



MONTHLY REPORT ON FISCAL-MACRO POSITION

May 2020

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Published by:

Macroeconomic Wing
Finance Division, Ministry of Finance

Vol. XIII, No. 11, May 2020, Fiscal Year 2019-20

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Executive Summary

The May 2020 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 increased by 1.73 percent and government spending increased by 3.86 percent in July-May of FY¹20 against July-May of FY19. Overall, the budget deficit stood at 2.36 percent of GDP at the end of July-May FY20 against a deficit of 1.92 percent of GDP during the same period of the previous fiscal year.

Monetary Sector

Broad Money (M2) increased by 10.82 percent at the end of May 2020 resulted from 12.46 percent growth in the Net Domestic Asset (NDA) and 5.15 percent growth in the Net Foreign Asset (NFA). At the same time, reserve money growth slightly slowed down from 10 percent yearly growth to 9.77 percent growth in the first eleven month of the fiscal year.

External Sector

During July - May of FY20, exports fall by 18.99 percent in contrast to 11.92 percent growth in July-May of FY19. At the same time, import payments also decreased by 10.81 percent while remittance inflow increased by 8.78 percent. Strong remittance inflow has improved the current account balance in FY20. Further, foreign exchange reserve stood at US\$ 33.41 billion at the end of May 2020, which is equivalent to import payments of 7.87 months.

Real Sector

The quantum Index of large and medium manufacturing industries has fallen by 27 percent in May 2020 against May19. However it improved compared to that of April2020 indicating that the economy is slowly recovering from the impact of COVID-19 pandemic. The average of CPI inflation (12-month moving average) stands at 5.61 percent, of which, food and non-food inflation were 5.43 percent and 5.89 percent respectively in May 2020.

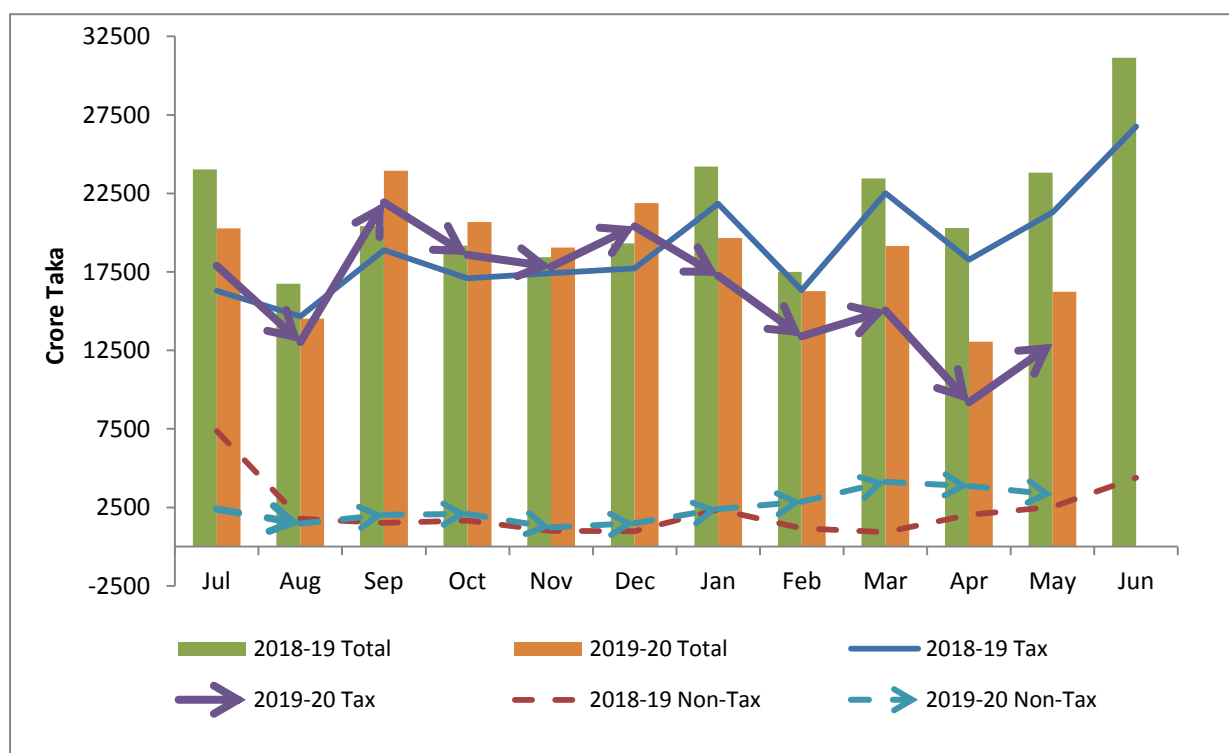
¹ FY20 stands for fiscal year 2019-20 that starts from 1 July 2019 and ends on 30 June 2020

1. FISCAL SECTOR

1.1 Revenue Earnings

Revenue collection has shown a sign of recovery in May 20 compared to the previous month, however, it fell by 31.4 percent against the revenue collection in May19 due to the situation of COVID-19 pandemic. Total revenue grew by 1.73 percent in July-May of FY20 against July-May of FY19 on the back of increase in Non-tax revenue by 39.77 percent while NBR tax revenue and Non-NBR Tax revenue fall by 2.11 percent and 20.36 percent respectively.

Chart 1.1: Monthly trend of Revenue earnings



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

Table 1.1: Revenue Earning

(In crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
July-May FY20	188782.44	5354.09	194,136.53	32673.01	226,809.54
July-May FY19	192860.08	6722.51	199,582.59	23375.82	222,958.41
Growth (%)	-2.11	-20.36	-2.73	39.77	1.73
2018-19 (Actual)	218615.52	7341.50	225957.02	25921.00	251878.02
2017-18 (Actual)	187103.30	7223.47	194326.77	22229.22	216555.98
Growth (%)	16.84	1.63	16.28	16.61	16.31

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

1.2 Government Expenditure

Significant increase (16.92 percent) in the interest payments along with 7.89 percent increase in subsidies and transfer has contributed to the increase in the recurrent expenditure by 5.67 percent in July-May of FY20. The government has been implementing 21 stimulus packages to counter the detrimental impact of COVID-19 pandemic which is 4.01% of the GDP (USD 13,251.4 Million). At the same time, fall in the capital expenditures by 14.29 percent has resulted slightly decrease in the government's operating expenditure. During this period, development expenditure increased significantly (21.88 percent). According to the Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, ADP expenditure stood at BDT 1,15,421 crore at the end of July-May of FY20, which is 57.37 percent of the total allocation.

Table 1.2: Government Expenditure (In crore taka)

	2017-18	2018-19	Yearly Growth (%)	FY 19 (July-May)	FY 20 (July-May)	Growth (%) (July-May)
a1. Recurrent Expenditure	178879.45	217785.97	21.75	179748.03	189938.42	5.67
Pay and Allowances	47847.09	53400.24	11.61	51242.78	50340.89	-1.76
Use of Goods and Services	23479.42	28562.22	21.65	20058.93	18959.29	-5.48
Interest Payment	41765.51	49460.72	18.42	40247.91	47058.37	16.92
Domestic	38160.17	46050.52	20.68	36973.21	42900.51	16.03
Foreign	3605.34	3446.21	-4.41	3274.71	4157.87	26.97
Subsidies and Transfer	65612.87	86362.78	31.62	68198.14	73579.86	7.89
a2. Capital Expenditure	12593.27	20302.41	61.22	12897.19	11053.70	-14.29
a) Operating Expenditure (a1+a2)	191472.72	238088.38	82.97	192645.22	189938.42	-1.41
b) Outlay for Food Accounts	6993.62	4233.43	-39.47	7553.01	7270.27	-3.74
c) Net lending	1240.93	-1707.78	-237.62	-1380.20	-3931.15	184.83
d) Development Expenditure	122154.04	151055.35	23.66	73271.79	89307.26	21.88
Of which ADP	119538.39	147400.38	23.31	72637.15	85230.42	17.34
Total Expenditure	321861.32	391669.38	-170.46	272089.83	282584.79	3.86
Total Expenditure (% of GDP)	14.30	15.40	1.10	10.70	10.07	-0.63

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

1.3 Budget Deficit

Overall budget balance including grants records a deficit of BDT 66,025.55 crore during July-May of FY20 against a deficit of BDT 48,835.32 crore at the same period of the previous fiscal year. This budget balance was 5.44 percent and 4.64 percent of GDP at the end of FY19 and FY18 respectively.

Table 1.3: Budget Balance (In crore taka)

Year	Overall Balance	Overall Balance as % of GDP
July-May FY20	-66,025.55	-2.36
July-May FY19	-48,835.32	-1.92
2018-19	-1,38,202.86	-5.44
2017-18	-1,04,437.06	-4.64

1.4 Deficit Financing

The Government has financed 66,130.53 crore in July-May FY20 period predominantly from financed from the banking system. The government borrowed 71,453.29 crore from the banking sector in the first eleven months, i.e. exceeded the total financing target from banking system in FY20. The excess borrowed money was used to repay domestic non-bank loans, especially repayment for National Saving Certificates (NSCs) and external loans.

Table 1.4: Deficit Financing

(In crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
July-May FY20	4481.43	71453.29	-9804.19	61649.10	66130.53	2.36
July-May FY19	1211.76	26163.12	26331.29	52494.42	53706.17	2.11
2018-19	31289.03	29479.41	72355.50	101834.91	133123.93	5.24
2017-18	25620.59	11730.60	67084.44	78815.04	104435.63	4.64
Target in FY20	63848.00	47364.00	30000.00	77363.00	141211.00	5.03

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

1.5 Sale and repayment of National Savings Certificates (NSC)

Monthly sale of NSCs has slowed down in the recent past (Chart 1.2) on the back of various reform measures undertaken by the government. The sale of NSC during July-May of FY20 has been decreased by 30.88 percent while repayment of NSCs accelerated (increased by 26.82 percent) compared to the same period of the previous fiscal year. As a result, net sale of NSC decreased by 76.44 percent at the end of July-May of FY20 (Table 1.5). This trend has resulted outstanding stock of NSCs to slow down.

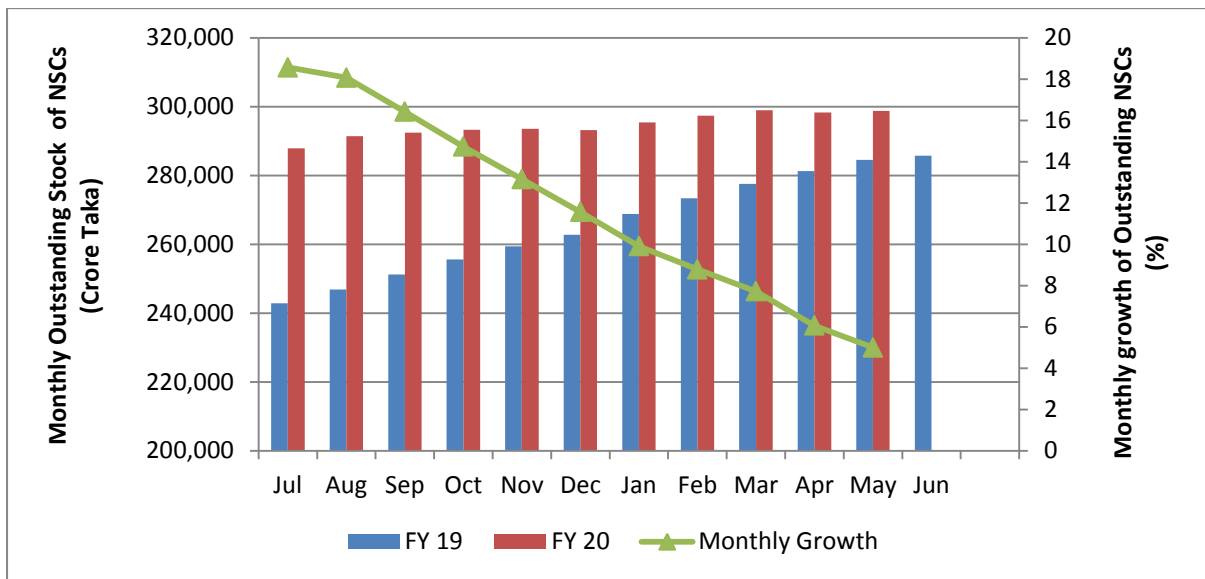
Table 1.5 Net Sale and Repayment of NSCs

(In crore taka)

Period	Sale	Repayment (Principal)	Net Sale	Outstanding at the end of period
July-May FY20	57804.95	46793.85	11011.10	298717.10
July-May FY19	83630.45	36899.20	46731.25	284497.77
Growth (%)	-30.88	26.82	-76.44	5.00
2018-19	90342.39	40402.91	49939.48	287706.00
2017-18	78784.68	32254.38	46530.3	237766.52
Growth (%)	14.67	25.26	7.33	21.00

Source: Major Economic Indicators: Monthly Update, Bangladesh Bank

Chart 1.2: Monthly trend of the outstanding stock of NSCs



Source: Major Economic Indicators, Bangladesh Bank, Monthly growth calculated over the same period of the previous year

2. MONETARY SECTOR

2.1 Monetary and Credit Development

Broad money (M2) growth has slowed down in the first eleven months of the fiscal year (Table 2.1). In the first eleven months of the fiscal year, Net Domestic Asset (NDA) increased by 12.46 percent and Net foreign asset increased by only 5.15 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed moderate growth in the net domestic asset as the private sector credit slowed down significantly.

Table 2.1 Monetary and Credit Development

Items	Outstanding stock at the end of period (in Billion BDT)			Changes in Outstanding stock (%)	
	May-20	Jun-19	May-19	May-20 over Jun-19	May-20 over May-19
A. Net Foreign Assets (NFA)	2864.37	2724.00	2648.10	5.15	8.17
B. Net Domestic Asset (NDA)	10651.94	9472.12	9403.48	12.46	13.28
a. Domestic Credit	12819.27	11468.85	11384.09	11.77	12.61
Public Sector	1923.70	1366.29	1374.90	40.80	39.91
Govt. (Net)	1625.18	1132.73	1130.85	43.47	43.71
Other Public	298.52	233.56	244.06	27.81	22.31
Private sector	10895.58	10102.56	10009.18	7.85	8.86
b. Net Other assets	-2167.335	-1996.73	-1980.608	8.54	9.43
C. Broad Money (A+B)	13516.31	12196.12	12051.58	10.82	12.15

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 9.77 percent and 10 percent at the end of May 2020 from June 2019 and May 2019 respectively. During this period, money multiplier increased by 0.05 and 0.10 respectively.

Table 2.2: Reserve money and money multiplier

(Billion BDT)

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	May-20	Jun-19	May-19	May-20 over Jun-19	May-20 over May-19
Reserve money	2702.38	2461.88	2456.722	9.77%	10%
Money multiplier	5.00	4.95	4.91	0.05	0.10

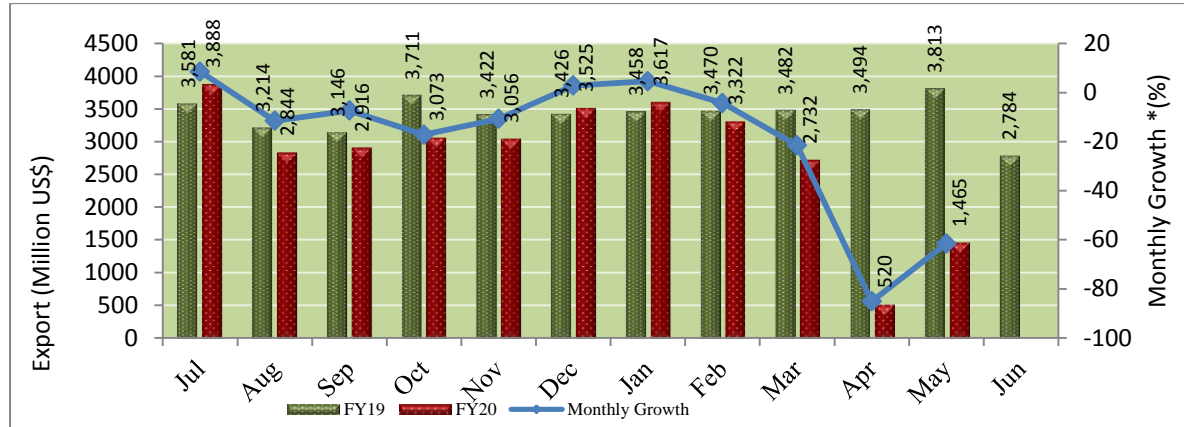
Source: Monthly Economic Trends, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export has started slow recovery in May 20 from the dip in April 2020 although it is significantly lower (61.57 percent) than that of May19 (Chart 3.1). Slowdown of export growth before COVID-19 in addition to the hardest hit by the COVID19 has resulted exports fall by 17.99 percent in July-May of FY20 compared to the same period of the previous year.

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 in FY20 (Million US\$)

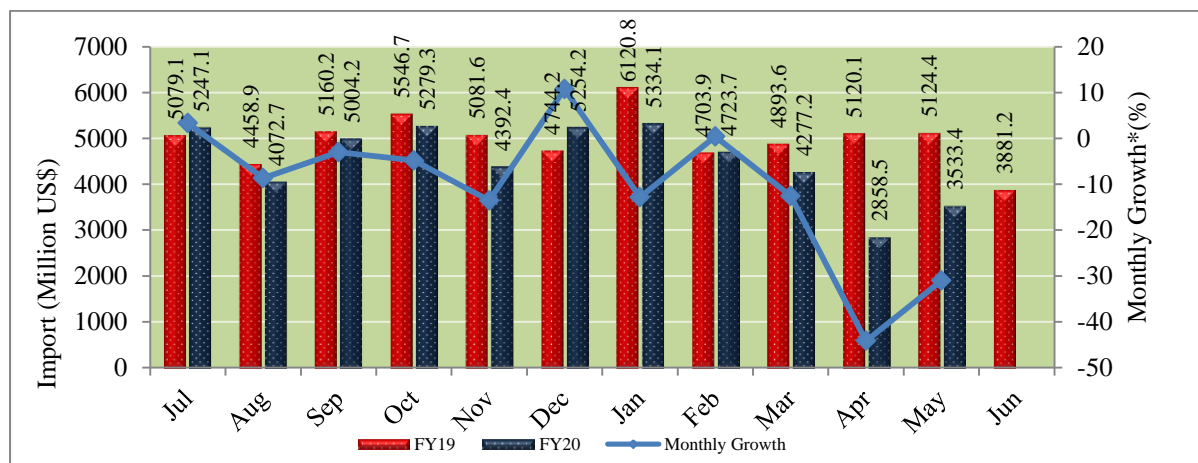
	2019-20 (July-May)	2018-19 (July-May)	2018-19	2017-18
Exports	30,959.16	37,750.60	40,535	36,668.14
Growth*(%)	-17.99	11.92	10.55	5.81

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

3.2 Imports (C & F)

Import continued to be at lower level in May20 due to the depressed domestic demand on the back of COVID-19 pandemic. Import payment in May20 has fallen by 31.0 percent against the import level in May19, which has contributed to 10.81 percent lower import payments in July-May of FY20 (Table-3.2). At the same time, Letter of Credit (LC) opening has fallen by 12.49 percent and LCs settlement for import has decreased by 8.07 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 in FY20

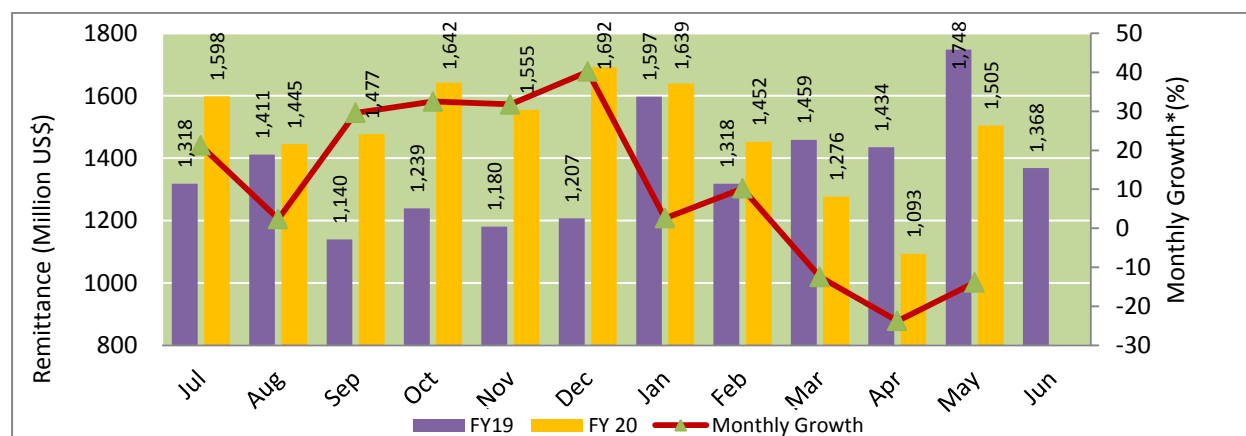
(Million US\$)

Period (July -May)	2019-20 ^P July-May	2018-19 ^R July-May	2018-19	2017-18
Import payments	49,976.80	56,033.50	59,914.70	58,865.30
Growth (%)	-10.81	2.61	1.78	25.23
LCs Opened	47,216.80	53,956.40	57,754.61	69,421.14
Growth (%)	-12.49	-17.50	-16.81	44.25
LCs Settled	46,486.80	50,570.20	54,640.35	51,530.56
Growth (%)	-8.07	5.83	6.03	16.39

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

3.3 Remittances

Remittance inflow demonstrated a bullish trend over the fiscal years (Chart 3.3) on the back of 2.0 percent fiscal incentives by the government. However, remittance inflow has slowed down March19 onwards and it has fallen by 13.93 percent in May20 against May19. Overall, remittances inflow increased by 8.78 percent up to May of FY20 against 10.69 percent growth in the same period of the previous year.

Chart 3.3: Monthly Trend of Remittance

Source: Bangladesh Bank

Table-3.3: Remittance Performance in FY20

(In million US\$)

	2019-20 ^P July-May	2018-19 ^R July- May	2018-19	2017-18
Remittances	16372.48	15051.43	16419.63	14,981.69
Growth (%)	8.78	10.69	9.62	17.32
As % of GDP	4.81	4.97	5.42	5.43
As % of Export	52.88	39.70	40.35	40.86

Source: Bangladesh Bank

3.4 Exchange Rate Movements

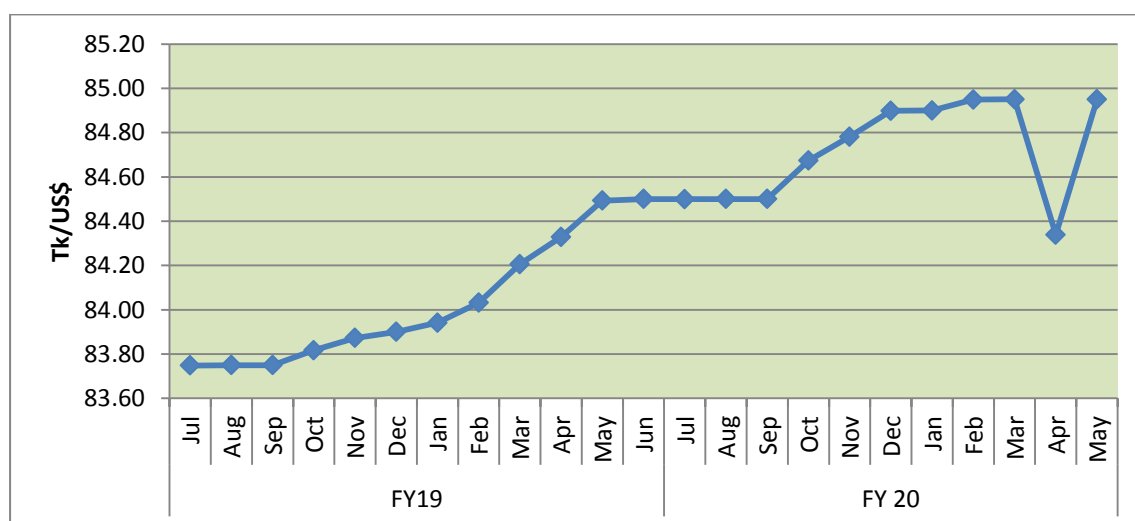
Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency, Taka depreciated by 0.42 percent against US dollar in May 2020 from June 2019.

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

Period	Average	End 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	84.02	84.50
2019-20		
July	84.49	84.50
August	84.50	84.50
September	84.50	84.50
October	84.67	84.75
November	84.78	84.90
December	84.90	84.90
January	84.90	84.90
February	84.95	84.95
March	84.95	84.95
April	84.34	84.45
May	84.95	84.95

Source: Bangladesh Bank

Chart 3.4: Monthly Average Exchange Rate Movement



Source: Bangladesh Bank

3.5 External Reserve

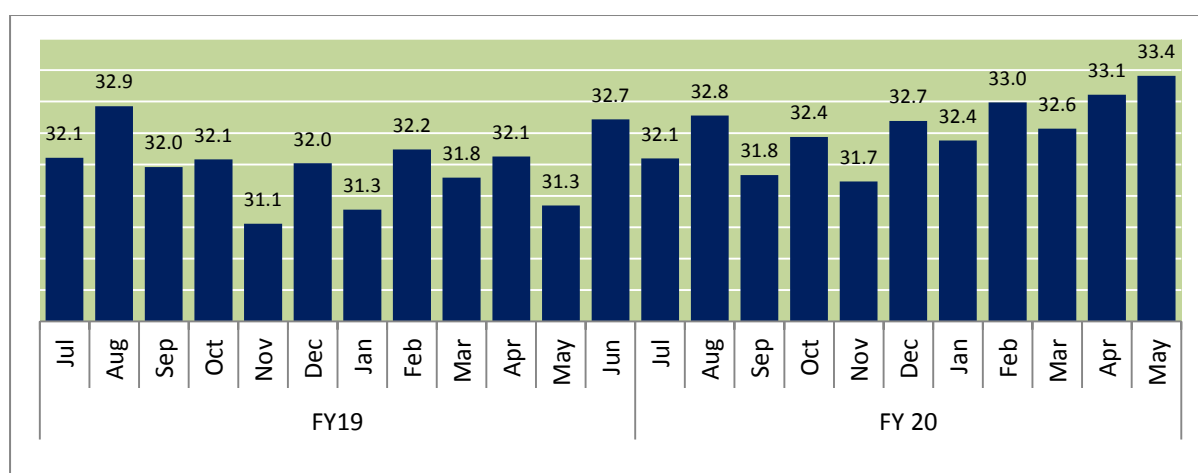
The gross foreign exchange reserve stood at 33.41 billion at the end of May 2020, which is enough to cover import payments of 7.9 months based on average import liability of the previous 12 months. Foreign exchange reserve remains stable in the recent past as the Central Bank frequently intervenes in the foreign exchange market to avoid excessive volatility in the exchange rate.

Table 3.5: Foreign Exchange Reserve

Reserve	2019-20 ^P (End of May)	2018-19 (End of May)	2018-19 (End of June)
Million US\$	33409.89	31344.79	32716.51
Months of import payment	7.87	6.07	6.27

Source: Bangladesh Bank

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



Source: Bangladesh Bank

3.6 Balance of Payments (BOP)

The country's trade balance deteriorated at the end of July-May of FY20 as the export earnings declined more than the import payments. Strong remittance growth has contributed to keep the current account balance to US\$ 4.37 billion deficit against a deficit of US\$ 5.15 billion at the same time of the previous year. Overall balance has also improved during the period.

Table 3.6: Balance of Payments

(Million US\$)

	2019-20 ^P July-May	2018-19 ^R July-May	2018-19 ^R	2017-18
Trade Balance	-16069	-14978	-15494	-18178
Current Account Balance	-4374	-5154	-5254	-9567
Capital Account	165	217	233	331
Financial Account	5278	5048	5628	9011
Error & Omission	563	-793	-595	-632
Overall Balance	1632	-682	12	-857

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

4. REAL SECTOR

4.1 Real Sector Indicators

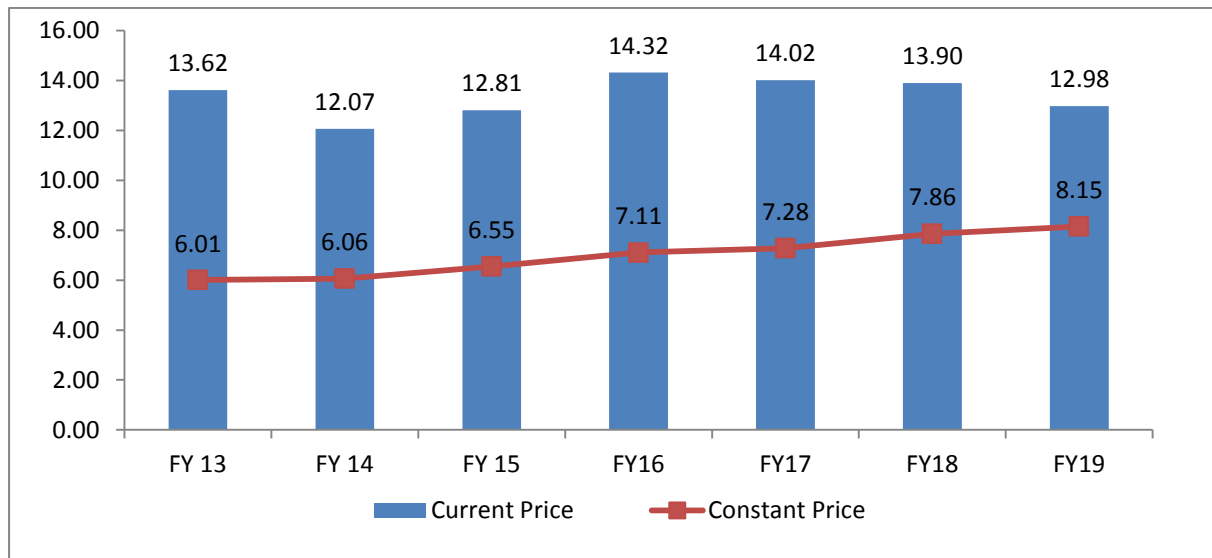
Bangladesh economy experienced the highest GDP growth rate of 8.15 percent in FY19 in the recent past, supported by robust domestic demand, particularly private consumption and public investment. On the supply side, growth was driven mainly by industry (12.67 percent) and services (6.78 percent) with the sectoral composition of the economy continuing to shift away from agriculture to industry in FY19. At the same time, per capita GNI has rose to 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	10224.30	11,057.94
Growth	%	6.01	6.06	6.55	7.11	7.28	7.86	8.15
GDP at current prices	Billion Tk.	11,989.2	13,436.7	15,158.0	17,328.6	19,758.2	22504.79	25,424.83
Growth	%	13.62	12.07	12.81	14.32	14.02	13.90	12.98
GNI at current prices	Billion Tk.	12953.5	14332.2	16142.0	18326.7	20607.2	23531.08	26,560.92
Per capita GDP	Taka	78,009	86,266	96,004	108,378	122,152	137,518	153,578
Per capita GNI	Taka	84,283	92,015	102,236	114,621	127,401	143,789	160,440
Per capita GDP	US\$	976	1,110	1,236	1,385	1,544	1,675	1,828
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

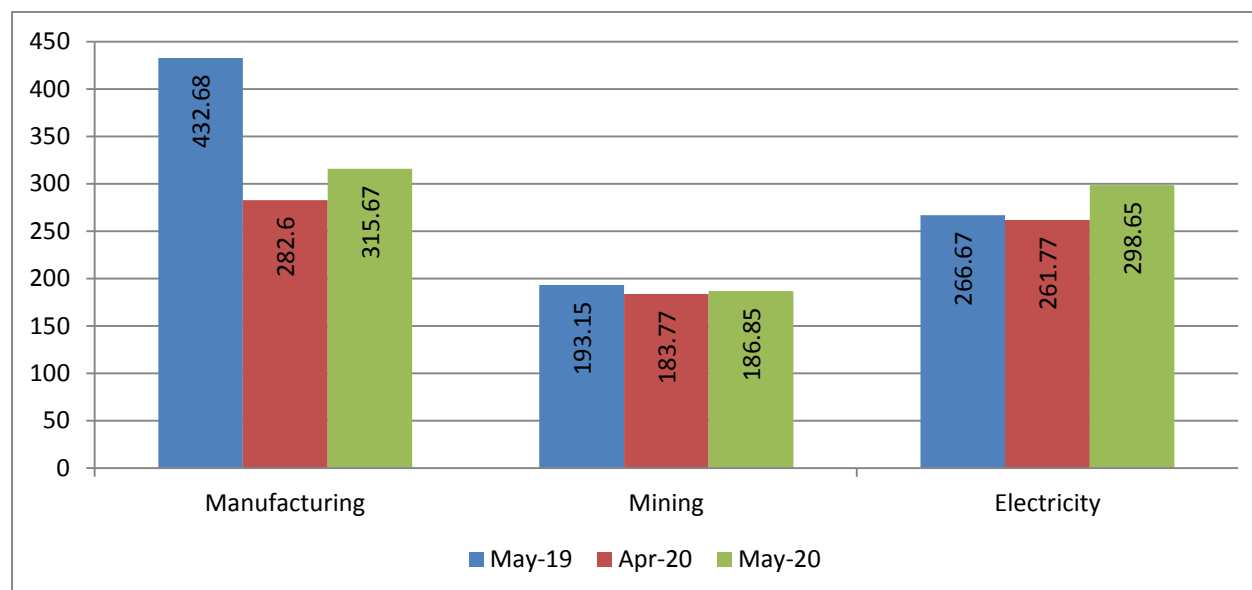
Quantum Index of large and medium scale manufacturing industries, which accounts for 87.54 percent of the industrial production, has fallen by 27.04 percent in May 20 against May19 due to the COVID-19 Pandemic. However, it has recovered from March20 fallout. It is to be noted that this growth rate was 15.0 percent and 14.7 percent in FY18 and FY19 respectively.

Table 4.2: Quantum Index of Industrial Production (Base: 2005-06=100)

Period	Index		
	Manufacturing	Mining	Electricity
2012-13	195.19	153.15	160.43
2013-14	213.22	157.18	177.20
2014-15	236.11	172.97	191.06
2015-16	267.88	185.57	219.29
2016-17	297.89	185.55	243.39
2017-18	342.47	186.12	270.95
2018-19	392.82	182.70	297.94
May 2019	432.68	193.15	266.67
April 2020	282.60	186.77	261.77
May 2020 ^p	315.67	186.85	298.65

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

Chart 4.2: Industrial Production Indices (Base: 2005-06=100)



Source: Bangladesh Bureau of Statistics

4.3 CPI Inflation

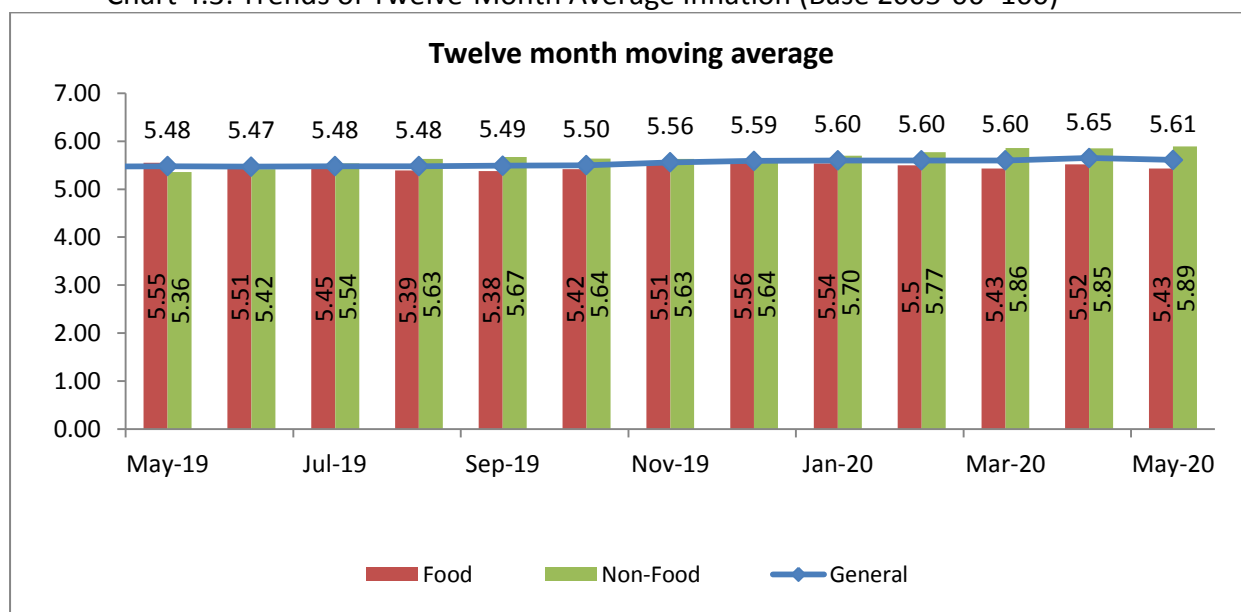
CPI inflation was 5.61 percent (Twelve-month average basis) in May 2020, which is slightly higher than the set target of 5.50 for the FY20. Meanwhile, point-to-point inflation went up to 5.35 percent in May 2020, of which, food and non-food inflation were 5.09 percent and 5.75 percent respectively (Chart 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	5.48	5.51	5.42	5.52	5.40	5.71
2019-20						
July	5.48	5.45	5.54	5.62	5.42	5.94
August	5.48	5.39	5.63	5.49	5.27	5.82
September	5.49	5.38	5.67	5.54	5.30	5.92
October	5.50	5.42	5.64	5.47	5.49	5.45
November	5.56	5.51	5.63	6.05	6.41	5.47
December	5.59	5.56	5.64	5.75	5.88	5.55
January	5.60	5.54	5.70	5.57	5.12	6.30
February	5.49	5.87	4.89	5.47	5.44	5.51
March	5.60	5.43	5.86	5.96	5.91	6.45
April	5.65	5.52	5.85	6.02	6.54	5.22
May	5.61	5.43	5.89	5.35	5.09	5.75

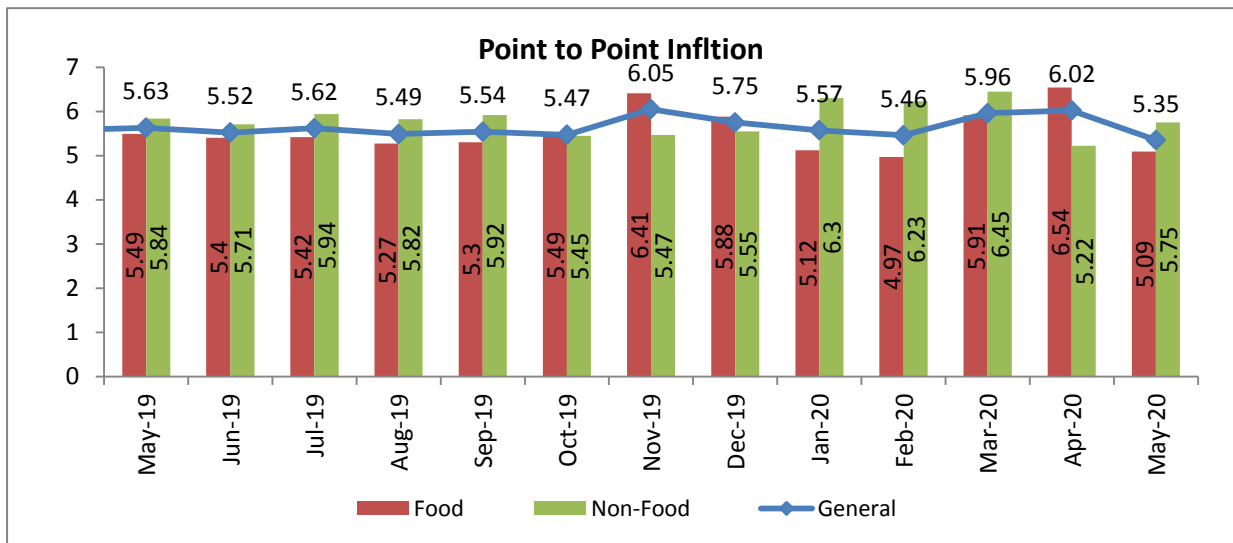
Source: Bangladesh Bank

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