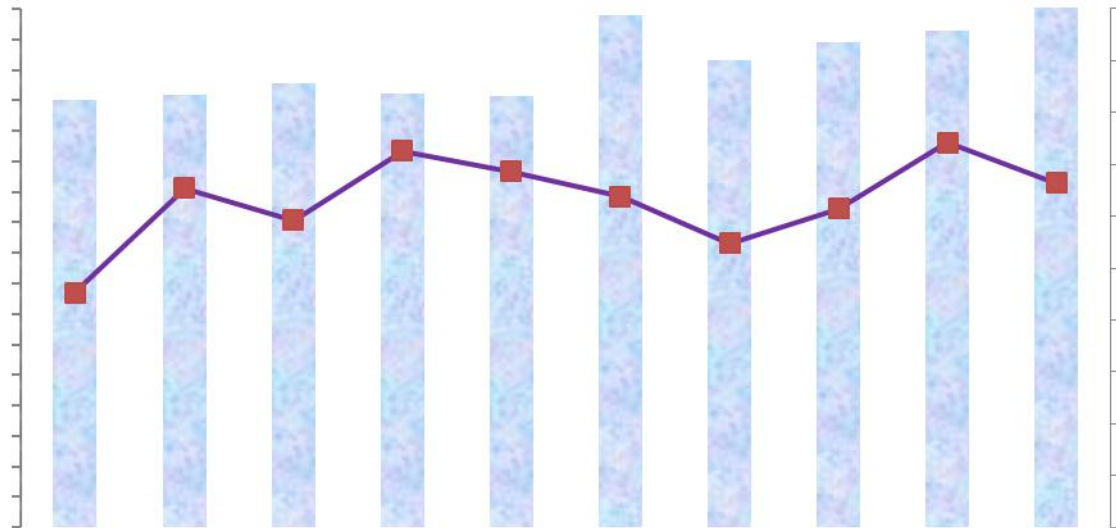




# MONTHLY REPORT ON FISCAL-MACRO POSITION

September, 2012



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## **Executive Summary**

This is a monthly report on Fiscal-Macro position of the country prepared for each month of the fiscal year (July to June). It contains relevant data and analysis on the movements of major macroeconomic variables with reference to the current month as well as the same period of the previous year.

### **Fiscal Sector**

Government revenue earnings posted notable growth at the end of the first quarter of FY13. In September, 2012 total revenue earnings grew by 34.9 percent compared to the same period of previous fiscal year. During the same period, total government spending grew marginally by 2.7 percent.

### **Monetary Sector**

Broad Money supply increased by 18.2 percent in September 2012 compared to the same period of previous year mainly due to 17.8 percent growth in domestic credit. Reserve money growth during this period was 10.4 percent.

### **External Sector**

During the first two months of the fiscal year export growth was sluggish. However, in the month of September export earnings grew by 31.3 percent against that of September, 2011. Import payments have contracted by US\$ 321 million or 9.7 percent to US\$ 2976.3 million, against US\$ 3297.9 million in September, 2011. Despite a significant fall in import payment, the trade balance has deteriorated over the last fiscal year due to slow export growth. The growth in remittance earning was 37.8 percent in September 2012 resulting in an increase in foreign exchange reserve to US\$ 11,252.06 million (equivalent to import payments for 3.7 months) in September 2012 from US\$ 10364.43million (equivalent to import payments for 3.2 months) at the end of FY 12.

### **Real Sector**

In September 2012, the rate of inflation (national) on point-to-point basis was 7.39 percent, of which, food and non-food inflation were 6.16 percent and 9.95 percent respectively.

## 1. FISCAL SECTOR

### 1.1 Revenue Earnings

Continuing with last year's trend, total revenue earnings grew by 35 percent during July-September period of FY13 compared to the same period of last fiscal year (table 1.1). Growth in non-tax revenue was significantly high (around 90 percent) over the same period of the previous year with both NBR and non-NBR tax falling slightly behind the budget targets.

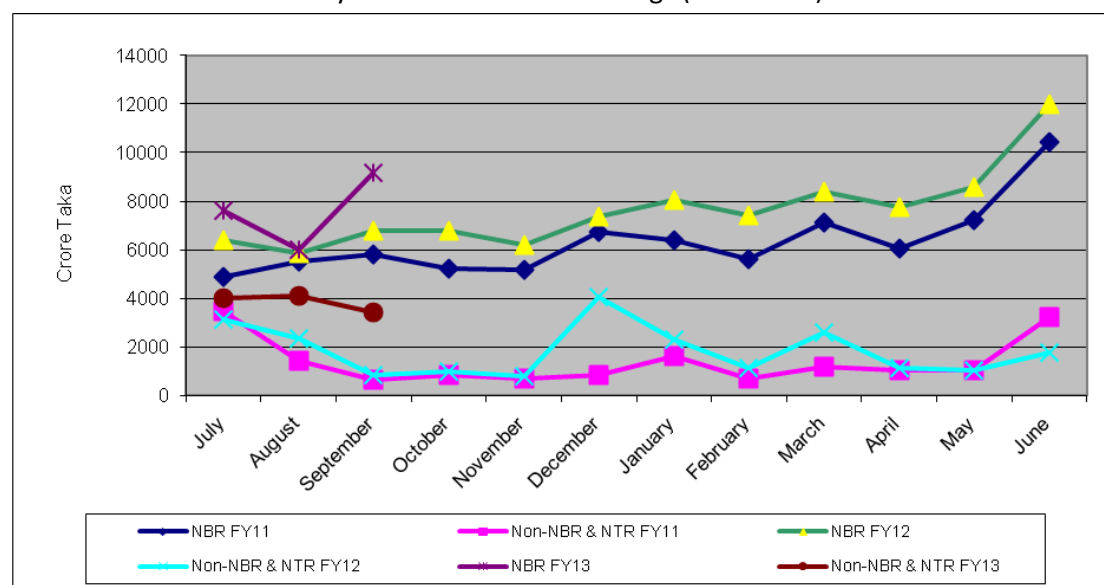
Table 1.1: Revenue Earning

(Taka in Crore)

	Tax Revenue		Non-Tax Revenue	Total Revenue
	NBR	Non-NBR		
2010-11	76248.3	3299.9	13444.7	92992.9
2011-12	91596	3633	18550	113779
Growth (%)	20.1	10.1	38	22.4
Up to September 2011	19046	785	5595	25426
Up to September 2012	22775	912	10622	34309
Growth(%) over up to September 2011	19.6	16.2	89.8	34.9

Source: Integrated Budgeting &amp; 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. Total grant receipt increased by 73.3 percent to Taka 123 crore during July-September of FY13 against Tk. 71 crore over the corresponding period of the last fiscal year (table 1.2).

Table 1.2: Grants

(Taka in crore)

2010-11	2011-12	Growth (%)	Up to September 2011	Up to September 2012	Growth (%) over up to September 2011
2450	3560	45.3	71	123	73.3

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

### 1.3 Government Expenditure

Total government expenditure, comprising of current and ADP expenditure, increased only by 2.7 percent during July-September period of FY13 compared to the same period of previous fiscal year. According to iBAS database, development spending grew by 13.6 percent in September 2012 compared to September 2011 (table-1.3). The current spending, on the other hand grew by 10.0 percent in September 2012 compared to the corresponding month of 2011. Of current spending, spending on goods and services and interest payment grew at a high rate of 25.2 percent and 30.5 percent respectively, while growth of spending on subsidies and current transfer was negligible (1.0 percent). As percentage of GDP, government expenditure stood at 2.75 percent during the first quarter of FY13, declining slightly from 3.04 percent over the same period of FY12. It may be noted that, as per Implementation, Monitoring and Evaluation Division (IMED) report of Planning Ministry, ADP expenditure stood at Taka 7011 Crore during July-September of FY13, recording 45.0 percent increase as compared to the same period of the last fiscal year.

Table 1.3: Government Expenditures

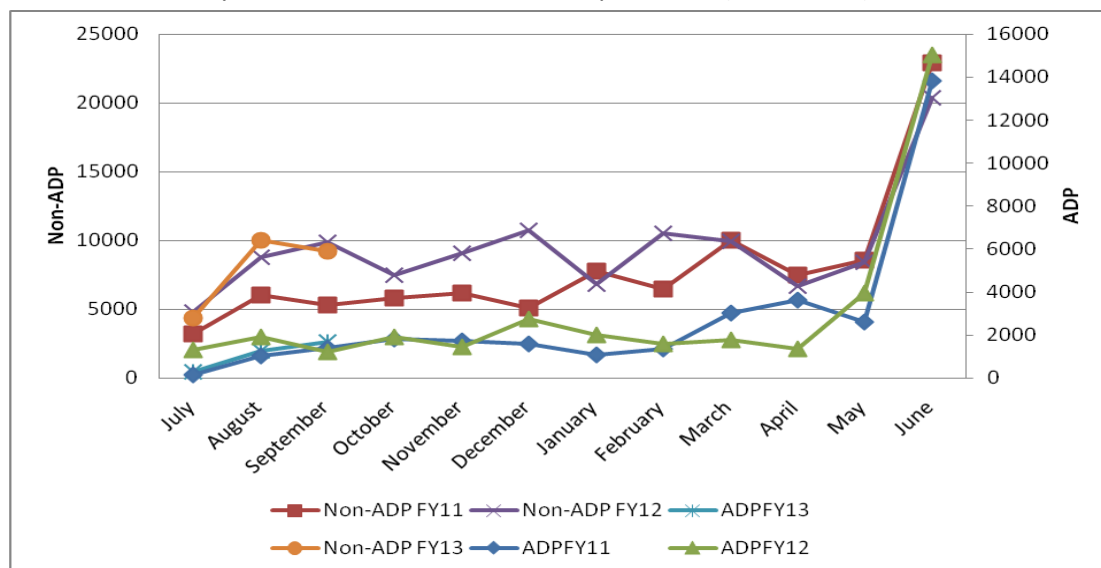
(Taka in crore)

	2010-11	2011-12	Growth	Up to September 2011	Up to September 2012	Growth (%) over up to September, 2011
<b>1. Current Spending</b>	<b>77479</b>	<b>88222</b>	<b>13.9</b>	<b>17055</b>	<b>18765</b>	10.0
Pay and Allowances	19918	20877	4.8	5364	5444	1.5
Goods and Services	10160	10772	6.0	1097	1373	25.2
Interest Payment	15637	20137	28.8	4187	5466	30.5
Domestic	14214	18589	30.8	3961	4985	25.9
Foreign	1423	1548	8.8	224	481	114.7
Subsidy and Transfer	31483	36259	15.2	6398	6461	1.0
Others	281	177	-37.0	11	22	100.0
<b>2. Food Accounts</b>	<b>2383</b>	<b>1233</b>	<b>-48.3</b>	<b>3158</b>	<b>1797</b>	-43.1
<b>3. Non-ADP Capital &amp; Spending</b>	<b>15132</b>	<b>24191</b>	<b>59.9</b>	<b>3225</b>	<b>3027</b>	-6.1
Non-ADP Capital	5390	6963	29.2	50	547	994.0
Net Lending	7256	14060	93.8	3163	2429	-23.2
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	864	559	-35.3	12	3	-75.0

under Revenue Budget						
<b>4. Development Spending</b>	<b>33282</b>	<b>36269</b>	<b>9.0</b>	<b>4441</b>	<b>5046</b>	<b>13.6</b>
<b>Total (1+2+3+4)</b>	<b>128276</b>	<b>149915</b>	<b>16.9</b>	<b>27878</b>	<b>28636</b>	<b>2.7</b>
<b>Total Spending (Percent of GDP)</b>	<b>16.3</b>	<b>16.4</b>		<b>3.04</b>	<b>2.75</b>	

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

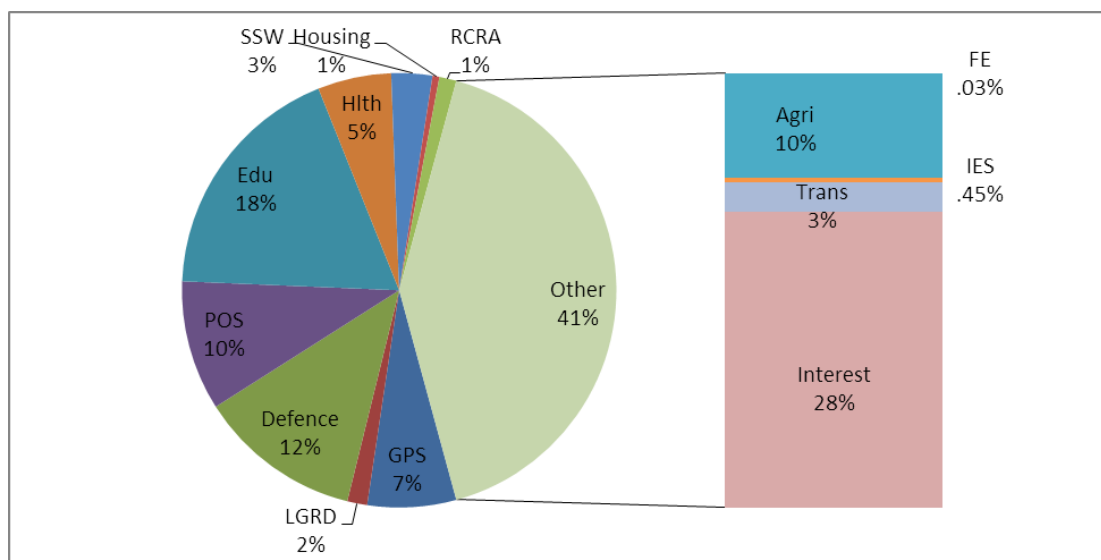
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 11-FY13)



#### 1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure shows (chart 1.3) that highest expenditure was in Interest payment (28%) followed by Education and Technology sector (18%).

Chart1. 3: Sector wise share (%) of Non-Development expenditure up to September (FY 13)

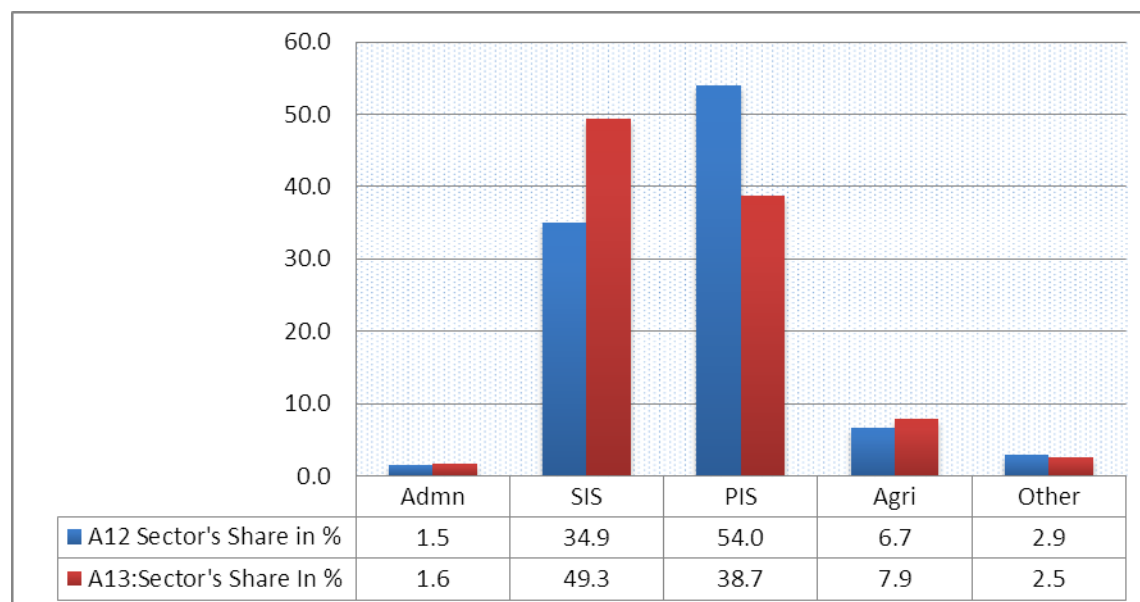


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and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

### 1.5 Structure of ADP Expenditure

Sector wise analysis of ADP expenditure shows that, during July- September 2012, highest share was contributed by Social Infrastructure (49.3%) followed by expenditure in Physical Infrastructure (38.7%) and Agricultural sector (7.9%).

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



Admn = General Public Services, Defence, and Public Order and Safety; SIS = Social Infrastructure, covers Edu, health, Housing and SSW & LGRD; PIS = Physical Infrastructure, covers FE and Trans; Agri= Agricultural sector and Others include RCRA and IES

### 1.6 Budget Deficit

Overall budget deficit at the end of FY 12 stood at 4.0 percent of GDP. First three month (July-September) of current FY 13 started with a consolidation in overall balance by 0.55 percent (5673 Crore TK.) of GDP, which was -2.35 percent (table 1.4) in July-September 2011 (FY12). Increase in government earning with moderate trend in government spending contributed to consolidation in budget balance.

Table 1.4: Budget Balance

(Taka in crore)

Year	Overall Balance	Overall Balance as % of GDP
2010-11	-35281	-4.5
2011-12	-36136	-4.0
Up to September 2011	-2452	-2.35
2012-13		
Up to September 2012	5673	0.55

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

### 1.7 Deficit Financing

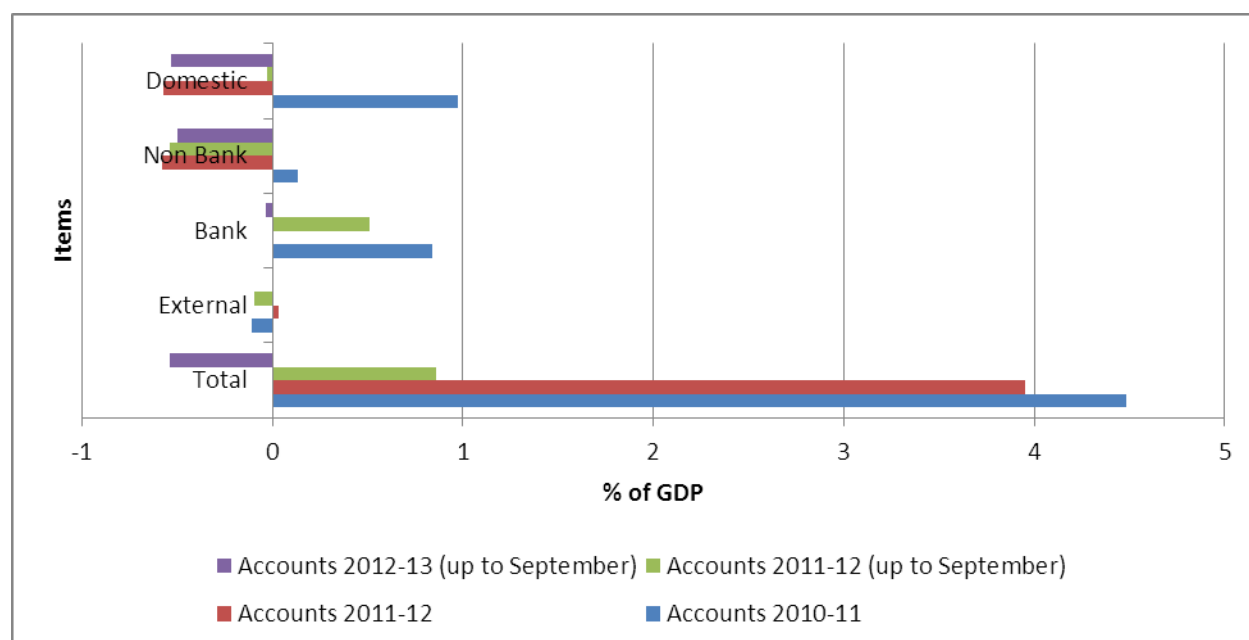
Budget deficit was mainly financed by domestic bank borrowings during FY11 and FY12. Bank borrowing was 71.4 percent of total deficit financing in FY 11 which increased to 75.2 percent in FY12. On the other hand, the share of non-bank borrowing in deficit financing declined to 8.3 percent in FY12 from 14.2 percent in FY 11 due to decline in net sale of NSD by 76.1 percent within the same period (table 1.5). In the current fiscal, during the first quarter ending in September, 2012 share of external financing has gone up compared to the same period of the previous fiscal. Bank borrowing has also declined significantly during this period.

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
Up to September 2011	-1002	7669	1233	7900	0.86
2012-13					
Up to September 2012	323	14	-6009	-5672	-0.54

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

Chart 1.5: Financing of deficit (% of GDP)





### 1.8 Net Sales of NSD Certificates

Sale of NSD during September 2012 stood at Tk.2222.02 crore which is 44.4 per cent higher than the amount sold over the same period of the preceding year (table 1.6). However, the net borrowing of the government through NSD certificates during September 2012 has decreased by Taka 9.05 crore.

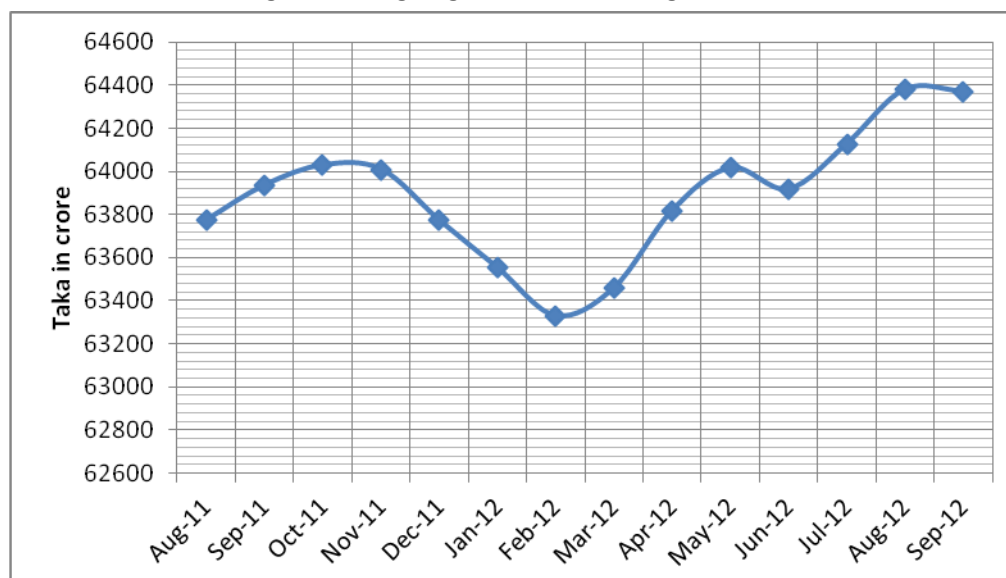
Table 1.6 Net Sales of NSD Certificates

(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	21.75	-76.71	0.76
2012-13				
September	2222.02 (44.4)	2231.07 (62.0)	-9.05	64370.48

Source: National Savings Directorate

Chart 1.6: Outstanding borrowing of government through NSD



## 2. MONETARY SECTOR

### 2.1 Monetary and credit development

Broad money (M2) growth in September, 2012 was 18.2 percent (table 2.1) compared to the same period of previous year. This was mainly due to the growth of both Net Foreign Asset and Domestic Assets of banking system recording 27.7 and 16.5 percent increase respectively. During the month, domestic credit expansion was quite remarkable (17.8 percent), due to growth of credit to private sector (19.8 percent)

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	September, 2012	July –Sept, 2012	September,2012 over September, 2011
Net Foreign Assets of Banking System	70620.0	78860.3	90112.1	11251.8 (14.2)	19582.2 (27.7)
Net Domestic Assets of Banking System	369899.9	438249.2	445991.0	7741.8 (1.77)	63123.5 (16.5)
Domestic credit	433525.9	518214.3	529960.7	11746.4 (2.2)	80030.1 (17.8)
Public Sector	92813.2	110312.7	109923.3	-389.4 (-0.35)	10368.1 (10.4)
Govt. (net)	73436.1	91906.8	91901.2	-5.6 (-0.01)	11236.2 (13.9)
Other Public Sector	19377.1	18405.9	18022	-383.8 (-2.09)	-868.1 (-4.6)
Private Sector	340712.7	407901.6	420037.4	12135.5 (2.9)	69662.0 (19.8)
Net other items	-63626.0	-79965.1	-83969.7	-4004.6 (5.01)	-16906.6 (-25.2)
Broad Money	440519.9	517109.5	536103.1	18993.6 (3.6)	82705.5 (18.2)

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

## 2.2 Reserve money and money multiplier

Reserve money grew by 10.4 percent in September 2012 (table 2.2) compared to the same period of previous year. At the same time the value of reserve money multiplier increased to 5.36 in September 2012 from 5.28 in September 2011.

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 (Sept.)	July-Sept, 2012	September,2012 over September, 2011
Reserve money	89734.4	97802.7	99958.8	2156.1 (2.2%)	9459.5 (10.4%)
Reserve money multiplier	4.91	5.29	5.36	0.08	0.35

Source: Bangladesh Bank.

### 3. EXTERNAL SECTOR

#### 3.1 Export and its Components

Export growth drastically dropped to 5.9 percent in FY12 from 41.5 percent in previous year. This trend continued during the first two months of FY13. However, export growth picked up in September, 2012 and was 31.3 percent compare to the same period of previous fiscal. During the first quarter of FY13 (July-September) Knitwear exports (40.37 per cent) was the largest contributor to the export growth followed by the Woven Garments (39.05 per cent), together they contributed around 80 percent of total export.

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

	2010-11	2011-12	2012-13	
			September	July-September
Export	22928.2	24287.6	1900.89	6291.45
Growth (%)*	41.5	5.9	31.33	2.07

Source: Export Promotion Bureau. \*Growth over the same period of the previous time

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

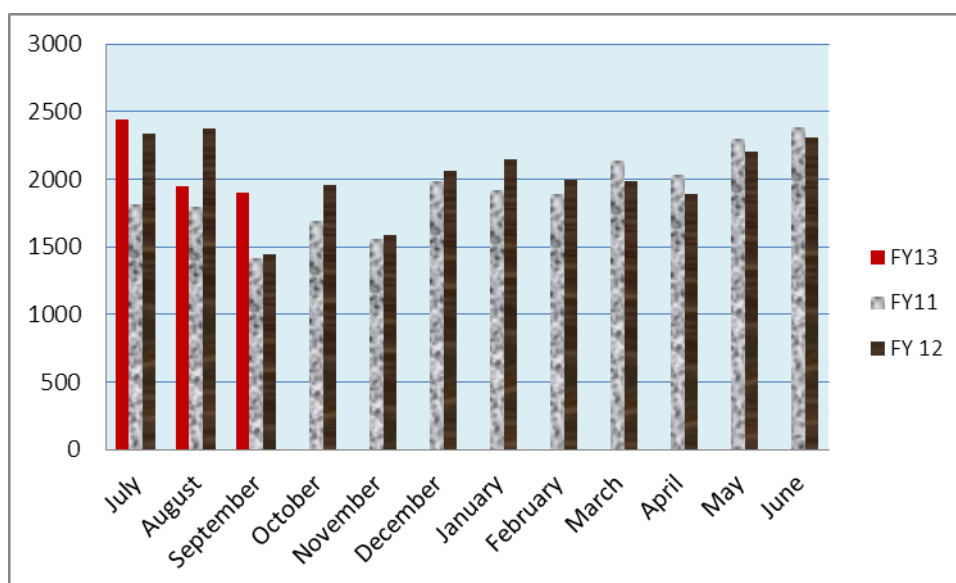
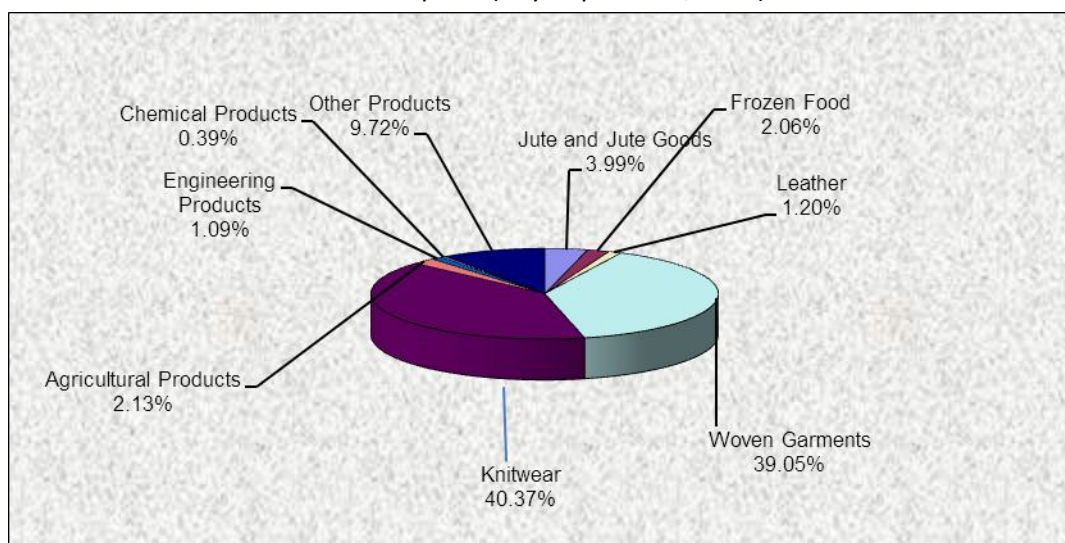


Chart 3.2: Structure of Exports (July-September, 2012)



### 3.2 Imports (c & f)

Import payments in September, 2012 declined by US\$ 321 million or 9.7 percent to US\$ 2976.9 million, against US\$ 3297.9 million in September 2011. Fresh opening of import LCs in this period decreased by 5.5 percent compared to September 2011. The growth of LC's settled also declined during the period. From the chart 3.4, it is evident that, during July- September, 2012 Industrial raw materials covered the major share (39.61%) of total LC settlements followed by petroleum and petro products (13.65%).

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

	2010-11	2011-12	2012-13	
			September	July-September
Import payments	33657.5	35516.3	2976.9	8332.3
Growth (%)	41.8	5.5	-9.7	-5.2
LCs Opened	38582.3	37035.8	3269.4	8748.2
Growth (%)	34.0	-4.0	-5.5	-10.8
LCs Settled	31953.1	34814.5	2730.4	8104.2
Growth (%)	38.6	8.9	-11.0	-5.2

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

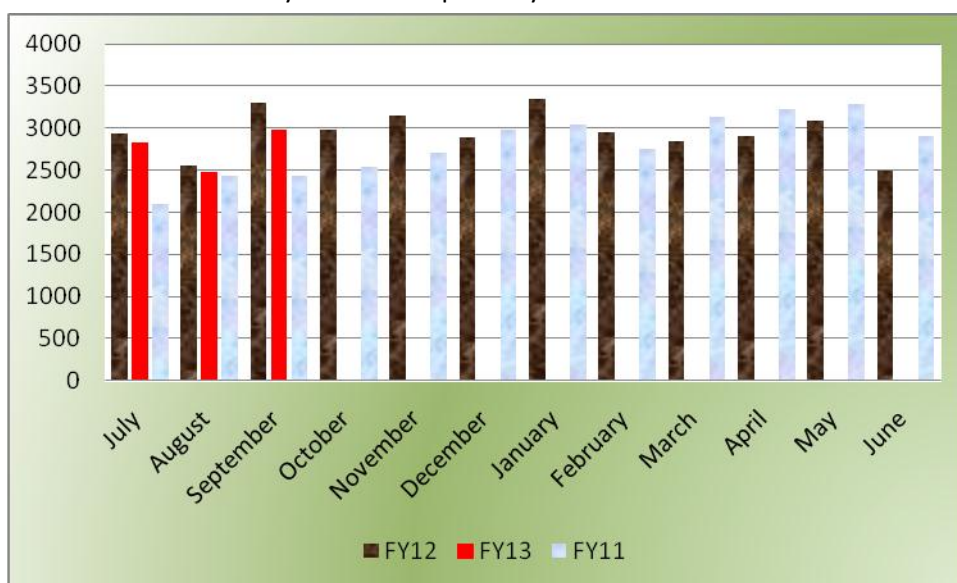
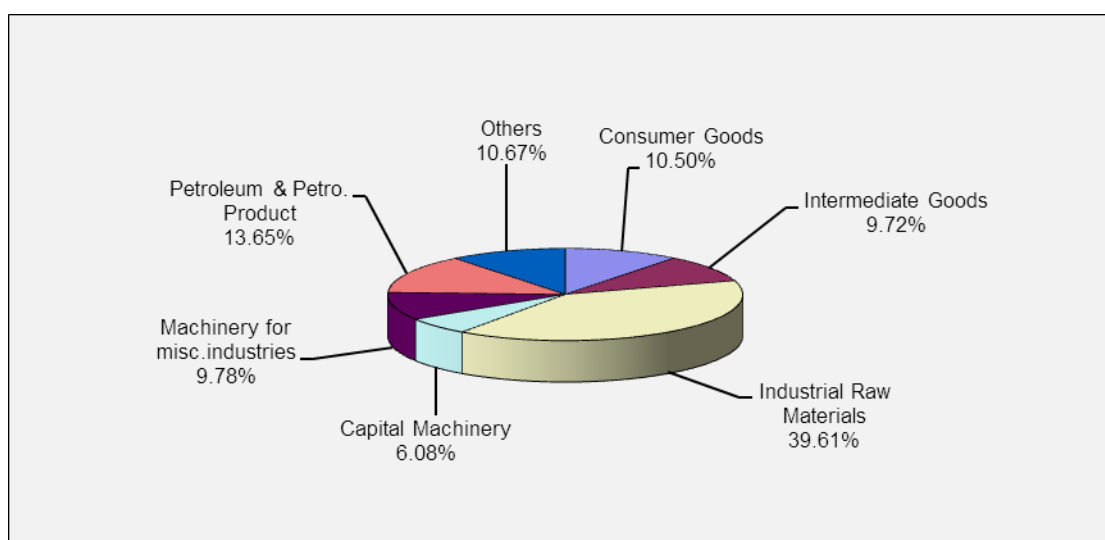


Chart 3.4: Structure of Imports (Based on LCs settled, July-September 2012)



### 3.3 Remittances

Remittances in September 2012 stood at USD 1178.83 million indicating 37.8 percent growth against September 2011. The respective growth was a healthy 19.7 percent during July-September of FY13 compared to the corresponding period of the previous fiscal.

Table-3.3: Remittance Performance

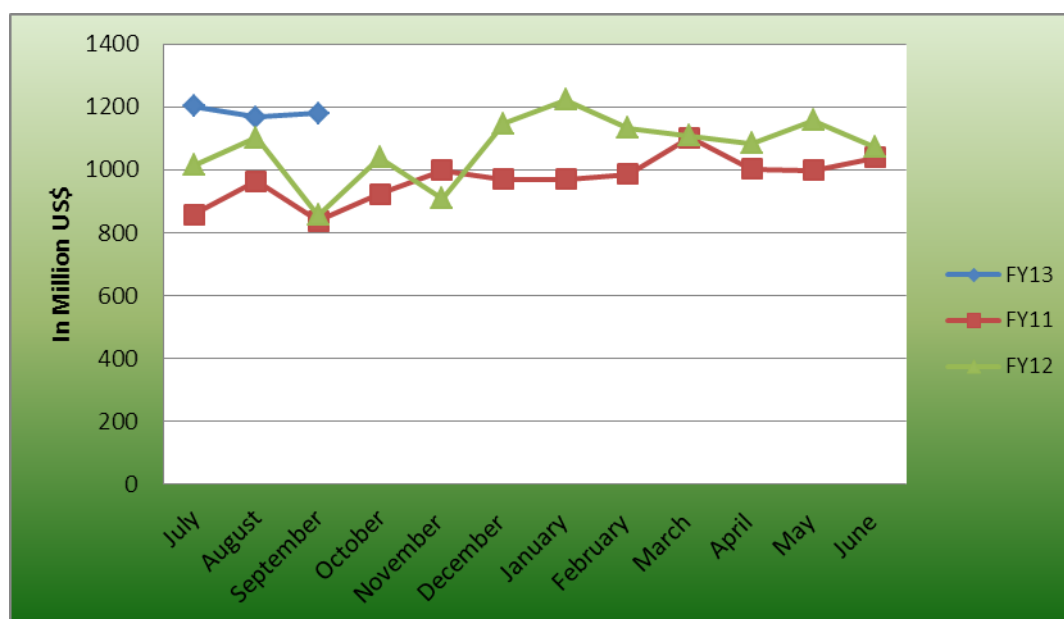
(In million US\$)

	2010-11	2011-12	2012-13	
			September	July-September
Remittances	11650.32	12843.4	1178.83	3558.63

Growth (%)	6.0	10.2	37.8	19.7
As % of GDP	10.4	11.1	-	-
As % of Export	50.8	52.8	62.01	56.56

Source: Bangladesh Bank and EPB

Chart 3.5: Monthly Trend of Remittances



### 3.4 Exchange Rate Movements

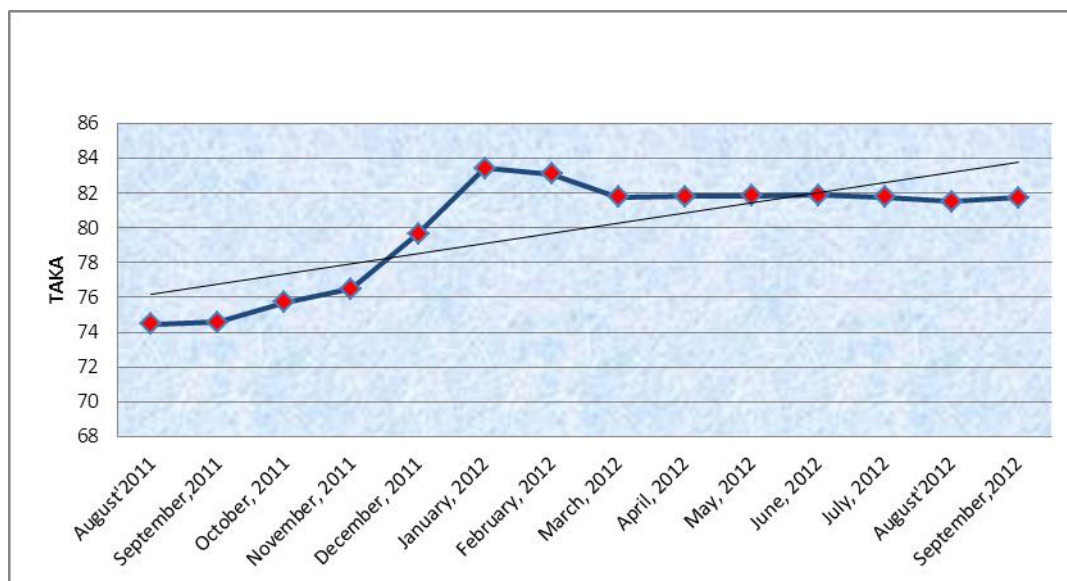
The exchange rate movement from August 2011 to September 2012 has been shown in Chart 3.6 (BDT against USD). Exchange rate of Taka per USD remained stable since March 2012, due to moderate growth in remittances, foreign aid disbursement and low import pressures. At the end of September, 2012 Taka appreciated by 0.28 per cent from the level at the end of June 2012 (table 3.4). However, this was still 9.58 per cent depreciation from the level at September 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
<b>2012-13</b>		
July	81.77	81.70
August	81.52	81.71
September	81.72	81.64

Source: Bangladesh Bank

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



### 3.5 External Reserve

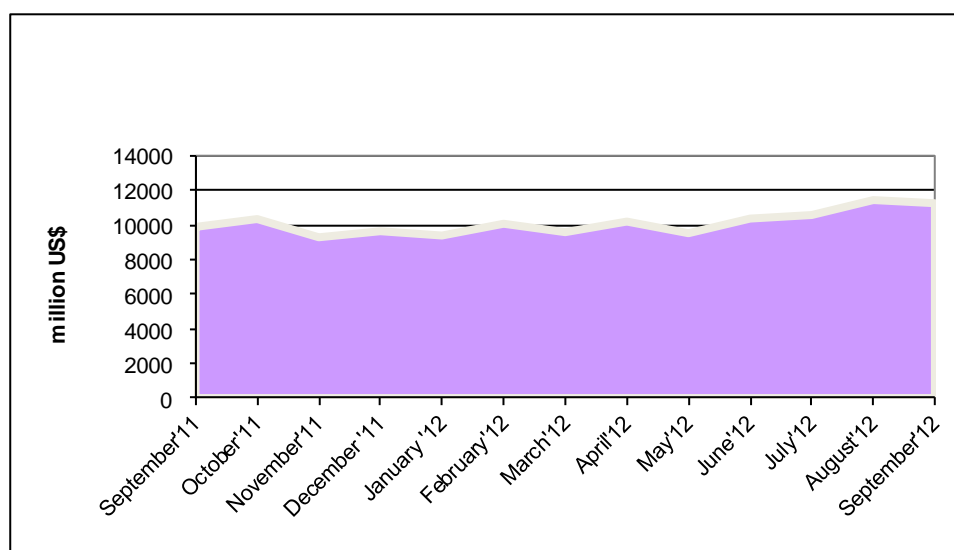
The gross foreign reserves (with ACU liability of USD 357.16 million) increased substantially and stood at USD 11252.06 million by the end of September 2012, compared to USD 10364.3 million at end of June 2012 (table 3.5). Gross foreign reserves, without ACU liability was equivalent to import payments of 3.7 months.

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

	2010-11	2011-12	As on end of September, 2012
Reserve	10911.5	10364.43	11252.06
In month of import payment	3.9	3.2	3.7

Source: Bangladesh Bank.

Chart 3.7: Outstanding Stock of Gross Foreign Exchange Reserve at the end of the month



### 3.6 Balance of Payments

The current account balance in the first quarter of FY13 was in surplus. Despite widening of trade deficit the augmented remittance inflow helped offset the trade deficit gap. Both financial account surplus of USD905 million and current account surplus of USD 135 million accounted for a surplus of USD1114 million in overall balances during July-September 2012 against a deficit of USD99 million over the corresponding period of FY11.

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

	2010-11 (July-June)	2011-12 <sup>R</sup> (July-June)	2011-12 <sup>R</sup> (July-September)	2012-13 <sup>P</sup> (July-September)
Trade Balance	-7744	-7995	-1907	-1984
Current Account Balance	885	1630	-8	135
Capital Account	642	469	121	120
Financial Account	-1920	-955	306	905
Overall Balance	-656	494	-99	1114

Source: Bangladesh Bank., R=Revised

## 4. REAL SECTOR

### 4.1 Quantum Index of Industrial Production

Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 463.49 in September 2011 and became 571.64 in September 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.

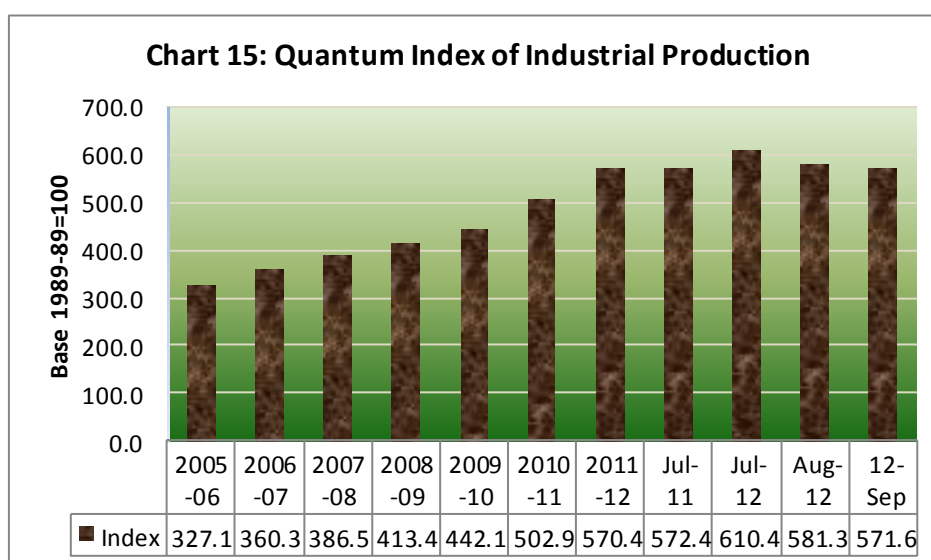
Table 4.1: Quantum Index of Industrial Production (Base: 1989-89=100)

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 <sup>P</sup>	570.44	13.43
September 2011	463.49	6.84
September 2012 <sup>P</sup>	571.64	23.33

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



Chart 4.1: Quantum Index of Industrial Production



Source: BBS

## 4.2 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 FY13, inflation has come down and in September 2012, the rate of inflation (national) on point-to-point basis was 7.39 percent, of which, food and non-food inflation were 6.16 percent and 9.95 percent respectively.

Table-4.2 Consumer Price Index and Inflation (National)

FY	Twelve-Months Average Basis		
	National	Food	Non-Food
2006-07	7.20	8.11	5.90
2007-08	9.94	12.28	6.32
2008-09	6.66	7.19	5.91
2009-10	7.31	8.53	5.45
2010-11	8.80	11.34	4.15
2011-12	10.62	10.47	11.15
2012-13	Twelve-Month Twelve-Months Average Basis		
July	10.37	9.87	11.57
August	10.08	9.41	11.62
September	9.69	8.77	11.70

Source: Bangladesh Bureau of Statistics.

Chart 4.2: Trends of Point to Point Inflation (Base 1995-96)

