



MONTHLY REPORT ON FISCAL-MACRO POSITION

June 2020

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Executive Summary

The June 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 4.43 percent in FY¹20 on the back of strong growth in the non-tax revenue. At the same time, government spending increased by 6.09 percent as the government's interest payment increased by 16.04 percent. Overall budget deficit stood at 5.38 percent of GDP at the end of FY20 against a deficit of 5.44 percent of GDP in FY19. Government financed the major share of the deficit from the banking system.

Monetary Sector

Broad Money (M2) increased by 12.64 percent at the end of FY20 resulted from 13.64 percent growth in the Net Domestic Asset (NDA) and 9.15 percent growth in the Net Foreign Asset (NFA). At the same time, reserve money grew at a faster rate of 15.66 percent that resulted decline in money multiplier by 0.13.

External Sector

During FY20, exports fell by 16.93 percent and import payments fell by 8.56 percent. At the same time, remittance inflow increased by 10.87 percent. Strong remittance inflow as well as inflows in the financial account has helped to build foreign exchange reserve that stood at US\$ 36.04 billion, which is equivalent to import payments of 7.87 months at the end of FY20.

Real Sector

The quantum Index of large and medium manufacturing industries has increased by 5.1 percent in June 20 over June19. Industrial production in June made a turnaround from the dip in April and May due to the COVID-19 pandemic. The CPI inflation (12-month moving average) stands at 5.65 percent, of which, food and non-food inflation are 5.52 percent and 5.85 percent respectively at the end of FY20.

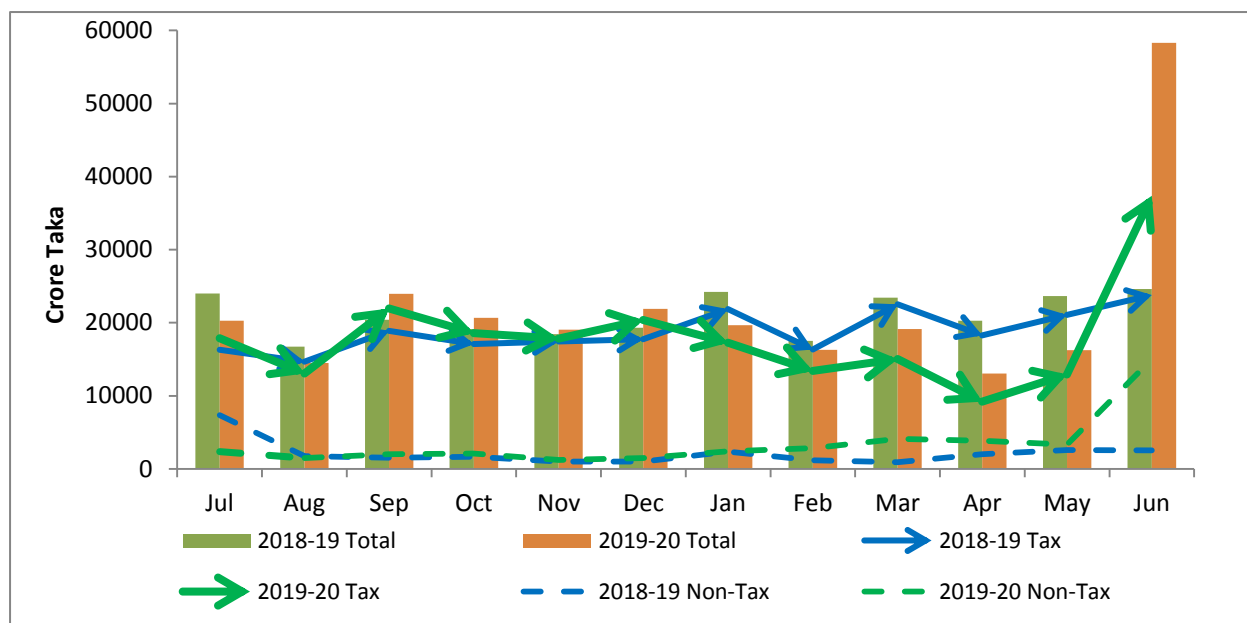
¹ FY20 stands for fiscal year 2019-20 that starts from 1 July 2019 and ends on 30 June 2020

1. FISCAL SECTOR

1.1 Revenue Earnings

Tax revenue has fallen by 4.93 percent in FY20 as the economic activities have been halted for a significant period of time due to the situation of COVID-19 pandemic. However, overall revenue collection increased by 4.43 percent in FY20 on the back of high growth in Non-tax revenue as the government has enacted a new law under which state-owned enterprises have deposited a total of Tk. 16,046 crore to the national treasury.

Chart 1.1: Monthly trend of Revenue earnings



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

Table 1.1: Revenue Earnings (crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2019-20	214,836.41	5,943.57	214,836.41	42,282.45	263,062.42
2018-19	218,624.87	7,342.64	225,967.51	25,924.43	251,891.94
Growth (%)	-1.73	-19.05	-4.93	63.10	4.43

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

1.2 Government Expenditure

Government's actual expenditure in FY20 is 415,504.3 crore taka against original budget target of 5,23190.94. Total expenditure increased by 6.1 percent compared to the previous year, in which development expenditure increased by 6.4 percent and operating expenditure increased by 5.6 percent. Among the operating expenditure, interest payments increased by 16.0 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, the government executed 80.7 percent of its target of the Annual Development Plan (ADP) in FY20 against a 94.8 percent in the previous year.

Table 1.2: Government Expenditure (Crore taka)

	2019-20	2018-19	Yearly Growth (%)
a1. Recurrent Expenditure	232,932.03	217,785.97	6.95
Pay and Allowances	55,483.05	53,400.24	3.90
Use of Goods and Services	28,434.80	28,562.22	-0.45
Interest Payment	57,395.45	49,460.72	16.04
Domestic	53,077.58	46,050.52	15.26
Foreign	4,317.87	3,446.21	25.29
Subsidies and Transfer	91,618.53	86,362.78	6.09
a2. Capital Expenditure	18,387.30	20,302.41	-9.43
a) Operating Expenditure (a1+a2)	251,319.33	238,088.38	5.56
b) Outlay for Food Accounts	2,325.57	4,233.43	-45.07
c) Net lending	1,207.01	-1,707.78	-170.68
d) Development Expenditure	160,652.41	151,055.35	6.35
<i>Of which ADP</i>	154,238.27	147,400.38	4.64
Total Expenditure (a+b+c+d)	415,504.32	391,669.38	6.09
Total Expenditure (% of GDP)	14.86	15.40	-0.55

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

1.3 Budget Deficit

Overall budget balance including grants records a deficit of BDT 150,485.30 crore in FY20 against a deficit of BDT 138,359.49 crore in FY19.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2019-20	-1,50,485.30	-5.38
2018-19	-1,38,359.49	-5.44

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

1.4 Deficit Financing

The Government has financed its budget deficit predominantly (54.51 percent) from the banking system in FY20. Lower than targeted external borrowing and Non-bank financing has resulted higher bank borrowing in FY20. However, the composition of external financing has increased by 6.54 percent in FY20 compared to the previous year.

Table 1.4: Deficit financing (Crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2019-20	45,116.39	81,717.96	23,346.42	105,064.38	150,180.78	5.37
2018-19	31,289.03	29,479.41	72,480.95	101,960.36	133,123.93	5.24
Target for 2019-20	63,848.00	47,364.00	30,000.00	77,363.00	141,211.00	5.05

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

1.4.1 National Savings Certificates (NSCs)

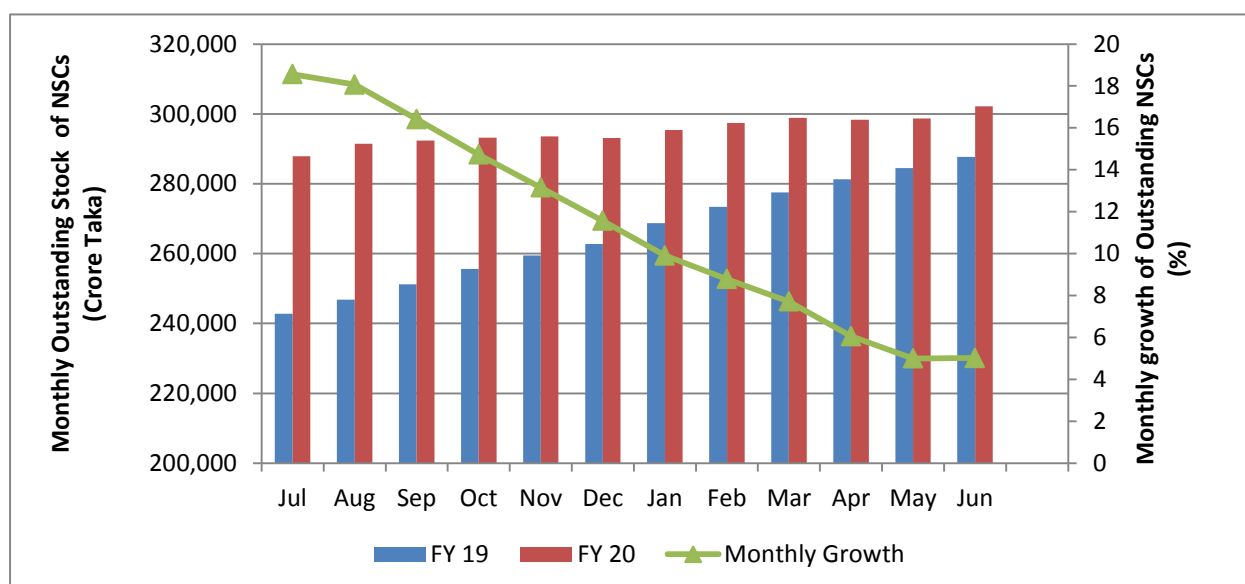
Sale of NSCs has dropped by 25.70 percent in FY20 on the back of various reform measures undertaken by the government. At the same time, repayment of NSCs has increased by 30.43 percent. As a result, net sale of NSC has fallen by 71.11 percent and the growth of outstanding stock of NSCs has slowed down to 5.01 percent at the end of FY20.

Table 1.5 Net Sale and Repayment of NSCs (Crore taka)

Period	Sale	Repayment (Principal)	Net Sale	Outstanding at the end of period
2019-20	67127.75	52699.40	14428.35	302134.35
2018-19	90342.39	40402.91	49939.48	287706.00
Growth (%)	-25.70	30.43	-71.11	5.01

Source: Major Economic Indicators: Monthly Update, Bangladesh Bank

Chart 1.2: Monthly trend of the outstanding stock of NSCs



Source: Major Economic Indicators, Bangladesh Bank, Monthly growth calculated over the same period of the previous year

2. MONETARY SECTOR

2.1 Monetary and Credit Development

Broad money (M2) growth has increased by 12.64 percent at the end of FY20 from FY19. Of the sources of broad money, Net Domestic Asset (NDA) increased by 13.64 percent and Net foreign asset increased by 9.15 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed growth in the net domestic asset despite moderate credit growth in the private sector.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock at the end of period (in Billion BDT)		Changes in Outstanding stock (%)
	June-20	June-19	June-20 over June-19
A. Net Foreign Assets (NFA)	2973.36	2724.00	9.15
B. Net Domestic Asset (NDA)	10763.99	9472.12	13.64
a. Domestic Credit	13076.34	11468.85	14.02
Public Sector	2103.66	1366.29	53.97
Govt. (Net)	1811.51	1132.73	59.92
Other Public	292.15	233.56	25.09
Private sector	10972.68	10102.56	8.61
b. Net Other assets	-2312.349	-1996.73	15.81
C. Broad Money (A+B)	13737.35	12196.12	12.64

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 15.66 percent at the end of FY20 from June 2019. Higher growth of reserve money has resulted slight decline of money multiplier by 0.13.

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

Items	Outstanding Stock at the end of period		Changes in Outstanding Stock
	June-20	Jun-19	June-20 over Jun-19
Reserve money	2844.83	2461.88	15.56%
Money multiplier	4.83	4.95	-0.13

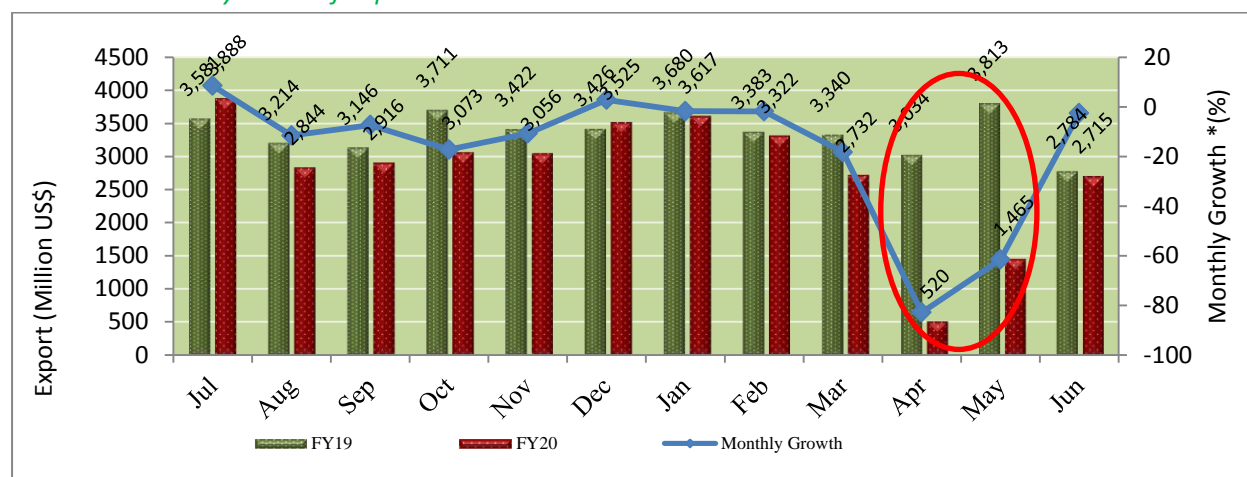
Source: Monthly Economic Trends, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export fall by 16.93 percent in FY20 as the export plunged in the later part of the fiscal year due to COVID19 pandemic. Even before the pandemic, the exports did not perform well compared to the previous fiscal year except in July and December.

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 (Million US\$)

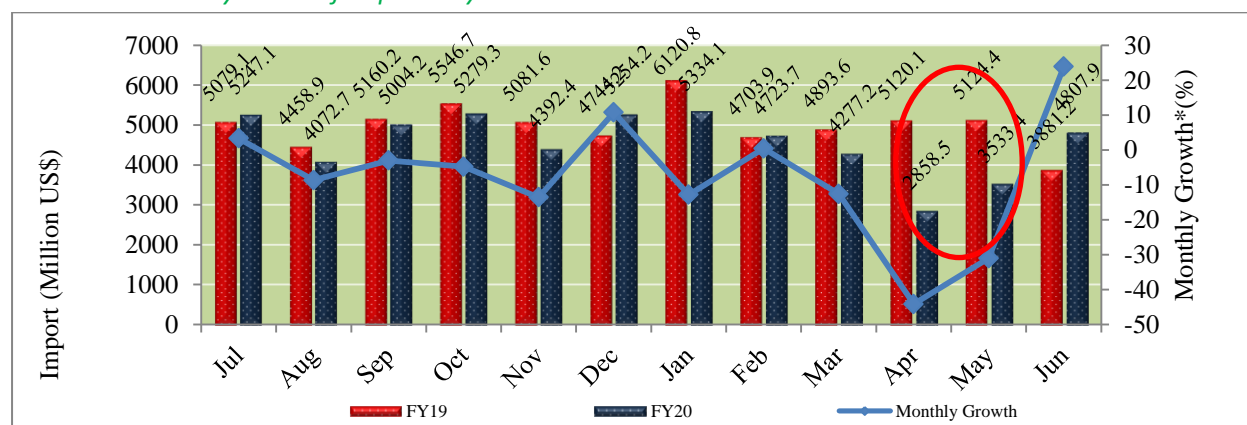
	2019-20	2018-19
Exports	33,674.12	40,535.04
Growth*(%)	-16.93	10.55

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

3.2 Imports (C & F)

As a supply chain economy, export trend has been also reflected in the trend of imports as it falls by 8.56 percent in FY20. Most of the part of the fiscal year, import falls below the level of the previous year as the import of industrial raw materials and capital machinery slowed down. At the same time, Letter of Credit (LC) opening falls by 9.51 percent and LCs settlement falls by 10.88 percent lower than that of the previous year.

Chart 3.2: Monthly Trend of Import Payments



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

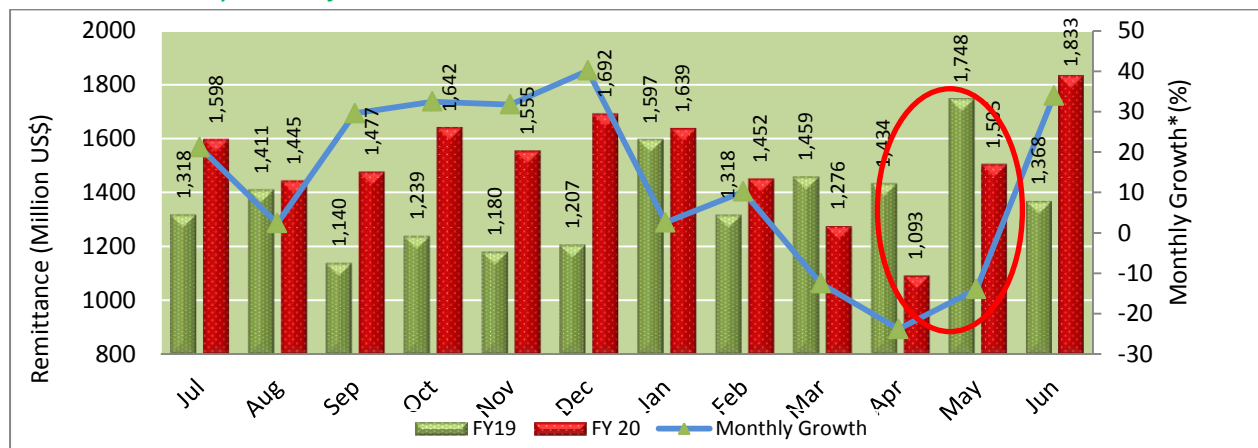
Table 3.2: Import Scenario (Million US\$)

Item	2019-20	2018-19
Import payments	54,784.70	59,914.70
Growth* (%)	-8.56	1.78
LCs Opened	53,119.86	58,703.38
Growth* (%)	-9.51	-16.81
LCs Settled	51,091.47	57,328.19
Growth* (%)	-10.88	6.03

Source: Bangladesh Bank. *Growth over the same period of the previous year, R-Revised, P-Provisional

3.3 Remittances

Remittance inflow has been bullish over the fiscal year on the back of 2.0 percent fiscal incentives by the government. However, remittance inflow has suffered a setback in March-May period due to the global shut down of economic activities. Overall, remittances inflow increased by 10.87 percent in FY20 compared to the previous year.

Chart 3.3: Monthly Trend of Remittance

Source: Bangladesh Bank

Table 3.3: Remittance Performance s (Million US\$)

	2019-20	2018-19
Remittances	18205.11	16419.63
As % of Export	54.06	40.51
As % of GDP	5.52	5.43
Growth (%)	10.87	9.62

Source: Bangladesh Bank

3.4 Balance of Payments (BOP)

The country's trade balance deteriorated in FY20 as the export earnings fall more than that of the imports. However, current account balance has improved on the back of strong remittance inflow. At the same time, a higher inflow in the financial account has contributed higher overall balance.

Table 3.4: Balance of Payments (Million US\$)

	2019-20 ^P	2018-19 ^R
Trade Balance	-17861	-15835
Current Account Balance	-4849	-5102
Capital Account	256	239
Financial Account	7952	5907
Error & Omission	296	-865
Overall Balance	3655	179

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

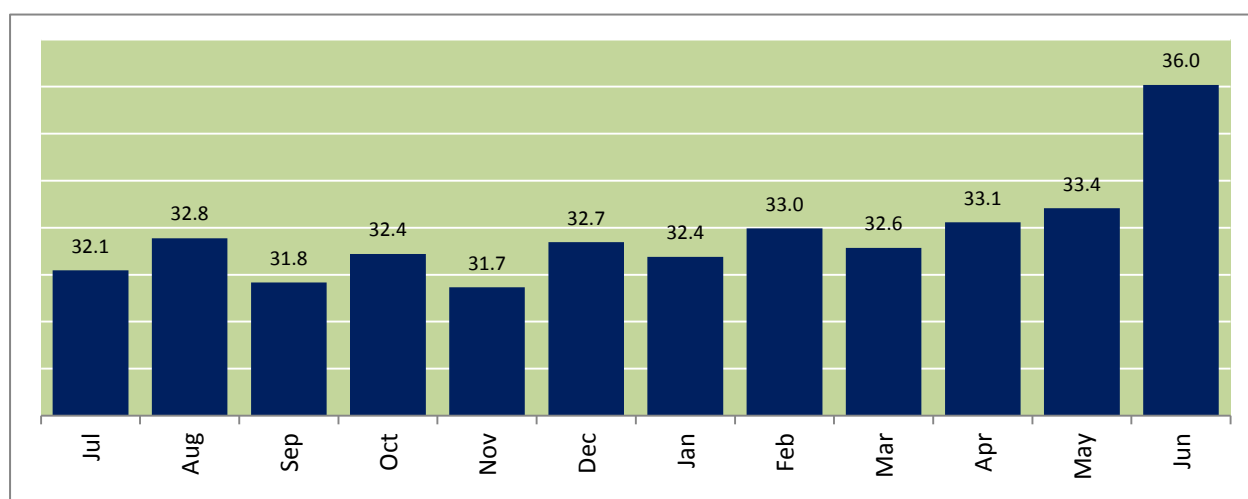
3.5 External Reserve

The gross foreign exchange reserve stood at 36.04 billion at the end of FY20, which is enough to cover import payments of 7.87 months based on average import liability of the previous 12 months. Foreign exchange reserve has surged at the end of June on the back of higher remittance inflow and inflows in the financial account.

Table 3.5: Foreign Exchange Reserve

Reserve	2019-20 (End of June)	2018-19 (End of June)
Million US\$	36037.03	32716.51
Months of import payment	7.87	6.27

Source: Bangladesh Bank

Chart 3.4: Gross Foreign Exchange Reserve (end of the month) (Billion US\$)

Source: Bangladesh Bank

3.6 Exchange Rate Movements

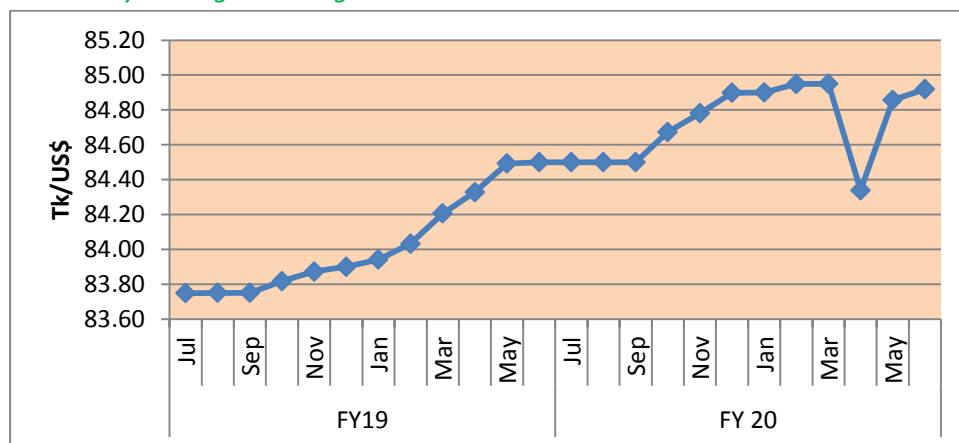
Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency, Taka depreciated by 0.49 percent against US dollar in June 2020 from June 2019.

Table 3.6: Exchange Rate Movement (Taka/US\$)

Period	Average	End period
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
February	84.95	84.95
March	84.95	84.95
April	84.34	84.45
May	84.95	84.95
June	84.92	84.90

Source: Bangladesh Bank

Chart 3.5: Monthly Average Exchange Rate Movement



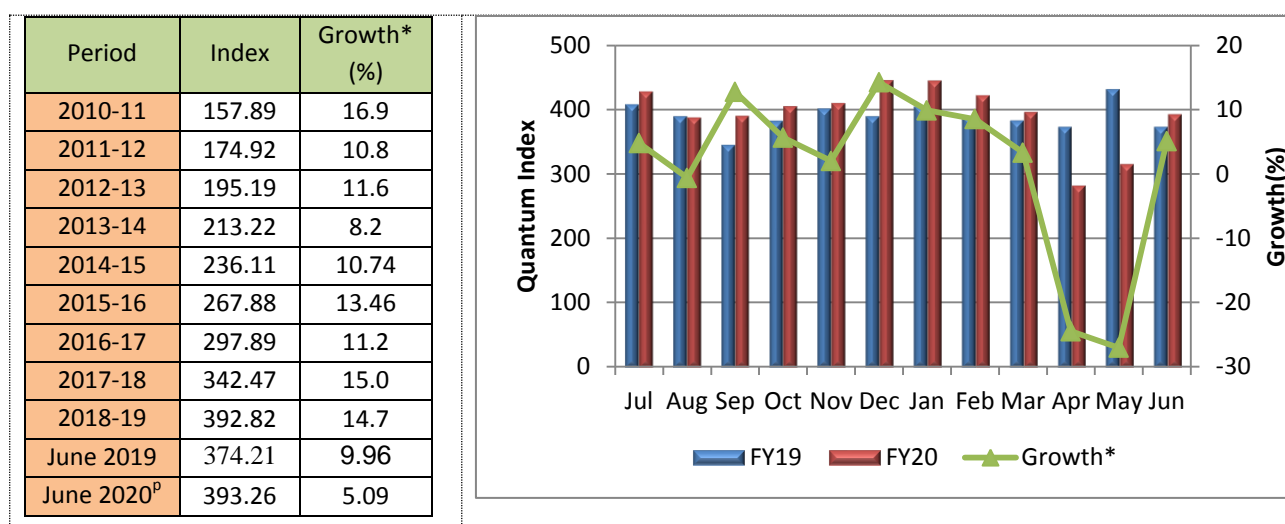
Source: Bangladesh Bank

4. REAL SECTOR

4.1 Quantum Index of Industrial Production

Quantum Index of large and medium scale manufacturing industry, which accounts for 87.54 percent of the industrial production, has increased by 5.09 percent in June 20 over June 19. Industrial production has rebounded somewhat in June from the COVID19 fallout in April and May.

Table 4.1: Quantum Index of large and medium scale manufacturing industry (Base: 2005-06=100)



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

Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

Major Industry Group	Weight	Index			Change of Index	
		June'19	May'20	June'20	June'20 over June'19(%)	June'20 over May'20(%)
General Index	100	374.21	315.67	393.26	5.09	24.58
Of which Wearing apparel	34.84	376.19	205.7	375.5	-0.18	82.55
Textile	14.07	225.36	199.5	218	-3.27	9.27
Food products	10.84	518.08	558.99	575.21	11.03	2.90
Pharmaceuticals	8.23	728.57	932.15	944.03	29.57	1.27
Non-metallic mineral Products	7.12	473.1	381.42	485.29	2.58	27.23
Leather & related products	4.4	314.61	326.09	321.83	2.29	-1.31

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

Industrial production at industry level shows that Pharmaceuticals industry performed well (29.57 growth) during the pandemic followed by Food industry (11.03 percent growth). Wearing apparel and Textile industry experienced negative growth in June 20. However, almost all industries performed better in June 20 than that of May 20.

4.2 CPI Inflation

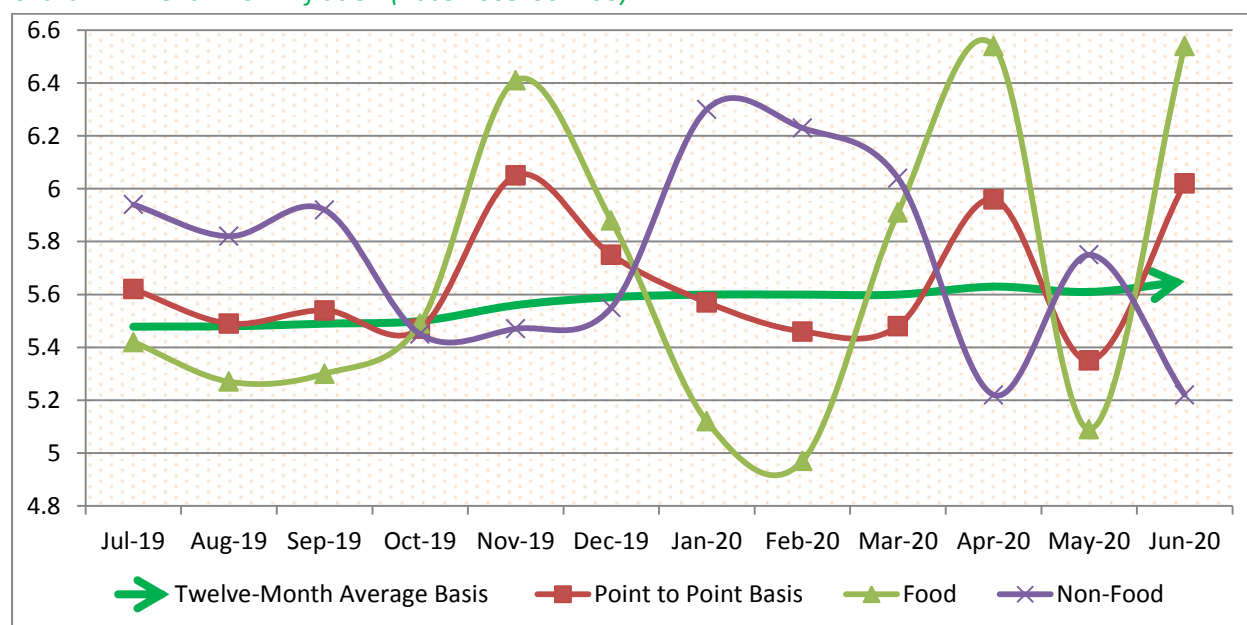
The CPI inflation (Twelve-month average basis) has slightly edged up in the second half of the fiscal year and stood at 5.65 where food inflation is 5.52 and non-food inflation is 5.85 at the end of the fiscal year against the target of 5.50 for FY20. In the last fiscal year, spike in food inflation due to the flood and cyclone and supply chain disruption drove the overall inflation higher than the target. CPI inflation has been targeted 5.40 percent in FY21.

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
February	5.49	5.87	4.89	5.47	5.44	5.51
March	5.60	5.43	5.86	5.96	5.91	6.45
April	5.65	5.52	5.85	6.02	6.54	5.22
May	5.61	5.43	5.89	5.35	5.09	5.75
June	5.65	5.52	5.85	6.02	6.54	5.22

Source: Bangladesh Bank

Chart 4.1: Trend in CPI Inflation (Base 2005-06=100)



4.3 GDP Growth Outlook

Bangladesh Bureau of statistics (BBS)'s provisional data shows that GDP has grown by 5.24 percent, which is 2.96 percent lower than the government's target. Private consumption and private investment are the two largest contributors to the growth. On the supply side, growth was mainly driven by services (5.32) and industrial sector (6.48). At the same time, per capita GNI has rose to US\$2064 at the end of FY20. The government has projected 8.2 percent GDP growth in FY21 and with this growth per capita income would rise to 2,326US\$. However, the projected growth largely depends upon how quickly the economy can make a turnaround from COVID19 pandemic.