



MONTHLY REPORT ON FISCAL-MACRO POSITION

September 2021

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Executive Summary

The September 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 rise in tax revenue by 23.49 per cent despite a decrease in non-tax revenue by 39.95 per cent has resulted in a rise in total revenue by 9.11 per cent in July-September of FY22. At the same time, total government spending rose by 6.92 per cent while the development expenditure fell by 6.94 per cent. Overall budget balance including grants demonstrated a surplus of 5064.27 crore BDT at the end of September of FY22.

Monetary Sector

Broad Money (M2) increased by 11.20 per cent at the end of September of FY22 resulting from 10.34 per cent growth in the Net Domestic Asset (NDA) and 14.05 per cent growth in the Net Foreign Asset (NFA). At the same time, reserve money grew by 15.14 per cent which resulted in a decrease in the money multiplier by 0.18.

External Sector

Export registered an increase of 11.37 per cent while import payments rose by 47.53 per cent in the July-September period of FY22 compared to that of September 21. At the same time, remittance inflow decreased by 18.54 per cent. Foreign exchange reserve that stood at US\$ 46.20 billion, which is equivalent to import payments of 8.32 months, at the end of September of FY21.

Real Sector

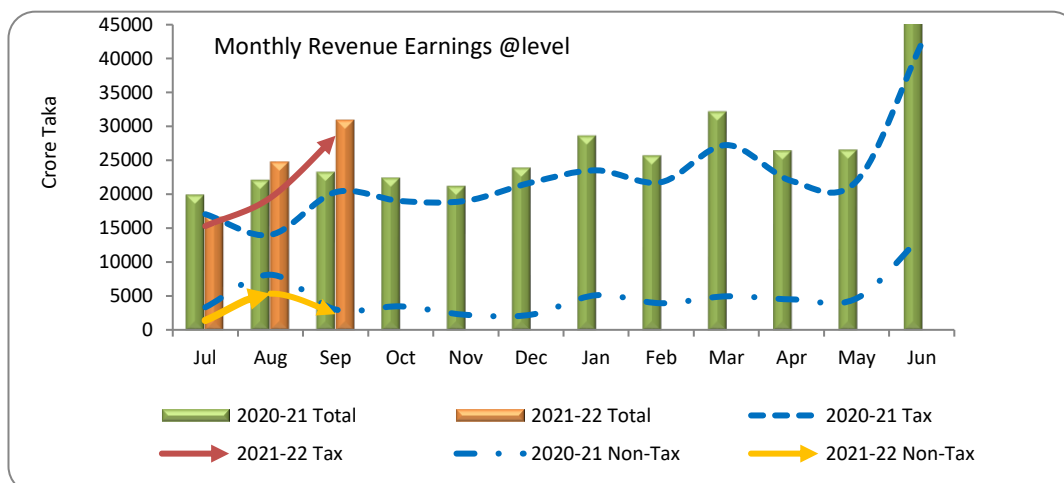
The quantum Index of the large and medium manufacturing industry has increased by 30.27 per cent in September 2021 over September 2020. Leather & related products, non-metallic mineral products and the textile Industry have performed well in September 2021. The CPI inflation (12-month moving average) marginally edged up to 5.50 per cent, of which, food and non-food inflation are 5.49 per cent and 5.52 per cent respectively at the end of September of FY21.

1. FISCAL SECTOR

1.1 Revenue Earnings

NBR tax revenue continued to grow strongly with a rise by 24.23 percentage points while the non-NBR tax revenue fell marginally by 3.20 percentage points. On the other hand, the tax revenue collection has recorded a growth of 23.49 percentage points in the first three months (July-September) of FY22 compared to that of the previous year. However, a decrease in non-tax revenue by 39.95 percentage points has pulled down the growth in total revenue collection to 9.11 percentage points.

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-September)	62,053.34	1,343.51	63,396.85	9,038.42	72,435.28
2020-21 (July-September)	49,950.46	1,388.00	51,338.45	15,050.95	66,389.40
Growth (%)	24.23	(3.20)	23.49	(39.95)	9.11
2020-21 (Actual)	263,724.23	6,065.28	269,789.51	58,861.60	328,651.11
2019-20 (Actual)	216,037.43	5,944.11	221,981.55	43,933.32	265,914.87
Growth (%)	22.07	2.04	21.54	33.98	23.59

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

1.2 Government Expenditure

Total operating expenses increased slightly by 3.47 per cent to Tk. 52,358.78 crore in the first three months (July-September) of FY22 compared to Tk. 50,602.91 crore for the same period of the previous year. However, the ADP implementation in the July-September period of FY22 has decreased by 6.74 per cent compared to that of the previous FY. Overall development expenditure has decreased by 6.94 per cent. Total government expenditure increased by 6.92 per cent due to the implementation of various stimulus packages to counter the impact of the COVID-19 pandemic. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 33.04 per cent in the first three months of FY22.

Table 1.2: Government Expenditure (Crore taka)

	2021-22 (July- September)	2020-21 (July- September)	Growth (%) (July- September)	2020-21	2019-20	Yearly Growth (%)
a1. Operating Recurrent Expenditure	51,216.42	49,564.93	3.33	265,892.77	236,316.20	12.52
Pay and Allowances	13,748.99	14,742.04	-6.74	58,891.01	56,903.75	3.49
Use of Goods and Services	2,720.80	3,491.97	-22.08	30,517.64	28,996.83	5.24
Interest Payment	15,485.04	14,101.01	9.82	70,605.96	58,315.78	21.08
Domestic	13,963.63	12,715.11	9.82	66,318.59	53,997.91	22.82
Foreign	1,521.42	1,385.90	9.78	4,287.36	4,317.87	-0.71
Subsidies and Transfer	19,261.59	17,229.92	11.79	105,878.16	92,099.84	14.96
a2. Operating Capital Expenditure	1,142.36	1,037.98	10.06	19,936.98	20,473.31	-2.62
a) Total Operating Expenditure (a1+a2)	52,358.78	50,602.91	3.47	285,829.76	256,789.51	11.31
b) Outlay for Food Accounts	3,858.77	2,291.03	68.43	4,246.28	2,325.85	82.57
c) Loans and Advances (Net)	-1,345.45	-1,099.69	22.35	592.91	1,204.95	-50.79
d) Development Expenditure	12,488.38	13,419.05	-6.94	168,600.11	162,134.67	3.99
<i>Of which ADP</i>	12,466.53	13,367.84	-6.74	159,604.76	155,718.13	2.50
Total Expenditure (a+b+c+d)	67,360.48	65,213.30	3.29	459,269.06	422,454.98	8.71
Total Expenditure (% of GDP)	6.92	7.39	-0.47	13.01	13.32	-0.31
<i>Memo item: Nominal GDP</i>	3,896,200.00	3,530,184.80	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)

1.3 Budget Deficit

The overall budget surplus (including grants) stands at 5064.27 crore taka in the July-September period of FY22. There was a surplus of BDT 1176.14 crore during July-September of FY21

Table 1.3: Budget Balance (Crore taka)

Year	Overall, Balance	Overall, Balance as % of GDP
2021-22 (July-September)	5064.27	0.13
2020-21 (July-September)	1176.14	0.03
2020-21	-128,301.28	-3.63
2019-20	-153,892.31	-4.79

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

1.4 Deficit Financing

Despite a relatively budget surplus in July-September of FY22, the government had to borrow BDT. 14,482.64 crore from the banking system to make repayment of the loan incurred in the past.

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

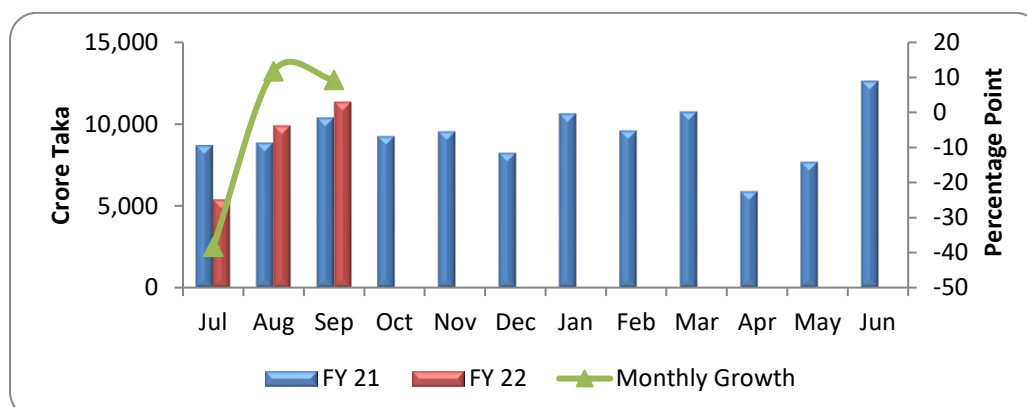
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2021-22 (July-	-702.21	14,482.64	-18,846.91	-4,364.27	-5,066.48	-0.13
2020-21 (July-	2,490.50	11,765.05	-15,432.71	-3,667.66	-1,177	-0.03
2020-21	45,462.96	32,672.89	49,293.06	81,965.94	127,428.90	3.61
2019-20	41,304.02	81,717.96	30,540.39	112,258.35	153,562.37	4.84
Target in 2021-22	97,738.41	76,452.00	37,001	113,453	211,191	5.42
Financing composition		External (Net)	Domestic			Total Financing
			Bank	Non-Bank	Total	
2021-22 (July-September)		13.86%	285.85%	371.99%	86.14%	100.00%
2020-21 (July-September)		211.57%	999.44%	1311.01%	311.57%	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		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 4.79 per cent in the first three months of FY22 compared to that of FY21. The outstanding stock of NSCs stands at 352,652.03crore taka at the end of September 2021 which is 12.40 per cent 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 the period
2021-22 (July-September)	26605.65	18047.52	8,558.13	352,652.03
2020-21 (July-September)	27945.53	16337.71	11,607.82	313,742.17
Growth (%)	-4.79	10.47	-26.27	12.40
2020-21	112188.24	70228.7	41,959.54	344093.89
2019-20	67127.75	52699.4	14,428.35	302134.35
Growth (%)	67.13	33.26	190.81	13.89

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 11.20 per cent in the first three 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 10.34 per cent and Net foreign asset increased by 14.05 per cent. Strong public sector credit (17.42%) 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			% Changes in	
	at the end of the period			Outstanding stock	
	Sep-21	Sep-20	Jun-21	Sep-21 over Sep-20	Sep-21 over June-21
A. Net Foreign Assets (NFA)	3,776.90	3,311.58	3,821.79	14.05	-1.17
B. Net Domestic Asset (NDA)	12,082.27	10,950.47	11,787.16	10.34	2.50
a. Domestic Credit	14,689.03	13,329.59	14,398.99	10.20	2.01
Public Sector	2,581.81	2,198.77	2,510.44	17.42	2.84
Govt. (Net)	2,275.44	1,904.99	2,210.26	19.45	2.95
Other Public	306.36	293.78	300.18	4.28	2.06
Private sector	12,107.22	11,130.82	11,888.55	8.77	1.84
b. Other Items (Net)	-2,606.76	-2,379.12	-2,611.83	9.57	-0.19
C. Broad Money (A+B)	15,859.17	14,262.05	15,608.95	11.20	1.60

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 15.14 per cent 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 in a slight decline in the money multiplier by 0.18.

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

Items	Outstanding Stock at the end of the period			Changes in Outstanding Stock	
	Sep-21	Sep-20	Jun-21	Sep-21 over Sep-20	Sep-21 over June-21
Reserve money	3,233	2,808	3,481	15.14%	-7.11%
Money multiplier	4.90	5.08	4.48	-0.17	0.42

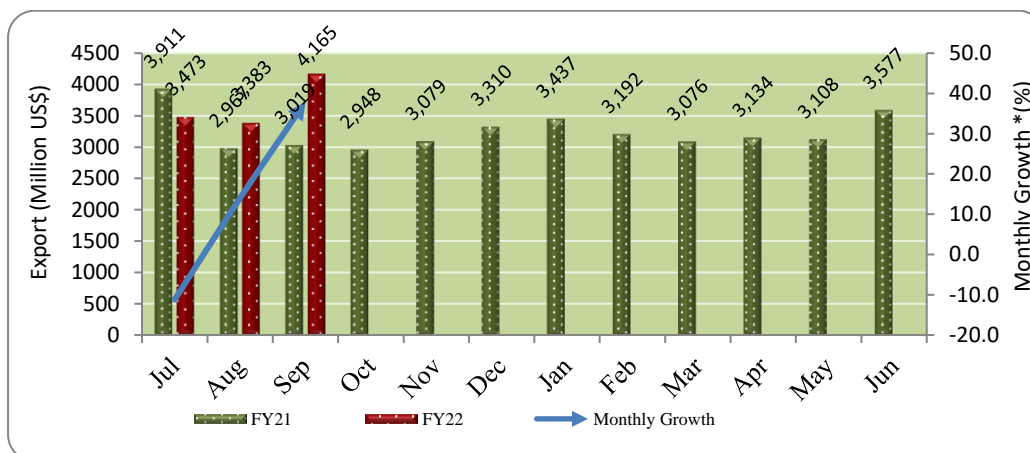
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export increased marginally by 11.37 per cent in the first three months of FY22 compared to the export for the same period of FY21. With this growth, export has exceeded the strategic target set for the first quarter of FY 22 by 5.65 per cent.

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\$)

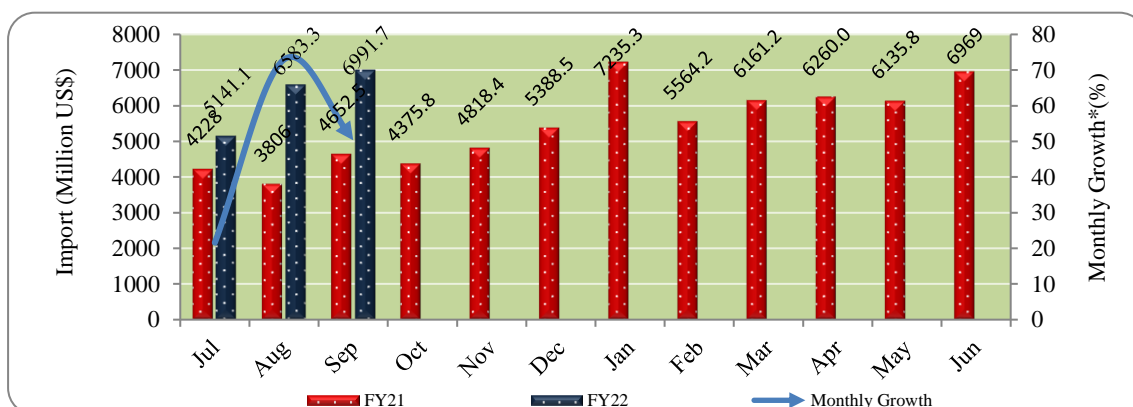
	2021-22	2020-21	2020-21	2019-20
	(July-September)	(July-September)		
Export	11,021.95	9,896.84	38,758.31	33,674.12
Growth*(%)	11.37	2.58	15.10	-16.93

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

3.2 Imports (C & F)

Import payment rose by 50.28 per cent to 7 billion USD in September 2021 compared to that of September 2020 as import of industrial raw materials and capital machinery went up. Meanwhile, cumulative import payment also went up by 47.53 per cent to 18.72 billion USD in July-September of FY22 compared to that of the previous year. At the same time, the Letter of Credit (LC) opening rose by 53.52 per cent and LCs settlement fell by 48.24 per cent.

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\$)

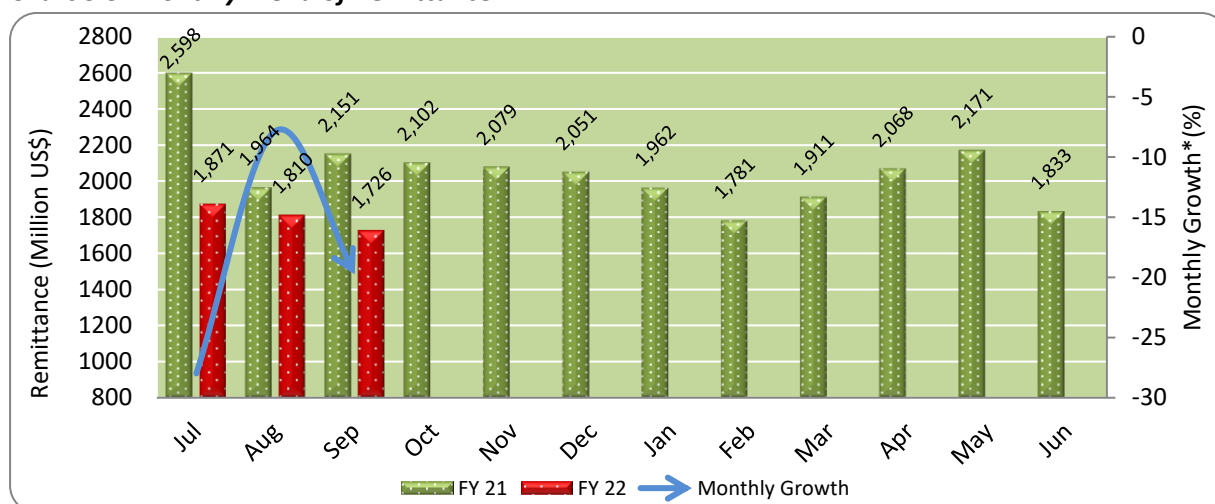
Item	2020-21 (July-September)	2019-20 (July-September)	2020-21	2019-20
Import payments	18,716.10	12,686.50	65,594.70	54,784.70
Growth* (%)	47.53	-11.43	19.73	-8.56
LCs Opened	20,419.42	13,300.44	67,037.42	53,119.86
Growth* (%)	53.52	-	26.20	-9.51
LCs Settled	17,050.02	11,501.27	57,256.40	51,091.47
Growth* (%)	48.24	-	12.07	-10.88

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

3.3 Remittances

Remittance inflow continued to fall as of the third month of FY22 (a decrease of 19.75 per cent compared to that of September 2021). Cumulative remittance inflow fell by 18.54 per cent in July-September of FY22 compared to that of the previous year. The government has been providing 2.0 per cent 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-September)	2020-21 (July-September)	2020-21	2019-20
Remittances	5,407.88	6,713.20	24,669.51	18,205.11
As % of Export	49.06	67.83	63.65	54.06
As % of GDP	6.09	8.31	7.63	6.02
Growth (%)	18.54	48.54	35.51	10.87

Source: Bangladesh Bank;

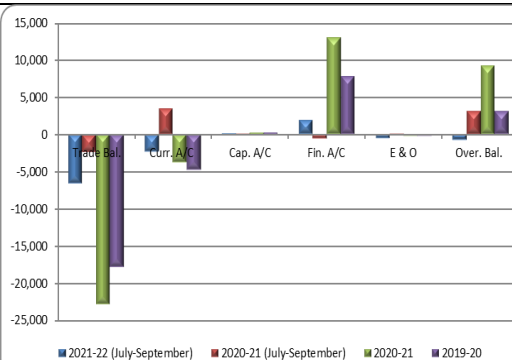
3.4 Balance of Payments (BOP)

The country's trade balance deteriorated in FY22 as the import grows more than export earnings. Similarly, the current account balance has plunged on the back of falling remittance inflow. However, a higher inflow in the financial account has contributed to a moderate overall balance of USD 810 million.

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

	2021-22 (July-September)	2020-21 (July-September)	2020-21	2019-20
Trade Balance	-6503	-2040	-22799	-17858
Current Account	-2314	3481	-3808	-4,724
Capital Account	68	50	221	256
Financial Account	1925	-510	13080	7,809
Error & Omission	-489	77	-219	-172
Overall, Balance	-810	3098	9274	3,169

Source: Bangladesh Bank;



3.5 External Reserve

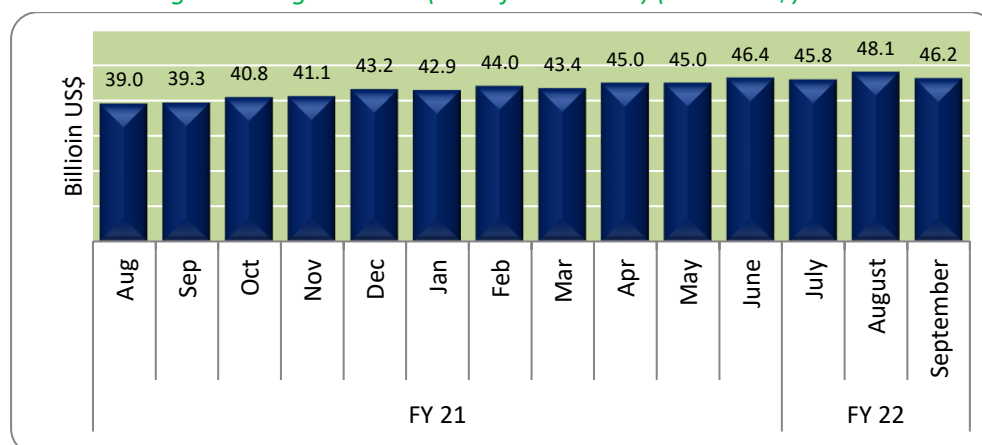
The gross foreign exchange reserve stood at 46.20 billion at the end of September 2021, which is enough to cover import payments of 8.32 months based on the average import liability of the previous 12 months.

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

Reserve	2021-22	2020-21	2020-21
	(End of September)	(End of September)	(End of June)
Million US\$	46,199.80	39,313.98	46391.44
Months of import payment	8.32	6.72	7.87

Source: Bangladesh Bank

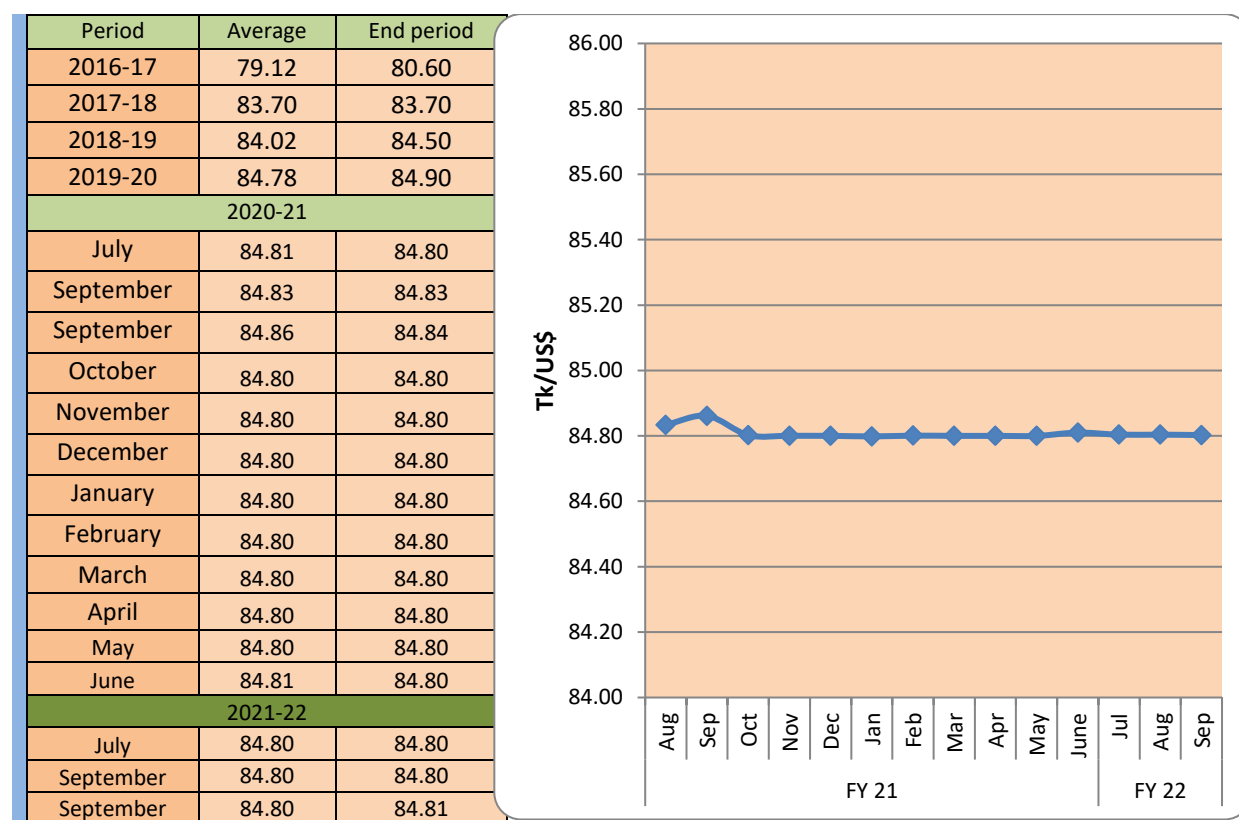
Chart 3.5: Gross Foreign Exchange Reserve (end of the month) (Billion US\$)



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 (84.80-84.85 Tk/US\$) in the last year.

Table: 3.6 Exchange Rate Movements



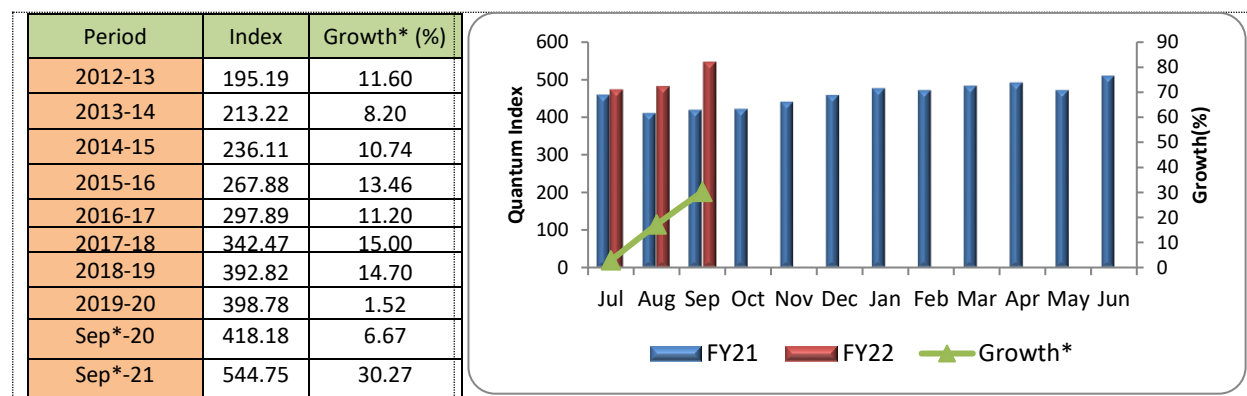
Source: Bangladesh Bank;

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 per cent of the industrial production, grew by 30.27 per cent in the July-September 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

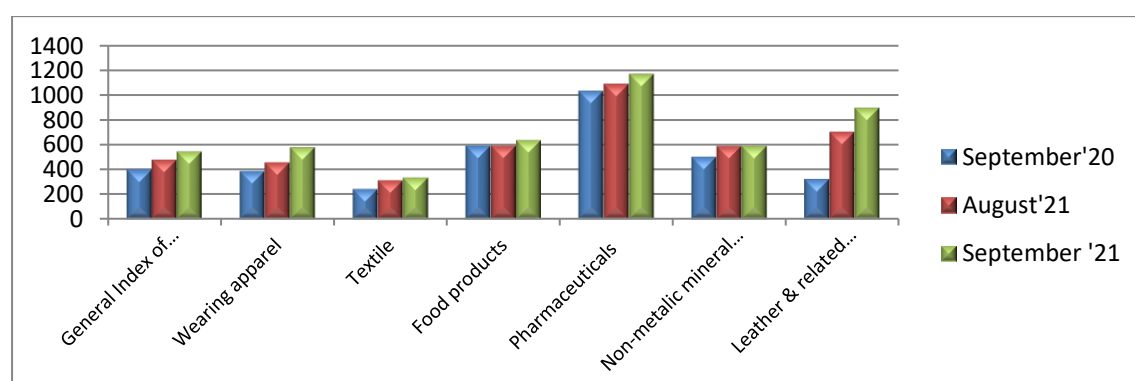
Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

Major Industry Group	Weight	Index			Change of Index	
		September'20	September '21	September '21	September'21 over September'20 (%)	September'21 over July'21(%)
General Index of which	100	403.57	480.21	544.75	34.98	13.44
Wearing apparel	34.84	390.36	459.70	578.87	48.29	25.92
Textile	14.07	245.25	315.23	335.7	36.88	6.49
Food products	10.84	594.26	595.4	636.75	7.15	6.94
Pharmaceuticals	8.23	1035.36	1092.52	1166.52	12.67	6.77
Non-metallic mineral Products	7.12	503.15	591.84	589.48	17.16	-0.40
Leather & related products	4.40	325.61	705.22	896.02	175.18	27.06

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

Industrial production by major industry groups shows that Leather & related products experienced 175.18 per cent growth followed by Wearing apparel Products with 48.29 per cent growth, Textile with 36.88 per cent growth in the first quarter of FY22 compared to that of the first quarter of FY21.

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



4.2 CPI Inflation

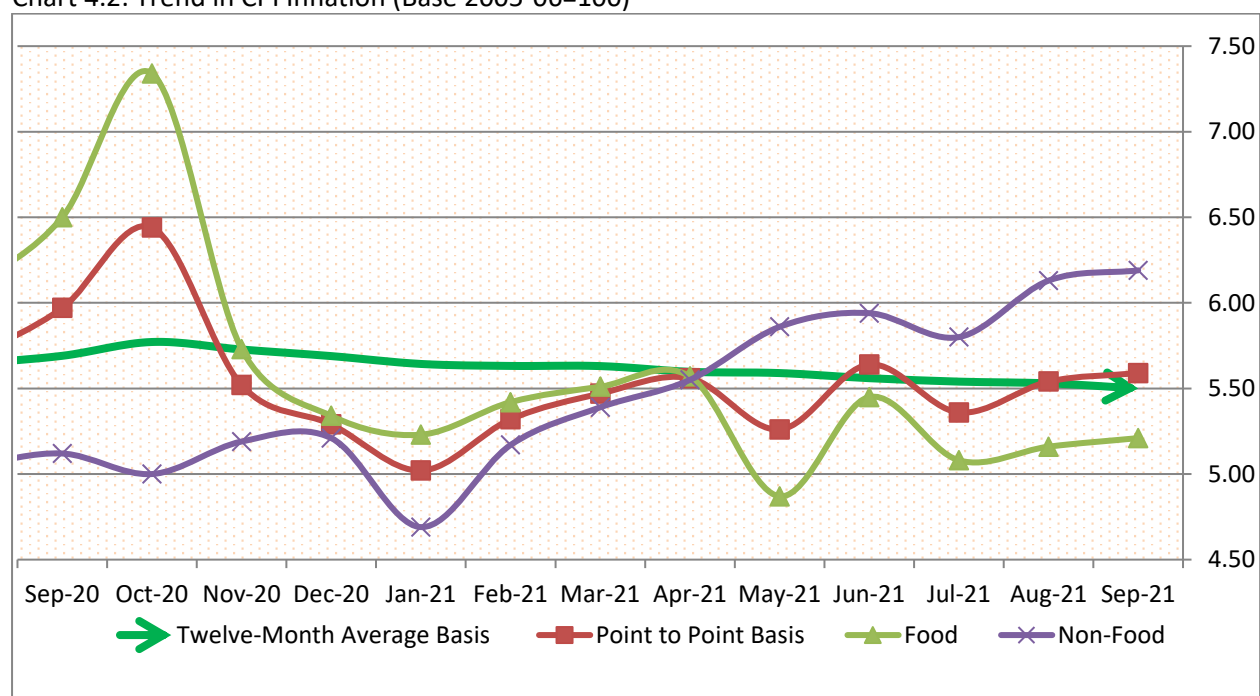
Moderation of food inflation (from 5.60 in July to 5.49 in September of FY22) edged down the overall CPI inflation marginally to 5.50 per cent (Twelve-month average basis) in September 2021 although non-food inflation rose to 5.52 in September 2021 from 5.43 in September 2021.

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
September	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
September	5.50	5.49	5.52	5.59	5.21	6.19

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 per cent in FY20 (final), which is 1.79 per cent 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 per cent for FY21 whereas the Government's target was 8.2 per cent set at the start of the fiscal year based on the pace of the economic recovery and available high-frequency data.