



MONTHLY REPORT ON FISCAL-MACRO POSITION

June 2019

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Contents

1.	FISCAL SECTOR.....	04
1.1	Revenue Earnings.....	04
1.2	Grants.....	05
1.3	Government Expenditure.....	05
1.4	Budget Deficit.....	06
1.5	Deficit Financing.....	06
1.6	Sale and repayment of National Savings Certificates (NSC)	07
2.	MONETARY SECTOR.....	09
2.1	Monetary and credit development.....	09
2.2	Reserve money Development.....	09
3.	EXTERNAL SECTOR.....	10
3.1	Exports.....	10
3.2	Imports (c & f).....	10
3.3	Remittances	11
3.4	Exchange Rate Movements.....	12
3.5	External Reserve	13
3.6	Balance of Payments	14
4.	REAL SECTOR.....	15
4.1	Real Sector Indicators.....	15
4.2	Industrial Production.....	16
4.3	Inflation.....	17

List of Tables

Table	1.1 Revenue Earnings.....	04
Table	1.2 Grants.....	05
Table	1.3 Government Expenditures.....	05
Table	1.4 Budget Balance.....	06
Table	1.5 Deficit Financing	07
Table	1.6 Net Sale and repayment of NSC.....	07
Table	2.1 Monetary and credit development.....	09
Table	2.2 Reserve money and money multiplier.....	09
Table	3.1 Export Performance.....	10
Table	3.2 Import Scenario.....	10
Table	3.3 Remittance Performance	11
Table	3.4 Exchange Rate Movements	12
Table	3.5 Foreign Exchange Reserve	13
Table	3.6 Balance of Payments	14
Table	4.1 Real sector indicators (Base year: 2005-06).....	15
Table	4.2 Quantum Index of Manufacturing Industries (Base: 2005-06=100)	16
Table	4.3 Twelve-Month Average Inflation (National) (Base 2005-06)	17

List of Charts

Chart	1.1 Comparison of Revenue earnings (July-June period)	05
Chart	1.2 Outstanding borrowing of government through NSC	08
Chart	3.1 Monthly Trend of Exports	10
Chart	3.2 Monthly Trend of Import Payments	11
Chart	3.3 Monthly Trend of Remittances	11
Chart	3.4 Period Average Exchange Rate Movements	12
Chart	3.5 Outstanding stock of Gross Foreign Exchange Reserve	13
Chart	4.1 GDP Growth Rate at current and constant prices (Base year 2005-06)	15
Chart	4.2 Quantum Index of Manufacturing Industries (Base: 2005-06=100)	16
Chart	4.3 Trends of Twelve-Month moving Average Inflation (Base 2005-06=100)	17
Chart	4.4 Trends of Point to Point Inflation (Base 2005-06=100)	17

Executive Summary

The June 2019 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

Revenue earnings registered a moderate growth of 14.8 percent at the end of FY19 compared to the same period of previous fiscal year. On the other hand, total government spending increased by 14.2 percent during the same period of fiscal year. Overall budget deficit including grants stood at 4.22 percent of GDP at the end of FY19 which will be financed through external and domestic source.

Monetary Sector

Broad Money supply recorded 9.88 percent growth at the end of June 2019. This growth is attributable to 12.04 percent and 2.98 percent growth in Net Domestic Asset (NDA) and Net Foreign Asset (NFA) respectively. At the end of June 2019, reserve money grew by 5.32 percent from June 2018.

External Sector

During July-June of FY19, exports grew by 10.55 percent compared to 5.81 percent growth in the same period of the previous fiscal year. Import payments increased by 1.78 percent while remittance inflow increased by 9.62 percent during the same period. Further, foreign exchange reserve stood at US\$ 32.5 billion at the end of June 2019, which is equivalent to import payments of 6.5 months.

Real Sector

Bangladesh Bureau of Statistics (BBS) projected a robust 8.13 percent real GDP growth in FY19 compared to 7.86 percent growth in FY18 that would drive per capita GNI to reach US\$ 1909 from US\$ 1751 in FY18. The average of CPI inflation (12-month moving average) was 5.47 percent, of which, food and non-food inflation were 5.51 percent and 5.42 percent respectively at the end of June 2019. This inflation rate, on point-to-point basis, was 5.52 percent, of which, food and non-food inflation were 5.40 percent and 5.71 percent respectively in June 2019. The Quantum Index of medium and large-scale manufacturing industries is increased by 10.12 percent in June 2019 from that of June 2018.

1. FISCAL SECTOR

1.1 Revenue Earnings

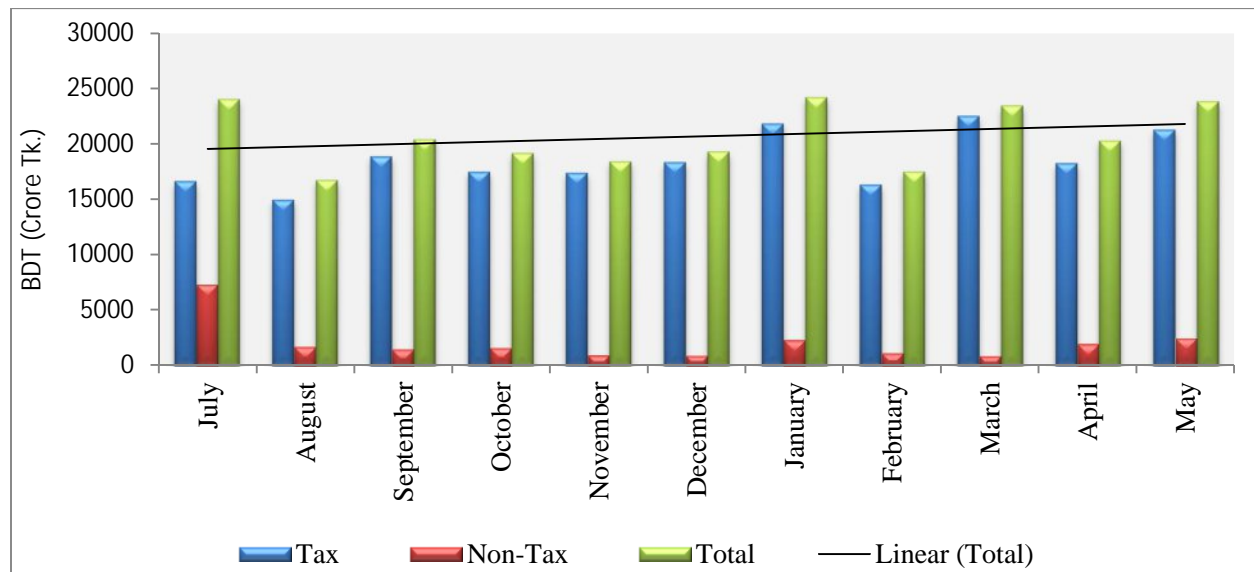
Total revenue earning, that experience a moderate growth of 14.8 percent in FY19, compared to the same period of FY18. Growth rates of Tax and Non-tax revenue during this period were 13.5 percent and 27.1 percent respectively.

Table 1.1: Revenue Earning (In crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2017-18 (Actual)	196424	7044	203468	21792	225260
2018-19 (Actual)	225919	4944	230863	27703	258566
Growth (%)	15.0	-29.8	13.5	27.1	14.8

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

Chart 1.1: Comparison of Revenue earnings (July-June period) (In crore taka)



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

1.2 Grants

Actual grant receipts fell by 28 percent in FY19 compared to the corresponding period of previous year. Actual receipt decreased to TK. 1094 crore from TK. 1520 crore over the last fiscal year (table 1.2).

Table 1.2: Grants (In crore taka)

2018-19 (Actual)	2017-18 (Actual)	Growth (%)
1094	1520	-28.0

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

1.3 Government Expenditure

According to iBAS++ database, total government expenditure increased by 14.2 percent during FY19 compared to the same period of the previous fiscal year (Table-1.3). Similarly, development expenditure that includes Annual Development Plan (ADP) has increased by 20.8 percent within the same period. It is worthy to note that, according to the Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, ADP expenditure (without self-financing) stood at BDT 1,58,371 Crore at the end of FY19, recording 14 percent increase over the same period of the last fiscal year.

Table 1.3: Government Expenditures (In crore taka)

	2017-18	2018-19	Growth (%)
Operating Expenditure			
a. Recurrent Expenditure	173102	220817	27.56
Wages and Salaries	45656	53396	16.95
Use of Goods and Services	22348	28431	27.22
Interest Payment	41804	48386	15.74
Domestic	39331	44940	14.26
Foreign	2473	3446	39.34
Subsidies	63101	25727	-59.23
b. Capital Expenditure	13242	15088	66.83
c. Food Accounts	6013	4861	-19.16
d. Net lending	1239	-1573	-226.96
A. Total Operating Expenditure (a+b+c+d)	193596	239193	10.16

B. Development Expenditure	117831	122263	20.8
Total Expenditure (A+B)	311427	361456	16.06
Total Expenditure (% of GDP)	13.84	14.17	-

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

1.4 Budget Deficit

Overall budget deficit including grants stood at 4.22 percent of GDP (Base year 2005-06), at the end of FY19 which was 3.83 percent in FY18. Overall budget balance including grants during FY19 records a deficit of BDT 107614 crore against of BDT 86155 crore of the same periods of the previous fiscal year.

Table 1.4: Budget Balance (In crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2017-18	-86155	-3.83
2018-19	-107614	-4.22

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

1.5 Deficit Financing

Domestic borrowing from the banking system, increased to BDT 29,479 Crore in FY19. At the same time, borrowing from the non-bank sources also increased by BDT 50,357 Crore from the previous year. Net foreign borrowing increased significantly to 27,780 Crore from the previous fiscal year. In FY19, government's financing needs increased to 4.22 percent of GDP which was 3.83 percent from the same period of the previous fiscal year.

Table 1.5: Deficit Financing (In crore taka)

Period	External	Domestic		Total Financing	Financing as % of GDP
	(net)	Bank	Non-Bank		
2017-18	11867	11731	62554	86152	3.83
2018-19	27780	29479	50357	107616	4.22

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

1.6 Sale and repayment of National Savings Certificates (NSC)

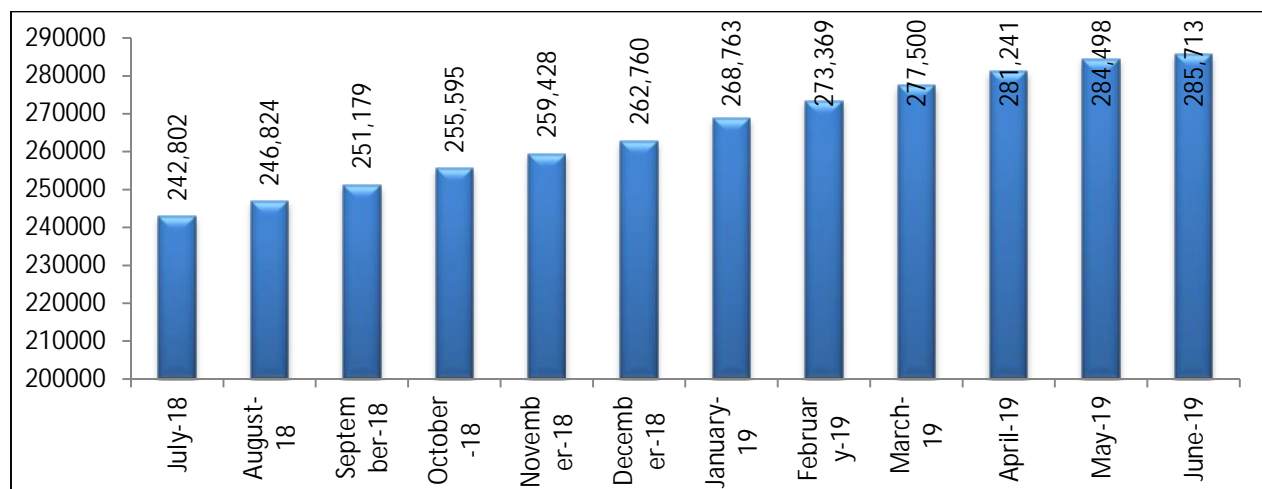
The sale of NSC has been increased by 10.1 percent in FY19 than that of the previous year. As a result, net borrowing through NSC increased by 3.0 percent the end of FY19 (Table 1.6).

Table 1.6 Net Sale and repayment of NSC (In crore taka)

Period	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2017-18	78784.7	32254.4	46530.3	237766.5
2018-2019	86720.3	38773.9	47946.4	285712.9
Growth (%)	10.1	20.2	3.0	20.2

Source: National Savings Directorate

Chart 1.2: Outstanding borrowing of government through NSC (in crore taka)



Source: National Savings Directorate

2. MONETARY SECTOR

2.1 Monetary and credit development

Broad money (M2) increased by 9.88 percent at the end of June 2019 from June 2018. Among the sources of broad money, Net Domestic Assets (NDA) increased by 12.04 percent while Net Foreign Assets (NFA) increase by 2.98 percent. Domestic credit recorded an increase of 12.17 percent at the end of June 2019 from June 2018 mainly due to 19.15 percent growth in credit to the public sector.

Table 2.1 Monetary and credit development (Billion BDT)

Items	Outstanding stock at the end of period			Changes in outstanding stock	
	June 2017	June 2018	June ^P 2019	June 2018 over June 2017	June 2019 over June 2018
A. Net Foreign Assets (NFA)	2667.0	2646.7	2725.66	-20.23 (-0.76)	78.92 (+2.98)
B. Net Domestic Asset(NDA)	7493.8	8453.1	9470.43	959.28 (+12.80)	1017.36 (+12.04)
a. Domestic Credit	8906.7	1021.6	1145.93	1309.56 (+14.70)	1243.05 (+12.17)
Public Sector	1146.1	1140.9	1359.44	-5.19 (-0.45)	218.49 (+19.15)
Govt. (Net)	973.3	948.9	1120.73	-24.39 (-2.51)	171.79 (+18.10)
Other Public	172.8	192	238.70	19.19 (+11.11)	46.70 (+24.32)
Private sector	7760.6	9075.3	10099.88	1314.75 (+16.94)	1024.57 (+11.29)
b. Net Other assets	-1412.9	-1763.2	-1988.90	-350.29 (24.79)	-235.20 (13.34)
C. Broad Money(A+B)	10160.8	11099.8	12196.09	939.05 (+9.24)	1096.28 (+9.88)

Source: Monthly Economic Trends, Bangladesh Bank; (-)-percentage changes

2.2 Reserve money Development

Reserve money recorded an increase of 5.32 percent at the end of June 2019 over the same month of the previous fiscal year. At the same time, the value of reserve money multiplier increased to 4.95 at the end of June 2019 from 4.75 at the end of June 2018.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June 2017	June 2018	June 2019	June 2018 over June 2017	June 2019 over June 2018
Reserve money	2246.6	2337.4	2461.9	90.84 (+ 4.04)	124.45 (+5.32)
Money multiplier	4.52	4.75	4.95	0.23	0.21

Source: Monthly Economic Trends, Bangladesh Bank; (-)-percentage changes

3. EXTERNAL SECTOR

3.1 Exports

Export earnings stood at US\$ 40.54 billion during FY19 compared to 36.67 billion earning in the previous fiscal year. On year-to-year basis, exports of goods registered 10.55 percent growth in FY19 compared to a 5.81 percent growth in the same period of the previous fiscal year.

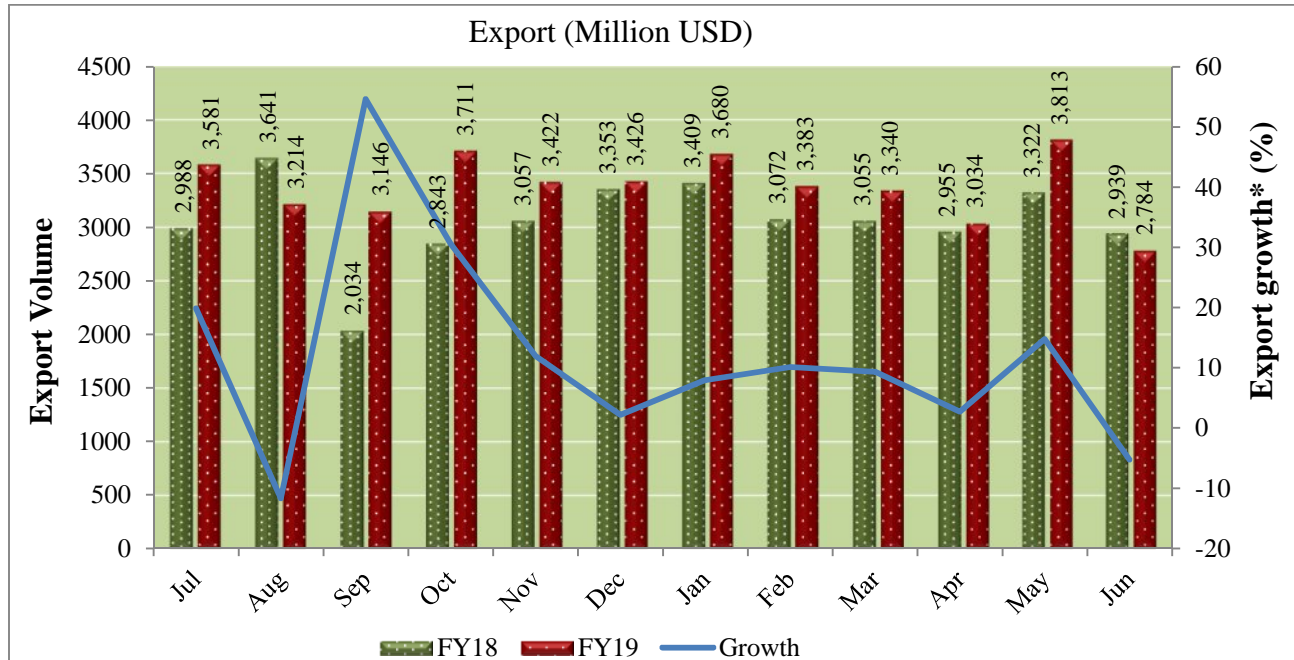
Table 3.1: Export Performance

(Million US\$)

	2018-19	2017-18	2016-17
Export	40535.04	36668.14	34655.90
Growth (%)*	10.55	5.81	1.16

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

Chart 3.1: Monthly Trend of Exports



Source: Export Promotion Bureau

3.2 Imports (c & f)

Import payments slowed down to 1.78 percent and stood at 59.91 billion during FY19 compared to 25.23 percent growth in FY18. In this period, Letter of Credit (LC) opened decreased by 16.81 percent and LCs settled for import increased by a 6.03 percent (Table 3.2).

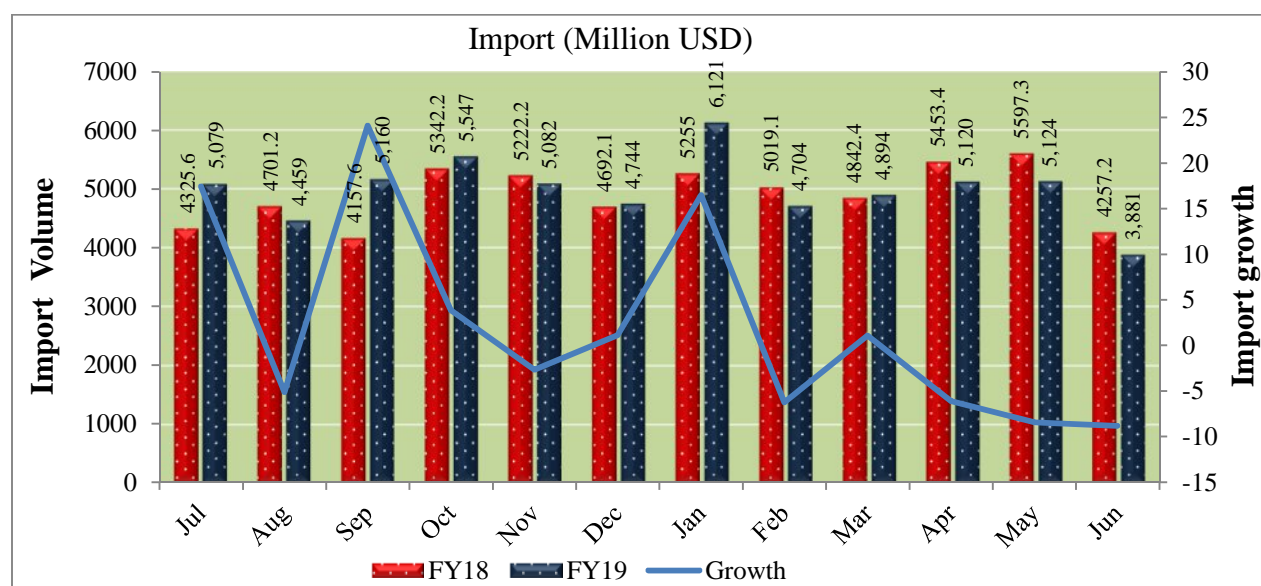
Table 3.2: Import Scenario

(Million US\$)

Period	2018-19	2017-18 ^R	2016-17
Import payments	59914.70	58865.30	47005.20
Growth (%)	1.78	25.23	9.00
LCs Opened	57754.61	69421.14	48125.92
Growth (%)	-16.81	44.25	11.05
LCs Settled	54640.35	51530.56	44272.76
Growth (%)	6.03	16.39	10.47

Source: Bangladesh Bank. Growth rate (%) over the same period of the previous fiscal year, R-Revised, P-Provisional

Chart 3.2: Monthly Trend of Import Payments



Source: Bangladesh Bank

3.3 Remittances

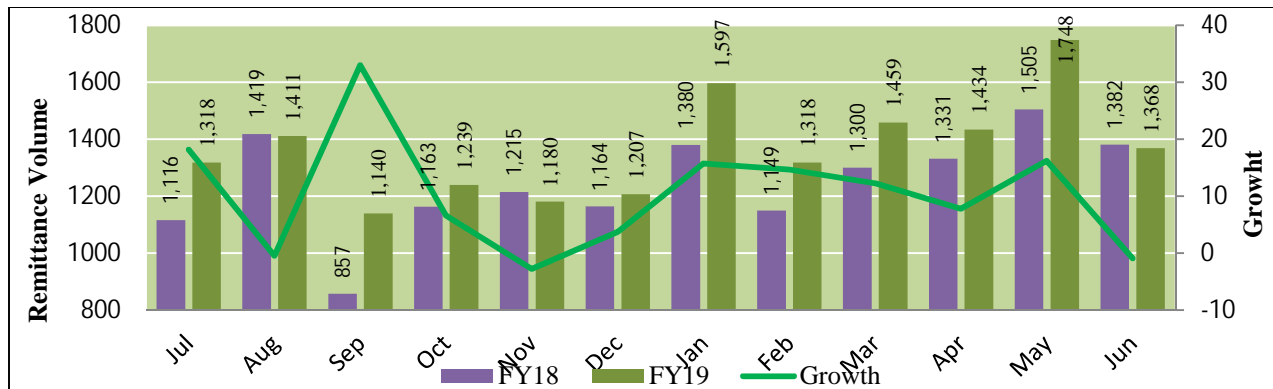
Remittances inflow rebounded in FY 19 and grew by 9.62 percent compared to 17.30 percent growth in the previous year. However, remittance inflow was rebounded in FY18 as it registered 17.3 percent growth compared to a negative 14.5 percent growth in the corresponding period of FY17.

Table-3.3: Remittance Performance (In million US\$)

	2018-19	2017-18	2016-17
Remittances	16419.63	14,978.86	12,769.45
Growth (%)	9.62	17.30	-14.48
As % of GDP	5.39	5.43	5.11
As % of Export	40.51	40.85	36.85

Source: Bangladesh Bank

Chart 3.3: Monthly Trend of Remittances (Million US\$)



Source: Bangladesh Bank

3.4 Exchange Rate Movements

Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency, BDT depreciated by 0.95 percent against US dollar in June 2019 from June 2018.

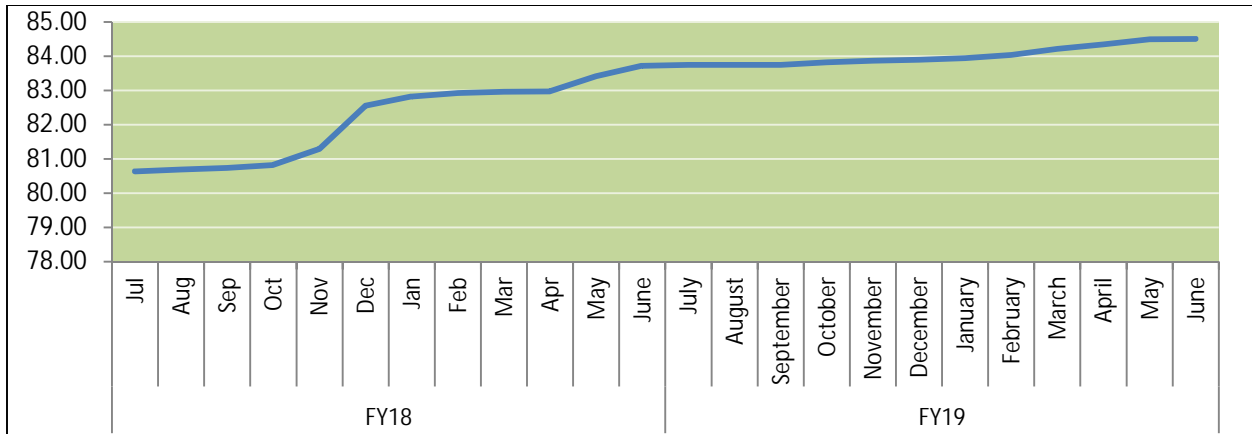
Table 3.4: Exchange Rate Movements (Taka per US\$)

Period	Average	End of the period
2011-12	79.10	81.82
2012-13	79.93	77.77
2013-14	77.72	77.63
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		
July	83.75	83.75
August	83.75	83.75
September	83.75	83.75
October	83.82	83.85
November	83.87	83.90
December	83.90	83.90
January	83.94	83.95
February	84.04	84.15
March	84.21	84.25
April	84.33	84.45
May	84.49	84.50
June	84.50	84.50

Source: Bangladesh Bank

Chart 3.4: Period Average Exchange Rate Movements

(BDT per US\$)



Source: Bangladesh Bank

3.5 External Reserve

The gross foreign exchange reserve stood at 32.54 billion at the end of June 2019, which was sufficient to cover import payments of 6.52 months based on average import liability of the previous 12 months. Overall, foreign exchange reserve did not increase in the recent past due to intervention in the foreign exchange market by Bangladesh Bank to avoid excessive volatility.

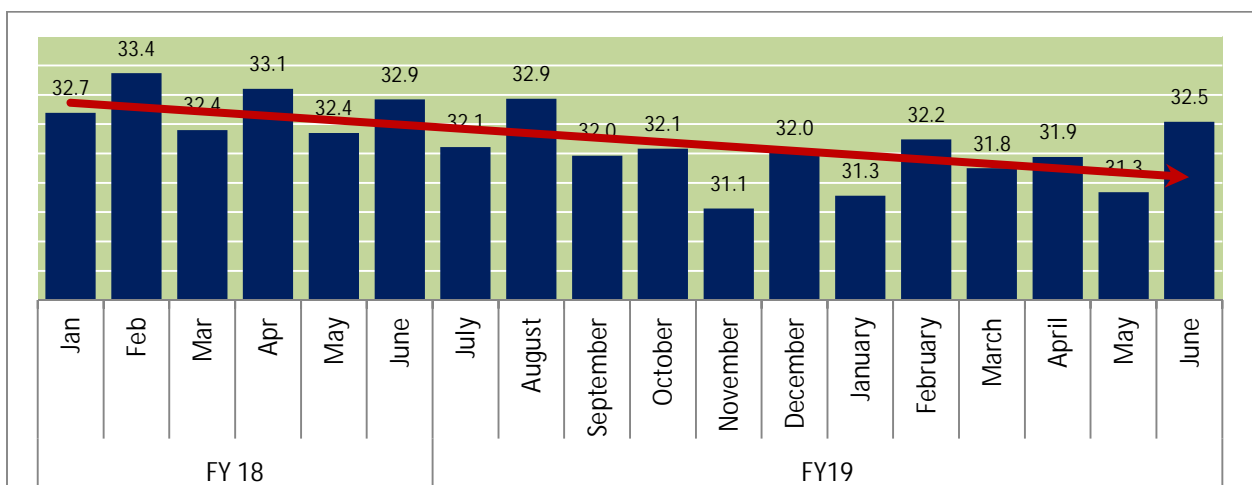
Table 3.5: Foreign Exchange Reserve

(Million US\$)

	June 2019	June 2018	2016-17 (end of June)	2015-16 (end of June)
Reserve	32,538.46	32,943.46	33,493.0	30,168.22
In months of import payment	6.52	6.72	8.20	8.40

Source: Bangladesh Bank

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



Source: Bangladesh Bank

3.6 Balance of Payments (BOP)

The country's trade balance improved slightly at the end of June 2019 due to robust export growth and moderation of import growth as the deficit narrowed down to US\$ 15.49 billion from a deficit of US\$ 18.18 billion at the same time of the previous fiscal year. Consequently, the current account balance improved significantly to US\$ 5.25 billion deficit during July-June of FY19 from a wider deficit of US\$ 9.57 billion in the corresponding period of the previous fiscal year.

Table 3.6: Balance of Payments (Million US\$)

	2018-19 ^P	2017-18 ^R	2016-17
Trade Balance	-15494	-18178	-9472
Current Account Balance	-5254	-9567	-1331
Capital Account	233	331	400
Financial Account	5628	9011	4247
Overall Balance	12	-857	3169

Source: Bangladesh Bank. R=Revised, P= Provisional

4. REAL SECTOR

4.1 Real Sector Indicators

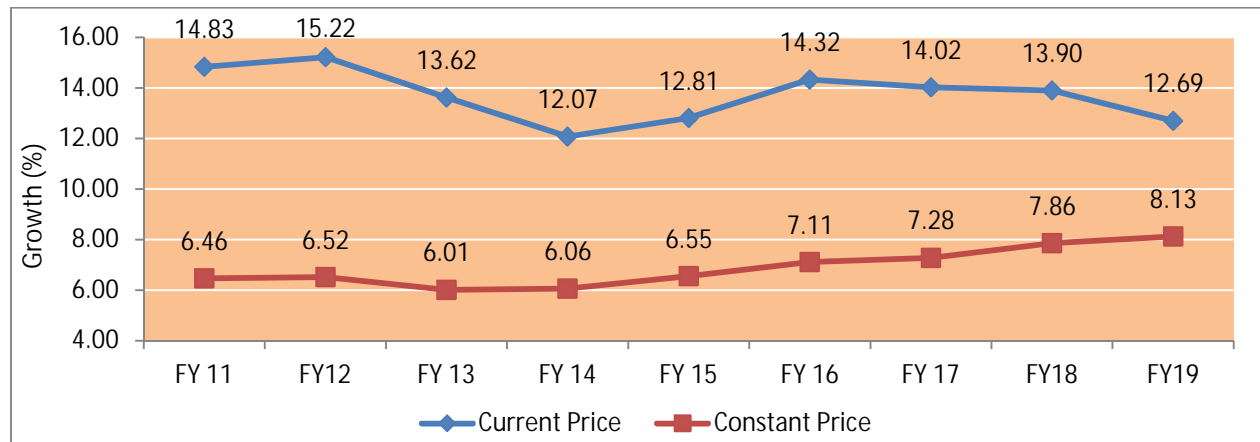
Bangladesh economy continued to maintain healthy growth as provisional estimates from Bangladesh Bureau of Statistics (BBS) reported 8.13 percent real GDP growth in FY19, supported by robust domestic demand, particularly private consumption and public investment. On the supply side, growth was driven mainly by industry (13.02 percent) and services (6.50 percent) with the sectoral composition of economy's output continuing to shift away from agriculture to industry in FY19. At the same time, per capita GNI is expected to be US\$1909 at the end of FY19 from US\$1751 in FY18.

Table 4.1 Real sector indicators (Base year 2005-06)

Concepts	Unit	FY 13	FY 14	FY 15	FY16	FY17	FY18	FY19
GDP at constant prices	Billion Tk.	7,299.0	7,741.4	8,248.6	8,835.4	9,479.0	10,224.3	11,055.1
Growth	%	6.01	6.06	6.55	7.11	7.28	7.86	8.13
GDP at current prices	Billion Tk.	11,989.2	13,436.7	15,158.0	17,328.6	19,758.2	22,504.8	25,361.8
Growth	%	13.62	12.07	12.81	14.32	14.02	13.90	12.69
GNI at current prices	Billion Tk.	12953.5	14332.2	16142.0	18326.7	20607.2	23,531.1	26,497.9
Per capita GDP	Taka	78,009	86,266	96,004	108,378	122,152	137,518	153,197
Per capita GNI	Taka	84,283	92,015	102,236	114,621	127,401	143,789	160,060
Per capita GDP	US\$	976	1,110	1,236	1,385	1,544	1,675	1,827
Per capita GNI	US\$	1,054	1,184	1,316	1,465	1,610	1,751	1,909

Source: Bangladesh Bureau of Statistics

Chart 4.1: GDP Growth Rate at current and constant prices (Base year 2005-06)



Source: Bangladesh Bureau of Statistics

4.2 Industrial Production

The quantum Index of large and medium scale manufacturing Industries, which indicates production performance of the manufacturing industry, increased by 10.12 percent and stood

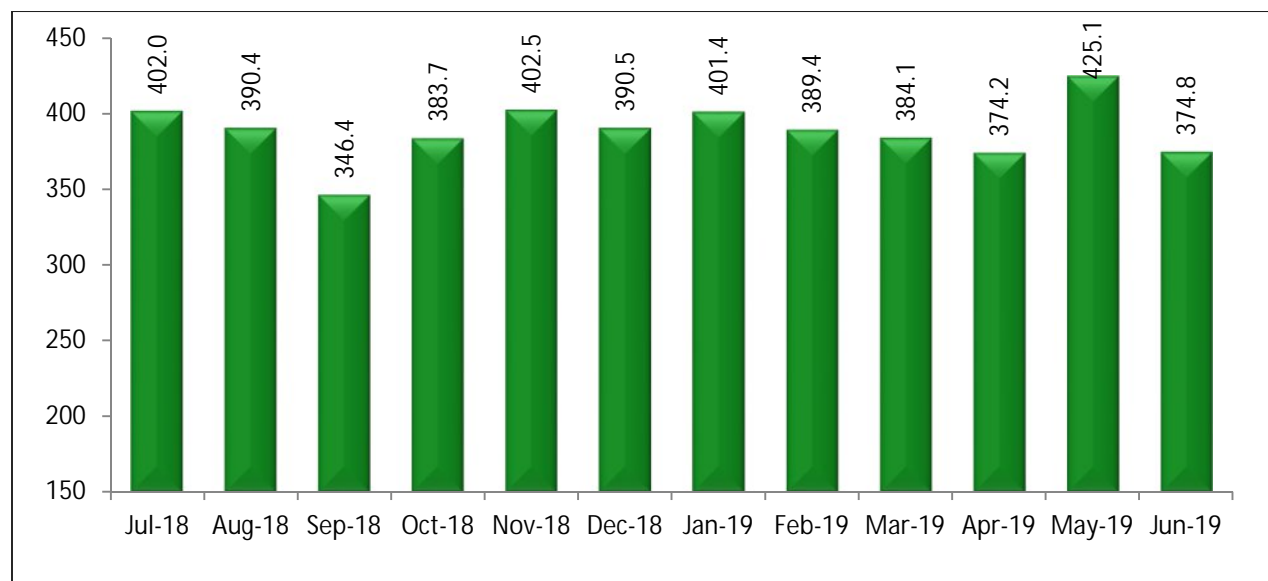
at 374.76 at the end of June 2019 (table 4.2). It is to be noted that this growth rate was 11.2 percent and 14.7 percent in FY17 and FY18 respectively.

Table 4.2: Quantum Index of large and medium scale manufacturing industries
(Base: 2005-06=100)

Period	Index	Growth Rate (%)*
2010-11	157.89	16.90
2011-12	174.92	10.80
2012-13	195.19	11.60
2013-14	213.22	8.20
2014-15	236.11	10.74
2015-16	267.88	13.46
2016-17	297.89	11.20
2017-18	342.47	14.97
2018-19	392.82	14.70
June 2019 ^P	374.76	10.12

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

Chart 4.2: Quantum Index of Manufacturing Industries (Base: 2005-06=100)



Source: Bangladesh Bureau of Statistics

4.3 Inflation

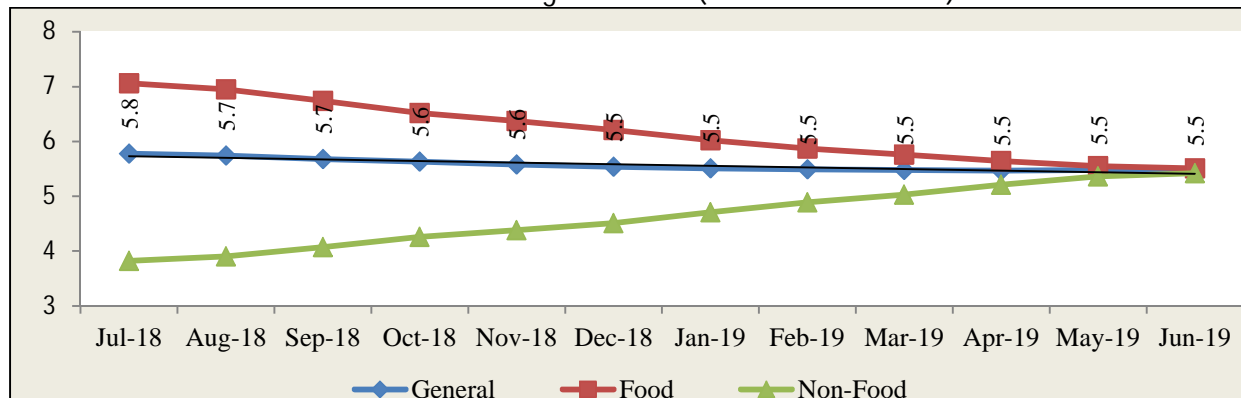
The average rate (12-month moving average) of inflation has eased down to 5.47 percent at the end of FY19 from 5.78 percent at the end of FY18 (table-4.3). The twelve month average general inflation was lower by 0.03 percentage point than the target of 5.50 percent in FY20. On the other hand, point-to-point inflation stood at 5.52 percent in the same month, of which, food and non-food inflation were 5.40 percent and 5.71 percent respectively (Chart 4.3).

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						
July	5.78	7.06	3.82	5.51	6.18	4.49
August	5.74	6.95	3.90	5.48	5.97	4.73
September	5.68	6.74	4.07	5.43	5.42	5.45
October	5.63	6.15	4.26	5.40	5.08	5.90
November	5.58	6.04	4.38	5.37	5.29	5.49
December	5.54	6.21	4.51	5.35	5.28	5.45
January	5.51	6.02	4.71	5.42	5.33	5.57
February	5.49	5.87	4.89	5.47	5.44	5.51
March	5.48	5.76	5.03	5.55	5.72	5.29
April	5.47	5.64	5.21	5.58	5.54	5.64
May	5.48	5.55	5.36	5.63	5.49	5.84
June	5.47	5.51	5.42	5.52	5.40	5.71

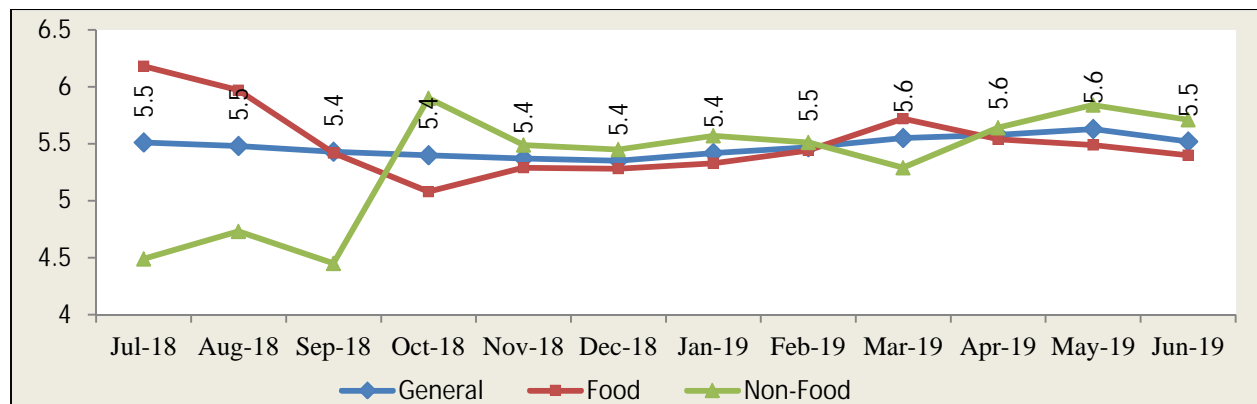
Source: Bangladesh Bank

Chart 4.3: Trends of Twelve-Month Average Inflation (Base 2005-06=100)



Source: Bangladesh Bank

Chart 4.4: Trends of Point to Point Inflation (Base 2005-06=100)



Source: Bangladesh Bank