	162,134.67	3.99
Of which ADP	7,590.38	6,436.27	17.93	159,604.76	155,718.13	2.50
<b>Total Expenditure (a+b+c+d)</b>	42,413.77	40,628.71	4.39	459,269.06	422,454.98	8.71
<b>Total Expenditure (% of GDP)</b>	6.53	6.91	-0.37	13.01	13.32	-0.31
<b>Memo item: Nominal GDP</b>	3,896,200.00	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 new base (1015-16)

### 1.3 Budget Deficit

Overall budget deficit (including grants) stands at 927.40 crore taka as the government in July-August of FY22. There was a surplus BDT 2,122.33 crore during July-August of FY21

Table 1.3: Budget Balance (Crore taka)

Year	Overall, Balance	Overall, Balance as % of GDP
2021-22 (July-August)	-927.40	-0.02
2020-21 (July-August)	2122.33	0.06
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

Despite relatively smaller budget deficit in July-August of FY22, the government had to borrow BDT. 13,644.11 crore from the banking system and BDT 257.00 crore from the external sources to make repayment of the loan incurred in the past.

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

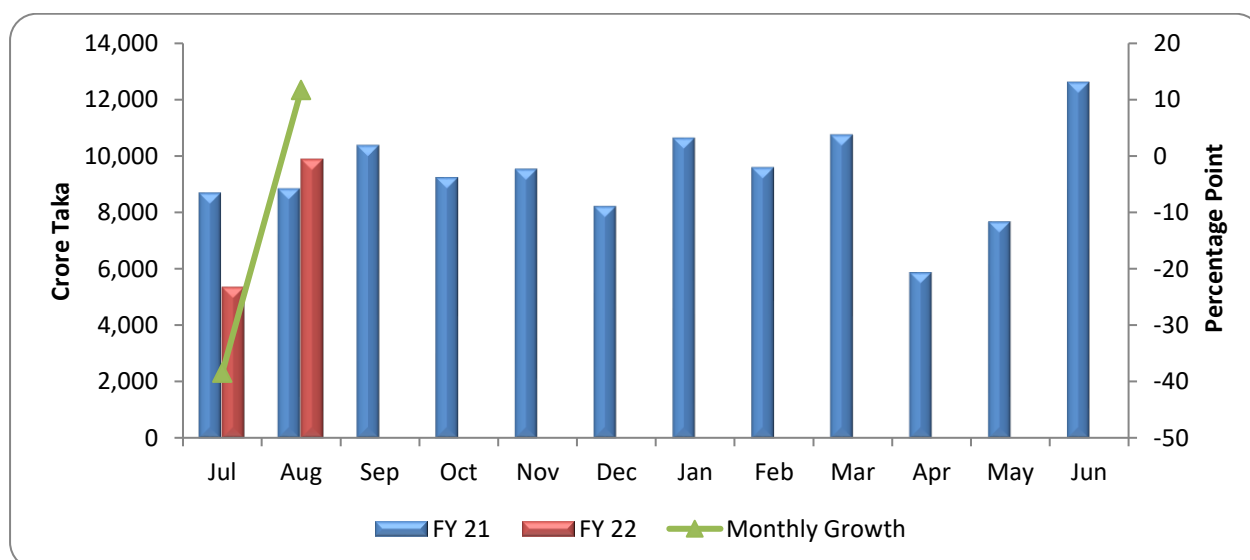
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2021-22 (July-August)	257.00	13,644.11	-	669.65	926.65	0.02
2020-21 (July-August)	712.99	10,992.33	-	-2,835.76	-2,123	-0.06
2020-21	45,462.96	32,672.89	49,293.0	81,965.9	127,428.90	3.61
2019-20	41,304.02	81,717.96	30,540.3	112,258.	153,562.37	4.84
Target in 2021-22	97,738.00	51,600.00	32,000	76,452	174,190	4.47
Financing composition		External (Net)	Domestic		Total Financing	
			Bank	Non-Bank	Total	
2021-22 (July-August)		27.73%	1472.42%	1400.15%	72.27%	100.00%
2020-21 (July-August)		33.59%	517.83%	651.42%	133.59%	100.00%
2020-21		35.68%	25.64%	38.68%	64.32%	100.00%
2019-20		26.90%	53.21%	19.89%	73.10%	100.00%
Target in 2021-22		56.11%	29.62%	18.37%	43.89%	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 11.74 percent in the first two months of FY22 compared to that of FY21. Outstanding stock of NSCs stands at 349826.47 crore taka at the end August 2022 which is 13.00 percent higher than that of the same period of FY21.

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 period
2021-22 (July-August)	9891.48	6262.9	3,628.58	349826.47
2020-21 (July-August)	8,852.29	5105.48	3,746.81	309589.39
Growth (%)	11.74	22.67	-3.16	13.00
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 11.60 per cent in the first two months of the FY22 from the level for the same period of the FY21. Of the sources of broad money, Net Domestic Asset (NDA) increased by 9.07 percent and Net foreign asset increased by 20.17 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 moderate credit growth in the private sector

**Table 2.1: Monetary and Credit Development**

Items	Outstanding stock at the end of period			% Changes in Outstanding stock	
	Aug-21	Aug-20	Jun-21	August-21 over August-20	August-21 over June-21
<b>A. Net Foreign Assets (NFA)</b>	3,872.37	3,222.50	3,821.79	20.17	1.32
<b>B. Net Domestic Asset (NDA)</b>	11,923.06	10,931.63	11,787.16	9.07	1.15
a. Domestic Credit	14,491.31	13,264.00	14,398.99	9.25	0.64
Public Sector	2,547.40	2,247.24	2,510.44	13.36	1.47
Govt. (Net)	2,245.12	1,951.88	2,210.26	15.02	1.58
Other Public	302.27	295.36	300.18	2.34	0.70
Private sector	11,943.91	11,016.76	11,888.55	8.42	0.47
b. Other Items (Net)	-2,568.25	-2,332.37	-2,611.829	10.11	-1.67
<b>C. Broad Money (A+B)</b>	15,795.43	14,154.13	15,608.95	11.60	1.19

Source: Monthly Economic Trends, Bangladesh Bank

### 2.2 Reserve Money Development

Reserve money increased by 15.55 percent in the first two months of the FY22 from the level for the same period of the FY21. Higher growth of reserve money has resulted slight decline of money multiplier by 0.17.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Aug-21	Aug-20	Jun-21	August-21 over August-20	August-21 over June-21
<b>Reserve money</b>	3,259	2,820	3,481	15.55%	-6.38%
<b>Money multiplier</b>	4.85	5.02	4.48	-0.17	0.36

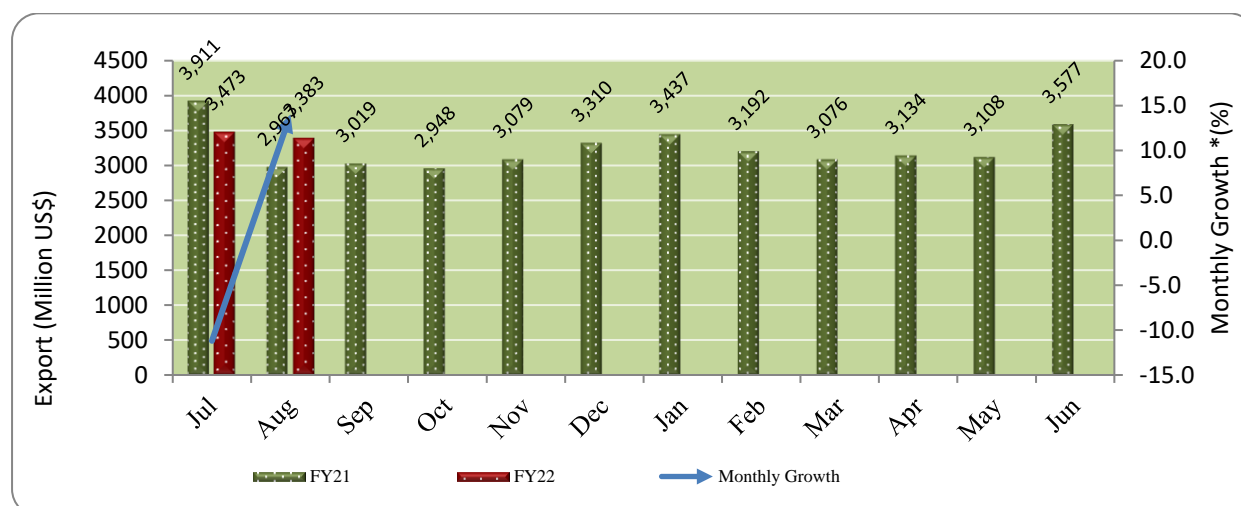
Source: Major Economic Indicators, Bangladesh Bank

### 3. EXTERNAL SECTOR

#### 3.1 Exports

Merchandise export decreased marginally by 0.31 percent in the first two months of FY22 compared to the export for the same period of FY21. This growth is less than expected as the export plunged again by the third wave of COVID19 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\$)**

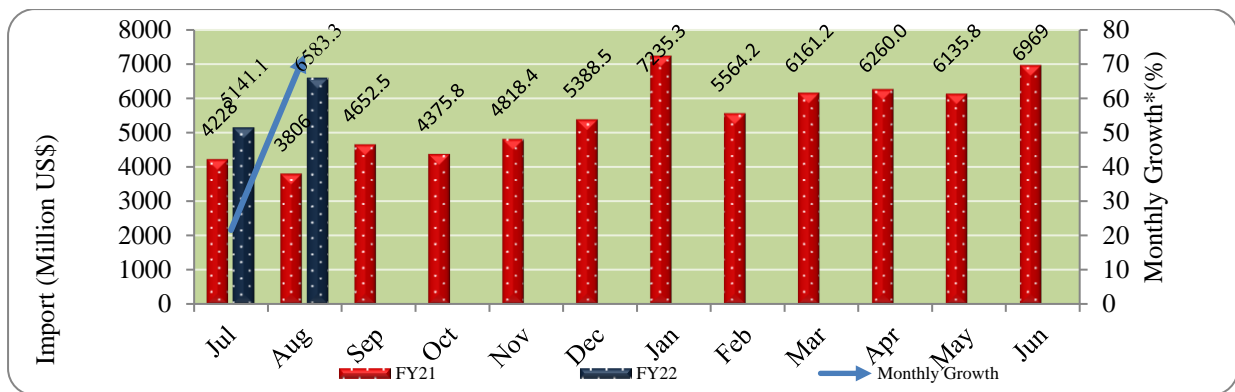
	2021-22	2020-21	2020-21	2019-20
	(July-August)	(July-August)		
Export	6,856.50	6,878.08	38,758.31	33,674.12
Growth*(%)	-0.31	2.17	15.10	-16.93

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

#### 3.2 Imports (C & F)

Import payment rose by 72.97 percent to 6.58 billion USD in August 2021 compared to that of August 2020 as import of industrial raw materials and capital machinery slowed down. Meanwhile, cumulative import payment also went up by 45.93 percent to 11.72 billion USD in July-August of FY22 compared to that of the previous year. At the same time, Letter of Credit (LC) opening rose by 3.46 percent and LCs settlement fell by 45.31 percent.

**Chart 3.2: Monthly Trend of Import Payments**



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

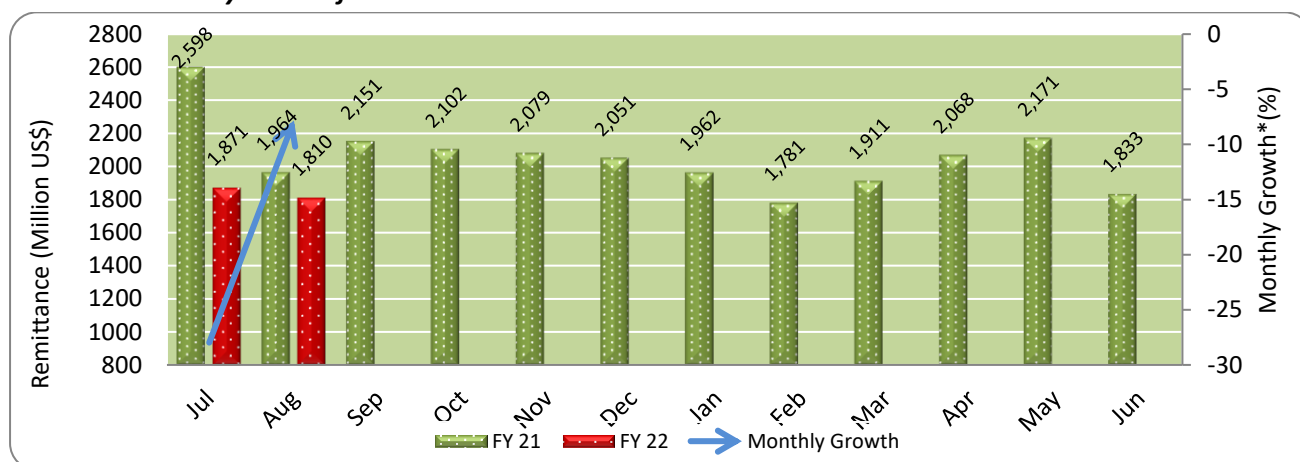
**Table 3.2: Import Scenario (Million US\$)**

Item	2020-21 (July-August)	2019-20 (July-August)	2020-21	2019-20
Import payments	11,724.40	8,034.00	65,594.70	54,784.70
Growth* (%)	45.93	-13.80	19.73	-8.56
LCs Opened	12,130.46	11,724.40	67,037.42	53,119.86
Growth* (%)	3.46	-	26.20	-9.51
LCs Settled	10,764.75	7,408.30	57,256.40	51,091.47
Growth* (%)	45.31	-	12.07	-10.88

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

### 3.3 Remittances

Remittance inflow continued to fall in the second month of FY22 (a decreased of 7.83 percent compared to that of August, 2021). Cumulative remittance inflow fell by 17.30 percent in July-August of FY22 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.

**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-August)	2020-21 (July-August)	2020-21	2019-20
Remittances	3,681.59	4,562.15	24,669.51	18,205.11
As % of Export	53.69	66.33	63.65	54.06
As % of GDP	6.22	8.47	7.63	6.02
Growth (%)	-19.30	33.51	35.51	10.87

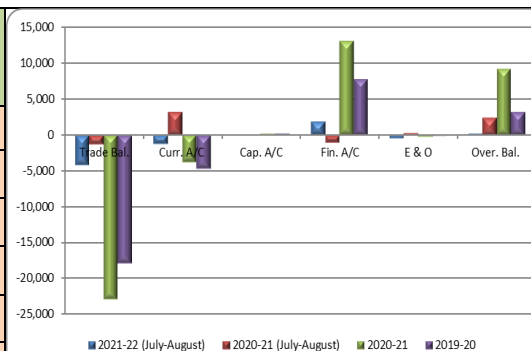
Source: Bangladesh Bank;

### 3.4 Balance of Payments (BOP)

The country's trade balance deteriorated in FY22 as the import grows more than export earnings. Similarly, current account balance has plunged on the back of falling remittance inflow. However, a higher inflow in the financial account has contributed moderate overall balance of USD 221 million.

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

	2021-22 (July-August)	2020-21 (July-August)	2020-21	2019-20
Trade Balance	-4116	-697	-22799	-17858
Current Account	-1243	3228	-3808	-4,724
Capital Account	32	17	221	256
Financial Account	1871	-1067	13080	7,809
Error & Omission	-439	292	-219	-172
Overall, Balance	221	2470	9274	3,169



Source: Bangladesh Bank;

### 3.5 External Reserve

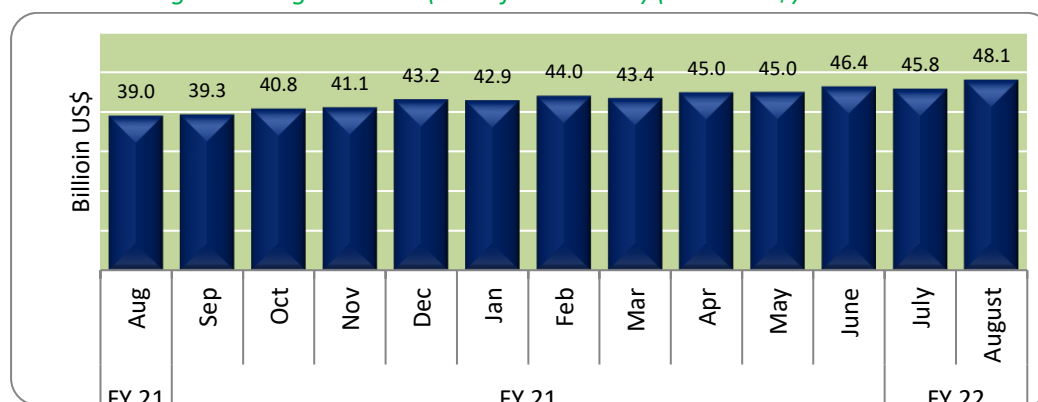
The gross foreign exchange reserve stood at 48.06 billion at the end of August 2022, which is enough to cover import payments of 8.87 months based on the average import liability of the previous 12 months.

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

Reserve	2021-22 (End of August)	2020-21 (End of August)	2020-21 (End of June)
Million US\$	48,059.99	39,040.04	46391.44
Months of import payment	8.87	6.66	7.87

Source: Bangladesh Bank

**Chart 3.5: Gross Foreign Exchange Reserve (end of the month) (Billion US\$)**

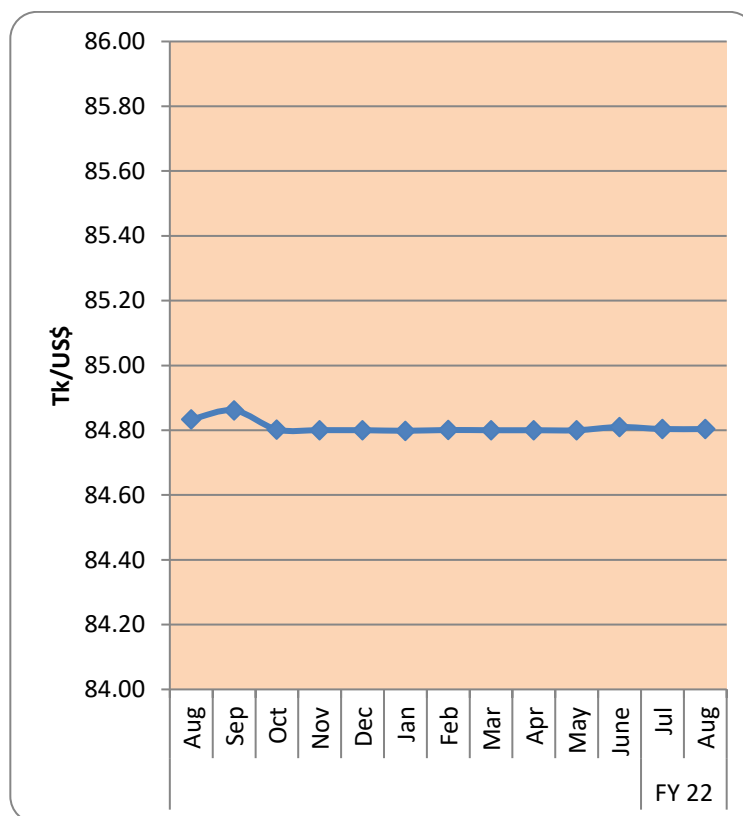


### 3.6 Exchange Rate Movements

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 (84.75-85.0 Tk/US\$) in the last one year.

**Table: 3.6 Exchange Rate Movements**

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>2021-22</b>		
July	84.80	84.80
August	84.80	84.80



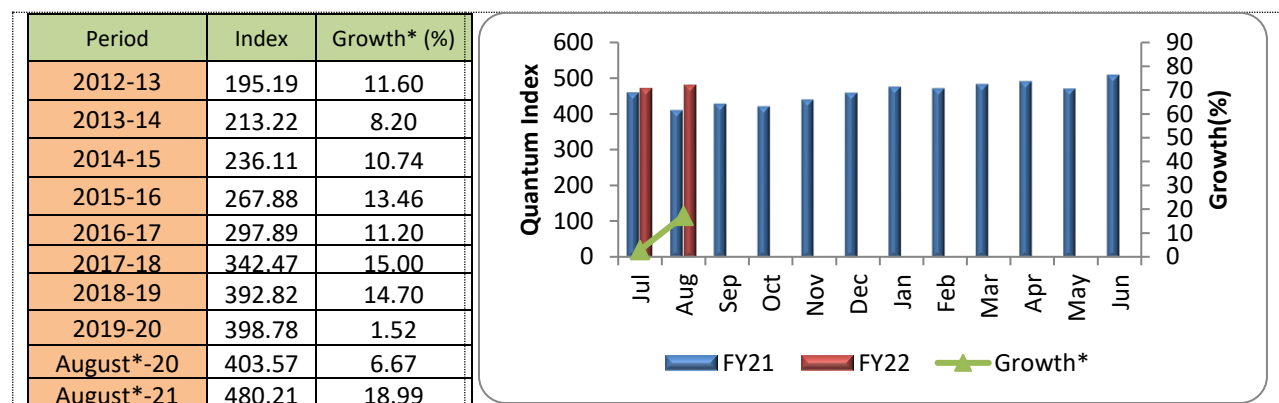
Source: Bangladesh Bank;

## 4. REAL SECTOR

### 4.1 Quantum Index of Industrial Production

The Quantum Index of the large and medium scale manufacturing industry, which accounts for 87.54 percent of the industrial production, grew by 18.99 percent in the July-August period of FY22 compared to the level of the same period of FY21.

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



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

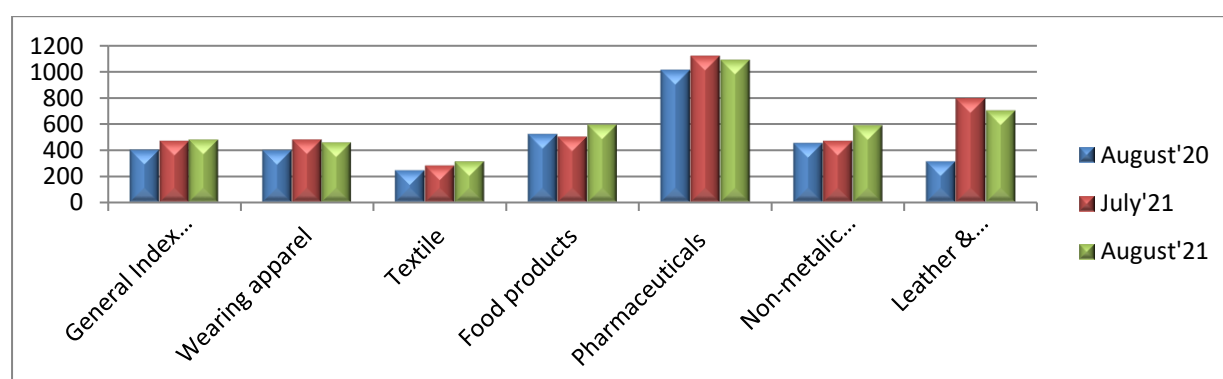
**Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group**

Major Industry Group	Weight	Index			Change of Index	
		August'20	July'21	August'21	August'21 over August'20(%)	August'21 over July'21(%)
General Index of which	100	403.57	471.46	480.21	18.99	1.86
Wearing apparel	34.84	399.2	481.71	459.7	15.16	-4.57
Textile	14.07	245.52	282.15	315.23	28.39	11.72
Food products	10.84	522.83	502.36	595.4	13.88	18.52
Pharmaceuticals	8.23	1013.86	1121.77	1092.52	7.76	-2.61
Non-metallic mineral Products	7.12	452.76	471.56	591.84	30.72	25.51
Leather & related products	4.40	313.1	796.38	705.22	125.24	-11.45

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 experienced 125.24 percent growth followed by Non-metallic mineral Products with 30.72 percent growth, Textile with 28.39 percent growth in the first two months of the FY22 compared to that of FY21.

**Chart 4.1: Quantum Index of large and medium scale manufacturing industry by Major Industry group**



## 4.2 CPI Inflation

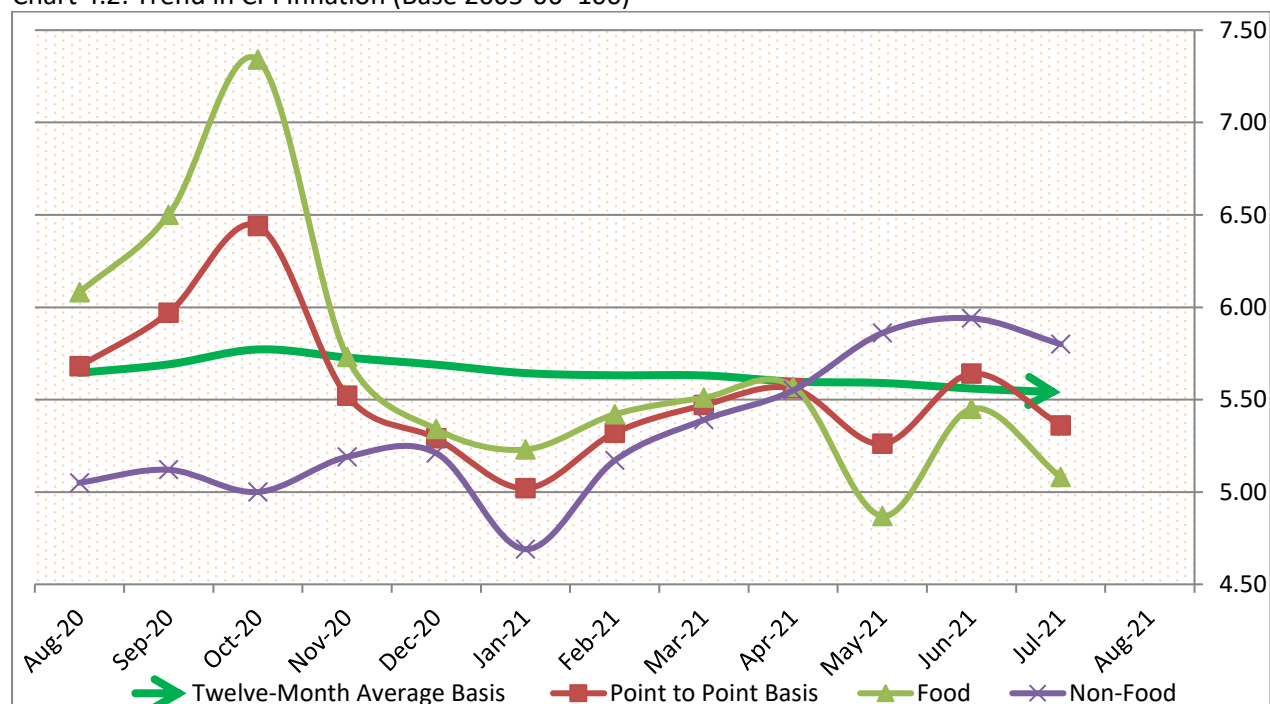
Moderation of food inflation (from 5.68 in July to 5.60 in August of FY22) edged down the overall CPI inflation marginally to 5.53 percent (Twelve-month average basis) in August 2022 although non-food inflation rose to 5.43 in August 2021 from 5.33 in July 2021.

**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
Aug	5.53	5.60	5.43	5.54	5.16	6.13

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.