



Monthly Report on Fiscal-Macro Position

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Executive Summary

The December 2022 issue of the report on the Fiscal-Macro position contains relevant data and analysis on the movement of major macroeconomic variables during the July-December 2022 period compared to the same period of the previous year. An overview of the report is given below:

Fiscal Sector

An increase in tax revenue of 23.20 percent and an increase in non-tax revenue of 14.93 percent resulted in an increase of 22.31 percent of the total revenue collection during the July-December 2022 period compared to the same period of the previous fiscal year. Total government spending increased by 6.08 percent during the July-December 2022 period compared to the same period of the previous fiscal year. The Overall budget deficit including grants was 0.23 percent of the targeted GDP at the end of December 2022¹.

Monetary Sector

Broad Money (M2) increased by 8.47 percent at the end of December 2022 which resulted from 14.95 percent growth in the net domestic asset (NDA) and 13.48 percent decline in the net foreign asset (NFA). At the end of December 2022, reserve money grew by 17.43 percent resulting in a fall in the money multiplier by 0.38 on year-on-year basis.

External Sector

During the July-December 2022 period, exports registered 10.58 percent growth compared to the exports of the same period in the previous year. For the same period, import payments decreased by 2.21 percent and remittance inflow increased by 2.50 percent. At the end of December 2022, foreign exchange reserves stood at US\$ 33.7 billion, which was equivalent to the import payments of 5.3 months.

Real Sector

In September 2022, the quantum Index of the large and medium-scale manufacturing industry decreased by 2.03 percent compared to the index in the same month of the previous year. Wearing apparel products declined by 2.21 percent while leather & related products grew point-to-point by 26.09 percent. Inflation (point to point) decreased to 8.71 percent in December 2022 from 8.85 percent in November 2022. Food inflation decreased from 8.14 to 7.91 percent and non-food inflation decreased from 9.98 to 9.96 percent.

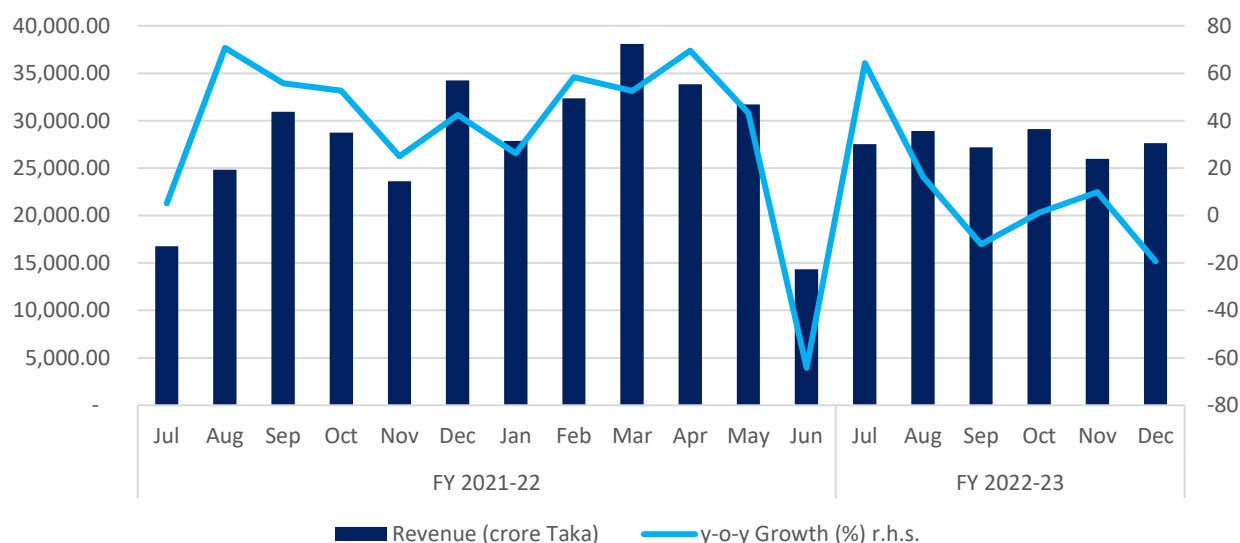
¹ Fiscal sector data collected from iBAS on 16 February 2023

1. FISCAL SECTOR

1.1 Revenue Earnings

Revenue collection in July-December FY23 demonstrated an uptrend as tax revenue increased by 23.20 percent and non-tax revenue increased by 14.93 percent than that of July-December FY22. The overall increase in revenue is 22.31 percent on July-December FY23 compared to that of July-December FY22.

Chart 1.1: Trend of Government's monthly 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		
2022-23 (July-December)	141,004.30	3,897.40	144,901.70	16,386.62	161,288.32
2021-22 (July-December)	115,207.20	2,408.45	117,615.66	14,257.31	131,872.97
Growth (%)	22.39	61.82	23.20	14.93	22.31
2021-22 (Actual)	287,222.71	6,704.34	293,927.06	35,077.58	329,004.64
2020-21 (Actual)	263,885.54	5,917.46	269,803.00	58,861.75	328,664.75
Growth (%)	8.84	13.30	8.94	(40.41)	0.10

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

1.2 Government Expenditure

Total operating expenses decreased by 1.41 percent to Tk. 124,038.50 crore in July-December FY23 compared to Tk. 123,368.73 crore in July-December FY22. The ADP implementation in July-December FY23 increased by 19.02 percent compared to that of July-December FY22. Overall government expenditure increased by 6.08 percent in July-December FY23 compared to that of July-December FY22. According to the Implementation,

Monitoring and Evaluation Division (IMED) of the Ministry of Planning, 23.53% of ADP allocations were utilized during the July-December 2022 period.

Table 1.2: Government Expenditure (Crore taka)

	2022-23 (July- December)	2021-22 (July- December)	Growth (%) (July- December)	2021-22	2020-21	Yearly Growth (%)
a1. Operating Recurrent Expenditure	124,038.50	123,368.73	0.54	307,161.85	265,893.00	15.52
Pay and Allowances	26,693.30	29,572.20	-9.74	62,851.17	58,891.13	6.72
Use of Goods and Services	8,161.07	9,838.30	-17.05	31,772.30	30,517.76	4.11
Interest Payment	35,092.46	34,787.63	0.88	77,730.91	70,605.96	10.09
<i>Domestic</i>	34,082.19	32,432.74	5.09	73,177.25	66,318.59	10.34
<i>Foreign</i>	1,010.27	2,354.89	-57.10	4,553.66	4,287.36	6.21
Subsidies and Transfer	54,091.66	49,170.61	10.01	134,807.47	105,878.16	27.32
a2. Operating Capital Expenditure	2,173.32	4,653.33	-53.30	17,956.44	19,937.00	-9.93
a) Total Operating Expenditure (a1+a2)	126,211.81	128,022.07	-1.41	325,118.30	285,830.00	13.75
b) Outlay for Food Accounts	10,037.29	7,062.61	42.12	3,249.02	4,246.28	-23.49
c) Loans and Advances-Net	-1,197.63	-3,441.26	-65.20	-5,104.12	592.92	-960.84
d) Development Expenditure	36,415.57	29,994.39	21.41	194,882.73	169,490.71	14.98
<i>Of which ADP</i>	35,260.97	29,626.46	19.02	186,076.00	160,495.36	15.94
Total Expenditure (a+b+c+d)	171,467.05	161,637.81	6.08	518,145.94	460,159.92	12.60
Total Expenditure (as % of GDP)	23.12	24.39	-1.27	13.03	13.04	0.00
Memo Item:GDP	4,449,959.12	3,976,462.00	11.91	3,976,462.00	3,530,184.80	12.64

Source: Finance Division and Latest BBS Publications with the new base 2015-16. * Projected GDP for FY2022-23.

1.3 Budget Deficit

Moderate growth in revenue collection coupled with a fall in overall expenditure in December FY23, resulted in the overall budget deficit (including grants) of Tk 10166.48 crore which is 0.23 percent of the projected GDP for FY23. For the same period of the previous Fiscal Year, the overall budget deficit had been Taka 4401.32 crore which was 0.11 percent of GDP of that year.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP	GDP
2022-23 (July- December)	-10166.48	-0.23	4,449,959.12
2021-22 (July- December)	-4401.32	-0.11	3,976,462.00
2021-22	-186,811.09	-4.70	3,976,462.00
2020-21	-129,146.94	-4.79	3,530,184.80

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 two months of the fiscal year to repay the non-bank borrowing loans undertaken in the past. Therefore, the Government has financed its budget deficit predominantly from the bank and external sources on December FY23.

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

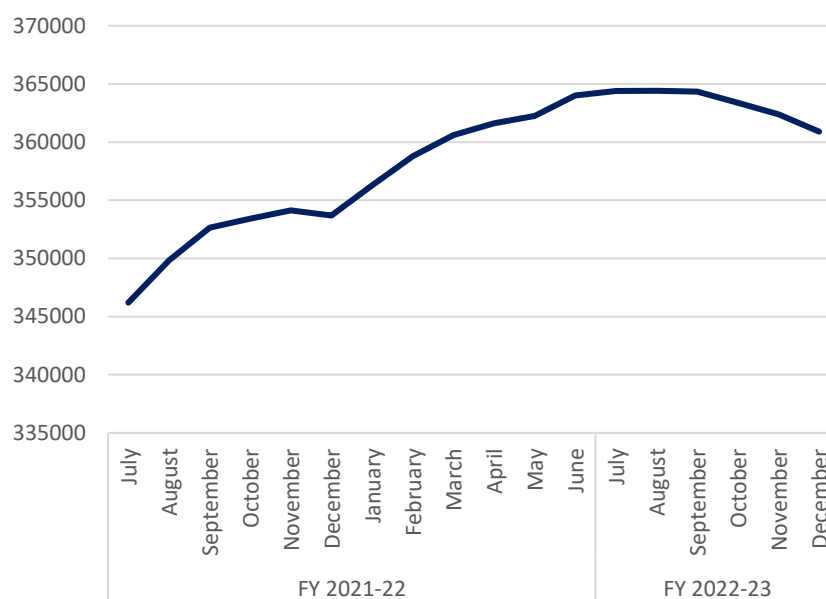
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2022-23 (July- December)	4,897.64	24,716.69	-19,861.88	4,854.81	9,752.45	0.22
2021-22 (July- December)	2,316.85	19,762.37	-17,682.58	2,079.78	4,396.63	0.11
2021-22	65,020.91	75,532.53	45,270.23	120,802.76	185,823.67	4.67
2020-21	45,708.08	32,672.89	49,913.12	82,586.01	128,294.09	3.63
Target in 2022-23	95,458.00	106,334.00	40,001	146,335	241,793	5.43
Financing composition		External (Net)	Domestic		Total Financing	Total Financing
2022-23 (July-December)		50.22%	253.44%	203.66%	49.78%	100.00%
2021-22 (July-December)		52.70%	449.49%	402.18%	47.30%	100.00%
2021-22		34.99%	40.65%	24.36%	65.01%	100.00%
2020-21		35.63%	25.47%	38.91%	64.37%	100.00%
Target in 2022-23		39.48%	43.98%	16.54%	60.52%	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 by 21.61 percent July-December FY23 compared to same period of FY22 due to undertaking some strict policy measures. The net sale of NSCs during July- December of FY23 decreased by 132.40 percent compared to the same period of the previous year. The outstanding stock of NSCs stands at taka 362,399.16 crore at the end of December FY23 which is 2.34 percent higher compared to the stock at the end of FY22.

Chart 1.2: Trend of monthly stock of NSC (crore Taka)



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
2022-23 (July-December)	40471.82	43578.67	-3,106.85	362,399.16
2021-22 (July-December)	51,632.07	42042.29	9,589.78	354,119.63
Growth (%)	-21.61	3.65	-132.40	2.34
2021-22	108,070.53	88,154.78	19,915.75	364,010.13
2020-21	112,188.24	70,228.70	41,959.54	344,093.89
Growth (%)	-3.67	25.53	-52.54	5.79

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) increased by 8.47 percent at the end of December FY23 compared to that of December FY22. Of the sources of broad money, Net Domestic Asset (NDA) increased by 14.95 percent while Net Foreign Asset decreased by 13.48 percent. Despite strong public sector credit growth, government borrowing from the banking system contributed to the less than expected credit growth in the private sector. Again, a negative growth in NFA contributed to the negative growth of broad money in December FY23 compared to that of June FY22.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock			% Changes in	
	at the end of the period			Outstanding stock	
	Dec-22	Dec-21	Jun-22	Dec-22 over Dec-21	Dec-22 over June-22
A. Net Foreign Assets (NFA)	3,193.97	3,691.55	3,642.99	-13.48	-12.33
B. Net Domestic Asset (NDA)	14,385.71	12,514.79	13,438.23	14.95	7.05
a. Domestic Credit	17,617.61	15,321.87	16,717.49	14.98	5.38
Public Sector	3,356.28	2,689.40	3,205.13	24.80	4.72
Govt. (Net)	2,936.19	2,345.44	2,833.15	25.19	3.64
Other Public	420.09	343.96	371.99	22.13	12.93
Private sector	14,261.33	12,632.47	13,512.36	12.89	5.54
b. Other Items (Net)	-3,231.90	-2,807.08	-3,279.26	15.13	-1.44
C. Broad Money (A+B)	17,579.68	16,206.34	17,081.22	8.47	2.92

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 17.43 percent at the end of December FY23 compared to that of December FY22. Money multiplier rose to 4.63 at the end of December 2022 from 4.92 at the end of June 2022, resulting from a decrease of reserve deposit ratio. However, the rise of currency deposit ratio had offset the rise of multiplier to some extent.

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

Items	Outstanding Stock at the end of the period			Changes in Outstanding Stock	
	Dec-22	Dec-21	Jun-22	Dec-22 over Dec-21	Dec-22 over June-22
Reserve money	3,800	3,236	3,472	17.43%	9.46%
Money multiplier	4.63	5.01	4.92	-0.38	-0.29

Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

During the July-December 2022 period, total exports continued to grow above the strategic target. Exports increased by 10.58 percent in this period compared to the export of the same period of the previous year. This higher growth in export is due to strong rebound in demand for apparels in the major export destinations of Bangladesh, as the economies are recovering from the shock of the Covid-19 pandemic.

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\$)

	2022-23	2021-22	2021-22	2020-21
	(July-December)	(July- December)		
Export	27,311.25	24,698.55	52,082.66	38,758.31
Growth*(%)	10.58	-0.31	34.38	15.10

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

3.2 Imports (C & F)

Imports decreased by 2.21 percent on December FY23 compared to that of December FY22. Mentionable that most of the part of the last fiscal year, import increased significantly over the level of the previous year. Import surged due to rebound in commodity demand of apparel exports with recovering of economies from the shock of the covid-19 pandemic, which resulted in a rise in the opening of back-to-back Letter of Credits (LCs) of for importing of raw materials. But due to some tuff monitoring by Bangladesh Bank, the import trend is showing down trend. The trend is also seen in the fact that LCs settlement grew by 7.71 percent in December FY23 compared to that of December FY22. However, due to various measures of the government to curtail import, Letter of Credit (LC) opening started to decreased and on a year-on year basis it was 22.52 percent lower in December FY23.

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\$)

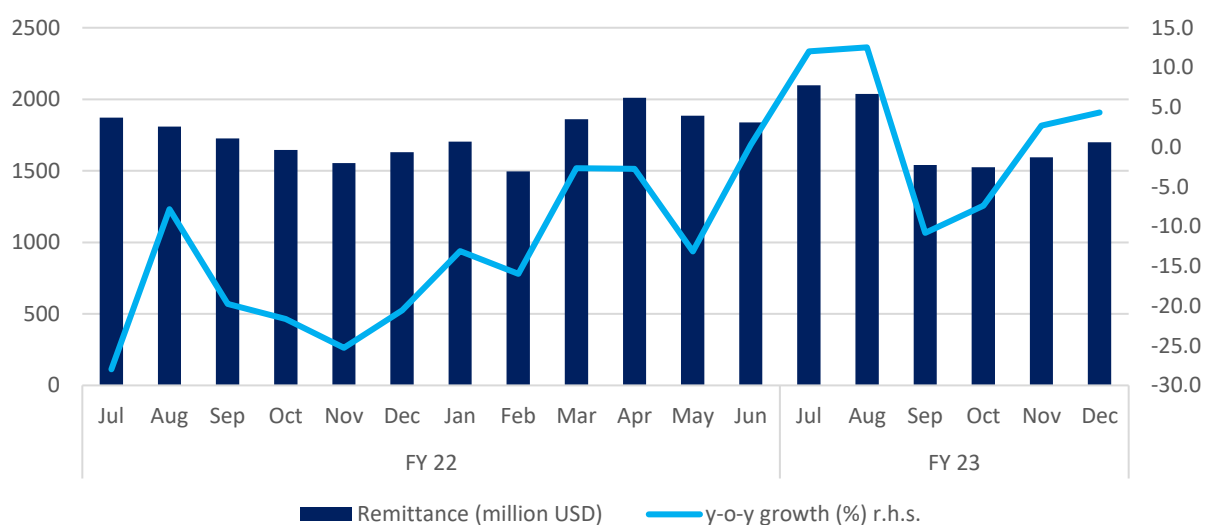
Period	2022-23	2021-22	2020-21	2019-20
	(July-December)	(July-December)		
Import payments	41,192.60	33,685.50	89,162.00	65,594.70
Growth (%)	-2.21		35.93	19.73
LCs Opened	34,101.66	44,015.96	67,037.42	53,119.86
Growth (%)	-22.52		26.20	-9.51141
LCs Settled	41,374.87	38,411.69	57,256.40	51,091.47
Growth (%)	7.71	-	12.07	-10.879

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

3.3 Remittances

Workers' remittances in December FY23 increased by 2.50 percent to USD 10496.85 million against USD 10237.49 million in December FY22. Various initiatives of the Government to incentivize remittance inflow such as 2.5 percent cash incentive, easing the rules on the furnishing of documents and depreciation of exchange rate (BDT/USD) might have worked on the overseas migrants to send remittances through legal channel. The rising number of labour migration in FY22 may also have a positive impact on inward remittances.

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\$)

	2022-23	2021-22	2021-22	2020-21
	(July-December)	(July- December)		
Remittances	10,493.85	10,237.49	21,031.68	24,669.51
As % of Export	38.42	51.73	40.38	63.65
As % of GDP	26.86	26.25	4.57	5.93
Growth (%)	2.50	-19.30	35.51	10.87

Source: Bangladesh Bank;

3.4 Balance of Payments (BOP)

The trade deficit gap narrowed in July-December of FY23 compared to the same period of the previous fiscal year as the import is put under stern monitoring by the Bangladesh Bank. The current account deficit shrank to US\$ 5270 million from US\$ 8297 million in the same period of the previous year. But due to huge negative growth in the financial account the overall deficit stood at US\$ 7.1 billion at the end of December FY23 compared to a 1.8 billion US\$ deficit during the same period of the previous year.

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

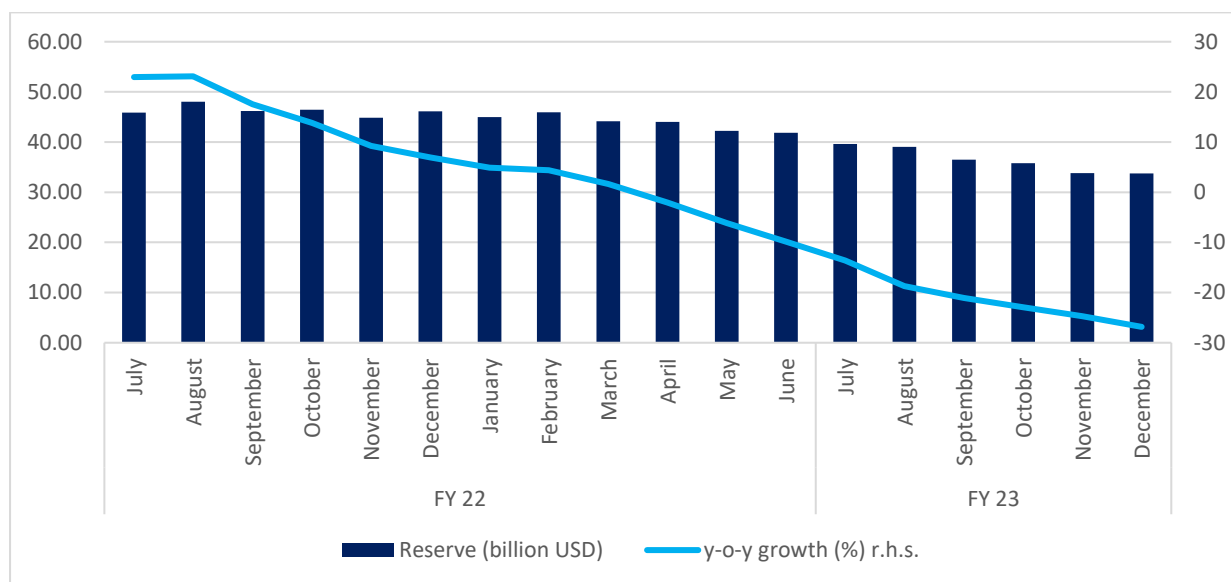
	2022-23	2021-22	2021-22	2020-21
	July-Dec	July-Dec		
Trade Bal.	-12,300	-15,707	-22,799	-17,858
Curr. A/C	-5,270	-8,297	-3,808	-4,724
Cap. A/C	171	138	221	256
Fin. A/C	-1,098	6,894	13,080	7,809
E & O	-972	-526	-219	-172
Over. Bal.	-7,169	-1,791	9,274	3,169

Source: Bangladesh Bank;

3.5 External Reserve

Gross foreign exchange reserves stood at USD 33.7 billion in December FY23 which was sufficient to pay import liability of 4.9 months, considering the average imports of the first six months of the current fiscal year.

Chart 3.4: Foreign Exchange Reserve (End of the month)

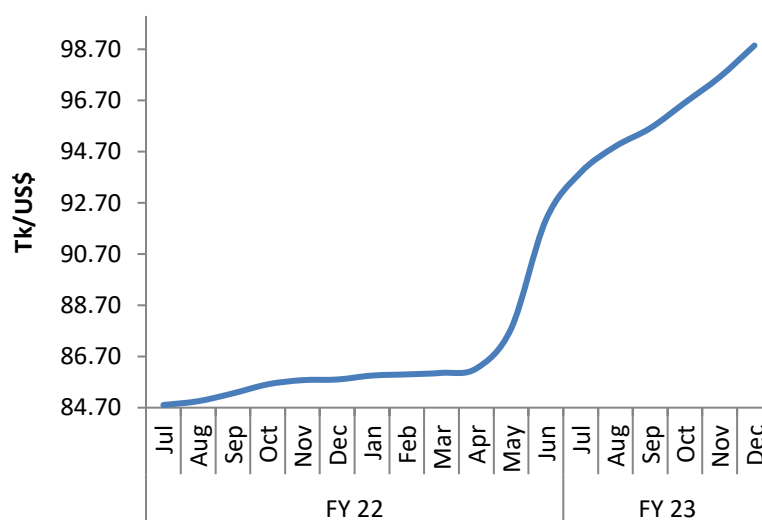


Source: Bangladesh Bank

3.6 Exchange Rate Movements

Starting from January 2022, Taka depreciated by 11.2 percent as compared to its level at the end of December 2022 and reached BDT 99.94 per USD. The depreciation of Taka can be attributed to the lower inflow of remittances and higher import payments that have created excess pressure on foreign exchange reserves. Bangladesh Bank acted upon the foreign exchange market with a large net sale of USD to stabilize Taka.

Chart 3.5: Exchange Rate Movement (Taka/US\$)



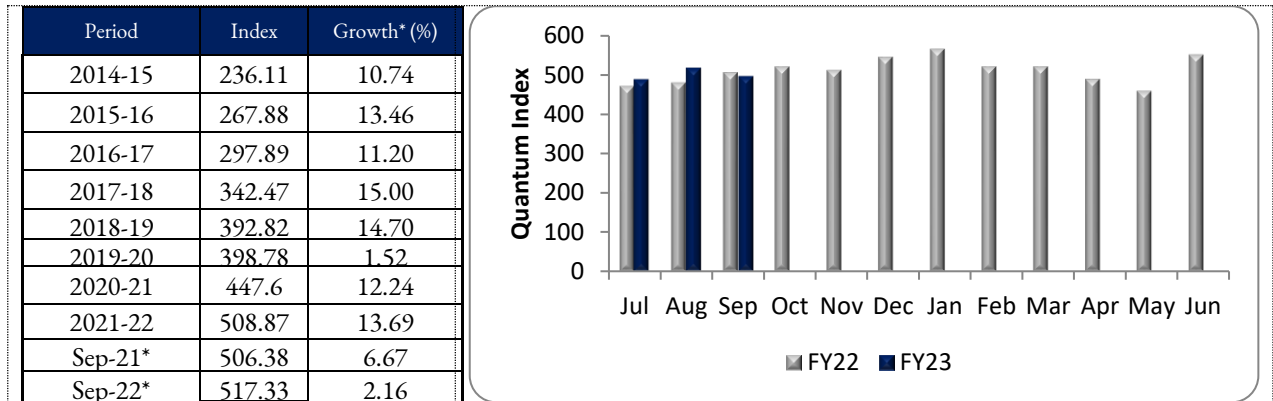
Source: Bangladesh Bank;

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 2.16 percent in September FY23 compared to the level of September FY22.

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

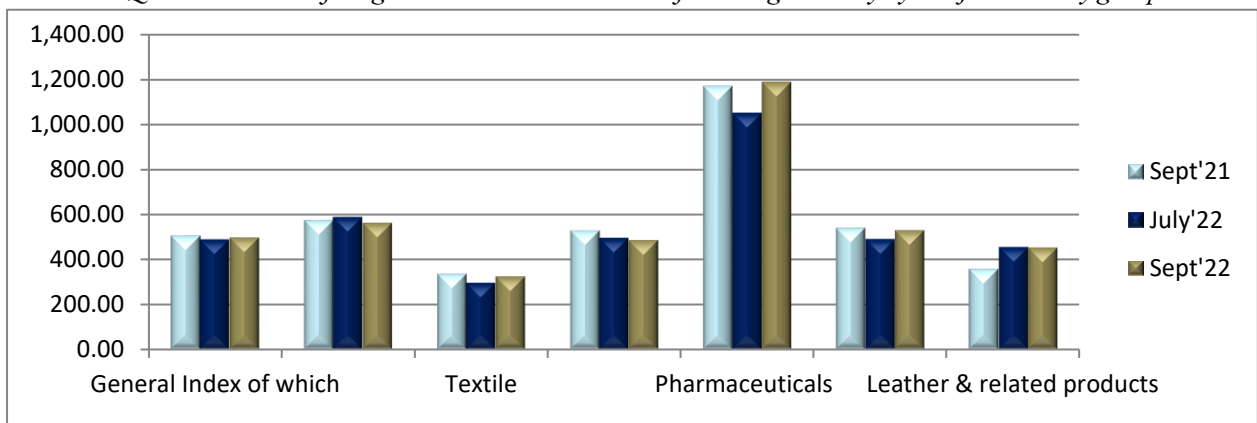
Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

Major Industry Group	Weight	Index			Change of Index	
		Sept'21	July'22	Sept'22	Sept'22 over Sept'21 (%)	Sept'22 over July'22(%)
General Index of which	100	506.38	487.4	496.10	-2.03	1.78
Wearing apparel	34.84	574.86	587.88	562.13	-2.21	-4.38
Textile	14.07	336.08	294.71	323.97	-3.60	9.93
Food products	10.84	528.86	493.95	485.21	-8.25	-1.77
Pharmaceuticals	8.23	1170.46	1048.25	1186.44	1.37	13.18
Non-metallic mineral Products	7.12	540.38	489.57	529.13	-2.08	8.08
Leather & related products	4.40	358.36	453.86	451.87	26.09	-0.44

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

Industrial production by major industry group shows that wearing apparel products experienced 4.38 percent fall back followed by Leather & related products with 0.44 percent shrink in September FY23 compared to that of September FY22.

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



4.2 CPI Inflation

Point to point inflation decreased to 8.71 percent in December FY23 from 8.85 percent of November FY23 where food inflation decreased from 8.14 to 7.91 percent, non-food inflation decreases slightly from 9.98 to 9.96 percent. On twelve-month average basis inflation rose to 7.70 percent in December FY23 from 7.48 percent in November FY23, which is 0.2 percentage point higher than the target of 7.50 percent for FY23. A steady rise in the point-to-point inflation since November 2021 was the key factor behind the growing trend of the twelve-month average inflation. Rising commodity prices in the international markets following the demand-supply mismatch powered by Russia-Ukraine war might be the main factors for the aggravating inflation situation since the start of economic reopening from the shock of COVID-19 pandemic.

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
2021-22						
October	5.44	5.32	5.64	5.7	5.22	6.48
November	5.48	5.29	5.78	5.98	5.43	6.87
December	6.55	5.30	5.93	6.05	5.46	7.00
January	5.62	5.33	6.06	5.86	5.6	6.26
February	5.69	5.4	6.13	6.17	6.22	6.10
March	5.75	5.47	6.19	6.22	6.34	6.04
April	5.81	5.53	6.26	6.29	6.23	6.39
May	5.99	5.81	6.27	7.42	8.3	6.08
June	6.15	6.05	6.31	7.56	8.37	6.33
2022-23						
July	6.33	6.31	6.35	7.48	8.19	6.39
August	6.66	6.71	6.58	9.52	9.94	8.85
Sep	6.96	7.04	6.84	9.1	9.08	9.13
Oct	7.23	7.32	7.1	8.91	8.5	9.58
Nov	7.48	7.55	7.37	8.85	8.14	9.98
Dec	7.70	7.75	7.62	8.71	7.91	9.96

Source: Bangladesh Bank

4.3 GDP Growth Outlook

The latest publication of the Bangladesh Bureau of Statistics (BBS) (with the new base 2015-16) shows that GDP grew by 7.1 percent in FY22. With this growth, per capita GNI rose to US\$ 2,793 at the end of FY22. According to the Medium-Term Macroeconomic Policy Statement (FY23 to FY25), the growth target for FY23 is 7.50 percent.