



# MONTHLY REPORT ON FISCAL-MACRO POSITION

March 2021

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## Executive Summary

The March 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**

An increase in non-tax revenue by 43.98 percent and an increase in tax revenue by 9.93 percent have resulted in total revenue to grow by 14.40 percent in July-March of FY<sup>1</sup>21. At the same time, total government spending has fallen by 2.8 percent as the development expenditure has fallen by 19.17 percent on the back of slow implementation of the development projects due to the COVID19 pandemic. As a result, Overall budget balance including grants improved by 1.29 percent of GDP during the period.

### **Monetary Sector**

Broad Money (M2) has increased by 13.21 percent at the end of March 2021 resulted from 29.71 percent growth in the Net Foreign Asset (NFA) and 8.74 percent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 11.26 percent that resulted in rise in the money multiplier by 0.08.

### **External Sector**

Export has remained almost same in March 2021 as it had been in March 2020 (a slight fall of 0.12 percent) while import payment has increased by 6.07 percent in July-March of FY21 compared to that of July-March of FY20. At the same time, remittance inflow increased by 35.02 percent and foreign exchange reserve has stood at US\$ 43.44 billion, which is equivalent to import payments of 9.38 months, at the end of March 21.

### **Real Sector**

The quantum Index of the large and medium scale manufacturing industry has increased by 21.89 percent in March 2021 over March 2020. During this period, Leather & related products experienced 140.87 percent growth followed by Non-metallic mineral Products with 20.86 percent growth, Pharmaceuticals with 18.16 percent growth while Wearing Apparel and Textile industry has started to bounce back to the growth trend with the recovering global demand harshly affected by the COVID19 pandemic. The CPI inflation (12-month moving average) marginally edged down to 5.63 percent, of which, food and non-food inflation are 5.70 percent and 5.26 percent respectively at the end of March 21.

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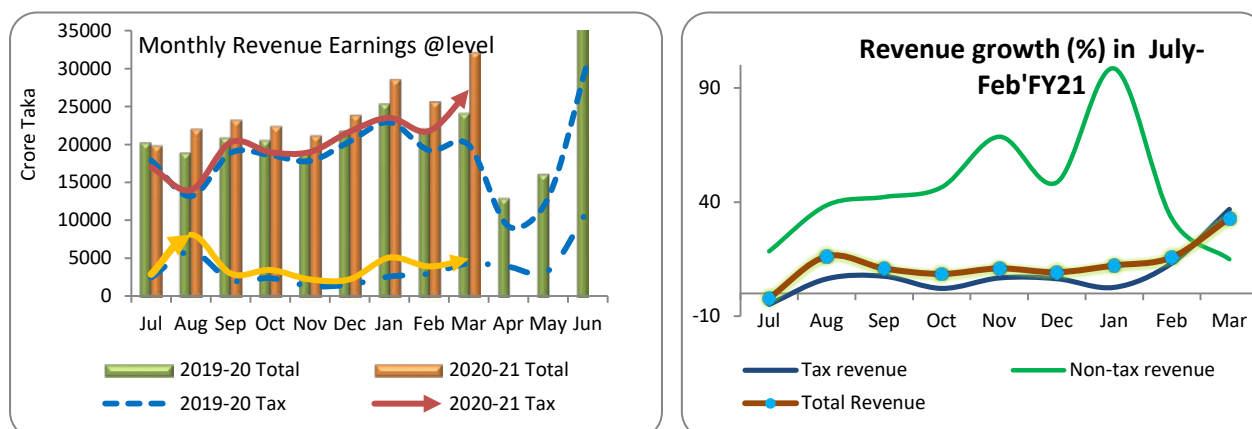
<sup>1</sup> FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

## 1. FISCAL SECTOR

### 1.1 Revenue Earnings

Government revenue has continued to rebound strongly in March'21 with 32.93 percent growth from the level in March'20 where tax revenue grew by 36.80 percent and non-tax revenue grew by 14.98 percent. Cumulative growth of revenue in July-March of FY21 period is 14.40 percent where tax revenue growth is 9.93 percent and non-tax revenue growth is 43.98 percent.

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		
2020-21 (July-March)	181,054.05	4,627.64	185,681.69	36,725.57	222,407.26
2019-20 (July-March)	163,717.11	5,187.81	168,904.91	25,508.05	194,412.96
Growth (%)	10.59	-10.80	9.93	43.98	14.40
2019-20	216,037.43	5,944.11	221,981.55	43,927.49	265,909.03
2018-19	218,046.47	3,242.32	221,288.79	17,369.07	238,657.87
Growth (%)	-0.92	83.33	0.31	152.91	11.42

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

### 1.2 Government Expenditure

Total operating expenditure has increased moderately by 4.26 percent to 171,905.17 crore in July-March of FY21 compared to that of FY20. However, the decline in development expenditure by 19.17 percent has resulted in total government expenditure falling slightly by 2.8 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 55.90 percent in July-March of FY21.

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

	2020-21 (July-March)	2019-20 (July-March)	Growth (%) (July-March)	2019-20	2018-19	Yearly Growth (%)
<b>a1. Operating Recurrent Expenditure</b>	164,451.11	155,050.22	6.06	236,123.69	222,265.45	6.23
Pay and Allowances	41,330.23	39,926.38	3.52	56,903.75	54,923.13	3.61
Use of Goods and Services	15,730.17	15,721.73	0.05	28,987.62	30,238.32	-4.14
Interest Payment	45,778.85	40,416.42	13.27	58,312.71	50,007.43	16.61
Domestic	42,073.33	36,873.73	14.10	53,994.83	46,471.58	16.19
Foreign	3,705.52	3,542.69	4.60	4,317.87	3,535.85	22.12
Subsidies and Transfer	61,611.87	58,985.69	4.45	91,919.61	87,096.57	5.54
<b>a2. Operating Capital Expenditure</b>	7,454.06	9,838.88	-24.24	18,755.98	20,608.11	-8.99
<b>a) Total Operating Expenditure (a1+a2)</b>	171,905.17	164,889.10	4.26	254,879.66	242,873.56	4.94
<b>b) Outlay for Food Accounts</b>	3,897.89	6,764.15	-42.37	2,278.07	5,236.05	-56.49
<b>c) Loans and Advances (Net)</b>	-2,491.18	-5,445.87	-54.26	1,204.95	-982.70	-222.62
<b>d) Development Expenditure</b>	58,088.29	71,862.87	-19.17	161,796.58	152,829.37	5.87
<i>Of which ADP</i>	54,795.74	68,241.04	-19.70	155,380.03	149,230.56	4.12
<b>Total Expenditure (a+b+c+d)</b>	231,400.17	238,070.24	-2.80	420,159.47	399,956.55	5.05
<b>Total Expenditure (% of GDP)</b>	10.25	11.59	-1.34	15.34	15.73	-0.39
<b>Memo item: Nominal GDP</b>	3,011,060.00	2,739,332.40	9.92	2,739,332.	2,542,482.60	7.74

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

### 1.3 Budget Deficit

Enhanced revenue performance (increased by 14.80 percent) against weaker government expenditure (fall by 2.80 percent) has resulted overall budget balance (including grants) to narrowed down by 1.29 percentage point of GDP in July-March of FY21 compared to the same period of the previous year.

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

Year	Overall Balance	Overall Balance as % of GDP
2020-21 (July-March)	-8,947.69	-0.30
2019-20 (July-March)	-43,506.57	-1.59
2019-20	-151,730.42	-5.54
2018-19	-147,688.48	-5.81

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 as the budget deficit narrowed down in July-March 2021 compared to that of the previous year.

**Table 1.4: Deficit financing (Crore taka)**

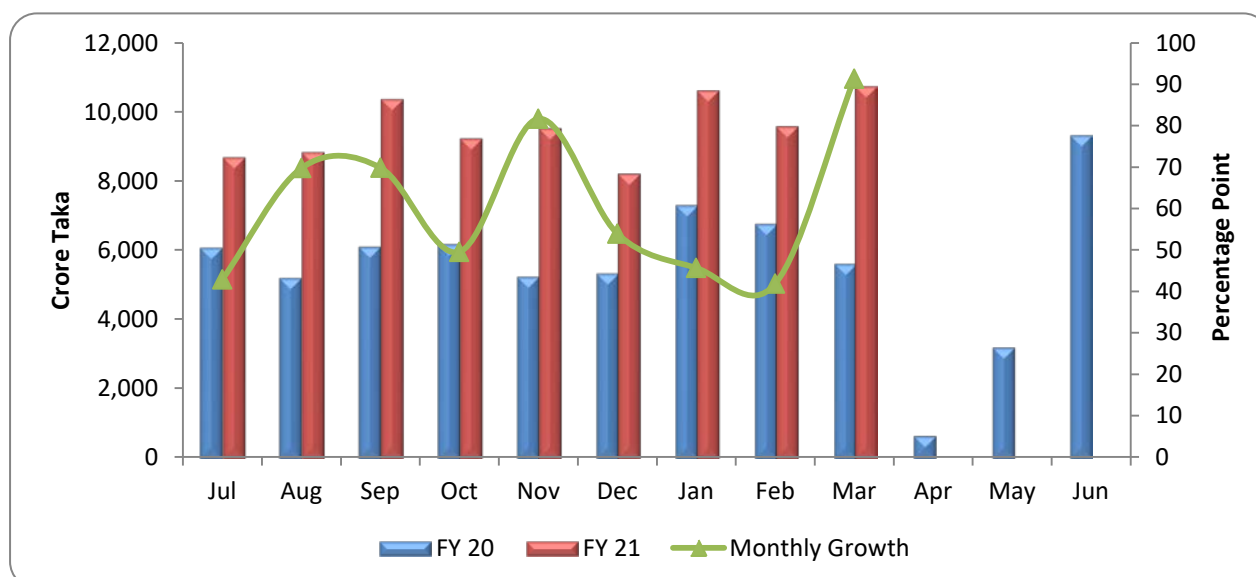
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21(July-March)	8,470.16	13,732.75	-16,757.25	-3,024.49	5,445.66	0.18
2019-20 (July-March)	198.11	49,117.71	-10,432.47	38,685.23	38,883.34	1.42
2019-20	45,137.87	81,717.96	24,919.30	106,637.26	151,775.13	5.54
2018-19	31,271.82	29,479.41	81,996.14	111,475.55	142,747.37	5.61
Target in 2020-21	<b>72,399.00</b>	<b>79,748.00</b>	<b>35,302.00</b>	<b>115,050.00</b>	<b>187,449.00</b>	<b>6.23</b>

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

#### 1.4.1 National Savings Certificates (NSCs)

NSCs sale has increased 91.36 percent in March'FY21 compared to that of March'FY20. The bullish trend in NSC sales throughout the fiscal year has almost triplicated the net sale of NSCs in the July-March' FY21 compared to the same period in the previous year. Outstanding stock of NSCs stands at 335,337.00 crore taka at the end of March'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
2020-21 (July-March)	85,990.14	52,787.5	33,202.64	335,337.00
2019-20 (July-March)	53,916.27	42,713.63	11,202.64	298,908.65
Growth* (%)	59.49	23.58	196.38	12.19
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.

## 2. MONETARY SECTOR

### 2.1 Monetary and Credit Development

Weaker demand in the private sector and slower than expected level of budget execution as well as government financing from the NSCs have slowed down both private sector and public sector credit in the recent months. Consequently, net domestic asset grew only 8.74 percent in March'21 compared to that of the previous year. However, strong remittances inflow as well as government's external financing has resulted in Net Foreign Asset (NFA) to grow by 29.71 percent in March'21 compared to that of the previous period. As a result, Broad money (M2) grew by 13.21 percent to 14.84 trillion taka at the end of March 21 from that of March 20.

**Table 2.1: Monetary and Credit Development**

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)md	
	Mar-21	Mar-20	Jun-20	Mar-21 over Mar-20	Mar-21 over Jun-20
<b>A. Net Foreign Assets (NFA)</b>	3,621.98	2,792.43	2,973.36	29.71	21.81
<b>B. Net Domestic Asset (NDA)</b>	11,215.96	10,314.26	10,763.99	8.74	4.20
a. Domestic Credit	13,707.34	12,574.04	13,076.34	9.01	4.83
Public Sector	2,103.50	1,639.06	2,103.66	28.34	-0.01
Govt. (Net)	1,789.12	1,337.65	1,811.51	33.75	-1.24
Other Public	314.39	301.41	292.15	4.30	7.61
Private sector	11,603.83	10,665.80	10,972.68	8.79	5.75
b. Net Other assets	-2,491.38	-1,990.60	-2,312.35	25.16	7.74
<b>C. Broad Money (A+B)</b>	14,837.94	13,106.69	13,737.35	13.21	8.01

Source: Monthly Economic Trends, Bangladesh Bank

### 2.2 Reserve Money Development

Reserve money has increased by 19.72 percent to 3.0 trillion at the end of March 21 from that of March 20. Higher growth of reserve money compared to that of broad money has resulted in slight rise of the money multiplier by 0.09. Consequently, Reserve money growth increased slightly in the March (Table 2.2).

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Mar-21	Mar-20	Jun-20	Mar-21 over Mar-20	Mar-21 over Jun-20
<b>Reserve money</b>	3,037	2,729	2,845	11.26%	6.74%
<b>Money multiplier</b>	4.89	4.80	4.83	0.08	0.06

Source: Major Economic Indicators, Bangladesh Bank

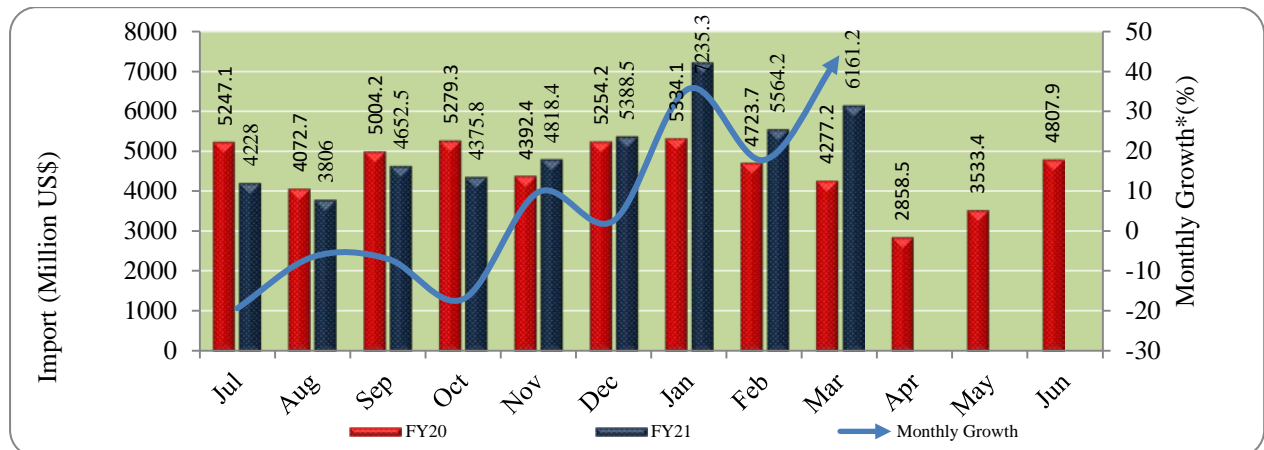


### 3. EXTERNAL SECTOR

#### 3.1 Exports

Merchandise export has demonstrated strong rebound with 12.59 percent growth in March 2021 compared to that of March 2020 on the back of improving global demand harshly affected by the COVID19 pandemic. With this rise, cumulative export in March 2021 (USD 28938.35 million) has become almost equal to that of the previous year (USD 28973.86 million).

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\$)

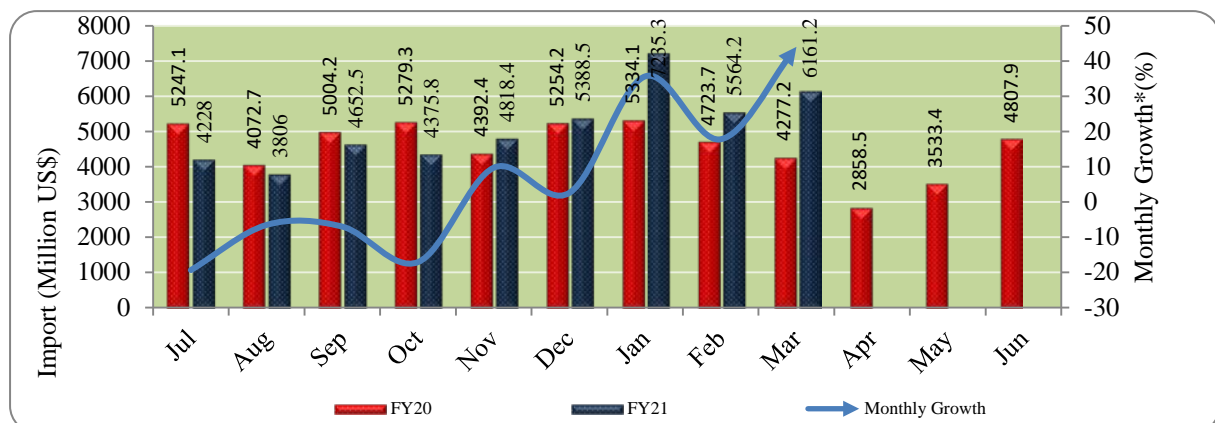
	2020-21 (July-March)	2019-20 (July-March)	2019-20	2018-19
Exports	28,938.35	28,973.86	33,674.12	40,535.04
Growth*(%)	-0.12	-6.24	-16.93	10.55

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

#### 3.2 Imports (C & F)

Import has increased 44 percent to 6.2 billion US\$ in March 2021 compared to that of March 2020 in continuation of the rebounded import in the previous month. With this growth, cumulative import payments marginally increased by 6.07 percent to US\$ 46.23 billion in July-March of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening has marginally increased by 5.35 percent while LCs settlement has fallen by 3.02 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\$)**

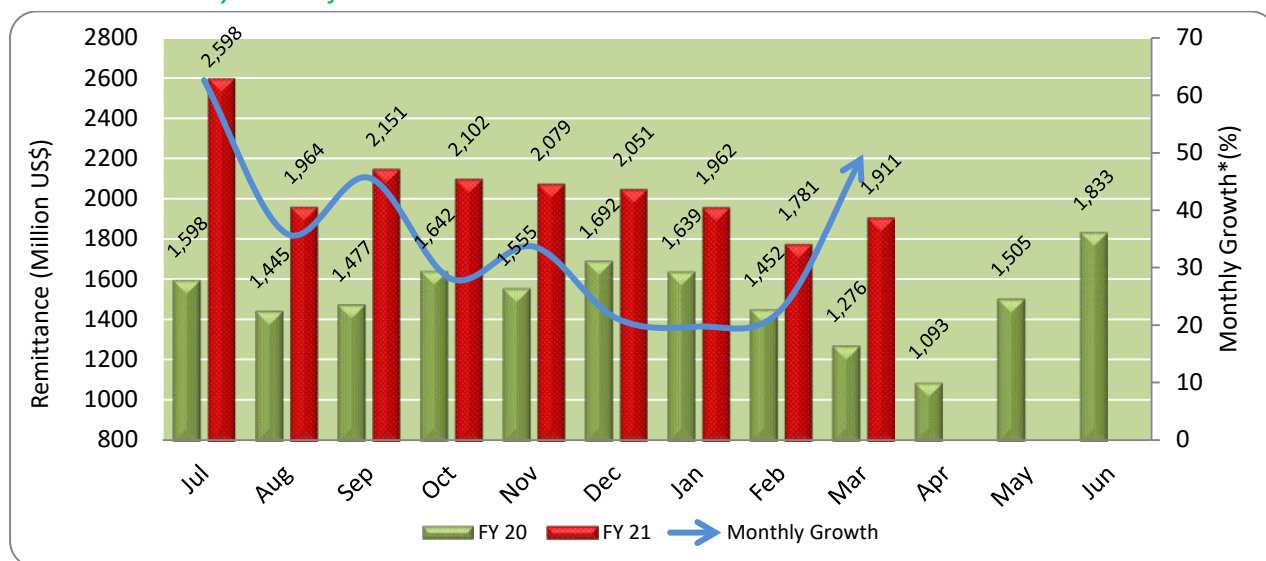
Item	2020-21 (July-March)	2019-20 (July-March)	2019-20	2018-19
Import payments	46,229.90	43,584.90	54,784.70	59,914.70
Growth* (%)	6.07	-3.88	-8.56	1.78
LCs Opened	46,892.10	44,511.12	53,119.86	58,703.38
Growth* (%)	5.35	-	-9.51	-16.81
LCs Settled	40,422.89	41,682.05	51,091.47	57,328.19
Growth* (%)	-3.02	-	-10.88	6.03

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

### 3.3 Remittances

Remittance inflow has continued its bullish trend in FY21 as the remittance has grown by 49.73 percent in March 2021 compared to the same month of the previous year. As a result, cumulative remittance inflow has grown by 35.02 percent in July-March of FY21 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. Further, reforms in the financial sector, such as Improvement in the mobile financial services, agent banking, and financial inclusions have resulted surge in remittances in the formal channel.

**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\$)**

	2020-21 (July-March)	2019-20 (July-March)	2019-20	2018-19
Remittances	18,598.24	13,774.92	18,205.11	16,419.63
As % of Export	64.27	47.54	54.06	40.51
As % of GDP	7.86	6.39	5.63	5.43
Growth (%)	35.02	20.06	10.87	9.62

Source: Bangladesh Bank;

### 3.4 Balance of Payments (BOP)

Trade deficit widened slightly in July-February of FY21 compared to the same period of the previous fiscal year as the import has surged amidst subdued exports in the last two months. However, strong remittance inflow has turned the current account balance to a 1.56 Billion US\$ surplus from a 2.11 Billion US\$ deficit in the previous year. At the same time, inflows in the financial account, especially as medium and long term loans by the government, has resulted the overall balance a 6.88 Billion US\$ surplus at the end of February 21 compared to a small 0.21 Billion US\$ surplus in the previous year.

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

	2020-21 (July-February)	2019-20 (July-February)	2019-20	2018-19
Trade Balance	-11,795	-10,773	-17,861	-15,835
Current Account	1,557	-2,108	-4,849	-5,102
Capital Account	89	157	256	239
Financial Account	5,618	2,822	7,952	5,907
Error & Omission	-382	-657	296	-865
Overall Balance	6,882	214	3,655	179

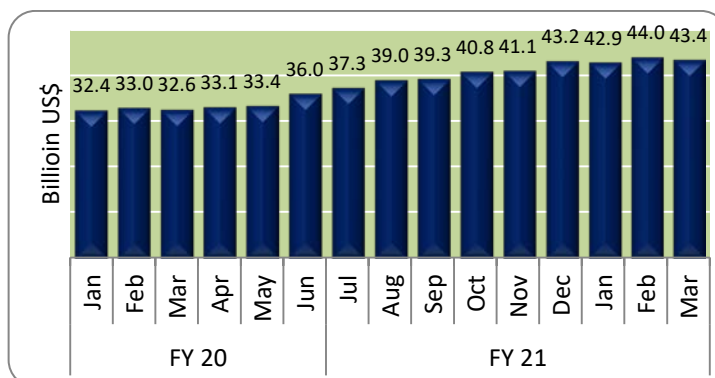
Source: Bangladesh Bank;

### 3.5 External Reserve

The gross foreign exchange reserve stood at 43.44 billion at the end of March 21, which is enough to cover import payments of 9.38 months based on the average import liability of the previous 12 months. Overall foreign exchange reserve has surged in this fiscal year on the back of higher remittance inflow and lower import payments.

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

Reserve	2020-21 (March)	2019-20 (March)	2019-20 (June)
Million US\$	43,440.79	32,570.16	36,037.03
Months of import payment	9.38	6.70	7.87



Source: Bangladesh Bank

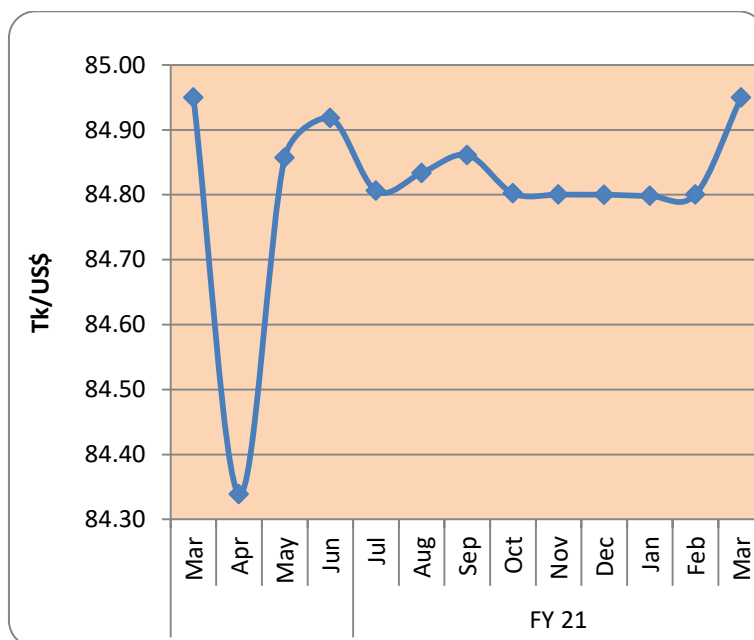
### 3.6 Exchange Rate Movements

Domestic currency remained at the same level in March 21 as it had been in the same month of the previous year. Exchange rate has remained broadly stable due mainly to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency (BDT) has moved within a narrow band (84.30-85.00 BDT/US\$) in the last one 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	84.95	84.95

Source: Bangladesh Bank;

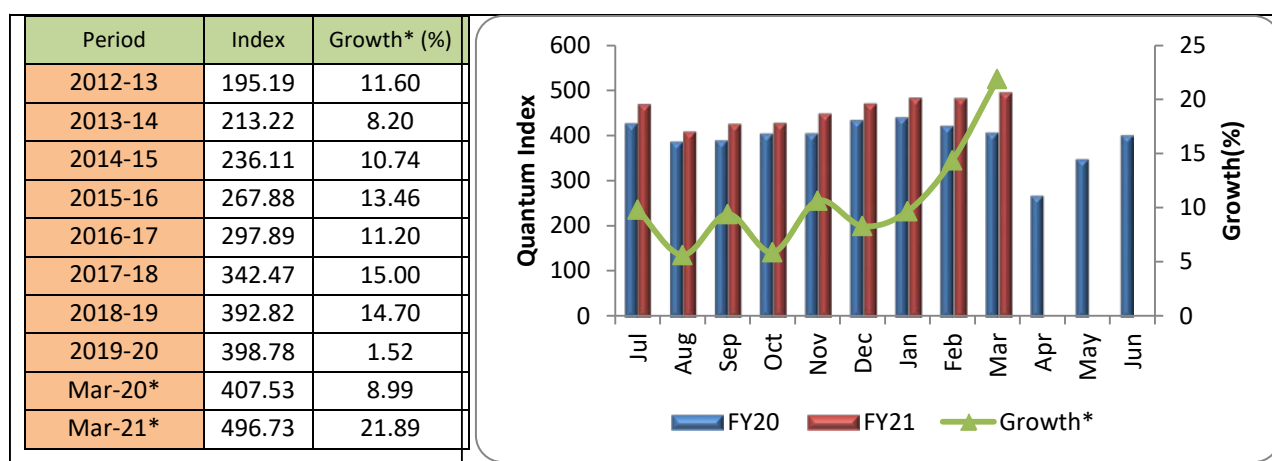


## 4. REAL SECTOR

### 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 21.89 percent in March 2021 compared to the level of March 2020. Monthly basis, it grew by 2.68 percent March 2021 compared to February 2021.

**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

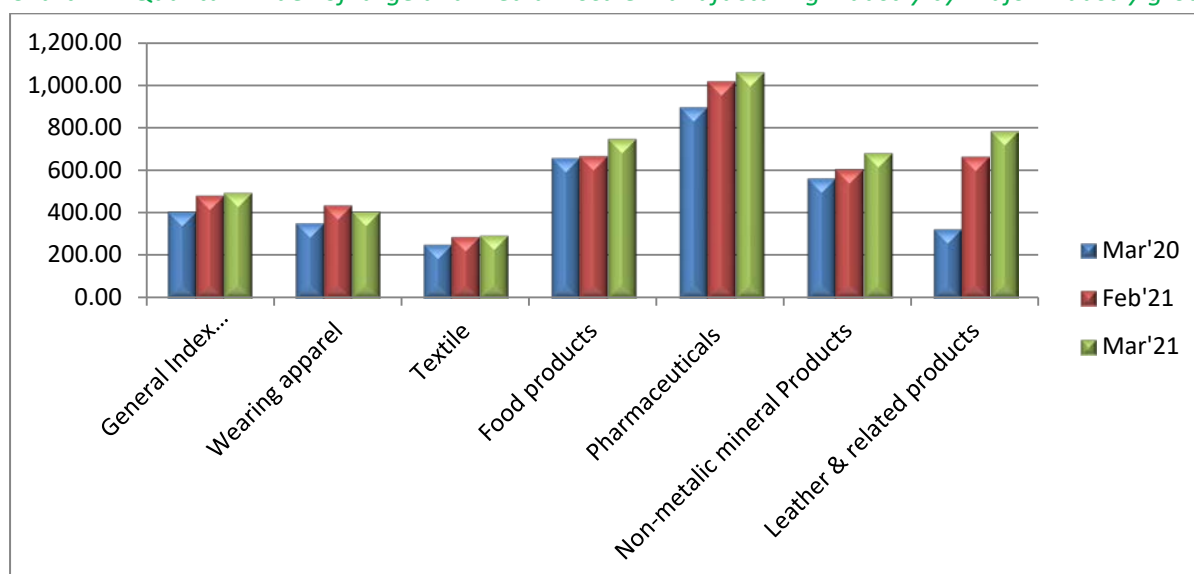
**Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group**

Major Industry Group	Weight	Index			Change of Index	
		Mar'20	Feb'20	Mar'21	Mar'21 over Mar'20(%)	Mar'21 over Feb'20(%)
General Index	100	407.53	483.78	496.73	21.89	2.68
Of which Wearing apparel	34.84	354.11	437.21	407.58	15.10	-6.78
Textile	14.07	253.37	289.58	295.32	16.56	1.98
Food products	10.84	660.13	669.32	748.73	13.42	11.86
Pharmaceuticals	8.23	898.38	1,019.56	1061.52	18.16	4.12
Non-metallic mineral Products	7.12	564.61	607.54	682.39	20.86	12.32
Leather & related products	4.40	325.82	665.49	784.79	140.87	17.93

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 experienced 140.87 percent growth followed by Non-metallic mineral Products 20.86 with percent growth, Non-metallic mineral Products with 18.16 percent growth in March 2021 compared to that of March 2020. On the other hand, Wearing apparel and Textile industry, two major industries that accounts for nearly 49 percent of the total manufacturing output, has rebounded to the trend of growth with the recovery of external demand adversely affected by the COVID-19 pandemic. Overall, the output of the most industries increased in March 2021 compared to that of March 2020.

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



## 4.2 CPI Inflation

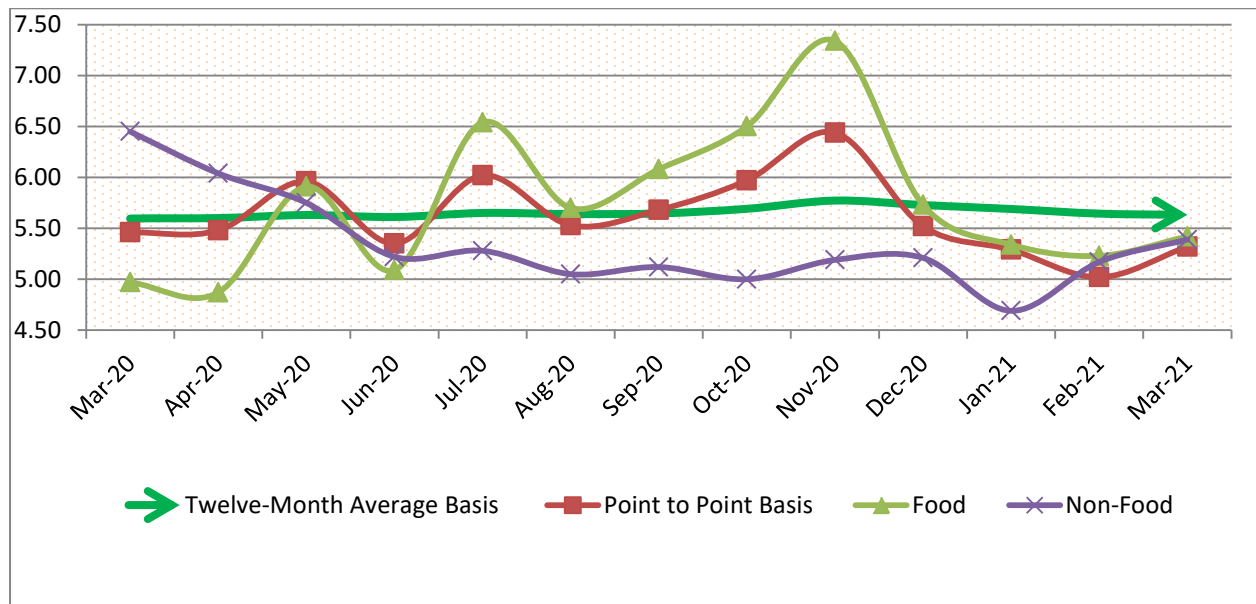
Moderation of Food inflation in the recent months has edged down the overall CPI inflation marginally to 5.63 percent (Twelve-month average basis) in March 2021 where food inflation is 5.70 and non-food inflation is 5.26. However, CPI inflation until March 2021 remains slightly higher than the government's set target of 5.40 percent for FY21.

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

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) shows that GDP has grown by 3.51 percent in FY20 (final), which is 1.73 percent lower than that of the provisional estimate. With this growth, per capita GNI rose to US\$2024 at the end of FY20. BBS’s provisional estimate also shows that GDP grew at a rate of 5.47 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.