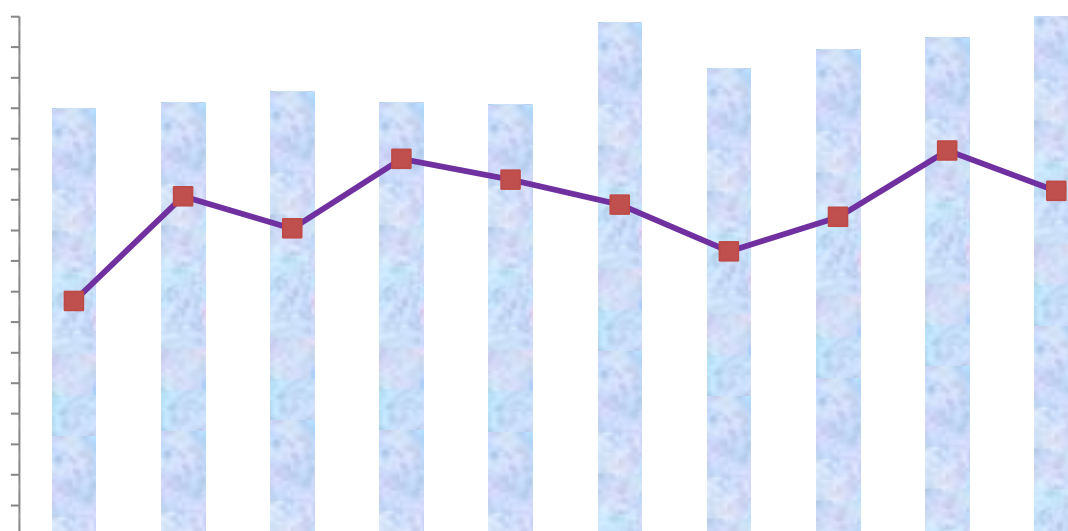




MONTHLY REPORT ON FISCAL-MACRO POSITION

August, 2013



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Contents

1. FISCAL SECTOR	3
1.1 Revenue Earnings.....	3
Table 1.1: Revenue Earning (Taka in Crore).....	3
Chart 1.1: Monthly Trend of Revenue earnings (FY11-FY13)	3
1.2 Grants.....	3
Table 1.2: Grants (Taka in crore)	4
1.3 Government Expenditure	4
1.4 Structure of Revenue Expenditure	5
1.5 Structure of ADP Expenditure	6
1.6 Budget Deficit.....	6
Table 1.4: Budget Balance (Taka in crore)	6
1.7 Deficit Financing.....	6
1.8 Net Sales of NSD Certificates	7
Chart 1.5: Outstanding borrowing of government through NSD (In Crore TK.)....	7
2. MONETARY SECTOR	8
2.1 Monetary and credit development.....	8
2.2 Reserve money and money multiplier.....	8
3. EXTERNAL SECTOR	9
3.1 Export and its Components.....	9
Chart 3.2: Structure of Exports (July-Aug, FY14)	10
3.2 Imports (c & f)	10
Table 3.2: Import Scenario (In million US\$)	10
Chart 3.3: Monthly Trend of Import Payments	11
Chart 3.4: Monthly Trend of Remittances	11
3.4 Exchange Rate Movements	12
Table 3.4: Exchange Rate Movements (Taka per US\$)	12
3.5 External Reserve	12
Chart 3.6: Outstanding Stock of Gross Foreign Exchange Reserve at the end of the month	13
3.6 Balance of Payments.....	13
Table 3.6: Balance of Payments (In million US\$)	13
4. REAL SECTOR.....	14
Table 4.1 Gross Domestic Product.....	14
Chart 4.1: GDP Growth Rate at current and constant prices (Base year 1995-96) .	14
Table 4.2: Quantum Index of Industrial Production (Base: 2005-06=100).....	15
Chart 4.2: Quantum Index of Industrial Production (Base: 2005-06=100).....	15
4.3 Inflation	15
Table-4.3 Twelve-Months Average Inflation (National) (Base 2005-06).....	15
Chart 4.3: Trends of Point to Point Inflation (Base 2005-06)	16

Executive Summary

The August 2013 issue of the report on 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

Revenue earnings posted notable growth by the end (July-June) of FY13. During July-August period of FY14 total revenue grew by 8.86 percent compared to the same period of previous fiscal year. During the same period, total government spending grew by around 8 percent.

Monetary Sector

Broad Money supply increased by 16.28 percent in July-August period of FY14 compared to the same period of previous year mainly due to 12.42 percent growth in domestic credit. Reserve money growth during this period was 13.43 percent.

External Sector

Export growth was 14.74 percent in the first two months of FY14 over the corresponding period of the previous fiscal. Import payments during July-August of FY14 increased by 10.69 percent. Growth in remittance earnings was in the negative territory during this period. It was 5.57 percent lower than the same period of the previous fiscal. However, even lower import payments caused a rise in foreign exchange reserve to US\$ 16252.27 million that is equivalent to import payments for 5.38 months.

Real Sector

According to base year 2005-06, provisional real GDP growth in FY13 is 6.18 percent. Per capita GNI in FY13 reached US\$ 1044. In FY13 the average rate of inflation (Twelve-Month Average Basis) was 6.78 percent. In August 2013, the rate of inflation (national) on point-to-point basis was 7.39 percent slightly decreasing from previous month, of which, food and non-food inflation were 8.09 percent and 6.35 percent respectively. Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 201.93 in July 2012 and became 232.02 in July 2013.

1. FISCAL SECTOR

1.1 Revenue Earnings

An increasing trend was observed in government revenue earnings over the last fiscal year which slowed slightly in first two months of the current fiscal year. Total revenue collection in FY13 increased by 12.34 percent compared to the same period of previous fiscal year. This rate slowed to 8.86 percent in the first two months of the current fiscal year (FY14) compared to the same period of previous fiscal year (table 1.1) mainly due to negative growth of non-tax revenue receipts.

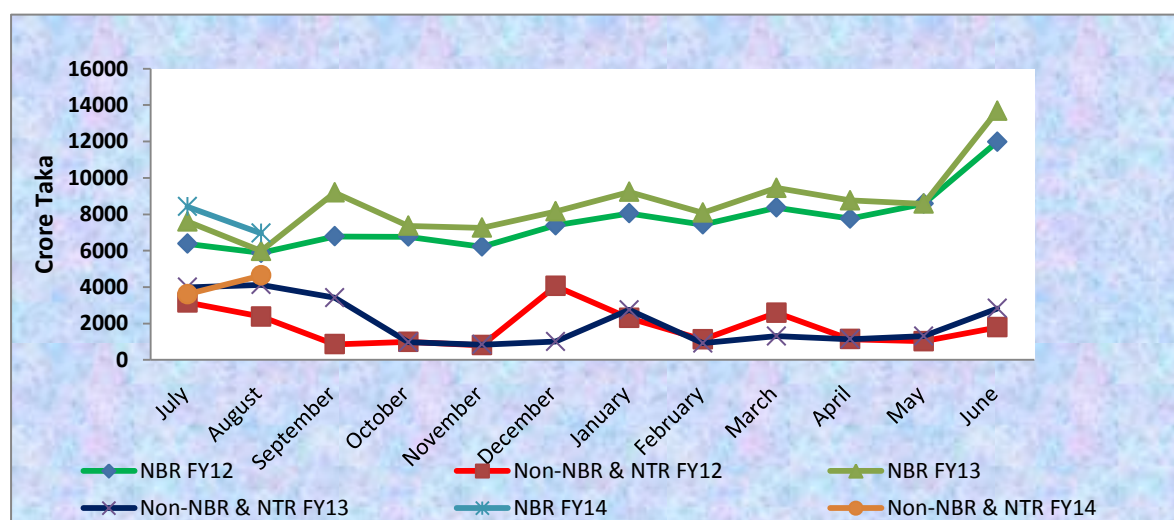
Table 1.1: Revenue Earning

(Taka in Crore)

	Tax Revenue		Non-Tax Revenue	Total Revenue
	NBR	Non-NBR		
2011-12	91596	3633	18550	113779
2012-13	103338	4121	21365	128824
Growth (%)	12.82	13.43	9.87	12.34
July-August, FY13	13587	584	7532	21704
July-August, FY14	15380	648	7599	23627
Growth(%) over (July-August), FY13	13.20	10.96	0.89	8.86

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 83.7 percent in FY 13 compared to FY12. However, grant receipts decreased sharply by around 27 percent to TK. 60 crore during the first two months of the current fiscal year (FY14) against TK. 82 crore over the corresponding period of the last fiscal year (table 1.2).

Table 1.2: Grants

(Taka in crore)

2011-12	2012-13	Growth (%)	2012-13	2013-14	Growth (%) over July, FY13
			July-August	July-August	
3560	6599	83.7	82	60	-26.8

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

1.3 Government Expenditure

Total government expenditure, comprising of current and ADP expenditure, increased by 8 percent in the first two months of current fiscal year compared to the same period of previous fiscal year. According to iBAS database, development spending grew by 48 percent in July to August, 2013 compared to the same period of previous fiscal year (table-1.3). The current spending, on the other hand grew by 5.65 percent in July-August, 2013 compared to the corresponding periods of 2012. Of current spending, spending on interest payment and subsidy and transfer grew at a high rate of 37.4 percent and 4.3 percent respectively. Spending on pay and allowances decreased moderately (15 percent). As percentage of GDP, government expenditure stood at 1.53 percent during July-August of FY13, slightly increasing from 1.42 percent over the same period of FY12. It may be noted here that, according to the report of Implementation, Monitoring and Evaluation Division (IMED) of Planning Ministry, ADP expenditure stood at TK. 4081 Crore during the first two months of FY13, recording 10 percent decrease over the same period of the last fiscal year.

Table 1.3: Government Expenditures

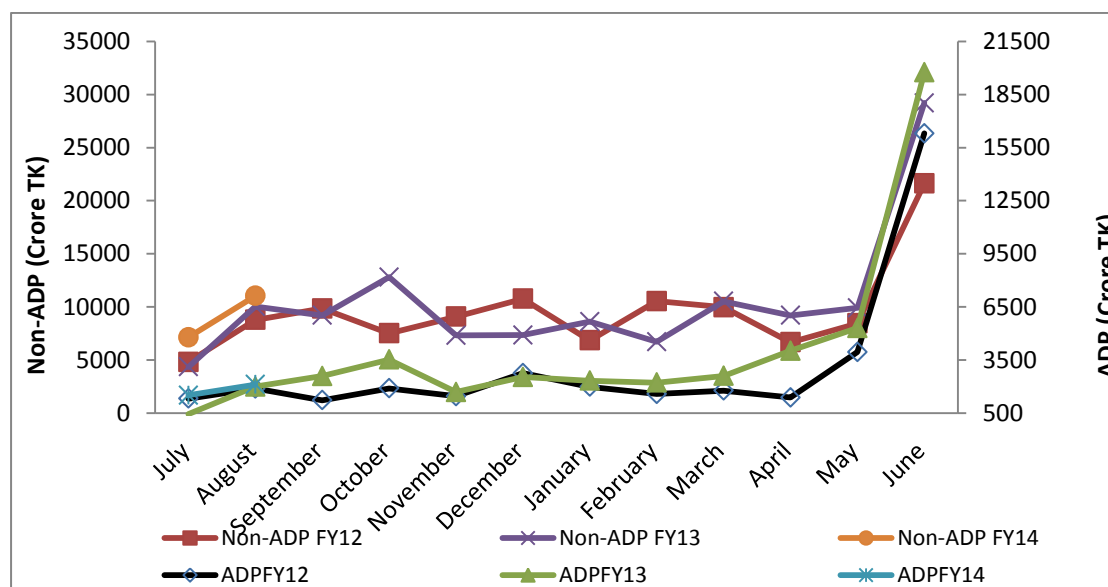
(Crore Taka)

	2011-12	2012-13	Growth (%)	2012-13	2013-14	Growth (%) over July-August, FY13
				July -August	July -August	
1. Current Spending	89296	99698	11.65	12621	13334	5.65
Pay and Allowances	21065	21725	3.13	4674	3973	-15.00
Goods and Services	11081	13086	18.09	814	800	-1.72
Interest Payment	20350	23997	17.92	3390	4659	37.43
Domestic	18803	22505	19.69	3044	4301	41.29
Foreign	1548	1492	-3.62	346	358	3.47
Subsidy and Transfer	36627	40655	11.00	3731	3892	4.32
Others	172	236	37.21	12	10	-16.67
2. Food Accounts	1233	-443	-135.93	1187	1244	4.80
3. Non-ADP Capital & Spending	24389	25962	6.45	577	-31	-105.37
Non-ADP Capital	7164	5655	-21.06	230	148	-35.65
Net Lending	14061	16963	20.64	298	-238	-179.87
Non-ADP Project	1465	1456	-0.61	48	53	10.42
FFW	1144	1299	13.55	0	0	-
Structural Adjustment	0	0	-	0	0	-
Development Expenditure	555	590	6.31	1	7	-

under Revenue Budget						
4. Development Spending	37532	49056	30.70	2448	3624	48.04
Total (1+2+3+4)	152450	174273	14.31	16833	18171	7.95
Total Spending (Percent of GDP)	14.64	14.67		1.42	1.53	

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

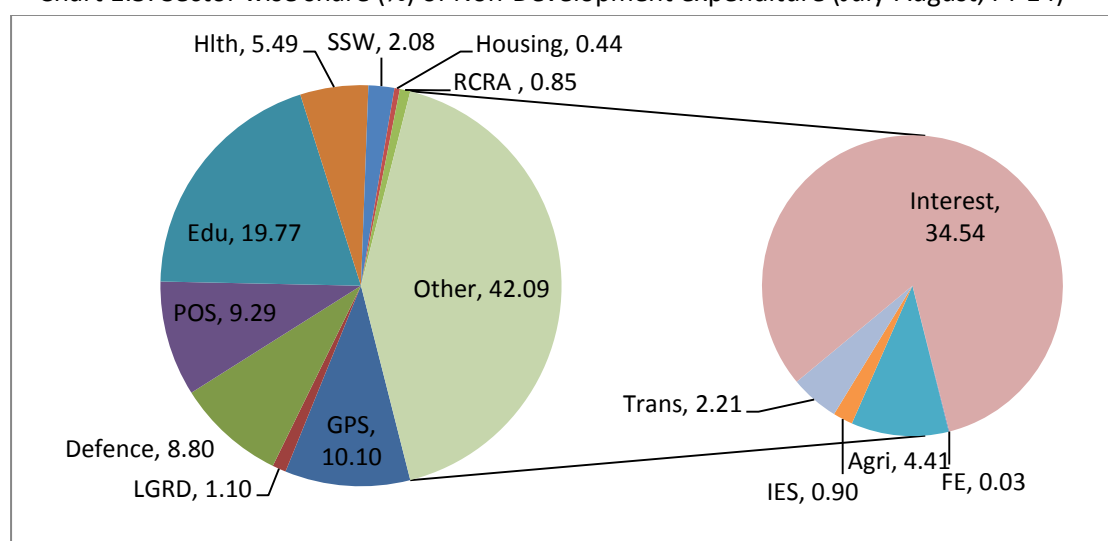
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 12-14)



1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure (July-August, FY13) shows (chart 1.3) that Interest payment (34.5%) was the highest spending item followed by Education and Technology sector (19.7%) and general public service sector (10.1%).

Chart 1.3: Sector wise share (%) of Non-Development expenditure (July-August, FY 14)

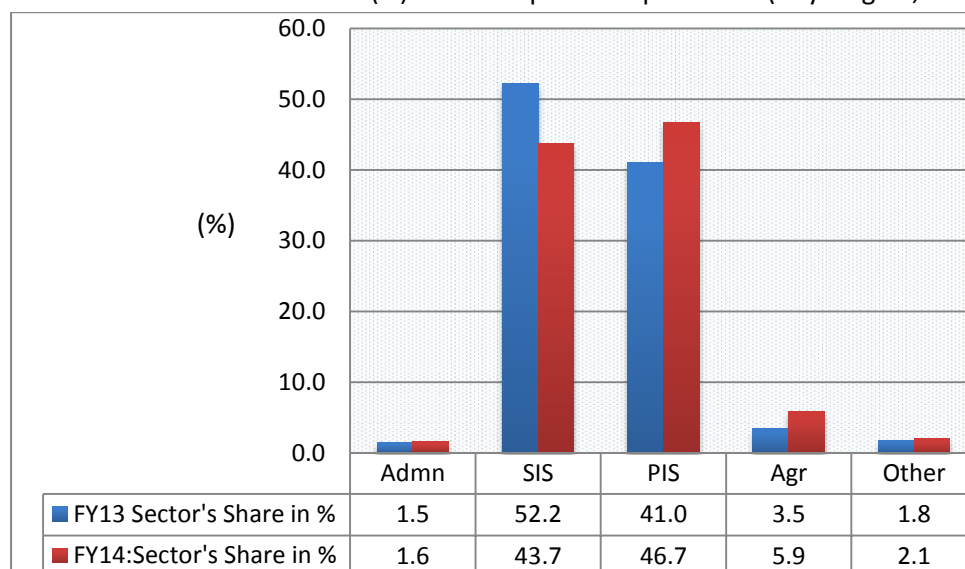


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and 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 the first two months of current fiscal year (FY14), highest share of spending went to Physical Infrastructure (46.3%) followed by expenditure on social Infrastructure (43.7%).

Chart 1.4: Sector wise share (%) of Development expenditure (July-August, FY14)



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; Agr= Agricultural sector and others include RCRA and IES

1.6 Budget Deficit

Overall budget deficit at the end of FY13 stood at 3.8 percent of GDP (Base year 2005-06), which was 3.6 percent in FY12. On the other hand, increase in government earning contributed to consolidation in budget balance during the first two months of the current fiscal year (FY14).

Table 1.4: Budget Balance (Taka in crore)

Year	Overall Balance	Overall Balance as % of GDP
2011-12	-37775	-3.6
2012-13	-45451	-3.8
July-August, FY13	4871	0.4
July-August, FY14	5455	0.5

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

1.7 Deficit Financing

Budget deficit was mainly financed by domestic bank borrowings during FY12 and FY13. Bank borrowing was 71.9 percent of total deficit financing in FY 12 which decreased to 60.4 percent in FY13 (table 1.5). In the current fiscal (FY14), during the period of July to August, there was no budget deficit, rather the liability of Government to the external, banking and non-banking system reduced by Tk. 5455 crore.

Table 1.5: Deficit Financing

(In Crore Taka)

	External (net)	Domestic		Total Financing	Financing as % of GDP
		Bank	Non-Bank		
2011-12	7217	27191	3368	37777	3.6
2012-13	12824	27430	5143	45397	3.8
July-August, FY13	5	-332	-4543	-4870	-0.4
July-August, FY14	-1117	-1563	-2775	-5455	-0.5

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

1.8 Net Sales of NSD Certificates

Sale of NSD during July 2013 stood at Tk. 2144.0 crore which is 5.7 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-August of FY13 stood at Tk. 1316.8 crore against TK. 462.2 Crore compare to the same period of previous year (table 1.6).

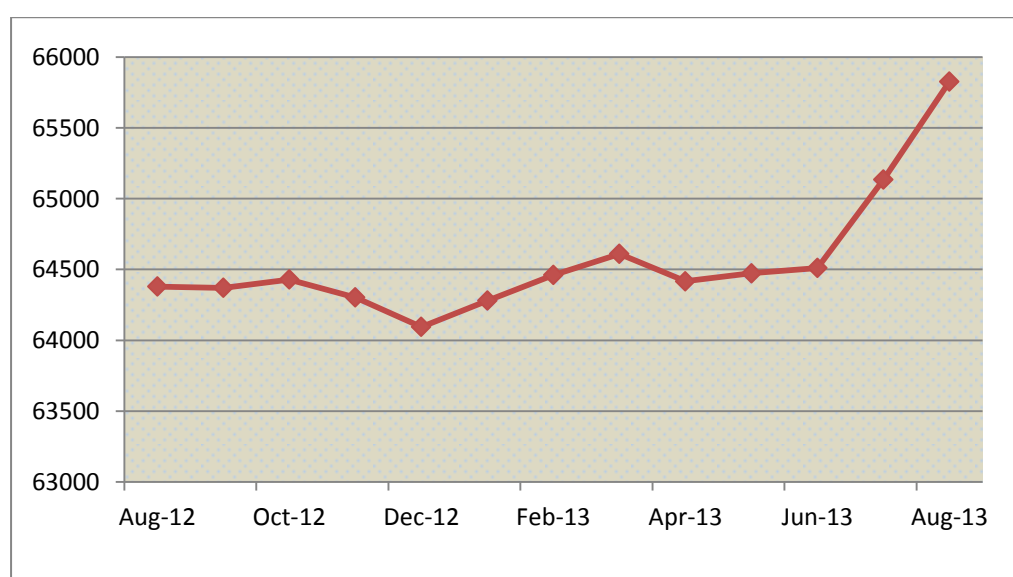
Table 1.6 Net Sales of NSD Certificates

(Taka in crore)

	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2011-12	18955.35	18476.33	479.02	63917.34
2012-13	23326.77	22553.93	772.84	64510.43
Growth (%)	23.0	22.0	61.3	0.93
July-August, FY12	3775.0	3312.8	462.2	64379.5
July-August, FY13	3869.3	2552.5	1316.8	65827.2
Growth (%)	2.5	-22.9	184.9	2.3

Source: National Savings Directorate

Chart 1.5: Outstanding borrowing of government through NSD (In Crore TK.)



2. MONETARY SECTOR

2.1 Monetary and credit development

A good start of new fiscal year with broad money (M2) growth in July-August period of FY14 was 16.28 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 35.80 and 12.42 percent increase respectively.

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

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June,2012	June, 2013	July, 2013	FY 2013-14 (July-Aug)	Aug 2013 over Aug 2012
Net Foreign Assets of banking system	78818.70	113384.80	116744.00	6181.40 (+5.45)	31517.30 (+35.80)
Net Domestic Assets of Banking System	438290.80	490120.60	496756.10	10302.40 (+2.10)	55298.40 (+12.42)
Domestic Credit	518335.40	582583.30	592786.00	8468.60 (+1.45)	64769.90 (+12.31)
Public Sector	110433.80	130426.10	135553.40	-753.30 (-0.58)	178111.20 (+15.92)
Govt. (net)	92027.90	110352.80	114916.90	229.30 (+0.21)	17303.30 (+18.55)
Other Public Sector	18405.90	20073.30	20636.50	-982.60 (-4.90)	507.90 (+2.73)
Private Sector	407901.60	452157.20	457232.60	9221.90 (+2.04)	46958.70 (+11.33)
Net other items	-80044.60	-98140.60	-96029.90	7511.70 (-7.65)	-9471.50 (+11.67)
Broad Money	517109.5	603505.40	613500.10	16483.80 (+2.73)	86815.70 (+16.28)

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

2.2 Reserve money and money multiplier

Reserve money grew by 13.43 percent in the month of August FY14 (table 2.2) compared to the same month of previous year.

Table 2.2: Reserve money and money multiplier

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June,2012	June, 2013	Aug, 2013	FY 2013-14 (July-Aug)	Aug 2013 over Aug 2012
Reserve money	97802.7	112489.40	117342.70	4853.30 (+4.31)	13892.40 (+13.43)
Reserve money multiplier	5.29	5.36	5.28	-0.08	0.13

Source: Bangladesh Bank.

3. EXTERNAL SECTOR

3.1 Export and its Components

Total export receipts during the period of July-August of FY14 were USD 5037.73 million which was 14.74% more than the same period of previous fiscal.

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

	2011-12	2012-13	2013-14 (July-Aug)	Aug, 2013
Export	24287.6	27027.36	5037.73	2013.44
Growth (%)*	5.9	11.28	14.74	3.18

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

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

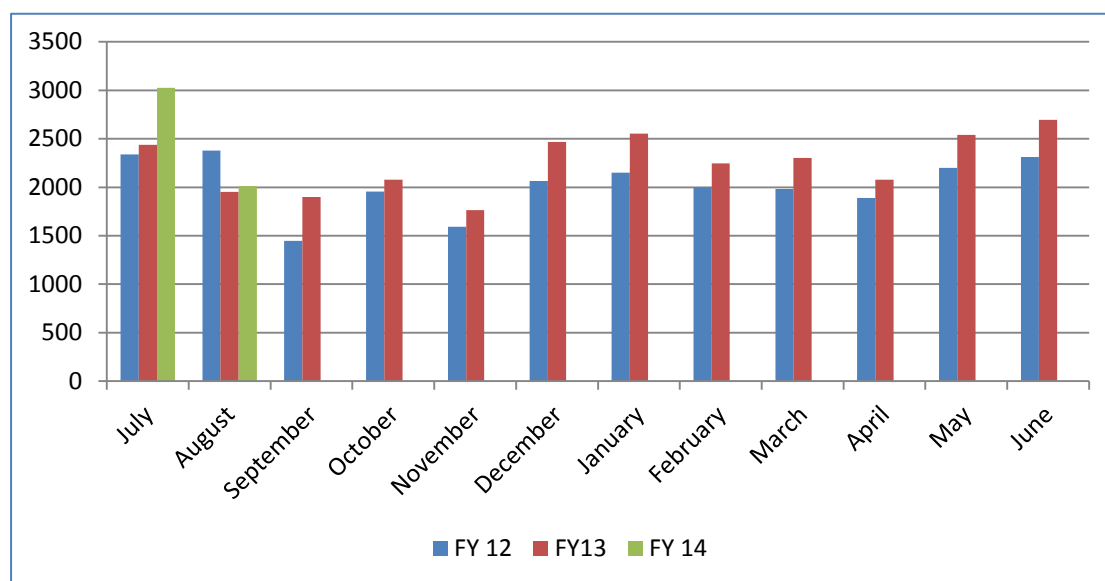
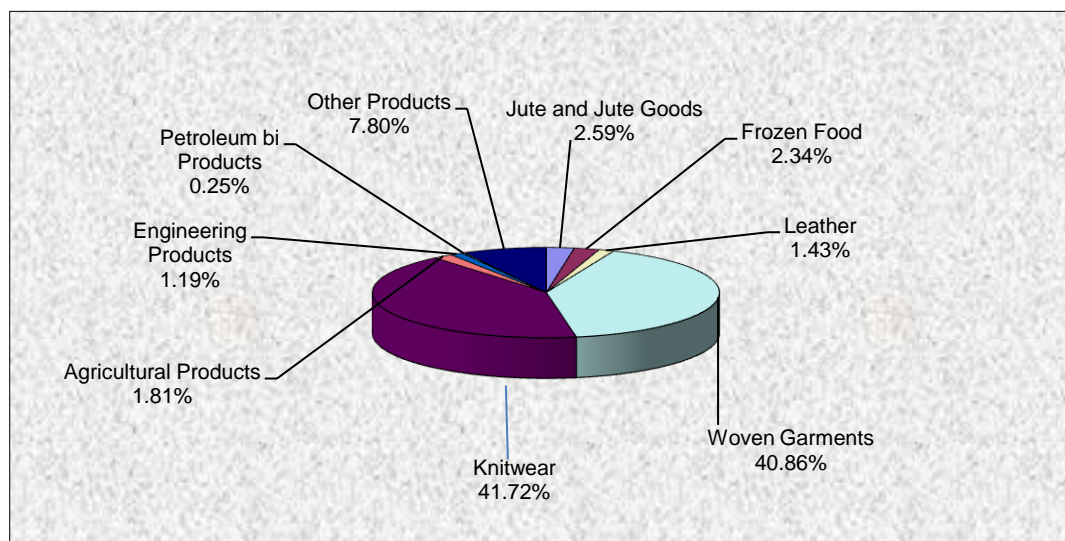


Chart 3.2: Structure of Exports (July-Aug, FY14)



3.2 Imports (c & f)

Import payments in July-August of FY14 were 5928.80 US\$ million which was 10.69 percent higher to the figure in same period of previous fiscal. Fresh opening of import LCs and LC's settled also showed 17.87% and 6.80% growth in the same period.

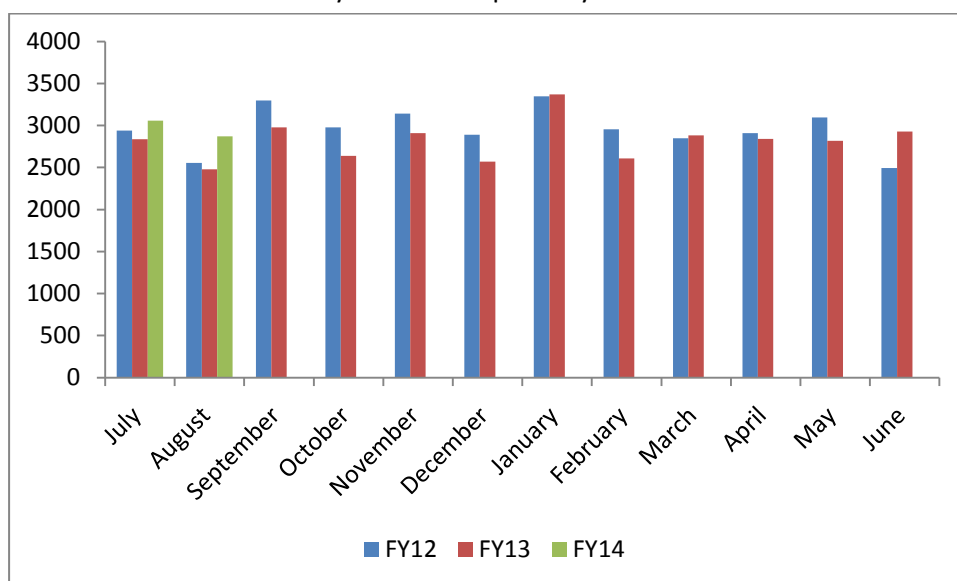
Table 3.2: Import Scenario

(In million US\$)

	2010-11	2011-12	2012-13	2013-14 July-Aug
Import payments	33657.5	35516.3	33980.6	5928.80
Growth (%)	41.8	5.5	-4.3	(+10.69)
LCs Opened	38582.3	37035.8	35984.6	6457.63
Growth (%)	34.0	-4.0	-2.8	(+17.87)
LCs Settled	31953.1	34814.5	32356.7	5738.98
Growth (%)	38.6	8.9	-7.1	(+6.80)

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



3.3 Remittance

Remittances in July-Aug of FY 14 stood at USD 2247.16 million indicating 5.57percent negative growth against same period of 2012.

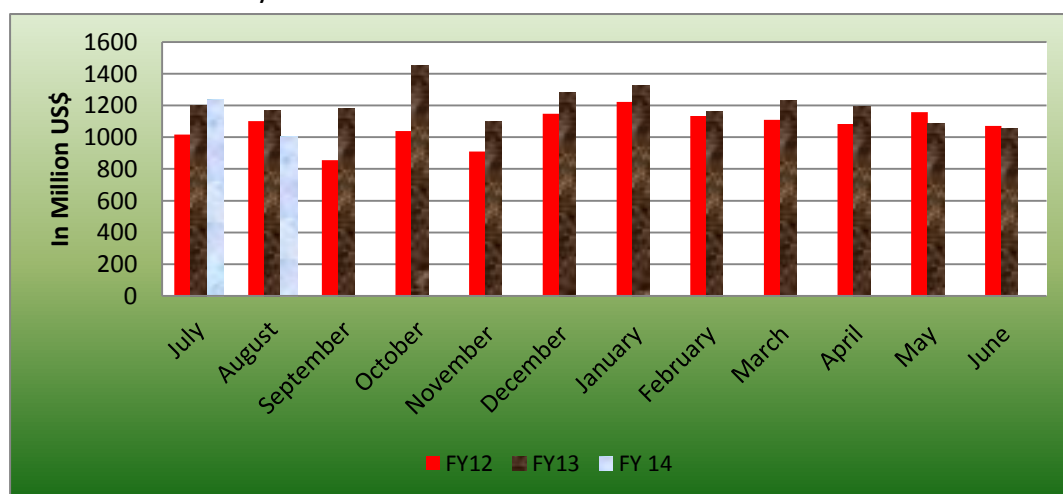
Table-3.3: Remittance Performance

(In million US\$)

	2010-11	2011-12	2012-13	2013-14
				July-Aug
Remittances	11650.3	12843.4	14461.14	2247.16
Growth (%)	6.0	10.2	12.6	-5.57
As % of GDP	10.4	11.1	-	-
As % of Export	50.8	52.8	60.7	44.6

Source: Bangladesh Bank

Chart 3.4: Monthly Trend of Remittances



3.4 Exchange Rate Movements

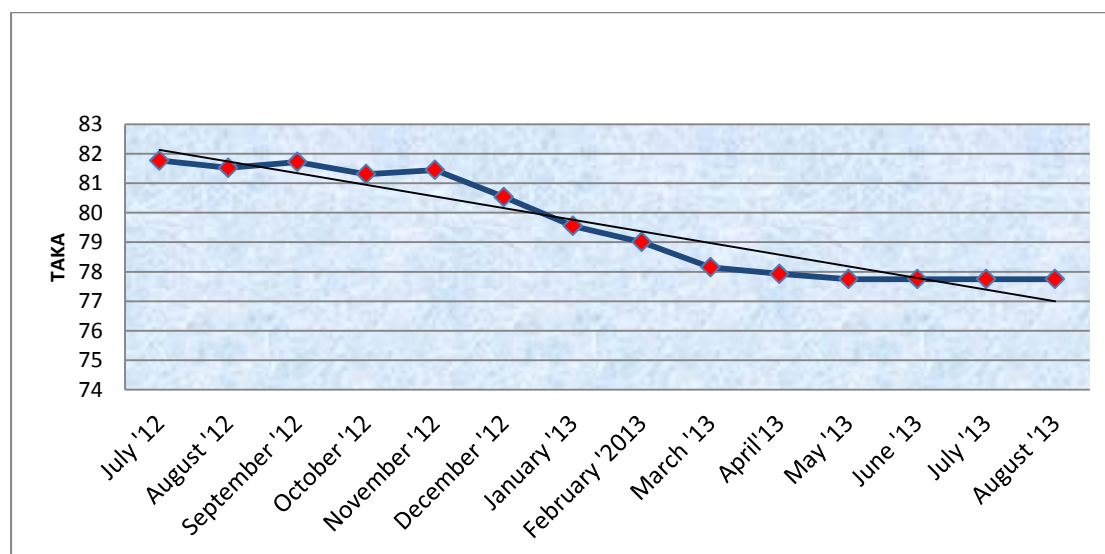
The exchange rate movement (monthly average) from August 2011 to August 2013 has been shown in Chart 3.5 (BDT against USD). Exchange rate of Taka per USD remains market based and volatility is reduced since July 2012. However, at the end of August 2013, Taka has appreciated by 4.92 percent from its level at the end of August 2012 mainly due to reasonable growth in remittance, high growth in export and low pressure on imports.

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	79.93	77.77
2013-14		
July	77.76	77.75
Aug	77.75	77.75

Source: Bangladesh Bank

Chart 3.5: Period Average Exchange Rate Movements (BDT-US\$)



3.5 External Reserve

The gross foreign reserves increased substantially and stood at USD 16252.27 million (with ACU liability of USD489.44 million) as of end August 2013, against USD 15533.70 million by the end of July 2013. Gross foreign reserves, without ACU liability was equivalent to import payments of 5.38 months based on the preceding 12 months average (September 2012-August 2013).

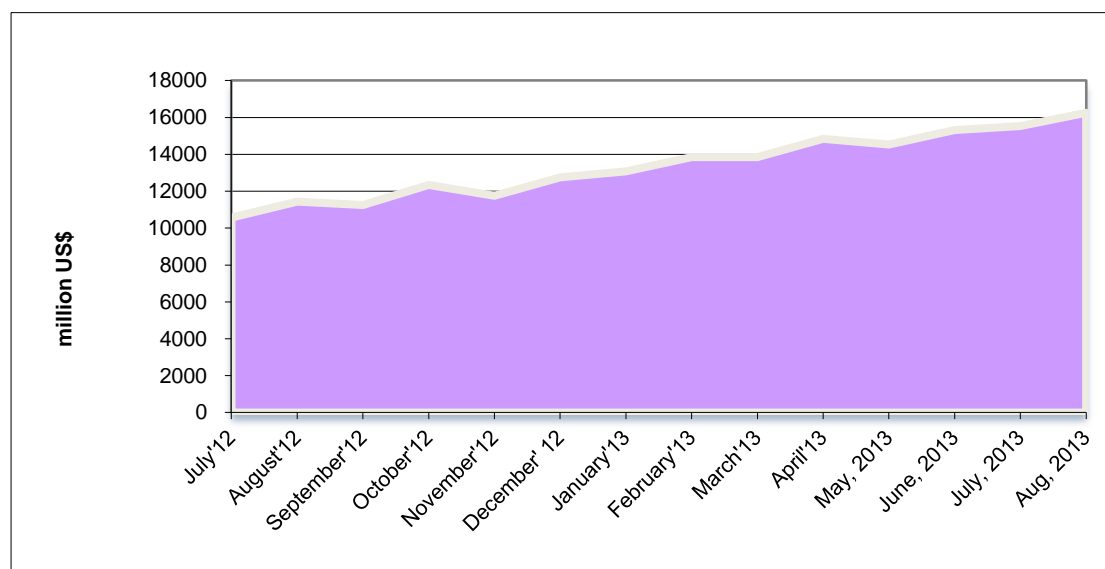
Table 3.5: Foreign Exchange Reserve

(In million US\$)

	2010-11	2011-12	2012-13	As on end of Aug, 2013
Reserve	10911.5	10364.43	15315.23	16252.27
In month of import payment	3.9	3.2	5.22	5.38

Source: Bangladesh Bank.

Chart 3.6: 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 two months of FY14 was in surplus. Financial account showed deficit of USD 169 million and current account surplus of USD 674 million accounted for a surplus of USD 655 million in overall balances during July-August 2013 against a surplus of USD 1064 million over the corresponding period of FY13.

Table 3.6: Balance of Payments

(In million US\$)

	2011-12 ^R (July-June)	2012-13 ^P (July-June)	2012-13 ^R (July-Aug)	2013-14 ^P (July-Aug)
Trade Balance	-9320	-7010	-885	-790
Current Account Balance	-447	2525	687	674
Capital Account	482	588	25	54
Financial Account	1436	2779	321	-169
Overall Balance	494	5128	1064	655

Source: Bangladesh Bank. R=Revised

4. REAL SECTOR

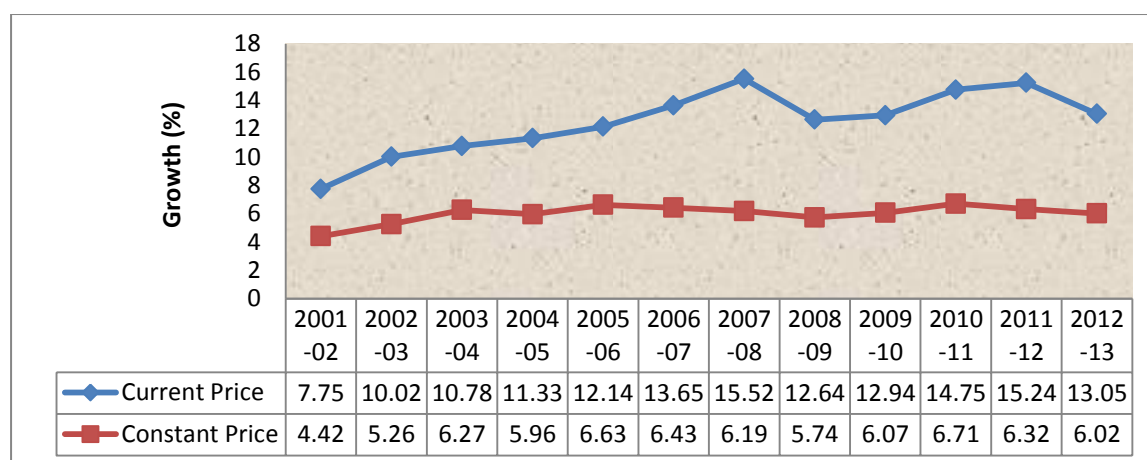
According to base year 2005-06 provisional real GDP growth in FY13 is 6.18 percent. Per capita GNI in FY13 reached US\$ 1044.

Table 4.1 Gross Domestic Product (Base year 2005-06)

	2008-09	2009-10	2010-11	2011-12	2012-13 ^P
GDP at constant prices (Billion TK.)	5635.4	5963.6	6371.9	6784.8	7204.1
Growth (%)	5.14	5.82	6.85	6.48	6.18
GDP at current prices (Billion TK.)	6933.2	7829.4	8993.3	10412.5	11880.7
Growth (%)	12.19	12.93	14.87	15.78	14.10
GNI at current prices (Billion TK.)	7492.2	8475.4	9718.4	11305.5	12925.6
Per capita GDP (Tk.)	47553	52973	60096	68693	77348
Per capita GNI (Tk.)	51387	57344	64941	74585	84151
Per capita GDP (US\$)	691	766	844	868	960
Per capita GNI (US\$)	747	829	912	943	1044

Source: Bangladesh Bureau of Statistics, P= provisional

Chart 4.1: GDP Growth Rate at current and constant prices (Base year 1995-96)



4.2 Quantum Index of Industrial Production

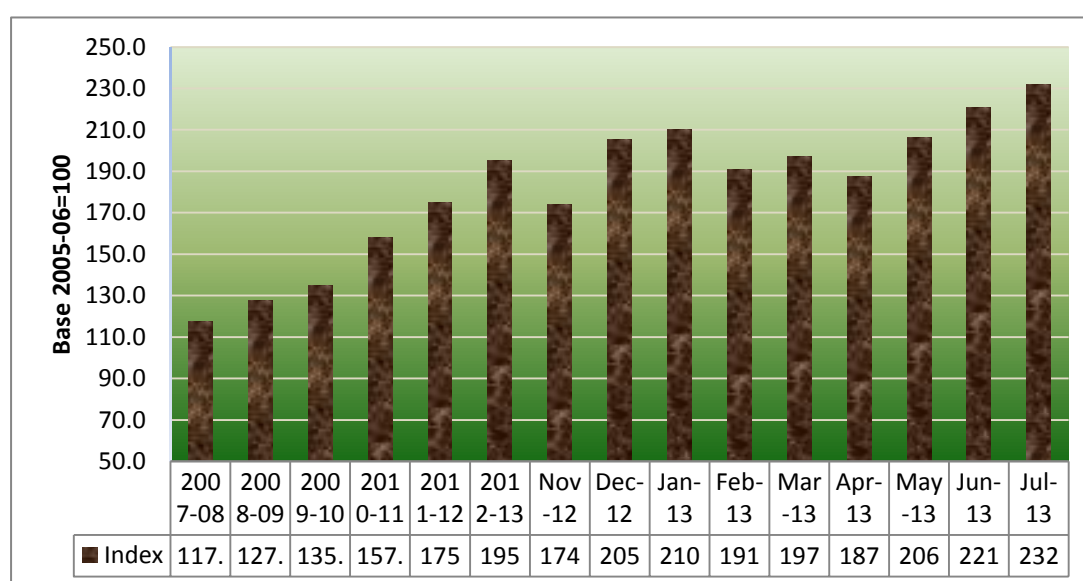
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 201.93 in July 2012 and became 232.02 in July 2013 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 11.6 percent in FY 13 which was 10.8 percent in FY 12.

Table 4.2: Quantum Index of Industrial Production (Base: 2005-06=100)

Period	Index	Growth Rate (%)*
2008-09	127.47	8.5
2009-10	135.01	5.9
2010-11	157.89	16.9
2011-12	174.92	10.8
2012-13	195.19	11.6
July, 2012	201.93	15.4
July, 2013	232.02	14.8

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

Chart 4.2: Quantum Index of Industrial Production (Base: 2005-06=100)



Source: BBS

4.3 Inflation

In FY13 the average rate of inflation (Twelve-Month Average Basis) was 6.78 percent (table-4.2). The food and non-food inflation were 5.22 percent and 9.17 percent respectively. In August 2013, the rate of inflation (national) on point-to-point basis was 7.39 percent, of which, food and non-food inflation were 8.1 percent and 6.35 percent respectively.

Table-4.3 Twelve-Months Average Inflation (National) (Base 2005-06)

FY	Twelve-Months Average Basis		
	National	Food	Non-Food
2012-13	6.78	5.22	9.17
2013-14	Twelve-Months Average Basis		
July	6.99	5.71	8.96
August	7.19	6.20	8.71

Source: Bangladesh Bank

Chart 4.3: Trends of Point to Point Inflation (Base 2005-06)

