



MONTHLY REPORT ON FISCAL-MACRO POSITION

December 2020

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Executive Summary

The December 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

An increase in non-tax revenue by 40.23 percent and an increase in tax revenue by 4.02 percent have resulted in total revenue to grow by 8.65 percent in July-December of FY¹21. At the same time, total government spending fell by 10.58 percent as the development expenditure fell by 24.53 percent on the back of slow implementation of the development projects due to the COVID19 pandemic. Overall budget balance including grants remains a deficit of 8,382.59 crore BDT at the end of December 20.

Monetary Sector

Broad Money (M2) grew by 14.23 percent at the end of December 20 resulted from 30.22 percent growth in the Net Foreign Asset (NFA) and 9.94 percent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 21.18 percent that resulted in decline in the money multiplier by 0.30.

External Sector

Export fell by 0.36 percent while import payments fell by 6.77 percent in July-December of FY21 compared to that of July-December of FY20. At the same time, remittance inflow increased by 37.59 percent. Strong remittance inflow along with subdued imports has contributed to building a current account balance of US\$4.32 billion surplus. At the same time, inflows in the financial account has turned the overall balance US\$6.16 billion surplus and surged in the foreign exchange reserve to US\$ 43.16 billion, which is equivalent to import payments of 9.50 months, at the end of December 20.

Real Sector

The quantum Index of the large and medium scale manufacturing industry has increased by 9.91 percent on November20 over November19. Leather & related products experienced 31.55 percent growth followed by food products with 21.29 percent growth, Pharmaceuticals with 15.64 percent growth compared to that of November19. The CPI inflation (12-month moving average) edged down to 5.69 percent, of which, food and non-food inflation are 5.77 percent and 5.56 percent respectively at the end of December 20 as the point to point CPI inflation moderated in December 20.

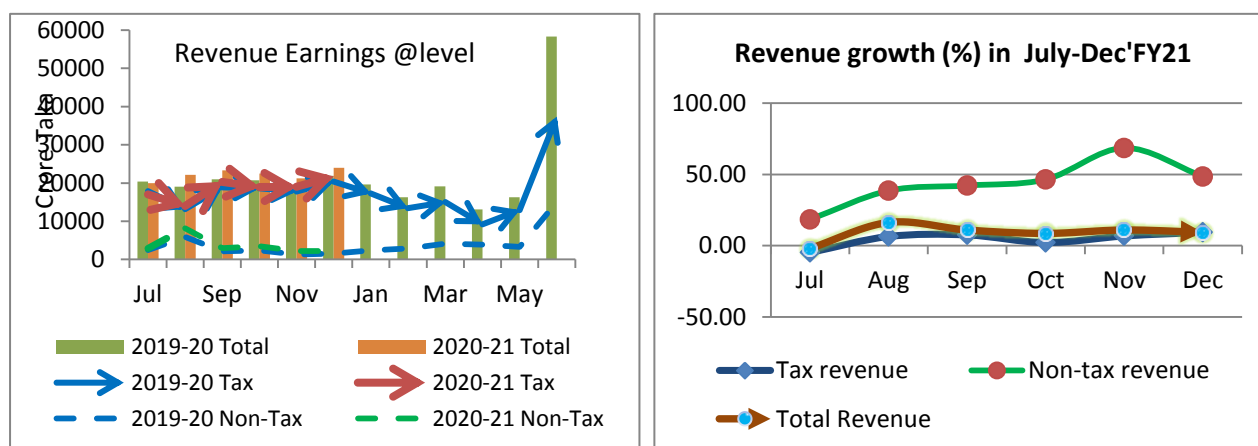
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

Revenue grew by 9.35 percent in December'20 compared to that of December'19 where tax revenue growth was 9.35 percent and non-tax revenue growth is 48.60 percent. Cumulative growth of revenue is 8.65 percent in July-December of FY21 where tax revenue grew by 4.02 percent and non-tax revenue grew by 40.23 percent.

Chart 1.1: Monthly trend of 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-December)	108,132.44	2,992.94	111,125.38	21,980.15	133,105.53
2019-20 (July-December)	103,181.53	3,653.36	106,834.89	15,674.28	122,509.17
Growth (%)	4.80	-18.08	4.02	40.23	8.65
2019-20	214,811.50	5,943.57	220,755.06	42,450.37	263,205.44
2018-19	218,845.25	7,341.39	226,186.64	27,698.46	253,885.10
Growth (%)	-1.84	-19.04	-2.40	53.26	3.67

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

1.2 Government Expenditure

Total operating expenditure slightly declined (3.76 percent) in July-December of FY21 compared to that of FY20. At the same time, declining in development expenditure by 24.53 percent has resulted in total government expenditure falling by 10.58 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 47.78 percent in July-December of FY21.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July-December)	2019-20 (July-December)	Growth (%) (July-December)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	100,761.83	103,266.60	-2.43	234,470.74	222,670.16	5.30
Pay and Allowances	27,009.17	27,125.86	-0.43	56,236.52	54,920.36	2.40
Use of Goods and Services	8,215.28	9,730.34	-15.57	28,463.13	30,512.00	-6.71
Interest Payment	29,571.24	27,293.97	8.34	57,682.71	50,066.14	15.21
Domestic	28,185.34	25,107.50	12.26	53,364.84	46,530.29	14.69
Foreign	1,385.90	2,186.47	-36.61	4,317.87	3,535.85	22.12
Subsidies and Transfer	35,966.14	39,116.43	-8.05	92,088.39	87,171.66	5.64
a2. Operating Capital Expenditure	4,178.29	5,774.56	-27.64	18,223.13	21,132.24	-13.77
a) Total Operating Expenditure (a1+a2)	104,940.12	109,041.16	-3.76	252,693.87	243,802.40	3.65
b) Outlay for Food Accounts	2,862.53	4,175.62	-31.45	2,325.57	4,233.20	-45.06
c) Net lending	-1,098.13	-1,082.93	1.40	1,205.81	-2,518.51	-147.88
d) Development Expenditure	34,809.25	46,126.22	-24.53	161,609.58	157,744.26	2.45
Of which ADP	33,299.97	44,184.06	-24.63	155,193.03	153,976.30	0.79
Total Expenditure (a+b+c+d)	141,513.77	158,260.06	-10.58	417,834.83	403,261.35	3.61
Total Expenditure (% of GDP)	8.99	11.32	-2.33	14.94	15.86	-0.92
Memo item: Nominal GDP	3,149,890.97*	2,796,378.20	12.64	2,796,378.20	2,542,482.60	9.99

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division, *-Projected GDP @1st CC meeting in December 2021

1.3 Budget Deficit

Overall budget balance (including grants) improved significantly as the government expenditure fall by 10.58 percent while total revenue increased by 8.65 percent in July-December of FY21.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2020-21 (July-December)	-8,382.59	-0.27
2019-20 (July-December)	-35,750.15	-1.28
2019-20	-152,507.07	-5.45
2018-19	-147,688.48	-5.81

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

1.4 Deficit Financing

The government overwhelmingly financed its deficit from the banking source. Further, it borrowed additional money from the banking source to reimburse the loan taken from the non-banking source.

Table 1.4: Deficit financing (Crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21(July-December)	3,022.25	24,163.57	-18,776.01	5,387.55	8,409.80	0.27
2019-20(July-December)	-326.69	48,181.57	-12,108.85	36,072.72	35,746.03	1.28
2019-20	45,137.87	81,717.96	24,919.30	106,637.26	151,775.13	5.43

2018-19	31,271.82	29,479.41	81,996.14	111,475.55	142,747.37	5.24
Target in 2020-21	76,004.00	84,979.99	25,003.00	109,982.99	185,986.99	5.86

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

1.4.1 National Savings Certificates (NSCs)

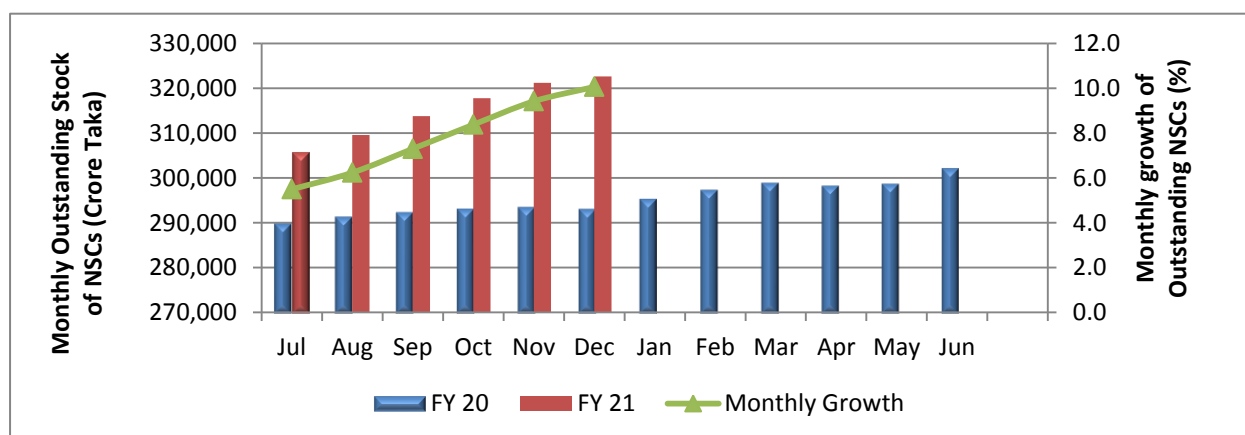
The trend of NSC sales that has slowed down in the last fiscal year has reversed as the net sales of NSCs increased by 277.07 percent in July-December of FY21. As a result, outstanding NSC has increased by 10.06 percent at the end of December 20 compared to that of December 19.

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-December)	54,976.19	34,489.07	20,487.12	322,621.47
2019-20 (July-December)	34,211.34	28,778.13	5,433.21	293,139.21
Growth* (%)	60.70	19.84	277.07	10.06
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.

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) rose 14.23 percent to 14.79 trillion taka at the end of December 20 from that of December 19. Of the sources of broad money, Net Domestic Asset (NDA) increased by 9.94 percent and Net foreign asset (NFA) increased by 30.22 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed to moderate growth in the net domestic asset despite low private sector credit growth.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)	
	Dec-20	Dec-19	Jun-20	Dec-20 over Dec-19	Dec-20 over Jun-20
A. Net Foreign Assets (NFA)	3,569.77	2,741.27	2,973.36	30.22	20.06
B. Net Domestic Asset (NDA)	11,217.08	10,203.09	10,763.99	9.94	4.21
a. Domestic Credit	13,635.76	12,405.98	13,076.34	9.91	4.28
Public Sector	2,222.73	1,874.47	2,103.66	18.58	5.66
Govt. (Net)	1,912.83	1,568.61	1,811.51	21.94	5.59
Other Public	309.90	305.86	292.15	1.32	6.07
Private sector	11,413.03	10,531.52	10,972.68	8.37	4.01
b. Net Other assets	-2,418.68	-2,202.89	-2,312.35	9.80	4.60
C. Broad Money (A+B)	14,786.84	12,944.35	13,737.35	14.23	7.64

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money rose 21.18 percent to 3.04 trillion at the end of December 20 from that of December 19. Higher growth of reserve money compared to that of broad money has resulted in decline of the money multiplier by 0.30. Reserve money increased by 6.88 percent in December 20 compared to that of June 20.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Dec-20	Dec-19	Jun-20	Dec-20 over Dec-19	Dec-20 over Jun-20
Reserve money	3,041	2,509	2,845	21.18%	6.88%
Money multiplier	4.86	5.16	4.83	-0.30	0.03

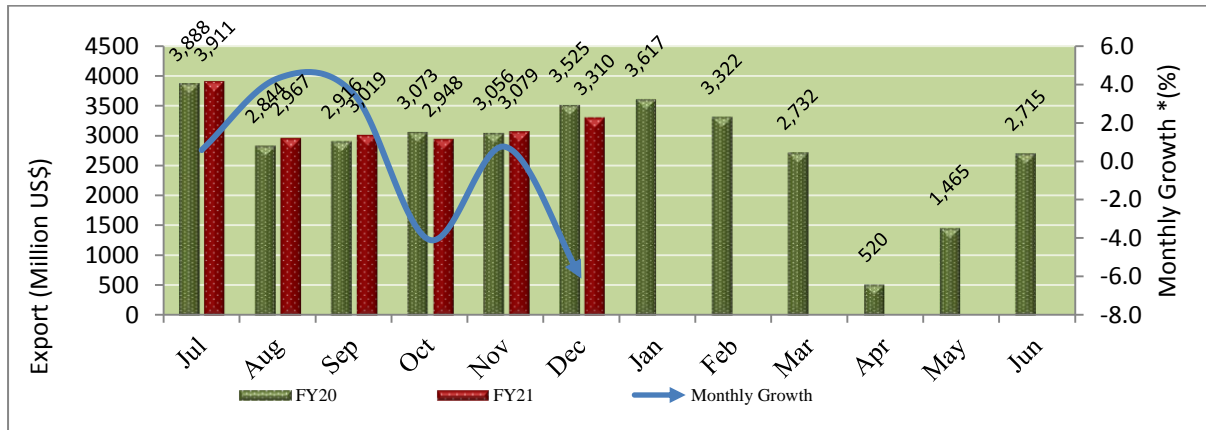
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export fall by 6.11 percent in December 2020 compared to that of December 2019 after a marginal growth in November 20. With this decline, cumulative export dropped by 0.36 percent to 19.23 billion USD in July-December of FY21 compared to that 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 (Million US\$)

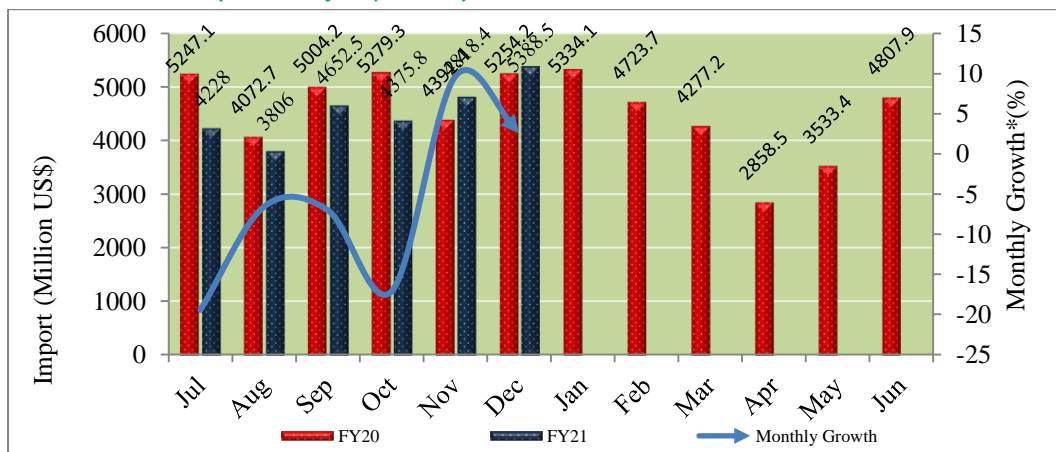
	2020-21 (July-December)	2019-20 (July-December)	2019-20	2018-19
Exports	19,233.45	19,302.19	33,674.12	40,535.04
Growth*(%)	-0.36	-5.84	-16.93	10.55

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

3.2 Imports (C & F)

Import growth moderated in December 20 after pickup in November 20 as import payments increased by 2.56 percent to 5.39 billion USD in December 20 compared to that of the previous year. With this growth, cumulative import payments dropped by 6.77 percent to 27.27 billion USD in July-December of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening marginally fell by 0.93 percent and LCs settlement fell by 9.30 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\$)

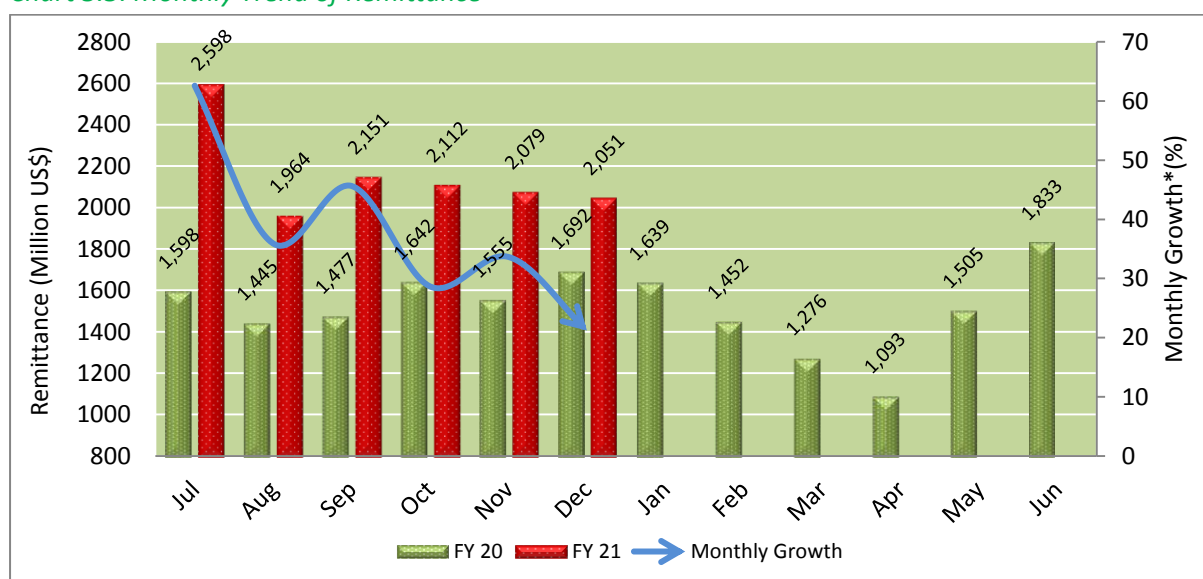
Item	2020-21 (July-December)	2019-20 (July-December)	2019-20	2018-19
Import payments	27,269.20	29,249.90	54,784.70	59,914.70
Growth* (%)	-6.77	-2.73	-8.56	1.78
LCs Opened	28,691.54	28,959.79	53,119.86	58,703.38
Growth* (%)	-0.93	-	-9.51	-16.81
LCs Settled	25,030.65	27,597.35	51,091.47	57,328.19
Growth* (%)	-9.30	-	-10.88	6.03

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

3.3 Remittances

Remittance inflow continued its bullish trend in FY21, however, the growth trend seems moderating in the recent months compared to the beginning of the fiscal year. Cumulative remittance inflow grew by 37.59 percent in July-December 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 remittance in the formal channel.

Chart 3.3: Monthly Trend of Remittance



Source: Bangladesh Bank;

Table 3.3: Remittance Performance (Million US\$)

	2020-21 (July-December)	2019-20 (July-December)	2019-20	2018-19
Remittances	12,944.75	9,407.93	18,205.11	16,419.63
As % of Export	67.30	48.74	54.06	40.51
As % of GDP	6.97	5.70	5.52	5.43
Growth (%)	37.59	25.52	10.87	9.62

Source: Bangladesh Bank;

3.4 Balance of Payments (BOP)

Fall in import payments compared to the marginal fall in export earnings has contributed to improve the trade balance in July-December of FY21 compared to the same period of the previous fiscal year. At the same time, high remittance inflow has turned the current account balance to a 4.32 Billion US\$ surplus from a 1.67 Billion US\$ deficit in the previous year. At the same time, inflows in the financial account, especially in the medium and long term loans, has turned the overall balance a 6.16 Billion US\$ surplus in December 20 compared to a small 0.27 Billion US\$ surplus in December 19.

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

	2020-21 (July- Decembe)	2019-20 (July- December)	2019-20	2018-19
Trade Balance	-6,465	-8,223	-17,861	-15,835
Current Account	4,322	-1,667	-4,849	-5,102
Capital Account	87	134	256	239
Financial Account	2,201	2,035	7,952	5,907
Error & Omission	-455	-475	296	-865
Overall Balance	6,155	27	3,655	179

Source: Bangladesh Bank;

3.5 External Reserve

The gross foreign exchange reserve stood at 43.16 billion at the end of December 20, which is enough to cover import payments of 9.50 months based on the average import liability of the previous 12 months. Foreign exchange reserve has surged at the end of December 20 on the back of higher remittance inflow and lower import payments.

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

Reserve	2020-21 (December)	2019-20 (December)	2019-20 (June)
Million US\$	43,163.54	32,689.18	36,037.03
Months of import payment	9.50	6.50	7.87

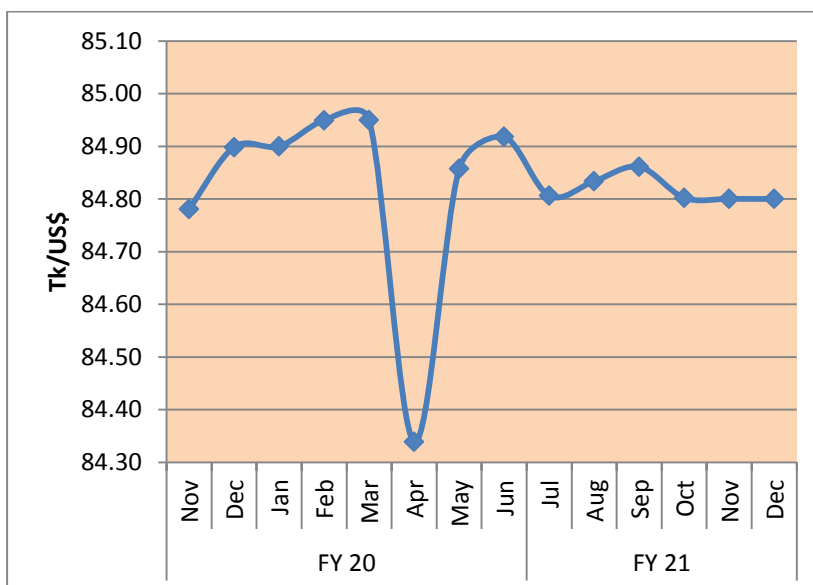
Source: Bangladesh Bank

3.6 Exchange Rate Movements

The exchange rate has remained broadly stable due mainly to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency (BDT) moved within a narrow band (84.75-85.00 BDT/US\$) in the last one year except slight appreciation (84.45 BDT/US\$) in April.

Table 3.6: Exchange Rate Movement (Taka/US\$)

Period	Average	End period
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	84.78	84.90
2020-21		
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



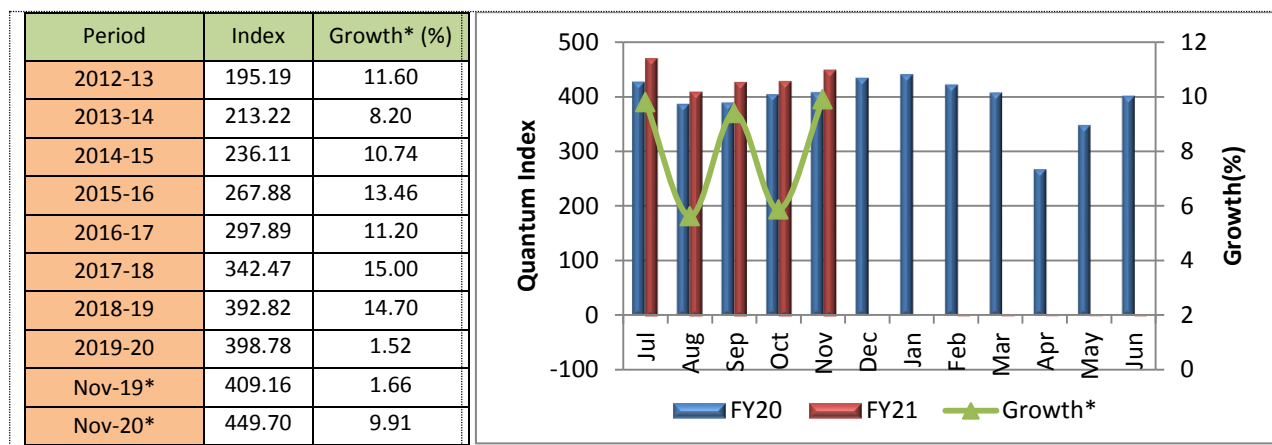
Source: Bangladesh Bank

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, has increased by 9.91 percent in November 20 compared to the level of November 19. On the other hand, Industrial production index grew by 1.66 percent in November 20 compared to the previous month (October 20).

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	
		Nov'19	Oct'20	Nov'20	Nov'20 over Nov19(%)	Nov'20 over Oct'20(%)
General Index	100	409.16	429.25	449.70	9.91	4.76
Of which Wearing apparel	34.84	394.32	376.3	395.04	0.18	4.98
Textile	14.07	266.39	258.76	250.58	-5.93	-3.16
Food products	10.84	561.17	607.57	680.64	21.29	12.03
Pharmaceuticals	8.23	871.07	988.46	1007.3	15.64	1.91
Non-metallic mineral Products	7.12	486.18	525.53	534.48	9.93	1.70
Leather & related products	4.40	381.92	505.71	502.41	31.55	-0.65

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 31.55 percent growth followed by food products with 21.29 percent growth, Pharmaceuticals with 15.64 percent growth November 20 compared to that of November 19. The Textile and wearing apparel industry are still struggling with the slower external demand caused by the COVID19 pandemic. Overall, the output of the most industries increased in November 20 compared to that of November 19.

4.2 CPI Inflation

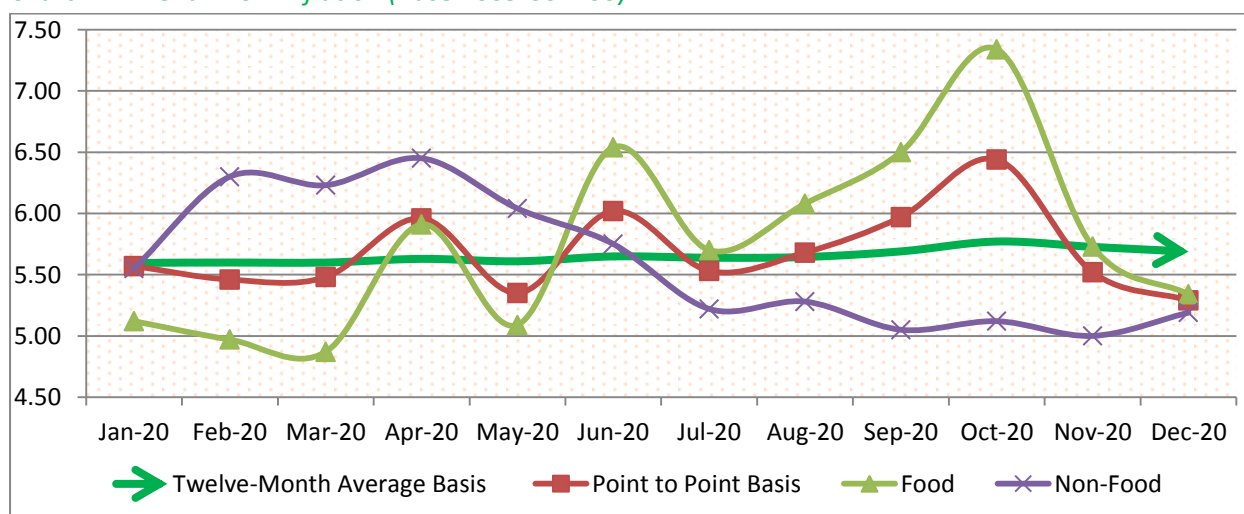
The CPI inflation (Twelve-month average basis) has edged down to 5.69 where food inflation is 5.77 and non-food inflation is 5.56 in December 20 as the food inflation moderated on the back of huge production of winter crops. That said, CPI inflation is slightly higher than the government's set target of 5.40 percent in 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
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	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

Source: Bangladesh Bank

Chart 4.1: Trend in CPI Inflation (Base 2005-06=100)



4.3 GDP Growth Outlook

Bangladesh Bureau of Statistics (BBS)' provisional data show that GDP has grown by 5.24 percent, which is 2.96 percent lower than that of the government's target in FY20. Private consumption (2.47) and private investment (1.59) are the two largest contributors to this estimated growth. On the supply side, growth was mainly driven by services (5.32) and the industrial sector (6.48). With this growth, per capita GNI rose to US\$2064 at the end of FY20. The government earlier had projected the economy would grow at 8.2 percent in FY21 in June 20. However, based on the high frequency available data and the pace of the economic recovery, the government has revised the GDP growth target at 7.40 percent in FY21 in December 20.