



MONTHLY REPORT ON FISCAL-MACRO POSITION

July 2020

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Executive Summary

The July 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

Tax revenue fall by 4.79 percent while non-tax revenue increased by 18.46 percent have resulted total revenue fall by 1.99 percent in July of FY¹21. At the same time, Government spending increased by 20.19 percent as the government's subsidies and transfer more than doubled on the back of implementing a huge stimulus package to combat the fallout emerged from COVID19 pandemic. Overall budget deficit stood at 1,351 crore BDT at the end of July of FY21. Government has financed the deficit from the banking system overwhelmingly.

Monetary Sector

Broad Money (M2) increased by 14.26 percent at the end of July of FY21 resulted from 14.34 percent growth in the Net Domestic Asset (NDA) and 13.97 percent growth in the Net Foreign Asset (NFA). At the same time, reserve money grew at a faster rate of 19.86 percent that resulted decline in money multiplier by 0.24.

External Sector

Export increased by 0.59 percent while import payments fell by 19.42 percent in July 20 compared to that of July 19. At the same time, remittance inflow increased by 62.62 percent. Strong remittance inflow and lower import payments have contributed to build foreign exchange reserve that stood at US\$ 37.1 billion, which is equivalent to import payments of 8.05 months, at the end of July of FY21.

Real Sector

The quantum Index of large and medium manufacturing industry has increased by 8.93 percent in July 20 over July 19. Leather & related products, Pharmaceutical and Food Industry have performed well in July 20. The CPI inflation (12-month moving average) edged down to 5.64 percent, of which, food and non-food inflation are 5.45 percent and 5.79 percent respectively at the end of July of FY21.

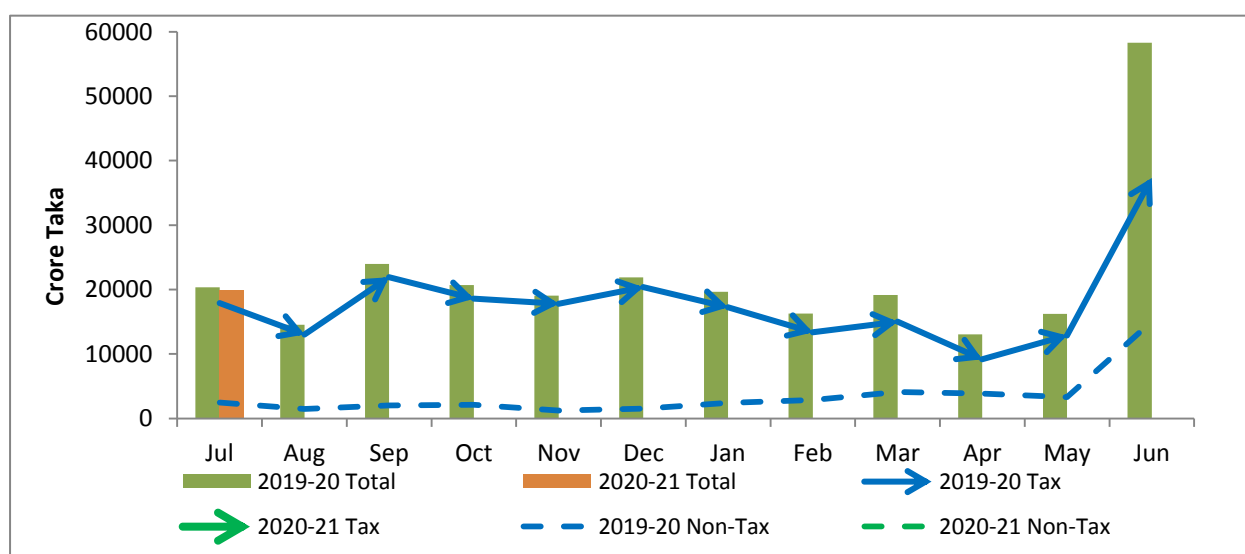
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

Revenue collection trend in FY20 has continued in July of FY21 as Tax revenue fall by 4.93 percent in July 20 compared to that of July19. At the same time, increase in non-tax revenue by 18.46 percent has moderated fall in total revenue collection.

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		
2020-21(July-)	16,556.46	484.02	17,040.48	2,896.60	19,937.08
2019-20(July-)	17,233.50	663.90	17,897.40	2,445.26	20,342.66
Growth (%)	-3.93	-27.09	-4.79	18.46	-1.99
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 Operating expenditure increased by 42.70 percent in at the end of July20 compared to that of July19 as subsidies and transferred more than doubled, pays and allowance also increased significantly as the government has been implementing a fiscal stimulus to recover the economy as early as possible. Despite 35.38 percent decline in the development expenditure, total government expenditure increased by 20.19 percent in July20 compared to that of July19. According to the Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, implementation rate of ADP in July20 is only 17.72 percent.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July-)	2019-20 (July-)	Growth (%) (July-)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	18,376.16	12,700.54	44.69	232,932.03	217,785.97	6.95
Pay and Allowances	5,996.97	3,837.11	56.29	55,483.05	53,400.24	3.90
Use of Goods and Services	666.02	457.17	45.68	28,434.80	28,562.22	-0.45
Interest Payment	4,103.63	4,912.87	-16.47	57,395.45	49,460.72	16.04
Domestic	3,669.36	4,464.76	-17.81	53,077.58	46,050.52	15.26
Foreign	434.27	448.12	-3.09	4,317.87	3,446.21	25.29
Subsidies and Transfer	7,609.55	3,493.39	117.83	91,618.53	86,362.78	6.09
a2. Operating Capital	145.68	279.23	-47.83	18,387.30	20,302.41	-9.43
a) Operating Expenditure	18,521.84	12,979.76	42.70	251,319.33	238,088.38	5.56
b) Outlay for Food Accounts	142.22	834.01	-82.95	2,325.57	4,233.43	-45.07
c) Net lending	-221.23	-505.40	-56.23	1,207.01	-1,707.78	-170.68
d) Development Expenditure	2,845.26	4,403.36	-35.38	160,652.41	151,055.35	6.35
Of which ADP	2,844.15	4,402.19	-35.39	154,238.27	147,400.38	4.64
Total Expenditure (a+b+c+d)	21,288.09	17,711.74	20.19	415,504.32	391,669.38	6.09
Total Expenditure (% of GDP)	8.05	7.60	0.45	14.86	15.40	-0.55
Memo item: GDP	31,71,824.04*	27,96,378.20	13.43	27,96,378.20	25,42,482.60	9.99

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division, *-Projected Nominal GDP @budget preparation

1.3 Budget Deficit

Budget balance turned negative in July 2020 from surplus balance in July 2019 due to low revenue mobilization against government expenditure. 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
2020-21(July-)	-1,351.01	-0.04
2019-20(July-)	2,630.92	0.09
2019-20	-150,503.84	-5.38
2018-19	-138,359.49	-5.44

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

1.4 Deficit Financing

Government borrowing from the banking system went up significantly in July 2020 as the government had to repay for the external debt as well as repayment for Non-Banking financing, especially for National Saving Certificate. Total financing (net) worth 1,348.1 crore, has been done from the domestic source overwhelmingly.

Table 1.4: Deficit financing (Crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21(July-)	-686.83	12,150.97	-10,116.01	2,034.96	1,348.13	0.04
2019-20(July-)	-709.03	16,992.01	-18,913.96	-1,921.95	-2,630.98	-0.09

2019-20	45,116.39	81,717.96	23,364.97	105,082.93	150,199.32	5.37
2018-19	31,289.03	29,479.41	72,480.95	101,960.36	133,249.38	5.24
Target in 2020-21	76,004.00	84,979.99	25,003.00	109,982.99	185,986.99	5.86

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

1.4.1 National Savings Certificates (NSCs)

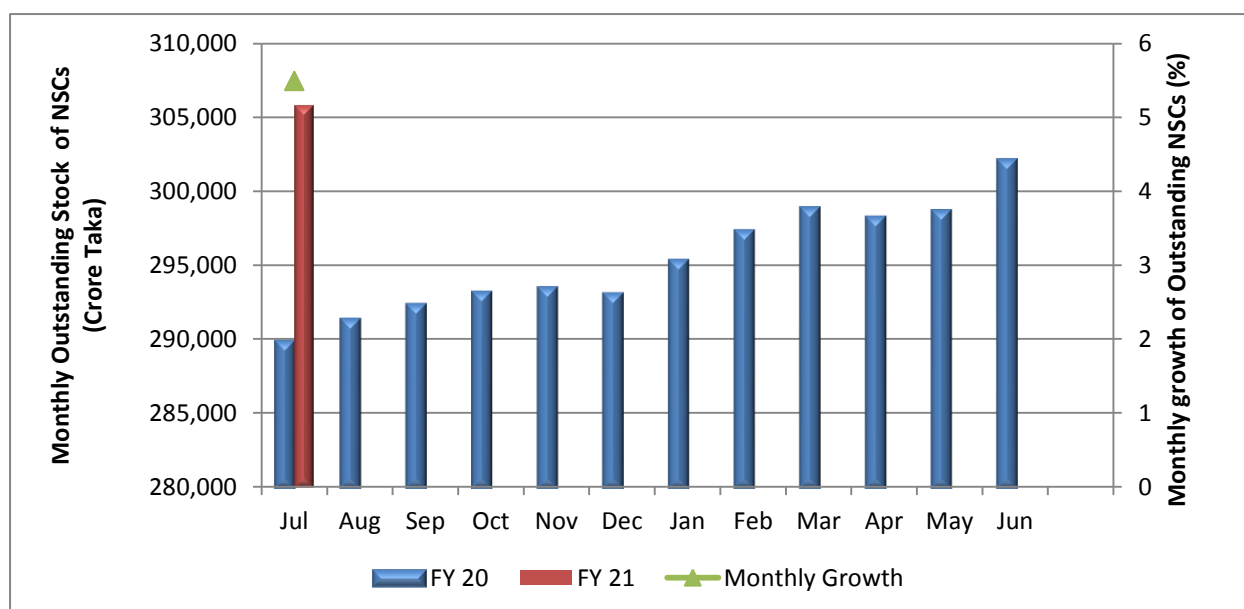
The trend of NSCs sale that has been slowed down in the last fiscal year appears to be reversed at the outset of the fiscal year as monthly sale of NSCs increased by 42.92 percent and repayment of NSCs increased by 28.91 percent in July20. At the same time, net sale of NSCs has increased by a whopping 67.47 percent in July 20. As a result, outstanding NSCs at the end of July20 have increased by 5.5 percent compared to that of July19.

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

Period	Sale	Repayment (Principal)	Net Sale	Outstanding at the end of period
2020-21(July-)	8,705.62	5,000.39	3,705.24	305,839.59
2019-20(July-)	6,091.33	3,878.85	2,212.47	289,918.48
Growth* (%)	42.92	28.91	67.47	5.49
2019-20	67,127.75	52,699.40	14,428.35	302,134.35
2018-19	90,342.39	40,402.91	49,939.48	287,706.00
Growth (%)	-25.70	30.43	-71.11	5.01

Source: Bangladesh Bank, *-Growth calculated over the same month of the previous year.

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) grew by 14.26 percent at the end of July 20 from that of July 19. Of the sources of broad money, Net Domestic Asset (NDA) increased by 14.34 percent and Net foreign asset increased by 13.97 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed higher growth in the net domestic asset despite moderate credit growth in the private sector.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)	
	Jul-20	Jul-19	Jun-20	Jul-20 over Jul-19	Jul-20 over Jun-20
A. Net Foreign Assets (NFA)	3,108.97	2,727.78	2,973.36	13.97	4.56
B. Net Domestic Asset (NDA)	10,939.81	9,567.95	10,763.99	14.34	1.63
a. Domestic Credit	13,209.55	11,573.52	13,076.34	14.14	1.02
Public Sector	2,257.53	1,543.86	2,103.66	46.23	7.31
Govt. (Net)	1,966.95	1,299.62	1,811.51	51.35	8.58
Other Public	290.58	244.23	292.15	18.98	-0.54
Private sector	10,952.02	10,029.66	10,972.68	9.20	-0.19
b. Net Other assets	-2,269.74	-2,003.94	-2,312.35	13.26	-1.84
C. Broad Money (A+B)	14,048.78	12,295.72	13,737.35	14.26	2.27

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 19.86 percent at the end of July 20 from that of July 2019. Higher growth of reserve money has resulted decline of money multiplier by 0.24.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Jul-20	Jul-19	Jun-20	Jul-20 over Jul-19	Jul-20 over Jun-20
Reserve money	2,919.13	2,435.54	2,844.83	19.86%	2.61%
Money multiplier	4.81	5.05	4.83	-0.24	-0.02

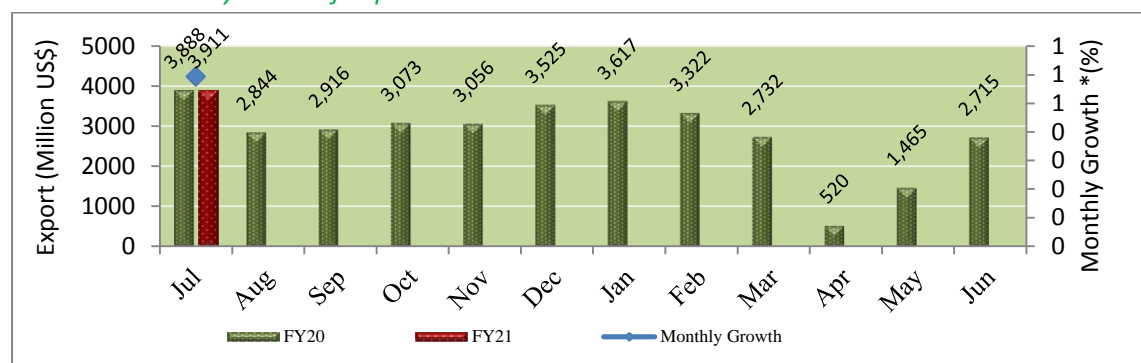
Source: Monthly Economic Trends, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export marginally increased by 0.59 percent in July 2020 compared to that of July 2019. This demonstrates slight recovery of exports from the slump caused by the COVID19 pandemic in the last quarter of the FY20.

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\$)

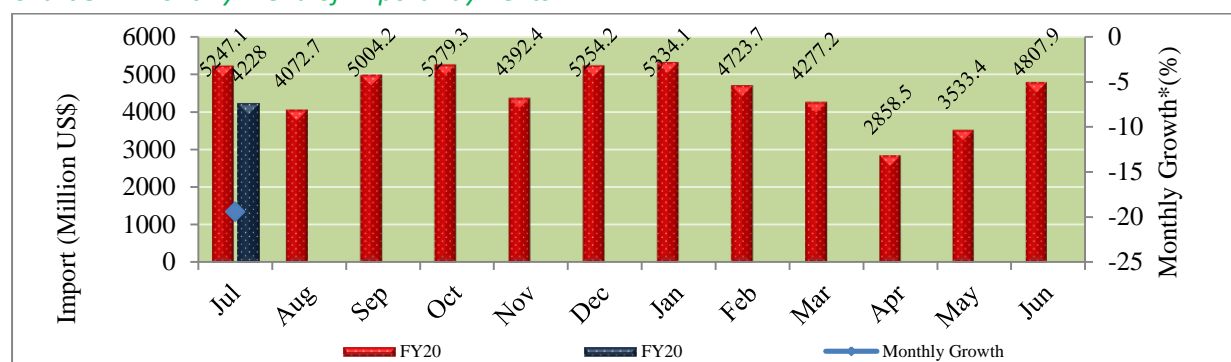
	2020-21 (July-)	2019-20 (July-)	2019-20	2018-19
Exports	3,910.92	3,887.86	33,674.12	40,535.04
Growth*(%)	0.59	8.55	-16.93	10.55

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

3.2 Imports (C & F)

Import payment fall significantly in July20 by 19.42 percent compared to that of July19 as import of industrial raw materials and capital machinery slowed down. At the same time, Letter of Credit (LC) opening falls by 26.22 percent and LCs settlement falls by 0.03 percent.

Chart 3.2: Monthly Trend of Import Payments



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

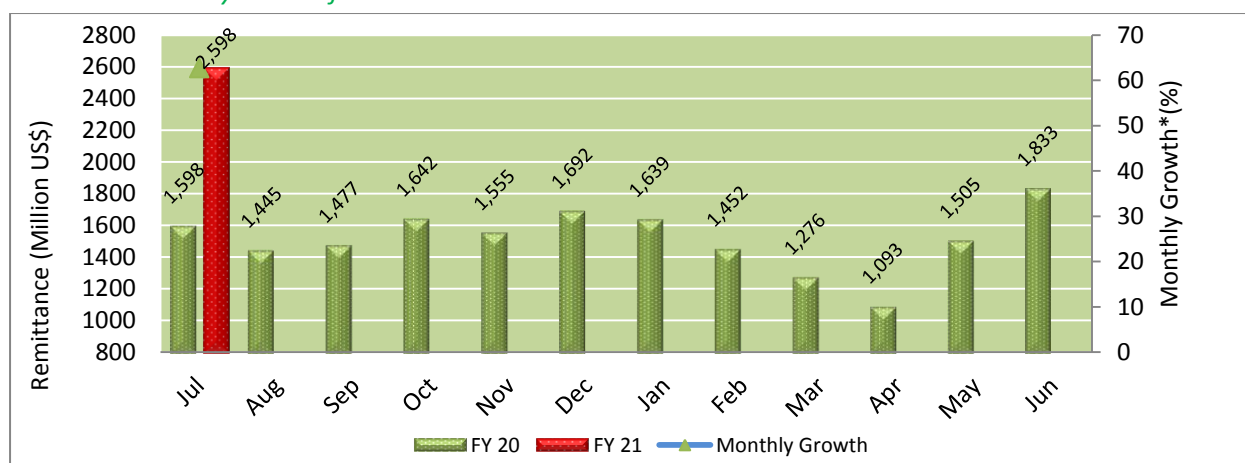
Table 3.2: Import Scenario (Million US\$)

Item	2020-21 (July-)	2019-20 (July-)	2019-20	2018-19
Import payments	4,228.00	5,247.10	54,784.70	59,914.70
Growth* (%)	-19.42	3.31	-8.56	1.78
LCs Opened	3,685.25	4,995.22	53,119.86	58,703.38
Growth* (%)	-26.22	-2.90	-9.51	-16.81
LCs Settled	4,357.23	4,358.36	51,091.47	57,328.19
Growth* (%)	-0.03	-11.24	-10.88	6.03

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

3.3 Remittances

Remittance inflow demonstrated a big jump (increased by 62.62 percent) in July 20 compared to that of July19. The government has been providing 2.0 percent fiscal incentives for each dollar remittance inflow into the economy. Reforms in the financial sector, such as Improvement in the mobile financial service, agent banking and financial inclusion have resulted jump in remittances in the formal channel. Overall, remittances inflow increased by 10.87 percent in FY20 compared to that of the previous year.

Chart 3.3: Monthly Trend of Remittance

Source: Bangladesh Bank

Table 3.3: Remittance Performance (Million US\$)

	2020-21 (July-)	2019-20 (July-)	2019-20	2018-19
Remittances	2,598.21	1,597.69	18,205.11	16,419.63
As % of Export	66.43	41.09	54.06	40.51
As % of GDP	8.34	5.81	5.52	5.43
Growth (%)	62.62	21.20	10.87	9.62

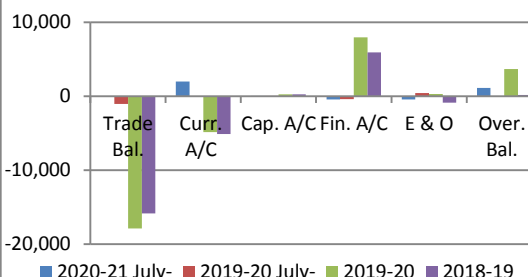
Source: Bangladesh Bank

3.4 Balance of Payments (BOP)

The country's trade balance improved as the export earnings fall less than that of import payments in July 2020. At the same time, strong remittance inflow has contributed to improve the current account balance and the overall balance.

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

	2020-21 (July-)	2019-20 (July-)	2019-20	2018-19
Trade Balance	-86	-1,061	-17,861	-15,835
Current Account	1,965	-108	-4,849	-5,102
Capital Account	17	3	256	239
Financial Account	-429	-396	7,952	5,907
Error & Omission	-426	424	296	-865
Overall Balance	1,127	-77	3,655	179



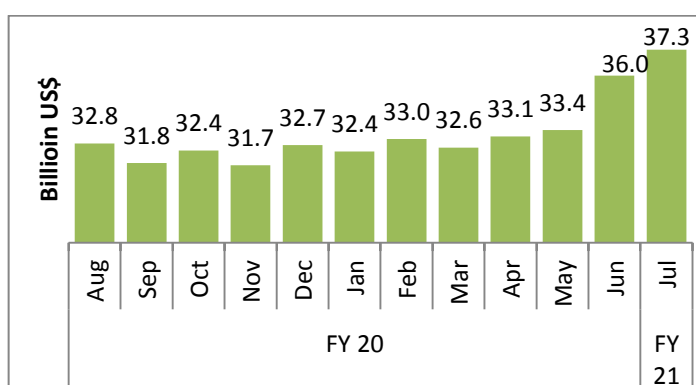
Source: Bangladesh Bank;

3.5 External Reserve

The gross foreign exchange reserve stood at 37.10 billion at the end of July 2020, which is enough to cover import payments of 8.05 months based on average import liability of the previous 12 months. Foreign exchange reserve has surged at the end of July 2020 on the back of higher remittance inflow.

Table 3.5: Foreign Exchange Reserve (end of the month)

Reserve	2020-21 (July)	2019-20 (July)	2019-20 (June)
Million US\$	37,099.80	32,093.25	36,037.03
Months of import payment	8.05	6.32	7.87



Source: Bangladesh Bank

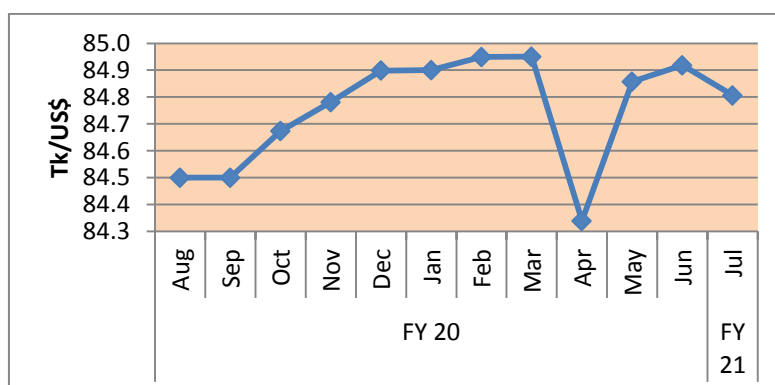
3.6 Exchange Rate Movements

Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency (BDT) moved within a narrow band (84.7-85.0 Tk/US\$) in the last one year. In this period Taka depreciated by 0.36 percent, on average, against US dollar. However, BDT slightly appreciate compared to that of the last month by 0.13 percentage point.

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	84.78	84.90
2020-21		
July	84.81	84.80

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 8.93 percent in July20 over that of July19. Industrial production has rebounded somewhat in July20 from the COVID19 fallout in April and May 2020.

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

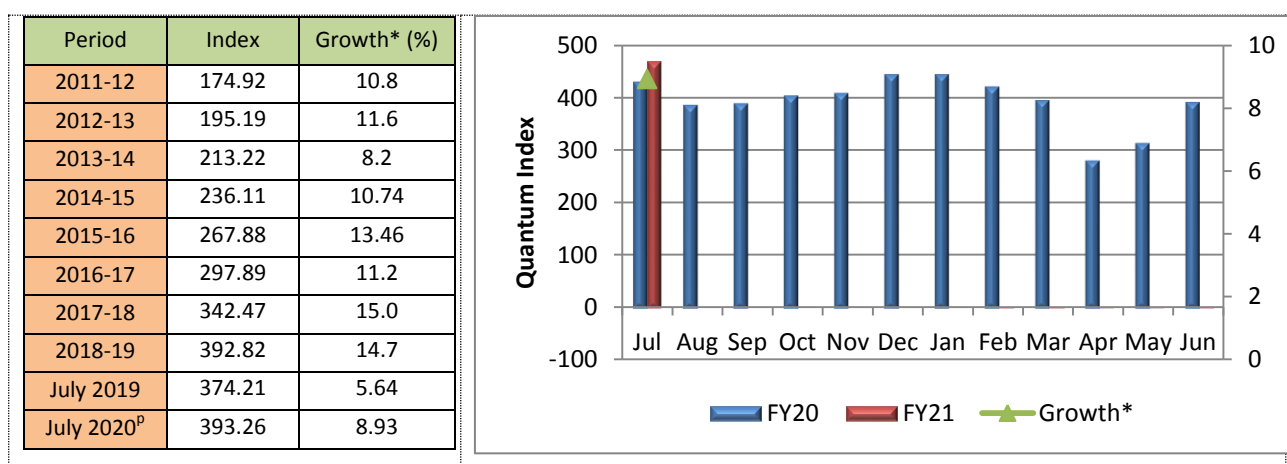


Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

Major Industry Group	Weight	Index			Change of Index	
		July'19	June'20	July'20	July'20 over July'19 (%)	July'20 over June'20 (%)
General Index	100	430.59	393.26	470.58	9.29	19.66
Of which Wearing apparel	34.84	514.68	375.5	512.88	-0.35	36.59
Textile	14.07	236	218	240.86	2.06	10.49
Food products	10.84	529.15	575.21	602.36	13.84	4.72
Pharmaceuticals	8.23	766.98	944.03	956.89	24.76	1.36
Non-metallic mineral Products	7.12	474.81	485.29	524.88	10.55	8.16
Leather & related products	4.4	328.61	321.83	556.97	69.49	73.06

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

Industrial production by major industry group shows that Leather & related products has rebounded in July20 with 73.1 percent growth and Pharmaceuticals industry has also performed well (24.76 growth) followed by Food industry (13.8 percent growth). Wearing apparel and Textile industry are still struggling with the slower external demand caused by COVID19 pandemic. However, all industries performed better in July'20 than that of June'20 that demonstrates clear sign of recovery from the pandemic.

4.2 CPI Inflation

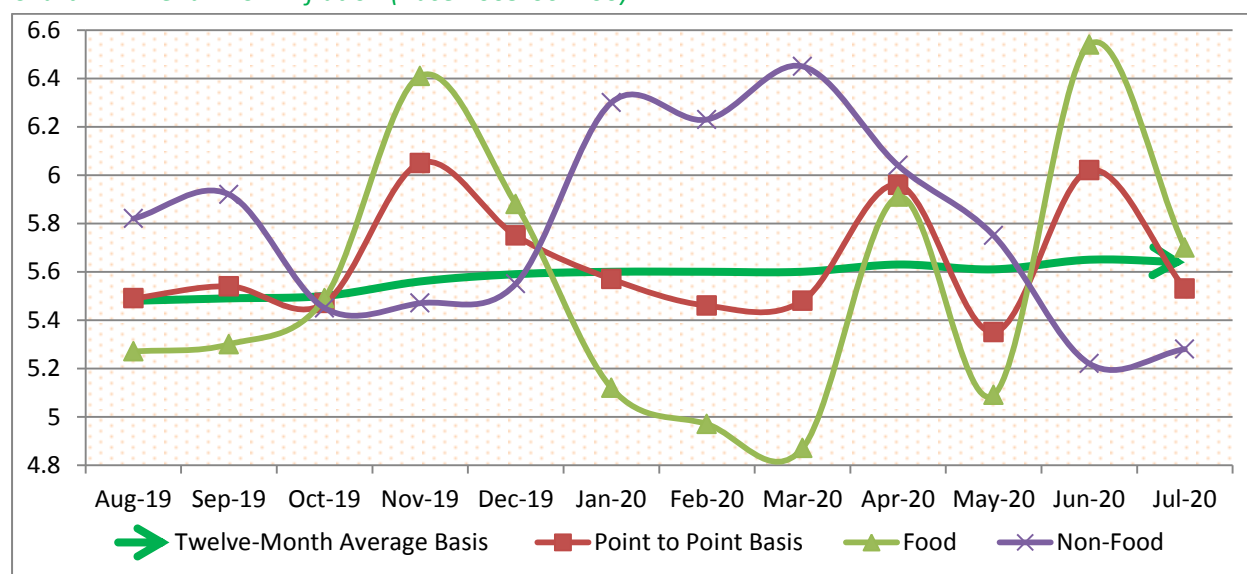
The CPI inflation (Twelve-month average basis) has slightly edged down to 5.64 percent where food inflation is 5.54 and non-food inflation is 5.79 at the end of July20 as the food inflation declined in July. CPI inflation has been targeted 5.40 percent in FY21. In the last fiscal year, spike in food inflation due to the flood and cyclone and disruption in supply chain drove the overall inflation higher than the target (5.50).

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	5.65	5.52	5.85	5.65	5.56	5.85
2020-21						
July	5.64	5.54	5.79	5.53	5.70	5.28

Source: Bangladesh Bank

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



4.3 GDP Growth Outlook

Bangladesh Bureau of statistics (BBS) provisional data show that GDP has grown by 5.24 percent, which is 2.96 percent lower than that of government's target in FY20. Private consumption (2.47) and private investment (1.59) are the two largest contributors to this estimated 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 GDP to grow at 8.2 percent to 31,71,824 crore at the time of budget declaration and with this growth per capita income would rise to 2,326US\$ in FY21. However, the projected growth largely depends upon how quickly the economy makes a turnaround from COVID19 pandemic.