



MONTHLY REPORT ON FISCAL-MACRO POSITION

September 2020

Prepared by:

Mohammad Mahabub Alam, Senior Assistant Secretary

Guided by:

Md. Azizul Alam, Additional Secretary

Abu Daiyan Mohammad Ahsanullah, Deputy Secretary

Published by:

Macroeconomic Wing

Finance Division, Ministry of Finance

Vol. XIV, No. 3, September 2020, Fiscal Year 2020-21

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Executive Summary

The September 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

Increase in non-tax revenue by 42.22 percent and increase in tax revenue by 7.51 percent have resulted revenue to grow by 8.29 percent in July-September of FY¹21. At the same time, total government spending fall by 7.57 percent as the development expenditure fall by 26.05 percent on the back of slow implementation of the development projects due to COVID19 pandemic. Overall budget balance including grants remains surplus of 2,449.40 crore BDT at the end of September of FY21.

Monetary Sector

Broad Money (M2) grew by 13.92 percent at the end of September of FY21 resulted from 11.67 percent growth in the Net Domestic Asset (NDA) and 22.07 percent growth in the Net Foreign Asset (NFA). At the same time, reserve money grew by 13.61 percent that resulted increase in money multiplier by 0.01.

External Sector

Export increased by 3.53 percent while import payments fell by 7.03 percent in September 20 compared to that of September 19. At the same time, remittance inflow increased by 45.65 percent. Strong remittance inflow and lower import payments have contributed to build foreign exchange reserve that stood at US\$ 39.31 billion, which is equivalent to import payments of 8.67 months, at the end of September of FY21.

Real Sector

The quantum Index of the large and medium scale manufacturing industry has increased by 6.58 percent in September 20 over September 19. Leather & related products experienced 60.79 percent growth followed by Pharmaceuticals with 10.53 percent growth while food products declined by 7.97 percent on September 20 compared to that of September 19. The CPI inflation (12-month moving average) marginally edged up to 5.69 percent, of which, food and non-food inflation are 5.71 percent and 5.66 percent respectively at the end of September of FY21.

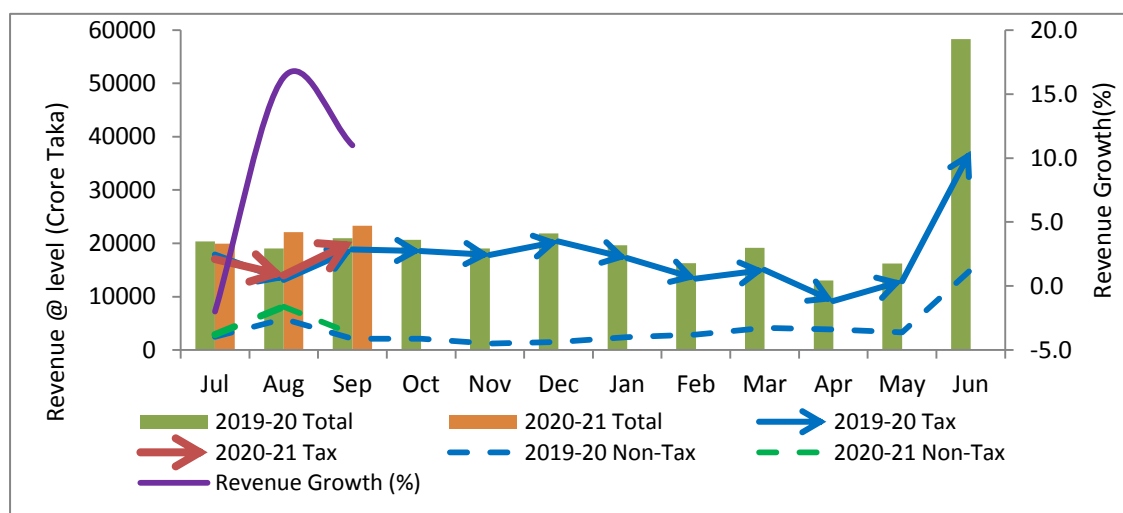
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

Revenue grew by 11.0 percent in September 2020 compared to that of September 19 where tax revenue growth is 7.51 percent and non-tax revenue growth is 42.22 percent. In the first quarter (July-September) of FY21, tax revenue grew by 2.81 percent and non-tax revenue grew by 34.60 percent that resulted total revenue to grow by 8.29 percent.

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-September)	49,960.04	1,387.96	51,348.00	14,015.85	65,363.85
2019-20 (July-September)	48,219.62	1,724.67	49,944.29	10,413.12	60,357.41
Growth (%)	3.61	-19.52	2.81	34.60	8.29
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 3.93 percent in July-September of FY21 compared to that of July-September of FY20 as subsidies and transferred increased 20.56 percent since the government has been implementing a huge stimulus package to stimulate the economy that dampened by the COVID19 pandemic. At the same time, declining in development expenditure by 26.05 percent has resulted total government expenditure to fall by 7.57 percent (at level). According to Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, execution rate of ADP is 32.62 percent in the 1st quarter (July-September) of FY21.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July- September)	2019-20 (July- September)	Growth (%) (July- September)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	48,904.20	45,738.87	6.92	232,932.03	217,785.97	6.95
Pay and Allowances	14,459.83	14,449.42	0.07	55,483.05	53,400.24	3.90
Use of Goods and Services	3,318.79	4,022.35	-17.49	28,434.80	28,562.22	-0.45
Interest Payment	14,108.56	13,151.56	7.28	57,395.45	49,460.72	16.04
Domestic	12,722.66	11,844.36	7.42	53,077.58	46,050.52	15.26
Foreign	1,385.90	1,307.20	6.02	4,317.87	3,446.21	25.29
Subsidies and Transfer	17,017.03	14,115.53	20.56	91,618.53	86,362.78	6.09
a2. Operating Capital Expenditure	1,036.22	2,314.55	-55.23	18,387.30	20,302.41	-9.43
a) Total Operating Expenditure (a1+a2)	49,940.42	48,053.42	3.93	251,319.33	238,088.38	5.56
b) Outlay for Food	2,290.90	3,486.11	-34.28	2,325.57	4,233.43	-45.07
c) Net lending	-2,012.07	-639.37	214.70	1,207.01	-1,707.78	-170.68
d) Development Expenditure	12,695.24	17,167.69	-26.05	160,652.41	151,055.35	6.35
Of which ADP	12,644.02	17,145.95	-26.26	154,238.27	147,400.38	4.64
Total Expenditure (a+b+c+d)	62,914.49	68,067.85	-7.57	415,504.32	391,669.38	6.09
Total Expenditure (% of GDP)	7.93	9.74	-1.80	14.86	15.40	-0.55
Memo item: GDP	3,171,824.04*	2,796,378.20	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

Overall budget balance (including grants) remains surplus by 2,449.40 crore taka as the government expenditure fall 7.57 percent while total revenue increases by 8.29 percent in July-September of FY21. This balance was BDT 7,710.45 crore deficits during July-September of FY20.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2020-21 (July-September)	2,449.40	0.08
2019-20 (July-September)	-7,710.45	-0.28
2019-20	-150,528.49	-5.38
2018-19	-138,359.49	-5.44

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

1.4 Deficit Financing

Despite surplus balance in the 1st quarter (July-September) of FY21, the government had to borrow BDT. 11,765.05 Crore from the banking system and BDT 2,093.91 crore from the external sources to make repayment of the non-bank borrowing done in the past.

Table 1.4: Deficit financing (Crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21(July-September)	2,093.91	11,765.05	-16,276.06	-4,511.01	-2,417.11	-0.08
2019-20(July-September)	-1,286.80	24,562.28	-15,455.68	9,106.60	7,819.80	0.28
2019-20	45,116.39	81,717.96	23,389.62	105,107.58	150,223.97	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

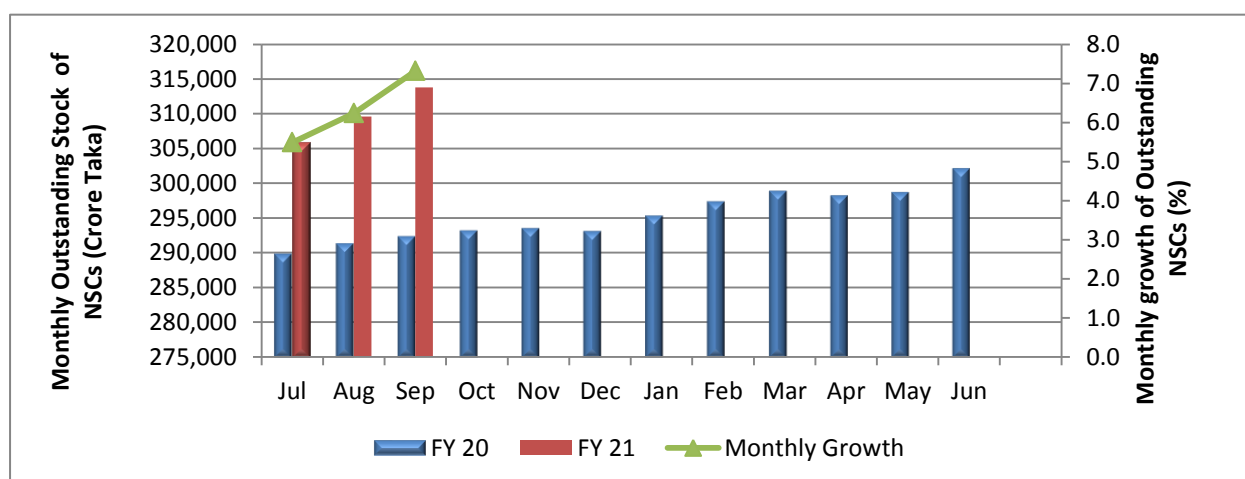
1.4.1 National Savings Certificates (NSCs)

The trend of NSCs sale that has slowed down in the last fiscal year appears to be reversed as sale of NSCs increased by 60.41 percent and net sale of NSCs increased by 148.24 percent in July-September of FY21. As a result, outstanding NSC has increased by 7.32 percent at the end of September 20 compared to that of September 19.

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-September)	27,945.53	16,283.22	11,662.31	313,796.66
2019-20 (July-September)	17,421.84	12,723.77	4,698.07	292,404.07
Growth* (%)	60.41	27.97	148.24	7.32
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 13.92 percent at the end of September 20 from that of September 19. Of the sources of broad money, Net Domestic Asset (NDA) increased by 11.67 percent and Net foreign asset (NFA) increased by 22.07 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 (%)	
	Sep-20	Sep-19	Jun-20	Sep-20 over Sep-19	Sep-20 over Jun-20
A. Net Foreign Assets (NFA)	3,311.58	2,712.78	2,973.36	22.07	11.37
B. Net Domestic Asset (NDA)	10,950.47	9,806.03	10,763.99	11.67	1.73
a. Domestic Credit	13,329.59	11,832.26	13,076.34	12.65	1.94
Public Sector	2,198.77	1,665.29	2,103.66	32.04	4.52
Govt. (Net)	1,904.99	1,407.82	1,811.51	35.31	5.16
Other Public	293.78	257.47	292.15	14.10	0.56
Private sector	11,130.82	10,166.97	10,972.68	9.48	1.44
b. Net Other assets	-2,379.12	-2,026.23	-2,312.35	17.42	2.89
C. Broad Money (A+B)	14,262.05	12,518.81	13,737.35	13.92	3.82

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 13.61 percent at the end of September 20 from that of September 2019. Slight lower growth of reserve money compared to that of broad money has resulted increase of money multiplier by 0.01. However, reserve money declined by 1.29 percent in September 20 compared to that of June 20.

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Sep-20	Sep-19	Jun-20	Sep-20 over Sep-19	Sep-20 over Jun-20
Reserve money	2,808	2,472	2,845	13.61%	-1.29%
Money multiplier	5.08	5.06	4.83	0.01	0.25

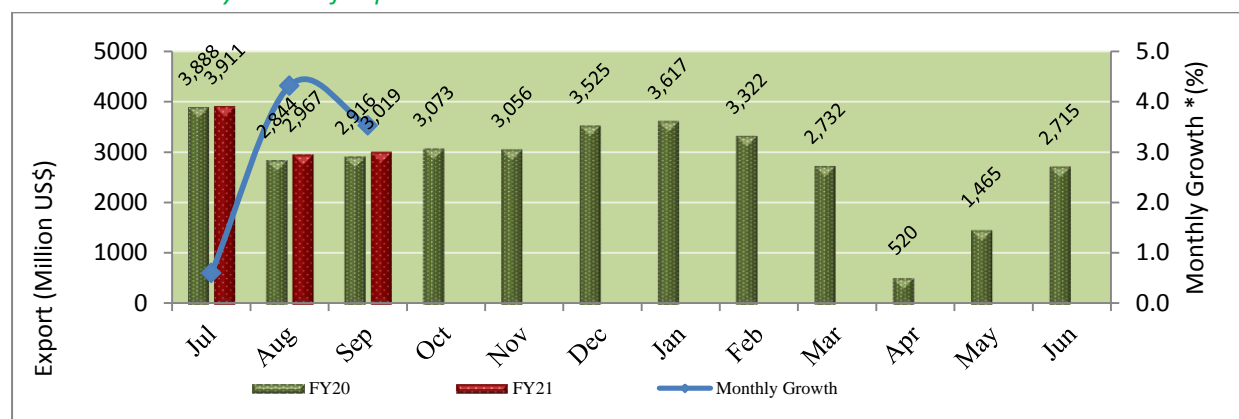
Source: Monthly Economic Trends, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export increased by 3.53 percent to 3.02 billion USD in September 2020 compared to that of September 2019. With this growth, cumulative export increased by 2.58 percent to 9.90 billion USD in July-September of FY21 compared to that of the previous year. This demonstrates slight recovery of exports from the slump caused by the COVID19 pandemic in the last quarter of 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\$)

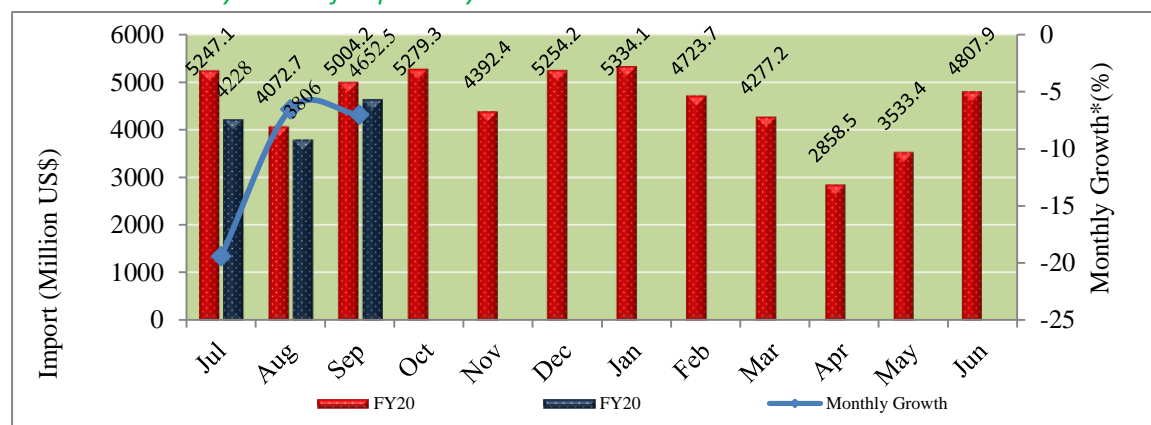
	2020-21 (July-September)	2019-20 (July-September)	2019-20	2018-19
Exports	9,896.84	9,648.02	33,674.12	40,535.04
Growth*(%)	2.58	-2.94	-16.93	10.55

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

3.2 Imports (C & F)

Import payment fell by 7.03 percent to 4.65 billion USD in September 2020 compared to that of September 2019 as import of industrial raw materials and capital machinery slowed down. Meanwhile, cumulative import payment dropped by 11.43 percent to 12.69 billion USD in July-September of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening fell by 8.90 percent and LCs settlement fell by 13.75 percent.

Chart 3.2: Monthly Trend of Import Payments



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

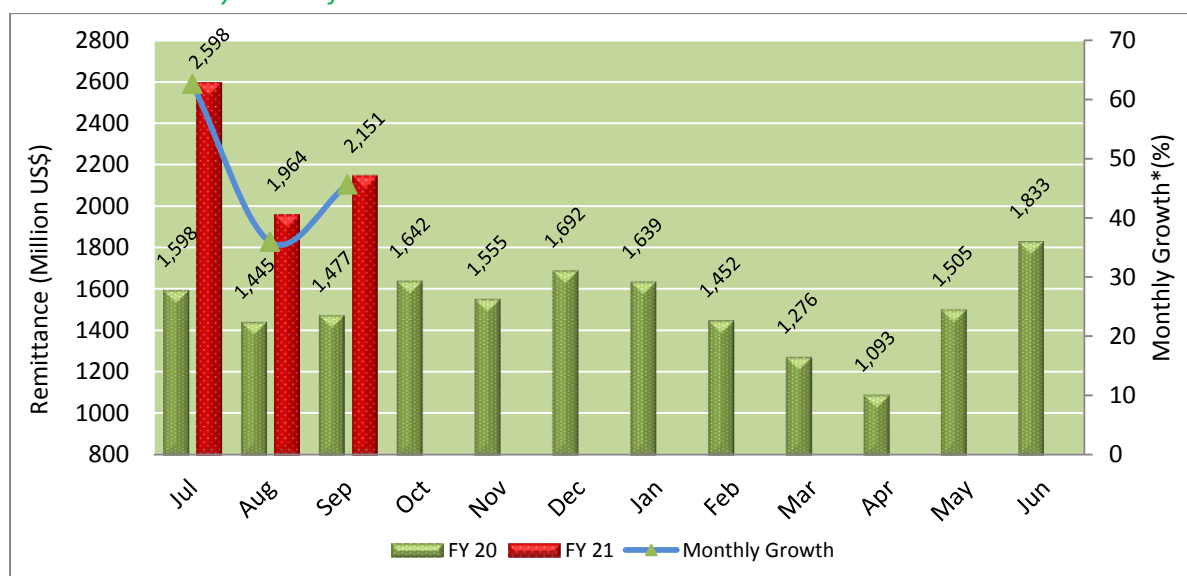
Table 3.2: Import Scenario (Million US\$)

Item	2020-21 (July-September)	2019-20 (July-September)	2019-20	2018-19
Import payments	12,686.50	14,324.00	54,784.70	59,914.70
Growth* (%)	-11.43	-2.55	-8.56	1.78
LCs Opened	13,300.44	14,599.31	53,119.86	58,703.38
Growth* (%)	-8.90	-	-9.51	-16.81
LCs Settled	11,501.27	13,335.28	51,091.47	57,328.19
Growth* (%)	-13.75	-	-10.88	6.03

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

3.3 Remittances

Remittance inflow continued to perform well in September20 (increased by 45.65 percent compared to that of September19). Cumulative remittance inflow grew by 48.54 percent in July-September of FY21 compared to that of the previous year. The government has been providing 2.0 percent fiscal incentives for each dollar remittance inflow into the economy. Further, reforms in the financial sector, such as Improvement in the mobile financial service, agent banking and financial inclusion have resulted jump in remittance in the formal channel.

Chart 3.3: Monthly Trend of Remittance

Source: Bangladesh Bank

Table 3.3: Remittance Performance (Million US\$)

	2020-21 (July-September)	2019-20 (July-September)	2019-20	2018-19
Remittances	6,713.20	4,519.35	18,205.11	16,419.63
As % of Export	67.83	46.84	54.06	40.51
As % of GDP	7.18	5.48	5.52	5.43
Growth (%)	48.54	16.81	10.87	9.62

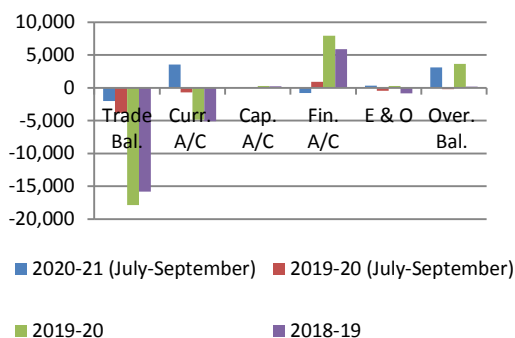
Source: Bangladesh Bank

3.4 Balance of Payments (BOP)

Slight increase in exports and fall in import payments have contributed to improve the trade balance in July-September of FY21. During the period, higher remittance inflow has turned the current account balance from 715 Million US\$ deficit to 3,534 Million US\$ surplus. Consequently, overall balance has also turned around despite negative inflow in the financial account.

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

	2020-21 (July- September)	2019-20 (July- September)	2019-20	2018-19
Trade Balance	-2,039	-3,840	-17,861	-15,835
Current Account	3,534	-715	-4,849	-5,102
Capital Account	43	28	256	239
Financial Account	-799	931	7,952	5,907
Error & Omission	320	-448	296	-865
Overall Balance	3,098	-204	3,655	179



Source: Bangladesh Bank;

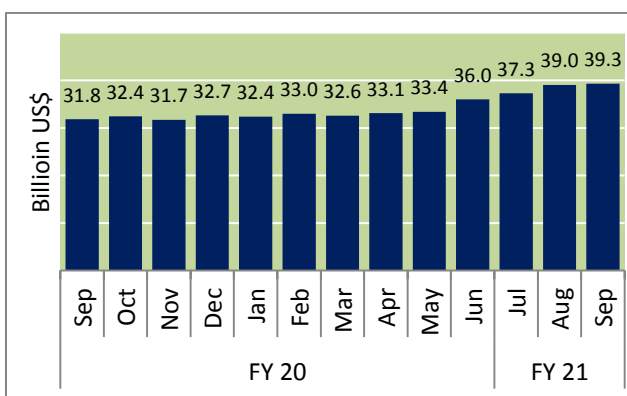
3.5 External Reserve

The gross foreign exchange reserve stood at 39.31 billion at the end of September20, which is enough to cover import payments of 8.67 months based on average import liability of the previous 12 months. Foreign exchange reserve has surged at the end of September20 on the back of higher remittance inflow and lesser import payments.

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

Reserve	2020-21 (September)	2019-20 (September)	2019-20 (June)
Million US\$	39,313.98	31,831.92	36,037.03
Months of import payment	8.67	6.30	7.87

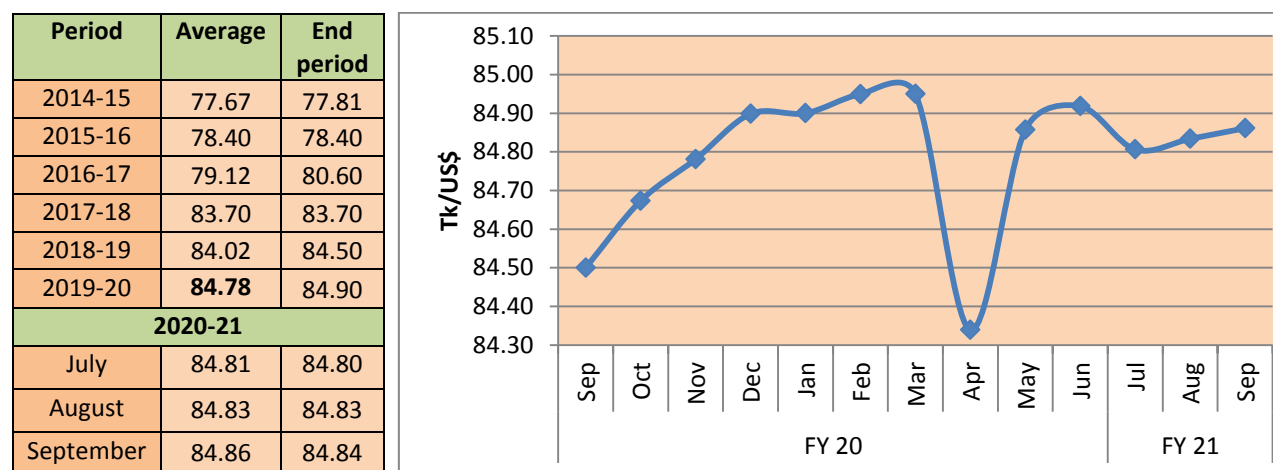
Source: Bangladesh Bank



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 (84.3-85.0 Tk/US\$) in the last one year. In this period, Taka depreciated by 0.43 percent against US dollar in September 2020 from that of September 2019.

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



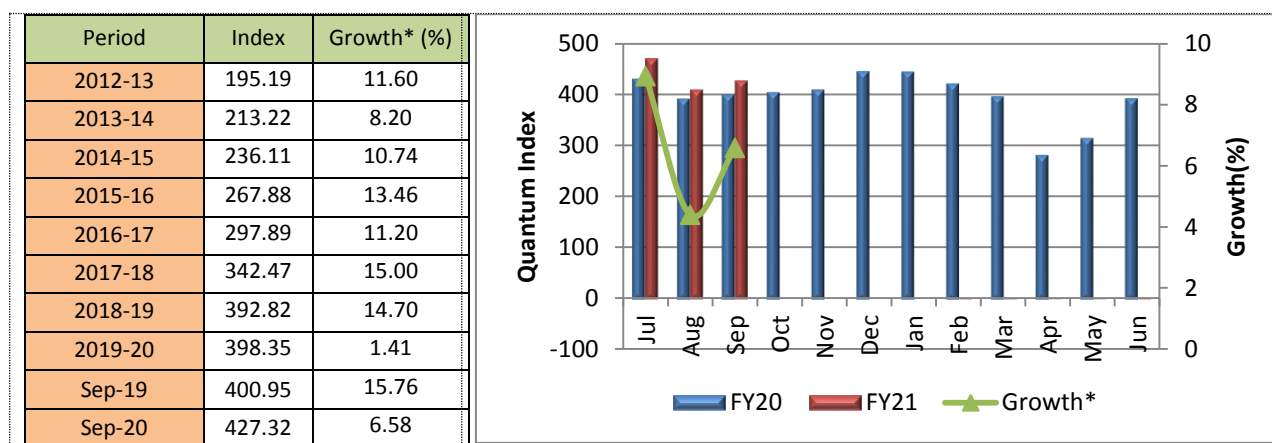
Source: Bangladesh Bank

4. REAL SECTOR

4.1 Quantum Index of Industrial Production

The Quantum Index of the large and medium scale manufacturing industry, which accounts for 87.54 percent of the industrial production, has increased by 6.58 percent in September 20 than that of September 19. On the other hand, Industrial production index growth increased by 4.27 percent in September 20 compared to the previous month.

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	
		Sep'19	Aug'20	Sep'20	Sep'20 over Sep'19 (%)	Sep'20 over Aug'20(%)
General Index	100	400.95	409.83	427.32	6.58	4.27
Of which Wearing apparel	34.84	368.42	399.2	390.36	5.96	-2.21
Textile	14.07	243.41	245.44	256.73	5.47	4.60
Food products	10.84	619.2	494.62	569.84	-7.97	15.21
Pharmaceuticals	8.23	870.2	952.75	961.82	10.53	0.95
Non-metallic mineral Products	7.12	482.76	429.87	490.94	1.69	14.21
Leather & related products	4.4	338.54	535.04	544.34	60.79	1.74

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 experienced 60.79 percent growth followed by Pharmaceuticals with 10.53 percent growth while food products declined by 7.97 percent in September 20 compared to that of September 19. The Wearing apparel and Textile industry are still struggling with the slower external demand caused by the COVID19 pandemic. Overall, the output of the most industries increased in September 20 compared to that of September 19.

4.2 CPI Inflation

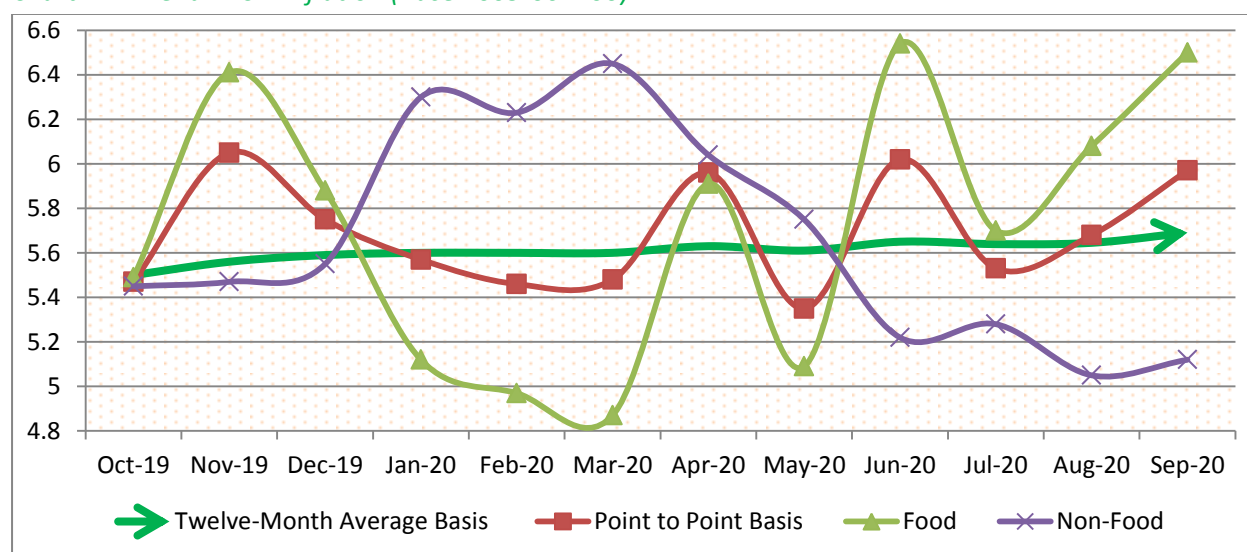
The CPI inflation (Twelve-month average basis) has slightly edged up to 5.69 where food inflation is 5.71 and non-food inflation is 5.66 in September 20 as the food inflation increased during this period. CPI inflation has been targeted 5.40 percent in FY21. In the last fiscal year, spike in food inflation due to the flood and cyclone and supply chain disruption drove the overall inflation higher than the target (5.5).

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
August	5.65	5.61	5.72	5.68	6.08	5.05
September	5.69	5.71	5.66	5.97	6.50	5.12

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.