



MONTHLY REPORT ON FISCAL-MACRO POSITION

July 2019

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Executive Summary

The July 2019 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 registered a negative growth of 14 percent by the end of July FY20¹ compared to the same period of FY19. On the other hand, total government spending increased by 84.0 percent during the same period of previous fiscal year. Overall budget deficit including grants stood at 0.6 percent of GDP at the end of July FY20 which will be financed through external and domestic source.

Monetary Sector

Broad Money supply recorded 11.2 percent growth at the end of July 2019. This growth is attributable to 13.5 percent and 3.5 percent growth in Net Domestic Asset (NDA) and Net Foreign Asset (NFA) respectively. At the end of July 2019, reserve money grew by 10.1 percent from July 2018.

External Sector

During July of FY20, exports grew by 8.6 percent compared to 17.4 percent growth in the same period of the previous fiscal year. Import payments increased by 2.3 percent while remittance inflow increased by 21.2 percent during the same period. Further, foreign exchange reserve stood at US\$ 32.1 billion at the end of July 2019, which is equivalent to import payments of 6.4 months.

Real Sector

Bangladesh Bureau of Statistics (BBS) projected a robust 8.13 percent real GDP growth in FY19 compared to 7.86 percent growth in FY18 that would drive per capita GNI to reach US\$ 1909 from US\$ 1751 in FY18. The average of CPI inflation (12-month moving average) was 5.48 percent, of which, food and non-food inflation were 5.45 percent and 5.54 percent respectively at the end of July 2019. This inflation rate, on point-to-point basis, was 5.62 percent, of which, food and non-food inflation were 5.42 percent and 5.94 percent respectively in July 2019. The Quantum Index of medium and large-scale manufacturing industries is increased by 4.8 percent in July 2019 from that of July 2018.

¹ FY20 stands for fiscal year 2019-20

1. FISCAL SECTOR

1.1 Revenue Earnings

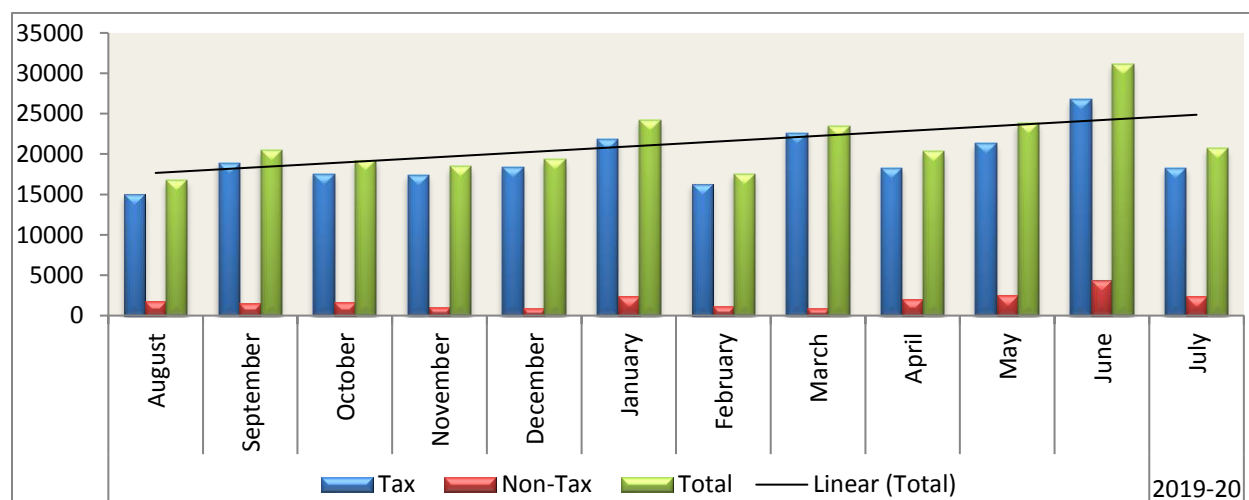
Total revenue earning, that experience a moderate growth of 14.8 percent in FY19, decreased by 14.0 percent during the 1st (July) month of FY20 compared to the same period of FY19. Growth rates of Tax and Non-tax revenue during this period were 9.8 percent and -67.9 percent respectively.

Table 1.1: Revenue Earning (In crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2017-18 (Actual)	196424	7044	203468	21792	225260
2018-19 (Actual)	225919	4944	230863	27703	258566
Growth (%)	15.0	-29.8	13.5	27.1	14.8
July FY19	16269.0	385.0	16654.0	7373.0	24027.0
July, FY20	17897.0	393.0	18290.0	2365.0	20655.0
Growth (%)	10.01	2.08	9.82	-67.92	-14.03

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

Chart 1.1: Comparison of Revenue earnings (August-July period) (In crore taka)



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

1.2 Grants

Actual grant receipts that fell by 28 percent in FY19 compared to the previous year. During July of this fiscal year grant receipt was zero which was TK. 1 crore over the corresponding period of the last fiscal year (table 1.2).

Table 1.2: Grants

(In crore taka)

July 20	July 19	Growth (%)	2018-19 (Actual)	2017-18 (Actual)	Growth (%)
0	1	-100	1094	1520	-28.0

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

1.3 Government Expenditure

According to iBAS++ database, total government expenditure increased by 84 percent during July of FY20 compared to the same period of the previous fiscal year (Table-1.3). Similarly, development expenditure that includes Annual Development Plan (ADP) has increased to 4385 crore Tk. during July of FY20. It is worthy to note that, according to the Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, ADP expenditure (without self-financing) stood at BDT 3774 crore at the end of July FY20, recording 22.8 percent increase over the same period of the last fiscal year.

Table 1.3: Government Expenditures

(In crore taka)

	2017-18	2018-19	Yearly Growth (%)	FY 19 (July)	FY 20 (July)	Periodic Growth (%) (July)
Operating Expenditure						
a. Recurrent Expenditure	173102	220817	27.56	9909	13421	35.44
Wages and Salaries	45656	53396	16.95	3503	3757	7.25
Use of Goods and Services	22348	28431	27.22	566	451	-20.32
Interest Payment	41804	48386	15.74	4131	4940	19.58
Domestic	39331	44940	14.26	3796	4492	18.34
Foreign	2473	3446	39.34	335	448	33.73
Subsidies	63101	25727	-59.23	0	0	-
b. Food Accounts	6013	4861	-19.16	50	834	1568.00
c. Capital expenditure	13242	15088	13.94	283	279	-1.41
d. Net lending	1239	-1573	-226.96	-310	-505	62.90
A) Total Operating expenditure (a+b+c+d)	193596	239193	23.55	9932	14029	41.25
B) Development Activity	117831	122263	3.76	76	4385	5669.74
Total Expenditure (A+B)	311427	361456	16.06	10008	18414	83.99

Total Expenditure (as Percent of GDP)	13.84	14.17	-	0.39	0.64	-
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Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division

1.4 Budget Deficit

Overall budget deficit including grants at the end of FY19 stood at 4.22 percent of GDP (Base year 2005-06), which was 3.83 percent in FY18. Overall budget balance including grants during July of FY20 records a deficit of BDT 18436 crore against of BDT -5037crore of the same period of the previous fiscal year.

Table 1.4: Budget Balance (In crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2017-18	-86155	-3.83
2018-19	-107614	-4.22
July FY19	-5037	-0.20
July FY20	-18436	-0.64

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

1.5 Deficit Financing

Domestic borrowing from the banking system increased to BDT 29,479 Crore in FY19. At the same time, borrowing from the bank sources also increased to BDT 16,992 Crore at June 2020. Net foreign borrowing increased significantly to 709 Crore from the same period of previous fiscal year. In FY20, government's financing needs increased to 0.69 percent of GDP which was 0.2 percent from the same period of the previous fiscal year.

Table 1.5: Deficit Financing (In crore taka)

Period	External	Domestic		Total Financing	Financing as % of GDP
	(net)	Bank	Non-Bank		
2017-18	11867	11731	62554	86152	3.83
2018-19	27780	29479	50357	107616	4.22
July FY19	-617	543	5112	5038	0.20
July, FY20	709	16992	2153	19854	0.69

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

1.6 Sale and repayment of National Savings Certificates (NSC)

The sale of NSC during July of FY20 has been decreased by 26.0 percent than that of the previous year. As a result, net borrowing through NSC decreased by 57.1 percent the end of July of FY19 (Table 1.6).

Table 1.6 Net Sale and repayment of NSC

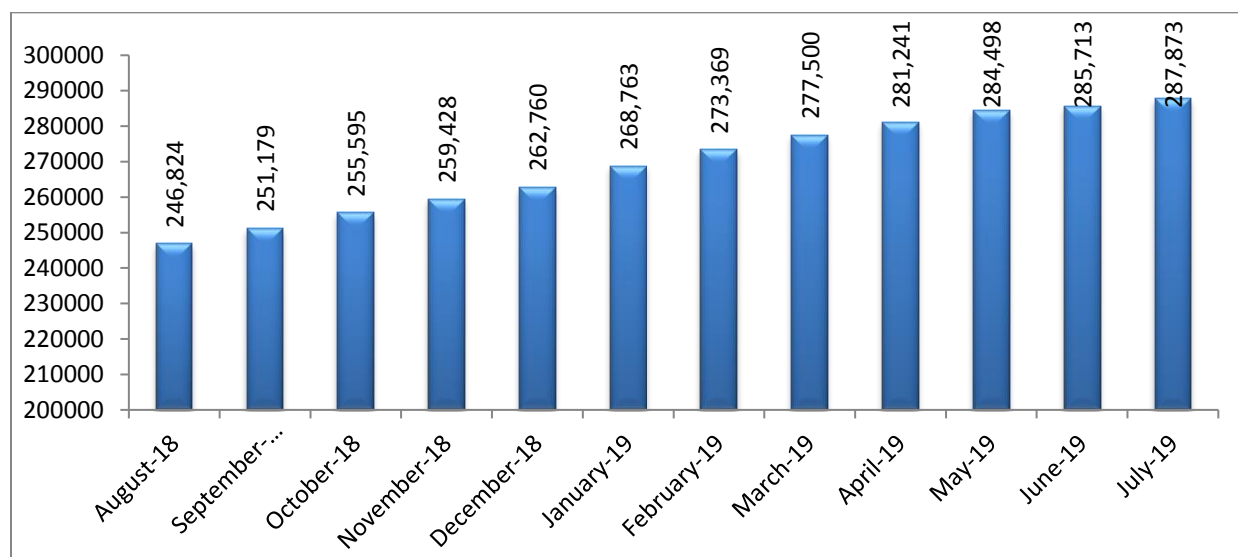
(In crore taka)

Period	Sales	Repayment (Principal)	Net Sale	Outstanding at the end of period
2017-18	78784.7	32254.4	46530.3	237766.5
2018-2019	86720.3	38773.9	47946.4	285712.9
Growth (%)	10.1	20.2	3.0	20.2
July FY 19	8229.6	3193.9	5035.7	242802.3
July FY 20	6091.3	3931.2	2160.2	287873.1
Growth (%)	-26.0	23.1	-57.1	18.6

Source: National Savings Directorate

Chart 1.2: 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 **11.16** percent at the end of July 2019 from July 2018. Among the sources of broad money, Net Domestic Assets (NDA) increased by 13.54 percent while Net Foreign Assets (NFA) increased by **3.54** percent. Domestic credit recorded an increase of 13.67 percent at the end of July 2019 from July 2018 mainly due to 32.33 percent growth in credit to the public sector.

Table 2.1 Monetary and credit development (Billion BDT)

Items	Outstanding stock at the end of period			Changes in outstanding stock	
	June 2017	June 2018	July 2019	July 2019 over June 2019	July 2019 over July 2018
A. Net Foreign Assets (NFA)	2667.0	2646.7	2726.15	2.15 (0.08)	93.14 (3.54)
B. Net Domestic Asset(NDA)	7493.8	8453.1	9569.58	97.46 (1.03)	1140.98 (+13.54)
a. Domestic Credit	8906.7	1021.6	11573.52	104.67 (0.91)	1392.19 (13.67)
Public Sector	1146.1	1140.9	1543.86	177.57 (+13.0)	377.19 (+32.33)
Govt. (Net)	973.3	948.9	1299.63	166.89 (14.73)	327.80 (33.73)
Other Public	172.8	192	244.23	10.68 (+4.57)	49.39 (+25.35)
Private sector	7760.6	9075.3	10029.66	-72.90 (-0.72)	1015 (+11.26)
b. Net Other assets	-1412.9	-1763.2	-2003.94	-7.21 (0.36)	-251.22 (+14.33)
C. Broad Money(A+B)	10160.8	11099.8	12295.72	99.61 (0.82)	1234.12 (+11.16)

Source: Monthly Economic Trends, Bangladesh Bank; ()-percentage changes

2.2 Reserve money Development

Reserve money recorded an increase of 10.07 percent at the end of July 2019 over the same month of the previous fiscal year. At the same time, the value of reserve money multiplier increased to 5.05 at the end of July 2019 from 4.75 at the end of June 2018.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	June 2017	June 2018	July 2019	July 2019 over July 2018	July 2019 over June 2019
Reserve money	2246.6	2337.4	2435.5	222.85 (+ 10.07)	-26.34 (-1.07)
Money multiplier	4.52	4.75	5.05	0.05	0.09

Source: Monthly Economic Trends, Bangladesh Bank; ()-percentage changes

3. EXTERNAL SECTOR

3.1 Exports

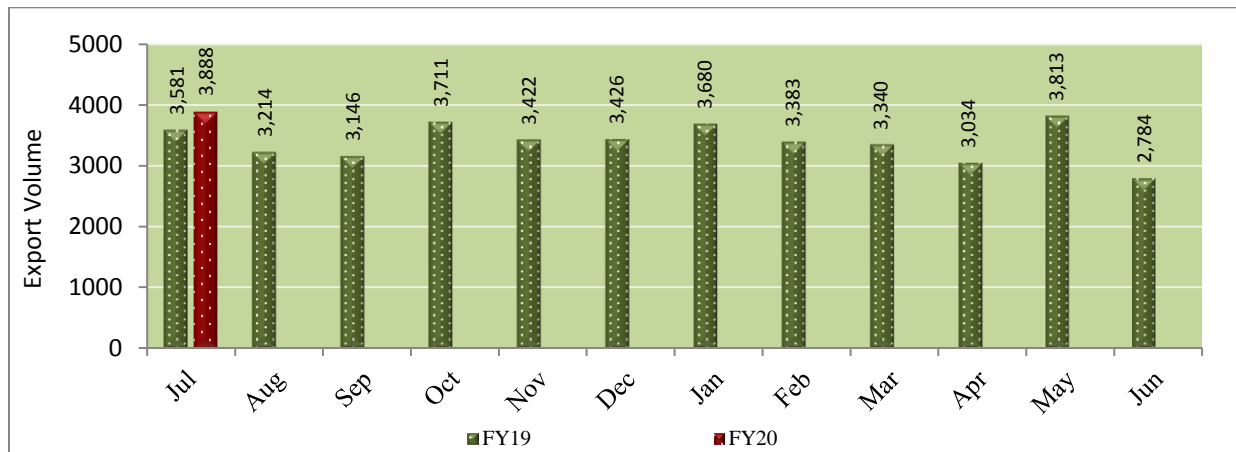
Exports of goods registered 10.6 percent growth FY19 compared to a 5.8 percent in the same period of the previous fiscal year. During July of FY20, export has 8.6 percent growth, which was recorded 17.4 percent in the same period of the previous fiscal year.

Table 3.1: Export Performance (Million US\$)

	July 2019-20	July 2018-19	2018-19	2017-18
Export	3887.86	3581.48	40535.04	36668.14
Growth (%)*	8.55	17.42	10.55	5.81

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

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



Source: Export Promotion Bureau

3.2 Imports (c & f)

Import payments increased by 1.78 percent and stood at 59.9 billion during FY19 compared to 25.23 percent growth in FY18. However, import payments slowed down to 2.28 percent during July of FY20 compared to 17.42 percent growths in the same period of previous fiscal year. In July 2020, Letter of Credit (LC) opened decreased by 7.43 percent and LCs settled for import also decreased by a 2.46 percent (Table 3.2).

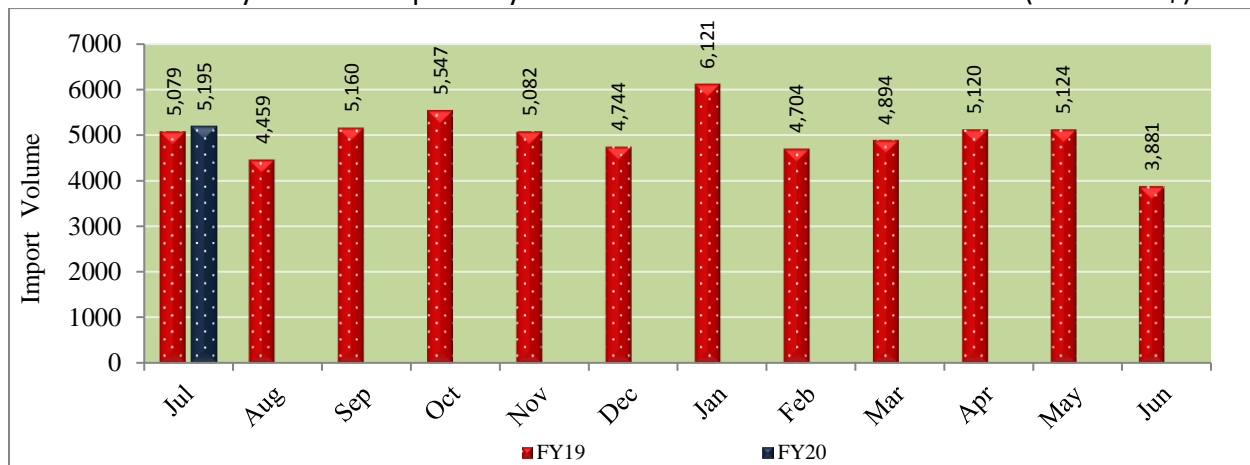
Table 3.2: Import Scenario (Million US\$)

Period	2019-20 July	2018-19 ^R July	2018-19	2017-18
Import payments	5194.80	5079.10	59914.70	58865.3
Growth (%)	2.28	17.42	1.78	25.23
LCs Opened	4688.71	5065.09	57754.61	69421.15
Growth (%)	-7.43	7.55	-16.81	44.25
LCs Settled	4570.99	4686.46	54640.35	51530.56
Growth (%)	-2.46	15.83	6.03	16.39

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

(Million US\$)



Source: Bangladesh Bank

3.3 Remittances

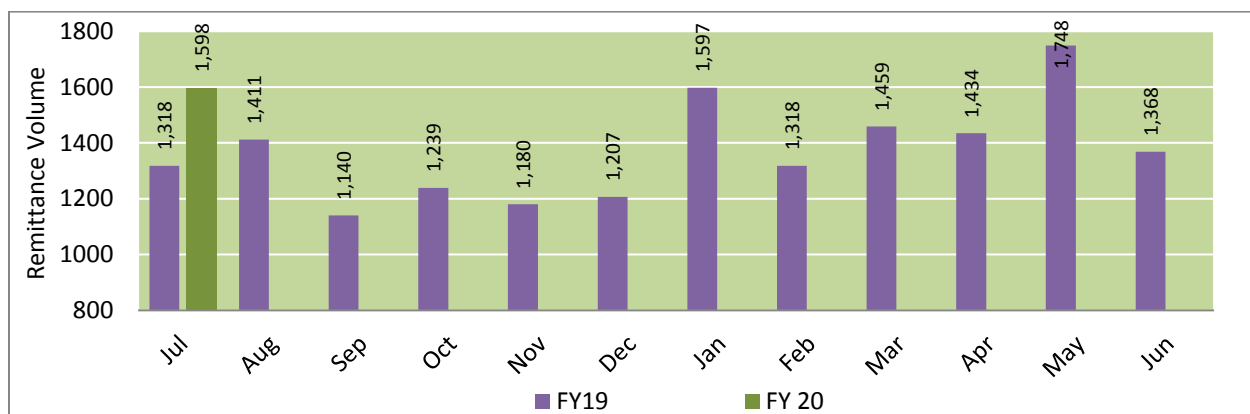
Remittances inflow rebounded in FY 19 as it grew by 9.6 percent compared to a 17.3 percent growth in the previous year. This trend continued in the first month (July) of FY20 as it grew by 21.2 percent during this period.

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

	2019-20 July	2018-19	2017-18
Remittances	1597.69	16419.63	14,978.86
Growth (%)	21.20	9.62	17.30
As % of GDP	0.46	5.39	5.43
As % of Export	41.09	40.51	40.85

Source: Bangladesh Bank

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



Source: Bangladesh Bank

3.4 Exchange Rate Movements

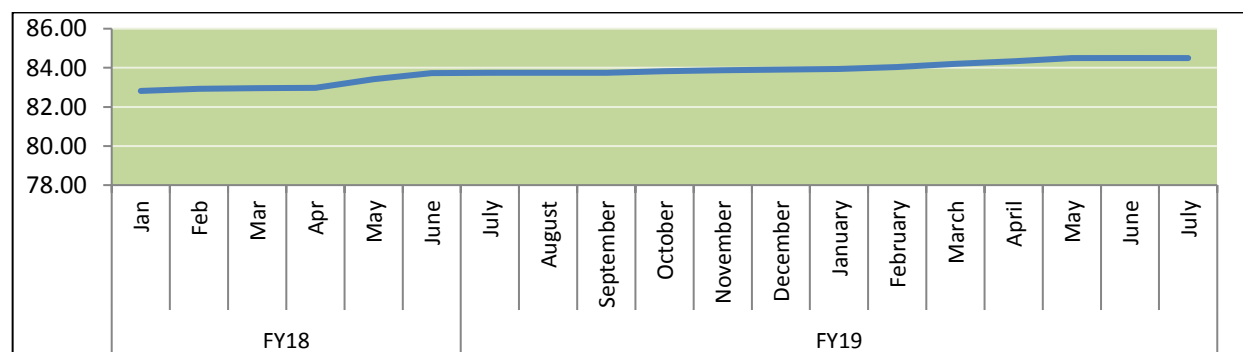
Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency, BDT depreciated by 0.95 percent against US dollar in July 2019 from June 2018.

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	83.70	83.70
2018-19		
July	83.75	83.75
August	83.75	83.75
September	83.75	83.75
October	83.82	83.85
November	83.87	83.90
December	83.90	83.90
January	83.94	83.95
February	84.04	84.15
March	84.21	84.25
April	84.33	84.45
May	84.49	84.50
June	84.50	84.50
2019-20		
July	84.49	84.50

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 stood at 32.1 billion at the end of July 2019, which is sufficient to cover import payments of 6.4 months based on average import liability of the previous 12 months. Overall, foreign exchange reserve did not increase in the recent past due to intervention in the foreign exchange market by Bangladesh Bank to avoid excessive volatility.

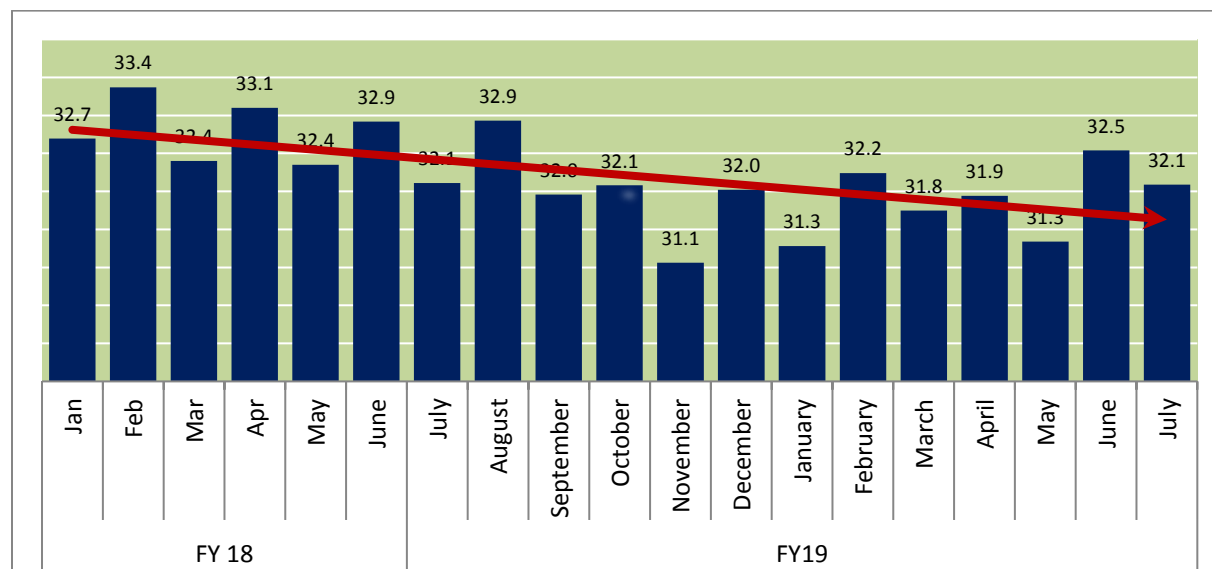
Table 3.5: Foreign Exchange Reserve

(Million US\$)

	2019-20 (end of July)	2018-19 (end of July)	2017-18 (end of June)
Reserve	32093.25	32105.45	32,943.46
In months of import payment	6.42	6.46	8.55

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 balance improved slightly at the end of July 2019 due to robust export growth and moderation of import growth. As a result deficit narrowed down to US\$ 9.79 billion from a deficit of US\$ 11.6 billion at the same time of the previous fiscal year. Consequently, the current account balance improved significantly to US\$ 2.4 billion surplus during July of FY20 from a wider deficit of US\$ 1.79 billion in the corresponding period of the previous fiscal year.

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

	2019-20 ^P July	2018-19 ^R July	2017-18 ^R	2016-17
Trade Balance	-979	-1160	-18178	-9472
Current Account Balance	240	-179	-9567	-1331
Capital Account	3	2	331	400
Financial Account	-249	140	9011	4247
Overall Balance	124	-199	-857	3169

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

4. REAL SECTOR

4.1 Real Sector Indicators

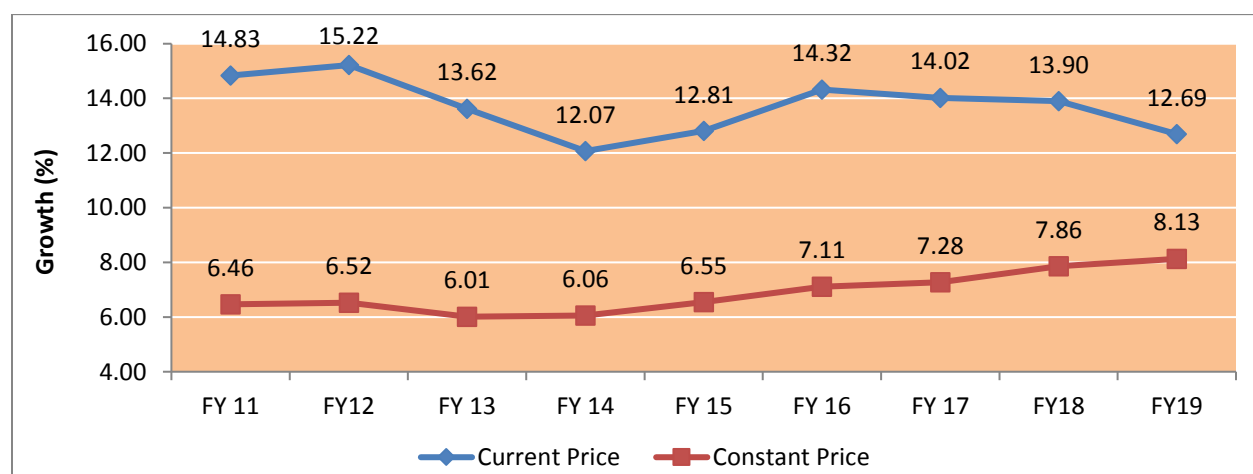
Bangladesh economy continued to maintain healthy growth as provisional estimates from Bangladesh Bureau of Statistics (BBS) reported 8.13 percent real GDP growth in FY19, supported by robust domestic demand, particularly private consumption and public investment. On the supply side, growth was driven mainly by industry (13.02 percent) and services (6.50 percent) with the sectoral composition of economy's output continuing to shift away from agriculture to industry in FY19. At the same time, per capita GNI is expected to be US\$1909 at the end of FY19 from US\$1751 in FY18.

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

Concepts	Unit	FY 13	FY 14	FY 15	FY16	FY17	FY18	FY19 ^P
GDP at constant prices	Billion Tk.	7,299.0	7,741.4	8,248.6	8,835.4	9,479.0	10,224.3	11,055.1
Growth	%	6.01	6.06	6.55	7.11	7.28	7.86	8.13
GDP at current prices	Billion Tk.	11,989.2	13,436.7	15,158.0	17,328.6	19,758.2	22,504.8	25,361.8
Growth	%	13.62	12.07	12.81	14.32	14.02	13.90	12.69
GNI at current prices	Billion Tk.	12953.5	14332.2	16142.0	18326.7	20607.2	23,531.1	26,497.9
Per capita GDP	Taka	78,009	86,266	96,004	108,378	122,152	137,518	153,197
Per capita GNI	Taka	84,283	92,015	102,236	114,621	127,401	143,789	160,060
Per capita GDP	US\$	976	1,110	1,236	1,385	1,544	1,675	1,827
Per capita GNI	US\$	1,054	1,184	1,316	1,465	1,610	1,751	1,909

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, which indicates production performance of the manufacturing industry, increased by 4.8 percent and stood at 428.6 at the end of

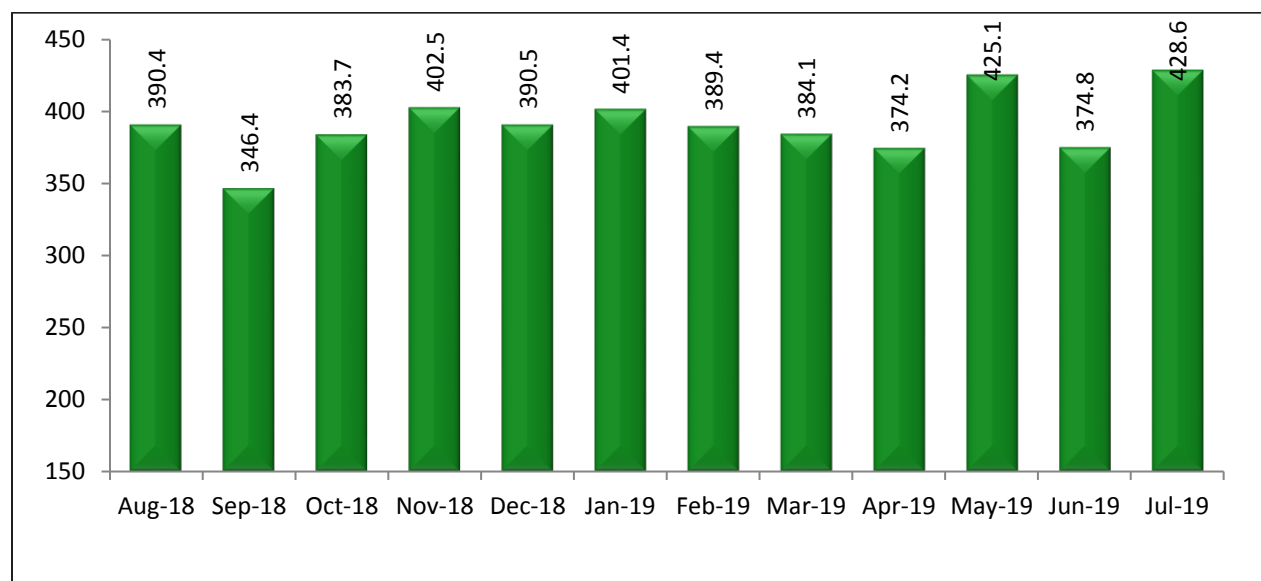
July 2019 (table 4.2). It is to be noted that this growth rate was 15.0 percent and 14.7 percent in FY18 and FY19 respectively.

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

Period	Index	Growth Rate (%)*
2010-11	157.89	16.90
2011-12	174.92	10.80
2012-13	195.19	11.60
2013-14	213.22	8.20
2014-15	236.11	10.74
2015-16	267.88	13.46
2016-17	297.89	11.20
2017-18	342.47	15.00
2018-19	392.82	14.70
July 2018	408.93	22.74
July 2019 ^P	428.56	4.80

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

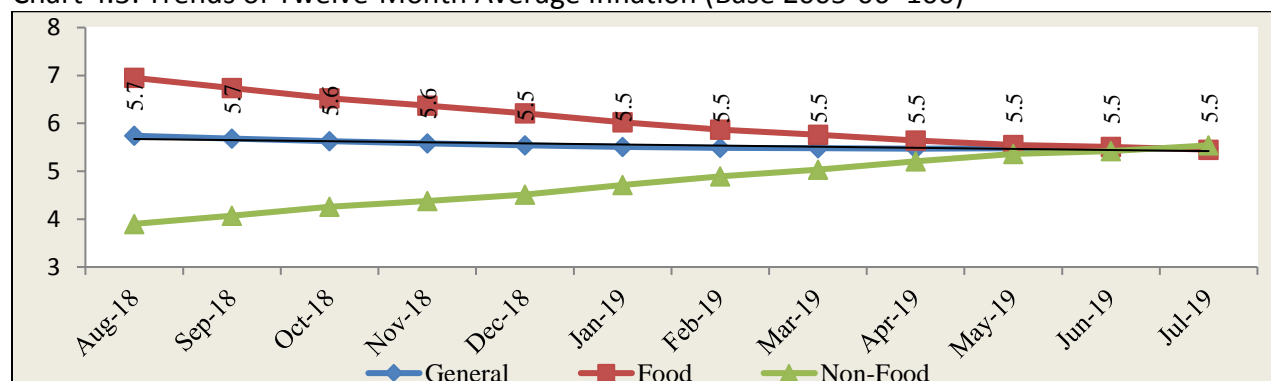
The average rate (12-month moving average) of inflation has eased down to 5.47 percent at the end of FY19 from 5.78 percent at the end of FY18 (table-4.3). However, general inflation edged up to 5.48 percent (twelve-month average basis) at the end of July 2019. The twelve month average general inflation was lower by 0.02 percentage point than the target of 5.50 percent in FY20. On the other hand, point-to-point inflation stood at 5.62 percent in the same month, of which, food and non-food inflation were 5.42 percent and 5.94 percent respectively (Chart 4.3).

Table-4.3: CPI Inflation (National) (Base 2005-06)

Fiscal Year	Twelve-Month Average Basis			Point to Point Basis		
	General	Food	Non-Food	General	Food	Non-Food
2014-15	6.41	6.68	5.99	6.25	8.00	5.45
2015-16	5.92	4.90	7.47	5.53	6.32	6.15
2016-17	5.44	6.02	4.57	5.94	7.51	3.67
2017-18	5.78	7.13	3.74	5.54	5.98	4.87
2018-19						
July	5.78	7.06	3.82	5.51	6.18	4.49
August	5.74	6.95	3.90	5.48	5.97	4.73
September	5.68	6.74	4.07	5.43	5.42	5.45
October	5.63	6.15	4.26	5.40	5.08	5.90
November	5.58	6.04	4.38	5.37	5.29	5.49
December	5.54	6.21	4.51	5.35	5.28	5.45
January	5.51	6.02	4.71	5.42	5.33	5.57
February	5.49	5.87	4.89	5.47	5.44	5.51
March	5.48	5.76	5.03	5.55	5.72	5.29
April	5.47	5.64	5.21	5.58	5.54	5.64
May	5.48	5.55	5.36	5.63	5.49	5.84
June	5.47	5.51	5.42	5.52	5.40	5.71
2019-20						
July	5.48	5.45	5.54	5.62	5.42	5.94

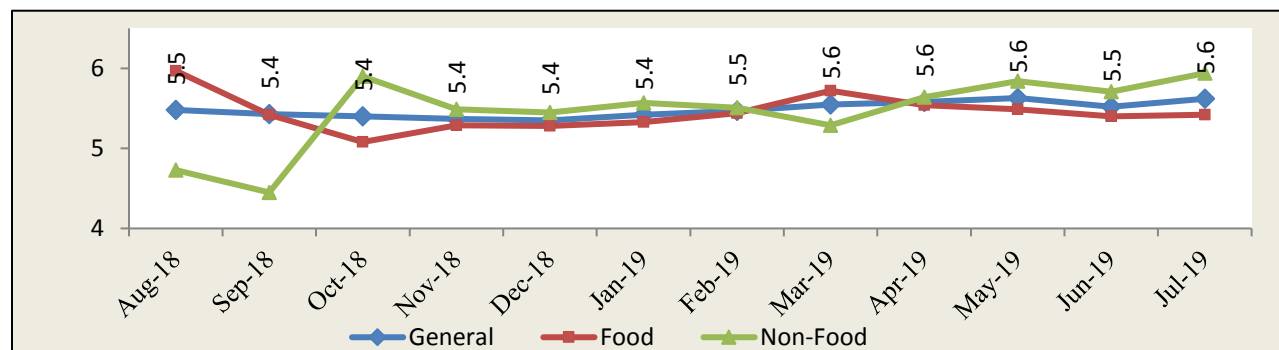
Source: Bangladesh Bank

Chart 4.3: Trends of Twelve-Month Average Inflation (Base 2005-06=100)



Source: Bangladesh Bank

Chart 4.4: Trends of Point to Point Inflation (Base 2005-06=100)



Source: Bangladesh Bank