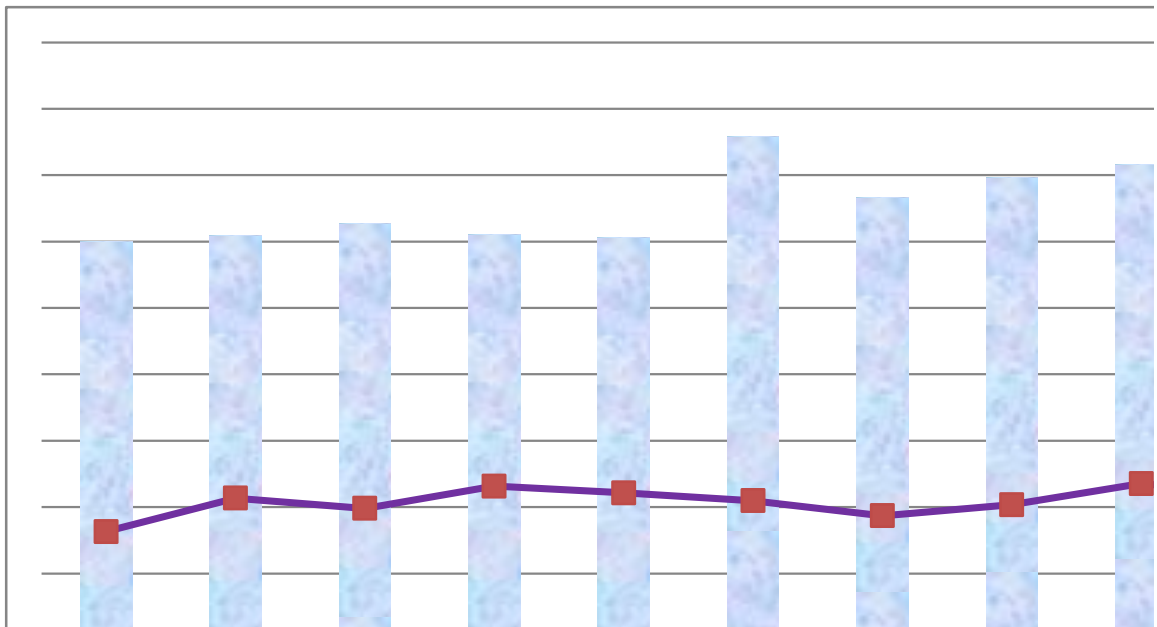




MONTHLY REPORT ON FISCAL-MACRO POSITION

July, 2012



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Executive Summary

Background

The Monthly Report on Fiscal-Macro Position is prepared for each month of the fiscal year (July to June) containing information on four sectors of economy (Fiscal, Monetary, External and Real sectors). The Integrated Budget and Accounting System (iBAS) of Finance Division, Bangladesh Bank, National Saving Directorate, Export Promotion Bureau and Bangladesh Bureau of Statistics (BBS) are the major data sources. This report mainly depicts the movements of leading macroeconomic variables in respective month of current fiscal year including the annual movement of the same variables for previous years.

Fiscal Sector

Government revenue earnings registered an up trending the first month of FY13. In July, 2012 total revenue earnings grew by 21.6 percent compared to the same period of previous fiscal year. On the other hand, an opposite scenario was observed in case of government spending as total government spending excluding non-ADP project declined by 21.7 percent in July 2012 compared to the same period of the previous fiscal year. Consequently, overall budget balance stood at 0.7 percent of GDP from 0.4 percent of the same period of previous fiscal year.

Monetary Sector

Outstanding stock of Broad Money supply increased by 18.1 percent in July 2012 compared to the same period of previous year due to remarkable expansion of domestic credit with a notable growth by 19.7 percent within the same period. Reserve money grew by 10.1 percent in July 2012 compared to the same period of previous year which was comparatively slower than the growth rate of Broad Money. Subsequently, the value of reserve money multiplier increased to 5.33 in July 2012 from 5.29 of previous year.

External Sector

Growth rate of export drastically dropped to 5.9 percent in FY12 from 41.5 percent in previous year. This trend was continuing up to the initial month of FY13 with further slowdown to 4.2 percent in July 2012 compared to the same period of previous year. In the same way, there was a considerable fall in import payment to 5.5 percent in FY12 from 41.8 percent of the previous fiscal year. Despite a significant fall in import payment, the trade balance deteriorated over the last fiscal year due to slow export growth. Nevertheless, the current account balance was positive by US\$ 154 million in July 2012 due to continuous growth in remittance earning to 11.1 percent of GDP in FY 12 from 10.4 percent of GDP in FY 11 which led to increase in foreign exchange reserve to US\$ 10569.76 million (equivalent to import payments for 3.4 months) in July 2012 from US\$ 10364.43million (equivalent to import payments for 3.2 months) at the end of FY 12.

Real Sector

Provisional real GDP growth reduced to 6.32 percent in FY 12 from 6.71 percent in FY 11 due to slower growth in Agriculture and service sectors that registered a growth of 2.53 percent and 6.06 percent respectively in FY 12 from their respective growth of 5.13 percent and 6.22 percent in FY 11. However, the growth rate in Industry sector was rather satisfactory which increased to 9.47 percent in FY12 from 8.20 percent in previous year.

1. FISCAL SECTOR

1.1 Revenue Earnings

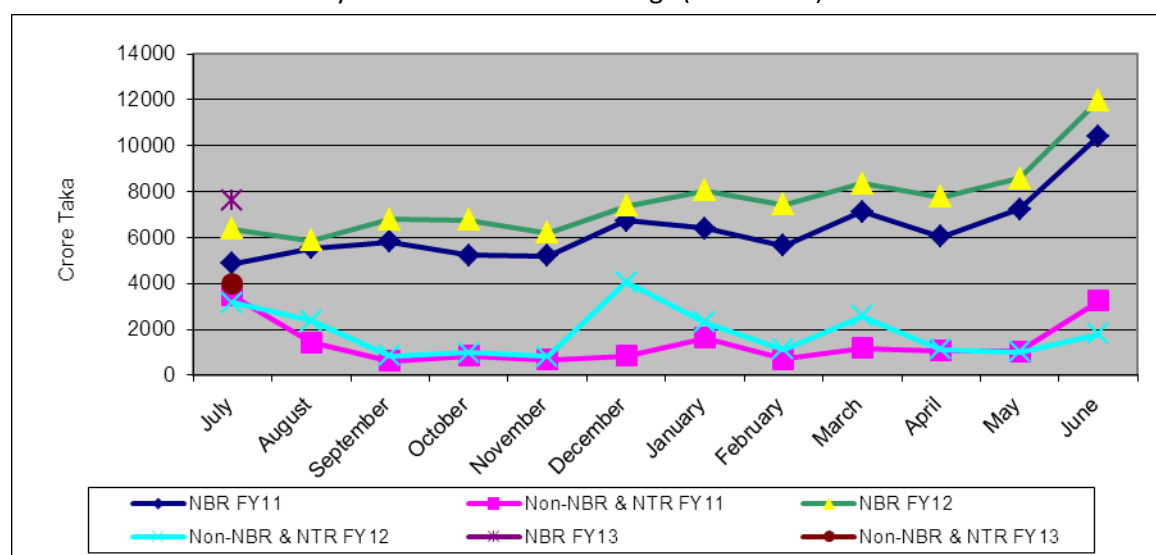
An increasing trend was observed in government revenue earning over the last fiscal year which slowed slightly in current month. Total revenue collection up to June 2012 increased by 22.4 percent compared to the same period of previous fiscal year. This rate slowed to 21.6 percent in July 2012 compared to July 2011 (table 1.1). Higher growths in non-tax revenue significantly boost up the overall revenue growth.

Table 1.1: Revenue Earning (Taka in Crore)

Fiscal Year	Tax Revenue		Non-Tax Revenue	Total Revenue
	NBR	Non-NBR		
2010-11	76248.3	3299.9	13444.7	92992.9
2011-12	91596.0	3633.0	18550.0	113779.0
Growth (%)	20.1	10.1	38.0	22.4
July FY 12	6381	307	2843	9531
July FY 13	7604	363	3627	11594
Growth(%) over July FY 12	19.2	18.2	27.6	21.6

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

Chart 1.1: Monthly Trend of Revenue earnings (FY11-FY13)



1.2 Grants

Grants receipts recorded a notable increase of 45.3 percent in FY 12 compared to FY11. In July 2012 total grant receipt was Tk 53 crore which was only Tk. 9 crore during July 2011 (table 1.2).

Table 1.2: Grants

(Taka in crore)

2010-11	2011-12	Growth (%)	July FY12	July FY13	Growth over July- July FY'12 (%)
2450	3560	45.3	09	53	488.9

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

1.3 Government Expenditure

Total government expenditure declined in the initial month of current fiscal year by 21.7 percent compared to the same period of previous fiscal year due to decrease in Development spending by 66.2 percent. However, the Current Spending increased by 18.2 percent in July 2012 compared to July 2011 (table-1.3). Among the components of current spending, spending on goods and services and domestic interest grew at a tremendous rate by 59.8 percent and 36.6 percent respectively during the initial month of FY 13 but spending on Subsidies & Current Transfer grew at a moderate rate by 8.0 percent within the same period. Government expenditure as percentage of GDP slightly increased to 16.4 in FY12 from 16.3 in FY11 but it reduced to 0.5 in July 2012 from 0.8 in July 2011.

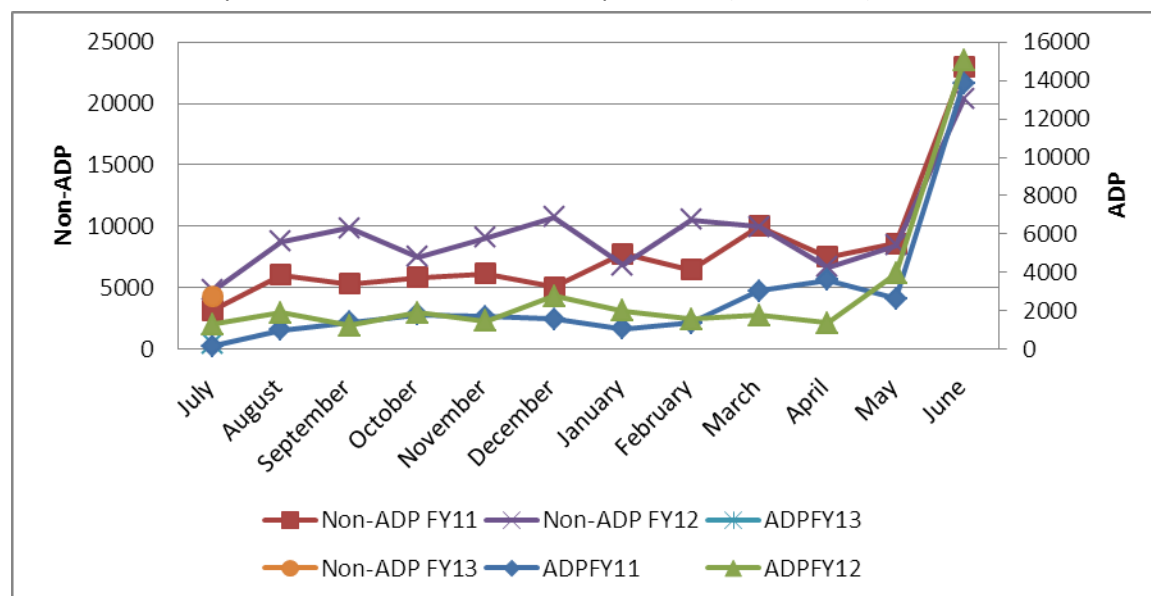
Table 1.3: Government Expenditures

(Taka in crore)

	2010-11	2011-12	Growth (%)	Jul-11	Jul-12	Growth (%)
1. Current Spending	77479	88222	13.9	3597	4250	18.2
Pay and Allowances	19918	20877	4.8	1377	1475	7.1
Goods and Services	10160	10772	6.0	97	155	59.8
Interest Payment	15637	20137	28.8	1281	1705	33.1
Domestic	14214	18589	30.8	1154	1576	36.6
Foreign	1423	1548	8.8	127	129	1.6
Subsidy and Transfer	31483	36259	15.2	845	913	8.0
Others	281	177	-37.0	-3	2	-166.7
2. Food Accounts	2383	1233	-48.3	1339	159	-88.1
3. Non-ADP Capital & Spending	15132	24191	59.9	-125	-53	-57.6
Non-ADP Capital	5390	6963	29.2	7	5	-28.6
Net Lending	7256	14060	93.8	-136	-106	-22.1
Non-ADP Project	866	1465	69.2	0	48	-
FFW	719	1144	59.1	0	0	-
Structural Adjustment	37	0	-100.0	0	0	-
Development Expenditure under Revenue Budget	864	559	-35.3	4	0	-100.0
4. Development Spending	33282	36269	9.0	1319	446	-66.2
Total (1+2+3+4)	128276	149915	16.9	6130	4802	-21.7
Total Spending (Percent of GDP)	16.3	16.4		0.8	0.5	

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

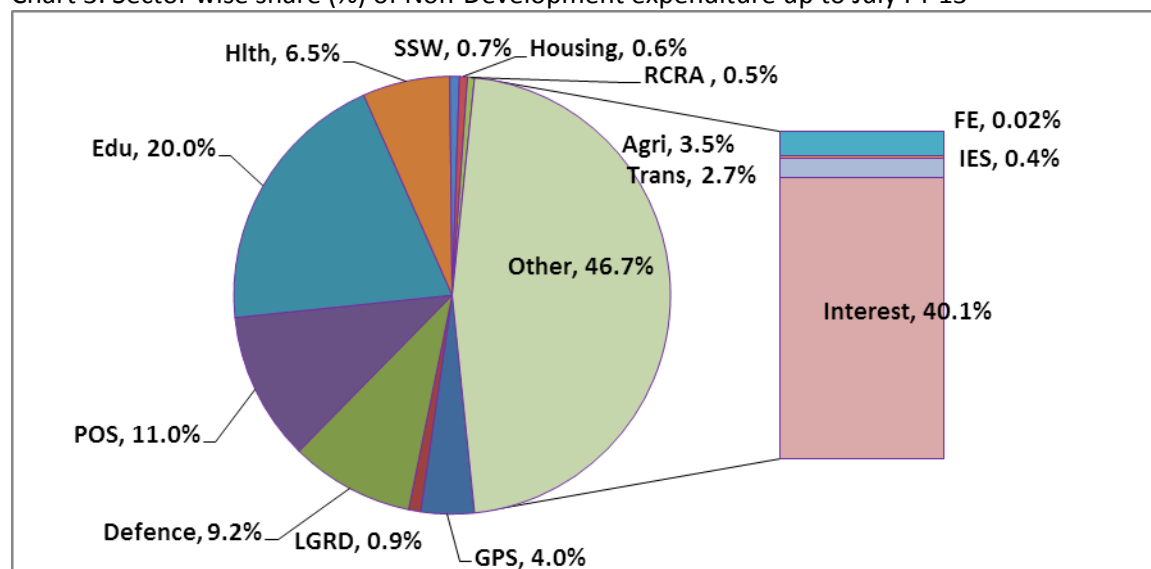
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 11-FY13)



1.4 Structure of Revenue Expenditure

Sector-wise revenue expenditure showed (chart 3) that highest expenditure was in Interest payment (40.1%) followed by Education (20.0%), Public order and safety (11.0%) and Defense (9.2%).

Chart 3: Sector wise share (%) of Non-Development expenditure up to July FY 13

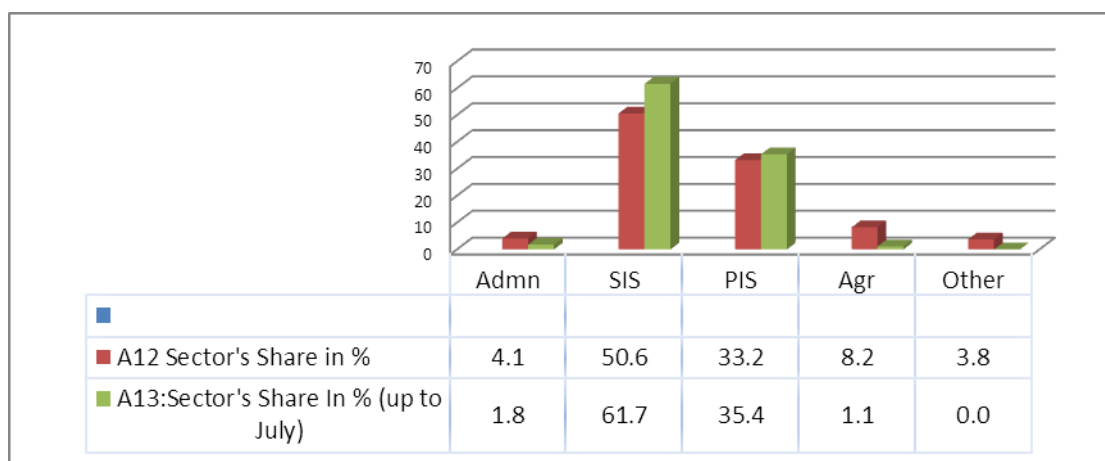


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and Food, FE = Fuel and Energy, IES = Industries, Jute, Textiles, Commerce, Labor & Overseas, Trans = Transport and Communication

1.5 Structure of ADP Expenditure

Sector wise ADP expenditure shows that, up to July 2012 highest shares are in Social Infrastructure (61.7%) and next highest expenditure is in Physical Infrastructure (35.4%).

Chart 1.4: Sector wise share (%) of Development expenditure up to July 2012



Admn= General Public Services, DE fence and Public Order and Safety , SIS= Social Infrastructure covers Edu, health, Housing and SSW & LGRD, PIS= Physical Infrastructure covers FE and Trans and Others include RCRA and IES

1.6 Budget Deficit

Overall budget deficit at the end FY 12 was 4.0 percent of GDP. FY 13 started with a consolidation in overall balance by 0.7 percent of GDP in July 2012 compared to 0.4 percent in July 2011 (table 1.4). Increase in government earning with declining trend in government spending contributed to consolidation in budget balance.

Table 1.4: Budget Balance

(Taka in crore)

	Overall Balance	Overall Balance as % of GDP
2010-11	-35281	-4.5
2011-12	-36136	-4.0
July FY 12	3401	0.4
2012-13		
July*	6791	0.7
Up to July*	6791	0.7

Source: Integrated Budgeting & Accounting System (iBAS), Finance Division. * excluding grants

1.7 Deficit Financing

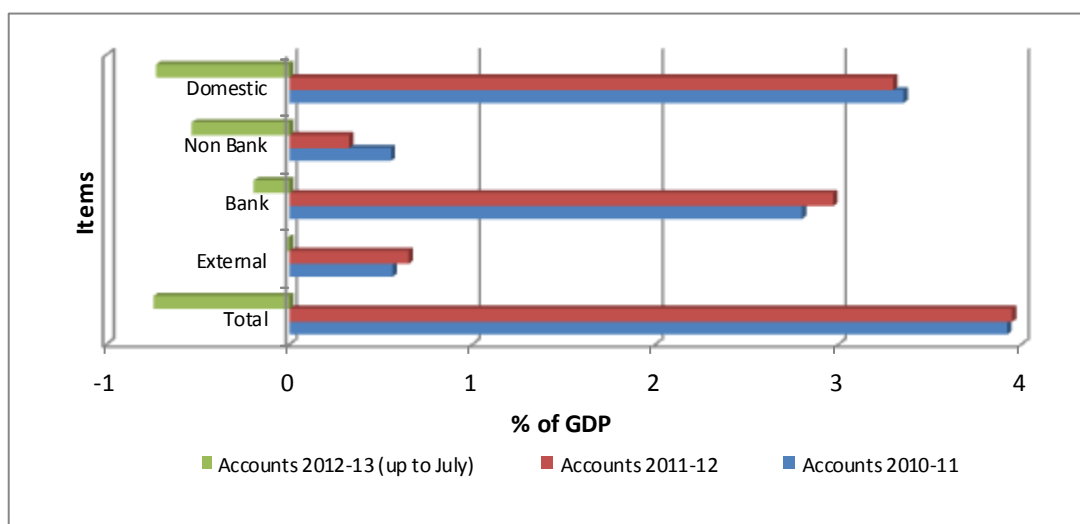
Budget deficit was mainly financed by domestic banking system during FY11 and FY12. The contribution of banking system was 71.4 percent of total deficit financing in FY 11 which increased to 75.2 percent in FY12(table 1.5). On the other hand, the contribution of domestic non-bank sources in financing deficit reduced to 8.3 percent of total deficit financing in FY12 from 14.2 percent in FY 11 due to decline in net sale NSD by 76.1 percent within the same period. The contribution of external sources increased to 16.5 percent in FY12 from 14.4 percent in FY12. There was no deficit financing from banking system in July 2012. Rather the liability of Government to the banking system reduced in July 2012 by Tk. 1781 crore.

Table 1.5: Deficit Financing (In Crore Taka)

	External (net)	Domestic		Total Financing	Financing as % of GDP
		Bank	Non-Bank		
2010-11	5081	25210	4994	35285	4.5
2011-12	5956	27191	2990	36137	4.0
2012-13					
July	-116	-1781	-4894	-6791	-0.7
Up to July	-116	-1781	-4894	-6791	-0.7

Source: Integrated Budgeting & Accounting System (iBAS), Finance Division. *including BPC ** excluding BPC

Chart 1.5: Financing of deficit



1.8 Net Sales of NSD Certificates

Sale of NSD during July 2012 stood at Tk.2028.32 crore which is 26.93 per cent higher than the amount of sale in the same period preceding year. At the same time net borrowing of the government through NSD certificates during July 2012 stood at Tk.209.11 crore (table 1.6).

Table 1.6 Net Sales of NSD Certificates

(Taka in crore)

	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2010-11	17232.03	15175.13	2056.90	63438.32
2011-12	18955.35	18476.33	479.02	63917.34
Growth (%)	10.00	21.91	-76.71	0.76
2012-13				
July	2028.32	1819.21	209.11	64126.45

Source: National Savings Directorate.

2. MONETARY SECTOR

2.1 Monetary and credit development

The Central Bank of Bangladesh continued to operate within a monetary targeting framework in conducting monetary policy. Accordingly, broad money (M2) supply increased by 18.1 percent (table 2.1) in July 2012 compared to the same period of previous year. The increasing trend of broad money supply due to remarkable expansion of domestic credit with a notable growth by 19.7 percent within the same period. At the end of July, 2012 growth in Net Foreign Asset and Domestic credit recorded an increase of 15.7 and 19.7 percent respectively.

Table-2.1 Monetary and credit development (In Crore Taka)

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June,2011	June, 2012	July, 2012	FY12 over FY11	July,2012 over July, 2011
Net Foreign Assets of Banking System	70620.0	78860.3	83897.0	8240.3 (11.6)	11408.8 (15.7)
Net Domestic Assets of Banking System	369899.9	438249.2	438735.4	68349.3 (18.5)	68683.6 (18.5)
Domestic credit	433525.9	518214.3	521300.1	84688.4 (19.5)	86085.2 (19.7)
Public sector	92813.2	110312.7	111637.8	17499.5 (18.8)	17060.5 (18.0)
Govt. (net)	73436.1	91906.8	93321.7	18470.7 (25.1)	17827.1 (23.6)
Other Public sector	19377.1	18405.9	18316.1	-971.2 (-5.0)	-766 (-4.0)
Private sector	340712.7	407901.6	409662.3	67188.9 (19.7)	69024.7 (20.2)
Net other items	-63626.0	-79965.1	-82564.7	-16339.1 (25.7)	-17401.6 (26.7)
Broad money	440519.9	517109.5	522632.4	76589.6 (17.4)	80092.4 (18.1)

Source: Bangladesh Bank, Note: Figure in brackets indicate percentage changes

2.2 Reserve money and money multiplier

Reserve money (Table 2.2), which is linked to broad money through a multiplier (5.33), remained the Bank's operating target for monetary policy. Reserve money grew by 10.1 percent in July 2012 compared to the same period of previous year which was comparatively slower than the growth rate of Broad Money. Subsequently, the value of reserve money multiplier increased to 5.33 in July 2012 from 5.29 of previous year.

Table 2.2: Reserve money and money multiplier

	Outstanding Stock at the end of period			Change in Outstanding Stock	
	2010-11	2011-12	2012-13 (July)	FY12 over FY11	July, 2012 over July, 2011
Reserve money (Core TK.)	89734.4	97802.7	97974.2	8068.3 (8.9%)	9048.6 (10.1%)
Reserve money multiplier	4.91	5.29	5.33	0.38	0.36

Source: Bangladesh Bank.

3. EXTERNAL SECTOR

3.1 Export and its Components

Earnings from exports of Bangladesh stood at US dollars 22928 million in FY11 (table 3.1), which was 41.5 higher than the export earnings of the previous fiscal year. However, Growth rate of export drastically dropped to 5.9 percent in FY12 from 41.5 percent in previous year. This trend was continuing up to the initial month of FY13 with further slowdown to 4.2 percent in July 2012 compared to the same period of previous year. The trend of monthly export was not consistent (chart 3.1). In July, 2012 largest contribution to the growth in earnings came from Knitwear exports (41.04 per cent), followed by the Woven Garments exports (40.75 per cent). Category-wise breakdown of exports shows that (chart 3.2), during July 2012 exports of woven garments and Knitwear together contributed around 82 percent of total export.

Table 3.1: Export Performance (In million US\$)

	2010-11	2011-12	2012-13 (July)
Export	22928.2	24287.6	2439.08
Growth (%)*	41.5	5.9	4.2

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

Chart 3.1: Monthly Trend of Export (Million US\$)

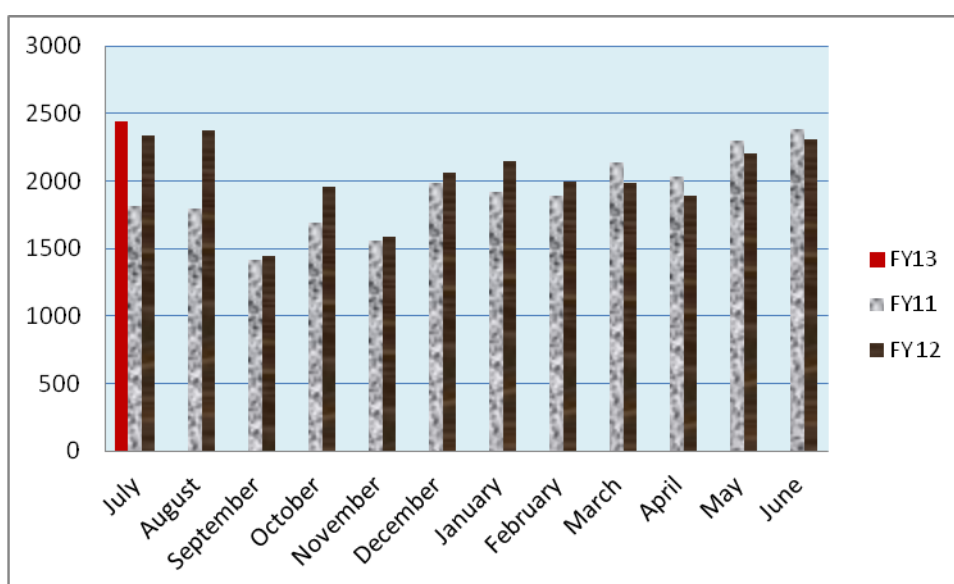
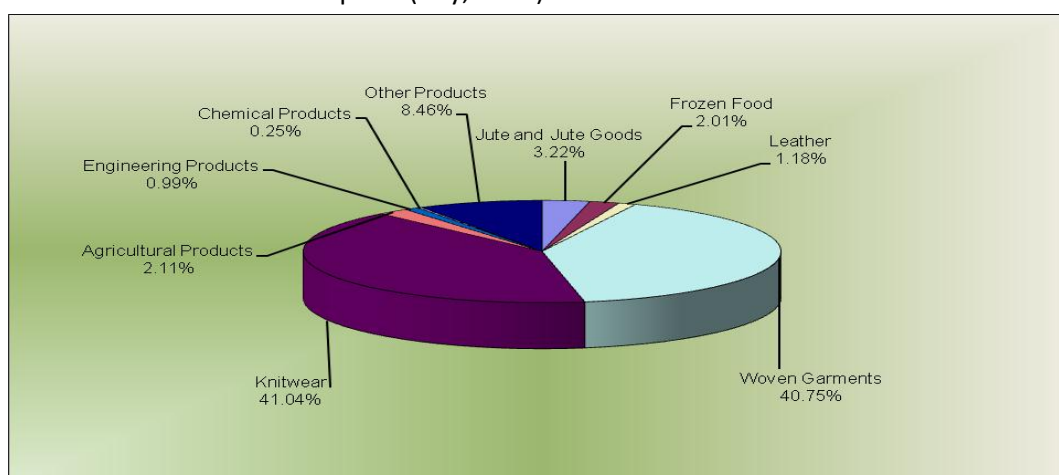


Chart 3.2: Structure of Exports (July, 2012)



3.2 Imports (c & f)

Expenditure on import payment grew by 5.3 per cent, FY-on-FY, to US dollars 35516.3 million in FY12 compared to US dollars 33657.5 million in FY11 (table 3.2), reflecting the high international commodity prices and increased import volumes led by the upsurge in domestic economic activities. Import payments in July 2012 stand lower by US\$ 102.6 million or 3.5 percent to US\$ 2835.2 million, against US\$ 2937.8 million in July 2011. Fresh opening of import LCs in July 2012 decreased by 9.6 percent compared to July 2011. According to the chart 3.4, it is evident that, up to July 2012 Industrial raw materials covered the major share (41.64%) of total LC settlements followed by petroleum and petro products (11.63%)

Table 3.2: Import Scenario (In million US\$)

	2010-11	2011-12	2012-13 (July)
Import payments	33657.5	35516.3	2835.2
Growth (%)	41.8	5.5	-3.5
LCs Opened	38582.3	37035.8	2865.0
Growth (%)	34.0	-4.0	-9.6
LCs Settled	31953.1	34814.5	2836.4
Growth (%)	38.6	8.9	1.6

Source: Bangladesh Bank. Growth rate (in percent) over the same period of the previous fiscal year/month.

Chart 3.3: Monthly Trend of Import Payments

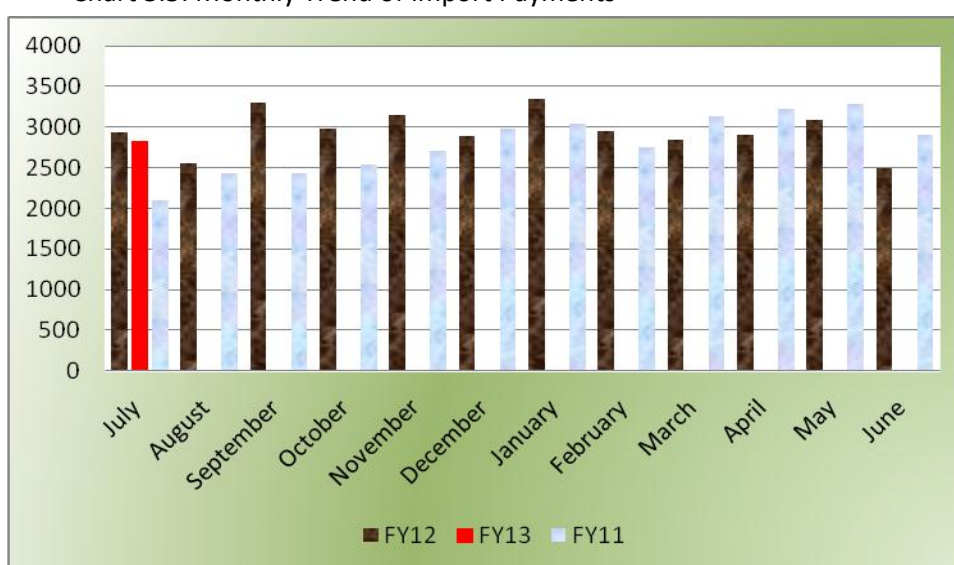
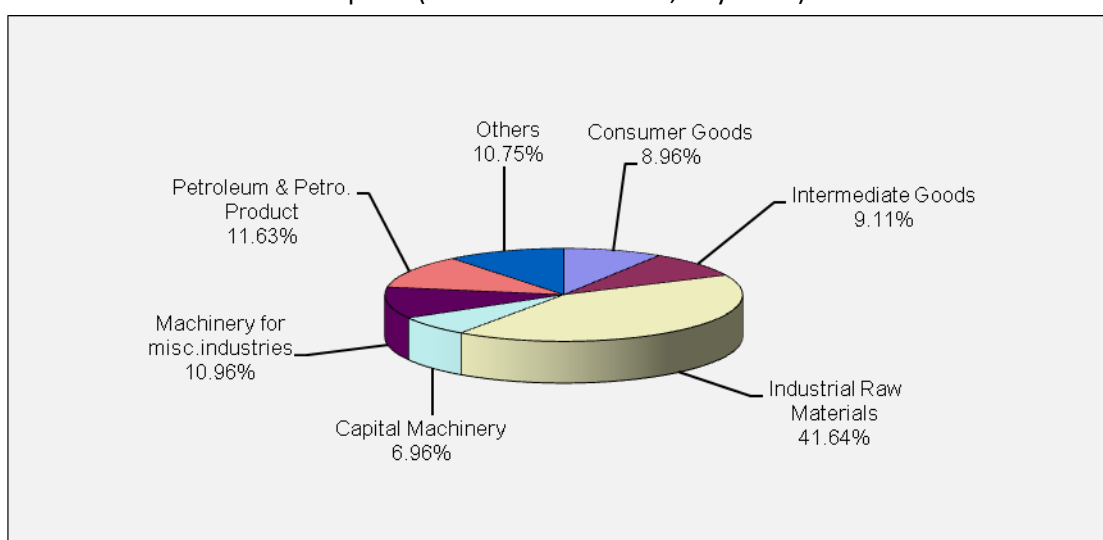


Chart 3.4: Structure of Imports (Based on LCs settled, July-2012)



3.3 Remittances

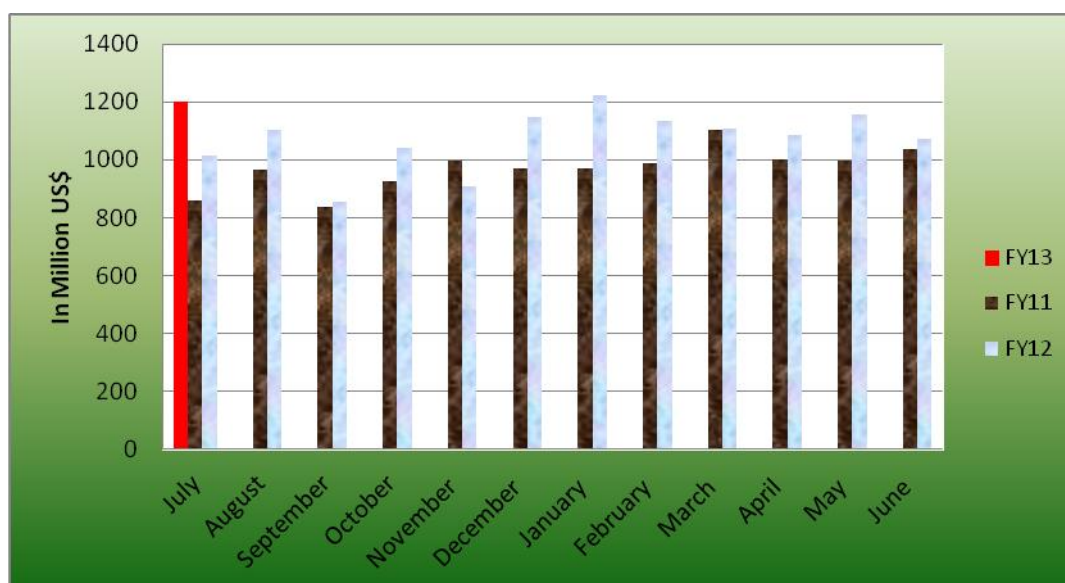
Inward remittances grew 10.2 percent to 12843.4 million US\$ in FY12 compare to the US\$ 11650.32 million during FY11 (table 3.3). In FY12, total inflow of remittance was 11.1 and 52.8 percent of GDP and export respectively, which were relatively higher than previous fiscal year. Apart from that, Remittances in July 2012 stand higher at USD 1193.77 million indicating 17.55 percent growth against USD1015.58 million in July 2011. The increasing trend in the outflow of workers and the steps taken for quick and safe transfer of money bolstered the inflow.

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

	2010-11	2011-12	2012-13 (July)
Remittances	11650.32	12843.4	1201.1
Growth (%)	6.0	10.2	18.2
As % of GDP	10.4	11.1	-
As % of Export	50.8	52.8	49.2

Source: Bangladesh Bank and EPB

Chart 3.5: Monthly Trend of Remittances



3.4 Exchange Rate Movements

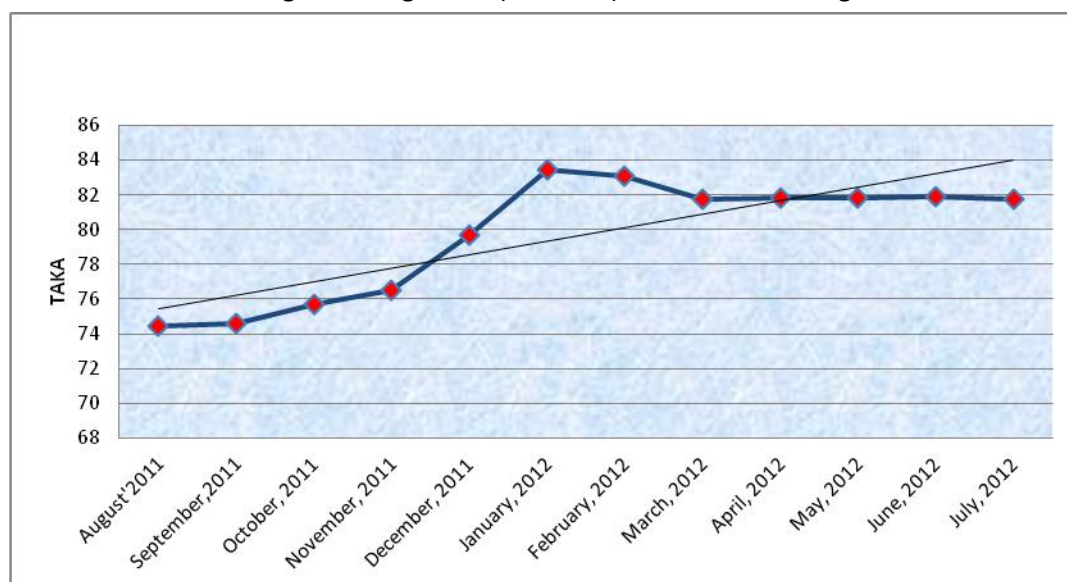
The exchange rate that measures the value of a reference currency in terms of the other is shown in Chart 3.6 (BDT against USD). Exchange rate of Taka per USD remained stable since March 2012, due to moderate growth in remittances, foreign aid, and low import pressures. At the end of July 2012 Taka has appreciated by 0.21 per cent from its level at the end of June 2012 (table 3.4). However, by the end of July 2012 Taka depreciated by 9.7 per cent from the level of July end 2011.

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

	Average	End of the period
2008-09	68.80	69.06
2009-10	69.18	69.445
2010-11	71.17	74.15
2011-12	79.10	81.82
2012-13		
July	81.77	81.70

Source: Bangladesh Bank

Chart 3.6: Period average Exchange Rate (BDT-US\$) movements during last 12 Months



3.5 External Reserve

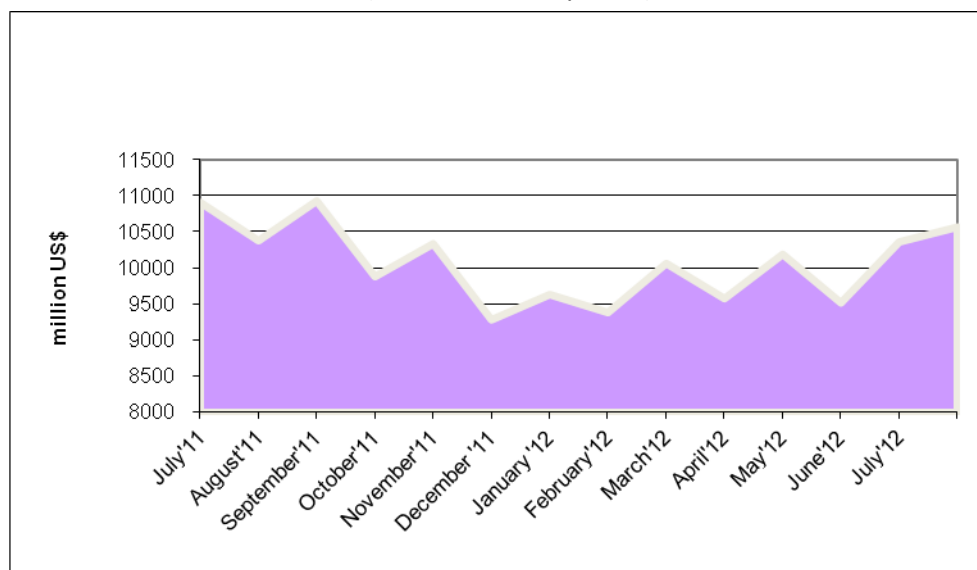
The gross official reserves (with ACU liability of USD 388.22 million) increased substantially and recorded US dollars 10569.7 million by end July 2012, compared to US dollars 10364.3 million at end June 2012 (table 3.5). Gross foreign exchange reserves, without ACU liability is equivalent to import payments of 3.4 months according to imports (USD 2953.48 million per month based on the preceding 12 months average July 2011-June 2012).

Table 3.5: Foreign Exchange Reserve (In million US\$)

	2010-11	2011-12	As on end of July 2012
Reserve	10911.5	10364.43	10569.76
In month of import payment	3.9	3.2	3.4

Source: Bangladesh Bank.

Chart 3.7: Outstanding Stock of Gross Foreign Exchange Reserve at the end of the month (June 2011 to July 2012)



3.6 Balance of Payments

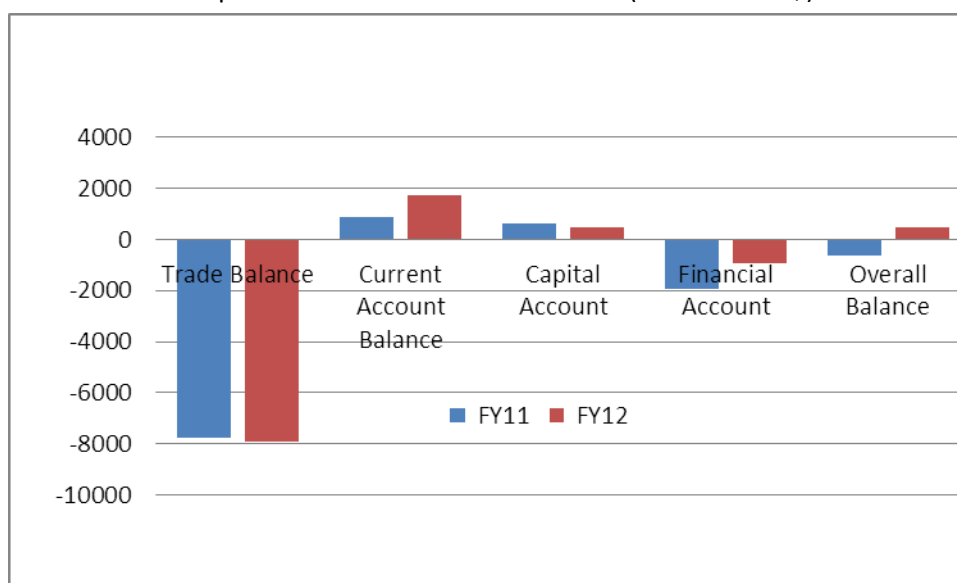
The overall balance in BOP in July 2013 recorded a surplus of US dollars 573 million, which was negative in July 2011 (table 3.6). Trade Balance recorded a higher deficit of US\$ 615 million in July 2012 compared to the deficit of US\$ 271 million in July 2011. The current account balance was positive by US\$ 154 million in July 2012 due to continuous growth in remittance earning to 11.1 percent of GDP in FY 12 from 10.4 percent of GDP in FY 11 which led to increase in foreign exchange reserve.

Table 3.6: Balance of Payments (In million US\$)

	2010-11 (July-June)	2011-12 ^R (July-June)	2011-12 (July)	2012-13 (July)
Trade Balance	-7744	-7995	-271	-615
Current Account Balance	885	1704	393	154
Capital Account	642	469	1	1
Financial Account	-1920	-955	-417	384
Overall Balance	-656	494	-44	573

Source: Bangladesh Bank., R=Revised

Chart 3.8: Comparative Scenario of BoP Statistics (In million UD\$)



4. REAL SECTOR

4.1 Gross Domestic Product

Provisional real GDP growth reduced to 6.32 percent in FY 12 from 6.71 percent in FY 11 due to slower growth in Agriculture and service sectors that registered a growth of 2.53 percent and 6.06 percent respectively in FY 12 from their respective growth of 5.13 percent and 6.22 percent in FY 11 (table 4.1). However, the growth rate in Industry sector was satisfactory which increased to 9.47 percent in FY 12 from 8.20 percent in previous year. Per capita Nominal GDP and GNI increased to US\$ 772 and US\$ 848 in FY2012 from US\$748 and US\$ 816 of the previous year respectively.

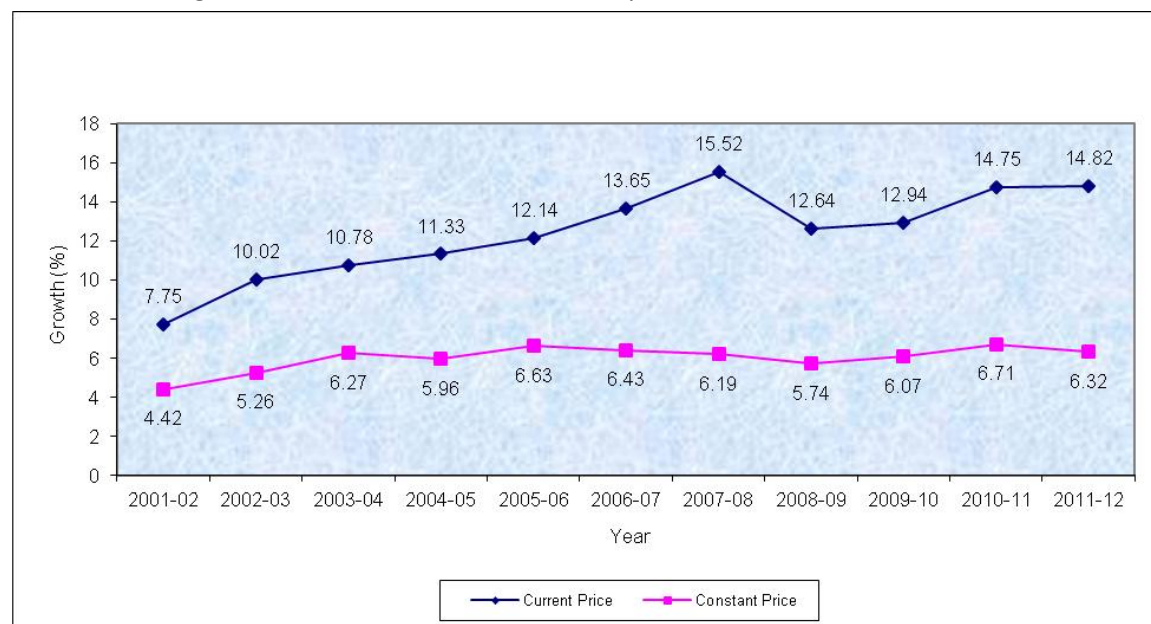
Table 4.1 Gross Domestic Product and others

(Taka in Crore)

	2007-08	2008-09	2009-10	2010-11	2011-12 ^P
GDP at constant prices	321726	340197	360845	385051	409378
Growth (%)	6.19	5.74	6.07	6.71	6.32
Agriculture	3.20	4.12	5.24	5.13	2.53
Industry	6.78	6.46	6.49	8.20	9.47
Service	6.49	6.32	6.47	6.22	6.06
GDP at current prices	545822	614795	694324	796704	914784
Growth (%)	15.52	12.60	12.94	14.75	14.82
GNI at current prices	594212	670696	758928	869218	1004723
Per capita GDP (Tk.)	38330	42628	47536	53238	60350
Per capita GNI (Tk.)	41728	46504	51959	58083	66283
Per capita GDP (US\$)	559	620	687	748	772
Per capita GNI (US\$)	608	676	751	816	848

Source: Bangladesh Bureau of Statistics, P= provisional

Chart 4.1: GDP growth rate at current and constant prices



4.2 Quantum Index of Industrial Production

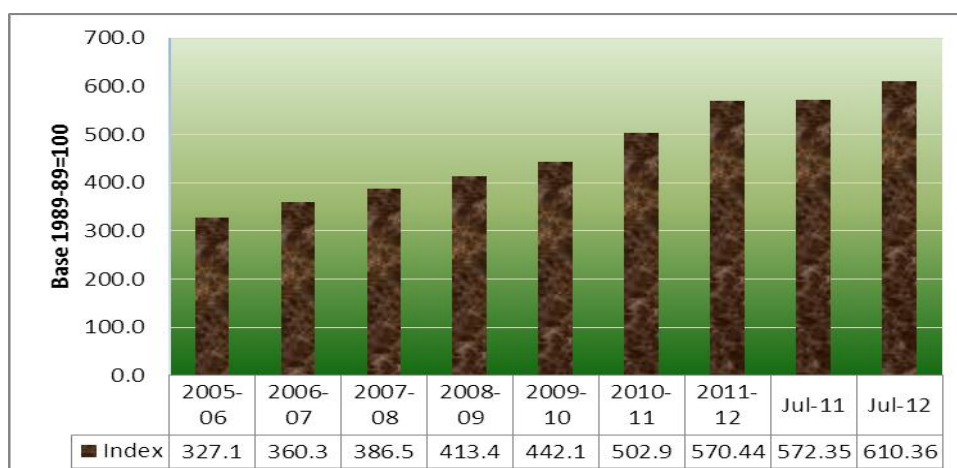
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 572.35 in July 2011 and became 610.36 in July 2012 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 13.43 percent in FY 12 which was 13.74 percent in FY 11

Table 4.2: Quantum Index of Industrial Production (Base: 1989-89=100)

Period	Index	Growth Rate (%)*
2006-07	360.33	9.74
2007-08	386.48	7.27
2008-09	413.42	6.97
2009-10	442.12	6.94
2010-11	502.89	13.74
2011-12 ^P	570.44	13.43
July 2011	572.35	17.04
July 2012 ^P	610.36	6.64

Source: BBS, *Growth over the same period of the previous fiscal year.

Chart 4.2: Quantum Index of Industrial Production



Source: BBS

4.3 Inflation

In FY12 the average rate of inflation (Twelve-Month Average Basis) was 10.62 percent (table-4.3). The food and non-food inflation were 10.47 percent and 11.45 percent respectively. In July 2012, the rate of inflation (national) on point-to-point basis was 8.03 percent, of which, food and non-food inflations were 6.30 percent and 11.54 percent respectively.

Table-4.3 Consumer Price Index and Inflation (National)

FY	CPI (General)	Twelve-Months Average Basis		
		National	Food	Non-Food
2006-07	176.04	7.20	8.11	5.90
2007-08	193.54	9.94	12.28	6.32
2008-09	206.43	6.66	7.19	5.91
2009-10	221.53	7.31	8.53	5.45
2010-11	241.02	8.80	11.34	4.15
2011-12	266.61	10.62	10.47	11.15
2012-13		Twelve-Month	Twelve-Months	Average Basis
July	275.18	10.37	9.87	11.57

Source: Bangladesh Bureau of Statistics

Chart 4.3: Trends of Point to Point Inflation (Base 1995-96)

