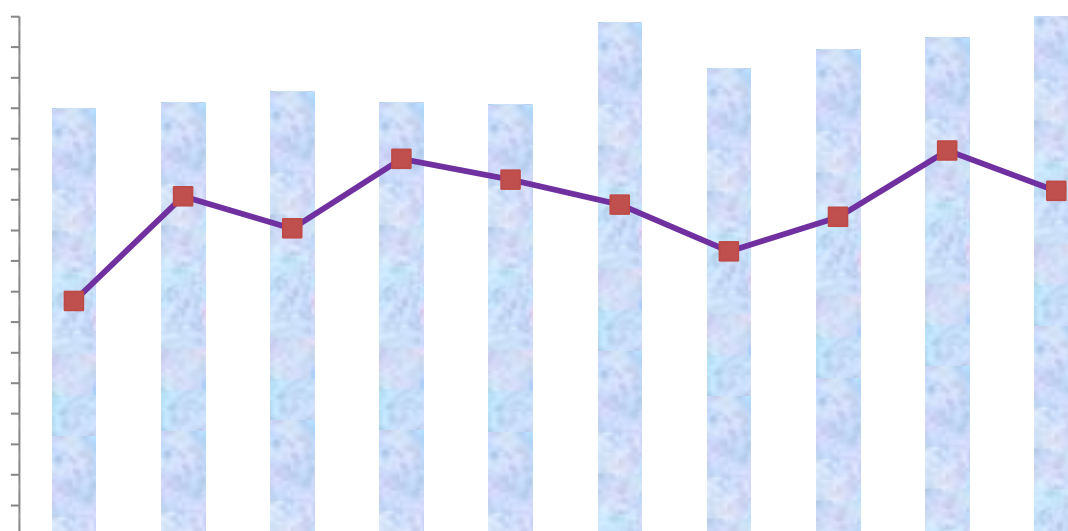




MONTHLY REPORT ON FISCAL-MACRO POSITION

July, 2014



Prepared by:
Macroeconomic Wing
Finance Division
Ministry of Finance
Bangladesh

Contributed by:
Mahedi Masuduzzaman, Senior Assistant Secretary, Finance Division
Farid Ahmed, Assistant Chief, Finance Division

Guided by:
Moinul Islam
Additional Secretary
Finance Division
Ministry of Finance
Bangladesh

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Executive Summary

The July 2014 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 FY14. In July 2014 total revenue declined by 3.67 percent compared to the same period of previous fiscal year. During the same period, total government spending grew by 31.2 percent.

Monetary Sector

Broad Money supply increased by 16.51 percent in the first month of FY15 compared to the previous fiscal year mainly due to 39.30 percent growth in NFA. Reserve money growth during this period was 23.46 percent.

External Sector

Export earnings declined by 1.37 percent and stood at \$2982.74 million during the month of July, FY15 compared with the same period of last fiscal. Import payments in the said period decreased by 9.48 percent while remittance earnings increased by 20.42 percent. At the July end, foreign exchange reserve stood at USD 21383.48 million.

Real Sector

According to Bangladesh Bureau of Statistics (BBS), provisional estimate real GDP growth in FY14 was 6.12 percent (Base year 2005-06). Per capita GNI in FY14 reached US\$ 1190. In FY14 the average rate of inflation (12-month average basis) was 7.35 percent. On point to point basis inflation was 7.05 percent in July 2014, of which food and non-food inflation were 7.84 percent and 5.71 percent respectively. Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 220.81 in June 2013 and became 240.13 in June 2014.

1. FISCAL SECTOR

1.1 Revenue Earnings

An increasing trend was observed in government revenue earnings over the last fiscal year (FY14) which slowed slightly in current month. Total revenue collection in FY14 increased 10.52 percent compared to the same period of previous fiscal year. It was down 3.67 percent in the first month of the current fiscal year (FY15) compared to the same month of previous fiscal (table 1.1) due to negative growth of NBR tax receipts.

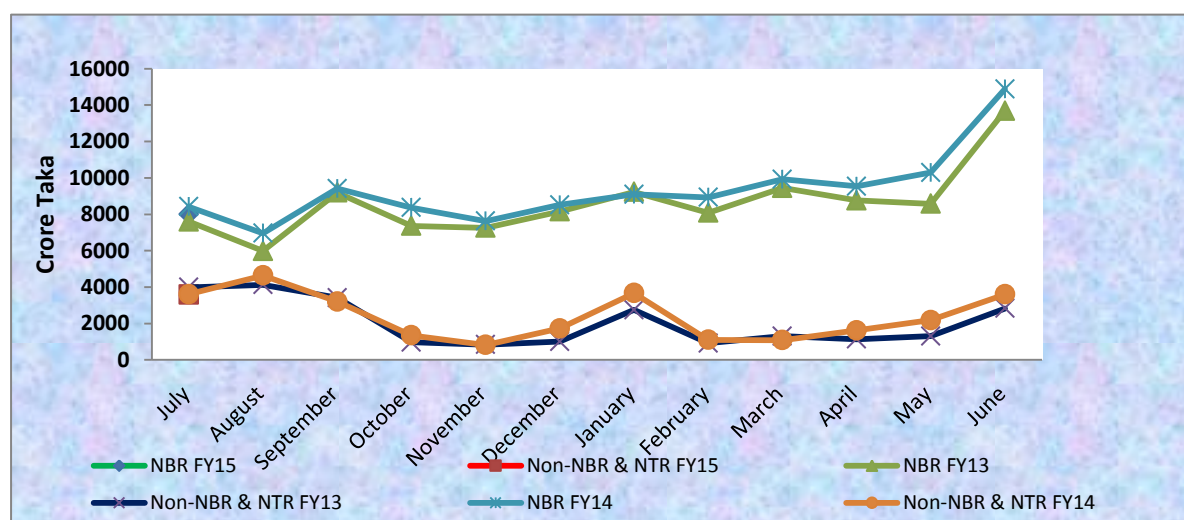
Table 1.1: Revenue Earning

(Taka in Crore)

	Tax Revenue		Non-Tax Revenue	Total Revenue
	NBR	Non-NBR		
2012-13 (Actual)	103332	4121	20676	128129
2013-14 (Actual)	111961	4610	25032	141603
Growth (%)	8.35	11.87	21.07	10.52
July, FY14	8419	392	3216	12026
July, FY15	8000	345	3239	11585
Growth(%) over July, FY13	-4.98	-11.99	0.72	-3.67

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

Chart 1.1: Monthly Trend of Revenue earnings (FY13-FY15)



1.2 Grants

Actual grants receipts sharply declined by 10.4 percent in FY 14 compared to FY13. In July, FY15, grant receipts decreased by 48 percent to TK. 13 crore against TK. 25 crore over the corresponding month of the last fiscal (table 1.2).

Table 1.2: Grants

(Taka in crore)

2012-13 (Actual)	2013-14 (Actual)	Growth (%)	2013-14	2014-15	Growth (%) over July, FY13
			July	July	
6879	6165	-10.4	25	13	-48.0

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

1.3 Government Expenditure

Total government expenditure, comprising current and ADP expenditure, increased steeply in the initial month of current fiscal year by 31.2 percent compared to the same period of previous fiscal year. According to iBAS database, development spending grew by 41.5 percent in July 2014 compared to July 2013 (table-1.3). The current spending, on the other hand grew by 21.4 percent in July 2014 compared to the corresponding month of 2013. Of current spending, spending on pay and allowances and goods and services grew at a high rate of 88.6 percent and 80.3 percent respectively. Spending on interest payments decreased sharply by 31 percent. As percentage of GDP, government expenditure stood at 0.74 percent during July of FY15, slightly increasing from 0.64 percent over the same period of FY14. 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. 1848 Crore during the initial month (July) of FY15, recording 5.9 percent increase over the same period of the last fiscal year.

Table 1.3: Government Expenditures

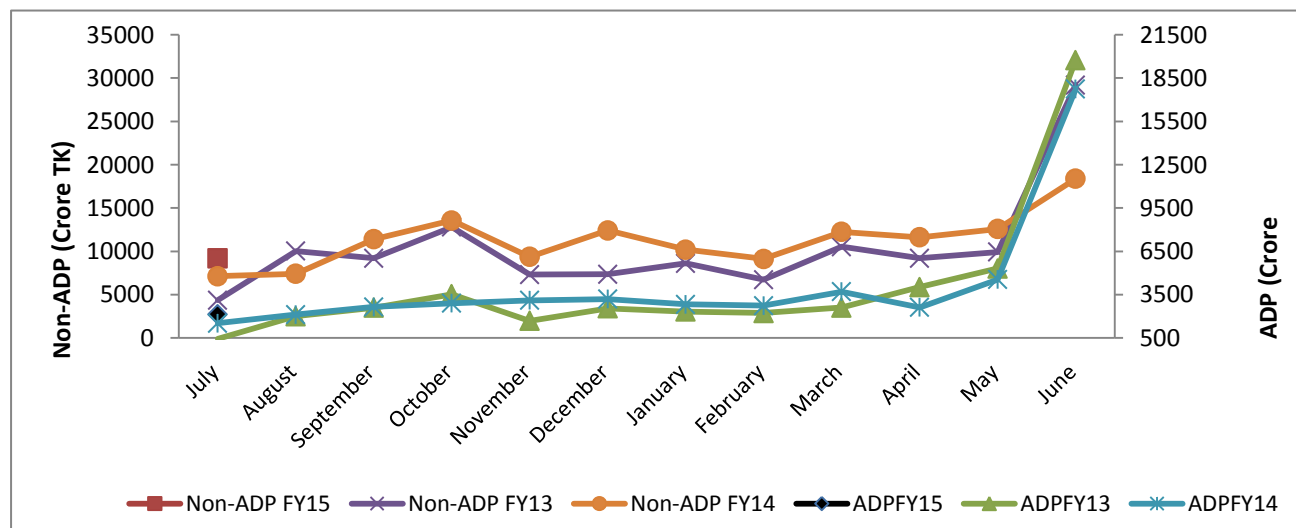
(Crore Taka)

	2012-13	2013-14	Growth (%)	2013-14	2014-15	Growth (%) over July, FY14
				July	July	
1. Current Spending	99374	110946	11.64	7224	8768	21.37
Pay and Allowances	21634	26382	21.95	2209	4167	88.64
Goods and Services	13024	15701	20.55	132	238	80.30
Interest Payment	23915	27632	15.54	2987	2066	-30.83
Domestic	22322	26027	16.60	2738	1884	-31.19
Foreign	1593	1604	0.69	249	182	-26.91
Subsidy and Transfer	40617	40995	0.93	1895	2292	20.95
Others	184	236	28.26	1	5	400.00
2. Food Accounts	-440	2435	-653.41	8	480	5900.00
3. Non-ADP Capital & Spending	25605	25574	-0.12	-99	-48	-51.52
Non-ADP Capital	4943	14028	183.80	19	31	63.16
Net Lending	16964	7724	-54.47	-117	-96	-17.95
Non-ADP Project	1802	2078	15.32	0	15	
FFW	1299	1027	-20.94	0	0	-
Structural Adjustment	0	0	-	0	0	-
Development Expenditure	597	717	20.10	0	2	-

under Revenue Budget						
4. Development Spending	49473	54967	11.11	1512	2139	41.47
Total (1+2+3+4)	174012	193922	11.44	8645	11339	31.16
Total Spending (Percent of GDP)	14.51	14.35		0.64	0.74	

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

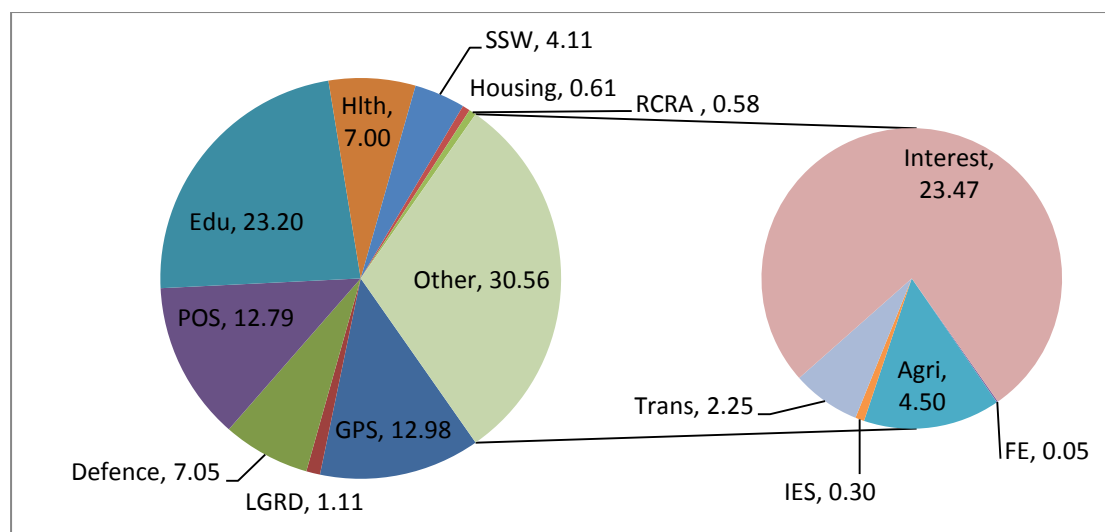
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 13-15)



1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure (July, FY15) shows (chart 1.3) that interest payment (23.5%) was the highest spending item followed by education and technology sector (15.6%) and public order and safety (12.8).

Chart 1.3: Sector wise share (%) of Non-Development expenditure (July, FY 15)

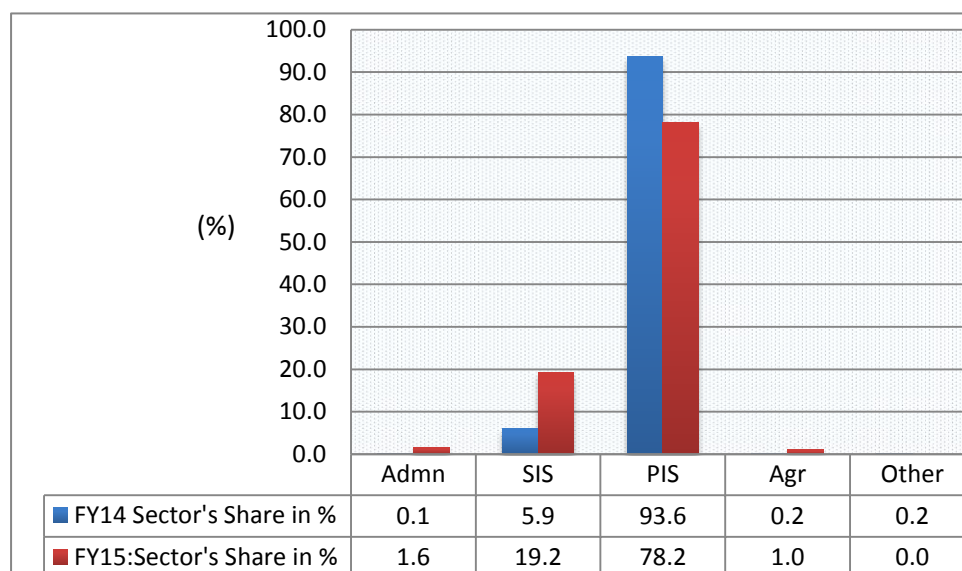


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, HiTh = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and 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 month of current fiscal year (FY15), highest share of spending went to Physical Infrastructure (78.2%) followed by expenditure on social Infrastructure (19.2%).

Chart 1.4: Sector wise share (%) of Development expenditure (July, FY15)



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 including grants at the end of FY14 stood at 3.4 percent of GDP (Base year 2005-06), which was 3.3 percent in FY13. On the other hand, increase in government earnings contributed to consolidation in budget balance during the initial month of the current fiscal year (FY15).

Table 1.4: Budget Balance

(Taka in crore)

Year	Overall Balance	Overall Balance as % of GDP
2012-13	-39005	-3.3
2013-14	-46148	-3.4
July, FY14	3381	0.28
July, FY15	246	0.02

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

1.7 Deficit Financing

Budget deficit was mainly financed by domestic bank borrowings during FY13, whereas in FY14, budget deficit was mainly financed by non-bank borrowings (table 1.5). In July of current fiscal (FY15), share of bank financing has gone up compared to the same period of last fiscal year. During this month net financing from non-banking as well as external sources was negative resulting in reduction of the Government liabilities to the non-banking sources by Tk. 1484 crore.

Table 1.5: Deficit Financing

(In Crore Taka)

	External (net)	Domestic		Total Financing	Financing as % of GDP
		Bank	Non-Bank		
2012-13	5812	27464	5729	39005	3.3
2013-14	3271	18168	24718	46157	3.4
July, FY14	-1044	1178	-3514	-3380	-0.28
July, FY15	-1263	2501	-1484	-246	-0.02

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

1.8 Net Sales of NSD Certificates

Sale of NSD certificate during July 2014 stood at Tk. 2727.43 crore which is 27.21 per cent higher than that of the same period of preceding year. As a result, net borrowing through NSD certificates stood at Tk. 1857.69 crore by end of July 2014 (table 1.6).

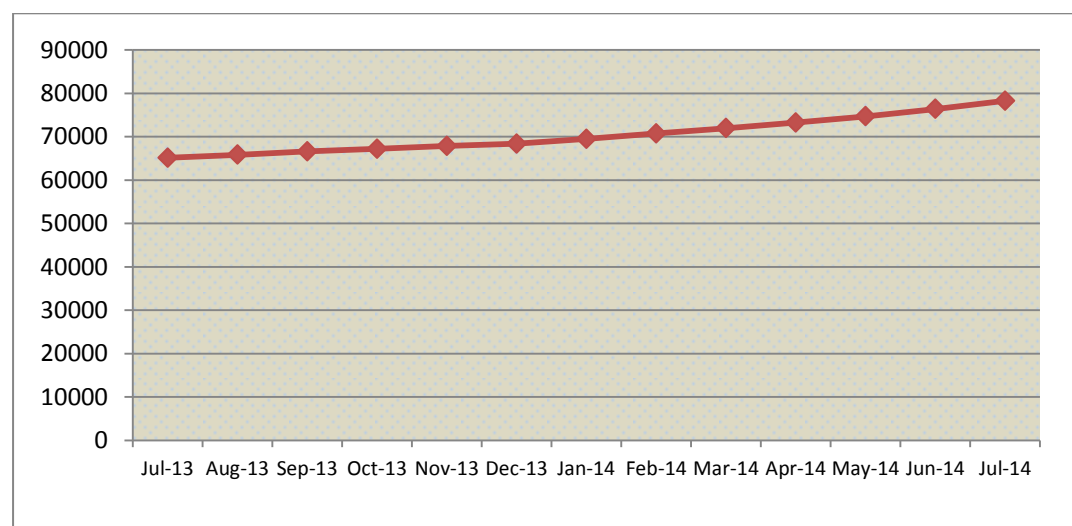
Table 1.6 Net Sales of NSD Certificates

(Taka in crore)

	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2012-13	23326.77	22553.93	772.84	64690.18
2013-14	24309.59	12602.29	11707.30	76397.48
Growth (%)	4.21	-44.12	1415	18.10
July, 2013	2144.02	1519.08	624.94	65315.12
July, 2014	2727.43	869.74	1857.69	78255.17
Growth (%)	27.21	-42.75	197.26	19.81

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

Broad money (M2) growth in the first month of FY15 was 16.51 percent (table 2.1) compared to the previous fiscal. This was mainly due to the growth of both Net Foreign Asset and Domestic Assets of banking system recording 39.30 and 11.15 percent increase respectively. During July 2014, domestic credit posted healthy growth (11.05 percent), underpinned by significant private sector credit growth (11.25 percent).

Table-2.1 Monetary and credit development

(In Crore Taka)

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June, 2013	June, 2014	July, 2014	FY 2013-14	July 2014 Over July 2013
Net Foreign Assets of banking system	113384.80	160056.60	162620.50	46671.80 (+41.16)	45786.50 (+39.30)
Net Domestic Assets of Banking System	490120.60	540566.90	552164.10	50446.30 (+10.29)	55408.00 (+11.15)
Domestic Credit	582583.30	637906.20	645829.30	66169.10 (+11.57)	64266.50 (+11.05)
Public Sector	130426.10	130266.30	137990.80	10686.40 (+8.94)	12904.00 (+10.32)
Govt. (net)	110352.80	117529.40	124726.80	7404.80 (+6.72)	10020.30 (+8.74)
Other Public Sector	20073.30	12736.90	13264.00	-3281.60 (-34.71)	2883.70 (+27.78)
Private Sector	452157.20	507639.90	507838.50	55482.70 (+12.27)	51362.50 (+11.25)
Net other items	-98140.60	-97339.30	-93665.20	-15722.80 (+19.26)	-8858.50 (+10.45)
Broad Money	603505.40	700623.50	714784.60	97118.10 (+16.09)	101284.50 (+16.51)

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

2.2 Reserve money and money multiplier

Reserve money grew by 15.46 percent in FY14 (table 2.2) compared to the previous fiscal. At the same time the value of reserve money multiplier increased to 5.39 at the end of the fiscal from 5.36 in June 2013.

Table 2.2: Reserve money and money multiplier

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June, 2013	June, 2014	July, 2014	FY 2013-14	July'14 Over July'13
Reserve money	103246.00	129875.30	145519.40	17385.90 (+15.46)	27649.40 (23.46)
Money multiplier	5.36	5.39	4.91	0.03	-0.29

Source: Bangladesh Bank.

3. EXTERNAL SECTOR

3.1 Export

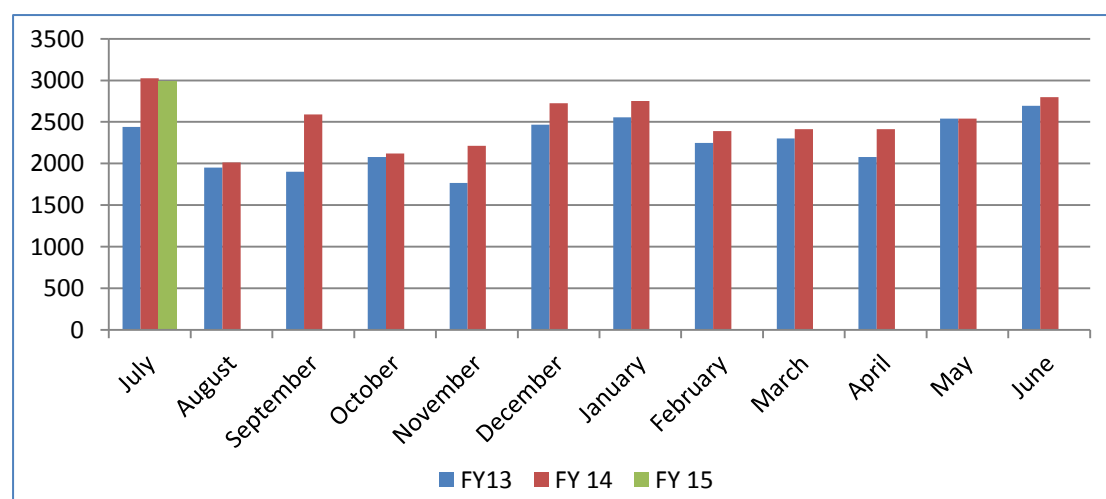
Export earnings declined by 1.37 percent and stood at \$2982.74 million during first month of FY15 compared with the same period of last fiscal.

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

	2012-13	2013-14	July, 2014
Export	27027.36	30176.80	2982.74
Growth (%)*	11.28	11.65	-1.37

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

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



3.2 Imports (c & f)

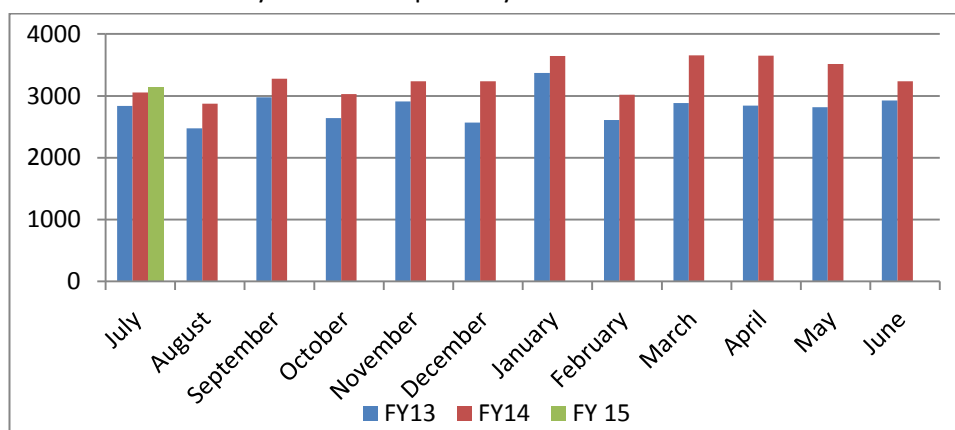
Import payments during July of FY15 dropped by 9.48 percent and stood at USD 3147.80 million against USD 3477.40 million of the preceding year.

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

	201-13	2013-14	2014-15 July
Import payments	33980.6	40692.70	3147.80
Growth (%)	-4.3	+19.39	-9.48
LCs Opened	35984.6	41818.56	3655.65
Growth (%)	-2.8	+16.29	-1.67
LCs Settled	32356.7	37188.84	2964.69
Growth (%)	-7.1	+14.93	-8.48

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 receipt increased in June, 2014 by 21.59 percent to USD 1286.69 million than June 2013. However, in FY14 remittances receipt is down by 1.61 percent compared to FY13.

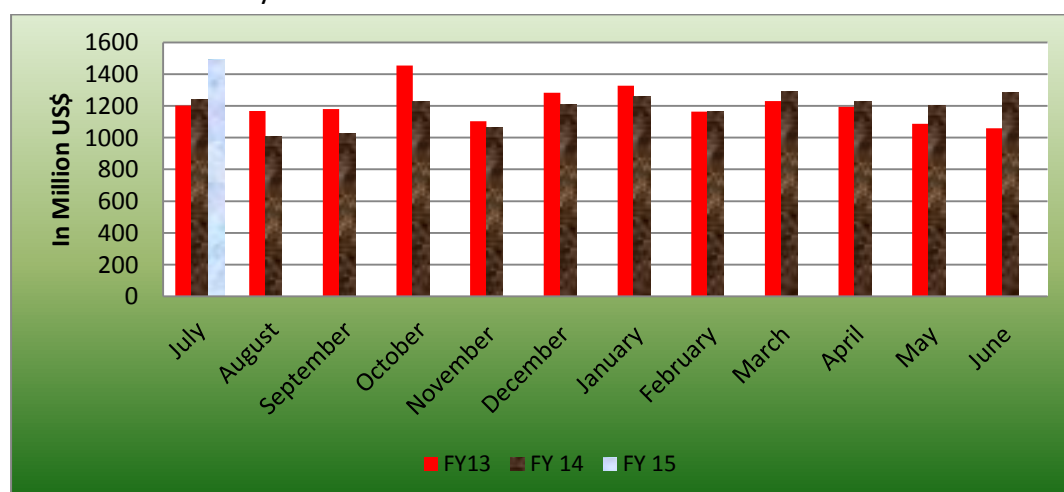
Table-3.3: Remittance Performance

(In million US\$)

	2011-12	2012-13	2013-14	2014-15
				July
Remittances	12843.4	14461.14	14227.84	1491.36
Growth (%)	10.2	12.6	-1.61	20.42
As % of GDP	9.6	9.6	8.1	-
As % of Export	52.8	60.7	47.15	50.00

Source: Bangladesh Bank

Chart 3.4: Monthly Trend of Remittances



3.4 Exchange Rate Movements

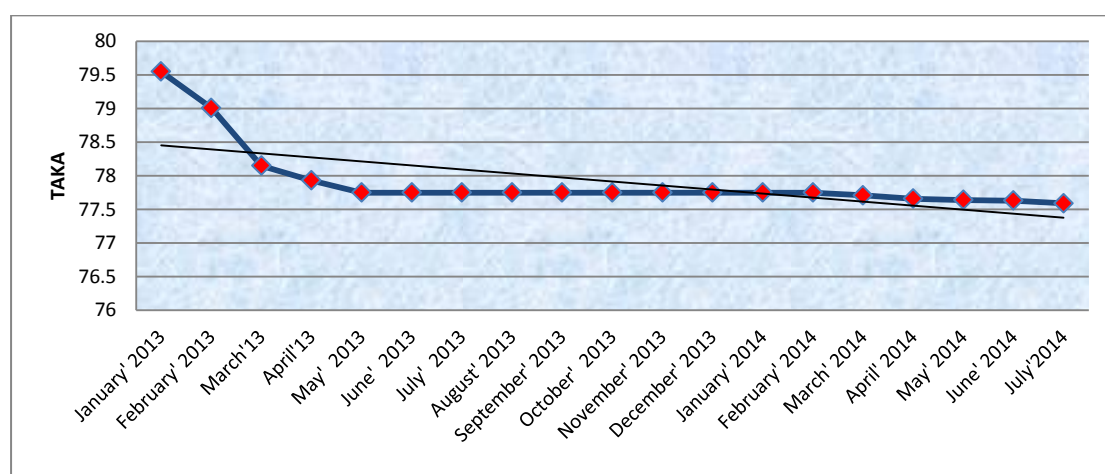
The exchange rate movement (monthly average) from July 2013 to June 2014 has been shown in Chart 3.4 (BDT against USD). Exchange rate of Taka per USD remains market based and volatility is reduced since July 2013. Exchange rate in July- June period of FY14 is almost static.

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	77.72	77.63
2014-15		
July	77.59	77.50

Source: Bangladesh Bank

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



3.5 External Reserve

The gross foreign exchange reserves of BB rose to USD21383.48 million (with ACU liability of USD461.02 million) as of end July 2014, against USD21507.99 million (with ACU liability of USD967.36 million) as of end June 2014. The gross foreign exchange reserves, without ACU liability is equivalent to import payments of 6.19 months based on the preceding 12 months average.

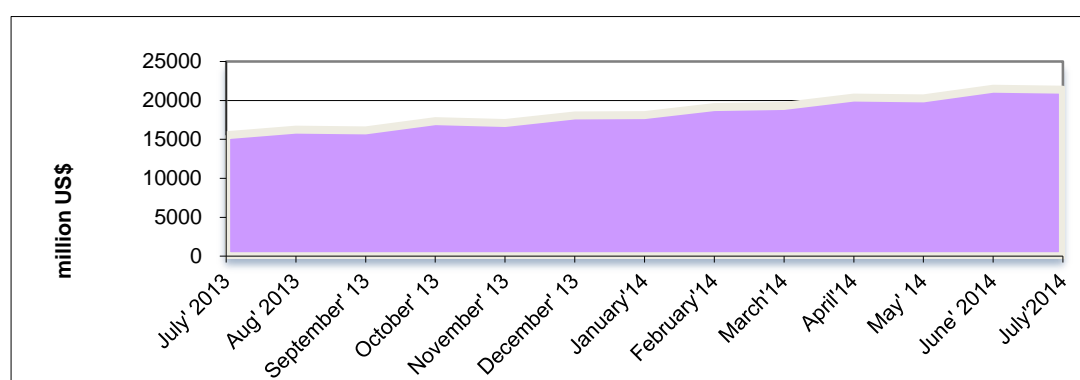
Table 3.5: Foreign Exchange Reserve

(In million US\$)

	2011-12	2012-13	2013-14	As on end of July, 2014
Reserve	10364.43	15315.23	21507.99	21383.48
In month of import payment	3.2	5.22	6.25	6.19

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 country's trade surplus recorded to \$195 million in the month of July of the current financial year from \$129 million deficit in the corresponding period of the FY14. Current account together with capital account surpluses resulted in a surplus of \$429 million in overall balances during the month against a surplus of \$369 million during the month of FY14.

Table 3.6: Balance of Payments

(In million US\$)

	2012-13 ^R (July-June)	2013-14 ^P (July-June)	2013-14 ^R July	2014-15 ^P July
Trade Balance	-7009	-6806	-129	195
Current Account Balance	2388	1547	576	1023
Capital Account	629	644	50	8
Financial Account	2863	2788	-473	-362
Overall Balance	5128	5483	369	429

Source: Bangladesh Bank. R=Revised

4. REAL SECTOR

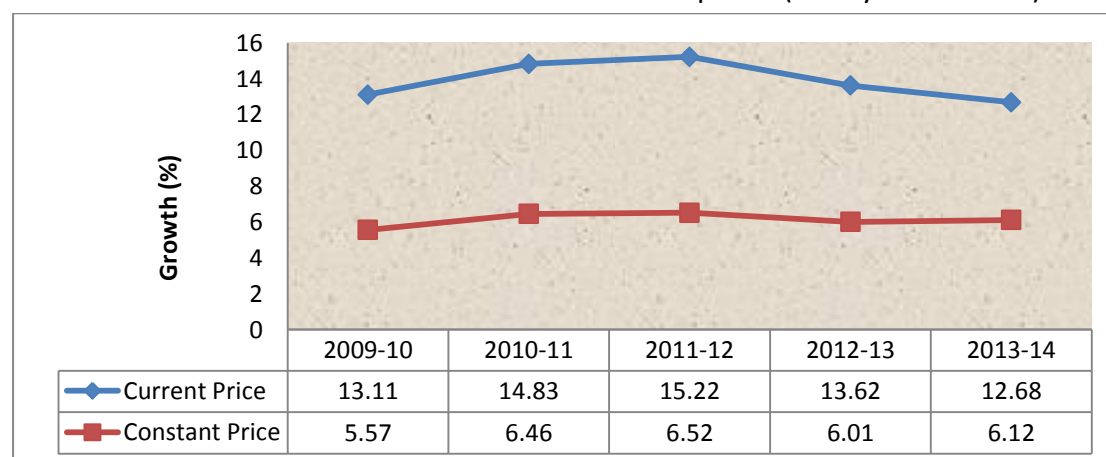
According to Bangladesh Bureau of Statistics (BBS), provisional real GDP growth in FY14 was 6.12 percent (Base year 2005-06). Per capita GNI in FY14 reached US\$ 1190.

Table 4.1 Gross Domestic Product

	2009-10	2010-11	2011-12	2012-13	2013-14 ^P
GDP at constant prices (Billion TK.)	6070.9	6463.4	6884.9	7298.9	7745.3
Growth (%)	5.57	6.46	6.52	6.01	6.12
GDP at current prices (Billion TK.)	7975.3	9158.2	10552.1	11989.2	13509.2
Growth (%)	13.11	14.83	15.22	13.62	12.68
GNI at current prices (Billion TK.)	8621.4	9883.4	11445.1	12953.5	14409.3
Per capita GDP (Tk.)	53961	61198	69614	78009	86731
Per capita GNI (Tk.)	58332	66044	75505	84283	92510
Per capita GDP (US\$)	780	860	880	976	1115
Per capita GNI (US\$)	843	928	955	1054	1190

Source: Bangladesh Bureau of Statistics, P= provisional

Chart 4.1: GDP Growth Rate at current and constant prices (Base year 2005-06)



4.2 Quantum Index of Industrial Production

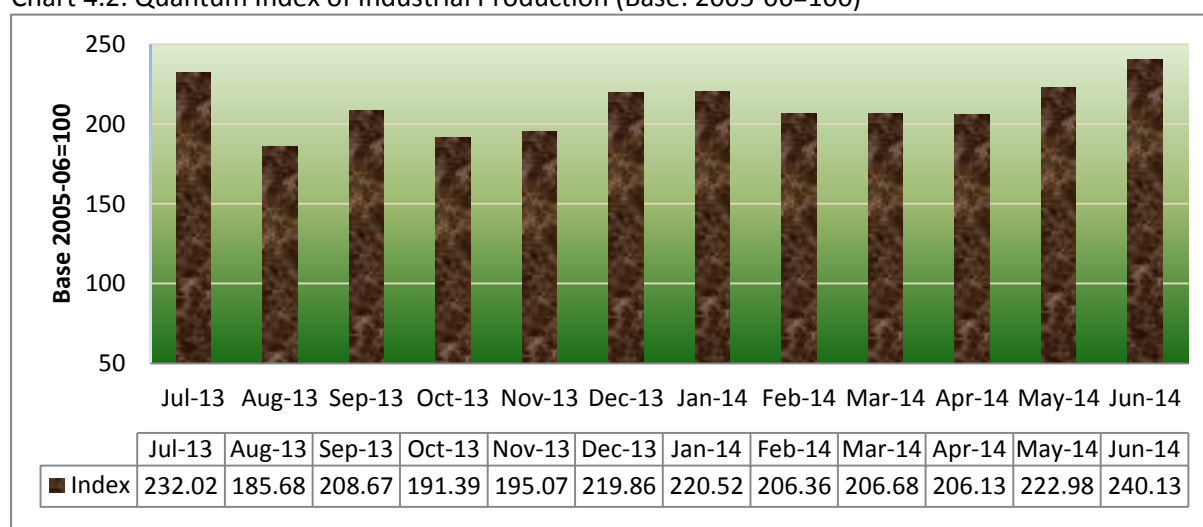
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 220.81 in June 2013 and became 240.13 in June 2014 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 8.3 percent in FY 14 which was 11.6 percent in FY 13.

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

Period	Index	Growth Rate (%)*
2009-10	135.01	5.9
2010-11	157.89	16.9
2011-12	174.92	10.8
2012-13	195.19	11.6
2013-14	211.29	8.3
June, 2013	220.81	9.8
June, 2014	240.13	8.7

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 FY14 the average rate of inflation (12-month average basis) was 7.35 percent (table-4.3). On point to point basis inflation was 7.05 percent in July 2014, of which, food and non-food inflation were 7.84 percent and 5.71 percent respectively.

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

FY	Twelve-Months Average Basis		
	National	Food	Non-Food
2013-14	7.35	8.57	5.54
2014-15	Twelve-Months Average Basis		
July	7.28	8.55	5.41

Source: Bangladesh Bank

Chart 4.3: Trends of Point to Point Inflation (Base 2005-06=100)

