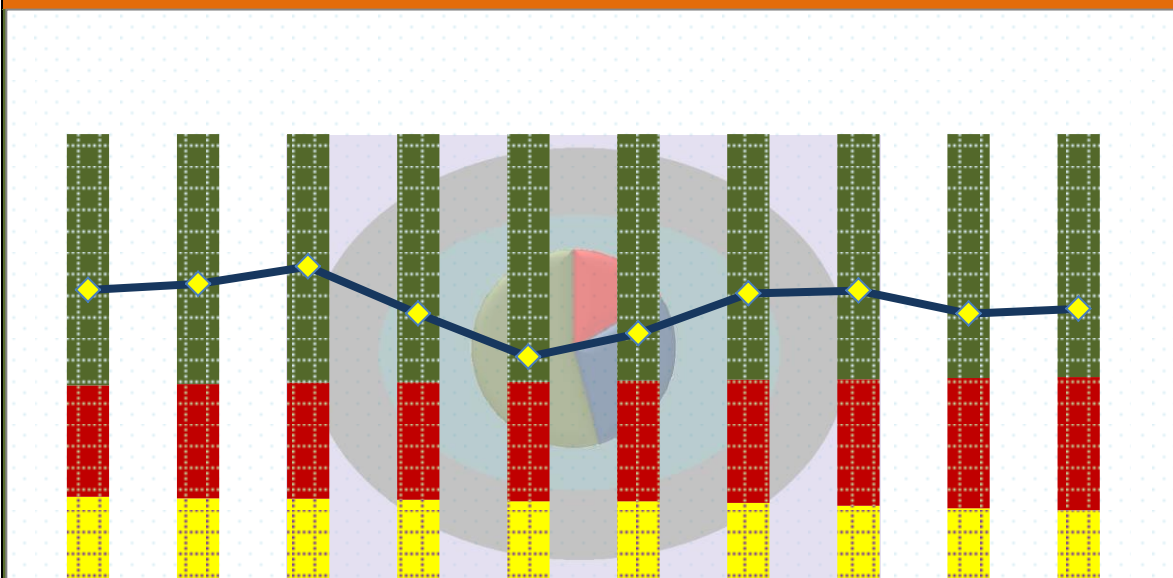




MONTHLY REPORT ON FISCAL-MACRO POSITION

August 2017



Prepared by:

**Mohammad Fiznur Rahman, Senior Assistant Secretary
& Mohammad Mahabub Alam, Senior Assistant Secretary**
Macroeconomic Wing
Finance Division, Ministry of Finance, Bangladesh

Guided by:

Md. Azizul Alam, Additional Secretary
Finance Division, Ministry of Finance, Bangladesh
Rehana Perven, Joint Secretary
Finance Division, Ministry of Finance, Bangladesh

Vol. XI, No. 02, August 2017, Fiscal Year¹ 2017-18

¹ Fiscal Year starts from 1st July and ends on 30th June

Contents

1.	FISCAL SECTOR.....	03
1.1	Revenue Earnings.....	03
1.2	Grants.....	04
1.3	Government Expenditure.....	04
1.4	Composition of Revenue Expenditure.....	05
1.5	Composition of ADP Expenditure.....	06
1.6	Budget Deficit.....	06
1.7	Deficit Financing.....	06
1.8	Sale and repayment of National Savings Certificates (NSC).....	07
2	MONETARY SECTOR.....	08
2.1	Monetary and credit development.....	08
2.2	Reserve money Developments.....	08
3	EXTERNAL SECTOR.....	09
3.1	Exports.....	09
3.2	Imports (c & f).....	09
3.3	Remittance	10
3.4	Exchange Rate Movements.....	11
3.5	External Reserve	11
3.6	Balance of Payments	12
4	REAL SECTOR.....	13
4.1	Real Sector Indicators.....	13
4.2	Industrial Production.....	13
4.3	Inflation.....	14

List of Tables

Table	1.1	Revenue Earnings.....	03
Table	1.2	Grants.....	04
Table	1.3	Government Expenditures.....	04
Table	1.4	Budget Balance.....	06
Table	1.5	Deficit Financing	07
Table	1.6	Net Sale and repayment of NSC.....	07
Table	2.1	Monetary and credit development.....	08
Table	2.2	Reserve money and money multiplier.....	08
Table	3.1	Export Performance.....	09
Table	3.2	Import Scenario.....	09
Table	3.3	Remittance Performance	10
Table	3.4	Exchange Rate Movements	11
Table	3.5	Foreign Exchange Reserve	12
Table	3.6	Balance of Payments	12
Table	4.1	Real sector indicators.....	13
Table	4.2	Quantum Index of Manufacturing Industries (Base: 2005-06=100).....	14
Table	4.3	Twelve-Month Average Inflation (National) (Base 2005-06)	15

List of Charts

Chart	1.1:	Monthly Trend of Revenue earnings(FY15-FY17)	03
Chart	1.2	Monthly Trend of Current and Development Expenditures (FY 15-17)	05
Chart	1.3	Sector wise share of Non-Development expenditure (FY 18)	05
Chart	1.4	Sector wise share (%) of Development expenditure (FY18)	06
Chart	1.5	Outstanding borrowing of government through NSC	07
Chart	3.1	Monthly Trend of Exports	09
Chart	3.2	Monthly Trend of Import Payments	10
Chart	3.3	Monthly Trend of Remittances	10
Chart	3.4	Period Average Exchange Rate Movements	11
Chart	3.5	Outstanding stock of Gross Foreign Exchange Reserve at the end of the month	12
Chart	4.1	GDP Growth Rate at current and constant prices (Base year 2005-06)	13
Chart	4.2	Quantum Index of Industrial Production (Base: 2005-06=100)	14
Chart	4.3	Trends of Point to Point Inflation (Base 2005-06=100)	15

Executive Summary

The August 2017 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 indicated a satisfactory growth by the end of FY17². During July-August of FY18, total revenue collection increased by 18.83 percent compared to the same period of previous fiscal year. On the other hand, total government spending increased by 29.6 percent during the same period.

Monetary Sector

Broad Money growth was 11.73 percent at the end of August 2017 from the same month of the previous fiscal year due to 10.10 percent and 12.31 percent growth in Net Foreign Asset (NFA) and Net Domestic Asset (NDA) respectively. Reserve money growth was 25.98 percent at the end of August 2017 over August 2016.

External Sector

During July-August of FY18, recorded export growth was 13.84 percent growth, which was 8.15 percent in the same period of the previous fiscal year. Similarly, import payments increased by 33.97 percent during the same period. Remittance receipt increased by 15.76 percent during this period whereas, foreign exchange reserve stood at US\$ 33.60 billion at the end of August 2017, which was equivalent to import payments of 8.04 months.

Real Sector

Official statistics from Bangladesh Bureau of Statistics (BBS) reported a robust 7.28 percent real GDP growth in FY17 compared to 7.11 percent growth in the previous fiscal year. At the same time, per capita GNI reached to US\$ 1610 at the end of FY17. The average rate of inflation (12-month average basis) in August 2017 stood at 5.50 percent. On point-to-point basis, inflation was 5.89 percent in August 2017, of which, food and non-food inflation were 7.32 percent and 3.75 percent respectively. The Quantum Index of medium and large scale industries, which is an indicator for industrial advancement of the country, increased by 20 percent from the same month of the previous year.

² FY17 stands for fiscal year 2016-17

1. FISCAL SECTOR

1.1 Revenue Earnings

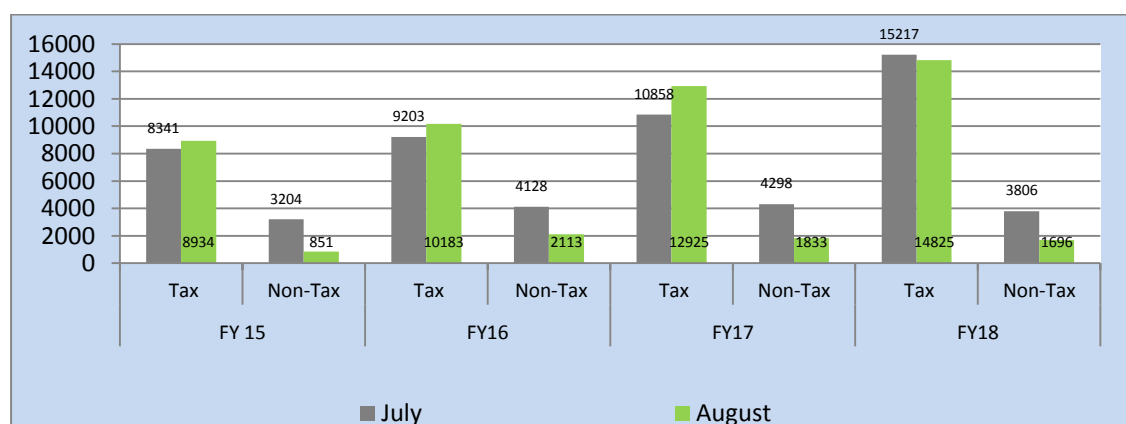
Total revenue earning increased by 18.83 percent during July-August of FY18 compared to the same period of FY17. Growth rates of Tax and Non-tax revenue during this period were 26.33percent and -10.26percent respectively.

Table 1.1: Revenue Earnings (In crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2015-16 (Actual)	126335	5064	131399	16396	147795
2016-17 (Actual)	171524	6300	177824	22997	200821
Growth (%)	35.77	24.41	35.33	40.3	35.9
July -August FY17	22841	940	23781	6131	29912
July -August FY18	28207	1835	30042	5502	35544
Growth (%)	23.49	95.21	26.33	-10.26	18.83

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

Chart 1.1: Monthly (July-August) Trend of Revenue earnings (FY15-FY18)



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

1.2 Grants

Actual grant receipts fell by 52.9 percent in FY17 compared to FY16. During July-August of FY18, grant receipt decreased by 95 percent to TK. 2Crore against TK. 40 Crore over the corresponding period of the last fiscal (table 1.2).

Table 1.2: Grants

(In crore taka)

2015-16 (Actual)	2016-17 (Actual)	Growth (%)	FY 17 July-August	FY 18 July-August	Growth (%) over July-August of FY 17
1910	900	-52.9	40	2	-95

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

1.3 Government Expenditure

According to iBAS database, total government expenditure increased by 29.6percent during July-August of FY18 compared to the same period of the previous fiscal (Table-1.3). Similarly, development (ADP) expenditure increased by 76.3percent within the same period. It may be noted here that, according to the report of Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, ADP expenditure (without self-financing) stood at BDT 7756 Crore at the end of July-august of FY18, recording 1.37 percent increase over the same period of the last fiscal year.

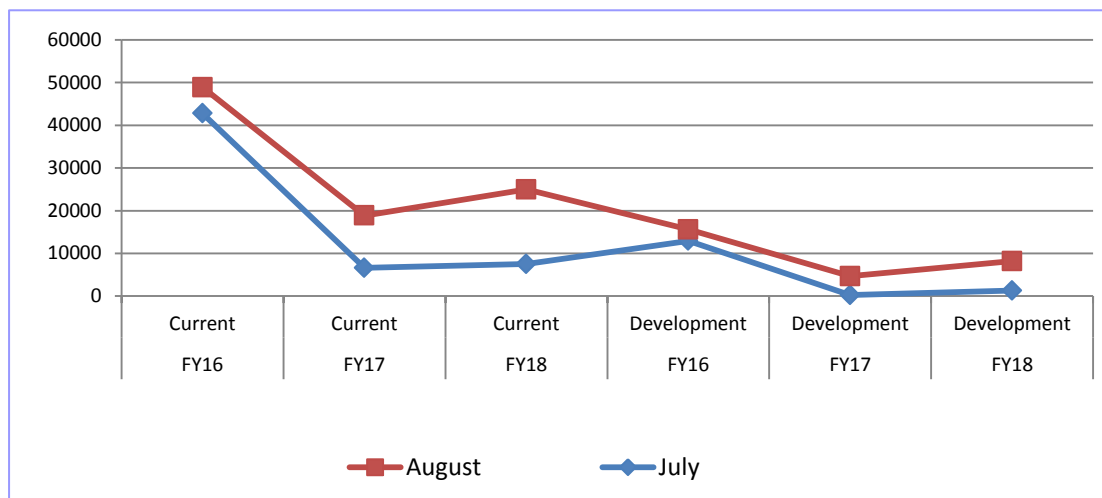
Table 1.3: Government Expenditures

(In crore taka)

	FY 16	FY 17	Growth (%)	FY 17(July- August)	FY 18(July- August)	Growth (%) over (July-August), FY17
1. Current Spending	144456.0	161125.0	11.5	18878.0	24965.0	32.2
Pay and Allowances	39969.0	48760.0	22.0	5883.0	9022.0	53.4
Goods and Services	18277.0	21585.0	18.1	1105.0	1537.0	39.1
Interest Payment	33107.0	31839.0	3.8	4900.0	6073.0	23.9
Domestic	31462.0	29998.0	4.7	4546.0	5747.0	26.4
Foreign	1645.0	1841.0	11.9	354.0	326.0	-7.9
Subsidy and Transfer	52873.0	58744.0	11.1	6987.0	8315.0	19.0
Others	230.0	196.0	14.8	3.0	18.0	500.0
2. Food Accounts	641.0	1324.0	306.6	868.0	695.0	-19.9
3. Non-ADP Capital & Net Lending	15429.0	21553.0	39.7	2219.0	623.0	-71.9
Non-ADP Capital	12365.0	15205.0	23.0	615.0	1088.0	76.9
Net Lending	1063.0	2477.0	133.0	1549.0	-470.0	-130.3
Non-ADP Project	138.0	2206.0	1498.6	0.0	0.0	0.0
FFW	1411.0	1457.0	3.3	0.0	0.0	0.0
Development Expenditure under Revenue Budget	452.0	208.0	54.0	1.0	6.0	500.0
4. Annual Development Expenditure	80076.0	77243.0	3.5	4656.0	8207.0	76.3
Total (1+2+3+4)	239320.0	261245.0	9.2	26621.0	34490.0	29.6
Total Spending (Percent of GDP)	13.8	13.2	4.3	1.3	1.6	15.1

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

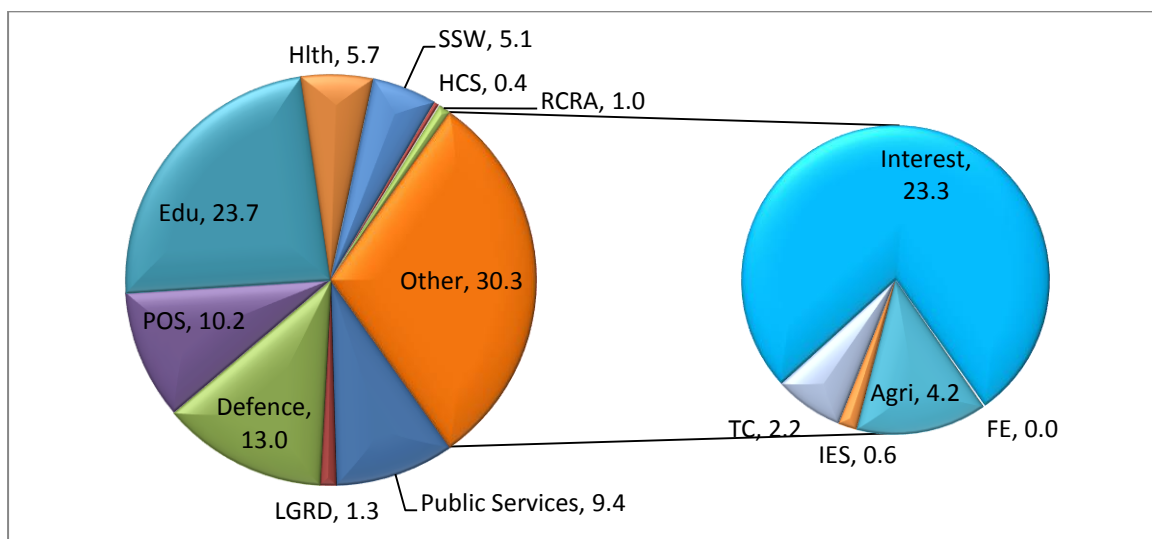
Chart 1.2: Monthly Trend of Current and Development Expenditure (FY 16-18)



1.4 Composition of Revenue Expenditure

As in July-August of FY18, spending on education was highest (23.7%) followed by interest payment (23.3%) (Chart1.3).

Chart 1.3: Sector wise share (%) of Non-Development expenditure (FY 18)

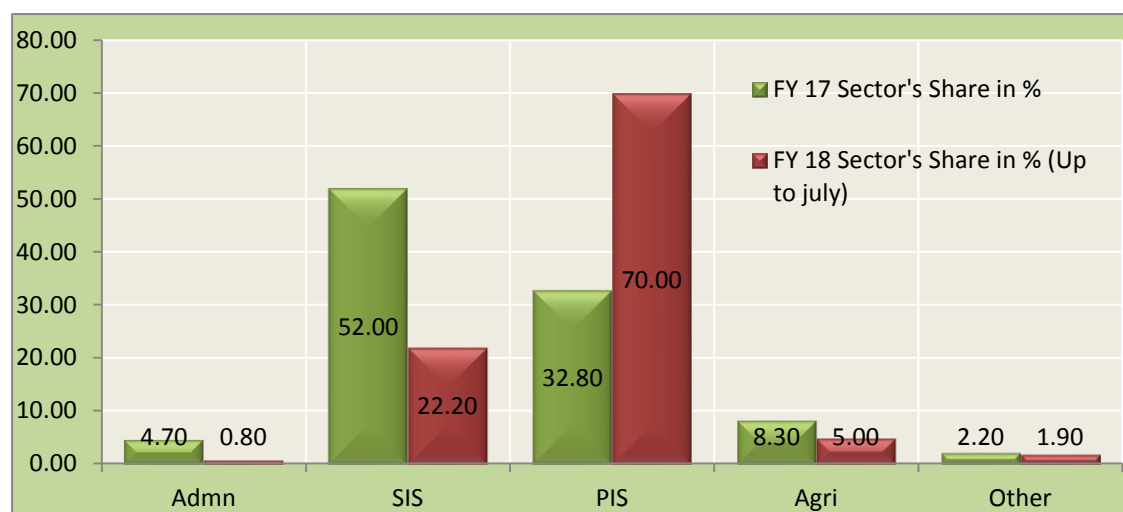


GPS = General Public Services, LGRD = LGD, RD & Cooperatives, CHTs, POS = Public Order and Safety, Edu = Education and Technology, Hlth = Health, SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, Agri = Agriculture, Fisheries and Livestock, Land, Water Resources and Food, FE = Fuel and Energy, IES(industrial and economic services) = Industries, Jute, Textiles, Commerce, Labor & Overseas, TC = Transport and Communication

1.5 Composition of ADP Expenditure

Sector wise analysis of development expenditure shows that, up to the month of July-August FY18, highest share of spending went to Physical Infrastructure (70.00%) followed by Social Infrastructure (22.20%)

Chart 1.4: Sector wise share (%) of Development expenditure (FY17)



Admn = General Public Services, Defense, 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 FY17 stood at 4.95percent of GDP (Base year 2005-06), which was 3.55 percent in FY16. Overall budget balance including grants during July-August of FY18 records a deficit of BDT 10250 crore against a deficit of BDT 3347 crore of the same period of previous fiscal year.

Table 1.4: Budget Balance (In crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2015-16	-61530	-3.55
2016-17	-97853	-4.95
July -August FY17	3347	0.17
July -August FY18	10250	0.46

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

1.7 Deficit Financing

Domestic borrowing from the banking system decreased to BDT 8514 Crore in FY17 from BDT 10613 Crore in FY 16. On the other hand, borrowing from the non-bank sources increased to BDT 61322Crore from 40181Crore within the same period. Net borrowing from the external sources increased to BDT 13471 Crore in FY 17 from BDT 9020 Crore in FY 16. Government total debt stock decreased by BDT 1688 Crore during July-August of FY18 compared to the same period of FY17.

Table 1.5: Deficit Financing

(In crore taka)

Period	External	Domestic		Total Financing	Financing as % of GDP
	(net)	Bank	Non-Bank		
2015-16	9020	10613	40181	50794	2.93
2016-17	13471	-8514	61322	52808	2.70
July -August FY17	-443	-147	-2755	-2902	-0.15
July -August FY18	623	2223	-3911	-1688	-0.08

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

1.8 Sale and repayment of National Savings Certificates (NSC)

The sale of NSC during July-August of FY18 stood at Tk. 13817.1crore, which was 22.7 percent higher than that of the same period of the previous year. As a result, net borrowing through NSC stood at Tk.9028.6 crore by the end of July-August of FY18 (Table 1.6).

Table 1.6 Net Sale and repayment of NSC

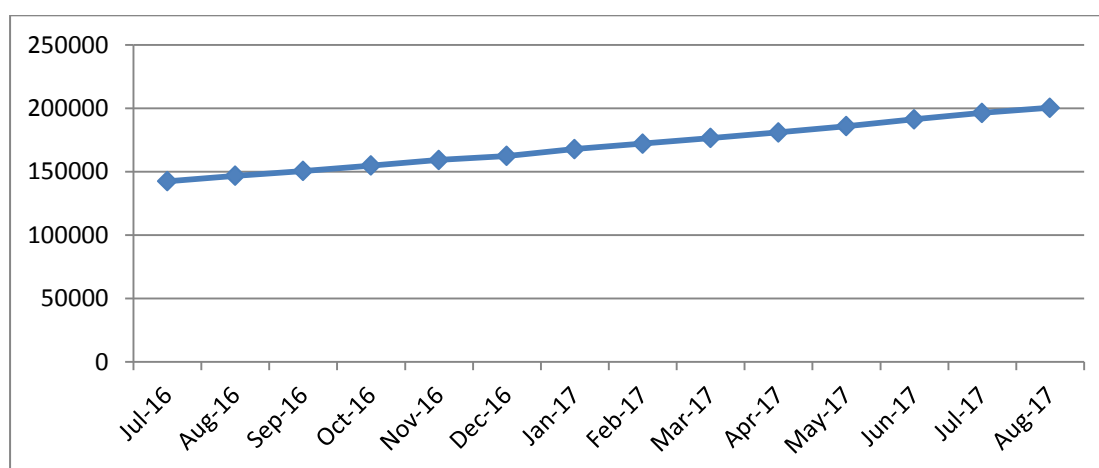
(In crore taka)

Period	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2015-16	53712.5	20023.9	33688.6	135222.9
2016-17	75134.7	22717.3	52417.5	191236.2
Growth (%)	39.9	13.5	55.6	41.4
July -August FY17	11259.7	3464.1	7795.6	288931.4
July -August FY 18	13817.1	4788.5	9028.6	396554.6
Growth (%)	22.7	38.2	15.8	37.2

Source: National Savings Directorate

Chart 1.5: Outstanding borrowing of government through NSC

(In crore taka)



Source: National Savings Directorate

2. MONETARY SECTOR

2.1 Monetary and credit development

Broad money (M2) increased by 10.10 percent at the end of August 2017 with respect to the same period of the previous year (table 2.1). Among the sources of broad money, Net Foreign Assets (NFA) rose by 12.31 percent whereas Net Domestic Assets (NDA) increased by 13.66 percent. Domestic credit recorded an increase of 13.66 percent because of 17.84 percent growth in credit to private sector despite 8.08 percent negative growth in credit to public sector.

Table 2.1 Monetary and credit development (Billion BDT)

Items	Outstanding stock at the end of period			Changes in outstanding stock	
	June 2016	June ^R 2017	August ^P 2017	August 2017 over June 2017	August 2017 over August 2016
A. Net Foreign Assets(NFA)	2331.35	2666.97	2659.35	-7.62 (-0.29)	244.00 (+10.10)
B. Net Domestic Asset(NDA)	6832.42	7493.79	7652.16	158.37 (+2.11)	838.68 (12.31)
a. Domestic Credit	8012.80	8906.70	9107.86	201.16 (-2.26)	1094.28 (+13.66)
Public Sector	1302.70	1146.13	1189.79	43.65 (+3.81)	-104.55 (-8.08)
Govt (Net)	1142.20	973.34	1012.87	39.54 (+4.06)	-120.37 (-10.62)
Other Public	160.51	172.80	176.91	4.12 (+2.38)	15.82 (+9.82)
Private sector	6710.09	7760.56	7918.07	157.51 (+2.03)	1198.82 (+17.84)
b. Other Items(net)	-1180.38	-1412.91	1455.69	-42.78	-255.59
C. Broad Money(A+B)	9163.78	10160.76	10311.51	150.76 (+1.48)	1082.69 (+11.73)

Source: Major Economic Indicators, Bangladesh Bank; ()-percentage changes

2.2 Reserve money Developments

Reserve money recorded an increase of 25.98 percent at the end of August 2017 over the same month of the previous year. At the same time, the value of reserve money multiplier increased to 4.48 at the end of August 2017 from 4.52 at the end of June 2017.

Table 2.2: Reserve money and money multiplier (Billion BDT)

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June 2016	June 2017	August 2017	August 2017 over June 2017	August 2017 over August 2016
Reserve money	1932.01	2246.59	2102.88	55.36 (+2.46)	474.77 (+25.98)
Money multiplier	4.74	4.52	4.48	-0.04	-0.57

Source: Major Economic Indicators, Bangladesh Bank; ()-percentage changes

3. EXTERNAL SECTOR

3.1 Exports

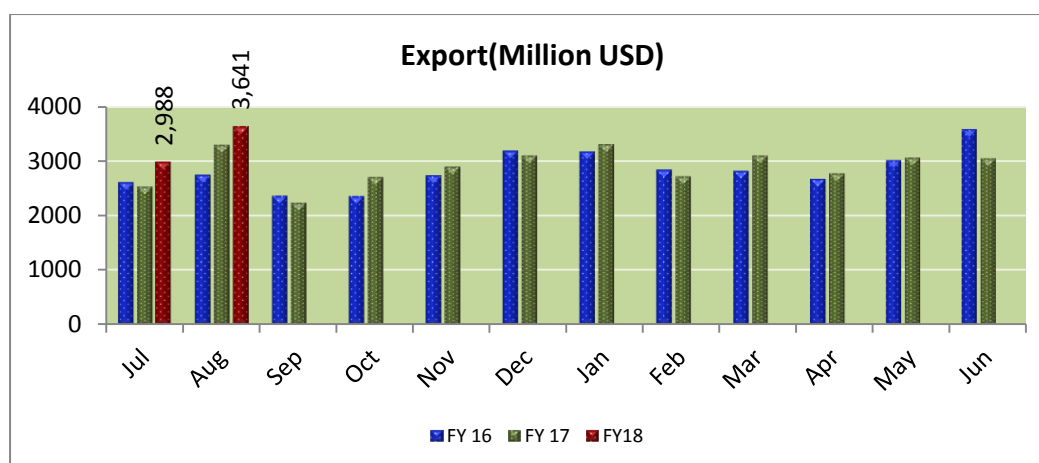
Export earnings grew by 1.72 percent and stood at US\$ 34846.84 million during FY17 compared to 9.77 percent growth in the previous fiscal year. During July-August of FY18, export recorded 13.84 percent growth, which was 8.15 percent in the same period of the previous fiscal year.

Table 3.1: Export Performance (Million US\$)

	2016-17	2015-16	July-August 2017-18	July-August 2016-17
Export	34846.84	34257.18	6628.60	5822.96
Growth (%)*	1.72	9.77	13.84	8.15

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

Chart 3.1: Monthly Trend of Exports



Source: Export Promotion Bureau

3.2 Imports (c & f)

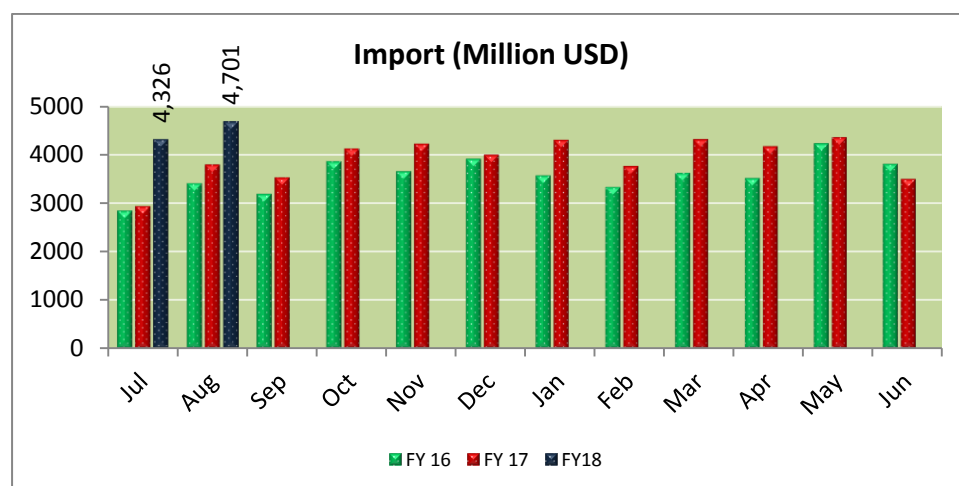
Import payments increased by 9 percent and stood at 47 billion during FY17 compared to 6 percent growth in FY16. Up to August of FY18, import payments increased by a whopping 34 percent compared to 7.42 percent growth in the previous fiscal year. Import Letter of Credit (LC) opening and settlement increased by 38.78 percent and 3.14 percent respectively in the same period (Table 3.2).

Table 3.2: Import Scenario (Million US\$)

Period	2016-17 ^P	2015-16 ^R	2017-18 July-August	2016-17 July-August
Import payments	47005.20	43122.5	9026.80	6738.10
Growth (%)	9.00	5.94	33.97	7.42
LCs Opened	48125.92	43335.33	10131.99	7300.82
Growth (%)	11.05	0.62	38.78	9.90
LCs Settled	44272.76	40076.19	7158.31	8041.00
Growth (%)	10.47	4.22	3.14	12.33

Source: Bangladesh Bank. Growth rate (%) over the same period of the previous fiscal year, R-Revised, P-Provisional

Chart 3.2: Monthly Trend of Import Payments



Source: Bangladesh Bank

3.3 Remittance

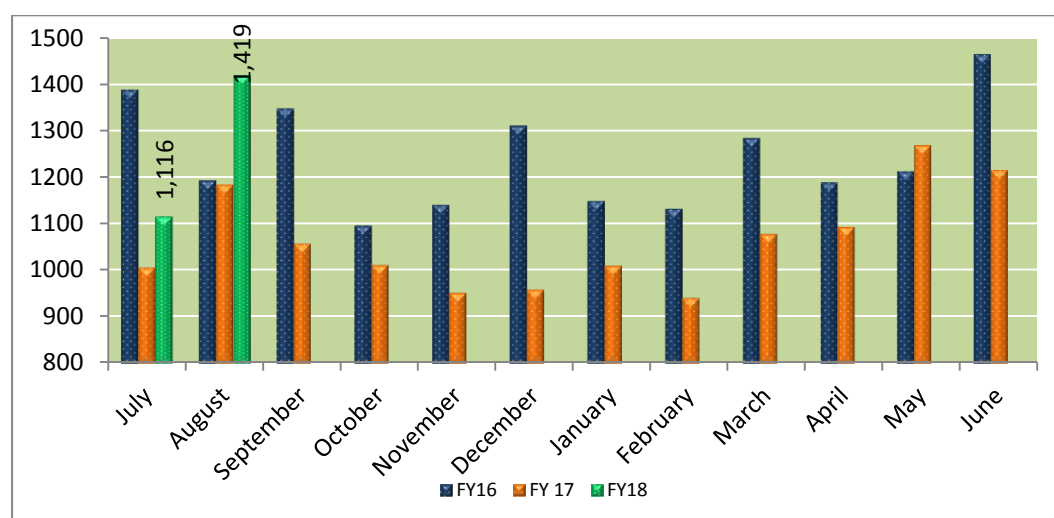
Remittance inflow fell by 14.48 percent during the FY17 compared to the previous fiscal year's decrease of 2.52 percent. However, remittance inflow recovered strongly up to August 2017 of the current fiscal year as it registered 15.76 percent growth compared to -15.30 percent growth of the same period in the previous fiscal year.

Table-3.3: Remittance Performance (In million US\$)

	2016-17	2015-16	2017-18 July-August	2016-17 July-August
Remittances	12769.45	14931.16	2534.15	2189.12
Growth (%)	-14.48	-2.52	15.76	-15.30
As % of GDP	5.11	6.74	1.01	0.99
As % of Export	36.64	43.58	38.23	37.50

Source: Bangladesh Bank

Chart 3.3: Monthly Trend of Remittances (Million US\$)



Source: Bangladesh Bank

3.4 Exchange Rate Movements

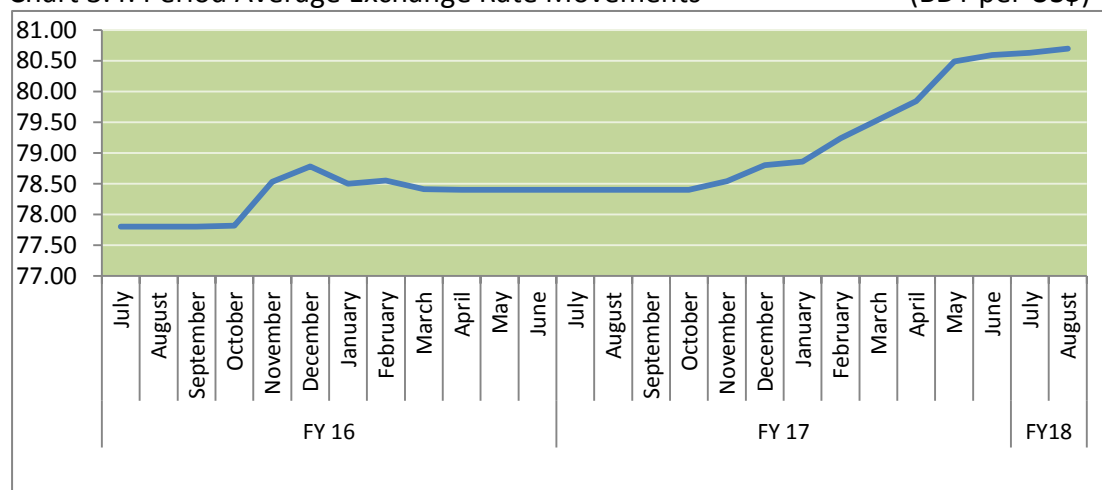
Local currency depreciated by 0.13 percent against US dollar in August 2017 from June 2017.

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

Period	Average	End of the period
2011-12	79.10	81.82
2012-13	79.93	77.77
2013-14	77.72	77.63
2014-15	77.67	77.81
2015-16	78.40	78.40
2016-17	79.12	80.60
2017-18		
July	80.63	80.66
August	80.69	80.70

Source: Bangladesh Bank

Chart 3.4: Period Average Exchange Rate Movements (BDT per US\$)



Source: Bangladesh Bank

3.5 External Reserve

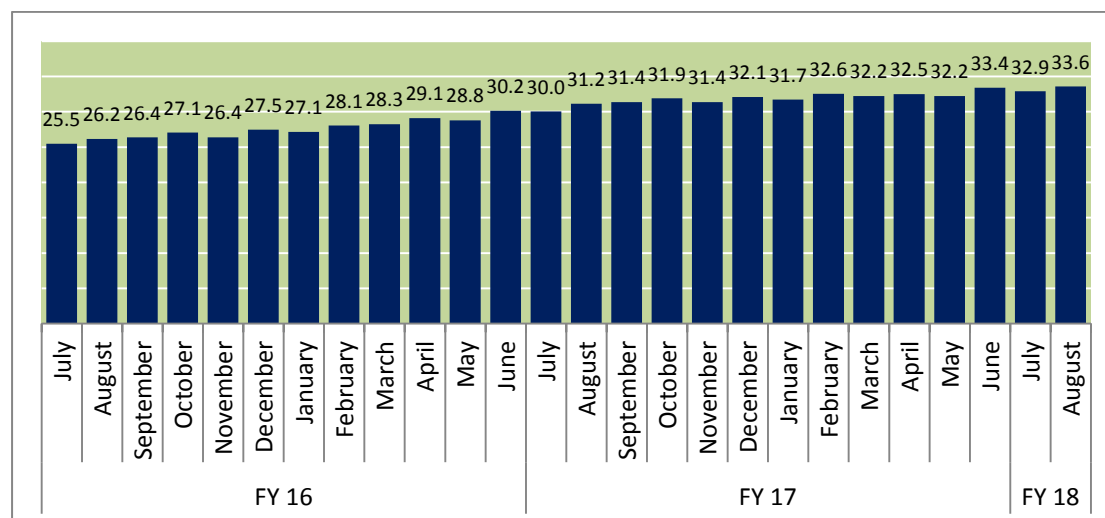
The gross foreign exchange reserve of Bangladesh Bank increased to US\$ 33.41 billion at the end of June 2017 from US\$ 30.2 billion at the end of June 2016. The gross foreign exchange reserve at the end of August 2017 stood at 33.6 billion, which is sufficient to cover import payments of 8 months.

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

	2014-15	2015-16	2016-17	August 2017
Reserve	25025.50	30168.22	33406.60	33596.25
In month of import payments	6.65	8.40	8.20	8.04

Source: Bangladesh Bank

Chart 3.5: Outstanding Stock of Gross Foreign Exchange Reserve at the end of the month (Billion US\$)



Source: Bangladesh Bank

3.6 Balance of Payments (BOP)

The country's trade deficit recorded a deficit of US\$ 1.8 billion at the end of August 2017 from US\$ 0.52 billion in the corresponding period of the previous fiscal year, which contributed to create a deficit in current account balance by US\$1.48 billion during July-August of FY18 from a surplus of US\$ 0.81 billion in the corresponding period of the previous fiscal year. Overall balance remains US\$ 0.21 billion deficit despite US\$ 0.42 billion surplus in the financial account at the end of August 2017.

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

	2016-17 ^P	2015-16 ^R	2017-18 ^P July-August	2016-17 ^R July-August
Trade Balance	-9472	-6460	-1810	-525
Current Account Balance	-1480	4262	-451	812
Capital Account	314	464	2	24
Financial Account	4179	944	416	252
Overall Balance	3169	5036	-206	1176

Source: Bangladesh Bank. R=Revised, P= Provisional

4. REAL SECTOR

4.1 Real Sector Indicators

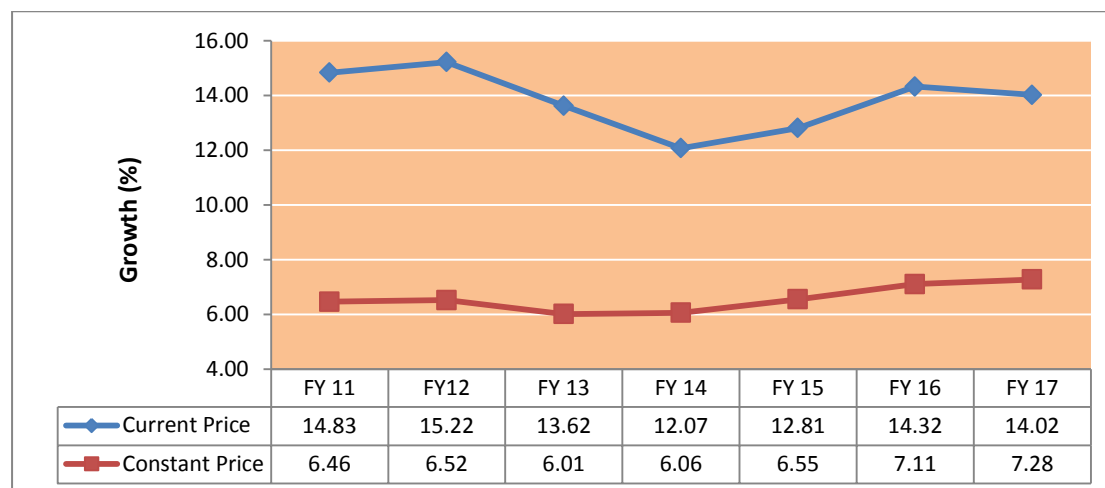
Official statistics from Bangladesh Bureau of Statistics (BBS) reported 7.28 percent real GDP growth in FY17, supported by robust domestic demand, particularly government consumption and investment. On the supply side, growth was driven mainly by industry (10.22 percent) and services (6.69 percent) with the sectoral composition of economy's output continuing to shift away from agriculture. At the same time, per capita GNI raised to US\$1610 at the end of FY17 from US\$1465 in FY16.

Table 4.1 Real sector indicators (Base year 2005-06)

Concepts	Unit	FY 13	FY 14	FY 15	FY16	FY17
GDP at constant prices	Billion Tk.	7,299.0	7,741.4	8,248.6	8,835.4	9,479.0
Growth	%	6.01	6.06	6.55	7.11	7.28
GDP at current prices	Billion Tk.	11,989.2	13,436.7	15,158.0	17,328.6	19,758.2
Growth	%	13.62	12.07	12.81	14.32	14.02
GNI at current prices	Billion Tk.	12953.5	14332.2	16142.0	18326.7	20607.2
Per capita GDP	Taka	78,009	86,266	96,004	108,378	122,152
Per capita GNI	Taka	84,283	92,015	102,236	114,621	127,401
Per capita GDP	US\$	976	1,110	1,236	1,385	1,544
Per capita GNI	US\$	1,054	1,184	1,316	1,465	1,610

Source: Bangladesh Bureau of Statistics

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



Source: Bangladesh Bureau of Statistics

4.2 Industrial Production

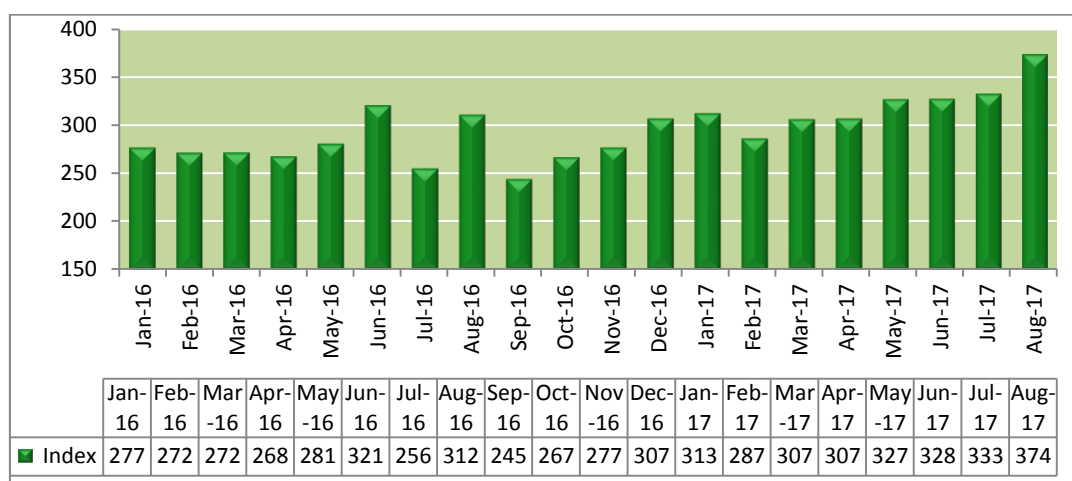
The Quantum Index of large and medium scale manufacturing Industries increased by 20.0 percent and became 373.95 at the end of August 2017 from the same month of the previous fiscal year (table 4.2). This growth rate of large and medium scale manufacturing Industries was 11.2 percent and 13.5 percent in FY17 and FY16 respectively.

Table 4.2: Quantum Index of large and medium scale industries (Base: 2005-06=100)

Period	Index	Growth Rate (%)*
2010-11	157.89	16.9
2011-12	174.92	10.8
2012-13	195.19	11.6
2013-14	213.22	8.2
2014-15	236.11	10.7
2015-16	267.88	13.5
2016-17	297.89	11.2
August 2016	311.50	20.6
August 2017 ^P	373.95	20.0

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

Chart 4.2: Quantum Index of Manufacturing Industries (Base: 2005-06=100)



Source: Bangladesh Bureau of Statistics

4.3 Inflation

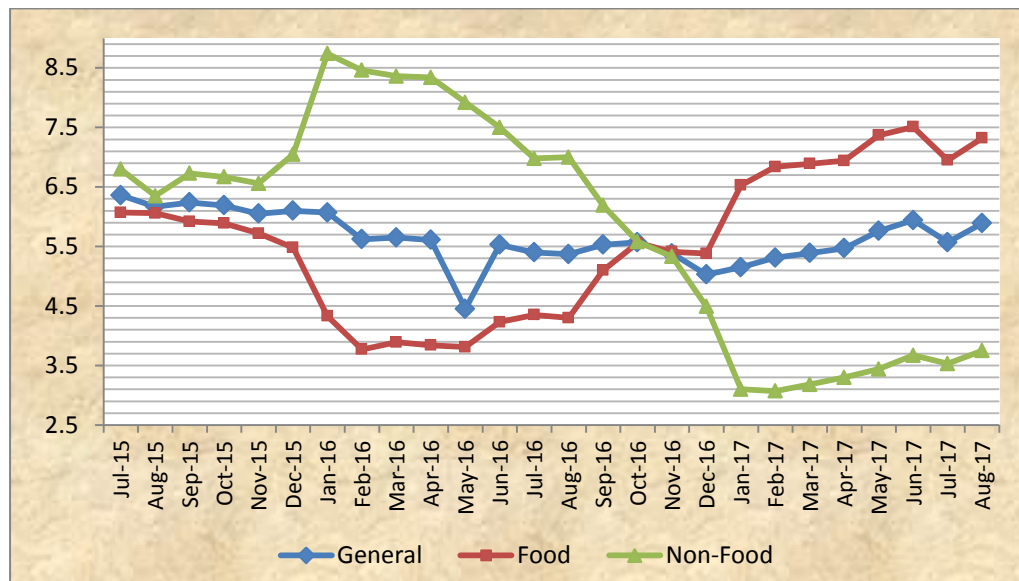
The average rate (12-month) of inflation has eased down to 5.44 percent in FY17 from 5.92 percent in FY16 (table-4.3). However, general inflation edged up marginally to 5.50 percent (twelve-month average basis) in August 2017, of which food and non-food inflation were 6.48 percent and 4.03 percent respectively. On the other hand, point-to-point inflation stood at 5.89 percent in the same month, of which, food and non-food inflation were 7.32 percent and 3.75 percent respectively (Chart 4.3).

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

Fiscal Year	Twelve-Months Average Basis		
	National	Food	Non-Food
2014-15	6.41	6.68	5.99
2015-16	5.92	4.90	7.47
2016-17	5.44	6.02	4.57
2017-18			
July	5.45	6.23	4.29
August	5.50	6.48	4.03

Source: Bangladesh Bureau of Statistics

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



Source: Bangladesh Bureau of Statistics