



Monthly Report on Fiscal-Macro Position

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Executive Summary

The February 2023 issue of the report on the 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

A slight decrease in tax revenue by 0.72 percent and an increase in non-tax revenue by 6.76 percent resulted in a total revenue collection increase of 0.01 percent after the eighth month of FY23 compared to the same period of the previous fiscal year. For the July-February period, total government spending increased by 10.47 percent. The Overall budget balance(deficit) including grants was 0.48 percent of the targeted GDP at the end of the eighth month of FY23¹.

Monetary Sector

Broad Money (M2) increased by 8.77 percent at the end of the eighth month of FY23 which resulted from 15.14 percent growth in the Net Domestic Asset (NDA) and -13.34 percent growth in the Net Foreign Asset (NFA). At the same time, reserve money grew only by 8.71 percent resulting no change of the money multiplier on a year-on-year basis.

External Sector

Export registered an encouraging growth of 9.56 percent at the end of the eighth month of FY23 compared to the export of the same period of the previous year. For the same period, import payments decreased by 10.32 percent. However, remittance inflow increased by 4.29 percent and foreign exchange reserve stood at US\$ 33.3 billion, which was equivalent to the import payments of 4.46 months at the end of the eighth month of FY23.

Real Sector

Compared to September FY22, in September FY23, the quantum Index of the large and medium-scale manufacturing industry decreased by 2.03 percent. During this period, wearing apparel products experienced -2.21 percent growth followed by Leather & related products with 26.09 percent growth. Inflation (point to point) increased to 8.78 percent in February FY23 from 8.57 percent in January FY23 where food inflation increased from 7.76 to 8.13 percent and non-food inflation decreased slightly from 9.84 to 9.82 percent.

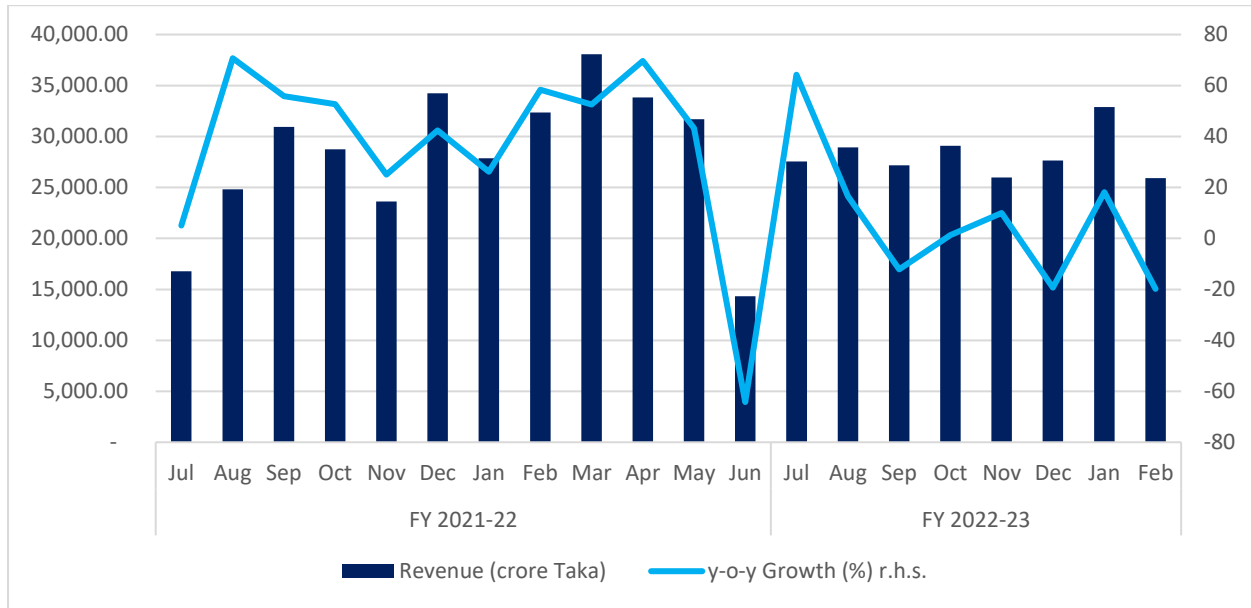
¹ Fiscal sector data collected from iBAS on 23 March 2023

1. FISCAL SECTOR

1.1 Revenue Earnings

Accumulated revenue collection in July-February FY23 demonstrated slightly uptrend as Tax revenue decrease by 0.72 percent and non-tax revenue increased by 6.76 percent than that of July-February FY22. The overall increase in revenue is 0.01 percent on July-February FY23 compared to that of July-February 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-February)	204,156.91	5,326.93	209,483.84	24,416.86	233,900.69
2021-22 (July-February)	206,810.71	4,189.83	211,000.54	22,870.22	233,870.76
Growth (%)	(1.28)	27.14	(0.72)	6.76	0.01
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 increased by 11.37 percent to Tk. 192,945.13 crore in July-February FY23 compared to Tk. 173,240.42 crore in July-February FY22. However, the ADP implementation in July-February FY23 decreased by 5.41 percent compared to that of July-February FY22. The case of overall development expenditure is almost same as ADP expenditure. Overall government expenditure decreased by 10.47 percent in July-February

FY23 compared to that of July-February FY22. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 128 percent.

Table 1.2: Government Expenditure (Crore taka)

	2022-23 (July- February)	2021-22 (July- February)	Growth (%) (July- February)	2021-22	2020-21	Yearly Growth (%)
a1. Operating Recurrent Expenditure	188,307.97	165,761.50	13.60	307,161.85	265,893.00	15.52
Pay and Allowances	37,089.84	38,704.20	-4.17	62,851.17	58,891.13	6.72
Use of Goods and Services	13,543.75	14,494.46	-6.56	31,772.30	30,517.76	4.11
Interest Payment	56,221.80	46,028.53	22.15	77,730.91	70,605.96	10.09
<i>Domestic</i>	53,487.44	42,824.02	24.90	73,177.25	66,318.59	10.34
<i>Foreign</i>	2,734.36	3,204.51	-14.67	4,553.66	4,287.36	6.21
Subsidies and Transfer	81,452.57	66,534.30	22.42	134,807.47	105,878.16	27.32
a2. Operating Capital Expenditure	4,637.16	7,478.92	-38.00	17,956.44	19,937.00	-9.93
a) Total Operating Expenditure (a1+a2)	192,945.13	173,240.42	11.37	325,118.30	285,830.00	13.75
b) Outlay for Food Accounts	10,984.56	8,451.93	29.97	3,249.02	4,246.28	-23.49
c) Loans and Advances-Net	-1,133.49	-4,457.76	-74.57	-5,104.12	592.92	-960.84
d) Development Expenditure	52,305.80	53,699.10	-2.59	194,882.73	169,490.71	14.98
<i>Of which ADP</i>	48,353.72	51,119.85	-5.41	186,076.00	160,495.36	15.94
Total Expenditure (a+b+c+d)	255,101.99	230,933.70	10.47	518,145.94	460,159.92	12.60
Total Expenditure (as % of GDP)	34.40	34.85	-0.45	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

Slight growth in revenue collection coupled with a moderate growth of overall expenditure in February FY23, resulted in the overall budget deficit (including grants) of Tk 21184.86crore which is 0.48 percent of the projected GDP for FY23. For the same period of the previous Fiscal Year, the overall budget surplus had been taka 2955.00crore which was 0.07 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- February)	-21184.86	-0.48	4,449,959.12
2021-22 (July- February)	2955.00	0.07	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 seven 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 February FY23.

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

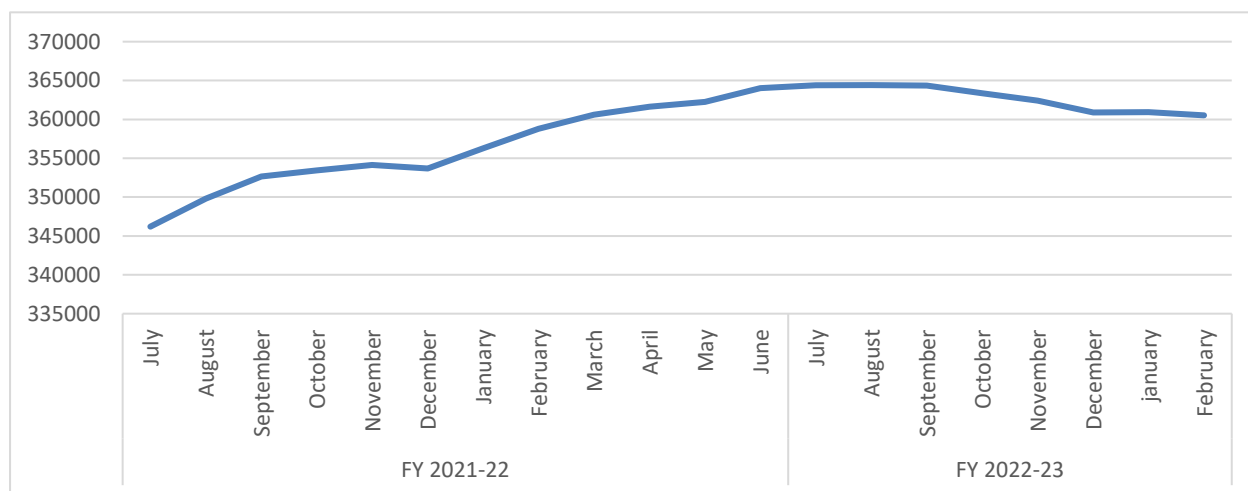
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2022-23 (July- February)	8,966.75	55,249.46	-43,714.90	11,534.56	20,501.32	0.46
2021-22 (July- February)	11,920.96	32,614.17	-47,502.52	-14,888.35	-2,967.39	-0.07
2021-22	65,020.91	75,532.53	45,270.23	120,802.76	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	106,334.0	40,001	146,335	241,793	5.43
Financing composition		External (Net)	Domestic		Total Financing	
			Bank	Non-Bank	Total	
2022-23 (July-February)		43.74%	269.49%	213.23%	56.26%	100.00%
2021-22 (July-February)		401.73%	1099.08%	1600.82%	501.73%	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 20.85 percent in January FY23 compared to that of January FY22 due to undertaking some strict policy measures. The net sale of NSCs during July- January of FY23 decreased by 125.23 percent compared to the same period of the previous year. The outstanding stock of NSCs stands at taka 360,940.70 crore at the end of January FY23 which is 1.31 percent higher compared to that of January 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-February)	55862.12	59371.63	-3,509.51	360,500.62
2021-22 (July-February)	71,055.53	56366.11	14,689.42	358,792.46
Growth (%)	-21.38	5.33	-123.89	0.48
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 8.77 percent at the end of February FY23 compared to that of February FY22. Of the sources of broad money, Net Domestic Asset (NDA) increased by 15.14 percent while Net Foreign Asset decreased by 13.34 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 slower growth of broad money in February 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	
	Feb-23	Feb-22	Jun-22	Feb-23 over Feb-22	Feb-23 over June-22
A. Net Foreign Assets (NFA)	3,142.76	3,626.66	3,642.99	-13.34	-13.73
B. Net Domestic Asset (NDA)	14,487.55	12,582.68	13,438.23	15.14	7.81
a. Domestic Credit	17,871.84	15,462.38	16,717.49	15.58	6.91
Public Sector	3,531.15	2,673.83	3,205.13	32.06	10.17
Govt. (Net)	3,098.66	2,314.67	2,833.15	33.87	9.37
Other Public	432.49	359.16	371.99	20.42	16.26
Private sector	14,340.69	12,788.55	13,512.36	12.14	6.13
b. Other Items (Net)	-3,384.29	-2,879.70	-3,279.26	17.52	3.20
C. Broad Money (A+B)	17,630.31	16,209.34	17,081.22	8.77	3.21

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 8.71 percent at the end of February FY23 compared to that of February FY22. Money multiplier rose to 5.03 at the end of February 2023 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	
	Feb-23	Feb-22	Jun-22	Feb-23 over Feb-22	Feb-23 over June-22
Reserve money	3,503	3,223	3,472	8.71%	0.92%
Money multiplier	5.03	5.03	4.92	0.00	0.11

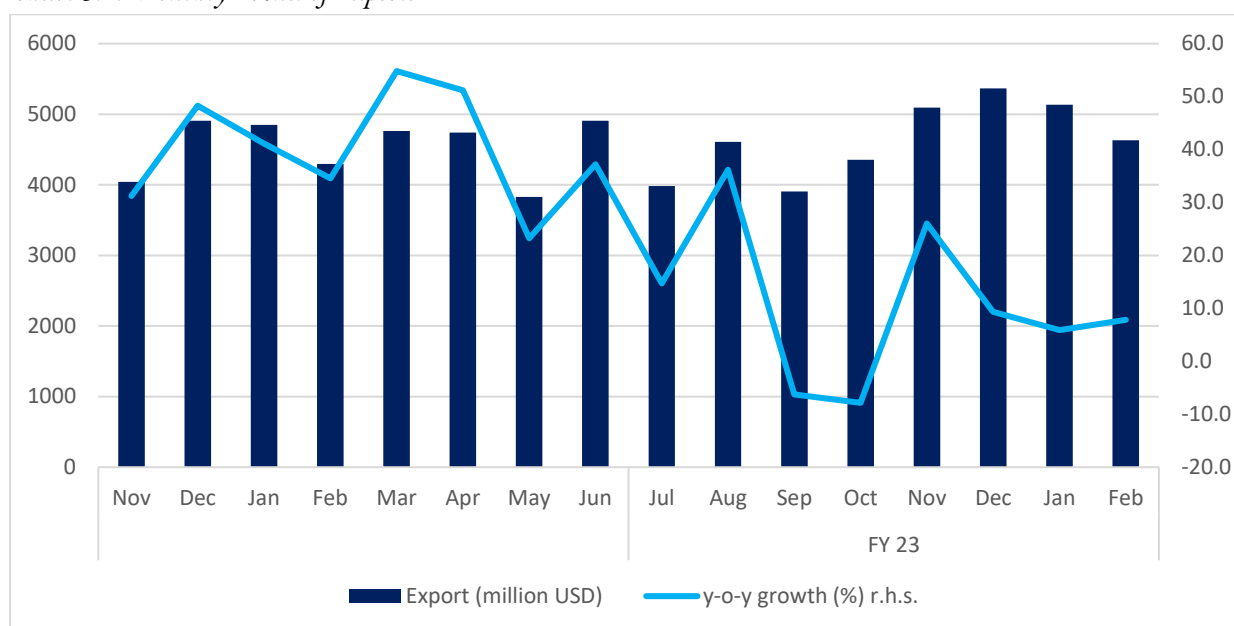
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

In February FY23, total export continued to grow above the strategic target. Export increased by 9.56 percent on February FY23 compared to the export of February FY22. 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\$)

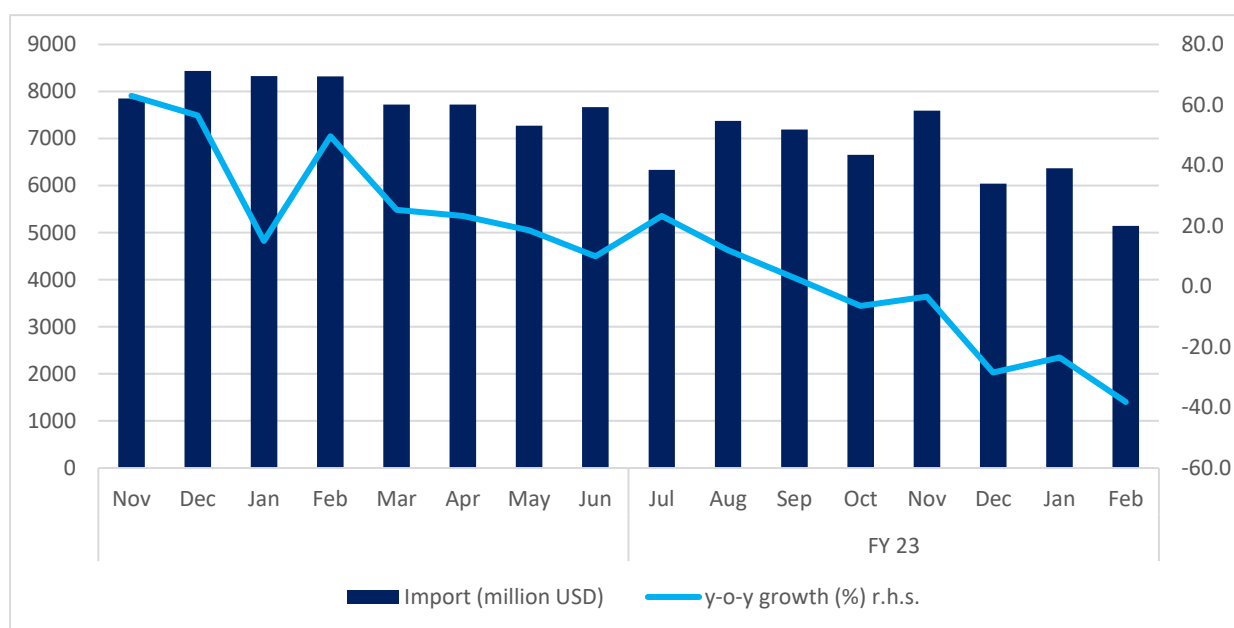
	2022-23	2021-22	2021-22	2020-21
	(July-February)	(July- February)		
Export	37,077.67	19,790.87	52,082.66	38,758.31
Growth*(%)	9.56	-0.31	34.38	15.10

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

3.2 Imports (C & F)

Imports decreased by 10.32 percent on February FY23 compared to that of February FY22. Mentionable that most of the part of the last fiscal year, import increased significantly over the level of the previous year. Import showing down trend due to some controlled monitoring measures taken by Bangladesh Bank. The trend is also seen in the fact that LCs settlement decreased by 1.22 percent in February FY23 compared to that of February FY22. Due to various measures of the government to curtail import, Letter of Credit (LC) opening started to decrease and on a year-on year basis it was 23.45 percent lower in February 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\$)

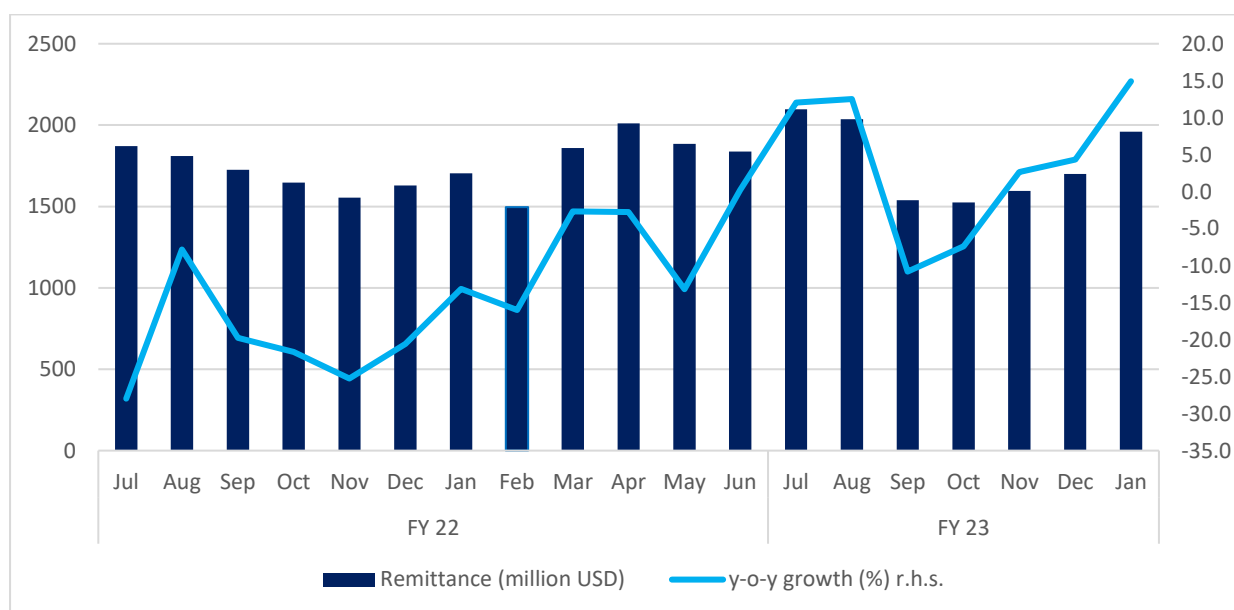
Period	2022-23	2021-22	2020-21	2019-20
	(July-February)	(July-February)		
Import payments	52,711.20	50,449.00	89,162.00	65,594.70
Growth (%)	-10.32		35.93	19.73
LCs Opened	45,515.29	59,459.13	67,037.42	53,119.86
Growth (%)	-23.45		26.20	-9.51141
LCs Settled	52,019.02	52,660.95	57,256.40	51,091.47
Growth (%)	-1.22	-	12.07	-10.879

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

3.3 Remittances

Workers' remittances in February FY23 increased by 4.29 percent to USD 14,013.98 million against USD 11,941.94 million in February 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-February)	(July- February)		
Remittances	14,013.98	11,941.94	21,031.68	24,669.51
As % of Export	37.80	60.34	40.38	63.65
As % of GDP	40.14	30.99	4.57	5.93
Growth (%)	4.29	-19.30	35.51	10.87

Source: Bangladesh Bank;

3.4 Balance of Payments (BOP)

The trade deficit gap narrowed in July-February 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 became US\$ -4387 million compared to a deficit of US\$ -12964 million for the same period of the previous year. But due to huge negative growth in the financial account the overall deficit stood at US\$ 7.9 billion at the end of February FY23 compared to a 2.2 billion US\$ deficit in the same time of the previous year.

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

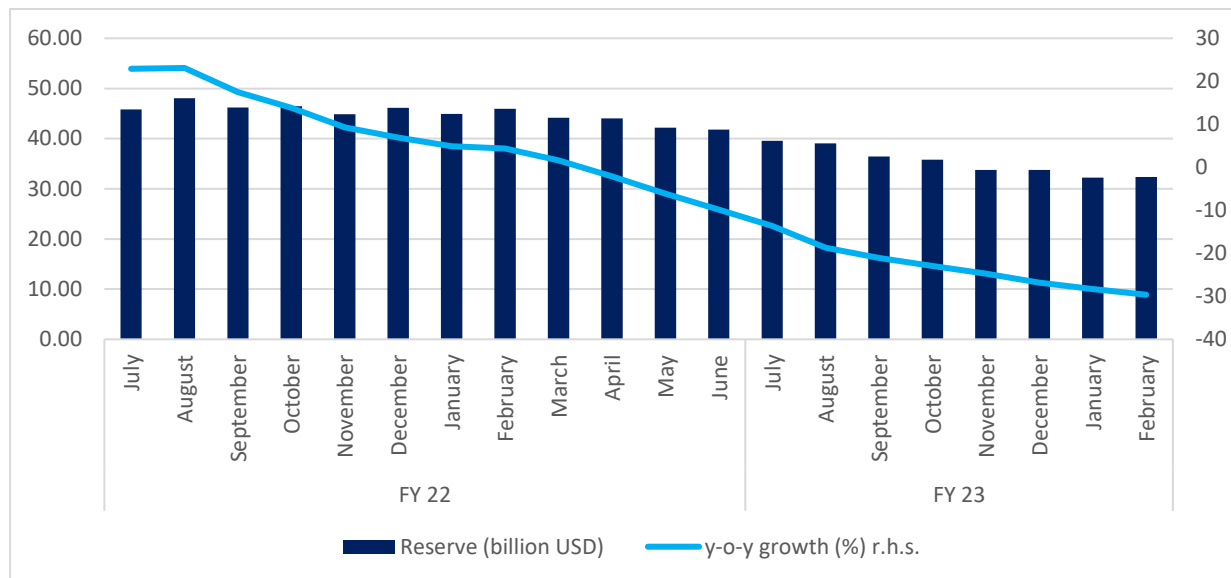
	2022-23	2021-22	2021-22	2020-21
	July-Feb	July-Feb		
Trade Bal.	-13828	-22431	-22799	-17858
Curr. A/C	-4387	-12964	-3808	-4,724
Cap. A/C	203	143	221	256
Fin. A/C	-1,537	11905	13080	7,809
E & O	-2,228	-1,306	-219	-172
Over. Bal.	-7,949	-2,222	9274	3,169

Source: Bangladesh Bank;

3.5 External Reserve

Gross foreign exchange reserves stood at USD 32.3 billion in February FY23 which was sufficient to pay import liability of 4.5 months, considering the average of the previous 12 months' imports.

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

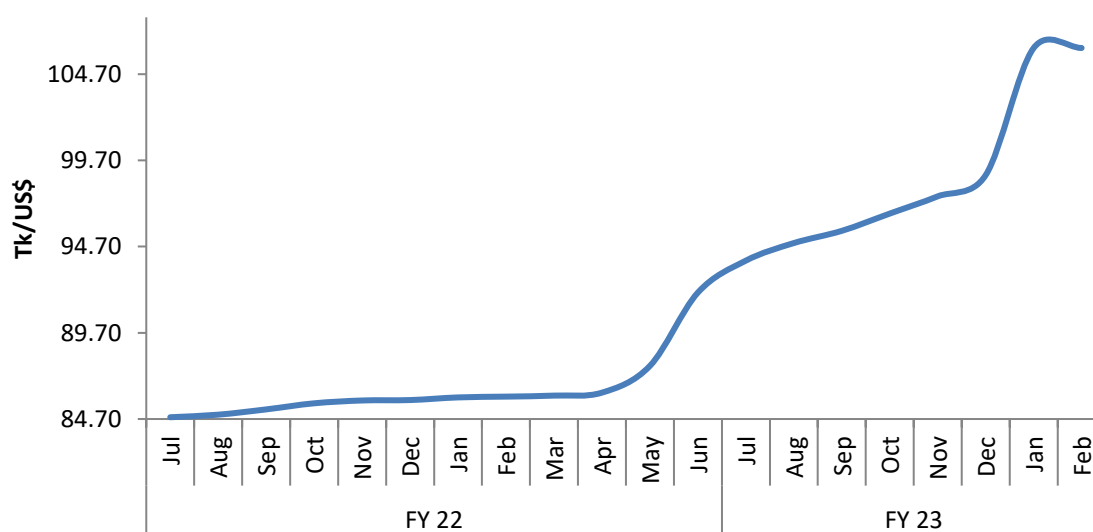


Source: Bangladesh Bank

3.6 Exchange Rate Movements

Starting from February 2022, Taka depreciated by 23.57 percent as compared to its level at the end of February 2022 and reached BDT 106.22 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\$)



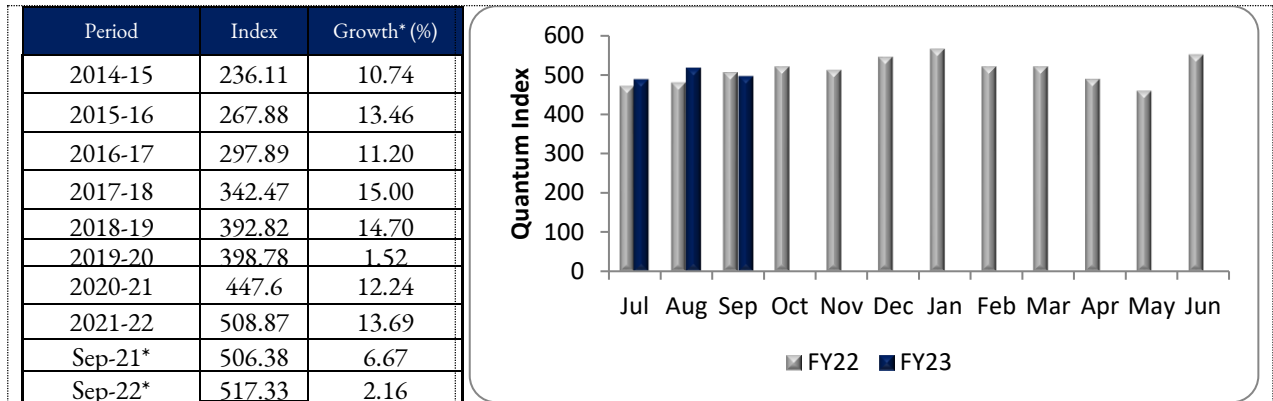
Source: Bangladesh Bank;

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

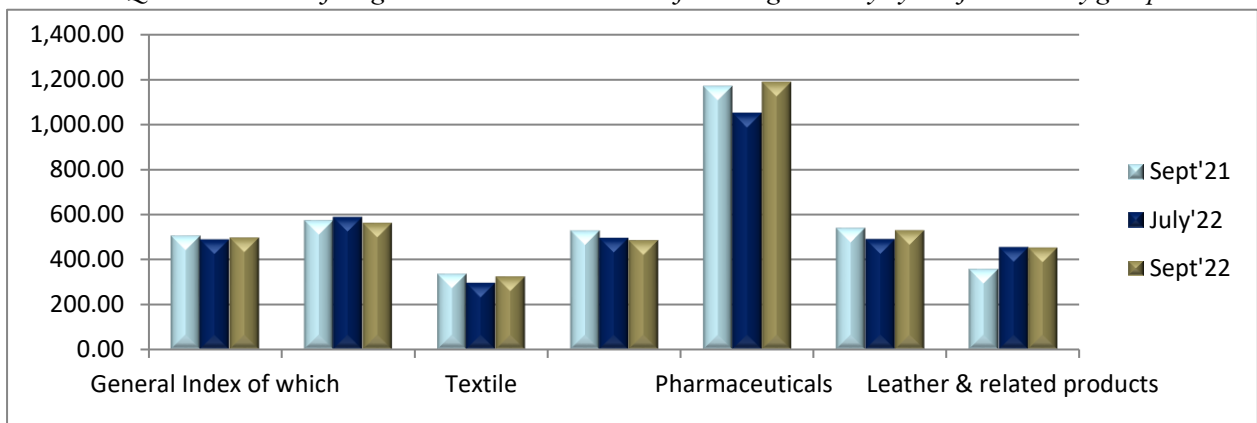
Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

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 increased to 8.78 percent in February FY23 from 8.57 percent of January FY23 where food inflation increased from 7.76 to 8.13 percent, non-food inflation decreases slightly from 9.84 to 9.82 percent. On twelve-month average basis inflation rose to 8.14 percent in February FY23 from 7.92 percent in January FY23, which is 0.64 percentage point higher than the target of 7.50 percent for FY23. 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
Jan	7.92	7.92	7.92	8.57	7.76	9.84
Feb	8.14	8.08	8.23	8.78	8.13	9.82

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.