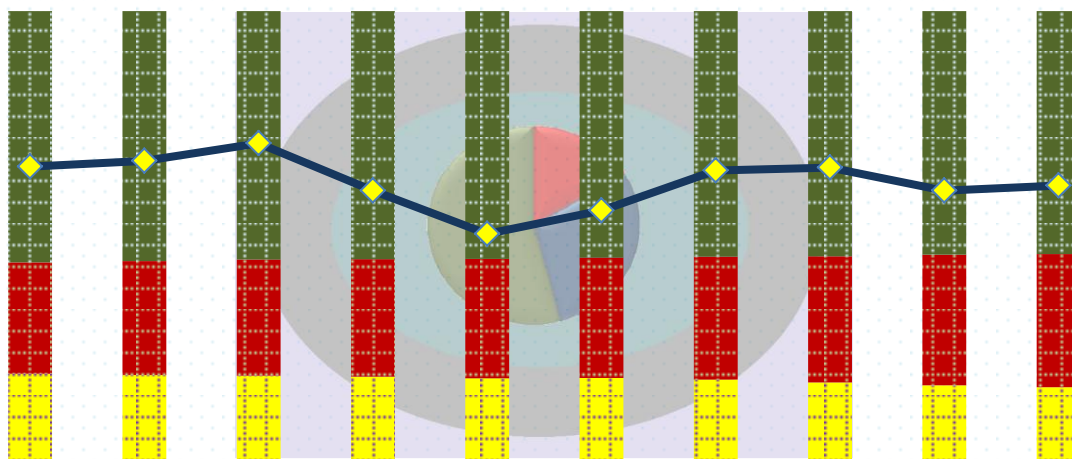




# MONTHLY REPORT ON FISCAL-MACRO POSITION

October, 2014



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## **Executive Summary**

The October 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 October of the current FY15, total revenue collection declined by 3.18 percent compared to the same period of previous fiscal year whereas, total government spending reduced by 2.49 percent.

### **Monetary Sector**

Broad Money growth was 12.59 percent in October, 2014 compared to October 2013 mainly due to 28.5 percent growth in NFA. Reserve money growth in October 2014 over October 2013 was 15.4 percent.

### **External Sector**

Export earnings declined by 0.97 percent in October, 2014 compared with the same month of last fiscal. Import payments accelerated by 14.36 percent in October, 2014 compared to October, 2013 while the remittance receipt increased by 11.75 percent during the July-October of FY 15 compared with the same period of previous fiscal year. Foreign exchange reserve increased to USD 22312.45 million at the end of October 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 6.60 percent in October 2014, of which, food and non-food inflation were 7.16 percent and 5.74 percent respectively. There was a positive change in Quantum Index of Industrial Production which was 185.68 in August 2013 and became 227.55 in August 2014.

## 1. FISCAL SECTOR

### 1.1 Revenue Earnings

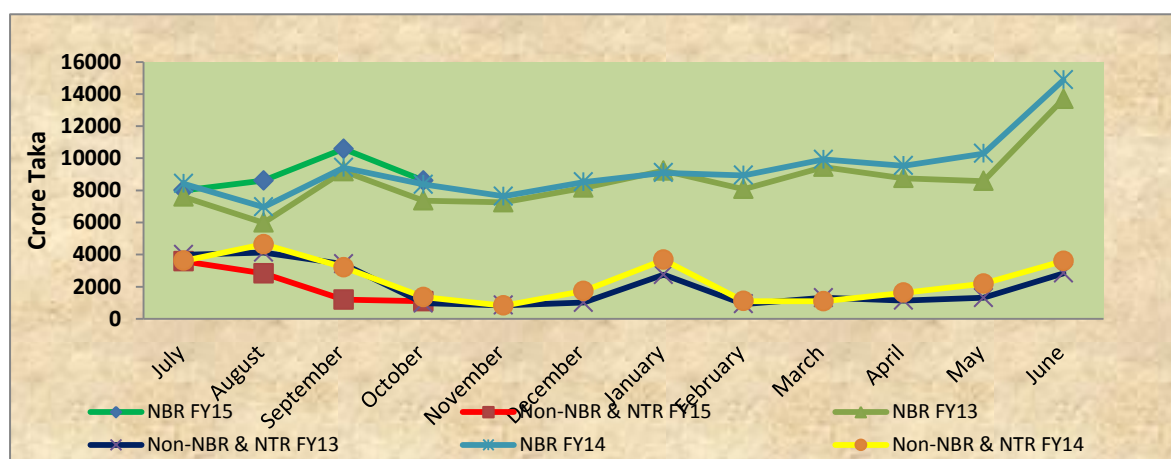
Total revenue earnings posted negative growth in the first four months of the current fiscal year (FY15). Both NBR and Non-NBR tax revenue growth was positive and close to prior year growth rates over the same period of earlier year. The dip in revenue growth was mainly due to less than expected growth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

Table 1.1: Revenue Earning (Taka in Crore)

Period	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-October, FY14	33152	1328	11463	45943
July-October, FY15	35797	1407	7279	44483
Growth(%) over July-October, FY14	7.98	5.95	-36.50	-3.18

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-October of FY15, grant receipts increased by around 52 percent to TK. 266 crore against TK. 175 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-October, FY13
			July-Oct.	July-Oct.	
6879	6165	-10.4	175	266	52.0

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

### 1.3 Government Expenditure

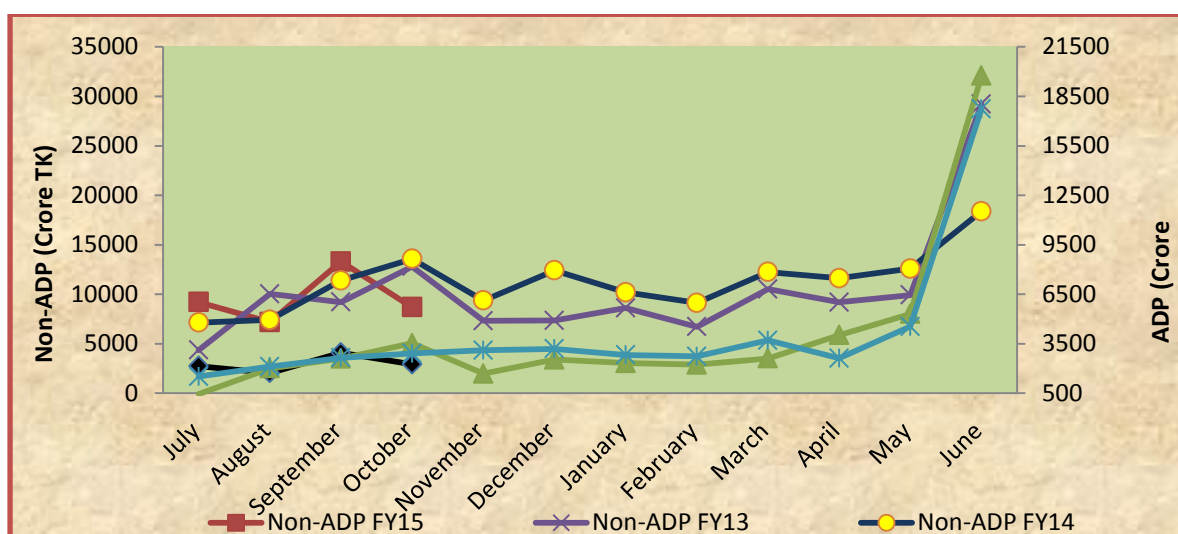
Total government expenditure, comprising current and ADP expenditure, decreased in the initial four months of current FY15 by 2.49 percent compared to the same period of previous fiscal year. According to iBAS database, development spending reduced by 1.09 percent in July-October period of FY15 compared to same period of last fiscal (table-1.3). The current spending, on the other hand grew by 3.97 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 19.94 percent and 5.20 percent respectively. Spending on interest payments decreased by 9.15 percent. As percentage of GDP, government expenditure stood at 3.10 percent during July-October period of FY15, slightly decreasing from 3.60 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. 10438 Crore during the first four months (July-October) of FY15, recording 13 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-October	2014-15 July-October	Growth (%) over July-October, FY14
<b>1. Current Spending</b>	<b>99374</b>	<b>110946</b>	<b>11.64</b>	<b>30867</b>	<b>32091</b>	3.97
Pay and Allowances	21634	26382	21.95	8777	10527	19.94
Goods and Services	13024	15701	20.55	2633	2770	5.20
Interest Payment	23915	27632	15.54	9595	8717	-9.15
Domestic	22322	26027	16.60	9006	8149	-9.52
Foreign	1593	1604	0.69	590	568	-3.73
Subsidy and Transfer	40617	40995	0.93	9816	10016	2.04
Others	184	236	28.26	46	61	32.61
<b>2. Food Accounts</b>	<b>-440</b>	<b>2435</b>	<b>-653.41</b>	<b>3238</b>	<b>2516</b>	-22.30
<b>3. Non-ADP Capital &amp; Spending</b>	<b>25605</b>	<b>25574</b>	<b>-0.12</b>	<b>5387</b>	<b>3775</b>	-29.92
Non-ADP Capital	4943	14028	183.80	1838	2322	26.33
Net Lending	16964	7724	-54.47	3081	1165	-62.19
Non-ADP Project	1802	2078	15.32	371	242	-34.77
FFW	1299	1027	-20.94	0	0	..
Structural Adjustment	0	0	-	0	0	..
Development Expenditure under Revenue Budget	597	717	20.10	97	46	-52.58
<b>4. Development Spending</b>	<b>49473</b>	<b>54967</b>	<b>11.11</b>	<b>9173</b>	<b>9073</b>	-1.09
<b>Total (1+2+3+4)</b>	<b>174012</b>	<b>193922</b>	<b>11.44</b>	<b>48666</b>	<b>47454</b>	-2.49
<b>Total Spending (Percent of GDP)</b>	<b>14.51</b>	<b>14.35</b>		<b>3.60</b>	<b>3.10</b>	

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

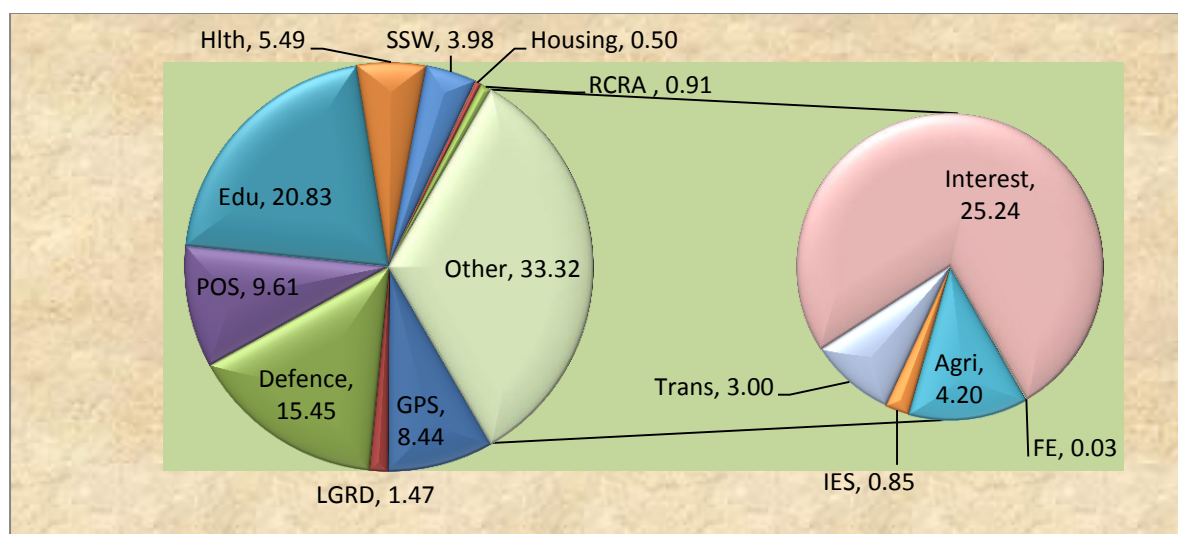
Chart 1.2: Monthly Trend of ADP and Non-ADP Expenditure (FY 13-15)



### 1.4 Structure of Revenue Expenditure

Sector wise analysis of revenue expenditure (July-October, FY15) shows (chart 1.3) that interest payment (25.2%) was the highest spending item followed by education and technology sector (20.8%).

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

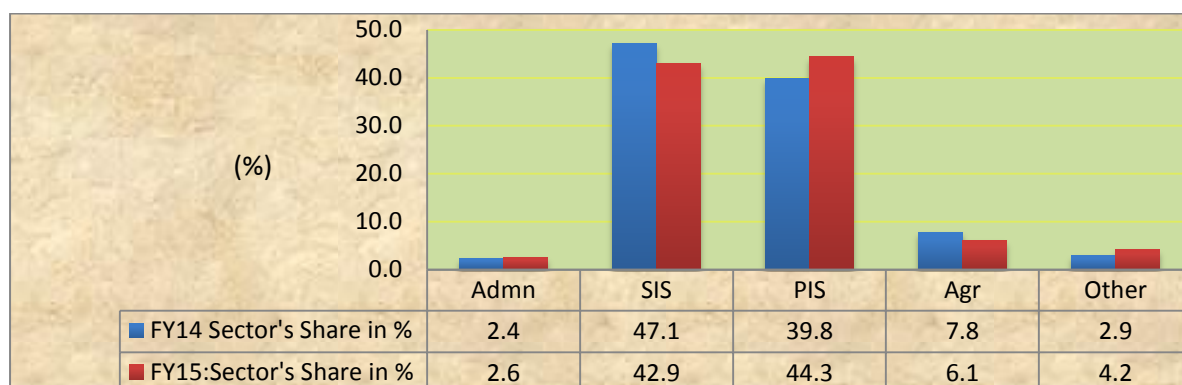


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and 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 four months of current fiscal year (FY15), highest share of spending went to Physical Infrastructure (44.3%) followed by expenditure on social Infrastructure (42.9%).

Chart 1.4: Sector wise share (%) of Development expenditure (July-October, 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 four months of the current fiscal year stood at -0.23 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-October, FY14	-2724.1	-0.18
July-October, FY15	-3447.1	-0.23

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 October of current fiscal (FY15) net financing from external sources was negative resulting in reduction of the Government liabilities to the external sources by Tk. 851 crore.

Table 1.5: Deficit Financing

(In Crore Taka)

Period	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-October, FY14	-1076.3	3906.3	-279.5	2550.5	0.19
July-October, FY15	-851.9	2690.7	1312.6	3151.3	0.21

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

## 1.8 Net Sale of NSD Certificates

Sale of NSD certificate during July to October of current FY15 stood at Tk. 13186.91 crore which was 77.3 per cent higher than that of the same period of preceding year. As a result, net borrowing through NSD certificates stood at Tk. 9077.60 crore by end of October 2014 (table 1.6).

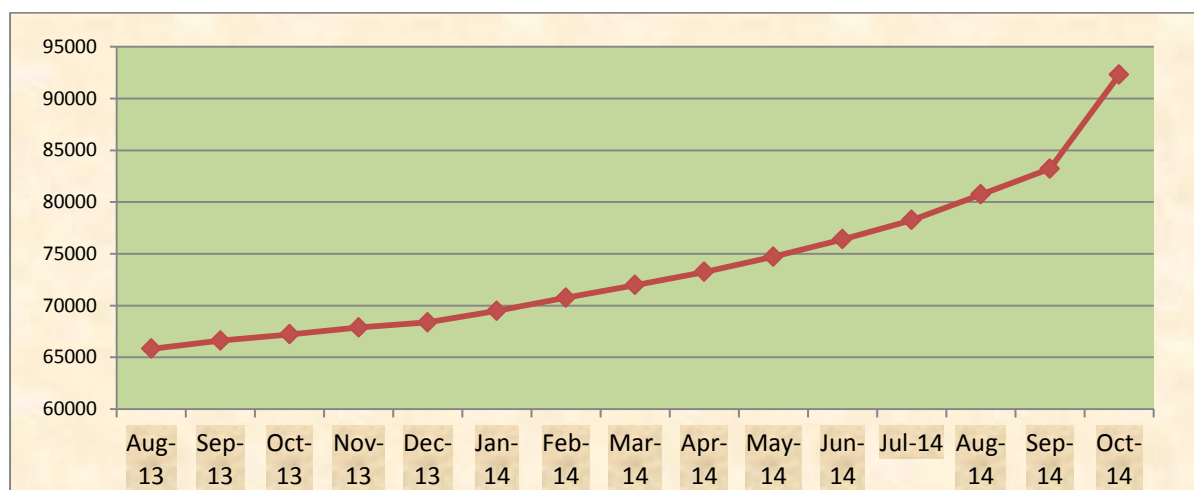
Table 1.6 Net Sales of NSD Certificates

(Taka in crore)

Period	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-October, FY14	7433.91	4735.03	2698.88	69486.53
July-October, FY15	13186.91	4109.31	9077.60	92296.09
Growth (%)	77.39	-13.21	236.35	32.83

Source: National Savings Directorate

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



## 2. MONETARY SECTOR

### 2.1 Monetary and credit development

Broad money (M2) growth in October, 2014 was 12.59 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 28.5 and 8.6 percent increase respectively. During the month of October 2014, domestic credit expansion was quite remarkable (10.7 percent), due to growth of credit to private sector (12.1percent).



Table 2.1 Monetary and credit development

(Billion BDT)

Items	Outstanding stock at the end of period			Changes in outstanding stock		Oct 13	Percentage changes	
	Jun-13	Jun-14	Oct-14	July-Oct FY 15	Oct 14 over Oct 13		July-Oct FY 15	Oct 14 over Oct 13
Net Foreign Assets	1132.5	1600.6	1639.1	38.5	363.5	1275.6	2.4	28.5
Net Domestic Asset	4902.6	5405.7	5570.5	164.9	443.0	5127.6	3.0	8.6
Domestic Credit	5717.4	6379.1	6573.4	194.3	634.5	5938.9	3.0	10.7
Public Sector	1195.8	1302.7	1321.1	18.4	66.8	1254.3	1.4	5.3
Govt (Net)	1101.2	1175.3	1176.4	1.1	30.8	1145.6	0.1	2.7
Other Public Sector	94.6	127.4	144.7	17.3	36.0	108.7	12.0	33.2
Private sector	4521.6	5076.4	5252.3	175.9	567.7	4684.7	3.3	12.1
Net Other Item	-814.8	-973.4	-1002.9	-29.5	-191.5	-811.3	2.9	23.6
Broad Money	6035.1	7006.2	7209.6	203.4	806.5	6403.2	2.8	12.6

Source: Monthly Economic Trends, Bangladesh Bank

## 2.2 Reserve money and money multiplier

Reserve money grew by 15.42 percent in October 2014 over October 2013 (table 2.2). At the same time the value of reserve money multiplier decreased to 5.15 at the end of October 2014 from 5.39 in October 2013.

Table 2.2: Reserve money and money multiplier

(Billion BDT)

	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June, 2013	June, 2014	October, 2014	July-October 2014-15	October 2014 over October 2013
Reserve money	1124.9	1298.8	1400.6	101.9 (+7.3)	187.1 (+15.4)
Money multiplier	5.36	5.39	5.15	-0.25	-0.13

Source: Bangladesh Bank.

## 3. EXTERNAL SECTOR

### 3.1 Export

Export earnings decreased by 0.97 percent and stood at \$9652.65 million during July-October of FY15 compared with the same period of last fiscal year. In October, 2014 country's export earnings witnessed a negative growth of 7.63 (y-o-y) percent from the same period of the previous fiscal.

Table 3.1: Export Performance

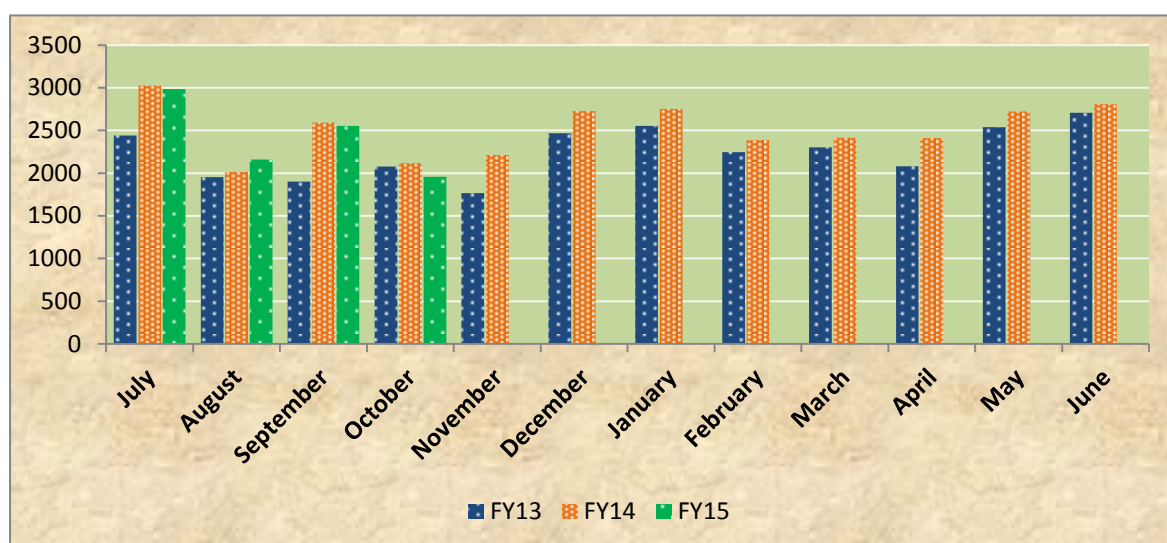
(Million US\$)

	2012-13	2013-14	July-October, 2014	October, 2014
<b>Export</b>	27027.36	30186.62	9652.65	1957.55
<b>Growth (%)*</b>	11.21	11.69	-0.97	-7.63

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)

During July-October of FY15, import payments grew by 14.71 percent and stood at USD 13789.3 million at the end of the period. In October, 2014 import was 14.36 percent higher than the same month of the previous fiscal year.

Table 3.2: Import Scenario

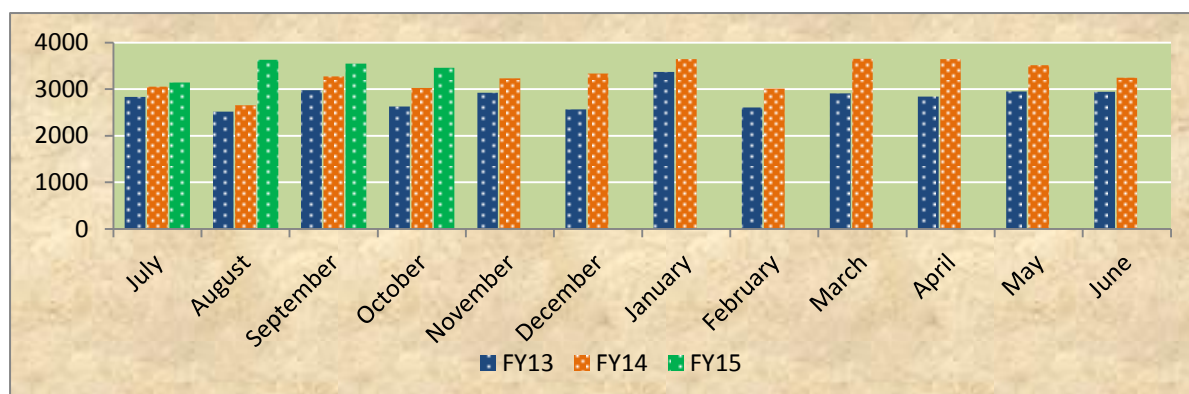
(Million US\$)

Item \ Period	2012-13	2013-14	2014-15 ( July-October)	2014-15 October
<b>import payments</b>	34083.6	40692.70	13,789.3	3,463.40
<b>Growth (%)</b>	-4.03	+19.39	+14.71	+14.36
<b>LCs Opened</b>	35961.05	41818.56	13977.57	3142.6
<b>Growth (%)</b>	-2.9	+16.29	+12.01	+9.35
<b>LCs Settled</b>	32358.52	37188.84	12941.24	3145.15
<b>Growth (%)</b>	-7.05	+14.93	+11.10	+11.65

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 declined by 17.11 percent in October, 2014 and stood at US\$ 1020.16 which was US\$ 1230.68 in October, 2013. Nonetheless, remittance income increased by 11.75 percent to US\$ 5030.17 during July-October of FY 15 from US\$ 4501.10 million of the same period of the previous fiscal year.

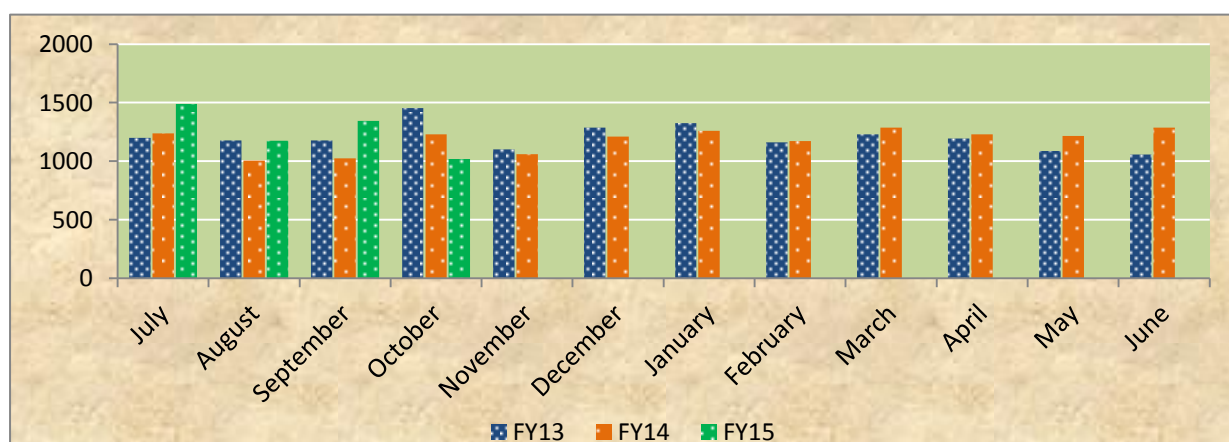
Table-3.3: Remittance Performance

(In million US\$)

	2012-13	2013-14	2014-15 July-October	2014-15 October
Remittances	14461.14	14228.31	5030.17	1020.16
Growth (%)	12.6	-1.61	11.75	-17.11
As % of GDP	9.38	8.19	-	-
As % of Export	53.50	47.14	52.11	52.11

Source: Bangladesh Bank

Chart 3.4: Monthly Trend of Remittances (Million US\$)



### 3.4 Exchange Rate Movements

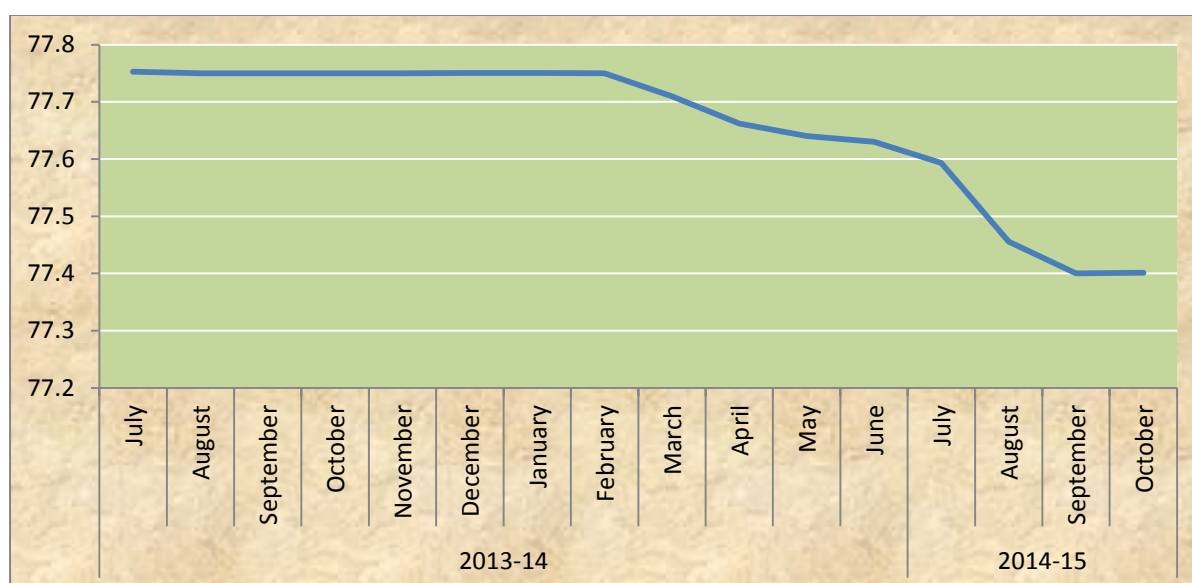
The exchange rate movement (monthly average) from July 2013 to October 2014 has been shown in Chart 3.4 (BDT against USD). BDT showed an appreciation trend from February to September, 2014. Recently it has been stabilized at BDT 77.40 per US\$.

Table 3.4: Exchange Rate Movements (Taka per US\$)

Period	Average	End of the period
2008-09	68.80	69.06
2009-10	69.18	69.44
2010-11	71.22	74.15
2011-12	81.88	81.82
2012-13	77.75	77.76
2013-14	77.72	77.63
2014-15		
July	77.59	77.52
August	77.46	77.40
September	77.40	77.40
October	77.40	77.40

Source: Bangladesh Bank

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



### 3.5 External Reserve

The gross foreign exchange reserve of Bangladesh Bank increased to 22312.45 million US\$ in October 2014 which is 2.18 percent higher the US\$ 21836.7 million in the previous month. The gross foreign exchange balances held abroad by commercial banks reduced to US\$ 2040.22 million by the end October, 2014 against US\$ 2116.78 million by the end

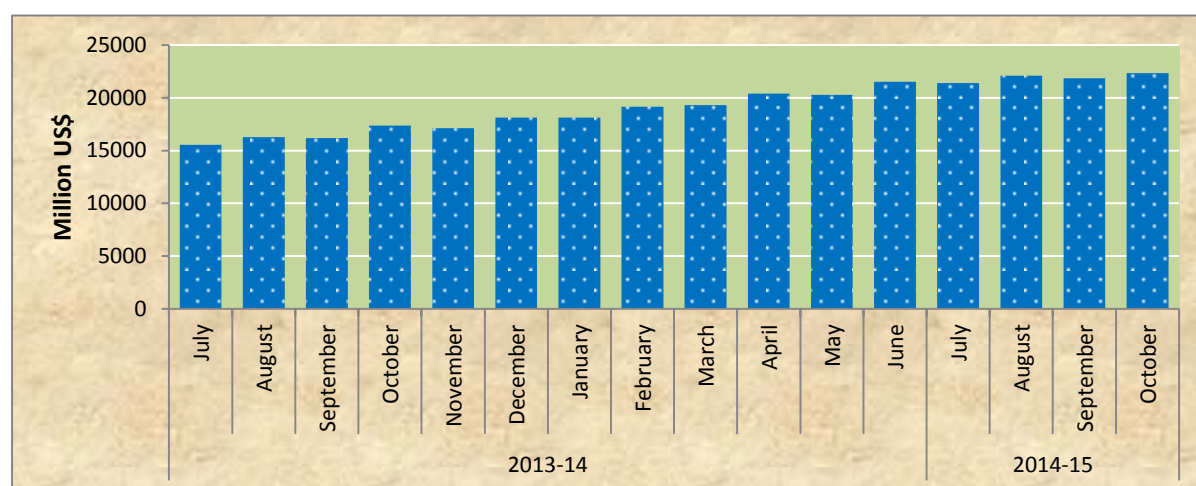
September, 2014. This was also significantly higher than the balance of US\$ 1369.93 million at end of October, 2013. The gross foreign exchange reserves, with ACU liability is equivalent to import payments of 6.47 months according to imports of US\$ 3447.3 million per month based on the preceding 12 months average.

Table 3.5: Foreign Exchange Reserve (Million US\$)

	2011-12	2012-13	2013-14	As on end of October, 2014
Reserve	10364.43	15315.23	21508.0	22312.45
In month of import payment	3.2	5.22	6.56	6.47

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 US\$ 3718 million in the July-October period of the current financial year from US\$ 1932 million in the corresponding period of the FY14. Current account balance was negative US\$ 1261 million. Surplus in both capital and financial account resulted in a surplus of US\$ 1246 million in overall balances during July-October FY15. However, it is 24.4 percent smaller than the surplus of USD1056 million during the same period of previous fiscal year.

Table 3.6: Balance of Payments (Million US\$)

	2012-13 <sup>R</sup> (July-June)	2013-14 <sup>P</sup> (July-June)	2013-14 <sup>R</sup> (July-October)	2014-15 <sup>P</sup> (July-October)
Trade Balance	-7009	-6806	-1932	-3718
Current Account Balance	2388	1547	793	-1261
Capital Account	629	644	116	78
Financial Account	2863	2788	30	2885
Overall Balance	5128	5483	1649	1246

Source: Bangladesh Bank. R=Revised

## 4. REAL SECTOR

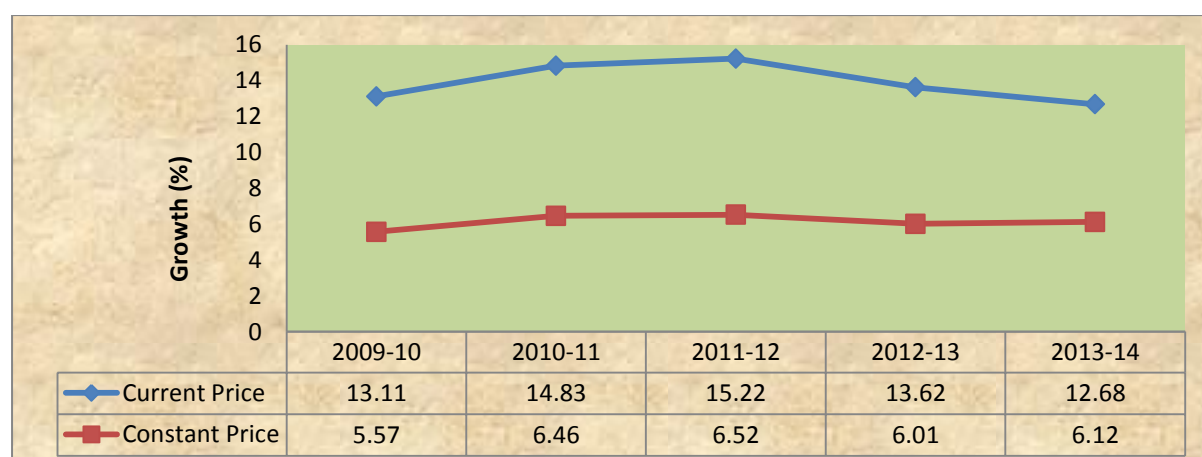
According to Bangladesh Bureau of Statistics (BBS), provisional real GDP growth in FY14 was 6.12 percent (Base year 2005-06). Per capita GNI in FY14 reached US\$ 1190.

Table 4.1 Real sector indicators

Concepts	Unit	FY 10	FY 11	FY 12	FY 13	FY 14 <sup>p</sup>
GDP at constant prices	Billion BDT	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 BDT	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 BDT	8621.4	9883.4	11445.1	12953.5	14409.3
Per capita GDP	BDT	53961	61198	69614	78009	86731
Per capita GNI	BDT	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

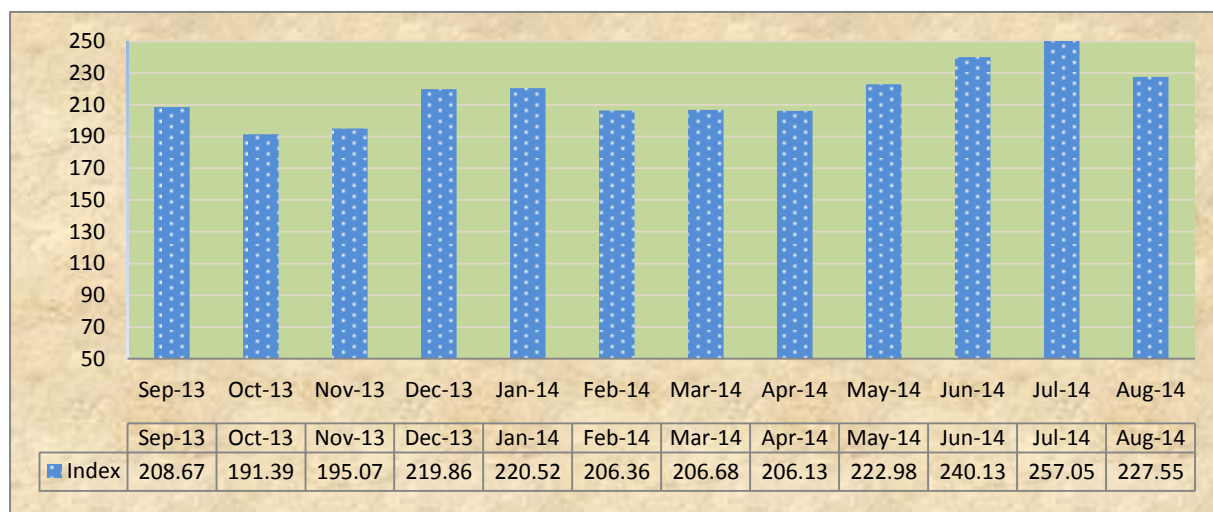
Significant growth in industrial sector resulted in a positive change in Quantum Index of Industrial Production which was 185.68 in August 2013 and became 227.55 in August 2014 (table 4.2). The growth rate of the Quantum Index of Industrial Production (Large and Medium Scale Manufacturing Industry) was 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
August, 2013	185.68	17.32
August, 2014	227.55	22.55

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

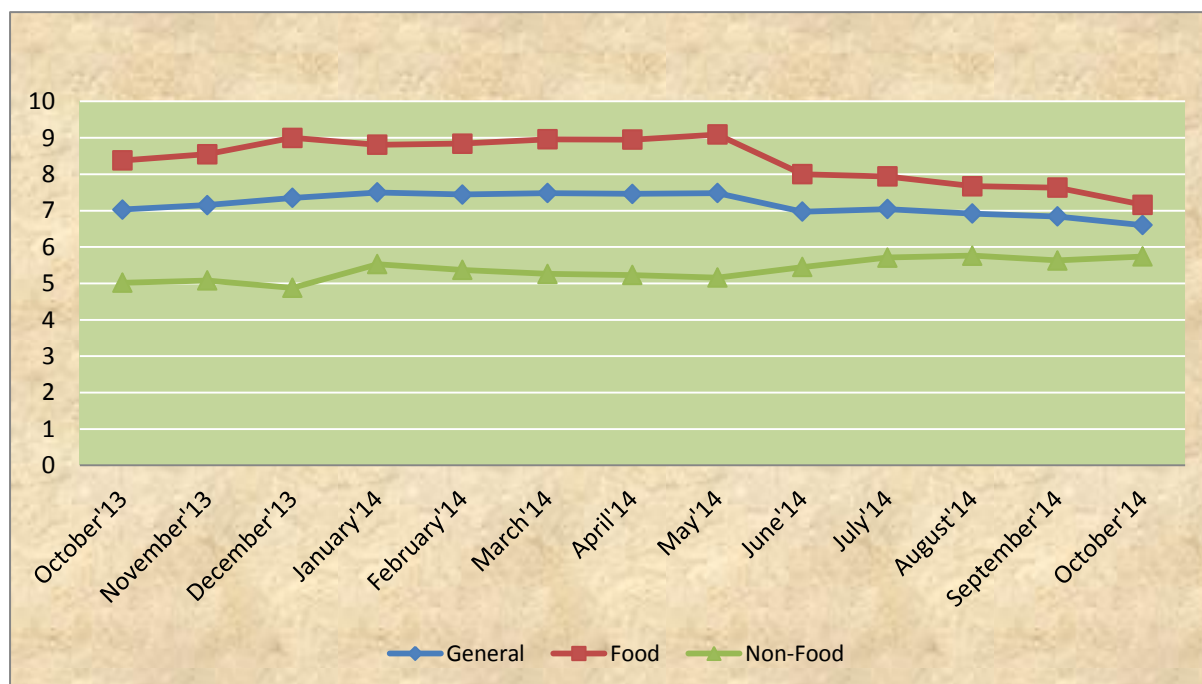
In FY14 the average rate of inflation (12-month average basis) was 7.35 percent (table-4.3). On point to point basis inflation was 6.60 percent in October 2014, of which, food and non-food inflation were 7.16 percent and 5.74 percent respectively.

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

Fiscal Year	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
October	7.18	8.37	5.40

Source: Bangladesh Bureau of Statistics

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



Source: Bangladesh Bureau of Statistics