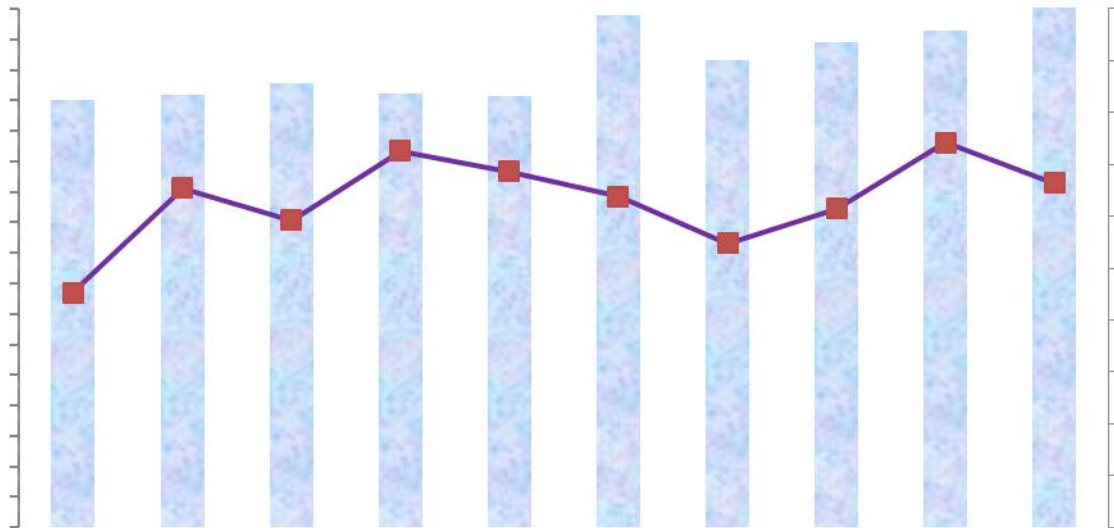




MONTHLY REPORT ON FISCAL-MACRO POSITION

October, 2012



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Vol. VI, No. 4, October 2012, FY13

As on February 18, 2013

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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 four months of FY13. In October, 2012 total revenue earnings grew by 28.5 percent compared to the same period of previous fiscal year. During the same period, total government spending grew by 20.6 percent.

Monetary Sector

Broad Money supply increased by 19.4 percent in October 2012 compared to the same period of previous year mainly due to 16.9 percent growth in domestic credit. Reserve money growth during this period was 19.4 percent.

External Sector

Total export receipts during July-October FY13 increased by USD249.97 million to USD8368.48 million making 3.08 percent growth over that of the corresponding period of the previous fiscal. Import payments in October, 2012 declined by US\$ 338 million or 11.3 percent to US\$ 2639.3 million, against US\$ 2977.2 million in October 2011. The growth in remittance earning was 39.5 percent in October 2012 resulting in an increase in foreign exchange reserve US\$ 1453.69 million that equivalent to import payments for 3.9 months

Real Sector

At the end of FY12 the average rate of inflation (Twelve-Month Average Basis) was 10.62 percent. The food and non-food inflation were 10.47 percent and 11.45 percent respectively. In FY13, inflation has come down and in October 2012, the rate of inflation (national) on point-to-point basis was 7.22 percent, of which, food and non-food inflation were 5.57 percent and 10.46 percent respectively. Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 533.23 in October 2011 and became 582.94 in October 2012.

1. FISCAL SECTOR

1.1 Revenue Earnings

Continuing with last year's trend, total revenue earnings grew by 28.5 percent during July-October period of FY13 compared to the same period of last fiscal year (table 1.1). Growth in non-tax revenue was significantly high (around 80 percent) over the same period of the previous year with both NBR and non-NBR tax falling slightly behind the budget targets.

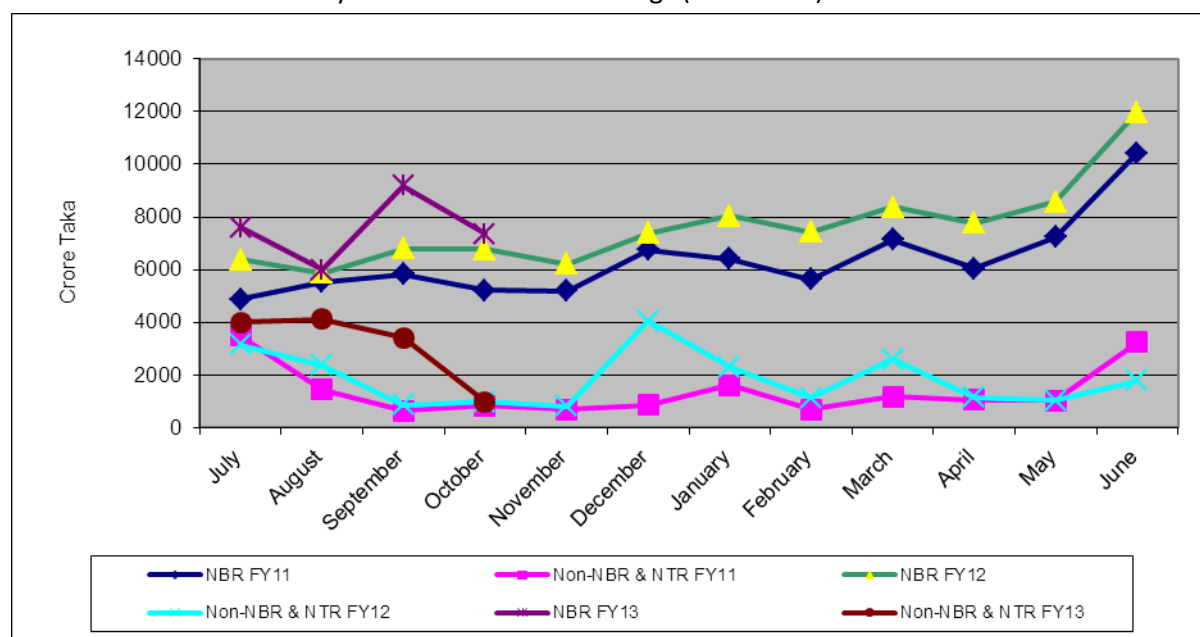
Table 1.1: Revenue Earning

(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
July to October, FY12	25814	1076	6292	33182
July to October, FY13	30140	1210	11292	42642
Growth(%) over July to October, FY12	16.8	12.5	79.5	28.5

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. Total grant receipt increased by 45.2 percent to Taka 138 crore during July-October of FY13 against Tk. 95 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 (%)	2011-12	2012-13	Growth (%) over July to October, FY12
			July to October	July to October	
2450	3560	45.3	95	138	45.2

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

1.3 Government Expenditure

Total government expenditure, comprising of current and ADP expenditure, increased by 20.6 percent during July-October period of FY13 compared to the same period of previous fiscal year. According to iBAS database, development spending grew by 35.2 percent in October 2012 compared to September 2011 (table-1.3). The current spending, on the other hand grew by 29 percent in October 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 22.2 percent and 32 percent respectively. The growth of spending on subsidies and current transfer under current spending was also increased by 38.7 percent. As percentage of GDP, government expenditure stood at 4.31 percent during July to October of FY13, increasing slightly from 4.07 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 10,920 Crore during July-October of FY13, recording 58.4 percent increase as compared to the same period of the last fiscal.

Table 1.3: Government Expenditures

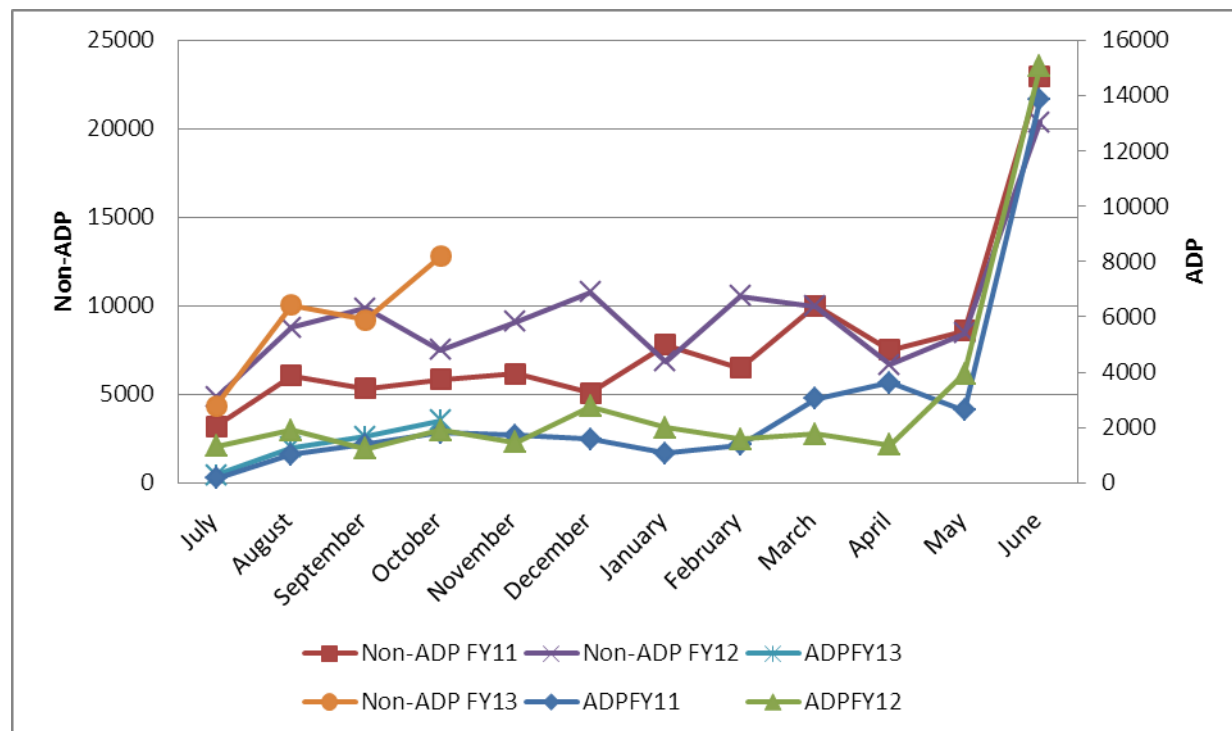
(Taka in crore)

	2010-11	2011-12	Growth	2011-12	2012-13	Growth (%) over July to October, FY12
				July to October	July to October	
1. Current Spending	77479	88222	13.9	23903	30821	28.9
Pay and Allowances	19918	20877	4.8	7687	8985	16.9
Goods and Services	10160	10772	6.0	1786	2183	22.2
Interest Payment	15637	20137	28.8	5593	7383	32.0
Domestic	14214	18589	30.8	5238	6767	29.2
Foreign	1423	1548	8.8	355	615	73.2
Subsidy and Transfer	31483	36259	15.2	8818	12228	38.7
Others	281	177	-37.0	19	42	121.1
2. Food Accounts	2383	1233	-48.3	3773	2261	-40.1
3. Non-ADP Capital & Spending	15132	24191	59.9	3279	3314	1.1
Non-ADP Capital	5390	6963	29.2	147	853	480.3
Net Lending	7256	14060	93.8	3081	2397	-22.2
Non-ADP Project	866	1465	69.2	0	48	-
FFW	719	1144	59.1	27	0	-100.0
Structural Adjustment	37	0	-100.0	0	0	-

Development Expenditure under Revenue Budget	864	559	-35.3	24	16	-33.3
4. Development Spending	33282	36269	9.0	6342	8576	35.2
Total (1+2+3+4)	128276	149915	16.9	37297	44971	20.6
Total Spending (Percent of GDP)	16.3	16.4		4.07	4.31	

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

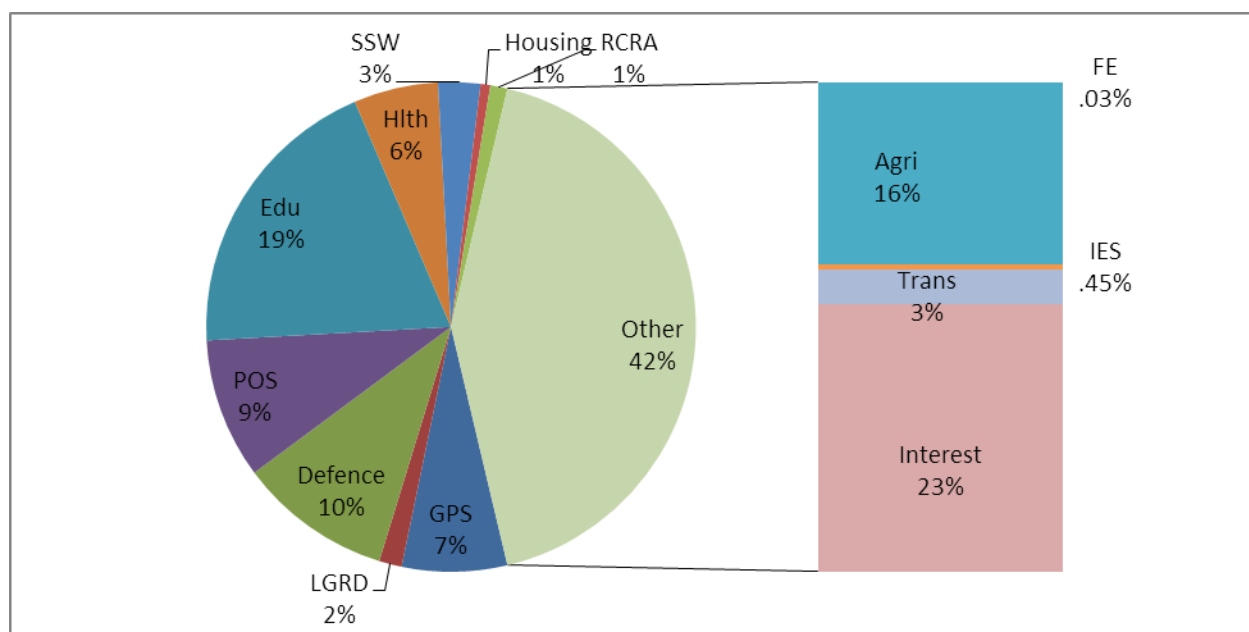
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 11-FY13)



1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure shows (chart 1.3) that highest expenditure was in Interest payment (23%) followed by Education and Technology sector (19%) and agriculture sector (16%).

Chart1. 3: Sector wise share (%) of Non-Development expenditure (July to October, FY 13)

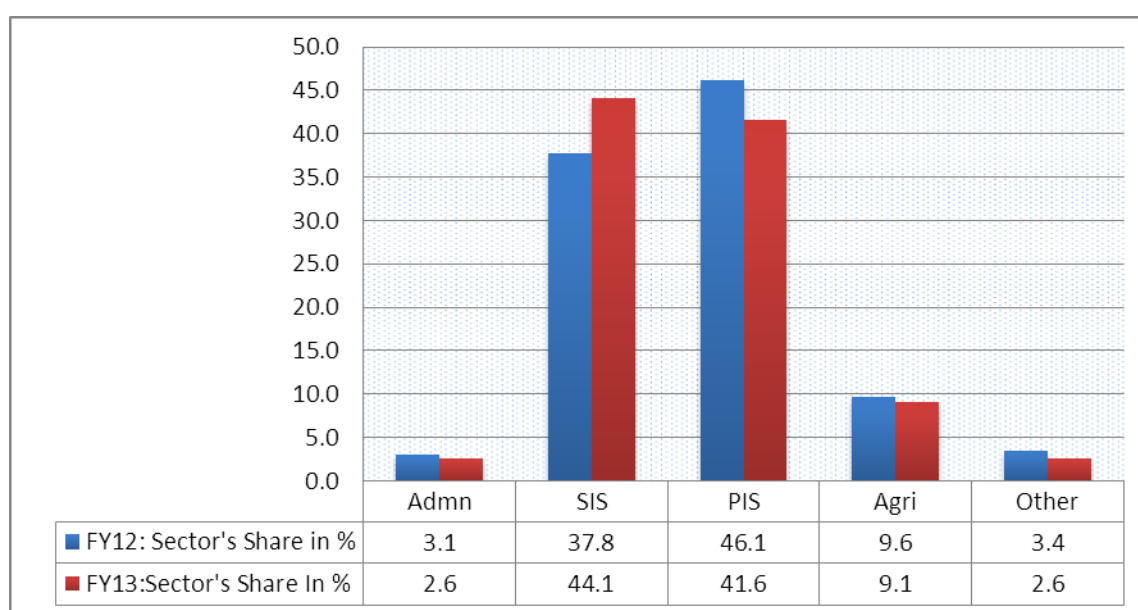


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and 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- October FY13, highest share was contributed by Social Infrastructure (44.1%) followed by expenditure in Physical Infrastructure (41.6%) and Agricultural sector (9.1%).

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



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 four month (July-October) of current FY 13 started with a consolidation in overall deficit balance by 0.22 percent (2329 Crore TK.) of GDP, which was -0.44 percent (table 1.4) in July-October (FY12).

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
July-October, FY12	-4115	-0.44
July-October, FY13	-2329	-0.22

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 period July to October of FY13 share of external financing has gone up compared to the same period of the previous fiscal. Bank borrowing has also declined 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
July-October, FY12	-1509	11441	-5815	4117	0.45
July-October, FY13	271	8114	-6055	2330	0.22

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

1.8 Net Sales of NSD Certificates

Sale of NSD certificate during October 2012 stood at Tk.1936.47 crore which is 39.4 per cent higher than the amount of sale in the same period preceding year (table 1.6). However, the net borrowing of the government through NSD certificates during October 2012 has decreased by Taka 34.11 crore.

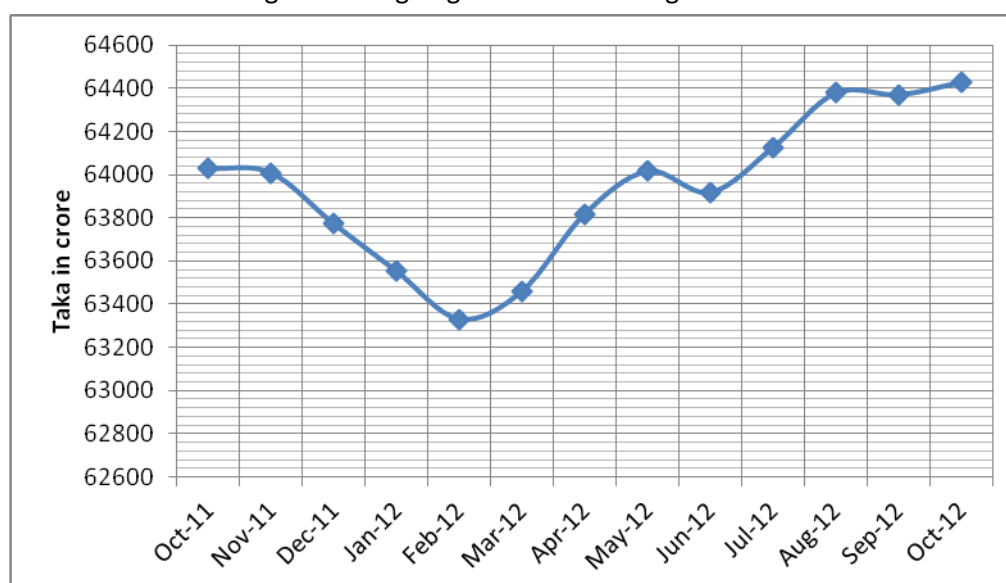
Table 1.6 Net Sales of NSD Certificates

(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				
October	1936.47 (39.8)	1878.16 (45.3)	-34.11 (36.9)	64428.79 (0.63)

Source: National Savings Directorate

Chart 1.5: Outstanding borrowing of government through NSD



2. MONETARY SECTOR

2.1 Monetary and credit development

Broad money (M2) growth in October, 2012 was 19.4 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 37.2 and 16.3 percent increase respectively. During the month, domestic credit expansion was quite remarkable (16.9 percent), due to growth of credit to private sector (18.3 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	October, 2012	July –October, 2012	October,2012 over October, 2011
Net Foreign Assets of Banking System	70620.0	78860.3	95145.9	16285.6 (20.6)	25827.6 (37.2)
Net Domestic Assets of Banking System	369899.9	438249.2	456009.9	17760.7 (4.0)	64024.0 (16.3)
Domestic credit	433525.9	518214.3	540560.7	22346.4 (4.3)	78372.3 (16.9)
Public Sector	92813.2	110312.7	118022.6	7709 (6.9)	12753.8 (12.1)
Govt. (net)	73436.1	91906.8	99591.4	7684.6 (8.3)	11787.6 (13.4)
Other Public Sector	19377.1	18405.9	18431.2	25.3 (0.14)	966.2 (5.5)
Private Sector	340712.7	407901.6	422538.1	14636.5 (3.5)	65618.5 (18.3)
Net other items	-63626.0	-79965.1	-84550.8	-4585.7 (5.7)	-14348.3 (-20.4)
Broad Money	440519.9	517109.5	551155.8	34046.3 (6.5)	89851.6 (19.4)

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

2.2 Reserve money and money multiplier

Reserve money grew by 19.4 percent in October 2012 (table 2.2) compared to the same period of previous year. At the same time the value of reserve money multiplier recorded 4.92 in October 2012, which were 5.29 in June 2012.

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 (October)	July-Oct, 2012	October,2012 over October, 2011
Reserve money	89734.4	97802.7	111979.4	14176.7 (14.5%)	18256.7 (19.4%)
Reserve money multiplier	4.91	5.29	4.92	-0.37	-0.00

Source: Bangladesh Bank.

3. EXTERNAL SECTOR

3.1 Export and its Components

Total export receipts during July-October of FY13 increased by USD 249.97 million to USD 8368.48 million making 3.08 percent growth over that of the corresponding period of the previous fiscal. During the first four month of FY13 (July-October) Knitwear exports (40.78 per cent) was the largest contributor to the export growth followed by the Woven Garments (38.46 per cent), together they contributed around 79 percent of total export.

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

	2010-11	2011-12	2012-13	
			October	July-October
Export	22928.2	24287.6	2077.03	8368.48
Growth (%)*	41.5	5.9	6.25	3.08

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

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

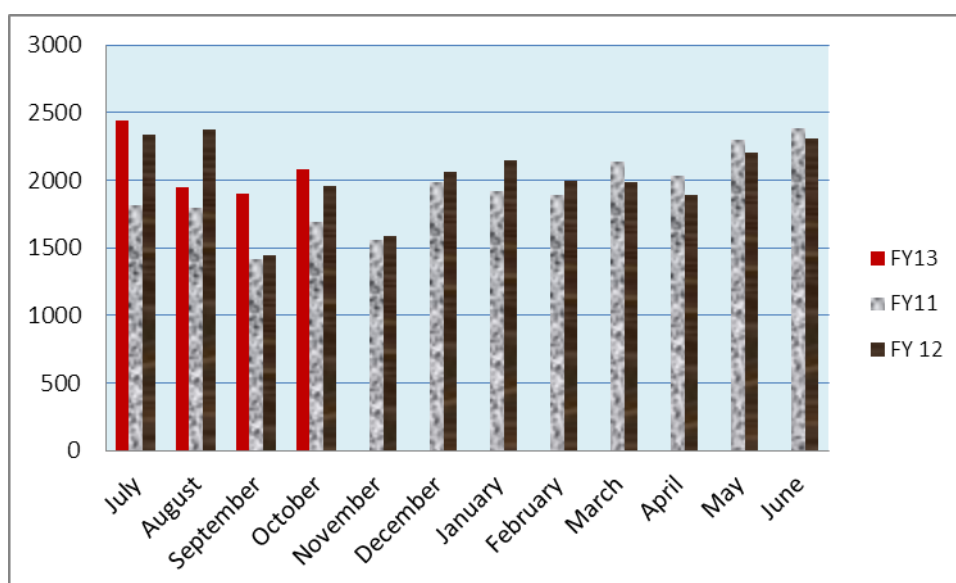
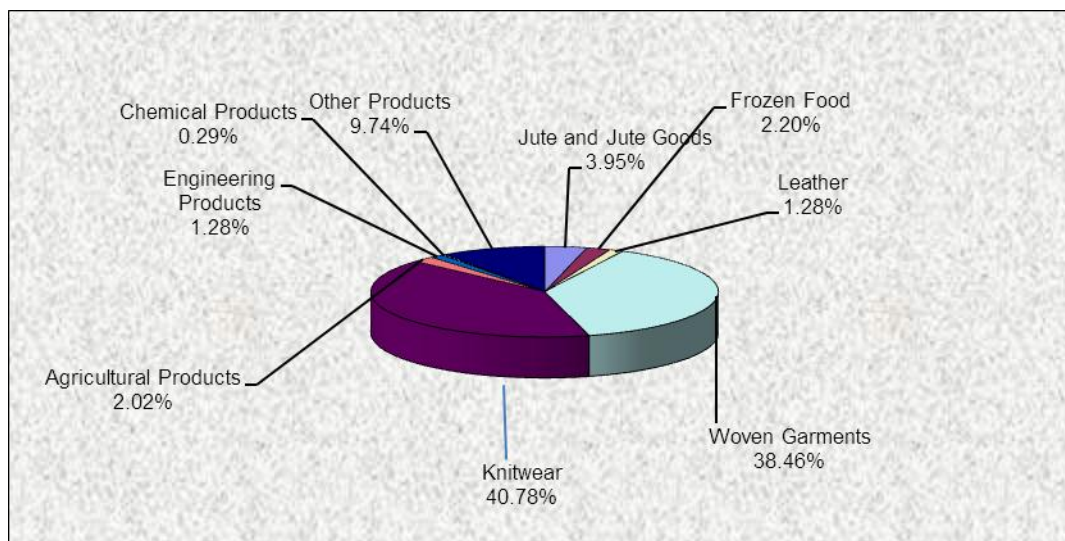


Chart 3.2: Structure of Exports (July-October, FY13)



3.2 Imports (c & f)

Import payments in October, 2012 declined by US\$ 338 million or 11.3 percent to US\$ 2639.3 million, against US\$ 2977.2 million in October 2011. Fresh opening of import LCs in this period decreased by 13.5 percent compared to October 2011. The growth of LC's settled also declined during the period. From the chart 3.4, it is evident that, during July- October, 2012 industrial raw materials covered the major share (39.6%) of total LC settlements followed by petroleum and petro products (14.6%).

Table 3.2: Import Scenario

(In million US\$)

	2010-11	2011-12	2012-13	
			October	July-October
Import payments	33657.5	35516.3	2639.3	10971.4
Growth (%)	41.8	5.5	-11.3	-6.7
LCs Opened	38582.3	37035.8	2776.9	11525.1
Growth (%)	34.0	-4.0	-13.5	-11.5
LCs Settled	31953.1	34814.5	2652.6	10756.8
Growth (%)	38.6	8.9	-25.1	-11.0

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

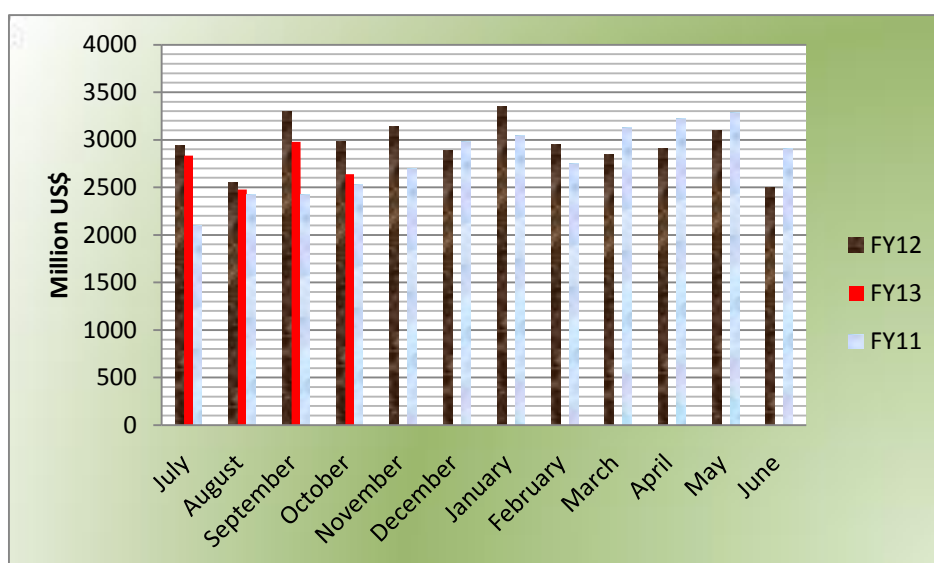
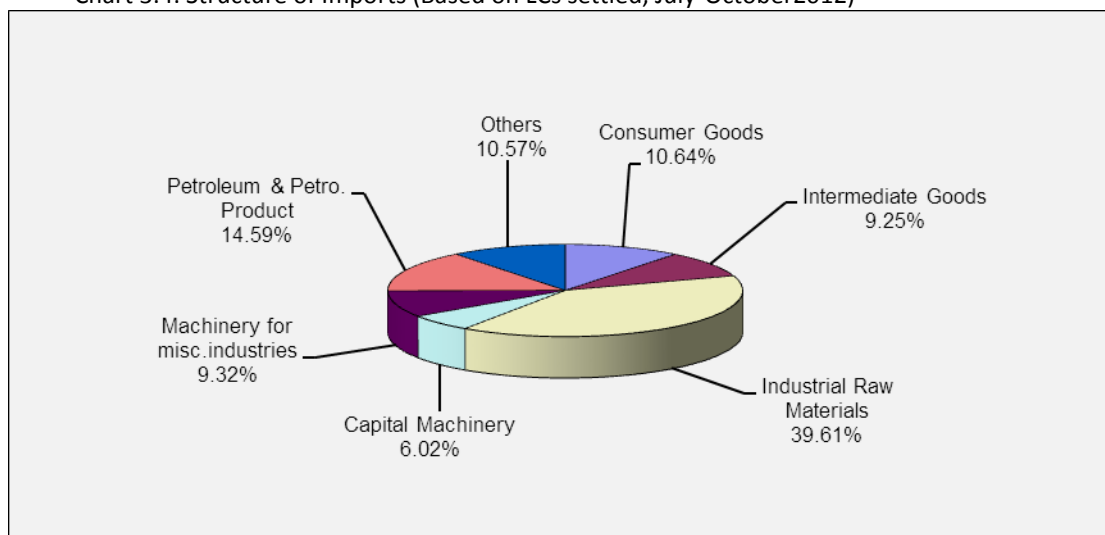


Chart 3.4: Structure of Imports (Based on LCs settled, July-October 2012)



3.3 Remittances

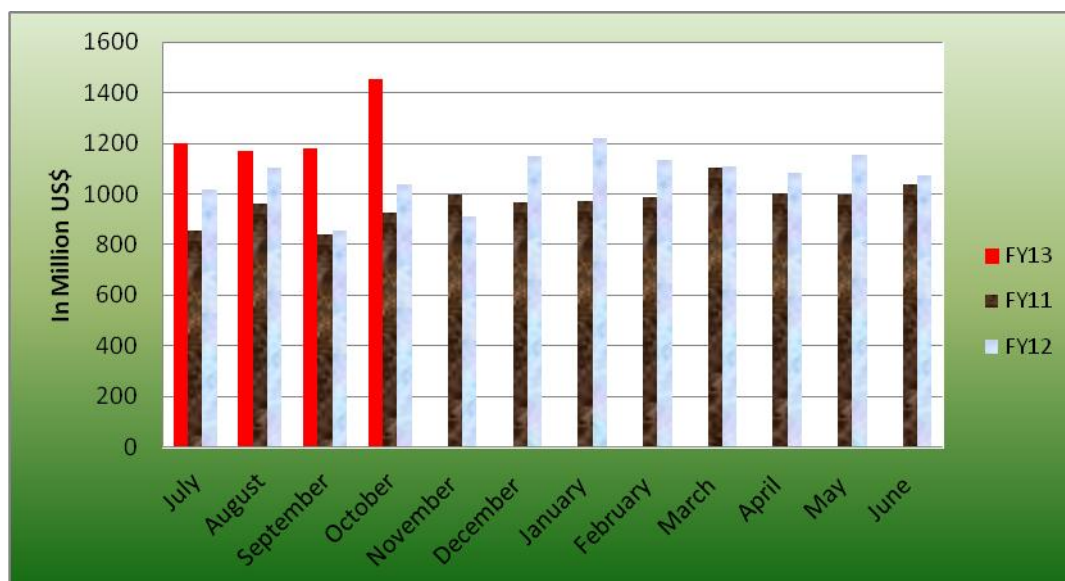
Remittances in October 2012 stood at USD 1453.69 million indicating 39.5 percent growth against October 2011. The respective growth was a healthy 24.9 percent during July-October of FY13 compared to the corresponding period of the previous fiscal.

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

	2010-11	2011-12	2012-13	
			October	July-October
Remittances	11650.32	12843.4	1453.69	5012.32
Growth (%)	6.0	10.2	39.5	24.9
As % of GDP	10.4	11.1	-	-
As % of Export	50.8	52.8	69.9	61.7

Source: Bangladesh Bank and EPB

Chart 3.5: Monthly Trend of Remittances



3.4 Exchange Rate Movements

The exchange rate movement (monthly average) from November 2011 to October 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 October, 2012 Taka appreciated by 0.81 per cent from the level at the end of June 2012 (table 3.4). However, this was still 6.58 per cent depreciation from the level at October 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	81.87
2012-13		
July	81.77	81.70
August	81.52	81.71
September	81.72	81.64
October	81.31	81.21

Source: Bangladesh Bank

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



3.5 External Reserve

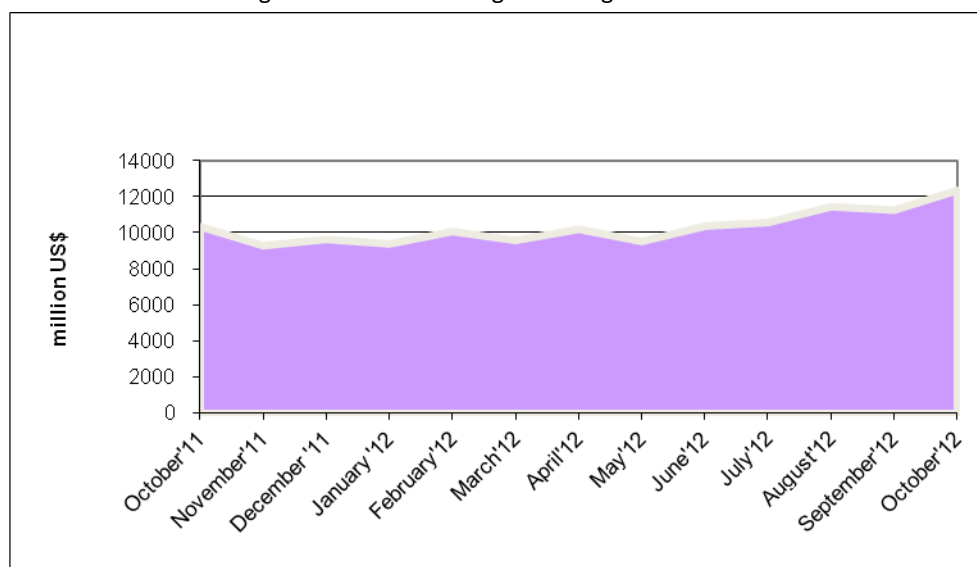
The gross foreign reserves (with ACU liability of USD 686.54 million) increased substantially and stood at USD 12339.49 million by the end of October 2012, compared to USD 10364.3 million at end of June 2012 (table 3.5). Gross foreign reserves, without ACU liability was equivalent to import payments of 3.9 months.

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

	2010-11	2011-12	As on end of October, 2012
Reserve	10911.5	10364.43	12339.49
In month of import payment	3.9	3.2	3.9

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 four month 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 USD 1247 million and current account surplus of USD 464 million accounted for a surplus of USD 1923 million in overall balances during July-October 2012 against a deficit of USD 384 million over the corresponding period of FY11.

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

	2010-11 (July-June)	2011-12 ^R (July-June)	2011-12 ^R (July-October)	2012-13 ^P (July-October)
Trade Balance	-7744	-7995	-3180	-2517
Current Account Balance	885	1630	-625	464
Capital Account	642	469	126	158
Financial Account	-1920	-955	987	1247
Overall Balance	-656	494	-384	1923

Source: Bangladesh Bank., R=Revised

4. REAL SECTOR

4.1 Quantum Index of Industrial Production

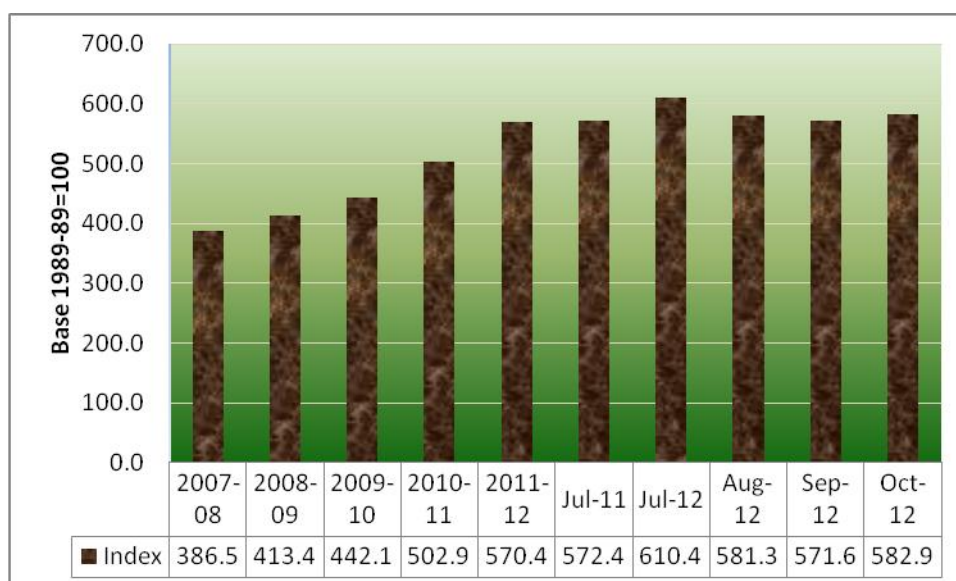
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 533.23 in October 2011 and became 582.94 in October 2012 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) 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 ^P	570.44	13.43
October 2011	533.23	15.61
October 2012 ^P	582.94	9.32

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 October 2012, the rate of inflation (national) on point-to-point basis was 7.22 percent, of which, food and non-food inflation were 5.57 percent and 10.46 percent respectively.

Table-4.2 Twelve-Months Average 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-Months Average Basis		
July	10.37	9.87	11.57
August	10.08	9.41	11.62
September	9.69	8.77	11.70
October	9.33	8.16	11.81

Source: Bangladesh Bureau of Statistics.

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

