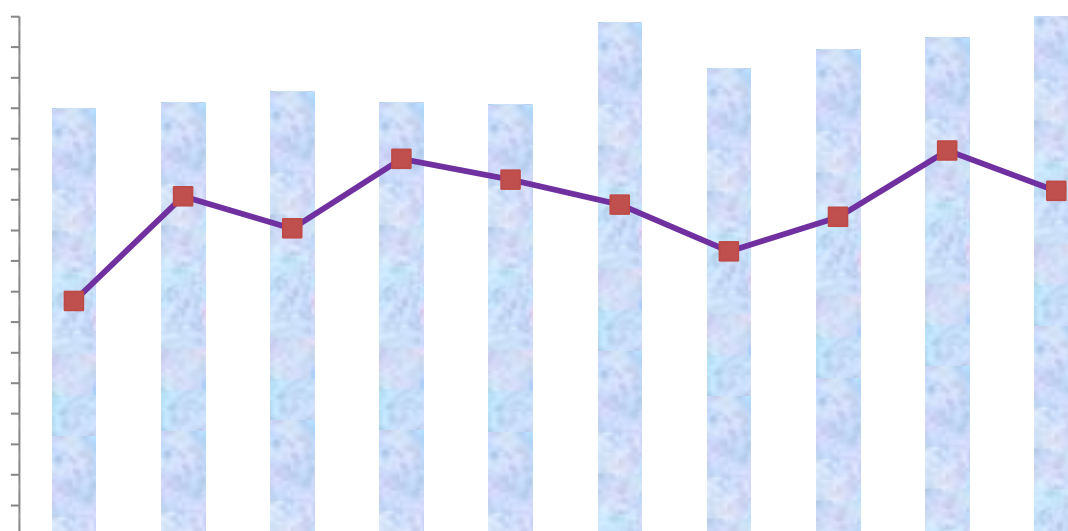




# MONTHLY REPORT ON FISCAL-MACRO POSITION

September, 2014



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## **Executive Summary**

The September 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. During July to September of the current FY15, total revenue collection declined by 3.99 percent compared to the same period of previous fiscal year whereas, total government spending grew by 13.44 percent.

### **Monetary Sector**

Broad Money increased by 3.85 percent in September, 2014 compared to September 2013 mainly due to 35.40 percent growth in NFA. Reserve money growth in September 2014 over September 2013 was 25.99 percent.

### **External Sector**

Export earnings declined by 1.44 percent in September, 2014 compared with the same month of last fiscal. Both import payments and remittances accelerated by 8.20 and 31.05 percent respectively in September, 2014 compared to September, 2013. Foreign exchange reserve increased to USD2116.78 million at the end of September 2014.

### **Real Sector**

According to the provisional estimates of Bangladesh Bureau of Statistics (BBS), real GDP growth in FY14 was 6.12 percent (Base year 2005-06). Per capita GNI in FY14 reached US\$ 1190. The average rate of inflation (12-month average basis) was 7.35 percent. On point to point basis inflation was 6.84 percent in September 2014, of which, food and non-food inflation were 7.63 percent and 5.63 percent respectively. There was 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 three 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.

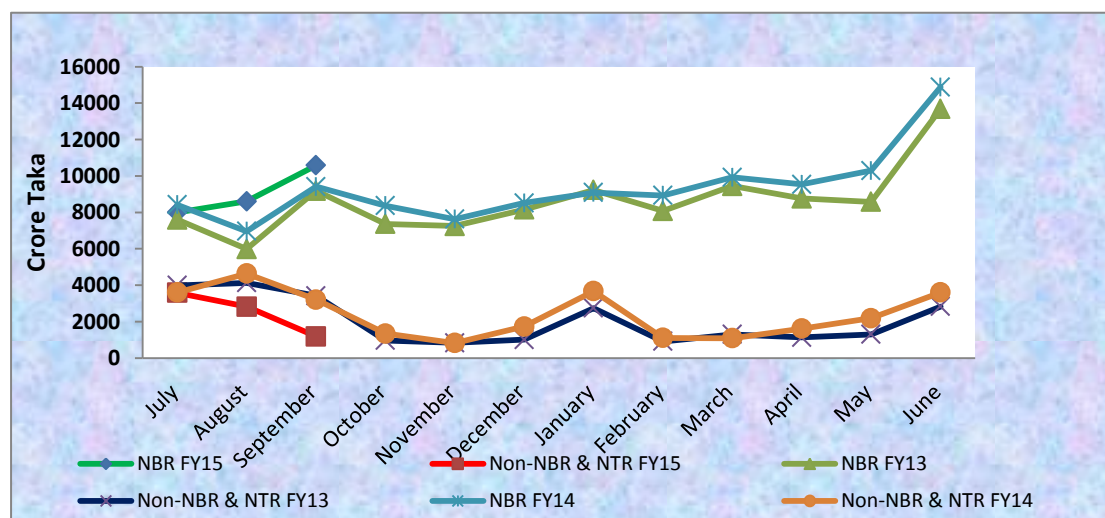
Table 1.1: Revenue Earning

(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-September, FY14	24786	1041	10403	36230
July-September, FY15	27191	1094	6496	34785
Growth(%) over July-September, FY14	9.70	5.09	-37.56	-3.99

Source: Integrated Budgeting &amp; 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-September of FY15, grant receipts decreased by around 23 percent to TK. 70 crore against TK. 91 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-September, FY13
			July-Sept.	July-Sept.	
6879	6165	-10.4	91	70	-23.1

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

### 1.3 Government Expenditure

Total government expenditure, comprising current and ADP expenditure, increased in the initial three months of current FY15 by 13.4 percent compared to the same period of previous fiscal year. According to iBAS database, development spending grew by 8.9 percent in July-September period of FY15 compared to same period of last fiscal (table-1.3). The current spending, on the other hand grew by 16.5 percent compared to the corresponding period of FY14. Of current spending, spending on pay and allowances and goods and services grew at a high rate of 35.8 percent and 10.9 percent respectively. Spending on interest payments decreased by about 5 percent. As percentage of GDP, government expenditure stood at 2.39 percent during July-September period of FY15, slightly increasing from 2.38 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. 7587 Crore during the first three months (July-September) of FY15, recording 4.5 percent increase over the same period of the last fiscal year.

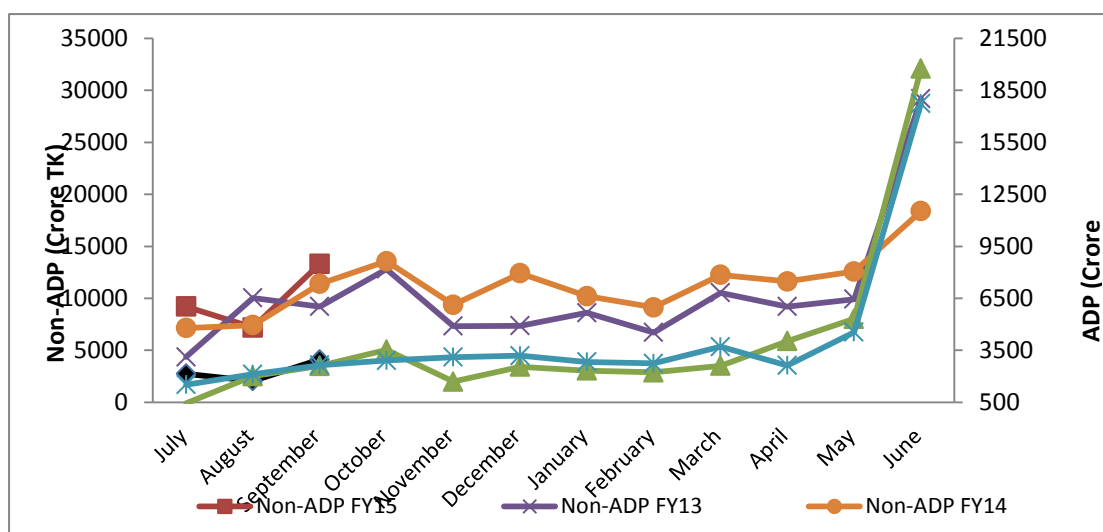
Table 1.3: Government Expenditures

(Crore Taka)

	2012-13	2013-14	Growth (%)	2013-14 July-September	2014-15 July-September	Growth (%) over July-September, FY14
<b>1. Current Spending</b>	<b>99374</b>	<b>110946</b>	<b>11.64</b>	<b>21334</b>	<b>24850</b>	<b>16.48</b>
Pay and Allowances	21634	26382	<b>21.95</b>	<b>6059</b>	8228	35.80
Goods and Services	13024	15701	<b>20.55</b>	1705	1892	10.97
Interest Payment	23915	27632	<b>15.54</b>	6836	6477	-5.25
Domestic	22322	26027	<b>16.60</b>	6368	6036	-5.21
Foreign	1593	1604	<b>0.69</b>	468	440	-5.98
Subsidy and Transfer	40617	40995	<b>0.93</b>	6714	8218	22.40
Others	184	236	<b>28.26</b>	20	35	75.00
<b>2. Food Accounts</b>	<b>-440</b>	<b>2435</b>	<b>-653.41</b>	<b>1969</b>	<b>2199</b>	<b>11.68</b>
<b>3. Non-ADP Capital &amp; Spending</b>	<b>25605</b>	<b>25574</b>	<b>-0.12</b>	<b>2629</b>	<b>2649</b>	<b>0.76</b>
Non-ADP Capital	4943	14028	<b>183.80</b>	1273	1942	52.55
Net Lending	16964	7724	<b>-54.47</b>	1279	629	-50.82
Non-ADP Project	1802	2078	<b>15.32</b>	53	42	-20.75
FFW	1299	1027	<b>-20.94</b>	0	0	-
Structural Adjustment	0	0	-	0	0	-
Development Expenditure under Revenue Budget	597	717	20.10	24	36	50.0
<b>4. Development Spending</b>	<b>49473</b>	<b>54967</b>	<b>11.11</b>	<b>6267</b>	<b>6828</b>	<b>8.95</b>
<b>Total (1+2+3+4)</b>	<b>174012</b>	<b>193922</b>	<b>11.44</b>	<b>32199</b>	<b>36526</b>	<b>13.44</b>
<b>Total Spending (Percent of GDP)</b>	<b>14.51</b>	<b>14.35</b>		<b>2.38</b>	<b>2.39</b>	

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

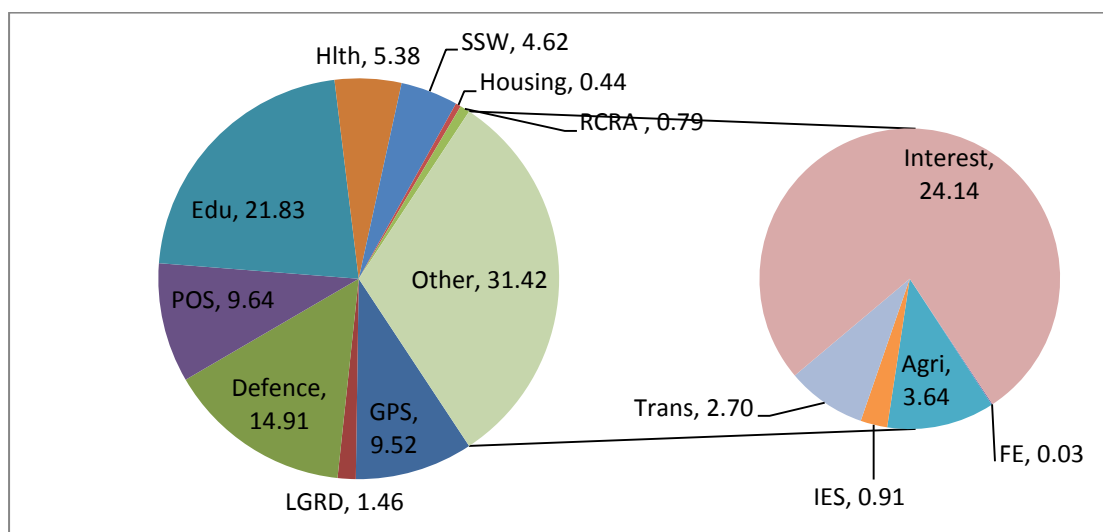
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 13-15)



## 1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure (July-September, FY15) shows (chart 1.3) that interest payment (24.1%) was the highest spending item followed by education and technology sector (21.8%).

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

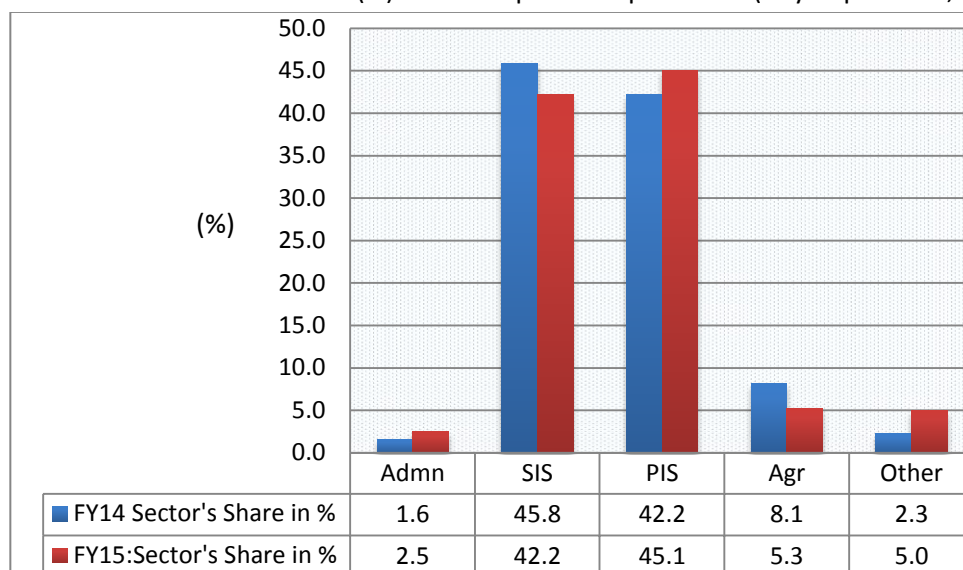


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and 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 three months of current fiscal year (FY15), highest share of spending went to Physical Infrastructure (45.1%) followed by expenditure on social Infrastructure (42.2%).

Chart 1.4: Sector wise share (%) of Development expenditure (July-September, 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; Agr= 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. Overall budget deficit including grants during the first three months of the current fiscal year stood at 0.11 percent of GDP.

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-September, FY14	4032	0.30
July-September, FY15	-1740	-0.11

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 September of current fiscal (FY15) net financing from banking as well as external sources was negative resulting in reduction of the Government liabilities to the banking and external sources by Tk. 34 crore and 1629 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-September, FY14	-724	-1691	-1651	-4066	-0.31
July-September, FY15	-1629	-34	3405	1742	-0.11

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

### 1.8 Net Sale of NSD Certificates

Sale of NSD certificate during July to September of current FY15 stood at Tk. 9855.55 crore which was 67.2 per cent higher than that of the same period of preceding year. As a result, net borrowing through NSD certificates stood at Tk. 6821.01 crore by end of September 2014 (table 1.6).

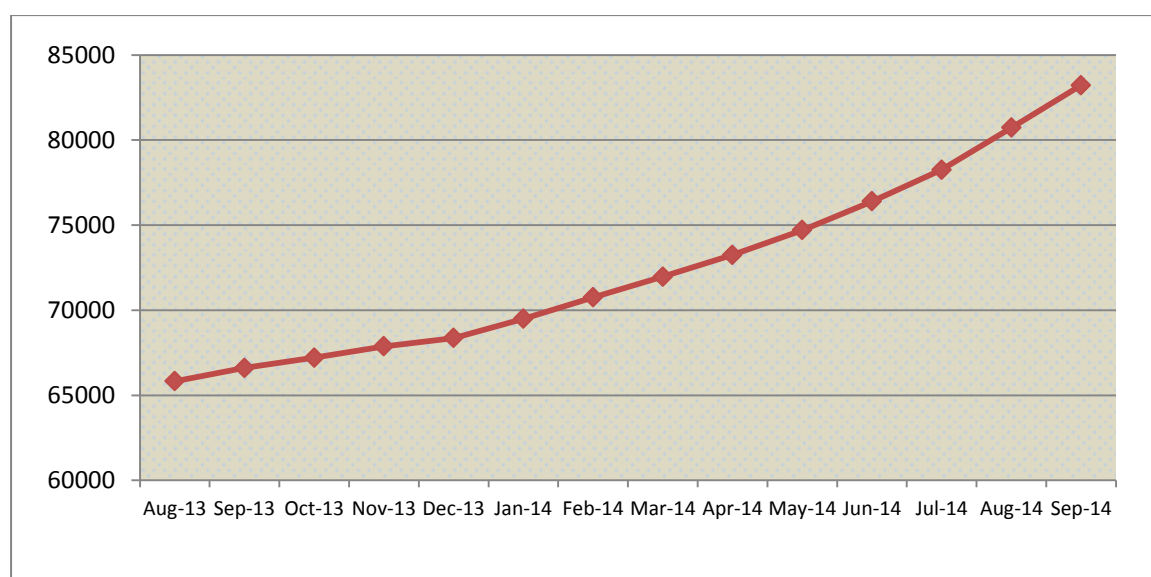
Table 1.6 Net Sales of NSD Certificates

(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-September, FY14	5893.71	3796.24	2097.47	66787.65
July-September, FY15	9855.55	3034.54	6821.01	83218.49
Growth (%)	67.22	-20.06	225.20	24.60

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 September, 2014 was 3.85 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 35.40 and 10.90 percent increase respectively. During the month of September 2014, domestic credit expansion was quite remarkable (12.27 percent), due to growth of credit to private sector (12.15 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	September, 2014	July-September 2014-15	September, 2014 over September, 2013
Net Foreign Assets of banking system	113384.80	160056.60	165556.70	5500.10 (+3.44)	43281.30 (+35.40)
Net Domestic Assets of Banking System	490120.60	540566.90	559446.70	18879.80 (+3.49)	54998.20 (+10.90)
Domestic Credit	582583.30	637906.20	658218.60	20312.40 (+3.18)	71950.20 (+12.27)
Public Sector	130426.10	130266.30	135819.60	5553.30 (+4.26)	15340.70 (+12.73)
Govt. (net)	110352.80	117529.40	121242.70	3713.30 (+3.16)	11317.10 (+10.30)
Other Public Sector	20073.30	12736.90	14576.90	1840.00 (+14.45)	4023.60 (+38.13)
Private Sector	452157.20	507639.90	522399.00	14759.10 (+2.91)	56609.50 (+12.15)
Net other items	-98140.60	-97339.30	-98771.90	-1432.60 (+1.47)	-16952.00 (+20.72)
Broad Money	603505.40	700623.50	725003.40	24379.90 (+2.91)	98279.50 (+3.85)

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

### 2.2 Reserve money and money multiplier

Reserve money grew by 25.99 percent in September 2014 over September 2013 (table 2.2). At the same time the value of reserve money multiplier decreased to 5.05 at the end of September 2014 from 5.50 in September 2013.

**Table 2.2: Reserve money and money multiplier**

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June, 2013	June, 2014	September, 2014	July-Sept 2014-15	September 2014 over September 2013
Reserve money	103246.00	129875.30	143632.50	13757.20 (+10.59)	29627.70 (+25.99)
Money multiplier	5.36	5.39	5.05	-0.35	-0.45

Source: Bangladesh Bank.

### 3. EXTERNAL SECTOR

#### 3.1 Export

Export earnings rose by 0.88 percent and stood at \$7695.1 million during July-September of FY15 compared with the same period of last fiscal. In September, 2014 country's export earnings witnessed a negative growth of 1.44 (y-o-y) percent from the same period of the previous fiscal.

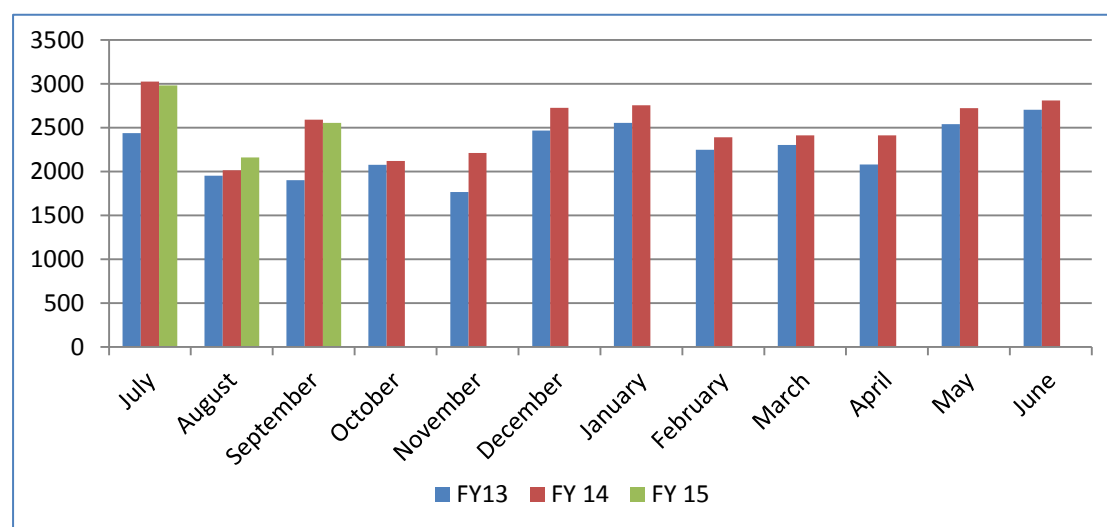
Table 3.1: Export Performance

(In million US\$)

	2012-13	2013-14	July-September, 2014	September, 2014
Export	27027.36	30176.80	7695.1	2552.86
Growth (%)*	11.28	11.65	0.88	-1.44

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-September period of FY15 higher by 14.83 percent and stood at USD 10325.9 million. In the month of September, 2014 import was 8.20 percent more than the same month of previous fiscal.

Table 3.2: Import Scenario

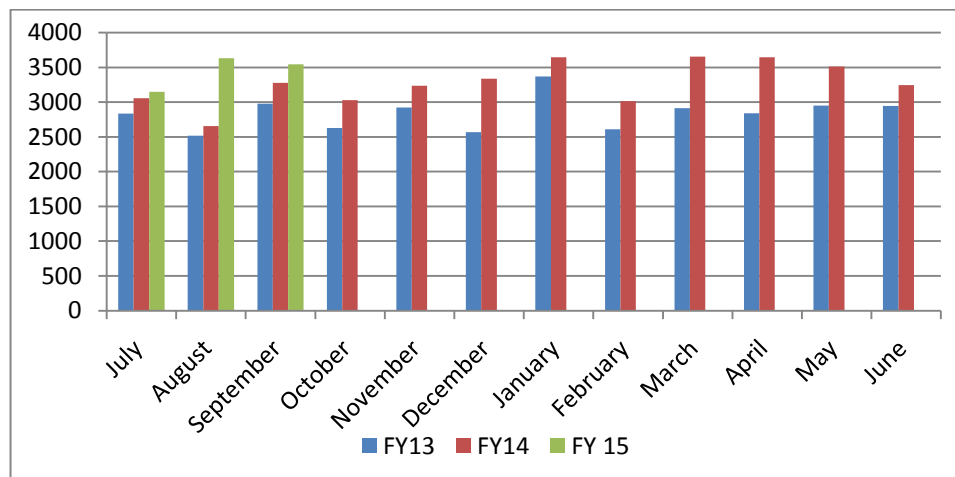
(In million US\$)

	2012-13	2013-14	2014-15 July-September	2014-15 September
Import payments	33980.6	40692.70	10325.9	3547.3
Growth (%)	-4.3	+19.39	+14.83	+8.20
LCs Opened	35984.6	41818.56	10834.97	3704.30
Growth (%)	-2.8	+16.29	+12.81	+17.71

LCs Settled	32356.7	37188.84	9796.09	3369.85
Growth (%)	-7.1	+14.93	+10.92	+8.95

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 (In million US\$)



### 3.3 Remittance

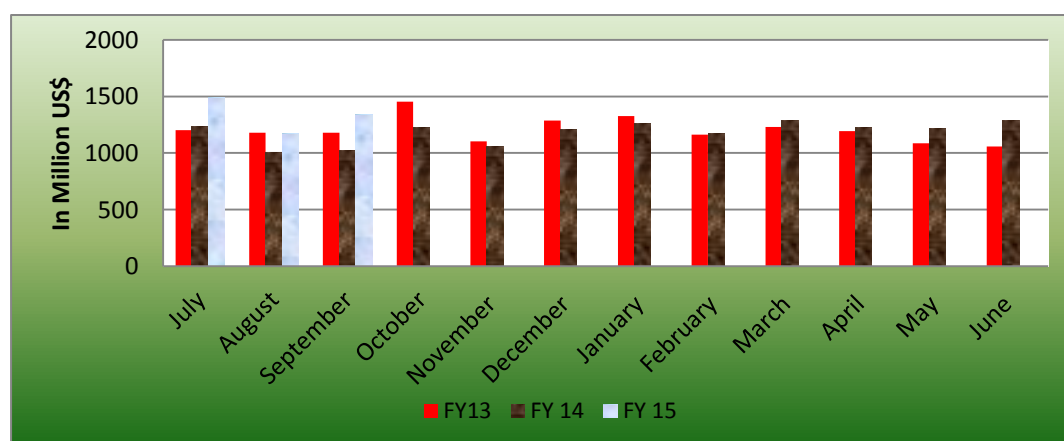
Remittances receipt increased in September, 2014 by 31.06 percent to USD 1344.27 million than September 2013. In first quarter FY15 remittances receipt is up by 22.61 percent compared to FY14.

Table-3.3: Remittance Performance

	2012-13	2013-14	2014-15 July-Sept	2014-15 September
Remittances	14461.14	14227.84	4010	1344.27
Growth (%)	12.6	-1.61	22.61	31.06
As % of GDP	11.0	8.1	-	-
As % of Export	60.7	47.15	52.21	52.66

Source: Bangladesh Bank

Chart 3.4: Monthly Trend of Remittances



### 3.4 Exchange Rate Movements

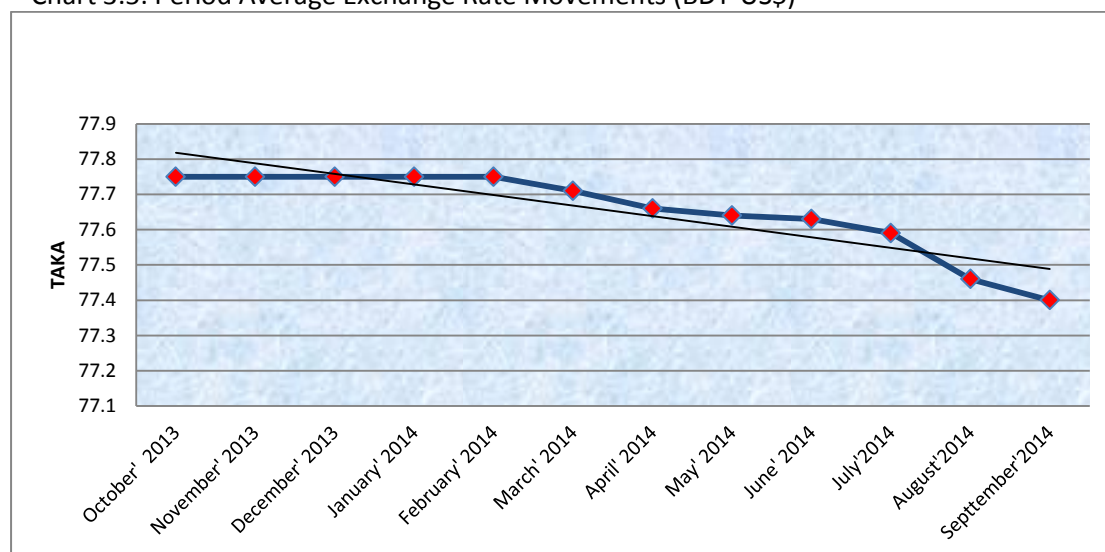
The exchange rate movement (monthly average) from July 2013 to September 2014 has been shown in Chart 3.4 (BDT against USD). BDT is showing an appreciation trend since February, 2014.

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		
<b>2014-15</b>		
July	77.5932	77.5200
August	77.4558	77.4002
September	77.4000	77.4000

Source: Bangladesh Bank

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



### 3.5 External Reserve

Gross foreign exchange balances held abroad by commercial banks: The gross foreign exchange balances held abroad by commercial banks rose to USD2116.78 million by end September, 2014 against USD1920.83 million by end August, 2014. This was also significantly higher than the balance of USD1396.79 million at end of September, 2013. The gross foreign exchange reserves, without ACU liability is equivalent to import payments of 6.46 months according to imports of USD3380 million per month based on the preceding 12 months average.

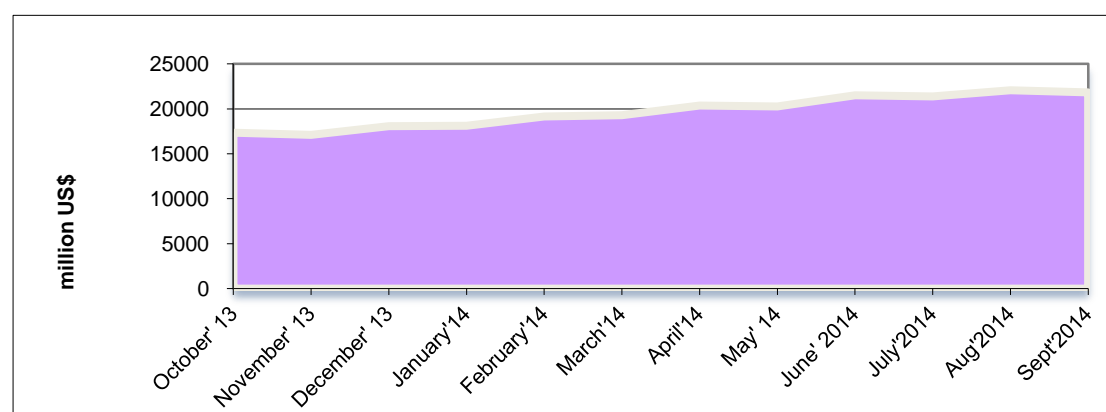
Table 3.5: Foreign Exchange Reserve

(In million US\$)

	2011-12	2012-13	2013-14	As on end of September, 2014
Reserve	10364.43	15315.23	21508.0	2116.78
In month of import payment	3.2	5.22	6.56	6.46

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 \$2.40 billion in the July-September period of the current financial year from \$1.27 billion in the corresponding period of the FY14. Current account balance was negative 357 million dollar. Capital account surpluses together with financial account resulted in a surplus of USD1177 million in overall balances during July-September, FY15 against a surplus of USD1056 million during July-September of FY14.

Table 3.6: Balance of Payments

(In million US\$)

	2012-13 <sup>R</sup> (July-June)	2013-14 <sup>P</sup> (July-June)	2013-14 <sup>R</sup> (July-September)	2014-15 <sup>P</sup> (July-Sept)
Trade Balance	-7009	-6806	-1268	-2396
Current Account Balance	2388	1547	666	-357
Capital Account	629	644	54	38
Financial Account	2863	2788	-810	1785
Overall Balance	5128	5483	1056	1177

Source: Bangladesh Bank. R=Revised

## 4. REAL SECTOR

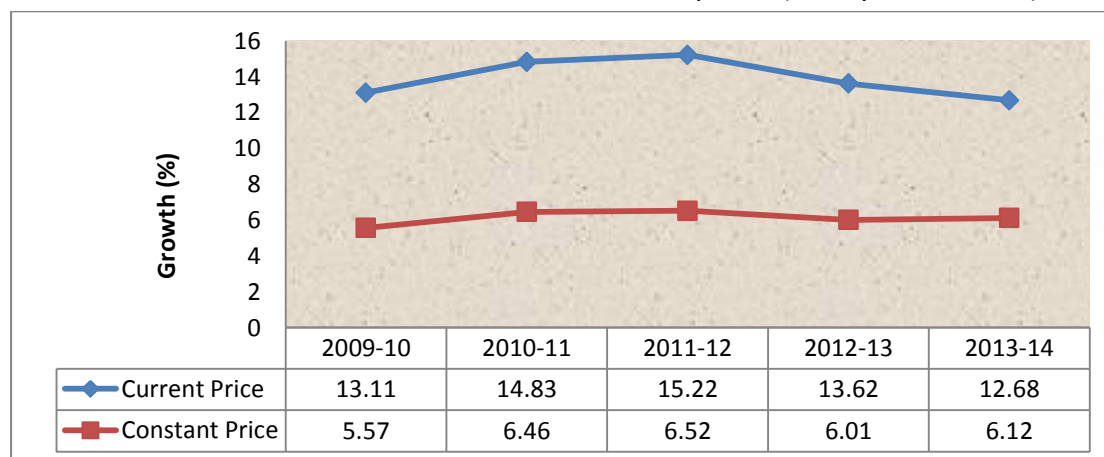
According to Bangladesh Bureau of Statistics (BBS), provisional real GDP growth in FY14 was 6.12 percent (Base year 2005-06). Per capita GNI in FY14 reached US\$ 1190.

Table 4.1 Gross Domestic Product

	2009-10	2010-11	2011-12	2012-13	2013-14 <sup>P</sup>
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

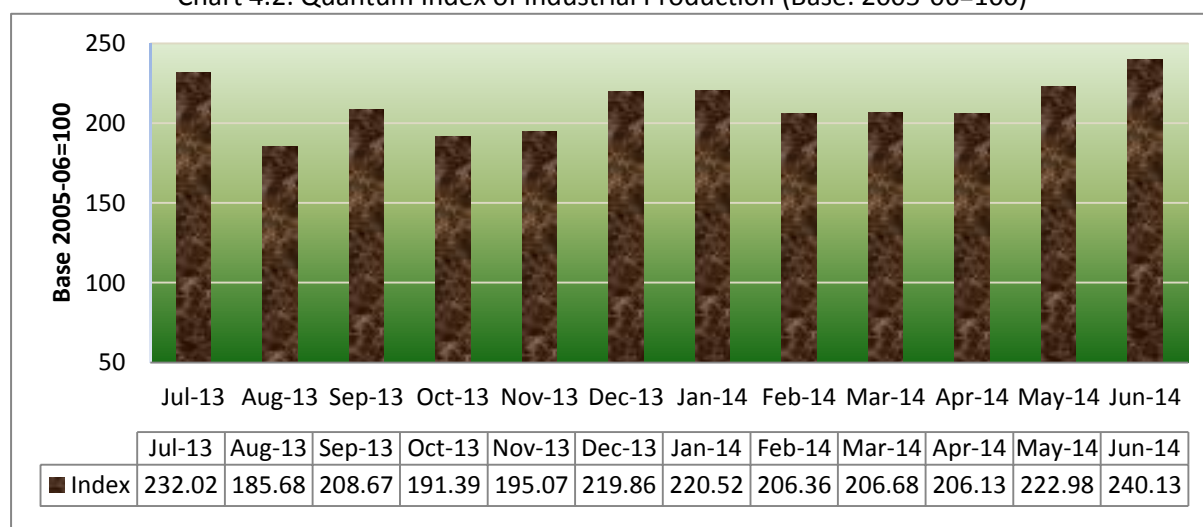
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 220.81 in June 2013 and became 240.13 in June 2014 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 8.3 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 6.84 percent in September 2014, of which, food and non-food inflation were 7.63 percent and 5.63 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
September	7.22	8.48	5.34

Source: Bangladesh Bank

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

