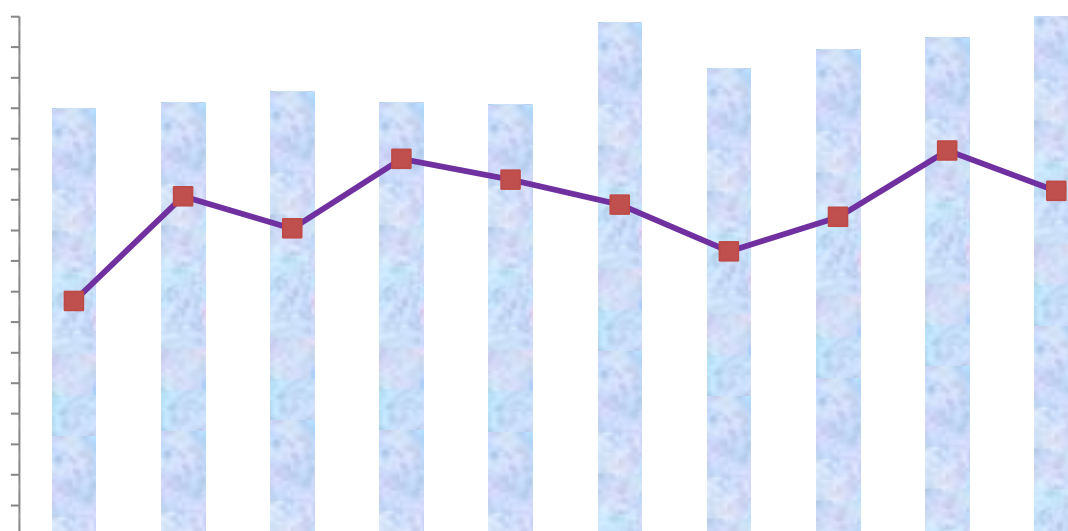




MONTHLY REPORT ON FISCAL-MACRO POSITION

August, 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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Contents

1. FISCAL SECTOR	3
1.1 Revenue Earnings.....	3
Table 1.1: Revenue Earning.....	3
Chart 1.1: Monthly Trend of Revenue earnings (FY13-FY15)	3
1.2 Grants.....	3
Table 1.2: Grants.....	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	6
1.7 Deficit Financing.....	6
1.8 Net Sales of NSD Certificates	7
Chart 1.5: Outstanding borrowing of government through NSD	7
2. MONETARY SECTOR	8
2.1 Monetary and credit development.....	8
Table-2.1 Monetary and credit development	8
2.2 Reserve money and money multiplier.....	8
3. EXTERNAL SECTOR.....	9
3.1 Export	9
Chart 3.1: Monthly Trend of Export.....	9
3.2 Imports (c & f)	9
Table 3.2: Import Scenario.....	9
Chart 3.3: Monthly Trend of Import Payments	10
Chart 3.4: Monthly Trend of Remittances	10
3.4 Exchange Rate Movements	11
Table 3.4: Exchange Rate Movements.....	11
3.5 External Reserve	11
Chart 3.6: Outstanding Stock of Gross Foreign Exchange Reserve at the end of the month	12
3.6 Balance of Payments.....	12
Table 3.6: Balance of Payments.....	12
4. REAL SECTOR.....	13
Table 4.1 Gross Domestic Product.....	13
Chart 4.1: GDP Growth Rate at current and constant prices	13
Table 4.2: Quantum Index of Industrial Production	14
4.3 Inflation	14
Table-4.3 Twelve-Months Average Inflation	14
Chart 4.3: Trends of Point to Point Inflation.....	15

Executive Summary

The August 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 to August of the current FY15 total revenue declined by 2.58 percent compared to the same period of previous fiscal year. During the same period, total government spending grew by 11.51 percent.

Monetary Sector

Broad Money supply increased by 15.01 percent in August, 2014 compared to the previous fiscal year mainly due to 36.78 percent growth in NFA. Reserve money growth during this period was 16.61 percent.

External Sector

Export earnings rose by 7.25 percent during August, 2014 compared with the same period of last fiscal. Import payments in August, 2014 increased by 18.64 percent and remittance earning accelerated by 18.75 percent in the same period. Foreign exchange reserve increased to USD22070.43 million at the end of August.

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 6.92 percent in August 2014, of which, food and non-food inflation were 7.67 percent and 5.76 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

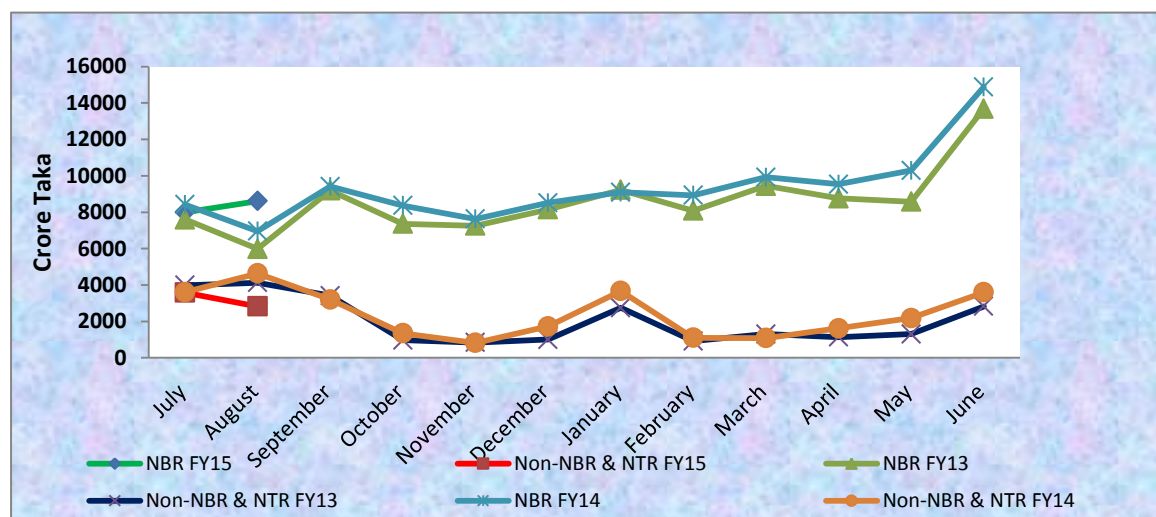
Total revenue earnings posted negative growth in the first two months of the current fiscal year (FY15). Both NBR and Non-NBR tax revenue growth was positive and close to prior year growth rates over the same period of earlier year. The dip in revenue growth was mainly due to less than expected growth in Non-Tax Revenue.

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-August, FY14	15379	648	7599	23626
July-August, FY15	16608	717	5692	23018
Growth(%) over July-August, FY14	7.99	10.65	-25.10	-2.58

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

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



1.2 Grants

Actual grants receipts fell by 10.4 percent in FY 14 compared to FY13. During July-August of FY15, grant receipts decreased by around 37 percent to TK. 38 crore against TK. 60 crore over the corresponding period 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-August, FY13
			July-August	July-August	
6879	6165	-10.4	60	38	-36.7

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

1.3 Government Expenditure

Total government expenditure, comprising current and ADP expenditure, increased in the initial two months of current FY15 by 11.5 percent compared to the same period of previous fiscal year. According to iBAS database, development spending grew by 41.5 percent in July-August period of FY15 compared to same period of last fiscal (table-1.3). The current spending, on the other hand grew by 4.7 percent compared to the corresponding period of FY14. Of current spending, spending on pay and allowances and subsidy and transfer grew at a high rate of 25.9 percent and 6.7 percent respectively. Spending on interest payments decreased sharply by about 12 percent. As percentage of GDP, government expenditure stood at 1.32 percent during July-August period of FY15, slightly decreasing from 1.34 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. 3816 Crore during the first two months (July-August) of FY15, recording 6.5 percent decrease over the same period of the last fiscal year.

Table 1.3: Government Expenditures

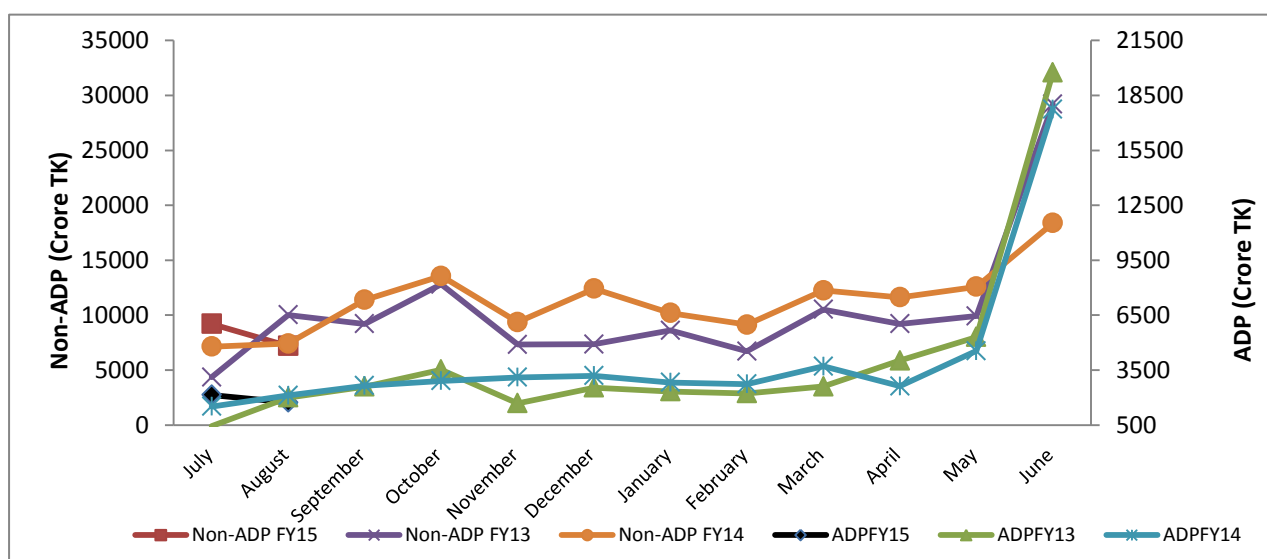
(Crore Taka)

	2012-13	2013-14	Growth (%)	2013-14	2014-15	Growth (%) over July-August, FY14
				July-August	July-August	
1. Current Spending	99374	110946	11.64	13330	13957	4.70
Pay and Allowances	21634	26382	21.95	3970	5000	25.94
Goods and Services	13024	15701	20.55	799	713	-10.76
Interest Payment	23915	27632	15.54	4659	4078	-12.47
Domestic	22322	26027	16.60	4301	3751	-12.79
Foreign	1593	1604	0.69	358	327	-8.66
Subsidy and Transfer	40617	40995	0.93	3892	4153	6.71
Others	184	236	28.26	10	13	30.00
2. Food Accounts	-440	2435	-653.41	1244	1547	24.36
3. Non-ADP Capital & Spending	25605	25574	-0.12	-30	885	-
Non-ADP Capital	4943	14028	183.80	148	982	563.51
Net Lending	16964	7724	-54.47	-238	-141	-40.76
Non-ADP Project	1802	2078	15.32	53	29	
FFW	1299	1027	-20.94	0	0	-
Structural Adjustment	0	0	-	0	0	-
Development Expenditure	597	717	20.10	7	14	-

under Revenue Budget						
4. Development Spending	49473	54967	11.11	3623	3868	6.76
Total (1+2+3+4)	174012	193922	11.44	18167	20257	11.50
Total Spending (Percent of GDP)	14.51	14.35		1.34	1.32	

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

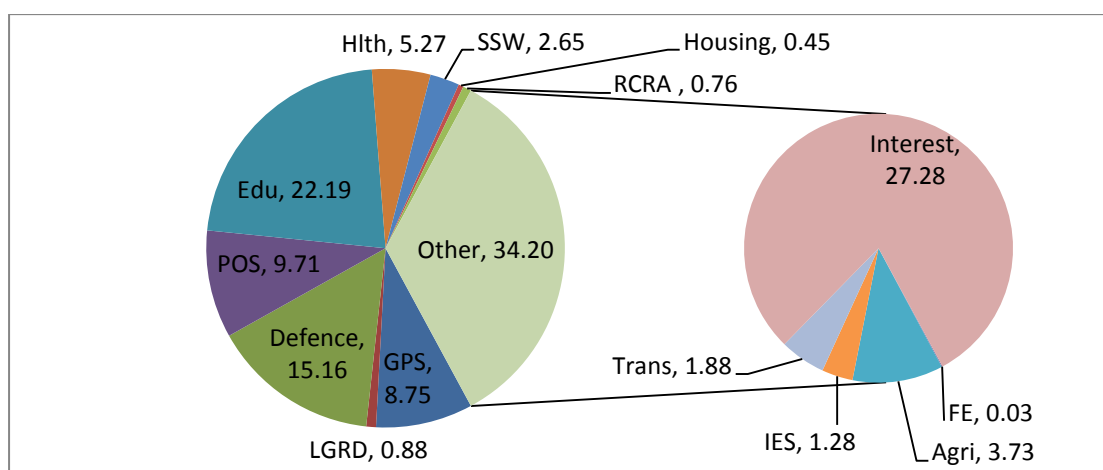
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 13-15)



1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure (July-August, FY15) shows (chart 1.3) that interest payment (27.3%) was the highest spending item followed by education and technology sector (22.2%).

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

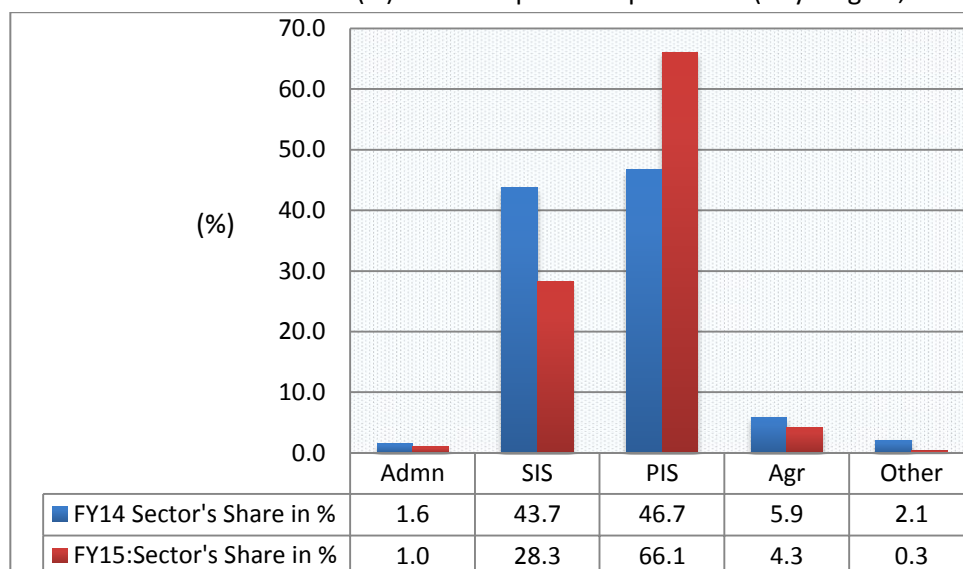


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and 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 (FY15), highest share of spending went to Physical Infrastructure (66.1%) followed by expenditure on social Infrastructure (28.3%).

Chart 1.4: Sector wise share (%) of Development expenditure (July-August, 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 3.1 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 two months 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-August, FY14	5460	0.40
July-August, FY15	2765	0.18

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 the period of July to August of current fiscal (FY15), share of bank financing has gone up compared to the same period of last fiscal year. During this period 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. 4273 crore and 1205 crore respectively.

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-August, FY14	-1177	-1563	-2778	-5518	-0.41
July-August, FY15	-1244	2720	-4272	-2796	-0.18

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

1.8 Net Sales of NSD Certificates

Sale of NSD certificate during July to August of current FY15 stood at Tk. 6271.85 crore which was 62.1 per cent higher than that of the same period of preceding year. As a result, net borrowing through NSD certificates stood at Tk. 4328.49 crore by end of August 2014 (table 1.6).

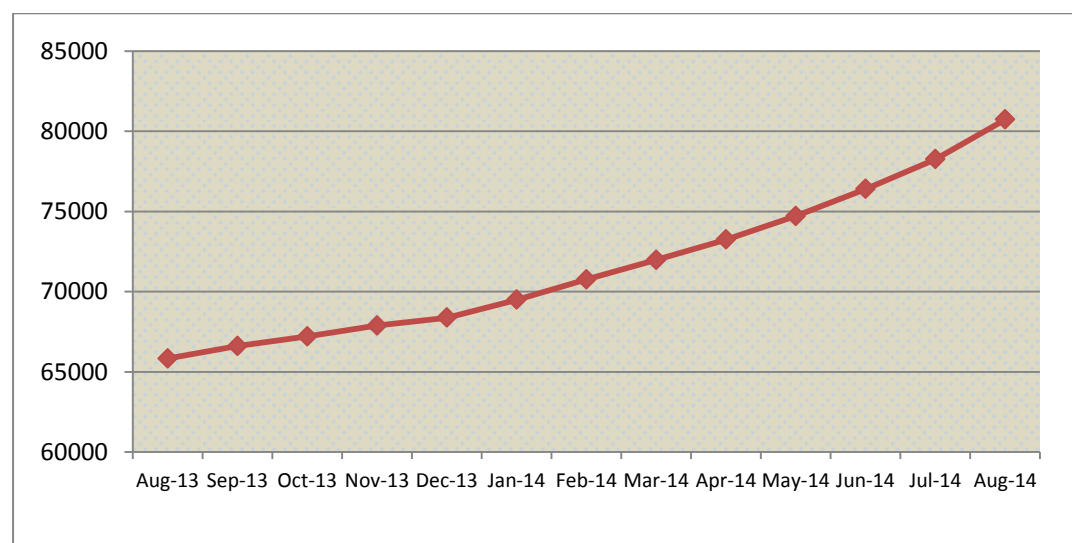
Table 1.6 Net Sales of NSD Certificates

(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-August, FY14	3869.29	2552.51	1316.78	66006.96
July-August, FY15	6271.85	1943.36	4328.49	80725.97
Growth (%)	62.09	-23.86	228.72	22.30

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 August, 2014 was 15.01 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 36.78 and 9.81 percent increase respectively. During the month of August 2014, domestic credit expansion was quite remarkable (11.36 percent), due to growth of credit to private sector (11.39 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	August, 2014	July-August 2014-15	August 2014 over August 2013
Net Foreign Assets of banking system	113384.80	160056.60	163543.90	3487.30 (+2.18)	43977.70 (+36.78)
Net Domestic Assets of Banking System	490120.60	540566.90	549542.00	8975.10 (+1.66)	49111.50 (+9.81)
Domestic Credit	582583.30	637906.20	647225.00	9318.80 (+1.46)	66019.10 (+11.36)
Public Sector	130426.10	130266.30	134141.80	3875.50 (+2.98)	13554.60 (+11.24)
Govt. (net)	110352.80	117529.40	119492.00	1962.60 (+1.67)	9192.90 (+8.33)
Other Public Sector	20073.30	12736.90	14649.80	1912.90 (+15.02)	4361.70 (+42.40)
Private Sector	452157.20	507639.90	513083.20	5443.30 (+1.07)	52464.50 (+11.39)
Net other items	-98140.60	-97339.30	-97683.00	-343.70 (+0.35)	-16907 (+20.93)
Broad Money	603505.40	700623.50	713085.90	12462.40 (1.78)	93089.20 (+15.01)

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

2.2 Reserve money and money multiplier

Reserve money grew by 16.61 percent in August 2014 over August 2013 (table 2.2). At the same time the value of reserve money multiplier decreased to 5.21 at the end of August 2014 from 5.29 in August 2013.

Table 2.2: Reserve money and money multiplier

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June, 2013	June, 2014	August, 2014	July-Aug 2014-15	August 2014 over August 2013
Reserve money	103246.00	129875.30	136836.60	6961.30 (+5.36)	19486.40 (+16.61)
Money multiplier	5.36	5.39	5.21	-0.18	-0.08

Source: Bangladesh Bank.

3. EXTERNAL SECTOR

3.1 Export

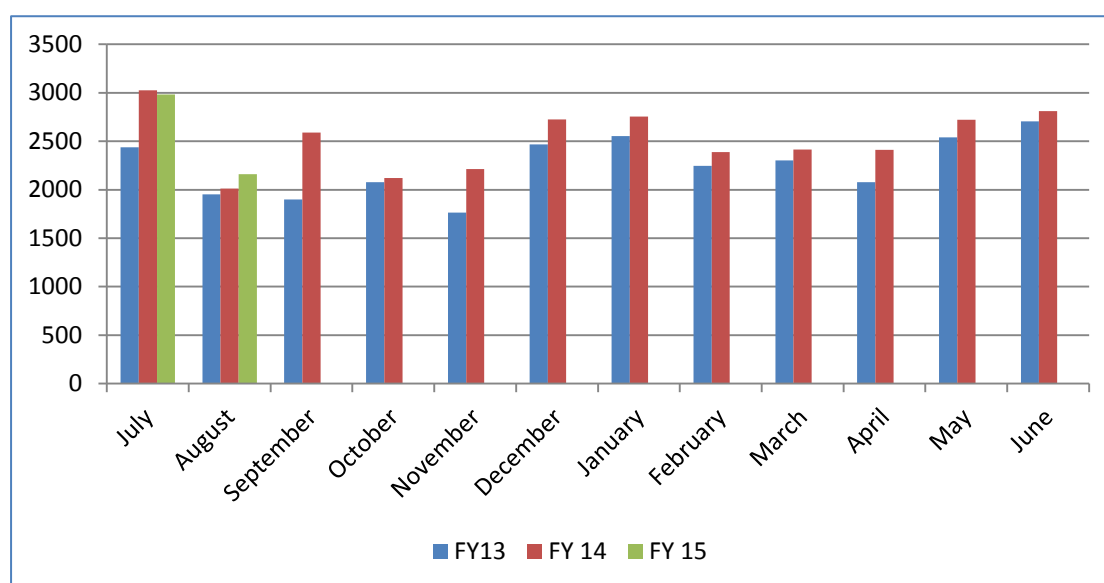
Export earnings rose by 2.07 percent and stood at \$5142.24 million during July-August of FY15 compared with the same period of last fiscal. In August, 2014 country's export earnings witnessed a growth of 7.25 (y-o-y) percent from the same period of the previous fiscal.

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

	2012-13	2013-14	July-August, 2014	August, 2014
Export	27027.36	30176.80	5142.24	2159.50
Growth (%)*	11.28	11.65	2.07	7.25

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-August period of FY15 higher by 18.64 percent and stood at USD 6778.6 million against USD 5713.5 million of the preceding year.

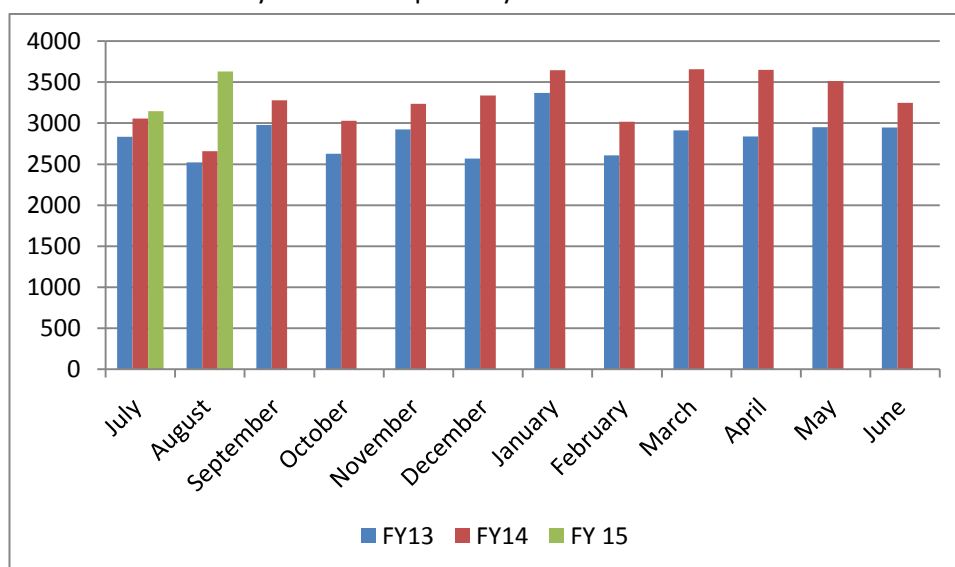
Table 3.2: Import Scenario (In million US\$)

	2012-13	2013-14	2014-15 July-August	2014-15 August
Import payments	33980.6	40692.70	6778.6	3630.8
Growth (%)	-4.3	+19.39	+18.64	+36.66
LCs Opened	35984.6	41818.56	7130.67	3461.55

Growth (%)	-2.8	+16.29	+10.42	+38.52
LCs Settled	32356.7	37188.84	6426.24	3475.02
Growth (%)	-7.1	+14.93	+11.98	+26.83

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

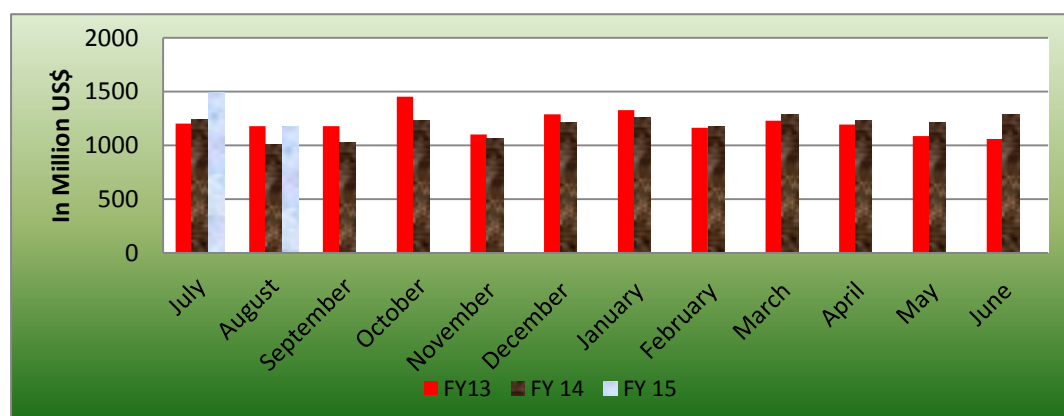
Remittances receipt increased in June, 2014 by 21.59 percent to USD 1286.69 million than June 2013. However, in FY14 remittances receipt is down by 1.61 percent compared to FY13.

Table-3.3: Remittance Performance

	2012-13	2013-14	2014-15 July-August	2014-15 August
Remittances	14461.14	14227.84	2665.73	1174.37
Growth (%)	12.6	-1.61	18.76	16.76
As % of GDP	11.0	8.1	-	-
As % of Export	60.7	47.15	51.84	54.38

Source: Bangladesh Bank

Chart 3.4: Monthly Trend of Remittances



3.4 Exchange Rate Movements

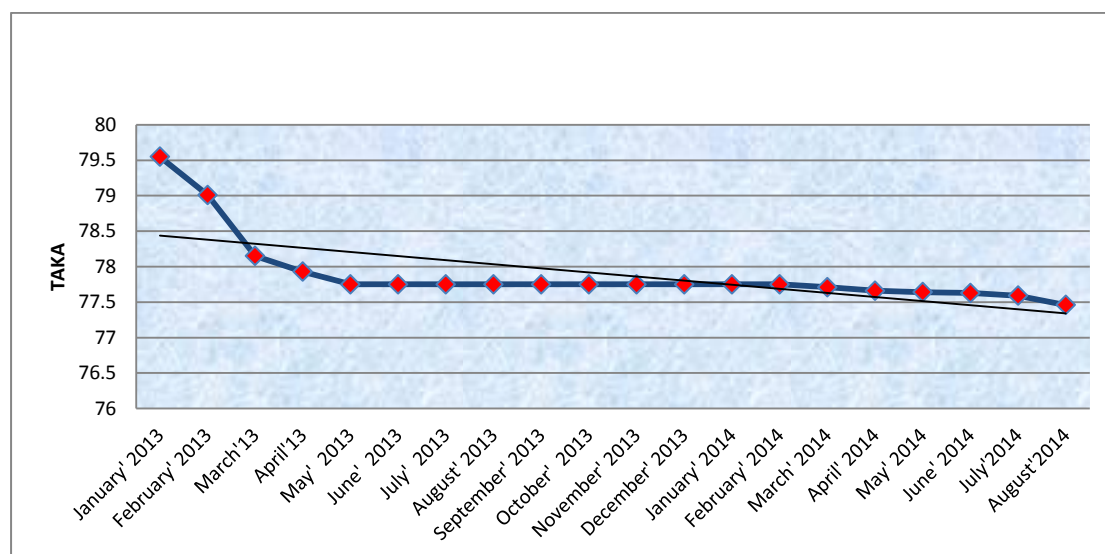
The exchange rate movement (monthly average) from January 2013 to August 2014 has been shown in Chart 3.4 (BDT against USD). Exchange rate of Taka per USD remains market based and volatility is reduced since July 2013.

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		
2014-15		
July	77.5932	77.5200
August	77.4558	77.4002

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 USD22070.43 million (with ACU liability of USD925.82 million) as of end August 2014, against USD21383.48 million (with ACU liability of USD461.02 million) as of end July 2014. The gross foreign exchange reserves, without ACU liability is equivalent to import payments of 6.56 months according to imports of USD3365.6 million per month based on the preceding 12 months average.

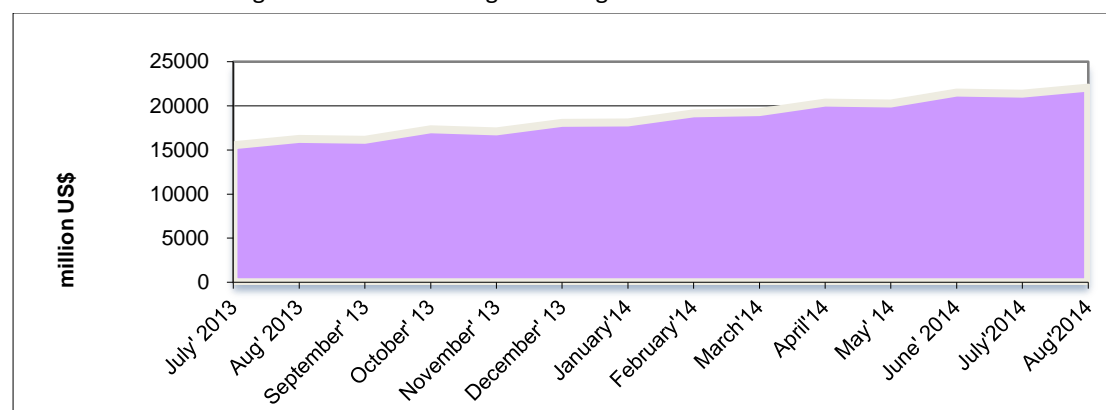
Table 3.5: Foreign Exchange Reserve

(In million US\$)

	2011-12	2012-13	2013-14	As on end of April, 2014
Reserve	10364.43	15315.23	21508.0	22070.43
In month of import payment	3.2	5.22	6.56	6.56

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 deficit increased to \$999 billion in the July-August period of the current financial year from \$790 billion in the corresponding period of the FY14. Current account together with capital account surpluses resulted in a surplus of USD782 million in overall balances during July-August, FY15 against a surplus of USD655 million during July-August 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-August)	2014-15 ^P (July-August)
Trade Balance	-7009	-6806	-790	-999
Current Account Balance	2388	1547	656	327
Capital Account	629	644	54	38
Financial Account	2863	2788	-556	624
Overall Balance	5128	5483	655	782

Source: Bangladesh Bank. R=Revised

4. REAL SECTOR

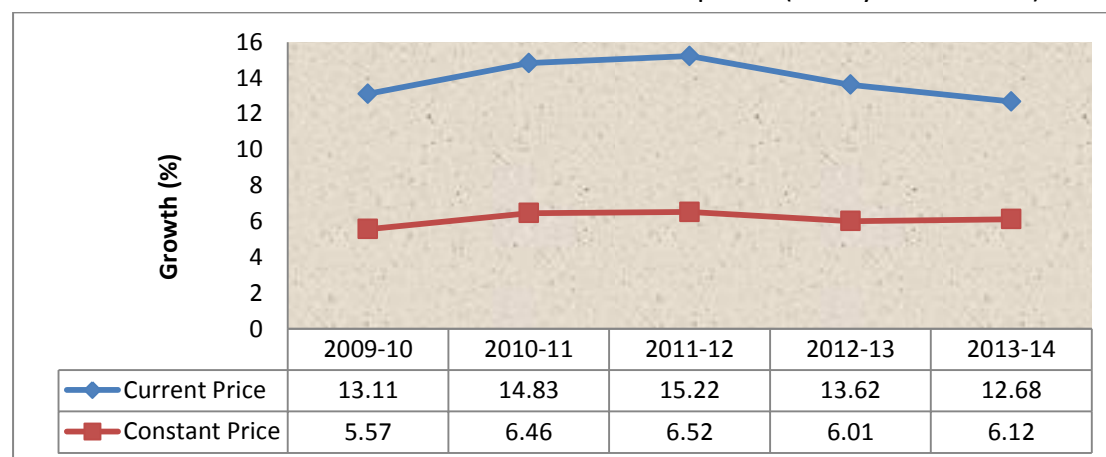
According to Bangladesh Bureau of Statistics (BBS), provisional real GDP growth in FY14 was 6.12 percent (Base year 2005-06). Per capita GNI in FY14 reached US\$ 1190.

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

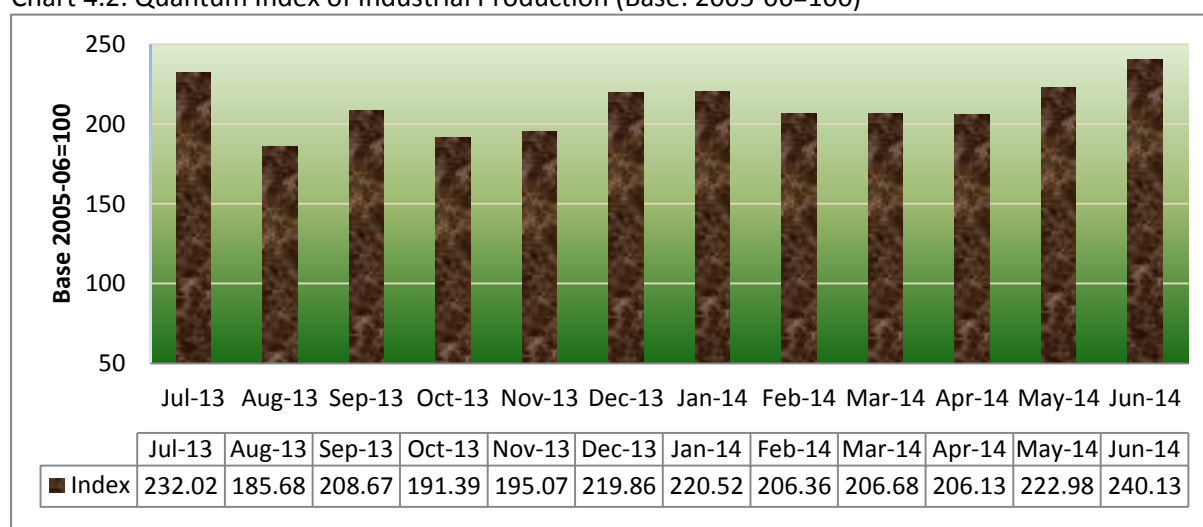
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 220.81 in June 2013 and became 240.13 in June 2014 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 8.3 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 6.92 percent in August 2014, of which, food and non-food inflation were 7.67 percent and 5.76 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
August	7.24	8.51	5.37

Source: Bangladesh Bank

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

