



MONTHLY REPORT ON FISCAL-MACRO POSITION

January 2020

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Executive Summary

The January 2020 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 increased by 1.76 percent while government spending increased by 12.90 percent in July-January of FY¹20 compared to the same period of the previous fiscal year. Overall, the budget deficit stood at 1.09 percent of GDP at the end of July-January FY20 against a deficit of 0.51 percent of GDP during the same period of the previous fiscal year.

Monetary Sector

Broad Money (M2) increased by 12.38 percent at the end of January 2020 resulted from 14.25 percent growth in the Net Domestic Asset (NDA) and 5.94 percent growth in the Net Foreign Asset (NFA). However, money supply slowed down (6.39 percent growth) in the first seven month of the fiscal year as both NDA and NFA slowed down significantly. At the same time, reserve money growth also slowed down from 7.96 percent yearly growth to a meager 1.22 percent growth in the first seven month of the fiscal year.

External Sector

During July- January of FY20, exports decreased by 5.21 percent in contrast to 13.39 percent growth in the same period of the previous fiscal year. At the same time, import payments also decreased by 4.44 percent while remittance inflow increased by 21.49 percent. Strong remittance inflow has improved the current account balance in FY20. Further, foreign exchange reserve stood at US\$ 32.38 billion at the end of January 2020, which is equivalent to import payments of 6.46 months.

Real Sector

Bangladesh experienced a robust 8.15 percent real GDP growth in FY19 against 7.86 percent growth in FY18. With this robust growth, per capita GNI has reached to US\$ 1909 in FY19 from US\$ 1751 in FY18. In the first seven months of the fiscal year, Quantum Index of medium and large-scale manufacturing industries, a key growth driver is increased by 9.9 percent in January 2020 from that of January 2019. The average of CPI inflation (12-month moving average) stands at 5.60 percent, of which, food and non-food inflation were 5.54 percent and 5.70 percent respectively at the end of January 2020.

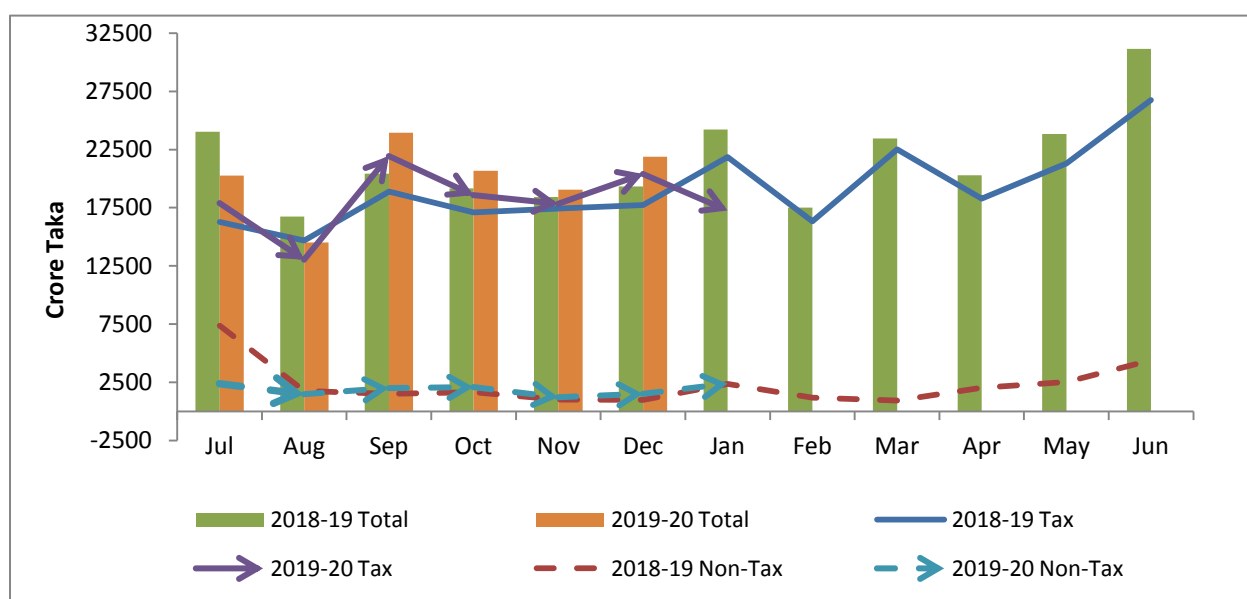
¹ FY20 stands for fiscal year 2019-20 that starts from 1 July 2019 and ends on 30 June 2020

1. FISCAL SECTOR

1.1 Revenue Earnings

Revenue collection fall by 18.80 percent in January 2020 compared to the same period of the previous fiscal year. As a result, total revenue collection registered a meager growth of 1.76 percent in July-January of FY 2019-20 against the same period of the previous fiscal year. Among the sources, NBR tax revenue and Non-Tax revenue grew by 1.47 percent and 5.14 percent respectively while Non-NBR tax revenue decreased by 3.26 percent. Mentionable that, on year-to-year basis, total revenue earnings grew by 16.3 percent in FY19 compared to that of FY18.

Chart 1.1: Monthly trend of Revenue earnings



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

Table 1.1: Revenue Earning

(In crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
July-January FY20	1,19,873.81	4,214.76	1,24,088.57	17,477.50	1,41,566.07
July- January FY19	1,18,139.59	4,356.98	1,22,496.57	16,622.90	1,39,119.47
Growth (%)	1.47	-3.26	1.30	5.14	1.76
2018-19 (Actual)	2,18,615.52	7,341.50	2,25,957.02	25,921.00	2,51,878.02
2017-18 (Actual)	1,87,103.30	7,223.47	1,94,326.77	22,229.22	2,16,555.98
Growth (%)	16.84	1.63	16.28	16.61	16.31

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

1.2 Government Expenditure

Total government expenditure increased by 12.90 percent during July-January of FY20 compared to the same period of the previous fiscal year (Table-1.2). During this period, development expenditure increased significantly (36.98 percent). According to the Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, ADP expenditure (GOB part and project aid) stood at BDT 67,156 crore at the end of July-January of FY20, which is 33.13 percent of the total allocation.

Table 1.2: Government Expenditure (In crore taka)

	2017-18	2018-19	Yearly Growth (%)	FY 19 (July-Jan)	FY 20 (July-Jan)	Growth (%) (July-Jan)
a1. Recurrent Expenditure	178879.45	216662.30	21.12	104148.86	111465.17	7.02
Pay and Allowances	47847.09	53398.87	11.60	30581.85	30862.06	0.92
Use of Goods and Services	23479.42	28562.22	21.65	11055.42	10638.72	-3.77
Interest Payment	41765.51	49460.72	18.42	25900.32	24371.14	-5.90
Domestic	38160.17	46014.52	20.58	23810.34	22232.88	-6.63
Foreign	3605.34	3446.21	-4.41	2089.98	2138.26	2.31
Subsidies and Transfer	65612.87	86362.03	31.62	36611.27	45593.26	24.53
a2. Capital Expenditure	12593.27	20282.54	61.06	6771.39	6082.26	-10.18
a) Operating Expenditure (a1+a2)	191472.72	236944.84	82.18	110920.25	117547.43	5.97
b) Outlay for Food Accounts	6993.62	4203.74	-39.89	4977.52	4796.58	-3.64
c) Net lending	1240.93	-1707.78	-237.62	-720.40	-1256.52	74.42
d) Development Expenditure	122154.04	151168.35	23.75	37184	50934.86	36.98
Out of which ADP	119538.39	147400.38	23.31	36890	47843.03	29.69
Total Expenditure (a+b+c+d)	321861.32	391730.95	21.71	152361.37	172022.35	12.90
Total Expenditure (% of GDP)	14.30	15.41	1.11	5.99	6.13	0.14

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

1.3 Budget Deficit

Overall budget balance including grants records a deficit of BDT 30,448.65 crore during July-January of FY20 against a deficit of BDT 12,945.9 crore at the same period of the previous fiscal year. This budget balance was 5.44 percent and 4.64 percent of GDP at the end of FY19 and FY18 respectively.

Table 1.3: Budget Balance

Year	Overall Balance	Overall Balance as % of GDP
July-Jan FY20	-30448.65	-1.09
July-Jan FY19	-12945.9	-0.51
2018-19	-138202.86	-5.44
2017-18	-104437.06	-4.64

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

1.4 Deficit Financing

Government's deficit financing stood at 30,429.98 crore at the end of January FY20, which was overwhelmingly financed from the banking sources. The government borrowed 51,690.75 crore from the banking sector in the first seven months, which is 109.14 percent of the total financing target from banking sector in FY20. The excess borrowed money was used to repay domestic non-bank loans, especially repayment for National Saving Certificates (NSCs) and external loans.

Table 1.4: Deficit Financing (In crore taka)

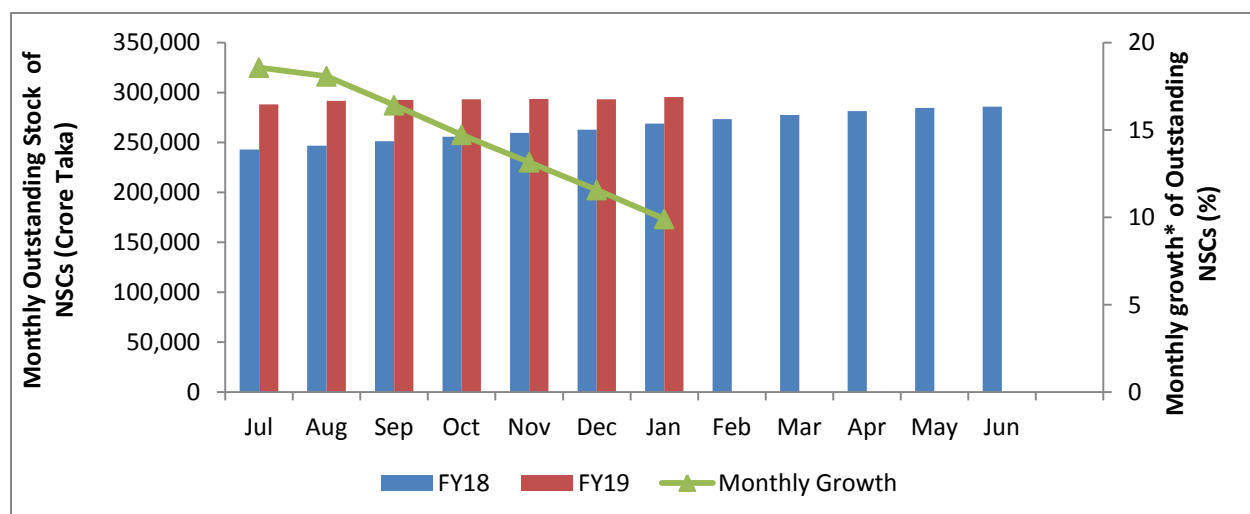
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
July-Jan FY20	-854.65	51690.75	-20406.12	31284.63	30429.98	1.08
July-Jan FY19	-1604.75	4175.37	10371.64	14547.01	12942.26	0.51
2018-19	31289.03	29479.41	72355.50	101834.91	133123.93	5.24
2017-18	25620.59	11730.60	67084.44	78815.04	104435.63	4.64
Target in FY20	63848.00	47364.00	30000.00	77363.00	141211.00	5.0

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

1.5 Sale and repayment of National Savings Certificates (NSC)

Monthly sale of NSCs has slowed down in the last in the recent past (Chart 1.2) on the back of various reform measures undertaken by the government. The sale of NSC during July-January of FY20 has been decreased by 22.05 percent while repayment of NSCs accelerated (increased by 51.98 percent) compared to the same period of the previous fiscal year. As a result, net sale of NSC decreased by 75.24 percent the end of July-January of FY20 (Table 1.6). This trend has resulted outstanding stock of NSCs to slow down.

Chart 1.2: Monthly trend of the outstanding stock of NSCs



Source: Major Economic Indicators, Bangladesh Bank, Growth over the same period of the previous year

Table 1.5 Net Sale and Repayment of NSCs

(In crore taka)

Period	Sale	Repayment (Principal)	Net Sale	Outstanding at the end of period
July-Jan FY20	41519.56	33846.21	7673.36	295379.36
July-Jan FY19	53265.94	22269.55	30996.39	268762.91
Growth (%)	-22.05	51.98	-75.24	9.90
2018-19	90342.39	40402.91	49939.48	287706.00
2017-18	78784.68	32254.38	46530.3	237766.52
Growth (%)	14.67	25.26	7.33	21.00

Source: Major Economic Indicators: Monthly Update, Volume 03/2020, Bangladesh Bank

2. MONETARY SECTOR

2.1 Monetary and Credit Development

Broad money (M2) growth has slowed down in the first seven months of the fiscal year (Table 2.1). In the first seven months of the fiscal year, Net Domestic Asset (NDA) increased by 8.02 percent and Net foreign asset increased by only 0.72 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed moderate growth in the net domestic asset as the private sector credit slowed down significantly.

Table 2.1 Monetary and Credit Development

Items	Outstanding stock at the end of period			Changes in Outstanding stock (%)	
	Jan-20	Jun-19	Jan-19	Jan-20 over Jun-19	Jan-20 over Jan-19
A. Net Foreign Assets (NFA)	2743.50	2724.00	2589.79	0.72	5.94
B. Net Domestic Asset (NDA)	10232.00	9472.12	8955.79	8.02	14.25
a. Domestic Credit	12454.72	11468.85	10868.35	8.60	14.60
Public Sector	1929.98	1366.29	1230.28	41.26	56.87
Govt. (Net)	1632.55	1132.73	989.17	44.12	65.04
Other Public	297.43	233.56	241.11	27.35	23.36
Private sector	10524.74	10102.56	9638.08	4.18	9.20
b. Net Other assets	-2222.72	-1996.73	-1912.57	11.32	16.22
C. Broad Money (A+B)	12975.50	12196.12	11545.58	6.39	12.38

Source: Monthly Economic Trends, March, 2020, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 1.22 percent and 7.96 percent at the end of January 2020 from June 2019 and January 2019 respectively. During this period, money multiplier increased by 0.25 and 0.14 respectively.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Jan-20	Jun-19	Jan-19	Jan-20 over Jun-19	Jan-20 over Jan-19
Reserve money	2492.02	2461.88	2280.28	1.22%	7.96%
Money multiplier	5.21	4.95	5.06	0.25	0.14

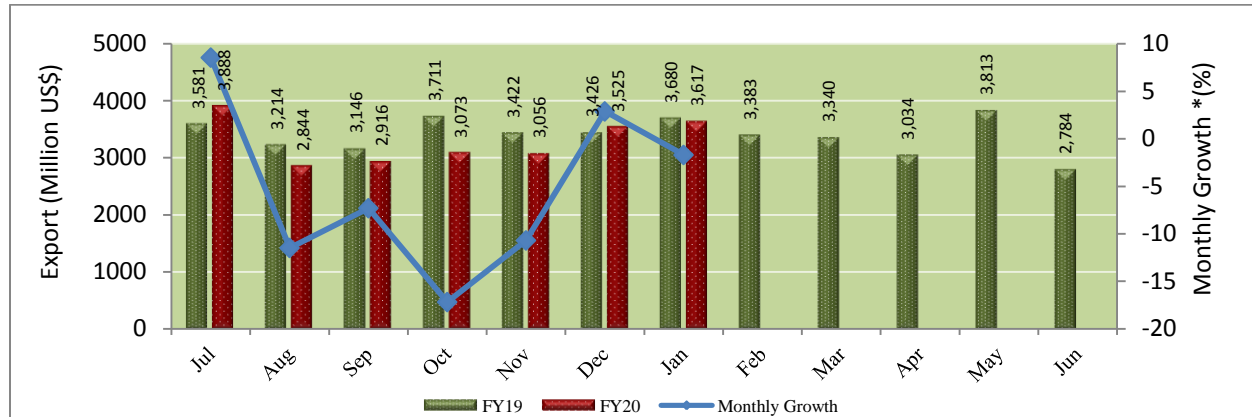
Source: Monthly Economic Trends, March, 2020, Bangladesh Bank;

3. EXTERNAL SECTOR

3.1 Exports

Merchandise Export has slowed down during July-January of FY20 compared to the same period in the previous fiscal year (Chart 3.1). In this period, export of goods decreased by 5.21 percent while it increased by 13.39 percent in the same period of the previous fiscal year. It is to be noted that exports of goods registered 10.55 percent growth in FY19 against a 5.81 percent growth in the same period of the previous fiscal year.

Chart 3.1: Monthly Trend of Exports



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

Table 3.1: Export Performance in FY20

(Million US\$)

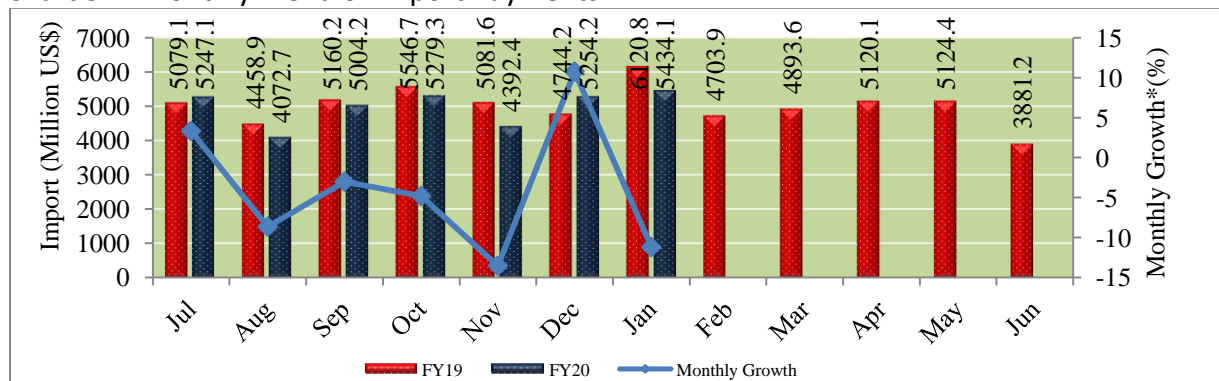
	July-January 2019-20	July-January 2018-19	2018-19	2017-18
Export	19302.16	20499.87	40535.04	36668.14
Growth*(%)	-5.21	13.39	10.55	5.81

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

3.2 Imports (C & F)

Import has also slowed down in the first seven months of the fiscal year (Chart 3.2). Import payments decreased by to 4.44 percent during July-January of FY20 while it increased by 7.41 percent in the same period of the previous fiscal year. During July-January period of FY20, Letter of Credit (LC) opened decreased by 4.14 percent while LCs settled for import increased by 0.20 percent.

Chart 3.2: Monthly Trend of Import Payments



Source: Bangladesh Bank, *Growth over the same period of the previous year

Table 3.2: Import Scenario in FY20

(Million US\$)

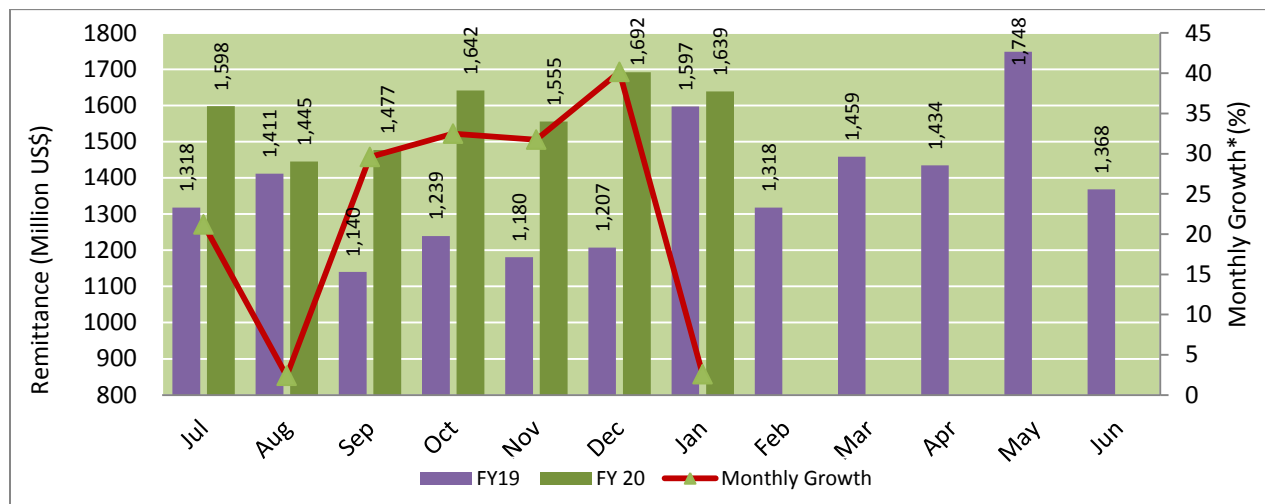
Period	2019-20 ^P July-January	2018-19 ^R July-January	2018-19	2017-18
Import payments	34,584.00	36,191.5	59,914.7	58,865.3
Growth (%)	-4.44	7.41	1.78	25.23
LCs Opened	33,971.59	35,437.09	57,754.61	69,421.14
Growth (%)	-4.14	-22.40	-16.81	44.25
LCs Settled	32,194.84	32,130.19	54,640.35	51,530.56
Growth (%)	0.20	8.38	6.03	16.39

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

3.3 Remittances

Remittance inflow increased significantly in this fiscal year (Chart 3.3) on the back of 2.0 percent fiscal incentives by the government. Up to January of FY20, remittances inflow increased by 21.49 percent against 9.39 percent growth in the same period of the previous year.

Chart 3.3: Monthly Trend of Remittance



Source: Bangladesh Bank

Table-3.3: Remittance Performance in FY20

(In million US\$)

	2019-20 ^P July-January	2018-19 ^R July- January	2018-19	2017-18
Remittances	11,046.46	9,092.56	16,419.63	14,981.69
Growth (%)	21.49	9.39	9.62	17.32
As % of GDP	9.72	9.08	5.47	5.43
As % of Export	48.20	44.35	40.51	40.86

Source: Bangladesh Bank

3.4 Exchange Rate Movements

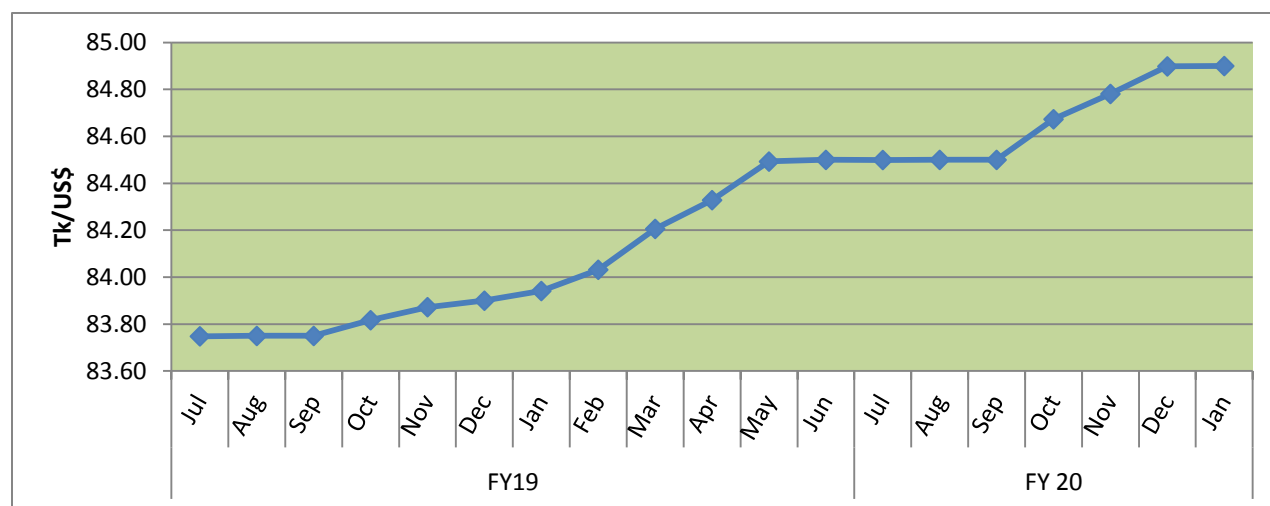
Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency, Taka depreciated by 0.47 percent against US dollar in January 2020 from June 2019.

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

Period	Average	End 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	84.02	84.50
2019-20		
July	84.49	84.50
August	84.50	84.50
September	84.50	84.50
October	84.67	84.75
November	84.78	84.90
December	84.90	84.90
January	84.90	84.90

Source: Bangladesh Bank

Chart 3.4: Monthly Average Exchange Rate Movements



Source: Bangladesh Bank

3.5 External Reserve

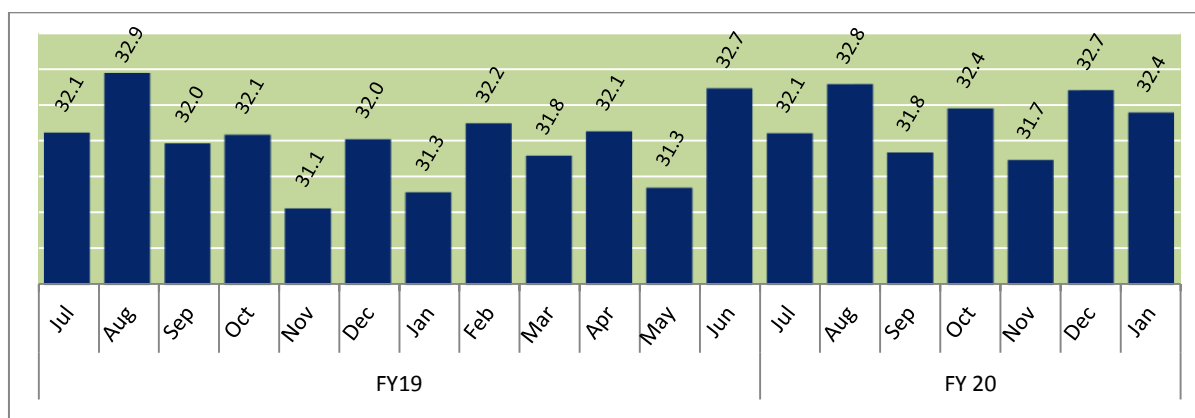
The gross foreign exchange reserve stood at 32.69 billion at the end of January 2020, which is enough to cover import payments of 6.46 months based on average import liability of the previous 12 months. Overall, foreign exchange reserve did not increase in the recent past due to intervention in the foreign exchange market by Bangladesh Bank to avoid excessive volatility in the exchange rate.

Table 3.5: Foreign Exchange Reserve

Reserve	2019-20 ^P (End of January)	2018-19 (End of January)	2018-19 (End of June)
Million US\$	32381.47	31279.69	32716.51
Months of import payment	6.46	6.07	6.27

Source: Bangladesh Bank

Chart 3.5: Gross Foreign Exchange Reserve (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-January of FY20 as the import payments declined beside exports. Strong remittance growth has contributed to improve the current account balance to US\$ 1.52 billion deficit from a deficit of US\$ 4.04 billion at the same time of the previous year. Overall balance has also improved during the period.

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

	2019-20 ^P July-January	2018-19 ^R July-January	2018-19 ^R	2017-18
Trade Balance	-9643	-9873	-15494	-18178
Current Account Balance	-1516	-4041	-5254	-9567
Capital Account	129	134	233	331
Financial Account	2152	3675	5628	9011
Error & Omission	-633	-743	-595	-632
Overall Balance	132	-975	12	-857

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

4. REAL SECTOR

4.1 Real Sector Indicators

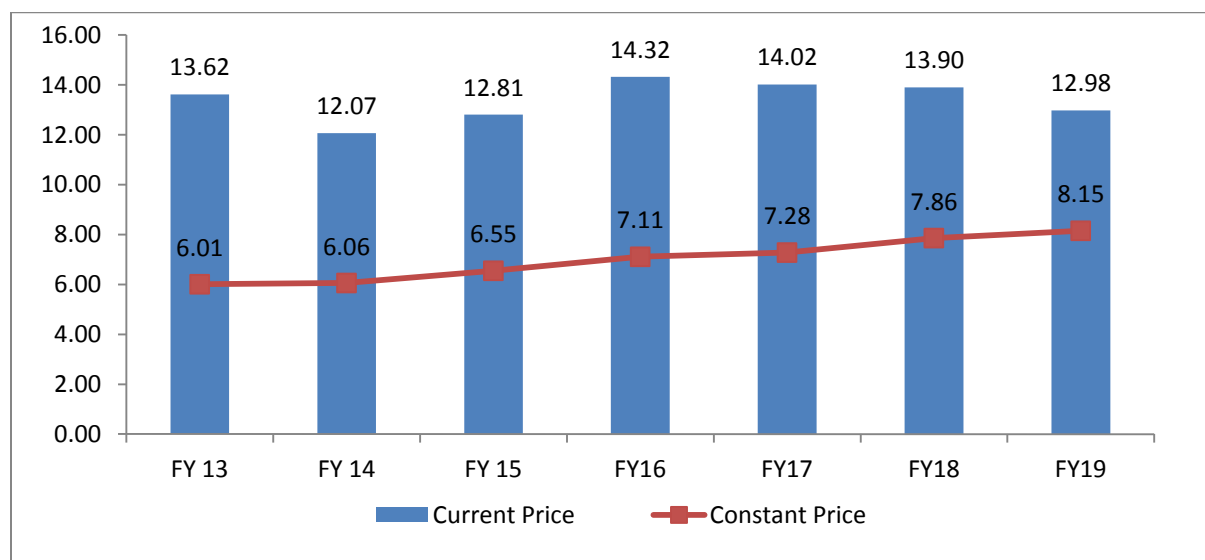
Bangladesh economy experienced the highest GDP growth rate of 8.15 percent in FY19 in the recent past, supported by robust domestic demand, particularly private consumption and public investment. On the supply side, growth was driven mainly by industry (12.67 percent) and services (6.78 percent) with the sectoral composition of the economy continuing to shift away from agriculture to industry in FY19. At the same time, per capita GNI has rose to 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
GDP at constant prices	Billion Tk.	7,299.0	7,741.4	8,248.6	8,835.4	9,479.0	10224.30	11,057.94
Growth	%	6.01	6.06	6.55	7.11	7.28	7.86	8.15
GDP at current prices	Billion Tk.	11,989.2	13,436.7	15,158.0	17,328.6	19,758.2	22504.79	25,424.83
Growth	%	13.62	12.07	12.81	14.32	14.02	13.90	12.98
GNI at current prices	Billion Tk.	12953.5	14332.2	16142.0	18326.7	20607.2	23531.08	26,560.92
Per capita GDP	Taka	78,009	86,266	96,004	108,378	122,152	137,518	153,578
Per capita GNI	Taka	84,283	92,015	102,236	114,621	127,401	143,789	160,440
Per capita GDP	US\$	976	1,110	1,236	1,385	1,544	1,675	1,828
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

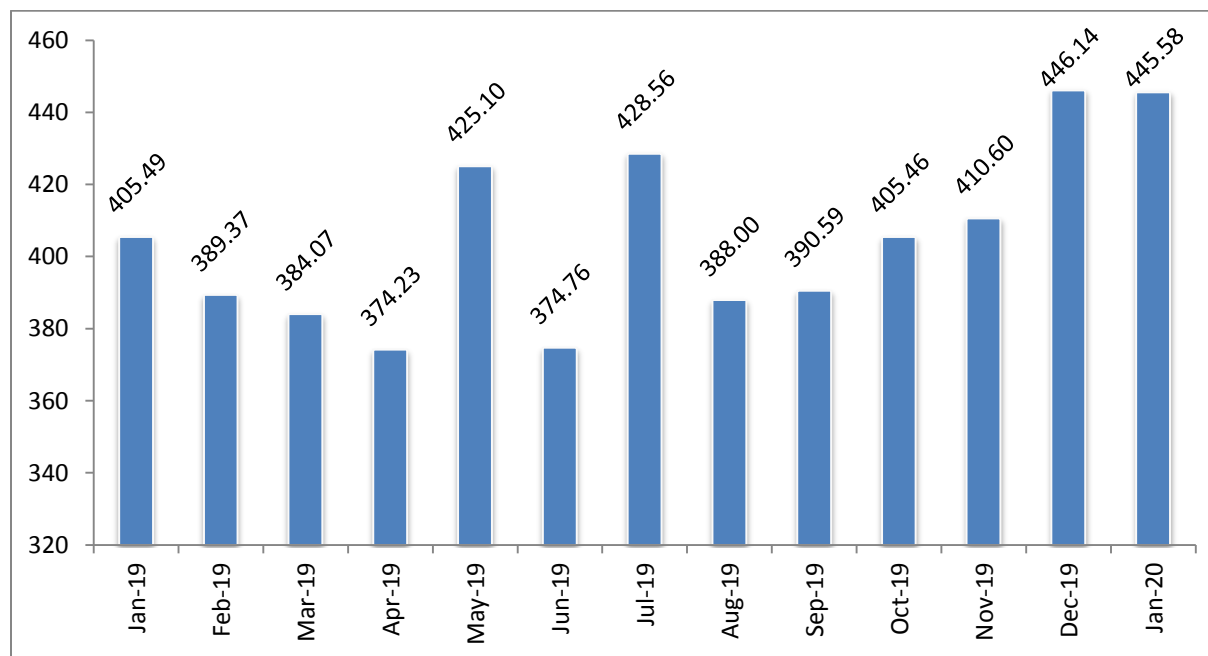
The quantum Index of large and medium scale manufacturing Industries, increased by only 9.9 percent at the end of January 2020 from the same period of the previous fiscal year. It is to be noted that this growth rate was 15.0 percent and 14.7 percent in FY18 and FY19 respectively.

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

Period	Index	Growth* (%)
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
January 2019	405.49	11.76
January 2020 ^p	445.58	9.89

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 CPI Inflation

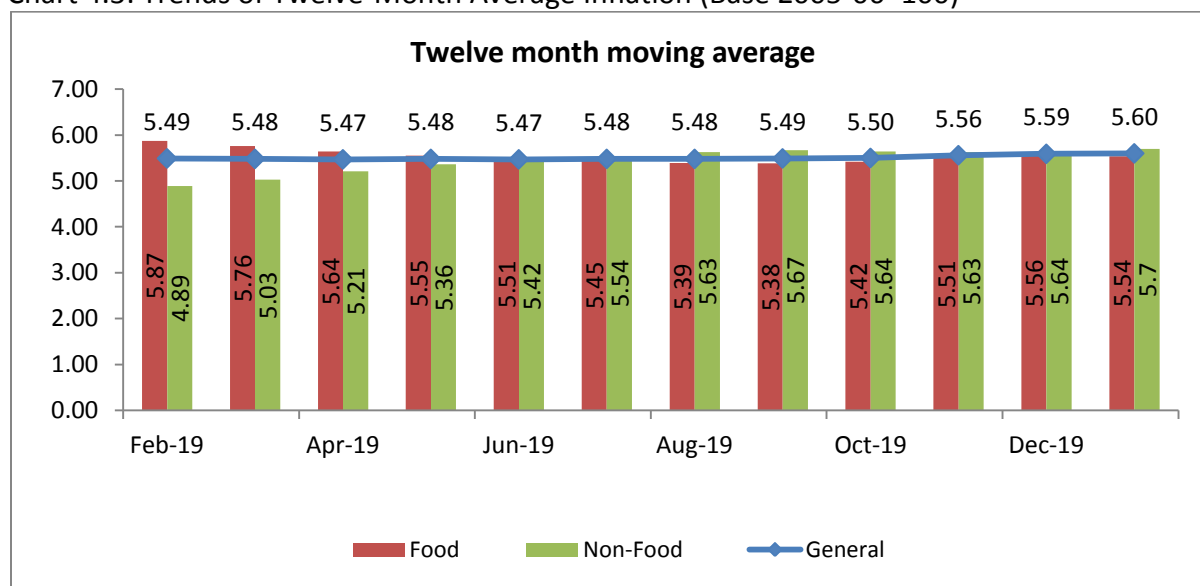
CPI inflation edged up slightly to 5.60 percent (Twelve-month average basis) at the end of January 2020, which is slightly higher than the set target of 5.50 for the FY20. Meanwhile, point-to-point inflation went down to 5.57 percent in January 2020, of which, food and non-food inflation were 5.12 percent and 6.30 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	5.48	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
August	5.48	5.39	5.63	5.49	5.27	5.82
September	5.49	5.38	5.67	5.54	5.30	5.92
October	5.50	5.42	5.64	5.47	5.49	5.45
November	5.56	5.51	5.63	6.05	6.41	5.47
December	5.59	5.56	5.64	5.75	5.88	5.55
January	5.60	5.54	5.70	5.57	5.12	6.30

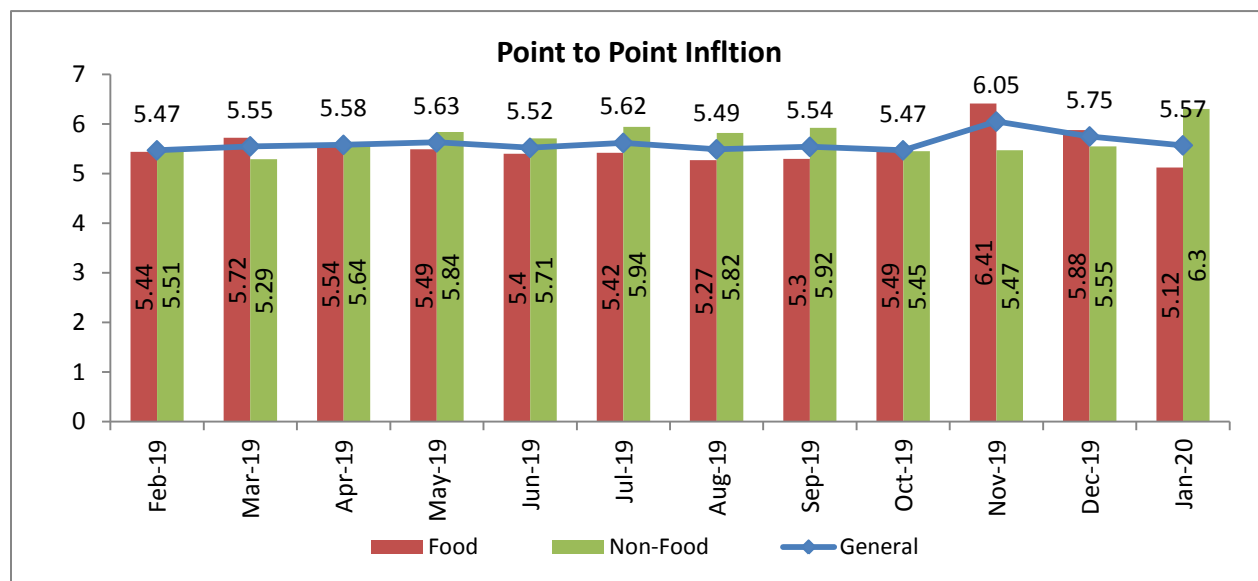
Source: Bangladesh Bank

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